# THE ECONOMIC WELL-BEING OF RECENT IMMIGRANTS TO CANADA

**ABSTRACT**

In the 1990s, the composition of immigrants admitted to Canada changed, as there was an increase in the number of immigrants admitted in the economic class. Furthermore, as the selection priorities evolved, the number of immigrants with a university degree considerably increased. Yet despite this increase, sucessive cohorts of newcomers have had difficulties integrating into the workplace. This article provides an overview of the main indicators of this question.

**GRANT SCHELLENBERG** AND **FENG HOU**
Statistics Canada

The 1990s witnessed significant changes in immigration to Canada. Between 1991 and 2000, 2.2 million immigrants were admitted to Canada – the highest intake in any decade over the past 100 years. A high-level of immigration was maintained during the recession in the early 1990s, with slow recovery in subsequent years. Furthermore, the decade saw a shift in the composition of immigrants admitted to the country, with a greater share entering under the "economic" admission class. And because of changes in selection priorities, the share of immigrants who had a university degree increased significantly as well. Yet in spite of the rise in educational attainment, successive cohorts of new arrivals have experienced difficulties in the labour market. This article provides a brief overview of key indicators on this issue.

## Employment and earnings

Success in the labour market is a key ingredient for financial well-being. The conventional wisdom has traditionally been that new immigrants experience difficulties getting established in the workforce when they first arrive in their host country, but overcome these difficulties and obtain earnings comparable to those of domestic-born workers as time passes. But while this was the case for immigrants who arrived in Canada prior to the early 1980s, more recent arrivals have not fared as well.

This is evident when entry into the labour market is considered. In 1981, immigrants who had been in Canada for five years or less were slightly more likely than Canadian-born individuals to be in the workforce (see Table 1). Furthermore, they were just as likely to be employed full-time, full-year. Since then, the employment rate has fallen among immigrant cohorts (Reitz, 2001). In 2001, immigrants who had been in Canada five years or less had a lower employment rate than the Canadian-born population, with a particularly large gap emerging between immigrant and Canadian-born women. Furthermore, the decline in the employment rate was not confined to immigrants who had just arrived in Canada, but was also evident among those who had resided here for up to 15 years.

Among those immigrants who entered the workforce, earnings trajectories have deteriorated as well. In the initial years after arrival, immigrants have long had earnings below those of their Canadian-born counterparts, with the size of this 'earnings gap' narrowing as time passes (see Chart 1). However, through the 1980s and 1990s the size of the initial earnings gap increased considerably, raising questions about whether immigrants would ever 'catch up' to their Canadian-born counterparts. For example, immigrant men who arrived between 1975 and 1979 had initial earnings that were 83% of those of their Canadian-born counterparts, with this earnings gap narrowing to about 90% after 11 to 15 years (Frenette and Morissette, 2003). In contrast, immigrant men who arrived between 1985 and 1989 had initial earnings that were 66% of those of their Canadian-born counterparts, with the gap narrowing to 78% after 11 to 15 years in Canada. More recent immigrant cohorts have experienced even larger earnings gaps upon arrival, and although they have been catching up to Canadian-born workers at quite a rapid rate, they have had a lot of ground to make up.

Researchers point to four related factors underlying the deteriorating labour market outcomes of immigrants (Picot, 2004). First, the shift in source countries of immigration from Europe and the United States to other regions may underlie recent trends (Aydemir and Skuterud, 2004; Bloom, Grenier and Gunderson, 1995; Picot and Hou, 2003). Immigrants from countries other than the

**Table 1 – Employment Rate and Proportion of Full-time Full-year Workers**
by immigration status, population ages 25-54

| | | Men | | | Women | | |
|---|---|---|---|---|---|---|---|
| | | 1981 | 1991 | 2001 | 1981 | 1991 | 2001 |
| **% with any employment** | | | | | | | |
| Non-immigrants | | 9 | 8 | 8 | 5 | 7 | 7 |
| Immigrants | ≤ 5 years* | 9 | 7 | 7 | 6 | 6 | 5 |
| | 6-10 years | 9 | 8 | 8 | 6 | 6 | 6 |
| | 11-15 years | 9 | 8 | 8 | 6 | 7 | 7 |
| | 16-20 years | 9 | 8 | 8 | 6 | 7 | 7 |
| **% employed full-time full-year** | | | | | | | |
| Non-immigrant | | 3 | 3 | 3 | 1 | 2 | 2 |
| Immigrants | ≤ 5 years | 3 | 3 | 2 | 1 | 2 | 1 |
| | 6-10 years | 3 | 3 | 3 | 2 | 2 | 2 |
| | 11-15 years | 3 | 3 | 3 | 2 | 2 | 2 |
| | 16-20 years | 3 | 3 | 3 | 2 | 2 | 2 |

Data source: the 1981, 1991 and 2001 Census. * Those who arrived in the census year and the year prior to the census year were excluded

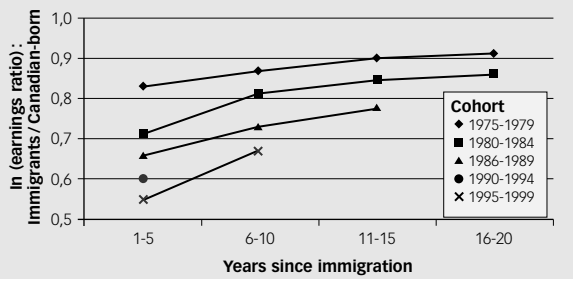
United States and Europe may have lower earnings because they have less transferable skills and credentials, due to potential difficulties related to language, culture, education quality, networks, and possibly discrimination (Bloom, Grenier and Gunderson, 1995; Sweetman, 2003).

Second, studies report that declining returns to foreign experience and foreign education are among the most important factors associated with declining earnings among immigrants. Declining returns to foreign experience has not been evident among immigrants from Europe and the United States, but rather have been concentrated among immigrants from other countries (Aydemir and Skuterud, 2004; Green and Worswick, 2004).

Third, new entrants to the Canadian labour market have experienced deteriorating employment outcomes through the 1980s and 1990s. Recent immigrants are part of this pool of new entrants, along with young people and other individuals returning to work. Green and Worswick (2004) find that the broader deterioration in outcomes for new entrants accounts for over one-third of the total decline in immigrant earnings upon entry between the early 1980s and the late 1990s.

Finally, the economic prospects for immigrants may have been adversely affected by the dramatic increase in the number of Canadian-born individuals with high levels of education. Between 1980 and 2000, the number of women in the labour force with a university degree quadrupled, and the number of men with a degree more than doubled. Furthermore, there was not a general shortage of highly educated workers over this period, with the exception of a few specific occupations (Gingras and Roy, 2000). Reitz (2001) argues that, in spite of the rising educational levels of immigrants, their *relative* economic advantage has declined. In short, highly educated immigrants must compete in the labour force with a growing number of highly educated Canadian-born individuals. In such a competitive market, even marginal differences in educational quality, language and communication skills, or cultural norms could have an impact on employment outcomes.

**Chart 1 – Earnings of Immigrants Compared to those of Comparable Canadian-born**




### Low Income and Income Distribution

Given that earnings represent the major source of income for most families, it is not surprising to find that declining employment rates and earnings are reflected in rising rates of low-income among immigrants (Picot, 2004). Among immigrants in Canada for ten years or less, the share in low-income increased from 23 to 35% between 1980 and 2000 (Heisz and McLeod, 2004). This upward trend was widespread, occurring among immigrants from all age groups, family types, levels of education, and reported language abilities (Picot and Hou, 2003). And in spite of the purported opportunities created by the "knowledge based economy," having a university degree did not protect recent immigrants from increased likelihood of being in low-income, regardless of their field of study. Indeed, the largest difference in low-income rates between the Canadian-born and recent immigrants was among university graduates, particularly those with engineering and applied science degrees. In terms of source regions, the rise in low-income was most pronounced among recent immigrants from Africa, Asia and Southern Europe (Picot and Hou, 2003).

The vast majority of immigrants arriving in Canada settle in large urban centres, with about three-quarters of them settling in Montréal, Toronto and Vancouver (Schellenberg, 2004). In these centres, recent immigrants account for a significant portion of the low-income

population. In Toronto and Vancouver, recent immigrants accounted for 17% of the total population in 2001, but for about 32% of the low-income population (Heisz and McLeod, 2004). In Montréal, they accounted for 6% of the total population, but for 14% of the low-income population. Recent studies have also documented the upward pressure that rising rates of low-income among recent immigrants have had on low-income rates overall, and the increasing extent to which 'low-income neighbourhoods' are comprised of recent immigrants (Heisz and McLeod, 2004; Picot and Hou, 2003).

A broader perspective on the financial well-being of immigrants is gained by considering their distribution across income quintiles. To construct income quintiles, all Canadian families with a head aged 25 to 54 were ranked from lowest to highest on the basis of their total income and subsequently sorted into five groups – those in the bottom 20% of the income distribution, those in the top 20% of the distribution, and those in the three groups in between. In 1980, 18% of recent immigrant families were in the bottom income quintile and 16% were in the top quintile. In short, they were under-represented at the bottom and top of the income distribution and instead were concentrated in the middle (see Chart 2a). By 1990 and 2000, recent immigrant families were increasingly concentrated in the bottom two quintiles and increasingly under-represented at the top. A similar pattern was evident among immigrant families who had been in Canada for 11 to 19 years (see Chart 2b). However, while these charts show a marked deterioration in the relative financial position of immigrants, they also show that many have been successful in reaching the middle or even the top of the income distribution in Canada.

**Chart 2a – Immigrants in Canada 10 years or less**
Distribution across family income quintiles

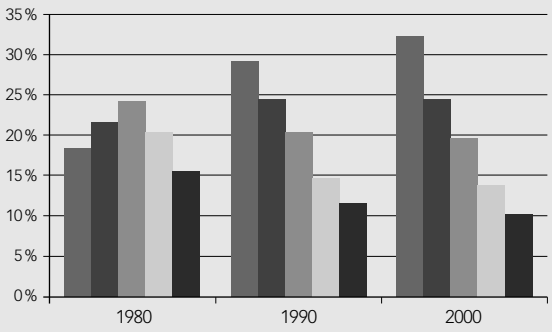
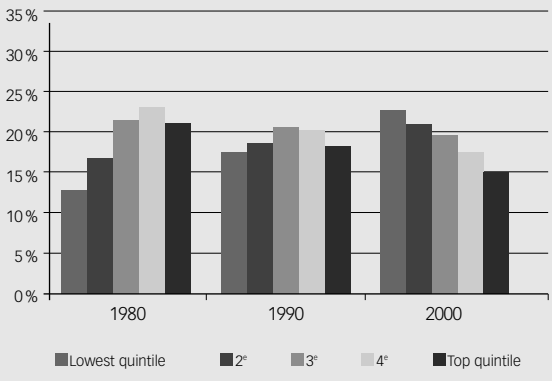



**Chart 2b – Immigrants in Canada 11 to 19 years**
Distribution across income quintiles




### Wealth Accumulation

Financial well-being can be measured not only in terms of earnings and income during a specific year, but also in terms of the assets or wealth held by individuals and families. Home ownership is an important consideration in this respect. Haan (2005) reports that homeownership rates have declined among successive cohorts of immigrants in Canada's seven largest urban areas. However, there are considerable differences in ownership rates among immigrants from difference source countries and among those residing in different urban areas. In terms of access to housing, Canada Mortgage and Housing Corporation reports that recent immigrants are among the most vulnerable groups to be in 'core housing need,' defined as their inability to access accommodation that is affordable, in good repair, and with enough bedrooms for the size and composition of household members (Engeland et al., 2005). As with other measures, the likelihood of being in 'core housing need' declines the longer that immigrants have been in Canada.

Considering assets more broadly, differences have widened between Canadian-born and immigrant families. The average wealth of Canadian-born families increased 37% between 1984 and 1999, but decreased 16% among immigrant families who had been living in Canada for less than 10 years (Morissette, Zhang and Drolet, 2002). Furthermore, the declining earnings of recent immigrants accounts for some of the overall increase in income and wealth inequality evident in Canada through the 1980s and 1990s (Moore and Pacey, 2003; Morissette, Zhang and Drolet, 2002).

### Concluding Remarks

Many studies have documented the deteriorating labour market performance of recent immigrants through the late 1980s and 1990s. This deterioration has continued despite the improved macro-economic condition in the late 1990s and increases in the educational attainment of immigrants. A considerable amount of research has focused on factors associated with this deterioration, including changes in immigrants' source regions and socio-demographic composition, declining returns to foreign work experience, a broad deterioration in labour market outcomes for new labour market entrants, and the increasing competition from highly educated Canadian-born. However, much remains to be learned about individual differences among immigrants. How and why do immigrants with different socio-demographic attributes perform differently? Why do immigrants with similar characteristics have different experiences in terms of economic integration? The creation of new data sources, such as Statistics Canada's Longitudinal Survey of Immigrants to Canada, will provide new insights on these issues.

Recent immigrants' poor labour market outcomes are not only relevant to immigrant selection and settlement policies, but also related to much broader issues of social cohesion/exclusion.

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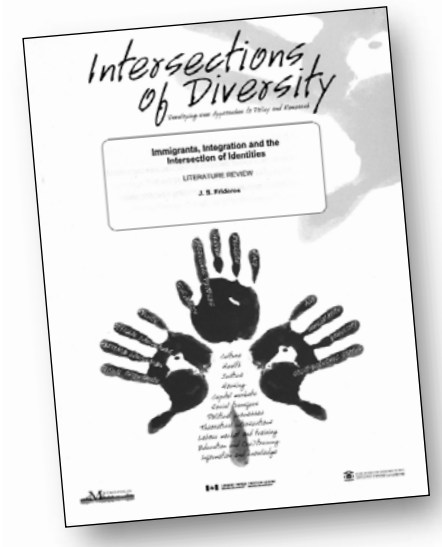
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**Intersections of Diversity Literature Reviews**

To accompany a policy-research seminar on intersections of diversity, nine literature reviews were commissioned to examine how ethnicity, race, religion and heritage languages intersect with immigration, Aboriginal status, official languages, socio-economic status, sexual orientation, (dis)ability, region, gender and age.

These reviews can be found on the Metropolis website at: **http://www.canada.metropolis.net/events/Diversity/diversity_index_e.htm**