IMMIGRANT ECONOMIC PERFORMANCE[1]

A New Paradigm in a Changing Labour Market

ABSTRACT

While a decline in entry earnings has been observed for Canadians as a whole, the very marked increase in low income rates from the early 1980s to the mid 1990s is almost unique to recent immigrants. The last few years suggest a turnaround, but the future remains unclear.

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Economists will tell you that each decade has its own specific characteristics – fiscal and monetary policy, trade agreements, external shocks, labour force demographics, etc. And researchers will also agree that the prospects facing new immigrants in Canada have changed over time. Those who came at the beginning of the 20th century to settle the West faced different challenges from those who arrived in the 1950s and that pattern of change continues. But if this is so obvious, why is it so rarely part of the context of examining the economic performance of Canada's newcomers at the end of the 20th century and the beginning of the 21st?

The "tradition" for most immigrants was to come to Canada to experience a transitional period of low income but then, over the medium to long term, to "outperform" the Canadian-born. It was clear that over time immigrants managed to succeed, to find work and to prosper. Census data through 1981 generally confirms this "traditional" pattern.

But the patterns in the 1980s and 1990s changed. Increasingly from the early 1980s to the mid-1990s there was evidence that recent arrivals were experiencing lower rates of employment, that entry earnings were declining for certain immigrants and that the rates of low income were rising sharply for others. At the same time, it could be argued, the human capital of immigrants was increasing. Census data since 1981 bears out these patterns.

Data to examine economic performance of immigrants has, until recently, been limited to Statistics Canada's Censuses. There were no longitudinal data sets to research economic performance over time, but there was no demand for this either, since there were few concerns around the earnings and incomes of Canada's newcomers. And, for the same reason, there was no need to carefully examine how the domestic economic context would impact on immigrant outcomes.

Longitudinal data sources[2], which have only recently become available, show that the proportion of skilled worker principal applicants whose employment earnings at entry exceed the Canadian average[3] has declined since 1980. Research shows that at the beginnings of the 1980s, 66% of skilled worker principal applicants' initial employment earnings exceeded the Canadian average. But by 1996 only 4% entered with initial earnings above the Canadian average[4]. Over the 1990s several changes were made to the skilled worker selection criteria which raised the admission threshold, but the greater human capital of this group did not improve their relative position[5].

Much has been written about the possible causes of the declining entry earnings of skilled workers, which has been most evident in the last two decades, and about the fact that immigrant earnings do not match those of similarly skilled Canadians. Changes in source country and low returns to foreign education and experience are cited as explanatory factors[6]. These, however, may be proxies for discrimination, the quality of credentials or institutional barriers to credential recognition and/or inadequate language and communications skills. In addition, research shows that the importance of changing source countries in explaining the decline in entry earnings seems to have increased in the 1990s as compared to the 1980s. Several recent investigations of immigrant

outcomes, however, also indicate that the portion of the decline in earnings which cannot be explained by standard human capital models has increased from the 1980s to the 1990s.[7] There appears to be something unique about the current Canadian labour market which we have not been able to measure, which impedes immigrant access to jobs or opportunities consistent with their skills and experience.

While a decline in entry earnings was also observed for the Canadian born, the very marked increase in low income rates from the early 1980s to the mid 1990s is almost unique to recent immigrants. Amongst immigrants, it is primarily skilled worker principal applicants who have experienced declining earnings, while it is other immigrant groups who are in poverty or who find themselves as "working poor" – family class and refugees. It should be noted that Canada's objective is not that these individuals necessarily contribute "economically", although many of them do make very significant contributions. The concern is that this is not a desirable outcome for any Canadian and that this may no longer be a transitory situation for immigrants – some immigrants may find themselves in chronic poverty, like some Canadians.

There appears to be something unique about the current Canadian labour market which we have not been able to measure, which impedes immigrant access to jobs or opportunities consistent with their skills and experience.

Research using the IMDB shows that, before 1992, most immigrants accessed unemployment/employment insurance (EI) beginning about three years after arrival – once they had established and left or lost their jobs – but that after several years, their use of EI dropped. Since 1992, when significant changes were made to EI eligibility, there has been much less use of EI by immigrants, to some extent because they could no longer voluntarily leave their jobs and collect benefits or access training while they searched for employment. Eligibility criteria for social assistance have also changed since the early 1990s, making it more difficult to qualify and reducing benefit levels. As a result, the patterns of EI and social assistance incidence and the nature of their use in immigrant integration has changed in the 1990s.

The longitudinal data does indicate that those skilled workers who arrived in the latter half of the 1990s are experiencing much stronger growth in employment earnings than earlier arrivals. And in fact, in the year 2000 the average employment earnings of skilled worker principal applicants who arrived in 1995 surpassed the employment earnings of skilled workers who arrived in 1991. And those who arrived in 1996 had comparable earnings in the year 2000 to those who arrived in 1991, suggesting some "scarring" for those who arrived during the recession in the early 1990s. Whether these strong growth rates for the more recent cohorts will continue, and for how long, remains to be seen. Will employment earnings for this group trend back to reach and/or surpass the Canadian average in the next few years? And to what extent will this change result from the domestic situation and/or from the skills and attributes of immigrants arriving in the more recent years?

The 1990s recovery was characterized by limited job growth until about 1997 – most of it part time or self employment. This discrepancy between growth of full time versus part time employment has not changed as we enter the 21st century. It impacts on Canadian-born as well as immigrants, but research is clear that many recent immigrants live on the margin of the labour market for some period of time after their arrival in Canada. Part time jobs generally offer fewer hours and few, if any, benefits. Strong economic growth since the year 2000 should reduce the low income rates of most immigrants, but it is not expected that the indicators will return to the levels experienced in the 1980s.

Understanding this new paradigm will take time. It is too soon to know the extent to which the strong economic growth of the past three years will lead to a more "normal" early labour market experience for newcomers. It is also challenging to determine what it is about changing source countries which has contributed to the outcomes witnessed in the 1990s.

Future research will need to look carefully at the domestic economic context, the nature of job creation and the availability of "traditional" support systems. It will also need to focus more on the longitudinal trajectory of earnings for specific groups. How important is early access to the labour market for the long run economic prospects of immigrants? If immigrants are not able to make use of their credentials, what is the risk of erosion in the value of those credentials over time? Is it only a lack of credential recognition which keep immigrants from achieving economic outcomes comparable to their similarly educated Canadian counterparts? Or have we underestimated the importance of language and communication skills in English or French in allowing immigrants to make use of their credentials in the Canadian environment? Lack of rigourous, representative data has precluded research on the contribution of knowledge of official languages and of communications skills to economic performance. These information gaps will be filled to a significant extent when the results of the Longitudinal Survey of Immigrants to Canada and other new data such as the IALLS[8] become available.

FULL REFERENCES AND BIBLIOGRAPHIES
RÉFÉRENCES ET BIBLIOGRAPHIES COMPLÈTES

Adam article – references (pp. 10-12)

[1] Percentage of visible minority population: Richmond (B.C.) 59.0%, Markham (Ont.) 55.5%, Vancouver (B.C.) 49.0%, Burnaby (B.C.) 48.6%, Greater Vancouver (B.C.) 43.5%, Toronto (Ont.) 42.8%. Statistics Canada (2003) [http://www12.statcan.ca/english/census01/products/analytic/companion/etoimm/tables/subprovs/topimm.cfm]

[2] Centre for Research and Information on Canada (CRIC). Portraits of Canada 2001. Montreal. http://www.cric.ca/en_html.

[3] Association for Canadian Studies. Canadian Opinion Toward Second Language Knowledge and Education. Montreal.

[4] See http://people-press.org/reports/display.php3?ReportID=165 . The Pew Research Center is an independent opinion research group in Washington, D.C. that studies attitudes toward the press, politics and public policy issues.

[5] Statistique Canada, 1996 (dans : Commissaire aux langues officielle. 2002. L'immigration et l'épanouissement des communautés de langue officielles au Canada. p. 63.)

[6] Copies can be ordered or downloaded. Please visit www.ocol-clo.gc.ca.

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[1] The opinions and interpretation expressed in this article are those of the author and do not necessarily reflect the views of Citizenship and Immigration Canada.

[2] The IMDB is a longitudinal database of linked immigrant records and subsequent taxfilings. The database is maintained by Statistics Canada on behalf of Citizenship and Immigration Canada and a federal provincial funding consortium. For more information see: http://www.cic.gc.ca/english/srr/pdf/res4bi.pdf

[3] To benchmark the entry earning of skilled workers against the Canadian average is not an adequate reflection of the objectives of the program. A more appropriate benchmark, such as similarly skilled Canadian-born individuals entering the labour market at a comparable time, could be taken from the Survey of Consumer Finances/Survey of Labour and Income Dynamics data.

[4] Li, Peter S. "Destination Canada - Immigration Debates and Issues" Oxford University Press 2003

[5] The Immigration and Refugee Protection Act and its accompanying regulations (which came into effect on June 28, 2002) introduced changes to the selection criteria for skilled workers, based on earlier research. However, it is too soon to determine whether these have had any impact on the economic performance of skilled workers.

[6] See for example: Reitz, Jeffrey G. 1998 *Warmth of the Welcome: The Social Causes of Economic Success for Immigrants in Different Nations and Cities* Boulder, CO: Westview Press; and Pendakur, Krishna and Ravi Pendakur, 1998 "The Colour of Money: Earnings Differentials among Ethnic Groups in Canada" *Canadian Journal of Economics* 31(3): 519-48.

[7] Waslander, Bert (2002) 'The Falling Earnings of New Immigrant Men in Canada's Large Cities' (forthcoming) presented at the John Deutsch Institute Conference on "Canadian Immigration Policy for the 21st Century October 18-19, 2002; and Green, David and Christopher Worswick (2002) "Earnings of Immigrant Men in Canada: The Roles of Labour Market Entry Effects and Returns to Foreign Experience" (forthcoming)

[8] International Adult Literacy and Life Skills Survey – the next round of this survey will include a sample of recently arrived immigrants.

Sweetman article – references (pp. 21-22)

[1] Of course, like all social science research, there are questions about Card's analysis. In particular, the sample size is small and the comparison cities may not be ideal. However, if one's prior assumption is that a very large impact should have occurred, then this would be observable.

[2] Though work on the topic has been attempted by, for example, Card (2001), DiNardo and Card (2000), and Borjas, Freeman and Katz (1997).

[3] Some attempts at looking at corners of this issue have been conducted in the Canadian context, but they have been very limited in scope and have not tended to look at provincial programs involving health and education, nor included generations beyond the initial one that is born outside of Canada.

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