

Study: Accumulation of Human Capital in Canada, 1970 to 2020: An Analysis by Gender and the Role of Immigration

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Human capital represents the most important component of total wealth in Canada. It is a main determinant of the well-being of individuals and long-term economic and societal progress. On average, human capital of women is lower than human capital of men for the period from 1970 to 2020. However, this gender gap declined over that period because of the relatively high growth in human capital of women. Over the period from 1970 to 2020, about half of the growth in human capital is accounted for by women.

A new study entitled "[Accumulation of Human Capital in Canada, 1970 to 2020: An Analysis by Gender and the Role of Immigration](#)" provides a gender analysis of human capital and examines the contribution of women to the level and growth of human capital in Canada from 1970 to 2020. Human capital represents individuals' knowledge and skills that come from education, training and experience, measured as the present value of future earnings.

In this study, human capital is estimated as the present discounted value of future labour market income of the working age population in the remainder of their working lives.

For example, the human capital of a 30-year-old male with a high school degree would be the present value of the sum of his expected earnings from age 30 to the end of his working life. The expected earnings are estimated using data from the Census of Population, Labour Force Survey and mortality rates obtained from life tables comprising life expectancy and related estimates by age and sex. A previous investment in higher education by that 30-year-old male would raise his expected earnings and human capital.

The gender gap—human capital of women relative to that of men—narrowed over time. The average human capital of women was 35% of the average human capital of men in 1970. In 2020, that human capital difference was 70%. The decline in the gender gap in human capital over that period is a result of the increase in the labour force participation, education level and earnings of women relative to those of men in that period.

From 1970 to 1995, women accounted for about 58% of the growth in human capital, which was larger than their average share of human capital (33%) during that period. After 1995, women contributed 45% of the growth in human capital, while their average share of human capital was 40%. The gender gap in human capital existed for all age groups and all education levels, and it narrowed over time for all those categories.

Immigrants increased their contribution to human capital growth over time, from about 18% from 1970 to 1995 to 40% after 1995 (56% of that contribution for men and 44% for women). This share of immigrants' contribution to human capital growth after 1995 is much larger than the average immigrants' share of the working age population in that period, which represents less than 20% of human capital.

The relatively large contribution of immigrants to human capital growth after 1995 is due to a relatively large increase in the size and average human capital of the immigrant population compared with that of the Canadian-born population in that period. Over the period from 1995 to 2020, the share of immigrants in the working age population rose from 19% to 25%, and the growth in the average human capital of immigrants exceeded that of the Canadian-born population (0.88% per year for immigrants vs. 0.62% per year for the Canadian-born population), as Canada attracted more educated and younger immigrants over that period.

The gender gap in human capital was larger for immigrant women compared with that for Canadian-born women. It declined at a similar rate for the immigrant and Canadian-born populations from 1970 to 2020. By 2020, the average human capital of immigrant women was 66% of that of immigrant men, while the average human capital of Canadian-born women was about 71% of that of Canadian-born men.



The gender gaps among immigrant and Canadian-born women present potential for future income. If these gender gaps in human capital were removed, there would be significant gains in both human capital and total wealth or in the capacity for generating future income. Policies that increase the labour force participation, earnings and hours worked of women will also increase the human capital and future income of women.

The study "[Accumulation of Human Capital in Canada, 1970 to 2020: An Analysis by Gender and the Role of Immigration](#)," part of the *Analytical Studies Branch Research Paper Series* (**11F0019M**), is now available.

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