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# ***The improvement in the labour market outcomes of recent immigrants since the mid-2010s***

by Feng Hou

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Several factors may have contributed to the improved labour market outcomes for recent immigrants since the mid-2010s.

The first factor is the expansion of the two-step immigration selection process, where an increasing number of economic immigrants are chosen from the pool of temporary foreign workers (TFWs) (Hou, Crossman, & Picot, 2020). In 2022, 36% of all new immigrants had work permits in Canada before immigration, a significant rise from 19% in 2010 and 33% in 2019.<sup>1</sup> Former TFWs, especially those with high-skilled jobs, experience better labour market outcomes after immigration, compared with immigrants admitted directly from overseas (Hou, Crossman, & Picot, 2020).

The second factor is linked to various changes in immigration selection since the early 2010s, notably the introduction of the Express Entry system in 2015. This system places a strong emphasis on Canadian work experience, enhances language proficiency and evaluates foreign education rigorously (Crossman, Hou, & Picot, 2021).

The third factor is the presence of a robust national labour market, particularly in the late 2010s and in 2022. The national unemployment rate decreased from 8.2% in 2010 to 5.7% in 2019 and further dropped to 5.3% in 2022 and 5.4% in 2023 after a temporary increase during the COVID-19 pandemic (Statistics Canada, nd). In addition, the growth in managerial, professional and technical occupations has accelerated in the late 2010s (Frenette, 2023). This increase in demand for high-skilled workers would benefit recent immigrants with a university education.

The sociodemographic characteristics of recent immigrants continue to evolve. Their educational attainment has risen, while a decreasing percentage are immigrating from Europe and Eastern Asia and an increasing share are immigrating from Southern Asia and Africa. Moreover, a higher proportion has chosen to settle outside the three major gateway metropolitan areas. Nevertheless, these shifts in sociodemographic characteristics have had a relatively small effect on recent trends in the labour market outcomes of new immigrants (Crossman, Hou, & Picot, 2021).

This article presents updated analyses regarding the employment and earnings outcomes of recent immigrants. It also discusses factors that might influence these outcomes in the near term. In this article, recent immigrants refer to foreign-born individuals who became permanent residents in Canada within the past 10 years.

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1. These numbers were calculated from the Longitudinal Immigration Database and were based on whether a new immigrant held a work permit in Canada before immigration. The rate was 42% in 2020 and 62% in 2021 when COVID-19 travel restrictions reduced the selection of immigrants directly from abroad.

## Narrowing employment gap between recent immigrants and the Canadian-born population

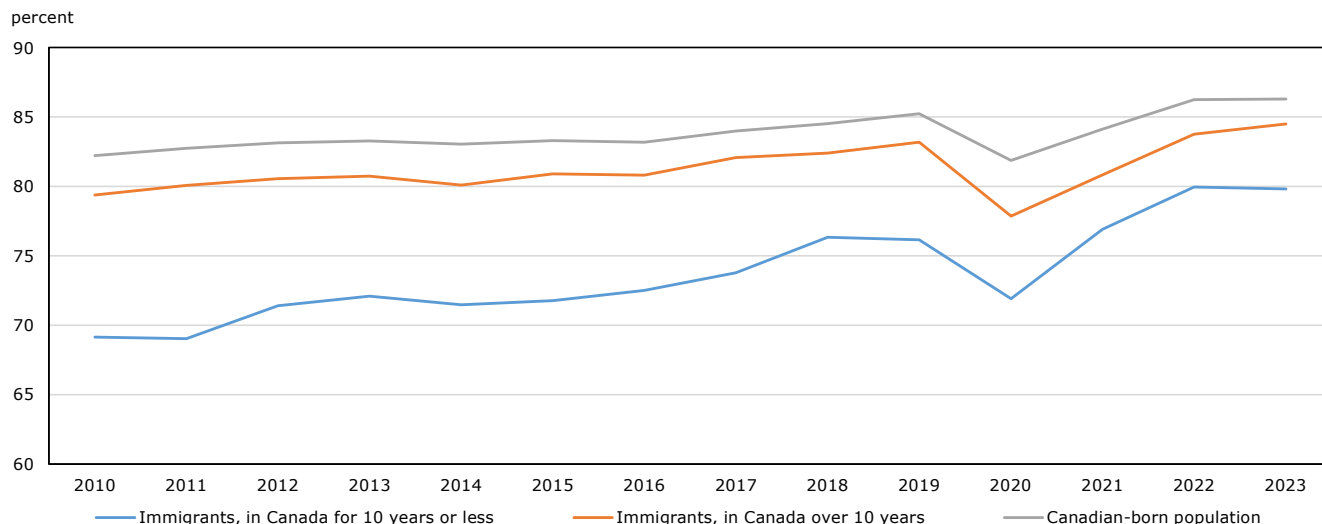
Since the early 2010s, recent immigrants in the 25 to 54 age group have seen a faster growth in employment rates, compared with their Canadian-born counterparts. There was a significant increase of 10.7 percentage points in the employment rate among recent immigrants from 2010 to 2023, in contrast to a 4.1 percentage point increase among the Canadian-born population (Chart 1). Consequently, the employment rate gap between the two groups narrowed from 13.1 percentage points in 2010 to 6.5 percentage points in 2023. The improvement in the employment rate among recent immigrants was largely unaffected by changes in their sociodemographic characteristics.<sup>2</sup>

In line with the rise in employment rates, the unemployment rate also declined among recent immigrants in the 25 to 54 age group, from 12.1% in 2010 to 6.2% in 2022 and 6.6% in 2023. The gap in the unemployment rate between recent immigrants and Canadian-born workers narrowed from 5.7 percentage points in 2010 to 2.6 percentage points in 2023.

The overall progress in the employment outcomes of recent immigrants since 2010 faced intermittent disruptions during the COVID-19 pandemic. From 2019 to 2020, recent immigrants experienced a slightly larger decline in the employment rate and a larger increase in the unemployment rate compared with the Canadian-born population.<sup>3</sup> This difference was largely because recent immigrants, especially women, were disproportionately employed in sectors that were severely affected by the pandemic, such as the accommodation and food services sector and the retail trade sector (Hou & Picot, 2022). However, recent immigrants exhibited a swifter recovery from 2020 to 2022 than the Canadian-born population.<sup>4</sup> In 2023, the gap between the two groups in employment rates was smaller than the pre-pandemic level recorded in 2019, and the gap in unemployment rates was the same as the 2019 level.

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2. Regression analysis results show that changes in sociodemographic characteristics, including sex at birth, age, education, source region, country of education and geographic location of residence, accounted for 23% of the increase in the employment rate among recent immigrants. The two main contributing factors were increased educational levels and a higher share with Canadian education, which is related to the two-step immigration selection.
  3. From 2019 to 2020, the average annual employment rate in the core working-age group (25 to 54) dropped 4.3 percentage points among recent immigrants and 3.4 percentage points among the Canadian-born population. The unemployment rate increased 4.0 percentage points among recent immigrants and 2.8 percentage points among Canadian-born workers.
  4. From 2020 to 2022, the annual employment rate in the core working-age group (25 to 54) increased 8.1 percentage points among recent immigrants and 4.4 percentage points among the Canadian-born population. The unemployment rate decreased 4.6 percentage points among recent immigrants and 3.2 percentage points among Canadian-born workers.

**Chart 1**  
**Employment rate for immigrants and the Canadian-born population aged 25 to 54, 2010 to 2023**



Source: Statistics Canada, Labour Force Survey.

## Larger increases in earnings among recent immigrants than among Canadian-born workers

Besides the improvements in employment outcomes, employed recent immigrants have also experienced faster earnings growth compared with Canadian-born workers since the mid-2010s. Census data indicate that the gap in weekly earnings between recent immigrants and Canadian-born workers decreased from 19.9% in 2015 to 13.4% in 2020 among men and from 20.4% to 15.5% among women (Table 1). This trend persisted even after the analysis adjusted for differences in socioeconomic characteristics between recent immigrants and Canadian-born workers, including factors such as age, education, language proficiency, ethnocultural composition and geographic location.<sup>5</sup> A similar trend is also observed with data from the Labour Force Survey.<sup>6</sup>

While recent immigrants continued to earn significantly less than Canadian-born workers, the recent trend marks a departure from the long-standing pattern of stagnation in the relative earnings of recent immigrant men and the worsening trend in the relative earnings of recent immigrant women from 2000 to 2015. With similar socioeconomic characteristics, recent immigrant men earned 16.7% less than their Canadian-born counterparts in 2000 and 17.3% less in 2015. Likewise, recent immigrant women earned 22.1% less than Canadian-born women in 2000 and 25.4% less in 2015 (Table 1). Thanks to the recent improvements, the earnings gap for recent immigrants in 2020 was the narrowest in the past two decades.<sup>7</sup>

5. Changes in sociodemographic characteristics accounted for 18% of the earnings growth from 2015 to 2020 among recent immigrant men and 17% among recent immigrant women. Two main contributing factors are rising educational levels and an increased share of recent immigrants with English or French as their mother tongue.

6. Data from the Labour Force Survey also show that the gap in weekly earnings between recent immigrants and Canadian-born workers aged 25 to 54 decreased from 21.4% in 2015 to 9.2% in 2023 among men, and from 25.7% to 15.6% among women.

7. The results based on 2020 income data may be affected by the COVID-19 pandemic, when low-wage workers were disproportionately out of employment. However, analyses based on the Labour Force Survey (weekly earnings) and the Longitudinal Immigration Database (annual earnings) found similar trends from 2015 to 2019—the year before the pandemic (Crossman, Hou, & Picot, 2021).

The increase in the earnings of recent immigrants since the mid-2010s also aligns with improvements in their skill utilization. Among recent immigrant workers holding a bachelor's degree or higher, the proportion of those working in low-skilled occupations decreased from 31.1% in 2016 to 26.7% in 2021, while the proportion working in high-skilled occupations rose from 40.0% to 44.4%.<sup>8</sup> However, despite these improvements, the proportion in high-skilled occupations remained lower than it was two decades earlier. In contrast, this proportion increased among young (ages 25 to 34) Canadian-born workers with a degree (Schimmele & Hou, forthcoming).

In sum, recent immigrants have experienced considerable improvements in employment, earnings and skill utilization since the mid-2010s. These improvements are likely related to the increased selection of economic immigrants from the pool of TFWs, the implementation of the Express Entry system for immigration selection and favourable macroeconomic conditions.

Table 1

**Average weekly earnings by immigrant status among employees aged 25 to 54**

	Average weekly earnings					Difference with Canadian-born counterparts				
	2000	2005	2010	2015	2020	2000	2005	2010	2015	2020
	2020 constant dollars					percent				
<b>Observed</b>										
<b>Men</b>										
Canadian-born men	1,354	1,400	1,492	1,571	1,642	0	0	0	0	0
Recent immigrants	1,092	1,115	1,260	1,258	1,422	-19.4	-20.4	-15.5	-19.9	-13.4
Long-term immigrants	1,399	1,384	1,463	1,518	1,658	3.3	-1.2	-2.0	-3.4	1.0
<b>Women</b>										
Canadian-born women	940	984	1,105	1,159	1,297	0	0	0	0	0
Recent immigrants	791	800	939	922	1,096	-15.9	-18.7	-15.0	-20.4	-15.5
Long-term immigrants	988	1,008	1,124	1,172	1,325	5.1	2.4	1.7	1.1	2.2
<b>Adjusted<sup>1</sup></b>										
<b>Men</b>										
Canadian-born men	1,355	1,400	1,495	1,563	1,648	0	0	0	0	0
Recent immigrants	1,129	1,104	1,232	1,292	1,434	-16.7	-21.1	-17.6	-17.3	-13.0
Long-term immigrants	1,370	1,392	1,463	1,535	1,627	1.1	-0.6	-2.1	-1.8	-1.2
<b>Women</b>										
Canadian-born women	953	999	1,121	1,174	1,318	0	0	0	0	0
Recent immigrants	742	718	864	876	1,054	-22.1	-28.2	-22.9	-25.4	-20.0
Long-term immigrants	935	962	1,078	1,125	1,262	-1.8	-3.8	-3.9	-4.2	-4.3

1. Adjusted earnings are based on a regression model that controls for group differences in age, education, language profile, racialized population groups, province of residence and city size.

Sources: Statistics Canada, 2001, 2006, 2016 and 2021 Census of Population and 2011 National Household Survey.

Looking ahead, some of these conditions might undergo changes in the near term. While the ongoing rise in the number of TFWs and international students could expand the pool for selecting economic immigrants, there has been a proportional shift in the employment of TFWs and international students toward low-skilled industrial sectors, such as the accommodation and food services sector and the retail trade sector (Lu & Hou, 2023a). These shifts could potentially result in a higher proportion of low-skilled TFWs among new immigrants. Studies have indicated that low-skilled TFWs often experience low earnings and slow earnings growth after becoming landed immigrants (Hou & Bonikowska, 2018).

8. Low-skilled occupations here are those requiring a high school education or less, and high-skilled occupations are those requiring at least a bachelor's degree.

Furthermore, the dynamics of labour supply and demand are poised to change. From 2010 to 2019, Canada admitted an average of 276,000 new immigrants annually, adding a minimum of 148,000 people to the labour supply each year.<sup>9</sup> The estimated yearly net increase in the number of employed temporary residents likely rose from 14,000 in 2011 to 108,000 in 2019.<sup>10</sup> On the demand side, Canada's annual employment increased by an average of 234,000 from 2010 to 2019. Hence, the annual rise in labour supply from new immigrants and temporary residents generally remained below the total employment growth in the economy throughout the 2010s. The residual growth was absorbed by the Canadian-born population and longer-term immigrants.

However, the trend is expected to differ in the coming years. The planned level of immigration increases from 465,000 in 2023 to 500,000 in 2025, an increase of about 80% compared with the average level in the 2010s. Additionally, the admission of TFWs and international students has also increased considerably in recent years. It remains uncertain whether the national economy will generate sufficient employment opportunities to accommodate the expected increase in labour supply from new immigrants and TFWs. Another layer of uncertainty is how artificial intelligence will affect net job creation in the years to come.

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9. This estimate was based on 69% of new immigrants being in the age range of 20 to 54 (the average among new immigrants admitted from 2010 to 2021) with a labour force participation rate of 78% (the average participation rate of new immigrants in this age range one year after immigration, estimated from the 2016 and 2021 censuses).

10. This estimate was based on the number of temporary foreign residents reporting annual employment income (Lu & Hou, 2023b) and assuming they worked on average 75% of a full year.

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