

Earnings of immigrants in the 1990s

by Tina Chui and Danielle Zietsma

Immigrants have made notable contributions to Canada's population growth, diversity and economy, and now account for an increasing proportion of the country's population. But starting life over in a new country is not always easy. After entering Canada, immigrants go through a period of adjustment while they look for work, master a new language, and learn to deal with medical, educational or government services. With time their prospects of getting a job and earning a living improve. However, initial experiences are important and may influence immigrants' decisions with respect to settling permanently in a country. Newcomers who have difficulty finding work that matches their skills and education may return to their country of origin or seek residence elsewhere.

About 2.2 million immigrants came to Canada in the 1990s, accounting for over half the population growth during that period, and representing the largest number of entrants for any decade in the past century. Nearly half (46%) of those who arrived in the 1990s (1.0 million people) were aged 25 to 44, not surprising when considering that most people move from one country to another when they are young adults.¹ This group contributed much to the growth of Canada's labour force during the decade.

Using data from the Longitudinal Immigration Database (IMDB), this article examines the early employment experiences of 25- to 44-year-old immigrants arriving in Canada in 1991 and 1996 and compares them to the 1981 cohort. More specifically, the integration of immigrants into the labour

market is studied through three separate but related measures. First, what level of earnings did immigrants have and what factors influenced earnings? Second, how soon after arrival did immigrants enter the labour market and first report earnings? And third, how many years of earnings did immigrants have during their first five years in Canada?

1990s immigrants earn less than their 1980s counterparts

The 1990s saw a shift in job creation from full-time paid jobs to self-employment, a process that was accompanied by falling labour force participation rates, especially for the young. The growth in income (measured by gross domestic product per capita) slowed and median family earnings showed no improvement.² Immigrants arriving during this period encountered difficulty in the labour market, as did other new workers. This was particularly true for those lacking local connections and experience.^{3,4} Immigrants who came during the second half of the 1990s, a period characterized by economic recovery, fared better, but still did not reach the earnings levels of the 1981 cohort.⁵

Immigrant men who arrived in 1991 earned substantially less in their second year in Canada (\$18,800) than did the 1981 cohort (\$32,600).⁶ Although the earnings of the 1991 group grew more quickly, after five years in Canada they still lagged behind those of their 1981 counterparts.

Those arriving in 1996, however, fared somewhat better. Their second-year earnings (\$20,900) were still lower than the earnings of the 1981 entrants,

but were slightly above those of the 1991 group. In addition, earnings in the second half of the 1990s improved more quickly than in the first half. By their fifth year in Canada, the average earnings of men who arrived in 1996 had increased to \$33,100, up 58% from the second year. This compares with a 34% rise between the second and fifth years for the 1991 cohort.

A different story emerged for immigrant women. On average, second-year earnings differed less between the

1. In 1996, 32% of the Canadian-born population were aged 25 to 44. About 39% of immigrants who arrived during the 1980s were this age.
2. Picot, G. and A. Heisz. 2000. "The performance of the 1990s Canadian labour market." *Canadian Public Policy* XXVI, Supplement 1: S21-S22.
3. Reitz, J.G. 2002. "Immigration and Canadian nation-building in the transition to a knowledge economy." In *Controlling Immigration: A Global Perspective*, 2nd edition. Edited by W.A. Cornelius, P.L. Martin and J.F. Hollifield. Stanford, California: Stanford University Press. p. 18-19. www.utoronto.ca/ethnicstudies/Reitz_June2002.pdf (accessed March 11, 2003).
4. Badets, J. and L. Howatson-Leo. Spring 1999. "Recent immigrants in the workforce." *Canadian Social Trends*: 16-22.
5. Other researchers have found that immigrants start at an earnings disadvantage relative to the Canadian-born population, but the gap narrows over time. See Green, D.A. and C. Worswick. 2002. "Earnings of immigrant men in Canada: The roles of labour market entry effects and returns to foreign experience." Prepared for Citizenship and Immigration Canada. www.cic.gc.ca
6. Earnings are shown in 2000 constant dollars.

This study uses data from the Longitudinal Immigration Database (IMDB). The IMDB is an administrative database containing information on income tax and landing characteristics of immigrants who entered Canada between 1980 and 2000, and who filed at least one income tax return during this period.

Employment earnings

Earnings are the portion of income derived exclusively from employment activities for the given tax year, including earned wages and salaries and other employment income reported on the T1 tax form.¹ Self-employed earnings are not included in this definition. In their fifth year in Canada, 11% of the 1981 cohort had self-employed earnings, as did 12% of the 1991 and 14% of the 1996 cohort. Throughout this article, “earnings” is used to refer to “wages and salaries plus other employment income.” Extreme values of earnings were excluded from the analysis.

Educational level at landing

Educational attainment of immigrants upon entry to Canada is divided into four levels of education: less than 10 years of schooling; 10 to 12 years of schooling; trade, community college or university certificate or diploma (including some postsecondary education); or a university degree.

Admission category

Immigrants are admitted to Canada under one of the following admission categories: skilled worker, business, other economic, family, refugee and other class.

Skilled workers are people whose education and work experience is expected to help them find work and become permanent residents in Canada.

Business immigrants are people who can invest in, or start, businesses in Canada and are expected to support the development of a strong and prosperous Canadian economy. Because this category includes entrepreneurs, investors and self-employed persons, people in this group are more likely to have self-employment earnings than other classes of immigrants. In their fifth year, 44% of 1981 business class immigrants had self-employment earnings, compared with 25% and 26% of the 1991 and 1996 cohorts, respectively. However, even more business class immigrants reported employment earnings: 56% of the 1981, 52% of the 1991 and 43% of the 1996 cohorts.

Family class immigrants are sponsored by close relatives or family members in Canada who have promised to support them for a period while they settle in the country.

Other class immigrants are admitted into the country under the administrative review program and backlog clearance program designed to clear a large number of refugee claims.

1. “Other employment income” includes employment income not reported on T4 slips such as tips, occasional earnings (e.g. babysitting, delivering newspapers or flyers), net research grants, foreign-employment income, income-maintenance insurance plan benefits, certain GST/HST and Quebec sales tax rebates for employment expenses, some royalties and employee profit-sharing plans.

cohorts than they did for men. Women who arrived in 1981 earned the most, followed closely by the 1991 and 1996 groups. After five years in Canada, the 1996 cohort showed the largest increase in earnings; they earned \$20,500 on average, slightly higher than 1981 (\$18,500) and 1991 (\$18,000) immigrant groups. While the early 1990s recession undoubtedly affected earnings, in the case of immigrant women some other factor may have been at work to offset these effects.

Good times, bad times: the effect of economic conditions

All new entrants to the labour market — whether they are immigrants or youth just out of school — take time to

become fully integrated into the workforce. For immigrants, full integration may involve gaining Canadian work experience, establishing work relationships and, at times, obtaining further training. Due to economic restructuring and a prolonged recession, 1991 immigrants experienced more difficulty securing jobs than did either the 1981 or the 1996 cohorts. Although the economy in the early 1980s had also gone through a slow-down, its impact on the labour market was not as far-reaching as that experienced in the 1990s.⁷

Do landing characteristics make a difference?

In addition to economic conditions, educational levels, official language

skills, admission category and region of last permanent residence, other characteristics may also influence the initial labour market experiences of immigrants, including their earnings. Landing characteristics were different for each group of immigrants. For example, while the majority of 1981 entrants were European or North American, most of those arriving in 1996 were Asian. As well, 1996 immigrants had higher levels of education and were more likely to speak an official language than either of the two earlier cohorts. Finally, 1991 immigrants were more

7. Picot and Heisz. 2000. p. S7-S25.

	1981	1991	1996
	% of 25- to 44-year-old immigrants		
Landing characteristics			
Education level			
Less than 10 years of schooling	16	16	9
10 to 12 years of schooling	23	26	22
Some postsecondary, trade certificate, community college or university diploma	37	36	30
University degree	23	23	39
Self-assessed knowledge of official languages			
No knowledge of English or French	29	31	23
Knowledge of at least one official language	71	69	77
Last permanent residence (region)			
North America	9	3	2
Europe	43	22	21
Asia	26	43	53
Middle East	3	7	7
Africa	5	9	8
Caribbean and Guyana	8	7	5
Central and South America	3	9	2
Australia and Oceania	2	1	1
Admission category			
Family	24	28	22
Economic			
Skilled worker	31	15	25
Business	3	2	3
Other economic	29	16	29
Refugee	13	19	15
Other	0	20	6

Source: Statistics Canada, Longitudinal Immigration Database.

likely to be refugees or part of the “other” category of immigrants, which included the backlog clearance program for refugee claimants.

After accounting for differences in landing characteristics,⁸ the second-year earnings of 1991 immigrants were still 32% less than the corresponding earnings of the 1981 group; the gap decreased to 20% in the fifth year. In contrast, the 1996 cohort earned 39% less than their 1981 counterparts in their second year, but the gap dwindled to about 9% by their fifth year in Canada. The fact that earnings differences between these groups of entrants

persisted even after holding landing characteristics constant confirms that other factors — most likely economic conditions — must also be at work.⁹

Education and earnings go hand in hand

Although Canada attempts to attract and integrate skilled professionals and trades persons into the labour market, foreign-trained immigrants may experience barriers in having their skills and credentials fully recognized. In some cases, employers have difficulty assessing credentials, especially from countries where the education system

differs substantially from Canada’s. In others, skills may be perceived as lower quality or not relevant to Canadian conditions.¹⁰ As well, immigrants entering for humanitarian or family reunification reasons may be less experienced in the labour market than those assessed on the basis of skills and occupational demand.¹¹

Despite these barriers, a model using multivariate analysis¹² of each immigrant group shows that higher earnings go hand in hand with high levels of education. Regardless of when they arrived, immigrants with a university degree earned more than did those with less education. What’s more, the effect of education on earnings was stronger after five years. For example, during their second year in Canada, 1996 immigrants with 10 to 12 years of schooling earned 10% less than those with a university degree. By the fifth year the difference had increased to 33%. A similar pattern was observed for 1991 immigrants: those with 10 to 12 years of schooling earned 11% less in their second year in Canada and 28% less in their fifth year than did immigrants with a university degree.

8. Landing characteristics of immigrants included: age, sex, education level and self-assessed knowledge of official languages, region of last permanent residence and admission category.
9. For further information on the impact of economic conditions, see Green and Worswick. 2002.
10. Reitz. 2002. p. 20.
11. Prefontaine, J.P. and A. Benson. 1999. *Barriers to Canadian Immigrants’ Economic Integration: Government Response to Market Failure*. Presentation given January 1999 in Vancouver, British Columbia at Third National Metropolis Conference. p. 2. www.rim.metropolis.net/Virtual%20Library/1998/NC/Benson.pdf (accessed February 25, 2003).
12. A technique that considers multiple factors simultaneously to investigate how earnings change after the effects of differences in landing characteristics have been removed.

	Year of entry to Canada		
	1981	1991	1996
	Average employment earnings ('000s of constant 2000 dollars)		
Men			
2 nd year	32.6	18.8	20.9
3 rd year	33.6	21.0	26.1
4 th year	35.8	25.2	29.8
5 th year	37.5	25.1	33.1
Women			
2 nd year	15.5	14.2	13.3
3 rd year	16.7	15.7	16.4
4 th year	17.8	18.3	18.5
5 th year	18.5	18.0	20.5

Source: Statistics Canada, Longitudinal Immigration Database.

	Both sexes		Men		Women	
	1991	1996	1991	1996	1991	1996
	% gap in earnings with 1981 cohort					
2 nd year	-32	-39	-44	-46	-13	-27
3 rd year	-27	-21	-36	-26	-12	-13
4 th year	-22	-15	-31	-20	-9	-7
5 th year	-20	-9	-30	-16	-6	1*

* No statistically significant difference from 1981.

Note: The model accounts for age, sex, education level and knowledge of official language at landing, region of last permanent residence and admission class. The earnings gaps in the table reflect differences in economic conditions experienced by immigrants and differences in the characteristics of immigrants not accounted for in the model.

Source: Statistics Canada, Longitudinal Immigration Database.

Knowledge of English or French associated with higher earnings

Immigrants of the 1990s who were able to speak either English or French upon arrival had a head start over those who could not converse in either language. However, the effect of initial language skills decreased over time, as individuals who did not know an official language learned one in the following years. After accounting for all other factors, knowledge of English or French raised

earnings in the first year by 30% among 1991 immigrants and by 28% among the 1996 group over those who spoke neither. By the fifth year, the language advantage for the two cohorts dipped to 22% and 21%, respectively.

The recession of the early 1990s hit immigrants from some regions harder than others. While holding all other factors constant, the fifth-year earnings of 1991 immigrants were lowest for those from the Middle East (55% lower

than North American immigrants),¹³ Africa, Central and South America (about 42% lower) and, to a certain extent, Asia (29% lower). Among 1996 immigrants, earnings for individuals from all these regions were about 30% below North American immigrants' earnings.

Immigrants who landed as skilled workers generally earned more than those in other admission categories because they were admitted as workers who on the basis of their skills were in strong demand. However, skilled workers from the 1991 cohort enjoyed a smaller earnings advantage than their 1981 and 1996 counterparts. For example, in their fifth year, 1991 skilled immigrant workers earned 26% more than family class immigrants. In comparison, the 1981 skilled group earned 38% more and the 1996 group, 28% more than their family class counterparts.

1991 immigrants report earnings later

Comparing employment earnings over the first five years in Canada is one way to measure the integration of immigrants into the labour market. Another is to look at how long it took them to find paid work. This can be measured by the average number of years it took to first report earnings during their first five years. Finally, the average number of years of earnings during the first five years is another indicator of the labour market integration of immigrants.¹⁴

13. North American immigrants were primarily from the United States.

14. The introduction of the Federal Sales Tax Credit in 1986 and the Goods and Sales Tax Credit in 1989 and child tax credits and benefits in 1978 and 1993 provided more incentive for low-income earners to file a tax return. These changes in tax credits resulted in more people filing tax returns after the tax reforms to receive the tax credits. This affects the comparability of the measures shown in the analysis.

	Years having earnings	Number of years to first earnings
Landing cohort (compared to 1981 cohort)		
1991	-0.23	0.06
1996	-0.36	0.36
Additional year of age at landing	0.00	0.01
Men (compared to women)	0.28	-0.26
Educational level at landing (compared to university degree)		
Less than 10 years of schooling	0.06	-0.08
10 to 12 years of schooling	-0.02	-0.02
Some postsecondary, trade, community college or university certificate or diploma	0.01*	-0.06
Knowledge of at least one official language (compared to no knowledge of an official language)	0.16	-0.12
Region of last permanent residence (compared to North America)		
Europe	0.24	0.07
Asia	0.27	0.10
Middle East	-0.11	0.28
Africa	0.03*	0.19
Caribbean and Guyana	0.40	-0.01*
Central and South America	0.01*	0.25
Australia and Oceania	0.21	0.00*
Admission category (Reference group: Skilled worker)		
Family	-0.06	0.12
Business principal applicant	-0.83	0.67
Other economic	-0.16	0.26
Refugee	-0.33	0.29
Other	0.12	-0.18

* No statistically significant difference from the comparison group.

Note: The introduction of sales taxes credits and the child tax benefit during the 1980s and 1990s provided more incentive for low-income earners to file a tax return. This affects the comparability of the results before and after these tax reforms. The results in this table should be interpreted with caution.

Source: Statistics Canada, Longitudinal Immigration Database.

Most 25- to 44-year-old immigrants did find employment during their first five years in Canada, and many reported earnings for all five years. But their success in finding a job varied with their year of entry. By the fifth year, 20% of men who landed in 1991 had yet to report earnings, compared with 7% of men arriving in 1981 and 13% in 1996. Similarly, 30% of 1991 immigrant women had yet to report employment earnings after five years, compared with 22% of 1981 and 24% of 1996 female entrants.

After controlling for landing characteristics, knowledge of at least one official language helped immigrants to integrate into the Canadian labour market. For all three groups, those who knew at least one official language reported earnings sooner after landing and had more years of earnings during the first five years. However, educational level had a small or non-existent effect on how long it took to first report earnings and on the number of years of earnings during the first five years in the country.

Immigrants from the Middle East, Central and South America and Africa took longer to first report employment earnings than North American immigrants. But while North American immigrants reported earnings sooner, they had fewer years of earnings during their first five years than other immigrants except for those from the Middle East, Central and South America and Africa.

In general, immigrants admitted under the skilled worker category entered the labour market faster and had more years of earnings than those in other admission classes.

Summary

Both economic conditions and immigrants' characteristics at the time of landing influenced their integration into the labour market and their earnings patterns. Immigrants who entered Canada in 1996 had more education and were more likely to have official language skills than those who arrived earlier. The 1991 cohort, who arrived during a period of economic recession and who were more likely to be refugees than the other cohorts, had lower earnings and took longer to report having them than the 1981 group. Even after accounting for differences in landing characteristics, 1991 entrants had lower earnings than the 1981 cohort, but the gap narrowed with time. Those who arrived in 1996 fared somewhat better than their 1991 counterparts, but earnings for men were still lower than those of their 1981 counterparts.



Tina Chui is a senior analyst with Housing, Family and Social Statistics Division and **Danielle Zietsma** is an analyst with Business and Labour Market Analysis Division, Statistics Canada.