

Immigrant Employment Success in Canada, Part II: Understanding the Decline

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Abstract Research on the trend toward declining employment success for successive cohorts of immigrants to Canada—despite increases in their levels of education—has identified a number of statistical regularities as having potential explanatory relevance. Particularly for the period since 1980, the statistical regularities appear to be related only partly to changes in the individual characteristics of immigrants; they point also to the significance of contextual factors and changing processes within labour markets. This review illustrates how the search for explanations should probe the impact of broader labour market changes, and a wider range of determinants of immigrants employment success, reviewed in the companion article, *Part I: Individual and Contextual Causes*.

Résumé La recherche sur le déclin de la réussite à l'emploi de cohortes successives d'immigrants au Canada malgré l'augmentation de leur niveau de scolarité, a identifié certains phénomènes statistiques réguliers qui pourraient fournir des explications. Les phénomènes statistique réguliers, surtout pour la période depuis 1980, ne semblent êtres lies que partiellement aux changements dans les caractéristiques individuelles des immigrants. Les facteurs contextuels et l'évolution des processus au sein des marchés du travail semblent jouer un rôle significatif pour la même période. Cet examen démontre l'importance de chercher des explications dans l'impact de changements plus globaux du marché du travail et dans un plus vaste éventail de facteurs déterminants dans la réussite à l'emploi des immigrants, tel qu'étudié dans l'article complémentaire (première partie, *Individual and Contextual Causes*).

Keywords Immigrants · Canada · Employment · Incomes · Labour markets · Trends

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The employment success of immigrants in Canada—defined in terms of employment rates and earnings relative to the native-born population—has been in decline for some time. However, research on this trend is in a fairly rudimentary state. Available descriptions of the trend use different time periods, cite different specific criteria for what is in decline, and provide differing accounts of the extent and significance of the decline. The most authoritative study (Frenette and Morissette 2003) shows that in the period since the 1970s, despite substantial increases in the educational levels of immigrants, and taking account of business-cycle fluctuations in labour demand, there has been a decline of perhaps 20% in the average entry-level earnings of newly arriving immigrants, both men and women, and a decline also in rates of employment. There is some evidence of an at least partial improvement for arrivals in the late 1990s, but the inter-cohort decline appears to be continuing for earlier arrivals.

This article reviews research focusing on these overall downward trends, and on understanding those factors that have been most important in producing them. To some extent, various disciplines offer differing perspectives on immigrant integration, often complementary, sometimes competing, at times yielding differing interpretations of similar findings. Therefore, this article attempts to ensure that its synthesis correctly reflects the various disciplinary perspectives, noting points of agreement, and identifying points of difference that need to be resolved in further research. For greater ease of reference, a separate short list of the most relevant studies and related policy reviews is provided at the end of the text.

In describing the trends, it is important to note the specific period of time addressed in a study, because the trends vary over time, and the most important causes also vary over time. The earliest study noting the trend toward decline for Canada is Borjas' (1990) discussion comparing the United States, Canada, and Australia. This study is based on the 1981 census data, as is the Bloom and Gunderson (1991) study. Baker and Benjamin (1994) and Bloom et al. (1995) include the 1986 census, and Grant (1999) includes the 1991 census. Three articles by Reitz (2001, 2003a, d) examine the period from 1970 to 1996, and one (Reitz 2003a) includes a comparison with the US. The release of the 2001 data (first publication being Statistics Canada 2003) significantly increased concern about the trends, and the search for explanations has become more intense, including studies by Frenette and Morissette (2003), Picot and Hou (2003), two articles by Green and Worswick (2004, 2006), one by Aydmir and Skuterud (2005), and another by Picot et al. (2007). Although most of the studies are based on census data, a few are based on the Immigration Database (IMDB), and the Survey of Consumer Finances. The methods of analysis vary, and some employ quite complex analytic techniques.

The article begins by examining the following eight empirical findings (to which varying degrees of attention have been given) put forward to explain the downward trend in immigrant employment success:

1. a general decline in employment opportunities for all new labour market entrants, which parallels the decline for immigrants;
2. a shift in the origins of immigrants to new regions, with possible implications for human capital and labour market discrimination;

3. rising levels of education for the native-born workforce;
4. low returns to education for immigrants (which places them at an increasing disadvantage as the overall emphasis on education increases);
5. the possibility of declining returns to education for immigrants;
6. a decline in the returns to foreign labour market experience for immigrants;
7. changes in the organization of the labour market, including changes in occupational structure, human resource practices, and the shift to the “knowledge economy;” and
8. an increase in overall labour market inequality.

It is important to note that the understanding of the trends in immigrant employment is still quite preliminary in several respects. First, the significance of the trend is itself debated. Second, some studies focus on trends in the relative overall employment and earnings levels of immigrants, while others focus on the relative earnings of immigrants net of human capital. Third, the analyses vary in the time periods that are the focus of their explanations. Fourth, some statistical trends remain difficult to interpret. Fifth, and finally, there are a number of plausible hypotheses that have yet to be explored systematically; hence, a discussion of these eight main findings is followed by an examination of further issues.

One barrier to effective synthesis is the variety of theoretical viewpoints and conceptual frameworks employed. Here, explanation will be sought with reference to a framework reflecting existing knowledge about determinants of immigrant employment success generally, reviewed in a previous article (*Part I*). Changes in immigrant employment success must be understood in terms of what is known about the determinants of such success. For example, to understand changes in the way that immigrant human capital might be recognized in the workforce, it is necessary to understand the forces underlying such changes, and these may be found in more basic labour market changes. In the summary section, such issues of interpretation will be discussed, and specific points at which further research is necessary will be noted. The analysis is aided by previous reviews of the causes of the decline by Reitz (1998a, 2003c, 2005), Grant and Oertel (1998), Couton (2002), Preston et al. (2003), Ruddick (2003), Worswick (2004), Picot (2004), and Picot and Sweetman (2005).

Description of Trends and Their Longer-Term Impact

There is a consensus in the studies that the overall employment situation of newly arrived immigrants compared with that of the native-born workforce has been in decline, at least over the period from 1970 to 1996, and in some respects continuing to 2000 and after. The decline has affected both employment rates or the time to first job for immigrants, and initial or “entry-level” earnings. However, with respect to the progress of immigrants with time in Canada, when compared with both the native-born and previous cohorts of immigrants, there is some debate about the significance and longer-term impact of the trends, particularly for the most recent cohort.

Table 1 Log earnings differences between immigrant and Canadian-born workers, 1980–2000^{a,b}

| | Unadjusted differences | | | | | OLS adjusted differences ^c | | | | |
|--------------|------------------------|--------|--------|--------|--------|---------------------------------------|--------|--------|--------|--------|
| | 1980 | 1985 | 1990 | 1995 | 2000 | 1980 | 1985 | 1990 | 1995 | 2000 |
| Men | | | | | | | | | | |
| IMpre60 | 0.122 | 0.149 | 0.177 | 0.180 | 0.195 | -0.015 | -0.008 | 0.008 | -0.002 | 0.016 |
| IM6064 | 0.041 | 0.072 | 0.131 | 0.121 | 0.151 | -0.064 | -0.052 | -0.024 | -0.028 | 0.011 |
| IM6569 | 0.073 | 0.079 | 0.136 | 0.151 | 0.183 | -0.064 | -0.066 | -0.034 | -0.015 | 0.025 |
| IM7074 | -0.031 | 0.011 | 0.038 | 0.059 | 0.123 | -0.113 | -0.099 | -0.089 | -0.056 | 0.000 |
| IM7579 | -0.127 | -0.076 | -0.017 | -0.022 | 0.064 | -0.165 | -0.139 | -0.103 | -0.092 | -0.028 |
| IM8084 | | -0.306 | -0.149 | -0.122 | -0.082 | | -0.293 | -0.193 | -0.159 | -0.141 |
| IM8589 | | | -0.318 | -0.243 | -0.165 | | | -0.332 | -0.271 | -0.216 |
| IM9094 | | | | -0.450 | -0.265 | | | | -0.446 | -0.310 |
| IM9599 | | | | | -0.283 | | | | | -0.399 |
| Women | | | | | | | | | | |
| IMpre60 | 0.044 | 0.073 | 0.094 | 0.133 | 0.158 | 0.003 | 0.003 | 0.012 | 0.010 | 0.033 |
| IM6064 | -0.024 | 0.013 | 0.050 | 0.063 | 0.114 | -0.053 | -0.047 | -0.027 | -0.015 | 0.016 |
| IM6569 | 0.007 | 0.027 | 0.096 | 0.126 | 0.126 | -0.056 | -0.062 | -0.022 | -0.005 | -0.003 |
| IM7074 | -0.075 | -0.028 | 0.038 | 0.064 | 0.103 | -0.131 | -0.119 | -0.076 | -0.059 | -0.028 |
| IM7579 | -0.196 | -0.114 | -0.026 | -0.014 | 0.061 | -0.228 | -0.181 | -0.117 | -0.117 | -0.060 |
| IM8084 | | -0.317 | -0.157 | -0.108 | -0.060 | | -0.331 | -0.217 | -0.180 | -0.155 |
| IM8589 | | | -0.253 | -0.187 | -0.124 | | | -0.317 | -0.271 | -0.231 |
| IM9094 | | | | -0.397 | -0.240 | | | | -0.456 | -0.345 |
| IM9599 | | | | | -0.306 | | | | | -0.445 |

^a Log earnings differences are approximately equal to percentage differences. For example, the left panel of the table reads as follows: the average earnings of immigrant men who arrived between 1975 and 1979 were about 12.7% lower than those of Canadian-born men in 1980

^b In any given year, the sample consists of individuals aged 16–64, who worked at least 40 weeks (mainly full-time, or 30 hours or more per week), and with positive earnings. To reduce processing time, a 20% random sample of Canadian-born workers is used in the regressions

^c Differences that are statistically significant at 5% are shaded. Note that no significance tests were performed on the unadjusted results

Source: Frenette and Morissette (2003: p. 7)

Entry-Level Earnings and Initial Employment Rates

Regarding earnings, Frenette and Morissette (2003, p. 7; see also Statistics Canada 2003) have analyzed full-year, full-time workers, both men and women, and computed log earnings differences between immigrants arriving in the five-year period preceding each census from 1981 to 2001 (see Table 1). Log earnings differences are interpretable as percentage differences. For men, the figures decline from -0.127 for 1980 earnings to -0.306 in 1985, -0.318 in 1990, and -0.450 in 1996. The trend moves upward to 0.283 in 2000. For women, the respective figures are -0.196, -0.317, -0.253, -0.397, and -0.306. For the men this means that immigrant workers arriving in the late 1970s had mean earnings about 13% below the native-born, whereas those arriving in the early 1990s had mean earnings about 45% below, a drop of about 32%. The upward trend for those arriving in the late 1990s was to a level about 28% below the 1980 level, reducing the overall drop for men to 15%. The corresponding initial drop between late 1970s and early 1990s for immigrant women was about 20%, but the upward trend in the late 1990s reduced this drop to about 11%. Frenette and Morissette provide a table of mean earnings of recent immigrants and Canadian-born workers, by level of education (Table 2).

Table 2 Mean earnings (adjusted to 2000 dollar values) of recent immigrants and Canadian-born workers^a

| Age (years) | All education levels | | | High school or less | | | College | | | University | | |
|--------------------------------------|----------------------|--------|--------|---------------------|--------|--------|---------|--------|--------|------------|--------|--------|
| | 1980 | 2000 | Growth | 1980 | 2000 | Growth | 1980 | 2000 | Growth | 1980 | 2000 | Growth |
| Men | | | | | | | | | | | | |
| Canadian-born | | | | | | | | | | | | |
| 16-64 | 45,625 | 48,623 | 7% | 40,329 | 38,909 | -4% | 45,402 | 46,689 | 3% | 69,058 | 75,971 | 10% |
| 25-29 | 39,788 | 35,705 | -10% | 37,209 | 31,364 | -16% | 40,580 | 36,080 | -11% | 45,820 | 44,257 | -3% |
| 30-54 | 51,266 | 52,556 | 3% | 44,979 | 42,544 | -5% | 50,126 | 49,461 | -1% | 74,807 | 79,310 | 6% |
| Recent immigrants^b | | | | | | | | | | | | |
| 16-64 | 40,649 | 37,909 | -7% | 31,826 | 26,369 | -17% | 40,905 | 34,354 | -16% | 55,281 | 48,309 | -13% |
| 25-29 | 36,117 | 33,427 | -7% | 31,268 | 26,778 | -14% | 37,797 | 30,004 | -21% | 42,322 | 43,381 | 3% |
| 30-54 | 45,375 | 40,274 | -11% | 35,360 | 28,036 | -21% | 44,404 | 35,960 | -19% | 57,654 | 48,982 | -15% |
| Women | | | | | | | | | | | | |
| Canadian-born | | | | | | | | | | | | |
| 16-64 | 28,836 | 34,418 | 19% | 24,827 | 27,647 | 11% | 30,080 | 32,769 | 9% | 45,191 | 49,971 | 11% |
| 25-29 | 29,635 | 29,231 | -1% | 25,926 | 23,719 | -9% | 30,031 | 26,977 | -10% | 38,001 | 36,429 | -4% |
| 30-54 | 31,722 | 37,017 | 17% | 26,531 | 29,627 | 12% | 33,027 | 34,865 | 6% | 51,363 | 54,211 | 6% |
| Recent immigrants | | | | | | | | | | | | |
| 16-64 | 23,780 | 26,793 | 13% | 20,337 | 19,975 | -2% | 24,634 | 24,969 | 1% | 32,723 | 34,678 | 6% |
| 25-29 | 24,345 | 25,196 | 3% | 21,377 | 19,574 | -8% | 24,449 | 23,731 | -3% | 30,812 | 32,030 | 4% |
| 30-54 | 25,253 | 28,411 | 13% | 21,013 | 21,149 | 1% | 26,061 | 25,887 | -1% | 34,375 | 35,510 | 3% |

^a In any given year, the sample consists of individuals who worked at least 40 weeks (mainly full-time, or 30 hours or more per week), and with positive earnings

^b Recent immigrants are those who arrived in the last five years

Source: Frenette and Morissette (2003: p. 19)

The census data also show a declining rate of any type of employment. Reitz (2001) has shown that for men, the decline in employment rates (percent of immigrants aged 20–64 with positive earnings) relative to native-born men was most pronounced for newly arriving immigrants over the period 1980 to 1996.¹ The rate was 5% lower for immigrants arriving in the five-year period before 1980, down to 10% lower in 1990, and over 15% lower in 1996 (see also data on employment rates for immigrant men over the period 1965 to 1985 in Baker and Benjamin 1994). For women, the rate was about 4% lower for immigrants arriving in the five-year period before 1980, 10% lower in 1990, and over 20% lower in 1996.

Citizenship and Immigration Canada (1998, p. 24) longitudinal IMDB data show a similarly negative trend. According to these data, the negative trend mainly affects immigrants in the skill-selected category (the principal applicants in this group), a trend that developed in the late 1980s.

Occupational changes accompany these changes in earnings. The stereotype of immigrants with doctorates driving taxis reflects the most extreme aspect of reduced employment opportunities for immigrants, and indeed, university-educated immigrants often do work that is much less skilled. In fact, denied work in highly skilled occupations, and experiencing greater educational competition in the lower-level work, immigrants often wind up in the least-skilled occupations. As Galarneau and Morissette (2004) find in the 2001 census, “among recent immigrants with a university degree and employed between 1991 and 2001, at least one in four had a job requiring no more than a high school education” (p. 13). And according to Statistics Canada (2003),

many degree-holders who came to Canada in the 1990s worked in lower-skilled jobs. Only 29 occupations employed the majority of these men, including: restaurant and food-service managers, taxi and limousine drivers and chauffeurs, truck drivers, security guards and related occupations and janitors, caretakers and building superintendents. (p. 13)

Moreover, their earnings were substantially below those of native-born Canadians in the same occupations.

These downward trends have produced higher poverty rates and reduced standards of living. In their examination of census data, Picot and Hou (2003) conclude that a rise in low income rates has been underway over the period 1980 to 2000:

Abstracting from business cycle fluctuations, immigrant low-income rates have been on a continuous upward long term trend over the 1980, 1990 to 2000 period (comparing peak to peak). This is true regardless of the number of years of Canadian experience (except for those in Canada for more than 20 years), although the highest levels and the most rapid growth in the low-income rate is among “recent” immigrants. And since low-income rates have been stable or slowly falling over this period (peak to peak) among the Canadian born, the relative (to Canadian born) low-income rate among immigrants increased. (p. 19)

¹ The earnings analysis by Reitz (2001) shows results similar to those of Frenette and Morissette for the corresponding time period. Immigrant men arriving in the five-year period before the 1981 census earned 79.6% of the earnings of native-born men; by 1996, the figure had dropped to 60.0%. For women, it dropped from 73.1% to 62.4%.

Further analysis shows that immigrant incomes continued to fall for immigrants arriving up to 2005 (Picot et al. 2007). Rates of home ownership are in decline for immigrants (Haan 2005), and other recent studies report high poverty rates, such as the one by Kazemipur and Halli (2000) based on the 1991 census.

The implications are also affected by the minority racial composition of the immigrant groups affected. Ornstein (2000) shows high rates of poverty for racial minorities in Toronto based on the 1996 census. Poverty rates among visible minority persons in Toronto are more than twice the rates for others, 40.7% versus 19.8%. The highest rates of poverty are among Ethiopians, Ghanaians, Afghans, and Somalis, who have poverty rates of 50% to 80%. Tamil, Pakistani, Bangladeshi, Central American, West Asian, and other African groups have very high poverty rates as well, and Ornstein's report has been interpreted as signalling a looming crisis of race relations in Toronto (Preston et al. 2003).

Some studies examine trends in earnings with adjustments, such as for education or demographic factors. These analyses attempt to remove the effects of immigrant characteristics from the trends, with the objective of noting trends that must be explained by other factors. Hence, they are considered here as directed toward explanations of the trends, rather than descriptions of the trends themselves. As the specific implications of the results are not always discussed by the authors, we will mention them as part of the overall description.

Frenette and Morissette (2003) present relative earnings of immigrant men and women, by cohort, with controls for levels of education, potential experience (with a quadratic term), weeks worked, marital status, visible minority status, region of residence, and interaction terms for these variables within immigrant status. They report what they called a "treatment effect."² Overall, they find that while the adjusted results from these regressions "differ" from the unadjusted results, they are nevertheless quite substantial. Between 1980 and 1995, the adjusted earnings differences for men dropped by about 30%—comparable to the drop in adjusted earnings—and rebounded by about 5% by 2000. Between 1980 and 1995, the adjusted earnings differences for women dropped by 23%—somewhat less than the 30% in the unadjusted figures—but with no rebound by 2000 (see Table 1).

The extensive census analysis by Aydemir and Skuterud (2005) covers immigrants arriving over the period 1966 to 2000 (census years 1981 to 2001), but focuses on net earnings (logged) after controls for years of education, work experience (including a squared term), marital status, and region of residence in Canada, with entry-level earnings identified using controls for years since migration.³ This focus shows much larger declines, in the order of 60% to 1995,

² They describe this as "the answer to the following question. Given the actual observable characteristics of all workers—both immigrant and Canadian-born workers—by how much would, on average, predicted earnings of *all* workers differ under the two following scenarios: 1) all workers are paid according to the OLS earnings equation of immigrant cohort, and, 2) all workers are paid according to the OLS earnings equation of Canadian-born workers" (p. 9).

³ Their earnings equation does not include interaction terms for education or experience with immigrant status, as does that of Frenette and Morissette.

with a rebound of about 10% in the final half-decade, for both men and women.⁴ For the cohorts examined by Frenette and Morissette (2003), namely the cohorts of 1975 to 1979 and 1995 to 1999, there is a decline of about 36% for men and 29% for women. Because this description focuses on net earnings rather than overall earnings, it is not necessarily inconsistent with the overall earnings trend described above. As they do not report overall (unadjusted) earnings differentials, it is not possible to compare these figures with the overall figures, or to consider implications. It should be noted that partly offsetting the decline in net earnings is the boost in the immigrant earnings as a result of their rising levels of education compared with the native-born after the introduction of the points system in 1967.

Canada is not the only country experiencing a downward trend in immigrant employment success. A parallel decline for the US was reported by Borjas (1995, 1999). Reitz (2003a) showed that although part of the reason for the decline in the US was related to increased low-skilled migration from Mexico, there was also a decline for other immigrant groups. The comparison with Canada across the 1970s and 1980s showed that, “for most specific origins groups, the decline in Canada was steeper” (p. 164). Since the relative earnings of immigrants arriving in Canada in the 1970s had been higher than for their counterparts in the US, the steeper decline in Canada essentially eroded the Canadian advantages and led to a convergence between the two countries: “The positive differences for immigrants in Canada in 1980 became less positive by 1990.” This comparison suggests that the causes of the trend in Canada might lie in ways in which Canadian immigration or Canadian labour markets are becoming more similar to their US counterparts.

In sum, there has been a substantial decline in the relative earnings of newly arriving immigrant cohorts, partly offset by an improvement in the late 1990s. This decline remains substantial when immigrants are compared with demographically comparable native-born workers, indicating that the decline may not be explained by changing characteristics of immigrants. Specific explanations for the decline will be discussed in more detail below.

Business Cycle Effects and the Long-term Impact of Low Immigrant Entry Effects

As has been mentioned, some of the trends over time are related to the business cycle and the employment difficulty for immigrants arriving during a recession. Notably, the most negative movement occurred for those arriving in the early 1980s and the early 1990s, periods of severe recession. While the recession of the early 1980s clearly created difficulties for newly arriving immigrants (Bloom et al. 1995), there was an expected rebound for those arriving later in the decade (Grant 1999). Weak employment demand again in the early 1990s undoubtedly created employment difficulties for newly arriving immigrants, exacerbated by their large numbers. The role of the business cycle is emphasized by Bloom and Gunderson (1991) and McDonald and Worswick (1998).

⁴ Net entry-level earnings fell 51% between the late 1960s cohort and the late 1990s cohort, the same figure for both men and women. For both men and women, the figure for the late 1990s represents a significant recovery from the early 1990s, by 10% for men and 12% for women.

Aydemir (2003) examines the impact of business cycles on trends in immigrant earnings, both initial earnings and assimilation over time, using the Survey of Consumer Finances over the period 1980 to 1998. He finds that labour demand has affected the trends over time in both initial earnings and rates of assimilation. However, a significant part of the trend toward declining earnings extends across several business cycles, and thus would appear to have other causes. Of particular relevance is that, in the strong economy of the late 1990s, the employment rebound left immigrants with an earnings gap more than double what it was in the late 1970s.

The analysis of trends in the employment experiences of immigrants shows that those who arrive in a recession experience not only initial difficulty, but also faster income growth over time, and this latter trend tends to offset the impact of the initial difficulties. Frenette and Morissette (2003) present relative earnings figures for immigrants from earlier arrival cohorts for each census year (see above; Table 1); these show a smoother downward trend, including for the last part of the 1990s. Their figures are essentially similar to those reported by Reitz (2001) for the same census series, except for the added data from 2001. The smoothness of these trends implies that the impact of the business-cycle fluctuations in labour demand has been reduced over time. It also reflects the underlying downward trend that spans the cyclical periods.

As reported by Reitz (2001), for men in the country longer than five years, the relative immigrant employment rates are also more smoothly downward, but less dramatically so. For women, the employment rates for newly arrived immigrants relative to native-born women (whose rates overall are rising) are downward as well, from about 4% lower in 1980 to 10% lower in 1990, and over 20% lower in 1996. A downward trend in relative employment rates applies to immigrant women in the country longer to a much greater degree than it does to immigrant men.

There has been considerable interest in the extent of the rebound in the fortunes of the new immigrants of the late 1990s and after, a time when labour demand was generally strong. The data from the 2001 census examined by Frenette and Morissette (2003) show that while a degree of rebound occurred for the late-1990s cohort, the cumulative effect of decline was still evident. They regard this as “surprising,” given the relatively high proportions of these immigrants who were university graduates.

The question of the longer-term impact of low entry-level earnings for the late 1990s cohort has been examined in more detail by Green and Worswick (2006). Their analysis attempts to estimate the “present value” of the entire earnings profile. In effect, they argue that the earnings trajectories of the 1990s immigrants suggest that over their lifetimes, relative earnings will be comparable to the lifetime relative earnings of immigrants arriving in the 1980s. In that sense, they argue, “We find the 1990s cohorts were not dramatically worse than the 1980s cohorts” (p. 34). And a study by Borjas (1990) presents data on “lifetime earnings” differentials (estimated based on earnings regressions) between immigrant cohorts and the native-born, going back to 1960. He finds that lifetime earnings differentials between immigrants and demographically comparable native-born workers were in decline over the period 1960 to 1980 in both Canada and the US.

Summary

There is a rough consensus that, over the period between the 1970s and the 1990s, there was a decline of up to 10% or more in the relative employment rates of successive cohorts of newly arriving immigrants, and up to 20% or more in relative earnings, for both men and women. It also appears that initial employment rates and earnings for immigrants are particularly low during recession years, for example, in the early 1980s and again in the early 1990s. Although at least some of the impact is offset by improvements with time in Canada, there is a worrisome decline in the employment situation of successive cohorts after 10 or even 20 years in Canada.

Statistical Patterns and Explaining the Decline in Immigrant Employment Success

Immigrants Compared with New Native-born Labour Market Entrants

An interesting perspective on the trends in immigrant employment success is the comparison of immigrant labour market entrants to native-born labour market entrants. The earnings of all new labour market entrants, particularly men, have been falling over the past few decades (Beaudry and Green 2000). Green and Worswick (2004) have shown that the experiences of immigrants are parallel to those of young native-born workers entering the workforce for the first time, in the sense that both fared worse in the 1990s than in earlier decades. The decline for native-born workers is not as severe, however, about one-third of the decline for immigrants. This point is confirmed by Frenette and Morissette (2003) and Aydemir and Skuterud (2005). According to Frenette and Morissette, this pattern explains part of the trend for male immigrants, and all of the trend for female immigrants.

This suggests that a significant part (if not all, in the case of women) of the explanation for the decline in immigrant employment success lies in processes that operate in the labour market generally, and not in processes specific to immigrants. If this is indeed the case, this is an important insight, directing attention to a broad range of forces as possible reasons for the decline. Green and Worswick (2004) do not suggest what these might be, nor do others who have discussed this pattern (Picot and Sweetman 2005). Some of the other explanatory trends discussed below may also have effects that are not entirely immigrant-specific. Such trends include changes in the role of education in the labour market, increases in the educational levels of the native-born, increases in the labour market participation rates for women, changes in the occupational structure and human resources management, and the broader trend toward the knowledge economy.

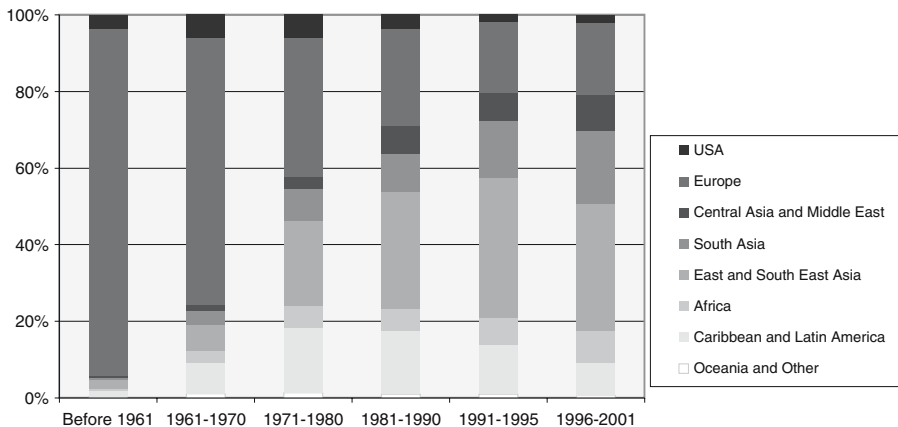
Three additional points are relevant. First, the two trends cited above do not necessarily have the same cause. There is no reason why parallel employment trends for two distinct social categories must have the same underlying cause, simply because they are in a similar direction. The downward trends in the earnings of all new labour market entrants may be compounding the employment problems for immigrants. Second, the significance and implications of the trend for immigrants may be different than the trend for the new native-born labour market entrants. It appears that the trend for immigrants more often pushes them into poverty, compared with the trend for the

native-born. Third, given the racial composition of the immigrant population, the downward trend for immigrants also increases racial disparities in earnings in Canada. The trend for immigrants has a disproportionate impact on racial minority groups, with the potential for social difficulties not necessarily applicable to native-born Canadians, most of whom are not racial minorities.

A Shift in the Origins of Immigrants

Aydemir and Skuterud (2005) examine the impact of origins shifts and associated changes in language knowledge on trends in immigrant earnings over the entire period 1966 to 2000, focusing on trends in earnings net of human capital. They find that net earnings for immigrant men in the 1995 to 1999 cohort (compared with the 1966 to 1969 cohort) declined from 27% before controls for region and language (after a series of controls including human capital, differences in the value of foreign and Canadian experience for immigrants, as well as marital status and region of settlement) to 15% after controls for region and language. Thus region and language produced a decline of 12%, most of which was attributable to the effect of region. For women, the decline of 22% before controls for region and language became 15% after the controls, an overall effect of 7%. Aydemir and Skuterud conclude that “roughly one-third of the long-term decline in the entry earnings of Canadian immigrant men and women can be explained by compositional shifts in language abilities and region of birth” (p. 656), a conclusion based on the impact that language and region have after the above-mentioned list of controls, in relation to the size of the impact before controls.

Two points require emphasis. First, their assessment of the size of the impact is in relation to the trend as they described it, namely, the decline in net earnings after adjustments for education and other variables. Second, the impact of region and origins is concentrated in the early part of the period under study, namely, the period up to the early 1980s when the major regional shifts were occurring. As has been



Source: 2001 Census of Canada.

Fig. 1 Birthplace of immigrants by period of arrival, Canada, 2001

noted, the shift in origins of immigrants to Canada since the policy changes—away from Europe and toward the Caribbean, Asia, Africa, and Latin America—was largely complete by 1980, and the changes in the past 25 years have been relatively minor (see *Part I*; and Fig. 1). Before the 1960s, only 5% of Canada's immigrants were from places other than Europe or the US. In the 1960s, this figure increased to 25%, and in the 1970s, to just over 55%. The extent of the decline in earnings net of human capital in the 1980s and 1990s that was due to an origins shift would be much less (see Reitz 2001). From the 1980s and throughout the 1990s, the proportion of immigrants from these “non-traditional” sources averaged about 75%, just over 70% in the 1980s, and about 78% in the 1990s.

Accordingly, Aydemir and Skuterud (2005) find that the region shifts between 1980 and 2000 produced only about a 2% decline for men, and about a 1% decline for women (their Table 2 compares the size of the coefficients for the relevant cohorts and time periods), whereas region shifts before 1980 produced a substantial decrease in initial immigrant earnings net of human capital, offset to some degree by an increase due to rising immigrant human capital. Currently, most of the immigrants from sources other than Europe have higher levels of education (since they are a product of the points-based selection scheme), but earnings that are lower than expected, based on levels of formal education, as discussed above.

Hence, the increasing proportion of immigrants from non-traditional sources might be expected to have two offsetting effects on trends in immigrant earnings, mainly during the period 1967 to 1980. One effect is a result of their higher levels of education, and the other is a result of their lower earnings profiles.

Rising Levels of Education in the Native-Born Workforce

An analysis of the impact of educational factors on trends in immigrant earnings must take into account the possibility of change in at least three aspects: (1) changes

| Factor | Points Awarded | Basis for Awarding Points |
|----------------------------------|----------------|----------------------------|
| Education | 5-25 | High school diploma to PhD |
| Official language knowledge | 0-24 | English, French |
| Work experience | 15-21 | 1-4 years |
| Age | 10 | 21-49 years |
| Arranged Employment | 0-10 | HRSDC confirmed |
| 'Adaptability' | 0-10 | * |
| Pass Mark: 67 out of maximum 100 | | |
| Example: | | |
| Education | 20 | BA |
| Official language knowledge | 16 | Fluent in English |
| Work experience | 17 | 2 years |
| Age | 10 | 21-49 years |
| Arranged Employment | 0 | No job |
| 'Adaptability' | 5 | Spouse with BA |
| | 68 | Pass by one point |

* Based on spouse education, Canadian education or experience, family contacts

Source: Citizenship and Immigration Canada. For further details see <http://www.cic.gc.ca/english/skilled/qual-5.html> (accessed March 13, 2007).

Fig. 2 Selection factors for skilled immigrants in Canada (as of September 2003)

in the educational levels of immigrants, at least partly affected by selection policies; (2) changes in the educational levels of the native-born, with whom immigrants compete in the labour market; and (3) changes in the extent to which immigrant education is discounted compared with native-born education.

Regarding the first point, the relative educational levels of immigrants have been rising since the introduction of the points-based selection system in 1967, and selection has been one of the primary policy tools aimed at changing the relative earnings of immigrants. In theory, improved selection should boost immigrant earnings, while increases in the proportions of immigrants admitted on the basis of non-skilled related criteria, such as family reunification or refugee status, should reduce immigrant earnings. The specific requirements of the points system have been upgraded over time, and the proportion of immigrants selected on the basis of points has fluctuated (see Reitz 1998b, pp. 74–9, for a discussion of the evolution of the points criteria over time and the impact on the skills of immigrants; see Fig. 2 for the current selection factors and weights).

Despite the points system's apparent objectives, Borjas (1990) observes that it is "unable to prevent a sizable decline in immigrant skills [i.e., relative earnings] among successive immigrant waves" (p. 209). For their part, Bloom and Gunderson (1991) suggest that during the 1970s, an increase in the size of the family class category may have contributed to a decline in immigrant earnings because of a presumed decline in overall immigrant educational levels. But in the more recent period, the points-based requirements have been upgraded, and the educational levels of immigrants rose particularly strongly during the 1990s. Moreover, the proportions admitted in the economic category have been increased.

For much of the period from the 1970s to the 1990s, educational levels for native-born Canadians were rising rapidly as well, largely because of public investment in education, particularly at the post-secondary level. If the impact of rising levels of education of immigrants for their own employment situation is positive, then the impact of rising educational levels in the native-born population on the competitive position of immigrants is obviously negative. Reitz (2001) shows that the more rapid rise in the educational levels of the native-born compared with immigrants explains perhaps one-quarter of the decline in employment earnings between the later 1970s cohort and the cohort arriving in the late 1980s. Moreover, while it was more rapid, the increase in educational levels for immigrants in the 1990s did not offset the impact of rising native-born educational levels.

A comparison of country-specific trends in the educational levels of the native-born population sheds light on the situation of immigrants in Canada and the US (Reitz 2003a). The more rapid rise in native-born educational levels in Canada compared with the US during this period (Freeman and Needels 1993) helps explain the more rapid decline in the earnings of immigrants in Canada compared with those in the US, despite the trend toward higher immigrant education in Canada and declining immigrant education in the US.

Low Value of Immigrants' Education as Educational Standards Rise

All analyses agree that the labour market value of immigrants' education (their "returns" to education, or their increases in earnings associated with increased

education) is substantially less than the value of the education of native-born workers. Reitz (2001) indicates how this difference could affect the analysis of change. In the context of rising levels of education across the workforce, all groups with rising education make gains, but because of differences in returns to education, those gains will be greater for the native-born than for immigrants. For immigrants, if education is discounted, then rising standards among the native-born may have a stronger negative impact; as the credentials competition intensifies, immigrants may find that they enter the competition with “devalued currency.” Their ability to compete may be compromised by the lower value of their qualifications.

Reitz (2001) calculates these effects for immigrants using statistical decomposition.⁵ He concludes that over the period from 1981 to 1996, the earnings of newly arrived immigrant men in Canada declined about 3% because native-born education was rising more rapidly than immigrant education, and a further 3% because the increases in immigrant education were devalued in the labour market. Together, the two represent about one-third of the overall decline in immigrant earnings over the period.

This effect also helps explain the more rapid decline of immigrant earnings in Canada than in the US (Reitz 2003a). During the period between 1970 and 1990, immigrant skills were rising in Canada and falling in the US. Yet immigrant earnings were falling in both countries, more rapidly in Canada. This strongly suggests that trends in immigrant skills are not the primary driver in trends in immigrant earnings, because immigrant skills are so heavily discounted. As indicated above, native-born educational levels were rising more rapidly in Canada than in the US, and the statistical decomposition shows that these trends were the most powerful determinants of trends in immigrant earnings, much greater than the impact of trends in immigrant skills themselves.

The theoretical impact of rising levels of education on the competitive position of different groups of workers is a subject on which there is little discussion in the literature. Human capital theory gives some guidance (and is the basis for Reitz’ decomposition calculations), but other theoretical perspectives are relevant, including the trend toward a knowledge economy, discussed in more detail below.

Declining Value of Immigrants’ Education?

A further question is whether there is some change in the market value of immigrant education, beyond what follows from the rising educational standards across the labour market. In other words, is there a negative change in the “returns” to education for immigrants? Freeman and Needels (1993) report that the returns to education for Canadians generally rose less rapidly over the period between 1970 and the late 1980s than was the case in the US, most likely because a more rapid increase in the supply of Canadians with post-secondary education slowed the growth in the earnings premium for such education. But Reitz (2001, p. 598) suggests that the earnings premium for

⁵ Statistical decomposition assumes that labour market competition occurs in a single national pool. However, immigrants compete in local labour markets, and as was pointed out above, the relative educational levels of immigrants in the specific labour markets are very different. The trends over time may be different as well. The extent of the impact changes in native-born educational levels on immigrants may vary, depending on the nature of the inter-group competition.

immigrant education did not rise during the same period, pointing toward a *relative* decline in the value of education for immigrants compared with the native born. He notes that this had a very modest impact in reducing the relative earnings of immigrants, by about 1% over the period from 1991 to 1996, much less than the effect of the lower value of immigrant education under conditions of rising native-born educational levels.

As has been noted, Ferrer and Riddell (2004) distinguish the attainment of specific credentials, such as a university degree, from the total number of years of education, and find that, although the value of years of education is less for immigrants, the “sheepskin effect”—the value of completing a degree—is not less, and may even be greater. In their trend analysis, they find “the returns to schooling are significantly lower for immigrants than for native Canadians, and the gap widens over the period [from 1981 to 1996]” (p.16). However, there is no evident trend in the value of specific degrees: “We find little evidence of changes over time in the estimated sheepskin effects” (p.20).

Aydemir and Skuterud (2005, 658–659) find “no evidence” that returns to foreign education have been declining, both when they use years of education as the measure, and when they take specific educational credentials into account. In this respect, Ferrer and Riddell’s (2004, p. 16) findings seem somewhat different, since they find that returns to years of education declined over the period 1981 to 1996, a decline offset by an increase in the value of credentials. Most likely, a decline in the relative “returns” to education for immigrants, if it exists, is fairly small.

Declining Immigrant Access to Highly Skilled Occupations

Despite rising levels of qualification, immigrants have reduced access to “knowledge occupations,” specifically, professions and management of highly skilled work. Reitz (2003d) shows that the trend toward lower immigrant earnings is partly related to this reduced access, and partly a consequence of immigrants’ inability to access less-skilled occupations to which native-born workers often turn.

According to Statistics Canada, knowledge occupations are those in which a high proportion of workers have a university education. They include the science and engineering professions, health and education, as well as a variety of other professional fields. Knowledge industries are those with a high proportion of knowledge workers, and in which investment in research and development is greatest. Among them are the high-tech industries, including the pharmaceutical, chemical, instrument, electronics, and machinery and equipment industries. As noted above, management is often considered a knowledge occupation as well, particularly when the activities managed involve highly skilled or professional activities.

Baldwin and Beckstead (2003) show that, between 1971 and 2001, the proportion of Canadian workers in knowledge occupations almost doubled, jumping from 14% to 25%. Education levels in these occupations increased. At the same time, the educational levels in occupations outside the knowledge category also increased (Beckstead and Vinodrai 2003; Beckstead and Gellatly 2004).

Over the past several decades, and despite higher levels of education, qualified immigrants appear to be having greater difficulty gaining access to work in knowledge occupations. As a result, they more often end up working in less-skilled occupations than do comparably qualified native-born Canadians. In 1996, 59% of native-born men

with bachelors' degrees were working in knowledge occupations, compared with only 35% of recent immigrants (arriving in the previous five years) with bachelors' degrees. The corresponding figures for women were 57% and 28%. Of men with postgraduate degrees, 79% of those born in Canada were working in knowledge occupations, compared with only 59% of recent immigrants. The corresponding figures for women were 78% and 49%. Between 1981 and 1996, as the importance of knowledge occupations increased, the differences between the income levels and representation in knowledge occupations of native-born Canadians and immigrants grew as well. Despite the increases in the skill levels of new immigrants, their representation in knowledge occupations was lower in 1996 than in 1981 (Reitz 2003d, pp. 485, 495).

Within the knowledge occupations, immigrants have greater difficulty gaining access to managerial than to professional positions. Analysis of 1996 census data shows that:

for immigrant men with postgraduate degrees the barriers to access in managerial employment are greater than they are in the professions ... the barriers experienced by immigrant women are greater for all levels of education in management jobs than in the professions; ... [and] racial minorities encounter much greater barriers to access in managerial occupations than in the professional occupations. (Reitz 2003d, p. 487)

In knowledge-based industries, many management positions are filled by people from the professional ranks. And even if immigrant minorities gain access to professional fields, they are sometimes barred from further promotion to the more lucrative senior management jobs. These glass-ceiling barriers may be unfair and discriminatory, as a Canadian Human Rights Tribunal concluded in the widely publicized case of racial barriers in promotion from the professional ranks to senior management at Health Canada (see Beck et al. 2002). These barriers to access in professional and managerial occupations and the earnings disadvantages within these fields have the effect of decreasing immigrants' earnings.

Less known, but at least as important, are the earnings disadvantages of highly educated immigrants in occupations outside the knowledge sector. These are actually larger and more financially consequential than those within the knowledge sector. For example, in the knowledge occupations, the net earnings of immigrant men with bachelors' or postgraduate degrees (professions and management) are 12% to 16% lower than those of native-born Canadians with similar education, but in all other occupations, they are 25% to 34% lower. Over time, negative earnings trends in occupations outside the knowledge sector have contributed substantially to the overall downward trend in immigrant earnings (Reitz 2003d, pp. 493, 500).

Education-based competition is increasing in a wide range of occupations, not just in those that are the most knowledge-based. Employers often require higher education for occupations, such as those in retail management or administration, which are not in the knowledge sector (as defined above). Over the period 1971 to 2001, although the increase in the percentage of workers in knowledge-based occupations who possessed university degrees was large (from 34.3% to 51.6%), the increase in the rest of the workforce (from 2.7% to 9.1%) was also significant (Baldwin and Beckstead 2003, p. 6). Possibly, when the educational requirements in occupations outside the knowledge sector are less precisely defined, immigrants experience particular difficulty in demonstrating the equivalence of their foreign-

acquired education to Canadian education. Whereas native-born workers are able to use their university background to advantage across a wide range of non-professional or managerial occupations, this may not be the case for immigrants.

These occupation-specific trends suggest that institutional procedures may affect the skill-assessment process in several ways. First, despite difficulties in professional occupations, the relative success of immigrants in the professions as compared with those in managerial occupations, and the smaller gap between the earnings of immigrants and those born in Canada in those occupations compared with those outside the knowledge occupations (as demonstrated in the research cited above), partially validates the value of immigrants' qualifications. Immigrants' relative success in the professions implies that the more rigorous credential-assessment processes are advantageous to them. Second, immigrants' difficulties outside the professions indicate that addressing the problem of credential assessment must go beyond the issue of barriers to licensing. More specifically, policy reform should focus on sectors of the workforce outside the knowledge sector, where the assessment processes are often much less formal.

Any analysis of the integration of immigrants into the knowledge economy should take into account how organizational changes in the labour market and the workplace are affecting immigrants. Many of these organizational changes can be attributed to increasing reliance in modern economies on education-based skills, as Bell (1973) outlines in his seminal analysis of post-industrial society. For example, there is a greater emphasis on credentials, as they reflect specific skills that increase productivity (Hunter 1988; Hunter and McKenzie-Leiper 1993); organizational decision-making is becoming more participatory; the most highly skilled employees are gaining more autonomy in their work; there is greater use of personal networks in recruitment; and there are closer links among universities, governments, and employer organizations.

There is a well-known commitment to universality in knowledge-producing institutions, such as those in the sciences, but the validation of knowledge-based skills in labour markets is inevitably performed by local institutions. The question is whether these local institutions can be adapted to develop this capacity. Employment success increasingly depends on high levels of educational attainment, but only if that education is properly assessed and utilized. The current emphasis on education-based skills in many occupations, both inside and outside the professions, as well as the greater number of domestically educated workers, means that immigrants now face significant competition in the labour market and cannot escape the problem of skills transferability. However, creating labour market institutions that can handle a diverse workforce will require institutional innovation and change.

Declining Value of Immigrants' Foreign Experience

Although most studies have found that the Canadian labour market places very little value on foreign experience, two studies report that a significant *reduction* in the value of foreign experience is an important cause of lower immigrant earnings over time. Based on IMDB data for 1980 to 1996, Green and Worswick (2004) say that "substantial declines in returns to foreign experience play an important role in declines in entry earnings across immigrant cohorts." They further comment, "The

declining return to foreign experience is strongly related to shifts in the source country composition of immigration.”

Using the census series, and examining trends over 1966 to 2000, Aydemir and Skuterud (2005) note that declining returns to foreign experience are an important source of declining overall earnings for immigrants. They claim that “somewhere between one-quarter and one-half of the overall deterioration in the [net] entry earnings of Canada’s immigrant men and women can be explained by declining wage returns to foreign labour market experience” (p. 668). Their specific analysis is somewhat different from that of Green and Worswick, however, since they suggest that the decline in the value of foreign experience is largely within regions, and that the origins shift has relatively little to do with the trend. But the specific statistical basis for this finding requires further analysis, as Aydemir and Skuterud admit (p. 662).

For their part, Schaafsma and Sweetman (2001) point out that the negative effect of age at arrival is a related pattern, given that at any given level of education, workers with more foreign experience must arrive later in the life cycle.

In any case, how might one explain a trend toward lower value of foreign experience? Aydemir and Skuterud (2005) offer no explanation, nor do Green and Worswick (2004). But Picot and Sweetman (2005) wonder whether the effect may be related to rapid technological change that renders experience in Eastern European and Asian countries less relevant to Canada. While they hint that this effect would likely apply to foreign education, they still maintain that the value of foreign education has not declined.

Other explanations may be worth exploring. One is based on the occupation-specific value of work experience in Canadian labour markets. Experience is helpful in gaining employment in an occupation primarily if it is gained in that occupation. If for reasons discussed above, the most recent immigrants more often are obliged to work in occupations other than those in which they have training and experience, then the value of their experience in their former occupation may evaporate, even though their general educational background is helpful in seeking employment in other occupations. Such a process could reduce the value of foreign experience relative to foreign education.

Increased Overall Labour Market Inequality

The overall extent of labour market inequality of earnings (Frenette et al. 2004) can have a downward impact on the earnings of all low-wage workers. But to what extent does increasing labour market inequality in Canada contribute to the decline in the earnings of immigrants?

In the US, there has been interest in the opposite effect, that immigration increases labour market inequality. There, it is observed that immigrants drive down wages for other low-wage workers, particularly native-born Blacks (Borjas 1999, 87–89). By contrast, Canadian research (Laryea 1998) suggests that, unlike the situation in the US, immigrants in Canada do not compete substantially with native-born workers, so there is comparatively little, if any, impact on inequality among low-wage workers. By the same token, the impacts examined by Borjas would not arise in Canada (contradictory claims made by Stoffman 2002, have attracted much media attention).

However, it is clear that greater overall inequality may affect the relative earnings of immigrants. If immigrants are obliged to work in the most poorly paid jobs, then it matters how poorly those jobs are paid. In the US, greater overall earnings inequality is produced by factors such as the weakness of labour unions, and not only the presence of immigrants. Reitz (1998b, pp. 149–204) showed that variations in earnings inequalities among US cities, related to union strength, were associated with lower earnings of immigrants. Greater union strength in Canada appeared to benefit immigrants to some degree.

It may be suggested that the trend toward greater earnings inequality in Canada in recent years may have an impact on reducing the relative earnings of immigrants. No studies of this matter have yet been conducted.

Issues in Explanation

The analysis of the decline over recent decades in the earnings of successive cohorts of newly arriving immigrants in Canada is in a fairly rudimentary state. There is some question, for example, of whether the decline is significant for the 1990s, although low-income trends to 2005 point to the continuing urgency of the overall decline. Further, it varies according to both the specific time periods being examined and the criteria for what is in decline. In some instances, the proffered “explanations” for the decline lack clarity on the time periods affected, not to mention the aspect of the decline explained. The reader may notice that the proportion of the decline that has been “explained” (in the statistical sense) seems to add up to more than 100%. Clearly, the eight findings cited above require further interpretation if one is to understand the underlying causes of change, not to mention the basic labour market processes and trends at work.

In some instances, the employment trends for immigrants seem to reflect changes in immigrant characteristics. This is most clear in the case of the shifting origins of immigrants (in regional, racial, or ethnic terms). If there is a shift over time toward the arrival of a higher proportion of immigrants who typically have poorer labour market experiences, then an overall trend toward employment decline is expected without any change in labour market structures or processes.

In other instances, the employment trends might reflect changes in labour market structures and processes, and in most cases, these effects are not well understood. This is most evident in the case of the parallel decline in employment success for all new labour market entrants. The research has provided no real explanation for this broader trend.

Most of the other patterns might have explanations in terms of changes in immigrant characteristics, or in terms of changes in the ways that Canadian labour markets respond to immigrants. For example, the declining returns to immigrant experience might be due either to changes in the quality of foreign immigrant work experience, as was suggested by Picot and Sweetman (2005), or to changes in the way that the Canadian labour market regards such foreign experience, which might result from declining access to highly skilled occupations, as suggested above.

Explanations for trends in immigrant employment should include forces that increase immigrant earnings as well as forces that reduce them. Consider the analysis of the impact of educational levels. It cannot be denied that increases in native-born education reduce immigrant opportunities, while increases in immigrant education increase them. But in many analyses, this distinction is ignored, and the analysis focuses only on the relative levels of education. There have been instances in which a decline in *relative* immigrant education has been referred to as a decline in immigrant “quality,” when, in fact, immigrant educational levels rose, though not as rapidly as native-born education. Such an approach assumes that as native-born educational levels rise, nothing changes in the labour market processes by which educational criteria are assessed and used in employment decisions. However, any review of human resource management publications will show that this is not the case.

Our discussion above of the analysis by Aydemir and Skuterud (2005) indicates why this latter point is important. They identify a decline of 60% in the relative earnings of immigrants (followed by a rise of 10%) that is observed *after* adjustments for education and other factors. However, during the period covered by the analysis, namely, 1966 to 2000, the educational levels of both immigrants and the native-born changed dramatically, and both affected immigrants. Although Aydemir and Skuterud do not describe the overall trends in the relative earnings of immigrants, it seems clear that they did not fall by anywhere near 50% or 60% during this period. Since policy is concerned with the relative earnings of immigrants, and poverty rates, this distinction should be clearly in focus.

In sum, the most general requirement for any explanation is that it should be rooted in an analysis of labour market change over the period in question.

Summary and Research Issues

A number of research issues follow from this discussion, and can be broken down into the following general sets of questions: those following up the research already done; those exploring the implications of changes related to known determinants of immigrant employment opportunity; those exploring the implications of known trends in labour markets with possible implications for immigrants; those examining the implication of trends in labour market inequalities; and those studying comparative trends in other countries. Regarding the research already done, the most important need is to examine some of the workplace processes underlying the statistical patterns identified. The most obvious is the trend toward declining employment opportunity for all new labour market entrants, and the declining premium for foreign experience. Unfortunately, studying the ways in which workplace processes change over time is difficult, because research on the past requires the use of existing data. Opportunities for such analyses would be very valuable.

Known determinants of immigrant employment opportunity that might affect trends over time include: enclave economies, self-employment, social capital, and various public policies and social programs. All require further elucidation. Regarding public policies and social programs, it is worth emphasizing that program

evaluation is essential if one wishes to provide answers. A number of policies and programs directed specifically at improving the employment prospects of immigrants, including credential assessment services, bridge-training programs, and information services, lack an adequate evaluation component (Reitz 2005).

Known trends in labour markets that might have implications for immigrants include not only the trend toward reduced opportunity for all labour market entrants, and greater income inequality overall, but also the trend toward the knowledge economy, and the associated trends toward workplace innovation, new human resources, and management practices. As one specific example, the trend toward the use of networks in recruitment, both by prospective employees and employers, may affect opportunities for immigrants who may be outside the respective local networks. What are the implications for immigrants when employers hold career days at local universities? Are immigrants included in these outreach efforts? Further, the knowledge economy is thought to include an increased emphasis on people-to-people interactions in decision-making and organizational activity, and a reduced emphasis on technical skill for employees in the most responsible positions. But what is the impact on immigrants, who may possess technical skills but may be perceived as unable to communicate with other workers effectively?

The implication of trends in labour market inequality is another topic worth exploring in more detail. However, this trend has not been mentioned in most of the reviews of trends for immigrants. Furthermore, studies of increased income inequality in Canada since the early 1990s often do not mention the role of immigrants in the process. Yet if immigrants are taking increasingly poorly paid jobs, the labour market forces underlying increased inequality should be explored as a possible reason.

Finally, the comparative trends for immigrants in other countries should receive attention. The situation of immigrants in the US who have the same origins as those in Canada is of particular interest. It has been known for some time that immigrants to the US do less well relative to the US labour markets than do their Canadian counterparts, despite having higher levels of education. Thus, their situation seems to be the direction in which Canadian trends are heading. The question arises whether the Canadian trends can be understood by comparison with the employment situation of comparable groups of immigrants in the US today. Similar questions may be raised about immigrants in Australia, who have typically outperformed those in Canada (Reitz 1998b).

Research Priorities for Policy

In the general understanding of the determinants of immigrant employment success, there are a number of outstanding research issues, among which the following are particularly significant: the extent and significance of labour market discrimination based on racial or other minority origins; labour market processes affecting employer assessment of the quality and Canadian relevance of immigrant qualifications; “social capital” resources of immigrants and their importance in employment success; and most generally, the impact of illegal migration and return migration; and explanations

for differing patterns of immigrant success in different nations and cities. Furthermore, regarding the decline in immigrant employment success, there is a need to clarify the eight statistical regularities in important respects. It is evident that a more comprehensive understanding of trends in immigrant employment success requires two approaches.

First, the search for explanations of the downward trend should consider a broader range of determinants of immigrant employment success. The studies to date have concentrated on a limited range of variable available in census data, with little consideration given to labour market processes for the assessment of immigrant skills, for example, or the impact of possible changes in social capital on immigrant success.

Second, the understanding of trends in immigrant employment need to be better understood in terms of the larger labour market processes that underlie them. Changes in labour markets, such as changes in occupational composition and industrial shifts, industrial restructuring, workplace innovations and new human resources practices, or the trend toward the knowledge economy should be examined, as they may help explain some of the existing research findings or point toward new areas of investigation. Such an approach might also help explain the apparent convergence in the employment success of immigrants in Canada and the US, a result of a steeper decline in Canada.

The search for explanations in terms of broader labour market change does not necessarily imply that the policy remedies involve labour market interventions, as opposed to changes in immigrant selection criteria. Selection is often regarded as the preferred policy tool. Increasing immigrant human capital is always helpful, although efforts in this direction have not reversed the decline in immigrant employment success. However, it is worth emphasizing that the appropriateness of selection as a policy remedy is determined not only by whether the causes of the trends are related to changes in immigrant characteristics as opposed to changes in labour markets themselves. In the case of negative employment trends for immigrants caused by a shift in their origins, the remedy of reversing that shift is not available. If immigrant skills are less transferable, then the policy options may be either to select those immigrants whose skills are most transferable, such as those in scientific and technical fields as opposed to those in social or cultural fields, or to bring about labour market changes to increase transferability. To cite another example, if foreign experience is of declining or negligible value in the Canadian labour market, then the selection option might be to increase the emphasis on recruitment of younger immigrants. The labour market option might be to assist immigrants in acquiring work in the occupations for which they were trained, and for which their experience is most relevant. The primary objective should be to provide the most complete explanation possible for the downward immigrant employment trends at specific points in time, and an explanation that makes clear the role of changes in the composition of immigrants, and changes in labour market processes, and the underlying reasons for these changes.

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