HOW SUCCESSFUL ARE SECOND GENERATION VISIBLE MINORITY GROUPS IN THE CANADIAN LABOUR MARKET?

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ABSTRACT

As a whole, second generation visible minorities attain higher levels of education than third-and-higher generations. They also do relatively well in the labour market, in large part as a result of their high educational attainment. However, after accounting for differences in educational attainment and other demographic factors, second generation visible minorities tend to earn less than the third-and-higher generations, particularly among blacks.

The success of the second generation in the labour market is important for major immigrant receiving countries such as Canada, the U.S., and Australia. The second generation is a sizable component of the total population—around 15% in Canada, and thus is critical for the country's economic, cultural and social vitality. Recent events in several European countries highlight the implications to social cohesion when the children of immigrants are not integrated into the host-country's society and economy. Economic outcomes among the children of immigrants provide a longer term perspective on the effectiveness of a country's immigration policy. The performance of the second generation in the labour market also strongly affects how their immigrant parents perceive their life in Canada, since seeking a better future for their children is often a primary motive for immigration.

This article reviews what we know about the labour market outcomes of the second generation, with a focus on visible minority groups. Since labour market outcomes are driven to a considerable extent by educational attainment, we start by reviewing recent work on that topic. Overall, the second generation in Canada has done well both educationally and economically.[1] This observation is derived primarily from the experience of the children of immigrants who entered Canada before the 1980s. The economic outcomes of adult immigrants have deteriorated since the 1980s and it remains to be seen whether this trend will affect the education and job prospective for their children who have just started the transition from school into the labour market. We discuss this issue in the conclusion.

EDUCATIONAL OUTCOMES

Second-generation Canadians have a significantly higher level of educational attainment than that of the third-and-higher generations (i.e., those with Canadian-born parents). According to the 2006 Canadian Census of Population, among youth aged 25 to 34, 36% of the children of immigrants held university degrees, compared with 24% of the third-and-higher generations. This higher level of educational achievement is most noticeable among second generation members of visible-minority groups (Boyd 2002; Aydemir and Sweetman, 2007). The Chinese, South Asians, and African second generations register the highest educational attainment (Abada, Hou, and Ram 2008). The educational advantage held by these particular second generation visible minority groups is also observed in the United States and Australia (Reitz 2011). In Canada very few second generation groups register lower educational levels than the third-and-higher generations, at least when

measured by the share with university degrees. Compared with the third-and-higher generations, the focus of the second generation is very much on university rather than college and the trades.

There are a number of reasons why the second generation has a higher educational attainment than its third-and-higher generation counterparts. Immigrants to Canada are more highly educated than the population as a whole. Early research suggested that higher education among immigrant parents than Canadian-born parents accounted for about one-half of the educational attainment gap between the second and third-and-higher generations (Boyd 2002; Aydemir and Sweetman 2007). More recent research suggests that higher education of parents may work through other variables such as higher aspirations regarding educational attainment. Once one accounts for such aspirations directly, the effect of parental education is much reduced (Picot and Hou 2011).

Parents' expectations and aspirations play an important role (Finnie and Mueller 2009). Immigrant families from many Asian and African source countries have very high expectations regarding the educational attainment of their children, which affects educational outcomes. Even second generation visible minority students who had a relatively poor performance in secondary school have high probabilities of continuing to the post-secondary level, usually university (Picot and Hou 2011).

Other factors also matter. Location of residence is a contributing factor, as the second generation lives disproportionately in large urban areas, where educational attainment is higher. "Ethnic capital" (the tendency for young members of an ethnic group to have advantages associated with more highly educated role models in the group, more group economic resources and useful networks) plays a role, accounting for perhaps one-quarter of the gap (Abada, Hou and Ram 2008). Family income tends to have little effect on the educational outcomes for the children of immigrants (Aydemir, Chen and Corak 2008). This result is generally observed among the population as a whole. This finding is important, given the relatively low average incomes among immigrants compared with the Canadian-born population, and the fact that immigrants' relative income has been falling since the 1980s.

ECONOMIC OUTCOMES

One would expect labour market outcomes to reflect the significant educational advantage held by the second generation over the third-and-higher generations (the children of Canadian-born parents). In the aggregate, they do. Unadjusted (raw) employment and unemployment suggest that, on average, the children of immigrants are doing as well as, or better than, the children of Canadian-born parents (Table 1). The employment rates of children of immigrants and those of the third-and-higher generation are similar. As well, unemployment rates are lower among the children of immigrants than among the third-and-higher generations. However, within the second generation, visible minority groups tend to experience greater employment difficulties than whites. Unadjusted (i.e. based on the raw data) employment rates are lower, unemployment rates are higher among second generation Asians, Blacks and "other" visible minority groups than among the third-and-higher generation non-visible minorities, or even their third-and-higher generation visible minority counterparts (Table 1).

Among the employed, the second generation is more likely to be in professional occupations, and less likely to be in blue-collar occupations, than the third-and-higher generations. About 30% of the second generation were in professional and related occupations in 2006, compared with one-quarter of the third-and-higher generations (Picot and Hou 2010). The higher educational attainment of second generation visible minority groups is reflected in their occupational outcomes. For example, second generation Asians registered the highest proportion in the professional occupations. Reitz et al (2011) find that occupational attainment among second generation Chinese and South Asians, in particular, was very high (relative to the mainstream population) in Canada, the United States and Australia.

Among the employed, the raw data show that second-generation *males* have weekly earnings about 6% higher than the earnings of third-and-higher generation males, with controls for age only (column 1, Table 2). These results are based on the 2006 Census (Picot and Hou 2010). Other studies using earlier data also find that the overall earnings of the second generation as a whole are between 9% and 13% higher than among the third-and-higher generations (Hum and Simpson 2007; Aydemir and Sweetman 2007). However, this positive earnings gap among males is driven entirely by those who are not members of a visible-minority group, who have a 9% lead over their third-and-higher generation counterparts. Among visible-minority males, the gap is negative 5%, in spite of the fact that they have higher educational attainment than the second and third-and-higher generation White Canadians. Visible minority women fare better (column 1, Table 2), registering the positive earnings gaps that one would expect given their higher educational levels and their increased likelihood of residing in large cities. In addition, there is significant variation among visible-minority groups in the raw data, with the largest gap being registered by blacks (-21%), and a small positive gap recorded among second generation Chinese males (compared to third-and-higher generation whites).

TABLE 1: Employment and unemployment rates of second- and third-and-higher-generation Canadians aged 25 to 54, May 2006

	TOTAL		MEN		WOMEN	
	SECOND GENERATION	THIRD-AND-HIGHER GENERATION	SECOND GENERATION	THIRD-AND-HIGHER GENERATION	SECOND GENERATION	THIRD-AND-HIGHER GENERATION
	Rates					
Employment rates						
Total	82.8	82.9	87.0	86.9	78.7	79.0
Education attainment						
Less than a high school diploma	69.9	66.9	76.4	74.7	60.3	56.8
High school graduates	81.5	82.4	86.4	87.1	75.6	76.9
Some post secondary education	85.1	87.2	89.4	90.7	81.7	84.6
University degree	85.3	89.9	89.0	92.9	82.1	87.4
Visible minority status						
White	84.1	82.9	88.4	87.0	79.9	79.0
Black	75.6	73.7	77.9	78.5	73.3	69.5
Asian	76.1	82.8	79.5	86.0	72.7	79.5
Other visible minorities	72.2	77.1	76.5	79.0	67.8	75.5
Unemployment rates						
Total	4.4	4.9	4.2	5.0	4.7	4.8
Education attainment						
Less than a high school diploma	7.3	9.0	6.8	8.9	8.2	9.3
High school graduates	4.9	5.3	4.7	5.4	5.2	5.3
Some post secondary education	4.1	3.9	3.7	3.8	4.4	4.0
University degree	3.5	2.8	3.1	2.5	3.9	3.1
Visible minority status						
White	4.1	4.9	3.8	5.0	4.3	4.7
Black	9.2	8.6	9.0	8.8	9.3	8.5
Asian	5.4	4.6	5.1	5.0	5.7	4.1
Other visible minorities	8.6	4.5	8.4	4.7	8.8	4.4

Source: Picot and Hou 2010 based on the 2006 Census

The results to this point do not account for any differences among groups (other than age) that can affect earnings, such as education, residential location, part-time/full-time job status, and so on. After accounting for such differences, the story changes considerably. Second-generation members of a visible-minority group, both men and women, are seen to earn less than third-and-higher generation whites. This negative wage gap varies from -4% to -14%, depending on the group (last column, Table 2). For both men and women, second generation Chinese display the smallest negative earnings gap, while the black population displays the largest. Other research that focuses on family income, rather than individual earnings (Reitz et al 2011), finds that the second generation Chinese in both Canada and the United States had family incomes roughly comparable to the third-and-higher generation whites, while in Australia they had lower incomes. Other visible minority groups had larger negative family income gaps, with the Afro-Caribbean blacks registering the largest negative gap in both Canada and the United States.

It may be that economic integration is a multi-generational process for visible-minority groups. In Canada, the adjusted[2] earnings gap for visible minorities (relative to third-and-higher-generation white Canadians) is reduced across generations; it is greatest among the first generation, decreases but persists with the second, and falls even more among the third-and-higher generations (Skuterud 2009). This result may be related to a long-term acculturation process.

TABLE 2: Gap in weekly wages between the second generation and the third-and-higher-generation non-visible minorities, 2005, Canada

	COLUMN 1	COLUMN 2	COLUMN 3	COLUMN 4
	Controlling for:			
	AGE	(1) PLUS EDUCATION, LOCATION	(2) PLUS LANGUAGE, MARITAL STATUS, FULL/PART TIME	(3) PLUS OCCUPATION, INDUSTRY
	Percent difference			
Men				
Second generation (all)	5.6	-5.4	-1.6	-1.1
Second generation white	8.5	-1.8	0.1	0.5
Second generation visible minority	-4.9	-19.8	-9.5	-8.6
Black	-21.2	-29.7	-17.7	-13.5
Chinese	4.1	-15.7	-4.5	-4.9
South Asians	0.8	-16.9	-6.7	-8.6
Other visible minorities	-8.6	-20.2	-10.7	-8.7
Women				
Second generation (all)	14.1	-1.6	0.9	0.4
Second generation white	13.7	-0.3	1.7	1.7
Second generation visible minority	15.8	-7.1	-2.7	-5.2
Black	6.1	-13.0	-7.9	-10.0
Chinese	24.7	-3.1	1.1	-2.3
South Asians	19.0	-6.9	-2.3	-5.7
Other visible minorities	11.3	-6.8	-2.4	-3.5

Note: The numbers labelled "percent difference" in the table are coefficients from an ordinary least squares regression with log weekly wages as the dependent variable. Hence, these numbers are "log point differences", which are approximations of the percentage difference in weekly wages between the group of interest and the third-and-higher generation whites. For example, in column 1, controlling only for age differences, second generation visible minorities earn 4.9% less than third-and-higher generation whites. In column 4, after controlling for differences in all of the variables listed in columns 1 to 4, they are seen to earn 8.6% less.

Source: Picot and Hou 2010 based on the 2006 Census

Discrimination may or may not be a contributing factor. Relatively little economic research has been carried out on this issue in Canada. In a randomized Canadian field experiment, Oreopoulos (2009) did find that job applicants with English-sounding names and Canadian experience were much more likely to be called for an interview (all other job and personal characteristics identical) than applicants with Asian-sounding names and foreign experience.

CONCLUSION

Overall, the children of immigrants in Canada, as in the United States and Australia, register very positive educational and labour market outcomes when compared to the children of Canadian born parents (as adults). In the aggregate, employment and unemployment rates are equal to, or better than, those of the third-and-higher generations, and among those employed, earnings are superior. The second generation is more likely to work in professional occupations than the third-and-higher generations, reflecting the higher levels of education of members of the second generation.

There are two caveats regarding this overall picture.

First, there are significant differences in outcomes among ethnic/source region groups. Basically, second-generation visible-minority groups whose parents originate from developing nations such as China, India, and Africa have a higher educational attainment, whereas those with parents from developed regions such as Europe, the United States, and Australia have better labour market outcomes (controlling for differences in background characteristics). The second-generation visible-minority population does relatively well, in large part as a result of its high education attainment. However, after accounting for differences in educational attainment, residential location, and other variables, they tend to earn less than the third-and-higher generations. This observed negative wage gap (compared

to non-visible minority third-and-higher generations) is most evident among the black population, which is relatively small in Canada. About 6.7% of immigrants, 3.2% of the second generation, and 1.1% of the third-and-higher generations were blacks in 2006.

Second, the results reported are derived primarily from the children of immigrants who entered Canada before the 1980s. Immigrants arriving since the 1980s had poorer economic outcomes, which may affect the education and hence labour market outcomes of their children. However, there are reasons to believe that this will not occur. Declining incomes among the more highly educated immigrant families may have little effect on their children's education, since educational outcomes of the children are driven more by the educational attainment of their parents than by their parents' incomes. Rising education among immigrant parents may offset any effect of declining income. As a result of the changes to the selection process for skilled economic immigrants, the educational attainment of entering immigrants rose dramatically during and after the 1990s. Various authors have commented on the positive effect on the second-generation educational outcomes of selecting highly educated immigrants (e.g., Boyd 2002; Aydemir and Sweetman 2007; Hum and Simpson 2007). Furthermore, through the 1980s and 1990s increasing numbers of Canadian immigrants came from China, India, and other Asian countries. These immigrants place a high value on the educational attainment of their children. Therefore, it seems likely that the educational attainment, and hence the labour market outcomes of second generation Canadians, including the visible minority groups, should continue to improve in the future. There is some evidence based on the 1.5 generation (immigrants entering Canada at age of 12 or younger) to support this view (Bonikowska and Hou 2010).

NOTES

[1] Here, the second-generation refers to children born in Canada with at least one immigrant parent.

[2] Accounting for differences between groups in personal and job charcateristics.

[3] In 1981, one-quarter of recently-entering male immigrants had a university degree; by 2006, this figure was almost 60%. The trend is similar among women, but the proportions are somewhat lower.

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