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*Executive summary*

# Age composition of immigrant groups within the labour force survey

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## ***Abstract***

The immigrant population in Statistics Canada's Labour Force Survey (LFS), when grouped according to years spent in Canada (very recent, recent, and established), is one that "shifts" over time, making the analysis of the experience of this group in the labour market over time complex. To the extent that analysis follows cohorts of immigrant groups in each year (e.g., recent immigrants in 2008, recent immigrants in 2009, etc), population turnover, or what can be called 'in and out group mobility' issues, exist. That is, such comparisons do not completely eliminate differences in "years since landing" factors, because of changes in the cohort population composition over time. The objective of this study is to examine the population age composition of each of the three immigrant groups in the LFS in order to better understand who is included in each of the different immigrant groups in the LFS, and how, as a result, the labour market outcomes of these groups play out over time. This study also seeks to better understand the contribution of younger, new labour market entrants to the population of established immigrants. The resulting analysis highlights the importance of accounting for age-sex-specific changes in the population and labour force when assessing trends in labour market performance indicators of immigrants using the LFS.

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## Executive summary

Using annual data from Statistics Canada's Labour Force Survey (LFS) for the years 2006 to 2010, this paper explores how the labour market situations of immigrant groups are influenced by underlying population and age dynamics, using the Canadian-born population as a reference. This paper posits that population age composition combined with immigrant type (e.g., very recent - those who have been in Canada for less than 5 years, recent - those who have been in Canada for between 5 and ten years, and established - those who have been in Canada more than ten years) may be playing a larger role than typically considered in driving the observed labour market outcome trends of immigrants to Canada. Due to the way the immigrant populations are calculated in the LFS, the characteristics of the immigrant population (especially for very recent and recent immigrants) can change significantly from year to year. This is because a labour market outcome trend observed for one of the three immigrant groups in the LFS might be due to individuals changing their labour force situation, or to new individuals entering or exiting the population. In particular, the speculation is that labour market outcomes for immigrant groups are influenced by: 1) population turnover, which results in a lack of source population stability by age group for all immigrant types (so unlike with the Canadian-born, an age structure can not be determined for these groups that can then be observed to predictably filter through the population over time: from year to year, a whole cohort of individuals of various ages enters and exits the very recent and recent immigrant categories, and a whole cohort enters the established immigrant category), and 2) the potential for a weaker relationship between population and labour force share changes by age, for a given set of economic conditions, for immigrant groups in comparison to the Canadian-born (due to the unique effects of entry, integration, cohort, and age at immigration). As a result, one must be very careful when using the LFS data to describe the labour market conditions for immigrants mainly due to population fluctuations.

The stimulus for this research was findings based on LFS data that some groups of immigrants, particularly established immigrants, had employment gains going into the recent recession (2008 to 2009), suggesting these groups had a unique labour market resiliency. To examine this issue, the determinants of each source population are modelled, followed by an inspection of the importance of underlying population dynamics for labour market outcome measures, and links are drawn to conditions for change. This is followed by an empirical examination of labour market outcomes of immigrants within the context of these conditions for change, focused on the recent economic downturn. In all but two groups (very recent immigrant women aged 20 to 24 years and recent immigrant women aged 45 to 49 years) no labour market gains are found for immigrants during the recent recession (as defined by a decline in the unemployment rate). Rather, population turnover, or "shifts," and corresponding labour force movements were a key driver of employment gains observed over the recession period, not economic activity.

Motivated by this finding, the analysis uses the results from "Cohort-Period-Age" tables to explore the stability of the immigrant and Canadian-born source populations, by age and by gender. Overall, immigrant populations in the LFS are determined to have little stability by age group and gender (as determined by wide annual swings in population shares by age category). It turns out much of the employment gain observed in the recent recession for established immigrants was driven by the weight of population age group movements (and

corresponding labour force weight), which in turn is a phenomenon resulting from the combination of average age at landing (roughly 30 years old) and the definition of established immigrants (those who have been in Canada for more than ten years). Specifically, much of the growth in employment of established immigrants during the recession was driven by females in those age groups over 40 years of age – age groups potentially less likely to be affected by economic downturn than their younger counterparts.

A pertinent aspect of this analysis is to examine the contribution of younger sub age categories to the established immigrant group, given their labour market experience may be expected to differ from that of very recent and recent immigrants, and potentially more closely resemble that of the Canadian-born. If this is the case, the size and impact of this group on the economic outcomes of established immigrants must be taken into account when interpreting their labour market outcomes. It is observed that both established immigrant men and women have relatively large population fluctuation at the lower end of the working age spectrum. With respect to the premise that working age established immigrants are uniquely influenced by the situation of younger established immigrants, the findings with respect to annual population share changes by gender and age over 2006 to 2010 provides some evidence that those aged 25 to 29 years play a unique role in overall outcomes. Moreover, the labour market behaviour of established immigrant youth (those aged 15 to 24) appears to mimic that of their Canadian-born counterparts – that is, the act of staying out of the labour market (likely to pursue further education) at time of economic downturn. Overall, the evidence suggests the influence of the younger age groups on the established immigrant labour market outcome measures is increasing and worthy of attention in analyses going forward.

As a result, the key conjecture of this analysis is the labour market performance of immigrants is impacted uniquely by their source populations, which behave differently from that of the Canadian-born due to population size and age structure and population in and out mobility. Moreover, labour force behaviour of each immigrant group is uniquely influenced by age, including age at landing, and where an immigrant is with respect to their ‘entry’ and ‘integration’ into the Canadian labour market. Relating annual population share changes to those of labour force by immigrant type in the LFS suggests there is a difference in labour force behaviour across immigrant cohorts by age and gender and in comparison to that of the Canadian-born.

The demographic profile of the Canadian-born population is well documented and its impact on the labour force is well understood. As a result, findings such as employment gains at the older end of the age spectrum for this population are not surprising, and other labour market indicators are taken into account to assess the labour market situation of these groups. For example, the Baby Boom generation impacts the Canadian labour market in a significant way, and employment gains seen over 2009 are the result of a “birthday effect” – a large generation aging and filtering through the age categories, impacting overall labour force and employment levels. Complementary labour market indicators are therefore needed to confirm whether employment outcomes are the results of population turnover or economic activities. Moreover, the presence of subsequent generations (the “Bust” and “Echo” cohorts) is also recognized and as the Baby Boom generation filters out of the labour force, the demographic contribution of each of these groups to labour market outcomes will need to move to the foreground of labour market analyses.

To date, there have been fewer attempts to understand source population mobility and resulting labour force indicators provided in the LFS for very recent, recent, and established immigrants, where so many factors are at play. Immigration level and age composition, both of which may fluctuate annually, ultimately dictates the underlying source populations, and this fact, along with that of well documented labour market patterns (e.g., entry, integration, cohort and age at landing effects) can not be ignored when analyzing their labour market outcomes in the LFS data. While the division of the immigrant population into groups based on years since landing is one way to account for these effects, the experience of the recent economic recession brought to light the need to keep underlying population and labour force movements in mind when looking at economic outcomes using the LFS. For example, very recent and recent immigrants are a much younger group compared to the Canadian-born and established immigrants and their labour market outcomes will in part be reflective of this age structure. (The very recent and recent immigrant source populations are also least stable at the older and end of the age spectrum, largely because of smaller numbers.) Moreover, the labour market outcomes of established immigrants are weighted heavily by those over 40 years of age, a result of average age at landing and the definition that established immigrants have been in Canada more than ten years. (The established immigrant source population is least stable at the younger end of the age spectrum largely because of smaller numbers.) This being the case, the analysis in this paper points towards an increasingly influential role of younger groups on the established immigrant labour market outcomes, a result of increasing immigration levels since the 1990s.

This analysis highlights the importance of accounting for age-sex composition and change in the population and labour force when assessing trends in immigrant labour market outcome measures. When grouped according to years spent in Canada (very recent, recent, and established), the immigrant population is a “shifting” population, making the analysis of the experience of this group in the labour market complex. To the extent that analysis follows the cohort of current immigrant groups in each year (e.g., established immigrants in 2008, established immigrants in 2009, etc), population turnover, or in and out mobility issues, exist. That is, such comparisons do not completely eliminate differences in “years since landing” factors, because of changes in cohort composition over time. So how are the labour market outcomes of very recent, recent, and established immigrants best understood in the absence of a predictable demographic structure and labour market behaviours that may at times differ from those of the Canadian-born? The answer is to look at immigrant labour market outcomes within the context of all immigrants in the LFS, by type and by underlying population and age structure movements, and consider multiple labour market indicators (labour force, employment and unemployment, as well as participation, employment, and unemployment rates) and their conditions for change, and not simply look at changes in levels.