ECONOMIC RECESSION AND IMMIGRANT LABOUR MARKET OUTCOMES IN CANADA, 2006-2011

By

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KEY POINTS:

- Canada’s unemployment rate rose rapidly in early 2009 and has remained at an elevated level ever since. Male unemployment rate reached much higher levels than female unemployment rate during the recession.

- The gap between immigrant unemployment levels, and those of Canadian born, has widened during the recession, but the pattern is geographically uneven.

- A decline in full-time work, and a rise in part-time jobs were particularly apparent for recent immigrants during and after the recession.

- Canada has seen an overall decline in employment in the goods-producing sector and modest growth in the service sector. This pattern is, however, geographically uneven, and is particularly accentuated in Toronto when compared with Vancouver and Montreal.

- Employment levels of recent immigrants in the good-producing sector were especially hard hit by the recession.
INTRODUCTION TO TIEDI

The Toronto Immigrant Employment Data Initiative (TIEDI) seeks to assist organizations whose mandate includes the better integration of immigrants into Toronto’s labour force. Such partner organizations include immigrant service agencies and advocacy groups, labour organizations, regulatory bodies, professional associations, training organizations, and credential assessment agencies.

The purpose of the project is to provide organizations with free access to statistical data and analysis on various aspects of immigrant labour market integration. The goal is to help organizations access the quantitative data they need in order to: identify priorities, develop programs and services, compose proposals and reports, and carrying out advocacy and public education endeavours.

TIEDI provides a unique service in which community organizations’ data needs are met by a team of academic researchers and student analysts. Our partners define the data that they need - the project is thus driven by their agendas and not by academic research priorities.

TIEDI is based at York University, with a team of academic researchers drawn from York, the University of Toronto, and Ryerson University. Core members of the project team also include representatives of the Ontario Council of Agencies Serving Immigrants (OCASI), the Toronto Region Immigrant Employment Council (TRIEC) and World Education Services. The project is funded by the Social Sciences and Humanities Research Council of Canada under its Knowledge Impact in Society program, and by York University.

The datasets used by the project include a range of large-scale surveys such as the Census, the Longitudinal Survey of Immigrants to Canada, the Ethnic Diversity Survey, the Workplace and Employee Survey, the Survey of Labour and Income Dynamics, the Labour Force Survey and the Permanent Residents Data System.

TIEDI Analytical Reports provide tabulations of data, some brief analysis and contextualization, and some necessary caveats about the limitations of the data and analysis. Since the data presented have not been treated to detailed statistical analysis, any conclusions must be seen as preliminary and as starting points for further, more detailed, research.

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While the research and analysis are based on data from Statistics Canada, the opinions expressed do not represent the views of Statistics Canada.
**Research Question**

How has Canada’s recession affected the Canadian-born and immigrants’ labour market outcomes (unemployment rate, full-time employment rate, and employment in industry sector) from 2006 to 2011? Does the effect vary by gender, immigrant status and place of residence?

**Background: Literature Review**

Beginning in October 2008, a sudden downturn in the world economy caused widespread loss of employment (LaRochelle-Côté and Gilmore 2008, Grant 2010). For the first time since 1990-1992, employment rates declined by significant margins in Canada. Canada’s unemployment rate peaked at 8.7% in the summer of 2009 (Grant 2010). While Canada experienced a shorter and less severe recession than other G7 nations, the employment decline in the early stages of the downturn was faster than any post-war recession (Cross 2011). While employment may have rebounded more quickly than during the previous two recessions, the jobless numbers remained significantly higher than at the beginning of the downturn (Cross 2011, Gilmore and LaRochelle-Côté 2011).

Researchers have examined the effects of past recessions on immigrants both in the short term and the longer term. To some extent it is found that the assimilation of new immigrants is determined by the economic conditions they face at the time they enter the labour market (Aydemir 2003, HRDC 2001). There is some evidence that arriving as an immigrant during unfavourable economic conditions may lead to a permanent disadvantage in a person’s assimilation into the labour market – the so-called ‘scarring effect’ (Aydemir 2003). Thus, while more years of residency may increase an immigrant’s position in the labour market, and their insulation from the effects of the business cycle, the disadvantageous circumstances of their first entry into the labour market may remain evident in their longer term employment trajectory.

Research in Canada has also documented that immigrants from recent arrival cohorts have higher unemployment probabilities than similar non-immigrants during a recessionary period, with the difference being larger in recession years (McDonald and Worswick 1997, Reitz 2007). Human Resources Development Canada (2001) notes that those entering the labour market at a time of high unemployment may be unemployed longer and suffer a permanent stifling effect on their future income. Research also shows a decline in labour force participation without any evidence of full recovery after previous recessions (Aydemir 2003). Aydemir (2003) also finds that a higher absolute unemployment rate leads to stronger negative effects on employment and labour force participation among immigrants (see also Nakamura and Nakamura 1992).

After the previous recession (1990-1992), new entrants into the job market, especially new immigrants to Canada, had to compete for more precarious and lower-paying jobs in smaller firms. Preston and Cox (1999) demonstrated the marginal employment experiences of immigrants in the two metropolitan areas which were the main ports of entry for immigrants to Canada – Toronto and Montreal. The concentration of immigrant workers in declining economic sectors such as manufacturing (and their under-representation in producer services) has persisted since 1981 in these cities. Recent research has continued to show the relative deterioration in the economic outcomes of immigrants, especially landed immigrants (Picot 2008, Preston et al. 2011). LaRochelle-Côté and Gilmore (2008) show that employment rates declined faster in the recent recession for immigrants with less than 5 years of residency (-12.9%) than Canadian-born
(-2.2%) and that the bulk of losses were in the manufacturing sector. Established immigrants, however, had smaller losses relative to Canadian-born in the 12 month period they measured.

The downturn in Canada’s labour market did not reach the levels of other G7 nations, but increased temporary, part-time work and shortened work-weeks often occurred in the place of layoffs. Similar to the previous two recessions, much of the decline in employment was in construction, natural resources, transportation, trading and manufacturing (Grant 2010; Gilmore and LaRochelle-Côté 2009). Likely due to a concentration of manufacturing industries, Ontario saw the largest employment loss and Alberta experienced the largest losses proportionately (LaRochelle-Côté and Gilmore 2008). However, employment losses were concentrated at the low end of the pay and tenure scale, thus disproportionately affecting those who tend to hold these jobs. Gilmore and LaRochelle-Côté (2011) document heavy employment losses for very recent immigrants. However their study of immigrant employment only looks at the impact of the recession according to different immigrant cohorts. Examining the labour market assimilation for immigrants according to differences in industry sectors, geography and gender can help us understand the impact of the recent recession on immigrant employment.

**DATA: LABOUR FORCE SURVEY**

The Labour Force Survey (LFS) is based on a sample of 53,000 households (representing approximately 100,000 individuals) across Canada, including 16,000 households in the province of Ontario. Estimates of national, provincial and urban labour force changes are calculated based on this sample, but due to the limited sample size, estimates on smaller groups (e.g. for demographic sub-groups, or smaller geographical units) can be unreliable. As a result, findings should be used with caution. For example, some of the month-to-month variability in the unemployment rates of recent immigrants in particular cities may be attributed to data inaccuracies.

When a person is recruited into the Labour Force Survey, they are questioned every month for 6 months before leaving the sample. Every month, about one-sixth of the sample is retired in this way. This means that the sample population is changing slightly with every month’s survey, and is entirely renewed after a six month period. Thus, the LFS is not a longitudinal study in the sense that it does not track the same group over an extended period, but rather attempts to continuously recreate a representative sample of the population. The constantly changing composition of the sample is important to bear in mind when small sub-groups (e.g. ‘recent immigrants’) are being analyzed. A relatively small change in the sample may have apparently large effects on the results of the survey.

Starting with the release of LFS data for January 2011, Statistics Canada has adjusted its labour force estimates to be based on the 2006 Census population counts. The data also uses sub-provincial estimates based on 2006 Census boundaries, industry estimates based on the North American Industry Classification System from 2007, and occupational estimates to be based on National Occupational Classification Statistics from 2006. Up to December 2010, labour force estimates had been based on population data from the 2001 Census. This report uses updated LFS data from 2006 to 2011, and so some minor differences may exist from findings based on unrevised data. For more information about these changes to LFS data, see [http://www.statcan.gc.ca/bsolc/olc-cel/olc-cel?catno=71F0031X&lang=eng](http://www.statcan.gc.ca/bsolc/olc-cel/olc-cel?catno=71F0031X&lang=eng).
This report uses data on those in the 25-54 age cohort – that is, those in the prime working age bracket. We report data for Canada as a whole and for three major census metropolitan areas (CMAs): Toronto, Montreal and Vancouver. These CMAs do not necessarily correspond with administrative boundaries, but represent contiguous urban regions integrated with a major urban core area – for example by commuting flows.

**Data Source:**
Statistics Canada. 2011. Special tabulation, based on Labour Force Survey. Employment by industry, detailed age groups, sex, immigrant, type of work, Canada, provinces, 3MMA.


**3-month moving average:** Data in this report uses a 3-month moving average (3MMA). Three-month moving averages are calculated by averaging a specific month with the two preceding ones (for example, March 2009 data is calculated using the averages for January, February and March 2009). Moving averages are used to reduce irregular variability in the data due to seasonal variations and the small sample sizes of the LFS. Please note that this data is not comparable to the data released by Statistics Canada in The Daily. Data from The Daily is seasonally adjusted, while this data is not.

**Unemployment rate:** The unemployment rate represents the number of unemployed persons expressed as a percentage of the labour force, where the labour force comprises those who are employed, or who are looking for work. Thus, those who are not employed, but who are not looking for work, are not included in the unemployment rate. The unemployment rate for a particular group (age, sex, etc.) is the number unemployed in that group expressed as a percentage of the labour force for that group.

**Full-time employment:** Proportion of individuals holding full-time employment among those who are employed. A person is considered to be full-time if their usual hours at their main job are 30 or more hours per week. When the number of hours worked at the main job is usually less than 30 hours per week then he/she is considered to be part-time. For more information, see this [link](#).

**Immigrants:** Includes permanent residents and those who have been naturalized as Canadian citizens.

**Non-permanent residents:** Includes non-permanent residents, visa workers, temporary foreign workers, refugee claimants, students and their dependants, etc. Excludes Canadian-born and landed immigrants.

**Recent immigrants:** Includes immigrants who landed within the last 5 years.

**Established immigrants:** Includes immigrants who landed more than 5 years ago.
RESULTS

i) Unemployment Rate

The effect of Canada’s recent recession is clearly observed in Figure 1, which shows the overall unemployment rate, as well as separate rates for men and women. The overall rate shows a slight improvement trend between 2006 and late 2008, with a rate of approximately 5%. Early 2009, however, saw a rapid increase in unemployment, reaching a new steady state at about 7% for much of 2009 and 2010.

Figure 1

Gender distinctions in unemployment rates reveal some interesting differences. First, it appears that male and female unemployment rates move consistently out-of-phase with each other so that male unemployment tends to peak when women’s unemployment is at its lowest. It would seem, then, that there is a different seasonality to male and female unemployment and this has held true even during recessionary periods. (At the same time, it should be recalled that the data presented here are 3-month moving averages and so the unemployment rate in any given month is actually the average of that month and the two preceding months).
A second feature in the gender-differentiated data is that the recessionary effects on unemployment appear to impact men more than women, at least in the short term. Although by late 2010 the pre-existing pattern of alternating peaks appeared to have been re-established (albeit at higher levels of unemployment), for 2009 and the first half of 2010 male unemployment was much higher. This likely reflects the fact that the sectors most affected by the recessions (for example, construction and manufacturing) are disproportionately male-dominated sectors.

Figure 2a shows the trend in unemployment for all of Canada, but this time differentiated according to immigration cohort. Two features are especially notable. The first is that prior to the onset of the recession in late 2008, immigrants had a slightly higher unemployment rate than the Canadian-born,
but recent immigrants (with 5 years of residency or less) had a much higher rate. The second is that this pattern continued through the recession but the gap between Canadian-born and others widened. While established immigrants had previously experienced unemployment rates just slightly above those of Canadian born, the gap widened to 2-2.5 percentage points in 2009 and 2010. The divergence between recent immigrants and the Canadian-born was even more dramatic, with recent immigrants experiencing unemployment rates more than double those of the Canadian-born. This would imply that the brunt of the unemployment effects in the recent recession were experienced by immigrants, and by recent immigrants in particular.

Figures 2b, 2c and 2d suggest that there is also some geographical variability to the employment effects of the recession (although the caveats noted earlier about problems with small sample sizes should be borne in mind). The pattern in Toronto roughly follows the national trend, with consistently higher levels of immigrant and recent immigrant unemployment, and a widening of the gap between these groups and the Canadian-born. In Vancouver, meanwhile, all three groups have remained closer together in the experiences of unemployment, although recent immigrants have, at times, seen distinctly worse outcomes. The greatest spread between Canadian-born and immigrants, and much higher rates of unemployment in general, are found in Montreal. Among the Canadian-born in Montreal the effects of the recession in late 2008 are barely registered in unemployment data, while for established, and especially for recent, immigrants the rates are much higher. The data are, however more erratic and for all groups the recession does not register in the way it does in Toronto and Vancouver. Although definitive conclusion cannot be drawn from these data, they do indicate that the recession had geographically uneven effects which have not been widely noted in the existing literature.
ii) Full-time employment

The proportion of employed persons with full-time work is another important indicator of both a changing labour market and a differential experience of that labour market among immigrants and Canadian-born. Figure 3 shows the proportion of those employed who hold full-time positions (working 30 or more hours per week).

Figure 3

While a seasonal pattern is evident over the five years covered by the chart (see especially the annual variation among the Canadian-born), there is also a longer-term trend towards a slightly lower rate of full-time employment among Canadian-born and established immigrants, but a much clearer decline among recent immigrants. Between March 2006 and March 2011, the rate of full-time employment for recent immigrants fell from 86.1% to 82.9%. The period of decline corresponded closely with the onset of recession, suggesting that new immigrants took the brunt of the labour market effects of the economic downturn, finding themselves in part-time employment in larger numbers.
iii) A Changing Economic Structure

A feature of the 2008-09 recession was a process of economic restructuring that included a decline in the Canada’s manufacturing sector. Figure 4 illustrates this trend by taking March 2006 as the baseline month for an index\(^1\) of employment in the goods-producing\(^2\) and service-producing\(^3\) sectors. Overall employment levels saw growth between 2006 and the end of 2008, and after a sharp decline in the early months of 2009, there has been some modest job growth. The pattern of modest growth conceals, however, a distinct difference between goods-producing and service-producing sectors. While the service sector has grown consistently, albeit at a slower rate after the end of 2008, the goods-producing sector (which is dominated by manufacturing and construction industries) has declined dramatically after that point in time, and has remained at that lower level of employment. Overall, there has been a contraction of around 5-6% in employment levels in the goods-producing sector.

Figure 4

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\(^1\) This index is calculated from number of total employment in the goods-producing sector in a future month value divided by total employment in the goods-producing sector in March 2006. This value is then multiplied by 100 to produce a proportional value. By comparing all future values to a given point in the past, one is able to simply track how the variable is changing from this point in time.

\(^2\) The goods-producing sector includes agriculture, forestry, fishing, mining, oil and gas, utilities, construction and manufacturing.

\(^3\) The service-producing sector includes jobs in trade, transportation and warehousing, finance, insurance, real estate and leasing, professional, scientific and technical services, business, building and other support services, educational services, health care and social assistance, information, culture and recreation, accommodation and food services, and public administration.
While figure 4 shows the pattern of restructuring at a national level, figures 5a, 5b, and 5c below reveal a geographical unevenness in job losses in the goods-producing sector. At the end of the 5-year period displayed, Vancouver had approximately the same number of goods-producing jobs as it had at the beginning. Montreal saw a decline of around 5%, but by far the most dramatic losses were in Toronto. By March 2011, Toronto’s goods-producing sector had contracted by just under 14% relative to its March 2006 level. The decline was particularly precipitous between mid-2008 and mid-2009.
iv) Immigrant Employment Across Sectors

Given the dramatic employment decline in the goods-producing sector during the course of the recession, it is worth asking which groups have been most affected by this process.

Figure 6a indicates the change in employment levels of different groups in the goods-producing sector across Canada, using March 2006 as a baseline. The figures show that across Canada, the goods-producing sector had contracted over the five year period, but recent immigrants in particular saw a substantial decline in employment during the worst period of recession from late 2008 to early 2010. Echoing the point made in section (i), then, it would seem that immigrants absorbed the brunt of the employment contraction in the Canadian goods-producing sector during the recession.

Figure 6b shows a similar index calculated for the services-producing sector, and here the story is somewhat different. Overall, the sector has seen a pattern of employment expansion on the 2006-2011 period, but again we see a decline among recent immigrants during the recession. While employment for Canadian-born and established immigrants expanded consistently year-on-year, new immigrants saw a dramatic decline in early 2009. Here then, we see both the restructuring that has occurred in the Canadian economy (away from goods-producing and towards service-producing employment), and the vulnerability of recent immigrants during economic downturns.

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4 Thus, if a group’s index declines to 90, it means that 10% fewer people from that group are employed in the sector compared with March 2006.
Although the smaller sample size makes the data less reliable at a smaller geographical scale (especially for recent immigrants) an exaggerated version of the national pattern of employment change is evident in the case of Toronto (Figures 7a and 7b). Figure 7a shows declines in employment in the goods-producing sector in Toronto – declines that are more dramatic than the national trend and are especially extreme in the case of recent immigrants. By March 2010, employment levels in goods-producing sectors were at about 60% of their March 2006 levels. Despite an expansion of employment in the second half of 2010, recent immigrant employment in the sector remained at less than 70% of its 2006 level by March 2011.

Figure 7b shows employment levels in the services-producing sector in Toronto. While employment levels for established immigrants and Canadian-born have expanded in this sector, in a pattern similar to the national trend, recent immigrants were employed in lower numbers by 2011 than they were in 2006. The March 2011 employment for recent immigrants in the service sector was just 76% of its level in March 2006.
CONCLUSIONS

Several caveats have been noted in relation to the data presented here. The size of the Labour Force Survey sample means that caution must be used in interpreting data that relates to groups or geographical units that are smaller than the total population. The month-to-month data should also be examined with caution since it is a three-month moving average and it is not seasonally adjusted (the most legitimate comparisons are thus between the same months in different years). The data do, however point towards some general conclusions:

- Canada’s unemployment rate rose rapidly in early 2009 and has remained at an elevated level ever since. There has been little sign of a recovery in employment levels since the onset of the recession. For the most part, male unemployment reached much higher levels than female unemployment during the recession (reflecting job losses in manufacturing and construction).

- While immigrants, and especially recent immigrants, have consistently had higher unemployment levels than Canadian-born, this gap widened during and after the economic recession of 2008-09. Data for Canada’s three largest cities suggest, however, that this pattern is geographically uneven.

- A decline in full-time work, and a rise in part-time jobs among those who are employed, were apparent for both Canadian-born and immigrants, but were particularly apparent for recent immigrants during and after the recession.

- Canada’s changing economic structure is apparent in the five years between 2006-2011, with an overall decline in employment in the goods-producing sector (primarily manufacturing and construction) and modest growth in the service sector. This pattern is, however, geographically uneven, and is particularly accentuated in Toronto when compared with Vancouver and Montreal.

- Employment levels of recent immigrants in the good-producing sector were especially hard hit by the recession.

Overall, the data indicate that recent immigrants have borne the brunt of the recession’s impact on the labour market. While recent immigrants fared more poorly in the job market even before the recession, they have been disproportionately affected by rising unemployment, reductions in full time work, and a declining manufacturing base.

Of longer term interest will be the effects of the recession on the future labour market trajectories of newly arrived immigrants. As noted earlier, evidence from past recessions has suggested that those immigrating during economic downturns suffer long term consequences because of their difficulties in entering a competitive labour market.
APPENDIX

RELEVANT QUESTIONS FROM LABOUR FORCE SURVEY:

MM_Q02 — Is (person) now, or has he/she ever been, a landed immigrant in Canada? A landed immigrant (permanent resident) is a person who has been granted the right to live in Canada permanently by immigration authorities.

IMM_Q03 — In what year did (person) first become a landed immigrant? Year:

MM_Q02 — Is (person) now, or has he/she ever been, a landed immigrant in Canada? A landed immigrant (permanent resident) is a person who has been granted the right to live in Canada permanently by immigration authorities.

ANC_Q03 — What is (person’s) age?

SEX_Q01 — What is (person’s) sex.

Labour force information component- PATHS

In this component, a path is assigned according to the answers provided. This path is used to control the flow through the component. For paths 1, 2, 6, and 7 the path determines the labour force status, but for paths 3, 4 and 5 other conditions (for example, availability for work) must be considered to distinguish between those who are unemployed and those who are not in the labour force.

1 Employed, at work
2 Employed, absent from work
3 Temporary layoff
4 Job seeker
5 Future start
6 Not in labour force, able to work
7 Not in labour force, permanently unable to work

LFI_Q100 — Many of the following questions concern (person)’s activities last week. By last week, I mean the week beginning on Sunday, [date of first day of reference week], and ending last Saturday, [date of last day of reference week].
Last week, did ... work at a job or business? (regardless of the number of hours)
If yes, then PATH = 1 and go to 102; If no, go to 101
If “Permanently unable to work”, then PATH = 7 and go to 104

LFI_Q137 — Did he/she usually work more or less than 30 hours per week?
1 30 or more hours per week
2 Less than 30 hours per week

LFI_Q115 — What kind of business, industry or service (did person employed in which he/she usually works the most hours) was this? (e.g. cardboard box manufacturing, road maintenance, retail shoe store, etc).
**BIBLIOGRAPHY**


