



Briefing April 2004

Making a Visible Difference

The Contribution of Visible Minorities to Canadian Economic Growth

Canada's future prosperity relies on its people, including an increasing number of visible minorities.¹ Indeed, the rapid growth of this population is changing the very face of Canada, and visible minorities are making a visible difference to our quality of life and our economic well-being as a nation.

CANADA: BECOMING A KALEIDOSCOPE OF COLOUR

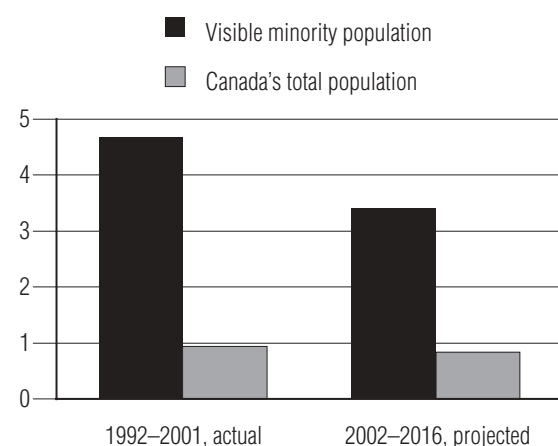
Today, a full 3.9 million people in Canada—13.4 per cent of our population—are visible minorities. The growth of this population has been staggering, far outpacing that of the Canadian population overall. During the period from 1992 to 2001, the visible minority population grew at an average annual rate of almost

5 per cent, while the growth of the Canadian population overall was less than 1 per cent. And this trend will continue well into 2016. By the end of our projection period (2016), visible minorities will constitute more than 19 per cent of our population—or a full 6.6 million people. (See Chart 1 and Table 1.)

Canada's future prosperity relies on its people, including an increasing number of visible minorities.

The challenge for our country is to ensure that we remove any barriers to the full participation of visible minorities and fully tap into the rich experiences, skills and abilities of this growing population.

Chart 1
Total Population Growth, History and Forecast
(Average annual compound growth, per cent)



Sources: The Conference Board of Canada; Statistics Canada.

PAINTING OUR PORTRAIT—THE ROLE OF IMMIGRATION

Immigration—and the changing face of newcomers—has been the driver behind the impressive growth in the numbers of visible minorities. At present, almost three-quarters of immigrants are visible minorities. And, in Canada today, more than 8 in 10 visible minorities are immigrants, with the remainder of visible minorities being second-generation Canadians or third-generation or more (14 per cent and 2 per cent, respectively).

Immigrants apply for entry into Canada under three major categories: family, economic and refugee. Most newcomers (54 per cent) come into the country under the economic category, as skilled workers or as persons who have met specified business criteria. Hence, they have the most direct impact upon the labour force and Canada's future growth potential.

The top six countries supplying us with economic immigrants are: China, India, Pakistan, Korea, Philippines and Taiwan. (See Table 2.) This is markedly different from the situation just a few decades ago, when the majority of newcomers arrived from the United Kingdom, Europe and the United States.

Immigrants bring with them a high degree of skills and education and a strong desire to succeed in their chosen country. By virtue of the fact that they have left what they know, for something and somewhere that they may not necessarily know, they have demonstrated courage and stamina—characteristics that bode well for their future success, and for their ultimate contribution to society in general.

HELP WANTED: LABOUR SHORTFALLS IN CANADA

Looming skills shortages signal a need for Canada to continue to attract large numbers of immigrants.

Table 1
Demographic and Labour Market Characteristics
(000s, per cent)

	1991	1996	2001	2006	2011	2016	1992–01	2002–16
Canada								
Total population	26,994	28,528	29,639	31,019	32,325	33,596		
Average annual growth		1.1	0.8	0.9	0.8	0.8	0.9	0.8
Source population	21,305	22,629	23,901	25,497	26,978	28,170		
Average annual growth		1.2	1.1	1.3	1.1	0.9	1.2	1.1
Participation rate	67.9	65.5	66.4	67.2	67.2	66.5		
Labour force	14,475	14,813	15,872	17,144	18,130	18,733		
Average annual growth		0.5	1.4	1.6	1.1	0.7	0.9	1.1
Visible minorities								
Total population	2,525	3,197	3,984	4,832	5,707	6,612		
Average annual growth		4.8	4.5	3.9	3.4	3.0	4.7	3.4
Source population	1,881	2,419	3,042	3,723	4,465	5,219		
Average annual growth		5.2	4.7	4.1	3.7	3.2	4.9	3.7
Participation rate	70.5	63.6	66.0	66.8	66.8	66.1		
Labour force	1,326	1,539	2,006	2,487	2,981	3,447		
Average annual growth		3.0	5.4	4.4	3.7	3.0	4.2	3.7

Note: White areas are forecast. Average annual compound growth is calculated over each five-year period and over the 1992–2001 and 2002–2016 periods.

Sources: The Conference Board of Canada; Statistics Canada.

Table 2

Total Number of Immigrants Admitted under the Economic Category by Top Source Countries (three-year totals)

Country	1998–01		1994–97		1990–93		1986–89		1982–85	
	#	Rank	#	Rank	#	Rank	#	Rank	#	Rank
China	106,018	1	49,647	2	32,360	2	11,461	6	5,291	5
India	46,204	2	27,578	4	13,091	6	9,716	8	3,331	9
Pakistan	33,928	3	21,106	5	3,704	21	1,632	37	657	42
Korea	26,730	4	12,607	7	9,795	9	6,617	10	1,672	19
Philippines	17,873	5	20,897	6	30,394	3	18,354	2	4,328	8
Taiwan	17,300	6	36,868	3	20,421	5	6,138	13	1,220	23
Iran	16,027	7	12,125	9	6,046	13	6,312	12	3,232	10
Russia	14,323	8	7,807	14	652	72	14		2	
Romania	12,997	9	12,384	8	5,789	14	1,393		1,066	
France	11,684	10	8,689	12	9,261	11	4,775	15	3,190	11
Ukraine	9,593	11	6,196	16	597		4		0	
United States	9,416	12	9,491	11	8,609	12	10,113	7	9,863	2
England	8,333	13	9,502	10	12,948	7	13,548	3	12,730	1

Source: Citizenship and Immigration Canada.

Skilled construction tradespeople, medical technologists and technicians, aircraft mechanics, police officers, and others are all currently in high demand. The Canadian Nurses Association has predicted that there will be a shortage of over 100,000 nurses by 2011, and the Association of Universities and Colleges of Canada estimates that universities will need to hire at least 30,000 new faculty members over the next decade.² Indeed, the Conference Board projects that after 2010 skills shortages will become more generalized as baby boomers approach retirement age.

A recent study by the Canadian Labour and Business Centre found that three provinces and two cities already depend on immigrants to keep their workforces from shrinking. Were it not for immigration, Nova Scotia and to a lesser extent Saskatchewan and Manitoba, and Canada's two most populous cities, Toronto and Montreal, would actually have suffered a drop in workforce population.³ The study predicts that more jurisdictions will find themselves in the same situation over the coming years. In fact, in the paper *Knowledge Matters: Skills and Learning for Canadians*, the Government of Canada projects that immigrants are expected to account for all labour force growth by 2011.⁴

It is no wonder, then, that the “open for business” culture that Canada is cultivating includes high immigration levels. Our very future depends on it.

VISIBLE MINORITIES—IMPORTANT PLAYERS IN THE LABOUR FORCE

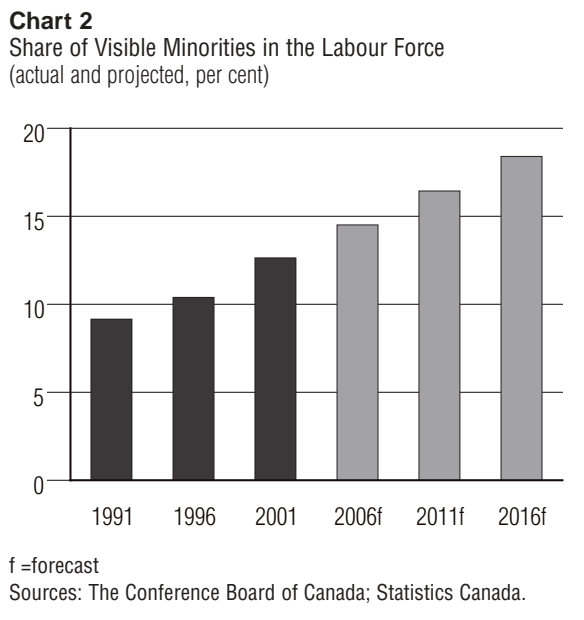
Visible minorities are important players in Canada's labour force. In 2001, the participation rate for visible minorities was 66 per cent, similar to that for all of Canada, and they represented almost 13 per cent of the labour force.

Throughout the 1990s, visible minorities accounted for 0.4 per cent per year of Canada's labour force growth, and between now and 2016 this will rise to just under 0.5 per cent. Consequently, by 2016, almost one in five workers in Canada (18.4 per cent) will belong to a visible minority group. (See Chart 2.)

The Canadian workforce, along with the Canadian mosaic, will look quite a bit different in little more than a decade. These numbers strongly suggest that we in Canada—in our communities and in our organizations—will need to ensure that we are creating an environment that welcomes visible minorities and that builds on the skills and talents of an ever-increasingly diverse workforce.

VISIBLE MINORITIES ARE MAKING A VISIBLE CONTRIBUTION

The contribution of visible minorities to the Canadian economy is impressive, no matter how it is measured. For this study, we measured their economic contribution in two ways: potential output and earnings.⁵



POTENTIAL OUTPUT

Potential output measures the highest level of economic activity an economy can obtain without surpassing its capacity limits and igniting inflation. This level of activity is achieved when all factors of production, primarily capital and labour, are fully and efficiently employed. Potential output, then, is the result of three factors: the size of the labour force, the economy's level of fixed capital, and the overall technical efficiency with which capital and labour are transformed into output.

Using this method, we determined visible minorities' contribution to Canada's potential output⁶ by assessing their numbers in the labour force.

As Table 3 illustrates, the annual compound growth in potential output in Canada averaged approximately 3 per cent from 1992 to 2001. Of this growth:

- roughly 1.1 per cent per year was due to growth in the quantity of capital stock
- 0.9 per cent was due to growth in technical efficiency (total factor productivity), and
- the remaining 1 per cent was due to growth in the quantity of labour.⁷

This last component is of particular relevance to our analysis. Within this component, despite the fact that visible minorities averaged less than 11 per cent of the labour force in the 1992–2001 period, they accounted for 0.3 per cent per year in terms of potential output and, in turn, of real gross domestic product (GDP). In contrast, the remaining 89 per cent of the population generated 0.6 per

Table 3
Decomposition of Potential Output Growth
(per cent)

	1992–2001	2002–2016f
Potential output	3.0	2.7
Labour	1.0	0.7
Visible minorities	0.3	0.3
Rest of Canada	0.6	0.4
Capital	1.1	1.1
Total factor productivity	0.9	0.9

f = forecast

Note: Totals may not add up due to rounding.

Sources: The Conference Board of Canada; Statistics Canada.

cent of the labour force's contribution to real GDP growth. Relative to the rest of the population, then, the contribution of visible minorities is disproportionately large.

EARNINGS

Earnings, measured as the number of persons employed multiplied by their average wage, was the second way that we assessed the economic contribution of individuals to the Canadian economy.

Over the 1992 to 2001 period, employment of visible minorities grew on average 4.7 per cent per year versus 1.2 per cent for total employment. Yet, average wages for visible minorities were 14.5 per cent lower than the Canadian average in 2000.⁸ Despite the lower earnings, which we will examine in the final section of this briefing, this method of analysis reveals that visible minorities contributed an average of 0.3 percentage points per year to real GDP over the 1992 to 2001 period. Thus, the results of this analysis match those of our analysis of visible minorities' contribution to potential output.

AND THEIR CONTRIBUTION WILL CONTINUE

The contribution of visible minorities to the supply of labour and to growth in potential output will become relatively more important in the future. Looking ahead to 2016, visible minorities are expected to continue to contribute 0.3 per cent annually to potential output growth. However, the pace of growth in *overall* potential output is expected to wane between now and 2016, averaging 2.7 per cent per year. This is the result of a slowing contribution to the labour component from Canadians who are not visible minorities.

And beyond 2016, the contribution of visible minorities will be at least as important as it was before. As Canada's population continues to age and as more and more of the populous baby boomers retire, the relative significance of immigrants—and of visible minorities—to labour force growth and our economic well-being is expected to continue to expand.

Looking Back, Looking Ahead: The Contributions of Visible Minorities to GDP

In monetary terms, over the period from 1992 to 2016, the Conference Board expects that total real GDP will increase by \$794.7 billion (in 1997 dollars).

Of these gains, \$302.1 billion relates to growth in capital stock, \$241.2 billion to gains in technical efficiency, and \$251.4 billion to gains in labour force numbers. Of the \$251.4 billion that relates to the labour component, visible minorities account for a full \$80.9 billion.

RECOGNIZING CREDENTIALS . . . AND OUR POTENTIAL

As strong as the contribution of visible minorities is, it could be even stronger were it not for the 14.5 per cent wage gap that exists. And this gap is a persistent one, and it's even deepening. Data show that the wage gap has widened over the last decade, going from 11 per cent in 1991 to the current 14.5 per cent.

A number of studies by Statistics Canada and other organizations have sought to explain the wage gap, looking at such factors as average age, urban versus rural residence, length of time in Canada, cognitive skills such as reading, writing and mathematical skills, educational attainment, recognition of foreign credentials, recognition of foreign work experience, race, gender and others. Despite the considerable attention the wage gap has attracted—and is continuing to receive—it is difficult to come up with conclusive explanations for the differences that exist.

However, two clear messages emerge from the literature on the wage gap.

First, with few exceptions, second-generation visible minorities earn wages that are similar to those of other Canadians. The exceptions to this rule are Black men, who remain disadvantaged with respect to the rest of Canada, even past second generation, and Chinese men who tend to earn more than the average Canadian.⁹

Second, a learning recognition gap, due to a failure to recognize foreign credentials or foreign work experience, appears to have a measurable impact on wages. A number of studies have focused on this factor, and enough evidence exists to suggest that it explains a portion of the wage gap.

In fact, in 2001, the Conference Board examined this issue. The Board conducted an extensive household survey specifically designed to assess the impact of the learning recognition gap. The study found that roughly 546,000 Canadians, of whom nearly half were visible minorities, were earning between \$8,000 and \$12,000 below their potential because of learning recognition gaps.¹⁰ According to these estimates, roughly one-third of the 14.5 per cent wage gap could be eliminated if Canada were to fully recognize foreign credentials and work experience.

Such recognition would benefit not only visible minorities, but also the Canadian economy. As a rough measure of the potential impact, full elimination of the wage gap between visible minorities and the average for Canada would add about 1 per cent to the level of real GDP in 2016. More importantly, recognizing credentials or work experience would also improve the quality of life for individuals who have chosen to work in Canada and who are making such a visible difference to their newly adopted country.

1 Statistics Canada defines visible minorities as persons, other than Aboriginal peoples, who are non-white in colour and non-Caucasian in race, including both native-born Canadians and immigrants. The following population groups make up the total visible minority group assessed in this study: Blacks, South Asians, Chinese, Other Asians, Pacific Islanders, West Asians and Arabs, Latin Americans and Multiple Visible Minority Origins.

2 Report to the Standing Committee on Citizenship and Immigration, *Competing for Immigrants*, June 11, 2002.

3 Eric Beauchesne, "Canada Hooked on Immigrants," *The Ottawa Citizen*, Dec. 30, 2003, p. D1.

4 Human Resources Development Canada, "Helping Immigrants Achieve Their Full Potential," Section 5, in *Knowledge Matters: Skills and Learning for Canadians* (Ottawa: Human Resources Development Canada, 2002).

5 This analysis does not quantify the economic contribution of investment capital brought to Canada by visible minorities.

- 6 Measuring the contribution of visible minorities to potential output ensures that estimates are free of business cycle effects, thereby allowing their impact to be evaluated in a consistent manner over both historical and forecast periods.
- 7 Aside from their contribution to the labour force, visible minorities could add to potential and real GDP growth through their contribution to fixed capital. It is difficult to quantify this contribution. However, the Conference Board estimates that it could be as much as 0.1 percentage points per year.
- 8 Statistics Canada, *Earnings of Canadians*, Topic-Based Tabulations. (Ottawa, Statistics Canada, 2003b).
- 9 See D. Hum and W. Simpson, "Wage Opportunities for Visible Minorities in Canada." *Canadian Public Policy* 25, 3 (1999), pp. 379–394. Hum and Simpson found no significant difference between the average wages of new immigrant Black men and second-generation (or more) Black men.
- 10 Michael Bloom and Michael Grant, *Brain Gain—The Economic Benefits of Recognizing Learning and Learning Credentials in Canada* (Ottawa: The Conference Board of Canada, 2001).

About This Document

As a part of a larger initiative on maximizing the talents of visible minorities, The Conference Board of Canada conducted a study to quantify the contribution of visible minorities to Canadian economic growth over the past decade and to evaluate their contribution to 2016.

The larger project, entitled "Learning from the Best: A Program of Research and Education on 'Best Practices' in Maximizing the Talents of Visible Minorities," is being undertaken by the Conference Board in partnership with Senator Donald Oliver and a group of leading organizations, including: Agriculture and Agri-Food Canada, BCE Inc., BMO Financial Group, Business Development Bank of Canada, CAW–Canada, Canadian Centre for Management Development, Canadian Heritage, Canadian Imperial Bank of Commerce, Canadian International Development Agency, Citizenship and Immigration Canada, Department of Foreign Affairs and International Trade, Emera Inc., George Weston Limited, Human Resources Skills Development Canada/Labour Program, IBM Canada Ltd., Industry Canada, Power Corporation of Canada, Public Service Commission of Canada, Public Service Human Resources Management Agency, Public Works and Government Services Canada, RBC Financial Group, Royal Canadian Mounted Police, Scotiabank, Statistics Canada, Sun Life Financial, TD Bank Financial Group, and Treasury Board of Canada, Secretariat. In addition, the work is supported by four citizens who participate on an Advisory Committee to the project: Mr. Frank Claydon, Ms. Megan Harris, Ms. Susan Pollonetsky and Ms. Sharon Ross. In keeping with Conference Board guidelines for financed research, The Conference Board of Canada solely determined the design and method of research as well as the content of this study.

This document summarizes the key findings of a technical paper on this topic prepared by the Conference Board's Economic Services Group.

Making a Visible Difference: The Contribution of Visible Minorities to Canadian Economic Growth

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