Equitable Returns?

Previous Martin Prosperity Institute Insights have discussed the relationship between levels of educational attainment and wage. Also analyzed was the relation between the returns on education for men compared to women. The Martin Prosperity Institute has further analyzed the relationship between educational attainment levels in Canada, across a few different subgroups; women, immigrants and visible minorities, in this white paper Canada’s Increasing Human Capital: Equitable Returns? By Kevin Stolarick. This Insight will look at the changing relationships in educational attainment and real wages for immigrants and visible minorities across the Canadian workforce, over time. It was found that while these subgroups have some of the highest shares of their population holding a university degree, their wages have consistently stayed below the Canadian average. In fact, in many cases, for people within these subgroups the economic returns for their further educational attainment are lower on average than the rest of Canada.

For those whom identify as a visible minority in Canada, have a higher level of human capital (BA and above) than the overall Canadian average. Canada has a highly educated visible minority population, especially within and around Toronto, Montreal and Vancouver. The rate of visible minorities within Canada having obtained a BA or above has also increased over time at a greater rate than non-visible minority members as the difference in percentage between the two has risen from 5.2% in 1971 to 12.4% in 2006.


Note: The data used for the graphs and tables in this Insight were obtained from: 1971-2006 Census of Canada and Statistics Canada data. The data and analysis does not include or look at information regarding field of study or place where the degree was obtained.

The chart in Exhibit 1 above display the differences between the average wage of all Canadians that received a wage, those who identify as a visible minority and those who do not, over the period 1971–2006. The same chart style was applied to the other two subgroups in the full...
The chart above shows that in general, visible minorities in Canada make less than the Canadian average and non-visible minority Canadians. What is most surprising about the chart is that in fact the gap between average wage of visible minorities and non-minorities increases as educational attainment increases. This is a trend that unfortunately has continued to rise over time. As stated above, a larger percentage of visible minorities hold a BA or above than non-visible minorities, yet in 2006 visible minorities with a BA earned less than 70% of what non-visible minorities earned, which translates into $20,000 less in average salary. In regards to the returns of education, for non-visible minorities, a BA increases average wages by around $22,000 per year, but for visible minorities, the increase in average wage is only $15,000. This amount is magnified as a larger percentage of the visible minority population holds a BA or above. The issue that the chart above addresses is that increasing educational attainment often does not result in equal increased wages for visible minorities within Canada.

Similarly to visible minorities within Canada, immigrants in Canada also have a higher than average share of their overall population that possess a BA or above. While in 1971, the Canadian born population had a similar share of people holding a BA or above as the immigrant population, by 2006 the gap has increased greatly (12.5% increase since 1971). This provides Canada with a unique opportunity, as there is a large amount of human capital within immigrants in Canada.

**Exhibit 2** looks at the differences between immigrants and the Canadian born population. When looking at the charts provided in the full report, the differences between immigrants and Canadian born residents are not as pronounced as the findings between visible minorities. In many cases, the average wage for an immigrant in Canada is almost the same as that for a Canadian born resident (overall average wages and average wages for those without a BA). Where we see a larger difference is within the **Exhibit 2** above. While the average wage for a Canadian born resident and an immigrant with a BA and above was about the same in 1971, in 2006 an immigrant with a BA, on average only earned about 78% of a Canadian with the same credentials. This has created the situation displayed in **Exhibit 2**, in which the differential for educated immigrants compared to non-educated immigrants is less than that of Canadian born residents. Therefore, the rise in value (average earnings) in 2006 for the increased educational attainment of immigrants within Canada has become less than that of Canadian born residents. While the gap in earnings between educated immigrants and Canadian born residents is not as large as visible
and non-visible minorities, due to the higher average wage of immigrants without a BA and above than visible minorities, the returns to higher education for immigrants is actually even worse than that of visible minorities within Canada.

Educational attainment is often referenced to as a necessity for individuals and regions to achieve prosperity. Many people move to Canada with the goal to achieve prosperity through better jobs and the intent that their children will receive an education and the subsequent “better life” from the increase in wages that a BA or above offers. This Insight has displayed that the returns to education can often depend on whom you are and where you are in Canada. As presented throughout this Insight, over time there have been stark differences in the value of further education for different groups within Canada. Unfortunately the under compensated groups; immigrants and visible minorities, are experiencing an increasing gap in returns to their education in relation to Canadians that do not fall under these three groups. This depletes the opportunity for many Canadians in relation to others and with growing female and visible minority populations; comparative analysis of the impacts of these factors must be explored.

To read the entire report, including the spatial differences in wage returns of education of women, immigrants and visible minorities within specific Canadian provinces, please click this link.

*The Martin Prosperity Institute at the University of Toronto's Rotman School of Management is the world's leading think-tank on the role of sub-national factors—location, place and city-regions—in global economic prosperity. We take an integrated view of prosperity, looking beyond economic measures to include the importance of quality of place and the development of people's creative potential.*