

The Visible Minority Earnings Gap Across Generations of Canadians*

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Abstract

To what extent the earnings gaps facing Canada's visible minorities reflect discrimination is a question of tremendous policy interest. This paper argues that failing to account for the limited Canadian ancestry of visible minorities overestimates discrimination if immigrant assimilation is an intergenerational process. Using the 2001 and 2006 Canadian Censuses, weekly earnings, conditional on a rich set of worker and job characteristics, are compared between child immigrant, second-, and third-and-higher-generation Canadian men. The results reveal a tendency for earnings to increase across subsequent generations of visible minority, but not white, men. Though the pattern is strongest between the first and second generation, for black men it is also evident between the Canadian born with and without a Canadian-born parent. Despite this progress, for most visible minority groups earnings gaps are identified even among third-and-higher generation Canadians.

Keywords: Discrimination; Intergenerational income mobility; Labour market performance.

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1 Introduction

A recent study by Statistics Canada projects that by 2017 between 19% and 23% of the Canadian population will be visible minorities and in Toronto and Vancouver visible minorities will likely comprise a majority.¹ This compares to 16% in the 2006 Census and roughly 2% in the early 1960s when Canada first shifted its immigration policy from one explicitly favoring immigrants from Northern Europe and the United States to one in which immigrants were selected on the basis of their individual skills. The growth in these shares appears particularly dramatic in comparison to immigrant shares of the population, which have remained relatively stable over the same period (16% in 1960; 20% in 2006; projected between 21% and 26% by 2017). While ethnic and cultural diversity has historically been embraced and celebrated in Canada, particularly given perceptions of success in maintaining social cohesion in the face of increasing diversity, there are signs of growing ambivalence. Part of this ambivalence likely reflects concerns about the national identity being diluted; about crime and national security; or perhaps even about a general decline in what sociologists call social trust (Welch et al. 2005). But it seems also to reflect growing evidence that Canada's most recent immigrants are experiencing increasing difficulties integrating into its labour markets (e.g., Aydemir and Skuterud 2005).

A possible explanation for the concomitant deterioration in immigrant labour market outcomes with Canada's increasing racial diversity is that visible minorities are discriminated against in Canada's labour markets. To what extent this is accurate is a highly contentious issue in Canadian political and public discourse. Indicative of the lack of consensus is that 25 years after the release of the key recommendation of the Abella Royal Commission – that governments introduce employment equity legislation to address inequities in the employment opportunities of racial minorities (among other groups) – only the federal jurisdiction, British Columbia and Ontario have done so and Ontario's Act has since been repealed. The contentiousness is almost certainly due in large part to the complexity of defining and empirically identifying labour market discrimination. Although there have been important methodological innovations in the discrimination research literature, in particular the use of audit studies², the Canadian evidence on racial labour market discrimination continues to come almost exclusively from regression analyses using observational data.

The challenge in using regression analysis to identify labour market discrimination is to

insure that any residual wage variation attributed to discrimination does not reflect unobservable (to the econometrician) differences between visible minorities and whites that affect wage outcomes. This would include latent productivity differences, as well as differences in worker preferences and search technologies that influence the sorting of workers across firms or job match quality. The problem is, of course, that what is observed in the data can never capture worker and firm heterogeneity sufficiently leaving all findings ultimately open to criticism and the issue of whether in fact there is discrimination contentious. The best that can be done to advance the research is to identify potential sources of bias and examine whether the wage disparities observed are robust to the inclusion of additional control variables or sample restrictions. An important recent advance in this regard in the Canadian literature is the recognition that visible minorities are much more likely than whites to be foreign born and foreign-born workers experience disparities in labour market outcomes for reasons entirely independent of race. To address this, the most recent Canadian studies restrict attention to comparisons of Canadian-born workers. Although generally smaller in magnitude, the estimates, particularly those for black men, continue to suggest that racial discrimination is a real phenomenon in Canadian labour markets (Baker and Benjamin 1997; Pendakur and Pendakur 1998; Hum and Simpson 1999).

This paper emphasizes the inherent pitfalls in inferring discrimination from conditional earnings differentials by arguing that restricting samples to native-born workers continues to produce biased estimates of racial discrimination if the process of immigrant assimilation extends beyond the first generation. Using the master files of the 2001 and 2006 Canadian Censuses, I exploit information on the country of birth of respondents and their parents to distinguish child immigrants, second-, and third-and-higher-generation Canadians. The results reveal a tendency for weekly earnings, after conditioning on a rich set of worker and job characteristics, to increase across subsequent generations of visible minority, but not white, men. Though the differences are clearly largest between child immigrants and the second generation, for black men they are also evident among the Canadian born with and without a Canadian-born parent. This is true even within detailed ethnic groups (e.g., black men with Caribbean ancestry) and when mixed race men are excluded. Despite this intergenerational progress, for most visible minority groups conditional earnings gaps for the third-and-higher generation continue to be identified, though in some cases, such as Chinese men, they appear small. Overall, I interpret the findings as being not only entirely consistent

with the presence of taste-based racial discrimination in Canadian labour markets, but also suggesting that the estimates found in the current literature, for black men in particular, in part capture something other than racial discrimination.

The remainder of the paper is organized as follows. In the following section an empirical model of wage determination in which the native-born ancestry of workers matters is presented. The following section describes the Census data used to estimate the model and the fourth section presents the results. The final section discusses possible interpretations of the findings. The paper concludes by summarizing the main findings.

2 Empirical Strategy

In the usual textbook treatment of immigrant economic assimilation, foreign-born workers are thought to experience initial wage disparities following migration, but over time to see their wages grow and approach those of native-born workers with similar levels of schooling and labour market experience (Chiswick 1978). This perspective is usually explained with reference to accumulation of labour market skills that are specific to the host country, such as language and literacy skills. Since immigrants who migrate before adolescence typically fully acquire these skills prior to labour market entry, this perspective implies we should not see inferior labour market outcomes for child immigrants, and certainly not for the native-born children or grandchildren of immigrants. Indeed, there is considerable evidence to suggest that in terms of earnings outcomes, child immigrants look more like native-born workers than other immigrants (Schaafsma and Sweetman 2001; Bleakley and Chin 2004), which is why assimilation models are often estimated excluding child immigrants (e.g., Baker and Benjamin 1994; Grant 1999; Antecol, Kuhn and Trejo 2006).

It is, of course, possible that immigrant assimilation reflects something other than accumulation of host-country-specific skills. There are at least two other reasons why, over time, the labour market outcomes of immigrants may approach those of natives with similar observable skills. First, labour economists now widely recognize that what matters for wage outcomes is not only who you are, but also where you work (Abowd, Kramarz and Margolis 1999). Wage assimilation patterns might then reflect either improved firm effects through time as immigrants accumulate both information about where the ‘good’ jobs are and the social networks needed to access those jobs (Aydemir and Skuterud 2008) or improved job match quality as social networks provide job referrals or additional information about jobs

(Kugler 2003; Simon and Warner 1992). Alternatively, assimilation may reflect an ‘acculturation’ process. For example, culturally rooted differences in preferences for consumption and leisure may affect labour market outcomes, but these cultural differences might fade over time as immigrants are exposed to a dominant host-country culture. Or perhaps cultural assimilation is manifested in a changing sense of rights, belonging, or confidence that affects expectations and, in turn, labour market behaviour and wage outcomes. In either case, since social networks may be shared within families, both within and across generations, and culture may be (in part) inherited from parents, the process of assimilation may occur over a much longer time horizon than if it resulted exclusively from human capital accumulation. Moreover, since visible minorities in Canada have, on average, less native-born ancestry, we would expect to see visible minority earnings gaps among native-born workers in the absence of any racial discrimination.

To formalize this intergenerational perspective, consider the following data generating process (DGP) determining wage outcomes in the native-born population:

$$\log w_{it} = f_r^y(y_t) + f_r^c(c_i) + f_r^n(n_{it}) + x'_{it}\beta + \varepsilon_{it} \quad (2.1)$$

where w_{it} is the (potential) wage of individual i in year t ; y_t is the current year; c_i is the year of entry to Canada of individual i 's first Canadian-born ancestor; n_{it} is the difference between y_t and c_i , which I refer to as native-born ancestry; x_{it} is a vector of observable wage-determining individual characteristics; and ε_{it} is an iid random influence. This DGP has three important features worth noting. First, though c_i may have a direct wage effect – through, for example, an effect of entry labour market conditions (Green and Worswick 2004) that somehow persists across generations – what I have in mind are inherited unobservable worker attributes. For example, falling transportation costs through time could change immigrant cohort sizes and the nature of the selection of migrants across host-country distributions of hereditary ability, resulting in a correlation between native-born ancestry and wages that has nothing to do with assimilation. Second, the effects of y_t , c_i , and n_{it} can vary by race (r), so at any point in time racial wage differentials conditional on x_{it} may exist because mean values of n_{it} vary or because any of the (potentially nonlinear) functions $f_r^{\cdot}(\cdot)$ may vary across race. Third, at a point in time, racial discrimination exists if and only if (and to the extent that) the current year effects (f_r^y) vary across race. This means that wage discrimination may change in magnitude through time, which evidence from both Canada (Pendakur and Pendakur 2002) and the U.S. (Couch and Daly 2002)

suggests it does. It also means that racial discrimination is not manifested in differential returns to elements of x_{it} . This is undoubtedly an oversimplification, but interacting x_{it} with narrowly-defined race/ethnic groups is simply infeasible given the limited samples of visible minority workers in the data.

The difficulty in estimating equation (2.1) is that the $f_r(\cdot)$ functions are not separately identified due to the linear dependence: $n_{it} = y_t - c_i$. How one goes about the estimation depends on what is of primary interest. Smith (2003) and Aydemir, Chen and Corak (2009), who are most interested in intergenerational earnings assimilation, use repeated cross-sections of data and control for ancestor cohort (c_i), interpreting changes over time as assimilation. The problem with this approach is that the intergenerational differences identified may instead reflect race-specific period effects. For example, following a cohort of black immigrants across three generations, we cannot be sure whether improvements relative to some benchmark white cohort reflects assimilation or reduced discrimination, perhaps resulting from stronger anti-discrimination laws. Given the focus on discrimination, this approach therefore seems inappropriate here.

If the focus is discrimination, the primary objective should be to hold the discrimination factors $f_r^y(\cdot)$ constant, by restricting attention to a point in time. Assuming the effects of c_i and n_{it} are linear, in a single cross-section of data the DGP is then given by:

$$\log w_i = \sum_j r_{ji} [\alpha_j + \alpha_j^c c_i + \alpha_j^n n_i] + x_i' \beta + e_i \quad (2.2)$$

where r_{ji} is a dummy variables indicating race j . The current convention in the Canadian literature is to estimate equation (2.2) omitting both c_{ij} and n_{ij} , but restricting the sample to native-born workers, and comparing values of α_j across race.³ It is straightforward to show that this gives:

$$\text{plim } \hat{\alpha}_j = \alpha_j + (\alpha_j^n - \alpha_j^c) \left(\frac{\text{cov}(\tilde{r}_{ji}, \tilde{n}_i)}{\text{var}(\tilde{r}_{ji})} \right) \quad (2.3)$$

where tildes indicate values after partialing out the effect of x_i . The last term on the right hand side is the mean native-born ancestry of race j (conditional on x_i), which we know tends to be relatively low for visible minorities. Therefore, unless the effect of native-born ancestry is exactly offset by increasing unobservable quality of successive cohorts of immigrants and their ancestors, i.e., $\alpha^n = \alpha^c$, estimates of discrimination (i.e., differences in $\hat{\alpha}_j$'s between minorities and whites) will be upward biased.⁴

The basic idea underlying this empirical strategy is straightforward: if the underlying source of the visible minority wage gaps identified in the current literature is racial discrimination, then these gaps should not systematically vary with the native-born ancestry of visible minorities. An employer with Becker-like tastes for discriminating against blacks only cares that a worker is black and not whether his parents are, or are not, native born (Becker 1957). One might argue that employers use information on ancestry to signal worker productivity. For example, work ethic might be increasing across generations due to a process of acculturation that affects some race groups more than others. Declining conditional wage gaps across generations of visible minority workers would then be consistent with a form of statistical discrimination (Phelps 1972) based on a combination of race and native-born ancestry. However, it seems unlikely that the native-born ancestry of workers is observable to real-world employers. So although, strictly speaking, the results can only inform us about the extent of taste-based racial discrimination, declining wage gaps with native-born ancestry also seems inconsistent with statistical discrimination.

3 Data

The main practical hurdle in estimating equation (2.2) is that I am aware of no nationally representative Canadian data source that identifies years of native-born ancestry. Instead, the master files of the 2001 and 2006 Canadian Censuses are employed, which identify the birthplace of respondents and their parents for 20% random samples of the entire Canadian population. Though comparisons of Canadian-born workers with and without a Canadian-born parent are of greatest interest, in order to get an additional source of variation in native-born ancestry, immigrants who migrated before the age of 12 are also examined. My hope is that any differences observed for child immigrants reflect an effect of native-born ancestry as opposed to an immigrant effect related to disparities in host-country-specific skills, such as language.

Although results are presented for women (see Table 5), the main analysis is restricted to non-Aboriginal men aged 20 to 65 who reported positive wages and salaries and no self-employment income in the income reference year (2000 or 2005). Table 1 reports sample sizes of child immigrants (generation 1.5), Canadian-born with two foreign-born parents (generation 2), and Canadian-born with one or two Canadian-born parents (generation 3+) for five race groups: black, Chinese, South Asian, other visible minorities, and whites.⁵ In

all cases the child immigrant and second-generation samples exceed 2,700 men. For Chinese and South Asians the third-and-higher-generation samples are, however, substantially smaller – in each year, less than 2,000 Chinese and 1,000 South Asians. For blacks, on the other hand, the third-and-higher-generation samples are roughly equal in size to the earlier generations (about 3,000), reflecting the longer history of black migration to Canada (Milan and Tran 2004). This is fortunate given that the current literature consistently identifies substantial conditional earnings gaps among Canadian-born black men. Of greatest interest, therefore, is whether this gap varies between blacks with and without a Canadian-born parent. Note also in Table 1 that the first- and second-generation minority samples are on average substantially younger, and hence tend to have low unconditional earnings. This reflects that migrants tend to be young and large-scale visible minority immigration is a phenomenon of the past 30 to 35 years.

Since we are ultimately interested in measuring discrimination, the dependent variable and control variables are chosen so that the differentials identified are least likely to capture unobserved heterogeneity in productivity or preferences. Since hours of work differentials are difficult to interpret, the main results focus on log weekly earnings controlling for whether weekly hours are mostly part-time. Results using log annual earnings are, however, also presented, extending the sample to include men with self-employment income.⁶ With regard to the control variables, the main results condition on as large a set of worker and job characteristics as the data permit. Specifically, I condition on: a quartic function in years of (potential) labour market experience; years of schooling (in 2001 only); 6 (2001) or 12 (2006) educational credentials; part-time status; marital status; 8 language categories, which combine information on mother tongue and current knowledge of French and English; 13 provinces and territories; 26 Census metropolitan areas (CMA); 47 occupations; and 99 (2001) or 103 (2006) industries. To my knowledge, this level of detail is substantially greater than what has been employed elsewhere in the Canadian literature. It may be, however, that discrimination manifests itself in the sorting of workers across sectors of the economy, if for example minorities receive unequal access to particular occupations or industries. To examine the robustness of the results to broader forms of discrimination, results without industry and occupation controls are also presented.

4 Results

Table 2 presents results from estimating equation (2.2) assuming cohort effects (α_j^c) are zero and using the three generation indicators to measure native-born ancestry (n_{ij}). Although the reference group is third-and-higher-generation whites, what is of primary interest is not the levels of the differentials, but rather whether or not they vary across generations within race groups. In six of the eight minority cases, the gaps are monotonically declining across generations. The pattern is strongest for blacks – 0.20 (2001) and 0.16 (2006) log points for child immigrants; 0.15 (2001) and 0.14 (2006) log points for second-generation blacks; and 0.11 log points (both years) for third-and-higher-generation blacks. Though the differences between adjacent generations are, in general, not statistically significant, the similarity of the results in the two Census years provides some assurance that the pattern is real. For Chinese men, the gaps drop from 0.11 (2001) and 0.10 (2006) log points to 0.04 (2001) and 0.03 (2006) log points between child immigrants and the second generation, but are virtually identical for the native-born with and without a native-born parent. The opposite is true for the residual visible minority group – there is little difference between child immigrants and the second generation (particularly in 2006), but substantially smaller gaps for the third-and-higher generation (essentially zero in 2001 and 0.02 log points in 2006). Lastly, for South Asians the patterns are somewhat different in the two Census years. In both years the gaps are almost identical between child immigrants and the second generation, but in 2006 it decreases slightly for the third-and-higher generation (0.05 compared to 0.07 and 0.06 log points), whereas in 2001 it increases substantially (0.15 compared to 0.07 and 0.08 log points). The latter result is, however, based on a particularly small sample.⁷

Interestingly, Table 2 suggests that native-born ancestry appears to play no comparable role in influencing the earnings of whites. Relative to third-and-higher-generation white men, white men who immigrated as children and second-generation white men face conditional earnings differentials that are, in all cases, less than 0.01 log points in absolute value. This suggests that the intergenerational progress observed for visible minorities more likely reflects an acculturation process than an effect of host-country-specific skill acquisition, such as language, or family social networks accumulated over generations, since there is no clear reason why the latter would not also affect whites on average. Below I examine whether this result is robust across white ethnic groups that are more or less culturally similar to Canada’s dominant English and French groups.

Before considering ethnicity, I make three changes to gauge the robustness of the results in Table 2. First, weekly earnings are replaced with annual earnings, making the results more directly comparable to those in the current literature. Second, the sample is extended to men with self-employment income to address potential sample selection biases arising from correlations between native-born ancestry and propensities for self-employment. Third, the results are compared with and without the industry and occupation controls, acknowledging the potential for discrimination to affect how workers are sorted across labour markets. Although the gaps for visible minorities in Table 3 are consistently larger, the patterns are virtually identical. In all cases, conditional earnings for black and the ‘other’ visible minority men, continue to increase monotonically across all three generations. For Chinese men, there are large differences between child immigrants and the second generation, but little difference thereafter, while for whites the results continue to suggest no comparable role of native-born ancestry. The only substantive difference is that the gaps for South Asians now appear more persistent. Sensitivity analysis suggests that this is driven by the inclusion of self-employed workers, rather than the use of annual earnings.

It is possible that the intergenerational differences identified for visible minorities are driven by compositional differences across ancestor arrival cohorts, such as a long-term shift in black immigration away from Caribbean to African source countries. To the extent that workers of a particular race with different ethnic backgrounds experience different levels of discrimination – which would require ethnicity to be observable in the market – the observed patterns in conditional earnings across generations might not be inconsistent with discrimination. Table 4 distinguishes between three black ethnic groups (Caribbean, African, and other); two Chinese ethnic groups (Chinese and other); two South Asian ethnic groups (South Asian and other); nine race groups that comprised the ‘other’ visible minority group (Filipino, Latin American, Southeast Asian, Arab, West Asian, Japanese, Korean, and other) and 10 white ethnic groups (British/French, German, Italian, Ukrainian, Dutch, Polish, Jewish, Portuguese, Greek, and other). In all visible minority cases, individuals who identify themselves as both white and belonging to a visible minority group are also distinguished (the questionnaire lists groups and explicitly allows multiple responses) and referred to as mixed race. All the estimates presented are from a single regression in which the ethnicity-ancestry effects are fully saturated. In each case, the reference group is third-and-higher-generation whites with British or French ancestry.

The 2001 results in Table 4 suggest even bigger drops in conditional earnings gaps across generations of blacks. The results for blacks who report Caribbean ancestry are particularly striking – an earnings disadvantage of 0.20 log points for child immigrants; 0.14 log points for the second generation; but now down to 0.05 log points for the third-and-higher generation. The 2001 estimates for black men of African ancestry are similar. This pattern of intergenerational progress is less clear in the 2006 data, though the results continue to suggest a gap of less than 0.05 log points for black men of Caribbean ancestry with one or both parents born in Canada. Distinguishing ethnic Chinese Canadians from other Chinese Canadians, and ethnic South Asians from other South Asians, also does little to change the main findings. In both the 2001 and 2006 data, Chinese immigrants who migrated as children tend to experience gaps that are substantially larger than native-born Chinese, but there is relatively little difference in the gaps experienced by those with and without a Canadian-born parent. The gaps facing third-and-higher-generation Chinese men, in fact, now do not appear very different from those of third-and-higher-generation blacks of Caribbean ancestry. As for South Asians, the estimates now suggest smaller differences across generations. The estimates for South Asians with South Asian ancestry appear most consistent with a permanent discrimination factor between 0.05 and 0.09 log points in magnitude.

Distinguishing between the remaining visible minority groups produces more mixed results, presumably due in large part to the substantial loss in sample sizes. Nonetheless in 10 of the 18 cases, the estimates suggest higher conditional earnings for the second-generation than child immigrants. Comparing second- to third-and-higher-generation visible-minority Canadians, conditional earnings increase with native-born ancestry in 11 of the 18 cases. The results for Japanese Canadian-born workers are particularly noteworthy, since they are a particularly homogeneous group and, due to their relatively long history of migration to Canada, their sample size increases across generations. Consistent with an intergenerational assimilation process, the estimates for child immigrant and second-generation Japanese men in both 2001 and 2006 suggest disparities in conditional earnings (relative to third-and-higher-generation British/French), whereas the estimates for Japanese men with a Canadian-born parent suggest, in both years, a small conditional earnings advantage.

Finally, in the last rows of Table 4 white ethnic groups are distinguished. Although in general the results continue to produce relatively little evidence of earnings advantages for

white Canadians with more native-born ancestry, there are now some notable exceptions.⁸ In particular, for Ukrainians in both years, Poles in 2001, Jews in 2006, and Greeks in 2006, the results to varying degrees resemble those for visible minorities – that is, negative estimates for child immigrants that subsequently monotonically decline across generations. Interestingly, of the nine white ethnic groups considered, these are probably the four most culturally distant to Canada’s two charter groups, at least in terms of language and geography.⁹ In contrast, there is no comparable tendency for residual earnings gaps to decline across generations in the results for the two Northern European groups (Germans and Dutch) and the two Latin European groups (Italians and Portuguese). Quantitatively measuring cultural distance is, of course, far from straightforward. Using data from the U.S. Department of State on language proficiency among English-speaking American students enrolled in foreign language courses, Chiswick and Miller (2005) construct an index of linguistic distance between English and other languages assuming linguistic symmetry. Consistent with the patterns in residual earnings across generations, the index values for Dutch, German, Portuguese, and Italian are all 2.25 or higher, whereas the values for Polish, Greek and Hebrew all lie below 2.25 (Ukrainian is not reported). Though it seems unlikely that the process of language acquisition persists beyond the first generation, it does seem reasonable to believe that linguistic distance is highly correlated with other dimensions of cultural distance that do persist across generations.

Lastly, the model with the full set of controls is estimated using the comparable sample of women aged 20 to 65 with positive wages and salaries and no self-employment income. The results, presented in Table 5, continue to identify conditional earnings gaps for visible minorities, which tend to decrease across subsequent generations. The results are, however, less robust across Census years than those for men. For example, the 2001 gap for black women decreases from 0.17 to 0.08 log points between the second and third-and-higher generation, whereas the 2006 results suggest essentially no difference. The results for women, however, should be interpreted with caution since the the employment sample restriction, which we know is stronger for women, may be correlated with native-born ancestry, thereby biasing the inferences regarding discrimination. In hard parentheses the share of the sample lost to the this sample restriction is reported. For black women, the restriction appears substantially stronger for third-and-higher generation, while for Chinese and South Asians it is notably weaker for the second generation. Despite these complications, the results

continue to imply no comparable role of native-born ancestry for whites.

5 Discussion

The question of ultimate policy interest is whether the earnings disparities facing Canada's visible minorities are a permanent feature of the Canadian labour market, equally affecting future generations of Canadian-born visible minorities. The analysis above identifies a clear tendency for conditional earnings to increase over generations of visible minorities for reasons that appear independent of an immigrant effect. If we believe that this pattern primarily reflects an assimilation process, such as an acculturation effect, the question that follows is whether the earnings gaps would be even smaller if we observed sufficient samples of fourth- or higher-generation visible minorities. My reading of the results, suggests they would not. For Chinese and South Asian men the gaps appear persistent after the first generation, though in both cases they are small (0.03 to 0.05 log points). For blacks, on the other hand, there is more evidence of progress beyond the first generation, but even among those with a Canadian-born parent, many of whom are fourth- or higher-generation Canadians, the gaps are large (more than 0.10 log points in Table 2).¹⁰ This is true even for mixed-race blacks, i.e., men who identify their race as both black and white (0.14 log points in 2001 and 0.09 log points in 2006). If the residual earnings gaps for black men are related to cultural differences that persist across generations, we might expect the gaps to be smaller for this group, who have likely been exposed to broader cultural influences. It is interesting that Reitz and Banerjee (2007), in their analysis of the 2002 Ethnic Diversity Survey data, find that in the Canadian-born population blacks are most likely to report having experienced discrimination (61%), followed by South Asians (43.4%), Chinese (34.5%) and whites (10.9%). Both the ordering and relative magnitude of these differences are remarkably similar to the results in this paper for Canadian-born men.

In order to give the results for third-and-higher-generation black men some perspective, comparable intergenerational differences in three measures of racial integration, which have been shown in other research to influence labour market outcomes, are considered: (i) share of the local neighbourhood that are third-and-higher-generation whites (Cutler and Glaeser 1997); (ii) share of workplace (among those with a fixed workplace) that are third-and-higher-generation whites (Aydemir and Skuterud 2008); and (iii) whether married to a third-and-higher-generation white (Meng and Gregory 2005). Table 6 reports

sample means by race and generation of these variables using the 2001 and 2006 Census files.¹¹ As with conditional earnings, the results reveal a clear pattern of intergenerational assimilation, though the differences here are in all cases much larger between the second and third-and-higher generation than between child immigrants and the second generation. This is particularly true for black men. If what drives these differences is host-country ancestry, then we would expect this, since for blacks the third-and-higher generation will comprise a relatively large share of fourth- and higher-generation Canadians (this point is even more relevant for whites). What is striking is that the much higher racial integration of third-and-higher-generation black men does not translate into a bigger difference in conditional earnings. This again suggests that the earnings gaps observed for third-and-higher-generation black men may have some permanent component.

Nonetheless, when ethnic groups are distinguished, the results in both the 2001 and 2006 data for third-and-higher-generation black men with Caribbean ancestry are comparably modest to those of Canadian-born Chinese and South Asian men (roughly 0.05 log points). It is also noteworthy that the same survey data indicating higher self-reported discrimination among blacks, also shows second-generation blacks are least likely to identify themselves as Canadian (again followed by South Asian, Chinese and then white second-generation Canadians) and least likely to report a strong sense of belonging to Canada (followed by Chinese, South Asians and whites) (Reitz and Banerjee 2007). The interplay between these perceptions, inherited cultural differences across races, and labour market behaviour is, no doubt, highly complex. Though the results in this paper appear entirely consistent with the presence of taste-based racial discrimination against black men, the possibility that these differences in perceptions of being Canadian are more of an underlying cause than consequence of the earnings gaps facing Canadian black men cannot be ruled out.

6 Summary

This paper argues that failing to account for the limited native-born ancestry of Canada's visible minority population overestimates discrimination if immigrant assimilation is an intergenerational process. Using information on birthplace of respondents and their parents in the 2001 and 2006 Canadian Censuses, weekly earnings, conditional on a rich set of worker and job characteristics, are compared between child immigrants, second-, and third-and-higher-generation men. The results reveal a clear tendency for conditional earnings to rise

across subsequent generations of visible minority, but not white, men. This pattern appears particularly strong for black men, the same group singled out in the current literature as facing exceptionally large earnings gaps. Nonetheless, the results also point to considerable persistence in the earnings gaps of visible minorities. Though these gaps could conceivably continue to decline for future generations of Canadian-born black men, the substantial gaps identified for the third-and-higher generation appear entirely consistent with the presence of taste-based racial discrimination in Canadian labour markets.

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Notes

¹Alain Bélanger and Éric Caron Malenfant, “Population projections of visible minority groups, Canada, provinces and regions: 2001-2017,” Statistics Canada, March 2005, Catalogue no. 91-541-XIE.

²See Oreopoulos (2009) for a Canadian audit study and Heckman (1998) for a criticism of the audit study methodology.

³Many of the Canadian papers on race discrimination also estimate Oaxaca decompositions allowing the returns to observables to vary by race (e.g., Pendakur and Pendakur 1997; Hum and Simpson 1999).

⁴Since α^c and α^n are not separately identified, determining the direction of bias is technically more complicated. It seems reasonable, however, to expect the ancestry effect to dominate, since it is not obvious that either direct effects of the period of ancestor migration or unobservable quality differences across arrival cohorts should exist within race groups *and* persist across generations.

⁵One could also distinguish workers with one or two Canadian-born parents. However, given the limited samples of third-and-higher-generation visible minorities, the cost in precision of further splitting this group is too high. Boyd (2002) makes a similar three-generation comparison in studying educational attainment of immigrant offspring, but defines a child immigrant as age at migration less than 15 and a single Canadian-born parent as second, instead of third, generation.

⁶I have also estimated the models using an hourly wage variable combining weekly hours data in the Census reference week with paid earnings in the previous calendar year. Though there is some evidence that the intergenerational differences identified for blacks (but not other groups) are in part driven by hours of work differences, all of the main conclusions are robust. These results are available upon request.

⁷The substantially higher R^2 statistics in the 2006 data appears to be driven by two factors: (i) roughly 80% of the 2006 income data came from tax records, resulting in less measurement error, particularly due to rounding; and (ii) more reporting of self-employment income among those with positive wages and salaries, implying a stronger sample restriction in 2006.

⁸Pendakur and Pendakur (1998, 2002) find similar persistent gaps for Greek men in comparing conditional earnings between Canadian-born white ethnic minority groups using Census data up to 1996.

⁹The *Royal Commission on Bilingualism and Biculturalism* of 1969 coined the term ‘charter group’ to distinguish the three elements of the Canadian cultural mosaic: the British, the French, and other Canadians.

¹⁰Early black migration to Canada has two main origins: (i) slavery, which existed be-

tween the early 1600s and early 1800s; and (ii) migration in the late 1700s of loyalists from the United States, who were promised land grants in return for supporting the British during the American Revolution. The 1881 Canadian Census of Population identified 21,400 blacks living in Canada (Milan and Tran 2004).

¹¹See the notes to Table 6 for descriptions of how each of these variables was constructed.

Table 1: Sample means and sizes by visible minority group and generation.

	2001				2006			
	Years of experience	% with university	Weekly earnings	Sample size	Years of experience	% with university	Weekly earnings	Sample size
<i>Black</i>								
1.5	11.3	0.143	815.8	2,792	13.1	0.151	823.9	3,336
2	6.4	0.143	663.1	3,044	8.5	0.177	682.5	4,143
3+	16.6	0.115	837.7	3,153	16.4	0.128	805.7	3,225
<i>Chinese</i>								
1.5	9.1	0.382	879.2	4,242	10.2	0.417	980.1	5,731
2	8.1	0.437	924.5	4,619	9.6	0.447	974.9	6,339
3+	15.5	0.318	1133.6	1,408	15.2	0.313	1051.0	1,814
<i>South Asian</i>								
1.5	9.3	0.330	991.0	3,632	11.1	0.325	1061.0	4,690
2	4.2	0.311	703.4	3,652	6.3	0.353	822.7	5,785
3+	10.0	0.260	790.6	491	11.2	0.289	947.0	759
<i>Other visible minority</i>								
1.5	7.4	0.210	748.6	6,557	9.0	0.213	803.3	9,477
2	5.7	0.225	701.4	3,868	7.3	0.248	747.7	6,207
3+	15.3	0.312	1160.2	2,355	16.0	0.283	1109.9	2,951
<i>White</i>								
1.5	21.6	0.217	1210.5	40,856	23.7	0.225	1258.7	39,085
2	16.7	0.230	1140.5	82,405	18.9	0.250	1269.0	76,666
3+	19.9	0.164	1052.5	889,833	20.8	0.172	1096.2	882,945

Note: Generation 1.5 is defined as foreign born and age of arrival less than 12; generation 2 is defined as Canadian born and both parents are foreign born; generation 3 is defined as Canadian born and one or both parents are Canadian born. Sample is restricted to men aged 20-65 with positive wages and salaries (and no self-employment income) and excludes aboriginals and immigrants whose age at migration is 12 or higher. Years of experience are years of potential experience (i.e., age – years of schooling – 6).

Table 2: Log weekly earnings relative to third- and higher-generation white Canadian men.

	2001		2006	
<i>Black</i>				
1.5	-0.198*	(0.022)	-0.157*	(0.014)
2	-0.145*	(0.020)	-0.140*	(0.013)
3+	-0.109*	(0.019)	-0.114*	(0.015)
<i>Chinese</i>				
1.5	-0.112*	(0.014)	-0.100*	(0.011)
2	-0.038*	(0.013)	-0.033*	(0.010)
3+	-0.047*	(0.024)	-0.032	(0.020)
<i>South Asian</i>				
1.5	-0.073*	(0.015)	-0.072*	(0.012)
2	-0.076*	(0.017)	-0.063*	(0.011)
3+	-0.150*	(0.053)	-0.047	(0.031)
<i>Other visible minority</i>				
1.5	-0.120*	(0.014)	-0.073*	(0.009)
2	-0.080*	(0.017)	-0.080*	(0.010)
3+	-0.003	(0.018)	-0.021	(0.015)
<i>White</i>				
1.5	0.001	(0.005)	-0.008	(0.005)
2	-0.006	(0.004)	0.007*	(0.003)
3+	—		—	
Number of observations	1,052,907		1,053,153	
R-squared	0.277		0.359	

Note: Sample is restricted to men aged 20-65 with positive wages and salaries and no self-employment income, and excludes aboriginals and immigrants whose age at migration is 12 or higher. The estimates are from OLS regressions, which include the set of control variables reported in the Appendix table, in addition to controls for geography (26 cities and 13 provinces/territories), occupation (47 categories), and industry (99 categories in 2001 and 103 categories in 2006). Robust standard errors are in parentheses. * indicates statistical significance at the 5 percent level.

Table 3: Log annual earnings relative to third- and higher-generation white Canadian men.

	<u>2001</u>				<u>2006</u>			
<i>Black</i>								
1.5	-0.263*	(0.022)	-0.228*	(0.022)	-0.234*	(0.016)	-0.200*	(0.016)
2	-0.229*	(0.023)	-0.201*	(0.022)	-0.212*	(0.015)	-0.186*	(0.014)
3+	-0.177*	(0.020)	-0.141*	(0.019)	-0.207*	(0.017)	-0.149*	(0.017)
<i>Chinese</i>								
1.5	-0.147*	(0.017)	-0.179*	(0.016)	-0.145*	(0.013)	-0.180*	(0.013)
2	-0.042*	(0.014)	-0.081*	(0.014)	-0.046*	(0.011)	-0.087*	(0.011)
3+	-0.072*	(0.024)	-0.072*	(0.024)	-0.060*	(0.021)	-0.055*	(0.020)
<i>South Asian</i>								
1.5	-0.089*	(0.016)	-0.116*	(0.016)	-0.109*	(0.013)	-0.149*	(0.013)
2	-0.098*	(0.019)	-0.145*	(0.018)	-0.073*	(0.013)	-0.128*	(0.012)
3+	-0.198*	(0.053)	-0.181*	(0.052)	-0.136*	(0.035)	-0.143*	(0.034)
<i>Other visible minority</i>								
1.5	-0.151*	(0.015)	-0.151*	(0.014)	-0.111*	(0.010)	-0.111*	(0.010)
2	-0.103*	(0.018)	-0.105*	(0.018)	-0.105*	(0.012)	-0.107*	(0.011)
3+	-0.039	(0.020)	-0.024	(0.019)	-0.048*	(0.016)	-0.039*	(0.015)
<i>White</i>								
1.5	-0.001	(0.005)	-0.002	(0.005)	-0.012*	(0.005)	-0.010*	(0.005)
2	-0.007	(0.004)	-0.003	(0.004)	0.003	(0.004)	0.008*	(0.003)
3+	—		—		—		—	
Industry/occupation controls	No		Yes		No		Yes	
Number of observations	1,195,336		1,195,336		1,245,510		1,245,510	
R-squared	0.298		0.350		0.328		0.403	

Note: Sample is restricted to men aged 20-65 with positive earnings (wages and salaries plus self-employment income) and excludes aboriginals and immigrants whose age at migration is 12 or higher. The estimates are from OLS regressions, which include the same sets of control variables as in Table 2, with and without the industry and occupation controls. Robust standard errors are in parentheses. * indicates statistical significance at the 5 percent level.

Table 4: Log weekly earnings relative to third- and higher-generation British/French white men.

	2001						2006					
	1.5		2		3+		1.5		2		3+	
<i>Black</i>												
- Caribbean	-0.197*	(0.031)	-0.143*	(0.029)	-0.047	(0.080)	-0.115*	(0.018)	-0.145*	(0.018)	-0.033	(0.058)
- African	-0.195*	(0.052)	-0.118*	(0.055)	-0.072	(0.052)	-0.177*	(0.033)	-0.214*	(0.046)	-0.168*	(0.053)
- Other	-0.198*	(0.038)	-0.152*	(0.035)	-0.102*	(0.025)	-0.233*	(0.034)	-0.098*	(0.021)	-0.135*	(0.023)
- Mixed race	-0.237*	(0.082)	-0.184*	(0.084)	-0.144*	(0.038)	-0.161*	(0.069)	-0.165*	(0.061)	-0.087*	(0.022)
<i>Chinese</i>												
- Chinese ethnicity	-0.123*	(0.015)	-0.034*	(0.013)	-0.057	(0.036)	-0.095*	(0.012)	-0.025*	(0.010)	-0.055	(0.036)
- Other ethnicity	-0.045	(0.042)	-0.095	(0.060)	-0.045	(0.056)	-0.141*	(0.049)	-0.076	(0.050)	-0.055	(0.052)
- Mixed race	-0.092	(0.075)	-0.144*	(0.071)	-0.034	(0.037)	0.066	(0.071)	-0.100	(0.084)	0.002	(0.024)
<i>South Asian</i>												
- South Asian	-0.086*	(0.018)	-0.076*	(0.019)	-0.085	(0.092)	-0.065*	(0.014)	-0.066*	(0.013)	-0.054	(0.046)
- Other ethnicity	-0.044	(0.033)	-0.073	(0.042)	-0.220	(0.139)	-0.094*	(0.031)	-0.047	(0.027)	-0.022	(0.066)
- Mixed race	0.078	(0.063)	-0.164*	(0.061)	-0.163*	(0.056)	-0.0003	(0.063)	-0.009	(0.048)	-0.052	(0.054)
<i>Other</i>												
- Filipino	-0.100*	(0.026)	-0.057	(0.032)	-0.042	(0.102)	-0.053*	(0.019)	-0.084*	(0.017)	0.013	(0.088)
- Latin American	-0.144*	(0.029)	-0.139*	(0.057)	0.049	(0.097)	-0.077*	(0.019)	-0.064*	(0.032)	-0.160*	(0.064)
- Southeast Asian	-0.151*	(0.035)	-0.092	(0.078)	-0.064	(0.109)	-0.065*	(0.020)	-0.119*	(0.033)	-0.166	(0.095)
- Arab	-0.133*	(0.050)	-0.047	(0.043)	-0.111	(0.087)	-0.060*	(0.030)	-0.054	(0.031)	-0.059	(0.059)
- West Asian	-0.094	(0.065)	-0.014	(0.079)	-0.301	(0.318)	-0.121*	(0.039)	-0.057	(0.061)	-0.345*	(0.174)
- Japanese	-0.054	(0.082)	-0.036	(0.066)	0.024	(0.022)	-0.013	(0.073)	-0.075	(0.056)	0.032	(0.019)
- Korean	-0.118*	(0.049)	-0.190*	(0.046)	0.034	(0.123)	-0.114*	(0.034)	-0.048	(0.037)	0.086	(0.135)
- Other	0.114*	(0.030)	-0.066	(0.037)	-0.134	(0.102)	-0.057*	(0.024)	-0.099*	(0.024)	-0.014	(0.049)
- Mixed race	-0.026	(0.060)	-0.137	(0.070)	0.009	(0.038)	-0.012	(0.050)	-0.042	(0.045)	-0.027	(0.029)
<i>Whites</i>												
- German	-0.006	(0.018)	0.020	(0.010)	0.009	(0.007)	0.024	(0.020)	0.021*	(0.010)	0.0001	(0.006)
- Italian	0.004	(0.013)	-0.024*	(0.008)	-0.004	(0.014)	0.026*	(0.013)	0.024*	(0.006)	0.019	(0.010)
- Ukrainian	-0.105*	(0.049)	-0.022	(0.020)	-0.018*	(0.009)	-0.121*	(0.059)	0.002	(0.022)	0.024*	(0.008)
- Dutch	0.046*	(0.015)	0.056*	(0.010)	0.025	(0.014)	0.008	(0.020)	0.057*	(0.009)	0.028*	(0.011)
- Polish	-0.026	(0.026)	-0.016	(0.021)	0.015	(0.016)	-0.016	(0.021)	0.014	(0.018)	0.006	(0.016)
- Jewish	0.050	(0.038)	0.006	(0.035)	0.071*	(0.018)	-0.058	(0.047)	-0.022	(0.044)	0.041	(0.022)
- Portuguese	0.017	(0.016)	0.021	(0.016)	0.034	(0.051)	0.060*	(0.013)	0.035	(0.010)	0.032	(0.049)
- Greek	-0.047	(0.028)	-0.113*	(0.017)	-0.056	(0.061)	-0.118*	(0.032)	-0.073*	(0.015)	-0.035	(0.037)
- Other whites	-0.018	(0.011)	-0.009	(0.007)	0.012*	(0.005)	-0.018	(0.010)	0.011	(0.006)	0.007	(0.004)
- British/French	-0.002	(0.006)	-0.007	(0.006)	-		-0.016*	(0.006)	-0.009	(0.005)	-	

Note: Sample is restricted to men aged 20-65 with positive wages and salaries (and no self-employment income) and excludes aboriginals and immigrants whose age at migration is 12 or higher. The estimates are from OLS regressions, which include the same sets of control variables as in Table 2. Robust standard errors are in parentheses. * indicates statistical significance at the 5 percent level.

Table 5: Log weekly earnings relative to third- and higher-generation white Canadian women.

	<u>2001</u>			<u>2006</u>		
<i>Black</i>						
1.5	-0.148*	(0.019)	[23.2]	-0.060*	(0.014)	[28.7]
2	-0.174*	(0.023)	[20.8]	-0.080*	(0.013)	[24.1]
3+	-0.081*	(0.018)	[32.1]	-0.075*	(0.015)	[32.2]
<i>Chinese</i>						
1.5	-0.112*	(0.018)	[25.5]	-0.070*	(0.011)	[29.2]
2	0.001	(0.013)	[18.2]	-0.010	(0.010)	[23.4]
3+	-0.034	(0.026)	[24.7]	0.037	(0.019)	[27.9]
<i>South Asian</i>						
1.5	-0.064*	(0.017)	[21.9]	-0.020	(0.012)	[28.0]
2	-0.074*	(0.017)	[20.7]	-0.032*	(0.011)	[23.5]
3+	0.019	(0.037)	[21.6]	-0.091*	(0.031)	[26.8]
<i>Other visible minority</i>						
1.5	-0.085*	(0.015)	[24.8]	-0.049*	(0.010)	[27.7]
2	-0.080*	(0.016)	[22.6]	-0.026*	(0.010)	[24.4]
3+	0.033	(0.019)	[25.0]	0.011	(0.014)	[27.3]
<i>White</i>						
1.5	0.003	(0.005)	[28.9]	0.010*	(0.004)	[35.0]
2	0.005	(0.004)	[27.1]	0.018*	(0.003)	[29.4]
3+	—		[31.1]	—		[32.4]
Number of observations	988,201			1,024,773		
R-squared	0.296			0.385		

Note: Sample is restricted to women aged 20-65 with positive wages and salaries (and no self-employment income) and excludes aboriginals and immigrants whose age at migration is 12 or higher. The estimates are from OLS regressions, which include the same sets of control variables in Table 2. Robust standard errors are in soft parentheses; percentage of sample dropped due to sample restriction is in hard parentheses. * indicates statistical significance at the 5 percent level.

Table 6: Mean percentage of neighbourhood¹ and workplace² that are third-and-higher-generation whites and percent married to a third- or higher-generation white, by visible minority group and generation.

	2001			2006		
	Percentage of neighbourhood 3+ generation white	Percentage of workplace 3+ generation white	Married to 3+ generation white	Percentage of neighbourhood 3+ generation white	Percentage of workplace 3+ generation white	Married to 3+ generation white
<i>Black</i>						
1.5	34.8	27.8	25.1	34.7	27.8	29.7
2	34.5	27.9	30.7	33.8	29.6	34.7
3+	56.0	41.3	56.4	54.3	39.8	53.8
<i>Chinese</i>						
1.5	28.1	24.6	11.8	25.4	24.3	10.7
2	30.8	27.7	20.3	29.2	28.1	17.2
3+	42.4	33.6	43.1	43.4	33.6	41.9
<i>South Asian</i>						
1.5	30.6	26.1	10.5	27.4	25.9	13.2
2	31.3	27.1	17.9	29.1	26.5	13.2
3+	42.2	31.2	37.5	44.4	36.2	43.1
<i>Other visible minority</i>						
1.5	36.5	28.2	23.1	35.4	28.3	23.5
2	34.6	28.0	27.2	34.8	29.2	24.1
3+	44.6	34.0	48.8	46.5	35.4	43.2
<i>White</i>						
1.5	46.8	35.6	46.3	47.1	35.4	47.5
2	44.6	34.3	47.1	44.4	34.3	44.5
3+	67.8	76.6	78.9	67.8	76.3	78.5

¹ A neighbourhood is defined as a census tract for large metropolitan areas (with at least 50,000 population in the urban core) and a municipality for small urban areas or rural areas. Census tracts have carefully designed attributes, contain a wide range of demographic and socio-economic information, and allow for national and historical statistical comparisons (Statistics Canada 1992). Census tracts usually have populations of 2500 to 8000.

² Workplace is defined combining detailed industry (4-digit NAICS) and the street address of workplace among workers who reported a usual workplace. If all workers with a common work address are employed in one industry, the address is defined as one workplace. But if workers with a common work address are employed in multiple industries, then this address is divided into multiple workplaces.

Appendix: Covariate estimates in log weekly earnings regression (Table 2).

	2001	2006
Experience	0.054* (0.001)	0.053* (0.001)
Experience squared / 10 ²	-0.182* (0.009)	-0.166* (0.010)
Experience cubed / 10 ⁴	0.271* (0.029)	0.248* (0.031)
Experience quartic / 10 ⁶	-0.151* (0.031)	-0.201* (0.036)
Years of schooling	0.027* (0.001)	—
High school diploma	0.065* (0.003)	—
Non-university diploma	0.105* (0.004)	—
Bachelor's degree	0.221* (0.005)	—
Master's degree	0.271* (0.006)	—
Doctorate degree	0.311* (0.014)	—
Medical degree	0.441* (0.023)	—
None	—	-0.362* (0.004)
High school diploma	—	-0.264* (0.003)
Registered apprenticeship	—	-0.236* (0.004)
Other trade certificate	—	-0.160* (0.004)
Non-university diploma (0.25-1 yr.)	—	-0.252* (0.006)
Non-university diploma (1-2 years)	—	-0.184* (0.003)
Non-university diploma (>2 years)	—	-0.123* (0.003)
Diploma below bachelor's (Bachelor's degree)	—	-0.100* (0.005)
Diploma above bachelor's	—	0.065* (0.006)
Professional degree	—	0.211* (0.025)
Master's degree	—	0.110* (0.005)
Doctorate degree	—	0.204* (0.012)
Part-time	-0.597* (0.004)	-0.626* (0.004)
Married	0.159* (0.002)	0.153* (0.002)
(English, unilingual)	—	—
English, bilingual	0.003 (0.004)	-0.011* (0.003)
French, unilingual	-0.019* (0.005)	0.0002 (0.004)
French, bilingual	0.023* (0.004)	0.029* (0.003)
Foreign, English	-0.027* (0.005)	-0.020* (0.004)
Foreign, French	-0.209* (0.074)	0.020 (0.026)
Foreign, bilingual	-0.051* (0.009)	-0.021 (0.008)
Foreign, none	-0.013 (0.078)	-0.144* (0.056)
Number of observations	1,052,907	1,053,153
R-squared	0.277	0.359

Note: Table reports covariates estimates for the log weekly earnings regressions in Table 2. Language controls combine information on mother tongue (English, French or Foreign) and language(s) currently spoken (unilingual, bilingual or none). Robust standard errors reported in parentheses. * indicates statistical significance at the 5% level.