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Using Recent Immigration Research to Address  
Questions Posed for the Session Related to  
Immigrant Selection and Labour Market Outcomes

by

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# Introduction

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- Trace immigrant outcomes in 1990s and 2000s to look at very specific topics...not overall analysis of issue of declining entry earnings:

Topic:

- A. The effects of changing educational levels and immigrant class associated with selection rule changes in the early 1990s
- B. The changing occupational mix of immigrants and its effects: IT boom/bust
- C. Domestic economy effects: immigrant outcomes during the recent recession
- D. Taking a longer perspective on immigration policy: outcomes of 2<sup>nd</sup> generation in Canada and the U.S.

# Changing immigrant relative entry earnings

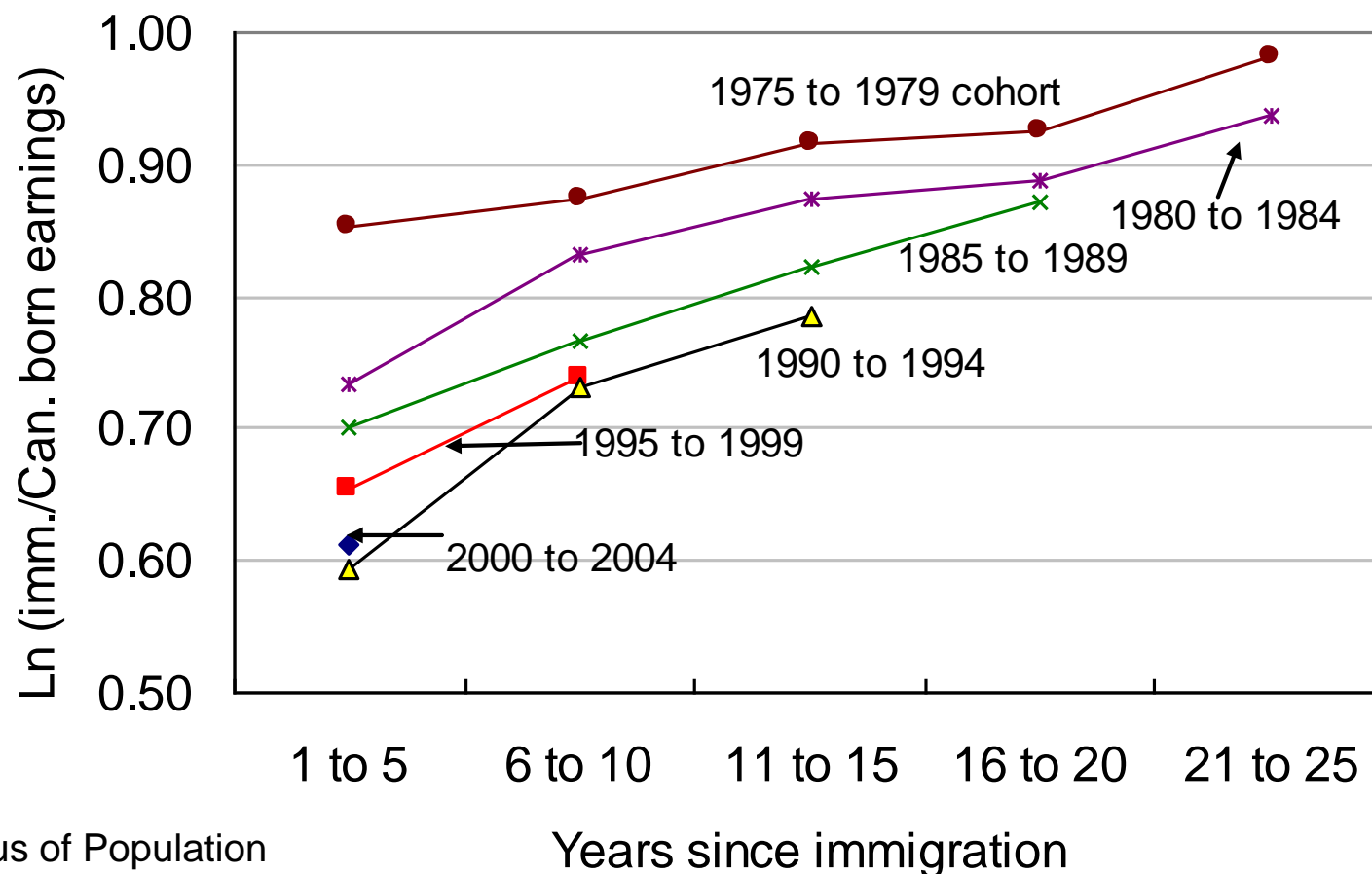
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- Declined for successive entering cohorts through 1980s, early 1990s
- Improved somewhat in late 1990s
- Deteriorated again in early 2000s

# Deteriorating earnings outcomes

Earnings\* of immigrants compared with those of comparable Canadian-born  
- Log earnings ratio\*\* -

Full-time, full-year workers aged 16 to 64, males



Source: Census of Population

\* Predicted values based on a model

\*\* The  $\ln$  (immigrant earnings/Canadian-born earnings)

# Topic A

## Rising educational attainment, skilled economic class, and entry earnings

Changing characteristics associated with 1993 selection rule changes

2000 entering cohort:

- Degree holders: 2.5 times that of 1991 cohort

With high school or less: .67

In skilled economic class: 2.0

In family class: .67

These changes tended to increase mean entry earnings (Picot and Hou 2007)

But effect was at the middle and top of entry earnings distribution: did little to improve poverty outcomes

Increasing shares of highly educated immigrants found themselves at the bottom of the entry earnings distribution, and in poverty

Percent with degrees:	<u>1991 cohort</u>	<u>2000 cohort</u>
Bottom Quartile	24%	55%
Top Quartile	39%	75%

# Why the increasing inability in 1990s to convert higher education to earning among many entering immigrants

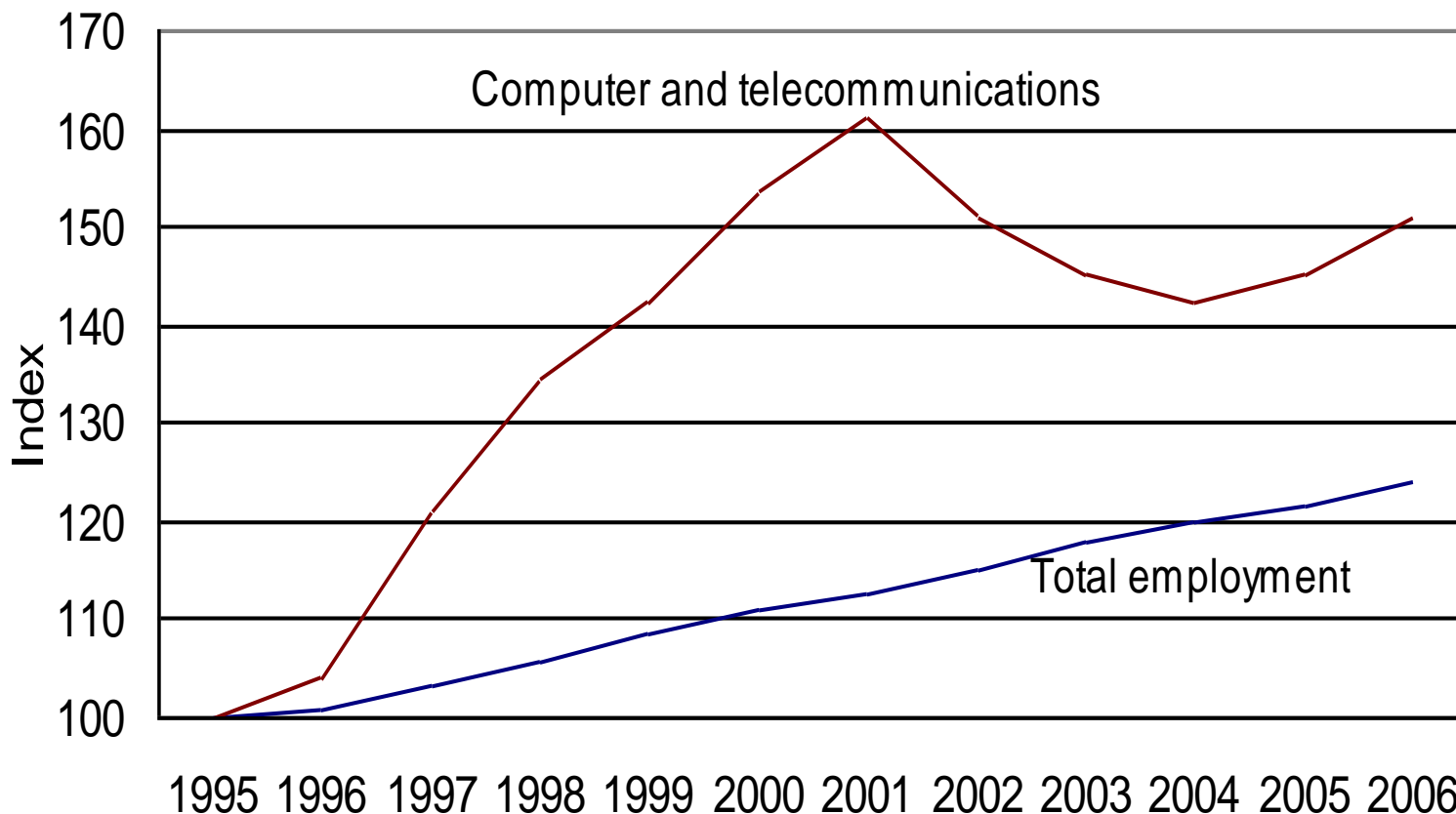
- Rapid increase in **supply** of highly educated immigrants in Canada?
- **Language ability** among new immigrants to Canada associated with changing source regions?
- **Quality of university education** associated with increased share from developing countries?
- **Declining returns to foreign work experience?**
- Increased “**credentialism**” issues?
- And others...

## Topic B

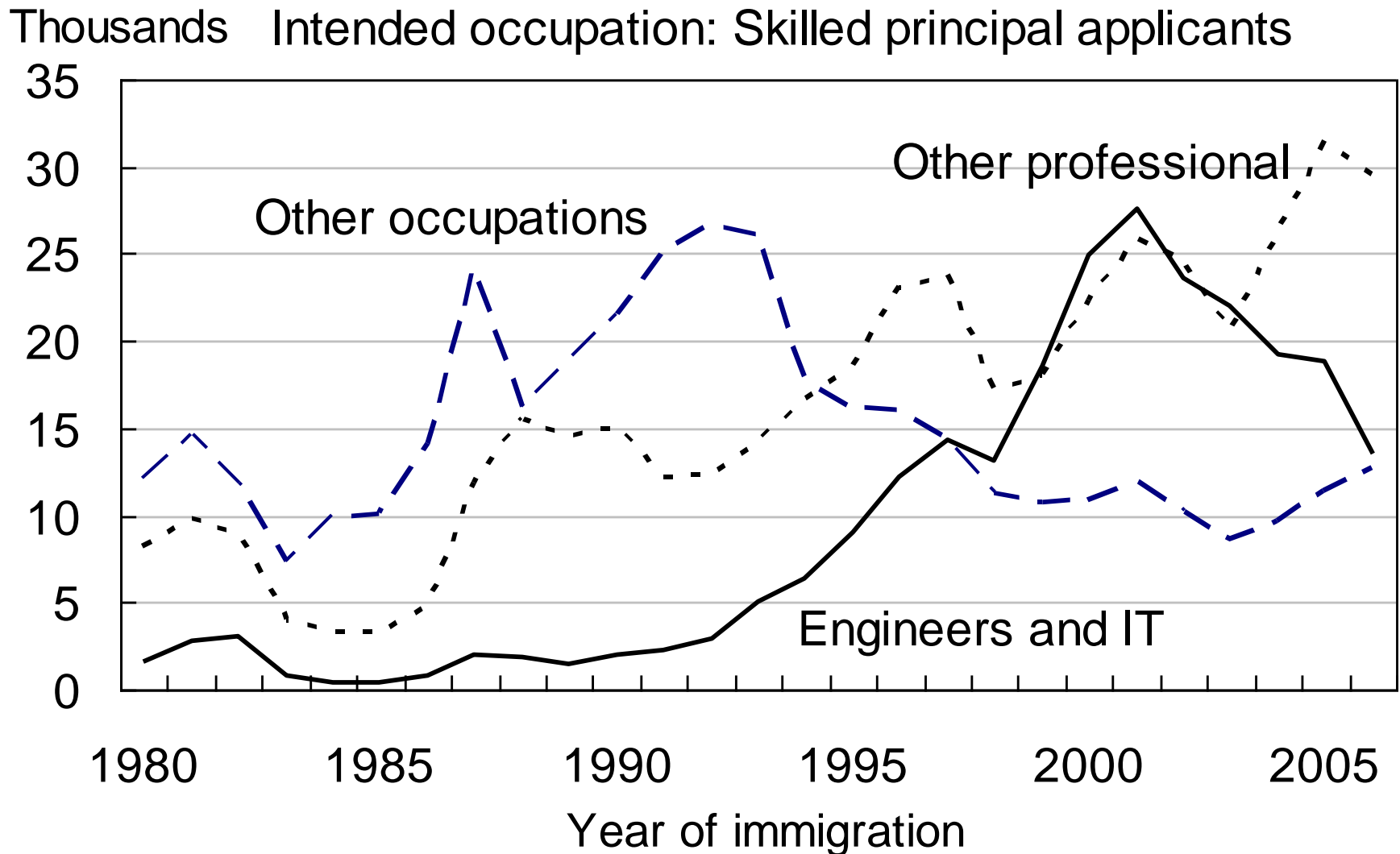
# Role of IT bust in deterioration of immigrant entry earnings in early 2000s

Deterioration in relative entry earnings in early 2000s related to occupational shifts in immigrant supply and demand  
- IT boom/bust -

Employment growth, 1995=100



# Supply of immigrant IT workers/engineers rose to 2000 and beyond



# Decline in absolute and relative entry earnings in early 2000s concentrated among IT/engineering professional

- LAD longitudinal taxation data -

Change in log entry earnings, 2000 to 2004 cohorts

- With controls -

	<u>Men</u>	<u>Women</u>
All immigrants	-12%	-8%
No IT/Eng skilled immigrant	-4%	-4%

From Picot and Hou (2007)

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- Census data, “recent” immigrants in 2000 and 2005 -

Change in entry wage gap between recent immigrants and Canadian-born change

- With controls -

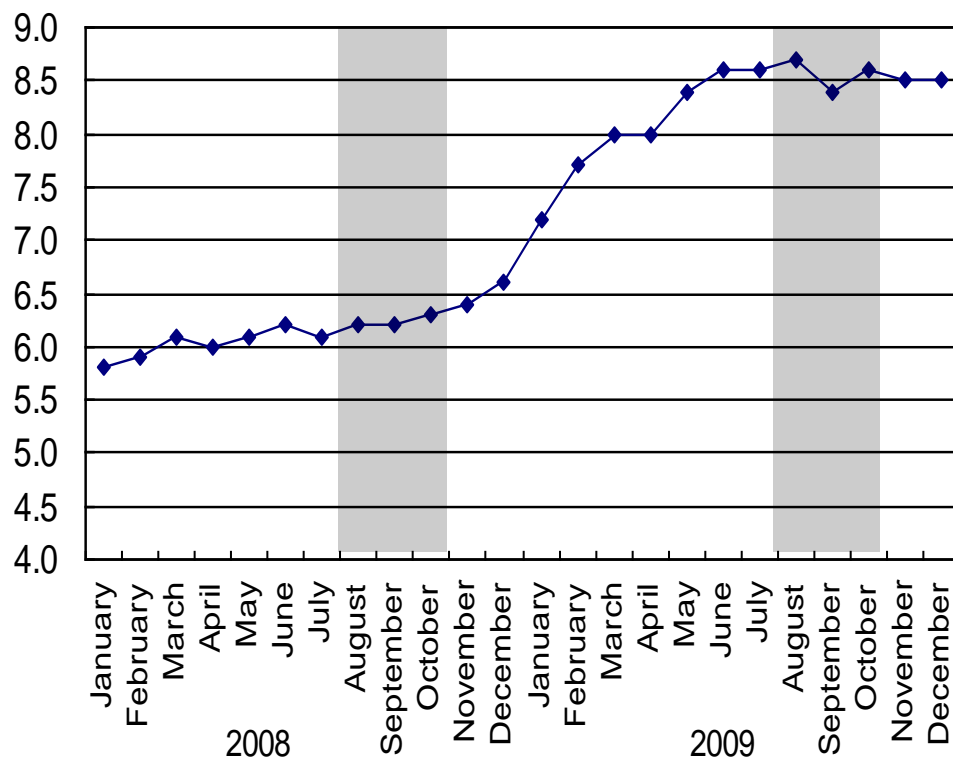
	<u>Men</u>	<u>Women</u>
All recent immigrants	+5.6 p.p.	-1.6 p.p.
Non-IT workers	+2.5 p.p.	-3.9 p.p.
IT workers	+9.9 p.p.	+7.3 p.p.

From F. Hou (2010)

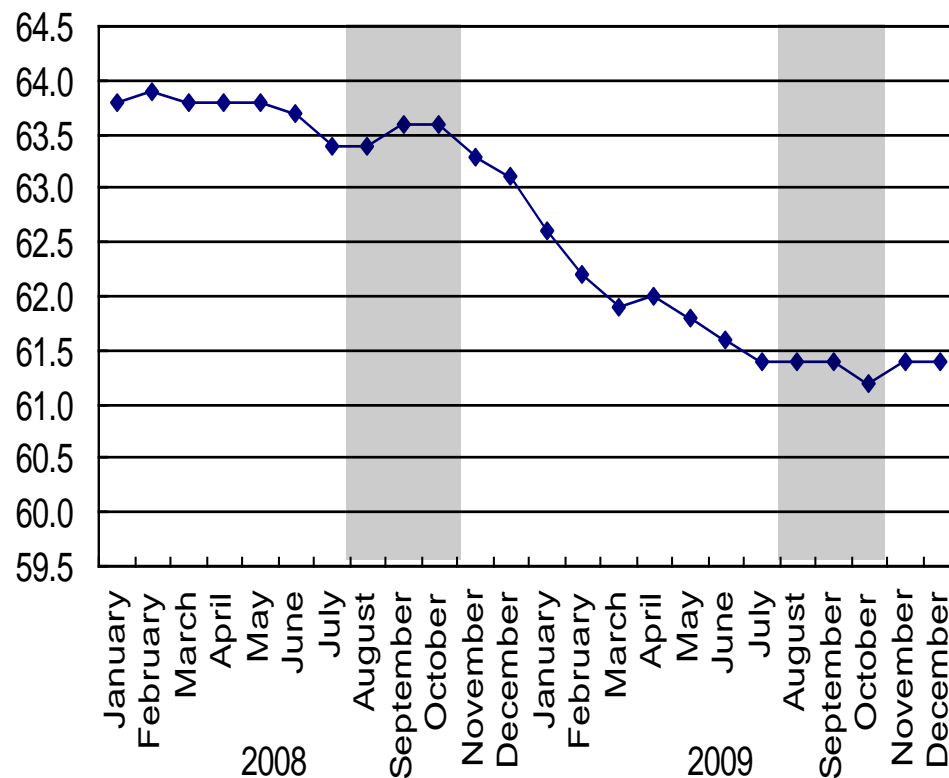
# Topic C

## The role of the changing domestic economy: employment and unemployment outcomes during the recent regression

Unemployment Rates, 2008 and 2009



Employment Rate, 2008 and 2009



Source: LFS; Ghoso, Hou and Chui, Statistics Canada, 2010

# Changes in employment and unemployment rates, August - October 2008 to August - October 2009

	<u>Actual</u>	<u>Adjusted for age, education and location of residence</u>
<u>Men</u>		
Unemployment rate		
Canadian-born	+2.1 p.p.	+2.0 p.p.
Recent immigrants	+5.2 p.p.*	+5.9 p.p.*
Employment rate		
Canadian-born	-2.4 p.p.	-2.1 p.p.
Recent** immigrants	-9.1 p.p.*	-9.8 p.p.*
<u>Women</u>		
Unemployment rate		
Canadian-born	+1.0 p.p.	+1.0 p.p.
Recent immigrants	+1.8 p.p.	+2.0 p.p.
Employment rate		
Canadian-born	-1.0 p.p.	-0.8 p.p.
Recent immigrants	-0.3 p.p.	-0.6 p.p.

Fits with observations by Aydemir (2005) re: 1990s recession

\* Sig. different from change experienced by the Canadian-born

\*\* In Canada five years or less

# Changes unemployment rates, by education level, August – October 2008 to August – October 2009

- Adjusted for age, education and location differences -

	Canadian-born	Recent immigrant
<u>Unemployment rate</u>		
High school or less	+2.4 p.p.	+14.8 p.p.*
Some post-secondary	+2.3 p.p.	+4.8 p.p.
University degree	+0.5 p.p.	+2.1 p.p.

\* Sig. different from change experienced by the Canadian-born

Source: LFS; Ghoso, Hou and Chui, Statistics Canada, 2010

## Topic D

# Taking a longer term perspective of immigration policy: implications for 2<sup>nd</sup> generation outcomes

- Based on two review papers of Canada/U.S. outcomes (Picot and Hou, 2009, 2010)
  - Positive gap in educational attainment and earnings between 2<sup>nd</sup> and 3<sup>rd</sup> plus generation in both Canada and U.S. (in aggregate, unadjusted)
  - Related to:
    - » Higher educational attainment of immigrant parents (particularly in Canada; immigrant selection)
    - » Residential location
    - » In Canada, children with less educated immigrant parents more likely to achieve higher educational levels than their counterparts with Canadian born parents
    - » But, variation in educational and labour market outcomes of 2<sup>nd</sup> generation by source region of parents in both countries
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- Boyd (2002); Aydemir and Sweetman (2008); Hum and Simpson (2007); Abada, Hou and Ram (2008); Bonikowska (2008)
- Card, Dimando and Estes (2000); Chiswick and DebBurm (2004); Card (2005); Masisa (2006)

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- Important caveats

In Canada, visible minority 2<sup>nd</sup> generation do extremely well re: educational attainment, less well re: earnings. After adjusting for characteristics, particularly higher educational attainment and residential location, positive wage gap turns negative among visible minority groups, particularly blacks

In U.S., Hispanics/Latino 2<sup>nd</sup> generation has much poorer outcomes... related in in part to very to low educational attainment of immigrant parents

# Future 2<sup>nd</sup> generation outcomes?

- Current research relates to outcome of children of immigrants entering before 1980 (by and large)

## Canada

- » Selection of immigrants in 80s, 90s, 2000s has set up conditions for increasingly positive education and labour market outcomes
  - Increasing immigrant education (25-54; 26% → 60% degrees)
  - Increasing shares from source regions placing high value on educational and labour market success
  - High intergenerational upward educational mobility
  - Already +ve educational gap between 2<sup>nd</sup> and 3<sup>rd</sup> generation may increase

# United States

- » In U.S. earnings gap between 2<sup>nd</sup> and 3<sup>rd</sup> plus may continue to shrink, turn negative? (Borjas, 2006)

## Composition of new immigrants in the United States, Males, aged 25-54

	<u>1980</u>	<u>2005</u>
Source region		
South and Central American (including Mexico)	25.1%	49.3%
Africa	3.9%	5.9%
South Asia (India, Pakistan, etc.)	5.4%	8.5%
East Asia (China, Korea, Japan, etc.)	12.8%	9.1%
% with university degree	33.0%	35.0%

# Summary / conclusion

- Different pressures affect immigrant outcomes during different periods
  - » Changing composition (1980s) sometimes associated with selection rules (1990s)
  - » Depressed economy (early 1990s, recently)
  - » Mismatch between occupational supply/demand (early 2000s)
  - » Foreign experience, declining labour market entry earnings (Green and Worswick, 2002, 2010; Aydemir and Skuterud, 2005)
- Focus is on attracting highly educated immigrants... relative outcomes deteriorated, and more in Canada than U.S. over 1980-2005 period. Why?
  - Source region shifts
  - decreasing language ability (source region shifts)?
  - Quality of education?
  - Rising supply?
  - Unobservables?
- Explanations require more research/attention (language, education quality, interaction with domestic supply)
- Change in selection rules in 2002 (IRPA) may have already addressed some of these issues (language, more occupational diversity)

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- Taking detailed occupational demand approach to selection very difficult
    - Unreliable projections
    - Difficulty in responding
  - IT boom/bust example demonstrated difficulties responding too dramatically to occupational demand/shifts
  - But aggregate HRSDC projections suggest that most new jobs ( $\frac{3}{4}$ ) will require some form of post-secondary education over next decade
    - » Keep focus on more highly educated
    - » Look to other adjustments to improve outcomes (language, education quality, supply, occupational diversity)
    - » Increase use of employer nominees
    - » Beneficial for 2<sup>nd</sup> generation outcomes
  - When considering selection rules, keep in mind effect on 2<sup>nd</sup> generation outcomes and skill levels of (large) 2<sup>nd</sup> generation population
    - » Canada doing very well re: 2<sup>nd</sup> generation outcomes and will likely do so in near future: want to maintain this success
    - » 2<sup>nd</sup> generation outcomes help keep educational attainment of population high

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- Domestic economy and labour market conditions affect relative outcomes of entering immigrants
    - » IT boom/bust
    - » Latest recession
    - » Similar employment and unemployment response in 1990s recession (Aydemir , 2005)