



Labour Market Matters

Special points of interest:

- Study finds that immigrants who have previously worked or studied in Canada experience significant benefits integrating into the Canadian Labour Market.
- Previous studies may over-estimate the level of immigrant wage growth. New study finds that post-migration immigrant wage growth is lower than previous studies suggest.

“It is anticipated that immigrants who were previously TFWs in Canada will not experience the same difficulties receiving recognition for their pre-Canadian work experience since they will already have had their human capital recognized by a Canadian employer and also have Canadian work experience.”



Arthur Sweetman
(Queen's University)

Volume 2, Issue 4

April 2010

To what degree does previous Canadian work and study experience help immigrants in Canada?

In September 2008, a new direction in Canada's immigration policy was undertaken with the initiation of the Canadian Experience Class. Under this new class, some skilled categories of Temporary Foreign Workers (TFWs) with Canadian work experience, and international students who have a Canadian degree and Canadian work experience are able to apply to transfer their temporary resident status to permanent status without leaving the country. Under previous policy, such individuals were treated similarly to other immigration applicants, and only a small number of immigrants who were TFWs or international students in Canada were admitted to the country with permanent status.

The difficulty that immigrants have in transferring their foreign human capital to the Canadian labour market has been a major contributor to their poor labour market outcomes. Research has found that the returns to foreign work experience have generally been very low for recent immigrants. It is anticipated that immigrants who were previously TFWs in Canada will not experience the same difficulties receiving recognition for their pre-Canadian work experience since they will already have had their human capital recognized by a Canadian employer and also have Canadian work experience. Similarly, foreign students have characteristics commonly associated with success in the Canadian labour market: a recognizable Canadian post-secondary credential, knowledge of Canadian institutions, and language skills sufficient for post-secondary graduation.

Are TFWs and former international students really more successful than immigrants who have never worked

or studied in Canada? A study by CLSRN affiliates Arthur Sweetman (Queen's University) and Casey Warman (Queen's University) entitled, “Temporary Foreign Workers and Former International Students as a Source of Permanent Immigration” ([CLSRN Working Paper no. 25](#)) tries to answer this question by examining the economic outcomes of former Temporary Foreign Workers (TFWs) and former international students who landed under the previous immigration system. They are compared to immigrants who have no Canadian human capital at the time of landing by assessing each according to the Canadian immigration points system and looking for labour market benefits from Canadian experience in addition to the characteristics assessed under the points system, and comparing relative wage outcomes. Note that those entering under the Canadian Experience Class are not screened using the points system.

The study found that each predicted point in the Canadian immigration point system increases earnings by around two percent and the probability of being employed by around half a percent, although the relationship is not perfectly linear. The predicted points of the respondent also help predict the earning and employment outcomes of the spouse. Generally speaking if one partner is highly skilled and educated, which would earn them more predicted points on the points system, their spouse would also be highly skilled and educated, thereby earning a similar number of points.

In general, compared to immigrants entering Canada under the points system, TFWs were found to have very large earnings and employment advantages. For males, immigrants who had previously worked in Canada as TFWs have substantially better outcomes in terms of entry earnings compared to immigrants who have no



Casey Warman
(Queen's University)

pre-immigration Canadian experience at landing. The study found that 4 years after landing, male TFWs experience a 61 percent advantage in earnings over other immigrants who were also accessed under the point system but who do not have any pre-immigration host country human capital. While female TFWs and former international students perform well economically, it is not to the same degree of success as male TFWs. Female TFWs are 13 percent more likely to be employed 4 years after landing compared to workers with no pre-immigration Canadian human capital.

What the results of the study seem to generally indicate is that having previous Canadian experience and education can have important short run, but smaller long run, effects and appear to help improve the rate of economic integration rather than the level of long-term economic success. Of course, there are some limitations to extrapolating from the small-scale immigration of temporary foreign workers and foreign students in the period under study, which is prior to the introduction of the Canadian Experience Class, to the much larger scale that will occur as this class grows. This topic, therefore, needs to continue to be monitored.



Mikal Skuterud
(University of Waterloo)

“[I]mmigrants who arrive with more foreign experience not only begin at lower initial wages, but also experience lower subsequent wage growth”



Mingcui Su
(University of Waterloo)

New study emphasizes the importance of distinguishing foreign and host-country human capital returns in estimating immigrant wage assimilation

Classic theories of immigrant wage assimilation, or the growth in immigrant wages relative to native-born workers with similar education and work experience, assume that immigrants experience wage disparities on arrival in a host country, but with time following migration, these disparities close. In their study, “Immigrant Wage Assimilation and the Return to Foreign and Host-Country Sources of Human Capital,” ([CLSRN Working Paper no. 30](#)), Mikal Skuterud (University of Waterloo), and Mingcui Su (University of Waterloo), find evidence that suggests that traditional models of immigrant wage assimilation often over-estimate the level of immigrant wage assimilation that occurs, as they infer wage assimilation from returns to Years Since Migration (YSM), rather than basing estimates on returns to foreign and host-country sources of human capital.

The current literature on immigrant wage assimilation has avoided estimating foreign and host-country returns directly for two reasons. First, the data sources typically employed do not identify the source country of schooling and work experience. Second, unlike returns to YSM, post-migration investments in schooling and work experience are choices made by immigrants. The observed

returns to these investments may therefore reflect differences between the immigrants who choose to make these investments and those who do not, thereby complicating policy inferences. Large estimated returns to Canadian post-secondary schooling for immigrants from non-English-speaking countries, for example, may suggest a role for education subsidies. Alternatively they may simply indicate that the types of immigrants who choose to return to school following migration are those that, even in the absence of additional schooling, would have experienced the greatest post-migration wage growth.

Using a rich source of Canadian longitudinal data on immigrants and comparable native-born workers, which identifies the age of workers’ school completion and when full-time work began, Skuterud and Su’s main finding is that the biases inherent in inferring assimilation off returns to YSM appear more substantial than those necessary to estimate separate foreign and host-country returns directly using the standard cross-sectional data sources available, such as the Canadian Census. After accounting for the biases inherent in estimating separate returns, the authors find evidence of not only lower post-migration immigrant wage

growth, but also smaller wage gaps at entry than previous studies suggest.

An important advantage of estimating foreign and host-country returns is that the wage disparities immigrants experience upon entry to Canada and their subsequent wage growth depend directly on the stocks of schooling and work experience immigrants bring and their post-migration schooling and work decisions. The results therefore identify what types of migrants and post-migration behaviour produce better immigrant wage outcomes, which provides policy makers with valuable insights to inform both immigrant selection and settlement policy. For example, the authors find that immigrants who arrive with more foreign experience not only begin at lower initial wages, but also experience lower subsequent wage growth. In contrast, there appears to be little evidence that schooling obtained abroad either lowers relative wage outcomes upon entry to Canada or affects subsequent wage growth, either positively or negatively. Moreover, this appears to be true regardless of whether or not the schooling was obtained in an English-speaking country.

Endnotes

Labour Market Matters is a publication of the Canadian Labour Market and Skills Researcher Network (CLSRN). The CLSRN is supported by Human Resources and Social Development Canada (HRSDC) and the Social Science and Humanities Research Council of Canada (SSHRC). Opinions expressed in this publication do not necessarily reflect the views of HRSDC or the SSHRC.

Articles in *Labour Market Matters* are written by Vivian Tran - Knowledge Transfer Officer, CLSRN, in collaboration with the researchers whose works are represented. For further inquiries about *Labour Market Matters* or the CLSRN, please visit the CLSRN Website at: <http://www.clsrn.econ.ubc.ca> or contact Vivian Tran at: vivtran@interchange.ubc.ca