Special points of interest:

- Australian immigration policy's emphasis on language ability found to play a central role in the superior performance of its immigrants over immigrants to Canada.

- Study finds that skilled-assessed immigrants perform the best of all immigration categories, and that new immigrants are very negatively affected by recessionary periods.

"[T]he superior labour market performance of recent immigrants to Australia...is driven largely by differences in the source country distribution of Australian immigration, which has differentiated from Canada's points-based selection system since the late 1990s with its emphasis on English-language ability"

**Andrew Clarke
(University of Melbourne)**

What Accounts for the Superior Performance of Immigrants to Australia over Immigrants to Canada?

Australia and Canada are both nations of immigrants. According to 2006 Census data, roughly one -in-five residents of Australia and Canada were born abroad (22% and 20%, respectively). These proportions increase to two-in-five when the children of immigrants are also counted (44% in Australia and 39% in Canada). Despite many similarities in culture, language, and heritage between Australia and Canada, recent research reveals a striking contrast in the labour market performance of their immigrants. In Canada, there is well-documented evidence of a substantial deterioration in the earnings of more recent immigrant entry cohorts. Comparable research using Australian data, in contrast, indicates relatively modest evidence of labour market disparities among immigrant workers and virtually no evidence of deteriorating performance across immigrant cohorts. In a paper entitled: ***"Why do Immigrant Workers in Australia Perform Better than in Canada? Is it the Immigrants or their Labour Markets?"*** (CLSRN Working Paper no. 96), CLSRN affiliates Andrew Clarke (University of Melbourne) and Mikal Skuterud (University of Waterloo) find evidence that the superior performance of Australian immigrants is strongly attributed to an historically higher proportion of Australian immigrants with strong English-language proficiency, a difference that appears to have widened with Australia's decision in the late 1990s to put greater emphasis on language skills in their immigration selection policy.

Using Australian and Canadian Census data spanning 1986 to 2006, the researchers found that the performance advantage of Australian immigrants appears to have increased over time, so that by the mid-2000s, employment and earnings rate gaps in the five years following migration were at least twice as large for Canadian immigrants across all educational groups. While the researchers find some evidence that the large employment rate gaps of Canadian immigrants may be driven by broader labour market conditions facing all new labour market entrants, these conditions appear not to account for the earnings differences. Most notably, comparing the earnings of university-educated immigrants to similarly educated native-born men entering the labour market at the same time, the researchers identified a strong and persistent deterioration among Canadian immigrants while the performance of Australian immigrants improved.

Interestingly, the researchers found that much of the aforementioned earnings differences disappeared when they analysed the data according to source country – either the UK, India, or China. For example, comparing recent immigrant men from India arriving between the ages of 20 and 24 to native-born new entrants, employment rates are slightly higher for the immigrants in both countries and entry earnings are, if anything, at a greater disadvantage in Australia. In fact, in neither the Chinese nor Indian estimates for Australia do they find any indication of the earnings improvements across recent cohorts that are evident in the aggregate Australian results. These findings suggest that the superior labour

**Mikal Skuterud
(University of Waterloo)**

market performance of recent immigrants to Australia, particularly among those with a university degree, is driven largely by differences in the source country distribution of Australian immigration, which has differentiated from Canada's points- based selection system since the late 1990s with its emphasis on English-language ability.

When one considers that the U.K, North America and New Zealand account for nearly one-third of the most recent Australian immigration cohort, while nearly half of Canada's most recent cohort is from Asia, it is reasonable to expect that the average English (or French in the Canadian case) language skills of Australia's immigrants to be substantially greater. Given the evidence of the importance of language skills in the labour market performance of immigrants, this difference appears to be a key factor in accounting for the superior performance of Australian immigrant workers.

How Immigrants from Different Admission Categories Have Been Faring in the Labour Market

The earnings gap between immigrants and Canadian-born workers has been widening over recent years and there are concerns about how quickly and effectively immigrants are integrating into the Canadian labour market. Immigrants to Canada enter under different programs or admission categories corresponding to the several objectives of Canadian immigration policy. In setting immigration policy and targets, it is important to know how well immigrants in different admission categories have done, and which have produced better earnings outcomes, in their initial years of Canadian residence. In a paper entitled ***"Immigrant Earnings Differences Across Admission Categories and Landing Cohorts in Canada"*** (CLSRN Working Paper no. 81) CLSRN affiliates Michael G. Abbott (Queen's University) and Charles M. Beach (Queen's University) examine data on major immigrant admission categories to determine how immigrants from each category have been faring in the labour market over time.

The researchers use longitudinal micro data from Citizenship and Immigration Canada to document the annual earnings outcomes of Canadian immigrants in four major admission categories — skill-assessed independent economic immigrants (principal applicants), accompanying economic immigrants, family class immigrants, and refugees. Data on immigrant landing cohorts from the years 1982, 1988, and 1994 are analyzed for the first ten years following their landing in Canada as permanent residents.

"[T]otal immigration levels should be reduced in times of major recessions, given evidence that recessionary periods have very marked and long-lasting negative effects on the real earnings of immigrants entering during economic downturns"

The study yielded several major findings: firstly, the study finds that skill-assessed economic immigrants had consistently and substantially the highest earnings levels among the four admission categories for both male and female immigrants in all three landing cohorts. Family class immigrants or refugees generally had the lowest earnings levels over their first ten post-landings years in Canada. Secondly, the study also finds evidence that for all three landing cohorts, refugees, both male and female,

**Charles Beach
(Queen's University)**

exhibited considerably higher earnings growth rates over their first ten post-landing years than did immigrants in the other three admission categories.

Another major finding is that economic recessions appear to have had major negative effects on immigrants' earnings levels and earnings growth rates. These adverse effects were much more pronounced for male immigrants than for female immigrants. Earnings growth rates for both male and female immigrants in all four admission categories were generally lowest for the 1988 landing cohort — which encountered the early 1990s recession soon after landing in Canada — and highest for the 1994 cohort — which experienced no official recession and more favourable macroeconomic conditions over its first ten years in Canada. For all male immigrants, average annual growth rates of median earnings for the 1982, 1988, and 1994 landing cohorts were 7.7%, 4.9%, and 8.2%, respectively, while for all female immigrants

they were 7.5%, 5.6%, and 8.4%, respectively.

Finally, the study obtains mixed evidence as to how earnings inequality among different immigrant groups changed as immigrants integrated into the Canadian labour market. On the one hand, there is evidence of increasing earnings inequality at the lower end of the immigrant earnings distribution as the lowest-earning immigrants lost ground relative to middle-earning immigrants over their first ten years in Canada. But on the other hand, earnings dispersion in the upper end of the immigrant earnings distributions for both men and women tended to decrease over immigrants' first decade in the Canadian labour market, as immigrants in the middle of the earnings distribution realized somewhat faster earnings growth than did the highest-earning immigrants.

The researchers suggest that the results have two important implications for Canadian immigration policy. The first is that Canada should continue to place emphasis on admitting skilled-assessed workers since the study found skill-assessed independent economic immigrants to have substantially higher earnings levels throughout their first ten post-landing years compared to other immigrant categories. Second, the researchers suggest that total immigration levels should be reduced in times of major recessions, given evidence that recessionary periods have very marked and long-lasting negative effects on the real earnings of immigrants entering during economic downturns.

Skill-assessed economic immigrants were found to have consistently and substantially the highest earnings levels among the four admission categories for both male and female immigrants.
Image: Ambro

Endnotes