



Labour Market Matters

Special points of interest:

- Immigrants with strong social networks found to be able to find first job more easily, but immigrants finding jobs through formal means found to land higher-paying jobs
- Study finds that although immigrants entering Canada are increasingly better educated, many well-educated new immigrants are still trapped in low paying jobs.

“[C]ompared to those immigrants finding their first jobs through formal means, immigrants finding their first jobs through networks are actually more likely to be in jobs which underutilize their skills”



Kevin Lang
(Boston University)

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Study finds that social networks aid immigrants in finding first job, but those finding jobs through formal means found to have better wages

Many studies suggest that immigrants who have had previous Canadian work experience have both an easier time finding a job, and are often able to find better-paying jobs. For immigrants who arrive in Canada without any Canadian work experience however, finding a first job can be a very difficult experience, as having previous Canadian work experience is a precursor that many new immigrants simply do not have. In some instances, immigrant social networks – or areas where there is a high percentage of immigrant settlement can help other immigrants who settle those areas to help find a first job more quickly. A study by Deepti Goel (Boston University) and Kevin Lang (Boston University), “*The Role of Social Ties in the Job Search of Recent Immigrants*” ([CLSRN Working Paper no. 5](#)) tries to determine the impact available social networks can have on immigrants in the labour market.

Goel and Lang combined census data with the Longitudinal Survey of Immigrants into Canada – a national representative sample of recent immigrants arriving in Canada between October 1, 2000 and September 30, 2001 – in order to examine the impact of strong social ties immigrants entering the Canadian labour market. They examined both the role of immigrant *network/enclave size* – or the size of the immigrant community where a new immigrant settles – as well as the adding the dimension of

network strength – or the existence of one or more strong social ties, such as a friend or family member in the community where the new immigrant settles – to their analysis.

The study found that the presence of a strong social tie is significantly associated with better chances of finding a job through an immigrant network, but not significantly associated with finding a job in general. Strong social networks were found to be associated with slightly higher wages at the lower end of the worker’s potential wage distribution, but are not significantly associated with improved wages at the higher end of this distribution. For otherwise apparently comparable immigrants, among those who did not find their job -through the network, the 25th percentile of the wage distribution among immigrants who have at least one strong social tie in their locality is 12.8 percent higher compared to those who do not have strong social ties. Among apparently similar immigrants who did not have strong social ties, the 25th percentile of the wage distribution was 17.2 percent higher for those who nevertheless found their job through the network than for those who did not.

Goel and Lang’s findings essentially indicate that the principal effect of immigrant social networks is to provide access to jobs at the lower end of the income distribution, which could also suggest an underutilization of



Deepti Goel

human capital. Indeed, two-thirds of immigrants sampled at pre-immigration had planned to take jobs requiring the highest skill level. Among the sample finding jobs within six months of arrival, 73 percent took an initial Canadian job requiring a lower skill level. The researchers suggest that compared to those immigrants finding jobs using formal means, immigrants finding their first jobs through networks are actually more likely to be in jobs which underutilize their skills. Despite this, they find no evidence that either larger networks or stronger ties contributes to underutilization of skills. Many studies have noted that average immigrant wages increase dramatically if they have some Canadian experience, so the advantage immigrant networks provide new immigrants in finding their first job in Canada can be seen in a positive light.

Rising Immigrant Educational Attainment, the IT Bust, and Entry Earnings Among Immigrants

During the early 1990s, immigrant selection rules were significantly altered. The changes were very successfully implemented, and by the mid-to-late 1990s, the number of immigrants entering Canada with university degrees rose dramatically, particularly in high-tech disciplines. Average earnings among entering immigrants increased during the late 1990s, potentially driven by both changing immigrant characteristics, and an expanding economy. Unfortunately, improving average entry earnings outcomes in the late 1990s were followed by the IT bust of the early 2000s, which coincided with the influx of large numbers of new immigrants with university degrees, particularly in the IT and engineering disciplines.

In their paper, *“The Effect of Immigrant Selection and the IT Bust on the Entry Earnings of Immigrants”* (CLSRN Working Paper no. 29), Garnett Picot (Statistics Canada) and Feng Hou (Statistics Canada) examine the effect of two events on the entry earnings of immigrants. The first was the significant shift in characteristics during the 1990s, notably increasing educational levels and an increasing share of immigrants in the skilled economic class and high-tech and engineering occupations. This latter trend corresponded with the high-tech boom. The study asks if the improvement in entry earnings during the late 1990s was associated with the induced change in characteristics of entering immigrants, or was driven primarily by improving economic conditions. This period was followed by the second major event, the IT bust of the early 2000s. Given the significant increase in the share of immigrants in IT and engineering occupations, this event potentially placed considerable downward pressure on

aggregate entry wages. The study found that during the 1990s the changing characteristics of entering immigrants did, on average, increase entry earnings and, along with an expanding economy, did result in rising entry earnings, both in absolute terms and relative to the Canadian born. The decline in average entry earnings dating from the 1980s was reversed during this period. However, this improvement was not shared by those immigrants at the bottom of the income distribution, a group who increasingly had a university degree but were unable to convert their education to higher earnings. Among the 1991 entering cohort of male immigrants aged 25 to 54, about one quarter of those with the lowest earnings (i.e. in the bottom quarter of the entry earnings distribution) held university degrees. Among the 2000 entering cohort, this proportion had increased to over one-half, and for the 2004 cohort, 60%. The changing characteristics did little to improve poverty outcomes among entering immigrants, particularly those with degrees.

“The study found that during their first two full years in Canada, men in the 1991 entering cohort earned 54 percent of what Canadian-born men of the same age made”

Changes in immigrant characteristics did however increase immigrant entry earnings at the middle and top of the earnings distribution. Among men at the 50th percentile of the earnings distribution there was a 10-percentage increase in earnings associated

with the changing characteristics during the 1990s, and at the 90th percentile, a 24 percentage point increase.

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The study found that during their first two full years in Canada, men in the 1991 entering cohort earned 54 percent of what Canadian-born men of the same age made (unadjusted estimates). The 2000 entering cohort earned 64 percent of what their Canadian counterparts earned, however the 2002-to-2004 cohorts fell back down to 54 percent earnings level – despite the fact that the cohorts of the 2000s were more highly educated than the entering cohorts of the 1990s. Indeed, about one quarter of the early 1990s entering cohort held degrees, compared to 61 percent of the 2004 entering cohort. The study found that much of the decline in entry earnings in the early 2000s, a period when employment in the high-tech sector was falling, was concentrated among immigrants who intended to work in the IT or engineering occupations. The number of entering immigrants in this group rose significantly during the 1990s, from a few thousand in the early 1990s to

around 25,000 by 2000, falling to a still historically high level of about 19,000 by 2004. The entry earnings for all male working age immigrants declined 12 percent between the 2000 and 2004 entering cohorts, however, if one excludes immigrants who intended to work as IT professionals and engineers, the decline was only 2%. For immigrant women, about half of the decline in entry earnings in the early 2000s was accounted for by excluding intended IT professionals and engineers.

There are a number of possible reasons why, even during the 1990s, increasing numbers of highly educated entering immigrants found themselves at the bottom of the income distribution. Perceived or real differences in educational quality, issues regarding credential recognition, the inability of the labour market to absorb a large increase in the supply of the high educated and occupationally concentrated immigrants (in evidence during the early 2000s), and language issues are among some of the possible reasons that entering immigrants to Canada may have had difficulty converting their educational credentials into higher paying jobs in Canada. One study¹ found that in the United States, immigrants earned 7 percent more for each additional year of education if they were fluent in English, but only 1 percent more if they were not. This suggests that higher education may not improve earnings in the absence of English (or French) language fluency.

¹Chiswick, Barry R., and Paul W. Miller. 2002. “Immigrant earnings: Language skills, linguistic concentrations and the business cycle.” *Journal of Population Economics*. 15, 1: 31-57.

Endnotes

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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