

The Effect of Immigrant Selection and the IT Bust on the Entry Earnings of Immigrants

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Abstract

Immigrant selection rules were altered in the early 1990s, resulting in a dramatic increase in the share of entering immigrants with a university degree and in the skilled economic class. These changes were very successfully implemented following significant deterioration in entry earnings during the 1980s. This paper asks whether these change in immigrant selection contributed positively to immigrant entry earnings during the 1990s. Moving to the 2000s, the paper asks whether, after almost two decades of deterioration, the entry earnings of immigrants improved early in the decade, and if not, why not.

We find that through the 1990s, altering immigrant characteristics did little to improve earnings at the bottom of the earnings distribution, and hence poverty rates among entering immigrants. A rapidly increasing share of immigrants with university degrees and in the skilled class found themselves at the bottom of the earnings distribution. They were unable to convert their education and “skilled class” designation to higher earnings. This inability may be related to language, credentialism, education quality, or supply issues, as discussed in the paper. However, the changing characteristics did increase earnings among immigrants at the middle and top of the earnings distribution.

We also find that from 2000 to 2004 the entry earnings of immigrants renewed their slide, but for reasons that differed from the standard explanations of the earlier decline. Following a significant increase in the supply of entering immigrants intending to work in IT and engineering during the late 1990s and early 2000s, these immigrants were faced with the IT downturn. The result was declining entry earnings, concentrated largely among these workers.

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