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Immigrant Earnings Distributions and Earnings Mobility in Canada: Evidence for the 1982 Landing Cohort from IMDB Micro Data

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by

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ABSTRACT

This paper provides preliminary results from the IMDB panel database on the earnings distribution and earnings mobility of Canadian immigrants over their first post-landing decade in Canada. In this study we examine only the 1982 landing cohort of immigrants and follow them through to 1992. We examine earnings outcomes by four immigrant admission categories (independent economic immigrants, family class immigrants, and refugees) and separately for men and women.

We find that there was indeed a substantial increase in the real earnings of 1982 immigrants over their first ten post-landing years in Canada. Annual earnings were initially highest for independent economic immigrants (all of whom are principal applicants) and lowest for refugees. But the growth rate of earnings was highest among refugees, so that by the tenth post-landing year refugees had the second-highest annual earnings levels after independent economic immigrants. Earnings inequality among immigrants in the 1982 landing cohort changed over the ensuing decade in a manner consistent with onward migration beyond Canada from the top end of the immigrant earnings distribution. In fact, sample attrition in the IMDB database was greatest among independent economic immigrants, followed by refugees. Earnings mobility was substantially greater for immigrants than for earners as a whole in the Canadian labour market, and declined with years since landing for both male and female immigrants. Earnings mobility was also greater among immigrant women than among immigrant men. The results indicate that the point system is effective in admitting higher-earning immigrants who succeed in moving ahead in the Canadian labour market, but suggest that onward (or through) migration among the most skilled immigrant workers may be a policy concern.

EXECUTIVE SUMMARY

This paper presents new empirical evidence on immigrant earnings *levels*, earnings *inequality* and earnings *mobility* over immigrants' first ten post-landing years in Canada following their admission to Canada as landed immigrants or permanent residents. It investigates how earnings levels, earnings inequality and earnings mobility differ by admission category (i.e., among independent or economic class immigrants, family class immigrants, and refugees) and by gender. It also seeks to document the extent of sample attrition within landing cohort admission categories and the effects of such attrition on immigrants' earnings outcomes. The empirical analysis of the paper is based entirely on individual micro data from the longitudinal IMDB database for the 1982 landing cohort that follows these immigrants over their initial post-landing decade in Canada from 1983 to 1992.

The paper has two major analytical components. The first component focuses on immigrant earnings *distributions* and earnings *inequality*. It investigates whether immigrant subgroups defined by gender and admission category are persistently over-represented in either the lower or upper tails of the aggregate immigrant earnings distribution. It also investigates how immigrant earnings distributions and inequality evolve over time as 1982 immigrants progress through their first post-landing decade in Canada. The second part of the empirical analysis provides new evidence on immigrant earnings *mobility*, i.e., on how the earnings of individual immigrants actually change from year to year or over longer intervals within their first post-landing decade as they become integrated into the Canadian labour market. Again, results are analyzed by gender and major admission category. The approach used to measure immigrant earnings mobility consists of detailed (6x6) transition matrices and summary mobility measures based on them.

Several major empirical findings have been obtained for the 1982 immigrant landing cohort. First, there was indeed a substantial increase in the real (CPI adjusted) earnings of immigrants – both male and female – over their first post-landing decade in Canada. Although initially well below the average earnings levels of all wage and salary earners in the Canadian labour market, the mean annual earnings of both male and female immigrants in the 1982 landing cohort rose much more rapidly over the ensuing decade, and by 1992 substantially exceeded the mean annual earnings of all male and female earners in Canada. Second, across admission categories, mean and median earnings were initially highest for independent class immigrants (all of whom are principal applicants) and lowest for refugees. But the subsequent rate of earnings growth was highest among refugees and lowest among independent class immigrants. By the end of their first decade in Canada, independent class immigrants – female and male – still had the highest mean/median earnings levels, refugees had the second highest earnings levels for males, and family class immigrants together with other economic immigrants had the lowest earnings levels for both female and male immigrants in the 1982 cohort.

Third, earnings inequality (as measured by the coefficient of variation) was initially

higher among male and female immigrants in the 1982 landing cohort than it was among wage and salary earners as a whole in Canada, and increased over the ensuing decade in a manner generally similar to the increase in earnings inequality among all earners in the Canadian labour market. The lower tails of the male and female immigrant earnings distributions fell relative to their respective medians over the 1982 landing cohort's first ten post-landing years 1983-1992. However, the upper tails of both the male and female immigrant earnings distributions moved steadily towards the medians of their respective distributions – in marked contrast to the divergence from the median that was occurring at the upper end of the earnings distribution for all Canadian wage and salary earners over the 1983-1992 period. The movement towards the median of the upper ends of the male and female immigrant earnings distributions is quite consistent with sample attrition from out-migration by higher-skilled, higher-earnings immigrants to other countries arising from either return migration to their countries of origin or onward migration to third countries such as the United States. For both male and female immigrants in the 1982 landing cohort, sample attrition was greatest among independent economic immigrants, somewhat less among refugees, and least among family class immigrants. For male immigrants in the independent economic category, sample attrition was greatest over the first five years after landing in Canada. Moreover, the decline of the upper earnings percentiles relative to the median was largest for both male and female immigrants in the independent economic and refugee admission categories.

Fourth, individual earnings mobility was substantially greater for 1982 immigrants than for earners as a whole in the Canadian labour market. It was also greater for immigrant women than for immigrant men in the 1982 landing cohort – which is opposite to the pattern observed for earners as a whole in Canada. The degree of earnings mobility declined with years since landing for both males and females in the 1982 landing cohort: for example, earnings mobility over the second half of the 1982 cohort's first post-landing decade was lower than it was over that cohort's first five post-landing years in Canada.

The study's major empirical findings give rise to some interesting policy implications. First, the Canadian point system under which independent economic immigrants are admitted to Canada appears to be generally effective in attracting and admitting higher-skilled and hence higher-earnings workers who move ahead in the Canadian labour market. Second, the findings also suggest that through-migration on the part of the most skilled Canadian immigrants may be an important empirical phenomenon that policymakers should be concerned with understanding and mitigating.