

Why are the Relative Wages of Immigrants Declining? A Distributional Approach

Brahim Boudarbat
Université de Montréal

Thomas Lemieux
University of British Columbia

September 2010

Abstract

In this paper, we show that the decline in the relative wages of immigrants in Canada is far from homogenous over different points of the wage distribution. The well-documented decline in the immigrant-Canadian born mean wage gap hides a much larger decline at the low end of the wage distribution, while the gap hardly changed at the top end of the distribution. Using standard OLS regressions and new unconditional quantile regressions, we show that both the changes in the mean wage gap and in the gap at different quantiles are well explained by standard factors such as experience, education, and country of origin of immigrants. Interestingly, the most important source of change in the wages of immigrants relative to the Canadian born is the aging of the baby boom generation that has resulted in a relative increase in the labour market experience, and thus, in the wages, of Canadian born workers relative to immigrants.

JEL Code: *J31, J61, C21*

Keywords : *Canada; Immigration; Wages distribution; Unconditional quantile regression*

* The authors would like to thank Garnett Picot and participants in the CLSRN Immigration workshop for valuable comments, and CLSRN, Human Resources and Skills Development Canada (HRSDC) and Statistics Canada for research support. We also thank Statistics Canada for providing access to Census master files. The interpretations and opinions expressed by the authors do not represent the opinions of Statistics Canada.

Corresponding author:

Thomas Lemieux, Department of Economics , The University of British Columbia
#997-1873 East Mall, Vancouver, BC V6T 1Z1, Canada
Email: tlemieux@interchange.ubc.ca