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Abstract

This study uses longitudinal IMDB micro data to document the annual earnings outcomes of Canadian immigrants in four major admission categories (skill-assessed independent economic principal applicants, accompanying economic immigrants, family class immigrants, and refugees) and three annual landing cohorts (those for the years 1982, 1988, and 1994) over the first ten years following their landing in Canada as permanent residents. The findings provide a ten-year earnings signature for the four broad immigrant admission categories in Canada.

The study's first major finding is that skill-assessed economic immigrants had consistently and substantially the highest annual 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. An important related finding is that refugees exhibited substantially the highest earnings growth rates for both male and female immigrants in all three landing cohorts, while independent economic or family class immigrants generally had the lowest earnings growth rates over their first post-landing decade in Canada. The study's second major finding is that economic recessions appear to have had clearly discernible negative effects on immigrants' earnings levels and growth rates; moreover, these adverse effects were much more pronounced for male immigrants than for female immigrants.

Keywords: Immigrant earnings, admission categories, Canadian immigrants
JEL Codes: J31, J61.

Executive Summary

This study examines immigrant earnings over their first ten years after landing in Canada. Concerns have been expressed about how rapidly immigrants are integrating into the Canadian labour market and about immigrant economic well-being as the earnings gap between immigrants and Canadian-born workers has been widening. Immigrants to Canada enter under different programs or admission categories corresponding to the several objectives of immigration — providing labour market skills to help the economy grow and prosper, contributing to family welfare through family reunification, and offering refuge and new opportunities to thousands of refugees each year. In setting immigration policy and targets, it is important to know how well immigrants in these different admission categories have done, and which have produced better earnings outcomes, in their initial years of Canadian residence.

Accordingly, this study uses longitudinal IMDB micro data to document the annual earnings outcomes of Canadian immigrants in four major admission categories — skill-assessed independent economic immigrants (all of whom are principal applicants), accompanying economic immigrants, family class immigrants, and refugees — and three annual landing cohorts — those for the years 1982, 1988, and 1994 — over the first ten years following their landing in Canada as permanent residents. The empirical results thus provide a ten-year *earnings signature* for the four major admission categories. The study also looks beyond mean or median earnings to examine earnings adjustment patterns over the *entire distribution* of immigrant earners as they integrate into the Canadian labour market. The findings of the study should thus help to inform Canadian immigration policy with respect to (1) the relative economic success of immigrants in different admission categories, and (2) some of the effects on immigrant earnings of the state of the economy, particularly economic recessions, following their arrival in Canada.

Section 2 of the paper describes the construction of the analysis samples for each landing cohort and defines the key features of the empirical analysis. Section 3 introduces the concept of median earnings profiles and examines how they changed for male and female immigrants across the three landing cohorts under study. Section 4 presents the main results of the paper on differences in earnings profiles among immigrant admission categories and across landing cohorts. The analysis is broadened in Section 5 to examine immigrant earnings growth in the lower and upper tails of immigrant earnings distributions by gender and landing cohort since earnings growth rates may be quite different for immigrants in opposite ends of the immigrant earnings distribution. The study concludes with a review of major empirical findings and a discussion of their possible implications for Canadian immigration policy.

The study reports three major findings that motivate its main policy recommendations, and several more specific findings that further research should seek to better understand. First, 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. The ten-year average of median earnings levels of skill-assessed economic immigrants exceeded the average median earnings levels for all immigrants by 30-37 percent across the three landing cohorts for men and by 39-56 percent for women.

Family class immigrants or refugees generally had the lowest earnings levels over their first ten post-landings years in Canada. Refugees, both male and female, also experienced declines in their real earnings levels across the three successive landing cohorts. A second important finding is that sizable differences exist across admission categories in the average earnings growth rates of immigrants over their first ten post-landing years in Canada. Refugees exhibited substantially the highest earnings growth rates for both male and female immigrants in all three landing cohorts, while independent economic or family class immigrants generally had the lowest earnings growth rates over their first post-landing decade in Canada.

The study's third major finding is that economic recessions appear to have had major negative effects on immigrants' earnings levels and earnings growth rates. Moreover, these adverse effects were much more pronounced for male immigrants than for female immigrants. Median 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.

A fourth finding is that the earnings distributions of the four admission categories — or at least the centers of these distributions — show evidence of convergence between distributions as years since landing (YSL) increase over immigrants' first ten years in Canada. However, the rate of median earnings convergence among admission categories diminished with increases in YSL, was slower for female than for male immigrants, and was considerably slower for the 1994 landing cohort than for the two earlier cohorts.

Finally, the study obtains mixed evidence on whether male and female earnings distributions for a given landing cohort tend to become more or less unequal 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.

These results reflect on two aspects of Canadian immigration policy. First, since skill-assessed independent economic immigrants had substantially higher earnings levels throughout their first ten post-landing years, Canada should continue to place heavy weight on skill-assessed immigrants and not reduce the proportion of new immigrants admitted in the skilled worker category. Second, the 1990-91 recession appears to have had very marked and long-lasting scarring effects on the real earnings of immigrants arriving shortly before that time. This was also the first major recession in decades during which Canada maintained the gross inflow of immigrants at historically high pre-recession levels. Perhaps thought should be given to ways to reduce total immigrant admission levels when severe recessions hit.