

Are Immigrants' Human Capital Skills Discounted in Canada?

by

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Abstract

This study assesses the economic value of immigrants' human capital. Labour market experience and education obtained in foreign countries are significantly discounted in Canada. The economic return to a year of foreign experience is about one-third the value of a year of domestic experience, and the return to foreign education, while positive, is worth about twenty-five percent less than a year of education for a native-born Canadian. The differences in incomes between native and foreign-born Canadians can be fully explained by different returns to human capital.

JEL codes: J61, J31

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TABLE 1**Variable Descriptions**

	Natives	Immigrants
1989 Annual income (log)	10.31	10.35
Total Years of education (ED)	12.4	13.4
Years of foreign education (ED _F)		9.9
Years of Canadian education (ED _C)		3.5
Total years of experience (EX)	19.6	23.7
Years of foreign experience (EX _F)		7.0
Years of Canadian experience (EX _C)		16.7
Age	37.0	42.1
Age at immigration		21.8
Years in Canada (YSM)		20.4
Weeks worked in last 12 months	50.4	50.0
Non-European origin (non-white %, VISMIN)	1.6	34.1
Literacy score (LIT)	267.0	249.5
Lives in (%): Atlantic Canada (ATL)	8.1	2.9
Quebec (QUE)	30.2	17.3
Ontario (ONT)*	36.1	47.0
Prairie Provinces (PRA)	16.5	14.1
British Columbia (BC)	9.1	18.7
City > 100,000 (BCITY)	60.5	87.2
30,000 ≤ City ≤ 99,000 (SCITY)	11.2	4.8
29,999 < pop.(RURAL)*	28.3	8.0
N	1851	251

*Reference Groups

TABLE 2**The Determinants of Income: Total Sample**
(t-statistics in brackets)

	(1)	(2)	(3)	(4)	(5)	(6)
Immigrant	-0.2968 (3.98)	-0.0529 (1.06)	0.1886 (1.18)	0.2294 (1.44)	0.3621 (2.35)	0.2782 (1.79)
ED	0.0761 (19.64)					
EX	0.0148 (14.28)					
YSM	0.0132 (2.07)					
YSM ² /10	-0.0015 (2.15)					
ED _F		0.0650 (11.86)	0.0537 (8.00)	0.0425 (6.12)	0.0449 (6.76)	0.0465 (7.04)
ED _C		0.0700 (16.38)	0.0738 (15.67)	0.0640 (13.21)	0.0645 (13.30)	0.0614 (12.19)
EX _F		0.0203 (3.62)	0.0151 (2.13)	0.0197 (2.78)	0.0189 (2.69)	0.0177 (2.56)
EX _C		0.0514 (14.62)	0.0513 (14.35)	0.0503 (13.89)	0.0503 (13.91)	0.0511 (14.09)
EX _F ²		-0.0003 (2.60)	-0.0003 (2.03)	-0.0003 (2.25)	-0.0003 (1.78)	-0.0002 (1.53)
EX _C ²		-0.0008 (10.66)	-0.0008 (10.54)	-0.0008 (9.89)	-0.0008 (9.89)	-0.0008 (10.01)
Immigrant*ED _C			-0.0207 (1.99)	-0.0230 (2.22)	-0.0254 (2.50)	-0.0208 (2.03)
Immigrant*EX _C			0.0005 (0.19)	0.0002 (0.06)	-0.0039 (1.47)	-0.0041 (1.58)
Vismin					0.1525 (2.18)	0.1519 (2.15)

TABLE 3

The Determinants of Income by Place of Birth
(t-statistics in brackets)

	<u>Native-Born</u>				<u>Immigrants</u>				
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
ED _F					0.0538 (6.63)	0.0439 (4.44)	0.0492 (5.09)	0.0537 (5.60)	0.0455 (4.71)
ED _C	0.0737 (16.13)	0.0637 (13.43)	0.0636 (13.41)	0.0606 (12.32)	0.0532 (4.69)	0.0426 (3.33)	0.0437 (3.44)	0.0477 (3.80)	0.0325 (2.65)
EX _F					0.0152 (1.76)	0.0191 (2.19)	0.0175 (2.04)	0.0157 (1.92)	0.0295 (1.82)
EX _C	0.0514 (13.81)	0.0502 (13.23)	0.0505 (13.27)	0.0515 (13.52)	0.0512 (4.92)	0.0508 (4.93)	0.0445 (4.62)	0.0443 (4.58)	0.0455 (3.64)
EX ² _F					-0.0003 (1.67)	-0.0003 (1.83)	-0.0002 (1.39)	-0.0002 (1.00)	-0.0004 (1.56)
EX ² _C	-0.0008 (10.08)	-0.0007 (9.33)	-0.0007 (9.36)	-0.0008 (9.56)	-0.0008 (3.32)	-0.0008 (3.33)	-0.0007 (3.23)	-0.0007 (3.26)	-0.0007 (3.00)
Lit		0.0016 (5.39)	0.0016 (5.41)	0.0015 (4.97)		0.0013 (1.79)	0.0009 (1.26)	0.0008 (1.13)	0.0009 (1.17)
Vismin			0.1529 (2.26)	0.1492 (2.18)			-0.2286 (3.49)	-0.2265 (3.21)	-0.2718 (3.69)
ATL				-0.1048 (2.67)				-0.4362 (1.71)	-0.3954 (1.58)
QUE				-0.0479				-0.0895	-0.1264

	<u>Native-Born</u>				<u>Immigrants</u>				
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
				(2.02)				(1.10)	(1.53)
PRA				-0.0851 (2.76)				-0.2166 (2.20)	-0.2355 (2.57)
BC				-0.0060 (0.16)				-0.0981 (1.57)	-0.0951 (1.44)
BCITY				0.0746 (3.02)				-0.0299 (0.28)	-0.0229 (0.20)
SCITY				0.0363 (1.03)				-0.0477 (0.36)	-0.0426 (0.31)
ED _F *ED _C									0.0058 (3.52)
EX _F *ED _C									-0.0003 (0.70)
Constant	8.8080 (124.0)	8.5064 (94.7)	8.5006 (94.8)	8.5502 (94.7)	8.9991 (48.9)	8.7787 (39.7)	8.8951 (41.8)	9.0654 (36.38)	9.0852 (33.6)
$\overline{R^2}$	0.24	0.25	0.25	0.26	0.30	0.31	0.34	0.36	0.39
F	191.5	153.3	123.6	59.3	19.3	17.1	17.2	11.0	10.8
N	1851	1851	1851	1851	251	251	251	251	251

TABLE 4**The Return to a Degree**
(t-statistics in brackets)

	(1)	(2)	(3)	(4)
Immigrant	0.1340 (1.39)	0.0947 (.099)	0.1355 (1.44)	0.0799 (.083)
EX _F	0.0147 (2.36)	0.0210 (3.28)	0.0178 (2.86)	0.0208 (3.42)
EX _F *EX _F	-0.0003 (2.59)	-0.0003 (2.67)	-0.0003 (2.79)	-0.0003 (2.78)
EX _C	0.0531 (1.486)	0.0518 (4.31)	0.0524 (14.64)	0.0523 (14.34)
EX _C *EX _C	-0.0008 (10.50)	-0.0008 (9.88)	-0.0008 (10.37)	-0.0008 (9.91)
TRADE _{NB}	0.1612 (1.77)	0.1021 (1.20)	0.1269 (1.45)	0.1028 (1.20)
DIP _F	0.2033 (2.17)	0.1663 (1.82)	0.1951 (2.10)	0.1637 (1.80)
TRADE _{IC}	0.1067 (1.34)	0.0900 (1.17)	0.0912 (1.15)	0.0888 (1.14)
DIP _{IC}	0.0193 (0.20)	0.0053 (0.06)	0.0438 (0.48)	0.0050 (0.06)
EDHS	0.0654 (6.17)	0.0509 (4.88)	0.0653 (6.16)	0.0512 (4.91)
Immig*Fored*EDHS	-0.0141 (1.66)	-0.0103 (1.28)	-0.0137 (1.65)	-0.0100 (1.23)
Immig*Caned*EDHS	-0.0198 (2.03)	-0.0176 (1.88)	-0.0187 (1.97)	-0.0165 (1.73)
NBDG	-.3725 (12.40)	0.3119 (9.89)	0.3706 (12.20)	0.3122 (9.80)
FORDG	0.0974 (1.06)	0.0630 (0.74)	0.2298 (2.15)	0.2074 (2.06)
ICANDG	0.4387 (5.74)	0.3923 (5.42)	0.4256 (5.41)	0.3848 (4.88)

	(1)	(2)	(3)	(4)
BOTHDG	0.5709 (5.37)	0.5261 (4.70)	0.3800 (2.97)	0.3271 (2.33)
Vismin*NBDG			0.0428 (0.65)	0.0105 (0.16)
Vismin*FORDG			-0.2567 (1.89)	-0.3104 (2.29)
Vismin*ICANDG			0.0550 (0.49)	0.0265 (0.23)
Vismin*BOTHDG			0.4287 (3.14)	0.3709 (2.56)
Vismin		-0.0878 (1.96)	-0.0994 (1.74)	-0.0698 (1.22)
Lit		0.0014 (5.29)		0.0014 (5.25)
ATL		-0.1319 (3.30)		-0.1367 (3.39)
QUE		-0.0574 (2.53)		-0.0612 (2.67)
PRA		-0.1064 (3.55)		-0.1098 (3.65)
BC		-0.0211 (0.68)		-0.0278 (0.88)
BCITY		0.0661 (2.72)		0.0652 (2.68)
SCITY		0.0370 (1.06)		0.0369 (1.05)
Constant	8.8663 (73.2)	8.6719 (64.5)	8.8793 (73.1)	8.6685 (64.6)
N	2102	2102	2102	2101
\overline{R}^2	0.26	0.28	0.26	0.28
F	41.9	32.8	33.4	28.7