

***Labour Market Outcomes of
Immigrants and Native Born
Canadian Workers by Occupation
and by Industry***

**Evidence from the 2001 Census
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Purpose of this Presentation

- Offer a summary of the literature on the immigrant Canadian born wage gap.
- Offer a preliminary overview of the extent of immigrants *skill mismatch*.

Literature Overview

On the declining success of immigrants

Baker and Benjamin (1994), Grant (1999), Frenette and Morrissette (2003), Aydemir and Skaterud (2005), Picot, Garnet and Sweetman (2005)

- Deterioration of immigrant entry earnings not compensated by assimilation rates, through the 80's and 90's

Literature Overview...ctd

On the transferability of skills

Schaafsma and Sweetman 2001), Green and Worswick (2002), Sweetman (2004), Ferrer and Riddell (2004), Ferrer, Green and Riddell (2004)

- No transferability of foreign experience.
- Quality of educations matters
- Lower returns to foreign education (however, distinguishing between years and credentials indicates that actual diplomas are more valued than years of schooling)
- Stable relationship through the 80's and 90's.

Literature Overview...ctd

On the extent of differences between immigrants and Canadian born workers by occupation, industry or field of study

Aydemir and Skaterud (2005), McBride and Sweetman (2004)

- No significant contribution of differences in distribution of immigrant and native born workers across field to differences in earnings.
- Differences in immigrant allocation and earnings across establishments.

Canadian Census 2001 public use micro files

- National Occupational Classification for Statistics (25 categories)
- 12 Field of Study categories
- 4 Post-secondary educational categories
- five age categories at immigration
- 6 “regions” of origin

Methodology: How to look into skill mismatch?

Are (highly educated) immigrants concentrated in low paid occupations?

→ Two-way tables of frequencies distributions

Methodology:

How to look into skill mismatch?

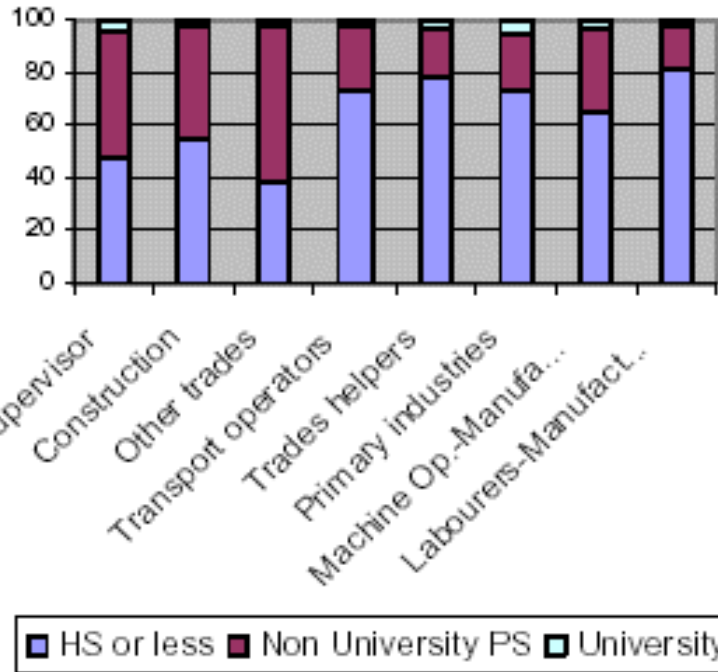
Do differences in the distribution of workers across occupations affect the wage gap between immigrants and the native born?

- Two-way tables of labour force status
- Two way tables of earnings

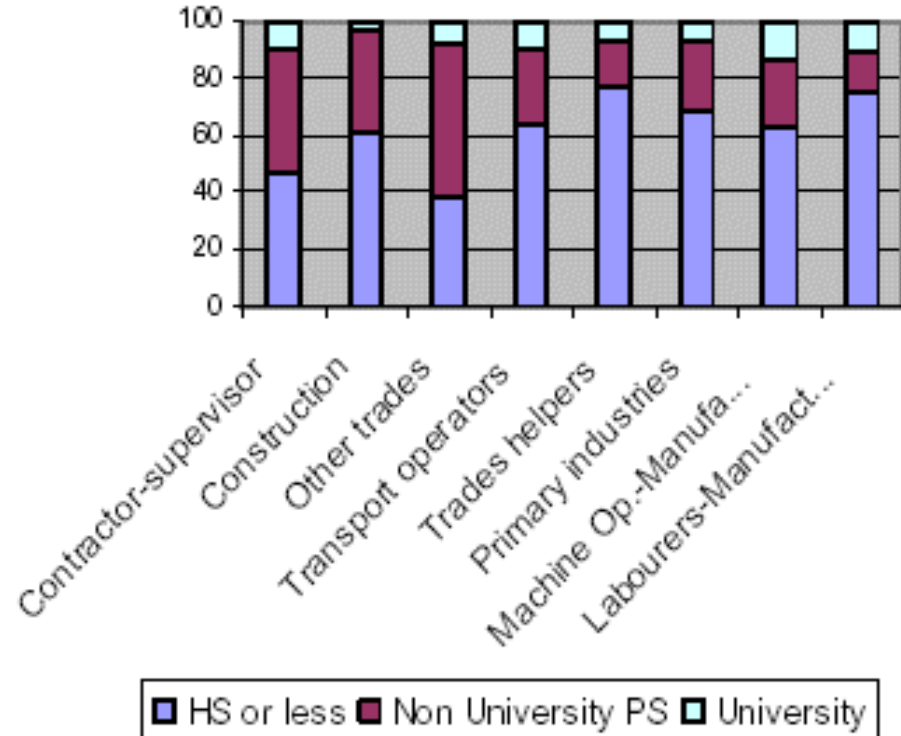
Skill mismatch

Are (highly educated) immigrants concentrated in low paid occupations?

Distribution of Education by Occupation.
Native Born Males 2000. Trades (Skill 2 - 6)



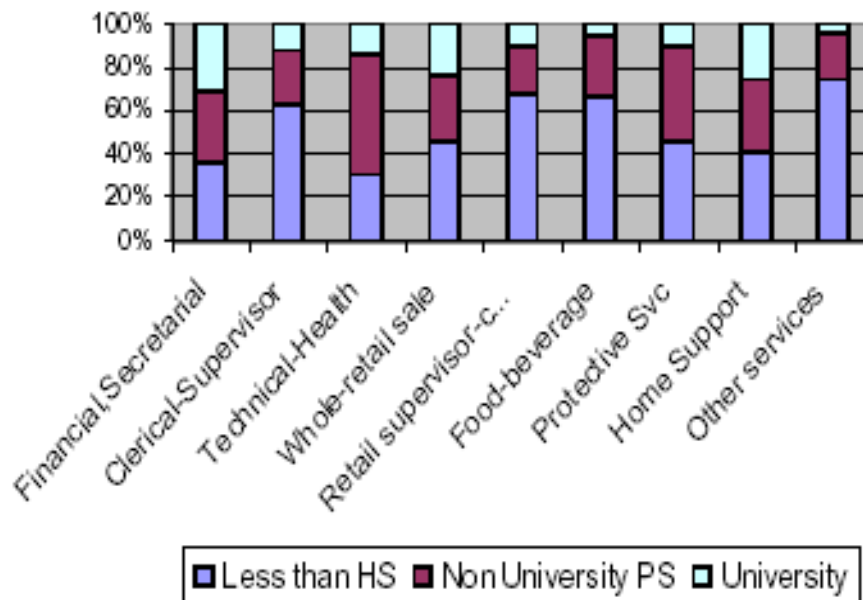
Distribution of Education by Education.
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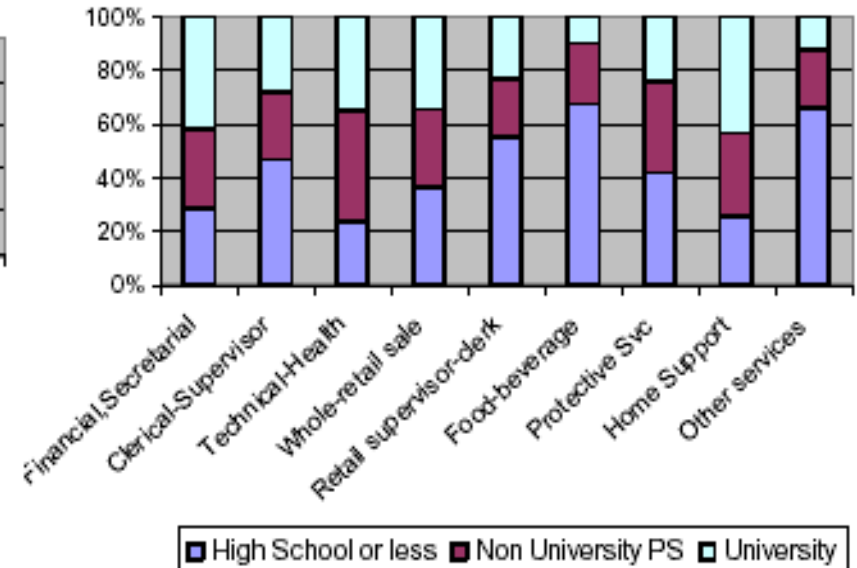
Skill mismatch

Are (highly educated) immigrants concentrated in low paid occupations?

Distribution of Education by Occupation. Native Born Males 2001. Skill 2-6



Distribution of Education by Occupation. Immigrant Males 2001. Skill 2-6



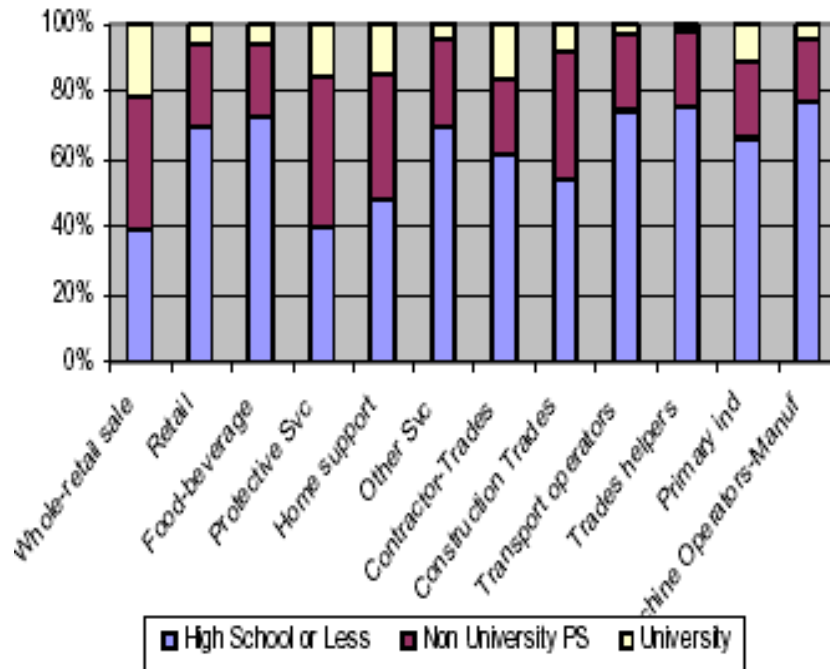
■ Less than HS ■ Non University PS ■ University

■ High School or less ■ Non University PS ■ University

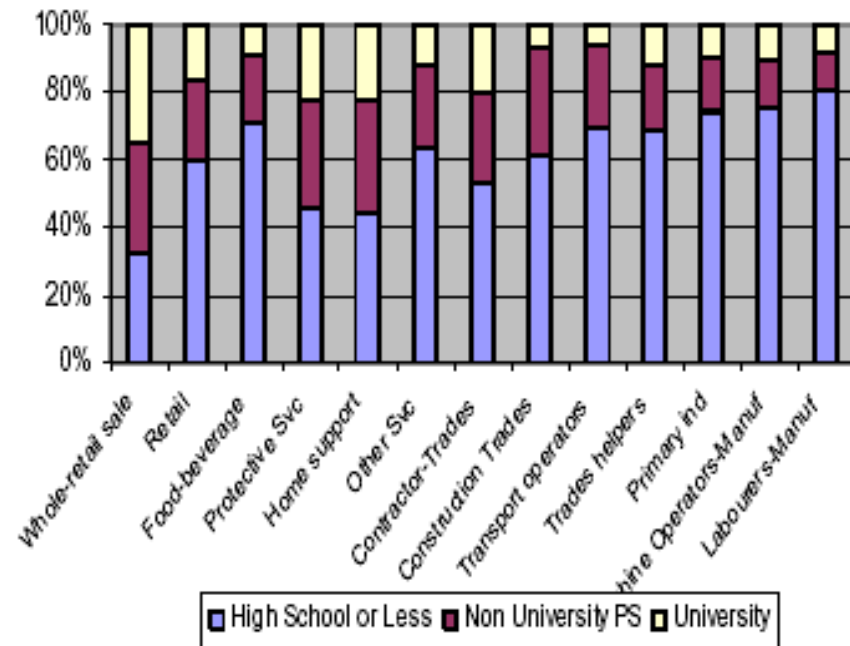
Skill mismatch

Are (highly educated) immigrants concentrated in low paid occupations?

Distribution of Education by Occupation. Native Born Females 2001



Distribution of Education by Occupation. Immigrant Females 2001



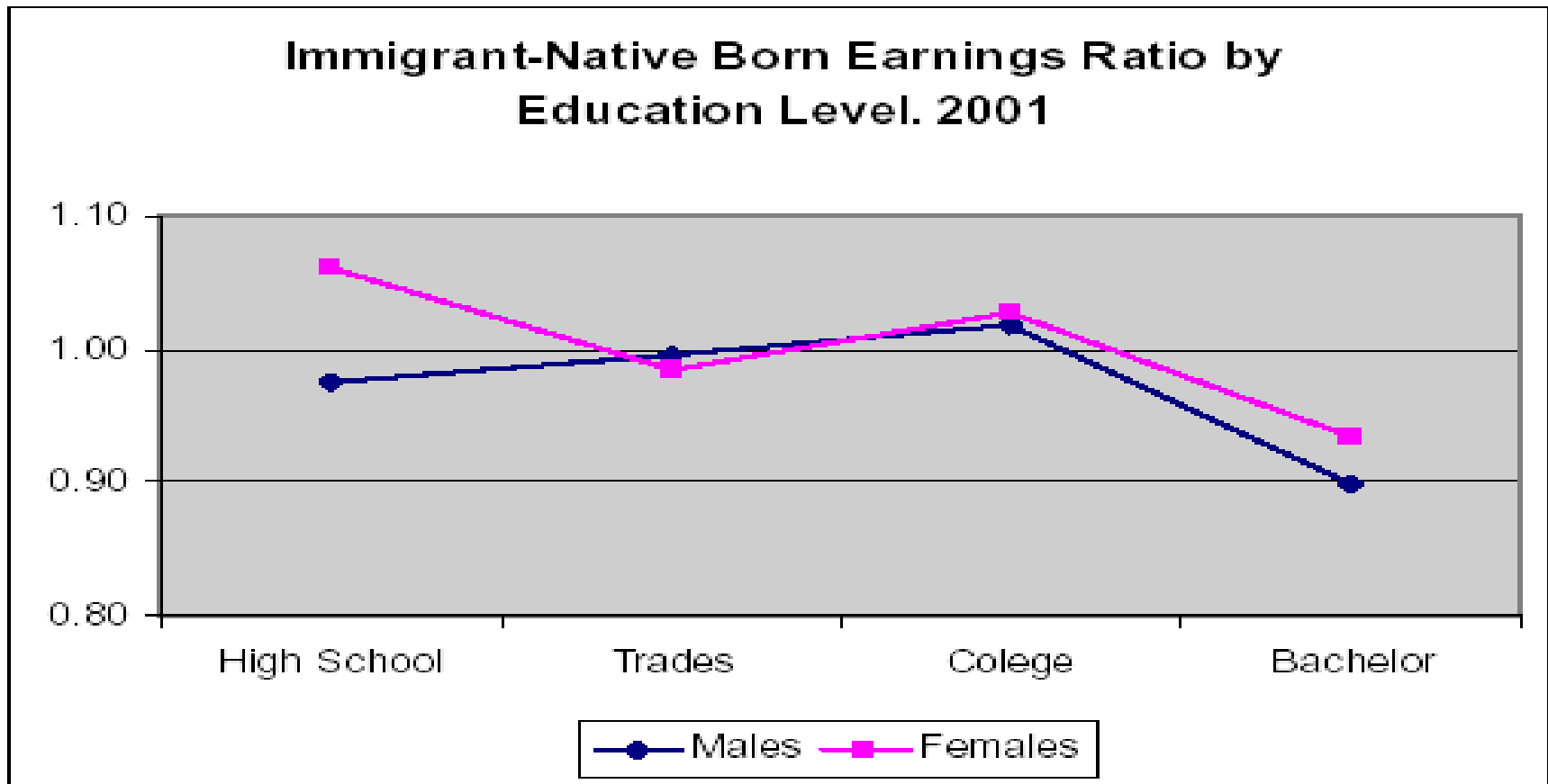
Skill mismatch

Are (highly educated) immigrants concentrated in low paid occupations?

- The fraction of immigrants holding a university degree in occupations that do not require it (according to the NOC definitions) is between 2 and 10 times higher than of the native born for males and between 3 and 6 times higher from immigrant females.
- Part of the problem seems to be related to language fluency.
- Young immigrants do not seem to experience this type of skill mismatch.

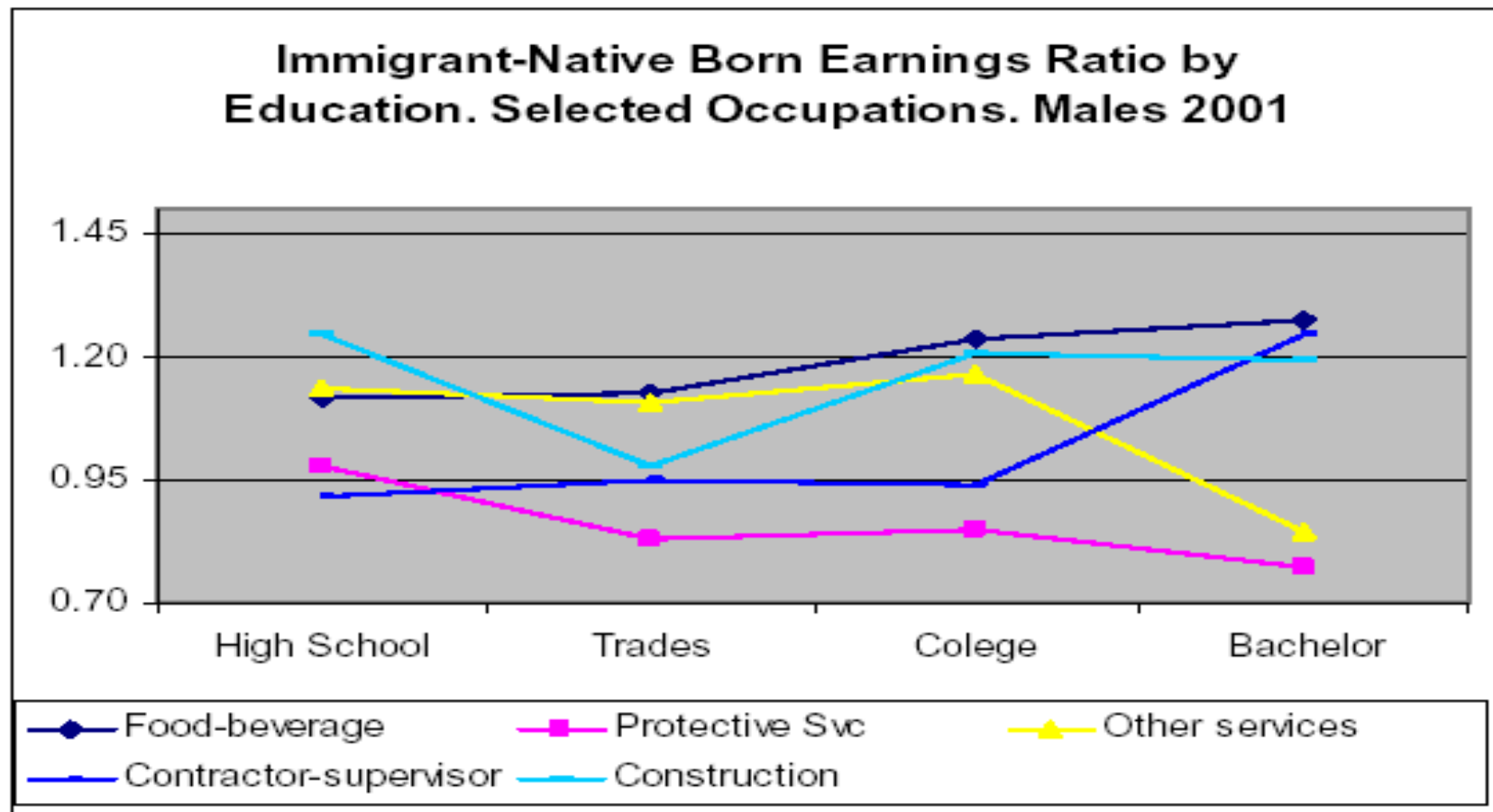
Skill mismatch

Do differences in the distribution of workers across occupations affect the wage gap between immigrants and the native born?



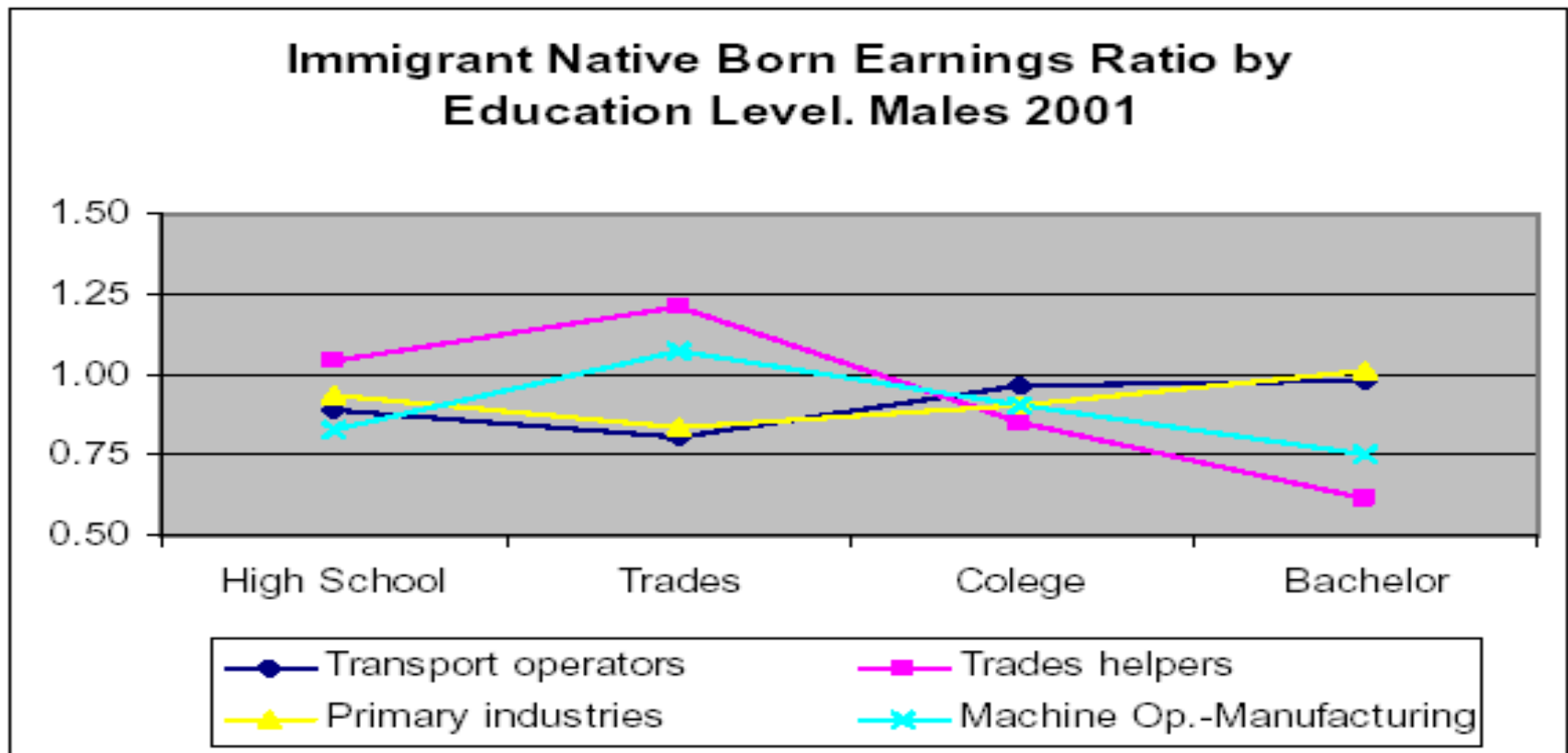
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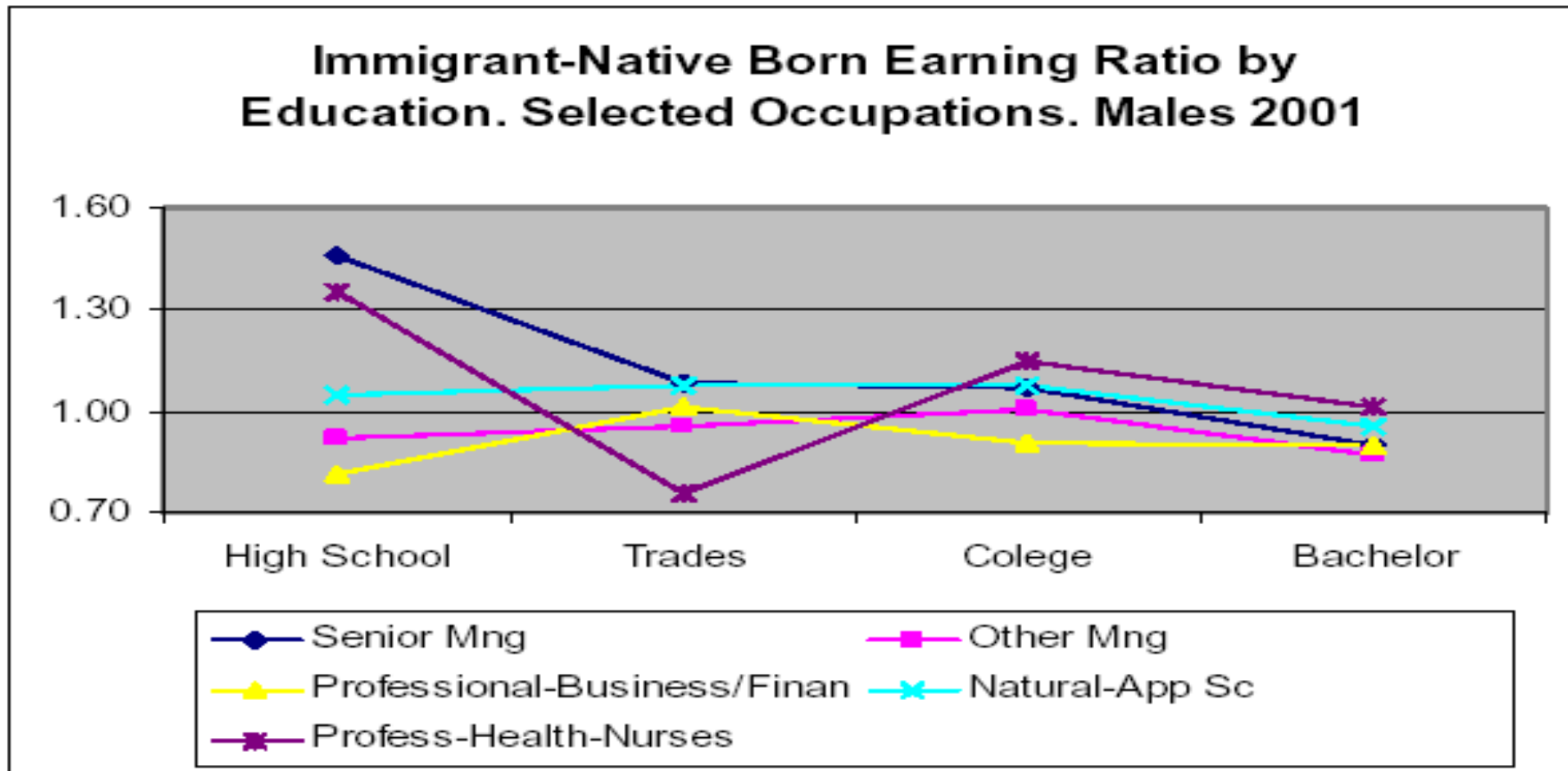
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Skill mismatch

Do differences in the distribution of workers across occupations affect the wage gap between immigrants and the native born?

On average, university educated immigrants experience an earnings disadvantage relative to native born.

Some unskilled occupations in which immigrants are overrepresented do not show earnings disadvantage (food and beverage service occupations, construction and contractors-Supervisors in Trades)

Skill mismatch

Do differences in the distribution of workers across occupations affect the wage gap between immigrants and the native born?

Estimated % Increase in Earnings	NB	IMM
Each year of Experience (Diminishing returns)	4%	0%
Each Year of Education	3%	1%
<i>Relative to no Education</i>		
High School	5%	5%
Trades Certificate or College	4%	8%
Trades Certificate or College degree with HS	8%	10%
University	24%	15%
Graduate	29%	32%
<i>Relative to Occupations in Arts, Culture and Recreation</i>		
Senior Managers	49%	47%
Other Managers	27%	22%
Professionals in business	28%	30%
Secretarial, administrative in business	13%	11%
Clerical and supervisory in business	-1%	-3%
Natural and Applied Sc.	27%	34%
Health	34%	48%
Health (Technical)	1%	-1%
Social Sc. Occupations	6%	19%
Sales and services	4%	-15%
Supervisory trades	24%	30%
Other trades	12%	10%
Primary industries	0%	-14%
Supervisory in manufacturing and processing	19%	55%
Other Occupations in manufacturing and processing	8%	5%

Skill mismatch

Do differences in the distribution of workers across occupations affect the wage gap between immigrants and the native born?

*After controlling for education and other productive characteristics, immigrants have **higher** earnings*

- in Health and Social Sciences and*
- as Supervisors and Machine operators in Manufacturing,*
- relative to occupations in Arts, Culture and Recreation.*

Conclusion

- There are significant differences in the distribution of immigrant and native born workers across occupations
- More highly educated immigrants can be found among low skill occupations than native born workers.
- Language fluency and assimilation are one important source of this variation.
- Across occupations the highest (negative) earnings differences between immigrant and Canadian born workers can usually be found among the university educated.

Conclusion

- The differences reported here are suggestive of some degree of skill mismatch.
- The quality of the education received, language fluency, age and period of immigration, personal characteristics, etc... can all be at the core of these differences.
- Future research should try to address the role that each factor plays into skill mismatch in order to devise effective policies to diminish its adverse effects on immigrant success.