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International Metropolis Seminar On
Barriers to Employment: Some conclusions.

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Views expressed in this manuscript are those of the author(s) alone. For more information contact the Co-Directors of the Centre, Dr. Don DeVoretz, Department of Economics, SFU (e-mail: devoretz@sfu.ca) or Dr. David Ley, Department of Geography, UBC (e-mail: davidley@unixg.ubc.ca).

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Thank you for this opportunity to reflect on the economic aspects of Barriers to Employment in a international setting. The timing of this conference is particularly propitious since the economics profession in general is trying to assess the state of knowledge on obstacles to employment for minorities. Major commentaries by K. Arrow, J. Heckman and host of social auditors present the range of extant views. The profession divides itself methodologically as well as ideologically on the issue of permanence, size and importance of employment barriers circa 1998 in the United States. Heckman presents the Becker viewpoint, which is allegedly supported by the available econometric evidence for the United States. Namely any wage or occupational discrimination is ephemeral in the private sector. From this viewpoint artificial employment barriers based upon non-human capital criteria will raise costs in a competitive environment and not persist in a profit-maximizing environment with mobile labour. In contrast, social auditors who perform experiments such as those outlined by the Dutch presenters argue that employment barriers have grown rather than evaporated as argued by mainstream economists.

Which view is correct?

Are economic, linguistic and discriminatory barriers growing such as to justify continued and energetic government intervention?

Or is it possible that ethnic wage differentials and/or occupational segmentation arise under a particular set of circumstances and dissipate over time requiring minimal or no government intervention?

Your choice of viewpoint is non-trivial since government intervention is expensive, contentious and filled with unintended consequences. Thus, I believe that the evidence for and persistence of employment barriers based on economic, linguistic or discriminatory barriers must be persuasive not anecdotal.

Moreover, the evidence, to be cogent, must be disaggregated by sector-public or private- and location-city or neighborhood- as well as by industry-service vs. non-service to provide direction on necessary government intervention.

What is persuasive evidence? Audit studies although often dramatic are flawed methodologically when applied to the labour market as opposed to the housing market. Econometric evidence, unlike audit studies, assumes the opposite methodological approach- large numbers, with controls for human capital and linguistic ability. The logic of the econometric approach however suffers from a flaw best expressed as *reductio ad absurdum*. In short, you attempt to explain wage differentials or indices of occupational dispersion with human capital and linguistic ability control variables and the residual is argued to be owing to discrimination. A contending interpretation to the residual as discrimination is the unacknowledged role of unobservables, namely social cohesion and neighborhood effects and asymmetric information.

The role of these latter forces, which were not discussed at length, offers an alternative view of the causes of ethnic wage disparity and/or occupational segmentation as presented in this conference.

K. Arrow and O. Stark have offered us direction to arrive at a prognosis of the size and future persistence of employment barriers with respect to immigrants. These authors argue that from the viewpoint of employers, immigrants entering the labour market differ markedly from native-born entrants owing to asymmetric information. Employers easily cull unobservables from native-born entrants by assessing local educational credentials, social history and letters of recommendation from trusted sources. Confidence intervals around this information to account for variation in the unobservables are also well known to employers. This confidence interval can not be formulated by employers given the information packet presented by the recent immigrant and hence the employer practices for a limited time 'statistical discrimination'. The importance of this concept is that wage discrimination- lower pay to immigrants-is short lived once employers have a work history of an entry group. This is why Queen's MBA graduates are paid higher entry salaries than those from *Illurium University* since employers have a history of the confidence interval around abilities of Queen's graduates and not ILLURIUM.

Borjas and Stark extend this view specifically asking what is the role in the immigrant household or neighborhood in mitigating or accelerating the barriers to employment. Coleman, a sociologist, pointed economists in the direction of supplementing human capital with concepts of social and family capital. In short, simply observing wage and or occupational disparities by ethnicity after controlling for individual characteristics does not imply discrimination or government intervention to relieve this alleged discrimination.

In fact, this approach suggests a whole new research strategy. Look to successful minority ethnic groups or 'overachievers' to account for the over achievement beyond human capital characteristics. Perhaps there exist clues in the evidence of minority overachievers beyond the fact that they overachieve. Greater ethnic human capital, or differing household structures can lead to ethnic over achievement and point to measures to mitigate existing discrimination for less favored groups.

Finally, what is the evidence in Canada for both occupational and/or wage discrimination for both minority under and over achievers? Is it macro employment conditions, which differentially affect immigrants and thus yield short-term wage difficulties? Is it linguistic barriers? Or outright discrimination?

Moreover does the Canadian evidence suggest government intervention after arrival or does the evidence argue for a more carefully refined immigration system? I suggest the latter is a viable policy alternative and offer policies to mitigate barriers to employment, which were not discussed at this conference. These policies include;

1. Credentials recognition: this recognition can be more easily accomplished through an auction of temporary or permanent skilled or professional visas to bonded companies who plan to hire these people for 2 or more years.

2. Assessment of the entire household and not individual entrants for landed immigrant status.

3. A vigorous loan (forgivable when appropriate) programme for language acquisition for principle applicants.

4. Made in Canada policies to augment neighborhood social capital to supplant government economy-wide employment equity measures.

5. Close credentials information gap by providing objective credential assessment to firms.

In sum, the discussion on the economic aspects of employment barriers at this conference did not convince me that employment barriers for immigrants are large and/or persistent. Moreover, the myriad of policies suggested at this conference will prove ineffective to remove the actual barriers. Full employment policies coupled with imaginative immigration policies at the entry point will more effectively mitigate existing barriers.

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