

Vancouver Centre of Excellence



Research on Immigration and
Integration in the Metropolis

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**Brief to the House of Commons Standing Committee on Citizenship and
Immigration**

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Co-director, RIIM**

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RIIM

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History

The 1978 Immigration Act clearly stated that three entry gates exist in Canada, one reserved for refugees, another for independent or economic immigrants and finally a family reunification gateway. Economists have assessed the short and long run economic performance of foreigners in all entry gates over the last 30 years and have discovered a declining earnings performance of Canadian immigrants. In particular, the early 1980 immigrant cohort was able to offset its initial earnings deficit relative to Canadians in 10 to 15 years after arrival. Thereafter, this vintage of immigrants in general economically outperformed their Canadian-born cohort.

By the mid 1990s this “catch-up” paradigm was being questioned and the erosion in immigrant earnings performance was then attributed to a change in immigrant entry gates when the family and refugee class began to dominate the immigrant inflows in the mid 1980s. The 1990s witnessed a restoration of independent class and a 50/50 rule was instituted which implied that the economic class would once again dominate as an entry gate for immigrants. Nonetheless, this substantial reallocation of entry slots did not allow the return to robust immigrant earnings performance. In fact, a more detailed data set allowed researchers to document the collapse of earnings, especially for immigrants entering in the economic class. In fact, by the mid and late 1990s skilled immigrant cohorts were not replicating the earnings performances of earlier skilled cohorts. Armed with this new data set and a host of newly trained economists supported by the Metropolis project several studies emerged to explain this collapse in earnings. The picture that emerged in the professional economics literature was complex and nuanced. However, the reference points for these explanations were found either in the quality of the embodied human capital of the newer cohort of immigrants, the state of the Canadian labour market upon arrival or the growth in labour market imperfections, including discrimination or lack of knowledge of the value of credentials. To date no consensus on a single explanation for the collapse in immigrant earnings has been reached: most professional economists would rather point to a combination of factors.

Contemporary Research

The research continues and so do the worrisome trends in immigrant earnings and job placement. The popular explanation for the collapse in earnings today is the deskilling of immigrants through the lack of recognition of their credentials. Why is it absolutely crucial to disentangle this mystery and clearly pinpoint the sources of the collapse in earnings? Simply

put, each explanation has a corresponding policy implication, and often the proposed policy initiatives are in contradiction. For example, an explanation for collapsed earnings that emphasizes labour market imperfections owing to discrimination and credential recognition issues suggests a strong role for Canadian policy to correct these shortcomings in the Canadian labour market. If the explanation however turns on inadequate human capital, then it is a selection initiative before entry which may prove to be the solution. If the latter human capital interpretation holds, this questions the extant thesis that credential recognition will provide a solution. One point is clear; the collapse in immigrant earnings performance is real and urgent. If we look to the recent inflows of Chinese skilled immigrants from the PRC, we see that many of the highly-skilled are living below the low income cut-off line, that is, in poverty. Moreover, research at RIIM suggests that Chinese immigrants in Vancouver are able to pinpoint the barriers they face, namely, lack of language skills, limited credential recognition and Canadian job experience.

So how can government help if these are the labour market barriers? If further language training or retooling are provided, the typical Chinese immigrant working at two jobs to survive has little time and energy to upgrade. It truly is a vicious circle and over 500 interviews of skilled Chinese in Vancouver further indicate that many will leave after acquiring Canadian citizenship or stay and make an implicit family contract. This implicit contract states: stay and endure and hope the children will do better. Finally, numbers of Chinese highly-skilled arrivals have dropped recently because of the robust Chinese economy, and the realization of failures in Canada. Thus, the cost of not attending to the collapse in immigrant economic performance is more pervasive than lost economic opportunity in Canada. In fact, Canada has become a less popular destination as Chinese immigrants return home or never leave China given Canada's new immigration selection criteria and China's robust economy.

Counterfactual approach

Will a new research tactic provide more incisive insights to sort through the alternative explanations for the post-1990 collapses in the performance of high-skilled immigrants? We at RIIM have reversed the question and asked, what are the ingredients that allow some select contemporary immigrants to outperform others, including the Canadian-born? In other words is there a special X factor which these overachievers have that is missing in their underperforming counterparts?

We turn to the performance of Ukrainians, the overachievers, to tease out the story of their success. Skilled Ukrainians contain the typical array of human capital components of education, youth and initiative. However, careful research indicates two other factors at work. First, econometric tests reveal a "sheepskin" effect that enhances their earnings and, secondly, Ukrainian ascension to citizenship yields economic rewards. These combined forces insure that Ukrainian earnings "catch-up" in less than 10 years, which represents a return to the old Canadian outcomes. How do we interpret these "sheepskin" and citizenship effects? First, the Canadian labour market provides an earnings premium for a Ukrainian degree over and above the years in school; this is not present for the Chinese and others. Clearly, Canadian employers either recognize perceived or actual educational quality differences, and reward them. Next, the acquisition of citizenship provides a signal which is

rewarded in the market place to all immigrants again but especially for Ukrainians. This reward arises because of a freer labour market, e.g. federal jobs are now available, but also citizenship ascension is a by-product of self-selection. The more able immigrants tend to become citizens and stay in Canada.

There are other overachieving groups, largely European with their own set of X factors which enhance their earnings. However, the fact the overachievers are mainly European lends a cautionary note to this analysis since most Europeans have cultural norms and skin colour closer to the Canadian norm.

Generational Problem

Will long run integration overcome this immediate immigrant poverty problem? Are the Chinese who anticipate a better future for their children too optimistic? Again at RIIM we asked if European or non-European children of the foreign-born outperform their parents. European children do not outperform their parents but this is not the case for non-Europeans, thus the Chinese's optimism is well placed. In fact, the resident second generation non-Europeans have double the percentage of high earners (above \$80,000) when compared to the Canadian-born.

Summary and Policy Conclusions

The earnings collapse is real and owing to a complex set of factors including deskilling which partially arises from inadequate credential recognition coupled with language barriers, inadequate training and labour market barriers. Efforts must be directed both within Canada and prior to immigrants' arrival to mitigate the impact of deskilling. Within Canada increased government support for the independent assessment of foreign credentials and the dissemination of this information must be undertaken. Labour market barriers such as federal preference for Canadian-born employees must be revamped. In addition, if federal retraining for deskilled immigrants is envisioned to aid in certification, then federal graduate training funding for immigrants should be made available to all professional schools. Finally, archaic federal rules that limit the immigrant arrivals in managed occupations, such as nursing, must be corrected.

What actions can be taken to reduce this problem in the future by altering Canada's selection techniques? Immigrant qualification tests must be instituted abroad. These tests would be paid for by the immigrant and would indicate the likelihood of a skilled immigrant obtaining credentials to practice her profession in Canada. This test alone would encourage immigrant self-selection but also provide information to Canadian officials on the probability of matched employment upon arrival.

Finally, the certification problem for immigrants could be immediately eliminated by allowing all foreign graduate students in Canada landed status upon completion of their degree from a bone fide school. This is costless to Canadian taxpayers and insures the end to the deskilling problem. An alternative is to wait and allow the economic integration of their children.

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