

Abstract: Workplace Immigrant Concentration and the Earnings of Immigrant and Canadian-born Workers

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Recent economic studies have revealed substantial workplace separation in most Western countries with large immigrant populations. Immigrants tend to concentrate in particular firms and industries (Aydemir and Skuterud 2008, Andersson et al. 2010; Aslund and Skans 2010; Barth et al. 2012; Fong and Hou 2013; Stromgren et al. 2014). Studies have also shown that workplace immigrant concentration directly linked to economic performance. Aslund and Skans (2010), for instance, report a negative relationship between immigrant workplace concentration and earnings.

This study attempts to shed light on a particular empirical pattern observed in Canadian data: the correlation between the workplace immigrant concentration and earnings appears to be negative for immigrants but positive for the Canadian-born (Figure 1). Immigrant workers whose workplace exposure to immigrant colleagues is low earn more than those whose workplace exposure to immigrant colleagues is high. The opposite, however, appears to be true for native workers.

The main objective of the study is to establish a causal relationship between workplace immigrant concentration and the earnings of immigrant and Canadian-born workers. Following several other studies, it uses individual "exposure" to immigrant colleagues as a measure of workplace concentration (Hellerstein and Neumark 2008; Aslund and Skans 2008, 2010; Andersson et al. 2010). Various instrumental variables are used to account for the potential endogeneity of exposure in the earnings model. The study will then consider differences in the impact of exposure for immigrant and native workers with different levels of education and working in different occupations. Finally, the study will also consider differences in the impact of workplace concentration for across various immigrant-specific factors such as immigrant class, linguistic ability, foreign education and the country of origin.

The data come from the Canadian Employer-Employee Dynamic Database (CEEDD) linked to 2016 Census records and landing records from the Immigration Database (IMDB). The CEEDD incorporates data from various administrative databases including data from individual tax returns (T1), records of remuneration (T4) submitted by employers to the Canadian Revenue Agency (CRA) and employer data from the National Accounts Longitudinal Micro-File (NALMF). The T4 data is an essential component of the CEEDD linking workers to their employers through individual and firm identifiers. As administrative data are limited when it comes to information about individual characteristics, Census adds an essential component to the data by providing information on education, etc.

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Figure 1. Workplace concentration and earnings - raw data

