

**Language and immigrant labour market performance:
What does the economics literature tell us?**

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The proposition that immigrants with stronger English or French language abilities have fewer difficulties integrating into Canada's labour markets appears so obvious, to not be worth thinking much about. But in informing optimal immigration policy, what matters is more complex.

Is the influence of language really a direct causal effect, so that providing language training to new immigrants can be expected to boost their earnings enough to justify the costs? Or are immigrants with superior language abilities simply different on other dimensions that lead to better outcomes, in which case language training may have little or no benefit? And if it is a direct effect, which language skills matter most? Are comprehension skills more valuable than speaking, reading or writing skills, for example? In selecting and settling new immigrants, which skills should we be most concerned with? And does language matter in all jobs or is it the case that in some jobs, such as technical jobs in the information technology sector, language matters very little. How much weight, if any, should we be putting on language skills in selecting immigrants who are trained in these areas?

The fact that Canada's immigrants are having increasing difficulties integrating into its labour markets is now widely recognized (see Picot and Sweetman (2005) for a review). The most recent research exploring causes of the deterioration has emphasized the role of language. Moreover, evidence from Australia suggests that increasing the language requirements of the immigrant selection process can produce dramatic improvements in average outcomes, both in terms of immigrant job-finding rates and earnings in those jobs. This has led the federal government to introduce mandatory pre-migration language testing in their own Skilled Worker and Canada Experience Class programs, and more recently encourage provinces to introduce similar criteria in their nominee programs.

What does the economics literature tell us about the likely effects of this policy change? Will it necessarily improve outcomes for immigrants? And in raising the selection criteria on one dimension, can we expect tradeoffs on other dimensions that we might also care about?

Theoretical rationale

Before considering the evidence, it is worth thinking clearly about what exactly the mechanisms are through which immigrants' language skills could impact their labour market outcomes?

By far the predominant perspective in the economics literature is that language directly augments the productivity of workers, which in a human capital model of wage determination, results in higher earnings. For example, in service-sector jobs, an ability to effectively communicate with customers might improve sales; while in goods-producing sectors, language skills may enable employees to more effectively execute the demands of an employer. Barry Chiswick and Paul Miller (1992), who have been studying the wage implications of immigrant language for more than two decades, argue that language is the most basic form of human capital, in the sense that without sufficient competence, other skills become irrelevant.

But it could also be that language primarily affects the process in which workers obtain jobs. Perhaps a high ability in the host-country language improves the quality of job applications, job interview performance, or expands social networks which provide the contacts and referrals that lead to better initial jobs or promotional success within jobs. Or perhaps language influences the likelihood that a foreign-trained professional successfully satisfies the process of having a foreign credential recognized in Canada.

Empirical evidence

Most of the evidence on immigrant language effects in the economics literature is based on the self-reported fluency in the host-country language, since this is what is most often measured in the data. Relating these fluency measures to the earnings levels of immigrants, consistently suggest strong effects of language. For example, average weekly earnings of recent immigrant men in the 2006 Canadian Census who reported that they were able to conduct a conversation in English or French (or both) were \$768. In comparison, non-fluent immigrant men earned only \$497 on average, roughly a 50% disparity.¹

The question is whether this large difference reflects a direct causal effect of fluency or is fluency simply proxying for other attributes of workers, such as schooling quality, that affect earnings? In selecting immigrants using a points system, the distinction may not matter. If language skills are a good predictor of labour market potential, we may not care whether it is in fact those skills that are producing the advantages or something else. But we should, if they are, for example, capturing that racial minorities have weaker language skills on average *and* face more labour market discrimination. And certainly, in assessing the cost effectiveness of language training investments, such as the federal government's Language Instruction for Newcomers to Canada (LINC) program, knowing whether the language effects are real is critical.

To complicate matters further, there is good evidence to suggest that self-reported language abilities may be poor measures of actual language skills. Examining German longitudinal data asking the same immigrants to report their fluency levels in different years following migration, Dustmann and Van

¹ A recent immigrant is someone who obtained their permanent residence status between 2001 and 2005.

Soest (2002) find that the incidence of deteriorating self-reported language skills are almost as common as improvements. Assuming declining ability following migration reflects reporting errors, more than one-quarter of all the observed variation in fluency in their data is not real. Statistical theory tells us that this measurement error should attenuate the estimated effects of language, suggesting that language might be even more important than the simple comparisons suggest.

To address both this measurement error and the possibility that more fluent immigrants have higher earnings for reasons other than their language skills, the most recent research has sought out richer data sources and more sophisticated statistical techniques. Shields and Price (2002) examine British survey data containing an interviewer-assessed measure of English language ability and find that fluency is the second most important determinant of immigrant occupational success, after possession of a relevant university degree. Chiswick and Miller (1995) and Dustmann and Van Soest (2002) use a statistical method, known as instrumental variables, and estimate larger language effects than the simple estimators which gloss over specifying what exactly the causal mechanisms are through which language has its influence.² But perhaps most compelling are the findings of Bleakley and Chin (2004), who compare the adult labour market outcomes of immigrants migrating before and after the age of 12, when cognitive scientists hypothesize that learning a new language becomes abruptly more difficult.³ Consistent with the earlier findings, their results suggest that the causal effects of language on earnings are large and very real.

But what about other language skills? Although the vast majority of the research examines speaking ability, there is no obvious reason to believe other language skills are equally important. Carnevale, Fry and Lowell (2001) analyze survey data asking a nationally-representative sample of U.S. adults to self-assess their ability to understand, speak, read and write in English. Their findings suggest that an immigrant's ability to understand spoken English is the preeminent required skill for labour market success. In fact, reading, writing and speaking ability are not significant predictors of wages after considering an individual's ability to understand the spoken word. Ferrer, Green and Riddell (2006), on the other hand, examine literacy test scores of adult Canadians and find that literacy accounts for about two-thirds of the earnings disparities experienced by university-educated Canadian immigrants.

An important finding in the Canadian data is that deteriorating labour market outcomes over time are evident even among new immigrants arriving from a common source country, such as China. If language skills are driving the growing labour market challenges of more recent immigrants, are we to believe that the English/French language skills of today's Chinese immigrants are so much worse than their counterparts of the 1970s? One possibility is that something besides language is responsible. But

² To instrument fluency, Chiswick and Miller (1995) use whether married overseas, the number and age of children, and a concentration index measuring the proportion of the region in which the individual resides report the same minority language. Dustmann and Van Soest (2002), on the other hand, use leads and lags of speaking fluency, as well as father's educational level.

³ This is known as the *critical period hypothesis*.

another possibility is that the importance of language skills has increased over time, perhaps as the result of technological changes within industries or structural shifts away from goods-producing to service-sector jobs. Examining Canadian Census data spanning the period 1971 to 2006, I find some evidence in my own research (Skuterud 2011) of higher returns to language skills in high-technology industries and relatively low returns in unskilled manufacturing jobs. Moreover, beginning in the early 1980s, there is clear evidence, particularly among recent immigrant women, of a shift in employment away from unskilled manufacturing towards high-technology industries.

Optimal policy

If we know that language skills play an increasingly important role in determining the labour market success of immigrants and the primary objective of immigration is economic (which is debatable), what is the optimal policy? Should governments be putting increasing emphasis on language criteria in selecting immigrants or should they be investing more in post-migration language training? At first blush, it seems obvious that admitting immigrants who are already competent in English or French is preferred, since it avoids the costs of training immigrants. But as the demand for international talent rises – as more countries seek to address declining birth rates – and the supply falls – as local prospects for workers in emerging economies, such as India and China, improve – global competition for immigrants will almost certainly rise in the future. Is it reasonable to believe that Canada can maintain current immigration levels *and* increase language criteria, without sacrificing other qualities of immigrants that we care about?

In addition to its analysis of the labour market implications of language, the economics literature contains an equally important body of research examining the higher-order question: what determines the language abilities of immigrant workers? Three key findings of this research are that language abilities are decreasing in an immigrant's age at migration; increasing in educational level; and strongly related to the immigrant's country of origin. This suggests that putting more weight on language, will result in younger and more educated immigrants, as well as a declining share of immigrants from source countries where English or French are not official languages.

Should we care about any of these tradeoffs? Perhaps not. But one reason why we might is that discriminating on language may be perceived as unethical, since people do not choose their mother tongues. Also, for many immigrants arriving at older ages from countries with foreign languages, the decision to migrate is motivated by considerations for children. And the evidence is that children of immigrants arriving from these countries perform very well. Worswick (2004), for example, finds no difference in 14-year-old reading and mathematics test scores of children of immigrant parents whose mother tongue is neither English nor French. And Aydemir, Chen and Corak (2009) identify numerous non-English-or-French speaking countries, mostly in East and Southeast Asia, in which average earnings of immigrant fathers fall significantly below the Canadian-born average, but their sons' and daughters'

fall far above. Is it possible that the current push in Canada for greater emphasis on language skills in immigrant selection is too preoccupied with short-term outcomes?

Chiswick and Miller (1995) argue that the labour market returns on language fluency are easily large enough to justify the costs of intensive post-migration language training, such as Israel's "ulpan" system providing six months of Hebrew training to new immigrants. As further evidence of the importance of post-migration language acquisition, Dustmann and Van Soest (2002) find that much of immigrant earnings growth following migration reflects improvements in language fluency. Of course, from a government's standpoint, what matters is not only whether language skills can boost earnings, but also to what extent immigrants take up offered language programs and when they do, how effective language training is in improving their language skills.

This suggests an alternative policy strategy in which both selection and settlement policies are used. In his review of the economics of language literature, Chiswick (1995) describes three principal determinants of the host-country language proficiency of immigrants: (i) pre- and post-migration *exposure* to the language; (ii) the ability or *efficiency* of immigrants to convert exposure into language learning; and (iii) the *economic incentives* for acquiring host-country language proficiency. An alternative selection policy may be one which puts less emphasis on the pre-migration language abilities of immigrants and short-term earnings shortfalls, and puts more weight on which types of immigrants are likely to acquire English or French language skills following migration? Both in terms of efficiency and economic incentives (and perhaps also exposure), younger migrants can be expected to be the most successful in acquiring English or French language skills. Yet, the current federal skilled worker points grid assigns uniform points between age 21 and 49. By better understanding which types of immigrants are most likely to acquire English or French language skills soon after arrival, perhaps we can design a fairer and less myopic immigrant selection policy.

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