International students are increasingly regarded as an important group of young and well-educated individuals from which to select permanent residents. In December 2015 there were 353,000 international students with a valid study permit in Canada, up from 84,000 in December 1995. Of the international students admitted to Canada in the early 2000s, 25% became permanent residents over the 10 years that followed. Of these, nearly one-half applied as principal applicants in the economic class.

A small number of studies from Australia, Canada and the United States suggest that the earnings advantage that former international students have over other economic immigrants may be either small or non-existent. This suggests that pre-landing study experience in a destination country such as Canada may not in and of itself improve immigrants' labour market outcomes over university degrees acquired abroad. Policy-makers and researchers are thus shifting their attention to the complementary role played by other factors, such as pre-landing work experience. A study released today by Statistics Canada offers new evidence on this issue.

The study examines the earnings trajectories of three groups of university graduates: international students who obtained a university degree in Canada and then became landed immigrants (i.e. Canadian-educated immigrants); individuals who had a university degree from abroad at the time they immigrated to Canada (i.e. foreign-educated immigrants); and university graduates born in Canada. The earnings trajectories of these groups were examined over 6 years for the cohort of individuals aged 25 to 34 in 2006, and over 20 years for the cohort of individuals aged 25 to 34 in 1991.

Among the 2006 cohort of male Canadian-educated immigrants, average annual earnings one year after landing were 48% lower than those of Canadian-born graduates. This gap narrowed to 34% six years after landing. Among female Canadian-educated immigrants, the earnings gap vis-à-vis Canadian-born graduates was 39% one year after landing and 32% six years after landing.

Most of these earnings gaps were accounted for by differences in the work histories of immigrant and Canadian-born graduates. Prior to becoming landed immigrants, 12% of male Canadian-educated immigrants had no work experience in Canada and 40% had prior work experience with annual earnings under $20,000. Among male Canadian-born graduates, virtually all had prior work experience and almost 90% had prior work experience with annual earnings of $20,000 and over. These patterns were broadly similar among women.

When group differences in prior Canadian work experience were taken into account, the earnings gap between Canadian-educated immigrants and Canadian-born graduates in the 2006 cohort disappeared among both men and women. Likewise, prior work experience accounted for much of the earnings gap observed among the 1991 cohort.

Canadian-educated immigrants had higher post-immigration earnings than foreign-educated immigrants, but prior work experience once again played an important role. Five years after landing, male Canadian-educated immigrants with no pre-landing work experience had annual earnings 20% below those of male foreign-educated immigrants. Among male Canadian-born graduates, almost 100% had prior work experience and almost 90% had prior work experience with annual earnings of $20,000 and over. These patterns were broadly similar among women.

Canadian-educated immigrants who accumulated pre-landing work experience fared far better relative to their foreign-educated counterparts.

Canadian-educated immigrants with three years of pre-landing work experience that paid less than $20,000 had annual earnings five years after landing that were similar to, or higher than, their foreign-educated counterparts. Those with three years of pre-landing work experience that paid $20,000 to $50,000 had annual earnings five years after landing that were 42% to 61% higher. For the approximately 10% of Canadian-educated immigrants who had three years of pre-landing work experience that paid more than $50,000, their earnings five years after landing were more than double those of foreign-educated immigrants. These differences in earnings were larger among the 2006 cohort than the 1991 cohort.
These results suggest that pre-landing Canadian work experience and earnings play an increasing role in differentiating the post-immigration labour market outcomes of university-educated immigrants.

The research paper "International Students, Immigration and Earnings Growth: The Effect of a Pre-immigration Canadian University Education," part of the Analytical Studies Branch Research Paper Series (11F0019M), is now available.

For more information contact us (toll-free 1-800-263-1136; 514-283-8300; STATCAN.infostats-infostats.STATCAN@canada.ca).

To enquire about the concepts, methods or data quality of this release, contact Feng Hou (613-608-4932; feng.hou@canada.ca), Social Analysis and Modelling Division.