

The Allocation of Immigrant Talent Across Countries: Earnings Gaps

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Introduction

Immigrants make up significant proportions of the population and labor force in many developed economies, but they face considerable challenges in navigating those labor markets, such as occupational regulations and licensing, lack of destination-specific skills, or outright discrimination. In our [recent working paper](#),¹ we studied how labor market barriers affect immigrant workers collectively and by occupation groups across the US and other destination countries.

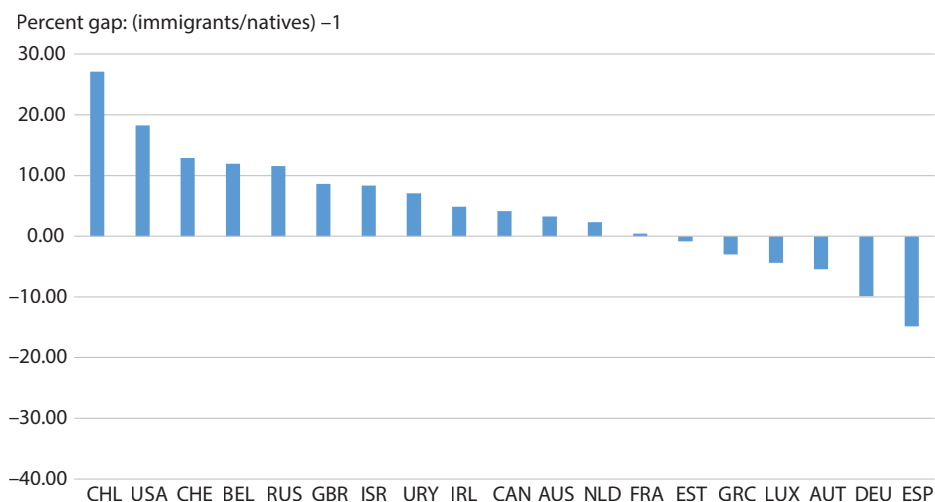
In a recent [blog post](#), we summarized cross-country empirical evidence from our paper of employment differences between immigrant and native workers across four occupation groups—non-routine cognitive, non-routine manual, routine cognitive, and routine manual.² Non-routine cognitive occupations include management and professional occupations; non-routine manual occupations include jobs like health aides and food workers; routine cognitive occupations include jobs like retail sales and

clerical workers; and routine manual occupations include jobs like construction and assembly workers. In this essay, we shift our focus to the *earnings* differences between immigrant and native workers across these four occupation groups.

Immigrant-Native Gaps in Earnings Across Occupations

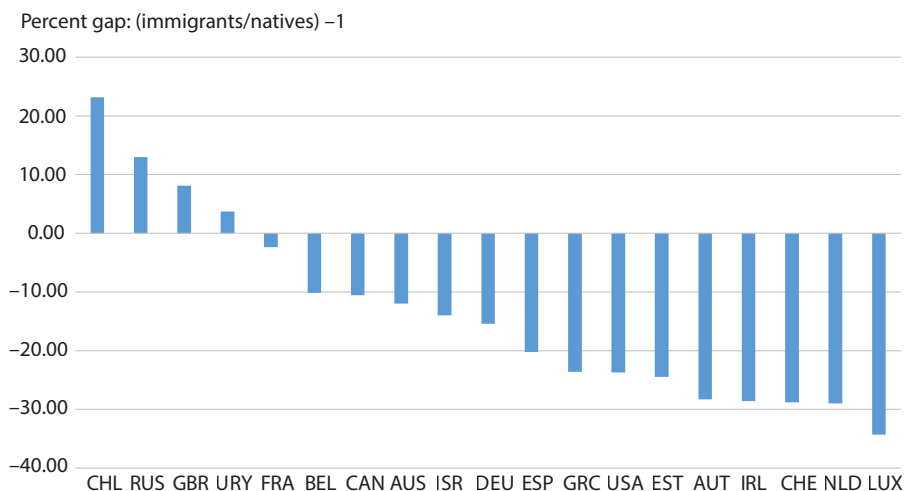
Individual-level data for the 19 countries in our analysis come from the [Luxembourg Income Study \(LIS\)](#). Figures 1-4 plot cross-country differences in average earnings between immigrant and native workers for non-routine cognitive, non-routine manual, routine cognitive, and routine manual occupations. For each occupation group, the y-axis gives the percentage difference, by country, between the earnings of immigrant and native workers in that group. A gap of -20%, for example, means immigrant workers earn, on average, 20% less than native workers in the same occupation group.

Figure 1
**Cross-Country Differences in Earnings Between Immigrant and Native Workers:
Non-routine Cognitive Occupations**



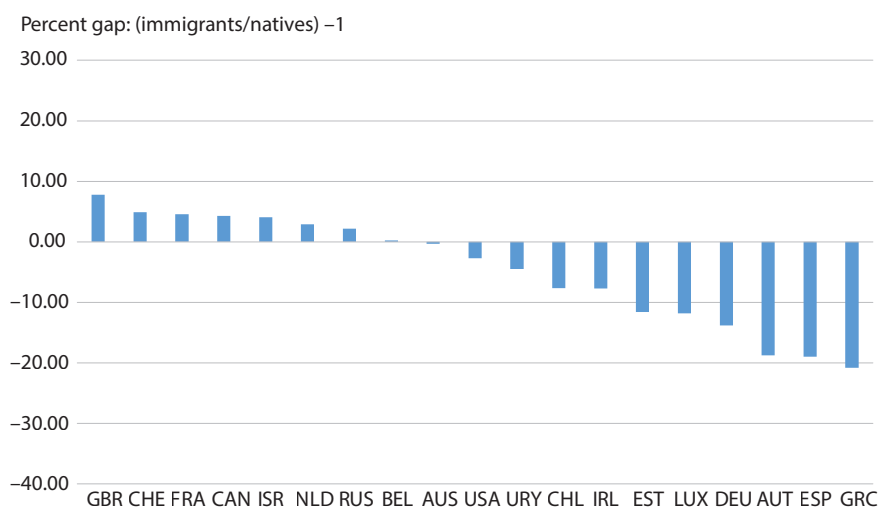
SOURCE: Luxembourg Income Study (LIS) database and authors' calculations.

Figure 2
**Cross-Country Differences in Earnings Between Immigrant and Native Workers:
 Non-routine Manual Occupations**



SOURCE: Luxembourg Income Study (LIS) database and authors' calculations.

Figure 3
**Cross-Country Differences in Earnings Between Immigrant and Native Workers:
 Routine Cognitive Occupations**



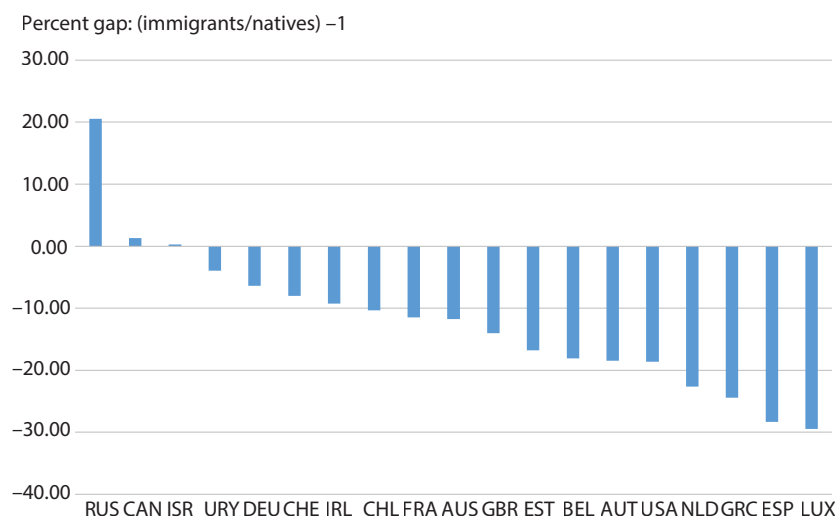
SOURCE: Luxembourg Income Study (LIS) database and authors' calculations.

In non-routine cognitive occupations (Figure 1), immigrant workers earn more on average than their native counterparts in about two-thirds of countries in our sample. Among these countries, immigrant workers lead by various magnitudes: Immigrants in Chile earn on average 27% more than native workers, while immigrants in Australia and the Netherlands earn only 3% and 2% more than native workers, respectively. The US notably has the second-largest positive gap in earnings between immigrant and native workers in non-routine cognitive occupations: At 18%, it

trails only Chile. While immigrants generally earn more on average than native workers in non-routine cognitive occupations, they are simultaneously underrepresented in this group—as noted in our previous [blogpost](#).

We also showed that immigrants are overrepresented in lower-paying jobs—that is, manual occupations. Figures 2 and 4 demonstrate that, on top of being overrepresented, immigrants generally earn less on average than native workers in both non-routine and routine manual occupations. The magnitudes of these gaps, again, vary greatly by

Figure 4
**Cross-Country Differences in Earnings Between Immigrant and Native Workers:
 Routine Manual Occupations**



SOURCE: Luxembourg Income Study (LIS) database and authors' calculations.

country: Immigrants trail in average earnings by anywhere from around 30% to less than 5%. For example, in non-routine manual occupations (Figure 2), immigrants in the US, Germany, and Canada earn on average 24%, 15%, and 11% less than native workers, respectively. In routine manual occupations (Figure 4), immigrants in the US and Germany earn on average 19% and 6% less than native workers, respectively, while immigrants in Canada actually earn more on average than native counterparts, albeit by only 1%.

Interestingly, in routine cognitive occupations (Figure 3), immigrants in roughly 60% of our sample countries earn less on average than native workers, while immigrants in roughly 40% of our sample countries earn more on average than their native counterparts. For two countries—Belgium and Australia—differences are negligible, so immigrants and natives earn about the same on average. Where immigrant workers earn less than native workers, earnings gaps are more diverse, ranging from 21% for Greece to about 3% for the US. But where immigrants earn more than native workers, it is always by less than 10%.

Conclusion

Our previous publications discussed important empirical facts on the gaps in employment by occupation group between immigrant and native workers. For the majority

of countries in our sample, immigrants are less likely to be in non-routine cognitive occupations, which have the highest average earnings. At the same time, they are over-represented in lower-paying occupations, particularly in non-routine manual jobs.

Exploring the immigrant-native gap along an earnings dimension paints a nuanced and richer picture of immigrant talent allocation. Though underrepresented in non-routine cognitive occupations, immigrants that are in this occupation group generally earn more on average than native counterparts. On the other hand, immigrant overrepresentation in manual occupations is compounded by the fact that they also tend to earn less on average than native counterparts. Differences in employment and earnings may reflect additional barriers that immigrants face in the labor markets of their destination countries, which we quantify in our [working paper](#). ■

Notes

¹ Views expressed do not necessarily reflect official positions of the Federal Reserve System or the Bank of Canada.

² In addition, the following essay discusses these empirical results in detail for the US: Birinci, Serdar; Leibovici, Fernando and See, Kurt. "The Allocation of Immigrant Talent in the United States." Federal Reserve Bank of St. Louis *Economic Synopses*, 2022, No. 23; <https://doi.org/10.20955/es.2022.23>.