

# **Immigration System, Labor Market Structures, and Overeducation of High-Skilled Immigrants in the United States and Canada**

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## **Abstract**

Why do high-skilled Canadian immigrants lag behind in labor market outcomes compared to their U.S. counterparts in spite of a merit-based immigration selection system and a more integrative context? The present study investigates a mismatch between immigrants' skills and occupations, operationalized by overeducation, as an explanation. Using comparable data and three measures of overeducation, we find that university-educated Canadian immigrants are consistently much more likely to be overeducated than their U.S. peers. The immigrant-native gap in overeducation rate is remarkably higher in Canada than in the U.S. Also, whereas labor market demand reduces the likelihood of overeducation in both countries, the role of supply-side factors varies: a higher supply of university-educated immigrants is positively associated with the likelihood of overeducation in Canada but not in the U.S., pointing to an oversupply of high-skilled immigrants relative to a smaller economy in Canada. Furthermore, in Canada the overeducation rate is significantly lower for immigrants that undergo employer selection (i.e., those first arrived as temporary foreign workers or students) than those who were admitted directly from abroad based on the point system, suggesting the role of an employment-based immigration system in coordinating immigrant supply with domestic demand. Overall, this study provides insight into how immigration system interacts with broad features of the labor markets to shape immigrants' labor market outcomes. A merit-based system will perform better when taking into consideration domestic labor market conditions.