

## Accepted Manuscript

Local signals and the returns to foreign education

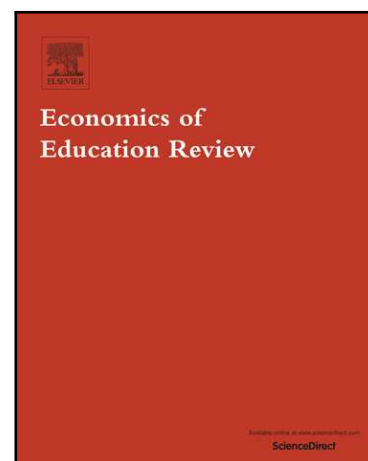
Massimiliano Tani

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## Local signals and the returns to foreign education

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Massimiliano Tani

School of Business UNSW Canberra Northcott Drive, Campbell ACT 2612

Email: m.tani@adfa.edu.au / m.tani@unsw.edu.au

Tel: +61 2 6268 8843

### 1. Introduction

There is common evidence that labour markets do not recognise foreign education in the same way as that acquired domestically even when immigrants are selected on the basis of their human capital, as in Australia, Canada and New Zealand. The wage penalty associated to foreign schooling can be substantial (Sweetman, 2004; Chiswick and Miller, 2008), as is the probability of ending up in a job that requires a lower level of education than the one possessed (McGuinness, 2006; Green et al, 2007; Wald and Fang, 2008; Poot and Stillman, 2007; Chiswick and Miller, 2009).

Although the penalty decreases with time spent in the host country, the causes of its emergence have been attributed to two broad competing explanations. The first suggests that foreign education is less transferable than the one acquired domestically because it is country-specific (Duleep and Regets, 1997 and 2002) or has lower quality (Bratsberg and Terrell, 2002; Betts and Lofstrom, 2000; Sweetman, 2004; Chiswick and Miller, 2010). The alternative explanation suggests that foreign education provides an imprecise signal of productivity, leading host country employers to offer wages that penalize individuals' qualifications in favour of group indicators of human capital, causing migrants to be 'statistically discriminated' (Farber and Gibbson, 1996; Altonji and Pierret, 2001; Lange, 2007).

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