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Economics of Education Review

journal homepage: www.elsevier.com/locate/econedurev

Occupation–education mismatch of immigrant workers in Europe: Context and policies[☆]



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ARTICLE INFO

Article history:

Received 8 November 2011

Received in revised form 31 May 2013

Accepted 5 June 2013

JEL classification:

I21

J24

F61

F22

Keywords:

Immigration

Occupational mismatch

Overeducation

ORU realized matches

Migration policies

ABSTRACT

This paper analyses occupational matching of immigrants from over seventy countries of origin to 22 European countries. Using European Social Survey for the years 2002–2009, we show that immigrants are more likely to be both under- and overeducated than the native born for the jobs that they perform. However, immigrants' outcomes converge to those of the native born with the years of labor market experience. The mismatch is due to immigrants' selection and sorting across countries. Notably, origin countries' quality of human capital, by affecting selection, mostly matters for undereducation of immigrants. Overeducation is determined to a greater extent by destination country economic conditions and labor market institutions. Immigrant-specific policies in destination countries, such as those improving labor market access, positively affect overall matching; however, other policies, such as those improving eligibility or aimed at antidiscrimination may aggravate overeducation by attracting a wider range of educated immigrants.

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1. Introduction

Immigrants' labor market outcomes are by far the key indicators of their success and integration in the receiving societies. However, one of the salient features is the mismatch between immigrants' skills, qualifications, and jobs. When one thinks of immigrants' labor market outcomes, she often pictures a Romanian engineer working as a cleaner in Italy or Greece, or a famous taxi driver being

a former scientist from Eastern Europe (Mattoo, Neagu, & Özden, 2008). Indeed, 22% of immigrants face overeducation in Europe, against only 13% of the native born. Overqualification reaches up to 35% of immigrants in some countries like Great Britain, and up to 47% in Portugal.¹ In addition to representing a certain “waste”, overeducation may also translate into persisting wage penalties (Chiswick & Miller, 2008, 2011a), potentially aggravating inequalities between immigrants and the native born.

A less common picture that one has in mind is of an African or Asian trader or cook, who, despite having a significantly lower level of schooling compared to the native born in the same profession, manages to succeed in the job. As it appears, the mismatch between immigrants' skills and qualifications is a complex phenomenon, and may also take the form of undereducation. In fact, up to

[☆] We would like to thank, without implicating, Barry Chiswick, Jean-Christophe Dumont, Mutlu Yuksel, Christophe Destais, Gunther Capelle-Blancard, Agnès Chevallier, Agnès Benassy-Quéré, seminar participants at CEPII, GAINS, CERGY, IZA Annual Migration Meeting, ESRA annual conference, and two anonymous referees for their helpful comments and suggestions. All remaining errors are ours.

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¹ Source: authors' calculations based on the European Social Survey; see details below.

16% of European immigrants have qualifications significantly lower than those required for the job. These are the individuals who, despite their low formal schooling, were positively selected from the talent and ability distribution in their origin countries. It is this talent that they are able to substitute for formal required schooling in certain jobs. These immigrants hence represent a certain success story, the one that is rarely revealed.

The contribution of this paper is two-fold. First, using the European Social Survey data, we provide Europe-wide evidence on the occupation–qualification mismatch of immigrants as compared to the native born. Previous studies have mainly focused on the US or on individual European countries. Second, we analyze the factors responsible for both types of the mismatch. Exploring differences across origin and destination countries, we organize the discussion around selection, sorting, and human capital transferability issues, with a special focus on the role of institutions and policies in destination countries.

The paper contains three main results. First, immigrants' mismatch relative to the native born is important and pervasive across all countries: immigrants are more likely to be both under- and overeducated in the jobs that they perform compared to the native born. These outcomes are consistent with the notions of both poor human capital transferability among better educated immigrants, and positive selection among lower educated immigrants.

Second, controlling for origin and destination specific effects, we show that the labor market outcomes of immigrants do converge to those of the native born, as the years of labor market experience increase. Most of this convergence is due to a better match of those immigrants who are overeducated upon arrival.

Third, and this is perhaps the most novel result in the literature, we report a differential impact of selection and sorting on under- and overeducation of immigrants. We are able to do so thanks to the rich data that cover several destination and origin countries, and thus allow controlling for bilateral effects. By doing so, we confirm the independence of selection and sorting suggested by [Grogger and Hanson \(2011\)](#) in the setting of occupational matching.

Specifically, controlling for the migration–decade–specific host country and origin continent effects, we identify the home and host country characteristics for immigrants' matching. Some destination country labor market institutions and institutional features, such as the degree of unemployment, trade unions, and the extent of a shadow economy, affect immigrants' mismatch. At the same time, immigrants' outcomes are determined to a large extent by immigrant-specific policies adopted in destination countries. For example, specific measures of labor market integration targeted at immigrants allow reducing their overeducation. However, some other policies, such as those promoting antidiscrimination, may actually lead to overeducation, by attracting educated immigrants from a wider range of ability. At the same time, quality of education in origin countries, by affecting selection, mostly matters for undereducation of lower educated immigrants.

Our paper contributes to bridging the gap between two strands of migration literature. The first is on immigrants'

assimilation in the labor markets. This literature examines immigrants' outcomes in terms of wages and return to education ([Chiswick, 1978](#); [Borjas, 1994](#)), employment ([Wheatley, 1998](#)), and occupational matching ([Green, 1999](#); [Amuedo-Dorantes & De la Rica, 2007](#); [Barrett & Duffy, 2008](#)). One of the common features of these studies is their focus on the assimilation process, or convergence of immigrants' outcomes to those of the native born. The mere possibility and the speed of assimilation, however, are inevitably linked to immigrant's selection and to the transferability of their skills ([Chiswick & Miller, 2009](#)), and we build in both issues into our analysis.

The second strand of literature is on cross-country differences as determinants of migration and assimilation. These differences are at the heart of migration selection models ([Borjas, 1987](#)). Thus, our paper is related to [Blau, Kahn, and Papps \(2011\)](#), who look at long lasting effects of origin country characteristics on immigrants' labor market outcomes at destination, as well as to [Mattoo et al. \(2008\)](#), who explain significant differences in the occupational attainment of immigrants in the US from different origin countries by quality of human capital and selection effects. However, these authors rely on a single destination country, thus not being able to distinguish selection (supply side) and sorting (demand side) effects, and this is a key difference of our paper.

The paper is organized as follows. Section 2 contains the literature overview on mismatch and its relevance for immigrants, organizing the discussion along the role of individual, destination, and origin-specific effects. In Section 3, we describe the data and give descriptive evidence on the occupation mismatch in Europe. Section 4 provides the results of the econometric analysis and their discussion. The last section concludes.

2. Why mismatch? A theoretical overview

2.1. Individual-specific reasons

Imperfect matching of education and jobs is a standard feature of labor markets in general, and has been documented for North America and Europe ([Chevalier, 2003](#); [Dolton & Vignoles, 2000](#); [Freeman, 1976](#); [Groot, 1996](#); [Rumberger, 1981](#)). Theoretical and empirical explanations of this phenomenon include, among others, the imperfect “screening” of workers' education by employers ([Spence, 1973](#)); the incorrect temporary matches due to imperfect information in the labor market ([Groot & Van Der Brink, 2000](#)); career building or conscious overeducation that can bolster promotion ([Sicherman & Galor, 1990](#)); the trade-off between, and hence a substitution of, different types of human capital, such as education and experience ([Sicherman, 1991](#)). The latter suggests that overeducation does not necessarily represent a waste, but may be an optimal, albeit temporary, outcome. It also implies that overeducated workers will typically have less experience, while undereducated workers will have more.

[Chiswick and Miller \(2009\)](#) offer a theoretical explanation to how these and other reasons may aggravate or mitigate the mismatch for immigrants, as opposed to the

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