



Contents lists available at ScienceDirect

International Economics

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



Wage expectations of illegal immigrants: The role of networks and previous migration experience



Rezart Hoxhaj ^{*,1}

University of Bari "Aldo Moro", Largo Abbazia S. Scolastica, No. 53, 70124 Bari, Italy

ARTICLE INFO

Available online 18 October 2014

JEL classifications:
F22
J31

Keywords:
Illegal migration
Wage expectations
Overestimation
Italy

ABSTRACT

In this paper, I use a unique survey on illegal immigrants apprehended in Italy to investigate migrants expected wages at the intended destination. The results show that – taking into account individual's human capital – a large part of immigrants overestimate the wage they could earn in Italy. We find that expected wages are positively affected by migration network and previous experience. When migrating within a network, skilled migrants do not expect higher wages compared to unskilled ones probably anticipating the 'skill waste' associated with the illegal status.

© 2014 CEPII (Centre d'Etudes Prospectives et d'Informations Internationales), a center for research and expertise on the world economy Published by Elsevier Ltd. All rights reserved.

1. Introduction

"I came to America because I heard the streets were paved with gold. When I got here, found out three things: First, the streets weren't paved with gold; second, they weren't paved at all; and third, I was expected to pave them".

Anonymous Italian immigrant in Ellis Island, New York in early 1900s

Expectations about future condition in the destination country are a fundamental determinant of emigration. Anecdotal evidence, such as the quote above suggests that often migrant's expectations at the time of the move are not met in reality. The mismatch between expectations and realizations

* Tel.: +39 32 7934 7909.

E-mail address: hoxhajrezart@yahoo.it

¹ Permanent address: Via Benedetto Lorusso No. 89, 70124 Bari, Italy.

depends on the uncertain nature of human life but also on *a priori* unrealistic and/or wrong expectations based on inaccurate information about life conditions and earning potential at destination. Many studies underline how the socio-economic behaviors of return or visiting immigrants might incorrectly shape the perception of residents about life abroad. According to Gmelch (1980) return immigrants have the tendency to emphasize mainly their positive experiences in the host country in order to show their successful migration experience. For instance status consumptions by return migrants might convey signals of high returns associated to the migration experience to family and friends in the home location. Also mass media have an important role on the formation of expectations. The TV broadcasting has significantly influenced the perception of young Albanians on the life conditions in Italy. Braga (2010) and Mai (2004) found a positive relation between exposure to Italian TV shows and propensity to migrate out of Albania. These studies suggest that emigrants often undertake an experience abroad with overoptimistic expectations about life at the destination country. A recent paper by McKenzie et al. (2013) on emigration from Tonga to New Zealand finds evidence of underestimation of potential wages. As explained by the authors, these results may depend heavily on the specific socio-economic and cultural environment of Tongan Islands.

The aim of this paper is to shed light on the accuracy of wage expectation of illegal immigrants. In order to examine the research question I use a unique data set on illegal immigrants apprehended in Italy at the moment they were crossing the border or shortly after (Survey on Illegal Immigrants in Italy, SIMI henceforth). The data set contains a rich set of information on individual characteristics as well as on migrants' expectations at the moment when the migration decision took place. SIMI includes emigrants from 55 origin countries crossing the Italian borders in 2003. In order to evaluate the accuracy of expected wage, I firstly employ a Mincer wage equation in order to estimate for each illegal migrant included in SIMI a potential wage. The potential (or benchmark) wage is derived under the hypothesis that migrants in SIMI can access the same pool of job opportunities available to (legally residing) foreign workers in the Italian labor market in the same period. An initial raw measure of accuracy is then derived by comparing expected wages with the estimated predicted wage. Secondly I investigate the role of different sources of information available to individuals before migration – in particular migration networks and previous experience at destination – in shaping wage expectations.

To the best of my knowledge, this is the only paper – together with the study of McKenzie et al. (2013) on Tonga – that investigates the accuracy of the wage expectation of emigrants and its main determinants. While McKenzie et al. (2013) focuses on legal migrants from Tonga – a small country with a longstanding migratory history – I focus on illegal migrants originating from several origin countries.

I find that emigrants on average overestimate the wage that they can get abroad. It is worth to note that the benchmark potential wage is computed using information on the job market performance of legal migrants in Italy. The comparison does not take into account the fact that wages of illegal migrants are likely to be lower than those of legal migrants with the same human capital characteristics. A recent study by FRDB and EBRD (2010) shows an average wage difference of approximately 12% between legal and illegal immigrants in Italy. Hence, the overestimation found in this paper might be even larger.

The data in hand allows me to analyze the role of two types of networks (i) network ties in the country of destination; and (ii) networks in countries other than the destination. The separate specifications are relevant since they contribute to the nascent literature on the impact of network typologies (Elsner et al., 2014; Somerville, 2011). I found a significant positive impact of networks on wage expectations. In addition, networks reduce the impact of individual skills and human capital on expected wages. This finding seems to suggest that networks convey information on the low returns from human capital in the destination country associated with the status of 'illegal migrant', i.e. a skills waste. Similarly, previous direct experience in the country of destination leads to higher wage expectations. Experienced immigrants can better exploit their direct knowledge of the destination country and better employ their skills (DaVanzo, 1983).

The paper is organized as follows. Section 2 presents a short review of the related literature. In Section 3 I describe the data set used in the analysis and provide descriptive statistics. Section 4

Download English Version:

<https://daneshyari.com/en/article/997912>

Download Persian Version:

<https://daneshyari.com/article/997912>

[Daneshyari.com](https://daneshyari.com)