

# Immigrants' occupational mobility—Down and back up again

The occupational status of most immigrants initially declines but then increases

Keywords: occupation, immigration, skill transferability

## ELEVATOR PITCH

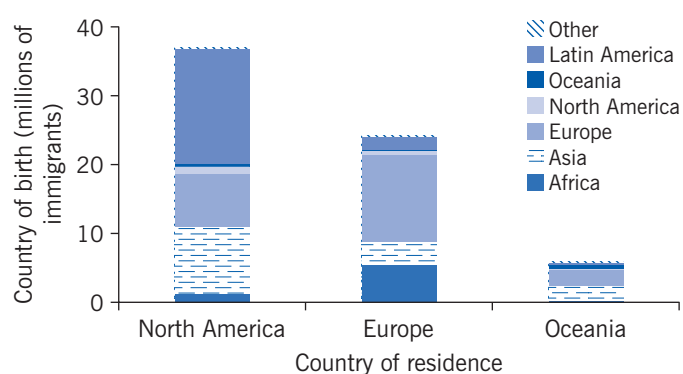
Evidence suggests that immigrants face an initial decline in their occupational status when they enter the host country labor market but that their position improves as they acquire more country-specific human, cultural, and occupational capital. High-skilled immigrants from countries that are economically, linguistically, and culturally different from the host country experience the greatest decline and the steepest subsequent increase in their occupational status. In the context of sharp international competition to attract high-skilled immigrants, this adjustment pattern is contradictory and discourages potential high-skilled migrants.

## KEY FINDINGS

### Pros

- ⊕ After a sharp initial decline, high-skilled immigrants experience a steep increase in their occupational status.
- ⊕ Proficiency in the dominant language in the host country is a key variable facilitating skill transferability.
- ⊕ High occupational mobility is desirable because it can attract high-skilled workers and lead to efficiency gains and stable careers.
- ⊕ High occupational mobility enables a rapid response to temporary shortages in occupation fields.

Migration patterns vary by home and host country region



Source: Calculations based on OECD migration statistics 2014. Online at: <http://stats.oecd.org/>

### Cons

- ⊖ Migrants' skill transferability is hampered by differences in institutions, cultural norms, and technologies between home and host countries.
- ⊖ Language deficiency can motivate return migration or circular migration, even of high-skilled migrants.
- ⊖ Low occupational mobility leads to occupational mismatch and persistent over-education, pushes immigrants into the social welfare system, and depresses wages.
- ⊖ Low occupational mobility can discourage high-skilled immigration.

## AUTHOR'S MAIN MESSAGE

Migrants' occupational mobility is related to cultural and linguistic similarities between home and host countries, migration motives, and occupational skills. Most migrants experience an initial decline in occupational status followed by a rise. Declines are steepest for high-skilled migrants from developing countries with no historical ties to the host country. Skill transferability is facilitated by language proficiency and impeded by occupational barriers and lack of country-specific capital. Policies should help migrants invest in country-specific capital, such as learning the language and the formal and social codes of relevant occupations.

## MOTIVATION

In the age of globalization, growing numbers of people move to another country either temporarily or permanently. Recent migration flows are dominated by refugees, labor migrants, and their family members. Although migration is a constant in human history, many contemporary immigrant workers face serious problems of skill transferability in advanced labor markets, where skills are highly formalized and often country-specific. Immigrants usually experience a skill-degradation upon arrival: they enter lower-skilled occupations than those they pursued in their home country.

Occupational mismatches are a serious concern because they are associated with significant socio-economic costs for workers, firms, and national economies. Immigrants from developing countries are the most affected, often experiencing social, economic, and spatial integration problems in host countries. For workers, the lower returns to skills have long-lasting effects on their socio-economic and health status as a result of lower job satisfaction, frustration, and unstable careers. For firms, the lower returns to skills are associated with lower employee motivation and productivity and higher turnover rates, leading to higher costs for screening, recruiting, and training. For national economies, inefficiencies in matching lead to higher unemployment and place extra burdens on social welfare systems. The social costs of the mismatch are possibly even higher.

## DISCUSSION OF PROS AND CONS

### Occupational adjustment—Skill and job mismatches

The occupational adjustment of immigrants is a pivotal mechanism in immigrants' labor market performance. Human capital (schooling and job experience) is occupation specific, and occupations, to a large extent, determine earning levels [1]. The costs of changing occupation are high, so most workers tend to avoid doing so. Occupational mobility is higher in flexible labor markets, such as the US, while it is relatively low for tightly regulated labor markets, as in Europe. In regulated markets, the basic requirements to qualify for an occupation are usually narrowly defined, including years and type of formal education completed and years of experience, which potentially impedes mobility between different types of jobs and occupations [2].

In today's labor markets, new jobs are increasingly high-skilled and require strong cognitive skills, including interpersonal interactions, language facility, cultural capital, and social relations [2], [3]. Workers are expected to follow implicit social norms and to be proficient in the common local language and the communication skills needed to function in a complex organizational structure. For immigrants, other invisible barriers include lack for familiarity with labor market, occupational, and other institutions and task-specific skills in the host country. As a result of all of these factors, some immigrants in countries with generous welfare programs may not be motivated to look for work. In this context, immigrants are less likely to be employed and to be occupationally mobile.

Empirical studies have examined the occupational adjustments of immigrants by applying the concept of over- and under-education, based on the assumption that each occupation has a reference level of education. Workers whose education level is above the reference level are considered over-educated, while workers whose education level is below the

reference level are considered under-educated. Several approaches have been applied to examine education–occupation mismatches. Some studies use a worker's self-assessment of how well their education matches the required education for the job. Others apply the “realized matches” approach, which relates actual education level to the mean education level for each occupation, a regularly used reference level [4]. Still other studies apply composite measures of occupational outcome, such as the International Socioeconomic Index of occupational status and the Erikson-Goldthorp class categories, which capture relative differences in power relations at the workplace, prestige, educational requirements, and earnings [2]. The evidence suggests that the choice of methodology has little impact.

A theoretical and empirical regularity appears in studies for Australia, Canada, New Zealand, the US, and European countries: immigrants start at the lower end of the occupational distribution after arrival and subsequently increase their occupational status as they acquire more host-country-specific capital [2], [3], [4], [5], [6], [7], [8]. These studies find that immigrants entering host country labor markets and navigating across jobs follow a particular pattern that is associated with similarities in language, culture, and educational and labor market institutions between their home and host country.

Immigrants have a limited set of job opportunities when they first enter the labor market in the host country. Their occupational mobility is blocked by formal barriers (such as required licenses, credentials, certifications) and a lack of country-specific capital because of linguistic deficiencies, lack of familiarity with cultural and social norms, limited access to effective search channels, and so on. In such an environment, immigrants tend to accept less desirable jobs involving more repetitive and manual tasks and a lower degree of cognitive skills (analytical, interpersonal, and linguistic skills) [3].

The theoretically predicted improvement in the occupational status of immigrants over time seems to be obstructed in countries where the labor market is relatively rigid and welfare programs are less developed than in Western European countries. An example is Spain, where higher-educated immigrants, including Spanish-speaking immigrants from Latin America, experience little improvement in their occupational status over time in the Spanish labor market [9].

### **Skill transferability varies by occupation, origin country, and migration reason**

Formal schooling and job experience are substitutable for each other in many jobs. Labor market entrants take jobs for which a lower level of education is required. As they gain experience, they climb the occupational ladder quickly. In contrast, older workers tend to have less schooling than entrants but more experience within the occupations they are engaged in.

Occupational skills, both formal schooling and job experience, are not perfectly transferable internationally. The degree of transferability varies across occupations, with less transferability for occupations that require a high share of country-specific capital and more transferability for occupations that entail more general skills. Consider three high-level occupations: computer programmer, psychologist, and lawyer. Of the three occupations, the skills of the computer programmer may be the most transferable since English is a common language among programmers and the programming practice is fairly similar internationally. The psychologist may need more country-specific skills,

such as local language and style of practice. Legal skills are likely the least transferable across countries because of fundamental differences in legal systems, which are rooted in tradition and tied to cultural values, norms, and language.

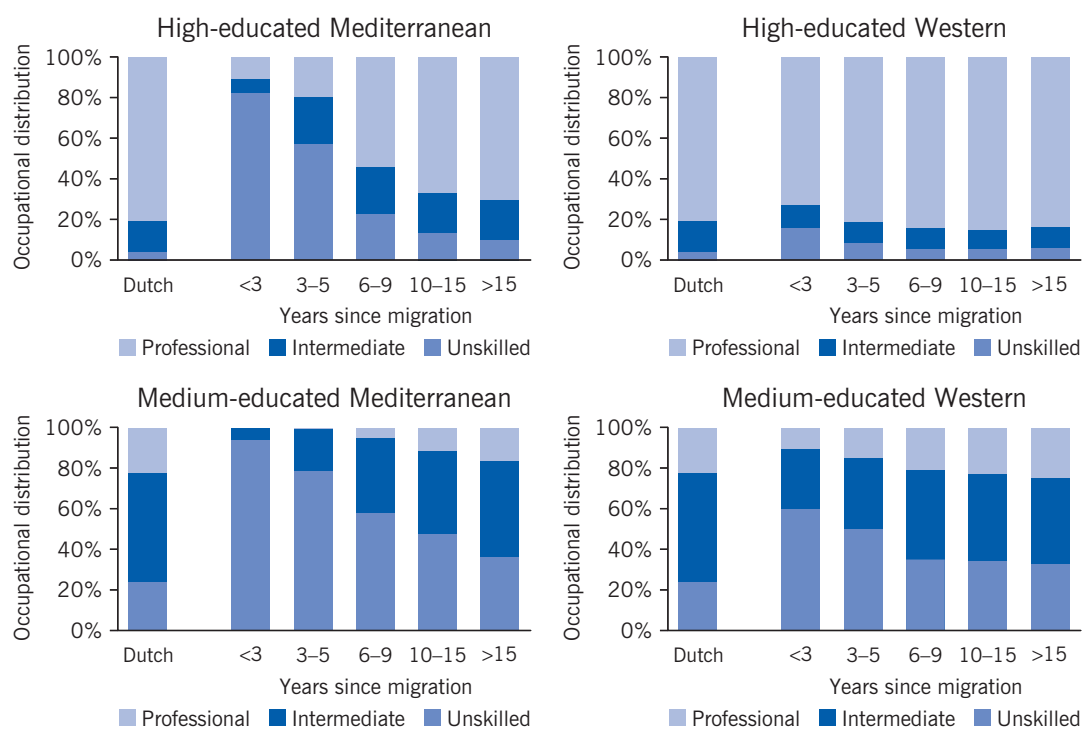
Most immigrants experience a decline in occupational status between their last job in their home country and their first job in the host country but then see a subsequent increase in occupational status as they accumulate more host-country-specific capital. This trajectory traces a U-shaped pattern [4]. The size of the subsequent increase in occupational status is related to the size of the initial decline. The sharper the initial decline, the steeper the recovery tends to be. The depth of the U varies, however, across groups of immigrants according to the degree of similarity between home and host countries. Immigrants from countries that are culturally and linguistically similar to the host country will experience small initial declines and small subsequent increases—a shallow U. But immigrants with very different cultural and linguistic backgrounds than native-born workers will experience a steep decline and a steep increase—a deep U [2], [8].

Immigrants who experience a sharper decline in occupational status have relatively low opportunity costs (meaning that the benefits they could have gained from taking an alternative action are relatively small) of investing in host country human capital, so they quickly improve their status. The key mechanism behind this steep increase is the inclination to invest in host-country-specific skills [10]. High-skilled immigrants in less-skilled jobs will have strong incentives to acquire new complementary skills, and the opportunity costs of such investments are low because of the relatively low current return to their skills and their greater ability to learn new skills.

In advanced knowledge economies, many high-skilled jobs are associated with tacit country-specific skills [2], [3]. Cultural and social codes associated with these jobs are rarely articulated in explicit rules and yet deviations from these codes may result in rejection or exclusion. Higher-skilled immigrants from developing countries that are linguistically and culturally different from host countries likely lack these cultural codes and face a low degree of skill transferability. This is illustrated in Figure 1, which depicts, by educational status, the occupational adjustment patterns of immigrants in the Netherlands from Turkey and Morocco (Mediterranean) and from developed OECD countries (Western). Mediterranean countries are economically, culturally, and linguistically different from the Netherlands, whereas Western countries are fairly similar. This is reflected in their patterns of occupational adjustment. While almost 90% of high-educated immigrants from Mediterranean countries start with lower-skilled jobs, in subsequent years they experience a sharp increase in occupational status so that within six to nine years almost half of them have a professional job and within 15 years almost three-quarters do. The adjustment profile of Western immigrants is much shallower, with just a quarter of them starting with lower-skilled jobs, and the share with high-skilled jobs reaching 82% in three to five years and staying close to that level thereafter.

The occupational status of high-skilled immigrants with few transferable skills is expected to experience a deep U, while the occupational status of unskilled and low-skilled immigrants is expected to experience little decline in occupational status and only a small subsequent increase. Over time, all immigrants will attend additional training and accumulate host-country-specific knowledge, boosting the transferability of their original skills to the level of native-born workers in the host country.

Figure 1. Occupational adjustment profiles for migrants in the Netherlands differ considerably by education level and home country, 2004–2005



Note: High-educated are those with a college and university education; low-educated have primary education or less; medium-educated are all others.

Source: Zorlu, A. Occupational adjustment of immigrants in the Netherlands. *Journal of International Migration and Integration* 14:4 (2013): 711–731 [2].

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Among immigrants, refugees generally have a larger cultural and linguistic distance from the host country because their migration is determined by (exogenous) humanitarian factors such as war and disaster, unlike the case of labor migrants, who move for economic motives. Refugees experience a sharp initial decline in occupational status and a steep subsequent recovery. Typically, their occupational skills are home-country-specific and not easily transferable to the host countries. The occupational status of migrants who move to reunite with family members abroad or to form families or partnerships will also trace a deep U pattern because their migration decisions are determined largely by family matters and their economic incentives would be less important than their desire to rejoin their family.

The empirical evidence indicates distinct occupational adjustment patterns for immigrants in European welfare states and English-speaking countries (Australia, Canada, New Zealand, the US). In European countries, immigrants, in particular high-skilled immigrants from non-Western countries experiencing a drastic initial decline in occupational status are unable to catch up to their native counterparts with the same educational level, implying long-lasting effects of the initial decline. Immigrants with fewer problems with skill transferability seem to recover after a fairly short adjustment period. By contrast, immigrants in English-speaking countries seem to quickly make up for much of the initial loss in occupational status, though this might not hold for more recent immigrants in the US because the composition has changed [11].

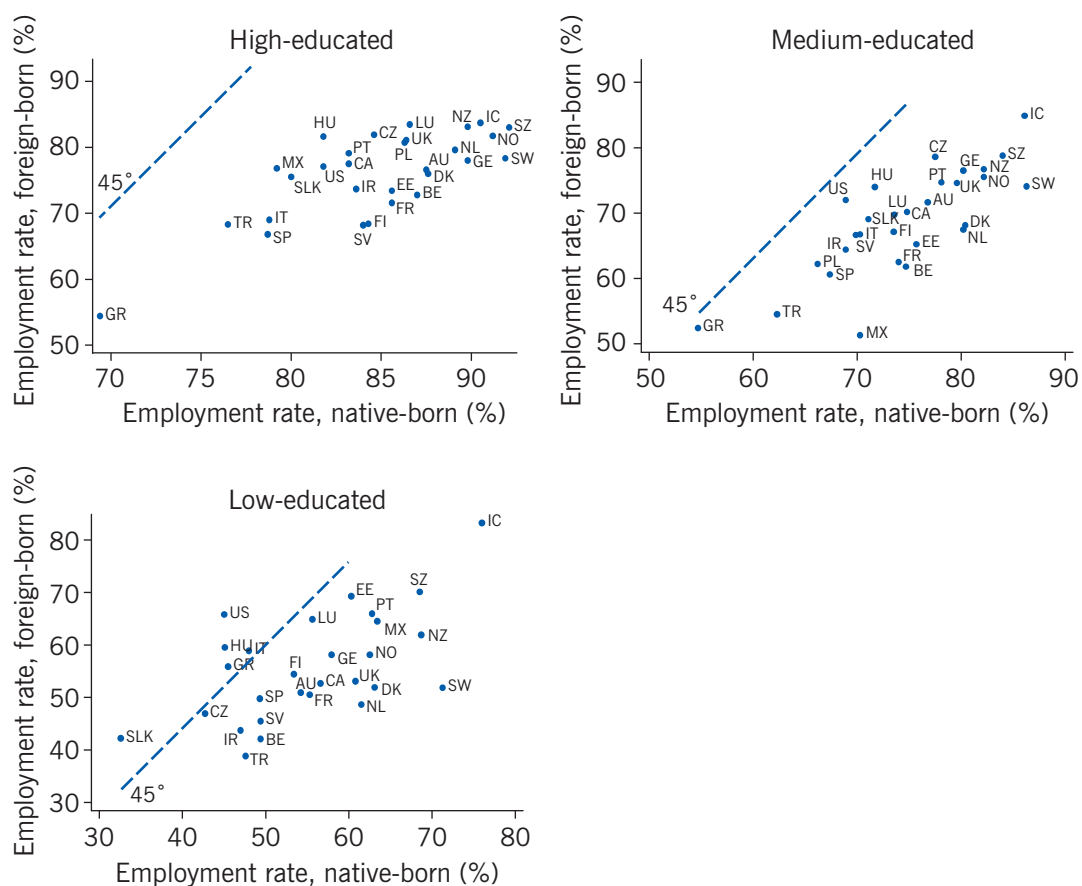
### Job search and matching

Mismatches of skills and jobs are caused by imperfect information. They are temporary and disappear as the information gaps between employers and employees diminish. On arrival in the host country, immigrants often take jobs requiring lower skills than their home-country occupation did. These immigrants climb the occupational ladder as they become better informed.

In principle, immigrants face intensive information problems when searching for jobs because they know little about the host country labor market institutions and because they have only weak contacts with social networks, formal mediating organizations, and other search channels. As a result, the skill and job mismatch is greater for immigrants than for native-born workers. This mismatch may be even more severe than it appears if high unemployment among immigrants discourages them from looking for work because they believe that their probability of finding a suitable job is low.

Figure 2 compares the employment rate of immigrants and native-born workers in OECD countries by education level. High- and medium-educated immigrants have significantly lower employment rates than high- and medium-educated native-born workers in almost all OECD countries. Accordingly, their unemployment and non-employment are significantly

Figure 2. Employment rates of immigrant and native-born workers, by education level, 2014



Source: Author's own calculations based on OECD migration statistics 2014. Online at: <http://stats.oecd.org/>

higher than for native-born workers in European welfare states. In contrast, employment rates of low-educated immigrants are similar to those of the native-born population. This suggests that the observed occupational degradation is lower than the actual level. It is likely that most non-employed and unemployed immigrants would not have accepted a job below their true occupational level. In other words, a relatively high inactivity rate among higher-skilled immigrants may indicate a significant non-acceptance rate of job offers; i.e. immigrants who have had a lower job offer than their expected level might not have accepted this job offer and may remain inactive. On the other hand, this option is not likely for low-educated immigrants as indicated by a small native-immigrant inactivity gap. For these immigrants, there is little room for a lower job offer. So, their (implicit) non-acceptance rate may not be relatively high.

### Signaling to employers

Signaling theory views schooling as a signal to potential employers of unobserved (and observed) ability of job applicants. In that case, because employers would have less knowledge about the quality of foreign education, foreign schooling would be a less adequate indicator of ability than schooling acquired within the host country education system. Thus, because employers are less able to estimate the true productivity of an immigrant worker, they tend to value foreign schooling and experience less than local schooling and experience.

Jobs in high-knowledge and high-technology economies are increasingly high-skilled, requiring sophisticated interpersonal, analytic, and cognitive skills that depend heavily on proficiency in a common language. Productivity is determined not only by formal training but also by imperfectly observable secondary factors such as motivation, work attitude, communication and interaction skills, and teamwork. As it is more difficult to accurately evaluate these characteristics among immigrants than among native-born workers because of different cultural codes and behavioral norms, employers will use stereotypes about the country of origin as a signal of these secondary factors; for example, immigrants from country X are lazy while immigrants from country Y are hardworking and ambitious. That makes it almost inevitable that immigrants will end up in less-skilled occupations that do not align well with their occupational status in their home country. As employers learn more about the productivity of immigrants over time, immigrants will climb higher on the occupational ladder. Some part of the occupational adjustment of immigrants may thus be explained by this bridging of the information gap about true productivity.

### Selection in the home country

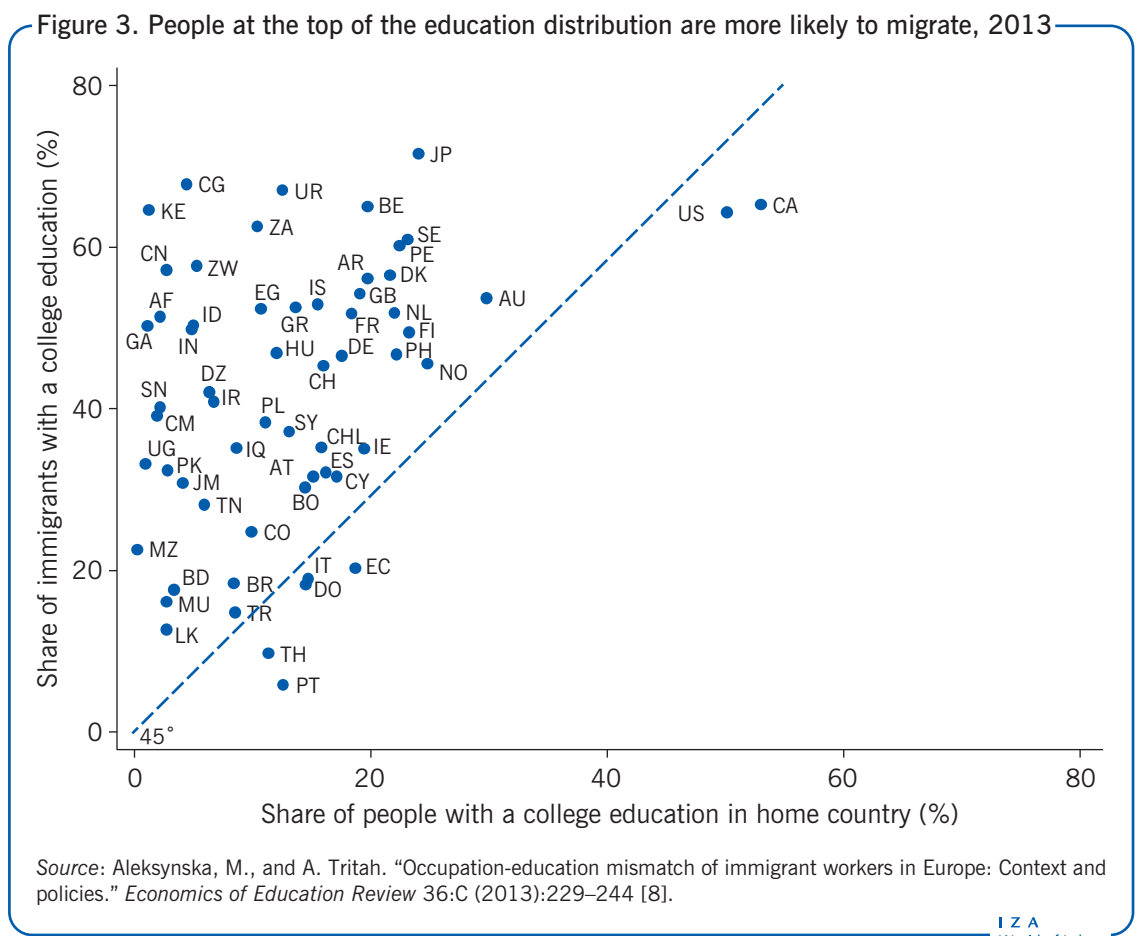
Economic theory suggests that the relative degree of income inequality in home and host countries influences the return to skills, the cost of migration, and the skill distribution of migrants. Thus, immigrants from countries where incomes are more unequally distributed than in the host country would be largely lower skilled, while immigrants from countries where income is more equally distributed are more likely to be higher skilled.

This line of reasoning suggests that immigrants to north-western Europe—where welfare systems are more generous and income distribution is more equal—may be lower skilled since the income distribution is more unequal in the immigrants' home countries than in their host countries. When income distributions are not extremely different, the cost

of migration can differentially influence migration decisions across the levels of the skill distribution. Moving costs are related to several comparative factors in home and host countries, such as distance between countries, cultural similarities, common language, and colonial history.

If moving costs are high, only people with better economic prospects in the potential host country will migrate, and their skills will be less valued—that is, they will be over-educated. If moving costs are low because two countries share a common colonial history, including similarities in education system, language, and labor market institutions, a high transferability of skills and a correspondingly better match of skills and jobs would be expected. A common colonial past reduces the likelihood of over-valuation of formal education but does not influence under-valuation of skills. Immigrants from former colonies therefore experience less of a skill mismatch. And low-skilled immigrants can more easily migrate thanks to lower moving costs.

Figure 3 depicts the self-selection of immigrants from the population of home countries. People in the upper percentile of the education distribution in their home countries are more likely to migrate (positive self-selection). These immigrants have potentially high adjustment abilities and, accordingly, would present little burden to the host country. This positive self-selection clearly favors host countries, which do not have to finance the costly education of immigrants while benefiting from their previous education in their home country. In contrast, the home countries of immigrants lose the most able segment of their population (“brain drain”).





## Immigrant sorting across host countries

The occupational mobility of immigrants is related to the quality of immigrants in the host country labor market since both formal qualifications and motivation are essential drivers of investment in country-specific capital and occupational mobility. Immigrants' choice of host country is not random. It is likely influenced by a country's economic attractiveness and its immigration and integration policies, as well as by the presence of networks of former migrants from the home country, geographic distance, and cultural and linguistic similarities. Common colonial histories also appear to shape the route of migration flows. Many migrants prefer moving to the country that formerly colonized their own because its institutions, education system, social norms, and language are similar to those in the country from which they are migrating. While existing diaspora networks facilitate migration by reducing communication and transportation costs, bilateral similarities provide a solid basis for a high degree of skill transferability. Immigrants in European countries consist largely of four main groups: immigrants from former colonies, immigrants from guest-worker-sending countries, asylum migrants, and labor migrants from other developed economies. A substantial share of immigrants in France, the Netherlands, Spain, and the UK, for example, are from former colonies, such as Suriname, Southeast Asia, North Africa, and Spanish-speaking Latin America. Asylum seekers tend to aim for countries with favorable migration policies and where they have family ties and social contacts.

## LIMITATIONS AND GAPS

The model of occupational mobility of immigrants predicts different adjustment patterns depending on the reason for migration. It is often argued that non-economic migrants would have occupations that include a high intensity of home-country-specific skills that are less applicable in host countries, such as teachers in home-country languages, lawyers, and army officers. However, lack of appropriate data has prevented research into differences in adjustment patterns based on migration motive.

Furthermore, the empirical evidence suggesting that proficiency in the dominant host country language is pivotal in determining occupational adjustment comes predominantly from English-speaking countries, such as Australia, Canada, and the US. There is very little evidence on the interactions between languages in European countries and occupational mobility, except for some evidence for Spanish. Recent evidence from Spain suggests that immigrants from Latin America gain little in the Spanish labor market from speaking a common language [9]. Moreover, the role of English in several small Scandinavian countries needs to be assessed in greater detail since it is widely spoken in these countries, and increasingly a language of instruction for many high-skilled occupations.

The literature indicates varying occupational adjustment profiles by home country of immigrants. In general, immigrants from developed economies or former colonies seem to face only a small decline in occupation status and then a small rise as they catch up with native-born workers, while asylum migrants experience a sharp decline in occupational status on entry and do not catch up to their native-born counterparts in education. However, there is no evidence for links between occupational adjustment and the choice of host country based on host country migration policies, social ties, language skills, and the like.

The high economic inactivity rate among immigrants from countries that are very different from the host country suggests that some part of occupational degradation might be

masked by the fact that these migrants reject lower-skilled job offers in European welfare states. Occupational mobility of immigrants may also be influenced by selective return migration when less successful immigrants who face the biggest skill degradation or unemployment are more likely to leave the host country.

Immigrants from countries that share fewer characteristics with the host country experience a sharp decline in occupational status followed later by a large increase. The under-valuation of skills has been attributed to the lack of country-specific capital, lack of information, and quality differences in skills. Little is known about the additional impact of legal or implicit restrictions on access to occupations, which may prevent immigrants from transitioning smoothly from their last home-country job to their first job in the host country. In addition to existing discrepancies between the required occupational skill levels in host countries and the occupational skills acquired abroad by immigrants, labor market discrimination may prevent or delay the occupational adjustment. But there is virtually no empirical study on discrimination and its long-lasting effects on the occupational mobility of immigrants.

Finally, there are indications of changes in the skill mix in the home countries and in motives for migration among immigrants moving into Europe. Research needs to examine these changes by monitoring the nature of immigration flows over time. To develop effective policies, an adequate assessment of immigrants' actual skill endowments and language abilities at the point of arrival is essential.

## SUMMARY AND POLICY ADVICE

Evidence suggests that immigrants' occupational adjustment follows a U-shaped pattern. This pattern is steepest for highly-educated immigrants who come from developing countries that are linguistically and culturally different from the host country and whose migration decisions are driven mainly by humanitarian reasons rather than economic incentives. Language ability appears to be a key variable in predicting the degree of skill transferability in this context. Since an increasing number of jobs require a high level of cognitive skills and interpersonal interactions, language ability is an essential tool for better matching of skills and occupations.

Policies should aim to reduce the information gap that leads to the under-valuation of the formal qualifications and experience acquired abroad relative to the skills required for host-country occupations. Policy interventions can improve transparency in how formal skills and qualifications are recognized and assessed. For instance, the skills and experience required for a vacancy for medical doctors or computer programmers can be clearly described, leaving little room for preferences that often unduly favor native-born workers. In addition, asking recruiters to document the selection considerations used to identify successful applicants, in terms of job requirements and the quality of candidates, can improve recruiters' performance and enable immigrant job applicants to learn more about weight assigned to various qualifications and employers' recruitment behavior.

The empirical research provides solid evidence of a decline in the occupational status of immigrants upon arrival, whatever their country of origin. For the most disadvantaged immigrant groups, the effects of this decline are long-lasting. This suggests that the best policy interventions would support newly arriving immigrants in investing rapidly in country-specific capital, including gaining fluency in the dominant language and learning the formal and social codes of relevant occupations.

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### **Competing interests**

The IZA World of Labor project is committed to the *IZA Guiding Principles of Research Integrity*. The author declares to have observed these principles.

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### Further reading

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