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SKILL MISMATCHES IN THE EU: IMMIGRANTS vs. NATIVES

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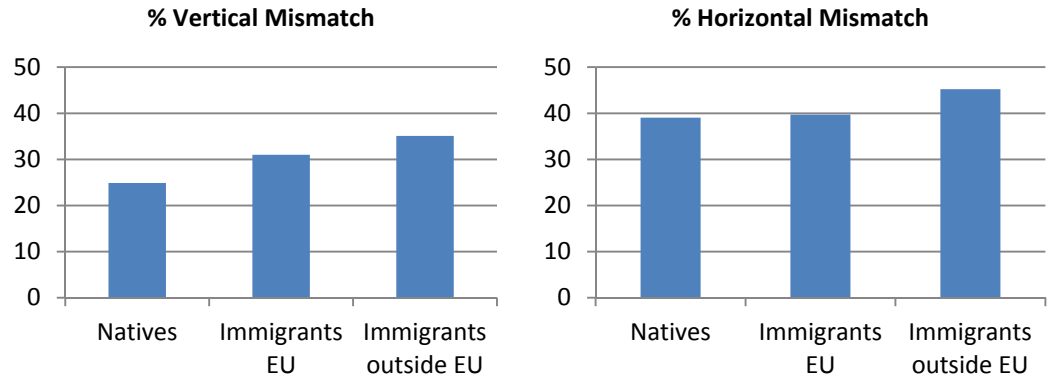
OBJECTIVE

The aim of this paper is to analyse whether there are differences in the probability of having skill mismatch between immigrants from EU countries, immigrants from non-EU countries and natives. We also focus our interest on the role of immigrants' process assimilation, i.e. in analysing whether immigrants manage to reduce the probability of having skill mismatch as years of residence in the host country increase. Using a decomposition method, we finally try to explain the differences in the probability of having skill mismatch between both types of immigrants and natives.

MAIN RESULTS AND POLICY IMPLICATIONS

We consider both vertical and horizontal mismatch as indicators of skill mismatch. In particular we consider workers as overeducated if their level of education is higher than the one required for their jobs, whereas we consider workers as horizontally mismatched if their field of education is different from the one required for their job. Using Adult Education Survey (AES) database, we obtain that the incidence of both types of skill mismatches is higher for immigrants than for natives.



In particular, we obtain that the 25% of natives are overeducated whereas this percentage corresponds to 31% for immigrants from UE countries and 35% for immigrants from other countries. On the other hand, the percentage of horizontal mismatch for both natives and immigrants from UE countries is around 40% whilst immigrants from countries outside UE have a percentage of 45%. Hence, although the incidence of horizontal mismatch is higher than vertical mismatch for all groups, we observe more differences between natives and immigrants in the incidence of vertical mismatch.

We estimate probabilistic models in order to check differences in the probability of having vertical and horizontal mismatch between immigrants and natives once we control for personal and labour characteristics. We obtain different results depending on the type of skill mismatch we study. On the one hand, there are no significant differences in the probability of having horizontal mismatch between immigrants and natives once we have controlled for other observable characteristics. On the other hand, we find significant differences in case of vertical mismatch. Immigrants from EU countries have a 29% higher probability of being overeducated than natives, whereas the percentage corresponding to immigrants from non-EU countries is 46%.

Concerning the process of assimilation of both types of immigrants, we include the interactions between years of residence and both types of immigrants. The results show that by an additional year of residence in the host country, the probability to be overeducated for immigrants from outside EU countries is further reduced than the respective for immigrants for EU countries in comparison to natives. In particular, the probability to be overeducated for an immigrant from EU country is reduced 2.1% by year of residence in the host country. Moreover, this percentage is reduced 3.2% by additional year for immigrants from countries outside EU. That is, although immigrants from countries outside EU have a higher probability to be overeducated, their process of assimilation is faster than the one for immigrants from EU countries.

Next, we focus our interest on the differences in the probability of being overeducated between immigrants from EU countries and from non-EU countries and natives. The method we use allows us to decompose the differences into two components: the first one shows the part of the difference in the probability of being overeducated due to differences in observable characteristics or endowments, while the second one shows the part due to differences in the coefficients associated to these characteristics.

Results differ depending on the group of immigrants we study. As for the difference in the probability of being overeducated between immigrants from EU countries and natives, we obtain that the 61% of this difference is explained by differences in characteristics. So, immigrants from EU countries have higher probability of being overeducated because they have worst observable characteristics than natives. In particular, the variable of years of tenure in the firm is an important variable in contributing to explain this difference. On the other hand, 39% of the difference is due to differences in returns, but is not statistically significant. That is, immigrants from EU and natives with the same endowments are equally remunerated.

Concerning the difference in the probability of being overeducated between immigrants from non-EU countries and natives, the 81% of this difference is

explained by differences in coefficients (it is statistically significant), i.e., immigrants from non-EU countries are not remunerate at the same way than natives, although both have the same endowments. Personal variables as gender or education and age turn out to be important to explain this difference. In the case of immigrants from non-EU countries, the part due to differences in observable characteristics is not statistically significant.

To sum up, our results confirm that immigrants experience a higher overeducation penalty than natives due to the imperfect transferability of the human capital acquired in origin countries. However, immigrants accumulate knowledge and experience in the host country that adapt to the local labour market, thus facilitating an assimilation process that reduces the intensity of overeducation. The pace of assimilation however is notably slow for immigrants. Therefore there is a certain risk that immigrants from outside the European Union remain permanently trapped in bad jobs, regardless of their levels of education. Taking into account the wage consequences of overeducation, this last result implies that the wage gap between native and immigrants will not disappear after several years of residence in the host country. Policy actions should focus on three different aspects: first, incorporating in the migration policy formal criteria related to educational levels and to the match with the current needs in the labour market (i.e, like the Australian points system); second, trying to design a system of assessment and recognition of foreign-acquired educational degrees in order to give an appropriate signal to the labour market and, third, providing publicy-provided informal training to recently arrived immigrants with appropriate skills in order to improve the transferability of their skills to the new labour market.