

THE SKILL MIX OF IMMIGRANTS TO RICH COUNTRIES: Long-run evidence from Switzerland

Increasing demand for highly skilled professionals has been a key driver of immigration to OECD countries over the past 30 years. So too in Europe has been the lifting of immigration restrictions within the single market, which has had a stronger effect on the migration incentives of workers without tertiary education.

These are among the findings of research by **Andreas Beerli** and **Ronald Indergand** to be presented at the annual congress of the European Economic Association in Mannheim in August 2015. Their study analyses the key forces that drive the skill composition of newly arriving immigrants from a long-run perspective.

Newly arriving immigrants in developed countries have become increasingly highly skilled. Between 1980 and 2010, the share of immigrants with a tertiary education increased by 15 percentage points on average in 20 OECD countries. This trend has gained even more saliency in the light of policy discussions that revolve around the question whether skilled immigration could serve to mitigate skill shortages in certain industries. But there seems to be little agreement among policy-makers about how immigration policies should be adapted in response to these trends.

This study focuses on trends in the skill mix of immigrants in Switzerland between 1980 and 2010. In this period, Switzerland experienced very high immigration rates and the share of newly arriving immigrants with tertiary education almost tripled from 17% to 47%.

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The analysis provides three main insights.

First, the skills, which immigrants bring to destinations, are strongly demand-driven. In particular, the same long-run trends that affected the labour market of native workers also influence the skills of immigrants.

For example, the introduction of automation technologies such as computers or industrial robots in the 1980s replaced millions of typical middle class jobs in clerical occupations or blue-collar workers in manufacturing. At the same time, it boosted the demand for highly skilled professionals such as managers, engineers or creative workers who were able to use these new machines effectively.

The provision of new skills may be sluggish among natives as it takes time for the education system to adapt to the new demands of the labour market. Thus, whereas certain skills might appear scarce to employers in the domestic labour markets, they can readily be hired from abroad in the form of immigrants.

Thus, the skill-bias in recent demand trends also affected the educational structure of migration flows. While migrants almost exclusively worked in elementary occupations prior to the 1980s, the 'new immigrants' show much stronger attachment to high-skilled jobs.

Second, the contribution of educational supply in the origin countries to the skill-mix of

immigrants in destinations seems to be more nuanced. The rising education levels in the origin countries would predict a far more balanced educational distribution compared with the actual, polarised distribution among new immigrants.

Since most gains in educational attainment accrued below college level, this would suggest that immigrants should have experienced the strongest gains in middle education levels. Yet, far stronger gains occurred at the top in the group of tertiary educated workers with very modest gains below. This highlights the important role of demand trends.

Third, a recent policy experiment in Switzerland shows that immigration policy can qualify, to some degree, the effects of the first two long-run drivers. The effect of policy changes depends on the interaction between the self-selection of immigrants and the way immigration restrictions affect immigration incentives of workers with different skills.

Through the integration of Switzerland into the European labour market after 2002, immigration restrictions were abolished for all workers from the EU but maintained for immigrants from other countries. Most immigrants were already very highly educated prior to this policy change, which indicates that immigration was highly beneficial for skilled workers but less for lower educated workers.

Thus, lowering immigration restriction had a stronger effect on the incentive to immigrate for workers without tertiary education. This induced a slow down in long-run skill trends: educational attainment increased less among EU immigrants between 2000 and 2010 than among workers from other countries.

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Which Factors Drive the Skill Mix of Migrants in the Long Run?
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