

Do Educational Differences and Their Impact on Earnings Hamper Immigrants?

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Non-Technical Summary

This paper analyzes the differences in educational rates of return between the foreign-born and native workers in France and Austria, and asks to what extent these differences result from a potential mismatch between the actual and required years of schooling typical for a certain occupation. The decomposition of the education variable into required education, overeducation and undereducation allows for better understanding of the reasons behind the lower payoff to schooling among migrants.

The findings of the paper are generally in accordance with the existing studies, since the difference between the rates of return on education for migrants and natives is around 2.5 percentage points in favour of native-born workers.

- There is no significant difference between the returns to required education between native and migrant workers in both countries. In the absence of mismatches across occupations (over- and under – education) the returns to required education using the realized-matches approach for both groups of employees are substantially higher than their returns to education within the Mincerian framework.
- What mainly accounts for the lower returns to education of immigrants in comparison to natives, is the substantial difference in returns to overeducation in favour of native workers.
- Undereducated migrants are penalized with respect to earnings by slightly higher negative returns, to undereducation than natives.