




Skills proficiency and the labour-market outcomes of immigrants



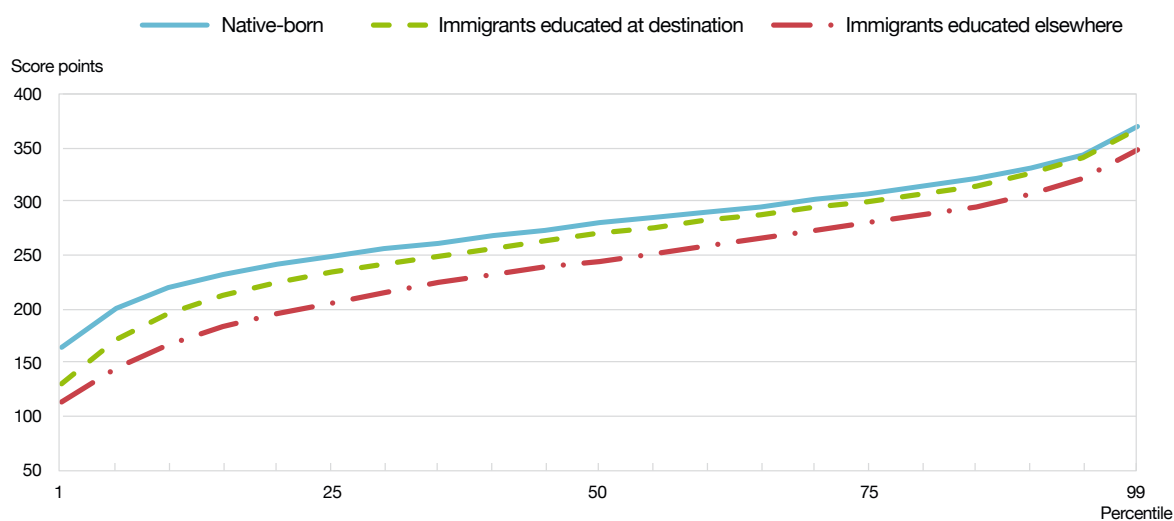
Adult Skills
in Focus #12

- Foreign-born workers earn lower wages than their native-born peers. Immigrants are also more likely to work in low-skilled and less prestigious occupations.
- A large portion of the poor labour-market performance of foreign-born workers can be explained by their backgrounds – in particular the country where they acquired their education – combined with their fluency in the host country language and their literacy and numeracy proficiency.
- Foreign-born adults feel their skills are underutilised in some countries. This has considerable consequences for the successful socio-economic integration of immigrants.

Across OECD countries, immigrants have weaker literacy and numeracy skills than their native-born peers. The Survey of Adult Skills (PIAAC) finds that the gap in literacy proficiency between the two groups is about 24 score points – equivalent to roughly 3.5 years of schooling (OECD, 2017). A large part of the gap can be explained by mastery of the host country’s language and where immigrants earned their highest

educational qualification, but literacy skills among foreign-born adults lag behind those who were native-born even when they were educated in the destination country (Figure 1). This Adult Skills in Focus provides new evidence on the labour-market implications of this disparity in skills between the two groups, and examines how foreign-born workers’ skills relate to their performance in the labour market.

Figure 1 / Distribution of literacy test scores, by immigrant status



Note: Fifty score points in literacy correspond to about one standard deviation in the overall distribution of proficiency.
Source: Survey of Adult Skills (PIAAC) (2012, 2015), www.oecd.org/skills/piaac/data/.

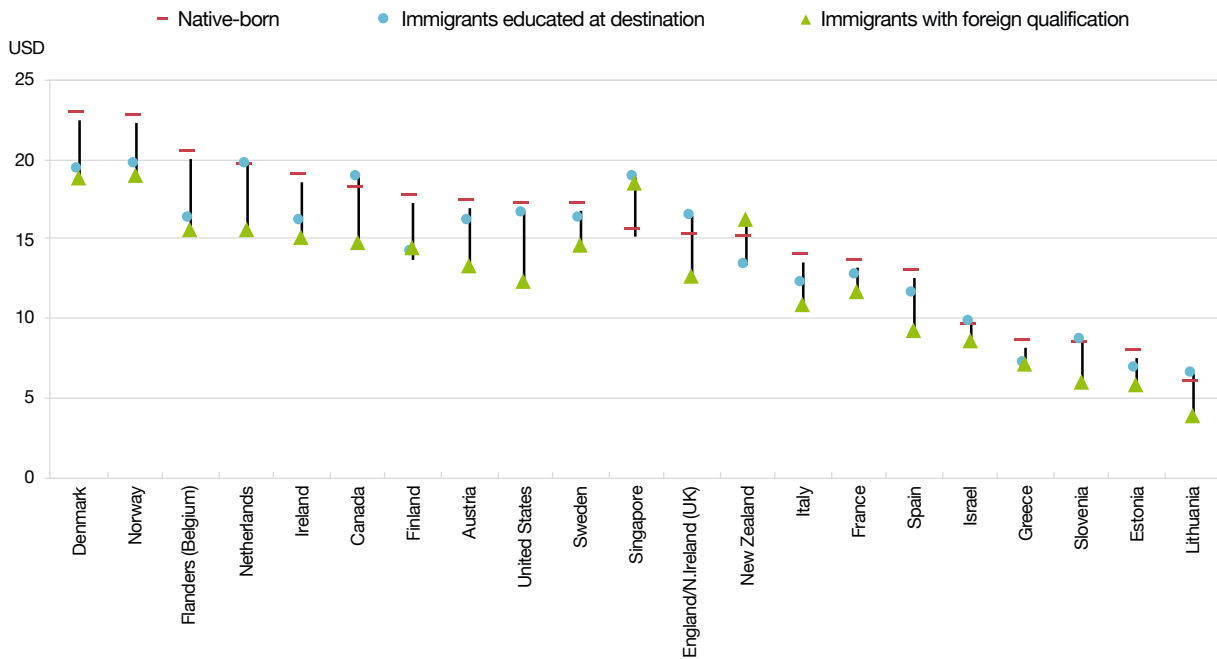


Immigrants earn significantly less than native-born adults

Foreign-born adults often have higher educational attainment than the native-born population. For example, immigrants are more likely to hold a university degree than native-born adults in North America, and in Australia, Denmark, Ireland, New Zealand, Norway, Singapore and Sweden. Yet, on average, native-born workers' hourly wages are 5% higher than those of

immigrants with a local qualification, and 16% higher than for those with a foreign qualification (Figure 2). The earnings' gap is most pronounced in the United States, where foreign-born adults educated abroad earn only 72% of the hourly wage of their native-born peers. The earnings disadvantage among immigrants remains even when educational attainment is taken into account.

Figure 2 / Median hourly earnings



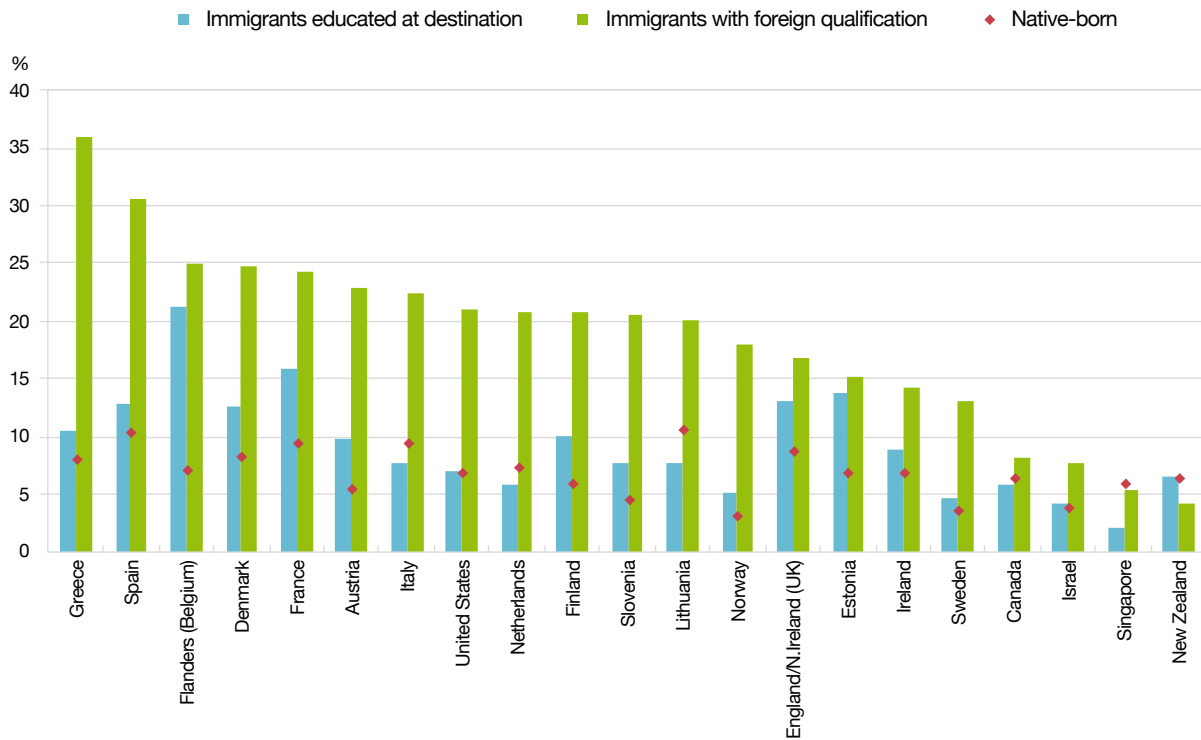
Countries and economies are ranked in descending order of the median hourly earnings of the native-born. Source: Survey of Adult Skills (PIAAC) (2012, 2015), www.oecd.org/skills/piaac/data/.

Foreign-born adults are often employed in low-skilled and low-prestige jobs

One of the reasons for the earnings gap lies in differences in the occupations of foreign-born and native-born workers. Immigrants are often over-represented in jobs that do not require high levels of education. Overall, foreign-born adults who were educated outside the host country are more than twice as likely as their native-born peers to be employed in low-skilled occupations (Figure 3). In certain countries – such as Canada, Italy and New Zealand – immigrants with foreign qualifications are five times as likely to work in low-skilled jobs as native-born adults.

However, skills proficiency and fluency in the language used in the PIAAC test explain a large part of these differences in occupations. This is especially true for tertiary-educated workers. Once individual characteristics (such as gender and age) and skills proficiency have been taken into account, tertiary-educated native- and foreign-born adults both have an equal probability of getting a high-skilled job. In other words, all other things being equal, if tertiary-educated workers all have the same level of skills, their country of origin does not affect the likelihood of working in

Figure 3 / Share of workers in low-skilled occupations



Note: Low-skilled occupations are defined as those occupations under the ISCO code category 9, i.e. "elementary occupations". Countries and economies are ranked in descending order of the share of foreign-born workers with foreign qualifications in low-skilled occupations. Source: Survey of Adult Skills (PIAAC) (2012, 2015), www.oecd.org/skills/piaac/data/.

more prestigious jobs¹. In contrast, skills and language proficiency play a smaller – but still significant – role in explaining occupational differences among less highly educated people, with other unobserved factors (such as networks, discrimination or information asymmetries) also having an important role.

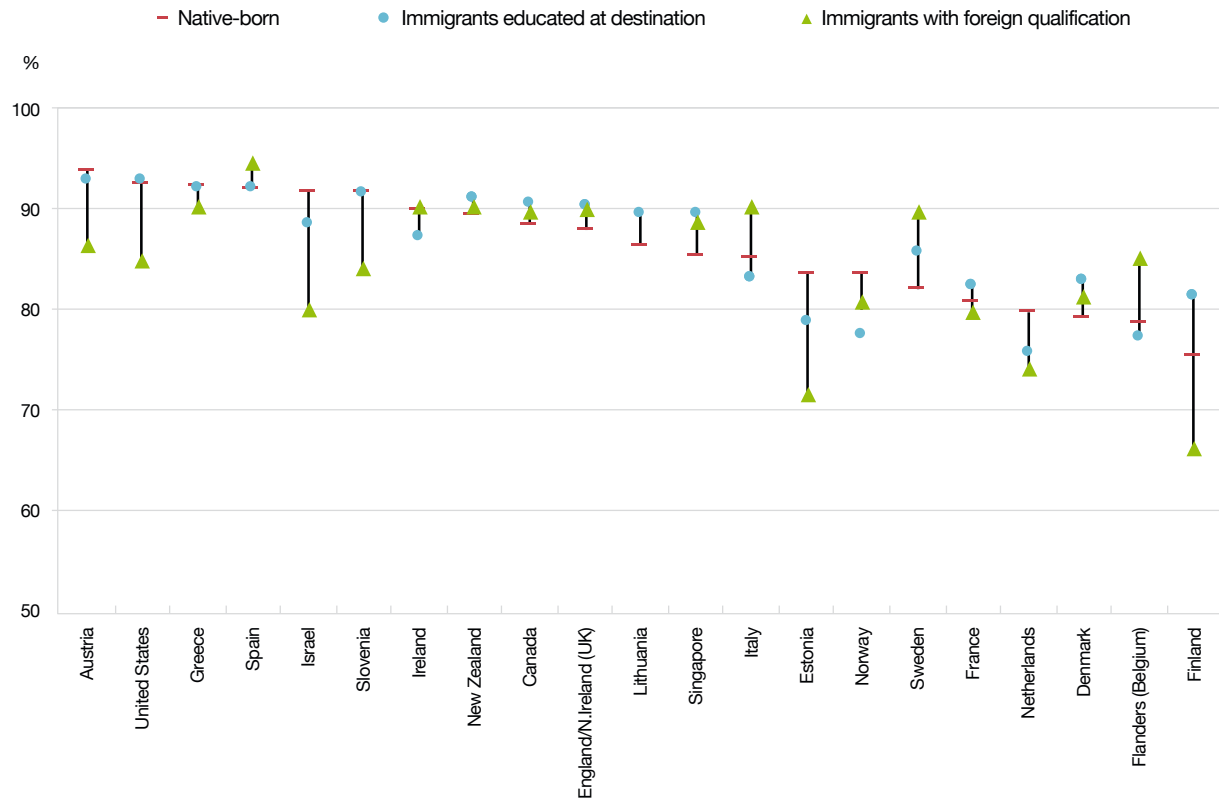
In several countries, immigrants report that their skills are underutilised (Figure 4). For instance, foreign-born adults educated in Sweden are 4 percentage points

more likely than native-born adults to feel overskilled for their job, and those with foreign qualifications are 8 percentage points more likely. Similar situations exist in Denmark and Singapore. Self-reported skills mismatches are very important for the socio-economic integration of immigrants, given that they not only affect their earnings, but also their overall satisfaction and well-being. Subjective mismatches are a sign of the labour market's inability to tap fully into immigrants' potential, resulting in a loss of economic opportunities

¹ Prestigious jobs are defined based on the socio-economic status of occupations. See OECD (2018) for a detailed definition of the prestige of jobs.



Figure 4 / Share of workers who feel that their skills are underutilised



Countries and economies are ranked by the share of native-born workers who feel that their skills are underutilised.
Source: Survey of Adult Skills (PIAAC) (2012, 2015), www.oecd.org/skills/piaac/data/.

The bottom line



Across the OECD, the labour-market performance of foreign-born-adults tends to lag behind that of the native-born. Immigrants are not only more likely to be unemployed or inactive, but they also earn less and work in lower-skilled jobs. Differences in skills proficiency, language spoken and country of education explain a large part – albeit not the entirety – of these observed gaps. Policies should therefore aim to provide immigrants with effective language tuition, adult education and training programmes in order to ensure the successful integration of foreign-born workers into host economies.

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> **FOR MORE INFORMATION:**

OECD (2018), *Skills on the Move: Migrants in the Survey of Adult Skills*, OECD Skills Studies, OECD Publishing, Paris, <https://doi.org/10.1787/9789264307353-en>.

OECD (2017), «Why are immigrants less proficient in literacy than native-born adults?», *Adult Skills in Focus*, No. 6, OECD Publishing, Paris, <https://doi.org/10.1787/30b23d82-en>.

> **VISIT:**

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