Moving Up the Ladder?
The Impact of Migration Experience on Occupational Mobility in Albania

Calogero Carletto, The World Bank
Talip Kilic, The World Bank

Prepared for the 2nd IPD Migration Task Force Meeting
Presented by Talip Kilic

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OUTLINE

- Objective
- Background & Motivation
- Literature Review
- Data
- Empirical Approach
- Results
- Conclusions
OBJECTIVE

• Analyze the impact of international migration experience on labor mobility of return migrants *vis a vis* non-migrants by using data on initial & present-day employment outcomes
  
• Test the hypothesis of upward occupational mobility induced by international migration
BACKGROUND & MOTIVATION

• 1945-1990: Communist regime’s ban on international migration

• 1/5 of population, driven by widespread poverty & unemployment, migrated abroad from 1991 to 2001; mainly to Greece & Italy
  • 1 in 3 HHs currently have a migrant abroad (50% of these have 1+)
  • Remittances estimated to have exceed US$ 1 billion by 2005
  • Impact of migration on poverty (+), productive activities (?)

• Much of the migration temporary in nature (circular)
  • Multiple episodes (~=4 in lifetime) prior to settlement

• Growing number of returnees to re-establish residence in Albania
  • Recent civil society and government initiatives to encourage the return migration of the highly skilled

• Research question: Do migrants contribute to economic development upon their return via human & financial capital accumulated abroad?
LITERATURE REVIEW

1st Strand:
- Castano (1988) – Colombia
- Arif et al. (1997) – Pakistan
- Ilahi (1999) – Pakistan
- Dustmann et al. (2002) – Turkey
- McCormick et al. (2004) – Egypt
- Mesnard (2004) – Tunisia
- Woodruff et al. (2004) – Mexico
- Gubert et al. (2008) – Morocco, Tunisia & Algeria

2nd Strand:
- Co et al. (2000) – Hungary
- Zhao (2002) – China
- Kilic et al. (forthcoming) – Albania
- Wahba (2007) – Egypt
- de Coulon et al. (2005) – Albania

Albania Case Studies
- Barjaba (2000)
- Labrianidis & Kazazi (2006)
- Labrianidis & Hatziprokopiou (2006)
DATA

- 2005 Albanian Living Standards Measurement Study Survey (ALSMS05)
  - Conducted by the INSTAT, with assistance from the World Bank
  - Stratified into four regions: Coastal, Central, Mountain & Tirana
  - Total sample: 3,640 HHs in 455 PSUs
  - HH (extensive migration module) & community questionnaires

- Data on…
  - 2005 & Initial (1990 or the year individual turned 15) employment outcomes
  - Migration & international employment histories of all adults

- Sample of interest: 9,194 Individuals [16,64] years of age
  - Return migrants that have returned to Albania within the last year are excluded from the sample
  - 853 returnees (9 percent) in the final sample
DATA (2)

In comparison with non-migrants, returnees are, on average,

- Older
- More educated
- Wealthier
- More likely to experience upward occupational mobility
- Less likely to experience job-lock or downward occupational mobility
- Richer in social capital
OCCUPATIONAL CLASSIFICATION

- ALSMS05 occupational outcomes according to the ISCO-1988 coding
  - Three digit codes → 10 major groups → 5 broad occupational categories
    1. Agriculture
       - Skilled agricultural & fishery workers
    2. Low-Skilled Blue Collar
       - Plant & machine operators & assemblers + Elementary occupations
    3. High-Skilled Blue Collar
       - Craft & related trades workers
    4. Low-Skilled White Collar
       - Clerks + Technicians & associate professionals + Service workers & ship & market sales workers
    5. High-Skilled White Collar
       - Legislators, senior officials & managers + Professionals
OCCUPATIONAL RANKING

- Occupational categories ranked according to average level of human capital necessary to be in a given category (Sicherman et al., 1990)
  - Run a wage regression on observable covariates, including years of education, a proxy for labor market experience prior to current occupation & tenure at current occupation
  - Average the individual sums of weighted education & experience levels within each occupational category, where the weights are the coefficients from the wage regression

<table>
<thead>
<tr>
<th>Occupational Category Name</th>
<th>Index Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Not Working</td>
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<tr>
<td>2 Agriculture</td>
<td>0.67</td>
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<tr>
<td>3 Low Skilled Blue Collar</td>
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<td>4 High Skilled Blue Collar</td>
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<td>5 Low Skilled White Collar</td>
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<tr>
<td>6 High Skilled White Collar</td>
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</table>
## Employment Transition Matrices

### Non-Migrant Population

<table>
<thead>
<tr>
<th>Initial Employment Status</th>
<th>2005 Employment Status</th>
<th>Not Working</th>
<th>Agriculture</th>
<th>Low Skilled Blue Collar</th>
<th>High Skilled Blue Collar</th>
<th>Low Skilled White Collar</th>
<th>High Skilled White Collar</th>
<th>Total</th>
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<tr>
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<td>27.27</td>
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### Return Migrant Population

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<th>Low Skilled White Collar</th>
<th>High Skilled White Collar</th>
<th>Total</th>
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### Employment Transition Matrices of Return Migrants

#### Employment Status in Last Migration Episode

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<th>Low Skilled Blue Collar</th>
<th>High Skilled Blue Collar</th>
<th>Low Skilled White Collar</th>
<th>High Skilled White Collar</th>
<th>Total</th>
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#### 2005 Employment Status

<table>
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<tr>
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<th>Not Working</th>
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<th>Low Skilled White Collar</th>
<th>High Skilled White Collar</th>
<th>Total</th>
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</thead>
<tbody>
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<td>8.77</td>
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<tr>
<td>High Skilled Blue Collar</td>
<td>4.30</td>
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<td><strong>Total</strong></td>
<td><strong>17.00</strong></td>
<td><strong>23.64</strong></td>
<td><strong>12.45</strong></td>
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<td><strong>8.57</strong></td>
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</tbody>
</table>
EMPIRICAL APPROACH

- MODEL 1:
  - Dependent variable: Degree of Occupational Mobility
    - Occupational ranking in 2005 MINUS initial occupational ranking (Leigh, 1975 & Chiswick et al., 2005)
  - Ranges from -4 to 5 since those that initially held high skilled white collar occupations are excluded from estimation
  - Empirical model: Ordered Probit

- MODEL 2: same as Model 1, but collapsed categories
  - -1 for downward mobility; 0 for job lock; 1 for upward mobility
EMPIRICAL APPROACH (2)

- Concerns for Sample Selection Bias?
  - Employment decision & occupational outcomes may be jointly determined by individual characteristics unobservable to the researcher
  - Solution: MODEL 3 - Ordered Probit Model of 2005 Occupational Attainment [ranges from 1 to 6] as a function of initial employment outcomes, while correcting for selection bias induced by employment
    - Two step procedure proposed in Heckman (1979)
    - 1st step: Probit Model of Employment Decision in 2005
      - Identifying variables: Dummy variables to indicate marital status and household headship & separate counts of HH children in the age groups of [0,5] and [6,14]
      - Compute the inverse mills ratio
    - 2nd step: Ordered Probit Model on the 2005 employed sample, with the inverse mills ratio as an independent variable
EMPIRICAL APPROACH (3)

- Concerns for Endogeneity of Return Migrant Status?
  - Past migration/return decision & occupational outcomes may be jointly determined by individual characteristics unobservable to the researcher
- Solution: Instrumental Variable Approach
  - Probit Model of Return Migrant Status
  - Instrumental variables:
    - Individual knowledge of Greek in 1990
    - Annual average # of shocks experienced by HH prior to the first migration episode (For Non-Migrants: Average for 1990-2005)
    - # of HH children in Albania during last migration episode (For Non-Migrants: # of HH children in 1998)
  - Use the predicted value of return migrant status as an independent variable in Models 1-3.
Control Variables for Models 1 & 2:
- D. equal to 1 if an individual is male
- Years of age & its squared term
- Years of education and its squared term
- # of HH male members [15,60]
- # of HH female members [15,60]
- # of HH members [60+]
- D. equal to 1 if individual’s HH is female-headed
- HH area of land owned & its squared term
- D. equal to 1 if dwelling is a brick home
- Economic status in 1990
- D. equal to 1 if dwelling was a single family home in 1990
- D. equal to 1 if HH receives public transfers
- D. equal to 1 if HH receives non-farm real estate earnings

Control Variables for Model 3:
- HH Social Capital Index
- Regional Fixed Effects: Coastal Urban, Coastal Rural, Central Urban, Central Rural, Mountain Urban & Mountain Rural, where the reference category is Tirana
- Same as above; with the exception of 1990 HH asset position controls
- PLUS D. variables indicating initial individual employment in agriculture, low skilled blue collar, high skilled blue collar, low skilled white collar & high skilled white collar, where the reference category is “not working”
## RESULTS

<table>
<thead>
<tr>
<th>Occupational Mobility Category</th>
<th>Marginal Effects for MODEL 1</th>
<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Return Migrant</td>
<td>Predicted (Return Migrant)</td>
<td></td>
</tr>
<tr>
<td>(-4)</td>
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<td>-0.011***</td>
<td></td>
</tr>
<tr>
<td>(-3)</td>
<td>-0.005***</td>
<td>-0.021***</td>
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</tr>
<tr>
<td>(-2)</td>
<td>-0.007***</td>
<td>-0.031***</td>
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</tr>
<tr>
<td>(-1)</td>
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<td>-0.070***</td>
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</tr>
<tr>
<td>(0)</td>
<td>-0.016**</td>
<td>-0.045***</td>
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<tr>
<td>(+1)</td>
<td>0.016***</td>
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<tr>
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<td>0.009***</td>
<td>0.034***</td>
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<tr>
<td>(+5)</td>
<td>0.005***</td>
<td>0.017***</td>
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### RESULTS (2)

#### MODEL 2 - Ordered Probit Model of Occupational Range of Dependent Variable: [-1,1]

<table>
<thead>
<tr>
<th>Marginal Effects</th>
<th>Downward</th>
<th>Job Lock</th>
<th>Upward</th>
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<tbody>
<tr>
<td>Return Migrant Δ</td>
<td>-0.038***</td>
<td>-0.018**</td>
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<td>-0.151***</td>
<td>-0.046***</td>
<td>0.197***</td>
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</table>
## RESULTS (3)

### MODEL 3 - Models of 2005 Occupational Attainment (Selected Coefficients)

<table>
<thead>
<tr>
<th>Regressors</th>
<th>Employment (Probit)</th>
<th>Occupational Attainment (Ordered Probit)</th>
<th>Employment (Probit)</th>
<th>Occupational Attainment (Ordered Probit)</th>
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</thead>
<tbody>
<tr>
<td>Inverse Mills Ratio</td>
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<td>1.075***</td>
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<tr>
<td><em>Individual Human Capital</em></td>
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<td></td>
</tr>
<tr>
<td>Return Migrant $\Delta$</td>
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<td>0.131**</td>
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<tr>
<td>Predicted (Return Migrant)</td>
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<td>0.897***</td>
<td>0.544***</td>
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<td><em>Married $\Delta$</em></td>
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<td><em>Head of Household</em></td>
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<td>0.525***</td>
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<td><em>Household Characteristics</em></td>
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<tr>
<td># of Members [0,5]</td>
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<td># of Members [6,14]</td>
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## RESULTS (4)

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<tr>
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<td>0.006**</td>
<td>0.022***</td>
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CONCLUSIONS & POLICY IMPLICATIONS

• Migration experience promotes upward mobility upon return
  • The result is robust across different specifications & sample definitions

• The instrumented results are suggestive of negative selection among returnees but…

• The positive impact of past migration experience on labor mobility signals the potential positive contribution of migration to economic development
  • Particularly important given the projected trends in remittance inflows

• Continued emphasis on programs encouraging return migratory movements
  • Recognize the heterogeneity in return migrants’ needs and capabilities

• Future research agenda: Differentiation of the impact of past migration experience by destination country (Greece vs. Italy & Beyond) and the period of migration (early vs. late).