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

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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)
  - Nicholson (2001, 2002)
  - 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

| Occupational Category Rankings | | |
|---|---|---|
| *Rank* | *Category Name* | Index Value |
| 1 | Not Working | -- |
| 2 | Agriculture | 0.67 |
| 3 | Low Skilled Blue Collar | 0.80 |
| 4 | High Skilled Blue Collar | 0.83 |
| 5 | Low Skilled White Collar | 0.93 |
| 6 | High Skilled White Collar | 1.20 |

## Employment Transition Matrices

### Non-Migrant Population

| | *2005 Employment Status* | | | | | | |
|---|---|---|---|---|---|---|---|
| *Initial Employment Status* | Not Working | Agriculture | Low Skilled Blue Collar | High Skilled Blue Collar | Low Skilled White Collar | High Skilled White Collar | Total |
| Not Working | 28.33 | 9.10 | 1.72 | 2.07 | 3.20 | 2.38 | 46.81 |
| Agriculture | 7.98 | 16.53 | 1.28 | 1.10 | 1.37 | 0.11 | 28.37 |
| Low Skilled Blue Collar | 3.31 | 0.60 | 2.53 | 0.41 | 0.76 | 0.14 | 7.74 |
| High Skilled Blue Collar | 2.27 | 0.44 | 0.52 | 2.56 | 0.79 | 0.18 | 6.76 |
| Low Skilled White Collar | 1.93 | 0.36 | 0.25 | 0.24 | 2.75 | 0.21 | 5.74 |
| High Skilled White Collar | 0.82 | 0.23 | 0.10 | 0.04 | 0.43 | 2.95 | 4.57 |
| *Total* | 44.65 | 27.27 | 6.40 | 6.43 | 9.29 | 5.97 | 100 |

### Return Migrant Population

| | *2005 Employment Status* | | | | | | |
|---|---|---|---|---|---|---|---|
| *Initial Employment Status* | Not Working | Agriculture | Low Skilled Blue Collar | High Skilled Blue Collar | Low Skilled White Collar | High Skilled White Collar | Total |
| Not Working | 9.33 | 5.87 | 4.08 | 6.96 | 5.91 | 3.36 | 35.51 |
| Agriculture | 1.83 | 13.80 | 2.81 | 5.27 | 2.93 | 0.00 | 26.63 |
| Low Skilled Blue Collar | 1.65 | 1.46 | 3.46 | 1.20 | 0.72 | 0.33 | 8.81 |
| High Skilled Blue Collar | 2.57 | 1.19 | 1.43 | 9.16 | 2.53 | 1.02 | 17.91 |
| Low Skilled White Collar | 0.92 | 0.67 | 0.59 | 0.93 | 2.23 | 0.40 | 5.74 |
| High Skilled White Collar | 0.66 | 0.51 | 0.10 | 0.31 | 0.40 | 3.43 | 5.40 |
| *Total* | 16.96 | 23.49 | 12.47 | 23.83 | 14.72 | 8.53 | 100 |

## Employment Transition Matrices of Return Migrants

| | *Employment Status in Last Migration Episode* | | | | | | |
|---|---|---|---|---|---|---|---|
| *Initial Employment Status* | Not Working | Agriculture | Low Skilled Blue Collar | High Skilled Blue Collar | Low Skilled White Collar | High Skilled White Collar | Total |
| Not Working | 7.09 | 8.93 | 4.06 | 12.06 | 2.87 | 0.31 | 35.33 |
| Agriculture | 3.37 | 14.30 | 0.77 | 7.90 | 0.37 | 0.00 | 26.71 |
| Low Skilled Blue Collar | 0.49 | 2.82 | 1.22 | 4.09 | 0.22 | 0.00 | 8.84 |
| High Skilled Blue Collar | 1.76 | 3.30 | 0.93 | 11.37 | 0.65 | 0.00 | 18.01 |
| Low Skilled White Collar | 0.95 | 1.47 | 1.07 | 1.92 | 0.35 | 0.00 | 5.76 |
| High Skilled White Collar | 0.86 | 0.91 | 0.44 | 1.81 | 1.07 | 0.26 | 5.35 |
| *Total* | 14.53 | 31.72 | 8.48 | 39.15 | 5.54 | 0.58 | 100 |
| | *2005 Employment Status* | | | | | | |
| *Employment Status in Last Migration Episode* | Not Working | Agriculture | Low Skilled Blue Collar | High Skilled Blue Collar | Low Skilled White Collar | High Skilled White Collar | Total |
| Not Working | 5.66 | 2.54 | 1.31 | 2.15 | 1.39 | 1.37 | 14.43 |
| Agriculture | 3.03 | 14.63 | 4.11 | 5.76 | 3.82 | 0.53 | 31.88 |
| Low Skilled Blue Collar | 2.69 | 0.73 | 1.78 | 0.79 | 1.83 | 0.95 | 8.77 |
| High Skilled Blue Collar | 4.30 | 5.60 | 5.04 | 14.40 | 6.34 | 3.18 | 38.85 |
| Low Skilled White Collar | 1.33 | 0.13 | 0.21 | 0.63 | 1.23 | 1.97 | 5.50 |
| High Skilled White Collar | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.57 | 0.57 |
| *Total* | 17.00 | 23.64 | 12.45 | 23.74 | 14.61 | 8.57 | 100 |

# 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.

# EMPIRICAL APPROACH (4)

**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 1if HH receives non-farm real estate earnings
- 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

**Control Variables for Model 3:**

- 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

| *Occupational* | *Marginal Effects for MODEL 1* | |
|---|---|---|
| *Mobility Category* | *Return Migrant* | *Predicted (Return Migrant)* |
| *(-4)* | -0.003*** | -0.011*** |
| *(-3)* | -0.005*** | -0.021*** |
| *(-2)* | -0.007*** | -0.031*** |
| *(-1)* | -0.017*** | -0.070*** |
| *(0)* | -0.016** | -0.045*** |
| *(+1)* | 0.016*** | 0.064*** |
| *(+2)* | 0.008*** | 0.030*** |
| *(+3)* | 0.009*** | 0.033*** |
| *(+4)* | 0.009*** | 0.034*** |
| *(+5)* | 0.005*** | 0.017*** |

# RESULTS (2)

| **MODEL 2 - Ordered Probit Model of Occupational Range of Dependent Variable: [-1,1]** | | | |
|---|---|---|---|
| | *Marginal Effects* | | |
| | *Downward* | *Job Lock* | *Upward* |
| Return Migrant Δ | -0.038*** | -0.018** | 0.056*** |
| Predicted (Return Migrant) | -0.151*** | -0.046*** | 0.197*** |

# RESULTS (3)

| MODEL 3 - Models of 2005 Occupational Attainment (Selected Coefficients) | | | | |
|---|---|---|---|---|
| *Regressors* | *Employment (Probit)* | *Occupational Attainment (Ordered Probit)* | *Employment (Probit)* | *Occupational Attainment (Ordered Probit)* |
| Inverse Mills Ratio | | 0.995*** | | 1.075*** |
| *Individual Human Capital* | | | | |
| Return Migrant Δ | 0.164** | 0.131** | | |
| Predicted (Return Migrant) | | | 0.897*** | 0.544*** |
| **Married Δ** | 0.234*** | | 0.210*** | |
| **Head of Household** | 0.543*** | | 0.525*** | |
| *Household Characteristics* | | | | |
| **# of Members [0,5]** | -0.091*** | | -0.102*** | |
| **# of Members [6,14]** | -0.040** | | -0.033 | |

# RESULTS (4)

| *Occupational* | *Marginal Effects for MODEL 3* | |
|---|---|---|
| *Categories* | *Return Migrant* | *Predicted (Return Migrant)* |
| Agriculture | -0.045** | -0.192*** |
| Low Skilled Blue Collar | -0.007* | -0.023** |
| High Skilled Blue Collar | 0.012** | 0.057*** |
| Low Skilled White Collar | 0.034** | 0.137*** |
| High Skilled White Collar | 0.006** | 0.022*** |

# 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).