

Assessment of Foreign Education: The Effects on Employment and Wages

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This report presents analyses of the effects of formal assessment and recognition of foreign academic education on employment and wages for newly arrived immigrants in Sweden.

According to economic screening and signaling theory, employers are not entirely informed regarding the true productivity of potential employees and use education as a signal when making hiring decisions. This can lead to problems for immigrants with a foreign education, as domestic employers might not fully understand the content of a foreign degree. Consequently, a foreign education will not properly serve as a productivity signal, thereby leading to immigrants having a harder time in terms of both getting employed and getting a qualified job.

To remedy this situation, the government offers the possibility of receiving a formal assessment of one's foreign education, resulting in a recognition statement where the level and content of a foreign degree have been translated into Swedish conditions. In theory, this statement should work as an adequate signal, thereby making employers less uncertain regarding the productivity of immigrants with foreign degrees.

In this report, the effects of such recognition statements on employment and wages are analyzed for all immigrants who received such a statement during the period of 2007–2011. The analyses follow the included immigrants over several years and use fixed effects regression models that control for years since migration and county of residence in Sweden to estimate the effects. In addition, the variation in terms of effects is estimated based on the immigrants' origin, grounds for residence and economic conditions in Sweden.

The average effect of the recognition statement is a four-percentage point higher probability of employment and a 14 percent higher wages for the employed. These effects occur when the cut-off for employment is defined as having any income above zero during a calendar year. If the cut-off for employment is defined at a higher level, at SEK 100,000 per year, the effect on employment is stable but the effect on wages drops to four percent. At an even higher cut-off and close to the average income in Sweden at the time (SEK 250,000 per year), the recognition statement has an average effect on employment of about one percentage point and no statistically significant effect on wages.

Immigrants from Europe, North America and Oceania experienced greater effects from a recognition state-

ment on wages compared to immigrants from Africa, Asia and Latin America, while family migrants experienced greater effects compared to refugees. The effects were also greater for immigrants receiving their recognition statement during good economic years.

Overall, the analyses indicate that employer uncertainty regarding foreign degrees is indeed a problem in terms of highly educated newly arrived immigrants being integrated into the labor market, while also indicating that assessing and recognizing foreign education is a good tool for overcoming such uncertainty. However, as the analyses also show, the effects are concentrated at the lower end of the income distribution and vary across different immigrant categories. The latter is theorized to be linked to the varying possibilities of immigrants in terms of using their recognition statements and their education depending on origin, grounds for residence and economic conditions. The subsequent conclusion is that the policy of assessment of foreign education is indeed working but needs to be complemented with more comprehensive interventions seeking to assist immigrant labor market integration.