

Työpaperiä  
Working Papers

291

Migration  
experience,  
occupational  
attainment  
and subjective  
perceptions of  
occupational  
downgrading

Mari Kangasniemi  
Merja Kauhanen







Mig\*

\* This study is part of the "Migrant Diversity and Regional Disparity in Europe" project funded by NORFACE. (NORFACE-496, MIDIRE DIE). Financial support from the NORFACE research program on "Migration in Europe - Social, Economic, Cultural and Policy Dynamics" is gratefully acknowledged. We address our special thanks to our Estonian colleagues from the University of Tartu for the co-operation related to our survey. Any errors remain our sole responsibility. We would also like to thank Tomi Pusa for excellent research assistance.

\*\* Labour Institute for Economic Research. E-mail: [mari.kangasniemi@labour.fi](mailto:mari.kangasniemi@labour.fi)

\*\*\* Labour Institute for Economic Research. E-mail: [merja.kauhanen@labour.fi](mailto:merja.kauhanen@labour.fi)

TYÖPAPEREITA 291  
WORKING PAPERS 291

Palkansaajien tutkimuslaitos  
Pitkäsillanranta 3 A, 00530 Helsinki  
Puh. 09-2535 7330  
Sähköposti: [etunimi.sukunimi@labour.fi](mailto:etunimi.sukunimi@labour.fi)

Labour Institute for Economic Research  
Pitkäsillanranta 3 A, FI-00530 Helsinki, Finland  
Telephone +358 9 2535 7330  
E-mail: [firstname.surname@labour.fi](mailto:firstname.surname@labour.fi)

ISBN 978-952-209-134-5 (pdf)  
ISSN 1795-1801 (pdf)

## **Tiivistelmä**

Tutkimuksessa selvitetään siirtolaisuuskokemuksen vaikutusta ammattiasemaan ja henkilön omaan arvioon heidän ylikouluttautumisestaan. Tutkimuksessa käytetty aineisto kerättiin kyselytutkimuksella. Kysely kohdennettiin henkilöille, jotka olivat Viron väestörekisterikeskuksen mukaan asuneet Suomessa ja vertailuryhmälle, jolla ei ollut siirtolaiskokemusta.

Tulosten mukaan Suomessa hankitut tutkinnot ovat yhteydessä parempaan ammattiasemaan siirtolaisuuden jälkeen, mutta siirtolaiskokemus itsessään ei ole yhteydessä saavutettuun asemaan. Siirtolaisuuden yhteydessä koettu ammattiaseman heikentyminen Suomessa ei myöskään ennusta huonompaa tai parempaa ammatillista asemaa myöhemmin Virossa.

Kyselyssä tiedusteltiin henkilöiden omaa mielipidettä siitä, selviytyväisivätkö he osaamisensa tai koulutuksensa puolesta nykyistä vaativammasta työstä. Siirtolaiskokemuksella ei koko aineiston analyysissä ollut yhteyttä tähän kysymykseen annettuihin vastauksiin. Koska siirtolaiseksi lähtevät saattavat lähtökohtaisesti olla erilaisia tässä suhteessa ja tulokset siten harhaanjohtavia, analyysi toistettiin siten, että vertailuryhmään sisällytettiin vain ne henkilöt, jotka olivat harkinneet muuttamista Suomeen. Tällöin saadut tulokset muuttuivat siten, että ne, jotka olivat tosiasiallisesti asuneet Suomessa, pitivät itseään muita harvemmin liian osaavina nykyiseen työhönsä.

Palaavien maastamuuttajien mielipide siitä, että he olisivat kykeneviä suoriutumaan vaativammasta työstä ei ole yhteydessä kokemukseen ammattiaseman heikentymisestä Suomeen muutettaessa. Kuitenkin sekä taloudellinen menestys että koetut vaikeudet siirtolaisuuden aikana ovat yhteydessä siihen, että henkilö kokee olevansa liian osaava nykyiseen tehtäväänsä.

## **Abstract**

We investigate the impact of migration experience on occupational attainment in the source country as well as on individuals' subjective assessment of whether they are overqualified for their jobs. The data used in the study are drawn from a survey of Estonian return migrants who have resided in Finland and a comparison group of Estonians who have never lived abroad.

The results indicate that qualifications obtained in Finland predict higher occupational attainment, but migration experience *per se* does not. Having experienced occupational downgrading during an earlier migration spell in Finland does not have implications for occupational attainment back in Estonia. As far as a subjective statement about holding a job that is below one's skills is concerned, migration experience does not have an impact on the likelihood of people to consider themselves

overqualified. Compared with those stayers who state that they have considered migrating to Finland actual migrants actually consider themselves less often overqualified for their job, suggesting that those prone to migrate are more optimistic about their earnings potential. Subjective perceptions of overqualification do not seem to stem from downgrading experiences in the Finnish labor market, either. However, both financial success and difficulties in making a living in Finland are positively related to feeling overqualified.

**Keywords:** return migration, occupational choice, east-west migration

**JEL Classification:** J61, J24, F22

## **1. Introduction**

It is well known that migrants often experience occupational downgrading in the host country labor market, which suggests that there is incomplete transferability of skills obtained in other countries (see, for example, Chiswick and Miller 2009). This may also partly explain the wage gap between recent immigrants and natives. In the context of the discourse on the “brain drain” phenomenon it is often emphasized that work experience obtained in a more developed country can improve productivity in the country of origin, resulting in “brain circulation” and gains for both countries. This, however, requires that the employment that migrants gain in the host country actually accumulates human capital that is relevant in their occupation in the source country. Thus, significant and persistent occupational downgrading must not occur in the host country. The issue of countries losing invaluable human capital has also arisen in the context of East-West migration. Despite the fact that the income gap between the Central and Eastern European countries and Western Europe is smaller than between low income countries and the industrialized world, anecdotal evidence suggests that migrants from the East work in low skill jobs in the Western European labor markets.

The purpose of this paper is threefold: we aim to characterize the patterns of occupational mobility that Estonian migrants experience both when they move to Finland and upon their return to Estonia. Second, we want to examine whether work experience obtained in Finland improves the individual’s occupational attainment in Estonia. Third, we wish to establish whether individual perceptions of being overqualified are influenced by different aspects of migration experience.

In addition to the actual occupational attainment or wages, migration experiences may have an impact on the subjective perceptions thereof. Though the data we use are based on a voluntary

survey and thus may suffer from a non-response bias, the strength thereof is that we have also recorded a wide range of variables typically not available in register-based data sets, such as subjective statements about individual abilities, experiences and intentions. We also make use of these variables when assessing the impact of migration experience compared with non-migrants. The individuals who have never migrated to Finland but state that they have seriously considered doing so serve as a comparison group that is likely to be highly similar to migrants in terms of unobservables.

There is some existing literature on the occupational choices among return migrants, but it often concerns the choice between self-employment and wage employment (for example Ilahi 1999, McCormick and Wahba 2001, Matloob and Piracha 2009, Borodak and Piracha 2010). Carletto and Kilic (2009) in their research on the impact of migration on occupational attainment find that in the Albanian labor market past migration experience increases the likelihood of upward occupational mobility. Cobo et al. (2010) conclude that mobility prospects upon return depend on migrant characteristics as well as the context of return. On the other hand, in a setting very similar to ours Masso et al. (2013) find that work experience abroad does not improve individual occupational outcomes in the Estonian labor market. In fact, they find that there was a negative effect on occupational mobility for women.

The literature on happiness and job satisfaction, on the other hand, recognizes the fact that subjective measures are often strongly influenced by what is known about other people's attainments. It has been shown that a higher wage or a higher relative wage usually implies higher job satisfaction. Prospects of a higher wage in the future increase job satisfaction (for example in Lydon and Chevalier 2002, Clark et al. 2009). On the other hand, Card et al. (2011) have shown that revelations about an individual's position in the wage distribution may have a significant negative impact on job satisfaction for those whose wage is below the median.

There are several ways in which migration experience may have an impact on the perceptions of the individual's own labor market performance. As migrants more typically have experiences of occupational downgrading, they may be more likely to assume that their occupational attainment is below the average of people with similar characteristics. Alternatively, if return migrants regain their earlier occupational status upon their return and lack knowledge of the patterns of "normal" occupational progress in the home country, they may fail to observe that they are performing worse than similar individuals without migration experience. In the same vein as with the brain circulation story, it may also be that they have indeed gathered valuable experience during their stay in Finland, especially if no significant occupational downgrading has taken place upon migration. Whether they

are actually rewarded for it in Estonia or perceive the reward to match their skills is essentially an empirical question.

On the other hand, during their stay in Finland migrants have gathered information on the Finnish labor market and may thus have erroneous assumptions about the Estonian labor market, leading to a false perception of down- or up-grading. In general, the selection issues that are relevant in all studies of migration may also play a role in determining subjective perceptions: it is, for example, conceivable that migrants are already, prior to their migration, more optimistic of their abilities or chances to improve on their labor market outcomes than individuals who do not migrate.

In this study, we try disentangle some of the effects mentioned above. More specifically, we trace the occupational paths of migrants who have returned to Estonia. In addition, the aim of the analysis is to establish whether migration experience makes it more likely for an individual to perceive that they are underperforming in terms of occupational attainment whilst controlling for their relative performance.

Our results suggest that educational qualifications obtained in Finland improve occupational outcomes. Having migration experience *per se* is not significantly related to occupational attainment and occupational downgrading experienced during the most recent migration spell to Finland has no implications for the subsequent occupational attainment.

As far as individual perceptions of downgrading are concerned, we do not find any significant effects of previous downgrading. Migration experience seems to have no impact, but when the comparison is drawn with those individuals who have not migrated but have seriously considered it (rather than with all stayers), we find that the actual migrants are less likely to consider their jobs to be below their competence. When compared with the rest of the non-migrant respondents, those who have considered migration, on the other hand, are more likely to find themselves to have a sub-par job. This suggests that selection into migration is linked to the perceptions of one's relative performance. The impact of migration experience seems to vary with the experiences of success, with both success and difficulties experienced being linked to a higher probability of feeling overqualified. Observable occupational downgrading during the migration spell, however, is not significantly related to the subjective perception measure.

This paper is structured as follows: in Section 2 we describe the data and in Section 3 we report the results. Section 4 concludes.

## 2. Data

The data were collected by means of a postal survey that was sent to 2000 individuals in Estonia. A half of these were selected from the sub-population that, according to the Population Register, had resided in Finland and subsequently returned to Estonia. The other half of the recipients was sampled from the Estonian population that has never lived abroad.

The total number of responses was 523 of which 197 were return migrants and 326 from the comparison group. Hence, the corresponding response rates were 19.7% and 32.6%. In the return migrant group, some of the individuals who were sent the questionnaire had moved back to Finland and were thus not eligible for the survey. The obviously higher response rate in the comparison group also suggests that there may be different non-response bias in the two groups.

It is obvious that migrants and stayers are not similar groups. It is likely that migrants are selected along several dimensions of both observable and unobservable characteristics. Despite the large set of questions asked in the survey, there are no obvious candidates to serve as instruments for the decision to migrate and return and to correct for the bias arising from the different determinants of non-response in these groups. Therefore we use the question on migration intentions put to the comparison group to form a sub-group of non-migrants that is more similar to the migrant group than the unlimited comparison group. The survey included questions on general migration intentions as well as intentions to move to Finland for those who do not have migration experience. We have used a comparison group of those who agreed or strongly agreed with the statement “I have considered moving to Finland”.

A comparison of the age and gender of migrants and stayers reveals that these are significantly different in the two groups: return migrants are, on average, younger and, more often than not, men. When we restrict the comparison group to those who have considered migrating to Finland the statistically significant difference in age between the groups disappears. The difference in the proportion of female respondents is smaller between the return migrant group and the limited comparison group but it still remains statistically significant. The proportion of employed people is significantly different for the two original groups, but the difference becomes insignificant after the comparison group is restricted to those who have considered migration. Thus, the narrower comparison group is clearly more similar to the migrant group, though not exactly the same.

For the occupational analysis we also need to regroup the occupational categories and labor market status of the respondents. The responses have been translated into the 9 major categories of the



ISCO 88 classification. We have regrouped the categories 4-9 into a single category. This allows us to apply methods of limited dependent variables that require an ordinal outcome variable<sup>1</sup>.

Out of the 189 returnees who answered the question on their labor market status prior to migration to Finland 141 had been in employment in Estonia before they relocated. Out of the 187 who provided information on their labor market status in Finland 164 had been employed. The current labor market status was employment for 123 of the return migrants. In addition to the people outside employment, the information on the occupational category was missing for some of the employed respondents.

The analysis mainly concerns employed people. However, in the definition of “downgrading” for return migrants as an explanatory variable in the regressions below we also use the information on being outside employment as a separate category in order not to reduce the number of observations too much. For this purpose, we define “downgrading” as moving either to a lower occupational category or from employment to non-employment.

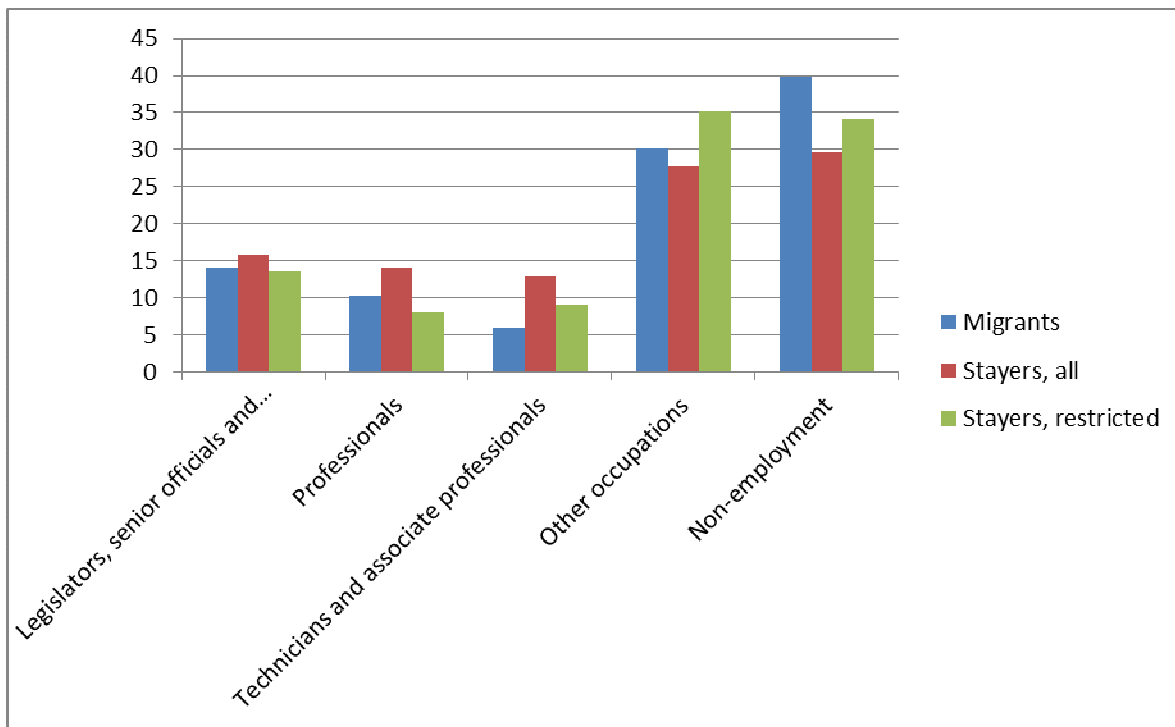


Figure 1.

<sup>1</sup> The lowest category, elementary occupations or category 9, can be interpreted as lower than the categories 8-4, but the number of observations in this category is very small, and therefore it is not considered separately. The categories 4-8 require the same level of skills so they cannot be strictly ordered and are thus treated as a single group.

The distribution across occupations and non-employment of each group at the time of the survey is depicted in Figure 1. The chi-squared test indicates no difference between return migrants and all stayers or migrants contrasted to the stayers who have considered moving to Finland.

The occupational mobility of migrants upon moving to Finland and during their subsequent return to Estonia is described in Tables 1 and 2. We describe the patterns of occupational mobility by cross-tabulating the occupational attainment of return migrants before and during their stay in Finland as well as during their stay in Finland and after their return to Estonia.

As can be seen, most individuals (59% of the observations) stay in the same occupational category when they move to Finland. However, the rest of the observations fall outside the diagonal: for these observations we have conducted a binomial probability test to check whether a significantly larger share of the off-diagonal observations falls above (downgrading) than below (upgrading) the diagonal. According to the test, downgrading is not significantly more probable than upgrading. If we only consider those who are employed both in Estonia and Finland, downgrading is indeed significantly more common: 14 out of the total of 17 off-diagonal observations are above the diagonal.

Upon their return from Finland 42% of the people remain in the same occupational category (Table 2). As for the off-diagonal elements, it is significantly more likely to downgrade upon return, if those who are not employed are included. However, if we only consider those individuals who were employed both in Finland and, after their migration spell, in Estonia, the result is reversed, and upgrading becomes more likely. The number of these observations is only 84 in total, out of which 22 are off-diagonal.

Comparing observations before and after the migration spell in Finland (Table 3) we find that the result is by and large similar: downgrading is more common if we include all individuals (though not significant), but upgrading is significantly more common for those who are employed both before and after their spell in Finland.

Thus, there is some evidence that occupational downgrading takes place when people move to Finland. However, in the analysis above we have not controlled for factors such as age or educational qualifications obtained in Finland that might, for example, explain that the individuals experience occupational upgrading between their employment spells in Estonia before and after their time in Finland. Their career would have naturally progressed in Estonia during this period as well.

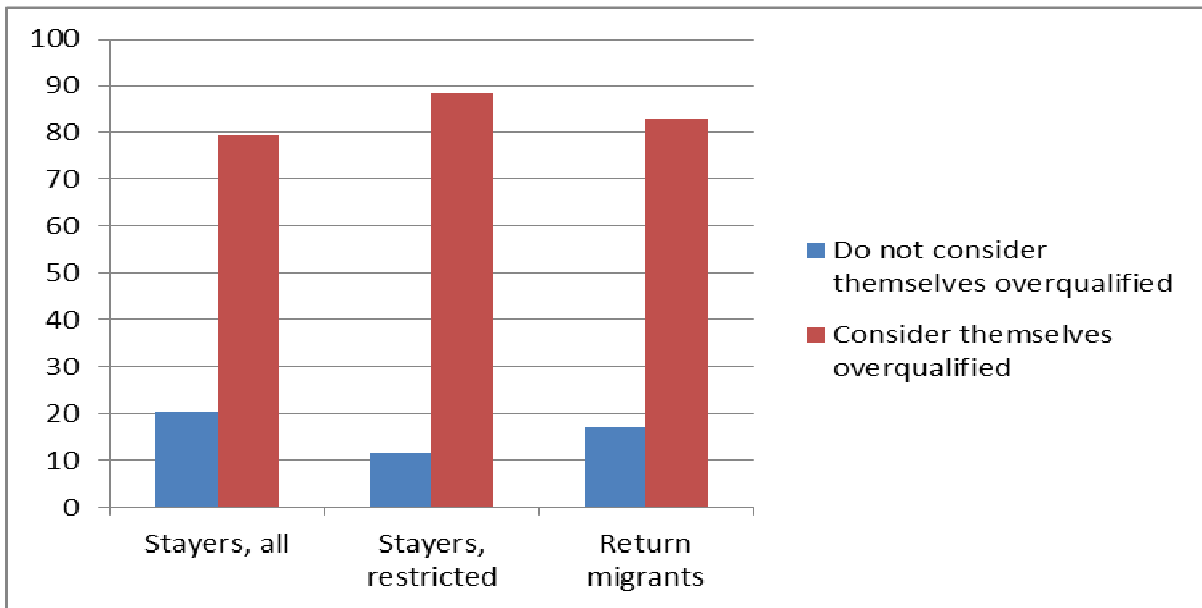


Figure 2.

The measure of a subjective perception of downgrading is the response to the question: “In your current job, do you feel that you have skills or qualifications to do a more demanding job?” The number of people in each of the groups (return migrants, all non-migrants and non-migrants who have considered moving to Finland) are presented in Figure 2. The proportion of individuals considering themselves overqualified is actually higher among non-migrants when this group is limited to those who have considered migrating. The difference between migrants and non-migrants is not significant in either comparison, but the proportion of “overqualified” for non-migrants who have considered migrating is significantly higher than for those who have not.

In these descriptive analyses we have established some simple facts about occupational downgrading among migrants and non-migrants. In the following section we conduct estimations of occupational attainment and views on downgrading whereby we control for individual characteristics.

### 3. Estimation results

We analyze the current occupational attainment of the respondents by running an ordered probit regression of the underlying latent variable measuring the skill contents of the current job:

$$(1) \quad y_i^* = X_i\beta + \varepsilon_i$$

where we only observe  $n$  categories of  $y$ :

$$(2) \quad y = \begin{cases} 1 & \text{if } y^* \in ]-\infty, \eta_1] \\ 2 & \text{if } y^* \in ]\eta_1, \eta_2] \\ 3 & \text{if } y^* \in ]\eta_2, \eta_3] \\ \cdot & \\ \cdot & \\ n & \text{if } y^* \in ]\eta_{n-1}, \eta_n] \end{cases}$$

The observed dependent variable is occupational attainment for those who are employed at the time of observation. This is measured on the scale 1-4 as presented in the previous section. The explanatory variables include gender, age, age squared, all combinations of the dummies for gender, marital status and the presence of under-aged children, and the dummies for return migrants, those who have obtained qualifications in Finland and experienced occupational downgrading (including those who move from employment to non-employment) upon moving to Finland.

The full set of coefficients for the regression is presented in the appendix. From the resulting parameters, we can obtain the predicted occupational category for each person in the sample. In Table 1 we have presented the average probabilities of different occupational categories for different values of the variables of interest (return migrant status, qualifications obtained in Finland, occupational downgrading). The values of the other variables are maintained at their real observed values. The significance of the difference in these mean probabilities is also tested.

Having migration experience seems to predict lower occupational attainment when all the responses are included in the sample. Once we narrow down the comparison group, however, this becomes insignificant. Qualifications obtained in Finland do, however, have a significant positive impact on the probabilities of higher occupational categories. Experience of downgrading during the migration spell in Finland is, on the other hand, not related to the current occupational attainment. Thus, it seems that downgrading does not “carry over” to the individual’s career in Estonia after the

migration spell. The number of people experiencing occupational downgrading in Finland is about 30.

We proceed to investigate the determination of a subjective perception of occupational downgrading. The perceived occupational downgrading is investigated by using a probit model:

$$(3) y_i^* = X_i\beta + \varepsilon_i$$

where we only observe a dichotomous variable  $y$ :

$$(4) y = \begin{cases} 1 & \text{if } y^* \geq 0 \text{ i.e. } -\varepsilon \leq X\beta \\ 0 & \text{otherwise} \end{cases}$$

The explanatory variables in this model include age, education, interactions of the variables indicating gender, marital status and the presence of children and for migrants the dummies indicating migration experience, qualifications obtained in Finland and downgrading upon migration.

To check how the real attainment and performance compared with the “normal” occupational attainment impacts on perceived downgrading we used five different models of occupational attainment and added dummies indicating the possible combinations of the real occupational category and the predicted category. There were no major differences in the results for the different models used for predicting the occupational category so we only report the results where the simplest model (explanatory variables gender, age, age squared, education and Estonian mother tongue) was used.

As in the previous regression, we can calculate the probabilities of the two responses over the population and compare average probabilities directly as well as test their difference. In table 4 we have presented these probabilities for different values of the variables of interest. The average probabilities are calculated for both the full sample and the sample where we have only included those stayers who have considered migration to Finland. The full results of the models are in the appendix.

The coefficients indicate that education increases the probability of considering oneself as having a job below one’s competence, whereas age reduces it. As far as the variables of interest are concerned, having experienced downgrading in Finland and Finnish qualifications are not related to a subjective perception of downgrading. However, it seems that having migration experience in Finland itself is indeed negatively correlated with the probability of the respondent to perceive



occupational underperformance. Interestingly, we only observe this when we run the regression on the sample of migrants and those who have considered migration. When compared to the general population, the difference in average probabilities is not significant. Thus, it seems that selection into migration and/or return migration (we cannot separate these as we do not observe migrants who have not returned) is such that it negates the impact that migration itself has, resulting in a bias towards zero.

To check the result we ran the probit regression for the whole sample and included a dummy of belonging to the comparison group in addition to the migration variable. The results indicate that if the coefficient was applied to whole sample, the probability of reporting occupational downgrading would be almost significantly (at the 5% level) higher than if none of the sample belonged to this group. People who consider migration are thus more likely to consider themselves as underachieving, but post-migration perceptions are more optimistic than of those who are just considering migration. The result suggests that if anything, migration experience reduces the expectations of the individual's occupational attainment and leads to less dissatisfaction with one's career progression rather than heightens dissatisfaction.

Though causality is difficult to establish, it is not unreasonable to assume that migration intentions are driven by the desire to improve on at least one's income when the individual's labor market performance is lagging behind what could be reasonably expected. The fact that a similar difference is not found for return migrants may be explained by the selection of return migrants. Either returners are the ones who have since migration changed their perception of their relative performance or their migration motives were initially different.

Disillusionment in general as a return motive does not seem to be particularly important among the return migrants surveyed. Only 15% of the returners who were working at the time of the survey agree or strongly agree that "Making a living in Finland was more difficult than I expected." Almost all of the respondents agreeing with the statement also consider themselves as overqualified, so difficulties experienced in Finland do not seem to reduce the probability of a subjective perception of overqualification. Also, individuals who succeeded in Finland (who replied "Agree" or "Strongly agree" to the question "Overall, I made financial gains by living in Finland (including the pay received while in Finland and the income forgone in Estonia)") are more likely to consider themselves as overqualified.

When dummies indicating these responses are included in the regression, they are both significantly linked to a higher probability of the respondent considering himself or herself as overqualified. The impact of being a returnee *per se* is still negative. Thus, it seems that both experiencing unexpected

difficulties and making gains are associated with a sensation of working in a job below one's skills, whereas the actual downgrading experienced is not an important determinant thereof. It may be that these results reflect a variety of processes. Overly optimistic individuals feel they underperform both currently and during their migration spell, whereas those who gain from migration can be disappointed by the opportunities at home. Being a return migrant itself may reduce the sensation of being overqualified, as the individual is more informed about labor markets elsewhere.

#### **4. Conclusions**

Occupational downgrading is known to be common among migrants. It is often considered as a source of inefficiency. The possible beneficial effects of "brain circulation" are determined by the jobs that migrants hold. They should match their skills and accumulate human capital that enhances their productivity in the source country. On the other hand, experiences of occupational downgrading may also have an influence on the individual perceptions of what is the "normal" occupational attainment in the labor market of the source country. In this paper our aim is to study whether migration experience *per se* impacts on occupational attainment and whether it changes the probability of the individual considering herself or himself overqualified for their current job.

Migration experience itself is not significant in explaining the respondents' current occupational attainments, whereas qualifications obtained in Finland show a positive correlation with the probability of being in higher occupational categories. The data does not allow us to check whether this is due to selection among migrants: it is well possible that the minority of migrants that have obtained Finnish qualifications during their stay is drawn from the high end of the ability distribution. The results are in line with Masso et al. (2013), who show that foreign work experience (most of which is obtained in Finland) does not generate extra rewards in the Estonian labor market. This is not necessarily counterintuitive: a large share of Estonian migrants in our survey state that their motive for migrating was the aim to accumulate savings for future use.

As far as subjective perceptions are concerned, it is interesting to note that migration itself does not seem to make people more likely to consider themselves overqualified. Compared with those stayers who state they have considered migrating to Finland they, in fact, consider themselves less often overqualified for their job. The subjective perception of overqualification does not seem to stem from a downgrading in the Finnish labor market, but financial success and difficulties in making a living in Finland are related to feeling overqualified. This suggests that a variety of

processes and selection issues underlie perceptions of overqualification and its association with migration experience.

## **Bibliography**

Calogero Carletto & Talip Kilic, 2011. "Moving Up the Ladder? The Impact of Migration Experience on Occupational Mobility in Albania," *Journal of Development Studies*, Taylor & Francis Journals, vol. 47(6), pages 846-869.

Cobo, S. D, Giorguli S. E., Alba, F. (2010), "Occupational Mobility among Returned Migrants in Latin America: A Comparative Analysis", the *ANNALS of the American Academy of Political and Social Science*, 630, pp. 245-268

Commander, Simon John and Nikolaychuk, Olexandr and Vikhrov, Dmytro, *Migration from Ukraine: Brawn or Brain? New Survey Evidence*. IZA Discussion Paper No. 7348.

Chiswick, Barry R. & Miller, Paul W., 2009. "The international transferability of immigrants' human capital," *Economics of Education Review*, Elsevier, vol. 28(2), pages 162-169, April. Chiswick&Miller

Chevalier, Arnaud & Reamonn Lydon, 2002. "Estimates of the Effect of Wages on Job Satisfaction," *CEP Discussion Papers dp0531*, Centre for Economic Performance, LSE.

Clark, Andrew E. & Nicolai Kristensen & Niels Westergård-Nielsen, 2009. "Job Satisfaction and Co-worker Wages: Status or Signal?" *Economic Journal*, Royal Economic Society, vol. 119(536), pages 430-447, 03.

Clark, Andrew E. & Claudia Senik, 2010. "Who Compares to Whom? The Anatomy of Income Comparisons in Europe," *Economic Journal*, Royal Economic Society, vol. 120(544), pages 573-594, 05.

Ilahi, Nadeem. "Return Migration and Occupational Change." *Review of Development Economics*. Vol. 3.1999, 2, p. 170-186, Oxford: Blackwell.

Jaan Masso & Raul Eamets & Pille Mõtsmees, 2013. "The Effect Of Migration Experience On Occupational Mobility In Estonia," *University of Tartu - Faculty of Economics and Business Administration Working Paper Series 92*, Faculty of Economics and Business Administration, University of Tartu (Estonia).

McCormick, B. and Wahba, J. (2001) Overseas work experience, savings and entrepreneurship amongst return migrants to LDCs. *The Scottish Journal of Political Economy*, 48, (2), 164-178.

Piracha, Matloob and Daniela Borodak (2011), *Occupational Choice of Return Migrants in Moldova* (with D. Borodak), *Eastern European Economics*, 49(4), 24-46, 2011.

Piracha, Matloob and Florin Vadean (2010), *Return Migration and Occupational Choice: Evidence from Albania* (with F. Vadean), *World Development*, 38(8): 1141-1155, 2010.

Reinhold, S. and Thom, K.E. (2013). *Migration Experience and Earnings in the Mexican Labor Market*, *Journal of Human Resources*, 48(3): 768-820.

	Occupational category in Finland					
Occupational category before moving to Finland	Legislators, senior officials and managers	Professionals	Technicians and associate professionals	Other occupations	Non-employment	Total
Legislators, senior officials and managers	3	1	1	4	2	11
Professionals	0	9	0	4	3	16
Technicians and associate professionals	0	0	5	4	4	13
Other occupations	2	1	0	71	7	81
Non-employment	1	4	1	33	17	56
Total	6	15	7	116	33	177

Table 1.

	Occupational category after return to Estonia					
Occupational category in Finland	Legislators, senior officials and managers	Professionals	Technicians and associate professionals	Other occupations	Non-employment	Total
	No.	No.	No.	No.	No.	No.
Legislators, senior officials and managers	4	1	0	0	1	6
Professionals	4	6	1	1	4	16
Technicians and associate professionals	0	0	3	0	4	7
Other occupations	7	4	4	49	51	115
Non-employment	7	8	3	2	12	32
Total	22	19	11	52	72	176

Table 2.

	Returnee			Qualifications obtained in Finland			Experienced downgrading		
	No	Yes	p-value for difference	No	Yes	p-value for difference	No	Yes	p-value for difference
Legislators, senior officials and managers	0.256748	0.176394	0.0316	0.208373	0.435201	0.0027	0.229247	0.228795	0.9948
Professionals	0.191461	0.1688	0.0742	0.184403	0.205821	0.0059	0.185179	0.185068	0.9948
Technicians and associate professionals	0.167914	0.166905	0.7433	0.171997	0.145481	0.102	0.168343	0.168348	0.9947
Other occupations	0.383877	0.487902	0.0419	0.435227	0.213497	0.0002	0.417231	0.417789	0.9948

	Returnee			Qualifications obtained in Finland			Experienced downgrading		
	No	Yes	p-value for difference	No	Yes	p-value for difference	No	Yes	p-value for difference
Legislators, senior officials and managers	0.284606	0.206349	0.1772	0.186198	0.418337	0.0052	0.2292	0.2288	0.9417
Professionals	0.161815	0.143731	0.1535	0.15094	0.184181	0.0048	0.1852	0.1851	0.9424
Technicians and associate professionals	0.125079	0.121325	0.2753	0.129565	0.121504	0.4936	0.1683	0.1683	0.9442
Other occupations	0.4285	0.528595	0.1631	0.533297	0.275978	0.0009	0.4172	0.4178	0.942

Table 3. Average probabilities of different occupational categories for different values of the explanatory variables of interest.



	Returnee			Qualifications obtained in Finland			Experienced downgrading			Made financial gains			Was more difficult than expected to make a living		
	No	Yes	p-value for difference	No	Yes	p-value for difference	No	Yes	p-value for difference	No	Yes	p-value for difference	No	Yes	p-value for difference
All	0.8029	0.7705	0.6143	0.7957	0.7589	0.7336	0.7994	0.6883	0.38						
Restricted comparison group	0.9122	0.7375	0.0124	0.8019	0.8351	0.6959	0.8201	0.7405	0.4752						
All	0.8532	0.4544	0.0006	0.7843	0.8893	0.1806	0.7961	0.7516	0.7234	0.6901	0.9406	0	0.7818	0.9726	0
Restricted comparison group	0.9551	0.5506	0	0.7653	0.9114	0.0137	0.8054	0.8329	0.7539	0.5445	0.9047	0	0.7786	0.9833	0

Table 4. Average probabilities of considering oneself as overqualified for different values of the explanatory variables of interest.

## Appendix

Table A1. Ordered probit estimates of occupational attainment.

	All	Restricted comparison group
Age	-0.116 (-1.91)	-0.0600 (-0.66)
Age squared	0.00139 (1.93)	0.000752 (0.69)
Secondary education	-0.924* (-2.35)	-0.596 (-1.32)
Tertiary education	-2.242*** (-5.58)	-1.698*** (-3.67)
Estonian	-0.0349 (-0.05)	0.172 (0.16)
Female	-0.298 (-0.85)	-0.550 (-1.07)
Spouse	-0.696* (-2.05) (.)	-0.876 (-1.88) (.)
Female#Spouse	0.538 (1.28)	0.951 (1.50)
Children under 18	-1.259** (-2.65)	-1.214* (-2.12)
Female#Children under18	0.988 (1.67)	1.245 (1.54)
Spouse# Children under18	1.031 (1.94)	1.199 (1.82)
Female#Spouse# Children under18	-0.678 (-1.01)	-1.447 (-1.53)
Returnee	0.367* (2.04)	0.328 (1.36)
Obtained qualifications in Finland	-0.859** (-3.25)	-0.830** (-3.08)
Downgraded in Finland	0.00198 (0.01)	0.0229 (0.07)
cut1 _cons	-5.287*** (-3.84)	-3.470 (-1.74)
cut2 _cons	-4.575*** (-3.34)	-2.900 (-1.46)
cut3 _cons	-3.986** (-2.92)	-2.490 (-1.25)
N	319	161

Table A2. Probit estimations for perceived overqualification.

	(1) All	(2) Restricted comparison group	(3) All	(4) Restricted comparison group
Professionals	-0.290 (-0.95)	-0.0910 (-0.19)	-0.234 (-0.75)	0.325 (0.59)
Technicians and associate professionals	0.414 (0.93)	0.694 (1.03)	0.544 (1.17)	1.442 (1.73)
Other occupations	-0.194 (-0.43)	0.763 (0.80)	-0.281 (-0.61)	1.458 (1.34)
Predicted: other occupations	-0.310 (-0.45)	-1.117 (-1.15)	-0.213 (-0.31)	-1.788 (-1.62)
Professionals# Predicted: other occupations	-0.358 (-0.57)	-0.315 (-0.28)	-0.437 (-0.68)	0.171 (0.14)
Technicians and associate professionals # Predicted: other occupations	-0.846 (-1.34)		-1.028 (-1.57)	
Age	-0.0155 (-1.77)	-0.00112 (-0.07)	-0.0144 (-1.62)	0.0121 (0.63)
Secondary education	0.795* (2.42)	0.908 (1.79)	0.874** (2.61)	1.389* (2.41)
Tertiary education	0.265 (0.42)		0.302 (0.48)	
Female	-0.244 (-0.58)	-0.676 (-0.83)	-0.347 (-0.80)	-0.764 (-0.84)
Spouse	-0.259 (-0.64)	-0.690 (-0.90)	-0.437 (-1.04)	-1.297 (-1.46)
Female# Spouse	0.0558 (0.11)	-0.502 (-0.51)	0.125 (0.24)	-1.077 (-0.92)
Children under18	0.0868 (0.13)	-0.658 (-0.79)	0.146 (0.21)	-0.794 (-0.86)
Female#Children under18	-0.258 (-0.32)	0.0762 (0.07)	-0.271 (-0.32)	-0.0816 (-0.07)
Spouse#Children under 18	-0.0193 (-0.03)	0.723 (0.74)	-0.137 (-0.18)	0.680 (0.60)
Female# Spouse# Children under 18	0.343 (0.38)	0.928 (0.70)	0.438 (0.47)	1.701 (1.09)
Obtained qualifications in	-0.133	0.156	0.503	0.989

Finland	(-0.35)	(0.37)	(1.06)	(1.86)
Downgraded in Finland	-0.375 (-0.96)	-0.328 (-0.77)	-0.167 (-0.37)	0.156 (0.30)
Returnee	-0.120 (-0.51)	-0.883* (-2.07)	-1.456** (-2.99)	-3.210*** (-3.94)
It was more difficult than expected to make a living in Finland			1.315 (1.90)	2.189* (2.42)
Made financial gains from migrating to Finland			1.347** (2.90)	2.089*** (3.39)
_cons	1.698* (2.16)	2.257* (2.21)	1.739* (2.19)	2.301* (1.96)
<i>N</i>	294	136	294	136

*t* statistics in parentheses

\*  $p < 0.05$ , \*\*  $p < 0.01$ , \*\*\*  $p < 0.001$

## **Tiivistelmä**

Tutkimuksessa selvitetään siirtolaisuuskokemuksen vaikutusta ammattiasemaan ja henkilön omaan arvioon heidän ylikouluttautumisestaan. Tutkimuksessa käytetty aineisto kerättiin kyselytutkimuksella. Kysely kohdennettiin henkilöille, jotka olivat Viron väestörekisterikeskuksen mukaan asuneet Suomessa ja vertailuryhmälle, jolla ei ollut siirtolaiskokemusta.

Tulosten mukaan Suomessa hankitut tutkinnot ovat yhteydessä parempaan ammattiasemaan siirtolaisuuden jälkeen, mutta siirtolaiskokemus itsessään ei ole yhteydessä saavutettuun asemaan. Siirtolaisuuden yhteydessä koettu ammattiaseman heikentyminen Suomessa ei myöskään ennusta huonompaa tai parempaa ammatillista asemaa myöhemmin Virossa.

Kyselyssä tiedusteltiin henkilöiden omaa mielipidettä siitä, selviytyväisivätkö he osaamisensa tai koulutuksensa puolesta nykyistä vaativammasta työstä. Siirtolaiskokemuksella ei koko aineiston analyysissä ollut yhteyttä tähän kysymykseen annettuihin vastauksiin. Koska siirtolaiseksi lähtevät saattavat lähtökohtaisesti olla erilaisia tässä suhteessa ja tulokset siten harhaanjohtavia, analyysi toistettiin siten, että vertailuryhmään sisällytettiin vain ne henkilöt, jotka olivat harkinneet muuttamista Suomeen. Tällöin saadut tulokset muuttuivat siten, että ne, jotka olivat tosiasiallisesti asuneet Suomessa, pitivät itseään muita harvemmin liian osaavina nykyiseen työhönsä.

Palaavien maastamuuttajien mielipide siitä, että he olisivat kykeneviä suoriutumaan vaativammasta työstä ei ole yhteydessä kokemukseen ammattiaseman heikentymisestä Suomeen muutettaessa. Kuitenkin sekä taloudellinen menestys että koetut vaikeudet siirtolaisuuden aikana ovat yhteydessä siihen, että henkilö kokee olevansa liian osaava nykyiseen tehtäväänsä.

## **Abstract**

We investigate the impact of migration experience on occupational attainment in the source country as well as on individuals' subjective assessment of whether they are overqualified for their jobs. The data used in the study are drawn from a survey of Estonian return migrants who have resided in Finland and a comparison group of Estonians who have never lived abroad.

The results indicate that qualifications obtained in Finland predict higher occupational attainment, but migration experience *per se* does not. Having experienced occupational downgrading during an earlier migration spell in Finland does not have implications for occupational attainment back in Estonia. As far as a subjective statement about holding a job that is below one's skills is concerned, migration experience does not have an impact on the likelihood of people to consider themselves



overqualified. Compared with those stayers who state that they have considered migrating to Finland actual migrants actually consider themselves less often overqualified for their job, suggesting that those prone to migrate are more optimistic about their earnings potential. Subjective perceptions of overqualification do not seem to stem from downgrading experiences in the Finnish labor market, either. However, both financial success and difficulties in making a living in Finland are positively related to feeling overqualified.

**Keywords:** return migration, occupational choice, east-west migration

**JEL Classification:** J61, J24, F22

## **1. Introduction**

It is well known that migrants often experience occupational downgrading in the host country labor market, which suggests that there is incomplete transferability of skills obtained in other countries (see, for example, Chiswick and Miller 2009). This may also partly explain the wage gap between recent immigrants and natives. In the context of the discourse on the “brain drain” phenomenon it is often emphasized that work experience obtained in a more developed country can improve productivity in the country of origin, resulting in “brain circulation” and gains for both countries. This, however, requires that the employment that migrants gain in the host country actually accumulates human capital that is relevant in their occupation in the source country. Thus, significant and persistent occupational downgrading must not occur in the host country. The issue of countries losing invaluable human capital has also arisen in the context of East-West migration. Despite the fact that the income gap between the Central and Eastern European countries and Western Europe is smaller than between low income countries and the industrialized world, anecdotal evidence suggests that migrants from the East work in low skill jobs in the Western European labor markets.

The purpose of this paper is threefold: we aim to characterize the patterns of occupational mobility that Estonian migrants experience both when they move to Finland and upon their return to Estonia. Second, we want to examine whether work experience obtained in Finland improves the individual’s occupational attainment in Estonia. Third, we wish to establish whether individual perceptions of being overqualified are influenced by different aspects of migration experience.

In addition to the actual occupational attainment or wages, migration experiences may have an impact on the subjective perceptions thereof. Though the data we use are based on a voluntary

survey and thus may suffer from a non-response bias, the strength thereof is that we have also recorded a wide range of variables typically not available in register-based data sets, such as subjective statements about individual abilities, experiences and intentions. We also make use of these variables when assessing the impact of migration experience compared with non-migrants. The individuals who have never migrated to Finland but state that they have seriously considered doing so serve as a comparison group that is likely to be highly similar to migrants in terms of unobservables.

There is some existing literature on the occupational choices among return migrants, but it often concerns the choice between self-employment and wage employment (for example Ilahi 1999, McCormick and Wahba 2001, Matloob and Piracha 2009, Borodak and Piracha 2010). Carletto and Kilic (2009) in their research on the impact of migration on occupational attainment find that in the Albanian labor market past migration experience increases the likelihood of upward occupational mobility. Cobo et al. (2010) conclude that mobility prospects upon return depend on migrant characteristics as well as the context of return. On the other hand, in a setting very similar to ours Masso et al. (2013) find that work experience abroad does not improve individual occupational outcomes in the Estonian labor market. In fact, they find that there was a negative effect on occupational mobility for women.

The literature on happiness and job satisfaction, on the other hand, recognizes the fact that subjective measures are often strongly influenced by what is known about other people's attainments. It has been shown that a higher wage or a higher relative wage usually implies higher job satisfaction. Prospects of a higher wage in the future increase job satisfaction (for example in Lydon and Chevalier 2002, Clark et al. 2009). On the other hand, Card et al. (2011) have shown that revelations about an individual's position in the wage distribution may have a significant negative impact on job satisfaction for those whose wage is below the median.

There are several ways in which migration experience may have an impact on the perceptions of the individual's own labor market performance. As migrants more typically have experiences of occupational downgrading, they may be more likely to assume that their occupational attainment is below the average of people with similar characteristics. Alternatively, if return migrants regain their earlier occupational status upon their return and lack knowledge of the patterns of "normal" occupational progress in the home country, they may fail to observe that they are performing worse than similar individuals without migration experience. In the same vein as with the brain circulation story, it may also be that they have indeed gathered valuable experience during their stay in Finland, especially if no significant occupational downgrading has taken place upon migration. Whether they

are actually rewarded for it in Estonia or perceive the reward to match their skills is essentially an empirical question.

On the other hand, during their stay in Finland migrants have gathered information on the Finnish labor market and may thus have erroneous assumptions about the Estonian labor market, leading to a false perception of down- or up-grading. In general, the selection issues that are relevant in all studies of migration may also play a role in determining subjective perceptions: it is, for example, conceivable that migrants are already, prior to their migration, more optimistic of their abilities or chances to improve on their labor market outcomes than individuals who do not migrate.

In this study, we try disentangle some of the effects mentioned above. More specifically, we trace the occupational paths of migrants who have returned to Estonia. In addition, the aim of the analysis is to establish whether migration experience makes it more likely for an individual to perceive that they are underperforming in terms of occupational attainment whilst controlling for their relative performance.

Our results suggest that educational qualifications obtained in Finland improve occupational outcomes. Having migration experience *per se* is not significantly related to occupational attainment and occupational downgrading experienced during the most recent migration spell to Finland has no implications for the subsequent occupational attainment.

As far as individual perceptions of downgrading are concerned, we do not find any significant effects of previous downgrading. Migration experience seems to have no impact, but when the comparison is drawn with those individuals who have not migrated but have seriously considered it (rather than with all stayers), we find that the actual migrants are less likely to consider their jobs to be below their competence. When compared with the rest of the non-migrant respondents, those who have considered migration, on the other hand, are more likely to find themselves to have a sub-par job. This suggests that selection into migration is linked to the perceptions of one's relative performance. The impact of migration experience seems to vary with the experiences of success, with both success and difficulties experienced being linked to a higher probability of feeling overqualified. Observable occupational downgrading during the migration spell, however, is not significantly related to the subjective perception measure.

This paper is structured as follows: in Section 2 we describe the data and in Section 3 we report the results. Section 4 concludes.

## 2. Data

The data were collected by means of a postal survey that was sent to 2000 individuals in Estonia. A half of these were selected from the sub-population that, according to the Population Register, had resided in Finland and subsequently returned to Estonia. The other half of the recipients was sampled from the Estonian population that has never lived abroad.

The total number of responses was 523 of which 197 were return migrants and 326 from the comparison group. Hence, the corresponding response rates were 19.7% and 32.6%. In the return migrant group, some of the individuals who were sent the questionnaire had moved back to Finland and were thus not eligible for the survey. The obviously higher response rate in the comparison group also suggests that there may be different non-response bias in the two groups.

It is obvious that migrants and stayers are not similar groups. It is likely that migrants are selected along several dimensions of both observable and unobservable characteristics. Despite the large set of questions asked in the survey, there are no obvious candidates to serve as instruments for the decision to migrate and return and to correct for the bias arising from the different determinants of non-response in these groups. Therefore we use the question on migration intentions put to the comparison group to form a sub-group of non-migrants that is more similar to the migrant group than the unlimited comparison group. The survey included questions on general migration intentions as well as intentions to move to Finland for those who do not have migration experience. We have used a comparison group of those who agreed or strongly agreed with the statement “I have considered moving to Finland”.

A comparison of the age and gender of migrants and stayers reveals that these are significantly different in the two groups: return migrants are, on average, younger and, more often than not, men. When we restrict the comparison group to those who have considered migrating to Finland the statistically significant difference in age between the groups disappears. The difference in the proportion of female respondents is smaller between the return migrant group and the limited comparison group but it still remains statistically significant. The proportion of employed people is significantly different for the two original groups, but the difference becomes insignificant after the comparison group is restricted to those who have considered migration. Thus, the narrower comparison group is clearly more similar to the migrant group, though not exactly the same.

For the occupational analysis we also need to regroup the occupational categories and labor market status of the respondents. The responses have been translated into the 9 major categories of the

ISCO 88 classification. We have regrouped the categories 4-9 into a single category. This allows us to apply methods of limited dependent variables that require an ordinal outcome variable<sup>1</sup>.

Out of the 189 returnees who answered the question on their labor market status prior to migration to Finland 141 had been in employment in Estonia before they relocated. Out of the 187 who provided information on their labor market status in Finland 164 had been employed. The current labor market status was employment for 123 of the return migrants. In addition to the people outside employment, the information on the occupational category was missing for some of the employed respondents.

The analysis mainly concerns employed people. However, in the definition of “downgrading” for return migrants as an explanatory variable in the regressions below we also use the information on being outside employment as a separate category in order not to reduce the number of observations too much. For this purpose, we define “downgrading” as moving either to a lower occupational category or from employment to non-employment.

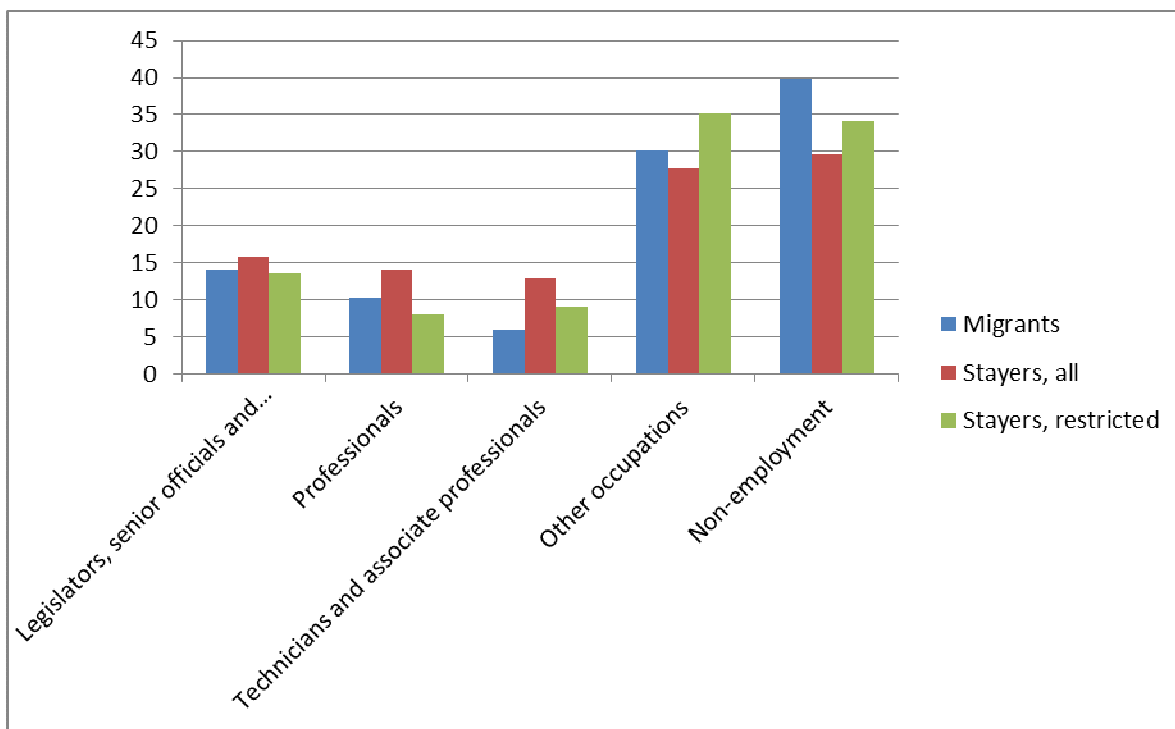


Figure 1.

<sup>1</sup> The lowest category, elementary occupations or category 9, can be interpreted as lower than the categories 8-4, but the number of observations in this category is very small, and therefore it is not considered separately. The categories 4-8 require the same level of skills so they cannot be strictly ordered and are thus treated as a single group.



The distribution across occupations and non-employment of each group at the time of the survey is depicted in Figure 1. The chi-squared test indicates no difference between return migrants and all stayers or migrants contrasted to the stayers who have considered moving to Finland.

The occupational mobility of migrants upon moving to Finland and during their subsequent return to Estonia is described in Tables 1 and 2. We describe the patterns of occupational mobility by cross-tabulating the occupational attainment of return migrants before and during their stay in Finland as well as during their stay in Finland and after their return to Estonia.

As can be seen, most individuals (59% of the observations) stay in the same occupational category when they move to Finland. However, the rest of the observations fall outside the diagonal: for these observations we have conducted a binomial probability test to check whether a significantly larger share of the off-diagonal observations falls above (downgrading) than below (upgrading) the diagonal. According to the test, downgrading is not significantly more probable than upgrading. If we only consider those who are employed both in Estonia and Finland, downgrading is indeed significantly more common: 14 out of the total of 17 off-diagonal observations are above the diagonal.

Upon their return from Finland 42% of the people remain in the same occupational category (Table 2). As for the off-diagonal elements, it is significantly more likely to downgrade upon return, if those who are not employed are included. However, if we only consider those individuals who were employed both in Finland and, after their migration spell, in Estonia, the result is reversed, and upgrading becomes more likely. The number of these observations is only 84 in total, out of which 22 are off-diagonal.

Comparing observations before and after the migration spell in Finland (Table 3) we find that the result is by and large similar: downgrading is more common if we include all individuals (though not significant), but upgrading is significantly more common for those who are employed both before and after their spell in Finland.

Thus, there is some evidence that occupational downgrading takes place when people move to Finland. However, in the analysis above we have not controlled for factors such as age or educational qualifications obtained in Finland that might, for example, explain that the individuals experience occupational upgrading between their employment spells in Estonia before and after their time in Finland. Their career would have naturally progressed in Estonia during this period as well.

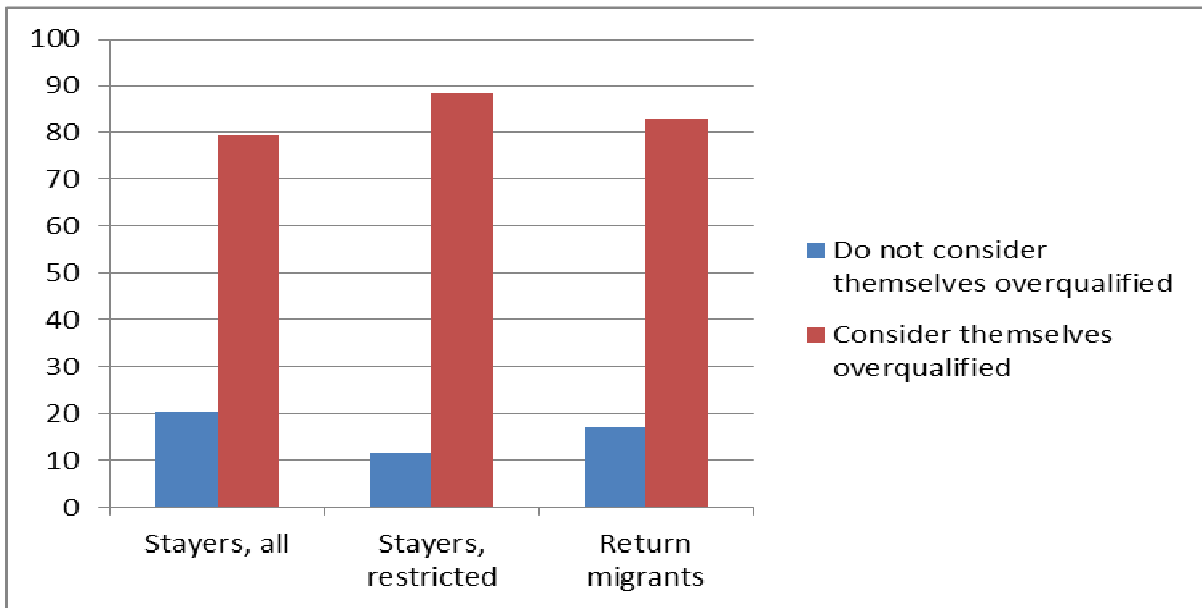


Figure 2.

The measure of a subjective perception of downgrading is the response to the question: “In your current job, do you feel that you have skills or qualifications to do a more demanding job?” The number of people in each of the groups (return migrants, all non-migrants and non-migrants who have considered moving to Finland) are presented in Figure 2. The proportion of individuals considering themselves overqualified is actually higher among non-migrants when this group is limited to those who have considered migrating. The difference between migrants and non-migrants is not significant in either comparison, but the proportion of “overqualified” for non-migrants who have considered migrating is significantly higher than for those who have not.

In these descriptive analyses we have established some simple facts about occupational downgrading among migrants and non-migrants. In the following section we conduct estimations of occupational attainment and views on downgrading whereby we control for individual characteristics.

### 3. Estimation results

We analyze the current occupational attainment of the respondents by running an ordered probit regression of the underlying latent variable measuring the skill contents of the current job:

$$(1) \quad y_i^* = X_i\beta + \varepsilon_i$$

where we only observe  $n$  categories of  $y$ :

$$(2) \quad y = \begin{cases} 1 & \text{if } y^* \in ]-\infty, \eta_1] \\ 2 & \text{if } y^* \in ]\eta_1, \eta_2] \\ 3 & \text{if } y^* \in ]\eta_2, \eta_3] \\ \cdot & \\ \cdot & \\ n & \text{if } y^* \in ]\eta_{n-1}, \eta_n] \end{cases}$$

The observed dependent variable is occupational attainment for those who are employed at the time of observation. This is measured on the scale 1-4 as presented in the previous section. The explanatory variables include gender, age, age squared, all combinations of the dummies for gender, marital status and the presence of under-aged children, and the dummies for return migrants, those who have obtained qualifications in Finland and experienced occupational downgrading (including those who move from employment to non-employment) upon moving to Finland.

The full set of coefficients for the regression is presented in the appendix. From the resulting parameters, we can obtain the predicted occupational category for each person in the sample. In Table 1 we have presented the average probabilities of different occupational categories for different values of the variables of interest (return migrant status, qualifications obtained in Finland, occupational downgrading). The values of the other variables are maintained at their real observed values. The significance of the difference in these mean probabilities is also tested.

Having migration experience seems to predict lower occupational attainment when all the responses are included in the sample. Once we narrow down the comparison group, however, this becomes insignificant. Qualifications obtained in Finland do, however, have a significant positive impact on the probabilities of higher occupational categories. Experience of downgrading during the migration spell in Finland is, on the other hand, not related to the current occupational attainment. Thus, it seems that downgrading does not “carry over” to the individual’s career in Estonia after the

migration spell. The number of people experiencing occupational downgrading in Finland is about 30.

We proceed to investigate the determination of a subjective perception of occupational downgrading. The perceived occupational downgrading is investigated by using a probit model:

$$(3) y_i^* = X_i\beta + \varepsilon_i$$

where we only observe a dichotomous variable  $y$ :

$$(4) y = \begin{cases} 1 & \text{if } y^* \geq 0 \text{ i.e. } -\varepsilon \leq X\beta \\ 0 & \text{otherwise} \end{cases}$$

The explanatory variables in this model include age, education, interactions of the variables indicating gender, marital status and the presence of children and for migrants the dummies indicating migration experience, qualifications obtained in Finland and downgrading upon migration.

To check how the real attainment and performance compared with the “normal” occupational attainment impacts on perceived downgrading we used five different models of occupational attainment and added dummies indicating the possible combinations of the real occupational category and the predicted category. There were no major differences in the results for the different models used for predicting the occupational category so we only report the results where the simplest model (explanatory variables gender, age, age squared, education and Estonian mother tongue) was used.

As in the previous regression, we can calculate the probabilities of the two responses over the population and compare average probabilities directly as well as test their difference. In table 4 we have presented these probabilities for different values of the variables of interest. The average probabilities are calculated for both the full sample and the sample where we have only included those stayers who have considered migration to Finland. The full results of the models are in the appendix.

The coefficients indicate that education increases the probability of considering oneself as having a job below one’s competence, whereas age reduces it. As far as the variables of interest are concerned, having experienced downgrading in Finland and Finnish qualifications are not related to a subjective perception of downgrading. However, it seems that having migration experience in Finland itself is indeed negatively correlated with the probability of the respondent to perceive

occupational underperformance. Interestingly, we only observe this when we run the regression on the sample of migrants and those who have considered migration. When compared to the general population, the difference in average probabilities is not significant. Thus, it seems that selection into migration and/or return migration (we cannot separate these as we do not observe migrants who have not returned) is such that it negates the impact that migration itself has, resulting in a bias towards zero.

To check the result we ran the probit regression for the whole sample and included a dummy of belonging to the comparison group in addition to the migration variable. The results indicate that if the coefficient was applied to whole sample, the probability of reporting occupational downgrading would be almost significantly (at the 5% level) higher than if none of the sample belonged to this group. People who consider migration are thus more likely to consider themselves as underachieving, but post-migration perceptions are more optimistic than of those who are just considering migration. The result suggests that if anything, migration experience reduces the expectations of the individual's occupational attainment and leads to less dissatisfaction with one's career progression rather than heightens dissatisfaction.

Though causality is difficult to establish, it is not unreasonable to assume that migration intentions are driven by the desire to improve on at least one's income when the individual's labor market performance is lagging behind what could be reasonably expected. The fact that a similar difference is not found for return migrants may be explained by the selection of return migrants. Either returners are the ones who have since migration changed their perception of their relative performance or their migration motives were initially different.

Disillusionment in general as a return motive does not seem to be particularly important among the return migrants surveyed. Only 15% of the returners who were working at the time of the survey agree or strongly agree that "Making a living in Finland was more difficult than I expected." Almost all of the respondents agreeing with the statement also consider themselves as overqualified, so difficulties experienced in Finland do not seem to reduce the probability of a subjective perception of overqualification. Also, individuals who succeeded in Finland (who replied "Agree" or "Strongly agree" to the question "Overall, I made financial gains by living in Finland (including the pay received while in Finland and the income forgone in Estonia)") are more likely to consider themselves as overqualified.

When dummies indicating these responses are included in the regression, they are both significantly linked to a higher probability of the respondent considering himself or herself as overqualified. The impact of being a returnee *per se* is still negative. Thus, it seems that both experiencing unexpected

difficulties and making gains are associated with a sensation of working in a job below one's skills, whereas the actual downgrading experienced is not an important determinant thereof. It may be that these results reflect a variety of processes. Overly optimistic individuals feel they underperform both currently and during their migration spell, whereas those who gain from migration can be disappointed by the opportunities at home. Being a return migrant itself may reduce the sensation of being overqualified, as the individual is more informed about labor markets elsewhere.

#### **4. Conclusions**

Occupational downgrading is known to be common among migrants. It is often considered as a source of inefficiency. The possible beneficial effects of "brain circulation" are determined by the jobs that migrants hold. They should match their skills and accumulate human capital that enhances their productivity in the source country. On the other hand, experiences of occupational downgrading may also have an influence on the individual perceptions of what is the "normal" occupational attainment in the labor market of the source country. In this paper our aim is to study whether migration experience *per se* impacts on occupational attainment and whether it changes the probability of the individual considering herself or himself overqualified for their current job.

Migration experience itself is not significant in explaining the respondents' current occupational attainments, whereas qualifications obtained in Finland show a positive correlation with the probability of being in higher occupational categories. The data does not allow us to check whether this is due to selection among migrants: it is well possible that the minority of migrants that have obtained Finnish qualifications during their stay is drawn from the high end of the ability distribution. The results are in line with Masso et al. (2013), who show that foreign work experience (most of which is obtained in Finland) does not generate extra rewards in the Estonian labor market. This is not necessarily counterintuitive: a large share of Estonian migrants in our survey state that their motive for migrating was the aim to accumulate savings for future use.

As far as subjective perceptions are concerned, it is interesting to note that migration itself does not seem to make people more likely to consider themselves overqualified. Compared with those stayers who state they have considered migrating to Finland they, in fact, consider themselves less often overqualified for their job. The subjective perception of overqualification does not seem to stem from a downgrading in the Finnish labor market, but financial success and difficulties in making a living in Finland are related to feeling overqualified. This suggests that a variety of

processes and selection issues underlie perceptions of overqualification and its association with migration experience.

## **Bibliography**

Calogero Carletto & Talip Kilic, 2011. "Moving Up the Ladder? The Impact of Migration Experience on Occupational Mobility in Albania," *Journal of Development Studies*, Taylor & Francis Journals, vol. 47(6), pages 846-869.

Cobo, S. D, Giorguli S. E., Alba, F. (2010), "Occupational Mobility among Returned Migrants in Latin America: A Comparative Analysis", the *ANNALS of the American Academy of Political and Social Science*, 630, pp. 245-268

Commander, Simon John and Nikolaychuk, Olexandr and Vikhrov, Dmytro, *Migration from Ukraine: Brawn or Brain? New Survey Evidence*. IZA Discussion Paper No. 7348.

Chiswick, Barry R. & Miller, Paul W., 2009. "The international transferability of immigrants' human capital," *Economics of Education Review*, Elsevier, vol. 28(2), pages 162-169, April. Chiswick&Miller

Chevalier, Arnaud & Reamonn Lydon, 2002. "Estimates of the Effect of Wages on Job Satisfaction," *CEP Discussion Papers dp0531*, Centre for Economic Performance, LSE.

Clark, Andrew E. & Nicolai Kristensen & Niels Westergård-Nielsen, 2009. "Job Satisfaction and Co-worker Wages: Status or Signal?" *Economic Journal*, Royal Economic Society, vol. 119(536), pages 430-447, 03.

Clark, Andrew E. & Claudia Senik, 2010. "Who Compares to Whom? The Anatomy of Income Comparisons in Europe," *Economic Journal*, Royal Economic Society, vol. 120(544), pages 573-594, 05.

Ilahi, Nadeem. "Return Migration and Occupational Change." *Review of Development Economics*. Vol. 3.1999, 2, p. 170-186, Oxford: Blackwell.

Jaan Masso & Raul Eamets & Pille Mõtsmees, 2013. "The Effect Of Migration Experience On Occupational Mobility In Estonia," *University of Tartu - Faculty of Economics and Business Administration Working Paper Series 92*, Faculty of Economics and Business Administration, University of Tartu (Estonia).

McCormick, B. and Wahba, J. (2001) Overseas work experience, savings and entrepreneurship amongst return migrants to LDCs. *The Scottish Journal of Political Economy*, 48, (2), 164-178.

Piracha, Matloob and Daniela Borodak (2011), *Occupational Choice of Return Migrants in Moldova* (with D. Borodak), *Eastern European Economics*, 49(4), 24-46, 2011.

Piracha, Matloob and Florin Vadean (2010), *Return Migration and Occupational Choice: Evidence from Albania* (with F. Vadean), *World Development*, 38(8): 1141-1155, 2010.

Reinhold, S. and Thom, K.E. (2013). *Migration Experience and Earnings in the Mexican Labor Market*, *Journal of Human Resources*, 48(3): 768-820.

	Occupational category in Finland					
Occupational category before moving to Finland	Legislators, senior officials and managers	Professionals	Technicians and associate professionals	Other occupations	Non-employment	Total
Legislators, senior officials and managers	3	1	1	4	2	11
Professionals	0	9	0	4	3	16
Technicians and associate professionals	0	0	5	4	4	13
Other occupations	2	1	0	71	7	81
Non-employment	1	4	1	33	17	56
Total	6	15	7	116	33	177

Table 1.

	Occupational category after return to Estonia					
Occupational category in Finland	Legislators, senior officials and managers	Professionals	Technicians and associate professionals	Other occupations	Non-employment	Total
	No.	No.	No.	No.	No.	No.
Legislators, senior officials and managers	4	1	0	0	1	6
Professionals	4	6	1	1	4	16
Technicians and associate professionals	0	0	3	0	4	7
Other occupations	7	4	4	49	51	115
Non-employment	7	8	3	2	12	32
Total	22	19	11	52	72	176

Table 2.



	Returnee			Qualifications obtained in Finland			Experienced downgrading		
	No	Yes	p-value for difference	No	Yes	p-value for difference	No	Yes	p-value for difference
Legislators, senior officials and managers	0.256748	0.176394	0.0316	0.208373	0.435201	0.0027	0.229247	0.228795	0.9948
Professionals	0.191461	0.1688	0.0742	0.184403	0.205821	0.0059	0.185179	0.185068	0.9948
Technicians and associate professionals	0.167914	0.166905	0.7433	0.171997	0.145481	0.102	0.168343	0.168348	0.9947
Other occupations	0.383877	0.487902	0.0419	0.435227	0.213497	0.0002	0.417231	0.417789	0.9948

	Returnee			Qualifications obtained in Finland			Experienced downgrading		
	No	Yes	p-value for difference	No	Yes	p-value for difference	No	Yes	p-value for difference
Legislators, senior officials and managers	0.284606	0.206349	0.1772	0.186198	0.418337	0.0052	0.2292	0.2288	0.9417
Professionals	0.161815	0.143731	0.1535	0.15094	0.184181	0.0048	0.1852	0.1851	0.9424
Technicians and associate professionals	0.125079	0.121325	0.2753	0.129565	0.121504	0.4936	0.1683	0.1683	0.9442
Other occupations	0.4285	0.528595	0.1631	0.533297	0.275978	0.0009	0.4172	0.4178	0.942

Table 3. Average probabilities of different occupational categories for different values of the explanatory variables of interest.

	Returnee			Qualifications obtained in Finland			Experienced downgrading			Made financial gains			Was more difficult than expected to make a living		
	No	Yes	p-value for difference	No	Yes	p-value for difference	No	Yes	p-value for difference	No	Yes	p-value for difference	No	Yes	p-value for difference
All	0.8029	0.7705	0.6143	0.7957	0.7589	0.7336	0.7994	0.6883	0.38						
Restricted comparison group	0.9122	0.7375	0.0124	0.8019	0.8351	0.6959	0.8201	0.7405	0.4752						
All	0.8532	0.4544	0.0006	0.7843	0.8893	0.1806	0.7961	0.7516	0.7234	0.6901	0.9406	0	0.7818	0.9726	0
Restricted comparison group	0.9551	0.5506	0	0.7653	0.9114	0.0137	0.8054	0.8329	0.7539	0.5445	0.9047	0	0.7786	0.9833	0

Table 4. Average probabilities of considering oneself as overqualified for different values of the explanatory variables of interest.

## Appendix

Table A1. Ordered probit estimates of occupational attainment.

	All	Restricted comparison group
Age	-0.116 (-1.91)	-0.0600 (-0.66)
Age squared	0.00139 (1.93)	0.000752 (0.69)
Secondary education	-0.924* (-2.35)	-0.596 (-1.32)
Tertiary education	-2.242*** (-5.58)	-1.698*** (-3.67)
Estonian	-0.0349 (-0.05)	0.172 (0.16)
Female	-0.298 (-0.85)	-0.550 (-1.07)
Spouse	-0.696* (-2.05) (.)	-0.876 (-1.88) (.)
Female#Spouse	0.538 (1.28)	0.951 (1.50)
Children under 18	-1.259** (-2.65)	-1.214* (-2.12)
Female#Children under18	0.988 (1.67)	1.245 (1.54)
Spouse# Children under18	1.031 (1.94)	1.199 (1.82)
Female#Spouse# Children under18	-0.678 (-1.01)	-1.447 (-1.53)
Returnee	0.367* (2.04)	0.328 (1.36)
Obtained qualifications in Finland	-0.859** (-3.25)	-0.830** (-3.08)
Downgraded in Finland	0.00198 (0.01)	0.0229 (0.07)
cut1 _cons	-5.287*** (-3.84)	-3.470 (-1.74)
cut2 _cons	-4.575*** (-3.34)	-2.900 (-1.46)
cut3 _cons	-3.986** (-2.92)	-2.490 (-1.25)
N	319	161

Table A2. Probit estimations for perceived overqualification.

	(1) All	(2) Restricted comparison group	(3) All	(4) Restricted comparison group
Professionals	-0.290 (-0.95)	-0.0910 (-0.19)	-0.234 (-0.75)	0.325 (0.59)
Technicians and associate professionals	0.414 (0.93)	0.694 (1.03)	0.544 (1.17)	1.442 (1.73)
Other occupations	-0.194 (-0.43)	0.763 (0.80)	-0.281 (-0.61)	1.458 (1.34)
Predicted: other occupations	-0.310 (-0.45)	-1.117 (-1.15)	-0.213 (-0.31)	-1.788 (-1.62)
Professionals# Predicted: other occupations	-0.358 (-0.57)	-0.315 (-0.28)	-0.437 (-0.68)	0.171 (0.14)
Technicians and associate professionals # Predicted: other occupations	-0.846 (-1.34)		-1.028 (-1.57)	
Age	-0.0155 (-1.77)	-0.00112 (-0.07)	-0.0144 (-1.62)	0.0121 (0.63)
Secondary education	0.795* (2.42)	0.908 (1.79)	0.874** (2.61)	1.389* (2.41)
Tertiary education	0.265 (0.42)		0.302 (0.48)	
Female	-0.244 (-0.58)	-0.676 (-0.83)	-0.347 (-0.80)	-0.764 (-0.84)
Spouse	-0.259 (-0.64)	-0.690 (-0.90)	-0.437 (-1.04)	-1.297 (-1.46)
Female# Spouse	0.0558 (0.11)	-0.502 (-0.51)	0.125 (0.24)	-1.077 (-0.92)
Children under18	0.0868 (0.13)	-0.658 (-0.79)	0.146 (0.21)	-0.794 (-0.86)
Female#Children under18	-0.258 (-0.32)	0.0762 (0.07)	-0.271 (-0.32)	-0.0816 (-0.07)
Spouse#Children under 18	-0.0193 (-0.03)	0.723 (0.74)	-0.137 (-0.18)	0.680 (0.60)
Female# Spouse# Children under 18	0.343 (0.38)	0.928 (0.70)	0.438 (0.47)	1.701 (1.09)
Obtained qualifications in	-0.133	0.156	0.503	0.989

Finland	(-0.35)	(0.37)	(1.06)	(1.86)
Downgraded in Finland	-0.375 (-0.96)	-0.328 (-0.77)	-0.167 (-0.37)	0.156 (0.30)
Returnee	-0.120 (-0.51)	-0.883* (-2.07)	-1.456** (-2.99)	-3.210*** (-3.94)
It was more difficult than expected to make a living in Finland			1.315 (1.90)	2.189* (2.42)
Made financial gains from migrating to Finland			1.347** (2.90)	2.089*** (3.39)
_cons	1.698* (2.16)	2.257* (2.21)	1.739* (2.19)	2.301* (1.96)
<i>N</i>	294	136	294	136

*t* statistics in parentheses

\*  $p < 0.05$ , \*\*  $p < 0.01$ , \*\*\*  $p < 0.001$