

# Returns to Immigrants' Foreign Education: Assessing Origin-Country Transferability and Quality across Fifteen European Destination Countries

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It is well-established that foreign-educated immigrants are at a disadvantage in domestic labour markets, earning lower returns to their education compared to both the native-born and domestically educated immigrants (Chiswick & Miller, 2009; Duleep & Regets, 1999; Friedberg, 2000; Kogan, 2011; Zeng & Xie, 2004). Focusing on the knowledge and skills themselves – i.e., the human capital acquired through education – previous research has emphasised two theoretical explanations for why it yields lower returns and why this varies across countries of origin. First, the transferability explanation contends that foreign education is devalued because some human capital is country-specific and thus does not perfectly transfer across national contexts (Chiswick, 1978). Second, the quality explanation argues instead that foreign-educated immigrants vary in their level of actual human capital for the same level of education, due to systematically differing educational quality across countries of origin (Hanushek & Kimko, 2000).

Issues with transferability and quality are interrelated, but the explanations highlight different reasons for why immigrants' human capital is devalued and how that contributes to immigrants' labour market disadvantage. Despite their distinct theoretical and practical implications, the two explanations have often been conflated. A key challenge is that their predictions regarding origin-country variation overlap: From the vantage point of European or Western labour markets, countries with high (low) transferability tend to be the same as those with high (low) educational quality. As a result, both explanations predict that immigrants with education from other European or Western countries will fare well in domestic labour markets, and those with foreign education from developing countries will have considerably lower returns (Basilio et al., 2017; Buzdugan & Halli, 2009; Friedberg, 2000).

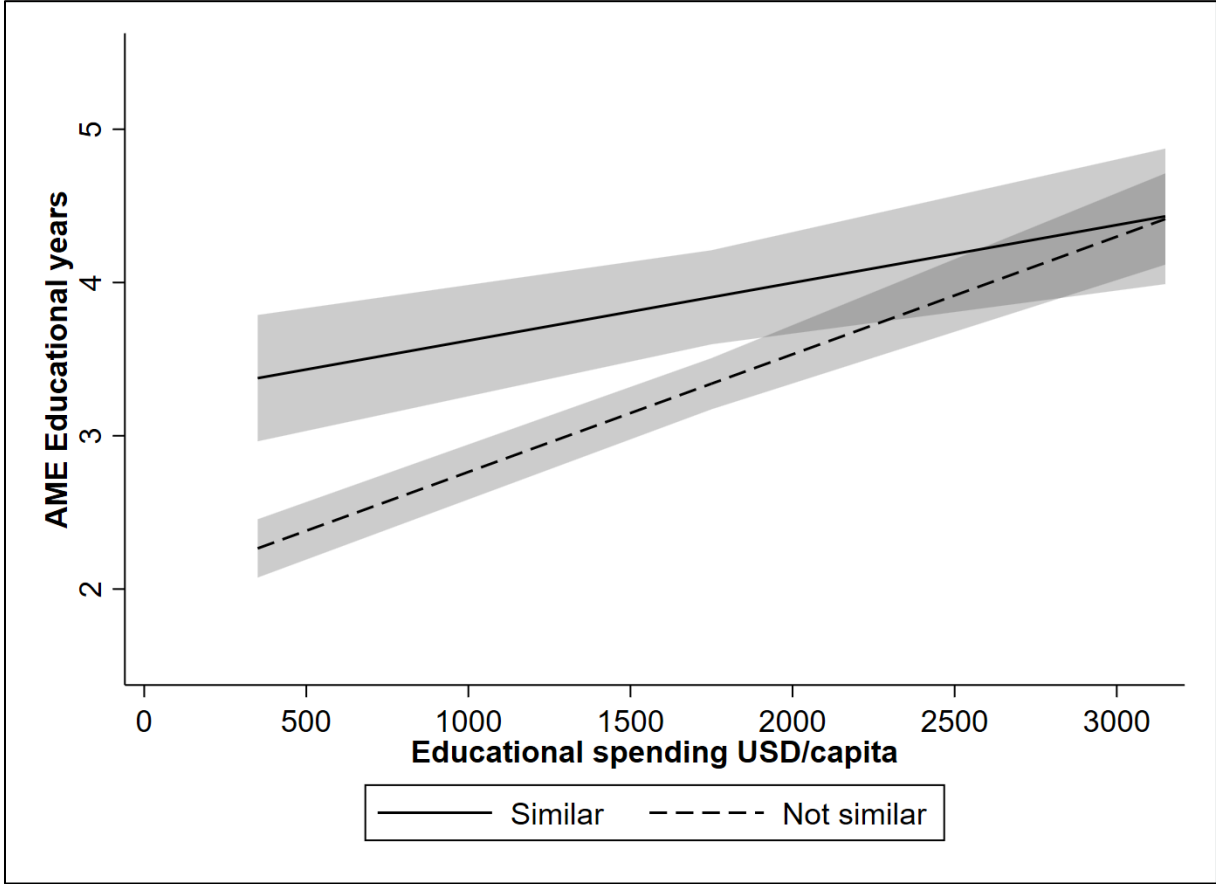
The purpose of this study is to analyse how transferability and quality affect the returns to immigrants' foreign education. Our unique design with immigrants from multiple countries of origin in multiple countries of destination contributes to the literature by isolating the different explanations and examines both how they moderate returns to education as well as how they interact with each other.

We use the 2021 EU Labour Force Survey (EU-LFS) ad hoc module on the Labour Market Situation of Migrants and Their Immediate Descendants, analysing 19,565 migrants across fifteen European destination countries, contrasting the transferability and quality of education from 168 origin countries. We regress occupational status (ISEI) on a three-way interaction between an individual's years of education and the two origin-country characteristics, transferability and quality.

Following previous research, we operationalise transferability by coding whether each origin is similar to each destination country based on institutional, cultural, and linguistic characteristics, thus aiding human capital transferability acquired through education. For European countries, we categorise groups based on educational systems and labour market structures (Tibajev, 2023), such as Scandinavian or South European. For non-European countries, we classify them based on colonial history (Kanas & van Tubergen, 2014), for example Morocco as similar to France or Brazil to Portugal. Educational quality is operationalised as educational spending per capita in USD (Bratsberg & Terrell, 2002). We control for gender, age at migration, years since migration, reason for migration, and destination-country fixed-effects.

From the regression, we calculate the average marginal effect (AME) of education years on ISEI for different combinations of similarity and educational spending. Figure 1 displays the results.

**Figure 1** AME of education years on ISEI for origin-country similarity and educational spending.



Foreign education has a positive effect on ISEI, but the size of that effect varies substantially depending on the characteristics of the country of origin. For origin countries that are not similar to the destination (the dashed line), the AME of educational years on ISEI varies substantially with educational spending, doubling from approximately 2.2 higher ISEI per education year for immigrants from countries that spend the least on education, to 4.4 for immigrants from high-spending countries. In contrast, returns to foreign education vary much less with educational spending for immigrants from origin countries that are similar to the destination (the solid line), with the AME per education year being considerably higher even for the lowest spending origin countries.

The results show that transferability and quality, operationalised as similarity and educational spending, moderate the returns to immigrants' foreign education and that they do so in a compensatory relationship. Immigrants achieve higher returns to their foreign education if they come from a country that is similar, aiding transferability, or from one with high educational spending, improving quality. Returns to education do not increase when both transferability and quality are high, but fall substantially when both are low.

The results suggest that highly educated immigrants coming from a country with low educational quality can mitigate the risk of attaining an inferior labour market position by choosing destination countries with similarities such as former colonial ties or a shared official language. Immigrants from countries with high educational quality are instead freer to migrate without facing the same risk. Our findings highlight the unequal importance of destination-country choice depending on migrants' country of origin, and demonstrate the importance of treat transferability and quality as distinct yet interrelated dimensions in research on immigrant integration and the devaluation of foreign human capital.

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