

## **INTERACT – RESEARCHING THIRD COUNTRY NATIONALS’ INTEGRATION AS A THREE-WAY PROCESS - IMMIGRANTS, COUNTRIES OF EMIGRATION AND COUNTRIES OF IMMIGRATION AS ACTORS OF INTEGRATION**

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### ***The Role of Sending Countries in the Labor Market Assimilation of Immigrants in Host Countries***

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revised and integrated by

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Iván Martín**

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**INTERACT**  
**Researching Third Country Nationals' Integration as a Three-way Process -**  
**Immigrants, Countries of Emigration and Countries of Immigration as Actors of**  
**Integration**

**Research Report**  
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**The Role of Sending Countries in the Labor Market Assimilation**  
**of Immigrants in Host Countries**

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## **INTERACT - Researching Third Country Nationals' Integration as a Three-way Process - Immigrants, Countries of Emigration and Countries of Immigration as Actors of Integration**

Around 25 million persons born in a third country (TCNs) are currently living in the European Union (EU), representing 5% of its total population. Integrating immigrants, i.e. allowing them to participate in the host society at the same level as natives, is an active, not a passive, process that involves two parties, the host society and the immigrants, working together to build a cohesive society.

Policy-making on integration is commonly regarded as primarily a matter of concern for the receiving state, with general disregard for the role of the sending state. However, migrants belong to two places: first, where they come and second, where they now live. While integration takes place in the latter, migrants maintain a variety of links with the former. New means of communication facilitating contact between migrants and their homes, globalisation bringing greater cultural diversity to host countries, and nation-building in source countries seeing expatriate nationals as a strategic resource have all transformed the way migrants interact with their home country.

INTERACT project looks at the ways governments and non-governmental institutions in origin countries, including the media, make transnational bonds a reality, and have developed tools that operate economically (to boost financial transfers and investments); culturally (to maintain or revive cultural heritage); politically (to expand the constituency); legally (to support their rights).

INTERACT project explores several important questions: To what extent do policies pursued by EU member states to integrate immigrants, and policies pursued by governments and non-state actors in origin countries regarding expatriates, complement or contradict each other? What effective contribution do they make to the successful integration of migrants and what obstacles do they put in their way?

A considerable amount of high-quality research on the integration of migrants has been produced in the EU. Building on existing research to investigate the impact of origin countries on the integration of migrants in the host country remains to be done.

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## **Abstract**

The literature on the economics of migration has ignored the role of sending governments in the assimilation of immigrants in host country labor markets. Recent studies show that immigrants do not cut their ties with the homeland. Various actors linked to homelands are involved in this process. In this paper, we present a different perspective, which identifies the possible actions of those actors, and in particular of government institutions, and their impact on the assimilation process. We hypothesize that these actors may influence the assimilation trajectory of their expatriates. The incorporation of these actors into the existing economics literature is discussed in relation to several categories of actions, such as pre-departure training, post-arrival training and naturalization.

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## 1. Introduction

The literature on the economics of migration is widely developed as is the literature on the economic integration of migrants in destination countries.

Whereas sociological literature analyses the dynamics of integration, the move from more diverse to less diverse behaviour (Albe Nee, 2003, p.30) in destination countries and focuses on its evolution and complexity to provide a theory of integration, economic research takes, instead, a more pragmatic stand. So far, it has mostly focused on economic assimilation at work. This is defined as the degree of convergence of labor market outcomes of immigrants to comparable natives in terms of time spent in host countries. Economists usually focus on the economic assimilation of immigrants in terms of wage, employment, and occasionally in terms of occupation.

This type of research appears narrow to a social scientist. But we should recall that migrants are, in general, labour migrants, thus integration on the job should be the first step in understanding migrants' more general integration in the country of destination. Likewise wages can be considered a synthetic index of labour market integration because it is the result both of remuneration and employment seniority.

In addition economic analyses provide strong empirical evidence for the evolution and dynamics of economic integration, thus contributing to the sociological debate on integration. In the literature there was a move from the interpretation of integration as a linear process (Warner, Srole, 1945), to a melting pot vision (Glazer, Moynihan 1970), to a linear process with a lot of bumps (Gans 1996) or a strata segmented process (Portes, Zou 1993).

The information used in economic analyses comes, in general, from datasets available in the country of destination. In particular, the most widely used statistics come from labour force surveys, but these do not include information about the sending countries. Thus the impact of the sending country on labour market assimilation in the host country is generally neglected.

Sending country actors are involved in the assimilation process of their expatriates in different forms. These actors can vary from very formal organizations such as government institutions to, at the other end of the spectrum, families. There is a large literature on the impact of migration on sending countries. But little empirical research has focused so far on the effect of ties/activities with country of origin actors on the economic assimilation of immigrants in host countries: in other terms, on whether those migrants who are involved in country of origin activities experience a different assimilation trajectory. Understanding the determinant factors and effects of sending country actions that influence the assimilation of immigrants is important for policymakers in both origin and destination countries. After all, it is in the interests of both that the migration experience is a successful one.

Economists also studied the determinants of migration decision-making; people migrate to other countries for many reasons and individuals are rational actors who choose to migrate after a cost-benefit calculation. An individual choosing to migrate to another country expects a positive return from moving abroad. In these types of analyses one of the most important determinants for migration is found to be networking (Paul 2011). In general, people choose to migrate to destination countries where there is already an established homeland community. Networks in the host labor market increase the net expected returns on migration. The established connections in the host society for expatriates can reduce the costs of adjusting and increase the benefits of migration. They do so because networks assist in finding a higher paid job or because less time is spent unemployed

(Granovetter, 1974). There are also other factors that affect the migration decision and that reduce the costs or that increase the benefits of migration<sup>1</sup>.

So the economic assimilation of migrant communities into their host societies has long interested economists. But in general they study the individual and not the community as their unit of analysis, even if they study immigrants aggregated by country of origin (Borjas 1985, 1994, 1999; Borjas *et al.* 1992, Card 1990, Chiswick 1978, Dustmann 1994). A general economic definition of assimilation is given by Borjas and Tienda (1987, p. 647): ‘assimilation refers to a process whereby immigrants acquire skills, including English proficiency and knowledge about the US labor market and other social institutions which ultimately will enhance their socioeconomic success and their earnings in particular’. Early studies focused on North America, but the availability of data in European countries has led to a growing European dimension to the field. Most studies are, however, specific country case analyses, thus it is a very diversified literature and it is difficult to sum up (Algan *et al.* 2010 in Germany, France, and Britain; Dustmann *et al.* 2010 in Germany and the UK; Shields 2002; Gevrek 2008, Bijwaard 2010 in the Netherlands; Amuedo-Dorentes 2007, Izquierdo 2009 in Spain; Venturini 2008 in Italy; Finnas 2007, Lundberg 2007 for Sweden; Kangasniemi 2013 for Finland, Germany, the Netherlands, and the UK; Longva 2003 in Norway; Hamalainen 2005 in Finland; Drydakis 2011 in Greece; Skyt Nielsen 2001 in Denmark; Cabral 2013 in Portugal).

Also, a limited number of researchers have studied assimilation as a group experience rather than an individual-centred process. Immigrant communities adjust to the host societies better as the immigration history of that particular community is longer and it is easier for the host society to accept that specific ethnic group (Hatton *et al.* 2011). Borjas (1999) shows that the better performance of immigrants can be explained by the higher ethnic capital of that origin community in the destination countries. Cutler *et al.* (1997) shows blacks in more segregated areas have significantly worse outcomes than blacks in less segregated areas. Edin *et al.* (2003) claim that living in enclaves improves labor market outcomes for less skilled immigrants. However, some studies report negative outcomes for ethnic concentration. Chiswick and Miller (2005) argue that labor market outcomes of immigrants are negatively associated with the ethnic concentration of their community.

Linguistic concentrations reduce immigrant’s language skills. Moreover, immigrant’s earnings are lower the lower their English language proficiency and the greater the linguistic concentration of their own language in the area in which they live (Dustmann *et al.* 2003, Shields 2002, Chiswick 1991). Scholars also study the effects of migration on the host country labor market, though these studies show different outcomes (Dustmann 2008).

A main problem in dealing with integration is the duration of the migration project before and after migration. Why should migrants with a temporary migration project assimilate? The issue is very complex because if one considers, for instance, Italian migration to Germany in the 1960s migrants wanted to stay temporarily. But after the 1973 recession their temporary migration project became permanent: it might have become permanent even without that recession. Leaving aside the complexity of the issue, recently scholars have focused on how the temporary nature of migration can affect the wage equation. In the past, economists used to assume that migration was permanent while estimating the wage equation. This implied that immigrants accumulate human capital, knowledge in the host country labor market, and institutions in order to perform better in the labor market. However, when migration is temporary, the investment decisions of temporary immigrants can be different than for their permanent counterparts. Hence, a wage equation which does not integrate this type of selectivity problem may produce biased results (Dustmann 2003, Constant *et al.* 2003, Dustmann *et al.* 2007). Specifically, for return migration the results are inconclusive; while some scholars show that return migration biases the results (Edin *et al.* 2000, Venturini *et al.*, 2008), some studies suggest, instead, that there is no selectivity bias.

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<sup>1</sup> Welfare migration, for instance, refers to migrants who choose to migrate to countries with higher and better established welfare system in order to minimize the risks of migration (Giulietti *et al.*, 2012).

Another important assumption in the economic literature for the analysis of migration held that when migrants entered a new country they broke ties with their country of origin and assimilated (De Haas *et al.*, 2011). In other words, the role of the homeland in this process is neglected or considered irrelevant. This assumption has been questioned in as much as country of origin links/ties/activities are kept by expatriates (Snel *et al.* 2006). Hence, the continuing relations between country of origin and assimilation in the host country are very important and may change the assimilation trajectory of immigrants. This can indeed lead to crucial recommendations for immigration policymakers.

The actors involved in the assimilation process are observed to intervene between places of origin and destination and these interventions have an impact at both ends of the migration stream (Basch *et al.* 1994). These types of interventions or practices can be separated into three different fields of social action: economic, political and socio-cultural (Portes *et al.* 1999). Such activities may be initiated by different actors, such as governments and corporations or they may be organized by individuals, such as immigrants themselves through their country of origin ties. Like Iltzigsohn (2002), we distinguish between three different levels of such activities and actors: 1) links between household members and friends (families and networks); 2) state institutions; and 3) non-state institutions based on ethnicity, religion, or place of origin. These actors can affect the assimilation pattern of immigrants directly or indirectly by affecting the factors that change their assimilation trajectory.

One of the main actors are the state institutions of the sending country that try to be active in the assimilation process of their expatriates. The most important reason for doing so is the remittances transferred by expatriates. Remittances have become a significant source of external revenue for many developing countries (Maimboet *al.* 2005) and more generally they are thought to have a positive impact on development in sending countries. Moreover, expatriates are considered to be representatives of sending countries in receiving countries. Hence, sending countries are taking a more positive approach to migration and, in most cases, have overcome past attitudes, for example, the idea that migrants are 'traitors' (Portes *et al.* 1999). They are developing more articulated migration policies, establishing specific departments charged with managing them and also design and implement policy measures aiming to facilitate migration and improve migration outcomes. For instance, sending countries governments may sign bilateral agreements with destination countries or establish vocational schools specifically aimed at migrants. This makes economic assimilation quicker while language courses organized by country-of-origin institutions improve the host country language proficiency of expatriates, thus accelerating assimilation.

This aspect of assimilation has been studied less in the economics literature, and existing studies tend to focus on national policies at large rather than on specific measures (Siew-Ean *et al.* 2007, Fernandez 2013). However, there are indications that sending country ties/links and policy interventions are important determinants of the assimilation of immigrants in host societies. This paper, therefore, tries to identify the possible effects of links between homeland and immigrants in terms of the labor market assimilation of immigrants in receiving societies. We focus our attention on the impact of continuing relations with the homeland and policy interventions of the sending country State on three different labor market outcomes: i) employment; ii) wages; and iii) occupations and skills. In sociology and economics, there is a whole new emerging field that studies the effect of such activities on the economic assimilation of immigrants. For instance, there are some studies in the US about Mexican immigrants that are associated with these types of activities and scholars have tried to identify the effect of this type of activities on assimilation (Wides-Muñoz 2008, Delano 2009). Although these types of practices exist in European societies as well, very little attention has been paid to them by researchers.

This paper summarizes the main lines of research in literature on migration and puts forward ways to analyze the role of sending countries in the economic assimilation of immigrants. Given the unusual focus of this survey we first identify the role of country of origin actors and actions and their impact on the labor market. Next, the existing economic literature is reviewed and possible steps for future research will be presented with case studies of specific categories of actions by sending countries.

## 2.Role of the country of origin

Home country ties/practices can play an important role in the assimilation of immigrants. Such activities can be initiated by different actors. We distinguish between three different levels of such actors: i) links between household members and friends (families and networks); ii) state institutions; and iii) non-state institutions based on home country, or religion. Table 1 shows the categories for several actors, possible actions and impacts on the assimilation process.

### 2.1 State Institutions

Governments are the biggest actors in this process. Typically, the interest of sending countries in their expatriates is linked to remittances, which are important sources of external revenue for many developing countries, and more generally they are thought to have a positive impact on development. Sending countries have been searching for new ways to increase the flow of money from their expatriates to their homeland (Maimbo *et al.*, 2005). However, remittances are not the only motivation for sending governments; increasingly governments in countries of origin try to be active in the assimilation process through several targeted policies. In addition to a source of remittances, expatriates are perceived as representing sending countries in the political and economic sphere.

In order to promote and facilitate migration, homeland governments can sign international conventions such as dual citizenship conventions or bilateral labour agreements. Such agreements between sending and receiving countries may improve the labor market outcomes of immigrants, often through migrant support measures they provide for such as pre-departure training (IOM 2013). There is a specific literature on the impact of naturalization or dual citizenship on the economic assimilation of immigrants<sup>2</sup>. Sending governments can even develop specific programmes in vocational education and training schools or universities geared to cater for the labour needs of destination countries. In this way they can help potential migrants to find jobs abroad more rapidly: Egyptian or Lebanese universities, for instance, offer these kind of programmes. Hence, by investing in human capital, economic assimilation can take place much more rapidly. Pre-migration or pre/departure training is another important tool for sending governments to support the assimilation of their expatriates. In some cases, networks that inform expatriates about the job opportunities in host countries have been initiated by homeland governments<sup>3</sup>. Table 1 summarizes the different categories of actions that different actors from sending countries can take, as well as their presumed impact.

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<sup>2</sup> Among others Bratsberg *et al.* 2002, Mazzolari 2007, Bevelander 2006.

<sup>3</sup> See the next section for a comparative analysis among different strategies adopted by sending countries.

**Table 1. Role of country of origin in economic assimilation; actors and possible impacts**

Categories	Actors	Actions	Impact
State Institutions	Governments	<ul style="list-style-type: none"> <li>• Agreement with the host country</li> <li>• Creating Networks</li> <li>• Training Schools</li> <li>• Language Courses</li> <li>• Pre-Migration Training</li> <li>• Legal Incentives</li> </ul>	<ul style="list-style-type: none"> <li>• Finding Jobs More Rapidly</li> <li>• Better Working Conditions</li> <li>• Higher Salary</li> <li>• Skills development</li> </ul>
Non-State Institutions	Diasporas	<ul style="list-style-type: none"> <li>• Creating Networks</li> <li>• Lobbying for Legal Incentives/Priorities</li> <li>• Basic Training</li> </ul>	<ul style="list-style-type: none"> <li>• Finding Jobs More Rapidly</li> <li>• Better Working Conditions</li> <li>• Higher Wages</li> </ul>
	Homeland Based Organizations	<ul style="list-style-type: none"> <li>• Creating Networks</li> <li>• Lobbying for Legal Incentives/Priorities</li> <li>• Basic Training</li> </ul>	<ul style="list-style-type: none"> <li>• Human Capital Investment</li> <li>• Higher Wages</li> </ul>
	Religious Organizations	<ul style="list-style-type: none"> <li>• Creating Networks</li> </ul>	<ul style="list-style-type: none"> <li>• Finding Jobs More Rapidly</li> </ul>
Family, Friends, Linkages	Family Members	<ul style="list-style-type: none"> <li>• Remittances</li> <li>• Phone Calls</li> <li>• Visits</li> </ul>	<ul style="list-style-type: none"> <li>• Finding Jobs More Rapidly</li> </ul>
	Small Ethnic Organizations	<ul style="list-style-type: none"> <li>• Attendance to Ethnic Group Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Finding Jobs More Rapidly</li> </ul>
	Friends	<ul style="list-style-type: none"> <li>• Phone Calls</li> </ul>	<ul style="list-style-type: none"> <li>• Finding Jobs More Rapidly</li> </ul>

There are differences among the policies that sending governments follow. We can categorize these into three different groups; i) countries which see emigration as a pressure valve for their labor markets, without specific management of emigration (e.g. Bangladesh ‘just let them go’ approach); ii) countries which see emigration as a pressure valve on labour force surplus but which also tend to manage labour emigration (e.g. the Philippines); iii) countries which prioritize the development perspective and want to see something come out of emigration in terms of home country development (e.g. Moldova and Mexico). Certainly, in the analysis one needs to take into account this differentiation in terms of the policies followed by countries of origin. Moreover, there are differences in terms of the policies of sending governments towards their own citizens. For instance, some countries may want to discourage the migration of their highly-skilled citizens while encouraging the low-skilled to emigrate (de Haas *et al.* 2011).

## 2.2 Non-State Institutions

Another possible actor are non-state organizations which are not created by governments themselves but by the immigrants themselves, NGOs in receiving countries or diasporas. Expatriate communities form organizations to make the assimilation of host countries easier and they also create networks. Such organizations can be based on religion, political or economic links or activities. Diasporas and organizations of this kind facilitate assimilation by decreasing costs. They help immigrants to find jobs, education, and accommodation (Beine et al. 2011). One good example are the organizations initiated to facilitate the social, economic, and cultural assimilation of the Turkish community in Germany (Amelina et al. 2008), as well as to keep up ties with their country of origin. A good example are the many organizations representing Turkish immigrants in Germany, such as the Association of Turkish Entrepreneurs and Industrialists in Europe (ATIAD), Musiad Berlin, or the German-Turkish Chamber of Industry and Commerce. There are several other similar organizations in different European countries with the same goal such as Algerians and Moroccans in France, Moroccans in Spain, Turkish expatriates and Moroccans in the Netherlands, Colombians in the UK and Spain etc.

Religious organizations or gatherings are important places to meet members of the same ethnic community. Hence, organizations can facilitate assimilation in the labor markets by creating networks and increasing knowledge of job opportunities. Such organizations are also engaged in religious education generally for young immigrants (Amelina et al. 2008)<sup>4</sup>.

These types of actors can accelerate the assimilation of their expatriates in receiving countries. The main objective of such organizations is to create a network among community members and spread knowledge for economic opportunities. Another goal of such organizations is to offer training for their community members.

## 2.3 Links between family members, friends, etc.

Ties and connections with family members, friends, and small local ethnic organizations in the homeland can also have an impact in the assimilation trajectory. These ties can come as remittances, phone calls, or visits home. The main factors that economists are interested in are remittances, which link expatriates and their families back home. Remittances are a source of income for family members at home and also for governments. These types of ties or obligations (such as sending money to family members in the homeland) can increase efforts and motivations to find a job. A small network can be created with the help of family members and with the relevant ethnic community by spreading news of job opportunities in the host country.

On the basis of this analysis, it is clear that the actors mentioned above intervene in the assimilation of their expatriates in host countries. In this regard it is important to understand whether the home country practices are conflictive or cooperative with the labor market outcomes of their expatriates in host countries. In particular, three different labor market outcomes are potentially affected: employment, wages, and occupation/skills utilization.

However, the existence of such practices and links do not necessarily imply that assimilation will take place smoothly in the host society. Although such practices can have positive impacts (see Table 1), there can be negative impacts as well. These types of activities can discourage assimilation in the receiving societies by trapping the individual into an ethnic community. Thus, this may influence the labor market performance and a return decision of immigrants, in which case individuals do not invest in human capital (Dustmann 2003). Another delicate issue in relation to the activities of sending countries governments is that they can be perceived as an external interference of foreign countries in the assimilation process: host countries may find this undesirable.

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<sup>4</sup> Among others the Turkish-Islamic Union of the Presidency of Religious Affairs, Islamic Community MilliGorus are religious associations set up in Germany (Amelina et al. 2008).

As mentioned before, the role of sending countries has been studied in the US recently. In contrast, there is little literature on this topic in the European context, where the immigration community constitutes an important proportion of the labor force. Also, the fact that in Europe there are several immigrant communities makes the analysis more interesting by allowing to compare different immigrant communities in different destination labor markets.

### 3. Literature review

In the literature, the assimilation of immigrants into host country labour markets derives from a neoclassical approach to human capital and has extended the modelling of the investment in human capital to the investment in migration. Thus the years of migration, in addition to human capital, should explain the integration of migrants. Along this linear or non-linear path, which is determined by the workers characteristics, the knowledge of the language of the destination countries can have an important role; likewise the background community or the policies implemented by the State or other institutions can induce a change of path.

The vast majority of research conducted so far in this field is empirical, and applied research is conditioned in terms of the data available in the formulation of the demand to test.

The assimilation can be represented as a function of some observable variables, so that the assimilation function takes the following form,

$$A_{it} = f(x_{it})(1)$$

Where ( $A_{it}$ ), the assimilation of individual  $i$  at time  $t$  measured as employment status or wage level, is explained by a vector of individual observable characteristics in a given time period  $t$  ( $X_{it}$ ), which may include:

- gender,
- marital status,
- age,
- education,
- experience,
- language fluency,
- years since migration,
- ethnic concentration,
- country of origin, etc.

The assimilation of immigrants is usually estimated in economic terms by a simple linear regression. This compares the outcomes of natives with the immigrants' outcomes in the host country labor market. The focus is often on three outcomes: wages, employment, and occupation/skills utilisation.

$$\ln(w_{it}) = \alpha + \beta_1 X_{it} + \beta_2 YSM_{it} + \beta_3 YSM_{it}^2 + \beta_4 CoO_i + \varepsilon_{it}(2)$$

For each time period, usually years ( $t$ ), and individuals ( $i$ ), the outcome, i.e. the wage ( $\ln(w_{it})$ ), which can be expressed as annual wages, hourly wage, etc., is explained as a vector of individual characteristics ( $X_{it}$ ) such as age, gender, marital status, education, experience, language fluency, region, and country of origin.

- The years spent in the host country after migration ( $YSM_{it}$ ) is also included; this is considered to be a measure of assimilation in years.

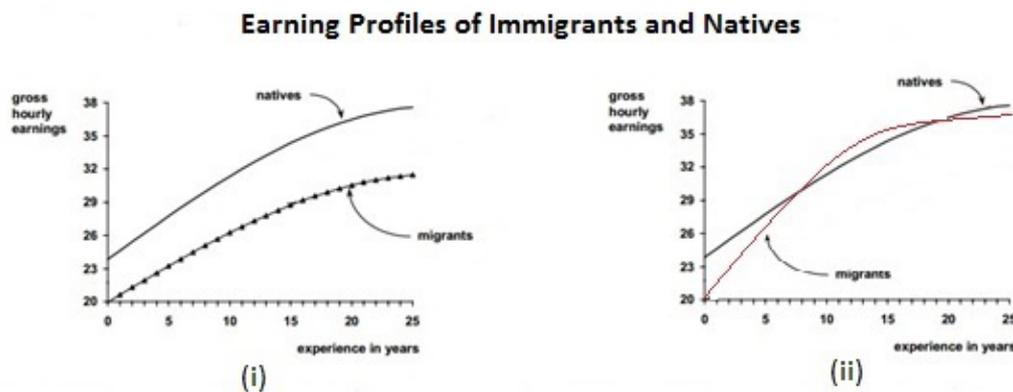
- The variable referring to the country of origin of the individual (CoO<sub>*i*</sub>) is a latent variable, not measured explicitly. Unfortunately the datasets available (in particular labour force surveys) do not have or rarely have information on previous job experience or employment in the country of origin, or type of education or family background at home. This lack of information is not so relevant for the young who make up most of the labour force. But it could be relevant for older workers who moved abroad after years of work at home.

In order to measure equation (2), some scholars used cross section data, while others utilized repeated cross section or panel data to get better results. Earning gaps are considered to diminish over time spent in the host country ( $\beta_2 > 0$ ), while an individual from country  $i$  is assumed to be economically assimilated when there is no difference between immigrant  $i$  and comparable natives ( $\beta_4 = 0$ ).

### 3.1 Wage Equation

Figure 2 shows the wage assimilation of immigrants into the host country labor market, as has been reported in the literature. There has been roughly two reported trajectories i) immigrants start with lower wage and the wage gap persists over the years; ii) immigrants start with lower wage at the entry and over time spent in the host country, wage increases and overtakes natives' wage level at some point.

**Figure 2. Assimilation of immigrants in the labor market in receiving countries.**



Source: (i) Borjas (1985), (ii) Chiswick (1978)

The first studies estimating equation (2) reported that immigrants earn less than natives at the beginning. However, it also showed that the earnings of immigrants converge with those of their native counterparts as they spend more time in the receiving country. Chiswick (1978), using a cross section of data from US, claims that it takes 15 years for an immigrant to be paid at the same level as natives (see also Carliner 1980). It is also noted that after 30 years immigrants are paid more than natives. However, the result obtained by using cross sectional data can be biased if there are differences among immigrant cohorts migrating to the country in terms of quality (Borjas 1985). Indeed, Borjas argues that the reason for net positive impacts of immigration in the US economy is a result of cross sectional analysis. One way of solving the problem is to use panel data or repeated cross sections, where it is possible to eliminate the effect of cohort quality.

Most receiving countries in Europe have more than one immigrant group according to their country of origin and scholars observe differences among these groups in the labor market. However, in order to identify this effect, researchers use latent variable as in equation 2. For instance, immigrant groups from Muslim countries have a lower wage and lower employment rate, especially among women (Algan *et al.* 2010). Table 2 shows the results of immigrants from different countries of origin and also

for some less specific groups in the UK. As mentioned above there are important differences among different immigrant groups within the same country and across countries. In Germany, the most disadvantaged groups are immigrants from Greece, while in the UK the most disadvantaged come from Bangladesh, and finally in France immigrants from African countries earn much less than their French counterparts. Another interesting point comes out looking across destination countries: immigrants experience more disadvantages in the UK labor market compared to Germany and France. Unfortunately the table does not report results for the same country of origin in the same destination country, because migration flows have a different origin-destination composition and to have reliable results we need large dataset and only the largest communities are studied accurately (through a sufficient number of observations in the survey samples).

The latent variable estimated in the regression represents the overall effect of countries of origin in the labor market. Looking at Table 2, the country of origin effect is significant and different across countries even after controlling for all other observable characteristics. The significance of the latent variable may be due to the unobservable characteristics that are specific to individuals from the same country. One of the possible unobservable characteristics are precisely continuing home country ties and practices. For instance, sending countries governments may be interested in introducing pre-migration training for their citizens before departure. Immigrants from these countries will enter the labor market at a higher level compared to others (in other words, the latent variable will be smaller compared to natives). Figure 3 presents one possible outcome of this kind of activity implemented by the Filipino government. Although some economists suggest that home country human capital has very little return to the host country (Cohen-Goldner *et al.* 2008, San Roma *et al.* 2009), some claim that home country experience and education have positive returns (Basilio 2010).

A way to reconcile these different results is to consider that education can include education received in the country of origin and education assimilated in the country of destination. The latter seems more effective in inducing a higher wage because it is better tuned to the productivity demand of the destination country. Therefore, pre-migration training should focus on transferable human capital, which is useful and valued in the host country labor market.

Most studies report that earning gaps among natives and immigrants diminish over time in the host country. Immigrants invest on their human capital (improving language proficiency, post-migration training, and education) and expand their network during their stay in the receiving countries. This leads to an increase in wages and a decrease in the wage gap. There are many studies reporting the effect of human capital characteristics and networks on assimilation in the labor market. For instance, Dustmann and Fabbri (2003) has showed that language acquisition, employment probabilities, as well as earnings differ widely across non-white immigrants according to their ethnic origin. Language fluency has a positive effect on employment probabilities, and lack of English skills leads to earning losses.

**Table 2. Wage assimilation of different groups in different destination countries.**

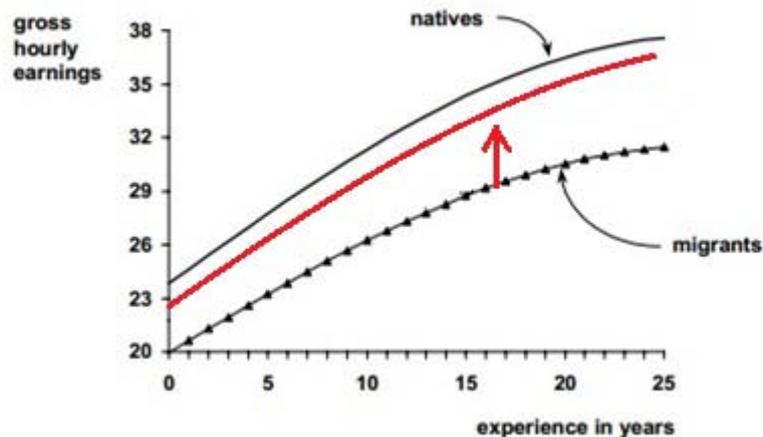
<b>Wage Assimilation of Immigrants in Europe by Country of Origin</b>			
	<b>France</b>	<b>Germany</b>	<b>UK</b>
<b>Maghreb</b>	-0.16*	-	-
<b>Southern Europe</b>	-0.02	-	-
<b>Africa</b>	-0.26*	-	-
<b>Northern Europe</b>	0.06	-	-
<b>Eastern Europe</b>	-0.05	-	-
<b>Turkey</b>	-0.1**	-0.08*	-
<b>Asia</b>	-0.06	-	-
<b>CEE &amp; other non-EU16</b>	-	-0.13*	-
<b>Other EU16</b>	-	0.09*	-
<b>Former Yugoslavia</b>	-	-0.17*	-
<b>Italy</b>	-	-0.16*	-
<b>Greece</b>	-	-0.21*	-
<b>White</b>	-	-	-0.03*
<b>Indian</b>	-	-	-0.27*
<b>Pakistani</b>	-	-	-0.34*
<b>Black Africa</b>	-	-	-0.44*
<b>Black Caribbean</b>	-	-	-0.22*
<b>Bangladeshi</b>	-	-	-0.55*
<b>Chinese</b>	-	-	-0.27*

The results are taken from Algan *et al.* 2010. The results are for first generation male immigrants. \*\* refers to significance at the 5% level, \* refers to significance at the 1% level.

The economics literature largely ignores the effect of sending country in the wage assimilation process. Sending country ties/practices can change the economic assimilation trajectory not only on entrance to the labor market but also during the stay in the host country, i.e. econometrically speaking it can also have an impact on ‘the slope’. Often, researchers claim that the earnings gap between immigrants and natives diminishes over time; however, this information is not very useful for policymaking purposes. More research is needed to understand how economic assimilation is affected by different factors. For our purposes, we focus our attention on the effect of sending country practices, i.e. legal agreements with country of origin, homeland-based training schools, network effects...

So in order to make policy recommendations it is crucial to understand the driving mechanism behind wage and employment assimilation. . For example, some sending countries offer training courses to their expatriates, but no evidence exists on the effectiveness of such training in terms of the success of the job search or improved earnings. Many of the potential assimilation mechanisms can be affected by policy measures and hence knowing what helps migrants to do better in the labour markets over time can offer valuable lessons for policy makers.

**Figure 3. Wage assimilation of immigrants, an example for the participation in pre-migration training program organized by the sending country in the home country.**



### 3.2 Selectivity

Economic research makes the assumption that migration is permanent; however, recent data has shown that this is not necessarily the case. An OECD report indicates that 20% to 50% of immigrants return home or leave for a third country within five years of their arrival (OECD, 2008). The results vary according to destination country and the time period such that some countries are better at keeping their immigrants (e.g. Canada, the US, and New Zealand) while others experience outflows from their immigrant communities. Economists have recently started questioning the assumption of permanent migration while estimating the wage equation, i.e. the effect of years since migration and investment on human capital. Temporary migration certainly affects the human capital investment of individuals, and hence the wage equation. One source of bias is the self-selection of immigrants in return migration: this leads to a biased sample in the first place. One option to overcome this problem would be to use fixed effects estimates to control for this kind of heterogeneity by using panel data when the return decision is constant over time.

Since this is a strong assumption, recent literature has rather opted for a two step estimation procedure of assimilation where, at the first step, the return migration decision is estimated. Later wage assimilation is estimated by adding the return migration decision into the wage equation. Several scholars use different instruments to estimate the return migration decision: e.g. conditions at the host economy, wages in the host country, GDP and family ties in the country of origin (Dustman 2003, Constant *et al.* 2003, Venturini *et al.* 2013, De Haas *et al.* 2011, Dustmann *et al.* 2007). Typically, selection estimates are used to analyse the return migration decision; however, some studies focus on a semi-parametric approach (Venturini *et al.* 2013, de Coulon *et al.* 2005, etc.).

In this way the role of the country of origin instead of being detected in the assimilation equation can be the cause of the duration of the migration and thus of the migrant's return. Thus, if we do not identify an effect of the family ties, or of the policies implemented by the country or origin, it is because they have an effect on the decision to stay or leave in the first place.

The reason for remigration can be a result of failure in the labor market of the host country, better options in home country, or a success in the sending country which reduces the duration of the move. The results from economic theory are contradictory in this regard: the selection is sometimes positive – that is the best remain in the destination country- and sometimes negative – the worst remain (Costance *et al.* 2003, Venturini *et al.* 2008). Edin *et al.* (2000) concludes that the outward migration is very high in Sweden: 30 per cent of immigrants left the country within five years of arrival. This shows that self-selectivity exists, meaning that immigrants who cannot assimilate into the labor market migrate to another country.

In conclusion, the role of the country of origin deserves more attention in return migration decisions. Macroeconomic conditions in the homeland, better job options, homeland government policies, and even the links with families and friends can be important determinants in remigration. Sending country activities may cause negative impacts such that the rate of return of migration increases. For instance, Constant and Massey (2003) show that remitters and those immigrants who have family members in the homeland are more likely to return. Social ties seem to have little or no impact on the return migration decision (de Haas, 2011). Migration policies in the homeland can also change the intentions of expatriates to return. A favourable policy may lead individuals to return and some governments promise incentives for the return of highly-skilled expatriates (de Haas *et al.* 2011).

### 3.3 Employment

Another important issue are the employment rates. For our purposes, these are measured as the relative rates of immigrants to natives. These are much more discussed in Europe compared to the US. This is because higher unemployment rates among immigrant groups in European countries in recent decades results in more spending in European unemployment benefits systems, which are generally more generous than in the US. Therefore, unemployment can be a bigger problem for European countries. Barrett (2011) finds that immigrants are more likely to get social benefits than natives.

Typically, the employment equation is estimated by using linear and non-linear probability techniques. Researchers use a similar equation to equation (2) for the earning assimilation of immigrants. Usually the equation takes the following form

$$E_{it} = \alpha + \beta_1 X_{it} + \beta_2 YSM_{it} + \beta_3 YSM_{it}^2 + \beta_4 CoO_i + \varepsilon_{it} (3)$$

Where  $i$  is used as an index for individuals and  $t$  is for time period<sup>5</sup>.  $E_{it}$  is the interested dependent variable, the latent variable indicating whether the individual  $i$  is employed or not.  $X_{it}$  is a vector of individual characteristics such as experience, education, gender, country of origin, region, marital status, age, and language fluency. Years spent in the host country after migration ( $YSM_{it}$ ) is considered to be a measure of assimilation in years. A latent variable ( $CoO_i$ ) refers to the country of origin of individual  $i$ . As for the wage equation, in order to measure equation (3) some scholars used cross section data, while others utilized repeated cross sections or panel data to get better results.

<sup>5</sup>In the case of a cross section data the time index drops while in the panel data both individual and time index are relevant.

**Table 3. Immigrant-Native Unemployment Rate Differentials. Sources: Dustmann *et al.* (2011).**

<b>Immigrant-Native Unemployment Rate Differentials</b>		
<b>Country</b>	<b>Immigrant from EU</b>	<b>Immigrants from non-EU countries</b>
<b>Austria</b>	-.059*	-.118*
<b>Belgium</b>	-.029*	-.197*
<b>Germany</b>	-.032*	-.162*
<b>Denmark</b>	-.034*	-.146*
<b>Spain</b>	-.059*	-.044*
<b>Finland</b>	-.013	-.150*
<b>France</b>	-.01	-.129*
<b>Greece</b>	.003	.003
<b>Ireland</b>	-.035*	-.130*
<b>Italy</b>	-.027*	-.032*
<b>Netherlands</b>	-.061*	-.156*
<b>Norway</b>	-.009	-.108*
<b>Portugal</b>	-.029*	-.022*
<b>Sweden</b>	-.079*	-.174*
<b>UK</b>	.013	-.101*

Note: \* refers to significance at 1%.

Table 3 summarizes the employment differentials among natives and immigrants in the EU. The authors differentiate between immigrants from EU countries and from non-EU countries (Dustmann *et al.* 2011). In all EU destination countries immigrants have a lower probability of finding employment. Table 3 also reports that the immigrants are disadvantaged in terms of finding a job compared to natives. The difference between natives and immigrants from non-EU countries is much higher compared to the employment gap between natives and immigrants from EU countries.

A recent and very interesting piece of research by Zorlu and Hartog (2012) integrates a so-called ‘catch-up’ variable into the analyses of the employment assimilation, capturing the interaction of the country of origin with the duration of stay. This allows them to have two variables, one referring to the country of origin fixed effect and the other referring to the various adjustments by the workers from the same country related to the cultural distance with the country of destination.

Certainly, the role of the country of origin can be very important in the employment process of immigrants in host country labor markets. Activities organized by governments or homeland organizations such as bilateral labour agreements, unionization campaigns, pre-migration training, or creating networks are important determinants of the employment rate of individuals. However, so far these types of activities/incentives have received very little attention from economic researchers. Some immigrants may have a better chance of finding a job than other immigrants depending on their ties with their countries of origin or the actions and policies of the governments of the latter.

### 3.4 Labour market status

The labor market status of immigrants is another important determinant in order to understand the assimilation of immigrants. Table 4 shows self-employment among immigrants and natives which

varies across EU countries. In general, self-employment among natives and immigrants is very similar except in Austria, Spain and Italy. However, self-employment has different returns according to immigrant status. Self-employed immigrants earn lower incomes compared to natives (Andersson et al. 2004).

Matching of workers' skills and job requirements is another important labor market outcome which has been studied by economists. Quintini (2011) shows by using OECD data that in Sweden and Finland respectively 35 and 10 percent of workers are over-qualified. This number is much higher among immigrants than among natives. Many scholars show that immigrants are over-qualified for their jobs at entry. Lianos (2007) argues that immigrants are two times more likely to be over-qualified in Greece. Lindley (2009) reaches the same conclusion for the UK.

One important reason for this is the transferability of human capital attained in the homeland. Typically, economists use education as an important determinant of human capital, but education is not necessarily recognized in the host country labor market. Immigrants do get better jobs with the years. However, usually they cannot compete with natives. Chiswick *et al.* (2005) show that an extra year of education increases wages for natives 10.6 percent, while the increase is only 5.3 percent for immigrants. By using data from Spain, Fernandez *et al.* 2006 concluded that immigrants are more likely to be over-qualified and that even after five years the difference with natives remains constant.

**Table 4. Immigrant-Native Labor Market Outcomes. Sources: Peracchi *et al.* (2006).**

	Immigrant Men		Native Men	
	<i>Employee</i>	<i>Self-Employed</i>	<i>Employee</i>	<i>Self-Employed</i>
<i>Denmark</i>	90,3	9,7	91,1	8,9
<i>Belgium</i>	83,4	16,6	84,1	15,9
<i>France</i>	85,4	14,6	87,7	12,3
<i>Ireland</i>	74	26	72,6	27,4
<i>Italy</i>	78,4	21,6	69,8	30,2
<i>Spain</i>	60,6	39,4	76,2	23,8
<i>Portugal</i>	73	27	73,1	26,9
<i>Austria</i>	90,6	9,4	84	16

Note: \* refers to significance at 1%.

The country of origin can play an important role in the reduction of overeducation for its expatriates. One important channel to do so is to increase the recognition of homeland human capital in the host country labor market; this can decrease the problem of transferability. The involvement of homeland institutions in the destination choice of their citizens before migration, by informing and matching skills and requirements of jobs at possible destinations, can also accelerate the assimilation process. Transferable pre-migration training in the homeland can help to overcome the overeducation problem.

### 3.5 Second Generation and Refugees

Another important issue for European governments is the assimilation of second generation immigrants into host countries. There is already an increasing research into the economic assimilation of second generation immigrants, with these immigrants apparently performing better than the first generation. However, the gap still exists. Yuksel (2009) finds that intergenerational mobility is much higher among natives than among immigrants in Germany. However, at least as far as labour market integration is concerned the focus of studies analyzing the role of sending governments should remain

on first generation immigrants. The main reason for this is that they are more likely to keep their ties with their countries of origin. It is expected that second generation immigrants have much less connection with the country of origin of their parents (Lopez *et al.* 2001). Hence, it is more difficult to identify and estimate the relevant effect.

Other challenges for Europe include the recent migration cohorts. Future research should focus on the assimilation pattern of these immigrants and their effect on the labor market. For instance, increasing humanitarian protection given by European states to asylum seekers and refugees resulted in a significant number of these individuals in European societies. Constant *et al.* (2005) shows that asylum seekers and refugees are more disadvantaged in the labor market (see also Cortes 2006, de Vroome *et al.* 2010, Bloch 2007, Rashid 2009). An interesting point about these kinds of immigrants emerges from their relations with the homeland: e.g. they are not allowed to travel to their home country; sometimes they leave family members behind, etc. The labor market assimilation of these immigrants requires more research since it is *largely understudied* by economists.

#### 4. Future research

In the light of the above discussion, a new approach to the assimilation of immigrants into receiving countries has to be taken in order to understand the role of sending countries' governments. The survey above, even if not comprehensive, provides evidence on the limited attention and analyses devoted so far to the role played by the country of origin in empirical labour market assimilation research.

We have set out the different dummies used in econometric studies, but it is quite probable that conducting separate regressions by countries of origin would have been more revealing. This is due to the fact that the country of origin variable could affect all the other variables used to explain wage and employment dynamics, namely education, experience, experience on the job, language proficiency, duration of stay and all the other variables included in the analyses.

Unfortunately, whereas the actors which can affect migrant integration are clear, their actions and the impact of their actions has until now been understudied. As a matter of fact, we still do not know the appropriate functional form to study them. For instance, should pre-departure training be inserted in the test as a separate variable like a country dummy or rather should it be an interactive dummy with an education variable? Is the pre-departure training already affecting the decision of return, favoring integration and so reducing return and creating a positive selection?

These are very complex issues on which we can only feel our way in the dark. So far we do not have a theory guiding the research and the constraint of data availability forces us to adjust our expectations on the results of empirical research.

Having more information about the actions undertaken by the actors in the countries of origin and on their relationship with migrant characteristics, we might be in a position to better understand their impact on labour migration outcomes and their more general effect.

Therefore, at this stage the role of the sending country can simply be included in the assimilation function which was given above, , so that the final version of the assimilation function will include the homeland country action.

$$A_{it} = f(x_{it}, \text{Homeland Country}_i, \text{Action}_i)(4)$$

As in the equation above,  $A_{it}$  is the assimilation of individual  $i$  at time  $t$  in relation to a labour outcome measure that researchers are interested in such as employment status or wage level and  $X_{it}$  is a vector of individual observable characteristics in a given time period  $t$ . The  $\text{Homeland Country}_i$  is the variable indicating the individuals' participation in specific policies/activities or

exposure to the activities taken by the country of origin rather than only an indicator variable of the country of origin, as it was the case in the previous literature.

In the existing literature, researchers often use latent variables in order to estimate the effects associated with particular countries of origin, an average estimate of all effects for all immigrants from this particular sending country. However, as discussed above, there are many differences among immigrants depending on their exposure to homeland country activities. So in order to estimate the effect of sending country actions we need to use a variable that indicates the differences among expatriates according to the intensity of such ties and activities. Thus, among the migrants coming from the same country of origin we should be able to distinguish between the migrants “treated”, namely those exposed to a given action, and those who were not. An example might be participation in a pre-departure training course as against migrants who did not benefit from such a training course. Only in this way can we disentangle the actual effect of the countries of origin and their actions.

Although continuing ties with the home country is an observed phenomenon, empirical identification of this is a difficult task. Three main problems exist.

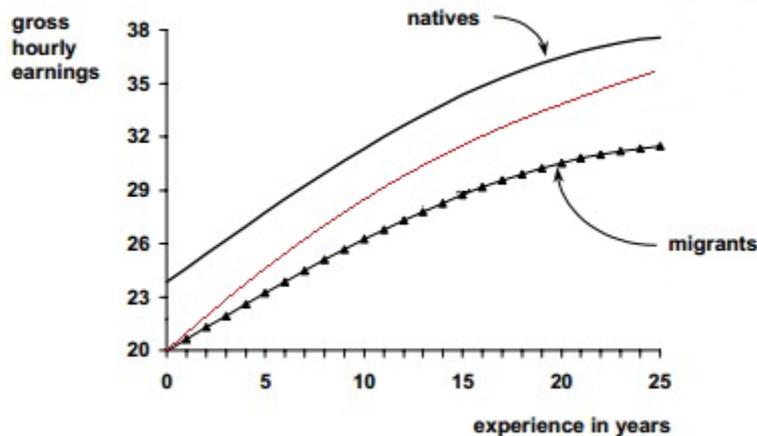
*The identification* of the effects is difficult. Remittances, participation in the homeland elections, phone calls, or visits to country of origin are among the most popular empirical expressions. However, these expressions create fuzzy identification of the sending country’s role in the assimilation process. For example, it does not capture the training taken in a homeland organization in the host country or policies of homeland governments. Nevertheless, they are used as proxies and researchers assume that they are correlated with the role of the county of origin.

*Data availability* is the second factor that explains why there is very little research in this field. While it is difficult to identify the empirical expression; it is also very rare that such a dataset exists.

A final warning for future studies concerns the immigrant groups involved in these kinds of activities/practices. One has to pay due attention to the selective nature of this phenomenon, since if the selection is non-random the results of the *self-selection* role of country of origin on the assimilation process will be biased.

Starting from the end, namely the wage or employment profile of the migrants, we can still describe three different assimilation patterns. Figures 2, 3, and 4 represent different patterns of hourly earnings. The first is for a group of immigrants who are from a country which does not involve any type of management of their expatriates (such as Bangladesh). This type of immigrant groups follow assimilation pattern as shown in Figure 2 above where the sending country State has no role in the assimilation process. Hence, neither the latent variable nor the slope is affected by the homeland government’s efforts. The second pattern is for immigrants from countries that invest/prepare expatriates before they leave the country so that they start from a better position compared to others. The Philippine government has invested heavily in offering training for citizens who want to migrate to another country. As a consequence, the starting wage is higher for these immigrants. However, this might also cause these immigrants to be immobile in the labor market and to work in the sector that they have been trained for, which is represented in Figure 3 above. A final pattern refers to immigrant groups that are trained in the receiving country in training/vocational programs provided by the country of origin (Mexico and Turkey are two cases in point). Here one expects that the starting wage will be similar at the beginning but that the assimilation will take place faster than in the case of other immigrants who did not participate in the training programs. Figure 4 presents the possible assimilation trajectory.

**Figure 4. Wage assimilation of immigrants, an example for the participation in training programs organized by the sending country in the host country.**



The research agenda should thus be pragmatic. It should first collect all the possible information on the actions undertaken by the relevant actors in the countries of origin, then find a control group not clearly included in the action but who migrated to the same country of destination and then inquire into the effects on the migrants assimilation trying to estimate both an independent effect or an interacted effect of the explicative variables.

## 5. Case studies

### 5.1 Pre-departure training

One typical example for the sending countries' attempts to help their (prospective) expatriates is offering specific training before their arrival to destination country. Through this kind of training, the government makes sure that citizens migrating to other countries will have less difficulty to assimilate in the labor market of the host country. Governments and other actors (local and international organizations) have typically built their pre-departure orientation programs around "information exchange" objectives with the assumption that the provided information about the host society and the potential job would help migrants navigate their way through the host labour market. However, a larger challenge has been meeting migrant's needs and ensuring that pre-departure training schemes efficiently enhance migrants' skills and emphasise both the relevant language skills for the job level, but also the occupational/professional vocabulary needed for the job (Sumption 2013). The Philippines provides a textbook example of the systematic use of this kind of pre-departure training.

As explained before, we expect that those immigrants who had a country-specific (and sometimes skills-related) training will be employed quicker and have a higher starting wage, as shown in Figure 3. In order to identify the effect one can estimate the country of origin pre-training effect on the wage assimilation and the labor market status of the individual.

One important issue to consider here is mobility in the labor market. Expatriates with pre-migration training tailored to a specific job risk to be trapped in this job for the rest of his career. If this is a sector where the wage growth is not possible we may not see any effect on wage increase. This could happen, for instance, with household service workers receiving specific training (the ILO supports such a programme in the Philippines). So pre-migration training might affect the labor market sector mobility of these individuals. However, we expect that these immigrants will stay unemployed for shorter period of time compared to the ones without any pre-training although we may not see a wage increase over time (e.g. between Filipinos who have not received pre-departure training, and those who have).

In order to identify the effect of pre-departure training for a specific job one can use the cross sectional data and use linear probability or non-linear estimation techniques that are often used by researchers. Usually the equation takes the form already described above. And we have the same expectation of the relation between pre-departure training and the variable used for assimilation – wage, employment, or occupation.

$$E_{it} = \alpha + \beta_1 X_{it} + \beta_2 YSM_{it} + \beta_3 YSM_{it}^2 + \beta_4 CoO_i + \beta_5 P_i + \varepsilon_{it}$$

where  $i$  is used as an index for individuals,  $E_{it}$  is the interested dependent variable, the latent variable whether the individual  $i$  is employed or not,  $X_{it}$  is a vector of individual characteristics, and  $P_{it}$  is the dummy variable which indicates whether the individual  $i$  is participated in the pre-migration training provided by the Philippines government. The interested coefficient here in the analysis is  $\beta_5$ . We expect that the coefficient  $\beta_5$  will be positive, meaning that the participating in the pre-migration training makes the employment quicker.

## 5.2. Post-arrival training

There are several examples of training activities provided by sending countries in destination countries. One interesting case study is the attempts of Colombian government (through the SENA or Servicio Nacional de Aprendizaje) to establish training centers for their expatriates in Spain and the United States. In 2008 SENA opened a vocational training center in Valencia, Spain, aimed to offer free vocational training to Colombian migrant workers in the sectors of highest labour demand in the region (such as construction, wood furniture, tourism and ceramics). Apparently, this center is not operational anymore. It also planned to open another ones in Miami and later in New York, but this never materialized.

This is a very good example of the potential role of sending countries in relation to the labour market assimilation of their expatriates. One can try to identify the effect of these training centers in the labor market assimilation of immigrants in Spain. We expect that the effect of the vocational training received by some migrant workers will result in a faster assimilation than that of the ones who did not participate in these programs<sup>66</sup>.

One can use cross section data in order to estimate the effect of attending vocational training programmes. However, one has to be careful about the interpretation of results. Indeed, there might be a selection bias where the participants in the vocational training programmes are already different than the non-participants and the effect is, therefore, skewed. It should be assumed, then, that the selection to participation in these programs is random so that the comparison group is relevant.

<sup>66</sup>See Figure 4.

$$\ln(w_{it}) = \alpha + \beta_1 X_{it} + \beta_2 YSM_{it} + \beta_3 YSM_{it}^2 + \beta_4 CoO_i + \beta_5 P_{it} + \varepsilon_{it}$$

The present equation can be used in order to estimate the role of the sending country empirically; where  $t$  represents time period, usually years, and  $i$  refers to individuals.

The logarithm of wage ( $\ln(w_{it})$ ), which can be expressed as annual wages, hourly wage, etc. is explained by a vector ( $X_{it}$ ) of individual characteristics such as experience, education, gender, country of origin, region, married, age, and language fluency. In addition, other independent variables are ( $YSM_{it}$ ) the years spent in the host country after migration, which is considered to be a measure of assimilation in years, and ( $CoO_i$ ), which is a latent variable referring to country of origin of individual  $i$ . In order to measure this equation some scholars used cross section data while others utilized repeated cross section or panel data to get better results. Last ( $P_{it}$ ) a dummy variable indicates whether the individual  $i$  participated in the specific vocational training programme or not. Participation in vocational training is expected to increase the rate of wage assimilation ( $\beta_5 > 0$ ).

What cross-sectional analysis cannot reveal is whether higher wages are the result of participation in the vocational training programme *per se*, greater investment in the human capital of those participating in the programme or the favorable personal characteristics of immigrants. Such questions can only be answered with longitudinal data. A fixed effect analysis would give us a chance to refine the results obtained through cross-sectional data.

One can also use matching methods if it is thought that the selection is not random and in fact there is a selection bias. We can use propensity matching by matching all individuals with similar characteristics in order to minimize the other effects, and in identifying the effect of vocational training. This estimation strategy will give us a better estimate than the cross sectional analysis if the selection to the vocational school is not random.

### 5.3 Naturalization

The final example of sending country governments' role in labour market assimilation is nationality acquisition. In this regard some countries allow for dual citizenship and some do not. Naturalization is an important explanatory variable for the wage assimilation of immigrants in host countries since naturalization expands immigrant job opportunities (Bratsberg *et al.* 2002). For instance, in the public sector all federal agencies demand citizenship for employment. Although discrimination in the labor market is not expressed publicly, some employers can require citizenship from employees. Also, naturalization comes with several benefits such as tax reductions, unionization, benefits etc. As reported by researchers naturalization has a positive effect on wage assimilation and the employment assimilation of immigrants in receiving countries (Bratsberg *et al.* 2002). Hence, allowing for dual citizenship is a policy instrument for governments in their attempts to affect the economic assimilation trajectory of immigrants. It is important since it accelerates the assimilation process while keeping ties with the homeland. On the other hand, countries that do not allow dual citizenship may encourage their expatriate to renounce to their nationality.

The effect of naturalization has been studied by several scholars. Bratsberg *et al.* 2002 reports that the acquisition of host country nationality increases individuals' wage. Mazzolari 2007 shows that immigrants from countries allowing for dual nationality are more likely to naturalize and to gain advantages in terms of employment and earnings. Bevelander *et al.* (2006) concludes that naturalized immigrants are more likely to be employed compared to non-naturalized ones. Although the effect of naturalization on wages is studied by researchers, the labor market mobility of naturalized immigrants has never been studied. The effect of naturalization may not be only the possibility of wage increases but access to more prestigious jobs. So it would be important to understand whether the acquisition of citizenship results in greater mobility in the labor market. For instance, after naturalization, it may be easier to move to a native intensive sector in which immigrants are underrepresented either through legal restrictions or employer preferences.

## Conclusions

Migration in the European Union countries have been an important issue in the last decades and it will certainly remain at the forefront of policy debates in the future. Migration literature in economics has focused mostly on the assimilation of immigrants in host countries. This paper summarizes results from the economics literature on the assimilation of immigrants into host country labor markets. It pays particular attention to the role of the country of origin in this process: a neglected topic to date. Hence, a different approach is presented by explaining the possible impacts of sending countries in the labor market assimilation of immigrants in receiving countries.

Recent studies show that immigrants do not cut their relationships with their homeland. Rather they keep their ties while sending countries governments have a stake in their expatriates' labour market performance in receiving countries and want to be involved in it through their policy interventions. We distinguish between three different kinds of actors: i) state organizations; ii) non-state organizations; and iii) links with family and friends etc. Possible actions and their impacts are mentioned in the paper. Such actions can change the assimilation trajectory of immigrants in the labor market.

There are several ways that these actors can be involved in the assimilation process. The economic performance of immigrants can be increased with legal incentives, international labour agreements and trainings provided by their homeland state organizations. Furthermore, non-state organizations or diasporas offer vocational training and create networks to spread knowledge about job opportunities.

Then we review the existing economic literature on the assimilation of immigrants. It is reported that at entry immigrants earn less and are less likely to be employed compared to natives. The disadvantage of immigrants at the entry decreases over time with investment in "host country human capital", networks, etc. Scholars also study the assimilation as a group experience. Although networks are important determinants in economic assimilation, the literature shows contradictory results.

An important part of the paper discusses how one can incorporate the role of sending countries in labor market assimilation with the existing economics literature. Although there are restrictions in terms of data availability and the economic expression of such actions, several stylized case studies are provided as a blueprint for future research on this subject. Another important issue is the self-selection of immigrant groups into these kinds of activities/practices. If the selection is non-random the results of the role of country of origin on the assimilation process will be biased.

The literature on the economic assimilation of immigration mainly ignores the effect of homeland actors. This survey brings this perspective to the assimilation issue which has gained importance in recent years. This perspective is very important in understanding the effects on immigrants and host country labor markets. Although there are problematic issues in terms of the identification and data constraints, we propose that the effects can be identified by asking the right questions and using correct econometric techniques. Future research has to take into account the role of the sending country actors and their actions in order to understand the short- and long-term impacts of migrant performance in host country labor markets.

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