



POLICY BRIEF

Migrants as agents of change: labour market returns to foreign experience

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Introduction

Free movement of workers within the European Union is one of the fundamental pillars of the Union and has attracted increasing attention in the last decade (Scholten & Penninx 2016). Focusing on new forms of migration especially characteristic to work migrants from East-Central Europe, the 2018–2021 study «Well-being and Integration in the Context of Liquid Migration», conducted by researchers at the University of Latvia, sought to explore the role of migrants as agents of change, focusing on unique, rare, or complementary skills acquired by migrants through international experience. It aimed to shed new light on the question: to what extent such skills strengthen migrants' labour market positions and increase their earnings, job satisfaction and life satisfaction.

Building on two waves (2016 and 2019) of return migrants survey, as well as the emigrant survey of 2019 conducted by the Institute of Philosophy and Sociology, the project provided an in-depth analysis of labour market integration of emigrants and return migrants by looking beyond employment rates and wages. Special analysis techniques were used to compare migrants' job satisfaction and its main determinants in different countries and times. Our starting point was the idea of brain circulation as a channel through which both receiving and sending countries benefit from migration which is well established in the literature (Atoyan et al. 2016, Wahba 2021) but had not been documented in sufficient detail, at least with respect to ECE migrants.

Our research provides systematic evidence on the scope and variety of unique or complementary skills brought by Latvian emigrants to the host countries and by return migrants to Latvia, distinguishing between liquid and settled migrants on one hand and between general (soft) and specific (hard) skills, on the other.

Conclusions

A multidimensional view on international experience allows shedding light on the question to what extent and through what channels this experience strengthens migrants' labour market positions and increases their earnings, job satisfaction, and life satisfaction. This is in line with literature stressing the necessity to apply a broad definition of human capital in empirical studies (e.g., Heckman & Kautz 2012; Blau & Kahn 2017; Tverdostup & Paas 2018, 2019; Lulle et al. 2021).

The analysis shows the length of job-specific foreign experience to be the major factor directly and indirectly affecting earnings and well-being of employed emigrants and returnees. This contributes to very scarce migration literature which contrasts specific and general foreign experience or looks at the impact of duration of stay (or work) abroad on post-return earnings (Reinhold & Thom 2013, Wahba 2015, Elmallakh & Wahba 2021, Bensassi & Jabbour 2021). However, other components of international experience contribute as well.

Our surveys identify «difficult-to-replace» employees (hereafter — «key workers»), along with a set of scarce (or complementary) hard and soft skills associated with this status. The list of skills to choose from includes: work with specific equipment, advantage in performing certain tasks, specific IT skills, ability to create new products, ability to find new clients, managerial skills, conflict resolution, ability to handle unconventional situations; broad professional competence, ability to think differently («out of the box»), creativity, language skills. The share of key workers is about 30% among both emigrants and returnees, and the key worker possess, on average, between two and three soft skills from the list above. Among emigrants, the «key worker» status, the number of all (or just soft) scarce skills and specific IT skills are positively associated with the length of job-specific foreign experience. By contrast, among returnees, the «key worker» status and the number of all scarce skills are positively associated with the total time spent abroad and the total time spent in Latvia upon return (but not with the length of job-specific foreign experience), as well as with the higher education fully completed abroad. The diversity of foreign experience is positively associated with the number of scarce skills (all or just soft) among both emigrants and returnees.

Our research shows that an extra year of job-specific foreign experience, other things equal, increases earnings of Latvian emigrants on average by 2.5% (in Eurozone — by 3.7%). Among returnees, an extra year of job-specific foreign experience increases earnings by 3.3%, while an extra year of job-specific foreign experience in Latvia — just by 1.1%. The number of soft skills (from the list above) is positively related to earnings of emigrants and returnees alike: a unit increase in this number is associated with a 2.5% increase in earnings. Specific IT skills increase earnings by about 20%. All these effects are substantially larger among men than among women. Female returnees in Latvia enjoy a

wage premium for foreign experience only if their employer is an enterprise with foreign capital or an international organisation.

In the case of return migrants, we find that the effect of the specific foreign experience on earnings (and, plausibly, on productivity) is causal, as instrumental variables approach does not reject exogeneity of the specific foreign experience in the wage equation.

Furthermore, we found that the total time spent abroad (or in the host country) and the number of soft skills, as well as specific IT skills, are positively associated with life satisfaction of emigrants; the effects are statistically significant, but numerically small. By contrast, the impact of the total time spent abroad on life satisfaction of returnees in Latvia is not only significant at 1% level, but also sizeable: an extra year abroad is associated with an increase in satisfaction by 0.07 (at the 0–10 scale).

Job satisfaction of emigrants and returnees does not depend on the length of specific foreign experience or total time spent abroad. For emigrants, it is positively affected by the number of their soft skills and by equipment-specific skills, while for the returnees — by the specific IT skills. The latter effect is quite large: 0.8 points (significant

at 5%) on average and 1.6 points (significant at 1%) among females.

Discussion

Our research provides a comprehensive view on the value of international experience for emigrants and returnees, but also for the labour markets in Latvia and in the host countries of Latvian emigrants. It provides empirical evidence that migrants can indeed become agents of change in terms of business models, work practices, workplace environment. More than one third of emigrants and return migrants consider themselves «difficult-to-replace» workers, and having foreign experience brings returns in the labour market in terms of wages. However, it is crucial for earnings and well-being that experience is acquired in job-specific field. Moreover, locally owned companies need to be encouraged to acknowledge the skills acquired abroad, particularly in case of female workers. Soft skills, not just specific (hard) skills, are shown to be important for increasing wages, job satisfaction, and life satisfaction in general, and need to be appreciated by the employers more.

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