

## Occupational Adjustment of Immigrants

Immigrants' adjustment in labour markets has conventionally been analysed using human capital earnings functions as a single labour-market outcome, although a growing European literature considers the employment disadvantage of immigrants (Chiswick 1978; Hartog and Zorlu, 2009; Kanas and van Tubergen, forthcoming). Evidence from destination countries suggests that immigrants meet an initial earnings gap, a large part of which they compensate over time as they acquire more host-country-specific capital. This initial disadvantage has been mainly attributed to the less-than-perfect international transferability of foreign human capital (Chiswick and Miller 2009). Empirical studies provide solid evidence of a lower return on foreign schooling and experience, while the lack of country-specific human capital in terms of poor proficiency in the local language is identified as a key factor to explain a significant part of immigrants' earnings disadvantage. It is also evidenced that immigrants' adjustment depends not only on their human capital endowment acquired abroad, but also on their post-immigration investment in host-country-specific capital. Accordingly, the rate of adjustment varies over time with schooling and country of origin (Duleep and Regets, 1999; Van Tubergen and van de Werfhorst, 2007).

Most studies on the adjustment process of immigrants have implicitly considered earnings as a unique measure of labour-market outcome. In fact, they assume a nearly perfect correlation between earnings and occupation. Such an assumption possibly arises from similarities in the underlying determinants of both earnings and occupational attainment, such as education and risk behaviour. However, this assumption hardly holds for highly-regulated labour markets like the Dutch, where mobility across occupations is not high. The correlation between earnings and occupations is only likely to be strong in flexible labour markets where occupational mobility is high enough. Recent evidence from US data suggests, however, that occupational choice serves as an intervening mechanism for earnings because human capital is occupation specific (Kambourov and Manovskii 2009). This evidence implies that individuals tend to accumulate more occupational experience and try to avoid switching their occupations because changing occupation would lead to earnings loss.

In labour markets where the welfare system is generous, the transition to the labour market on arrival is not a smooth process. Immigrants' occupational choice is likely to follow a particular trajectory that determines in which part of the earnings distribution immigrants find themselves. On arrival in the host country, the initial choice set of occupations is restricted for immigrants by their deficiency of host-country-specific capital. Poor proficiency in the local language and a lack of knowledge about institutions can force immigrants to accept less-favourable jobs that are often risky and poorly paid. In the beginning of their careers, immigrants experience a very turbulent period in the host country's labour market in which occupational switches dominate earnings growth according to the accumulation of host-country-specific capital. Recent evidence suggests that a lower degree of skill transferability generates conditions in which immigrants tend to work in lower-paying occupations (Chiswick and Miller 2008b). Language proficiency plays an important role in generating access to more highly skilled jobs and

correspondingly earnings (Chiswick and Miller, 1998; Aldashev et al. 2009; Orrenius and Zavodny, 2009). In addition to language, individuals' demographic characteristics such as race and ethnicity operate through occupations to affect wages (Groschen, 1991).

This paper extends immigration literature by examining the occupational adjustment of immigrants using three different measures of occupational outcome: the International Socio-Economic Index of Occupational Status (ISEI); the five levels of occupations (OL) based on the 1992 standard classification of occupations; and the social-class schema of Erikson, Goldthorpe and Portocarero (EGP) (Evans, 1992; Ganzeboom and Treiman, 1996). We estimated the rate of adjustment for the main groups of immigrants in the Netherlands from the labour-force surveys that include internationally-comparable measurements of employment, occupation, and education. The analysis shows that the pattern of occupational adjustment of immigrants varies with the country of origin associated with their cultural and linguistic distance from the Dutch society. Turkish and Moroccan immigrants start with less-well-qualified but move on to more-highly-qualified jobs as the duration of residence in the Netherlands rises. On the other hand, Caribbean and Western immigrants start with relatively highly-qualified jobs, but their rate of adjustment is relatively low. These adjustment patterns confirm the predictions of the Dip & Catch-Up model referring to the relationship between the human capital endowment of immigrants at migration and their rate of adjustment in the host-country labour-market: immigrants who start at a lower level will have a higher rate of adjustment compared with those who start at a relatively high position.