



How has educational attainment influenced the labour market outcomes of native- and foreign-born adults?

EDUCATION INDICATORS IN FOCUS

FEBRUARY 2022

#80



- Foreign- and native-born adults often face different experiences when it comes to finding a job, negotiating their salary or simply transitioning from education to work. On average across OECD countries, labour market outcomes for the foreign-born population tend to be worse than those of the native born.
- 2020 employment data show the COVID-19 pandemic had a mixed impact on the employment for foreign- and native-born adults with different levels of educational attainment. Many countries even observed reductions in labour market inequalities between these two groups.
- In Norway and Slovenia, disparities were already increasing before the pandemic began. Experiences from previous economic crises suggest that unless appropriate measures are in place, the economic effects of the pandemic may have a long-lasting negative impact on the integration of immigrants.

Foreign-born adults make up about one-fifth of 25-64 year-olds on average across OECD countries. It is therefore important for countries to understand the general human capital of their foreign-born population to gauge their capacity to contribute to the economy of their host country. For the first time, trend data on educational attainment and labour force status of native- and foreign-born adults are available in the Education at a Glance Database. This EDIF focuses on the evolution of labour market outcomes between these two groups.

Compared to their native-born peers, foreign-born adults tend to be more concentrated among the most poorly and the most highly skilled adults. In 2020, on average across the OECD, 22% of foreign-born adults did not complete upper secondary education, compared to 19% of native-born adults. For upper secondary or post-secondary non-tertiary education the shares are 37% of foreign-born and 44% of native-born adults, while 41% of foreign-born adults had completed tertiary education compared to 37% of native-born adults (OECD, 2021^[1]).

Foreign-born and native-born adults face different labour market conditions

The educational attainment of a population evolves slowly. In most OECD countries with data for 2017 and 2020, the distribution of educational attainment among native- and foreign-born adults remained largely unchanged for both these years. In contrast, labour market status is much more sensitive to the state of the economy, and data show that the economic crisis associated with the COVID-19 pandemic has a strong sectoral dimension (OECD, 2021^[2]). Results from the OECD International Migration Outlook showed that, irrespective of country, domestic services and hospitality were among the sectors in which employment fell most sharply – both sectors where migrants are over-represented. In Europe, the drop in foreign-born employment in the construction sector was twice that of native-born employment. In this sector, migrants are more often employed as sub-contractors, who are the first to lose their jobs if economic activity is put on hold (OECD, 2021^[2]).

Foreign-born adults are more likely to hold temporary contracts than their native-born peers, which could make them more vulnerable during the COVID-19 pandemic (OECD/European Union, 2018^[3]). Foreign-born adults are also likely to have a lower reservation wage compared to native-born adults (the lowest wage rate at which a worker would be willing to accept a particular type of job). This implies that they are more likely to accept any job they can get, resulting in lower relative salaries but also lower unemployment rates (OECD, 2021^[1]).

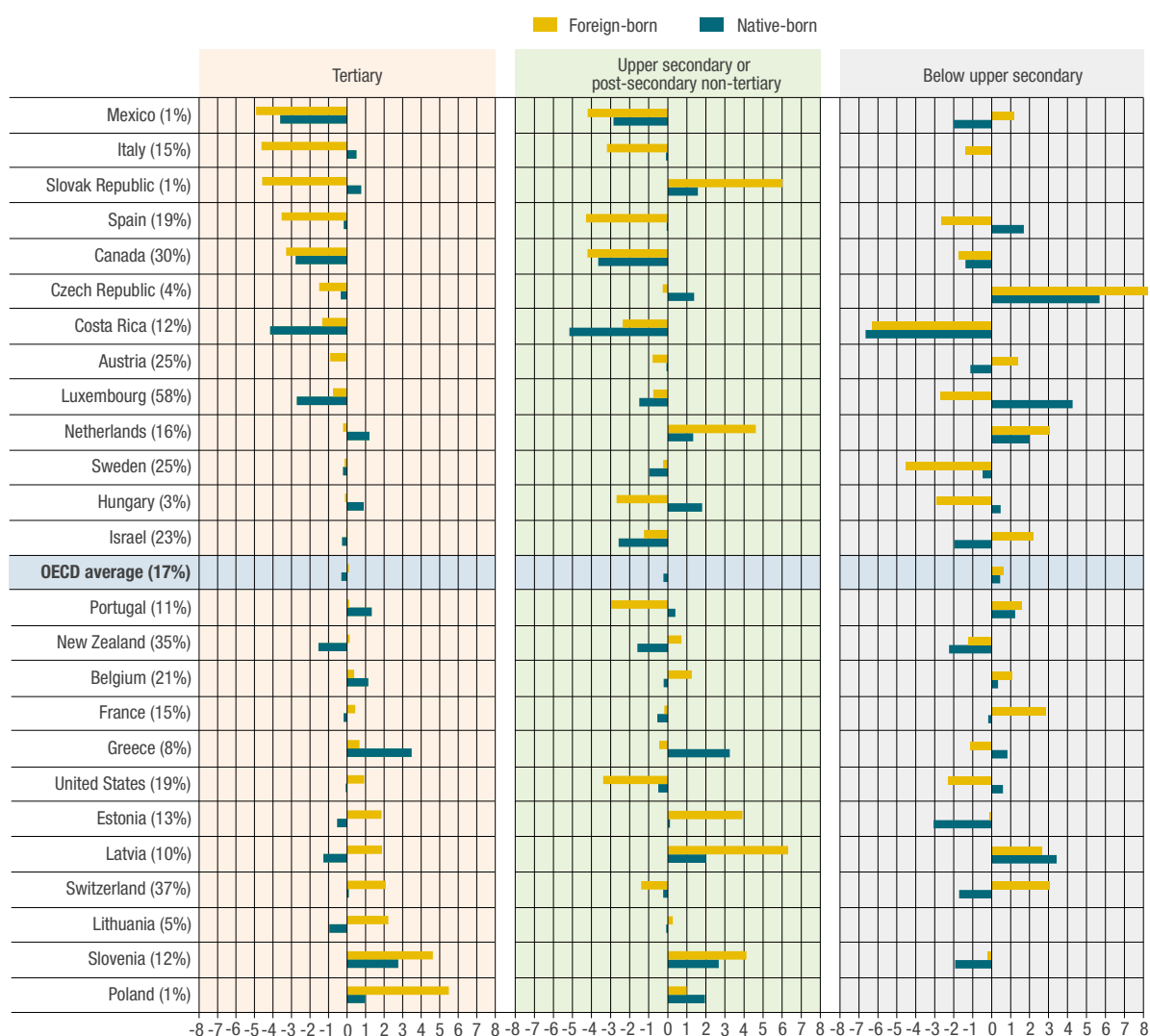
The impact of the COVID-19 pandemic on employment has been mixed across countries, immigrant status and educational attainment levels

On average across OECD countries, the labour market outcomes for the foreign-born population tend to lag behind those of the native born. For instance, for both native-born and foreign-born adults the likelihood of being employed increases with higher educational attainment, but it increases more steeply for native-born adults than for foreign-born ones (OECD, 2021^[1]).

Figure 1 shows the changes in the employment rates of 25-64 year-olds between 2017 and 2020 for native- and foreign-born adults. It compares the changes across three groups of adults by educational attainment: tertiary, upper secondary or post-secondary, and below upper secondary attainment. Interestingly, in contrast to the 2008 economic crisis, where adults with low educational attainment were affected more severely, the economic impact of the COVID-19 pandemic shows no clear pattern by either educational attainment or immigrant status.

Figure 1. Changes in the employment rates of native- and foreign-born 25-64 year-olds between 2017 and 2020, by educational attainment

Percentage-point differences (2020 minus 2017)



Note: The values in parentheses represent the share of foreign-born adults among 25-64 year-olds, regardless of educational attainment in 2020. Countries without data for both years have been excluded from the chart. Data for below upper secondary for Lithuania, Poland and the Slovak Republic are below the publication threshold and therefore excluded from the chart. Countries are ranked in ascending order of the percentage-point differences for tertiary-educated foreign-born adults.

Source: Education at a Glance 2018 (OECD, 2018_[4]) and Education at a Glance 2021 (OECD, 2021_[11]).

Although the OECD average shows little impact on employment rates from the COVID-19 pandemic, this disguises wide regional differences. In Estonia, Latvia, the Netherlands, the Slovak Republic and Slovenia, the employment rate of foreign-born adults with upper secondary or post-secondary non-tertiary attainment grew by at least 4 percentage points between 2017 and 2020, faster than the growth in employment of native-born adults. In Estonia, Latvia and Slovenia, employment rates for tertiary-educated foreign-born adults also grew faster than their native-born peers, while in the Netherlands and the Slovak Republic the employment rate of tertiary-educated foreign-born adults fell.

Canada, Greece, Hungary, Italy and Spain are the only countries among those with data for both years where the change in the employment rate has been to the advantage of native-born adults across all three attainment levels: either decreasing less or increasing more than their foreign-born peers. In Canada and Spain, both native- and foreign-born adults with the lowest attainment suffered less from the changes in the employment rate between 2017 and 2020. When only considering foreign-born adults, a similar picture applies in Austria, the Czech Republic, France, Israel, Italy, Mexico, Portugal and Switzerland, where those with below upper secondary attainment either saw employment fall least, or increase most between 2017 and 2020. In Austria, France, Israel, Mexico and Switzerland, the employment rates for foreign-born adults with the lowest attainment increased while those for similarly educated native-born adults decreased. This could be explained by the fact that migrants with lower skills and educational attainment are over-represented in sectors that were particularly central to maintaining the continuity of essential services during the COVID-19 lockdowns (OECD, 2020^[5]). Employment was maintained in sectors such as food processing, where most associated jobs require basic skills and rely on the immigrant workforce (OECD, 2020^[6]). This reflects the different working conditions native- and foreign-born adults with low educational attainment are willing to accept. It should also be noted that employment rates can also improve when people leave the country if they are unable to find work. In such cases, an increase in the employment rate can be a misleading positive signal.

The absence of a clear pattern in changes in employment rates by educational attainment before and during the COVID-19 pandemic could also reflect countries' efforts to protect their populations from sudden massive unemployment. On average across the OECD, job retention support peaked in April 2020. It reached an unprecedented level of around 20% of all employment and was supporting approximately 60 million jobs, more than 10 times as many as during the global financial crisis (OECD, 2021^[7]). As these employment support measures are gradually withdrawn, different patterns may emerge, depending on how the sanitary and economic situation evolves.

In some countries, foreign-born younger adults became more likely to be neither employed nor in education or training in 2020

In most OECD and partner countries, foreign-born 15-29 year-olds were more likely to be neither employed nor in education or training (NEET) than native-born 15-29 year-olds both before and during the pandemic. In 2020, on average across OECD countries, 19% of foreign-born young adults were NEET, compared to 14% of their native-born peers.

In some countries, the differences are much starker. In Austria and Greece, the share of NEETs among foreign-born young adults was 15 percentage points higher than among native-born ones in 2020. A similar pattern was observed in Belgium, Costa Rica, Estonia, France, Italy and Spain, where the difference is still more than 10 percentage points. Importantly, the data on which these numbers are based was collected in the first quarter of 2020 in most countries. Therefore, it does not reflect the impact of the COVID-19 pandemic.¹

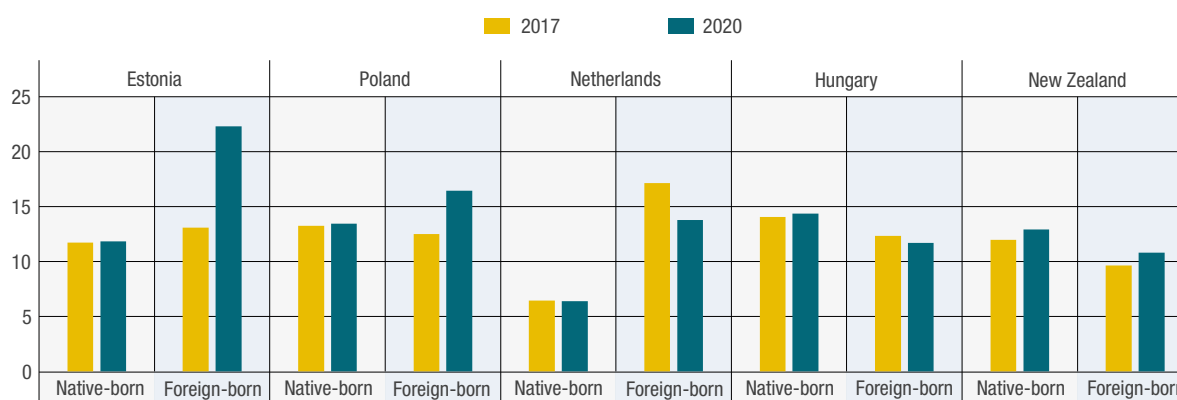
Early arrival in the host country is associated with a lower risk of being NEET. In 2020, on average across OECD countries, 14% of both native-born young adults and foreign-born ones who had arrived aged 15 or younger were NEET. In contrast, the share was 22% for foreign-born young adults who had arrived after they had turned 16. In Italy and Slovenia, the difference in NEET rates between foreign-born young adults who arrived before and after the age of 16 is particularly high, exceeding 20 percentage points. This underlines the importance of education in helping younger people acquire sufficient language and cultural skills to participate in society and successfully integrate into the labour market.

1. Data on 15-29 year-olds neither employed nor in education or training (NEET) are taken from a yearly questionnaire administered by the OECD where the reference period is generally the first quarter of each year (January to March). In a few countries, the data cover longer periods: in Estonia, Hungary, the Netherlands and Poland data have been provided for the whole year, and in New Zealand data have been provided as an average of March to December.

Figure 2 shows the percentage of native-born and foreign-born 15-29 year-olds who were NEET in 2017 and 2020 in Estonia, Hungary, the Netherlands, New Zealand and Poland. For these five countries, most of the data for 2020 was collected after countries started to react to the COVID-19 pandemic by imposing travel restrictions and lockdown measures. The patterns vary. In Estonia and Poland, the share of foreign-born 15-29 year-old NEETs was higher than their native-born peers in 2020 and the inequalities between them had widened since 2017. While the share of NEETs among native-born young adults barely changed over that period, among foreign-born young adults the share increased by 9 percentage points in Estonia, and by 4 percentage points in Poland.

While severe labour market disruptions tend to increase inequalities, this cannot be generalised to all groups or countries. In the Netherlands, the difference in NEET rates between the two groups fell between 2017 and 2020, thereby reducing inequalities between native- and foreign-born young adults. This could partly be explained by an increasing share of foreign-born adults staying in education (OECD, 2018_[4]; OECD, 2021_[11]).

Figure 2. Percentage of native-born and foreign-born 15-29 year-old NEETs (2017 and 2020)



Note: Countries providing data covering the second, third or fourth quarter of 2020 have been selected for this chart. The share of foreign-born young adults is less than 3% in Estonia, Hungary and Poland, figures associated with these countries should be interpreted with caution. Countries are ranked in descending order of the percentage of foreign-born 15-29 year-old NEETs in 2020.

Source: Education at a Glance 2018 (OECD, 2018_[4]) and Education at a Glance 2021 (OECD, 2021_[11]).

Earning gaps for foreign-born workers were widening in some countries before the COVID-19 pandemic

Data on earnings by migration status are only available for 2016 and 2019, but the analysis of pre-pandemic data can provide important information on emerging inequalities in some countries. In 2019, on average across OECD countries, foreign-born adults in full-time full-year employment earned 11% less than their native-born peers.

Figure 3 shows the changes in relative earnings of foreign-born full-time full-year workers, compared to their native-born peers, between 2016 and 2019. On average across the 17 OECD countries with trend data available, the situation for foreign-born workers slightly improved over this period. The pay gap fell by 2 percentage point among workers with below upper secondary or tertiary attainment, and by 4 percentage points for those with upper secondary or post-secondary non-tertiary attainment.

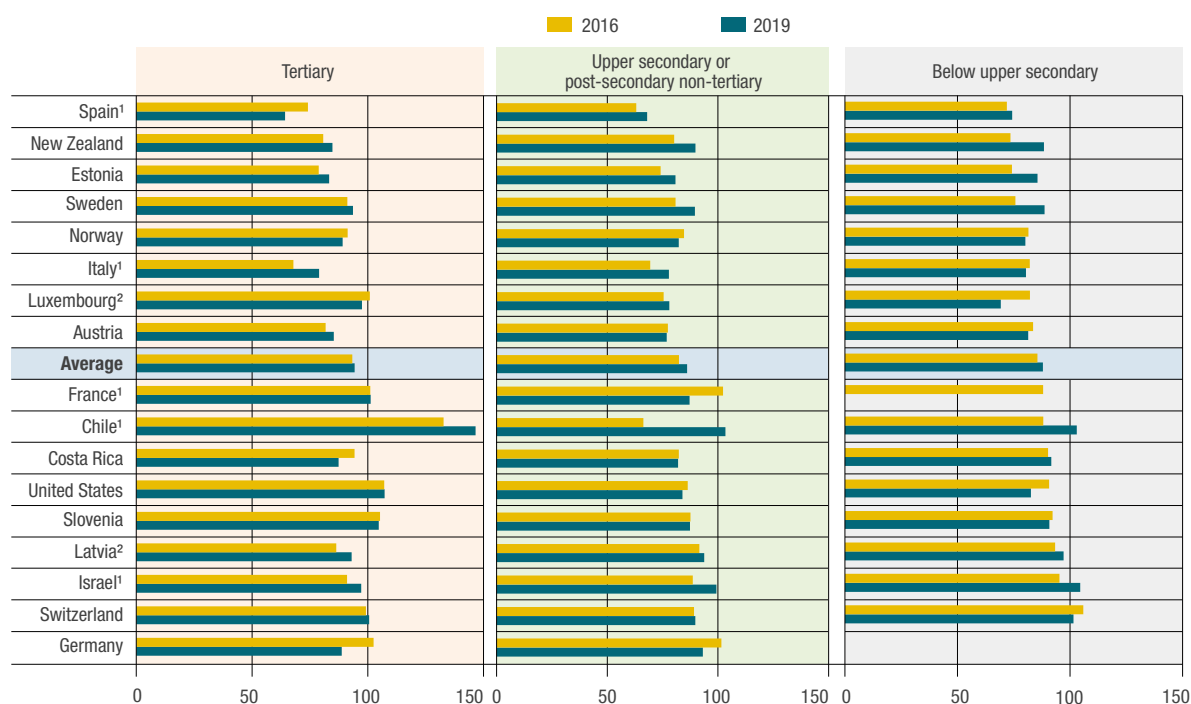
However, the averages hide wide variation across countries and by educational attainment. In Chile, Estonia, Israel, Latvia, New Zealand and Sweden, the pay gap narrowed for the three aggregated attainment levels, although in most cases the earnings disadvantage for foreign-born adults persisted. With the exception of Latvia, the reduction was greater among workers without a tertiary degree.

In Norway and Slovenia, earning inequalities worsened between native- and foreign-born adults at all attainment levels. In Luxembourg, relative earnings were quite stable for foreign-born workers with at least upper secondary attainment between 2016 and 2019. However, among those without upper secondary education they dropped by 13 percentage points, from 82% in 2016 to 69% in 2019, becoming the second lowest among all OECD countries with available data. In Luxembourg, foreign-born adults without upper secondary attainment are concentrated in low-paid sectors, while native-born adults tend to have higher educational attainment and are more likely to work in the public sector (OECD, 2021^[1]).

Although these data pre-date the outbreak of the COVID-19 pandemic, they show that in some countries, the differences in earnings between native- and foreign-born adults are high, and inequalities have been widening over the past few years. The experience from previous economic crises suggests that, unless appropriate measures are in place, the ongoing economic downturn triggered by the COVID-19 pandemic may have disproportionate and long-lasting negative effects on the integration of immigrants (OECD, 2020^[8]). It is therefore possible that the earnings differences between native- and foreign-born workers may further increase in the coming years.

Figure 3. Earnings of foreign-born full-time full-year workers relative to their native-born peers, by educational attainment (2016 and 2019)

Earnings of foreign-born workers as a percentage of the earnings of native-born workers



Note: Data for below upper secondary for France are below the publication threshold and therefore excluded from the chart. Data for below upper secondary for Germany are excluded from the chart due to considerable decrease in the population of foreign-born workers.

1. Year of reference differs from 2019: 2018 for Israel and Spain, 2017 for Chile, France and Italy. Year of reference differs from 2016: 2015 for Chile and Spain, 2014 for France and Italy.

2. Earnings net of income tax.

Countries are ranked in ascending order of the relative earnings of foreign-born adults with below upper secondary attainment in 2016.

Source: Education at a Glance 2018 (OECD, 2018^[4]) and Education at a Glance 2021 (OECD, 2021^[1]).

The bottom line

The labour market outcomes for native- and foreign-born adults during the first year of the COVID-19 pandemic vary considerably across countries – with inequalities in employment even falling in some cases compared to 2017. In contrast with the 2008 financial crisis, greater educational attainment does not seem to have had a clear protective effect against labour market adversities during the pandemic. This is most likely due to countries' quick action to mitigate the economic impact of the pandemic and the high involvement of workers with low qualifications to maintain essential services during prolonged confinement periods. However, in some countries, inequalities in earnings were widening before the pandemic and unless appropriate measures are put in place, the economic effects of the current crisis may have a long-lasting negative effect on the integration of immigrants.

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