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Country of origin and employment prospects among immigrants: an analysis of south-south and north-south migrants to South Africa

by

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Abstract

We study the relationship between country of origin and employment prospects for immigrants to South Africa, an emerging host country characterized by high levels of unemployment, labour market imperfections and a scarcity of skills. Using the 2001 South African census, we estimate the probability of being employed for working-age immigrant men and South African internal migrants. We find that, conditional on individual characteristics and education levels, the probability of being employed varies by country of origin, and that it is different for immigrants relative to native internal migrants. Immigrants from advanced sending countries outperform natives, while those from certain central, west-African and Asian countries underperform them. Additionally, results indicate that education increases the probability of employment for immigrants from all countries. These probabilities converge at high levels of education, resulting in greater dispersion of employment probabilities across countries at lower levels of education.

JEL: F22; J15; J61

Keywords: Migration, Employment, South Africa, South-south immigration

I. Introduction

Immigrants can bring a varied set of skills into the host country's labour market and thus contribute to diversity. However, assimilating immigrants into the local labour market poses challenges (Fernandez and Ortega, 2008). An extensive body of research documents labour market outcomes among immigrant populations and charts their assimilation trajectories (Borjas, 1994). However, the vast majority of these studies focus on developed countries. Studying immigrant-native labour market differentials in emerging economies is important for several reasons. Firstly, immigrant inflows into emerging markets are on the rise, making this phenomenon important to study[1]. Secondly, labour markets in developing countries are often characterized by high unemployment, rigidities and market imperfections, which exacerbate issues like labour-market discrimination, making the assimilation of immigrants more difficult. Thirdly, developing host countries typically face skills shortages, which result in different opportunities for immigrant labour.

We remedy this gap in the literature by examining immigrant employment outcomes in a developing country labour market. In particular, we ask whether immigrant employment outcomes differ by country of origin, and whether they differ from the outcomes for native internal migrants, after accounting for education and relevant individual characteristics that might affect employment. South Africa is an ideal case for our analysis. When Apartheid ended and de-racialized migration policies were introduced, South Africa began to attract an increasing number of migrants, especially from other parts of Africa (Crush and Williams, 2010). South Africa suffers from chronic unemployment and a rigid labour market, both of which are characteristics of most emerging country labour markets. Moreover, given the legacy of Apartheid, the South African labour market is known to grapple with issues of discrimination based on ethnicity and national origin (Adepoju, 2003).

Using census data, we derive the probability of being employed, conditioned on education levels for twenty-four immigrant groups (defined by their country of birth) and South African internal migrants. Our main results are: (1) Employment prospects vary by country of origin. (2) Education increases the probability of employment for all countries. The probability of employment converges at higher levels of education, causing dispersion in employment prospects across countries to be much higher at lower levels of education. As expected for a skill-scarce emerging economy, this result reflects a type of returns to education. (3) Immigrants from Angola, Cameroon, the Democratic Republic of Congo (DRC), and Nigeria have lower employment prospects than South African natives at all levels of education.

[1] In 2010-2013, the Africa-Africa migration corridor overtook the Latin America and the Caribbean – North America corridor, thus becoming the third largest migration corridor in the world (International Migration Report, 2013).

II. Data and Empirical Model

In order to examine the relationship between country of birth, education, and employment, we use a 10 percent sample from the 2001 South African Census from Statistics South Africa. We classify international migrants into 24 'country' and/or 'region of birth' categories. To compare the employment probabilities of immigrants with those of natives, we also consider internal (South African) migrants, defined as natives who live in a different province from the one in which they were born. Our motivation for picking internal migrants as a comparison group is as follows: Immigrants are not typically a randomly selected sample of their home country's population and may be positively selected on factors such as employment, labour force participation, wages, education, and health (Mattoo, Neagu, and Özden, 2008). In some cases, entry into South Africa is conditioned either on the migrant having a job, or possessing a 'scarce skill'. Since internal migrants are also likely to be selected on positive labour market characteristics, we argue that they provide a better comparison group for international migrants.

We restrict our analysis to males between the ages of 25 and 65, who moved to their current province of residence in South Africa in the five years preceding 2001, either from a foreign country, in the case of international migrants, or from another province, in the case of South African natives. We also restrict international migrants to those for whom age on arrival at the current location is greater than the number of years typically needed to acquire their level of education. This ensures that international migrants are more likely to have acquired their education abroad. Finally, this sample will have had limited time to assimilate into the local labour market.

We use a binomial logit model to predict employment status, given by,

$$Prob(Y_i = 1) = \frac{e^{\beta_1 x_i}}{e^{\beta_0 x_i + e^{\beta_1 x_i}}} \quad (1)$$

Y_i, is 1 if the immigrant *i* is employed and 0 otherwise[2]. The explanatory variables, x_i, are:

i. Categorical variables for the highest level of education obtained (No Schooling, Primary School, High School, Undergraduate, Postgraduate).

ii. Age, age squared to control for work experience, marital status, location (urban/rural).

iii. Six categorical variables indicating years in current South African province.

iv. Country/Region of birth indicators.

[2] This includes employment in the formal or informal sectors of the economy and includes farming activities.

III. Results

Summary statistics in Table 1 show that internal migrants and international migrants have similar mean social and demographic characteristics.

Table 1: Summary statistics

	Internal Migrants	International Migrants
Mean Years of Age	36	35
Education (Percent in each category)		
No schooling	7	13
Primary school	18	18
High School	57	45
Undergraduate and/or Diploma	14	15
Honours Plus	4	8
Percent Urban	87	79
Percent Married	50	49
Duration in South Africa (Percent 2 years or less)	66	65

Table 2: Probability of employment by education and nativity

	No Schooling (%)	High School (%)	Under-graduate (%)	Post-graduate (%)
South Africa	76.9	84.6	95.3	98.6
Lesotho	81.9	88.2	96.5	99.0
Namibia	82.2	88.4	96.6	99.0
Botswana	79.8	86.7	96.0	98.8
Zimbabwe	81.7	88.1	96.5	99.0
Mozambique	87.1	91.8	97.6	99.3
Swaziland	96.2	97.6	99.4	99.8
Angola	68.4	78.1	93.0	97.9
DRC	41.2	53.7	81.1	93.8
Malawi	85.0	90.3	97.2	99.2
Tanzania	84.0	89.7	97.0	99.1
Zambia	88.5	92.7	97.9	99.4
Burundi, Rwanda, Uganda	78.4	85.7	95.7	98.7
Cameroon	59.1	70.5	89.8	96.9
Congo, Gabon	76.5	84.3	95.2	98.6
Kenya	82.3	88.5	96.6	99.0
Nigeria	65.1	75.5	91.9	97.6
Rest of Africa	94.2	96.4	99.0	99.7
US, Canada, Australia, N. Zealand	77.4	85.0	95.4	98.7
China, HK, Macao	75.2	83.4	94.9	98.5
India	93.3	95.8	98.8	99.7
Pakistan	78.6	85.8	95.7	98.8
Rest of Asia, Middle east	89.4	93.3	98.1	99.5
UK, Ireland	86.0	91.0	97.4	99.3
Rest of Europe	91.6	94.7	98.5	99.6

Notes: Due to low sample size, we exclude immigrants from Latin America and the Caribbean in our analysis.

We use our logit coefficients to compute the conditional probability of employment and report results in Table 2[3]. We highlight four key findings. Firstly, international and native migrants with higher levels of education are more likely to be employed.

Secondly, immigrants from different countries have different employment prospects. For example, a 36-year old married man from the United Kingdom, who has been in South Africa for under a year and lives in an urban area, has an 86% chance of getting a job if he has no schooling, a 91% chance of getting a job with a high school education, a 97.4% chance of getting a job with an undergraduate degree, and a 99.3% chance of getting a job if he has postgraduate level education. A Pakistani migrant of identical age, marital status and tenure in South Africa, living in an urban area, would have 78.6%, 85.8%, 95.7%, 98.9% chances of obtaining employment for the same respective levels of education.

Thirdly, of the twenty-four country/region of birth categories, migrants from eighteen of these groups outperform natives at all education levels. As stated before, immigrants are not typically a randomly selected sample of their home country's population and may be positively selected on many factors, which we cannot directly observe. Moreover, the degree of selection can vary by cost of migration. Although we do not seek to explain the source of this variation, our results confirm that characteristics associated with country of birth are important for explaining differences in employment outcomes. In contrast, several country-of-birth groups have lower employment prospects than South African internal migrants. Angola, Cameroon, the DRC and Nigeria consistently underperform native-born internal migrants, as well as all other international immigrant categories, at all levels of education. The country groups of Congo-Gabon and China-Hong Kong-Macao similarly underperform relative to natives at lower levels of education, although they converge to the native probability of obtaining employment at higher education levels.

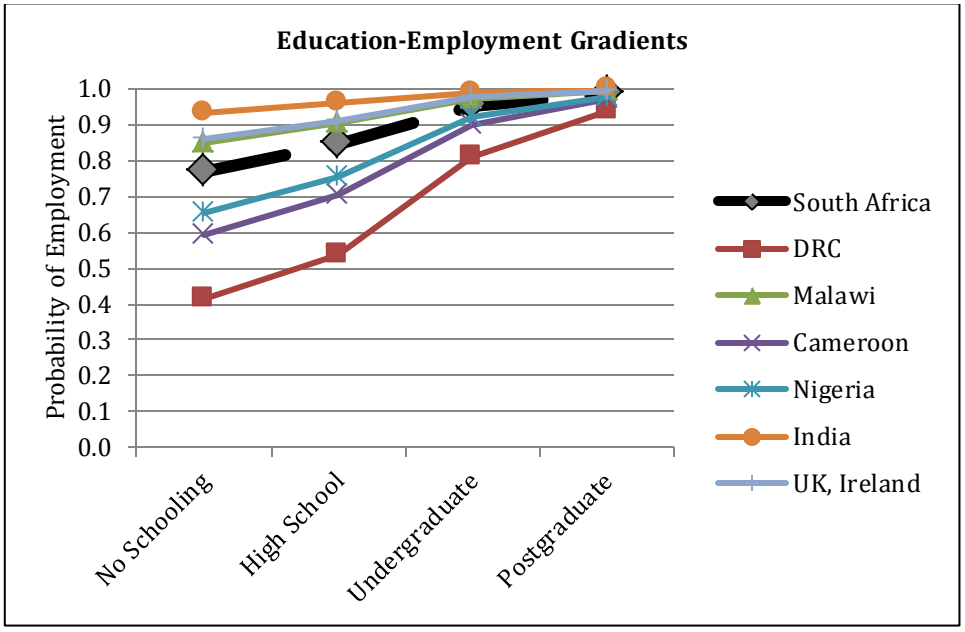
There may be several reasons for such underperformance. Firstly, these immigrants might be selected on unobservable negative characteristics. Alternatively, this finding is consistent with discrimination in the South African labour market against migrants from these particular country groups, for instance, based on ethnic grounds or national origin (Crush and Williams, 2010). The effects of reputation, ascribed generally to migrants from certain countries, might also explain some of the discrimination. Immigrants from particular countries might be considered less productive or less efficient in the workplace.

Finally, given that South Africa is an emerging economy with a shortage of skills, we expect to find skilled immigrants performing relatively better than their less skilled counterparts. Indeed, we find that, as education levels increase, the relevance of country of origin in the probability of finding a job diminishes. In other words, there is convergence. Country of birth matters most for employment prospects at lower levels of education. For example, an individual from the DRC who is otherwise identical to an individual from Zambia, has a 41.2% chance of finding a job conditional on having no schooling, which compares to 88.5% for the Zambian. However, the probability of the Congolese finding a job increases to 93.8% when he has postgraduate education, which compares much more favourably to the 99.4%

[3] Logit regression results are available upon request.

probability of employment for the Zambian. Figure 1 illustrates this convergence for a few country/region-of-birth groups.

Figure 1: Education-employment gradients depicting predicted probabilities of employment by nativity



IV. Conclusion

Using census data, this article documents differences in employment prospects for immigrants based on their country of origin in a developing host country characterized by high unemployment and labour market rigidities. We show that these differences narrow at higher levels of education. Our results suggest that market imperfections like limited information may deter uniform assimilation of immigrants, particularly those with low skills, into the host country labour market.

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southern africa labour and development research unit

The Southern Africa Labour and Development Research Unit (SALDRU) conducts research directed at improving the well-being of South Africa's poor. It was established in 1975. Over the next two decades the unit's research played a central role in documenting the human costs of apartheid. Key projects from this period included the Farm Labour Conference (1976), the Economics of Health Care Conference (1978), and the Second Carnegie Enquiry into Poverty and Development in South Africa (1983-86). At the urging of the African National Congress, from 1992-1994 SALDRU and the World Bank coordinated the Project for Statistics on Living Standards and Development (PSLSD). This project provide baseline data for the implementation of post-apartheid socio-economic policies through South Africa's first non-racial national sample survey.

In the post-apartheid period, SALDRU has continued to gather data and conduct research directed at informing and assessing anti-poverty policy. In line with its historical contribution, SALDRU's researchers continue to conduct research detailing changing patterns of well-being in South Africa and assessing the impact of government policy on the poor. Current research work falls into the following research themes: post-apartheid poverty; employment and migration dynamics; family support structures in an era of rapid social change; public works and public infrastructure programmes, financial strategies of the poor; common property resources and the poor. Key survey projects include the Langeberg Integrated Family Survey (1999), the Khayelitsha/Mitchell's Plain Survey (2000), the ongoing Cape Area Panel Study (2001-) and the Financial Diaries Project.

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