

Self-selection and the Performance of Returned Migrants : The Case of Albania.

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The aim of this paper is to analyse the self-selection process of returned migrants in Albania. In particular we want to address the following rather closely related questions: (i) Are the returned migrants, now employed in Albania, performing better than those who staid in the country and (ii) What would have been their performance, had they not migrated at all ?

To address these questions we guide our empirical investigations by a theoretical Roy model of self-selection (Borjas, 1999). In the empirical part of the paper, we use two different approaches to take into account the observed factors affecting the migration decision when examining wage equations for migrants and non-migrants (stayers). We first correct for sample selection bias in the estimation of wages functions using the well-known methodology proposed to study average wage differential between union and non-union workers (Lee, 1978) and also between public/private sector workers (Van Ophem, 1993). In a second step we extend the analysis to the whole distribution of earnings and use the approach developed by DiNardo and al. (1996), who studies changes in the distribution of earnings in the US.

Using a unique data set of 1500 Albanians individuals interviewed over April-December 1998 in Albania, our results can be summarised by the following. First we observe that individuals who have migrated earn on average more than those who staid in the country. But more interesting, we find that controlling for non-random selection tends to increase the earnings of migrants and reduce those of non-migrants. This shows that migrants would perform better if the average characteristics were more representative of the total sample, while the reverse would be true for stayers. When calculating earnings of both migrants and stayers in both choices (migration and no-migration), we find that non-migrants have an absolute advantage in both choices. Their earnings are higher than those who emigrated in both choices. This tends to show negative selection of migration based on this sample. The most successful choose to stay in the country. As other result, we find that those who migrated would have earned less, had they chosen not to migrate displaying comparative advantage in their choice. The analysis also shows that while migrants have made the right choice when deciding to migrate, the non-migrants could be better off if they had chosen to migrate instead of staying in the country.

In the second part of the study, we look at the distributional consequences of migration rather than its effect on the means. We therefore apply the methodology proposed by DiNardo and al. (1996). A simple observation of the distribution of wages in our sample, once decomposed into weighted sum of the densities of migrants and non-migrants, shows that the right tail of the distribution for migrants is thicker than for non-migrants, showing to a clustering of individuals with rather high wages. But these curves are not comparable in the sense that they do not control for the observed characteristics of migrants and non-migrants. Of more interest is to draw a counter-factual curve where all individuals (not only non-migrants) would be paid according to the wage structure in the non-migrants sample. The difference between this distribution and the distribution of wages for the entire sample gives the effect of migration. The use of the non-migrants sample is not a valid estimate, as the distribution of characteristics in this sample does not reflect those of the total sample. Therefore, we have to weight the non-migrants according to their actual proportion in the population.

Applying this approach to our sample, we see that on average the mean is shifted to the right, which is hardly surprising. A more interesting finding is that the counterfactual density has more weight at the top of the distribution, meaning that migration tends to decrease earning inequality. We observe that the effect of migration is also rather strong as the total density lies very clearly on the right of the counterfactual distribution. This second step of our analysis tends to confirm that conditional on observable characteristics non-migrants would perform much better if they migrated. This adds support to the view that, based on this sample, there is negative selection of returned migrants in Albania.

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