Moving to Move Up? Economic and occupational mobility of German migrants to the US

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Short Abstract (291 words)

We combine data from the US Current Population Surveys (CPS) and the German Socio-Economic Panel Study to investigate whether Germans work in higher status occupations and earn more when they migrate to the US than they would have achieved had they remained in Germany. Our innovative research design exploits CPS data that not only identify respondents’ country of birth but also the year they arrived in the US. These data allow us to model the selection bias inherent in studies of migration because we can exploit cohort-specific and time-varying “push/pull” factors that affect the probability a person migrates. Using instrumental variable methods, we estimate a standard model of migration in the first stage that is identified from time-varying measures of economic conditions in both the US and Germany. Our model posits that the probability of migration varies over different periods of a person's life-course and allows the decision to migrate to occur as the result of a forward-looking process. Empirically we consider variation in conditions in three different periods of life - childhood (ages 0-15), young adulthood (16-21), and early-working years (22-30). The first stage identifies probability of migration for different birth cohorts of Germans. The second stage estimates whether migrants attain higher status occupations and earn more money (appropriately adjusted for exchange rates and purchasing power parity) than their counterparts in Germany who chose not to migrate. In the empirical analysis we also differentiate between Germans who migrated “involuntarily” (as children brought by parents) and Germans who migrated as adults. Our results allow us to decompose observed differences in occupational status and earnings of migrants and non migrants into the part explained by selection effects and the part that is causal. As such our study extends the literature on international migration.