

Determinants of application for the recognition of foreign degrees – Evidence from a German Legislation Change

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Abstract:

The labor market integration of migrants is a key step towards a smooth integration within the host society and the preservation of incoming human capital. The recognition of professional qualifications acquired abroad is therefore crucial, particularly in countries, such as Germany, where several professions can be only practiced conditional on the possession of a valid certificate. Still, a large share of migrants does not apply for recognition, mainly due to bureaucratic hurdles and information barriers. With the aim of raising the application rate Germany implemented the Federal Recognition Act (Anerkennungsgesetz) in 2012, which streamlined the recognition procedure and increased the availability of information. Exploiting the four waves of the recent IAB-SOEP Migration Sample, we assess the effect of the 2012 Recognition Act on the rate of applications, taking into account the pre-reform period and the changes in the composition of migrants and their human capital. Since the Act specifically targeted non-EU migrants with professional qualifications, we use a Difference-in-Difference design in which non-EU migrants are the treated group and EU-migrants the control group. Our results provide causal evidence that facilitating the application process is a successful tool to increase application rates for recognition. This is an important finding since many countries face the challenge to preserve migrants human capital.