Labor Market Outcomes

The Economic Argument

- Individualists strive for self-fulfillment and freedom (Oyserman et al. 2002). Their desire for continuing personal and professional development should lead to higher investments in education and career outcomes.

Empirical Approaches

Challenge: Disentangle culture from institutional and economic environment → While it is not possible to change culture experimentally, we can use complementary approaches that rely on different identifying assumptions.

- **Epidemiological Approach (Main Approach)**
  - Migrants take their original cultural toolkit to the destination country → compare migrants from different origin countries within the same destination country assigning each migrant the origin-country IDV level.
  - Exploiting Individual-Level Variation in Individualism
    - Using an IDV measure that varies at the person level allows us to exploit variation between migrants from the same origin country.
  - Using the personal IDV measure, we can also focus on natives, which are free of any migration-related concerns.

- **Value-Added Approach**
  - To account for unobserved person-level factors that are constant over time, we exploit skill panel data from Germany to estimate the effect of IDV on skill growth.

Data

- PIAAC - Programme for the International Assessment of Adult Competencies, administered by the OECD in 2011/2012.
  - Cognitive skills are measured in a standardized and culturally neutral ways across countries.
  - Rich information on labor-market outcomes for adults → we cover the whole lifecycle and are not limited to formal education.
  - IDV effects could be country-specific → the international analysis allows us to analyze many destination countries on different continents.
  - Main IDV measures used in our analyses (all z-standardized):
    - Country-level measure from Hofstede (2001), based on international firm surveys from the 1970s.
    - Newly constructed person-level IDV measure based on PIAAC’s background questionnaire
  - To infer the IDV score from their first language learnt in childhood (work in progress).

- Results from the Epidemiological Approach
  - A descriptive analysis of the raw data suggests that higher IDV is associated with higher average numeracy skills at the country level. IDV explains 40% of the international variation in numeracy skills for first-generation migrants.
  - The relationship looks very similar for natives as well as second-generation migrants, for whom we infer the IDV score from their first language learnt in childhood (work in progress).

Human Capital

- IDV-induced post-education behavior → such as reading or participating in training → explains a meaningful share of the skill effect of IDV.

Labor-Market Outcomes

- The positive IDV impact on human capital formation carries over to the labor market. For instance, a one-standard-deviation increase in IDV increases wages by 8.7%.
  - In line with theoretical predictions, challenge-seeking individualists are more likely to choose research-oriented occupations and jobs with a high level of abstract tasks.

Robustness

- Effect of IDV is robust to controlling for other cultural concepts (e.g., long-term orientation, patience, trust, and risk-taking).
- Results are also robust when we use alternative IDV measures (e.g., Globe, Kashima & Kashima).
- Accounting for migration costs by controlling for geographical, genetic, and linguistic distance between origin and destination country as well as origin country characteristics does not change the results.
- Results are also robust when we isolate the time-stable component of individualism by using a gene-based instrumental variable approach.

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