

Studying abroad and international labour market mobility

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Is the ERASMUS scheme—where European students study for a year in a foreign country—just an excuse for a holiday or does it have some economic value? This column analyses how studying abroad affects labour-market mobility using the exposure to ERASMUS as an exogenous source of variation in studying abroad. It finds that studying abroad increases an individual's probability of working in a foreign country by about 15 percentage points.

In recent decades, the number of students studying abroad has risen dramatically, and more generally the higher education sector has become much more international. For example, in OECD countries the number of foreign students doubled between 1980 and 2001. More recent data show that this trend of internationalisation is not over (OECD 2004, 2010).

There is also an increasing focus on the role of international students as a potential source of high-skilled immigrants. More than half of US science and engineering doctoral students are international students. Foreigners account for nearly 60% of the growth in PhD scientists and engineers in the US (Freeman 2009). Numerous countries, including the US, Japan, and the UK, attempt to attract highly-skilled mobile workers through policies relating to student mobility programmes (Guellec and Cervantes 2001). Despite this significant investment, little is known about the effectiveness of such programmes (for evidence of college choice on mobility see Malamud and Wozniak 2008).

Similarly, from the student's perspective, there is little evidence on how studying abroad affects later labour-market outcomes. Understanding these links is of wide interest, given the substantial resources invested in study abroad spells by students, universities, and governments. Establishing a causal link between studying abroad and labour-market outcomes later on in life is challenging because students who decide to study abroad are in many ways systematically different from students who undertake all of their education in their home country (for previous work on the link between labour market mobility and previous mobility, see Kodrzycki 2001 and Groen 2004. See also Bound et al. 2004.)

New insights from the introduction of ERASMUS

In a recent study (Parey and Waldinger 2011), we investigate the effect of studying abroad on later international labour-market mobility by looking at the introduction of a large-scale European student exchange programme, i.e. ERASMUS.

ERASMUS was introduced by the EU in 1987. Since its introduction over 2 million students have participated in the programme.

Participating students receive a grant and can access a network of partner universities, which reduces both the direct cost as well as the bureaucratic hurdles of applying for study-abroad spells.

We use data on German university students from five cohorts, graduating between 1989 and 2005, to analyse how the increased availability of ERASMUS places in a department affects the likelihood of studying abroad. The exposure to ERASMUS is measured in two ways:

- First, using an indicator for whether or not the student's department participated in ERASMUS in a given year.
- Second, by taking the exact number of ERASMUS scholarships offered by each department at every university in a given year, relative to the number of students enrolled. The availability of ERASMUS has strong effect on the probability of studying abroad.

Our estimates indicate that a student who begins his or her studies just after the introduction of ERASMUS in her department has a probability of studying abroad 2.5 percentage point higher. Overall, about 6.2% of students in the sample studied abroad for some time during their undergraduate. An increase of 2.5 percentage points is therefore a sizeable effect, especially given the size of the ERASMUS programme.¹

We then analyse how studying abroad affects labour market mobility later in life using the exposure to ERASMUS as an exogenous source of variation in studying abroad. We find that studying abroad significantly increases the likelihood of working abroad after obtaining their university degree. Graduates who have studied abroad are about 15 percentage point more likely to work abroad after graduation.

But through which underlying mechanism does studying abroad increase international labour market mobility? In one of the survey waves, all the graduates who have ever worked abroad were asked to indicate what motivated them to take up work abroad. While studying abroad seems to increase labour-market skills that are demanded in the foreign country there are also "softer" factors which are affected. Studying abroad raises the students' interest in foreign cultures and allows them to meet many people. Some students even return abroad for work purposes because they met their partner while on exchange.

Comparing location choices for the study-abroad spell and work location, our research finds that location choices are sticky, that is, students tend to work where they studied abroad. This suggests that contacts and language skills are important factors driving the decision to work in a foreign country.

Policy implications

These findings suggest that mobility decisions during university have long-run effects on the careers and labour-market outcomes of individuals. In particular, mobility during the course of the studies increases international mobility in the labour market. This highlights the importance of student mobility to attract highly-skilled workers. Attractive student migration policies are likely to increase the future inflow of high-skilled workers.

¹ For evidence from a scholarship programme for particularly talented students at the postgraduate level see Oosterbeek and Webbink (forthcoming).

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