Cultural Norms and the Labour Market Choices of Immigrants

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Abstract

This paper investigates how exposure to collectivist and individualistic cultural values shapes occupational prestige and labor market mismatches. Leveraging rich administrative data on immigrant households and a mover design, I estimate the effects of cultural assimilation. By exploiting variation in cultural exposure among immigrant siblings, I analyze how differential retention of collectivist cultural norms, proxied by age at migration (reflecting years spent in the home country), influences occupational preferences. The findings reveal that: *(i)* Greater exposure to collectivist cultural environments fosters a stronger preference for occupational prestige; *(ii)* However, it also leads to significant earnings mismatches, with individuals earning less than their predicted wages; and *(iii)* Individualistic cultural origins mitigate these mismatches by enhancing the alignment between skills and wages.

1 Introduction

There remains great cultural diversity among the world's populace, with a multitude of values, beliefs and aspirations (Inglehart *et al.*, 2010). Cultural norms are entrenched as a way of seeking a social identity, and shape one's beliefs and aspirations (Shayo, 2020) which further impact choices. A growing body of literature has also highlighted the role of culture and norms in influencing a wide range of economic outcomes and decision-making at the microeconomic level (Fernandez, 2007).

In this paper, I study the following research question: does variation in cultural assimilation generate differences in educational and occupational choice?

The theoretical foundation that grounds my research relies upon two popular strands of the literature. First, I use the epidemiological approach (Fernandez, 2007) which posits the following : cultural beliefs vary across immigrant groups in a systematic fashion reflecting culture in the country of origin, and individuals who live in the same country face similar economic and formal institutional environments. The second theoretical underpinning is based on the mover design, where Chetty and Hendren (2018) compare biological siblings who share similar abilities (Björklund *et al.*, 2006; Smith-Woolley *et al.*, 2018) and home environments but move at different ages. They find that neighborhoods in which children grow up shape their earnings, college attendance rates, fertility and marriage patterns. I extend the idea of varying economic wealth within neighborhoods to a cultural narrative, that is, I envisage countries as neighborhoods with a varying cultural diversity. Taken together, the epidemiological approach implies the following: immigrant children assimilate the culture of both, the origin and the host country commensurate with the time spent in each. The mover design suggests, those that immigrate (that is, move to a different cultural neighbourhood) are differentially exposed to the culture in their country of origin.

I study the outcomes of biological siblings who are similar in terms of abilities and home environments, but differ by the relative time they spend assimilating the culture in their country of origin. I use this variation in exposure to the culture of the country of origin among younger and older siblings, to understand whether country-specific differences in

cultural beliefs foster dissimilar preferences in economic outcomes.

The analysis primarily focuses on the individualism-collectivism divide. My hypothesis is, siblings who are more exposed to a collectivist culture would foster preferences for occupations that are perceived as prestigious. While individualism is associated with stronger preferences for prioritizing oneself, collectivism attributes a higher importance to family, kinship and the society. Therefore, it seems plausible that individuals who assimilate the culture of a collectivist society are more reliant on parental advice, who in turn, having imbibed a collectivist culture are likely to value societal perceptions such as occupational prestige over personal interest. Data on occupational prestige is obtained from Newlands and Lutz (2024), who present new indices of occupational prestige and occupational social value for 576 occupational titles aligned with the ILO International Standard Classification of Occupations *(ISCO-08)*, and I subsequently match these to the Standard för svensk yrkesklassificering (*SSYK*), the Swedish system of classification for occupations. This allows me to match occupations with an associated prestige score.

A prime focus of this study is variation in cultural assimilation, and delineating the influence of culture as a possible determinant of economic phenomena is challenging. This stems from the broad notion of culture, it enters economic discourse through channels that are vague and ubiquitous. This makes it difficult to measure culture in a tractable manner, and design testable hypotheses that provide insight into how cultural exposure affects outcomes (Greif, 1994, 2006). In recent years, however, better techniques and more data have made it possible to identify systematic differences in people's preferences and beliefs and to relate them to various measures of cultural legacy (Guiso *et al.*, 2006). As an example, consider the World Values Survey (Haerpfer *et al.*, 2022) (henceforth abbreviated as WVS), one of the world's largest cross-national survey programs which explores the values, beliefs, and attitudes that shape societies across the globe from over 120 countries. This enables the construction of country-specific indices that capture the variation in cultural norms. In the analysis, immigrants are assigned the individualism index value of their country of origin.

In order to construct a country-specific index that captures the individualism-collectivism dimension, I closely follow the work of Ronald *et al.* (2004); Inglehart *et al.* (2010) which

has been influential in political science and sociology. I extract the top two factors from an underlying set of answers to WVS questions that emphasize self-expression by means of factor analysis. I complement this measure with the dimensions of culture as measured by Geert and Hofstede (2004). Taken together, these capture country-specific variation in individualism.

I find that exposure to individualistic cultures mitigates the association between age at migration and occupational prestige. Older migrants and women experience significantly disproportionate mismatches in earnings. However, individualistic cultural origins mitigates some of these mismatches.

Related literature

The contribution of this paper is threefold.

First, it relates to a strand of economic literature that studies cultural assimilation and the labor market outcomes of immigrants. Cultural traits are known to exhibit remarkable persistence over time (Nunn, 2012; Spolaore and Wacziarg, 2013), with several studies documenting their enduring influence across generations (Fernandez, 2007; Fernández and Fogli, 2009; Algan and Cahuc, 2010). Recent research has examined how culture shapes decision-making at the microeconomic level. Building on foundational models in evolutionary anthropology, these studies suggest that under general conditions, individuals often rely on social learning (culture) when making decisions (Bisin and Verdier, 2000, 2001; Hauk and Saez-Marti, 2002; Francois and Zabojnik, 2005; Tabellini, 2008; Greif and Tadelis, 2010; Bisin and Verdier, 2017; Doepke and Zilibotti, 2017). However, cultural regimes can also shift significantly over time. Notable examples include the rapid demise of Communist Party rule in Eastern Europe, the end of apartheid in South Africa, the abandonment of practices such as female genital cutting in Africa or the use of honorific pronouns in Europe (Belloc and Bowles, 2013). This paper contributes to this literature by studying how cultural assimilation influences educational and occupational preferences among immigrants. Dustmann (2003) highlight how cultural differences affect wage gaps and employment opportunities, while Åslund *et al.* (2012) document that age at migration significantly affects social integration, with older migrants being less likely to live close to, work with, or marry natives.

Second, I contribute to the literature on the individualism-collectivism dimension of culture. This dimension has been identified as a key cultural factor influencing long-term economic development (Gorodnichenko and Roland, 2011, 2012, 2017). Individualism and collectivism have been shown to shape various economic behaviors, including income redistribution (Binder, 2019; Hammar, 2016), trade patterns (Zizzo and Oswald, 2017), working hours (Tatliyer and Gur, 2022), and human capital formation (Ek, 2024). Moreover, the divide between these cultural dimensions is considered one of the most important cross-country distinctions in cultural psychology (Heine, 2020). This paper is, to the best of my knowledge, the first to causally investigate the relationship between collectivist exposure and occupational prestige, hypothesizing that greater exposure to collectivist cultures fosters stronger preferences for prestigious occupations, whereas individualistic cultures weaken this preference. Other related research includes studies exploring theoretical links between cultural dimensions and economic outcomes (Ahuja *et al.*, 2015) and empirical analyses linking individualism to long-run economic growth (Ball, 2001; Geert and Hofstede, 2004; Schwartz, 1994).

Third, I explore the role of culture in generating mismatches in the labor market. Cultural retention can lead to misalignment between skills and wages, particularly among migrants exposed to collectivist values for longer durations. This analysis builds on a growing body of literature investigating the labor market integration of immigrants and the mechanisms through which culture mediates economic outcomes. (Bisin and Verdier, 2011) show that cultural transmission influences the intergenerational mobility of immigrants, while Giuliano *et al.* (2013) explore the impact of cultural persistence on economic outcomes. My findings contribute to this literature by highlighting how cultural values impact occupational sorting, skill-to-wage alignment, and labor market mismatches.

The remainder of this paper is organized as follows. Section 2 provides a brief description of the Empirical Approach, 3 summarizes the Data Sources and Sample Restrictions used in the study, and the outcome and explanatory variables. Section 4 presents the estimating equations. Section 5 describes the results of the study and Section 6 concludes.

2 Empirical Approach

This paper employs an epidemiological approach to analyze the influence of cultural beliefs on individual outcomes. The underlying assumptions of this approach are that cultural beliefs vary systematically across immigrant groups based on the culture in their country of origin and that individuals residing in the same host country are subject to similar economic conditions and formal institutional environments (Fernández, 2011). Specifically, the approach assumes that: (i) parents transmit cultural beliefs to their children, (ii) these cultural beliefs reflect the culture of the parents' country of origin, and (iii) individuals raised in the same host country experience similar institutional contexts. Immigrants assimilate cultural norms from both their country of origin and the host country, with the extent of assimilation depending on the duration of exposure to each culture.

To further isolate the effects of cultural exposure, the study adopts a mover design, leveraging evidence that neighborhoods exert substantial effects on childhood outcomes. Prior research demonstrates that the incomes of children who move converge to the incomes of permanent residents in the destination at a rate of 4 % per year of childhood exposure (Chetty and Hendren, 2018). In addition, literature from economics and behavioral genetics suggests that genetic and hereditary traits account for 40–60% of cognitive abilities and play a significant role in determining educational and labor market outcomes (Björklund *et al.*, 2006; Smith-Woolley *et al.*, 2018). This analysis exploits differences between biological siblings who share similar cognitive traits but experience varying degrees of exposure to the cultural norms of their origin country due to differences in age at immigration. By leveraging these sibling differences, the study isolates the effects of cultural exposure on economic and educational outcomes

3 Data Sources and Sample Restrictions

3.1 Population-wide data

This paper uses administrative individual-level data primarily sourced from Swedish administrative register sources collected by Statistics Sweden (Statistiska centralbyrån).

The population register includes data on date (and country) of birth and and migration. In the sample, I include immigrants who have migrated not more than once prior to moving in Sweden, and I further limit the sample to siblings that migrate on the same day and same country.

The Educational Register, which includes data on higher education enrollment, course completion, degree completion, and financial aid forms the basis for educational qualifications.

In order to identify family linkages, I use the Multigenerational Register, which identifies the parents of all individuals in the population since 1961. This allows me to identify biological sibling pairs.

I observe summary measures of an individual's total earnings and parental leave from employment each year from the Longitudinal Integration Database (LISA). This also forms the primary basis for data on the demographic characteristics of individuals such as sex, educational qualifications (following the SUN classification), industry (following the SNI structure) and the municipality of residence.

The primary occupational and wage data source is the Structural Wage Statistics supplemented with LISA, which surveys all public sector employees and a sample of firms in the private sector that accounts for about half of private sector employees each year. This allows me to understand the sector of employment following the SSYK standard for Swedish occupational classification, which is a system for grouping individuals' occupations or tasks. I match this to ILO's ISCO classification.

3.2 Collectivist cultural norms

Collectivist cultures value the needs of a group or a community over the individual, and attribute much importance to kinship, family and community. Such societies prioritize the goals of their in-groups and shape their behavior primarily on the basis of in-group norms (see Triandis (2001) for a review on how collectivist and individualist cultural norms affect a variety of life-cycle outcomes). Conversely, in individualistic cultures, individuals behave primarily on the basis of their attitudes rather than the norms of their in-groups.

I construct a country-specific index of cultural norms that indicate the extent of collectivism (individualism) prevalent in the region. In the analysis, immigrants are assigned the individualism index value of their country of origin.

I closely follow the work of Ronald *et al.* (2004); Inglehart *et al.* (2010) which has been very influential in political science and sociology in constructing the first index, where I extract the top two factors from an underlying set of answers to WVS questions that emphasize self-expression by means of factor analysis.

I complement this measure with the dimensions of culture as measured by Geert and Hofstede (2004), using the index on individualism. This measure is also used for robustness checks and allows for the inclusion of a larger set of countries compared to the previous measure.[1]

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[1]The index formula used by (Geert and Hofstede, 2004) to calculate the individualism index (IDV) is given by:

$$IDV = 35(MeanQ4 - MeanQ1) + 35(MeanQ9 - MeanQ6) + Constant, \qquad (1)$$

where MeanQX is the mean score of question X in the following:

"In choosing an ideal job, how important would it be for you to:

- (1) have sufficient time for your personal or home life;
- (4) have security of employment;
- (6) do work that is interesting;
- (9) have a job respected by your family and friends."

These questions are ranked on a 5-point scale, ranging from 1, *"of utmost importance,"* to 5, *"of very little or no importance."*

3.2.1 Occupational prestige

Data on occupational prestige is obtained from Newlands and Lutz (2024), who present new indices of occupational prestige and occupational social value for 576 occupational titles aligned with the ILO International Standard Classification of Occupations *(ISCO-08)*, based on comprehensive evidence from $2,429$ respondents in the United Kingdom. I calculate the average prestige score for each 4-digit classification within the *ISCO-08* system, and subsequently match these to the Standard för svensk yrkesklassificering *SSYK*, which is the Swedish system of classification using the key provided by Statistiska centralbyrån (SCB). Finally, I compute the average prestige score for each occupation at the 4-digit *SSYK* level.
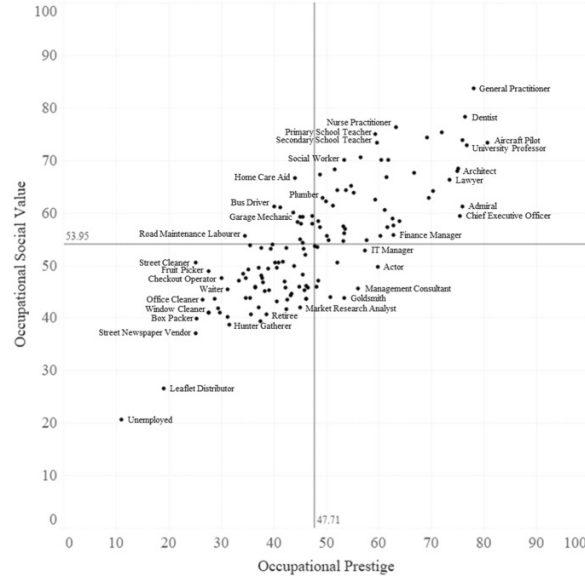

Figure 1: Distribution of perceived occupational prestige and social value (Newlands and Lutz, 2024).

While this method allows for a consistent comparison of occupational prestige across national systems, several drawbacks exist. First, the indices from Newlands and Lutz (2024) are based on data from the UK, which may not fully capture the cultural and economic factors influencing occupational prestige in Sweden. Second, discrepancies in occupational classifications between the *ISCO-08* and *SSYK* systems, even when using the SCB key, could lead to misclassification or averaging across dissimilar occupations.

Finally, prestige scores derived from a single survey of respondents may not account for temporal or regional shifts in occupational values.

4 Empirical Strategy

4.1 Occupational prestige

Using the sample of biological sibling pairs within immigrant households, I estimate a specification similar to the one described in the previous section.

$$Y_{ijo} = \beta_0 + \beta_1 Age_i^{lm} + \beta_2 Individualism_o + \beta_3 Individualism_o * Age_i^{lm} + \alpha_j + T_i + \epsilon_{ijo}$$

The primary outcome, Y_{ijo}, is an indicator for perceived occupational prestige associated with the choice of profession. I document observed trends in the value of prestige associated with jobs chosen by immigrant siblings, and whether they are influenced by the culture of collectivism in the birth country.

A negative sign on the β_3 coefficient implies, immigrants from more individualistic countries are less likely to choose jobs with a higher value of perceived occupational prestige. Further, I include birth order effects to understand the difference in choices between younger and older siblings. A negative β coefficient implies younger siblings are less likely to choose prestigious jobs.

4.2 Misallocation of talent

Earnings reflect ability, and a number of other personal characteristics such as education, choice of employment, or time and place of employment. I construct an *earnings score* following the approach of Besley *et al.* (2016). They use residuals from a Mincer equation, defined over a large set of socioeconomic characteristics.Specifically, the following

regression is estimated:

$$y_{i,m,t} = f(\text{age}_{i,t}, \text{educ}_{i,t}, \text{empl}_{i,t}) + \alpha_{m,t} + \epsilon_{i,m,t}, \tag{2}$$

where $y_{i,m,t}$ represents disposable income for individual i in municipality m and year t. The function f includes age, education, and employment interactions, while $\alpha_{m,t}$ captures municipality fixed effects to capture systematic income differences across regions, or urban and rural areas.

For each individual, they compute residuals $\epsilon_{i,m,t}$ for each available year, and then average across years. This "individual fixed effect" is the earnings score, which serves as a proxy for the level of mismatch in an individual's profession. In this analysis, $\epsilon_{i,m,t}$ represents the difference between the predicted and actual wage, thus, a positive sum indicates that the individual earns less than what their "should", implying a mismatch. I use the average residualized wage between the ages 20 - 30 as an outcome.

5   Results

This section is summarizes the results of the analysis. The first section presents the results of the effect of cultural assimilation on occupational prestige, and the second section studies possible mismatches in the labour market.

5.1   Collectivism and Occupational prestige

Table 1 examines the relationship between cultural individualism and occupational prestige. The results indicate that exposure to individualistic cultures mitigates the positive association between age at migration and occupational prestige, as reflected in the significant negative interaction term (-0.00542). Women have significantly higher occupational prestige scores (4.167), while later-born siblings exhibit lower scores compared to first-borns. These findings suggest exposure to individualistic norms are associated with a lower emphasis on occupational prestige.

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Variables	Coefficients
Age at migration	0.0876
	(0.0713)
Female	4.167***
	(0.133)
Age at migration *Individualism	-0.00542***
	(0.00110)
Individualism	-
Birth order	
2	-0.785***
	(0.175)
3	-1.160***
	(0.316)
4	-0.787*
	(0.457)
5	-1.261**
	(0.616)
Constant	8.596***
	(0.544)
Observations	123,887
R-squared	0.532

Standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Table 1: The outcome is occupational prestige. Individualism is measured by the cultural dimension from Geert and Hofstede (2004)

5.2 Misallocation of talent

The analysis examines the relationship between cultural exposure and the misallocation of talent, as measured by the earnings gap. This is the difference between predicted and actual wages. Positive values of the gap indicate individuals earning less than expected (a mismatch), while negative values indicate they are earning more than expected.

The results presented in Table 2 show that age at migration has a significant positive association with the earnings gap. A one-year increase in the age at migration is associated with a 54.46 unit increase in the earnings gap, implying 5446 SEK lower-than-predicted earnings per extra year in the country of origin (income is measured in 100 SEK). This suggests, individuals migrating at older ages experience greater mismatches in earnings. Higher ages at migration reflect greater cultural retention, implying, assimilating the cultural values of a collectivist culture is positively associated with mismatches in the labour market.

The interaction term between age at migration and individualism is negative (-0.184) and significant, indicating that exposure to more individualistic cultures reduces the mismatch associated with older age at migration. I also find that female immigrants have a significantly higher earnings gap, as women earn 21950 SEK less than men on average, per year. This implies mismatches affect women disproportionately. However, previous research shows that women are more likely to choose occupations associated with higher amenities, and studying the non-pecuniary aspects associated with professions is beyond the scope of this study. Therefore, further research is necessary to rationalize these results.

Birth order effects are mostly insignificant, suggesting limited influence on the earnings gap in this context. However, the younger siblings (upto a birth order of 3) are less mismatched.

These findings highlight the influence of cultural exposure on labor market outcomes, with older migrants and women experiencing significant mismatches in earnings. However, exposure to individualistic cultural origins mitigates some of these mismatches. To further illustrate this, I regress the treatment effect of age at migration on the individualism

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index at the country level, focusing on countries with at least 70 migrants (please see Figure 2 below). The results indicate that for every unit increase in the individualism index, the positive effect of age at migration on the earnings mismatch decreases.

Variables	Pooled sample
Age at migration	54.46***
	(4.045)
Female	219.5***
	(7.546)
Age at migration*Individualism	-0.184***
	(0.0703)
Individualism	-
Birth order	
2	-12.00
	(10.13)
3	-18.78
	(18.08)
4	3.012
	(25.95)
5	22.35
	(34.80)
Constant	-446.4***
	(32.56)
Observations	57,587
R-squared	0.610

Standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Table 2: The outcome is misallocation of talent, measured by the average earnings gap at the age of 30. Individualism is measured by the cultural dimension from Geert and Hofstede (2004)
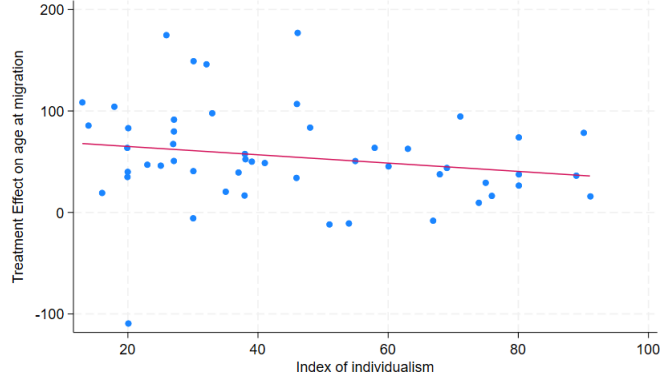
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Figure 2: The graph plots the treatment effect of age at migration on the individualism index at the country level, focusing on countries with at least 70 migrants. Each dot represents an (anonymized) country. The graph suggests, as the individualism index increases, the positive effect of age at migration on mismatch decreases.

6   Discussion

This paper examines the influence of childhood cultural exposure on occupational outcomes, with a particular focus on collectivist values. By combining an epidemiological approach with a mover design, I leverage rich administrative data on immigrant households to estimate the effects of cultural assimilation on occupational prestige and labor market mismatches.

Specifically, I investigate whether exposure to collectivist cultural norms influences preferences for occupational prestige. The analysis reveals that siblings exposed to collectivist values for a longer duration (due to older age at migration) are more likely to pursue careers that are conventionally considered prestigious. However, the mitigating role of individualistic cultural origins becomes evident, as these norms weaken the association between age at migration and occupational prestige. Female immigrants exhibit significantly higher occupational prestige scores compared to their male counterparts, while later-born siblings, who are more influenced by Sweden's individualistic cultural environment, tend to opt for less prestigious jobs than their first-born counterparts.

In addition to occupational prestige, I examine how cultural norms influence mismatches in the labor market. Migrating at an older age, which corresponds to stronger cul-

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tural retention of collectivist values, is associated with greater earnings mismatches, as individuals earn significantly less than their predicted wages based on observable skills. Furthermore, older migrants and women experience disproportionate earnings mismatches, highlighting systemic disparities in the labor market. Importantly, exposure to individualistic cultural origins mitigates these mismatches, suggesting that individualistic values facilitate better alignment between skills and wages. These findings underscore the complex interplay between cultural retention and assimilation, revealing reveal that culture matters in a non-trivial way in determining occupational choice.

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7 Appendix