



Liability-of-foreignness effects on job success of immigrant job seekers[☆]

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ABSTRACT

We examined the liability-of-foreignness (LOF) hypothesis for immigrant and native job seekers by analyzing a national dataset that tracks their use of job-search methods and their associated job outcomes in the Canadian labor market. To our knowledge this is the *first* empirical test of LOF at the individual-level while controlling for variables at multiple levels. We found support for LOF when job applicants used the *rich media* job-search methods of social networks and recruitment agencies, but not when they used the *lean media* of newspaper ads and the Internet. Study limitations, implications, and future research are discussed.

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1. Introduction

The problems surrounding immigration and the labor-market outcomes of immigrants have become increasingly prominent over the past few decades. Studies have consistently found that recent immigrants continue to encounter significant barriers when searching for jobs in the labor market of their destination countries (Aydemir & Skuterud, 2005; Frenette & Morissette, 2005; Kahanec & Zaičeva, 2009; Wald & Fang, 2009). Immigrant job search is a process of selecting different search methods that immigrants use to identify job opportunities and evaluate strategies for job success in their country of immigration (Greve, Salaff, & Chan, 2007). To gain a deeper understanding of the underlying challenges that immigrants experience with their job-search methods and to devise more targeted practices for solving these problems, scholars and policy makers have called for a more comprehensive analysis of the disadvantages that immigrants may suffer when competing against natives in the domestic labor market (Aycan & Berry, 1996;

Bloom, Grenier, & Gunderson, 1995; Fang & Heywood, 2010; Fang, Zikic, & Novicevic, 2009; Grant, 1999; Miglietta & Tartaglia, 2009; Moore & Pacey, 2003; Picot & Hou, 2003; Reitz, 2001; Ward & Masgoret, 2007).

The disadvantages that immigrants encounter when competing against natives in the labor market of natives' country of citizenship may be hypothesized to reflect immigrant "liability-of-foreignness" (i.e., LOF; Harvey, Novicevic, Buckley, & Fung, 2005). The main assumption of this LOF hypothesis is that immigrants, facing the liability of being foreign when pursuing job opportunities in the labor market of a country that is not their own country of citizenship, will likely lack legitimacy and therefore achieve significantly lower levels of job success than natives when searching for jobs in the local labor market (Brekke & Mastekaasa, 2008; Constant, Kahanec, & Zimmermann, 2009; Millar & Choi, 2008). We test this hypothesis by examining the use of different job-search methods and the subsequent labor-market outcomes for both immigrants and natives searching for employment in the Canadian labor market. In this study, we define immigrants as individuals who were not born in Canada, but immigrated to Canada at some point during their lifetime and currently reside in Canada. We further categorize immigrant workers by the decade of their arrival. We define native-born workers as those who were born in Canada and currently reside and work in Canada.

We chose the Canadian labor market because Canada, with 18% of its population in 2009 being foreign-born, has historically attracted large migrant cohorts planning to benefit from their anticipated contributions to the country's national development. While the migrations of these cohorts were initially mostly of a humanitarian or family-reunification nature, from the 1970s to the 1990s they became primarily industrial development-oriented and

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were based on a planned skill/point-based system. In the mid 1990s, the skill-based system underwent a structural change as Canada made a shift in its immigration policy from attracting industrial workers to attracting knowledge workers and entrepreneurial investors. Overall, the history of different policies that have been developed to attract and support immigrants within Canada makes the context of its job market very relevant and appropriate for testing the liability-of-foreignness (LOF) hypothesis for cohorts of immigrant and native job seekers. Moreover, when compared to other national labor markets, it can be argued that the Canadian labor market is a market in which immigrants are actually very unlikely to encounter the LOF effects on their job success (Walsh, 2008). By choosing the Canadian labor market for this area of inquiry, we provide a conservative test of LOF effects, which, if found, provide conservative estimates of LOF's impact on immigrant job search and employment outcomes (e.g., pay satisfaction).

The main purpose of this paper is to test the LOF hypothesis by analyzing the job-search methods used and the associated job success of comparable immigrant and native workers using data available for Canadian workplaces. First, we explain the LOF hypothesis in terms of the barriers that immigrants may encounter when competing against natives in the job market of the natives' country of citizenship. Our prediction, derived from the LOF hypothesis, is that the labor-market outcomes for immigrants will be significantly less favorable than those for natives. Second, we provide a brief literature review of immigrant job-search methods to hypothesize how different methods may inflate or suppress the emergence of the LOF phenomenon. Third, we describe our sample, present our data analyses, and provide the interpretation of our results. In conclusion, we summarize our findings, outline limitations of our study, discuss policy implications, and suggest directions for future research.

2. Liabilities-of-foreignness and immigrant status

2.1. Theoretical foundations

The concept of foreignness is central to the field of international business (Zaheer, 1995). This concept implies that an actor who enters the host country is ascribed the outsider status of being an alien. Foreignness is a relative concept that defines these "alien" actors as foreign outsiders in relation to native (i.e., local) actors (Luo & Mezias, 2002). This distinction is important because native actors tend to stereotype, and discriminate against, foreign actors who often encounter initial difficulties in the local social context. In turn, this stereotyping and discrimination may prevent foreign actors from accessing quality local opportunities (Kogan, 2006).

The natives' tendency to engage in downward comparison of others with a salient foreign identity in the local market is triggered by the foreign actors' lack of knowledge about local institutions, environment, and markets. This results from their unfamiliarity with local norms and routines that are crucial for gaining legitimacy (Joardar, Kostova, & Ravlin, 2007; Matsuo, 2000). The need for foreign actors to develop familiarity with the local environment is supported by acculturation theory that predicts the criticality of the acculturating experience for foreign actors' success (Berry, 2003; Li, Yang, & Yue, 2007).

Foreignness is commonly hypothesized to entail a liability that limits relative success of foreign actors in local markets. It is important to understand that liability of foreignness is a hypothesis to be tested, not an assumption to be adopted. In other words, the status of foreignness does not imply any *a priori* liability. In addition, foreignness is an exclusionary concept that is not specific to the country of origin (i.e., the

country-of-origin effects are not relevant for the operationalization of the foreignness concept). It is more appropriate to operationalize foreignness as a categorical variable than a continuous variable. Using this operationalization, empirical tests used to determine whether foreignness entails liability effects require the act of comparing foreign and native actors (Edman, 2009; Reitz, 2001).

Foreignness has been commonly conceptualized at the organizational level (Insch & Miller, 2005). To conceptualize the notion of foreignness at the individual-level, we engage in the practice of "concept borrowing" (Whetten, Felin, & King, 2009, p. 540). Specifically, we engage in vertical borrowing from organizational-level to individual-level, and in horizontal borrowing from the context of country-market entry to the context of immigrant and native job search (Chen, Bliese, & Mathieu, 2005). This borrowing across both the level and the context is performed because immigrants and natives in our study are not nested within multinational organizations. In other words, our study is not limited only to those immigrants that are employed in the multinationals that have entered the local country market.

2.2. Theoretical development

Typically, immigrants may face two forms of liability-of-foreignness: (1) hazards of discrimination; and (2) hazards of unfamiliarity (Luo & Mezias, 2002). One domain in which these two types of hazards are very likely to be encountered is the domain of job search (Harcourt, Lam, & Flynn, 2008). Specifically, not only may employers prefer to employ natives over immigrants, but also immigrants may be less knowledgeable about the proper method to use for an effective job search. As a result, immigrants may be less successful than natives in the job-search process (Greve et al., 2007; Greve, Salaff, & Chan, 2008).

The main line of research on immigrant job-search behavior stems from Chiswick (1982) who explored immigrant job search in the United States. He specifically investigated whether unemployment outcomes were affected by the imperfect transferability of immigrant human capital across national borders. Subsequent similar studies were conducted by Beggs and Chapman (1990) for the Australian labor market, Boheim and Taylor (2001) for the British labor market, and Weber and Mahringer (2002) for the Austrian labor market. Most of these studies examined how family, education, and immigration status could influence job-search success of unemployed immigrants and natives. Frijters, Shields, and Price (2005) examined the effectiveness of job-search methods by measuring, for example, the length of unemployment of immigrants and natives. These studies consistently found a poor level of assimilation of immigrants into the local labor market. As this lack of assimilation signals that immigrants likely face LOF, we hypothesize:

Hypothesis 1. Status as an immigrant will have a negative impact on job-market outcomes (e.g., job success) of individual immigrants.

Several studies have highlighted the significance of immigrants' familiarity with host country culture (Miglietta & Tartaglia, 2009; Shapiro, Ozanne, & Saaticioglu, 2008). The need to develop familiarity is an important variable of social learning theory that focuses on processes through which cultural patterns can be learned in the process of acculturation (Bandura, 1977; Berry, 2003). Based on this theory, learning to become familiar with the social context of job search will likely minimize exposure to the liabilities of being foreign in the local culture (Millar & Choi, 2008).

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