

Human Capital Theory:
explaining the underutilisation of skilled immigrants in Australia [Shamika Almeida](#), [Mario Fernando](#) and [Zeenobiyah Hannif](#)

Situated within the neoclassical frame of reference, Human Capital theory presumes that job seekers have perfect information and are perfectly mobile in the labour market. If they have invested in their skills and qualifications, job seekers are rationally assumed to have the capacity to gain access to positions that reflect their skills and qualifications. The role and power of employers, professional associations or other institutions to influence the labour market outcomes of immigrant professionals is consequently overlooked. This is a key weakness of Human Capital theory (Almedia, Fernando & Sheridan 2012).

While Human Capital theorists insist on the importance of investment in education and the imparting of value to the future worker, they do not directly address the fact that this value must be harnessed in the labour market by employers for the human capital investment to be realised (Livingstone 1999). The key assumption underlying Human Capital theory therefore is that skill underutilisation is based on value *creation* rather than the value *realisation* (Livingstone 1999). The implication is that Human Capital theory holds unemployed skilled workers responsible for the underutilisation of their skills. As such, the role played by employers in the individual's ability to gain employment that maximises their skill utilisation, productivity and earnings is entirely disregarded (Bowles & Gintis 1975).

The Human Capital theoretical framework also fails to adequately explain the factors that influence the under-employment of skill accredited immigrants within the Australian labour market. Migrant skill underutilisation is common in Western countries, including Australia (Birrell & Healy 2008; Kostenko et al. 2012; Wagner & Childs 2006), Britain (Qureshi, Varghese & Osella 2013), Canada (Somerville & Walsworth 2009), and France (Ramboarison-Lalao, Ariss & Barth 2012). The newly arrived immigrant is deemed responsible for socially integrating and finding employment that matches their skill level and lack of success is attributed entirely to the immigrant (Becker 1971; Welch 1975). Despite holding qualifications recognised as part of the national skilled migrant visa program, skilled migrants to Australia, particularly those from non-English speaking backgrounds continue to struggle to gain employment at their skill-accredited levels. Specifically, non-Western migrants in Australia are more likely than Western migrants to enter jobs that underutilise their skills; and to slide down the occupational skill scale (Koatenko, Harris & Zhao 2012).

An empirical study was conducted in the regional NSW city of Wollongong to assess migrant skill underutilisation, and to specifically investigate the recruitment behaviours of employers who recruit computing and accounting professionals; the top two occupations nominated in Australia's skill migration program between 2008-2009 (Department of Immigration & Citizenship 2009). The findings of this research illustrated how the 'particular articulation of [social relationships]... a particular moment in the networks of social relations and understandings' (Massey 1994, p. 5, cited in Mylett 2003, p.75) influenced the advantaged and disadvantaged occupational labour market outcomes for skilled immigrants within an organisational pre-entry phase. The findings noted how employer policies and preferences on recruitment and selection reinforce and 'contribute to the creation of disadvantaged labour market groups...' (Rubery 1994, p. 53). Specifically, the study established that in the recruitment process, organisational culture, decision-maker exposure to cultural diversity and the local experience and the personal and communication skills of candidates had a far greater impact on recruiters than candidate qualifications (See Almeida, Fernando and Sheridan 2012).

In summary, the study found that the situational factors that influence employer decision making within a recruitment situation must be considered when assessing the skill underutilisation of migrant professionals. Specifically, employer assessment and willingness to recruit migrants play a role in explaining the migrant skill underutilisation and cannot be disregarded. The study indicated that Human Capital theory alone is not a good tool to assess the skill utilisation in the labour market. Rather, we need to acknowledge and evaluate the power of the employers on determining the employment outcomes of skilled migrants.

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