



ABSTRACT WORKING PAPER 3.9

CRISIS, IMMIGRATION, AND JOB LOSS

January 2013

The profound crisis that is affecting the Spanish economy has been characterized by significant job losses, and the resulting increase in the unemployment rate. Although unemployment has affected all population groups, there are differences across them in the intensity of its impact. Compared to natives, immigrant workers were the first and hardest hit by job losses. In this context, this paper studies the differences between immigrants and natives in the probability of job exit in a period of deep economic crisis. To do this, we apply a methodology to decompose the difference between natives and immigrants in the propensity to lose their jobs in, on the one hand, differences in the individual, job, and firm characteristics and, on the other, in the differences in the impact of these characteristics. The results show that the observable characteristics do not explain all the differences between natives and immigrants in the probability of job loss in a period of crisis and, therefore, point to some discrimination against the latter. However, in the particular case of immigrants from countries of the European Neighbourhood Policy this seems not to be the case, since the lower endowment of education, and the particular occupational and sectoral distribution of this group explains almost completely its higher rate of job loss.

Some implications are derived from the evidence obtained for the Spanish economy. Firstly, as regarding the individuals, the loss of employment for immigrants is an added cost to their own displaced status. Even for those who are entitled to receive the unemployment benefit, the difficulty of finding another job in a prolonged recession may lead to limited financial resources at its disposal to meet basic needs. Against a backdrop of cuts in social services caused by the budgetary situation in many EU Member States, the high chance to lose the job and the fewer options to find another one could force immigrants to return to their countries. Even if staying in the host country, a long period without an employment erodes both real social integration and assimilation into the labour market. Secondly, for host countries, and by extension to the whole EU, the presence of a large number of unemployed immigrants has obvious costs besides the fact that, at least temporarily, they will stop contributing to counteract the effects of aging of the native population. Finally, the reduced ability to maintain employment by immigrants can be seen as a cost also for the countries of origin, in terms of volume of remittances, because they have to deal with the return of those who decide to return home, and due to a discouraging effect on potential future immigrants.