



## POLICY NOTE OF WORKING PAPER 3.7

### IMMIGRANT-NATIVE WAGE GAPS AND THE RETURNS TO HUMAN CAPITAL

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#### OBJECTIVE

The aim of this paper is to quantify immigrant-native wage gaps in the European Union countries putting special attention to the role of favourable or unfavourable policies supporting the labour market integration of recently arrived immigrants. The main channel through we argue these policies improve the relative situation of immigrants in the labour market is human capital transferability.

#### SCIENTIFIC METHODS

In order to identify countries with more favourable policies for the labour market integration of immigrants, we have first used data from MIPEX for the period 2007-2010. In particular, we analyse MIPEX index 1.3 for the period 2007-2010 which focuses on “Targeted Support for Labour Mobility”. This index goes from 0 to 100, with lower values indicating more unfavourable policy frameworks for immigrants. Looking at these data, we have identified that nearly all new EU member states (EU-12) have unfavourable policies while in the old EU member states (EU-15) there are two clear groups of countries: one formed by Austria, Belgium, Greece, Ireland, Italy, Luxemburg and the United Kingdom with less favourable policies and a second one formed by Germany, Denmark, Spain, Finland, France, Netherlands, Portugal and Sweden where policies are more favourable.

In a second step, we have used the 2010 wave of the EU Statistics on Income and Living Conditions (EU-SILC) which provides comparable micro data for the member states of the European Union to estimate separate Mincer equations for these three groups of countries.

Our results show that wage differentials between immigrants and natives are lower in those countries with more favourable policies, but this is the result of a better relative situation of medium-skilled workers and not of highly-qualified ones. In any case, the wage gap for immigrants in EU-15 countries is clearly lower than for those arriving at EU-12 countries.

## **POLICY VALUE-ADDED**

From a policy perspective, the obtained results suggest that policies that try to improve the situation of immigrants in the labour market of the host country seem to have a positive effect, although only for some particular groups of immigrants. However, we have to recognise that it is not possible to disentangle which part of the effect is due to this particular measure, to other migration policy or even to ‘non-migration policies’. Further research should be devoted to identify proper econometric strategies to deal with this identification issue.