



## PRESS RELEASE OF WORKING PAPER 3.9

### CRISIS, IMMIGRATION, AND JOB LOSS

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#### OBJECTIVE

A simple inspection of data from the Labour Force Survey shows that job losses in the Spain since the start of the crisis has not occurred evenly to all groups of workers. Specifically, the employment figures show that immigrants have been clearly more affected than natives. It is this difference in the rate of job loss between natives and immigrants in the period of crisis that motivates our analysis in this paper. The question under study is whether the pattern of assimilation observed along the growth period remained after the impact of the crisis. And therefore, if a native and an immigrant worker with similar characteristics showed the same chance to maintain or lose their jobs or if, on the contrary, immigrants suffered further the impact of the crisis on the labour market, implying a form of discrimination against this group. Moreover, our study analyses whether there are differences depending on the origin of immigrants, distinguishing between those from countries of the ENP (ENC) and the rest. This distinction is relevant to the assessment of labour migration from ENC to an EU country, since it complements the evidence from other studies whose focus is on wage differentials between EU natives and immigrants from ENC, and those studying the role played by remittances to these countries.

#### MAIN RESULTS AND POLICY IMPLICATIONS

Although the data for Spain indicate that there were no substantial differences between natives and immigrants in the rate of job loss before the current crisis, after its initial impact in late 2008, there was a continued widening of the gap between them. The results confirm that for all immigrants from developing countries, differences in human capital and occupational and sectoral segregation can not explain fully the gap. In other words, that there were differences in the probability of job loss between immigrants and natives of similar personal characteristics, working in analogous occupations and firms. The explanation for this fact can be found in the existence of some kind of discrimination against immigrant workers, so that companies tended first to dismiss immigrants workers rather than natives with similar characteristics. However, it can be argued as well that the differences could be due to the effect of unobservable characteristics, such as the imperfect transferability of human capital. In any case, it is worthwhile stressing that discrimination or

unobserved characteristics (or both together) only contributed to the existence of a significant gap between natives and immigrants after the impact of the crisis. Or what is the same, it does not appear that such mechanisms played any role in the expansionary period, characterised by the massive creation of new jobs, and not by their destruction.

This conclusion for all immigrants in Spain is not immediately extrapolated to the specific case of immigrants from the ENC. We provide evidence showing that the impact of the crisis on job loss was greater for immigrants from the ENC. And also that the difference in education attainment, and occupational and sectoral distribution with respect to natives was even greater than that observed for non-ENC immigrants. In fact, in this case, almost all of the gap in the rate of job loss can be attributed to differences in observed characteristics, thus ruling out discrimination against ENC immigrants. In any case, one could argue that what might be behind the results is a phenomenon of segregation, in which discrimination actually takes place through the real possibilities of occupying certain jobs.

Some implications can be derived from the evidence obtained for the Spanish economy. First, the loss of employment for immigrants is an added cost to their own displaced status, especially for recent immigrants. 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, and in the absence of family support in the host country, the higher chance to lose the job and the fewer options to find another one (as reflected in an unemployment rate for immigrants around 35%) 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.

In turn, for the host country, and by extension to the whole EU, the presence of a large number of unemployed immigrants has obvious costs. Despite the above, it is possible that a high percentage of unemployed immigrants decide to stay in the host countries, among other reasons because they have no better alternative in their countries of origin and, even without a job in the EU, they can continue enjoying higher levels of security as well as of social protection (including unemployment benefits, and health and education services). In that case, at least temporarily, immigrants stop contributing to the system and, consequently, do not help to counteract the effects of aging of the native population.

The reduced ability to maintain employment by immigrants can be seen as a cost also for the countries of origin. First, in terms of volume of remittances, which in the case of the countries of North Africa (especially Morocco and Algeria) are an important source of external financing. Secondly, because they have to deal with the return of those who decide to return home, despite suffering many of the countries of origin high unemployment (as in the case of North African countries), especially for the young more skilled population. Finally, because the high rates of job loss may discourage potential future immigrants, and thereby hinder the correction of macroeconomic imbalances in sending countries, and the lack of opportunities for a significant portion of its population.

We believe that these circumstances must be considered when designing and assessing the instruments of the EU migration policy in the context of the ENP. Despite the obvious difficulties that would have the implementation of an action of this type, the results we obtained suggest that, in the context of the ENP, resources should be allocated to improve the human capital of immigrants, and even of potential immigrants in their countries of origin. Among other effects, the increase in the educational level of immigrants would improve their employability and the pace of assimilation into the European labour market.