



POLICY NOTE OF WORKING PAPER 3.9

Crisis, Immigration, and Job Loss

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OBJECTIVE

In a speech given on January 24th, 2006, Benita Ferrero-Waldner, European Commissioner for External Relations and European Neighbourhood Policy, highlighted the relevance of migration for the EU, and the central role played by migration policy in connection with the ENP: “...*Europe needs migration. Our populations are getting smaller and growing older. In many European countries the net increase in population is already entirely due to immigration. (...) Migration plays a more and more central role with our neighbours, so is one of the major issues in the (ENP) Action Plans. We look at the whole range of migration-related issues in keeping with our new, more coherent approach.*” But migration flows towards the EU do not automatically guarantee the achievement of the targets. As stressed in the conclusions of the Conference “What kind of future for the ENP?”, held in Brussels on May 5th 2011: “...*migration management is much more than securitising and patrolling. We need also integration policies. Countries of destination should open their labour markets to facilitate integration, and it should be addressed to permanent migration. (...) Thus, the labour market in the EU should be revised and cooperation should be enhanced to anticipate problems.*”

After the impact of the current crisis, the EU and in particular some Member States have had to face additional challenges in connection with immigrants’ integration and assimilation into the labour market. In our piece of research we address one of this new challenges, which is related to immigrants higher chances to lose their jobs during the crisis. High employment exit rates are expected to affect immigrants (decision to return, break in the process of social integration and labour market assimilation) as well as host and sending countries (break in contribution to pension system, i.e. fight against aging; discouragement on other potential migrants; decrease in remittances, ...). Our analysis provides evidence –based on the Spanish economy– on the impact of immigrant’s endowment of human capital, and on the occupational and sectoral segregation, on the increase in immigrants’ rate of job loss caused by the crisis. Results for immigrants from the ENP countries should be taken into account when assessing migration policy within the framework of the ENP.

SCIENTIFIC METHODS

The question under analysis is whether the pattern of immigrants labour market 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 chances to maintain or lose their jobs or if, on the contrary, immigrants suffered further the impact of the crisis on the labour market. One would expect that job losses were greater for immigrants if they were less productive due to, for example, a lower endowment of human capital, and/or because they were employed in activities more sensitive to the business cycle. But it may be that for individuals endowed with similar characteristics and working in similar jobs and firms, the rate of job loss was greater for immigrants than for natives. In that case, the evidence would point to a form of discrimination against immigrants.

The empirical analysis in the paper exploits the information contained on micro-data from the Spanish wave of the Labour Force Survey (LFS), in the early years of the current economic crisis (2008 to 2010), when its impact on job losses was more sudden and of virulent intensity. The impact of the current crisis in the Spanish economy is an ideal scenario for assessing the response in terms of employment of migrant workers and, especially, for comparison with the impact of the crisis on employment of native workers. A simple inspection of aggregated data provided by the LFS shows that job losses 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. Data also shows that among immigrants, those from ENC were the ones with higher chances of losing their jobs.



The difference in the probability of job loss between immigrants and natives is decomposed into two components. A first one corresponding to the contribution of differences in the observable characteristics of native and immigrant workers and, a second one, to differences in the impact of these characteristics on the probability of job loss. To do so we apply a decomposition method designed for the case of a probabilistic model such as the one specified for the probability of job loss. It should be mentioned that the method also takes into account the likely differences between immigrants and natives in the probability of participating in the labour market.

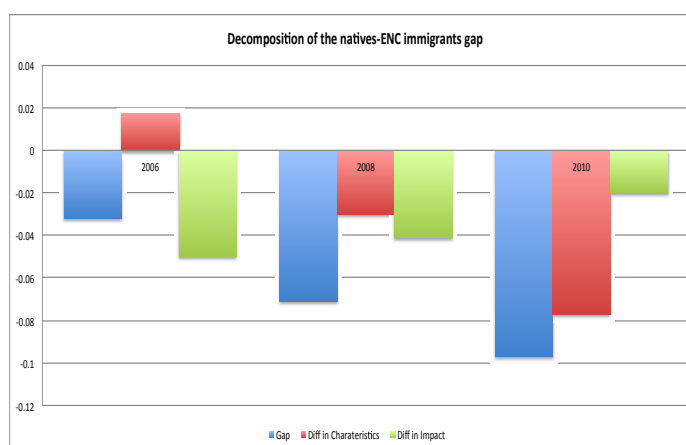
Decomposition of the Native-Immigrant Gap in the Rate of Job Loss



POLICY VALUE-ADDED

Results show that the impact of the crisis on the rate of job loss was greater for immigrants from the ENC. They also indicate that differences with respect to natives in education attainment, and in the occupational and sectoral distribution were even greater than that observed for non-ENC immigrants. In fact, almost the entire gap in the rate of job loss between natives and

immigrants from ENC 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. 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, 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.

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.