



Masters Programme "Economie des
Relations Internationales" Sciences-Po, Paris

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Session 4: The Integration of immigrants into the labour market

Integration of Immigrants: the key issues

- What happens to immigrants and their children (the so-called "second generation") after they settle permanently in an OECD country?
- Do they "catch-up" on the natives or previous waves of immigrants in terms of their labour market and social outcomes or not?
- This presentation will focus mainly on labour market integration:
 - This is a key route for integration
 - Much data and evidence available on it.

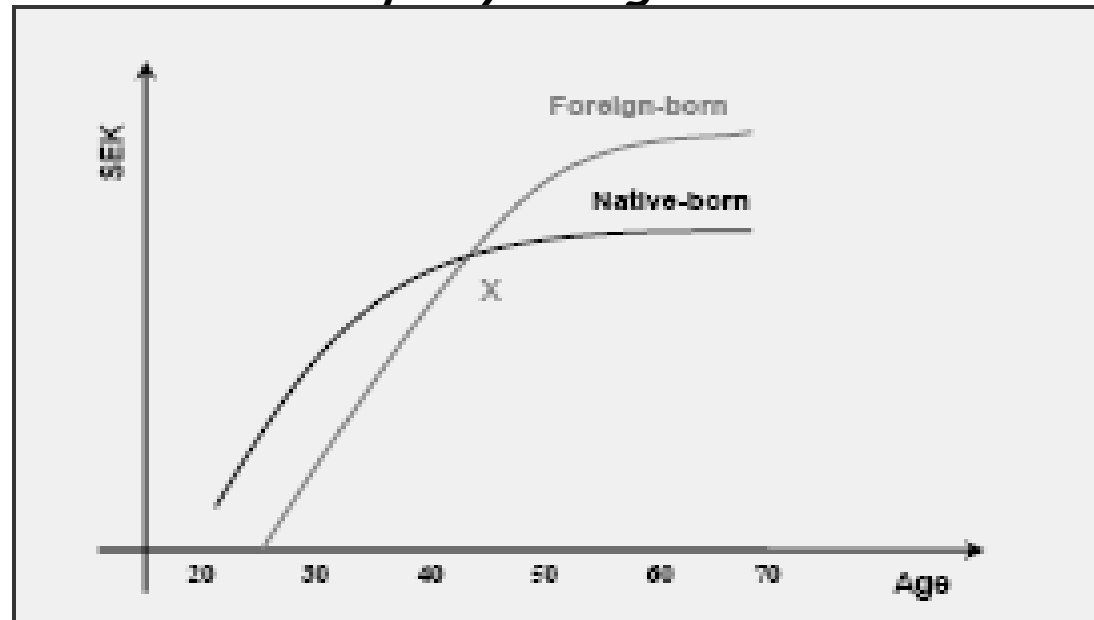
Structure of Presentation

- The definition of integration
- Empirical evidence on integration
- Policy issues arising from the evidence
- Some evidence on the second-generation and policy issues arising from it.

1. The Definition of Integration

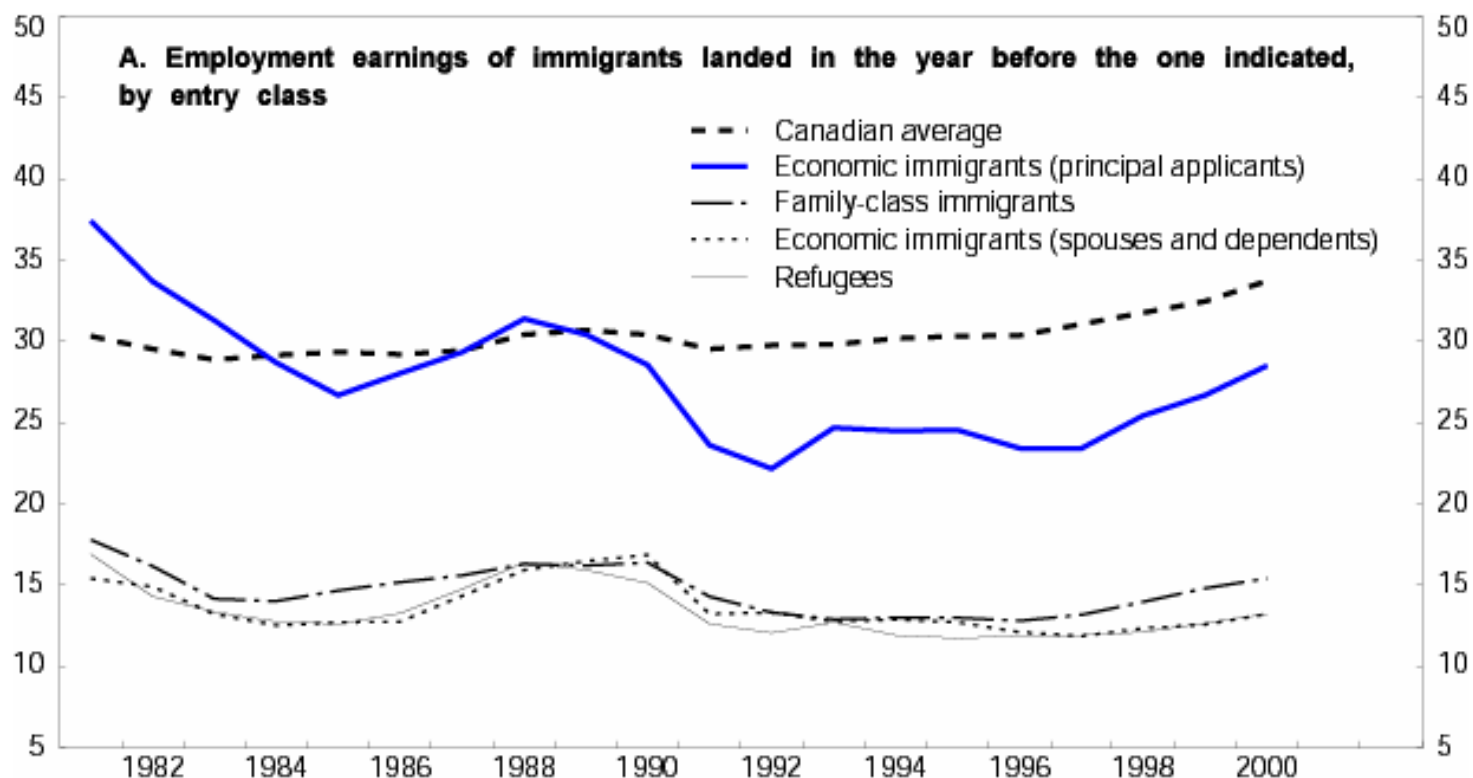
- Over time, as immigrants pick up language, work experience, knowledge of host country, they tend to show a range of labour market outcomes similar to those of natives, all things being equal (Chiswick)

"Catch-up" by immigrants



- "Catch-up" is typically measured in terms of earnings, employment or unemployment rate.
- There is a time dimension to it. Hence, the need to distinguish between new arrivals, what happens to them over time in the host country and what happens to their children.

2. (i) Empirical Evidence on Earnings

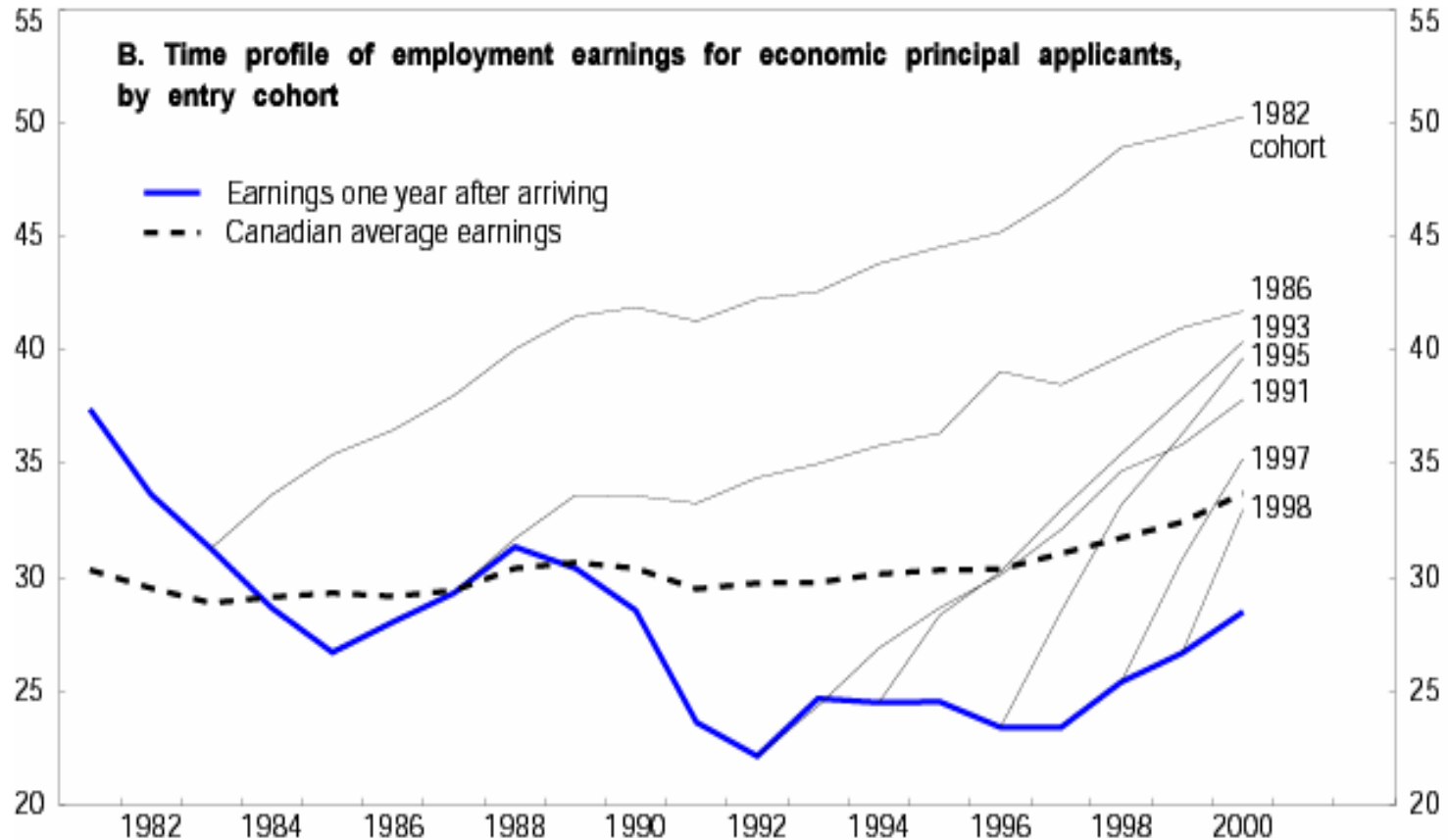


Note: The data shown are elaborations based on the IMDB longitudinal database, which links immigrant entry records with tax records filed by immigrants in subsequent years. Average earnings for the Canadian population are calculated from the Canada Customs and Revenue Agency Tax Files. Earnings comparisons between immigrants and the population average, as well as between different immigrant cohorts, are not adjusted for education levels, age and other demographic characteristics.

Source: Citizenship and Immigration Canada; Statistics Canada, Survey of Consumer Finances.

- Typically, newly arrived immigrants earn less than their Canadian counterparts, with the earnings gap being least for "economic immigrants".

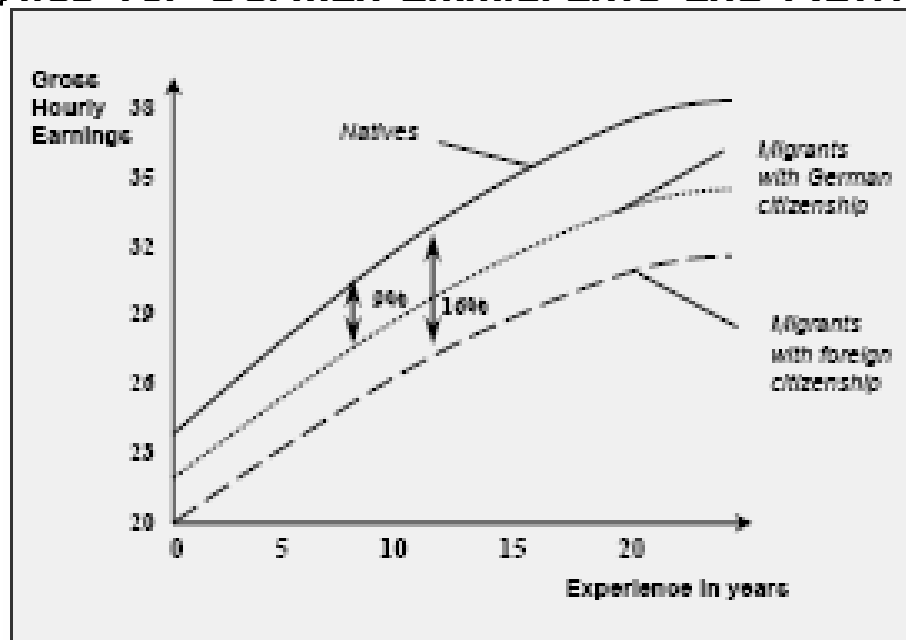
Empirical Evidence on Earnings (cont.)



□ These data suggest that the process of earnings catch-up for Canadian immigrants came to an end for those who arrived at the end of the 1990s and there has been little improvement since

Empirical Evidence on Earnings (cont.)

Earnings Profiles for German Immigrants and Native-Born workers

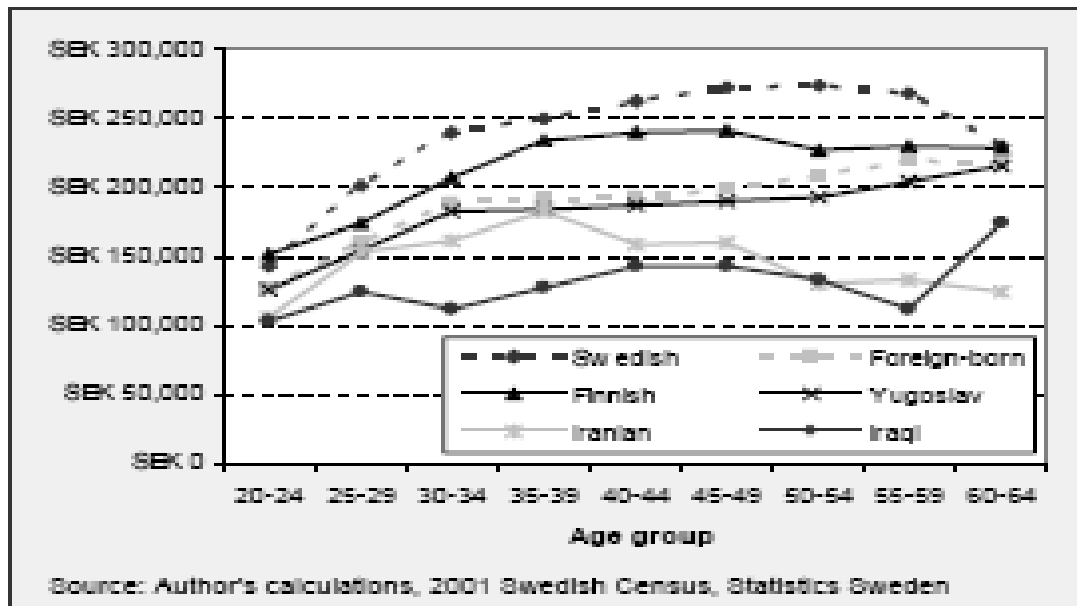


- Figure shows no earning convergence over a 20-year period
 - But lifetime earnings gap is much lower for foreign-born workers who acquire German nationality

- Some other studies suggest that ethnic Germans catch-up in earnings but it can take almost 20 years for this to occur.

Empirical Evidence on Earnings (cont.)

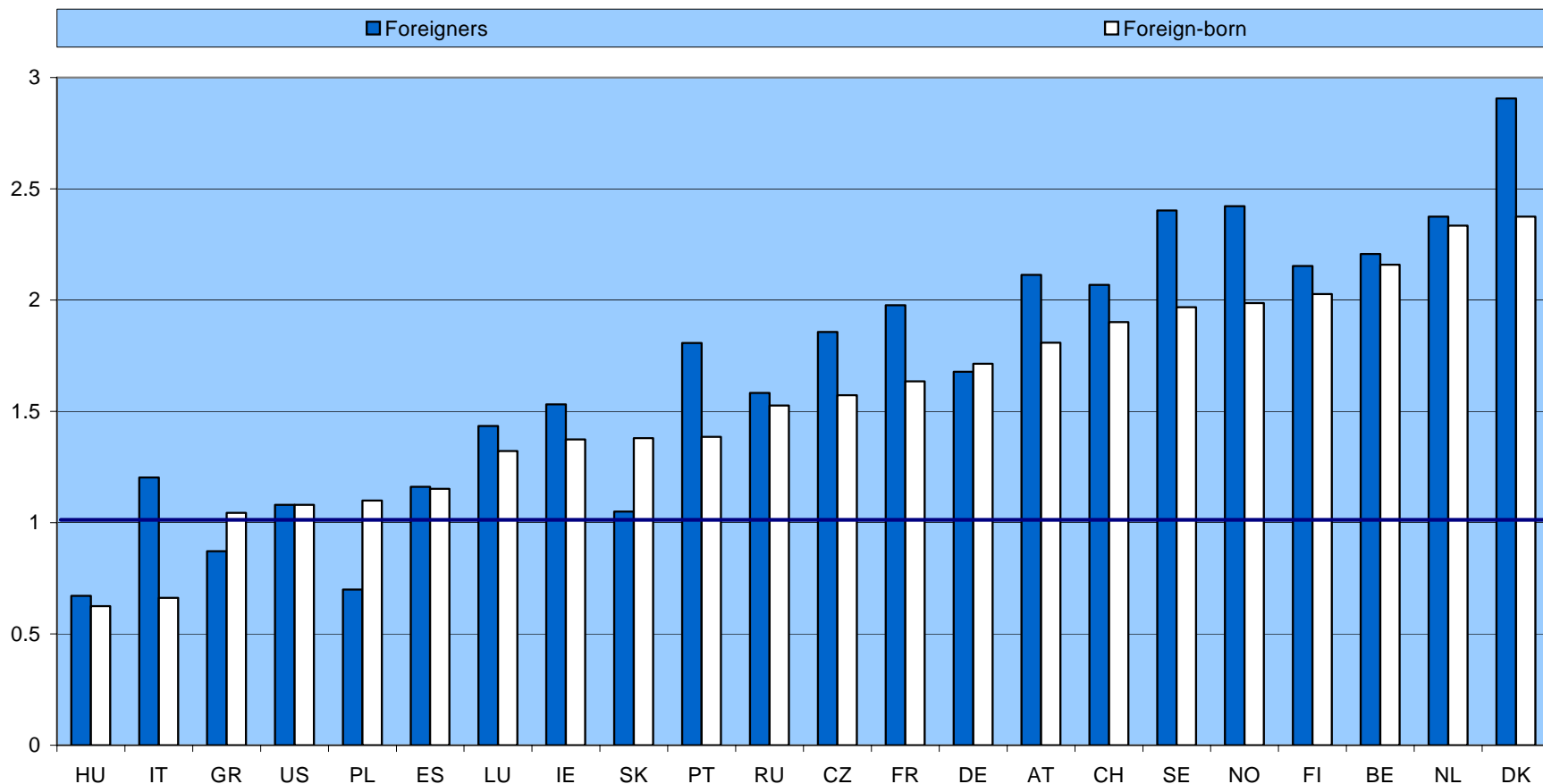
Swedish Average Income for Employed by Age and Foreign-born status in 2000 (SEK 2000)



- Sweden had two distinct inflows of immigrants:
 - Finns from the 1960s to the 1980s;
 - Refugees, asylum-seekers from Iran, Iraq and former Yugoslavia in the 1990s.
- Finnish immigrants track the income growth of the Swedes but never cross-over
- Refugees experience little earnings convergence with their Swedish-born counterparts.

(ii) Empirical evidence on Employment Outcomes

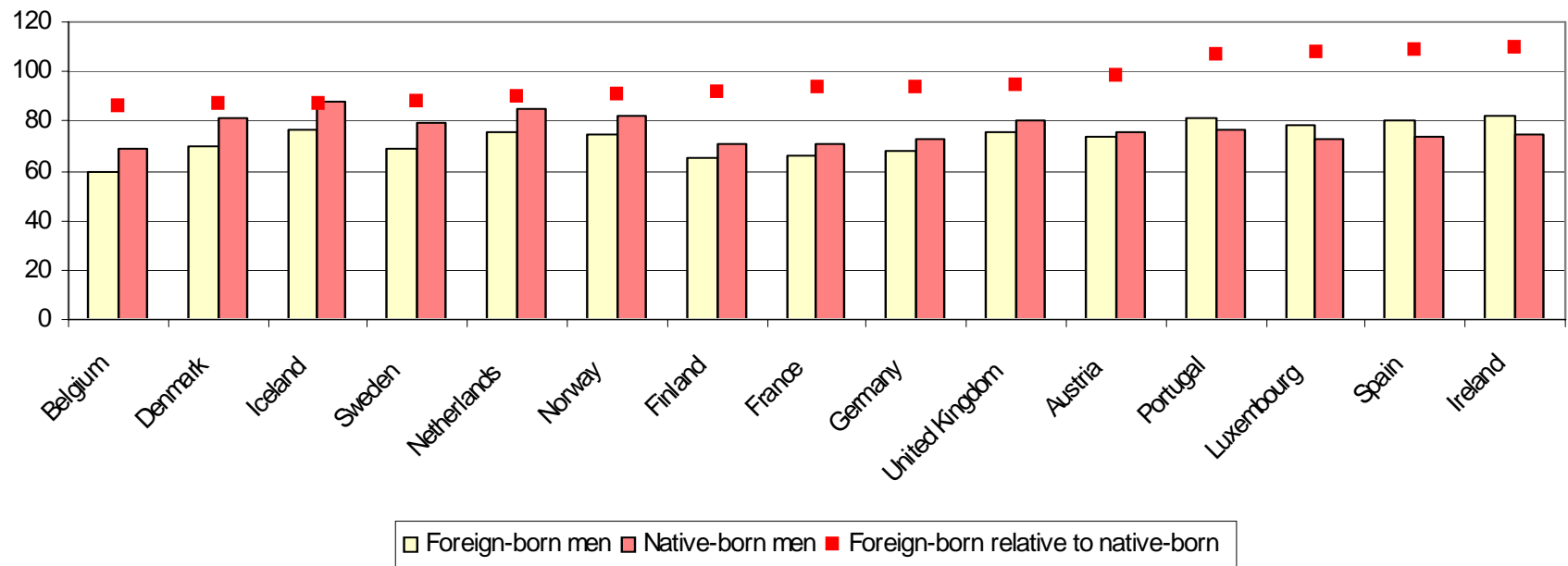
Share of foreigners and the foreign-born in total unemployment relative to their share in the total labour force, 2003-2004



- Immigrants typically experience a much higher burden of unemployment than natives.

Empirical evidence on Employment Outcomes (cont.)

Employment-population (15-64) ratios of native-born men and foreign-born men with 10+ years of residence, selected OECD countries, 2002.



- In many OECD countries, there is significant convergence after a decade or more in employment rates between male immigrants and their native counterparts; in a few, immigrants have higher rates.
 - Picture is very similar for female immigrant employment rates.

(iii) Measurement Issues in Interpreting the Evidence on Earnings/Employment Catch-up

Composition of immigrants

- Migration category, selection and individual characteristics:
 - Self-selected => *strong motivation*
 - Country-selected => *in line with the needs of the host country*
 - By employer (job at entry)
 - By immigration authorities (point system)
 - Neither => *adaptation difficulties*
- With extended stay, however, differences in initial situation should matter less
- Discrimination

3. Selected Policy Issues arising from the Empirical Evidence

- ❑ Recognition of foreign qualifications and experience
- ❑ How do employers value foreign qualifications and experience? ★
 - Foreign qualifications are discounted
 - Returns to foreign work experience seem to be declining
- ❑ Recognition seems to be less of a problem in tight labour markets
- ❑ Discrimination ★

Selected Policy Issues arising from the Empirical Evidence (cont.)★

Taux de déclassement et surclassement suivant le pays de naissance dans quelques pays de l'OCDE, 2003-2004, pourcentages

	Total	Autochtone	Immigrés	Rapport
Allemagne	12.3	11.4	20.3	1.8
Belgique	16.2	15.6	21.6	1.4
Espagne	25.5	24.2	42.9	1.8
France	11.6	11.2	15.5	1.4
Italie	7.0	6.4	23.5	3.6
Royaume-Uni	15.5	15.3	17.8	1.2
Canada (2003)	7.2	5.9	13.2	2.2
Etats-Unis (2002)	14.0	13.4	18.1	1.4

- ❑ There is evidence of «overqualification/trading down» of immigrants

Discrimination

- Difficult to demonstrate, because of unobserved characteristics
- « Testing » for discrimination - not allowed in all countries
- But there is very suggestive evidence from experiments in U.S., France using fake C.Vs to respond to job ads.
- Discrimination certainly exists and needs to be monitored / combatted

Conclusions

- Labour market integration not a simple affair
 - Catch-up seems more likely for employment than earnings

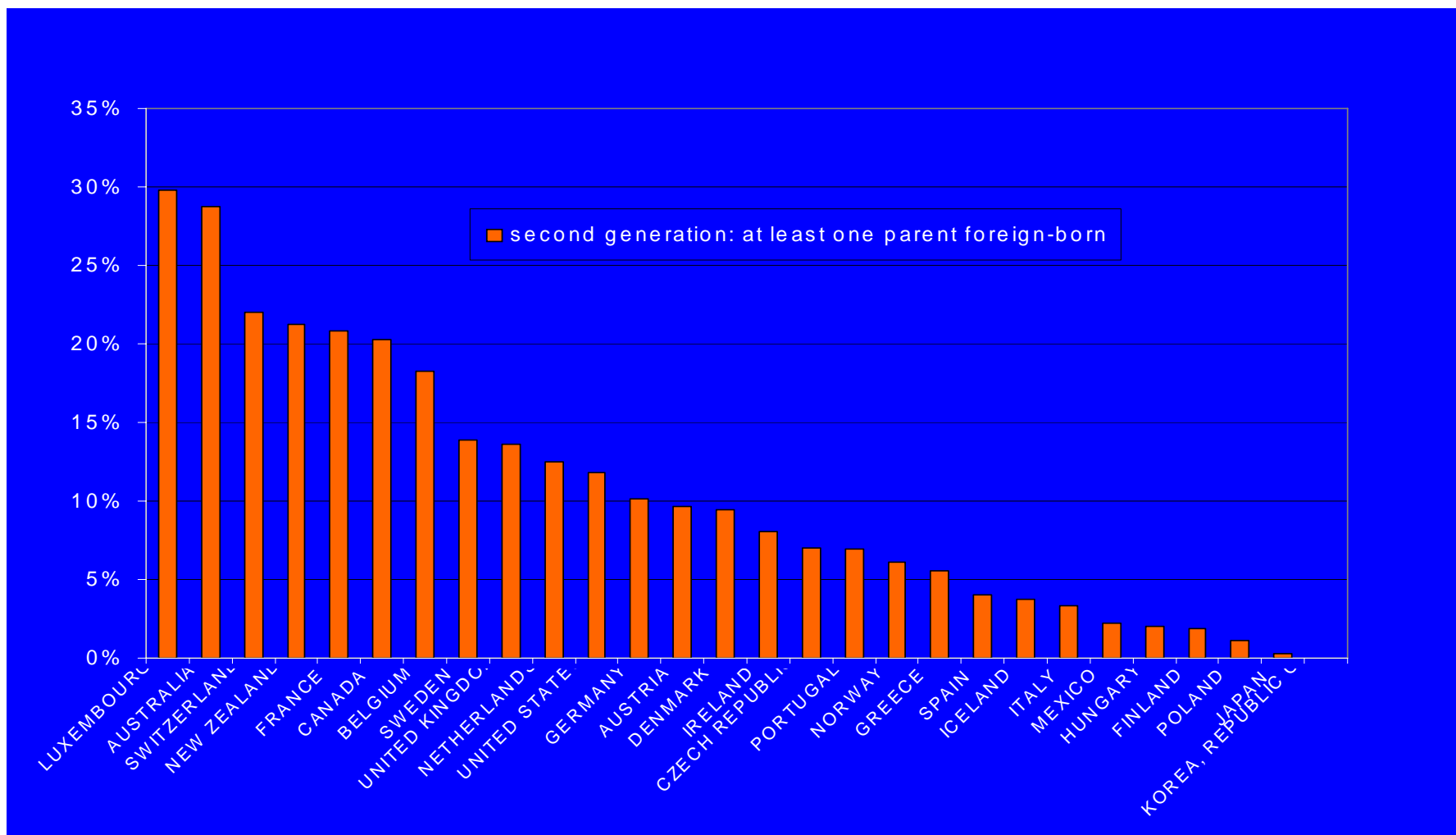
- Situations vary considerably across countries
 - Migration regimes matter for integration.

- Convergence model seems to be leaking
 - What explains discounting of foreign qualifications and experience?

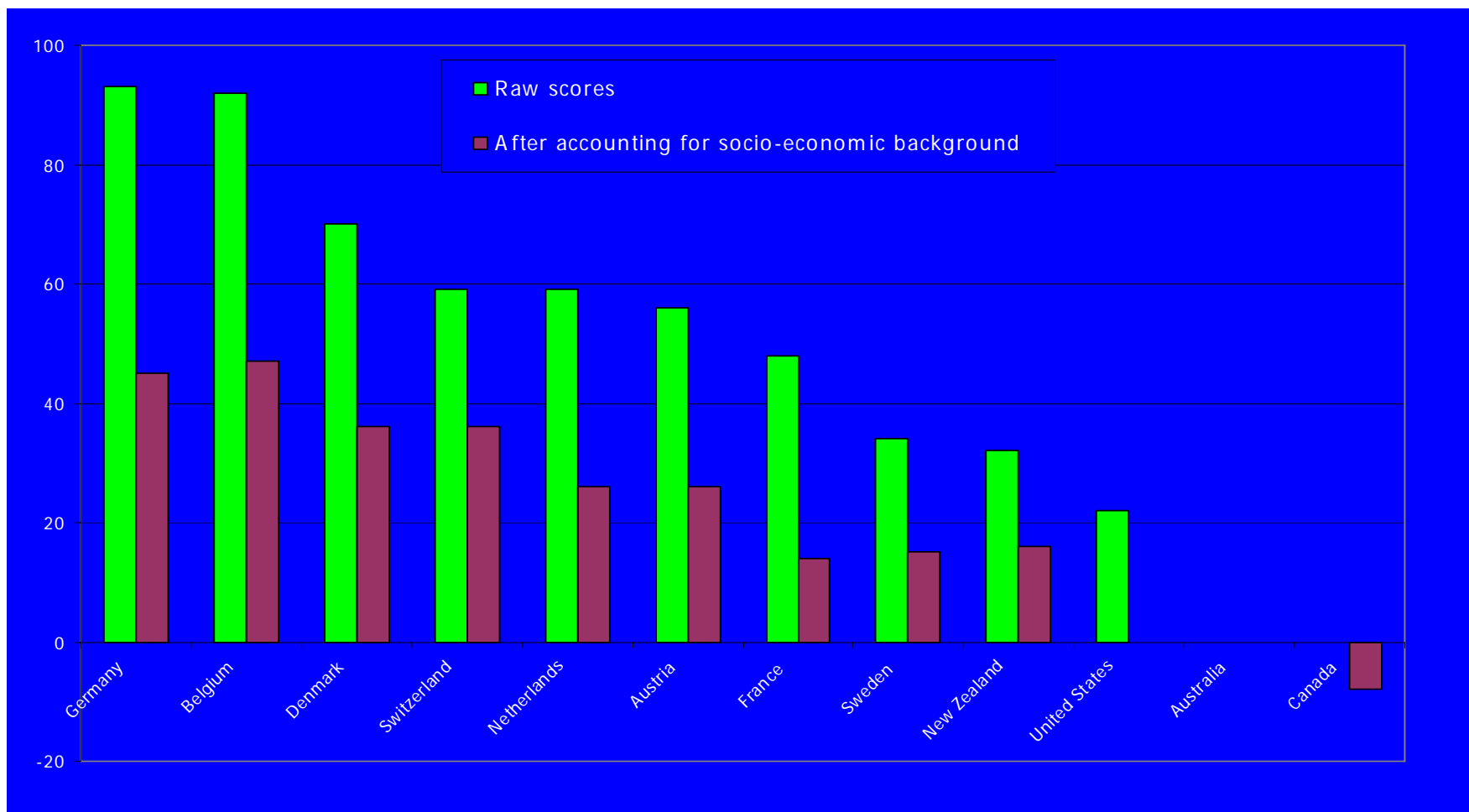
4. Some Evidence on the Second Generation drawing on a recent OECD study of Germany

- Growing presence in the labour market
- Expectance of outcomes that are at least similar to those of natives with the same socio-economic background
- “benchmark” for labour market integration

Share of PISA students (15-year-old) with at least one parent foreign-born



Points differences in the PISA (2003) mathematics scores of natives and the second generation, children aged 15 years



Employment Outcomes for the Second Generation

Table 5a: Employment rates of native-born nationals and native-born foreigners, 25-34 years, 2004

	Native-born nationals (1)	Native-born foreigners (2)	Ratio [(2) : (1)]
Austria	0.85	0.64	0.75
Belgium	0.84	0.76	0.90
France	0.79	0.71	0.89
Germany	0.78	0.66	0.84
Netherlands	(0.89)	(0.75)	(0.84)
Sweden	0.83	0.88	1.06
Switzerland	0.87	0.85	0.98

Second generation: results from Germany

- Strong influence of German language spoken at home on PISA results; appears to be linked with half-day nature of kindergarten and school
- Participation in vocational training less than half of that of natives without migration background
- Influence of a vocational degree on employment probability stronger for the second generation than for comparable natives without migration background
- Low educational background may act as convenient screen for discriminatory attitudes among employers

Policy Issues related to the second generation

- Develop some statistics on parents' country of birth
- The host-country language needs to be systematically promoted from kindergarten age on or even earlier
- Language testing in the year prior to elementary school, combined with intensive language training, should be provided on a broader basis
- Given the fact of early screening, there is a need for better permeability between educational tracks
- The second generations' access to vocational training needs to be improved