

MIGRATION AND THE GREAT RECESSION: The Transatlantic Experience

Edited by Demetrios G. Papademetriou,
Madeleine Sumption, and Aaron Terrazas

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INTRODUCTION

CHANGING ECONOMIES AND UNEVEN FORTUNES IN THE LABOR MARKET

Demetrios G. Papademetriou, Madeleine Sumption, and
Aaron Terrazas

Migration Policy Institute

I. From Boom to Bust: A Dramatic and Unexpected Economic Crisis

Few observers imagined that the bursting of the construction bubble in the United States, Spain, the United Kingdom, and Ireland during the course of 2007 would create ripple effects strong enough to shake the very foundations of the global financial system and plunge the industrial world into its severest economic crisis since World War II. Yet with the demise of Lehman Brothers in September 2008, a full-throated economic crisis ensued and spread, at full throttle, from the United States to much of Europe and the developing world — although its impact in some emerging economies proved to be much less virulent and lasting. Even after the recession formally ended, a prolonged jobs crisis and persistently high unemployment in many developed countries linger, exacerbated by large fiscal deficits and the budget-cutting measures that policymakers are undertaking to address them.

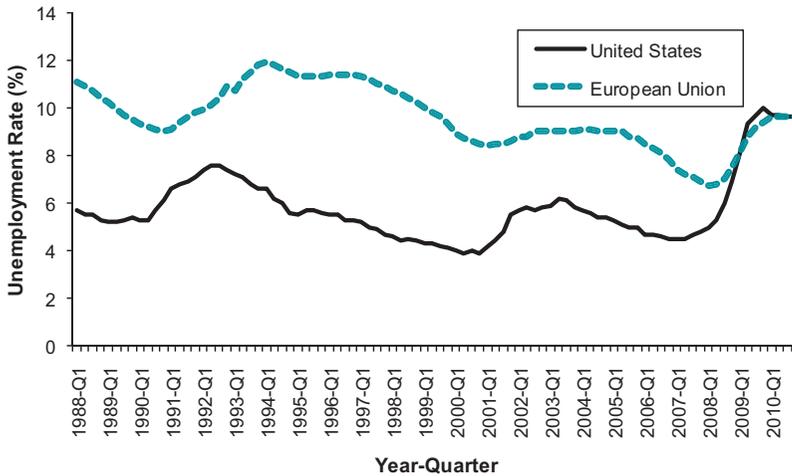
With immigration flows and immigration policies inextricably linked to economic fortunes, a global economic crisis of such severity as the Great Recession could not have failed to profoundly affect immigrants, the communities from which they come, and the countries in which they have settled. Globalization, economic development, labor market institutions, workforce and human-capital development, welfare, poverty, and social inclusion all influence and are influenced by immigration.

This volume analyzes the impacts of the economic and fiscal crises on immigrants and immigration in seven countries in the North Atlantic region, shedding light on the wide variety of experiences that have unfolded since the onset of the global recession. Before beginning this analysis, however, it is worth reviewing the economic developments of recent years and their implications.

Before the recession, many industrialized countries in the North Atlantic region had experienced nearly two decades of growth, and in many cases, low unemployment.¹ Deepening global integration, including the movement of capital, goods, information, ideas, and — critically — people, created wealth and lifted huge numbers of people out of poverty. Robust employment growth during the boom years and the expectation that the gains would continue led to tight labor markets in many fast-growing countries — particularly in vibrant sectors such as construction, finance, health care, and information and communications technology.

Joblessness in the European Union (EU) was stubbornly high in the 1980s and early 1990s, but economic growth and a series of labor-market reforms put EU unemployment on a relatively steady downward trajectory from the mid-1990s and saw it almost halved by the end of 2007. Joblessness in the United States was considerably lower than in Europe for more than 20 years: from 1998 to 2000, US unemployment hovered at around 4 percent.² Brief recessions in the early 1990s and early 2000s witnessed significant cyclical upticks, but unemployment remained well below European levels. In the two years between late 2007 and late 2009, however, unemployment shot up 5 percentage points in the United States, from under 5 percent to nearly 10 percent; in Europe it rose 3 percentage points to 9.6 percent.³ In late 2009 US unemployment briefly overtook that of the European Union for the first time in decades (see Figure 1). In most wealthy countries, unemployment hit young workers and men the hardest.

Figure 1. US and EU Unemployment Rates, Q1 1988 to Q4 2010



Source: Organization for Economic Cooperation and Development (OECD), “Labor Force Statistics, Harmonized Unemployment Rates and Levels,” <http://stats.oecd.org/index.aspx?queryid=251>.

Other forms of labor market distress also developed alongside formal unemployment. Working hours decreased, and rising numbers of “marginally attached” and involuntary part-time workers across Organization for Economic Cooperation and Development (OECD) countries spread the impact of the recession more widely than official unemployment rates implied.⁴ In some countries (such as the United States and Ireland), jobless workers dropped out of the labor force entirely, while in others (such as Spain) labor force participation initially increased. (Indeed, female labor force participation increased in many cases, including the United States, Canada, and EU-15 countries,⁵ as households struggled to adapt to men’s job losses.) Meanwhile, growing numbers of the unemployed have been jobless for extended periods, increasing the risk that they will lose access to unemployment benefits and that their skills will atrophy.⁶

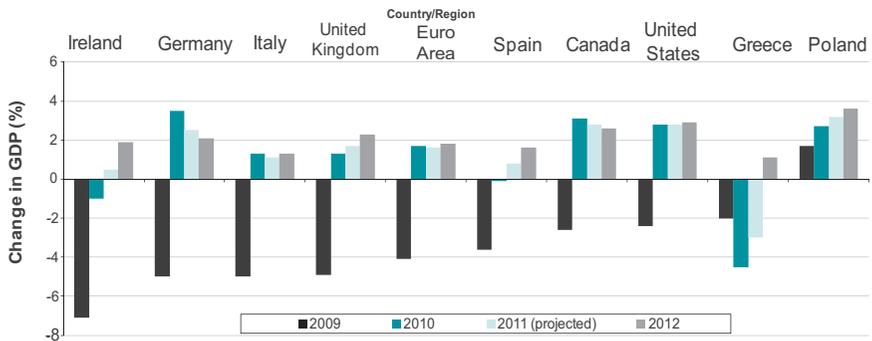
Uneven Fortunes

Almost all wealthy countries experienced a recession in 2009, although the size and timing of the declines in gross domestic product (GDP) varied enormously. Moreover, the countries that saw the most savage reductions in production did not necessarily suffer the harshest labor market impacts. These differences arose in part from the nature of

the recession (for example, whether it involved a financial crisis or a housing bubble); from labor market institutions and policies (such as subsidies for part-time work and labor market flexibility); and from the skill level, experience, and background of employees in those sectors that bore the brunt of economic contraction. With the advantage of hindsight, it is now clear that some of the growth during the 2000s boom was not sustainable. Some industries prospered due to innovation and expanding markets while others grew due to asset price bubbles or public subsidies. Both types of growth created jobs and attracted immigrants to fill rapidly expanding labor demand. But once the economic downturn began, some of these newly created jobs proved less durable than others.

For example, the US recession was driven by structural economic problems (the bursting of a housing bubble intertwined with a financial crisis). Certain sectors, such as construction and manufacturing, accounted for much of the impact of the recession, and US labor market institutions were highly flexible. These factors contributed to a large increase in unemployment despite a smaller-than-average GDP hit. By contrast, Germany's recession was driven not by a financial crisis or housing bust but by the reduction in demand for exports in high-skill intensive industries — a reduction which many employers expected to be temporary. This is thought to have dampened the shock to employment,⁷ and Germany experienced a lower-than-average unemployment rise despite a substantial shock to GDP.⁸ Moreover, Germany's economic recovery has been remarkably robust — with 3.6 percent growth in 2010, it has become the driving force for growth in the euro-zone. (Indeed, in the second quarter of 2010 alone, Germany registered an impressive 2.2 percent growth rate⁹ powered by the resurgence in demand for high-value-added manufacturing exports, primarily to emerging markets.)

Figure 2. Actual and Projected GDP Growth, 2009-11



Source: International Monetary Fund (IMF), *World Economic Outlook 2010* (Washington, DC: IMF)

In addition, employers in some countries (in some cases assisted by governments subsidies) were much more likely to hold on to qualified workers who would be expensive to replace once the recession ended, even if this “labor hoarding” implied a short-term reduction in productivity. For example, productivity per hour worked shot up 3.7 percent in the United States in 2009 alongside massive job losses, and remained high, at 3.9 percent in 2010. But in the United Kingdom and Germany, more moderate unemployment increases accompanied productivity decreases of 1.9 percent and 1.1 percent, respectively in 2009, and productivity growth remained low in both countries in 2010.¹⁰ Much of the variation in countries’ ability to withstand job losses, however, remains unexplained.¹¹ Analysts have been paying close attention to policies that might have helped to avert heavy job losses, including government-sponsored short-term working subsidies in several European countries (and Japan). These programs have been credited with helping to reduce job losses during the recession, although their long-term impact on the strength of economic recovery (and whether they prevent necessary structural adjustments) is not yet clear.¹²

II. Immigrants and the Labor Market in the Recent Economic Crisis

Recessions can take an extraordinary human toll that extends well beyond temporary earnings losses for unemployed workers. Job loss

during a downturn is thought to result in long-term employment and wage setbacks, deteriorating health and higher divorce rates, increasing poverty (including child poverty), and lower educational attainment for children in low-income areas.¹³ These impacts are most troubling for low-income households, which are not as well positioned to buffer earnings losses during a recession and so are more likely to fall into poverty as a result.

The impact of the economic crisis has been uneven across demographic groups. Throughout OECD countries, men and youth were hit hardest. Men are often concentrated in sectors that experienced the most serious contractions, including construction and manufacturing. Young workers, with their shorter job tenures and fewer years of experience, tend to be more “expendable” for cash-strapped employers. Immigrants and their families merit particular attention, since they have often experienced the worst impact.¹⁴ Young workers, for instance, have faced difficult times over the past two years, regardless of their place of birth — but the impact on young immigrants has been particularly devastating. In 2009 foreign-born youth experienced unemployment rates of 41 percent in Spain, 37 percent in Sweden, and 24 percent in the EU-15. Canada and the United States witnessed immigrant youth unemployment of 20 and 15 percent, respectively.¹⁵ Youth unemployment remained persistently high in 2010, and by the fourth quarter of that year 43 percent were unemployed in Spain, 37 percent in Sweden, and 28 percent in the EU-15.¹⁶ Similarly, men have taken the brunt of recent job losses, particularly immigrant men. In most wealthy countries, by contrast, female unemployment rose more slowly than male unemployment; for immigrants, this was the case in all but two OECD countries: Belgium and Hungary.¹⁷

Immigrants’ greater vulnerability to unemployment is typically attributed to a variety of interrelated factors:

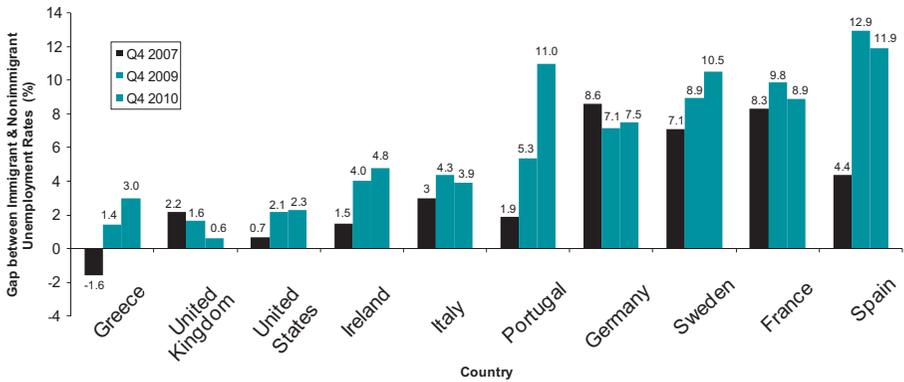
- ***Immigrants disproportionately share the demographic characteristics of the groups most likely to lose jobs during economic downturns.*** Immigrant workers and workers from families with an immigrant background are overrepresented among the low skilled in most wealthy host countries. Language barriers, low education levels, and difficulty translating credentials among the better skilled exacerbate their relative disadvantage. During recession, employers tend to shed their least-productive workers and those who are easiest to replace (because they have not, for example, received costly training or they will be readily available when growth rebounds).

- **Immigrants are more likely to work in cyclical industries and occupations.**¹⁸ More mobile and flexible than long-term residents or the native born, immigrants (and particularly new immigrants) often respond most quickly to economic conditions, moving into cyclical industries (such as construction) or occupations (including a wide range of service jobs) during economic expansion. In many cases, additional workers are attracted to the country by the very existence of these cyclical jobs. Of course, the corollary is their increased vulnerability when these jobs are lost. The impact of immigrants' concentration in certain sectors varies by country. OECD calculations suggest that sectoral distribution accounted for at least three-quarters of the drop in foreign-born employment during the recession in Ireland and Sweden, compared to about half in the Netherlands, for example.¹⁹
- **Immigrants are more likely to work as a contingent labor force.** Immigrants provide an important source of temporary labor when the economy is growing — for example, through temp agencies, short-term contracts, or day-labor arrangements. These working structures are often used to bypass stricter labor regulations that make it difficult to fire permanent employees; countries with stricter employment protection legislation for permanent jobs tend to have higher shares of workers on fixed-term contracts.²⁰ The temporary work sector tends to lose a greater proportion of its jobs when unemployment rises (and conversely, to gain jobs rapidly as the labor market recovers).
- **“Last-hired, first-fired” policies tend to affect immigrants disproportionately.** Recent hires can be more vulnerable to job losses, primarily because they have less firm-specific knowledge or have received less employer-provided training. This makes them less expensive to replace. Recently arrived immigrants will likely have shorter tenures at their current jobs, and some immigrants also experience greater “churn” between jobs. All of this suggests that immigrants are more vulnerable to job cuts.²¹ Indeed, in Spain and Ireland, where immigrant unemployment has soared, immigrants in 2008 were about twice as likely as their native-born counterparts to have held their job for less than one year.²²

The late-2000s crisis largely confirms this narrative. In most major immigrant-receiving countries for which data are available, unemployment increased faster among immigrants than among natives between late 2007 and late 2009. In some cases, the unemployment gap opened up where it had previously been negligible (for example, in the United States) while in others, immigrants both entered and left the recession with much higher jobless rates (see Figure 3). In most

cases this gap remained high in 2010 and continued to grow in some countries that faced continued economic turmoil (notably Greece, Ireland, and Portugal).

Figure 3. Gap between Immigrant and Nonimmigrant Unemployment, 2007, 2009, 2010



Note: Chart shows percentage point gap between native and foreign nationals for Q4 2007, 2009, and 2010.

Source: Eurostat, Current Population Survey (United States), and Quarterly National Household Survey (Ireland).

Of course, not all immigrant groups experienced the same impacts. The recession’s impact on certain minorities was greater, for reasons that differ widely by group. Pakistanis and Bangladeshis in the United Kingdom, North African and Andean immigrants in Spain, and Hispanics in the United States are among the groups who lost most ground during the recession.

Unauthorized immigrants also proved particularly vulnerable as they tend to constitute a “contingent” workforce, often with the lowest education levels, the greatest language barriers, and the greatest reliance on day labor or other temporary work arrangements. By contrast, highly skilled immigrants, similar to highly skilled native workers, tend to be protected from the brunt of the recession’s job losses — particularly when employers have made substantial investments to bring them to the country or keep their skills at the cutting edge. In addition, differences between countries’ institutional, policy, and economic contexts affect how their immigrants fare. For example, the widespread use of fixed-term contracts probably exacerbated the immigrant-native unemployment gap in Spain while the relatively high education levels

of the average immigrant in the United Kingdom helped to keep the UK gap relatively small.

The impact of the recession on the world's migrants was not confined to migrants themselves, but also to the families and countries of origin relying on remittances sent back home. Remittance flows were accelerating before the recession, but experienced a modest but significant (6 percent) decrease in 2009. Nonetheless, remittances were more resilient to the crisis than other finance flows (such as foreign direct investment); their growth resumed in 2010 (at 6 percent) and is expected to continue in 2011 (6.2 percent) and 2012 (8.1 percent).²³ But it is clear that the flow of money from migrants to their countries of origin is dramatically less than it would be in the absence of the global economic crisis. Indeed, without the continued growth in remittances to South Asia, the overall decrease would have been substantially greater. Remittances to India and China, whose nationals fared relatively well in comparison to many other immigrant groups in receiving countries, continued to grow during the economic crisis; these two countries accounted for almost one-quarter of the global total in 2009. By contrast, remittances to Latin America, Eastern Europe, and Central Asia fell steeply (see Table 1). Some small economies in Central America and the Caribbean, which are highly dependent on remittances, saw sharp decreases, as did rural communities in Morocco and Mexico. Remittances to Romania fell by a staggering 60 percent in the year between Q2 and Q2 2009.

Table I. Estimated Change in Remittance Flows Received by Region, 2009 and 2010

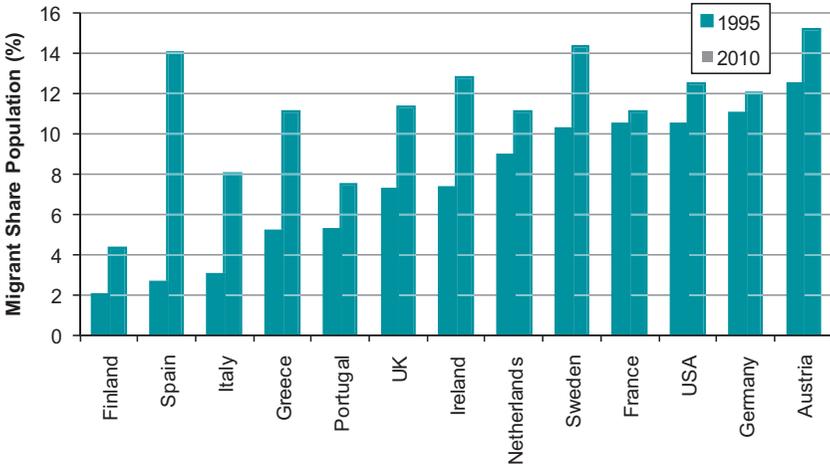
Region	2009 % Change	2010 % Change (est)
Europe and Central Asia	-22.7	3.7
Latin America and Caribbean	-12.0	2.0
Middle East and North Africa	-6.3	5.3
Middle-Income Countries	-6.0	5.8
Developing Countries	-5.5	6.0
Sub-Saharan Africa	-3.7	4.5
East Asia and Pacific	0.3	6.4
Low-Income Countries	2.4	8.2
South Asia	4.5	10.3
World	-6.1	5.8

Source: Dilip Ratha, Sanket Mohapatra, and Ani Silwal, "Outlook for Remittance Flows 2011-2012," (Migration and Development Brief no. 13, World Bank Development Prospects Group, Migration and Remittances Team, November 2010).

III. Immigration Policy Challenges for the Postrecession Period

In many countries, the years of economic expansion prior to the recession witnessed a greater opening to immigration (if only grudgingly in some cases), driven overwhelmingly by economic growth and tight labor markets. Over the past 30 years, the immigrant share of the population in developed regions of the world nearly doubled, from 5.4 percent to 10.5 percent in 1980 and 2010, respectively, according to UN estimates.²⁴ The size of the immigration inflows varied substantially by country. Most notably, former countries of emigration such as Ireland and the southern EU Member States Greece, Portugal, Italy, and Spain experienced dramatic increases in their foreign-born populations from the mid-1990s onwards. Growth was large but more moderate (in proportion to the existing population) in the United States and the United Kingdom. Germany and France, by contrast, saw relatively little net immigration growth during the boom (see Figure 4).

Figure 4. Growth in Migrant Share, Selected Countries, 1995-2010



Source: 1995 data from United Nations Population Division, “Trends in International Migrant Stock: The 2008 Revision” (United Nations database, POP/DB/MIG/Stock/Rev.2008); 2010 data from Eurostat, “Population by sex, age group and country of birth” (EU countries) and Current Population Survey (United States).

In some countries, the precrisis period also saw large inflows of immigrants into less-skilled occupations. Immigration policies and geographical proximity to large, less-developed countries meant that Greece, Italy, the United States, and Spain, for example, experienced large increases in illegal immigration. By contrast, immigration to Ireland (and to a lesser extent the United Kingdom) comprised a large proportion of European migrants working in low-skilled occupations (despite their relatively high skill levels), even before EU enlargement and the opening of labor markets to new EU nationals. These workers fueled economic growth by meeting labor demand in low-paying jobs and helping to moderate inflation.²⁵

The general opening to immigration was not without controversy. Immigrant populations grew rapidly and without adequate legal and institutional preparation. Some countries with very small foreign-born populations were transformed into significant immigration destinations over the course of just a few years while foreign-born workers in some of the countries more accustomed to immigration (notably the United States and the United Kingdom) began to move to new areas that had not experienced the phenomenon in recent decades or at all. As a result, immigration drove highly visible changes in local communities, in some cases prompting concerns about social integration and strains on public services. And inevitably, many questioned the impact these new immigrants might have on

the domestic labor force. Indeed, aggregate economic growth was accompanied by wage stagnation among less-skilled workers in some countries — attributable in part to immigration (as well as to trade liberalization and other economic and policy trends). Populist politicians seized the issue where worries over immigration fed into broader concerns about globalization and the changing fortunes of the world's major economies. But, on balance, there was a clear trend toward embracing the benefits of openness.

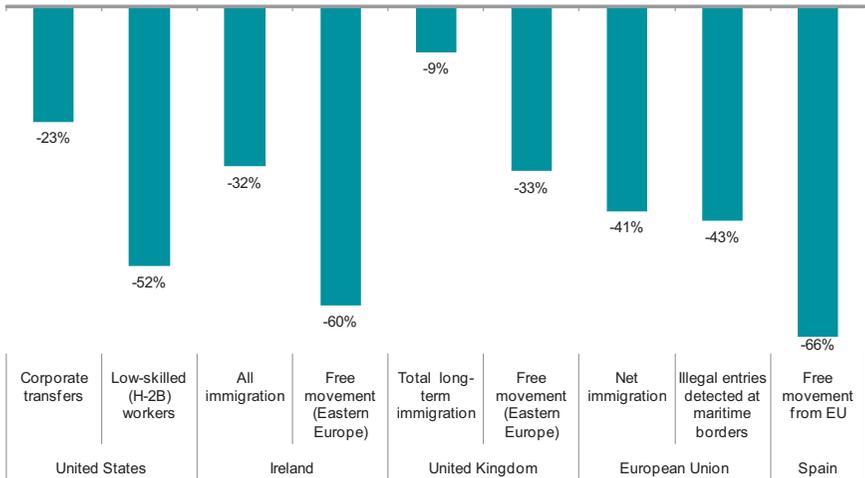
The crisis changed these dynamics in various ways. On the one hand, it marked an interruption in (and perhaps an end to) a period of sustained growth and prosperity in which immigrants were an important driving force. Immigration flows themselves fell, in some cases dramatically, largely bringing the growth in foreign-born populations to a halt. The largest decreases occurred in temporary and corporate migration and on the “unregulated” margins²⁶ such as illegal immigration to the United States and Europe and Eastern European immigration to the United Kingdom and Ireland. It is no coincidence that these same channels helped fuel the immigration boom earlier in the 2000s.

The number of unauthorized immigrants apprehended at the United States' southern border fell by almost two-fifths between 2007 and 2009, and continued to fall in 2010 and early 2011.²⁷ Similarly, the number of unauthorized immigrants detected arriving at Europe's maritime borders fell precipitously in 2009,²⁸ although it began to rise again in 2010, and political turmoil in the Middle East and North Africa is creating strong pressures for new flows in 2011. While the economic crisis was almost certainly the primary driver of the 2008-09 decline, southern European nations' increasingly aggressive measures to discourage unauthorized immigrants and push them back to North Africa have also played a role (although in some cases they have simply served to divert illegal immigration to other routes of entry).

In 2009, 23 percent fewer intracompany transferees and 28 percent fewer highly skilled temporary workers collected work visas from US consulates abroad compared to 2007, while the number of low-skilled workers receiving H-2B visas collapsed to half its 2008 level.²⁹ US employers exhausted the annual quota of H-1B visas for highly skilled foreign workers in just two days in 2007, but it took nine months for the visas to run out in 2009, and ten months in 2010.³⁰ And even some family immigrants to the United States — many of whom have waited several years to receive a green card — appeared less willing to take up their visa once they became eligible.³¹

In Europe, free movement flows declined most dramatically. EU immigration fell by two-thirds in Spain, and Eastern European inflows to Ireland dropped 60 percent before being halved again between 2009 and 2010. Flows from Eastern Europe to the United Kingdom fell halfway from their 2006 peak. Overall immigration, however, decreased more modestly (see Figure 5).

Figure 5. Reductions in Selected Immigration Inflows, 2008-09



Note: US data represent visas issued, not used. UK long-term immigration figures are estimates for the years ending September 2008 and September 2009. Irish immigration figures are estimates for the years ending April 2008 and April 2009.

Source: US Department of State, Nonimmigrant Visa Statistics; Central Statistics Office, 2009 (Ireland); Home Office (UK), Control of Immigration Statistics; Ministerio de Trabajo e Inmigración, Informes Trimestrales (Spain); Eurostat, 2010 (EU).

Meanwhile, Ireland reemerged as a country of net emigration in 2009 for the first time since 1995, a trend that has gained enormous momentum since the end of 2009. The adult population of Ireland’s Eastern European immigrants fell by 20 percent, and net outflows of people were the highest in the European Union.³² Initially, non-Irish nationals led the exodus. However, by 2010 it was clear that substantial Irish emigration was underway, a trend which is expected to continue in coming years and which suggests a return to Ireland’s historical roots as an exporter of people.³³ Meanwhile, anecdotal reports of native emigration in southern Europe have become increasingly common, to the point where a narrative of emigration of young, dynamic, and educated natives from Greece, Spain, and Portugal has emerged. In the latter two cases,

foreign-born electoral and consular registry evidence from former colonies (Portugal) and from some Latin American countries with migration relationships of long standing (Spain) shows a growing wave of such emigrants.³⁴ All three were former countries of emigration that had been transformed into countries of large-scale immigration in the 1990s and 2000s. Severe fiscal problems and accompanying austerity measures have created an extremely weak economic outlook, suggesting that this trend is likely to continue (the International Monetary Fund [IMF] expects that Greece and Portugal, alone among the significant economies for which IMF produces economic forecasts, will experience negative growth in 2011 [see Figure 2]).³⁵

Whether the coming years will witness a return to the prerecession status quo or a more fundamental shift in economic and immigration trajectories remains uncertain. Even before the economic crisis, the United Nations projected that by 2010 immigrant populations in the more-developed regions of the world would grow more slowly, while less-developed regions would host sharply increasing numbers of foreign workers.³⁶ Rising immigration and return migration to fast-growing countries such as India and China are beginning to reshape the landscape of global immigration, although the extent and likely speed of these changes are not yet clear.

In any case, the economic crisis has strengthened the voices of those who have always been skeptical of immigration's benefits, and those who have been critical of what they view as unexamined support for openness. According to the German Marshall Fund's *Survey of Transatlantic Trends*, in the years 2008-10 most people in the United States, the United Kingdom, and Spain as well as about two-fifths of those in France, Germany, Italy, and the Netherlands considered immigration more of a problem than an opportunity.³⁷ According to the Gallup Organization, in 2009 over one-third of Americans considered immigration a "bad thing" for the country — a higher share than at any point since the recession of 2001-02 (a period complicated by the 9/11 terrorist attacks).³⁸

Concerns about immigrants consuming too many publicly funded benefits or competing with natives for jobs have loomed larger than usual in public debates. As a result, some governments have found the idea of encouraging return migration attractive. In Spain, the Czech Republic, Denmark, and Japan, this has taken the form of "pay-to-go" schemes that provide unemployed immigrant workers some form of financial compensation in return for leaving the country. But relatively few immigrants have taken up these offers. As of April 2011, 12,907

immigrants had agreed to leave Spain under the country's pay-to-go program — a bit more than 10 percent of potential participants and a tiny fraction of the total immigrant population.³⁹ Most were middle-skilled workers returning to Latin American countries with which Spain had concluded social security agreements. The modest success of such schemes has kept their number limited.

Some countries have also stepped up enforcement against unauthorized immigrants. France and Italy have deported substantial numbers, for example, and France has undertaken controversial measures to return Roma immigrants to Romania and Bulgaria. Deportations from the United States (primarily to Mexico) increased by 12 percent from 2007 to 2008 and by a further 10 percent by 2009, approaching 400,000 per year.⁴⁰ In other countries, such as the United Kingdom and Ireland, politicians have preferred to emphasize (and publicize) the volume of voluntary return migration, particularly among new EU nationals. The desire to encourage return migration has not always been realistic, however, especially where immigrants' countries of origin were as deeply mired in economic crises as the host countries, and where immigrants had no guarantee of returning to the host country when economic conditions improved.⁴¹

Yet, overall, the policy response to the recession was relatively moderate, and policymakers generally did not resort to “beggar-thy-neighbor” labor market policies. Several countries took steps to reduce labor migration in the short term, by cutting labor migration quotas, reducing the number of occupations that qualify for visas in strategic or “shortage” industries, or raising the bar for entry under a points system. Ireland, the United Kingdom, and the United States increased employers' requirements to advertise vacancies to local workers before receiving work permits, while several EU countries, including Austria and Germany, decided to maintain restrictions on new EU citizens' access to their labor markets.⁴² But despite the widespread comparisons between the late-2000s recession and the Great Depression, the world has seen nothing like the protectionism of the 1930s. It has, of course, helped that in many cases immigration inflows to OECD countries fell of their own accord.

Politicians welcomed the recent immigration “pause” (or at least slowdown) because it took some pressure out of the public fear and anger over immigration at a time when jobs are scarce, and because it demonstrated the contested point that at least some immigration flows respond to the economic cycle. Declining inflows were also welcomed because of emerging evidence that confirms what many

already suspected: in times of economic weakness, the economy does not have the same capacity to “absorb” immigrants without reductions in wages or job prospects for the existing population.⁴³ At the same time, immigrants face the very real possibility of “economic scarring.” Just as college students who graduate into a recession and experienced workers who lose their jobs during downturns face long-term setbacks in the labor market, immigrants who arrive when jobs are scarce are thought to take many years to catch up with their counterparts who arrived in times of economic health.⁴⁴ Studies that document this phenomenon typically do not distinguish between groups of immigrants arriving through different entry channels. It seems likely that the impact falls primarily (perhaps almost exclusively) on those who arrive without a job offer — for example, on family and humanitarian immigrants and labor migrants selected through points systems.

The postrecession environment is one of considerable uncertainty. With the economic recovery, does high unemployment and slow employment growth represent a short-term aberration that will eventually recede, returning immigration patterns to their precrisis equilibrium? Or have developed nations arrived at an inflection point in their immigration histories, the beginning of a sustained period of lower labor market demand? How will the crisis shape the medium- and long-term pressures for emigration from sending countries? And how will it affect behavior among groups on the margins of the labor force whose decisions determine the overall supply of workers: less-educated workers, discouraged workers, the urban poor, disadvantaged older workers, women who voluntarily left the labor force but want to return to it, retirement-age individuals returning to work or postponing retirement, and those who had shunned certain occupations as too hard, too dangerous, or too socially undesirable. These groups’ choices will help decide the number of immigrants that receiving countries “need” in the coming years.

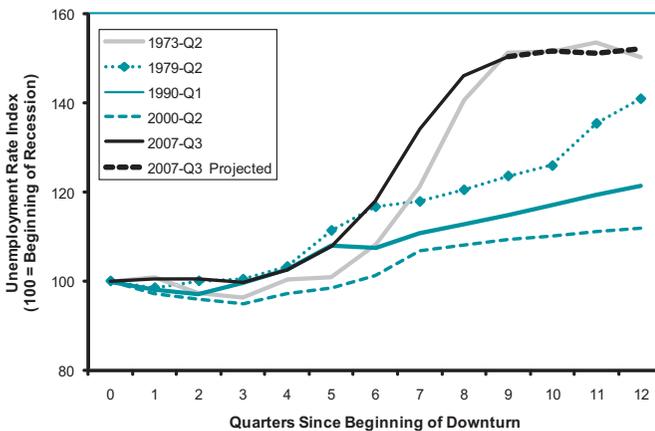
That said, many of the underlying drivers of migration have not changed. Baby boomers may retire later than originally projected, but aging will continue to generate demand for growing numbers of immigrant workers in health and social care. The new worker pipelines in countries with long-term low fertility rates will grow smaller. Education and training systems in wealthy countries will still struggle to meet labor market demands in real time. No country can anticipate every twist and turn in the future demand for skills, nor hope to develop specialized domestic industries by relying exclusively on homegrown talent. While economic growth and competitiveness depend first and foremost on well-designed and properly executed

education and domestic policies, immigration will continue to play a substantial role. As a result, policymakers face the challenge of offering credible responses during a period of extraordinary short-term uncertainty and persistently high unemployment (especially among youth), while holding their ground in the hunt for global talent and maintaining the openness and tolerance that will underscore competitiveness in the long run.

IV. The Economic Recovery and the State of Public Finances

The global recovery seems to be well underway, but the jobs crisis continues in many countries. Industrialized economies grew by an average of 3 percent in 2010 and are expected to grow by 2.5 percent in 2011 and 2012,⁴⁵ though unemployment is expected to remain persistently high. The OECD projects unemployment in 2012 to remain as high as 8.7 percent in the United States (although early 2011 data on the US labor market are more upbeat), and 9.2 percent in the eurozone area.⁴⁶ In other words, the Great Recession is expected to leave an unemployment legacy at least as lasting as the 1973 oil shock (see Figure 6).

Figure 6. Rise in Unemployment from the Beginning of the Past Five Recessions



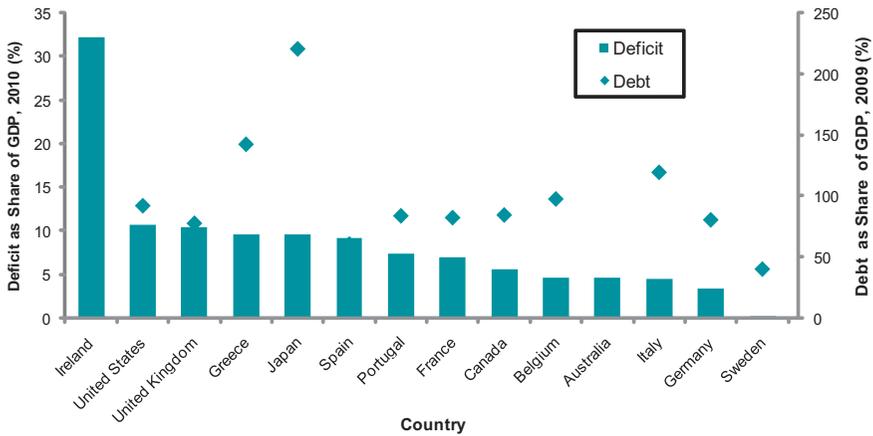
Source: OECD, *Employment Outlook 2010* (Paris: OECD, 2010).

Unemployment has persisted for a number of reasons. First, substantial slack remains in the labor market in the form of part-time workers who

would prefer to work full time, disadvantaged or underutilized workers (such as immigrants, minorities, some women, and older workers), or employees who were “hoarded” by firms during the crisis. As a result, many employers have not needed to hire new employees even since a recovery took hold. Furthermore, recessions tend to speed up economic restructuring, leading to the rapid decline of industries that were already struggling to remain competitive. Laid-off workers may find that their skills have degraded and that they must retrain for an entirely new industry or resign themselves to lower-paying, entry-level employment, perhaps permanently. This increases the time it takes them to get back to work, and the likely wage cut they will take in a new job.⁴⁷ Finally, unemployment rates are proving stubborn even as employment levels rise. This is in large part because as the economy recovers, discouraged and other inactive workers who are not counted in official unemployment rates begin to seek jobs once again.

Meanwhile, a new crisis has emerged, this time in public finances. Public deficits and government debt have surged in industrialized nations, the result of a collapse in government tax revenues and (to a much lesser extent) the decisive fiscal policies that prevented a more dramatic collapse (see Figure 7).⁴⁸ In particular, several European economies that had rapidly growing immigrant populations prior to the recession (particularly Spain, but also Greece, Ireland, and Portugal) faced large budget deficits in its wake, and found it increasingly expensive to finance their debt. Greece, Ireland, and most recently Portugal, were forced to seek financial assistance from the European Union and IMF, and at the time of writing, doubts still hang over Spain. According to one estimate, to reduce government debt ratios to precrisis levels, industrialized nations would have to create a fiscal surplus of 4 percent by 2020 and maintain this surplus for ten years. In 2010 these nations faced an average fiscal *deficit* of 4 percent.⁴⁹

Figure 7. Deficit and Debt in 2010 as a Percentage of GDP, Select OECD Countries



Source: International Monetary Fund (IMF), *IMF Fiscal Monitor* (Washington, DC: IMF, April 2011).

In all cases the impact of fiscal consolidation will be real reductions in public-sector employment and compensation, and to varying degrees reductions in public services, social assistance, welfare, or education and training. These developments will affect huge numbers of people in immigrant-receiving nations, regardless of their birthplace. Against this backdrop, particular pressure on immigrant integration programs seems inevitable. The impact of the fiscal crisis is likely to be particularly pronounced at the local level, where public authorities may not be able to borrow in the face of short-term deficits. All but one of the 50 US states, for example, are required to balance their budgets, making them dependent on an increasingly unwilling federal government for additional resources during the recession. Many have already made substantial cuts in their budgets, and further spending reductions are expected in 2011 and 2012. Similarly, many European cities and regions have had to cut public services despite constant or increasing demand due to falling revenues.⁵⁰

The Impact of the Recession in Seven North Atlantic Economies

The studies that follow in this volume assess the experiences of seven countries with substantial immigrant and second-generation populations — the United States, United Kingdom, Spain, Portugal, Ireland, Sweden, and Germany. They aim to consolidate the evidence of how immigrants fared in the labor markets over the course of the recession, and to synthesize what policymakers can learn from the experience as they begin thinking beyond the stabilization and recovery phases. The seven countries illustrate the variations across industrialized nations, in terms of both immigrant outcomes and of the impact of the global economic crisis. They also show how economic and institutional differences across countries shaped immigrant integration and immigrants' vulnerability to the recession.

As the case studies show, immigrants' vulnerability has varied substantially both within and between countries. Focusing on unemployment rates, several differences emerge. In Ireland, Portugal, and especially Spain, the recession has undoubtedly hit immigrants harder than the native born, leading to a widening unemployment gap that exacerbated the structural disadvantages that immigrants already experienced before the recession. In all three cases, less-skilled immigrants concentrated in cyclical industries (particularly construction) saw rapid declines in job opportunities.

The US, UK, and Swedish experiences are somewhat different: immigrant unemployment *on average* did not rise disproportionately, but a large divide opened up between immigrant groups. US immigrants entered the recession with comparable or even slightly lower unemployment than their US-born counterparts; but while Asian immigrants fared better than the US born, Hispanic immigrant unemployment increased considerably. In the United Kingdom, a division emerged between less-skilled workers from non-EU sending countries, who saw rapid unemployment increases, and their counterparts from Eastern Europe, who have fared remarkably well despite a concentration in less-skilled work. The story in Sweden is similar: overall, the Swedish-immigrant unemployment gap did not rise for European immigrants, but widened dramatically for those born outside of Europe.

Finally, immigrants in Germany were not hit particularly hard by the recession, which — contrary to previous German and current international experience — primarily affected skilled workers. Here, the overwhelming challenge is not the impact of the recession, but rather

the huge, persistent labor-market barriers that have faced German immigrants in recent decades.

Whatever the fallout from the recession, one thing remains certain. The challenge of immigrant integration — a challenge that existed before the recession and has become all the more pressing over the past two years — will not disappear. Immigrant groups that fared relatively well before the economic crisis are likely to find that their prospects improve rapidly during the recovery; but for those who already struggled in the labor market, the additional effects of recession may well be longer lived. Countries that saw unprecedented immigration inflows during the boom now have large foreign-born populations; it will take time and concerted investments to ensure their integration. Even some of the countries that did not throw open their doors — Germany, for example, has maintained restrictions on almost all long-term labor migration since the 1970s oil crisis — face huge inequalities between immigrant and native populations that continue into the second generation and sometimes beyond. The recession's disproportionate effect on youth and minorities could have a lasting impact on the ability of many workers to gain locally relevant employment skills. While the underlying drivers of immigrant integration (such as language ability, education, relevant skills, qualifications, and credential recognition, local work experience, and professional contacts) are unlikely to have changed, immigrants' needs for these attributes will become all the more pressing as employers choose from a large pool of unemployed workers.

Now that the worst of the recession is over, governments have shifted from crisis management to stewarding the economic recovery. This is occurring in the context of tighter public finances. As the turmoil in eurozone bond markets and the massive budget shortfalls at all levels of government in the United States and several Member States show, a fiscal crisis has rapidly joined the continuing jobs crisis as one of the top challenges facing policymakers. As some countries slash whole programs from their budgets, public spending on education, training, poverty alleviation, and immigrant integration have come increasingly under pressure. These circumstances will make the challenge of immigrant integration all the more difficult. →

Endnotes

- 1 Growth in the 1990s and 2000s varied by country; many countries experienced brief recessions or periods of rising unemployment between 1991 and 2001.
- 2 The United States had the highest unemployment rate among Organization for Economic Cooperation and Development (OECD) countries in the early 1960s, when Europe's most advanced economies enjoyed an "economic miracle" and unemployment rates in the continent were particularly low. But this began to change in the 1970s and, more recently, the United States has had consistently lower unemployment than the European Union. See Stephen Nickell, Luca Nuzianta, and Wolfgang Ochel, "Unemployment in the OECD since the 1960s: What Do We Know?" *The Economic Journal* 115 (2005): 1–27, www.res.org.uk/economic/freearticles/january05.pdf.
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- 5 The EU-15 comprises Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Sweden, Spain, Portugal, and the United Kingdom.
- 6 Note that the long-term unemployed are often no longer eligible for unemployment benefits, but instead receive welfare payments that are almost always less generous. See OECD, *Employment Outlook 2010*.
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- 12 Ibid.
- 13 Congressional Budget Office (CBO), "Losing a Job During a Recession" (CBO Economic and Budget Issue Brief, April 22, 2010), www.cbo.gov/ftpdocs/114xx/doc11429/JobLoss_Brief.pdf; Julia B. Isaacs, *The Effect of the Recession on Child Poverty* (Washington, DC: Brookings Institution, 2009), www.brookings.edu/~media/Files/rc/papers/2010/0104_child_poverty_isaacs/0104_child_poverty_isaacs.pdf; Carsten Ochsen, "Are Recessions Good for Educational Attainment?" (DIW Berlin SOEP papers on Multidisciplinary Panel Data Research

- no. 285, March 2010), www.diw.de/documents/publikationen/73/diw_01.c.354663.de/diw_sp0285.pdf.
- 14 See Demetrios G. Papademetriou and Aaron Terrazas, *Immigrants and the Current Economic Crisis: Research Evidence, Policy Challenges, and Implications* (Washington, DC: Migration Policy Institute, 2009), www.migrationpolicy.org/pubs/lmi_recessionJan09.pdf.
- 15 OECD, *International Migration Outlook* (Paris: OECD, 2010), 93.
- 16 Sample includes 15-24-year-olds; Eurostat, “Unemployment Rates by Sex, Age Groups and Nationality (%)”.
- 17 Ibid.
- 18 Papademetriou and Terrazas, *Immigrants and the Current Economic Crisis*; Christiann Dustmann, Albrecht Glitz, and Thorsten Vogel, “Employment, Wages, and the Economic Cycle: Differences between Immigrants and Natives” (CREAM discussion paper 09/06, updated September 2009), www.econ.ucl.ac.uk/cream/pages/CDP/CDP_09_06.pdf; Pia Orrenius and Madeline Zavodny, *Tied to the Business Cycle: How Immigrants Fare in Good and Bad Economic Times* (Washington, DC: Migration Policy Institute, 2009), www.migrationpolicy.org/pubs/orrenius-Nov09.pdf.
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- 20 IMF, *World Economic Outlook*.
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- 34 Barry Hatton, "Europeans seek new lives in old colonies," Associated Press, April 10, 2011, http://hosted.ap.org/dynamic/stories/E/EU_EUROPE_BRAIN_DRAIN?SITE=DCUSN&SECTION=HOME&TEMPLATE=DEFAULT.
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- 38 Lymari Morales, *Americans Return to Tougher Immigration Stance* (Washington, DC: Gallup, August 2009), www.gallup.com/poll/122057/Americans-Return-Tougher-Immigration-Stance.aspx.
- 39 See Chapter 3 in this volume, Ruth Ferrero-Turrion, "Migration and Migrants in Spain after the Bust," for more on Spain's pay-to-go programs.
- 40 DHS, *Immigration Enforcement Actions: 2009*.
- 41 Papademetriou and Terrazas, *Immigrants and the Current Economic Crisis*.
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CHAPTER I

VULNERABILITY, RESILIENCE, AND ADAPTATION:

Immigrants over the US Economic Crisis and Recovery

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Introduction¹

After four years of labor market turmoil, including the longest recession in a generation, followed by a recovery that was largely jobless until recently, the United States economy is growing and the private sector is once again hiring. However, the hangover from the recession continues to be felt across the US labor market. The number of US workers who are out of a job remains at historic highs and the proportion of adults who actively participate in the labor force (either employed or actively searching for a job) is the lowest in nearly three decades (see Figure 1). The average duration of unemployment, at 37 weeks, is the highest on record, with those who have been unemployed for 27 weeks or longer also at record highs. Key demographic groups such as African Americans, youth, African-American youth, and Hispanics face unemployment rates nearly twice the rates recorded four years ago and nearly double the rates among white men and women.

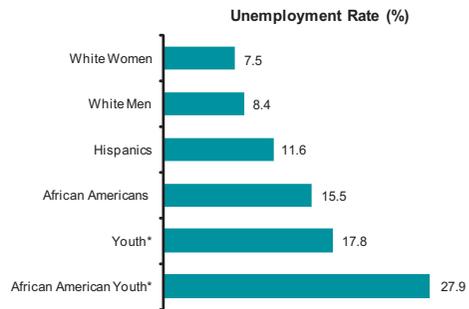
Figure 1. Summary of the US Labor Market, First Quarter 2011

14 million
Number of unemployed
(highest on record since 1948)

64 percent
Labor force participation rate
(lowest since 1984)

37 weeks
Average duration of unemployment
(highest on record since 1948)

15.9 percent
Broadest measure of labor underutilization**
(highest on record since 1994)



Notes: * Ages 16 to 24. ** Unemployed, plus marginally attached to the labor force, plus involuntary part-time workers as a share of the civilian labor force.

Source: Bureau of Labor Statistics, Current Population Survey (CPS), first quarter 2011.

Yet, there is growing evidence that the economic recovery's momentum is gathering strength, and that key sectors, especially manufacturing and the services industry, are adding jobs at a modest but consistent pace. As of March 2011, the US labor market had added jobs for six consecutive months. Between March 2010 and March 2011, the jobless rate fell in 13 of 16 broad sectors of the economy.² But two of the sectors that drove employment growth prior to 2007 — construction and the hospitality and leisure industries — continue to register large-scale unemployment rates, respectively 20.0 percent and 13.2 percent. Furthermore, many analysts are concerned that policymakers have not addressed some of the underlying structural barriers to growth in the United States, such a still deeply troubled housing market, a looming fiscal and entitlements crisis, an educational system that procures too many mediocre high school graduates, and an insufficient worker-training and retraining system. Finally, critical unknowns loom on the horizon, ranging from uncertainty about an important component of the world economy, the eurozone, whose fiscal health is deeply uncertain, to rising commodity prices (especially oil and food), to the effects of ever-deeper fiscal austerity in much of the advanced industrial world. Nonetheless, and despite the mixed signals, the perception is taking hold that the worst is over and that the US economy is sustainably, if slowly and unevenly, recovering.³

The economic crisis struck following nearly two decades of unprecedented prosperity across much of the United States. For much of that period, labor demand outpaced the domestically produced new worker pipeline. The US economy came to rely on large numbers of immigrant workers, and as a result, the number of foreign born in the country

increased from 20 million in 1990 to more than 38 million in 2008. But since the formal parts of the US immigration system are not designed to respond to cyclical changes in labor demand, the burden fell on the informal parts: illegal immigration, which is much more responsive to labor market fluctuations (if imperfectly so) and some components of the nonimmigrant or temporary worker system. And as these parts of the immigration system had responded to growing labor demand during much of the last decade, their response during the economic crisis was equally predictable, *if imperfectly so*: Inflows proved to be elastic while outflows hardly at all.⁴ In fact, following more than two decades of uninterrupted growth, the foreign-born population remained flat between 2007 and 2009, as sectors that employ large numbers of immigrants, such as the construction and hospitality industries, suffered severe contractions.

And while our own and others' research shows conclusively that immigrants are more likely than native-born workers to lose their jobs during economic downturns, the broader immigrant experience over the course of the recession was highly uneven: some immigrant groups fared better than natives, others fared worse.⁵ Both trends are closely tied to immigrants' education levels and employment in certain sectors. However, generalizations are possible only to the extent that one recognizes that there are exceptions to the overarching trend.

As the US economy recovers, some caution about the future direction of immigration to the United States is warranted. Immigration flows are recovering with the economic recovery and, in line with expectations, the foreign born are finding new jobs more quickly than the native born as small and mid-sized employers, particularly in labor-intensive service and low value-added manufacturing industries, reach out first to immigrants as demand for their goods and services increase. (Many of these newly hired workers had been let go early on as the economy soured.⁶) But these headlines risk oversimplifying a more complex and interesting story: Immigration flows from Mexico and Central America remain below prerecession levels whereas inflows from elsewhere have fully recovered. And both native- and foreign-born workers are adjusting their expectations about the types of jobs they are willing to accept and the wages and benefits they require.

Just as individuals and families are gradually adjusting their expectations, the global economy is slowly rebalancing as well, creating new or additional export opportunities for US firms, some of which relied on outsourcing as one of the means of weathering the downturn.⁷ This makes it even more difficult to predict the long-term consequences of

these worldwide adjustments for employment in the United States and, more precisely, *for the demand for immigrants*. Forecasting is an uncertain business as the past three years have vividly illustrated; but it is necessary if one is to attempt to inform the debate.

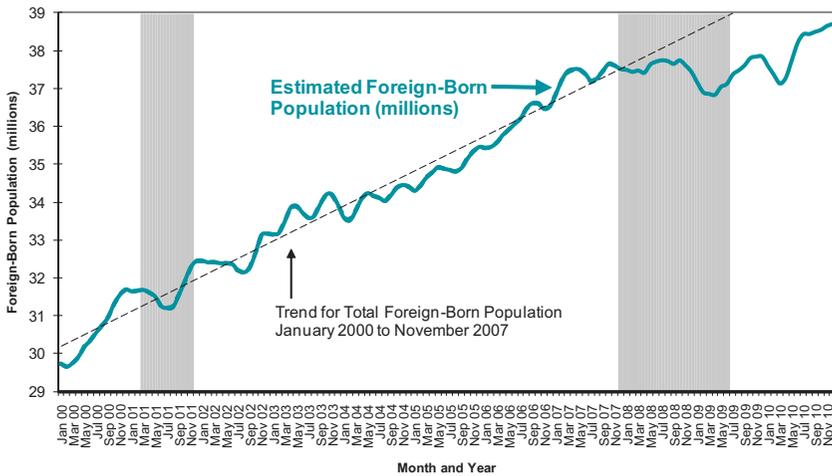
The economy has never been the lone driver of immigration to the United States, but most immigrants come to the United States intending to work. There is little doubt that many of the structural drivers of immigration are in flux. More broadly, the global financial crisis has forced policymakers to come to terms with new global realities and to rethink some of the assumptions that guided their earlier decisions. Considering that attempts to improve a deeply outdated immigration system have been stymied for years amid major policy and political differences, the United States has been slow to adapt and respond. Once more, it seems, the US immigration policy debate focuses on the last century's challenges rather than the 21st century's dynamic opportunities.

This chapter reviews the experience of immigrants in the US labor market over the course of the recent economic crisis and the early stages of the recovery. It then looks forward, exploring the possible consequences of global economic rebalancing for immigration to the United States in the short and medium terms.

I. Trends in Immigration to the United States

Overall immigration to the United States slowed dramatically during the recession after roughly doubling every 20 years since 1970. The number of foreign born reported in the US Census Bureau's monthly Current Population Survey (CPS) fluctuated between 37 million and 38 million between early 2007 and early 2010. (The real figure is probably slightly higher since the CPS is known to undercount immigrants.) However, the number grew again in 2010 and the 38.7 million immigrants reported by the survey in December 2010 represent the largest foreign-born population on record. In retrospect, it is clear that after two decades of sustained growth in the immigrant population, the recession caused the United States to experience a temporary "pause" in immigration.

Figure 2. Monthly Estimate of the US Foreign-Born Population, January 2000-December 2010



Notes: Estimates are based on a three-month moving average. Areas shaded in grey represent recessions as defined by the National Bureau of Economic Research (NBER).

Source: Migration Policy Institute (MPI) analysis of US Census Bureau, Basic Current Population Survey (CPS), January 2000 to December 2010.

There is some debate regarding the precise dimensions and sources of the slowdown in immigration. It is clear that illegal immigration, particularly from Mexico, fell dramatically. It is equally clear that initial expectations of a substantial increase in return migration did not materialize. Indeed, the most recent Mexican data on return migration to Mexico suggest that returns through the recession were roughly comparable to returns during the past decade — reflecting the natural pattern of some back-and-forth movement that one observes in migration with most countries.⁸ Returns appear to have slowed slightly in late 2010, but it is not clear if the shift is related to improving economic opportunities in the United States or simply the statistical echo of slower inflows in recent years. As a result of lower inflows, the number of unauthorized immigrants in the United States declined from a peak of around 12.0 million in 2007 to 11.2 million in 2010.⁹

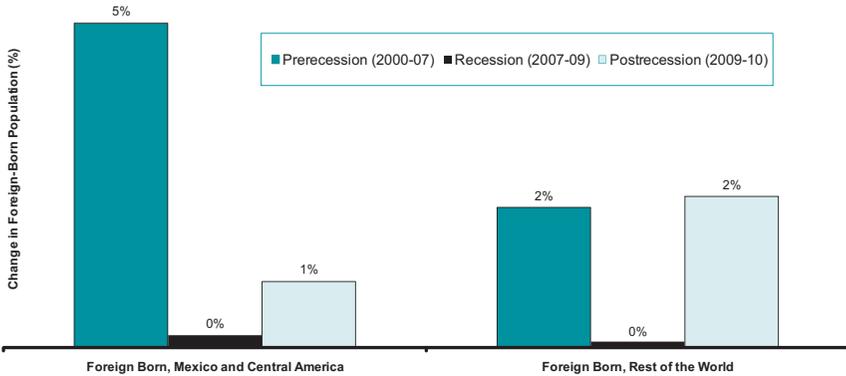
More remarkably, legal immigration also slowed overall, although less dramatically. Specifically, the stock of European immigrants declined, due in part to the group’s aging demographics and much less interest in large-scale transatlantic migration by citizens of the 15 older members of the European Union.¹⁰ The largest declines were among older Italian and Polish immigrant groups, though immigration from India and Iraq

grew during the recession, the former primarily due to family immigration and the latter due to humanitarian factors.¹¹ Demand for temporary employment-based visas for highly educated immigrants also slowed measurably, with the annual quota for H-1B highly skilled visas taking more than six months to fill during each of the last two years compared to a matter of days or weeks in the years immediately prior to the recession. Again, however, the top-line conclusions fail to capture the full story. The stock of immigrants from southern and eastern Europe may be declining as older cohorts age, but the stock of immigrants from some northern European countries, such as Germany and the Netherlands, remains remarkably stable. Of course, the composition of these flows has changed: they tend to be younger, better educated, more circular, and more temporary. Increasingly, these features characterize most immigration from Europe to the United States. Except for the very well-educated younger cohorts, the risk takers, and the restless, the United States is no longer a major draw for European workers.

However, other temporary immigrant flows increased. The number of foreign students admitted to the country on F-1 visas reached an all-time high of 952,000 in fiscal year (FY) 2009 despite ever-higher tuition fees and relentlessly increasing international competition for such students across the advanced industrialized, and in some cases the emerging, world. (The number of F-1 visas has increased steadily each year since 2005.) The explanation for this growth is complex, especially in light of many of the top US universities having established satellite or affiliate campuses in parts of the world which continue to grow rapidly. First and foremost, the rise in international student enrollments reflects the rapid growth in the middle class in Asia and elsewhere, as well as the value that middle classes everywhere attach to a US education. At the same time, it also reflects a calculation that a US education might lead to a US job offer. Many families also view a US education as an insurance policy, protecting their children (and in many instances the broader family) from abrupt economic and/or political change in their country of origin through access to the United States, and as a direct result, easier access to much of the developed world.

During 2010, the first full year of the recovery, immigration flows overall started also to recover, although unevenly. Central American flows, driven primarily by Guatemalan and Salvadoran immigrants, began to increase as early as 2009 whereas inflows from Mexico have recovered more slowly (see Figure 3). Once more, the recovery in inflows appears most robust among immigrants from South and East Asia.

Figure 3. Average Annual Change in the Foreign-Born Population, 2000-10



Note: Based on annual averages of monthly Basic CPS data.

Source: MPI analysis of US Census Bureau, Basic CPS, various years.

Overall, our research points to two critical lessons of how immigration flows evolved over the crisis:

- The “unregulated margins” of immigration systems (e.g. illegal flows) responded more rapidly (although asymmetrically) than the more highly regulated flows to changing labor demand;¹²
- Immigrants, as well as natives, delay making long-term decisions during periods of high uncertainty.

II. Immigrants in the US Labor Market

The immigrant population in the United States is extremely diverse, making broad generalizations about immigrants in the labor market difficult and even misleading. Some immigrants lost jobs quickly during the recession. This was to be expected since immigrant workers share many of the social, educational, and demographic characteristics of the workers most vulnerable to job losses — and were disproportionately concentrated in sectors that were ravaged by the recession (see Figure 4). Others, however, fared better during the recession, once more for reasons that had to do with their human-capital endowments and the sectors in which they were employed. And some of both groups have benefited more quickly from employment gains during the recovery.

As public attention looks beyond the recession, questions about workers' *vulnerability* in the labor market and their relative capacity to adapt to new circumstances jump to the forefront of discussions on the role of immigrants in the US economy and, more broadly, the relevance of immigration to the United States in the years ahead. This section examines how different groups of immigrants have fared in the US labor market, both relative to each other and to native-born workers over the recent recession and recovery. It builds upon recent Migration Policy Institute (MPI) research by Randy Capps, Michael Fix, and Serena Yi-Ying Lin examining the occupational trajectories of native- and foreign-born workers in five key sectors of the US economy.¹³

A. Employment

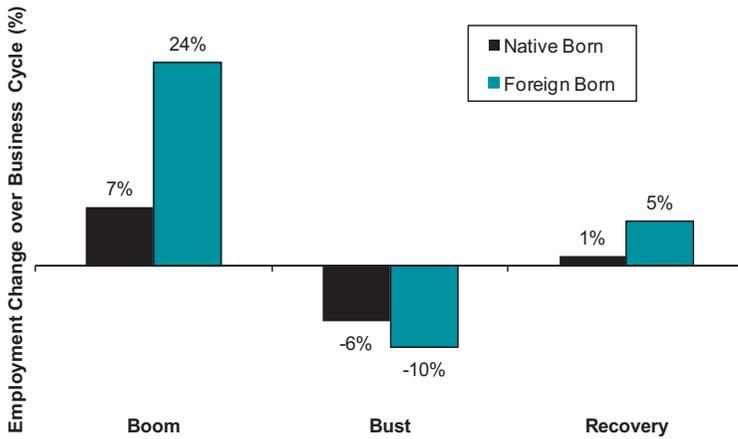
I. Total Employment

Between 2000 and 2007, when total US employment peaked just above 146 million, the number of foreign-born workers in the US labor force grew from 19.0 million to 24.1 million; as a share of the total labor force, immigrants increased from 13 percent to 16 percent. Most of the newly arriving workers quickly found jobs. From 2002 to 2007, the US economy created about 10 million jobs, with immigrants filling about two-fifths (42 percent) of them; Mexican and Central American immigrants alone accounted for about one-fifth (21 percent) of all new workers over the period. Domestic consumption drove much of this job creation and immigrants filled many of these middle- and less-skilled service jobs.¹⁴ By mid-2007, as construction activity started contracting sharply first in the Southwest and South, foreign-born workers began to experience substantial job losses and rising unemployment. However, most experts did not foresee that the economic turmoil would turn into a broader crisis.

Employment among the native born did not begin to fall noticeably (and unemployment did not begin to rise) until about a year later, when the crisis took on national and global dimensions with the financial crisis that began in September 2008. And employment did not begin to recover, for both native and foreign-born workers, until early 2010, more than half a year after the recession officially ended. From peak to trough, employment contracted about 6 percent for natives and 10 percent for immigrants (see Figure 4). Employment increased for both groups during 2010, although more modestly among natives than among immigrants (1 percent versus 5 percent). Native-born workers began experiencing substantial job gains (relative to the same quarter in the previous year) only in late 2010 — half a year to a year after the

foreign born began to experience job growth. However, since immigrants suffered greater job losses during the downturn, employment remains at about 95 percent of peak levels for both groups. In fact, the time lag between the quarters when the foreign born and native born began to suffer substantial job losses is roughly the same as the time lag between the quarters when the two groups began to experience job growth.

Figure 4. Native- and Foreign-Born Employment over the Business Cycle, 2000-10



Note: Boom: 2002-Q1 through 2007-Q4 for native born and 2002-Q1 through 2007-Q3 for foreign born. Bust: 2007-Q4 through 2010-Q1 for native born and 2007-Q3 through 2010-Q1 for foreign born. Recovery: 2010-Q1 through 2010-Q4 for both groups.
Source: MPI analysis of US Census Bureau, Basic CPS, various years.

Estimates by the Pew Hispanic Center show that the number of unauthorized immigrants in the US civilian labor force increased from about 6.3 million in 2002 to about 8.4 million 2007.¹⁵ Between 2007 and 2009, the number of unauthorized immigrants in the US civilian labor force declined to 7.8 million and appears to have increased modestly to about 8.0 million in 2010. During the first two years of the recession, the number of unauthorized immigrants in the labor force fell in most states with large illegally resident populations, with Texas and Georgia being two notable exceptions. During 2010, the first full year of the recovery, the number of unauthorized immigrants in the labor force continued to increase in Texas but also increased in Florida, California, and Nevada. By contrast, the number was stable in New

Jersey, Maryland, and Georgia; it continued to decrease, although only modestly, in Arizona.¹⁶

2. Employment by Industry

The economic crisis had widely different impacts across industries: some experienced job losses as early as 2006, others continued gaining jobs through 2008, and still others did not experience a decline in employment. This section examines how immigrant employment has evolved in four sectors of the US economy that rely heavily on immigrants but experienced very different employment trends over the economic crisis.¹⁷

- The construction industry grew rapidly during the years leading to the crisis and attracted substantial numbers of primarily less-skilled, and often unauthorized, immigrants; starting in 2007, it experienced a severe contraction which continues to date.
- The leisure and hospitality industry also grew steadily prior to the crisis and attracted large numbers of less-skilled immigrants, frequently without legal status.
- Agriculture has historically relied heavily on foreign-born workers and employment in the sector did not contract noticeably during the crisis.
- Employment in health care (and education) continued to grow during the recession and continues to rely primarily on better-educated immigrants.

a) Construction

The construction industry experienced rapid growth during the years leading up to the economic crisis and was one of the first to experience job losses. From the 1950s through the 1990s, construction activity was driven largely by demographic growth, particularly family formation among the baby boom generation.¹⁸ As the demographic drivers of construction activity waned, US government policies promoting homeownership and expanding lending to borrowers with little credit history continued to drive growth in the sector. In 2005, the number of new, privately owned housing unit starts peaked at 2.1 million — the second highest figure since records began in 1959.¹⁹ By 2009, new housing starts had collapsed to 586,900, the lowest figure on record.

Construction employment grew by about 3 percent each year during the height of the boom years, between 2002 and 2006. Over this period

immigrants accounted for over half of the jobs created and their share of employment increased from 16 percent of the total construction workforce to 24 percent. Accordingly, prior to the recession, the construction industry offered an important pathway to good jobs for immigrants — particularly for young recent immigrant men, primarily, from Latin America, with little formal education and limited English skills.²⁰ Unauthorized immigrants in particular tended to benefit most from many of the labor-intensive — and relatively well-paying — jobs in construction. In 2008, an estimated 40 percent of brickmasons, blockmasons and stonemasons; 37 percent of drywall and ceiling tile installers; 27 percent of general construction laborers; and 27 percent of cement masons, concrete finishers, and terrazzo workers were estimated to lack legal status.²¹ By contrast, native-born workers in construction were more likely than immigrants to hold the better-paying jobs requiring specialized skills, such as carpet, floor, and tile installers; skilled trades; and finishers.

Between 2006 and 2009, construction employment contracted by one-fifth (about 7 percent each year), for a total of over 2 million jobs lost; immigrants accounted for over one-third of these lost jobs. The construction sector is not expected to recover to its prerecession employment levels; however, employment in the sector has stabilized — by 2009 for immigrants and by 2010 for natives — returning to around three-quarters of precrisis levels. Moreover, there is some evidence that the median level of education of immigrants working in construction has increased: prior to 2008, the typical immigrant working in the industry had less than a high school education, but in subsequent years the typical immigrant had a high school degree or general education development (GED) certificate. This shift has been driven by greater job losses among less-educated and mostly illegally resident construction workers.

b) Leisure and Hospitality

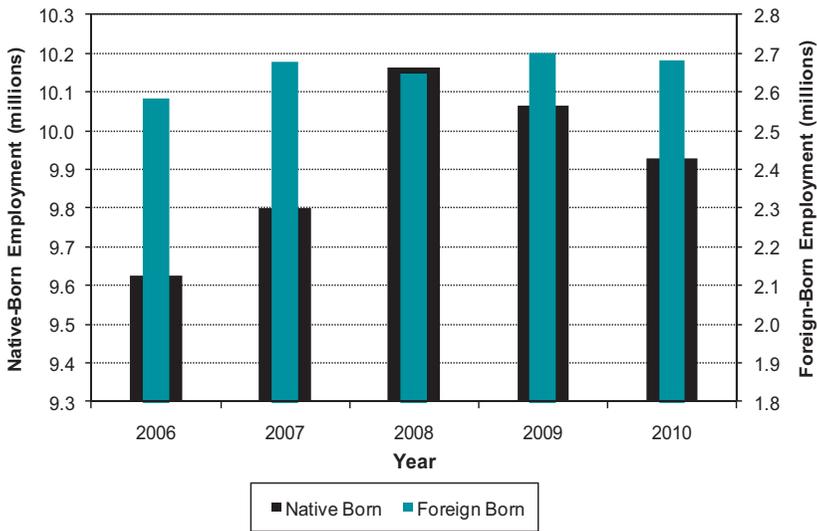
The leisure and hospitality sector has traditionally provided an entry point for less-skilled immigrants into the US labor market, particularly for women and in urban and suburban areas. Employment in leisure and hospitality services, which is dominated by food service and accommodation, grew steadily by about 3 percent each year from the early 1990s through early 2008. Throughout the 2000s, immigrants accounted for about one-fifth (21 percent) of total employment in the sector and unauthorized immigrants were heavily concentrated in several jobs in the industry. In 2008, for instance, 28 percent of all dishwashers, 27 percent of maids and housekeeping cleaners, 21

percent of parking lot attendants and 20 percent of chefs and cooks were estimated to lack legal immigration status.²²

In a recent study of the occupational mobility of immigrants in several key sectors of the US economy, Fix, Capps, and Lin find that relative to construction, the leisure and hospitality industry offers few opportunities for upward socioeconomic mobility for immigrant workers.²³ Managerial and supervisory jobs offer the greatest opportunities for advancement, but the number of such jobs is rather limited. Furthermore, immigrants tend to work in “back-of-the-house” jobs that require little face-to-face interaction with customers, and job advancement in such jobs is even more limited. Even prior to the recession, about three-quarters of immigrants and natives in the sector worked in jobs which require little formal education and rarely pay adequate wages.

The gradual slowdown of consumer spending in this industry started in 2007, but collapsed after the financial crisis touched off in September 2008. Between 2008 and 2010, leisure and hospitality employment contracted by about 2 percent, or approximately 200,000 jobs. The story of how immigrant and native-born employment in the leisure and hospitality industry evolved over the recession is complex. In 2007 and 2008, native-born employment in the sector surged by 6 percent while immigrant employment essentially stagnated. During the early months of the recession, as a growing number of workers displaced from other sectors sought jobs, employers in the leisure and hospitality industry opted to hire better-educated and more English proficient workers. However, as the economic turmoil spread, and as demand for leisure and hospitality services contracted, the number of immigrants working in it remained constant, just above 2.6 million, while the number of natives working in the industry fell — from about 10.2 million in 2008 to 9.9 million in 2010 (see Figure 5).

Figure 5. Native- and Foreign-Born Employment in the Leisure and Hospitality Industry, 2006-10



Note: Based on annual averages of monthly Basic CPS data.
 Source: MPI analysis of US Census Bureau, Basic CPS, 2006-10.

The overall employment numbers, and particularly the resilience of immigrant employment in leisure and hospitality during the worst months of the crisis, hold important lessons about the divergent responses of immigrants and natives to job loss. Part-time employment in the leisure and hospitality sector has grown much more quickly among immigrants (32 percent increase between 2007 and 2010) than among natives (6 percent increase). These differences are, in part, driven by how many immigrants and natives view leisure and hospitality jobs: Immigrants are more likely to view the leisure and hospitality sector as a career whereas natives tend to work in the sector on a temporary or short-term basis. Accordingly, over two-fifths of native-born workers in leisure and hospitality jobs work part-time compared to about one-fifth of immigrant workers. Further to the point, among part-time workers, two-thirds of natives are age 26 or under compared to about one-third of immigrants.

c) Agriculture

Since at least the 1940s — and earlier in some parts of the country — immigrants have been a critical part of the US agricultural labor force.²⁴ It is extremely difficult to measure the exact size of the

agricultural labor force since a substantial portion is seasonal, temporary, and informal. However, data from the Current Population Survey (CPS) suggest that about one-quarter of the nation's total agricultural workforce is foreign-born, while for seasonal agricultural workers, the foreign-born share is closer to 80 percent.²⁵

Most agricultural jobs offer poor wages and few opportunities for upward socioeconomic mobility: In 2009, the median annual wage of general farmworkers and laborers, who account for nearly two-thirds of all workers in the agricultural industry, was \$19,780.²⁶ Only first-line supervisors of agricultural operations and agricultural inspectors (about one-tenth of all agricultural jobs) had average annual incomes above \$40,000. (By comparison, the average annual wage of construction workers was \$43,000.) As a result, many immigrants working in agriculture, particularly in the production of seasonal or perishable goods, tend to be recently arrived and most lack legal status, have very limited formal education, and are rarely English proficient. Some more established immigrants acquire skills and are able to move over time into more skilled parts of the industry, such as viticulture and livestock husbandry; more often, however, upward mobility occurs through a shift into urban and suburban services, such as landscaping or food service, or across generations.

The agricultural sector was fairly stable during the crisis and demand for agricultural goods actually increased amid a surge in commodity prices during the years leading to 2008. However, agricultural operations oriented toward global markets tend to be large, capital intensive, and rely heavily on mechanized processes. By contrast, smaller farms oriented toward local markets tend to be smaller and more labor intensive. As a result, the global commodity boom has not translated into substantial additional employment demand in agriculture.

Overall agricultural employment remained essentially stable around 2.2 million prior to, during, and in the aftermath of the recession. During the early months of the crisis, there was speculation that some immigrants who lost jobs in construction and other low-wage sectors would turn to agriculture. There is no evidence that this shift occurred in significant ways. Yet the number of long-term immigrants (i.e., those with five or more years of US residence) working in agriculture increased from about 337,000 in 2006 to about 400,000 in 2010, rising from 81 percent of all immigrants working in agriculture to 88 percent. This evidence clearly suggests that some longer-term immigrants did not follow the typical path of moving out of agriculture into more stable jobs and/or some returned to agriculture. Considering the limitations

of the data, the disruption in the historic pattern of upward socio-economic mobility out of the sector may have been even deeper than available evidence suggests. If it is, and if it proves to have a longer life, it will likely have long-term consequences for those immigrants and their children.

d) Health Care

In contrast to the industries examined above, employment in the health care and social service sectors grew at roughly the same rate prior to and during the recession — between 2 and 3 percent annually. About one-fifth of all immigrants work in the health care (and education) industry and foreign-born employment in health care had been growing at a faster rate than native-born employment prior to the recession. Indeed, employment in the health care sector offers decent jobs for immigrants across the skill spectrum: Prior to the recession, in 2006, 59 percent of foreign-born and 56 percent of native-born health care workers earned family-sustaining wages.²⁷

For at least two decades the United States has relied on immigrants to meet health worker needs brought about by an aging population, high worker turnover, and insufficient and constantly fluctuating numbers of graduates from US education and training institutions. Between 1990 and 2006, immigrants accounted for about one-quarter of all new health care workers. These structural drivers of employment, along with the prospect of an expansion in demand for health care services as a result of legislative reforms to the nation's health insurance coverage and health care delivery systems in 2010, largely insulated the sector against employment cuts during the downturn.

During the recession, employment among both natives and immigrants in education and health care continued to grow; however, immigrant employment in several key occupations such as physicians, registered nurses, and nursing aides was below native-born employment growth, reversing prerecession trends. There is growing public recognition of the personnel shortfalls facing the health care field and the prospect of stable, typically well-paying jobs is attracting growing numbers of students — including many who lost jobs elsewhere in the economy. The field's often costly and time-intensive education and training regimes, and its English and education requirements, make it an attractive option for the native born (particularly second-generation immigrants) who are just entering the labor force, and for older immigrants who can afford to temporarily forgo full-time work or who are willing to undertake evening study.

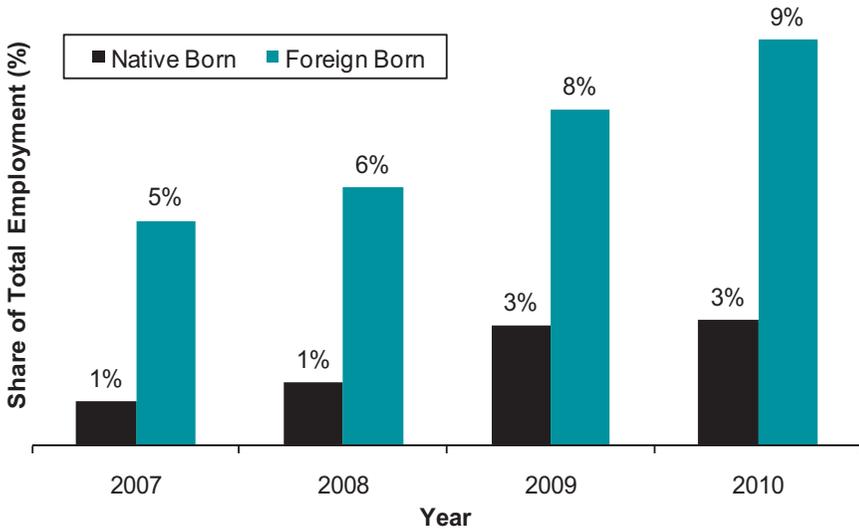
The health care sector has always attracted new immigrants — particularly from Asia, Africa, and the Caribbean — who receive most of their education abroad. However, in the absence of dramatic policy changes, transitioning to health care employment is probably not a realistic option for the vast majority of already present immigrants who were displaced from other sectors, many of whom lack adequate formal education, legal status, strong English skills, or the requisite personal and economic stability to enroll in and complete retraining programs. These barriers to entry into one of the few growing sectors of the US economy will likely continue to weigh down the economy and labor force for the foreseeable future.

3. Full- and Part-Time Employment

Foreign- and native-born workers respond differently to contracting employment opportunities. Many native-born and naturalized-citizen workers who became involuntarily unemployed may access training and retraining programs, return to school to upgrade their education, and, at least initially, be selective in their job search. However, workers with little savings and limited or no access to the social safety net often resort to part-time employment. (Most legal immigrants in the United States are excluded for at least five years after arrival from the core federal government safety-net programs, including food assistance [food stamps], medical care [Medicaid and the State Child Health Insurance Program], and income support [Supplemental Security Income]; unauthorized immigrants are excluded from all programs except emergency medical care and elementary and secondary education.²⁸)

The share of workers who are in “involuntary part-time” employment (and would prefer full-time employment) increased for both immigrants and native workers over the recession. But the increase was more notable among the foreign born. About 9 percent of employed immigrants in 2010 were involuntary part-time workers compared to just 3 percent of employed natives (see Figure 6).

Figure 6. Involuntary Part-Time Workers, Share of Total Employment, 2006-10



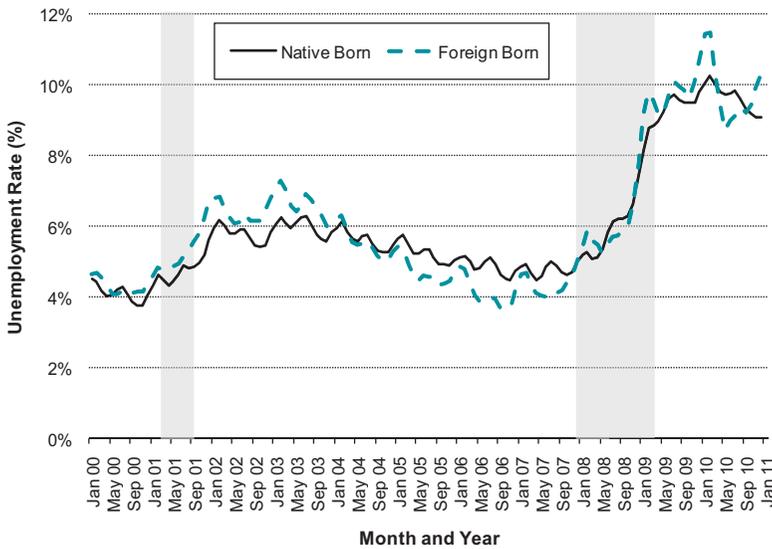
Source: MPI analysis of US Census Bureau, Basic CPS, various years.

B. Unemployment

In contrast to many European countries, US immigrant and native employment and unemployment track each other very closely.²⁹ Immigrants in the United States, however, are more vulnerable to the economic cycle than the native born.³⁰ The recent recession and ongoing recovery have been no exception. The unemployment rate among both the native born and immigrants steadily declined following the end of the last recession in 2001-02 (see Figure 7) before starting to rise rapidly in late 2007 for immigrants and in mid-2008 for native workers.

However, the aggregate figures tell an incomplete story of how immigrants fared in the US labor market over the recession. Compared to other groups, unemployment increased much more rapidly among the less educated, among men, and among youth. Certain immigrant groups — particularly Hispanics — are much more likely to have these demographic and socioeconomic characteristics and, as a result, suffered disproportionate job losses. By contrast, other immigrant groups — such as most Asians — are more likely to be better educated and to work in industries that did not experience severe downturns. This section describes how unemployment among different immigrant groups has evolved over the economic crisis and recovery.

Figure 7. Monthly Unemployment Estimates by Nativity, January 2000-December 2010



Note: Estimates are based on a three-month moving average.

Source: MPI analysis of US Census Bureau, Basic CPS, January 2000 to December 2010.

I. Education

Less-educated workers are more susceptible to job losses during recessions than better-educated workers in part because many of the sectors where they work tend to grow rapidly during booms and contract rapidly during busts, but also because employers tend to retain more specialized, and presumably productive, workers. About one-third of immigrants in the labor force have less than a high school education compared to about one-tenth of natives, and as a result, one might surmise that immigrants' relative lack of formal educations should be a critical source of vulnerability. In reality, unemployment among less-skilled natives is historically higher than among less-skilled immigrants in part because a large share of less-skilled foreign workers lacks legal immigration status and, as a result, has high attachment to the less-skilled and informal labor force.

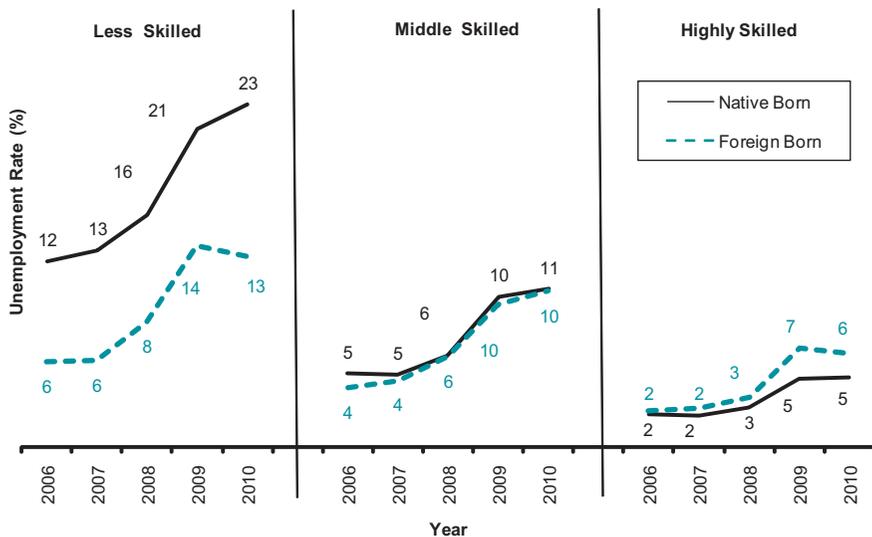
Over the recession, the unemployment rate increased for all education groups, but the differences between immigrants and natives are most striking among the less educated — those without a high school education (see Figure 8). Between 2007 and 2009, the unemployment rate increased 10 percentage points among less-educated natives and by

2010, nearly one-quarter of less-educated natives were unemployed. Among less-educated immigrants, the unemployment rate increased from 6 percent to 14 percent between 2007 and 2009 before falling slightly to 13 percent in 2010. Less-educated immigrants were also more likely than less-educated natives to stay in the labor force during the recession — the labor force participation rate remained constant among foreign born without a high school education while it fell among similarly educated natives — in part as a result of many immigrants' limited access to a public safety net.

In 2010, however, less-educated immigrants made modest employment gains (relative to the same quarter of the previous year) while less-educated natives continued to experience job losses. Moreover, the number of discouraged workers — that is, workers who are not counted as unemployed because they have given up actively searching for a job due to the perception that jobs are not available — continued increasing in 2010 among the native-born but fell among the foreign born.

At the same time, unemployment rates among middle-skilled immigrants and natives — those with at least a high school degree but less than a bachelor's degree — stayed remarkably similar from 2006 to 2010. Highly educated immigrants (those with a bachelor's degree or higher), however, faced slightly higher unemployment than highly educated natives. One explanation of these trends is that, on average, middle-skilled immigrants have been in the United States longer than either less-skilled or more-skilled immigrants; in fact, many arrived as children, obtained their education in the United States, and more closely resemble the native-born population on a wide range of indicators.

Figure 8. Unemployment Rate by Nativity and Education, 2006-10



Note: Includes workers age 16 and older. “Less skilled” includes workers without a high school education. “Middle skilled” includes workers with a high school degree but less than a bachelor’s degree. “Highly skilled” includes workers with a bachelor’s degree or higher.
Source: MPI analysis of US Census Bureau, monthly Basic CPS, 2006-10.

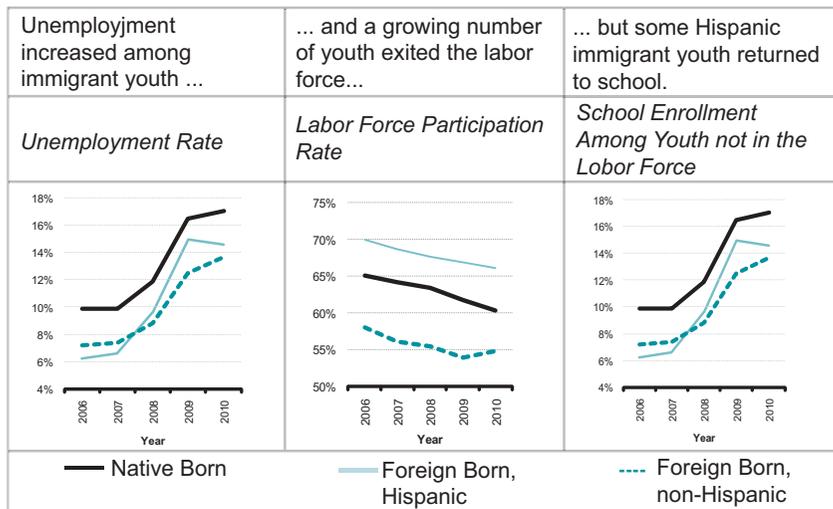
2. Youth

During recessions, youth (defined as ages 16 to 26), irrespective of nativity, tend to be more susceptible to losing their jobs — and have greater difficulty finding new ones — given their limited work experience and the seniority systems that are prevalent in some industries.³¹ In the best of circumstances, losing a job may prompt youth to enter a new industry, start a business, or return to school. However youth who must work, often because of family obligations, face more daunting challenges. Some simply exit from the labor force with no alternative plans, joining the ranks of the so-called “disconnected youth” who neither work nor study.

Prior to the recession, unemployment among immigrant youth was lower than for native-born youth. It rose for both groups after the recession began — from about 7 percent to 14 percent for immigrant youth and from about 10 percent to 17 percent for native-born youth. Among immigrant youth, unemployment is much higher among Hispanics than among non-Hispanics (mostly Asians) (see Figure 9). Among native-born black/African-American youth, the unemployment

rate is much higher — approaching 30 percent. Similarly, labor force participation rates declined for both native- and foreign-born youth. However, among Hispanic immigrant youth who are not in the labor force, there were modest increases in the school enrollment rate (from 50 to 59 percent) between 2007 and 2009. School enrollment also increased, although more modestly, among Hispanic immigrant youth who participate in the labor force, but for both groups it remains well below school enrollment among native-born and non-Hispanic immigrant youth.

Figure 9. Immigrant and Native Youth (Ages 16 to 26) in the US Labor Force, 2006-10



Source: MPI analysis of US Census Bureau, Monthly Basic Current Population Survey and March Socio-Economic Supplement to the CPS, 2006-10.

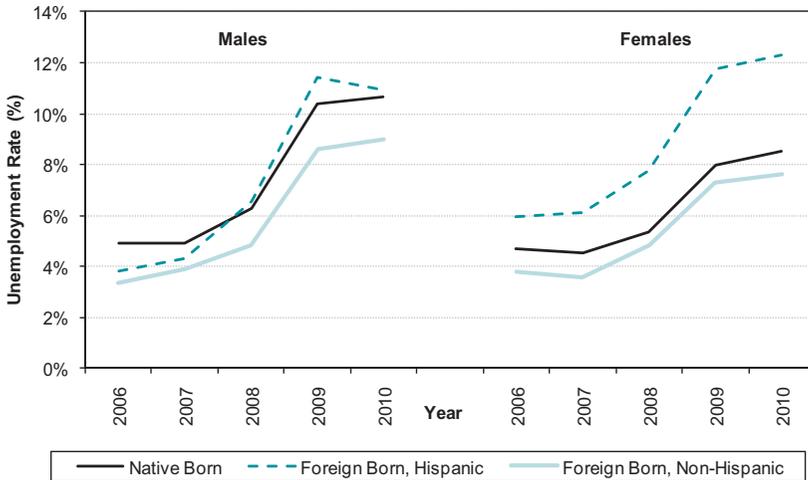
3. Gender

The recession was anything but gender neutral, leading some pundits to label it the “mancession.”³² Unemployment rose much faster for men, primarily as a result of their high concentration in industries that fared particularly poorly, notably in construction and finance. The inverse is also true: women tend to be concentrated in industries such as health care and personal services that have continued to grow despite the broader economic downturn.

However, this trend appears to have been largely driven by the native born. Among non-Hispanic immigrants, unemployment increased similarly for both men and women (see Figure 10). Among Hispanic

immigrants, male unemployment increased dramatically during the recession. But Hispanic immigrant women faced higher unemployment prior to the recession and the two rates have now converged. Indeed, the unemployment rate among Hispanic immigrant men began to fall in 2010 but continued to increase among Hispanic immigrant women.

Figure 10. Unemployment Rate, by Nativity, Ethnicity, and Gender, 2006-10



Source: MPI analysis of monthly Basic CPS, 2006-10.

4. Long-Term Unemployment

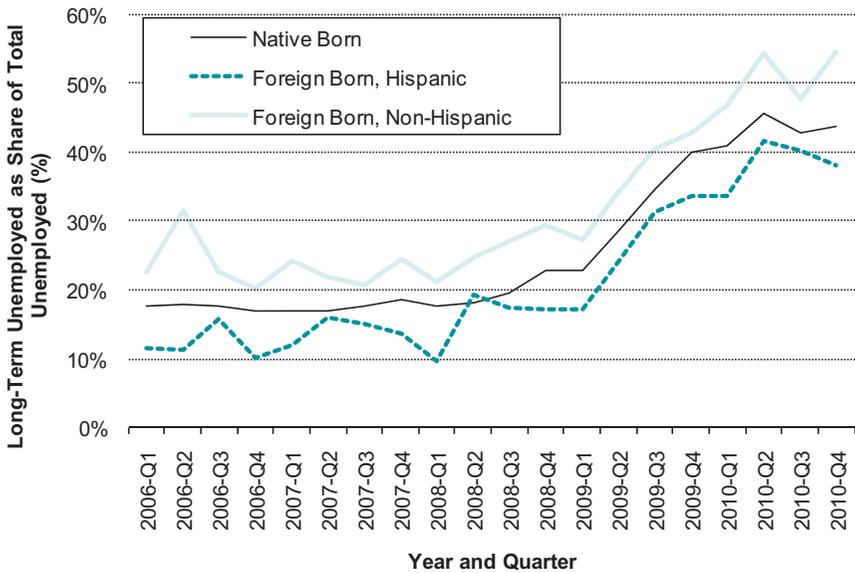
Since the recession began, the average duration of unemployment has increased for all groups in the United States. Long-term unemployment, lasting 27 weeks or more, is of particular concern because in most states workers lose unemployment benefits after 26 weeks and because the long-term unemployed are most likely to be viewed unfavorably by employers and to experience a gradual skill deterioration. As a result, they often face substantial barriers to finding new jobs; those out of the labor force the longest may never recover or return to middle-class employment.³³ A growing body of evidence from across the advanced industrial world suggests that workers who lose jobs during recessions suffer from long-term “economic scarring.”³⁴ During periods of high unemployment, the US government can extend benefits as it has done on multiple occasions since 2009. In states with the highest unemployment rates, workers can receive unemployment benefits for up to 99 weeks — the longest period since the federal unemployment insur-

ance program was started in 1935. (Unauthorized immigrants are not eligible to collect unemployment benefits regardless of the duration of their unemployment.)

Similar to overall unemployment rates, long-term unemployment rates among native and foreign-born workers track each other fairly closely: the share of unemployed for both groups who had been out of work for 27 weeks or longer increased from about 18 percent in 2007 to 43-44 percent in 2010, when the share stabilized but did not fall (see Figure 11). But certain immigrant groups are more likely than others to face long-term unemployment. For instance, the share of long-term unemployed among all unemployed is about 10 percentage points higher among non-Hispanic (mostly Asian) immigrants than among Hispanic immigrants. There are multiple possible explanations as to why non-Hispanic immigrants face higher long-term unemployment rates, including their older average age, greater likelihood to have entered the United States through refugee resettlement programs, greater access to the social safety net, and higher incomes (and as a result greater economic stability which may lead to a longer job search).

The difference is even more striking when considering the unemployed who have been out of work for 78 weeks (about a year and a half) or longer: By late 2010, nearly one-fifth of unemployed non-Hispanic immigrants had been out of work for a year and a half or longer compared to one-eighth of unemployed Hispanic immigrants. Interestingly, the share of unemployed workers who have been out of a job for 78 weeks or longer continued to rise in 2010, particularly among Hispanic immigrants, while the share out of work for 27 weeks or longer stabilized. These diverging trends point to a small, but significant, group of unemployed immigrant workers who are not benefiting from the recent uptick in hiring.

Figure 11. Long-Term Unemployed as Share of Total Unemployed, 2006-10



Note: Long-term unemployed includes those out of work for 27 weeks or longer.

Source: MPI analysis of monthly Basic CPS, 2006-10.

C. Income and Poverty

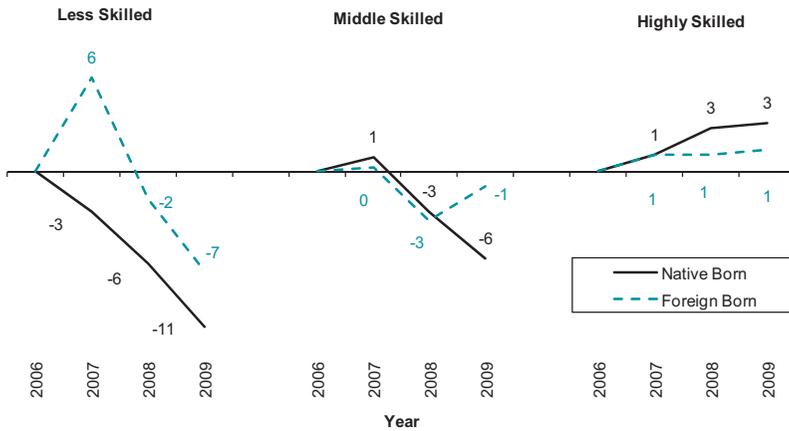
I. Income

Nationally, low inflation and remarkable productivity increases during the recession meant that workers who were able to keep their jobs actually experienced wage gains after accounting for inflation.³⁵ Real wages were constant or even increased slightly between 2006 and 2009 for prime working-age natives (ages 25 to 55) who were employed, but the same was not true for immigrants. Between 2007 and 2009, inflation-adjusted wages and salaries declined by 7 percent for employed prime working-age immigrants. This was true for both Hispanic and non-Hispanic immigrants. These trends were driven largely by many immigrants' relatively low levels of human capital. But they were also driven to various degrees by immigrants' higher likelihood of accepting part-time work, longer working hours, jobs in sectors paying lower wages, and a willingness to work at a lower wage.

Figure 12 shows how inflation-adjusted wages evolved for native- and foreign-born workers in each of three skill groups over the course of the recession:

- Between 2006 and 2009, employed *less-skilled* natives experienced a greater decline in wage and salary income than less-skilled immigrants; however, this does not hold when accounting for the surge in wages experienced by less-skilled immigrants in 2007, which reflects the tail end of the construction boom. The steady decline in income among less-skilled natives reflects both the impact of the recession and longstanding trends in the US labor market.
- Among *middle-skilled* workers, those with at least a high school education but less than a bachelor's degree, income evolved similarly for the native- and foreign born. But incomes appear to have recovered more quickly among middle-skilled immigrants while they continued to fall among middle-skilled natives. Among these middle-skilled workers, the sectors where workers are concentrated and hours worked each week help explain some of the difference. For instance, middle-skilled immigrants tend to concentrate in health care support occupations, but middle-skilled natives tend to work in manufacturing and administrative support jobs.
- Finally, among the *highly skilled*, wages increased faster among the native born than among the foreign born—probably reflecting differences in the sectors in which the two groups are employed, higher returns to education for the native born, and the greater opportunities for occupational mobility open to native-born workers. Notably, however, wages increased for both groups in stark contrast to the two other skill groups.

Figure 12. Cumulative Percent Change in Median Real Wage and Salary Income of Employed, Prime Working-Age (25-55) Adults by Education Level, 2006-09



Note: Base year 2006. Includes only employed workers ages 25 to 55 who reported a positive wage and salary income. Median incomes have been adjusted for inflation using the national urban Consumer Price Index. Annual income reported is for the year prior to the survey year. "Less-skilled" workers are those without a high school degree; "middle-skilled" workers are those with at least a high school degree but less than a bachelor's degree; "highly skilled" workers are those with a bachelor's degree or higher.

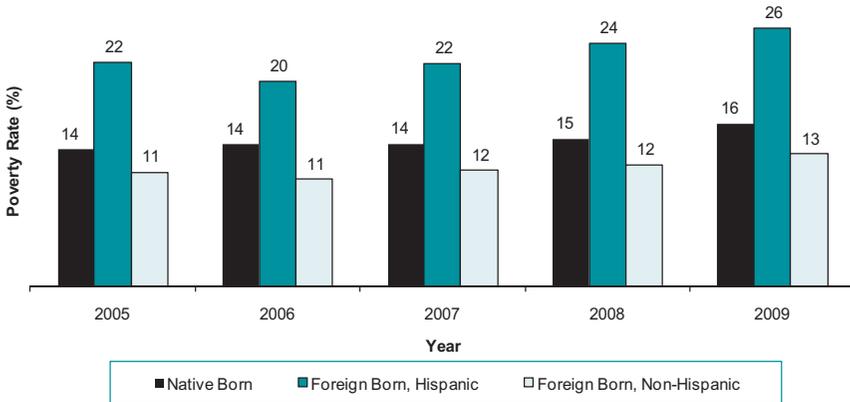
Source: MPI analysis of March Socio-Economic Supplement to the CPS, 2007-10.

2. Poverty

Poverty data through the entire recession are not yet available, but economist Rebecca Blank, currently Undersecretary of Commerce for Economic Affairs, has estimated that for each percentage point increase in the unemployment rate, the poverty rate rises by 0.45 percentage points.³⁶ Data through early 2009 suggest a notable spike in poverty among the foreign born. Poverty among immigrant households increased from 17 percent in 2007 to 22 percent in 2009 compared to a more modest (if still noteworthy) increase from 14 percent to 16 percent among the native born.³⁷

Hispanic immigrants have the highest poverty rates (see Figure 13), and by early 2009, over one-quarter (26 percent) of Hispanic immigrants lived in poverty compared to 13 percent of non-Hispanic immigrants. During the decade prior to the recession, poverty rates had been gradually declining among Hispanic immigrants, but the economic crisis reversed these gains. Comparatively low levels of human-capital endowments combined with a substantial unauthorized immigrant population translated into poor labor market and socioeconomic outcomes among Hispanic immigrants.

Figure 13. Poverty Rate, 2005-09



Note: Poverty is for the year prior to the survey year.

Source: MPI analysis of March Socio-Economic Supplement to the CPS, 2006-10.

III. Conclusion: Vulnerability, Resilience, and Adaptation

The economic crisis and its aftermath raise many questions about the image of the United States as a country virtually immune from protracted labor market malaise. Many of the concerns that have grabbed policymakers' attention over the past three years have roots in demographic and economic trends that predate the recent downturn. As the US economy continues to move inexorably toward knowledge- and service-based industries that require higher cognitive and interactive/collaborative skills, demand for less-educated and Limited English Proficient (LEP) workers is expected to moderate substantially — although it will not disappear.³⁸ Sustained inattention to the country's workforce-training infrastructure, especially in skilled trades, combined with the country's failure to improve the quality of public education on a large scale and the relative unattractiveness of low-wage, difficult, and seasonal jobs to native workers, have led many industries to rely on foreign workers — often from Mexico and Central America — to fill both lower-skilled and middle-skilled jobs.

Paradoxically, the economic crisis also revealed that immigrants are also deeply vulnerable to fluctuations in the US economy. Unemployment remains stubbornly high and there is evidence that some native-born workers have moved into previously immigrant-dominated

occupations: between 2006 and 2010, native-born employment increased and foreign-born employment fell among food preparation and food service workers, maids and domestic workers, barbers, and laundry and dry-cleaning workers.³⁹ Certain groups of immigrants fared much worse than others for a wide range of reasons, including the industries where they worked, the degree of their incorporation into the labor market, their low levels of formal education, and very likely, their illegal immigration status. As employment opportunities contracted, unemployment increased and remained high among some immigrant groups, while poverty among immigrant households increased from 17 percent in 2007 to 22 percent in 2009 compared to a more modest increase among the native born.

But while the story of immigrants' *vulnerability* during the economic crisis may have become familiar, the story of immigrants' *resilience* and their *adaptation* to the rapidly evolving US economy is less well known.

A substantial share of immigration flows (particularly unauthorized flows) responded relatively quickly to the changing labor market. In both 2009 and 2010, it took more than six months to fill the annual quota for highly skilled temporary worker (H-1B) visas for the next fiscal year — a remarkable change when compared to the days or weeks it typically took in the previous three years to fill the quota. Perhaps more remarkably, the inflow of unauthorized immigrants slowed substantially starting in 2007, almost in sync with the bursting of the residential housing market bubble and the slowdown and subsequent collapse of the US construction sector. However, the outflow of unauthorized immigrants remained relatively constant. This is in stark contrast to the United Kingdom, where both inflows and outflows of foreign workers are more responsive to labor market conditions in the framework of European labor mobility liberalization. Such circularity characterized illegal immigration flows between Mexico and the United States until the 1980s when the pattern gradually changed into more permanent stays as a result of increasing border enforcement (which, perversely, “locks people in”) and other factors.

Immigrants also proved resilient and adapted to changing economic circumstances from within the United States. Although the overall rate of migration *within* the United States slowed during the economic crisis — in large part because the collapse of the residential housing market tied people to homes they could not sell and were valued at less than mortgage commitments — immigrants continued to move in significant numbers.⁴⁰ Moreover, a growing number of immigrants took on part-time jobs or moved into less-desirable or less well-compensated

jobs. As discussed earlier, real wages were constant or even increased slightly for native-born workers who remained employed between 2007 and 2009, but the same was not true for immigrants. Inflation-adjusted wages and salaries declined by 7 percent for employed prime working-age immigrants while they grew slightly for employed prime working-age natives.

In retrospect, the economic crisis forced all Americans to adjust their expectations, but immigrants and natives responded differently. While a growing number of native-born and more affluent immigrant families adjusted to a single income, less-affluent immigrant families adjusted mainly by accepting lower-wage or part-time employment.

Historically, even relative lulls in immigration — the present in some ways qualifies as such — have been accompanied by a greater policy focus on immigrant integration. In the past, the labor market has been a powerful immigrant-integrating institution in the United States, enabling immigrants, *over time*, to earn family-sustaining wages. Recent research from MPI's National Center on Immigrant Integration Policy documents that pattern by pointing to the progression of immigrants from low- to middle-skilled jobs in several key sectors of the US economy.⁴¹ This story of immigrants' integration into the US labor force has always been mixed and it was beginning to show strains in the years immediately prior to the recession. In general, the foreign born were reporting high labor force participation rates, but they were also more likely to occupy low-paying jobs — clearly a function of the enormous overhang of the illegally resident population, many of whom share the educational and demographic characteristics of other vulnerable workers. Moreover, since 1996 noncitizens have been excluded from most of the federal means-tested public benefits that moderate poverty and promote intergenerational economic mobility among native-born households.⁴²

Perhaps more critically, the recession has exposed an underlying weakness in the longstanding assumption that, as in the past, a dynamic labor market alone would effectively integrate the latest wave of immigrants. A growing body of research points to the importance of the social safety net in limiting the intergenerational transmission of poverty among less-educated natives.⁴³ But the deep budget cuts experienced by state and local governments over the past three years, and cuts to the federal budget starting in fiscal year 2011, have considerably weakened the public and community-based institutions and programs that historically promote upward intergenerational mobility among the children of immigrants. Relatively few publicly

funded programs at the state and local levels explicitly aim to promote immigrant integration, but integration is a welcome consequence of broader programs designed to alleviate poverty and promote economic opportunity.⁴⁴ Since state budgets tend to focus primarily on education and health care, all states have scaled back on these critical human-capital investments; the impact of such retrenchment always falls disproportionately on less affluent communities.⁴⁵

The evidence presented in this chapter points to broader long-term challenges for immigrants — especially those with limited education, low English proficiency, or illegal status — in the United States, even with job creation picking up steam. The effects of the recession linger in the form of fewer jobs, less household wealth due to deeply depressed home prices across most of the country, and evolving consumer behaviors. Labor force participation has increased rapidly among women and the elderly: Nearly 1 in 5 senior citizens ages 65 and older now participates in the US workforce, a rate last observed in the 1960s. Recent estimates by Michael Greenstone and Adam Looney at the Brookings Institution point to the daunting job creation that will be necessary before unemployment begins to meaningfully decline: If the US economy adds about 208,000 jobs per month, the average monthly rate for the best year of job creation in the 2000s, it will take until November 2022 to close the current job gap; even under unrealistically optimistic scenarios, the US economy will not achieve prerecession employment levels until early 2016.⁴⁶

The US labor market is gradually recovering and all US workers are adjusting to new economic realities. Inflows of Mexican and Central American immigrants have increased modestly but remain well below prerecession levels. By contrast, inflows of the mostly better-educated and more often legal immigrants from other regions of the world have returned to precrisis levels. In recent decades, Hispanic immigrants tended to fill low-wage jobs at the bottom of the labor market. But the less-skilled labor market has been stagnant for years and the recession has further limited the prospects for these workers. In fact, there is little indication that employment opportunities will increase substantially for less-educated workers in the United States.⁴⁷ Some admittedly highly contested estimates suggest that structural unemployment — the unemployment rate one can expect when the US economy is functioning normally — increased from around 5 percent to around 8 percent as a result of the crisis.⁴⁸ This may be highly exaggerated,⁴⁹ but few analysts would disagree that a return to unemployment rates of 5 percent, such as prevailed prior to the recession, is not particularly likely. And high unemployment and

growing global competition, combined with a weak safety net, can yield a volatile, high-stakes political climate, particularly for groups which historically have limited capacity to organize or advocate in their own defense.⁵⁰

It is impossible to predict the future of immigration to the United States. As Joseph Nye observes, “Unforeseen events often confound projections; there is a range of possible futures, not one.”⁵¹ However, it is clear that immigration policymakers can no longer take for granted the assumptions about the number and the skill profile of the immigrants that the economy will need. Policymakers and the public will have to undertake a more far-reaching and thoughtful conversation about immigration before reaching consensus. →

Endnotes

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- 9 The change is not statistically significant. See Jeffrey S. Passel and D'Vera Cohn, *Unauthorized Immigrant Population: National and State Trends, 2010* (Washington, DC: Pew Hispanic Center, 2011), www.pewhispanic.org/reports/report.php?ReportID=133. The Department of Homeland Security (DHS) Office of Immigration Statistics estimates that the unauthorized immigrant population remained steady at 10.8 million between January 2009 and January 2010 after peaking at 11.8 million in 2007. See Michael Hoefer, Nancy Rytina, and Bryan C.

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- 24 Including forestry, fishing, and hunting.
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- 28 Michael Fix, ed., *Immigrants and Welfare: The Impact of Welfare Reform on America's Newcomers* (New York: Russell Sage Foundation, 2009).
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CHAPTER 2

FOREIGN WORKERS AND IMMIGRANT INTEGRATION:

Emerging from Recession in the United Kingdom

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Introduction

The global recession hit the United Kingdom at an interesting moment in the nation's immigration history. After decades of low immigration rates¹ the nation was in the midst of an immigration boom, prompted by a greater openness to economic migration (dating from 1997), the European Union's enlargement (in 2004), and robust economic growth. All told, the number of foreign born had grown steadily from under 9 percent of the population in the mid-1990s to 13 percent in 2007, reaching a historical high on the eve of the recession.²

Despite sustained economic growth, public concerns about immigration grew with the size of the inflows, prompting the Labour government to introduce a series of institutional reforms. These included a points-based system for admitting skilled immigrants and students, the phasing out of low-skilled immigration from outside the European Union (EU), and the introduction of an independent committee of economists with a mandate to advise the government on the economics of immigration. The election of a new Conservative–Liberal Democrat coalition in May 2010 brought yet more changes to the UK immigration

system, including, most notably, the introduction of a cap on non-EU economic migration.

At the onset of the economic crisis in mid-2008, about 30 percent of the foreign-born population came from EU Member States, both old and new. An estimated 1.3 million immigrants from EU-15³ Member States were primarily concentrated in managerial and professional jobs, and more than half had been in the country for 20 years or more. A further 780,000 had arrived much more recently from new EU Member States in Eastern Europe and, by contrast, were heavily represented in low-skilled occupations.⁴ About one-fifth of UK immigrants came from the Indian subcontinent (Bangladesh, India, Pakistan, and Sri Lanka); of these, Indians were heavily concentrated in high-skilled jobs, while Pakistanis and Bangladeshis were more often found in low-skilled occupations. And just under a fifth of immigrants came from African countries and were distributed across skill levels in roughly the same proportions as the UK born.⁵

Immigrants' economic integration was therefore uneven. Some immigrant groups fared better than UK nationals in terms of their wages, employment rates, and representation in highly skilled work.⁶ Others remained poorly integrated — particularly women from countries with large refugee outflows (employment rates for females from Iraq and Bangladesh, for example, hovered around 20 percent in 2008, and only 10 percent of Somali women held jobs).⁷

Unlike in many rich receiving countries, immigrants to the United Kingdom are more highly educated than their native-born counterparts.⁸ Their wages, however, do not reflect this additional education: employed immigrants earn roughly comparable wages to the UK born. The gap between immigrant and native hourly wages has moved from slightly positive to slightly negative for immigrants over the past five years, largely due to the arrival of EU nationals concentrated in less-skilled occupations.⁹

A. The 2008-09 Recession

The UK recession began in early 2008, accompanied by a particularly severe banking crisis and the end of a long housing market boom. The gross domestic product (GDP) contracted more sharply than in the United States or the EU eurozone, falling by 6.4 percent from early 2008 to mid-2009; and house prices fell by 7.4 percent in 2009 alone.¹⁰ Nonetheless, the recession's impact on the labor market has been

smaller than feared. Employment fell by 2.8 percent from the spring of 2008 to the end of 2009, much less than the contraction in GDP.¹¹ Unemployment rose to 8 percent in mid-2009 from a 2005 low of just under 5 percent, and long-term unemployment rose from just over one-third of the unemployed to just under one-half over the same period.¹² Young workers and the least skilled were worst affected, with unemployment reaching 18 percent among 18- to 24-year-olds in 2010¹³ and 20 percent among new graduates.¹⁴

Small GDP increases at the end of 2009 and beginning of 2010 pulled the United Kingdom out of recession, but growth remained tentative. At the time of writing, a surprising preliminary estimate for the final quarter of 2010 projected a 0.5 percent contraction in GDP, raising the specter of a potential return to recession (these fears were exacerbated when the Coalition government accelerated spending cuts). While unemployment remained moderate by historical standards, it fluctuated around 8 percent throughout 2010.

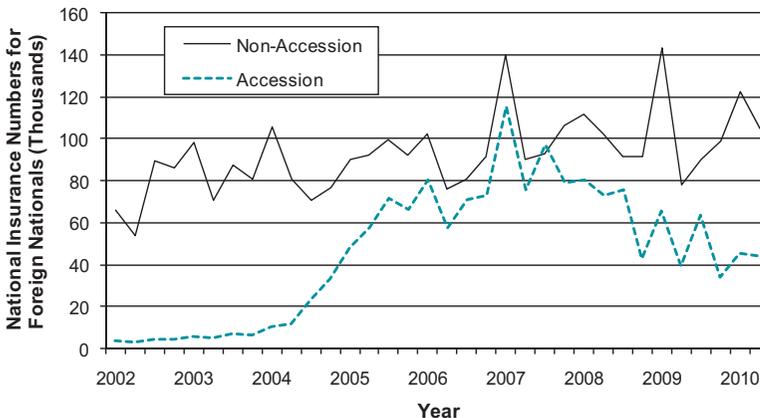
The relatively modest labor market impact is a result at least in part from the fact that cutbacks have been shared across the workforce: fewer people hold multiple jobs, more are working part time or in short-term positions, 35 percent of private-sector workers are in a pay freeze, more people are on voluntary unpaid leave or short-time work, and labor productivity rates have fallen.¹⁵ “Labor hoarding” has been more common in this recession than in previous downturns. As education levels in the UK workforce rise alongside the proportion of highly skilled occupations, it seems that the average employer is more willing to retain staff even at the cost of low productivity.¹⁶ As employers take up the slack that has accumulated during the recession, employment growth is likely to remain slow.

A large fiscal deficit and the advent of policies designed to reduce it leave the timing of a potential recovery in doubt, especially considering the negative growth figures of late 2010. Sharp cuts in government spending were announced in 2010, the bulk of which take effect in or after the spring of 2011. Economists remain divided over the speed with which the United Kingdom can cut the deficit without hurting economic recovery. As of mid-2010, forecasts suggested that unemployment would not drop substantially in 2011.¹⁷

B. The Impact on Immigration to the United Kingdom

The recession reduced immigration to the United Kingdom by enough to bring a decade of growth in the foreign-born population to a halt. Inflows of Eastern Europeans registering with the Worker Registration Scheme collapsed in 2008 and remained low throughout 2009 and 2010. Other immigration flows were somewhat less responsive. Data on the issuance of national insurance numbers (which are required for legal employment) show that while the number of Eastern Europeans joining the labor market was almost halved between 2007 and 2009, the number of workers from other regions fell only slightly (see Figure 1), largely because of a 10 percent rise in applications from Asia and the Middle East. By contrast, national insurance number issuances between 2007 and 2009 fell by 7 percent for other EU nationals, 6 percent for North and South Americans, 11 percent for Africans, and by a substantial 37 percent for workers from Australasia and Oceania.¹⁸

Figure 1. Quarterly National Insurance Numbers Allocated to Foreign Nationals, 2002-10



Note: Accession countries are those that joined the European Union in 2004. Non-Accession countries are those in all other regions.

Source: Department for Work and Pensions, *National Insurance Number Allocations to Adult Overseas Nationals Entering the UK*, http://research.dwp.gov.uk/asd/asd1/niall/index.php?page=nino_allocation.

The onset of the recession coincided with the implementation of new immigrant admission policies, making it difficult to analyze the impact of the economic crisis on different types of migration. For example, the number of people issued an employer-sponsored work permit fell

by 35 percent from 2008 to 2009, but it is not clear if the new rules or the crisis bore more responsibility for the decline.¹⁹ Meanwhile, the number of new arrivals on family unification visas fell by 10 percent and remained somewhat lower than average in 2010.²⁰

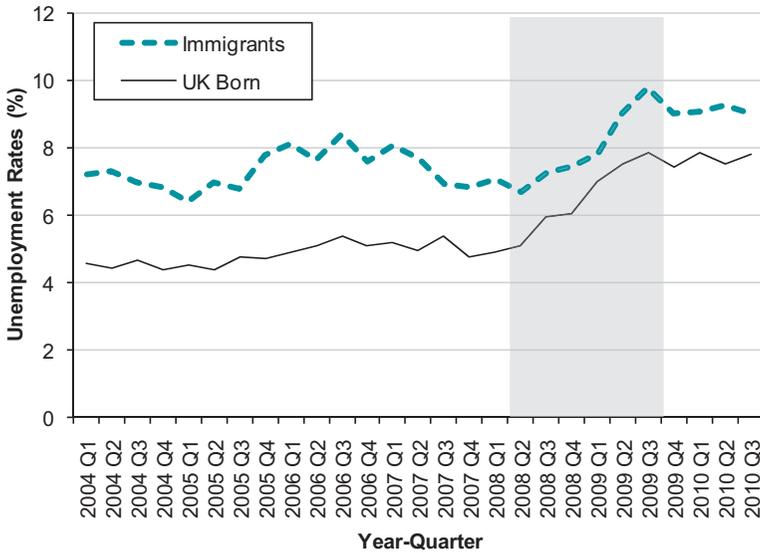
Return migration is harder to measure, although official government data on passengers entering and leaving the country at airports or other entry and exit points suggest that emigration increased by about 50 percent in 2008 before falling again in 2009. The largest increase in emigration was among Eastern Europeans — the only group for which *net* immigration is estimated to be negative during the 2008-09 period.²¹ Official data from Poland on the country's citizens living temporarily abroad suggest that the Polish population in the United Kingdom could have fallen by as much as 20 percent between 2007 and 2009.²²

I. The Impact of the Recession on Immigrants

The crisis does not appear to have affected immigrants disproportionately overall. Immigrants have historically experienced higher unemployment and lower employment rates than UK-born workers, regardless of economic conditions. During the boom of the early to mid-2000s, immigrants' unemployment rates averaged 2-3 percentage points higher than those of the UK born (see Figure 2). Immigrants' employment rates climbed steadily for several years leading up to the recession, almost halving a 2004 gap of 9 percentage points between immigrants and natives. Since 2006 the remaining gap between UK-born and immigrant workers has been the result of low employment among immigrant women; the employment rates of immigrant men closely track those of their UK-born counterparts.

With the onset of the recession, unemployment rose and employment fell among both groups. The size of the gap between them, however, remained essentially unchanged.

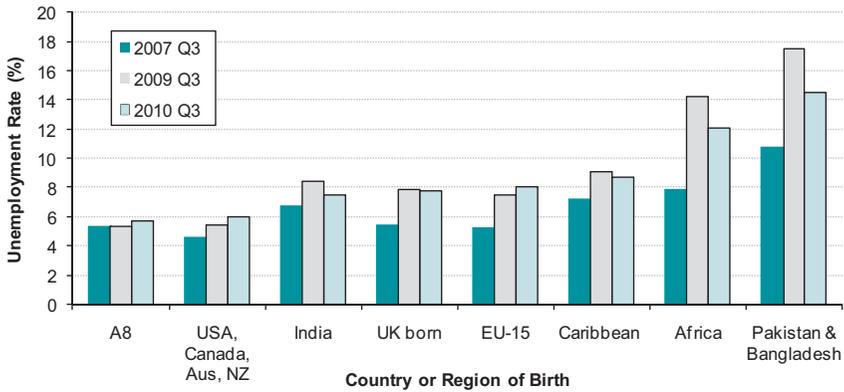
Figure 2. UK-Born and Immigrant Unemployment Rates, 2004-10



Note: Not seasonally adjusted.
 Source: Quarterly Labor Force Survey, 2004-10.

These aggregate trends mask substantial differences across immigrant groups. Some immigrant groups already fared much better than others before the recession, and not all saw a deterioration of the same magnitude. For example, unemployment rose more, from a higher base, for immigrants from Africa and from Pakistan and Bangladesh, reaching approximately 14 and 17 percent, respectively, in the third quarter of 2009, before falling somewhat in 2010. On the other hand, recent immigrants from the A8 countries (countries that joined the European Union in 2004 and which had lower incomes than the EU average),²³ as well as some advanced industrialized nations in the EU-15 and North America fared as well as, or better than, the UK born (see Figure 3). Indians have also experienced relatively low unemployment; after a brief spike in mid-2009, Indian immigrants' unemployment fell to a level comparable to that of the UK born.

Figure 3. UK Unemployment in Q3 2007, 2009, and 2010, by Select Region or Country of Origin, 2007-10



Notes: Due to sample-size limitations, small to moderate changes in the unemployment rate for immigrant groups are not necessarily statistically significant. A8 refers to Eastern European countries that joined the European Union in 2004. NZ refers to New Zealand. EU-15 refers to the first 15 “old” Member States of the European Union.

Source: Quarterly Labor Force Survey, July-September 2007, 2009, and 2010.

A decline in labor force participation compounded these increases in unemployment for some groups. Immigrants from Africa and to a lesser extent the European Union became economically inactive in larger numbers. By contrast, economic activity increased among immigrants from India, driven primarily by Indian-born women’s labor force participation, which increased from 57 to 70 percent in 2009-10.²⁴

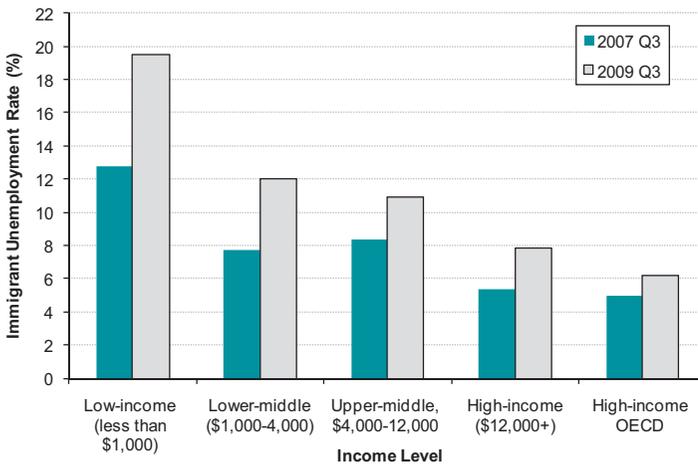
What drives these large differences between groups? In the following section, we explore factors that underlie immigrants’ vulnerability to the economic cycle and that might explain some of these differences. The data show that education, language, minority status, age, gender, and the level of economic development in source countries have all shaped immigrant workers’ employment rates over the past two years. Less-educated immigrants, those from less-wealthy source countries (with the notable exception of India), those who do not speak English at home, and those belonging to ethnic minorities have all experienced high and often sharply increasing unemployment during the economic crisis. In general, the workers who struggled most in the UK labor market before the recession have been the same groups that lost most ground during its course, while those who fared well during the boom have been more insulated from the recession’s impact. Modes of entry

(whether through family, job-related, or humanitarian channels) also appear to be important, but data limitations do not allow conclusive generalizations.

A. Country of Origin, Language, and Minority Status

The level of economic development in their countries of origin has tracked UK immigrants' unemployment rates remarkably closely over the past two years, as shown in Figure 4.²⁵ This trend reflects much more than economic development per se, but rather the characteristics of immigrants who gain entry from different source regions, and the circumstances under which they come.

Figure 4. UK Immigrant Unemployment in Q3 2007 and Q3 2009, by 2009 per Capita GDP of Country of Origin



Source: Author's calculations from the Labor Force Survey, which uses International Monetary Fund (IMF) and Central Intelligence Agency (CIA) data on GDP, adjusted for purchasing power differences.

Wealthier countries have been the beneficiaries of more relaxed immigration policies. Twenty-five EU Member States receive free labor market access, while skilled workers from the wealthy Organization for Economic Cooperation and Development (OECD) countries can migrate with relative ease. By contrast, workers from less-wealthy countries are more likely to be unauthorized — a factor that may hurt their labor market prospects. Meanwhile, a greater proportion of immigrants from

poorer source countries entered on humanitarian grounds, and tend to face particular difficulties in the labor market (not least because of rules that forbid asylum seekers from working). While the data do not identify refugee status, it is telling that some of the national groups with the highest unemployment rates are among the largest refugee and asylum-seeker groups in the United Kingdom. Of the source countries that are sufficiently large to analyze individually in the Labor Force Survey, two stand out: Somalia and Iraq (two substantial humanitarian source countries). Immigrants from both nations experienced unemployment of over 30 percent in 2009.²⁶ By contrast, Indian immigrants — who are concentrated in skilled jobs (many having recently entered through employment-based channels) — have not seen dramatically rising unemployment despite hailing from a less-wealthy source country.

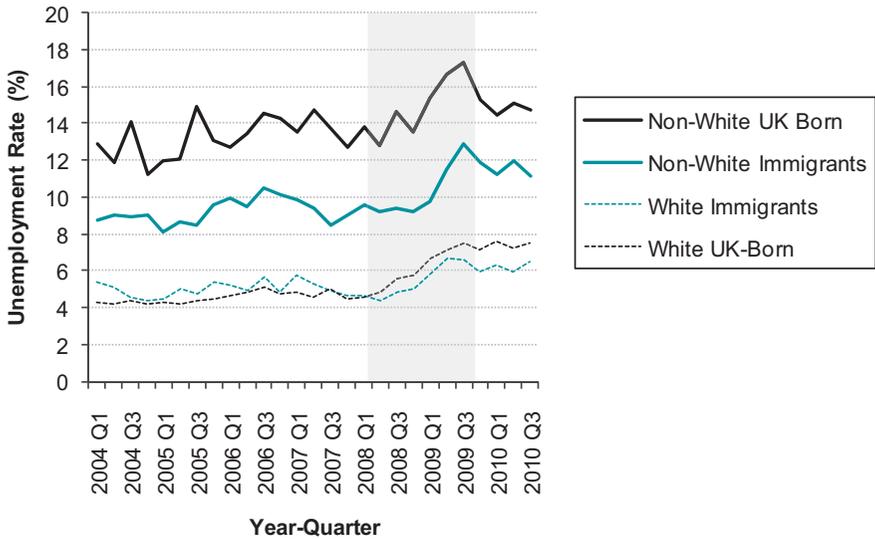
In addition, this trend almost certainly results from differences in human capital. Less-wealthy source countries tend to have less developed educational institutions, meaning that even the same years of schooling do not generate the same returns; curricula and work experiences in these source countries are less likely to be aligned to employers' needs as in an advanced industrialized economy such as the United Kingdom; and immigrants from these countries are more likely to lack English language skills.²⁷ In 2009 over 11 percent of immigrants who spoke a language other than English at home were unemployed according to Labor Force Survey (LFS) data, compared to between 8 and 9 percent of English speakers. Immigrants who came from low-income countries *and* spoke another language at home saw unemployment approaching an estimated 30 percent.²⁸

Meanwhile, a much greater proportion of immigrants from low-income countries belong to visible minority groups that may fall victim to employer discrimination (over 90 percent of immigrants from “lower-middle-income” countries with GDP per capita of \$1,000-\$4,000 are minorities, compared to about 5 percent of those from high-income OECD countries, for example). Minority status is worth discussing in more detail, since it has strong associations with labor market performance. Members of visible ethnic minorities — both immigrants and natives — had higher precrisis unemployment than white ethnic groups, and also saw steeper increases in unemployment over the recession.²⁹

Strikingly, visible minorities tend to fare better if they are *not* born in the United Kingdom.³⁰ UK-born minorities, a group that largely comprises second-generation children of immigrants who arrived from

former colonies in the post-World War II period, saw the highest unemployment rates of all groups. Nonwhite immigrants have fared somewhat better, but still reached unemployment levels of over 12 percent. Meanwhile, white workers have fared comparably, whether native or immigrant: immigrant status does not appear to affect unemployment rates for workers who are white.

Figure 5. UK Unemployment, by Minority Status and Place of Birth, 2004-10



Note: Excludes individuals who identify their ethnicity as “other race.”
 Source: Labor Force Survey 2004-10.

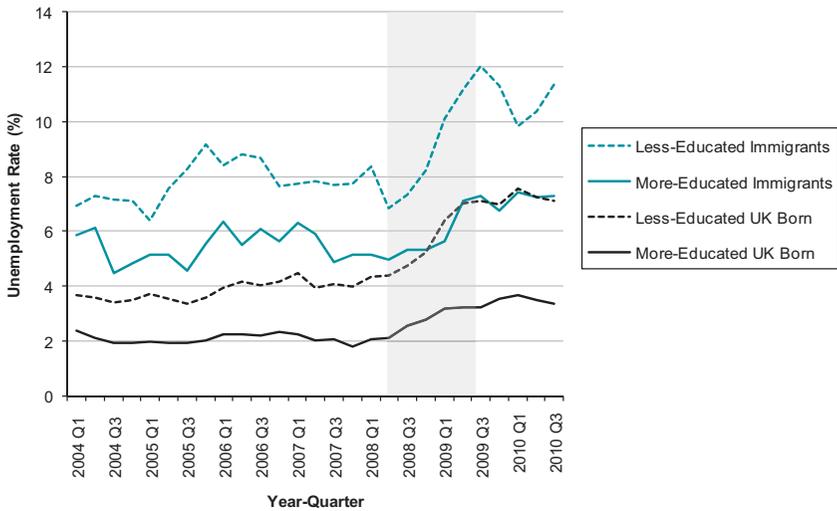
The reasons for these differences are numerous. A substantial volume of research shows that higher unemployment among second-generation workers from black African, black Caribbean, and Pakistani and Bangladeshi ethnic groups cannot be explained by differences in demographic and educational characteristics, and that higher education levels do not translate as effectively into better labor market prospects for many ethnic minorities as they do for white British groups.³¹ Some of these disadvantages arise from employer discrimination,³² but they also likely reflect persisting inequality between generations in a country with relatively low socioeconomic mobility.³³

B. Education

As in many countries, less-educated workers have fared worse within all major groups, whether native or immigrant. Figure 6 shows unemployment for immigrants and the UK born in a low- and high-education category (defined as those who left school at 16 years or less, or 18 years or more, respectively).³⁴

By late 2009 less-educated immigrants had the highest unemployment rates of the four groups shown: approximately 12 percent. Within both the immigrant and native populations, less-educated workers fared worse; and within both the high- and low-education groups, immigrants fared worse. This education effect may help to explain why the highly educated group of Eastern European migrants have maintained low unemployment rates.

Figure 6. UK Unemployment Rate, by Education Level and Birth Status, 2004-10



Note: “Less educated” comprises workers who left full-time education at the age of 16 or earlier; “more educated” comprises those who left full-time education at 18 years or older.
Source: Labor Force Survey, 2004-10.

Of course, educational attainment or school-leaving ages do not necessarily mean the same thing across countries. Even in the complete absence of discrimination, immigrants educated abroad may “need”

more years of schooling to gain the same level of UK-relevant human capital as a worker educated in the United Kingdom. This means that educational attainment does not necessarily explain differences between national groups with much accuracy; but it does explain differences within groups — that is, how Germans fare relative to other Germans, or Indians relative to other Indians.

C. Age and Gender

Young workers and men have faced particularly high unemployment rates over the crisis, as in many other OECD countries. How has this affected the immigrant-native gap in employment prospects in the United Kingdom? Two interesting trends become clear when we disaggregate the data by gender and age.

First, the immigrant-native difference in unemployment during the recession essentially disappears if we limit the analysis to men. In mid-2009, immigrant and native men both saw unemployment of approximately 9 percent, as did immigrant women. UK-born women, on the other hand, were unemployed at a significantly lower rate of 6.4 percent.

Second, the “immigrant penalty” in unemployment rates also disappears when we consider youth only. About 18 percent of young workers (defined here as 16- to 26-year-olds) were unemployed in late 2009 regardless of their place of birth. For older workers (aged 27 and above), the immigrant-native gap remained roughly constant at about 3 percentage points before and during the recession, and into the recovery.³⁵

D. Immigrants’ Access to Welfare during the Recession

Immigrants’ access to public benefits depends on their immigration status. Refugees, most permanent residents, and immigrants from “old” EU Member States (excluding those who joined the European Union in 2004 and 2007) can receive public welfare benefits on the same basis as UK nationals if they are “habitually resident” in the country. “New” European citizens are eligible for most benefits only after they have been continuously employed in the United Kingdom for at least 12 months, and before that period are eligible for certain programs such as child benefit and “in-work” tax credits. The unauthorized, and temporary or provisional visa holders (including work permit holders

and students), are almost always ineligible for benefits.

Immigrants are slightly less likely to receive benefits than the UK born, on average, and certain groups are much less likely to receive them (such as Eastern Europeans, North Americans, and those from Australasia and Oceania), according to government household survey data. This remained true over the course of the recession.³⁶

Unemployment insurance (known as the “jobseeker’s allowance”) is of particular interest given the rising unemployment rate. To qualify for unemployment insurance in the United Kingdom, workers must either have made sufficient tax contributions in the past two years or have a low income and minimal savings. Applicants must show that they are actively seeking work, and may also be required to participate in career counseling or training courses. As a result of eligibility rules, the personal costs of applying for unemployment benefits, and the delay between becoming unemployed and claiming benefits, most unemployed workers — about three-fifths — do not receive unemployment insurance. Unemployed workers who are not claiming a jobseeker’s allowance tend to be younger and more educated, are more likely to have been unemployed for fewer than three months, and to be married, female, and living in a household with children.

During the recession, the proportion of the unemployed receiving unemployment benefits increased among both immigrants and the UK born, as more workers faced long-term unemployment and economic hardship. However, more of the newly unemployed UK nationals are moving onto unemployment benefits than their immigrant counterparts. Forty-four percent of unemployed natives and 28 percent of unemployed immigrants were receiving a jobseeker’s allowance at the beginning of 2010 — an increase of 13 and 5 percent, respectively, since early 2008. Immigrants who arrived in the past five years were particularly unlikely to receive benefits of any kind, as were those from new EU Member States.³⁷ In other words, eligibility restrictions and other factors (such as lack of information on the benefits system and social norms) appear to have reduced immigrants’ receipt of public benefits by a meaningful amount.

II. UK Immigration Policy over the Recession

A. *The Response of the Labour Government, Fall 2008 to Spring 2010*

Until the recession, the immigrant population had risen steadily for a decade, as had public anxiety about immigration. The economic downturn may have exacerbated some of these fears, although other topics — namely the economy — soon overtook immigration in public debate.³⁸ That said, the size of recent immigration flows came under public scrutiny during the recession; and over half of the respondents in a 2009 poll opposed “citizens of other EU countries getting a job” in the United Kingdom.³⁹ Concerns about immigrants’ impact on public services — schools, hospitals, and transportation — dominate the UK public’s concerns about immigration, suggesting that further discontent could be in the pipeline as the new regime of fiscal austerity begins to bite.

How did immigration policymakers respond to the recession? The Labour government had already initiated some major changes to the immigration system, which were still being implemented in 2008. The recession prompted some minor adjustments in policy but did not provoke a major change in direction. Overall, the political response was moderate. The government tweaked the criteria for entry under the highly skilled migrant program — an entry route that does not require a job offer and hence creates concern over “scarring” effects whereby workers who immigrate into a weak labor market suffer longer-term setbacks.⁴⁰ It also raised the required salaries that employers must pay the workers in order to obtain a visa and added regulations to the employer-sponsored entry route,⁴¹ requiring employers to advertise more jobs to UK workers. And it took up recommendations from the Migration Advisory Committee (MAC) that effectively reduced the number of “shortage” occupations for which workers can more easily qualify for a work permit. In December 2008 the government announced that restrictions on the right of Romanians and Bulgarians to work in the United Kingdom would remain in place (this decision was also based on a recommendation from the newly established MAC).

A few other policies introduced during the recession tightened immigration regulations, although they were probably not motivated entirely by the economic climate. These include measures to tighten

controls on colleges' ability to sponsor student visas and an increase in visa fees. The visa fee increase was most significant for individuals bringing their parents to the country, jumping from GBP 585 to GBP 1,680; this measure was explicitly designed to offset some of the cost to public services that elderly immigrants use.

The UK government has essentially no control over immigration flows from EU Member States, which made up around half of all labor immigration to the United Kingdom at the peak of the economic expansion, and 30 percent of the total immigrant population.⁴² (It still retains discretion over immigration from Romania and Bulgaria, although nationals from these two countries must gain full labor market access to all EU Member States by 2014). The dramatic collapse of immigration flows from Eastern Europe (the available — if imperfect — data imply that net immigration from the region may briefly have become negative) was therefore a welcome development for UK politicians.

B. The Election Campaign and New Coalition Government

Immigration loomed large in the spring 2010 election campaign that ultimately brought an end to a 13-year-old Labour government, replacing it with a Conservative–Liberal Democrat coalition (a rare outcome in a country whose voting system usually produces substantial one-party majorities). Immigration provoked contentious discussion in all three televised leadership debates. (It also dominated the early stages of the post-election Labour Party leadership campaign.)

Throughout the campaign, Labour defended the new points-based system stressing its capacity to “control” immigration, while opposition leader David Cameron committed to introducing some form of cap on immigration numbers. (The Liberal Democrats argued for a legalization program and a regional points-based system, by contrast.) This Conservative immigration cap policy was presented not as a response to the recession but rather as a response to the consistently high immigration levels of the previous decade. However, recession-related concerns may have fed into the cap's widespread popularity.

Within a few weeks of coming to power, the new government established an interim cap on economic-stream immigration and launched a public consultation on permanent limits, to be introduced from April 2011. From April 2011 points-tested immigration without an employer sponsor was discontinued and employer-sponsored immigrants

faced numerical limits, with the exception of very high earners and intracompany transferees.⁴³ The full impact of this policy is yet to be assessed, but strong reservations among members of all mainstream political parties and early reports from squeezed employers (including some politically compelling examples such as universities attempting to bring in highly skilled faculty) suggest that pressure to relax or abandon the policy will persist.

Various other policies focused on raising the skill profile of incoming immigrants via higher education and language requirements for workers. In the family stream, the government has introduced a language requirement for spouses — a policy first proposed by the previous government.

C. *Tightening Public Finances and Planning for Coming Years*

The United Kingdom's fiscal deficit of over GBP 150 billion in 2009 was without doubt the most salient political issue in 2010. The new government pledged to cut the deficit substantially faster than its predecessor (in addition to the cuts proposed by the outgoing Labour government, the Conservative–Liberal Democrat government planned to cut more than half as much again).⁴⁴ In June and October 2010, the coalition's emergency budget and spending review outlined a fiscal consolidation of between 6 and 7 percent of GDP,⁴⁵ powered by average reductions of 19 percent in the budgets of all government departments except health and overseas aid. Several departments faced cuts of 25 percent or more. All told, the new approach represents what has been described as the “longest, deepest sustained period of cuts to public services spending at least since World War II.”⁴⁶

I. Public Spending on Immigrant Integration

As the nature of the spending cuts came to light in late 2010, it became clear that as in other advanced industrialized economies, immigrant integration policy would not come out a winner. Before the recession, the United Kingdom devoted few hard funds specifically to immigrant integration. For various historical reasons, most integration funding has targeted ethnic minorities rather than first-generation immigrants.⁴⁷ The country does not have a full “integration program” for new immigrants of the kind seen in some European countries, except for refugees. In the mid-2000s the government began to pay more attention to immigrant integration as its own policy issue, in part as

a response to huge inflows of Eastern European workers after 2004. Most new immigration-specific funding or initiatives aimed to support “social cohesion” in communities hosting high numbers of immigrants, especially those not accustomed to migration. For example, a (relatively small) Migration Impacts Fund, established in March 2009 and funded by immigrant visa fees, was designed to help local authorities adjust to higher immigrant populations. The funding could be spent on a range of projects, including alleviating strain on public services and English instruction. The Labour government also piloted “specialist cohesion teams” designed to help local authorities manage the local impacts of immigration.

But the agency that had been responsible for this nascent immigrant integration strategy — the Department for Communities and Local Government — is facing the most dramatic budget reductions of any major government department, according to plans for 2011 to 2015. Local-area-based integration policies initiated under the previous government are not being renewed, and reductions in grants to local governments will put strong pressure on a range of local public services that might have supported immigrant integration.

In particular, the budget for English language instruction — one of the most important immigrant-specific integration schemes — has been reduced and its eligibility scaled back. Before the recession English instruction funding was already considered insufficient to meet high levels of demand.⁴⁸ Policy changes in 2007 removed English language learners’ automatic entitlement to fee remission, and targeted language tuition support to the most vulnerable groups, such as refugees. Further reductions were announced in 2010. Under the proposed new rules, from 2011 on public support of colleges providing English instruction will be reduced, language training at workplaces will no longer be eligible for public funding, and individuals will have to pay more toward tuition costs. Full funding for language classes is restricted to unemployed workers who receive the “active” welfare benefits reserved for jobseekers.⁴⁹

2. General Impacts on Low Earners and Underprivileged Groups

Cuts in public services and welfare during the 2011-15 period will inevitably hit low- and middle-income groups relatively hard, despite some efforts to shelter the most vulnerable from their impact.⁵⁰ Some of the most easily quantifiable impacts will come from the shrinking welfare budget. The June 2010 budget and October Spending Review announced reductions in working tax credits, housing benefits, child

benefits, and disability allowances.⁵¹ Most immigrants do not claim benefits, reducing the impact of these decisions. (For example, stricter rules on disability benefits will have little impact since immigrants rarely receive them). However, A8, African, and Pakistani and Bangladeshi immigrants are overrepresented among recipients of tax credits and child benefits,⁵² and so may feel the pain of reductions slightly more in these two areas.

Second, charities that rely on government funding also face cuts.⁵³ This could hurt the least privileged who benefit from the basic services they provide. Reductions in the legal aid budget have also raised concerns, especially for asylum seekers who cannot afford legal fees. Meanwhile in June 2010, Refugee and Migrant Justice, a major aid organization supporting thousands of asylum seekers and victims of trafficking, was allowed to collapse.

Despite these concerns, immigrants will probably not shoulder a disproportionate share of the public spending cuts. Immigrants are underrepresented in some of the primary areas or occupations that are expected to be hardest hit. These include regions outside of London and the southeast, public-sector employment, and construction jobs, which will feel the squeeze of greatly reduced spending on infrastructure.⁵⁴ Immigrants' reliance on welfare is already relatively low, sheltering many of them from the newly introduced reductions. As a result, the most significant impacts are likely to stem from reductions in support for English language instruction, and the discontinuation of locally based immigrant-integration and social-cohesion programs.

III. Conclusion

A. *Has the United Kingdom Escaped an Immigration Boom and Bust?*

The United Kingdom saw a substantial increase in net immigration during the economic expansion. Since recent arrivals typically are expected to be most vulnerable to unemployment (they have had less time to integrate into the labor market), the concern arises that an immigration boom during economic expansion can lead to a high-unemployment bust with the onset of recession. But relative to some other major immigrant-receiving countries with large, recently arrived immigrant populations, the UK newcomers' rise in unemployment has

been relatively contained.

Recently arrived African and Pakistani and Bangladeshi immigrants have indeed experienced particularly high unemployment.⁵⁵ However, the largest recent influx — Eastern Europeans, who make up one-quarter of the immigrant population that arrived in 2005 or later — has fared relatively well. For most of 2010, A8 unemployment was less than 6 percent compared to close to 8 percent for the UK born.⁵⁶ The low unemployment in this group is surprising for two reasons. First, A8 workers were concentrated in the two sectors that shed most jobs during the recession: construction and manufacturing.⁵⁷ Second, their relative success stands in stark contrast to Eastern Europeans in Ireland, who have been among the *worst* affected during the recession. In both countries, Eastern Europeans had very high labor force participation before the recession (above 90 percent).⁵⁸ Their flows appeared highly sensitive to economic conditions (inflows peaked during the boom and collapsed with the onset of the recession). In Ireland, the Eastern European population has actually declined by 15 to 20 percent since its peak at the end of 2007;⁵⁹ the rapid growth of the A8 population as measured in UK data also came to a halt at the beginning of 2008, and Polish data sources imply that the number declined from 2008 to 2009.⁶⁰ In both countries, Eastern Europeans earned lower wages than other immigrant groups and were concentrated in low-skilled, cyclical industries.⁶¹ Exposure to the construction industry was slightly greater in Ireland (just over 20 percent of Eastern Europeans at the end of 2007, compared to 14 percent over the same period in the United Kingdom),⁶² and employment reductions in Irish construction were much heavier (construction employment fell by almost half and about one-eighth, respectively).

One might attribute A8 workers' relative success in a recessionary UK labor market to high education levels, the greater prevalence of temporary or short-term migration among A8 workers (compared to many other immigrant flows),⁶³ or EU freedom of movement, which has allowed immigration flows — particularly inflows — to respond to economic circumstances. But the huge contrast with Ireland suggests that the reasons for low A8 unemployment require much more detailed investigation.

Whatever the case, the available evidence for the United Kingdom suggests that the boom-time immigrant influx has not led to catastrophic immigrant unemployment, in large part thanks to Eastern European workers who helped to fuel the boom but proved relatively resilient to the downturn. Of course, there is no guarantee that these trends will

last forever. Eastern European migration to the United Kingdom is still in flux, and it may not look the same ten years from today. Indeed, there are already signs that Eastern European workers are putting down more permanent roots in the United Kingdom and establishing families there, in contrast to the prevailing image of the young, single, and highly labor-motivated Eastern European worker.⁶⁴ Any changes to the nature of the A8 population in the United Kingdom will likely affect integration and migrants' response to future economic cycles.

B. What Happens Next?

Net immigration is likely to rise with the United Kingdom's economic fortunes, just as it fell with the economic downturn. In the short term, lower immigrant numbers may make the coalition government's immigration cap easier to implement. But in the long term, the same pressures that encouraged immigration to the United Kingdom over the past decade are unlikely to disappear. Employment growth is set to concentrate at the low- and high-skilled ends of the labor market spectrum, as mechanization and perhaps outsourcing replace middle-skilled workers performing routine tasks.⁶⁵ This implies that employers' demand for immigrants to perform less-skilled work will continue; many Eastern European immigrants now meet this demand, and their numbers are highly responsive to economic conditions (since they are not subject to the new immigration cap, they are likely to fluctuate with labor demand). If and when the impetus to emigrate from Eastern Europe eventually declines, policies that encourage greater participation among marginalized UK workers will become particularly important, as will the design of any policies to bring non-EU workers into less-skilled occupations.

What is the outlook for immigrant integration in the coming years? If the coalition government meets its immigration policy objectives, the number of immigrants to the United Kingdom will fall, and the skill level of employment-based immigrants may rise slightly. However, economic migrants such as these are not the primary concern when it comes to immigrant integration. New family migrants, refugees, and various longstanding immigrant communities who have struggled in the labor market even after many years in the country will continue to face the greatest barriers to integration. The new government's approach to immigrant integration is far from clear, but there are few signs of any intention to implement an overarching integration "strategy." (This is perhaps not surprising given the single-minded emphasis on fiscal austerity during at least the first year of the coalition government's tenure.)

The second generation will also continue to grow for some years, regardless of what happens to immigrant inflows in the medium to long term. These groups will not disappear as a result of the new cap on net immigration, which has so far been the overwhelming focus of the coalition government's immigration policy. Meanwhile, educational institutions and family and social policies will bear significant responsibility for enabling the second generation to gain sufficient language ability and skills to integrate successfully by the time they enter the labor market.

Finally, UK policymakers will need to remain sensitive to the potential growth of increasingly transient forms of migration. These include circular migration patterns to and from EU Member States as well as short-term flows from outside the European Union — particularly India, now the origin of a large number of temporary workers in high-skill sectors such as information technology. These forms of migration may have declined somewhat during the recession, but in the long run they are likely to become more widespread and more central to the United Kingdom's daily business practices. The economic integration process for these transient migrants does not follow the standard model (whereby workers gradually improve their labor market position over a period of many years), raising questions about how and where to invest in immigrant integration in the long run. In this way, short-term employment could pose new challenges to policymakers' efforts to sustain social cohesion and make the most of immigration to the United Kingdom. →

Endnotes

- 1 A wave of immigration from British Commonwealth countries during the 1950s and 1960s came to an end in the 1970s with the introduction of restrictive policies aiming to achieve zero net immigration. For more background on UK immigration history, see Will Somerville, Dhananjayan Sriskandarajah, and Maria Latorre, "United Kingdom: A Reluctant Country of Immigration," *Migration Information Source*, July 2009, www.migrationinformation.org/feature/display.cfm?ID=736.
- 2 Immigrants are defined in this case study by place of birth, not by nationality. This case study relies on Labor Force Survey (LFS) microdata made available by the UK Data Archive. The most recent data available at the time of writing were for Q1 2010. The analysis comes with the caveat that the LFS is known to undercount migrants, many of whom are not sampled because they move frequently or live in public or nonprofit communal accommodation. However, the LFS remains the most useful and detailed source of information on immigrant workers. See Office For National Statistics, Social and Vital Statistics Division, "Labour Force

- Survey 1975-2010," (Colchester, United Kingdom: UK Data Archive [distributor]), accessed December 14, 2010).
- 3 EU-15 countries were Member States prior to the EU enlargement: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden, and the United Kingdom.
 - 4 More than half of Eastern European immigrants work in relatively unskilled jobs. Author's calculations from the LFS.
 - 5 Author's calculations from the LFS.
 - 6 Ibid.
 - 7 Kamran Khan, *Employment of Foreign Workers: Male and Female Labour Market Participation* (London: Office for National Statistics, August 2008), www.statistics.gov.uk/articles/nojournal/MFMigAug08.pdf.
 - 8 Foreign-born labor-force participants between the ages of 25 and 65 had, on average, left school at the age of 20, compared to 17 for their UK-born counterparts. Author's calculations from the LFS.
 - 9 At the end of 2009, the median hourly wage for A8-born workers was about two-thirds that of UK nationals (author's calculations from the LFS). The sample includes all individuals with nonzero wages. Note that illegal immigrant levels (estimated at 9 percent of the UK immigrant population in 2001) remained low compared to the United States and many other European countries. After EU enlargement in 2004, new EU nationals increasingly performed the low-skilled, cyclical work that is often associated with unauthorized workers. Unauthorized immigrants were. See Somerville, Sriskandarajah, and Latorre, "United Kingdom: A Reluctant Country of Immigration."
 - 10 Andrew Whiffin and Daniel Pimlott, "European Housing Hope Despite Gloom," *Financial Times*, April 4, 2010, www.ft.com/cms/s/0/c72b41a8-4007-11df-8d23-00144feabdc0.html?ftcamp=rss.
 - 11 Office for National Statistics, *UK Workforce Jobs Seasonally Adjusted, Series DYDC* (London: Office for National Statistics), www.statistics.gov.uk/statbase/tsdintro.asp, accessed December 14, 2010.
 - 12 Author's calculations from the LFS, 2005–10 (not seasonally adjusted). Long-term unemployment rates over the period are about the same for immigrants and the UK born.
 - 13 Office for National Statistics, *Economic and Labour Market Review — June 2010 Edition. Selected Labour Market Statistics*, www.statistics.gov.uk/elmr/downloads/elmr2.pdf.
 - 14 Office for National Statistics, "Jobless Rate for New Graduates Doubles over Recent Recession," (news release, January 26, 2011), www.statistics.gov.uk/pdfdir/grun0111.pdf.
 - 15 Graeme Chamberlain, "Economic Review. February 2010," *Economic and Labour Market Review* 4, no. 2 (2010): 6–12, www.statistics.gov.uk/downloads/theme_economy/EconReview_0210.pdf.
 - 16 Richard Lambert, "The Labour Market and Employer Relations beyond the Recession," *Warwick Papers in Industrial Relations* no. 93, April 2010, www2.warwick.ac.uk/fac/soc/wbs/research/irru/wpir/wpir_93.pdf.
 - 17 HM Treasury, *Forecast for the UK Economy: a comparison of independent forecasts* (London: HM Treasury, 2010), <http://www.hm-treasury.gov.uk/d/201006forecomp.pdf>.
 - 18 Department for Work and Pensions, *National Insurance Number Allocations to Adult Overseas*

- Nationals Entering the UK*, research.dwp.gov.uk/asd/asd1/niall/nino_allocation.asp.
- 19 Home Office, *Control of Immigration: Quarterly Statistical Summary* (London: Home Office, 2010), <http://rds.homeoffice.gov.uk/rds/pdfs10/immiq310.pdf>.
- 20 Ibid.
- 21 Office for National Statistics, *International Passenger Survey Estimates of Long-Term Migration: Rolling Annual Data to Q3 2009* (London: Office for National Statistics), www.statistics.gov.uk/statbase/Product.asp?vlnk=15240.
- 22 Polish Central Statistical Office, *Demographic Yearbook of Poland, 2010* (Warsaw: Central Statistical Office, 2010), www.stat.gov.pl/cps/rde/xbcr/gus/PUBL_sy_demographic_yearbook_2010.pdf, 464.
- 23 The data do not include higher-income accession countries, Cyprus and Malta. They also do not include Romania and Bulgaria, which joined the European Union in 2007 and still face significant restrictions on their labor market access in the United Kingdom.
- 24 Author's calculations from the LFS. Labor force participation calculated for the 16- to 65-year-old population.
- 25 Income data are purchasing power parity adjusted, from the IMF World Economic Outlook Database, 2009. See <http://imf.org/external/pubs/ft/weo/2009/02/weodata/weoselgr.aspx>. Calculations using these data do not include a small fraction of immigrants for whom precise countries of origin are not specified in the LFS (for example, "Caribbean"). Countries not ranked in the 2009 IMF calculations are assigned to income groups, where possible, based on estimates in the *CIA World Factbook*. See Central Intelligence Agency (CIA), *CIA World Factbook* (Washington, DC: CIA), www.cia.gov/library/publications/the-world-factbook/rankorder/2004rank.html.
- 26 In 2008 about 50 percent of grants of settlement to Iraqi immigrants were made on humanitarian grounds. Somalia also has a longstanding humanitarian population in the United Kingdom. See Home Office, "Control of Immigration: Statistics United Kingdom 2008. Supplementary Excel Tables," Home Office Statistical Bulletin 14/09, <http://rds.homeoffice.gov.uk/rds/immigration-asylum-stats.html>.
- 27 Under the World Bank classification system used here, "lower-middle-income" countries with GDP per capita of \$1,000 to \$4,000 had the highest proportion of immigrants who spoke a language other than English at home (50 percent); the proportion was lowest for high-income OECD immigrants (about one-quarter).
- 28 Author's calculations from the LFS.
- 29 Minorities are defined as ethnic Asian, black, ethnic Chinese, or mixed race, as reported in the LFS. The "other ethnic group" category is excluded from the analysis, as it includes many immigrants from countries with overwhelmingly white ethnic populations, who did not self-report as white.
- 30 This mirrors trends found in the United States, among other countries.
- 31 For a summary, see National Equality Panel, *An Anatomy of Economic Inequality in the UK* (London: National Equality Panel, January 2010), www.equalities.gov.uk/pdf/NEP%20Report%20bookmarkedfinal.pdf.
- 32 Résumé-testing experiments have shown that job applicants with names associated with a minority ethnic group are less likely to be called for an interview than those with "white-sounding" names. See National Equality Panel, *An Anatomy of Economic Inequality*, 234.

- 33 Anna Cristina D'Addio, *Intergenerational Transmission of Disadvantage: Mobility or Immobility across Generations?* (Paris: Organization for Economic Cooperation and Development, 2007), www.oecd.org/dataoecd/27/28/38335410.pdf.
- 34 Since the LFS does not contain reliable educational information for immigrants, we use the age at which the individual left full-time education as a proxy.
- 35 Author's calculations from the LFS.
- 36 Ibid.
- 37 Ibid.
- 38 For further discussion, see Ben Page, "British Attitudes to Immigration in the 21st Century," in *Migration, Public Opinion and Politics*, eds. Bertelsmann Stiftung and Migration Policy Institute (Guetersloh, Germany: Bertelsmann Stiftung, 2009).
- 39 Jean Eaglesham, "FT Poll Reveals Hostility to Jobless Migrants," *Financial Times*, March 15, 2009.
- 40 From March 31, 2009, applicants under Tier 1 of the points-based system required a master's degree, while in the past a bachelor's degree was sufficient to be eligible for the program. In April 2010, this decision was reversed.
- 41 Under the UK points system, Tier 1 labor immigrants are selected on the basis of their skills alone, while Tier 2 labor immigrants require a job offer.
- 42 Migration Advisory Committee (MAC), *Skilled, Shortage, Sensible: The Recommended Shortage Occupation Lists for the UK and Scotland* (London: MAC, 2008), www.ukba.homeoffice.gov.uk/sitecontent/documents/aboutus/workingwithus/mac/first-lists/0908/shortageoccupationlistreport?view=Binary.
- 43 For more details on the policies introduced, see UK Border Agency, "Annual Limit for Tier 1 and Tier 2 Visa Applications," (UKBA news release, November 24, 2010),
- 44 Robert Chote, "Post-budget Presentations: Opening Remarks" (Paper presented at the Institute for Fiscal Studies, London, June 23, 2010), www.ifs.org.uk/budgets/budgetjune2010/chote.pdf.
- 45 Gemma Tetlow, "Public Finances: More Done, More Quickly" (Paper presented at the Institute for Fiscal Studies, London, June 23, 2010), www.ifs.org.uk/budgets/budgetjune2010/tetlow.pdf.
- 46 Ibid.
- 47 For example, much of the spending on programs teaching English as a second language is made through the Ethnic Minority Achievement Grant available to schools.
- 48 Under Labour, approximately GBP 300 million (\$465 million) per year was devoted to funding language training among particularly vulnerable immigrant groups. Department for Innovation, Universities and Skills, *A New Approach to English for Speakers of Other Languages (ESOL)* (London: Department for Innovation, Universities and Skills, May 2009), www.bis.gov.uk/assets/biscore/corporate/migratedD/publications/E/esol_new_approach.
- 49 Skills Funding Agency, "Guidance Note 6," Skills Funding Agency, Coventry, December 2010, http://readingroom.skillsfundingagency.bis.gov.uk/sfa/skills_funding_agency_-_guidance_note_6_final_-_14_december_2010.pdf.
- 50 For example, child benefits (non-means-tested payments to families with children) have been frozen for three years, and higher-rate taxpayers are no longer eligible to receive them. For a detailed assessment of the budget cuts' distributional impacts, see James Browne,

- "Distributional Analysis of Tax and Benefit Changes" (Paper presented at the Institute for Fiscal Studies, London, October 21, 2010), www.ifs.org.uk/publications/5313; Cormac O'Dea, "Who Loses Most from Public Service Cuts," (Paper presented at the Institute for Fiscal Studies, London, October 21, 2010), www.ifs.org.uk/publications/5314.
- 51 Child benefits in the United Kingdom do not depend on income and are available to most immigrants. They currently constitute payments of GBP 20.30 per week for the eldest child and GBP 13.40 for each additional child. Tax credits are available to working individuals with low incomes; payments are based on earnings in the previous year. See www.hmrc.gov.uk/childbenefit/start/who-qualifies/what-is-childbenefit.htm and www.hmrc.gov.uk/taxcredits/start/who-qualifies/what-are-taxcredits.htm#3.
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- 54 Only Eastern Europeans are overrepresented in construction in the United Kingdom.
- 55 Immigrants from Pakistan and Bangladesh who immigrated in 2004 or later experienced unemployment rates of over 20 percent in early 2010. About 18 percent of recently arrived African immigrants were unemployed. Author's calculations from the LFS, Q1 2010.
- 56 Author's calculations from the LFS, Q1 2010.
- 57 For a more comprehensive analysis of Eastern European immigrants in the United Kingdom, see Madeleine Sumption and Will Somerville, *The UK's New Europeans: Progress and Challenges Five Years After Accession* (London: Equality and Human Rights Commission, January 2010), www.equalityhumanrights.com/uploaded_files/new_europeans.pdf.
- 58 See Ireland case study in Chapter 5 of this volume; and Sumption and Somerville, *The UK's New Europeans*.
- 59 Calculations from the CSO (Central Statistics Office), *Quarterly National Household Survey (QNHS)*, Table A1, Estimated Number of Persons Aged 15 Years and Older Classified by Nationality and ILO Economic Status (Dublin: CSO), www.cso.ie/qnhs/calendar_quarters_qnhs.htm. See also Alan Barrett and Elish Kelly, "The Impact of Ireland's Recession on the Labour Market Outcomes of its Immigrants" (IZA Discussion Paper 5218, September 2010), ftp.iza.org/dp5218.pdf.
- 60 Author's calculations from the LFS, 2004–10; Polish Central Statistical Office, *Demographic Yearbook of Poland, 2010*.
- 61 See analysis in this report and Alan Barrett and Yvonne McCarthy, "The Earnings of Immigrants in Ireland: Results from the 2005 EU Survey of Income and Living Conditions" (IZA Discussion Paper 2990), ftp.iza.org/dp2990.pdf.
- 62 Both statistics refer to the 12 new Member States that joined the European Union in 2004 and 2007: the A8, Romania, Bulgaria, Cyprus, and Malta.
- 63 Will Somerville and Madeleine Sumption, *Immigration in the United Kingdom: The Recession and Beyond* (London: Equality and Human Rights Commission, 2009), www.migrationpolicy.org/pubs/Immigration-in-the-UK-The-Recession-and-Beyond.pdf.
- 64 Sumption and Somerville, *The UK's New Europeans*.
- 65 David Autor, *The Polarization of Job Opportunities in the US Labor Market* (Washington, DC: Brookings Institution, 2010), www.brookings.edu/~media/Files/rc/papers/2010/04_jobs_autor/04_jobs_autor.pdf.

CHAPTER 3

MIGRATION AND MIGRANTS IN SPAIN AFTER THE BUST

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Introduction¹

Over the past three decades, Spain has enjoyed unprecedented economic growth and prosperity. Between 1980 and 2007, gross domestic product (GDP) per capita — the broadest measure of a country's income relative to its population — grew almost without interruption, from US\$8,215 to US\$15,416.² Then, coinciding with the onset of the global economic crisis, Spain's economy began slowing in early 2008 and it fell into recession by the third quarter of 2008. Preexisting weaknesses in the Spanish economy, including heavy dependence on construction and consumer services and a strongly segmented labor market, contributed to the severity of the downturn. Exports contracted by 10 percent in the fourth quarter of 2008. Between March 2007 and December 2009, unemployment more than doubled, from 8 percent to 19 percent; 1.6 million jobs were lost over the same period, 800,000 in the construction sector alone.³

Earlier, in the boom years, the country had evolved from a net sender of migrants into one of the largest single destinations for immigrant flows in the world. Several interrelated factors explain this dramatic transformation. First, the country's rapid economic growth — which averaged 3.2 percent annually between 1985 and 2007— generated substantial demand in the Spanish labor market, even as it made Spain

the fastest-growing country among the EU-15.⁴ Second, the country experienced heavy demand for unskilled labor due to strong growth in low-skilled, labor-intensive sectors such as construction, services, and domestic work. Over the same period, Spain's labor market became strongly segmented, and the size of the informal economy grew to around 20 percent of GDP.⁵

Trends in labor supply also influenced immigration trends. The Spanish population, especially the economically active, has been aging rapidly: the share of youth ages 16 to 24 declined from 21 percent in 1977 and 1987 to 15 percent in 1997 and 11 percent in 2007.⁶ Birth rates also fell rapidly over the past three decades, from 2.7 children per woman in 1977 to 1.4 children per woman in 2007; fertility in Spain has not equaled or exceeded the universal replacement rate of 2.1 children per woman since 1980.⁷ Moreover, the Spanish population displays low levels of internal mobility, resulting in an irregular, and often suboptimal, population distribution across regions of the country.

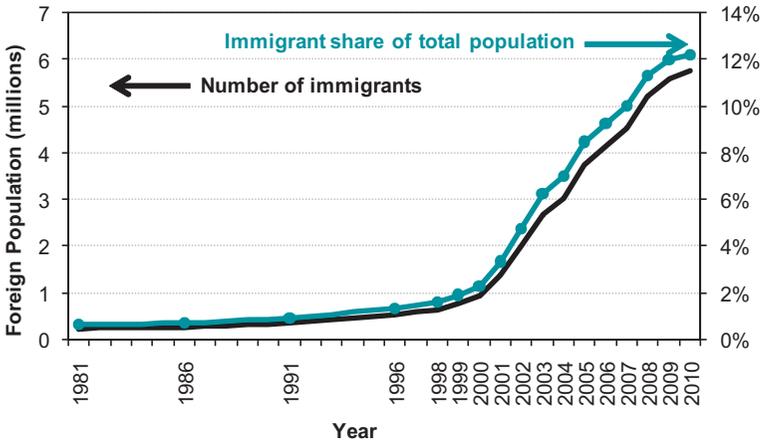
As a result of these demand and supply trends, Spain has attracted unprecedented numbers of immigrants in recent years. Three features have characterized immigration flows to Spain over the past decade: rapid growth, diversity of origins, and diversity of motives.

A. Rapid Growth

Throughout the 1980s and 1990s, the immigrant population in Spain grew very slowly, from about 233,000 (0.6 percent of the population) in 1981 to 350,000 (0.9 percent) in 1991 and 750,000 (1.9 percent) in 1999.⁸ This trend changed during the first decade of the 21st century: nearly 500,000 immigrants, on average, entered Spain each year between 1999 and 2008. By 2009 the immigrant population had grown to 5.6 million people, or 12.0 percent of Spain's population as reported by the National Statistics Institute (Instituto Nacional de Estadística, INE).⁹ Growth was particularly intense between 2000 and 2003 (and again in 2005), when the year-on-year growth rate of the immigrant population ranged between 23 and 48 percent. Over the decade, Spain accounted for about one-third of all new migratory flows to Europe¹⁰ and was the second-most popular destination for immigrants to countries of the Organization for Economic Cooperation and Development (OECD), after the United States. As Figure 1 illustrates, the number of immigrants and their share of the total population grew almost exactly in parallel, suggesting that almost all population growth in Spain over the past 30 years has been due to immigration.

The immigrant population in Spain grew much more slowly in 2009 and 2010. During 2010 the number of Spaniards increased by 0.4 percent while the number of foreigners decreased by 0.3 percent — the first time in more than a decade that the native-born population growth rate has surpassed the foreign population growth rate.¹¹

Figure 1. Foreign Population, Number, and Share of Total Population in Spain, 1981-2010

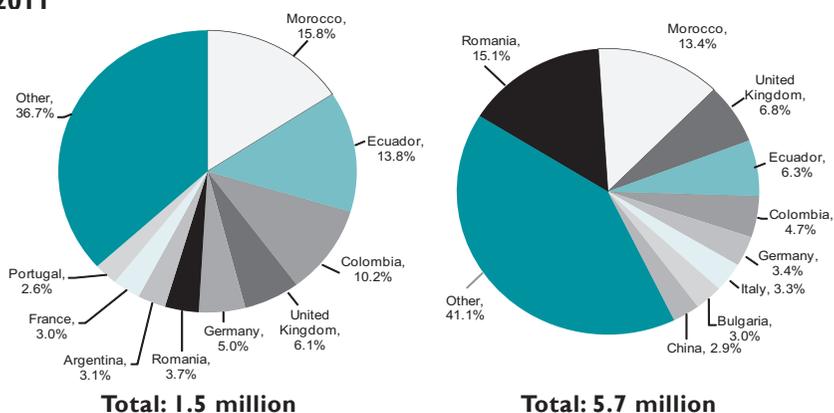


Sources: Data for 1981-2006: Antonio Izquierdo, *Demografía de los extranjeros: Incidencia en el crecimiento de la población* (Bilbao: Fundación BBVA, 2006) base don INE, Censos de Población y Viviendas 1981, 1991, and 2001, and Padrón Municipal de Habitantes, other years; data for 2007-10: INE, Padrón Municipal de Habitantes.

B. Diverse Origins

Spain’s immigrant population is extremely diverse: immigrants’ top countries of origin (as of 2009) include four European countries, four Latin American countries, and one country in North Africa (see Figure 2). In 2011, Romanians (864,278, or 15.1 percent) constituted the largest single group of foreigners in Spain, followed by Moroccans (769,920, or 13.4 percent), nationals of the United Kingdom (390,880, or 6.8 percent), Ecuadoreans (359,076, or 6.3 percent), Colombians (271,773, or 4.7 percent), Bolivians (197,895, or 3.5 percent), Germans (195,842, or 3.4 percent), Italians (187,847, or 3.3 percent), and Bulgarians (172,634, or 3.0 percent). Although the rankings may be different, these countries were also the ones sending the most immigrants to Spain in 2001. Among recent immigrants, the numbers of Paraguayans, Chinese, Peruvians, Brazilians, Ukrainians, and Pakistanis have grown dramatically.

Figure 2. Stock of Foreign Population in Spain, by Nationality, 2001 and 2011



Sources: INE, Censos de Población y Viviendas, and Padrón Municipal de Habitantes.

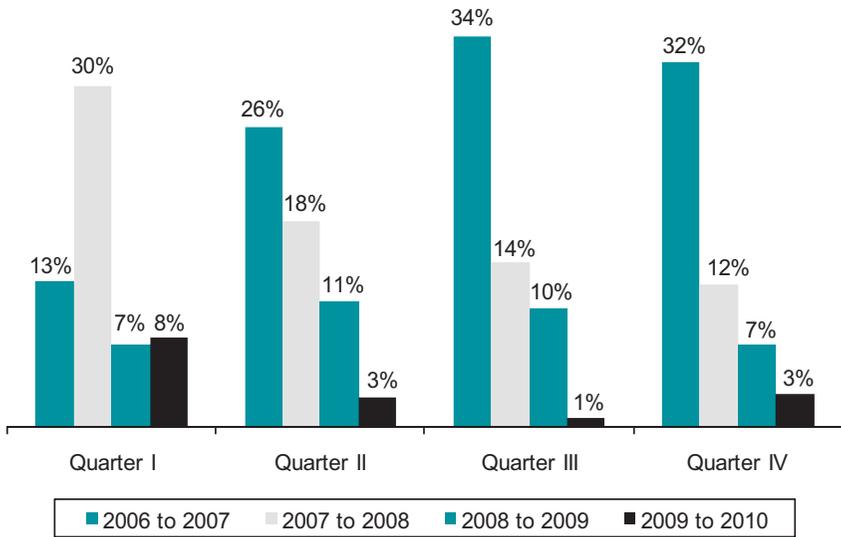
C. Diverse Motives

The wide variety of origins of the immigrant population in Spain — encompassing both developed and developing countries — reflects the diverse reasons why people move to Spain. Though a substantial portion of immigration to Spain has been driven by labor market demand, it is also due to family reunification and retirement.¹² Retirees are mainly from the United Kingdom, Germany, France (which together account for two-thirds of foreigners from the EU-15 in Spain), and other northern European countries; such immigrants are attracted by Spain’s temperate climate, among other factors.

Since the economic crisis began, the *stock* of foreigners in Spain has continued to grow but at a much slower rate than before. As Figure 3 illustrates, Labor and Immigration Ministry (Ministerio de Trabajo e Inmigración) data indicate that the number of foreigners holding residence permits grew at a slower quarterly rate between 2008 and 2009 than at any point over the previous two years. Preliminary data for the first two quarters of 2010 suggest that this trend has continued. Moreover, Municipal Population Registers (Padrón Municipal de Habitantes) data compiled by INE show that the share of new immigrants started declining, from 920,534 to 692,228, between 2007 and 2008. Finally, estimates of the number of foreigners residing abroad who were offered jobs in Spain — a process known as *contratación en origen* (CO)¹³ — declined dramatically since the crisis started, from 70,444 in 2007, to 48,693 in 2008, to 4,429 in 2009, and just 168 in 2010.¹⁴ Overall, data from these three different sources

support the thesis that the economic crisis has reduced the appeal of Spain as a destination country. Even so, the number of immigrants continues to grow, mainly due to existing migration networks and, in particular, family reunification.

Figure 3. Year-on-Year Change in the Number of Foreigners with Legal Residence Permits in Spain, by Quarter, 2006-10



Source: Ministerio de Trabajo e Inmigración, Informes Trimestrales, 2006-10.

I. The Economic Crisis and Its Impact on Immigrants

The rapid development of the Spanish economy, precrisis, was due to a variety of factors. During the 1980s and 1990s, economic growth in Spain was driven largely by economic liberalization and rapid investment, particularly in the context of European integration. As more women entered the labor force and the Spanish population became more educated, labor productivity rose. By the 2000s, however, Spain's economic growth was more dependent on a handful of labor-intensive sectors, including services, tourism, and construction. Scholars and policymakers alike have concluded that Spain's dependence on these sectors structurally weakened the country's economy and opened a growing productivity gap relative to other European economies. This

dependence is also at the root of Spain's current malaise.¹⁵

Over the past decade, immigrants filled jobs in many of the rapidly growing sectors as well as in stagnating or contracting industries, such as agriculture, that were increasingly shunned by Spanish workers as their education levels and employment expectations increased.¹⁶ Formerly booming industries such as construction contracted sharply over the course of the recession, leaving many immigrants and Spaniards unemployed.¹⁷ Meanwhile, the agricultural sector actually gained jobs during the recession, and in contrast to the past, emerging evidence suggested that many Spanish workers appeared to be willing and available for these jobs. As a result, immigrants in the Spanish labor market were particularly affected by the economic crisis.

A. Labor Force Participation

The labor force participation rate among immigrants is much higher than among native-born Spaniards. About 55 percent of Spaniards ages 16 and older are in the labor force, compared to 80 to 85 percent of immigrants from Latin America and 70 to 75 percent of immigrants from other parts of the world. Immigrants' relative youth explains most of this difference. For instance, among the prime working-age population (ages 25 to 54), labor force participation rates range between 80 and 85 percent for both native-born Spaniards and foreigners alike, although there are some differences among immigrants. Prime working-age immigrants from Latin America have very high labor force participation rates (consistently around 90 percent) while prime working-age immigrants from the "rest of the world" — a residual category of Asians and Africans that is dominated by Moroccan immigrants — has comparatively low labor force participation rates.

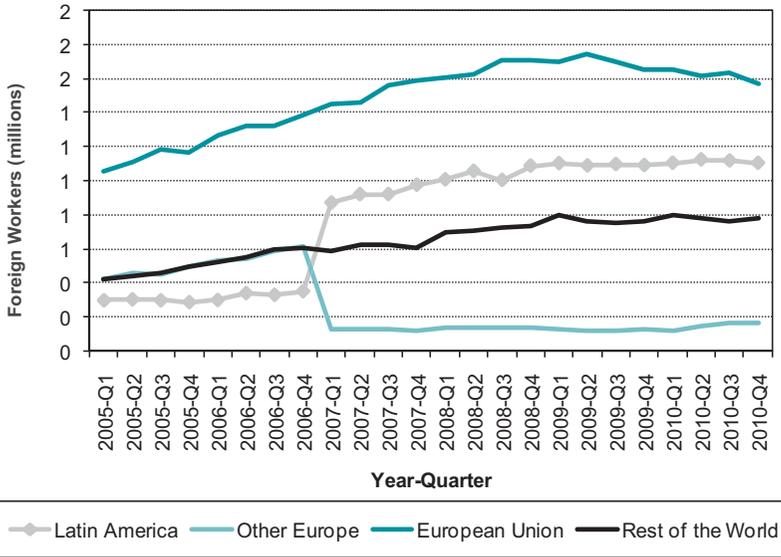
The relatively low labor force participation among immigrants from the "rest of the world" is primarily driven by gender differences, especially among Moroccan women.¹⁸ Among men between the ages of 25 and 54, immigrants (of all origins) and native-born Spaniards have very similar labor force participation rates. Immigrant men of all origins and Spanish men of prime working age have very similar labor force participation rates, but among prime working-age women, participation rates vary widely. Nearly 90 percent of prime working-age immigrant women from Latin America are in the labor force, compared to 75 to 80 percent of immigrant women from Europe (both EU and non-EU citizens) and native-born Spanish women. However, among prime working-age immigrant women from the "rest of the

world,” only about half are in the labor force.

Figure 4 shows how the number of immigrants in the Spanish labor market has evolved since the recession began. (The rapid increase in labor force participation among EU immigrants and the rapid decrease in labor force participation among other European immigrants in early 2007 is due to the accession of Romania and Bulgaria to the European Union in January 2007.) Overall, the number of immigrants in the Spanish labor force continued to grow throughout 2008, but stabilized and even declined slightly in 2009 and much of 2010. The number of EU immigrants in the Spanish labor force appeared to increase slightly in late 2010, although it is not clear if this trend would continue.

Among Latin American immigrants, labor force participation rates peaked during the second quarter of 2009, and declined by over 180,000 (or 10 percent) by the fourth quarter of 2010. Latin American men were hit harder than Latin American women; the decline in the total number of Latin Americans in Spain’s labor force was almost entirely due to a decline in male employment. The number of Latin American men in the labor force dropped by nearly 150,000 workers (17 percent) between the second quarter of 2009 and the fourth quarter of 2010; the number of Latin American women declined by 31,000 workers (4 percent) over the same period.¹⁹ Prior to the recession, employment among Latin American men was heavily concentrated in construction, which likely explains much of this difference.

Figure 4. Foreign Labor Force Participants in Spain, by World Region of Origin, 2005-10



Note: Foreigners from Romania and Bulgaria are grouped with “Other Europe” prior to the first quarter of 2007 and with “European Union” for subsequent quarters.

Source: Author’s tabulations of data from INE, *Encuesta de Población Activa* (Madrid: INE, 2005-10).

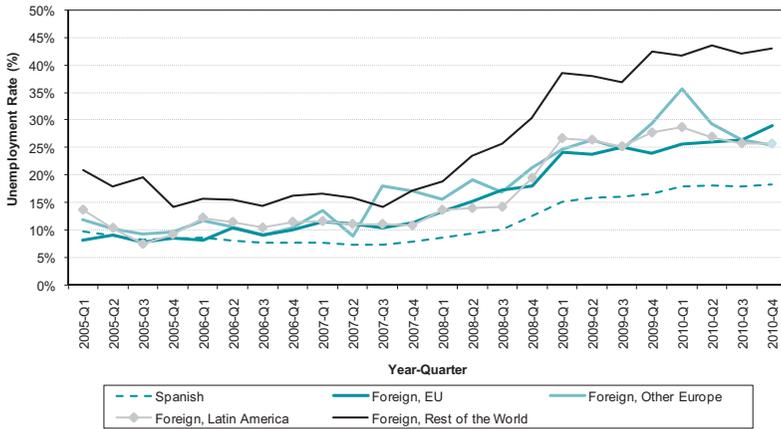
B. Unemployment

The number of unemployed workers in Spain increased by nearly 2.4 million (from 1.9 to 4.7 million) between the fourth quarter of 2007 and the fourth quarter of 2010; meanwhile, the unemployment rate more than doubled, from 8.6 percent in the fourth quarter of 2007 to 20.3 percent in the second quarter of 2010. While job losses among immigrants were substantially lower than among natives in 2008 — the first year of the recession — by 2009 immigrants were experiencing extensive job losses. Employment levels have since stabilized — the Spanish economy even added a small number of jobs during the second and third quarters of 2010 — but most of these new jobs disappeared during the final quarter of 2010, and overall employment levels were still below those in 2005.

Rising unemployment has had profound impacts on the immigrant population. Between the fourth quarter of 2007 and the fourth quarter of 2010, the immigrant unemployment rate increased from 12.4 percent to 30.4 percent, while it increased from 7.9 percent to 18.3 percent among native-born Spaniards. Prior to the recession, unemployment

among immigrants was higher than among natives, and the gap has grown since the recession began, particularly during its first year. One in six workers is an immigrant, as is — now — nearly one in three unemployed. All immigrant groups have experienced rising unemployment, but the increase has been particularly severe in the category “rest of the world,” comprised of immigrants from Asia, Africa (mostly Morocco), and Oceania; in this group unemployment has risen from 17.1 percent to 43.0 percent since the recession began (see Figure 5).

Figure 5. Unemployment Rates by Nativity, 2005-10



Note: Foreigners from Romania and Bulgaria are categorized with “Other Europe” prior to the first quarter of 2007 and are grouped with “European Union” for subsequent quarters.
Source: Author’s tabulations of data from INE, *Encuesta de Población Activa*, 2005-10.

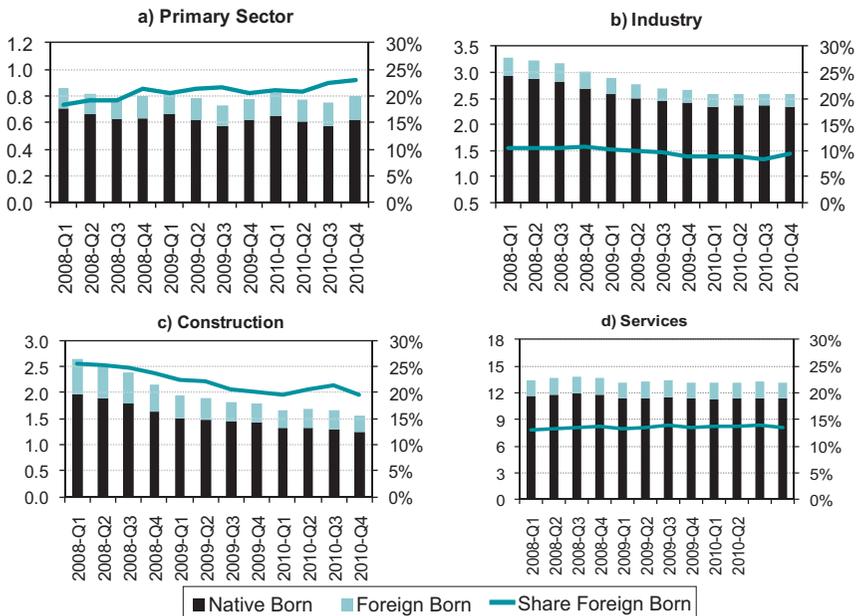
C. Sectoral Differences

Certain sectors of the Spanish economy, including those that had attracted substantial numbers of immigrants in previous years, experienced greater turmoil than others during the recession. As total employment in construction decreased, so did the share of immigrants among all construction sector workers (see Figure 6c). A similar, but much smaller, trend is observable in industry as well (Figure 6b).

While native-born employment has declined across all four major sectors of the Spanish economy — agriculture, industry, construction, and services — immigrant job losses have been concentrated in construction and industry, which employed over a third of all immigrants. (As previously pointed out, recent immigration to Spain was closely tied to the country’s construction boom. Construction-sector employ-

ment stood at 1.6 million in 1999 but grew to 2.8 million by 2007 before declining to 2.2 million in 2008 and 1.6 million in 2010.)²⁰ By contrast, immigrant employment in agriculture and services has increased modestly over the course of the recession — particularly in agriculture — but not on a scale necessary to offset job losses elsewhere. (Immigrant employment in construction increased slightly during the second and third quarters of 2010, for the first time since the recession began; however, immigrant employment in the sector is still about half of where it stood at the start of 2008.)

Figure 6. Total Native and Foreign Employment in Spain by Sector, 2008-10



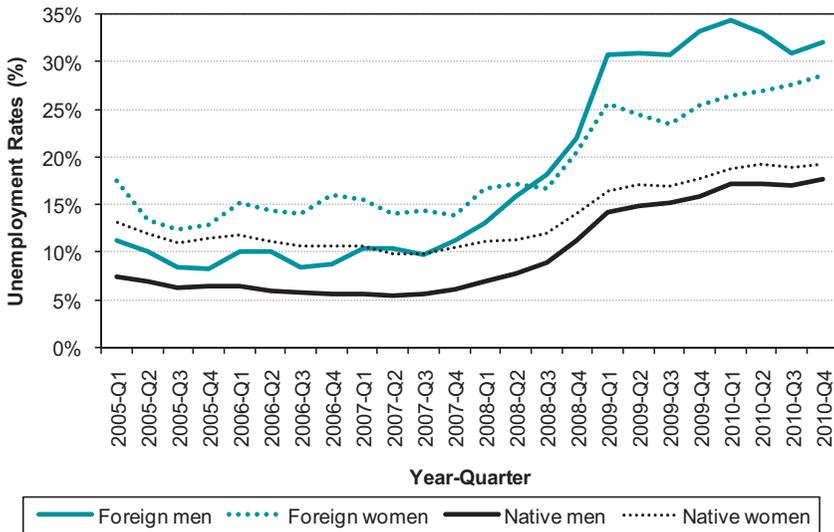
Notes: The number of native- and foreign-born workers in a given industry is displayed in millions on the right-hand axis, the scale of which varies across charts. The share of foreign born in a given industry is displayed on the left-hand axis, the scales of which are uniform across charts.

Source: Author's tabulations of data from INE, Encuesta de Población Activa, 2005-10.

D. Gender Segmentation

Foreign men and women have fared differently over the course of the crisis, largely due to the disproportionate job losses suffered by the construction industry and the relative stability in sectors traditionally dominated by immigrant women, such as domestic work. At the onset of the recession, the unemployment rate among immigrant women was higher than among immigrant men, but that has since reversed (see Figure 7). By contrast, unemployment among native men has increased faster than among native women, but remains lower overall. The only exception to that rule is unemployment among Moroccan women.²¹

Figure 7. Unemployment Rates by Nativity and Gender, 2005-10



Source: Author's analysis of data from INE, *Encuesta de Población Activa*, 2005-10.

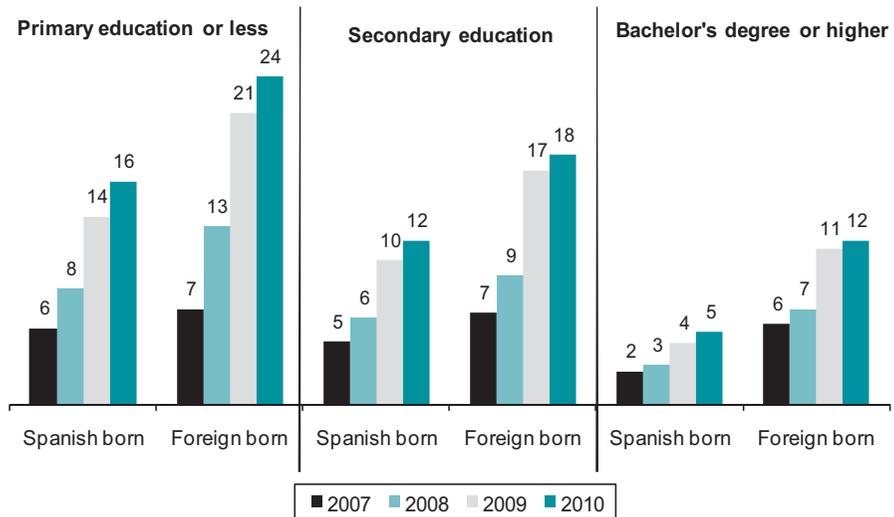
E. Education and Skill Level

Overall, the data point to hardship across the board, affecting both the native and foreign born. However, immigrants universally face higher unemployment than natives, regardless of their level of education. Unsurprisingly, less-skilled workers have fared the worst over the course of the recession. As Figure 8 illustrates, the unemployment rate among less-educated Spanish workers (those with a primary education

or less) more than doubled from 6 percent to 16 percent between 2007 and 2010; meanwhile, it tripled from 7 percent to 24 percent among less-educated foreign skilled Spanish natives, the unemployment rate increased from 2 percent to 5 percent and among immigrants it workers in Spain. (Less-educated workers account for roughly one in seven Spanish workers age 16 and older, but nearly one in four foreign workers age 16 and older.)

Over half of all Spanish and foreign workers have midlevel qualifications, having completed secondary education (with or without vocational training). For these workers unemployment increased from 5 percent to 12 percent among native-born Spaniards and from 7 percent to 18 percent among immigrants between 2007 and 2010. Highly skilled workers — those with a bachelor’s degree or higher — have also faced rising unemployment, although more moderately so. Among highly increased from 6 percent to 12 percent. (Over a third of Spanish-born workers and about one-fifth of immigrant workers in Spain have a bachelor’s degree or higher.)

Figure 8. Unemployment Rates by Nativity and Education, 2007-10



Note: Annual average of quarterly data.
 Source: Author’s analysis of data from INE, *Encuesta de Población Activa*, 2007-10.

F. Labor Mobility

Immigrants in Spain have largely settled in urban areas, and the regions of the country's two major metropolitan areas — Madrid and Catalonia — account for nearly half of the country's immigrants. Available data suggest that the recession has moderated this concentration somewhat. The only region to experience higher growth in its immigrant population in 2009 than in 2008 was largely agrarian Murcia on the Mediterranean coast. Interviews conducted by Miguel Pajares with migrant associations also suggest a small exodus among immigrants toward the rural parts of Spain.²²

II. Spanish Immigration Policy during the Recession: Same Philosophy, Different Implementation

Until recently, the Spanish government did little to coordinate labor immigration flows. An ad hoc arrangement whereby immigrants would enter Spain illegally, obtain informal employment, and later receive legal status through regularization programs managed to meet most low-skilled labor needs in the past. Over the past decade, new policy measures have been enacted to limit illegal migration and increase border security through programs such as Plan Greco in 2000. But programs that fight illegal migration without managing immigrant inflows have not been effective, and Spain conducted several regularizations between 2000 and 2005.²³

Since the publication of new regulations governing immigrant inflows in 2005, Spanish migration policy has become more proactive in several important ways:

- **Adjustment of status prohibited.** Spain's quota system for admitting foreign workers changed in 2000 to prohibit individuals currently residing in the country from taking part in what was ostensibly a labor recruitment program. Migrants can no longer convert their status from within Spain, and all recruitment of foreign workers by Spanish employers must take place abroad. Also, in 2006, the quota system was again modified, allowing flexibility over the year to cover demands of entrepreneurs and the self-employed.

- **Stakeholder input.** The new regulations encouraged active participation by local governments, employers, and trade unions in identifying labor market needs. In particular, the Labor and Social Affairs Ministry (now the Labor and Immigration Ministry) worked with employers, regional employment agencies, and regional governments to develop a Directory of Labor Needs (*Catálogo de ocupaciones de difícil cobertura*). This directory is a regularly updated catalog of occupations for which Spanish employers are unable to find sufficient qualified candidates.
- **Workplace regulation.** The ministry began more effective enforcement of labor regulations through workplace inspections.
- **Seasonal worker enforcement.** The government began greater monitoring of seasonal work permits to ensure that temporary workers do not overstay the terms of their visas and implemented new seasonal worker programs promoting circular migration.
- **Bilateral agreements.** Spain negotiated and signed a number of bilateral agreements with Latin American, Eastern European, and African countries of origin to ensure cooperation on managing labor immigration flows.²⁴
- **Manage and facilitate highly skilled immigration.** Finally, in February 2007, the Labor and Immigration Ministry created a Division of Large Employers (Unidad de Grandes Empresas, UGE), an office responsible for allocating work authorizations and residence permits for highly skilled immigrants such as business executives, Internet technology workers, scientists, university professors, and internationally renowned artists. UGE represents one of the Spanish government's first initiatives to manage the flow of highly skilled workers. From its creation in 2007 through the end of 2010, 9,274 applications were processed — roughly 2,000 work authorizations per year — suggesting that demand for highly skilled workers continues in Spain despite the recession. Indeed, recent regulatory changes have made the recruitment of highly skilled workers less burdensome for employers. This division has been reinforced with the last immigration regulations approval.

Since the economic crisis began, the Spanish government has undertaken several reforms of the country's immigration laws and regulations; some of these reforms are directly linked to the recession, while others represent longer-term initiatives independent of the economic crisis.

A. Reform of Immigration Regulations

- **Expanded intersectoral mobility.** In July 2009 the Spanish government responded to the recession by implementing regulations granting greater intersectoral mobility (as well as movement between self- and salaried employment) to foreigners holding residence permits. In the past, work permits were tied to specific autonomous communities and industries. The government hopes that the reforms will promote the reallocation of labor across the country as demand changes. The change will also facilitate the renewal of residence permits for workers who can prove continuous employment (nine months over the previous year) and for those with family ties in the country.
- **Labor market access for immigrant families.** In December 2009 the government proposed further changes to the country's immigration laws (L.O.2/2009) to grant labor market access to the spouses and children (aged 16 and older) of immigrants who enter through family reunification channels. This reform aimed to reduce household dependence on a single earner. The reforms also included provisions to promote labor market integration, a new residence and work permit for highly skilled workers (blue card), and the granting of new responsibilities for the processing of work permits to some autonomous communities (e.g., Catalonia).
- **Facilitating management, voluntary return, and expanded rights.** In April 2011 a new set of regulations further elaborating on L.O.2/2009 was approved by the Council of Ministers. The new regulations' three main goals are to reshape immigration flows in response to new labor market realities, facilitate voluntary return, and protect the weakest and most vulnerable — chiefly children and women. First, in order to better manage migration flows, the government's special list of jobs open to foreign recruitment now excludes occupations with high rates of unemployment and places priority on the admission of highly skilled workers. Second, the government aims to facilitate voluntary return not only through return programs, but also by allowing immigrants who circulate between Spain and their countries of origin to retain certain acquired rights in Spain. And last but not least, the government aims to protect the victims of gender violence by granting them temporary residence permits and by granting additional legal guarantees to unaccompanied immigrant children.

B. “Pay-to-Go” Programs

As the Spanish economy deteriorated rapidly in late 2008, the Spanish government began exploring mechanisms to encourage immigrants to return to their countries of origin. Although these voluntary return programs received substantial attention, they were not new. Other countries, such as France and Germany, have operated voluntary return programs for decades. Spain itself started offering return incentives in 2003, under the aegis of the Voluntary Return Program for Immigrants in Socially Precarious Situations (PREVIE); since 2009, 6,802 persons have used PREVIE to return to their countries of origin.²⁵ More recently, in February 2011, the Spanish government launched the Productive Voluntary Return Program, which is oriented toward immigrants from Peru and Colombia who desire to launch a micro-enterprise in their country of origin. Though voluntary return programs in Spain and elsewhere historically have had a wide range of impacts, shaped by local circumstances, they typically do not increase voluntary returns.

In November 2008 the Spanish government approved a new voluntary return initiative called the Program for Early Payment of Unemployment Benefits to Foreigners (APRE). Under the program, foreigners who had worked in Spain and were eligible for social security could receive a single lump-sum payout from the Spanish social security system upon living in their countries of origin for at least three years. On average, participants receive about 9,149 euros, the equivalent of about ten months of unemployment benefits. But not all immigrants qualify for the program as, among other limitations, the program is restricted to (i) nationals of a dozen countries that have signed bilateral repatriation agreements with Spain and (2) immigrants who have registered as unemployed with Spain's Public Employment Agency.²⁶

As of April 2011, 12,907 immigrants had participated in the program.²⁷ More than half were Ecuadoreans (7,479), followed by Colombians (2,849), Peruvians (1,631), and Argentineans (1,587) — almost all (91 percent) were from Latin America. Ukrainians (171) and Russians (63) composed the largest non-Latin American immigrant groups participating in the program. Notably, few Moroccans applied to the program (39), though they are the oldest community in Spain and have the most potential candidates.

Besides the relatively small numbers of returns achieved, the program has functioned as intended. Its aim was to create a new option for voluntary return for working legally in Spain who wanted to return to their country of origin. Despite the observation that the total number of

participants to date is about one-tenth of the estimated eligible population, few ever expected the program to be a realistic option for all immigrants. From the onset, the program was focused on immigrants from a small number of countries, primarily in Latin America.

C. Budget Cuts to Immigrant Integration Programs

In 2005 the Spanish government created a Social Integration Fund (Fondo de Acogida e Integración) to provide grants to autonomous communities in support of immigrant integration in the areas of education, social services, employment services, housing, health care, civic participation, gender equality, and community awareness. The fund is part of the annual national budget, and increased from 120 million euros in 2005 to 200 million euros in 2009. Grants are allocated to autonomous communities based on the number of resident, working, and educated third-country nationals. Autonomous communities must re-grant at least 40 percent of the funds received from the central government to municipalities; only those communities where foreigners account for at least 5 percent of the total population are eligible. There are additional criteria based on some special situations — such as supplemental grants to autonomous communities with particularly large arrivals or large numbers of unaccompanied minor immigrants.

Facing growing fiscal pressures, the government has tried to reduce this fund on several occasions over the past two years. In February 2009 the government attempted to cut the fund to 59 million euros, but faced strong opposition from the autonomous communities and political parties and in April 2009 the cut was rescinded. The government again tried to cut the fund in December 2009 and succeeded in reducing it to 100 million euros. A new round of budget cuts in January 2010 reduced the fund by an additional 30 million euros. In April 2010 the Spanish Parliament passed a resolution appealing to the government to rescind the January 2010 cuts and maintain the fund at 100 million euros. However, in mid-May 2010, the government ratified the 70 million euro fund, distributing the grants among autonomous communities for three purposes: welcoming and integration, education, and unaccompanied minor immigrants. And in mid-March 2011, after negotiations between the government and political parties, the government reduced the fund to 66.6 million euros (though new funds from the European Union have offset some of these cuts).

This fund has been cut as a result of general budget cuts, but also

because reduced numbers of arrivals imply much lower welcoming and integration costs for local communities. However, as the central government has noted, portions of other intragovernmental transfers — such as the Labor Fund and the Local Sustainability Fund — can be targeted toward social programs such as immigrant integration. As a result, autonomous communities have some room to maneuver if they wish to prioritize immigrant integration.

Of course, the option of budget reallocations does not diminish the difficult and avoidable reality: After a decade of growth and the best of intentions, the institutional frameworks supporting immigrant integration and social cohesion have almost disappeared over the economic crisis. →

Endnotes

- 1 This chapter draws upon the author's previous research and analysis on the impact of the economic crisis on immigrants in Spain. See Ruth Ferrero-Turrión and Ana López-Sala, "Nuevas dinámicas de la gestión de las migraciones en España: El caso de los acuerdos bilaterales de trabajadores con los países de origen," *Revista del Ministro de Trabajo e Inmigración* 80 (2009): 119–32; Ruth Ferrero-Turrión and Ana López-Sala, "Economic Crisis and Migration Policies in Spain: The Big Dilemma" (unpublished paper presented at the COMPAS Annual Conference, "New Times? Economic Crisis, Geopolitical Transformation and the Emergent Migration Order," University of Oxford, September 21-23, 2009); Ruth Ferrero-Turrión and Ana López-Sala, *Migration and the Economic Crisis: Implications for Policy in the European Union, Case Study: Spain* (Brussels: Independent Network of Labour Migration and Integration Experts, 2010); Héctor Cebolla-Boado, Ruth Ferrero-Turrión, and Gemma Pinyol-Jiménez, *Analysis of Economic and Labour Market Indicators and Labour Market Integration Policies: Case Study, Spain* (Brussels: Independent Network of Labour Migration and Integration Experts, 2010).
- 2 Gross domestic product (GDP) per capita in constant prices; International Monetary Fund (IMF), *World Economic Outlook Database, October 2009* (Washington, DC: IMF).
- 3 BBVA Servicio de Estudios, *Perspectivas para las economías española y madrileña 2010* (Bilbao: BBVA, March 2010), http://serviciodeestudios.bbva.com/KETD/fbin/mult/100316_perspectivas_para_las_economias_espanola_y_madrilena_2010_tcm346-216657.pdf?ts=1542010.
- 4 GDP data from the Instituto Nacional de Estadística (INE), "Producto Interior Bruto (PIB) Base 2000. Crecimiento en volumen," www.ine.es/prensa/pib_tabla_cne.htm. The original 15 European Union Member States (EU-15) are Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden, and the United Kingdom.

- 5 Estimates of the size of Spain's informal economy in 2009 varied from 19.5 percent to 23.3 percent; see Friedrich Schneider, *The Influence of the Economic Crisis on the Underground Economy in Germany and the other OECD-countries in 2010* (Paris: Organization for Economic Cooperation and Development, 2010), www.econ.jku.at/members/Schneider/files/publications/LatestResearch2010/ShadEcOECD2010.pdf; Círculo de Empresarios, *Implicaciones de la economía sumergida en España* (Madrid: Círculo de Empresarios, 2010).
- 6 Author's analysis of data from INE, *Encuesta de Población Activa* (Madrid: INE, 1977-2007).
- 7 INE, Indicadores Demográficos Básicos, "Número medio de hijos por mujer, 1975 to 2008," www.ine.es/jaxi/tabla.do.
- 8 Throughout this chapter, stock data on the immigrant population in Spain refer to individuals with foreign nationality; they exclude immigrants who have acquired Spanish nationality. Data are from the National Statistics Institute (Instituto Nacional de Estadística, INE) Municipal Registers (Padrón Municipal de Habitantes) and from the 1981, 1991, and 2001 censuses (Censos de Población y Viviendas). Data for 1981 to 2006 are presented in Antonio Izquierdo, *Demografía de los Extranjeros: Incidencia en el crecimiento de la población* (Bilbao: Fundación BBVA, 2006). Data for 2007 to 2009 are updated from INE by the author.
- 9 Of these 5.7 million, less than half (2.4 million) are citizens of the European Union. In 2011, the number of third-country nationals decreased by 59,386 while the number of EU nationals increased by 42,319; INE, Municipal Register.
- 10 References to migration flows to Europe include immigrants from Romania and Bulgaria prior to 2007; in subsequent years, immigrants from Romania and Bulgaria have been considered intra-European flows.
- 11 Data are collected on January 1 of each year. As a result, growth references the previous year.
- 12 There are no reliable estimates of the number of "retirement migrants" from the EU-15 countries since there is no compulsory registration for EU nationals.
- 13 Work offers are oriented towards countries with bilateral agreements signed with Spain such as Colombia, Ecuador, Morocco, Mauritania, and the Dominican Republic or those with equivalent instruments such as Gambia, Guinea, Guinea Bissau, Cabo Verde, Senegal, Mali, Niger, Mexico, El Salvador, the Philippines, Honduras, Paraguay, and Argentina.
- 14 Ministerio de Trabajo e Inmigración 2010.
- 15 See Antonio Cabrales, Juan José Dolado, Florentino Felgueroso, and Pablo Vásquez, eds., *La Crisis de la Economía Española: Lecciones y Propuestas* (Madrid: Fundación de Estudios de Economía Aplicada, FEDEA, 2009), www.crisis09.es/book. Also see the papers presented at FEDEA's March 2010 conference on "The Crisis of the Spanish Economy," www.crisis09.es/monografia2009/descargas.html.
- 16 Lorenzo Cachón, *La España Inmigrante: Marco discriminatorio, Mercado de trabajo y políticas de integración* (Barcelona: Anthropos, 2009).
- 17 BBVA Servicio de Estudios, *Perspectivas para las economías española y madrileña 2010*.
- 18 See Cebolla-Boado, Ferrero-Turrión, and Pinyol-Jiménez, *Analysis of Economic and Labour Market Indicators and Labour Market Integration Policies*, 2010.
- 19 It is necessary to take into account the number of naturalizations of Latin Americans in recent years due to changes to Spain's naturalization law, which allows certain Latin Americans to access Spanish nationality after just two years of legal residence in Spain. Im-

- migrants from other parts of the world must reside in Spain for ten years before becoming eligible for naturalization.
- 20 See Miguel Pajares, *Inmigración y mercado de trabajo: Informe 2010* (Madrid: Ministerio de Trabajo e Inmigración, 2010).
- 21 See Cebolla-Boado, Ferrero-Turrión, and Pinyol-Jiménez, *Analysis of Economic and Labour Market Indicators and Labour Market Integration Policies*.
- 22 Pajares, *Inmigración y mercado de trabajo*.
- 23 Joaquin Arango and Maia Jachimowicz, "Regularizing Immigrants in Spain: A New Approach," *Migration Information Source*, September 2005, www.migrationinformation.org/Feature/display.cfm?ID=331; Ruth Ferrero-Turrión and Gemma Pinyol-Jiménez, "The Regularization of Undocumented Migrants: A Path to Rights in the European Union," *Mediterranean Journal of Human Rights* 11, no. 2 (2007): 263-82.
- 24 Ferrero-Turrión and López-Sala, "Nuevas dinámicas de la gestión de las migraciones en España."
- 25 PREVIE targets immigrants in several legal status categories including refugees, asylum seekers, legal immigrants with work authorization, and unauthorized immigrants. To participate, immigrants must be in a precarious economic situation or be otherwise socially vulnerable (e.g., unaccompanied minors). They must also have been in Spain for at least six months. The program provides information and advice on return, one-way airfare to the country of origin, a small stipend for ground transportation and moving expenses, and psychological counseling. The International Organization for Migration (IOM) manages the program on behalf of the Spanish government.
- 26 Nationals of the following countries are eligible for the program: Morocco, Ecuador, Peru, Argentina, Ukraine, Colombia, Brazil, Chile, Uruguay, Andorra, the United States, Canada, Australia, the Philippines, the Dominican Republic, Colombia, and Peru.
- 27 In addition, 6,392 family members of voluntary returnees participated in the program.

CHAPTER 4

HOW THE GLOBAL RECESSION HAS IMPACTED IMMIGRANT EMPLOYMENT: The Portuguese Case

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Introduction¹

Portugal has long been known as an emigration country. But since the mid-1970s, when the nation became host to an ever-growing number of job seekers, it has also been an immigration country. Immigration flows to Portugal are, in many respects, unique. The late decolonization of Portugal's African empire resulted in an immigration system dominated by flows from the Lusophone world.² In other respects, immigration to Portugal has followed a pattern similar to its neighbors — what Russell King has labeled the “Southern European migration model.”³ As such, immigrant inflows to Portugal grew steadily from the mid-1970s on, and peaked around the turn of the century. In contrast to its neighbors, however, *immigration* to Portugal slowed during the first decade of the 21st century, when there was an increase in out-migration. The recent world economic crisis has accelerated this shift.

This chapter reviews the Portuguese immigration experience since the 1990s, and focuses on the impact of the recent global economic crisis.

The first section provides a brief demographic and socioeconomic profile of immigrants in Portugal. The second section discusses the impacts of the crisis on the Portuguese labor market and its consequences for immigrants in the labor force. The third section explores policy responses. The material presented in this case study comes, on the one hand, from statistical and documentary evidence, and on the other, from a series of stakeholder workshops on “Crisis, Immigration and the Labor Market” convened in May 2010 by the Calouste Gulbenkian Foundation.⁴

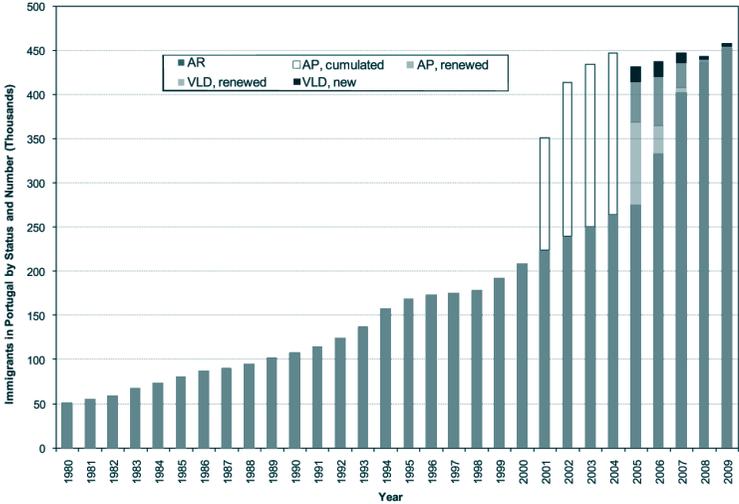
Demographic and Socioeconomic Background

Most information about immigrants in Portugal is categorized by citizenship and does not account for immigrants without legal status.⁵ According to official figures, immigration to Portugal gradually increased over the 1980s: the foreign population grew from around 50,000 in 1980 to around 200,000 in 2000. After a surge in the first years of the new century, it surpassed 450,000 in 2009. As of 2009, immigrants represented 4.3 percent of the total population residing in the country. There are several known drivers behind this growth. First, as previously noted, immigration has been on the rise since the mid-1970s, as a result of the decolonization of Portugal’s holdings and of the nation’s economic and social modernization. Second, Portugal’s accession to the European Communities (later the European Union) in 1986 made the country an attractive destination for immigrants seeking to settle in Europe. Third, economic growth and high labor demand, particularly in public works, coupled with an aging Portuguese population, made the country an attractive destination for labor-force immigrants.

Most immigrants in Portugal have standard residence permits (known as *autorizações de residência*, or ARs) but growing illegal immigration over the course of the 1990s prompted important policy changes. Notable is the 2001 creation of one-year renewable permits (known as *autorizações de permanência*, or APs) granted to irregular immigrants holding a formal labor contract. The permits were valid for a period of five years, after which they could be converted into a standard residence permit.⁶ This policy change represented, in practice, the largest regularization process undertaken in the country. In the four years that followed, the legal immigrant population more than doubled — from 207,607 in 2000 to 447,155 in 2004. Since then, however, growth has been more modest. As Figure 1 illustrates, the number of immigrants hovered between 430,000 and 450,000 in 2003-08, before increasingly

slightly to 457,306 in 2009. Recent estimates indicate that the size of the unauthorized immigrant population is now small, in part a consequence of the economic crisis.

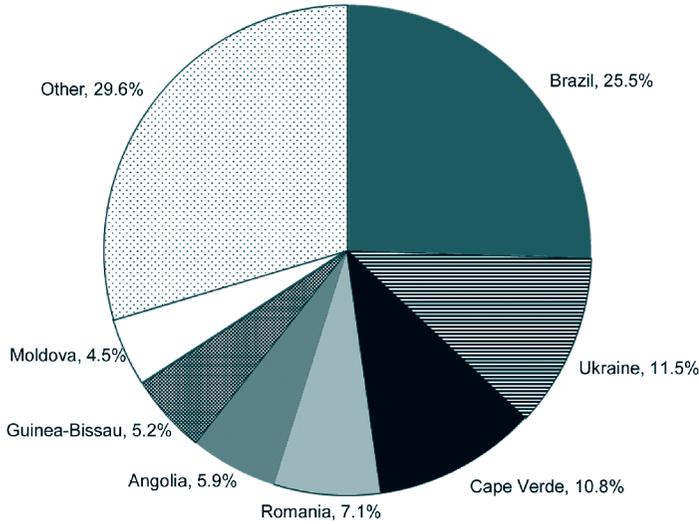
Figure I. Legal Foreign Population by Immigration Status, 1980–2009



Note: AR = *autorizações de residência* (standard residence permit); AP = *autorizações de permanência* (renewable one-year permit); VLD = *vistos de longa duração* (long-term visa). Source: Instituto Nacional de Estatística (INE).

As described earlier, immigration to Portugal has been shaped in part by ties with Lusophone countries in Africa and the Americas. Immigrants from Brazil, Cape Verde, Angola, and Guinea-Bissau rank among the largest foreign groups in the country. After Portugal signed on to the Schengen Agreement in 1995, it received many more immigrants from Europe and experienced a spike in irregular immigration. From the late 1990s, several Eastern European countries joined the traditional Lusophone countries as major immigration source countries. As of 2009 about half of all immigrants came from Portuguese-speaking countries — particularly Brazil (25.5 percent) and Cape Verde (10.8 percent) — while about one-quarter came from Eastern Europe, especially Ukraine (11.5 percent), Romania (7.1 percent), and Moldova (4.5 percent) (see Figure 2). There are no reliable annual flow data by country of origin, but some studies suggest that, among the major immigrant groups, Brazilians have been the fastest growing in recent years.⁷

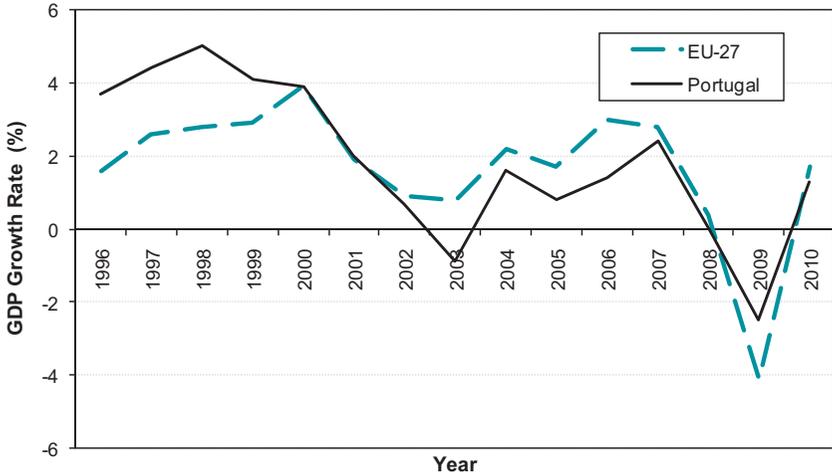
Figure 2. Immigrants' Top Countries of Origin, 2009



Source: Instituto Nacional de Estatística (INE).

The Portuguese economy was struggling even before the global economic crisis. As Figure 3 illustrates, at the end of the 1990s, Portuguese economic growth exceeded the EU average. But as growth slowed during the first decade of the 21st century, it dipped below this average. With this, Portugal's policy objective of economic convergence with the rest of the European Union became increasingly unrealistic. By the onset of the global economic crisis in 2008, the Portuguese economy had been stagnating for a decade (particularly in comparison to its neighbor, Spain, which had enjoyed a decade of steady growth). Initially, the Portuguese economy was not severely impacted, as its private sector had not been as leveraged as that of the United States or United Kingdom. But the economic outlook for Portugal worsened in 2010, in response to growing concerns about sovereign debt in Europe. After modest economic growth in 2010 (1.3 percent), the Bank of Portugal expects the economy to contract by 1.3 percent in 2011, reversing its previous gains.⁸

Figure 3. Real Gross Domestic Product (GDP) Growth Rate, Percent Change from Previous Year, 1996–2010



Note: 2010 values are provisional estimates.
Source: Eurostat.

The low level of economic growth translated into weak labor demand, rising unemployment, and lower immigration inflows. In retrospect, 2002–03 was likely a turning point: it was then that some of the most labor-intensive sectors, such as construction, experienced a sharp slowdown. Despite an obvious contraction in labor demand, immigration continued, although at much lower levels than before. That said, some portion of the foreign population’s observed growth over the past decade is actually due to the delayed regularization of former entrants and not to new entrants. New immigration legislation in 2007 created the possibility of case-by-case regularization,⁹ which helped many immigrants achieve legal status. In some cases, legalization further contributed to growth in the foreign population, as when newly legalized immigrants requested that family members join them in Portugal.

While inflows of new immigrants slowed, some evidence suggests that *emigration* from Portugal increased over the past decade, among both Portuguese and foreign workers. Portuguese workers revived their historical tradition of seeking employment abroad — often under the European Union’s free mobility regime or through employment contracts.¹⁰ The principal destination countries include Spain, the United Kingdom, France, Luxembourg, and Switzerland, as well as more distant but still familiar destinations, such as Angola. Recent estimates cite that as many as 70,000 individuals have left every year (although

the data mix permanent and temporary outflows), but show a decline after 2008 due to the crisis. In contrast to the past, emigration flows include a growing number of young and well-educated Portuguese,¹¹ and appear to include immigrants as well. For instance, of those leaving for short-term construction contracts in Spain, some were native Portuguese and some were foreign workers whose families remained in Portugal.¹² In other cases, the outflow has been permanent — for instance, among Eastern Europeans, whose numbers in Portugal have diminished since the mid-2000s. Most evidence suggests that return migration is rare, implying that the declining Eastern European population in Portugal is in large part due to secondary migration to more prosperous destinations within the European Union.

With the onset of the world economic crisis, the opportunities for emigration and reemigration diminished. The Spanish labor market, which had been an important destination for Portuguese workers and for foreign workers residing in Portugal, contracted abruptly in 2008. Fewer opportunities abroad translated into more pressure on the Portuguese labor market, and in part explain the increase in unemployment (described in more detail below). Return migration has not been a realistic alternative for many immigrants in Portugal as, for the most part, the economic conditions of their countries of origin have remained poor or only gotten worse. However, many immigrants had other reasons to stay in Portugal — for instance, access to social benefits and the prospect of secondary migration to other European countries when conditions improve there. This explains why even immigrants from Brazil, whose economy has continued to grow rapidly despite the global recession, have continued to immigrate to Portugal, with few returning to Brazil.¹³

I. The Impact of the Crisis on the Labor Market

From the late 1970s, immigration has been a structural part of the Portuguese labor market. Estimates of foreign immigrants' share in the total workforce vary; data are unreliable and the endemic character of irregular migration and undeclared employment make the task more difficult. Official figures, based on the Labor Force Survey (LFS),¹⁴ suggest that immigrants compose about 4.5 percent of the total labor force (see Table 1). However, estimates from the mid-2000s suggest

that the number could be as high as 5 or 6 percent, if irregular workers are included.¹⁵

Despite these discrepancies, the high labor force participation rates of foreign workers, both male and female, are impressive (see Table 1). Labor force participation rates among immigrants are higher than the national average: 84.4 and 70.5 percent for men and women, respectively, compared to 67.7 and 55.5 percent for Portuguese men and women.¹⁶ Most immigrants seek to enter the labor market, and many find an easy entry point in Portugal's large informal economy. Compared to other countries in Southern Europe, Portugal stands out for the labor force participation rates of foreign women, in line with the high female labor force participation nationwide.¹⁷

Table 1. Labor Force Participation, Employment, and Unemployment by Citizenship, 2009

	Total	Portuguese	Immigrants
Labor Force Participants* (thousands)			
Total	5,582.7	5,333.7	249.0
Men	2,948.9	2,819.7	129.2
Women	2,633.9	2,514.0	119.9
Employed (thousands)			
Total	5,054.1	4,845.8	208.3
Men	2,687.6	2,579.1	108.5
Women	2,366.5	2,266.7	99.8
Unemployed (thousands)			
Total	528.6	487.9	40.7
Men	261.3	240.6	20.7
Women	267.4	247.3	20.1
Labor Force Participation Rate* (%)			
Total	61.9	61.3	77.1
Men	68.2	67.7	84.4
Women	56	55.5	70.5
Unemployment Rate (%)			
Total	9.5	9.1	16.4
Men	8.9	8.5	16.0
Women	10.2	9.8	16.7

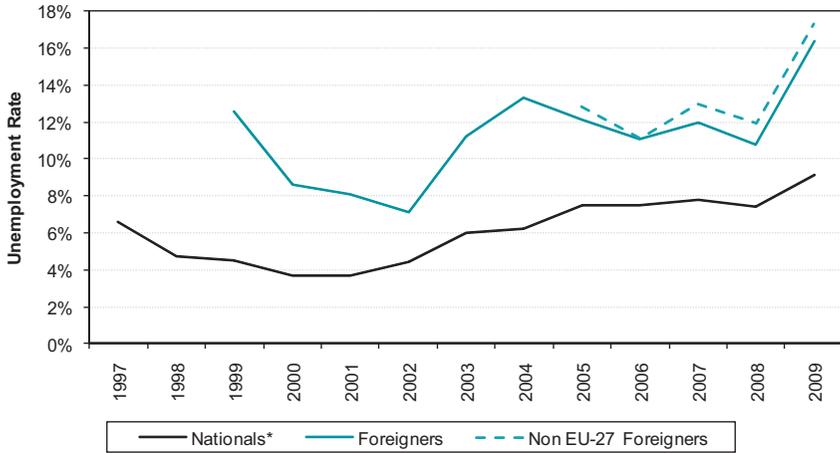
Note: *Age 15 and older.

Source: INE, Estatísticas do Emprego.

Immigrant incorporation into the Portuguese labor market has long been characterized by its dual nature. At one end of the spectrum, a few highly skilled professionals and managers are employed in well-paid occupations. At the other, a larger number of less-skilled immigrants work in more precarious jobs. Particularly as their numbers swelled in the 1990s, less-skilled immigrants composed the greater share of inflows, finding jobs in labor-intensive sectors such as civil construction, retail, hospitality, and domestic services. Recent studies suggest that immigrant positions in these industries tend to be characterized by low wages, poor career prospects, unstable contracts (or none at all), informal arrangements between employers and employees, and, in general, poor working conditions. The segmented nature of the Portuguese labor market makes upward mobility difficult.¹⁸

Structural unemployment has increased in Portugal over the past decade, since reaching historic lows at the end of the 1990s.¹⁹ Total unemployment hovered around 8 percent between 2005 and 2008, compared to around 4 percent earlier in the decade; in 2009 it approached 10 percent (see Figure 4). Foreign workers have always been more vulnerable to unemployment than Portuguese workers, but the probability of finding new jobs was generally high in the past.²⁰ This changed during the recession. With the deterioration of the economic climate after 2008, immigrants' position became critical. Although the unemployment rate among immigrants has always been higher than the national average, the gap widened dramatically in 2009, when immigrants' unemployment rate reached 16.4 percent (17.3 percent counting only those from outside the European Union). Immigrants now represent 7.7 percent of all unemployed, a high percentage considering their share of the labor force (about 4.5 percent).

Figure 4. Portuguese Unemployment Rate, 1997–2009

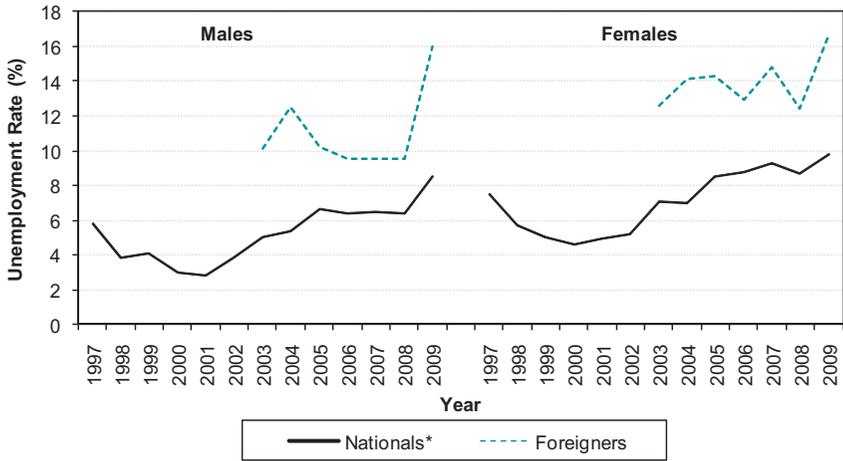


Note: *Total population for 1997 and 1998.

Source: Eurostat and INE.

Globally, the economic crisis has had very different effects on male and female workers.²¹ There was a higher concentration of men in industries that contracted (e.g., construction), while industries that have traditionally been dominated by women fared better (e.g., domestic care, hospitality). Here, the experience of Portugal is similar to other countries, such as Spain and the United States. Prior to the recession, unemployment was more prevalent among immigrant women than among immigrant men, but the two rates have converged as a result of heavy job losses in industries that tend to employ men (see Figure 5). The unemployment rate among foreign men tripled between 2008 and 2009, increasing by 6 percentage points. By 2009 the gap between unemployed foreign men and women was the smallest on record. By contrast, among Portuguese nationals, unemployment continued to be more prevalent among women.

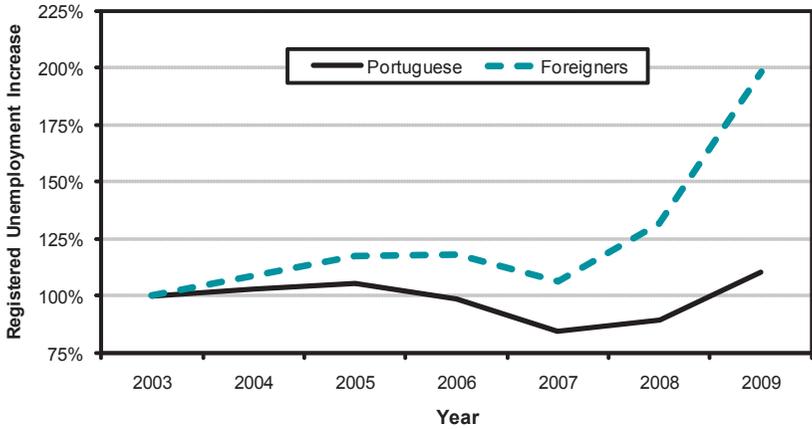
Figure 5. Portuguese Unemployment Rates by Citizenship and Gender, 1997–2009



Note: *Total population for 1997 and 1998.
 Source: Eurostat and INE.

Administrative data from Portugal’s official Employment Centers also point to a rapid increase in the unemployed, particularly among immigrants.²² As Figure 6 illustrates, while the number of registered unemployed Portuguese increased by nearly one-third (+31 percent) between 2007 and 2009, it ended up not far from 2003 rates. By contrast, the number of registered unemployed immigrants nearly doubled (+87 percent) over the same period. More than 36,000 immigrants were unemployed in 2009, accounting for 7.2 percent of all unemployed, compared to 4.2 percent in 2003. Over half of registered unemployed immigrants in 2009 were from Brazil (28.5 percent), Ukraine (15.0 percent), and Cape Verde (10.5 percent). Doubtless some of this increase is due to immigrants’ greater access to legal status since the immigration reforms of the 2000s, but it appears that — regardless of status — immigrants are more vulnerable to unemployment during crises.

Figure 6. Registered Unemployment by Citizenship, 2003–09



Note: The data are set to a base year of 2003, with 2003 equaling 100.
Source: Instituto do Emprego e Formação Profissional (IEFP).

Evidence from stakeholder consultations suggests that the economic crisis has had far-reaching implications throughout the Portuguese labor market, beyond unemployment.²³ Most observers report an increase in labor flexibility, and in workers’ insecurity, labor exploitation, and economic and social vulnerability, among both native and immigrant workers. The latter are penalized in particular, given the segmented structure of the Portuguese labor market. In recent years, wages have often stagnated, more workers have found themselves in short-term contracts or without a contract, and nondeclared working days and atypical working schedules are more common, as are delayed (or missing) payments. In some instances, trade union leaders suspect that the economic crisis has become a pretext for employers to allow working conditions to deteriorate, although it is not clear if this is a concerted strategy on the part of employers or simply a cost-saving response to maintain competitiveness.

Informal labor arrangements merit particular scrutiny. The prevalence of the informal economy in Portugal has been widely commented on, and estimates suggest that it may be as large as 22 percent of total output.²⁴ During the boom immigration years, many of the jobs available to immigrants were in the informal economy — indeed often in the same sectors where immigrants accounted for a large share of formal employment, such as construction, retail trade, and domestic services.²⁵ Estimates indicate that during the mid-2000s, about a third of immigrants working in retail trade (36.4 percent), cleaning services

(37.5 percent), and construction (33.9 percent) lacked a contract.²⁶ Despite efforts to improve regulation and to formalize employment, it is possible that cost pressures during the economic crisis have pushed many activities into the informal sector.

II. Policy Responses

The Portuguese experience during the global economic crisis is unique for several important reasons, notably that the economy was struggling several years before 2008 and that immigration flows had slowed after a peak in the early 2000s. Portugal's current immigration policy framework — including admission and integration — was for the most part developed during the first decade of the 21st century, after its peak but prior to the world economic crisis. Current immigrant admissions law dates to 2007, predated by the bulk of immigrant integration legislation (with an important exception being the ambitious Integration Plan, approved by the government in 2007 and renewed in 2010). This section explores how immigration and the older immigrant integration policies have evolved and adapted to challenges that emerged during the crisis.

A. *Immigrant Admissions*

The 2007 immigrant admissions law changed the legal avenues for economic immigration by replacing a quota system that had been in place since 2001 with a “global contingent” of visas based on forecasted labor needs.²⁷ However, reduced labor demand since 2007 has made this new mechanism largely unnecessary. Some observers also suspect that the new contingent worker policy is as ineffective as the older quota, which was incapable of meeting high labor demand and thus led to irregular immigration. Existing channels for family reunification are more effective, although in recent years potential immigrants' inability to meet the minimum income requirements and to pay the requisite fees may have mitigated their legal inflow.

One way that policies have adapted to the new challenges posed by the economic crisis can be observed in the handling of the minimum income levels required of immigrants seeking to renew their residence permits. Existing law requires that immigrants demonstrate income from a formal labor contract, from an unemployment subsidy, or from another source (e.g., transfers from abroad, pensions, or savings). But

stakeholders report that in many instances, immigrants' income is too low, employment is based on an informal contract, or the immigrant is unable to claim unemployment benefits (for instance, because an employer failed to pay social security contributions). In response, in 2009 the Portuguese government reduced the income threshold for residence permit renewal. Prior to the change, immigrants had to demonstrate an income equivalent to the official minimum guaranteed income (about 450 euros) to obtain a new residence permit; after 2009, the threshold was lowered by half, to 225 euros. Furthermore, some government officials claim that recently enacted internal procedures — including less-strict requirements for minimum-income proof — now allow those immigrants in dire economic straits to maintain their legal status.

Often the absence of policies can be as informative as their enactment. In sharp contrast to some other EU governments, such as Spain and the Czech Republic — and France, Germany, and the Netherlands during previous economic crises — the Portuguese government has never enacted or even discussed any legal instrument to promote the emigration of its foreign population. Most stakeholders generally agree that the Portuguese authorities are more focused on fostering integration than on sponsoring the return of immigrants particularly affected by the crisis.

B. *Immigrant Integration*

Portuguese immigrant integration policy focuses on providing legal immigrants access to the same social safety net as that available to Portuguese nationals. The following paragraphs discuss employment policies, including job intermediation (mechanisms to match labor demand and supply), professional training and support of entrepreneurship, and labor standards enforcement. In some areas, such as professional training and entrepreneurship, immigrants face unique challenges, but these tend to predate the economic crisis. In others, such as unemployment subsidies, fiscal austerity has forced a reduction in benefits to both natives and immigrants.

Public job intermediation and placement services are available to all unemployed citizens and legal immigrants through the Institute for Employment and Professional Training (Instituto do Emprego e Formação Profissional, IEFP). However, the IEFP has long found itself unable to adequately match supply and demand and so is unlikely to have a strong impact on cyclical unemployment. Recent data indicate that only about

half of the jobs listed on the IEFP's registries are eventually filled. Many of the jobs listed offer low wages, most applicants are poorly educated, and companies rarely recruit better-skilled workers through the public employment services. Given the low quality of the jobs available, some applicants prefer to receive unemployment benefits. Administrative data do not disaggregate participants in job intermediation programs by citizenship. However, it is likely that foreign workers and especially second-generation immigrants (i.e., Portuguese youth with immigrant parents) face some discrimination in the Portuguese labor market, as suggested by stakeholders in this field.²⁸

The High Commissioner for Immigration and Inter-Cultural Dialogue (Alto Comissariado para a Imigração e Diálogo Intercultural, ACIDI), a government agency established to promote immigrant integration, offers job placement services specifically for immigrants through its network of partner institutions, immigrant associations, and nongovernmental organizations.²⁹ Both legal and unauthorized immigrants may seek ACIDI's services, although in specific cases only those with legal status are able to receive ongoing support. However, the effectiveness of these job placements are typically considered limited. The critical factor seems to be the scarcity of job offers, particularly among employers known to hire immigrant workers (e.g., private households and others seeking domestic workers, small- and medium-sized firms).

Worker training is a critical component of government policies to promote immigrant integration. Again, however, its impact on immigrants' livelihoods appears to be small. Training is provided by IEFP to all citizens registered at employment centers, regardless of citizenship. Further training opportunities, directly targeting immigrants and their descendants (as well as other groups inhabiting the same neighborhoods), are provided within the ACIDI framework. Training is limited by the low educational credentials of those involved, including many immigrants and their descendants. In the case of second-generation immigrant youth, training programs are often criticized because they tend to guide youth toward industries, such as civil construction and hospitality, that employ large numbers of immigrants but which are often unappealing to Portuguese-born workers with higher aspirations.

In the years before the crisis, ACIDI began offering entrepreneurial support, but there is little evidence that this had a meaningful impact. A specialized department within the agency offers training in how to launch a business and assistance in obtaining start-up funding. However, the program has had limited success so far, with only about five businesses launched and about 40 others demonstrating economic

viability, the general consensus being that these initiatives will always remain limited. Even as most immigrants continue to lack the resources required for entrepreneurial action, it may be even more difficult for small or unproven start-up firms to obtain seed financing in the wake of the crisis.

It is generally accepted that labor standard enforcement and workplace regulation are unevenly implemented in Portugal. Sectors that tend to attract immigrant labor are among the worst offenders. Union leaders report that in sectors such as civil construction, some firms are paying below the minimum wage and are delaying or even refusing payments. Some employers are failing to make social security payments, limiting workers' access to social protection in the case of unemployment (not to mention jeopardizing the solvency of the country's social security system). The government has responded to the prevalence of informal labor arrangements and worker abuse with an increasingly active monitoring and sanctioning role. The Ministry of Labor's Authority for Workplace Conditions (ACT) is currently engaged in several programs and public relations campaigns to combat worker abuse. Since foreign workers are considered an "at risk" group, they receive special attention, for instance, through the publication of worker rights information in several languages. However, as with many other initiatives, these were launched well before the onset of the economic crisis. On balance, the capacity and effectiveness of ACT are generally considered to be limited.

Finally, the country's main income-support programs have faced fiscal pressures as a result of Portugal's debt crisis. As mentioned, unemployed workers who fulfill certain requirements — including registration at an employment center, previous contributions to social security, and involuntary unemployment — are eligible for an unemployment subsidy, regardless of citizenship (although only those with legal status are entitled). There are two main forms of unemployment subsidy: a standard subsidy based on contributions during employment, and the social unemployment subsidy provided to those who contributed to social security for a shorter period of time or who are no longer entitled to the regular subsidy. Portuguese and foreign adults with no other source of income may also be eligible for a guaranteed minimum income. However, the Portuguese government has tightened rules governing access to these allowances since the country's severe fiscal crisis. As a result, the proportion of unemployed entitled to the subsidy has declined. Between October 2009 and October 2010, the share of immigrants receiving an unemployment subsidy among those registered at employment centers fell from 65.5 percent to 54.3 percent,

despite a dramatic rise in unemployment.³⁰ The guaranteed minimum income also declined overall — again, due to the tightened regulations of recent years.

III. Conclusion

Portugal is historically a migrant-sending country, but since the 1970s immigrants have become a structural component of the Portuguese economy and society. The Portuguese economy has been struggling for much of the past decade, well before the onset of the global economic crisis. Immigration flows peaked at the turn of the 21st century and have since slowed. Prior to the international crisis, both Portuguese and foreign workers residing in Portugal increasingly sought employment abroad, particularly in booming Spain, but the crisis has severely limited their prospects. Meanwhile, few immigrants residing in Portugal have opted to return to their countries of origin. This is true for immigrants both from impoverished countries (e.g., Cape Verde, Guinea-Bissau) as well as those from more prosperous countries (e.g., Brazil).

In some respects, Portugal appears to be facing a “middle-income paradox” with respect to immigration: it fails to generate sufficient employment for its nationals forcing them to migrate abroad, but also is sufficiently affluent to attract migrants from poorer parts of the world. This dual condition may also be viewed as a result of the semi-peripheral status of the country.³¹ In recent years, pressure on the Portuguese labor market — primarily due to fewer outflows — has increased. Unemployment rates have swelled dramatically, particularly among immigrants, and working conditions have deteriorated for those who remain employed. Despite a proactive policy agenda, Portugal appears to have made little headway in integrating immigrants, a problem now felt by the second generation. Stakeholders describe the enormous obstacles facing some immigrant groups, as well as sectors of the native population — including starvation, domestic violence, and deviant social behavior. Indeed, several stakeholders describe the situation facing some immigrants’ descendants as “explosive.”

Portuguese policymakers have reformed the country’s immigrant admissions and immigrant-integration policy frameworks over the past decade. However, these improvements are perhaps insufficient to accommodate future immigration pressure, especially since

legal economic channels were never adequately tackled by previous governments.³² Early on in the global economic crisis, the system of conditional, renewable residence permits left many immigrants in limbo, unable to meet the necessary income threshold. The government responded by lowering the threshold, but it remains to be seen if this proves a durable solution. Nevertheless, it is meaningful that no return incentive policy was set in place (or even discussed), in stark contrast to neighboring Spain.

Portugal's commitment to its immigrants' integration has been repeatedly praised, both at the national and international level.³³ In reality, however, policy commitment to integration has been stymied by structural factors, limited resources, and uneven implementation. Immigrants occupy the most vulnerable segments of the labor market and are among the first to be impacted by its contraction. The recent and dramatic rise in unemployment has affected immigrants most. The government support available to both immigrants and Portuguese appear to have had a limited impact on immigrants' employment prospects. Job intermediation is affected by the reduced appeal (and wages) of many job offers. The impact of professional training is limited by poor educational backgrounds and skills (particularly among youth of immigrant origin). Entrepreneurship, while cherished by government authorities, faces severe obstacles due to a lack of resources. Inspections of workplace conditions are a promising means of mitigating worker abuse, but limited resources means that their effectiveness is limited as well. Similarly, fiscal restraints have narrowed the scope of social-protection policies. In the context of a contracting state, civil-society actors such as nongovernmental organizations and charities play a critical role in meeting the needs of society's poorest and most vulnerable. →

Endnotes

- 1 This chapter is largely based on a work commissioned by the Calouste Gulbenkian Foundation of Portugal to investigate the impact of the recent economic crisis on immigrants in Portugal. For an extended version of this work, see João Peixoto and Juliana Iorio, *Crisis, Immigration and the Labour Market in Portugal: Return, Regulation or Resistance?* (Lisbon: Fundação Calouste Gulbenkian and Principia, 2011).
- 2 Maria Ioannis Baganha, "The Lusophone Migratory System: Patterns and Trends," *International Migration* 47, no. 3 (August 2009): 5–20.
- 3 In many Southern European countries, rising immigration inflows have been through largely irregular channels; the most recent immigrants are characterized by highly segmented incorporation into the labor market as well as a large presence in the informal economy (particularly in labor-intensive occupations). See Russell King, "Southern Europe in the Changing Global Map of Migration," in *Eldorado or Fortress? Migration in Southern Europe*, eds. Russell King, Gabriella Lazaridis, and Charalambos Tsardanidis (London: Macmillan, 2000): 1–26. For a recent update, see João Peixoto, Joaquin Arango, Corrado Bonifazi, Claudia Finotelli, Catarina Sabino, Salvatore Strozza, and Anna Triandafyllidou, "Immigrants, Markets, and Policies in Southern Europe: The Making of an Immigration Model?" in *Europe: The Continent of Immigrants*, ed. Marek Okolski (Amsterdam: Amsterdam University Press, forthcoming).
- 4 See Peixoto and Iorio, *Crisis, Immigration and the Labour Market in Portugal*.
- 5 Since foreign immigration is a recent phenomenon and relatively few immigrants have acquired Portuguese citizenship, the lack of data on country of birth does not pose a significant challenge.
- 6 Another relevant legal mechanism is the long-term visa (*visto de longa duração* or VLD), valid for a period of one year and renewable afterwards. Such visas were granted until 2007 for purposes of work, study, family reunification, health treatment, and other reasons. The legal system was simplified with the reforms to the country's immigration law in 2003 and 2007, which abolished *autorizações de residência* (ARs) and limited the scope of VLDs, respectively.
- 7 Pedro Góis, José Carlos Marques, Beatriz Padilla, and João Peixoto, "Segunda ou terceira vaga? As características da imigração brasileira recente em Portugal," *Migrações* 5 (October 2009): 111–33.
- 8 Banco de Portugal, *Boletim Económico* 16, no. 4 (Winter 2010).
- 9 To benefit from this procedure, applicants must have an employment contract or other proof of labor relation, be a legal entrant into Portugal, and be registered with the Social Security system. The regularization decision is delivered after an interview with the immigration agency. Besides labor-force immigrants, third-country minors born in Portugal who fulfill certain conditions, as well as victims of trafficking, may apply for regularization.
- 10 José Carlos Marques, "E continuam a partir: As migrações portuguesas contemporâneas," *Ler História* 56 (2009): 27–44.
- 11 For recent estimates, see Rui Pena Pires, ed., *Portugal: Atlas das Migrações Internacionais* (Lisbon: Tinta da China and Fundação Calouste Gulbenkian, 2010) and the website of the Portuguese Emigration Observatory, www.observatorioemigracao.secomunidades.pt.

- 12 Sónia Pereira, "Trabalhadores imigrantes de origem africana: Precariedade laboral e estratégias de mobilidade geográfica," *Migrações 2* (April 2008): 47–71.
- 13 There is evidence of an increase in Brazilians seeking support from the Assisted Voluntary Return and Reintegration Program of the International Organization for Migration in recent years. However, the number of immigrants involved in this program remains small overall. For example, in 2009 only 315 Brazilians returned. See SEF (Serviço de Estrangeiros e Fronteiras), *Relatório de Imigração, Fronteiras e Asilo* (Lisbon: SEF, 2009).
- 14 The LFS is a quarterly survey carried out by INE, the National Statistical Institute, using a methodology harmonized with Eurostat. This survey provides the best means to compare EU countries' labor markets.
- 15 João Peixoto, "Imigração e mercado de trabalho em Portugal: Investigação e tendências recentes," *Migrações 2* (April 2008): 19–46.
- 16 These figures include individuals aged 15 and older, and thus are biased by the age profiles of the respective populations. However, other studies of only working age (15–64) individuals have come to a similar conclusion. See OECD (Organization for Economic Cooperation and Development), *Jobs for Immigrants (Vol. 2): Labor Market Integration in Belgium, France, the Netherlands and Portugal* (Paris: OECD, 2008).
- 17 The high level of Portuguese female participation in the labor market has several historical and socioeconomic explanations, including a shortage of male workers due to colonial war and emigration during the 1960s, the prevalence of light industry, and the need to contribute to family incomes. Other more recent explanations include the higher level of women's formal education, growth in overall consumption, and the increasing prevalence of the dual-breadwinner family. See Sara Falcão Casaca and Sónia Damião, "Gender (In)Equality in the Labor Market and the Southern European Welfare States," in *Gender and Well-Being: The Role of Institutions from Past to Present*, ed. P. Villota (London: Ashgate, forthcoming).
- 18 Peixoto, "Imigração e mercado de trabalho em Portugal."
- 19 Olivier Blanchard, "Adjustment within the Euro: The Difficult Case of Portugal," *Portuguese Economic Journal* 6, no. 1 (2007): 1–21.
- 20 Unemployment among foreigners appears to have increased during 2003–04. This was due, in part, to a recession that severely impacted civil construction. However, the data on foreigners in the early 2000s are based on a small sample and so must be interpreted with caution.
- 21 Demetrios G. Papademetriou, Madeleine Sumption, and Aaron Terrazas with Carola Burkert, Stephen Loyal and Ruth Ferrero-Turrión, *Migration and Immigrants Two Years After the Financial Collapse: Where Do We Stand?* (Washington, DC, and London: Migration Policy Institute and the BBC World Service, 2010), www.migrationpolicy.org/pubs/MPI-BBCreport-2010.pdf.
- 22 The employment centers are a network of local employment-matching institutions belonging to the Institute of Employment and Vocational Training (IEFP), a dependency of the Ministry of Labor.
- 23 Most of the following observations are based on stakeholder workshops convened by the Calouste Gulbenkian Foundation in May 2010. Participants included researchers; government agency staff; and representatives from civil society, including firms, trade unions, and

- immigrant associations and other nongovernmental organizations. See Peixoto and Iorio, *Crisis, Immigration and the Labor Market in Portugal*.
- 24 Comparative studies show that Portugal, alongside other Southern European countries, has among the largest informal economies in the OECD. See Friedrich Schneider and Robert Klinglmair, "Shadow Economies around the World: What Do We Know?" (Discussion Paper 1043, Institute for the Study of Labor, Bonn, 2004).
- 25 Maria Ioannis Baganha, "Immigrant Involvement in the Informal Economy: The Portuguese Case," *Journal of Ethnic and Migration Studies* 24, no. 2 (1998): 367–85.
- 26 Lourenço Xavier de Carvalho, *Os Limites da Formalidade e o Trabalho Imigrante em Portugal* (Lisbon: Alto Comissariado para a Imigração e Diálogo Intercultural, ACIDI, 2007).
- 27 The system of quotas for immigrant recruitment in place between 2001 and 2007 required that, to work legally in Portugal, immigrants had to apply for a work visa while still in their country of origin. The number of visas issued had to match the job vacancies detected in various economic sectors. These quotas were defined by a report carried out annually by the Ministry of Labor, based on a survey of employers' labor needs that were then discounted by the volume of unemployed registered at official employment centers (to guarantee that the national and foreign legal workforce were given priority). In practice, however, the formal quotas were never fulfilled, and foreign workers continued to enter irregularly into Portugal. The inefficiency of the system had mostly to do with the bureaucracy involved in matching supply and demand.
- 28 Unemployment rates among youth, immigrant and second-generation youth have been particularly affected.
- 29 There is, admittedly, some duplication of effort between ACIDI's and IEFP's work, since legal immigrants may elect either service. According to its officials, ACIDI is more popular in cases where the renewal of residence permits is at stake.
- 30 *Público*, "Aumento da inscrição de imigrantes em centros de emprego é superior ao desemprego total," December 13, 2010.
- 31 Pedro Góis and José Carlos Marques, "Portugal as a Semi-Peripheral Country in the Global Migration System," *International Migration* 47, no. 3 (August 2009): 21–50.
- 32 Maria Ioannis Baganha, "Política de imigração: a regulação dos fluxos," *Revista Critica de Ciências Sociais* 73 (2005): 29–44.
- 33 See Jan Niessen, Thomas Huddleston, and Laura Citron, in cooperation with Andrew Geddes and Dirk Jacobs, *Migrant Integration Policy Index* (Brussels: British Council and Migration Policy Group, 2007) and United Nations Development Program (UNDP), *Human Development Report 2009: Overcoming Barriers, Human Mobility and Development* (New York: UNDP, 2009).

CHAPTER 5

MIGRANTS AND MIGRATION IN IRELAND: Adjusting to a New Reality?

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Introduction

Ireland has historically been a country of emigration. However, in 1996, it became a country of net immigration for the first time in decades. The long recession of 2008 and 2009, culminating in a public finances crisis and an International Monetary Fund–European Union (IMF-EU) bailout, marked another shift in migration patterns. This case study examines how the recession has affected immigration and asks whether immigrants have fared worse than Irish natives in the labor market. Data from the Central Statistics Office (CSO) confirm that, despite being comparatively well educated and young, immigrants have fared worse. However, immigrants in Ireland, as a group, have been differentially affected by the recession, with immigrants from the accession states¹ suffering more so than those from the EU-15.²

Over the past 15 years, high and sustained levels of immigration have transformed Irish society. Given the recent nature of this immigration, immigrants and non-Irish nationals will be treated as one category in this case study. Between 1999 and 2008, Ireland's population increased by 18 percent — the highest rate in the 27 countries comprising the European Union. The vast majority of this increase was a result of immigration.³

Before the recession, Ireland was the fourth-most affluent country in the Organization for Economic Cooperation and Development (OECD). Notwithstanding an initial policy shift toward economic liberalization in the 1960s, and the fact that Ireland joined the European Economic Community in the 1970s, the major factor responsible for Ireland's rapid economic growth in the mid-1990s — which earned it the moniker the “Celtic Tiger” — was a huge increase in American foreign direct investment (FDI). The arrival of US investment and transnational corporations (TNCs) symbolized a shift in national production from agribusiness and traditional manufacturing to technology and services.⁴

Employment growth was engendered by and concentrated in the service and construction sectors. Between 2001 and 2006 alone, the Irish labor force grew by 17 percent, increasing from 1.8 million to 2.1 million workers. The property boom was a major factor accounting for this labor market expansion, especially after 2001. To escape an economic downturn, the government deregulated and stimulated high levels of investment in the property and housing market, which in turn created an enormous bubble in property prices. These increased more rapidly in Ireland — in the decade leading up to 2007 — than in any other developed world economy,⁵ resulting in a rapid overall expansion in the construction sector, including a massive increase in the number of properties built. In addition to increased consumerism, higher standards of living, and a drop in unemployment (to 4.3 percent) in 2006,⁶ there was a significant rise in wages. According to the National Employment Survey 2007, average annual earnings rose from 31,333 euros in 2002 to 37,200 euros in 2006.⁷

I. Immigrants' Demographic Background

The number of immigrants entering Ireland has grown rapidly over a very short period. The 2002 census recorded that non-Irish nationals made up just under 6 percent of the population. The most recent census, in 2006 — and probably the most accurate measure of the non-Irish population so far — recorded 419,733 non-Irish nationals, constituting about 10 percent of the population.

Unlike in many other developed countries experiencing mass immigration, the majority of non-Irish nationals have come from the European Union and are, on the whole, well qualified. The census estimates that 275,775 individuals from the EU-25 were residents of Ireland in 2006, making up 66 percent of the non-Irish population. Almost 120,000 of

these were from the accession states that joined the European Union in 2004. In terms of size, Europeans are followed by immigrants from Asia (11 percent), Africa (6 percent), and North and South America (5 percent).

Although 188 different nationalities are estimated to be residing in Ireland, 82 percent are estimated to be from just ten countries.⁸ According to the 2006 census, the largest, and paradoxically least discussed, group of non-Irish nationals was from the United Kingdom (see Table 1).

Table 1. Source Countries of Non-Irish Nationals, 2006

Country	Number of Non-Irish Nationals	Percentage of All Non-Irish Nationals
United Kingdom	112,548	26.8
Poland	63,276	15.1
Lithuania	24,628	5.9
Nigeria	16,300	3.9
Latvia	13,319	3.2
United States	12,475	3.0
China	11,161	2.7
Germany	10,289	2.5
Philippines	9,548	2.3
France	9,046	2.2

Source: CSO, "Persons Usually Resident and Present in the State on Census Night, Classified by Nationality and Age," www.cso.ie/statistics/nationalityagegroup.htm.

The predominance of European migrants was reflected in answers to a census question on ethnic and cultural background. Whereas 95 percent of the population identified themselves as white, only 1.3 percent identified themselves as Asian and 1 percent as black (these figures are put into question, however, since they may underestimate racial diversity).⁹

A. How Do Non-Irish Nationals Differ from the Irish Population?

The vast majority, 83 percent, of non-Irish nationals are predominantly of working age (15 to 64 years). Only 12 percent of immigrants are

children, while the percentage of those over the age of 65 stands at about 3.5 percent.

In all, 53 percent of non-Irish nationals recorded in the census were male, while 47 percent were female. However, the gender ratio varies quite markedly by nationality. Thus 64 percent of the 63,090 Poles are men compared to only 37.4 percent of 1,812 Swedes. Ireland is still predominantly Catholic: 87 percent of the population (down from 88 percent in 2002 and 92 percent in 1991). However, although 92 percent of Irish nationals said they were Catholics in 2006, 51 percent (a relatively large number) of non-Irish nationals did, too.¹⁰ A recent increase in the number of Muslims — from 19,000 in 2002 to 33,000 in 2006 — made Islam the third-largest religion in the state; now there are more Muslims than Presbyterians.

Non-Irish nationals are on the whole very well qualified. While they reported higher overall levels of education than the Irish population — 38 percent were thought to have tertiary education as compared to 28 percent of Irish nationals¹¹ — this was primarily a demographic effect caused by the older age profile of the Irish population. When those aged 15 to 44 from both groups are compared, educational differences on the whole disappear; about 31 percent have tertiary education.¹² However, it should be noted that there are wide differences across nationalities. Census data indicate that approximately three-quarters of people from the EU-15, excluding Ireland and the United Kingdom, were educated at a tertiary level. The equivalent figure for people from the rest of the world was just under 50 percent.¹³

B. Modes of Entry

Immigrants can come to live and work in Ireland through a number of channels. The majority are EU nationals who arrived after the 2004 expansion of the European Union. More than 120,000 people from the ten new accession states were counted in 2006. Non-EU/European Economic Area (EEA)¹⁴ nationals have entered Ireland via several migration mechanisms. Labor-force immigrants may obtain a work permit (about 130,000 were issued between 1999 and 2010, not including renewals) or an employment-related visa (11,000 were issued in 2000-05). This last, geared toward high-skilled immigrants, was replaced by the green card in February 2007. Only those immigrants earning between 30,000 euros and 59,000 euros in select occupations or any earning over 60,000 euros can apply for a green card. Given such restrictions, fewer than 4,000 green cards have been issued since 2007.

Non-Irish nationals may also enter as asylum seekers (from 1992 to the end of 2006 there were 72,728 applications for asylum), though they are not entitled to work. Other immigrants arrive as students. In March 2009 there were 34,560 non-EEA students registered in Ireland.¹⁵ Students who are registered for higher education courses are allowed to work part time, or 20 hours a week, and full time during holiday periods. Finally, dependents and spouses of work-permit holders also immigrate to Ireland, though their total numbers are low.

II. Characteristics of the Irish Recession

The Irish economy officially went into recession in September 2008 — for the first time since 1983 — and the economy did not grow again until the first quarter of 2010. Growth is expected to be close to zero in 2010, but is poised to recover after 2011 (although much depends on how Ireland’s ongoing public finance crisis is handled).¹⁶ The downturn was prompted by a number of intertwined international and domestic factors.

First, Ireland has a small, open, and highly globalized economy. According to the AT Kearney Globalisation Index, Ireland has the second-most globalized economy in the world.¹⁷ The Irish economy relies heavily on foreign-owned firms, responsible for over 90 percent of exports in the country;¹⁸ these firms, however, dramatically reduced their investment in 2008.¹⁹ Meanwhile, overdependence on property and construction left the economy vulnerable.

As a result, a decline in real estate (many newly built homes remain unsold) and property prices (which have fallen by as much as 50 percent) had repercussions for the Irish banking industry. Banks had given 60 percent of their loans toward property by the end of 2005; many of these loans could not be paid back after the recession hit.²⁰

Third, the government’s policy of maintaining light financial regulation — effective in attracting international financial services and investment for the benefit of business interests — played a role in the recession by failing to regulate the risks that brought about the financial collapse. Finally, as in other developed OECD countries, there had been a general long-term decline in manufacturing.

The low level of savings held by debt-burdened consumers has exacerbated the economic problems ensuing from the recession. Add to that

the collapse in property values, an acute credit crunch, the systemic banking and financial crisis, and a shortfall in public finance resulting in part from one of the lowest corporation taxes (12.5 percent) in Europe. Naturally, the state of public finances took on increasing importance as the recession progressed. In 2009 the government faced a deficit of 11.8 percent, and concerns about Ireland's ability to pay its debts became increasingly salient. Ireland was among the first EU countries to make significant cuts to public spending, and several economists have held this "counter-stimulus" responsible for some part of the depth and length of the Irish recession. Despite these cuts, Ireland's borrowing costs continued to rise. The credit rating agency Moody's downgraded Ireland's sovereign debt in July 2010, and by November the country was forced to accept a bailout package jointly organized by the IMF and the European Union.

Although the recession is officially over, unemployment is still on the rise; it stood at 13.4 percent in January 2011.²¹ Meanwhile, the fiscal pressure is expected to continue as the government attempts to reduce the deficit to 3 percent (the EU-mandated maximum) over the coming years. In other words, Ireland's economic difficulties are far from over.

The recession has been widespread and prevalent across most of the economy, though certain occupational sectors have been especially affected (see Table 2). Curtailed output and employment in the construction and manufacturing sectors has been matched by a contraction in employment in the industrial and agricultural sectors.

Table 2. Change in Irish Employment in Selected Sectors, Q4 2008 to Q4 2009

Sector	Percent Change in Employment
Construction	-37
Agriculture	-23
Industry	-11
Wholesale and retail	-9
Administration and support	-7
Accommodation and food	4
Information and communications	6

Source: CSO, *Quarterly National Household Survey (QNHS), 2008-2009* (Cork, Ireland: CSO), www.cso.ie/qnhs/calendar_quarters_qnhs.htm.

The scale and rapidity of job losses in this recession have been extraordinary. According to the Quarterly National Household Survey (QNHS), in the fourth quarter of 2008 there were 2,052,000 persons employed — 86,900 fewer than in 2007 (a 4.1 percent drop). This represented the largest annual decrease in employment since the Labor Force Survey was first undertaken in 1975. By the fourth quarter of 2009, the number of people employed had dropped by another 8.1 percent, to just 1,887,700. More than 60 percent of the decline in male employment is attributable to a contracting construction sector in which 77,000 men lost jobs.²²

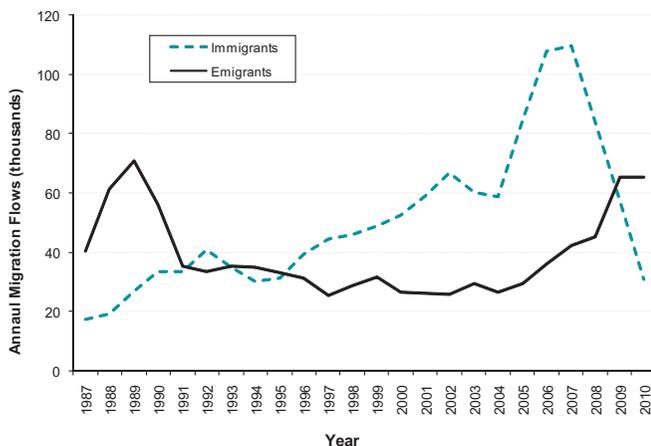
III. Impact of Recession on Immigrants and Immigration

The recession has brought about a dramatic slowdown in the volume of immigration. There was an enormous 40 percent drop in immigration from the new EU Member States in 2009 compared to 2008, as well as a steep decline in the number of work permits and Public Personal Service Numbers (PPSNs) issued.²³ In 2008, 127,695 PPSNs were allocated to foreign nationals, down by almost a third as compared to 2006.²⁴ The number of work permits issued to non-EU nationals fell by almost 70 percent from 2007 to 2010.²⁵

The recession has also led to the reemergence of Irish emigration (see Figure 1).

In September 2009, for the first time in 15 years, more people left Ireland than entered it. The number of emigrants in the year leading up to April 2009 was estimated to have increased by over 40 percent, and in 2009, Ireland had the highest rate of net emigration in the European Union, despite having had one of the highest net *immigration* rates during the boom in the 2000s.²⁶ Of the 65,100 who emigrated in the year leading up to 2009, almost half were accession-state nationals and almost 30 percent were Irish nationals. Immigration of all non-Irish groups declined, though none more so than those from EU-12 countries.²⁷ By April 2010 net emigration had reached 34,500 and the proportion of Irish nationals among those leaving the country had risen to over 40 percent.²⁸

Figure 1. Migration Flows to and from Ireland, 1987-2010



Note: Includes outflows and returns of Irish nationals.

Source: CSO, *Population and Migration Estimates* (Cork, Ireland: CSO, April 2010), www.cso.ie/releasespublications/documents/population/current/popmig.pdf.

Figures in Ireland indicate that more than half the foreign nationals who registered for PPSNs in 2004 no longer appeared in employment or welfare statistics in 2008, suggesting that many had left the country.²⁹ Between early 2008 and early 2010, the number of foreign nationals over age 15 fell by an estimated 20 percent.³⁰ But despite such evidence of return migration, it seems that a large number of migrants are here to stay. The global nature of the recession has meant that even many of the EU nationals who could leave and reenter without restrictions are unwilling to do so. In other cases, migrants have brought their families with them. Over 43,000 pupils of non-Irish nationalities attended primary school in 2007-08.³¹ Many labor-force immigrants wish to become part of the Irish society to which they have contributed. This desire is reflected in the dramatic increase in recent years in the number of applications for naturalization (50,000 over the past decade) and for long-term residency permits.

Labor-Force Participation and Employment

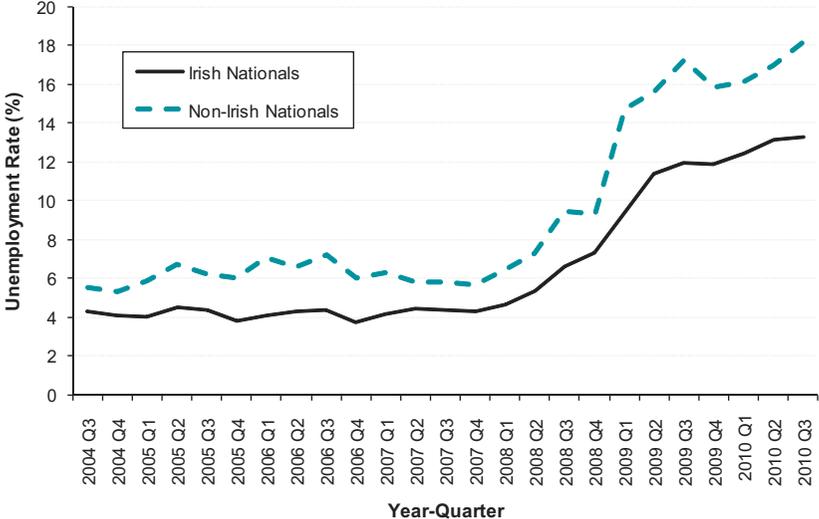
Labor market participation has varied by mode of entry and nationality. According to the 2006 census, nationals from the new EU-10 accession states had a labor-force participation rate of 93 percent compared with

68 percent for non-EU nationals and 62.5 percent for the population as a whole. Between the fourth quarters of 2007 and 2009, participation rates declined about 2 percentage points (from 62 to 60 percent) for Irish nationals and by almost 4 percentage points (from 76 to 72 percent) for non-Irish nationals. Employment rates fell by over 6 percentage points (from 59 to 53 percent) for Irish nationals, compared to 11 percentage points (from 71 to 60 percent) for nonnationals. In other words, the impact of the recession on nonnationals' employment and participation was around twice that of Irish nationals.³²

I. Unemployment

Since the recession, unemployment has risen sharply from 4 percent just over a few years ago to approximately 13 percent in early 2010, as concerns emerge over future employment prospects and the threat of job loss. Unemployment is somewhat higher for non-Irish nationals; this gap widened substantially during 2009 and remained high in 2010 (see Figure 2).

Figure 2. Unemployment Rates for Irish and Non-Irish Nationals, 2004-2010



Source: CSO, *Quarterly National Household Survey* (Cork, Ireland: CSO, 2010), www.cso.ie/qnhs/calendar_quarters_qnhs.htm, Table 1.

Various factors account for immigrants' overrepresentation in unemployment figures. Their concentration in specific sectors and in

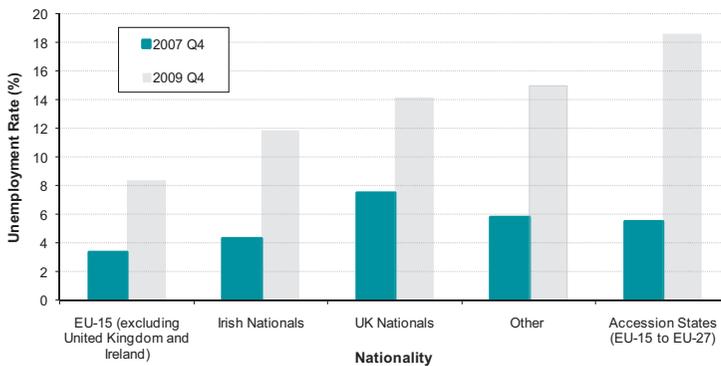
low-paid occupations means that they were the hardest hit during the recession. Three-quarters of all nationals from the EU accession states, for example, were concentrated in four industries: manufacturing, construction, wholesale and retail trades, and hotels and restaurants.

Over half of men from Poland and Lithuania, two of the biggest source countries of non-Irish nationals in the country, are in construction and manufacturing, many working as building laborers or in factories, while half of all Polish and Lithuanian females are in shops, hotels, and restaurants.³³ There have been large decreases in the employment of non-Irish nationals across several of these sectors. In 2009 the number of non-Irish nationals working in construction more than halved, and fell by 18 percent in wholesale and retail trade.³⁴ As nonnationals are concentrated in cyclically sensitive industries, often work outside unions, and face language barriers, they are often the “last hired, first fired.”

Nationals from the EU-15, concentrated as they are in different employment sectors than other immigrants, tend to have been less adversely affected by the recession. Data on UK nationals remains opaque, but it seems that their geographic distribution and demographic characteristics are similar to those of Irish nationals.

Meanwhile, immigrants from outside the European Union have experienced high levels of unemployment (see Figure 3).

Figure 3. Unemployment Rates by Nationality, 2007 and 2009



Source: CSO, *Quarterly National Household Survey* (Cork, Ireland: CSO, 2010), www.cso.ie/qnhs/calendar_quarters_qnhs.htm.

2. Reaccessing Employment

Like Irish nationals, immigrants who have lost their jobs are finding it difficult to reaccess them. However, their take-up of jobs has been slightly higher than that of Irish nationals: 19 percent of immigrants who lost their jobs between January 1 and March 31, 2009 had managed to find a new job by the end of June 2009 as compared with 17 percent of Irish nationals.³⁵ Still, there certainly is evidence of obstacles to accessing employment, especially for black immigrants. Recent studies have shown that non-Irish nationals were three times more likely to face discrimination while looking for work, while black immigrant job seekers were seven times more likely.³⁶

IV. Labor Market Policies before and during the Recession

A. Social Protection

Although the number of people claiming either a jobseeker's allowance or jobseeker's benefit³⁷ rose by more than half among Irish nationals, it tripled — from 8,000 to 25,000 — among non-Irish nationals in the year leading up to December 2008. By January 2010 the number of non-Irish nationals receiving some form of unemployment benefit had risen to 81,395, before falling somewhat over the course of 2010.³⁸ Migrants are not automatically entitled to social welfare. The Irish social welfare system has two programs: social insurance and social assistance. The former is decided on the basis of pay-related social insurance (PRSI) contributions and permit job-seeker benefits. Social assistance is means tested and does not depend on PRSI. To qualify, immigrants should have made the required number of payments to the program and their residence stamp must still be valid. If migrant workers build up a sufficient quantity of stamps over a number of years, they may become eligible for jobseeker benefits as well.

The Habitual Residence Condition (HRC), however, keeps many migrants from being eligible for social welfare payments and social assistance. The governments of Ireland and the United Kingdom introduced the HRC in 2004 to prevent “welfare tourism.” Individuals have to demonstrate that they have been habitually resident in Ireland — usually for over two years — and intend to remain here. These requirements also apply to Irish nationals who have lived abroad, as well as to EEA and non-EEA nationals.³⁹ Many unemployed migrants

are refused welfare benefits because they do not conform to the HRC — fewer than 5,000 individuals were refused in 2005 but more than 10,500 in 2009. As a result, a large number of migrant workers who lose their jobs experience acute financial hardship, poverty, and social exclusion. Moreover, if applicants for citizenship or long-term residency have claimed social welfare, it is more likely that their applications will be rejected.⁴⁰ For this reason, many migrants do not apply for welfare.

Aside from these restrictions, deficit-cutting measures are squeezing certain social protections, affecting both migrants and Irish nationals. Large cuts in both current and capital expenditure have been made and are expected to continue, putting further pressure on construction employment and public services. Welfare benefits (especially child benefits) were reduced in the December 2009 budget, followed by further cuts in the budget for 2011.

B. *Immigration Policies*

Fear of job loss, increased competition for resources, and heightened feelings of insecurity have spurred incidents of racism and accusations that migrants are “taking Irish jobs.” The government initially responded to the recession by increasing restrictions on the entry of work-permit holders and on their rights and entitlements once they arrive. New permits for jobs paying less than 30,000 euros were not given after June 1, 2009. In addition, the number of job categories ineligible for work permits was expanded, and the duration of the labor market test was also doubled — a job now has to be advertised through the public employment services, FAS, and its EU counterpart, EURES, for at least eight weeks, and through the national press for six days. Migrants who lost their jobs were ineligible to apply for a new work permit unless their new job had been advertised for two months. The government justified the increased employment permit restrictions by arguing that Irish job seekers must be given priority. However, this policy change affected only those on work permits — about 1.5 percent of the workers in the country — and therefore was more symbolic than practical.

The call for a clampdown on work permits and the creation of tougher permit rules came from a vociferous group of populist politicians. As a Fianna Fail member of parliament, Noel O’Flynn, remarked: “What in the name of God are we doing bringing workers in when we haven’t work for our own people?”⁴¹ Along with another Fianna Fail politician,

Ned O’Keeffe, he called for greater checks to detect fraudulent social welfare claims. Meanwhile, an opposition politician, Leo Varadkar, suggested migrants be paid to leave the country. In November 2009, the Fianna Gael mayor of Limerick called for the cutting of social welfare payments and the deportation of immigrants (including EU nationals) who could not find work in Ireland and were thus “abusing” Ireland’s generous welfare system.⁴²

This rhetoric was supplemented by real policy change. Cuts in government spending were particularly acute in those departments and programs that promoted equality and protected migrant rights in Ireland generally. The Minister of Integration’s budget was effectively cut by 26 percent, the National Consultative Committee on Racism and Interculturalism was shut down, the Equality Authority was stripped of 43 percent of its resources, while the Irish Human Rights Commission lost 23 percent of its budget.

That said, practice has often contradicted policy, and neither have been exclusively restrictionist.⁴³ Work-permit restrictions introduced in June were dropped in September 2009. The length of time migrants were given to find a new job was doubled from three to six months in August 2009. Moreover, those who had worked for over five years in the work-permit system did not have to renew their permit but could instead apply for permission to live and work in Ireland on a yearly basis without acquiring a new permit (as long as they were employed and could support themselves).⁴⁴ In addition, after persistent lobbying by various nongovernmental organizations and interest groups, a bridging visa was introduced in October 2009. This allows unauthorized migrant workers who are unemployed (after being made redundant or suffering workplace exploitation) to apply for four months’ residence in order to reenter the permit system.⁴⁵

V. Conclusion and Recommendations

Since reaching its wealth-creation peak in the first quarter of 2007, Ireland’s economy has contracted by almost one-quarter. Since January 2008, government debt has doubled to 75 billion euros and is expected to double again to 150 billion euros by 2014. Job losses are still mounting and unemployment increasing. Immigrants have been disproportionately affected by the recession, especially those from the accession states. Given the acute nature of the economic crisis in Ireland, unem-

ployment is likely to remain high for the foreseeable future.

The recession has prompted a slowdown in immigration, at least in the short run, and is likely to affect the kind of immigrants who arrive and leave. That said, a large number of migrants are here to stay. The Irish government needs to acknowledge this and to facilitate their integration.

In the long run, moreover, pressures for migration will remain. In its recent *Population and Labor Force Projections 2041*, CSO noted that by 2041, 25 percent of the population will be 65 or older, and that without sufficient net migration, the domestic labor market will not be able to supply enough workers to support the economy's long-run growth potential, even up to 2021. The government needs to acknowledge that immigration will continue, and implement an effective information campaign explaining why immigrants are a necessary part of Ireland's future.

A. Integration Policies

Social inclusion is needed for all workers in Ireland. Policies cannot be aimed solely at migrants; simultaneous efforts are required to help low-skilled Irish workers. In particular:

- Immigrant workers need greater job protection, especially in the recession. The National Employment Rights Authority (NERA) must be given a greater number of inspectors and more power to fine and sanction employers. Its current policy is to seek redress rather than to penalize. This essentially means that employers operate on a “let's-wait-and-see-if-we-get-caught” basis. To be effective, the Employment Rights Compliance Bill that is currently in the Dail must be strengthened.⁴⁶
- Non-EU nationals who have worked in Ireland should have access to FAS courses, and language training should be provided for immigrant workers.
- A system that more effectively recognizes migrant qualifications should be set up.

B. Immigration and Social Welfare Policies

As a matter of urgency and fairness, the government should reduce the bureaucratic processing times for residency schemes and ease

restrictions that disqualify applicants who have accessed welfare on a short-term basis. As of April 2009, 16,847 naturalization applications and 8,000 long-term residency applications were still waiting for a decision.⁴⁷ Both programs' application processing time — two years on average — is inordinately long.⁴⁸ Yet many people have been waiting over three years for their application to be processed; this in effect means that they are waiting a total of eight years for a certificate of naturalization (since a five-year residence period is required for eligibility). Given such long processing times, a number of migrants in today's changed economic circumstances are experiencing great distress and anxiety as they await the outcome of their applications. Many are vulnerable to being made redundant or becoming unauthorized while their application is being processed. Moreover, there are concerns that migrants will not be able to claim social benefits to which they are entitled (having made the requisite tax contributions), because this will disqualify them or make them ineligible for citizenship and long-term residency.

In addition, work-permit holders should be given greater freedom to move between jobs and employers and to seek redress for workplace violations. The Irish government also needs to reinvest in those departments and programs focused on promoting equality, to provide the Irish public with a positive vision of migration in the future, and to implement more humane migration policies that do not depend solely on economic criteria. →

Endnotes

- 1 The Czech Republic, Estonia, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Slovenia, and Slovakia joined the European Union in 2004, followed in 2007 by Bulgaria and Romania.
- 2 The first 15 EU Member States were Austria, Belgium, Denmark, France, Finland, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden, and the United Kingdom.
- 3 The rate of natural increase of the population in Ireland was 9.8 per 1,000 in 2007, compared with an EU-27 average of just 1.0. See Central Statistics Office (CSO), *Measuring Ireland's Progress 2008*, Table 7.6 (Dublin: CSO, 2009), www.cso.ie/releasespublications/documents/other_releases/2008/progress2008/measuringirelandsprogress.pdf. The 2006 census recorded 4.2 million people in Ireland, and the most recent figures, for April 2009, estimated a population of 4.6 million. See CSO, *Population and Migration Estimates, April 2009* (Dublin: CSO, 2009), www.cso.ie/releasespublications/documents/population/current/popmig.pdf.
- 4 In 2006 FDI in Ireland was high, especially from the United States. Many major US companies had set up operations in Ireland, including Intel, Dell, Microsoft, IBM, Pfizer, Abbot Laboratories, Citigroup, Bristol-Myers Squibb, and Bausch & Lomb. See Tony Killeen, Speech by Minister of State for Labour Affairs at the Launch of Jobs Ireland, New York, October 20, 2006, www.entemp.ie/press/2006/20061020c.htm.
- 5 See Central Intelligence Agency (CIA), *The World Factbook, Ireland* (Washington, DC: CIA, 2010), <https://www.cia.gov/library/publications/the-world-factbook/geos/ei.html>.
- 6 See CSO, "Measuring Ireland's Progress, 2006," (news release, April 30, 2007), www.cso.ie/newsevents/pressrelease_measuringirelandsprogress2006.htm.
- 7 CSO, *National Employment Survey 2006* (Dublin: CSO, 2007), www.cso.ie/releasespublications/documents/earnings/nes2006/nes.pdf.
- 8 See CSO, *Census 2006, Non-Irish Nationals Living in Ireland* (Dublin: CSO, 2008), www.cso.ie/census/documents/NON%20IRISH%20NATONALS%20LIVING%20IN%20IRELAND.pdf.
- 9 Rebecca Chiyoto King-O'Riain, "Counting on the 'Celtic Tiger': Adding ethnic census categories in the Republic of Ireland" *Ethnicities* 7 no 4 (2007): 516-42.
- 10 CSO, *Census 2006, Non-Irish Nationals Living in Ireland*.
- 11 CSO, *Census 2006, Volume 10 — Education and Qualifications* (Dublin: CSO, 2008), Table 31, <http://beyond2020.cso.ie/Census/TableViewer/tableView.aspx?ReportId=76961>.
- 12 CSO, *Census 2006, Non-Irish Nationals Living in Ireland*.
- 13 CSO, *Census 2006, Volume 10 — Education and Qualifications*, Table 31.
- 14 The EEA includes EU Member States, plus Norway, Iceland, and Liechtenstein.
- 15 Irish Naturalization and Immigration Service (INIS), "Non-EEA Students — Some Key Statistics," www.inis.gov.ie/en/JELR/Statistics.doc/Files/Statistics.doc.
- 16 According to projections from the Economic and Social Research Institute (ESRI), *Quarterly Economic Commentary, Summer 2010* (Dublin: ESRI, 2010), www.esri.ie/UserFiles/publications/RB20100201/QEC2010Sum_ES_Summary%20Table.pdf.
- 17 Kieran Allen, *The Corporate Takeover of Ireland* (Dublin: Irish Academic Press, June 2007).
- 18 See Finfacts Ireland, "Foreign-Owned Firms Were Responsible for 90.2% of Irish Exports in

- 2006 — Including Both Merchandise Goods and Internationally Traded Services,” January 24, 2008, www.finfacts.ie/irishfinancenews/article_1012368.shtml.
- 19 United Nations Conference on Trade and Development (UNCTAD), *World Investment Report. Transnational Corporations, Agricultural Production and Development* (New York and Geneva: UNCTAD, 2009), www.unctad.org/en/docs/wir2009_en.pdf.
- 20 Allan Kearns and Maria Woods, *The Concentration in Property-Related Lending: A Financial Stability Perspective*, Financial Stability Report (Dublin: Central Bank of Ireland, 2006), www.centralbank.ie/data/FinStaRepFiles/The%20Concentration%20in%20Property-Related%20Lending%20-%20a%20Financial%20Stability%20Perspective.pdf.
- 21 CSO, *Live Register* (Cork, Ireland: CSO, January 2011), www.cso.ie/releasespublications/documents/labour_market/current/lreg.pdf.
- 22 CSO, “Quarterly National Household Survey, Quarter 4, 2009,” (news release, March 24, 2010), www.cso.ie/releasespublications/documents/labour_market/current/qnhs.pdf.
- 23 The PPSN is a unique reference number that helps a holder gain access to social welfare benefits, public services, and information in Ireland. State agencies that use PPSN numbers to identify individuals include the Department of Social and Family Affairs and the Revenue Commissioners.
- 24 CSO, *Foreign Nationals: PPSN Allocations, Employment and Social Welfare Activity 2008* (Cork, Ireland: CSO, 2009), www.cso.ie/releasespublications/documents/labour_market/current/ppsn.pdf.
- 25 Department of Enterprise, Trade and Innovation, “Statistical Tables and Company Listings for the Employment Permits Section,” www.deti.ie/labour/workpermits/statistics.htm.
- 26 Eurostat, “EU27 Population 501 Million at 1 January 2010,” (Eurostat news release, July 27, 2010), http://epp.eurostat.ec.europa.eu/cache/ITY_PUBLIC/3-27072010-AP/EN/3-27072010-AP-EN.PDF.
- 27 Immigration from EU-12 countries dropped from 33,700 in April 2008 to 13,500 in April 2009, according to CSO. See CSO, *Population and Migration Estimates*. The EU-12 are the ten countries that joined the European Union in 2004 plus Bulgaria and Romania, which joined in 2007.
- 28 Ibid.
- 29 CSO, *Foreign Nationals*.
- 30 Calculations from CSO, *Quarterly National Household Survey*, Table A1— Estimated Number of Persons Aged 15 Years and Older Classified by Nationality and ILO Economic Status, www.cso.ie/qnhs/calendar_quarters_qnhs.htm.
- 31 Office of the Minister of State for Integration, “Overview of Key Statistics,” www.integration.ie/website/omi/omiwebv6.nsf/page/statistics-overview-en.
- 32 Calculations from CSO, *Quarterly National Household Survey*, Table A1.
- 33 CSO, *Census 2006, Non-Irish Nationals Living in Ireland*.
- 34 Calculations from CSO, *Quarterly National Household Survey*, Table A2 — Estimated Number of Persons Aged 15 Years and Older in Employment (ILO) Classified by Nationality and NACE Economic Sector, www.cso.ie/qnhs/calendar_quarters_qnhs.htm. Among the 39,000 non-Irish nationals applying for unemployment benefits in the first quarter of 2009, manufacturing workers accounted for about one-fifth, and workers from another three sectors — wholesale and retail, construction, and transportation — accounted for 14 percent each.

Finance and insurance accounted for another fifth of the total. Statistics provided to the author by CSO.

- 35 CSO, *Analysis of Live Register Flows Q1 2009* (Dublin: CSO, 2009).
- 36 Philip J. O'Connell and Frances McGinnity, *Immigrants at Work: Ethnicity and Nationality in the Irish Labour Market* (Dublin: ESRI and Equality Authority, 2008), www.equality.ie/index.asp?docID=737.
- 37 The jobseeker's benefit (JB) is a social insurance program. A certain amount is paid weekly to insured persons who are out of work. The jobseeker's allowance (JA) is a means-tested payment made to people who are unemployed and who do not qualify for JB or whose entitlement to JB has expired.
- 38 CSO, *Live Register January 2011*.
- 39 Applications are accepted or rejected on the discretion of social welfare officers, who according to anecdotal evidence, tend to permit returning Irish and some EEA workers greater access to welfare. EEA includes all EU Member States plus Iceland, Lichtenstein, and Norway.
- 40 Immigrant Council, "Citizenship Processes in Need of Overhaul" (news release, May 7, 2009), www.immigrantcouncil.ie/press_detail.php?id=91.
- 41 Senan Molony, "Outspoken TD Calls for Work Permit Clampdown," *Irish Independent*, February 7, 2009, www.independent.ie/national-news/outspoken-td-calls-for-work-permit-clampdown-1631834.html.
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- 43 See Niall Crowley, *Hidden Messages: Overt Agendas* (Dublin: Migrant Rights Centre Ireland, February 2010), www.mrci.ie/media/128716146816_HIDDEN_MESSAGES_OVERT_AGENDAS.pdf.
- 44 INIS, "New Provisions for Non-EEA Workers Who Are Made Redundant," (news release, August 28, 2009), www.inis.gov.ie/en/INIS/Pages/New_Provisions_for_Non-EEA_workers.
- 45 INIS, *Undocumented Workers Scheme* (Dublin: INIS, October 2009), www.inis.gov.ie/en/INIS/Pages/Undocumented_Workers_Scheme.
- 46 In addition to placing NERA on a statutory footing, the bill entails introducing greater sanctions and fines against errant employers. However, it is not without its weaknesses. See Migrant Rights Centre Ireland, "Ending the Race to the Bottom," (Migrant Rights Center Ireland Policy Paper, 2010, Dublin), www.mrci.ie/media/128689813368_MRCI%20PP%20Ending%20the%20Race%20to%20the%20Bottom%20-%20Migrant%20Worker%20Exploitation.pdf.
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CHAPTER 6

IMMIGRANTS, THE LABOR MARKET, AND THE GLOBAL RECESSION:

The Case of Sweden

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Introduction¹

Over the past half-century, Sweden's demographics have changed significantly and it has become a significant country of immigration. Immigrants now compose 14 percent of the population — a proportion comparable to the United States. The country has been a major recipient of refugee inflows: from Latin America and the Middle East in the 1970s and 1980s; from Eastern Europe in the 1990s; and, more recently, from Iraq, Somalia, and Syria. With the changing profile of immigrants, their economic integration has been far from complete and become a persistent concern in recent decades.

With the onset of the global economic recession in Sweden in mid-2008, which induced a reduction in Swedish gross domestic product (GDP) of 0.4 percent in 2008 and 5.2 percent in 2009, immigrants faced yet another setback — one particularly acute for non-European

immigrants. This chapter examines how immigrants fared during the economic crisis and the subsequent recovery period (which started in 2010),² and explores their future prospects for integration.

The chapter proceeds as follows: Section 1 describes immigration to Sweden since World War II. Section 2 presents data on the average age and education of immigrants. Section 3 describes immigrants' labor market status compared with that of their Swedish counterparts, both before and during the recent recession, using data on employment and unemployment rates. A comparison is also made with the recession of the 1990s. Section 4 tries to explain why non-European immigrants have fared worse than European ones. The chapter concludes with policy recommendations.

I. Background

Since World War II, the number of immigrants in Sweden has increased rapidly.³ Immigrants' share of the total population increased from about 1 percent in 1940 to nearly 7 percent by 1970 and to almost 14 percent, or 1.3 million individuals, at the end of 2009.⁴ The largest group is from Finland (172,000), followed by the former Yugoslavia (and Bosnia and Herzegovina in particular) (130,000). The most rapidly growing group, from Iraq, increased from nearly 83,000 individuals at the end of 2006 to 118,000 at the end of 2009.⁵ More than 50 percent of the foreign born living in Sweden in 2010 had acquired Swedish citizenship. Meanwhile, there is a growing group of 1 million so-called second-generation immigrants (that is, persons born in Sweden with at least one parent born abroad). More than half of these individuals have one parent born in Sweden.⁶

The migration inflow to Sweden reflects the high labor force demand of the 1950s through the 1970s, as well as the country's status — since the 1980s — as a major recipient of refugees and the relatives of earlier immigrants. Immigrant inflow has been high compared to other Nordic countries. In 2009 the proportion of foreign born in the total population was about 6 percent in Denmark, about 10 percent in Norway, and about 4 percent in Finland. Compared to other European countries the proportion of foreign born in Sweden is nearly the same as in Germany (12 percent), Austria (15 percent), and Ireland (14 percent), but much lower than in Switzerland (22 percent) and Luxembourg (33 percent).⁷

Immigration to Sweden has changed substantially over the past

half-century. Until the mid-1970s it consisted primarily of labor-force immigration from Europe, and there was a marked connection between annual immigration and the Swedish labor market. Immigration increased when there was a great demand for labor in Sweden and diminished as demand decreased.⁸ In 1970 about 60 percent of the foreign born in Sweden were from other Nordic countries (Denmark, Norway, and Finland), and more than 90 percent were born in Europe.⁹

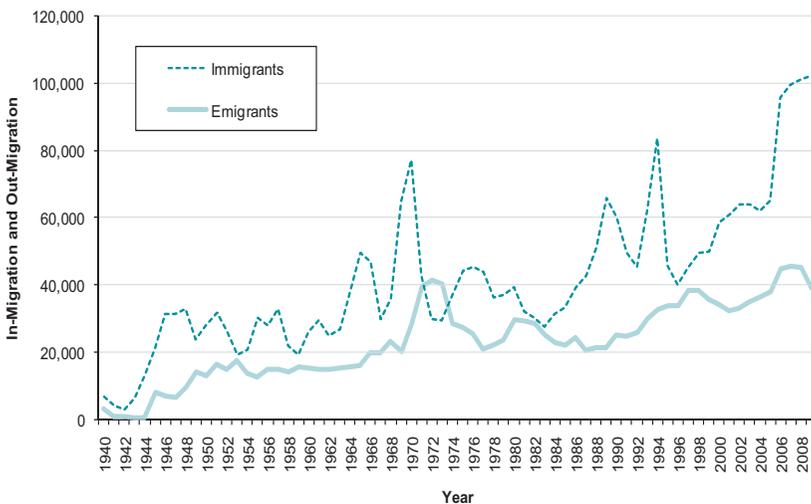
After 1975, however, the character of immigration changed. The proportion of refugees and family migrants (known as “tied movers”) increased as the proportion of labor-force immigrants decreased, and Sweden became one of the major recipients of refugees in recent decades. In 2007 it was briefly the second-largest recipient of asylum applications after the United States, and the largest recipient of Iraqi asylum seekers of all advanced industrialized nations, despite its relatively small population.¹⁰ From 2000 to 2009, the Iraqi-born population more than doubled.¹¹

The years after 1975, therefore, witnessed a marked weakening of the connection between annual immigration and fluctuations in the Swedish labor market. Many of the new immigrants were born in Africa, Asia, and Latin America. At the end of 2009, the proportion of immigrants born in other Nordic countries had fallen to 20 percent, while 36 percent were born elsewhere in Europe and 44 percent were born outside Europe.¹² The gender composition was nearly the same as for the Swedish born — among those aged 16-64, men composed 49.3 percent of the foreign born compared to 50.9 percent of the Swedish born.¹³

An overview of immigration and emigration since 1940 is presented in Figure 1. Note that “immigration” comprises both newly arrived foreign nationals and Swedish nationals returning to Sweden from abroad. There are four very clear peaks in immigration, namely, 1969-70, 1990, 1994, and 2007-09. The first peak consisted mostly of labor-force immigrants entering during a boom in the Swedish economy in 1969-70. Subsequent peaks consisted to a great extent of refugees and their relatives,¹⁴ many of whom arrived during recessions. In 2009 about 102,000 individuals arrived in Sweden — the most in any year since World War II. In 2008 and 2007 the levels remained nearly the same, at about 101,000 and 99,000 individuals, respectively — evidence that the economic crisis did not decrease the migration inflow.¹⁵ In 2009, 14 percent of newly arrived immigrants came from other Nordic countries, 34 percent from the rest of Europe, and 52 percent from outside Europe — about the same as in 2007 and 2008.¹⁶

Of the newly arrived immigrants who hold Swedish citizenship, most were born in Sweden and are now returning. This group has increased over time, from 5 percent at the end of the 1960s¹⁷ to 18 percent in 2009.¹⁸ Some have parents who have immigrated to Sweden. An investigation shows that of Swedish-born emigrants whose parents were born abroad, 43 percent returned to Sweden ten years after their outmigration. The corresponding figure for those with one parent born abroad is 61 percent, and for both parents born in Sweden is 71 percent.¹⁹

Figure I. Annual Immigration and Emigration, 1940-2009



Source: Statistics Sweden, *Befolkningsutveckling 1749-2009* (Development of Population 1749-2009) (Stockholm: Statistics Sweden, 2010).

Variations in emigration have been smaller than in immigration. Three emigration peaks in the early 1970s, 1996-97, and 2007-08 occurred shortly after spikes in immigration, since a share of the immigrants returned to their home country after just a few years in Sweden. Most of the emigrants during the postwar period have been foreign born.²⁰ Emigrants are somewhat older than immigrants but still very young compared to the Swedish population — the proportion of emigrants aged 65 and above in 2009 was only slightly more than 3 percent.

II. Age and Education

The average educational level among the foreign born is about the same as among the Swedish born, according to Sweden's Labor Force Surveys.²¹ However, the educational distribution differs somewhat between the two groups, with immigrants concentrated more at both the high and low ends of the educational spectrum.²² As in many immigrant-receiving countries, immigrants in Sweden are more likely to work in less-skilled occupations. This is especially true of those from countries outside Europe: a particularly high proportion of well-educated non-European immigrants work in occupations below their educational level.²³ By contrast, well-educated immigrants from Europe have nearly the same occupational distribution as that of Swedes.

Compared to the Swedish born, the immigrant population is composed of fewer elderly and more working-age individuals (this tends to be the case in all migration countries, regardless of whether foreign nationals enter on employment-based, family, or humanitarian grounds). During the period of primarily labor-force immigration in the 1960s, people aged 65 and above made up only about 1 percent of newly arrived immigrants.²⁴ In 2009, though refugees and their relatives formed a large part of the immigrant population, the proportion of older immigrants remained low — under 2 percent of the newly arrived refugees.²⁵ By contrast, nearly 18 percent of the total population in Sweden is aged 65 or above, and this share will likely grow in the future.²⁶

Clearly, immigration expands overall population numbers; it also affects population growth by increasing the number of people born in a country, in this case, Sweden. (Note that a child born in Sweden will have foreign citizenship at the time of birth if both parents have foreign citizenship. If at least one of the parents has acquired Swedish citizenship, the child will automatically gain Swedish citizenship.)²⁷ The size and age structure of the additional population depends on the size and age structure of the immigrants, as well as on age-specific fertility rates, death rates, and return migration among immigrants and their descendants.

While immigrants themselves age, this aging population is more or less counterbalanced by the fact that more people are born in Sweden as a result of immigration. For example, estimates suggest that immigration to Sweden during the postwar period resulted in a population that was 860,000 larger than it would otherwise have been by 1980 (4 percent of this number were aged 65 and above),²⁸ and 1.8 million larger by 2004 (9 percent were aged 65 and above).²⁹ Today, the number is probably

more than 2 million of the total Swedish population of 9.3 million. Without immigration during the postwar period, nearly 20 percent of the Swedish population would have been aged 65 and above in 2004.³⁰

If the age structure of the additional population is favorable, and if immigrants are well integrated into the labor market, immigration is expected to have a positive impact on the economy. During the 1950s, 1960s, and 1970s immigration did have a positive effect on the Swedish economy: studies show that the public sector during these years redistributed income from the additional population to the Swedish born. Thus the disposable income of the native born became somewhat higher because of immigration.³¹ From 1980 onwards, immigrants' employment status began to deteriorate, and by the end of 1980s there was a negative effect — i.e., the public sector was redistributing taxpayers' incomes to the unemployed, including immigrants.³² From this perspective, the employment rates of immigrants and their descendants are of great importance to both economic policy and immigrant integration.

III. Immigrants in the Labor Market

A. *Long-Term Trends in Immigrant Integration before the Recession*

Immigrants' employment status in Sweden shifted during the postwar period.³³ As numerous studies show, the employment situation for immigrants in Sweden was favorable up to the mid-1970s, and unemployment rates were low.³⁴ For a long time, employment rates among immigrants even exceeded those of the Swedish, especially in the 1960s. Upward job mobility among these early immigrants was also about the same as among the Swedish.³⁵ Table 1 lists the employment rates for the foreign born, aged 16-64, compared to the Swedish since 1950. The index can be interpreted as follows: in 1960 the index was 104, meaning that the employment rate among the foreign born was 4 percent higher than the employment rate among the Swedish. In 1994 the index was 75, meaning that the employment rate among the foreign born was 25 percent lower than among the Swedish.

Table 1. Index of Employment Rate of Foreign Born in Sweden, Ages 16-64 (as % of Swedes' employment rate)

Year	Foreign Born	In Europe	Outside Europe
1950	120	-	-
1960	104	-	-
1967	110	-	-
1978	98	-	-
1987	90	-	-
1991	83	-	-
1994	75	-	-
2001	79	-	-
2007	80	83	73
2008 (Q1-Q2)	79	82	73
2008 (Q3-Q4)	79	83	74
2009 (Q1-Q2)	78	83	72
2009 (Q3-Q4)	78	83	71
2010 (Q1-Q2)	77	84	68

Note: Index for native born = 100. The index is standardized for age and sex to control for differences in the age and sex composition of foreign-born and Swedish-born populations. For the years 1950, 1960, and 1967, the figures refer to foreign citizens, not to the foreign born. Most of the foreign born living in Sweden in the 1950s and 1960s, however, had foreign citizenship.

Source: Eskil Wadensjö, "Immigration och samhällsekonomi" (Immigration and Economics), PhD diss., *Lund Economic Studies* no. 8, Lund University, 1973; Jan Ekberg, "Inkomsteffekter av invandring" (Income Effects Due to Immigration), PhD diss., *Lund Economic Studies* no. 27, Lund University, 1983; Labor Force Surveys 1987, 1991, 1994, 2001, 2007, 2008, 2009, and 2010.

Since the beginning of the 1980s, immigrants' standing in the Swedish labor market has deteriorated. This occurred despite an economic boom, high employment for Swedish natives in the 1980s, and the fact that the educational level of immigrants who have arrived since 1980 is relatively advanced (which should have made entering the labor market easier). These new immigrants had about the same educational level (measured in years of schooling) as Swedish natives and were better educated than previous waves of immigrants. In addition, dating from 1975, there has been a stated policy goal that immigrants (including refugees) should support themselves — that is, that they should be integrated into the labor market.³⁶

A full explanation of immigrants' deteriorating labor market outcomes

is difficult to provide. Possible factors include discrimination (especially against the growing group of immigrants from outside Europe); a shift from labor-force immigration to an inflow of refugees (and other entrants admitted on humanitarian grounds) and immigrants' family members; changes in the Swedish economy that have increased the importance of "Sweden-specific" knowledge (for example, proficiency in Swedish) for labor market success; and defects in Swedish integration policy. One policy mistake was the so-called Whole Sweden strategy, which aimed to locate newly arrived refugees across the entire country.³⁷ This strategy was put into place in 1985 and prevailed through the mid-1990s and to some degree after. By avoiding demographic concentrations, immigrants were expected to learn Swedish faster, making it easier for them to find work. However, in reality, refugees often were located in municipalities on the basis of available housing. Neighborhoods with a large supply of vacant apartments often faced a shortage of jobs (explaining why many Swedish natives had moved out). Earnings and employment levels among refugees worsened as a result of this strategy.³⁸

This placement strategy has since been abolished, but its consequences are still felt. As new groups of refugees arrive in Sweden, they often want to move to areas where earlier refugees from the same country already live. But these earlier refugees are often located, as previously explained, in areas with a shortage of jobs.

During the long economic depression that started in the early 1990s, the employment situation deteriorated even more for the foreign born than for their Swedish-born counterparts. In the late 1990s, when the Swedish economy recovered, there was some improvement in immigrants' relative labor market performance. The improvement continued in the 2000s, although the immigrant-native gap did not return to its pre-1990s level.

B. The Recent Economic Crisis in Sweden

The global economic crisis induced a contraction in the Swedish economy of 0.4 percent in 2008 and 5.2 percent in 2009.³⁹ Between the third quarter of 2008 and the third quarter of 2009 the number of people employed in Sweden (aged 16-64) decreased from 4.57 million individuals to 4.42 million individuals — that is, by 3.3 percent.⁴⁰

The recession has hit the manufacturing sector hardest. In 2009 the export of goods decreased by 17 percent and the import of goods by 16

percent.⁴¹ From 2008 to the beginning of 2010, the number employed in the Swedish manufacturing sector decreased by about 14 percent.⁴² Although immigrants were strongly overrepresented in the manufacturing sector in the 1960s and 1970s,⁴³ nowadays there is only a small difference between foreign-born and Swedish-born concentrations in manufacturing. Of the employed foreign born, 16 percent worked in the manufacturing sector in 2008 compared to 15 percent of the Swedish born.⁴⁴

A recovering economy saw the GDP rise 5.1 percent higher in the second quarter of 2010 than in the second quarter of 2009.⁴⁵ The export of goods was 18 percent higher and the import of goods 27 percent higher over the same period.

While the labor market has not yet recovered — employment levels are still below what they were in the third quarter of 2008 — the signs are promising. In the third quarter of 2010, there were 4.51 million employed (aged 16-64), representing a 2.0 percent increase from the third quarter of 2009.⁴⁶ Meanwhile, the outlook for the Swedish economy seems to be good. The GDP is expected to grow by 4.5 percent in 2010, 3.7 percent in 2011, and 3.4 percent in 2012. The number of employed is expected to increase by 1.1 percent in 2011, by 1.2 percent in 2012, and by somewhat more than 1 percent in 2013 and in 2014. The unemployment rate is expected to decrease from 8.4 percent in 2010 to 7.4 percent in 2012 and to 6.0 percent in 2014.⁴⁷

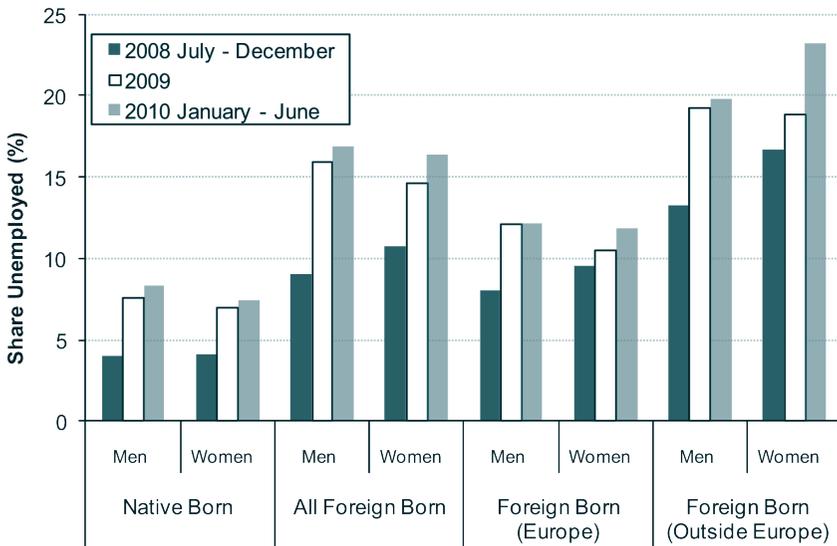
But how hard did the recession hit immigrants, and has their labor market standing deteriorated more than that of Swedes? As Table 1 shows, the employment gap between Swedes and immigrants born in Europe changed only very slightly. For immigrants born outside Europe, finding employment has been much tougher. Non-European immigrants' employment rate was 26-27 percent lower than that of nonimmigrants in 2008, but 32 percent lower by the first half of 2010.

A comparison with the Swedish recession of the early 1990s can be made only for all foreign born, without delineating European and non-European immigrants. The data show that the gap between nonimmigrants and immigrants has not widened as much in the recent recession as it did during the early 1990s. Again, we return to Table 1: from 1991 to 1994, the gap between immigrants and natives increased by 8 percentage points. Between 2007 and early 2010, the gap increased by only 3 percentage points. In other words, it would appear that immigrants fared worse — as compared to their Swedish counterparts — in the 1991-94 recession than in the latest one.

I. Unemployment Rate

According to the Swedish Labor Force Survey, the unemployment rate increased for all groups during the recession, especially for those born outside Europe (see Figure 2). The unemployment rate increased by somewhat more than 4 percentage points for Swedish men and 3 percentage points for Swedish women, reaching 8.3 percent and 7.4 percent for men and women, respectively. The increases were nearly the same for immigrants born in Europe, although European immigrants entered the recession with higher unemployment rates — 8 percent for men and 9.5 percent for women. For those born outside Europe, the situation was quite different. The increases were more than 6 percentage points for both men and women, and compounded already high rates of joblessness. By the first half of 2010, unemployment had reached almost 20 percent for non-European immigrant men, and more than 23 percent for their female counterparts. In other words, both the employment and unemployment rates indicate that immigrants born outside Europe were hardest hit by the recession.

Figure 2. Unemployment Rate by Nativity and Gender (standardized for ages 16-64), 2008-10



Source: Statistics Sweden, Labor Force Surveys 2008, 2009, and 2010.

Long-term unemployment, defined in Sweden as lasting longer than 26 weeks, can have serious consequences. Among the unemployed population, the share of long-term unemployed is higher among the foreign

born than among the Swedish born. In the second half of 2008, this share was 33.9 percent among the foreign born and 20.6 percent among the Swedish born, increasing to 39.0 percent and 28.6 percent, respectively, in the first half of 2010.⁴⁸ This shows that the increase has not been faster for immigrants, probably because the foreign born include many newly arrived individuals who came to the country during 2008 and 2009 and so have been searching for jobs for only a short period. The proportion of long-term unemployed is expected to decrease only if the recovery is sustained.

2. Access to Social Protection

It is also worth mentioning that the foreign born now have access to the same social protections as their Swedish counterparts. This is the case even if immigrants keep their foreign citizenship. However, immigrants' pension entitlement depends on the number of years they have lived in Sweden. Accordingly, many immigrants in Sweden receive smaller pensions than nonimmigrants. The same policies govern the social protection of both groups, meaning that Swedish immigrants have full access to unemployment insurance and to other public transfers such as social allowances, child allowances, housing allowances, and sickness cash benefits. Before receiving unemployment insurance, the individual must have held gainful employment for a stipulated period immediately prior to the commencement of unemployment. If this work condition is not fulfilled the individual can be granted financial assistance from the municipality in the form of a social allowance. It is expected that the majority of recent immigrants to Sweden have not yet entered the labor market. Therefore the composition of public transfer payments to immigrants is expected to differ from that of nonimmigrants. Statistics Sweden does not regularly publish data on the composition of public transfer payments to immigrants. For the year 2006, however, Statistics Sweden published data on the unemployment insurance and social allowances granted to the Swedish born and foreign born. The sum of public transfer payments to the native born consisted of 89.6 percent unemployment insurance and 10.4 percent social allowance. The corresponding figures for the foreign born were 60.6 percent and 39.4 percent. We do not know how the proportions changed during the recession. Probably, the share of social allowances increased among the foreign born because of the high migration inflow during 2007-09.

IV. Why Have Non-European Immigrants Fared the Worst?

There are probably many explanations for the diminished labor market position of immigrants born outside Europe during the recent recession. This section considers a few possible reasons.

A. *Recent Arrivals Challenged to Find Work*

As previously mentioned, the foreign-born population increased substantially during the recession, expanding the labor supply. The growth was largely due to immigration from countries outside Europe, much of it on humanitarian grounds. The population of immigrants (aged 16-64) born outside Europe increased by 15 percent between the end of December 2007 and the end of December 2009;⁴⁹ those born in Europe increased by only 4 percent for the same age group. A large percentage of those born in Europe are from Poland⁵⁰ and are presumably labor-force immigrants. The number of Swedish born registered a small decrease of 0.2 percent.

It is often difficult for newly arrived immigrants to find work, and the barriers are likely to increase during a recession, when jobs are scarce. New arrivals may lack Sweden-specific work experience, skills, and professional contacts. More generally, new immigrants — especially those born outside Europe — may be considered “outsiders” in the labor market. According to the insider-outsider theory posited by labor economists, individuals who have a job — that is, insiders — often have a privileged position compared to those without a job, because employers face turnover costs when replacing existing employees (these include the costs of hiring, firing, and training).⁵¹ Therefore, employers are reluctant to bring in new workers unless they can pay them lower wages. But Sweden’s collective bargaining system reduces the scope for outsiders to underbid insiders’ wages and to thus compensate the employer for turnover costs. As a result, labor market entry is likely to be particularly difficult for new immigrants.

B. *Immigrants’ Countries of Origin*

The risk of labor market discrimination is likely to have increased in recent decades, as a larger share of immigrants came from countries

outside Europe. Research in Sweden has shown that significant employer discrimination exists against immigrants from outside Europe.⁵² For example, an experimental study of ethnic discrimination in the hiring process found that the number of interview call-backs was 50 percent higher for applicants with a Swedish-sounding name than for those with an Arab-sounding name.⁵³

Even in the absence of discrimination, however, non-European immigrants might fare worse for other reasons. European immigrants share more cultural similarities with Swedish natives than do their non-European counterparts. Many immigrants from outside Europe were educated in school systems different from those of Europe and Sweden, potentially making their human capital poorly adapted to the Swedish labor market. In addition, many immigrants from outside Europe are refugees, who generally take longer to enter the labor market. Moreover, there have been changes in the Swedish economy during the past decades that have probably increased the obstacles to labor market integration for many non-European immigrants. The transition from an industrialized to a postindustrialized economy has likely increased the demand for skills and know-how that are “Sweden specific” (for instance, a good grasp of the Swedish language). This, in turn, reduces immigrants’ opportunities in the labor market.⁵⁴

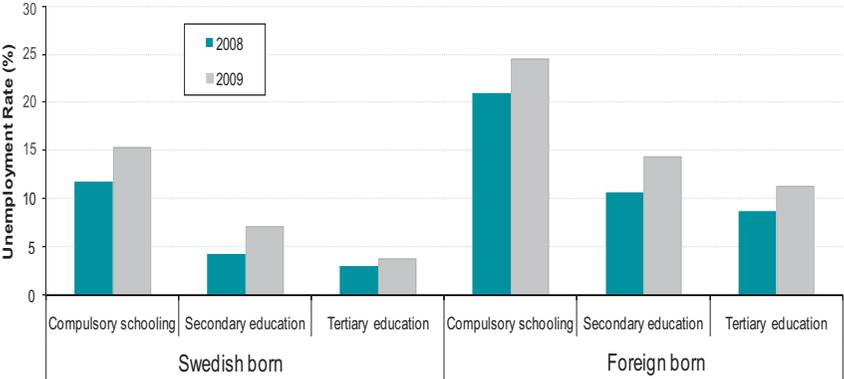
C. Educational Level

As mentioned, the average educational level among the foreign born is about the same as among Swedish natives. However, the distribution of education differs somewhat between the groups; 25.6 percent of the foreign born have completed their compulsory education, 40.0 percent their secondary education, and 34.4 percent their postsecondary education. The corresponding figures for the Swedish born are 21.1 percent, 45.8 percent, and 33.1 percent.⁵⁵

Unemployment is higher in Sweden among those with lower levels of formal education, whether immigrant or Swedish born, and this trend accelerated between 2008 and 2009 for both groups. In 2008 the unemployment rate for the foreign born was 21.0 percent for those with only compulsory education, 10.6 percent for those with secondary education, and 8.7 percent for those with postsecondary education. The corresponding figures for Swedes were 11.7 percent, 4.3 percent, and 3.0 percent. Between 2008 and 2009, the unemployment rate increased for all groups. The increase (in the range of 3-4 percentage points) was highest among those who had completed only their compulsory or

secondary education, and was nearly the same for the foreign born and the Swedish born. For those with postsecondary education the foreign born fared worse than the Swedish born. Of this group the increase was 2.6 percentage units (from 8.7 percent to 11.3 percent) for the foreign born and only 0.7 percentage units (from 3.0 percent to 3.7 percent) for the Swedish born.⁵⁶ Thus it seems that Swedish-born individuals with a postsecondary education have been hit by the recession to a very small extent, whereas the foreign born have been hit across all three education levels (see Figure 3).

Figure 3. Unemployment by Education Level, Swedish and Foreign Born, 2008-09



Source: Statistics Sweden, Labor Force Surveys, 2008 and 2009.

Box I. The Recent Elections in Sweden

In the political debate preceding the 2002 Swedish elections to the Riksdag (the Swedish Parliament) and to municipalities, the labor market integration of refugees was one of the biggest issues. Especially in areas with large numbers of unemployed immigrants (such as the Malmö-Landskrona region in the south), extreme-right parties were successful in exploiting the topic. Immigrants' position in the labor market has not improved in the years since (Table I).

The issue of immigration once again played a role in the run-up to the 2010 elections. Again, the poor labor market integration of refugees provoked debate, as did the subsequent costs to the public sector. That the very high migration inflows of 2007-09 coincided with a recession did not help matters. An extreme-right party, the Sverige-demokraterna (Sweden-Democrats), was elected to the parliament. In the new parliament in Sweden, the government does not hold an overall majority and the Sweden-Democrats hold the balance of power. They have demanded a marked reduction in migration inflows to Sweden, although it remains unclear if their policy proposals will be implemented. If immigrants' employment rates do not improve before the next elections in 2014, there is a risk that support for the Sweden-Democrats will only increase.

V. Conclusion and Policy Recommendations

Immigrants from outside Europe have fared the worst in the Swedish labor market, while European immigrants have been affected to roughly the same extent as Swedish natives. As discussed, there are several possible reasons for this, including the large numbers of new arrivals from countries outside Europe, that fact that it is difficult for newcomers to gain footing in workplaces dominated by "insider" employees, gaps in education, different cultural backgrounds, and discrimination.

Both the International Monetary Fund (IMF) and the Swedish government have projected a relatively swift economic recovery.⁵⁷

According to forecasts, the Swedish economy will recover faster than the economies of other European countries. While this promises some improvement in immigrants' employment rates, it is reasonable to assume that, in the near future, any such improvement will be slow to affect immigrants born outside Europe, not least because the large inflow of such immigrants during 2007-09 seems to continue unabated.⁵⁸ In sum, the employment gap for this group will probably not reach the prerecession level in the next few years (see Table 1).

How can the government work to improve immigrants' position in the labor market? According to forecasts, Sweden is on track to achieve a surplus in public finances in 2012 — far earlier than many other European countries. The surplus will be 1 percent of GDP in 2012 and then increase to nearly 3 percent in 2014.⁵⁹ With no special fiscal constraints, there will be opportunities to introduce more measures and programs to improve immigrants' integration into the labor market. It is also conceivable that the results of the recent election will put pressure on the government to improve integration policies.

A. Short- to Medium-Term Policy

Early contact with the labor market after arrival in Sweden is not only important in the short run but also for how immigrants will succeed in the labor market in the long run.⁶⁰ One important component of integration policy should be to encourage immigrants to move to Swedish regions with positive labor market opportunities. Unfortunately this has not always been the case, as evident in the government's "Whole Sweden" program. Since 2006, however, the Swedish government has emphasized strategies to get new immigrants working as soon as possible. One example is the so-called Entry Recruitment Incentive. An employer who hires a newly arrived immigrant pays only 25 percent of the immigrants' wage for a stipulated period of time (36 months); the rest is subsidized by the state. The effect of this program has been rather limited during the present recession,⁶¹ however, probably because of a lack of jobs. It is hoped that the program will have stronger effects in a recovery. In the government budget, SKr 128 million (\$18.7 million) was made available for the Entry Recruitment Incentive in 2011, and SKr 521 million (\$76.2 million)⁶² for "introduction" payments to immigrants.⁶³ The public employment office decides on payment of this allowance to newly arrived immigrants and establishes an introduction plan in conjunction with these immigrants, with the aim of helping them enter the labor market.⁶⁴ Another important way to promote integration is to prevent segregation and the permanent

marginalization of individuals from the labor market. Relevant policies apply to both the Swedish born and to immigrants, and comprise educational and training programs that prepare individuals for the labor market.⁶⁵

Looking forward, these labor market programs should give more priority to groups, including immigrants, that experience high levels of unemployment. It is surprising that only a few evaluations of immigrant-focused programs have been performed. One such evaluation, conducted about ten years ago, revealed major differences in different immigrant groups' access to labor market policy programs, despite similarly high levels of unemployment. Immigrants from the Middle East, for example, participated in these programs to a lesser extent than Bosnian immigrants.⁶⁶

B. Long-Term Policy

Over the long term, immigrants' improved integration depends on improved access to Swedish educational opportunities. "Sweden-specific" knowledge is important to labor market success in the postindustrial economy, and research has found that good Swedish language ability significantly increases the probability of finding employment across all immigrant groups.⁶⁷ A good command of Swedish will also make it easier to acquire other Sweden-specific knowledge. (At the same time it is important that immigrants maintain the human capital gained in their homeland. A combination of host- and destination-country human capital is, no doubt, important in a globalized world.)

In Sweden, language instruction has traditionally taken place in a classroom setting, where the teacher is the only proficient speaker. This, of course, may not be the optimal way to teach language to immigrants who are transitioning into a new labor market. A recent study showed other more effective options.⁶⁸ Long-term unemployed immigrants with weak Swedish language skills were divided into two groups. One group (group A) participated in traditional classroom language education, while the other (group B) participated in work-oriented language instruction, combined with practical workplace training in a firm (the teacher visited participants at the workplace). This latter method can be described as communicative, since it emphasizes interaction and conversation and offers opportunities to acquire Swedish language skills by natural means. Participants in both groups received either unemployment benefits or, if they were not entitled to it, payments in the form of other benefits for jobseekers provided through the public

employment service. Moderate costs were incurred for mentors supervising participants in group B at workplaces (besides the Swedish-language instructors), but on the whole, fiscal costs were about the same for both groups. The project evaluation later showed that the transition rate to employment was higher in group B. In other words, work-oriented language teaching combined with practical workplace training was a more effective method than classroom teaching to learn Swedish for the explicit purpose of obtaining a job.

Finally, an important issue for integration policy in the long run is intergenerational mobility, i.e., the extent to which the labor market position of the foreign born is transferred to their children born in Sweden, the second generation. Recent studies show that second-generation immigrants born before 1970 have about the same employment rate and about the same earnings as those with both parents born in Sweden.⁶⁹ These second-generation immigrants are children of immigrants who immigrated in the 1940s, 1950s, and 1960s and who are well integrated into the labor market.

The outlook is not as good for later waves of immigrants, however, and especially for those from non-European countries. As mentioned earlier, their employment rate is low and their unemployment rate high. The same pattern prevails among their children born in Sweden.⁷⁰ Second-generation, working-age immigrants with a non-European background are still a relatively small group, but over the next ten to 20 years, many more will reach working age and attempt to enter the labor market. Given that parents' labor market performance is transferred across generations, a real and very important policy challenge is to integrate parents of these second-generation immigrants into the labor market now. →

Endnotes

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CHAPTER 7

MIGRATION, INTEGRATION, AND THE LABOR MARKET AFTER THE RECESSION IN GERMANY

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Introduction

Although the world recession hit Germany harder than the average country in the Organization for Economic Cooperation and Development (OECD), its effect on employment proved unexpectedly moderate. Through early 2010, the increase in unemployment in Germany was the smallest of all OECD countries. Moreover, the country has seen robust growth since the end of the recession. According to the Joint Economic Forecast Project Group, as of fall 2010 Germany was already “well on its way to recover its losses from the crisis.”¹ Three factors are responsible for the mild effect: a huge reduction in working hours; only a moderate reduction in productivity; and massive use of Germany’s short-time working policy (*Kurzarbeit*), which provides subsidies when workers’ hours are reduced for economic reasons.

Immigrants in Germany (defined throughout this chapter as foreign nationals) experienced much higher unemployment than their German counterparts before the recession, and the gap remains wide today. However, at first glance, the recession that began in 2008 has not hit migrants as hard as one might expect, and job losses have been moderate. One reason is that the recession primarily hit jobs requiring

middle- and high-level qualifications,² and among qualified workers, the share of migrants was low. Yet, on further review it appears that the recession hit migrants worse in an indirect sense: they have experienced a substantial increase in long-term unemployment, with unemployed migrants finding it more difficult to reenter the labor market, and hence remaining jobless for longer periods.

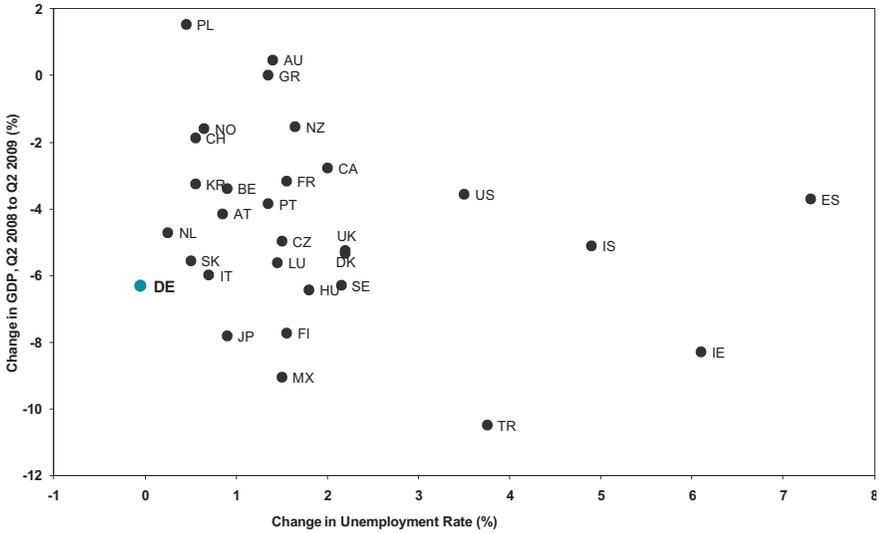
Before the crisis, many OECD countries considered allowing increased migration as a way to remedy their labor market shortages and to compensate for declines in their population. Germany was an exception. Immigration — especially into the labor market — was minimal even before the recession, both compared to Germany's past and to other countries. The inflow of highly qualified immigrants who obtained a German permanent residence permit was already very low in 2008 (461) and increased only slightly in 2009 (681). The inflow of qualified immigrants granted a temporary residence permit decreased between 2008 and 2009 — from 62,000 to 56,000.³

This case study examines the global economic crisis, how it has affected the German labor market, and why the impact of the recession has been so small. It analyzes the impact of the crisis on the labor market integration of migrants and on their employment and unemployment. It also discusses policy reactions to the recession and, looking toward the future, recommends how policymakers might address the structural barriers faced by migrants in the labor market.

I. The Postcrisis Status of the German Labor Market: Better than Expected?

The German economy was in good condition at the beginning of the global economic crisis. In the years leading up to 2009, employment rates rose as a result of sustained economic growth, a moderate union wage-rate policy, and labor market reforms. The global recession hit Germany hard in terms of gross domestic product (GDP) losses, but the effect on employment was unexpectedly mild, with Germany posting the lowest increase in unemployment of all OECD countries (see Figure 1).

Figure I. Real GDP Growth and Change in Unemployment Rate for OECD Countries, Q2 2008 to Q2 2009



Note: AT = Austria; AU = Australia; BE = Belgium; CA = Canada; CH = Switzerland; CZ = Czech Republic; DK = Denmark; ES = Spain; FI = Finland; FR = France; DE = Germany; GR = Greece; HU = Hungary; IE = Ireland; IS = Iceland; IT = Italy; JP = Japan; KR = Korea; LU = Luxembourg; MX = Mexico; NL = Netherland; NO = Norway; NZ = New Zealand; PL = Poland; PT = Portugal; SE = Sweden; SK = Slovakia; TR = Turkey; UK = United Kingdom; US = United States.

Source: OECD, taken from Sachverstaendigenrat zur Begutachtung der gesamtwirtschaftlichen Entwicklung, *Die Zukunft nicht aufs Spiel setzen*, Jahresgutachten 2009/2010 (Wiesbaden: Sachverstaendigenrat zur Begutachtung der gesamtwirtschaftlichen Entwicklung, 2009), www.sachverstaendigenrat-wirtschaft.de/gutacht/ga-content.php?gaid=55. First presented in Joachim Moeller, "The German Labor Market Response in the World Recession — De-Mystifying a Miracle," *Zeitschrift für Arbeitsmarktforschung* 42 (4): 325-36.

The number of overall registered unemployed in Germany increased by just 0.4 percentage points in 2009, or by around 155,000 people, (reaching an approximate total of 3.42 million unemployed, and an unemployment rate of 8.2 percent). Unemployment peaked in April 2009 at 3.58 million (8.6 percent), decreased steadily to 3.21 million (7.6 percent) in November 2009, and then dropped again, to 2.93 million (7.0 percent), by November 2010. This marked the first time since 1992 that the number of unemployed had dropped below the 3 million mark.⁴ The average number of unemployed during 2010 was 3.24 million and the forecast for 2011 is 2.93 million.⁵

This section analyzes the German labor market's surprisingly mild response to the severe demand shock that occurred in the aftermath of

the financial crisis. It draws on recent work by the economist Joachim Moeller that aims to “demystify” what 2008 Nobel Prize winner Paul Krugman described as “Germany’s jobs miracle.”⁶

The 2008-09 downturn was the sharpest in Germany since World War II. In the past, employment tracked declines in real GDP, though with a lag. By contrast, recent conditions have been more favorable than might be expected.⁷ Moeller discusses three main reasons for this.

First, the crisis primarily hit strong firms in economically strong regions — mainly export-oriented manufacturing firms in southern and western Germany. The rise in unemployment in these areas was early and sharp. The crisis also hit firms that had been suffering from a shortage of trained workers (*Fachkräftemangel*), which made them unwilling to lay off qualified workers.

Second, and as in the past, the downturn spurred increased use of flexible working hours through working-hour accounts. In boom periods, a surplus of working hours are accumulated in these accounts and, at the beginning of a recession, a buffer stock is available. This channel of internal flexibility enables firms to reduce their working hours to a large extent, at a time when they are experiencing only moderate reductions in productivity. Both — the sharp reduction in working hours as well as the reduction in productivity — are known as labor hoarding.

A third key factor in the mild labor market impact in Germany is the short-time working policy (*Kurzarbeit*), a subsidy program that supplements the wages of workers whose hours are reduced for economic reasons.⁸ In the early 1990s, short-time work was used to dampen the structural shock from the reunification of Germany after the fall of the Soviet Union. During the recent crisis, the short-time work subsidy became a widespread instrument — mainly among export-oriented manufacturing firms in Germany’s western regions. In 2009 use of the short-time work program reached its highest level since the postreunification period. This saved jobs and thus reduced unemployment.

Not all industrial sectors equally utilized short-time work, which was seen most often in manufacturing industries. For example, 35 percent of employees subject to social insurance contributions in the metal production and processing sector were short-time workers in June 2009. (By March 2010, this share had decreased to 11.0 percent.) Engineering was also strongly affected, with 24.7 percent of employees on a short-time work subsidy (16.1 percent in March 2010), as was the

car industry (21.5 percent in June 2009, falling to 8.1 percent in March 2010).⁹ In other words, the program was used intensively during the recession and its use declined during the recovery.

II. The Effect of the Crisis on Migrants' Labor Market Integration: As Bad as Expected?

Since autumn 2008, the global economic crisis has been clearly reflected in labor market statistics — particularly in the area of short-time work — although its effects have also been felt to some extent in the figures for unemployment as well as employment subject to social insurance contributions.¹⁰

A. Recent Unemployment Trends

As previously mentioned, immigrants (again, defined as foreign nationals) experienced much higher unemployment than native-born Germans before the recession, and the gap remains wide today. Differences can be defined by gender, economic sector, nationality, and region. The unemployment rate was 8 percent for Germans and 17.1 percent for immigrants in February 2010.¹¹ The ratio between the two rates has been very stable over the past two decades, with migrant unemployment 2.5 to 2.7 times higher than the rate for German natives.

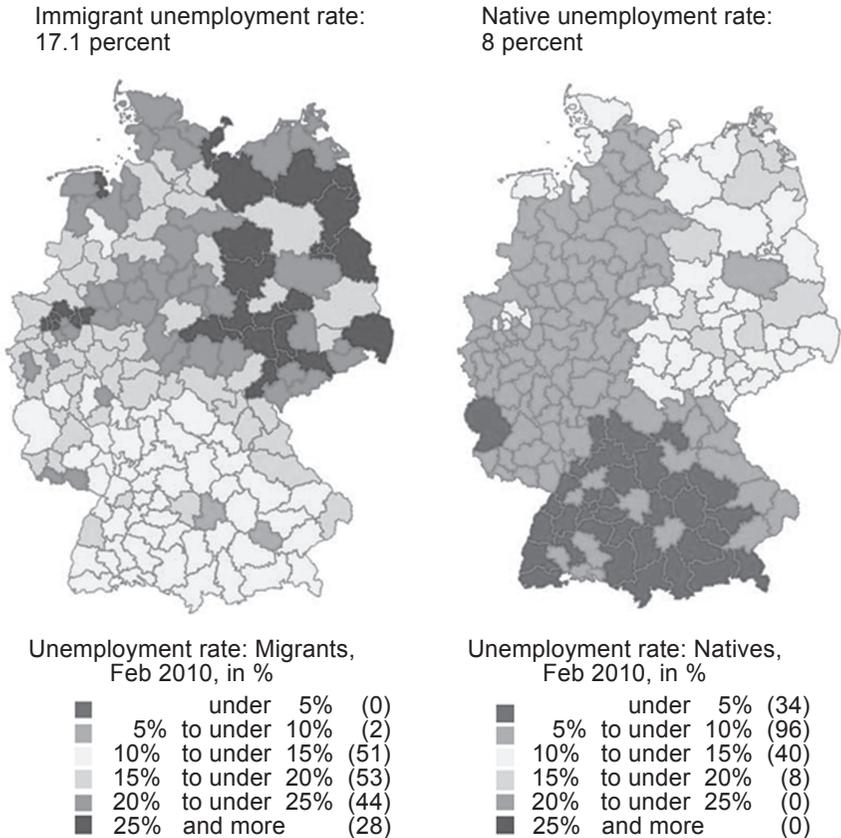
In spite of the deep recession, there has been only a modest rise in overall unemployment: in the year February 2009 to February 2010 unemployment rose from 16.9 to 17.1 percent for immigrants (an increase of 2.5 percent, or 0.2 percentage points); and from 7.8 to 8.0 percent for the native born (an increase of 2.6 percent, or 0.2 percentage points).¹² By September 2010 unemployment had fallen to 15.0 percent for immigrants (a decrease of 2.1 percentage points) and to 6.5 percent for native workers (a decrease of 1.5 percentage points).¹³

Figure 2 shows the enormous regional disparities in unemployment for the native born as well as for immigrants. Eastern Germany has far greater labor market problems than the west. In some areas of eastern Germany, foreign nationals' unemployment rate reached more than 25 percent in early 2010. However, foreign-born employees are

not distributed uniformly across Germany, and the highest shares of immigrant workers are in the west and south. In Germany as a whole, the foreign born constitute 12.9 percent of the population. These include the *Aussiedler* — individuals of German descent who arrived in Germany between 1950 and 2005, primarily from Eastern Europe and the former Soviet Union. A further 6 percent have a “migration background”¹⁴ but were born in Germany, making a total of 19 percent of the population who are either migrants or descendants of migrants. In western Germany (and in Berlin), however, individuals with a migration background made up 21.7 percent of the population in 2008 and, in eastern Germany, only 4.7 percent.¹⁵ This unequal distribution is the legacy of the guest worker program, designed to attract low-skilled workers, that was operational in West Germany from 1955 to 1973. Most guest workers were employed in manufacturing — notably in the construction, mining, and metal industries located in the west and south.¹⁶

These regions, with their export-driven industries, were worst affected during the crisis. The rise in unemployment in southern and western Germany was early and sharp; eastern Germany was less affected.

Figure 2. German Unemployment Rate, by Region and Nativity, February 2010



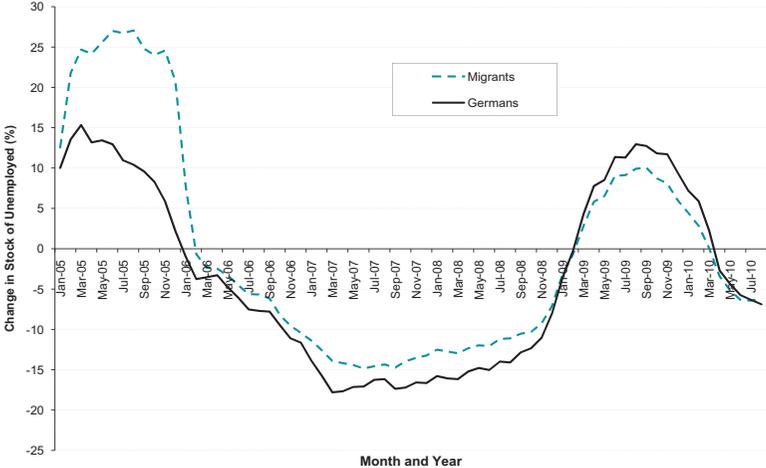
Source: Bundesagentur für Arbeit (BA) statistics, author's calculations.

B. Unemployment Patterns, 2005-10: Differences between Immigrants and the Native Born

Overall, foreign nationals made up about 19 percent of all unemployed during the 2008-10 period, a proportion that has stayed stable over time. Both German natives and migrants have suffered unemployment increases during the recent recession, but the effects have been larger in percentage terms for Germans. (Of course, migrants entered the recession with high unemployment — 2.5 times the rate of German natives. This rate has been stable for the past two decades, since an increase in the 1980s.)

Figure 3 shows the percent change in the stock of unemployed persons — both migrant and native — compared to the same month of the previous year. Until January 2009, migrants lost jobs faster when unemployment rose and gained jobs more slowly when unemployment fell. However, this trend changed at the beginning of 2009, when Germans began to join the ranks of the unemployed at a faster rate (in percentage terms).

Figure 3. Change in Stock of Unemployed in Germany: One-Year Intervals, by Nativity, January 2005-August 2010



Source: Bundesagentur für Arbeit (BA) statistics, author's calculations.

C. Unemployment by Qualification Level

More educated workers tend to enjoy higher employment rates and better-paid, more stable jobs; qualifications are the main basis for smooth labor market integration. Migrants are overrepresented among those with low qualifications in Germany. Around one-third of employed foreign nationals have low qualifications — around double the share for native Germans (29 percent vs. 14.1 percent). About 60 out of 100 native Germans have vocational training (and, thus, mid-level qualifications), which is the main route to stable employment in Germany's occupationally segmented labor market. By contrast, only 30 out of every 100 migrants hold this ticket to the job market. Finally, just 7.6 percent of migrants possess high qualifications, compared to 10.6 percent of Germans. The qualification structure for migrants has

not improved in the past decade, even if we consider only those with jobs and not the unemployed or those who do not participate in the labor force.¹⁷

The low qualification level of migrants, seen even among their German-born children, shows that Germany's integration policy can boast only the most modest of successes. Germany's almost impermeable education system has entrenched low qualification levels among migrants.¹⁸ The education and qualification levels of parents are still the strongest determinants of children's future opportunities — and migrant parents tend to have disproportionately low education levels.

During the recent recession, however, these facts have not translated into increased vulnerability for migrants. Table 1 shows clearly that for both migrants and the native born, people with middle and high qualifications made up an increasing share of the total unemployed population from 2009 to 2010 (row 2, 3, 6, and 7).¹⁹ These trends are quite unusual. In previous recessions, low-educated workers have been affected significantly more by business cycles than the highly educated.²⁰

The change in the number of unemployed from January 2009 to January 2010 was highest among the highly qualified (a 27.8 percent increase for Germans and a 26.7 percent increase for migrants), and lowest among those with low-level qualifications (a -2.1 percent decrease for Germans and a 1.0 percent increase for migrants). The qualification structure, therefore, helps to explain why migrant unemployment has risen more slowly since 2009. In the recent recession, unemployment hit more people with middle and high qualifications, and migrants were underrepresented among these groups.

Table I. Change in German Unemployment Rates by Qualification Level and Nativity, 2009-10

	Unemployed Germans (%)				Unemployed Migrants (%)			
	Low qualification	Middle qualification	High qualification	Not reported	Low qualification	Middle qualification	High qualification	Not reported
	1	2	3	4	5	6	7	8
January 2009	44.2	49.9	5.5	0.4	77.7	17.9	4.1	-0.4
January 2010	41.5	52.3	5.9	0.3	76.5	18.7	4.5	0.3
August 2010	42.3	50.5	6.4	0.8	77.0	17.6	4.6	0.8
% Change in Number Unemployed								
January 2009- January 2010	-2.1	14.4	27.8	-19.0	1.0	16.1	26.7	-10.5
January 2009- August 2010	-10.4	-0.8	23.2	95.2	-7.7	-1.0	19.3	87.8

Source: Bundesagentur für Arbeit (BA) statistics, author's calculations.

D. Unemployment by Duration/Type of Unemployment Benefits²¹

Two types of benefits are available to the unemployed in Germany, regardless whether they are native or foreign born. Since the “Hartz IV” welfare reforms took effect in 2005, full unemployment insurance payments (*Arbeitslosengeld I*) are available for the first 12 months of unemployment (or the first 18 months for individuals over the age of 55). After 12 months, and if they meet requirements, the unemployed receive basic social security (*Arbeitslosengeld II*), which is usually much lower.²² Individuals on basic social security, therefore, have been unemployed for longer and have a smaller chance of being reintegrated into the labor market.

The distribution between these two types of benefits is quite different for migrants and Germans. On average, 80 percent of unemployed migrants are long-term unemployed, compared to 60 percent of unemployed Germans, and these numbers are very stable (see Appendix). Migrants experience more long-term unemployment for several reasons, including low education and professional qualifications, insufficient language skills, and a lack of recognition of foreign credentials.²³

During the recession, the increase in unemployment-benefit receipt was mainly concentrated in “short-term” unemployment insurance. This is the result of the high number of newly unemployed vs. the relatively small number of currently unemployed returning to jobs. When we distinguish between short- and long-term unemployment, it becomes clear that the increase for Germans has been larger than for immigrants. The number of migrants receiving full unemployment benefits increased by 4.2 percent (5,193) from January 2009 to January 2010, whereas for Germans the increase was 6.1 percent (69,709). Migrants were not hit as hard by job losses and therefore submitted fewer new unemployment insurance applications.

By contrast, the number of migrants receiving basic social security for the long-term unemployed increased by 4.0 percent, almost three times more than the number receiving full unemployment insurance. For Germans, this measure of long-term unemployment increased by just 0.5 times more than “short-term” unemployment (See Appendix).

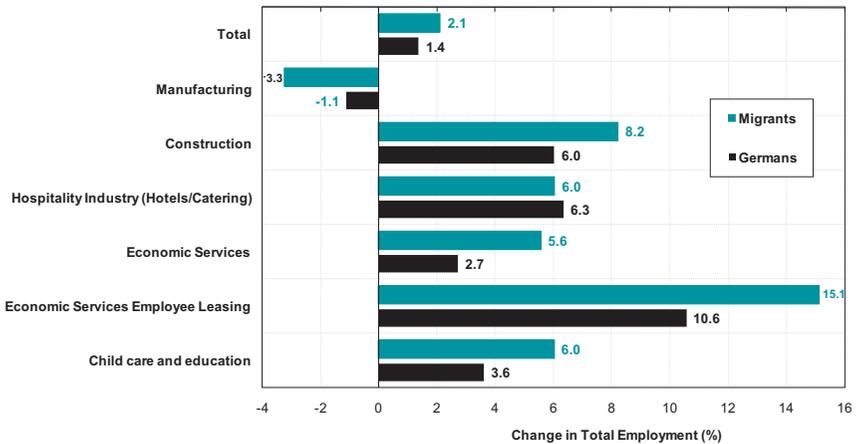
At first glance, the recession that started in 2008 did not hit migrants as hard as one might expect, and job losses were moderate. One reason is that the recession hit mainly qualified people, and the share of qualified migrants is low compared to qualified Germans. But on further review, migrants were hit harder in an indirect sense, experiencing a huge increase in long-term unemployment because they could not manage to return to work after 12 months of unemployment. The recession, in other words, has worsened the chances of *returning* to work — especially for low-qualified people. Moreover, even during the economic recovery, as Germans became less likely to receive both types of benefit for the unemployed (during the period from January 2009 to August 2010), migrants saw a small *increase* in basic social security benefits for the long-term unemployed.

E. The Impact of the Crisis on Employment (Including Employment Subject to Social Insurance Contributions)

The slump in the economy has so far had a relatively moderate impact on employment, including employment subject to social insurance contributions. However, the impacts have varied significantly by sector, with industry and trade the most affected. Given the low share of immigrant employees in eastern Germany and the fact that the crisis impacted western Germany more, the following analysis concentrates on the west, including Berlin.

Figure 4 shows the impact of the crisis, by industry, from March to September 2009 in western Germany and Berlin. As expected, the main loss for both immigrants and the native born has been in manufacturing. Migrants improved their standing in sectors where they dominate, such as hospitality. The increase was especially high in economic services employee leasing. Note that the absolute number of migrants is low compared to natives, so that a small absolute improvement means a large percentage increase.

Figure 4. Change in Total Employment (%) in Selected Sectors by Nativity: Western Germany and Berlin, March-September 2009

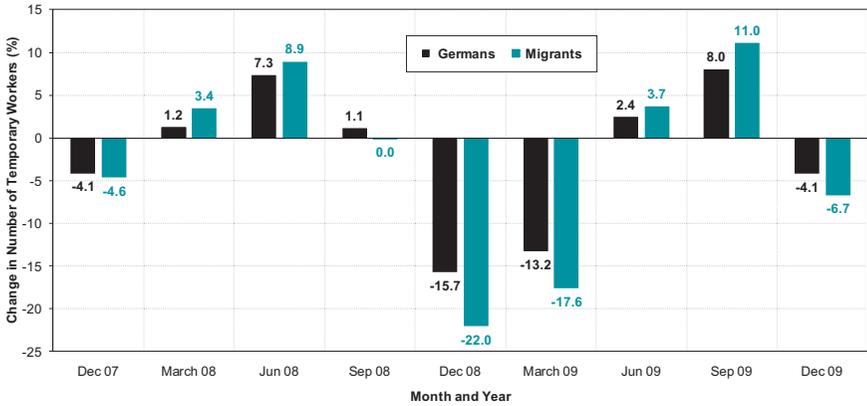


Source: Bundesagentur für Arbeit (BA) statistics, author's calculations.

Temporary work (*Leiharbeit*) is always considered indicative of labor market health. At the same time, it is controversial: working conditions often go unregulated, and temporary workers find it hard to break into the “primary” labor market. Meanwhile, the share of immigrant temporary workers is double that of nonmigrants (3.5 percent to 1.7 percent). Figure 5 shows the quarterly change in the number of temporary workers, both migrants and the German born, between December 2007 and December 2009. Both groups were badly hit in the fourth quarter of 2008, but the impact was worse for migrants (-22.0 percent). The decline bottomed out in the first quarter of 2009 but was still notable — and, again, worse for migrants. By the second quarter of 2009, there was an increase — but it was very small for both groups. In

the third quarter of 2009 the increase from the previous quarter was marked, especially for migrants. The last quarter of 2009 was marked by a decrease for both groups — but this decrease was much smaller than the decrease in the last quarter of 2008 and partly reflects seasonal effects (as in the last quarter of 2007, before the crisis).

Figure 5. Impact of the Crisis on Temporary Workers by Nativity: Western Germany and Berlin, December 2007-December 2009



Source: Bundesagentur für Arbeit (BA) statistics, author's calculations.

III. Outlook and Conclusions

At first glance, the recession that began in 2008 did not hit immigrants as hard as it might have, for several reasons. First, across the German labor market as a whole, a harsh recession had an unexpectedly mild impact on jobs, and German firms proved to have much more internal flexibility than in the past. Labor hoarding — a massive reduction in working hours, a moderate reduction in productivity per hour worked, and extensive use of the short-time work policy (*Kurtzarbeit*) — appears to have bolstered this phenomenon. Rather than being forced by employment-protection policies, the absence of a large wave of dismissals was — and is — a decision deliberately and voluntarily taken by firms.²⁵

Second, the crisis hit companies with relatively well-qualified employees, primarily exporters in Germany's economically robust regions. (Even here, the job losses were moderate.) Since job cuts imply a huge

loss of firm-specific knowledge, labor hoarding and short-time work were highly attractive to companies employing the highly skilled. Moreover, the share of qualified migrants is low compared to qualified Germans.

Yet upon further review, it becomes apparent that migrants have felt more indirect impacts. They have experienced a huge increase in long-term unemployment, as the recession has reduced the ease with which workers who were already unemployed can return to work, especially to jobs requiring little qualification. And despite the mild impact of the recession on migrants in Germany, the structural barriers they face remain enormous. Unemployment was and remains much higher for migrants than for the native born. Migrants have lower education levels, have less access to the vocational training that is the entrance ticket to stable employment in Germany, and are concentrated in sectors (such as building cleaning and maintenance, employee leasing, hospitality, and manufacturing) where jobs tend to pay less and offer poorer working conditions.

Policy Conclusions

There have been no immigrant-specific measures or policy reactions to the crisis. This is in large part because the crisis hit specific regions and specific sectors, not specific labor market groups. Meanwhile, there are several signs that the economic situation is stabilizing.²⁶ The forecast for GDP growth in 2011 for Germany is around 1.75 to 2.0 percent, the labor market continues to improve, and the number of unemployed is expected to fall below the 3 million mark.²⁷ This will make immigrant integration — and the reduction of the very high levels of migrant unemployment — important and possible.

Further training — especially for unemployed and low-qualified migrants, as well as migrants in short-time work — should be initiated. At the same time, the country needs a better system for the recognition of foreign qualifications.²⁸ The problem of integrating migrants into the labor market is the same as before the crisis: on average, migrants have low education and qualification levels and higher unemployment rates. Even as the labor market situation improves, the structural barriers facing migrants are likely to remain in place. Many migrants will face significant difficulties reintegrating into the labor market; even if their comparable education and qualifications are comparable to those of Germans, it is much harder for them to obtain vocational training or a job. To improve their situation, it is absolutely necessary to address

structural disadvantages, to foster further education, and to enhance participation in training and educational programs as well as in the workforce.

As Germany looks forward, policymakers will have to face up to the challenges posed by demographic change. As the native-born workforce ages and fertility rates decline, Germany will need qualified and highly qualified workers in the near future. As a result, it cannot afford to waste immigrants' potential contribution, and must rely on efforts from all players — including employers, employment agencies, policymakers, educators, and individuals themselves — to more fully integrate the foreign born into the labor market. →

Appendix: Development of Unemployment by Jurisdiction, Nativity, 2008-10

	Western Germany (Including Berlin)			
	Migrants		Germans	
	SGB III	SGB II	SGB III	SGB II
	%	%	%	%
	1	2	3	4
Jan 2008	20.9	79.1	36.3	63.7
July 2008	17.6	82.4	33.0	67.0
Jan 2009	23.9	76.1	38.6	61.4
July 2009	23.1	76.9	37.3	62.7
Jan 2010	23.9	76.1	39.5	60.5
Aug 2010	18.8	81.2	34.9	65.1
Jan 2010 to Jan 2009 absolute	5,193	16,075	69,709	36,911
Jan 2010 to Jan 2009 in %	4.2%	4.0%	6.1%	2.0%
Jan 2010 to Aug 2009 absolute	-31,540	5,856	-204,138	-69,626
Jan 2010 to Aug 2009 in %	-25.3%	1.5%	-17.9%	-3.8%

Source: Bundesagentur für Arbeit, author's calculations.

Endnotes

- 1 Joint Economic Forecast Project Group, *Joint Economic Forecast Autumn 2010: Economic Upswing in Germany — Major Decisions Facing Economic Policy* (Munich: Ifo Institute for Economic Research), www.cesifo-group.de/portal/page/portal/ifoHome/a-winfo/d2kprog/20kproggd.
- 2 High, middle, and low qualifications belong, respectively, to those with a university degree, vocational training, and no vocational training.
- 3 Bundesamt für Migration und Flüchtlinge, *Aufenthaltstitel nach Erteilungen und Personen für die Jahre 2008 und 2009* (Nuremberg: Bundesamt für Migration und Flüchtlinge, 2010).
- 4 Bundesagentur für Arbeit (BA), *Der Arbeits- und Ausbildungsmarkt in Deutschland. Dezember und das Jahr 2010* (Nuremberg: BA, 2011), 81, <http://statistik.arbeitsagentur.de/cae/servlet/contentblob/240798/publicationFile/115650/Monatsbericht-201012.pdf>.
- 5 Joint Economic Forecast Project Group, *Joint Economic Forecast Autumn 2010*, Key Forecast Figures, www.cesifo-group.de/portal/page/portal/ifoContent/N/data/forecasts/forecasts_container/GD20101014/GD-20101014-KEY-en.pdf.
- 6 Cited in Joachim Moeller, “The German Labor Market Response in the World Recession — De-Mystifying a Miracle,” *Zeitschrift für Arbeitsmarktforschung* 42, no. 4 (2010): 325–36.
- 7 Moeller, “The German Labor Market Response in the World Recession.”
- 8 Germany’s federal agency for employment (BA) provides funding for short-time work based on business-cycle or economic reasons under Section 170 of the Social Security Code (SGB III) if certain conditions are met (among others, at least one-third of a company’s staff must be affected by loan cuts of at least 10 percent of their monthly gross pay). If this is the case, the amount paid by BA for each eligible employee is based on 60 percent (or 67 percent for employees with children) of the flat-rate calculation of the missing net pay. See Bundesministerium für Arbeit und Soziales, *Mit Kurzarbeit die Krise meistern* (Berlin: Bundesministerium für Arbeit und Soziales, 2010), www.einsatz-fuer-arbeit.de/sites/generator/29874/Startseite.html.
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- 10 The data in this section are taken from BA and represent the most recent data available. The more detailed “Microcensus” data that would be necessary to examine subgroups are currently available only for 2008, and so are insufficient for our current purposes. See Statistisches Bundesamt, “Bevölkerung mit Migrationshintergrund — Ergebnisse des Mikrozensus 2008,” Fachserie 1 Reihe 2.2, February 2010, www-ec.destatis.de/csp/shop/sfg/bpm.html.cms.cBroker.cls?cmspath=struktur,vollanzeige.csp&ID=1025212. “Employment subject to social insurance contributions” comprises all employees who pay contributions to social insurance (unemployment, medical, pension). It does not include

- civil servants (Beamte), soldiers, self-employed persons, and family workers (mithelfende Familienangehörige). The most recent data available for 2009 cover only employees subject to social insurance contributions.
- 11 BA, *Analyse des Arbeitsmarktes für Ausländer Februar 2010*, Analytikreport der Statistik, März 2010, Bundesagentur für Arbeit, Nuremberg, <http://statistik.arbeitsagentur.de/cae/servlet/contentblob/12684/publicationFile/3022/Analyse-Arbeitsmarkt-Auslaender-201002.pdf>.
- 12 Ibid.
- 13 BA, *Analyse des Arbeitsmarktes für Ausländer September 2010*, Analytikreport der Statistik, October 2010, Bundesagentur für Arbeit, Nuremberg, <http://statistik.arbeitsagentur.de/cae/servlet/contentblob/32178/publicationFile/4702/Analyse-Arbeitsmarkt-Auslaender-201009.pdf>.
- 14 The term “migration background” (*Migrationshintergrund*) is a data category in German national statistics. It refers to people who immigrated to Germany after 1950 and to their descendants.
- 15 Statistisches Bundesamt, “Bevölkerung mit Migrationshintergrund,” Table 51.
- 16 Herbert Ulrich, *Geschichte der Ausländerpolitik in Deutschland — Saisonarbeiter, Zwangsarbeiter, Gastarbeiter, Flüchtlinge* (München: Beck, 2001). For immigration literature focused on the influence of ethnic enclaves on economic performance and/or language fluency, see Nadia Granato, “Effekte der Gruppengröße auf die Arbeitsmarktintegration von Migranten,” *Kölner Zeitschrift für Soziologie und Sozialpsychologie* 61, No. 3 (2009): 387–409; Alexander Danzer and Firat Yaman, “Ethnic Concentration and Language Fluency of Immigrants in Germany” (IAB Discussion Paper 10/2010, Institute for Employment Research, Nuremberg), <http://doku.iab.de/discussionpapers/2010/dp1010.pdf>.
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- 18 Organization for Economic Cooperation and Development (OECD), *Wo haben Schüler mit Migrationshintergrund die größten Erfolgchancen: Eine vergleichende Analyse von Leistung und Engagement in PISA 2003* (Paris: OECD, 2006); Rainer Geißler, “Bildungschancen und soziale Herkunft,” *Archiv für Wissenschaft und Praxis der sozialen Arbeit* 37, no. 4 (2006): 34–49.
- 19 Data for unemployment by qualification are available only since January 2009 due to data restrictions.
- 20 Christian Dustmann, Albrecht Glitz, and Thorsten Vogel, “Employment, Wage Structure, and the Economic Cycle: Differences between Immigrants and Natives in Germany and the UK” (CREAM Discussion Paper No 09/06, London, 2006), www.econ.ucl.ac.uk/cream/pages/CDP/CDP_09_06.pdf.
- 21 The unemployment insurance data in this section refer to West Germany, including Berlin.
- 22 Arbeitslosengeld II brought together the prereform system’s “unemployment benefits,” unemployment benefits for the long-term unemployed (*Arbeitslosenhilfe*) and the welfare benefits (*Sozialhilfe*), leaving them both at approximately the lower level of the former *Sozialhilfe* (SGBII).
- 23 Bundesministerium für Arbeit und Soziales, *Wirkungen von SGB II auf Personen mit Migrationshintergrund* (Abschlussbericht, Hauptband, Berlin: Bundesministerium für Arbeit und Soziales, 2010), www.bmas.de/portal/39948/property=pdf/f395_forschungsbericht.pdf.

- 24 Berlin is located in the east, but its migrant population much more closely resembles that of the west (its population is 24.1 percent migrant, compared to 21.5 percent in the west but only 4.7 percent in historical East Germany). See Statistisches Bundesamt, "Bevölkerung mit Migrationshintergrund."
- 25 Moeller, "The German Labor Market Response in the World Recession," 336.
- 26 There will be long-term impacts from the recession that we cannot predict now. Schmieder, Wachter, and Bender show that workers displaced from stable jobs by mass layoffs during the 1982 recession in Germany suffered long-term earnings losses of 10 to 15 percent, lasting at least 15 years. They find that job displacements can lead to large and lasting reductions in income even in labor markets (such as Germany's) with tighter social safety nets and lower earnings inequality. See Johannes F. Schmieder, Till von Wachter, and Stefan Bender, "The Long-Term Impact of Job Displacement in Germany during the 1982 Recession on Earnings, Income, and Employment" (IAB Discussion Paper 01/2010, Institute for Employment Research, 2010), <http://doku.iab.de/discussionpapers/2010/dp0110.pdf>.
- 27 Johann Fuchs, Markus Hummel, Sabine Klinger, Eugen Spitznagel, Susanne Wanger, and Gerd Zika, *Entwicklung des Arbeitsmarktes 2010: Die Spuren der Krise sind noch länger sichtbar*, IAB-Kurzbericht, 03/2010 (Nuremberg: Institute for Employment Research, 2010), <http://doku.iab.de/kurzber/2010/kb0310.pdf>; Joint Economic Forecast Project Group, *Joint Economic Forecast Autumn 2010*.
- 28 A new law in Germany that took effect in 2010 regulates the recognition of foreign qualifications. See Bundesministerium für Bildung und Forschung, *Eckpunkte der Bundesregierung. Verbesserung der Feststellung und Anerkennung von im Ausland erworbenen beruflichen Qualifikationen und Berufsabschlüsse* (Berlin: Bundesministerium für Bildung und Forschung, 2009), www.bmbf.de/pub/Pm1209-294Eckpunkte-Papier.pdf.

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ABOUT THE MIGRATION POLICY INSTITUTE AND ITS TRANSATLANTIC COUNCIL ON MIGRATION

The Migration Policy Institute (MPI) is an independent, nonpartisan, nonprofit think tank in Washington, DC dedicated to analysis of the movement of people worldwide.

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Founded in 2001 by Demetrios G. Papademetriou and Kathleen Newland, MPI grew out of the International Migration Policy Program at the Carnegie Endowment for International Peace.

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