

Applied Research in Public Policy Making
Fall 2024

Integration of immigrants in the labour market

Week 3

Martin GUZI

martin.guzi@econ.muni.cz

Outline

- Labour market integration (=assimilation)
- Migrants = mobile labour force
- Access to citizenship and its impact on migrants' integration
- The role of language in migrants' integration

Labour market assimilation of immigrants

- Migration changes people's lives (language, culture, skills, marriage, aspirations)
- Immigrants become similar to natives over time (both migrants and natives may change).
- By comparing immigrants to natives in the labour market we measure integration.
- Children of immigrants (second generation)

Assimilation is faster when immigrants

- have more human capital at entry.
- enter under good economic conditions.
- learn language.
- enter country with lower inequalities.
- enter on the basis of family ties (have better networks, and have incentives to stay long).
- are legally in the country.

Name choice and the assimilation of immigrants, 1910-1930

- The vast majority of immigrants to the United States adopted American sounding first names.
- Choice of an American first name was associated with a more successful assimilation (better job, higher wage, marriage to a US native and take-up of US citizenship).
- When comparing the labor market trajectories of two migrants both named *Guido* at birth, one who Americanizes his name to *John* and one who keeps his name, John's occupational-based earning growth is 22% higher than Guido's.
- Poor local labor market conditions for immigrants led to more frequent name changes among immigrants

Labour market assimilation of different migrant cohorts

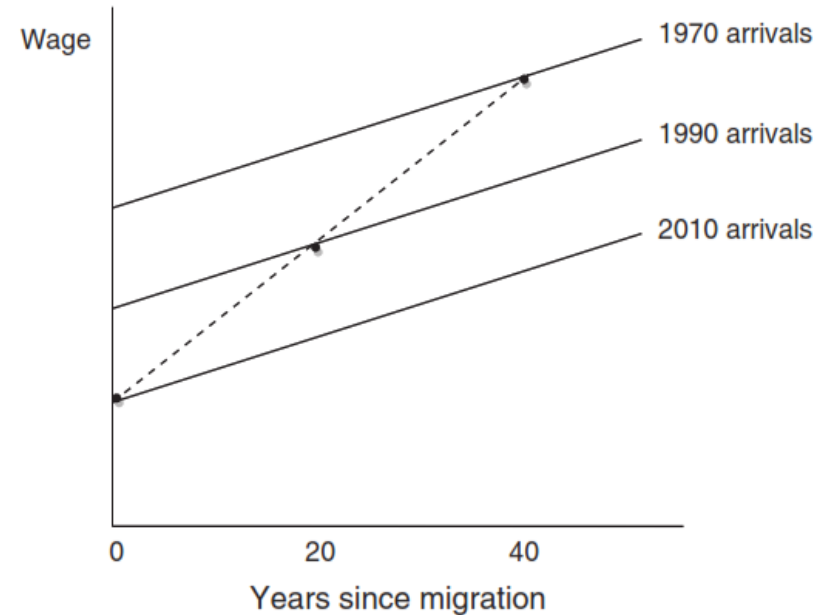
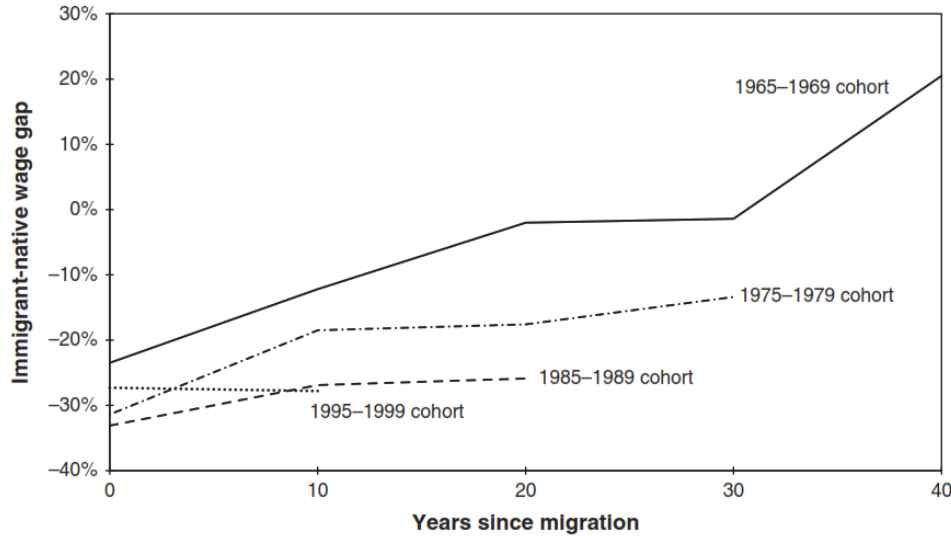


Figure 5.4 Wage gap between immigrants and U.S. natives, by arrival cohort.

Source: Authors' calculations from table 2 of Borjas (2013).

- Earlier cohorts of immigrants to U.S. experienced faster assimilation than recent cohorts.
- If cohort quality has changed over time, cross-sectional data may give misleading picture of immigrant assimilation.

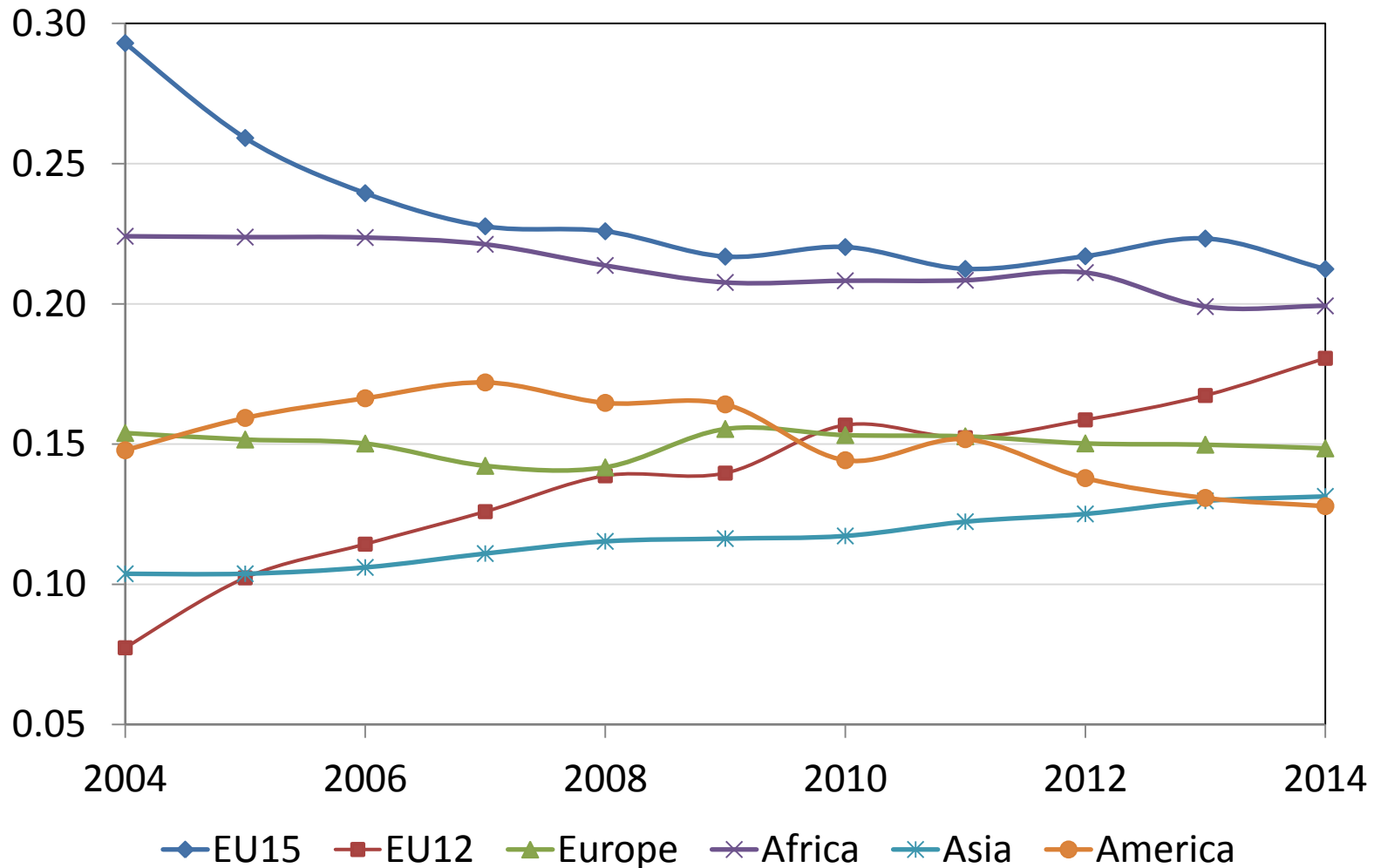
Migrants = mobile labour force

- Immigrants are in general not less, and in many cases more responsive to economic conditions (changing wages) in the labor market.
- US labor market (Borjas 2001)
 - newly arrived immigrants are much more likely to be clustered to those states which offer higher wages
- Dustmann, Frattini and Preston (2010)
 - immigration reduces regional disparities between wages in the United Kingdom
- Immigrants are more vulnerable to business cycle
- Fresh immigrants are more responsive to the changing economic environment than those who arrived longer ago.

Evidence from academic literature

- Dustmann, Glitz and Vogel (2010) show that in Germany the risk of unemployment for migrants is more sensitive to the economic cycle than that of the natives.
- Røed and Schøne (2012) show that the mobility of immigrants between regions in Norway is more responsive to the differences in average wage levels and unemployment rates.
- Amuedo-Dorantes and De la Rica (2010) find that the mobility of immigrants in Spain is more responsive to regional employment opportunities than the mobility of similarly skilled natives.

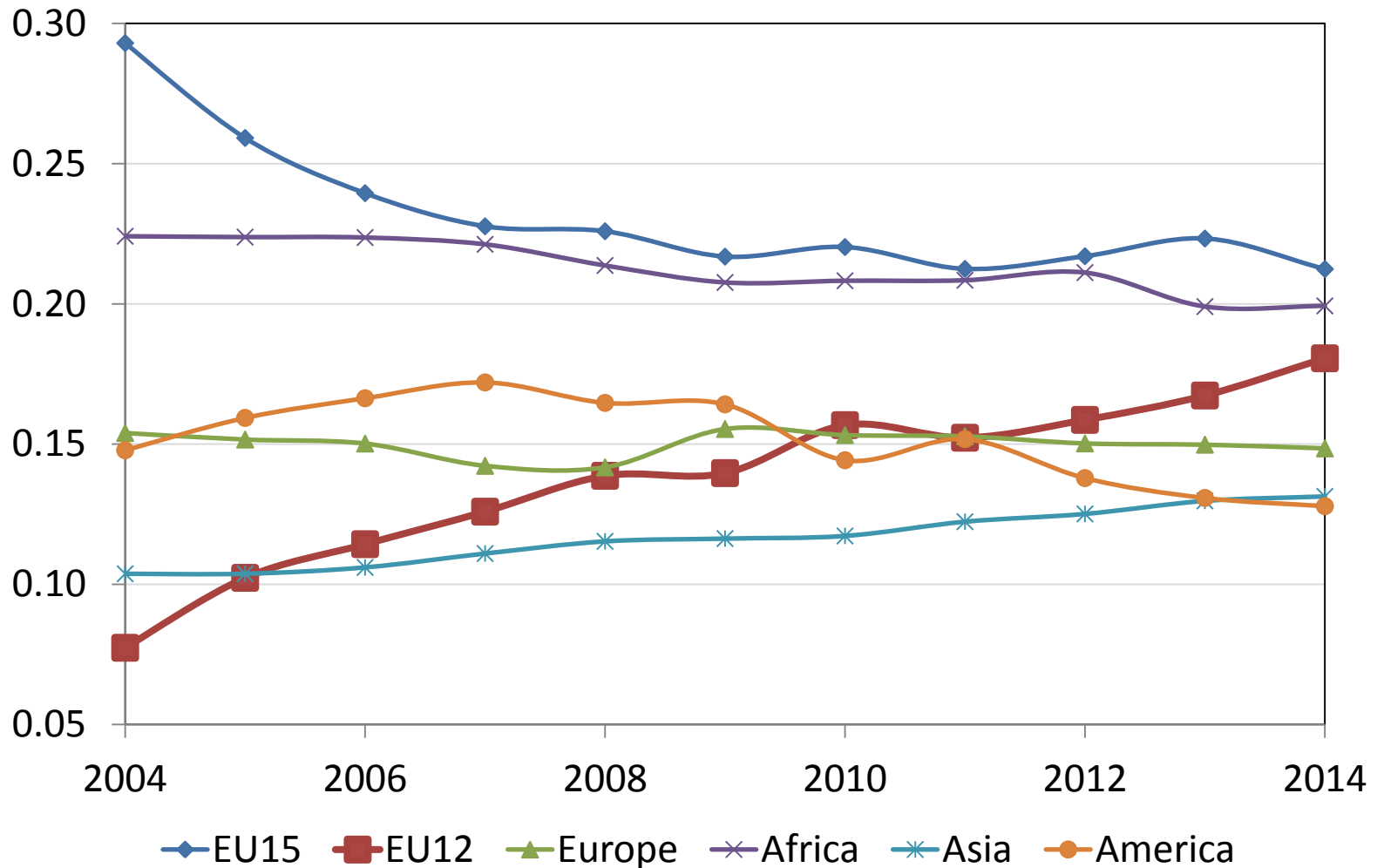
The composition of foreign-born population by origin in EU-15



Source: Based on EU-LFS 2004-2014 data

Note: Shares add up to unity. Immigrants are recognized by the country of birth or nationality (Germany).

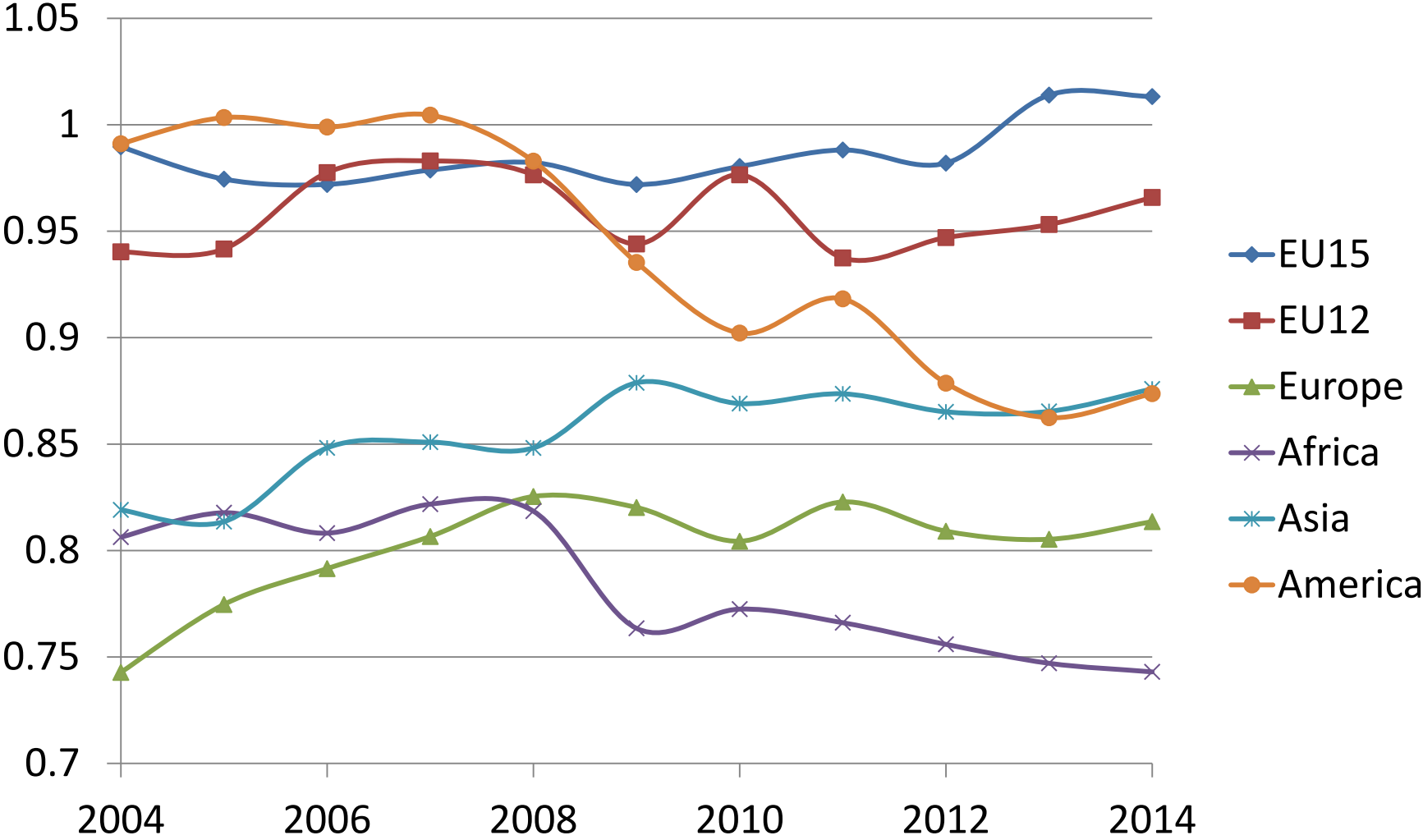
The composition of foreign-born population by origin in EU-15



Source: Based on EU-LFS 2004-2014 data

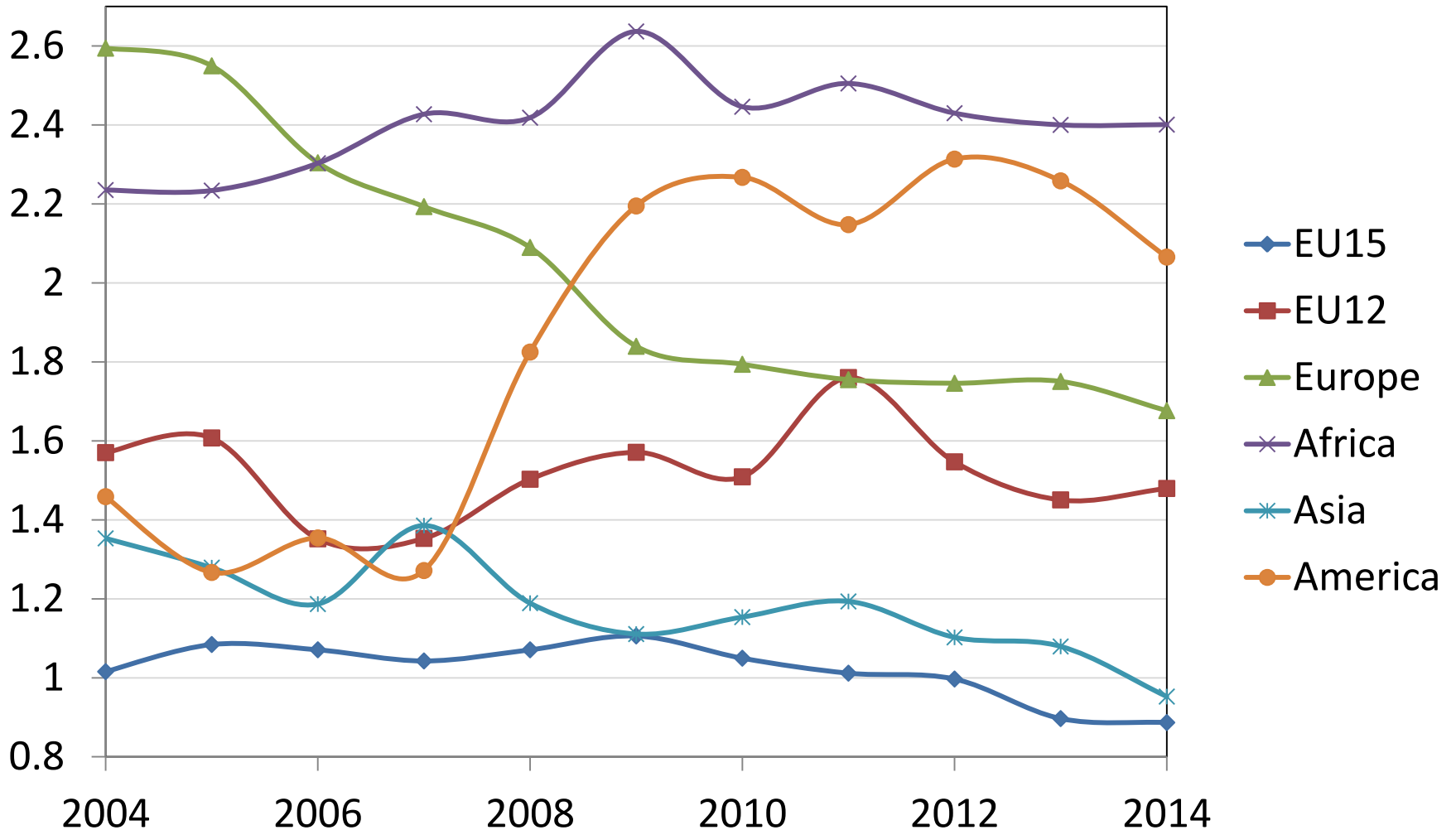
Note: Shares add up to unity. Immigrants are recognized by the country of birth or nationality (Germany).

Immigrant to native ratio of **employment rates** in the EU-15 for various immigrant groups (ratio 1 means immigrants are similar to natives)



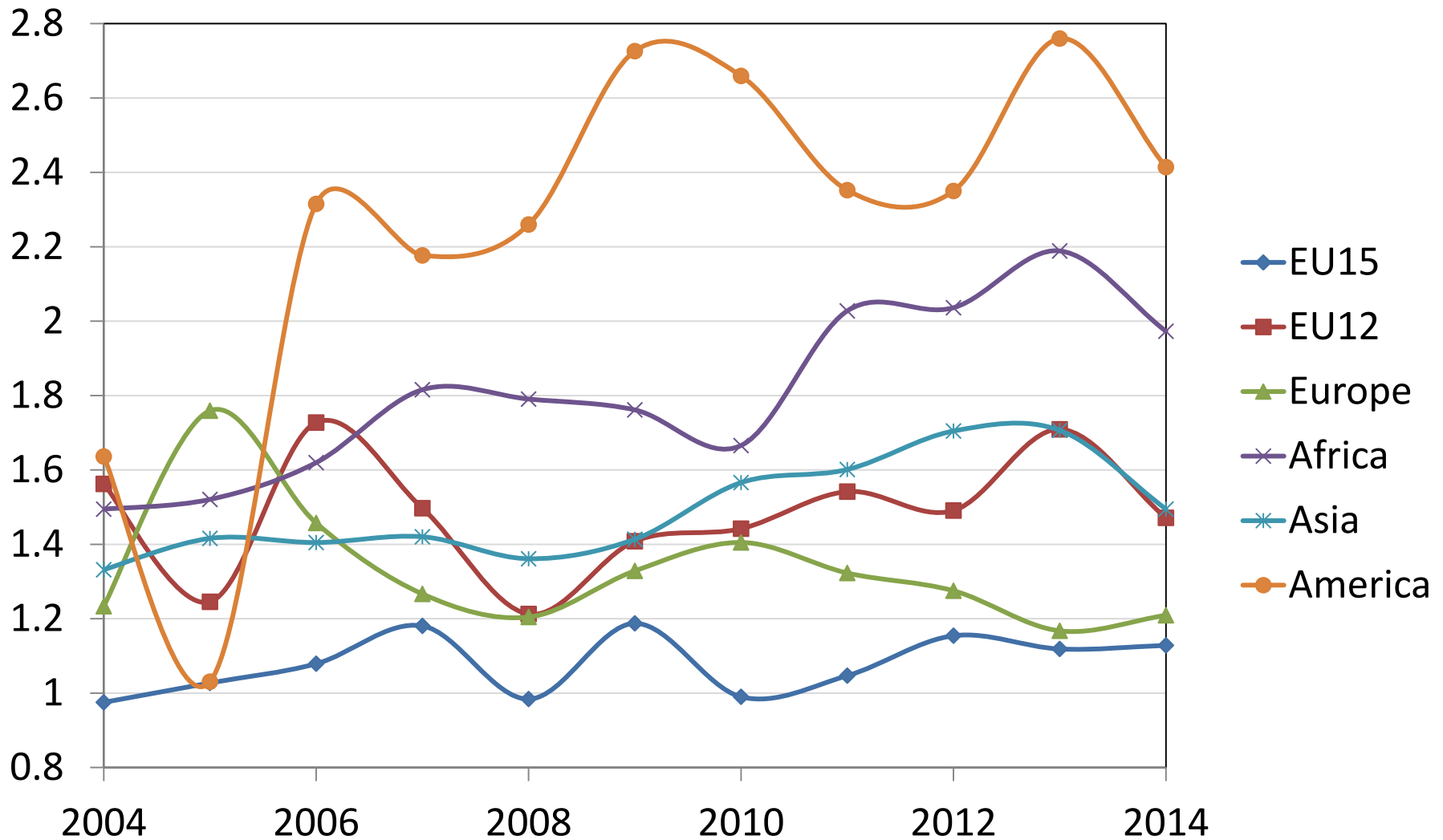
Source: Based on EU-LFS 2004-2014 data

Immigrant to native ratio of **unemployment rates** in the EU-15 for various immigrant groups



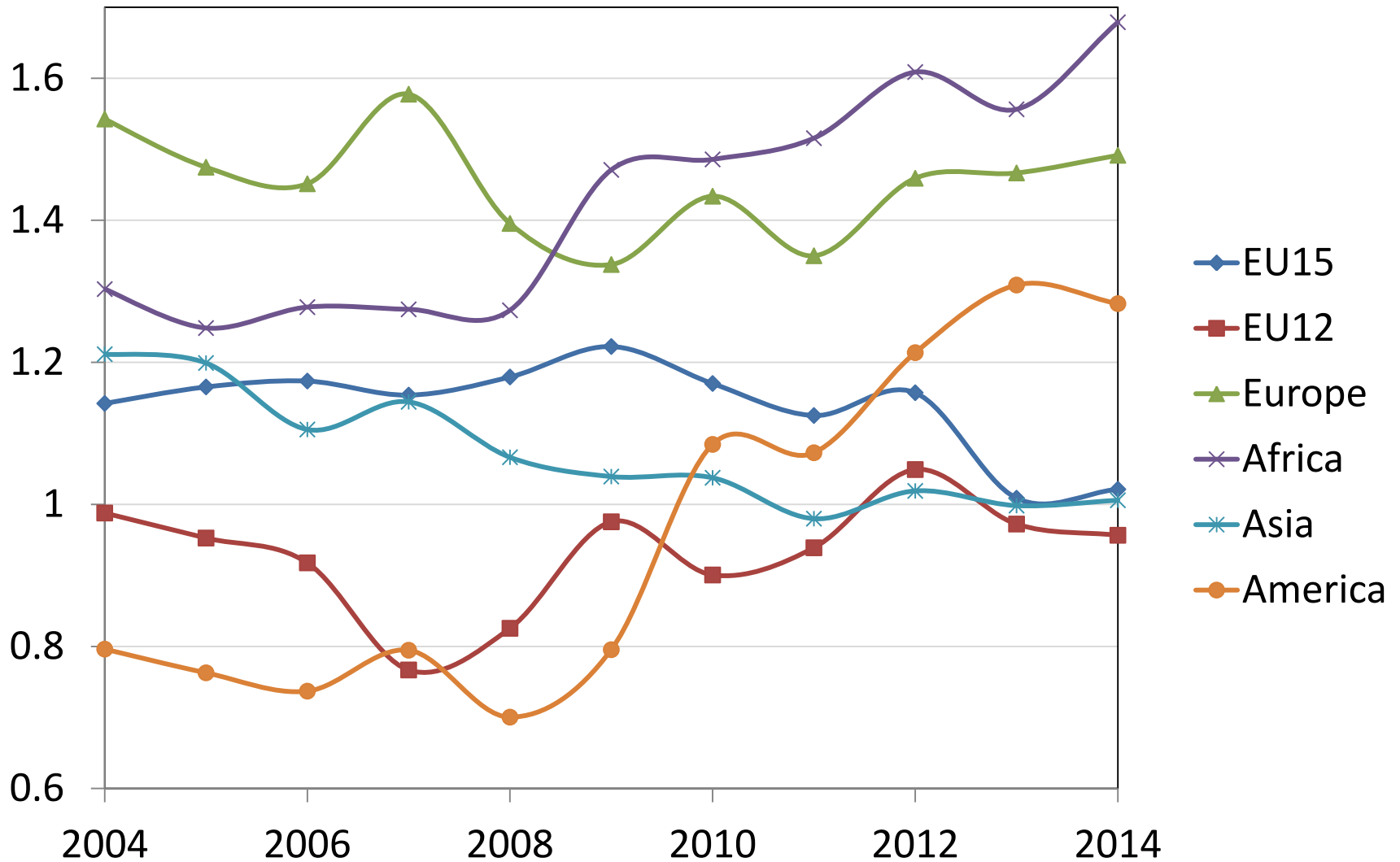
Source: Based on EU-LFS 2004-2014 data

Immigrant to native ratio of the proportion of workers who look for another job

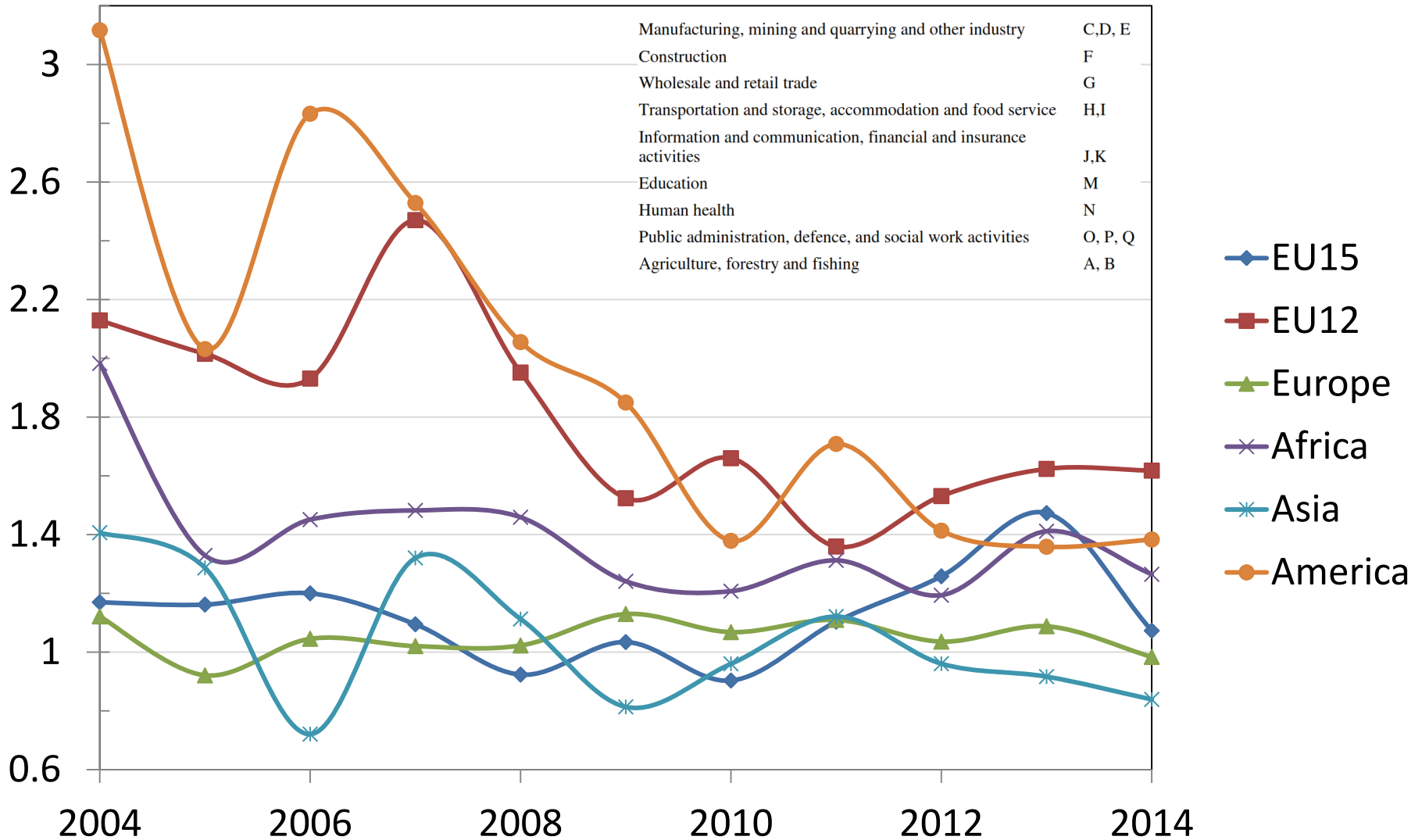


Source: Based on EU-LFS 2004-2014 data

Immigrant to native ratio of workforce without a job for more than 11 months



Immigrant to native ratio of proportion of workers who changed industry during the previous year



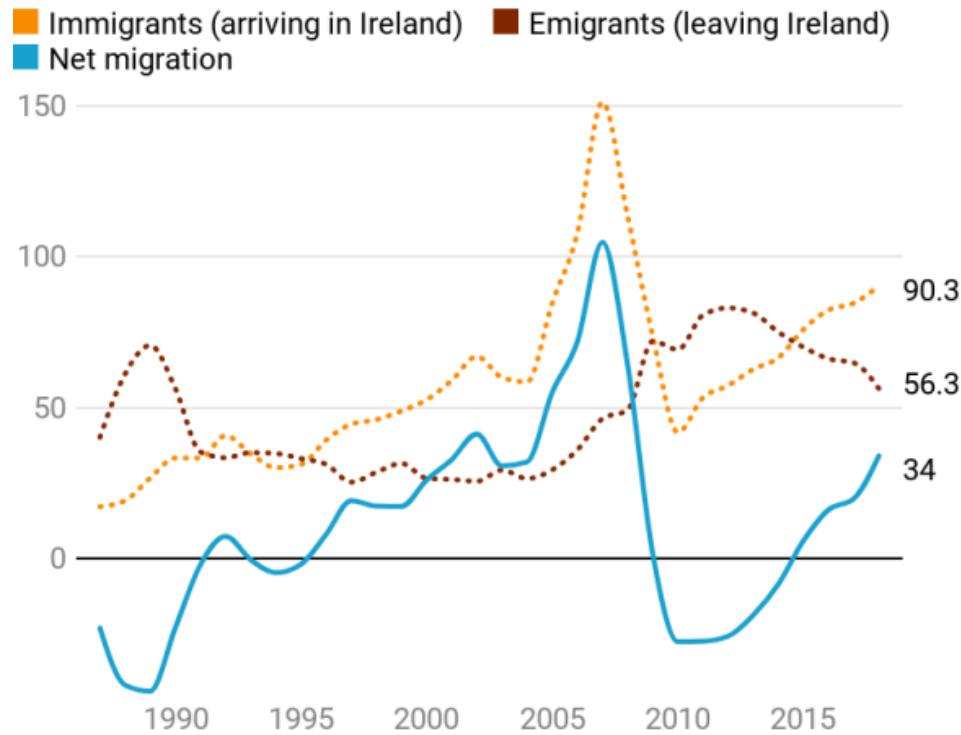
Benefits of mobile workforce in the EU

- Benefits of brain circulation in an enlarged EU.
- Improves allocative efficiency and labour-market flexibility. (e.g. economic growth lowers unemployment)
- Equalizes labor-market conditions across regions (e.g. when workers move from depressed regions to prosperous ones)
- Mobility strengthens the social fabric and improves cohesion in the EU (natives may also change over time in response to migration).
- Triple-Win Migration

Migrants go where jobs are – the case of Ireland

Net migration

Net inward migration to Ireland in 2018 of 34,000



Source: CSO • [Get the data](#) • Created with Datawrapper

- Rapidly growing Irish economy (termed the 'Celtic Tiger') in late 90s and early 00s, resulted in prosperity and net immigration.

In June 2009 due to the country's recession Ireland tighten its work permit system.

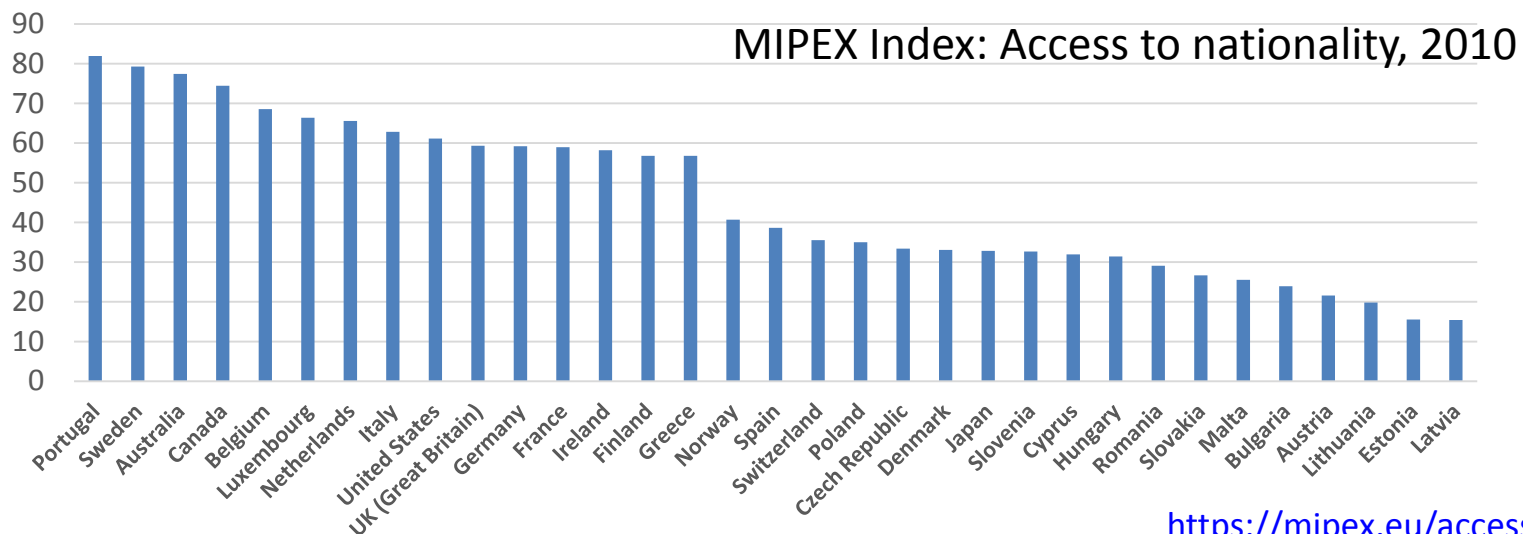
Fewer Irish emigrating

Nine years after crash and the pain of forced emigration, more Irish citizens are coming home (from AU, CA, UK, US), than moving abroad.

12.7% population are foreign nationals in 2019.

Access to citizenship and its impact on immigrant integration

- Naturalization can lead to better economic integration.
- Some professions in public sectors are not accessible to foreigners (20 % in France, Fougere and Safi, 2009)
- Nationality in CV helps applicants with foreign-sounding names (removes discrimination)
- Rules of naturalization process vary across destinations

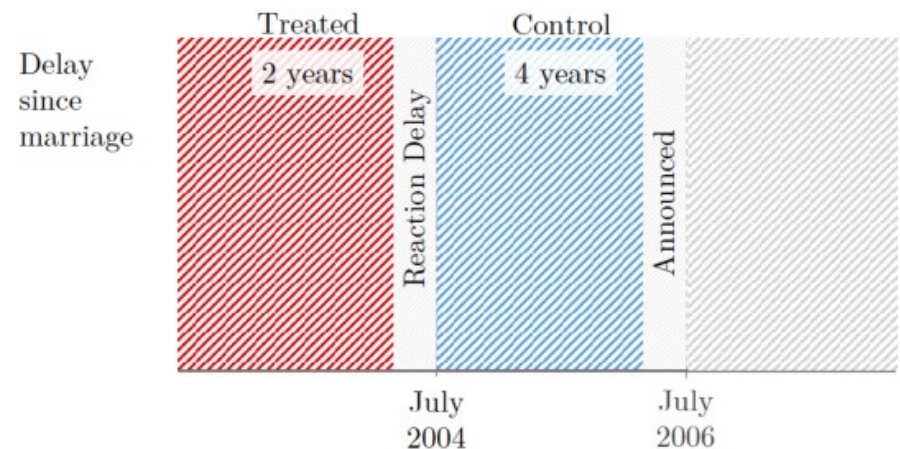


“Earlier naturalization was a gateway to integration. Today, the logic is completely reversed. Naturalization has become a certificate of good conduct,” wrote immigration specialist Catherine de Wenden in the left-leaning French daily, Libération, in May 2012.

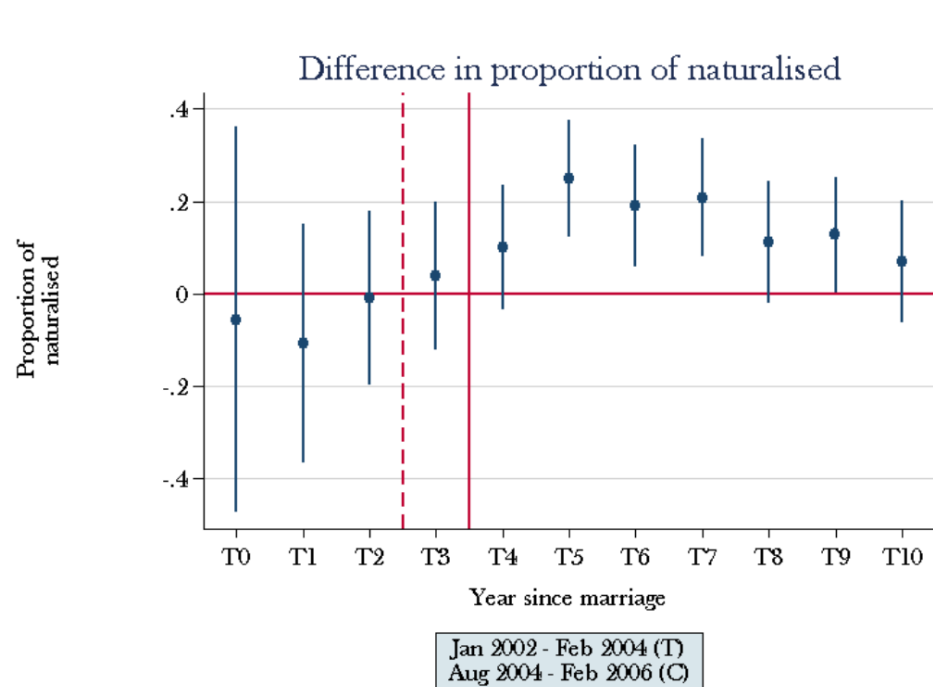
- Debate about naturalization and foreigners’ labour market integration:
 - **Tool for integration**
At an earlier stage of integration – Easier access to citizenship
 - **Reward for integration**
At the end of integration process – Difficult path to citizenship

Marriage reform in France

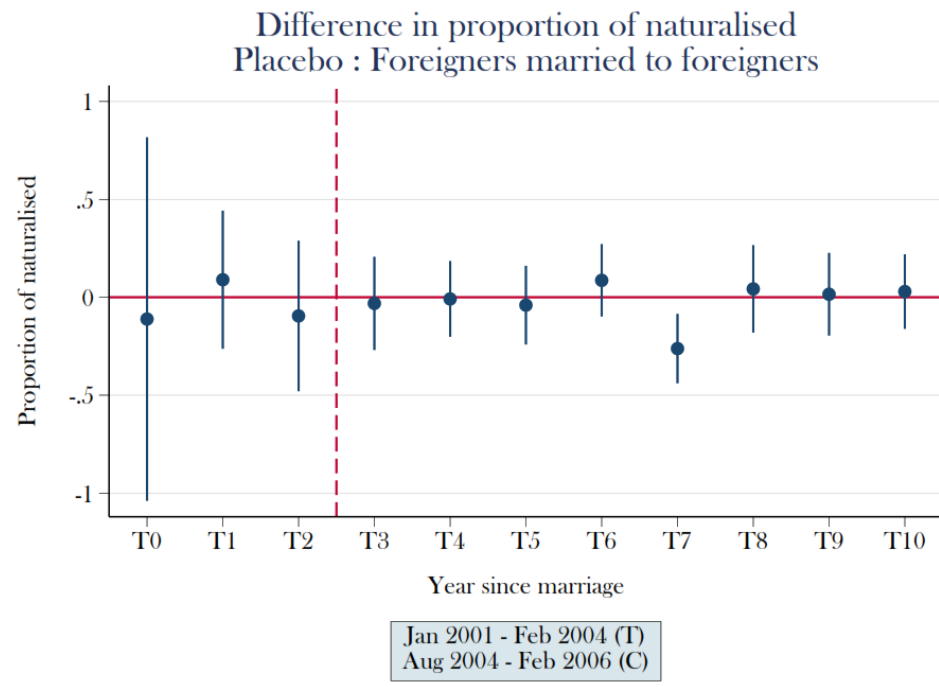
- Around 40% of immigrants are naturalized.
- Naturalization through marriage for well-integrated immigrants (Requires: a certain number of years of marital life, a valid marriage, and a knowledge of French).
- Due to the rising fear towards migrants, countries tend to become stricter in terms of their naturalization rules.
- Reform in 2006 increased the time in marriage from 2 years to 4 years (retroactively).



Source: Yajna Govind, 2020: Is naturalization a passport for better labor market integration? Evidence from a quasi-experimental setting



Europeans are excluded from the analysis



- Based on administrative panel data naturalization rate is same between control and treatment groups in pre-treatment period
- The difference gradually opens from the fourth year of marriage, likely due to the one-year administrative delay to process application for naturalization.
- The gap seems to close as from 6 years of marriage, consistent with expectations.
- (Placebo) Foreigners married to foreigners are not eligible to apply to the nationality through the marriage channel (no changes over time)

VARIABLES	(2)	(3)	(4)	(5)	(6)	(7)
	No of hours worked	Hourly wages	Net annual earnings	Log earnings	Full-time emp.	Pub. sector emp.
Post x Treat x Mixed	113.64* (64.97)	0.91*** (0.43)	2,328.46*** (880.74)	0.28** (0.12)	0.08* (0.05)	0.03 (0.02)
Observations	5,504	5,504	5,504	5,504	5,504	5,492
Adj R-squared	0.45	0.69	0.72	0.45	0.36	0.69
Ind. FE	Yes	Yes	Yes	Yes	Yes	Yes

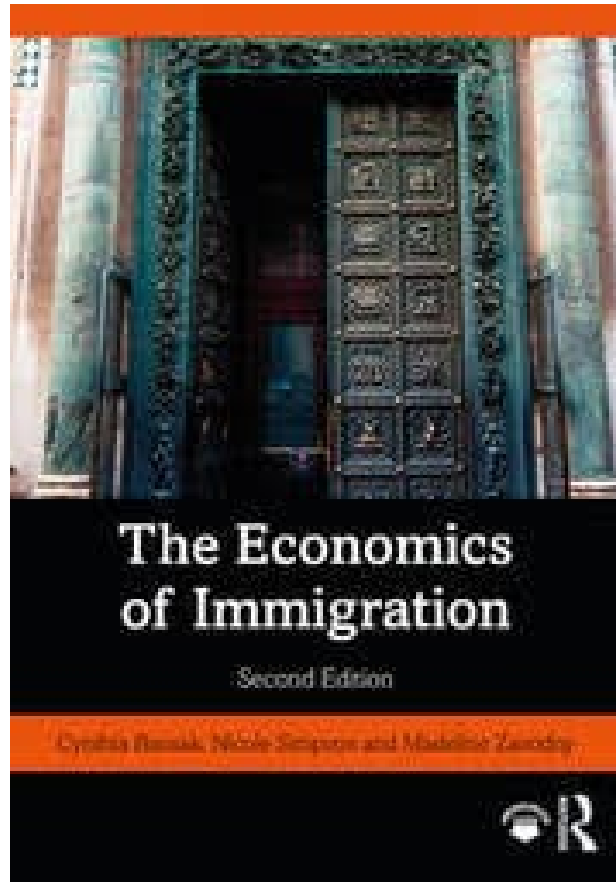
Robust standard errors in parentheses. *** p<0.01, ** p<0.05, * p<0.1. The pre-period consist of T0 - T3 and the post-period is defined as T4 - T10.

Causal effects of naturalization based on triple difference analysis:

- Citizenship leads to an increase in annual earnings by 28% (2,328 EUR).
- Higher earnings are driven by an increase in the number of hours worked, and hourly wages.
- Both men and women experience an increase in earnings.
- Obtaining the nationality helps foreigners from non-francophone countries by signaling better language proficiency
- Access to jobs in public sector does not change (too late in a career)

The circularity of migration suggests the potential of a win-win-win situation for

- 1) Migrants
- 2) Sending countries
- 3) Receiving countries
- 4) All of the above



- <https://ebookcentral.proquest.com/lib/masaryk-ebooks/detail.action?docID=6378535>