



Migration in OECD Countries: Labour Market Impact and Integration Issues

Presented by Sébastien JEAN (INRA and CEPII, Paris)

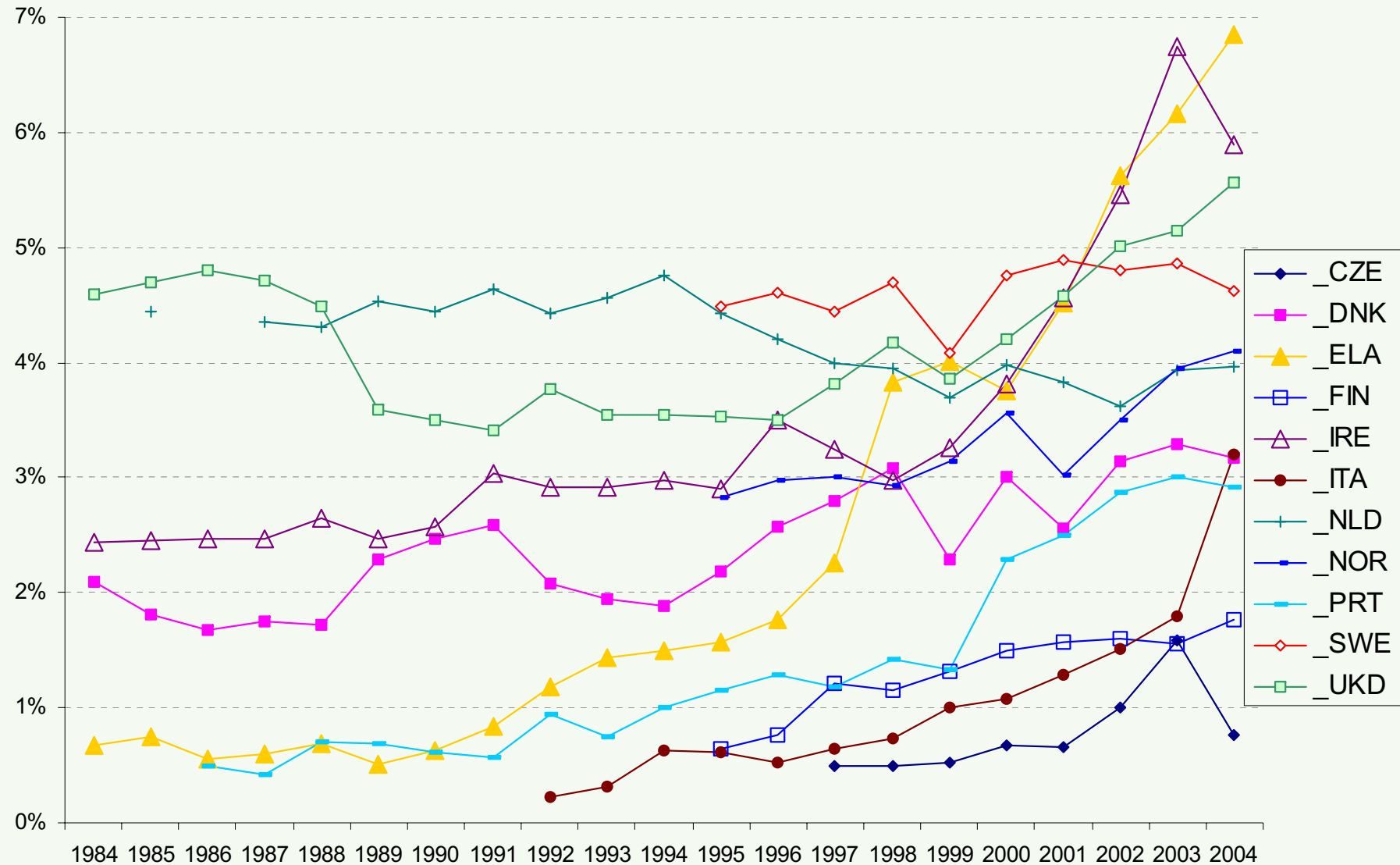
based on a study for the OECD (EPC, WP1),
with the collaboration of Orsetta CAUSA, Miguel JIMENEZ
and Isabelle WANNER

"Winds of Change: The Impact of Globalization on Europe and Asia",
Kyiv, March 23-24, 2007

Background and motivation

- Immigration on the raise in OECD countries

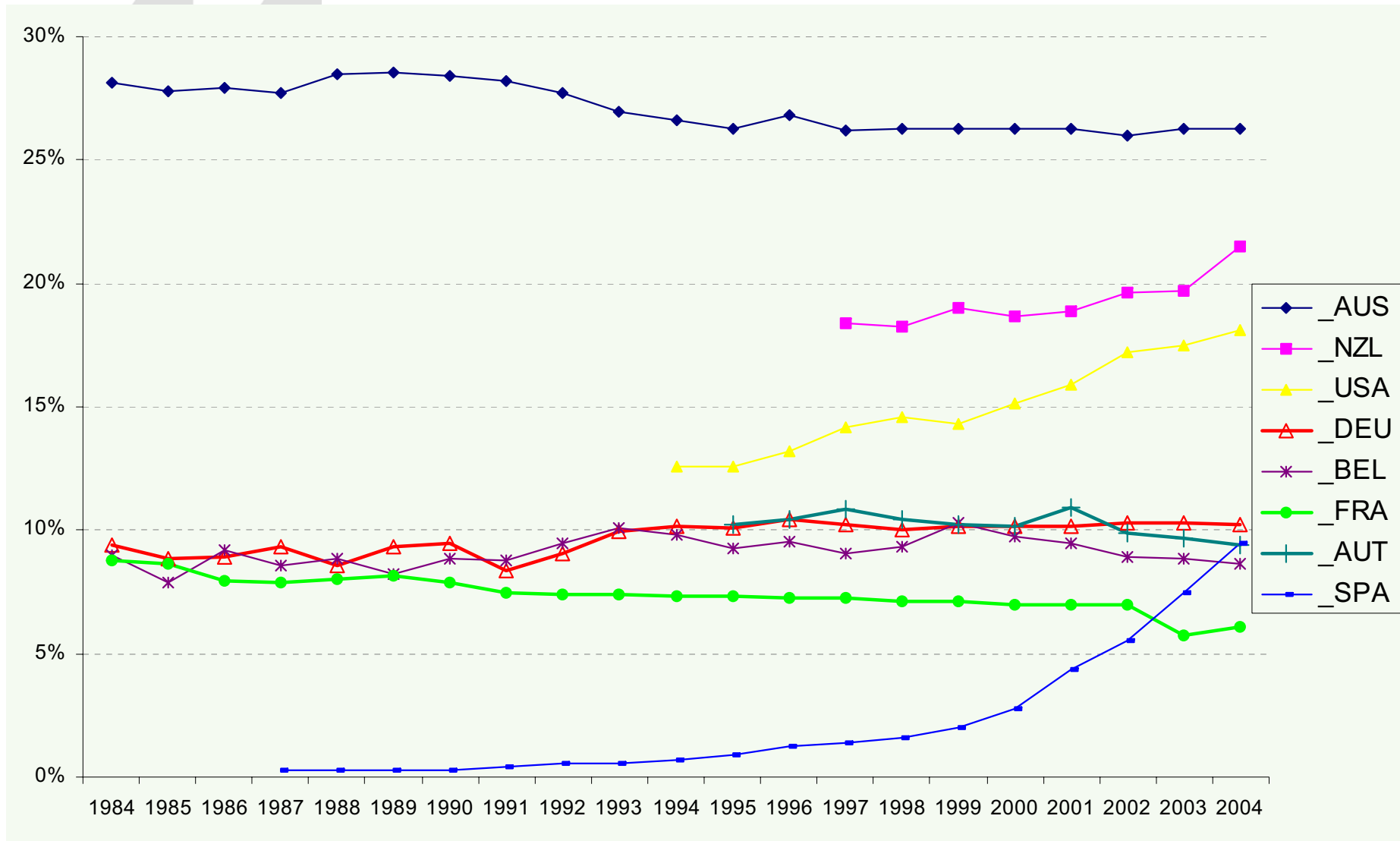
Immigrants in OECD countries' labour force (%, males aged 20-59)



Source: Labour Force Surveys.

Immigrants in OECD countries' labour force (2)

(%, males aged 20-59)

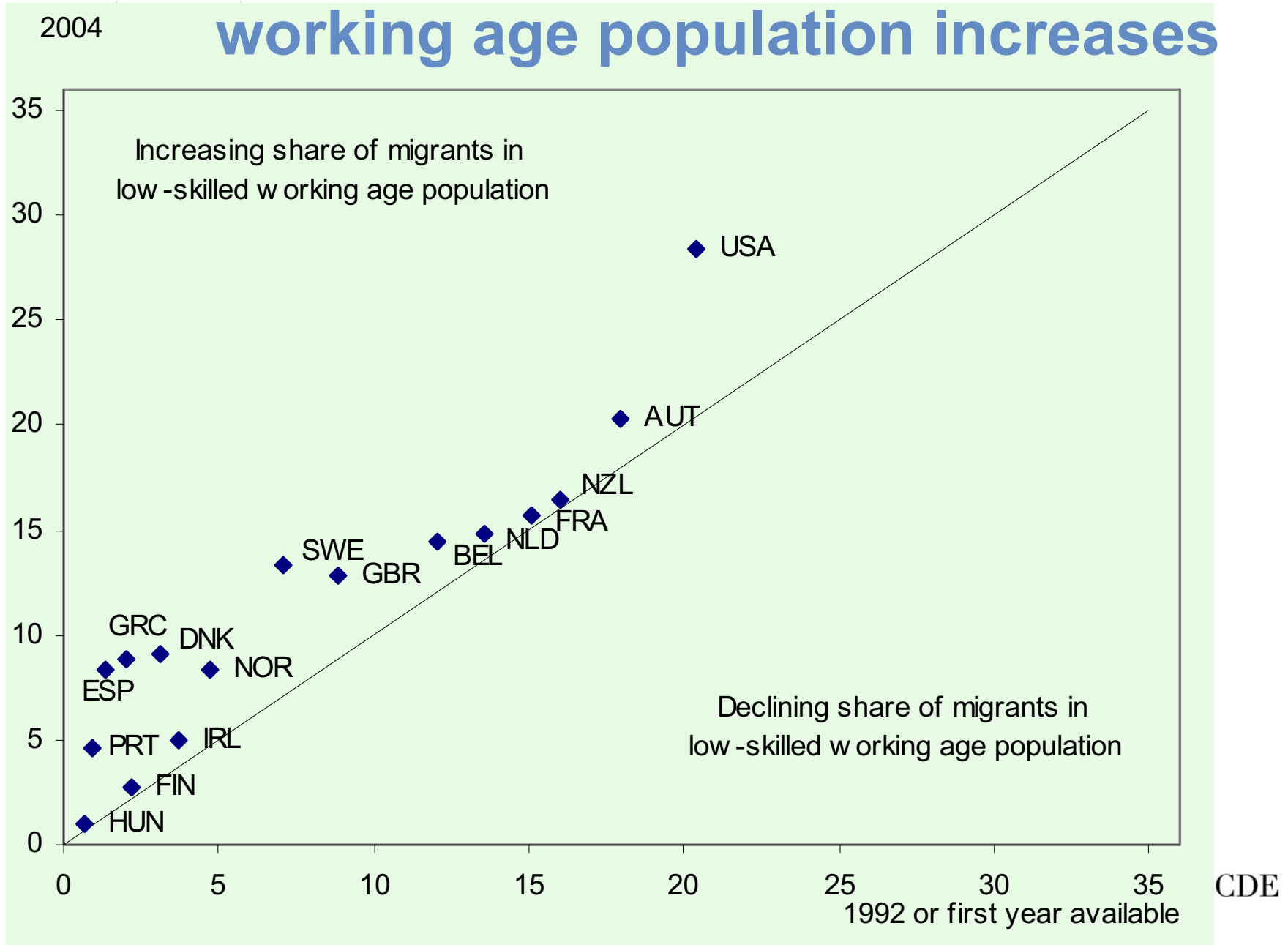


Source: Labour Force Surveys.

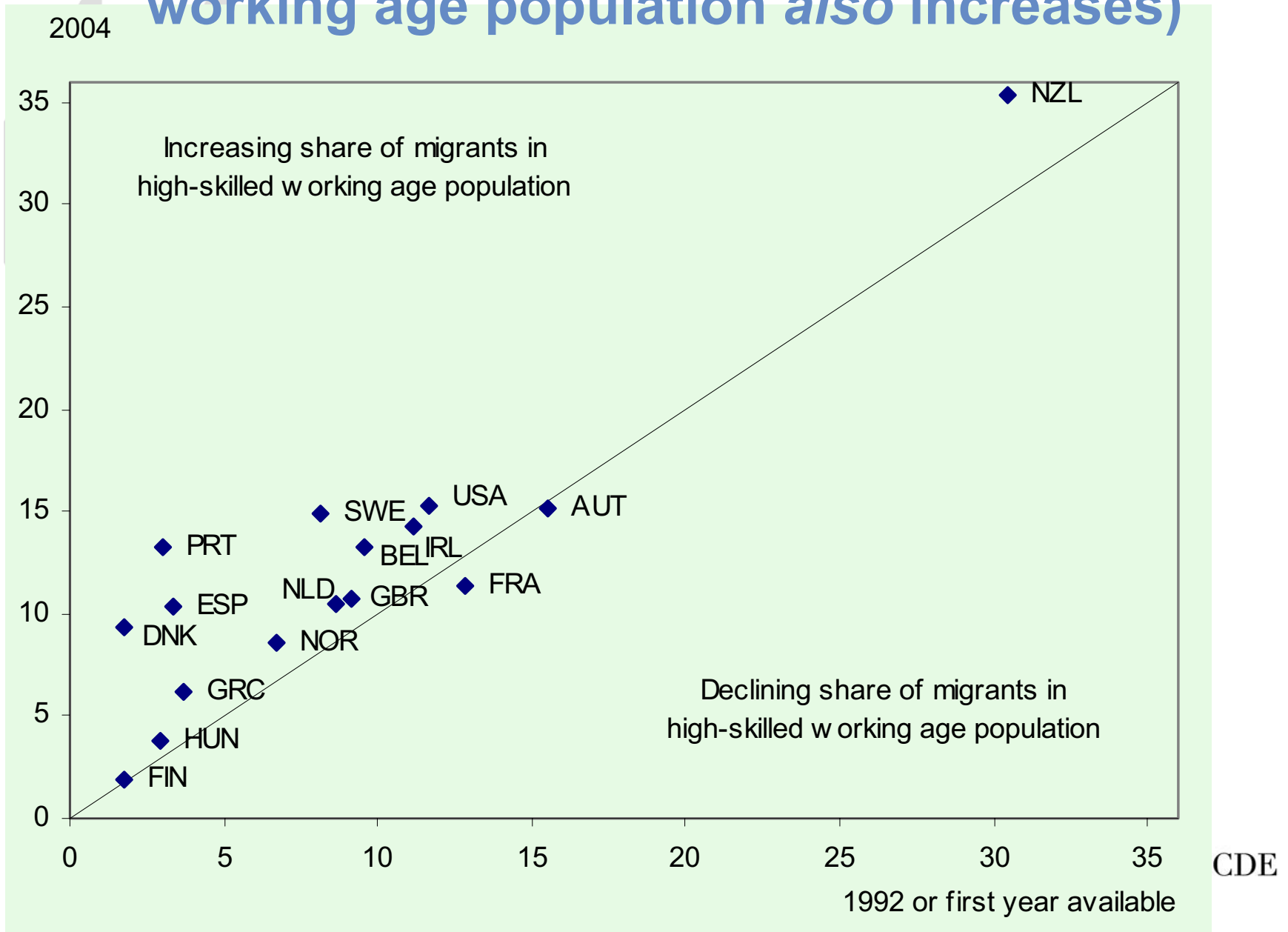
Background and motivation

- Immigration on the rise in OECD countries
 - a few spectacular examples (Spain, Ireland, Greece...)
 - end of communism + EU enlargement + political events (FYR...)
 - increasing pressures from developing countries
 - but not mainly because of more open migration policies, although global gains are acknowledged
- Increasing share of immigrants among unskilled

The share of migrants in low-skilled working age population increases



(Footnote: The share of migrants in skilled working age population *also* increases)

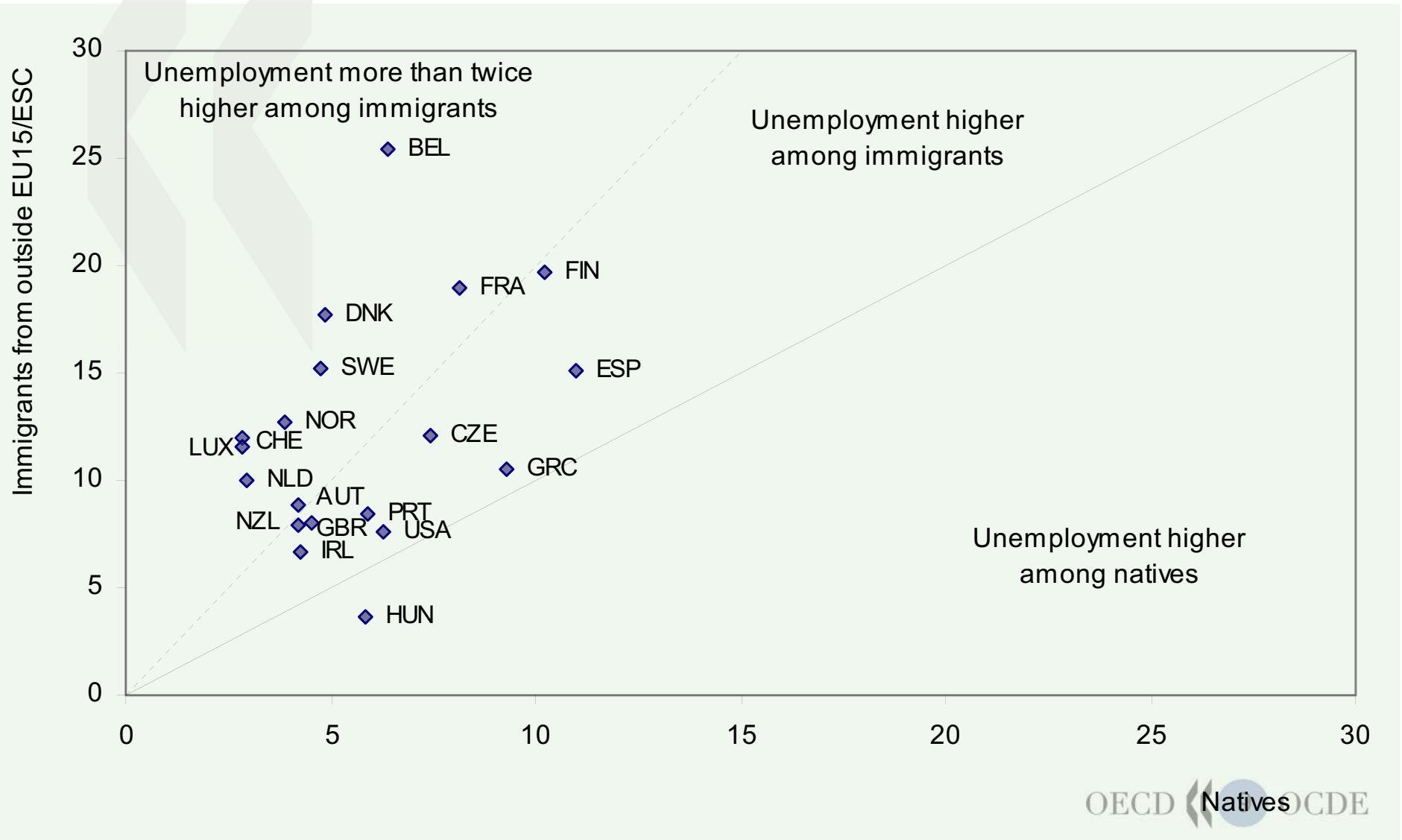


Background and motivation

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- Increasing share of immigrants among unskilled: concerns about labour market consequences
- Labour market integration of immigrants problematic

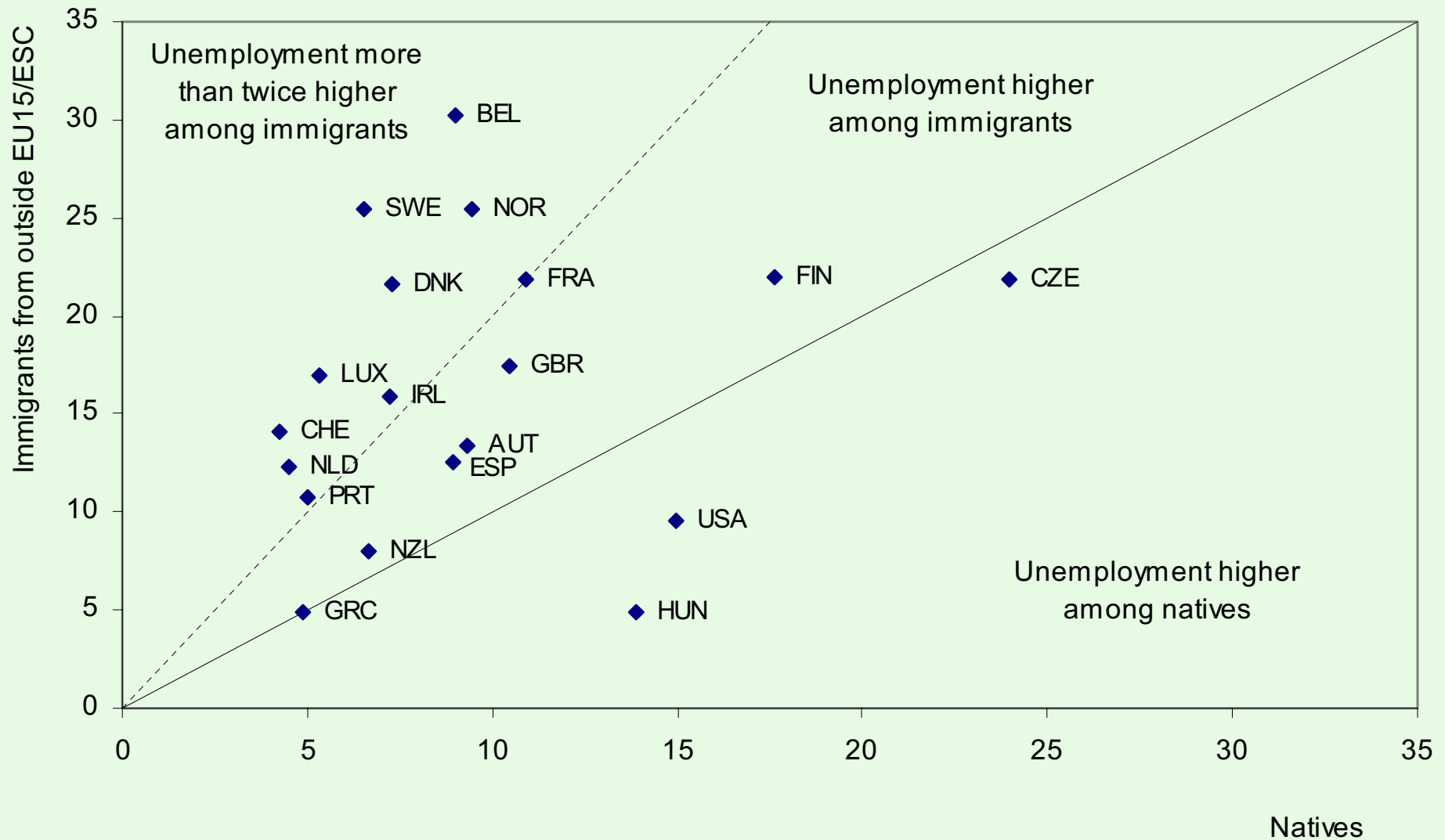
Unemployment is higher among non-EU immigrants

(average rate, non-EU/non-English speaking immigrants vs. natives, 2003)



Unemployment is higher among non-EU immigrants... even focusing on low-skilled males

(low-skilled males, non-EU/non-English speaking immigrants vs. natives, 2003)



Background and motivation

- Immigration on the rise in OECD countries
 - a few spectacular examples (Spain, Ireland, Greece...)
 - increasing pressures from developing countries
 - Increasing share of immigrants among unskilled: concerns about labour market consequences
 - Labour market integration of immigrants problematic: how bad? What can be done?
- Cross-country perspective + role of LM and PM policies (despite data limitations)
- Survey role of migration policy and migrant-specific policies

Key points

- Labour markets adjust well to immigration
 - Some distributional impacts on wages
 - Some transitory impact on unemployment when the level of immigration changes, which can be eased by well-suited policies
 - But no permanent negative impact on average
- Labour market integration of immigrants remains a challenge
- Immigrants are highly sensitive to labour market policy settings

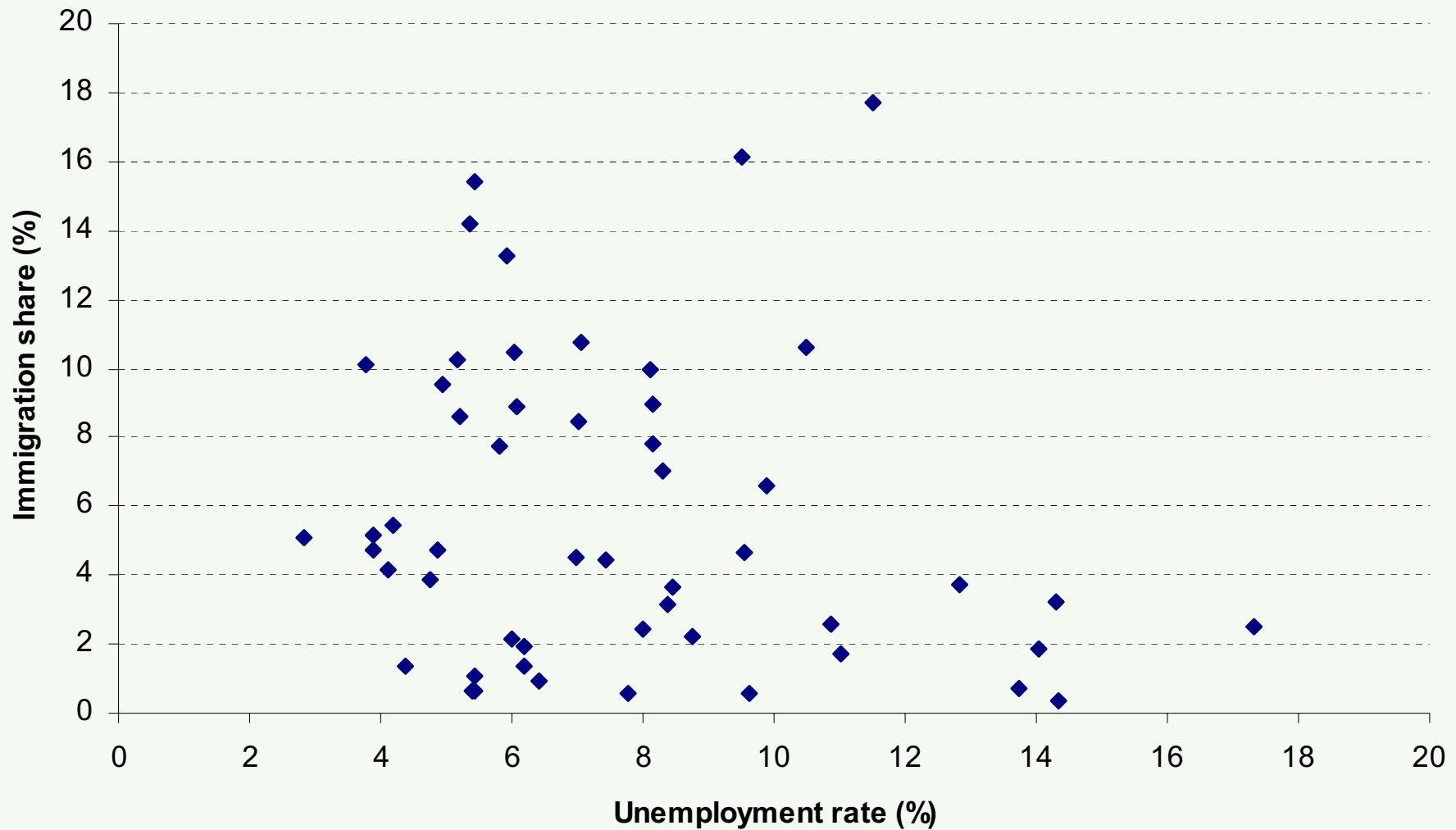
Labour market impact: Focus

- Fears about consequences of immigration, especially among unskilled (Dustman and Fabbri, 2005)
- Evidence on wages in North America
 - Immigration changes natives' relative wages, at least in the short-medium run (Borjas, 2003, and related works)
 - No or positive effect on natives' real wages after a few years (Ottaviano and Peri, 2005)
- Wages in Europe
 - Very small or insignificant impacts, incl. on relative wages (Bonin, 2005; Longhi et al., 2006)
 - Because of different policy settings? With different implications for unemployment?

Unemployment impact: Approach

- Little evidence of any (un)employment impact of immigration
 - No permanent impact of immigration level

Immigration share vs natives' unemployment (OECD countries, 3-year averages)



Unemployment impact: Approach

- Little evidence of any (un)employment impact of immigration
 - No permanent impact of immigration level
- But worth a reassessment
 - Geographical approaches possibly biased (Borjas et al., 1994)
 - Impact may be transitory (Hercowitz and Yashiv, 2002), missed by studies on permanent effects
 - Policies on labour and product markets may matter (Angrist and Kugler, 2003)

Unemployment impact: Methodology

- Link between natives' unemployment and share of immigrants in the labour force
- Combine two approaches
 - Disaggregated estimates by skill cell (experience x educ): does immigration in one skill cell influence natives' unemployment in that skill cell, compared to other natives?
 - Aggregate estimates, accounting for persistence of unemployment shocks (GMM estimations)
- Dynamic impact → impulse response function (recent changes and initial level)
- Data from LFS (EU, US, New-Zealand and Australia), period = 1992-2003 (disag.), 1984-2003 (ag.)

Unemployment impact: Assessment

- **No** significant permanent impact
- Short-run impact of a change in immigration level
 - By skill-level: very small increase in unemployment relative to other categories (by $\sim 1/20$ of net immig flow, for 3-4 years)
 - Aggregate: significant impact, but transitory (initial shocks $\sim 1/3$ of net immig flows spread over first 2-3 years, + persistence \rightarrow possibly until 5-9 years)

Unemployment impact: The role of policies

- Persistence of the initial unemployment shock key to the length of adjustment
- Anticompetitive product market regulation hinders adjustment (especially wrt to unskilled immigration)
- Protection (EPL) limits immediate impact, but increase its persistence
- Higher replacement rate of UB hinders adjustment, especially among workers aged 40+

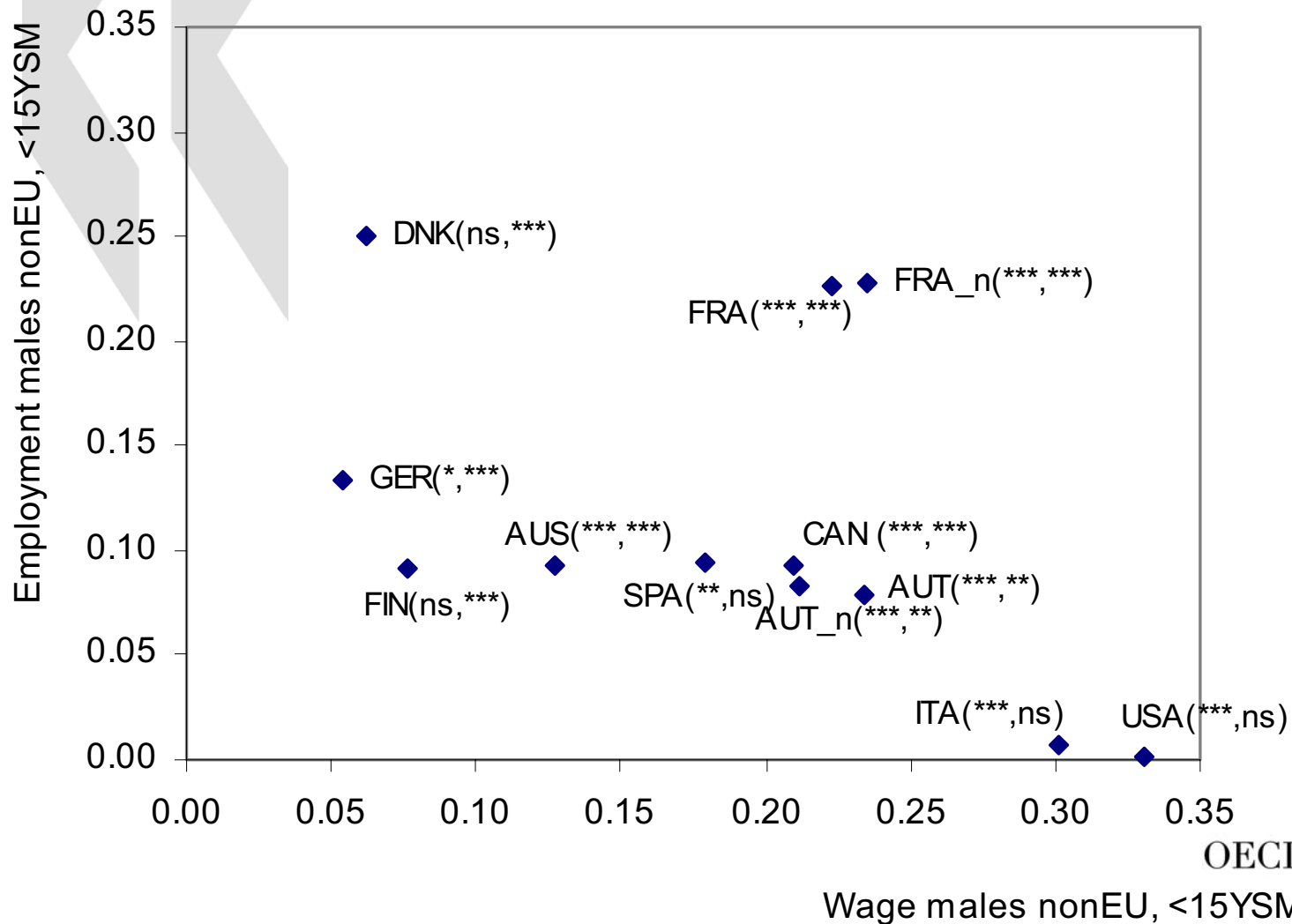
Integration: Approach

- Focus on non-EU immigrants in the EU, and on immigrants from non-English-speaking OECD country in the US, AUS and CAN
- How do immigrants compare to natives with similar characteristics in terms of wages, employment and activity?
- Do labour market policies matter?

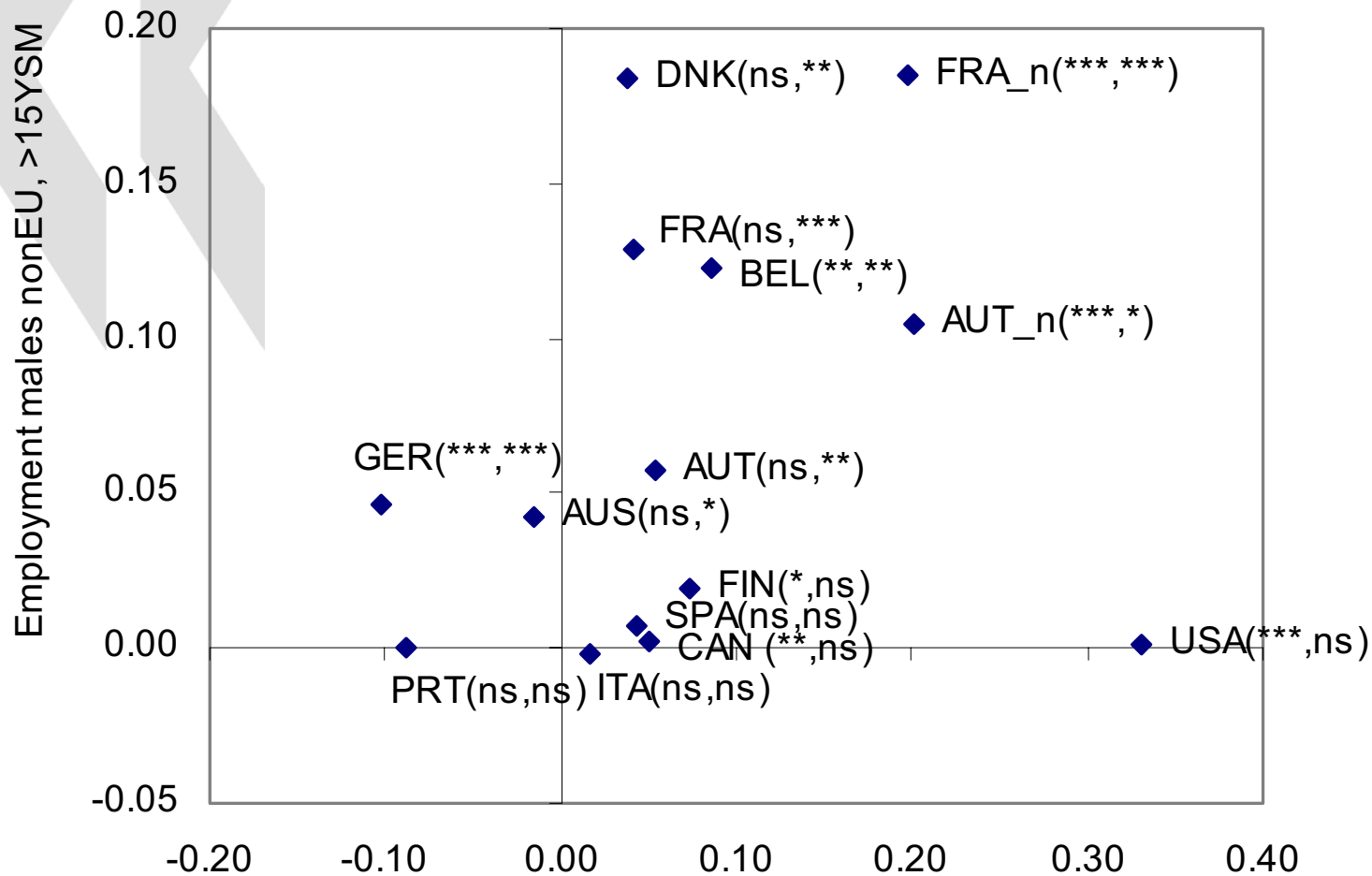
Integration: Methodology

- Analyse differences across comparable immigrants and natives in activity rates / employment rates / wage rates
- Estimation at the individual level, controlling for human capital and socioeconomic characteristics, and for non-random selection in activity/employment
 - Step 1 - Carry out similar analysis, country by country
 - Step 2 - Jointly study all countries, and relate immigrants-natives differences to policies on the labour market
- Data: ECHP (AUT, BEL, DNK, FIN, FRA, GER, ITA, SPA, PRT; 1994-2001), PSID (US, 1997-2003), HILDA (Australia, 2001-2003), SLID (Canada, 1996-2001)

Assessed gaps to natives for “recent immigrants”, by country (non-EU immigrants, men, <15YSM)



Assessed gaps to natives for “older immigrants”, by country (non-EU immigrants, men, >15YSM)



Integration: Assessment

- Significant wage and/or employment gap for “recent” immigrants found in all countries
 - More pronounced on wages in the US and ITA, on employment in Northern Europe
- For immigrants installed longer ago, gaps far less pronounced
 - Employment gaps seem more persistent than wage gaps

Policies and immigrants' integration

Policy <i>(in a univariate framework)</i>	Activity Women	Employment Men	Wage Women	Wage Men
Net average replacement rate of unempl't benefits		--		+
Unemployment benefits duration	--	--	+	+
Tax wedge	--		+	
Empl't protection legislation, regular empl't - temporary empl't	+	+	--	

Integration: The role of policies

- Labour market policies matter
 - Some labour market policies have a magnified impact on immigrants (unemployment benefits...)
 - Immigrants are overrepresented among outsiders
- Integration policies
 - Focus on language support
 - Migrant-specific LM policies may have a direct influence but targeting immigrants questionable
- Migration policies

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(email: [sebastien.jean \(at\) grignon.inra.fr](mailto:sebastien.jean@grignon.inra.fr))

More details in:

- Jean, S., O. Causa, M. Jimenez and I. Wanner (2007), “Migration in OECD Countries: Labour Market Impact and Integration Issues”, *OECD Economics Department Working Paper*, forthcoming.
- Causa, O. and S. Jean (2007), “Immigrants’ Integration In OECD Countries: Does Labour Market Policy Matter?”, *OECD Economics Department Working Paper*, forthcoming.
- Jean, S. and M. Jimenez (2007), “The Unemployment Impact of Immigration in OECD Countries”, *OECD Economics Department Working Paper*, forthcoming.