Labour market integration of low skilled migrants in Europe: Economic impact

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In 2010, 32.5 million foreign citizens lived in the EU 27, which corresponds to 6.5% of the total population of 501 million – compared to 6.9% in the USA.

The majority lives in the EU15, namely 30.8 million or 95% of all foreigners. Accordingly, in the EU-15 the proportion of foreigners amounts to 7.7% on average.

The number of foreign born, i.e. of first generation migrants, is higher than the number of foreign citizens.

In 2010 47.3 million or 9.4% of the total population in the EU27 were born abroad. This number surpasses the foreign population by 14.9 million or 46%.

On average, the number and share of foreign born is higher than the number and proportion of foreign citizens. This is due to the acquisition of citizenship after a certain period of stay.

The difference is particularly high in Sweden, the Netherlands, France, Germany as well as Slovenia and Lithuania (5 percentage points or more).

This large difference is due to preferential treatment of citizens of former colonies (France and the Netherlands) or of citizens of the same ethnic origin (German Aussiedler).

In addition, liberal citizenship laws as in the case of Sweden may be another reason for a large difference between foreign born and foreign citizens, particularly if migrant inflows are largely from third countries, many of them with refugee background, as in the case of Sweden.

Also the country of origin of migrants has an impact on naturalisations: EU citizens have little reason to adopt the citizenship of another EU-MS (LUX).
The majority of foreigners are third country citizens (nationals of non-EU countries), namely 20.2 million or 62%, i.e. 4% of the total population.

EU-Citizens who live in another EU-MS than their country of citizenship account for 12.3 million or 38% of all foreigners.

EU citizens who live and work in another EU-MS tend to be in the minority in all EU-MS with the exception of Luxembourg, Belgium, Ireland, Slovakia, Hungary, Cyprus, as well as Switzerland and Norway.

In the latter countries EU-citizens of (another) MS constitute between 56% (Norway) and 86% (Luxembourg) of all foreign citizens.
Share of foreign citizens and foreign born in the population 2010

S: EUROSTAT, OECD.
The composition of immigrants by ethnic group depends on the migration model. The colonial ties brought citizens from the former colonies to Europe, foreign worker schemes tended to bring Southern Europeans, Turks and North-Africans, largely Moroccans. As the skills and educational attainment of persons from the former colonies did not always conform to the immediate labour market needs of the host country, the Netherlands, Belgium and to some extent also France established temporary foreign worker programmes. Thus, we find substantial numbers of Moroccan and Turkish migrants in the Netherlands, Belgium and France. Migrants in Germany are largely from Turkey and Southern Europe, just as in Austria – a consequence of the foreign worker recruitment model. The largest single groups of third country migrants in Europe are from Turkey - 2.3 million or 6% of all foreign born in the EU15, followed by Moroccans (2 million) and Albanians (1 million). They tend to have particularly high proportions of unskilled labourers.
Migrant workers and skills

- EU-27 labour force (25-64) by skill level in 2009: 28% unskilled (persons with lower secondary education attainment), and 25% highly skilled (university graduates).

- This means that on average about half the workforce has medium skills and the other half goes more or less to the same extent to skills at the lower and upper end of the skill spectrum.

- Migrants with EU citizenship tend to satisfy labour demand for high skilled workers.

- Migrants of third countries are to a larger extent unskilled (41%); the share of university graduates is, however, fairly similar to the EU average with 21%.

- There are large differences in the skill composition of the workforce within the EU, in line with the economic development level.

- The Southern EU-MS tend to have the highest shares of unskilled labourers, Portugal taking the lead with 70% of the workforce, followed by Spain (48.5%), Italy (45.7%) and Greece (38.8%). In contrast, some of the Central and Eastern European countries have the lowest shares of unskilled workers, with 8% to 12% of the workforce in the Czech Republic, Slovakia, Poland, Lithuania and Estonia.
Share of low skilled workers in the total labour force and among third country labour force (25-64 years old): 2009

S: LFS.
Migrants increasingly satisfy labour demand for unskilled work

- In many EU-MS employers are increasingly employing migrants for low-skilled work.
- While in countries like Luxembourg, Austria, Germany, Switzerland, France and the Netherlands the inflow of unskilled migrants has a long history, it is a relatively new phenomenon for Sweden and many Southern European countries.
- This has an impact on the age composition of the unskilled workforce, implying that in the foreign worker countries unskilled migrants are part of the ageing of the workforce while in the latter countries young migrants fill the gap in labour demand for unskilled workers.
Percent of foreign born among low-educate workers 1995-2006

S: OECD2008:129.
Labour market outcomes: Labour force participation

- On average, the labour force participation rate of foreign born in the age group 20-64 is 75% and thus identical to that of the total EU population.

- This is due to a higher average activity rate of migrant men (+3 percentage points) and a lower rate of migrant women (-3 percentage points).

- These averages mask important differences between EU-nationals and third country nationals on the one hand and between age groups on the other.

- While EU-citizens tend to migrate to take up a job in another EU-MS, third country migrants tend to settle.

- Accordingly, EU citizens have on average higher activity rates than natives while third country migrants tend to have lower rates, particularly women.

S.: Eurostat.

3/6/12
Female Labour Force Participation Rates 2009

Q.: Eurostat.

3/6/12
Labour market outcomes: Unemployment rates

- Unemployment rates of EU-migrants tend to be below average, the opposite is true for third country migrants.

- In the EU27 the unemployment gap for third country migrants amounted to 7 percentage points in 2009 (16% versus 9%).

- The differences are particularly high in Belgium and Spain (+14 percentage points), followed by Sweden. They are the lowest in the new EU-MS in the East, in Ireland, Greece and Italy.

- Finland, Belgium and Sweden are countries where third country women find it particularly hard to get a job, followed by France, Germany and Spain.
Unemployment rates of men 2009

In %

EU27 BE CZ DK DE EE IE GR ES FR IT CY LV LT LU NL AT PT SI FI SE UK

S: EUROSTAT.
Unemployment rates of women 2009

In %

EU27 BE CZ DK DE EE IE GR ES FR IT CY LV LU NL AT PT SI FI SE UK

Women Total

Third country women

S: EUROSTAT.
Labour market outcomes by skill level

- The labour market outcomes differ significantly by educational attainment level of third country citizens.
- The differences do not show up as much in unemployment rates but rather in the labour force participation rate.
- The proportion of unskilled third country migrants which is out of the labour force is more than double the rate of university graduates (42.1% versus 17.3%) in 2008.
- Regular low skilled migrants, often women and humanitarian migrants, tend to stay out of the labour force and look after the household, at times working in the informal labour market.
- In countries where migrants have higher activity rates than natives, e.g. Italy, this is due to above average activity and employment rates of unskilled and medium skilled third country migrants.
- In the Nordic countries the high unemployment rates of third country migrants are largely falling on low and medium skilled migrants, often refugees.
- This holds also for the Netherlands: in 2009 a third of Somali refugees and 28% of Afghans and Iraqis were unemployed. But also Moroccans (14.6%), Antilleans (12.5%), Turks (11.3%) and Surinamese (10.4%) had high unemployment rates – largely due to their low skills.
Labour market outcomes of third country migrants by educational attainment in the EU27, 2008

<table>
<thead>
<tr>
<th>Education Level</th>
<th>Employed</th>
<th>Unemployed</th>
<th>Out of Labour Force</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary Educ.</td>
<td>48%</td>
<td>9.9%</td>
<td>6.6%</td>
</tr>
<tr>
<td>Upper secondary</td>
<td>67.1%</td>
<td>8.5%</td>
<td>24.4%</td>
</tr>
<tr>
<td>Tertiary Educ.</td>
<td>76.1%</td>
<td>6.6%</td>
<td>17.3%</td>
</tr>
</tbody>
</table>

S: EUROSTAT.
Highly skilled professionals tend to do as well as natives, low skilled migrants and ethnic minorities are, however, often marginalised. In Portugal, for example, semi- and low-skilled third country workers have lower wages than natives while highly skilled third country migrants are on average better paid than high skilled natives.

Women born outside of the EU face large wage gaps, above all in the Nordic countries, the Southern European countries as well as the UK.
Factors impacting on labour market integration of migrants

- Institutions and regulations: in particular the immigration regime and the welfare model

- Supply factors: educational attainment level and occupational skills, language competence, ethnic origin and the proximity to the ethnic-cultural identity of the host country

- Demand factors: composition of employment by industries, the division of work between the household, the informal and the market sector (welfare model) and the economic and technological development level
Conclusion

- European countries tend to embrace immigration policy only to the extent that it may help alleviate the ageing problem; in addition, highly skilled immigrants are invited, to promote economic growth.

- Unskilled migrants, many of them refugees from developing countries, are seen to basically contribute to population growth without giving a boost to productivity.

- The decline in demand for low skilled labour is faster than the slowdown in supply growth, as it is difficult to implement lifelong learning programmes which would, in theory, continually upgrade and adjust labour skills to market needs.

- Minimum wage policies are upheld in order to ensure a living wage for low-skilled workers. This policy tends to speed up unskilled-labour saving production methods and technology, thereby speeding up the decline in unskilled labour demand.

- Thus this policy tends to contribute to the shift of low-productivity work into the shadow economy.
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