Labor market assimilation of immigrants in Spain: employment at the expense of bad job-matches?

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Abstract During the last decade, Spain has experienced an unprecedented increase of immigration from three localized areas: Eastern Europe, Latin America, and Africa. Using data from the Labour Force Survey for the period 1996–2006, we study the labour characteristics of recent immigrants, identifying the major differences with the native population at arrival and tracking whether these differences fade away as their years of residence in Spain increase. We allow the returns to human capital and the sensitivity to the business cycle to differ between immigrants and natives. Overall, our results show that, compared to natives, immigrants face initially higher participation and unemployment rates, as well as higher incidence of overeducation and temporary contracts. However, 5 years after arrival immigrants’ participation rates start to converge to natives’ rates, unemployment rates decrease to levels even lower than those of natives, and the incidence of overeducation and temporary contracts remains roughly constant: no reduction of the gap with Spanish workers is observed.

JEL Classification J11 · J21 · J61

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Introduction

Spain has traditionally been known as a country of emigrants. However, in the last decade, it has experienced an unprecedented increase of immigration. In particular, the proportion of immigrants in the total population has multiplied by seven in less than ten years. In 1996, 1.14% of the population had a foreign nationality. In 2007, this percentage has increased to 9.95%. Moreover, the composition of the immigrant population by region of origin has also changed considerably. While in 1996 most of the immigrant population came from Western European (51.21%) and African (19.72%) countries, in 2006, most of them come from Latin America (45.3%) and Eastern Europe (19.2%). This rapid increase, together with the change in the national origin mix of the immigrant population has posed some questions regarding their economic assimilation. To what extent is the Spanish labour market able to absorb these immigration flows? Do the labour market outcomes of these recent waves of immigrants converge to those of natives once they adapt their skills to the ones demanded in the host country? These are the questions that we will try to answer in this paper, that is, we will investigate whether or not immigrants’ behaviour and success in the Spanish labour market is comparable to the one of natives as their residence lengthens. Answering these questions is very important, as the individual economic success of immigrants will largely determine their overall economic contribution to the Spanish economy.

The assimilation process of immigrants to the host country labour market has received a great deal of attention in the economic literature on immigration. The time spent in the destination country, often referred to as years since migration, has played a mayor role in the study of the economic adjustment of immigrants. The earliest studies used cross-sectional data to analyze the effect of the years of residence in the host country on the earnings of immigrants relative to natives. The pioneering work of Chiswick (1978) showed that while immigrants earn less than natives at the time of arrival, immigrant earnings overtake native earnings within 15 years after arrival.

These findings were challenged by Borjas (1985), who pointed out the potential problems of using cross-sectional data to infer dynamic behaviour. He argued that cross-section regressions can yield erroneous insights about the adaptation process experienced by immigrants if there are differences in productivity across immigrant arrival cohorts. Cohort effects may arise as a result of different factors. First, they can arise as a result of changes in immigration policy. For example, if the policy shift generates a less-skilled immigrant flow, the cross-section finding that more recent immigrants earn less than earlier immigrants says little about wage convergence, but instead may reflect innate differences in ability or skills across cohorts. Second, they may also arise as a result of changes in economic or political conditions in the source countries and/or in the host country. For example, the changing national origin mix of the immigrant flow generates cohort effects if skill levels vary across countries.

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1 Source: Spanish Labour Force Survey.
2 For a detailed literature review on this issue, see Borjas (1994, 1999).