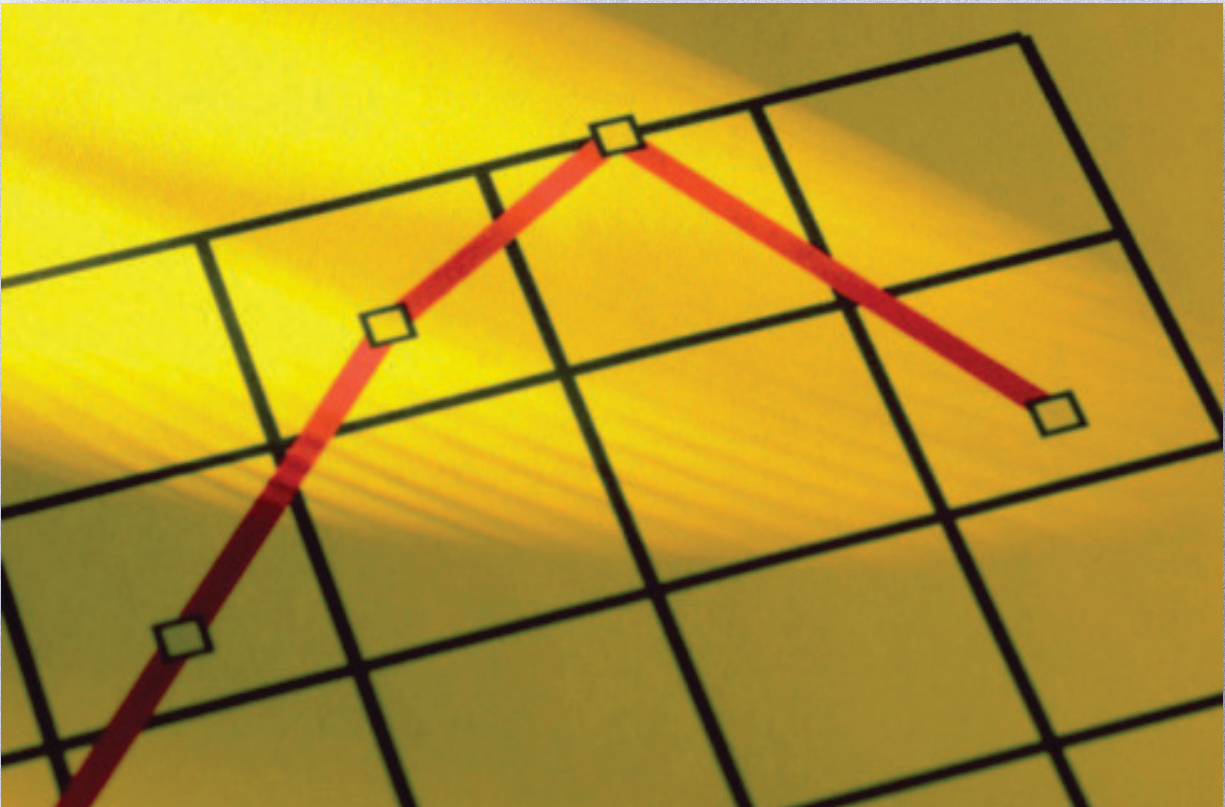


Migration and Immigrants Two Years after the Financial Collapse: Where Do We Stand?

By Demetrios G . Papademetriou, Madeleine Sumption, and Aaron Terrazas
with Carola Burkert, Stephen Loyal, and Ruth Ferrero-Turrión



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Report for the BBC World Service

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I. The Headlines: Two Years after the Collapse

Overall immigration to developed countries has slowed sharply as a result of the economic crisis, bringing to a virtual halt the rapid growth in foreign-born populations over the past three decades.

In the two years since the onset of the global economic crisis, temporary worker flows, business migration, and “unregulated” flows such as illegal immigration and free movement within certain parts of the European Union (EU) have experienced the largest decreases. Immigration to Ireland from new EU Member States fell by 60 percent from 2008 to 2009 while overall EU inflows to Spain fell by two-thirds. Inflows to the United States fell in almost all temporary work visa categories, including a 23 percent drop in intracompany transfers and a 50 percent decline in visas issued to low-skilled seasonal workers. But, other legal flows have also been affected. Even family immigrants who have waited several years to receive a green card granting legal permanent residence in the United States seem to have become less willing to take up their visa when they reach the front of the line. In some countries, such as Ireland and the United States, foreign-born populations have actually fallen.

Meanwhile, border agencies at the US and EU southern borders have detected far fewer illegal entries. The number of foreign workers caught attempting to enter illegally at EU maritime borders fell by over 40 percent from 2008 to 2009 and continues to drop in 2010, while apprehensions at the US-Mexico border since 2007 have declined by almost the same magnitude. These reductions in illegal immigration are among the most significant immigration declines witnessed during the economic crisis.

From countries of emigration to countries of immigration... and back again?

During the boom of the 1990s and 2000s, European countries that had recently been large-scale exporters of people became countries of immigration. In Ireland, net migration turned negative for the first time since 1995. Former immigrants leaving Ireland have driven this trend, but early reports suggest that substantial numbers of Irish nationals — particularly young men — are joining their number and moving abroad. In Greece, anecdotal evidence suggests that the recession and bleak economic outlook (exacerbated by severe fiscal austerity measures) are pushing educated young Greeks to seek opportunities internationally.

Men, youth, and migrants have been hit hard...

In most countries, the employment gap between immigrants and the native born has widened, but the impact of this varies hugely by country: Spain has experienced soaring foreign-born unemployment while joblessness for Germany’s migrants, which has always been high, has not increased. Men — and to an even greater extent migrant men — have often been concentrated in the sectors that experienced the most serious contractions, notably construction and manufacturing. Unemployment has also soared among youth across developed nations, particularly for immigrant youth. In 2009, unemployment among foreign-born youth reached 41 percent in Spain, 37 percent in Sweden, and 20 percent in Canada.

By contrast, immigrant women have fared better than immigrant men in almost all wealthy countries. In several countries, women have become more likely to participate in the labor force, perhaps to compensate for household members' lost incomes.

... and certain immigrant groups and minorities have been hit harder yet.

Pakistanis and Bangladeshis in the United Kingdom, North African and Andean immigrants in Spain, and Hispanics in the United States are among the groups that have lost most ground during the recession. In many cases, the problems are just as serious among the native-born descendants of minority immigrants — and in the United Kingdom they are, in fact, worse. By contrast, other minority groups have fared relatively well; these groups include Asians in the United States and Indians in the United Kingdom. Groups that fared better were generally concentrated in jobs requiring higher levels of education.

Remittances fell only slightly (on average) in 2009 and are projected to bounce back.

The relatively modest impact of the economic crisis on remittances worldwide results in part from continued growth in money flows to South Asia (principally driven by flows to India) which had been rising sharply before the recession. Immigrants from India and China weathered the crisis better than most, and remittances to these two countries accounted for almost one-quarter of the global total. The World Bank expects remittances to grow again in 2010 and 2011, by 6 and 7 percent, respectively.

Remittances to Latin America, Eastern Europe, Central Asia, the Middle East, and North Africa have fallen substantially, however. Small economies which are highly dependent on remittances — such as those in Central America and the Caribbean — were hit hard, and remittances to Romania fell by about 60 percent in the year to the second quarter of 2009. Some rural communities in Morocco and Mexico also received substantially lower sums. Reduced income has also affected migrants' ability to access remittance-based financial products and services, such as savings accounts, transnational mortgage loans, and collective donations.

The recession may be over, but the economic and jobs crisis continues and its impact on workers and families could last for many years...

Extraordinary job creation is needed to pick up the slack that has developed in labor markets over the recession, but economic growth remains faltering (with a few exceptions, most notably Germany, whose economy has driven eurozone growth during the recovery, most recently with a remarkable 2.2 percent increase in the second quarter of 2010 alone). Just as youth who graduate into a recession can face long-term setbacks in their employment opportunities, immigrants who enter a country without a job during a recession suffer extended "economic scarring." Long periods of unemployment degrade skills and make workers less attractive to employers. High unemployment among the most vulnerable of these groups could thus persist for some time, and their long-term economic prospects are troubling.



... while cuts to public services and immigrant integration funds as a result of the fiscal crisis will make the recovery extremely challenging.

Falling revenues and rising spending to combat the recession have left immigrant-receiving countries across the world with substantial deficits that are highly unpopular with both the public and the financial markets. In Europe, some countries have slashed whole programs from their budgets. Immigrant integration funds will be particularly vulnerable as governments try to cut greater and greater sums. The impact of this fiscal crisis will be felt most at the local level, where immigrant integration policies are often implemented. In the United States, the federal government has been able to provide only modest general budgetary support to the states, and much less than the Obama administration had hoped.

Several countries have tweaked their immigration policies to reduce the most discretionary forms of economic migration, but immigrant-receiving countries have not resorted to the protectionism that many initially feared.

Modest evidence of “buyer’s remorse” among governments can be seen in the advent of “pay-to-go” policies designed to encourage (sometimes forcefully) return migration among jobless immigrants. But immigrants have proven reluctant to take up these offers; as a result, these schemes have not (so far) become a major policy vehicle during the economic crisis, and only a handful of countries have adopted them. Deportations, meanwhile, have increased. The United States removed 10 percent more unauthorized immigrants in 2009 than in 2008, while Italy and France have increased enforcement measures (including controversial deportations of Roma immigrants from France to Eastern Europe).

Some countries have raised the bar for visa eligibility, reduced quotas, or (in Europe) maintained restrictions on new EU Member States’ access to their labor markets. Some have tightened regulations to make it more difficult for employers to sponsor work permits. But for the most part, policymakers have understood that “beggar-thy-neighbor” labor market policies designed to protect domestic workers’ jobs will only undermine their ability to attract the immigrants they want and need, and thus adversely affect their competitiveness. Protectionism has not dominated immigration policies, nor have legal foreign residents experienced a retrenchment of their rights.

After two years of turmoil in financial markets, labor markets, and public finances, have advanced nations reached an inflection point with respect to immigration?

As demonstrated, immigration flows and immigrants’ role in the economy have changed substantially over the past two years, but will these trends persist? Or will the economic recovery gradually push immigrant-receiving nations back to the prerecession status quo? The 2000s economic boom drove robust growth in many countries’ immigrant populations, but the foundations for this growth have now been shaken. Immigration levels are lower, public skepticism about immigration greater, and barriers to immigrants’ integration higher than before the crisis. How durable these changes prove remains to be seen.

As economic growth returns, many of the old drivers of immigration to developed nations will reemerge. But although the number of migrants worldwide is projected to grow in coming years, developing nations — not traditional immigrant destinations in more developed regions — are expected to drive much of this growth, claiming an increasing share of the world's migrants.

II. Introduction: Changing Economies and Uneven Fortunes in the Labor Market

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

Few observers imagined in 2007 that the bursting of the construction bubble in the United States, Spain, the United Kingdom, and Ireland during the course of that year would create ripple effects large 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 quickly 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.

With immigration flows and immigration policies inextricably linked to economic fortunes, a global economic crisis of such severity as the Great Recession could not fail 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 report analyzes the impacts of the economic and fiscal crises on immigrants and immigration in five countries in the North Atlantic region, shedding light on the wide variety of experiences that have unfolded in the two years since the onset of the global recession. Before beginning this analysis, however, it is worth reviewing the economic developments of the past two years and their implications.

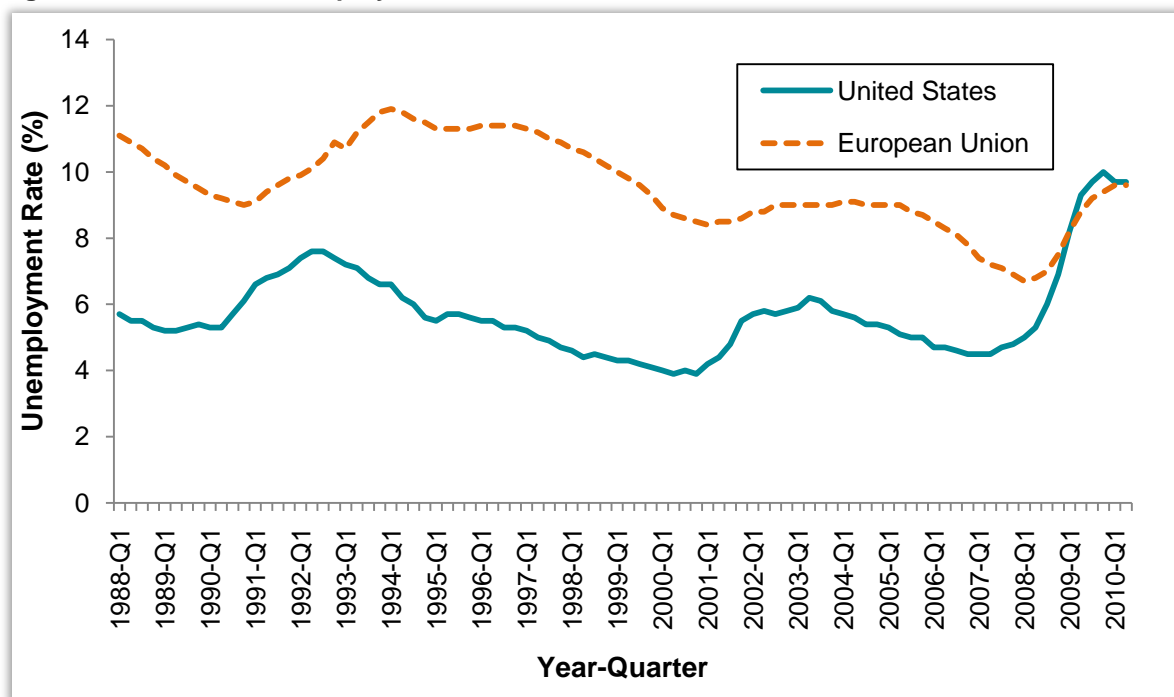
Before the recession, many industrialized countries in the North Atlantic region had experienced two decades of nearly uninterrupted growth, and in many cases, low unemployment.¹ Sustained global integration, including the movement of capital, goods, information, ideas, and — critically — people created 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 very tight labor markets in many fast-growing countries — particularly in vibrant sectors such as construction, finance, health care, and information and communications technology.

¹ Growth in the 1990s and 2000s varied by country, but many countries experienced brief recessions or periods of rising unemployment in around 1991 and 2001.



Unemployment in the European Union (EU) had been on a relatively steady downward trajectory since the early 1990s and had almost halved by the end of 2007. Joblessness in the United States has been 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. But in the two years from late 2007 to late 2009, 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 overtook that of the European Union for the first time in decades (see Figure 1).

Figure 1. US and EU Unemployment Rates, Q1 1988 to Q2 2010



Source: Organization for Economic Cooperation and Development (OECD), Labor Force Statistics, Harmonized Unemployment Rates and Levels.

Other forms of labor market distress also have developed alongside formal unemployment. Working hours have fallen, and rising numbers of “marginally attached” and involuntary part-time workers across Organization for Economic Cooperation and Development (OECD) countries have spread the impact of the recession more widely than

² The United States had the highest unemployment rate in the Organization for Economic Cooperation and Development (OECD) in the early 1960s when unemployment rates in Europe and many other developed countries 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* vol. 115, (2005): 1-27, www.res.org.uk/economic/freearticles/january05.pdf.

³ Unemployment data are from the OECD, Labor Force Statistics, Harmonized Unemployment Rates and Levels, <http://stats.oecd.org/index.aspx?queryid=251>.

official unemployment rates imply.⁴ In some countries (such as the United States and Ireland), jobless workers have dropped out of the labor force entirely, while in others (such as Spain) labor force participation initially increased. (Indeed, female labor force participation has increased in many cases, including the United States, Canada, and EU-15 countries,⁵ as households struggle to adapt to men's job losses). Meanwhile, a growing share of the unemployed have been jobless for extended periods, increasing the risk that their skills will atrophy or that they will lose access to unemployment benefits.⁶

B. Uneven Fortunes

Almost all wealthy countries experienced a recession in 2009, although the size and timing of the declines in GDP varied enormously. Moreover, the countries that have seen the most savage reductions in production have not necessarily suffered 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 working and labor market flexibility), and from the skill level, experience, and background of employees in 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 needs. But once the economic downturn began, some of these newly created jobs proved more 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). Low-skill intensive industries such as construction and manufacturing accounted for much of the impact of the recession, and US labor market institutions are highly flexible. These factors have 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 and has become the driving force for growth in the eurozone. In

⁴ OECD, "Employment Outlook 2010" (Paris: OECD), <http://browse.oecdbookshop.org/oecd/pdfs/browseit/8110081E.PDF>.

⁵ The EU-15 comprises Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Sweden, Spain, Portugal, and the United Kingdom.

⁶ OECD, "Employment Outlook 2010."

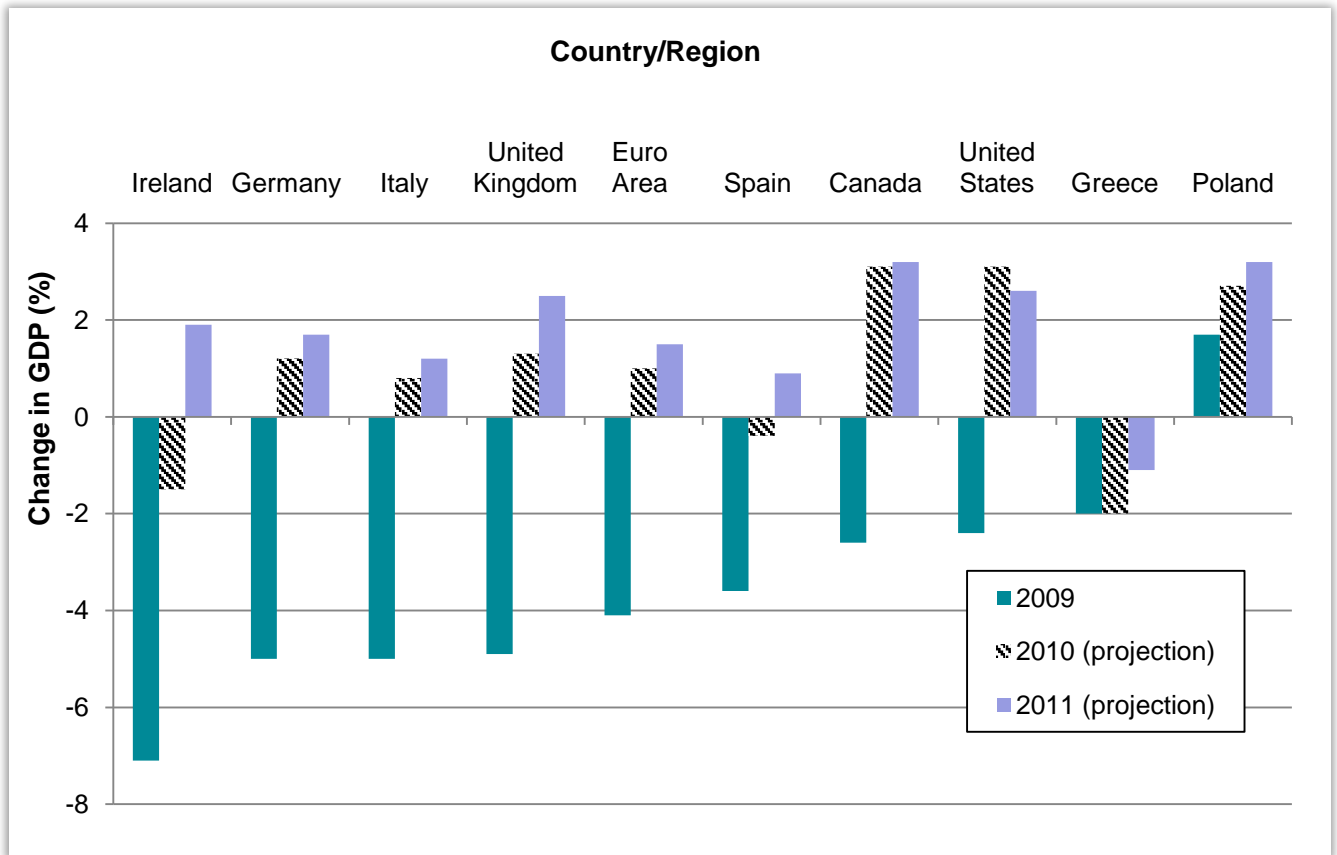
⁷ International Monetary Fund (IMF), *World Economic Outlook. April 2010. Rebalancing Growth* (Washington: IMF), www.imf.org/external/pubs/ft/weo/2010/01/pdf/text.pdf.

⁸ Joachim Moeller, "The German labor market response in the world recession" in *Zeitschrift für Arbeitsmarktforschung* 42 (4): 325-336.



the second quarter of 2010, Germany registered an impressive 2.2 percent growth rate⁹ powered by the resurgence in demand for high-value-added manufacturing exports to emerging markets.

Figure 2. Projected and Actual GDP Growth, 2009-2011



Source: IMF, World Economic Outlook 2010

In addition, employers in some countries 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. In 2009, for example, productivity per hour worked shot up 3.7 percent in the United States alongside massive job losses, but in the United Kingdom and Germany, more moderate unemployment increases accompanied productivity decreases of 1.9 percent and 1.1 percent, respectively.¹⁰ Much of the variation in countries’ ability to withstand job losses, however,

⁹ Statistisches Bundesamt Deutschland, “Gross Domestic Product,” www.destatis.de/jetspeed/portal/cms/Sites/destatis/Internet/EN/Content/Statistics/TimeSeries/EconomicIndicators/NationalAccounts/Content100/kvgr111x12.templateId=renderPrint.psml, accessed August 30, 2010.

¹⁰ US Bureau of Labor Statistics (BLS), “Major sector Productivity and Costs Index” (series ID PRS85006092), accessed May 13, 2010, www.bls.gov/lpc/; UK Office of National Statistics, “UK Whole Economy: Output per hour worked” (data release LZVD) accessed May 13, 2010, www.statistics.gov.uk/statbase/tsdtables1.asp?vlnk=prdy. Statistisches Bundesamt Deutschland, “Detailed results on the economic performance in the 4th quarter of 2009” (Statistisches Bundesamt press release no 061, February 24, 2010), www.destatis.de/jetspeed/portal/cms/Sites/destatis/Internet/EN/press/pr/2010/02/PE10_061_811.psml.

remains unexplained.¹¹ Analysts have been paying close attention to policies which might have helped to avert the 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

C. *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 and child poverty, and lower educational attainment for children in low-income areas.¹³ These impacts are most troubling for low-income households, which are less well positioned to buffer earnings losses during a recession and which are more likely to fall into poverty as a result.

The impact of the economic crisis has fallen unevenly on demographic groups. Across OECD countries, men and youth have been hit hard. Men are often concentrated in the sectors that experienced the most serious contractions, including construction and manufacturing, while young workers with shorter job tenure and less experience tend to be more “expendable” for cash-strapped employers. Immigrants and their families merit particular attention, since they have often experienced the worst impacts.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 Similarly, men have taken the brunt of recent job losses, particularly immigrant men. In most wealthy countries, by contrast, female unemployment has risen more slowly than male unemployment; for immigrants, this has been the case in all but two OECD countries: Belgium and Hungary.¹⁶

¹¹ OECD, “Employment Outlook 2010.”

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 Ibid.



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 in most wealthy host countries are overrepresented among the low-skilled. Language barriers, low education levels, and difficulty translating credentials among the better-skilled exacerbate their relative disadvantage. During a time of 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.***¹⁷ More mobile and flexible than long-term residents or the native born, immigrants (and particularly recent 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.¹⁸
- ***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.¹⁹ The temporary work sector tends to lose a greater proportion of its jobs when unemployment rises.
- ***“Last-hired, first-fired” approaches tend to disadvantage immigrants.*** 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 tenure at their current job, and some immigrants also experience greater “churn” between jobs. All of this suggests that immigrants should be more vulnerable to job cuts.²⁰ 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.²¹

¹⁷ 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.

¹⁸ OECD, *International Migration Outlook*: 100.

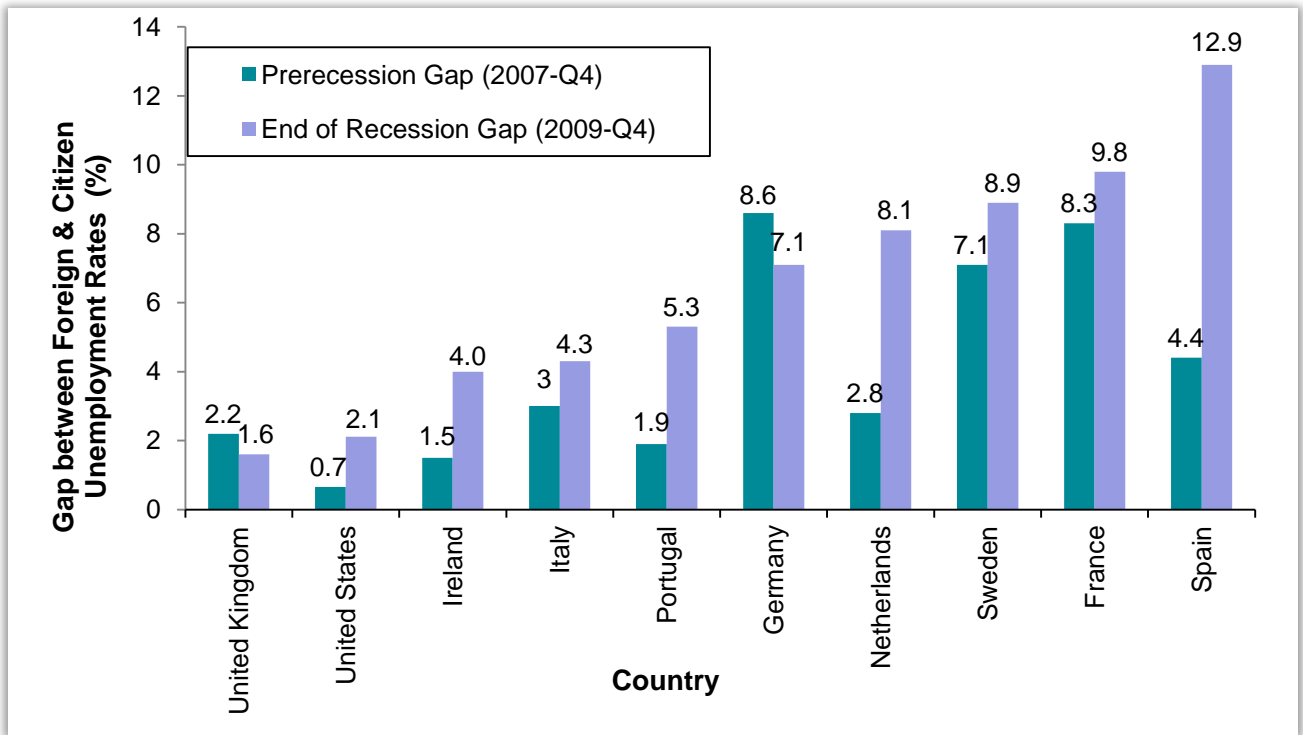
¹⁹ IMF, “World Economic Outlook.”

²⁰ Dustmann, Glitz, and Vogel, “Employment, Wages, and the Economic Cycle.”

²¹ OECD, *International Migration Outlook*, 100.

The recent recession 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).

Figure 3. Gap Between Immigrant and Nonimmigrant Unemployment, 2007 and 2009



Note: Chart shows percentage point gap between native and foreign nationals, Q4 2007 and Q4 2009. Source: Eurostat, Current Population Survey (US), and Quarterly National Household Survey (Ireland).

Of course, not all immigrant groups experience the same impacts. The recession’s impact on certain minorities has been harder yet, 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 have lost most ground during the recession.

Unauthorized immigrants are also particularly vulnerable; they tend to represent the most “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, are protected from the brunt of the recession’s job losses — particularly when employers have made substantial investments in order 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 has probably exacerbated the immigrant-native unemployment gap in Spain while the relatively high education levels of the average immigrant in the United Kingdom may have helped to keep the UK gap relatively small.

The impact of the recession on the world's migrants is not confined to migrants themselves, but also to the families and countries of origin relying on remittances sent back home. Remittances have been more resilient over the past two years than other flows of finance (such as foreign direct investment), and are expected to grow again in 2010 (6 percent) and 2011 (7 percent).²² But it is clear that the flows of money from migrants to their countries of origin are dramatically less than they would have been in the absence of the global economic crisis. Remittance flows had been rising sharply before the recession, but experienced a modest (6 percent) decrease in 2009. Indeed, without the continued growth in remittances to South Asia (and principally India), 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-third 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 to Q2 2009.

Table 1. Estimated Change in Remittance Flows Received by Region, 2008 to 2009

| Region | % Change, 2008-2009 |
|------------------------------|---------------------|
| Europe and Central Asia | -20.7% |
| Latin America and Caribbean | -12.3% |
| Middle-East and North Africa | -8.1% |
| Middle-Income Countries | -6.7% |
| Developing Countries | -6.0% |
| Sub-Saharan Africa | -2.7% |
| East Asia and Pacific | -0.4% |
| Low-Income Countries | 1.0% |
| South Asia | 4.9% |
| World | -6.7% |

Source: Dilip Ratha, Sanket Mohapatra, and Ani Silwal, "Outlook for Remittance Flows 2010-2011" (Migration and Development Brief no. 12, World Bank Development Prospects Group Migration and Remittances Team, April 2010).

²² Dilip Ratha, Sanket Mohapatra, and Ani Silwal, "Outlook for Remittance Flows 2010-2011" (Migration and Development Brief no. 12, World Bank Development Prospects Group Migration and Remittances Team, April 2010), <http://siteresources.worldbank.org/INTPROSPECTS/Resources/334934-1110315015165/MigrationAndDevelopmentBrief12.pdf>.

D. Immigration Policy Challenges for the Postcrisis 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 tight labor markets and economic growth. 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 United Nations estimates.²³ The size of the immigration inflows varied substantially by country. Most notably, former countries of emigration such as Ireland and southern EU Member States such as Greece, Portugal, Italy, and Spain experienced dramatic increases in their foreign-born populations from the mid-1990s onwards. Growth was large but more moderate (as a proportion of the existing population) in the United States and the United Kingdom. Germany and France, by contrast, saw relatively little immigration growth during the boom.

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, 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.²⁴

The general opening to immigration was not without controversy. Immigrant populations grew rapidly and unexpectedly. Some countries with very low 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 to local communities, in some cases creating concerns about social integration and strains on public services. And inevitably, many questioned the impact of these new immigrants on the domestic labor force. Indeed, aggregate economic growth was accompanied by wage stagnation for less-skilled workers — attributable in part to immigration (as well as to trade liberalization and other economic and policy trends). Populist politicians seized the issue in regions where 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.

²³ Note that the 2010 estimates predate the recession. "More developed regions" comprise all regions of Europe and North America, Australia, New Zealand, and Japan. United Nations Population Division, "Trends in International Migrant Stock: The 2008 Revision" (United Nations database, POP/DB/MIG/Stock/Rev.2008).

²⁴ David Blanchflower, Jumana Saleheen, and Chris Shadforth, "The Impact of the Recent Migration from Eastern Europe on the UK Economy" (IZA Discussion paper 2615, February 2007), [ftp://ftp.iza.org/dps/dp2615.pdf](http://ftp.iza.org/dps/dp2615.pdf).



The crisis changes these dynamics in various ways. On the one hand, it marks an interruption in (and perhaps an end to) this period of sustained growth and prosperity in which immigrants were an important driving force. Immigration flows themselves have fallen, in some cases dramatically, largely bringing to a halt the growth in foreign-born populations. The largest decreases occurred in temporary and corporate migration, and on the “unregulated” margins²⁵ 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 in the mid-2000s.

The number of unauthorized immigrants apprehended at the United States’ southern border fell by almost two-fifths between 2007 and 2009;²⁶ similarly, the number of unauthorized immigrants detected arriving at Europe’s maritime borders has fallen precipitously over the past year. While the economic crisis was almost certainly the primary driver of this decline, southern European nations’ increasingly aggressive measures to discourage unauthorized immigrants and push them back to North Africa have also played a role (even if in some cases these measures 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.²⁷ 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. The pattern continues in 2010: five months after the new quota of H-1B visas was made available, the number of eligible applications was just over half the numerical limit.²⁸ And even family immigrants to the United States — many of whom have waited several years to receive a green card — appear to have become less willing to take up their visa once they become eligible.²⁹

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. Flows from Eastern Europe to the United Kingdom more than halved from their 2006 peak. Overall immigration fell more modestly (see Figure 4).

²⁵ We owe this observation to economist Giovanni Peri.

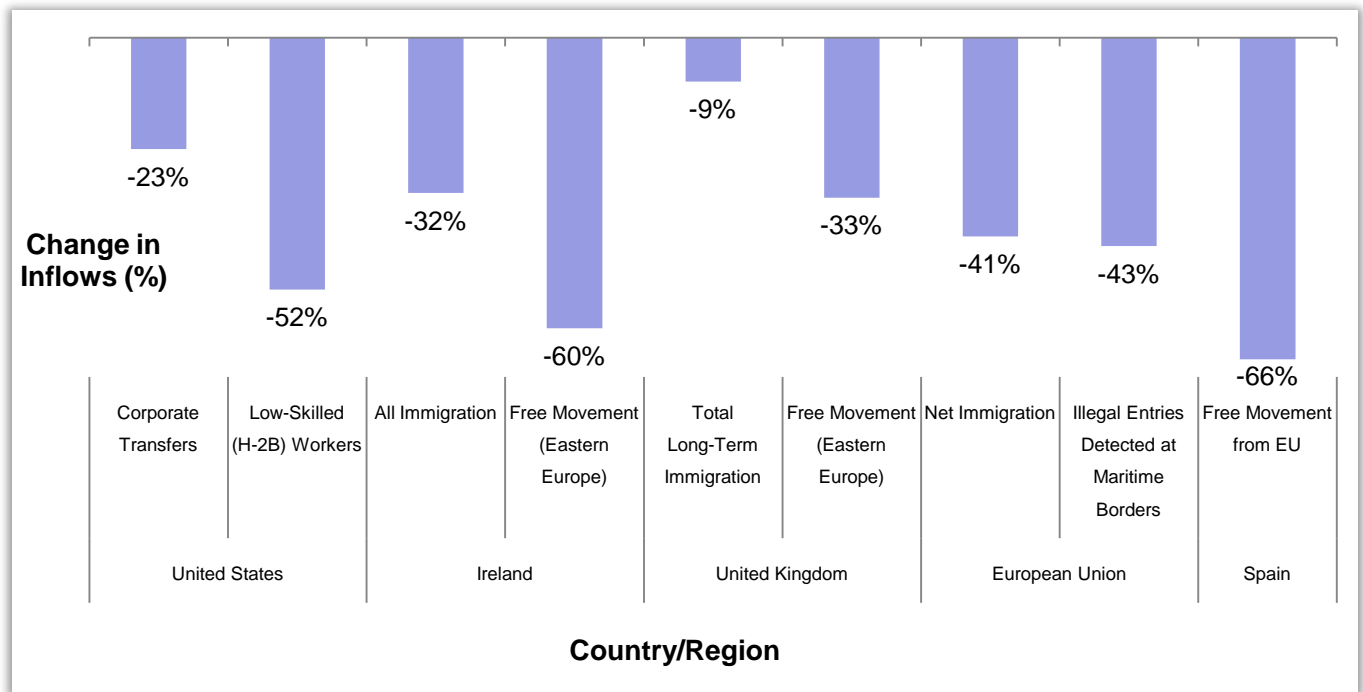
²⁶ Department of Homeland Security (DHS), *Immigration Enforcement Actions: 2009* (Washington, DC: DHS, 2010), www.dhs.gov/xlibrary/assets/statistics/publications/enforcement_ar_2009.pdf.

²⁷ The US government issued more H-2B visas than usual in 2008 because large numbers who had been issued visas did not use them. See US State Department, “Nonimmigrant Visa Statistics,” http://travel.state.gov/visa/statistics/nivstats/nivstats_4582.html.

²⁸ US Citizenship and Immigration Services (USCIS), “H-1B Fiscal Year (FY) 2011 Cap Season” (Washington, DC: USCIS, 2010), www.aila.org/content/fileviewer.aspx?docid=31829&linkid=222356.

²⁹ Correspondence with DHS officials.

Figure 4. Reductions in Selected Immigration Inflows, 2008 to 2009



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; Central Statistics Office (Ireland); Home Office (UK); Ministerio de Trabajo e Inmigración (Spain); Eurostat (EU).

Meanwhile, Ireland reemerged as a country of net emigration in 2009, for the first time since 1995. Its foreign-born adult population fell by 20 percent, and net outflows of people were the highest in the European Union.³⁰ So far, non-Irish nationals have led the exodus. Net immigration of Irish nationals had been small but positive in the mid-2000s, but fell to zero in 2009 and substantial Irish *emigration* is expected in coming years.³¹ Anecdotal reports of young Irish men leaving for other English-speaking countries such as Australia are becoming increasingly common, evoking the possibility of a return to Ireland’s historical roots as an exporter of people. The same is true (though to a lesser extent) of Greece, another former country of emigration that had been transformed into a country of significant immigration in the 1990s and 2000s. Severe fiscal problems and accompanying austerity measures have created an extremely weak economic outlook, and the International Monetary Fund (IMF) expects that Greece, alone among the significant economies for which IMF produces economic forecasts, will experience negative growth in 2011 (see Figure 2).³² Widespread reports point to young, educated Greeks seeking work abroad.³³

³⁰ See Steven Loyal, “Migration and Recession in Ireland,” this volume.

³¹ Central Statistics Office, *Population and Migration Estimates, April 2009* (Dublin: Central Statistics Office, 2009), <http://www.cso.ie/releasespublications/documents/population/current/popmig.pdf>.

³² IMF, “World Economic Outlook.”

³³ See for example, Helena Smith, “Greek debt crisis faces double blow of brain drain and early retirement” *The Guardian*, May 20, 2010, <http://www.guardian.co.uk/business/2010/may/20/greece-brain-drain-retirement-crisis>.



Whether the coming years will witness a return to the prerecession status quo or a more fundamental shift in economic and immigration trajectories remains highly uncertain. Even before the economic crisis, the United Nations projected that by 2010 immigrant populations in more developed regions of the world would grow more slowly, while less developed regions would host sharply increasing numbers of foreign workers.³⁴ 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, the share of people who considered immigration more of a problem than an opportunity increased by between 4 and 9 percentage points between 2008 and 2009 in France, Germany, Italy, the Netherlands, the United States, and United Kingdom.³⁵ Over one-third of Americans considered immigration a "bad thing" for the country in 2009, according to the Gallup Organization – a higher share than at any point since the recession of 2001-2002 (a period complicated by the 9/11 terrorist attacks).³⁶

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 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. Only 11,400 immigrants had agreed to leave Spain under the country's pay-to-go program as of April 2010 — about 10 percent of potential participants and a tiny fraction of the total immigrant population.³⁷ Most have been middle-skilled workers returning to Latin American countries with which Spain has concluded social security agreements. The modest success of these schemes has kept their number limited.

Some countries have also stepped up enforcement against unauthorized immigrants and increased deportations. France and Italy have deported larger 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.³⁸ In other countries, such as the United Kingdom and Ireland, politicians have preferred to emphasize (and publicize) the volume of voluntary return migration,

³⁴ United Nations Population Division, "Trends in International Migrant Stock: The 2008 Revision."

³⁵ German Marshall Fund of the United States, *Transatlantic Trends: Immigration* (Washington, DC: German Marshall Fund of the United States, 2009), www.gmfus.org/trends/immigration/index.html.

³⁶ Lymari Morales, "Americans Return to Tougher Immigration Stance," (Washington, DC: Gallup, August 2009), www.gallup.com/poll/122057/Americans-Return-Tougher-Immigration-Stance.aspx.

³⁷ Ruth Ferrero-Turrion, *Migration and Migrants in Spain: After the Bust* (Washington, DC: Migration Policy Institute, 2010).

³⁸ DHS, *Immigration Enforcement Actions: 2009*.

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 crisis as the host, and where immigrants have no guarantee that they will be able to return to the host country when economic conditions improve.³⁹

Yet overall, the policy response to the recession has been relatively moderate, and policymakers have generally not resorted to “beggar-thy-neighbor” labor market policies. Several countries have taken 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 seek native 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. But despite the now widespread comparisons between the recent 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 have fallen of their own accord.

Politicians have welcomed the recent immigration “pause” (or at least slowdown) because it took some pressure out of 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 are also welcome 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.⁴⁰ 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.⁴¹ Studies that document this phenomenon typically do not distinguish between groups of immigrants arriving through different entry channels; but it seems likely that the impact falls primarily (perhaps almost exclusively) on those who arrive without a job offer — family and humanitarian immigrants and labor migrants selected through points systems.

The current environment is one of considerable uncertainty. Looking forward toward the recovery, does the current climate of high unemployment and slow employment growth represent a cyclical aberration that will eventually return to the precrisis equilibrium? Or have developed nations arrived at an inflection point in their immigration histories, the

³⁹ Papademetriou and Terrazas, *Immigrants and the Current Economic Crisis*.

⁴⁰ Giovanni Peri, *The Impact of Immigrants in Recession and Economic Expansion* (Washington, DC: Migration Policy Institute, 2010), www.migrationpolicy.org/pubs/Peri-June2010.pdf.

⁴¹ Abdurrahman Aydemir, *Effects of business cycles on the labour market assimilation of immigrants* (Research paper no. 203, Family and Labour Studies Division, Statistics Canada, July 2003); James Ted McDonald and Christopher Worswick, “The earnings of immigrant men in Australia: assimilation, cohort effects, and macroeconomic conditions,” *Economic Record*, vol. 75 (1999); Olof Aslund and Dan-Olof Rooth, “Do When and Where Matter? Initial Labour Market Conditions and Immigrant Earnings,” *Economic Journal*, vol. 117, no. 518 (March 2007): 422-448.



beginning of a new 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 had 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? All of these groups' decisions will shape how many immigrants countries will "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. 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 home-grown 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 while holding their ground in the hunt for global talent and maintaining the openness and tolerance that will underscore competitiveness in the long run.

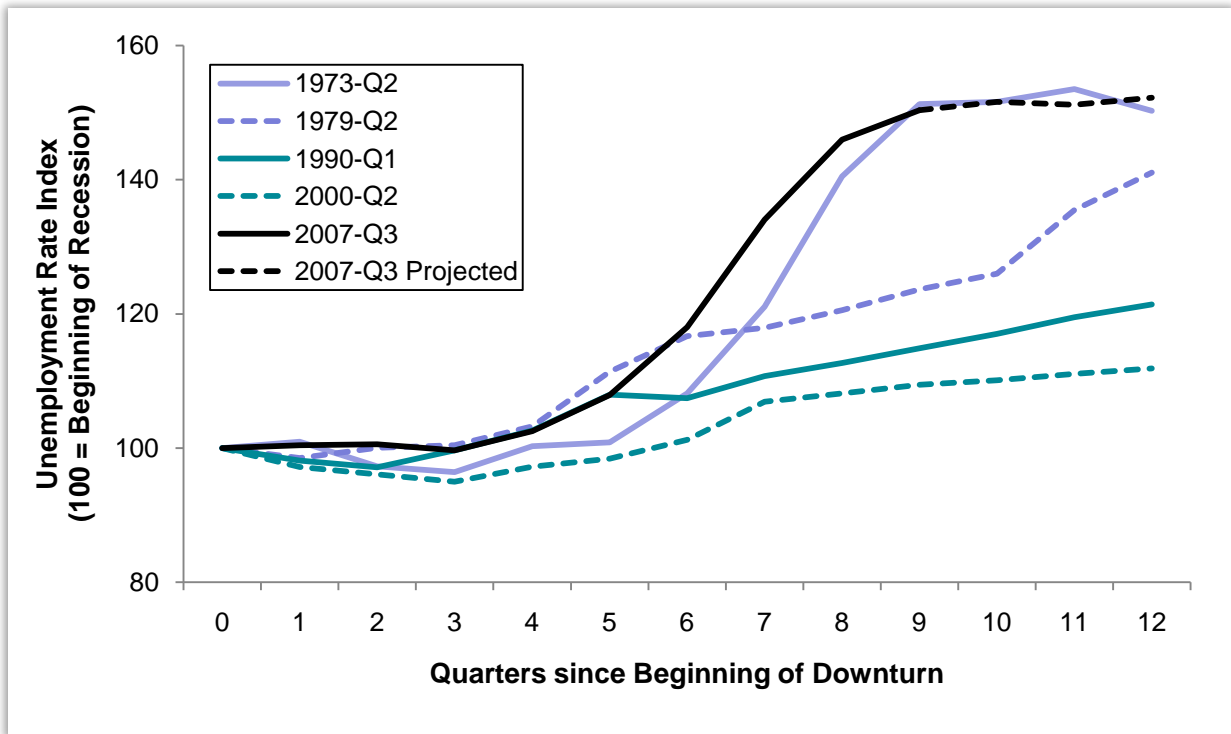
E. The Economic Recovery and the State of Public Finances

The global recovery is now underway, but the jobs crisis continues. Advanced economies are expected to grow by an average of 2.6 percent in 2010 and 2.4 percent in 2011.⁴² But unemployment is expected to remain persistently high. The OECD projects unemployment in 2011 to remain as high as 8.9 percent in the United States, and 10.1 percent in the Euro area.⁴³ In other words, the late 2000s recession is expected to leave an unemployment legacy at least as lasting as the 1973 oil shock (See Figure 5).

⁴² IMF, *World Economic Outlook Update. Restoring Confidence without Harming Recovery* (Washington, DC: IMF, 2010), www.imf.org/external/pubs/ft/weo/2010/update/02/pdf/0710.pdf.

⁴³ OECD, *Economic Outlook No. 87* (Paris: OECD, 2010), www.oecd.org/dataoecd/4/50/39739655.pdf.

Figure 5. Rise in Unemployment from Beginning of the Past Five Recessions



Source: OECD *Employment Outlook*, 2010.

Why is high unemployment likely to persist? A huge amount of slack remains in the labor market in the form of part-time workers who would prefer to work full-time or underutilized employees who were “hoarded” by firms during the crisis. As a result, many employers will not need to hire new employees for some time. Furthermore, recessions tend to speed up economic restructuring, leading to the rapid decline of industries that already struggled to remain competitive. Laid-off workers may find that their skills have become obsolete and that they must retrain for an entirely new industry or resign themselves to 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.⁴⁴ Finally, unemployment rates are proving stubborn even as employment levels rise 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 advanced nations, the result of a collapse in government tax revenues and (to a lesser extent) the decisive fiscal policies that prevented a more dramatic collapse (see Figure 6).⁴⁵ In particular, several European economies that had rapidly growing immigrant populations prior to the recession (particularly Spain, but also Greece, Ireland, and Portugal) now face large budget deficits and are finding it

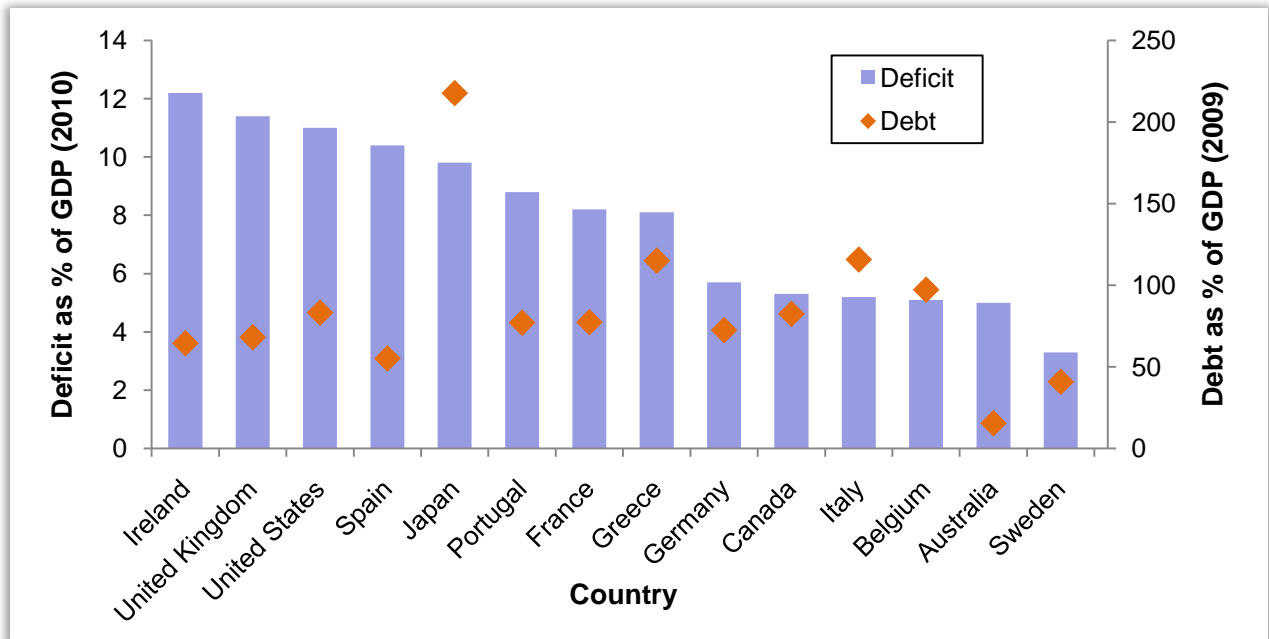
⁴⁴ CBO, “Losing a Job During a Recession.”

⁴⁵ About half of the debt increase in advanced G-20 economies is driven by revenue losses; one-tenth results from fiscal stimulus packages. IMF, *Navigating the Fiscal Challenges Ahead* (Washington, DC: IMF, 2010), www.imf.org/external/pubs/ft/fm/2010/fm1001.pdf.



increasingly expensive to finance their debt. According to one estimate, in order to reduce government debt ratios to precrisis levels, advanced 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.⁴⁶

Figure 6. Projected 2010 Deficit and 2009 Debt as a Percentage of GDP, Select OECD Countries



Source: IMF Fiscal Monitor, May 2010.

In many cases the impact of fiscal consolidation will be real 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, however, 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 2010-2011. Similarly, many European cities and regions have had to cut public services despite constant or increasing demand, due to falling revenues.⁴⁷

⁴⁶ Estimates cited in Sudarshan Gooptu and Carlos A. Primo Braga, "Debt Management: Now the Difficult Part" (World Bank Economic Premise No. 23, July 2010), <http://siteresources.worldbank.org/INTPREMNET/Resources/EP23.pdf>.

⁴⁷ Elizabeth Collett, *Government Investment in Integration and Fiscal Uncertainty: Reactions in Europe* (Washington, DC: Migration Policy Institute, 2010).

F. *The Impact of the Recession in Five North Atlantic Economies*

The studies that follow assess the experiences of five countries with substantial immigrant and second-generation populations — the United States, United Kingdom, Germany, Ireland, and Spain. They aim to consolidate the evidence of how immigrants fared in 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. The five countries illustrate the huge variation between advanced industrialized nations, in terms of both immigrants' outcomes and the impact of the global economic crisis. They also show how economic and institutional differences across countries have shaped immigrant integration and their vulnerability to the recession.

As the case studies show, immigrants' vulnerability has varied substantially both within and between countries. Focusing briefly on unemployment rates, several differences emerge. In Ireland, the United States, and especially Spain, the recession has undoubtedly hit immigrants harder than the native born, leading to a widening unemployment gap. US immigrants entered the recession with comparable or even slightly lower unemployment than natives, while those in Ireland and Spain faced a moderate structural disadvantage even before the recession. But overall, a similar story can be told: in all three cases, less-skilled immigrants concentrated in cyclical industries (particularly construction) saw rapid declines in job opportunities.

The UK and German experiences are somewhat different. While the United Kingdom faced some of the same economic problems as the United States and Ireland (in particular, a credit crunch and falling house prices), unemployment increases were relatively moderate, and the overall gap between immigrants and the UK born has remained essentially unchanged. A division emerged, however, between less-skilled workers from non-EU sending countries, who did see rapid unemployment increases, and their counterparts from Eastern Europe, who have fared remarkably well despite a concentration in less-skilled work. Finally, as of early 2010, immigrants in Germany had not been 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 barriers that have faced German immigrants for some time.

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. 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 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 impact on youth and minorities could have a lasting impact on the ability of many immigrants to



gain employment skills relevant to their host country. While the underlying drivers of immigrant integration (such as language ability, education, relevant skills, 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 recent turmoil in eurozone bond markets has shown, a fiscal crisis has rapidly joined the continuing jobs crisis as one of the top challenges facing policymakers. The full scale of the budget cuts that wealthy nations will face will become clear in the coming months. However, as some countries slash whole programs from their budgets, public spending on education, training, poverty alleviation, and immigrant integration is likely to come increasingly under pressure. These circumstances will make the challenge of immigrant integration all the more difficult.

Immigrants and the US Economic Crisis: From Recession to Recovery

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I. The Great Recession and its Aftermath

In December 2008, the National Bureau of Economic Research (NBER) — the body of experts officially mandated with judging cyclical shifts in the US economy — declared that the United States was one year into a deep recession of unforeseeable duration. Many analysts had expected this pronouncement for some time. Turmoil had gripped the country's construction sector beginning in the first half of 2006 and economic activity had slowed markedly in 2007, particularly in the country's South and Southwest.

The US government's intervention in the financial markets in late September 2008 to prevent the collapse of several large banks removed any doubt that the country was facing a severe downturn. Between the end of 2007 and the middle of 2009, real gross domestic product (GDP) contracted by 4 percent and the US labor market lost nearly 7 million jobs.⁴⁸ By the fourth quarter (Q4) of 2009, the unemployment rate had risen to 10.0 percent compared to 4.8 percent in Q4 2007. (The unemployment rate dropped slightly to 9.7 percent in 2010.) If one adjusts for changes in the age structure of the labor force, this rate was higher than at any other point since the end of the Great Depression.⁴⁹ Most of the damage incurred during the recession — over 80 percent of the decline in real GDP and nearly 60 percent of the total fall in employment — occurred between Q3 2008 and Q1 2009.⁵⁰ The construction sector was particularly hard hit. It accounted for about one-third of all job losses over the recession, and it has continued to lose jobs during the broader economic recovery. Between August 2006, when the number of US workers employed in construction reached an all-time high of 7,725,000, and July 2010

⁴⁸ For real GDP, see US Department of Commerce Bureau of Economic Analysis (BEA), *National Income and Product Account Tables*, www.bea.gov/national/nipaweb/index.asp. For seasonally adjusted employment, see US Department of Labor Bureau of Labor Statistics (BLS), *Current Employment Statistics*, <http://www.bls.gov/ces/>. Data reflect the change between Q4 2007 and Q2 2009.

⁴⁹ Michael Elsby, Bart Hobjin, and Aysegul Sahin, *The Labor Market in the Great Recession* (National Bureau of Economic Research (NBER) Working Paper No. 15979, May 2010), <http://ideas.repec.org/p/fip/fedfwp/2010-07.html>.

⁵⁰ Barry Eichengreen and Kevin O'Rourke, "A Tale of Two Depressions," *VoxEU*, September 1, 2009, www.voxeu.org/index.php?q=node/3421.



(the most recent month for which data are available), when construction-sector employment stood at 5,573,000 (the lowest level since 5,557,000 workers in July 1996), the sector lost 2.3 million jobs.⁵¹

As construction-sector employment growth slowed and then went into decline, a growing number of news organizations published anecdotal reports of immigrant workers — mainly Hispanics — who had lost their jobs and had decided to return voluntarily to their countries of origin. The narrative that initially emerged in the popular press was deeply counterintuitive to most scholarly research on immigrants' behavior during economic crises. As the crisis progressed, a more nuanced and accurate understanding of immigrants' behavior and how they react to changing labor market circumstances began to take shape.

As of summer 2010, two years from the spectacular financial collapses, chaos, and market interventions of September 2008, most experts agree that the US economy has stopped contracting and started growing again, however fitfully, during the second or third quarter of 2009.⁵² To date, however, the recovery has been tepid and uninspiring. Furthermore, job creation has been even less inspiring.

Economists estimate that the United States must create about 100,000 net new jobs each month if employment is to keep pace with demographic growth.⁵³ With 14.6 million unemployed in July 2010 compared to 7.7 million in December 2007, it will likely take years before the unemployment rate returns to precrisis levels. Moreover, following recent recessions in the early 1990s and in 2001, employment growth in the real economy lagged output growth by two to five years, leading to the coining of the term “jobless recoveries.” Still, even among those who expected a jobless recovery, the lackluster performance of the US labor market has been surprising. The *Economist* recently observed, “The American economy has seen downturns this severe and recoveries this jobless, but never the one on top of the other.”⁵⁴ As Americans gradually adapt to these new realities, their consumption and investment decisions will have repercussions that will be felt throughout the US economy, including in immigration trends.

Many of the forces driving migration to the United States prior to the recession have not changed, including an aging native-born population, continuing integration with the global economy, and chronic mismatches between the skills employers demand and the education and training provided by educational institutions. Still, other drivers of substantial recent migration may be unlikely to return. *The Wall Street Journal's* economic forecasting service recently estimated that about one-quarter of the jobs lost between

⁵¹ Seasonally adjusted construction employment, Bureau of Labor Statistics, *Current Employment Statistics*.

⁵² BEA, *National Income and Product Account Tables*.

⁵³ Remarks of Ben S. Bernanke, Chairman, Federal Reserve Bank, before the Economic Club of New York, November 16, 2009, www.federalreserve.gov/newsevents/speech/bernake20091116a.htm.

⁵⁴ “Lower, not hire,” *The Economist*, August 12, 2010, www.economist.com/node/16792940?story_id=16792940.⁵⁵ Phil Izzo, “Economists Expect Shifting Work Force,” *Wall Street Journal*, February 11, 2010, http://online.wsj.com/article/NA_WSJ_PUB:SB10001424052748703382904575059424289353714.html.

December 2007 and December 2008 will not return.⁵⁵ The outlook for the construction sector, which employed one in seven immigrants in 2007, is particularly bleak. The chief economist of the Associated General Contractors of America recently commented, “There is little to indicate that construction will be adding workers to a significant extent any time soon.”⁵⁶ Similarly, employment in the financial services industry — which employed about 1.3 million mostly highly skilled immigrants in 2007 (about 6 percent of all employed immigrants) — is unlikely to return to prerecession levels as the industry experiences further consolidation and restructuring in the wake of recent regulatory reforms.⁵⁷

II. Trends in Immigration since the Beginning of the Great Recession

During the early months of the Great Recession, there were anecdotal reports of immigrants returning to their countries of origin. In retrospect, it appears that these cases of individuals leaving the United States were not representative of broader trends. Over the course of the past three years, the number of foreign born reported in the US Census Bureau’s monthly Current Population Survey (CPS) has neither increased nor declined definitively, as Figure US-1 shows. Rather, it has fluctuated between 37 million and 38 million. (The real figure is probably slightly higher since CPS is known to undercount immigrants.) The latest figure available at the time of this writing — 38.4 million in June 2010 — is the largest foreign-born population on record, suggesting a slight upward trend in migration, but far below the strong growth observed earlier in the decade. On balance, it is clear that after two decades of sustained growth in the immigrant population, the United States is experiencing somewhat of an immigration “pause.”

⁵⁵ Phil Izzo, “Economists Expect Shifting Work Force,” *Wall Street Journal*, February 11, 2010,

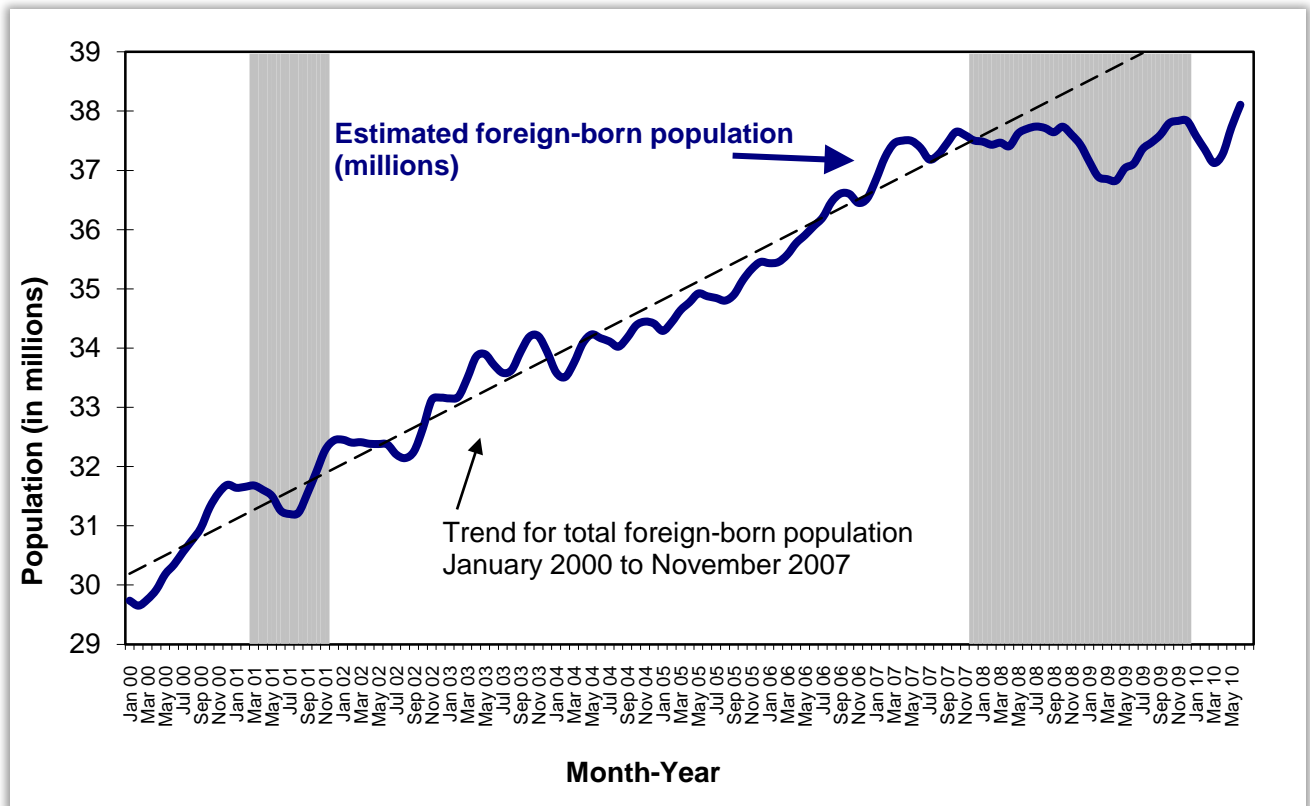
http://online.wsj.com/article/NA_WSJ_PUB:SB10001424052748703382904575059424289353714.html.

⁵⁶ Associated General Contractors of America, *State Construction Employment—July 2010* (Arlington, VA: AGC, August 20, 2010), www.newsletters.agc.org/datadigest/2010/08/20/state-construction-employment-july/.

⁵⁷ BLS, *Occupational Outlook Handbook, 2010-11 Edition* (Washington, DC: BLS, 2010), www.bls.gov/oco/ocos122.htm. Data on foreign-born employment in financial services are from the 2007 Current Population Survey.



Figure US-1. Monthly Estimate of the US Foreign-Born Population, January 2000 through June 2010



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

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

Migration to the United States is composed of several major streams: Lawful permanent residents (LPRs) who overwhelmingly come on family-based visas although a small share arrive on employment-based visas, humanitarian stream immigrants (primarily refugees and asylum seekers), unauthorized migrants, temporary workers, and students. At the onset of the recession, it was already clear that each of these streams was likely to respond somewhat differently to changing labor market conditions in the United States and that the behavior of each flow would be affected by the depth and especially the length of the crisis. As we have described elsewhere, the following seemed likely:

- Inflows of unauthorized migrants would be most sensitive to the economic cycle, and unauthorized migrants would face massive increases in unemployment. However, outflows would not increase significantly because unauthorized workers would be most tenacious in doing everything necessary to survive since the cost of reentering the United States, if they left, would be too high. Furthermore, economic conditions in the home countries from which the overwhelming majority came were unlikely to be better than in the United States.
- LPR flows, and particularly those resulting from family reunification, would be less responsive to the downturn than other inflows since, in recent years, nearly two-thirds of individuals attaining LPR status in any given year already reside in the United States on a wide range of temporary visa statuses. A possible exception would be the immediate family

members who have a right to enter the United States independently of quotas or most other administrative requirements.

- Demand for permanent visas (both family and work) from individuals already residing in the United States on certain temporary visas would not be affected because these individuals are typically more embedded in the US economy and society than newly arriving immigrants. However, demand for permanent visas from new immigrants could be expected to respond more quickly.
- Pent-up demand for employment-based visas would sustain demand for new employment-based LPRs for an indeterminate period of time after the recession began. Still, the longer and deeper the recession, the more likely demand for employment-based visas would drop.
- Inflows of immigrants on temporary work visas would adapt to the new labor market circumstances, if only gradually.
- Inflows of humanitarian migrants would not likely be affected unless the government decided to cut back its financing for refugee admissions, which it has not.

For the most part, these trends have come to pass, with the depth and length of the crisis becoming the key variable. For instance, the responsiveness of unauthorized immigrant flows to the economic cycle has been well documented from a growing body of evidence coming both from the US and Mexican governments, as well as from other researchers.⁵⁸ (Mexicans account for roughly three out of five unauthorized immigrants in the United States.) With regard to outflows, the record is almost equally clear. Even during boom times, a certain number of immigrants return home each year. Data confirm this “churning” of the unauthorized immigrant population. Since the recession’s onset, the unauthorized immigrant population in the United States has fallen precipitously as inflows have dropped dramatically, but outflows have continued at normal levels — the large reverse flow that some expected has not materialized.

Admissions of skilled immigrants on temporary work visas have also slowed substantially. US consulates abroad issued fewer visas for intracompany transferees (down 23 percent) and for highly skilled temporary immigrants on H-1B visas (down 28 percent) in 2009 than in 2007.⁵⁹ In previous years, US employers quickly requested the annual 65,000 H-1B visas available for highly skilled foreign workers; it took nine months for the quota to be filled in 2009, and 2010 is on track for a similar—if not slower—trend.⁶⁰ However, admissions of immigrants with “extraordinary ability” on O visas

⁵⁸ Michael Hofer, Nancy Rytina, and Bryan C. Baker, *Estimates of the Unauthorized Immigrant Population Residing in the United States: January 2009* (Washington, DC: Department of Homeland Security Office of Immigration Statistics, 2010), www.dhs.gov/xlibrary/assets/statistics/publications/ois_ill_pe_2009.pdf; Instituto Nacional de Estadística y Geografía (INEGI), “Saldo neto migratorio internacional de México con tendencia decreciente entre 2006 y 2009,” (Acuascalientes, Ags., Comunicado Núm 236/10, July 12, 2010), www.inegi.org.mx/inegi/contenidos/espanol/prensa/Boletines/Boletin/Comunicados/Especiales/2010/julio/comunica.pdf; Jeffrey S. Passel and D’Vera Cohn, *A Portrait of Unauthorized Immigrants in the United States* (Washington, DC: Pew Hispanic Center, 2009), <http://pewhispanic.org/reports/report.php?ReportID=107>.

⁵⁹ All annual data for temporary visa admissions and legal permanent immigration are for the government’s fiscal year, which runs from October 1 through September 30.

⁶⁰ US Citizenship and Immigration Services, *H-1B Fiscal Year (FY) 2011 Cap Season* (Washington, DC: US Citizenship and Immigration Services, August 2010), www.aila.org/content/fileviewer.aspx?docid=31829&linkid=222356.



(45,600) and professionals from Canada and Mexico on TN visas (99,018) reached all-time record levels, continuing on upward trajectories that began well before the recession although growth in 2009 was slightly slower than in the past (with the exception of admissions of Canadians on TN visas). The number of academic students admitted on F-1 visas also reached an all-time high in 2009 (the number has increased steadily each year since 2005). These changing trajectories of admissions of highly skilled immigrants on temporary visas will continue to have repercussions in the US immigration system over the years to come since many temporary skilled worker programs have become bridging or transitional programs for immigrants who initially prove their value to employers while on temporary visas and are later able to adjust to permanent status.⁶¹

The length and severity of the economic and jobs crisis even affected legal permanent immigration flows. Data from the US Department of Homeland Security (DHS) on immigrant admissions through 2009 suggest that some types of legal permanent immigration (such as “skilled workers, professionals, and unskilled workers”) have slowed.⁶² This slowdown was partially offset by a small increase in the number of investors admitted (which increased by about 2,000 between 2007 and 2009). It is difficult to determine whether economic or administrative and policy factors have driven this decline, however. Admissions of family-based immigrants also appear to be changing although the reasons behind this shift are complex. DHS officials indicate that some family members have become more reluctant to take up their visas when they reach the front of the line after long waits.⁶³ However, some of the change is also the result of older regulations finally taking effect.

It is not yet clear if these trends will continue in 2010. Some flows slowed dramatically while others suggest remarkable continuity with the prerecession period. Yet compared to the drop in illegal inflows and some temporary categories, the changes in permanent legal admissions seem marginal, and the underlying assumption that legal inflows, and particularly family-based admissions, depend more on policy decisions (and how these decisions influence the actions of individual migrants) than the state of the US economy still seems accurate.

⁶¹ See Demetrios G. Papademetriou, Doris Meissner, Marc R. Rosenblum, and Madeleine Sumption, *Aligning Temporary Immigration Visas with US Labor Market Needs: The Case for a New System of Provisional Visas* (Washington, DC: Migration Policy Institute, July 2009), www.migrationpolicy.org/pubs/Provisional_visas.pdf.

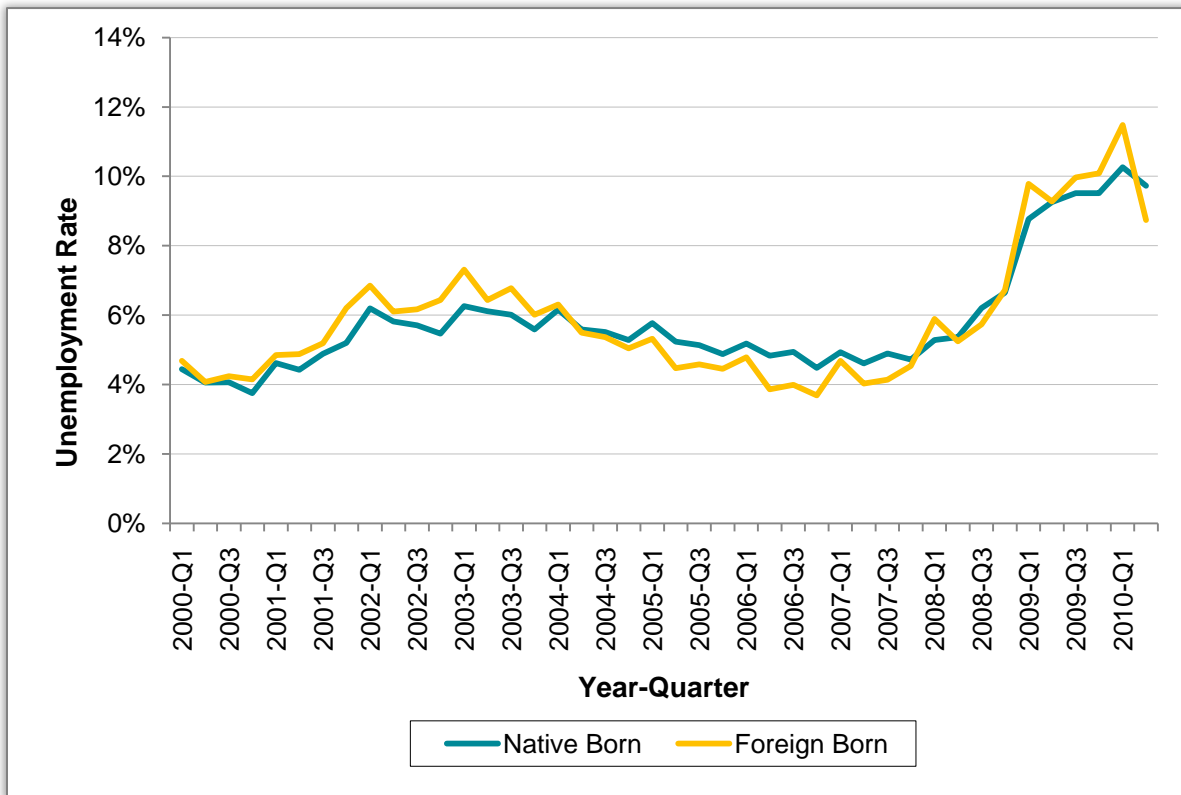
⁶² These data are from Department of Homeland Security (DHS), *Yearbook of Immigration Statistics 2009* (Washington, DC: DHS, 2010), www.dhs.gov/xlibrary/assets/statistics/yearbook/2009/ois_yb_2009.pdf.

⁶³ Prior to the recession, the waiting period between the time an immigrant submitted an application for certain family-based visas and the time when the visa became available was often ten to 15 years. Over the course of the recession, however, the wait has shortened to around eight to nine years.

III. Immigrants in the US Labor Market

An equally relevant part of the story about the Great Recession and its effects on jobs is how immigrants have fared in the US labor market since 2007. Over the past two decades, a rapidly growing US economy attracted large numbers of immigrants. Unemployment among immigrants in the United States is somewhat more cyclical than among natives.⁶⁴ But in contrast to many European countries, US immigrant and native unemployment track each other very closely, and almost never diverge by more than 1 percentage point. During good economic times, immigrants may even do better than natives. The current recession has been no exception, as Figure US-2 shows.⁶⁵ Severe job losses hit both groups, but with a slightly higher increase for immigrants.

Figure US-2. Unemployment Rate of Native- and Foreign-Born Workers, 2000 to 2010



Note: Unemployment rates are not seasonally adjusted.
 Source: MPI analysis of monthly Basic CPS, 2000 to 2010.

Immigrants in the United States are particularly vulnerable to job losses during economic downturns because they share the demographic and labor force characteristics of the

⁶⁴ 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.

⁶⁵ The data for this and other charts on the United States are taken from the monthly Basic CPS microdata made available by the US Census Bureau. The data are pooled into quarters. This analysis comes with the caveat that the CPS is known to undercount immigrants, many of whom are not sampled because they move frequently, live in nonstandard housing, or are hesitant to interact with US government representatives. However, CPS remains the most useful and detailed periodic source of information on immigrants in the US labor market.



most vulnerable workers. Compared to natives, immigrants tend to be younger, less educated, more recent entrants to the labor force, more likely to work on temporary or short-term contracts, and concentrated in cyclical industries. At first glance, the data in Figure US-2 appear to tell a somewhat different story. In the aggregate, immigrants have certainly fared worse than natives, but the difference does not appear to be dramatic. The immigrant population in the United States is incredibly diverse, and the data hide substantial differences in the labor market experiences of various segments of the foreign-born population over the course of the recession. A common, if difficult to examine, assumption is that immigrants who arrive in the United States via different avenues fare differently.

Available labor force data do not report information on how immigrants enter the United States. However, there is substantial overlap between the way certain immigrants enter the United States and where they come from. Hispanic immigrants are more likely than other groups to enter without authorization while Asian immigrants are more likely than other groups to enter legally and on employment-based visas.⁶⁶ Of course, substantial immigration occurs for both groups through family-based channels as well. This approximation is admittedly imperfect. But, if used with caution, it also provides useful insights into the consequences of immigration policies on the US labor market and on individual immigrants.

The data presented below suggest that the labor market (and overall economic) performance of Asian immigrants resembles that of native-born workers (and even outperforms them) on many measures, and their labor market outcomes have been relatively stable over the course of the business cycle. Hispanic immigrants, by contrast, appear to be more flexible and more affected by the natural churning in the dynamic labor market and its seasonal or cyclical ups and downs. But flexibility implies a human cost for workers and their families. These observations are not particularly surprising and confirm what has long been known (or suspected) about various immigrant groups in the US labor market. Nevertheless, the numbers provide a compelling portrait of how different groups of workers have adapted to a changing and increasingly uncertain US economy.

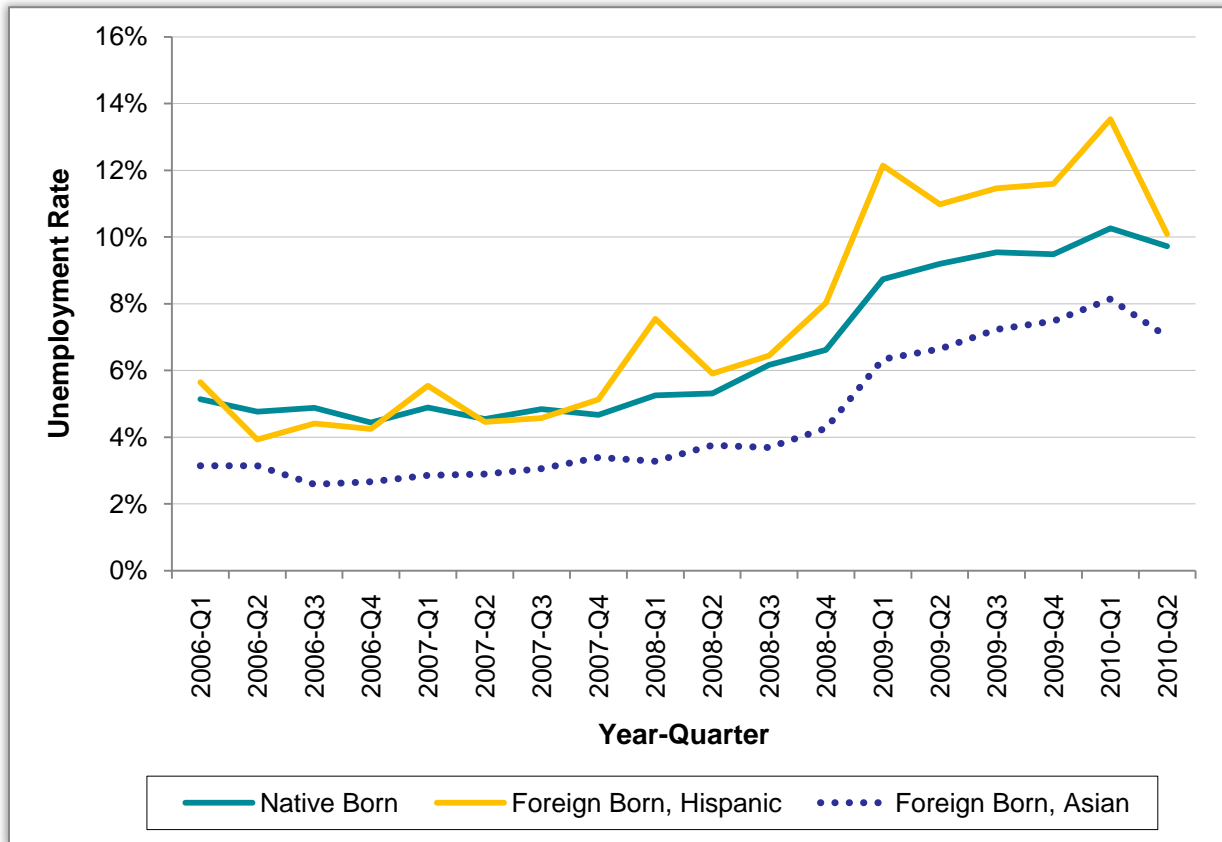
A. Unemployment for Key Demographic Groups

Overall, Hispanic immigrants have fared significantly worse than natives, while Asian immigrants have fared significantly better. In Q1 2010, the unemployment rate for Hispanic immigrants (which includes unauthorized immigrants, approximately three-quarters of whom are Hispanics coming predominantly from Mexico and Central America) peaked at 13.5 percent compared to 12.1 percent in Q1 2009, 7.5 percent in Q1 2008, and 5.5 percent in Q1 2007. Over the same period, the unemployment rate among Asian immigrants (whose representation among unauthorized immigrants is *much lower*

⁶⁶ Throughout this case study we use race and ethnicity as self-reported in CPS. We include as “Asian” those who self-identify as non-Hispanic and as “Asian only,” “Hawaiian/Pacific Islander only,” “White Asian,” “White Hawaiian,” “Black Asian,” “Black Hawaiian,” “American Indian Asian,” or “Asian Hawaiian/Pacific Islander.”

than Hispanics although it is not insignificant) increased more modestly reaching 8.1 percent in Q1 2010 compared to 6.3 percent in Q1 2009, 3.3 percent in Q1 2008, and 2.9 percent in Q1 2007. Furthermore, for much of the recession, unemployment among Hispanic immigrants was around 2 percentage points above the unemployment rate for native-born US citizens. In contrast, among Asian immigrants, the unemployment rate has consistently remained about 2 percentage points below natives (see Figure US-3).

Figure US-3. Unemployment Rate, by Nativity and Ethnicity, 2006 to 2010



Note: Unemployment rates are not seasonally adjusted.
 Source: MPI analysis of monthly Basic CPS, 2006 to 2010.

Immigrants’ demographic and labor force characteristics drive these differences. Youth, males, and the less educated have been among the hardest-hit workers during the recession, and in Q4 2009, they faced the highest unemployment rates recorded since 1948, when these data first became available.⁶⁷ Hispanic immigrants tend to share these demographic characteristics while Asian immigrants tend to be older, more gender balanced, and better educated:

- The median age of native-born workers in the labor force in 2008 and 2009 was 41 compared to 42 for Asian immigrants and 38 for Hispanic immigrants.

⁶⁷ Youth is defined as ages 16 to 26; BLS Labor Force Statistics.



- About half of the native-born and Asian-immigrant labor force was male compared to two-thirds of the Hispanic immigrant labor force.
- The median native-born worker in the labor force had some college education compared to a bachelor's degree for the median Asian immigrant and a high school degree or less for the median Hispanic immigrant.

Different demographic characteristics, however dominant they are, may not tell the full story. The following figures explore how unemployment (and in some instances labor force participation) has evolved for Hispanic and Asian immigrants and natives controlling for education, gender, and age.

Education⁶⁸

Unemployment among less-educated workers is consistently higher than for better-educated workers, and the less educated also experience greater job loss during economic downturns.⁶⁹ Since the recession began, unemployment among less-educated natives and Hispanic immigrants has increased dramatically, rising from around 5 percent in Q4 2007 to nearly 14 percent in Q1 2010 before falling to 10 percent in Q2 2010 — although this last figure is very sensitive to seasonal trends (see Figure US-4). Most of the recent decline in the unemployment rate among less-educated Hispanic immigrants is due to employment gains while labor force participation remained stable between Q1 2010 and Q2 2010.

Lower educational qualifications, however, do not appear to have the same effect on Asian immigrants. Less-educated Asian immigrants, in fact, faced lower unemployment prior to the recession and have fared somewhat better since the economic crisis began, with their unemployment rising from 4 to 8 percent over the same period. At the same time, less-educated Asian immigrants are less likely to participate in the labor force, and their labor force participation rate has declined since the recession began. By contrast, labor force participation has remained stable for natives and Hispanic immigrants.

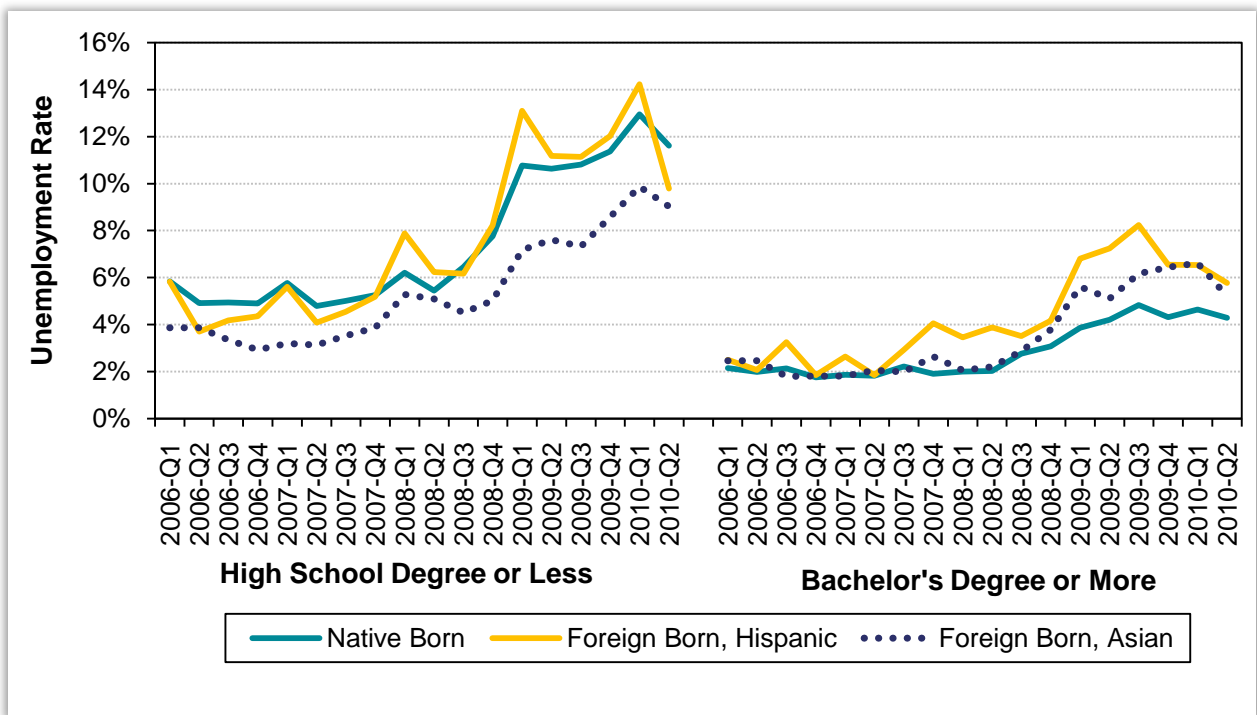
Perhaps paradoxically, unemployment has increased more for both Hispanic and Asian immigrants than for natives, even among workers with a bachelor's degree or higher. During the worst months of the recession, between Q3 2008 and Q3 2009, the unemployment rate for highly educated Hispanic immigrants more than doubled from 3.5 percent to 8.2 percent; over the same period, the unemployment rate among highly educated Asian immigrants increased similarly, albeit from lower levels, rising from 2.9 percent to 6.2 percent. Among highly educated natives, the unemployment rate rose more modestly from 2.8 percent to 4.9 percent over the same period. Both highly educated Hispanic and Asian rates have since dropped but remain about 2 percentage points above the unemployment rate for highly educated natives. Part of the explanation for this anomaly (relative to previous recessions) is that the finance and banking industry, the

⁶⁸ The analysis of unemployment rates by education is limited to the population age 25 and older.

⁶⁹ For the purpose of this case study, "less educated" includes individuals with a high school degree or less and "highly educated" includes individuals with a bachelor's degree or more. The terms "highly educated" and "better educated" are used interchangeably.

high-end sector that together with associated industries was at the epicenter of the recession, was hit extremely hard. The industry is populated with highly educated workers, many of whom are immigrants. In fact, the finance and banking sector shed a total of 780,000 jobs between December 2006 — when employment in the industry reached an all-time peak of 8,352,000 — and July 2010 (the most recent month for which data are available) when the industry employed 7,573,000 workers (lower than any single month since November 1998). Indeed, the sector has only registered small month-on-month gains in employment during two months (November 2009 and April 2010) since the recession began in December 2007.

Figure US-4. Unemployment Rate, Native and Foreign Born, by Ethnicity and Education, 2006 to 2010



Note: Data are not seasonally adjusted. The unemployment rate represents unemployed as a share of the labor force (employed plus unemployed).

Source: MPI analysis of monthly Basic CPS, 2006 to 2010.

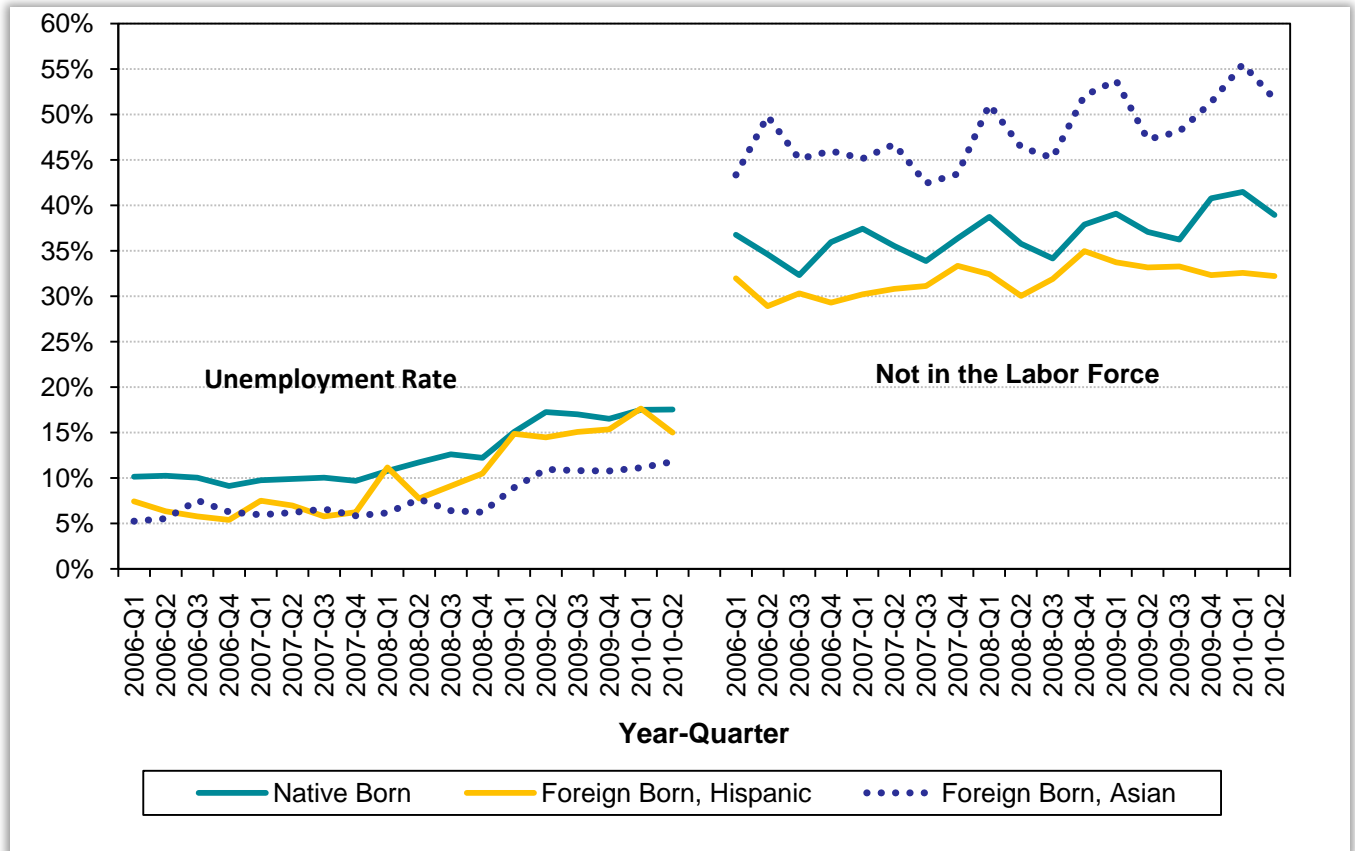
Youth

During recessions, youth are historically more susceptible to losing their jobs given their limited work experience and the strong seniority systems that dominate some industries. 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. Many simply exit 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 has risen for all groups since the recession began but more for Hispanic immigrant youth than either native youth or Asian immigrant youth; and unemployment among Hispanic immigrant youth has converged with the unemployment rate among native youth (see Figure US-5).

Figure US-5. Unemployment and Labor Force Participation Rate for Youth Ages 16 to 26 by Nativity and Ethnicity, 2006 to 2010



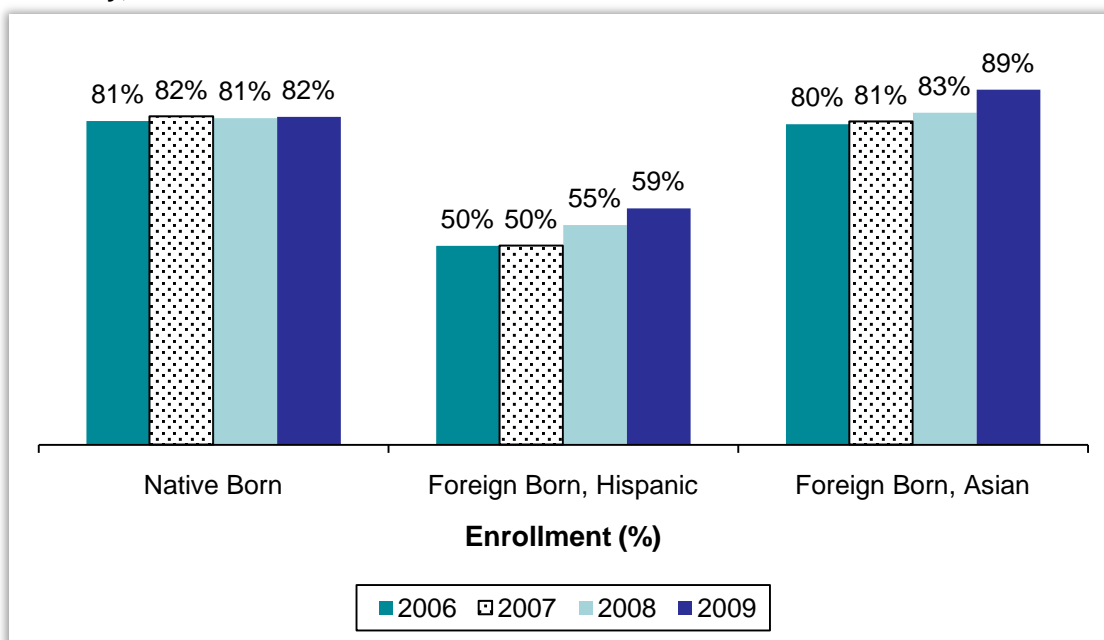
Note: Data are not seasonally adjusted. The labor force nonparticipation rate represents the share of all individuals age 16 and older who are not in the labor force.

Source: MPI analysis of monthly Basic CPS, 2006 to 2010.

Meanwhile, labor force participation rates have declined for both natives and Asian immigrant youth, but the decline has been more dramatic among the latter. Over one-half of all Asian immigrant youth do not participate in the labor force compared to under a third of Hispanic immigrant youth. Interestingly, participation in the labor force among Hispanic immigrant youth decreased only modestly during the early months of the recession but has since increased slightly. Labor force participation among Asian immigrant and native youth is more seasonal than among Hispanic immigrant youth, suggesting that Asian immigrant and native youth trade off between work and study while Hispanic immigrant youth juggle both throughout the year or do not enroll in school at all.

Accordingly, among youth who are not in the labor force, the propensity to be enrolled in school varies dramatically. Prior to the recession in 2007, upward of four-fifths of Asian immigrant and native-born youth who did not participate in the labor market were enrolled in school; by contrast, among Hispanic immigrants, only about half were enrolled in school.⁷⁰ Over the course of the recession, however, the share of both Asian and Hispanic immigrants not in the labor force who are enrolled in school rose while it has remained stable among native-born youth (see Figure US-6).

Figure US-6. School Enrollment of Youth Not Participating in the Labor Force by Nativity and Ethnicity, 2006 to 2009



Note: Includes youth ages 16 to 24.

Source: MPI analysis of March Socio-economic Supplements to the CPS, 2006 to 2009.

Gender

The current recession has not been gender neutral, leading some pundits to label it the “mancession.”⁷¹ Unemployment has risen much faster for men as a result of their high concentration in industries that have fared particularly poorly, notably construction, finance, and manufacturing. 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, and in the hospitality sector, which recovered in 2010 after two years of job losses.

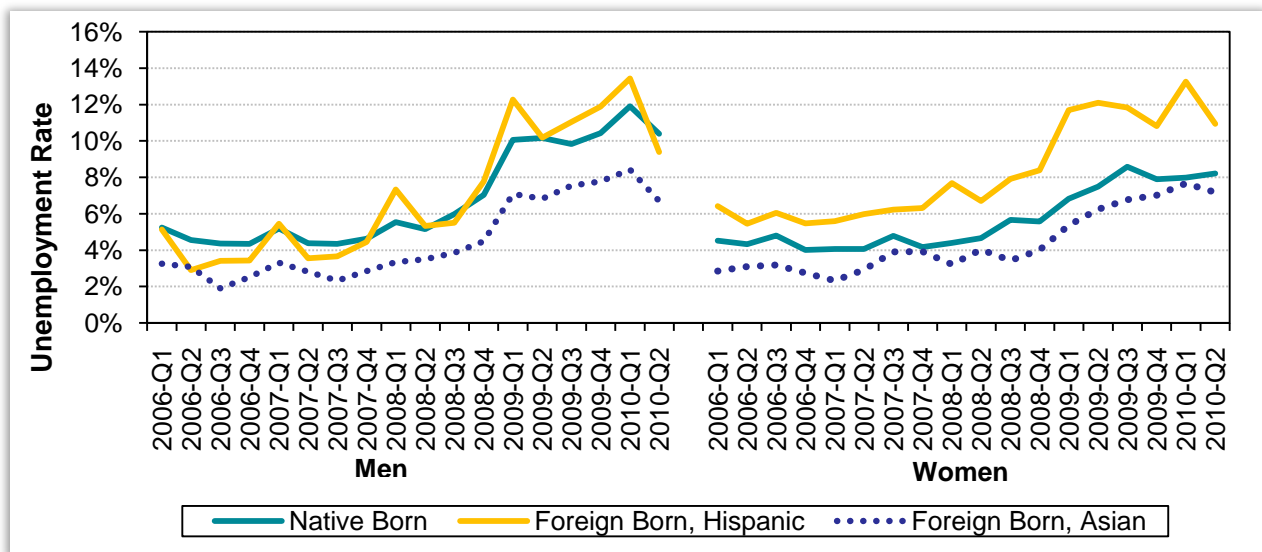
⁷⁰ This data on school enrollment draws on the 2006 to 2009 March Socio-economic Supplements to the CPS rather than the Monthly Basic CPS. At the time of this writing, 2010 data had not yet been publicly released. Due to data limitations, this analysis includes youth ages 16 to 24.

⁷¹ Catherine Rampell, “The Mancession,” *New York Times* Economix Blog, August 10, 2009, <http://economix.blogs.nytimes.com/2009/08/10/the-mancection/>; Derek Thompson, “It’s not just a recession, it’s a Mancession!” *The Atlantic*, July 9, 2009, www.theatlantic.com/business/archive/2009/07/its-not-just-a-recession-its-a-mancection/20991/; Nancy Cook, “What Mancession?” *Newsweek*, July 16, 2009, www.newsweek.com/id/206917.



However, the reality is more complex than the headlines would suggest. Among Asian immigrants, unemployment has increased similarly for both men and women (see Figure US-7). Among Hispanic immigrants, male unemployment is more seasonal and has increased dramatically since the recession began. But Hispanic immigrant women faced higher unemployment prior to the recession, and the two rates have now converged. Similar to the trend we observed among less-educated Hispanic immigrants, the dramatic decline in unemployment among Hispanic immigrant men in Q2 2010 was driven more by employment gains than by exits from the labor force.

Figure US-7. Unemployment Rate by Nativity, Ethnicity, and Gender, 2006 to 2010



Note: Data are not seasonally adjusted.

Source: MPI analysis of Monthly Basic CPS, 2006 to 2010.

B. Employment by Sector

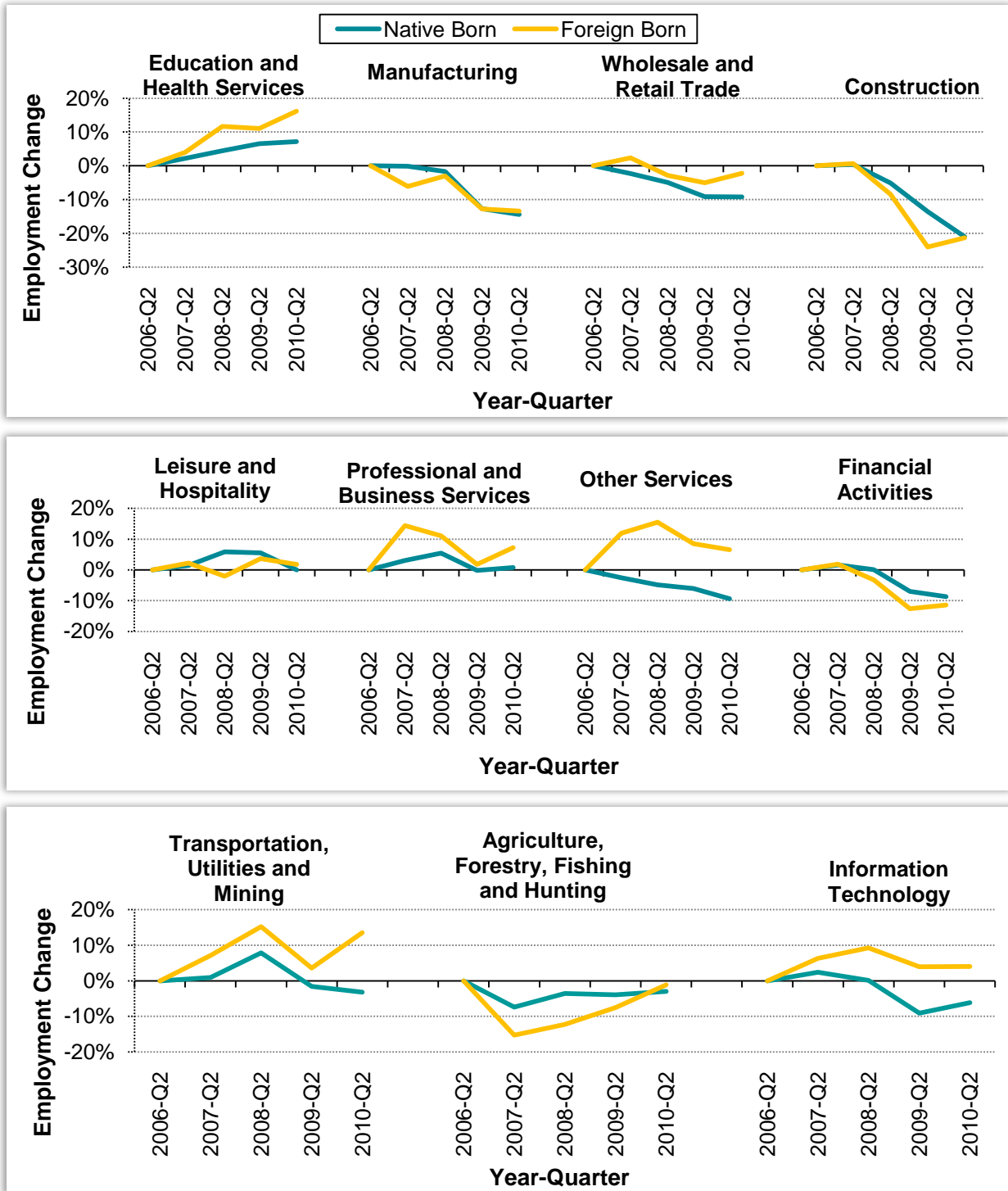
As described earlier, the recession has had different impacts across industries. Figure US-8 below shows how native- and foreign-born employment has evolved by industry between 2006 and 2010. (The industries are ordered from left to right and top to bottom in decreasing order of their share of total foreign-born employment in 2006.) Four categories of industries emerge from the data as the most relevant ones of this report:

- **Industries where both native- and foreign-born employment increased through the recession:** Education and health services.
- **Industries where the foreign born gained employment but the native born lost employment:** Other services, transportation, utilities, mining, and information.⁷²
- **Industries where both native- and foreign-born employment declined:** Manufacturing, wholesale retail and trade, construction, and financial activities.

⁷² "Other services" consists of repair and maintenance services; personal and laundry services; religious, grant-making, civic, professional, and similar community organizations; and private household (domestic) services.

- Industries where there was no change in either native- or foreign-born employment: Agriculture, forestry, fishing, and hunting.

Figure US-8. Change in Second-Quarter Employment by Industry and Nativity, 2006 to 2010



Source: MPI analysis of monthly Basic CPS, 2006 to 2010.

The data in Figure US-8 counter two popular narratives that have emerged regarding how immigrants have fared in the labor force. First, repeated anecdotes to the contrary



notwithstanding, it does not seem as though native-born workers are moving into industries traditionally dominated by immigrants (e.g., agriculture and domestic services). Second, and with a similar proviso, immigrants do not appear to have lost jobs at a significantly higher or disproportionate rate in some of the more deeply contracting sectors such as construction and manufacturing. However, immigrants do appear to have lost jobs at a faster rate than natives in agriculture, forestry, and fishing and hunting, as well as in financial activities.

C. *Alternative Indicators of Labor Market Hardship*

Official unemployment and labor force participation rates do not tell the full story of how workers fare in the labor market during recessions. Unemployment rates measure the numbers of workers who are not currently employed but who have actively searched for employment during the previous four weeks. As a result, the data may overlook other forms of labor market hardship or vulnerability, including *underemployment* and *labor force marginalization*.

Underemployment is principally a concern for immigrants who must continue to work due to family obligations or limited access to the social safety net and, accordingly, are willing to take jobs (or accept hours, wage rates, or working conditions) that other workers might refuse. Other, often highly skilled, immigrants encounter underemployment when they are only able to get jobs with requirements below their education or skill level. Labor force marginalization is more of a concern for workers who are able to survive without regular labor income either because they can rely on the income of family or friends, or because they have access to income support transfers.⁷³

Underemployment

Underemployment is a unique phenomenon that is often overlooked in standard analyses of how workers fare in the labor market. There is no unified definition of underemployment and the US Department of Labor's Bureau of Labor Statistics (BLS) has developed a range of indicators to measure the phenomenon.⁷⁴ Here we focus on the share of workers who are employed part-time but would prefer a full-time job — known as *involuntary part-time workers*. Some workers, such as students and older employees, may prefer to work part-time and the decision to forego full-time employment is often voluntary. However, many workers also accept part-time work because they are unable to find full-time employment. Experts have diverging opinions on the implications of involuntary part time work. On the one hand, involuntary part-time workers may get stuck in insufficient and poorly remunerated jobs; on the other hand, involuntary part-

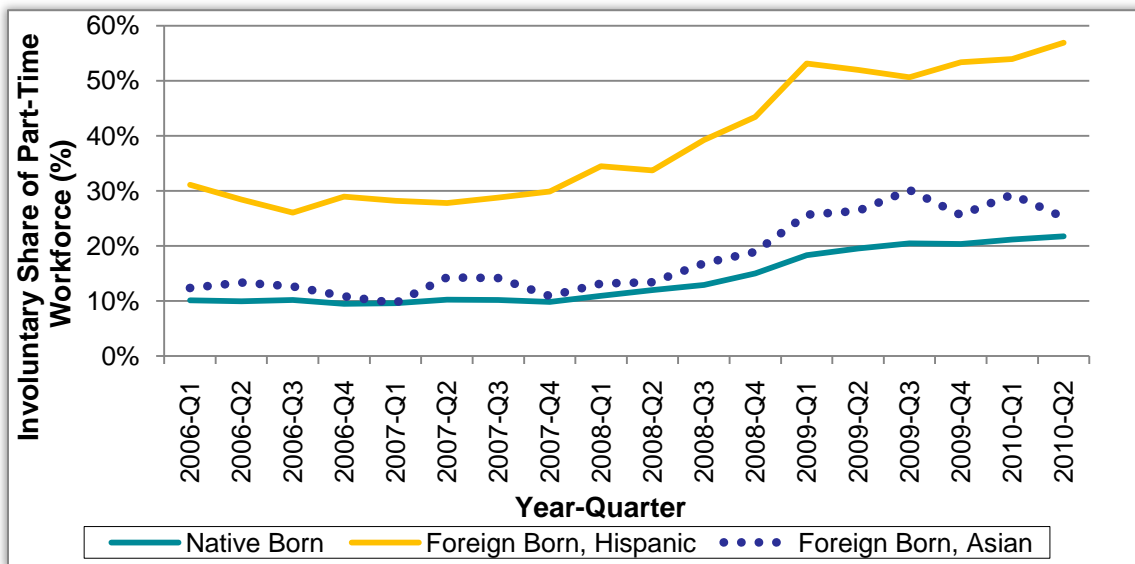
⁷³ Tim Slack and Leif Jensen, "Underemployment across immigrant generations," *Social Science Research*, vol. 36, no. 4 (December 2007): 1415-1430; Gordon F. De Jong and Anna B. Madamba, "A Double Disadvantage? Minority Group, Immigrant Status and Underemployment in the United States," *Social Science Quarterly*, vol. 82, no. 1 (Winter 2001): 117-130; Richard Layard, Stephen Nickell, and Richard Jackman, *Unemployment: Macroeconomic performance and the labor market* (London: Oxford University Press, 2005).

⁷⁴ Steven E. Haugen, "Measures of Labor Underutilization from the Current Population Survey" (BLS Office of Employment and Unemployment Statistics, Working Paper 424, March 2009), www.bls.gov/ore/pdf/ec090020.pdf.

time workers may be the first in line for permanent employment when new jobs become available.

The share of involuntary part-time workers is much higher for Hispanic immigrants than for the US born. By mid-2010, more than half of part-time Hispanic immigrant workers could be considered underemployed by this measure (see Figure US-9). Asian immigrants, by contrast, were roughly comparable to natives on this measure until the most severe stages of the recession (between Q3 2008 and Q1 2009), when they saw a moderate spike in involuntary part-time employment. In real terms, 5.4 million natives, 1.1 million Hispanic immigrants, and 190,000 Asian immigrants were involuntary part-time workers as of Q2 2010 compared to 2.8 million, 480,000, and 100,000, respectively, in Q2 2008. Overall, most of the increases in involuntary part-time work occurred during the early months of the recession. Since then, the increases in involuntary part-time work have been more modest — presumably as even part-time jobs have become scarce.

Figure US-9. Involuntary Part-Time Workers as Share of All Part-Time Workers by Nativity and Ethnicity, 2006 to 2010



Note: Includes employed workers age 16 and older. Data are not seasonally adjusted.
 Source: MPI analysis of monthly Basic CPS, 2006 to 2010.

Labor Force Marginalization

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, under normal circumstances, in most states workers lose unemployment benefits after 26 weeks.⁷⁵ During periods of high unemployment, however, the US government can and does extend this period as it has done on four

⁷⁵ Congress approved extensions in February and November 2009 and April and July 2010. Eligibility requirements for unemployment insurance are determined at the state level. Among other criteria, it is based on time spent in formal employment and is limited to those whose employment is involuntarily terminated. States may include additional criteria. The legally employed foreign born are eligible for unemployment insurance in all states.

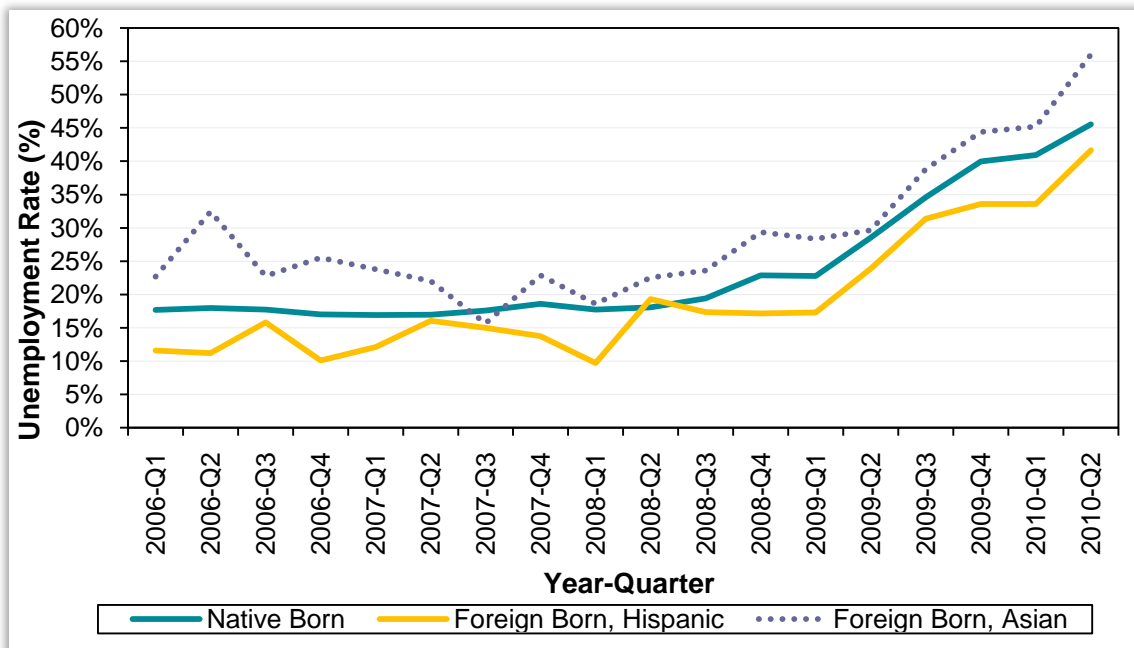


occasions since 2009, although only after increasingly rancorous political debate. (Unauthorized immigrants are not eligible to collect unemployment benefits regardless of the duration of their unemployment.)

Long-term unemployment has increased dramatically since the recession began. As of summer 2010, over 6.5 million workers in the United States had been unemployed for 27 weeks or longer. The share of all unemployed workers who had been searching for a job for 27 weeks or longer stood at 45 percent in July 2010 compared to 17 percent at the start of the recession in December 2007. The incidence of long-term unemployment is far higher than at any point since 1948, when the data first became available. Prior to the Great Recession, the previous record share of unemployed workers who were long-term unemployed was 26 percent, recorded in June 1983; the spring and summer of 1983 was the only previous instance when the share of long-term unemployed surpassed the quarter mark.

Similar to overall unemployment rates, long-term unemployment rates among the native and foreign born track each other fairly closely. But Asian immigrants face higher long-term unemployment than both natives and Hispanic immigrants (see Figure US-10). As of mid-2010, more than half of unemployed Asian immigrants and about two-fifths of unemployed natives and Hispanic immigrants had been out of work for 27 weeks or longer.

Figure US-10. Long-Term Unemployment by Nativity and Ethnicity, 2006 to 2010



Note: Includes share of all unemployed workers out of work for 27 weeks or longer

Source: MPI analysis of monthly Basic CPS, 2006 to 2010.

Labor force marginalization can also take the form of cohorts of workers who are “discouraged.” *Discouraged workers* are not currently employed or available for employment, because they have given up actively searching for a job out of a sense that

none are available to match their skills. Interestingly, the number of discouraged workers appears to have increased similarly for all three groups, nearly tripling over the course of the recession. In Q2 2010, there were about 980,000 native-born discouraged workers, 90,000 Hispanic immigrant discouraged workers, and 50,000 Asian immigrant discouraged workers compared to 340,000, 30,000, and 20,000, respectively, two years earlier.

IV. Immigrant Families

The fate of individual workers in the labor market over the course of the recession has, perhaps justifiably, received the majority of popular, policy, and scholarly attention.⁷⁶ But migration has never been only about workers; it touches the lives of entire families — including children, spouses who remain at home, and the elderly. Although these individuals may not be directly impacted by changes in the labor market, they experience recessions indirectly through their parents, spouses, or adult children who work.

In incorporating the perspective of immigrant families⁷⁷ into the broader discussion of the impact of the economic crisis on immigration and immigrants, we use data from the 2006 to 2009 March-Socioeconomic Supplements to the CPS (March Supplements), which allow us to examine trends during the two years prior to the crisis in addition to the two years of the crisis.⁷⁸

A robust body of research demonstrates that parental job loss adversely impacts children, resulting in poor school outcomes and long-term challenges entering the labor market.⁷⁹ About three-quarters (74 percent) of native-born households and a slightly higher share (79 percent) of immigrant households with children included both a householder and his or her spouse. The remaining one-quarter and one-fifth of households are single-parent households. Two-parent and single-parent families with children face unique challenges, so we examine the two groups separately.

⁷⁶ An earlier version of this analysis was originally prepared for the North American Regional Conference on Migration organized by Mexico's National Institute of Migration (INM) and the International Organization for Migration (IOM) in Tijuana, Mexico in April 2010, which focused on migrant women and children.

⁷⁷ "Immigrant families" include families where either the household head or spouse, or both, is foreign born. We exclude families where either the household head or spouse is a member of the armed services and focus on families with children.

⁷⁸ The March Supplement to the CPS is a sample of 200,000 households including oversampling of certain minority groups such as Hispanics. A "family" is defined as a group of legally or biologically related persons who reside in the same household. Families can include a single householder, or a householder and his/her spouse. This analysis excludes households where either the household head or spouse (or both) is a member of the US armed services.

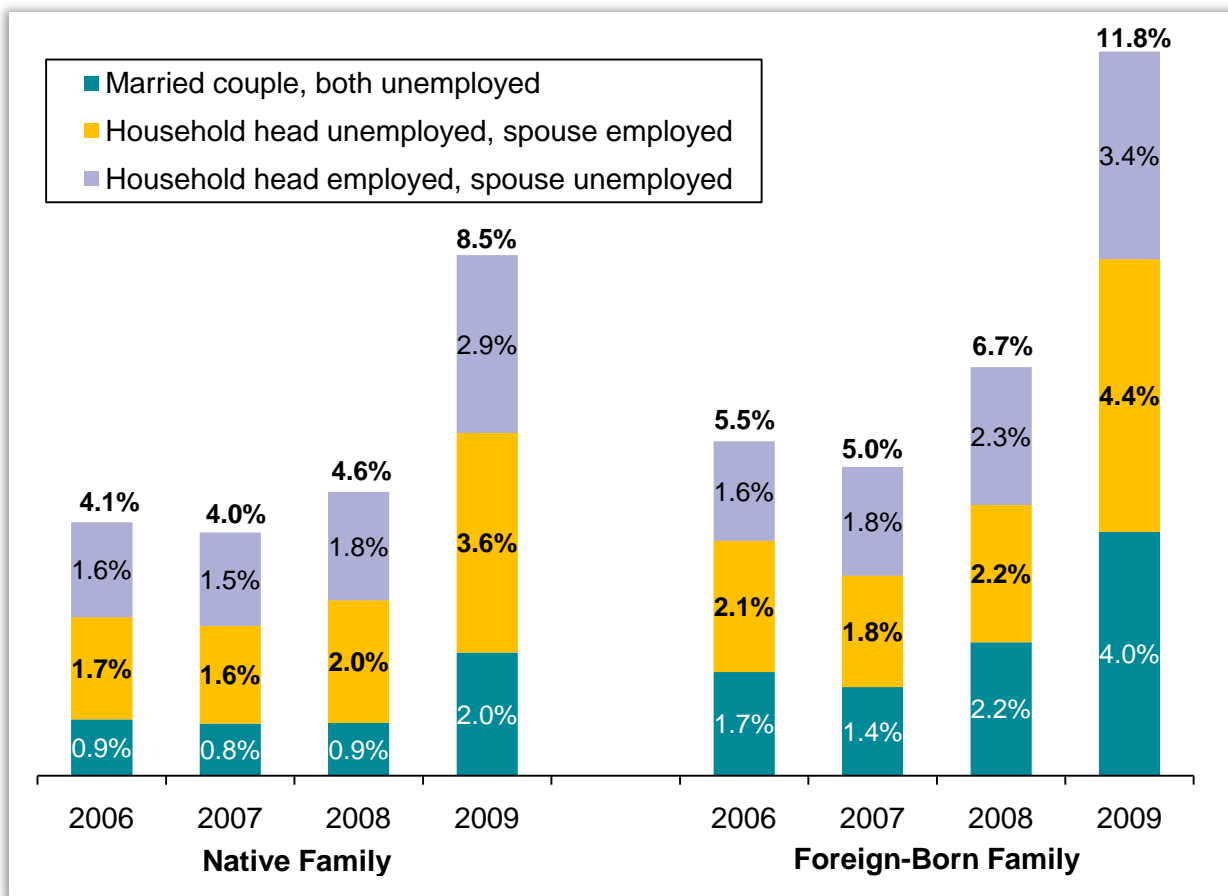
⁷⁹ Philip Oreopolous, Marianne Page, and Ann Huff Stevens, "The Intergenerational Effects of Worker Displacement" (National Bureau of Economic Research Working Paper No. 11587, August 2005); Ann Huff Stevens and Jassamyn Schaller, "Short-Run Effects of Parental Job Loss on Children's Academic Achievement" (National Bureau of Economic Research Working Paper No. 15480, November 2009); Carsten Ochsen, *Are Recessions Good for Educational Attainment?* (Berlin: German Institute for Economic Research, March 2010).



Two-Parent Families

In March 2009 — at the trough of the economic crisis — one in 12 native families and one in eight immigrant families with children had the household head or spouse, or both, unemployed (see Figure US-11). By contrast, in 2006, only one in 25 native families and one in 20 immigrant families was touched by unemployment. Over the four-year period, the number of people living in immigrant families where one or both parents were unemployed (including both immigrants and native-born US citizens) more than doubled from 1.7 million to 3.8 million. The increase in the share of immigrant families where both parents were unemployed is particularly striking.

Figure US-11. Share of Native and Foreign-Born Two-Parent Families Experiencing Unemployment, 2006 to 2009



Note: Shares may not add up to total due to rounding.

Source: MPI analysis of data from the 2006 to 2009 March Socio-economic Supplements to the CPS.

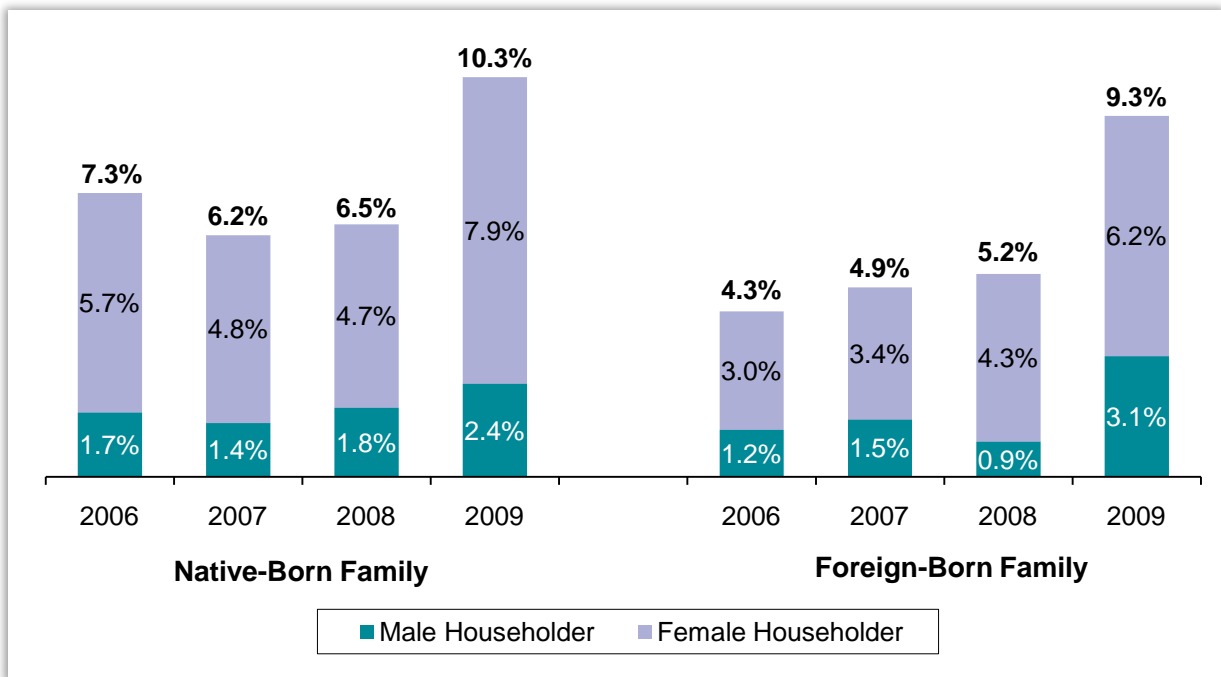
Single-Parent Families

Single-parent households confront distinct labor market challenges compared to two-parent households, including a higher risk of poverty as well as challenges obtaining childcare and joining the workforce. In 1998, Peter Cattani of BLS estimated that having two parents reduced the incidence of poverty by 7.7 percentage points among non-

Hispanic white households, 11.4 percent among non-Hispanic black households, and 25.4 percent among Mexican immigrant households.⁸⁰ As a result, a substantial portion of US domestic antipoverty and work-promotion programs target single parents with children.⁸¹

In the case of both native and immigrant families headed by a single parent, about one-fifth are headed by a single male householder (although the share has been growing, particularly among immigrants, in recent years) and the remaining four-fifths are headed by single females. These shares have remained fairly stable in recent years. During the recession, the share of native-born single parents who were unemployed increased from 6.2 percent to 10.3 percent between 2007 and 2009; among foreign-born single parents, the share increased similarly from 4.9 percent to 9.3 percent (see Figure US-12).

Figure US-12. Share of Native and Foreign-Born Single-Parent Families Experiencing Unemployment, 2006 to 2009



Note: Shares may not add up to the total due to rounding.
 Source: MPI analysis of data from the 2006 to 2009 March Socio-economic Supplements to the CPS.

⁸⁰ In this analysis, the household’s nativity depends solely on the nativity of the householder. Peter Cattan, “The effect of working wives on the incidence of poverty,” in *Monthly Labor Review*, vol. 121, no. 3 (March 1998): 22-29, www.bls.gov/mlr/1998/03/art2full.pdf.

⁸¹ See “Strengthening Families,” in Ron Haskins and Isabel Sawhill, *Creating an Opportunity Society* (Washington, DC: The Brookings Institution, 2009): 203-231.



V. Immigration Politics and Policy

The economic crisis unfolded toward the end of a political cycle that culminated with national elections in November 2008. To the surprise of many, immigration ended up playing a fairly minor role in the presidential election although it had played a prominent role during the Republican Party primaries and had a significant profile in several state and local races. Initially and in terms of immigration policy, the recession proved to be neither the catastrophe that pessimists feared nor the catalyst for reform that others desired. Fears of an anti-immigrant backlash did not materialize, and the political dialogue on immigration moderated in most respects as elected officials focused on limiting job losses and repairing the US economy.⁸²

During 2009, state legislatures, which had become increasingly active on immigration during the years leading to the recession, became remarkably quiet, presumably occupied with the task of balancing contracting state budgets. Immigration reform was also subordinated to other policy priorities within the administration and in the US Congress, such as health-care reform and financial regulation. Early attempts by some in Congress to prohibit financial institutions receiving public support under the Troubled Assets Relief Program (TARP) from hiring foreign workers on temporary visas quickly faded away although some additional regulations did ensue. Administrative changes on immigrant detentions and deportations — notably moves by DHS toward a greater emphasis on employer enforcement and apprehension and removals of criminal aliens — were a continuation and refinement of previous policies.⁸³

In many respects, 2009 saw a shift in the immigration policy debate toward social policy and immigrants' access to the safety net for low-income workers. Most famously, the question of legal and unauthorized immigrants' access to publicly subsidized medical care briefly dominated the debate on health-care reform in fall 2009.⁸⁴ At the state level, budget cuts eliminated many services to low-income populations, including immigrants.⁸⁵ Other federal initiatives, such as reforms to the country's major student higher education aid hold important implications for how immigrants (and especially less-educated immigrants) will fare in the US labor market over the course of the recovery and beyond. Similarly, new programs to promote innovation in elementary and secondary schools will likely have positive spillover effects for immigrants and their children although they are

⁸² *Migration Information Source*, "What the Recession Wasn't," December 2009, www.migrationinformation.org/Feature/display.cfm?id=752.

⁸³ *Migration Information Source*, "Enforcement Tactics Shift in the Obama Era — But What About Immigration Reform," December 2009, www.migrationinformation.org/Feature/display.cfm?id=754.

⁸⁴ Randy Capps, Marc R. Rosenblum, and Michael Fix, *Immigrants and Health Care Reform: What's Really at Stake?* (Washington, DC: MPI, 2009), www.migrationpolicy.org/pubs/healthcare-Oct09.pdf.

⁸⁵ Randy Capps, Margie McHugh, Monica Arciga, Michael Fix, and Laureen Laglagaron, "The Economic Crisis and Funding for Immigrant Integration in the United States," in *Prioritizing Integration*, eds. Bertelsmann Stiftung and Migration Policy Institute (Gütersloh, Germany: Verlag Bertelsmann Stiftung, 2010). The Center on Budget and Policy Priorities (CBPP) has closely tracked the evolution of state budget cuts in a series of reports. See for instance, Nicholas Johnson, Phil Oliff, and Erica Williams, *An Update on State Budget Cuts* (Washington, DC: CBPP, 2010), www.cbpp.org/files/3-13-08sfp.pdf. The California Immigrant Policy Center provides occasional updates on immigrant-relevant budget cuts in California, see www.caimmigrant.org.

not the primary focus of these initiatives. Overall, these initiatives will benefit immigrants to the degree that immigrants are an important subset of the low-income population that such federal programs typically target.

However, the focus veered sharply to illegal immigration and borders in 2010, in part as elected officials shifted into campaign mode. Many tapped into popular concerns about illegal immigration and some temporary worker programs and immigration reemerged as an explosive issue for the 2010 election season. Political pandering has come to dominate many debates on immigration policy. These debates ignore the facts about how immigration flows have evolved in recent years. The United States has been experiencing a near “pause” in net immigration after decades of sustained growth. Although official data are not yet available, the United States received fewer immigrants during the first decade of the 21st century than it did during the last decade of the 20th century, bucking four decades of growing arrivals.

As shown in this report, a substantial proportion of immigration flows appears to have responded relatively quickly to changing labor market circumstances. Notably, US employers have been slow to request the visas available for highly skilled temporary workers indicating diminished (although hardly nonexistent) demand for these workers. Perhaps more remarkably, the inflow of unauthorized immigrants slowed substantially starting in 2007, almost in sync with the collapse of the housing bubble.⁸⁶ Jeffrey Passel and D’Vera Cohn of the Pew Hispanic Center estimate that net illegal immigration to the United States has been near zero since 2007.⁸⁷ However, the outflow of unauthorized immigrants appears to have remained constant. Analysis of return migration flows to Mexico suggests that outflows from the United States declined in 2007 but then returned to long-term trends in early 2008.⁸⁸ On balance, the fact that illegal immigration inflows responded so directly to the economic cycle likely contributed to moderating the increase in unemployment among Hispanic immigrants noted earlier. This is in stark contrast to the United Kingdom, where both inflows and outflows of workers in less-skilled occupations have been more responsive to labor market conditions in the framework of European labor mobility liberalization.

Historically, lulls in immigration — such as the present — have been accompanied by a policy shift toward a greater focus on immigrant integration. In the past, the workplace has been a powerful immigrant-integrating institution in the United States, enabling immigrants to earn family-sustaining wages, escape from poverty, and achieve upward socioeconomic mobility. During the years immediately prior to the recession, the story of immigrants’ integration into the US labor force was more mixed. In general, the foreign born had high labor force participation, but they were also more likely to occupy low-paying jobs. Moreover, since 1996, noncitizens have been excluded from most of the

⁸⁶ The authors are indebted to Pia Orrenius of the Federal Reserve Bank of Dallas for this observation.

⁸⁷ Jeffrey S. Passel and D’Vera Cohn, *Trends in Unauthorized Immigration: Undocumented Inflow Now Trails Legal Inflow* (Washington, DC: Pew Hispanic Center, October 2008), www.pewhispanic.org/files/reports/94.pdf.

⁸⁸ Michael S. Rendall, Peter Brownell, and Sarah Kups, “Declining Return Migration from the United States to Mexico in the Late 2000s Recession” (RAND Population and Labor Working Paper WR-720, 2009), www.rand.org/pubs/working_papers/WR720-1/.



federal means-tested public benefits (i.e., mandatory public support provided by the federal government to low-income households) that moderate poverty and promote intergenerational economic mobility among native-born households.⁸⁹ Nonetheless, despite many challenges, a growing economy during the 1990s and early 2000s provided ample opportunity for immigrants and especially their children to gradually improve their status over time.⁹⁰

The recession has reversed many of these gains, especially for Hispanic immigrants. Poverty increased 2.5 percentage points among immigrants (from 15.3 percent to 17.8 percent) between 2006 and 2008, compared to an increase of 0.7 percentage points among natives (from 12.0 percent to 12.7 percent).⁹¹ Poverty data through the most severe phase of the recession, which started in late 2008, are not yet available. However, economist Rebecca Blank estimates that for each percentage point increase in the unemployment rate, the poverty rate rises by 0.45 percentage points.⁹² If the unemployment rates presented in this case study are considered an advance indicator, poverty among immigrants likely increased markedly in 2009.

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 to the United States. A growing body of research points to the importance of the social safety net in limiting the intergenerational transmission of poverty among the less educated.⁹³ The evidence presented in this report points to broader challenges for immigrants in the United States, even after job creation begins anew. 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.⁹⁴ The booming economy of the past decade hid many of these enduring tensions that the recession has now exposed.

The US labor market will eventually recover and, in time, Americans will adjust to new economic realities. The political impasse in Washington is making it difficult for policymakers to address longstanding problems in the nation's immigration and immigrant integration systems. That helps neither immigrants nor Americans. And once

⁸⁹ In the past, some states allocated state funds to provide some means-tested benefits to legal permanent immigrants but state fiscal crises, most notably in California, have forced cuts to these supplemental assistance programs. On immigrants' vulnerability to the business cycle, see Orrenius and Zavodny, *Tied to the Business Cycle: How Immigrants Fare in Good and Bad Economic Times*. On immigrants' access to the social safety net, see Michael Fix, ed., *Immigrants and Welfare: The Impact of Welfare Reform on America's Newcomers* (New York: Russell Sage Foundation, 2009).

⁹⁰ Ron Haskins, *Economic Mobility of Immigrants in the United States* (Washington, DC: Economic Mobility Project, 2008), www.economicmobility.org/assets/pdfs/PEW_ES_Immigrants.pdf.

⁹¹ MPI analysis of the March Socio-economic Supplements to the 2007 and 2009 CPS.

⁹² Rebecca Blank, "Economic Change and the structure of opportunity for less-skilled workers," *Focus*, vol. 26, no. 2 (Fall 2009): 14-20, www.irp.wisc.edu/publications/focus/pdfs/foc262c.pdf.

⁹³ See the work of the Economic Mobility Project, www.economicmobility.org. See also Ron Haskins, Julia B. Isaacs, and Isabel V. Sawhill, *Getting Ahead or Losing Ground: Economic Mobility in America* (Washington, DC: Brookings Institution, Economic Mobility Project, 2008).

⁹⁴ See BLS, "Occupational Projections 2008-18" (Press release USDL-09-1503, December 2009), www.bls.gov/news.release/pdf/ecopro.pdf.

the economy begins to show sustained growth, many of the forces driving immigration to the United States — both in the United States and in immigrants' countries of origin — will still exist. The opportunity is to shape that policy so that it benefits the country and the immigrants themselves. The clear risk is that policymakers will assume that the country can continue to “muddle through” with a deeply flawed and inflexible immigration system, a nonexistent immigrant integration policy, and hardly a hint of cooperation with migrants' countries of origin.



Foreign Workers and Immigrant Integration: Emerging from Recession in the United Kingdom

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I. Introduction

The global recession hit the United Kingdom at an interesting moment in the nation's immigration history. After decades of low immigration,⁹⁵ greater openness to economic migration since 1997, European Union (EU) enlargement in 2004, and robust economic growth created a sustained immigration boom. All told, the foreign born grew steadily from under 9 percent of the population in the mid-1990s to 13 percent on the eve of the recession in 2007, reaching historically high levels.⁹⁶

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, 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 promises 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, the UK immigrant population comprised several different groups, some of which had relatively little in common with one another.

⁹⁵ 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.

⁹⁶ 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 was 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.

About 30 percent of the foreign-born population came from old and new EU Member States. An estimated 1.3 million immigrants from old EU-15⁹⁷ 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.⁹⁸ About one-fifth of UK immigrants came from the Indian subcontinent (Bangladesh, India, Pakistan, and Sri Lanka); these workers were quite “polarized”, with Indians heavily overrepresented in high-skilled jobs and Pakistanis/Bangladeshis concentrated 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.⁹⁹

Immigrants’ economic integration was uneven, therefore. Some immigrant groups fared better than UK nationals, with high wages, employment rates, and representation in highly skilled work. Others remained poorly integrated — particularly women from countries with large refugee outflows (female employment rates from Iraq and Bangladesh, for example, hovered around 20 percent in 2008, while only 10 percent of Somali women held jobs).¹⁰⁰

Unlike in many rich receiving countries, UK immigrants are more highly educated than their native-born counterparts,¹⁰¹ but their wages do not reflect this additional education, and 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.¹⁰²

A. The 2008-2009 Recession

The UK recession began in early 2008, accompanied by a particularly severe banking crisis and the end of a long housing market boom. 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.¹⁰³ Small GDP increases at the end of

⁹⁷ EU-15 countries are those that were Member States prior to EU enlargement: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden, and United Kingdom.

⁹⁸ More than half of Eastern European immigrants work in relatively unskilled jobs. Author’s calculations from the LFS.

⁹⁹ Author’s calculations from the LFS.

¹⁰⁰ 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

¹⁰¹ 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.

¹⁰² At the end of 2009, the median hourly wage for A8-born workers was about two-thirds that of natives. Author’s calculations from the LFS. The sample includes all individuals with non-zero wages. Note that illegal immigration remained low compared to the United States and many other European countries. After EU enlargement in 2004, new EU nationals increasingly performed low-skilled, cyclical work that is often associated with unauthorized workers. Unauthorized immigrants were estimated to comprise 9 percent of the UK immigrant population in 2001. See Will Somerville, Dhananjayan Sriskandarajah, and Maria Latorre, “United Kingdom: A Reluctant Country of Immigration.”

¹⁰³ 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.



2009 and beginning of 2010 pulled the United Kingdom out of recession. But as of mid-2010, economic recovery was expected to be relatively slow for at least 18 months, outpacing the European Union but lagging behind the United States.¹⁰⁴

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.¹⁰⁵ Unemployment rose to 8 percent in early 2010 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.¹⁰⁶ Young workers and the least skilled were worst affected, with unemployment reaching 18 percent among 18- to 24-year-olds in early 2010.¹⁰⁷

The relatively modest labor market impact results at least in part from the fact that cutbacks have been shared across the workforce in the form of fewer people holding multiple jobs, more part-time working, pay freezes for 35 percent of private-sector workers, greater use of voluntary unpaid leave and short-time working, and a decline in labor productivity.¹⁰⁸ "Labor hoarding" has been more common in this recession than in previous downturns, perhaps because increasing education levels in the UK workforce, the growth in the proportion of highly skilled occupations, and an increase in skill requirements within occupations appear to have made the average employer more willing to retain staff even at the cost of low productivity.¹⁰⁹ 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 cast additional uncertainty over the labor market recovery, however. Sharp cuts in government spending are being introduced, the bulk of which will take effect in or after the spring of 2011, while some public spending has already been cancelled. Economists remain divided over the speed with which the United Kingdom can cut the deficit without hurting the economic recovery. As of mid-2010, forecasts suggested that unemployment would not drop substantially even by the end of 2011.¹¹⁰

¹⁰⁴ International Monetary Fund (IMF), "World Economic Outlook update" (IMF news release, July 7, 2010), www.imf.org/external/pubs/ft/weo/2010/update/02/pdf/0710.pdf.

¹⁰⁵ Office for National Statistics, "UK Workforce jobs seasonally adjusted, series DYDC," www.statistics.gov.uk/statbase/tsdintro.asp.

¹⁰⁶ Author's calculations from the LFS, 2005-2010 (not seasonally adjusted). Long-term unemployment rates over the period are about the same for immigrants and the UK born.

¹⁰⁷ Office for National Statistics, "Economic & Labour Market Review – June 2010 Edition. Selected Labour Market Statistics," www.statistics.gov.uk/elmr/06_10/.

¹⁰⁸ Graeme Chamberlain, "Economic Review. February 2010" *Economic & Labour Market Review* 4 no 2 (2010):6-12, www.statistics.gov.uk/downloads/theme_economy/EconReview_0210.pdf

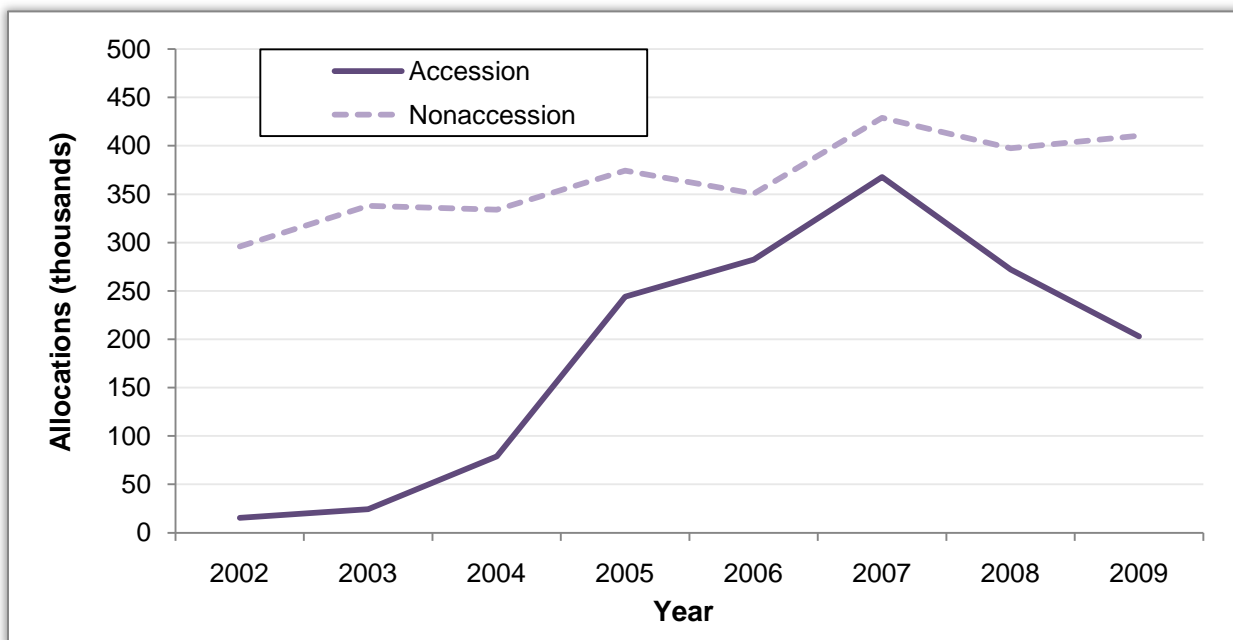
¹⁰⁹ Richard Lambert, "The Labour Market and Employer Relations Beyond the Recession" (Warwick Papers in Industrial Relations no 93, April 2010), www2.warwick.ac.uk/fac/soc/wbs/research/irru/wpip/wpir_93.pdf.

¹¹⁰ www.hm-treasury.gov.uk/d/201006forecomp.pdf

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, remained low in 2009, and in the first quarter of 2010 reached their lowest point since EU enlargement. 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 almost halved from 2007 to 2009, the number of workers from other regions fell only slightly (see Figure UK-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.¹¹¹

Figure UK-1. National Insurance Number Allocations to Foreign Nationals, 2002-2009



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/nino_allocation.asp.

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 workers entering through the employer-sponsored work permit route fell by about 40 percent from 2008 to 2009, but it is not clear which of the new rules or the crisis bore most responsibility the decline.¹¹²

¹¹¹ 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.

¹¹² Home Office, "Control of Immigration: Quarterly Statistical Summary" (London: Home Office, 2010), <http://rds.homeoffice.gov.uk/rds/pdfs10/immig110.pdf>.



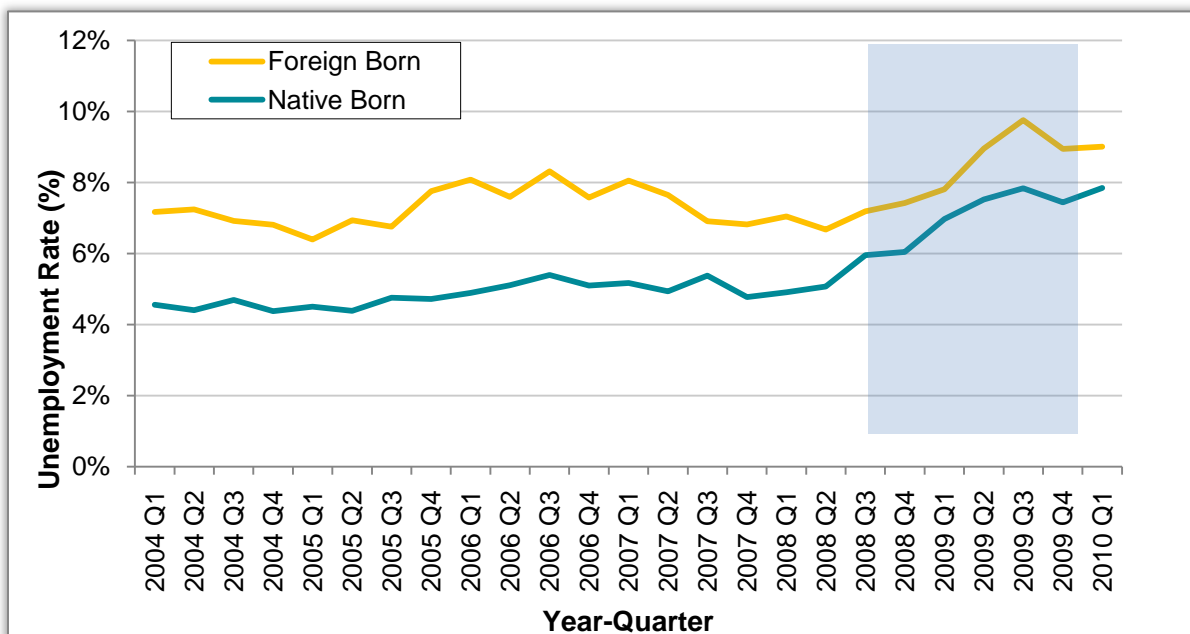
Return migration is harder to measure, although UK passenger statistics suggest that emigration increased by about 50 percent in 2008 before falling again in 2009. The largest increase in emigration was among Eastern Europeans — the only group for which *net* immigration is estimated to be negative during the 2008-09 period.¹¹³

II. The Impact of the Recession on Immigrants

When we consider immigrants as a single group, the crisis does not appear to have affected immigrants disproportionately. 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 rate averaged 2-3 percentage points higher than the rate for natives (see Figure UK-2). Immigrants' employment rate 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 employment has been the result of low employment among immigrant women, with immigrant men's employment closely tracking that 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 UK-2. UK Native and Foreign Born Unemployment Rates, 2004 to 2010



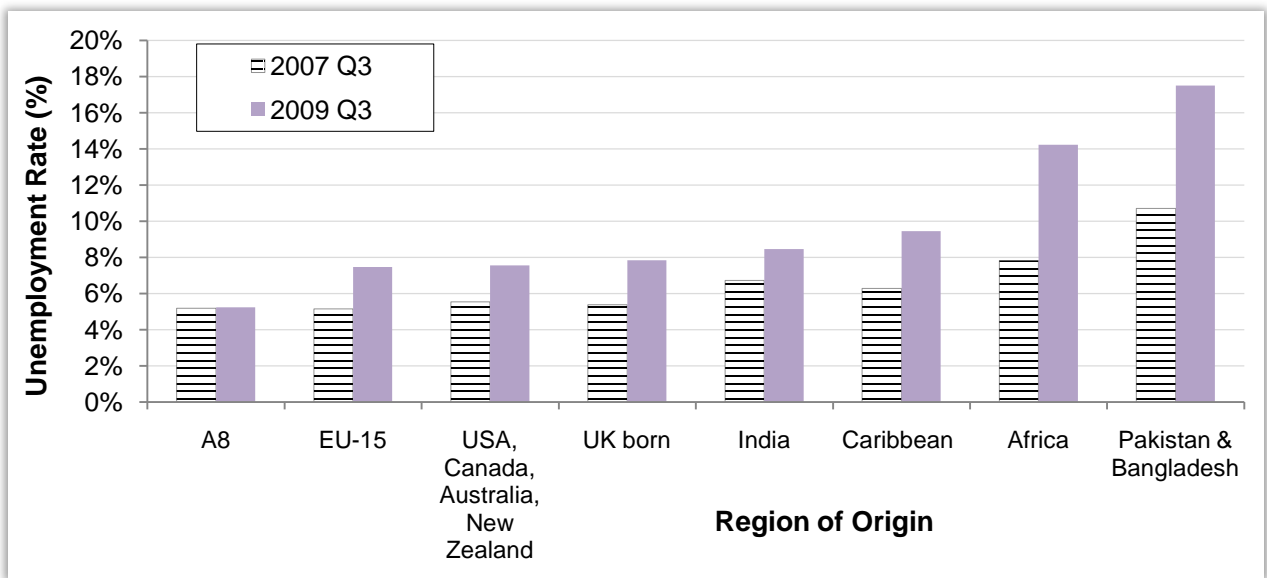
Source: Quarterly Labor Force Survey, 2004-2010.

Note: Not seasonally adjusted.

¹¹³ Office for National Statistics, "International Passenger Survey estimates of long-term migration: Rolling annual data to Q3 2009," www.statistics.gov.uk/statbase/Product.asp?vlnk=15240.

These aggregate trends mask some substantial differences between 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/Bangladesh, reaching approximately 14 and 17 percent, respectively, in the third quarter of 2009, before falling somewhat as the economy moved out of recession. On the other hand, recent immigrants from the A8 countries (which had lower incomes than the EU average),¹¹⁴ 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 UK-3). Indians have also experienced relatively low unemployment; after a brief spike in mid-2009, Indian unemployment fell to a level slightly lower than that of the UK born.

Figure UK-3. UK Unemployment in Q3 2007 and Q3 2009, by Selected Region of Origin



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

Note: Due to sample-size limitations, small to moderate changes in the unemployment rate for immigrant groups are not necessarily statistically significant.

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, Pakistan, and Bangladesh, driven in part by a rise in female labor force participation from 41 to 46 percent in the two years from Q1 2008.¹¹⁵

What drives these large differences between groups? In the following section, we explore some factors that have driven 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

¹¹⁴ 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.

¹¹⁵ Author’s calculations from the LFS.

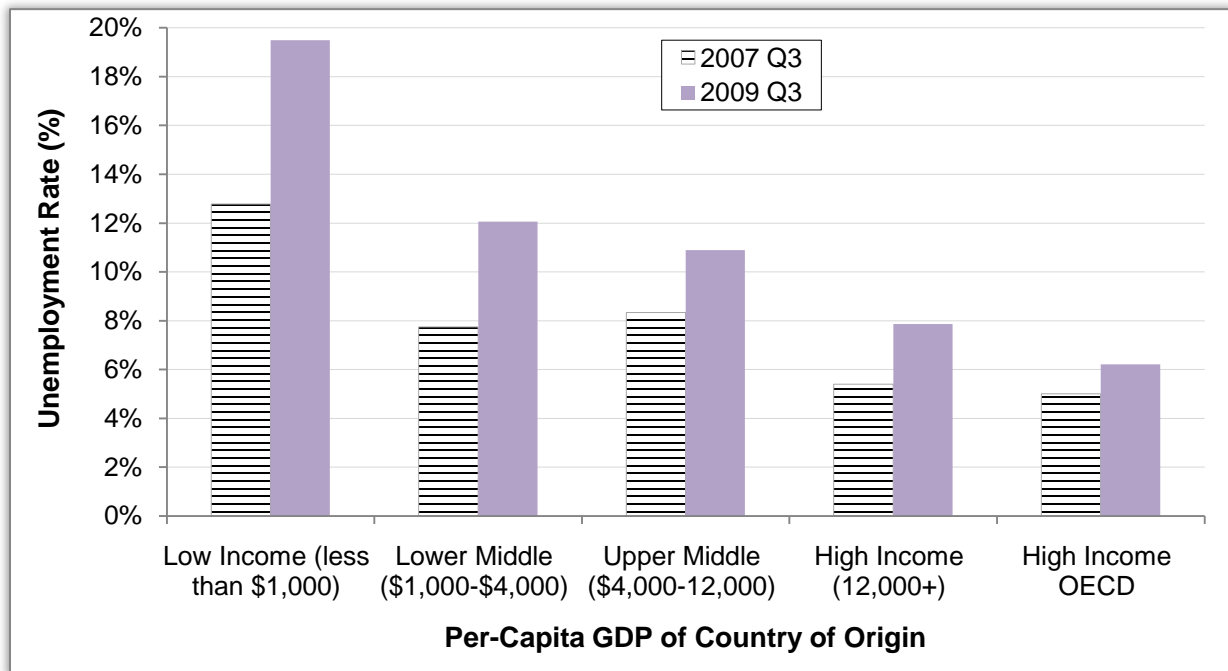


have all shaped immigrant workers' unemployment over the past two years. Less-educated immigrants, those from less-wealthy source countries (with the notable exception of India), workers who do not speak English at home, and those belonging to ethnic minorities have all experienced high and often sharply 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, employment-based, or humanitarian channels) also appear to be important, but data limitations mean that only suggestive evidence is available to show this.

A. Characteristics of the Country of Origin, Language, and Minority Status

The level of economic development in an immigrant's country of origin has tracked unemployment rates remarkably closely over the past two years, as shown in Figure UK-4.¹¹⁶ This trend reflects much more than economic development per se, however, but rather the characteristics of immigrants who gain entry from different source regions, and the circumstances under which they come.

Figure UK-4. UK 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 using International Monetary Fund (IMF) and Central Intelligence Agency (CIA) data on GDP, adjusted for purchasing power differences.

¹¹⁶ Income data is 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 this data do not include a small fraction of immigrants for whom precise countries of origin are not specified in the LFS (e.g. "Caribbean"). Countries not ranked in the 2009 IMF calculations are assigned to income groups, where possible, based on estimates in the *CIA World Factbook*, www.cia.gov/library/publications/the-world-factbook/rankorder/2004rank.html.

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 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 illegally resident — a factor that may have hurt their labor market prospects. Meanwhile, a greater proportion of immigrants from poorer source countries are humanitarian entrants, a group that tends 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 countries that are sufficiently large to analyze individually in the Labour Force Survey, two stand out: immigrants born in Somalia and Iraq (two substantial humanitarian source countries). Both experienced unemployment of over 30 percent in mid-2009.¹¹⁷ By contrast, Indian immigrants — who are concentrated in skilled jobs and who recently have entered in substantial numbers through employment-based channels — have not seen dramatically rising unemployment despite hailing from a less-wealthy source country.

In addition, some of this trend almost certainly results from differences in human capital. Less-wealthy source countries tend to have less-developed educational institutions, so that the same years of schooling do not generate the same returns; curricula and work experiences in those source countries are less likely to be aligned to employers' needs in an advanced industrialized economy such as the United Kingdom; and immigrants from these countries are more likely to lack English language skills.¹¹⁸ In 2009, over 11 percent of immigrants who spoke a language other than English at home were unemployed according to LFS data, compared to between 8 and 9 percent for English speakers. Immigrants who came from low-income countries *and* spoke another language at home saw unemployment approaching an estimated 30 percent.¹¹⁹

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 to \$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

¹¹⁷ About 50 percent of grants of settlement to Iraqi immigrants in 2008 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>.

¹¹⁸ 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).

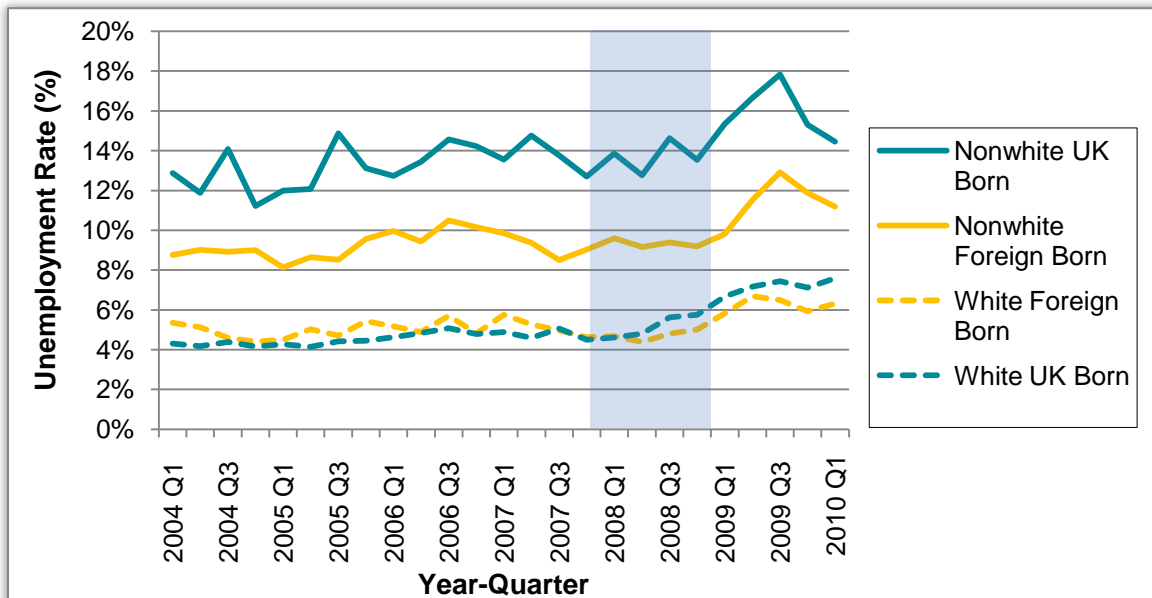
¹¹⁹ Author’s calculations from the LFS.



white ethnic groups, and also saw steeper increases in unemployment over the recession.¹²⁰

Strikingly, visible minorities tend to fare better if they are *not* born in the United Kingdom.¹²¹ 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 UK-5. UK Unemployment, by Minority Status and Nativity, 2004-2009



Source: Labor Force Survey, 2004-2009

Note: excludes individuals who identify their ethnicity as "other race".

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/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.¹²² Some of this disadvantage arises from employer

¹²⁰ 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.

¹²¹ This mirrors trends found in the United States, among other countries.

¹²² 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.

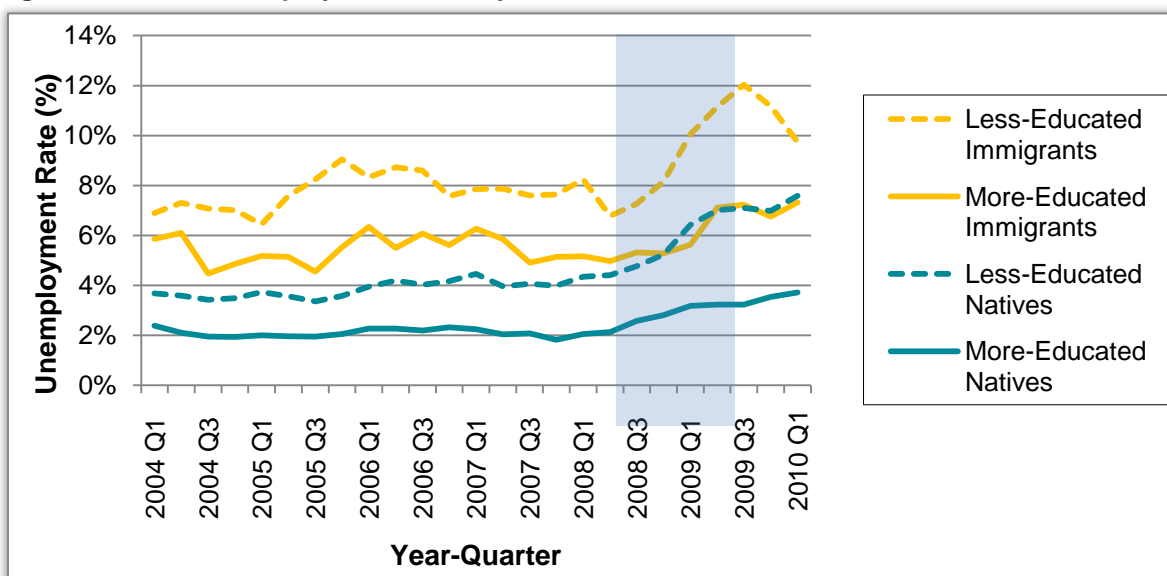
discrimination.¹²³ But it also likely reflects persisting inequality between generations in a country with relatively low income mobility.¹²⁴

B. Education

A second undeniable trend emerging from the crisis is that less-educated workers have fared worse within all major groups, whether native or immigrant. Figure UK-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).¹²⁵

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 has maintained low unemployment rates.

Figure UK-6. UK Unemployment Rate, by Education Level and Birth Status, 2004 to 2009



Source: Labor Force Survey, 2004-2009.

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.

¹²³ Resume testing experiments have shown that job applicants with names associated with a minority ethnic group are less likely to be called to interview than those with “white-sounding” names. See National Equality Panel, *An Anatomy of Economic Inequality*, 234.

¹²⁴ 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.

¹²⁵ 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.



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 in order to reach 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 gap 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 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 (age 27 and above), the immigrant-native gap remained roughly constant at about 3 percentage points before and during the recession.

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.¹²⁶

¹²⁶ Author’s calculations from the LFS.

Unemployment insurance (known as “Jobseeker’s Allowance”) is of particular interest given the rising unemployment rate. In order to qualify for UK unemployment insurance, workers must either have made sufficient tax contributions in the past two years or be on a low income with few 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 jobseekers allowance tend to be younger and more educated, are more likely to have been unemployed for less than three months, more likely to be married, female, and living in a household with children.

During the recession, the proportion of the unemployed receiving unemployment benefits has increased for both immigrants and the UK born, as more workers face 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 Jobseeker’s Allowance at the beginning of 2010 — an increase of 13 and 5 percent, respectively, since early 2008. Immigrants arriving in the last five years were particularly unlikely to receive benefits of any kind, as were those from new EU Member States.¹²⁷ In other words, eligibility restrictions and other factors (such as understanding the benefits system or social norms, among others) appear to have reduced immigrants’ receipt of public benefits by a meaningful amount.

III. 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 rising concern about other topics — namely the economy — appears to have prevented a surge in the relative importance of immigration.¹²⁸ That said, the size of recent immigration flows came under public scrutiny during the recession; and over half of respondents in a 2009 poll opposed “citizens of other EU countries getting a job” in the United Kingdom.¹²⁹ Concerns about immigrants’ impact on public services — schools, hospitals, and transportation — dominate the UK public’s concerns about immigration, which suggests that further discontent could be in the pipeline as the new fiscal austerity begins to bite.

¹²⁷ Author’s calculations from the LFS.

¹²⁸ 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).

¹²⁹ Jean Eaglesham, “FT poll reveals hostility to jobless migrants,” *Financial Times*, March 15, 2009.



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 has been 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.¹³⁰ It also raised the required salaries that Tier 2 employers must pay their workers, and added regulations to the employer-sponsored entry route,¹³¹ 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 GBP585 to GBP1,680; 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.¹³² (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, therefore (the available — if imperfect — data imply that net immigration from the region may briefly have become negative), was 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

¹³⁰ From March 31, 2009, applicants under Tier 1 of the points-based system required a master’s degree, where in the past a bachelor’s degree was sufficient to be eligible for the program. In April 2010, this decision was reversed.

¹³¹ 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.

¹³² 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.

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 introduce some form of cap on immigration numbers. The Liberal Democrats argued for a legalization program and a regional points-based system. Soon after coming to power, the coalition government began a consultation on the implementation of an immigration cap. This 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 policy’s widespread popularity.

Immigration policies announced in the early weeks and months of the new government have focused primarily on raising the skill profile of incoming immigrants and reducing numbers. In the economic stream the government has proposed to raise language requirements for employer-sponsored skilled workers and (subject to consultation) to reduce the total number of self-sponsored, points-based migrants while selecting only those with the highest number of points (previous policy established a basic threshold but imposed no numeric limit). In the meantime, an interim cap was put in place, set at slightly below the level of economic migration at the trough of the recession in 2009. The number of points that self-sponsored migrants required in order to gain admission increased slightly. 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 the Outlook for Coming Years

The United Kingdom’s fiscal deficit of over GBP150 billion in 2009 was without doubt the most salient political issue in mid-2010. The new government has 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 plans to cut more than half as much again).¹³³ In June 2010, the coalition’s emergency budget outlined a fiscal consolidation of about 6 percent of GDP,¹³⁴ powered by cuts of between 25 and 40 percent in the budgets of most government departments — the details of which were expected to emerge from a spending review in October 2010. 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.”¹³⁵

The new fiscal regime could have a profound impact on the shape of the UK economy and its public services. Most of the detail remains to be seen, but it is already clear that many government programs at both the national and local level will be scaled down or

¹³³ Robert Chote, “Post-budget Presentations: Opening Remarks” (presentation at the Institute for Fiscal Studies, June 23, 2010), www.ifs.org.uk/budgets/budgetjune2010/chote.pdf.

¹³⁴ Gemma Tetlow, “Public finances: more done, more quickly” (presentation at the Institute for Fiscal Studies, June 23, 2010), www.ifs.org.uk/budgets/budgetjune2010/tetlow.pdf.

¹³⁵ Ibid.



cancelled entirely. When combined with reductions in welfare spending, the fiscal squeeze inevitably will hit many of the nation's least privileged. Immigrants who fall into this category will shoulder their share of the burden — although probably not disproportionately, for reasons discussed next.

General Impacts on Low Earners and Underprivileged Groups

The welfare budget will shrink in coming years. The June 2010 budget announced various welfare spending reductions, primarily for working tax credits, housing benefit, child benefit, and disability allowances. Tax credit reductions will primarily affect middle-income families (those earning more than about GBP26,000 but less than about GBP50,000).¹³⁶ Child benefit (a nonmeans-tested payment to families with children) has been frozen for three years, and will not rise in line with inflation.¹³⁷ Most immigrants do not claim benefits, reducing the impact of these early public spending decisions. (For example, stricter rules on disability benefits will have a little impact since immigrants rarely receive them). However, A8, African, and Pakistani/Bangladeshi immigrants are overrepresented among recipients of tax credits and child benefit,¹³⁸ and so may feel the pain of reductions in these two areas slightly more.

Second, charities that rely on government funding also face cuts.¹³⁹ This could hurt the least privileged who benefit from the basic services they provide. Proposed reductions in the legal aid budget have also raised concerns, especially for asylum seekers who cannot afford legal fees. In June 2010, Refugee and Migrant Justice, a major aid organization supporting thousands of asylum seekers and victims of trafficking, was allowed to collapse.

A third general impact of fiscal consolidation is on employment in certain sectors and regions. Public capital investment (spending on new infrastructure and maintenance) is set to fall by 50 percent across government departments. School building and affordable housing programs were among the first projects to be cancelled, potentially cutting construction jobs. Meanwhile, the public sector is expected to lose hundreds of thousands of jobs throughout the country over the next five years. That said, immigrants are in fact underrepresented in both the public sector and (with the exception of Eastern Europeans) construction.

¹³⁶ For a more detailed explanation of the welfare benefit changes in the June 2010 budget, see Mike Brewer, "Welfare Savings" (presentation at the Institute for Fiscal Studies, June 23, 2010), www.ifs.org.uk/budgets/budgetjune2010/brewer.pdf.

¹³⁷ Child benefit in the United Kingdom does not depend on income and is available to most immigrants. It is currently a payment of GBP20.30 per week for eldest child and GBP13.40 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.

¹³⁸ Author's calculations from the LFS.

¹³⁹ James Boxell, "Cuts threaten survival of charities," *Financial Times*, August 5, 2010, www.ft.com/cms/s/0/f1cae390-a0c0-11df-badd-00144feabdc0.html.

Public Spending on Immigrant Integration

The United Kingdom currently devotes few hard funds specifically to immigrant integration. For various historical reasons, most integration funding targets ethnic minorities rather than first-generation immigrants.¹⁴⁰ 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 a single policy area, 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 unused to migration. For example, a (relatively small) Migration Impacts Fund, established in March 2009 and funded with 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. These programs seem unlikely to survive the forthcoming budget cuts.

Meanwhile, the UK budget for English language instruction — one of the primary immigrant-specific integration schemes in the country — was already considered insufficient to meet demand for classes before the recession. The full extent of the pressure on adult education and post-secondary vocational training is not yet clear. But spending of this kind is likely to be under threat as all government departments are forced to cut huge sums from their budgets.¹⁴¹

IV. 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.

¹⁴⁰ For example, much of the spending on English as a Second Language programs is made through the Ethnic Minority Achievement Grant available to schools.

¹⁴¹ Under Labour, approximately GBP300 million (USD465 million) per year was devoted to funding language training for 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.



Recently arrived African and Pakistani/Bangladeshi immigrants have indeed experienced particularly high unemployment.¹⁴² 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. In early 2010, A8 unemployment was approximately 6 percent compared to 7.9 percent for the UK born.¹⁴³ 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.¹⁴⁴ 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).¹⁴⁵ 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 15-20 percent since its peak at the end of 2007,¹⁴⁶ while the rapid growth of the A8 population in the United Kingdom came to a halt at the beginning of 2008, after which the population has remained roughly constant at about 700,000.¹⁴⁷ In both countries, Eastern Europeans earned lower wages than other immigrant groups and were concentrated in low-skilled, cyclical industries.¹⁴⁸ 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),¹⁴⁹ 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),¹⁵⁰ 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.

¹⁴² Immigrants from Pakistan/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.

¹⁴³ Author's calculations from the LFS, Q1 2010.

¹⁴⁴ 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.

¹⁴⁵ See Ireland case study in this report; and Sumption and Somerville, *The UK's New Europeans*.

¹⁴⁶ Calculations from Central Statistics Office's Quarterly National Household Survey (QNHS), 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.

¹⁴⁷ Author's calculations from the LFS, 2004-2009.

¹⁴⁸ 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.

¹⁴⁹ 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.

¹⁵⁰ 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.

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.¹⁵¹ Any changes to the nature of the A8 population in the United Kingdom will likely affect integration and the 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 new 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 routine middle-skilled workers performing routine tasks.¹⁵² This implies that employers' demand for immigrants to perform less-skilled work will continue; currently Eastern European immigrants meet this demand and their numbers are highly responsive to economic conditions. 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 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 long-standing 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 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. The new government's approach to immigrant integration is far from clear, but there are few signs of any intention to

¹⁵¹ Sumption and Somerville, *The UK's New Europeans*.

¹⁵² 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.



implement an overarching integration “strategy.” 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 — from circular migration from EU Member States to short-term flows from outside the European Union and particularly India, which is now the origin of a large number of workers coming to the United Kingdom temporarily to work in sectors such as IT. 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. 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). This could create new challenges to policymakers’ efforts to sustain social cohesion and make the most of immigration to the United Kingdom.

Migration, Integration, and the Labor Market after the Recession in Germany

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I. Introduction

Although the world recession hit Germany more deeply 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 lowest of all OECD countries. Three factors are responsible for the mild response: a huge reduction in working hours; 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 experienced much higher unemployment than natives 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 were moderate. One reason is that the recession primarily hit middle- and highly qualified people,¹⁵³ and among qualified workers, the share of migrants is 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.

Before the crisis, many OECD countries considered increased migration as a way to remedy their labor market shortages and to compensate for declines in their population. Germany was an exception before the recession. Immigration — especially labor market immigration — was minimal even before the recession, both compared to Germany's past experience and to other countries. The inflow of highly qualified or self-employed immigrants obtaining a German permanent residence permit was already very low in 2008 (689) and increased only slightly in 2009 (896). The inflow of qualified immigrants

¹⁵³ High, middle, and low qualifications refer respectively to those with a university degree, vocational training, and no vocational training.



granted a temporary residence permit did not change at all between 2008 and 2009 — staying around 28,000 annually.¹⁵⁴

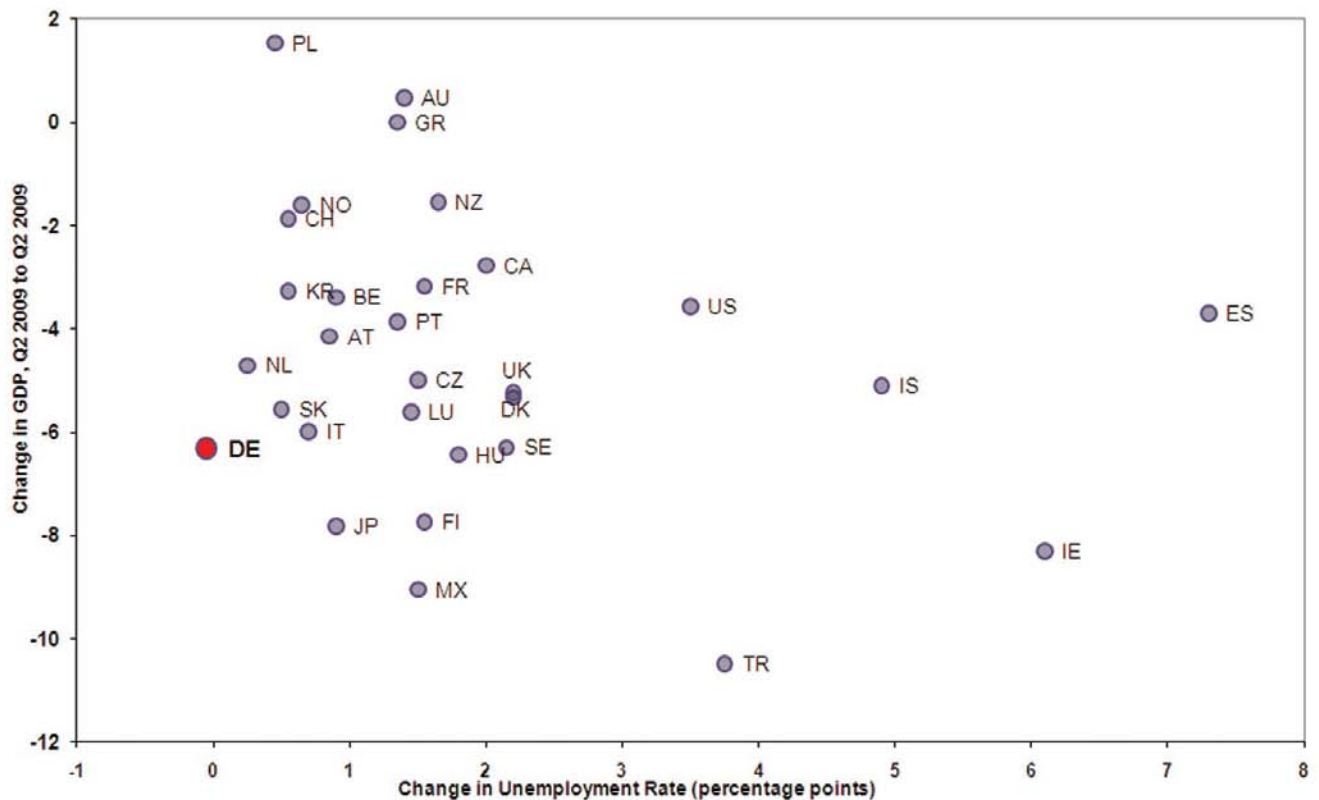
This case study examines the global economic crisis, how it has affected the German labor market, and why the impact of the recession has been so small. It analyzes the impact of the crisis on the labor market integration of migrants and on their employment and unemployment. It also discusses policy reactions to the recession and provides an outlook for the future and some policy conclusions to address the structural barriers facing migrants in the labor market.

II. The Global Economic Crisis and the German Labor Market: Better than Expected?

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

¹⁵⁴ Bundesagentur für Arbeit (BA), “Arbeitsgenehmigungen und Zustimmungen 2008 Arbeitsmarkt in Zahlen. Statistik der Bundesagentur für Arbeit” (Nuremberg: BA, 2009), www.pub.arbeitsagentur.de/hst/services/statistik/200812/ijia6/ae/aezu_d.pdf; BA, “Arbeitsgenehmigungen und Zustimmungen 2009 Arbeitsmarkt in Zahlen. Statistik der Bundesagentur für Arbeit” (Nuremberg: BA, 2010), www.pub.arbeitsagentur.de/hst/services/statistik/200912/ijia6/ae/aezu_d.pdf.

Figure DE-1. Real GDP Growth and Change in Unemployment Rate for OECD Countries, Q2 2008 to Q2 2009



Note: Country abbreviations are: 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-Netherlands, 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, *Die Zukunft nicht aufs Spiel setzen*. First presented in Joachim Moeller, “The German labor market response in the world recession” in *Zeitschrift für Arbeitsmarktforschung* 42 (4): 325-336.

The number of overall registered unemployed in Germany increased by around 155,000 in 2009, just 0.4 percentage points. 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 economist Joachim Moeller that aims to “demystify” what 2008 Nobel Prize winner Paul Krugman described as “Germany’s jobs miracle.”¹⁵⁵

The 2008-2009 downturn was the sharpest in Germany since World War II. In the past, employment tracked declines in real GDP with a lag. By contrast, recent experience has been much more favorable than expected based on past experience.¹⁵⁶ Moeller discusses three main reasons for this.

¹⁵⁵ Joachim Moeller, “The German labor market response in the world recession – de-mystifying a miracle,” *Zeitschrift für Arbeitsmarktforschung* 42 no. 4 (2010): 325-336.

¹⁵⁶ Moeller, “The German labor market response in the world recession.”



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, in the past, there had been increased use of flexible working hours through working-hours accounts. In the boom period, a surplus of working hours was accumulated on these accounts, and, at the beginning of the recession, a buffer stock was available. This channel of internal flexibility enabled those firms to reduce their working hours massively, at a time when they were 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 was the short-time working policy (*Kurzarbeit*), a subsidy program that supplements the wages of workers whose hours are reduced for economic reasons.¹⁵⁷ 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. Use of the short-time work program in 2009 reached its highest level since the post-reunification period. The state short-time allowance has saved jobs and thus reduced unemployment.

Not all industrial sectors were equally affected by short-time work. It was most heavily used in manufacturing. 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. Engineering was strongly affected, with 24.7 percent of employees on short-time work; as was the manufacture of electrical equipment (21.9 percent) and the car industry (21.5 percent).¹⁵⁸

¹⁵⁷ 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 other things, 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*. 2010, www.einsatz-fuer-arbeit.de/sites/generator/29874/Startseite.html.

¹⁵⁸ BA, "Report on the labor market: the labor market in Germany — a year of crisis for the German labor market" (Nuremberg: BA, 2009), www.pub.arbeitsagentur.de/hst/services/statistik/000100/html/sonder/a_year_of_crisis_for_the_german_labour_market.pdf.

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

Since autumn 2008, the global economic crisis has been clearly felt in the labor market statistics — particularly in the area of short-time work — although its effects are also notable in the figures for unemployment as well as employment subject to social insurance contributions.¹⁵⁹

A. Development of Unemployment

As previously mentioned, immigrants experienced much higher unemployment than natives before the recession, and the gap remains wide today. Differences exist by gender, economic sectors, nationalities, and regions. The unemployment rate was 8 percent for Germans and 17.1 percent for migrants (defined throughout this paper as foreign nationals) in February 2010.¹⁶⁰ The ratio between the two rates has been very stable over the last two decades, with migrant unemployment 2.5 to 2.7 times higher than the rate for 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 migrants (an increase of 2.5 percent or 0.2 percentage points); and from 7.8 to 8.0 percent for natives (an increase of 2.6 percent or 0.2 percentage points).¹⁶¹

Figure DE-2 shows the enormous regional disparities in unemployment for natives as well as for migrants. Eastern Germany has far greater labor market problems than the western part. In some areas of Eastern Germany, foreign nationals' unemployment rate had 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 make up 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"¹⁶² but were born

¹⁵⁹ 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 only available 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, Februar 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 only covers employees subject to social insurance contributions.

¹⁶⁰ BA, "Analyse des Arbeitsmarktes für Ausländer Februar 2010," *Analytikreport der Statistik*, März 2010, (Nuremberg: BA, 2010),

www.pub.arbeitsagentur.de/hst/services/statistik/000200/html/analytik/auslaender-analytikreport_2010-02.pdf.

¹⁶¹ Ibid.

¹⁶² 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.



in Germany, making a total of 19 percent of the population with a migration background. In West Germany (including Berlin), however, individuals with a migration background make up 21.7 percent and in East Germany, only 4.7 percent.¹⁶³ This unequal distribution is the legacy of the guest worker program operated in West Germany from 1955 to 1973. The recruitment program was designed to attract low-skilled workers. In Germany, most guest workers were employed in manufacturing, notably in the construction, mining, and metal industries located in the west and south.¹⁶⁴

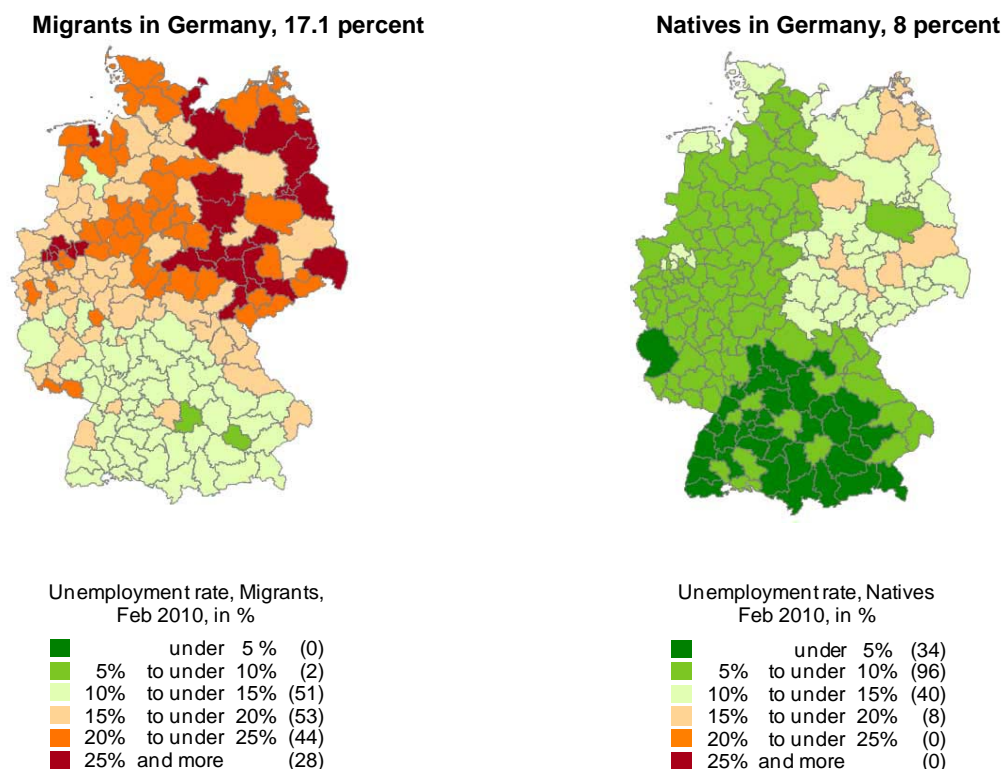
These regions, with export-driven industries, have been worst affected during the crisis. The rise in unemployment in southern and western Germany was early and sharp; eastern Germany was less affected.

¹⁶³ Statistisches Bundesamt, "Bevölkerung mit Migrationshintergrund - Ergebnisse des Mikrozensus 2008," Fachserie 1 Reihe 2.2, Februar 2010, Table 5I

www-ec.destatis.de/csp/shop/sfg/bpm.html.cms.cBroker.cls?cmspath=struktur.vollanzeige.csp&ID=1025212.

¹⁶⁴ 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 2010 (Nuremberg: Institute for Employment Research, forthcoming 2010).

Figure DE-2. German Unemployment Rate (%), by Region and Nativity, February 2010



Source: BA statistics, author's calculations.

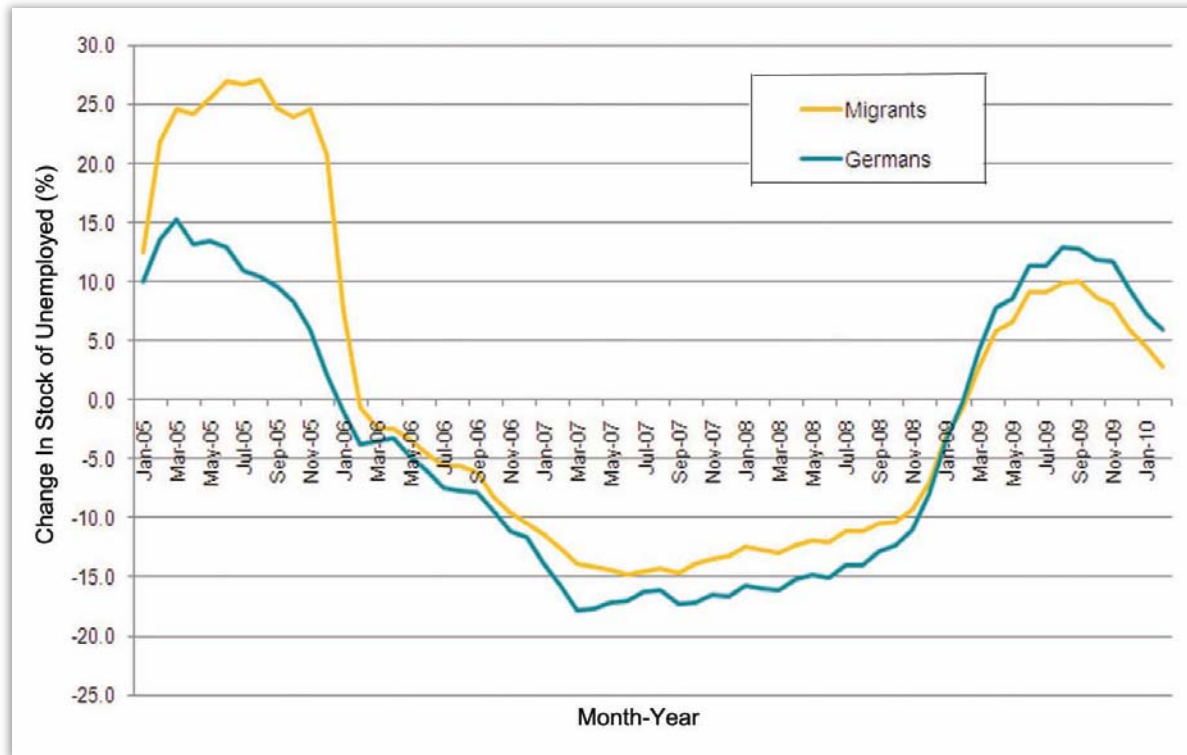
B. Unemployment Patterns 2005 to 2010: Differences Between Migrants and Germans

Overall, foreign nationals made up about 19 percent of all unemployed during the 2008-2010 period and this proportion has stayed stable over time. Both Germans and migrants have suffered unemployment increases during the recent recession, but the increases and decreases have been larger in percentage terms for Germans. (Of course, migrants entered the recession with high unemployment, 2.5 times the rate of natives. This rate has been stable for the last two decades. The main increase occurred in the 1980s and unemployment has remained at a high level ever since).

Figure DE-3 shows the percent change in the stock of unemployed persons for migrants and natives compared to the same month of the previous year. Until January 2009, migrants lost jobs faster when unemployment was rising and gained jobs more slowly when unemployment was falling. 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 DE-3. Change in Stock of Unemployed in Germany Since Same Month of Previous Year, Migrants and Natives (%), January 2005 to February 2010



Source: BA statistics, author's calculations.

C. Development of Unemployment by Qualification Level

More educated workers tend to have higher employment, lower unemployment, and better-paid, more stable jobs; qualifications are the main basis for smooth labor market integration. Migrants are overrepresented among the low-qualified in Germany. Around one-third of employed foreign nationals have low qualifications — around double the share for natives (29 percent versus 14.1 percent). About 60 out of 100 natives have vocational training (middle qualification), which is the main route into stable employment in Germany's occupationally segmented labor market. By contrast, only 30 out of every 100 migrants possess this main entrance ticket. 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 last decade, even if we only consider workers with jobs and not the unemployed or nonparticipants in the labor force.¹⁶⁵

The low qualification level of migrants, even among their children, shows that integration policy in Germany can boast only the most modest of successes. Germany's almost impermeable education system has entrenched low qualification levels among

¹⁶⁵ Author's calculations from BA, Statistics.

migrants.¹⁶⁶ The education and qualification level of parents is still the strongest determinant of their children’s educational 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 DE-1 shows clearly that for both migrants and natives, middle- and highly qualified people made up an increasing share of the total unemployed population from 2009 to 2010 (row 2, 3, 6, and 7).¹⁶⁷ These trends are quite unusual. In previous recessions, low-educated workers have been affected significantly worse by business cycles than the highly educated.¹⁶⁸

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

Table DE-1. Development of Unemployment in Germany by Qualification, Migrants and Natives, 2009 to 2010

| | Unemployed Germans by qualification (%) | | | | Unemployed Migrants by qualification (%) | | | |
|-------------------------------|---|----------------------|--------------------|--------------|--|----------------------|--------------------|--------------|
| | Low qualification | Middle qualification | High qualification | Not reported | Low qualification | Middle qualification | High qualification | Not reported |
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| Jan 2009 | 44.2% | 49.9% | 5.5% | 0.4% | 77.7% | 17.9% | 4.1% | -2.2% |
| Jan 2010 | 41.5% | 52.3% | 5.9% | 0.3% | 76.5% | 18.7% | 4.5% | 0.3% |
| Feb 2010 | 41.1% | 52.9% | 5.7% | 0.4% | 76.3% | 18.8% | 4.4% | 0.4% |
| % change in number unemployed | | | | | | | | |
| Jan 2010 - Jan 2009 | -2.3% | 16.4% | 23.7% | -9.6% | 0.4% | 16.5% | 24.5% | -0.6% |
| Feb 2010 - Feb 2009 | -2.1% | 14.4% | 27.8% | -19.0% | 1.0% | 16.1% | 26.7% | -10.5% |
| Feb 2010 - Jan 2009 | -3.0% | 12.4% | 24.4% | -8.8% | -0.3% | 12.4% | 22.8% | 1.6% |

Source: BA statistics, author’s calculations.

¹⁶⁶ 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.

¹⁶⁷ Data for unemployment by qualification is only available since January 2009 due to data restrictions.

¹⁶⁸ Christian Dustmann, Albrecht Gitz, 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, 2006), www.econ.ucl.ac.uk/cream/pages/CDP/CDP_09_06.pdf.



D. Unemployment by Duration/Type of Unemployment Benefits¹⁶⁹

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 the requirements, the unemployed receive basic social security (*Arbeitslosengeld II*), which is usually much lower.¹⁷⁰ Individuals on basic social security, therefore, have been unemployed for longer and have a lesser 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 DE-1). Migrants experience more long-term unemployment for several reasons, including low education and professional qualifications, insufficient language skills, and the nonrecognition of foreign credentials.¹⁷¹

During the recession, the increase in unemployment was mainly concentrated in “short-term” unemployment insurance. This is the result of the high number of new cases of unemployment against the relatively small number of cases of people returning to work after unemployment. When we distinguish between short- and long-term unemployment, it becomes clear that the increase for Germans has been larger. The number of migrants receiving full unemployment benefits increased by “only” 1.3 percent (1,617) from February 2009 to February 2010, whereas for Germans the increase was 9.9 percent (40,842). Migrants were less hit by job losses and therefore made fewer new unemployment insurance applications.

By contrast, the number of migrants receiving basic social security for the long-term unemployed increased by 3.3 percent, almost eight 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. (Appendix 1 shows this data in more detail.)

At first glance, the recession that started in 2008 has 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

¹⁶⁹ The unemployment insurance data in this section refer to West Germany, including Berlin.

¹⁷⁰ *Arbeitslosengeld II* brought together the former “unemployment benefits,” unemployment benefit for long-term unemployed (*Arbeitslosenhilfe*) and the welfare benefits (*Sozialhilfe*), leaving them both at approximately the lower level of the former *Sozialhilfe* (SGBII).

¹⁷¹ Bundesministerium für Arbeit und Soziales, *Wirkungen von SGB II auf Personen mit Migrationshintergrund* (Berlin: Bundesministerium für Arbeit und Soziales, 2009).

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.

E. The Impact of the Crisis on Employment (including employment subject to social insurance contributions)

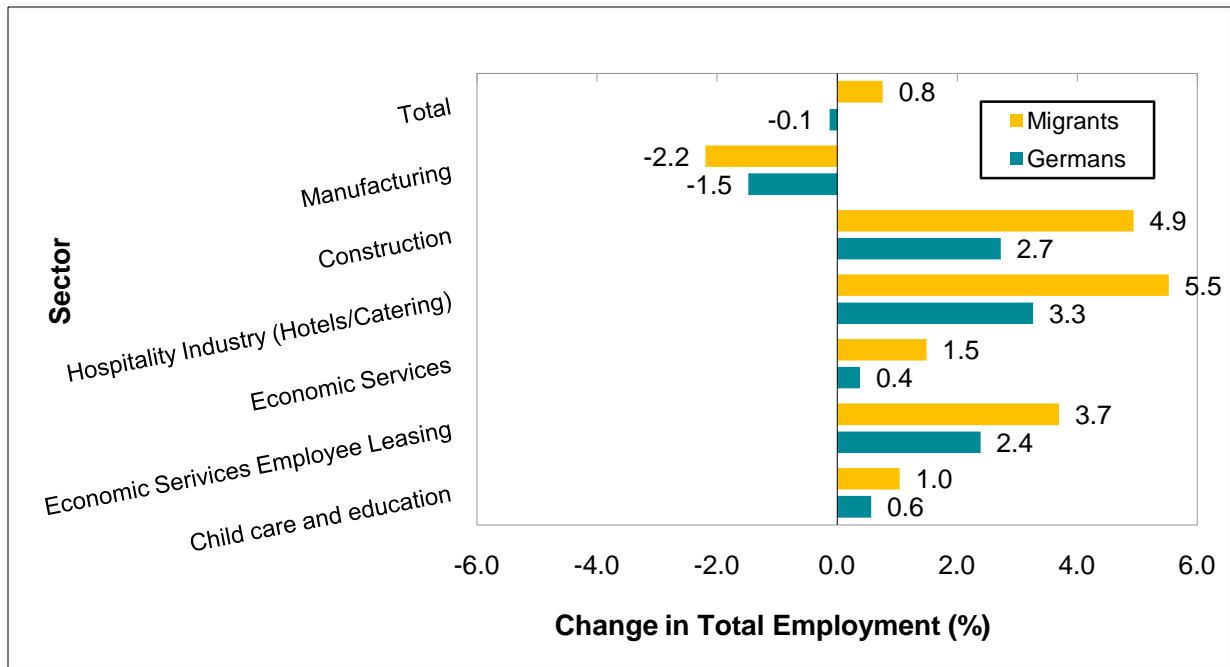
The slump in the economy has so far had a relatively moderate impact on employment, including employment subject to social insurance contributions. However, the impacts have varied significantly by sector, with industry and trade the most strongly affected. Given the low share of immigrant employees in East Germany and the fact that the crisis had its strongest impact in West Germany, the following analysis concentrates on West Germany, including Berlin.¹⁷²

Figure DE-4 shows the impact of the crisis by branch of industry from March 2009 to June 2009 in West Germany and Berlin. As expected, the main loss for both groups has been in manufacturing, and job losses in manufacturing were higher (in percentage terms) for migrants. Migrants improved their situation in sectors that they already dominated, such as hospitality. Note that the absolute number of migrants is low compared to natives, so that a small absolute improvement means a large percentage increase.

¹⁷² Berlin is located in East Germany, but its migrant population much more closely resembles that of West Germany (its population is 24.1 percent migrant, compared to 21.5 percent for West Germany but only 4.7 percent for East Germany). 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.



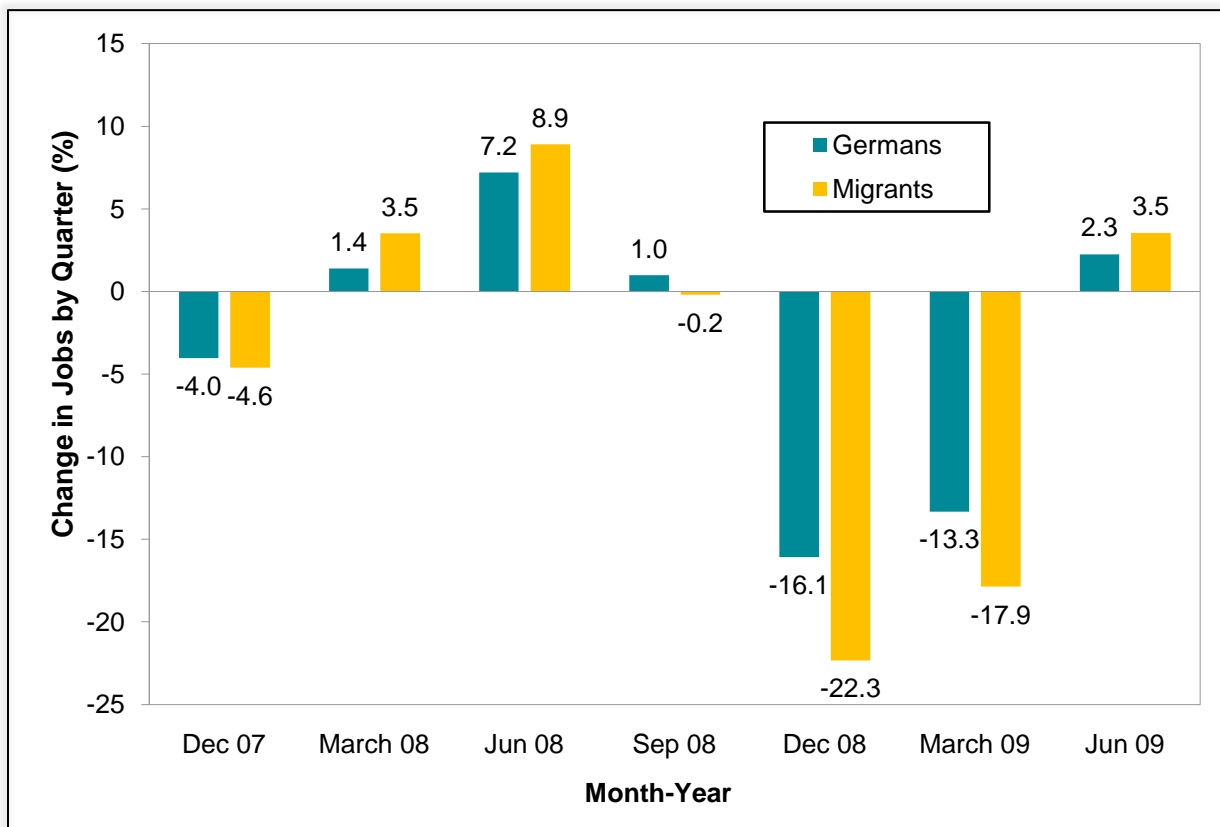
Figure DE-4. Percentage Change in Total Employment in Selected Sectors, Migrants and Natives, West Germany (including Berlin), March 2009 to March 2010



Source: BA statistics, author's calculations.

Temporary work (*Leiharbeit*) is always considered a precursor of the mood in the labor market. And temporary work is controversial due to working conditions and the greater difficulty to get into the “primary” labor market and also because the share of immigrant temporary workers is double compared to non-migrants (3.5 percent to 1.7 percent). Figure DE-5 shows the change in the number of employees in the temporary work sector compared to the previous quarter, for migrants and Germans. Both groups were hit badly in the fourth quarter of 2008, but the impact was worse for migrants (-22.3 percent). The decline bottomed out in the first quarter of 2009 but was still large — and larger for migrants. By the second quarter of 2009, there was an increase — but it was very small for both groups.

Figure DE-5. Impact of the Crisis on Temporary Workers by Change in Jobs Compared to Previous Quarter (%), Migrants and Natives, December 2007 to June 2009, West Germany (including Berlin)



Source: BA statistics, author's calculations.

IV. Outlook and Conclusions

At first glance, the recession that began in 2008 has not hit migrants as hard as one might expect 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 driven this phenomenon. Rather than being forced by employment-protection policies, the absence of a large wave of dismissals so far was — and is — a decision deliberately and voluntarily taken by firms.¹⁷³

Second, the crisis hit companies with relatively well-qualified employees, primarily exporters in Germany's economically robust regions. Even here, the job losses were

¹⁷³ Joachim Moeller, "The German labor market response in the world recession – de-mystifying a miracle," *Zeitschrift für Arbeitsmarktforschung* 42 no. 4 (2010): 336.



moderate. Since job cuts would mean a huge loss of firm-specific knowledge, labor hoarding and short-time work were highly attractive for the companies. 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 for the low qualified. 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 natives. 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 have poor working conditions.

Policy Conclusions

There have not been any migrant-specific measures or policy reactions to the crisis, because the crisis hit specific regions and specific branches, not specific labor market groups.

There are several signs of stabilization in the economic situation. But early indicators make an unfavorable development in the labor market appear likely, particularly in the coming months.¹⁷⁴ On the other side, there must be consideration that the unusual amount of labor hoarding will put some stress on firms' financial situation and will increase unit labor costs. As Moeller points out, "the flip side of the employment stability is an extended period of jobless growth during the recovery."¹⁷⁵ This will make immigrant integration — and the reduction of the very high levels of migrant unemployment — particularly important.

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.¹⁷⁶ The problems of labor market integration of migrants are the same as before the crisis: on average migrants have low education and qualification levels and higher unemployment rates. During what

¹⁷⁴ There will be long-term impacts from the recession that we cannot predict now. Schmieder et al show that workers displaced from stable jobs during mass layoffs amid 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 (like Germany) 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).

¹⁷⁵ Joachim Moeller, "The German labor market response in the world recession – de-mystifying a miracle."

¹⁷⁶ 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.

is expected to be an extended period of jobless growth during the recovery, the structural barriers facing migrants are likely to remain problematic. Many migrants will face significant difficulties reintegrating into the labor market; even if they have comparable education and qualifications to natives, it is much harder for them to get vocational training or a job. Therefore it is absolutely necessary to prevent structural disadvantages, to foster measures of 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 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 — 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.



Migrants and Migration in Ireland: Adjusting to a New Reality?

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I. Introduction and Economic Background

Ireland has historically been a country of emigration. However, 1996 marked a great turning point, as Ireland became a country of net immigration for the first time in decades. The onset of the recession in 2008 marked another shift in migration patterns, and this case study examines how the recession has affected immigration and whether immigrants have fared worse than natives in the Irish labor market. Data from the Central Statistics Office (CSO) tends to confirm that they have. However, immigrants in Ireland, despite being comparatively well-educated and young as a group, have been differentially affected by the recession with immigrants from the accession states¹⁷⁷ suffering most adversely while those from the European Union-15¹⁷⁸ less so.

Over the last 15 years, high and sustained levels of immigration have transformed Irish society. Given the recent nature of this immigration, the category of immigrants and non-Irish nationals will be treated synonymously 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 (EU). The vast majority of this increase was a result of immigration.¹⁷⁹

Before the recession, Ireland was the fourth most affluent country in the Organization for Economic Cooperation and Development (OECD). Notwithstanding an initial policy shift towards economic liberalization in the 1960s and Irish membership in 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” —

¹⁷⁷ 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.

¹⁷⁸ The first 15 EU Member States: Austria, Belgium, Denmark, France, Finland, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden, and the United Kingdom.

¹⁷⁹ 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. 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.

was the 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 an economy increasingly based on technology and services.¹⁸⁰

Employment growth was engendered by and concentrated in the services 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 labor market expansion, especially after 2001. In order to escape an economic downturn, the government deregulated and stimulated high levels of investment in the property and housing market. This 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.¹⁸¹ The result was a rapid overall expansion in the construction sector, including massive growth 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 2006,¹⁸² 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 2006.¹⁸³

II. 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, which is 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 come from the European Union and are, on the whole, well qualified. The census estimates that 275,775 individuals from the EU-25 were resident in 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. The European nationals who had migrated to Ireland were followed by nationals from Asia (11 percent), Africa (6 percent), and North and South America (5 percent).

¹⁸⁰ FDI in Ireland in 2006 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 Minister of State for Labour Affairs Tony Killeen, speech at the launch of Jobs Ireland, New York, October 20, 2006, www.entemp.ie/press/2006/20061020c.htm.

¹⁸¹ See Central Intelligence Agency (CIA), *The World Factbook, Ireland* (Washington, DC: CIA, 2010), www.cia.gov/library/publications/the-world-factbook/geos/ei.html.

¹⁸² See Central Statistics Office Ireland (CSO), "Measuring Ireland's Progress, 2006," (Dublin: CSO, 2007), www.cso.ie/newsevents/pressrelease_measuringirelandsprogress2006.htm.

¹⁸³ CSO, "National Employment Survey 2006" (Dublin: CSO, 2007) <http://www.cso.ie/releasespublications/documents/earnings/nes2006/nes.pdf>.



Although 188 different nationalities are estimated to be residing in Ireland, 82 percent are estimated to be from just from ten countries.¹⁸⁴ According to the 2006 census, the largest, and paradoxically least discussed, group of non-Irish nationals was from the United Kingdom (see Table IE-1).

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

| Country | Number of Non-Irish Nationals | Percent 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 the census question on ethnic and cultural background. Ninety-five percent of the population identified themselves as white while only 1.3 percent identified themselves as Asian and 1 percent as black (though these figures are open to question and most would consider them to underestimate racial diversity).

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

The population of non-Irish nationals is predominantly of working age. Only 12 percent of immigrants are children while the number of those over the age of 65 stands at about 3.5 percent. The vast majority, 83 percent, are of working age (15 to 64 years of age).

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 the 1,812 Swedes. Ireland is still predominantly Catholic, with the latter accounting for 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, a relatively large number (51 percent) of non-Irish nationals did too.¹⁸⁵ The 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, with more Muslims than Presbyterians.

¹⁸⁴ 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.

¹⁸⁵ CSO, "Census 2006. Non-Irish Nationals Living in Ireland."

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, compared to 28 percent of Irish nationals¹⁸⁶— 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.¹⁸⁷ However, it should be noted that there are wide differences between nationalities. Census data indicates that approximately three-quarters of people from the EU-15, excluding Ireland and the United Kingdom, were educated to tertiary level. The equivalent figure for people from the rest of the world was just under 50 percent.¹⁸⁸

B. Modes of Entry

Immigrants can come to live and work in Ireland through a number of channels. The majority arrived as EU nationals following the 2004 expansion of the European Union. More than 120,000 people from the ten new accession states were present in 2006. Non-EU/European Economic Area (EEA)¹⁸⁹ nationals have entered into Ireland through various migration mechanisms. In order to work they can enter through a work-permit system (from 1999 to 2010, about 130,000 work permits were issued, not including renewals) or the work authorization/visa system (in which 11,000 were issued from 2000 to 2005); the latter system, which was geared towards high-skilled immigrants, was replaced by a “green card” system in February 2007. Only immigrants earning over 60,000 euros can apply for a green card while those earning between 30,000 and 59,000 euros in selected occupations may also apply. Given their restricted eligibility, fewer than 4,000 green cards have been issued since 2007.

Non-Irish nationals can also enter as asylum seekers (from 1992 to the end of 2006 there were 72,728 applications for asylum). Asylum seekers are not, however, entitled to work. Others immigrants arrive as students. In 2004, there were 21,270 non-EEA students registered in Ireland. Students who are registered for higher education courses can work part-time for 20 hours per week and full-time during holiday periods. Finally, dependents and spouses of work-permit holders have also immigrated to Ireland. However, figures for family reunification remain generally low.

¹⁸⁶ CSO, “Census 2006 Volume 10 – Education and Qualifications. Table 31,” <http://beyond2020.cso.ie/Census/TableViewer/tableView.aspx?ReportId=76961>.

¹⁸⁷ CSO, “Census 2006. Non-Irish Nationals Living in Ireland.”

¹⁸⁸ CSO, “Census 2006 Volume 10 – Education and Qualifications. Table 31.”

¹⁸⁹ The EEA includes European Union Member States plus Norway, Iceland, and Liechtenstein.



III. 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, recovering more robustly in 2011.¹⁹⁰ The downturn was caused by a number of intertwined international and domestic factors.

First, Ireland is a small, open, and highly globalized economy. According to the AT Kearney Globalisation Index, Ireland is the second most globalized economy in the world.¹⁹¹ The Irish economy relied strongly on foreign-owned firms, responsible for over 90 percent of exports in the country;¹⁹² these firms dramatically reduced their investment in 2008.¹⁹³ A further causal determinant was an overdependence on property and construction.

The decline in the construction sector, which still contains many newly built and unsold homes and where property prices have fallen by as much as 50 percent, also had repercussions for the Irish banking industry. Banks had given 60 percent of their loans towards property by the end of 2005; many of these loans could not be paid back when the recession hit.¹⁹⁴ Third, the government's policy of maintaining light financial regulation in order to attract international financial services and investment for the benefit of business interests also played a role in the recession. Finally, as is the case with a number of other developed OECD countries, there had been a general long-term decline in manufacturing.

Low levels of savings and debt-burdened consumers exacerbated the economic problems ensuing from the recession: collapse in the property sector, acute credit crunch, systemic banking and financial crisis, and a shortfall in public finances resulting in part from one of the lowest corporation taxes in Europe (12.5 percent). The state of public finances took on increasing importance as the recession progressed. In 2009, Ireland faced a government deficit of 11.8 percent, and concerns about the government's ability to pay its debts became increasingly salient. The government was among the first EU countries to make significant cuts to public spending, and some economists have held this "counter-stimulus" responsible for some of the depth and length of the Irish recession. Even

¹⁹⁰ According to projections from the Economic and Social Research Institute, "Quarterly Economic Commentary, Summer 2010" (Dublin: Economic and Social Research Institute, 2010), http://www.esri.ie/UserFiles/publications/RB20100201/OEC2010Sum_ES_Summary%20Table.pdf.

¹⁹¹ Kieran Allen, *The Corporate Takeover of Ireland* (Dublin: Irish Academic Press, June 2007).

¹⁹² 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

¹⁹³ 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.

¹⁹⁴ Allan Kearns and Maria Woods, "The Concentration in Property-Related Lending: A Financial Stability Perspective" (Central Bank of Ireland Financial Stability Report 2006), www.centralbank.ie/data/FinStaRepFiles/The%20Concentration%20in%20Property-Related%20Lending%20-%20a%20Financial%20Stability%20Perspective.pdf.

despite these cuts, the credit rating agency, Moody's, downgraded Ireland's sovereign debt in July 2010.

Although the recession is officially over, unemployment has continued to rise, and stood at 13.4 percent in June 2010.¹⁹⁵ However, 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 in most sectors of the economy. However, certain occupational sectors have been especially affected (see Table IE-2). Curtailed construction and manufacturing output and employment has been matched by a contraction in employment in the industrial and agricultural sectors.

Table IE-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 |
| Admin and Support | -7 |
| Accommodation and Food | 4 |
| Information and Communication | 6 |

Source: CSO, Quarterly National Household Survey (QNHS), 2008-2009.

The scale and rapidity of job losses in the recession has been extraordinary. In the Quarterly National Household Survey (QNHS) covering the fourth quarter of 2008, there were 2,052,000 persons employed, an annual decrease of 86,900 from 2007, or 4.1 percent. This represented the largest annual decrease in employment since the Labor Force Survey was first undertaken in 1975. In the fourth quarter of 2009, employment over the year fell by another 8.1 percent to just 1,887,700. More than 60 percent of the drop in male employment is attributable to a 77,000-person fall in the number of males employed in the construction sector.¹⁹⁶ The number of unemployed now stands at 12.4 percent compared to just over 4 percent in 2004.

IV. 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 fall in the number of work permits and

¹⁹⁵ CSO, Live Register. June 2010, www.cso.ie/releasespublications/documents/labour_market/current/lreg.pdf.

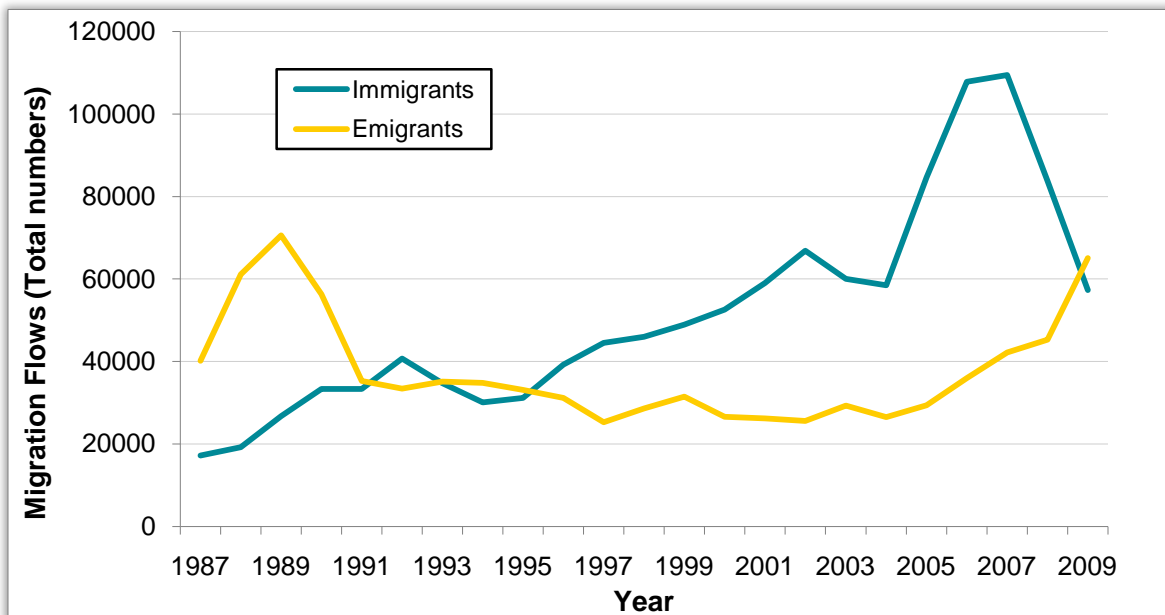
¹⁹⁶ CSO, "Quarterly National Household Survey, Quarter 4, 2009," (news release, March 24, 2010), www.cso.ie/releasespublications/documents/labour_market/current/qnhs.pdf.



Public Personal Service Numbers (PPSNs) issued.¹⁹⁷ In 2008, 127,695 PPSNs were allocated to foreign nationals, down almost a third compared to 2006.¹⁹⁸ In the first two months of 2010, the number of work permits was more than 60 percent lower than in the first two months of 2008 (1,441 compared to 3,837).

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

Figure IE-1. Migration Flows to and from Ireland, 1987 to 2009



Note: Includes outflows and returns of Irish nationals.

Source: CSO Population and Migration Estimates, April 2009,

www.cso.ie/releasespublications/documents/population/current/popmig.pdf.

In September 2009, more people began to leave Ireland than to enter it for the first time in 15 years. 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 2000s boom.¹⁹⁹ 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 showed a decline, with those from EU-12 countries showing the biggest fall.²⁰⁰

¹⁹⁷ The PPSN number 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.

¹⁹⁸ CSO, *Foreign Nationals: PPSN Allocations, Employment and Social Welfare Activity 2008* (Dublin: CSO, 2009). www.cso.ie/releasespublications/documents/labour_market/current/ppsn.pdf.

¹⁹⁹ 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.

²⁰⁰ Immigration from EU-12 countries dropped from 33,700 in April 2008 to 13,500 in April 2009, according to CSO, Population and Migration Estimates, 2009,

Figures in Ireland indicate that more than half the foreign nationals who registered for PPSN numbers in 2004 no longer appeared in employment or welfare statistics in 2008, suggesting that many had left the country.²⁰¹ Between early 2008 and early 2010, the number of foreign nationals over age 15 in Ireland fell by an estimated 20 percent.²⁰² Despite some return migration, however, 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 can 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 different nationalities attended primary school in 2007-08.²⁰³ Many of these workers wish to become part of 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 and for long-term residency permits. Over the last decade, there have been almost 50,000 applications for naturalization.

A. 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 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 for Irish nationals by over 6 percentage points (from 59 to 53 percent), compared to 11 percentage points (from 71 to 60 percent) for nonnationals. In other words, the impact on nonnationals' employment and participation was about twice that of Irish nationals.²⁰⁴

Unemployment

Since the recession, unemployment has risen sharply from 4 percent from just over a few years ago to approximately 13 percent in early 2010, and generalized fear has emerged about future employment prospects and the threat of job losses. Unemployment is somewhat higher for non-Irish nationals, and this gap widened substantially during 2009 (see Figure IE-2).

www.cso.ie/releasespublications/documents/population/current/popmig.pdf. The EU-12 are the ten countries that joined the European Union in 2004 plus Bulgaria and Romania, which joined in 2007.

²⁰¹ CSO, *Foreign Nationals*.

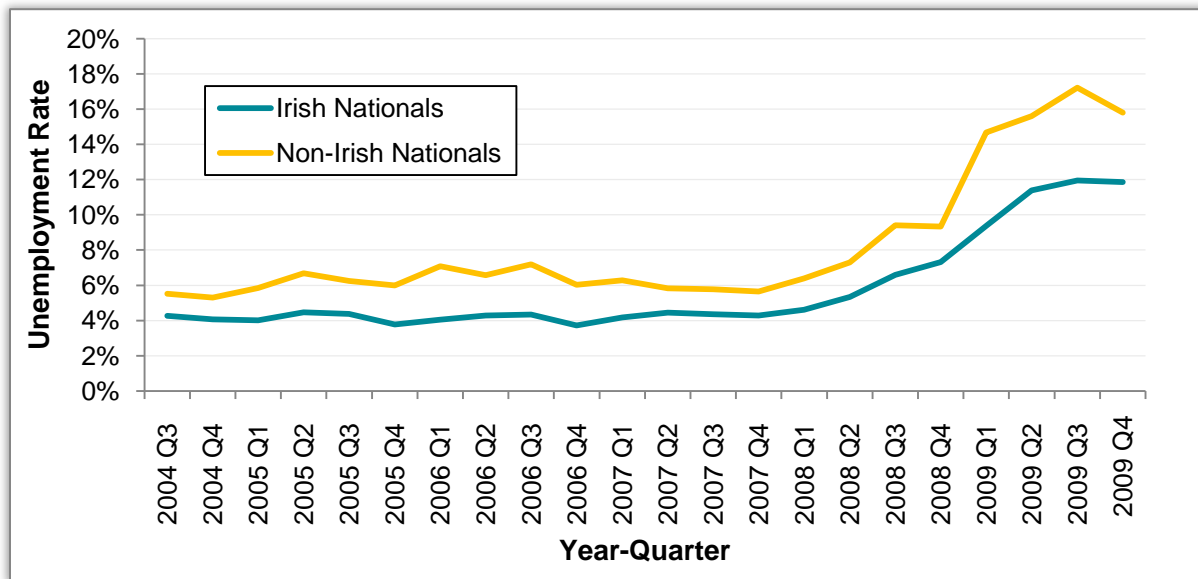
²⁰² Calculations from QNHS, Table A1, *Estimated number of persons aged 15 years and older classified by nationality and ILO economic status*, www.cso.ie/qnhs/calendar_quarters_qnhs.htm.

²⁰³ Office of the Minister of State for Integration, "Overview of Key Statistics," www.integration.ie/website/omi/omiwebv6.nsf/page/statistics-overview-en.

²⁰⁴ Calculations from QNHS, 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.



Figure IE-2. Unemployment Rates for Irish and Non-Irish Nationals, 2004-2009



Source: CSO, QNHS, Table 1, 2010

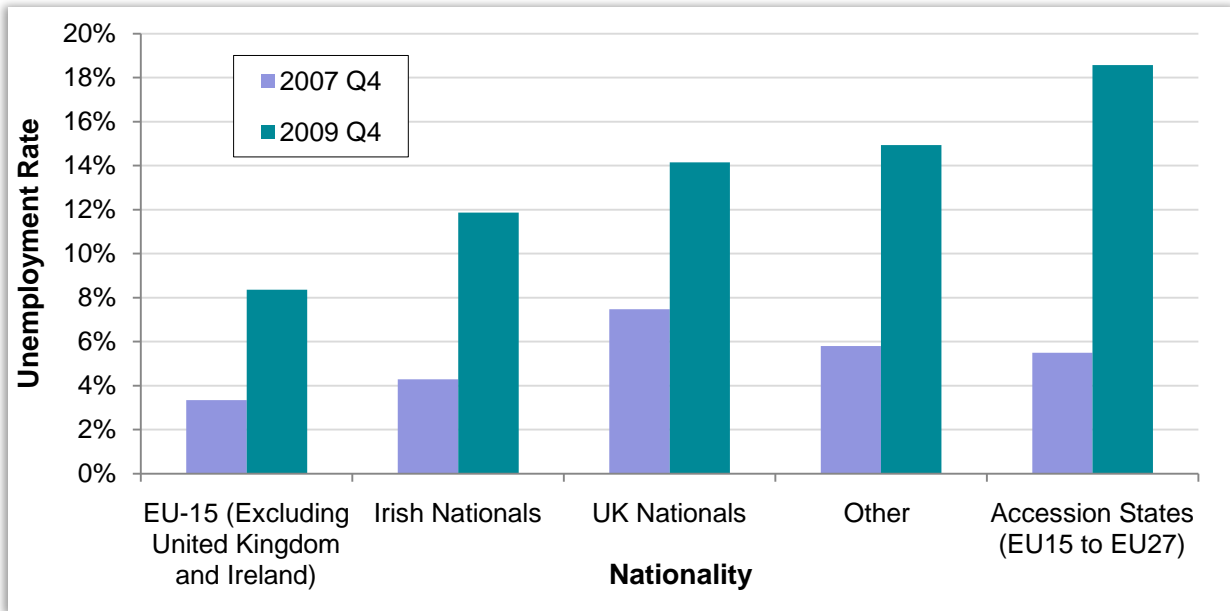
Various factors account for immigrants' overrepresentation in unemployment figures. The concentration in specific sectors and in low-pay occupations means that they were the hardest hit during the recession. This was particularly the case for accession-state nationals who were heavily concentrated in construction, hotels and restaurants, and industry. 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 Polish and Lithuanian males, two of the biggest groups of non-Irish nationals in the country, are in construction and manufacturing, many working as building laborers or in factories, while half of all females are in shops, hotels, and restaurants. There have been large decreases in employment for non-Irish nationals in several of these sectors. In 2009, the employment of non-Irish nationals in construction more than halved; in wholesale and retail trade employment fell by 18 percent.²⁰⁵ In addition, factors such as nonnationals' concentration in cyclically sensitive industries, nonunionization, language barriers, and a policy of "last hired, first fired," have led to layoffs.

Nationals from the EU-15, who have been concentrated in different employment sectors, tend to have been less adversely affected by the recession than other immigrants. Data on UK nationals remains opaque. Their geographic distribution and demographic details are very similar to Irish nationals. Immigrants from outside the European Union have also experienced high levels of unemployment (see Figure IE-3).

²⁰⁵ Calculations from QNHS, 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 making new applications for unemployment benefits in the first quarter of 2009, manufacturing workers accounted for about one-fifth, and workers from a further 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 Central Statistics Office.

Figure IE-3. Unemployment Rates by Nationality, 2007 and 2009



Source: CSO, QNHS 2010.

Reaccessing Employment

Immigrants who have been made unemployed have, like Irish nationals, found it difficult to reaccess jobs. However, their take-up of jobs has been slightly higher than Irish nationals. Around 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 compared with 17 percent of Irish nationals.²⁰⁶ There certainly is evidence of problems in accessing employment, especially for black immigrants. Recent studies have also shown that non-Irish nationals were three times more likely to face discrimination while looking for work while black people were seven times more likely.²⁰⁷

²⁰⁶ CSO, *Analysis of Live Register Flows Q1 2009*, (Dublin: CSO, 2009).

²⁰⁷ Philip J. O’Connell and Frances McGinnity, *Immigrants at Work: Ethnicity and Nationality in the Irish Labour Market* (Dublin: Economic and Social Research Institute [ESRI] and Equality Authority), 2008, www.equality.ie/index.asp?docID=737.



V. Labor Market Policies before and during the Recession

A. Social Protection

Although the numbers of people claiming either jobseeker's allowance or jobseeker's benefit²⁰⁸ rose by more than half for Irish nationals, it tripled from 8,000 to 25,000 for non-Irish nationals in the year leading up to December 2008. Migrants do not have automatic entitlement to social welfare. The Irish social welfare system has two programs: social insurance and social assistance. The former is on the basis of pay-related social insurance (PRSI) contributions and permit job-seeker benefits. To qualify, workers must have made the required number of payments for the program; immigrants are eligible if they have done so and if their residence stamp is still valid. If migrant workers build up a sufficient quantity of stamps over a number of years, they may become eligible for jobseeker benefits. Social assistance is means tested and does not depend on PRSI.

However, the Habitual Residence Condition (HRC) means that many migrants remain ineligible for social welfare payments and social assistance. The governments of Ireland and the United Kingdom introduced HRC in 2004 to prevent "welfare tourism." Individuals have to demonstrate 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.²⁰⁹ 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 were refused in 2009. As a result, a large number of migrant workers who lose their jobs will experience acute financial hardship, poverty, and social exclusion. Moreover, claiming social welfare often means that an application for citizenship or long-term residency is refused.²¹⁰ For this reason, many migrants do not apply.

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 benefit) were reduced in the December 2009 budget and further cuts may be in the pipeline in the 2011 budget.

²⁰⁸ Jobseeker's benefit (JB) is a social insurance program. It is paid weekly to insured persons who are out of work. 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.

²⁰⁹ Applicability is based on the discretion of social welfare officers who tend to permit returning Irish and some EEA workers greater access to welfare, though this is based on anecdotal evidence. EEA includes all EU Member States plus Iceland, Lichtenstein, and Norway.

²¹⁰ Immigrant Council "Citizenship processes in need of overhaul" (news release, May 7, 2009), www.immigrantcouncil.ie/press_detail.php?id=91.

B. Immigration Policies

Fear of job losses, increasing competition for resources, and heightened feelings of insecurity have led to scapegoating and increased racism towards migrants for “taking Irish jobs.” The government initially responded to the recession by increasing restrictions on both the entry of work-permit holders, and their rights and entitlements once they arrive. New permits for jobs paying less than 30,000 euros have not been given since June 1, 2009. In addition, the number of job categories ineligible for work permits were expanded, and the duration of the labor market test was also doubled — a job now has to be advertised with the public employment services, FAS, and its EU counterpart, EURES, for at least eight weeks and in a national press advertisement for six days. Migrants made redundant were ineligible to apply for a new work permit unless the job had been advertised for two months. The government justified the increased employment permit restrictions by arguing that Irish nationals needed to be prioritized for jobs. 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 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?”²¹¹ Along with Fianna Fail politician Ned O’Keeffe, he also called for greater checks to detect fraudulent claims on social welfare. Another 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 deportation of immigrants, including EU nationals, who were abusing Ireland’s generous welfare system or who could not find work in Ireland.²¹²

This rhetoric was supplemented with real policy change. The government also cut back heavily on spending on its equality infrastructure and its protection of migrant rights in Ireland generally. Although many departments saw some cuts, they were particularly acute in the equality sector. 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 also stripped of 43 percent of its resources, while the Irish Human Rights Commission lost 23 percent of its budget.

However, policies and practices have been contradictory, and not all have been restrictionist.²¹³ Work permit restrictions introduced in June were dropped in September 2009. The length of time migrants had 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

²¹¹ 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.

²¹² *Irish Examiner*, “Limerick Mayor calls for deportations of unemployed immigrants,” November 11, 2009, www.examiner.ie/breakingnews/ireland/limerick-mayor-calls-for-deportations-of-unemployed-immigrants-433866.html.

²¹³ See Niall Crowley, “Hidden messages: overt agendas” (Dublin: Migrant Rights Centre Ireland, February 2010), www.mrci.ie/news_events/documents/HIDDEN_MESSAGES_OVERT_AGENDAS.pdf.



to live and work in Ireland on a yearly basis without acquiring a new permit (as long as they were in employment and could support themselves).²¹⁴ In addition, after persistent lobbying by various nongovernmental organizations and interest groups, a bridging visa was introduced in October 2009 so that unauthorized migrant workers who had become unemployed because they were made redundant or suffered workplace exploitation could apply for four months' residence permission in order to reenter the permit system.²¹⁵

VI. Conclusion and Recommendations

Since reaching its peak of wealth creation 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. An average of 18 companies a day have closed over the past two years.²¹⁶ Job losses are still mounting and unemployment increasing. Immigrants have also been disproportionately affected by the recession, especially those from the accession states. Given the acute nature of the economic crisis in Ireland, the likelihood is that unemployment will remain high for the foreseeable future.

A recession has meant a slowdown in immigration, at least in the short run, and is likely to affect the kind of immigrants who arrive and leave. However, 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 and over, 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 provide an effective information campaign explaining why immigrants will still be necessary in the future.

A. Integration Policies

There needs to be social inclusion for all workers in Ireland. Policies cannot be solely aimed at migrants; simultaneous efforts are required to help native low-skilled workers. In particular:

²¹⁴ Irish Naturalization and Immigration Service, "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.

²¹⁵ Irish Naturalization and Immigration Service, "Undocumented Workers Scheme," October 2009, www.inis.gov.ie/en/INIS/Pages/Undocumented_Workers_Scheme.

²¹⁶ Daniel McConnell, "Our economy has fallen off a cliff," *Sunday Independent*, March 28, 2010, www.independent.ie/national-news/our-economy-has-fallen-off-a-cliff-2114878.html.

- Greater work protection is needed for immigrant workers, especially in the recession. The National Employment Rights Authority (NERA) needs to be given a greater number of inspectors and more powers to fine and sanction employers. Its current policy is to seek redress rather than to penalize. This essentially means that employers operate on a “wait and see if we get caught” basis. This means strengthening the Employment Rights Compliance Bill that is currently in the Dail.²¹⁷
- Non-EU nationals who have worked in Ireland should have access to FAS courses, and language training should also 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 applications because of workers’ short-term access to welfare. As of April 2009, 16,847 naturalization applications and 8,000 long-term residency applications were still waiting for a decision.²¹⁸ The length of time for processing an application in both programs – two years on average – is inordinately long.²¹⁹ But many people have been waiting over three years for their application to be processed, in effect making the individual wait a total of eight years for a certificate of naturalization (since a five-year residence period is required for eligibility). Given the long processing times, a number of migrants in these changed economic circumstances are experiencing great distress and anxiety awaiting the outcome of their applications. Many are in a vulnerable position and may become redundant or unauthorized while the application is being processed. Moreover, there are concerns that migrants will not be able to claim social benefits to which they are entitled because of their 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 mobility between jobs and more rights and entitlements in changing employers and seeking redress for workplace violations. The Irish government also needs to reinvest in its equality infrastructure, provide a positive vision of migration in the future, and create more humane migration policies that do not depend solely on economic criteria.

²¹⁷ 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), www.mrci.ie/publications/documents/MRCIPPEndingtheRacetotheBottom-MigrantWorkerExploitation.pdf.

²¹⁸ Kildarestreet.com, “Written Answers, Thursday, 2 April 2009,” www.kildarestreet.com/wrans/?id=2009-04-02.1174.0&s=naturalisation+long+term+residency#g1178.0.r

²¹⁹ See Irish Naturalization and Immigration Service, “Information on Application Processing Times” (Dublin: Naturalization and Immigration Service), www.inis.gov.ie/en/INIS/Pages/Citizenship_Processing_Times.



Migration and Migrants in Spain: After the Bust

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I. Introduction²²⁰

Over the past three decades, Spain enjoyed an era of unprecedented economic growth and prosperity. Between 1980 and 2007, gross domestic product per capita — the broadest measure of a country's income relative to its population — grew almost without interruption from \$8,215 to \$15,416.²²¹ However, Spain's economy began slowing in early 2008 and fell into recession by the third quarter of 2008 with the onset of the global economic crisis. Preexisting weaknesses in the Spanish economy, including heavy dependence on construction and consumer services and a strongly segmented labor market, contributed to deepening and prolonging the crisis. Exports contracted by 10 percent in the fourth quarter of 2008 and unemployment more than doubled from 8 percent to 19 percent between March 2007 and December 2009; 1.6 million jobs were lost over the same period, of which over 800,000 were in the construction sector.²²² Reflecting expectations of a sluggish recovery, Standard and Poor's lowered Spain's sovereign debt rating from AA+ to AA in April 2010, and in May 2010, Fitch lowered Spain's rating from AAA to AA+.

²²⁰ This paper 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*, no. 80 (2009): 119-132; 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, forthcoming 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, forthcoming 2010).

²²¹ Gross domestic product per capita in constant prices. International Monetary Fund, World Economic Outlook Database, October 2009.

²²² 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_madrilen_a_2010_tcm346-216657.pdf?ts=1542010.

As Spain's economy grew, the country 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, making Spain consistently the fastest-growing country among the original 15 European Union (EU) Member States — generated substantial *demand* in the Spanish labor market.²²³ Second, the country experienced heavy demand for unskilled labor due to strong growth in low-skilled, labor-intensive sectors such as construction and domestic services. 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.²²⁴

Trends in labor *supply* also influenced immigration trends. The Spanish population, especially the economically active population, has aged rapidly: The share of youth ages 16 to 24 among the economically active population has declined from 21 percent in 1977 and 1987 to 15 percent in 1997 and 11 percent in 2007.²²⁵ Birth rates have also fallen 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 1980.²²⁶ 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.

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 of the population) in 1991 and 750,000 (1.9 percent of the population) in 1999.²²⁷ But the immigrant population in Spain grew rapidly during the first decade of the 21st century, growing by an average of nearly 500,000 people each year between 1999 and 2008. By 2009, the immigrant population had grown to 5.6 million people, or 12.0

²²³ GDP data from Instituto Nacional de Estadística, "Producto Interior Bruto (PIB) Base 2000. Crecimiento en volumen," www.ine.es/prensa/pib_tabla_cne.htm. The 15 EU Member States (EU-15) are Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden, and the United Kingdom.

²²⁴ Estimates of the size of Spain's informal economy in 2009 varied from 19.5 percent (from the Organization for Economic Cooperation and Development [OECD]) to 23.3 percent (from the Trade Union of Tax Technicians of the Ministry of the Economy, *Sindicato de Técnicos del Ministerio de Hacienda Gestha*).

²²⁵ Author's analysis of data from the Encuesta de Población Activa, 1977 to 2007.

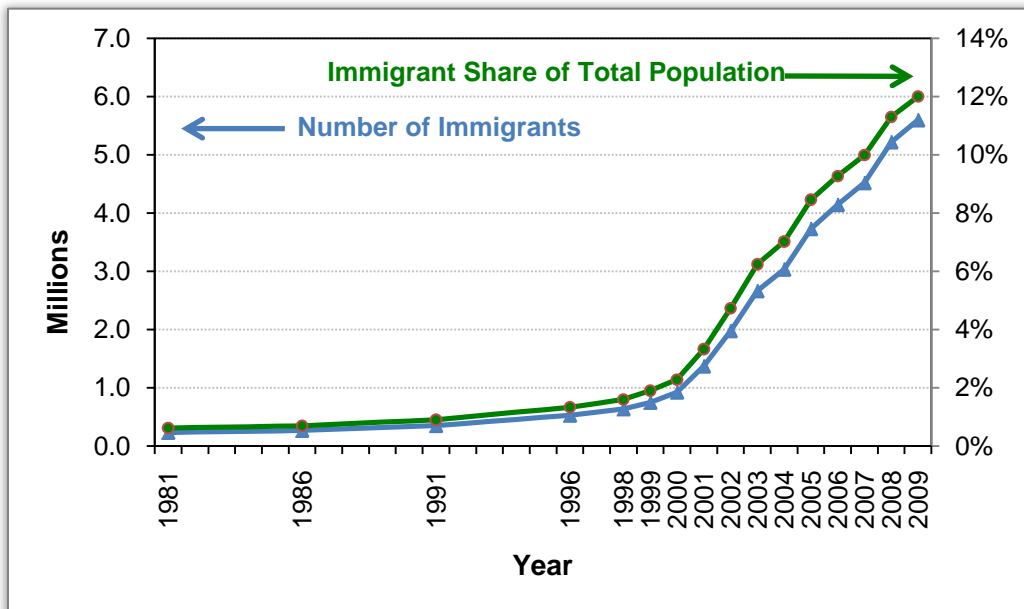
²²⁶ Instituto Nacional de Estadística, Indicadores Demográficos Básicos, "Número medio de hijos por mujer, 1975 to 2008," www.ine.es/jaxi/tabla.do.

²²⁷ Throughout this report, stock data on the immigrant population in Spain refer to individuals with foreign nationality; they exclude immigrants who have acquired Spanish nationality. Data from the National Statistics Institute (INE) Municipal Register and from the 1981, 1991, and 2001 Censuses. 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.



percent of Spain's population, as reported by the National Statistics Institute.²²⁸ 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 Europe²²⁹ 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 ES-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.

Figure ES-1. Foreign Population, Number and Share of Total Population in Spain, 1981 to 2009



Sources: Instituto Nacional de Estadística, Padrón Municipal de Habitantes; Censos de Población y Viviendas. Data for 1981 to 2006, Antonio Izquierdo, *Demografía de los extranjeros: Incidencia en el crecimiento de la población* (Bilbao: Fundación BBVA, 2006); data for 2007 to 2009 updated with Instituto Nacional de Estadística, Padrón Municipal de Habitantes.

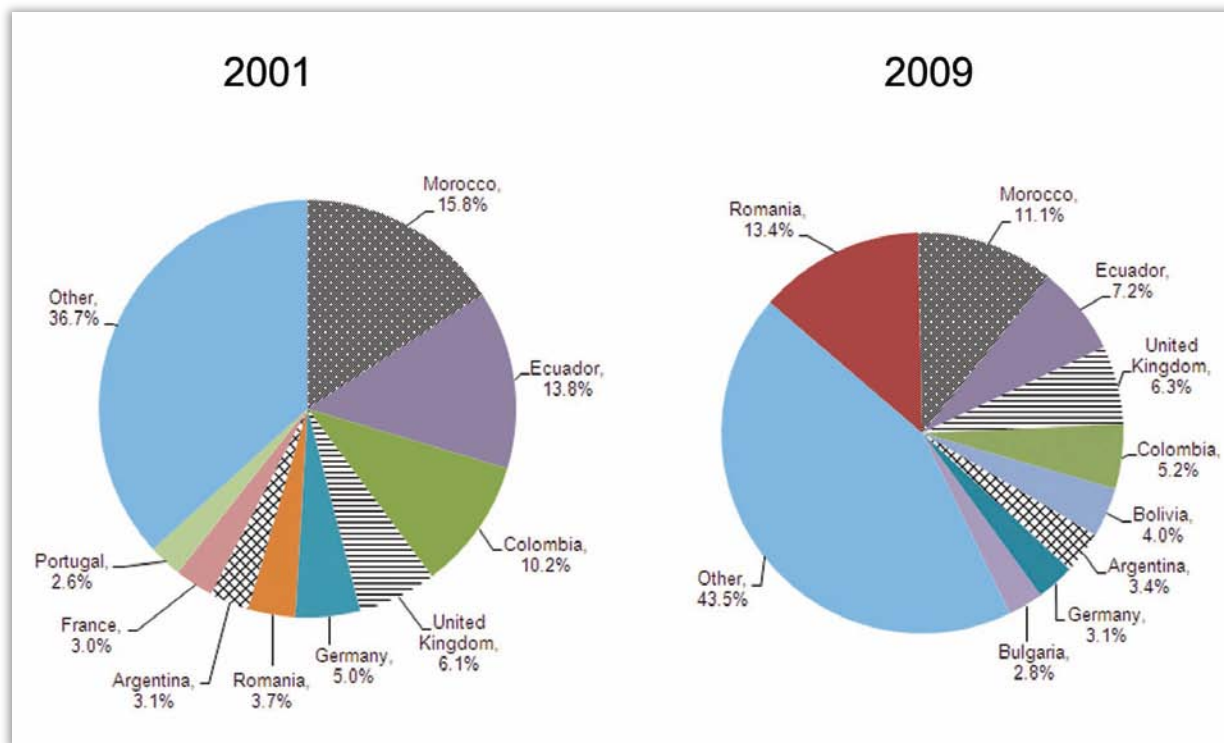
Diverse origins. Spain's immigrant population is extremely diverse, and the top countries of origin as of 2009 include four European countries, four Latin American countries, and one country in North Africa (see Figure ES-2). In 2009, Romanians (758,823 or 13.4 percent) constituted the largest single group of foreigners in Spain, followed by Moroccans (627,858 or 11.1 percent), Ecuadoreans (409,328 or 7.2 percent), nationals of the United Kingdom (355,988 or 6.3 percent), Colombians (296,674 or 5.2 percent), Bolivians (223,455 or 4.0 percent), Argentines (195,572 or 3.4 percent), Germans (174,374 or 3.1 percent), and Bulgarians (158,160 or 2.8 percent). Though the rankings may have changed, these countries also were the top sending countries for immigrants to

²²⁸ Of these 5.6 million, less than half (2.3 million) are citizens of the European Union. National Statistics Institute 2009a.

²²⁹ 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.

Spain in 2001. Among recent immigrants, the numbers of Paraguayans, Chinese, Peruvians, Brazilians, Ukrainians, and Pakistanis have grown dramatically.

Figure ES-2. Stock of Foreign Population in Spain by Nationality, 2001 and 2009



Source: Instituto Nacional de Estadística, Censo de Población y Vivienda and Padrón Municipal de Habitantes. In 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 Labor Migration and Integration Experts (I-LISNET), 2010).

Diverse motives. The wide variety of origins of the immigrant population in Spain — which includes both developed and developing countries — reflects the diverse reasons why immigrants move to Spain. A substantial portion of immigration to Spain was driven by labor market demand. However, Spain also receives a substantial amount of family-based and retirement migration.²³⁰ Retirement migration is mainly composed of immigrants 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 who are attracted to Spain by the country’s temperate climate, among other factors.

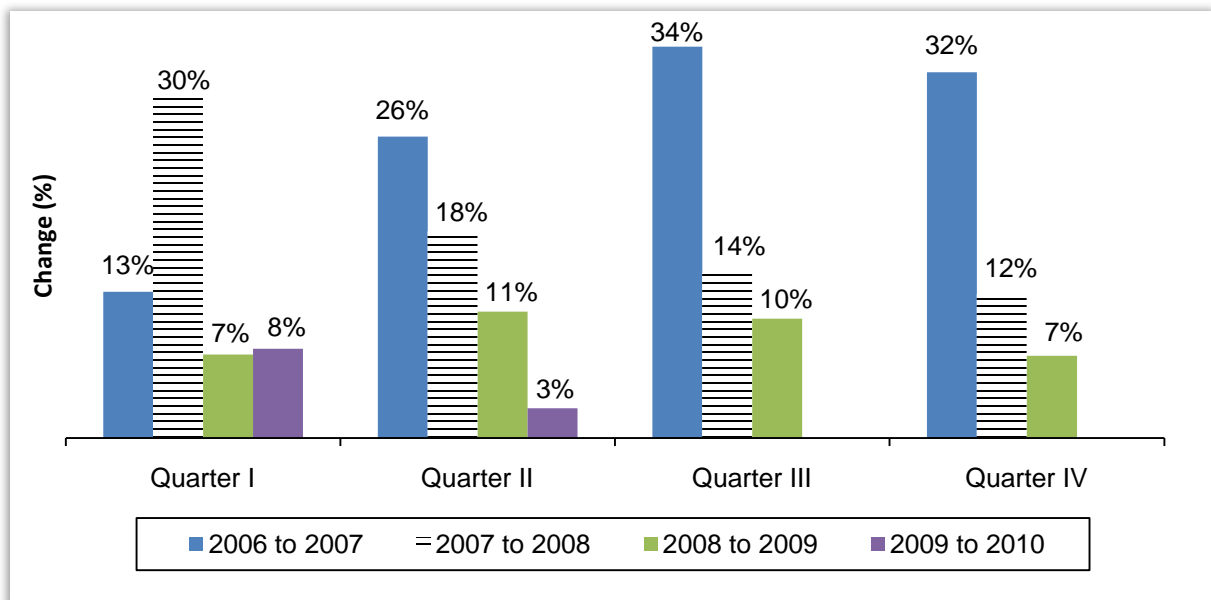
Since the economic crisis began, the *stock* of foreigners in Spain has continued to grow but at a much slower rate than before. As Figure ES-3 illustrates, Labor and Immigration Ministry data on the number of foreigners holding residence permits show that the foreign population grew at a slower quarterly 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 data

²³⁰ There are no reliable estimates of the share of foreigners residing in Spain who are “retirement migrants” from the EU-15 countries since there is no compulsory registration for EU nationals.



compiled by the National Institute for Statistics 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 are offered jobs in Spain — a process known as *contratación en origen* (CO) — declined dramatically, from 45,995 in 2006, 70,444 in 2007, and 48,693 in 2008 to 4,429 in 2009.²³¹ Overall, data from these three different data sources support the thesis that the economic crisis has reduced the appeal of Spain as a destination country, but the number of immigrants continues to grow mainly due to family reunification and existing migration networks.

Figure ES-3. Year-on-Year Change (%) in the Number of Foreigners with Legal Residence Permits in Spain by Quarter, 2006 to 2010



Source: Ministerio de Trabajo e Inmigración, Informes Trimestrales, 2006 to 2010.

II. The Economic Crisis and Its Impact on Immigrants

The very fast development of the Spanish economy in such a short period of time was due to a variety of factors. During the 1980s and 1990s, economic growth in Spain was mainly due to economic liberalization and rapid investment, particularly in the context of European integration, as well as the entry of women into the labor force and higher productivity as the Spanish population became more educated. By the 2000s, however, Spain's economic growth came to rely more on a handful of labor-intensive sectors, including services, tourism, and construction. Scholars and policymakers are increasingly concluding that Spain's dependence on these sectors structurally weakened the country's economy and created a growing productivity gap relative to other European economies. This dependence is also at the root of Spain's current malaise.²³²

²³¹ Ministry of Labor and Immigration.

²³² 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),

Over the past decade, immigrants filled jobs in many of the rapidly growing sectors. But immigrants also filled jobs in stagnating or contracting industries such as agriculture that were increasingly shunned by Spanish workers as education levels and employment expectations increased.²³³ Many formerly booming industries have contracted sharply over the course of the recession: of the 1.6 million jobs lost in Spain between March 2007 and December 2009, over half were in the construction sector.²³⁴ The agricultural sector actually has gained jobs during the recession, and in contrast to the past, emerging evidence suggests that many Spanish workers appear to be willing and available for these jobs. As a result, immigrants in the Spanish labor market have been particularly affected by the economic crisis.

A. Labor Force Participation

The labor force participation rate among immigrants is much higher than among natives. 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 foreigners from Latin America have very high labor force participation rates (consistently around 90 percent) while prime working-age foreigners 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.²³⁵ 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 ES-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

www.crisis09.es/book; also see the papers presented at FEDEA's March 2010 conference on “The Crisis of the Spanish Economy,” available at www.crisis09.es/monografia2009/descargas.html.

²³³ Lorenzo Cachón, *La España Inmigrante: Marco discriminatorio, Mercado de trabajo y políticas de integración* (Barcelona: Anthropos, 2009).

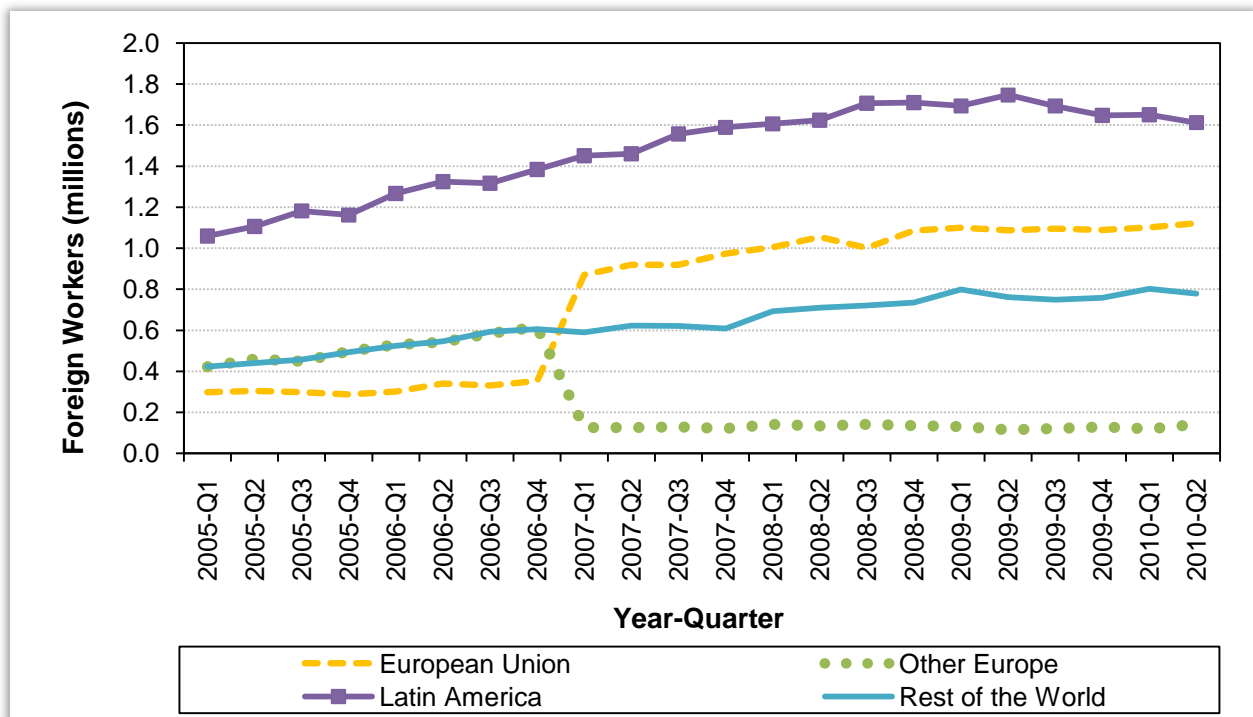
²³⁴ BBVA Servicio de Estudios, *Perspectivas para las economías española y madrileña 2010*.

²³⁵ See Cebolla-Boado, Ferrero-Turrión, and Pinyol-Jiménez, “Analysis of Economic and Labour Market Indicators and Labour Market Integration Policies: Case Study, Spain.”



EU immigrants and 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 the first half of 2010; among Latin American immigrants, the number peaked during the second quarter of 2009, and has since declined by nearly 150,000 (or 8 percent). However, Latin American men have been hit harder than Latin American women and the decline in the number of Latin Americans in Spain's labor force is almost entirely due to declines among men: The number of Latin American men in the labor force dropped by about 121,000 workers (14 percent) between the second quarter of 2009 and the second quarter of 2010 compared to a decline of 14,000 workers (2 percent) among Latin American women over the same period. Prior to the recession, Latin American men were heavily concentrated in construction, which likely explains much of this difference.

Figure ES-4. Foreign Labor Force Participants in Spain, by World Region of Origin, 2005 to 2010



Note: Foreigners from Romania and Bulgaria were 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 the Instituto Nacional de Estadística, Encuesta de Población Activa, 2005 to 2010.

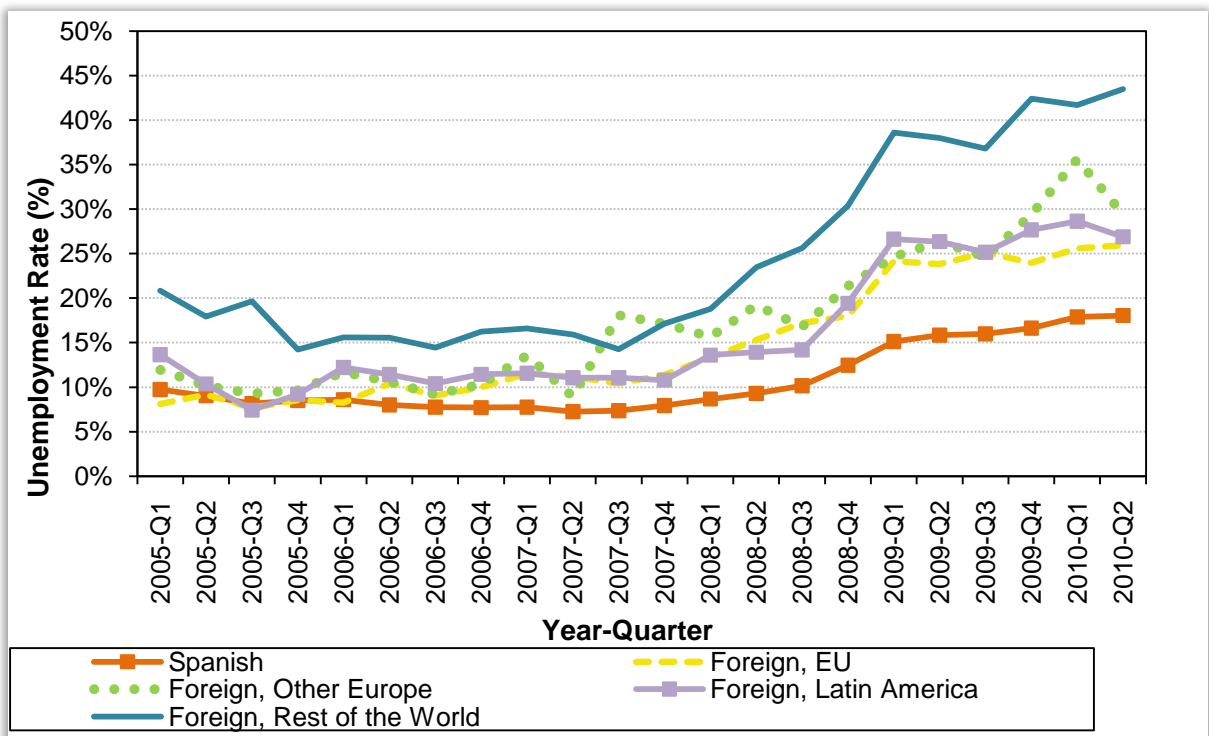
B. Unemployment

The number of unemployed workers in Spain has increased by nearly 2.3 million (from 1.9 to 4.6 million) between the fourth quarter of 2007 and the second quarter of 2010; over the same period, the unemployment rate more than doubled, from 8.6 percent in the fourth quarter of 2007 to 20.1 percent in the second quarter of 2010. While job losses

among immigrants were substantially lower than among natives in 2008, during the first year of the recession, by 2009 immigrants were experiencing extensive job losses. Although employment levels have stabilized — and the Spanish economy even added a small number of jobs in the second quarter of 2010 — overall employment levels are still below where they were in 2005.

Rising unemployment has had profound impacts on the immigrant population. Between the fourth quarter of 2007 and the second quarter of 2010, the immigrant unemployment rate increased from 12.4 percent to 30.2 percent, while it increased from 7.9 percent to 18.1 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 the first year of the recession. Immigrants represent one in six workers in Spain’s labor force, but now account for nearly one in four unemployed. All immigrant groups have experienced rising unemployment, but the increase has been particularly severe for the category (“Rest of the World”) comprised of immigrants from Asia, Africa (dominated by Moroccans), and Oceania, who saw unemployment increase from 17.1 percent to 43.5 percent (see Figure ES-5).

Figure ES-5. Unemployment Rates by Nativity, 2005 to 2010



Note: Foreigners from Romania and Bulgaria were 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 the Instituto Nacional de Estadística, Encuesta de Población Activa, 2005 to 2010.



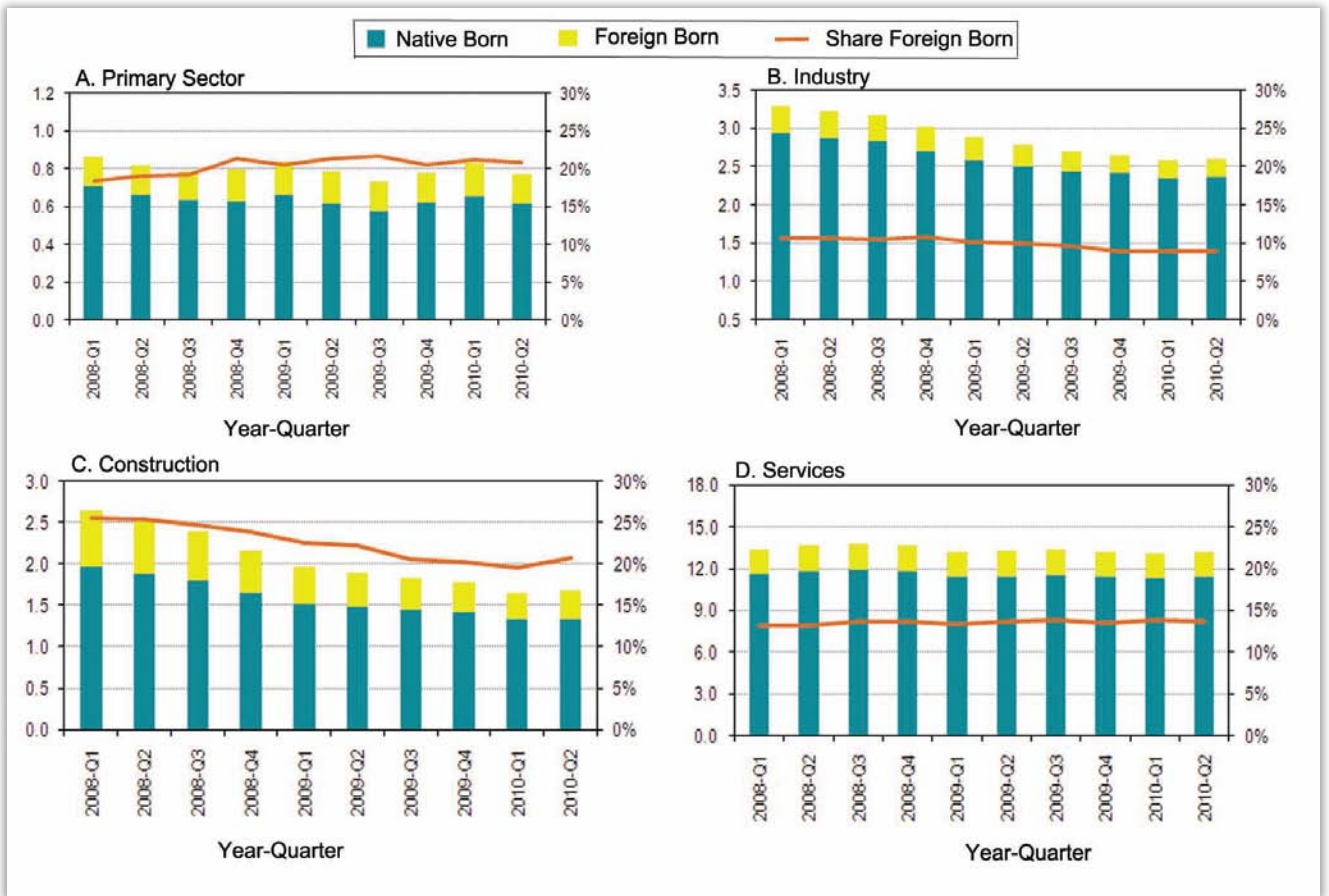
C. Sectoral Differences

Certain sectors of the Spanish economy, including several industries that attracted substantial numbers of immigrants in recent years, have experienced greater turmoil than others during the recession. In particular, total employment in construction decreased, but so did the share of immigrants among all construction sector workers (see Figure ES-6c). A similar, but much smaller, trend is observable in industry as well (Figure ES-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. (Indeed, immigration to Spain was closely tied to the country's construction boom. Construction-sector employment stood at 1.6 million in 1999 but grew to 2.8 million by 2007 before declining to 2.2 million in 2008 and 1.8 million in 2009.²³⁶) By contrast, immigrant employment in agriculture and services has increased modestly over the course of the recession, but not on a scale necessary to offset job losses elsewhere. (Immigrant employment in construction increased slightly during the second quarter of 2010 for the first time since the recession began; however, immigrant employment in the sector is still about 500,000 below where it stood at the start of 2008.)

²³⁶ See Miguel Pajares, *Inmigración y mercado de trabajo: Informe 2010* (Madrid: Ministerio de Trabajo e Inmigración, 2010).

Figure ES-6. Total Native and Foreign Employment in Spain by Sector, 2008 to 2010



Notes: The number of native- and foreign-born workers in a given industry is displayed in millions on the right-hand axis; scales vary across charts. The share of foreign born in a given industry is displayed on the left-hand axis and includes uniform scales.
 Source: Author's tabulations of Instituto Nacional de Estadística, Encuesta de Población Activa.

According to sociologist Miguel Pajares, immigrant employment increased in 2009 in agriculture, domestic service, and several skilled occupations such as education and health care. However, these gains were insufficient to offset much larger employment losses in construction and manufacturing.

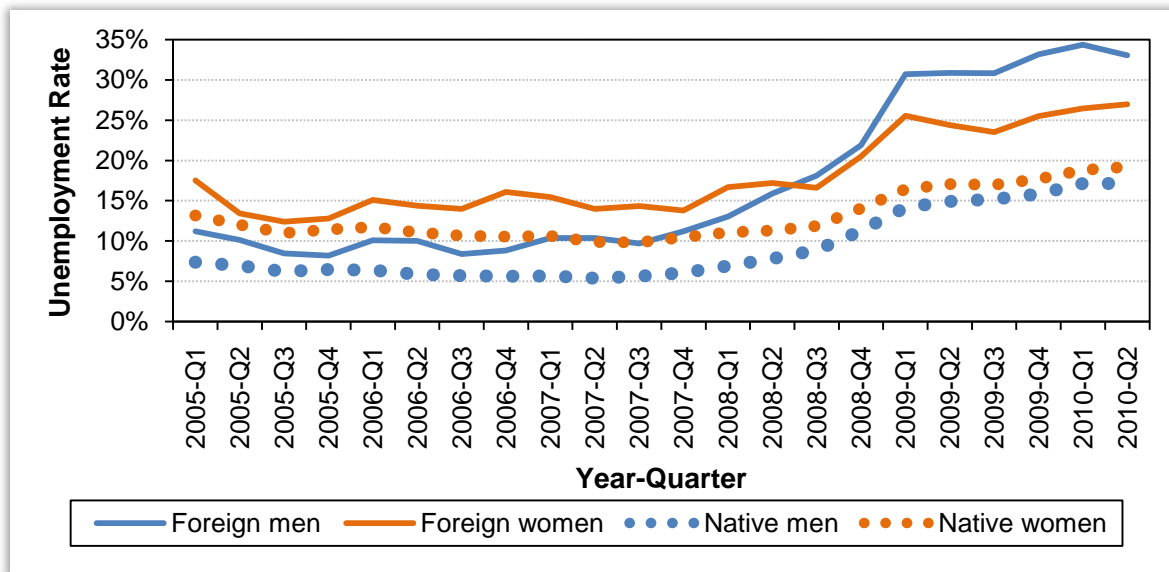
D. Gender Segmentation

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 ES-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.²³⁷

Figure ES-7. Unemployment Rates by Nativity and Gender, 2005 to 2010



Source: Author's analysis of data from INE, Encuesta de Población Activa, 2005 to 2010.

E. Education and Skill Level

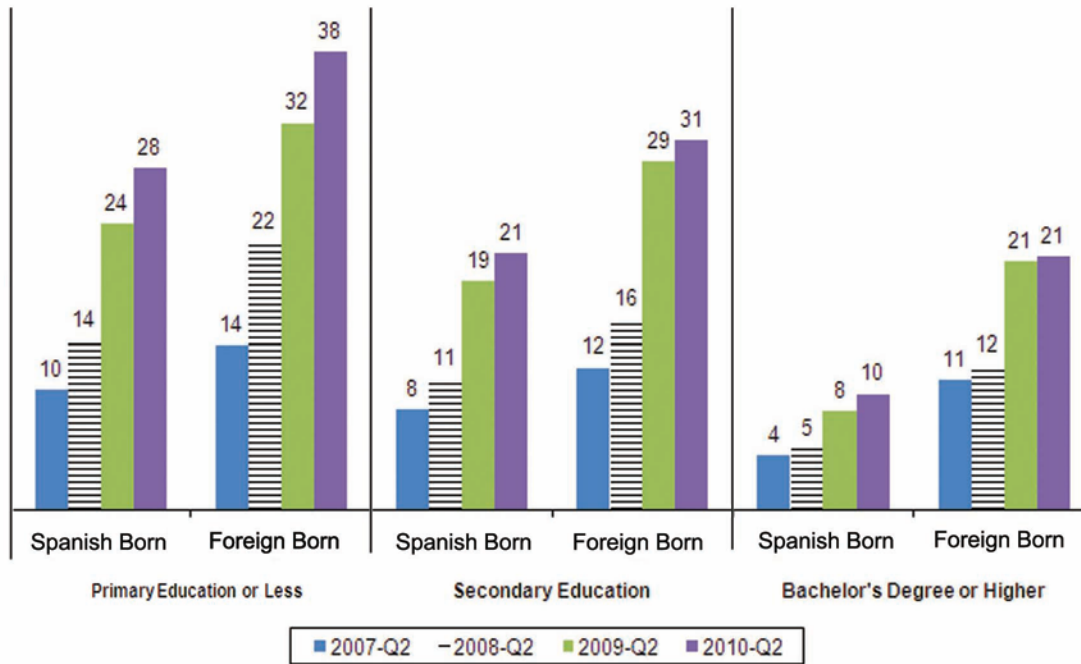
Overall, the data point to hardship across the board. However, immigrants universally face higher unemployment than natives, regardless of their level of education. Unsurprisingly, less-skilled workers have fared worse over the course of the recession. As Figure ES-8 illustrates, the unemployment rate among less-educated Spanish workers (those with a primary education or less) more than doubled from 10 percent to 28 percent between the second quarter of 2007 and the second quarter of 2010; over the same period it increased from 14 percent to 38 percent among less-educated foreign 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.)

However, over half of all Spanish and foreign workers have mid-level qualifications, having completed secondary education (with or without vocational training). Unemployment among these workers increased from 8 percent to 21 percent among native-born Spaniards and from 12 percent to 31 percent among immigrants between the second quarter of 2007 and the second quarter of 2010. Highly skilled workers — those with a bachelor's degree or higher — have also faced rising unemployment, although more moderately so. Among highly skilled Spanish natives, the unemployment rate increased from 4 percent to 10 percent and among immigrants it increased from 11 percent to 21 percent. (Over a third of Spanish-born workers and about one-fifth of

²³⁷ See Cebolla-Boado, Ferrero-Turrión, and Pinyol-Jiménez, "Analysis of Economic and Labour Market Indicators and Labour Market Integration Policies: Case Study, Spain."

immigrant workers in Spain have a bachelor’s degree or higher.) However, several highly skilled occupations — including physicians and engineers — were among the only jobs open to new recruitment abroad in 2009.²³⁸

Figure ES-8. Unemployment Rates by Nativity and Education, 2007 to 2010



Source: Author’s analysis of data from INE, Encuesta de Población Activa, 2007 to 2010.

²³⁸ See Ministerio de Trabajo e Inmigración, *Catálogo de ocupaciones de difícil cobertura, 3º trimestre de 2010*, www.redtrabaja.es/es/portaltrabaja/resources/pdf/dificil_cobertura/CatalogoOcupacionesDificilCobertura.pdf.



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 rural parts of Spain.²³⁹

III. 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 were enacted to limit illegal migration and increase border security through programs such as Plan Greco in 2000. However, these programs to fight illegal migration without managing flows were not effective, and Spain conducted several regularizations between 2000 and 2005.²⁴⁰

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 in order to cover demands of entrepreneurs.
- **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 (at that time, now Labor and Immigration) worked with employers, regional employment agencies, and regional governments to develop a Directory of Labor Needs (*Catálogo de ocupaciones de difícil cobertura*). The directory is a regularly updated catalogue of occupations for which Spanish employers are unable to find sufficient qualified candidates.

²³⁹ Miguel Pajares, *Inmigración y mercado de trabajo: Informe 2010*.

²⁴⁰ 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*, vol. 11, no. 2 (2007).

- **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 to ensure cooperation with countries of origin on managing labor immigration flows.²⁴¹
- **Manage and facilitate highly skilled immigration.** Finally, in February 2007, the Labor and Immigration Ministry created a Division of Large Employers (*Unidad de Granded 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. The UGE represents one of the Spanish government's first initiatives to manage the flow of highly skilled workers. In 2009, the UGE approved over 2,000 work authorizations — similar levels as in previous years — suggesting that demand for highly skilled workers continues in Spain despite the recession.

Since the economic crisis began, the Spanish government has undertaken several reforms to 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 to foreigners holding residence permits. In the past, work permits were tied to specific autonomous communities and industries. However, the new reforms allow greater intersectoral mobility for foreign workers, for instance from self-employment to salaried employment and vice versa. The government hopes that this change 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 family unification immigrants. In December 2009, the government proposed further changes to the country's immigration laws to grant labor market access to the spouses and children (age 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

²⁴¹ 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 Ministerio de Trabajo e Inmigración*, no. 80 (2009): 119-132.



card), and the granting of new responsibilities for the processing of work permits to some autonomous communities (e.g., Catalonia).

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 are not new. Other countries such as France and Germany have operated voluntary return programs for decades and Spain has offered return incentives since 2003 under the aegis of the Voluntary Return Program for Immigrants in Socially Precarious Situations (PREVIE).²⁴² Voluntary return programs in Spain and elsewhere have historically had a wide range of impacts and vary dramatically by local circumstances. But 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 returning to 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. Not all immigrants qualified for the program. Among other limitations, the program was restricted to nationals of a dozen countries that had (a) signed bilateral repatriation agreements with Spain and (b) had registered as unemployed with Spain’s Public Employment Agency.²⁴³

As of April 2010, 11,419 immigrants had participated in the program. Nearly half were Ecuadoreans (5,005), followed by Colombians (1,990), Argentineans (1,113), and Peruvians (1,025); and almost all (98 percent) were from Latin America. Ukrainians (129) and Russians (46) were the largest non-Latin American immigrant group participating in the program). Notably, few Moroccans applied to the program (29), though they are the oldest community in Spain and have the most potential candidates.

The government has concluded that the program has been a success, citing the statistic that 10 percent of potential participants (around 120,000 people) have applied. Still, this is well below the government’s early estimates of participation levels. Critics point to the

²⁴² PREVIE targets immigrants in several legal status categories including refugees, asylum seekers, legal immigrants with work authorization, and unauthorized immigrants. In order 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 returning, 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.

²⁴³ Nationals of the following countries are eligible for the program: Morocco, Ecuador, Peru, Argentina, Ukraine, Colombia, Brazil, Chile, Uruguay, Andorra, United States, Canada, Australia, Philippines, the Dominican Republic, Colombia, and Peru.

small number of participants in the program relative to the overall foreign population. Regardless of the arguments for and against the program, participation is fully voluntary.

C. *Budget Cuts to Immigrant Integration Programs*

The Spanish government in 2005 created a Social Integration Fund (*Fondo de Acogida e Integración*) to provide grants to autonomous communities to support immigrant integration in the areas of education, social services, employment services, housing, health care, civic participation, gender equality, and community awareness. Autonomous communities must re-grant at least 40 percent of the funds received from the central government to municipalities, but only those where foreigners account for at least 5 percent of the total population are eligible. The fund is funded annually as part of the national budget, and it has 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. 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 cut 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. In April 2009, the cut was rescinded. But the government again tried to cut the fund in December 2009 and succeeded at reducing it to 100 million euros. A new round of budget cuts in January 2010 reduced the fund by an additional 30 million euros. Negotiations over the fund continue between the government and political parties and the outcome remains unclear. 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 (41.2 million euros), education (27.4 million euros), and unaccompanied minor immigrants (1.3 million euros).

On balance, however, the Spanish social welfare system is ill-equipped to address long-term concerns about immigrant integration and social mobility for less-skilled immigrant workers and their Spanish-born children. One recent study finds that, prior to the recession, cash benefits for low-income households reduced the poverty headcount among Spanish natives by half but reduced the poverty headcount among immigrants by about 5 percent.²⁴⁴ Moreover, the same study finds that government transfers reduced extreme poverty among native-born Spaniards by nearly one-quarter but their impact on extreme poverty among immigrants was less than 4 percentage points. The authors attribute the limited impact of the Spanish welfare state on immigrant households to the

²⁴⁴ Rafael Muñoz de Bustillo and José-Ignacio Antón, "From rags to riches? Immigration and poverty in Spain," Munich Personal RePEc Archive, March 2010, <http://mpra.ub.uni-muenchen.de/13848/>.



state's focus on pensions and reducing poverty among the elderly rather than among working families.

Data are not yet available on poverty trends over the course of the recession, but it is clear that even during the boom years Spain faced daunting challenges in integrating a large and rapidly growing immigrant population. These challenges now loom larger in the context of labor market stagnation and contracting state finances.



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