The labour market situation of immigrants
Thematic Paper

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Introduction

Understanding of the economic situation of immigrants in the receiving countries is important for a number of reasons. First, from the perspective of the immigrant. Immigrants base migration decisions on comparison of expectations of the economic situation they will encounter in different destinations. Second, from the perspective of the receiving economy. Immigrants make important contributions to the host economy as they often provide skills that are crucial for industry, but not sufficiently available in the native workforce. Immigrants pay taxes and contribute to the welfare system. On the other hand, immigrants are also recipients of welfare payments and transfers. The more successful immigrants are in the labour market, the higher will be their net contribution. Third, from the perspective of the society at large. Immigrants are not only workers, even if the labour market is the main economic reason for most migrations. They interact with the population of the receiving country, they segregate, and they integrate. Economic integration is an important aspect and possibly driver of social integration and interaction.

Not surprisingly therefore, a fairly large literature exists that addresses the various issues that relate to immigrants’ economic situation in the receiving countries. Much of this literature concentrates on wages, employment or unemployment. In this paper, we will discuss some of the conceptual issues that are underlying any such analysis, and create awareness of issues that may compromise some of the findings. We will then summarise briefly some of the evidence the literature establishes about immigrants and their labour market situation. We will concentrate on four countries that are in our view representative for blocks of countries with similar immigration experiences: Germany, the UK, Spain, and Sweden.

We commence by providing a brief historical overview of immigration to these countries. We then discuss and compare the migrant populations that live in these countries, with respect to their ethnic and educational composition, length of residence, and employment probabilities. We will finally survey a number of papers that analyse wages, and employment of immigrant populations in these countries.

Because of the limited space available for this overview, we need to concentrate on particular aspects. We focus here on first generation immigrants. This omits an important part of the migrant experience, as many issues that are related to immigrants and their economic situation concerns the descendents of immigrants. Economic integration as well as social integration is a process that covers more than one generation. We further concentrate on only a number of economic indicators, like employment and wages. Finally, before proceeding, we should first define what we mean when we refer to an individual as an “immigrant”. Following much of the literature, and the definitions that underlie much of the aggregate statistics and data collections, we define an immigrant as an individual that lives and works in another country than the country where he or she is born.
The structure of this paper is as follows. Section 2 gives a brief overview of the history of migration for those countries that we consider in more detail. Section 3 discusses some theoretical and conceptual issues. Section 4 provides evidence for the economic situation of immigrants in the four countries. Finally, section 5 concludes.

History

Over the second half of the 20th century, population movements within Europe and into Europe were shaped by several historical events. First of all, the end of the Second World War saw an entirely new geography of the European continent, with countries like Germany and Austria being substantially reduced in their national boundaries, and other countries incorporating new areas into their national geography. An immediate consequence of the re-partitions and political separations following WWII were large intra-European movements, due to displacement and forced resettlement. The country foremost affected by immigration during the period after 1945 was Germany. According to Salt (1976), by 1950 7.8m refugees had found a new home in West Germany, and 3.5m refugees in East Germany. These movements gradually ebbed as Eastern European countries became increasingly insulated, symbolised by the building of the Berlin wall in 1961.

Starting in the late 1940s and early 1950s, European countries experienced a second large migration wave, quite different in nature from the first wave. This time the movement was one from Southern Europe, as well as non-European Mediterranean countries and former colonies, into Western and Northern Europe. Reasons for these movements were a combination of the tremendous economic expansion, due to reconstruction of the economies of Northern European countries, coupled with serious labour shortages, as well as de-colonization of former colonial powers. A most significant feature of these migrations was that they drew ethnically diverse populations into European countries which so far had been ethnically homogenous. The ethnic and origin composition of immigrant populations in many European countries today have been significantly shaped by these movements. This second large immigration wave came to a halt with the first oil crises in 1973, leading to an economic downturn and a sharp increase in unemployment in most Western and Northern European countries. Nevertheless, immigration did not cease after 1973. Many immigrants settled more permanently and were joined by their families. The period between 1950 and 1973 saw opposite movements in Southern European countries. Southern Europe during the 1950’s and 1960’s was economically a mirror image of Northern Europe, with sluggish economic development and high unemployment. The booming North was a magnet for people, and Southern Europe was characterised over this period by out-migration, and to some extent return migration.

The last big population movement was initiated in the late 1980’s by a liberalization of Soviet policy and accelerated by the fall of the Berlin wall in 1989. In an initial phase, liberalization let to large East-West migrations, predominantly of people whose movements were suppressed during the Soviet era. Most significant was the movement of Ethnic Germans from Eastern Europe and the former Soviet Union to Germany. In 1990 alone 397,903 ethnic Germans came to Germany from Eastern Europe and the former Soviet Union. The collapse of Soviet rule in the early 1990s led to a wave of civil conflict and separations, with large displacements of civil populations. The Balkan wars led to large asylum and refugee migrations. This time however migrations were not only targeting Northern Europe, but also Southern European countries, which had, partly as a
result of their incorporation into the European Union, experienced rapid economic development and convergence to Northern Europe during the 1980’s.

In this paper we will consider in more detail four different countries, representative for blocks of countries having experienced different migration movements over the past five decades: Germany, Sweden, the UK, and Spain. Germany represents a group of countries in the Northern hemisphere of Europe that experienced a large economic boom starting in the late 1950’s, and recruited immigrants mainly from Southern Europe and Turkey. The UK stands for a group of countries that experienced a similar increasing demand for mainly unskilled labour over this period, but, other than Germany, which had no strong colonial history, recruited immigrants, at least initially, from former colonies. Sweden stands for the Scandinavian countries, with a fairly liberal immigration policy over that same period. Sweden recruited from other Scandinavian countries, Southern Europe, Turkey, and was quite open towards migration (and often refugee migration) from Asia. Finally Spain stands for the Mediterranean countries (like Italy and Greece), characterised by sluggish economic development during the 1950’s-1970’s, and being an emigration country over this period, but having experienced very large immigrations since the late 1980’s-early 1990’s.

Germany: Between 1945 and 1949, nearly 12m German refugees migrated to the territory of today’s Germany. In addition, between 1945 and the construction of the Berlin Wall in 1961, 3.8m Germans moved from East Germany to West Germany. After 1955, the West-German economy experienced a strong upward swing. Like other countries with a limited colonial history (e.g. Switzerland and Austria), Germany recruited immigrants mainly from Southern Europe and from Turkey. Bilateral recruitment agreements between West Germany and Spain, Greece, Turkey, Portugal and Yugoslavia in the 1960’s (an agreement with Italy was already concluded in 1955) led to a rise of foreign workers to 1.2m in 1965, or 5.5% of the total labour force (see Velling 1995 for details). The peak of foreign workers in the German labour force was reached in 1973, with 2.6m, or 12 % of the total labour force. The stock of the foreign population increased from 700.000 in 1961 to 3.96m in 1973. In 1973, as a reaction to the first oil crisis, active recruitment of foreign labour came to a standstill. The period after 1973 was characterized by family re-unification. The early 1980’s saw the arrival of the first larger waves of asylum seekers. Towards the end of the 1980s, and accelerated by the fall of the Berlin wall, Germany experienced a new large immigration from the East. Former ethnic Germans (so called Aussiedler) who under Soviet rule were not allowed to move, migrated from Eastern Europe and beyond to Germany. Inflows of Ethnic Germans from the former Soviet union remained high throughout the early 1990’s. In 2002 there were 7.335.592 foreigners living in Germany (Federal Statistical Office of Germany), representing 8.9% of the total population. Of those the majority (26 %) are from Turkey and 53.2% from three European countries: former Yugoslavia, Italy, and Greece.

Sweden: During the war Sweden (as a neutral country) received many refugees from neighbouring countries, including Finns, Jews, Socialists and resistance from countries occupied by Germany. In the 1950’s – early 1970’s Sweden experienced economic expansion, and large labour migrations from Southern Europe and Turkey. The common Nordic labour market established in 1954 and including Denmark, Finland, Iceland, Norway and Sweden let to large-scale immigration of Finns to Sweden during the 1950s and 1960s. Labour migration from non-Nordic countries came to an end in 1972. The period between 1972 to 1989 was characterized by asylum migration mainly from Third World countries as well as family reunification, including refugees from Eastern Europe, Uganda, Chile and other Latin American countries, Kurds, Iranians, Ethiopians. From 1989 onwards, Sweden experienced like the other Nordic countries an increasing inflow of Eastern Europeans. The percentage of Europeans among the immigrant population has de-
creased since the 1980s while the percentage of Asian and African immigrants has been increasing. By 2000, the percentage of the foreign born in Sweden as a percentage of the total population had increased to 11.3%, with 64.2% of those from European countries, 21.5% came from Asia, 5.4% from Africa and 5.5% from Americas. This makes Sweden the country with the largest foreign born population among Scandinavian countries, and one of the European countries with the highest fractions of foreign born. Finns are the most populous single immigrant group in Sweden. Like the other Scandinavian countries, the immigrant population is quite diverse.

Spain: In the early second half of the 20th century, Spain was, like many other Southern European countries, an emigration country. Over the period from 1960 to 1973 more than 100,000 workers emigrated each year to Germany, France and Switzerland. Spain welcomed emigration as it created remittances and relieved labour market pressures (see Bover and Velilla 1999). Emigration declined after 1973, while the number of returning emigrants to Spain increased and immigrants from other countries arrived in Spain. In the late 1980s and early 1990s Spain changed from an emigration country to an immigration country. Between 1990 and 2000, the foreign population in Spain increased threefold from 278,800 to 895,700. In 2000, the largest single immigrant group was the Moroccans whose population has been increasing steadily since 1980. In particular the Latin American population has been growing at a constant pace since. Likewise, the proportion of people from Africa has increased significantly while the proportion of Europeans has decreased. The increase in the immigrant population has been most dramatic over the last decade, with the percentage of foreigners increasing from 1.3 percent in 1995 to 3.3 percent in 2002, and further large increases in the following years. There have been two regularisation programmes, in 1985 and in 1991, with the second resulting in about twice as many legalisations as the first. The 1991 programme demonstrated that Spain’s foreign population was no longer mainly European. 55.4% of the legalisations were for Africans, 26.3% were for Latin Americans, 9.1% for Asians and only 7.5% were for Europeans. Moroccans were the largest single group to regularise, accounting for 44.5 per cent of the total. (see King and Rodriguez-Melguizo 1999 for more details). In 2000, Latin- and South-Americans constitute together the second largest community in Spain, coming from a variety of origin countries, including Ecuador, Peru, Dominican Republic, Colombia, and Argentina.

The UK: The arrival of the Empire Windrush in 1948 with several hundred immigrants from Jamaica has come to symbolize the commencement of large scale non-white immigrations from New Commonwealth countries. While the early 1950s were characterised by migration from the Caribbean, in the late 1950s a growing number of immigrants arrived from the Indian subcontinent. Later migrants arrived from Pakistan and Bangladesh. Labour market shortages in the period after the war led also to recruitment of European workers to certain labour market shortages. These workers were predominantly from Southern Europe, but also from Poland. After the 1971 Act, an increasing fraction of immigration was due to family unification, which remained for a time largely unrestricted. Favourable economic conditions in Europe prevented large migrations after 1971. Governmental response to the Ugandan Asian crisis of 1972 nevertheless led, despite the restrictive legislation by then adopted, to a renewed boost in settlement of Asian origin. Immigration has increased significantly since 1997, with annual net inflows between 1997 and 2004 equalling about 0.3%. This has been mainly a result of the strong British economy. With Britain being (besides Ireland) the only country in the EU-15 that allowed for free movement of labour after the Eastern accession in May 2004, immigrants come increasingly from Eastern EU countries, like Poland.
Immigrant’s economic situation in the receiving countries

The way immigrants perform in the receiving country determines largely which contribution they make to the host economy, as well as to the welfare system. This in turn depends on the conditions of the host country’s labour market, on the way immigrants complement the native workforce, and on their level of education and skills.

It is frequently observed that, upon entry to the receiving country, immigrants do worse than native workers with the same level of observable skills. This is for two main reasons: First, immigrants have skills that are not applicable immediately to the host country labour market. For instance, immigrants may have worked in a different industrial environment, and skills have to be transferred to the specifics of the receiving country’s labour market. Also, immigrants often lack complementary skills necessary to perform according to their full economic potential – e.g. a skilled engineer may be less productive as long as he/she is not fluent in the host country’s spoken language. Thus, upon entry, immigrants are likely to “downgrade” relative to their observable skills. This does not mean however that immigrants are paid below their “productivity” – complementary skills like language are often crucial to employ immigrants in jobs similarly skilled natives are working in. These “specific” skills are likely to be acquired during the early phase of a migration, which would suggest that immigrants close the initial gap, relative to equally skilled native workers. A further reason for the disadvantage immigrants may have upon entry is a lack of information about which jobs are best suited for a particular individual. Upon arrival an immigrant may pick the first job that is available; however, this job may not be optimally suited to the immigrant’s ability and skill. After acquiring more information about job opportunities, immigrants are likely to change jobs, and receive offers by firms to which their particular skills are better suited, thus improving their wages.

Both these reasons suggest that immigrants should, after arrival, start off with lower wages, but improve their wage situation with time in the country. Whether immigrants improve their wage situation relative to native workers in the same skill group is however not clear, and depends on the particular migration situation. For instance, in an early paper Chiswick (1978) illustrates that immigrants to the US did, upon arrival, experience a significant earnings disadvantage; this disadvantage was reduced over time, and turned into an advantage relative to natives after about 17 years. Although later work (e.g. Borjas 1985) criticised Chiswick’s approach on methodological grounds, and did not establish a “cross – over”, the finding that immigrants closed the initial earnings disadvantage remained. On the other hand, Dustmann (1993), using a similar approach to investigate immigrants’ earnings assimilation in Germany, does confirm the initial disadvantage of immigrants, but does not find evidence for this gap to close over time. He explains this mainly with the temporary character of immigration, preventing immigrants to make important investments into skills that are specific to the German labour market.
In figure 1, we illustrate the two different situations. The figure carries time in the host country on the horizontal axis, and the wage gap between immigrants and natives with the same observable skills on the vertical axis. The vertical distance of any of the lines from the horizontal line denoted NN illustrates the wage gap between immigrants and natives with the same observable skills. Line AA is the relative wage path of immigrants who “catch up” to comparable natives, after suffering an initial disadvantage, and overtake native earnings at some stage. This is the situation Chiswick illustrates in his 1978 paper. The line BB shows a situation where immigrant earnings remain below those of natives, and no wage assimilation talks place. This is the situation Dustmann (1993) illustrates for Germany.

Measurement of immigrant assimilation as it is performed in the above mentioned papers, and in a lot of subsequent work, is problematic for a number of reasons. Most importantly, and as suggested by Dustmann (1993), immigrants may differ in their “effort” to acquire skills that would make them more productive in the longer run, for one particular reason: They do not have an intention to remain in the host country for a long period. In that case, it is advantageous for the immigrant to work long hours in low paying jobs rather than to undergo a period of investment into skills that are specific to the receiving country’s labour market (like language), as the return to these skills may only materialise if the migration is of a certain length. Such considerations may have influenced immigrants in particular during the European migrations which we have discussed above, as these have been thought of, at least initially, as temporary, both by the receiving countries as well as the migrant (“guest-worker migration”). As immigrants may differ in their intended duration in the receiving country, they may also differ in their effort to acquire skills specific for the host country and, therefore, in their earnings and wage trajectories. As a consequence for empirical measurement, that what would be required for exact estimation of earnings trajectories of immigrants is knowledge of the intended migration duration, in order to allow for differences across immigrants or immigrant groups. This information however is hardly available.
A second problem, again related to the temporary character of many migrations, is the realization of out-migrations. Immigrants who return may not necessarily be representative for the immigrant population at large. Returners may be the more successful or the less successful. Thus, if plotting earnings against the time immigrants spend in the host country (as illustrated in figure 1), “selective” outmigration may lead to over- or underestimation of earnings trajectories, as wages early on in the migration history are based on a different immigrant population than wages at longer durations. For instance, if the more talented immigrants leave the country after relatively short stays, then the earnings trajectory of the remaining immigrants will increase by less than it would do otherwise.

A third issue is the way immigrants adjust to the business cycle, relative to native workers. Recent work by Dustmann, Glitz and Vogel (2007) illustrates that employment of immigrants reacts more sensitive to business cycle fluctuations than employment of native born workers. Thus, the economic cycle may “select” immigrants differently into non-employment than natives; if for instance 20 out of 100 immigrants become unemployed during a downturn, but only 10 out of 100 natives, and if those who experience unemployment are drawn from the “bottom” of the two skill distributions, then it is likely that the remaining immigrants are “better” than the remaining natives, which may lead to a possible overestimate of the earnings of immigrants relative to natives.

These are some important considerations that make the estimation of trajectories of economic performance of immigrants more challenging than often recognised. These need to be kept in mind when assessing the literature on earnings assimilation, some of which we will survey below.

The evidence

Before we present some evidence on the position of immigrants in the labour markets of the four countries we have introduced above, we should mention that, besides the conceptual problems we have discussed above, it is important to keep in mind that every empirical analysis is based on data for a particular migration situation. Results are not generalisable over time and across countries. For instance, if a US study establishes that immigrants after arrival have an earnings disadvantage relative to natives, but close the earnings gap over time, then this refers to the immigrants represented in that particular data. A different picture may emerge for immigrants arriving later, or having arrived earlier. For instance migration to the US has changed from being predominantly European to being predominantly from South- and Central America. Thus results based on early studies that consider more European type migrations may not hold for later migrations. This is particularly important for European countries which, as we discussed above, experienced largely different immigration, both in terms of origin as well as ethnic and skill composition, and where migration was paired with largely different economic conditions upon arrival.
We commence with some aggregate statistics for the four different countries we consider here. Table 1 illustrates the overall composition of the immigrant population in these countries, distinguishing between Africa, Asia, Latin America, Oceania, and Europe. The figures show that immigrant composition differs considerably. While in Germany and Sweden most immigrants originate from Europe, immigrant origin in the UK is more heterogeneous, with a large Asian proportion. In Spain, the immigrant population stems largely from Latin America. These different compositions are driven by the historical links the different countries had with e.g. former colonies, language, as well as the recent histories of migrations, as we discuss above. For instance, the large Asian migration to the UK in the 1950's – 1970's still determines the composition of immigrant populations today. Colonial links and a common language are largely responsible for the Latin American dominance in immigration to Spain.

Table 2 displays the time immigrants have been in any of the receiving countries. There are stark differences between Germany, the UK and Sweden on the one hand, and Spain on the other. While in the former group of countries, more than 70 percent of the immigrant population have
been in the country for more than 10 years, this is the case for less than 50 percent for Spain; on the other hand, more than 40 percent of immigrants in Spain arrived during the past 5 years, while this figure is around or below 10 percent for the other countries. This reflects the relatively recent history of immigration to Spain. For analysis of earnings, this implies that immigrants to Spain are likely to be less assimilated on average, relative to the other countries.

Table 3: Educational attainment of the native and foreign-born (% of the 15+ population).

<table>
<thead>
<tr>
<th>Country</th>
<th>Primary</th>
<th>Secondary</th>
<th>Tertiary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>24.2</td>
<td>56.5</td>
<td>19.3</td>
</tr>
<tr>
<td></td>
<td>45.8</td>
<td>39.3</td>
<td>14.9</td>
</tr>
<tr>
<td></td>
<td>27.2</td>
<td>54.1</td>
<td>18.7</td>
</tr>
<tr>
<td>UK</td>
<td>51.2</td>
<td>28.7</td>
<td>20.1</td>
</tr>
<tr>
<td></td>
<td>40.6</td>
<td>24.5</td>
<td>34.8</td>
</tr>
<tr>
<td></td>
<td>50.2</td>
<td>28.3</td>
<td>21.0</td>
</tr>
<tr>
<td>Spain</td>
<td>66.4</td>
<td>15.6</td>
<td>18.4</td>
</tr>
<tr>
<td></td>
<td>56.3</td>
<td>22.6</td>
<td>21.1</td>
</tr>
<tr>
<td></td>
<td>65.9</td>
<td>15.9</td>
<td>18.2</td>
</tr>
<tr>
<td>Sweden</td>
<td>25</td>
<td>52.2</td>
<td>22.8</td>
</tr>
<tr>
<td></td>
<td>20.5</td>
<td>46.2</td>
<td>24.3</td>
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<tr>
<td></td>
<td>25.6</td>
<td>51.4</td>
<td>23</td>
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</tbody>
</table>


Table 3 shows the educational attainment of immigrants in the different countries. The common classification into Primary, Secondary and Tertiary is used here. The figures suggest a much higher level of educational attainment of immigrants in the UK compared to the native born population. For Spain, the figures likewise suggest a relatively well educated immigrant population, with a higher percentage having a tertiary education among immigrants than among natives. Sweden’s immigrant population is quite similar to natives in terms of educational background. Immigrants in Germany are, relative to natives, exhibiting the lowest education levels of the four countries, with nearly one in two immigrants having a primary education only (compared to only 1 in 4 among natives).
Table 4: Occupations of the native-born and foreign-born.

<table>
<thead>
<tr>
<th>Country</th>
<th>Professionals</th>
<th>Technicians</th>
<th>Operators</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>19.5</td>
<td>10.2</td>
<td>18.4</td>
</tr>
<tr>
<td>UK</td>
<td>26.3</td>
<td>34.2</td>
<td>27</td>
</tr>
<tr>
<td>Spain</td>
<td>19.6</td>
<td>15.5</td>
<td>19.3</td>
</tr>
<tr>
<td>Sweden</td>
<td>24.3</td>
<td>19</td>
<td>23.8</td>
</tr>
</tbody>
</table>

Note: This need not correspond to educational achievements of immigrants, as immigrants may downstate upon arrival, due to their lower levels of country-specific skills, as we discussed above. For the UK the professional distribution is in line with the relatively high levels of educational background, with 34 percent of the immigrant population being in professional jobs, while this is the case for only 26 percent of the native population. Germany on the other hand has the lowest fraction of immigrants in professional jobs – only 1 in 10 immigrants falls in this category – while, together with Spain, the fraction in the lowest category is highest. Spain’s relatively large fraction of immigrants in the lowest professional group may be surprising, given the relatively good education background of immigrants. This could be explained by the low duration of residence of many immigrants as migration to Spain is a relatively recent phenomenon, as suggested by Table 2. This could be a reason that a large fraction of the immigrant population has not yet achieved their full economic potential, and working in professions that are below their skill potential.

We now turn to survey some studies that analyse, on the basis of micro-data, the earnings- and employment situation of immigrants in the different countries. There is surprisingly little comparable evidence, which is perhaps due to the difficulty in obtaining data for appropriate analysis. The picture we draw based on available evidence is therefore less complete than we would wish. Also, the problems and pitfalls we discussed above are inherent to many of the studies.

The first paper that studies earnings (or wage) assimilation for Germany is Dustmann (1993). Dustmann’s work concentrates on immigrants from the migration wave between the early 1950’s-1973, coming from Southern Europe and Turkey. He finds that immigrants experience an initial earnings disadvantage of about 15-20%. Although immigrants improve their overall situation in Germany, the earnings gap between immigrants and natives does not close over time. Dustmann
explains this with the predominantly temporary character of immigration over that period, leading to reduced incentives to invest into human capital. Later work (e.g. Pischke 1993, Schmidt 1992, Licht and Steiner 1992) essentially confirm Dustmann’s findings. Likewise, immigrants have lower employment levels than natives upon arrival. In a more recent paper, Lang (2000) analyses earnings assimilation of immigrants to Germany, including some more recent immigrant groups (in particular Aussiedler who arrived mainly after 1989 from Eastern Europe). Like Dustmann, he finds an initial earnings gap, but no evidence for assimilation, except for the latest immigrants from Eastern Europe, where the gap closes slightly with time in the country.

For Sweden, a number of papers investigate the employment- and earnings situation of immigrants. Rooth and Ekberg (2003) find that unemployment probabilities are lower for immigrants than for natives. There is heterogeneity between groups, but the difference for some groups can be as large as 11 percentage points, compared to Swedes with same observable characteristics. For earnings, they establish that immigrants’ annual earnings, in particular for immigrants with Southern and non-European background, are lower than those of comparable natives. Differentials are as high as 15% between natives and some immigrant groups. Edin, LaLonde and Aslund (2000) find that earnings of immigrants to Sweden are upon entry significantly lower than those of natives; however, earnings grow with time in the country. Immigrants from Nordic countries have on average higher initial earnings than immigrants from other countries; however, their earnings growth is slower than that of other immigrant groups, who start with a larger disadvantage. On average, immigrants experience a slightly higher earnings growth than natives, which leads to a gradual closing of the initial earnings gap. Aslund and Rooth (2007) investigate how immigrants’ assimilation patterns differ according to the state of the economy upon labour market entry. They find a strong relationship between earnings assimilation of immigrants in Sweden and the situation of the national labour market. Their study shows that favourable labour market conditions upon immigrants’ arrival leads to persistent and positive effects on immigrant earnings; the varying conditions at immigrant entry thus create lasting differences across different arrival cohorts, and different assimilation patterns between immigrants and natives.

For Spain, Amuedo-Dorantes and dellaRica (2006) investigate the earnings of recent immigrants. Relying on the 2001 Census, they illustrate a large employment disadvantage of immigrants upon arrival, in particular immigrants from non-EU countries. For the latter group, this gap can be as large as 32 percentage points, compared to comparable natives. This employment gap slowly decreases for most immigrant groups, but there is considerable heterogeneity across origin groups. Fernandez and Ortega (2006) use the Spanish Labour Force Survey and find likewise that recent immigrants have lower labour market participation rates and higher unemployment rates than comparable natives. They find some assimilation over time: after about five years, participation rates of immigrants start to converge to native rates, and unemployment rates decrease to levels even lower than those of natives. Regarding wages, Carrasco, Jimeno and Ortega (2008) find that in 2002, mean wages of male immigrants are about 40 percent lower than mean wages of male native workers.

For the UK, work by Dustmann and Fabbri confirms the relatively high skill level of immigrants which we demonstrated in the above tables. Regarding employment, they find that some immigrant groups have substantially lower probabilities to be employed, compared to white British-born individuals. The three most disadvantaged groups are black Africans, Pakistanis, and Bangladeshis. On the other hand, white immigrants, and immigrants from the Chinese and Afro-Asian communities have virtually identical employment probabilities to the white British-born. For females, the findings are similar to those for males, but the divergence across the different groups is larger. Regarding wages, they find a stark difference between white immigrants (which is about
half of the immigrant population to the UK), and non-white immigrants. While immigrants from most white immigrant communities have on average higher wages than British-born whites, immigrants from all ethnic minority communities have lower wages. This is true for both males and females, with differences more accentuated for males. Wage differential can be substantial for some groups; for instance they reach about 40 percent for male Bangladeshis. Dustmann and Fabbi find a slight narrowing of the wage gap between ethnic minority immigrants and natives; however, for white immigrants, they find an initial wage advantage, which decreases with time in the UK. The latter finding can be explained by selective return migration, with the best performing immigrants (like employees in the financial services) re-migrating after relatively short migration spells – see our discussion in section 3. This emphasizes the importance of return migration as a possible source of error when computing earnings trajectories for immigrant populations. Their findings are also compatible with later work by Dustmann and Weiss (2007), which shows that among white immigrants, about 50% of those who have been in the UK one year after migration return over the next 5 years.

**Discussion and Conclusion**

In this paper we discuss the labour market situation of immigrant populations in the host countries. We provide some conceptual discussion about the possible processes that determine the economic performance of immigrants, and the difficulties that are inherent to empirical analysis. We provide some evidence for the situation of immigrants in four countries that are representative for blocks of countries in Europe with similar immigration histories: Germany, the UK, Spain, and Sweden. We illustrate largely different immigrant populations in these countries, with respect to origin. We also illustrate differences in educational attainments, and in occupational distributions. When surveying some of the literature that analyses the economic performance of immigrants, we find that for all countries and most immigrant groups, initial earnings are lower than for comparable native born individuals. For some groups and countries, this gap slowly closes over the migrants' migration history. However, in some cases, the initial disadvantage remains. There are also differences in employment and unemployment between natives and immigrants, with immigrants being typically disadvantaged. Again, there is a lot of heterogeneity across groups with different origin.

The paper illustrates above all the stark differences in migration populations, migration histories, and the composition of the migrant population with respect to education and economic achievement for different European countries. It also shows that there are large differences within countries in terms of economic success of the different immigrant communities. Far too little good quantitative analysis exists for Europe, which is partly related to the difficulties in obtaining reliable data material for investigation. As Europe is moving towards a common framework of migration legislation, with selective elements, it is even more important to understand precisely which immigrant population do well economically, which are disadvantaged, and what the reasons for success or failure are. More quantitative and well executed work is needed.
References


