

MOVING UP OR STANDING STILL?

ACCESS TO MIDDLE-SKILLED WORK FOR NEWLY ARRIVED MIGRANTS IN THE EUROPEAN UNION

By Meghan Benton, Susan Fratzke, and Madeleine Sumption



**A Series on The Labor Market Integration of New Arrivals in Europe:
Employment Trajectories**



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MIGRATION POLICY INSTITUTE

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Executive Summary

Migration in Europe has changed dramatically over the past 15 years. The economic boom of the early and mid-2000s in many European Union countries created high demand for workers, attracting growing populations of migrants from both within and beyond the European Union. EU enlargement created a new generation of mobile EU citizens, and new EU Member States replaced the traditional non-EU countries as the dominant sources of migration in many southern and western European countries. Due to greater intra-EU mobility, a trend of rising education levels worldwide, and some new policies to attract highly skilled labor migrants, recent arrivals gradually became more educated. And an unexpectedly deep and persistent economic crisis at the end of the decade shook the foundations of the economies in which new arrivals had settled.

The majority of immigrants in Europe are not selected on the basis of their skills or their capacity for economic integration, and governments cannot fine-tune the characteristics of the newcomers they receive. Against this backdrop, larger migrant populations and the changing nature of mobility raise important questions that bear on destination countries' integration policies. How well are newcomers integrating into the labor market? How easily have migrants found employment, and what opportunities do they have to progress into better jobs over time? What drives new migrant cohorts' economic integration and to what extent can governments improve their outcomes?

A. Overview of the Findings

Labor-force data in six significant destinations—the Czech Republic, France, Germany, Spain, Sweden, and the United Kingdom—paint a mixed picture of immigrants' labor market trajectories in the first decade after arrival. In some countries, immigrants found work relatively quickly; in others, initial employment rates were low but improved substantially over the first five years. However, immigrants were overrepresented in the lowest-skilled jobs in all countries, and there was limited evidence that immigrants are systematically progressing into middle- or high-skilled work over time.

Immigrants' integration pathways varied enormously by country. Immigrants in some countries faced challenges in both finding employment and progressing into more skilled work. In France and Germany, only a minority of newcomers were employed in the first four years after arrival, and those who did find work were strongly overrepresented in low-skilled jobs. Access to employment increased substantially in the first decade but did not catch up with the native born. Immigrants' movement out of the lowest-skilled work in these countries was modest. In Sweden, immigrants had more favorable outcomes immediately after arrival, but experienced slower improvement over time.

Box 1. Situating the Research: A Series on Employment Outcomes among Immigrants and Mobile EU Citizens in Europe

This overview report caps a series of six country case studies completed during the first phase of a recent Migration Policy Institute and International Labour Office project evaluating the ease with which foreign-born workers within the European Union are able to establish themselves in destination-country labor markets during the first ten years after arrival. The project evaluates the conditions under which new immigrants are able not only to find employment, but also to progress out of unskilled work into middle-skilled jobs. The low wages paid for most unskilled work mean that immigrants (or native workers) who are unable to move out of these positions into higher-skill, higher-paid jobs after a few years are at risk of poverty and social and economic marginalization.

The case studies in this phase of the project have considered the influence of individual characteristics and broader economic conditions on the employment prospects of foreign-born workers. The second phase of the project will evaluate the effectiveness of integration and workforce development policies in helping foreign-born workers overcome these barriers and move up into middle-skilled positions that pay a family-sustaining wage.

The six case study countries are the Czech Republic, France, Germany, Spain, Sweden, and the United Kingdom.

Several factors are likely to have driven these countries' employment trends. Both France and Germany experienced slower economic growth during the 2000s than the other countries studied; they also have comparatively strong labor market regulation that is designed to protect workers but can create barriers to entry for outsiders. In addition, Germany and France had high levels of nonlabor migration, both among non-EU immigrants and mobile EU citizens; and comparatively higher proportions of their immigrants were low educated.

In other countries, initial employment rates were high but movement out of the lowest-skilled jobs was not. In the Czech Republic, Spain, and the United Kingdom, initial employment rates were similar to or higher than for native-born populations. Larger shares of migrants moved explicitly for work, joining labor markets where employment regulations were either relatively light (United Kingdom) or loosely enforced (Spain and Czech Republic). Low-skilled jobs that do not require high levels of qualifications were widely available—at least before the economic crisis—likely facilitating high employment levels. However, migrants in these three countries remained overrepresented in low-skilled work, often despite relatively high levels of education.

Concentration in low-skilled work was greatest in Spain, where more than 40 percent of newcomers took the lowest-skilled jobs in the first year after arrival. However, Spain was the only country in which migrant cohorts experienced significant movement out of low-skilled work over time—even if the economic crisis at the end of the decade reversed the labor-market gains that many of them had made.

Immigrants in most of the case study countries had a higher probability of working in low-skilled jobs initially than other similarly educated workers.

In all countries studied, immigrants' integration trajectories varied enormously depending on their characteristics, particularly education and country of origin. Some migrant groups—especially those from developing countries outside of the European Union—arrived with considerably lower levels of education than their native-born counterparts and faced greater barriers finding middle-skilled work both initially and over time.

But low levels of education did not fully explain immigrants' overrepresentation in low-skilled work. In some countries—notably Spain and the United Kingdom—immigrants had similar or higher education levels than the native born. Immigrants in most of the case study countries had a higher probability of working in low-skilled jobs initially than other *similarly educated* workers. Workers received a particularly low return on education in Spain, Sweden, and the United Kingdom. Evidence of skills waste also emerged in the Czech Republic. Mobile EU citizens were more likely than any other group to be overrepresented in these jobs despite being twice as likely as natives to have a high level of education.

B. The Next Step: Connecting Findings to Integration Policy

The integration challenge EU countries face is diverse. Some groups, such as mobile citizens from high-income and EU-15 countries faced few difficulties either entering employment or penetrating middle- and high-skilled work. Others had high employment rates but remained concentrated in the lowest-skilled jobs, even after several years—the profile of this category of migrants varied by country, but often included nationals from new EU Member States. A third category of newcomers saw both low employment *and* limited progress out of the least skilled work. The latter included traditionally disadvantaged minorities—often from countries' former colonies—as well as refugees in Sweden.



Many of the factors that shape immigrant integration are beyond governments' full control. These include a country's traditional approach to labor market regulations and education; employers' expectations about the skills, qualifications, and promotion opportunities their workers should have; the broader macroeconomic environment; the rise and fall of economic activities that provide pathways into middle-skilled work; and the characteristics of migrants a country receives through family unification, humanitarian migration, and intra-EU mobility.

Other dimensions of immigrant integration are more amenable to policy intervention. These include language acquisition, access to locally recognizable qualifications (a policy area that is especially significant in countries where qualifications are important for upward job mobility), and navigating pathways into skilled employment. Governments face several challenges as they evaluate their strategies in these fields. Migrants arrive with hugely varying backgrounds and skills, routes of entry, and entitlements to services. Programs that are effective for one group may not be suitable for others. Finding productive employment opportunities for those with low education levels is likely to be a persistent challenge, especially since designing effective training programs for disadvantaged groups is extremely difficult.

At the same time, governments face the separate challenge of addressing "brain waste" among educated migrant populations—that is, minimizing the number of highly educated jobseekers who are either unemployed or have jobs that do not make use of their education and skills.

While employment and integration policies often focus on the unemployed, this study points to the need for a richer definition of integration that takes account of progression within work. The next phase of the project will examine whether policies can help newly arrived immigrants not only enter employment, but also gain upward mobility into more skilled work over time.

I. Introduction

Employment is critical to immigrant integration. Unless immigrants can find work that pays a wage sufficient to support themselves and their families they face the risk of poverty and marginalization—in both the first generation and beyond.¹ But the consequences of unemployment or underemployment are not limited to immigrants themselves. Inactivity, poverty, and underutilization of skills can have long-lasting implications for social cohesion and economic competitiveness within receiving countries. Wasted human resources will become increasingly unaffordable as European countries struggle to regain robust economic growth and combat the effects of demographic change.

While many new arrivals encounter few difficulties entering the labor market and finding jobs at an appropriate skill level, others face barriers to employment that include poor language skills, low levels of education, training that is not recognized in the destination country, limited professional networks, and a lack of familiarity with the local labor market—particularly in many high skill-oriented European economies. These challenges can be compounded by poor economic conditions, labor market regulations that discourage new hiring, or inadequate support systems for new arrivals. As a result, newcomers may get stuck in low-wage, low-status jobs or struggle to find work at all.²

1 Immigrants born outside of the European Union are at significantly greater risk of poverty than mobile EU citizens and native-born populations. According to Eurostat, 29 percent of non-EU citizens were at risk of poverty in 2012 (defined as below the poverty line, living in severe material deprivation, or in a household with very low work intensity), compared to 19 percent of mobile EU citizens and 15 percent of native-born citizens, on average across the EU-28. Eurostat, "At risk of poverty by broad group of country of birth (population aged 18 and over)," updated June 4, 2014, http://appsso.eurostat.ec.europa.eu/nui/show.do?wai=true&dataset=ilc_li32.

2 A significant body of research has found evidence that immigrants' lower average wages and lack of progress over time is associated with segmentation into low-skill, low-status jobs—particularly for immigrants from developing countries. Amelie Constant, "Immigrant Adjustment in France and Impacts on the Natives" (IZA Discussion Paper No. 866, Institute for the Study of Labor [IZA], Bonn, Germany, August 2003), <http://ftp.iza.org/dp866.pdf>; Hipólito Simón, Esteban Sanromá, and Raúl Ramos, "Labour Segregation and Immigrant and Native-born Wage Distributions in Spain: An Analysis Using Matched



Since migrants move for a variety of reasons—not all economic—and since they face varying policy environments at their destinations, their labor market integration outcomes are similarly diverse. Immigrants' progress through the labor market is shaped by a number of interrelated factors:

- **Individual characteristics**, including country of origin, reason for immigration, language, work experience, skills, and level of education
- **Receiving-country labor market conditions and institutional characteristics**, such as employment protection laws, the prevalence of low-skilled work, and broader economic conditions
- **Education, employment, and integration policies** such as language education, second-chance training systems, the provision of mentoring or career guidance, and employment services.

While each individual arrives with a unique set of human capital endowments and abilities, receiving country labor market structures and economic conditions influence how readily this human capital can be put to use. Human capital that can be easily transferred to the host country labor market allows for the fastest integration. But immigrants with (1) low levels of education, (2) human capital that is not in demand in host country labor market, or (3) human capital that is not transferable (because of language, credentials, or other barriers) are more likely to work in unskilled positions—or to have difficulty entering employment all together. In these cases, upward mobility may depend on integration and employment policies that can bridge these gaps.

A multipart study conducted by the Migration Policy Institute (MPI) and the International Labour Office (ILO) set out to evaluate the ease with which immigrants and mobile EU citizens within the European Union establish themselves in the destination-country labor market after arrival—including their success in entering the labor market and finding employment, and in progressing out of the lowest skilled jobs. The first phase of the project included case studies evaluating the labor market situation of immigrants

Box 2. The Challenge of Defining Skill Level

For the purposes of this study, low-skilled work has been defined according to the International Standard Classification of Occupations (ISCO) as Major Group 9, “Elementary Occupations.” Group 9 includes occupations such as domestic cleaners and helpers, laborers in a variety of sectors (including agriculture, mining, construction, and manufacturing), food preparation assistants, and other similar work. Elementary occupations are among the lowest-wage jobs (generally paying more than one-third less than the EU average), can be physically demanding or dangerous, and may leave workers at risk of poverty, particularly in single-income households.

We define ISCO Groups 4 through 8 as middle skilled. This definition is imperfect, since many of these jobs also pay low wages; service and sales workers (Group 5) and skilled agricultural workers (Group 6) still earn more than one-quarter less than the EU average. As a result, the reader should bear in mind that not all middle-skilled jobs are equal and that some workers who exit elementary occupations remain in relatively low-skilled work.

Low-skilled employment strongly corresponds to jobs that are also low paid. While Group 9 does not provide a perfect picture of low-paid employment, it is a reasonably consistent indicator that can be compared over time, across demographic groups, and across countries.

Source: See International Labour Organization, “ISCO: Major, Sub-Major, Minor and Unit Group Titles,” updated September 18, 2004, www.ilo.org/public/english/bureau/stat/isco/isco88/major.htm.

Employer–employee Data,” *Spanish Economic Review* 10, no. 2 (2008): 135–68; José-Ignacio Antón, Rafael Muñoz de Bustillo, and Miguel Carrera, “From Guests to Hosts: Immigrant-native Wage Differentials in Spain,” *International Journal of Manpower* 31, no. 6 (2010): 645–59; Robert J. R. Elliott and Joanne K. Lindley, “Immigrant Wage Differentials, Ethnicity and Occupational Segregation,” *Journal of the Royal Statistical Society. Series A (Statistics in Society)* 171, no. 3 (2008): 645–71.



and mobile EU citizens in six EU Member States: the Czech Republic, France, Germany, Spain, Sweden, and the United Kingdom. Using national Labor Force Surveys and register data, these case studies paint a vivid picture of the employment and occupational trajectories of foreign-born workers in these countries over their first ten years in the labor market. The second phase of the project will analyze the impact and evaluate the effectiveness of integration and employment policies in each of the six countries.

These case studies paint a vivid picture of the employment and occupational trajectories of foreign-born workers over their first ten years in the labor market.

This report provides an overview of the first phase of the project, drawing on the findings of the six case studies, an analysis of EU Labor Force Survey data, and previous research. It begins by asking how recent changes to the composition of the foreign-born population in the six countries have affected integration. It then examines the evidence on immigrants' employment and occupational trajectories, and discusses the influence of both general labor market conditions and immigrants' individual characteristics on employment and upward mobility.

Taken together, the case studies show that despite initially low employment, new arrivals in most countries have seen significant improvement in their employment rates over time. By contrast, progress out of the least skilled jobs has been more limited, even when immigrants are compared to similarly educated natives. The studies also illustrate the diversity of the integration challenge, ranging from the need to provide employment opportunities for certain groups of workers who arrive with very low levels of education, to enabling upward occupational mobility for medium- and high-educated workers trapped in low-skilled jobs. Finally, while much of previous research has focused on the influence of individual characteristics, like country of origin or education levels, on integration, the case studies also point to a significant role for labor market structures and economic conditions—factors that policymakers must take carefully into account as they design integration policies to suit local circumstances.

II. Immigration During the 2000s

Two broad trends have marked the immigration picture in the case study countries—and the European Union more broadly—since the turn of the century: an increase in the proportion of the foreign-born population in the workforce and a shift in the nature of new immigration, including migrants' countries of origin and reasons for moving.

The foreign-born population—both third-country nationals and mobile EU citizens—has grown over the past ten years in all six case-study countries, and continues to make up an increasing share of the working-age population. In many European countries, this immigration boom was partly driven by significant pre-2008 economic expansion and the corresponding growth in low-skilled jobs, as well as substantial intra-EU mobility from 2004 and 2007 EU accession countries. The United Kingdom, for example, saw its share of the foreign born in the working-age population increase by more than 70 percent (from 9.7 percent in 2000 to 15.6 percent in 2012).³ The change was even more dramatic in Spain, where the foreign-born share of the

³ Tommaso Frattini, *Moving Up the Ladder? Labor Market Outcomes in the United Kingdom amid Rising Immigration* (Washington, DC and Geneva: Migration Policy Institute [MPI] and International Labour Office [ILO], 2014), www.migrationpolicy.org/research/moving-up-ladder-labor-market-outcomes-united-kingdom-immigration.

population more than tripled between 2000 and 2010, drawing in immigrants from Latin America as well as new EU accession countries.⁴

By contrast, some traditionally significant destination countries saw smaller growth in immigration. While neither Germany nor France experienced the same expansion in immigration seen in Spain and the United Kingdom, flows into both countries remained robust throughout the decade.⁵ In Sweden, the share of foreign born grew steadily to more than 15 percent of the population in 2011, driven both by intra-EU mobility and Sweden's longstanding tradition of accepting a large volume of humanitarian migrants and their families.

In the Czech Republic, immigrants nearly doubled as a share of the working-age population between 1999 and 2011, rising from approximately 3 percent to 5 percent.⁶ Although not a traditional immigration destination, the Czech Republic drew in a rather unique profile of immigrants throughout the 2000s. While significant flows of new arrivals came from the former Soviet Union, Central Europe, and Vietnam to take unskilled jobs in the construction and services sectors, expanding investment by multinational corporations also drew in high-skilled workers and intracorporate transferees from Western Europe and the United States.

Most study countries saw an increase in the share of intra-EU mobility and in non-EU work-based migration among new arrivals.

Second, the *nature* of immigration shifted in all six countries. In particular, most study countries saw an increase in the share of intra-EU mobility and in non-EU work-based migration among new arrivals. This shift was driven to a large extent by the accession of several new Member States to the European Union in 2004 and 2007, leading to a sizeable influx of workers from these countries to the labor markets of many EU-15 Member States.⁷

4 The 2004 accession countries include Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, and Slovenia. The 2007 accession countries include Romania and Bulgaria. Núria Rodríguez-Planas and Natalia Nollenberger, *A Precarious Position: The Labor Market Integration of New Immigrants in Spain* (Washington, DC and Geneva: MPI and ILO, 2014), www.migrationpolicy.org/research/precarious-position-labor-market-integration-new-immigrants-spain; MPIData Hub, "Top 25 Destinations of International Migrants, 1960-2013," accessed June 30, 2014, www.migrationpolicy.org/programs/data-hub/charts/top-25-destination-countries-global-migrants-over-time?width=1000&height=850&iframe=true.

5 Patrick Simon and Elsa Steichen, *Slow Motion: The Labor Market Integration of New Immigrants in France* (Washington, DC and Geneva: MPI and ILO, 2014), www.migrationpolicy.org/research/slow-motion-labor-market-integration-new-immigrants-france.

6 Daniel Münich, *A Tumultuous Decade: Employment Outcomes of Immigrants in the Czech Republic* (Washington, DC and Geneva: MPI and ILO, 2014), www.migrationpolicy.org/research/tumultuous-decade-employment-outcomes-immigrants-czech-republic.

7 Flows following the 2004 and 2007 EU accessions were driven by various factors, including macroeconomic conditions, demographics, the nature of transitional mobility arrangements that existing EU Member States imposed on accession nationals, historical migration patterns within existing Member States, and cultural factors. EU Member States may choose to leave mobility restrictions on workers from new members in place for up to seven years following accession. The United Kingdom and Ireland, both of which removed mobility restrictions immediately for 2004 accession countries, saw a large inflow of workers particularly from Poland and the Baltic region. Germany, which has a long history of cross-border mobility with Poland and other Eastern European countries, also saw an increase in mobility from the 2004 accession countries, despite leaving transitional arrangements in place until 2011. See Meghan Benton and Milica Petrovic, *How Free is Free Movement? Dynamics and Drivers of Mobility within the European Union* (Brussels: Migration Policy Institute Europe, 2013), www.migrationpolicy.org/research/how-free-free-movement-dynamics-and-drivers-mobility-within-european-union; Dawn Holland, Tatiana Fic, Ana Rincon-Aznar, Lucy Stokes, and Pawel Paluchowski, "Labour mobility within the EU: the impact of enlargement and the functioning of the transitional arrangements" (London: National Institute of Economic and Social Research, 2011), <http://ec.europa.eu/social/BlobServlet?docId=7120&langId=en>.



The share of working-age nationals from new Member States arriving in Germany, for example, more than doubled between 2000 and 2009, and Spain saw a similar increase.⁸ As the share of mobile EU citizens in the foreign-born workforce has expanded, immigrants from traditional sending countries (like Turks in Germany, Africans in France, or Bangladeshis in the United Kingdom) have become a smaller share of new arrivals.⁹ In France, Africans comprised 53 percent of new arrivals between 2000 and 2002, but by 2008 this share had fallen to 41 percent.¹⁰

At the same time, several countries have also decided to increase the share of “selected” new immigrants by easing barriers to high-skilled labor migration. France, Germany, Sweden, and the United Kingdom have all sought either to encourage more labor migration or to raise the skill level of new arrivals. These measures can help countries raise the skill profile of their migrant population, although only for one subset of the immigrant population. The majority of migration to Europe remains unselected, and family unification—not employment—is the largest entry route to most countries. Sweden, for example, has had one of the least restricted labor migration programs in the world since 2008, but labor flows have remained a small share of total immigration.¹¹

Recent immigrants in all six countries have tended to be better educated than their earlier counterparts. Increased intra-EU mobility, governments’ efforts to boost skilled labor migration, and rising education levels in countries of origin have all contributed to this trend. Recent immigrants’ higher education levels and clearer employment motivations have often meant they are better placed to succeed in the labor market than earlier cohorts—immigrants who arrive for labor reasons tend to have better employment rates upon arrival than other immigrant groups, and those with higher levels of education generally have a better chance at upward mobility.¹² Even despite an increase in migrants’ skill levels, however, significant integration challenges remain.

III. The Employment Pathways of Foreign-Born Workers: A Complex Picture

New arrivals during the 2000s tended to have higher rates of inactivity and unemployment than natives at first, but saw significant improvement in their employment rates over time. This section summarizes the headline trends in labor-market integration, illustrated with data from the EU Labor Force Survey (LFS).¹³ The following section explores the reasons for the trends and the extent to which they depend on immigrants’ characteristics (such as their education levels) and the destination country’s economic and institutional environment.

Immigrants were more likely to find employment immediately in Spain, the United Kingdom, and the Czech Republic than they were in Germany and France, where initial employment was lowest. Faster employment growth over the first few years after arrival in Germany and France narrowed this difference to some extent,

8 Working age is defined as 18 to 64 years old. The exception to this trend is the Czech Republic, itself a 2004 accession country, where most increases have been in immigration from former Soviet Union countries such as Ukraine and Russia. See Münich, *A Tumultuous Decade*; Rodríguez-Planas and Nollenberger, *A Precarious Position*; Nadia Granato, *A Work in Progress: Prospects for Upward Mobility Among New Immigrants in Germany* (Washington, DC and Geneva: MPI and ILO, 2014), www.migrationpolicy.org/research/work-progress-prospects-upward-mobility-new-immigrants-germany.

9 Immigration from some traditional sending countries has also been decreasing in absolute numbers for several years. The number of new arrivals entering Germany from Turkey, for example, has declined slowly since the mid-1990s.

10 Simon and Steichen, *Slow Motion*.

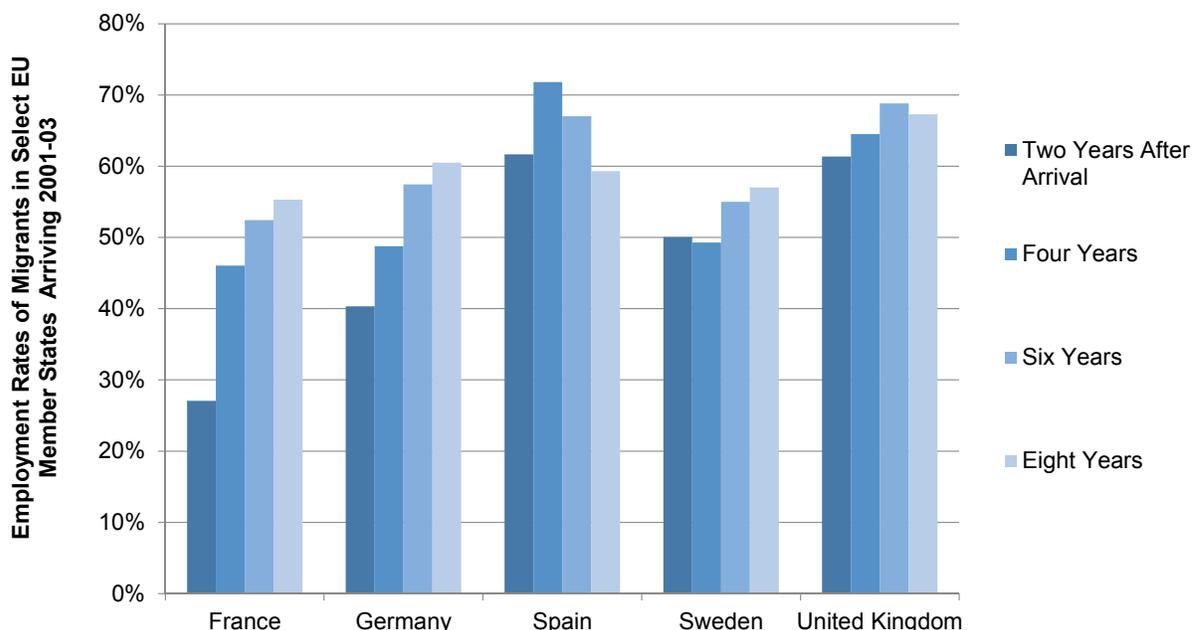
11 Pieter Bevelander and Nahikari Irastorza, *Catching Up: The Labor Market Outcomes of New Immigrants in Sweden* (Washington, DC and Geneva: MPI and ILO, 2014), www.migrationpolicy.org/research/catching-labor-market-outcomes-new-immigrants-sweden; Simon and Steichen, *Slow Motion*; Granato, *A Work in Progress*.

12 Theodora Xenogiani, “Migrants’ Skills: Use, Mismatch and Labour Market Outcomes. A First Exploration of the Survey of Adult Skills (PIAAC)” (Paris: Organization for Economic Cooperation and Development Publishing, forthcoming 2014).

13 For the purposes of comparability, this section references data from an MPI analysis of EU Labor Force Survey (LFS) data rather than the case studies findings. Note that outcomes as measured by the EU LFS data may differ slightly from the results reported in the case studies, which use either national LFS data or, in the case of Sweden, register data.

but the gap only closed entirely between Germany and Spain—a country where employment opportunities plummeted in the late 2000s with the global economic crisis. For newcomers arriving between 2001 and 2003, for example, employment in France after two years was less than half the rate in the United Kingdom; after eight years, the gap had narrowed and employment was 20 percent lower than in the United Kingdom (see Figure 1). In Sweden, intermediate rates of employment after arrival were combined with only limited improvement over time. Comparable EU LFS data over the same time periods are not available for the Czech Republic. However, the Czech case study finds that newcomers had quite high employment rates, either entering at parity with the Czech born or reaching similar rates after a few years.

Figure 1. Employment Rates of Migrants (Ages 15 to 64) in Select EU Member States Arriving 2001-03, by Years Since Arrival



Note: The Czech Republic is not included in figures based on EU LFS data due to data limitations.

Source: Migration Policy Institute (MPI) analysis of European Union Labor Force Survey (LFS) data.

Although immigrants’ employment rates appear amenable to improvement, it is also important to consider the quality of jobs they enter. In all six countries, foreign-born workers were significantly overrepresented in low-skilled jobs during their first few years—both on average and compared to similarly educated natives. While these jobs can be an important source of initial employment for new arrivals, they are often very poorly paid. Across the European Union, hourly earnings for workers in low-skilled jobs are 39 percent lower than the average, although this varies significantly by sector and Member State. In the Czech Republic, low-skilled work pays about 42 percent less than the national average per hour, and even in Sweden, where there is less income variation, workers in low-skilled jobs earn about 26 percent less than the average.¹⁴

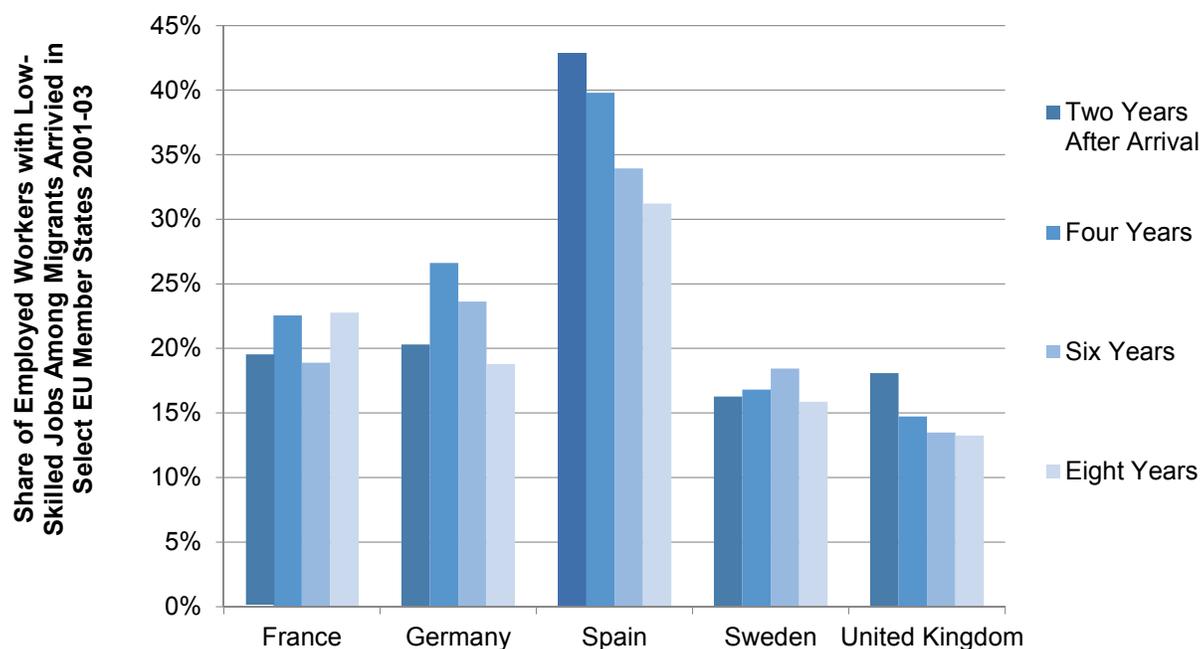
Human capital theories of immigrant integration predict that even if new arrivals are initially concentrated in low-skilled work, as they accumulate more host country-relevant human capital, entry barriers to middle-skilled positions will be reduced and their rates of employment in low-skilled work should approach those of similarly educated natives after a few years. On the other hand, some immigrants arrive with very low levels of education, and it may be unrealistic to expect that they will make their way into more skilled work even after several years. To what extent were cohorts of foreign-born workers able to move out of low-skilled work over time?

14 Eurostat, “Mean hourly earnings by sex, economic activity and occupation,” data extracted on December 5, 2013, http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=earn_ses10_47&lang=en.



Overall, the case studies show a mixed picture. While foreign-born workers in most of the countries were more likely to be employed the longer they had been in the country,¹⁵ the share of employed migrants holding low-skilled positions did not decrease considerably in most countries. The only exception was Spain, where the share in low-skilled work declined substantially, but from a very high starting point (see Figure 2).¹⁶ In every country, immigrants remained more likely than the workforce on average to be in low-skilled work after several years, even after education levels were taken into account.¹⁷

Figure 2. Share of Employed Migrants Arrived 2001-03 in Select EU Member States in Low-Skilled Jobs, by Years Since Arrival



Notes: Sample size of employed workers in France in Year Two is too small to report results. The Czech Republic is not included in figures based on EU LFS data due to data limitations.

Source: MPI analysis of EU LFS.

The share of employed migrants in low-skilled jobs can vary with changes in immigrants' employment rates. In Germany, for example, the share of employed immigrants working in low-skilled jobs increased over time. This trend is perhaps not as surprising as it might initially appear, when one considers that Germany was one of the countries with the greatest employment growth among new arrivals—and thus had the largest cohorts of formerly inactive or unemployed workers entering the labor market for the first time after a few years in the country, often through low-skilled jobs.

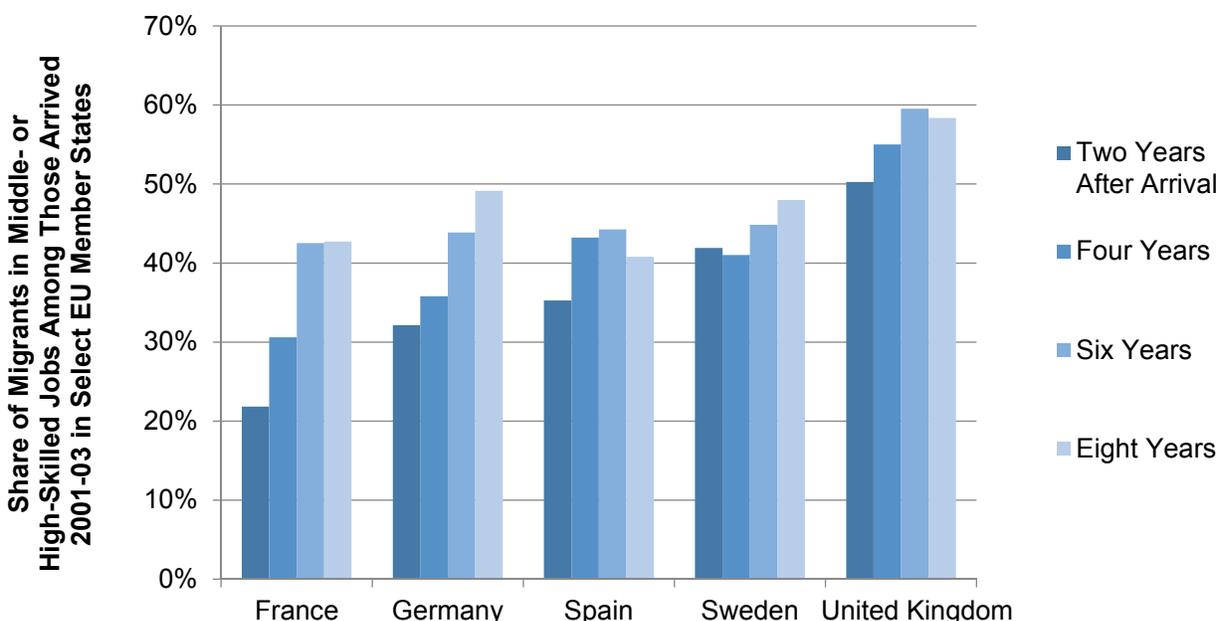
¹⁵ The exception is Spain, which was hit particularly hard by the economic crisis toward the end of the decade, as described above.

¹⁶ Certain groups, particularly those with the highest shares in unskilled work at arrival (like Turks in Germany), experienced more significant upward mobility, as described in the country case studies.

¹⁷ For immigrants, differences with share of the labor force employed in jobs within International Standard Classification of Occupations (ISCO) Group 9 on average ranged from just 4.2 percentage points higher in the United Kingdom to 17.7 percentage points higher in Spain. Eurostat, Employment – LFS Series (lfsq_emp), "Employment by sex, occupation and highest level of education attained (lfsa_egised)," accessed June 11, 2014, http://epp.eurostat.ec.europa.eu/portal/page/portal/employment_unemployment_lfs/data/database.

A different metric of newcomers’ penetration into middle- and high-skilled employment is the share of the total population working in these jobs, rather than the share of the employed. Rising employment in all case-study countries drove an increase in the total number of newcomers employed in middle-skilled work, painting a somewhat more positive picture—especially for France and Germany (see Figure 3). Nonetheless, employment in low-skilled jobs remained significant and, as the individual case studies show, substantially higher than for the native-born population.

Figure 3. Share of Migrants Arriving 2001-03 in Select EU Member States in Middle- or High-Skilled Jobs, by Years Since Arrival



Note: The Czech Republic is not included in figures based on EU LFS data due to data limitations.
 Source: MPI analysis of EU LFS data.

Finally, it is worth noting that the share of migrant cohorts employed in *high*-skilled jobs did not increase in most countries (Germany and the United Kingdom did witness a modest increase in this share over time for the cohort arriving at the beginning of the decade, albeit of only a few percentage points).

IV. Drivers of Employment and Occupational Status

The trends described above are driven by a complex set of factors. Each country has a unique combination of immigrant populations, labor market structures, economic circumstances, and integration policies that shape new arrivals’ prospects. Economic and labor market conditions interact closely with immigrants’ individual characteristics to determine employment trajectories. For example, flexible employment policies and labor markets that offer numerous low-skilled job opportunities may ease immigrants’ transitions into work, while also acting as a “pull factor” for workers who can meet the demand for unskilled labor. At the same time, of course, immigrants’ work experience, skills, education, and reasons for moving can all affect initial outcomes as can individuals’ ability or willingness to invest in the skills needed to access more skilled employment.

This section discusses some central drivers behind the studies’ findings, including the individual characteristics of migrants and the structural conditions of national economies and labor markets.



A. Individual Characteristics that Shape Integration Outcomes

Education.¹⁸ One reason for migrants' overrepresentation in low-skilled jobs is that a larger share of migrants have low education levels compared to native populations in destination countries. For example, in Germany, the groups most likely to be employed in low-skilled jobs at arrival (such as Turks and immigrants from countries of the former Soviet Union) also had the highest shares of immigrants without a secondary degree. And in France, where immigrants were the least likely to be in middle- or high-skilled jobs at arrival, approximately 40 percent of immigrants who arrived between 2000 and 2002 had less than a secondary degree. Taking low education into account, the integration picture thus looks more positive.

But education level did not fully explain overrepresentation in low-skilled work. Immigrants in most of the case study countries had a higher probability of working in low-skilled jobs initially than other similarly educated workers. In Sweden, twice as many immigrants who had not completed secondary school were in low-skilled work as the average rate among similarly educated workers.¹⁹ In Spain, immigrants had roughly comparable levels of education as the Spanish born, but were much more likely to be in the least skilled jobs both at arrival and over time. And in the United Kingdom, the foreign born have substantially higher education levels than the native population. In particular, mobile EU citizens were more likely than any other group to be overrepresented in these jobs despite being twice as likely as natives to have a high level of education.²⁰

Higher-educated workers generally had better employment outcomes and stronger representation in middle- and high-skilled work. But the case studies also indicate that migrants cannot always put their education to productive use. In Germany—where qualifications are extremely important to accessing skilled work and where there are few unskilled job opportunities—the benefit of higher levels of education at arrival was much smaller for workers from outside EU-15 Member States, including Turkey and former Soviet countries.²¹ In the United Kingdom, many of the eastern European workers in the lowest-skilled jobs had a secondary education or higher.

Box 3. The Challenge of Tracking Outcomes over Time

The studies discussed here each employed a synthetic cohort analysis to track immigrants' outcomes over time. This approach uses foreign-born individuals' reported year of arrival to group immigrants into cohorts, and then tracks the labor market outcomes of these cohorts in the data set over several years.

This approach is more reliable than strictly cross-sectional analysis and is generally considered to be the best tool available to track integration over time in the absence of longitudinal data. However, the results are susceptible to bias due to return migration. For example, the analysis may understate workers' integration progress if higher-educated workers are more likely to return home, or findings may overstate progress if less-skilled workers leave the country. In our analysis, data after 2008 are the most susceptible to the effects of return migration driven by the global recession.

The use of synthetic cohorts can present other challenges. While it is possible to track whether employment in particular occupations or sectors rises or falls over time, without longitudinal data it is difficult to determine to what extent growth may be due to upward mobility out of low-skilled jobs, for example, or movement into work by individuals who were previously unemployed.

18 Although it may seem relatively simple, measuring education levels of immigrant populations in a comparatively meaningful way can be difficult in practice. The substantially different structure of the case-study countries' education systems (for example, the length of mandatory schooling or types of secondary education available) makes defining concepts such as "low" or "intermediate" challenging. In addition, Labor Force Survey data does not generally include an indicator of where an individual's obtained their education (whether in the origin or receiving country).

19 Depending on the cohort, between 35 percent and 40 percent of immigrant workers who did not complete secondary school had low-skilled employment at arrival; over the same period employment for low-educated workers in unskilled jobs in the labor market as a whole was approximately 14 percent. Bevelander and Irastorza, *Catching Up*; Eurostat, Employment – LFS Series (lfsq_emp), "Employment by sex, occupation and highest level of education attained (lfsa_egised)."

20 Bevelander and Irastorza, *Catching Up*; Frattini, *Moving Up the Ladder?*; Granato, *A Work in Progress*; München, *A Tumultuous Decade*; Rodríguez-Planas and Nollenberger, *A Precarious Position*; Simon and Steichen, *Slow Motion*.

21 Breakdowns of employment rates by education level and country of origin were unavailable for other countries due to data limitations. See Granato, *A Work in Progress*.

In other words, many migrants do not get a good return on their education in the local labor market, for reasons that include poor language skills and the discounting of foreign education and work experience.²² This phenomenon has been well documented, including in research showing that education obtained in the host country brings a higher return, on average, than education from home.²³ According to a recent survey of Organization for Economic Cooperation and Development (OECD) countries, migrants with foreign qualifications earn lower wages primarily because they have lower levels of actual skills—as measured through literacy and numeracy tests in the destination-country language.²⁴ Another study in Spain found that education completed in Spain also raised the value of education immigrants had completed at home,²⁵ suggesting that additional local training may provide a route to improving occupational outcomes for some immigrant groups bringing skills from abroad.

Among migrants with higher levels of education, overrepresentation in low-skilled work persisted over time in most countries and for most migrant groups on which data are available. In Germany, however, there was evidence that migrants from some countries—Turkey, the former Soviet Union, and other non-European countries—were more likely to progress out of low-skilled work if they had a secondary education or higher.²⁶

*Many migrants do not get a good return on their
education in the local labor market.*

From a policy perspective, these findings illustrate two separate challenges: the need to find productive work (or training) opportunities for those with lower education levels, and the need to prevent “brain waste”—the number of highly educated jobseekers who are either unemployed or have jobs that are significantly below their education and skill levels—by allowing new arrivals to unlock human capital they already possess.

Reasons for migration. Immigrants’ labor market outcomes also vary depending on their reasons for moving. First, those who come for work tend to have higher employment rates. Most labor immigrants from outside of the European Union have moved with a job offer (likely in a skilled position) in order to meet work-permit requirements, greatly increasing their employment probabilities at arrival.²⁷ Refugees and family members, by contrast, are by definition “unselected” by either employers or governments; they tend to have lower average skill levels and employment rates.²⁸

Reason for moving can also shape the integration strategies available to foreign workers, since different migration routes provide different rights and responsibilities. In some countries, humanitarian migrants are encouraged to participate in full-time orientation programs (for example, Sweden), and in many they are restricted from working while asylum claims are being processed, which delays entry to the labor market and may increase the likelihood that workers’ skills will atrophy.

22 Xenogiani, “Migrants Skills.”

23 Ibid.

24 Ibid.

25 Esteban Sanromá, Raúl Ramos, and Hipólito Simón, “Immigrant Wages in the Spanish Labour Market: Does the Origin of Human Capital Matter?” (IZA Discussion Paper No. 4157, IZA, Bonn, Germany, April 2009), <http://ftp.iza.org/dp4157.pdf>.

26 Granato, *A Work in Progress*.

27 In recent years a few countries, like Germany, have introduced short-term job-search visas for high-skilled individuals without a prior job offer. But the data examined here predates these new policy developments.

28 There is some evidence that asylum seekers, in contrast to resettled refugees, may have higher skill levels and better employment or occupational outcomes. See for example findings on Sweden, which has large populations of both asylum seekers and resettled refugees. See Pieter Bevelander, “Chapter 3: In the Picture- Resettled Refugees in Sweden,” in *Resettled and Included? The employment integration of resettled refugees in Sweden*, eds. Pieter Bevelander, Mirjam Hagström, and Sofia Rönnqvist (Malmö, Sweden: Malmö University, Malmö Institute for Studies of Migration, Diversity and Welfare, 2009), http://dspace.mah.se/dspace/bitstream/handle/2043/9155/Bevelander_In_the_picture.pdf;jsessionid=66D30F9ED7ACC29199BFFB41E2647262?sequence=2.



Reports on labor market integration in Sweden, which has the most detailed data on migrants' outcomes by route of immigration, have suggested that the high share of humanitarian arrivals among recent migrants has made labor market integration exceptionally challenging.²⁹ Despite this, the Swedish study found that employment among humanitarian migrants rose significantly over time (by almost 50 percentage points after 14 years in the country), closing some of the gap with other groups.³⁰ And both refugees and family migrants showed some movement from low- to middle-skilled work. Progress was slow, but not entirely absent.

Gender. All of the case studies found that women were more likely to be in low-skilled work and out-of-employment than their male counterparts. In France and Spain, where data were available, immigrant women were also more likely than immigrant men to be employed in the services sector, which had a high share of low-skilled jobs and was relatively low-paid.³¹ Immigrant women also had lower employment rates at arrival than native women, and this gap did not generally close over time. The exceptions were the Czech Republic and Spain, where immigrant women were as likely or more likely than native women to be in work a few years after arrival. In Sweden, immigrant women reduced, but did not close, the employment gap with native women; while in France and Germany, employment gaps between immigrant and native women persisted at close to 20 percentage points.³²

Employment Trajectories by Region of Origin

New arrivals' characteristics—and their labor market integration trajectories—vary significantly by country and region of origin. Migrants of different origins often move for dissimilar reasons (for example, flows from countries of origin with a long history of immigration are often dominated by family migration, while other countries primarily send labor migrants). They also have varying education profiles and levels of language proficiency, and their sending-country human capital may be valued differently (as mentioned earlier, education and experience from developing countries tends to receive a lower return at destination); and they may not have the same legal rights and access to the labor market.

As a result, it is not surprising that groups from certain countries or regions had a clear advantage over others in finding work and penetrating skilled labor markets.

High employment, high skill. Some groups experienced good integration along both the indicators the studies examined, with high rates of employment shortly after arrival and strong representation in middle- and high-skilled work. This includes workers from within the EU-15 and other high-income OECD countries. These workers are likely to perform well for several reasons, including greater similarities between the education and training systems of sending and receiving countries, and the fact that low-skilled work holds less of an economic incentive for workers moving among the highest-income countries.

Unrestricted entry to the labor market for EU nationals, at least after the initial period of membership of the European Union, is likely to encourage high employment rates—though not necessarily entry into high-skilled jobs (see Box 3). Simplified recognition of qualifications within the European Union may also play a role in encouraging skilled employment, although the outcomes among *new* EU nationals do not reflect this trend, as discussed below. Equally, refugees—who are often the most difficult to integrate—come almost exclusively from outside of the EU.

29 Georges Lemaitre, "The Integration of Immigrants into the Labour Market: The Case of Sweden" Organization for Economic Cooperation and Development (OECD) Social, Employment and Migration Working Papers No. 48, February 2007, www.oecd.org/sweden/38164205.pdf.

30 Bevelander and Irastorza, *Catching Up*.

31 Although in Spain women also maintained employment better during the recession than did immigrant men—likely due to their higher shares in sectors, like services, that were less affected by the recession. Simon and Steichen, *Slow Motion*; Rodríguez-Planas and Nollenberger, *A Precarious Position*.

32 Bevelander and Irastorza, *Catching Up*; Frattini, *Moving Up the Ladder?*; Granato, *A Work in Progress*; München, *A Tumultuous Decade*; Rodríguez-Planas and Nollenberger, *A Precarious Position*; Simon and Steichen, *Slow Motion*; Eurostat, Employment Rates – LFS series (lfsa_emprt), "Employment rates by sex, age and country of birth, (lfsa_ergacob)," updated February 12, 2014, http://epp.eurostat.ec.europa.eu/portal/page/portal/employment_unemployment_lfs/data/database.

Box 4. The Unique Situation of Mobile EU Citizens

The integration situation of mobile EU citizens is somewhat unique relative to their third-country national counterparts. Citizens of most EU countries (with the exception of those still under transitional arrangements) are allowed equal footing with nationals in the labor market of other EU countries, and are generally granted access to unemployment benefits and other social services at the same level as natives. Despite their legal equality with natives, EU foreign-born workers often have similar language, integration, and service needs as immigrants from outside the European Union, but may be formally or informally (due to status requirements or fees) excluded from integration or language programs targeted at third-country nationals. EU workers who only intend to stay abroad for a short period of time may also be less likely to invest in the receiving-country language or training that would enable them to move up to higher-skilled or better-paid work.

Source: Elizabeth Collett, *The Integration Needs of Mobile EU Citizens: Impediments and Opportunities* (Brussels: Migration Policy Institute Europe, 2013), www.migrationpolicy.org/research/integration-needs-mobile-eu-citizens-impediments-and-opportunities.

High employment, low skill. Other immigrant groups had high employment rates but were unlikely to be in middle- or high-skilled work. In several countries, EU citizens from accession countries were the primary examples of this trend. Before the recession, individuals from new Member States in the United Kingdom and in Spain—and Eastern European men in Germany—actually had employment rates *higher* than those of natives after ten years,³³ but these workers were also overrepresented in the lowest-skilled work although they had similar levels of education as natives (and in the case of the United Kingdom, much higher levels). The significant wage differentials between Eastern and Western Europe combined with the relative ease of EU mobility (especially in the later years of the decade) may have encouraged workers to move primarily for employment, even if it was not in high-skilled work; moreover many moved on a temporary basis—with the intention of saving money to send home rather than aspiring to move up within their occupations.

Those who stayed did see some growth in middle- and high-skilled work in Spain and the United Kingdom. In the United Kingdom, early cohorts in particular saw their shares in low-skilled work drop substantially.³⁴ In Spain, Eastern European workers more than doubled their participation in middle-skilled work prior to 2008.³⁵ The story in other countries was less positive. Since low-paid workers must work longer hours to make ends meet and send money home, they may not have had the time or money to invest in language training, potentially reducing this group's gains in occupational outcomes over time.

Immigrants from the former Soviet Union in the Czech Republic and Latin Americans in Spain were also more likely than natives to be in work, both over time and at arrival.³⁶ In addition to the common language for Latin American migrants, Spain's high share of labor migrants among both intra-EU movers and third-country nationals (more than half for both groups) could explain a large part of immigrants' quick entry into the Spanish labor market.³⁷ The Czech data suggest that these immigrants experienced some modest upward mobility into middle-skilled jobs over time. In Spain, the share of Latin Americans working in middle-skilled jobs almost doubled, although these gains reversed with the onset of the employment crisis.

Low employment, high skill. Less common were groups with low employment rates but relatively high shares in middle- and high-skilled jobs. In Spain, EU-15 nationals had lower employment rates than their Spanish-born counterparts, immigrants from Latin America, or newcomers from Eastern European countries; but very few of them were working in the least skilled jobs.³⁸ One possible explanation is that EU-15 nationals may have chosen to stay out of the labor market unless they found particularly good employment opportunities.

33 Frattini, *Moving Up the Ladder?*; Rodríguez-Planas and Nollenberger, *A Precarious Position*.

34 Frattini, *Moving Up the Ladder?*

35 Rodríguez-Planas and Nollenberger, *A Precarious Position*.

36 Münich, *A Tumultuous Decade*; Rodríguez-Planas and Nollenberger, *A Precarious Position*.

37 MPI analysis of 2008 EU LFS data

38 Rodríguez-Planas and Nollenberger, *A Precarious Position*; Authors' analysis of EU LFS data.



Low employment, low skill. Some groups—especially if they arrived through humanitarian or family channels—performed badly on both indicators. In France, both sub-Saharan Africans and North Africans were less likely to be in work, were overrepresented in low-skilled work, concentrated in sectors with the most low-skilled jobs (such as services and hospitality), and more likely to move from unemployment to inactivity. Most of these immigrants arrived through family migration channels, meaning their skills were not necessarily in demand in the local labor market. Other studies have pointed to considerable discrimination in the labor market.³⁹

On arrival, the story was similarly bleak for Turks in Germany, although they showed greater improvement than Africans in France over time—in both employment rate and employment in the lowest-skilled jobs. After a decade of residence, their employment rate had caught up with other groups in Germany. Although Turks in Germany have historically been from rural, low-skilled communities, recent flows have been more mixed, with students, family members, and high-skilled workers joining traditional laborers.⁴⁰

B. Economic and Labor Market Conditions

The importance of a country's economic climate for immigrant employment is well established. Immigrants are more susceptible to economic shocks relative to natives, for a variety of reasons that include their shorter tenure in the labor market and their concentration in sectors (such as construction) that are often among the hardest hit during a recession.⁴¹

*Immigrants are more susceptible to economic shocks
relative to natives, for a variety of reasons.*

The period since 2000 has been one of considerable economic flux across Europe. Although the defining moment of the 2000s was clearly the onset of the worst financial crisis since the Great Depression of the 1930s, several countries in Europe had endured considerable economic strife in the preceding years. The 1990s in Sweden were especially turbulent, with a banking crisis and associated government bailouts that foreshadowed the events of the late 2000s. Germany had battled persistent unemployment throughout the mid-2000s. Consistent with other research, our case studies found that immigrants who arrived between 1993 and 1997 in Sweden, and between 2003 and 2005 in Germany, had much lower initial employment rates than subsequent cohorts.

The impact of the Great Recession, which hit European countries starting in 2008, was less clear-cut. Where post-2008 data were available, the studies suggest that recent immigrants were hard hit, but those who had been in the country for longer or had higher education levels were less vulnerable. In France and the United Kingdom, employment rates for foreign-born workers fell more sharply than for natives after the onset of the recession, and new arrivals who entered the labor market in 2008 and after had a much harder time finding work compared to earlier cohorts.⁴²

39 See, for example, Institut des Politiques Publiques, "Discrimination in Hiring in France: Findings and Courses of Action" (IPP Policy Brief No. 6, Paris, October 2013), www.ipp.eu/wp-content/uploads/2013/10/n6-IPP-policy-brief-october2013.pdf; Leo Kaas and Christian Manger, "Ethnic Discrimination in Germany's Labour Market: A Field Experiment," *German Economic Review* 13, no. 1 (2012): 1-20; Magnus Carlsson and Dan-Olof Rooth, "Is It Your Foreign Name or Foreign Qualifications? An Experimental Study of Ethnic Discrimination" (IZA Discussion Paper 3810, IZA, Bonn, Germany, November 2008), <http://ftp.iza.org/dp3810.pdf>.

40 Irena Kogan, "New Immigrants – Old Disadvantage Patterns? Labour Market Integration of Recent Immigrants into Germany," *International Migration* 49, no. 1 (2011): 91–117.

41 Pia M. Orrenius and Madeline Zavodny, "How immigrants and US natives fare during recessions and recoveries," in *Immigrants in a Changing Labor Market*, eds. Michael Fix, Demetrios G. Papademetriou, and Madeleine Sumption (Washington, DC: MPI, 2013); Demetrios G. Papademetriou, Madeleine Sumption, and Aaron Terrazas, *Migration and Immigrants Two Years After the Financial Collapse: Where Do We Stand* (Washington DC: MPI, 2010), www.migrationpolicy.org/research/migration-and-immigrants-two-years-after-financial-collapse-where-do-we-stand.

42 Frattini, *Moving Up the Ladder?*

Most dramatically, rapid large-scale job shedding in Spain hit immigrants—prior beneficiaries of the boom in temporary work—especially hard. The main immigrant-employing sectors suffered extensive job losses, and even those who had made their way into middle-skilled work remained highly vulnerable to unemployment, likely due to their continued overrepresentation in temporary work.⁴³ This trend is consistent with previous studies that have found that flexible or large secondary⁴⁴ labor markets can provide an on-ramp into employment for foreign-born (and especially low-skilled) workers. However, these routes into the labor market are not as reliable as having permanent, formal-sector work.

The picture in Sweden and the Czech Republic was somewhat different. In Sweden, immigrants experienced only a small decline in their rates of employment, but the recession appears to have triggered large-scale return migration (the 1998 to 2002 arrival cohort shrunk by 70,000 between 2008 and 2011), making it difficult to track longitudinal labor market outcomes. In the Czech Republic, employment rates at entry did not respond noticeably to the economic crisis.

I. Labor Market Institutions and Skill Intensity

The costs of hiring and firing employees and the level of skills or qualifications employers typically demand in the job market can also affect newcomers' employment outcomes in times of economic health. Policies designed to protect employment and promote job stability often drive up the costs of hiring—and firing—and can discourage employers from taking on new workers, especially ones they consider risky (for example because they have an unfamiliar experience or skill profile). By contrast, temporary contracts (or employment on a loosely regulated basis) can make employers more willing to take a chance on someone with less work experience or time in the host country labor market (like a foreign-born worker), and can enable easier entry into the labor market—even if this type of work can be precarious and unstable.⁴⁵

In the United Kingdom and Spain, immigrants had a relatively easy time finding employment in the 2000s prior to the recession. More than half of immigrants who arrived in the United Kingdom after 2000 were in work a year after entering the country (up to 70 percent by the 2006-07 arrival cohort),⁴⁶ as were between 55 percent and 65 percent of new migrants in Spain. Some of this hiring boom is likely attributable to the countries' labor market structures. The United Kingdom had one of the least regulated labor markets in the OECD,⁴⁷ while in Spain, high termination costs for open-ended labor contracts and the liberalization of the market for temporary work in the late 1990s drove a rapid expansion in short-term employment during the early 2000s.⁴⁸ (By 2007, more than 30 percent of total employment and almost 90 percent of new employment was under fixed-term contracts.)⁴⁹ The prevalence of short-term contracts in Spain and low regulatory barriers in the United Kingdom are likely to have facilitated early entry into the labor market for immigrants in these countries.

43 Rodríguez-Planas and Nollenberger, *A Precarious Position*.

44 Employment in the “secondary” sector is informal or on the basis of a temporary or fixed-term contract rather than a permanent contract. Secondary sector jobs tend to be less well-paid than permanent contract employment, and are often occupied by individuals with less experience, such as youth or immigrants. Movement between the secondary and primary sectors can be difficult, even for native workers. See Miguel Angel Alcobendas and Núria Rodríguez-Planas, “Immigrants’ Assimilation Process in a Segmented Labor Market” (IZA Discussion Paper No. 4394, IZA, Bonn, Germany, September 2009), <http://ftp.iza.org/dp4394.pdf>.

45 See OECD, “Protecting jobs, enhancing flexibility: A new look at employment protection legislation,” *OECD Employment Outlook 2013* (Paris: OECD Publishing, 2013), www.keepeek.com/Digital-Asset-Management/oecd/employment/oecd-employment-outlook-2013/protecting-jobs-enhancing-flexibility-a-new-look-at-employment-protection-legislation_empl_outlook-2013-6-en.

46 MPI analysis based on EU LFS data.

47 According to Organization for Economic Cooperation and Development (OECD) employment protection indicators, the UK labor market has the lowest employment protection of the six countries examined here, and lower rates of employment protection than the OECD average. See OECD, “Strictness of employment protection – individual and collective dismissals (regular contracts),” Version 1 (1985-2013), accessed June 12, 2014, http://stats.oecd.org/Index.aspx?DataSetCode=EPL_OV#.

48 Samuel Bentolila, Juan J. Dolado, and Juan F. Jimeno, “Reforming an Insider-Outsider Labor Market: The Spanish Experience” (IZA Discussion Paper No. 6186, IZA, Bonn, Germany, December 2011), <http://ftp.iza.org/dp6186.pdf>.

49 OECD, “Employment by permanency of the job” (Labor Force Statistics, Employment by Permanency, Dataset Level Metadata TEMP_D), accessed June 12, 2014, http://stats.oecd.org/Index.aspx?DataSetCode=TEMP_D; OECD, *The 2012 Labour Market Reform in Spain: A Preliminary Assessment* (Paris: OECD Publishing, 2013), www.oecd.org/els/emp/SpainLabourMarketReform-Report.pdf.



Flexible or large informal labor markets may also be associated with more labor-motivated immigration. Mobile EU citizens were more likely to report employment as a motivation for moving to Spain (53 percent in 2008) and the United Kingdom (53 percent), compared to Sweden (28 percent), France (39 percent), and Germany (41 percent).⁵⁰ Spain and the United Kingdom also share large low-skilled labor markets, even for the native born. In 2007, EU LFS data suggest that 11 percent of UK jobs and 15 percent of Spanish employment were elementary occupations, compared to just 6 percent in Sweden and 8 percent in Germany.⁵¹ In other words, a broader “menu” of low-skilled positions is available in the United Kingdom and Spain, likely facilitating immigrants’ initial labor-market access.⁵²

A contrasting story can be told in France, Germany, and to some extent Sweden. Both the French and German labor markets are tightly regulated—Germany has some of the strictest employment protection legislation in the OECD. These countries also have relatively small temporary or informal sectors, although recent reforms in each have increased rates of fixed-term employment.⁵³ In Germany, a comparatively high proportion of occupations are regulated, and therefore a large segment of the labor market may be closed to new arrivals without locally recognized qualifications. Additionally, human capital-intensive labor markets may limit the options for new arrivals who are not yet ready to enter skilled work. For example, the Swedish Employment Service has warned that insufficient jobs are available for the growing number of lower-educated workers, and significant shares of new arrivals were inactive.⁵⁴

*Flexible or large informal labor markets may also be associated
with more labor-motivated immigration.*

Although high-skill intensive labor markets might be harder to access for lower-educated new arrivals, countries with strong traditions of vocational education and large middle-skilled sectors might be expected to provide pathways out of low-skilled work for those who stay in the country. Large investments in active labor market policies and a system of free universal adult education in Sweden might be factors behind the growth in middle- and high-skilled jobs that accompanies immigrants’ decline in unemployment and inactivity in that country, although progress has been very slow. However, in Germany, which has a world-leading vocational training system that prides itself on matching skills provision with industry needs, immigrants’ participation in training remains limited, suggesting that accessing these qualifications in practice may not be straightforward for migrants.⁵⁵

2. Sectors: Where Are the Good Jobs for Immigrants?

The sectors in which immigrants find employment matter because they affect initial wages as well as the opportunities for upward mobility into middle-skilled jobs over time. In all six countries, foreign-born workers tended to be overrepresented in sectors with high shares of unskilled jobs, such as the services and hospitality industries.⁵⁶ These sectors also offered lower average wages. The hospitality sector, for example,

50 MPI analysis based on EU LFS 2008 ad hoc module on migration. Data are not available for the Czech Republic.

51 MPI analysis based on EU LFS.

52 An analysis of 1990s EU LFS data by Irena Kogan found that low-skilled immigrants were less disadvantaged in countries with large low-skilled labor markets. See Irena Kogan, “Labor Markets and Economic Incorporation among Recent Immigrants in Europe,” *Social Forces* 85, no. 2 (2006): 697-721.

53 OECD, *Employment Outlook 2013* (Paris: OECD Publishing, 2013), www.oecd-ilibrary.org/employment/oecd-employment-outlook-2013_empl_outlook-2013-en.

54 Employment Service, “Labour Market Outlook: Spring 2013,” www.arbetsformedlingen.se/download/18.1bb00beb13eefdb4bc4a74/Arbetsmarknadsutsiktterna_Eng_v%C3%A5ren+2013.pdf.

55 Stefan Speckesser, *The Immigrant Workforce in Germany: Formal and Informal Barriers to Addressing Skills Deficits* (Washington, DC: MPI, 2013), www.migrationpolicy.org/research/immigrant-workforce-germany-formal-and-informal-barriers-addressing-skills-deficits.

56 In the European Union on average, approximately 10 percent of jobs within these sectors were unskilled in 2008. Eurostat, “Employment by Occupation and Economic Activity[lfsa_eisn2]” http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=lfsa_eisn2&lang=en.

offers earnings that are just 64 percent of the EU average.⁵⁷ The case study findings from France, Germany, Spain, and the Czech Republic suggest the foreign born were also concentrated in unskilled positions within those sectors. In Spain, for example, immigrants were approximately twice as likely as natives to have an unskilled job in every sector in which they had a higher share of employment.⁵⁸

Immigrants were also more likely than natives to be employed in construction (and also to have low-skilled jobs within this sector). However, in most countries the construction sector also had the highest share of middle-skilled jobs for immigrants prior to the onset of the recession,⁵⁹ suggesting that construction may have had more opportunities for upward movement than other sectors. The evidence from the Spain case study supports this: over time the share of foreign-born workers in low-skilled work within the sector decreased, while at the same time employment in the sector as a whole *increased*—suggesting significant movement up into middle-skilled construction jobs.⁶⁰ There is some similar evidence of upward mobility within the construction sector in the United Kingdom and Sweden, and other studies have found evidence of movement into middle-skilled work within the construction industry in the United States prior to the recession.⁶¹

The sectors in which immigrants find employment matter because they affect initial wages as well as the opportunities for upward mobility into middle-skilled jobs over time.

The case studies also point to ample opportunities for middle- and high-skilled work in health—although it remains unclear to what extent immigrants can work their way up from low- to middle-skilled positions. In the United Kingdom, third-country nationals were overrepresented in the health sector, which also had the lowest share of low-skilled jobs.⁶² In Sweden, very few jobs in health were low-skilled, and the sector escaped job losses—both for immigrants and natives—during the recession, and continued to display robust income growth.⁶³ However, the lack of low-skilled opportunities in the health sector and the fact that many of its jobs require at least some formal training and local language skills may make it difficult for low-skilled workers to work their way into higher-skilled positions. In both the United Kingdom and Sweden, many of the immigrants employed in health jobs are more likely to have entered middle- and high-skilled work directly rather than progressed from low-skilled positions.⁶⁴

Immigrants' chances of moving into higher skilled, better-paid jobs within other sectors appeared to be more limited. Although the share of foreign-born workers employed in unskilled hospitality jobs declined over time in Germany, Sweden, and the United Kingdom, some of this decline may be attributable to workers leaving the sector, rather than to upward movement.⁶⁵

57 See Eurostat, "Mean hourly earnings by sex, economic activity and occupation." Workers in the manufacturing and construction sectors, however, have average hourly earnings that are more comparable to the EU average.

58 Rodríguez-Planas and Nollenberger, *A Precarious Position*.

59 The Czech Republic is an exception. Eurostat, "Employment by Occupation and Economic Activity," and Eurostat, "Mean hourly earnings by sex, economic activity and occupation."

60 Rodríguez-Planas and Nollenberger, *A Precarious Position*.

61 Randy Capps and Michael Fix, *Still an Hourglass? Immigrant Workers in Middle-Skilled Jobs* (Washington, DC: MPI, 2010), www.migrationpolicy.org/research/immigrant-workers-middle-skilled-jobs-0; Jeanne Batalova and Michael Fix, "Eroding Gains: The Recession's Impact on Immigrants in Middle-Skilled Jobs," in *Immigrants in a Changing Labor Market*, eds. Michael Fix, Demetrios G. Papademetriou, and Madeleine Sumption (Washington, DC: MPI, 2013).

62 Frattini, *Moving Up the Ladder?*

63 However, the share of low-skilled jobs—although remaining modest—rose from 2008 to 2011. Bevelander and Irastorza, *Catching Up*.

64 This is consistent with other studies on non-EU immigrants in health and social care—for instance, one-quarter of doctors are from outside the European Union. Penny Tamkin, Felix Behling, Rebecca Jones, and Richard Garrett, *Sector Skills Insights: Health and Social Care* (London: UK Commission for Employment and Skills, 2012), www.ukces.org.uk/assets/ukces/docs/publications/evidence-report-52-sector-skills-insights-health-and-social-care.pdf.

65 Granato, *A Work in Progress*; Frattini, *Moving Up the Ladder?*



In Sweden, the decrease in low-skilled hospitality jobs occurred alongside an increase in employment, suggesting that at least some of the decline may have been due to upward mobility. However, in the hospitality sector in particular, International Standard Classification of Occupations (ISCO) Group 9 elementary occupations (the definition of low-skilled used here) may actually be a relatively poor proxy for low-skilled work. According to 2008 EU LFS data, middle-skilled hospitality workers in the case study countries were highly concentrated in service and sales occupations, which paid a little more than one-half of the EU average wage (approximately 58 percent).⁶⁶ Therefore, to the extent that workers were able to move up into higher skilled jobs within hospitality, they were unlikely to see a large increase in their earnings. The situation in the other services⁶⁷ sector (which includes laundry services, hairdressing, and computer repair) was similar.

The manufacturing sector had a sizeable proportion of middle-skilled jobs and offered relatively good wages. However, the case studies show little evidence that immigrants experienced upward mobility within this sector. In addition, employment in the manufacturing sector has declined steadily since the turn of the century for both foreign-born and native workers throughout the case study countries and in the European Union as a whole, reducing this sector's long-term potential to provide opportunities for foreign workers' upward mobility on a significant scale.⁶⁸

These trends raise important questions about where middle-skilled job growth for today's immigrant cohorts will come from, and how policymakers can help migrants position themselves for more skilled work. Both long- and short-term trends have contributed to falling employment in construction and manufacturing, sectors that have provided good middle-skilled job opportunities for immigrants in the past.

By contrast, the hospitality and services sectors—such as cleaning and building maintenance—have expanded. But movement out of low-skilled or low-paid (service and sales) occupations in the hospitality and service industries generally requires significant proficiency in the receiving-country language, especially if workers are to move from “back of house” to “front of house” positions, and middle-skilled positions in this sector are still typically quite low-paid. Meanwhile, health-care occupations are growing and are expected to continue to increase as Europe's population ages.⁶⁹ But upward mobility within this important sector can be difficult for immigrants without receiving-country language skills or education, and typically requires more formal qualifications. In other words, the shift in the balance of growth toward sectors where upward job mobility requires more training and higher language skills—like health care—may be narrowing the pathways into middle-skilled employment for lower-educated immigrant workers.⁷⁰

V. Conclusion: Considering Policy Implications

The turn of the century brought strong economic growth for many European countries, accompanied by a boom in the construction and service industries that demanded a continual supply of low-skilled labor. The accession of several new Member States to the European Union in 2004 and 2007, together with the loosening of labor immigration restrictions in some countries, spurred immigration growth and helped meet the demand for labor. Although immigration from traditional sources continued in most countries, newly arrived workers tended to have higher levels of education, were more likely to be EU citizens, and were more likely to have moved for employment reasons than their earlier counterparts.

66 Eurostat, “Employment by Occupation and Economic Activity,” and Eurostat, “Mean hourly earnings by sex, economic activity and occupation.”

67 Defined as NACE code S; European Union, “List of NACE codes,” http://ec.europa.eu/competition/mergers/cases/index/nace_all.html.

68 Additionally, growth in manufacturing jobs has been in high-skilled positions. Eurostat, “Employment by Occupation and Economic Activity.”

69 Ibid.

70 This trend has also been observed in the United States. Batalova and Fix, “Eroding gains.”

While some groups found work shortly after arrival (such as intra-EU movers or Latin Americans in Spain), others struggled to get a foothold in the labor market. Despite substantial improvement in the first few years, employment rates on average remained well below those of natives in France, Germany, and Sweden. Within these countries certain disadvantaged groups did particularly poorly: employment rates for Turks in Germany and Africans in France, for example, remained more than 20 percentage points below those of natives, even ten years after arrival.

Immigrants' chances for labor market success are shaped by a complex interplay of individual characteristics, labor market structures, and integration and employment policies.

Moreover, many of those who found work remained stuck in low-skilled, low-wage jobs. While rising employment rates pushed up the share of newcomers working across the skills spectrum, the share of foreign-born workers in low-skilled jobs in most countries remained high, even after several years in the country. Eight years after arrival, approximately 20 percent of employed workers in the 2001-03 immigrant cohort in France and Germany, and more than 30 percent for the same cohort in Spain, were in low-skilled positions.⁷¹ Movement into middle-skilled jobs was fastest in Spain, although the economic crisis largely reversed these gains at the end of the decade. And where pathways into employment and out of unskilled work in certain sectors may have existed in the past, many were closed off by poor economic conditions and market restructuring after 2008.

Immigrants' chances for labor market success are shaped by a complex interplay of individual characteristics, labor market structures, and integration and employment policies. While factors like an individual's country of origin, education, or reasons for migration are typically emphasized in narratives about migration, the upcoming studies in this project will suggest that the influence of employment protection, labor market demands, and economic conditions should be given at least equal consideration.

The case-study findings summarized in this report raise several questions for governments as they develop integration policies to support the employment and upward job mobility of newly arrived populations. Building on these findings, the next phase of the project focuses on policy interventions to improve the labor market integration of new arrivals. The investigation considers the following questions:

- ***Are integration services for new arrivals working?*** Some destination countries have made considerable investments in integration services for new arrivals—from full-time (and sometimes mandatory) introduction programs to voluntary language courses or assistance recognizing foreign qualifications. As this report has described, some migrant groups still face persistent difficulties finding work, raising the question how well these services are working, and what *types* of assistance are most cost-effective. Developing effective training programs, especially for disadvantaged groups, is notoriously difficult. In addition, mandatory integration programs may bring the risk of delayed access to the labor market. Policymakers therefore face the challenge of helping new arrivals improve their occupational skills and language fluency without keeping them out of work for so long that their existing skills atrophy.
- ***Is there a second chance to acquire skills?*** Low education remains an important barrier to migrants' upward mobility, and even those with substantial training are often unable to apply their skills at destination. As formal education and qualifications become more important for employment, there will be a premium on systems that provide opportunities for workers who missed earlier routes into education to participate in training later in life. Education and training systems will need to be accessible for nontraditional students, including those who started their

⁷¹ MPI analysis based on EU LFS.



training and professional experience abroad. Effective policies will also be needed to help workers improve language fluency.

- **Can those already in employment move up?** As the case studies show, some migrant groups have found jobs quite easily but struggle to penetrate middle- or high-skilled employment. Workers may not have time or resources to participate in formal training outside of work, and they may be ineligible for employment services, training programs, or language instruction aimed at the unemployed. Some workers receive training on the job, but upgrading employees' skills and promoting workers into higher-paying positions is not part of the business model for all employers. Unemployed and inactive individuals may present a more urgent policy priority in the short run, but long-run success will also require good pathways from low- to middle-skilled work.
- **Do integration programs serve the needs of all foreign-born workers?** The study findings underline the great diversity in need across newcomer populations. Some immigrants have high levels of education but lack the language ability or local work experience to use their skills, while others have more basic education needs—such as low levels of literacy. Citizenship and visa status can also affect eligibility for services—particularly the distinction between refugees and other migrants on one hand, and between EU and non-EU citizens on the other.⁷²

In an era of austerity and budget cuts, governments will need to find more innovative ways to support these diverse populations, whether through targeted interventions or adaptations designed to make mainstream employment and training institutions more accommodating of their needs.

⁷² Mobile EU citizens, for example, face fewer legal barriers to entering the labor market than their third-country counterparts, but in some respects they have similar integration, language, or training needs in order to move up into higher skilled jobs. Yet, many programs designed for new arrivals are targeted at third-country nationals and are not designed mobile EU citizens. The integration needs of mobile EU citizens have recently attracted growing attention from the policy community. A November 2013 communication by the European Commission sets out the integration of mobile EU Citizens as a priority for European Social Fund programming in the next six years. And a recent proposal by the upper house of the German parliament (*Bundesrat*) would open integration courses to both mobile EU citizens and asylum seekers. See European Commission, "Free movement of EU citizens and their families: Five actions to make a difference," COM(2013) 837, Brussels, November 25, 2013, <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2013:0837:FIN:EN:PDF>; German Bundestag, 18th Legislature, Bill of the Bundesrat, "Entwurf eines Gesetzes zur Öffnung der Integrationskurse für EU-Bürgerinnen und EU-Bürger, Ausländerinnen und Ausländer mit humanitären, völkerrechtlichen oder politischen Aufenthaltserlaubnissen sowie für Flüchtlinge im laufenden Asylverfahren und Geduldete," February 2, 2014, <http://dip21.bundestag.de/dip21/btd/18/004/1800445.pdf>. For a broader discussion of eligibility and access for mobile EU citizens, see Elizabeth Collett, *The Integration Needs of Mobile EU Citizens: Impediments and Opportunities* (Brussels: Migration Policy Institute Europe, 2013), www.migrationpolicy.org/research/integration-needs-mobile-eu-citizens-impediments-and-opportunities.

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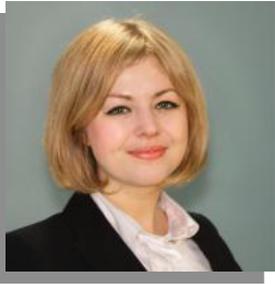


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About the Authors



Meghan Benton is a Policy Analyst in the International Program at the Migration Policy Institute (MPI), where she works for the Transatlantic Council on Migration and on European migration. She is also a Nonresident Fellow with Migration Policy Institute Europe. Her research interests include citizenship policy, immigrant integration, and intra-EU mobility.

Before joining MPI, Dr. Benton was a Research Associate at University College London's Constitution Unit, where she published several reports on the UK Parliament, parliamentary committees, and the legislative process. Previously, she worked for the Institute for Public Policy Research in London.

Dr. Benton received her PhD in political science from University College London in 2010. Her PhD research—on citizenship and the rights of noncitizens—has been published in high-ranking social and political philosophy journals. She also holds a master's degree in legal and political theory (with distinction) from University College London, and a bachelor's degree in philosophy and literature from Warwick University.



Susan Fratzke is an Associate Policy Analyst and Program Coordinator at MPI, where she works with the International Program. Prior to joining MPI, Ms. Fratzke worked for the U.S. Department of State's Bureau of Population, Refugees, and Migration. Before coming to Washington, she worked with an adult literacy program serving immigrant and refugee students in Minnesota.

She earned a bachelor's degree from Iowa State University with majors in political science and international studies. She received a master's degree in German and European studies with a concentration in European migration policy from Georgetown University's School of Foreign Service, where she also completed a

Certificate in Refugees and Humanitarian Emergencies. Her master's thesis focused on civic participation strategies among Kurdish economic migrants and refugees in Germany.



Madeleine Sumption, an MPI Senior Policy Analyst, oversees the research agenda of MPI's International Program as its Director of Research. Her work focuses on labor migration, the role of immigrants in the labor market, and the impact of immigration policies in Europe, North America, and other Organization for Economic Cooperation and Development (OECD) countries. She is also a Nonresident Fellow with Migration Policy Institute Europe.

Ms. Sumption holds a master's degree with honors from the University of Chicago's school of public policy. She also holds a first class degree in Russian and French from Oxford University.



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www.migrationpolicy.org

1400 16th Street NW
Suite 300
Washington, DC 20036

Tel: 001 202-266-1940
Fax: 001 202-266-1900

