Immigrants in a Booming Economy: Analysing their Earnings and Welfare Dependence

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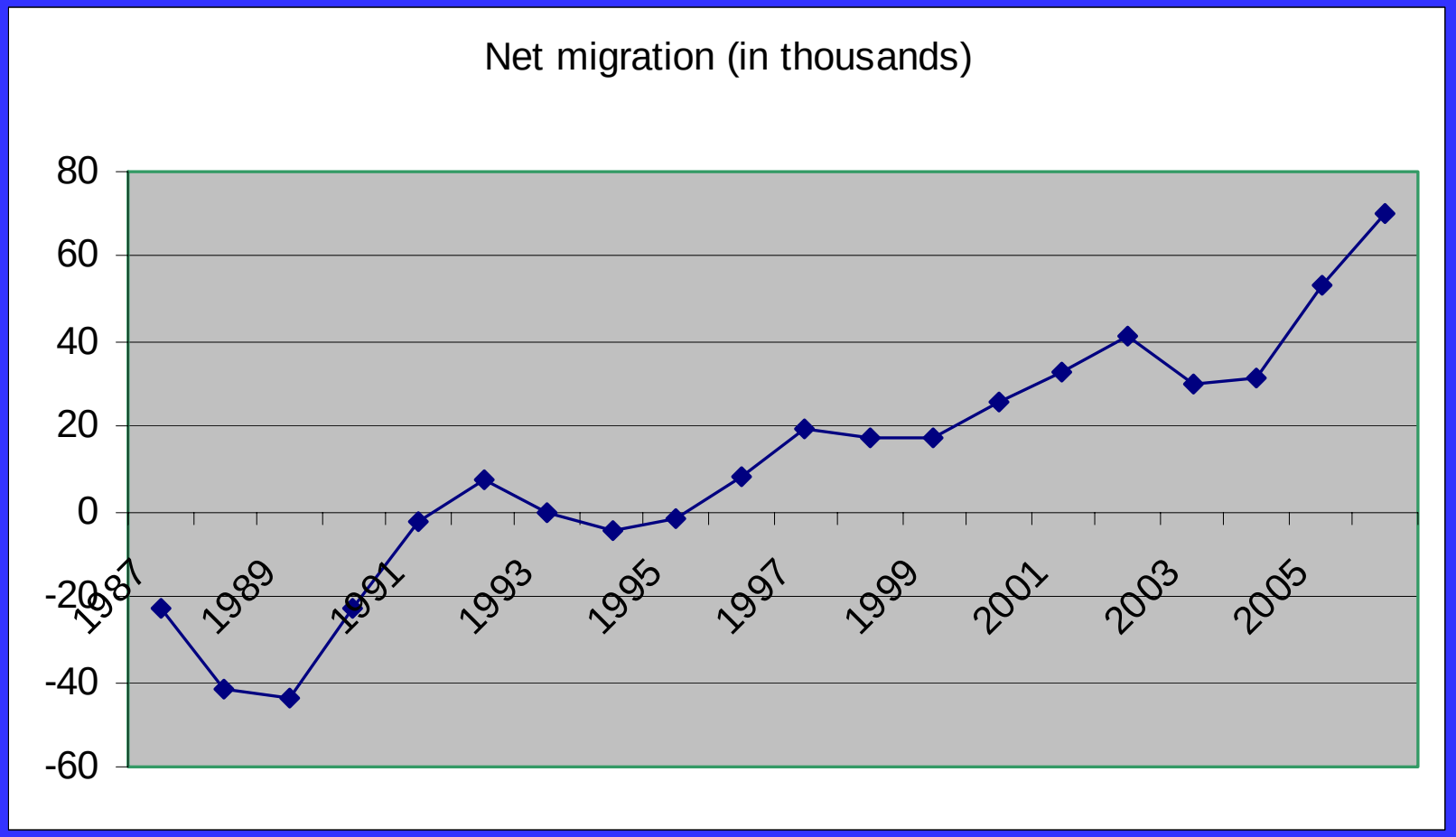
Structure of the talk

- General motivation
- Literature
- Data and descriptives
- Earnings
- Welfare
- Summary and conclusions

General Motivation (1) - Net migration into Ireland, 1987-2006



General motivation (2)

- Why look at earnings?
  - previously we looked at occupation to measure labour market outcomes
  - earnings another measure
  - any gap raises questions about immigrant integration (discrimination/segregation or lost productivity)
- Why look at welfare?
  - the public finance dimension

Literature

- Chiswick (1978) – convergence and overtaking
  - An initial earnings gap due to a lack of location-specific human capital; convergence as this is acquired; overtaking due to immigrant unobservables
- Borjas (1985) – the confusion of ageing and cohort effects
  - No convergence, just a changing national mix

Literature (contd.)

- Bell (1997) – different findings on wages for different immigrant groups in the UK
- Shields and Wheatley-Price (1998) – differences across immigrants and natives partly explained by where human capital was acquired
- Chiswick and Millar (2002), Dustmann and Fabbri (2003) – language
- McDonald and Worsnick (1998) – business cycle effects

Literature (contd.)

- On welfare participation
- Hansen and Lofstrom (2003) – differences in Sweden could not be fully explained by characteristics
- Riphahn (2004) – for Germany, characteristics did explain all the difference (unemployment and single parenthood)

Data

- **Data source:** EU-SILC
- **Purpose of EU-SILC:** To collect information on income and sources
- **Sample Size:** 5,477 households and 14,272 individuals
- **Variables of interest:** Age, education, labour force status, earnings, nationality, social welfare payments

Descriptive Statistics

- 2 main reasons for descriptive statistics:

1. To provide an overview of immigrants and natives in the sample
2. Compare EU-SILC immigrants to QNHS immigrants

Age Distribution of the Native and Immigrant Populations (%s)

Age Group (yrs)	*Irish*	*EU-SILC Immigrant*	*QNHS Immigrant*
0-14	22.0	15.8	22.6
15-19	7.9	3.7	5.9
20-24	6.3	8.9	9.9
25-34	9.4	25.5	32.3
35-44	12.5	18.5	19.6
45-54	13.2	13.4	4.3
55-59	6.1	4.5	1.6
60-64	5.2	2.7	1.9
65+	17.5	6.9	1.9
Total	100.0	100.0	100.0
Mean	38.3	34.3	n/a
N	**13119**	**595**	**938**

Work Status Distribution of Native and Immigrant Populations (%s)

	EU-SILC Irish	*EU-SILC Immigrant*	*QNHS Immigrant*
Participation Rate	50.0	57.5	55.8
Unemployment Rate	5.1	6.3	8.4
N	**10010**	**494**	**726**

Distribution of Educational Attainment for the Native and Immigrant Populations (%s)

	Irish	*EU-SILC Immigrant*	*QNHS Immigrant*
Less than Leaving Cert	35.7	14.1	9.4
Leaving Cert and Non-Degree	46.0	41.3	47.9
Third Level Degree and Above	18.3	44.6	42.7
Total	100.0	100.0	100.0
N	**5092**	**269**	**361**

Earnings

- Average gross earnings:
  - Irish born: €25.31 per hour
  - Immigrant: €17.05 per hour
- Mincer Type Equations
- Dependent Variable: Log of average gross hourly earnings
- Independent Variables: Immigrant Dummy, Gender, Experience, Education

Wage Regressions: Total Immigrants

	Coef.	*S. E*
Constant	1.85	0.03
Immigrant	-0.18	0.04
Gender	0.12	0.02
Years Worked	0.04	0
(Years Worked)^2	0	0
Leaving Cert	0.31	0.02
Third Level	0.85	0.03
N	3235	
	Total Immigrants = 183	
	Adj. R^2 = 0.28	

Wage Regressions: English V Non-English Speaking

	Coef.	*S. E*
Immigrant: English Speaking Country	-0.03	0.06
Immigrant: Non-English Speaking Country	-0.31	0.06
N	3235	
English Speaking = 82	Non-English Speaking = 101	Adj. R^2 = 0.28

Wage Regressions: Non-English: EU-10, EU-13, rest

	Coef.	*S. E*
Non-English Speaking EU-10	-0.45	0.12
Non-English Speaking EU-13	-0.27	0.11
Non-English Speaking Outside EU-25	-0.27	0.08

EU-10 = 22 EU-13 = 27 Non-EU25 = 52

Wage regressions with interactions

- Part of the immigrant earnings disadvantage could be explained by different returns to human capital acquired in host and home countries
- Therefore including interaction terms between immigrants and education as well as immigrants and experience

Interaction: All Immigrants and Education

	Coef.	*S. E*
Immigrant	-0.12	0.06
Immigrant*Third Level	-0.17	0.09

Social Welfare

- Social Welfare usage defined here as receipt of unemployment or disability benefit or assistance at any time over the previous 12 months
- Sample shows 15% of native adult population receiving Social Welfare as compared to 7% for immigrants
- Are immigrants more or less likely to use Social Welfare than natives? – Probit Analysis

Probit Results

	Marginal	*P>|z|*	*Marginal*	*P>|z|*
Immigrant	-0.05	0.01		
Immigrant: English Speaking Country			-0.06	0.03
Immigrant: Non-English Speaking Country			-0.04	0.16

Conclusions

- Immigrant hourly earnings are 18% lower than those of native employees
- The gap is much more pronounced for immigrants from non-English speaking countries (3% versus 31%)
- Within the non-English speaking countries, we find an hourly earnings disadvantage of 45% for EU-10, 27% for EU-13 and 27% for rest of non-English-speaking
- English fluency appears to be a crucial determinant of immigrant labour market success in Ireland
- Returns to third level degrees seem to differ

Conclusions (contd.)

- On average immigrants use welfare services less intensively than natives
- Difference remains even when we adjust for the higher levels of education among the immigrant population
- This suggests that immigrants are not putting a disproportional demand on this element of the public finances
- Dynamic element missing

The dynamic element

	Marginal impact	S.E.
1995-99	-0.002	0.03
2000-01	-0.086	0.02
2002-03	-0.117	0.02
2004-05	-0.134	0.02