3.1.2 The role of immigration in the European "employment miracles"

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In the decade preceding the financial and economic crisis, level of employment significantly expanded in several European countries. According to the European Labour Force Survey (EU–LFS), the largest increase was experienced in Spain, Ireland, Italy, the Netherlands and Finland. *Table 3.1.2.1* indicates the rates of increase based on the longest available comparable time series of the decade prior to the crisis. For better comparison, the relevant data of Hungary are also included.

Table 3.1.2.1: Employment in the fastest growing European labour markets and in Hungary

		Employment in thousand persons		Change	
Country	Period	start of period	end of period	thousand persons	percentage
Finland	1999–2008	2,331	2,531	200	8.5
Netherlands	1999–2008	7,384	8,499	1,114	15.1
Ireland	1999–2008	1,555	2,082	527	33.8
Italy	1998–2008	20,101	23,353	3,252	16.1
Spain	1998–2008	13,806	20,243	6,437	58.1
Hungary	1998–2008	3,641	3,879	239	6.5

Source: Author's calculations based on the microdata of the EU–LFS.

In the followings, we examine what role the changes in the numbers and employment rate of immigrants played in the overall growth. The increase in aggregate employment is broken down to two factors, and we differentiate between six groups (groups of young adults, the elderly and the middle-aged according to qualification levels, immigrants). For more details on the procedure see *Köllő* (2013).

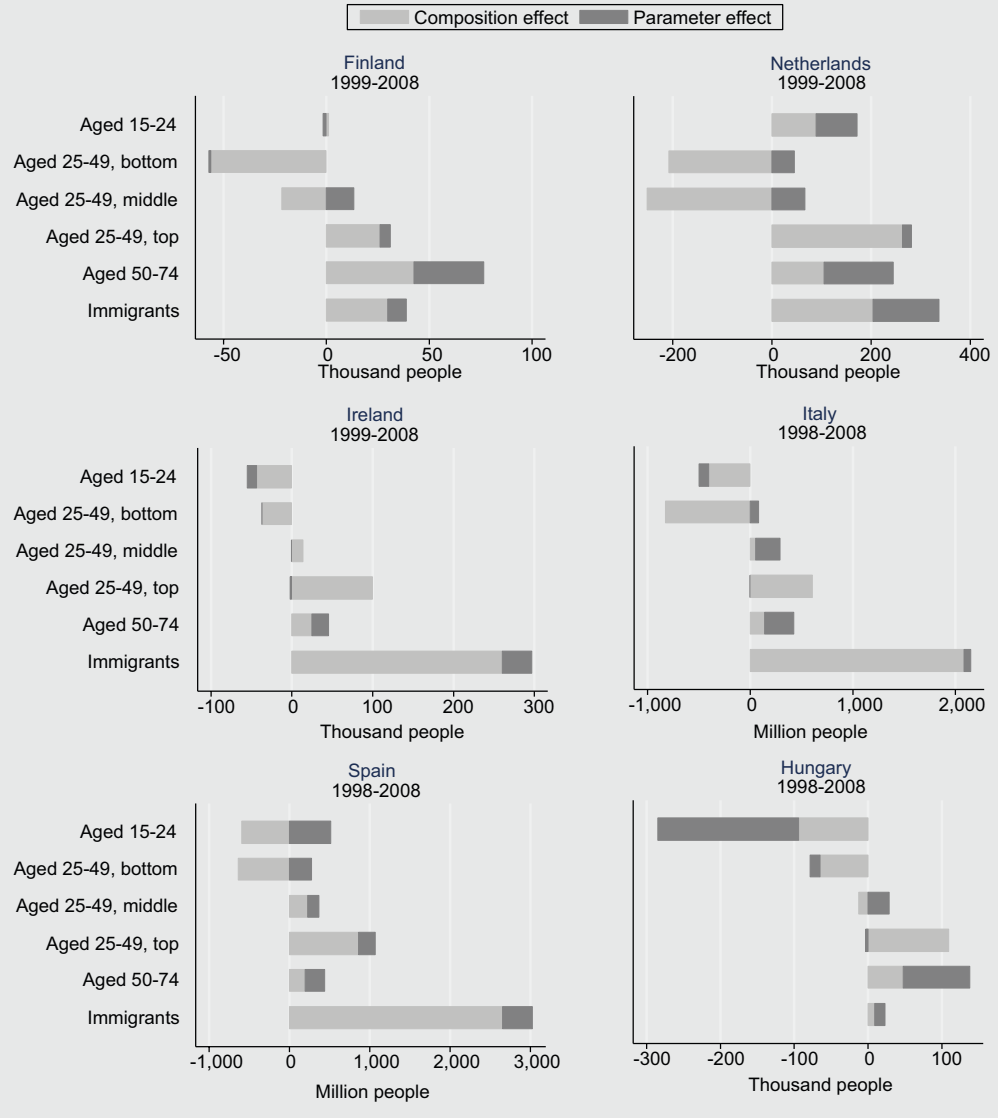
The *composition effect* measures by how many persons total employment would have increased due to changes in the *headcounts* of a certain group if the employment rate of the group had remained at the level it held at the middle of the reference period both during the base period and the reference period. *Parameter change* measures by how many persons total employment would have increased due to changes in the *employment rate* of a group, if the headcounts of the group had remained at the level it held at the middle of the reference period both during the base period and the reference period.

The data refers to a population aged 15–74 living locally, i.e. persons who stay or wish to stay in the country concerned for more than a year. Long-term immigrants of the countries concerned are defined on the basis of their countries of birth and the time they spent in the recipient country. In several countries and at several points in time only one of the two variables is available. In the case of Finland, Ireland, the Netherlands and Hungary, persons born in another country are considered immigrants, while in Spain and Italy persons not staying in the country since their birth are considered to be immigrants. An employee is defined as someone working at least one hour paid work during the week before the week of the survey or did not working any hours but was temporarily away from their existing job. Three qualification levels and 12 age groups are distinguished within the population aged 15–74. The EU–LFS relies on so-called grossing-up weights: considering the dimensions of sampling, it assigns a weight to each individual, which indicates how many other similar persons that individual represents. The sum of the weights equals the total population. All aggregates defined in terms of persons are measured with the appropriate sum of weight.

Figure 3.1.2.1 shows the results of breaking down the increase to factors. It is conspicuous that *the increasing number of immigrants played* a significant role in Finland and the Netherlands and a *decisive role* in the other three countries – and also that the increasing employment rate of immigrants contributed to the growth in aggregate employment.

Table 3.1.2.2 compares *employment rates* at the end of the reference period – the start of the crisis. The employment rate of immigrants in the Netherlands is lower than that of the local population for both men and women – and the lag is even more significant if their age and educational attainment are also taken into account.

Figure 3.1.2.1: Components of the change in employment in the decade before the crisis (persons)



Note: The variables indicating the level of educational attainment: bottom: ISCED 0-2, middle: ISCED 3-4, top: ISCED 5-6. ISCED is the abbreviation for International Standard Classification of Education.
Source: Author's calculations based on the microdata of the EU–LFS.

In the other countries immigrants have the same or higher employment rate than the local population and it is true for both genders (except for the Finnish female population). However, it is also revealed that the majority or, if Italy and Spain are not taken into account, the whole of the difference is explained by the younger age and somewhat higher qualification level of immigrants. In the case of identical gender,

qualification level and age, the employment rate of immigrants is lower than the average in three of the five EU–15 countries included in the survey and is only slightly higher than the average in Italy and Spain. The Hungarian data have a pattern similar to the southern European one.[1]

Table 3.1.2.2: The employment rate of immigrants compared to the native population in 2008 (population aged 15–74, estimated difference in percentage point)

	Men		Women		Men and women	
Controls:	no	yes	no	yes	no	yes
Finland	3.3	-3.4*	-6.2***	-12.2***	-1.6	-8.3***
Netherlands	-9.1***	-13.6***	-9.3***	-14.1***	-9.2***	-13.7***
Ireland	7.0***	-5.5***	7.0***	-6.4***	7.0***	-5.9***
Italy	19.2***	-6.0***	12.8***	1.3*	15.8***	3.8**
Spain	8.3***	-0.1**	15.1***	6.1**	11.7***	2.6***
Hungary	4.1***	1.1***	3.8***	-0.1	3.9***	0.0

Note: Differences are estimated using probabilistic regression. The uncontrolled equation only contains one binary variable: *immigrant* (yes–no). The controlled equations also contain 11 *age groups*, 2 *qualification levels*, and the equation concerning both genders contains one binary variable (*man*).: The cases have been weighted by analytical weights.
The estimated differences are significant at ***1 per cent, **5 per cent, *10 per cent level.
Source: Author's calculations based on the microdata of the EU–LFS for 2008. For the definitions see Köllő (2013).

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In conclusion, immigration played a key role in the fastest growing European labour markets during the decade prior to the crisis. The increasing number of immigrants contributed to the growth in aggregated employment more than any other factors in the Netherlands, Ireland, Italy and Spain – while the employment rate of the immigrant population also increased. In Finland this had just a slightly less significant (positive) impact than the increase in old-age activity. The employment rate of immigrants was below average in 2008 only in the Netherlands; in other countries it reached (Finland) or significantly exceeded that. This advantage, however, was almost entirely caused by composition effects: the share of those in the best working age is higher in the immigrant population, the majority of them are men and except for the Netherlands, they have higher qualification levels.

References

EUROSTAT (2011): Migrants in Europe. A statistical portrait of the first and second generation, Luxembourg, Publications Office of the European Union.

KÖLLŐ, J. (2013): Foglalkoztatási csodák Európában. (Employment wonders in Europe). Közgazdasági Szemle, Vol. 60, No. 2, pp. 164–188.

1 The figures do not contradict data which reveal the employment disadvantage of immigrants in nearly all European countries in the 15–64 and especially in the 25–54 age group. See the *Eurostat* (2011) publication, which only indicates higher employment rate than in the native population in Estonia, Latvia, Hungary, Slovakia Portugal and Malta in the 25–54 age group (p 49.).