

## **The Impact of Migration and Integration Policies on Migrant-Native Labor Market Hierarchies**

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### **Abstract**

The understanding of how institutional and policy contexts affect immigrant integration is essential for any effort to foster a sustainable and effective migration and integration policy framework. Immigrant-native labor market gaps may arise due to differences in human capital or other socio-economic and demographic characteristics, but also due to differentiated impacts of institutions and policies on otherwise similar immigrants and natives. Different integration policy approaches are needed to close the gaps arising through these different mechanisms. This paper exploits the variation across Europe to study the migrant integration policy determinants of immigrant-native gaps in host labor markets. Using the EU Labor Source Survey as the primary source of data and a novel analytical approach we study immigrant-native gaps in labor force participation, unemployment, low-skilled employment and temporary employment. Findings suggest that the liberalization of immigration policies (i.e. policies promoting legal entry and stay), results in better labor market access for migrants from non-EU countries and improve migrants' prospects of having permanent employment. Results further imply that inclusionary policy changes improve immigrant access to labor market and the quality of employment. The immigrant inclusion in welfare arrangements seem to help migrants to find high skilled employment and reduce their risk of unemployment. These observations may serve as guidance to countries when making future policy decisions in the area of migrant integration.

## **Extended Abstract**

### *Background and context*

Integration and migration policies can affect both the composition of immigrant populations, labor market outcomes of different immigrant groups and the extent to which their labor market potential is realized, relative to comparable natives. With substantial South-North and East-West migration waves in Europe the debate about the effectiveness of migration and integration policies remained in the spotlight throughout the second half of the 20th century and early 21st century. This debate became especially heated during the 2014-2015 European migration crisis, when hundreds of thousands of refugees illegally crossed EU's outer and inner borders. Although the notion of a strong state strictly controlling flows of people across its international borders has habitually been invoked in these debates, there are authors who argue that migration policy restrictions have had limited effects on inflows of immigrants, as migration is primarily driven by economic, demographic and political developments in the sending and receiving countries (Czaika and de Haas 2011; 2013). Moreover, migration policy restrictions tend to have a number of unintended and counterproductive effects resulting in illegal migration and discouraging migrants from returning or circular migration strategies (Castles 2004; Cornelius 2004; de Haas 2011; Massey et al. 2013; Kahanec, Zimmermann, Kureková and Biavaschi 2013).

Immigration and integration policies, to the extent they affect the mode of entry, composition of immigrants, or their legal status, play a pivotal role in determining immigrants' position in host labor markets. Martin and Ruhs (2006) argue that migrants decide about their future destinations based on the expected earnings *and* expected rights in destination areas. Countries attract particularly high-skilled immigrants by offering them more generous rights, such as permanent settlement, family reunification or the right to work for spouses. Ruhs (2011) argues that the rights granted to immigrant workers play an important role in shaping the outcomes of labor migration. Whereas the existing hierarchies between immigrants and natives and between different immigrant groups can be partly explained by differences in the composition of immigrant and native populations, significant parts remain unexplained by observable characteristics (Kahanec and Zimmermann, 2011, and Kahanec, Zaiceva and Zimmermann, 2011).

### *Research question and contribution*

Although a number of studies have looked at how various integration policy initiatives affected immigrants' labor market integration (Kogan, 2016, Politi et al. 2021, Ersanilli and Koopmans, 2011), it remains unclear how integration and immigration policies applied at the national level relate to immigrant-native labor market gaps, observed across Europe. What also remains less studied are labor market inequalities from the perspective of hierarchies in the labor market that might arise due to different compositional effects, histories of migration, or political and policy changes that smooth access to and integration of some immigrant groups more than others. This paper contributes to the literature by further evaluating the role of immigration and integration policies with respect to labor market performance of different immigrant groups relative to natives in the host countries. We in particular ask how do migration policies and immigrant integration policies reshape immigrant-native labor market hierarchies, measured as labor market gaps, between natives and immigrants, and between different immigrant groups within the Western European labor market.

The findings from analysis inform the debate about the role of migration and integration policies in shaping labor market outcomes of immigrant groups, and their relative standing compared to natives. Our paper is innovative in studying migrant disadvantage caused by individual characteristics as well as unobserved factors. We contribute by providing a disaggregated analysis of the role of various integration policies on relative labor market performance of immigrants versus native workers.

### *Methodology and data*

The central research question we ask is whether more favorable migration and integration policies result in better immigrant integration in host labor markets. We apply Oaxaca-Blinder decompositions to distinguish two types of migrant-native labor market gaps: the part attributable to differences in group characteristics (educational attainment, gender or age composition, geographic distribution), interpreted as the explained component, and the part attributable to unobservable characteristics, such as group differences in ethnic or social capital, behavioral variables, unequal treatment, or discrimination. In this sense, the explained gap reflects immigrant-native group differences that arise outside of the labor market, whereas unexplained gaps imply unequal treatment or behavior of immigrants and natives in the labor market. Distinguishing migrants' origins and time since immigration enables us to study labor market hierarchies between various migrant populations as well. Our analysis relies on EU

Labor Force Survey from 2004 – 2019 that is commonly used in the research analysis on immigration in the European context. We use disaggregated components (border control, legal entry, integration, exit) of the DEMIG POLICY (Determinants of International Migration) and the newly compiled Immigrant Exclusion from Social Programs Index (IESPI) to explain migrant-native gaps in labor market outcomes that go beyond those explained by differences in observable characteristics. Such gaps reflect a range of hierarchies due to unobserved factors, including selectivity of immigrants versus natives.

### *Preliminary findings*

Preliminary findings suggest that the liberalization of immigration policies (i.e. policies promoting legal entry and stay), results in better labor market access for migrants from non-EU countries and improve migrants' prospects of having permanent employment. Results further imply that inclusionary policy changes improve immigrant access to labor market and the quality of employment. The immigrant inclusion in welfare arrangements seem to help migrants to find high skilled employment and reduce their risk of unemployment. These observations may serve as guidance to countries when making future policy decisions in the area of migrant integration.