



Immigrant performance, assimilation and integration; second generation

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Study Materials and Reading List

- Slides of the lectures
- All materials provided on: <http://home.cerge-ei.cz/pytlikova/LaborSpring16/>

Compulsory Readings:

- Sweetman, A. and van Ours, J.C.(2014): "[Immigration: What about the children and grandchildren?](#)" In Chiswick, B.R. ad Miller, P.W. (eds) *Handbook of the Economics of International Migration*" Amsterdam.

Other Relevant Literature:

- Part II on "Immigrant Selection and Assimilation" In Bansak, Simpson and Zavadny (2015): "*The Economics of Immigration*".
- Chiswick, B.R. (1978): "The effect of Americanization on the earnings of foreign-born men" *Journal of Political Economy* 86(5), pp.897-921.
- Abramitzky, R. Boustan L.P. and K. Eriksson (2014): "[A Nation of Immigrants: Assimilation and Economic Outcomes in the Age of Mass Migration](#)". *Journal of Political Economy*, 122(30), pp 467-506.
- Aydemir and Skuterud: (2005): "Explaining the deteriorating entry of earnings of Canada's immigrant cohorts, 1966-2000: *Canadian Journal of Economics* 38(2), pp. 641-672.
- Borjas, G.J.(2015): "[The slowdown in the economic assimilation of immigrants: Aging and cohort effects revisited again](#)" *Journal of Human Capital* 9(4).
- Anderson, K.H.: [Can immigrants ever earn as much as native workers?](#) IZA World of Labor

PERFORMANCE OF IMMIGRANTS

Important:

Selectivity – how immigrants perform relative to natives and how fast they “catch up” wrt natives

Skills transferability & transferability of occupation,

Investment into post-migration training.

• The following Qs important:

- how do immigrants fare relative to natives? Do they integrate/assimilate into host labor markets?
- Do skill transfer across countries?
- Does the performance of immigrants changes over time? Is it true that recent immigrants are not performing as well as the previous immigrants?

ADJUSTMENT OF IMMIGRANTS – earnings and employment

• Immigrants typically have worse labor market outcomes than natives when they first arrive in destination and then converge towards natives over time

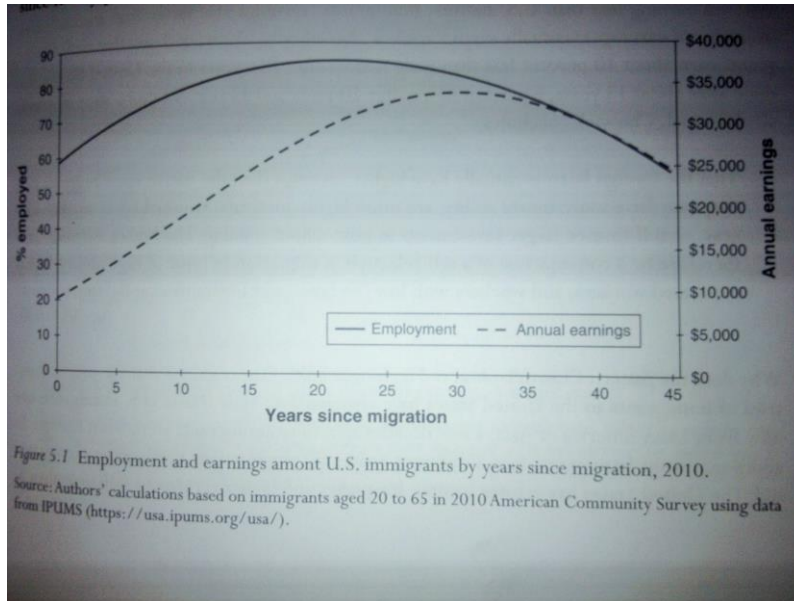
• Economists analyze “age/earnings” and “age/employment” profiles

• Seminal work by Barry Chiswick (1978), use of a cross section to analyze immigrants earnings.

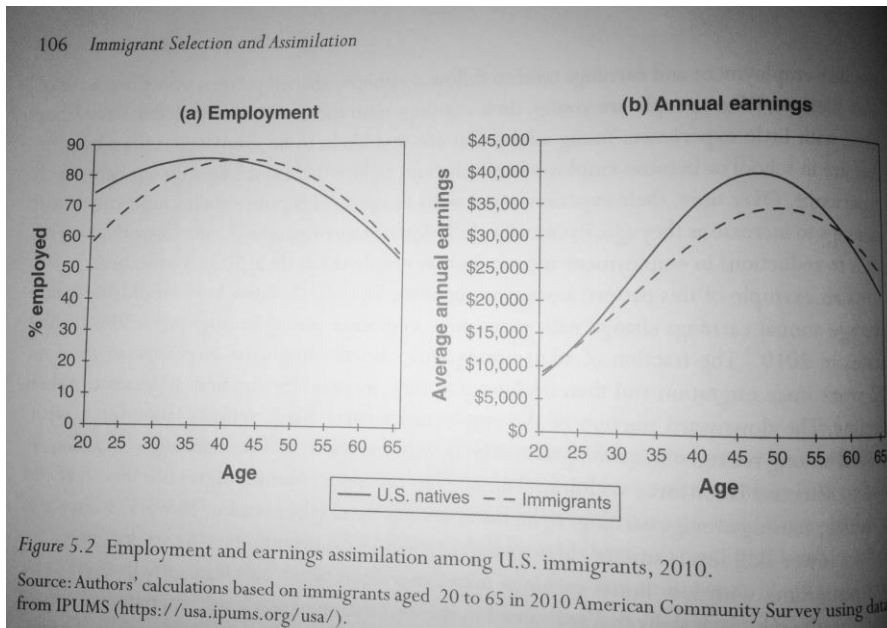
• Estimate a Mincerian equation:

$$\begin{aligned} \ln(\text{Earn}) = & b_0 + b_1 \text{Edu} + b_2 \text{EXP} + b_3 \text{EXP}^2 + \\ & + b_4 \text{YSM} + b_5 \text{YSM}^2 + b_6 \text{IMM} + \varepsilon \end{aligned}$$

PERFORMANCE OF IMMIGRANTS



EMPLOYMENT AND EARNINGS ASSIMILATION



ASSIMILATION OF IMMIGRANTS – earnings and employment

- Earlier study by Barry Chiswick (1978) using 1970 census data finds that immigrants start off earning less than natives; immigrants' earnings grow faster than natives'; immigrants earning eventually surpass natives. Specifically Chiswick (1978) finds that male immigrants earn:

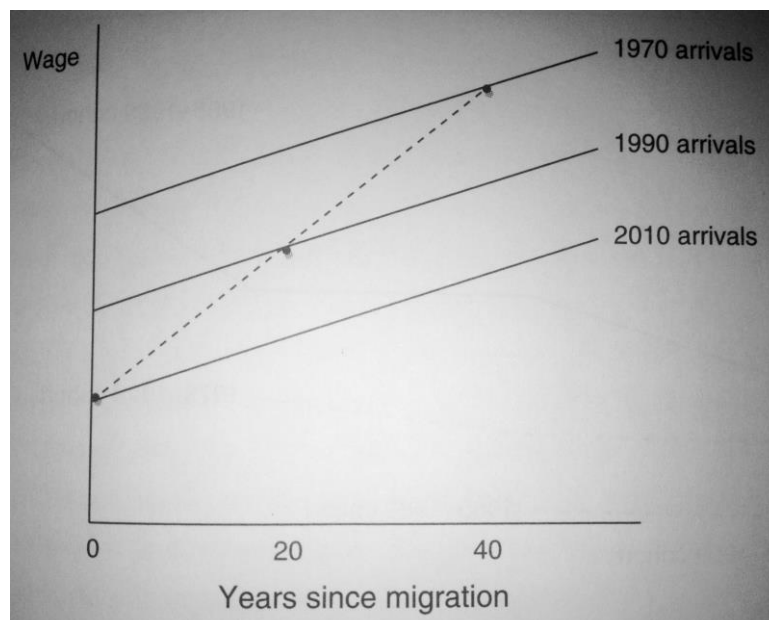
- 10% less than male natives after 5 years in the US
- The same as natives after 13 in the US
- 6% more than natives after 20 years in the US, and
- 13% more than natives after 30 years in the US

- The pattern does not hold for later years – several reasons: a different mix of origins with lower levels of education than recent US, lower levels of English fluency..

- Critique of the Chiswick's approach: A strong assumption that recent immigrants will earn the same with the duration of stay in destination.

- If cohort "quality" decreases over time – the analyses using a cross section would overestimate how much wages increase for a given cohort of immigrants.

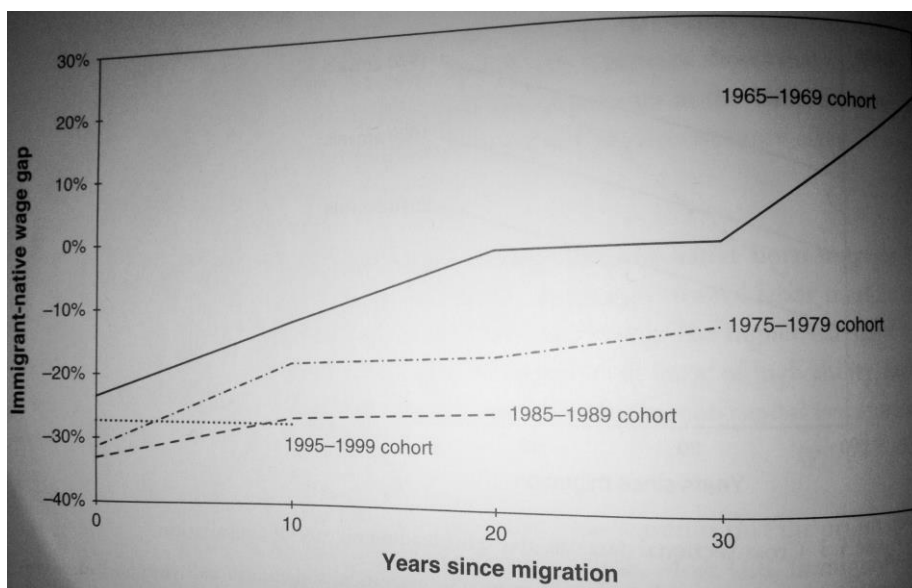
COHORT DIFFERENCES IN ASSIMILATION



ASSIMILATION OF IMMIGRANTS – earnings and employment

- Later analyses dig deeper into immigrant cohort differences over time - analyses of cohort differences in assimilation starting with Borjas (1985) study – use of repeated cross sections to examine e.g. how do immigrants that arrived in 1960s fare in 1990s, 1980s and so on.
- a critique of Borjas approach – a synthetic cohort, i.e. does not follow the same people over time, it is not a TRUE cohort; ignores deaths and return migration..
- to observe immigrant assimilation it is necessary to have a panel/longitudinal data of individual => observe the same individuals over time

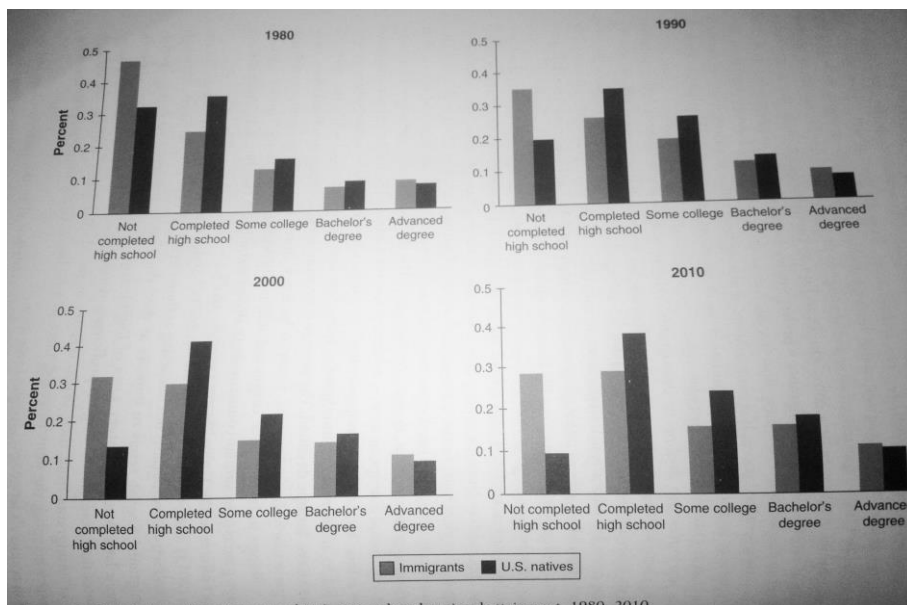
COHORT DIFFERENCES IN ASSIMILATION, based on Table 2 Borjas (2013)



ASSIMILATION OF IMMIGRANTS – earnings and employment

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- Possible explanation of lower immigrants' relative wages:
 - Relative decline in their skills (educational attainment of immigrants rise more slowly than among US natives)

DISTRIBUTION OF IMMIGRANTS AND US NATIVES BY EDUCATION, 1980-2010



ASSIMILATION OF IMMIGRANTS – earnings and employment

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- Possible explanation of lower immigrants' relative wages:
 - Relative decline in their skills (educational attainment of immigrants rise more slowly than among US natives)
 - Shift in the mix of origins – previously traditional European countries of origin, recently more shift towards Asian and Latin American origins
 - Immigrants not as fluent in English as earlier cohorts
 - Changes in macroeconomic conditions – recent immigrants may face more adverse conditions – this may depress earnings at entry and earnings growth over time (Barth, Bratsberg and Raaum, 2004 and 2006; see also Aaslund and Rath, 2007 using Swedish data).
 - Different evidences from Canada (Aydemir and Skuterud, 2005 – wages lower at arrival, but growth the same across different cohorts), from UK recent cohorts earning more than earlier (Lemos, 2013)
 - It seems as immigrants from European or other OECD countries tend to do better than others in western countries – differences in language fluency plays a role.
 - It depends on comparison group too (natives with similar edu, skills, ..., earlier arrivals, ..)

ASSIMILATION OF IMMIGRANTS – earnings and employment, gender perspective

- Gender differences in earnings and labor force participation (e.g. in 2010, 23% gap in labor force participation of immigrant women, compared to 10% gap for natives)
- depending on origins with different gender social norms
- Also US born woman married to foreign-born man is less likely to work if the man is from a country with a low female labor force participation rate

ASSIMILATION OF IMMIGRANTS – accounting for return migration

- Selective out-migration may bias estimates of assimilation –as we talked, if negative selection in out-migration then the estimates will be upward biased...
- Lubotsky (2007) using a panel data assess the biased caused by selective out-migration – he finds that the ethnic wage gap closes twice as slowly when using panel data instead of repeated cross sections. Thus he finds that low-wage earners leave/negative selection in out-migration

ASSIMILATION OF IMMIGRANTS – participation at welfare programs

- Controversial issue – public opinions, media..
- Given that immigrants tend to be more poor than natives, they are more likely to qualify for “mean-tested” welfare programs. E.g. in the US 33% of immigrant households participated in a mean-tested welfare programs in 2010-2012 compared with 22% native households.
- Immigrants more likely to have children (arrive as young adults..)
- But even taking those differences into account, immigrants are more likely to receive welfare benefits than natives. But differences across countries and origins of immigrants/types of immigrants
- CEE A8 immigrants less likely to receive welfare than natives in UK (59% less likely, Dustmann, Frattini, Hall, 2010), in Sweden (Wadesjo, 2006, 2010).
- Refugees more likely on welfare

ASSIMILATION OF IMMIGRANTS – the role of enclaves

- Immigrants typically settle in ethnic enclaves
- Some advantages of enclaves – language, a network that can help with accommodation, job, transportation, less discrimination; provide a sense of community and belonging..
- BUT some disadvantages – employment opportunities more extensive outside the enclave; limits economic advancement – lower destination country HC acquisition, importantly lower language learning incentives..
- In the US, immigrants negatively selected in enclaves – less education and less language skills.
- Controlling for the negative selection, enclaves seems to improve adults' earnings (Cutler, Glaeser and Vigdor, 2008). Problems with endogeneity..
- Edin, Fredriksson and Aaslund, (2003) exploit a natural experiment with refugee placement policy and find that being assigned to live in an enclave causes higher earnings among refugees, the gains being highest for the low-skilled. => networks benefit the refugees.
- Also the more succesfull were the earlier immigrants, the better is their position to help new immigrants (Hatton and Leigh, 2011).

ASSIMILATION OF IMMIGRANTS – the role of language

- Language proficiency is extremely important for international migrants.
- Better language proficiency => easier assimilation in the host country, greater returns to HC, better job opportunities and job matches.
- language skills influence a number of non-economic outcomes such as social integration, the size of the migrant's social network, political participation and civic engagement, educational attainment, health outcomes and family life.
- BUT many immigrants have poor host language skills and struggle to acquire them. Insights on the role of language in international migration, and into the underlying processes and factors that determine migrants' proficiency, are crucial for the successful design of policy measures that address the hurdles of language acquisition.
- In previous lectures – the role of language as migration determinant.
- Here: (1) determinants of language proficiency among migrants, and (2) effects of immigrants' linguistic skills and language acquisition on their labour market and socio-economic outcomes.
- For interested in the topic of language in migration, see:
Adsera, A. and M. Pytliková (2016): "Language and Migration" In Ginsburg, V. and O. Weber (eds) " [The Palgrave Handbook of Economics and Language](#)". Palgrave Macmillan. February 2016. ISBN 978-1-137-32504-4.

Language proficiency among migrants

- 3 Es of language proficiency (Chiswick, 1991; Chiswick and Miller, 1995, 2014):
 - *EXPOSURE* to the host language,
 - *EFFICIENCY* in language acquisition and
 - *ECONOMIC INCENTIVES* to learn a new language.

Exposure of immigrants to language learning

- Exposure to the host country language prior to or after migrating.
- Pre-migration exposure – e.g. foreign language classes and courses at schools.
Some countries open special language classes for workers who are still at home; People can also be exposed to foreign language through the media or the internet, software and games designed to teach languages, TV and books.
- research in the area studies the role of former colonies, multiple official languages and neighbouring countries (Chiswick and Miller, 2001; Isphording, 2014). E.g. people coming from former British or US colonies (such as India, Nigeria or the Philippines) or from countries where English is among the official or main-spoken languages (e.g. Australia or Canada) tend to be proficient in English.
- Most existing research, however, relates to post-migration exposure to the destination language.

Language proficiency among migrants - exposure

- Time elapsed since immigration affects destination language acquisition positively. This 'time' effect shows that language proficiency increases steeply in the first post-migration years, and slows down later (Espenshade and Fu, 1997; Chiswick and Miller, 2001, 2007; Isphording and Otten, 2013, 2014). The speed of language acquisition depends on how intensively the time following migration is used to learn.
- Intensity of exposure is hard to measure - data on enrolment of migrants into formal language education (Cohen-Goldner and Eckstein, 2008, 2010 for Israel; Andersson and Nekby, 2012 for Sweden; Clausen et al., 2009 and Heinesen et al., 2013 for Denmark; Sarvimäki and Hämäläinen, 2015 for Finland), the percentage of population speaking the same language as the migrant as a measure of exposure (Chiswick and Miller, 1995).
- intensity of exposure can be influenced by ethnic enclaves or whether staying temporarily or permanently. E.g. using survey information on immigrants' intended migration duration and instrumenting this variable with unforeseen events (e.g. family deaths in the home country), Dustmann (1999) shows that those with non-permanent intentions do indeed invest less in learning.
- Language used by family or household members also affects the migrant's exposure. Children affect their parents' proficiency as they can serve as teachers (Chiswick, 1998; Chiswick and Miller, 2005, 2007, 2008).

Language proficiency among migrants - efficiency

- It is not equally easy for all newcomers to learn the language of their host country. *Key factors:*
- **age at immigration** -> a negative relationship between age of arrival and language acquisition. There is a long-standing debate among linguists on the age range within which language learning is almost effortless and after which it becomes much more difficult to become fluent and have no foreign accent (Chiswick and Miller, 2001, 2008; Mayberry et al., 2001; Isphording and Otten, 2013).
- **Linguistic distance:** easier for immigrants to acquire a language if their own language is linguistically closer (Chiswick and Miller, 2001, 2005; Isphording, 2014; Isphording and Otten, 2014). Isphording (2014) shows that immigrants drop behind native speakers in their literacy score as the distance between the language of origin and destination increases. He also shows that linguistic distance interacts with the effect of age at arrival: immigrants who moved after age 11 and come from linguistically distant countries are the most disadvantaged.
- **Education** - highly educated immigrants tend to be more proficient & faster learners
- motivation, psychological factors and cognitive abilities. These differ according to whether migrants move for economic reasons, family reasons or whether they are refugee. The literature confirms that economic migrants are more proficient in the host country language than refugees, while family-based migrants are somewhere in-between (Chiswick and Miller, 2006, 2007).

Language proficiency among migrants – economic incentives

- such as higher earnings or better job prospects.
- Acquisition is also positively affected by the expected duration of the stay (Dustmann, 1999; Chiswick and Miller, 2006, 2007, 2008; Isphording and Otten, 2014).

Language and returns to HC

- Numerous studies find that lack of destination language proficiency has a large detrimental impact on economic assimilation as measured by earnings (most attention in the lit) and employment.
- In analyses - a type of 'Mincerian wage equation' is used, where the natural logarithm of wage is regressed on a number of explanatory variables. The choice of variables often depends on available data (such as register based longitudinal data, longitudinal household surveys, LEED). The equation typically includes HC variables (education, labour market experience, tenure), demographic and household characteristics (age, gender, ethnicity, parental background, children, marital status and other household characteristics) and a number of other controls such as employer and regional characteristics as well as variables capturing information about immigrants themselves (YSM, language proficiency, characteristics of ethnic concentration in the region as a proxy for ethno-linguistic enclaves and networks).
- The main findings suggest that **fluency in the host-country language can increase earnings of immigrants in a range of 5–35 per cent.**

Language and returns to HC - methodology

- Problems: (1) reverse causality - proficiency might be affected by the outcomes; (2) the lang fluency likely to be correlated with other unobserved factors that may also impact on earnings e.g. openness to new surroundings, exchanges with natives, extent of the migrant's networks, immigrant ability or attitudes towards preserving origin country culture; (3) a problem of measurement error stemming from self-reported language proficiency. => OLS biased.
- strategies to tackle the problems: (1) IV approach, e.g. veteran status, foreign inter-marriage, children, minority languages concentration measures (e.g. in Chiswick and Miller, 1994; Chiswick, 1998), father's education (Dustmann and van Soest, 2002), language of the interview used in the survey (Shields and Wheatley, 2002) and **age of arrival** (most popular, Bleakley and Chin, 2004, 2010). Example:
- Bleakley and Chin (2004) estimate a first stage equation by OLS for English proficiency ENG_{ija} for an individual i born in country j who arrived in the US at age a :
- $$ENG_{ija} = \alpha_1 + \pi_1 k_{ija} + \gamma_{1j} + \delta_{1a} + X_{ija} \rho + \varepsilon_{ija}, \quad (1)$$
- Where γ_{1j} is fixed country of birth effects, δ_{1a} is fixed age at arrival effects, and X_{ija} is a vector of exogenous explanatory variables (sex, race, age).

Language and returns to HC - methodology

- Given that outcomes obtained by immigrants arriving from English and non-English speaking countries start to diverge after the age of arrival of 11, they use as IV for language proficiency a variable constructed by interacting a , the age at arrival (beyond the critical age of 11) and where $I(j)$ takes the value one when the country of origin j is non-English speaking:
- $$k_{ija} = \max(0, a - 11) \times I(j) \quad (2)$$
- Results point to a strong negative relationship between English proficiency and the instrument k_{ija} in (2). Using fitted values for English proficiency from (1), they estimate a second stage equation where the dependent variable is the annual wage rate:

$$\ln W_{ija} = \alpha + \beta ENG_{ija}^* + \gamma_j + \delta_a + X_{ija} + \eta_{ija}, \quad (3)$$

Where ENG_{ija}^* are the fitted values obtained from regression (1). The estimated impact of language proficiency on earnings is higher in IV than OLS estimates.

Overall, a 1 unit increase of English ability (a variable that ranges from 0 to 3) implies an increase of about 0.33 (log) wages in very basic models. Higher educational attainment seems to be responsible for about 90 per cent of the impact of language fluency on earnings.

ASSIMILATION OF IMMIGRANTS – marriage, fertility and health

- Marriages between immigrants and natives facilitate immigrants' economic and cultural assimilation into the destination country. But, the more assimilated immigrants are, the more likely they are to marry a native. Such marriages are also an indicator of natives' acceptance of immigrants.
- “intermarriages” are more likely for immigrants that stayed longer in the destination, arrived at a younger age, are more educated, live outside an ethnic enclave or are more proficient in the language of the destination (Furtado and Trejo, 2013).
- “intermarriages” affect a number of outcomes: increase immigrants' proficiency, may help find a better job broadening their social network (Meng and Gregory, 2005, marrying a native brings a 20% wage premium)
- Immigrants' fertility usually converges towards the fertility of natives (Adsera and Ferrer, 2014a).
- Immigrants tend to be healthier than natives and than people who remain in origins. Immigrants who are in ill health are more likely to return to their home countries.

OUR NEXT LECTURE – Monday 15.2.2016, 15.00-16.30

- *The second generation*
- *Impact of immigration, Immigration policy*

THE NEXT LECTURES

- *Immigrants and innovation; International migration and globalization;*
- *Diversity - Impacts of workforce diversity on firms and economies*
- *Emigration and source countries; Brain drain and brain gain; Remittances*