

Salaries and jobs of migrants in the labour market*

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Migrants earn lower salaries than locals because they take less qualified jobs and work at low-wage companies. When they arrive they undergo job downgrading because their human capital is not adapted to our labour market. Hence they have to accept jobs for which they are overeducated and their salaries are massively curbed as their studies are not acknowledged. Limited transferability of migrant human capital makes companies hardly appreciate education and labour experience acquired in the country of origin.

However, having a job in Spain allows them to acquire experience adapted to the needs of the companies. Thus they improve human capital, make progress in terms of employment, reduce overeducation and increase their salary. However, improvement is slow and restricted to some groups.



* This article summarises the main outcomes of research done by the authors on the subject. For more detail, cf. SIMÓN, H.; SANROMÀ, E.; RAMOS, R. (2008). «Labour Segregation and Immigrant and Native-born Wage Distributions in Spain: An Analysis Using Matched Employer-Employee Data». *Spanish Economic Review*, vol. 10, n. 2, p. 135-168 (<http://dx.doi.org/10.1007/s10108-007-9035-1>); SANROMÀ, E.; RAMOS, R.; SIMÓN, H. (2008). *The Portability of Human Capital and Immigrant Assimilation in Spanish Labour Market*. IZA DP 3649, august. (<http://ftp.iza.org/dp3649.pdf>); SANROMÀ, E.; RAMOS, R.; SIMÓN, H. (2009). *Immigrant Wages in the Spanish Labour Market: Does the Origin of Human Capital Matter?*. IZA DP 4157, April. (<http://ftp.iza.org/dp4157.pdf>), and SIMÓN, H.; RAMOS, R.; SANROMÀ, E. (2010). *Occupational Mobility of Immigrants in a Low-Skilled Economy. The case of Spain*. (mimeo).

The economic literature on migration and the labour market looks into two big subjects. One is the effect created by migration on labour conditions (employment and salaries) of locals. The other is the labour situation of migrants in the host labour market and their assimilation or integration process in terms of employment, unemployment, sort of contract and salary. This article focuses on the second aspect and looks into the situation of migrants from developing countries having entered the Spanish labour market recently. Aspects related to salaries, jobs done and adequacy of their studies to the job they do are analysed.

Migrants from developing countries earn 29.2% less than locals as they have low-skilled jobs and work at companies paying low salaries.

Quantitative results shown refer to all of Spain as in most cases there is no statistic information on the Catalan economy. Nevertheless, given that the estimated results for the Spanish market are similar to those obtained by different studies on other developed economies, we can reasonably assume that the conclusions also apply to the situation of migrants in the Catalan labour market.

How much do migrants earn compared to locals?

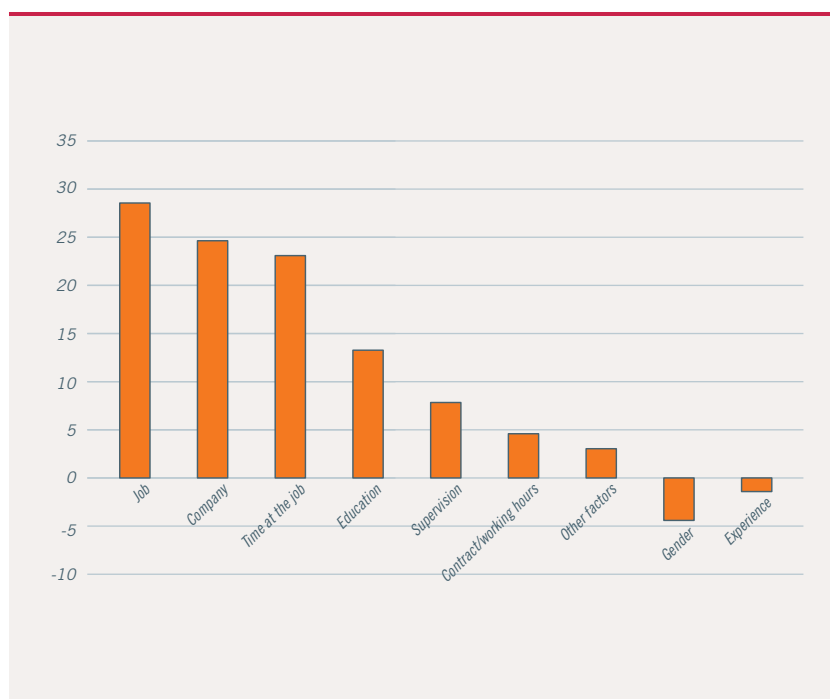
According to the 2002 **Salary Structure Enquiry**, migrants from developing countries earn 29.2% less than locals. As can be seen on graph 1, the sort of company they work for plays a role (24.6% of the difference), as well as having been employed for less time (23.1%), having lower education (13.4%) and not

doing supervisory tasks (7.9%). As opposed to it, being mostly male helps reduce the salary gap.

The important is however that double segregation – by employment and site – explains more than half the total difference. And restriction to worse paid jobs alone explains more than a quarter of the total difference.

Migrants being mostly male helps reduce the salary gap.

Graph 1. Reasons for the local-migrant salary gap
(in %)



Source: estimates based on EES-2002.

▲ The difference is explained by migrants having low-skilled jobs with low salaries.

Why restriction to low-skilled jobs?

To analyse this phenomenon and thus to answer the question, we need to look

into job mobility of migrants. The 2007 National Migration Enquiry by the Spanish National Institute of Statistics (INE) provides information on employment of migrants in their country of origin, the first job they find upon

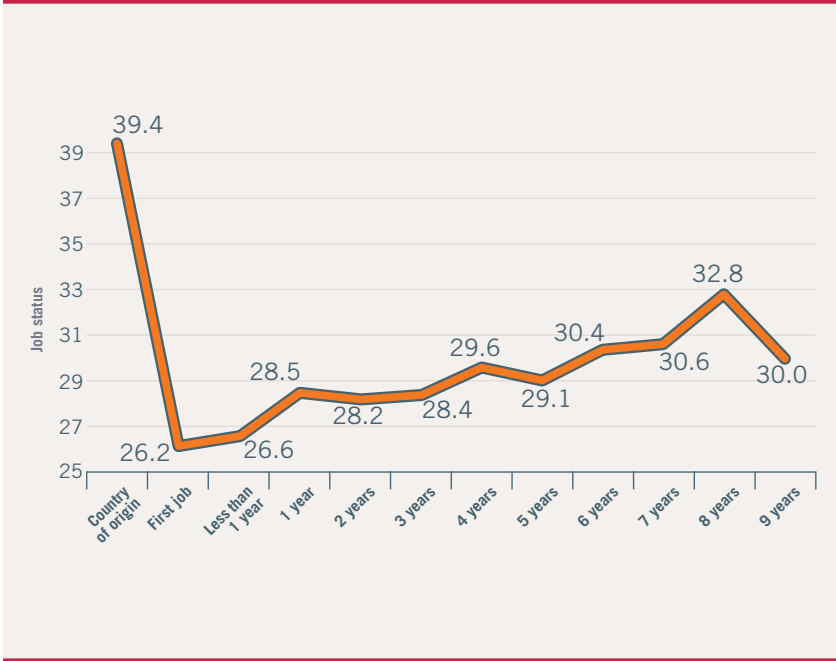
arrival and their current job after some years of residence. By comparing employment at these three points, the results shown on chart 1 are obtained. Specifically, 69.2% of migrants from developing countries accept a first job in Spain that is worse than the one they had in their country of origin, while only 11.1% improve. The job they declare to have at the time of the enquiry some years after means an improvement to 12.7% but there is still a 31.2% in a worse situation than with their first job. As a result, when comparing the current job with that in the country of origin, 16.2% improved but 60.6% of migrants have a worse job.

Chart 1. Labour mobility of migrants (in %)

	Origin to 1st job	1st job to current job	Origin to current job
Worse	69.2	12.7	60.6
Equal	19.7	56.1	23.2
Better	11.1	31.2	16.2

Source: own, based on ENI-2007.

Graph 2. Labour mobility of migrants



Source: own, based on ENI-2007.

69.2% of migrants from developing countries accept a first job in Spain that is worse than the one they had in their country of origin.

Based on the same source, the International Socioeconomic Index (ISEI) has been calculated, bringing together educational requirements and salary potential of each job and taking rates between 16 (house workers) and 90 (judges). The rates of this index are shown on graph 2. It can be seen that in their countries of origin,

▲ When emigrating, workers undergo strong job downgrading from which they do not fully recover.

migrants work in jobs having an average 39.4 status, which is medium-low on a scale between 16 and 90. However, when they migrate they undergo strong job downgrading, being left in jobs rated 26.2, more than 13 points below their level at source. It is obvious that there are several reasons preventing migrants from taking the same jobs they used to have in their home country. Just to mention one, most migrants do not have the financial resources to live while looking for a job adjusted to their expectations upon arrival, so they are forced to accept any job offered to them at that moment, which is nothing but vacancies rejected by locals (agriculture, house-keeping, etc.).

Improvement is very slow and after living here for almost one decade they still do jobs below those they used to do in their countries of origin.

From this first moment, migrants improve their job situation only slowly, so after three years of living here, their job status has increased by 2.2 points. However, after nine years, improvement is only 3.8 points. Hence it is noteworthy that improvement is very slow and after living

here for almost one decade they still do jobs below those they used to do in their countries of origin (30.0 vs. 39.4).

Going more in detail, the groups suffering the strongest job level reduction compared to their home country are women, the best educated (or those who had better jobs), North Africans, Eastern Europeans and illegal migrants.

Yet what are the ultimate reasons that explain this restriction to jobs on the low end of the scale, especially downgrading upon arrival to the new country and only modest improvement observed afterwards? One could first think of discrimination of people from different ethnic groups and cultures, but it becomes difficult to explain that it reduces as migrants stay in the host country. The most commonly accepted answer thus focuses on the lack of portability of human capital of migrants. Migrants have an education based on the social reality of their country and probably acquired in educational systems having less resources and thus lower quality. Besides, they acquired professional expertise in an economy in which technologies, production conditions, business organisation, quality requirements, legislation

and social habits are different from Western countries.

The language may also be different. As a result, human capital of migrants is not productive enough in the new country. For this reason, the jobs they will do are those requiring few or no skills as their human capital is hardly (or not at all) usable in the new production fabric. Yet as migrants live in the host country, they learn or improve their language skills, become knowledgeable of the country and adapt their previous labour experience to the new technological and productive setting, establish contacts, have access to relevant information, acquire social habits, learn basic rules and also gather professional experience directly in the new country. In some cases, they even study or have their studies done in their home country recognised. All this increases their human capital, which allows them to make progress in the job scale, as graph 2 shows.

In the host country, migrants will do the jobs requiring few or no skills as their human capital is hardly or not at all usable in the new production fabric.

How does this limited or non-existing transferability of imported human capital translate?

Migrants working in poor-skilled jobs, especially when arrived recently, makes their education being higher than what is required for the task they do at the workplace. This phenomenon is known as overeducation.¹ There are three ways of quantifying overeducation: the objective method, comparing education of the worker with that needed for the job according to expert rating; the subjective method, in which it is the worker himself saying if he has too much or too little education to do his job; and the statistical method, in which the reference is the average or most usual (fashion) education level among all workers

doing the same job. With the 2001 census data, overeducation of migrants and also locals applying the statistical method (fashion mode) has been calculated. The obtained results, presented on chart 2, show that the rate of overeducated migrants (32.9%) is above that of locals (27.7%).

The rate of overeducated migrants (32.9%) is above that of locals (27.7%) in both prevalence and intensity.

However, overeducation among migrants is also higher in terms of «surplus» years. Thus 25% of migrants have four or more years excess studies, compared to 14% of locals. The problem grows with holders of a university degree. 66% of migrants do jobs for which no degree is necessary (30% in the case of locals). To summarise, migrants are more overeducated than

locals in both prevalence and intensity.

Also here, results show that the longer they have been staying in the country, the lower the rate of those still overeducated. The aforementioned mechanisms (increase of human capital to learn the language and culture, acquired labour experience and others) unleash a process of assimilation with locals in terms of overeducation, understood as passing from overeducated to non-overeducated. However, this process is quite slow.

A breakdown analysis to look into possible differences based on the geographic origin of migrants allows the conclusion that those from North Africa (55.4%) and the rest of Africa (48.1%), followed by Asians (38.7%) have a higher prevalence of overeducation. Hence the problem is bigger for migrants from developing countries with a very different culture from ours. The

Chart 2. Prevalence and intensity of overeducation

	Prevalence	Intensity		
	Rate of overeducated	Rate of overeducated by four or more years	Rate of overeducated by five or more years	
	Total	Total	Graduates	Total
Migrants	32.9%	25.0%	66.0%	9.0%
Locals	27.7%	14.0%	30.0%	6.0%

Source: own based on the 2001 census.

human capital coming from there is certainly hardly transferable to our labour market. As opposed to it, overeducation affects less migrants from Eastern Europe (25.5%) and Latin America (26%). Regarding assimilation, it is comparatively faster with Eastern Europeans and North Africans, while the rest of Africans and Asians are unable to leave overeducation behind, even if they stay longer in Spain. Both things – more overeducation and lack of later improvement – taken together clearly allow identifying migrants from Sub-Saharan Africa (basically Senegal and Nigeria) and Asia (mostly Pakistan and China) as the communities at the highest risk of social marginalisation.

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What economic effects does overeducation have?

Doing a job that does not require the degree done by oneself means wasting some years of the own education. And this education not fully used at the workplace will hence neither be fully paid. To quantify this, salary equations have been calculated based on the

2002 Salary Structure

Enquiry. First, for each individual, either local or migrant, the portion of years of study needed for work has been calculated, together with the years left over.² Then profitability of each group of years has been estimated.

The results confirm that years needed for the job yield a higher profitability than years of overeducation for both locals and migrants, as the latter get a positive though clearly lower remuneration from it.

Yet the most interesting is to compare locals with migrants. Considering all migrants together, marginal profitability of one additional year of studies, if necessary for work, is quite similar to that of locals. However, marginal profitability of one year of overeducation is much higher with locals (4.4%) than with migrants (1.7%).

Hence the labour market rather penalises overeducation of migrants than that of locals.

The detail by areas of origin shows that Asians obtain the highest profitability of required education for the job they do (10%), followed by Latin Americans (6.5%), while Eastern Europeans (5.6%) and especially Africans (3.1%) stay far behind. These results – given that they refer to required education for the job – are explained by existing discrimination in salary policies of companies or also by hiring policies, which eventually pushes this sort of migrants to low-wage companies.

Chart 3. Marginal profitability of necessary education and overeducation by origin

	Locals	Migrants	Eastern Europe	Latin America	Africa	Asia
Required education	9.0%	8.3%	5.6%	6.5%	3.1%	10,0%
Overeducation	4.4%	1.7%	0.0%	1.7%	0.1%	1,8%

Source: estimates based on EES-2002.

Migrants from economies lagging behind and distant cultures are not only overeducated in a more generalised and intensive way but they also do not monetise at all the studies they cannot use in the new labour market.

Profitability of excess education (overeducation) –below that of required education– is always lower than with locals. However, regarding migrants only, it is comparatively higher among Latin Americans (1.7%), while it is non-existent among Eastern Europeans and Africans. Hence migrants from economies lagging behind and distant cultures are not only overeducated in a more generalised and intensive way but they also do not monetise at all the studies they cannot use in the new labour market.

Does the origin of education and the rest of human capital matter?

A question arising from what we have been seeing so far is if migrants are able to improve their situation in

the Spanish labour market by studying and if the labour experience acquired here is more valuable and better rated than the one they bring over from their home country. All in all, it is about finding out if education is paid differently for based on whether it has been imported or acquired in Spain, and the same for labour experience.

The 2007 National Migration Enquiry by the INE contains information that allows to separate the years of education in two parts: those spent in the home country and those in Spain. Labour experience can also be divided along the same lines. What is more, based on the answers to the enquiry, it is also possible to calculate the time actually worked and the period the migrant in question has been jobless. With all this information, salary equations have been estimated to see if profitability of both components is different, that is, whether they are rated differently by the labour market.

The results indicate that marginal profitability of studies done in Spain by migrants (3.9%) is very close to that of locals (4% according to latest estimates). In any case, it is clearly above the marginal profitability of studies done in the home country (1.5%). This reduced

profitability of imported education shows that its transferability to our labour market is limited.

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Some studies have shown that assessment by the labour market of education imported by migrants is more positive if this education is completed in the country of destination, so the situation of migrants – probably the youngest ones – able to study upon arrival is different from those who emigrate to work. By checking this hypothesis, it has been stated that studies done in the country of origin by migrants having come directly to work are rated much worse than foreign degrees completed with studies done in Spain (4.5%). As this 4.5% does not substantially differ from profitability reached by locals, it can be said that studying in the host country raises considerably the value of regular education in the country of origin in the Spanish labour market.

Labour experience in the country of origin³ has a marginal profitability of 0.6%,⁴ which shows also limited transferability to the Spanish labour market. Nevertheless, it is quite favourably rated as the results obtained in countries like the US, Canada and Israel convey the idea of no or almost no profitability of experience at origin. An explanation for this result could be based on the technological gap between these advanced countries and medium-technology economies like Spain. The higher the technology level in a country, the less likely are companies to appreciate labour experience acquired in a country with a lower level of development.

Profitability of one year of actual labour experience in Spain is 2.9%, a result that indicates a considerable salary progress year after year once migrants get a job in Spain. It must be said

that mere presence in an economic and social setting does not mean an advantage for migrants if they do not have a job. The obtained results show that time spent without working (or studying), looking for a job or remaining jobless, has almost no profitability at all, no positive effect on the salary. Hence it is practical learning at the workplace and not simple coexistence with a language and a culture what is appreciated by companies.

The higher the technology level in a country, the less likely are companies to appreciate labour experience acquired in a country with a lower level of development.

The results by area of origin show that profitability of education at origin is

higher with migrants from Latin America (1.8%) and Eastern Europe (1.1%) than those from the rest of the world (0.04%). Sharing the same language and culture, as is the case with the former, and little cultural distance as with Eastern Europeans may explain the difference in the portability of education.

Different rates are also obtained for studies done here, which are always better for Latin Americans (4.4%) and Eastern Europeans (3.6%) than those from the rest of the world (2.4%). This difference could be related with discrimination in the labour market, although it could also show that progress with education in Spain can be due to poor quality of education at origin, which is the basis of higher stages.

Labour experience at origin only has a clearly positive effect on salaries for Latin

Chart 4. Marginal profitability of education and experience based on origin

In percent (%)	Developing countries	Latin America	Eastern Europe	Rest of the world
Education at origin	1.49	1.77	1.10	0.04
Education in Spain	3.88	4.45	3.63	2.46
Experience at origin	0.57	1.37	0.24	0.00
Actual experience in Spain	2.96	4.58	1.21	0.00

Source: estimates based on ENI-2007.

American migrants (1.4%), while being much lower for Eastern Europeans (0.2%) and non-existent for the rest. It has already been said that this lack of profitability of experience acquired in low-income countries is commonplace in advanced countries.

Africans and Asians are not able to improve their income in our labour market as the actual labour experience they acquire here is not positively rated by companies.

Actual labour experience in the Spanish labour market has a high marginal profitability for migrants from Latin America only (4.6%). This high yearly salary increase rate, being clearly above that of locals, implicitly means that – at least during the first years of staying – the salary gap with locals is reduced, a process known as salary assimilation. As opposed to it, actual experience in Spain means a considerably slower yearly salary increase for Eastern Europeans (1.4%). Finally, Africans and Asians are not able to improve their income in our labour market as the actual labour experience they acquire here is not positively rated by companies.

It could be that the poorly skilled jobs they get do not allow them to increase their specific human capital.

Conclusion

The main conclusion is that migrants earn lower salaries than locals under similar conditions because they take less skilled jobs and work at companies paying lower wages. The reason is that once they arrive, they undergo job downgrading as their human capital (education and professional experience) is not transferable due to non-adaptation to the Spanish labour market. As a result, they have to accept jobs for which they are in theory overeducated. Hence overeducation is more widespread and intensive among migrants than locals. Besides, salary penalty usually associated to years of excess education for the job done is much more intensive in the case of migrants.

Migrants get low profitability for both studies done in their country and acquired labour experience there, which means that the labour market hardly appreciates these assets as they are allegedly hardly productive in our technologically more advanced business fabric. As opposed to this, studies done here

by migrants are much more positively rated. In the case of those having studied here, education in their country of origin is eventually rated in a clearly positive way by Spanish companies.

As they spend more years living in Spain, migrants acquire labour experience adapted to the specifics of our business fabric and the needs of companies as long as they actually get a job. Thus they improve their human capital, make progress in terms of employment and reduce their overeducation. All this increases profitability of their human capital, and in the best of cases, the gap with locals is closed in terms of both employment and salary.

However, improvement is generally speaking slow and restricted to some groups. Being slow may have to do with the peculiarities of the development model of recent years, very focused on labour-intensive industries with a poor technology component and on low-skilled jobs. Although this has probably fostered migration and facilitated access to a first job to most migrants recently arrived, it may have become a trap in which many will be caught for years.

Improvement, besides being slow, is restricted to

certain communities, basically migrants from Latin America and Eastern Europe, while Africans and according to some indica-

tors also Asians do not make progress in the Spanish labour market. Hence these migrants, no matter their educational level,

have a high risk of permanently doing the worst paid jobs without managing to become economically and socially integrated.

Notes

1. However, in no case does overeducation mean that workers have too many qualifications for the job but only too much education. Hence it is perfectly normal that upon finishing one's studies one has the degree but very little experience to work in the profession, so they do not have all required qualifications. Therefore the youth are much more overeducated than adults with a higher experience at the workplace. Migrants may specifically have education but they lack useful qualifications for the Spanish labour market. This is why they have to accept poorly skilled jobs for which they are formally overeducated.
2. In a strict sense, there are also workers lacking studies as they do jobs requiring more years of education than what they have. This is called undereducation. But we will concentrate on the results of overeducation as it is the problem affecting migrants most.
3. With the available information it is not possible to know how much time they have actually worked in the country of origin, so it is potential experience.
4. It has been calculated for the average experience at origin of this group (12.65 years).
5. Calculated for the average actual experience in Spain (3.58 years).

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