

Foreign-Born Workers in the Spanish Labour Market. Do Latin American Immigrants Act as a 'Buffer' for Labour Restructuring in Economic Phases?

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Extended abstract

Introduction

The Spanish labour market is particularly sensitive to the economic cycle. Employment grows strongly in economic expansion phases and there are significant job losses during economic crises. The strong economic growth period that Spain underwent from the end of the 1990s to 2008 was followed by the Great Recession, which lasted from approximately that date to 2014. Then, a phase of economic recovery or post-crisis period began, lasting until the first quarter of 2020 and the onset of the Covid-19 crisis.

During the pre-2008 economic expansion period, millions of jobs were created. After the incorporation of the baby boomers to the job market, the Spanish working-age population could not grow any further. Therefore, these new jobs, mainly in the construction and service sectors, attracted millions of foreign-born immigrants. A large part of those jobs was destroyed during the Great Recession (Vidal-Coso et al., 2012). Consequently, the number of employed immigrants fell by nearly one million. Foreigner employment mostly recovered during the post-crisis phase. However, did these fluctuations affect all the foreign-born groups the same way?

Aims of the paper, Data and Methods

Using Spanish Labour Force Survey (EPA) data between 2005 and 2020 —period when the survey follows the same methodology—, this paper aims to analyse the impact of business cycles on foreign-born immigrants' insertion in the Spanish labour market. This will be measured by economic activity, employment, and unemployment indicators —also comparing them to those of natives. It is intended as a first step to a broader future exercise comparing the Spanish case to that of other EU countries, using EU-Labour Force Survey data.

Firstly, a descriptive analysis of the main variables allowing us to study changes in the foreign-born population according to origin and their relationship with the labour market —working age population, employment, unemployment— has been carried out for the three economic phases analysed; economic expansion (1Q2005-1Q2008), economic crisis (1Q2008-1Q2014) and economic recovery or post-crisis (1Q2014-1Q2020). To confirm what was observed in the descriptive analysis, an explanatory analysis (ANOVA, linear regression) will subsequently be carried out, based on the place of origin and socioeconomic characteristics of the groups studied, in the three periods analysed.

Theoretical Framework

This paper intends to verify two opposite hypotheses regarding the relationship between the business cycle and international migration (Gil-Alonso and Vidal-Coso, 2015). The first is the so-called 'buffer theory' (Böhnin, 1972), which argues that, during employment restructuring, foreign workers act as a "buffer", absorbing labour market tensions —e.g. in economic growth phases, the number of immigrants rises as a response to an increasing demand for workers. Conversely, in deep economic crisis periods, they are expelled from the labour market in greater numbers than natives, returning to their countries of origin and

leaving jobs to autochthonous workers. Martin (2009) argues that foreign immigrants would be the first to be affected by labour restructuring, as they work mostly in labour sectors that are very sensitive to changes in the economic cycle, such as construction and manufacturing. Nevertheless, other authors argue that this theory could be true for the previous Fordist economy, but would be less valid in the current post-Fordist neoliberal capitalist context. This alternative hypothesis is based on a 'new migration model' (King et al., 1997; Fielding, 2010) arguing that labour markets are in permanent need of foreign workers to fill low wage and unstable jobs, replacing national workers even during recession periods. This would be especially so for highly dual labour markets (Piore, 1979), such as those of Southern European countries. Therefore, the higher adaptability of foreign immigrants to harsh working conditions would make them more resilient than native workers to the new and changing conditions introduced by the economic crisis in the labour market. They would be more willing than autochthonous workers to take more precarious jobs and to change branch of activity, type of employment and place of residence more frequently for work-related reasons. The paper uses labour statistics of Spaniards and foreign-born immigrants of different origins to analyse which of the two hypotheses is correct.

Preliminary Results

Descriptive results show that, during the pre-2008 economic expansion period, all foreign origins increased very significantly the working age population. Asians, among men, and Europeans—except for those from the former EU-15 Member States—, among women, show the highest relative growth. However, in absolute numbers, immigrants from Latin America show the highest growth: more than 700,000 in just three years, followed at a long distance by those from the rest of Europe. In these two groups, female immigration predominates, while for the other origins, male migrants prevail.

This increase can also be observed in employment growth during the economic expansion period prior to the Great Recession. Once again, immigrants from Latin America led the creation of new jobs—more than half a million between 2005 and 2008—, followed by immigrants from the rest of Europe. Again, by contrast to other origin groups, more jobs were created for women than for men.

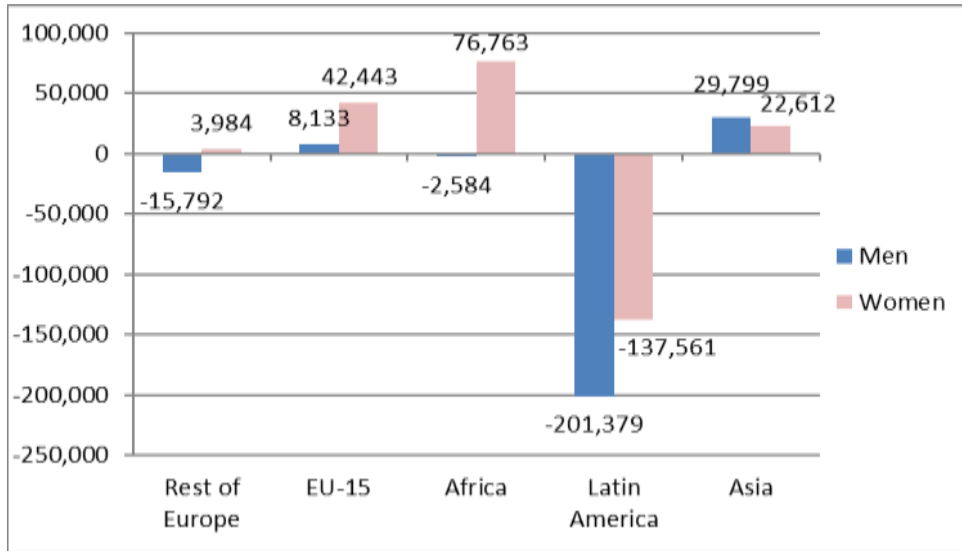
The impact of the Great Recession, beginning in the first quarter of 2008, caused the destruction of millions of jobs in all economic sectors, but particularly in the construction one. Therefore, there were more male than female job losses for all geographic origins (including Spaniards). This was particularly so among Africans, Latin Americans, and immigrants from the rest of Europe. By contrast, Asians, and EU-15 women, who barely participated in the construction sector, were little affected by the economic crisis, and even increased their level of employment during the Great Recession.

In absolute numbers, people of Latin American origin suffered the greatest employment loss; 600,000 thousand jobs less between the first quarter of 2008 and the first quarter of 2014. Africans and immigrants of the rest of Europe followed them in this reduction. However, Asians gained more than 25,000 jobs in that same period.

Another way to measure the impact of the economic crisis is through unemployment growth. In this case, it were African men that showed the greatest unemployment increase, while it grows less among those born in Latin America, despite having experienced the greatest absolute employment loss. This apparent contradiction was even more evident when relative unemployment growth was examined: male unemployment increased by more than 30%, in all origins (including Spaniards), Latin Americans being the only exception. For them, male unemployment only increases by 20%, and the female one, even less.

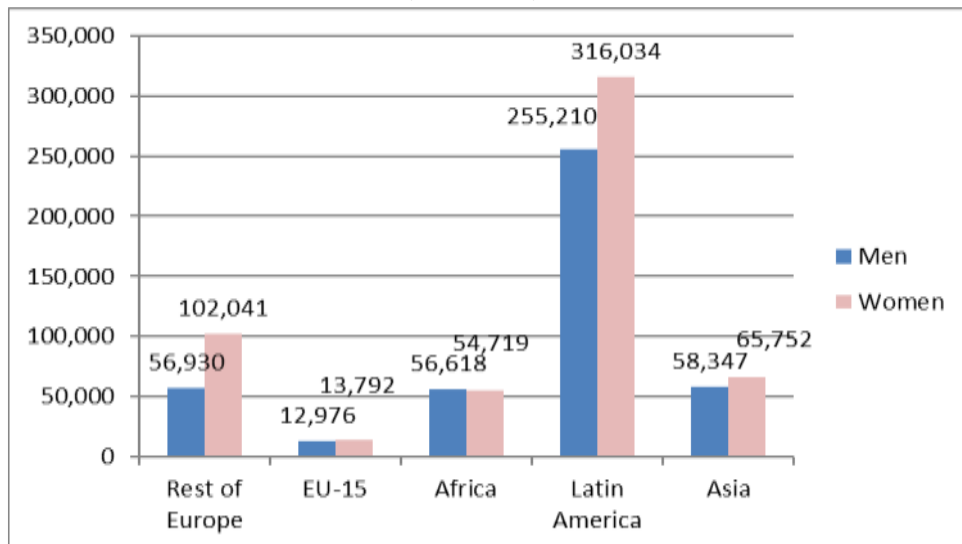
Why did the number of unemployed people grow less among those born in Latin America? The answer can be found in Figure 1, showing a sharp decrease in the working age population of that origin; about 340,000 people less. By contrast, working age females from the rest of origins increased, while male figures barely decreased, even increasing significantly among Asians. Regarding unemployment, in the other foreign-born groups, the number of unemployed people increased in a similar proportion to that in which employed ones decreased. The only exception were Latin American origin people, for which employed people decreased more than two times the numbers in which unemployed people increased.

Figure 1. Working age population 16-64 y.o. by place of birth and sex (absolute change), 1Q2008 – 1Q2014.



Source: Spanish Labour Force Survey (EPA), quarterly data. Spanish National Statistics Institute (INE).

Figure 2. Working age population 16-64 y.o. by place of birth and sex (absolute change), 1Q2014 – 1Q2020.



Source: Spanish Labour Force Survey (EPA), quarterly data. Spanish National Statistics Institute (INE).

This finding seems to be confirmed in the post-crisis period, when economic improvement caused a new increase in the arrival of immigrants from all origins, but especially from Latin America (Figure 2). These immigrants grew in 570,000 people, followed at a long distance by those from the rest of Europe, Asia, and Africa. Therefore, between the first quarter of

2014 and the first quarter of 2020, the employment of Latin Americans underwent a strong increase, with half a million new jobs, many more than what their unemployment figures had reduced.

What makes Latin American origin immigrants special, making them act as a 'buffer' in the Spanish labour market? Cultural similarities aside, Latin American origin immigrants have more mobility because of their possibility of acquiring Spanish citizenship more easily (two years of legal residence in Spain, instead of ten, which is the case for other national origins). In other words, they can leave Spain during economic crisis periods, and either move to other EU countries, or to third countries that do not require a visa for Spaniards, or return to their countries of origin and come back when the economic situation in Spain recovers, as many are Spanish nationals, in addition to having their own original nationality. Between the first quarters of 2014 and 2020, the working age population of Latin American origin increased in more than 570,000 people, 460,000 of which had Spanish nationality, in addition to having their original one.

By contrast, barely no other group of foreign-born immigrants have acquired Spanish nationality. In fact, as many of them come from poorer countries than Spain, they are discouraged to return to their countries of origin during recessions. This would fix them to Spain during the economic crisis phases, forcing them to be more resilient, despite having high unemployment levels. On the contrary, the number of unemployed people does not increase much among those of Latin American origin, since a significant part of them leave Spain during economic crisis periods. This is specially the case among low educated men, working in the construction sector during the economic expansion period.

Conclusions from the descriptive analysis

Descriptive analysis of the economic expansion and crisis periods seems to demonstrate that the way immigrants behave from the labour point of view varies by origin. The 'buffer theory' seems to explain better Latin Americans' behaviour from this perspective: they move more easily in and out of Spain in economic expansion and crisis periods, due to the acquisition of Spanish citizenship. However, African, and Asian immigrants, and those from the rest of Europe, seem to respond better to the 'new migratory model': they do not leave Spain in great numbers during crisis periods (the number of Asians even increases), and try to resist unemployment growth in situ, competing with native workers for existing jobs. Subsequent explanatory analysis will use statistical tests and models to confirm that these descriptive results are significant and relevant.

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