Social Protection benefits and the integration of immigrants in the Spanish Labor Market

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Introduction

- The objective of this project is to analyze the effect of social protection benefits, mainly Unemployment Benefits, over the labor market behavior of immigrants in Spain.

- We are interested on the effect of such benefits over the time the immigrant needs to exit from unemployment to employment , compared to a native worker.

- It is quite important to understand well this effect, given the observed increasing use of Unemployment Benefits immigrants are showing.

Introduction

- The incidence of unemployment in Spain is larger for immigrant than for native workers.

- Moreover, the use of Unemployment Benefits among immigrants is highly increasing since 2003.

	Natives		Immigrants	
	Unempl. R.	% with U.B.	Unempl. R.	% with U.B.
2003	11.0	22.5	14.6	5.1
2004	10.4	23.8	14.1	10.5
2005	8.1	25.3	10.2	12.7
2006	7.7	26.8	10.7	16.7

Source: EPA, 3rd. quarter

Introduction

- One important question is whether these differences are due to a different search behavior among these two groups or only due to differences in the labor market they are participating in.

- Hence, we will try to identify if it is the market or their own decisions which are behind these observed differences.

- We will use a new administrative dataset covering the period 1995-2004 allowing us to estimate the transition rate from unemployment to employment.

Econometric Procedures

■ We will use discrete time duration models to study the unemployment hazard rate, that is, the conditional probability of exiting from unemployment in month t, conditional on surviving until such duration.

■ We will distinguish between two possible destinations: a temporary contract and a permanent contract (*competing risks*).

■ One important element in our model will be the control for the presence of unobserved heterogeneity.

   ◆ Given we have multi-spell labor histories, the unobserved heterogeneity, which is fixed per individual throughout her labor history, will be much better identified.

   ◆ This unobserved individual effect will, surely, affect also to the probability of receiving Unemployment Benefits. Hence, this variable will be predetermined.

The dataset:

La Muestra Continua de Vidas Laborales (MCVL)

- It is a random draw from the Social Security administrative archives, among pensioners and affiliated workers in 2004.
- It provides the entire labor history of individuals in the sample: all recorded contracts, with their associated duration, contributive group, type of contract, type of firm, unemployment benefits, ...
- This database offers information about the personal characteristics of the worker and also about all the employment spells throughout her labor history.
- The duration, measured in months, of the unemployment spells are built from the dates of ending the previous contract and the date of beginning in a new one, if any.

The dataset: MCVL

- The amount of information for each individual in our database is quite large. Hence, we have applied some criteria to unify different registers when they refers to the same employment spell or to eliminate simultaneous employment spells.

- Finally, we are only considering labor histories of workers within the called "Regimen General" and only employment and non-employment spells beginning after the end of 1994.

Table 1: Descriptive Statistics

	MALES		FEMALES	
	immigrants	natives	immigrants	natives
Age	32,73	29,56	32,10	29,11
Sector: Agriculture	1,43%	0,97%	0,51%	0,65%
Industry	10,41%	13,78%	8,14%	10,05%
Building	48,13%	30,60%	2,74%	1,87%
Services	40,03%	54,66%	88,60%	87,43%
Previous Job: Part time	11,52%	16,81%	38,10%	37,84%
THA	6,96%	9,41%	9,12%	8,84%
Fired	70,40%	83,66%	71,04%	86,95%
Big firm	7,17%	11,80%	14,35%	19,40%
Young firm	69,60%	51,51%	61,66%	46,33%
High Qualif.	0,83%	3,46%	1,51%	7,31%
Med-high Qual.	3,37%	7,88%	8,35%	14,11%
Med-low Qual.	26,18%	32,28%	24,33%	33,50%
Low Qualif.	69,62%	56,38%	65,81%	45,09%
Permanent contract	3,91%	4,16%	6,07%	5,33%
N. of Spells	33.200	567.210	13.021	465.337
N. of Workers	13.401	180.671	6.175	152.996

Table 2:
% of Unemployment spells beginning with Unemployment Benefits

	MALES			FEMALES		
	Natives	Immigrants	% of immigrants	Natives	Immigrants	% of immigrants
1995-2000	30,76	12,06	1,86	26,72	10,40	0,71
2001	32,37	14,88	6,34	29,14	13,87	2,84
2002	34,93	17,39	9,37	31,27	14,88	4,44
2003	36,48	24,11	11,00	33,32	19,47	5,36
2004	33,96	28,73	11,20	30,27	22,98	5,65

Table 3:
Entitlement to UB for those with benefits

Months	MALES		FEMALES	
	Natives	Immigrants	Natives	Immigrants
1-4	51,56	64,42	47,89	58,66
5-8	30,88	27,24	31,82	28,68
9-12	10,19	5,58	11,63	8,91
>12	7,37	2,76	8,66	3,75

Exit from Unemployment, Males

Legend:
- U => T, immigrant
- U => P, immigrant
- U => T, natives
- U => P, natives

Months
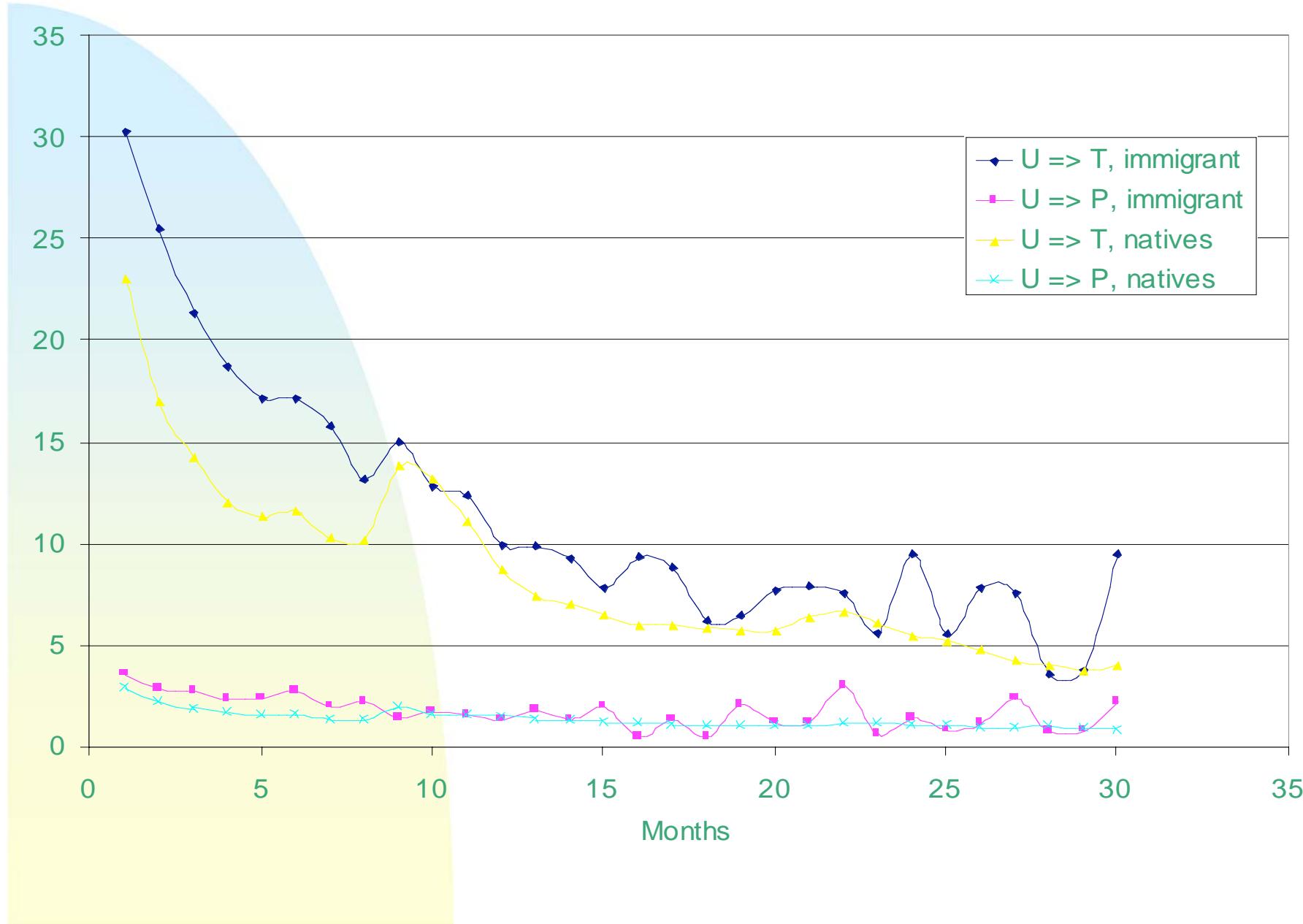
Exit from Unemployment, Females

Legend:
- U => T, immigrant
- U => P, immigrant
- U => T, natives
- U => P, natives

Months
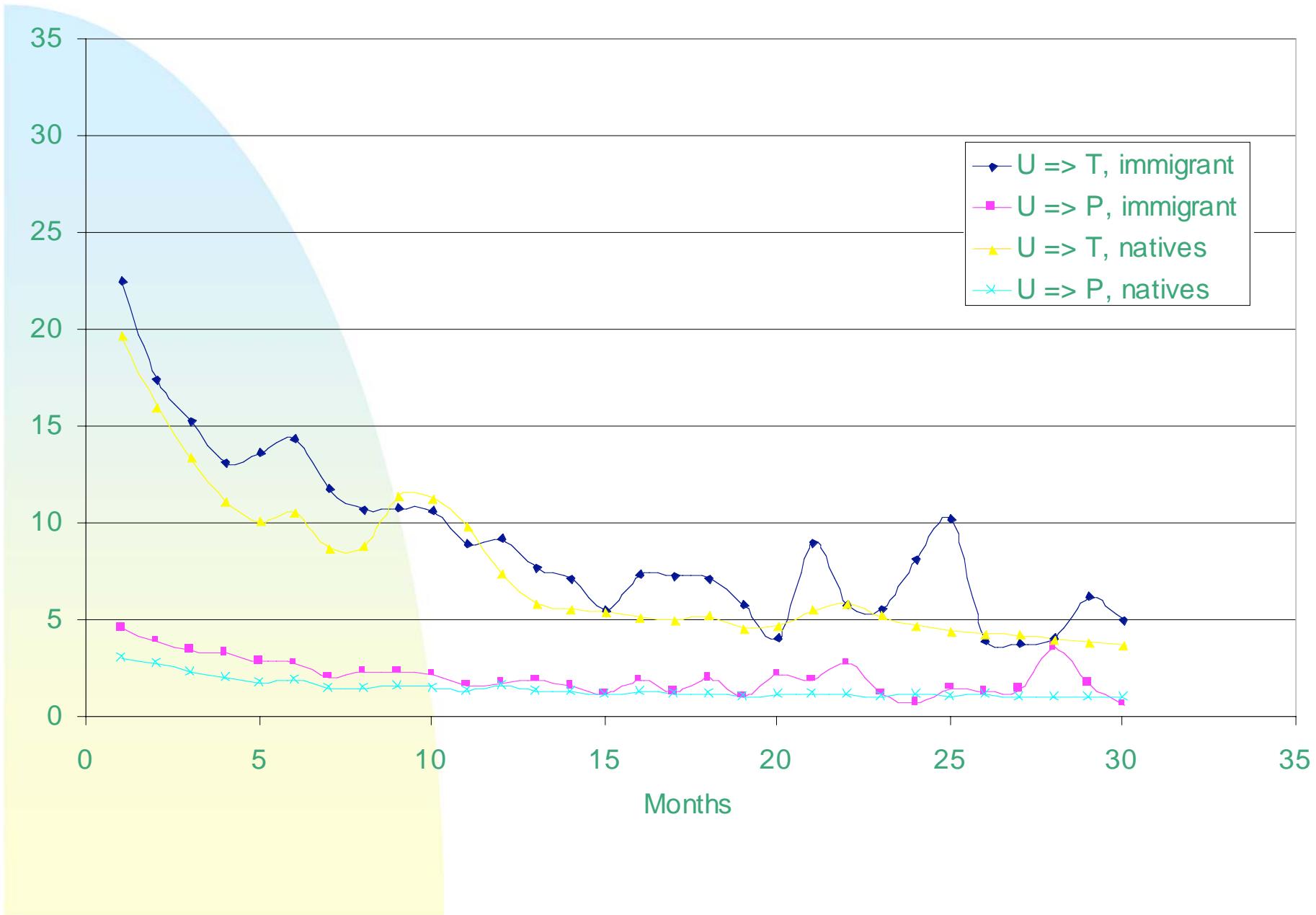
Table 4: Results for the exit from Unemployment

Transition to a Temporary Contract	Inmigrant, males		Native, males		Inmigrant, females		Native, females	
	Coef.	Tstat.	Coef.	Tstat.	Coef.	Tstat.	Coef.	Tstat.
Ln(dur)	-0,3016	-12,31	-0,4355	-77,83	-0,3435	-8,82	-0,2704	-43,45
Ln(dur)^2	-0,0911	-9,41	-0,0115	-6,02	-0,0451	-3,13	-0,0572	-27,40
Age	0,0245	4,36	0,0922	94,72	0,0024	0,26	0,0519	41,39
Age^2	-0,0004	-4,73	-0,0013	-96,54	0,0000	-0,26	-0,0008	-44,29
With U.B.	-1,0622	-34,09	-0,4884	-76,86	-1,2769	-20,15	-0,5927	-76,11
* Ln(dur)	0,2481	9,24	0,0322	6,81	0,3135	6,19	0,0642	11,05
Employment Growth	0,3528	0,64	0,3906	3,57	0,4141	0,46	0,1479	1,18
Regional Unempl. Rate	-0,0183	-2,84	-0,0064	-5,55	0,0128	1,13	-0,0017	-1,29
GDP growth rate	-0,0007	-0,03	-0,0008	-0,22	0,0248	0,66	-0,0023	-0,59
Part time	-0,2892	-11,85	-0,2102	-44,18	-0,1585	-6,26	-0,1283	-32,16
THA	0,2915	8,29	0,2449	37,88	0,2958	6,45	0,2130	30,70
= Employer	0,4243	22,27	0,6362	158,79	0,5723	18,58	0,8658	206,48
Fired	0,1146	6,78	0,1013	21,11	0,1305	4,72	0,1807	30,34
Big firm	0,0418	1,27	0,0141	2,48	0,0607	1,62	0,0698	13,86
Young Firm	-0,0114	-0,69	0,0220	6,20	-0,0351	-1,39	0,0171	4,30
High qual.	-0,2638	-3,22	-0,0861	-8,52	-0,1774	-1,82	0,2564	33,02
Med-high qual.	-0,1556	-3,68	-0,0708	-10,40	-0,1297	-2,90	0,0719	12,25
Med-low qual	0,0253	1,48	0,1007	25,63	-0,0227	-0,79	0,0763	17,44
Permanent Contract	-0,3930	-9,26	-0,3228	-32,74	-0,3480	-6,05	-0,4699	-45,45
Constant term	-1,7450	-7,23	-3,5295	-99,68	-2,2029	-5,79	-2,9959	-75,98

Table 5: Results for the exit from Unemployment

Transition to a Permanent Contract	Inmigrant, males		Native, males		Inmigrant, females		Native, females	
	Coef.	Tstat.	Coef.	Tstat.	Coef.	Tstat.	Coef.	Tstat.
Ln(dur)	-0,3569	-6,04	-0,5286	-38,80	-0,3172	-4,11	-0,3128	-22,48
Ln(dur)^2	-0,0372	-1,62	0,0461	10,11	-0,0411	-1,43	-0,0279	-6,08
Age	0,0415	2,88	0,1258	48,29	-0,0143	-0,78	0,0849	28,99
Age^2	-0,0007	-3,25	-0,0018	-49,73	0,0001	0,22	-0,0013	-29,25
With U.B.	-0,9421	-11,32	-0,2849	-18,27	-1,1112	-8,67	-0,3389	-20,22
* Ln(dur)	0,2408	3,47	0,0818	7,32	0,1933	1,84	0,0563	4,76
Employment Growth	3,1572	2,35	0,2588	0,96	2,6579	1,50	0,0219	0,08
Regional Unempl. Rate	-0,0004	-0,02	0,0019	0,62	0,0983	4,24	0,0113	3,66
GDP growth rate	-0,0749	-1,50	0,0013	0,17	0,0171	0,24	-0,0070	-0,80
Part time	0,0486	0,99	-0,1596	-14,48	-0,1582	-3,18	-0,0307	-3,44
THA	0,0014	0,02	-0,0904	-5,49	-0,0085	-0,08	0,0460	2,75
= Employer	0,6359	14,70	0,1090	9,69	0,7437	12,79	0,3067	29,60
Fired	-0,1578	-3,94	-0,0488	-4,45	-0,0718	-1,36	-0,0308	-2,61
Big firm	-0,1792	-2,21	-0,0326	-2,42	-0,1344	-1,72	-0,0391	-3,32
Young Firm	-0,0204	-0,51	0,0010	0,12	0,0091	0,18	0,0266	3,01
High qual.	-0,0443	-0,27	0,3810	19,79	-0,0869	-0,45	0,1530	8,29
Med-high qual.	0,0733	0,90	0,2152	15,12	0,1263	1,60	0,1355	10,46
Med-low qual	0,2013	4,84	0,1924	19,48	0,0684	1,22	0,1909	19,72
Permanent Contract	0,5981	9,51	0,6776	46,31	0,5047	6,40	0,8533	63,62
Constant term	-3,8585	-7,02	-5,3361	-60,75	-4,1040	-5,89	-5,2066	-57,34

Reduction in the exit rate for those with Unemployment Benefits (MALES)

Legend:
- immigra,temp
- immigra,perm
- native,temp
- native, perm

X-axis: Months

Y-axis: 0,00% — 80,00%
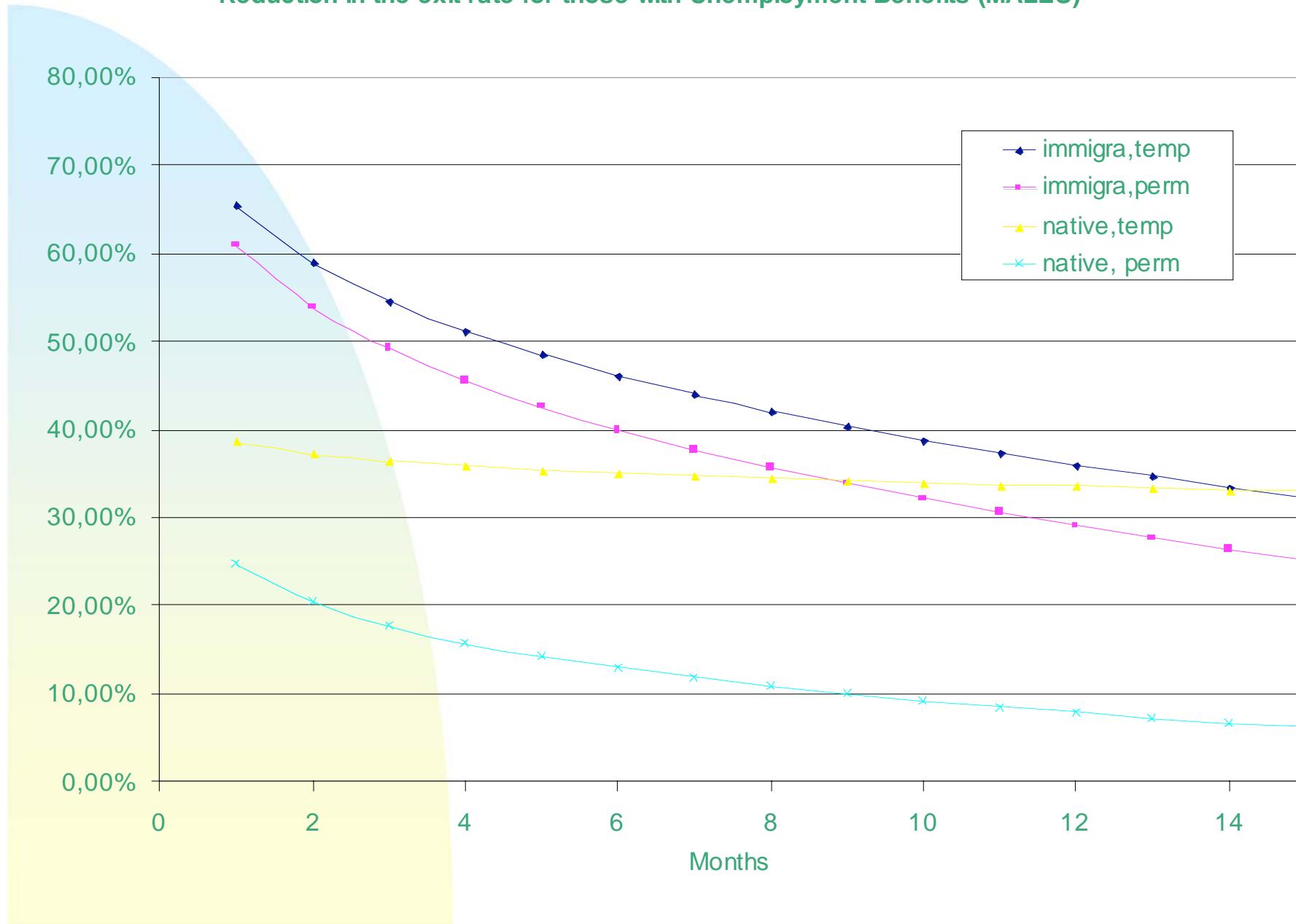
Reduction in the exit rate for those with Unemployment Benefits (FEMALES)

Legend:
- immigra,temp
- immigra,perm
- native,temp
- native, perm

X-axis: Months
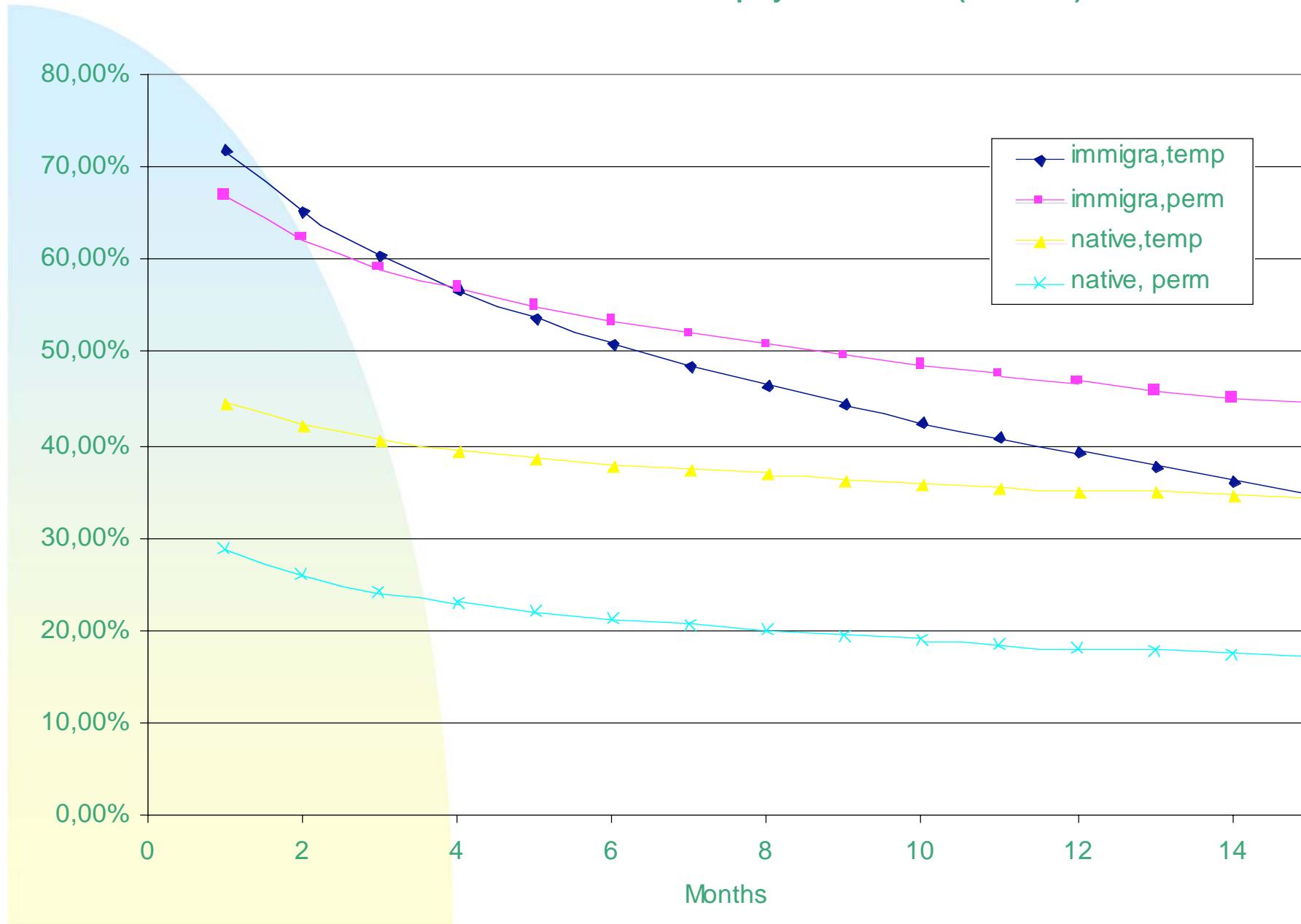
Table 5:
Reduction in the unemployment exit rate for those with Unemployment Benefits
(without interaction term with unemployment duration)

	MALES		FEMALES	
	Immigrants	Natives	Immigrants	Natives
Exit to temp.	57,66%	36,66%	62,91%	41,04%
Exit to perm.	52,04%	18,35%	60,66%	24,28%

Reduction in the exit rate for those with Unemployment Benefits (without considering separately the destination state)

Legend:
- native, female
- immigrant, female
- native, male
- immigrant, male

Y-axis: 0,00% to 70,00%

X-axis: Months (0 to 14)