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Migrants' well-being during the global financial crisis: Economic and social predictors

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ABSTRACT

This paper investigates the economic and social predictors affecting the well-being of temporary migrants before, during and after the financial crisis. Exploiting unique panel data which cover migration spells from Tajikistan to Russia between 2001 and 2011, we find that migrants earn less but stay longer in the destination during the crisis; at the same time, they become more exposed to illegal work relations, harassment and deportation through the Russian authorities. The overall income loss can be attributed to wage cuts and to rising illegal employment that is generally poorly paid. Despite the similarities in the demographics and jobs of migrant workers, we find substantial heterogeneity in how the financial crisis affects their well-being. Migrants who experience wage losses during the crisis rationally stop migrating.

1. Introduction

When economic conditions are sour, and unemployment is on the rise, immigrants are the first to suffer from deteriorating economic perspectives. Immigrants are at risk of being laid off or pushed into illegal work relations. Populists and nationalists who blame immigrants for taking away jobs from natives pave the way to surging harassment (Davis and Deole 2015). Maybe in response to that, governments tend to restrict the entrance of migrant workers and enforce their return during recessions. Mexicans in the US, Poles in the UK or Turks across Europe: the well-being of immigrants is closely related to the government regulations of destination countries (Massey and Gelatt 2010). What sounds like commonplaces is surprisingly under researched: Very little evidence exists on the dynamics and predictors of immigrants' well-being during an economic downturn (IOM 2013a).

In this paper we study how the economic and social predictors of immigrants' well-being have evolved before, during and after the global financial crisis of 2007 and 2008. The focus is on economic factors affecting well-being, such as income generation and duration of stay as well as on social factors, such as illegal work status (illegality),¹ ethnic discrimination (harassment)² and

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¹ This paper addresses illegal employment. Hence, the contribution of the paper is distinct from research that focuses on illegal border-crossing (Tamura 2010).

² In line with the International Labor Office (ILO), International Organization of Migration (IOM) and the Office of the United Nations High Commissioner for Human Rights (OHCHR), harassment includes any attitude or behavior that rejects, excludes, threatens and attacks humans based on the perception that they differ from one's own ethnicity, society or national identity (ILO, IOM and OHCHR 2001).

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governmental return enforcement.³ The financial crisis was an unforeseen and surprising shock that ultimately affected labor markets around the globe with declining employment and a slowdown of wage growth. In similar previous instances, immigrants have been especially badly affected (Chiswick et al., 1997; Dustmann et al., 2010). We resort to the migration corridor between the Central Asian country Tajikistan and Russia where the majority of immigrants works in the construction and service sectors that were badly hit by the crisis and where the government initiated detention and deportation of immigrant workers. In fact, Central Asia was the developing region experiencing the world-wide greatest decline in remittances in 2009 as a consequence of the global financial crisis (Mohapatra and Ratha 2010). This was partly related to the devaluation of the Russian ruble against the U.S. dollar.

The contribution of this paper is twofold: First, it is one of the rare empirical accounts to explore the economic and social predictors of immigrants' well-being using a nationally representative panel data set of migrants. Understanding the factors underlying migrants' well-being is essential to assess a society's ability in promoting a fair, just and social life. We rely on data from a large household panel survey carried out in 2007, 2009 and 2011 in Tajikistan, one of the most remittances dependent countries in the world. While some anecdotal evidence exists for the post-Soviet space, this paper is the first attempt to present quantitative evidence. Importantly, we analyze various economic and social factors impacting immigrants' well-being as well as their interdependence. Second, due to the richness of the data and the exogenous economic shock of the financial crisis, we can introduce a comparative perspective and analyze the well-being of migrants at crisis and non-crisis times. Specifically, we shed light on three types of migrants who experienced the financial crisis quite differently (those who stopped, those who continued and those who started migration during the crisis). To summarize, our paper explores how economic and social factors of well-being have evolved during the financial crisis, how social predictors of well-being are associated with economic predictors of well-being and which heterogeneities with respect to factors of well-being can be detected among immigrants during the financial crisis.

Our paper complements the previous literature on increased competition between immigrants and natives. While this literature has analyzed the struggle of ethnic groups for resources as a consequence of immigration (Dustmann et al., 2011) we focus on a situation in which economic resources dwindled rapidly in the financial crisis. We find that the financial crisis was associated with a reduction of immigrants' wages, an increase of illegal work relations and a growth of harassment. In addition, the greater exposure to illegal work relations had a negative second round effect on economic outcomes, such as monthly wages and migration duration. With view to different types of migrants, substantial heterogeneity of well-being predictors can be detected during the financial crisis.

The remainder of the paper is as follows: Section 2 elaborates the concept of well-being in the migration context. Section 3 is a description of the migration corridor between Tajikistan and Russia. Section 4 presents the data and methodology. Section 5 contains the results, while Section 6 concludes.

2. Well-being in the migration context

Although income gains are a key motivation for (short-term) labor migrants, income-based measures alone seem insufficient to assess migrants' well-being in the destination country. This follows from a growing economic literature that evaluates personal well-being in a broader context, including criteria such as employment status, health, housing and social contacts, among others (Stiglitz et al., 2009; OECD 2013).⁴ Some of these criteria, for example employment status and social contacts, play a prominent role for the well-being of migrants. Migrants are particularly exposed to irregular employment and their social interaction can often be characterized by discrimination and harassment.

Many studies on migrants' well-being concentrate on a destination—home country comparison. The bulk of research discovers that migrants materialize income gains through their move and send remarkable amounts of remittances home (Clemens et al., 2008; Nikolova and Graham 2015).⁵ Further research evaluates the well-being of migrants in comparison to that of natives, finding considerable lower household incomes for migrants than for locals in European Union and OECD countries (OECD/European Union 2015).

In our paper, we attempt to compare predictors of migrants' well-being before, during and after the global financial crisis. Thus, we compare migrants within one destination country at different points in time. To identify crisis effects, we define influencing factors of migrants' well-being that are sensitive to the economic goals and vulnerabilities of this group. Economic predictors of well-being are assessed by migrants' (net) wages and the duration of stay (jointly determining the overall income gain). Lower wages and earlier returns in times of crisis should signal decreasing economic benefits from moving abroad. Deteriorating labor market conditions may also make it harder for migrants to keep or find work and, hence, might push them into illegal work relationships, often not only implying lower wages but also social exclusion and deprivation. Explanations for why migrants end up in illegal employment directly follow from segmented labor market theory (Reich et al., 1973; Piore 1979): Migrants are forced to accept jobs that are typically low paid, precarious and often without written work contracts because they have poor outside options (Massey 2015). In times of crisis, xenophobic tendencies and harassment of immigrants may develop or rise in the native population as labor market

³ While economic factors affecting well-being are related to income generation, social factors are linked to social interaction and social inclusion in society.

⁴ A large strand of research additionally focusses on the evaluation of subjective well-being, typically referring to people's self-reported assessment of living conditions (Diener et al. 1999; Easterlin 2001; Kahnemann and Deaton 2010). Our study partially considers this aspect by taking into account individual experiences of harassment. Since we have no measures of self-reported well-being in the destination country, we cannot expand our analysis to the aggregated assessment of quality-of-life.

⁵ The empirical findings are mixed with respect to subjective well-being (Simpson 2014). While internal migration is associated with unhappiness in many countries of the world, migrants from transition and post-transition countries to advanced economies experience an improvement in life satisfaction and higher perceptions of freedom (Nikolova and Graham 2015).

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