

LABOR MARKET PERFORMANCE OF LATIN AMERICAN AND CARIBBEAN IMMIGRANTS IN SPAIN

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This paper analyzes the wage differentials in Spain between local and foreign employees from Latin America and the Caribbean. It also explores the earnings gap between Latin American employees and other groups of foreign workers from both developing and developed countries. The study is based on the *Wage Structure Survey 2006*, which is the first nationally representative sample of both foreign and Spanish employees. Using the Machado-Mata econometric procedure, earnings differentials across the whole wage distribution are decomposed into a component related to observable characteristics and another associated to different returns to such endowments. First, we find that, in absolute terms, the earnings differential between Latin American and Caribbean immigrants and natives that is not explained by observable characteristics increases across the wage distribution. While the large gap at the top might be mainly explained by problems of transferability of skills among immigrants, the low differential at the bottom is likely to be related to the compressive effect exerted by labor market institutions such as the minimum wage and collective agreements. A quite similar pattern is observed when they are compared with developed countries' workers. Secondly, there does not seem to be a significant wage gap between Latin American and the rest of foreign employees from developing countries, possibly because immigrants are largely employed in low-skill jobs where Spanish proficiency is not an essential asset.

JEL classification codes: J71, F22

Key words: immigration, wage differentials, Latin America, Spain, quantile regression

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I. Introduction

Migration flows between America and Spain since the 16th century clearly illustrate how paradoxical history might be. When some Latin American and Caribbean countries were hosting thousands of Spaniards at the beginning and in the middle of the last century -among them, some of the most renowned Spanish intellectuals in history-, few people could even imagine that the situation would be exactly the opposite at the beginning of the 21st century, with almost 2 million Latin American and Caribbean people (more than one third of Spain's foreign population) migrated to Spain in search of better economic opportunities.¹ In many cases, these migrants were descendents of Spanish exiles or economic migrants to America in the 20th century.

The aim of this paper is to assess how these Latin American and Caribbean immigrants fare in the Spanish labor market compared to both native-born employees and other foreign workers, particularly in terms of earnings. This topic is important for several reasons. First of all, labor market performance of Latin American and Caribbean immigrants has not received much attention outside the United States. Second, apart from the existence of a common language and shared cultural values, the interest of the Spanish case derives not only from the impressive increase in immigration flows experienced by the country during the last decade, but also from the Spaniards' surprisingly negative attitudes towards immigrants according to opinion polls. For example, in 2006, in a period of economic boom, Spaniards considered immigration as the most important problem faced by the country, well above unemployment and housing (CIS 2006).² In addition, most studies on earnings differentials between immigrants and locals are focused on Anglo-Saxon and Nordic countries, as well as Central Europe and Benelux, which have been the main host countries in the OECD until recently.

¹ In 1950 the GDP per capita of Argentina and Uruguay was twice that of Spain, while the Venezuelan per person income was three times higher than the Spanish one (Maddison 2001).

² It is worth mentioning that according to sociological surveys (CIS 2003), Spaniards tend to exhibit several prejudices against Latin American migrants. For example, 45% of Spaniards interviewed in 2003 by the Spanish Center of Sociological Research, when asked about what characteristics best define Latin American and Caribbean People, answered that Latin Americans were authoritarian (rather than democratic); 26% of surveyed locals described them as lazy (rather than industrious) and 57%, as conservative people (rather than progressive). In addition, according to the Eurobarometer 71.2, an opinion survey carried out by the European Union authorities, 66% of Spaniards thought that discrimination on grounds of ethnic origin (which in Spain is almost a synonym of immigration from developing countries) is fairly widespread or very widespread in the country in 2009 (European Commission 2009).

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