

Ródenas, Carmen; Martí, Monica; Kostova, Mirostava

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Economic crisis and international migration: The case of Spain

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Economic crisis and international migration: the case of Spain

Carmen Ródenas, Mónica Martí and Miroslava Kostova

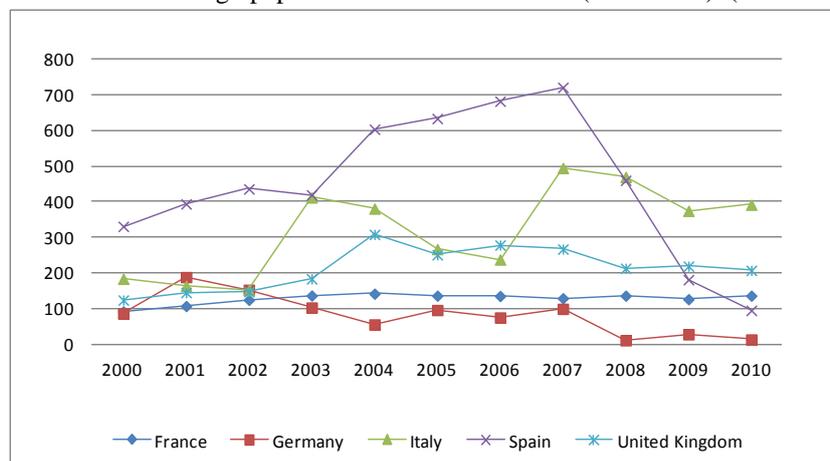
University of Alicante

Introduction

The downturn phase of the global economic cycle has generated a new pattern in international mobility. The crisis is severely affecting five European countries -Greece, Ireland, Portugal, Italy and Spain- which, according to the OECD (2012), from a migratory point of view share two common characteristics: after the Second World War they became major migrant-sending countries and recently they have become host countries of immigrants. In fact, between 2000 and 2007 two of them, Spain and Ireland, have experienced the strongest increases in the percentage of their populations corresponding to immigrants with a rise of more than eight points, compared to an average of two points for the OECD countries as a whole.

Furthermore, during this period Spain received the most foreigners with an annual net average inflow of 528,000, according to the OECD. This is vastly different to Germany with an annual average of 107,000 net entries, the United Kingdom with 217,000 or France with 125,000. Not even the 286,000 net inflows of Italy come close to the Spanish figure and, of course they are much higher than the 47,000 corresponding to Ireland or Portugal. Even taking into account the divergences in the type of data¹, it is evident that no other country matches Spain in terms of the volume of new arrivals during this period (see [Figure 1](#)).

Figure 1: Net inflows of foreign population. Selected countries (2000-2010) (Thousands of people)



Source: OECD (*International Migration Database*).

With respect to these intense inflow rates, both Spain and Italy have had to contend with an additional problem: the continual accumulation of large groups of irregular immigrants -based on the existence of informal migratory networks and on the relatively *liberal* immigration policy [Aja, Arango and Alonso (2008)]- which the different

¹ See details in OECD (*International Migration Database*) or Kupiszewska *et. al.* (2010).

governments have repeatedly addressed with the same solution: large-scale regularisation programmes². In the case of Spain, once immigrants obtain a legal residence permit, it is easy for them to obtain Spanish nationality, as Spanish legislation provides that after two years of regular residence in the country, nationals of Latin American countries may apply for Spanish nationality. This explains why in 2010 Spain granted nationality to more foreigners (124,000) than Germany (102,000), when ten years earlier, in 2000, Germany, with a significantly larger population, granted citizenship to approximately 190,000 foreign nationals and Spain hardly reached 6% of this figure. It also explains why Spain granted nationality to so many more foreigners than the 40,000 granted by Italy in the same year.

This intense wave of immigration in Spain was driven by a significant growth in GDP and the subsequent demand for labour. During the years of expansion, the increase in the need for workers was a consequence of the development of low value added economic sectors (construction, hotel and catering or domestic services) which required an unqualified workforce. These sectors are specifically related to an easy extension of the shadow economy which had already been expanding traditionally in the country. At the end of the growth period, in 2008, and according to the estimates of Schneider (2011), the informal economy represented 18.7% of Spain's GDP, as opposed to the United Kingdom (10.1%), France (11.1%) or Germany (14.2%). Only Italy exceeded Spain with a shadow economy accounting for 21.4% of GDP. These figures reveal that the development of the shadow economy must have been another factor that attracted immigration in the case of Italy and Spain, the two countries which received the largest number of immigrants during the last growth period.

These specific circumstances (a country with strong recent immigration manifesting propensity of expansion of its shadow economy) make Spain a particularly special case study. Even more so considering the existence of official statistical sources compiled by the Spanish National Statistics Institute (*Instituto Nacional de Estadística*, INE), such as the *Municipal Population Register* (MPR) which, contrary to other European countries, includes the inscription of all foreign nationals (regular and irregular) and therefore enables us to construct a reasonably accurate picture of the immigration situation. Therefore, the study analyses the impact of the economic crisis on the migratory movements in Spain, outlining the changes that have occurred. It is a preliminary descriptive approach as it is not possible to employ more sophisticated techniques due to the types of statistical sources used and the short period of time for which statistics are available. The article is structured in the following way. The first section discusses the selection of the variable (nationality or place of birth) which best represents the stock of immigrants. After defining the concept of foreign immigrants, their

² Between 2000 and 2005, there have been three regularisation programmes in Spain in which more than a million immigrants obtained the authorisation to reside or work. In Italy, three such processes were carried out over 1998-2006, whereby around 1.2 million immigrants obtained authorisation [see Brick (2011)].

evolution since 2000 is examined. The socio-demographic footprint that immigrants continue to leave in Spain is addressed in the second section. This includes an analysis of the information of the residency status of foreigners, enrolment in schools, granting of citizenship and finally, the evolution of fund remittances abroad.

The growth of the immigrant stock has slowed down since 2008, but there are still strong international inflows and outflows. Therefore, the third section focuses on international immigration and emigration, based on a study of the *Residence Variation Statistics (Estadística de Variaciones Residenciales, EVR)* compiled from the information regarding changes of residence registered in the MPR. The fourth section relates the behaviour of the stocks and the inflows of foreign-born immigrants in order to analyse relative shares, rates and intensities by country. And, finally, the last section analyses the extent to which the shadow economy may be holding back the mass outflow of immigrants and how much their presence may be contributing to the deterioration of monetary poverty rates. To end, the study closes with the main conclusions and bibliographical references and statistics used.

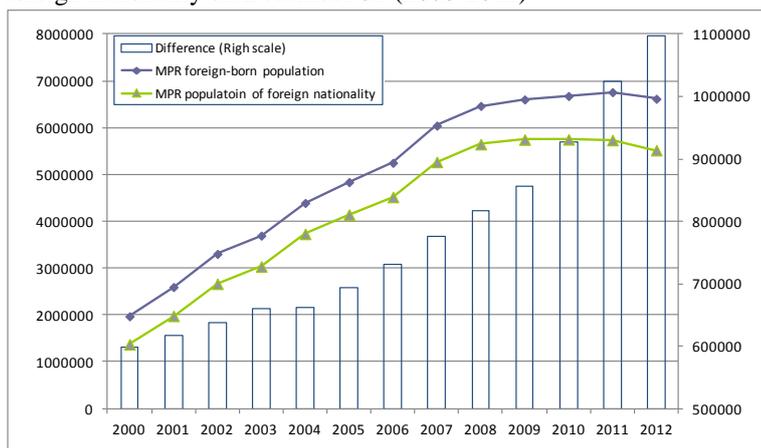
1. The stock of immigrants from abroad

1.1. Foreigners or foreign-born?

The choice of the representative variable of the stock of foreign immigrants is not a trivial decision. Although the wave of immigration is very recent, today Spain grants more citizenships than other countries with a long immigration history. Therefore, although it may seem that there is only an insignificant difference between analysing the phenomenon through the volume of *population of foreign nationality or foreigners* and through the number of *foreign-born citizens*, in reality there may be a considerable gap. [Figure 2](#) shows the stock of immigrants in Spain measured in terms of foreign-born citizens and, alternatively, in terms of the number of foreigners. We can see that at the end 2012 the difference between measuring in one way or another is well over one million people.

This difference highlights the relevance of choosing a correct definition for international migration. To do this, we must consider that if the stock of the immigrant population is estimated through the nationality variable, the result will not include those foreigners who have obtained Spanish nationality over time (type II error or false negative due to counting as a non-immigrant someone who is an immigrant) and, on the contrary, it will include those foreigners born in Spain who are not immigrants in the strict sense of the word (type I error, or false positive due to counting as an immigrant someone who is not). However, if the criterion is the place of birth, the final figure will take into account both foreigners born outside of Spain and those who have become Spanish citizens, but it will also incorporate Spanish nationals born outside Spain (type I error) and will not include foreigners born in Spain who at one point emigrated abroad and later returned to Spain (type II error).

Figure 2: Stock of foreign-born population and stock of population of foreign nationality on December 31 (2000-2012)



Source: INE (MPR).

Evidently, the definition of immigration which minimises the sum of type I and type II errors should be used. The amount of these errors will depend on the characteristics of migration in each country and the stage of *maturity* at which this phenomenon is found. It would not be indifferent, for example, if there has been a high previous incidence of natives' emigration to abroad or otherwise, if a long period of time has elapsed since the arrival of the immigrants or if there is a high or low possibility of obtaining citizenship in the host country.

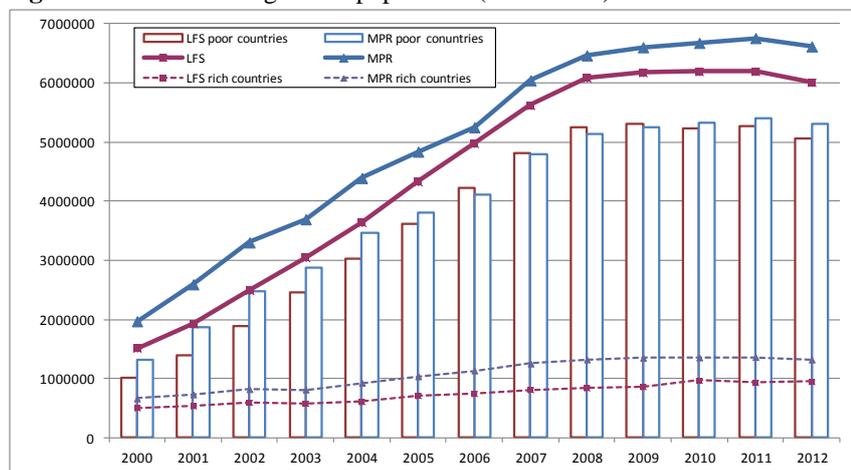
In the case of Spain, 436,066 foreigners were born in Spain (0.92% of the population) according to data of the MPR corresponding to 1/1/2012; and foreign-born people who obtained Spanish nationality between 2004 and 2011 amount to 658,755. Although there are no official data published regarding the volume of citizens who are Spanish by birth and the number who have subsequently acquired nationality (residence, marriage, etc.), we do have some information thanks to the *National Immigrant Survey* for 2007. According to this source, of the 1,002,923 foreign-born immigrants who declared that they had Spanish nationality, only 33.5%, that is 335,979 people were Spanish by birth. In all other cases Spanish nationality had been acquired. Finally, the return to Spain from abroad by foreign immigrants born in Spain between 2000 and 2011 is estimated at a maximum of 21,574 people, based on information drawn from the EVR. Therefore, given that the sum of foreigners born in Spain and those who have obtained Spanish nationality exceeds by far the number of Spanish citizens born abroad who now live in Spain added to the number of foreigners born in Spain and who have returned to Spain, it seems that the place of birth is a better variable to use than nationality wherever possible. This criterion also has the advantage of being stable, as the place of birth is a characteristic that does not change over time, on the contrary to what may happen with nationality.

1.2. Evolution of foreign-born immigrants

Now that the concept of foreign immigration has been chosen, we will examine its recent evolution. As we can see in [figure 3](#), the stock of foreign-born residents in Spain has grown

from two million in 2000 to almost seven million in 2012. The data drawn from both the MPR and the *Spanish Labour Force Survey* (LFS) show similar trends, although the LFS estimates a slightly lower stock. Both sources reveal that the crisis that has begun in 2008 has not had an intense and immediate effect because there has not been a dramatic fall in the number of immigrants.

Figure 3: Stock of foreign-born population (2000-2012)



Source: INE (MPR and LFS-4Q).

Given that this study is concerned with analysing the effects of the economic crisis on migration, in the figure the immigrants have been differentiated by large LFS geo-economic areas of origin. Therefore, it can be seen that those immigrants who are attracted mainly by work reasons are those born in Africa, Central America and South America, Asia and European countries that are not in the EU-15. In general, these immigrants are born in developing, low income or *poor* countries. The remaining immigrants were born in the EU-15, North America and Oceania, in general, *rich* or highly developed and high income countries. The figure shows that although they are qualitatively very different, neither of these two groups of immigrants has shown any differentiated behaviour with the onset of the economic crisis. First, the gradual rising trend of stock originating in *rich* countries has hardly altered with the recession. And second, there has been no sudden drop in the number of immigrants born in *poor* countries. The growth of this group stabilised in 2008 and remained almost constant³ until the end of 2012.

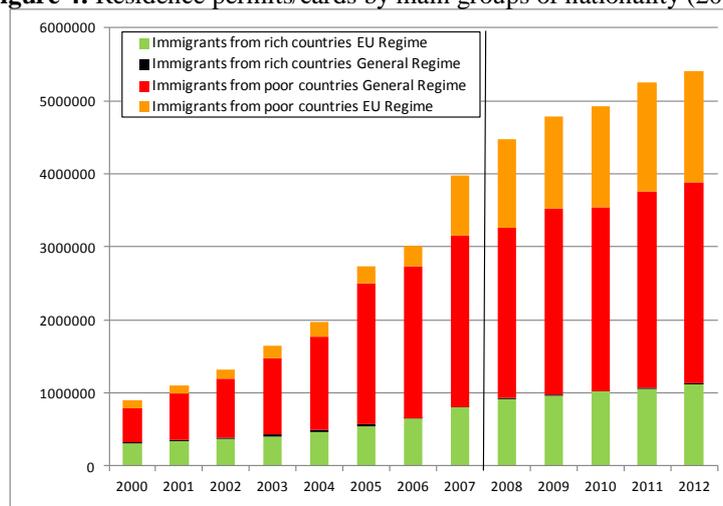
³ Given the problems of underestimation of immigration by the LFS – see Ródenas and Martí (1997) and Martí and Ródenas (2004, 2007)-, it is surprising that for the period 2006-2009 the estimate for the stock of immigrants from poor countries is higher than that estimated by the MPR. When this figure is broken down by continent, it can be seen that the difference comes almost entirely of immigrants born in South America. This is a distortion and may be due to a combination of two factors. Firstly, since 2005 the weighting process of the LFS incorporates the Spanish-foreigner distinction to mitigate the lack of response among foreigners. From that moment, each foreigner interviewed in the LFS “weighs” more than they did before. Secondly, it may be easier to find immigrants from South America in the LFS because Spanish is their mother tongue. Consequently, if the LFS finds Latin American immigrants more easily and the foreigners interviewed are given a greater weight, it is not surprising that some areas of origin are slightly overestimated. As we shall see later, the *Latin bias* has other additional consequences.

As the graph shows, the population born in low income countries fell for the first time in 2012, although the inter-annual fall was only 1.81%. Comparing the immigrants from large areas of origin, between 2010 and 2011, only those born in South American, reduced slightly, by approximately 25,000 people per year. At the end of 2012, this reduction had become more pronounced and had moderately spread to groups from other geographical areas. More specifically, in 2012 the figure rose to a little more than 64,000 immigrants from South America (mainly born in Ecuador, Argentina and Bolivia) and, for the first time, the number of European-born immigrants dropped (33,000 Romanians and 8,000 Bulgarians). Although the figures corresponding to African immigrants are also negative the reduction accounted for approximately 10,000 people.

2. The socio-demographic footprint revealing the presence of immigrants in Spain

This first (and unexpected) impression fits well with the socio-demographic footprints that foreign immigrants have made in Spain. First, the evolution in the number of residence permits or cards ([figure 4](#)) shows that the crisis has not generated a mass outflow of foreigners, at least among those with legal residence status.

Figure 4: Residence permits/cards by main groups of nationality (2000-2012)



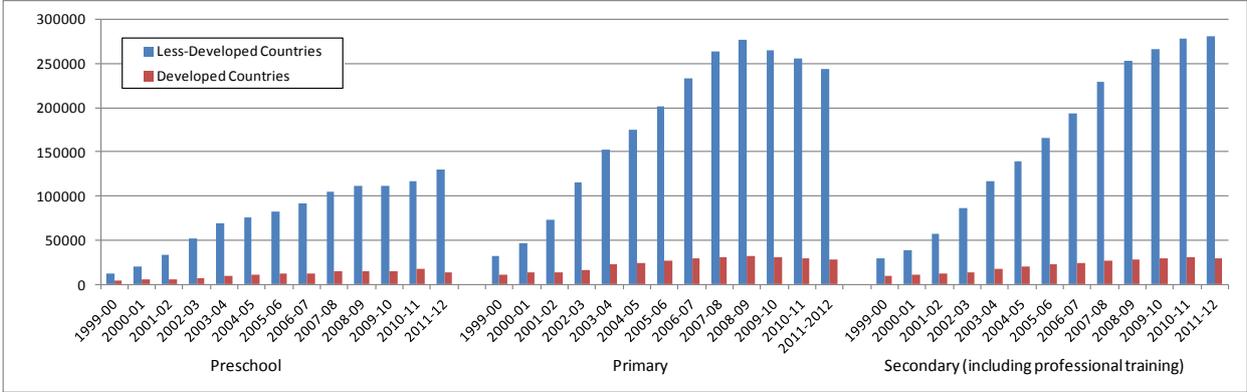
Source: MESS (*Foreign Residents Statistics Yearbook*).

Furthermore, while since 2008 the number of foreigners from rich countries legally residing in Spain has remained stable, those from poor countries both in terms of the General Regime of residence and the EU Regime have continued to grow. Between 2008 and 2012 of the almost million and a half new permits/cards issued to foreigners, 21% corresponded to Romanian citizens, 15.4% to Moroccans and a further 18.5% to nationals from Bolivia, Bulgaria, China, Pakistan and Paraguay.

The evolution of foreign student enrolment in the different levels of education does not contradict the conclusions drawn: it appears that the immigrants have not left the country. Whereas in the academic year 1999-00 immigrants represented 1.5% of the total number of students enrolled, in 2007-08 this group of students represented almost 10% of the total

(703,497 people). The number of foreign students has not dropped lower than 10%, even in 2011-2012 when there were 781,446 foreign students enrolled. Therefore, there has been no reduction in absolute or relative terms in the foreigners enrolled in non-university education, at least until 2011-2012, although since 2009-2010 the growth rates have slowed down.

Figure 5: Foreign pupils enrolled in Non-University Education (1999-2012)



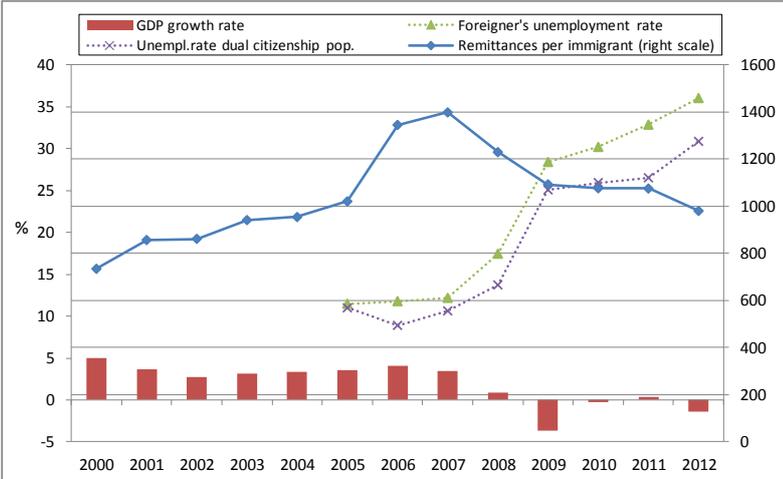
Source: Ministry of Education (*Education Statistics*).

Figure 5 shows the distribution of these students by large groups of nationalities and the main levels of education. We can see that the largest share of all of the three levels corresponds to students from low income countries. Over time, the graph shows that, although the growth in the enrolment of students from these countries in pre-school education has slowed down and has reduced in the case of primary education, it continues to increase at the higher educational levels, that is, in secondary education (compulsory secondary education (ESO) and professional training (FP)). However, this pattern is not homogeneous for students from all low income countries. When the groups are broken down by continent of origin, the number of students from Latin America in pre-school education started to fall from 2004 and three years later, in 2007, this reduction was transferred to the primary level and subsequently in 2011-2012 to the secondary education level. This reduction is not observed in the case of students from European countries that do not form part of the EU-15 (mainly Romanians and Bulgarians), nor among Africans (principally Moroccans), who continue to contribute to increase of foreigners enrolled in Spanish pre-school and primary schools.

It is true that the total remittances that emigrants sent back to their native countries grew until 2007 and then fell in 2008, 2009 and 2012. These reductions at the beginning of the recession and again in 2012 can be associated with the spectacular increase in unemployment among foreign immigrants and among those with dual nationality in the three years mentioned. These increases in specific unemployment rates are shown in figure 6 and were generated by the strong contraction of GDP, precisely in 2008, 2009 and 2012. In the figure we can see that if we estimate the volume of remittances per immigrant by applying the ratio between the total remittances sent to the countries of origin and the number of foreign born residents, the immigrants have sent an average of €1,100 during the last three years, a figure

that is higher than in 2005. However, the relapse of 2012 represents a new decrease whereby each resident will have sent less than 1,000€ abroad.

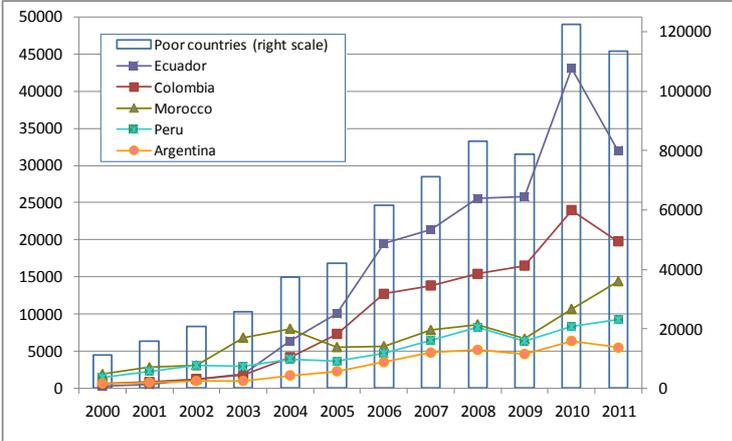
Figure 6: Remittances per immigrant, non-nationals unemployment rate and GDP growth (2000-2012)



Source: Bank of Spain (*Spanish Balance of Payments and International Investment Position*) and INE (MPR, LFS and Spanish National Accounts).

The last footprint refers to the naturalisation of foreigners. A total of 694,503 foreigners were granted Spanish citizenship between 2000 and 2011. This represents around 12.1% of foreigners residing in Spain at the end of 2011, according to the MPR. The majority of the naturalisations (98.5%) were granted to immigrants from low income countries or who emigrated for labour reasons. In this group the five countries shown in [figure 7](#) are particularly prominent, together accounting for 70% of naturalisations.

Figure 7: Immigrants granted Spanish citizenship. Selected countries (2000-2011)



Source: MESS (*Foreign Residents Statistics Yearbook*).

The evolution of this variable is not only the result of the applications for Spanish citizenship by immigrants, but also of the changes in the requirements stipulated by the law over time. For the time period in this study, Spanish nationality could be acquired in several ways. The majority of immigrants apply for citizenship after residing in Spain for ten years, although in the case of nationals of Latin American countries, Andorra, the Philippines, Equatorial New Guinea, Portugal and also the Sephardim, a period of residence of only two years is required. Refugees may apply for citizenship after five years and those born in

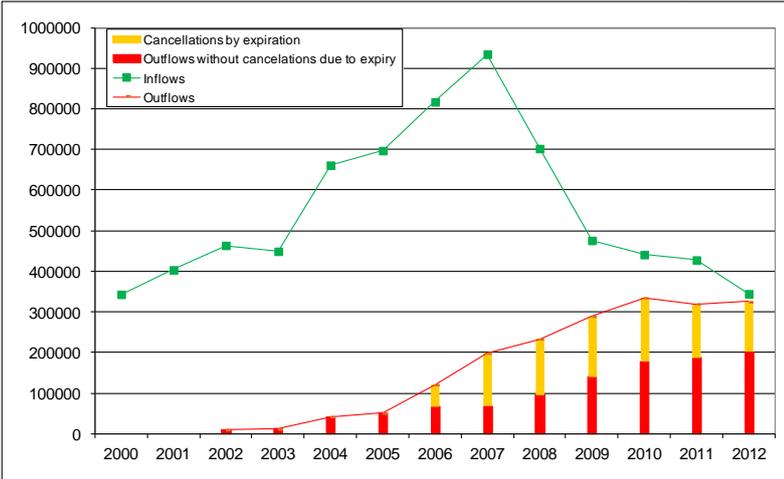
Spanish territory may apply after one year. Another possibility is the Law of Historical Memory⁴ introduced in 2007, which grants Spanish citizenship to those whose mother or father was Spanish and the grandchildren of those who lost or had to renounce their Spanish nationality when they went into exile.

These changes in legislation and the different periods of residency required cause problems when analysing naturalised citizens over time. Furthermore, the administrative delays which are generated in the processing and resolution of applications make it even more difficult to evaluate the arrivals and length of residency of immigrants. However, as the graph shows, the trend in the number of naturalisations continued to increase until 2010 and only fell slightly in 2011. This decrease is almost entirely due to the fall in the number of naturalisations of citizens from Ecuador and to a lesser extent those from Colombia and Argentina. Taking into account the delays in the processing of citizenship, the two former countries reached a maximum peak in terms of emigration to Spain in 2000, 2001 and 2002, and that the Law of Historical Memory was only applicable until December 2011, which is highly relevant for Argentine citizens, it is possible that the reduction in their naturalisations is due to a decrease in their applications as there were less and less aspirants.

3. Migration flows to and from abroad

The attenuated growth of the stock of immigrants since 2008 hides strong international flows. In figure 8, we can see that the flows of immigration fall abruptly as a consequence of the crisis in 2008 and 2009 and in 2010 this decline stopped and the inflows in 2012 returned to the same level as 2000 with more than 300,000 arrivals per year.

Figure 8: International inflows and outflows of foreign-born population (2000-2012)



Source: INE (EVR).

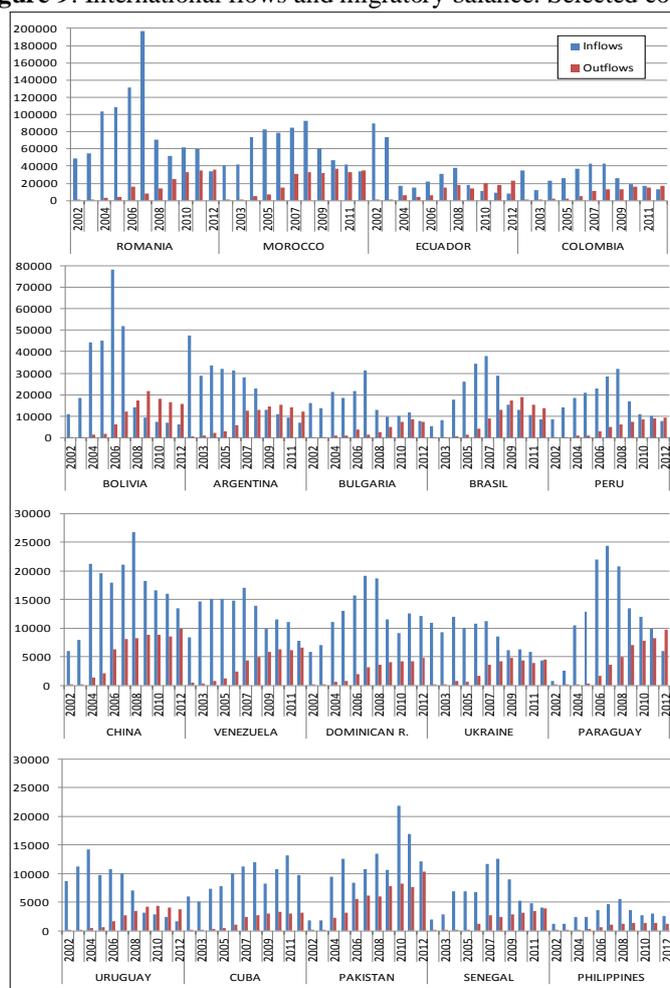
With respect to emigration, the outflows increase from 2002, the first year for which data is available. Naturally, the presence of outflows must be associated with the large volumes of inflows, but the increasing trend since before the beginning of the crisis, is largely

⁴ Law 52/2007, of 26 December.

explained by the inclusion in the EVR of cancellations due to expiry (in Spanish, *bajas por caducidad*, BC)⁵ from 2006. This type of cancellations, which corresponds to supposed outflows occurring before the year in which they are reported, make the analysis of the effects of the economic crisis on emigration more difficult, as there may be a time lag of two years (or more in the cases of the first BCs in 2006). Therefore, in [figure 8](#) a distinction is made between the two types of outflows after 2006. We can see that the outflows that do not correspond to BC grew slightly between 2008 and 2010 after which they stabilised. Until now the migratory balance among foreign-born residents still remains positive and its reduction seems to be due to a significant increase in emigration rather than a decline in immigration flows. However, the real impact of the crisis on emigration cannot be estimated yet as all of the BCs during 2011 and 2012 which will be reflected in the EVRs of 2013 and 2014 are not known.

According to the EVR, in terms of place of birth, around 85% of flows correspond to immigrants from less developed countries, principally those included in [figure 9](#).

Figure 9: International flows and migratory balance. Selected countries (2005-2012)



Source: INE (EVR).

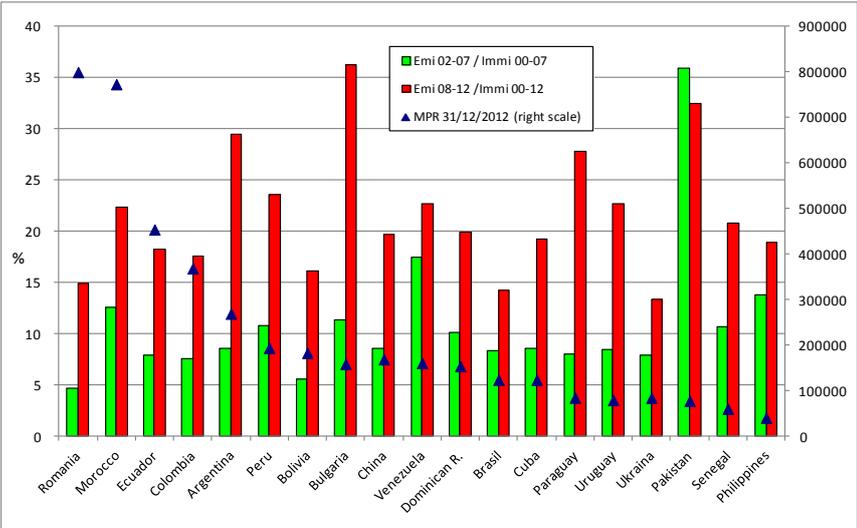
⁵ As a consequence of Organic Law14/2003 on Foreign Nationals, which establishes that non-EC citizens without a permanent permit are obliged to renew their MPR registration every *two years*. If this renewal is not carried out, the local governments declare the expiry of the registration.

We can observe in the graph that not all of these countries behave in the same way. Before the recession, there was a slowdown in the inflows from South America, but the immigrants from Africa and Asia continued to increase until 2008. It can also be seen that from 2007 the positive balances are not so large and they are only negative in 2008 for the first time and only with respect to Bolivia. From 2009 this negative balance is also present for immigrants from Brazil, Argentina and Uruguay, and in 2010 Ecuador. It is important to point out that in 2012, when the negative migratory balances spread to other countries, in the case of Ecuador, net outflows peaked at 14,000 while other origins, like Romania and Morocco which represent 24% of foreign immigrants arriving between 2000 and 2012 did not exceed more than 2,200 and 400 net emigrants respectively. Furthermore, we can highlight three new countries of origin with positive migratory balances; Pakistan, Cuba and China. Between 2007 and 2012 the proportion of immigrants from these countries grew from 4.6% to 10.2% of total immigrants.

4. Those who stay and those who leave: *remigration of foreign born nationals*

So far we have analysed on the one hand the behaviour of the stocks and on the other hand the flows of foreign-born citizens. By linking these two variables we can gain a better picture of the evolution of international migrations in relative terms with the onset of the crisis. Figure 10 shows the stocks of foreign-born citizens by main countries of birth and the ratios of emigration flows in relation to immigrations before the onset of the economic recession and after it. Specifically, we can see the weight of outflows between 2002 and 2007 in relation to the inflows between 2000 and 2007 and on the other hand the weight of emigrants between 2008 and 2012 in relation to total inflows since the year 2000.

Figure 10: Stock of immigrants and relative migration (2000–2012)



Source: INE (MPR and EVR).

The countries of birth selected represent 66% of the total of foreign-born citizens and 82% of immigrants born in underdeveloped or developing countries, according to the MPR at

the end of 2012. On average, the graph shows that before the recession, the volume of outflows represented around 10% of the inflows, except for two countries: Pakistan which tripled this figure at 36% and Venezuela with almost double at 17.5%. It is true that the recession increased this percentage between 2008 and 2012 to between 15 and 25% of the total inflows from the year 2000, although for immigrants from Bulgaria this figure rose to 36.3%, from Pakistan 32.5% and from Argentina, 29.4%. However, the countries with the highest stocks (Romania and Morocco, although also Ecuador and Colombia), in both periods have a relatively low weight in the emigration figures. The increase of the ratio in the second period is relatively smaller than that of other countries with a lower number of residents in Spain. This could be because these immigrant groups are more socially adapted and settled and show a higher preference to remain in Spain.

5. The immigrants who remain in Spain. How do they survive?

If until 2012 there has not been a mass exodus of immigrants from Spain, this raises the question of why they remain in the country, taking into account that their employment situation, according to the LFS, is increasingly worse: in the first quarter of 2007, unemployment among foreigners represented 12.6% of the non-national active population and by the last quarter of 2012 this figure had tripled to 36.5%. In this context of increasing unemployment and relatively contained emigration flows, it is reasonable to think that to some degree or other immigrants could be recurring to sources of resources other than those generated by legal employment. For example, the shadow economy⁶, the social benefit system and financial help from families and friends.

Now we will attempt to measure the importance or the weight of each of these three possibilities. The hypothesis on which we will base this measurement is that if no significant increase is observed in the shadow economy and given the progressive expiry of the period in which social benefits may be received and that of private loans among families, the footprint that the immigrants leave in Spain will be manifested in a widespread situation of deprivation among this group with a differential increase in their poverty rates.

5.1. Working in the shadow economy

We will start with the first possibility: the increase in activities in the shadow economy, which has been a typical response of the Spanish economy to other recessions⁷. This time it is highly possible that the growth of the shadow economy has arisen not among recently arrived foreigners (who are declining in numbers) but among those immigrants who were granted a residence and work permit, but subsequently lost it because they became unemployed and

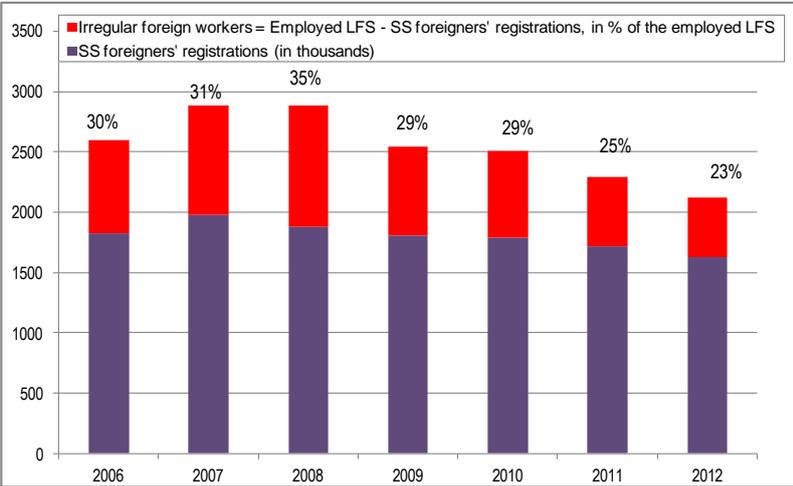
⁶ That is, the sector of the economy which is not controlled or administratively inserted into the official statistics; also known as *irregular*, *hidden* or *informal* economy. The main reason behind it is to evade taxes and Social Security payments. It does not include illegal activities (trafficking of banned substances, contraband...).

⁷ According to Schneider (2011) this represented 19.2% of Spain's GDP at the end of 2011.

were unable to renew it (*inevitable* irregularity). In order to assess to what extent foreign immigrants remain in Spain because they are able to recur to the shadow economy, we must estimate how many of them may be developing these types of activities.

Traditionally, this phenomenon has been approached -see Pajares (2010)- by calculating the difference between the population which declares that they are working in the LFS and the number of people registered as being employed with Social Security (SS). However, two things must be taken into account in this difference. First, the specific methodologies of each source⁸ and second, only part of the irregularity would be considered, that which exists among people who are employed. The other part of the shadow economy will not be taken into account. This may be developed by people who are registered as unemployed or inactive by the LFS when in actual fact they are working, but with the statistical information available this is impossible to measure.

Figure 11: Difference between employed foreigners LFS-4Q and SS registrations on December 31



Source: INE (LFS), MESS (*Statistics of Social Security System*).

Figure 11 compares the number of employed foreigners according to the LFS with the number of SS registered foreigners in the period 2006-2012. Taking into account that the differences in the concepts and methodologies between the two sources could distort the volume of those employed in the shadow economy⁹, the graph shows that the onset of the

⁸ Whereas the LFS is a sampling survey in which anyone over the age of 16 who worked for a wage for at least one hour during the week of reference is considered as employed, the series of SS registrations is drawn from the file of affiliations of workers to the different SS regimes. Affiliation is compulsory for everyone included in the scope of application of the SS. The series provides information relating to foreigners who are registered as being employed or who have a temporary disability, those who are subject of suspension as a result of an employment regulation or who are partially unemployed. It does not include affiliates those who are registered exclusively for the purpose of receiving healthcare, those who are completely unemployed or other groups (students, etc). In the methodology of this source the same person is counted as many times as his/her situations of contributions, either because he/she develops several activities within the same regime or in several - see INE (*on line*)-; therefore, rather than counting the number of workers it counts the number of jobs. If there were no shadow economy, simply due to the above reason, the SS registrations should be at the same level or above the number of workers estimated by the LFS.

⁹ Although it seems that not too much. In fact this problem is highlighted in the INE (2011), in De Domingo (2011) and in Carrasco and García Serrano (2012) and the data of the SS is offered, adjusted to the concepts and time references measured in the LFS, basically, the *adjusted affiliation* will include affiliated physical people

crisis has caused a reduction in employment both in the formal economy (SS registrations) and the shadow economy (difference between SS registrations and LFS), although the latter at a higher rate. The graph shows that until 2008 there was an increasing trend in the difference between working foreigners and those registered with SS which reached 35% of workers, while since 2009 this figure has been falling, with the percentage of those working without a contract in 2012 standing at 23% of working foreigners. Although this percentage has gradually fallen, it is still a considerable amount, especially compared with the estimated weight of irregular employment among natives which also peaked in 2008 but by only 2% and which places the affiliates in 2012 above the number of workers reported by the LFS, contrary to the situation of foreigners. The fact that almost one quarter (23%) of the work carried out by foreigners is irregular is sufficient to justify why some immigrants remain in Spain. However, it is surprising that the graph does not show that the shadow economy is growing with the crisis, which is what has happened in the past with other recessions. Although it is possible that such a severe recession could have a negative impact on the informal economy, and that some degree of remigration to the country of origin of irregular foreigners has also influenced the reduction, maybe its decrease is due to other reasons.

To start, we cannot ignore that this decreasing trend could be influenced by the increase in the granting of Spanish nationality, as it makes foreigners *disappear* from both statistical sources. Specifically, this would have enabled the LFS to correct a bias in the estimation of the characteristics of the foreigners due to the over-sizing of the weight of the Latin American nationals group. The *Latin bias* came about because in the LFS foreigners are not weighted in accordance with their nationality. Taking into account that citizens of Spanish-speaking countries are those who are most easily found and interviewed, it was highly possible that the results of the LFS for all foreigners were biased by what was happening with this group and what it was saying. If part of this group of immigrants disappeared (due to emigration or naturalisation), then the current characteristics estimated by the LFS for all foreigners who reside in Spain would be closer to reality, as the bias caused by a large part of the interviewees being Latin American is diminished. If Spanish-speaking foreigners were working without contracts or permits more than other immigrants (which is true for domestic services), the percentage of irregular workers would have fallen since 2008, not because this type of employment has decreased but because the LFS captures less Latin Americans.

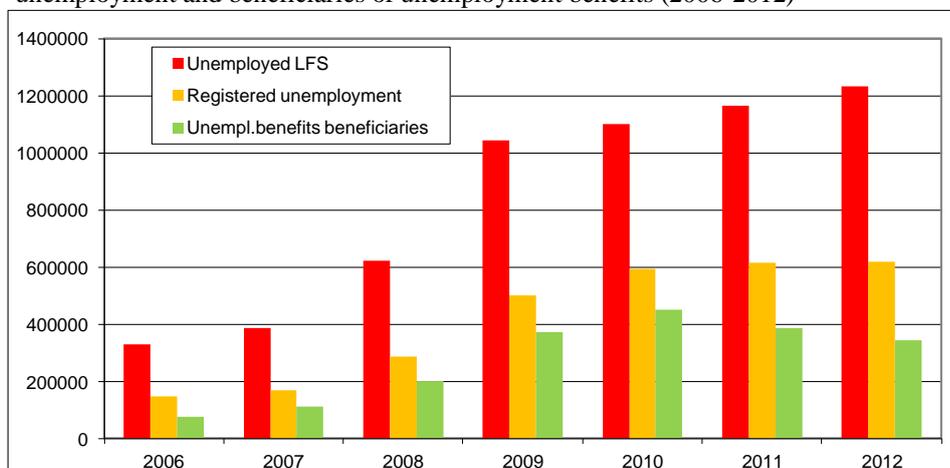
(not the number of registrations), civil servants signed up to mutual insurance schemes and it also takes into account domestic services of 20 hours or less (for which it is not compulsory to affiliate to the SS). Even with these adjustments the difference between workers according to the LFS and *adjusted affiliation* is still very high: the LFS counts an additional 728,600 foreigners. This figure is not too far from the 756,477 excess workers which we estimated here – without adjustment – for the end of 2009.

It may be the case, although we cannot prove it, that irregular employment is not growing among the employed population but among foreigners classified by the LFS as unemployed or inactive, as previously mentioned. Furthermore, there may be a number of foreign workers developing an activity in the shadow economy who continue to make their SS contributions so as not to lose their work and residence permits in Spain. In short, it is possible that the apparent paradox of not observing increases in the employment of foreigners in the shadow economy with the onset of the economic crisis can be explained by the aforementioned reasons and not by a reduction in the size of the shadow economy. Moreover, as the phenomenon is not directly observable, the data available regarding the shadow economy and irregular employment may not be very reliable and, as indicated by recent official statements, they are in fact rising¹⁰.

5.2. Unemployment benefits among foreigners

The second potential source of alternative income for immigrants is derived from state aid in the form of unemployment benefit from the Social Security System. Evidently, this possibility must be explored in the light of the number of beneficiaries and the total number of unemployed registered by the MESS and estimated by the LFS. Three series are presented in [figure 12](#).

Figure 12: Unemployed foreigners according to the LFS, MESS registered unemployment and beneficiaries of unemployment benefits (2006-2012)



Source: INE (LFS), MESS (*Statistics of Social Security System, Registered Unemployment and Statistics of Unemployment Benefits*).

¹⁰ The fact that in 2012 the number of Spanish affiliates was higher than the figure for employed nationals in the LFS can only be explained by the hypothesis that multiple job holding which gives rise to multiple registrations in the SS is more frequent among Spanish nationals and therefore, on the contrary to foreigners, their SS registrations are higher than the number of employed. If this were not the case, then the implausible conclusion would be drawn that there is no irregular employment among Spanish nationals, only foreigners, something that is difficult to believe taking into account the historically large shadow economy in Spain. Therefore, using a *reductio ad absurdum* argument we must acknowledge the possibility that the magnitude of irregular employment, both among foreigners and Spanish nationals, is larger than shown in the graph.

There are statements made by the Spanish Ministry of Finance (September 2012), by EUROSTAT (January 2013) or the chairman of the Trade Union of Technicians of the Ministry of Finance (March 2013) regarding the growth of these activities.

According to data drawn from the MESS since 2010, registered unemployment has not grown among foreigners, while unemployment estimated by the LFS has increased, which means that although there are an increasing number of unemployed, there are less and less who can register as job seekers. This is possibly because the extended periods of unemployment have led immigrants towards *inevitable* irregularity, which means that they cannot turn to the public employment services. This interpretation of the differences¹¹ between estimated and registered unemployment is confirmed when we observe (see graph) that the number of foreign recipients of unemployment benefit has dramatically fallen since 2010. In this year, the recipients represented 41% of the unemployed in the LFS. At the end of 2012, this percentage had dropped to 28%, while the percentage of unemployed Spanish nationals remained stable at 55.3%. Therefore, the graph shows that although a little over a quarter of unemployed foreign immigrants received some kind of benefit, for many of them the unemployment benefit ran out between 2011 and 2012¹².

5.3. The extension of poverty and precarious labour situations among foreigners

Based on what we have already addressed and with information drawn from the LFS and the SS, we can estimate that at the end of 2012, of the five million foreigners who live in Spain, approximately only 48.9% are receiving income either through work or through unemployment benefits. The remaining 51.1% (made up of minors, non-working people over the age of 16 and unemployed people who are not entitled to unemployment benefit) are currently not generating any income. In the case of Spanish citizens, this percentage is 57.5%, but we should take into account that this includes elderly people, more than five million of whom receive retirement pensions. If we exclude this group, the percentage of Spanish citizens who do not generate any income is 44% of the native population. This difference with foreigners of seven points may not seem too much, but we must remember that the real gap is much larger as for Spanish citizens, the accumulation of wealth (inherited or generated) throughout the life cycle represents an additional source of income.

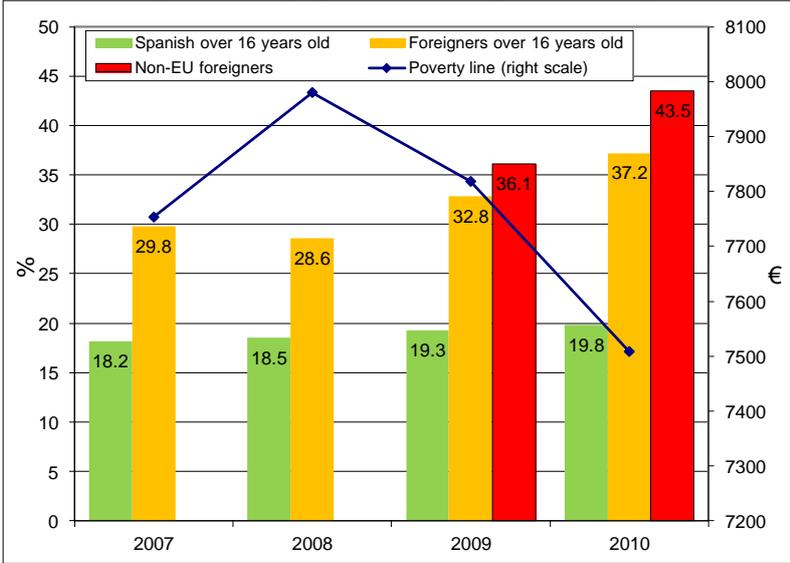
¹¹ We should also take into account that part of these differences may be due to methodological factors. Specifically, the estimation of unemployment by the LFS strictly follows the criteria defined by the ILO – over 16 years of age, without employment, available to work and seeking employment-, while registered unemployment of the MESS is based on the number of unemployed workers registered. Not all of the unemployed workers in the LFS are looking for work through the state job centres and therefore are not registered with them. Additionally, not all of the people registered as job seekers in a state job centre will be classified as being unemployed in the LFS, as they may not fulfil the requirements. Moreover, the MESS excludes –according to the legislation – job seekers who are expressly looking for a job with specific characteristics, those who are not immediately available to work and temporary agricultural workers receiving special unemployment benefits, among others.

¹² This should be a cause of serious reflection regarding whether until now the legislation regulating the reception of unemployment benefits could be acting as an important factor in the retention of immigrants (because emigrating could give rise to the temporary or definitive loss of the benefit), and from now we could expect a larger outflow (due to a general expiry of the right to receive benefits).

In any event, as we have seen, if the irregular employment of foreigners has not increased, and there is an ever-higher number of unemployed foreigners and less and less with a right to benefits, we can assume that immigrants occasionally receive help from their networks of family and friends in the form of transfers from those who still have work. However, this situation cannot be sustained for very long in the context of the economic crisis. Therefore, the result that we should expect after several years of recession is a differential increase in the precarious situations and poverty of foreign immigrants who continue to reside in Spain.

The *Household Budget Survey* (INE), shows that the average spending per person has fallen very sharply in the case of foreigners since the beginning of the crisis. Specifically, without differentiating between foreigners from *poor* and *rich* countries, and taking 2006 as a base year, the average spending per person among foreigners has progressively decreased with an accumulated reduction of 6.2 by the year 2011, while average spending per person of Spanish nationals has increased slightly by 2.8%. Evidently, this reduction must be even greater among immigrants from low income countries.

Figure 13: Poverty rate among Spanish and foreigners over 16 years old (2007-2010)



Source: INE (*Living Conditions Survey, LCS*).

Consistent with this reduction in spending, the rates of monetary poverty highlight (figure 13) how precariousness is growing, especially among non-nationals. For these people, the recession began in 2007, with a poverty rate of 29.8% -more than 11 points higher than that of Spanish nationals – and for the last year for which information is available, 2010, the risk of poverty stood at 37.2% of foreign immigrants. Among Spanish citizens, the poverty rate has only increased by one and a half points throughout the crisis, reaching 19.8% of the population in 2010 with a gap of 17 points between foreigners. If we measure the difference excluding immigrants who are EU nationals, the situation is even more alarming as the poverty rate in 2010 stood at 43.5% of foreign nationals. And this is despite the fact - as

illustrated in the graph - that the monetary poverty line for Spanish society has been falling since 2008.

The share of non-Spanish citizens of the population living below the poverty line has evolved as follows: in 2007 foreigners represented 8.9% of the population who earned less than 60% of the median income for Spain and in 2010 this percentage rose to 11.2%. With respect to severe poverty, that is that part of the population with an income of less than 40% of the median income, the initial weight of foreigners grew from 9.11% to 12.8%. And in terms of extreme poverty – with an income of less than 25% of the median – the share of foreigners has increased from 10.2% to 16.1%. All of these data show, as assumed, that immigrants suffered more material deprivation than the native population and indicate that they represent the most vulnerable group and the population segment most affected by the crisis.

6. Conclusions

The crisis started in Spain in 2008 is not having an intense and immediate impact on the number of immigrants although the strong growing trend of immigrant stock has slowed down. This first (and unexpected) impression fits well with the analysis of the socio-demographic footprints of foreign immigrants residing in Spain. There has been no dramatic and continual reduction in the number of foreigners who reside legally in Spain, those who are enrolled in non-university education and those who have obtained Spanish nationality. It is true, however, that in 2008, 2009 and 2012 the sending of remittances has fallen but it has now stabilised above 2005 levels.

More specifically, since 2008 the number of foreigners from *poor* countries has continued to increase. Between 2008 and 2012 of the almost million and a half new residence permits/cards granted to foreign immigrants, 21.9% corresponded to Romanians, 14.4% to Moroccans and the remaining 18.5% corresponds to nationals from Bolivia, Bulgaria, China, Pakistan and Paraguay. With respect to schooling, we can observe that the highest proportion correspond to students from low income countries in all of the three basic levels of education. However, when we break down this group, the number of students from Latin American countries (mainly Colombia and Ecuador) is starting to decrease although this is not the case for Romanians, Bulgarians or Moroccans.

The reduction in the sending of remittances in 2008, 2009 and 2012 can be linked to the spectacular peaks in the rise in unemployment among immigrants. If we estimate the volume transferred by each immigrant by calculating the ratio between the total remittances sent to countries of origin and the number of foreign-born residents, on average, immigrants will have sent remittances between 2009 and 2011 worth around €1,100 per year, although the fall

in 2012 represents a decrease whereby each resident will have sent slightly less than €1,000 abroad.

Finally, there was an increasing trend in the number of foreigners who obtained Spanish nationality until 2010 which reduced slightly only in 2011. This decrease is almost exclusively due to the fall in the number of naturalisations of immigrants from Ecuador and, to a lesser extent from Colombia and Argentina, which could be due to the exhaustion of candidates applying for citizenship.

Although the growth of the stock of foreign-born immigrants has been mitigated, there are still strong international migratory inflows and outflows. Although the inflows fell abruptly from 2010 as a consequence of the crisis of 2008 and 2009, this decline did not continue and the inflow of immigrants in 2012 stood at more than 300,000 entries per year. Therefore, the economic recession has not completely halted inflows. Neither has it generated a mass outflow of immigrants. On the whole, since 2007 the volume of the positive balance has decreased. It only was negative for the first time in 2008 with respect to Bolivia, in 2009 for Brazil, Argentina and Uruguay and in 2010 in the case of Ecuador. It is important to point out that in 2012, when the negative migratory balances spread to other countries, the maximum is in the case of Ecuador with a net outflow of 14,000. On the other hand, Pakistan, Cuba and China reveal as new origins of immigrants with positive migratory balances.

The crisis has changed the behaviour of the migratory flows of the main groups of foreign-born immigrants. Before the crisis, outflows were the equivalent of an average of 10% of inflows, but the recession has increased this percentage to between 15 and 25% in the period 2008-2012. Once again, none of the countries with the highest volume of immigrant stocks (Romania and Morocco and also Ecuador and Colombia) show a high relative weight in emigration before or after the onset of the recession.

Therefore, after five years of economic recession, there has been no complete halt in the entrance of foreign-born immigrants or a mass outflow of immigrants. Until now, immigrants on the whole remain in Spain. An analysis of the footprints of immigrants indicates that this decision to stay in the case of Latin Americans is combined with lower inflows, which is not the case for other countries (Romania and Morocco) from where inflows into Spain have not stopped.

After seeing these results the question that arises is how those who have chosen to remain in Spain manage to live, taking into account that 36.5% of the immigrant population today is unemployed and in general, do not have the family networks or other sources of income that Spanish citizens have. Furthermore, when we examined whether foreigners survived thanks to their activities in the shadow economy, we observed that the development

of these activities has decreased since the beginning of the crisis, although this may be due to an imprecise measurement of irregularity. We have also confirmed the spectacular (and differential) increase of poverty among the foreign population in Spain which in 2010 reached a rate of 43.5% of non-EU foreigners.

Consequently, the results obtained enable us to conclude that a large part of international immigrants remains in Spain and are suffering a notable increase in poverty, particularly severe and extreme poverty. If this population continues to live in Spain and does not consider remigration, the persistence of the economic recession would transform this poverty into *chronic* poverty. Public policies should take these changes into account as they pose hard social and economic challenges.

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