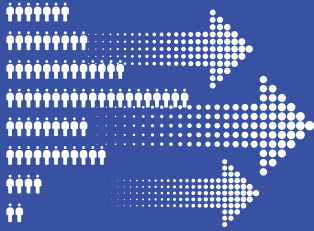




How Immigrants Contribute to Argentina's Economy



ARGENTINA

How Immigrants Contribute to Argentina's Economy

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Foreword

Argentina is a net immigration country, with an open, human-rights based immigration policy. In 2015, around 2.1 million immigrants represented 5% of the total population. The 2003 migration law further strengthened its immigration policy by contributing to regularising undocumented immigrant workers, guaranteeing immigrants their equal rights and promoting integration. Argentina is also one of the leading members of the Common Market of South America (Mercado Común del Sur or MERCOSUR), providing good practices of free movement and residence agreements for immigrant workers.

The country's openness towards immigrants reflects an understanding of their positive contributions in Argentina. Still, the empirical evidence on the degree to which immigration affects Argentina is insufficient. More systematic analyses are necessary to better understand how immigrants integrate and contribute to development. Such analyses can better inform what policy responses should be instituted for the benefit of both immigrants and destination countries.

The OECD Development Centre, the International Labour Organization (ILO) and the European Commission have worked together to tackle these challenging questions. Working across different contexts, the goal is to help countries design effective policies for leveraging immigration for positive development outcomes. This has included providing advice on the governance of comprehensive immigration systems and linking development strategies for policy coherence within a country and across countries.

This report, *How Immigrants Contribute to Argentina's Economy*, is a step forward in assessing the contribution of immigration to development and improving the design of migration and development strategies. It builds upon the joint OECD-ILO project, *Assessing the Economic Contribution of Labour Migration in Developing Countries as Countries of Destination (ECLM)*. The project carried out comparable analyses for Argentina and nine other countries – Costa Rica, Côte d'Ivoire, the Dominican Republic, Ghana, Kyrgyzstan, Nepal, Rwanda, South Africa and Thailand – to present a greater understanding of immigration's economic impacts. Different key components of the economy are explored through a combination of quantitative and qualitative methodologies.

The report examines empirically how immigrants affect key segments of the economy. These segments include: the labour market, economic growth and public finance. This report highlights the fact that the impact of immigration is not straightforward. It depends on the country context and socio-economic conditions. However, any country can maximise the positive impact of immigration by improving policies to better

manage and integrate immigrants so that they can legally invest in and contribute to the economy while staying safe and leading fulfilling lives. The report provides a basis for dialogue and policy guidance for development practitioners and policy makers who wish to integrate immigrants into their economy and society to benefit both immigrants and native-born citizens.

Following discussions on guidance for actions with key stakeholders and policy makers in Argentina, the European Commission, the OECD Development Centre and the ILO look forward to continuing their co-operation with Argentina to optimise immigration for better economic and development outcomes.

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Labour Organization

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How Immigrants Contribute to Argentina's Economy is the fruit of the joint OECD-ILO project, *Assessing the Economic Contribution of Labour Migration in Developing Countries as Countries of Destination (ECLM)*, carried-out in ten low and middle-income countries. The project was managed by David Khoudour, Head of the Migration and Skills Unit of the OECD Development Centre, under the guidance of Mario Pezzini, Director of the OECD Development Centre and Special Advisor to the OECD Secretary-General on Development, Federico Bonaglia, Deputy Director of the OECD Development Centre, Manuela Tomei, Director of the ILO's Conditions of Work and Equality Department, and Michelle Leighton, Chief of the Labour Migration Branch at the ILO. Shinyoung Jeon and Hyeslin Park, from the OECD Development Centre, co-ordinated the project, while Theodoor Sparreboom, Chief Technical Advisor in the Labour Migration Branch, led the ILO team. The OECD team included Maria Alejandra Betancourt, Bram Dekker, Fatoumata Diarrassouba and Sarah Kups. The ILO team was composed of Sandra Berger and Jesse Mertens.

The report was mainly drafted by Sarah Kups at the OECD Development Centre. The rest of the project team provided significant contributions, including valuable comments, advice and feedback on previous versions of the report. Vararat Atisophon, OECD Development Centre, helped with statistical work, while Alexandra Le Cam, OECD Development Centre, and H el ene Lombard, ILO, provided administrative support for the project, including country missions and event organisation. Jill Gaston edited the report and Gerardo Noriega Rivero translated it into Spanish. The OECD Development Centre's publications team, led by Delphine Grandrieux and Henri-Bernard Solignac-Lecomte, turned the draft into a publication. The cover was designed by Aida Buend a.

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Table of contents

List of abbreviations	13
Facts and figures of Argentina	14
Executive summary	15
<i>Chapter 1. Immigrants' contribution to Argentina's economy:</i>	
Overview and policy implications	19
Benefits from studying the economic impacts of immigration	23
Immigration's limited but positive economic contribution in Argentina	25
Conclusions and policy implications	31
Notes	34
References	35
Annex 1.A1. Data used in this report	38
<i>Chapter 2. The immigration landscape in Argentina: Patterns, drivers and policies</i>	41
Argentina's economic growth record from 1990 to 2015	42
The history of immigration	44
Countries of origin and years of arrival	48
Characteristics of immigrants	50
Immigration and integration policy enforcement and implementation	53
Conclusions	59
Notes	60
References	61
<i>Chapter 3. Immigrant integration in Argentina: Labour market outcomes and human capital</i>	65
The educational attainment of the native- and foreign-born labour forces	66
Indirect effects of immigration on human capital	72
Native- and foreign-born labour force characteristics	76
A shifting occupation profile and immigration	94
Conclusions	95
Notes	96

References	97
Annex 3.A1. Methodology	99
Chapter 4. How immigrants affect the labour market in Argentina.	101
The labour income gap between foreign- and native-born workers. . .	102
The effect of immigration on labour incomes and employment of the native-born population	106
Female foreign-born care workers and the native-born female labour supply	111
Conclusions	112
Notes	113
References	114
Annex 4.A1. Methodology	116
Annex 4.A2. Selected regression results	120
Chapter 5. Immigration and economic growth in Argentina.	121
The contribution of immigrants to value added and GDP	122
Firm creation and behaviour	128
Conclusions	136
Notes	137
References	138
Chapter 6. Immigrants' contribution to public finance in Argentina.	141
Fiscal revenues and expenditures	142
Individual fiscal revenues	143
Individual public expenditures	149
The net fiscal impact of foreign- and native-born individuals	152
The welfare participation of immigrants	154
Conclusions	155
Notes	157
References	157
Annex 6.A1. Methodology	159
Tables	
1.1. Understanding the difference between immigrants and foreigners	26
1.2. Immigration is not associated with increased unemployment but with increased vulnerable employment	29
2.1. Temporary visa and entry categories for Argentina	55
3.1. Recent immigrants are more educated than those who arrived before	68
3.2. Native- and foreign-born labour force participation rates are similar	77
3.3. Immigrant labour force participants are less frequently unemployed than native-born ones	77

3.4.	Immigrants have a lower unemployment rate than the native-born at all education levels	78
3.5.	Foreign- and native-born workers experience part-time and underemployment at equal rates	80
3.6.	The immigrant population's youth unemployment problem is less severe than the native one	80
3.7.	A high share of immigrant workers are nominally under-qualified for their jobs	88
3.8.	Those who work in clerical support and elementary professions are often over-qualified for their jobs	89
3.9.	Immigrants are over-represented in certain sectors	90
3.10.	Immigrants are over-represented in elementary occupations	92
3.11.	Mid-skilled occupations are growing	94
3.A1.1.	Definition of the quasi-cohorts for the demographic accounting decomposition in Argentina.	99
4.1.	Immigration is not associated with increased unemployment but with increased vulnerable employment	109
4.2.	Female immigration and the labour supply of native-born women are positively related.	112
4.A2.1.	Coefficients on immigrant share variable for selected native-born labour market outcomes in Argentina	120
5.1.	The estimated value added share produced by immigrants in Argentina exceeds their population share in urban areas	125
5.2.	Immigrants in Argentina are more likely to be own-account workers or business owners.	130
5.3.	Place of birth of the employer does not predict a larger company size	131
5.4.	The value added per hour worked varies drastically between sectors	134
6.1.	Tax revenues and expenditures in Argentina, 2013	143
6.2.	Immigrants are estimated to pay more than a third less in indirect taxes on goods and services	145
6.3.	Immigrants appear to pay slightly less in social security contributions	146
6.4.	Immigrants are estimated to on average pay lower personal income taxes than native-born individuals.	147
6.5.	Immigrants are estimated to pay one quarter more in financial and capital transaction taxes	148
6.6.	The average immigrant receives around 40 percent more in social security benefits than native-born.	149
6.7.	The allocation of public goods expenditures depends on the assumptions.	150

6.8.	Immigrants generate more educational costs because a relatively larger number of immigrant children go to primary and secondary school	151
6.9.	In 2013, the net fiscal contribution of foreign- and native-born individuals was estimated to be positive	154
6.10.	Foreign-born individuals are less likely to receive pensions than similar native-born individuals	155
6.A1.1.	Comparison of characteristics of the native- and foreign-born populations in Argentina's 2010 population census sample and the 2010 annual urban household survey	160

Figures

1.1.	Immigration: Contributing to host countries' economies	22
1.2.	Argentina's per capita GDP surpasses the other partner countries'	24
1.3.	The majority of immigrants from Chile, Italy, Spain and Uruguay arrived several decades ago	27
1.4.	According to selected indicators, immigrants in Argentina are comparatively well integrated.	28
1.5.	Immigrants' estimated contribution to value added exceeds their population but is lower than their labour force share	30
2.1.	Argentina's GDP per capita is subject to strong fluctuations	43
2.2.	Immigration to Argentina was very high at the beginning of the 20th century	45
2.3.	In recent years, the share of the population born abroad has risen slightly again	47
2.4.	Most current immigrants in Argentina were born in Latin America.	48
2.5.	Immigrants from many countries of origin were already long-established by 2010.	49
2.6.	Immigrants in Argentina are more frequently of working or retirement age	51
2.7.	Women are over-represented among immigrants to Argentina	52
2.8.	Immigrants have many rights in Argentina.	56
3.1.	Immigrant workers are less educated than native-born workers	67
3.2.	Immigrants from Latin America are less educated than those from other continents	69
3.3.	Recent immigrants have higher educational attainments than the overall populations of the origin countries	70
3.4.	The growth of the labour force growth is driven much more by young people than immigrants	71

3.5.	Young workers alter the labour force's educational levels much more than immigrants do	72
3.6.	Native-born teenagers with an immigrant parent are more frequently enrolled in school.	73
3.7.	Immigrant students perform poorly compared to non-immigrant students	75
3.8.	Difference in performance on the mathematics test between schools without and with high immigrant concentration.	75
3.9.	More young immigrant than native-born women are not in education, employment or training	81
3.10.	More than two thirds of workers are employees.	82
3.11.	Immigrants are more likely than non-migrants to be informal employees	83
3.12.	Immigrant and native-born workers on average work similar hours	84
3.13.	Immigrants from Latin America of key working ages have a higher relative labour force participation rate	85
3.14.	The average foreign-born worker earns 10-15 percent less than native-borns	86
3.15.	The share of employees reporting below-minimum wage labour income is dropping for native but in particular foreign-born workers.	87
3.16.	A sector's labour shortage is not correlated with the immigrant concentration	91
3.17.	Young workers contribute more to occupational change than recent immigrants	95
4.1.	Immigrants on average earn less than comparable native-born workers	103
4.2.	Foreign-born workers are more likely to be vulnerably or informally employed than similar native-born workers.	105
4.3.	The correlation between labour immigration and native-born employment in Argentina is weakly negative	108
4.4.	The correlation between immigration and the labour income of native-born workers in Argentina is slightly positive	109
4.A1.1.	Difference in predicted work experience (method 2-method 1) by sex, schooling and age in Argentina, 2010.	118
5.1.	There is little apparent correlation between GDP per capita growth and migration rates over the last decade	123
5.2.	The role of different sectors is stable	124
5.3.	The link between growth in per-capita output and immigration is weak at the regional level.	127
5.4.	Trade and net foreign direct investment as a share of GDP has not risen in Argentina from 2000 to 2015	128

5.5.	Immigrants are more frequently self-employed	129
5.6.	Immigrant business owners disproportionately own very small or large companies	131
5.7.	Self-employed workers are more frequently active in fast-growing sectors	133
6.1.	Native-born individuals are estimated to on average pay more taxes than foreign-born individuals in Argentina.	153
6.2.	Depending on the definition, average public expenditures attributable to immigrants are equal or higher than those of native-born individuals	153

Boxes

1.1.	What is the value added of the project?	21
1.2.	The challenge of defining “immigrants”.	25
2.1.	Current immigration laws and programmes in Argentina	54
3.1.	The labour market characteristics of 15-64 year old immigrants from Latin America	84
4.1.	Accounting for the higher labour market vulnerability of immigrants.	104
4.2.	Linking native-born labour market outcomes with foreign-born shares	106

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List of abbreviations

ARS	Argentine pesos
EAHU	<i>Encuesta Annual de Hogares Urbanos</i> (Yearly Survey of Urban Households)
ECLM	Assessing the Economic Contribution of Labour Migration in Developing Countries as Countries of Destination
ENGH	<i>Encuesta Nacional de Gastos de los Hogares</i> (National Survey on Household Expenditures)
EPH	<i>Encuesta Permanente de Hogares</i> (Permanent Household Survey)
ESCS	Economic, social and cultural status
EU	European Union
GDP	Gross domestic product
ILO	International Labour Organization
INDEC	<i>Instituto Nacional de Estadística y Censos</i> (National Statistics and Census Institute)
IPUMS	Integrated Public Use Microdata Series
IPUMS-I	Integrated Public Use Microdata Series International
LAC	Latin America and the Caribbean
MERCOSUR	<i>Mercado Común del Sur</i> (known in English as the Common Market of South America, the Common Southern Market and the Southern Common Market)
NEET	Young people not in education, employment or training
OECD	Organisation for Economic Co-operation and Development
TFP	Total factor productivity
USD	United States dollar

Facts and figures of Argentina

(Numbers in parentheses refer to the OECD average)

The land, people and electoral cycle

Population (million) ^e	43.8	Official languages	Spanish
Under 15 (%) ^e	25.1 (18)	Form of government	Presidential republic
Population density (per km ²) ^e	16 (37)	Last election	22 October 2017
Land area (thousand km ²) ^e	2 736.7		

The economy

GDP, current prices (billion USD) ^e	545.9	Exports of goods and services (% of GDP) ^d	11.0 (28.5)
GDP growth ^e	-2.3 (1.7)	Imports of goods and services (% of GDP) ^d	11.8 (28.0)
GDP per capita, PPP (thousands, current international USD) ^e	19.9 (41.7)	GDP shares by sector (%) ^d	
Inflation rate ^b	10.6 (1.4)	Agriculture, forestry and fishing	6.0 (1.5)
General government total expenditure (% of GDP) ^e	41.5	Industry, including construction	28.1 (24.3)
General government revenue (% of GDP) ^e	35.7	Services	65.9 (74.2)

Well-being

Life satisfaction (average on 1-10 scale) ^e	6.4 (6.5)	Population with access to improved sanitation facilities (%) ^d	96 (98)
Life expectancy ^d	76 (80)	Mean years of schooling ^a	9.8
Income inequality (Gini coefficient) ^c	42.7	Proportion of population under national minimum income standard (%) ^e	30.3
Gender inequality (SIGI index) ^c	0.01 (0.02)	Unemployment rate (%) ^e	6.6 (6.3)
Labour force participation (% of urban population ages 15+) ^e		Youth unemployment rate (ages 15 to 24, %) ^e	16.1 (14.0)
Native-born	59	Satisfaction with the availability of affordable housing (% satisfied) ^e	30 (54)
Foreign-born	55	Enrolment rates ^c	
Employment-to-population ratio (% of urban population ages 15+) ^e		Primary (Net)	99 (96)
Native-born	54	Secondary (Net)	88 (89)
Foreign-born	51	Tertiary (Gross)	83 (70)

Note: Data from a) 2003; b) 2013; c) 2014; d) 2015; e) 2016.

Source: Central Intelligence Agency, *The World Factbook 2017*. Washington, DC <https://www.cia.gov/library/publications/the-world-factbook/index.html>; Gallup (2015), *Gallup World Poll* (database), Gallup Organisation; IMF, *World Economic Outlook Database*, International Monetary Fund, October 2017 edition, Washington DC; INDEC (2003-2016), *Encuesta Permanente de Hogares*, <https://www.indec.gov.ar/bases-de-datos.asp>; Minnesota Population Center, *Integrated Public Use Microdata Series*, International: Version 6.5. Minneapolis: University of Minnesota, 2017. <http://doi.org/10.18128/D020.V6.5.>; OECD, *SIGI Social Institutions and Gender index*, <http://www.genderindex.org/>; UNESCO Institute for Statistics, Data Centre, <http://data.uis.unesco.org/>; World Bank, *World Development Indicators* (database), <http://data.worldbank.org/>, Washington DC.

Executive summary

Argentina has a long history of immigration that continues to the present day. In the early 20th century the majority of the country's immigrants came from Europe, but their numbers have since declined and Latin American immigrants have become proportionally more important. At the beginning of the new millennium, the country adopted an open immigration policy rooted in the principles of equality and universality. While existing research has explored the history and characteristics of immigration in Argentina, many of the economic consequences of immigration remain to be studied.

This lack of research is not unique to Argentina. The role of migration for development is receiving more attention in the international development agenda, but the empirical evidence on migration's economic effects disproportionately focuses on emigration rather than immigration. Analyses of the economic impact of immigration remain largely confined to OECD member countries. This is despite the fact that more than 70 million immigrants lived in low and middle-income countries in 2015 and that immigrants represent a significant share of the total population in some of these countries. This knowledge gap can have real-world repercussions: the lack of understanding of how immigrants shape the economies of developing countries reduces policy makers' ability to formulate policies boosting positive effects and limiting negative ones.

To address this research gap, the OECD Development Centre and the International Labour Organization (ILO) carried out a project on Assessing the Economic Contribution of Labour Migration in Developing Countries as Countries of Destination. The project was co-financed by the European Union's Thematic Programme on Migration and Asylum and implemented from 2014 to 2018. The project aimed to analyse several economic impacts of immigration – on the labour market, economic growth, and public finance – in ten partner countries. The empirical evidence stems from a combination of quantitative analyses of secondary and in some cases primary data sources with qualitative analyses.

A national consultation seminar on 30 June 2015 launched the project's activities in Argentina. It was implemented in collaboration with the Ministry of Labour, Employment and Social Security, the Delegation of the European Union

to Argentina and the ILO Country Office for Argentina. On 8 and 9 August 2017, validation seminars gave representatives from ILO regional offices, academics, tripartite organisations and public officials from the Ministries of Treasury and of Labour, Employment and Social Security the opportunity to review a draft of the present report.

The limited but generally positive role of immigration in Argentina's economy

The number and characteristics of immigrants in Argentina suggest that their current economic impact is positive, but not large. As immigrants represent less than 5% of the population, their role in the country's economy is certainly less pronounced than it was during the first half of the 20th century. Through their high employment rates and their concentration in certain sectors, immigrants nonetheless play a disproportionately important role in certain parts of the economy.

The analysis in this report focuses on three main dimensions of the economic contribution of immigrants in Argentina: labour markets, economic growth and public budget.

- **Labour markets:** immigration is usually not associated with job losses or income declines among the Argentinian-born population. In fact, the labour income of native-born university graduates may even rise when there are more foreign-born university graduates. Also, more low-skilled native-born women may be able to join the labour force when more female immigrants from a number of Latin American countries live in their local area. A possible explanation is that these native-born women can hire immigrant women for household or care tasks they previously carried out themselves. Nevertheless, immigration's labour market effects are not only positive. When there are more immigrants, a higher share of native-born workers appears to be own-account or contributing family workers and the labour incomes of low-skilled native-born workers may be lower.
- **Economic growth:** at around 4%, immigrants in urban areas are estimated to contribute a value added above their population share but below their share in the labour force. This does not imply that the value added would necessarily be 4% lower if immigrants left Argentina – the impact could be less or (at least in the short run) more drastic. For instance, the disproportionately high share of immigrants among the owners of large companies suggests that immigration may indeed generate growth impulses.
- **Public finance:** In 2013, the latest year for which data were available, immigrants made a positive net fiscal contribution under certain assumptions. Depending on the underlying assumptions, their average net fiscal contribution was equal to -1 to 2% of per-capita GDP. While this contribution was minor than for the average native-born person, in part due to the disproportionately high share of elderly people among the immigrant population, it nonetheless shows that, at least for this sample year, immigrants did not represent a significant fiscal burden.

Certain policy changes could further boost the economic contribution of immigrants

Argentina's immigration policy, with its generally open borders and respect for immigrants' rights, has supported the integration of immigrants without leading to a drastic rise in immigration flows. Additional migration and non-migration policies and better co-ordination between various policy areas could further improve the integration and economic contributions of immigrants. Policy interventions could include facilitating skills recognition, continuing to monitor integration gaps and raising awareness about immigrants' rights through information campaigns.

Specific sectoral policies could also boost the economic contribution of immigration. For example, changes in labour market policies and regularisation and in social security policies could help reduce informal employment among both the native- and foreign-born population. This would enhance the well-being of the affected workers, but also raise their fiscal contribution and possibly increase productivity and economic growth.

Finally, enhancing the co-ordination between ministries as well as between national and local authorities would allow Argentina and other destination countries to develop a coherent policy agenda that maximises the development benefits of immigration.

Chapter 1

Immigrants' contribution to Argentina's economy: Overview and policy implications

This chapter provides an overview of the full report. It first describes the project on Assessing the Economic Contribution of Labour Migration in Developing Countries as Countries of Destination and explains why Argentina is one of the ten partner countries. It then presents the current economic impacts of immigration on the country. The analysis looks at how foreign-born individuals affect the labour market, economic growth and public finance.

There is no doubt that immigration has shaped Argentina's society and economy and that it continues to do so. But the exact nature and extent of the current economic contribution of immigrants is less clear. For example, how does the presence of immigrants affect the wages of people that were born in Argentina and the government budget?

This report aims to provide policy makers and the general public with empirical evidence on the economic role of immigrants in Argentina. It was written in the context of a joint OECD Development Centre – International Labour Organization project on **Assessing the Economic Contribution of Labour Migration in Developing Countries as Countries of Destination (ECLM)** (Box 1.1). The project was co-funded by the European Union (EU) Thematic Programme on Migration and Asylum. Aside from Argentina, nine other low and middle-income partner countries were involved in the project: Costa Rica, Côte d'Ivoire, the Dominican Republic, Ghana, Kyrgyzstan, Nepal, Rwanda, South Africa and Thailand.

The report comprises six chapters. Chapter 1 assesses the overall economic contribution of immigration in Argentina and draws policy implications. Chapters 2 and 3 describe the underlying context shaping the economic contribution of immigration to Argentina: while Chapter 2 provides a brief overview of the country's immigration history and current policies, Chapter 3 compares the educational and labour market characteristics of the adult foreign- and native-born populations. Chapters 4 to 6 investigate different economic impacts of immigration: its effect on the labour market outcomes of the native-born population (Chapter 4), immigration's relationship with economic growth (Chapter 5) and the government's fiscal balance (Chapter 6).

This national report can be read in conjunction with the project's comparative report (OECD/ILO, 2018). While the current report provides an in-depth discussion of the economic contribution in Argentina, the comparative report presents an overview of the findings across the project's ten partner countries. It seeks to explain patterns in these outcomes based on the characteristics of the countries and their immigrant populations.

Box 1.1. What is the value added of the project?

In August 2014, the OECD Development Centre and the International Labour Organization (ILO) launched a project, co-funded by the EU Thematic Programme on Migration and Asylum, on **Assessing the Economic Contribution of Labour Migration in Developing Countries as Countries of Destination (ECLM)**. This project, implemented from 2014 to 2018, aimed to analyse the economic impact of immigration in developing countries across a variety of dimensions.

The OECD, ILO and EU launched the project in order to address a dual reality. More than one third of international migrants (UN DESA, 2017) and 25% of all working-age international migrant workers (ILO, 2015 b) currently live in low- and middle-income countries, and yet little is known about how these economies are affected by immigrant populations. This stands in stark contrast to the depth of literature on the economic impacts of immigration in high-income (usually OECD) countries (Kerr and Kerr, 2011; Bodvarsson and van den Berg, 2013; and Böhme and Kups, 2017). This missing analysis would not be an issue if the existing research results on OECD countries applied equally to non-OECD countries, but they may be different due to a different context.

A large number of immigrants in developing countries come from within their region while many OECD countries host immigrants from the entire globe. Moreover, the economic and policy context in which these immigrants integrate into the labour market is different. As an example, the share of informal employment tends to be more elevated in lower than in higher income countries. Both of these factors likely contribute to impacts of immigration that differ between developed and developing countries. Understanding these differences could help low- and middle-income countries formulate immigration and integration policies that maximise the development potential of immigration.

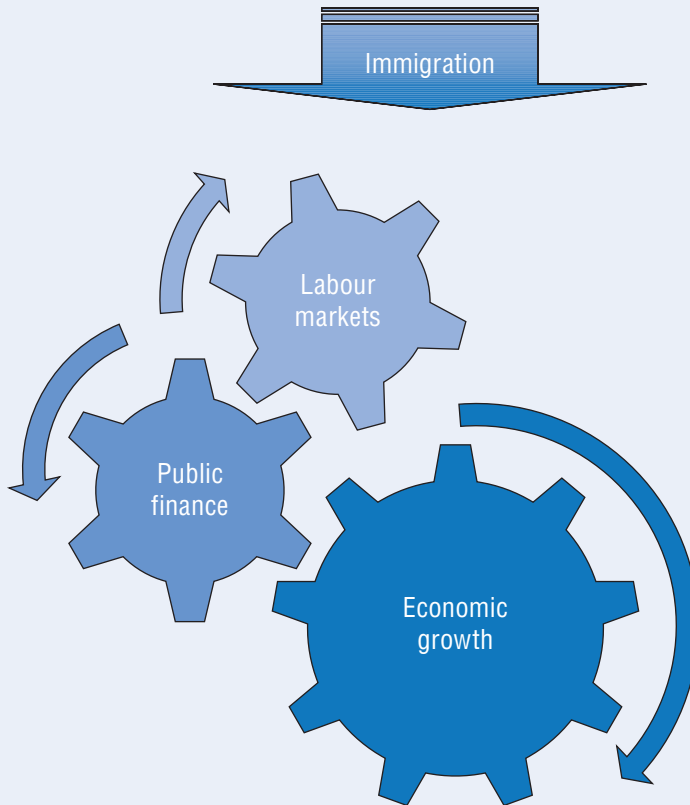
The project was carried out in collaboration with ten partner countries: Argentina, Costa Rica, Côte d'Ivoire, the Dominican Republic, Ghana, Kyrgyzstan, Nepal, Rwanda, South Africa and Thailand. They were selected based on their interest in the project, a substantial (but varying) share of immigrants and a relatively low share of humanitarian immigrants. By working with a diverse group of countries in terms of their geographic location and economic and immigration history and characteristics, the project aimed to provide an indication of the range of possible economic impacts of immigration in developing countries. It therefore addressed not only stakeholders in the ten partner countries, but equally policy makers and other interested parties in other low- and middle-income countries with mid-sized to large immigrant populations.

The project examines empirically how immigrants contribute to their host countries' economies by focusing specifically on: i) labour markets, not only in terms of labour

Box 1.1. What is the value added of the project? (cont.)

force and human capital, but also employment and wages; ii) economic growth, in particular production and productivity, at both firm and economy levels; and iii) public finance, including public spending and fiscal contributions (Figure 1.1).

Figure 1.1. Immigration: Contributing to host countries' economies



The methodologies to analyse these various impacts generally follow those used in other contexts and published in the academic literature. Leading migration researchers provided their perspectives on suitable methodologies at an international expert meeting that took place at the OECD in Paris on 23-24 February 2015. Data constraints sometimes made it impossible to analyse all aspects in every partner country. The country reports and the comparative report provide detailed descriptions of their methodologies.

Benefits from studying the economic impacts of immigration

Argentina is an interesting case study in a project on the economic contribution of labour immigration in developing countries for various reasons. It has an important history of immigration; it is an example of a country with a liberal immigration policy; and it is at the upper end of the income spectrum for low- and middle-income countries.

A feature that distinguishes Argentina from many other developing countries is its long and varied immigration history. Between 1870 and 1930, Argentina was the destination of around 7 million immigrants, predominantly Europeans. From then until 2000, the immigrant population continuously shrank and the immigration from other Southern American countries became relatively much more important. Recent years have once again seen a slight increase in immigration inflows. The effects of immigration are probably different in a country such as Argentina where a high share of immigrants arrived a long time ago than in one in which it is a recent phenomenon.

Argentina's immigration policy is currently quite open and receptive. This was not always the case. Throughout the 20th century and since the beginning of the 21st century, immigration policies switched multiple times between a more open and more closed stance. Alongside other factors, the degree of openness affects how many immigrants arrive and what their characteristics are, as well as whether immigrants comply with legislation or not. This, in turn, shapes the economic contribution of immigrants to their host country.

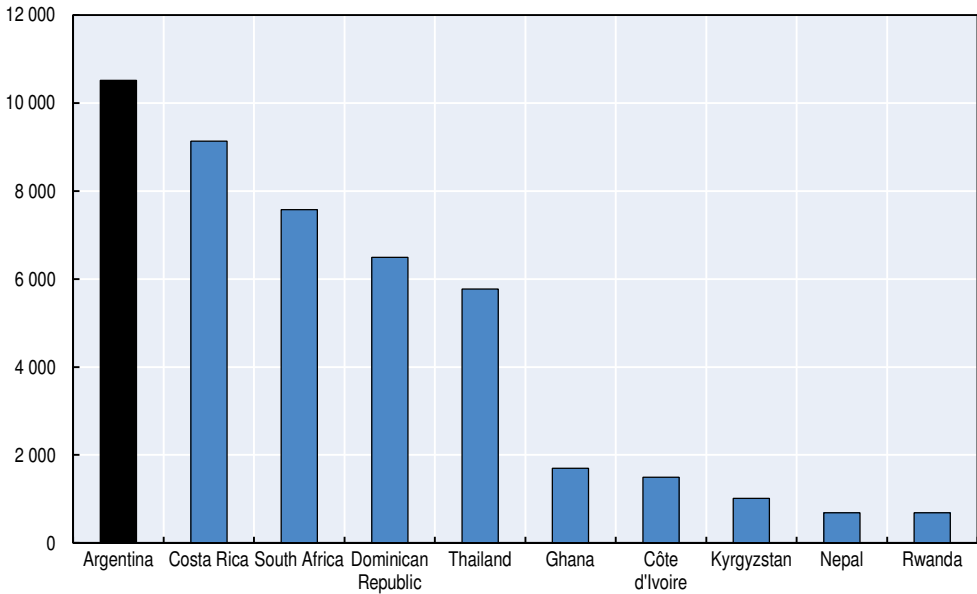
Argentina's per capita income is high for an upper middle middle-income country. In fact, it temporarily attained high income status from 2014 to 2016. Argentina's GDP per capita surpasses that of the other partner countries (Figure 1.2). The income levels of Costa Rica and South Africa are closest, but still 10-30% lower. This higher per-capita income led to the hypothesis that immigration plays a different role than in the project's other partner countries. Most findings confirmed that its role is close to that observed in OECD countries for which a rich literature suggests that the average labour market impacts of immigration are limited.

Given Argentina's long immigration history, it is unsurprising that the topic is already well researched. Nevertheless, as will be argued next, the project investigated unexploited or underexplored topics.

Several studies focus on the labour market and sector-specific impact of immigration. These include studies based on secondary data (Aruj, 2012; Baer, Benítez and Contartese, 2012; Cerrutti, 2009; Cerrutti and Maguid, 2007). They provide a clear picture of immigrant employment in certain sectors or in the economy as a whole. Another study on the role of Bolivian immigrants in the horticultural sector is based on qualitative data (Benencia, 2012). However,

none of these studies provide many insights into how these inflows affect Argentine workers.

Figure 1.2. **Argentina's per capita GDP surpasses the other partner countries'**
2015, constant 2010 USD



Source: World Bank (undated) World Development Indicators, <http://data.worldbank.org/>.

Other studies attempt to identify a link between immigration and economic growth (Mármora and Lavergne, unpublished). They do not find many significant correlations between economic value added and the share of the labour force. This detailed work shows the role of immigrants in the economy, but it does not discuss what the economy would have looked like without the presence of immigrants.

In contrast to these studies, this report aims to analyse the impact of immigration on a wide range of economic outcomes. Moreover, it seeks to understand not only how the economic characteristics of foreign- and native-born workers vary, but how this difference impacts the native-born population. Through carrying out this analysis in the context of a ten-country study, the project aims to provide insights that could help government authorities boost the economic contribution of immigration.

Another benefit of implementing the project in Argentina was that for many of the explored dimensions, many data sources already existed. However, it should be noted that the 2007-15 data published by the National Statistics and Census Institute have been called into question. Chapter 3 shows that despite

these issues, most of the studied labour market statistics – with the strong exception of unemployment – stayed relatively stable between 2015 and 2016. The annex of this chapter describes these data sources.

The Argentinean government approved the participation of Argentina in the project in January 2015.¹ It was launched in the context of a national consultation seminar on 30 June 2015. This event was jointly organised with the Ministry of Labour, Employment and Social Security (the project's government focal point) and the ILO Country Office for Argentina.

Immigration's limited but positive economic contribution in Argentina

The findings of the report suggest that the economic impacts of the 2.1 million immigrants in Argentina are limited (for a definition of immigrants, see Box 1.2). In this regard, Argentina's experience is similar to that of high-income countries, where the labour market and fiscal impacts of immigration tend to centre around zero.

Box 1.2. The challenge of defining “immigrants”

One important challenge is related to the definitions of immigration and labour migration. Different organisations and countries have their own definitions. For the sake of comparison across countries the project tried to use the same working definitions for all countries, even though available statistics do not always fit these definitions.

No universal definition of an immigrant exists. The most commonly cited definition accords with the 1998 Recommendations on Statistics of International Migration: “any person who changes his/her country of usual residence, [...] in which an individual normally spends his daily period of rest” (UN, 1998). An individual who enters the nation for up to three months is not considered an immigrant, but rather a visitor. Beyond three months, the individual will be termed a short-term immigrant for the next nine months. Only after one year of legal residency in the country the immigrant will be termed a long-term migrant.

In line with this definition, the Population Division of the United Nation's Department of Economic and Social Affairs estimates international migrant stocks by using the country of birth as a reference (UN DESA, 2017). This report adopts this definition, as it is widely used in analytical work and as data are available in all countries covered by the project. International immigrants are therefore individuals who were born in another country than the country in which they live. This definition does not take into account the citizenship of people.

Some people are born abroad but are not foreigners, while others are born in their country of residence but do not have its citizenship. This often relates to the national

Box 1.2. **The challenge of defining “immigrants”** (cont.)

legislations in terms of citizenship and naturalisation. Four different scenarios in terms of country of birth and citizenship are illustrated in Table 1.1:

- In countries that favour *jus sanguinis*, it is more difficult for the children of immigrants born in the country to get access to the citizenship of their country of birth (**native-born foreigners**).
- In countries where *jus soli* prevails, children of immigrants can become citizens of their country of birth more easily. They are therefore **native-born citizens**, but are often referred to as the second generation.
- In some countries, and depending on the naturalisation rules, individuals born abroad can become citizens of their country of residence after a certain number of years. They are **foreign-born citizens**.
- While most people born in their country of residence are also citizens of that country, in most cases the foreign-born are also foreigners (**foreign-born foreigners**). This is because (i) they do not stay long enough to acquire citizenship, (ii) the legislation in their country of origin does not allow for dual citizenship, or (iii) the rules in their host country are too strict.

Table 1.1. **Understanding the difference between immigrants and foreigners**

	Argentine citizen	Foreign citizen
Foreign-born (Immigrant)	Argentine citizen born abroad	Foreign citizen born abroad
Native-born	Argentine citizen born in Argentina	Foreign citizen born in Argentina

Nevertheless, it is important to bear in mind that national legislation often distinguishes between citizens and non-citizens, regardless of country of birth.^a This report cites administrative data that therefore sometimes refers to foreign citizens. However, Chapters 3-6 use the definition of immigrants as foreign-born individuals.^b

a. For example, the Argentine Migration Law defines an immigrant as a “foreigner who wishes to enter, transit, reside or settle permanently, temporarily or transitorily in the country in accordance with the current legislation” (Law 25.871, Article 2).

b. The definition of a migrant worker differs from that of an immigrant. The International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families provides a definition of the term migrant worker. Article 2(1) refers to “any person who is to be engaged, is engaged or has been engaged in a remunerated activity in a State of which he or she is not a national” (UN, 1990). Citizenship is thus an important criterion of this definition.

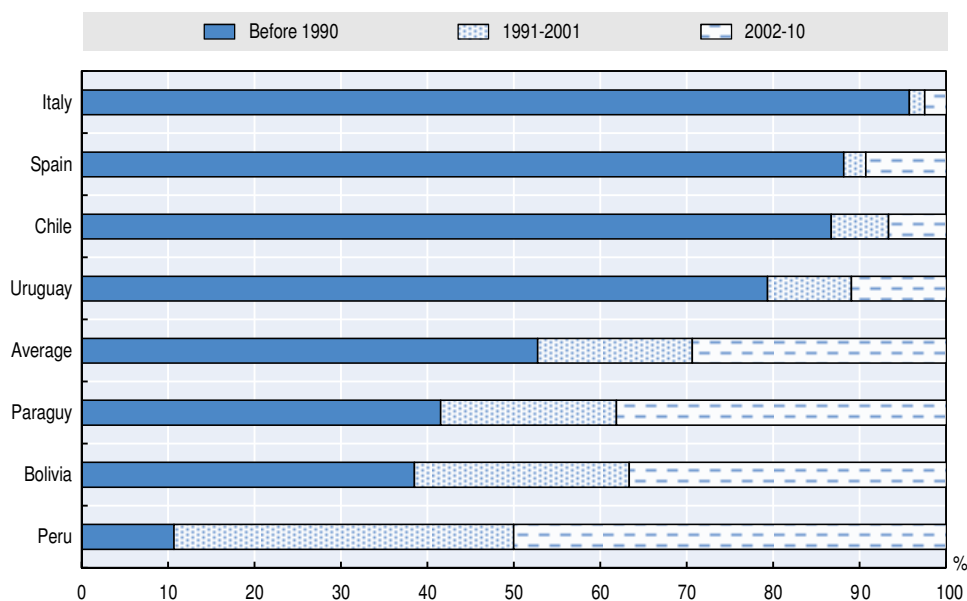
Many immigrants arrived several decades ago

Argentina’s immigration history and policies as well as the composition of its immigrant population may contribute to a less pronounced effect of immigration on the economic outcomes of the native-born population. During

the first Age of Mass Migration of the mid-19th century to the early 20th century, millions of Europeans migrated to Argentina. During the 20th century, its stance towards immigration oscillated between a great openness and relatively but never completely closed policies. Since 2003, the country has an open, human-rights based immigration policy. Due to these policy changes but above all economic developments, the immigrant share of the population shrank throughout the last century and has only recently stabilised. The immigration population has become less European and more Latin American. A high proportion of immigrants have called Argentina home for many decades (Figure 1.3). Partially as a result, immigrants are not only over-represented among the working-age population but also the retirement-age population.

Figure 1.3. **The majority of immigrants from Chile, Italy, Spain and Uruguay arrived several decades ago**

Distribution of Argentina's immigrants by country of origin and year of arrival, 2010



Source: INDEC (2010), *Resultados: Censo Nacional de Población, Hogares y Viviendas 2010*, www.indec.gov.ar/nivel4_default.asp?id_tema_1=2&id_tema_2=41&id_tema_3=135.

The implications of this immigration history and composition are two-fold. First, it can be speculated that immigrants' economic contributions to Argentina in the early 20th century were much more pronounced than is the case for the early 21st century, simply because the immigrant population was smaller in the early 21st century in both absolute and relative terms. Second, the ease of using regular immigration channels in particular for immigrants from other Southern Common Market (MERCOSUR – Mercado Común del Sur)² member

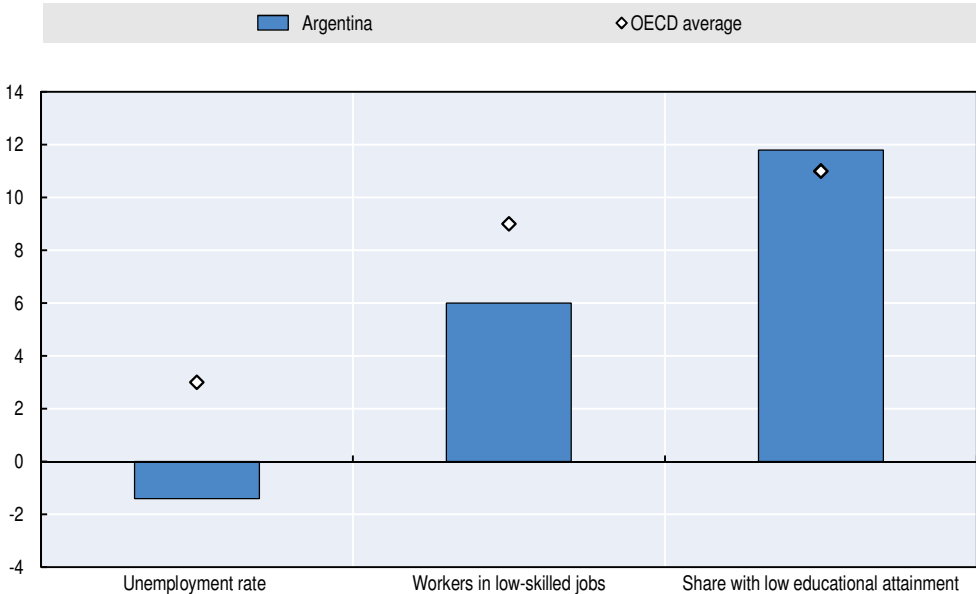
or affiliated states may make it possible that immigrants are better integrated into the economic and social fabric of the country.

A high share of immigrants work, but more frequently in vulnerable positions

Immigrants have relatively high employment rates but are more frequently in vulnerable positions (Figure 1.4). The share of adults born abroad that are in the labour market is smaller than the share born in Argentina, but the high share among the elderly population may partly explain this outcome. For foreign-born labour force participants, the employment rate is higher than for native-born individuals. There are indications that immigrants are sometimes in a more vulnerable position on the labour market – their share among own-account workers and informal workers is higher and their average labour income lower. But it is unclear whether this is the outcome of discrimination, self-selection or simply the higher share of immigrants with low education levels.

Figure 1.4. **According to selected indicators, immigrants in Argentina are comparatively well integrated**

Difference in percentage points in the share between foreign- and native-born individuals aged 15-64



Note: The OECD average is for either 2012/13 or 2013. The average unemployment rates and share with low educational attainment are based on the 10% sample of the 2010 population census. The share of workers in low-skilled jobs is based on the 2013 EAHU and is thus restricted to urban areas only.

Source: OECD/European Union (2015), *Indicators of Immigrant Integration 2015: Settling In* and authors' calculations based on the *Encuesta Anual de Hogares Urbanos* (INDEC, 2013-14) and the 10% sample of the 2010 population census (Minnesota Population Center, 2015).

Despite the lower education levels of immigrants, their role in shaping the educational characteristics of the population living in Argentina – and the multiple economic consequences that flow from it – is limited. First, recent immigrants are more educated than those that arrived a longer time ago, in line with rising education levels over time. In addition, current immigration flows are relatively small compared to the levels of the late 19th and early 20th century.

Therefore, the educational composition of the labour force is much more influenced by the entry of young Argentine-born individuals into the labour force and the exit of older ones than by immigration.

Negative impacts of immigration on native-born employment rates could not be identified

The important question of whether immigration affects the labour market outcomes of native-born individuals was analysed based on a statistical method called regression analysis. Put simply, the method investigates whether a high concentration of immigrants in a segment of the labour market defined by their education and work experience is associated with a below- or above-average outcome for native-born individuals within that same segment of the labour market. These labour market segments are called skill groups.

The analysis provides little evidence of a negative influence of immigration on the employment prospects and labour income of the working-age population born in Argentina. Employment rates and earnings of native-born individuals do not appear to be lower in skill groups in which a high share are foreign-born individuals than in groups in which a low share are foreign-born (Table 1.2). However, some native-born workers may be displaced into vulnerable and informal employment. More positively, immigration may have allowed native-born women with lower education levels to enter the labour market in greater numbers by making it possible for them to hire help for domestic duties.

Table 1.2. Immigration is not associated with increased unemployment but with increased vulnerable employment

	Employment-to-population ratio		Unemployment rate		Wage employment		Vulnerable employment		Nominal income	
	National	Regional	National	Regional	National	Regional	National	Regional	National	Regional
<i>Men and women</i>	o	o	o	o	o	-	o	o	o	+
<i>Men</i>	o	-	o	-	-	-	+	o	o	+
<i>Women</i>	o	o	o	o	-	o	+	o	o	o

Note: The table provides a summary of the results of ordinary least-squares regressions. The sample is restricted to 15-64 year olds. The immigration share is equal to the number of immigrants in a given year-education-experience (-province) labour force group over the number in the labour force in the same group. o = no significant effect; + = significant positive effect; - = significant negative effect.

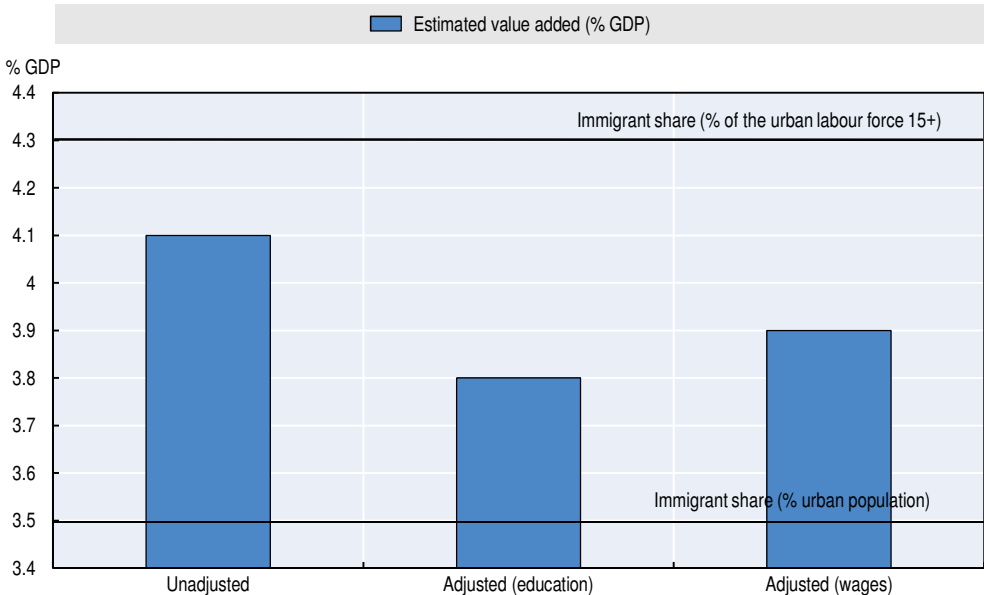
Source: Authors' calculations based on the 2003-15 *Encuesta Permanente de Hogares* (INDEC, 2003-2015), <https://www.indec.gob.ar/bases-de-datos.asp> and samples of the 1991, 2001 and 2010 censuses (Minnesota Population Center, 2015), <https://international.ipums.org/international/>.

Immigrants contribute around the same share of value added as their population share

The contribution of immigrants to value added is estimated based on the distribution of immigrants across sectors. The share of immigrant in total employment in a sector is multiplied by the sector's value added and all immigrant sectoral contributions are then added up. In order to take into account that the productivity of foreign- and native-born workers in a sector may not be identical, adjusted estimates take into account the relative education levels or average labour incomes of the two groups in each sector.

Immigrants in urban areas are estimated to contribute a value added above their population share but below their share of the labour force (Figure 1.5). Much like preceding studies, the analysis does not however allow any conclusion about whether immigration generates additional economic growth or what income per capita would look like if all immigrants left. Nevertheless, certain indicators – such as the disproportionately high share of immigrants among the owners of large companies – suggest that immigration may indeed generate growth impulses.

Figure 1.5. Immigrants' estimated contribution to value added exceeds their population share but is lower than their labour force share
 Estimated value added generated by immigrant workers in Argentina, 2014



Source: Authors' calculations based on the 2014 Encuesta Anual de Hogares Urbanos (INDEC, 2013-14), <https://www.indec.gov.ar/bases-de-datos.asp>.

In a recent year, immigrants paid more in taxes than they generated in costs

The final economic outcome that was studied was the current net fiscal contribution of immigrants. In order to do this, the shares of different taxes and government expenditures that were generated by immigrants were estimated. The sum of all estimated tax payments minus the estimated government expenditures of immigrants is equal to their current net fiscal contribution. Their respective fiscal contributions were divided by the number of foreign- and native-born individuals to arrive at the per-capita net fiscal contribution.

In 2013, under certain assumptions, immigrants did not appear to place a burden on public finances. However, their individual average net direct fiscal contribution was less than that of a person born in Argentina. One of the main reasons was the previously mentioned high share of elderly people that were born abroad. It is likely that an analysis of the entire lifetime contribution of immigrants would come to a different conclusion, but it is unclear whether that contribution would be smaller or even larger than the contribution of native-born individuals.

Conclusions and policy implications

In most areas, the economic contribution of immigration in Argentina is either neutral or positive. Most immigrants speak Spanish and this and other factors make it relatively easy for them to find employment. The slightly lower labour incomes they earn compared to native-born workers with similar characteristics do not appear to displace Argentine-born workers nor does it lower their income levels. In 2013, immigrants did not impose a burden on public finances. Their estimated current contribution to value added corresponds to their population share. As will be seen in the following chapters, in many respects the experience of Argentina is similar to that of other partner countries and in some cases to that of OECD countries. This includes the immigrants' integration into the labour market, their impact on the labour market outcomes of native-born workers and their effect on the fiscal balance.

Several relevant questions remain to be answered. Two of the most important ones are the longer-term labour market impact and the productivity and growth impact of immigration. Concerning the first issue, the foreign-born population has a higher share of workers with lower education levels than the native-born population. This could have long-term consequences for the educational profile of Argentine-born workers. For example, Argentinians might prefer to get more schooling and might be able to secure jobs that require more skills. The existence of such an occupational upgrading, which would imply improved labour market outcomes for Argentine-born individuals in the long term, is not explored.

The impact of immigration on productivity growth is among the most important determinants of the economic growth contribution of immigration. Studying this aspect would require new data sources. Investing in such data collection efforts may be extremely worthwhile to understand not only the productivity effects of immigration but productivity dynamics overall.

Even without undertaking these additional data collection and analysis efforts, a few policy implications already emerge. These relate to integration policies, the creation of an attractive environment for high-skilled immigration, addressing the challenges of informality and the general need to optimise sectoral policies to maximise the economic benefits of immigration.

Pay more attention to integration gaps

- Immigration policies and nominal immigrant rights are relatively exemplary in Argentina, but certain integration challenges still remain. Argentina's current immigration policy probably supports the positive contributions of immigration. The comparable ease with which immigrants can obtain regular status contributes to their integration into the labour market. By avoiding that immigrant workers cannot make their rights heard, the formalisation of the immigration process might contribute to a relatively small "income penalty" for immigrants. It might also explain why there do not appear to be negative impacts on the labour market outcomes of native-born individuals. Equally important, it helps preserve the human, civil and labour rights of immigrants. Further studies could investigate, first, whether the labour market outcomes of foreign-born individuals improved when they became regularised and, second, whether their impact on the labour market impacts of the native-population shifted.
- Remaining integration challenges for example include the lower wages and higher unemployment rates of foreign-born individuals with tertiary education compared to their native-born peers, the higher rates of vulnerable employment of immigrants in general and the weaker school performance of pupils with an immigrant background. These distinct phenomena all require different policy responses, but they point to one common conclusion: the relatively high labour market integration of immigrants should not hide the fact that their vulnerability may nonetheless be more elevated compared to the general population. The government should therefore continue to monitor immigrant outcomes in comparison to those of the native-born, and intervene with targeted integration policies when the difference becomes problematically large. Making prospective and current immigrants aware of their rights can already help address some of the gaps. One recent initiative in this area was for example the development of a information passport for domestic workers that addressed itself in particular to Paraguayan immigrants (ILO, 2016).

Create an attractive environment for high-skilled immigration

- The economy would likely benefit from creating an environment in which potential high-skilled immigrants perceive Argentina as an attractive location. The benefits of increasing high-skilled immigration are relatively clear: on average, individuals with higher educational levels make higher net fiscal contributions, and it is possible (though the report does not prove it) that they create more positive productivity impulses. And far from hurting native-born university graduates, it is possible that increasing the number of high-skilled immigrants might even boost their labour incomes.³
- Increasing immigration of high-skilled individuals should not occur through the instrument of skill-selective immigration policies, but through more indirect policies. On the one hand, such a skill-selective immigration policy would not be in line with the spirit of Argentina's rights-based immigration policy. On the other hand, the contribution of low and medium-skilled immigrants to the Argentine economy should also not be dismissed. For example, by allowing women to hire others for household and care activities, their immigration may boost the female labour force participation rate. Instead, other policy interventions, such as a facilitation of skill recognition, appear more appropriate to not only increase the number of immigrants with post-secondary qualifications, but potentially also to address the higher labour incomes and unemployment gaps between foreign- and native-born individuals with those qualification levels mentioned above. Current bilateral and multilateral skill recognition agreements tend to be restricted either to the academic sector or to primary and secondary education (Molina, 2013).

Reduce informal employment

- Addressing the link between immigration and informal and vulnerable employment could also boost the economic contribution of immigrants. As will be shown in Chapters 3 and 4 of the report, there are two problematic links between immigration and informal employment. The first is that informal employment rates are more elevated among immigrants than among the native-born population. Their over-representation as own-account or domestic workers and in the construction sector contribute to this outcome. Second, a higher concentration of immigrants with a given combination of education and work experience is associated with an increased level of vulnerable employment among similar native-born individuals. The explanation for this link is unclear, but it is possible that when there is an increased supply of workers with a specific set of skills, employers face less pressure to turn informal into formal employment arrangements. Policy interventions decreasing the informal employment in general would be beneficial for the concerned workers but also for the economy overall, for example through increasing tax payments that can then be re-invested in education, health and infrastructure by the government.
- Government initiatives, including measures related to the implementation of law 26940 (ILO, 2015b), as well as a more stable macroeconomic environment

have already contributed to a decreased incidence of informal employment (ILO/OECD/World Bank, 2014; OECD, 2016). The regularisation of irregular immigrants in particular likely reduced the incidence of informal employment among the immigrant population.

- Additional initiatives can further support this development. One suggested general policy interventions include a facilitation of formalisation for small and medium enterprises that also increase the incentives for these firms to do so through for example offering easier access to financing (Beccaria, 2015). Other suggested policy changes are to temporarily reduce social security contributions for low-wage workers whose jobs are formalised, to increase the coverage of active labour market policies and to ease certain labour market regularisations while at the same time stepping up enforcement efforts (OECD, 2017b).

Integrate migration into the planning of non-migration sectoral policies

- Business formalisation policies are just one example of sectoral non-migration policies that can boost the economic contribution of immigration. Well-designed labour market and social policies as well as policies targeting particular economic sectors can also enhance this contribution by easing the integration process (OECD, 2017a). For example, in the domestic work sector, a sector with a high percentage of migrant workers, legislation was passed in 2013 which, among many things, expanded social security access to all domestic workers, irrespective of the number of hours worked per week (Lexartza, Chaves and Carcedo, 2016). Therefore, keeping immigrant integration in mind when designing these sectoral policies and improving the co-ordination between ministries for a coherent policy agenda will help destination countries like Argentina to fully benefit from immigration.

Notes

1. The Frente para la Victoria government under President Christina Fernández de Kirchner has since been succeeded by the Cambiemos government under President Mauricio Macri.
2. MERCOSUR was formed in 1991 in an effort to bolster regional integration. Aside from Argentina, the initial members were Brazil, Paraguay and Uruguay. Venezuela has joined since, while Bolivia is in the process of adhesion. Other countries (Chile, Colombia, Ecuador, Guyana, Peru and Surinam) are associate members. Its goal was to increase economic development (while maintaining social justice) through the creation of a common market with freedom of movement for goods, services and factors of production (labour and capital).
3. One concern may be that the share of workers employed at a job that is nominally below their level of education is already quite high in Argentina (see OECD/ILO, 2018). However, the overall rate may be falling according to a different estimation method (McGuinness and Redmond, 2017) and the native-born over-qualification rate for university graduates is less than half of the rate for secondary-school graduates (26-30% compared to 67-71%, depending on the year).

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ANNEX 1.A1

Data used in this report

The availability of an array of data sources on households and firms facilitated the analysis of the impact of immigration in Argentina. The first important data source is the population census. The analysis relies on the 10% samples of the 1960-2010 censuses made available through the Integrated Public Use Microdata Series International (IPUMS-I) website (Minnesota Population Center, 2015). It contains information about the country of birth, age, sex, education and work status of an individual. However, there is no information on wages or income. Neither the census nor the household surveys asked about the nationality of respondents.

Two other key data sources are the 2003-15 *Encuesta Permanente de Hogares* (EPH – Permanent Household Survey) (INDEC, 2003-15) and the 2010-14 *Encuesta Anual de Hogares Urbanos* (EAHU – Annual Survey of Urban Households) (INDEC, 2013-14). Both surveys, like the census, are implemented by the *Instituto Nacional de Estadística y Censos* (INDEC). They have a rotating panel design and only cover urban areas. Aside from basic characteristics on the household and the individuals, these data sources contain detailed information on the labour market status, including income information. The EPH is carried out quarterly and covers 63% of the total population. (The coverage rate calculations are based on the third quarter wave of the 2010 EPH, the 2010 EAHU and the Population Census). The EAHU covers the entirety of the urban population and 93% of the total population. In terms of their coverage of the immigrant population, in 2010 the EPH covered 69% and the EAHU covered 81%. Hence, the immigrant population is over-represented in the EPH and under-represented in the EAHU in comparison to the general population. This indicates that immigrants are more likely to live in urban areas covered by the EPH than someone who was born in Argentina, but that the opposite is true for those urban areas that are only included in the EAHU but not in the EPH. Alternatively, it could indicate that the sampling weights in either or both surveys do not adequately weigh the immigrant population.

A third household survey by the INDEC is the 2012/13 nationally representative *Encuesta Nacional de Gastos de los Hogares* (ENGH – National Survey on Household Expenditures) (INDEC, 2013). Unlike the other household surveys, it does not indicate whether someone was born abroad.

These sources of individual- and household-level microdata were complemented by various macro data sources from national and international sources. Among these are the *Revenue Statistics in Latin America and the Caribbean* (OECD et al., 2015 and 2016) and public expenditure information from Argentina's statistical office (INDEC, 2015). Together with household survey data, these were used to understand the contribution of immigrants to Argentina's fiscal system. Other data sources include data on value added by sector (INDEC, undated a) and province (Ministry of the Economy, Infrastructure and Energy of the Province of Mendoza, undated). These were used to analyse the correlation between immigrant concentrations in a region or sector and economic output. Summary statistics from the *Encuesta de Demanda Laboral Insatisfecha* (Survey of unfulfilled labour demand) (INDEC, undated b) were used to investigate whether immigrants predominantly work in sectors in which many vacancies go unfilled.

A caveat that needs to be noted is that the majority of the analysed data are from the period 2007-15. In particular inflation data were judged to be unreliable (IMF, 2016). However, more general issues with data collection and treatment were also identified (INDEC, 2016). For this reason, the present report usually provides nominal rather than real amounts, with exceptions in Chapter 4. As can be seen in Chapter 3, however, most of the trends in the differences in labour market outcomes between foreign- and native-born individuals are similar in the second and third quarters of 2016 as in prior years. The analysis results reported are therefore likely not affected by the identified data issues. Moreover, the focus of Chapter 3 is on the comparison of outcomes for foreign- and native-born individuals, and there are no reasons to believe that issues with the measurement of particular labour market indicators would affect the foreign- and native-born population in different ways. Finally, a reanalysis of the results of chapter 4 excluding data from the 2007-2015 period came to similar results. Therefore, the analysis results reported are therefore likely not affected by the identified data issues.

Chapter 2

The immigration landscape in Argentina: Patterns, drivers and policies

This chapter describes the history and characteristics of immigration in Argentina and discusses the country's current immigration and integration policies. First, it presents the general economic context of recent decades. This context is necessary to understand why immigrants arrived in certain decades, how well they are integrated and how their arrival and continued stay affects economic outcomes. Second, it looks at the demographic characteristics of foreign-born individuals. Finally, the chapter addresses integration policy and its implementation.

Argentina is an upper middle-income Latin American country with more than 41 million inhabitants. It borders Bolivia, Brazil, Chile, Paraguay and Uruguay. At the beginning of the 20th century, it was among the richest countries in the world in per capita terms, enjoying high growth rates driven by agricultural exports and was increasingly industrialising. It also had one of the largest immigrant populations as a share of the total population in the world. Both its economic position and the high immigrant share declined over the course of the 20th century due to a variety of external and internal political and economic factors. In recent years, the gross domestic product (GDP) per capita and the number of immigrants has started to rise again.

There have been two main shifts in Argentina's immigrant population over the last century: its drastic decline as a share of the population and the growing role of regional compared to transatlantic immigration. In 1914, around 30% of the population had been born abroad. By 1947, the share of immigrants had nearly halved to 15%, and since 1991, it has hovered at 5% or below. The share of the population that was born in a neighbouring country, in contrast, has stayed almost completely stable: it was 2.6% in 1914 and reached 3.1% in 2010 (with lower values in between). Hence, while in 1914 just 9% of the immigrant population had been born in a neighbouring country, in 2010 that number was 69%.

Argentina's economic growth record from 1990 to 2015

The Argentine economy underwent numerous internal and external shocks during the past three decades. These are reflected in strong fluctuations of per capita GDP growth rates (Figure 2.1).

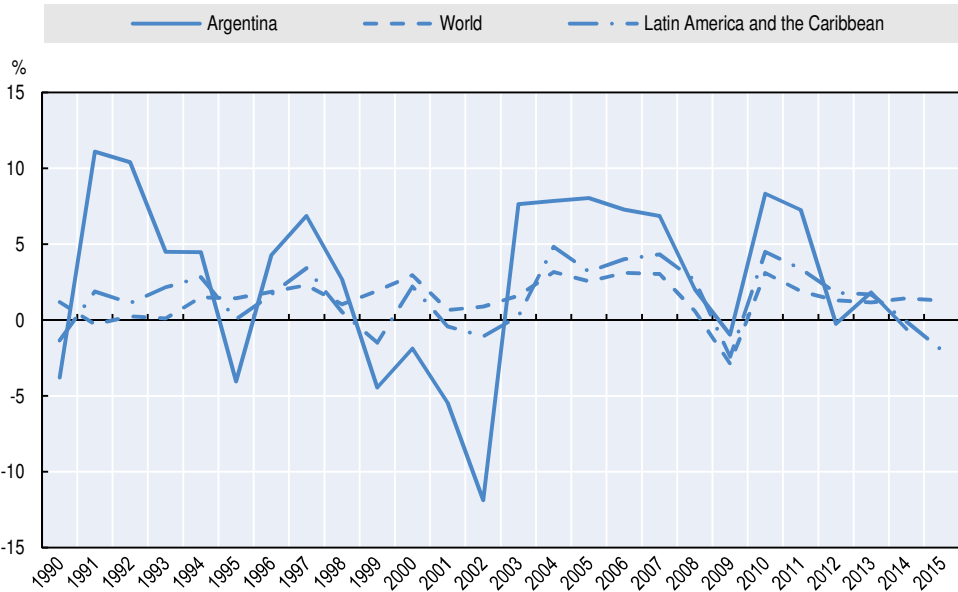
The 1990s were a prosperous decade for Argentina. In 1989-93, a series of aggressive economic reforms were introduced that were meant to address the economic depression of Argentina's "lost decade" (Kydland and Zarazaga, 2002). These reforms included a simplification of the tax system, the privatisation of state companies, trade and financial liberalisation, monetary stabilisation, and convertibility of the Argentine peso with the US dollar (Bambaci, Saront and Tommasi, 2002). At least initially, this led to a drastic drop in inflation and increases in foreign direct investment, the availability of credit and consumption. Labour productivity increased, and total factor productivity more than doubled over the 1991 to 1998 period, compared to the three decades from 1950 to 1980 (Stallings and Peres, 2000). Even the 1995 crisis, which some believe

to have been triggered by contagion from the collapse of the Mexican peso (the so-called “Tequila crisis”) (Uribe, 1996) only had a small impact on the decade’s overall growth performance.

This period of apparent prosperity was followed by a deep recession in the late 1990s that culminated in a debt default and a devaluation of the peso. Multiple explanations have been advanced for the emergence of this crisis, including the high government deficit, the existence of the currency peg to the US dollar, the impact of external shocks through the Russian and East Asian crises and the international appreciation of the dollar, internal political conflicts and faulty advice by international organisations (Cline, 2003). Whatever the cause might have been, the further 11% decline of an already shrinking economy represented the worst economic collapse of its history.

Figure 2.1. **Argentina’s GDP per capita is subject to strong fluctuations**

Annual GDP per capita growth, 1990 to 2015



Source: World Bank (undated), World Development Indicators, <http://data.worldbank.org/>.

After 2002, Argentina once again experienced an economic consolidation that lasted until the global Great Recession of the late 2000s and early 2010s. The currency board was abandoned and after a phase of a dual exchange rate and a floating exchange rate regime coupled with foreign exchange transaction controls, a managed float (in which the exchange rate is set freely by the market within certain bounds but the central bank intervenes when the rate is set to fall outside the bounds) was implemented to preserve a competitive and stable exchange rate (Frenkel and Rapetti, 2008). At the same time, international

prices for agricultural commodities increased, allowing Argentina's economy to recover (Coremberg, 2011).

The economy appeared to suffer less and recovered quickly from the 2008/09 global economic crisis, but the recent growth experience has been disappointing. Moreover, the reliability of the official inflation rate and hence of real GDP figures since 2007 has been put into question (Coremberg, 2011). Some of the factors that supported the economy during the previous decade, such as the high demand for primary products and the corresponding higher prices, reversed in recent years. This has negatively affected Argentina's economic position (World Bank, 2015). Other problems, such as a still-high fiscal deficit and inflation rate, a low investment rate, and the continued high reliance on commodities, continue to persist (OECD, 2017).

The relationship of these economic developments with immigration flows is complex. Chapter 5 explores some limited evidence on whether periods of economic decline or booms are associated with drops and increases in immigration. First, however, a sketch of the historical and political backdrop shaping the current immigration situation will be provided.

The history of immigration

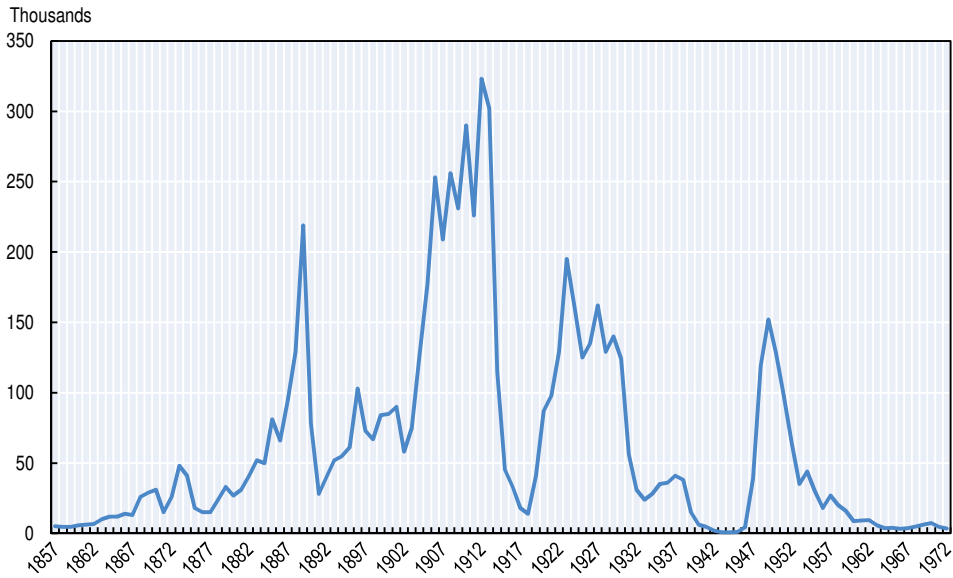
Argentina's immigration policy has vacillated between extreme openness to a more, though never entirely, closed regime. At the end of the 19th century and the beginning of the 20th century, immigration – in particular from Europe – was encouraged in an effort to settle the country. This was followed by intervals during which immigration was somewhat more restricted, alternating with legalisation campaigns. In recent years, the country's immigration policy has once again become more open. The goals of its immigration policy have however changed compared to a century before: the primary aim is no longer to settle the country but to guarantee the rights of immigrants, while at the same time benefiting from immigration's possible social and economic development impulses.

Between the 1870s and 1930s, Argentina moved from an open towards a more closed immigration policy

From 1870 to 1930, Argentina experienced mass immigration: around 7 million immigrated (Jachimowicz, 2006). As a comparison, the United States received around 30 million immigrants over the same period (Willcox, 1931). The goals of the open immigration policy were to settle the country and recruit labour. To support these objectives, the government instituted various policies at different times including free transportation, tax breaks and free accommodation (Organization of American States, 2012). Prospective immigrants were sometimes encouraged by conditions in Europe, but the high salary differential was clearly one of the factors that made Argentina an attractive destination. However, many immigrants eventually returned to their

home countries. In the 1930s, the immigration policy became more restrictive, but to differing degrees depending on the country of origin.

Figure 2.2. **Immigration to Argentina was very high at the beginning of the 20th century**
Immigration flows in Argentina, 1857-1972



Source: Mitchell (2007), *International Historical Statistics – The Americas 1750-2005 – 6th edition*.

The post-war and Peronist period had a more open immigration policy

From 1945 until the end of the 1950s, Argentina once again established a more open immigration policy and, as a result, immigration flows increased once again (Figure 2.2). Between 1947 and 1955, about 900 000 immigrants settled in the country (Mármora, 2012). However, their population share dropped from 15% to 13%.

The migration policy during this period began to orient itself more towards South American immigration. The 1949 Constitution banned racism and thus discrimination in its immigration policy and outlined that naturalisation could be obtained after two years upon application and would automatically be conferred after five years unless the immigrant objected. A 1953 agreement provided Chilean nationals the possibility to directly obtain documentation. Moreover, in 1949, the first regularisation programme (this time of Jewish immigrants lacking documents) was carried out (Avni, 1983).

The new immigrants shared many characteristics with their predecessors. 88% of the immigrants from 1947 to 1955 were from overseas and the majority were agricultural workers or technical specialists. At 59-65%, men dominated immigration flows, although less so than between 1880 and 1930. As before, they predominantly settled in the coastal regions, in the city of Buenos Aires

and the Greater Buenos Aires region; but this immigration wave was more urban than prior ones. This trend occurred in tandem with the increasing industrialisation of the country. Around 20% of industrial workers during the period were foreigners (Devoto, 2003).

Alternating military and civilian governments oscillated between openness and closure

During the years following the 1955 military coup, the country underwent alternate periods of openness (during the civilian governments) and closure (during the military governments). However, this does not imply that no immigrants arrived during the periods of military rule. Instead, they often had irregular status and had to be regularised through amnesties under the civilian governments. For example, from 1964 to 1970, around 215 000 immigrants from neighbouring countries were regularised (Pacecca and Courtis, 2008). During the last Perón government from 1973 to 1974, immigration was once again seen as a means of achieving the objectives of population growth, equilibrating the population distribution across the territory, and Latin American integration. There were bilateral accords with Italy and Spain to recruit immigrants with capital but also a bilateral convention of social security with Uruguay in 1974. That year, 150 000 immigrants from neighbouring countries were amnestied (Mármora, 1983).

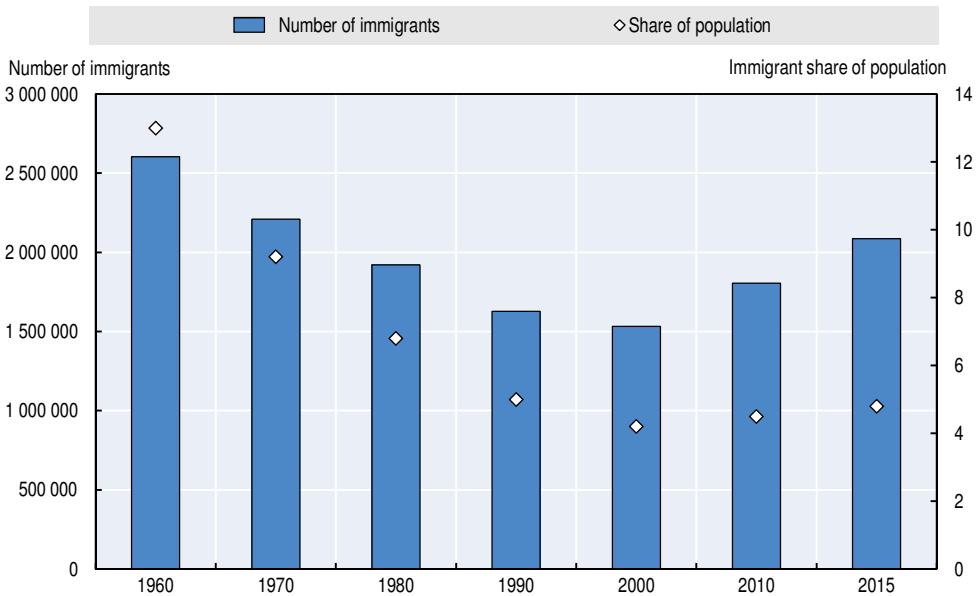
The increased instability and the periodically less open immigration policy influenced immigration and return migration. The number of immigrants dropped from around 2.6 million in 1960 to 1.9 million in 1980, which translates into a drop in the share of immigrants from around 13% to 7% (Figure 2.3).

Towards the end of the period of the last military dictatorship (1976-83), immigration was increasingly perceived as a security threat and treated accordingly. In 1981, the General Law on Migration and the Promotion of Immigration (No. 22.439) – also called the Videla Law – was established. The goal of this law was to increase the population of European origin, at the cost of discriminating against immigrants from neighbouring countries. It provided wide-ranging powers to the executive branch to expel individuals from the Argentine territory, explicitly forbade irregular immigrants from carrying out paid activities and required employers to report irregular immigrants within 24 hours (Oteiza, 2006).

From 1983 to 2003, immigration continued to be viewed under the angle of “securitisation”. One indicator was that the Videla Law continued to be in force. However, there were also periodic regularisation programmes. These included the amnesties of 160 000 and 200 000 immigrants respectively in 1983 and 1994. During the second half of the 1990s, the governmental policy was incoherent: the Ministry for Foreign Relations concluded bilateral agreements with Bolivia and Peru to liberalise population movements and promote the protection of immigrants, while the National Migration Directorate pushed for further restrictions (Mármora, 2012).

Figure 2.3. **In recent years, the share of the population born abroad has risen slightly again**

The share of immigrants in the population of Argentina, 1960-2015



Source: INDEC (undated), *Población nacida en el extranjero según origen limítrofe o no limítrofe – Censos nacionales 1869-2010*, www.migraciones.gov.ar/pdf_varios/estadisticas/Censos.pdf and UN DESA (2015), *Trends in International Migrant Stock: The 2015 Revision*, www.un.org/en/development/desa/population/migration/data/estimates2/estimates15.shtml.

The stock of immigrants and their share in the population continued to drop during this period. While in 1980, the 1.9 million immigrants represented 6.8% of the population, by 2001 the number had dropped to 1.5 million – at 4.2%, the proportion of the foreign-born population had thus reached its lowest level ever recorded since the first census of 1869.

Humanitarian migration plays a negligible role in Argentina. In 2015, for example, the number of refugees was equal to 3 207 and the number of asylum seekers to 1 077 (UNHCR, undated).

In recent years, a more open and rights-based immigration policy

The 2003 Migration Law represents a complete break with the earlier approaches. It defines migration as an “essential and inalienable” right to be guaranteed by the Argentine Republic on the basis of equality and universality (Article 4). (Foreign) regular immigrants and their families are to be treated equally to citizens, including with regards to social security, public goods, health, education, justice and employment (Articles 5 and 6). Irregular immigrants are also guaranteed equal access to education and health services (Articles 7 and 8). Integration measures including Spanish classes are to be supported by all levels of government (Article 14) and regularisation to be promoted (Article 16).

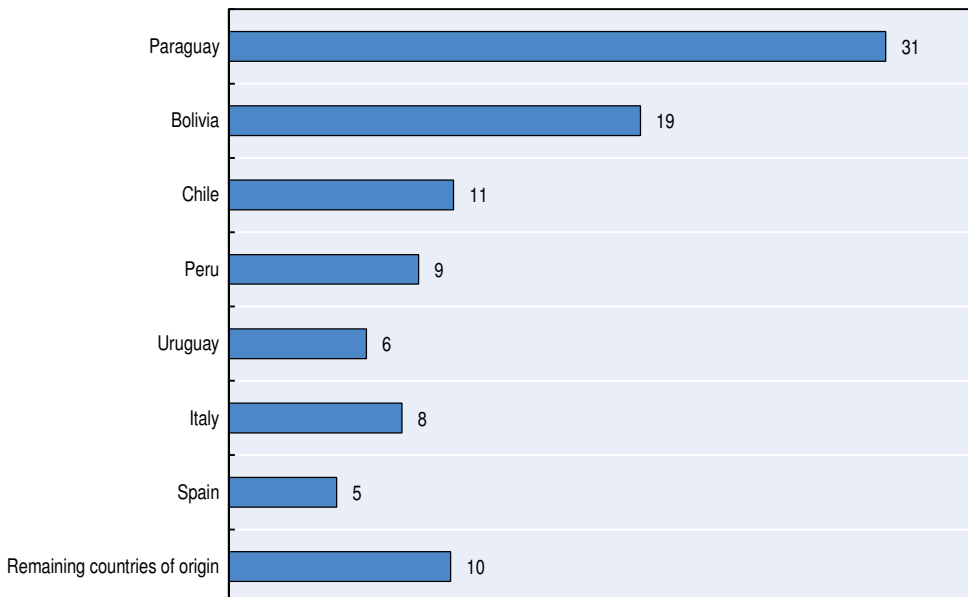
Since the adoption of the law, the share of irregular immigrants has decreased. Already following the adoption of the law, the number of registration requests to the National Migration Directorate increased (Novick, 2010). Then, over the 2006 to 2010 period, the *Patria Grande* (Greater Homeland) Programme was implemented (Box 2.1). Its goal was to regularise immigrants from MERCOSUR (Mercado Común del Sur – Common Southern Market) and associated countries. In conjunction with efforts to increase the formalisation of employment, it led to an increase in formal employment of immigrants by 91% over the 2002 to 2010 period compared to 68% among the native-born population (Baer et al., 2011). Overall, more than 400 000 immigrants applied for regularisation under the programme (Baer, Benitez and Contartese, 2012).

Countries of origin and years of arrival

Most immigrants in Argentina were born in neighbouring countries

The immigrant population today continues to be shaped by geographic proximity and historical ties. More than three-quarters of the foreign-born population in 2010 came from Argentina's five major regional source countries (Chile, Bolivia, Paraguay, Peru and Uruguay) (Figure 2.4). Nearly a third was born in Paraguay. Italy and Spain are also among the major countries of origin, accounting for 13% of the immigrant population.

Figure 2.4. **Most current immigrants in Argentina were born in Latin America**
Share of immigrants in Argentina by country of birth, 2010



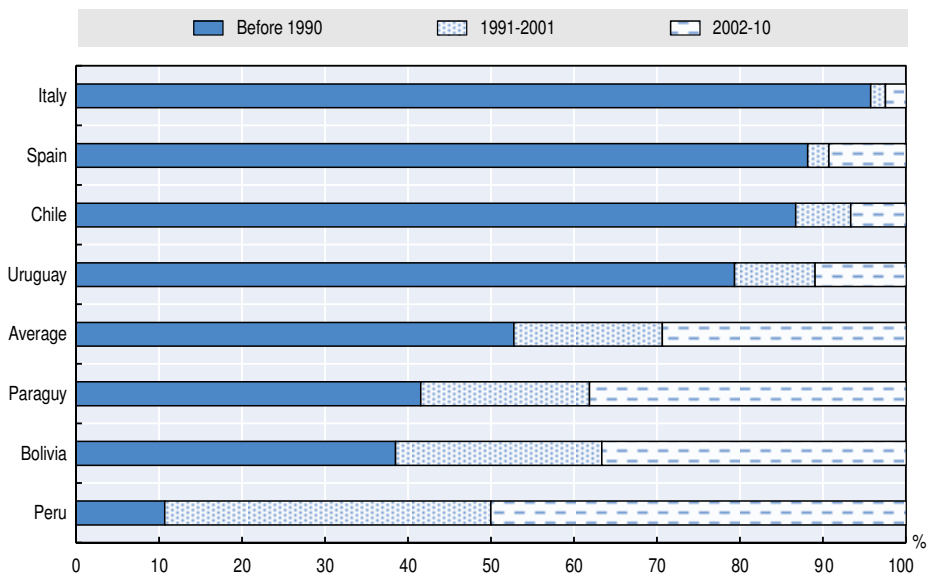
Source: Authors' calculations based on a sample of the 2010 Population Census (Minnesota Population Center, 2015).

In recent years, a few new countries of origin have appeared and prior ones are seeing modest flows again. Among recent immigrants (i.e. those that were living abroad five years ago), in urban areas in 2014, 10% each were born in Brazil and Colombia. In the same urban areas in 2010, their share among recent arrivals had only been 2% and 6%, respectively. Around 4% of the recent immigrants in 2014 were born in Italy and Spain, while in 2010 the share born in these countries was still below 1%. These results are in line with reports from other sources (IOM, 2015) that show that the post-2008 global economic crisis that hit Southern Europe more drastically than Latin America induced an increase of migration flows from Italy and Spain to Argentina. However, these flows are clearly still modest compared to the intra-Latin American flows.

The majority of current immigrants arrived several decades ago

Most immigrants in Argentina have already been in the country for a significant amount of time. According to the 2010 population census by the *Instituto Nacional de Estadística y Censos* (National Statistics and Census Institute) (INDEC, 2010), 53% of immigrants had arrived before 1991, 18% between 1991 and 2001 and only 29% since 2002. From certain countries of origin, this share is even larger: for example, 87% of Chilean, 79% of Uruguayan, 88% of Spanish and 96% of Italian immigrants arrived before 1991 (Figure 2.5). The most notable exception is Peru, which became an important source country for Argentina more recently: 39% arrived during the 1990s and 50% during the first decade of the new millennium.

Figure 2.5. **Immigrants from many countries of origin were already long-established by 2010**
Argentina's distribution of immigrants in 2010 by country of origin and year of arrival, 2010



Source: INDEC (2010), Resultados: Censo Nacional de la Población, Hogares y Viviendas 2010.

The arrival year patterns reflect factors that encouraged people to leave their home countries at different points in time as well as the situation in Argentina. For example, emigration from Paraguay has been important at least since the first census in 1869, although Paraguayan emigrants were overshadowed numerically by immigrants from Europe until the mid-20th century. During the 1980s, their inflows decreased slightly but Argentina's favourable economic situation during parts of the 1990s and early 21st century and the more liberal immigration policy encouraged immigration once again (IOM, 2012c). Emigration from Bolivia was likewise encouraged by the favourable economic developments in Argentina as well as networks of other Bolivians that helped newcomers settle into niches in the labour market (Benencia, 2003). For example, in 2001, four out of ten horticultural establishments in the southern Buenos Aires region were operated by Bolivians (Benencia, 2012).

In contrast, emigration from Chile and Uruguay in particular during the 1970s was partly determined by the political situation in the origin countries (González, 2003). From 1980 to 2001, the number of Chilean- and Uruguayan-born immigrants stayed stable but it has since decreased. The improving economic situation in Chile and the increased importance of new destination countries (Spain and the United States) for Uruguayan emigration contribute to this development (Cerrutti, 2009). Similarly to the cases of Chile and Uruguay, emigration from Peru was also encouraged by a combination of an economic crisis and a violent political crisis (IOM, 2012b).

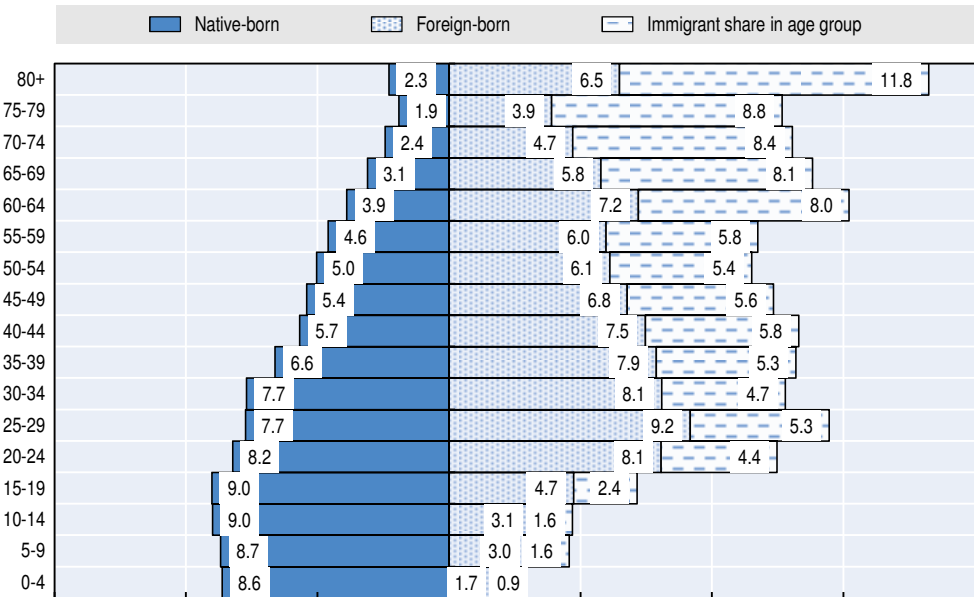
Characteristics of immigrants

Immigrants are usually of working or retirement age

In Argentina, immigrants are more likely to be of working age than native-born individuals. This pattern is typical for immigrant populations worldwide (UN DESA, 2016). For example, while around 64.0% of native-born people were between 15 to 64 years of age in 2010, the same was true for 71.4% of foreign-born people (Figure 2.6).

The share of immigrants within an age group rises with age. Only 2% of the total population of the under-20 year olds were born abroad. The immigrant share then rises to 5% among the 20-39 year olds, 6% among the 40-59 year olds, 8% among the 60-79 year olds, and finally 12% among over-80 year olds. The most important factor is that a large share of foreign-born individuals had already arrived many decades ago. A higher life expectancy among immigrants may be a secondary factor, but there is no clear evidence. The data do not suggest that there is much immigration for the purposes of retirement to Argentina : in the 2010 *Encuesta Permanente de Hogares* (EPH – Permanent Household Survey), only 2% of immigrants aged 65 or above had lived abroad five years prior.

Figure 2.6. **Immigrants in Argentina are more frequently of working or retirement age**
Argentina's share of native- and foreign-born populations by age group, 2010



Source: INDEC (2010), "Cuadro P5: Total de país. Población total por país de nacimiento, según sexo y grupo de edad. Año 2010", Resultados: Censo Nacional de la Población, Hogares y Viviendas 2010.

The urban population has a different age profile. The urban native-born population is slightly older than the overall native-born population, with 24.9% under 15 versus 26.3%. This is consistent with lower fertility rates in urban versus rural areas (Govea Basch, 2013). Among the foreign-born population, the difference in distribution is much more striking: more than 24.7% of the foreign-born in the 2010 pooled EPH sample are 65 or older, compared to 28% of the foreign-born in the census of the same year. However, even in the EPH urban area sample, recent immigrants are much more likely to be of working age: 17.3% are 14 or younger, 80.6% between 15 and 64, and 2.1% over 64.

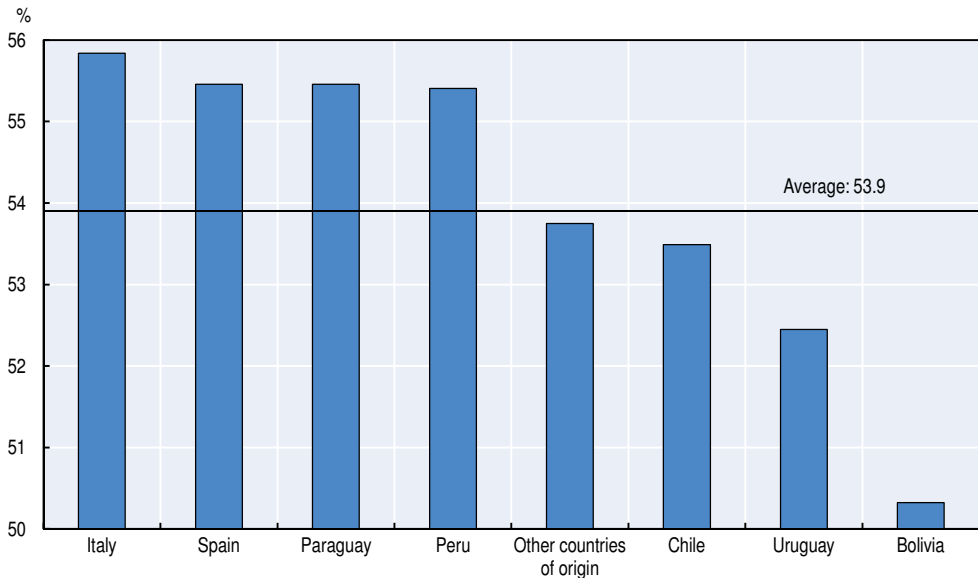
The age structure of immigrants suggests that they can play a small but positive part in helping Argentina benefit from the demographic dividend. Argentina is currently at the beginning of a 30-year window during which the projected total dependency ratio – the ratio of under-15 and over-65 year olds compared to 15-64 year olds – is at a low point at 55% (Gragnotati et al., 2015). As a point of comparison, several Latin American countries such as Brazil, Chile and Mexico have still lower total dependency ratios while Uruguay has a higher one. Certain countries with higher per-capita income levels such as Germany, Italy, Japan and Spain currently have similar ratios, but their ratios are quickly rising. At least currently, the dependency ratio among immigrants is also very advantageous. However, immigration flows of young immigrants

or return migration flows of older immigrants that are currently in the country would have to drastically increase in order to help Argentina maintain a lower dependency ratio beyond 2040.

More women than men have immigrated to Argentina

The share of women among the foreign-born population is slightly higher than in the native-born population. Around 54% of immigrants in 2010 were women, compared to 51% of the native-born population. Among immigrants from Italy, Paraguay, Peru and Spain, the share of women is even higher (Figure 2.7). In general, from 1980 to 2010, their share has slightly increased for the major neighbouring origin countries, while among Peruvian immigrants, the share drastically rose from 1980 to 2001 (from 34% to 59%) and then dropped again to 55% in 2010 (IOM, 2012a). Overall, the share appears to have remained stable at 54% in 2015 (UN DESA, 2015).

Figure 2.7. **Women are over-represented among immigrants to Argentina**
Share of female immigrants in Argentina by country of birth, 2010



Source: Authors' calculations based on a sample of the 2010 Population Census (Minnesota Population Center, 2015).

The share of female immigrants in Argentina is higher than elsewhere. In particular, it is slightly higher than the 48% average in other middle-income countries (UN DESA, 2016). It is also high compared to other American countries: among 13 countries¹ in 2011/12, only two had a higher share of female immigrants from the Americas and only three from elsewhere (Organization of American States, 2015).

Female immigrants are likely to immigrate for family reasons rather than to work. Among labour immigrants, women are in the minority (27-28%), while among family immigrants, they are in the majority (60% from the Americas and 52% from elsewhere) (Organization of American States, 2015). This lower attachment to the labour force (see also Chapter 3) implies that a relatively large share of the working-age immigrant population does not actually participate in the labour force.

Greater Buenos Aires attracts a large share of immigrants

The Argentine population is highly concentrated in Greater Buenos Aires, and this applies even more drastically to immigrants. In 2010, nearly 45% of the native-born population was living in the city or province of Buenos Aires, but among the foreign-born population, the share reached more than 73%. This result is in line with those presented for the working population by Baer, Benitez and Contartese (2012). The share of immigrants living in Cordoba, Santa Fé and Tucuman are in contrast 3-6 percentage points lower than the share of native-born individuals living in those provinces.

The population concentration in Greater Buenos Aires mirrors the region's economic importance. Around 60% of total value added was produced in this region in 2005, exceeding the 2001 population share of around 46%.

Different immigrant groups concentrate in different areas of the country. According to the 2010 census, 86% of Paraguayans live in the province or city of Buenos Aires. They have become more concentrated in this region since the 1980s. Previously, they often lived in the north-western provinces of Chaco, Formosa, Misiones and Corrientes. Among Bolivians, a smaller share though still the majority (65%) lives in the capital city or province. In contrast, only 29% of Chilean immigrants in 2010 lived in the same area. Many instead live in Mendoza, San Juan, Neuquén, Chubut, Río Negro, Santa Cruz and Tierra del Fuego.

Immigration and integration policy enforcement and implementation

Since 2003, Argentina has a very open immigration and rights-oriented immigration policy. The most important current laws are briefly described in Box 2.1.²

Visa requirements are relatively low

There are various types of temporary visas and including for employment-related visas, there are no annual quotas. The requirements to obtain these visas are relatively low. Labour immigrants need to provide proof of a job offer. Similarly, investors, pensioners and retirees need to provide proof that they have sufficient funds to sustain themselves. The minimum investment required to obtain an investor visa is ARS 1.5 million. For citizens of MERCOSUR, the employment- and investment-related visa conditions do not apply because they have their own temporary entry categories.

Box 2.1. Current immigration laws and programmes in Argentina

The major laws relevant to immigration in Argentina are:

- **2003 Migration Law (No. 25.871):** The law defines the fundamentals of Argentina's migration policy. It provides equal rights to regular migrants (those with the necessary legal documents) and defines protections that are accorded to irregular immigrants. Immigrants are admitted as permanent, temporary or transitory residents. Permanent and temporary residents can carry out paid activities, no matter the sub-category under which they have obtained their status, although the latter can do so only during their authorised stay period. In some cases, transitory residents also have the right to carry out specific paid activities. In 2010 and 2017 Decrees No. 616 and 70, respectively, added further regulations to the 2003 law. The 2017 decree among other measures shortened procedural times with which immigrants who had committed crimes could be deported or be refused admittance; shortened from 180 to 90 days the duration of the “precarious residence” permit which is granted while the administrative process for obtaining a transitory, temporary or permanent resident permit is undertaken; and established the attempt to avoid or the actual avoidance of immigration controls as one of the criteria which bar someone from entering or remaining in the country.
- **2006 General Law on the Recognition and Protection of Refugees (No. 26.165):** The law regulates the process of recognising refugees.
- **2008 Law on Prevention and Punishment of Human Trafficking and on the Assistance of Its Victims (No. 26.364):** This law implements means destined to prevent and sanction human trafficking and help its victims.

Former and current programmes include:

- **Greater Homeland Programme (Programa Patria Grande):** Decree N° 836/2004, created the National Programme for Migratory Documentary Normalization. Within this framework, Decree N° 1169/2004 set up a stage of the programme under which Mercosur immigrants living irregularly in Argentina by June 2004, could apply for residence provided that they fulfilled minimum requirements. Disposition No. 53.253/2005, the second stage of the programme, was carried out under the auspice of the National Migration Directorate with the collaboration of 560 public and private institutions. It provided a regularisation opportunity for citizens of MERCOSUR and associated states with irregular status that were living in Argentina by April 2006. Although the programme worked as an “amnesty” for those irregular immigrants that were living in Argentina at the mentioned date, immigrants who entered the country from that same date onward could also apply for residence under the terms of Law 25.871, article 23 l. The conditions were that they fulfilled minimum documentary requirements, such as having the nationality of one of the Mercosur countries or associated states, lacking criminal, judicial or police records and proving regular entry into the country).

Box 2.1. **Current immigration laws and programmes in Argentina** (cont.)

- Disposition N° 01/2013 - Regularisation programme for Dominican immigrants in Argentina.
- Disposition N° 02/2013 – Regularisation programme for Senegalese immigrants in Argentina.
- Different programmes related to **human trafficking** and **refugees** (ratification of the Palermo Protocol; information campaigns; online training courses for security forces, etc.).
- **National Plan against Discrimination** of 2005. The plan attempts to increase attention to persons being discriminated against, ease the reporting procedure against discriminatory, xenophobic or racist acts and develop prevention programmes against discriminatory actions.

Table 2.1. **Temporary visa and entry categories for Argentina**

Type of visa	Directly related to labour migration	Maximum duration
Citizens of MERCOSUR and associated states	▲	2 years* ¹
Investment, work, scientific, sports, artists, retirement/pension, religious	V	3 years*
Study, asylum seekers and refugees	X	2 years*
Tourist	X	3 months
Health, academic exchange	X	1 year*
Transit	X	10 days (Transits <12 hours: No visa required)

Note: V = relevant to labour migration; ▲ = partially relevant to labour migration; X = not directly relevant to labour migration. * = renewable. ¹ After which they can apply for permanent residence.

Source: Migration Law No. 25871, Decree 616/2010 (Ley de Migraciones No. 25.871), Articles 23 and 24.

Immigrants admitted under temporary visas can typically prolong their visa or apply for permanent residency. Most immigrants can apply for residency once they have lived in the country for at least two years (if they are from MERCOSUR or associated states) or three years (otherwise) (Article 22 of Migration Law No. 25871 and associated decree 616/2010) (Table 2.1). Aside from a valid visa, passport and birth certificate, immigrants applying for permanent residency also need proof that they have not committed any crimes. Permanent residency can be revoked if an immigrant remains outside of the Argentine territory for more than two uninterrupted years, with exceptions (Decree 70/2017, Article 6). After two years of residence in the country, immigrants can apply for citizenship. The naturalisation can only be granted by a federal judge.

By its very nature, the number of irregular immigrants is difficult to determine, but there are reasons to believe that their number may be

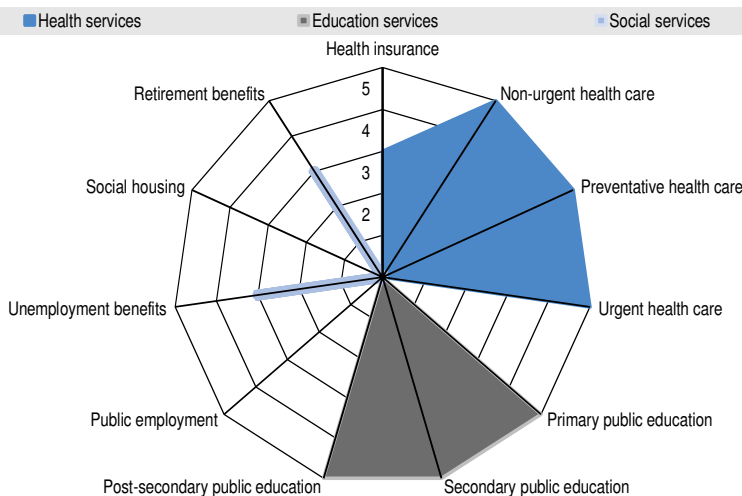
comparatively low. One important reason is the open and comprehensive immigration policy in particular for nationals of MERCOSUR and associated states, who can move to the country for two years without having to prove that they have sufficient resources or employment (Acosta, 2016).

Foreigners and citizens in principle have equal rights in many areas

Non-citizen immigrants have the same labour-related rights as Argentinian citizens. For example, they have the right to an equal salary and equal labour protections. However, for non-MERCOSUR immigrants with a temporary status, there are some visa-related restrictions. If they want to switch employers, they have to request a new labour permit because the visa was originally granted to work for that specific employer. And if they lose their job, they have to find a new employer, change their visa category or leave the country. Irregular immigrants, those without the necessary legal documents, are not allowed to work.

Regular immigrants have the same access rights to social security, public goods, health, education, justice etc. as citizens (Figure 2.8). Even irregular immigrants are guaranteed equal access to public and private education and health services. However, certain restrictions remain. For example, immigrants are not allowed to hold the highest offices in trade unions. The receipt of non-contributory pensions is also predicated on very long residence requirements extending from 15 to 40 years (Ceriani Cernadas and Campos, 2016). Moreover, as is shown in the following sectors, immigrants are much more likely to be informally employed,³ therefore reducing their access to the social security system.

Figure 2.8. **Immigrants have many rights in Argentina**



Source: Authors' elaboration based on a review of laws and regulations.

The Ministry of the Interior has the primary responsibility for immigration policy formulation

The Interior Ministry is responsible for the elaboration and application of norms related to internal and external migration (Law 22.520 on the Competencies of Ministries, Article 17, Number 16) and for setting the general guidelines for migration policies (Decree 616/2010 Article 3). Various secretariats and under-secretariats within the ministry work on these functions, including the Interior Secretariat and Under-Secretariat, the National Migration Directorate, the National Refugee Commission and the National Directorate for Population. Among these, the National Migration Directorate is the authority responsible for implementing the 2003 migration law, as established in its article 105.

Other ministries can intervene in migration policy formulation and implementation. Among these is the Ministry of Foreign and Religious Affairs, which can intervene when immigration policy touches international affairs. It is responsible for consular affairs (Law 22.520 Article 18 number 28). Another ministry involved is the Ministry of Justice and Human Rights. Directorates and institutes of this ministry for example intervene for the protection of immigrants' human rights and against discrimination. There are moreover co-ordination bodies between the federal level and provinces, such as the Federal Population Council.

On the legislative side, various commissions in the Senate and the House of Representatives work on migration issues. For example, commissions in charge of promoting human, civil, political, economic, social and cultural rights were created in the upper and lower chambers in 1983 and 1992, respectively. The Population and Development Commission in the Senate and the Population and Human Resources Commission in the House of Representatives were created in 1990 and 1991. Among their functions is the definition of migration policy.

Multilateral and bilateral agreements define aspects of Argentina's immigration policy

Argentina closed several bilateral agreements concerning regularisation, such as with Bolivia and Peru (passed into law in 1999) and with Brazil (passed into law in 2005).

Argentina's main venue for multilateral agreements related to migration is MERCOSUR.⁴ Freedom of movement was implicitly defined as a goal in its founding document, and the equal treatment of immigrant workers is a theme that is reflected in various agreements and declarations. One example is the 1997 Multilateral Social Security Agreement. It states that immigrant workers have the same rights and obligations as nationals when working in any of the member states. In fact, the rights and obligations also extend to immigrants from third countries. The agreement is not yet fully implemented (Alfonso, 2012). Another example is the Socio-Labour Declaration of the MERCOSUR

delegate summit of 1998. It was developed by a tripartite commission and guaranteed equal rights to immigrants (Article 4). In 2002, two key agreements were signed: one concerned the internal regularisation of MERCOSUR citizens and the other residence rights. By 2012, Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Paraguay, Peru and Uruguay had ratified the agreement. It established the right to residence in other member states provided that citizenship and the lack of a criminal record could be proven. The right is initially granted for two years and can be transformed into permanent residency. The agreement also grants equal rights to these immigrants in all spheres except politics.

Views of immigrants vary across time

As one of the classical immigration countries, Argentina has been shaped by immigration in its demographic composition, customs and settlement patterns, with effects on how the country perceives immigrants. Throughout its history, the public has held both positive and negative views of immigration that depend on the particular aspect that is analysed and the political and economic situation at the time.

From a historical perspective, there have been waves of how immigrants were perceived. At the end of the 19th and beginning of the 20th century, migration was viewed as an agent of development. This changed during the crisis of the 1930s, during which immigrants were seen as competitors on the labour market. After the Second World War, the pendulum once again swung in the other direction and immigration was associated with development. During the 1960s and the following decades, immigrants started to be seen once again in a more negative light. Different factors contributed to this development, including the shifting composition of the immigrant population coupled with more negative views of Latin American compared to European immigrants and the worsening economic situation. Certain employers fuelled these resentments in an effort to marginalise some categories of workers (Mármora, 2015). During the 1990s, immigrants continued to be blamed for economic and other problems (Novick, 2010).

More recently, different surveys and questions reveal mixed views of immigration. The 2014 Diagnostic survey on the immigration situation in Argentina by the National Directorate on Migration reveals that while the majority perceives relations between immigrants and Argentinians to be good, on certain topics the impact of immigrants is nonetheless perceived as problematic by a share of the population. Almost 70% of respondents perceive the relationship between Argentinians and immigrants from neighbouring countries as “good” or “very good”, compared to only 22% that perceive it as “bad” or “very bad”. The perception of immigrants from neighbouring countries is in general more positive than of those from other Latin American countries.

When asked about four possible consequences of immigration, the option that generates the most agreement is that immigration increases insecurity (29.7%). This is followed by the statement that it leads to less work (22.8%), that it decreases the quality of care in hospitals (14.7%) and that it worsens public education (8.8%). Only 19.4% state that immigration has none of these effects. However, this question does not indicate how severe respondents believe the impacts to be (DNM, 2015).

The Ipsos Mori Global Study on Immigration shows that only a small percentage of the respondents from 2011 to 2016 had a positive view of the impact of immigrants on Argentina – only 12-17% judged the impact as fairly or very positive. In 2016, a further 39% thought that the impact was neither positive nor negative. When asked specifically about economic impacts, the views were slightly more positive: 19-25% strongly agreed or tended to agree that immigration is good for the economy. The views on negative impacts on public services voiced in the diagnostic survey were echoed in the Ipsos study: 55-62% believed that immigration placed too much pressure on public services (Ipsos Mori, 2015 and 2016).

The World Value Survey (undated) shows that views on immigration can vary quite strongly over time. The share that agreed with the statement that jobs should be given with preference to people of Argentina over immigrants when jobs are scarce was less than 60% in 1991, rose to over 70% in both 1999 and 2006 and then dropped again to around 50% in 2013.

Conclusions

A well-integrated immigrant workforce can have opposite consequences for the economic impact of immigration. On the one hand, foreign- and native-born individuals that speak the same language and come from a similar cultural background should be able to co-operate better with each other, thereby increasing the potential productivity and economic growth impulses from immigration. Moreover, if societal integration translates into better integration into the labour market, immigrants are more likely to pay higher taxes and to be less reliant on social services, thereby increasing their fiscal contributions (OECD, 2013). On the other hand, when immigrants have already been in the country for a long time ago and are well integrated, they may have become so similar to native-born workers that the productivity gains typically observed in a more diverse workforce have declined (Rashidi-Kollmann and Pyka, 2017).

The preconditions in Argentina are favourable for easy integration into the Argentine society and labour market. First, the brief demographic sketch presented above suggests that the immigrant population is likely well integrated into the Argentine society. More than three-quarters of immigrants are from other Spanish-speaking South American countries; more than 80%

had already arrived ten years prior to the last census, and the population is heavily concentrated in the working-age population. In addition, as will be seen in the following chapter, immigrants have a high degree of labour market integration. Finally, since 2003 Argentina's migration policy has granted legal residence to nationals of MERCOSUR members and associated states (IOM, 2012a), facilitated the regularisation for irregular non-MERCOSUR citizens and specified that access to health and education services as well as labour rights was not predicated on an individual's legal status. Therefore, a far lower share of immigrants would fall into the irregular category than previously, and irregular status would have less drastic consequences for the individual than it might in other contexts.

Certain indicators bear out that immigrants in Argentina are relatively well integrated. Measuring the degree of integration across its multiple dimensions would require a report in itself, but certain indicators can already provide some evidence. For a few labour, education and housing related indicators, immigrants in Argentina appear to be better integrated than for the average of OECD countries. Foreign-born individuals are less likely to be unemployed than native-born individuals in Argentina, while for the OECD average the opposite is true. In Chile, the situation is the same as in Argentina, while in Mexico, the foreign-born unemployment rate is also higher than the native-born one. The difference in the share of native- to foreign-born individuals who have low educational attainments is similar in Argentina and the OECD average. In Chile and Mexico, in contrast, the share of the population with low education levels is actually lower among immigrants.

In the following chapter, the labour market and educational indicators of integration are analysed in more detail.

Notes

1. Barbados, Bolivia, Canada, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Mexico, Paraguay and Peru.
2. This section is partly based on a policy review. The set of questions addressed in this review was prepared in part based on prior work by for example Klugman and Medhalho Pereira (2009) and Ruhs (2013).
3. A worker is understood to be informal if his work does not have all three of these characteristics: paid sick leave, health insurance and payments into the pension system.
4. MERCOSUR was formed in 1991 in an effort to bolster regional integration. Aside from Argentina, the initial members were Brazil, Paraguay and Uruguay. Venezuela has joined since, while Bolivia is in the process of adhesion. Other countries (Chile, Colombia, Ecuador, Guyana, Peru and Surinam) are associate members. Its goal was to increase economic development (while maintaining social justice) through the creation of a common market with freedom of movement for goods, services and factors of production (labour and capital).

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Chapter 3

Immigrant integration in Argentina: Labour market outcomes and human capital

This chapter presents the educational and labour force characteristics of the native- and foreign-born populations in Argentina in order to lay the groundwork for the remainder of the report. The first part discusses how immigration can shift the education distribution in the overall population directly and indirectly. The second part of the chapter compares various labour market outcomes between the foreign- and native-born populations.

The impact of immigrants on the labour market and the overall economy depends in large part on their skills and their integration into the labour market. If immigrants are plumbers, the economy adjusts differently than if they are professors of mechanical engineering. Higher education levels are not necessarily more beneficial for the receiving country's economy and its population; the benefits depend on which skills are scarce and which are abundant in the host economy. Similarly, immigration has different effects if immigrants find work or remain unemployed.

The educational attainment of the native- and foreign-born labour forces

Human capital – the stock of knowledge and skills of individuals – is an important contributing factor to the economic development of a country (Becker, 2009). Even though it is not a strictly economic outcome, it needs to be included in an analysis of the economic impacts of immigration. In this report, human capital is measured by formal educational attainment. Other building blocks of human capital, for instance the technical and non-technical skills workers acquire on the job, are equally important, but data on them are not readily available in Argentina.

Immigrants in Argentina on average have lower education levels than native-born individuals. Immigrant workers are less represented among those with a secondary and tertiary education. This is also true for immigrants that arrived within the prior five years, although they are more educated than prior immigrant cohorts. While they contribute slightly to growing the labour force across different education categories, their contribution is far outweighed by changes due to the entry of young workers.

Immigrant workers are on average less educated than Argentine workers

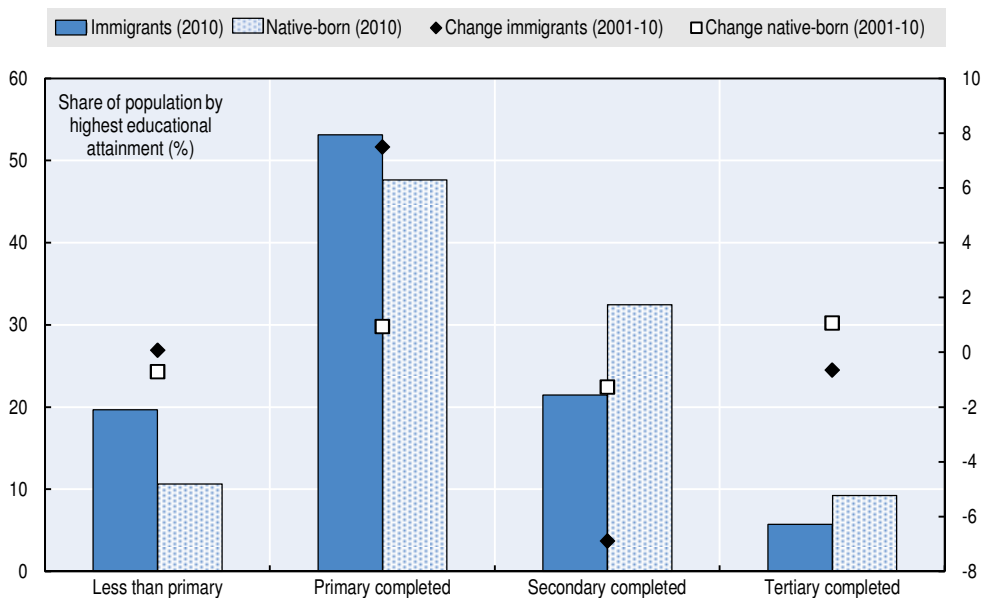
In Argentina, the foreign-born labour force is on average less educated than the native-born labour force (Figure 3.1). While a larger share of the foreign-born population has a primary education or less (73% versus 59% among the native-born population), they have less frequently completed secondary or tertiary education.

Between 2001 and 2010, the distribution of educational attainment among native-born workers has hardly changed while the average level of education in the immigrant labour force has declined. The share of immigrant workers

having completed secondary education dropped by seven percentage points. For the level of primary education, the share rose by seven percentage points. A likely explanation is the rising number of immigrants from nearby countries in which education levels are lower, such as Peru.

Figure 3.1. Immigrant workers are less educated than native-born workers

Distribution of educational attainment of the labour force in Argentina by place of birth, 2010, and evolution, 2001-10



Note: Includes the working and unemployed population aged 15 and above.

Source: Authors' calculations based on 2001 and 2010 population census samples (Minnesota Population Center, 2015), <https://international.ipums.org/international/>.

Immigrant women are less likely to have completed primary school than immigrant men, with the opposite being true for secondary education. In contrast, among Argentine workers, the distribution is similar between men and women.

In urban areas, recent immigrants are more educated than those who arrived previously (Table 3.1).

Immigrants from Latin America are on average less educated than those from other continents

Depending on which continent they come from, immigrant workers in Argentina have quite different education levels (Figure 3.2). In 2010, immigrant workers that were born in other Latin American countries had the highest share of incomplete and complete primary education (20% and 55%) and

the lowest share with tertiary education (4%). A similar share of immigrants from Asia and Europe (around 17%) did not complete primary school, but a higher share of immigrants from Asia completed tertiary and in particular secondary education. African-born immigrants are the next-most educated group, followed by immigrants from Oceania and finally North America, among whom more than 40% completed tertiary education. Unfortunately, the 2010 IPUMS census sample does not contain information on the year of immigration. It is therefore impossible to say whether the patterns are the same among individuals who immigrated recently, or whether part of the different educational distributions can be explained by different compositions in terms of arrival cohorts. For example, a larger share of older and less educated immigrants is from Europe.

Table 3.1. Recent immigrants are more educated than those who arrived before

Educational attainment of the urban immigrant labour force in Argentina, by country of residence five years prior, 2014

		Less than primary	Primary completed	Secondary completed	Tertiary completed
Foreign-born that did not live abroad in 2009	Distribution in 2014 (%)	11	42	35	11
	Difference to native-born (PP)	8	7	-5	-10
Foreign-born that lived abroad in 2009	Distribution in 2014 (%)	7	25	48	20
	Difference to native-born (PP)	3	-10	8	-1

Note: Includes the working and unemployed population aged 15 and above. PP stands for percentage points. The difference to native-born is the relevant percentage for the foreign-born population minus the relevant percentage for the native-born population.

Source: Authors' calculations based on the *Encuesta Permanente de Hogares* (INDEC, 2003-2016), <https://www.indec.gob.ar/bases-de-datos.asp>

Immigrants from certain countries may be positively self-selected

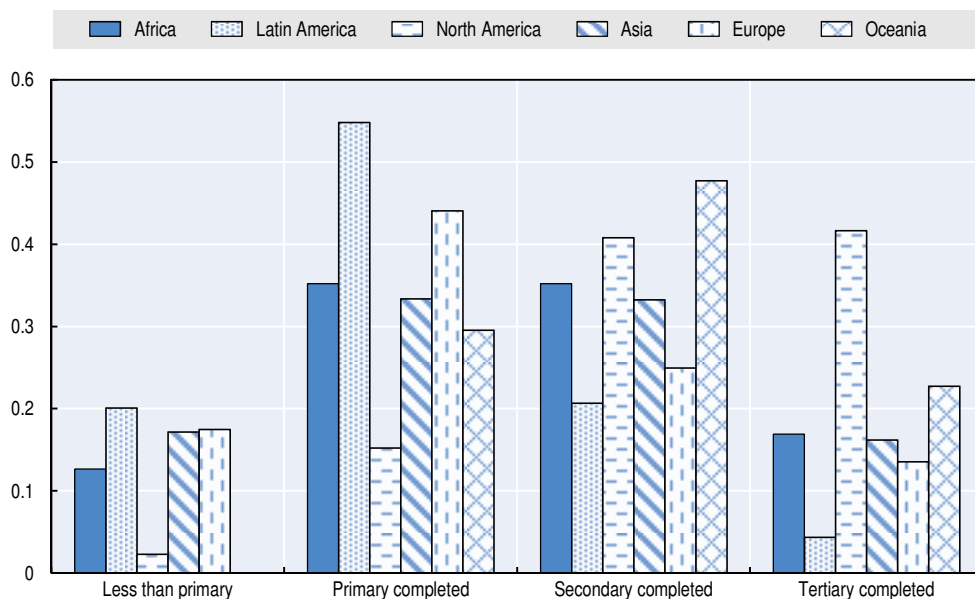
The educational composition of immigrants from a given country is driven by two factors. The first is the educational levels achieved by the population of origin. The second factor is who among that population chooses to emigrate.

As was seen in the previous chapter, in 2010, the majority of recent immigrants to Argentina were born in countries within the region. Compared to these countries of origin, with the exception of Chile, the Argentine population generally has a higher educational level: according to the World Development Indicators, around 2005,¹ 90% of the Argentine population aged 25 and above had completed at least primary school. While the share was almost the same in Chile, 19% fewer had attained this level in Peru, 25% fewer in Paraguay and 44% fewer in Bolivia. At the upper secondary level, the differences are shrinking: with 42% having completed upper secondary education in Argentina, the percentage

is actually 9 percentage points less than in Chile and 2 percentage points less than in Peru. The share is however 8 percentage points more than in Bolivia and 12 percentage points more than in Paraguay.

Figure 3.2. **Immigrants from Latin America are less educated than those from other continents**

Educational attainment of the immigrant labour force in Argentina
by continent of origin (%), 2010



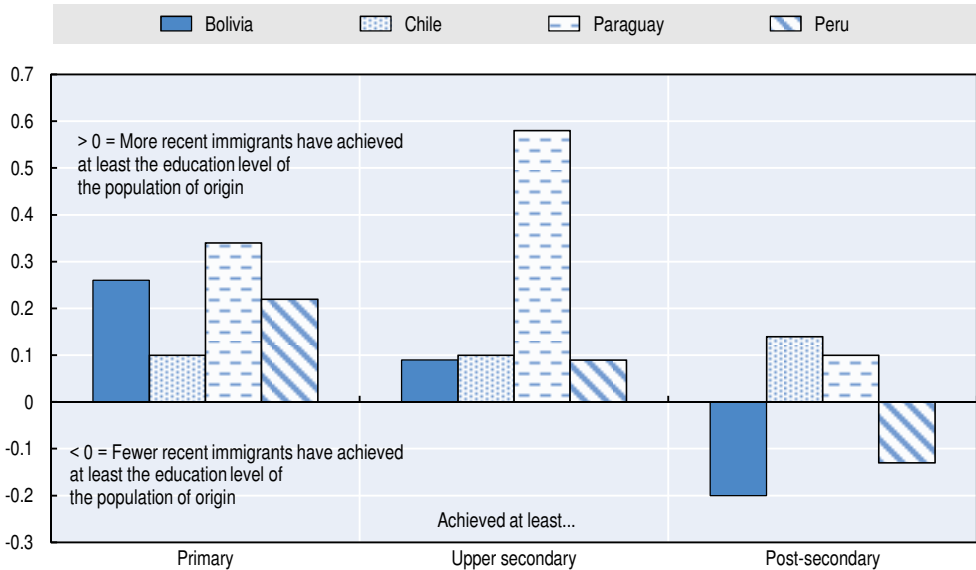
Source: Authors' calculation based on a 2010 population census sample (Minnesota Population Center, 2015).

This comparison provides a partial explanation of why the education level of the foreign-born population is on average lower than that of the native-born population. However, it is not the full explanation because emigrants as a group tend to look very different than a random sample of the population of origin.

Overall, recent immigrants appear to have higher education levels than is the norm in their countries of origin (Figure 3.3). Compared to the adult population in Bolivia, Chile, Paraguay and Peru, a higher share of the recent immigrants in urban areas in Argentina have completed at least primary and upper secondary education. However, for post-secondary degrees, this is only true for immigrants from Chile and Paraguay. Apparently, Bolivians and Peruvians with a university degree are less likely to emigrate to Argentina compared to individuals with a lower education.

Figure 3.3. Recent immigrants have higher educational attainments than the overall populations of the origin countries

Difference in shares of educational attainment in Argentina between immigrants and the population in their countries of origin (%)



Note: The difference is equal to the share of recent urban immigrants aged 25+ in 2010 having at least completed the education level minus the share having achieved the level in their country of origin around 2005. Recent immigrants are defined as those born in the respective country and having lived abroad five years earlier.

Source: Authors' calculations based on *World Development Indicators* (World Bank, undated) and the 2010 *Encuesta Permanente de Hogares* (INDEC, 2003-2016), <https://www.indec.gob.ar/bases-de-datos.asp>

This analysis does not allow a definite conclusion that immigrants to Argentina are less educated than the general population of their countries of origin. There are two principal reasons. First, the sample sizes were only sufficient to analyse the educational characteristics of immigrants from four main countries of origin. Second, the educational characteristics of immigrants in rural and urban areas are different. Nevertheless, it is unlikely that the immigrants from these four countries have a lower level of education than the general population of their countries of origin.

The Argentine labour force is growing mostly thanks to the entry of young workers, not of new immigrants

Even though the foreign-born population is less educated than the native-born population, recent immigration contributes to the human capital stock of the population. But their impact is far outweighed by the entry of native-born workers into the labour force. The methodology underlying this section is described in Annex 3.A1.

Over the 2009 to 2014 period, the urban Argentine labour force grew by 4.6% (Figure 3.4). This growth is almost entirely due to the entry of young workers into the labour market. The prime-age labour force shrank slightly. The almost zero contribution of new immigrants to the growth of the labour force is in contrast to an average 20% to the growth of OECD labour forces over the 2000 to 2010 period (Mestres, 2014). An estimated 16% of the 2009 labour force was replaced by 2014.

These results underline the favourable dependency structure of the Argentine population. As discussed in the previous chapter, Argentina has a relatively low ratio of children and older people to working-age people at the moment. The ratio will remain at the current level until 2040. In contrast, many OECD countries are already experiencing drastically rising dependency ratios. The results also show that at least at current levels, immigration cannot play a large role in prolonging the duration of the low dependency ratio.

Figure 3.4. The growth of the labour force growth is driven much more by young people than immigrants

Contribution to Argentina's urban labour force growth by different demographic groups, 2009-14



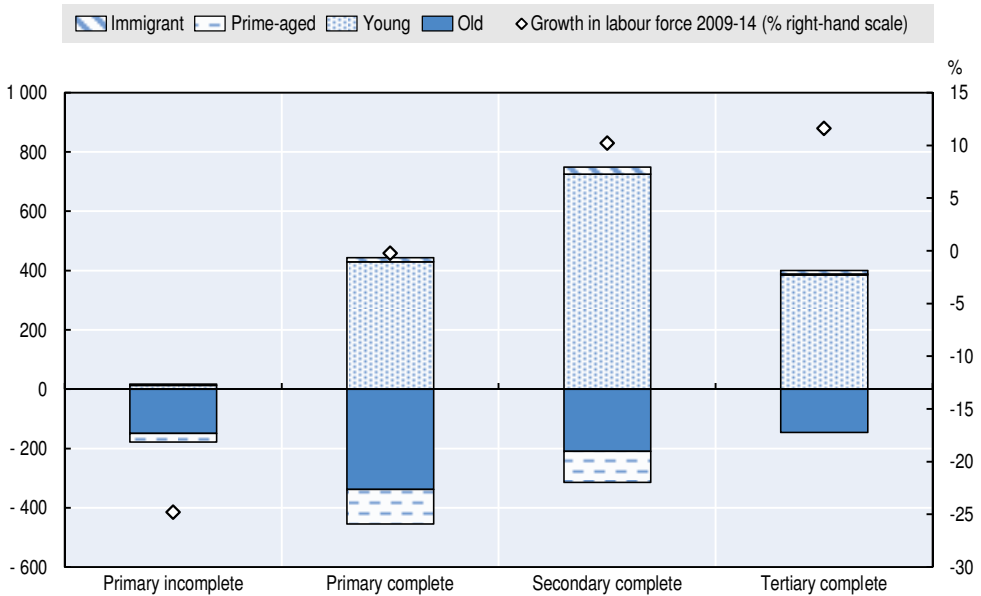
Note: Includes the working and unemployed population. The contribution of each group is the net change over the labour force in 2009. See Annex 3.A1 for the composition of the different demographic groups.

Source: Authors' calculations based on INDEC (2003-2016), *Encuesta Permanente de Hogares*, <https://www.indec.gov.ar/bases-de-datos.asp>

Most of the changes in educational attainment of the urban labour force in Argentina come about through the growth of the young labour force. The synthetic prime-age and older cohorts are shrinking (Figure 3.5).²

Figure 3.5. Young workers alter the labour force's educational levels much more than immigrants do

Changes in the educational attainment of Argentina's urban labour force by demographic group, 2009-14



Note: Includes the working and unemployed population. The contribution of each group is the net change over the labour force in 2009. See Annex 3.A1 for the composition of the different demographic groups.

Source: Authors' calculation based on INDEC (2003-2016), *Encuesta Permanente de Hogares*, <https://www.indec.gob.ar/bases-de-datos.asp>

Indirect effects of immigration on human capital

Immigration does not only alter the human capital stock in the country directly, but might also do so indirectly. For example, the children of immigrants may perform differently in their educational trajectories compared to the children of native-born individuals. This can change the human capital stock in the long term. Moreover, the educational performance and decisions of the native-born population and their descendants might also be affected. Children may learn less when class sizes grow as a result of immigration, and teenagers and young adults may decide to either leave school earlier or stay longer because the returns to different occupations are affected by immigration. Unfortunately, it is difficult to analyse whether such effects occur.

Children of immigrants have similar school enrolment rates to others

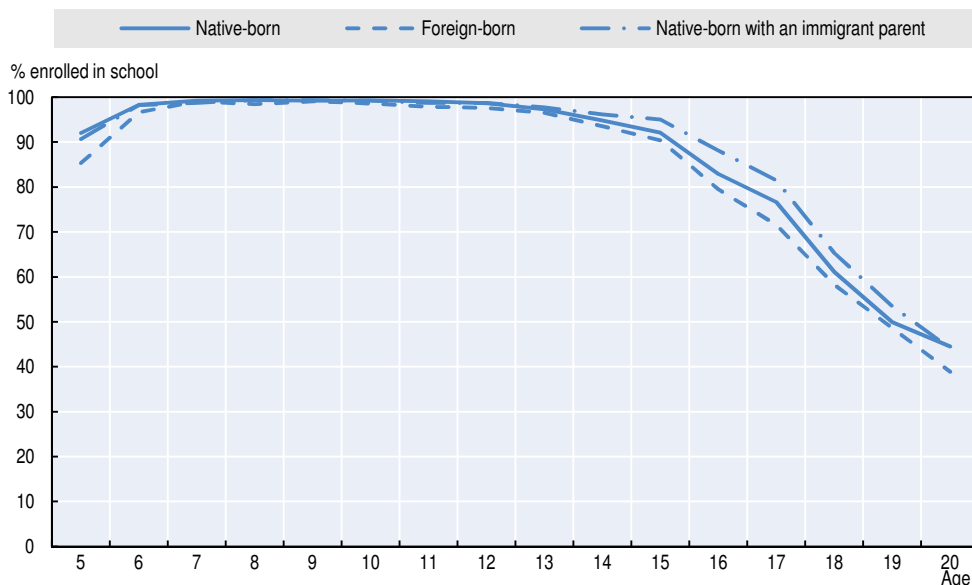
Immigration may alter the long-term human capital distribution in a destination country if foreign-born children or native-born children of foreign-born parents acquire different educational levels in their country of destination.

However, in Argentina, it is not likely that the different in-country school enrolment rates of those with an immigration background have such an effect.

Based on an analysis of the 2010 census data, immigrant children and native-born children of immigrants still living at home have rates of educational enrolment similar to their Argentine counterparts (Figure 3.6). Enrolment rates are nearly identical (within one percentage point) from ages 6 to 13. This is not surprising: school attendance is compulsory for the last year of pre-primary education as well as for nine years of primary and secondary school (International Bureau of Education, 2012). Thereafter, there are slight deviations. In 2010, compared to teenagers living at home whose parents are Argentine-born, a slightly lower share of teenagers that were themselves born abroad was still enrolled in school and a slightly higher share of those who were living with at least one foreign-born parent was still going to school. For example, at age 16, 83% of native-born, 80% of foreign-born and 88% of native-born children of immigrants were still going to school.

Figure 3.6. Native-born teenagers with an immigrant parent are more frequently enrolled in school

School enrolment rates for native- and foreign-born children in Argentina still living with a parent, 2010



Note: The school enrolment rates are only given for children and teenagers whose relationship to the household head is "child". The definition of the different groups is as follows: native-born = born domestically and the parent(s) that the person is living with was also born domestically; foreign-born = born abroad; native-born with an immigrant parent = one or both of the parents that the person is living with was born abroad.

Source: Authors' calculation based on the 2010 population census sample (Minnesota Population Center, 2015), <https://international.ipums.org/international/>.

Despite some reservations, these results suggest that it is unlikely that the offspring of immigrants will negatively impact the average educational attainment in Argentina. A main reservation is that young adults with different immigrant background may move out of their parental home at different ages and/or the differences in educational enrolment of those that have already moved out differ from those depicted in Figure 3.6.³ Moreover, it is possible that after age 20, the pattern of higher enrolment among the second generation compared to native-born individuals switches. Finally, the slightly higher enrolment rates may not translate into higher educational attainment in terms of completed degrees.

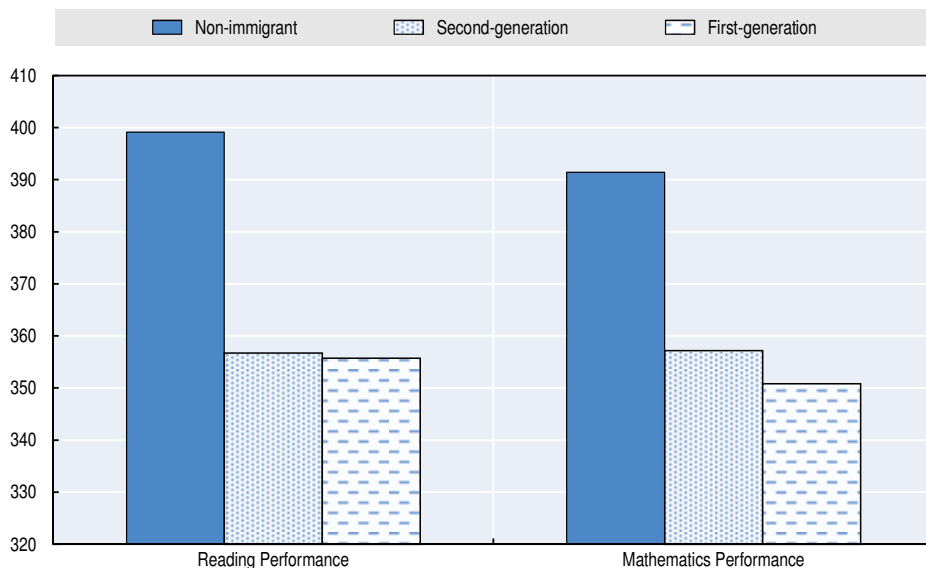
Immigrant students perform poorly in education compared to Argentine students

About 4% (341 out of 5 458) of the tested students in PISA 2012 in Argentina had an immigrant background, that is, either themselves or their parents were born abroad (OECD, 2012). Two-fifths of these students were foreign-born. In general, foreign-born students in most countries are more disadvantaged than native-born students, and it is also the case for Argentina. While the index of economic, social and cultural status (ESCS), which among other factors accounts for parental occupation, education and wealth, was -0.7 for native-born students, it was -1.5 for immigrant students.⁴ A more negative index value is indicative of a less elevated economic, social and cultural status.

Immigrant students perform poorly in education compared to non-immigrant students (Figure 3.7). In PISA 2012, non-immigrant students scored 391 in mathematics while immigrant students scored 354. However, this difference more than halved after adjusting for the ESCS. This suggests that more than half of the difference in performance between non-immigrant and immigrant students can be explained by the on average lower socio-economic status of immigrants. In reading, the score difference is 43 points between the two groups and this becomes smaller (36 points) after accounting for differences in the language spoken at home. The decrease upon such adjustment is relatively small because 85% of immigrant students in Argentina speak Spanish at home.

Schools with a high concentration of immigrant students (at or above 25%) tend to perform poorly compared to those without immigrant students. High-concentration schools score 52 points lower in mathematics than those without immigrant students (Figure 3.8). However, after adjusting for students' socio-economic status, the gap decreases to 36 points, which however is still equivalent to nearly one year of formal schooling. When adjusting for the socio-economic status of both students and schools, the gap is only eight points.

Figure 3.7. **Immigrant students perform poorly compared to non-immigrant students**
Argentina's 2012 PISA score points

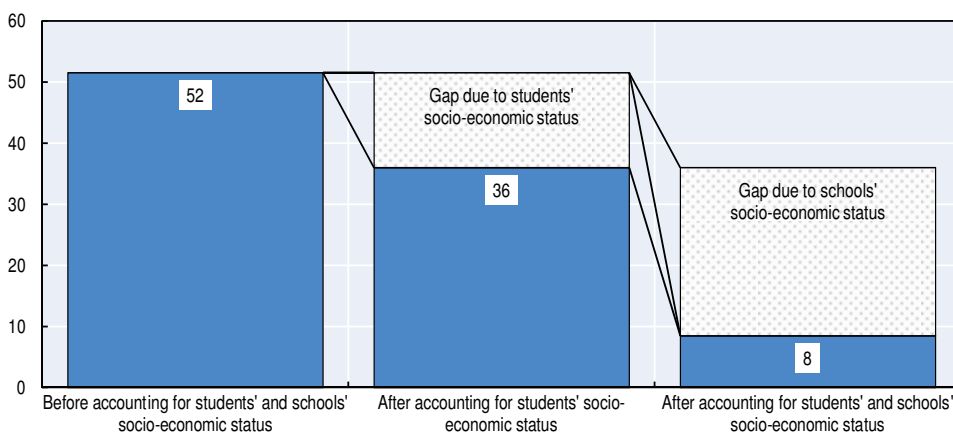


Note: First-generation students are foreign-born and have foreign-born parents. Second-generation students are native-born but have parents who are foreign-born. Non-immigrant students are native-born and have at least one parent who is native-born.

Source: OECD (2015), *Immigrant Students at School: Easing the Journey towards Integration*, <http://dx.doi.org/10.1787/9789264249509-en> and OECD (2012), www.oecd.org/pisa/pisaproducts/pisa2012database-downloadabledata.htm.

Figure 3.8. **Difference in performance on the mathematics test between schools without and with high immigrant concentration**

Difference in 2012 PISA math scores between schools in Argentina with a high concentration of immigrant students and those without immigrant students



Note: The threshold of high-concentration of immigrant students is at 25%. Immigrant students are students whose parents are foreign-born or who are foreign-born themselves.

Source: OECD (2015) *Immigrant Students at School: Easing the Journey towards Integration*, <http://dx.doi.org/10.1787/9789264249509-en> and OECD (2012), www.oecd.org/pisa/pisaproducts/pisa2012database-downloadabledata.htm.

Investigating how the presence of foreign-born students affects the school performance of native-born students is not possible for Argentina. The reason is that the sample size of immigrant students in the schools covered by PISA is too small. More than half of the schools had no immigrant students in 2012 and those with immigrant students were mostly located in socio-economically disadvantaged areas: the school-level ESCS index was -0.6 for schools without immigrant students and -0.8 for schools with immigrant students. A frequently used national data source – the *Operativo Nacional de Evaluación* – lacks information on the students' immigration background.

Native- and foreign-born labour force characteristics

Over the 2005 to 2015 period, the labour market in Argentina underwent several positive developments, such as rising formal employment – even if coupled with a fall in the labour force participation rate – and a drop in underemployment. This development went in tandem with strongly fluctuating growth rate that averaged around 5%, an improved competitiveness, an increased role of labour institutions such as collective bargaining and workplace inspections but also high inflation (Bertranou et al., 2014; World Bank, undated).

Over this period, no drastic differences were observed in the labour market attachment of foreign- and native-born people. Immigrants tended to have a slightly lower labour force participation rate and a slightly higher underemployment rate, but in turn, their employment rate was also slightly higher than among native-born workers. A more drastic difference can only be observed in the youth unemployment rate, which is substantially lower among foreign- than native-born workers. Moreover, immigrants on average earn less than native-born workers. At least based on these summary statistics, there is no evidence that immigrants are either a strongly disadvantaged or favoured group in the Argentine labour market.

The description of the labour market characteristics follows the structure of the Key Indicators of the Labour Market (ILO, 2015). The key indicators are published by the ILO in order to provide comparable information about the labour market in countries across the world. The indicators are presented for the urban population aged 15 or older, separately for native- and foreign-born.

Immigrants participate in the labour force to a similar degree as native-born individuals

In recent years, the labour force participation rate in urban areas was lower among foreign-born than native-born individuals. This is true for both men and women. However, in particular among men and for both sexes in recent years, the difference is very small (Table 3.2). It is interesting to note that the male labour force participation rate fell between 2005 and 2015 for both foreign- and native-born individuals, while for females it only fell among the native-born.

Much of the lower labour force participation of the foreign-born population is explained by the higher share of older individuals among them (see Box 3.1).⁵

Table 3.2. Native- and foreign-born labour force participation rates are similar

Labour force participation, inactivity rate and employment-to-population ratio in Argentina's urban areas by place of birth, 2005, 2010, 2015 and 2016

		Total %				Male %				Female %			
		2005	2010	2015	2016	2005	2010	2015	2016	2005	2010	2015	2016
Labour force participation rate	Native-born	62	61	59	59	75	74	72	71	50	48	47	48
	Foreign-born	57	55	57	55	74	73	70	68	44	43	46	45
Inactivity rate	Native-born	38	39	41	41	25	26	28	29	50	52	53	52
	Foreign-born	43	45	43	45	26	27	30	32	56	57	54	55
Employment (% of working-age population)	Native-born	55	56	55	54	68	69	68	66	44	44	43	44
	Foreign-born	52	51	54	51	69	67	67	63	39	39	43	42

Note: The 2015 statistics are based on the first and second quarters and the 2016 statistics on the second and third quarters of the *Encuesta Permanente de Hogares*.

Source: Authors' calculation based on INDEC (2003-2016), *Encuesta Permanente de Hogares*, <https://www.indec.gov.ar/bases-de-datos.asp>

In the entire population (that is, including small urban and rural areas) in 2010, the labour force participation rate was almost exactly equal between foreign- and native-born individuals, and higher than in urban areas alone (66.7% for native-born and 66.5% for foreign-born). Both male and female rates are almost exactly the same between foreign- and native-born individuals (authors' calculations based on Minnesota Population Center, 2015).

Immigrant labour force participants are slightly less likely to be unemployed

In urban areas, the foreign-born population had a slightly higher employment rate and a slightly lower unemployment rate than the native-born population over the 2005 to 2016 period (Table 3.3). The decline in the labour force participation rate over the same period explains part of the fall in the unemployment rate. Among the native-born population, this is clearly true as the employment-to-working age population ratio is constant during the period.

Table 3.3. Immigrant labour force participants are less frequently unemployed than native-born ones

Difference in the employment and unemployment rates in Argentina's urban areas by place of birth, 2005, 2010, 2015 and 2016

	Total				Male				Female			
	2005	2010	2015	2016	2005	2010	2015	2016	2005	2010	2015	2016
Difference in employment rate	2	0	2	1	2	-1	1	2	2	1	2	2
Difference in unemployment rate	-2	0	-2	-1	-2	1	-1	-2	-2	-1	-2	-2

Note: The 2015 statistics are based on the first and second quarters and the 2016 statistics on the second and third quarters of the *Encuesta permanente de hogares*.

Source: Authors' calculation based on INDEC (2003-2016), *Encuesta Permanente de Hogares*, <https://www.indec.gov.ar/bases-de-datos.asp>

For the total population in 2010, the unemployment rate is also lower among immigrants than native-born individuals, and this is true for both men and women. The overall rate is lower than in urban areas only: 6% among the native-born and 4.6% among the foreign-born versus 8% and 7% in urban areas (authors' calculations based on Minnesota Population Center, 2015).

The slightly lower unemployment rate among immigrants is in contrast to the opposite situation in the OECD as a whole. Regarding the two Latin American OECD countries, the immigrant unemployment rate is also lower in Chile, but higher in Mexico (OECD/European Union, 2015). This low unemployment rate suggests that immigrants are better integrated in Argentina than in other countries. However, another possible explanation is that immigrants cannot afford to wait for a better-fitting job.

Workers with a university degree have a markedly lower unemployment rate than workers with lower educational levels in Argentina's urban areas. But in 2015, this only applied to native-born labour force participants. The unemployment rate among native-born university graduates was around 3% while that for other education levels was more than double than this at around 8%. Among immigrants, it hovered around 6% regardless of education level (Table 3.4). By 2016, the observed pattern among native-born individuals was similar but unemployment rates for individuals with lower or intermediate educational credentials had increased. Among immigrants, the calculated unemployment rates among university graduates had decreased while those for other educational levels had increased. In prior years, the same pattern of markedly lower unemployment rates among university graduates as observed among the native-born also applied to immigrants.

Table 3.4. Immigrants have a lower unemployment rate than the native-born at all education levels

Unemployment rate by highest completed education level and place of birth in Argentina's urban areas, 2005, 2010, 2015 and 2016

		Unemployment rate by highest completed education level (%)			
		< Primary	Primary	Secondary	Tertiary
2005	Native-born	12.1	13.4	13.0	5.0
	Foreign-born	8.2	10.0	10.7	5.8
2010	Native-born	8.2	9.0	9.3	3.1
	Foreign-born	5.2	9.5	7.2	3.6
2015	Native-born	8.1	8.4	7.9	3.2
	Foreign-born	6.1	5.8	5.6	5.7
2016	Native-born	9.1	11.1	10.3	3.1
	Foreign-born	4.9	9.7	7.7	3.4

Note: The 2015 statistics are based on the first and second quarters and the 2016 statistics on the second and third quarters of the *Encuesta Permanente de Hogares*.

Source: Authors' calculation based on INDEC (2003-2016), *Encuesta Permanente de Hogares*, <https://www.indec.gov.ar/bases-de-datos.asp>

Immigrants almost consistently have lower unemployment rates than non-immigrants except for university graduates. The rates were around 2.5-4 percentage points lower in 2005, 1.5 percentage points in 2010 (except for primary school graduates, where there are 0.5 percentage point higher), 2-2.5 percentage points in 2015 and 1.4-4.2 in 2016. Among university graduates, there are hardly any differences in 2005, 2010 and 2016. In contrast, the unemployment rate among university graduates is 2.5 percentage points higher among immigrants in 2015.

Job market networks and skill recognition issues may explain these differing patterns. It is possible that among those with lower and intermediate levels of formal education, immigrants are able to tap into networks consisting of other people from their country of origin that can help them find jobs. In contrast, university graduates coming from other countries might have less access to such networks. They might also have problems getting their skills recognised, although primary and non-technical secondary degrees are automatically recognised (Molina, 2013).

The labour force participation and employment rates are not the only measures of how engaged a population is with the working world. Part-time work and underemployment are two other important measures. Part-time work – working fewer than 30 hours a week – may or may not be voluntary. In contrast, underemployment – working fewer than 40 hours a week while wanting and being able to work more hours – is by definition involuntary.

Concerning both measures, the differences between foreign- and native-born workers are small (Table 3.5). Overall, the share of part-time workers has remained relatively constant across the years studied, and is very similar among native- and foreign-born workers. Part-time rates are slightly lower among immigrant workers. In contrast, the time-related underemployment rate appeared to drop from 2005 to 2015 and then bounce back to a higher level. The differences between native- and foreign-born workers are similarly small, but in this case, the underemployment rate is slightly more elevated among both immigrant men and women in most of the years.

The young foreign-born population struggles less with unemployment than the young native-born population

For many years, youth unemployment among 15-24 year olds appeared to be a less pronounced problem among the foreign-born population than among the native-born population, but this is no longer true. First, from 2005 to 2015, the urban youth unemployment rate was around five percentage points higher among the native- than the foreign-born population. By 2016, however, the unemployment rate of foreign-born individuals was actually lower (Table 3.6). The ratio of the youth unemployment rate to the adult rate was three among native-born and two among foreign-born in 2005 and 2010, but has climbed more recently.

Table 3.5. Foreign- and native-born workers experience part-time and underemployment at equal rates

Part-time employment and time-related underemployment in Argentina's urban areas by place of birth, 2005, 2010, 2015 and 2016

		Total %				Male %				Female %			
		2005	2010	2015	2016	2005	2010	2015	2016	2005	2010	2015	2016
Part-time employment (% of employed)	Native-born	26	22	23	26	16	13	14	17	40	36	36	39
	Foreign-born	25	25	23	26	17	14	9	13	37	38	42	40
Time-related underemployment (% of employed)	Native-born	15	11	10	13	13	9	8	11	19	14	12	15
	Foreign-born	18	13	11	14	15	11	5	11	22	15	18	17

Note: The 2015 statistics are based on the first and second quarters and the 2016 statistics on the second and third quarters of the *Encuesta Permanente de Hogares*. The definition of part-time employment is working at least 1 but fewer than 30 hours per week in one's primary job. The definition of time-related underemployment is working fewer than 40 hours a week and stating that one wishes to work more hours.

Source : Authors' calculation based on INDEC (2003-2016), *Encuesta Permanente de Hogares*, <https://www.indec.gob.ar/bases-de-datos.asp>

Table 3.6. The immigrant population's youth unemployment problem is less severe than the native one

Different measures of youth unemployment by sex and place of birth in Argentina's urban areas, 2005, 2010, 2015 and 2016

		2005		2010		2015		2016	
		Native-born	Foreign-born	Native-born	Foreign-born	Native-born	Foreign-born	Native-born	Foreign-born
Youth unemployment A = Youth unemployment (% youth labour force)	Total	26	21	20	15	19	14	24	26
	Male	23	17	17	12	17	17	21	23
	Female	31	24	24	18	23	10	30	31
Youth unemployment B = Ratio youth unemployment rate to adult unemployment rate	Total	3	2	3	2	4	3	4	4
	Male	3	2	3	2	4	4	4	4
	Female	3	2	3	3	4	2	4	5
Youth unemployment C = Youth unemployment as a proportion of total unemployment	Total	41	18	40	22	40	22	40	22
	Male	43	16	42	17	44	30	40	21
	Female	38	20	37	27	35	12	39	23
Youth unemployment D = Youth unemployment- to-youth-population ratio	Total	11	11	8	8	7	6	9	12
	Male	12	11	8	8	8	10	10	11
	Female	11	12	8	8	6	3	9	13

Note: The 2015 statistics are based on the first and second quarters and the 2016 statistics on the second and third quarters of the *Encuesta Permanente de Hogares*.

Source: Authors' calculation based on INDEC (2003-2016), *Encuesta Permanente de Hogares*, <https://www.indec.gob.ar/bases-de-datos.asp>

In 2010 in the country as a whole, the unemployment rate among foreign-born youth was also lower than that among the native-born population. This occurred even though the activity rate among foreign-born youth was around 15 percentage points higher than that among native-born youth. However, a more negative characteristic for the immigrant population is that among the unemployed and inactive young population, roughly half of foreign-born youth and only one-third of native-born youth are not in school. At 13% and 7% for native- and foreign-born

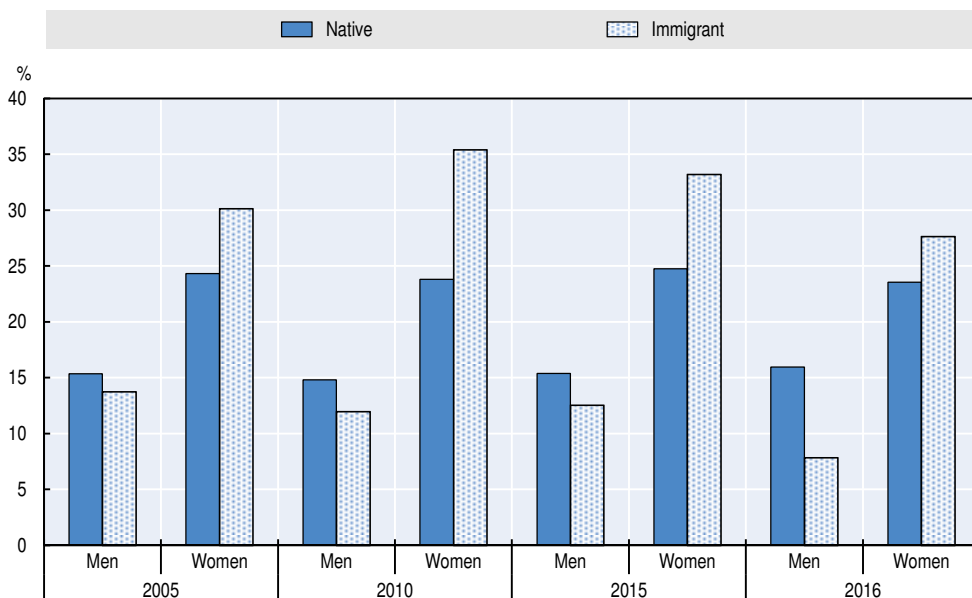
individuals, it was however lower than the respective urban rates of 19% and 15% (authors' calculation based on the Minnesota Population Center, 2015).

The lower unemployment among immigrant youth is contrary to the experience in many OECD countries (OECD, 2013).⁶ As most immigrants speak Spanish, this may be due to the ease of their integration into the labour market.

Another reversal in observed trends concerns the share of young people not in education, employment or training (NEET). The average NEET rates were higher among foreign-born than native-born individuals until 2015. They were stable among native-born individuals aged 15-24 living in urban areas at 19-20% in 2005, 2010, 2015 and 2016; and 23-25% among foreign-born individuals only until 2015. In 2016, the young immigrants' NEET share had dropped to 17%. However, what remains stable across the years is that among young men, immigrants have a lower NEET rate, while among women, the opposite is true (Figure 3.9). It is unclear how much of the more elevated NEET rate is involuntary or in how many cases it is driven by family reunification immigration. In any case, the pattern that NEET rates are higher for women than men is one that is found in Latin American and the Caribbean countries in general (OECD, 2016).

Figure 3.9. More young immigrant than native-born women are not in education, employment or training

Share of young native- and foreign-born adults not in education, employment or training by sex in Argentina's urban areas, 2005, 2010, 2015 and 2016



Note: The 2015 statistics are based on the first and second quarters and the 2016 statistics on the second and third quarters of the *Encuesta Permanente de Hogares*.

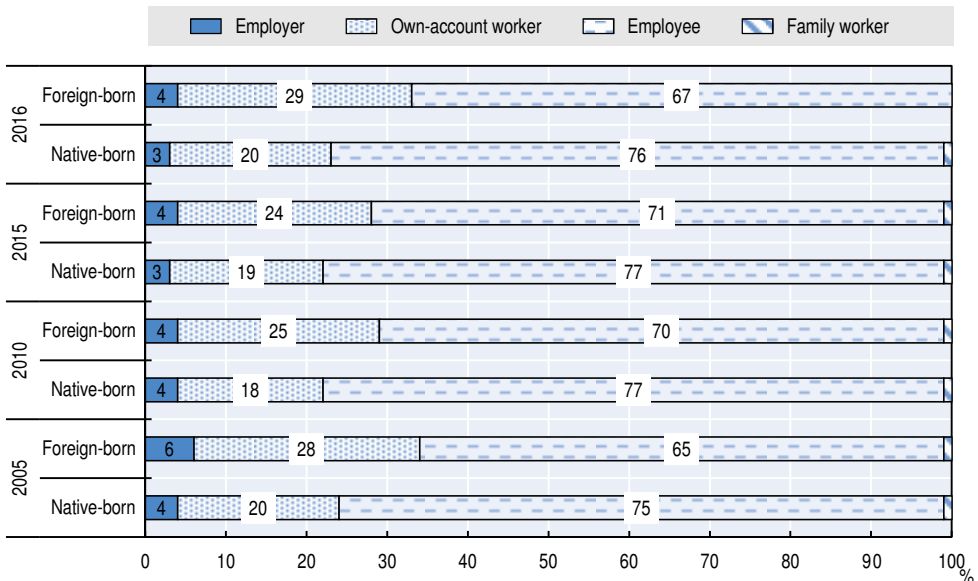
Source: Authors' calculation based on INDEC (2003-2016), *Encuesta Permanente de Hogares*, <https://www.indec.gob.ar/bases-de-datos.asp>

Immigrants are more commonly informally employed

Working immigrants are less likely to be employees. A larger share of foreign-born than native-born individuals (29% compared to 20% in 2016) are own-account workers (Figure 3.10). This is true for men and women alike. The share of employers is almost identically low at 3-6% and, consequently, the share of employees is larger among native-born workers.

Figure 3.10. **More than two thirds of workers are employees**

Employment status of foreign- and native-born individuals in Argentina's urban areas, 2005, 2010, 2015 and 2016



Note: The 2015 statistics are based on the first and second quarters and the 2016 statistics on the second and third quarters of the *Encuesta Permanente de Hogares*.

Source: Authors' calculation based on INDEC (2003-2016), *Encuesta Permanente de Hogares*, <https://www.indec.gov.ar/bases-de-datos.asp>

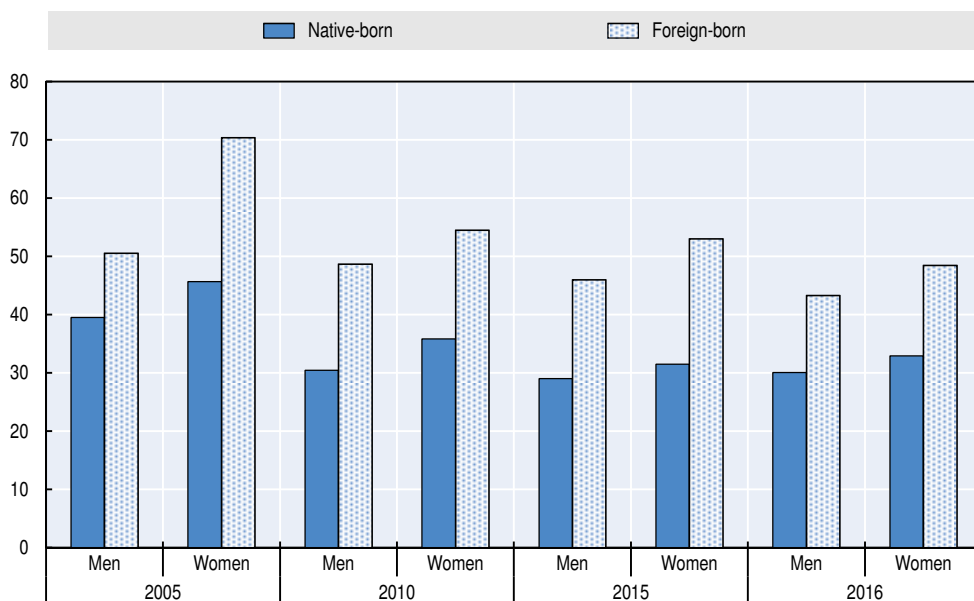
Argentina's labour market has undergone a process of increasing rates of informal employment⁷ that has already lasted several decades, although there was a slight reversal of the trend in the first decade of the 21st century (Ministerio de Trabajo de la Provincia de Buenos Aires, undated; Bertranou and Casanova, 2013). Based on the 2010 census, it was estimated that 44% of employment in the country was informal. Among independent workers (i.e. own-account workers and business owners) the rate was 58% and among salaried workers, the rate was 38% (Bertranou and Casanova, 2013). The rates among salaried workers in urban areas rose from 15% in 1977 to 45% in 2004, followed by a fall in 2010 and again a slight rise (Bertranou and Casanova, 2013). This positive

recent development was partially driven by public policies and partially by the positive overall economic development over much of the decade.

The EPH does not allow the identification of formal and informal forms of own-account work and business ownership. Therefore, only the relative frequency of informal *salaried* work in urban areas can be compared between foreign- and native-born individuals. However, information from the 2011 National Protection and Social Security Survey demonstrates that compared to the 37% of employees who are informally employed, a lower share of business owners (20%) and a higher share of own-account workers (64%) are informally employed (Cortatase et al., 2015).

Informal employment is more common among immigrants than the native-born population. This is true in all years and for both women and men (Figure 3.11). Immigrants have however also benefitted from the recent decrease in informal employment. The stronger decrease in informal employment among immigrants from 2005 to 2010 is likely related to the immigrant status formalisation campaign (Ceriani Cernadas and Campos, 2016).

Figure 3.11. Immigrants are more likely than non-migrants to be informal employees
Share of informal positions among urban non-family employees in Argentina
by place of birth, 2005, 2010, 2015 and 2016



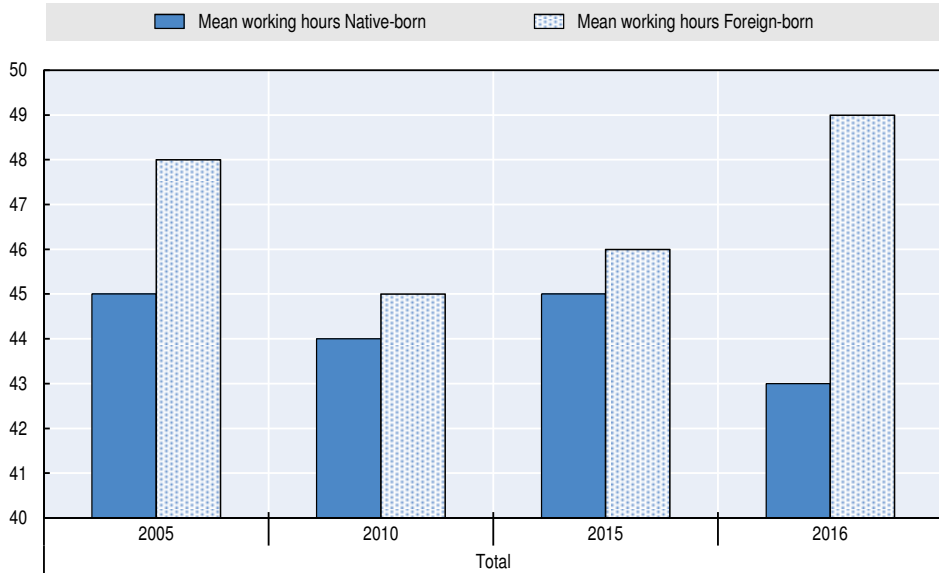
Note: The 2015 statistics are based on the first and second quarters and the 2016 statistics on the second and third quarters of the *Encuesta Permanente de Hogares*. An informal employee is defined as an employee whose work does not offer him paid sick leave, health insurance and payments into the pension system.

Source: Authors' calculation based on INDEC (2003-2016), *Encuesta Permanente de Hogares*, <https://www.indec.gob.ar/bases-de-datos.asp>

Immigrants work slightly longer hours but earn less than native-born individuals

Foreign-born workers tend to work more hours than native-born workers, but the differences are not always statistically significant (Figure 3.12).

Figure 3.12. **Immigrant and native-born workers on average work similar hours**
Mean weekly working hours in Argentina's urban areas by place of birth, 2005, 2010, 2015 and 2016



Note: The 2015 statistics are based on the first and second quarters and the 2016 statistics on the second and third quarters of the *Encuesta Permanente de Hogares*.

Source: Authors' calculation based on INDEC (2003-2016), *Encuesta Permanente de Hogares*, <https://www.indec.gov.ar/bases-de-datos.asp>

Box 3.1. The labour market characteristics of 15-64 year old immigrants from Latin America

The comparison of the labour market characteristics of foreign- and native-born individuals presented in this chapter includes elderly individuals, who often do not participate in the labour market. Immigrants – in particular those of European descent – are over-represented among this population; and immigrants in particular from Asia and North America are over-represented among those with higher educational levels.

Given these facts, it is of interest to compare the labour market outcomes of parts of the foreign- and native-born population that are more similar in age and education characteristics. To this end, the labour market characteristics of the foreign- and native-born individuals from Latin America aged 15 to 64 were analysed.

The labour force participation rate is more elevated among the population born in Latin America of key working ages (15-64) than among the entire population aged 15

Box 3.1. The labour market characteristics of 15-64 year old immigrants from Latin America (cont.)

and above. For native-born individuals, for example, the labour force participation rate of 15-64 year olds is seven percentage points higher than the same rate for 15 year olds and above. Among immigrants, the difference is even more drastic. While the labour force participation rate is 56% among all immigrants aged 15 and above, it is 72% among Latin American immigrants aged 15 to 64. Almost all of that difference stems from the age restriction rather than the continent of birth restriction – the latter accounts for only one percentage point of the difference. While the labour force participation in these selected years is thus 4.4 percentage points lower among 15+ year old foreign- compared to native-born, the difference switches to 5.0 percentage points higher when the age and continent of birth restrictions are put into place (Figure 3.13).

Figure 3.13. Immigrants from Latin America of key working ages have a higher relative labour force participation rate

Difference between foreign- and native-born individuals



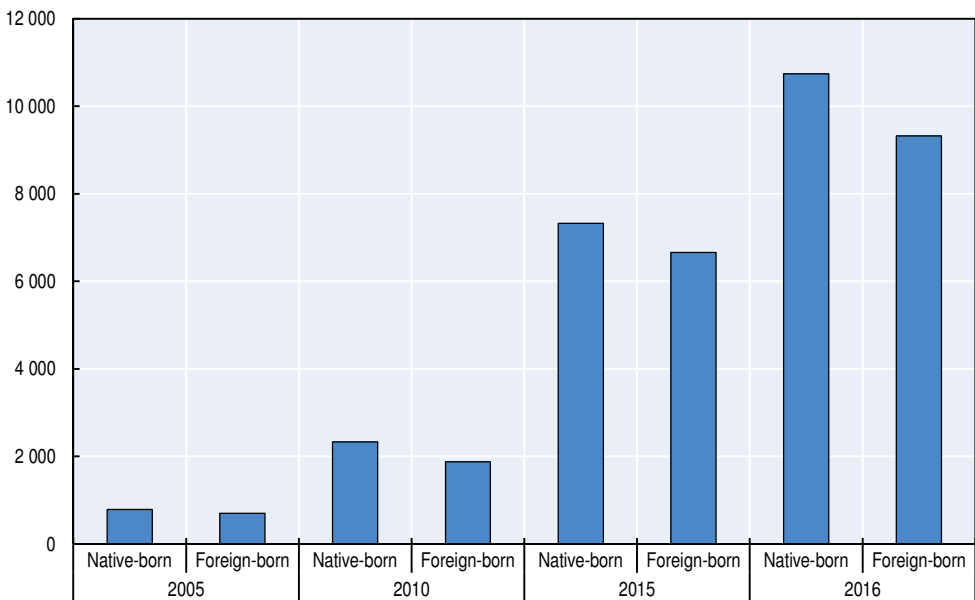
Source: Authors' calculations based on the pooled 2005, 2010, 2015 and 2016 *Encuesta Permanente de Hogares* (INDEC, 2003-2016), <https://www.indec.gob.ar/bases-de-datos.asp>

For other labour market outcomes, in contrast, the differences between foreign- and native-born individuals for the broader or more restricted age and continent-of-birth are mostly negligible. Differences in business ownership, own-account workers and employee rates are among the largest. This lower shift compared to the labour force participation rate is not surprising, since most other labour market outcomes are calculated for labour force participants or employed individuals only. The higher share of retirees among foreign- compared to native-born individuals thus plays no role.

Immigrants on average have a slightly lower employment-related income than native-born workers do. The difference is around 10-20% in the urban employed population (Figure 3.14). As will be shown in the next chapter, the nominal labour income (that is, income from paid employment or self-employment) has increased drastically between 2005 and 2015. Part of the explanation is inflation: from January 2005 to December 2013, the consumer price index in greater Buenos Aires rose by 128% (INDEC, undated). These official statistics may however understate the true extent of inflation.

Figure 3.14. **The average foreign-born worker earns 10-15 percent less than native-borns**

Mean monthly nominal labour income in Argentina's urban areas by place of birth, 2005, 2010, 2015 and 2016, in current Argentine pesos (ARS)



Note: The 2015 statistics are based on the first and second quarters and the 2016 statistics on the second and third quarters of the Encuesta Permanente de Hogares.

Source: Authors' calculation based on INDEC (2003-2016), *Encuesta Permanente de Hogares*, <https://www.indec.gob.ar/bases-de-datos.asp>

Argentina's minimum wage is periodically set by the Salary Council (Consejo del Salario, previously Consejo Nacional del Empleo) (Ministry of Labour, Employment and Social Security, undated). The rates apply to most categories of monthly employees above age 18 and rose from ARS 450 in the beginning of 2005 to ARS 6 810.

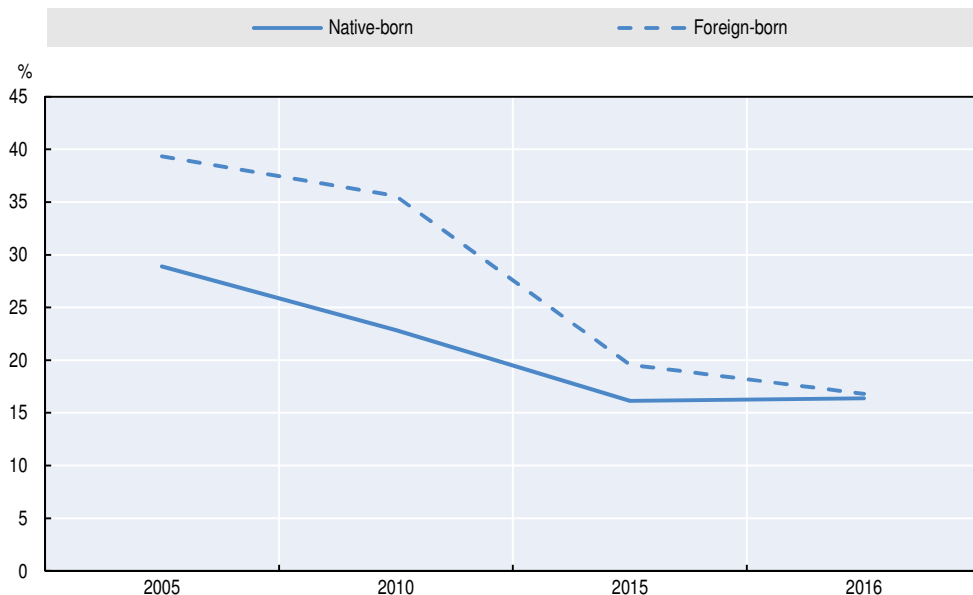
While the minimum wage naturally does not apply to business owners and own-account workers, it is nonetheless interesting to note the share of full-time workers in these categories who do not earn the minimum wage. 16-24%

of business owners reported a monthly income of less than the minimum wage, rising from 2005 to 2015 and then dropping again. Among own-account workers, the rate was 40-50%, first falling and then rising again (to 44-46%). Finally, among employees, the rates ranged from 16-30%, falling over the 2005 to 2016 period. Not surprisingly, the share was much higher among informal than among formal employees. Among the latter, it was 7-14%, dropping over the time period. Among the latter, it was 31-58%, also falling over the period.

The share of foreign-born full-time paid employees reporting a labour income of less than the minimum wage from their primary job used to be higher than that of native-born employees, but has become almost identical (Figure 3.15). However, it needs to be noted that the share earning below minimum wage may be overestimated. It is for example conceivable that in the survey, they reported their post-tax income and that their pre-tax income is above the threshold.

Figure 3.15. The share of employees reporting below-minimum wage labour income is dropping for native but in particular foreign-born workers

Share of full-time urban employees in Argentina reporting below-minimum wage labour income from their primary occupation (in %), by place of birth, 2005, 2010, 2015 and 2016



Note: The 2015 statistics are based on the first and second quarters and the 2016 statistics on the second and third quarters of the *Encuesta Permanente de Hogares*.

Source: Authors' calculation based on INDEC (2003-2016), *Encuesta Permanente de Hogares*, <https://www.indec.gob.ar/bases-de-datos.asp>.

A higher share of immigrants are nominally under-qualified for their jobs

Nominal under-qualification as well as over-qualification is measured by assigning a skill requirement in terms of high, low and unskilled to each occupation group. For example, for the ISCO group “Craft and related trades workers”, which is classified under the skilled manual group, the corresponding education requirement is secondary level. Given these definitions, the fractions of people with a primary education working in this group are considered as under-skilled and the fractions of people with a tertiary education are considered as over-skilled. Of course, this measure is relatively crude and does not capture that certain jobs within an occupation group might in fact require a higher, lower or simply more specialised education than the average education requirement suggests. Educational qualifications obtained domestically and abroad may also not be perfect substitutes.

A frequent concern regarding the labour market integration of immigrants is that they often cannot find jobs at their qualification levels and instead have to take jobs for which they are over-qualified. However, at least based on the over-qualification measure explained above, there are no grounds to believe that this is a general problem in Argentina.

In 2016, in most occupation groups (with the exception of technicians and associated professionals and clerical support workers), a higher share of foreign-than native-born workers is nominally under-qualified for their job (Table 3.7).

Table 3.7. A high share of immigrant workers are nominally under-qualified for their jobs

Share of underqualified workers as a share of the respective occupation group in Argentina's urban areas by place of birth (in %), 2005, 2010, 2015 and 2016

	2005		2010		2015		2016	
	Native-born	Foreign-born	Native-born	Foreign-born	Native-born	Foreign-born	Native-born	Foreign-born
Managers	57	74	67	67	61	79	57	75
Professionals	28	30	25	36	26	39	25	26
Technicians and associate professionals	68	69	63	69	62	67	59	51
Clerical support workers	15	20	13	10	13	16	11	10
Service and sales workers	47	62	42	48	39	52	39	46
Skilled agricultural, forestry and fishery workers	79	80	70	76	67	92	50	87
Craft and related trades workers	73	72	67	71	65	70	63	67
Plant and machine operators, and assemblers	69	60	62	53	56	54	58	60
Elementary occupations	15	18	11	9	9	14	9	11

Source: Authors' calculations based on the 2005, 2010, (first and second quarters) 2015 and (second and third quarters) 2016 *Encuesta Permanente de Hogares* (INDEC, 2003-16), <https://www.indec.gov.ar/bases-de-datos.asp>

In contrast, over-qualification rates tend to be lower for foreign-born workers (Table 3.8). The exceptions are among skilled agricultural workers (in 2005 and 2015) and elementary occupations (in 2005 and 2010).

Table 3.8. Those who work in clerical support and elementary professions are often over-qualified for their jobs

Overqualified as a share of respective occupations in Argentina's urban areas (in %) by place of birth, 2005, 2010, 2015 and 2016

	2005		2010		2015		2016	
	Native-born	Foreign-born	Native-born	Foreign-born	Native-born	Foreign-born	Native-born	Foreign-born
Clerical support workers	52	47	53	52	52	40	54	50
Service and sales workers	24	14	26	16	26	18	25	17
Skilled agricultural, forestry and fishery workers	11	10	17	0	10	8	36	13
Craft and related trades workers	8	8	9	7	10	6	10	8
Plant and machine operators, and assemblers	8	9	11	15	10	6	10	10
Elementary occupations	46	51	54	57	60	55	61	59

Source: Authors' calculations based on the 2005, 2010, (first and second quarters) 2015 and (second and third quarters) 2016 *Encuesta Permanente de Hogares* (INDEC, 2003-16) <https://www.indec.gov.ar/bases-de-datos.asp>.

Immigrants are more concentrated in the manufacturing, construction, trade and household sectors

Immigrants often specialise in working in certain sectors, and this is also true in Argentina. The most prominent differences are that immigrants living in urban areas are twice as likely to be employed in construction (18% versus 9%) and more than twice as likely to work for households (18% versus 7%) (Table 3.9). They are also more likely to work in manufacturing, trade, accommodation and food services, and other service activities. On the other hand, native-born workers more frequently work in transportation and storage, financial and insurance activities, professional, scientific and technical activities, public administration and administrative activities, and education. Overall, foreign-born individuals more commonly work in industry and less frequently in the service sector than native-born individuals do.

These concentration patterns probably arise out of a combination of several factors. These can include the self-selection into certain professions and sectors, networks that make it easier for immigrants to find work in sectors in which many of their compatriots are already employed, barriers to entry into certain sectors that for example stem from licensing (such as in education) or citizenship requirements (such as in the public sector), and the ease of entering

sectors in which informal work arrangements often predominate, such as in household services and construction. These differences can of course also have consequences for income distribution.

Table 3.9. Immigrants are over-represented in certain sectors
Distribution of employed individuals across sectors (in %), by place of birth

	2005		2010		2015		2016	
	Native-born	Foreign-born	Native-born	Foreign-born	Native-born	Foreign-born	Native-born	Foreign-born
Agriculture, hunting, husbandry, forestry and fishery	1.3	1.1	1.2	0.4	0.5	0.6	0.6	0.3
Mining	1.0	0.5	1.0	0.9	0.4	0.2	0.4	0.2
Manufacturing Industry	14.0	16.3	13.5	16.1	13.1	14.9	12.5	14.8
Electricity, gas, steam and air conditioning supply	0.3	0.2	0.4	0.2	0.4	0.0	0.4	0.2
Water supply; sewerage, waste management and remediation activities	0.5	0.3	0.5	0.3	0.8	0.4	0.7	0.0
Construction	7.8	16.1	8.2	15.3	9.0	17.9	9.1	18.1
Wholesale and retail trade; repair of motor vehicles and motorcycles	18.7	21.4	18.7	19.4	16.9	19.2	18.4	19.9
Transportation and storage	5.4	4.4	5.8	3.1	6.4	4.8	5.8	3.8
Accommodation and food service activities	3.3	3.4	3.4	5.7	3.2	4.7	3.7	4.0
Information and communication	2.7	1.5	2.6	1.8	2.2	1.8	1.8	0.9
Financial and insurance activities	2.2	1.1	2.7	0.6	2.1	0.4	2.0	0.6
Real estate activities	0.7	0.5	0.5	0.3	0.3	0.0	0.5	0.6
Professional, scientific and technical activities	4.3	1.5	4.7	2.9	3.7	1.5	4.1	1.6
Administrative and support service activities	2.1	1.1	2.5	1.0	3.5	1.5	4.0	2.3
Public administration and defence; compulsory social security	7.6	1.7	7.6	1.9	9.5	1.0	8.7	1.4
Education	9.6	3.1	9.3	3.2	8.5	2.5	8.4	4.3
Human, health and social work activities	6.6	4.3	5.4	4.3	5.5	5.2	6.2	5.0
Arts, entertainment and recreation	0.2	0.1	0.1	0.0	1.7	0.8	2.0	0.2
Other service activities	4.5	6.0	4.1	4.9	4.4	5.3	3.6	4.2
Activities of households as employers; undifferentiated goods- and services-producing activities of households for own use	7.1	15.2	7.0	17.6	6.9	16.6	7.3	17.5
Activities of extraterritorial organisations and bodies	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1

Note: The 2015 statistics are based on the first and second quarters and the 2016 statistics on the second and third quarters of the *Encuesta Permanente de Hogares*.

Source: Authors' calculation based on INDEC (2003-2016), *Encuesta Permanente de Hogares*, <https://www.indec.gov.ar/bases-de-datos.asp>.

Immigrants are equally represented in sectors with labour shortages

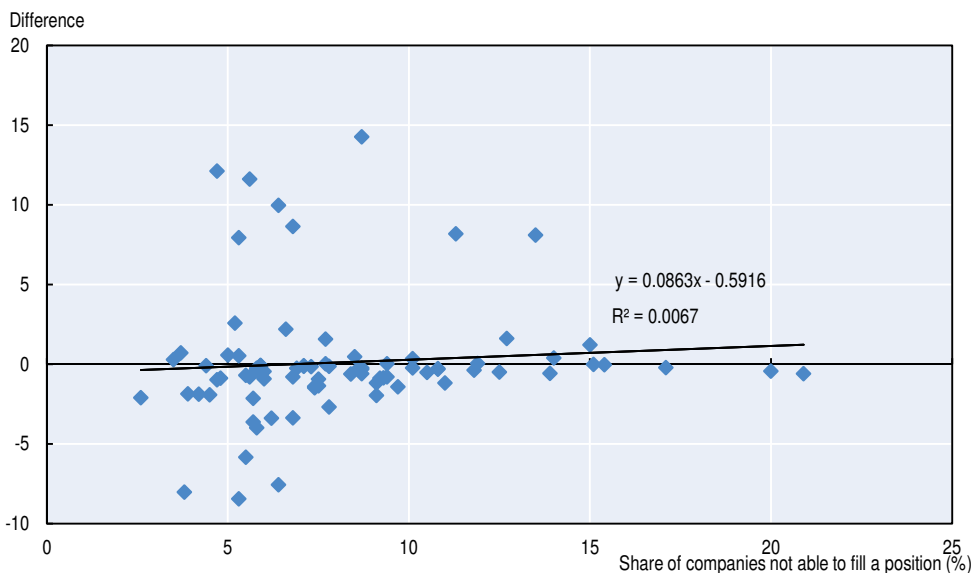
Immigration's economic benefits can be substantial when immigrants fill positions that go otherwise unfilled. Policy makers who are aware of this but also fear that immigrants may depress opportunities for native-born workers in

non-shortage occupations sometimes try to address this by creating visa categories specifically for sectors or occupations where there are labour shortages.

Immigrants do not predominantly work in sectors where many companies are not able to fill open positions. When plotting the difference in the share of immigrants to the share of native-born workers in the sector against the share of companies not able to fill a position, there is no correlation (Figure 3.16). Neither the share of foreign-born individuals working in a certain sector of total immigrant employment, nor the difference in this share to the share of native-born workers in a certain sector of total native-born employment, are related to the share of companies in the sector who were not able to fill a job posting in the prior year.

Figure 3.16. **A sector's labour shortage is not correlated with the immigrant concentration**

Difference in the shares of foreign- and native-born workers in a job sector in Argentina, by share of companies experiencing difficulties filling positions in the sector



Source: Authors' calculations based on pooled 2012-15 *Encuesta Permanente de Hogares* data (INDEC, 2003), <https://www.indec.gob.ar/bases-de-datos.asp> and summary statistics of the *Encuesta de Demanda Laboral Insatisfecha* (INDEC, undated b).

This lack of correlation is not sufficient evidence to conclude that immigrants do not fill positions that would otherwise remain vacant or be staffed with a less suitable candidate. The survey's summary statistics do not allow an analysis of whether immigrants are concentrated in sub-sectors or specific occupations with high shortages, and there are no reports on whether immigrants were eventually hired for hard-to-fill posts. The survey is also limited to the formal companies and does not reflect the situation in the informal sector.

Immigrant workers are over-represented among craft and elementary workers and under-represented among (associate) professionals and clerical support workers

At first glance, immigrants appear to be over-represented among elementary and blue-collar mid-skilled occupations and under-represented among white-collar workers. But among foreign- and native-born men, the distribution is similar across high-skilled white-collar occupations and elementary occupations (Table 3.10). The largest differences are among clerical support workers, which only make up 3% of the foreign-born and 9% of the native-born employed labour force, and craft and related trades workers, which make up 37% among foreign-born versus only 21% among native-born individuals. In contrast, among female immigrants, the share working in high- and mid-skilled white-collar occupations (such as professionals and clerical support workers) was much lower and those working in elementary occupations much higher compared to native-born women.

Table 3.10. Immigrants are over-represented in elementary occupations

Distribution of employed individuals across occupations (in %) by place of birth and sex in Argentina's urban areas, 2005, 2010, 2015 and 2016

Total	2005		2010		2015		2016	
	Native-born	Foreign-born	Native-born	Foreign-born	Native-born	Foreign-born	Native-born	Foreign-born
Managers	5	7	6	5	4	5	5	5
Professionals	10	4	12	7	12	7	12	5
Technicians and associate professionals	9	6	10	6	8	6	10	7
Clerical support workers	10	3	11	4	13	3	12	4
Service and sales workers	20	23	21	21	21	20	23	25
Skilled agricultural, forestry and fishery workers	0	0	0	0	0	0	0	0
Craft and related trades workers	14	22	13	20	14	23	14	23
Plant and machine operators, and assemblers	7	8	8	8	8	9	8	6
Elementary occupations	20	24	17	26	14	23	17	25
Men	2005		2010		2015		2016	
	Native-born	Foreign-born	Native-born	Foreign-born	Native-born	Foreign-born	Native-born	Foreign-born
Managers	6	9	7	7	5	5	6	7
Professionals	6	3	7	6	7	6	7	5
Technicians and associate professionals	9	7	10	6	8	6	10	8
Clerical support workers	7	3	9	3	10	3	9	3
Service and sales workers	18	18	19	18	18	16	20	19

Table 3.10. **Immigrants are over-represented in elementary occupations** (cont.)

Distribution of employed individuals across occupations (in %) by place of birth and sex in Argentina's urban areas, 2005, 2010, 2015 and 2016

Men	2005		2010		2015		2016	
	Native-born	Foreign-born	Native-born	Foreign-born	Native-born	Foreign-born	Native-born	Foreign-born
Skilled agricultural, forestry and fishery workers	0	1	0	0	0	0	0	0
Craft and related trades workers	20	35	20	34	21	37	22	39
Plant and machine operators, and assemblers	11	9	11	12	13	13	12	10
Elementary occupations	15	11	12	11	11	8	13	11
Women	2005		2010		2015		2016	
	Native-born	Foreign-born	Native-born	Foreign-born	Native-born	Foreign-born	Native-born	Foreign-born
Managers	3	4	4	3	3	4	4	3
Professionals	16	5	18	7	18	7	17	6
Technicians and associate professionals	8	5	10	5	8	6	10	7
Clerical support workers	13	4	14	5	17	3	15	5
Service and sales workers	23	29	23	25	25	25	28	31
Skilled agricultural, forestry and fishery workers	0	0	0	0	0	0	0	0
Craft and related trades workers	5	4	3	3	3	5	4	4
Plant and machine operators, and assemblers	2	5	2	4	2	4	2	3
Elementary occupations	26	42	23	44	19	42	21	41

Note: The 2015 statistics are based on the first and second quarters and the 2016 statistics on the second and third quarters of the *Encuesta Permanente de Hogares*. Depending on the year and population group, 2-6% could not be classified.

Source: Authors' calculation based on INDEC (2003-2016), *Encuesta Permanente de Hogares*, <https://www.indec.gov.ar/bases-de-datos.asp>.

The foreign- and native-born labour forces are more similar than different

When putting all the indicators together, there appear to be more similarities than differences between the labour market characteristics of native- and foreign-born individuals. The high degree of integration of immigrants into the labour market means that there is no particular need to be concerned about high and persistent rates of unemployment among immigrants, which exists in some countries. At the same time, the high employment rate in combination with the slightly lower average labour incomes among the foreign-born population may generate concerns that the increased job competition decreases labour market

opportunities for the native-born population. This question will be explored in the next chapter. First, however, the occupational profile of immigrants and other population groups are analysed in more detail.

A shifting occupation profile and immigration

The overall labour force and almost all occupation categories grew moderately in recent times

The labour force in the covered urban areas grew by 4.6% from 2009 to 2014.⁸ The number of individuals occupied in the armed forces declined, as did the number of managers and in elementary occupations (Table 3.11). All other major professional groups saw growth over this period, with the largest occurring in the mid-skilled occupations of clerical support workers, skilled agricultural workers, and plant and machine operators and assemblers.

Table 3.11. Mid-skilled occupations are growing

Growth in employment in Argentina across one-digit ISCO-occupations, 2009-14, and share of overall and foreign-born urban employment, 2014

	Growth 2009-14 (%)	Share of employment 2014 (%)	Share of employment 2014 (foreign-born) %
Armed forces	-21	0	0
Managers	-20	5	5
Professionals	5	12	6
Technicians and associate professionals	2	9	6
Clerical support workers	18	13	5
Services and sales workers	10	22	22
Skilled agricultural, forestry and fishery workers	20	0	0
Craft and related trades workers	2	14	22
Plant and machine operators and assemblers	26	9	11
Elementary occupations	-13	15	22

Source: Authors' calculation based on INDEC (2003-2016), *Encuesta Permanente de Hogares*, <https://www.indec.gob.ar/bases-de-datos.asp>.

Immigrants contribute to the growth of employment in slow- and fast-growing occupations, but much less so than new entrants

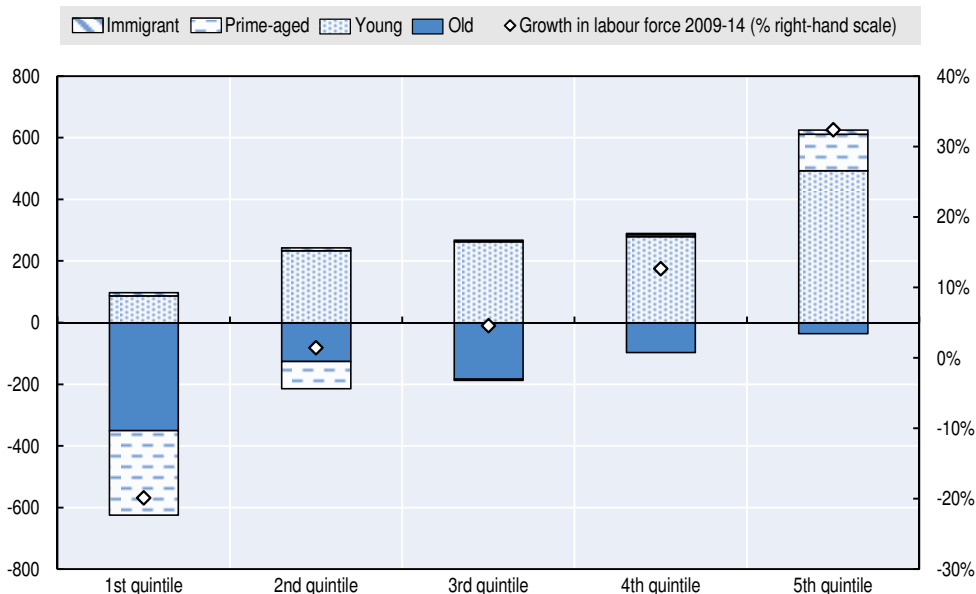
Following the methodology explained in Annex 3.A1, different professions were classified into different growth quintiles. In the first quintile are professions with the lowest (that is, most negative) growth rates.⁹ Each quintile occupies around 20% of workers. The same demographic decomposition was applied as in the human capital section.

The number of older workers dropped for all growth quintiles, but the change is strikingly large for the first quintile and smallest for the fifth quintile

(Figure 3.17). Prime-age workers are equally moving out of the occupations with the most negative growth rates. Their number hardly changes in occupations in the third and fourth growth quartile, and rises in the fifth quintile. Recent immigrants contribute very little to these changes in the occupational distribution. The labour force of young workers rises in all occupation growth categories, but the change is much larger in the fifth growth quintile.

Figure 3.17. **Young workers contribute more to occupational change than recent immigrants**

Demographic components of net occupational change in Argentina's urban areas in thousands



Source: Authors' calculation based on INDEC (2003-2016), *Encuesta Permanente de Hogares*, <https://www.indec.gob.ar/bases-de-datos.asp>.

Conclusions

This chapter demonstrated that the current immigrant population in Argentina on average has lower levels of education and according to some indicators is predominantly well integrated into the labour force. This is particularly noticeable in terms of the immigrants' lower unemployment rate at all education levels except for university graduates and in their comparatively low over-qualification rates. They are however more frequently informally employed or own-account workers and on average they earn less. There appears to be some sector and occupation-specific specialisation. For example, immigrants are particularly over-represented in the sectors of construction and households as employers of domestic personnel and particularly under-represented in public administration and defence as well as education. In

terms of occupations, disproportionately high shares of immigrants are craft and elementary workers and a lower share are professionals and clerical support workers.

There are several possible explanations for these patterns. For example, immigrants may face hurdles entering specific occupations and sectors, or on the contrary there may be specific niches in which immigrants have cornered the market and it is difficult for Argentine-born workers to enter. Regardless, the slightly different educational and labour market characteristics and the relatively high employment rates of immigrants raise the possibility that they take on complementary roles in the labour market. If so, immigration could benefit native-born workers while not creating additional costs for public budgets. These questions are explored further in Chapters 4 and 6 on the labour market impact and fiscal contribution, respectively.

The pattern of labour market integration appears relatively comparable to several partner countries, but not to OECD countries. For example, the unemployment rate among adult immigrants is also less elevated than among the native-born in three other partner countries and rates are similar in a number of additional countries (OECD/ILO, 2018). In contrast, in OECD countries, the rate is almost universally more elevated among immigrants (OECD/European Union, 2015). However, while immigrants appear well integrated into the labour market when it comes to measures such as employment rates, the quality of employment of immigrants is often not as high. This applies to Argentina, where immigrant employees are for example more often employed in the informal sector, but also to other partner and to OECD countries. Part of this lower employment quality probably stems from the lower educational achievement of immigrants in Argentina and several other partner countries.

Notes

1. The educational attainment variables are not available for all countries for 2005. Therefore, the following base years were used in the comparisons: Bolivia – 2006; Chile – 2007; Paraguay – 2005; Peru – 2005; Argentina – 2003.
2. See the technical annex for a description of how the synthetic cohorts are constructed.
3. The 2010 census does not contain any questions about the migration background of parents. Therefore, second-generation immigrants can only be identified if they are living with their parents. The valid comparison groups are foreign- and native-born individuals without an immigrant parent that are still living at home as well.
4. The index is derived from the highest occupational status of parents, highest educational level of parents and home possessions using a principal component analysis of the standardised variables (which have a mean zero and standard deviation of one across OECD countries). A more negative value is indicative of a less elevated economic, social and cultural status.

5. This study focuses on the economic contribution of all immigrants, irrespective of their country of origin. Much of the academic literature on migration in Argentina, however, focuses on South American immigrants. When this subgroup is considered, their labour force participation rates are actually higher than their native-born counterparts.
6. Analyses for OECD countries often take into account the employment for individuals with a “migration background” that thus includes the native-born children of immigrants. Here, the focus is on foreign-born individuals only. It is possible that unemployment rates could be elevated for young native-born children of immigrants in Argentina.
7. Employment is understood to be informal if workers do not have all three of these characteristics: paid sick leave, health insurance and payments into the pension system.
8. The 2014 EPH covered three additional agglomerations. In order to maintain comparability between the years, these were excluded from the analysis.
9. The range in growth rates by quintiles were as follows: quintile 1: -99% to -4%; quintile 2: -2% to 3%, quintile 3: 4% to 10%, quintile 4: 11% to 16%; quintile 5: 20% to 412%.

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ANNEX 3.A1

Methodology

The analysis of the direct impact of immigration on human capital is based on a demographic accounting methodology presented by Mestres (2014). The first step compares the educational outcomes of foreign- and native-born workers in 2001 and 2010, the two most recent census years. As a second step, the contribution by recently arrived immigrants to changes in the education distribution of the labour force is analysed in detail.

For the second step, the methodology decomposes the change in a particular outcome (such as the size of the labour force or the size of a particular education group in the labour force) as follows: the new immigrant entrants who arrived over the period that is studied, young entrants into the labour market, changes in the labour force participation of middle-aged individuals and the retirement of older workers. It does so in the following manner:

$$\Delta(T) = E + I + \Delta(PA) - R;$$

$\Delta(T)$ = the total change observed in the variable over the period

E = young non-immigrant entrants over the period

I = new immigrants who arrived over the period

$\Delta(PA)$ = change in the prime-age group over the period

R = retirees over the period

The comparison relies on quasi-cohorts (Table 3.A1.1).

Table 3.A1.1. Definition of the quasi-cohorts for the demographic accounting decomposition in Argentina

Component of total change	2014 quasi-cohort	2009 quasi-cohort
Young non-immigrant entrants (E)	Labour force (aged 15-34), excluding immigrants that were living abroad in 2009	Labour force (aged 15-29)
Retirees (R)	Labour force (aged 55+), excluding immigrants that were living abroad in 2009	Labour force (aged 50+)
Change in the prime-age group ($\Delta(PA)$)	Labour force (aged 35-54), excluding immigrants that were living abroad in 2009	Labour force (aged 30-49)
New immigrants (I)	LF (foreign-born without long-term residence aged 15+) -	-

The decomposition analysis of the foreign- and native-born distribution across growing and shrinking occupations was equally based on this demographic accounting framework. It follows the structure laid out by Lemaître (2014). The classifications are according to ISCO-08 (ILO, 2016).

The analysis of the labour force characteristics follows the structure of the *Key Indicators of the Labour Market* (ILO, 2015). The data sources used in this chapter are the *Encuesta Permanente de Hogares* (EPH) (INDEC, 2003-2016) and the 2010 IPUMS Census sample (Minnesota Population Center, 2015). All results that are based on the EPH only capture part of the urban labour force. It is however one of the data sources with the richest information on labour market characteristics as well as the location lived in five years ago. It is used as the data basis of the *Key Indicators of the Labour Market* (ILO, 2015).

Chapter 4

How immigrants affect the labour market in Argentina

When considering how immigration affects an economy, a key concern is whether native-born individuals lose their jobs or get paid less because of the increased competition by foreign-born workers. This chapter tackles the question of whether such negative impacts occur in Argentina or whether, on the contrary, native-born workers derive benefits from immigration.

Whether immigrants lower the wages of native-born workers or even displace them entirely on the labour market has been a question that has received considerable attention by the public and researchers. But while the public interest in this question is in no way restricted to high-income OECD economies, until recently, research usually was.

The present chapter covers different aspects of the labour market impact of immigration. The first part compares the labour income of foreign-born workers with that of similar native-born workers. The second part analyses the relationship between immigration and the labour market outcomes of the native-born population, both in terms of employment and labour income. The final part describes how the labour market participation of native-born women is influenced by the presence of low-skilled foreign-born women.

The labour income gap between foreign- and native-born workers

Among the key indicators of the labour market integration and status of foreign-born individuals compared to native-born individuals is their relative labour income. As was seen in the previous chapter, it is around 10-15% lower among the foreign-born than among those born in Argentina.¹

This difference persists even when personal characteristics are taken into account (Figure 4.1). When the year and the agglomeration the respondent lives in are taken into account, it is found that immigrants earn on average around 14% less than similar native-born individuals, whether or not it is taken into account how many hours they are working. This is only slightly less than the 16% lower mean labour income observed over the 2003-15 period when the characteristics are not taken into account. Once incomes within the same occupation or sector are compared, this difference drops to around 8% or 6%. The difference is smaller for business owners and slightly larger for employees, although only when occupation controls are not included. For own-account workers, the difference is only 3% and is statistically insignificant once the occupation category is controlled for.²

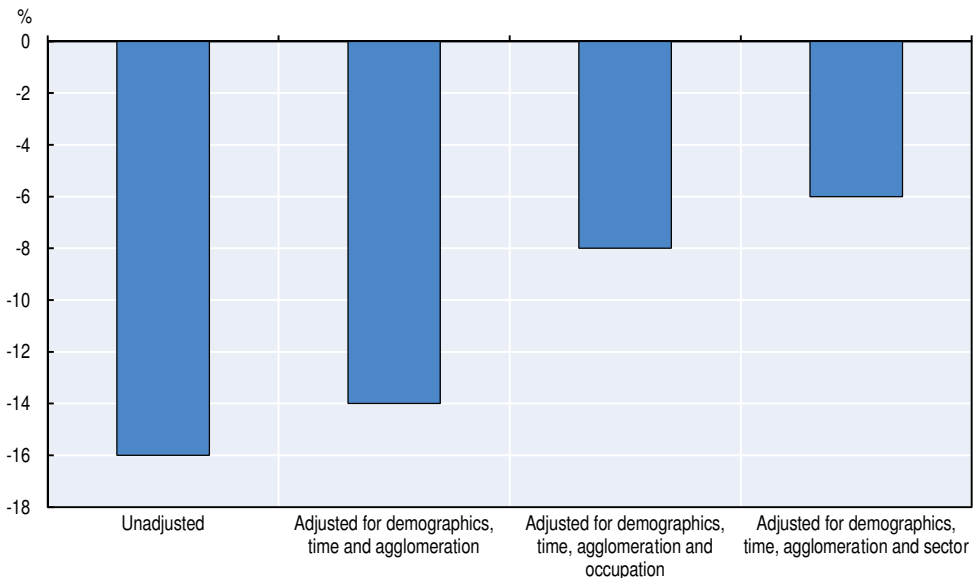
The difference in labour income between immigrants and non-migrants is dwarfed by the differences by educational levels. Completing primary school is associated with around a 20% labour income premium, completing secondary school with 60-85%, and university with around 125-215%. The values are at the higher end when the occupation is not controlled for. These estimates are in line with, though higher than, other estimates for the 1992-2010 period (Lustig, Lopez-Calva and Ortiz-Juarez, 2013).

The labour income difference between immigrants and non-immigrants varies by educational level. There is no income difference for individuals who did not complete primary school. The income penalty for immigrants is relatively small (3-6%) for people who completed primary school, did not complete secondary school or did not obtain a tertiary degree. For people with no schooling, it was -9%. For immigrants who completed secondary school or university, the income penalty is the highest at around 15%.

The income differential appears to fluctuate according to the business cycle. Between 1998 and 2002, the salaries of immigrants from neighbouring countries and Peru dropped by 19% compared to 12% among Argentine-born individuals who were not internal migrants (Maguid and Arruñada, 2005). However, over the 2004 to 2013 time period, the relationship between labour income of immigrants compared to native-born workers did not fluctuate by growth rates.³

Figure 4.1. **Immigrants on average earn less than comparable native-born workers**

Difference in the total labour income of foreign- and native-born workers in Argentina, adjusted for characteristics, 2003-15



Note: The adjusted differences are estimated based on ordinary least squares regressions. Aside from a variable indicating the country of birth, further control variables include 1) sex, 2) being in a couple, 3) the interaction of being female and in a couple, 4) age and age squared, 5) education, 6) agglomeration, 7) year and 8), when indicated, occupation or sector.

Source: Authors' calculations based on the 2003-15 *Encuesta Permanente de Hogares* (INDEC, 2003-16), <https://www.indec.gob.ar/bases-de-datos.asp>.

Recent analyses suggest that in Argentina, the demand for lower-skilled workers rose until the early 2000s and then fell again, and this fall contributed to a decline in income inequality (Lustig, Lopez-Calva and Ortiz-Juarez, 2013).

A rising demand for workers with lower skill levels relative to workers with higher education levels seems to be stronger determinant of this falling skills premium than the increase in the number of skilled workers. A factor that could contribute to this increasing demand for lower-skilled workers is the high demand for commodities in the early 2000s (Gasparini et al., 2011). However, even if changes in the relative labour supply had played an important role, immigration is unlikely to have influenced the skills premium through changing the relative labour supply. As was seen in Figure 3.1, the importance of recent immigrants in changing the distribution of educational attainment is overshadowed by the entrance of young native-born workers into the labour force.

There can be various explanations for the differences in labour income between foreign- and native-born workers. One possibility may be skill differences on which there is no information in the survey, including a lack of language skills among immigrants. Given that more than 80% of immigrants in Argentina are from Spanish-speaking countries, lacking language skills is less likely to be an issue than in other countries. But other unobserved skill differences – including knowledge about local markets – may well exist. A second possibility is that immigrants are discriminated against and receive a lower pay even when they carry out the same job with the same skill level or that they are not hired for certain jobs despite being qualified. Given the higher difference in the wages of secondary and tertiary graduates, it is also possible that foreign degrees are not perceived as comparable to Argentine degrees. However, it is unclear whether this perception is accurate or not. A third possibility is that foreign-born individuals may have different preferences from native-born individuals and want jobs that may pay slightly less but have other benefits. These descriptive data do not allow a conclusion on the degree to which each of these or other explanations contribute to the income differences.

Box 4.1. Accounting for the higher labour market vulnerability of immigrants

In the previous chapter, it was seen that the rates of vulnerable and informal employment are more elevated among foreign- than among native-born workers in Argentina. The simple summary statistics however do not reveal how much of that difference can be explained by different characteristics of immigrants and how much of it still persists.

This question is investigated through logit regressions in which the respective dependent variables are whether someone is a vulnerable (that is, own-account or dependent family) worker and whether someone has an informal employment (that is, a job without sick leave, welfare or payments into the pension system). For the first vulnerable employment regression, the estimation sample is restricted to working individuals and for the second one, only to employees. The analysis thus neglects that people first need to choose to work and to find a job.

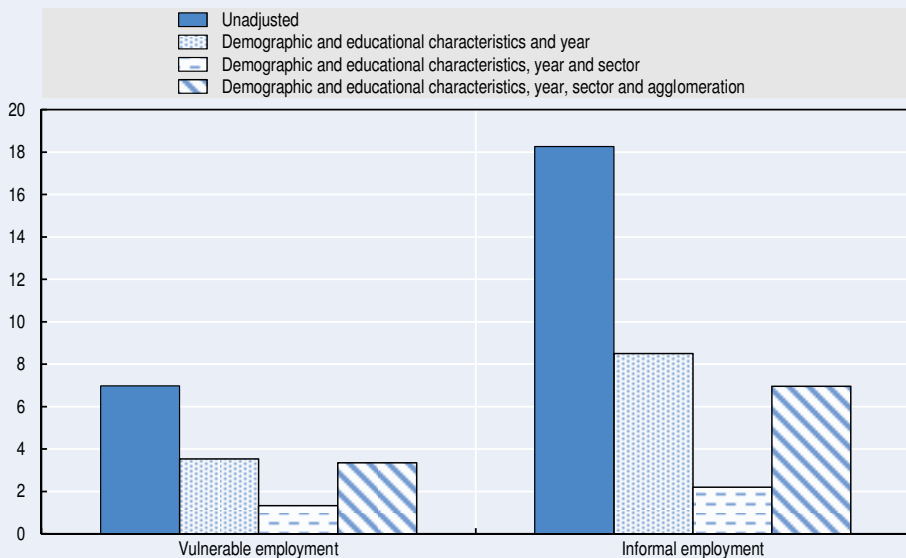
Box 4.1. Accounting for the higher labour market vulnerability of immigrants (cont.)

The differences in the vulnerable and informal employment rates are larger when the personal characteristics are not taken into account, but do not disappear once they are (Figure 4.2.). Both differences more or less halved once the age, sex and education status are held constant. This implies that immigrant workers are nonetheless still more likely to be informally or vulnerably employed.

Taking into account the sector someone works or the agglomeration they live in further alters the differences. When workers within the same sectors are compared, the vulnerable and informal employment rates are still statistically significant, but at 1.3 and 2.2 percentage points, they are much smaller. Taking into account the agglomeration increase the difference once again. What sector someone works in or where they live may of course not be entirely up to them. In particular immigrants may be drawn to sectors or areas where they have contacts that can help them find a job or housing.

Figure 4.2. Foreign-born workers are more likely to be vulnerably or informally employed than similar native-born workers

Differences in the (predicted) informal and vulnerable employment rates between foreign- and native-born workers



Note: The predicted differences are equal to the estimated mean marginal effect of being an immigrant. The control variables are age, age squared, sex, highest educational attainment and year. All marginal effects are statistically significant at the 0.01 level.

Source: Authors' calculations based on the 2003-2015 *Encuesta Permanente de Hogares* (INDEC, 2003-16), <https://www.indec.gob.ar/bases-de-datos.asp>.

These results suggest that one way to address the informality and vulnerability gap between similarly educated foreign- and native-born workers may be to generate pathways for immigrants into sectors in which informal or vulnerable employment rates are lower.

The effect of immigration on labour incomes and employment of the native-born population

How are the concentrations of immigrants and the labour market outcomes of the native-born population related? This section focuses on this question first through correlations and later on through regression analyses. First, however, the methodology is explained.

Box 4.2. Linking native-born labour market outcomes with foreign-born shares

The analysis presented below follows the skill-cell approach proposed by Borjas (2003) and variations of it by Facchini, Mayda and Mendola (2013). The relationship investigated is whether a mean labour market outcome (such as the employment rate or labour income) of a group of native-born workers as defined by their education levels and work experience is affected by the share of immigrants in that same group. This analysis is explained in more detail in Annex 4.A1. The underlying assumption is that native-born and immigrant workers only compete if they have the same skill level.

The differences between the two approaches relate to how the relevant labour market is defined and which additional impacts are taken into account. Following Borjas, the first skill groups are defined solely by the education level and estimated work experience. This assumes that workers are completely mobile across the national territory. Following Facchini, Mayda and Mendola, groups are also defined by region. The definition of a region differs by country. This assumes that labour markets are not national but regional. For both approaches, only individuals of key working ages (15 to 64) are included. In order to account for the fact that the labour market outcomes may be systematically different by education, work experience or year, variables are included in the analysis that control for them.

There are several shortcomings to the approach. Most importantly, the composition of the immigrant labour force and their distribution across the country is not random. Regions in which the labour market develops positively probably attract more immigrants. Therefore, the results cannot be interpreted as proving for example that immigrants cause labour incomes to be higher or lower.

Data and methodology

The analysis distinguishes between four education levels and eight work experience levels, yielding 32 skill groups overall. The educational qualifications are no education or some primary education, primary education,

secondary education (including some primary technical and secondary technical education), and tertiary education. The work experience is estimated based on the mean employment rates of individuals with the same education, sex and age (see Annex 4.A1 for the methodology).

The analysis is based on two data sources: the 1991, 2001 and 2010 census samples and the 2003-15 Permanent Household Survey (*Encuesta Permanente de Hogares – EPH*). The census has the advantage of estimating immigrant shares and mean labour market outcomes with more precision because the sample sizes are larger. The EPH is used to analyse the relationship of immigration with labour income, since this information is not available in the census.

The correlation between the change in the foreign-born share in the labour force and in native-born employment is weakly negative, with real labour incomes weakly positive

The first way in which the link between the labour market outcomes of the native-born population and the concentration of foreign-born individuals in a particular labour market can be explored is through correlations. These analyse the degree to which if one variable is elevated, another tends to be elevated too. The relationships that are explored here are the change in the average labour market outcomes (employment rate and labour income) of the native-born labour force participants in a given province, education and experience groups on the one hand and the change in the share that are immigrants within the same group. A positive or negative correlation does not prove that a growing immigrant share causes the employment outcome of the native-born population to change. Other factors could for example affect both the labour market outcomes of the native-born as well as the immigrant concentration.

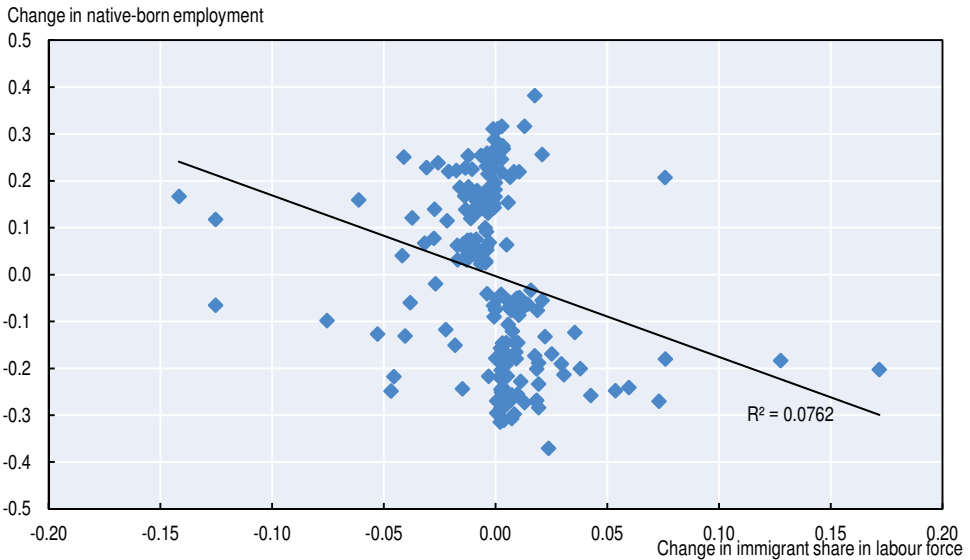
There is a weakly negative correlation between an increased presence of immigrants in a given province and with a particular skill profile and the employment rate of native-born men and women that have the same characteristics (Figure 4.3). However, underlying factors might drive this apparent relationship. For example, it is possible that immigrants are drawn to provinces where there are shortages of workers with their skill levels because native-born workers with the same background are less suitable for the job in some unobserved way.

The correlation between the changes in the immigrant concentration in a region and education cell and the natural logarithm of average real labour income of the native-born is slightly positive (Figure 4.3). The coefficient is equal to 0.29 and statistically significant. However, the R-squared is very low and thus, knowing the immigrant concentration in a skill group hardly gives any information about what the change in log real wages is likely to be.

Moreover, this relationship could be driven by many other factors and does not demonstrate whether the presence of foreign-born individuals causes the labour incomes of the native-born to change.

Figure 4.3. **The correlation between labour immigration and native-born employment in Argentina is weakly negative**

Change in immigrant concentration and in the native-born employment rate



Note: The difference is the intercensal differences in the employment rate of native-born workers and the share of immigrants in a given province and an education-experience cell.

Source: Authors' calculations based on 1991, 2001 and 2010 census samples (Minnesota Population Center, 2015), <https://international.ipums.org/international/>.

The shares of the foreign-born and labour market outcomes of the native-born do not appear related

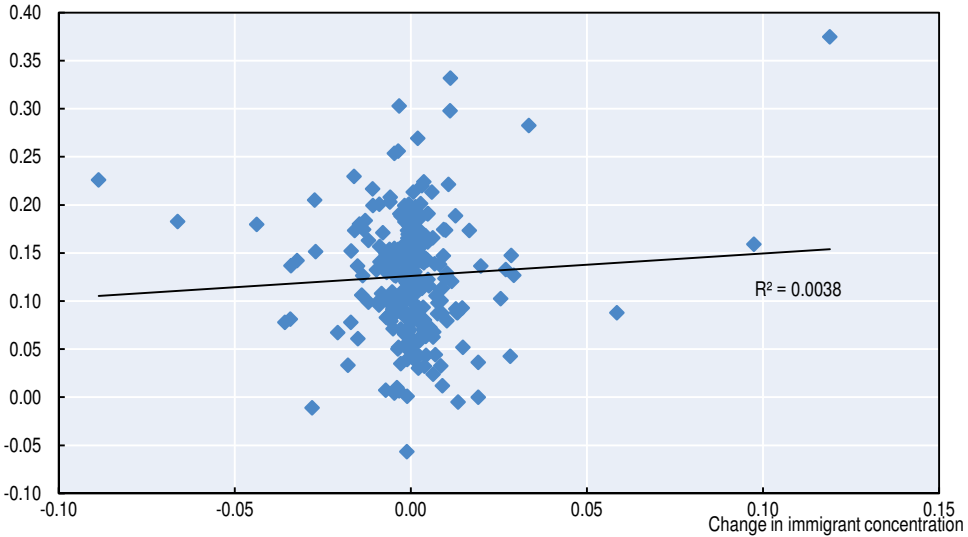
The overall conclusion of the regression analyses is that higher immigrant concentrations are not usually associated with job loss but may be linked with increased employment vulnerability – but also higher income (Table 4.1; for the coefficients, see Table 4.A2.1.).⁴

The coefficients on the immigrant share variable in the employment-to-population ratio regression are negative whether or not they are carried out with nation- or province-wide skill groups. But they are only statistically significant in the men's sample in which the skill groups are defined at the province level. The same is true for the unemployment rate regressions.

Figure 4.4. **The correlation between immigration and the labour income of native-born workers in Argentina is slightly positive**

Change in the concentration of immigrants and in log real labour incomes of native-born individuals

Change in log of real labour income



Note: The difference is the one-year differences in the log real labour incomes and share of immigrants in a given region and education cell. Real labour incomes are calculated based on reported total labour income (for primary and additional jobs) divided by the consumer price index as reported by the St Louis Federal Reserve.

Source: Authors' calculations based on the 2003-15 *Encuesta Permanente de Hogares* (INDEC, 2003-16), <https://www.indec.gob.ar/bases-de-datos.asp>.

Table 4.1. **Immigration is not associated with increased unemployment but with increased vulnerable employment**

	Employment-to-population ratio		Unemployment rate		Wage employment		Vulnerable employment		Nominal income	
	National	Regional	National	Regional	National	Regional	National	Regional	National	Regional
<i>Men and women</i>	o	o	o	o	o	-	o	o	o	+
<i>Men</i>	o	-	o	-	-	-	+	o	o	+
<i>Women</i>	o	o	o	o	-	o	+	o	o	o

Note: The sample is restricted to 15-64 year olds. The immigration share is equal to number of immigrants of a given year-education-experience (-province) labour force group over the number in the labour force in the same group. o = no significant effect; - = significant negative effect; + = significant positive effect.

Source: Authors' calculations based on the 2003-15 *Encuesta Permanente de Hogares* (INDEC, 2003-16) (for wage employment, vulnerable employment and nominal income), <https://www.indec.gob.ar/bases-de-datos.asp>, and the 1991, 2001 and 2010 censuses (Minnesota Population Centre, 2015), <https://international.ipums.org/international/>.

The relationship between immigration and vulnerable employment – and wage employment – of native-born individuals in contrast indicates that there may be some association with increased labour market vulnerability. In the vulnerable employment regression in which skill groups are defined at the national level, the marginal effects of the immigrant concentration

are positive, statistically significant and quite high in the separate male and female regressions. For wage employment, the effects are negative in the separate male and female regressions. Together, these results indicate that when there is a higher concentration of immigrants in the labour force of a given skill group, vulnerable employment becomes more common and wage employment less common among the native-born labour force. For the wage employment outcome, these results are also backed up by some of the province-level regressions.

Interestingly, the relationship with the concentration of immigrants that were still living abroad five years ago is not the same. In fact, the estimated coefficients switch sign, are larger and are statistically significant in the women-only regression of vulnerable and wage employment and the men-only regression of wage employment. One possible explanation is that immigration only affects vulnerable employment rates over a longer time frame so that recent immigration cannot yet have led to increases in vulnerable employment. In addition, prospective immigrants may analyse the Argentinian labour market prior to immigration and predominantly immigrate if they have skills that are in demand and for which vulnerable employment rates are comparatively low; but when they arrive in the country, they do not strategically re-emigrate once vulnerable employment rates within their skill group rise.

There is no statistically significant relationship between average nominal income and the immigrant share in the skill group at the national level, but at the regional level it is positive overall and among men only. For example, if the immigrant share increased by ten percentage points, the average labour income in the province skill group would be expected to increase by 1.5%.

The regressions that include all skill levels may mask impacts of immigration on the employment outcomes of workers with particular skill levels. When focusing only on individuals who did not complete secondary school (low-skilled) and those holding a university degree (high-skilled), some of the impacts remain similar, but not entirely: for example, in the sex-separate regressions, higher immigration rates are positively associated with higher rates of native-born vulnerable employment (except for the case of highly qualified men), and negatively with wage employment among low-skilled men and women. The most striking difference is that immigration may have opposing income effects for those with low and high levels of education: in the pooled male and female regressions, a higher immigrant concentration within the same skill group was found to be associated with a drop in the labour income of low-skilled workers. In contrast, for university graduates, the opposite was true. This result suggests that low-skilled immigrants may put downward pressure on the labour incomes of low-skilled native workers. On the other hand, high-skilled immigrants may complement the activities of native-born workers and thus boost their income.

Female foreign-born care workers and the native-born female labour supply

Immigrant workers may not only affect the employment rate within the same skill group. Instead, they may also allow native-born workers of a different skill group to increase their labour supply because they are able to hire immigrants to carry out activities that they were previously undertaking themselves, such as taking care of their children and housework. In fact, it has been found that women increased their labour supply in response to immigration in several countries (e.g. Cortés and Tessada, 2011; Barone and Mocetti, 2011).

Following Barone and Mocetti (2011), countries of origin were identified where a high share of the working female immigrants work in care jobs (personal care workers, personal services workers, and cleaners and helpers). In Argentina, 54% of employed women who were born in Bolivia, Chile, Paraguay, Peru and Uruguay work in one of these occupations, while the share among foreign-born females from other countries is 19% (and the share among the native-born female population is 29%).

The analysis reveals a positive correlation between women in the labour force and the share of immigrants from countries with high care-occupation concentrations in the female adult population of the area (Table 4.2). This relationship is strongest for women who did not obtain at least a primary school degree. For women with a tertiary degree, there is no relationship. There are no changes in the hours worked in response to the increased immigrant share. In contrast, in Italy, no impact was found on women's labour force participation decision but they worked more hours on average (Barone and Mocetti, 2011).

A possible explanation for this finding could be that in Argentina, better educated and on average more highly remunerated women are able to afford hiring help for their care activities whether or not there is a high concentration of immigrants. Therefore, there is no impact on their labour supply. In contrast, women who earn less because they dropped out of high school might not be able to afford such services unless they can hire immigrant women that earn even less. Therefore, their labour supply decision is affected.

However, the available evidence is not sufficient to accept this explanation at face value. It is entirely possible that a factor that is not accounted for drives both a higher native-born labour force participation and a higher share of foreign-born participation. For example, it is possible that certain agglomerations with high immigrant concentrations offered better child care services in some but not all years for reasons unrelated to immigrant inflows. If so, the regressions would find a positive relationship between immigrant concentrations and even though it is not caused by immigration.

Table 4.2. **Female immigration and the labour supply of native-born women are positively related**

Average marginal effects

<i>Highest completed education</i>	Labour force supply				
	All	<Primary	Primary	Secondary	Tertiary
Share of female immigrants from countries with high care concentrations	0.58*** (.14)	2.2*** (.76)	0.7*** (.23)	0.57** (.23)	-0.05 (.24)
Observations	418,862	20,924	158,583	165,961	73,394
(Pseudo) R-squared	0.2	0.06	0.18	0.11	0.11
<i>Highest completed education</i>	Hours worked				
	All	<Primary	Primary	Secondary	Tertiary
Share of female immigrants from countries with high care concentrations	23.7 (19.4)	233.2 (161.9)	-9.7 (38.3)	18.4 (25.3)	42.3 (41)
Observations	190,623	6,203	52,338	77,685	54,397
(Pseudo) R-squared	0.03	0.02	0.05	0.04	0.05

Note: The share of female immigrants from countries with high care concentrations refers to those born in Bolivia, Chile, Paraguay, Peru and Uruguay in the female population of the agglomeration in that year. The control variables for the labour supply regression are age, age squared, being married or living with a partner, the number of children under ten living in the household and agglomeration and year fixed effects. In addition, the hours worked regression controls for sector fixed effects and years in the main job. The labour supply decision is analysed using a probit regression. The average marginal effect is reported. The hours worked dependent variable is equal to the hours worked in the primary and additional paid jobs. The share of female immigrants is calculated as a share of the female population aged 15 and above. The regressions themselves are restricted to native-born women ages 15 to 64.

Source: Authors' calculations based on the 2010-15 *Encuesta Permanente de Hogares* (INDEC, 2003-16), <https://www.indec.gov.ar/bases-de-datos.as>

Conclusions

The evidence presented in this chapter suggests that the presence of immigrants is not usually associated with a loss in employment for native-born workers, but may increase the degree of informal employment. Moreover, native-born women with lower education levels may increase their labour force participation when more immigrant women from Latin American countries live in their region. It is possible that this increase has positive ramifications for their economic security.

These estimated labour market impacts in Argentina are in line with those found in other contexts. In the partner countries, negative impacts on the employment-to-population ratio were only observed in four out of the ten countries, and there was either no statistically significant correlation with labour income or it was positive (in Rwanda) (OECD/ILO, 2018). Prior studies on South Africa (Facchini, Mayda and Mendola, 2013) and Costa Rica (Gindling, 2009) revealed that there could be some negative employment (South Africa at the regional level) or wage impacts (for Costa Rican low-skilled women), but in Malaysia the overall impact were positive aside from for low-skilled individuals (Özden and Wagner, 2014). In OECD countries, the average labour

market impacts of immigration tend to be very limited, although low-skilled workers may be negatively affected according to certain estimates (Borjas, 2014; Friedberg and Hunt, 1995; Hanson, 2008; S. P. Kerr and Kerr, 2011; Longhi, Nijkamp and Poot, 2010).

The potentially positive labour income impact in particular may be surprising in view of the lower income immigrants appear to receive. However, at around 8% once certain personal characteristics including education as well as the region and occupation are taken into account, the immigrant income “penalty” is actually quite small. Additionally, in Chapter 3 it was seen that there is some specialisation even in larger occupation and sector groups of immigrants. In specific occupation groups and sub-sectors, it is probably still higher. Therefore, the level of competition may not actually be very pronounced. In addition, in the long run, immigration may be associated with skill upgrading among native-born individuals. This means that native-born workers invest more in education or specialise in jobs in which they have an advantage compared to foreign-born workers (Peri and Sparber, 2009), such as jobs that require more local knowledge.

From a policy perspective, the potentially negative labour market impact of immigration – the increase in informal employment - is part of a development that is already a general concern. Policies addressing this trend may thus also address any negative labour market consequences of immigration. In addition, there is another area of immigrant integration in which the need for a policy intervention should be investigated: immigrants with a secondary or tertiary education appear to be subject to an elevated labour income “penalty” of around 15%. This may be due to insufficient regulations concerning skill recognition.

Notes

1. The analysis of the labour income difference is restricted to individuals aged 15 and above. The analysis of the labour market impact is limited to individuals who are 15 to 64 years old (inclusive).
2. One concern regarding the validity of these results is that the imputation of labour income may skew the results, in particular because immigrant status is not an explanatory variable in the imputation of labour income (INDEC, undated). The share of foreign- and native-born individuals for whom none of the components of labour income imputed is however equal at 85%. Moreover, when replicating regressions number 3 and 4 above, the coefficients on the immigrant variable are very similar at -0.15* and -0.09 and both statistically significant at the 0.01 level
3. The analysis is carried out by regressing the log of real wages on the sex, marital status, age, female, education and agglomeration control variables as well as the seasonal GDP growth rate compared to the prior year’s and an interaction with immigrant status. It is found that the coefficient on the interaction is not statistically significant. Log real labour incomes are found by adjusting incomes by the consumer price indicator of the Instituto Nacional de Estadística y Censos (2008 base year). The regressions using real incomes yield similar results as those reported in Table 4.2, whether or not time fixed effects are included.

4. In order to test whether the results are robust to the data collection problems elaborated in the appendix of Chapter 1, the regressions were also carried out with data only from 2003-06 and 2016 (second and third quarters) data only. The estimated coefficients are largely similar. The exception is that in the regression of men's total labour income, the coefficient is positive (1.88) and statistically significant at the 5% level. Additional regressions on which vulnerable employment is the dependent variable are also now positive and statistically significant.

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ANNEX 4.A1

Methodology

The approach in this chapter follows Facchini, Mayda and Mendola's 2013 analysis of the labour market impact of immigration in South Africa. They, in turn, built upon the respective work of Borjas (2003) and Card (2001). The analysis is based on two data sources: the decennial population census and the Permanent Household Survey (EPH).

Five outcomes are analysed:

- the share of native-born employees in the working-age population (employed-to-population ratio)
- the share of unemployed individuals among the labour force (unemployment)
- The share of employees among the employed population (wage employment)
- the share of vulnerably employed among employed individuals, defined as own-account and family workers (vulnerable employment)
- the average nominal monthly labour income (income).

The first four outcomes are analysed based on the 1991, 2001 and 2010 censuses. Since the 2010 IPUMS-I census sample contains no information on the status of employment, the impact on vulnerable employment is only analysed for 1991 and 2001. The income analysis is based on the EPH. The employment outcome is equally analysed based on the EPH, but only for comparison purposes.

The methodology for the estimation are group-level ordinary least squares regressions. Each of the five outcomes is regressed on the share of immigrants in the labour force in the skill(-region) group as well as fixed effects for education, experience and year, interactions thereof as well as well as the region for the regional regressions. A significantly negative coefficient on the immigrant concentration variable would indicate that when there are more immigrants that have the same skills, the relevant labour market outcome for the native-born population deteriorates.

The main equation to be estimated is hence:

$$Y_{ijt} = \beta m_{ijt} + e_i + w_j + c_t + (e_i * w_j) + (e_i * c_t) + (w_j * c_t) + u_{ijt} \quad (1)$$

Where Y_{ijt} is the labour market outcome for a native-born worker with education i ($i = 1...4$) and work experience j ($j = 1...8$) for year t . Furthermore:

$$m_{ijt} = M_{ijt} / (M_{ijt} + N_{ijt}) \quad (2)$$

Where M_{ijt} is the number of foreign-born workers with education i , work experience j at time t and N_{ijt} is the number of native-born workers with education i , work experience j at time t . The other explanatory variables are a set of fixed effects that aim to take into account the education level (e_i), work experience (w_j), and time period (c_t), and their two-way interactions.

In contrast to the majority of the prior literature, women are included. In particular, separate regressions for all working-age (16-64) men and women jointly as well as separately are carried out. Unlike Facchini, Mayda and Mendola, no restriction of a 40-year maximum work experience is imposed. When including women in the analysis, the use of proxy for work experience of age minus expected entry age into the labour force (which depends on the level of education) (-4 years for women) is no longer reasonable. Women more frequently have work histories that are interrupted, for example because they have to care for children or other family members. This poses problems particularly in the joint analysis for men and women.

Therefore, another proxy based on the reported employment status in the 1970 to 2010 censuses was developed. It translates the share of males and females with a particular age and schooling who are reported to be working in a census year into years of work experience. For example, if in the 2000 census 50% of 16-year-old females with a primary school education reported to be working, it is assumed that all 16-year-old females with a primary school education gained half a year of work experience in that year. People who reported simultaneously working and studying are counted as working. In order to estimate how many years of work experience a 25-year-old with a primary school education had in 2010, the shares of females who worked at ages 16-24 based on the 2000 census are added to the share of 25-year-old females (always with the same education profile) from the 2010 census. This assumes that over the census decades, the pattern by age profile does not shift and that foreign- and native-born females have the same labour force participation patterns. It should be noted that while the estimate is likely to be relatively accurate at the group level, it is inaccurate at the individual level: people that are out of the labour force in a given year are probably more likely to be out of the labour force in the following year, and the opposite is true for people who are in the labour force.

Figure 4.A1.1. **Difference in predicted work experience (method 2-method 1) by sex, schooling and age in Argentina, 2010**



Note: Method 1: predicted work experience = current age – 4 years (for women) – 17/19/21/23 years for individuals with less than primary school education/primary school education/secondary school education/university degree. Method 2: predicted work experience based on share working in a relevant census, by sex, age and education.

Source: Authors' calculations based on the 1970-2010 10% census sample (Minnesota Population Center, 2015), <https://international.ipums.org/international/>.

Despite these weaknesses, the predicted work experience under this method (method 2) is a clear improvement over the estimation based on the crude age minus the assumed age at the end of education (method 1), particularly so for women. For example, consider the predicted values for men and women in 2010 by age and education. Figure 4.A1.1 plots the difference in predicted values based on the two methods. For men, the differences are relatively narrow. Nevertheless, the basic age-at-education entry method predicts higher work experience levels for men with lower education levels. The reason is that the standard age-at-education entry method may overstate the extent to which young men with low levels of education and older men with any education level are working. Furthermore, the extent to which young men with higher degrees are working, even if it may only be part-time, is understated. For women, the differences are more drastic. The reason here is that women with high levels of education are much more likely to work than

women with low levels of education: a 64-year-old woman with less than primary school education is predicted to have worked 16 years and a woman with a university degree to have worked 33 years. For men, the respective figures are 39 years in both cases. In contrast, under the age at labour market entry (minus 4 year) scenario, 64-year old women with a university degree are predicted to have worked 37 years and those with no primary school degree 45 years.

ANNEX 4.A2

*Selected regression results*Table 4.A2.1. **Coefficients on immigrant share variable for selected native-born labour market outcomes in Argentina**

	Employment-to-population ratio		Unemployment rate		Wage employment		Vulnerable employment		Nominal income	
	National	Regional	National	Regional	National	Regional	National	Regional	National	Regional
<i>Men and women</i>	-0.44	-0.05	-0.72	-0.1	0.28	-0.05***	0.15	0.01	-0.62	0.14*
<i>Men</i>	-0.34	-0.17***	-0.85	-.17***	-0.51	-0.07**	0.37***	0.02	0.41	0.22***
<i>Women</i>	-1.23	0.01	-0.61	0.03	-0.61***	0.02	0.58***	0.01	0.48	0.06

Note: The estimation is based on group-level ordinary least squares regressions. The sample is restricted to 15-64 year olds. The migration share is equal to the number of immigrants of a given year-education-experience (-province) labour force group over the number in the labour force in the same group. Control variables education, experience and year fixed effects as well as the province in the regional regressions and interactions thereof.

Source: Authors' calculations based on the 2003-15 *Encuesta Permanente de Hogares* (INDEC, 2003-16) (for wage employment, vulnerable employment and national income), <https://www.indec.gov.ar/bases-de-datos.as>, and the 1991, 2001 and 2010 censuses (Minnesota Population Council, 2015), <https://international.ipums.org/international/>.

Chapter 5

Immigration and economic growth in Argentina

So far, this report has focused on the implications of immigration for the labour force and the labour market. However, immigration can have ramifications that go far beyond this. Therefore, this chapter first addresses how immigration and economic growth may be related. Then, it shifts to the firm-level perspective and discusses how immigration may affect entrepreneurship.

As explained in Chapter 1, from 1990 to 2015, Argentina experienced a great deal of economic instability but nonetheless saw its per capita GDP grow. The role that immigration played in their growth is difficult to disentangle. This chapter therefore investigates the link descriptively using multiple angles. In the first part, the link between GDP and immigration is explored through a visual inspection of economic growth rates and immigration flows, through an estimation of immigrants' contribution to value added based on their distribution across different sectors and through an analysis of whether gross regional products and immigrant concentrations are linked. The second part discusses how immigration and entrepreneurship, a potential driver of growth, may be related.

The contribution of immigrants to value added and GDP

Immigrants are estimated to produce around 4% of total value added of the economy. This does not however imply that total GDP would be exactly 4% lower if immigrants were not working in the country. The effect could in fact be smaller or – at least in the short run – most likely larger.

The links between the strengths of economic growth and immigration flows are unclear

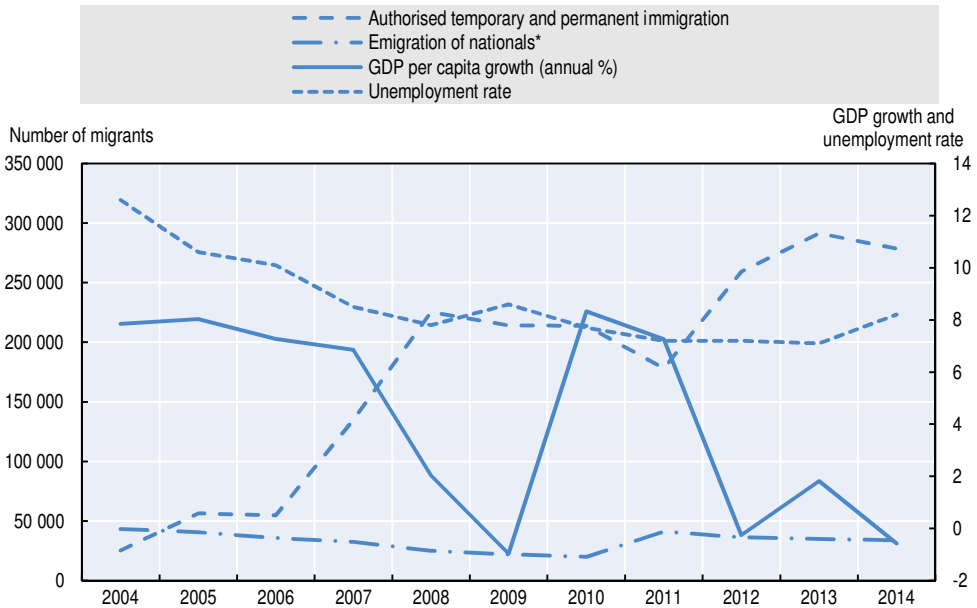
The drastic oscillations of the Argentine economy over the past three decades makes it difficult to identify how much immigrants have affected macroeconomic outcomes such as GDP and economic growth.

A simple comparison of the annual economic growth rate with authorised immigration and emigration flows does not show an immediate link between migration flows and economic performance (Figure 5.1). There is even less of a link with the unemployment rate, which has been stable since 2007. Emigration flows were more elevated in years with high economic growth (2004, 2005 and 2011). Authorised immigration flows were high during the 2008-09 recession and over the 2012-13 period during which growth rates were also low. One possible explanation is that in the Argentine context, immigration flows adjust with a time delay to short-term economic fluctuations. If this is the case, neither immigration nor emigration are likely to be an effective valve to help the economy adjust to business-cycle based excess labour demand or supply. However, the time frame presented is very short. In addition, the authorised immigration figure includes change of status from temporary to permanent immigrant and excludes unauthorised immigrants. Expulsions of irregular immigrants or immigrants with a criminal record amounted to little more than

10 000 over the 2004 to 2015 period (Dirección Nacional de Migraciones, 2015) and immigration was defined as a human right in a 2003 law, but it is likely that some irregular flows continue. Finally, the simple side-by-side comparison of immigration flows and economic growth rates does not address whether those immigrants that arrive during a recession do not in fact fill a vital and previously unfilled function for the Argentine economy.

Figure 5.1. **There is little apparent correlation between GDP per capita growth and migration rates over the last decade**

Authorised migration flows, GDP per capita growth and unemployment in Argentina, 2004-13



Note: The “permanent” immigration category includes individuals who were already living in the country but changed their status from temporary to permanent immigrants. Only the emigration of nationals is presented. This implies that it includes emigration events of foreign-born individuals who took on the Argentine nationality, and excludes emigrants who were born in Argentina but hold a different nationality. * Prior to 2009, the emigration flow is to OECD countries only.

Source: Organization of American States (2012 and 2015), *Segundo/Tercer informe del sistema continuo de reportes sobre Migración Internacional en las Américas (SICREMI) 2012/2015* and World Bank (undated a), *World Bank DataBank*.

Over the past decade, the sectorial distribution of gross value added has remained relatively stable

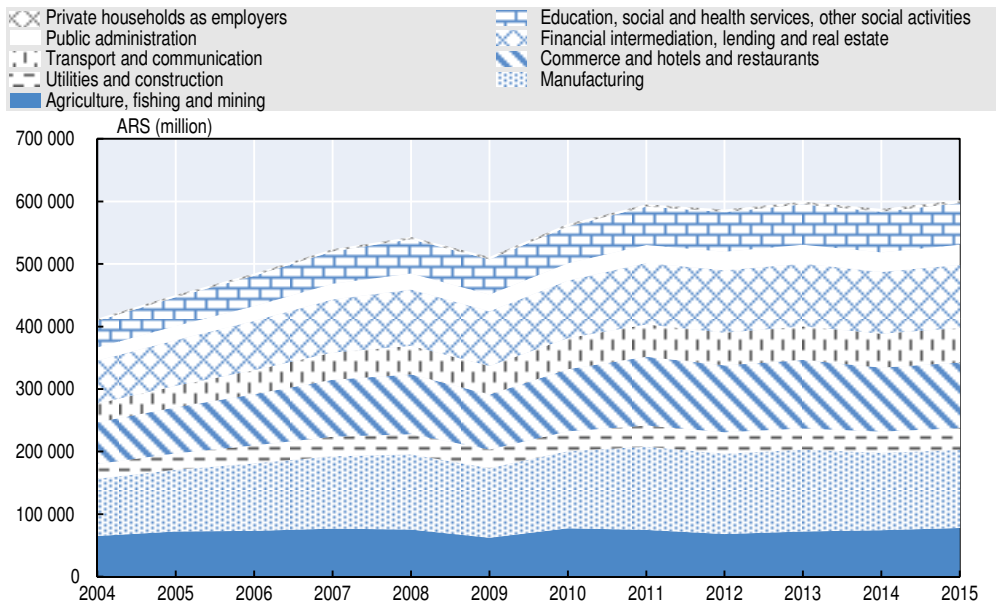
The distribution of value added across the different economic sectors hardly shifted from 2004 to 2015 (Figure 5.2). Manufacturing generated more than one-fifth of economic output (20.7% in 2015). It is followed in importance by retail and wholesale trade and restaurants (17.4%), financial intermediation, and real estate activities (16.7%). Agriculture, fishing and mining created 13.0% of value added and education, social and health services 11.1%. The stability of the sectorial composition is however unique to the time period studied: prior to

the economic crisis at the beginning of this century, Argentina had undergone a period of de-industrialisation (Herrera and Tavosnanska, 2011).

The broad sector distribution presented in Figure 5.2 understates the reliance of the Argentine economy on the primary sector. Many important sub-sectors in manufacturing, such as the food product, chemical and basic metal sub-sectors, rely heavily on primary products (Herrera and Tavosnanska, 2011). However, over the 2002 to 2007 period, products that rely on intensive engineering as well as the auto motor industry have gained a more important share once again.

Figure 5.2. **The role of different sectors is stable**

Gross value added by sector in Argentina, 2004-15



Source: INDEC (undated a), Sistema de consulta agregados económicos trimestrales y anuales, <http://200.51.91.244/cnarg/agregados.php>.

The immigrant contribution to value added may be proportional to the population share

The value added that is generated by immigrant workers is estimated to be approximately equal to their population share.¹ This estimate is derived by multiplying the GDP component produced in an economic sector by the share of immigrants working in that sector and adding up the resulting estimated sums of value added produced by immigrants in each of these sectors. It is assumed that the relative labour income ratio of foreign- to native-born workers in each sector could indicate potentially differing levels of productivity. In an alternative adjustment, the ratio of the predicted years of education is assumed to be the proxy for the productivity differential.

According to the non-adjusted estimate, 4.1% of GDP is produced by immigrants (Table 5.1). The adjusted estimates suggest a slightly lower value of 3.8-3.9%. That share is lower than the share of labour force participants aged 15 and above that are immigrants (4.3%) but higher than the overall immigrant population share in urban areas (3.5%). The explanation for this discrepancy is that, they work more frequently in certain sectors where the average value added per worker is lower and in some cases, they earn less than native-born workers. However, as the productivity adjustment factor shows, the average pay for foreign-born workers is not uniformly lower in all sectors. They earn more on average than native-born workers in the agriculture, mining, utilities, construction, wholesale and retail trade and hospitality sectors.

Table 5.1. The estimated value added share produced by immigrants in Argentina exceeds their population share in urban areas

Estimated gross value added of immigrant workers in Argentina's urban areas, 2014

	Gross value added	Immigrant share	Productivity adjustment (education)	Productivity adjustment (labour income)	Estimated immigrant value added		
					Unadjusted	Adjusted (education)	Adjusted (labour income)
Agriculture and fishing	51 321	6%	0.71	1.08	2 860	2 033	3 101
Mining	22 737	2%	0.96	1.46	522	501	761
Manufacturing	124 264	6%	0.97	0.98	7 384	7 139	7 219
Utilities	11 939	2%	1.16	1.01	263	306	267
Construction	21 877	7%	1.06	1.03	1 564	1 650	1 607
Wholesale retail trade	91 546	4%	1.01	1.03	3 793	3 841	3 921
Transport and communication	54 088	3%	1.06	0.91	1 359	1 438	1 234
Hotels and restaurants	10 789	6%	1.02	1.11	619	634	686
Financial intermediation	26 974	1%	0.96	0.84	326	313	275
Lending and real estate	71 901	4%	0.83	0.42	2 738	2 278	1 161
Other services	18 279	4%	0.97	0.93	726	708	673
Public administration	31 055	1%	0.92	0.93	347	317	322
Education	25 130	1%	0.94	0.84	156	147	131
Social and health services	21 810	4%	0.99	0.97	842	833	814
Private households as employers	4 259	7%	1.15	1.47	318	366	467
Total					23 818	22 506	22 637
GDP (%)					4.1%	3.8%	3.9%

Note: The immigrant share is estimated based on 15 year olds and older. The productivity adjustment factor based on labour income is calculated as the ratio of the average monthly income from their primary job of immigrants to the average income from their primary job of native-born workers in the sector. The productivity adjustment factor based on predicted years of education is calculated as the ratio of the predicted years of education of immigrants to the predicted years of education of native-born workers. Individuals without any schooling are assigned zero years of education, with incomplete primary education 3 years, those with a primary degree 6 years, those with incomplete secondary 9 years, those with complete secondary 12 years, with an incomplete university degree 13 years and with a complete university degree 15 years.

Source: Authors' calculations based on the 2014 *Encuesta Anual de Hogares Urbanos* (INDEC, 2014), <https://www.indec.gov.ar/bases-de-datos.asp> and INDEC (undated a), *Sistema de consulta agregados económicos trimestrales y anuales*, <http://200.51.91.244/cnarg/agregados.php>.

As mentioned above, the result that an estimated 4% of GDP can be attributed to immigrant workers in no way implies that GDP would be exactly 4% lower if immigrants were not participating in the Argentine economy. In reality, both the immediate and the long-term impacts may be higher or lower than a 4% loss. First, the estimate itself is necessarily imprecise. For example, different sub-sectors may produce a disproportionate share of the value of a sector's overall output, and immigrants are unlikely to be distributed uniformly across all sub-sectors. The proxy used for different productivity levels of immigrants compared to native-born workers is unlikely to be accurate, and the share of immigrants in a sector is based on urban areas only. Second, the estimate does not capture the fact that some foreign-born workers may be easily replaced by native-born unemployed workers, while others fill vital gaps in the economy and their loss would entail the loss of many jobs and a decrease in economic output.

Finally, the estimate omits other ways that immigrants can contribute to the productivity of Argentine workers through spill-over effects or through their entrepreneurial activities. For example, the consumption demand generated by immigrants may be needed to uphold production of certain goods within the country. As explained in the previous chapter, immigration may also induce native-born individuals to gain higher levels of education or training or to switch to different (potentially better remunerated) occupations. In particular low-skilled immigration may have this effect, which can boost productivity and economic growth in the long term. Another possibility is that immigrants found more new companies or allow the companies of Argentine entrepreneurs to flourish. The second part of the chapter investigates whether this is the case.

A clear connection between immigration concentrations and regional value added cannot be established

The Argentine economy is dominated by Greater Buenos Aires. Not only were 46% of the population and 50% of the employed living there in 2010, but an estimated 60% of 2005 GDP was generated in the region.² As indicated in Chapter 2, the respective shares of native- and foreign-born populations living in Greater Buenos Aires were 45% and 73%.

The economic structures of the different regions vary drastically. The share of gross regional products produced by the agriculture and mining sectors varied from 4% (City of Buenos Aires) to 65% (La Pampa) in 2005. For provinces in which information from 2005 to 2013 is available, the share of the service sector tended to increase, although often only by two percentage points.

A correlation analysis reveals only a very weak link between growth in per-capita output and changes in the immigrant concentration in the labour force at the regional level (Figure 5.3). However, the analysis suffers from multiple weaknesses, including the lack of growth data for many provinces and years.³ Moreover, even if the quality of the data were better, this analysis would not

reveal whether higher immigration causes a higher economic output, because higher growth rates or a third factor may cause immigration in a given province to be higher.

Figure 5.3. **The link between growth in per-capita output and immigration is weak at the regional level**

Per-capita product growth and change in immigrant concentration in Argentina's labour force at the provincial level (in percentage points), 2005-13



Note: Two growth outliers are excluded: Catamarca in 2006 (98% growth rates) and Tucuman in 2009 (49% growth rates). The share of immigrants in the labour force is estimated based on the *Encuesta Permanente de Hogares* and therefore only covers the urban population of the province.

Source: Authors' calculations based on Ministry of the Economy, Infrastructure and Energy of the Province of Mendoza (undated), "Producto bruto geográfico por provincia según rama de actividad" and INDEC (2003-2016), *Encuesta Permanente de Hogares*, <https://www.indec.gob.ar/bases-de-datos.asp>.

Trade and immigration have an uncertain link in Argentina

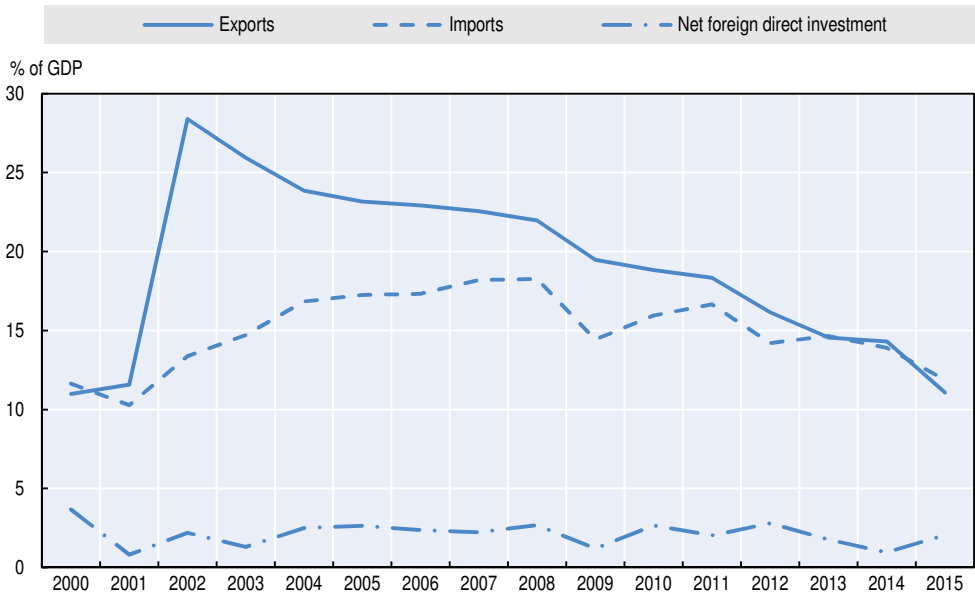
Cross-national empirical studies have consistently found that rising stocks of immigrants strengthen the investment and trade ties between the countries of origin and destination (Co, Euzent and Martin, 2004; Dunlevy and Hutchinson, 1999; Felbermayr and Toubal, 2012; Gould, 1994; Lewer and Van den Berg, 2009; White, 2007). If this is true, domestic companies could benefit by having access to more and potentially cheaper capital, more diverse and again potentially cheaper inputs and a larger number of potential buyers.

On an aggregate basis, there are no rising trade rates or net foreign direct investment rates (Figure 5.4) over the 2000 to 2015 period. In dollar amounts, there was an increase, but the rising GDP over the period led to a virtual stagnation of the share of GDP. The strength of the Argentine agricultural sector

can clearly be seen in the composition of its export basket: in 2015, 61.3% of exports were vegetables, food products, animals, and hides and skins. This is followed by transportation, which furnished 11.1% of exports, chemicals (7.8%), and stone and glass (4.7%) (World Bank, undated b).

Figure 5.4. **Trade and net foreign direct investment as a share of GDP has not risen in Argentina from 2000 to 2015**

Exports, imports and net foreign direct investment as a share of GDP (%)



Source: World Bank (undated a), World Bank DataBank.

There is little overlap between Argentina's main trade partners and the main countries of origin of its immigrants. With 4.2% of the export trade volume, Chile is only the fourth export trade partner (after Brazil, China and the United States). For imports, Bolivia is the sixth most important trading partner but with only 2.5% of the trade volume. Therefore, factors other than migration ties appear to be more important in shaping trade flows.

Firm creation and behaviour

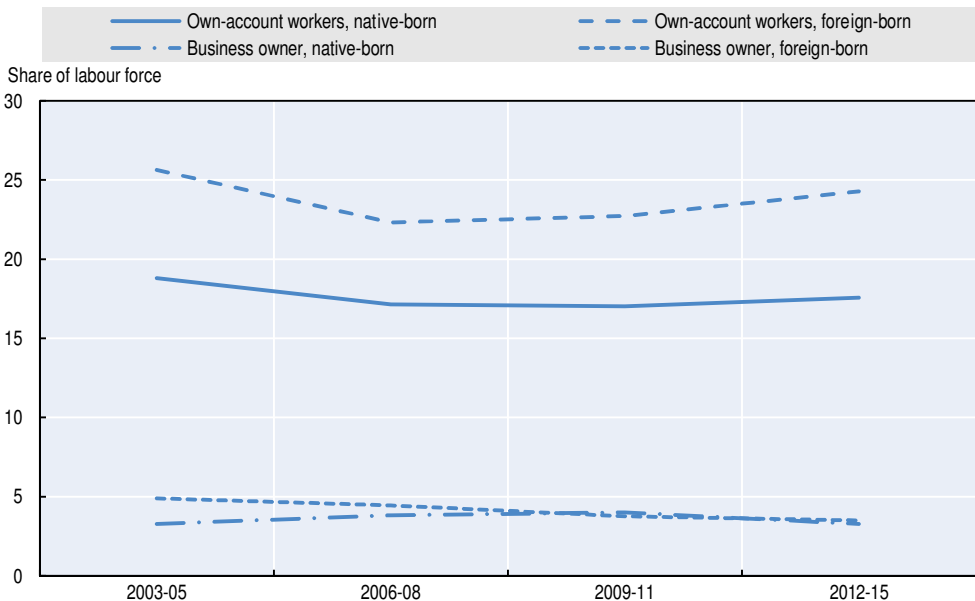
Immigration may affect the productive sector in multiple ways. Due to increased competition, new firms may be created and existing firms may carry out investments, manage to raise their productivity and innovate, or go out of business. This section discusses some of these aspects as well as factors that may cause firms to adjust more slowly to an increase in the number of labour force participants through immigration.

Foreign-born individuals do not create businesses at a higher rate than those born in Argentina

There are some differences in the self-employment rates between the foreign- and native-born workers. As was outlined in Chapter 3, a higher share of the foreign-born than the Argentina-born urban labour force is own-account workers (25% versus 19%) as their primary occupation. In contrast, the share of employers (called business owners hereafter) is only slightly higher (4.1% versus 3.6%) and has fallen in recent years (Figure 5.5). However, over the 2001 to 2011 period, the business ownership rate was higher among native- than foreign-born individuals. In comparison, for the OECD average, foreign- and native-born self-employment rates are relatively equal. But there are countries in which foreign-born self-employment rates are lower than native-born rates and other countries in which they are higher (OECD, 2011). Immigrants to Argentina that were living abroad five years previously have lower rates of own-account workers and business ownership: 12.0% and 2.6%, respectively.

Figure 5.5. **Immigrants are more frequently self-employed**

Share of own-account workers and business owners of the native- and foreign-born labour forces in Argentina, 2003-15



Source: Authors' calculations based on the *Encuesta Permanente de Hogares* (INDEC, 2003-2016), <https://www.indec.gob.ar/bases-de-datos.asp>.

The difference in the relative frequency of own-account worker status and business owner status between foreign- and native-born workers remains similar when the age, sex, education status, year and agglomeration are

controlled for (Table 5.2). The likelihood that a foreign-born individual with similar characteristics is an own-account worker is 5.4 percentage points higher than for a native-born individual. For business owners, the difference is 0.8 percentage points. Recent immigrants are in contrast less likely than prior immigrants to be own-account workers, and they are even less likely than native-born individuals to be business owners. Women are less likely to be self-employed. The chances of being an own-account worker decrease with educational attainment, while the opposite is true of the chances of owning a business.

Table 5.2. Immigrants in Argentina are more likely to be own-account workers or business owners

Average marginal effects of logit regression of own-account and business ownership status on immigrant status and personal characteristics

	Immigrant	Recent immigrant	Female	Completed education		
				Primary	Secondary	Post-secondary
Own-account worker	0.054		-0.060	-0.028	-0.063	-0.094
	0.055	-0.027	-0.060	-0.028	-0.063	-0.094
Business owner	0.008		-0.034	0.010	0.029	0.046
	0.008	-0.012	-0.034	0.010	0.029	0.046

Note: The logit regressions additionally control for sex, age and age squared and year and agglomeration fixed effects. Recent immigrants are defined as immigrants that were still living abroad five years ago. All of the estimated average marginal effects are statistically significant at the 0.01 level.

Source: Authors' calculations based on the *Encuesta Permanente de Hogares* (INDEC, 2003-2016), <https://www.indec.gob.ar/bases-de-datos.asp>.

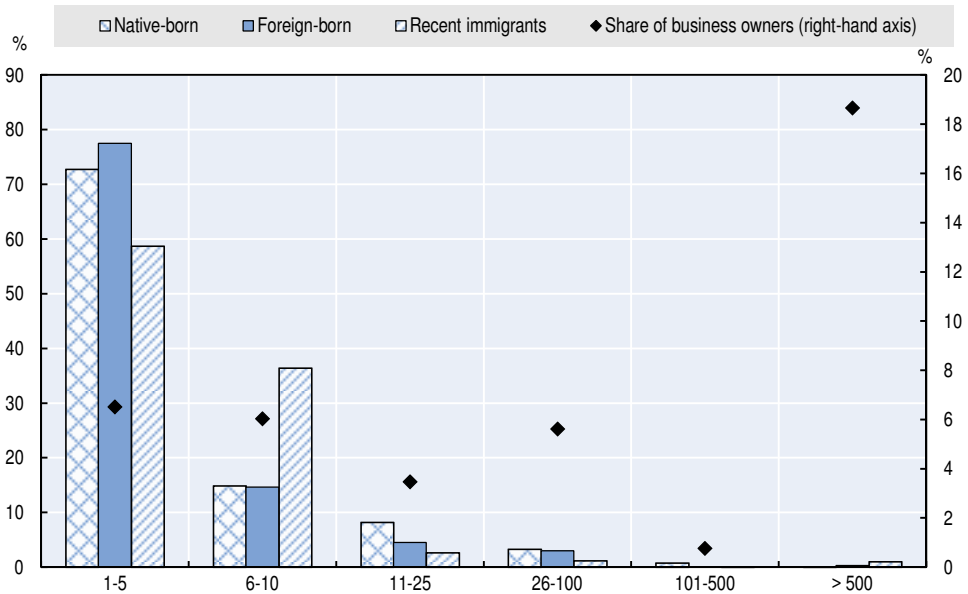
Both native- and foreign-born business owners predominantly work in very small firms but their distribution across medium-size and large firms varies (Figure 5.6). 88% and 92% of native- and foreign-born business owners, respectively, work in companies with less than ten workers. Foreign business owners are hence slightly over-represented. In contrast, 8% of native-born business owners and only 5% of foreign-born business owners work in companies with 11-25 people. The share owning businesses with more than 500 workers is very small among both categories: 0.1 versus 0.3%. However, this translates into a large over-representation of immigrants among business owners of large firms, since 18.7% of business owners in this category were born abroad. Put together, this evidence suggests that while the average immigrant-owned enterprise may contribute less to the creation of new jobs, immigrants are also over-represented among entrepreneurs that create many jobs and may further stimulate the economy. Moreover, recent immigrant business owners are actually less concentrated in very small companies.

When controlling for personal characteristics and the year, no relationship is found between immigrant status and firm size (Table 5.3). Businesses owned by women are less likely to be in a larger size category, and the higher the owner's education level the higher the odds ratio of being

in a larger size category. Dividing firms into four categories (1-10, 11-40, 41-200 and 200+), the odds ratio of the owner being an immigrant is around 0.85 and statistically significant at the 0.05 level. However, it should be noted that the sample sizes for the larger companies are small, and that this may drive the lack of significance.

Figure 5.6. **Immigrant business owners disproportionately own very small or large companies**

Distribution of native- and foreign-born business owners in Argentina by number of employees



Note: The categories of business owners who state that zero people work in their business as well as the “don’t know” category are omitted. They make up 2.9% of business owners.

Source: Authors’ calculations based on the *Encuesta Permanente de Hogares* (INDEC, 2003-2016), <https://www.indec.gov.ar/bases-de-datos.asp>.

Table 5.3. **Place of birth of the employer does not predict a larger company size**

Odds ratios of ordered logit regressions of company sizes

	Immigrant	Recent immigrant	Female	Completed education		
				Primary	Secondary	Post-secondary
Company size	0.941		0.720***	2.165***	4.403***	5.869***
	0.924	1.607**	0.721***	2.164***	4.397***	5.863***

Note: *** indicate statistical significance at the 0.01/0.05 level. The company size categories are 1-5, 6-10, 11-25, 26-40, 41-100, 101 to 200, 201 to 500 and more than 500. The regressions additionally control for sex, age and age squared and year fixed effects.

Source: Authors’ calculations based on the *Encuesta Permanente de Hogares* (INDEC, 2003-2016), <https://www.indec.gov.ar/bases-de-datos.asp>.

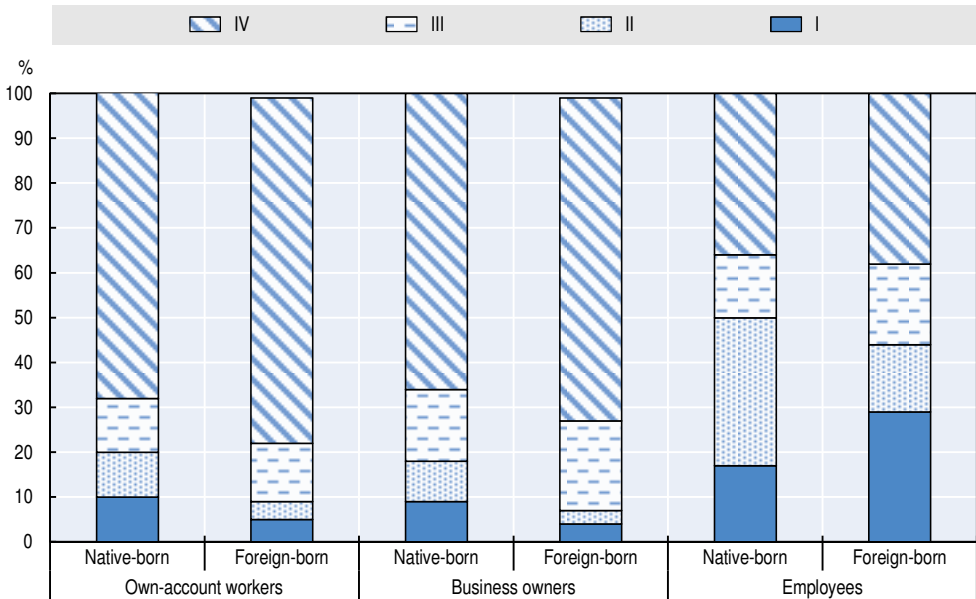
Foreign-born own-account workers and business owners are over-represented in certain economic sectors and under-represented in others. The sectors in which they are over-represented include manufacturing (especially among business owners), construction, wholesale and retail trade, and repair. Their over-representation in the manufacturing sector is in accordance with their over-representation among owners of large companies. Immigrants are particularly under-represented in transportation and storage, professional, scientific and technical activities and human, health, and social work activities.

Immigrant own-account workers and business owners are particularly concentrated in sectors whose output increased significantly from 2004 to 2013. In order to study this question, sectors were classified into four growth quartiles (see note of Figure 5.7. for a detailed explanation). Both native- and foreign-born own account workers and in particular business owners are over-represented in high-growth sectors compared to employees. Given that certain activities that are predominantly carried out by employees – such as working in education or the public administration – had relatively low growth rates over this period, this result is not entirely surprising. Nevertheless, the degree of the higher concentration of employees in the two lower growth quartiles (44-50% versus 7-20% among business owners and own-account workers) is perhaps larger than expected. Second, foreign-born own-account workers and business owners are more likely to work in the two highest growth sectors, which is in contrast to their distribution across sectors as employees.

The fact that immigrant entrepreneurs are concentrated in high-growth sectors might suggest that they disproportionately contribute to economic growth. A detailed analysis would require micro-data allowing a comparison of the productivity of native- and foreign-owned firms within and across sectors, which is not available. Moreover, these data would need to be available over time to determine whether immigrants are attracted to sectors that already exhibit high growth rates or whether their entry further increases those sectors' economic growth.

An analysis that links previous values of the shares of native- and foreign-born business owners in a given sector and growth rates of that sector (a Granger causality test) provides suggestive evidence on this point. From 2003 to 2012, the sector's growth rate for prior years predicts the distribution of native-born but not foreign-born business owners across sectors. In contrast, neither the share of native-born nor of foreign-born business owners working in a given sector predicts that sector's growth rate. However, for various reasons, this lack of predictive power does not disprove that entrepreneurship encourages growth. First, it is possible that given a longer time series, such a relationship might be found. Second, a relationship might exist if other factors that impact growth were controlled for. Third, this analysis only looks at how the allocation of business owners across sectors and growth are related. It does not analyse how the overall number of native- and foreign-born entrepreneurs and growth rates are related.

Figure 5.7. **Self-employed workers are more frequently active in fast-growing sectors**
Distribution of workers across sector growth quartiles, by status in employment



Note: The growth quartiles are defined as follows: first, the growth rates of the sector-specific GDP for the 2004 to 2013 are calculated and ranked, from lowest to highest growth. Second, the sectors that have the lowest growth rate over the period are allocated to quartile I until they made up around 25% of economic activity in 2004. The sectors in growth quartile I include agriculture, mining, real estate activities and activities of households as employers, and their growth rates from 2004 to 2013 range from -0.3% to 18.8%. The sectors in growth quartile II are electricity and gas, water supply, sewage and waste management, administrative and support services, public administration and defence, education, human, health and social work activities, arts, entertainment and recreation and other service activities. Their growth rate over the period ranged from 29.9% to 58.6%. The sector in quartile III is manufacturing with a growth rate of 61%. The sectors in growth quartile IV are construction, whole and retail trade and repair, accommodation and food services, information and communication, financial and insurance activities, professional, scientific and technical activities and arts, entertainment and recreation, with growth rates ranging from 64% to 173%.

Source: Authors' calculations based on the *Encuesta Permanente de Hogares* (INDEC, 2003-2016), <https://www.indec.gov.ar/bases-de-datos.asp> and *Sistema de consulta* (INDEC, undated a), <http://200.51.91.244/cnarg/agregados.php>.

Aside from foreign-born individuals creating their own enterprises, immigration may affect the businesses of native-born individuals in a variety of ways. Firms owned by people born in Argentina may benefit from immigration if foreign-born workers fill labour shortages, create investment linkages or increase demand for a firm's products by growing either domestic or foreign demand (the latter through increased trade flows). On the other hand, it is also possible that increased competition from immigrants can put some companies owned by native-born individuals out of business.

Unfortunately, a lack of detailed enterprise surveys makes it difficult to assess how companies are affected by immigration. Firm-level survey data containing information about investments and utilisation rates for example in a panel data format would facilitate such an analysis.

Labour productivity rose in recent years, but a link with immigration cannot be established

Labour productivity varies greatly by sector. In 2005 the estimated value added per hour worked ranged from ARS 3 for private household services to ARS 277 for mining (when using a proxy measurement that does not consider different levels of other inputs) (Table 5.4). In general, the value added per hour worked is higher in sectors in which capital investments are also likely to be more important. These include mining, utilities and manufacturing, as well as financial and real estate intermediation services. Aside from work in private households, value added per hour worked is also quite low in sectors such as construction and hotels and restaurants. These are sectors in which relatively large shares of workers are low-skilled. In particular in the private household as employers sector, the value added may be underestimated. Given that the shares of immigrants are high in diverse sectors such as construction, wholesale and retail trade, and private household services, there is no clear pattern of in either low- or high-value added.

Table 5.4. The value added per hour worked varies drastically between sectors

Value added per hour worked in Argentina, 2005

	Value added per hour worked	Immigrant share
Mining	277	3.0%
Manufacturing	31	3.0%
Electricity, gas and water	82	3.8%
Construction	10	11.5%
Wholesale and retail trade	14	6.8%
Hotels and restaurants	10	6.1%
Transport and communication	19	4.3%
Financial intermediation	45	3.2%
Lending and real estate	35	4.3%
Public administration	14	1.4%
Education	16	2.0%
Social and health services	12	4.0%
Other social and community activities	12	1.4%
Private households as employers	3	12.0%

Note: Value added per hour worked is calculated by dividing the value added in the sector by the typical hours per week worked in the sector times 52 times the number of people working in the sector.

Source: Authors' calculations based on ILO LABORSTA database (undated) and INDEC (undated a), Sistema de consulta agregados económicos trimestrales y anuales, <http://200.51.91.244/cnarg/agregados.php>.

Labour productivity grew strongly over the two decades from 1990 to 2010, but total factor productivity (TFP) hardly changed. Estimated labour productivity grew by a third over this period, while total factor productivity only increased by 2% (ARKLEMS + LAND, undated). Agriculture, utilities and transport, storage, and communication were the only sectors in which TFP grew consistently from

1993 to 2006. The share of foreign- and native-born workers in these sectors is relatively similar. The exceptions are transportation and communication, in which the share of native-born workers is one percentage point higher than the share of immigrant workers. In most other sectors, it was actually lower in 2006 than in 1993.

The rising labour productivity is not associated with rising salaries in Argentina's formal private and public sectors, at least when "real" inflation over the period are employed.⁴ While from 2002 to 2010, labour productivity increased by around 11%, real salaries dropped by around 17%. This is despite nominal salaries rising by 264%. The growing gap between labour productivity and real wages is observed in many developed and developing countries. In the latter, the increasing role of the financial sector, globalisation and the dropping role of government consumption in GDP and union density contribute to a fall of the labour income share, while technology is associated with an increase in the labour income share (ILO, 2013). In Argentina, given the higher "real" inflation rate compared to the official inflation rate, it is possible that employers are simply not able to keep up with inflation.⁵ In fact, if a real salary index based on the official inflation data is calculated, it appears that wage increases exceed productivity growth.

From a theoretical point of view, immigration could affect productivity in positive or negative ways, and not surprisingly, the results of empirical studies are mixed. One mechanism through which this could happen are changes in the age composition of the labour force – certain age categories of the prime working ages tend to be more productive (Feyrer, 2007). Secondly, immigrants could encourage technology transfers (c.f. Hornung, 2014; Markusen and Trofimenko, 2009) or be self-selected in a way that makes them particularly likely to innovate. Thirdly, firms' productivity could be affected in multiple ways: the interaction of individuals with more diverse backgrounds could lead to a work environment that boosts innovation and productivity. On the other hand, it is also possible that employees find it harder to communicate with each other and that this friction lowers productivity. In addition, if immigration causes wages to be lower than they would have otherwise been, firms may have less of an incentive to undertake investments that boost productivity. In empirical studies, effects range from negative to neutral and positive (e.g. Ortega and Peri, 2009; Peri, 2012; Quispe-Agnoli and Zavodny, 2002).

It is unfortunately not possible to estimate the relationship between immigration and productivity in Argentina. Such analysis would at a minimum require data on labour productivity that is disaggregated by sub-sector and sub-national geographic levels, as well as data on variations in the employment rates of immigrants across these sectors and regions. More ideally, firm-level data would be utilised. Finally, for analysing the causal link between the variables, an exogenous factor that affects the immigrant concentrations across sectors and

regions or firms would be needed. Unfortunately, these conditions are not met. But some of the mechanisms that can boost positive productivity impulses from immigration are met – such as the over-representation of individuals of working age. Moreover, communication problems that can depress productivity in firms that employ immigrants are much less likely as most immigrants in Argentina are native Spanish speakers. However, it is not possible to conclude that the productivity impacts of immigration are positive based on these factors alone.

Barriers to adjustment

A number of barriers can partially or totally prevent firms from adjusting to immigration flows. According to the 2010 World Bank Enterprise Survey, the second most commonly cited obstacle to the business environment is access to finance. Around 15% of firms named this as their main obstacle; and among medium-sized firms of 20-99 employees, it was the most commonly cited problem. Issues that relate to governmental policy – the tax rate and labour regulations – were named jointly by over a third of companies as the main obstacle (World Bank/International Finance Corporation, 2011).

Interestingly, in the same survey, only around 7% of firms cite a labour-related issue – an inadequately skilled workforce – as their main obstacle. In Latin America and the Caribbean (LAC) overall, the share exceeds 12%. This suggests that skill gaps are not perceived as the principal issue by most formal firms.

Further results from the survey show that while electricity and water shortages are less common for Argentina than for the average LAC and upper-middle income countries, the delay in obtaining connections to the relevant networks is much longer (e.g. around 54 days to be connected to the power grid in Argentina compared to 22 days in LAC countries). This can delay the founding of new businesses or the expansion of existing ones. Similarly, it takes many more days to obtain import and operating licenses and construction permits. These and other factors contribute to a low ranking in the Ease of Doing Business Index: in 2015, Argentina's score was 56.78 (rank 121), putting it below the regional average (59.07) and countries such as Chile (71.49, rank 48) and Mexico (73.72, rank 38) (World Bank, 2016). The areas on which Argentina is particularly poorly ranked relate to starting a business, dealing with construction permits, paying taxes and trading across borders.

Conclusions

The link between macroeconomic developments and immigration is not easy to analyse. For example, in a situation where economic growth and immigration are both on the rise, it can be difficult to establish whether it is the booming economy that attracts additional immigrants or whether the immigrants are the cause of the increased growth. In fact, both statements could be simultaneously true.

This report is unable to provide a definite answer on whether current immigration in Argentina boosts growth. The highly volatile economic situation over the 1990 to 2005 period increases the difficulty: other shocks to the economy were so large that the impact of relatively small changes in immigrant concentrations would simply be drowned out in the data.

Certain facts have nonetheless emerged from the analysis that suggests immigration is supporting growth in the Argentine economy. One of them is the disproportionate share of large companies owned by immigrants. A second is that labour shortages are not a major problem for many enterprises. The first piece of evidence indicates that immigrants may be able to increase productivity and growth. The second piece of evidence suggests that Argentina's open immigration policy may aid companies in finding qualified candidates. Other factors such as the education system however likely play a more important role.

In order to gain a deeper understanding of the role of immigrants in productivity and economic growth, further analyses based on firm-level data should be carried out. These analyses should ideally be based on nationally representative enterprise survey panel data. Such surveys would need to gather information on the countries of origin of the firms' workers, managers and owners. Given the importance of immigrants in certain parts in particular, a more limited study could restrict itself to certain sectors, such as construction. Moreover, studies that explore roots of potential solutions to skill shortages should be undertaken.

Such additional studies would also lay the foundations for understanding whether, in addition to the open immigration policy in particular for MERCOSUR nationals, a more activist immigration policy would be beneficial for the country. The existing evidence does not provide a conclusion either way. In contrast, the frequently voiced issues with obtaining financing suggest that the benefits from immigration could be larger if firms were better able to adjust their capital stocks in response to immigration.

Notes

1. The estimated value added of immigrant workers is based on data from the 2014 Annual Urban Household Survey (INDEC, 2014). The estimation methodology follows the one proposed by Martin (2007) in his analysis of the impact of immigration in Thailand. In contrast to his approach, the productivity of foreign workers is not adjusted by fixed ratios but by sector-specific ones. One problematic feature is that the distribution across sectors is based on the urban population only, while the value added figures are at the national level. The share of immigrants in a given sector may however be different at the national level compared to urban areas only.
2. No regional GDP figures were available for all provinces after 2005.
3. For Catamarca and Santa Cruz, growth rates cannot be estimated.

4. The calculations are based on ARKLEMS + LAND (undated) for labour productivity, a salary index (INDEC, undated b), official inflation data (INDEC, undated c) and inflation data from The Billion Prices Project (2015). The methodology for the Billion Prices Project inflation rate calculation is explained in Cavallo (2013). Real indexed salaries are calculated by dividing the salary index by the inflation index.
5. There were widespread reports of manipulation of the inflation rate under the Kirchner presidency. The problems were so marked that the country was officially censured by the IMF. The INDEC inflation figures of this period are assumed to under-report true inflation (Barrionuevo, 2011; *The Economist*, 2016). The publication of inflation and other data was initially suspended by the Macri administration. INDEC has since renewed publication of monthly inflation rates (Dube and Messer, 2016).

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Chapter 6

Immigrants' contribution to public finance in Argentina

This chapter provides evidence on the fiscal contribution of immigration in Argentina by comparing the net fiscal contribution of the average foreign- and native-born persons. The chapter starts with an overview of fiscal revenues and expenditures. Then, the share of taxes paid and benefits received by immigrants are estimated. The final part presents the estimate of the net fiscal contribution of foreign- and native-born individuals.

A frequently-voiced concern about immigration is that immigrants generate high costs for the public sector without creating equivalent tax revenues. This may be an even stronger concern in a country like Argentina where in many aspects, foreign- and native-born individuals are treated equally (Slater, 2011). In particular, as seen in Chapter 2, regular immigrants pay into and receive benefits from social security and irregular immigrants have the right to access education and health services. In OECD countries, the direct fiscal impact of immigration differs across countries but, whether it is positive or negative, never tends to be very high (OECD, 2013).

The estimates presented in this chapter are based on a number of assumptions and, as such, need to be interpreted with care. In particular, the estimation of the major direct and indirect taxes and social contributions rely on household survey data that covers the urban population only. It is assumed that these results can be extrapolated to the entire country. It is also assumed that income reporting is accurate and that taxes are paid as suggested by the current legislation – or, at least, that there are no differences in how foreign- and native-born individuals deviate in reporting their stated compared to their actual income and that they are equally likely to under-pay certain taxes. These and other assumptions are very strong. While this estimation thus represents the first step, further research on the fiscal impact of immigration is needed.

Fiscal revenues and expenditures

In 2013, the total tax revenues amounted to 31% of GDP, up from 18% in 2000 and 25% in 2008 (including social security contributions and provincial revenues but excluding local revenues). This value is above the 22% average for 20 countries in Latin America and the Caribbean (LAC), but still lower than the unweighted average of 34% for 34 OECD countries (OECD et al., 2016). About two thirds of taxes are raised at the national level (including social security).

Argentina's tax structure is relatively typical for the region but different from the OECD revenue structure. Half of the tax revenue of ARS 1 043 048 million (Argentine peso) (around USD 190 339 million)¹ in 2013 stems from indirect taxes on goods and services. Social security contributions make up 23% of the revenues, corporate income, profit and capital taxes 10%, individual income taxes 8%, financial and capital transactions taxes 7% and other taxes 4% (OECD et al., 2015) (Table 6.1). In comparison to other LAC states, Argentina has an average degree of reliance on indirect taxes. In terms of direct taxes and contributions, a larger percentage is directed towards social security contributions, due to a stronger development of

its social security system than in other countries in the region. In contrast, OECD countries levy a larger share through direct taxes. In particular, taxes on corporate and individual incomes make up nearly 34%, nearly double the share raised by these taxes in Argentina. The share of social security contributions is only slightly more elevated than in Argentina, though (26% versus 23%) (OECD et al., 2015).

Compared to OECD countries, Argentina devotes a higher share of its public spending towards social protection but a much lower share towards education and health. The public expenditure for 2013 (excluding municipal but including provincial expenditures) are distributed as follows: 42% are directed towards social security, 30% to congestible public goods (which includes police and the penal system, labour, water and sewage, energy and mining, communication, transport, finance, and security), 11% to pure public goods (administration, defence, intelligence, science and technology, environment, agriculture, industry, commerce and tourism, and finance), 6% to public debt, 7% to education and culture and 4% to health (INDEC, 2015). In contrast, the weighted OECD average for social protection was 33%, for education, recreation, culture and religion 14% and for health 18% (OECD, 2015).

Table 6.1. Tax revenues and expenditures in Argentina, 2013

Total tax revenue	ARS 1 043 048 million
Taxes on goods and services	50%
Social security contributions	23%
Corporate income, profit and capital taxes	10%
Individual income taxes	8%
Taxes on financial and capital transactions	7%
Other	4%
Total public expenditure	ARS 750 935 million
Social security payments	42%
Congestible public goods (interior security, penal system, labour, water and sewage, energy and mining, communication, transport, social assistance)	30%
Pure public goods (governmental administration, defence, intelligence, science and technology, environment, agriculture, industry, commerce and tourism, finance)	11%
Education and culture	7%
Public debt	6%
Health	4%

Note: The expenditures presented here are accrued.

Source: INDEC (2015), *Anuario Estadístico de la República Argentina 2013* and OECD et al. (2015), *Revenue Statistics in Latin America and the Caribbean 2015*.

Individual fiscal revenues

Taxes on goods and services represent 50% of public revenues

Argentina levies a number of taxes on goods and services. Among these is the value-added tax that applies to goods, including imports. The rates range from 10.5% (reduced rate for certain types of food and transportation services)

to 21% (regular rate) to 27% (for example on electricity). Some goods, such as books and milk, are completely exempted. On other goods such as tobacco, alcohol and cars as well as services, there are additional taxes.

The estimates of these indirect tax payments are based on two surveys: the income and expenditure survey and the annual urban household survey. The combination of two surveys is necessary because the income and expenditure survey itself does not contain any information on whether the interviewee was born in Argentina or not. The analysis steps are the following:

- First, each service and good is assigned a tax rate based on current tax rules.
- Second, tax payments per household are estimated by multiplying the amount spent on the different goods by their tax rates and adding up the different amounts.
- Third, these estimated payments were related to the household characteristics (position in the income distribution in the region of residence, household size and composition).²
- Fourth, estimated coefficients of this analysis were then applied to the characteristics of the households as reported in the permanent household survey to estimate value-added tax payments of these households. However, estimated remittance payments are deducted from the household income first. These remittance payments were estimated based on the World Bank's 2013 bilateral migration and remittance matrices. The total estimated outward remittances from Argentina to the country of origin were divided by the total stock of immigrants from that country.³ This average remittance is assigned to all adult individuals born in that country.
- Finally, the estimated household tax payment is divided equally among all adult household members. The share of goods and services tax payments that are thus obtained are then multiplied by the total official reported goods and services tax receipts.

The estimate relies on several assumptions. Among these are that only immigrants send outward remittances and that foreign- and native-born individuals have the same propensity to consume out of the income that remains after sending remittances. These assumptions may not reflect reality (c.f. Amuedo-Dorantes and Pozo, 2002; Galor and Stark, 1990; Dustmann, 1997). Moreover, official sources tend to understate true remittances (World Bank, 2015).

The estimate suggests that immigrants on average pay 40% less tax on goods and services than native-born individuals (Table 6.2). The difference in the remittance-adjusted income distribution is among the drivers of that result: immigrants are over-represented among the lower third of household incomes (by region), and under-represented in the most well-off third of the income distribution. For each income group, the tax payment rises and drastically so among the richest. More affluent people tend to spend more on goods that are not necessities and that are hence covered by regular or elevated tax rates.

Table 6.2. Immigrants are estimated to pay more than a third less in indirect taxes on goods and services

Estimated tax payments by native- and foreign-born individuals in Argentina, 2013

	Estimated tax payment share	Taxes on goods and services (ARS million)	Average per-capita tax payments (ARS)
Native-born	97.5%	503 657	12 399
Foreign-born	2.5%	13 011	7 186
Total		516 668	

Source: Authors' estimation based on the 2013 *Encuesta Anual de Hogares Urbanos* (INDEC, 2013a), the 2012/2013 *Encuesta de Gastos de los Hogares* (INDEC, 2013b), <https://www.indec.gov.ar/bases-de-datos.asp>, OECD et al. (2015), *Revenue Statistics in Latin America and the Caribbean 2015*, and World Bank (2015), *Migration and Remittances Factbook*.

Individual income taxes and social security (31% of public revenues)

Social security contributions are paid by both employers and employees for dependent workers and by independent workers for themselves. The employer contributions are not capped and rates vary from 11.5% to 27% depending on the sector and the size of the enterprise. In some cities, these employer contributions can be deducted from other tax obligations. Employee contributions are 17% on labour incomes from ARS 1 329 to ARS 43 202. The contributions for independent workers are 32% of a fixed reference income that varies by type of profession and income. Contributions for household workers are paid by the employers (18+ year olds) and/or the workers themselves (for those younger than 18). The rates also depend on the age of the worker and the hours of work.

The estimate of the total social security contributions of foreign- and native-born individuals takes the rules on independent and dependent workers and employers into account. Household workers are disregarded. Moreover, the estimation is carried out on total labour income rather than individually if a worker has multiple jobs. If this is the case, employer contributions are estimated based on the characteristics of the primary job. For employed individuals, only the estimated contributions of individuals who indicate that they are contributors to the pension or welfare system are taken into account. Based on this estimate, the relative share of the native- and foreign-born population is calculated and applied to the total reported social security contributions received by the government during the year. Per-capita tax payments are estimated by dividing the total amounts by the estimated number of foreign- and native-born individuals (2013 population figure times the share of native- and foreign-born as estimated based on the 2013 Annual Urban Household Survey [*Encuesta Anual de Hogares Urbanos* – EAHU]).

The estimate suggests that foreign-born individuals pay around 7% less in social security contributions than the native-born (Table 6.3).

Table 6.3. Immigrants appear to pay slightly less in social security contributions

Estimated social security contributions by native- and foreign-born individuals in Argentina, 2013

	Estimated share of social security contributions	Share of total reported social security contributions (ARS million)	Per-capita social security contribution (ARS)
Native-born	96.0%	223 000	5 579
Foreign-born	4.0%	9 310	5 221
Total		232 310	

Source: Authors' estimation based on the 2013 *Encuesta Anual de Hogares Urbanos* (INDEC, 2013a) <https://www.indec.gov.ar/bases-de-datos.asp> and OECD et al. (2015), *Revenue Statistics in Latin America and the Caribbean 2015*.

Residents pay income tax on their global income while non-residents, that is, people without a permanent status who have been in Argentina for less than five years, only pay income taxes on their Argentine income. The income tax is assessed on real gross income, from which obligatory social security contributions and certain other expenses can be deducted (life insurance premiums, burial expenses, contributions to medical insurances and health care payments, and interest payments up to ARS 20 000 for mortgages). From the remaining net income, deductions are taken in order to obtain the taxable net income that depend on whether the worker is dependent or independent and has a low-income spouse, children or further dependents. Based on the worker's net salary, the marginal tax rate then varies from 9% to 35%. Income under ARS 15 000 (around USD 2 750) is not taxed. Due to the many deductions, income tax contributes nothing to the tax wedge – the difference between the labour costs and the take-home pay of workers – for employees earning average wages. This is despite the fact that at 34.6%, the tax wedge is the highest in the LAC region and almost reaches the OECD level of 35.9% (OECD/CIAT/IDB, 2016).

The estimation neither distinguishes between residents and non-residents nor the source of the income. Nor does not take into account the special deductions mentioned above (life insurance premiums, etc.), or the increased personal deduction for living in Patagonia. Child deductions are assigned to the household head. Moreover, the categories are based on the income of two years prior, but this estimate only refers to income information from the same year.

Immigrants are estimated to pay around 21% less in income tax than native-born individuals (Table 6.4). Immigrants contribute 3.4% of income tax payments, a share below their population share. In per capita terms, this translates to ARS 1 893 among native-born and ARS 1 489 among foreign-born individuals.

The discrepancy between immigrants' shares of income tax and of social security contributions arises from a combination of several factors. The first factor is that immigrants are over-represented among the lower income

categories. The second factor is that because of the deductions, there are people that are obliged to pay social security contributions but not income tax. In addition, the estimates appear to underestimate the share of the population that is paying income tax and overestimate the share paying into the provisional system. As long as the under-estimates or over-estimates do not differ by the country of origin, however, this should not bias the results on the relative income tax contribution of foreign- and native-born individuals.

Table 6.4. Immigrants are estimated to on average pay lower personal income taxes than native-born individuals

Estimated personal income tax payments by native- and foreign-born individuals in Argentina, 2013

	Share EAHU	Share of total personal income tax payments (ARS million)	Per-capita tax payments (ARS)
Native-born	96.6%	76 884	1 893
Foreign-born	3.4%	2 698	1 489
Total		79 582	

Source: Authors' estimation based on the 2013 *Encuesta Anual de Hogares Urbanos* (INDEC, 2013a), <https://www.indec.gov.ar/bases-de-datos.asp> and OECD et al. (2015), *Revenue Statistics in Latin America and the Caribbean 2015*.

Corporate income, profit and capital taxes (10% of public revenues)

Taxes on enterprises differ by size and type. Public limited companies are taxed with an income tax rate of 35% on their net taxable income. Other companies have to pay a tax of 1% of their active assets at the close of the fiscal year provided that these exceed ARS 200 000. There can be tax offsets between different types of taxes. For small sellers or service providers that earned less than ARS 200 000 (ARS 300 000 for other sellers), that do not import anything and that do not have more than three activities, a simplified framework is available. Their tax payment depends on their gross income, the surface area of their shop, the amount of electricity consumed, the rent they pay, whether they have employees and whether they are sellers or service providers. It ranges from ARS 39 to ARS 2 700 (Ministry of the Economy and Public Finance, 2015). In addition to these federal taxes, there are further provincial taxes on the gross income of enterprises that range from 1.5% to 4%, although primary and secondary sector activities are subject to exemptions (Ministry of the Economy and Public Finance, 2015).

The determination of what share of these taxes can be attributed to immigrants is not obvious. Dustmann and Frattini (2014) point out that there is an ongoing debate on how corporate taxation should be allocated between shareholders, workers and consumers. They therefore chose to allocate these taxes on a per-capita basis, after deducting the percentage that is likely paid by foreign (non-immigrant) shareholders. This estimate follows their approach,

except without any deductions that shareholders based abroad may pay. The estimated per-capita corporate, profit and capital tax payment for both foreign- and native-born adult individuals is ARS 3 345, translating to ARS 3 084 for foreign- and ARS 2 305 for native-born individuals (due to the different age structure).

Taxes on financial and capital transactions (7% of public revenues)

Taxes on credits and debits in current accounts vary from 0.075% to 0.6% depending on the nature of the transaction. They can be partially deducted from income tax payments. Import taxes can be in the form of fixed amounts per unit or a percentage of the import cost (including transport and security costs) that ranges from 0% to 35%. A specific import tax concerns products that do not come from MERCOSUR countries. Export taxes on consumption goods range from 0% to 100% (the latter on natural gas) (Ministry of the Economy and Public Finance, 2015).

The estimated per-capita financial and capital transactions taxes are 27% higher for foreign-born than native-born individuals (Table 6.5). It is likely that these taxes relate to the income and asset position of individuals. Lacking a measure of wealth, this estimate relies solely on income. The share of financial and capital transaction tax is assumed to be proportional to the share of income as reported in the household survey. Unlike for the estimation of value-added and excise taxes, remittances are not deducted from income, since they should be covered under the transaction taxes as well.

Table 6.5. Immigrants are estimated to pay one quarter more in financial and capital transaction taxes

Estimated tax payments by native- and foreign-born individuals in Argentina, 2013

	Income share	Estimated transfer taxes (ARS million)	Per-capita tax payments (ARS)
Native-born	95.2%	68 406	1 684
Foreign-born	4.8%	3 475	1 915
Total		71 881	

Source: Authors' estimation based on the 2013 *Encuesta Anual de Hogares Urbanos* (INDEC, 2013a) <https://www.indec.gob.ar/bases-de-datos.asp> and OECD et al. (2015), *Revenue Statistics in Latin America and the Caribbean 2015*.

Other taxes (4% of public revenues)

The largest components of the remaining tax revenues are property taxes, which make up 2% of public revenues. Fiscal residents pay this tax on their property, whether it is within or outside the country. Those with property valued at under ARS 305 000 are exempted. Federal tax rates range from 0.5% to 2.5% depending on the size of the estate and the whether the individual lives within the country or not. Moreover, when real estate is transferred from one owner to another, a 0.015% tax rate is applicable (Ministry of the Economy and Public Finance, 2015).

The tax payment share is estimated to be equal to the adult population share. By this estimation, foreign- and native-born individuals contribute ARS 1 294 and 957, respectively.

Individual public expenditures

Social security payments (42% of public expenditures)

Social security payments are under the purview of the National Administration of Social Security (*Administración Nacional de la Seguridad Social – ANSES*) (CIPPEC, 2014). Social security is composed of several programmes, including social benefits, contributory family allowances and unemployment benefits.

This estimation focuses on the components related to retirees and children, which makes up more than 95% of the expenditures of ANSES. The remainder of its budget as well as funds housed in other institutions are assigned to all inhabitants of Argentina on a per-capita basis.⁴

The amounts of pension and other social benefits received are estimated based on the share of the total reported in the household survey. One difficulty is that in particular pension payments may also come from private sources or even from abroad, but the data do not identify the source. If immigrants are equally likely to receive benefits from private pensions but more likely to receive benefits from abroad, then this estimate will overestimate their Argentine social security benefits.

Foreign-born individuals are estimated to receive 40% more in social security benefits than people born in Argentina (Table 6.6). On average, native-born individuals receive ARS 7 312 in social security benefits and foreign-born individuals receive ARS 10 463.⁵

Table 6.6. **The average immigrant receives around 40 percent more in social security benefits than native-born**

Estimated social security benefits received by native and foreign-born individuals in 2013

Type of benefit	Pensions	Social assistance	Remainder
Total	230 368	37 582	46 895
Total est. [EAHU]	182 220	14 252	N.A.
Native-born share	94.3%	93.6%	95.7%
Foreign-born share	5.7%	6.4%	4.3%
Native-born total	217 290	35 171	44 888
Foreign-born total	13 078	2 411	2 007
Native-born per capita	5 308	873	1 131
Foreign-born per capita	8 153	1 179	1 131

Source: Authors' estimation based on the 2013 *Encuesta Anual de Hogares Urbanos* (INDEC, 2013a), <https://www.indec.gov.ar/bases-de-datos.asp> and INDEC (2015), *Anuario Estadístico de la República Argentina 2013*.

Pure public goods and debt and congestible public goods (48% of public expenditures)

In order to estimate the per-capita expenditures on pure and congestible goods, it is necessary to classify them into the different categories. This distinction is slightly arbitrary, since certain elements regarded as pure public goods may in fact be extended when the population grows. For example, while the public administration is classified as a public good, but it may in fact be expanded for a larger population.

Two calculations are applied to pure public goods and public debts. One allocates the costs equally to native- and foreign-born individuals ('average cost scenario'). For the other one, the costs are solely allocated to native-born individuals under the assumption that the total expenditures would be equally high if foreign-born individuals had not arrived ('marginal cost scenario').⁶

Under the average cost scenario, the per-capita expenditure is estimated to be equal to ARS 8 391 for both the foreign- and native-born (Table 6.7). Under the marginal cost scenario, it is estimated to be at ARS 8 531 for the native-born and ARS 5 262 for the foreign-born.

Table 6.7. The allocation of public goods expenditures depends on the assumptions

Expenditures on public goods and debt allocated to foreign- and native-born individuals in Argentina, under average and marginal cost scenarios

	Total expenditures (ARS million)	Per-capita costs (ARS)		
		Native- and foreign-born, average costs	Native-born, marginal cost	Immigrant, marginal cost
Pure public goods	88 328	2 076	2 169	0
Public debt	44 798	1 053	1 100	0
Congestible public goods	223 840	5 262	5 262	5 262
Total		8 391	8 531	5 262

Source: Authors' estimation based on the 2013 *Encuesta Anual de Hogares Urbanos* (INDEC, 2013a), <https://www.indec.gov.ar/bases-de-datos.asp> and INDEC (2015), *Anuario Estadístico de la República Argentina* 2013.

Education expenditures (7% of public expenditures)

The estimated education expenditures generated by foreign- and native-born individuals are based on the share of students of a given age category that attend public school and the share of education costs of each education level as reported by UNESCO Institute for Statistics (undated). Children aged 2 to 5 attending school are assumed to be in pre-primary education, those aged 6 to 12 in primary school, 12 to 18 in secondary school and older than 18 in post-secondary education. The educational costs of children under 18 are allocated to immigrants if the household head and/or spouse were born abroad. If a household is "mixed" (either the household head or spouse is born in Argentina and the other abroad), half of the children at a given schooling level are allocated

to each. The costs for post-secondary education are allocated if the student in question was born abroad. Children that attend private school are assumed to add zero costs to the system.

The share of children attending public pre-primary and secondary school that are living in immigrant households exceeds the population share of immigrants, while the share attending public primary and post-secondary is below this average. Overall, the estimated per-capita expenditure on education is 21% higher for foreign-born than native-born individuals (ARS 1 502 versus ARS 1 242) (Table 6.8).

Table 6.8. Immigrants generate more educational costs because a relatively larger number of immigrant children go to primary and secondary school

Estimated education costs by level of education and place of birth, 2013

	Share of public education expenditures (%)	Estimated immigrant usage share (%)	Estimated total expenditures for immigrant families (ARS million)	Estimated total expenditures for native-born families (ARS million)	Per-capita expenditure immigrants	Per-capita expenditures native-born
Pre-primary	8.2	4.1	173	4 092	97	103
Primary	30.0	6.8	1 053	14 547	594	367
Secondary	41.5	4.9	1 055	20 519	595	517
Post-secondary	20.2	3.7	385	10 125	217	255
Total	51 949		2 665	49 284	1 502	1 242

Note: For all education levels except post-secondary, the assignment to foreign- and native-born households is carried out based on the birth place of the household head and spouse. In households with a head and a spouse, half of the children attending school at the relevant level are assigned to the household head and half to the spouse. If there is only child, the costs are split between the two. Post-secondary education is assigned to immigrants if the student was born abroad.

Source: Authors' estimations based on the 2013 *Encuesta Anual de Hogares Urbanos* (INDEC, 2013a), <https://www.indec.gov.ar/bases-de-datos.asp>, INDEC (2015), *Anuario Estadístico de la República Argentina 2013* and UNESCO Institute for Statistics (undated), *UIS.Stat Database*, <http://data.uis.unesco.org/Index.aspx>.

Health expenditures (4% of public expenditures)

The health system in Argentina has three pillars. The first pillar is tax-financed public hospitals and care providers accessible to the poor and uninsured population. The second is the social security sector. It covers formal and public employees and their families as well as pensioners; it is financed through payroll contributions of employers and employees and pays private health care providers. The third pillar is private insurance companies which finance private health care providers (Belló and Becerril-Montekio, 2011). Only the first and second pillars are thus relevant for estimating the fiscal impacts of immigration. In 2013, around 55% of overall expenditures were public (World Bank, undated).

The estimate of the per-capita health expenditure is based on information on health care utilisation by age group from the 2010 Survey on Health Care Services Utilisation and Expenditures (Ministry of Health and University of

Buenos Aires, 2012). The public health utilisation is estimated by multiplying the share in the age group who had visited a doctor during the previous 30 days by the share who had received any medical service at a public or social work institution. The corresponding estimated public utilisation rates are 30% for under-15 year olds, 21% for 15- to 29-year-olds, 18% for 30 to 44 year olds, 22% for 45 to 59 year olds and 23% for over-60 year olds (Ministry of Health and University of Buenos Aires, 2012). In combination with the age structure of foreign- and native-born individuals, this is then used to estimate the overall relative usage share, and from this deduce per-capita expenditures. It is assumed that foreign- and native-born individuals of the same group are equally likely to use these services, that the average cost generated by their usage are equal and that the relevant costs for the public health system are generated by visiting doctors in public or social work health facilities. Finally, it is assumed that the usage pattern by age group did not change between 2010 and 2013.

Based on this method, estimated health care expenditures between foreign- and native-born individuals are very similar. Immigrants generate ARS 660 in costs and native-born individuals ARS 710.

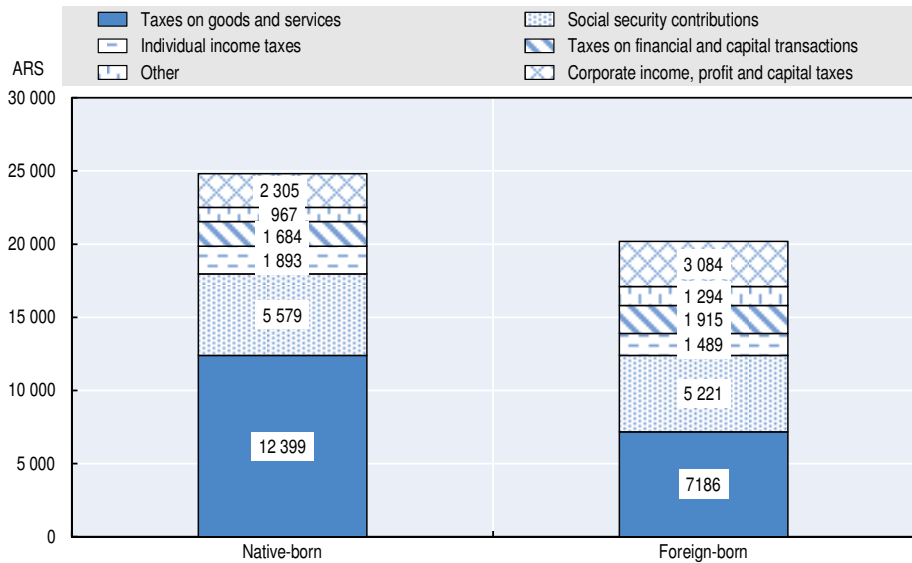
The net fiscal impact of foreign- and native-born individuals

Native-born individuals are estimated to pay around 23% more in taxes than foreign-born individuals (Figure 6.1). In total, the average Argentine-born individual is estimated to pay ARS 24 827 (approximately USD 4 530) and a foreign-born individual ARS 20 819 (approximately USD 3 800). A major driver is lower indirect tax payments of immigrants, which are assumed to spend less on goods and services because they send remittances. In contrast, social security contributions and transactions are estimated to be higher among immigrants.

The per-capita costs generated by immigrants are estimated to be either almost completely equal to or 20% higher than those of native-born individuals (Figure 6.2). Under the average cost scenario, the average native-born individual "costs" ARS 17 655 in public expenditures (USD 3 320) and the average foreign-born individual ARS 21 016 (USD 3 835). It is under the marginal cost scenario in which the cost of pure public goods and public debts are allocated to the native-born only that the costs are almost equal. Given the long stay of many immigrants in Argentina, it however does not appear justified to only allocate these costs to those that are born in Argentina. Therefore, the average cost scenario in which these costs are equally allocated to all is the preferred estimate. The main driver of the higher estimated public expenditures is the social security component. In part, the higher share of older individuals among the immigrant population can explain this result. However, as previously indicated, the difference may be over-estimated if a higher share of immigrants receives private pensions or pensions from abroad that we are not able to distinguish from Argentine public pension payments.

Figure 6.1. Native-born individuals are estimated to on average pay more taxes than foreign-born individuals in Argentina

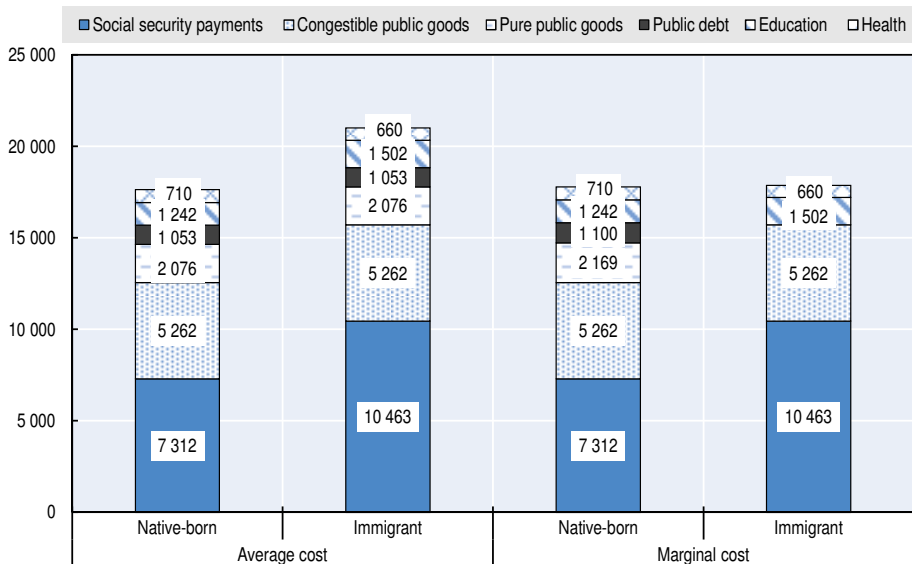
Estimated per-capita tax payments by place of birth, 2013



Source: Authors' estimations based on the 2013 *Encuesta Anual de Hogares Urbanos* (INDEC, 2013a), <https://www.indec.gov.ar/bases-de-datos.asp> and OECD et al. (2015).

Figure 6.2. Depending on the definition, average public expenditures attributable to immigrants are equal or higher than those of native-born individuals

Estimated per-capita public expenditures by place of birth in Argentina, 2013



Source: Authors' estimations based on the 2013 *Encuesta Anual de Hogares Urbanos* (INDEC, 2013a), <https://www.indec.gov.ar/bases-de-datos.asp> and INDEC (2015), *Anuario Estadístico de la República Argentina* 2013.

Immigrants make a small positive contribution to Argentina's public budget (see Table 6.9). Given the higher estimated per-capita expenditures and the lower estimated tax payments and contributions, the net fiscal contribution of foreign-born individuals is lower than that of native-born individuals. However, in 2013 both were positive: native-born individuals made an average net fiscal contribution of around 8%, while foreign-born individuals on average contributed 2.5% (in the marginal cost scenario).

Table 6.9. In 2013, the net fiscal contribution of foreign- and native-born individuals was estimated to be positive

Estimated net fiscal contribution of native- and foreign-born individuals in Argentina, 2013

	Native-born	Foreign-born
Per-capita public expenditures (average/marginal)	17 655 / 17 795	21 016 / 17 887
Per-capita public revenues	24 827	20 189
Per capita net fiscal contribution (average/marginal)	7 736 / 7 596	-828 / 2 301
Per capita net fiscal contribution (average/marginal) (% per-capita GDP)	8.6% / 8.4%	-1.6% / 2.5%

Source: Authors' estimations based on the 2013 *Encuesta Anual de Hogares Urbanos* (INDEC, 2013a), <https://www.indec.gov.ar/bases-de-datos.asp> and INDEC (2015), *Anuario Estadístico de la República Argentina 2013*.

The welfare participation of immigrants

At first glance, immigrants are more likely to receive social security benefits than native-born individuals. In the 2013 EAHU sample, 14% of the native-born population and 21% of the foreign-born received pension payments; and 4% and 7%, respectively, received social benefits. There are also large differences in these shares by the country of origin. For example, an almost identical share of immigrants from Latin America and Argentine-born individuals received pension payments. In contrast, less than 1% of North American immigrants compared to 70% of European immigrants received pensions. With social benefits, the picture is the opposite: A higher share of people born in other Latin American countries received these benefits (9%), while less than 1% of those born in Europe did.

However, the difference in the age profile more than accounts for the different pension receipts. In fact, once age is accounted for immigrants are actually less likely to receive pension payments than native-born individuals (Table 6.10). This difference is particularly drastic at age 65: immigrants at that age are 18 percentage points less likely to receive pension payments. Immigrants from Latin America are particularly less likely to receive pension payments compared to individuals of the same age born in Argentina. Interestingly, the inclusion of additional control variables (sex, marital status and agglomeration) does not change the immigrant marginal effects.

Table 6.10. Foreign-born individuals are less likely to receive pensions than similar native-born individuals

Marginal effects of social security benefit receipt for immigrants in Argentina

	Pension						Social benefits		
Immigrant	-0.04***	-0.04***	-0.18***				0.02***	0.01**	
- Latin America				-0.04***	-0.04***	0.22***			0.02***
- North America				-0.04	-0.02	-0.08			0.00
- Europe				-0.03***	-0.01	-0.04			-0.02**
- Asia				-0.04**	-0.04*	-0.20			
Age controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Additional controls		Yes	Yes		Yes	Yes		Yes	
At			Age = 65			Age = 65			

Note: The age controls are age and age squared. In the pension regression, there is also an over-65 year old indicator variable. The additional controls are indicator variables for being female, being in a couple and highest education level. For the pension regression, agglomeration indicators are also included. Observations of immigrants from Africa, Oceania and Asia (in the case of social benefits) needed to be excluded from the disaggregated regression because none received the benefits.

Source: Authors' estimations based on the 2013 *Encuesta Anual de Hogares Urbanos* (INDEC, 2013a) <https://www.indec.gov.ar/bases-de-datos.asp> and INDEC (2015), *Anuario Estadístico de la República Argentina 2013*.

The lower likelihood of receiving pension benefits might be driven by having acquired fewer such rights than others with comparable characteristics, or being less well informed about which payments they have a right to. In the latter case, it might contribute to higher economic uncertainty for immigrants, and as such is not positive. However, these calculations should allay fears that immigrants are a disproportionate burden on the social security system.

For other social benefits, the picture is slightly different. Accounting for the different age structure as well as for additional characteristics reduces but does not eliminate the higher share of immigrants receiving these benefits.

Among those that receive benefits, there is no difference in the amounts of benefits received by foreign- and native-born individuals. This is true when simple means are compared, although social benefits received by immigrants are slightly lower. It is also true when comparing the benefits received by populations that differ only according to whether they were born in Argentina or abroad (i.e. the benefits are regressed on control variables and place of birth). Pension receipts are an exception when all control variables are included – immigrants receive around 8% less in pensions.

Conclusions

In Argentina, depending on the assumptions, immigrants are estimated to either make a small negative or positive contribution to the public budget. Their contribution is however smaller than that of the native-born population. The difference is driven by lower average tax payments on the one hand and higher generated expenditures on the other hand. These differences

are explored in more detail in the comparative report. From the tax payer's perspective, the higher employment rate of immigrants increases the fiscal contribution of the immigrant population, while the older age profile decreases their contribution. The age profile of immigrants is a major contributor to their higher usage of social security benefits, which is however partially offset by the lower likelihood for foreign-born individuals of receiving such benefits in comparison to native-born individuals with similar characteristics.

Given the high share of immigrants that arrived many decades ago and, consequently, the high share that is now retired, Argentina is not unusual in terms of the current net fiscal impact of its immigrants. The only other country among the partner countries in which foreign-born individuals make a less positive contribution to public budgets than native-born individuals, even when the costs for pure public goods such as national defence are allocated to the native-born, is Kyrgyzstan, another country in which a large share of foreign-born individuals settled prior to 1990 (OECD/ILO, 2018). This reflects the experience of OECD countries: for countries in which immigration inflows were substantial several decades ago but then declined, such as France and Germany, the estimated net direct fiscal impact tends to be less positive than for those where more of the immigrants arrived recently (OECD, 2013).

As was indicated in the introduction and throughout this chapter, these estimates relied on a number of very strong assumptions that are unlikely to all be met. Nonetheless, given the high degree of integration of the Argentine labour force, the deviation in the tax-paying behaviour of foreign- and native-born individuals with otherwise equal characteristics is likely to be smaller than in other countries.

Nonetheless, there is a large scope for future research on this topic that could improve the estimates' accuracy and reliability as a basis for policy recommendations. Estimating direct tax payments more accurately would require access to data from individual tax and benefit records (from which personal identifiers other than the country of birth, age, sex and region would be removed). This would permit determining which direct taxes and social security contributions and benefits are actually paid for and received by native- and foreign-born individuals. Moreover, these records could cover the entire country rather than just urban areas. Adding a country of origin question to the Income and Expenditure Survey would greatly improve the precision of the estimated indirect tax payments. Secondly, a more complex analysis could take into account the life-cycle implications of the immigrant inflows. The relative fiscal profile of immigrants in Argentina will shift over the coming decades as some of the older, predominantly European immigrants die and some of the younger, predominantly Latin American immigrants reach their prime earning years and retirement.

Notes

1. Assuming an exchange rate of USD 5.47996 based on a simple average of monthly exchange rates.
2. This was implemented by regressing the natural logarithm of the estimated household tax payments on goods and services on total household income, household income vintiles within the region, household size, interaction between the income vintiles and household size, the number of individuals under 14 and over 65 year olds, the ratio of household members to working household members, and whether or not their home is rented or not. The adjusted R^2 is 0.825.
3. It is assumed that all outward remittances are sent by immigrants. Based on 2010 Census and EAHU data, it is estimated that 81% of immigrants live in urban areas. Therefore, only 81% of the outgoing remittances are deducted. This relies on the assumption that immigrants in rural and urban areas on average send the same amount of remittances.
4. Since the relative unemployment share among foreign- and native-born people in the urban population is available, it would be possible to estimate the share received in unemployment benefits. However, given the low amount (around 0.2% of the budget) and the uncertainty around eligibility, it was decided not to estimate this element.
5. There were two alternative estimation methods used as well. Under the first method, the basis for the estimation was the share receiving benefits based on their characteristics (i.e. being older than 60 for women and 65 for men to estimate pension receipts and having children under the age of 18 to estimate the share receiving family benefits). Based on this method, immigrants are estimated to receive 130% more in per-capita pension benefits and 47% more in social assistance. This method is not preferred, however, since many foreign-born individuals are unlikely to have accumulated the same average pension benefits as native-born individuals. For a second alternative method, the share is estimated based on the share of individuals reporting receiving benefits. The estimated per-capita benefits are similar to the one based on reported benefit amounts.
6. At least for public debt, it would be preferable if a part could be allocated to foreign-born individuals even under the marginal cost scenario depending on their years in the country.

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ANNEX 6.A1

Methodology

The methodology used in this analysis follows closely the one developed by Dustmann and Frattini (2014) in their analysis of the direct fiscal impact of immigration in the United Kingdom. In particular, the contribution of foreign- and native-born individuals to the different expenditure and revenue elements are estimated as described in the individual sections, and then added up.

The estimations presented in this chapter rely on several data sources. The main source is the 2013 *Encuesta Anual de Hogares Urbanos* [Annual survey of urban households – EAHU] (INDEC, 2013a). In addition, value-added and excise tax payments were partially estimated based on *Encuesta Nacional de Gastos de los Hogares* [National Survey on Household Expenditures – ENGH] (INDEC, 2013b). Public revenues are taken from the OECD et al. (2015) and information on public expenditures is taken from the 2013 statistical yearbook of the Argentine Republic (INDEC, 2015). Information on tax rules are taken from the Ministry of the Economy and Public Finance (2015).

The omission of 7% of the population in this estimation could lead to biases if the difference in the characteristics of foreign- and native-born individuals is different in rural than in urban areas. Unfortunately, the 2010 IPUMS census data do not contain a variable identifying rural and urban areas. Therefore, it is not possible to compare socio-economic characteristics of foreign- and native-born individuals in urban and rural areas. Since the administrative data present tax revenues and expenditures for the provincial and federal government, the results based on the urban population are treated as if they represented the entire country.

A comparison of the 2010 census and the 2010 EAHU reveals that the characteristics of the urban and rural populations indeed differ, but that there are similar differences between the native- and foreign-born populations across the areas (Table 6.A1.1). The first difference to note is that immigrants make up a higher population share in rural than in urban areas: Over the entire territory, their population share is 4.4% as compared to 3.9% in urban areas. Immigrants are on average older than native-born individuals, but the difference is around

three years more in urban areas than over the entire territory. Similarly, women are over-represented among immigrants in the entire territory and in urban areas, but particularly so in the latter. The labour force participation rate among the 15- to 64-year-olds in the urban areas is slightly more elevated than over the entire population for both foreign- and native-born individuals, while the share working among those in the labour force is lower.

Table 6.A1.1. Comparison of characteristics of the native- and foreign-born populations in Argentina's 2010 population census sample and the 2010 annual urban household survey

	Census		Annual urban household survey	
	Native-born	Foreign-born	Native-born	Foreign-born
Total	37 907 750	1 754 700	35 304 125	1 426 573
Population share (%)	95.6	4.4	96.1	3.9
Mean age	31.9	44.1	32.4	47.8
Share women (%)	51	54	51	58.2
Labour-force participation rate 16-65 year olds (%)	65.5	66.2	67.7	69.8
Share employed (if in labour force) (%)	93.9	95.2	92.6	92.9

Source: Authors' calculations based on INDEC (2013a), *Encuesta Anual de Hogares Urbanos 2013*, <https://www.indec.gov.ar/bases-de-datos.asp> and a 10% sample of the 2010 Population Census (Minnesota Population Center, 2015), <http://doi.org/10.18128/D020.V6.5>.

How Immigrants Contribute to Argentina's Economy

The recent effects of immigration on the Argentine economy appear to be limited but positive. On average, immigration is not associated with job losses or income declines for the population born in Argentina. High-skilled immigration is on the contrary even associated with rising labour incomes among university graduates and female low-skilled immigration is associated with a higher labour-force participation of low-skilled native-born women. The estimated contribution of immigrants to value added is below their labour force participation share but above their population share. The estimated contribution of immigrants to public finance in 2013 was small. Additional migration and non-migration policies and better co-ordination between various policy areas could further improve the integration and economic contributions of immigrants.

How Immigrants Contribute to Argentina's Economy is the result of a project carried out by the OECD Development Centre and the International Labour Organization, with support from the European Union. The project aimed to analyse several economic impacts – on the labour market, economic growth, and public finance – of immigration in ten partner countries: Argentina, Costa Rica, Côte d'Ivoire, the Dominican Republic, Ghana, Kyrgyzstan, Nepal, Rwanda, South Africa and Thailand. The empirical evidence stems from a combination of quantitative and qualitative analyses of secondary and in some cases primary data sources.

Consult this publication on line at <http://dx.doi.org/10.1787/9789264288980-en>

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