

# Qualifications Matter: Credentials and the Labour Market Outcomes of Migrants in Israel

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Migration is one of the most important phenomena in the modern world. Almost all Western societies have absorbed, and are absorbing, large numbers of migrants from diverse ethnic and national origins with varying levels of qualifications and skill. Since its creation, Israel has accepted migrants from a variety of backgrounds; most recently from the former Soviet Union. In many respects, these Soviet migrants resemble the Eastern and Central European migrants currently entering Western European labour markets. This *Briefing* reports on a study of the labour market experiences of migrants in Israel, highlighting findings relevant to policy makers and researchers in Britain.

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- ▶ Migrants do not simply displace low skilled workers from the host population, as has been assumed by much previous research - their impact is more complex, and is linked to their qualifications and skills.
- ▶ In the case of Israel, ethnicity has been a key factor in shaping inequalities: Jewish migrants of Western origin are more advantaged than those of Oriental origin, and Israeli Arabs are most disadvantaged
- ▶ Government policy on the settlement and employment of migrants changed between the 1970s and 1990s. This, combined with changes in Israeli economy and society, made a critical difference to the labour market outcomes of migrants, at least in the short-term.
- ▶ In the 1990s, highly skilled migrants of Western origin from the former Soviet Union took up low skilled, low paid and/or unregulated work, despite the traditional association of their ethnicity with competitive advantage.
- ▶ However more highly qualified migrants were quickly able to improve their labour market situation in contrast with unskilled migrants who remained in marginal positions.
- ▶ These findings may be relevant to Western European countries experiencing high levels of migration from Eastern and Central European countries.

## Introduction

Migration is one of the most important and challenging phenomena of the modern world. The flow of populations creates major opportunities and challenges, and there is a considerable degree of controversy about how societies should best respond to these developments. Research on the cultural, economic, political and social impacts of migration is growing. This study takes as its focus the labour market integration of new migrants in a particular context – that of Israel over the last three decades. This issue – technically known as ‘labour market absorption’ – is very important because attitudes to migration are often influenced by anxieties about its effects on employment opportunities for the ‘host’ population.

Israel is an interesting setting for such a study since it has accepted and integrated migrants from a variety of ethnic, national and socio-economic backgrounds. In addition, government policy on the integration of migrants has changed over the last 30 years, thus enabling a comparison of the impact of different policies on migrants’ social and economic outcomes.

Another feature of the Israeli experience is the influx of migrants from the former Soviet Union (FSU) in recent years. The educational profile of these Soviet migrants resembles that of the Eastern and Central European migrants currently entering the Western European labour markets following the enlargement of the European Union. This, combined with recent changes in the Israeli economy – its liberalization and globalization – enhances the relevance of this research for policy makers and academics in Western Europe.

## Research issues

The research was concerned with:

- the occupational and economic outcomes of different groups of migrants in Israel at a specific time point (1995).
- the variation in the labour market experiences and outcomes of migrants from the Soviet Union who arrived in the 1970s compared with those who came to Israel in the 1990s.
- the labour market outcomes of former Soviet Union migrants to Israel in the 1990s five and eleven years after their migration.
- the impact of educated and skilled migrants on the ‘native’ workforce in Israel.

## Different outcomes among the migrant groups

In most countries that experience considerable migration, the majority of migrants, regardless of their

ethnic and national origin, are disadvantaged upon arrival but slowly improve their labour market outcomes; this improvement is especially evident between the generations of migrants. This has not been the case in Israel where differences in respect of social and economic disadvantage run mainly along the lines of ethnic differences within the migrant population. The key division is between the Jewish migrants of Western origin and those of Oriental origin: second generation migrants of Oriental origin do not have significantly better labour market outcomes than those of the first generation. In contrast, soon after their arrival in Israel, the socio-economic status of the first generation migrants of Western origin resembles that of the Israeli-born population from the same origin.

The study indicates that the factors that have a crucial impact on the experience of the first generation to a new society also affect the outcomes of subsequent generations of migrants. These factors can include educational, occupational and economic aspects as well social and cultural practices, all of which are shaped by the particular context of the country from which the individuals have emigrated. To take one example, the level of education of the second generation of the Oriental migrants is very similar to that of the first generation and it is this low level of education which is largely responsible for the poor labour market outcomes of Oriental Jews in Israel. This suggests that a strategy to help change the attitude of this population to education and its role in economic success, combined with better educational provision may be an appropriate approach to adopt. Seeking to identify and understand the particular characteristics of migrants that hinder or facilitate their incorporation in the host society may play an important role in the design of policies that will contribute to successful outcomes for migrants.

## The migrant experience in the 1970s and the 1990s

The Israel into which migrants from the former Soviet Union moved in the 1990s was different in certain key respects from that experienced by the earlier generation of Soviet migrants in the 1970s. Comparison of the labour market outcomes of the two groups demonstrates how structural and policy changes in the host society over time can impact on migrants’ chances of success in the labour market and their socio-economic outcomes.

By the 1990s the Israeli economy had moved from the collectivistic type that had been prevalent for decades and became much more similar to the Western economies. Moreover, immigration policy had undergone a transformation, moving away from a policy of direct intervention in the migrants’ settlement and employment patterns to one where migrants’ absorption into the labour market was guided by free labour market factors rather by policy intervention.

From the early years of Jewish settlement in Palestine, through the creation of the Israeli state and up to the mid-1980s, the intention was to provide Jewish migrants with jobs and protect them from competition with the cheaper labour of the local Arab population. As a result, a dual labour market developed where Jewish migrants were allocated mostly skilled jobs in tightly regulated and highly protected sectors (what became the state sector after the establishment of Israel) while the Arab population was confined to the unstable and unprotected secondary sector of the economy.

However, from the mid-1980s the Israeli economy experienced significant reform in the face of economic stagnation. The subsequent liberalization of the economy and its globalization, together with the high-tech boom of the 1990s, resulted in a more loosely regulated labour market, a reduction in the number of protected and permanent jobs, and the growth of non-standard forms of employment. Consequently, the previous segmentation of the labour market between Jewish and Arab populations into the primary and the secondary sectors was transformed into segments with standard (permanent and protected) versus non-standard forms of employment and the latter became more and more wide-spread.

The results of these changes can be seen in the experiences of the two groups of Soviet migrants that arrived during the 1970s and the 1990s respectively. The two groups possessed very similar characteristics upon arrival in terms of their educational and occupational profiles but they had very different labour market outcomes. The socio-economic outcomes of the migrants of the 1990s were much poorer than the outcomes of the migrants of the 1970s. Shortly after their arrival the latter had very similar labour market outcomes to those of the Israeli born population with the same level of qualifications and skills. The new Soviet migrants of the 1990s instead entered non-standard sectors of the labour market where they were competing with the traditional incumbents of the secondary labour market in Israel – the Israeli Arabs, as well the young first-time Jewish labour market entrants.

The different outcomes of the two groups of Soviet migrants demonstrate the importance of societal level factors and immigration policy on the success, or otherwise, of migrant groups. It is evident that the specific economic and social circumstances and the official policies of the host country have a significant impact on the labour market experience of migrant groups, at least in the short term.

### **The labour market for migrants**

The study shows that the employment opportunities for migrants are now in the disadvantaged segments of the labour market that offer workers non-standard forms of employment and low pay. Even highly educated and

skilled migrants, especially in a context of mass migration, are disadvantaged in the labour market opportunities available to them, at least in the short term. Initially, they are likely to be employed in the secondary labour market where they work alongside the more socially and economically weak groups among the 'native' born population.

### **Increasing returns to education over time**

Despite poor labour market prospects initially, if the new migrants are highly educated and possess modern occupation skills, they manage to apply these in the new labour market and move relatively quickly into occupational positions that are more appropriate to their educational level. The economic return on their foreign education therefore increases. Thus, in case of the recent Soviet migration to Israel, eleven years after their arrival they have significantly better labour market outcomes than those of their counterparts who have arrived more recently. Moreover, the economic and occupational return on the education and experience of these recent Soviet migrants ten years after their arrival in Israel is similar to that of the Israeli born population of European origin.

### **The impact of skilled migration on the labour market**

Much of the research on the impact of migration on the 'native' born workforce has focused on its effect on low skilled workers. In this study the effect of migration of highly educated individuals on the 'native' born or 'veteran' population in Israel was considered in a more comprehensive way. The study exploited the advantage of the Israeli case where highly educated and skilled new migrants are spread throughout Israeli localities in numbers that enable an examination of their labour market impact. The research examined how the new migrant population affected the occupational level and income of different ethnic groups of veteran workers, in different types of local labour markets and different ethnic compositions. The findings indicate that the impact of migration on the veteran population in Israel is more complicated than would appear from previous research.

The study shows that overall the influx of recent Soviet migrants into the Israeli labour market has had a negative impact on the Jewish population. Rather than simply replacing the low skilled veteran population, pushing them out of employment, the new migrants from the former Soviet Union also have a negative effect on the labour market outcomes of the higher skilled, higher status veteran workers. Unlike unskilled migrants who usually have a single entry point in the labour market (ie unskilled jobs), skilled migrants have various entry points and hence interact and compete in the labour market with different groups within the native-born population.

## Implications for Western European societies

From this study, it might be expected that the labour market experiences and outcomes of migrants from Central and Eastern European to Western countries will be similar to those of the Soviet migrants to Israel and will be subject to the same changes over time. Equally, the impact of the Eastern and Central European migration on the local labour market may also follow the same patterns as those revealed by the Israeli case. Therefore, understanding the processes of migrant incorporation in Israel, including the role of some aspects of government policy, could contribute to an understanding of the general phenomenon of migration in the contemporary world.

The current research evidence on Eastern and Central European migration shows that these migrants mainly enter blue-collar jobs in services and construction in labour markets in the west, regardless of their good educational credentials. But their high human capital will facilitate their occupational mobility and it is likely that they will improve their economic and social standing in several years.

Although currently the impact of the Eastern and Central European migrants on the labour markets of the Western European countries is the same as that usually associated with unskilled migration (ie the migrants compete with low skilled native workers with possible negative consequences for them), based on the Israeli experience, this may change over time. In the coming years, these migrants may start to assimilate structurally and to affect other groups of the 'native' population by competing not only for low skilled but also for highly skilled jobs.

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### About this study

The study was funded by the ESRC as a postdoctoral fellowship to build on the D.Phil. dissertation of Marina Shapira. The fellowship involved the further development and dissemination of issues relating to ethnicity, the social and economic integration of migrants in a new society and the impact of immigration on the host country population. The study used the data from the 1983 and the 1995 Censuses of Israeli population and the 2000 Income Survey data.

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