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Executive Summary of the 8th Migration Observatory Report “Immigrant Integration in Europe”

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This is the eighth edition of the Migration Observatory annual report on immigrant integration in Europe. This year, we focus on the skill mismatch and the overeducation of immigrants in Europe.

The report is articulated in two parts. In the first part, we use data from the latest edition of the European Labour Force Survey (2022) to provide a concise, easily accessible, and up-to-date source of reference regarding the size, characteristics, and relative economic performance of immigrants in EU countries. In the second part, instead, we focus on skill mismatch and overeducation risk in the context of immigrant assimilation. First, we investigate the differentials in labour market outcomes between natives, foreign-educated immigrants, domestically-educated immigrants, and second generations. Then, we focus on highly educated (first and second-generation) migrants only and analyse their economic integration in terms of employment probability, job quality, and skill mismatch relative to natives.

We show that highly skilled migrants display lower employment probability than comparable natives. Moreover, especially those with foreign qualifications are also employed in lower-paying occupations and display significantly higher overeducation than natives, with differences that are persistent over time.

The key findings are summarised below.

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PART I - IMMIGRANT INTEGRATION IN EUROPE IN 2022

IMMIGRANT POPULATION - SIZE AND CHARACTERISTICS

BOTTOMLINE: More than one in ten residents of the European Union is an immigrant. This ratio increases to 14% in EU14 countries, where most immigrants live. The number of foreign-born residents in the EU has slightly increased from 2021 to 2022. About one in six immigrants living in a European country in 2022 have emigrated within the previous five years. More than half of the immigrants are European. The share of tertiary educated natives and immigrants is strongly correlated across countries.

- In 2022, immigrants account for 11.9% of the total population in the European Union. Most of them (48.1 million) live in a EU14 country, where the share of immigrants in the population is 14.4%.
- Immigrant concentration is highly heterogeneous across countries. The share of immigrants ranges from as low as 0.2 or 0.3% in Romania and Bulgaria to as high as 22% in Sweden, 33% in Switzerland and above 54% in Luxembourg.
- In 2022, about one in six immigrants (16.5%) living in a European country had emigrated within the previous five years, whereas in 2021, this share was 15.7%. Among the countries with more than 1% of immigrants in the population, only Cyprus, the Czech Republic, and Malta have this share above 25%.
- Most immigrants (54.2%) were born in another European country: 31.5% come from an EU member state, while an additional 22.7% were born in a European country outside of the EU. Among the other areas of origin, Africa and the Middle East account for 17.9% of all immigrants, while 16.2% come from Asia and 11.6% from the Americas or Oceania.
- Among the foreign-born population, 52% are women. In Malta, Norway, Slovenia, Luxembourg, Finland, and Iceland, more than 50% of immigrants are men.
- Slightly less than one-third of immigrants have tertiary education, slightly more than one third have completed lower secondary education, and the rest have reached upper secondary education. However, the educational levels of immigrants vary considerably across destination countries.

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- Differences in immigrants' education across member states reflect the educational level of natives: countries with higher shares of university-educated natives also have higher fractions of immigrants with tertiary education and vice versa. - Italy has the least educated immigrants (13% have tertiary education) and the second lowest (after Romania) share of natives with tertiary education (22%). Conversely, Luxembourg and Ireland have among the highest shares of tertiary educated immigrants, respectively 54 and 64%.

EMPLOYMENT

BOTTOMLINE: Immigrants have a lower probability of employment than natives, especially in central and northern Europe. The employment gap has decreased relative to 2021. Hungary, Ireland, Italy, and Spain are among the countries with the smallest immigrant-native gap in terms of employment probability. Differences in age-gender-education profiles cannot explain gaps.

- On average, across Europe, immigrants are 8.6 percentage points less likely to be employed than natives. This marks a slight improvement with respect to 2021 (-9.5 p.p.), continuing the positive trend since the Covid shock. - Employment gaps are more sizable in central and northern European countries like Bulgaria (-17.5 p.p.), the Netherlands (-15.6 p.p.), Sweden (-14.2 p.p.), France (-12.5 p.p.), or Germany (-12.4 p.p.) and smaller in Spain (-5.5 p.p.) and Italy (-2.3 p.p.), where natives' employment probability is among the lowest in Europe. In Portugal and Norway, immigrants are as likely as natives to be employed; in Luxembourg, the differential is positive.
- Immigrants' age-gender-education profiles cannot fully explain differentials in employment probabilities.
- The employment probability of EU immigrants is only one percentage point lower than that of natives, whereas immigrants from outside the EU display a disadvantage of almost 12 percentage points. Such differences do not depend on age-gender-education profiles: the same individuals would face fewer difficulties finding a job if they were EU rather than non-EU citizens. Institutional factors like free mobility within the EU and the normative framework play a central role in explaining this difference.

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- The probability of employment is higher for immigrants who have spent more time in the host country. The immigrant-native gap is about ten percentage points lower (17.7 vs 7 p.p.) between immigrants with less than five years of residence and those who have been in the country for six years or more.

OCCUPATIONAL STATUS

BOTTOMLINE: Immigrants are considerably more likely than natives to be employed in low-pay and low-status occupations, even after accounting for differences in personal characteristics such as education.

- Immigrants' occupational distribution is more polarised than that of natives. Immigrants are much more concentrated than natives in the least qualified occupations and are absent from the middle part of the occupational distribution (measured by the ISEI index).
- EU immigrants are employed in more prestigious and better-paid occupations than non-EU immigrants.
- Immigrants' probability of working in an elementary occupation is 12.3 percentage points higher than natives. Likewise, natives are more concentrated than immigrants in the three highest-paid occupational categories: managers, professionals, and associate professionals (46.5% vs 34%).
- The concentration in elementary occupations is higher for non-EU than EU immigrants. The share of non-EU immigrants in elementary occupations does not significantly change with years since migration. Non-EU immigrants who have been in the country for no more than five years are 14.5 p.p. more likely than natives to work in an elementary occupation. This differential is just 0.7 p.p. lower among their co-nationals who have emigrated earlier.
- Differences in individual characteristics between immigrants and natives can explain only a small part of the occupational disadvantage of immigrants. They account for about 22% of the differential probability of having an elementary occupation and 36% of the differential probability of working in one of the three highest-paid occupational categories.

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- In countries where the occupational distribution of immigrants is similar to that of natives, immigrants tend to perform better also in terms of employment probability. A higher immigrant likelihood of being at the bottom of the occupational distribution relative to natives is associated with a more significant employment probability gap. This correlation suggests that misallocation across occupation and employment assimilation are associated, not alternative.

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PART II – ASSIMILATION AND SKILL MISMATCH

FIRST AND SECOND GENERATIONS IN EUROPE

BOTTOMLINE: First- and second-generation immigrants display different patterns in their labour market integration, mainly because of different levels of human capital transferability. About one third of migrants have received their highest educational qualification in the host country, and the share of domestically-educated is higher among those with tertiary education. First-generation immigrants who obtained their highest qualification before arrival are the most disadvantaged group regarding employment probability and job quality. First generations with domestic education and second generations display smaller employment probability gaps but are similar to natives in terms of employment quality.

- In 2021, 11.3% of the European population was born outside the current country of residence, and 3.5% were native-born with both parents born outside the country of residence, i.e., second-generation immigrants. In EU14 countries, these shares increase to 13.6% and 4.3%.
- Natives, first- and second-generation immigrants have similar rates of tertiary education: about one-third in all three population groups. The share of natives and second-generation migrants with low education is also very similar (18% and 17%), whereas among first-generation migrants, about one-third have secondary education.
- 30% of immigrants have acquired their highest level of education in the host country. This share is similar among EU and non-EU migrants (29.1% and 30.4%, respectively). Among immigrants with tertiary education, the share of domestically-educated is even higher (38%).
- Immigrants with a foreign education are 10 p.p. less likely to have a job than natives with similar age-gender-education profiles. Conversely, the employment probability of first-generation immigrants who have received their highest educational qualification in the host country and second-generation immigrants is 5 p.p. lower than comparable natives. In all groups, women are characterised by more significant gaps than men.
- Foreign-educated immigrants are also 13.5 p.p. more likely than comparable natives to work in a low-qualified job. Conversely, domestically-educated immigrants are only 1

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p.p. more likely than natives to work in elementary occupations, and the differential is zero for the second generations.

- Foreign-educated immigrants are 14 p.p. less likely than comparable natives to work in high-skilled and high-paying jobs. The differential is only 1 p.p. for those with domestic education and zero for the second generations.
- The employment probability gap between foreign- and domestically-educated immigrants is more significant among those who have spent less time in the host country. Among immigrants who have been at least ten years in their current country, foreign- and domestically-educated migrants have the same employment probability, 7 p.p. lower than natives'. No group reaches natives' employment probability levels within thirty years in the host country.
- There is no parallel convergence in job quality: foreign-educated immigrants are more likely to work in low-pay occupations than natives and domestically-educated immigrants, regardless of time spent in the host country.

HIGHLY EDUCATED IMMIGRANTS

BOTTOMLINE: About one-third of both the native and immigrant population has tertiary education. Immigrants who acquired their tertiary education abroad have a lower employment probability than natives, and those in employment have lower job quality. Gaps are more significant for non-EU migrants. Domestically-educated first-generation immigrants and second-generation immigrants have smaller employment probability gaps, and those in employment have jobs similar to highly educated natives.

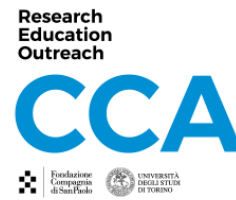
- The share of tertiary educated in EU14 is lower among first-generation immigrants than natives (36% and 31%). Second-generation immigrants' tertiary education share is similar to that of natives. Immigrant women are more likely to be tertiary educated than immigrant men (32% and 29%, respectively), and EU immigrants are more likely to have tertiary education than those from outside the EU (34% vs 29.5%).
- Highly educated immigrants have a lower probability of employment than their native counterparts, particularly non-EU immigrants with foreign education (-22 p.p.). The gap decreases to about -5 p.p. for non-EU immigrants with domestic education.

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Conversely, EU immigrants with foreign education have a gap of -6 p.p., and those with domestic education have a gap of approximately -1 p.p. The gaps in employment probability of highly educated second-generation immigrants are similar to those of domestically-educated first generations and slightly larger for those of EU descent.

- Foreign-educated immigrants with tertiary education are more likely than similar natives to work in low-pay occupations. This difference is more significant among non-EU (10 p.p.) than EU (5 p.p.) migrants. They are also less likely to work in high-skilled occupations: the differential with natives is -24 p.p. for non-EU migrants and -14 p.p. for those from EU countries.
- Immigrants with a domestic tertiary education and tertiary educated second-generation immigrants are employed in similarly skilled occupations as natives. The only exception is non-EU migrants, who are slightly more (less) likely to work in low-pay (high-pay) occupations.
- In terms of employment probability, high-skilled non-EU immigrants with foreign education reach convergence with similar natives only after more than 20 years of migration. Conversely, the differentials in employment quality remain unaffected by permanence in the country of residence.

OVEREDUCATION OF HIGHLY EDUCATED IMMIGRANTS

BOTTOMLINE: Almost 40% of the tertiary educated native workers in Europe are over-educated. Overeducation is more pronounced among immigrants, especially among those with foreign qualifications. Second-generation immigrants are as likely as other natives to be over-qualified. Differences in educational quality between origin and destination countries explain about one-sixth of the gap in overeducation of foreign-educated migrants. Thus, most of the remaining differential overeducation leads to a waste of migrants' human capital.

- Workers are defined as over-educated if they have a higher education level than the education level that is more frequent among other individuals employed in the same occupation, country, and age group. According to this definition, 18% of all European natives and 38.5% of all tertiary educated natives are over-educated.

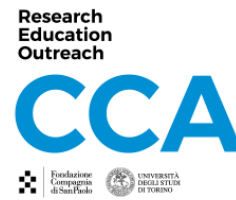
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- Highly skilled first-generation immigrants are more likely to be over-educated than natives. The differential is more prominent for those with foreign education, +20 p.p. and +23.5 p.p. for EU and non-EU immigrants, respectively.
- The magnitude of the differentials in overeducation probability is heterogenous in Europe: among the countries with more than 1% of immigrants in their populations, Greece (+40 p.p.), Italy (+36 p.p.), Spain (+30 p.p.) and Finland (+29 p.p.) display the highest gaps for first-generation immigrants with foreign education. Conversely, Luxembourg, Cyprus and Malta are characterised by the lowest differentials between natives and foreign-educated immigrants (below 10 p.p.). Domestically-educated first-generation immigrants instead display the highest differentials with respect to similar natives in Estonia (+20 p.p.), Finland (+16 p.p.), Norway (+13 p.p.) and Denmark (+13 p.p.).
- Throughout Europe, highly educated non-EU migrants originate from countries with a lower educational quality than their host country, except for migrants in Bulgaria. Differences are highest in Switzerland, Denmark, the Netherlands, Germany, Sweden, Austria, Belgium, and Italy. Thus, holders of foreign qualifications may possess less human capital than their formal qualification would suggest, leading to an over-estimate of their effective overeducation.
- Taking differences in educational quality into account reduces the immigrant-native differential in the probability of overeducation by only 15% for EU immigrants and 17% for non-EU immigrants.
- The overeducation of highly skilled immigrants from EU and non-EU countries, and with a foreign or domestic education is pretty stable, regardless of the years since migration. Thus, while time spent in the host country increases migrants' labour market integration in terms of participation and employment, it does not significantly reduce the degree of overqualification and consequent skill waste that immigrants experience.

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