

The Economic and Cultural Aspects of Integration of Labor Immigrants: An Economic Approach

Evgeniya Poliakova
Johannes Gutenberg University Mainz
(JGU)
ev.poliakova@gmail.com

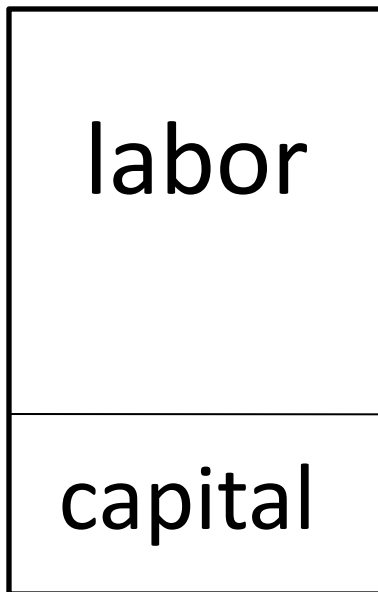
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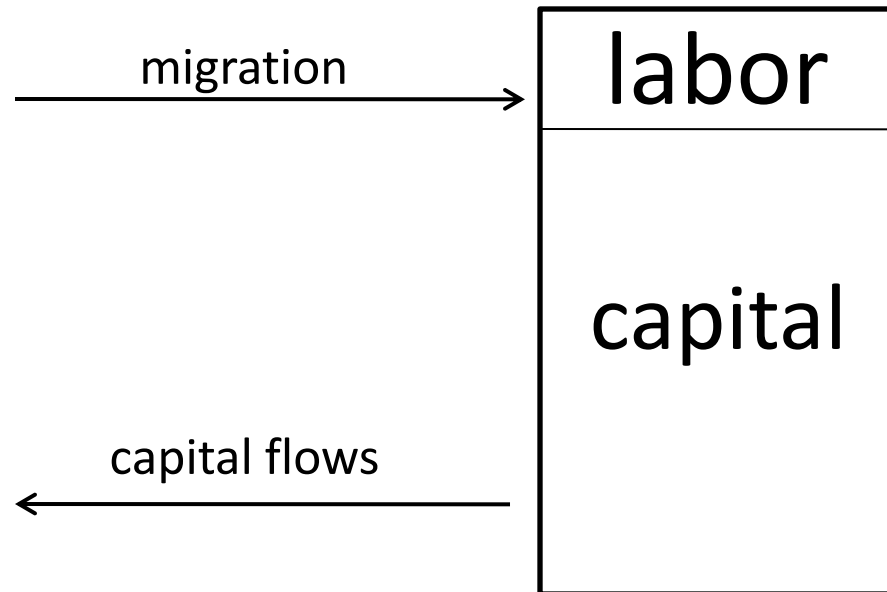
I. Introduction

Neo-classical mechanism of international immigration leading to equilibrium (Öberg, 1997)

Low-wage countries
(developing countries)



High-wage countries
(developed countries)



I. Introduction (2)

- Price of source (labor) – main market regulator.
- The process of integration of labor immigrants as a subject of play of market forces (neo-classical models) should not include the cultural aspects
- Quality and cost of labor (wage) controls supply and demand of labor force (“laissez- faire” policy, e.g. Russia in 1990’s)

II. Puzzle

Contemporary economies of most of the countries require additional labor force due to the demographic problems and increasing globalization of economic production

BUT

In fact, host countries typically impose various barriers on immigration based on “culture” or “origin” (Matoo and Carzaniga, 2004)



Labor immigrants are assessed from the cultural perspectives in the framework of immigration public policy

e.g. immigration policy in Russia from 2010, program “On Measures to Assist, the Voluntary Resettlement to Russia of Compatriots Living Abroad”

III. Key question

Do the cultural aspects play more significant role in the integration of migrants than economic aspects (education in the sense of human capital, productivity and income)?

IV. Hypothesis

Cultural aspects play more significant role in situation of developing country (Russia, Poland or Baltic states) rather than in developed countries, where economic values can play more significant role than culture.

V. Theoretical framework

- “Ethnicity” or “Race” or “Origin” of labor immigrants as the component of the integration process (Cornelius et al,1992; Constant and Zimmermann, 2009; Caseli and Coleman, 2012)
- Size of immigration group (Rapoport et al, 1999)

BUT

not the “social environment” in the host country (e.g. level of tolerance, level of xenophobia, level of trust etc)

V. Theoretical framework (2)

- Integration – social and economic (performance on the labor market) aspects of integration.
- Basic point - analytical model of social inclusion by Gradstein and Schiff (2006)
- The cardinal utility of labour immigrants depends on strategy of integration and strategy of non-integration
- This utility depends on government politics and social environment in the society

VI. Theoretical modeling

1. Economy in discrete time t populated by a continuum of non-overlapping households.
2. Two groups in the population (internally homogeneous group) with indexes: $g = 1, 2$
1 is referred to majority and 2 is referred to minority.
3. N_t and $n_t = 1 - N_t$ - the respective size of the two groups in period t
4. y_{gt} - income of the group; c_{gt} - consumption of the group; h_{gt} - human capital of the group or education.
5. All groups pay taxes and T denotes the tax rate in period t and TY_t , where Y_t is the aggregate economy's income, denotes the proceeds from the tax.

VI. Theoretical modeling (2)

6. TY_t/N_{t+1} - the amount of education provided to each such member in period $t+1$

7. $y_{t+1} = A (TY_t / N_{t+1})^\alpha$, $A > 0$, $0 < \alpha < 1$ - capital investment generates next-period income. |

8. $c_t = y_t(1-T)$ - consumption as the function of income

9. $y_{2t+1} = \underline{A} h_{2t+1}^\alpha$ - next period income, where h_{2t+1} - the amount of education available to each minority member.

VII. Theoretical modeling: final formulas

1. Non-integration strategy

$$U^0(c_{2t}, y_{2t+1}) = \ln(c_{2t}) + \ln(y_{2t+1}) = \ln(y_{2t} (1-T) - h_{2t+1}) + \ln(A h_{2t+1}^\alpha)$$

2. Integration strategy

$$U^1(c_{2t}, y_{2t+1}) = \ln(c_{2t}) - E_t \phi_i + \ln(y_{2t+1}) = \ln(y_{2t} (1-T)) - E_t \phi_i + \ln(A (TY_t / N_{t+1})^\alpha)$$

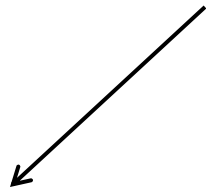
,where E is the level of exclusion in period t

VIII. Cultural aspect – social cost of integration

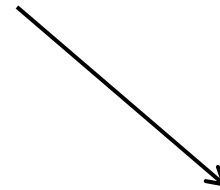
How does the category “nation” work?

Rogers Brubaker

Social costs of integration - Φ_i



Government public policy



Civic or national community
(NGOs, population etc)

IX. Cultural aspect: possible solution

1. Level of xenophobia.
2. Level of tolerance.
3. Level of trust
4. Unified educational framework of migrants and majority (e.g. Immigrants in Russia from post soviet space)

X. Targeted Data Bases

1. The size of immigrations groups: **Eurostat data, the World Bank, GDF, and WDI Central;**
2. The income of immigrants and local population can be considered as data for consumption numbers and income: **the World Bank database and research;**
3. Taxation depends on the countries: **OECD Tax Database and OECD Tax Revenue Statistics;**
4. Education of immigrants and local population: **the World Bank, OECD data;**
5. The division of developing and developed countries, based on economic performance can be found in the **World Bank database**

XI. Empirical Strategy

1. To define the relevant variables for measurement of cultural aspect.
2. To combine the measurement of cultural aspect (social cost of integration) and the model of Gradstein and Schiff.
3. To test analytical model on empirical data of countries: Russia, Germany and other European states.
4. To compare the results of model with the **migrant integration policy indices** (www.mipex.eu)
5. To find whether the level of economic development of a country has an impact on the integration strategy of immigrants.

Thank you for your
attention.