

Comments on Yoram Weiss: High skill immigration: some lessons from Israel

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First of all I would like to say that the organisers of this conference have been successful in bringing together a number of high quality papers at the research frontier on a topic that is of interest to a wide audience. The paper on which I will comment is based on new research using modern econometric techniques. It should be of interest to a Swedish policy audience. Although people in our country often hear about Israel, knowledge of recent Israeli immigration and its consequences is fairly rudimentary. The Israeli example is interesting as it has the character of a large-scale natural experiment. Consequently Yoram Weiss's aim of teaching us lessons on a few pages of paper is worth applauding. The present paper is based on previous papers that he has co-authored. The latter contain more of the technical details.

1. The wider issue

All analysis places limitations on which aspect of a phenomenon to study. Since a lot more can be said about the natural experiment, my first comments deal with what is not in the paper. For example, nothing is said about the number or characteristics of those who arrived in Israel as immigrants and who have subsequently left the country. If re-emigration is selective and substantial, an analysis of those who stayed may produce erroneous conclusions about how well immigrants have fared in the host country. For example, those who have stayed are perhaps those who have succeeded best.

This omission in Weiss's contribution is shared by many other studies of how immigrants assimilate into the labour market of the receiving country. An important reason for this is a lack of good data on people who re-emigrated. Re-emigrants have by definition left the host country and are thus not directly available for questioning. However, it has been possible to make studies of the characteristics of re-

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emigration for earlier flows of immigrants to Israel (See Beenstock, 1996).

Although it is almost certainly possible today to investigate whether return migration affects the conclusion of the paper, this does not apply to the next limitation. The immigration flow to Israel studied in the paper is on a very large scale and is recent. Hence there are new lessons to be learned. We learn that assimilation takes place although it takes time. However, for obvious reasons we do not yet know what the outcome will be when the immigrants have resided in Israel for more than a decade. Figures 5 to 8 are all based on assumptions that might not necessarily turn out to be correct as new data is accumulated.

There are results from studies on Sweden which indicate that although income assimilation takes place during an initial phase, the opposite occurs later on. Such findings are reported by Aguilar and Gustafsson (1991) who studied persons who arrived in 1969 and 1974 respectively. A possible reason for this finding is a reduction in hours of work. There is evidence that indicates that among groups of immigrants who have resided in Sweden for several years, rates of early retirement are fairly high. Will this also happen to immigrants who arrived in Israel during the 1990s? The answer will not be apparent for some time.

2. Loss of skill?

The author finds that the present value of immigrants' earnings and their potential earnings are 43 per cent of the present value of potential earnings over their remaining working life. Thus there are large differences between the earnings of natives and immigrants. However, the use of the term "loss" to describe this difference sounds misleading to my ear. For me, the word "loss" indicates that you do not own something you once have possessed. Immigrants from the former Soviet Union have never had Israel-specific skills, so why call the difference a "loss"?

To evaluate how the utility of immigrants to Israel has changed subsequent to immigration, the relevant comparison would be with what these individuals would have earned if they had remained in the USSR. This should be possible to investigate and the results could be interesting. It should be recalled that there have been several research projects which have questioned earlier flows of Jewish emigrants about their income levels when living in the former Soviet Union. For

one period this was actually one of the best possibilities for investigating the distribution of income among all people living in the Soviet Union (see for example Ofer and Vinokur, 1992).

When the Israeli population and the policy makers evaluate the event of a large immigration flow from the USSR, there is probably no talk of “loss”. Actually the author refers to the immigration as a “windfall”. Taxpayers in Israel did not have to finance childcare and education for the new and relatively young inhabitants. Instead they could benefit from income taxes. The population in the former Soviet Union would appear to be the losers of this migration flow since they have lost the opportunity to receive services provided by qualified workers.

3. Possible implications for the Swedish debate

From the paper we learn that from 1990 to 1997, Israel received $\frac{3}{4}$ million immigrants. This sounds considerable given that the size of the population in Israel is about half as large as that of Sweden. However, a closer look at Table 1 indicates that in 1992, Israel received 65 000 arrivals, while during the same year 84 000 asylum seekers came to Sweden. Most of the latter came from former Yugoslavia. Thus by picking the peak year for Sweden which turned out to be a year off-peak for Israel, it is possible to find similarities in the magnitude of immigration to Israel and Sweden during the 1990s.

I think that the results presented in the paper indicate that immigrants to Israel during the 90s assimilated much faster in relation to what is known about refugees coming to Sweden. For example, according to a dataset I am working on, men from Bosnia had in 1996 average annual earnings amounting to only 22 per cent of the average for a native, while for women the corresponding average was only 9 per cent of what a native woman earned in the same year. The major question is: What are the vital reasons for this difference between Israel and Sweden? For the Swedish policy debate, the interesting question is whether the reasons may be traced to the characteristics of our society and its immigrant policy.

I think the Swedish case of slow income assimilation among recent immigrants could be explained along the following lines: The distribution of income in Sweden is, or at least has been, fairly equal. There are also relatively generous transfer programmes for recent immigrants. Both those characteristics are to a large extent the outcome of trade union action and are seen by many in the electorate as positive.

As a consequence, there are few low-paid jobs. Few low-skilled jobs might promote investment in physical and human capital and thus foster economic growth. However, as a side effect, new immigrants to Sweden are often unemployed and enrolled in publicly financed integration projects. In Israel their counterparts would instead find low-paid jobs and then after a while move up the job ladder.

If this description is correct it follows that the comparatively greater difficulties for immigrants in the Swedish labour market is an unintended outcome of the compressed wage distribution. To alleviate it, Swedish society would have to give up its ambitions regarding equality in earnings. As an alternative, more resources would have to be put into various labour market programmes, if they are to be effective.

An alternative explanation of the same theme would be to relate the slow income assimilation of immigrants to Sweden during the 1990s to the macroeconomic climate. In the early 1990s, unemployment rose very rapidly in Sweden. This mostly affected people who had just entered the labour force. While there is certainly some truth to this explanation, it is not the entire truth. Available evidence points in the direction that even during the 1980s, with a much better macroeconomic climate, immigrant income assimilation was slow in Sweden although possibly not as slow as during the 1990s.

However, these are not the only possible interpretations of the difference between Israel and Sweden regarding the pace of assimilation of recent immigrants. Another alternative is that the difference is due to the backgrounds of those who have emigrated, rather than differences regarding where they ended up. Most refugees who came to Israel during the 1990s were highly qualified. Most likely they were more highly educated than the people who fled from former Yugoslavia to Sweden at approximately the same time. In addition there is the issue of ethnicity. The immigrants to Israel had, as I understand it, much more in common with the native Israelis than the people from Bosnia had with native Swedes.

If the latter alternative is the main explanation of the difference between Israel and Sweden regarding the pace of assimilation of recent immigrants into the labour market, policy makers and the Swedish public do not necessarily have much to learn from Israel. The Israeli experience should be compared to the outcome of migration flows such as the ones to Portugal of ethnic Portuguese triggered by the independence of the colonies during the 70s or the more recent

migration to Germany by ethnic Germans from Eastern Europe. The lessons for Sweden to learn focus in this case on the question of who to admit as refugees. Along those lines, one can assume that it will be more costly to admit refugees from countries where the population is more different in its ethnic dimensions from that of the Swedish population than from countries that have a more similar population.

4. Final remark

A lesson from the Israeli experience is that the refugees who arrived in Israel during the 1990s most probably assimilated more rapidly than refugees who came to Sweden during the same period. However it is far from clear what has caused this difference, thus making it difficult to draw policy conclusions.

References

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