

THE CONTRIBUTION OF IMMIGRATION TO THE SPANISH ECONOMY

EVIDENCES AND FUTURE PROSPECTS

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Executive Summary

The influx of immigration into Spain over the past decade has become a phenomenon of considerable demographic, social and economic importance because of the intensity and rapidity of the process. Such a significant circumstance demands a thorough analysis on the basis of the implications which it has so far had, but above all those which it will have in the future.

Against this backdrop, this paper aims to answer two questions: what has the real contribution of the immigrant population been to the growth of the Spanish economy over the past decade, including the recent period of crisis? And what role will immigration play in the long term, in terms of a scenario of economic transformation to a new production model? The answers are positive in both cases, and this study presents extremely solid evidence of the crucial role which immigration has played in Spain's economic growth and its connection with the emergence from the crisis and the transformation of the country's production model.

Despite the intense political debate and the existence of numerous prejudices, viewing immigration as having a negative aspect on Spain's economy and society, the truth of the matter is quite different. According to the figures set out in this research, without immigration the Spanish economy would not have grown at such a rapid rate during the economic boom years, since the supply of native labour was inadequate in order to meet the remarkable demand for manpower generated during that period. More importantly, though, without immigration Spain would have suffered a longer crisis and its emergence from recession and the change in production model would prove much more difficult. The most significant figures regarding this positive contribution are as follows:

- Over the past decade, 60% of growth in the Spanish economy may be attributed to immigration, with a direct contribution of 1.2 percentage points.
- As a result, immigration had a positive impact on per capita income during the past decade, with levels rising by 32% up to 23,000 euros per capita in 2010.

- Even today, though, foreign workers are still making a direct contribution to employment of around 15%, and the value added which is generated by such overseas labour now represent 10% of gross domestic product (GDP).
- Immigration has sustained economic activity, even during the crisis, and will be vital in the recovery. Without immigration, Spain's GDP would have contracted by an additional 0.1 percentage points in 2010, and the emergence from recession would have been delayed by around a year.

In addition to this direct contribution, immigration has also had highly significant indirect impacts on the labour market and the country's productive fabric:

- To begin with, particular mention should be made of the positive impact on native employment, because of the complementarity between native and immigrant manpower leading to an increase in the native employment required in order to complement the tasks performed by immigrants, along with a shift on the part of natives towards more skilled jobs and towards sectors of the economy involving greater value added and greater innovation. What is more, this complementarity has led to an increase in native salaries, through the move towards jobs requiring greater levels of training, and hence higher pay, along with an improvement in the skills level of the Spanish population.
- Secondly, the arrival of an immigrant population has helped women join the Spanish labour market, since immigrants (especially women) have taken the place of native women in domestic duties. This substitution has played a key role in the changing employment status of native women, shifting from inactive to active. This increase in the involvement of women in the labour market has been a particularly significant factor behind the sustained influx of new immigrants.
- Thirdly, the incorporation of immigrant workers within the labour market has favoured occupational and geographical mobility, since, as a group, they are more open to mobility.

Lastly, immigration has had a positive impact on the business fabric, since immigrants reveal considerable entrepreneurial drive. In addition to effects on the labour market and economic growth, the arrival of immigrants has likewise had an impact on the social welfare system. This issue has been the subject of considerable public debate, with many claiming that immigration has been a burden for Spain's Welfare State. However, the studies performed illustrate the substantial positive contribution of immigrants to the country's social welfare system during the economic boom. The figures presented in this report are as follows:

- During the 10 years prior to the crisis, the contribution made by immigrants to the Social Security coffers represented 5 billion euros per year (50% of the overall public sector surplus).
- In early 2011, despite the fact that Spain had just suffered the worst recession in its history, the balance remained positive: 3 billion euros per annum.
- Immigration is contributing to the sustainability of the Spanish pensions system, delaying the onset of a deficit in the system by almost 5 years, with this sustainability being guaranteed in the future thanks to the 2011 reform.

Finally, following on from the economic figures the report draws three essential qualitative conclusions regarding this phenomenon:

- The migration policy of the Socialist Government implemented during the first term of Zapatero's government worked. By effectively linking the presence of foreign workers to the labour market, it allowed for a positive contribution during the period of growth, while reducing the influx to minimal levels during the crisis.
- Diversity in Spain's labour market and society has a net positive effect at all stages of the cycle. During the years of plenty, foreign workers helped the country generate growth and employment; during the period of crisis, they suffered the first impacts of the collapse of the construction sector, but immediately helped restore levels of activity in the service sector. With a view to the recovery, they are revealing a highly necessary entrepreneurial spirit. What is more, once economic activity has recovered they will complement the tasks performed by native workers, allowing for a virtuous circle of productivity which is vital in order to change the economic model.
- Finally, given the long-term demographic outlook, and with a view to the process of transforming the Spanish economy towards a new model of growth, fresh migratory flows will support the new, sustainable economy and will through their activity help to fund the Welfare State of the future.

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