Irena Kogan

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PREFACE AND ACKNOWLEDGEMENTS

This book, a comparative study of the fortunes of immigrants in the labour markets of European countries, stems from my dissertation project conducted during the years 2000–2004 at the Mannheim Centre for European Social Research (MZES) and the University of Mannheim. It was generously supported by the German Academic Exchange Service (DAAD) and MZES.

Surprisingly, until the publication of the present work, no book existed which systematically examined the labour market integration of immigrants in Europe, seeking specifically to disentangle the roles that the individual characteristics of immigrants, on the one hand, and the structural features of the receiving societies, on the other, play in this process. Hopefully this book will thus prove a worthwhile contribution.

In carrying out the research and in the course of writing I have benefited from the support, assistance, advice and encouragement of many people, and it is a great pleasure to thank them here. First and foremost I wish to express my deep and sincere gratitude to Walter Müller, who gave me the opportunity to come to Mannheim in 2000 and who, despite an extraordinary teaching and administrative load, always had time to discuss with me varying aspects of my research. He 'infected' me with his sociological enthusiasm, and from him I learned the value of scientific exchange and networking. By granting me a free hand in my research he promoted my academic maturity and self-confidence. Thanks go also to Hartmut Esser for introducing me to the theory of rational action and for inspiring discussions in the final stages of the project. Special thanks are reserved for Frank Kalter, not only for his example in setting and maintaining the highest sociological standards and for the thought-provoking discussions on the essence of sociology, but also for his constant encouragement and willingness to endure my self-deprecation at difficult stages of the project. I also wish to thank Josef Brüderl for his peerless skills as an instructor, as well as Yinon Cohen, Yossi Shavit, Noah Lewin-Epstein, Moshe Semyonov, Haya Stier, Hannah Ayalon – all my former instructors from Tel Aviv University – and Anthony Heath from the University of Oxford for their interest and undying support in my academic endeavours.

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Irena Kogan
Mannheim, April 2006

CHAPTER 1. IMMIGRANT LABOUR MARKET PERFORMANCE: A EUROPEAN PERSPECTIVE

1.1. Introduction

In recent decades European countries have increasingly become a destination for migrants from all over the world. The current immigration flow, however, is not a historically exceptional phenomenon (Münz, 1997). Since the beginnings of both the European industrial revolution and colonialism, spatial mobility has been common, even if early periods saw a net migration outflow from Europe. Nowadays immigrants outnumber emigrants in all European Union[1] countries, which means that Europe has become an immigration continent.

European countries recruited large numbers of labour migrants, so-called guest workers, throughout the 1950–60s, years of intense economic growth. Although this phase was interrupted by the oil crisis of the 1970s, many of those guest workers have since been joined by family members. In some countries post-colonial migration supplied a significant source of labour during the economic upswing following World War II. The flow of asylum seekers has also grown in recent years, intensified by the collapse of the Eastern European socialist block and the relaxation of border controls between some Central and Eastern European countries and the EU (Stalker, 2000). The majority of European countries accept refugees and displaced persons, whose numbers swell in response to warfare and political crisis. Furthermore, despite the current tendency to restrict immigration, the guest-worker system is showing some signs of resurgence (Morris, 1997).[2] As a result approximately 18 million foreigners, constituting 4.8 per cent of the European Union's population, are legally residing within its borders (Angenendt, 1999). The number of illegal migrants entering the EU and the number of those not willing to leave after their asylum claims are rejected was estimated in 1998 at around 3 million (IOM, 2000; Stalker, 2002).

All of this creates tremendous pressure on the European Union countries, none of which considers itself to be an immigration country *per se*. Moreover, many European countries,

[1] Note that 'European Union' in the present study refers to the EU before its 2004 enlargement.

[2] In addition European countries increasingly confront issues related to the integration of so-called second-generation immigrants.

and especially those of Southern Europe, have until recently been viewed purely as a source of emigration, providing labour for more developed Northern and Western European nations. No European Union country is completely free of resentment among the native population towards newcomers, who are seen as threatening the native population's access to jobs, as abusers of welfare systems and in some cases as a menace to cultural uniformity (Soltwedel, 1993). These views resonate strongly in periods of economic slowdown, in areas most affected by recession, and among that segment of the native-born population especially vulnerable to the loss of employment or facing other labour market risks.

While significant steps have been taken to standardise immigration control procedures at the external borders of the European Union, far less has been done towards the harmonisation of immigrant integration policies (Angenendt, 1999; Withol de Wenden, 2004). Each EU country has been confronted with the necessity of integrating newcomers, which has become a challenge to the established patterns of nation building, welfare state policies and labour markets (Heckmann and Schnapper, 2003); but social, economic and political rights accorded to the immigrant population vary considerably among member states. Immigrant labour market integration remained a most serious issue for European Union countries at the end of the 1990s, one of the most urgent problems being persistently high unemployment among underprivileged newcomers. However, member countries do differ with respect to the magnitude of this phenomenon. Figure 1.1 compares unemployment among third-country immigrants, i.e. underprivileged immigrants from outside the EU (for more on this definition see Section 3.2.2), with that of native-born citizens

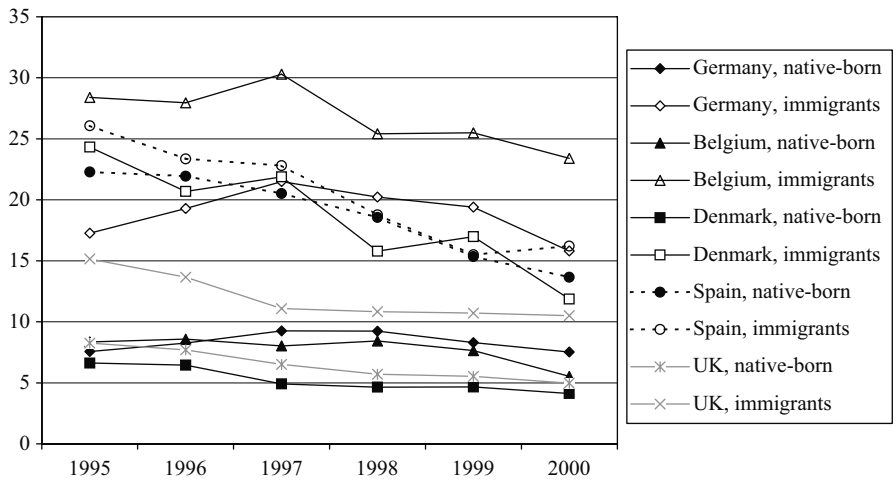

Figure 1.1. Unemployment rates of third-country immigrants and the native-born in selected countries, 1995–2000
Source: EULFS 1995–2000.

in several EU countries. Spanish unemployment is rather high among both natives and immigrants, but the dissimilarity between the two groups is the smallest. The UK also displays relatively little divergence. In the rest of the EU countries immigrants appear to be more strongly disadvantaged when it comes to finding employment. The most drastic differences are observed in Belgium and Denmark, where immigrants face nearly a five-fold risk of unemployment compared to the native-born population.

1.2. Research Questions and Rationale

How can these cross-country differences be explained? Why do third-country immigrants and the native-born face a similar risk of unemployment in some few countries, while in other countries immigrants are at a far greater risk? Third-country immigrants in various EU countries certainly differ with respect to human capital and other socio-demographic characteristics, and this variation could at least partially account for the variation in immigrant employment disadvantages across Europe. Another part of the observed differences might be attributed to external circumstances that affect immigrant flows, e.g. historically developed migration patterns. The view put forward in this book, however, is that to a significant extent, probably more than is often recognised, cross-country differences in immigrant labour market allocation reflect structural characteristics intrinsic to each society. The immigrant labour market situation is therefore 'a social product shaped by receiving countries' institutional structures' (Reitz, 1998: 3).

While considerable effort has been expended in many European countries on describing the immigrant employment situation and on finding explanations for immigrants' disadvantages in the labour market, a systematic assessment on the macro scale across the whole of the European Union still needs to be undertaken, and it may well turn out that the variety of immigrant inclusion patterns has been underestimated. This is not to disregard existing studies on immigrant assimilation, exclusion and the persistence of ethnic inequalities in the 'core' European countries, i.e. Great Britain, France and Germany (e.g. Berthoud, 2000; Drinkwater et al., 1998; Heath and McMahon, 2000; Esser, 1980; Kalter and Granato, 2002; Brinbaum and Werquin, 1998), as well as in some of the other countries (Wrench et al., 1999; Angenendt, 1999), However, the lion's share of immigration theory and research comes from and relates to the classic immigrant countries: the USA, Canada and Australia.[3] Often conclusions reached based upon experience in these

[3] The pattern of immigrant labour market assimilation has been thoroughly articulated and empirically tested by Chiswick (1978) (see also Section 2.1.1). His research reached very optimistic results in regard to immigrant earnings at the end of the assimilation process, concluding that most immigrant groups arriving in the US between the early 1950s and late 1960s not only reached parity with demographically comparable natives, but even surpassed them. A vivid debate has been going on for the past 25 years on immigrant selectivity, assimilation and economic impact (e.g. Borjas, 1990, 1994a; Chiswick, 2000). Revisionist attempts to explain the lack of assimilation of some immigrant groups introduced the term 'segmented assimilation' (Zhou, 1999), while other models of immigrant incorporation have emphasised that economic assimilation is not the only possible outcome of immigration.

truly immigrant societies, as well as from practices in a limited number of large European immigrant-receiving countries, are foisted upon the rest of the EU without taking into account the diversity of institutional contexts. Extrapolation from North American and Australian studies seems especially unwarranted, since none of the European countries is a genuinely immigrant society. In contrast, comparing like with like – in this case European countries with other European countries – would seem to be a more promising method for evaluating the impact of institutions upon immigrants' labour market fortunes (Blau and Kahn, 1999). Hence, the questions asked in this book are whether, how and to what extent the immigrant labour market situation differs among European Union countries and how this can be related to variation in their institutional make-up.

This comparative study pursues a micro–macro model of analysis, which involves an examination of the motives of various actors affecting employment decisions, emphasises the need to assess the relationships among these actors, and stresses the need to relate these to the broader social and economic contexts within which the actors establish formal, informal and institutionalised rules governing employment relations (Marshall, 1974). It is assumed that common, similar social processes underlie the allocation of individuals to jobs in different countries. Individual actors, be they immigrant or native-born job seekers on the one hand or potential employers on the other, have basically similar aims; and, given their resources, strive for the best solution from their point of view. It is also assumed that the general mechanism underlying existing immigrant disadvantage in the labour market is basically the same in all countries analysed here. However, the institutional and structural conditions under which decisions are made by individual actors (be they immigrants looking for employment in a new country or local employers deciding whether to hire an immigrant or a native worker) can vary among the countries. The main focus of this book is therefore on the interplay between the conditions under which decisions are made and the aims, resources and mechanisms that guide the behaviour of individual actors.

The key research questions raised here, however, are concerned less with the role of immigrants' individual characteristics, which undoubtedly influence their labour market inclusion chances,[4] than with the effects of the host countries' social structures. To what degree is immigrant human capital utilised in the host country? What institutional characteristics are responsible for channelling this process? How is immigrant selectivity with respect to individual characteristics influenced by the host countries' immigration policies and immigrant reception contexts? What role might other institutional characteristics

[4] This subject has received much attention. It is well documented that with length of residence in the host country immigrants learn the local labour market and the language of the receiving society, adjust their skills to the new economy, and narrow the earnings differential between them and comparable natives; in short, they assimilate economically (Chiswick, 1978). It is also stressed that human capital resources determine immigrant integration (Chiswick, 1978, 1991; Friedberg, 2000). Similarly, it has been found that gender, age at the time of migration, work experience, marital status and several other individual characteristics influence the speed of immigrant integration into the host society (e.g. Chiswick and Miller, 1996; Poston, 1994).

of host countries play in immigrant labour market allocation? How might the latter be shaped, if at all, by the host countries' labour market structures and regulations? Has the welfare state any role to play in immigrant labour market inclusion? It is claimed further on in this book that characteristics such as immigration policy, the labour market and social welfare should never be examined in isolation. Being partly autonomous and partly interdependent, they should be seen as components of institutional systems or regimes with distinct patterns of immigrant labour markets.

To adequately address institutional effects upon immigrant labour markets and to try to explain observed cross-national differences, the empirical strategy should be to estimate micro-level processes and outcomes with micro data, allowing for cross-national differences in immigrant inequality, and simultaneously include aggregate measures that capture institutional conditions hypothetically influencing the analysed phenomenon. As large, unbiased samples of an immigrant population are necessary, data sets stemming from the official statistics are the major sources upon which analyses are usually based, all the more so since it is such sets that generally contain information on formal educational qualifications as well as on the labour market. This book is no exception. The European Union Labour Force Survey data are used for these analyses, being a standardised data set of pooled labour force surveys conducted in each of the 15 member states. For more detailed analyses, labour force surveys from individual countries are examined, as these provide more comprehensive information about the relevant constructs. The use of several[5] complementary data sources is not accidental, as this is essential in order to provide consistent and reliable results when analysing immigrant issues within Europe. The problem is that the official data contain only a limited array of variables relevant to the assessment of the mechanisms of immigrant labour markets.[6] Besides, it is questionable whether information gathered in different countries is really comparable. This is of particular concern with respect to immigration-related information, often collected on the basis of different definitions, calculation procedures and reporting periods. It is also particularly difficult to obtain unbiased information about more recent immigrants, as they are often excluded from existing sampling frames and are highly overrepresented among non-respondents.

Data for research into immigration have previously been drawn from labour force surveys and population censuses, as these provide large enough samples for the analysis of an immigrant population – which rarely exceeds 10 per cent of a country's total population. As a result of the cross-sectional nature of the data, previous research into immigrant integration has primarily depicted the immigrant labour market situation at a particular point in time. Underlying processes have often been neglected. A significant advantage of the study presented in this book is that it addresses the individual behaviour of immigrant

[5] Apart from the data sources just mentioned, two panel data sets are also utilised (see below).

[6] Moreover, it is even doubtful whether some theoretical constructs are at all measurable with a standard survey design.

workers (compared to the native-born) that underlies and generates unemployment. The empirical analyses thus attempt not only to measure immigrants' likelihood of being unemployed as such, but also to uncover the structure of unemployment dynamics. To this end, part of the present analysis draws upon the harmonised longitudinal employment history data covering a six-year period in the second half of the 1990s. Two countries – Germany and Great Britain – have been selected for scrutiny because they display substantial differences in the resulting immigrant labour markets.

1.3. Outline

The complexity and multifaceted nature of this study is reflected in the structure of the book. Chapter 2 outlines a conceptual and theoretical framework upon which we build. Two-sided search and matching models, which describe outcomes of the allocation process based upon the interplay of opportunity structures (determined by employers' preferences and job resources) and job seekers' preferences and personal resources that determine their choice of opportunities, are taken as a general framework for elucidating differences in the labour markets of immigrants as compared to the native-born workers. The principal arguments of the human capital theory, which helps explain why immigrants might lack the human capital resources needed to succeed in the host country, are given. The reasons why local employers might still prefer native-born job seekers to immigrants with similar formal qualifications is then discussed, largely building upon economic theories of discrimination. Further, it is claimed that immigrants might differ from the native-born in their job search behaviour, under certain circumstances 'preferring' a quick entry into low-status employment. The argument is echoed in segmentation theories, which also discuss why employers might be willing to hire immigrants in the secondary labour market. Building on the dual labour market and insider–outsider models it is further argued that immigrants' vulnerability to unemployment and the lack of upward mobility might in fact be connected to their disadvantageous performance. The chapter further attempts to establish how the process of allocating individuals to jobs is influenced by national institutions, and why immigrants' level of disadvantage might differ between countries having certain different institutions. Previous research into the topic is then summarised and the pertinent institutional features of the host countries, i.e. immigration policies, labour markets and welfare states, are singled out.

Institutional characteristics apparently relevant to immigrant labour are discussed in greater detail in Chapters 3–5. Chapter 3, in particular, considers the importance of cross-national differences in immigration policy, which affect immigrant selectivity with respect to human capital and other socio-demographic characteristics, and determine their relevance for successful inclusion of immigrants into host-country labour markets. This chapter firstly summarises the main immigration streams into Europe after the Second World War, focusing particularly upon post-colonial and labour migrations, and the inflow of refugees and asylum seekers. Secondly, it examines cross-national differences in immigration policy, assessing the power of these differences to explain variations in labour

markets for immigrants. The chapter then approaches the challenge of classifying immigrants within the large-scale analysis by studying countries that differ in immigration and immigrant integration policies and in the ethnic composition of their newcomers. Some basic descriptive information on the characteristics of immigrants in the EU is presented in this chapter with particular focus on immigrant selectivity with respect to education.

Chapter 4 deals with the influence of labour market structure and regulations upon the position of immigrants. In line with the dual labour market theory and the insider–outsider scenario it is argued that two features of host countries' labour markets are able to shape immigrants' chances of finding employment. The first feature concerns the structure of the host country's labour market – and particularly the demand for unskilled and low-skilled labour – which determines the size of economic sectors liable to be populated by immigrants. The second feature is flexibility within a host country's labour market. This is likely to determine the degree of openness towards employing immigrants.

Since the general economic climate should not to be neglected, the chapter firstly sketches the economic situation in the EU countries in the late 1990s. It then discusses the possible effect of labour market structure and employment flexibility upon employers' resources and constraints when they consider immigrant job-applicants. Finally, this chapter presents some descriptive evidence of the selected labour market outcomes of immigrants relative to those of the native-born in the EU. It reveals the segregation of underprivileged immigrants in low-skilled occupations and the emergence of immigrant niches.

Chapter 5 seeks to relate immigrants' performance in the labour market to the nature of host-country welfare schemes. It firstly summarises the main features of the three types of welfare capitalism, further investigating how immigrants' success or otherwise in the labour market can potentially be affected by the nature of welfare regimes in the various EU countries.

Chapter 6 presents the principal cross-national analysis of immigrant unemployment and occupational standing. Comparisons are drawn with the native-born, taking into account both individual attributes, such as key demographic and human capital characteristics, and also structural factors that potentially influence labour market outcomes. Multilevel modelling with explicit measures for three institutional components relevant to immigrant labour markets, i.e. immigration policy, the labour market (structure and regulation) and welfare regimes, allows for the testing of hypotheses regarding the effects of these institutions upon immigrant labour market outcomes, while simultaneously controlling for variation on the individual level.

Chapters 7 and 8 can be seen as in-depth case studies. Each examines the immigrant labour market situation in countries with specific constellations of institutional factors, constellations which seem to 'produce' varying outcomes on the aggregate level. Chapter 7 discusses the unemployment dynamics of immigrants in Germany and Great Britain, adopting a holistic approach towards immigrants' careers. Sequence analysis techniques

are applied in order to exploit the full potential of the longitudinal data for the descriptive analysis of employment and occupational careers. A multivariate event history analysis is conducted to explore the dynamics and to determine the causes of frequent and prolonged unemployment among immigrants in both countries. The findings of this chapter shed more light upon the *processes* and *mechanisms* of economic incorporation of immigrant populations in Germany and Great Britain – two European prototypes of conservative and liberal welfare regimes – and not only in the labour market *outcomes* as was done using the European labour force survey cross-sectional data.

Chapter 8 concentrates upon labour market outcomes (labour force participation, risk of unemployment, and occupational status), focusing on a single immigrant group – Yugoslavs – in Austria and Sweden. This concept of examining a single, relatively homogeneous group of immigrants who have reached different destinations – controlling for origins as it were – provides a crucial test for the role played by the receiving societies' structures and institutions in determining immigrants' performance within local labour markets. The chapter begins with a brief overview of Yugoslav migration to Austria and Sweden, followed by an outline of the Austrian and Swedish institutional contexts as they relate to immigration and citizenship policies, labour market structure and welfare schemes, as well as their hypothetical influence on the integration of Yugoslav immigrants. One of the main focuses in this chapter is the role of the period of migration which, due to variation in the labour market successes and failures of immigrants of various cohorts, might reveal the effects of divergent immigration policy and labour market realities with respect to the two countries.

Each of the three empirical chapters contains separate sections on data and methods, since different data sources and methodological approaches have been adopted for each specific topic. The findings of the three interconnected analyses are then summarised and discussed in the concluding Chapter 9, which also outlines the limitations of the study presented in this book and suggests an agenda for future research.

CHAPTER 2. EXPLAINING IMMIGRANT LABOUR MARKET INEQUALITY

2.1. A Micro Approach to the Analysis of the Immigrant Labour Market Situation

Integration of immigrants into the labour market is one of the central issues in migration research, as it largely determines the economic impact of immigrants on the receiving country, as well as the social integration of immigrants and their offspring. Whether immigrants soon become economically integrated or whether long-term ethnic stratification emerges has serious consequences for both the immigrants and the receiving society.

Labour markets represent arenas in which workers exchange their labour in return for wages, status and other benefits (Kalleberg and Søresen, 1979: 351). Micro-sociological and micro-economic two-sided search and matching models can serve as a conceptual framework for explaining differences in the labour market for immigrants as compared to native-born workers. These models describe outcomes of the allocation process, which represents the interplay of opportunity structures determined by employers' preferences and job resources on the one hand and job seekers' preferences and personal resources, which determine their choice of opportunities, on the other (Coleman, 1991; Kalleberg and Søresen, 1979; Søresen and Kalleberg, 1981; Logan, 1996). The underlying process can then be understood as matching (the requirements of) jobs to (the characteristics of) individuals, with employers and job seekers being the two types of actors involved in this process (see Figure 2.1). Both are assumed to be rational, to aim at maximising their utility levels, that is at looking for the optimal solution from their own point of view.

2.1.1. HUMAN CAPITAL AND MIGRATION

Following basic economic principles, an employer, given the characteristics of a job vacancy, seeks to recruit the most productive and the least costly applicant. What matters for the employer is a job applicant's potential performance, including his or her adaptability and trainability. Faced with a pool of applicants, the employer presumably ranks job candidates in a queue, while an individual's position in the queue is determined not by his/her absolute level of productivity (in fact actual productivity is unobservable), but rather by his/her rank in relation to other candidates according to characteristics perceived as relevant by employers, characteristics that might serve as proxies for expected productivity (Thurow, 1975, 1978; Søresen and Kalleberg, 1981). These will certainly include

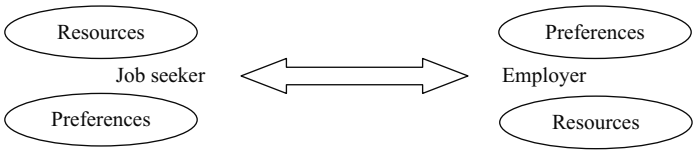

Figure 2.1. Job allocation process, illustration

direct indicators of workers' skills, such as education and training, which, according to the human capital model, represent investments that increase productivity[7] (Becker, 1962, 1964; Mincer, 1958). The most obvious factor that might thus account for immigrants' lower position in the queue, and for their labour market disadvantages in a broader sense, is their lack of human capital resources, which may be attributed to several factors.

Firstly, due to differences in the level of educational opportunity in various countries, in particular disparities between western industrialised countries (as host societies) and third-world countries (as sending societies), immigrants, and above all those coming from the third world, might offer lower average educational qualifications than those of the native-born population. Normally, however, people voluntarily emigrating from a particular country are not a random sample drawn from the population, but rather a select group. Chiswick's (1978) explanation for the exceptional success of immigrants arriving in the USA in the 1950s–1960s is, in fact, based on their positive self-selection. Economic immigrants, Chiswick maintains, represent the more ambitious, motivated, risk-taking, and able elements in their source countries. This is so because only persons with such characteristics are willing to take the risky and (at least initially) costly step of migrating. Chiswick's (1978) self-selection argument has, however, been theoretically and empirically challenged by Borjas (e.g. 1987, 1990, 1994a), who has argued that immigrants' selectivity in both observed and unobserved traits is not always positive, but rather depends upon the relative returns on skills in source and destination countries. Positive selection for skills, i.e. selection from the upper tail of the home country's income distribution, is expected of immigrants from relatively egalitarian countries, i.e. those in which income is less dispersed (e.g. Sweden), to more unequal countries, i.e. the ones with more dispersed income (e.g. the US), where highly skilled immigrants can enjoy greater returns on their skills. By contrast, negative selection of immigrants, i.e. those that hearken from the lower levels of income distribution, is expected from relatively unequal to more equal countries, where the (welfare) state protects the less skilled. Selection also appears to vary with respect to the type of migration, with economic migrants being more favourably self-selected on the basis of higher intrinsic abilities and economic motivation, and tied movers or refugees less so (Chiswick, 2000).

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[7] Questioning the human capital theory's assumption of the link between education and productivity, some scholars argue that education serves as a screening device (Arrow, 1972) or a signal (Spence, 1973) that is connected to ability rather than productivity.

Secondly, some aspects of human capital, particularly language skills and cultural knowledge, are country specific, i.e. they are more relevant and productive in some societal contexts than in others (Borjas, 1994a; Esser, 1999). The act of migration makes these aspects irrelevant and leads to a certain devaluation of human capital (Chiswick, 1978, 1991; Friedberg, 2000). With the passage of time in the host country differences in human capital between the native-born population and immigrants should narrow as immigrants learn the host country language, gain knowledge about the functioning of the host country labour market and acquire local education and training (Chiswick, 1978). However, the more dissimilar the institutional structures in the source and the host countries are – and the shorter the stay – the less the expected degree of assimilation (Borjas, 1994a).

The third point to be mentioned here is that the trend towards assimilation might be disrupted by immigrants' reluctance to invest in the human capital specific to the host country, including the host country's language. One of the reasons for this reluctance is that immigrants often consider their stay in the host country as temporary, and, reasonably, refuse to make investments that are not certain to pay off (Bonacich, 1972; Heath and Ridge, 1983; England, 1992; Chiswick, 2000; Dustmann, 2000). Moreover, anticipating immigrants' temporary presence, employers might also be hesitant to invest in their education or to offer on-the-job training, since such investments might be lost if immigrants return to their home countries (Offe and Hinrichs, 1977).

2.1.2. DISCRIMINATION

It is commonly reported that immigrants are still disadvantaged after controlling for human capital and even after adjusting for host-country characteristics. The most frequently mentioned explanation is that immigrants are preferred less by the employers, or, in other words, they face some form of discrimination in the labour market.

How might this be explained? The neo-classical economic approach postulates that discrimination will not arise in perfectly competitive markets, implying that some degree of market failure or imperfection is a necessary condition for the existence of discriminatory behaviour (Becker, 1971; Arrow, 1973). Several prominent explanations may be relevant to this issue, such as theories of *monopsonistic discrimination* (Madden, 1973), the concepts of *error* (England, 1992) and *statistical discrimination*[8] (Phelps, 1972; Arrow, 1972; Aigner and Cain, 1977) and Becker's (1971) theory of *taste discrimination*.

Theories of monopsonistic discrimination assume a lack of competition for labour on the demand side (Madden, 1973). Then, as Madden (1973) argues, it might be rational for a monopsonistic firm to pay different wages to workers belonging to distinct groups if these groups show different elasticity of supply and can be clearly distinguished, as

[8] Both may be referred to as informational discrimination (Lundberg and Startz, 1983).

in the case of distinct ethnic minorities. The arguments hold true not only for monopsonies in a narrower sense, but also if mobility (and not only spatial mobility) barriers for labour exist. Alternatively, the error discrimination approach assumes that, due to a lack of full information, false beliefs are imputed about the 'true' productivity of workers (e.g. England, 1992: 60). Thus, in a way, immigrants are victims of employers' uncertainty over information relating to true productivity (Cain, 1976). Like error discrimination, a statistical discrimination approach assumes that employers do not have full information on the productivity of potential workers, thus using information about the group instead (Phelps, 1972; Arrow, 1972; Aigner and Cain, 1977). Finally, Becker (1971) introduces the notion of personal preferences or, in his words, 'tastes for discrimination'. He shows that such tastes, be they on the side of employers, employees or customers, will result in effective market discrimination. While wage discrimination due to monopolistic structures might be a plausible explanation, it has been argued that taste discrimination and informational discrimination are unlikely to persist (in the long run) in competitive markets (e.g. Arrow, 1972, 1998; Kleber, 1988).

Alongside hidden[9] discrimination, endemic or institutional discrimination is mentioned by some scholars (e.g. Williams, 1985; Reitz, 1998; Gomolla and Radtke, 2000). Examples of the latter could be non-recognition of foreign educational or vocational credentials when these actually provide a valid indication of professional knowledge and ability; or institutionalised exclusion of immigrants from certain job positions, e.g. public sector jobs (*Beamtestelle*) in Germany and Austria.

2.1.3. ETHNIC OR IMMIGRANT PENALTY

Discrimination exists only when equally productive workers do not receive equal job rewards (Kalleberg and Søresen, 1979: 369). While experimental studies can directly uncover differential treatment (e.g. Zegers de Beijl, 2000), it is practically impossible to *prove* the existence of discrimination when working with standardised survey data. In such studies the existence of employer discrimination is normally inferred from the fact that immigrant status has an effect on labour market success that is independent of other relevant variables, above all human capital characteristics. A well-known problem with this method of detecting discrimination is that it is impossible to control for all relevant variables. It has therefore been suggested we speak of ethnic or immigrant penalties, which implies that the residual effect of ethnic or immigrant group membership may also result from sources other than discriminatory treatment by employers.

Indeed, according to the search and matching model, in labour markets with imperfect information, success (given human capital resources) is dependent not only upon treatment by potential employers, but also upon the search behaviour of the employee. Heath and Ridge (1983) suggest, for example, that immigrants might choose to make

[9] For more on economic theories of discrimination see Marshall (1974), Kalter (2003).

different use of opportunities and pursue diverse investment strategies in the host country labour market than do the native-born – which is reminiscent of non-investment in human capital specific to the host-country. If they expect to return to their home countries immigrants might opt for jobs with immediate monetary returns even if these are low-status jobs[10] (see also Dustmann, 2000).

This can be modelled in terms of economic search theory (Stigler, 1961; McCall, 1970; Devine and Kiefer, 1991; Mortensen and Pissarides, 1999), according to which the search for a vacancy implies costs (C) on the one hand and uncertainty about whether the search will be successful (p) on the other. The prospective employee stops searching as soon as the utility (U) of a given alternative exceeds a certain threshold, a reservation wage.[11] Such a model would imply three consequences with respect to the search behaviour of immigrants: firstly, immigrants would presumably have higher search costs, C, as they often lack specific knowledge and specific social capital with respect to the labour market of the host society (Lundberg and Startz, 1998; Montgomery, 1990); or they may simply have fewer financial resources to sustain them while unemployed (Cain, 1976). Secondly, immigrants may fear discrimination in the labour market (even if it does not actually exist), resulting in a lower subjective probability, p, of being successful in finding an alternative. Third, as is the case in the reluctance-to-invest argument, the utility of further search (and thus the reservation wage) may be lower due to the job seeker's temporary orientation.[12] Each argument leads to a decrease of the threshold determining further search. In other words, immigrants stop searching for better alternatives sooner than indigenous job seekers.

Basing their argumentation on this model, Kalter and Kogan (2003) demonstrate that the job search behaviour of immigrants indeed differs from that of the native-born in countries with severe job search costs. Immigrants tend to abandon the search for higher-status employment earlier and instead aim at low-status jobs. And it is not only immigrants who are ready to accept low-status employment. Employers are prepared to admit non-citizen workers to certain sectors of the economy – especially sectors characterised by low wages

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[10] For temporary immigrants, long-term investments, either in country-specific human capital or in a search for higher status jobs, might not pay off.

[11] This can be represented succinctly with the following model. The expected utility of a potential job alternative is given by U_A, the utility of the status quo by U_{SQ}. If the search for the job alternative includes costs C, and the subjective probability of finding such an alternative is given by p, then the utility of search is given by:

$U_{search} = pU_A + (1-p)U_{SQ} - C$, while the utility of discontinuing further search is: $U_{\neg search} = U_{SQ}$.

The search is assumed to continue as long as $U_{search} > U_{\neg search}$, which for $p \neq 0$ is equivalent to $U_{SQ} < U_A - C/p$.

The term $U_A - C/p$ may be interpreted as the threshold or 'reservation wage'; it resembles the utility level of the status quo, which is sufficient for the job seeker to stop further activities. The lower the expected gains from potential alternatives and the subjective expected probability of finding such an alternative, and the higher the search costs, the sooner the process of the job search is stopped.

[12] In the model outlined in the previous footnote this would result in a lower value for U_A as the time horizon for the benefits of further search activities to be realised is reduced.

and prestige, seasonal or intermittent work, unpleasant or dangerous working conditions – despite the availability (even abundance) of the unemployed native-born (Brubaker, 1989; Morris, 1997; Portes and Stepick, 1985). Explanations for this phenomenon may be found in the dual labour market theory summarised in the following section.

2.1.4. LABOUR MARKET DUALISM

Unlike neoclassical economics (Becker, 1971), which assumes that all workers, be they native-born or immigrant, compete in a single, uniform labour market, institutional economics (including dual labour market theory) bases its argument on the non-uniformity or segmentation of the labour market. The dual labour market theory (Piore, 1971, 1979; Doeringer and Piore, 1971) covers the following issues in particular: (1) why unstable and low productivity jobs exist in advanced economies; (2) why local workers shun such jobs; (3) why local workers' reluctance to occupy unattractive jobs cannot be solved through standard market mechanisms, e.g. by raising wages attached to such jobs; (4) why foreign workers from low-income countries are willing to accept such jobs; (5) and why such structural labour demand can no longer be filled as before by women and teenagers. The argument is as follows.

In advanced economies there are unstable jobs due to the division of the economy into a capital-intensive primary sector and a labour-intensive, low productivity sector, which gives rise to a segmented labour market.[13] Massey et al. (1993) describe the problem as structural and unavoidable since the bottom cannot be eliminated from the labour market. Any attempt at ridding the system of its lowest and least desirable category of jobs will create a new bottom layer composed of jobs that used to be above the bottom. Since all hierarchies must have a bottom, motivation problems are also bound to happen at the low-level jobs, because these confer low-status and prestige while promising scant upward mobility. As people generally work not only for income, but also in order to maintain their social status, reluctance to occupy unattractive jobs by local workers is explainable.

Attracting workers to unskilled jobs at the bottom of the occupational hierarchy cannot be solved through market mechanisms, e.g. by raising wages. It is indisputable that wages reflect not only the conditions of supply and demand but also social status, and a variety of institutional mechanisms ensure the correspondence of wages to the hierarchies of status and prestige perceived in society. Hence, raising salaries at the bottom of the labour market would upset the socially defined relationship between status and remuneration,

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[13] Doeringer and Piore (1971) also introduce the notion of the internal (*vs*. external) labour market, referring to the set of rules and institutions that govern the allocation and pricing of labour within a firm rather than to the quality of jobs in general, as is assumed in the dual labour market theory. For the sake of simplicity, and since labour market segmentation *per se* is not the main focus of this book, the dual labour market theory is addressed in general without discussing different approaches within segmented labour markets theory (for more see Sengenberger, 1978, 1987; Szydlik, 1990; Kreimer, 1999; Granato, 2003).

and in turn require a proportional raising of wages at other echelons, in order to preserve the occupational hierarchy. This would ultimately cause structural inflation. During times of labour scarcity, attracting native workers by raising entry-level wages is thus not only expensive but also economically disrupting, which provides employers with a strong incentive to seek easier and cheaper solutions.

In the past, women and teenagers helped fill low-status jobs. However, in contemporary post-industrial societies the female workforce has exchanged much of its secondary status and dependent nature in favour of autonomy and career-orientation. The decline in birth rates and longer formal education have also resulted in fewer teenagers entering the labour force. Hence, the imbalance between the structural demand for entry-level workers and the limited domestic supply increases demand for immigrants.

Foreign workers from lower-income countries often arrive with short-term goals, seeking money specifically to improve their status and well-being at home, and caring little about their status in the receiving society – with which they barely identify. The low wages they are offered in host countries are indisputably attractive when compared with those offered at home. But what happens when immigrants lengthen their stay and shift from temporary to permanent settlement? Piore (1979) predicts that immigrant workers might start encroaching on jobs normally held by the native-born once they relocate their social identities from the source to the destination country, are joined by dependents, become more concerned with job status and security, and become less inclined to accept secondary sector jobs.

In sum, the inherent dualism between labour and capital[14] creates two distinct labour market segments: capital-intensive or primary, and labour-intensive or secondary. The internal market in the primary sector does not function along purely profit-maximising lines; instead, institutional rules intervene in market processes (Cain, 1976; Taubman and Wachter, 1986; Granato, 2003). Workers in the capital-intensive primary sector get stable, skilled jobs, and work with the best equipment and tools. To increase productivity, employers have to invest in these workers and provide them with special training. Their jobs are complicated and require considerable knowledge and experience.[15] Primary-sector workers tend to be unionised, and employers bear a substantial share of the costs in case of their dismissal. All of this makes them expensive capital, so to speak.

In the labour-intensive secondary sector workers hold rather unstable and unskilled jobs, and they may be laid off at any time with little or no cost to the employer. These are

[14] In the capitalist economy capital is a fixed factor of production, while labour is a variable one and can be released when demand falls.

[15] By investing in its labour force, firms introduce an element of capital, with its fixed costs, in the use of labour (Oi, 1962).

jobs characterised by low wages, irregular working hours, bad working conditions and little prospect of mobility. Native workers shun these jobs, being drawn to the primary, capital-intensive sector with its higher wages, greater security and the possibility of occupational upgrades. To fill the void, employers turn to immigrants (Molle and Zandvlt, 1994; Castles and Miller, 1998; Veiga, 1999; Malheiros, 1999; Stalker, 2000; Wilson and Portes, 2001).

2.1.5. INSIDER–OUTSIDER CLEAVAGE

The duality of the labour market is also addressed in the insider–outsider theory (Lindbeck and Snower, 1988), according to which workers are divided into three groups on the basis of turnover costs: (1) the 'insiders', experienced incumbent employees, whose positions are protected by significant labour turnover costs; (2) the 'entrants', who have recently acquired jobs with a future prospect of gaining insider status, but whose current positions are not associated with significant turnover costs; and (3) the 'outsiders', who have no protection and are either unemployed or work at jobs in the informal sector, which offer little if any security.

According to the dual labour market theory, turnover costs are high in the primary sector, wage contracts are generally covered by job security legislation, wage bargaining is frequently institutionalised, and incumbent employees have significant market power as a consequence. In the secondary sector, turnover costs are low, wages tend to be set through informal agreements, and workers have little (if any) market power. As positions of employees in the secondary sector are not protected by turnover costs, both their wages and rates of retention are likely to be lower than those of primary sector insiders. Hence, employment in the secondary sector is more variable than in the primary sector over the course of ordinary business cycles, while the position of insiders in the primary sector is quite stable even during economic recession. Reconsidering the terminology of the insider–outsider theory in the light of the dual labour market theory, incumbent employees in the primary sector constitute 'insiders', whereas 'outsiders' are either employees in the secondary sector or the unemployed.

According to Lindbeck and Snower (1988), the insider–outsider theory elucidates comparatively high unemployment rates among various minority groups, including immigrants. Immigrants recruited for unskilled and low-skilled jobs in the majority of industrialised European countries up until the early 1970s (see Section 3.1.3) were deliberately slotted into the secondary labour market, which has since undergone economic restructuring and become more vulnerable during recession. The preference of more recently arrived immigrants for temporary employment, combined with limited information about job opportunities in the host country and/or employers' differential treatment at higher-status employment entry points, reinforce their likelihood of accepting temporary, flexible, low-status, 'outsider' jobs. Hence, higher unemployment rates among immigrants compared to the native-born can be explained by peculiarities in their industrial and occupational

allocation and might actually be related to higher job turnover in the labour market sector where immigrants or members of other underprivileged groups are over-represented (Barett and Morgenstern, 1974; Cain, 1976; Szydlik, 1990).

Once placed in the secondary labour market sector, immigrants and other disadvantaged groups find it difficult to remedy their outsider status even after a long period of residence in the host country. One reason for this is the comparative instability of their work records, including more frequent and prolonged unemployment spells, a trait generally pronounced among those employed in the secondary labour market (Vishwanath, 1989; Blanchard and Diamond, 1994). Another reason is that secondary market workers have reduced access, if any, to generalised or specific on-the-job training. Thus, they are unable to improve their human capital to provide a boost in the ranking queue when applying for a new job[16] (Flanagan, 1973; Cain, 1976; Wallace and Kalleberg, 1981). Persistent negative effects or scars associated with employment in the secondary labour market cement the lack of mobility between primary and secondary sectors and leave immigrants in the end with no choice other than to remain permanent labour market outsiders (Taubman and Wachter, 1986).

2.2. The Link Between a Country's Institutional Arrangements and the Immigrant-Job Allocation Process

The study presented in the book claims that matching of immigrants to jobs and the observed outcomes of the match will differ across European countries, as these vary with respect to institutional arrangements that shape resources and influence the decision-making of the two main actors in the process: immigrant job seekers and employers.

Immigrant selection and self-selection with respect to human capital resources are parts of a complex process, in which host country immigration policies might play a central role (Borjas, 1994a; Reitz, 1998). The selection of immigrants on the basis of human capital or competencies that are in demand in the receiving society can be explicitly stipulated by host country immigration policies, as exemplified by Canada and Australia from the 1970s onwards (Reitz, 1998).[17] The selection can also be more implicit, as in the case of Western European countries that practised foreign worker recruitment in the 1950–60s (see Section 3.1.3). Furthermore, structural, cultural and linguistic proximity

[16] Instead they actually become 'de-skilled' and unsuited to work in the primary sector, as Taubman and Wachter (1986) claim.

[17] In the 1970s both countries introduced a so-called point system, which aims to assess the applicant's skills and potential labour market performance against what are perceived to be economic needs (DeRosa, 1995; Reitz, 1998). The desirability of each applicant is calculated on a sliding scale which measures short- and long-term prospects for successful immigration. Points are awarded on the basis of job-related qualifications, such as English or French (in Canada) language proficiency, education, employment experience and age – as well as the perceived labour needs in the country and the region where the would-be immigrant wishes to settle (Reimers and Troper, 1992; Bloom and Gunderson, 1990).

of sending countries and host countries might influence the transportability of the human capital brought by immigrants as well as its signalling power for prospective employers. Finally, the degree to which immigrants invest in human capital relevant to the host country, along with their job search preferences, are shown to be largely dependent upon the perceptions among immigrants and employers alike regarding the legal status of the immigrant population and the temporariness of their presence, both related to a country's immigration policies and reception contexts.[18]

Search costs is another factor influencing immigrant job search intensity in the host country. On the one hand, these are related to existing social networks, which probably would be scarcer for newly arrived immigrants, especially in countries with a recent history of mass immigration. On the other hand, the availability of financial resources certainly plays a role in sustaining a search for gainful employment. If welfare systems in a given country discriminate against particular immigrant groups (e.g. recent immigrants, immigrants without host country citizenship or particular legal status), depriving them of the basic financial resources necessary to sustain a job search (on a parity with the native-born), while in other countries immigrants are entitled to welfare benefits similar to those of the native-born irrespective of their status or length of stay, this might result in distinctly diverse labour market outcomes for the immigrant population. In countries where immigrants are disproportionally deprived of welfare benefits they might be forced immediately to enter employment despite mismatching qualifications. In short, decreased welfare support reduces immigrants' ability to sustain a job search, consequently reducing the job acceptance threshold and forcing immigrant workers toward the secondary labour market (Marshall, 1974). The outcome may be a lower unemployment rate overall but at the same time lower occupational status for the immigrant population. In countries where immigrants can draw upon more extensive financial support when searching for employment, they will rationally focus upon obtaining employment that better fits their qualifications – even if at any given point in time they may be over-represented among the unemployed.

How can the behaviour and preferences of employers with regard to immigrant job seekers on the one hand, and job resources on the other hand, be influenced by a country's institutional arrangements? And which are of particular relevance to the matching process outlined in Section 2.1?

The degree of labour market flexibility in a given country might influence employers' decision-making when hiring workers – including immigrants – since in highly protected labour markets employers are faced with potentially higher dismissal costs. Research suggests that the response of employers in labour markets with higher firing costs is

[18] Another aspect is worth mentioning in this respect. Employers interested in permanent workers may adopt discriminatory employment policies, hiring only those workers who possess characteristics associated with long employment tenure (Oi, 1962). Immigrants without permanent resident status thus may not qualify for more stable jobs.

the setting of higher productivity reservations for potential employees (Blau and Kahn, 1999; Bertola, 1999; Gangl, 2003; Giesecke and Groß, 2003). This is reflected in a shift away from the trial-and-error strategy, by which new employees are screened during an initial stage of the newly formed match after already establishing a formal employment relationship; in case of unsatisfactory results the worker is dismissed. Instead, rational employers will prefer strategies where intense screening of applicants occurs before the formal hiring, as the hiring threshold is quite high. Uncertainty about an applicant's actual productivity will push employers to look for observable and clear signals of appropriate skills in order to reduce the risk of a bad match. Along with indicators of productivity, like education or training, ascriptive characteristics, like gender or immigrant status, become signals employers are forced to look at more closely. In a way, when the necessity of the 'perfect' match is so acute, there might be a higher risk that statistical or error discrimination practices intervene in the screening process, causing employers to appear to be more readily acting on their prejudices (Model, 2005).[19] As a result, given the constraints of strict labour market protection legislation, employers' 'favouritism' of native-born workers (as opposed to immigrants) appears to be quite rational. Expected outcomes of severe labour market regulation are potential aggravation of immigrants' outsider status and the institutionalisation of their segmentation in the secondary labour market.

At the lower end of the occupational hierarchy, with its low-skilled, low-paid, unstable jobs, often shunned by the native-born, hiring operates more along profit-maximisation lines, even in countries with otherwise strict labour market regulation. For immigrant employees this means more equal treatment at the entry point with less or even no discrimination, but often at the price of discounted human capital (Cain, 1976). Thus, in countries with stronger demand for unskilled or low-skilled, secondary labour market jobs, immigrants, particularly recent ones, will have better job opportunities, so that overall immigrant employment disadvantage should be smaller.

In summary, the basic components in the general explanatory model for the existence of immigrant labour market disadvantage, summarised in Section 2.1, are influenced by the institutional characteristics of host societies, and hence may vary across the countries (see Figure 2.2). Selection of immigrants with respect to human capital is to a certain degree an artefact of a country's immigration policy, while the modes of immigrant labour market allocation depend largely, in addition to immigration policies, upon labour market structures and regulations in receiving countries as well as upon the nature of the welfare regime. The following section outlines the contextual framework of the institutional approach to the analysis of immigrant labour markets and discusses what institutional characteristics of the receiving societies researchers see as potentially facilitating or hindering immigrant labour market incorporation processes.

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[19] Model (2005) does not, however, find empirical proof for her quite similar hypothesis when comparing the UK and the US, two countries with comparably unrestrictive regulations.

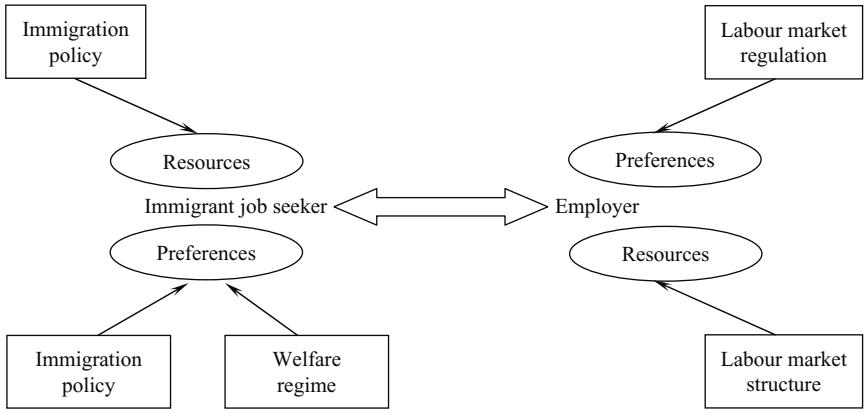

Figure 2.2. Influence of institutions on the job allocation process of immigrants, illustration

2.3. Institutional Approach to the Analysis of Immigrant Labour Markets

2.3.1. RATIONALE

Until now the great majority of studies dealing with immigrant labour markets are single-country studies, attempting to assess individual determinants of the inclusion in the labour market of immigrants coming from different source countries into one host society.[20] As sending societies change and immigrant destinations expand to include an increasing number of nations, it seems relevant to explore whether patterns of immigrant reception and incorporation into the labour market differ in various host countries, and to identify the structural determinants of immigrant success and how institutional features of host societies intervene in the basic mechanism of immigrant labour market allocation. Increased scholarly attention and scrutiny has lately been directed towards the fact that immigrant inclusion in the labour market is influenced not only by the characteristics of immigrants themselves but also by basic features of the adopted societies (Cheng, 1994; Reitz, 1998; Reitz et al., 1999; Model et al., 1999; Blos et al., 1997; Lewin-Epstein et al., 2003). Emphasising the institutional determinants of immigrants' standing clearly does not mean we ignore immigrants' individual characteristics. Their level of education and qualifications, for example, their knowledge of the host country language, financial resources and existing networks – all these have a major impact upon their position within the host society. Without disregarding such important differences in the characteristics of

[20] E.g. for European research: Fassmann et al., 1999; Fassmann and Münz, 1994; Neels, 2000; Neels and Stoop, 2000; Vourc'h et al., 1999; Granato and Kalter, 2001; Kalter and Granato, 2002; Gras and Bovenkerk, 1999; Tesser and Dronkers, 2002; Bevelander, 1999; Ekberg, 1990; Heath and McMahon, 2000; Model, 1999; Campani and Carchedi, 1999; Cachón, 1999; Reyneri, 2001.

the immigrants themselves, the institutional approach shifts the focus on the position of immigrants to the macro level (e.g. countries, cities).

Those few empirical studies that assess the role host countries' institutions play in the economic integration of immigrants appear to have a number of shortcomings, not least due to data limitations. Firstly, such studies as a rule contain quite a small number of macro-cases (normally only two or three countries), giving rise to the so-called 'small N problem' (Lieberson, 1991; Goldthorpe, 1997; King et al., 1994). This means that the number of macro-cases is too small relative to the number of explanatory macro-level variables, which makes testing competing theories difficult. The second problem of the studies comparing immigrant fortunes across destinations is that macro-level variables are usually not even formally included in the statistical modelling. Rather, differences in immigrant fortunes observed across countries are interpreted in terms of institutional differences between the countries. Such an approach hardly allows for distinguishing between the effects of single institutional or structural factors, but it does elucidate the influence of institutional packages.

Without denying the merit of existing research, the study presented in this book attempts to offer an advantage by overcoming both of the above problems. Firstly, it expands the discussion of the role played by the institutional characteristics of host societies in immigrant economic integration by examining the labour markets of immigrants in all European Union countries (not just two or three). Secondly, the proper names of countries are replaced here by the values of theoretically relevant macro-level variables. In such a way the study seeks to explain the variation or, alternatively, to relate the similarities in the processes and outcomes of immigrant labour markets to differences in the social structures of the European societies, which might influence immigrant incorporation.

2.3.2. INSTITUTIONS RELEVANT TO THE INCORPORATION OF IMMIGRANTS IN THE LABOUR MARKET

What are the structural characteristics of host societies that are of potential importance for the economic success or failure of immigrants? Previous studies that offered a framework for cross-national research (though without formally establishing a clear micro–macro link,[21] as suggested in Section 2.2) have pointed to the significance of immigration policy (Borjas, 1990, 1993) or labour market structures and regulations (Piore, 1979; Castles and Kosack, 1985; Sassen, 1988, 1991) – two factors central to the incorporation of immigrants in the labour market. However, these studies stress the significance of each factor by itself without pursuing the possible connections between them. Portes and his colleagues (Portes and Manning, 1986; Portes and Böröcz, 1989;

[21] Indeed, most macro studies are merely descriptive and hardly explain *why* macro differences should be observed.

Portes and Rumbaut, 2001) point to three factors critical to the economic incorporation of immigrants, namely government policy, labour market demand and pre-existing ethnic community characteristics. Most importantly, the interaction between these factors is seen as crucial for channelling newcomers' economic success. In his comparative study of immigrants in the United States, Canada and Australia, Reitz (1998) identifies four institutional components of particular importance for immigrants: (1) immigration policy and regulations, (2) labour market structure and practices, (3) educational system, and (4) welfare regime. Furthermore, he stresses that the institutional settings themselves are both autonomous and interdependent, thus requiring an integrated evaluation of the institutional embeddedness of immigration. In his later work Reitz (2002, 2003) modifies the list of features of the host society potentially responsible for the successful integration of immigrants, again stressing the importance of their intersection. He points to the following dimensions: (1) pre-existing ethnic or race relations within the host population,[22] (2) differences in labour markets and related institutions, (3) the impact of government policies and programs, i.e. immigration policy, policies for immigrant integration and policies for the regulation of social institutions, and (4) the changing nature of international boundaries as a part of the process of globalisation.[23] Finally, Freeman and Ögelman (2000) mention the following three institutions, in the order of their significance to immigrants' economic behaviour: laws and policies governing immigration, market and welfare. These are seen as the components of a regulatory regime, a legal framework within which immigrants and nationals make their labour market choices.

It is not surprising that those structural features of host societies that potentially influence immigrant economic incorporation, as mentioned by various scholars dealing with the institutional embeddedness of immigrant labour, largely overlap. This book will focus upon three institutional components that seem to intervene in the basic mechanism of immigrant labour market inclusion (see Section 2.2). These are immigration policy, labour market structure and regulations, and the welfare system.

National *immigration policy* serves the purpose of regulating access to residency by controlling the numbers and characteristics of immigrants that suit particular economic needs or fill political, social or other obligations. It is an obvious starting point for any cross-national analysis dealing with immigrant incorporation. Pre-existing ethnic

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[22] Reitz (2003) sees pre-existing ethnic attitudes, inter-group boundaries and hierarchies as a social framework within which integration processes occur. These 'give rise to formal and informal institutional arrangements, including laws, organizational policies and practices, interest groups, and popular culture, all of which may affect the opportunities available to newcomers and the constraints they face' (Reitz, 2003: 3).

[23] By the fourth component, Reitz (2002, 2003) means the place of a host society among the nations in terms of geographical, political, economic and social aspects, which might influence immigration inflow and immigrant settlement. These aspects, although important for explaining immigrant inflows, are probably less central when examining immigrants' labour market situations, and particularly when it comes to the European Union member states as receiving countries, which share similar positions in the globalised world.

attitudes, national boundaries and hierarchies and even a wider national doctrine[24] find their reflection in immigration policy. It certainly might influence attitudes towards immigrants and give rise to formal and informal institutional arrangements (i.e. laws, organisational policies and popular culture) which all affect the opportunities available to newcomers and determine their constraints (Reitz, 2002, 2003). Immigration policies explicitly or implicitly stipulate the selection of immigrants, particularly with respect to human capital, and channel the way this capital is utilised.

However, although they may wish to, immigration policy makers cannot always control immigrants' skill levels (Reitz, 1998, 2003) – especially since immigrants have family ties and social networks that affect their selection (Massey et al., 1993). Immigrant reception is also potentially affected by other government policies, which are sometimes only indirectly related to the immigration policy. Among various policy options named by Reitz (2003), two seem particularly relevant: programs aimed at assisting immigrant settlement and integration (e.g. language courses or professional retraining); and policies aimed at the regulation of inter-group relations (e.g. anti-discrimination laws, or equal rights provisions in employment, housing and other spheres of society).

Labour market structure and *regulation* can by no means be ignored when analysing the economic situation of immigrants. This is so largely because immigrants, and particularly those who belong to ethnic minority groups, often undergo the process of segmented assimilation (Zhou, 1999): among other things they are concentrated in labour market segments characterised by poor working conditions, unconventional hours, lack of formal protection and low pay. European countries differ with respect to the size of these segments. They also differ in their employment structures and labour market regulations that most affect immigrants' chances of entering higher-status employment. These labour market dimensions might have both independent and joint impacts on the employment success or otherwise of immigrants and on the nature of jobs held by newcomers. Furthermore, labour markets are interrelated with other institutions of society, including immigration policy and the welfare state, so that the comparative analyses must expand to consider the impact of these related institutions (Reitz, 2003: 8).

Labour markets and their regulation, together with welfare provisions, form the basis of *welfare regimes* (Esping-Andersen, 1990). Welfare regimes are intended to adjust labour market outcomes for immigrants (and the native-born) via social services and assistance, income redistribution and employment protection. As a vulnerable part of a host society, immigrants might be particularly dependent upon welfare provisions; and since European countries have differing welfare state regulations and employment protection legislation,

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[24] In fact, pre-existing ethnic or race relations within the host population, a component mentioned by Reitz as a separate dimension of particular importance for immigrant economic incorporation, might be largely included under the rubric of immigration policies. By focusing solely on European countries the variation in pre-existing ethnic or race relations is minimised, since no EU country is a classical immigration society; and each (with some modifications) was founded upon the principles of ethnic nationalism (Breton, 1988).

these might offer some explanation for the observed variation in the labour market for the immigrant population.

The role played by each of the three institutional factors – immigration policy, labour market structure and regulations, and the welfare regime – with respect to the labour market for immigrants in Europe is explored more fully in the subsequent sections. Attention is given to the possible influence of each structural feature upon two aspects of labour market allocation: unemployment risk and the status of immigrants' jobs. These two labour market outcomes, also examined later in the empirical analyses, proved to be of particular relevance when examining the labour market incorporation of immigrants in Europe.

CHAPTER 3. IMMIGRATION POLICIES AND IMMIGRANT SELECTIVITY IN EUROPE

This chapter examines cross-national differences in immigration policies with the aim of assessing their potential to explain the differences in labour markets for immigrants in the various EU countries.[25] The main objective of the chapter is to throw light on immigration policies: firstly, to summarise the main immigrant inflows in Europe in the second half of the 20th century; and, secondly, to determine the degree of selectivity of immigrants with respect to their socio-demographic characteristics. The chapter also considers the challenge of classifying immigrants within a very broad analysis covering countries differing in immigration and immigrant integration policies as well as newcomer composition.

3.1. Immigration into European Countries after the Second World War

By the end of the 20th century net immigration became a characteristic of almost all industrialised European countries and in particular those which constituted the European Union-15. Since this book focuses on the labour markets for immigrants in the European Union at the end of the 20th century, it is relevant to discuss the major migrant inflows in Europe after the Second World War, as post-war immigrants constitute a part of the labour force in contemporary Europe.

Since the Second World War two periods of immigration in Europe can be roughly distinguished. Until 1973 labour migration into Northern and Western European countries was almost unrestricted; whereas after 1973 the recruitment of foreign workers stopped, but immigration itself continued despite a policy of 'zero immigration' (Jordan and Düvell, 2002). In Southern European countries the first period is characterised by emigration; while later on, and in particular by the end of the 1990s, these countries became immigrant magnets too. Different streams of immigration to Europe after the Second World War are summarised below in more detail based on Angenendt (1999), Münz (1997), Fassmann and Münz (1994), Castels and Miller (1998), and Stalker (2002).

[25] A certain degree of generalisation and lack of detail is unavoidable due to the large scale of the analysis (15 EU Member States) and the nature of the analytic approach of the empirical analyses in Chapter 6.

3.1.1. GEO-POLITICAL CHANGES AFTER THE SECOND WORLD WAR

Political changes in Europe, Asia and Africa brought a significant number of immigrants or, more correctly, *repatriates* to Europe. The most significant of these movements was repatriation of expellees and refugees after the Second World War (estimated at about 15 million people), including both the return of the German-speaking civilian population from former German Eastern European territories: from Poland, Czechoslovakia, Hungary, Romania and Yugoslavia, as well as German prisoners of war. Simultaneously, a significant number of Russian, British and American prisoners of war – forced labourers and survivors of the concentration camps – left Germany and territories which had been occupied by Nazi Germany. From the foundation of the German Democratic Republic until 1961, about 3.5 million East Germans fled to the West. Movement in the opposite direction was negligible. Re-settlement of displaced persons and repatriation of expellees and refugees alleviated much of the existing labour shortage in western European countries, which had experienced post-war economic growth (Bloch, 2002).

Furthermore, *decolonisation* caused the return migration of white settlers, officials and soldiers along with their offspring – a sometimes small, but often significant number, as in the case of French colonials in North and West Africa. Settlers returned to the Netherlands from Indonesia in the 1950–60s and from Surinam and the Antilles in the 1970s. In the middle of the 1970s about half a million Portuguese settlers returned from Angola and Mozambique. Great Britain, Belgium and Italy experienced similar inflows.

3.1.2. POST-COLONIAL IMMIGRATION

As well as white colonisers, from the late 1960s onwards the local populations of former colonies in South and Southeast Asia, Africa and the Caribbean began entering Great Britain, France, Belgium and the Netherlands – Spain and Portugal later on. The ‘push factors’ were economic deterioration and political and ethnic conflicts in the newly founded countries of the third world. Among ‘pull factors’ one of the most important was the growing dependence upon the extra labour force in host countries. In addition, colonialism had conferred a common language, similar educational systems and other institutions upon former subjects. This, and a preference for accepting former colonial subjects, who in some cases were formally recognised as citizens (e.g. British), facilitated immigration. As a result substantial numbers of Indians, Pakistani, Bangladeshi and West Indians (Caribbean) moved to Great Britain, while North and West Africans entered France, and Moluccans and Surinamese immigrated to the Netherlands.

3.1.3. LABOUR MIGRATION

From the 1950s to the 1960s the economic growth in the majority of Western and Northern European countries caused a sharp increase in the demand for additional labour. Some countries found a partial solution in encouraging labour immigration from less developed neighbouring countries – as was the case of the Irish in England and the Finnish in Sweden.

However the majority of Western and Northern European countries, even those experiencing an influx of former colonial subjects, e.g. France and the Netherlands, reacted to the growth in labour demand by signing bilateral agreements with Southern European and Mediterranean countries, which allowed the organized recruitment of Italian, Spanish, Portuguese, Greek, and later Turkish, Maghrebian and Yugoslavian workers. As a rule, the idea was to allow foreign workers entry on a temporary basis, and often on a rotational principle, without any obligations concerning their settlement or integration policies aimed at social inclusion. Guest workers' jobs were largely of the unskilled and low-skilled varieties within the manufacturing and construction sectors, with unpleasant working conditions – essentially the type of employment which the native-born refused to accept. One might infer from this that immigrants who arrived to fill these jobs were not necessarily positively selected with respect to human capital characteristics, notably education.

Foreign labour recruitment and uncontrolled inflow from former colonial regions reached its zenith in the early 1970s. By 1973, following the oil price crisis, a sharp decrease in the demand for labour and the beginning of economic restructuring – particularly the expansion of the service sector – such recruitment had stopped in the majority of European countries.

The end of foreign labour recruitment and new barriers for foreign workers minimised transnational fluctuations and there was a growing tendency toward permanent settlement among once 'temporary' workers. Moreover, while young male immigrants dominated the initial influx, their families followed later. Reacting to structural unemployment, former recruiting countries started setting restrictions on the permanent entry of foreign workers. Thus family immigration became one of the few avenues of entering Western European countries and one of the most important channels for permanent immigration into Europe.

Recently temporary labour migration appears to be making a comeback and is found in two forms. Firstly, despite relatively high unemployment in some European countries, there still exists a demand for unskilled, seasonal and temporary labour, which attracts immigrants predominantly to Southern European countries – but also to Western Europe. These, often undocumented immigrants, are commonly employed as temporary workers in agriculture, construction, manufacturing and the service sector. Italy and Spain in particular, both being on Europe's southern border, might well have attracted higher proportions of illegal workers than other countries (Stalker, 2002). However, since illegal immigrants avoid being registered, any estimates of their total number are speculative.[26]

Secondly, in the 1990s it was the immigration of highly skilled, managerial workers and entrepreneurs that was and still is of growing importance. *The migration of elites*, as it has been named by Münz (1997), includes migration of managers and technicians of international firms, representatives of international organisations, scientists, diplomats,

[26] One of the best indicators for the number of illegal immigrants comes from regularisations when a country declares an amnesty for certain categories of illegal migrants.

journalists, sportsmen and artists. As a rule these arrive from other developed countries and are usually recruited by companies before they move, and thus make a move or successive moves from one country to another within the structure of a single transnational company or international organisation. They are often highly qualified specialists, and are almost never objects of hostility from the local population – although they certainly compete with the natives for high-status jobs and are often reluctant to assimilate into host societies. Another recent trend in Europe is the immigration of highly qualified specialists from Asian and Eastern European countries to fill the lack of specialists in hospitals, the biotech industry, and information technologies (Mahroum, 2001; Werner, 2001; Robinson and Carey, 2000).

3.1.4. INFLUX OF REFUGEES AND ASYLUM SEEKERS

The influx of refugees and asylum seekers is a major element of recent migration, which to a certain extent reflects the increased insecurity in many parts of the world. To some degree it is also an attempt on the part of economic migrants to exploit legislative provisions for asylum within countries which would otherwise be reluctant to accept new immigrants, and these countries have thus been tightening immigrant control policies (Jordan and Düvell, 2002). This inflow substantially intensified, beginning in the 1980s and reached a post-war peak in the early 1990s.[27] After that the number of asylum seekers fell significantly. The main reason for the decrease in the number of asylum seekers can be tied to EU countries' more restrictive asylum policies, including more stringent visa requirements and greater efficiency in the processing of asylum claims.

This type of immigration already existed in Western European countries from the cold war period onwards when political refugees, especially those fleeing from the communist regimes of Eastern Europe, found sympathy and welcome in the West. Thus about 200,000 Hungarians left their homeland in 1954; similar numbers of Czechs and Slovaks flew to the West after the events of 1968–69; and large numbers of Poles fled in 1980–1981. However, after the fall of the iron curtain in the early 1990s, the numbers of asylum seekers from Central and Eastern Europe rose dramatically. Very often they were not recognised in the West as political refugees in the strict sense of the Hague Convention, but were allowed to stay. This was the case with victims of the wars in Bosnia and Herzegovina, Croatia, Vojevodina and Kosovo. Confronted with the growing numbers of asylum seekers and the increase in so-called economic refugees, the majority of European countries tightened asylum laws, which allowed the numbers of asylum seekers to stabilise. Moreover, for the most part countries in Central and Eastern Europe are now regarded as safe, so the number of asylum seekers from this region is indeed minimal. The main source regions in the late 1990s were Turkey, former Yugoslavia, Iran, Iraq,

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[27] The annual asylum seeker inflows in Western Europe increased from 116 000 in 1981 to 695 000 in 1992 (SOPEMI, 1995). Between 1980 and 1995 about 5 million applications for refugee status were submitted in Western Europe (UNHCR, 1995).

Afghanistan, Somalia and Sri-Lanka – all of them suffering conflict likely to create a population in need of protection (Salt and Clarke, 2000).

Asylum seekers are a category of immigrants with very limited rights, both legal and social (Bloch, 2002; Castles and Davidson, 2000). During the period while their asylum claims are processed, they are generally housed in isolated camps; in some countries they are not permitted to work and even where they are allowed to work, the opportunities are very limited (for more on sources of income and work eligibility legislation see Table A.1 in the Appendix). At the conclusion of legal proceedings, which sometimes last for several years, many applicants are refused. However, due to considerable legal and practical obstacles they are not deported home, but remain in the countries where they have been refused asylum illegally or with insecure status.[28] Recognised refugees, on the contrary, enjoy the most favourable alien status with full economic and social rights[29] and are one of the few groups enjoying integration measures in all EU countries, including language and professional courses, financial support and assistance in finding employment.

Illegality, asylum seeking and labour migration are interconnected phenomena during times of strict border control and tough immigration laws. Some immigrants enter Europe in order to get jobs, even illegally, and after being caught claim asylum since it is the sole means of remaining in wealthy European countries. Once their claims are rejected some join the ranks of illegal immigrants, since for them even illegal and precarious work in Europe is better than returning to home countries torn apart by wars, economic collapse and ecological catastrophes.

3.1.5. EU COUNTRIES AND THE MAIN MIGRATION STREAMS IN THE SECOND HALF OF THE 20TH CENTURY

Table 3.1 maps European Union countries with respect to the main groups of immigrants discussed above. It is evident that several European countries, namely Belgium, France, the Netherlands and the United Kingdom, have experienced immigrant flows from their former colonies and have become attractive destinations for asylum seekers and refugees. Belgium, France and the Netherlands, in addition to the intake of former colonial subjects, had initiated guest worker recruitment programs. Austria, Germany, Denmark, Luxembourg and Sweden, experiencing the demand for labour in the 1950–1960s, resorted to labour recruitment. Finally the countries which before 1973 were considered purely emigration countries – and indeed supplied labour for more-developed Western and Northern neighbours – by the late 1990s had become countries of net immigration. Immigrants to Southern European countries, Spain, Italy, and Greece, often arrive illegally (Stalker, 2000, 2002) with work aspirations and short-term goals. It is important

[28] Some of them try to submit asylum applications in other countries after refusal.

[29] Refugees recognised under the Geneva Convention are entitled to work legally, claim welfare benefits, have access to education and are entitled to immediate family reunion with spouses and children.

Table 3.1. Countries of the European Union and the main groups of immigrants in the second half of the 20th century

EU countries	Immigration from former colonies	Guest worker immigration	New immigration countries	Proportion of asylum seekers out of the total of third-country immigrants (average for 1991–1997)
Austria		√		16.9
Belgium	√	√		**64.1**
Germany		√		30.9
Denmark		√		**52.9**
Spain	√		√	**68.4**
Finland			√	19.9
France	√	√		44.7
Greece			√	19.1
Ireland			√	14.5
Italy			√	9.2
Luxembourg		√		14.5
Netherlands	√	√		**56.5**
Portugal	√			15.9
Sweden		√		**77.7**
UK	√			35.8

Source: The figures in the last column are calculated based on the numbers published by Eurostat (2000).

to note that a large proportion of immigrants in Spain and Portugal arrive from their former colonies and are fluent in Spanish and Portuguese respectively.

The last column of Table 3.1 shows the proportion (averaged over 1992–1997) of asylum-seekers out of the total number of resident third-country immigrants, i.e. immigrants arriving from outside the EU-15 or other industrialised countries (for the exact definition of third-country immigrants see Section 3.2.2). It is evident that the proportion of asylum seekers varies between 9 per cent (in Italy) to about 78 per cent (in Sweden). Countries in which at least half of the third-country immigrant population are asylum seekers by the last decade of the 20th century are Belgium, Denmark, the Netherlands and Sweden. Spain also ranks among countries with a high percentage of asylum seekers according to these calculations, but the reliability of the information is particularly questionable in the case of Spain.[30] Indeed, the figures should be treated with caution since Eurostat (the statistical office of the European Union) (2000), which published them, admits that

[30] Existing Spanish research suggests that rather than asylum seekers, it is labour-driven migration that dominates entry into Spain (De Prada et al., 2000; Cachón, 1999; Reyneri, 2001; Aparicio and Tornos, 2003). In fact it might be that immigrant labourers, especially those who are illegal, claim asylum once legality of their presence in Spain is questioned.

definitions, data availability and comparability of the figures referring to asylum seekers and refugees are problematic. Even though exact figures of asylum seekers may not be absolutely reliable, the general trends in the numbers presented here seem to correspond to other publications (SOPEMI, 2000, 2001).

3.1.6. SUMMARY

One common feature of the migratory movement in the period until 1973 is the predominance of economic motivation on the part of immigrants, employers and governments (Castles and Miller, 1998). Despite the fact that economic motives are largely behind immigration decisions and similarly the timing of immigration, substantial differences exist between the social positioning of immigrants from former colonies and guest workers – the two main types of immigrants in this period. First of all, as a rule, immigrants from former colonies were recognised citizens of the former colonial powers, which guaranteed them certain civil and political rights. In addition they had some preferential entitlement to enter the country and to live there, being treated as permanent immigrants. Guest workers, on the other hand, were non-citizens with significantly restricted rights and their stay was perceived by the host country population and by immigrants themselves (at least at the beginning of the recruitment phase) as temporary. Moreover, as a rule they were selected for vacancies in unskilled and low-skilled jobs, which the native-born population had abandoned. In their economic situation colonial immigrants and guest workers, however, share a number of similarities and above all the trend towards marginalisation, which in effect led to the emergence of distinct ethnic minorities.

After the mid-1970s immigrants from outside the European Union could legally settle in its member countries only on the basis of family reunification or as recognised refugees. That is, humanitarian grounds have become dominant in the acceptance of newcomers, who nevertheless might also have economic motives. The main concern in the EU countries with regard to immigration is to restrict the entry of immigrants from the developing world whose socio-economic and/or political integration they consider problematic. Migratory movement of EU citizens between different member states and the inflow of temporary skilled workers from outside the European Union are other peculiarities of recent immigration. Indeed, the immigrant workforce has become increasingly bipolar, with clustering at the upper and lower ends of the labour market (Castles and Davidson, 2000). In addition, illegal immigration continues to grow, especially in southern European Union countries, which have recently started experiencing substantial immigration pressure.

3.2. Immigrants in the European Union

3.2.1. PROBLEMS OF TYPOLOGY OF IMMIGRANTS IN THE EUROPEAN UNION COUNTRIES

Unlike the classic immigrant societies (the USA, Canada, Australia), where immigrant versus native-born is a common dichotomy, in European Union countries this distinction

is more complicated (Tapinos and Delaunay, 2000). In the official comparative statistics of Eurostat the division is made between nationals or citizens and those without the nationality or citizenship of the host country. In various countries terms for referring to non-nationals/ethnic minorities differ: the UK and the Netherlands prefer the term 'ethnic minorities', while in Germany one is more likely to come across the word 'foreigner'. 'Immigrants' is a widely used term in France, Sweden and Southern European countries (Rea et al., 1999). This diversity in terminology is to a certain degree a reflection of the variety in immigration histories and policies, integration rationales and the general consensus on the issue of immigration in each particular country. In the end, this makes any comparison complicated, especially a comparison between the 15 EU countries.

In classical immigrant countries the 'immigrant–native-born' dichotomy is normally applied and is justified by the fact that children of immigrants born on the territory of the host country are automatically granted the country's citizenship, i.e. the principle of *jus soli* is at work. In many European countries, however, the principle of *jus sanguinis* is more common – that is, on the one hand, foreigners born on the territory of the host country do not automatically acquire its nationality; whereas, on the other hand, those who can formally prove host country descent are immediately granted citizenship (for more on *jus soli* and *jus sanguinis* see UN, 1998). Recently some European countries, e.g. Belgium, Ireland, the Netherlands, Portugal and the United Kingdom, have eased citizenship acquisition procedures for those born within the country's territory. In other words, they have moved their citizenship acquisition procedures closer to a *jus soli* criterion.

Alongside differences in the automatic acquisition of host country nationality upon birth, EU countries vary in naturalisation criteria and rates. Naturalisation procedures range from extremely liberal (e.g. Sweden and the Netherlands) to highly protectionist (e.g. Germany), as each country sets different requirements: namely, age, residence, knowledge of language, integration into the community, renunciation of former nationality. Other requirements might include good character and conduct (see Table A.2 in the Appendix). Rates of naturalisation are affected not only by legal conditions of eligibility but also by functional, financial and emotional considerations. Indeed, as is evident from Table A.2 in the Appendix, some countries with relatively moderate naturalisation requirements show naturalisation rates that are lower than in countries with tighter citizenship criteria.

It is difficult to choose between classification systems based upon nationality and those based upon country of birth.[31] No single approach can perfectly describe the variety

[31] The other alternative might be to base the classification on ethnicity (which is commonly done in the UK); but in very few countries is ethnicity questioned – certainly not in the EULFS, the database used for the principle analysis in this book.

of the immigrant, non-national and ethnic minority groups in Europe. Distinguishing newcomers according to the country of birth automatically excludes the so-called second generation, since rarely do any of the national-scale data contain information on the parents' country of birth or ethnic origin. Basing the classification on nationality ignores naturalised immigrants, which is problematic since European countries differ substantially in the number of naturalised immigrants and in the way nationality of the host country is acquired. Meaningful analysis of the second generation is, however, still impossible even when basing the classification upon the nationality principle. The main reason is that when they receive nationality from the host country, second-generation immigrants 'disappear' from official statistical data; and analysing second-generation non-naturalised individuals only introduces a substantial bias. In weighing the pluses and minuses of the two approaches, the country of birth criterion seems to be the more suitable and has been chosen here for analysing the labour markets for immigrant populations in general and also within selected European countries. Wherever possible, and particularly in the descriptive analyses, an attempt has been made to apply both classifications in order to provide deeper insight into the issue.

3.2.2. TYPES OF IMMIGRANTS IN THE EUROPEAN UNION COUNTRIES

Comparing wide groups of immigrant populations is essential for a large-scale analysis of 15 EU countries, not least due to data considerations (see Section 6.2.1). Two broad categories of immigrants in the European Union can be distinguished: those who arrive from other EU countries and those from the rest of the world. Distinguishing EU immigrants as a separate group is indeed meaningful since EU-15 citizens enjoy freedom of movement in the Union and are in principle legally equal to nationals on the national labour markets and with respect to social rights (Kiehl and Werner, 1999). In this book the first group is extended to migrants coming from other countries of Western Europe (e.g. Switzerland, Norway) as well as those from the other industrialised countries, including the USA, Canada, Australia, New Zealand and Japan.[32] Though citizens of these countries officially require residence permits when settling in the European Union, their arrival is as a rule due to already acquired occupational or educational positions.[33] Werner (1996) summarises four types of migration within European Union countries, including (1) the movement of highly qualified manpower (specialists, managers, technicians) as a result of the internationalisation and globalisation of companies and the global restructuring process (see also Cheng and Yang, 1998); (2) near-border migration or commuting between the country of residence and the country of employment; (3) temporary exchanges in education, on-the-job training, study or business courses; (4) contracted workers (mainly in construction).[34] The problem here is that significant numbers of guest workers who arrived during the 1950s–60s from Southern European countries that only later received

[32] This group will sometimes be called EU immigrants for simplicity.
[33] This may not be true for family members of those arriving with settled job offers.
[34] Nationals from other industrialised countries seem to follow similar patterns, particularly under rubrics 1 and 3.

freedom of movement within the EU (1968 for Italy, 1987 for Greece, 1993 for Spain and Portugal), are formally included in the same group with other EU nationals. These people might be more socio-demographically comparable to non-EU nationals of the guest-worker immigrant wave (Yugoslavs or Turks, for example).[35]

The second group of immigrants, so-called third-country immigrants,[36] consists of foreigners who arrived in Europe as labour migrants before the economic recession of the 1970s, as well as asylum seekers, refugees, seasonal workers and illegal immigrants from countries other than the EU and those listed above. Often they are accompanied or followed by family members, thus increasing the number of guests who are seen as undesirable by some segments of the native population. Many of them, after residing more than 5–10 years in the EU, receive host country citizenship or at least permanent resident status – which in many cases is a substitute for citizenship in the absence of a quick and easy procedure of naturalisation. The status of permanent resident allows a foreigner to work without special permission and to compete for jobs on terms of formal equality with citizens (with the exception of jobs in the public sector in some countries). Unemployed permanent residents are in no danger of being deported; and they qualify for unemployment and the other social benefits for which citizens are eligible (Søresen, 1996; Brubaker, 1989).

Among immigrants in the EU countries a certain proportion are naturalised. This proportion corresponds to several factors, among them the difficulty in obtaining host country citizenship, and the granting of citizenship to former colonial subjects. Figure 3.1 plots the proportion of immigrants from EU and other western countries (left bar), and third countries (right bar) aged 18–64 in 15 EU countries in the years 1995–2000. The darker portion of a bar shows those immigrants who obtained nationality in their host country. Information for Italy is taken from the OECD Statistical Compendium database for the year 1995, and pertains to all foreign individuals. In Germany the data plotted refer to information based on nationality, since Germany did not collect data on immigrants' country of birth.

From Figure 3.1 it emerges that immigration from outside the European Union dominates the entry to the majority of member states. Ireland and Luxembourg are rare exceptions: indeed, in these two countries immigrants from EU or other western countries are substantially over-represented. By way of contrast, in Austria, France, Germany, the Netherlands, Portugal, Sweden and the UK, third-country immigrants make up the bulk of the foreign-born population. In Belgium, Denmark, Finland and Spain the proportions of EU and third-country immigrants are approximately equal.

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[35] A similar situation will in fact happen once Eastern European countries enter the European Union and enjoy free movement within the borders of the enlarged Community.

[36] This term, borrowed from Morris (1997), is applied to immigrants who are neither nationals nor citizens of the EU or other industrialised nations.

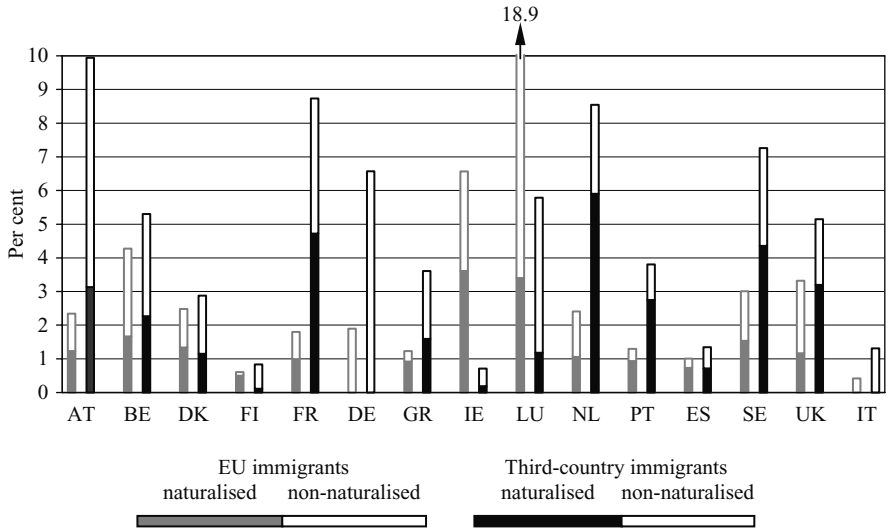

Figure 3.1. Proportion of immigrants, aged 18–64, in the EU countries and their citizenship status

Notes: Figures for Sweden refer to the period 1997–2000. Figures for Italy and Germany pertain to the foreign population (second-generation non-naturalised immigrants are included). The figure for Italy is taken from the OECD database, refers to 1995 and covers all foreign groups.

Abbreviations (here and further on): ES – Spain; FI – Finland; IE – Ireland; FR – France; IT – Italy; SE – Sweden; GR – Greece; UK – the United Kingdom; BE – Belgium; DK – Denmark; PT – Portugal; NL – Netherlands; AT – Austria; LU – Luxembourg; DE – Germany.

Source: EULFS 1995–2000, OECD Statistical Compendium.

The proportion of immigrants holding the nationality of their host country also varies among the member states, roughly corresponding to the hierarchy of countries with respect to naturalisation rates (see Table A.2 in the Appendix). In addition, the proportion of those naturalised among EU and other western countries' immigrants and the proportion of third-country immigrants with citizenship of the host country also vary. In Finland, Greece, Portugal and Spain almost all immigrants coming from western countries hold the nationality of their host country,[37] while in Luxembourg and the UK less than half of western immigrants are naturalised. Among immigrants from third countries the proportion of those naturalised is higher in the UK, Sweden, the Netherlands, France, Portugal and Spain, and lower in Austria, Finland, Ireland and Luxembourg.

Naturalisation requires a certain duration of residence in the host country and since some countries started experiencing a significant inflow of immigrants only recently

[37] These might be children of recruited workers, who had emigrated to wealthier western and northern neighbours in the 1950s–60s, returning to the home countries of their parents.

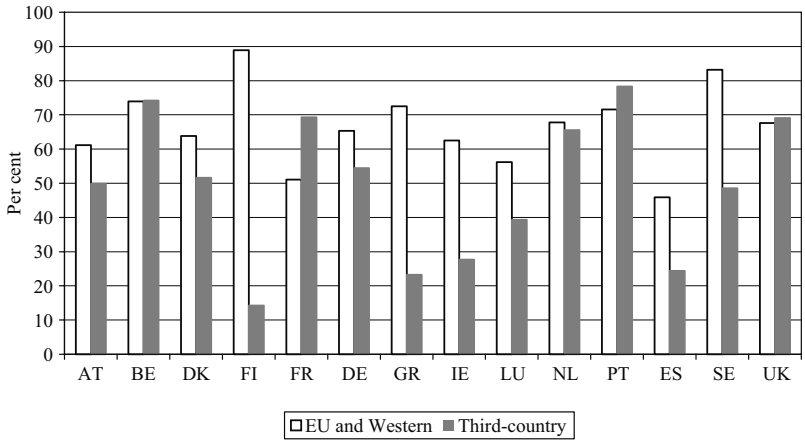

Figure 3.2. Proportion of immigrants, aged 18–64, residing in the host country for more than 10 years

Note: Because of the reliability problem immigration-related data on Italy is excluded.
Source: EULFS 1999–2000.

this might have an effect on the overall naturalisation rates. Figure 3.2 plots the proportion of immigrants residing in host countries longer than 10 years. Since the data are from 1999–2000 the graph plots proportions of immigrants who arrived in European countries before 1989. As expected, the proportion of third-country immigrants with duration of residence in the host country longer than 10 years is lower in the new immigration countries – Finland, Ireland, Greece and Spain – while about 70% of all immigrants in Belgium, France, the Netherlands, Portugal and the UK had resided longer than 10 years in their host societies by the year 1999–2000. In the remaining countries, namely Austria, Denmark, Germany, Luxembourg, and Sweden, about half of their immigrants arrived in the last decade of the 20th century. Less substantial variation is observed in the proportion of long-time immigrant residents from EU and other western industrialised countries. However, in all EU countries except Spain more than a half of the immigrants from 'privileged' countries of origin have been resident for longer than 10 years.

Citizenship status and length of stay are important but not the only predictors of immigrants' individual success. National differences in the proportion of naturalised and more recent immigrants might, however, have implications for the variation in labour market outcomes for immigrants, particularly third-country immigrants as a group. It might be expected that in countries where mass immigration is a more recent phenomenon, newcomers' educational or other productivity-related characteristics might be harder for employers to interpret, potentially reinforcing statistical or error discrimination.

3.2.3. COMPOSITION OF IMMIGRANTS IN THE EUROPEAN UNION COUNTRIES

Although a broad classification is necessary for the large-scale comparison which is undertaken in this book, it should be noted that neither of the groups analysed in the study is homogeneous. Both EU and third-country immigrants may differ from one another and from the national population in terms of nationality, country of birth, cultural background, education, duration of residence in the host country and other characteristics.

Out of 18 million foreigners legally residing within the European Union in 1996, 67 per cent were Europeans and 33 per cent of these European immigrants came from other Member States (Salt and Clarke, 2000; Angenendt, 1999). Among other immigrants 17 per cent came from Africa, 11 per cent from Asia and five per cent from Northern and Southern America. Beginning in the mid 1980s immigration inflow became more diverse as more and more new sending countries became visible players on the migration market (Angenendt, 1999). A large group of immigrants from the African continent and mostly from North and West Africa have settled in France, Portugal, Italy, the Netherlands, Belgium and Spain. Asian immigrants are increasingly found in Great Britain, Denmark and Portugal. Immigrants from the Americas are largely found in the UK, Portugal, Ireland and Spain.

A closer inspection of the most prominent sending areas in each of the EU countries (see Table 3.2) reveals that Luxembourg's foreign population consists almost entirely of EU citizens, and these come mainly from neighbouring EU countries. Immigrants in Ireland mostly hail from Great Britain, the USA and Canada, with only a minor proportion from elsewhere. Finland, where immigration started relatively recently, counts the former Soviet Union, particularly Estonia and Russia, as its main source.

The composition of immigrants in other EU countries is more heterogeneous. In Austria the majority of immigrants have come from the neighbouring Eastern European countries and Turkey, with ex-Yugoslavs being the most prominent. Although Belgium's immigrant population is dominated by those from other EU countries, the number of people from Morocco and Turkey (the two main guest worker sources outside the EU) are also significant. Immigrants from former guest worker recruitment countries – Turkey, Italy, Greece and the former Yugoslavia – are also abundant in Germany. Eastern Europeans, on the other hand, have dominated Germany's inflow in more recent years. In the Netherlands foreigners from former recruitment countries, particularly Turkey, ex-Yugoslavia and Maghreb, make up more than half of all immigrants. In addition a significant number of Surinamese and Indonesians have arrived with Dutch passports.

In France the majority of immigrants have come from North African countries: Algeria, Morocco and Tunisia. The Portuguese are France's most numerous group of resident EU nationals. Northern Africans also constitute a major immigrant group in Italy; however

Table 3.2. Composition of immigrants in countries of the European Union

EU countries	Most prominent sending areas (Per cent)
Austria	Former Yugoslavia (35.61%), Eastern European countries, including the former USSR (19.60%), Turkey (16.85%), EU without Southern Europe (16.67%)
Belgium	EU (45.45%), Morocco (17.19%), Turkey (10.30%), other Africa (7.07%)
Germany	Turkey (39.6%), Easter European countries (15.28%), EU (21.89%), former Yugoslavia (8.73%)
Denmark	EU without Southern Europe (30.20%), other Western countries (17.61%), Eastern and Southern Asia (15.51%), North Africa and Middle East (8.46%)
Spain	EU without Southern Europe (38.16%), Latin America (24.15%), Morocco (18%)
Finland	EU without Southern Europe (40.35%), Eastern Europe (34.01%)
France	North Africa and the Middle East (39.13%), Morocco (17.1%), EU (15.3%), other Africa (7.54%)
Greece	Eastern Europe, (59.17%), EU without Southern Europe (15.13%), other Western countries (10.10%), North Africa and the Middle East (5.85%)
Ireland	EU without Southern Europe, notably UK (81.98%), other Western (9.32%)
Italy	North Africa, Eastern Europe
Luxembourg	EU (75.34%), Eastern Europe (4.19%), Africa (6.00%)
Netherlands	EU without Southern Europe (19.20%), Southern, Central America and Caribbean (18.21%), Eastern and Southern Asia (17.96%), Turkey (14.13%), Morocco (11.12%)
Portugal	Africa without Maghreb (54.72%), EU without Southern Europe (25.63%), Southern and Central America (10.96%)
Sweden	EU without Southern Europe (29.44%), Eastern Europe (23.57%), Former Yugoslavia (12.27%), Eastern and Southern Asia (9.57%)
UK	EU and other Western (41.38%), Eastern and Southern Asia (30.88%), Africa (18.35%)

Source: EULFS 1995–2000.

Italy stands out for the sheer diversity of its immigrants' origins. Most prominent of these are ex-Yugoslavia, Albania and the rest of Eastern Europe, China, the Philippines and Sri Lanka (Sciortino, 2003). In Spain Moroccans constitute the single largest foreign group; a substantial number of immigrants arrived also from Spanish-speaking South America, and from other EU countries. In Portugal, immigrants from the former colonies (e.g., Angola, Mozambique) and from Portuguese-speaking South American countries made up the primary foreign group. Great Britain has also experienced significant immigration from its former colonies in recent decades; however, the largest single national group are the Irish, constituting about 22 per cent of the foreign population; immigration from the USA, Canada, Australia and South Africa is also considerable in that country. Sweden is characterised by a high proportion of Northern European immigrants, particularly Finns. Eastern Europeans have dominated Sweden's inflow in recent decades; a relatively high proportion of foreigners from the crisis regions of Iraq, Iran and Chile is also observed. In Denmark the largest single immigrant group are the Turkish, followed by Eastern Europeans and Asians – particularly Pakistanis, Sri Lankans and

Vietnamese. In Greece Eastern Europeans dominate the statistics; Russians and Albanians are the two largest immigrant groups.

3.2.4. SUMMARY

A serious challenge for any large-scale study of immigrants' labour market integration in the EU is to classify immigrants in such a way that they can be compared across 15 European Union countries: countries which differ in immigration histories and contexts. Settling upon a population-group for the purpose of analysis is certainly a difficulty in itself. However, after weighing the pros and cons of various options, the decision has been made here to focus upon the first-generation immigrants – people born outside their host countries – and to distinguish between two broad groups within the immigrant population: those coming from EU Member States or other western industrialised countries, and third-country immigrants. While the former group enjoys practically the same social and economic rights as the native-born populations and are much less of a concern to policy-makers and native-born populations, problems encountered by the latter group in the labour market are well documented. Before turning to the assessment of immigrants' selectivity with respect to human capital resources (important prerequisites of immigrants' success in host-country labour markets), this section offers some descriptive information about the immigrant population, the percentage of naturalised immigrants, and the proportion who have resided in host countries longer than 10 years. The composition of immigrants is also presented and discussed.

It is evident that immigrants constitute a larger proportion of the population in countries with a longer tradition of immigration. In these countries a substantial number of immigrants, and particularly third-country immigrants, arrived more than a decade ago. The composition of the immigrant population partially reflects historical forces in the sense that former colonial powers experienced substantial migration from former colonies. Similarly, inflow to countries that previously solicited guest labour stemmed largely from countries with which they had held bilateral agreements. Finally, neighbouring countries made contributions, particularly to latecomer immigrant countries. It is to be noted, however, that although the host countries continue to receive the bulk of their immigrants from traditional sources, the number of additional sources has substantially increased in recent years.

3.3. Selectivity of Immigration Policies and Socio-demographic Characteristics of Immigrants in the European Union

Unlike Canada or Australia (Borowski and Nash, 1994; Bloom and Gunderson, 1990; Birrell and Birrell, 1987) formal selection of immigrants for their skills, qualifications or other socio-demographic characteristics was until very recently not an objective of immigration policies in any EU countries. Moreover, one can even speak about negative selection with respect to skills and qualifications among those immigrants who arrived in the 1950–60s in the framework of labour recruitment programs. Later immigrants

might also be affected, as interdependence exists between the composition of family-class immigrants arriving at any one time and the characteristics of previous groups of immigrants (Reitz, 1998). So it would not be surprising if chain migrants who arrived in countries with large communities of guest-worker immigrants might also be negatively selected. As suggested by Chiswick (2000), refugees and tied movers, who dominate the contemporary immigrant inflow from third countries nowadays, would also not be selected favourably for labour market success.

Only very recently is a shift towards selection of immigrants for their skills and qualifications noticeable in some European countries. Thus, for example, in 2001 Germany started a so-called 'green card' initiative allowing foreign specialists in information technologies (IT) to come and work in the country for a certain length of time (Werner, 2001; Stalker, 2002). Similarly, from the beginning of 2002 a 'highly skilled migrant programme' has been introduced in the UK. This uses a point scheme based on educational attainment and salary to admit foreign professionals without a pre-arranged job offer (Stalker, 2002). Even though some European countries, as in Canadia and Australia, strive to attract the 'best and the brightest', this development is far too recent to be captured in the data used for the study presented in this book.

Before giving details on immigrants' selection with respect to educational qualifications, some demographic characteristics of immigrants residing in EU countries are discussed below. These are gender, age (often taken as a proxy for work experience), and marital status, which, according to numerous studies, influences the speed of immigrant integration in the host society (e.g. Chiswick and Miller, 1996; Poston, 1994).

3.3.1. SELECTED DEMOGRAPHIC CHARACTERISTICS

No longer is immigration male-dominated as it was in the 1950–60s, before recruited workers, largely men, were joined by their family members. On the contrary, in the late 1990s the majority of countries' immigrants, particularly those from EU and other western countries, are women (see Figure 3.3).[38] Only in Belgium, France, Germany and Ireland are men still the majority among settled third-country immigrants.

A larger proportion of third-country immigrants are married than is the case among the native-born population in the host countries (between which substantial variation in the proportion who are legally married is noticeable, see Figure 3.4).[39] Only in Ireland and Portugal do we find a lower proportion of third-country immigrants who are married than the native-born. However, in several EU countries immigrants from other member states

[38] Exceptions are Finland and Germany.

[39] Particularly low proportions of those legally married are found in Nordic countries (Denmark, Finland and Sweden); while Southern European (Greece, Portugal and Spain) as well as Germany, Austria and Belgium are noticeable for the higher proportion of legally married people.

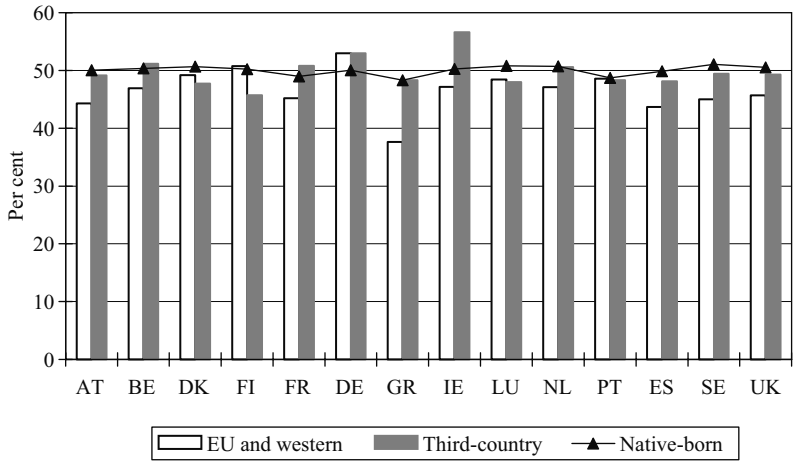

Figure 3.3. Percentage of men aged 18–64 in EU countries
Note: Because of the reliability problem immigration-related data on Italy is excluded.
Source: EULFS 1995–2000.

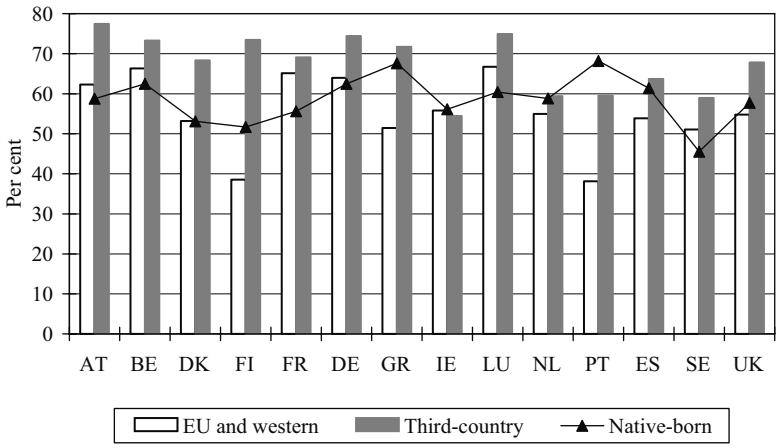

Figure 3.4. Proportion of legally married persons aged 18–64 in EU countries
Note: Because of the reliability problem immigration-related data on Italy is excluded.
Source: EULFS 1995–2000.

or other western industrialised countries arrive unmarried. This is the case in Finland, Greece, the Netherlands, Portugal, Spain and the UK.

Age distribution among the native population does not vary much among the EU countries, with young people (aged 18–24) comprising about 14 per cent; prime-age people (25–54)

Table 3.3a. Deviation of the ages of immigrants from EU or other western industrialised countries from the age distribution of the native-born

	AT	BE	DK	FI	FR	DE	GR	IE	LU	NL	PT	ES	SE	UK
18–24	↓	↓	↓	↑	↓	≈	↑	↓	↓	↓	↑	↑	↓	↓
25–54	↑	↑	↑	≈	↑	↑	↑	↑	↑	↑	↓	↑	↑	≈
55–64	↑	≈	≈	↓	↑	↓	↓	↓	↓	↓	↓	↓	↑	↓

Table 3.3b. Deviation of the ages of third-country immigrants from the age distribution of the native-born

	AT	BE	DK	FI	FR	DE	GR	IE	LU	NL	PT	ES	SE	UK
18–24	↓	↓	↑	≈	↓	↑	↑	≈	≈	↓	≈	↓	↓	↓
25–54	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑
55–64	↓	↓	↓	↓	↑	↓	↓	↓	↓	↓	↓	↓	↓	↓

Note: Because of the reliability problem immigration-related data on Italy is excluded.
↑ means significantly higher proportion; ↓ means significantly lower proportion; ≈ means no significant difference.
Source: EULFS 1995–2000.

encompassing about 68 per cent; and the rest being slightly less than 18 per cent.[40] There is, however, some variation in the age distribution of immigrants, and particularly immigrants coming from EU member states or other western industrialised countries (see Tables 3.3a and 3.3b).

Finland, Greece, Spain and Portugal (in particular) host larger numbers of younger people from other EU and western countries; while Denmark, Germany and Greece have experienced a large inflow of youth from third countries. France and Sweden are unusual in that they have become the home for a larger proportion of older immigrants from EU countries; while France's higher percentage of older immigrants from third countries is also noteworthy.

A striking finding is, however, that the proportion of prime-aged (25–54-years-old) third-country immigrants in all EU countries is higher than the proportion of the prime-aged native-born. A similar picture is evident with EU immigrants or other westerners in all EU countries – exceptions being Portugal with a lower percentage of immigrants aged 25–54, and Finland and the UK with a proportion of prime-aged immigrants analogous to that of the native-born. The fact that the bulk of the immigrant inflow, especially from third countries, is composed of prime-aged persons might indicate labour market aspirations of

[40] There is a slight variation between countries, for example Germany and Greece have a higher proportion of older people; while Ireland, Portugal and Spain are noticeable for a higher percentage of younger people.

the larger part of immigrants in EU countries (particularly men). On the other hand, the information on age and marital status taken together suggests that among EU immigrants to Finland, Greece, Portugal and Spain, young unmarried people dominate – which might suggest student migration.

3.3.2. EDUCATIONAL CAPITAL OF IMMIGRANTS

Education is by far one of the most important determinants of immigrant success in the labour market. To assess the 'quality' of immigrants entering the European Union, Table 3.4 summarises educational attainment among the national population in the EU countries and that of immigrants, both EU nationals and third-country immigrants. Three levels of education are distinguished: low, which means primary and lower secondary education (ISCED 0–2); medium, encompassing secondary and post-secondary non-tertiary education, including vocational (ISCED 3–4); and, finally, high or tertiary education (ISCED 5–6). (For more on the ISCED-97 classification see Annex A.3.)[41] Although

Table 3.4. Educational attainment of immigrants and the native-born in EU countries (in percentages)

	Low level of education (Primary and lower secondary education)			Medium level of education (Vocational, secondary and post-secondary education)			High level of education (Tertiary education)		
	Native-born	EU and western	Third-country	Native-born	EU and western	Third-country	Native-born	EU and western	Third-country
Austria	22.5	−9.2	+23.2	64.7	−9.6	−19.6	12.8	+18.8	−3.6
Belgium	38.7	−0.3	+10.6	35.9	−3.1	−8.4	25.4	+3.4	−2.2
Denmark	23.7	−4.4	+8.7	53.8	−4.3	−3.2	22.5	+8.8	−5.5
Finland	26.4	−1.9	+10.3	44.3	+9.0	−14.8	29.3	−7.1	+4.4
France	34.2	−1.8	+17.8	44.5	−7.9	−17.1	21.3	+9.7	−0.7
Germany	17.8	+13.2	+35.4	59.8	−16.0	−24.8	22.5	+2.9	−10.6
Greece	45.5	−27.7	−3.7	39.7	+13.7	+0.8	14.7	+14.0	+2.9
Ireland	39.8	−11.1	−13.1	41.1	−5.1	−7.7	19.1	+16.2	+20.8
Luxembourg	29.9	−11.4	+18.6	54.8	−12.7	−23.4	15.2	+24.1	+4.8
Netherlands	32.5	−1.1	+18.4	45.4	−8.0	−12.5	22.1	+9.1	−5.9
Portugal	76.7	−20.6	−17.0	15.0	+17.7	+10.9	8.3	+2.9	+6.1
Spain	58.2	−21.0	−9.9	20.3	+7.7	+4.3	21.5	+13.3	+5.5
Sweden	22.9	+7.2	+8.7	49.1	−5.4	−6.6	27.9	−1.8	−2.2
UK	17.2	+0.2	+11.5	57.2	−14.8	−22.8	25.6	+14.6	+11.4

Note: Because of the reliability problem immigration-related data on Italy is excluded.
Source: EULFS 2000.

[41] Because of the variety of educational systems and resulting educational qualifications Eurostat admits there are difficulties in providing standardised and comparable data. Precisely because of the comparability problems the most reliable classification of educational qualifications is one that uses broad educational categories, as in this book.

countries do differ in the significance that vocational qualifications play in determining labour market success, unfortunately it is impossible to control for the educational track (either vocational or general) here. This is because education is categorised in the EULFS dataset in rather broad groups to ensure better reliability and comparability of the data.

Differences are immediately evident in the distribution of education among the native-born national populations. Northern European countries (Sweden, Finland and Denmark), the UK, Belgium and Germany lead among countries with the highest proportion of graduates. At the same time, these countries are among those (except Belgium) with the lowest percentage of people holding primary or lower secondary education. On the other hand, Southern European countries (Portugal, Spain and Greece) as well as Ireland still have rather high proportions of people with primary or lower secondary education, and are among those countries with a smaller proportion of people with secondary and post-secondary non-tertiary education.

Variation is also apparent in the selection of immigrants for their educational qualifications. A general trend is noticeable: immigrants from EU or other western countries are, as a rule, under-represented among the lower educated and over-represented compared with the tertiary educated native-born. Only in Finland and Sweden are EU immigrants and other westerners under-represented among tertiary educated, but their proportions are still high taking into account a large number of highly educated native-born. In Portugal, although EU immigrants are more often found among the tertiary educated, their absolute proportion is relatively low compared to the rest of European Union. In Portugal, other Southern European countries and Finland, the percentage of immigrants from EU or other western countries with secondary and post-secondary non-tertiary education is higher than the percentage of the native-born with the same, while in the rest of EU these immigrants tend to possess secondary and post-secondary educational credentials more rarely. Finally in a number of countries, namely Germany, Sweden and the UK, EU immigrants are also over-represented among the lower educated. In part this is related to the substantial inflow of low- and semi-skilled labour from neighbouring Finland (for Sweden), Ireland (for the UK) and Italy, Spain, and Greece (for Germany) during 1950–60s.

Third-country immigrants are over-represented among the lower educated in the majority of EU countries with the exception of Southern Europe and Ireland. This exception can be explained by the low levels of educational expansion in these countries, together with the fact that none of them exercised unskilled or low-skilled labour recruitment policies: the combined effect is that immigrants appear to be better educated than the native-born population. Indeed, in the above-mentioned countries third-country immigrants are also over-represented among the tertiary-educated and, with the exception of Ireland, outnumber the native-born in the proportion of persons with secondary or post-secondary education. Third-country immigrants seem to be over-represented among people with higher education also in Luxembourg, in Finland and the UK (this is despite the fact that the two countries have an outstandingly high proportion of the tertiary

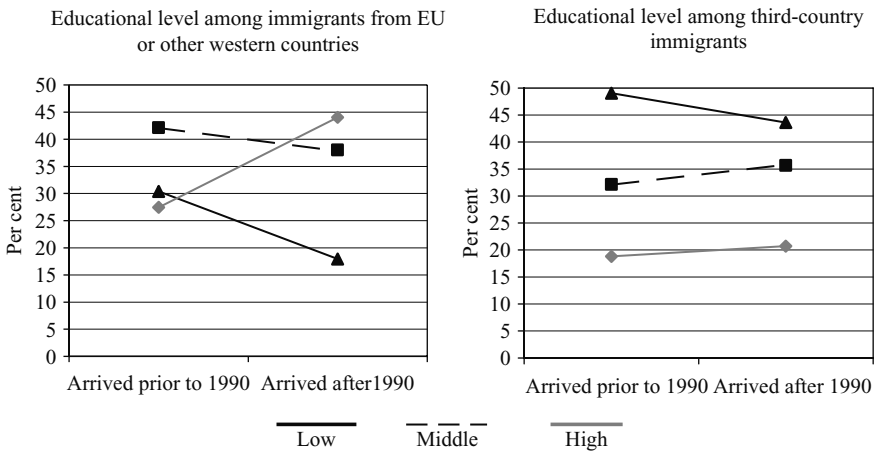

Figure 3.5. Trends in the educational attainment of immigrants by the time of arrival in EU

Note: Because of the reliability problem immigration-related data on Italy are excluded.
Source: EULFS 2000.

educated native-born). Yet, at the same time in these three countries immigrants also feature strongly among the lower educated. Here we see evidence of polarisation in the educational selection of third-country immigrants, with a large percentage of both poorly and highly educated persons.

It is notable also that immigrants who arrived more recently tend to be better educated than their predecessors. Figure 3.5 depicts this trend by plotting the educational level of immigrants from EU or other western countries (to the left) and third countries (to the right) who arrived prior to and after 1990.[42] The increase in the academic level of immigrants coming from EU and other western countries after the 1990s is particularly noticeable and reflects the so-called migration of the elite: highly qualified and educated persons (see Section 3.1.3). A smaller, but still noticeable trend in improvement of third-country immigrants' academic level is apparent. Firstly, the number of poorly educated third-country immigrants decreased. At the same time immigrants who have arrived after 1990 are more likely to possess secondary as well as tertiary education credentials.

3.3.3. ON THE PORTABILITY OF HUMAN CAPITAL

Human capital that immigrants bring from abroad, even that of a superior standard, is not necessarily adequately rewarded in the receiving country, since it might be of little

[42] The figure refers to all EU countries with the exception of Italy: In all EU countries a similar trend is found, varying only in strength.

relevance to the host country's labour market. Another problem is that the suitability of immigrants' human capital might not even be tested because employers discriminate against them for lack of information on the value of educational certificates brought from abroad. Thus, immigrants are often prevented from entering higher-status, better paid jobs. Instead immigrants might find themselves in the secondary labour market where educational qualifications count less, if at all. As a result one observes, on average, lower rates of return to foreign-source human capital (e.g. Friedberg, 2000; Chiswick, 1978; Fishelson et al., 1980).

Some immigrants arrived in the EU after completing education in their countries of origin. Some, however, immigrated at younger ages and have obtained their education fully or partially in host countries. Unfortunately, the available EU labour force survey (LFS) data do not allow the age at migration to be traced so as to control for this important factor. There is no reason to believe, however, that on average immigrants in the EU countries with a longer tradition of immigration, would systematically differ across these countries with respect to the proportion of so-called 1.5 generation immigrants – people born abroad but educated (fully or partially) in the host countries. Countries that only recently became immigrant societies should, however, have a lower proportion of 1.5-generation immigrants old enough to enter the labour market. Hence, on average, immigrants in countries with a longer tradition of migration might have a higher proportion of immigrants holding educational credentials already received in the host-country. That is, if smaller ethnic penalties are found in more established immigrant societies, this could at least partially be attributed to the fact that, on average, immigrants there might have had greater chances of accumulating host-country-specific human capital that is more valuable in the local labour market.

For immigrants with formal education acquired abroad, at least two factors seem to be relevant when assessing the level of their human capital's portability. First of all, host country language acquisition seems to be an important factor in determining immigrants' labour market fortunes in general (Chiswick, 1991; Chiswick and Miller, 1992, 2002; Chiswick et al., 1997; Dustman and Fabbri, 2000; Kossoudji, 1988; Shields and Wheatley Price, 2002), while the rewards (e.g. a wage premium) of speaking the language of the host country fluently rise with education (Kossoudij, 1988; McManus, 1990; Carliner, 2000). When immigrants are exposed to the host-country language in their countries of origin, they might have a better command of that language than immigrants without any similar experience. Research conducted into this situation in the United States has shown that immigrants from countries that have English as an official language, or countries where English is widely taught in schools, perform better in the labour market (Borjas, 1987; Jasso and Rosenzweig, 1990). Similarly, immigrants originating from areas of substantial European colonial influence are likely to be familiar with the culture and institutions of the colonial power and be rather fluent in its language. This might also be the case for a generation of immigrants who grew up in the post-colonial period, as even after de-colonisation, languages of the former colonial superpowers often retain the status of an official language (used in schools and formal settings) or even of a dominant language (the one widely used in informal contexts) (Van Tubergen, 2004). Hence, one can expect

migrants to the former colonial powers to be on average more fluent in the host country language, than would be the case for migrants arriving in other host countries.[43]

Secondly, institutional closeness between the source and destination countries might play a role in the way educational credentials are assessed by potential employers in host countries. Thanks to shared institutions and language it might be expected that in countries with a tradition of substantial migration from former colonies, immigrants might enjoy better appreciation of their human capital. Hence it might be expected that in former colonial powers, compared to other host countries, immigrants might receive better rewards, on average, for their human and academic achievements, particularly when it comes to entering higher-status employment. This should lead to fewer unexplained net immigrant effects when assessing the occupational status of jobs held by immigrants as compared to those of the native-born.

All the points above are mainly concerned with the portability of human capital among third-country immigrants. Human capital of immigrants from industrialised countries should be highly valued in the destination labour market anyway, as origin and destination countries are quite similar in terms of their levels of economic development, industrial and occupational structures and institutional settings (Friedberg, 2000). Moreover, the recognition of educational (particularly tertiary) achievements, has always been much easier for immigrants from western industrialised countries due to the internationalisation of higher education. Since the early 1990s further standardisation[44] and general recognition of educational qualifications for diplomas of higher education, courses of education immediately below the higher-educational level (e.g. *Abitur, Baccalaureate*) and vocational training have been achieved for EU citizens (Kiehl and Werner, 1999).[45] These regulations have enabled applicants from EU countries to formally claim the same rights of access to job vacancies throughout the EU.

3.3.4. SUMMARY

It emerges from the overview of the demographics of immigrants in fourteen of the EU countries that an average third-country immigrant to the European Union can be portrayed as either a man or a woman, married, of prime age. Typifying an immigrant from the

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[43] It is reasonable to assume that immigrants arriving in English-speaking host countries might have on average better command of the host language upon arrival simply because English is generally studied at school in a large number of countries. However, it might also be that when many immigrants arrive with some knowledge of the host country language, speaking that language very well becomes more important for labour market success. Indeed, as Dustman and Fabbri (2000) have shown, the association between language and earnings (as one of the labour market outcomes) is stronger in the UK, USA and Canada and weaker in Germany, Australia and Israel.

[44] Minimum standards have been agreed upon for occupations in the health sector, architecture and other professions (Kiehl and Werner, 1999).

[45] Until then the process of diploma recognition for EU citizens was rather complex (Peixoto, 2001).

EU or other western countries is less straightforward, since there is more cross-national variation in demographic traits. Nevertheless, in the majority of host countries this would probably be a person (with a greater chance that she will be a woman) of prime age and possibly married; while in some countries, particularly Southern European and Finland, the stereotype would be a young, unmarried person. Moreover, migrants arriving from the EU or other western countries, particularly more recent arrivals, will more likely be highly educated. While categorising third-country immigrants in the entire European Union according to demographic characteristics appears feasible, more substantial variation is observed when it comes to the formal education qualifications that third-country immigrants bring with them. In the majority of EU countries, with the exception of Southern Europe and Ireland, third-country immigrants tend to be less well educated than the local population. In Southern European countries, Ireland, Finland, Luxembourg and the UK, a substantial proportion of third-country immigrants are highly educated. A notable trend is the polarisation in a number of host countries of third-country immigrants' educational attainments.

While immigrants from EU countries might expect their educational credentials to be easily recognised in other member states, this is not the case for third-country immigrants. On the contrary, salary increments for qualifications brought from abroad by underprivileged migrants will most probably be lower than for equivalent qualifications among the native-born. However, even in this respect some cross-country variation is to be expected, especially in the case of transferability of educational qualifications, where countries taking in former colonial subjects are more accepting than the newer immigration countries.

CHAPTER 4. IMMIGRANTS AND THE LABOUR MARKET

The climate of a host country's labour market has considerable consequences for immigrants. When in the 1950–60s the majority of western and northern European countries experienced a period of economic expansion, the demand for an additional labour force to fill vacancies in the unskilled and semi-skilled sectors was enormous. Importing temporary migrant workers was a solution that was adopted in several countries, with newcomers being 'integrated' immediately into the labour markets. However, immigrant employment was marked by features typical of the secondary labour market (Piore, 1979), i.e. unpleasant working conditions, unconventional hours, lack of formal protection – which in effect led to immigrants' marginalisation. Later changes in the economic structure, i.e. a shift from manufacturing production to the service economy, and the trend towards casualisation of employment (employment flexibility) have also been reflected in the employment situation of migrants (Castles and Miller, 1998). With globalisation, traditional industries – in which immigrants have been over-represented – have become more vulnerable, endangering immigrant employment once industry encounters a downward trend. At the same time, structural changes have generally augmented the demand for employees with higher competence, making unskilled workers, including those recruited earlier, redundant through efficiency improvements (Portes and Walton, 1981; Castles and Kosack, 1985; Cross, 1987; Castles, 1989). In service-oriented economies the importance of informal competence, and above all language skills and culture-specific proficiency, has markedly increased. Together with the amplified value of formal education and skills, immigrants' chances of finding employment have hardly become more favourable (Bevelander, 2000).

The scenario described above is certainly not uniform even among those countries that resorted to foreign labour recruitment – not to mention the rest of the EU countries, particularly those that became immigrant destinations rather recently. Yet, in accordance with the dual labour market theory and the insider–outsider scenario, two features of host countries' labour markets particularly affect immigrants' employment chances.

The first is the *structure of the host-country labour market* and particularly the demand for unskilled and low-skilled labour, which determines the size of potentially immigrant economic sectors. The second feature is the extent of *host-country labour market flexibility*, which is likely to determine the degree of openness of the host-country labour market towards immigrants. The *general economic climate* is not to be neglected either

since it is well established that the labour market disadvantage of the weaker groups, and above all immigrants, are particularly disadvantaged in finding employment during recessions. During economic upturns the gap between the native-born and immigrants tends to narrow (OECD, 2001; Jones, 1993).

This chapter will firstly sketch the general economic situation in the EU countries in the late 1990s. Then it will discuss a possible effect of the labour market structure and employment flexibility on the level of employers' resources and their constraints when deciding whether to employ immigrant applicants. It will relate this argument to the dual labour market and insider–outsider theories. Finally it will present some descriptive evidence of the selected labour market outcomes of immigrants relative to the native-born in EU countries.

4.1. The Labour Market Situation in EU Countries in the Late 1990s

The OECD (2001) claims that immigrants or foreigners are adversely affected during economic downturns due to their over-representation in the sectors more sensitive to cyclical fluctuations, and in low-status jobs that are more volatile during economic slowdowns. Jones (1993) labels unemployment patterns of ethnic minorities 'hyper-cyclical', suggesting that during recessions unemployment among ethnic minorities rises faster than among the indigenous; while in times of recovery it falls more rapidly (see also Farber, 1993; Abbring et al., 1997). As will be seen further, in the period under discussion, i.e. the second part of the 1990s, the European Union experienced an economic recovery, which suggests that the expected differentials between the performance of immigrants in the labour market and that of the native-born will probably be much more modest than would be the case during a period with less favourable economic conditions – say the early 1990s.

From 1995 onwards a significant improvement is apparent in the labour market of the majority of the member states compared with the recession period of the early 1990s. Figure 4.1 shows the trend of growing employment among the 18- to 64-year-old population in almost all EU countries. Strong employment growth is observed particularly in Spain, Ireland, the Netherlands and Finland.

The expansion occurred in the service or, in other words, tertiary sector[46] in practically all EU countries, as is evident in Figure 4.2. This holds even though the relative significance

[46] The tertiary sector covers the following economic activities, as they are categorised according to NACE (see Annex I in the Appendix): wholesale and retail trade, repair of motor vehicles, motorcycles and personal and household goods (section G in NACE); hotels and restaurants (section H); transport, storage and communication (section I); financial intermediation (section J); real estate, renting and business activities (section K); public administration and defence, compulsory social security (section L); education (section M); health and social work (section N); other community, social and personal service activities (section O); private households with employed persons (section P); extra-territorial organisations and bodies (section Q).

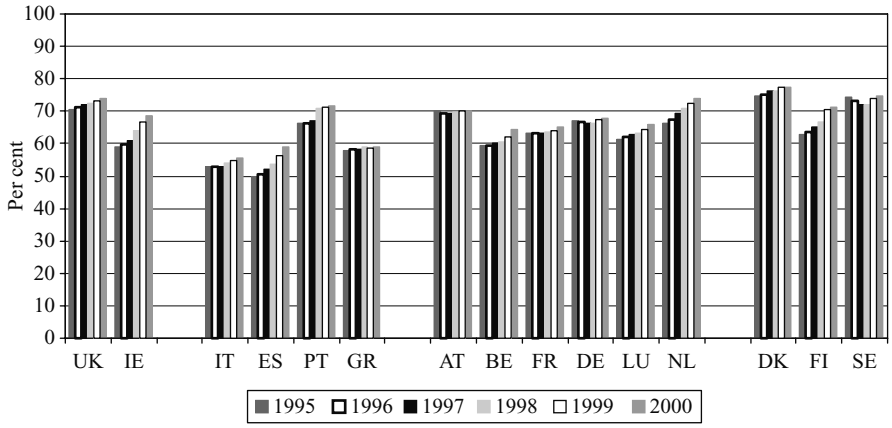

Figure 4.1. Employment rates in 1995–2000 for 18–64 years old persons in the EU countries
Source: EULFS, 1995–2000.

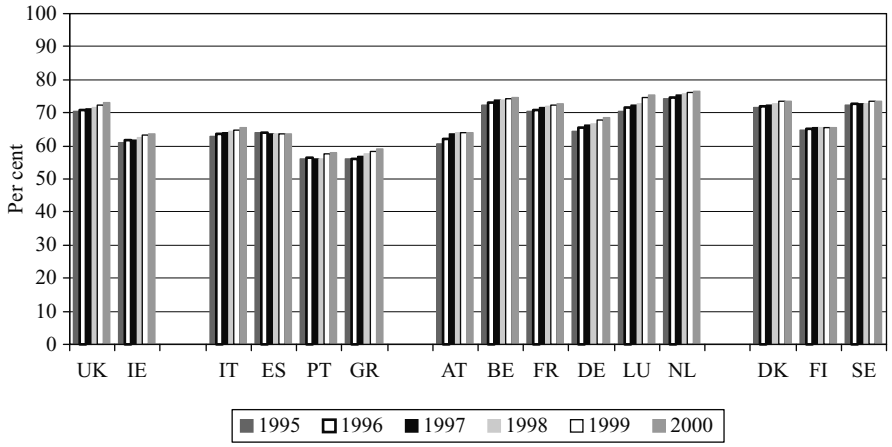

Figure 4.2. Employment in the service sector in 1995–2000 for 18–64 year-old persons in the EU countries
Source: EULFS, 1995–2000.

of the service sector varies between countries – with Southern European countries, Ireland, Austria and Finland lagging behind, while the UK, Belgium, Luxembourg, the Netherlands, Denmark and Sweden have characteristic post-industrial economies.

Figure 4.3 plots another important feature of economic performance – unemployment rates for 18–64 years olds – in the EU countries. It is evident that in a number of

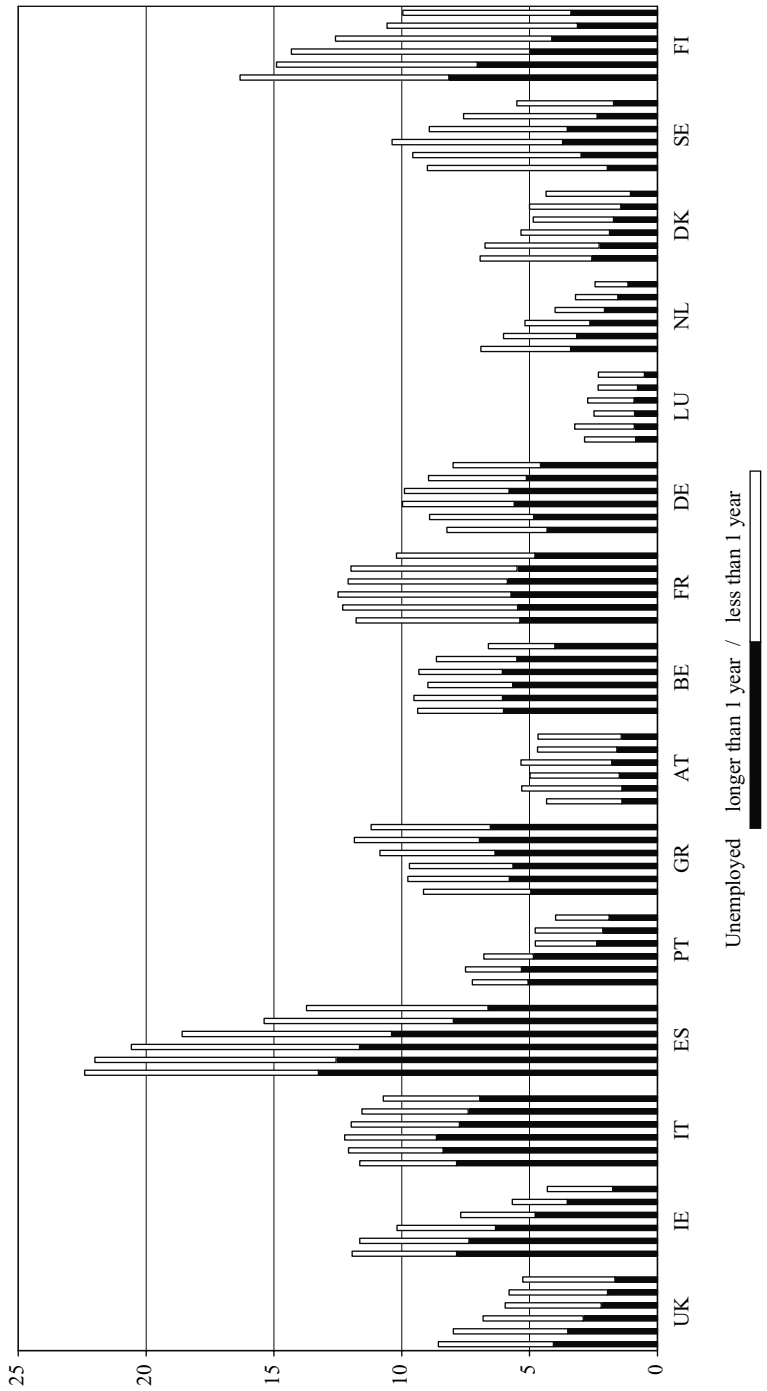

Figure 4.3. Unemployment rates in 1995–2000 for 18- to 64-year-old persons in the EU countries
Note: Time series is from left to right.
Source: EULFS, 1995–2000.

EU countries, namely Denmark, Finland, Ireland, the Netherlands, Spain and the UK, employment opportunities have been continuously expanding from 1995 to 2000. In other countries, namely Belgium, France, Germany, Italy, Luxembourg and Sweden, the better employment started later, from 1997–1998. Only in Greece did employment decrease in this period, although the trend reversed in 2000.

The countries in question differ not only with respect to the general level of unemployment but also regarding the proportion of long-term unemployed. This too is seen in Figure 4.3 which differentiates between the proportions of those unemployed for more than one year and the short-term unemployed. While in the UK, Austria, Luxembourg and Northern European countries more than half of the unemployed have been looking for employment for less than one year, in Southern European countries, Belgium and Germany the majority of unemployed have been so for at least one year. It is interesting to note that in Spain, Portugal and Ireland the percentage of long-term unemployed substantially decreased with the expansion of labour market opportunities. In the years of higher unemployment the long-term unemployed constituted more than half of all those unemployed, while in more favourable years (1999 and particularly 2000) the proportion of long-term unemployed dropped to less than half.

How do immigrants fare in the expanding labour markets both with respect to their employment chances and the occupational status of the jobs they hold? The following sections discuss what effects the structure (Section 4.2) and regulation (Section 4.3) of the labour markets have upon immigrants' prospects in the various European Union countries.

4.2. The Effects of Labour Market Structure upon Immigrants' Employment Opportunities

4.2.1. IMMIGRANTS' LABOUR MARKET SEGMENTATION

As discussed earlier in more detail the dual or segmented labour market theory postulates a division of the labour market into two segments, primary and secondary, with rather closed boundaries and little mobility between them. While the primary labour market has the positive characteristics of stability, high wages, good working conditions and chances for promotion, the secondary labour market has all the negative traits outlined above. In the labour market duality Piore (1979: 35) sees 'a fundamental dichotomy between the jobs of migrants and the jobs of natives'. Wilson and Portes (1980) contend that past occupational experience and other human capital characteristics count very little if at all for recent immigrants and ethnic minorities, because, unlike workers in the primary sector, they are hired primarily because of their vulnerable status rather than skills. Employers in the secondary labour market, less impeded by institutional constraints, care much less about the education or labour force experience of their employees, striving purely towards profit maximisation. As a result, immigrants' prospects of securing employment are more favourable in the secondary labour market than in the primary. Hence, countries with a stronger demand for unskilled or low-skilled labour are expected

to more readily absorb immigrants into the labour market, so that underprivileged immigrants have on average fewer problems finding employment. And in these countries the gap between immigrants and the native-born in acquiring jobs should therefore be narrower.

Relatively few analyses have attempted to apply the segmented labour market theory to the study of immigrant labour market integration (for notable exceptions see Portes and Bach, 1985; DeFreitas, 1988; Granato, 2003). A serious problem that hinders an empirical assessment of employment outcomes in light of the dual labour market theory is, according to Massey et al. (1994), the ad hoc way that sector membership is operationalised. This is actually the reason for scholars having worked mostly upon the empirical identification of primary and secondary sectors (e.g. Dickens and Lang, 1985; Wallace and Kalleberg, 1981), paying less attention to the issue of migration. The data used for this book (see Section 6.2.1) do not allow operationalising the primary and secondary labour markets strictly in accordance with all the features (job and worker characteristics, wages across different occupational and industrial categories) mentioned by the dual labour market theorists. Instead, we refer to the size of the 'potentially' immigrant sector or, in other words, the size of the bottom of the occupational hierarchy (Stalker, 2000).

Figure 4.4 plots the proportion of immigrants, both from EU and other western countries and third countries, employed in the lower end of the occupational hierarchy (for a precise definition see Section 6.2.2). The proportion of the native-born employed in unskilled and low-skilled jobs, which approximately reflects the country's labour market for unskilled

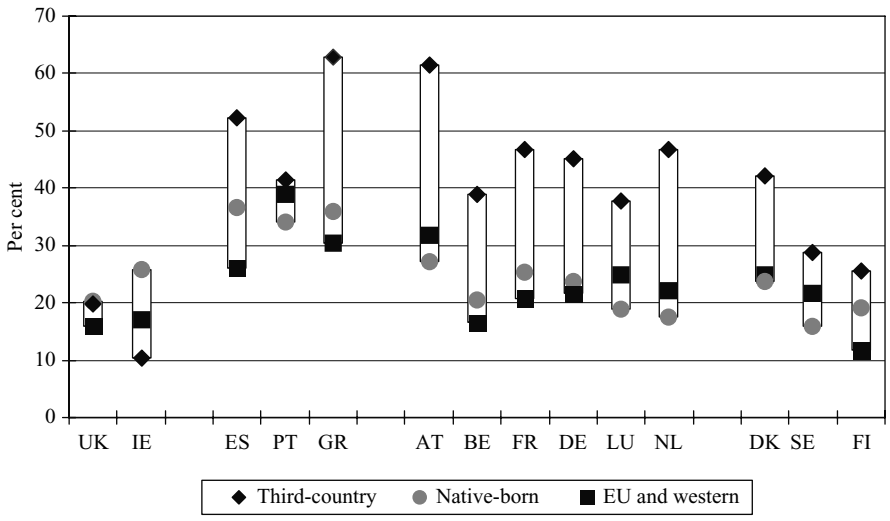

Figure 4.4. Proportion of unskilled and low-skilled among employed immigrants and the native-born, aged 18–64, in EU countries, 1995–2000
Source: EULFS 1995–2000.

and low-skilled jobs),[47] varies substantially across EU countries. It is evident that Southern European countries have many openings for low-skilled jobs, while in the rest of the EU countries and particularly Sweden, the Netherlands, Luxembourg, Belgium, and Finland the bottom of the occupational hierarchy is much less pronounced.

Figure 4.4 allows us to compare the relative location of immigrants from EU or other western countries as well as from third countries with the host countries' labour markets. It is evident that third-country immigrants are over-represented in lower-status jobs in all EU countries with the exception of Ireland and the United Kingdom. Moreover, in Greece, Austria and the Netherlands, the segmentation of immigrants in the unskilled and low-skilled sector is extreme and the gap between the native-born and immigrants within the labour market is largest. In the United Kingdom third-country immigrants do not differ from the native-born in the sort of work they do; while in Portugal, Sweden and Finland, immigrants' occupational positioning is closer to that of the native-born than in the remaining countries, albeit with over-representation in the lower end of the occupational hierarchy. Ireland is the only country where third-country immigrants are found less frequently in unskilled or low-skilled employment than the native-born, which could be a result of selectivity.

There is much more diversity between the EU countries with respect to the labour markets for immigrants coming from EU countries than other western countries. The fact is, however, that in the majority of the countries analysed EU immigrants tended to be under-represented in the lower end of the occupational hierarchy in the mid-1990s. Even though the opposite is the case for Portugal, Austria, Luxembourg, the Netherlands, Denmark and Sweden, the difference between EU immigrants and the native-born in their type of occupation is much smaller than is the case for third-country immigrants.

Overall differences in the occupational distribution between immigrants and the native-born appear to be largest in Austria, Greece, Spain, the Netherlands and France, while more egalitarian labour markets are found in the UK, Portugal, Sweden and Finland.[48]

4.2.2. IMMIGRANT NICHES

Having established that in the majority of EU countries third-country immigrants appear to be over-represented in the low-status jobs – a suggested proxy for the secondary labour market – we also look at immigrant concentration in particular industries, or *ethnic niching*. The concept of ethnic niching has been proposed by Waldinger and his associates (Waldinger, 1994; Waldinger and Bozorghmer, 1996) and refers to industrial or occupational clustering of an ethnic group. In Waldinger's (1996: 95) own words a niche

[47] As immigrants constitute a relatively small proportion of the working-age population they influence the country average rather marginally.

[48] In this descriptive overview the socio-demographic characteristics of immigrants are not taken into account.

is ‘an industry, employing at least one thousand people, in which a group’s representation is at least 150 per-cent of its share in the total employment’. It does not necessarily require immigrant entrepreneurs and can also be found in the public sector. The salient concept of ethnic niching is that labour market dynamics are influenced by immigrants’ social networks. These are used by employers as well as immigrants themselves for exclusion of outsiders and protection of their interests.

In several countries immigrant niches appeared following immigrants’ recruitment to certain industries having typical features of the secondary labour market. An occupation or entire industry was then labelled as ‘immigrant’, which in turn made native workers reluctant to fill these occupations or industries even during periods of high unemployment (Massey et al., 1993). As a result the structural demand for immigrants in certain occupations or industries persists.

SOPEMI (different years) reports that in the European Union immigrants from outside the EU are over-represented in textile, clothing and leather industries, certain segments of metal and building materials industry, agriculture and construction. An expanding service sector has been offering low-status jobs for immigrant populations in trade, the hotel and restaurant business, catering, transportation and cleaning (Briggs, 1996). These claims are to a certain degree supported by the EU labour force survey data for the years 1995–2000, although some variation is found between the countries of the European Union, as well as between immigrants from EU or other western countries and those from the rest of the world. While Table 4.1 lists ‘immigrant-intensive industries’,[49] which are operationalised in the study as industries in which immigrants’ representation is at least 200 per cent of their share in the total employment, the main findings are summarised below.

There are substantial differences in the ethnic or immigrants niching among immigrants from EU or other western countries and those from third countries. Immigrants from EU countries or other westerners are over-represented in areas of research and development (in Austria, France, Ireland, Luxembourg, the Netherlands, and Spain), computer industries (in Denmark, Greece, Ireland, Luxembourg, the Netherlands and Portugal), financial industries (Austria, Finland, Greece, Luxembourg and Spain), real estate or renting (Austria, Denmark, Finland, Greece, Luxembourg and Spain) and recreation, sport or culture (Austria, Denmark and Germany). Although niches of immigrants from the EU or other western countries are largely found in the service sector, in seven out of 14 EU countries (Finland, Germany, Greece, Luxembourg, Portugal, Spain, and Sweden) these immigrants are also over-represented in manufacturing, particularly in manufacturing of machinery and equipment.

[49] The term ‘immigrant-intensive industries’ is borrowed from DeFreitas (1988). It is seen as better suited to the current study since it does not deal with different ethnic groups but rather classifies immigrants in broad, ethnically heterogeneous categories.

Table 4.1. Immigrant-intensive industries in the EU countries

Country	EU and other western immigrants are over-represented in . . .	Third-country immigrants are over-represented in . . .
Austria	Fishing, publishing, financial intermediation, renting, research and development, recreation, culture and sport	Manufacture of textiles, products from leather, rubber and plastic products, hotels and restaurants, real estate
Belgium	Real estate and renting	Hotels and restaurants, private households with employed persons
Denmark	Air transport, renting, computer activities, recreation, culture and sport	Manufacturing of garments and fur, rubber and plastic products
Finland	Fishing, manufacture of rubber and plastic products, water and air transport, financial intermediation, renting	Manufacture of garments and fur, motor vehicles, sale and repair of motor vehicles and fuel, research and development, sewage and refuse disposal, sanitation
France	Mining, research and development	Manufacture of garments and fur, hotels and restaurants
Germany	Extraction of crude petroleum and natural gas and service activities connected to this, manufacture of nuclear fuel, hotels and restaurants, recreation, culture and sport	Mining, manufacture of textiles, paper and paper products, rubber and plastic products, basic metals, motor vehicles, hotels and restaurants
Greece	Manufacture of office machinery and computers, communication equipment, medical, precision, optical instruments, activities of travel agencies, financial intermediation, renting, computers, education	Manufacture of leather products, metal products other than machinery and equipment, recycling, construction, private households with employed persons
Ireland	Computers, research and development, private households with employed persons	Mining, manufacture of paper products, manufacture of communication equipment, hotels and restaurants, computers, health and social work
Luxembourg	Manufacture of communication equipment, transport equipment, financial intermediation, renting, computers, research and development	Manufacture of garments, fur, paper products, non-metallic mineral products, medical, precision and optical instruments, construction, hotels and restaurants,
Netherlands	Air transport, travel agencies, computers, research and development	Manufacture of garments, fur, basic metals, office machinery and computers, hotels and restaurants, air transport

(*continued*)

Table 4.1. (*Continued*)

Country	EU and other western immigrants are over-represented in . . .	Third-country immigrants are over-represented in . . .
Portugal	Manufacture of machinery and equipment, office machinery and computers, communication equipment, motor vehicles	Manufacture of office machinery and computers, medical, precision and optical instruments, computers, business activities
Spain	Manufacture of tobacco products, medical, precision and optical instruments, air transport, travel agencies, financial mediation, real estate, renting, research and development	Extraction of crude petroleum and natural gas, manufacture of office machinery and computers, private households with employed persons
Sweden	Manufacture of chemical products, motor vehicles	Manufacture of tobacco products, textiles, garments and fur, hotels and restaurants
UK		Manufacture of garments and furs, hotels and restaurants, air transport, private households with employed persons

Source: EULFS 1995–2000, own calculations.

For third-country country immigrants manufacturing is the most obvious employment niche. Indeed, in all EU countries except Belgium third-country immigrants hold at least a two-fold chance of being found in manufacturing – particularly in the manufacturing of textile and clothing, rubber and plastic products – compared with the native-born. Besides these, other well-known niches for third-country immigrants are in hospitality and restaurant businesses (Austria, Belgium, France, Germany, Ireland, Luxembourg, the Netherlands, Sweden and Great Britain) as well as employment in private households (Belgium, Greece, Spain and the UK).

4.2.3. IMMIGRANT ENTREPRENEURSHIP

The idea of immigrant niches is connected to a more general concept of ethnic economy, which broadly includes any immigrant or ethnic groups of self-employed, employers and co-ethnic employees (Bonacich 1987; Bonacich and Modell 1980; Light 1979, 1984; for an overview see Zhou, 2004). Ethnic economy, according to Zhou (2004), is a neutral designation for any enterprise that is either owned, or supervised, or staffed by immigrants or ethnic minorities regardless of its type, size or location. Alongside immigrants' colonising of selected occupational and industrial niches (Portes, 1995), another aspect of the ethnic economy is immigrant or ethnic ownership: the phenomenon that is discussed in the current section.

Immigrant entrepreneurship has been a subject for numerous studies, particularly in the United States as well as in Europe (Portes, 1995; Rath, 2000, 2002; Waldinger et al., 1990). Zhou (2004) stresses that major research findings have converged upon the independent and/or interactive effects of key structural factors and immigrant groups' individual characteristics. At the group and individual level the focus of the literature is on immigrant or ethnic groups' specific cultural values, behavioural patterns, collective resources and strategies. At the societal level depreciation of human capital brought from abroad, lack of host-country-specific human capital, including a poor command of the native language, and experience or fear of discrimination – any of these might encourage immigrants to seek self-employment (Mata and Pendakur, 1999). Aldrich and Waldinger (1990), Waldinger et al. (1990) argue that labour market conditions and access to ownership (business vacancies, competition for vacancies and government policies) are the most prominent structural forces that influence an immigrants' decision to engage in entrepreneurial activities. These structural factors probably partly explain the variation in self-employment rates among immigrants in the EU countries, and this is shown in Figure 4.5.

Indeed, while in the majority of EU countries third-country immigrants are found less frequently among the self-employed as compared to the native-born and immigrants from other EU countries, this is not the case in Great Britain, Ireland, Belgium, Sweden and Denmark. Relative to the native-born, self-employment rates are particularly low for third-country immigrants in Greece, Austria and Portugal. The rates of self-employment among immigrants from EU or other western countries are similar to those of the native-born in Spain, Ireland, and Sweden, and higher in the UK, Austria, Belgium, France, Germany, the Netherlands, and Denmark.

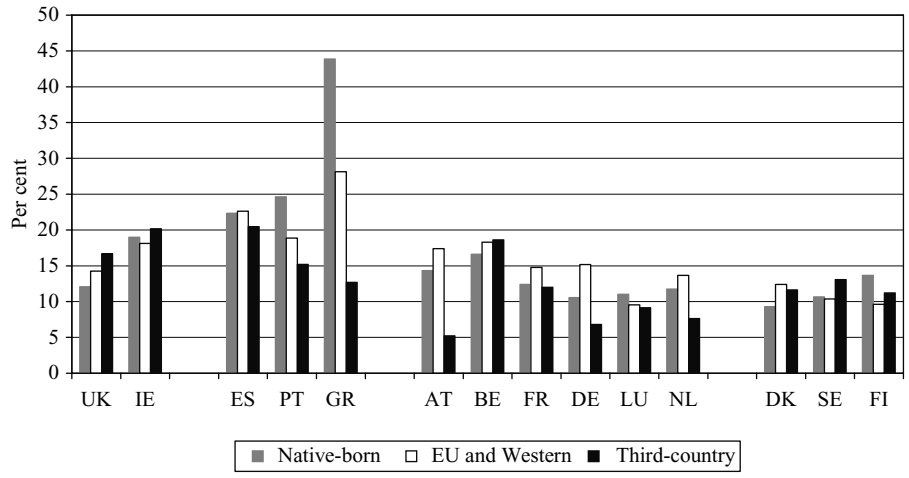

Figure 4.5. Self-employment rates among immigrants and the native-born in EU countries
Source: EULFS 1995–2000.

Self-employment among immigrants in the European countries has been lower overall than is observed in the classical immigration countries of the USA, Canada and Australia, where immigrants clearly outnumber the native-born among the self-employed (Borjas, 1986; Waldinger et al., 1990). The higher propensity for self-employment overseas is partially attributed to the fact that costs and barriers to start a business are higher in Europe, where stronger labour market regulation contributes to obstacles for immigrant entrepreneurship (Waldinger et al., 1990).

Another part of the explanation for the variation in immigrant self-employment rates across Europe (and overseas) is related to the composition of immigrants with respect to origin. When immigrants come from a country where many people are self-employed, they are familiar with self-employment practices, and have skills favourable to starting a business in the host country (Van Tubergen, 2004). This is why immigrant origins are extremely important in determining immigrant entrepreneurial propensity and to explain the cross-national variation in immigrants' self-employment rates. In this book immigrants are not differentiated by distinct ethnic origins but classified rather broadly. So affinity for self-employment will not be the main focus of the empirical analyses. Nevertheless it plays a significant role in the overall labour market integration of immigrant populations and detailed analyses of the macro-level determinants of immigrant self-employment can be found in Van Tubergen (2004).

4.3. Effects of Labour Market Rigidity on Immigrants' Employment Opportunities

Beyond the effects of the local labour market structure of the host country upon immigrants' economic chances, other features of labour markets can affect their fate. As stated earlier, the strictness of labour market regulation in host countries can potentially aggravate the outsider status of immigrant populations and set them apart in the secondary labour market. The flexibility of a labour market in a given country is modified by the extent of regulation upon that market,[50] which might influence employment chances – particularly among more recent immigrants seeking their first employment in the host country.

Employment protection legislation (EPL) is an important element of labour market regulation that includes policies concerning hiring and firing, which aim at stabilising employment relationships by restricting employers' rights to terminate at will or to use short-term, contingent or temporary (i.e. precarious) hiring contracts (OECD, 1999; Esping-Andersen, 2000). Alongside the benefits of stable, long-term relationships between

[50] According to Regini (2000) labour market flexibility has different forms: numerical or external or employment flexibility; functional or internal or technical-organisational flexibility; wage or financial flexibility; and temporal or working-time flexibility.

workers and firms – higher productivity and satisfaction – a number of potential disadvantages of a more stringent EPL regime are often mentioned. Among these are higher labour costs, a more divisive labour market, and enlintering of protected workers, on the one hand, and job seekers and precarious workers, on the other, into insiders and outsiders.

The OECD (1999) argues that higher firing costs resulting from a stricter EPL might reduce hiring during upswings, as employers are more hesitant to take on additional workers because of high dismissal costs. This might also reduce firings during downturns. The empirical evidence revealed by the OECD (1999) indeed shows that stricter EPL is associated with a lower turnover in the labour market, with both job and unemployment spells lasting longer. This means that fewer workers experience unemployment in any given year in countries with a more stringent EPL; but those becoming unemployed have a greater probability of remaining unemployed longer. At the same time there is no consistent evidence of the effect of EPL on the overall unemployment level: numerous studies demonstrate that EPL primarily shapes the structure of unemployment with some socio-demographic groups being particularly affected (OECD, 1999; Esping-Andersen, 2000). The bivariate analysis shows that unemployment tends to be lower for prime-age men but higher for young workers, i.e. labour market outsiders. In other words, labour market rigidities appear to widen the insider–outsider cleavage (Esping-Andersen, 1999; OECD, 1999).

The extent to which employment protection might interfere in hiring decisions by employers and effectively influence employment fortunes of another outsider group, immigrant workers, has been discussed in Section 2.2. To reiterate: if job security is high, employers tend to hire only employees who clearly indicate high productivity potential either through educational credentials or other characteristics, such as gender, race or immigration status (Giesecke and Groß, 2003; Gangl, 2003). In countries with low job security employers are less likely to worry about ascriptive signals in particular, because they can test employees' characteristics on the job. The costs of a 'bad match' might indeed be higher for employers when EPL is stricter, causing them to avoid hiring 'risky' workers.

Since EPL mainly regulates the primary labour market, its greater strictness might hinder immigrants' chances of achieving higher-status jobs – say, white-collar or blue-collar positions – with less effect when it comes to finding unskilled or low-skilled jobs in the secondary market. However, once landing a job in the secondary labour market, immigrants might be at a higher risk of losing their employment, since secondary labour market jobs are largely of a temporary or seasonal nature and are more sensitive overall to business cycle fluctuations and economic restructuring (see Section 2.1.5).

It was argued in Sections 2.1.3–2.1.4 that, with their intentions of temporary settlement and their higher job search costs, immigrants might prefer employment in the secondary labour market, where EPL strictness plays a reduced or even non-existent role in the recruitment process. Hence EPL strictness may be expected to have practically no effect on immigrants' chances of gaining employment once employment in the

secondary labour market is targeted. This is the scenario that has emerged, particularly in the new immigration countries, where immigrants often have short-term goals and are largely labour-oriented, aiming for employment in the secondary or even illegal labour markets more often. At the same time long-established immigrant guest workers, who were recruited for unskilled or low-skilled jobs during the period of economic growth and labour market stability in the 1950–60s, might even profit from the stricter EPL in some countries, potentially enjoying lower risk of employment loss during economic downturns due to their seniority (i.e. job tenure). In other words, with the cross-sectional data at hand – and the large-scale cross-national analysis draws on this type of data, see Section 6.2.1 – it might be impossible to detect any visible effect of EPL on immigrants' probability of unemployment when looking at all post-war immigrants. The effect should be visible, however, if looking solely at newcomers searching for their first jobs or immigrants with very limited experience within the host country.[51] It is likely that in countries with stricter employment protection, recent immigrants might have more difficulty finding employment, especially when the bottom of the occupational hierarchy is not very sizable.

Figure 4.6 presents several OECD (1999) indicators of EPL strictness: the first one relates to regular employment, the second refers to EPL strictness in regulating temporary

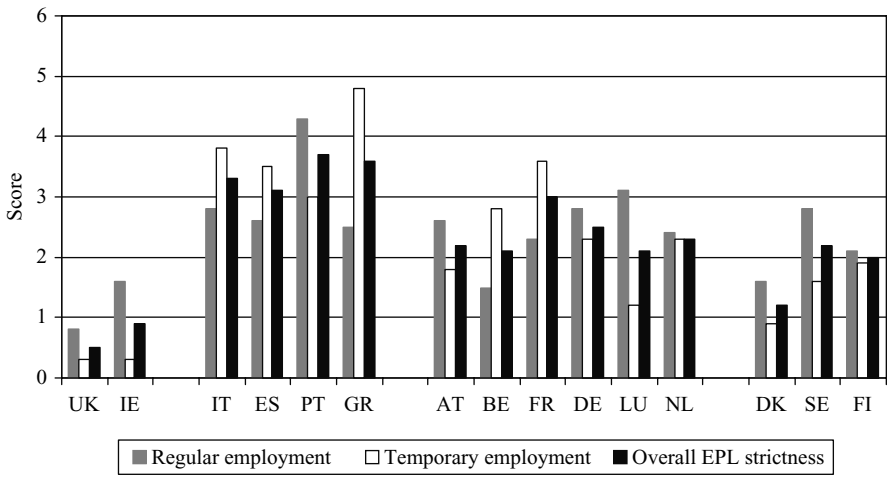

Figure 4.6. Summary indicators of the strictness of employment protection legislation in the late 1990s
Source: OECD (1999).

[51] The effect should also be distinguishable when analysing the success of unemployed immigrants in re-entering employment. This is however not possible with the cross-sectional data used for the principal cross-country analyses in Chapter 6.

employment and finally the third one indicates overall EPL strictness, being an average of both previous indicators. OECD (1999) acknowledges that a single measure of employment regulation is difficult to construct because of the sometimes ambiguous information available and the multi-dimensional nature of the phenomenon with its many facets, such as regulation of dismissals of regular workers, fixed-term contracts, temporary work, part-time work, normal working hours, overtime, shift work, night and weekend work. This is especially true for some countries (e.g. Denmark and the Netherlands), which have strict employment regulation in some areas but not others.

Overall, three national groupings emerge from the graph with respect to EPL strictness. Southern European countries score highest in the indicator of overall EPL strictness and are marked by both high levels of protection, particularly in temporary but also in regular employment. The UK, Ireland and Denmark are three countries with the most flexible labour markets where temporary workers have especially low protection. The third group of countries is continental Europe plus Sweden and Finland, the two Northern European countries with relatively high levels of employment protection. One can therefore expect differences in the labour market performance of immigrants within these three groups of countries, controlling for the effect of the labour market structure. Better employment opportunities among immigrants are more likely to be found in more flexible countries, while large employment difficulties are expected for migrants in Southern and Western Europe, unless the demand for unskilled and low-skilled jobs in these countries is high enough to incorporate the newcomers who would opt for less prestigious employment.

4.4. Summary

Starting with a general assessment of the labour market conditions in the European Union countries in the second half of the 1990s, this chapter further discusses the role potentially played by host-country labour market structure and regulations in shaping employment prospects for immigrant populations.

An inherited duality of labour markets in western industrialised countries maintains the demand for unskilled and low-skilled labour. Since secondary labour market jobs provide little scope for career advancement, status improvement or attractive economic returns upon experience, skills and education, they are largely avoided by the native-born. With the dual labour market theory asserting that such jobs are potentially reserved for underprivileged immigrants and with the search model explaining why immigrants decide to go for secondary labour market employment, the claim of immigrants' over-representation in the secondary labour market found confirmation in the descriptive analysis of EULFS data. Indeed, third-country immigrants tend to outnumber both the native-born and immigrants from EU and other western countries in the lower-status jobs in almost all EU countries. Moreover, the analysis of immigrants' industry preference points to the existence of immigrant niches, i.e. industries with substantial over-representation of immigrants, either from EU or other western countries, or third countries. While the former tend to land jobs in the service sector – mostly in employment connected with research and development,

financial intermediation, and real estate and computer technology – the latter are found in textile and clothing industries, the hotel, café and restaurant sector, and in private households. Self-employment is an alternative path for underprivileged immigrants willing to avoid depending on the secondary labour market. The rates of self-employment differ, however, across Europe, which at least partially reflects differences in the policies of the host countries in encouraging entrepreneurship among immigrant populations.

Further, it is argued that employers might be more reluctant to take risks when hiring immigrant employees in countries with stricter labour market regulation. An outcome would be higher unemployment among underprivileged immigrants in countries with more rigid labour markets. While this might be true when it comes to newly arrived immigrants due to their outsider status, immigrants who arrived earlier may even profit from the stricter EPL extant in some European countries. Hence, no clear prediction can be made about the impact of EPL on the unemployment risk among all post-war immigrants residing in the host countries, particularly taking into account the cross-sectional nature of the data applied to the large-scale comparative analysis in this book. A positive effect of EPL on the unemployment risk of *recent* third-country immigrants can, however, be expected – especially after controlling for labour market structure, i.e. the size of the bottom of the occupational hierarchy.

CHAPTER 5. WELFARE REGIMES AND IMMIGRANTS' EMPLOYMENT PROSPECTS

A body of research has emphasised the role of welfare regimes in shaping individual life courses in general and individual employment careers in particular (Mayer, 1997, 2001; Allmendinger and Hinz, 1997, 1998; Gallie and Paugam, 2000; Esping-Andersen et al., 1994; Kurz, 1998), and their effect on women's employment (Allmendinger, 1994; Lewis, 1992; Daly, 2000; Van Doorne-Huiskes et al., 1999; Drew et al., 1998; Stier et al., 2001; Hall, 2001), aggregate unemployment rates (Esping-Andersen, 2000; Ganßmann, 2000; Wood, 2001) and on social inequality in general (Esping-Andersen and Regini, 2000; DiPrete, 2001).

The role of the welfare state or welfare regime[52] on the economic status of immigrants has not been thoroughly studied, even though several authors have mentioned the potential significance of welfare availability in shaping immigrants' opportunities in the host-country labour markets (Reitz, 1998; Freeman and Ögelman, 2000; Baldwin-Edwards, 1991, 2004; Faist, 1996). Empirical research has, however, been mostly devoted to immigrants' utilisation of a host country's welfare resources, and findings are not unequivocal. Immigrants' over-representation among recipients of social benefits has been reported for the USA (Borjas and Hilton, 1996; Borjas, 1994b, 1999) and Europe, e.g. Germany (Riphahn, 1998; Voges et al., 1998; Kurthen, 1998; Castronova et al., 2001; Frick et al., 1996) and Sweden (Westin, 2000; Hammarstedt, 2000; Hansen and Lofstrom, 1999; Bergmark and Bäckman, 2004), but not for Canada (Baker and Benjamin, 1995; Whiteford, 1992). Researchers agree, however, that immigrants' higher tendency to rely on welfare is explained by their less favourable socio-demographic and human capital characteristics and is less related to the immigrant/non-national status *per se*. All German studies referred to above find that foreigners are equally or even less likely to depend on welfare than natives, once observable characteristics are taken into account. Chiswick and Hurst (2000) report that the foreign-born in the USA receive significantly lower unemployment compensation benefits than the native-born after controlling for socio-demographic characteristics. They attribute this finding to immigrants' shorter residence in the country

[52] Welfare state is understood in its narrow sense as involvement of the state in the provision of welfare services and benefits, while welfare regimes are defined more broadly by Esping-Andersen (1999) as 'a triad of state, market and family'.

in order to satisfy eligibility for unemployment welfare programs. Under-utilisation of unemployment benefits might also be related to the fact that newcomers, even if they are formally eligible for unemployment benefits, often lack information, host-country work experience, or documents necessary to apply for unemployment benefits. Furthermore, according to Brubaker (1989), they may even distrust bureaucracy and fear difficulties assembling the paperwork required to demonstrate their eligibility.

This book aims among other things at a broad assessment of immigrants' employment chances in relation to the nature of welfare regimes in host countries. Among the three facets of welfare regimes – labour market regulation, welfare states, and families – the first two seem to be of particular importance in the analysis of the employment prospects of male immigrants as undertaken in this book.[53] Before discussing the potential influence of welfare regimes upon immigrants' labour market opportunities, the main features of the European welfare regimes will be summarised, building primarily on Esping-Andersen's (1999) and Gallie and Paugam's (2000) classifications, which, albeit with different labelling, cluster European countries quite similarly. Esping-Andersen (1990) originally distinguishes between three regimes of welfare capitalism, i.e. conservative, liberal and social-democratic, while Gallie and Paugam's (2000) classification, based upon a different conceptual background,[54] differentiates between the sub-protective, liberal or minimal, employment-centred, and universalistic regimes. (For the correspondence of these two classifications see Table 5.1.)

Liberal welfare regimes such as the United Kingdom and Ireland[55] are principally characterised by an emphasis on market-based social insurance and the use of means-testing (at the family level) in the distribution of benefits, with almost no active employment measures. The assumption is that higher levels of benefits might reduce work incentives; hence benefits are limited and largely stigmatised. These highly differentiated and stratified regimes are characterised by high labour market flexibility, weak, decentralised industrial relations and citizenship-based social provisions. Hypothetically, they should generate more jobs for the low skilled and prevent long-term unemployment (Andersen and Halvorsen, 2002). At the same time much poverty, large wage disparities with relatively pronounced wealth inequalities are distinctive features of the liberal welfare regimes.

In conservative welfare regimes (e.g. Germany, France, Belgium) the state rather than the market is likely to be important in delivery of welfare, but it does not encourage redistribution or equalisation. On the contrary, its goal is to maintain existing class and

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[53] Without disregarding the importance of family in providing welfare, it seems however that the role of family is less central when studying labour markets for men who are largely the families' main breadwinners in all welfare regime types and irrespective of origins.

[54] Gallie and Paugam's (2000) classification relates to those aspects of welfare regimes that provide protection from labour market risks via the system of financial support for the unemployed and the institutional arrangements for intervention in the process of job allocation.

[55] The USA is a classical model for this type of regime.

Table 5.1. Unemployment welfare regimes and welfare state regulation

Regimes according to Esping-Andersen's (1999) classification	Regimes according to Gallie and Paugam's (2000) classification	Welfare coverage	Level and duration of welfare coverage	Employment protection legislation	Countries
1. Liberal	1. Liberal/ Minimal	Incomplete	Weak	Very unrestrictive	UK, Ireland
2. Conservative	2. Employment-centred	Variable	Unequal	Restrictive	France, Germany, Netherlands, Belgium, Luxembourg, Austria
	3. Sub-Protective	Very incomplete	Very weak	Very strict	Italy, Spain, Portugal, Greece
3. Social democratic	4. Universalistic	Comprehensive	High	Rather unrestrictive	Sweden, Denmark, Finland

Source: Based on Gallie and Paugam (2000).

status differentials. In the conservative regime strong job protection is given to employed adult male householders. Mayer (2001) assigns the following labour market and welfare peculiarities to this type of welfare regime: highly segregated, segmented and rigid labour markets with high labour costs, rather compressed wage structures, and employment-based social insurance. Having low labour market flexibility, this welfare model produces insider–outsider divisions (Lindbeck and Snower, 1988). According to Gallie and Paugam (2000), a conservative welfare regime offers a much higher level of protection than a liberal one, and this is reflected in higher financial compensation and active employment policies. However, unemployment coverage remains far from complete and includes only those eligible for compensation, i.e. primarily those with previous work experience. A number of authors (Lessenich and Ostner, 1998; Mayer, 2000) single out Southern European countries as a separate Mediterranean type of welfare state regime, with a low level of welfare transfer (except for pensions) and high labour market rigidity. For the sake of parsimony this book does not consider the Mediterranean welfare regime separately, and strictly adheres to Esping-Andersen's (1999) classification of the 'three worlds of welfare capitalism'.

The typically Scandinavian social-democratic regime, such as in Sweden, Denmark and Finland, is a state-dominated welfare system. It is characterised by principles of universalism and egalitarianism, encourages equality across classes, and is based upon high standards rather than minimum standards as elsewhere. Esping-Andersen (1999) outlines two unique features of the social-democratic regime: the fusion of universalism with

generosity, and the comprehensive socialisation of risks. Full employment is a central element of this regime, both because it provides income support and because it makes it possible to pay the costs of welfare. Citizens enjoy high levels of social insurance based on universal citizenship rights and the general tax base. Ideally, duration of unemployment benefits is long or even indefinite, but may be conditional upon participation in active labour market programs and upon fulfilment of strict mobility requirements. Although countries constituting a social-democratic welfare regime boast high levels of wage equality and welfare state benefits, their labour markets are generally quite flexible and in principle provide many low-skilled service jobs in the public sector, though fail to do so for the private sector (Esping-Andersen, 1999). Overall, weak economic incentives may produce long-term unemployment and welfare dependency.

In what way are immigrant labour markets affected by the various types of welfare regime types in Europe? As mentioned earlier, two facets of the welfare regime – labour market regulation and welfare state provisions – might influence male immigrants' job search behaviour and their chances of landing employment in a host country's labour market. Firstly, it is expected that immigrants' prospects for entering employment, particularly higher-status employment, are dependent upon employers' decisions when screening educational characteristics and other productivity-related indicators of employees' prospects. This process is significantly influenced by labour market flexibility (see Sections 2.2 and 4.3). In countries with high job security employers tend to set higher standards for their employees, avoiding those with doubtful indicators of productivity – which might lead to a disproportionate exclusion of immigrants. In countries with low job security employers are more likely to hire without closely examining ascriptive indicators, in particular, because they can more easily test employees on the job and dismiss unsuitable candidates if necessary. Secondly, applicants' job search behaviour is related to having the financial support necessary to sustain the search: a provision that is one of the welfare state's responsibilities. As stressed in Section 2.2, if in some countries particular groups of immigrants (either the newly arrived or those without citizenship of the host country) are systematically deprived of welfare provisions comparable to those provided to the native-born, while in other countries all immigrants and the native-born are entitled to similar welfare support, one might expect differences in immigrants' labour market behaviour and variation in outcomes. Due to universal welfare coverage in social-democratic welfare regimes, in which even recently arrived immigrants are supported with rather generous welfare provisions, one might expect newcomers to be able to sustain their search for better employment and eventually enter higher-status jobs – even if, overall, this might be accompanied by higher immigrant unemployment rates.

Similarly, Faist (1996) and Hjerm (2004) see the mix of labour market regulation and welfare provision as being liable to affect immigrants' integration, particularly among newcomers. Faist (1996) argues that in countries with weaker labour market regulation the major problem for immigrants is not so much employment entry as risk of economic deprivation. This is particularly true for those who end up in low-paid jobs. Conversely, in countries with strict labour market regulation, especially if combined with comprehensive welfare protection, newcomers should be able to avoid deprivation. This

is, however, achieved solely through extensive welfare support and universal coverage (via redistribution of income). It is hardly a result of immigrants' own participation in the labour market, as stringent labour market regulation tends to reduce overall access to the labour market among immigrants in the first place.

How then should immigrants' economic circumstances vary within different types of welfare regime? Engelen (2003) suggests that immigrants' labour market experiences should differ between two institutional 'syndromes': 'the syndrome of mobility, openness, flexibility, and inequality' on the one hand and 'the syndrome of protection, closure, equality and rigidity' on the other. Engelen's classification of institutional 'syndromes' echoes the one by Rueda and Pontusson (2000), who differentiate between liberal market economies (LMEs) and social market economies (SMEs) according to three characteristics: the degree of employment regulation, the degree of wage coordination and the degree of income redistribution.[56] Somewhat similarly, Faist (1996), building on Baldwin-Edwards' (1991) conceptual framework,[57] suggests that a two-fold typology of welfare regimes that differentiates between the level of social rights and the degree of labour market regulation is satisfactory enough for the analysis of immigrants' labour markets. In sum, a number of authors have suggested that immigrants careers, and their labour market fortunes, differ markedly between the two types of welfare regimes.

The first regime, or syndrome in Engelen's terminology, refers to the Esping-Andersen (1999) liberal welfare regime and coincides with what Rueda and Pontusson (2000) understand by liberal market economies, and also with Faist's (1996) notion of market-oriented welfare states. In this regime the market orientation of firms towards price competition and the minimisation of costs, especially labour costs, has created an economic environment with abundant employment opportunities in low value-added personal and producer services, i.e. potential immigrant employment sectors. In addition to a residual welfare arrangement and a low wage economy, liberal welfare regimes have relatively open immigrant admission policies,[58] with immigrant economic incorporation being largely left to market forces (Engelen, 2003; Faist, 1996). At the same time,

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[56] Firstly, social market economies, unlike liberal market economies, are characterised by comprehensive, publicly funded social welfare systems. Secondly, in contrast to LMEs, SMEs are characterised by the government's involvement in standardisation of employment conditions and provision of a high degree of employment security. While the details of labour market regulation might differ between countries, the effects are similar: increased costs of shedding labour for employers and greater standardisation of employment conditions across sectors. Thirdly, social market economies are distinguished by a high degree of institutionalisation of collective bargaining and coordination of wage formation. This means that wage increments in different economic sectors are more closely coupled in SMEs than in LMEs (Rueda and Pontusson, 2000), and the effect of bargaining centralisation upon wage compression is more pronounced, particularly in the lower half of the wage distribution (Pontusson et al., 2002).

[57] Baldwin-Edwards (1991) speaks of four immigration policy regimes, which closely mirror Esping-Andersen's welfare regime classification: (1) the semi-peripheral or Mediterranean regimes (e.g. Portugal, Greece, Spain and Italy), (2) the Schengen or mainland Continental model (e.g. Germany, Belgium), (3) the Scandinavian model (Denmark, Sweden), and (4) an outlier, the United Kingdom.

[58] In fact Engelen (2003) sees a clear institutional complementarity between residual welfare arrangements, a low wage economy and open first admission policies.

immigrants heading for liberal welfare states with their high-income inequality should, according to Borjas' (1988) immigrant self-selection thesis, be more positively selected with respect to less tangible characteristics, e.g., motivation, which in effect should result in better performance in the labour market.

However, there are certain side effects to the mobile, open, flexible and unequal labour markets of the liberal regimes. Even though the number of economic opportunities has grown with the economic upswing in the mid-1990s, many appeared to have been largely dead-end opportunities, since middle-rank jobs – being historic avenues for social mobility – have largely eroded. Instead, the 'hourglass' economy, with knowledge-intensive, high-paying jobs at one end, and labour-intensive, low-paying jobs at the other, has removed several rungs on the mobility ladder. These rungs have been crucial in the past for enabling immigrants, especially the less-educated and less-skilled, to start from the bottom and gradually ascend (Zhou, 1999). Hence the reality confronting immigrants in liberal welfare states is a growing number of high grade opportunities, open for highly educated white or possibly Asian immigrants, and a large quantity of low-paying, low skilled jobs reserved for unskilled or less ambitious immigrants.

As higher-status employment should be more within reach for immigrants in liberal welfare regimes, possible outcomes in these countries are, firstly, immigrants' overall lower unemployment and, secondly, a relatively high occupational status. Thus, one can expect differences between socio-demographically comparable immigrants and the native-born to be relatively small in liberal welfare regimes.

The second regime or syndrome, which according to Engelen (2003) includes both conservative and social-democratic welfare regimes, is characterised by a high level of income replacement, generous social services and a collaborative business environment.[59] Indeed, since both regimes provide a high level of protection against labour market risks, i.e. a high degree of decommodification, labour markets lean towards 'high skill – high wage' equilibrium with a strong tendency toward long-term relationships between firms and capital providers, suppliers, competitors and, most importantly, workers. Even though countries constituting the second syndrome might lack the mobility that characterises liberal welfare regimes, they seem to offer more security when it comes to the social costs brought about by radical economic transformation.

Given the high level of decommodification, the high level of colloborativeness in which labour market protection takes place, and the community sources of trust required for such things, countries belonging to this syndrome pursue exclusive admission policies,

[59] It also coincides with Faist's policy-oriented welfare states and Rueda and Pontusson's social market economies.

accepting immigrants reluctantly[60] (Engelen, 2003). Furthermore, immigrants seem to have only limited chances in regimes characterised by a high degree of protection, high wage levels, a relatively closed but high-quality economy, a stark insider–outsider divide and a restrictive policy towards immigration. Hence, a hypothetical scenario of economic incorporation for underprivileged immigrants is differential inclusion, with their human capital being largely depreciated in the host countries' labour markets and their potential often neglected. Expected labour market outcomes for immigrant populations in conservative and social-democratic welfare regimes are then higher unemployment rates and lower occupational status (since higher-status jobs are practically closed for immigrants), leading to overall larger net disadvantages among immigrant populations. Taking into account that recent immigrants in social-democratic welfare regimes generally should be provided with financial resources sufficient to sustain a longer search for better employment – while this would be less the case in conservative welfare regimes – one would expect more recent immigrants in the former regimes to have somewhat higher unemployment rates but also somewhat higher occupational status once employed.

But can empirical confirmation be found for differences between the labour market performance of immigrants and native-born in the different types of welfare regime? Can we find the patterns suggested by Engelen (2003), who predicts different economic performance of underprivileged immigrants in the liberal welfare regimes from that in conservative/social-democratic welfare regimes? How do other institutional factors, such as immigration policies and labour markets (both with respect to their structure and regulations) affect immigrant labour market performance in different welfare regimes? Before empirically assessing the effect of the host countries' institutional characteristics upon the employment success of immigrant populations, the first section in the next chapter summarises the main hypotheses for the influence of macro-level factors upon both the risk of unemployment and the occupational prestige of jobs – for immigrants and for native-born.

[60] Immigrants thus enter either under multilateral refugee and asylum agreements or under family reunification policies. Labour migration is limited, albeit growing.

CHAPTER 6. EMPIRICAL ASSESSMENT OF THE ROLE OF INSTITUTIONS IN THE LABOUR MARKET OUTCOMES OF MALE IMMIGRANTS IN FOURTEEN EUROPEAN UNION COUNTRIES

6.1. Hypotheses

Two important aspects of the immigrant economic situation in Europe are explored in this chapter: unemployment propensity and occupational status. Analysing unemployment propensity allows one to assess the general degree of openness of a host society's labour market towards immigrants. Looking at the occupational status of immigrant populations is no less important, since even if able to find employment, immigrants might be pushed to occupations and economic sectors abandoned by the native-born, leading to poorer assimilation.

The analyses presented in this chapter examine immigrants' chances of finding employment and their occupational status taking into account both individual attributes – such as key demographic and human capital characteristics – and structural factors that potentially influence the labour markets. The hypotheses put forward in line with the analyses largely concern the institutional factors in host countries that have an effect upon immigrant economic incorporation: immigration policies, labour market structure and regulations, and the nature of the welfare regime. All of these were discussed in Chapters 3, 4, and 5.

The main hypotheses as to the effects of the institutional context in the receiving societies on the likelihood of unemployment and the occupational status of immigrants (as compared to the native-born) are summarised below:

(H1) In accordance with the legal status of immigrants from the EU and other western industrialised countries in the European Union, largely equal to those of the native-born national population, the structural characteristics of the receiving societies may be expected to influence the labour markets for EU immigrants and for the native-born to the same degree. The institutional characteristics of the receiving societies might, however, have a different effect upon the labour market for migrants arriving from outside the EU.

Table 6.1. Hypotheses regarding the role of institutions in the labour market outcomes of male third-country immigrants in Europe

	Unemployment propensity	Occupational status
Labour market structure and regulations	(H2) The heavier the bottom of the host countries' occupational hierarchy the greater the chances third-country immigrants have of getting employment (see Section 4.2.1), so that the immigrants' employment disadvantage will be smaller. (H3) Unemployment risk of *recent* third-country immigrants might be higher in countries with less flexible labour markets (see Section 4.3), so that immigrants' employment disadvantage will be greater.	
Immigration policy and immigrant reception		(H4) In countries that have experienced a substantial inflow of third-country immigrants from former colonies (as compared to guest-worker recruiting and new immigration countries), immigrants' human capital should be more transferable in the host-country labour market and be a clearer indicator for employers than in non-ex-colonial countries (see Section 3.3.3). This should allow immigrants in ex-colonial countries to enjoy a higher occupational status, so that the gap between immigrants and the native-born will be smaller. (H5) In new immigration countries (as compared to countries with a longer tradition of immigration, i.e. countries with a history of immigration from former colonies and/or guest-worker recruitment), fewer immigrants will possess human capital relevant to the host country (see Section 3.3.3) As a consequence they will be less able to get higher-status employment, so

Table 6.1. (*Continued*)

	Unemployment propensity	Occupational status
		that the gap between immigrants and the native-born will be larger.
Welfare regime or institutional syndrome	(H6) In liberal welfare regimes the risk of unemployment among third-country immigrants is expected to be lower while the occupational status will be higher than in social-democratic and conservative welfare regimes (see Chapter 5).	
	(H7) In social-democratic welfare regimes *recent* immigrants, who are entitled to similar welfare state provisions as the native-born due to the universal nature of the welfare system, should be financially able to sustain longer searches for better employment opportunities, which might effectively result in higher unemployment rates but comparatively higher occupational status (particularly when compared to conservative welfare regimes, in which immigrants may be expected to have somewhat lower unemployment risks but also lower occupational attainment) (see Chapter 5).	

It is expected that the host country labour market structure and regulations will more strongly affect third-country immigrants' employment chances upon entry (see Table 6.1). Immigration policies will have a stronger impact upon immigrants' place in the hierarchy of the host societies via selection forces that relate the perceived quantity and quality of human capital to the local labour market.

6.2. Research Methodology

6.2.1. DATA

To examine the labour market performance in the 1990s of immigrants to the EU, namely their employment/unemployment and their occupational status, we have used the European Union Labour Force Survey (EULFS) data set (a combination of the original Labour Force Surveys (LFS) conducted in each of the 15 European Union countries) in the period of 1992–2000. (For details see Eurostat, 1992, 1996, 1998). The EULFS database provides standardised, cross-sectional information on labour force participation, employment and unemployment. It offers core demographic and migration information, and educational background, and is valuable for large sample sizes, ensuring sufficient coverage of the immigrant population. (For general information, details on sampling plan and data collection see Table A.3 in the Appendix.) At yearly intervals, the respective data are centrally compiled by Eurostat from the spring quarterly Labour Force Surveys run by individual EU member states. Since it is based upon these large-scale annual national surveys, the EULFS offers a rich series of cross-sectional labour market data ideal for comparative research and in particular the large-scale comparative research presented in this book.

Despite its being probably the best source of standardised and comparable data across the various European Union countries, EULFS suffers from some deficiencies relevant to the analysis of immigrant populations. Firstly, as is apparent in Table A.3 in the Appendix, many countries do not include collective households in the survey, thus neglecting recently-arrived asylum seekers who, as a rule, reside in specialised camps. Secondly, in some countries survey participation is voluntary, which probably results in under-representation of recent or precarious immigrants. All in all, it is to be expected that recent immigrants might be under-represented in the EULFS – as is the case in any survey which does not deliberately target these groups of immigrants in particular (Lindstrom and Massey, 1994). Moreover, illegal immigrants tend not to be covered in regular national surveys, as they are not part of the resident population by definition. The under-sampling of such people is likely to introduce an unavoidable bias into any models of immigrant assimilation.

Furthermore, Italy has been totally excluded from the analysis due to unreliable immigrant-related information. Data for Austria, Sweden and Finland have been collected starting only in 1995, when these countries joined the EU. In the EULFS information on both country of birth and nationality is available but the quality of information on the country of birth of immigrants is in some years and some countries rather poor. Information on duration of residence in the host country also suffers from significant numbers of missing cases especially in France, Germany, Luxembourg and Spain. Moreover this information was not collected in Germany during 1992–1998 at all. Information on educational attainment is lacking in several countries for the year 1998, when a new classification of levels of education was launched by Eurostat. Taking into account these and some other deficiencies in the data the analysis has therefore been limited to a selected number of years and selected variables. The analytic strategy is to combine countries and observation years into a country–year dataset. The analysis firstly contrasts all immigrants with the native-born population in 14 EU countries; secondly, it focuses on the unemployment risk and occupational status of recent (up to five years in the host country), non-naturalised, third-country immigrants. For the first analysis the dataset comprises 28 country–year observations – two observation points for each country. The first observation selects the year 2000 (except for Finland, where 1999 data were used), and the second one refers to an earlier time point – normally 1995 (1996 for Denmark, Portugal, the Netherlands and Sweden; 1997 for Finland). The rationale behind the choice of these observation years is to study each country during periods of both strong economic performance (2000) and smaller but growing labour markets (as in the mid-1990s when the EU economy was recovering after the recession of the early 1990s). It has been impossible to include the whole time-series from 1995 to 2000 due to serious data problems with respect to immigration variables in 1996–1997 and educational attainment in 1998 in almost all EU countries. For the analysis of recent non-naturalised immigrants more extensive use of the 1992–2000 data can be made: 101 country–year observations, in which the average appearance of each country features about 7.2 times during this period.

The analysis focuses on the 18 to 64-year-old male[61] labour force residing in collective or private households. It distinguishes between three groups: the native-born national population, immigrants from EU and other industrialised countries, and third-country immigrants. The analysis is divided into two parts: firstly, the total immigrant populations of the EU countries are scrutinised; and, secondly, recent non-naturalised immigrants (residing less than five years in the host country).

6.2.2. VARIABLES

Two labour market outcomes, dependent variables in the study, are examined – the risk of being unemployed and occupational status.

Unemployment is treated as a dichotomous variable distinguishing between employed and unemployed persons in the labour force.[62] The standard International Labour Organisation (ILO, 1990) definition of unemployment is applied: Unemployed persons are those without a job, but currently available for and seeking work.[63]

The second dependent variable, *occupational status*, is measured by the International Socio-Economic Index of Occupational Status (ISEI) and refers to the hierarchical position of one's occupation. Using the 3-digit ISCO-88 occupational codes (see Annex A.2 in the Appendix) each person in the civil labour force (i.e., non-military) is assigned a score on the International Socio-Economic Index of Occupational Status (ISEI), an interval scale ranging between 16 and 85 developed by Ganzeboom and Treiman (1996).

The log odds of being unemployed, and socio-economic status are predicted by a number of individual and macro-level variables.

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[61] The main focus of the analysis is upon the male labour force. Men are seen as the primary breadwinners, especially in immigrant families. On average the proportion of immigrant women in the labour force deviates markedly from their proportion in the population. Kiehl and Werner (1999) attribute this to traditional concepts of the division of labour in the family, difficulties in receiving work permits, as well as discrimination in the labour market. Immigrant women seeking employment might form a rather select group for cultural, religious as well as family reasons. Since immigrants are classified in rather broad, ethnically heterogeneous groups, analyses of women's labour market fortunes would have been handicapped using only the data at hand.

[62] Thus 'inactive' persons, i.e., those studying, looking after the home, the retired, disabled, or others are excluded from the analyses.

[63] Due to its high comparability the ILO definition of unemployment may be without doubt called a superior measure of unemployment. Despite this it has a number of shortcomings, one of which is its treatment of discouraged workers. Discouraged workers, who have not been seeking work actively, are excluded from the definition of unemployed, which may effectively underestimate unemployment in times of economic recessions.

On the **individual** level the following dummy-coded[64] variables are included in the analysis:

(1) *Comparison groups*: native-born (reference group), immigrants from EU or other western industrialised countries (sometimes designated simply EU immigrants) and third-country immigrants (i.e. immigrants from the rest of the world). Whereas in the analysis of total immigrant inflow the classification is based on the country of birth, in the analysis of recent immigrants the classification is based on nationality, and contrasts the native-born population to third-country nationals.

(2) *Age groups*, dummy-coded variables with 3 categories: aged 18–24, aged 25–54 (as the reference group), and aged 55–64 for the analysis of the total immigrant population. For the analysis of recent non-naturalised immigrants the age groups are slightly different: 18–25, 26–45 (as the reference group), 46–65.

(3) *Level of education*, namely, the lower, middle, and upper portions of the educational range, based on the seven-level International Standard Classification of Education (ISCED) (see Annex A.3 in the Appendix – for further details refer to UNESCO, 1997). More specifically, the first group, the reference category, includes those persons with basic compulsory education up to lower secondary education (ISCED 0–2); the second consists of those who have attained vocational, upper secondary education or post-secondary non-tertiary education at the most (ISCED 3–4); the third group is constituted by those possessing any kind of tertiary credentials (ISCED 5–6). In addition, cases with missing information on the level of education are marked by the corresponding dummy variable.

(4) *Citizenship or naturalisation status*. This variable pertains only to immigrant populations and only in the models covering all immigrants (Tables 6.6 a,b,c and 6.8 a,b). It contrasts naturalised immigrants (= 1) to their non-naturalised counterparts (reference category). In the analyses presented in Tables 6.7 a,b,c and 6.9 no recent third-country immigrants are yet naturalised.

(5) *Year of observation*, with the year 2000 serving as a reference category. In the analysis of all immigrants an earlier observation point (pertaining mostly to the year 1995, and in some cases 1996 or 1997) is coded as a dummy variable. In the analysis of recent immigrants a group of dummy-coded variables is included for each observation year starting from 1992.

The following **macro-level** variables are included in the analysis of unemployment risk and/or occupational status of all immigrants who entered EU countries after the Second World War:

(1) *The size of the bottom of the occupational hierarchy*: Percentage of the total labour force employed in occupations of the lowest quarter of the occupational ladder,

[64] The categorical form of variables used for the analysis is determined by the specifics of the data, received in the form of a multidimensional table.

i.e. those assigned score 16–33 on the ISEI scale.[65] In practice these include unskilled, semi-skilled and low-skilled occupations.[66]

(2) Dummy-coded variables classifying EU countries into three *welfare regime types*: liberal, conservative (reference category) and social-democratic (for the list of countries see Table 5.1).

(3) A dummy variable contrasting countries that experienced significant *inflow from former colonies* (for the list of the countries see Table 3.1) vs. the rest (reference category).

(4) A dummy variable contrasting countries where significant inflow started only recently – *new immigration countries* (for the list of the countries see Table 3.1) vs. the rest (reference category).

Another macro-level variable is included in the analysis of unemployment risk of recent non-EU immigrants:

(5) Summary index of the *strictness of employment protection* developed by the OECD (1999: 66, Table 2.5). The OECD EPL strictness index ranges from 0 to 4, where higher scores imply stricter employment protection and stricter regulation in the use of flexible forms of work agreements. Low EPL countries, e.g. the UK and Ireland, score 0.5 and 0.9 on the index respectively, while the more regulated Southern European labour markets reach index scores of around 3.5. (The scores are plotted in Figure 4.6).

In addition to the macro-level variables used for testing the hypotheses, a number of control macro-level variables are also included.

(6) To account for a country's overall economic performance and to examine the claim that immigrants profit from expanding labour markets more than the native-born (Jones, 1993), *GDP percentage change* on a year ago, taken from the OECD Statistical Compendium, is included in the models of unemployment propensity.

(7) To examine how immigrants' occupational attainment is related to their composition – particularly with respect to educational selectivity – models of occupational status control for the *relative selectivity of third-country immigrants*, measured as the difference between the proportion of third-country immigrants with tertiary education and the tertiary educated native-born (see Table 3.4 for numbers).[67]

Bivariate correlation coefficients for macro-level variables applied in the analyses can be found in Tables 6.2–6.5 below. Tables 6.2 and 6.3 contain bivariate correlation coefficients

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[65] Alternatively other definitions of the lower-end of the occupational hierarchy were checked, namely its lower third or all unskilled and semi-skilled occupations. Results remain robust if applying these alternative classifications.

[66] The following occupational categories are considered the bottom of the occupational hierarchy in the study: 512–514, 611–615, 711–712, 714, 721, 732–733, 742, 744, 812–814, 816, 822–829, 833–834, 911–933. For the description of occupations see Annex A.2 in the Appendix.

[67] This variable pertains to the composition of the immigrant inflow. An alternative would be to measure the absolute selectivity of the immigrant inflow, i.e. the proportion of tertiary educated immigrants from third countries. Including this variable does not change the results substantially.

Table 6.2. Bivariate correlation coefficients between macro-level variables included in the analyses presented in Table 6.6a

Variable	1	2	3	4
1. Liberal welfare regime	1			
2. Conservative welfare regime	−0.55**	1		
3. Social-democratic welfare regime	−0.21	−0.70**	1	
4. Demand for low-skilled labour	−0.21	0.23	−0.09	1
5. GDP change	0.54**	−0.35	−0.06	0.01

Notes: N = 28.
*p < 0.05, **p < 0.01 (two tailed tests).

Table 6.3. Bivariate correlation coefficients between macro-level variables included in the analyses presented in Table 6.7a

Variable	1	2	3	4	5
1. Liberal welfare regime	1				
2. Conservative welfare regime	−0.60**	1			
3. Social-democratic regime	−0.18	−0.68**	1		
4. Demand for low-skilled labour	−0.17	0.21*	−0.10	1	
5. EPL strictness	−0.68**	0.77**	−0.32**	0.62**	1
6. GDP change	0.27**	−0.24*	0.05	−0.02	−0.22**

Notes: N = 101.
*p < 0.05, **p < 0.01 (two tailed tests).

Table 6.4. Bivariate correlation coefficients between macro-level variables included in the analyses presented in Table 6.8a

Variable	1	2	3	4	5	6
1. Liberal welfare regime	1					
2. Conservative welfare regime	−0.55**	1				
3. Social-democratic welfare regime	−0.21	−0.70**	1			
4. Ex-colonial countries	0.00	0.45*	−0.52**	1		
5. Guest-worker countries	−0.47*	0.26	0.10	0.00	1	
6. New immigration countries	0.12	−0.07	−0.03	−0.15	−0.86**	1
7. Third-country immigrants' selectivity	0.67**	−0.36	−0.15	0.06	−0.56**	0.48*

Notes: N = 28.
*p < 0.05, **p < 0.01 (two tailed tests).

Table 6.5. Bivariate correlation coefficients between macro-level variables included in the analyses presented in Table 6.9

Variable	1	2	3	4	5	6
1. Liberal welfare regime	1					
2. Conservative welfare regime	−0.60**	1				
3. Social-democratic welfare regime	−0.18	−0.68**	1			
4. Ex-colonial countries	−0.02	0.46**	−0.54**	1		
5. Guest-worker countries	−0.45**	0.18	0.19	0.03	1	
6. New immigration countries	0.05	0.06	−0.12	−0.17	−0.85**	1
7. Third-country immigrants' selectivity	0.44**	−0.24*	−0.12	−0.04	−0.07	0.12

Notes: N = 101.
*p < 0.05, **p < 0.01 (two tailed tests).

for variables used in modelling unemployment propensity and occupational status of all post-war immigrants; while Tables 6.4 and 6.5 contain analogous coefficients for variables included in the analyses of recent non-naturalised immigrants. In effect, it is possible to compare correlations between the macro-level variables by narrowing down to two observation points (as in the analyses of all immigrants), or by more extensive use of the data (as in the analyses of recent immigrants). Furthermore, it is possible to compare the degree of selectivity of more established third-country immigrants and more recent newcomers in various country-types.

It is worth noting that countries having liberal welfare regimes together with new immigration countries manage to attract more highly educated third-country immigrants (relative to the proportion of highly educated native-born people). The overall selectivity of immigrants appears to be lower in countries with the guest-worker tradition (see Table 6.4). With respect to the selectivity of more recent immigrants, new immigration countries hardly differ from countries with a longer tradition of immigration (see Table 6.5). Liberal welfare regimes, however, continue to attract more selective migrants than other countries, while conservative welfare regimes appear to attract less selective newcomers.

In accordance with Esping-Andersen's (1990, 1999) theoretical framework, liberal welfare regimes are characterised by lower employment protection, while in conservative welfare regimes stricter EPL is apparent. Countries belonging to the social-democratic welfare tradition also have less rigid labour markets (see Table 6.3). The fact that demand for unskilled and low-skilled labour is higher in conservative welfare regimes was already shown in Section 4.2.1, and is also confirmed by correlation coefficients presented in Table 6.3. Further, correlation coefficients show clearly that in the second half of the 1990s liberal welfare regimes have benefited from strong economic growth (see Tables 6.2, 6.3), driven in particular by Irish economic expansion. Labour markets have hardly been expanding in social-democratic or conservative welfare regimes, which is also evident from Table 6.3.

6.2.3. METHOD OF ANALYSIS

The method used for explaining the cross-national variation in unemployment likelihood and occupational status among immigrants (as compared to the native-born) is multilevel analysis (Bryk and Raudenbush, 1992; Longford, 1993; Goldstein, 1995; Kreft and de Leeuw, 1998; Snijders and Bosker, 1999). Multilevel analysis techniques are well suited to dealing with the hierarchical structure of the data. It would be incorrect to use normal logistic or ordinary least square regression techniques to analyse the effect of micro- and macro-level factors upon immigrant economic attainment since the error terms at the macro level are neglected and the standard errors of parameters are underestimated (Snijders and Bosker, 1999).

A hierarchical linear and non-linear modelling (HLM 5.05) program (Raudenbush et al., 2000) is used here to estimate the effect of nationality and immigrant status upon unemployment likelihood and occupational status. The two-level contextual analysis has certain advantages: firstly, it allows the effect of immigrant status to vary between the countries; secondly, it enables one to estimate the effect of country-level attributes upon immigrant inequality in unemployment propensity or occupational standing. The relatively small number of macro-level units (14 EU countries) makes the estimation of the significance of macro-level variables in accounting for cross-national variation potentially less accurate. To mitigate this problem several years of observation were combined into a single dataset resulting in a country–year second-level data set, while the variable(s) pertaining to survey years were included on the individual level as dummy variables.

One of the strengths of the HLM is its ability to weight its parameter estimates toward level-two units with more data, so countries with a relatively small number of immigrants will not seriously bias the results (due to the large sampling error associated with small sample size).

The multi-level equation predicting the log odds for immigrants of being unemployed in the EU countries takes the following form:[68]

Level 1

$$ln\left[\frac{P_{unemployed}}{P_{employed}}\right] = \beta_{0j} + \beta_{1j}(EU\ immigrants) + \beta_{2j}(Third\text{–}country\ immigrants) + \beta_{ij}X;^{69}$$

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[68] The notation by Bryk and Raudenbush (1992) is applied here.

[69] Snijders and Bosker (1999) argue that this model should not include a separate parameter for the level-one variance, because it is an equation for the probability of the outcome rather than the outcome itself Y_{ij}. While for continuous outcome variables the level-one residual variance was assumed to be constant, this is inadequate for dichotomous dependent variables where the analogous parameter is interpreted as the average residual variance, because in this case the groups have different intra-group variances. If one interprets a logistic regression as a linear regression of a continuous latent variable observed in dichotomised form, the so-called threshold model, then the individual level residual r_{ij} is assumed to have a standard logistic distribution with the fixed variance of $\pi^2/3$ (3.289) (Long, 1997; Snijders and Bosker, 1999).

where

β_{0j} = the intercept (log odds of being unemployed for the native-born, aged 26–45 with compulsory education in country j);

β_{1j} = the difference in log odds of being unemployed between native-born and immigrants from EU or other industrial countries in country j;

β_{2j} = the difference in log odds of being unemployed between native-born and third-country immigrants in country j;

β_{ij} = slopes for i control variables X, which include age groups, education levels, citizenship (only for immigrants) and year of observation. In such a model each of the β-coefficients represent a particular group's divergence (expressed as a dummy variable) from the reference category in a corresponding variable.

Macro-level variables are successively included in the model in order to assess their relative significance in explaining macro-level variation in immigrant inequality with respect to employment propensity. The final model is as follows:

Level 2

$$\begin{aligned}
\beta_{0j} &= \gamma_{00} + \gamma_{01}(\%\ Low-skilled)_j + \gamma_{02}(Liberal\ regime)_j \\
&\quad + \gamma_{03}(Social-democratic\ regime)_j + \gamma_{04}(GDP\ change)_j + u_{0j}; \\
\beta_{1j} &= \gamma_{10} + \gamma_{11}(\%\ Low-skilled)_j + \gamma_{12}(Liberal\ regime)_j \\
&\quad + \gamma_{13}(Social-democratic\ regime)_j + \gamma_{14}(GDP\ change)_j + u_{1j}; \\
\beta_{2j} &= \gamma_{20} + \gamma_{21}(\%\ Low-skilled)_j + \gamma_{22}(Liberal\ regime)_j \\
&\quad + \gamma_{23}(Social-democratic\ regime)_j + \gamma_{24}(GDP\ change)_j + u_{2j}.
\end{aligned}$$

where γ_{00}, γ_{10} and γ_{20} are the level-2 intercepts of the intercept and the slopes for immigrants from EU or other western countries and third-country immigrants, and u_{0j}, u_{1j} and u_{2j} are the error terms corresponding to the variation of the intercept and the slopes for both immigrant groups on the country level. To ease the estimation procedure a slope for immigrants from the third countries was allowed to vary between countries, while the slope for immigrants from EU countries was fixed; and vice versa. When analysing the unemployment risk of the recent (up to 5 years in the country) non-naturalised third-country immigrants in accordance with the hypotheses put forward, the effect of employment protection legislation is also included at the macro-level.

The model for occupational status is estimated in a similar fashion:

Level 1

$$Y_{ij} = \beta_{0j} + \beta_{1j}(EU\ immigrants) + \beta_{2j}(Third\text{–}country\ immigrants) + \beta_{ij}X + r_{ij};$$

In addition to coefficients whose meanings have been described above and which should be modified in accordance with the metric nature of the dependent variable, there is an additional error term in this model. It is assumed that r_{ij} is normally distributed with homogeneous variance across countries, that is, $r_{ij} \sim N(0,\ \sigma^2)$.

Here, similar to the models of unemployment propensity, macro-level variables are successively included in order to assess their relative significance in explaining macro-level variation in immigrant inequality with respect to occupational status so that the second level of the final model appears as follows:[70]

Level 2

$$\begin{aligned}
\beta_{0j} &= \gamma_{00} + \gamma_{01}(\textit{Former colonial power})_j + \gamma_{02}(\textit{New immigration country})_j \\
&\quad + \gamma_{03}(\textit{Migrant selectivity})_j + \gamma_{04}(\textit{Liberal regime})_j \\
&\quad + \gamma_{05}(\textit{Social} - \textit{democratic regime})_j + u_{0j}; \\
\beta_{1j} &= \gamma_{10} + u_{1j}; \\
\beta_{2j} &= \gamma_{20} + \gamma_{21}(\textit{Former colonial power})_j + \gamma_{22}(\textit{New immigration power})_j \\
&\quad + \gamma_{23}(\textit{Migrant selectivity})_j + \gamma_{24}(\textit{Liberal regime})_j \\
&\quad + \gamma_{25}(\textit{Social} - \textit{democratic regime})_j + u_{2j}.
\end{aligned}$$

None of the individual level variables, being dummy-coded variables, are centred in any of the models. The slopes of all individual level control variables (β_{ij}) were constrained to be equal across countries. In principle, the effects of the individual characteristics could also be allowed to vary on the country level. However, freeing too many slopes multiplies the number of variances and covariances that are estimated, which dramatically increases the complexity of the model and impedes convergence (Bryk and Raudenbush, 1992). Besides, the main aim of the analysis is to assess how the effects of immigrant status with regard to unemployment risk and occupational prestige vary across European countries, and also how immigrant inequalities are influenced by pertinent institutional characteristics in the EU countries. Individual-level characteristics, on the other hand, are said to operate in more or less the same way across all of Europe. For example, it is assumed that tertiary education protects against unemployment and increases occupational status in all EU countries, while poorly-educated persons face similar dangers of unemployment and lower occupational prestige in any of the countries analysed here.

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[70] The analogous model has been estimated for recent third-country non-naturalised immigrants.

6.3. Findings

6.3.1. DESCRIPTIVE RESULTS

Figure 6.1 plots unemployment rates of men[71] belonging to three comparison groups: the native-born, immigrants from EU and other western industrialised countries, and third-country immigrants. This is performed for countries across the European Union to gain insight into variations in the respective indicators both nationally and, more importantly, cross-nationally.

It is evident that in all the countries under discussion male immigrants from third countries have higher unemployment rates, while unemployment rates of EU immigrants are quite similar to those of the native-born in the majority of countries. Only in the Netherlands, Ireland, Spain – and particularly Portugal and Greece – do EU immigrants have substantially higher unemployment rates. Cross-national variation in the unemployment rates of third-country immigrants is also apparent. In Southern European countries, Ireland and

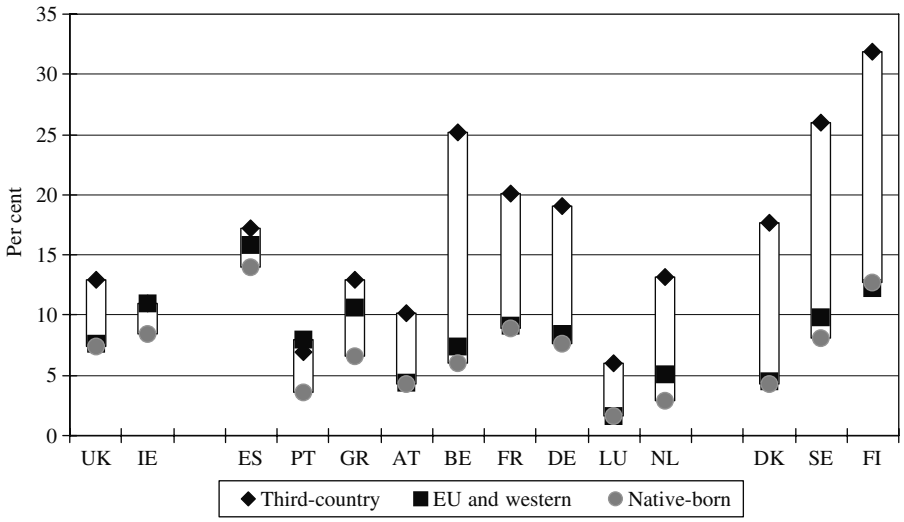

Figure 6.1. Unemployment rates among male immigrants and the native-born, aged 18–64, in EU countries
Source: EULFS, 1995–2000.

[71] Since the multivariate analysis focuses on the male immigrant population, the descriptive statistics focus on men as well. Corresponding figures for women can be found in the Appendix (Figure A.1). These figures reveal that the main trends in national and cross-national variation in unemployment rates for immigrant women as compared to the native-born are largely similar.

the UK unemployment rates among third-country immigrants seem to be closer to those among the native-born males, whereas in other continental and Scandinavian countries employment disadvantage appears to be more pronounced among this immigrant group. In Belgium, the Netherlands and Denmark, for example, male immigrants have almost a fourfold likelihood of being unemployed as compared to the native-born. In Luxembourg and Sweden unemployment rates of third-country immigrants are more than three times higher.

With respect to the occupational status (ISEI) of jobs held by male[72] immigrants compared with the native-born some variation in the magnitude of differences is apparent, but the underlying trend seems to be similar across almost all EU countries (see Figure 6.2). With few exceptions (Germany, Sweden and Finland), immigrants from EU and other western industrialised countries hold jobs of higher occupational status than native-born men, while the occupational status of third-country immigrants is, as a rule, lower. Only in Ireland, the UK and Portugal is the occupational status of third-country immigrants higher than it is among the native-born; while in Spain, France and Finland third-country immigrants do not significantly differ from the native-born with respect to the type of employment they attain.

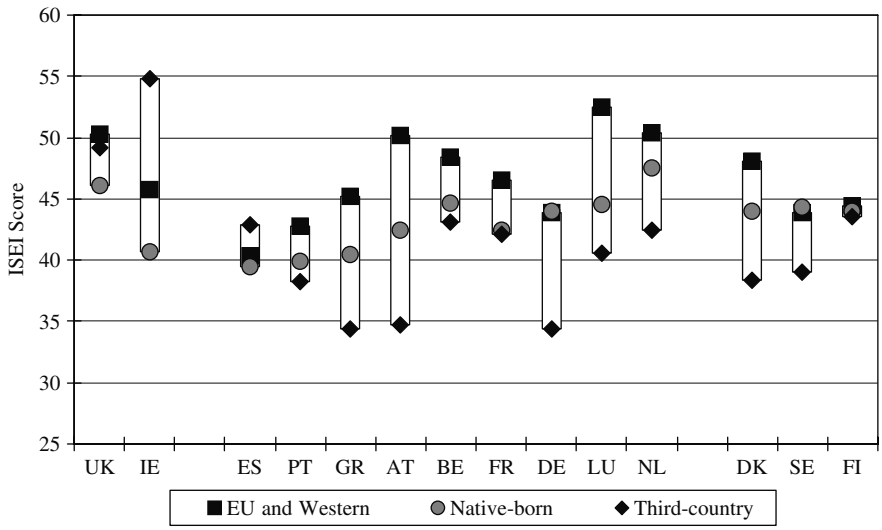

Figure 6.2. Occupational status (ISEI) of male immigrants and the native-born, aged 18–64, in EU countries
Source: EULFS, 1995–2000.

[72] The corresponding figure for women can be found in the Appendix (Figure A.2). Trends of occupational status among immigrant women are similar to those among men, with minor exceptions.

Though offering a general idea of the magnitude of employment and occupational disadvantage among third-country immigrants, these figures might be somewhat misleading since they do not take into account differences in the human capital and demographic characteristics of immigrants – the variation of which is documented in Sections 3.3.1 and 3.3.2 of the current work. The next section, therefore, presents the results of the multivariate analyses, which take into account both individual characteristics of the analysed individuals and the institutional factors of the host societies.

6.3.2. UNEMPLOYMENT RISK OF MALE IMMIGRANTS IN THE EU

Tables 6.6a (macro-level effects), 6.6b (individual-level effects) and 6.6c (variance components) present the results of the logistic two-level regression. It predicts the log odds of being unemployed for native-born men as compared to the two groups of male immigrants, i.e. those from EU or other industrialised countries and those from third countries. The aim of Model 1 (see Table 6.6a) is to assess the difference between the third-country immigrants and the native-born when none of the individual level variables is included, while allowing systematic variation across countries (between-country variation) in the intercept and the slope for third-country immigrants. The slope for immigrants from EU or other western-industrialised countries is fixed to ease the estimation procedure. The coefficient for third-country immigrants ($b = 0.92$) suggests that, on average, third-country male immigrants are more likely to be unemployed than the native-born male population, when not controlling for individual level attributes. When socio-demographic characteristics of individuals are controlled for in addition to the free variation of the intercept and slope for third-country immigrants across countries – as it is shown in model 2 – the difference in the odds of being unemployed between the native-born and third-country male immigrants increases slightly ($e^{1.07}$).

In addition to the differences between the two immigrant groups (the coefficients for the EU immigrants will be discussed later in more detail) and the native-born population, on average[73] a rather significant disadvantage ($e^{0.82}$) exists for young men compared to those 25–54-years-old in finding employment (see Table 6.6b[74]). At the same time, older people have similar chances of being employed compared to the reference group. Those who left school with a vocational or secondary education certificate

[73] It should be noted that the effects of the individual level variables (which are fixed in all the models presented in this study) should be interpreted as average for the European Union. Since the main focus of this book is upon the macro-level determinants of unemployment risk among immigrants in the EU, variation in the effects of the individual level variables, possibly existing between EU member states, is not addressed in the present study.

[74] Individual-level predictors remain more or less the same, irrespective of the model estimated; hence the individual-level results are presented only once.

are more likely to find employment ($e^{0.40}$), controlling for other individual level variables. Tertiary education provides even better chances for male non-nationals to find employment. The odds of being unemployed for holders of tertiary education certificates in the EU are much ($e^{-0.83}$) lower than for those who have compulsory education only, other things being equal. Since the data include cases with missing information on the educational level, a dummy variable has been introduced to account for such cases. This signifies that persons for whom information about their education is missing have a lower risk of being unemployed than people with compulsory education. Further, naturalised immigrants have a slightly lower risk of unemployment ($e^{-0.25}$) than

Table 6.6a. Macro-level effects of logistic two-level regression predicting the log odds of being unemployed among men in European Union countries, 1995–2000

Variables	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8
Intercept	−2.66**	−2.66**	−2.66**	−2.84**	−2.97**	−2.65**	−2.67**	−2.85**
(Native-born)	(0.10)	(0.12)	(0.13)	(0.15)	(0.13)	(0.10)	(0.12)	(0.14)
Demand for low-skill jobs			0.01	0.02	0.01			0.02
			(0.02)	(0.02)	(0.02)			(0.02)
Liberal regime				0.41**	0.45			0.38*
				(0.15)	(0.34)			(0.15)
Social-democratic				0.48*	0.42*			0.49*
regime				(0.20)	(0.16)			(0.19)
GDP change					−0.05			−0.04
					(0.04)			(0.04)
EU immigrants (Difference from native-born)								
Intercept	0.29**	0.45**	0.45**	0.45**	0.45**	0.37**	0.51**	0.58*
	(0.05)	(0.06)	(0.07)	(0.07)	(0.07)	(0.08)	(0.07)	(0.10)
Demand for								0.02
low-skill jobs								(0.01)
Liberal regime								−0.11
								(0.18)
Social-democratic								−0.27
regime								(0.20)
GDP change								0.01
								(0.03)
Third-country immigrants (Difference from native-born)								
Intercept	0.92**	1.07**	1.07**	1.11**	1.14**	0.96**	0.98**	1.00**
	(0.08)	(0.09)	(0.08)	(0.12)	(0.12)	(0.06)	(0.06)	(0.07)
Demand for			−0.03**	−0.04**	−0.04**			
low-skill jobs			(0.01)	(0.01)	(0.01)			
Liberal regime				−0.43**	−0.52**			
				(0.16)	(0.17)			
Social-democratic				0.21°	0.18			
regime				(0.11)	(0.12)			
GDP change					0.02			
					(0.03)			

°p <= 0.1; *p < 0.05; **p < 0.01. Robust standard errors are in parentheses.
N (individual level) = 865, 732; N (second level) = 28.
Source: Pooled EULFS data, 1995–2000, selected years.

Table 6.6b. Individual-level effects of logistic two-level regression predicting the log odds of being unemployed among men in European Union countries, 1995–2000

Individual-level variable	Coefficient	Robust standard error	Significance
Age			
18–24	0.82	(0.10)	**
25–54 (ref.)	0		
55–64	0.12	(0.13)	
Level of education			
Compulsory (ref.)	0		
Upper secondary	−0.40	(0.07)	**
Tertiary	−0.83	(0.10)	**
Information missing	−0.21	(0.09)	*
Naturalisation status (Naturalised = 1)	−0.28	(0.08)	**
Year of observation (earlier observation = 1)	0.28	(0.17)	

*p < 0.05; **p < 0.01.
N (individual level) = 865, 732.
Source: Pooled EULFS data, 1995–2000, selected years.

Table 6.6c. Variance components in logistic two-level regression predicting the log odds of being unemployed among men in European Union countries, 1995–2000

Model	Variance intercept	Variance slope EU immigrants	Variance slope third-country immigrants	Covariance slope and intercept
1	0.48		0.21	−0.17
2	0.47		0.20	−0.15
3	0.47		0.19	−0.14
4	0.39		0.15	−0.13
5	0.38		0.15	−0.13
6	0.45	0.26		−0.09
7	0.44	0.24		−0.12
8	0.37	0.20		−0.11

N (individual level) = 865,732; N (second level) = 28.
Source: Pooled EULFS data, 1995–2000, selected years.

their non-naturalised counterparts. Finally, in the mid-1990s the risk of unemployment was generally higher due to the less favourable labour market conditions, albeit insignificantly.

In Models 3-5 (back in Table 6.6a) the intercept and the slope for third-country immigrants are modelled as a function of macro-level characteristics, namely countries' demand for low-skilled labour (Model 3), the nature of the welfare regime (Model 4), and the general

economic climate in the country (Model 5). Since the effects of macro-level predictors upon the slope for third-country or EU immigrants are of primary interest to this study – while the structural determinants of unemployment in general (main effects) are not, the former will now be discussed in detail.

The proportion of the unskilled and low skilled in the total labour force, which serves as a proxy for the size of the secondary labour market, turns out to be a significant factor in explaining immigrant inequalities in finding employment (see Model 3). In countries with a stronger demand for less-qualified labour the gap between third-country immigrants and the native-born shrinks. This is evident from the significant negative cross-level interaction effect ($b = -0.03$) of the slope for third-country immigrants with this macro-level variable. Furthermore, any variation in immigrant employment inequalities between countries constituting different welfare regimes is investigated. So, in addition to the variable measuring countries' demand for unskilled and low-skilled labour, two dummy coded variables pertaining to liberal and social-democratic regimes – with the conservative regime being a reference category – are included in Model 4.

It is evident that third-country immigrants' employment disadvantage is significantly lower in the liberal welfare states than in the conservative welfare states. In social-democratic welfare states immigrants are slightly more disadvantaged when looking for jobs compared to the continental (conservative) regimes (the effect is significant at a 10% level). Variance of the slope for third-country immigrants is reduced for about a quarter $[(1-(0.15/0.20))^{*}100\%]$ once variables pertaining to the labour market structure and the nature of the welfare regime are included as compared to the model with individual level predictors only. Cross-country differences in labour market structure alone account for 5% of the variance in the slope for third-country immigrants' with respect to unemployment propensity (see Table 6.6c).

In Model 5, along with the variables related to the labour market structure and welfare regimes, the general economic climate in EU countries is accounted for, measured by the percentage change in the current year GDP. It appears that economic expansion (and the economies of most EU countries grew during the period under discussion) influences the chances of third-country immigrants and the native-born to find employment similarly. This contradicts the idea put forward by Jones (1993), that in times of economic recovery immigrants' unemployment falls more rapidly than that of the native-born. GDP growth neither plays any significant role in explaining the employment disadvantages of third-country immigrants (see also Table 6.6c), nor does it strongly influence the effects of other macro-level variables. The negative effect of the demand for low-skilled and unskilled jobs remains significant also in Model 5. The lower employment disadvantage for third-country immigrants observed in countries having liberal welfare regime becomes even more marked once those countries' economic growth is taken into account. Conversely, the higher risk of such immigrants facing unemployment in social-democratic welfare regimes is somewhat reduced, with the effect falling short of statistical significance.

In Models 6–8 the slope for immigrants coming from EU or other western countries is made random, while the slope for third-country immigrants is fixed.[75] Mimicking Model 1 for third-country immigrants, Model 6 examines the log odds of EU immigrants being employed as compared to the native-born, irrespective of the socio-demographic and human capital characteristics of both groups. It is obvious that the disadvantage of EU immigrants ($e^{0.37} = 1.45$ times) is less pronounced than is the case for third-country immigrants. When age, education, nationality and year of observation are controlled for (see Model 7), the net disadvantage for EU immigrants increases but still remains only half as large as the respective disadvantage of third-country immigrants. Model 8 aims at determining if the characteristics of the labour market and welfare regime of receiving societies that account for the variation in third-country immigrants' employment disadvantage are also responsible for the greater risk of unemployment in EU immigrants. Countries' economic growth is also accounted for in Model 8, as Model 5 did for third-country immigrants. It appears that none of the structural characteristics included in the model significantly affect employment disadvantage among EU immigrants. The size of the unskilled labour market sector seems not to matter when explaining unemployment differentials between EU immigrants and the native-born. There are no particular differences between countries belonging to different welfare regimes when it comes to employment chances among EU immigrants either. Finally, a country's economic climate does not have any significant effect upon employment disadvantages for migrants coming from EU and other western industrialised countries.

6.3.3. UNEMPLOYMENT RISK OF RECENT MALE IMMIGRANTS IN THE EU

It is well known that recent immigrants are at a higher risk of inactivity and unemployment compared to more established immigrants, not to mention the native-born population. In this section the main focus will be upon the unemployment risk of recent (up to 5 years in the country) non-naturalised immigrants. In contrast to the previous analyses, third-country immigrants are defined here according to their nationality and not their country of birth, since information on the former proved to be of better quality in the EULFS. By focusing on third-country nationals who immigrated in the last five years we can: (1) ascertain the difficulties faced by the immigrant population immediately upon arrival; (2) examine the effect of the EPL in receiving countries upon the unemployment differential between third-country immigrants and the native-born; and (3) fully exploit the potential of the EULFS by including more observation years. (Since nationality information is of a higher quality than country-of-birth information, more data points can be included.) It should, however, be acknowledged that recent immigrants will certainly be under-represented within the LFS. The LFS does not include data on all those who have recently moved to the EU, and is very unlikely to cover a representative sample of illegal residents.

[75] In a practical sense, it is possible to free both effects for third–country and those for EU immigrants, but this substantially impedes the convergence procedure.

As in the earlier analyses, coefficients pertaining to the macro-level variables are presented in Table 6.7a; individual-level effects can be found in Table 6.7b; and variance components are documented in Table 6.7c. Models in Table 6.7a largely follow the structure of Table 6.6a. Model 1 ascertains the effect for third-country immigrants without taking into account individual characteristics of the immigrant and native-born population. It is clear from the results below that recent third-country immigrants have a substantially lower chance of finding a job ($e^{-1.37}$) in EU countries as compared with the native-born, and that the gap is larger for this group of immigrants than for the third-country immigrants as a whole (compare with Model 1, Table 6.6a).

Table 6.7a. Macro-level effects of logistic two-level regression predicting the log odds of being unemployed for recent third-country immigrants and the native-born in European Union countries, 1992–2000

Variables	Model 1	Model 2	Model 3	Model 4	Model 5
Intercept (Native-born)	−2.56**	−2.65**	−2.58**	−2.86**	−2.78**
	(0.05)	(0.13)	(0.14)	(0.15)	(0.14)
Demand for low-skilled jobs			0.05**	0.02	0.03
			(0.01)	(0.01)	(0.02)
EPL strictness			−0.28**	0.16	0.11
			(0.05)	(0.13)	(0.13)
Liberal regime				0.98**	1.13**
				(0.25)	(0.25)
Social-democratic regime				0.56**	0.57**
				(0.17)	(0.18)
GDP change					−0.09**
					(0.03)
Third-country immigrants (Difference from native-born)					
Intercept	1.37**	1.28**	1.24**	1.33**	1.35**
	(0.08)	(0.08)	(0.06)	(0.08)	(0.07)
Demand for low-skilled jobs			−0.11**	−0.09**	−0.09**
			(0.01)	(0.02)	(0.02)
EPL strictness			0.27**	−0.04	−0.04
			(0.08)	(0.14)	(0.14)
Liberal regime				−1.02**	−1.06**
				(0.25)	(0.25)
Social-democratic regime				0.42*	0.40*
				(0.19)	(0.19)
GDP change					0.00
					(0.02)

°p <= 0.1; *p < 0.05; **p < 0.01. Robust standard errors are in parentheses.
N (individual level) = 282,689; N (second level) = 101.
Source: Pooled EULFS data, 1992–2000, selected years.

Table 6.7b. Individual-level effects of logistic two-level regression predicting the log odds of being unemployed for recent third-country immigrants and for the native-born in European Union countries, 1992–2000

Individual-level variable	Coefficient	Robust standard error	Significance
Age			
18–25	0.78	(0.04)	**
26–45 (ref.)	0		
46–65	−0.21	(0.04)	**
Level of education			
Compulsory (ref.)	0		
Upper secondary	−0.40	(0.03)	**
Tertiary	−0.76	(0.05)	**
Information missing	−0.32	(0.04)	**
Year of observation			
1992	0.17	(0.19)	
1993	0.39	(0.20)	
1994	0.45	(0.19)	*
1995	0.27	(0.19)	
1996	0.25	(0.20)	
1997	0.34	(0.20)	
1998	0.34	(0.21)	
1999	0.23	(0.18)	
2000 (ref.)	0		

*p < 0.05; **p < 0.01.
N (individual level) = 282,689.
Source: Pooled EULFS data, 1992–2000, selected years.

Table 6.7c. Variance components in logistic two-level regression predicting the log odds of being unemployed among recent third-country immigrants and the native-born in European Union countries, 1992–2000

Model	Variance intercept	Variance slope immigrants	Covariance slope and intercept
1	0.44	0.71	−0.25
2	0.42	0.62	−0.16
3	0.34	0.30	−0.03
4	0.32	0.18	−0.01
5	0.31	0.18	−0.01

N (individual level) = 282,689; N (second level) = 101.
Source: Pooled EULFS data, 1992–2000, selected years.

When socio-demographic characteristics and fluctuations of the business cycle are accounted for, as in Model 2, the net disadvantage of third-country immigrants decreases slightly, indicating that at least some portion of the observed ethnic disadvantage is explained by the socio-demographic disadvantage of recent immigrants. It is reasonable to assume that the number of covariates included in the model on the individual level is far too small to account for the whole variety of difficulties encountered by recent arrivals, e.g. host-country language problems, immediate adaptability and so on. It is also assumed, however, that recent immigrants experience quite similar difficulties immediately upon their arrival in any of the EU countries. The question thus arises: are systematic differences between EU countries, with respect to the structure of the labour market and the nature of welfare regimes, responsible for the variation in immigrant unemployment penalties?

But before shedding light on this issue, several individual-level effects are worth mentioning (see Table 6.7b). First of all, when the lower boundary of the older age group is changed so that more younger people are included, the risk of unemployment for the older age group (46–65 years old) progressively reduces. Effects of educational attainment correspond to those reported earlier. Dummy variables for the years of observation show up existing cyclical variations between the years 1992 and 2000, with European labour markets being particularly depressed in the year 1994 as compared to 2000.

Model 3 in Table 6.7a includes a variable pertaining to the proportion of unskilled or low-skilled jobs in the labour market and, as in the earlier analysis, this proves to be helpful in explaining cross-country variation in unemployment differentials between third-country immigrants and the native-born. Indeed, a heavier bottom in a host countries' occupational hierarchy tends to equalise the likelihood of recent third-country immigrants of securing employment (compared to the native-born). In accordance with the hypothesis formulated for recent immigrants regarding the effect of the EPL upon employment inequalities, the effect of EPL strictness is positive and statistically significant. This means that stricter employment protection legislation might be held accountable for the greater difficulty recent third-country immigrants face in finding employment, once national labour market structures are controlled for. Taken together, the two variables pertaining to labour market structure and regulation manage to explain about 50% of the variance in the slope for recent third-country immigrants present in the model containing only individual-level characteristics[76] (see Table 6.7c).

To illustrate these effects Figure 6.3 presents bivariate plots of the two aforementioned labour market indicators and the relative employment disadvantage among recent third-country immigrants.[77] The left graph clearly shows that in countries with a heavier

[76] It is worth noting here that the explanatory power of the macro-level variables is much greater when analysing labour market fortunes of more recent immigrants.

[77] The plots indicate the averages (for the period between 1992 and 2000) for the relative employment disadvantage and the proportion of those employed on the lower end of the occupational hierarchy.

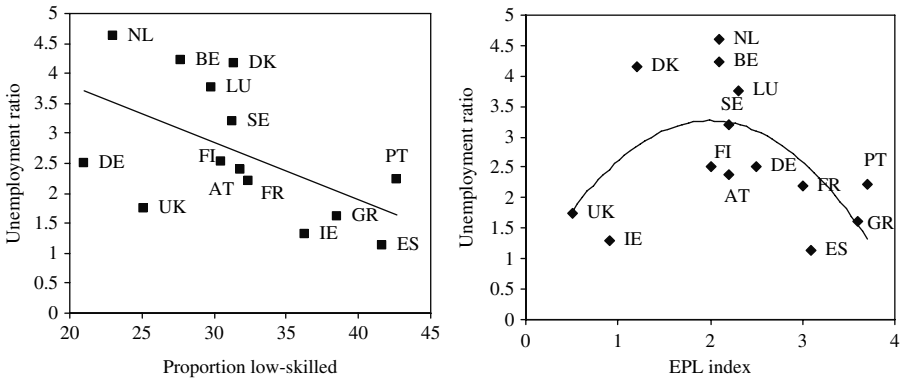

Figure 6.3. Labour market indicators (share of unskilled and low-skilled jobs and EPL index) and relative employment disadvantage of recent third-country immigrants (relative unemployment rate among recent third-country immigrants as compared to the native-born) in EU countries
Source: EULFS, 1992–2000.

bottom in the occupational hierarchy recent third-country immigrants experience fewer difficulties in finding employment. The effect of the EPL without controlling for labour market structure (right part of Figure 6.3) is curvilinear: recent third-country immigrants appear to fare better in the more flexible labour markets of Ireland and the UK. At the same time, however, newcomers from outside the EU seem to have fewer disadvantages in Southern-European countries, which have very strict labour market regulations together with rather expanded unskilled and low-skilled job markets. On the other hand, multilevel regression results show that once labour market structure is held constant, the effects of the EPL upon employment disadvantage for recent third-country immigrants is linear.

In Model 4, in addition to the macro-level variables relating to the labour market structure and regulations, dummy variables representing the welfare regimes are included; and, as in the previous analysis, the conservative welfare regime serves as a reference category. It is noteworthy that the effect of EPL strictness disappears once dummy variables for the welfare regimes are included in the model. This accords with theoretical arguments and expectations that labour market flexibility is an essential component in the welfare regime construct. The negative interaction effect of the slope for third-country immigrants and the proportion of those employed in unskilled and low-skilled jobs remains significant even after controlling for types of welfare regime. It appears that in liberal welfare countries recent immigrants have a better chance of finding employment than is the case in conservative welfare states. Conversely, in social-democratic welfare regimes recent immigrants seem to be more disadvantaged when it comes to employment.

Compared to the results of the earlier analysis (see Table 6.6a), in this model the effect for the social-democratic welfare regime is much stronger and statistically significant, which might suggest that recent third-country immigrants in Nordic countries face particular difficulties at the labour market entry points. It might well be that they can simply afford to wait for better openings while receiving more generous welfare support – support which is less available or absent in conservative welfare regimes, as suggested in Chapter 5. To more closely compare the labour market fortunes of recent immigrants in social-democratic regimes with those in conservative welfare regimes, Chapter 8 undertakes detailed analyses of immigrants in Sweden, a prototype of the social-democratic regime, and examines the fate of newcomers in the conservative welfare state of Austria.

In Model 5 a variable capturing the general economic climate in the country is controlled for; and as in earlier analyses no significant effect of GDP growth upon employment entry for recent third-country immigrants can be reported (note also no change in the variance component in Table 6.7c). Altogether macro-level variables included in the analyses account for about 80% of the variance in the slope for recent third-country immigrants, which suggests a most important role in explaining cross-national variations in immigrant inequalities.

6.3.4. THE OCCUPATIONAL STATUS OF MALE IMMIGRANTS IN THE EU

The previous sections demonstrated that unemployment is indeed a serious obstacle for immigrant labour market integration in the EU. This section poses the following questions: Along with high unemployment risks, do immigrants – and particularly third-country immigrants – experience disadvantage in the types of occupations they pursue? If so, and most notably, do systematic differences exist between countries which can be attributed to the differences in their institutional arrangements? To answer these questions a linear two-level regression model is run to predict the occupational status of immigrants, both from EU or other western countries and third countries, as compared to the native-born. This model takes individual as well as macro-level characteristics into account, above all the context of immigrant reception as captured by dummy variables pertaining to former colonial and new immigration countries and immigrant selectivity (i.e. the relative proportion of those with tertiary degrees among third-country immigrant men compared to the native-born).

Model 1 in Table 6.8a, which allows the intercept and the slope for third-country immigrants to vary between countries, and Model 5 in the same table, which allows the intercept and the slope for EU immigrants to be random, present standardised coefficients and robust standard errors of the gross effects pertaining to the two immigrant groups. Set to be random, the slope for third-country immigrants is negative, but not statistically significant (Model 1); while the slope for EU immigrants (Model 5) is significant and positive, which indicates that EU immigrants on average seem to hold more prestigious occupations than the native-born. However, allowing for socio-demographic and other differences, the occupational advantage of EU immigrants disappears; and as Model 6 shows EU immigrants and the native-born do not differ in the status of jobs they hold. The

Table 6.8a. Macro-level effects and variance components in the linear two-level regression predicting occupational status in European Union countries, 1995–2000

Variables	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Intercept (Native-born)	43.05** (0.48)	35.42** (0.43)	34.94** (0.71)	34.03** (1.32)	43.02** (0.48)	35.35** (0.43)
Former colonial countries			1.55* (0.73)	2.01 (1.38)		
New immigration countries			−0.89 (0.60)	−0.50 (0.79)		
Immigrant selectivity			−0.01 (0.05)	−0.05 (0.09)		
Liberal regime				1.79 (2.17)		
Social-democratic regime				0.83 (1.31)		
EU immigrants (Difference from native-born)						
Intercept	3.34** (0.55)	0.55 (0.62)	0.55 (0.62)	0.55 (0.62)	3.59** (0.53)	−0.06 (0.41)
Third-country immigrants (Difference from native-born)						
Intercept	−1.50 (1.09)	−2.97** (0.76)	−4.05** (1.16)	−5.42* (1.66)	−3.90** (1.37)	−3.74** (0.61)
Former colonial countries			1.46 (0.87)	1.96° (1.10)		
New immigration countries			0.81 (1.11)	1.70 (1.13)		
Immigrant selectivity			0.16* (0.07)	0.04 (0.09)		
Liberal regime				4.60** (1.45)		
Social-democratic regime				0.49 (1.43)		
Variance components						
Level 2 Variance intercept	6.47	2.75	1.85	1.65	6.22	2.67
Level 2 Variance slope	33.91	9.04	4.31	2.77	6.44	2.71
Level 1 Variance	253.81	170.21	170.21	170.21	254.81	170.38

°p <= 0.1; *p < 0.05; **p < 0.01. Robust standard errors are in parentheses.
N (individual level) = 776,535; N (second level) = 28.
Source: Pooled EULFS data, 1995–2000, selected years.

Table 6.8b. Individual-level effects of the linear two-level regression predicting occupational status in European Union countries, 1995–2000

Individual-level variable	Coefficient	Robust standard error	Significance
Age			
18–24	−4.18	(0.53)	**
25–54 (ref.)	0		
55–64	0.83	(0.30)	**
Level of education			
Compulsory (ref.)	0		
Upper secondary	6.04	(0.49)	**
Tertiary	24.16	(0.53)	**
Information missing	5.46	(1.69)	**
Naturalisation status (Naturalised = 1)	2.46	(0.67)	**
Year of observation (earlier observation = 1)	0.20	(0.84)	

°p <= 0.1; *p < 0.05; **p < 0.01.
N (individual level) = 776,535; N (second level) = 28.
Source: Pooled EULFS data, 1995–2000, selected years.

negative effect for third-country immigrants, on the contrary, becomes stronger and statistically significant when individual characteristics are taken into account (see Model 2). This indicates that third-country immigrants do not receive the same returns upon their human capital as do the native-born. In line with other research findings, younger people tend to have lower occupational status, while older people are able to secure somewhat more prestigious occupations (see Table 6.8b). Higher education, and particularly that of an academic nature, certainly leads to more prestigious occupations. Notably, naturalised immigrants hold more prestigious jobs, which might reflect the fact that in many EU countries naturalisation opens doors to a wider range of jobs – including those in the public sector which are, on average, more prestigious. Finally, no significant effect for the dummy variables capturing the differences between observation years is noticeable.

Model 3 (back in Table 6.8a) addresses the questions of whether occupational differentials between third-country immigrants and native-born men vary between countries, and how these are related to countries' immigration policies and contexts of immigrant reception. To this end dummy variables for countries that experience migration from their former colonies, and new immigration countries, are included in addition to a variable pertaining to the degree of selectivity of third-country male immigrants. The results show that both in countries with a history of colonial migration and new immigration countries the gap in occupational status between third-country immigrants and the native-born seems to become somewhat smaller. Neither effect is, however, statistically significant. In countries, which received a larger proportion of highly educated immigrants, third-country immigrants appear on average to hold more prestigious jobs, other things being equal.

In Model 4, consistent with hypotheses put forward, we also control for the nature of the welfare regime including two dummy-coded variables for liberal and social-democratic welfare regimes. Quite a strong, statistically significant positive effect within the liberal welfare regimes is evident. The positive effect for third-country immigrants in countries with a colonial history becomes stronger and reaches 10% significance in this model. At the same time the significant effect for immigrant educational selectivity fails to reach statistical significance once dummies for welfare regimes are accounted for in Model 4. Although most of the cross-country variation with respect to occupational standing of third-country immigrants is explained by differences in the individual characteristics of immigrants themselves, some part of the cross-national variance could be attributed to the variation in institutional make-up of the countries under discussion (compare variance components for the slope in Models 1–4 in Table 6.8a).

Finally, we repeat the analyses of occupational status for recent non-naturalised third-country immigrants as compared to the native-born. As mentioned earlier, analyses of recent third-country immigrants are based upon the data with a large number of observation points (1992–2000), while third-country immigrants are defined according to their nationality and not country of birth.

Without going into too much detail, results presented in Table 6.9 largely confirm findings as to the effect of host countries' institutional characteristics upon the occupational status of third-country immigrants as a whole. As in the earlier analyses, educational selectivity of recent third-country immigrants plays a positive role in immigrants' occupational status, but once dummy variables for the welfare regime types are controlled in the model, this effect is no longer significant. Instead, it appears that recent third-country immigrants are able to attain significantly higher occupational standing in liberal welfare regimes, which are also able to attract more selective immigrants (see Tables 6.4–6.5). Occupational status of immigrants in social-democratic welfare states is not significantly different from their status in conservative welfare regimes, other things being equal.[78] Furthermore, as already shown in the earlier analyses, we find confirmation here that countries with a tradition of immigration from former colonies offer recent third-country immigrants higher occupational status than other host countries are able to do, *ceteris paribus*.

6.4. Summary and Discussion

A descriptive overview presented in this chapter reveals significant variation, both within-country and cross-nationally, in labour market outcomes of immigrants from EU and

[78] The occupational standing of recent third-country immigrants is nevertheless higher in social-democratic welfare states than in conservative ones, which does not seriously contradict our predictions. The effect is not statistically significant though.

Table 6.9. Macro- and individual-level effects, and variance components in the linear two-level regression predicting occupational status of recent third-country immigrants compared to the native-born in European Union countries, 1992–2000

Variables	Model 1	Model 2	Model 3	Model 4
Intercept (Native-born)	42.76**	35.39**	34.91**	34.64**
	(0.27)	(0.49)	(0.43)	(0.45)
Former colonial countries			1.52*	1.55**
			(0.26)	(0.31)
New immigration countries			−1.32**	−1.31**
			(0.27)	(0.28)
Immigrant selectivity			−0.05**	−0.06**
			(0.01)	(0.01)
Liberal regime				0.84**
				(0.30)
Social-democratic regime				0.11
				(0.34)
Third-country immigrants (Difference from native-born)				
Intercept	−2.66**	−2.73**	−3.96**	−6.42**
	(0.78)	(0.55)	(0.77)	(0.59)
Former colonial countries			1.72°	2.05**
			(0.96)	(0.67)
New immigration countries			0.40	0.94
			(0.89)	(0.76)
Immigrant selectivity			0.15**	0.00
			(0.03)	(0.02)
Liberal regime				11.79**
				(0.89)
Social-democratic regime				1.72
				(1.45)
Individual-level variables				
Age				
18–25		−3.45**	−3.44**	−3.45**
		(0.18)	(0.18)	(0.18)
26–45 (ref.)		0	0	0
46–65		1.40**	1.40**	1.40**
		(0.15)	(0.15)	(0.15)
Level of education				
Compulsory (ref.)		0	0	0
Upper secondary		5.97**	5.96**	5.96**
		(0.28)	(0.28)	(0.28)
Tertiary		23.21**	23.20**	23.20**
		(0.34)	(0.34)	(0.34)
Information missing		3.38**	3.37**	3.32**
		(1.14)	(1.14)	(1.15)

Table 6.9. (*Continued*)

Variables	Model 1	Model 2	Model 3	Model 4
Year of observation				
1992		0.62	0.77	0.89
		(0.92)	(0.72)	(0.67)
1993		0.10	0.11	0.29
		(0.67)	(0.52)	(0.44)
1994		−0.15	−0.05	−0.01
		(0.68)	(0.51)	(0.45)
1995		−0.07	−0.07	0.24
		(0.65)	(0.46)	(0.41)
1996		0.02	0.21	0.24
		(0.69)	(0.49)	(0.46)
1997		0.19	0.22	0.39
		(0.68)	(0.47)	(0.43)
1998		−0.07	0.05	0.14
		(0.70)	(0.54)	(0.54)
1999		0.21	0.23	0.21
		(0.66)	(0.51)	(0.47)
2000 (ref.)		0	0	0
Variance components				
Level 2 Variance intercept	7.27	2.91	1.39	1.33
Level 2 Variance slope	54.09	27.17	23.17	7.98
Level 1 Variance	224.35	149.31	149.31	149.31

°p <= 0.1; *p < 0.05; **p < 0.01. Robust standard errors are in parentheses.
N (individual level) = 251, 316; N (second level) = 101.
Source: Pooled EULFS data, 1992–2000, selected years.

other western industrialised countries, and third-country immigrants, as compared to the native-born male population. While third-country immigrants, as a rule, have higher unemployment rates and hold jobs of lower occupational status, unemployment rates among immigrants from EU or other western industrialised countries are similar or only slightly higher than rates among the native-born. Their occupational attainment appears to be rather similar to that of the native-born as well. So, analyses in this chapter aim at explaining whether cross-national variations in unemployment and occupational status between immigrant and native-born populations is systematically related to variations in institutional factors – in particular, immigration policies, labour market structure and regulations, and the nature of welfare regimes.

First of all, the study confirms that institutional factors in receiving societies affect the degree of economic incorporation for immigrants from EU or other western industrialised countries in a manner similar to the effect upon the native-born. A varying effect is evident when it comes to third-country immigrants (H1). Since third-country immigrants

Table 6.10. Effects of the macro-level variables on the third-country immigrants' inequality (slope) in unemployment risk and occupational status (summary)

		Unemployment propensity		Occupational status	
		All immigrants	**Recent immigrants**	**All immigrants**	**Recent immigrants**
Labour market	Size of unskilled sector	**Negative**	**Negative**		
	EPL strictness		Positive		
	GDP change	No effect	No effect		
Immigration policy, immigrants' composition	Former colonial countries			***Positive***	**Positive**
	New immigration countries			No effect	No effect
	Immigrant selectivity			Positive	Positive
Welfare regime	Liberal	**Negative**	**Negative**	**Positive**	**Positive**
	Conservative (reference)				
	Social-democratic	No effect	Positive	No effect	No effect

Note: **Bold** refers to the effects from the final models, *italics* pertains to weak significant effects ($p = 0.1$). An empty cell signifies that the effect was not estimated.

are particularly disadvantaged in European labour markets the multivariate analyses are mostly focused on this segment of the foreign-born population (see summary of results in Table 6.10).

The results of the multilevel logistic regression confirm that in receiving countries with a larger unskilled and low-skilled labour market segment, third-country immigrants have better employment entry chances or, in other words, are less disadvantaged compared to the native-born (H2). As expected, employment entry inequalities are lower for immigrants in liberal welfare states (H6). This is particularly true when it comes to recent immigrants, who seem to be less disadvantaged when entering employment in the more flexible labour markets characteristic of liberal welfare regimes (H3). Furthermore, recent immigrants are able to land jobs of a somewhat higher status in more flexible labour markets (controlling for the context of immigrant reception and immigrant selectivity), so that the economic disadvantage of third-country immigrants compared to the native-born is smaller. It appears also that immigrants, and above all recent newcomers, experience particular disadvantages when looking for employment in Scandinavian social-democratic welfare states (H7). Whether this is due to more generous welfare provisions allowing recent third-country immigrants a longer search for better employment or other factors remains to be explored in more detail. Chapter 8 addresses the issue, examining the economic incorporation of immigrants in Sweden, a prototype of the social-democratic

welfare regime, as compared to immigrants' labour market attainment in Austria, one of the conservative welfare states.

Additionally, no support is found for the claim that in expanding labour markets immigrants are able to remedy their employment disadvantages due to their employment prospects improving more quickly than those of the native-born. Neither third-country immigrants nor immigrants from the EU or other industrialised countries are able to secure better employment entry chances than the native-born in expanding labour markets.

Contrary to expectations (H5), inequalities in immigrants' occupational prestige in new immigration countries are similar to those in other countries. However, there is evidence that countries with a history of immigration from former colonies have a narrower gap in occupational status between third-country immigrants and the native-born (H4). This finding is statistically significant for recent third-country immigrants, being significant only at a 10% level when looking at all post-war third-country immigrants.

By and large, Engelen's (2003) thesis as to the different modes of economic incorporation in liberal welfare states, i.e., the syndrome of mobility and flexibility, as compared to conservative and social-democratic welfare regimes, i.e., the syndrome of closure and rigidity, has been confirmed by the results of the multilevel analyses presented here (H6). The findings show that in liberal welfare countries immigrants have better prospects of finding employment and are able to land jobs, on average, of higher occupational status than those who settled in countries with conservative and social-democratic welfare systems. It should be stressed, however, that immigrants heading to liberal welfare states are also subjected to stronger selectivity with respect to education, which probably contributes to labour market success in those countries.

The results also show that employment disadvantages among immigrants, particularly recent newcomers, are somewhat higher in Scandinavian social-democratic regimes as compared to conservative welfare regimes (H7). Immigrants in Scandinavian welfare states are able to attain employment of a somewhat higher-status than immigrants in conservative welfare states, but this finding is not statistically significant.

The analyses presented here describe the aggregate results of actions taken by individuals based upon their own decision-making, which is definitely socially embedded – oriented and shaped as it is by social and institutional structures. That is, the labour market outcomes of immigrants, seen on the aggregate level, are influenced by the institutional characteristics of the receiving societies, via the interests and opportunities of the individual actors (be they employers or employees). With the analytic strategy adopted in this chapter (a large-scale analysis of the labour market outcomes rather than processes),

and the cross-sectional data used,[79] it is impossible to scrutinise the complex processes occurring on the individual level that lead to observed outcomes. Above all, there is no way to study actual job matching.

Among the data constraints two main items should be mentioned. Firstly, the cross-sectional character of the EULFS data allows no more than a snapshot at a particular point in time in a particular country or countries. The data do not convey information about the time people spend in a particular state (e.g. unemployment). Hence the question of whether high unemployment incidence rates are concentrated upon one and the same group of immigrants, or whether it is a common but occasional experience for many newcomers, cannot be answered by these data. Secondly, as the LFS data lack a dynamic perspective, the ambiguity in causal relationships cannot be resolved (Blossfeld and Rohwer, 1995). Indeed, the database offers quite limited leverage for the actual processes and events that generate not only the outcomes but also the structural relations observed at the macro level.

Since immigrant integration is not only about achievements at a particular point in time, but also a more complicated process of transitions – a sequence of events in immigrants' labour market histories – the next section will adopt a more holistic approach. It will look at employment and the occupational *careers* of immigrants as compared to the native-born in two countries representing two welfare regimes or syndromes: a liberal one, the United Kingdom, and a conservative one, Germany. To this end existing longitudinal data from the German Social-Economic Panel (GSOEP) and the British Household Panel Survey (BHPS) are used. Panel data are superior to cross-sectional records as they allow the modelling of the careers of the immigrant population and the examinination of employment (as well as other) transitions. In particular, panel data allow exploration not only of the incidence but also the duration of unemployment that immigrants experience compared to the native-born. With such data we could examine what types of jobs immigrants are able to find after unemployment and whether their risks of losing employment are higher than those of the native-born.

Secondly, individual panel data contain a richer variety of variables and are of better quality than EULFS standardised over 15 EU countries. It should be acknowledged in this respect that the type of data provided by Eurostat does not allow the inclusion of further individual-level predictors of unemployment risk and occupational status, such as host-country language competency or the number of years since migrating. Information on the former is not sought by the EULFS, while the quality of data for the latter is very poor. Furthermore, because of aggregate format and data confidentiality issues, the variables are not available in EULFS in a more detailed form (at the time of writing).

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[79] In fact the availability of the data influenced the decision to focus on outcomes rather than processes. To try and test the actual mechanisms behind the outcomes one would need comparative longitudinal data, which is not available for the analysis of factors affecting immigrants in a large number of EU countries.

CHAPTER 7. EMPLOYMENT CAREERS AND UNEMPLOYMENT DYNAMICS OF MALE IMMIGRANTS IN GERMANY AND GREAT BRITAIN[80]

This chapter examines employment careers of immigrants as compared to the native-born in Germany and the United Kingdom, two countries that differ with respect to several factors potentially influencing immigrant integration and particularly immigration policies, labour market regulation and welfare regimes. Sequence analysis techniques are applied to the existing panel data for both countries exploiting their full potential for the descriptive analysis, while a multivariate event history analysis is conducted to explore the dynamics and to determine the causes of frequent and prolonged unemployment among immigrants in both countries.

The chapter starts with an overview of immigration trends in Germany and the United Kingdom. This is followed by a systematic assessment of a hypothetical role postulated for institutional factors affecting immigrant labour market incorporation in both countries. Data and methods are described in detail in Section 7.2, while results can be found in Section 7.3.

7.1. Background Conditions in Germany and Great Britain

7.1.1. AN OVERVIEW OF IMMIGRANT INFLOW TO GERMANY AND THE UK IN THE SECOND HALF OF THE 20TH CENTURY

The post-war immigration history of Germany and the UK share some similarities and can be divided into two periods. The first period, which lasted roughly until 1973, is predominantly characterised by labour migration, minimal restrictions on migrant inflow and negligible effort towards social integration for the newcomers. Following the oil crisis of 1973 the policy of labour recruitment and unrestricted immigration was abandoned and migrant inflow has since been dominated by family reunifications and resettlement of refugees and asylum seekers. Despite the similarities in general trends of immigration (which are actually characteristic all western and northern European countries as has been shown in

[80] A portion of this chapter appeared as an article 'Labour market Careers of Immigrants in Germany and the United Kingdom' in Journal of International Migration and Integration, 5(4), 2004, pp. 417-47.

Section 3.1) the UK and Germany differ with respect to some aspects of their immigration policies, the contexts of immigrant reception and the composition of newcomers.

The year 1955, when Italy and Germany signed a treaty which allowed an organised recruitment of Italian labour to meet the needs of the growing German economy, marked the beginning of guest worker migration. After the construction of the Berlin wall in 1961, the Federal Republic of Germany was no longer able to rely upon inflow from the German Democratic Republic. But because demand for labour actually increased dramatically, recruitment was expanded to other Southern European and Mediterranean countries: Spain and Greece from 1960, Turkey (1961), Morocco (1963), (Portugal, 1964), Tunisia (1965) and finally Yugoslavia beginning in 1968 (Rudolph, 1994). Foreign workers were recruited to take jobs in Germany on a temporary basis (for several years with further rotation) and were not expected to settle or bring their families. In short, social integration of guest workers, who themselves viewed their presence as temporary, was not envisaged and no comprehensive concept for dealing with a growing foreign population was adopted.

In Britain, as in other European countries, immigration was stimulated in the 1950–60s by demand for cheap and flexible labour; but unlike Germany, the UK did not resort to mass guest-worker recruitment. In fact, very few immigrants were recruited either through government programs or directly by employers (Hatton and Wheatley Price, 1999), and those who came by invitation were mainly Irish workers or persons displaced after the Second World War. Most migrants arrived with the goal of finding work, coming from Commonwealth countries and benefiting from the open-door policy of the British government: Under the 1948 British Nationality Act British subjects (those from the former British colonies, e.g. West or East Indies) had the right to enter, work, and settle with their families in Britain and granted British citizenship (Bloch, 2002; Currle, 2004). Hence, unlike in Germany, British authorities and immigrants themselves saw their presence as more than temporary, with immigrants enjoying rights and freedoms similar to those of native-born Britons (Kruyt and Niessen, 1997).

From 1971 onwards the British government introduced restrictions on migration from the Commonwealth and Pakistan. Germany ceased the practice of foreign labour recruitment in 1973, following the oil crisis and a sharp decrease in demand for labour.[81] This marked a new phase in both countries' immigration histories: since the mid-1970s immigrants have been accepted in both Germany and the UK mostly on humanitarian grounds, including family reunification, resettlement of refugees and granting asylum to those seeking it. In Germany the cessation of active labour recruitment and barriers faced by foreigners in settling led to a minimisation of trans-national movement, and marked a growing tendency toward permanent settlement among those who had earlier entered the country as temporary workers.

[81] The restrictions on migration did not, however, apply to immigrants arriving from the EU or other western industrialised countries.

Since the late 1970s, and particularly in the late 1980s to the early 1990s, the inflow of refugees and asylum seekers has increased both in Germany and the UK. While in the UK the majority of asylum-seekers have come from Africa and Asia, in Germany the main inflow has been from Eastern European countries. Ethnic cleansing and wars in the former Yugoslavia brought thousands of refugees to Europe, with Germany being one of the countries that accepted large numbers. In the early 1990s Germany also experienced migration of ethnic Germans coming from Eastern Europe and the former Soviet Union. They were entitled to settlement, full rights as German citizens and preferential treatment compared to other newcomers.[82]

Despite the tendency to restrict immigration, some revival of temporary work migration in the 1990s is evident. Firstly, a demand for unskilled, seasonal and flexible labour attracted immigrants particularly to Southern European countries, but also to Germany and Great Britain. Secondly, immigration of highly skilled, professional workers and entrepreneurs grew in importance, especially in Great Britain. These consist of people arriving from the EU or other western industrialised countries, but also from elsewhere – India, China, or Eastern Europe, for example – to fill the need for specialists in hospitals, high- and bio-tech industries.

7.1.2. THE ROLE OF INSTITUTIONS IN THE IMMIGRANT LABOUR MARKET ALLOCATION PROCESS IN GERMANY AND THE UK

The leitmotif of this book is that institutional characteristics of host societies, particularly immigration policies, labour market structure and regulations, and the welfare regime might direct the immigrant labour market allocation process; and this may account for variations in outcomes between Germany and the United Kingdom. These countries do not differ substantially with respect to the structure of their labour markets, particularly when it comes to the size of the occupational hierarchy's lowest level (see Figure 4.4). Besides, there is no evidence of significant difference between the countries in the way they provide welfare to immigrants: legally resident immigrants in both countries are eligible for welfare benefits comparable to native-born citizens. Yet both countries certainly do belong to different welfare-regime types and consequently differ with respect to welfare coverage and generosity (see Table 5.1). This applies to all residents, however. Though sharing a number of similarities, Germany and Great Britain do differ with respect to their immigration policies and labour market regulations; and these factors might underlie difference in the inclusion of immigrants in the labour market, particularly underprivileged third-country immigrants (see Table 7.1).

As may be seen from the overview of the immigrant inflow in Germany and the United Kingdom, substantial differences exist in *immigration policies* and *contexts of immigrant*

[82] Ethnic Germans from the East (*Aussiedler*) were welcomed at the homeland of their ancestors even earlier, but the problem at that stage was restricted exit from the former socialist countries (Münz and Ulrich, 1997).

Table 7.1. Institutional factors affecting immigrant integration in Germany and Great Britain

	UK	Germany		
Immigration policies				
- Immigrants' selectivity	More positive	Less positive	Immigrants' human capital	**UK > DE**
- Country-specific human capital (language, recognised education)	More	Less		
- Temporariness of migration	Less	More		
Labour market				
- Anti-discrimination legislation	More developed	Less developed	Migrant penalty	**DE > UK**
- Flexibility	More	Less		

reception between the two countries. Firstly, immigrants heading to the UK might be more positively selected than those arriving in Germany even though neither country has until recently explicitly selected immigrants for human capital or other (e.g. entrepreneurial abilities, financial capital) characteristics. However, in Germany immigrants who arrived through the guest-worker schemes, who still comprise a substantial proportion of the total number of foreign-born persons residing in Germany, were certainly more negatively selected with respect to human capital than were immigrants who headed to the UK during the same period. As for subsequent immigration waves, there are no reasons to expect that later immigrants, i.e. family members of guest workers who arrived earlier or refugees and asylum seekers, would be more positively selected in Germany than in the UK with respect to socio-demographic and human capital characteristics. Hence third-country immigrants on average would probably show less favourable human capital characteristics in Germany than in Great Britain, while the degree of selectivity among immigrants from the EU or other western countries would possibly be similar. Indeed, this is clear from Table 3.4, which shows the distribution of immigrants (both from the EU and from third countries) as compared to the native-born with respect to their formal educational attainments. It is immediately evident that immigrants who settled in the UK are generally better educated than those who entered Germany, and this is true for both third-immigrants and those coming from EU or other western industrialised countries.[83]

Immigrants' human capital, even that of the highest quality, might not necessarily be rewarded adequately if, for example, it finds little relevance in the host country's labour market. While this would be the case for the majority of underprivileged[84] third-country

[83] Immigrants from the EU countries, however, are better educated than those coming from third countries in both Germany and the UK.

[84] In Germany ethnic German immigrants (*Aussiedler*) enjoy a more privileged status and profit from a larger degree of recognition of their educational certificates and work experience.

immigrants in Germany, immigrants to the UK, especially those who came from the former British colonies or countries that had close ties with Great Britain, can profit from their knowledge of the English language and from the institutional similarity of their home countries to the UK. The latter might, for example, be relevant for the recognition of educational certificates and occupational qualifications brought by immigrants from their home countries.

Immigrants' intentions with respect to permanent or temporary settlement have been shown to influence their decisions to invest in host-country-specific human capital, as well as for the assessment of opportunities in the host-country labour market. The transitoriness of immigrants' presence has been cultivated in Germany for quite a long time, and has also been reflected in the country's naturalisation legislation, which until recently has been one of the strictest in Europe. This could possibly result in immigrants' non- or lower investment in host-country human capital and 'preference' for low-status employment that brings immediate monetary returns. In Britain, on the other hand, immigrants, who upon arrival already possessed British citizenship or readily obtained it, viewed their settlement as permanent from the outset. Hence, in contrast with Germany, immigrants in Great Britain may be expected to be keener on upgrading their education and more ambitious with respect to occupational positions.

As has been argued above, immigrants in Great Britain might potentially be better off with respect to their human capital as compared to newcomers in Germany, both in quantity and host-country relevance. Thus, in Germany, controlling for immigrants' formal educational qualifications might leave a larger portion of the immigrant effect unexplained than might be the case for immigrants to the UK.

The question is, however, if one can expect a variation in the (discriminatory) behaviour of employers towards immigrant workers in the two countries, variation that can be attributed to institutional differences between the UK and Germany. The expectation is that a smaller ethnic penalty is to be found in the UK that relates to at least two factors: firstly, more stringent anti-discrimination legislation in the UK and, secondly, a more flexible labour market allowing British employers to indulge in more risk-taking when hiring immigrant workers.

Both Germany and the UK, as well as the rest of the EU countries, have a clause in their legislation which prohibits discrimination on the basis of internal EU nationality (Guild, 2001); and a few European countries – among them the UK – have a law that prohibits discrimination of third-country immigrants on the grounds of nationality or race.[85] British

[85] Legislative measures adopted by the European Union in 2000 in the field of equal treatment and discrimination, which endorse equal treatment of persons irrespective of ethnic and racial origin, prohibiting both direct and indirect discrimination, must be incorporated into the national laws of the member States before July 2003 (Niessen, 2000), a period which is beyond the timeframe covered in this book.

law prohibiting racial discrimination dates back to 1976 and refers both to direct and indirect discrimination, the latter defined as the objective outcome of an action not intentionally discriminating (Mahning and Wimmer, 2000).[86] While the British statute has been criticised for producing a rather small number of convictions and modest compensation of victims, along with difficulties in detecting violations of the law (MacEwen, 1995), there is absolutely no policy to actively prosecute discriminatory practices in Germany, even though the German Constitution contains provisions criminalising racism (Doomernik, 1998). Furthermore, institutional discrimination is inherent in that portion of German legislation that prohibits immigrants who lack German citizenship from taking civil servant (*Beamte*) positions. These include not only core government jobs, but also, for example, teaching positions.

Another reason why British employers might be acting less upon their prejudices against immigrants might be related to the greater *labour market flexibility* in the UK. As already mentioned in Section 4.3, if job security is high, employers tend to hire only employees who are indicating high productivity either through their educational credentials or other characteristics, such as race or immigration status. In countries with lower job security, like the UK, employers are more likely to gloss over ascriptive indicators, because they can easily test employees' characteristics on the job. For employers the costs of a bad match might well be higher in more rigid labour markets, like the German one, causing them to avoid hiring risky workers unless wages are sufficiently low to compensate for the risk – which is not the case in Germany. Germany scores higher than the UK on all the main indicators of stringency in its employment protection legislation (EPL) (see Figure 4.6), and has a more equal wage structure with relatively high wages at the lower end of the scale.[87] Since EPL mainly regulates primary sector employment its greater strictness in Germany might indeed hinder immigrants' chances of being raised to higher-status, i.e. white-collar or skilled, jobs; it might be less relevant when it comes to immigrants' chances of landing unskilled or low-skilled employment. However, once holding unskilled, secondary labour market jobs, immigrants might be at greater risk since these jobs are more vulnerable to periods of economic restructuring during business-cycle fluctuations or because of their temporary or seasonal nature. This implies that immigrants in Germany might be basically confined to either employment in the secondary labour market or unemployment, being, in other words, permanent labour market *outsiders* (Esping-Andersen, 1999; OECD, 1999).

Possible 'self-selection' of immigrants might also influence their labour market fortunes (Borjas, 1989), as risk-seeking immigrants are presumed to opt for mobile and flexible labour markets (as in the UK); whereas risk-averse immigrants with deficient human capital are supposed to land in destinations with less mobility and more protection (as in

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[86] However, positive discrimination in the sense of the US 'affirmative action' is prohibited in the UK (Mahning and Wimmer, 2000).

[87] In fact, Germany belongs to the group of the countries with the narrowest wage scale, while the UK has the widest wage disparities in the EU.

Germany). At least with respect to formal education, third-country immigrants who head towards liberal welfare regimes appear to be more positively selected than those who settle in conservative welfare regime countries, as is evident from the bivariate correlations presented in Table 6.4. The significance of self-selection should not be over-stated though, as migration flows are largely influenced by pre-existing social ties between sending and receiving countries, while individual migration decisions have chain-like characteristics and are clearly socially embedded (Haug, 2000). Nevertheless, states offering a low level of protection have attracted (and will attract) immigrants with different attributes and will induce differing orientations and motivations among them than states offering a high level of protection (Engelen, 2003).

All in all, it is expected that immigrants in Great Britain will be less penalised for their immigrant status in general and particularly when it comes to higher-status employment. In Germany, on the other hand, immigrants are more likely to retain the status of permanent outsiders, being trapped in a vicious cycle of unemployment and employment in the secondary labour market.

7.2. Research Methodology

7.2.1. DATA

The analysis for Germany is based upon data from the German Socio-Economic Panel (GSOEP); for Great Britain it is based upon the British Household Panel Survey (BHPS) (Taylor et al., 1999; Halpin, 1997; Wagner et al., 1994; DIW, 2003). Both datasets are representative panel surveys of the resident population, rich databases on labour markets, employment and job dynamics.[88] Both surveys cover areas of demographics, population and fertility, labour market activity and employment, income, taxes and welfare state programs, education, health, housing, as well as some information on values and opinions. Both surveys contain wave-specific topical modules on e.g. social background, childcare, training participation, private transfers, and crime. Most importantly for the study presented in this book, both data sets provide employment, marital and migration history information, as well as monthly (or annual) activity and employment status calendar data. While GSOEP has been widely used to study the guest-worker immigrant population in Germany because of over-sampling of the five most important immigrant groups residing in Germany – Italians, Turks, Yugoslavs, Spaniards, and Greeks (see Seifert, 1995) – the number of cases for immigrants is relatively modest in BHPS, hindering detailed analysis of immigrant populations in the UK using this data source (see Blackaby et al., 1999).

[88] Being surveys of private households, neither panel dataset might perhaps be representative of the most recent immigrants (largely asylum seekers, residing in institutionalised housing) (Blackaby et al., 1999). In addition, illegal immigrants might be substantially under-represented in such data.

The West German[89] portion of the analysis is based on the employment history data from waves L-Q (1995–2000), samples A (West German resident national population), B (West German immigrant population from Turkey, Greece, Yugoslavia, Spain and Italy who arrived prior to 1984), and D (immigrants who arrived in Germany between 1984 and 1993).[90] These have been used to generate a monthly employment history calendar for the six-year observation period between January 1995 and December 2000.[91] The British portion of the analysis covers an observation window, i.e., a total period of empirical observation, of six years between September 1993 and August 1999. The observation window has been limited to six years in order to include the most recent immigrants to Germany that entered the survey in 1995 (sample D). For more details on the datasets and sample selection see Table 7.2.

As already mentioned, the study presented in this book focuses on the male population who entered the survey at age 25–55. The age boundaries are set to exclude the influence of differential school participation and retirement. Furthermore, male breadwinners are selected since for prime-age men a six-year-career period can be considered as a sample of a longer career path, while women's labour market careers are more cyclical and are heavily influenced by phases in their family lives.

7.2.2. METHODS: SEQUENCE ANALYSIS TECHNIQUES

For describing the labour market careers of immigrants as compared to the native-born population in Germany and Great Britain the sequence analysis technique is applied (Brückner and Rohwer, 1996; Rohwer and Trappe, 1997; Scherer, 2001; Halpin and Chan, 1998; Brüderl and Klein, 2002; Erzberger, 2001; Windzio, 2001; Mowitz-Lambert, 2001). It allows for the treatment of whole careers or their parts as a serial succession of different states over time. Unlike the event history data analysis (see below), which focuses mostly on single transitions, the aim of the sequence analysis is to capture entire labour market careers (or parts thereof, as in our case) including all the different states and transitions that occur.

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[89] Since the absolute majority of immigrants live and work in West Germany and because economic disparities between Western and Eastern parts of Germany remain too large to consider the reference group of native-born Germans as homogenous, it was decided to exclude East Germany from the analysis.

[90] Subsample A covers individuals living in private households in West Germany in which the head of household does not belong to one of the five main foreign guest-worker groups. In 1984 this subsample covered 9076 individuals belonging to 4528 households. Subsample B covers individuals living in private households in West Germany that have Turkish, Greek, Yugoslavian, Spanish or Italian household heads. In 1984 this subsample covers 3169 individuals belonging to 1393 households. Subsample D consists of households in which at least one household member had moved from abroad to west Germany after 1984. It covers 1665 persons belonging to 522 households.

[91] It should be mentioned that as with all panel data, GSOEP and BHPS are subject to attrition. Furthermore, after 4 years of BHPS (started in 1991) and 11 years of GSOEP (started in 1984), attrition might be quite substantial. We did not, however, include refreshment and innovation samples (samples E and F) in GSOEP since individuals belonging to these samples entered the survey only in 1998 and 2000 respectively, thus providing too short an observation period.

Table 7.2. Description of the datasets and sample selection

Germany: **German Socio-Economic Panel (GSOEP)**	**Great Britain**: **British Household Panel Survey (BHPS)**
Short description of the original datasets	
GSOEP started in 1984 covering 5,921 private households containing 12,290 persons older than 16 in the Federal Republic of Germany. In 2001 GSOEP consisted of the following samples: (A) German residents in the FRG, (B) foreigners in the FRG (both samples started in 1984), (C) German residents in the GDR (started in 1990), (D) Immigrants who arrived after 1984 (started in 1994–5), (E) Refreshment (started in 1998) and (F) Innovation (started in 2000). All persons who take part in the very first wave of the survey as well as their children are followed. Starting from 1988 all persons moving to existing GSOEP households are followed-up even if they subsequently leave that household.	BHPS is an annual survey of each adult (16+) member of a nationally representative sample of more than 5,000 households, making a total of approximately 10,000 individuals. The panel survey started in 1991 covering persons with domestic residence in England, Wales, Scotland south and the Caledonian Canal.[92] When the original sample members (OSM) split off from original households, all adult members of new households are also interviewed as long as they share living accommodation with OSM. The study mainly uses the BHPS work-history file (Halpin, 1997, 2000), a spell-form dataset covering employment/labour market status history.
Sample selection and observation period	
Observation period: January 1995–December 2000.	Observation period: September 1993–August 1999.
Sample: Men aged 25–55 at the beginning of the observation period. Because of the difference in the follow-up concept in BHPS and GSOEP only persons who were in the sample by December 1995 are analysed further.[93] Unlike the case for the native-born, immigrants who are observed in the period between January 1995 and December 2000 are included in the analysed sample. Sample size is 3293 persons.	Sample: Men aged 25–55 at the beginning of the observation period. Because of the difference in the follow-up procedure in BHPS and GSOEP only persons who were in the sample by September 1993 are analysed further.[94] Unlike the case for the native-born, immigrants who are observed in the period between September 1993 and August 1999 are included in the analysed sample. Sample size is 2734 persons.
Data peculiarities and data harmonisation	
While employment status is provided in GSOEP on a monthly basis, information on occupations is available only within a yearly grid. Hence in the German data one might expect an	The status information, both in terms of employment and occupation status, is directly provided within BHPS work-life histories' file on a monthly basis.

(*continued*)

[92] Note that the data do not cover the population of Northern Ireland.

[93] In GSOEP, unlike BHPS, new persons enter the panel only when they join the original GSOEP household, but these are followed up even if they consequently leave the GSOEP household. This results in a moderate (comparatively to BHPS) growth of the GSOEP sample, but longer observation periods for persons who newly enter original GSOEP households. The analyses were conducted both including the persons who entered GSOEP after 1995 and excluding them, and yielded similar results.

[94] The problem in BHPS is that the sample size grows enormously due to inclusion of temporary sample members (TSMs). However, once TSMs cease to live with OSM households they are no longer followed up. This results in short observation periods for the majority of TSMs.

Table 7.2. (*Continued*)

Germany: **German Socio-Economic Panel (GSOEP)**	**Great Britain**: **British Household Panel Survey (BHPS)**
over-estimation of the dominant status during the year and exclusion of statuses lasting for shorter periods. Within GSOEP one can encounter multiple status information for a person per point in time. Therefore it was necessary to introduce a hierarchy of statuses as follows: (1) employment, (2) unemployment, (3) education or training, (4) retirement, (5) other. Thus, for a person reporting both employment and education or training the priority is given to employment, ignoring information on any further statuses. Additionally, there are a substantial number of gaps between serial episodes and annual occupational statuses in the GSOEP data. For the sequence analysis, gaps in the sequence were filled in by either previous or subsequent reported spells or occupations taking into account information provided about censoring of the statuses.	The BHPS work-life history file includes only the civil labour force.

A specific technique used most often for the treatment of career sequences is Optimal Matching Analysis (OMA),[95] first introduced to sociology by Abbott (1995), Abbott and Forrest (1986), Abbott and Hrycak (1990).[96] The idea is to create an interval-level measure of dissimilarity between sequences by counting costs needed to turn one sequence into another or, in other words, by counting a minimum number of transformations needed to make both sequences equal. Thus, the more steps that are necessary to make two sequences equal the higher the costs required and hence the greater the dissimilarity. On the other hand, if the two sequences are identical the distance or dissimilarity between them is obviously zero. In order to transform one sequence into another two types of transformations are possible: substitution and insertion/deletion. While the substitution function is quite straightforward, the aim of the insertion/deletion procedure is to allow for the detection of equal statuses or patterns staggered through the sequences. In such a way OMA takes into account not only the length and frequency of the events but

[95] It originally stems from molecular biology and genetics and is used for investigating DNA sequences.

[96] An excellent introduction to the idea of OMA can be found in Erzberger (2001), and Brüderl and Scherer (2004). A review of research conducted using Sequence Analysis methods as well as a critique of the method can be found in Abbott and Tsay (2000) and Wu (2000) respectively.

also their location and order. Each transformation is assigned with costs, which represent the OMA distance. In this study all statuses are treated as equally dissimilar from each other: no weighting of statuses is applied (Scherer, 2001; Erzberger, 2001). Following the default in TDA 6.4 (Rohwer and Pötter, 1999), a statistical program which was used for the sequence analysis, insertion/deletion, is assigned cost 1, and substitution, 2.

Basically, there are two ways to calculate distances between sequences: firstly, sequences can be compared with a specified reference sequence; and, secondly, they might be compared with each other, i.e. pairwise. Both strategies were implemented in the study presented in this book and are described below in more detail.

In keeping with the work of other authors (Esser, 2004; Kalter and Granato, 2002), who understand structural assimilation to be a convergence in distributions over categories of relevant variables, here it is conceptualised as a (growing) resemblance of employment *careers* of immigrants to those of the native-born population. Hence, it seems reasonable to empirically test the degree of this (dis)similarity by comparing the labour market careers of immigrants with those of the native-born national population – or in sequence analysis terms, by comparing immigrants' careers to the reference sequence of the indigenous population. Another option would be to calculate pairwise dissimilarities between each sequence (the 6-year part of the labour market career) and then to try to find typologies or classifications in the sequences. OMA does not, however, provide any classifications of sequences. Therefore cluster analysis is applied in order to empirically investigate the dissimilarity matrix resulting from the sequence procedure. The explorative nature of the analysis requires a hierarchical clustering method. From a large variety of clustering methods, Ward's linkage was used since it is well suited to the interval-scale data and is supposed to find the most homogenous clusters[97] (Bacher, 1996; Gordon, 1999). The cluster analysis was conducted separately for each country using the SPSS 11 program. In order to describe employment careers we used the monthly employment data, where it was possible to differentiate the following statuses:

- Employment
- Unemployment[98]

[97] The measure of the homogeneity in Ward's algorithm is the variance criterion. Ward, however, has difficulty in detecting very small clusters.

[98] The definition of employment statuses differs in the panel data sources, both GSOEP and BHPS, from the standard ILO definition applied in the labour force survey data. A commonly used definition of unemployment in panel and retrospective surveys (such as GSOEP and BHPS) is self-definition. Respondents are requested to fill in a monthly (or yearly) 'calendar' of their principal economic status (McGinnity, 2002). In Britain such a measure of unemployment might disproportionately exclude women and people not eligible for unemployment benefits, who classify themselves as inactive rather than unemployed. That is why a direct comparison of employment statuses between Germany and Great Britain must be exercised with a degree of caution. This, however, should not reduce the merit of the comparative approach of this study, in which immigrants are compared to the native-born in each of the countries, with the immigrant penalty being fairly comparable across countries.

- Education and training
- Retirement
- Other

Unfortunately, while monthly information is available from BHPS, in GSOEP the monthly activity calendar does not include occupation and other job characteristics of those in employment. That is why annual information on labour market statuses is used with the aim of finding typologies in labour market careers in the German data.[99] To this end the following classification of statuses, which combine the collapsed version of the EGP schema (see Table A.4 in the Appendix) with the self-defined labour market statuses, was applied:

- Service class – higher- or lower-grade professionals, administrators, and officials; managers in industrial establishments; large proprietors, higher-grade technicians; supervisors of non-manual employees (EGP I+II)
- Routine non-manual employees of higher (administration and commerce) and lower (sales and services) grade (EGP III)
- Petty bourgeoisie – small proprietors and artisans with or without employees, farmers, smallholders; other self-employed workers in primary production (EGP IV a+b+c)
- Technical – lower-grade technicians, supervisors of manual workers (EGP V)
- Skilled manual workers (EGP VI)
- Semi- and unskilled manual workers (EGP VII a+b)
- Unemployment
- Out of labour
- Missing status

7.2.3. METHODS: EVENT HISTORY ANALYSIS TECHNIQUES

After exploring a six-year period in employment careers of immigrants as compared to the native-born, the study focuses on unemployment dynamics, applying event history methods (Tuma and Hannan, 1984; Allison, 1984; Blossfeld and Rohwer, 1995). This is done to single out determinants of frequent and prolonged unemployment spells among immigrant populations in both countries. *Spells* or *episodes* in the event history terminology pertain to individual waiting times in any given state, e.g. unemployment. Any observed change in labour force activity status defines an *event*, or in other words, a *transition* between the two particular states involved, i.e., an *origin state* and a *destination state*. A complication typical of event history data arises from the fact that it is usually impossible to ensure a complete observation of all spells in the sample with a

[99] It is obvious that the annual employment information leads to over-representation of statuses that are dominant in a given year, and ignores employment mobility that occurs during the year. However, for an explorative descriptive overview annual information seems to be satisfactory. Note that direct comparison of the results of the pairwise sequence analysis in Germany and Great Britain is not advisable.

fixed observation window. Some spells might be incompletely observed because they were already in progress at T_o (the start of the observation window), while others are incompletely observed because empirical observation is terminated at some point T_1 (the end of the observation window). Incomplete observation of spells gives rise to problems of *censoring* and *truncation*. Truncation refers to known starting or ending times that fall outside the observation window; while censoring implies the situation of unknown starting or ending times. Incomplete observation with respect to starting times is called left-censoring or left-truncation; while incomplete ending times are referred to as right-censoring or right-truncation.

The core notion of all event-history models is the time-dependent hazard rate or "risk" $r(t)$ of an event, defined by (e.g. Blossfeld and Rohwer, 1995: 28):

$$r(t) = \lim_{t^* \to t} \frac{\Pr(t \leq T < t^* | T \geq t)}{t^* - t},$$

i.e. the limit (as t^* approaches t) of the conditional probability (Pr) that the event occurs (at time T) between time points t and t^*, given that it has not occurred until t, divided by the length of the interval between t^* and t.

In our case the hazard rates of leaving unemployment into different types of employment (namely, white-collar, skilled or technical and unskilled employment) and of leaving dependent employment[100] into unemployment are key dependent variables. In the particular case of the transition from employment to unemployment, the dependent variable is (the limit of) the conditional probability that a person becomes unemployed within a particular month (since time is measured on the month scale in the study presented here), assuming that this person has worked until that time. Analysing transition from unemployment to employment, e.g. white-collar employment, the dependent variable in the model is (the limit of) the conditional probability of someone finding a white-collar job in a particular month, given the fact that this person was looking for work until that time.

Modelling duration distributions in terms of hazard rates offers the advantage of simple incorporation of right-censored cases, i.e. ongoing spells of unemployment or employment by the end of the observation window. It is also fairly straightforward to focus on qualitatively different transitions and their determinants by applying a competing risk framework that represents different transition processes by separate hazard rate equations, which has been done here in order to get a greater insight into the transition process from unemployment to employment.

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[100] The analyses shown here exclude exit from self-employment. When exit from self-employment is included trends remain similar to those shown in the book.

Piecewise constant exponential models (see Blossfeld and Rohwer, 1995: 110–119) are run to approximate the shape of the hazard functions and to estimate the impact of independent variables. This model postulates that the transition rate is given by:

$$r(t) = exp(a^l + a_1 x_1 + \cdots + a_m x_m),$$
$$for\ t \in [\tau_l,\ \tau_{l+1}[\ with\ 0 = \tau_1 < \tau_2 < \cdots < \tau_L < \tau_{L+1} = \infty$$

i.e. the time axis is divided into L intervals, and an interval-specific constant a^l is estimated for each interval $[\tau_l,\ \tau_{l+1}[$ $(l = 1, \ldots, L)$. Furthermore, for all covariates $x_1, \ldots, x_m$, interval-independent parameters $a_1, \ldots, a_m$ are estimated. As the piecewise-constant model is a proportional hazards model, the exponents of these parameters can be interpreted as hazard ratios.

7.2.4. VARIABLES

The two main comparison groups in the analysis are immigrants, defined as those born outside the host country, and the native-born. The native-born group might also include the second-generation of immigrants, since the latter are impossible to detect.[101] Further, we control for the region of birth differentiating between immigrants coming from the EU or other western industrialised countries, including other Western European countries, the USA, Canada, Australia and Japan, and third-country immigrants, i.e. those arriving from the rest of the world. It should be noted, however, that the analyses have to be restricted due to the small numbers of cases, particularly in Great Britain (for more detailed analyses of the German data see Kogan, 2003b, 2004).

Table 7.3 describes all variables, which are included in the sequence and event history analyses. In the sequence analyses all control variables are measured at one point in time: age[102] and level of education are measured at the beginning of the observation period[103] (year 1995 for Germany and 1993 for the UK); while the variable pertaining to years since migration (YSM) is recorded at the end of the observation period[104] (year 2000 for Germany and 1998 for the UK). Unlike the sequence analysis, the event-history analysis treats the three variables mentioned above as well as some other variables as

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[101] In the German data second generation immigrants without German citizenship were excluded from the analyses. In both countries second-generation naturalised immigrants are invisible in the dataset and thus might be found among native-born populations. However, their proportion is rather low and hence they are hardly expected to bias the results for the native-born population without immigration roots.

[102] Age is used here as a proxy for labour force experience. Even though information on labour force experience can be derived from both data sets, the number of missing cases is comparatively large, certainly larger than in the case of age.

[103] If information on the level of education is absent at the beginning of the observation period, then the level of education at earlier or later time point is recorded.

[104] YSM was captured at the end of the observation to include those immigrants who entered the sample during the observation window.

Table 7.3. Description of the independent variables used in the analyses

Independent variable	Description
Comparison group	0. Native-born – reference category 1. Immigrants
Immigrants' origin (for immigrants only, native-born are assigned 0)	0. Third-country immigrants 1. EU immigrants or other westerners
Years since migration (YSM) (for immigrants only, native-born are assigned 0)	Year of observation minus year of migration In the sequence analysis – YSM in 2000 for DE, YSM in 1998 for UK In the event history analyses the variable YSM is centred around its sample mean
Citizenship of immigrants, native-born are assigned 0 (available only in GSOEP)	0. Without German citizenship 1. With German citizenship
Host country language proficiency, native-born are assigned 0 (available only in GSOEP)	A group of dummy coded variables: 1. German language (both written and oral) good or very good 2. German language (both written and oral) less than good 3. Information on language proficiency missing
Age and age squared	Year of observation minus year of birth. To capture non-linearity of the age effect a squared term is added. Time-varying variable in the event history analysis; in the sequence analysis – age in 1995 (DE), age in 1993 (UK)
Level of education (for details on the CASMIN schema and its applicability for German and British educational systems see Table A.5 in the Appendix)	A group of dummy coded variables (time-varying in the event-history analysis; in the sequence analysis – level of education in 1995 for Germany, 1993 for UK). To measure the educational level the CASMIN scale was applied, a classification that has been developed for international comparative research (Shavit and Müller, 1998; Brauns and Steinmann, 1997). The CASMIN schema includes eight categories that distinguish the hierarchical levels of educational attainment and differentiate between general and vocational qualifications in each educational level. Due to considerations of the cross-national comparability a collapsed version of CASMIN has been applied: 1. Low general or less – academic or general tracks at the secondary intermediate level, compulsory education or below (CASMIN 1ab, 2b) 2. Low vocational – advanced vocational training, secondary programmes in which general intermediate schooling is combined by vocational training, basic vocational training above and beyond compulsory schooling (CASMIN 1c, 2a – reference category) 3. Medium general – Full maturity certificates (CASMIN 2c) 4. Medium vocational – Full maturity certificates including vocationally-specific schooling or training (CASMIN 2c voc) 5. Tertiary short – lower-level tertiary degrees, generally of shorter duration and with vocational orientation (CASMIN 3a) 6. Tertiary long – traditional, academically-oriented university education (CASMIN 3b) 7. Education missing

(*Continued*)

Table 7.3. (*Continued*)

Occupational status of the current job (for details on the EGP class schema see Table A.4 in the Appendix)	Based on the EGP class schema (Erikson and Goldthorpe, 1992): White-collar 1. Service class (EGP I+II) 2. Routine non-manual(EGP III) Skilled and technical 3. Technical (EGP V) 4. Skilled (EGP VI) 5. Unskilled (EGP VII a+b) – reference category 6. Missing
Tenure and tenure squared in the current job	Years of employment in the current job – time-varying. To capture non-linearity of the tenure effect, a squared term is added. Tenure missing – a dummy variable for the missing cases. It is set to 1 in this variable and to 0 in the actual tenure variable.
Industry of the current job (for NACE see Annex A.1 in the Appendix)	Based on NACE classification (Eurostat, 1992): 1. Construction 2. Manufacture – reference category 3. Other primary or secondary 4. Services 5. Industry missing
The size of the enterprise	1. Small or medium (less than 200 employees) – reference 2. Large (more than 200 employees)
Unemployment benefit or relief	Measured time constant with unemployment benefit or relief receipt being recorded if a person reported receiving unemployment transfers in any month of the unemployment spell 1. Received any kind of unemployment benefit or relief[105] - ref. 2. Without unemployment benefit or relief 3. Information of unemployment benefit or relief is missing
Current regional unemployment rate	Unemployment rate in the year of observation in the region of residence. In Western Germany 10 regions, i.e., federal states (West Berlin, Schleswig-Holstein, Hamburg, Lower Saxony, Bremen, North Rhine-Westphalia, Hesse, Rhineland-Palatinate and Saarland, Baden-Wuerttemberg, Bavaria) are differentiated with unemployment rate ranging between 4.4 to 12.5 per cent. In Great Britain 12 regions are differentiated: North East, North West (including Merseyside), Yorkshire and the Humber, East Midlands, West Midlands, Eastern part, London, South East, South West, Wales, Scotland, Northern Ireland. Regional unemployment rate ranges from 3.9 to 15.1 per cent.

[105] The system of benefits for the unemployed is different in Britain and Germany. In Germany the following benefit types are differentiated: an insurance-based *Arbeitslosengeld*, a hybrid *Arbeitslosenhilfe*, and a needs-based *Sozialhilfe*, with the majority of unemployed receiving the first one. In Britain unemployment benefits are either insurance-based or needs-based (income support), with the majority of unemployment benefits receivers being in the second scheme. For more on the unemployment benefits system in Germany and Great Britain see McGinnity (2002, 2004).

time-varying, which is implemented practically by using an episode-splitting technique (Blossfeld and Rohwer, 1995). Further independent variables, both time-constant and time-varying, include current labour market status, tenure in the current job, industry of the current job,[106] the size of the enterprise when modelling unemployment entry and the availability of unemployment benefits[107] when modelling unemployment exit. In addition, all models include a variable measuring structural conditions in the labour market, namely the current regional unemployment rate.

7.3. Empirical Results

7.3.1. DEVIATION OF CAREER SEQUENCES OF IMMIGRANTS FROM A STANDARD SEQUENCE OF THE NATIVE-BORN

One of the variables concerning immigrant labour market inclusion might be the degree of convergence of the employment careers of immigrants with those of the native-born population. In the terminology of the sequence analysis determining this would mean comparing the employment sequences of immigrants with a standard employment sequence of the native-born, the latter being continuous employment both in the UK and in Germany. Indeed, about 60% of native-born men, both German and British, are continuously employed during a 6-year career path observed in the study. It is clear enough that the reference population, native-born men in both countries, are themselves far from being a homogeneous group. That is why one should use the OMA technique to help calculate the distance to continuous employment – the dominant pattern of native-born populations in the two countries – for immigrants as well as for the native-born. Since immigrants are included in the analysed sample even if they entered the survey after the beginning of the observation period, they might potentially have career paths shorter than those of the native-born, who are observed only if they were in the sample from the very beginning of the observation period. This is why the sequence analysis is conducted only for persons whose employment careers have at least 36 months (3 years) of valid observations.[108]

Figure 7.1 plots cumulative distances to continuous employment, produced by the OMA analysis without weighting, for immigrants and the native-born. Hardly any differences are noticeable when comparing distances to continuous employment among immigrants and the native-born in the two countries. The gap between immigrants and the native-born

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[106] Including the variable pertaining to industrial and occupational location allows validating the segmentation explanation to immigrants' unemployment risks (Cain, 1976).

[107] Including the variable pertaining to the availability of unemployment welfare benefits allows validating the welfare state's role in providing immigrants and the native-born with the resources necessary for sustaining the job search.

[108] For the calculation of distances to the reference sequence selection of persons with at least 36 months of valid sequences is not crucial. In fact, the difference between the distance to continuous employment among immigrants and the native-born remains quite stable irrespective of the selection.

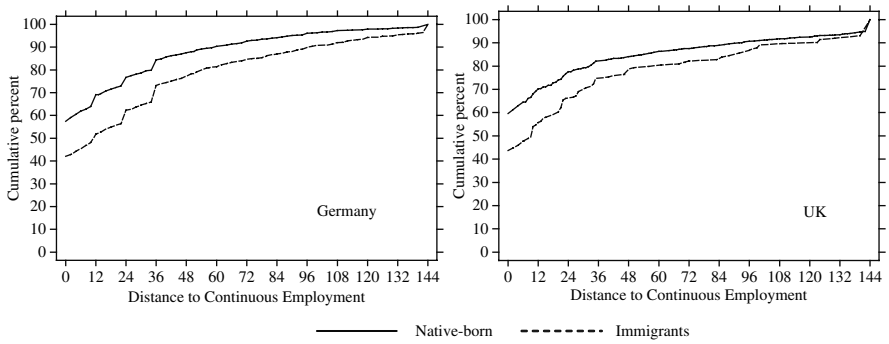

Figure 7.1. Cumulative distance to continuous employment among native-born and immigrants in Germany and the UK

Note: N = 2725 (Germany), N = 2306 (UK). Sequences with at least 36 months of valid observations are included.

Source: GSOEP (1995–2000), BHPS (1993–1998) monthly data.

is similar in the two countries with respect to zero-distances (i.e. continuous employment); while in the UK immigrants seem to be slightly more similar to the native-born with respect to non-zero distances. Cross-national differences in the gap between immigrants and the native-born are too small to be noticed visually. Fortunately, one of the advantages of the OMA analysis is that the distances it produces are of an interval scale and can be regressed upon.

Results of the OLS regression predicting distance to continuous employment among immigrants as compared to the native-born in Germany (upper panel) and Great Britain (lower panel) are presented in Table 7.4. From Model 1, in which the gross effect of immigrant status is shown, it is indeed evident that in Germany immigrants pursue employment careers more dissimilar to those of the native-born. Models 2 and 3 successively control for age and level of education, the two most obvious determinants of employment career choices and constraints. While in Germany these explain a substantial part of the gap between immigrants and the native-born in the distance to continuous employment, in Great Britain the disparity between immigrants and the native-born becomes even more pronounced once age and education are taken into account. Obviously, immigrants are not able to cash their human capital potential when it comes to employment careers to the same degree as native Britons. It is interesting to note that the role of education, and especially tertiary education, differs in both countries. While in Germany men with low vocational education do not significantly differ from the tertiary educated in their chances of holding continuous employment, in the UK highly educated persons have ultimately a higher rate of stable employment careers than the rest.

In Model 4 two variables pertaining to the immigrants' characteristics are included – place of origin and years since migration. The results suggest that in Germany immigrants from

Table 7.4. Effects on the distance to continuous employment among native-born and immigrants in Germany and the UK

	Model 1		Model 2		Model 3		Model 4	
Germany								
Intercept	17.43	(0.78)**	175.01	(13.80)**	159.68	(13.70)**	155.84	(13.70)**
Immigrants	12.83	(1.43)**	11.84	(1.39)**	7.14	(1.54)**	10.35	(3.16)**
EU immigrants							−12.77	(2.71)**
YSM							0.01	(0.13)
Age			−8.50	(0.72)**	−7.87	(0.71)**	−7.68	(0.71)**
Age squared			0.11	(0.01)**	0.10	(0.01)**	0.10	(0.01)**
Education (low voc. – reference)								
Low general					15.38	(2.12)**	15.99	(2.12)**
Medium (general and vocational)					9.52	(1.84)**	9.62	(1.84)
Tertiary (short and long)					−0.87	(1.74)	−1.53	(1.76)
Education missing					19.63	(11.70)	20.55	(11.60)
R^2	0.03		0.08		0.10		0.11	
Great Britain								
Intercept	21.67	(0.90)**	109.23	(19.00)**	101.71	(18.90)**	101.12	(18.80)**
Immigrants	9.43	(3.27)**	9.77	(3.21)**	10.73	(3.18)**	28.83	(8.79)**
EU immigrants							1.83	(6.33)
YSM							−0.65	(0.28)*
Age			−5.38	(0.99)**	−4.92	(0.98)**	−4.91	(0.98)**
Age squared			0.08	(0.01)**	0.07	(0.01)**	0.07	(0.01)**
Education (low voc. – reference)								
Low general					7.64	(2.34)**	7.58	(2.34)**
Medium (general and vocational)					−5.15	(2.97)	−5.20	(2.97)
Tertiary (short and long)					−8.45	(2.41)**	−8.69	(2.41)**
Education missing					15.12	(7.69)*	14.18	(7.70)
R^2	0.00		0.04		0.07		0.07	

Notes: N=2725 (Germany), N=2306 (UK);*p<0.05 **p<0.01.
Sequences with at least 36 months of valid observation are included.
Source: GSOEP (1995–2000), BHPS (1993–1998) monthly data.

EU countries and other westerners are much better off than third-country immigrants; while in the UK the employment careers of the former do not differ significantly from those of third-country immigrants. Also notable is the difference in effects of the tenure in the host country (YSM) in Germany and the UK. Whereas in Germany the duration

of residence plays no significant role in narrowing the gap between immigrants and the native-born with respect to their employment careers, in Great Britain one can observe a more classical assimilation pattern. Indeed, although starting with the largest dissimilarity upon arrival, the longer their stay the more immigrants' careers tend to resemble those of the native-born.

So far the analysis has shown that in both countries, albeit to a different extent, immigrants pursue employment careers not identical to those of the native-born. But what makes their employment career paths differ? The sequence analysis allows us to answer this question as well, and the results can be found in Table 7.5. As in the earlier analyses cases with at least 36 months of valid career sequences are explored.[109] Differences in the sample selection criteria[110] are reflected in the average length of a sequence: in both countries immigrants tend to have significantly shorter sequences than the native-born.[111] Immigrants also display higher employment mobility, especially in Germany, where they have more employment transitions than the native-born. During a sampled six-year career path immigrants in both Germany and the UK spend significantly less time being employed, and instead appear to have longer unemployment periods. In other statuses differences between immigrants are less pronounced and are mostly statistically insignificant, but some peculiarities should be noted. While in Germany immigrants have significantly shorter durations in education or training, in Great Britain immigrants tend to spend more time studying, albeit insignificantly. A distinctive feature of the British data is that generally more people are classified as being in a heterogeneous 'other' category, with immigrants having even longer durations in this category, although insignificantly. In Germany immigrants also tend to spend more time in statuses other than employment, unemployment, education or retirement.

Furthermore, in Germany immigrants tend to have unemployment episodes more frequently, which is evident from the lower portion of Table 7.5 that counts the average number of episodes in different statuses. Immigrants in Germany also enter education or training less frequently, but more often experience 'other' episodes.

To sum up, it should be noted that in both countries immigrants' careers do not attain convergence with those of the native-born. Whereas in Germany the dissimilarity in employment paths is at least partially explained by immigrants' less favourable human capital, in the UK immigrants seem to be unable to substantiate their educational capital to the same degree as the native-born, displaying higher dissimilarity as compared to

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[109] Ideally one should compare sequences of the same length, i.e. 72 months. The analyses have been made also for sequences extending over the entire period under observation, 6 years or 72 months, and the results remain robust.

[110] To reiterate, immigrants are included in the sample even if they entered the survey during the observation period, while selection of the native-born is restricted to those who were present in the sample at the beginning of the observation period.

[111] Immigrants are potentially more likely to leave the sample when experiencing return migration.

Table 7.5. Description of the employment career sequences of immigrants and the native-born in Germany and Great Britain

	Germany		UK	
	Native-born	**Immigrants**	**Native-born**	**Immigrants**
Average length of the sequence	69.73	66.29**	67.33	65.37**
Number of different episodes	1.41	1.52**	1.37	1.41
Duration in				
employment	60.52	53.56**	60.03	53.59**
unemployment	2.68	7.29**	3.70	5.84*
education	2.12	1.40*	0.51	0.71
retirement	1.21	1.81	1.08	1.00
other	0.79	1.31*	4.41	5.14
Number of episodes in				
employment	1.27	1.32	1.17	1.09
unemployment	0.29	0.52**	0.36	0.40
education	0.16	0.10**	0.04	0.04
retirement	0.05	0.05	0.05	0.02
other	0.11	0.16*	0.16	0.17
N	2009	838	2132	174

Note: Sequences with at least 36 months of valid observations are included.
Source: GSOEP (1995–2000), BHPS (1993–1998) monthly data.

the career sequences of the native-born once level of education and age structures are controlled for. The latter finding casts doubt upon the hypothesis that British employers favourably value the educational credentials of immigrants because of the higher relevance of their human capital in the UK labour market (compared to the German situation).

Furthermore, significant numbers of third-country immigrants in Germany have more distant career paths than privileged newcomers from EU or other western countries, which is not the case in the UK. There, however, and unlike the case in Germany, a distinct assimilation trend is noticeable: immigrants' careers appear to become more similar to those of the native-born the longer immigrants reside in Great Britain.

The analysis further reveals what makes immigrants' career sequences differ from those of the native-born and confirms that the largest problem for immigrants in both countries appears to be prolonged and frequent (especially in Germany) unemployment. Before examining the determinants of higher unemployment risk among immigrants in the two countries, it is necessary to explore what types of jobs immigrants and the native-born pursue. Indeed, so far it has only been possible to compare employment careers of immigrants with the native-born, differentiating between several employment statuses, i.e. employed, unemployed or economically inactive (in education, retirement or other statuses), without assessing the occupational status of jobs held by immigrants and the native-born. The next section aims to describe the labour market careers of immigrants and

the native-born, taking into account both the variety of employment statuses (employed, unemployed and inactive) and the occupations in which they are found.

7.3.2. OCCUPATIONAL INCLUSION OR SEGMENTATION? EMPLOYMENT AND OCCUPATIONAL CAREERS OF IMMIGRANTS IN GERMANY AND THE UK

A general agreement exists among researchers of international migration to Germany that immigrants and particularly those who arrived in the framework of the guest-working program are marked by economic segmentation and over-representation at the lower part of the occupational ladder (Münz and Ulrich, 1997; Seifert, 1995, 1998; Berger, 2000, Münz et al., 1997; Schultze, 1990; Gillmeister et al., 1989; Bender and Seifert, 2000; Bender et al., 2000). In Great Britain unemployment is seen as a more serious problem for immigrants than occupational or earnings disadvantages (Leslie et al., 1998; Wheatley Price, 1998; Heath et al., 1999). Heath and McMahon (2000) contend that some immigrants – namely Chinese, Irish and Indian – appear to compete on equal terms with British-born whites of similar social background and educational characteristics in gaining access to salaried status, while others, i.e. Black Caribbeans and Pakistanis, seem to be disadvantaged in the salaried labour market but not so much in the manual labour market (see also Jones, 1993; Modood et al., 1997). These research findings stem from analyses of the cross-sectional data, which can, however, offer only a snapshot of the process studied, and certainly cannot pick up occupational transitions or mobility patterns. Can results of the previous studies be confirmed when analysing labour market careers using sequence analysis techniques?

Here we report results of the pairwise optimal matching analysis for career statuses of immigrants and the native-born in Germany based upon the annual data, and in the UK, based upon the monthly data.[112] As described in the methodological section the classification of statuses combines the collapsed version of the EGP classification plus two employment statuses, namely 'unemployed' and 'inactive', self-defined by the respondents.[113] The matrix resulting from the pairwise calculation of distances was subjected to a hierarchical cluster analysis and, on the basis of the standard criteria[114], a solution was selected with 10 clusters for Germany and 9 clusters for the UK (see Table 7.6).

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[112] To reiterate, the analysis was conducted separately for both countries.

[113] As mentioned earlier, self-definition of 'unemployment' produces a result that in the UK, where fewer unemployed receive unemployment benefits compared to Germany, respondents might not define themselves as unemployed but rather as inactive. These possible differences in self-definition do not allow straightforward cross-country comparisons. There is no problem, however, in directly comparing immigrant penalties across the two countries.

[114] Following recommendations by Bacher (1996) this decision was made based on the Mojena I criterion, which also allowed clear substantial interpretation of the cluster solution.

Table 7.6. Cluster solution of employment career paths of men in Germany and the UK

DE	UK	Description of the cluster
1	1	Stable service class – career paths with exclusively service class jobs
2	2	Mobile service class – career paths are dominated by service class jobs, but mobility to and from other statuses is noticeable
3	3	Routine non-manual class
4	4	Petty bourgeoisie
5	5	Low-grade technicians and supervisors of manual workers is a dominant class, but mobility mainly to and from the service and skilled working classes is observed
6	6	Largely stable skilled working class with some slight mobility to and from unemployment, unskilled class and technicians
7	7	Largely stable unskilled working class plus rare instants of inflows and outflows to and from unemployment and exchange with skilled occupations
8		Mobile working class – comprising skilled, unskilled workers and technicians. Two major types of mobility within this cluster are mobility from the skilled to unskilled class and vice versa
9	8	Unemployment with some mobility mostly to and from the unskilled worker class
10	9	Out of the labour force

Note: Sequences with at least 36 months of valid observations are included.
Source: GSOEP (1995–2000) annual data, BHPS (1993–1998) monthly data.

The idea of the cluster analysis is to obtain a minimal number of rather homogenous clusters, which reflect distinct patterns of career paths among the male population in the two countries. Unlike the cross-sectional distribution of statuses, which is able to summarise single statuses only at a particular point in time, clustering of the matrix produced by the pairwise optimal matching analysis allows us to distinguish patterns of mobility within a six-year interval of employment careers. Obviously, the analysis should yield at least 8 clusters because each valid status potentially forms a cluster. In addition, two distinct clusters have emerged from the analysis of the German data, clusters which capture apparent status transitions of the German male population aged 25–55, namely mobility with the dominant status being the service class (cluster 2) and mobility within the working class (cluster 8). In Great Britain only one mobility cluster, the mobile service class cluster (cluster 2) has appeared. It must be stressed that restricting the sample to cases with valid sequences of at least 36 months prevents emergence of a cluster dominated by missing cases. The cluster of missing cases might indeed be a problem for the substantive interpretation, but is otherwise unavoidable since missing career statuses will exist anyway due to panel mortality (including emigration), later appearance of new panel members, immigration and finally because of non-response.

Figures 7.2a and 7.2b plot labour market career sequences of native-born German men and immigrants according to cluster membership. A six-year employment career of each individual in the sample is plotted as a line. Different shadings pertain to the variety of statuses held by an individual. Since individual sequences are sorted according to

their cluster membership, with black lines representing the cluster borders and figures to the right pertaining to the cluster membership, it is easy to explore typical trajectories visually. The findings are striking: whereas less than 10% of immigrants are employed in service class jobs, among native-born Germans this figure is 40%. Moreover, only about 4% of immigrants are continuously employed in service class occupations, whereas the corresponding figure for the native-born is higher than 20%. At the other end of the occupational hierarchy, namely unskilled employment, immigrants are over-represented at about 30%, while slightly less than 10% of native-born Germans pursue unskilled employment. The share of those employed as skilled workers is similar among the native-born and immigrants. Native-born Germans, however, significantly outnumber immigrants in the proportion of technicians and supervisors of manual workers. As already shown in the earlier analysis, unemployment is a problem for immigrants, long-term unemployment being even more of a problem, which is clearly depicted in Figure 7.2b. In addition, it is also apparent that self-employment, though practised by immigrants, has not become as widespread as among native-born Germans. It is worth noting that the mobile working cluster (cluster 8), is much larger for immigrant populations than for native-born Germans. Here it is evident that immigrant workers do have transitions from unskilled to skilled manual work; however, opposing transitions are also frequent.

A strikingly different picture is observed in Figures 7.3a and 7.3b, where labour status careers of native-born Britons and immigrants are plotted. Immigrants appear to be largely

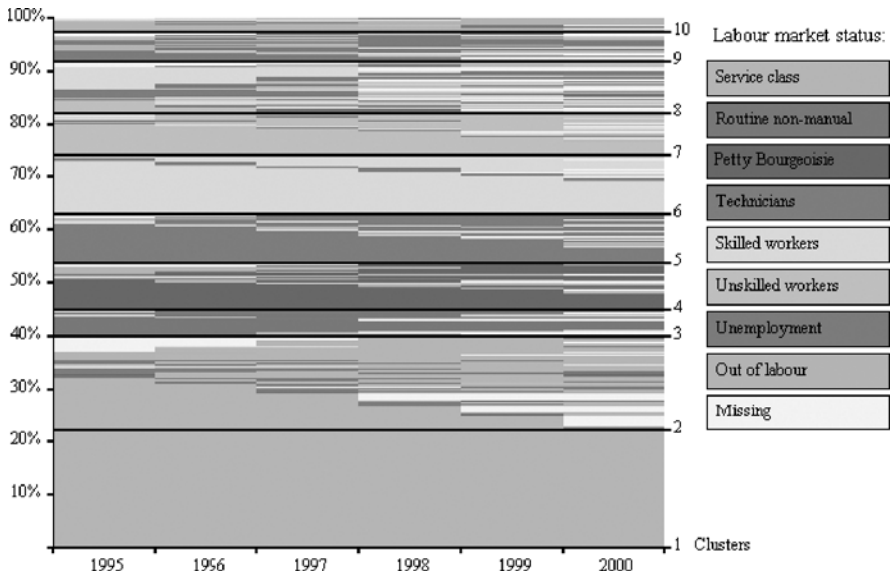

Figure 7.2a. Labour market career sequences of native-born German men according to cluster membership

Note: N = 2000. Sequences with at least 36 months of valid observations are included.

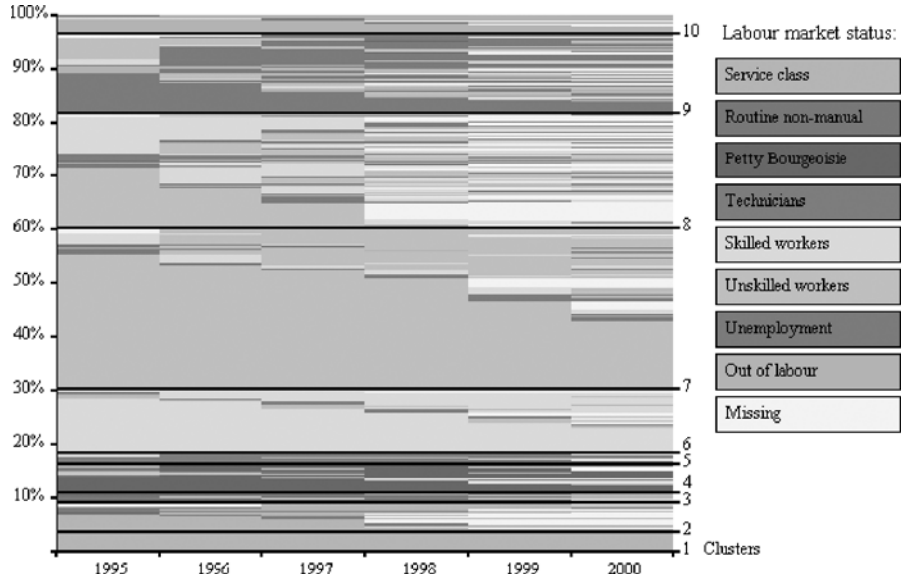

Figure 7.2b. Labour market career sequences of male immigrants in Germany according to cluster membership

Note: N = 823. A coloured version of Figure 7.2a and 7.2b is under: http://www.springer.com/978-1-4020-5231-6

Source: GSOEP (1995–2000), monthly data.

comparable to the native-born in terms of the labour-status careers they pursue. Major differences are found in a higher proportion of immigrants in the unemployment cluster but a somewhat lower percentage of those holding unskilled and skilled manual jobs.

The question is, however, if occupational segmentation of immigrants in Germany can be traced back to insufficient human capital of the immigrant population or to other factors. To explore this question a multinomial logistic regression analysis is also conducted to predict the cluster membership of immigrants in Germany and the UK, controlling for selected socio-demographic characteristics. Several clusters were collapsed together to ease the analysis: clusters 1, 2 and 3 were grouped into the white-collar employment cluster, while clusters 5 and 6 were assigned to one group covering skilled and technical employment. As a result we ended up with six categories for the UK and seven for Germany: (1) white collar employment, (2) petty bourgeoisie, (3) skilled and technical employment, (4) unskilled working cluster, (5) unemployment, (6) economic inactivity and (7) mobile working cluster (for Germany only). Tables A.6a (for Germany) and A.6b (for Great Britain) in the Appendix present unstandardised coefficients of the multinomial regression predicting log-likelihood of being in each of the above-mentioned clusters as compared to being in cluster 4, i.e. unskilled working class. To facilitate the interpretation Table 7.7 reports predicted probabilities of cluster membership (multiplied by 100, which allows

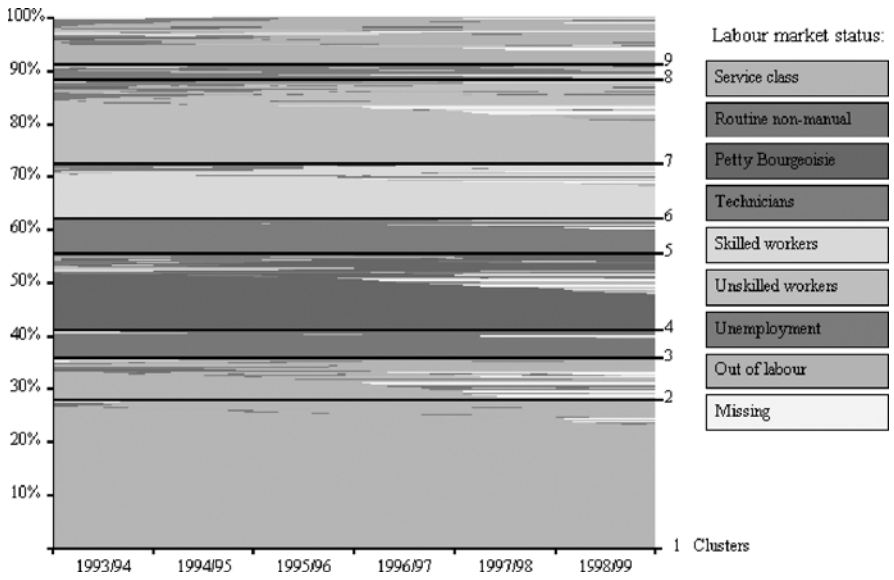

Figure 7.3a. Labour market career sequences of native-born British men according to cluster membership

Note: N = 2127. Sequences with at least 36 months of valid observations are included.

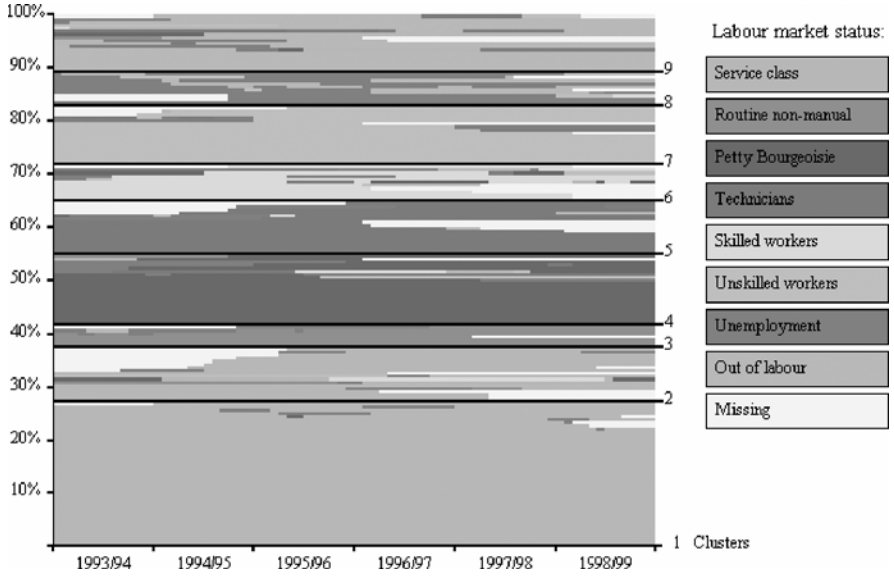

Figure 7.3b. Labour market career sequences of male immigrants in Great Britain according to cluster membership

Note: N = 173. A coloured version of Figure 7.3a and 7.3b is under: http://www.springer.com/978-1-4020-5231-6

Source: BHPS (1993–1999), monthly data.

Table 7.7. Predicted probabilities of cluster membership for immigrants and the native-born in Germany and the UK

	Low vocational education		Tertiary (long) education		Average education		
	Native	Immigrants	Native	Immigrants	Native	EU	Third-country
Germany							
White-collar	33.0	1.2	92.9	27.8	50.2	8.2	1.2
Petty bourgeoisie	10.6	3.6	2.6	7.1	9.5	12.7	2.8
Technical and skilled	28.6	25.7	1.3	9.6	15.9	15.7	18.4
Unskilled	8.2	27.0	0.6	16.0	7.1	25.8	31.1
Mobile working	12.2	31.3	0.9	18.6	8.6	27.8	28.4
Unemployed	5.4	10.7	1.2	19.9	5.8	9.9	16.2
Inactive	2.0	0.5	0.5	1.0	2.9	0.0	1.2
Great Britain							
White-collar	20.5	12.4	93.0	81.1	44.7	31.5	27.8
Petty bourgeoisie	23.0	24.7	1.8	2.9	14.7	23.8	14.7
Technical and skilled	29.5	27.2	1.4	1.9	16.4	8.5	18.8
Unskilled	17.2	17.8	0.6	0.9	13.4	11.3	15.8
Unemployed	1.9	7.6	1.9	10.9	2.9	11.5	12.4
Inactive	8.0	10.4	1.2	2.2	8.0	13.5	10.3

Note: Sequences with at least 36 months of valid observations are included. Age is set at its sample mean; tenure in the host country (YSM) for immigrants is set to 10 years.
Source: GSOEP (1995–2000) annual data, BHPS (1993–1998) monthly data.

us to treat them as percentages) for two educational profiles, namely persons with low vocational education and those with tertiary (long) qualifications among the native-born and immigrants.[115] In addition, predicted probabilities for immigrants from EU or other western countries and third-country immigrants are compared to those of the native-born population of average age[116] and education.

In both countries immigrants are disadvantaged as compared to the native-born of the same age and level of education, but the degree of disadvantage differs substantially.

[115] The probability that a person with characteristics x will be found in cluster C_j can be written: $P(C_j) = e^b j^x / (e^b 1^x + e^b 2^x + \ldots + e^b k^x)$, where k is the number of clusters, and b_j is a set of logit parameters corresponding to cluster membership j. Since the probabilities of ending up in each of the k clusters must sum to 1, only $(k-1)$ independent sets of parameters can be estimated. By convention, the parameters corresponding to the last alternative k are set equal to 0.

[116] The age of persons has been set to the average age in each sample. For immigrants, tenure in the host country (YSM) has been set to 10 years.

Estimates show that predicted probabilities for immigrants in the UK are more similar to those of the native-born than is the case in Germany. In Germany immigrants' education, whether vocational or tertiary, appears to be virtually irrelevant, leaving immigrants little choice beyond unskilled or manual employment – or remaining unemployed. This problem seems to be even more severe among highly educated immigrants. Often being unable to find white-collar employment or being reluctant to search for it due to an intended temporary stay (which is particularly relevant for some recent immigrants) – these highly qualified people opt for self-employment, enter skilled or technical jobs or, wasting their human capital, accept unskilled or unstable working class employment. Moreover, tertiary-educated immigrants seem to have particularly high unemployment risk as compared to the native German population. Immigrants with low vocational education are also quite disadvantaged: they have almost no chance of finding white-collar employment even though about 33 per cent of the native-born with low vocational education are in the white-collar employment cluster. Immigrants, on the contrary, are predominantly found in the unskilled and mobile working clusters. A positive, significant effect of tenure in the host country is, however, to be noted for immigrants in Germany when it comes to their chances of entering white-collar or self-employment (see Tables A.6a in the Appendix).

In Great Britain immigrants also have greater difficulties entering white-collar employment and are over-represented in unemployment, but there is no indication that tertiary-educated newcomers are particularly handicapped in the British labour market. Overall, third-country immigrants have a more difficult time in both countries' labour markets as compared to immigrants coming from EU or other western countries, other things being equal. Interestingly, in both countries EU immigrants have a higher propensity for self-employment compared to the native-born or third-country immigrants. In Germany the latter have, however, a much lower probability of starting businesses than the native-born, other things being equal. On the other hand, third-country immigrants in Germany are significantly over-represented in unskilled and mobile working class clusters, a feature they largely share with immigrants from EU countries.

In summary, results of the pairwise sequence analysis confirm findings of earlier studies pointing to existing occupational segmentation of immigrants in Germany. These results also establish that in Great Britain unemployment remains a larger problem for its immigrant population than occupational disadvantage. Sequence analysis of the panel data reveals too that in Germany immigrants have less stable employment and occupational careers. Principally, during the sampled six-year career path immigrants in Germany experienced significantly more frequent employment transitions than was the case among the native-born, while in Great Britain immigrants did not significantly differ from the natives in this respect. Besides this, the cluster analysis of pairwise OMA distances in the German data discovered the existence of a mobile working class cluster where immigrants are particularly prominent.

Furthermore, it has been shown that occupational segregation in Germany can only be partially explained by the inadequate educational qualifications of some immigrants.

Results of the multinomial logistic regression instead point to the fact that immigrants' formal educational qualifications are of little relevance in the German labour market, while in the UK they seem to be more attractive indicators for employers. This does not, however, ensure equal returns to immigrants' education in Great Britain, but an educated immigrant's situation there is far more favourable than in Germany. In addition, it emerges that both in Germany and the UK, third-country immigrants are more at odds with their host country labour markets than more privileged émigrés from EU member states or other western industrialised countries.

So far the analyses have shown that in both societies immigrants have difficulty finding employment, but it seems that they are competing with the native-born in different labour market segments. While immigrants in Great Britain are quite similar to the native-born in their occupational patterns, in Germany they are over-represented in the secondary labour market, largely in unskilled or unstable working class employment. The next section will have a closer look at the unemployment dynamics of immigrants in both countries and will try to explain why long-term unemployment remains a problem for the immigrant populations in both countries and how it can be related to immigrants' labour market segmentation (particularly in Germany).

7.3.3. UNEMPLOYMENT DYNAMICS OF IMMIGRANTS IN GERMANY AND GREAT BRITAIN

The following is a presentation of the results of the event-history analysis of the transition from unemployment to different employment destinations, and from dependent employment to unemployment for immigrants as compared to the native-born in Germany and Great Britain. During the six-year observation window respondents might have experienced multiple unemployment, as well as employment spells. For the purpose of the analysis we pool all spells together, unemployment for the analyses of unemployment exit, and employment for the analysis of unemployment entry; but we account for the correlation between spells by adjusting the covariance matrix of the estimators. This is practically implemented with the statistical package Stata 8 by introducing robust standard errors and clustering on individuals per spell.[117] The German dataset contains 1042 unemployment and 3848 employment spells, with the total number of individuals being 2940 in the analysis of unemployment inflow and 676 in the analysis of unemployment outflow. The British dataset contains 999 unemployment and 5184 employment spells with the total number of individuals being 2178 in the analysis of unemployment inflow and 633 in the analysis of unemployment outflow.

[117] Indeed, *robust cluster* command in Stata relaxes the assumption of the independence of the observations within the cluster (a person in our case), requiring only that observations are independent across the clusters. Resultant standard errors are correct even if the observations are correlated (Stata Corporation, 2002: 256).

7.3.3.1. Unemployment Outflow

The following analysis compares the chances of finding employment for unemployed immigrants to those of the unemployed native-born in both countries. It is well known that the labour market is not homogenous and immigrants are especially at extra risk of being employed in its lower echelons.

The following section will attempt to find verification or otherwise for the expectation that in Germany immigrants, after being unemployed, are more at risk of entering the labour market at its lower end than is the case in Great Britain. To this end we run a competing risk model, which assumes that the competing destinations, i.e. white-collar, skilled and unskilled employment, are independent from one another. Independent variables successively included into the models of the unemployment exit are variables pertaining to human capital characteristics, unemployment benefits receipt, labour market situation in the region of residence and immigrant characteristics.

Table 7.8 documents the results of the analysis of the transition from unemployment to white-collar employment in Germany (upper part) and Great Britain (lower part). From Model 1, which presents the gross effect of immigrant status (i.e. the effect without controlling for any other variables), it appears that in Germany immigrants have a much lower rate of transition to white-collar employment once unemployed, while in the UK there is no significant difference between immigrants and the native-born in this respect. Model 2 controls for the human capital characteristics of immigrants and native populations, namely age and level of education. It appears that if education and age[118] are taken into account the disadvantage of immigrants in access to white-collar employment increases in both countries, but in Great Britain the effect remains statistically insignificant. This suggests that immigrants' formal educational qualifications seem to be at least partially discounted in both host countries' labour markets.[119] In Model 3 in addition to human capital characteristics, unemployment benefits receipt and regional unemployment rate are controlled for. Both variables capture structural characteristics of the respective societies: welfare state provisions and the local labour market situation. Including these variables helps to explain a part of the immigrant penalty in Germany, which, however, still remains rather large and unaccounted for. In the UK the gap between immigrants and the native-born increases further, but the effect still remains statistically insignificant. It is important to note that there is no evidence that immigrants 'overstay' in unemployment once receiving unemployment benefits. Indeed, the difference in the immigrant effect is rather marginal when comparing Model 2 and Model 3. In Model 4 we control for the composition of immigrant groups, differentiating between immigrants coming from the EU or other western countries and third-country immigrants. Cohort or

[118] Age appears to have no significant influence on the rate of entering white-collar employment in either country, however.

[119] The better test for the transferability of foreign educational credentials would be to include interaction effects of education and immigrant status. However, due to the small number of cases such analyses are hardly reliable and are not reported here.

Table 7.8. Results (unstandardised coefficients and robust standard errors) from a piecewise constant exponential model on transition from unemployment to white-collar employment for men, 25–55 years old, in Germany and the UK

	Model 1		Model 2		Model 3		Model 4	
Germany								
Immigrants	−1.76**	(0.25)	−1.99**	(0.29)	−1.80**	(0.27)	−2.00**	(0.44)
EU immigrants							0.53	(0.79)
YSM							−0.02	(0.04)
Human capital								
Age			0.06	(0.10)	0.06	(0.10)	0.05	(0.10)
Age squared/100			−0.12	(0.12)	−0.10	(0.12)	−0.09	(0.12)
Low general or less			−2.42**	(0.72)	−2.54**	(0.73)	−2.54**	(0.73)
Middle general education			−0.17	(0.63)	−0.47	(0.64)	−0.46	(0.66)
Middle vocational education			0.99**	(0.31)	0.69*	(0.30)	0.70*	(0.30)
Tertiary (short) education			1.80**	(0.32)	1.28**	(0.30)	1.28**	(0.31)
Tertiary (long) education			1.68**	(0.22)	1.27**	(0.22)	1.28**	(0.22)
Education missing			−0.52	(1.28)	−0.00	(1.20)	−0.01	(1.29)
Unemployment benefits								
No benefit					2.06**	(0.26)	2.04**	(0.26)
Info missing					1.05*	(0.41)	1.05*	(0.41)
Regional unemployment rate					0.07	(0.05)	0.07	(0.05)
Time periods								
3–6 months	0.21	(0.67)	0.13	(0.70)	0.33	(0.71)	0.32	(0.71)
6–12 months	1.11*	(0.50)	1.07*	(0.50)	1.32**	(0.50)	1.31**	(0.50)
12–24 months	0.30	(0.52)	0.30	(0.52)	0.59	(0.53)	0.59	(0.53)
24–36 months	0.51	(0.50)	0.56	(0.50)	0.82	(0.50)	0.82	(0.50)
More than 3 years	0.54	(0.47)	0.71	(0.47)	0.97*	(0.48)	0.96*	(0.47)
Intercept	−4.45**	(0.45)	−5.29**	(2.06)	−7.40**	(2.13)	−7.32**	(2.12)
Log Pseudo-likelihood	−224.4		−152.2		−107.8		−107.4	
Great Britain								
Immigrants	−0.02	(0.26)	−0.30	(0.31)	−0.37	(0.30)	−0.21	(0.34)
EU immigrants							−0.42	(0.62)
YSM							0.02	(0.02)

(*Continued*)

Table 7.8. (*Continued*)

	Model 1		Model 2		Model 3		Model 4	
Human capital								
Age			0.15	(0.09)	0.14	(0.09)	0.14	(0.09)
Age squared/100			−0.19	(0.11)	0.20	(0.10)	−0.20*	(0.10)
Low general or less			−1.05**	(0.27)	−1.04**	(0.27)	−1.05**	(0.27)
Middle general education			1.16**	(0.35)	1.02**	(0.34)	1.02**	(0.34)
Middle vocational education			1.39**	(0.30)	1.29**	(0.30)	1.28**	(0.30)
Tertiary (short) education			1.00**	(0.26)	0.96**	(0.25)	0.96**	(0.25)
Tertiary (long) education			1.42**	(0.29)	1.37**	(0.29)	1.40**	(0.29)
Unemployment benefits								
No benefit					0.66**	(0.17)	0.68**	(0.17)
Info missing					−0.96	(1.04)	−0.95	(1.04)
Regional unemployment rate					−0.12*	(0.05)	−0.12*	(0.05)
Time periods								
3–6 months	−0.13	(0.45)	−0.10	(0.44)	−0.20	(0.44)	−0.20	(0.44)
6–12 months	−0.01	(0.37)	0.01	(0.37)	−0.04	(0.37)	−0.04	(0.38)
12–24 months	0.35	(0.33)	0.47	(0.33)	0.35	(0.34)	0.35	(0.34)
24–36 months	0.08	(0.35)	0.24	(0.35)	−0.02	(0.37)	−0.02	(0.37)
More than 3 years	0.52	(0.32)	0.60	(0.32)	0.14	(0.35)	0.14	(0.36)
Intercept	−4.13**	(0.30)	−7.21**	(1.86)	−5.82**	(1.91)	−5.82**	(1.90)
Log Pseudo-likelihood	−310.5		−215.1		−201.1		−200.5	

Note: * $p < 0.05$ ** $p < 0.01$; robust standard errors are in parentheses.
Source: GSOEP (1995–2000), BHPS (1993–1998) monthly data.

tenure effects are also measured by the years since migration (YSM) variable, which is centred on its sample mean, so that the main effect for the immigrant status pertains to immigrants residing in Germany for 19.2 years and in the UK for 20.5 years. Results show that in both countries immigrants from the EU are not significantly different from third-country immigrants when it comes to taking up white-collar positions even though the respective coefficients are relatively large. In fact in the UK the coefficient for EU immigrants is negative, implying that immigrants from EU and other western countries would have had a lower risk of entering white-collar employment after being unemployed as compared to third-country immigrants if this effect were statistically significant. In Germany this coefficient is positive, suggesting a higher chance of entering white-collar employment for EU immigrants and other westerners, albeit insignificantly. Finally YSM has no significant effect on immigrants' chances of white-collar employment in either country.

As one might expect, possessing qualifications of tertiary education, particularly from universities, increases the likelihood of a person entering white-collar employment both in Great Britain and in Germany. While in Germany the difference in the effect of long and short tertiary education is hardly noticeable (see Models 3–4), in Great Britain university education ensures substantially better chances of entering white-collar employment than short tertiary education, other things being equal. Moreover, the results show that having short tertiary education might not even be that favourable for obtaining white-collar jobs compared to post-secondary non-tertiary education, for example. Furthermore, in the UK persons with diplomas of secondary general education (see the effect of middle general education) have significantly better entry rates to white-collar employment compared to persons with low vocational education. In Germany this is not the case: individuals with *Abitur* but without any vocational training are no more likely to swap unemployment for white-collar work than those without *Abitur* but with vocational training. Regional unemployment rates do not seem to play any role in determining the chance of entering white-collar employment in Germany, while in Great Britain they do indeed. The effect of unemployment benefits receipt upon the figures also differs between the two countries. In Germany unemployment benefits receipt seems to prolong unemployment more substantially than it does in the UK. Finally, the baseline rates differ between the two countries: in the UK the baseline rate is constant, while in Germany some positive duration dependence can be observed.

In Germany immigrants not only have a lower chance of landing white-collar employment: their chances for skilled or technical employment are also significantly lower than among the native-born, which is evident from the upper portion of Model 1 in Table 7.9. In Great Britain the immigrant gross effect on the hazard rate is also negative, but is much weaker and is not statistically significant (lower part of Model 1). Human capital characteristics (see Model 2) explain a large part of immigrants' disadvantage in Germany, while in the UK the immigrant effect even becomes positive. However, little can be derived from this trend as it does not differ from zero statistically. Variables pertaining to unemployment benefits receipt and regional unemployment rates further explain the disadvantage of immigrants in Great Britain and Germany (see Model 3). The gap in the rate of unemployment exit as a skilled worker between immigrants and the native-born narrows once unemployment benefit receipt is controlled for. The immigrant effect in Germany, in fact, ceases to be statistically significant.[120] In both countries unemployed immigrants from EU or other western countries do not significantly differ from third-country immigrants when it comes to their chances of entering skilled or technical employment (see Model 4). Actually, in Germany the effect pertaining to immigrants from EU or other western countries is relatively large and negative, albeit insignificant, possibly pointing to a lower risk within the respective groups of immigrants entering skilled or technical employment. Just the contrary might be true in Great Britain – if the effect were significant – where EU immigrants and other westerners would have a higher likelihood of exiting unemployment as skilled workers. The variable pertaining to time

[120] The difference in the net immigrant effect is too small between Models 2 and 3.

Table 7.9. Results (unstandardised coefficients and robust standard errors) from a piecewise constant exponential model on transition from unemployment to skilled or technical employment for men, 25–55 years old, in Germany and the UK

	Model 1		Model 2		Model 3		Model 4	
Germany								
Immigrants	−0.88*	(0.18)	−0.45*	(0.21)	−0.36	(0.20)	−0.56*	(0.25)
EU immigrants							−0.29	(0.48)
YSM							−0.05**	(0.02)
Human capital								
Age			0.46**	(0.10)	0.39**	(0.10)	0.40**	(0.10)
Age squared/100			−0.63**	(0.12)	−0.53**	(0.12)	−0.54**	(0.12)
Low general or less			−1.27**	(0.28)	−1.37**	(0.28)	−1.38**	(0.29)
Middle general education			−1.25**	(0.49)	−1.37**	(0.47)	−1.27**	(0.47)
Middle vocational education			−0.36	(0.29)	−0.50	(0.27)	−0.69*	(0.29)
Tertiary (short) education			0.39	(0.32)	0.04	(0.33)	−0.25	(0.36)
Tertiary (long) education			−0.90**	(0.34)	−1.19**	(0.33)	−1.37**	(0.35)
Education missing			−1.38	(1.11)	−1.15	(1.08)	−1.19	(1.06)
Unemployment benefits								
No benefit					1.54**	(0.19)	1.51**	(0.20)
Info missing					0.51	(0.35)	0.48	(0.35)
Regional unemployment rate					−0.05	(0.05)	−0.06	(0.05)
Time periods								
3–6 months	−0.22	(0.47)	−0.21	(0.47)	−0.11	(0.47)	−0.06	(0.48)
6–12 months	0.30	(0.34)	0.30	(0.34)	0.50	(0.33)	0.54	(0.34)
12–24 months	−0.11	(0.33)	−0.07	(0.33)	0.10	(0.33)	0.11	(0.33)
24–36 months	−0.01	(0.31)	0.10	(0.31)	0.41	(0.32)	0.44	(0.32)
More than 3 years	−0.57	(0.30)	−0.30	(0.31)	−0.03	(0.30)	0.02	(0.30)
Intercept	−3.65**	(0.28)	−11.35**	(2.06)	−10.74**	(1.97)	−11.07**	(1.95)
Log Pseudo-likelihood	−323.0		−270.2		−229.1		−223.4	
Great Britain								
Immigrants	−0.16	(0.30)	0.16	(0.31)	0.08	(0.31)	0.01	(0.36)
EU immigrants							0.27	(0.66)
YSM							−0.00	(0.02)
Human capital								
Age			−0.05	(0.09)	−0.06	(0.09)	−0.06	(0.09)
Age squared/100			0.05	(0.11)	0.05	(0.11)	0.06	(0.11)
Low general or less			−1.07**	(0.23)	−1.05**	(0.23)	−1.04**	(0.23)

Table 7.9. (*Continued*)

	Model 1		Model 2		Model 3		Model 4	
Middle general education			−1.26	(0.68)	−1.37*	(0.66)	−1.36*	(0.67)
Middle vocational education			−0.30	(0.39)	−0.35	(0.39)	−0.36	(0.39)
Tertiary (short) education			−0.18	(0.28)	−0.19	(0.27)	−0.19	(0.27)
Tertiary (long) education			−1.30**	(0.50)	−1.40**	(0.50)	−1.43**	(0.54)
Unemployment benefits								
No benefit					0.69**	(0.18)	0.69**	(0.18)
Info missing					0.08	(0.66)	0.08	(0.66)
Regional unemployment rate					−0.03	(0.05)	−0.03	(0.05)
Time periods								
3–6 months	−0.33	(0.52)	−0.33	(0.52)	−0.36	(0.52)	−0.36	(0.52)
6–12 months	0.19	(0.40)	0.18	(0.40)	0.18	(0.40)	0.18	(0.40)
12–24 months	0.04	(0.39)	0.03	(0.39)	−0.01	(0.39)	−0.00	(0.39)
24–36 months	0.02	(0.39)	0.03	(0.40)	−0.06	(0.41)	−0.06	(0.41)
More than 3 years	0.18	(0.36)	0.25	(0.37)	0.04	(0.38)	0.04	(0.38)
Intercept	−4.31**	(0.33)	−2.67	(1.92)	−2.34	(1.90)	−2.33	(1.92)
Log Pseudo-likelihood	−276.6		−258.6		−251.3		−251.3	

Note: *p < 0.05 **p < 0.01; robust standard errors are in parentheses.
Source: GSOEP (1995–2000), BHBS (1993–1998) monthly data.

since migration has a negative significant effect in Germany, suggesting that an immigrant who resides in Germany for a longer time has a lower chance of exiting unemployment as a skilled worker compared to more recent immigrants. In fact, this effect reflects the higher chances of ethnic German immigrants, a relatively recent group of immigrants in Germany, of entering skilled employment compared to earlier immigration waves.

As for other control variables, general education (either low or secondary) has a negative effect on the rate of exiting unemployment as a skilled worker in both countries. Persons with long tertiary education also have a significantly lower risk of entering skilled working class occupations once unemployed. Age has a significant curvilinear effect upon the rates of finding skilled or technical employment in Germany,[121] but is not significant in Great Britain. In both countries the regional unemployment rate does not significantly influence the chances of entering skilled employment. And as was seen in the previous

[121] Up until 37 years old (0.46/2*0.0063) the chances of finding skilled or technical employment once unemployed rise and later on decrease.

table, in Germany unemployment benefits receipt slows the exit to skilled employment more substantially than it does in the UK. Finally, the baseline rates appear to be constant for both countries.

Table 7.10 presents the results of the piecewise constant exponential model predicting (the limit of) the conditional probability of someone finding an unskilled job in a particular month, given the fact that s/he was looking for work until that time in Germany and the UK. Immigrants' gross effect upon the rate in Germany is positive but not statistically significant (see upper panel of Model 1); whereas in Great Britain it is negative and rather strong (see lower panel of Model 1). When human capital characteristics are taken into account the positive immigrant effect in Germany becomes even stronger and gains statistical significance (upper part of Model 2). It increases further when the fact of unemployment benefits receipt and the regional unemployment rate are accounted for (upper part of Model 3). In Germany it seems that these are the native-born, who appear to have longer unemployment durations once receiving unemployment benefits. This is apparent when controlling for this feature, which shows the relative risk of immigrants landing unskilled work increasing further. In Great Britain immigrants' lower rates of entering unskilled employment when unemployed are partially explained by their human capital characteristics; while unemployment benefits receipt and regional unemployment rate seem not to play a role in determining immigrant rates of landing unskilled jobs when unemployed. A dummy variable pertaining to the composition of the immigrant population, i.e. differentiating between immigrants from EU and other western countries vs. the rest, does not appear to be significant, but is still worth mentioning, especially in the UK.[122] There, immigrants from EU or other western countries seem to have an insignificantly lower chance of exiting unemployment as unskilled workers. No clear effect of the host-country tenure upon the chances of exiting unemployment as a skilled worker is apparent in either country.

Otherwise, long tertiary education prevents immigrants from exiting unemployment as unskilled workers, and this effect is larger in Great Britain than in Germany. Again, unemployment benefits receipt slows unemployment exit in Germany to a larger degree than it does in the UK.

Table 7.11 presents some additional analyses of the transitions from unemployment to three competing destinations for Germany, where the data allow controlling for the effect of citizenship (results are presented in Model 5) and German language proficiency (results can be found in Model 6). Unfortunately the British data do not contain comparable information, so the analyses are conducted solely for Germany, where such analyses are particularly important. It is in Germany where, lacking German citizenship, immigrants

[122] Certainly many of the variables are not significant due to the small number of cases, especially in the British data. Assuming that both surveys are representative of the population, relatively strong effects are worth paying attention to.

Table 7.10. Results (unstandardised coefficients and robust standard errors) from a piecewise constant exponential model on transition from unemployment to unskilled employment for men, 25–55 years old, in Germany and the UK

	Model 1	Model 2	Model 3	Model 4
Germany				
Immigrants	0.28 (0.15)	0.36* (0.17)	0.42* (0.16)	0.40**(0.17)
EU immigrants				0.00 (0.30)
YSM				−0.00 (0.01)
Human capital				
Age		0.32**(0.08)	0.27**(0.08)	0.27**(0.08)
Age squared/100		−0.47**(0.10)	−0.40**(0.10)	−0.40**(0.10)
Low general or less		0.05 (0.20)	−0.12 (0.21)	−0.12 (0.21)
Middle general education		0.25 (0.27)	0.21 (0.25)	0.22 (0.26)
Middle vocational education		0.37 (0.23)	0.25 (0.22)	0.23 (0.22)
Tertiary (short) education		0.35 (0.33)	0.07 (0.32)	0.05 (0.32)
Tertiary (long) education		−0.87* (0.35)	−1.17**(0.35)	−1.19**(0.35)
Education missing		−0.59 (0.79)	−0.44 (0.64)	−0.45 (0.65)
Unemployment benefits				
No benefit			1.52**(0.17)	1.51**(0.17)
Info missing			0.62* (0.28)	0.62**(0.28)
Regional unemployment rate			−0.05 (0.05)	−0.05 (0.05)
Time periods				
3–6 months	−0.76* (0.39)	−0.80* (0.38)	−0.78* (0.38)	−0.78* (0.38)
6–12 months	−0.89**(0.32)	−0.88**(0.33)	−0.69* (0.32)	−0.69* (0.32)
12–24 months	−0.49* (0.24)	−0.51* (0.24)	−0.31 (0.24)	−0.32 (0.24)
24–36 months	−0.82**(0.25)	−0.76**(0.25)	−0.48 (0.26)	−0.48 (0.26)
More than 3 years	−0.73**(0.21)	−0.40* (0.21)	−0.20 (0.22)	−0.20 (0.22)
Intercept	−3.49**(0.20)	−8.68**(1.61)	−8.40**(1.67)	−8.47**(1.68)
Log Pseudo-likelihood	−377.9	−322.4	−269.7	−269.6
Great Britain				
Immigrants	−1.34** 0.38	−1.23**(0.39)	−1.24**(0.39)	−1.17**(0.42)
EU immigrants				−0.42 (1.12)
YSM				−0.01 (0.03)
Human capital				
Age		0.10 (0.09)	0.08 (0.08)	0.08 (0.08)
Age squared/100		−0.14 (0.10)	−0.12 (0.10)	−0.13 (0.10)
Low general or less		−0.20 (0.18)	−0.20 (0.18)	−0.20 (0.18)
Middle general education		−0.43 (0.49)	−0.54 (0.49)	−0.55 (0.49)
Middle vocational education		−0.15 (0.35)	−0.25 (0.36)	−0.24 (0.36)
Tertiary (short) education		−0.02 (0.25)	−0.02 (0.24)	−0.02 (0.24)
Tertiary (long) education		−1.64**(0.61)	−1.70**(0.60)	−1.68**(0.61)
Education missing		−0.70 (0.97)	−0.68 (1.02)	−0.71 (1.02)

(*Continued*)

Table 7.10. (*Continued*)

	Model 1		Model 2		Model 3		Model 4	
Unemployment benefits								
No benefit					0.62**	(0.15)	0.62**	(0.15)
Info missing					0.02	(0.45)	0.02	(0.45)
Regional unemployment rate					−0.13**	(0.04)	−0.13**	(0.04)
Time periods								
3–6 months	0.65	(0.41)	0.65	(0.41)	0.55	(0.41)	0.55	(0.41)
6–12 months	0.61	(0.38)	0.61	(0.38)	0.51	(0.38)	0.51	(0.38)
12–24 months	0.50	(0.36)	0.50	(0.37)	0.35	(0.37)	0.35	(0.37)
24–36 months	0.37	(0.37)	0.38	(0.38)	0.05	(0.39)	0.05	(0.39)
More than 3 years	0.77*	(0.35)	0.86*	(0.35)	0.32	(0.38)	0.32	(0.38)
Intercept	−4.25**	(0.33)	−5.59**	(1.71)	−4.02*	(1.72)	−4.06*	(1.72)
Log Pseudo-likelihood	−326.9		−314.1		−298.8		−298.6	

Note: * $p < 0.05$ ** $p < 0.01$; robust standard errors are in parentheses.
Source: GSOEP (1995–2000), BHPS (1993–1998) monthly data.

are denied access to prestigious civil service jobs, which might effectively translate into larger disadvantage in gaining white-collar employment. A further reality is that upon arrival in the UK, practically all immigrants have some knowledge of spoken, if not written, English. Moreover, some immigrants have quite a good knowledge of English, even being native-English speakers. By contrast, very few immigrants in Germany arrive with a good knowledge of the German language and far fewer immigrants speak German as their first tongue. That is why it is particularly important to control for the knowledge of the host-country language in Germany, since its larger immigrant penalty might be related to immigrants' poor command of German.

So Models 5 and 6 in Table 7.11, alongside the same control variables as were included in Model 3, Tables 7.8–7.10, add variables pertaining to citizenship status and language proficiency respectively. Results show that having German citizenship significantly improves immigrants' chances of exiting unemployment as a white-collar worker. Indeed, in Germany citizenship opens up the prospect of entering public-sector employment with the privileged *Beamte* (public or civil servants) status, otherwise closed to non-naturalised immigrants. However, relative to the native-born, even naturalised immigrants are disadvantaged when it comes to gaining white-collar employment ($b = -2.64 + 1.69 = -0.95$). Immigrants with German citizenship also seem to have more favourable chances of exiting unemployment as skilled workers or technicians, albeit insignificantly. Citizenship status exerts no effect upon the risk of entering unskilled employment.

Proficiency in the German language, both oral and written, an important indicator of immigrant labour market chances in the host country, explains part of the immigrant disadvantage in gaining white-collar employment, although a large, significant, unexplained

Table 7.11. Effects of German language knowledge and citizenship upon the risk of exiting unemployment for men, 25–55 years old, in Germany

	Transition from unemployment to							
	White-collar employment		Skilled and technical employment		Unskilled employment			
	Model 5		Model 6		Model 5		Model 6	
Immigrants	−2.64**	(0.44)	−1.20**	(0.37)	−0.49**	(0.23)	0.11	(0.27)	0.42*	(0.18)	0.23	(0.26)
Immigrant characteristics												
German citizenship	1.69**	(0.50)			0.44	(0.32)			0.02	(0.22)		
German language not good			−2.01**	(0.68)			−0.86*	(0.34)			0.31	(0.27)
No info on language knowledge			0.20	(0.50)			−0.27	(0.37)			0.00	(0.32)
Human capital												
Age	0.02	(0.10)	0.02	(0.11)	0.37**	(0.10)	0.38**	(0.10)	0.27**	(0.08)	0.28**	(0.08)
Age squared/100	−0.05	(0.12)	−0.05	(0.13)	−0.51**	(0.12)	−0.52**	(0.12)	−0.39**	(0.10)	−0.41**	(0.11)
Low general or less	−2.47**	(0.73)	−2.47**	(0.73)	−1.34**	(0.28)	−1.33**	(0.28)	−0.12	(0.21)	−0.15	(0.21)
Middle general education	−0.44	(0.65)	−0.31	(0.64)	−1.36**	(0.47)	−1.32**	(0.47)	0.21	(0.25)	0.19	(0.25)
Middle vocational education	0.65*	(0.30)	0.74*	(0.30)	−0.56	(0.28)	−0.47	(0.27)	0.25	(0.22)	0.24	(0.22)
Tertiary (short) education	1.14**	(0.33)	1.28**	(0.31)	−0.07	(0.34)	0.10	(0.31)	0.07	(0.32)	0.06	(0.33)
Tertiary (long) education	1.31**	(0.22)	1.26**	(0.22)	−1.19**	(0.34)	−1.20**	(0.34)	−1.17**	(0.35)	−1.15**	(0.35)
Education missing	−0.01	(1.18)	0.04	(1.23)	−1.18	(1.08)	−1.10	(1.07)	−0.44	(0.64)	−0.43	(0.64)
Unemployment benefits												
No benefit	2.06**	(0.26)	2.04**	(0.26)	1.54**	(0.19)	1.52**	(0.19)	1.52**	(0.17)	1.53**	(0.17)
Info missing	1.04*	(0.41)	1.03*	(0.41)	0.52	(0.35)	0.50	(0.35)	0.62*	(0.28)	0.64*	(0.28)
Regional unemployment rate	0.06	(0.06)	0.07	(0.05)	−0.06	(0.05)	−0.07	(0.05)	−0.05	(0.05)	−0.04	(0.05)
Time periods												
3–6 months	0.36	(0.71)	0.35	(0.70)	−0.09	(0.48)	−0.10	(0.48)	−0.78*	(0.38)	−0.79*	(0.38)
6–12 months	1.36**	(0.50)	1.33**	(0.50)	0.51	(0.34)	0.51	(0.33)	−0.69*	(0.32)	−0.71*	(0.32)
12–24 months	0.60	(0.53)	0.55	(0.52)	0.11	(0.33)	0.07	(0.33)	−0.31	(0.24)	−0.30	(0.24)
24–36 months	0.84	(0.50)	0.99*	(0.50)	0.42	(0.32)	0.48	(0.32)	−0.48	(0.26)	−0.53*	(0.27)
More than 3 years	1.00*	(0.47)	1.11*	(0.47)	−0.02	(0.30)	0.03	(0.30)	−0.20	(0.22)	−0.26	(0.23)
Intercept	−6.52**	(2.19)	−6.74**	(2.19)	−10.35**	(1.97)	−10.58**	(1.97)	−8.38**	(1.69)	−8.63**	(1.70)
Log Pseudo-likelihood	−101.12		−99.51		−228.05		−225.55		−269.70		−268.46	

Note: *p < 0.05 **p < 0.01; robust standard errors are in parentheses.
Source: GSOEP (1995–2000), monthly data.

immigrant effect remains (see Model 6 for the transition to white-collar employment). It appears that even persons with a good knowledge of the German language, both oral and written, have lower rates of entering white-collar employment once unemployed. Assuming that in Britain all immigrants have at least a good knowledge of the English language (both oral and written), they still have a much better hazard rate of entering white-collar employment (see Model 3 in Table 7.8, lower panel) than immigrants with good language knowledge in Germany.

Insufficient knowledge of the German language explains, however, the negative risk of exiting unemployment as a skilled worker or as a technician among immigrants: persons with a good knowledge of German do indeed have similar chances of landing skilled employment to the native-born. Those with lower German language proficiency have a significantly reduced rate of exiting unemployment as skilled workers. Language knowledge appears to play no significant role when it comes to entering unskilled employment.

All in all, additional analyses as to the impact of German citizenship and knowledge of the German language for immigrants' (re-)employment chances show that both play a significant role. Yet, even accounting for these two important factors does not explain the larger immigrant penalties in Germany compared to the UK when attempts are made to enter white-collar employment.

It has been shown in Table 3.2 that the composition of immigrant groups differs in Germany and Great Britain, which makes a direct comparison of broad (and ethnically heterogeneous) immigrant groups rather problematic. On the other hand, rather small sample sizes do not allow any meaningful comparison of very detailed ethnic groups in either of the countries, particularly in Great Britain. An attempt is made, however, to further differentiate immigrants in both countries in order to get an impression of ethnic disparities in Great Britain and differences between national groups and cohorts in Germany. For Great Britain the following groups are differentiated: whites, blacks,[123] Indians, Pakistanis and Bangladeshis, and Asian immigrants. In Germany it is possible to compare the following groups to the native-born Germans: *Aussiedler*, or ethnic German immigrants who arrived from Eastern European countries and are entitled to German citizenship and privileged treatment; guest workers from Mediterranean countries (except Turkey) who entered Germany prior to 1975; Turkish guest workers; immigrants from EU or other western industrialised countries, who entered Germany after 1975; and finally third-country immigrants who entered Germany after 1975. The effects of immigrant group membership upon accessing both white-collar and unskilled employment, two employment destinations for which the previous analyses reported substantial cross-country differences (comparable to model 3 in Tables 7.8, 7.10), are presented in Table 7.12. The idea is to figure out which groups are particularly disadvantaged from

[123] Unfortunately small sample sizes do not allow further differentiation between black immigrants from West Indies and those from Africa.

Table 7.12. Effects of immigrant group membership upon the chance of exiting unemployment for men, 25–55 years old, in Germany and Great Britain

	White-collar employment		Unskilled employment	
Germany				
Aussiedler	−1.88**	(0.45)	0.65**	(0.25)
Guest workers (without Turkey)	−2.04**	(0.78)	0.55*	(0.27)
Guest workers from Turkey	−2.59**	(1.02)	−0.26	(0.41)
EU immigrants after 1975	−0.36	(0.60)	0.07	(0.52)
Non-EU immigrants	−2.19**	(0.45)	0.60**	(0.21)
Great Britain				
White	−0.38	(0.38)	−1.77**	(0.59)
Black	−0.58	(0.71)	0.43	(0.54)
Indian	1.46**	(0.51)	0.64	(0.54)
Pakistani/Bangladeshi	−1.03	(1.11)	1.13	(0.74)
Asian	−0.84	(1.33)	−12.03**	(0.71)

Note: * p<0.05 ** p<0.01; robust standard errors are in parentheses. Control variables include age, age squared, level of education, unemployment benefits receipt, regional unemployment rate and time periods (see Model 3, Table 7.8, Table 7.10).
Source: GSOEP (1995–2000), BHPS (1993–1998) monthly data.

entering white-collar employment in Germany, and how a strong negative immigrant effect in access to unskilled employment in Great Britain can be explained.

It turns out that in Germany *all* immigrant groups with the single exception of immigrants from EU and other western countries who settled in the country after 1975, are significantly disadvantaged in accessing white-collar jobs. Guest-worker immigrants from Turkey appear to be most disadvantaged, but even *Aussiedler*, the immigrants with the most privileged status in Germany, have significantly lower chances of landing white-collar employment.[124]

In Great Britain there is a larger variation between ethnic groups in their access to white-collar employment. Coefficients for ethnic groups are mainly insignificant, but they are negative even though of a much smaller magnitude than the effects for each of the immigrant groups in the analysis for Germany.[125] Indians appear to be a group for which a higher chance of landing white-collar employment compared to the native-born is indicated. Positive significant effects for Indian immigrants in entering white-collar employment might in fact be explained by direct recruitment, or might reflect preference among employers to admit Indian specialists due to the strong demand in

[124] Even after controlling for German language proficiency, strong effects ($b \approx -1.30$), which are similar for all immigrant groups, are observable. These are statistically significant at 10%, at least, for all groups compared except guest worker immigrants from Turkey, and EU immigrants or other westerners.

[125] Even after controlling for German language proficiency (not shown here).

some occupations, particularly in the medical sector and computer or communication technologies.

When it comes to entering unskilled employment in the UK it is noteworthy that white and Asian immigrants[126] are at lower rates of ending in unskilled employment, while other immigrant groups have higher risks of landing unskilled employment as compared to the native-born, albeit insignificantly. In Germany all immigrant groups, except guest workers from Turkey and the EU, have significantly higher hazard rates of entering unskilled employment, comparable to the corresponding rates among non-white non-Asian immigrants in Great Britain.

The overall results of this more detailed analysis demonstrate that white-collar employment is a more realistic option for immigrants in Great Britain than in Germany. In the latter all immigrants (except more privileged EU citizens) irrespective of their origin and circumstances of migration are denied virtually any access to the white-collar sector. In looking at entry to unskilled employment further similar trends are visible, with ethnic minorities having greater likelihoods of finishing up at the lower end of the occupational hierarchy than the native-born – and this is true for both countries.

7.3.3.2. Unemployment Inflow

The following analysis (a piecewise constant exponential model) focuses on the conditional probability of losing dependent employment for immigrants as compared to the native-born in the two countries. As in the analysis of unemployment outflow independent variables are successively included to determine their significance in explaining possible differences between the two analysed groups. Thus, Model 2 controls for human capital indicators; in Model 3 job characteristics, and in Model 4 the composition of the immigrant population are taken into account. For Germany Model 5 also includes a variable pertaining to German language proficiency, now shown to be an important determinant of immigrant employment. Results for Germany are reported in Table 7.13, and for Great Britain, Table 7.14. From Model 1, where the gross immigrant effect is presented, it appears that in Germany (see Table 7.13) immigrants seem to have higher exit rates from employment, while in Great Britain (see Table 7.14) immigrants do not significantly differ from the native-born in their respective risk. By controlling for human capital characteristics, i.e. age and educational level (Model 2 in Table 7.13), an immigrant's higher risk of entering unemployment is reduced to some degree in Germany; while in Great Britain the effect increases albeit insignificantly (Model 2 in Table 7.14). In both countries older people (that is, those with more work experience) have a lower risk of exiting employment, while the role of education differs in the two countries. In Germany low general education increases the risk of employment loss, whereas in Great Britain persons with both low general and low vocational education are less protected from job loss than the rest.

[126] The effect for Asians is very strong due to the small number of cases in this category.

Table 7.13. Effects upon the risk of exiting paid employment to unemployment, for men, 25–55 years old, in Germany

	Model 1		Model 2		Model 3		Model 4		Model 5	
Immigrants	0.70**	(0.08)	0.54**	(0.09)	−0.00	(0.09)	0.06	(0.10)	−0.05	(0.14)
Immigrant characteristics										
EU immigrants							−0.28	(0.15)		
YSM							−0.00	(0.01)		
German language not good									0.23	(0.15)
Info on language missing									−0.18	(0.17)
Human capital										
Age			−0.18**	(0.05)	−0.00	(0.04)	0.00	(0.04)	−0.00	(0.04)
Age squared/100			0.21**	(0.06)	0.02	(0.05)	0.01	(0.01)	0.01	(0.01)
Low general or less			0.71**	(0.13)	0.37**	(0.11)	0.37**	(0.11)	0.34**	(0.11)
Middle general education			0.20	(0.17)	0.06	(0.16)	0.10	(0.16)	−0.01	(0.16)
Middle vocational education			0.06	(0.14)	0.07	(0.14)	0.04	(0.14)	0.06	(0.14)
Tertiary (short) education			0.04	(0.16)	0.25	(0.15)	0.20	(0.16)	0.25	(0.16)
Tertiary (long) education			0.08	(0.13)	0.17	(0.15)	0.14	(0.15)	0.21	(0.15)
Education missing			0.12	(0.34)	−0.11	(0.28)	−0.11	(0.29)	−0.16	(0.28)
Current job characteristics										
Occupation										
Service class					−1.12**	(0.18)	−1.10**	(0.19)	−1.11**	(0.19)
Routine non-manual					−0.28	(0.28)	−0.28	(0.28)	−0.25	(0.28)
Technical					−0.79**	(0.23)	−0.78**	(0.23)	−0.77**	(0.23)
Skilled					−0.37*	(0.14)	−0.37*	(0.14)	−0.35*	(0.14)
Missing					0.42	(0.26)	0.43	(0.27)	0.40	(0.27)
Tenure					−0.29**	(0.02)	−0.29**	(0.02)	−0.29**	(0.02)
Tenure squared/100					0.64**	(0.05)	0.64**	(0.05)	0.64**	(0.05)
Tenure missing					0.52*	(0.27)	0.52*	(0.27)	0.59*	(0.27)
Industry										
Construction					0.38*	(0.16)	0.37*	(0.16)	0.37*	(0.16)
Other primary					0.68*	(0.29)	0.68*	(0.29)	0.68*	(0.29)
Services					−0.15	(0.15)	−0.15	(0.15)	−0.14	(0.15)
Industry missing					0.75**	(0.23)	0.75**	(0.23)	0.74**	(0.23)
Size of the enterprise (large)					−0.72**	(0.14)	−0.73**	(0.14)	−0.71**	(0.14)
Regional unemployment rate					0.02	(0.02)	0.01	(0.02)	0.02	(0.02)
Time periods										
6–12 months	−0.18	(0.16)	−0.17	(0.16)	0.31*	(0.16)	0.32*	(0.16)	0.32*	(0.16)
12–24 months	−0.03	(0.12)	−0.01	(0.12)	0.11	(0.11)	0.12	(0.11)	0.11	(0.11)
24–36 months	0.06	(0.12)	0.09	(0.12)	0.16	(0.11)	0.16	(0.11)	0.11	(0.11)
36–48 moths	−0.19	(0.13)	−0.15	(0.13)	−0.15	(0.13)	−0.14	(0.13)	−0.21	(0.13)
More than 4 years	−0.39**	(0.13)	−0.33**	(0.13)	−0.40**	(0.13)	−0.39**	(0.13)	−0.43**	(0.13)
Intercept	−5.55**	(0.10)	−2.00*	(0.95)	−4.44**	(0.86)	−4.53**	(0.86)	−4.48**	(0.86)
Log Pseudo-Likelihood	−2056.8		−2025.5		−1054.8		−1053.0		−1050.9	

Note: *p < 0.05 **p < 0.01; robust standard errors are in parentheses.
Source: GSOEP (1995–2000) monthly data.

Table 7.14. Effects upon the risk of exiting paid employment to unemployment, for men, 25–55 years old, in the UK

	Model 1		Model 2		Model 3		Model 4	
Immigrants	0.11	(0.17)	0.25	(0.17)	−0.10	(0.18)	−0.14	(0.24)
Immigrant characteristics								
EU immigrants							0.01	(0.35)
YSM							−0.01	(0.02)
Human capital								
Age			−0.16**	(0.05)	−0.06	(0.05)	−0.05	(0.05)
Age squared/100			0.17**	(0.06)	0.07	(0.06)	0.06	(0.06)
Low general or less			−0.06	(0.12)	−0.06	(0.13)	−0.05	(0.13)
Middle general education			−0.61*	(0.26)	−0.42	(0.29)	−0.42	(0.29)
Middle vocational education			−0.38*	(0.17)	−0.09	(0.19)	−0.09	(0.19)
Tertiary (short) education			−0.41**	(0.15)	−0.24	(0.16)	−0.24	(0.16)
Tertiary (long) education			−0.79**	(0.17)	−0.48*	(0.20)	−0.49*	(0.20)
Education missing			−1.31*	(0.73)	−2.67**	(0.78)	−2.67**	(0.78)
Current job characteristics								
Occupation								
Service class					−1.03**	(0.14)	−1.03**	(0.14)
Routine non-manual					−0.81**	(0.21)	−0.82**	(0.21)
Technical					−0.48**	(0.16)	−0.48**	(0.16)
Skilled					−0.40**	(0.16)	−0.40**	(0.16)
Missing					1.18*	(0.61)	1.18*	(0.61)
Tenure					−0.33**	(0.03)	−0.33**	(0.03)
Tenure squared/100					0.85**	(0.09)	0.85**	(0.09)
Tenure missing					0.82**	(0.14)	0.82**	(0.14)
Industry								
Construction					0.10	(0.18)	0.10	(0.18)
Other primary					0.17	(0.23)	0.18	(0.23)
Services					−0.19	(0.12)	−0.19	(0.12)
Industry missing					−0.51	(0.63)	−0.51	(0.63)
Size of the enterprise (large)					−0.44**	(0.12)	−0.44**	(0.12)
Regional unemployment rate					0.08**	(0.03)	0.08**	(0.03)
Time periods								
6–12 months	−0.14	(0.17)	−0.11	(0.17)	−0.02	(0.17)	−0.02	(0.17)
12–24 months	−0.30*	(0.15)	−0.26	(0.15)	−0.12	(0.15)	−0.12	(0.15)
24–36 months	−0.34*	(0.15)	−0.28	(0.15)	−0.03	(0.16)	−0.03	(0.16)
36–48 moths	−0.55**	(0.16)	−0.48**	(0.16)	−0.17	(0.18)	−0.17	(0.18)
More than 4 years	−0.67**	(0.15)	−0.57**	(0.15)	−0.17	(0.18)	−0.17	(0.18)
Intercept	−5.02**	(0.12)	−1.43	(1.04)	−3.26**	(1.10)	−3.29**	(1.10)
Log Pseudo-Likelihood	−1749.2		−1720.6		−1438.9		−1438.4	

Note: *p < 0.05 **p < 0.01; robust standard errors are in parentheses.
Source: BHPS (1993–1998) monthly data.

Including current job characteristics significantly improves the fit of the model for the UK and more so for Germany, which is apparent in the drastic reduction in the Log Pseudo-Likelihood. Moreover, in Germany current job characteristics fully explain immigrants' higher risk of entering unemployment (see Model 3 in Table 7.13). In Great Britain the immigrants effect appears to be negative but insignificant once current job characteristics are taken into account (see Model 3 in Table 7.14). Both in Germany and in Great Britain the age effect disappears once current job characteristics and particularly tenure at the current job are controlled for.[127] The effect of the tenure is negative but curvilinear, signifying that men with longer job tenure (seniority) have a lower probability of losing their employment, other things being equal.[128]

In Germany individuals in service-class occupations have the lowest risk of losing employment, followed by those in technical and skilled occupations. Likewise, in Great Britain service-class employees are mostly protected from unemployment loss. Those employed in routine non-manual occupations have significantly lower risks of job loss than individuals employed in unskilled jobs; the risks for those employed in skilled and technical occupations lie between the two.

The particular industry of the current employment has an independent effect upon the rate of employment loss, but only in Germany. German workers employed in the primary or secondary sector (i.e. agriculture, hunting, forestry, fishing, mining and quarrying, electricity, gas and water supply) and construction are more at risk of unemployment than those employed in manufacturing or services. Finally, in large enterprises men should statistically have less fears of losing their jobs than in small ones, and this is true both for Germany and Great Britain. Interestingly enough, the positive effect of low general education decreases in Germany but remains statistically significant, meaning that poorly educated people have a higher risk of losing a job even if the characteristics of their job are taken into account. In Great Britain the negative effect of employment loss enjoyed by highly educated persons (those with long tertiary education) is still observed, albeit weakening. Finally, in Great Britain people have a higher risk of losing employment in regions with less favourable labour market conditions (i.e. higher unemployment rate), *ceteris paribus*, which is not the case in Germany. Overall, for the baseline hazard of exit to unemployment the results suggest negative duration-dependence for both countries.

Model 4 in Table 7.13 and Table 7.14, in which the composition of immigrants in Germany and Great Britain is controlled for, shows that immigrants from EU and other western countries seem to have a lower propensity for losing employment, but only in Germany and only at the 10% significance level. Tenure in the host country (YSM)

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[127] Tenure in a current job can also be considered a firm-specific human capital attribute. In keeping with the dual and insider–outsider theory the claim here is, however, that tenure accumulation is largely dependent upon the employment sector.

[128] Men with almost 23 years (0.29/2*0.0064) of tenure in the same enterprise in Germany and 19 years (0.33/2*0.0085) in Great Britain have the lowest risk of losing their employment, *ceteris paribus*.

seems to have no significant effect upon the risk of job loss in either country. Finally, in Germany poor language proficiency (see Model 5 in Table 7.13) increases the risk of losing employment, albeit insignificantly.

In summary, it should be noted that the multivariate analysis reveals substantial differences in the unemployment dynamics of immigrants as compared to the native-born in the two countries. Although unemployment remains one of the most serious problems for the immigrant population both in Great Britain and Germany, job allocation processes among unemployed immigrants differ cross-nationally. While in Germany immigrants have a much lower hope of entering white-collar employment after being unemployed as compared to the native-born, other things being equal, in Great Britain unemployed immigrants do not significantly differ from socio-demographically comparable natives in this respect. On the other hand, in Germany immigrants have similar or even higher likelihood of entering unskilled employment, while in Great Britain immigrants' relative (to the native-born) risk is lower, particularly among whites and Asians. That is, in Great Britain immigrants compete with the native-born on more or less equal terms when it comes to white-collar employment, but are not in a hurry to land unskilled employment, which is particularly true for white and Asian immigrants. In Germany, on the other hand, virtually all immigrants, irrespective of their education or background, are channelled into the manual labour market. However, once employed in unskilled, i.e. secondary labour market jobs, immigrants in Germany appear to have a higher risk of losing their employment. Indeed, immigrants' higher likelihood of becoming unemployed is fully explained by the nature (occupation, industry, tenure and enterprise size) of their employment.

7.4. Summary and Discussion

This chapter's main aim is to gain a deeper insight into the employment careers of immigrants as compared to the native-born in Germany and the United Kingdom, two countries that represent different welfare regimes or 'syndromes' for which substantial differences in labour market outcomes of immigrant populations are reported in Chapter 6. The underlying idea is to scrutinise the processes occurring on the level of individual actors, processes influenced by the institutional characteristics of the two societies and resulting in the observed aggregate outcomes – namely higher unemployment rates and lower occupational prestige among immigrants in conservative welfare regimes than those in liberal welfare regimes. In other words, it could reasonably be expected that cross-national differences in immigrants' employment careers might be traced to cross-country variations in several factors potentially influencing immigrant integration in the host society. In particular, these factors would include immigration policies, which largely affect immigrant selectivity with respect to human capital as well as its host-country relevance, and to labour market regulation, which is seen at least partially responsible for the remaining immigrant penalty.

The first objective of the analyses presented here was to establish a degree of (dis)similarity in employment and occupational careers of immigrants and the native-born male populations and to explore the causes of immigrants' over-representation in unemployment, seen as a main problem in their successful inclusion in the host societies. To this end, the existing longitudinal data from the German Socio-Economic Panel (GSOEP) and the British Household Panel Survey (BHPS) were used. Although both panel projects constitute at least a decade of observation (almost 20 years for the GSOEP), in this book we examine only a six-year sample of the employment paths of immigrant and native-born men in order to include more recent immigrants in Germany, who entered the survey in 1995. Thus, for Germany the observation window covers the period between January 1995 and December 2000, while for the UK it refers to the period between September 1993 and August 1999.

Sequence analysis techniques are applied to exploit the full potential of the longitudinal data for the descriptive analysis. The analysis shows that in both countries the employment career sequences of immigrants are similarly remote from those of native-born men. The regression analysis demonstrates that in Germany a big part of the dissimilarity in employment careers is explained by immigrants' less favourable human capital. In the UK the problem seems to be an inability of immigrants to cash their educational capital to the same degree as the native-born; hence the dissimilarity of immigrants' employment careers relative to the career sequences of the native-born increases once the level of education and age structures are controlled for. In Germany it is third-country immigrants who appear to have more distant career paths than more privileged newcomers from EU or other western countries, while this is not the case in the UK. In the UK the assimilation trend is visible, however, so that immigrants' careers become more similar to those of the native-born the longer immigrants reside in Great Britain. Further analyses reveal that long and frequent unemployment spells are responsible for the dissimilarity in immigrants' employment careers in both countries.

The results of the cluster analysis of the matrix attained from the pairwise optimal matching of the occupational career sequences prove, however, that immigrants in the UK and Germany pursue largely different occupational paths, the former having occupational careers rather similar to those of the native-born, the latter being segmented in manual, mostly unskilled, blue-collar jobs. Moreover, the sequence analysis reveals that in Germany immigrants have less stable employment careers with significantly more frequent employment transitions than is the case among the native-born; in Great Britain immigrants do not significantly differ from the natives in this respect.[129] Furthermore, results of the multinomial logistic regression show that occupational segregation in Germany can

[129] Even though in Great Britain the distribution of occupations held by immigrants and the native-born seem to be converging, there are other factors not explored in this study pointing to the disadvantaged occupational position of immigrants. Robinson and Carey (2000) mention, for example, that immigrant doctors are concentrated in medical specialities that are unpopular among native-born white doctors and have had to accept placements in less popular geographical locations in the UK.

only marginally be explained by immigrants' inadequate educational qualifications. The problem seems to be that an immigrant's formal educational qualifications are of little relevance to the German labour market, while in the UK they seem to be more attractive to employers, albeit without ensuring absolutely equal (relative to the native-born) returns.

A multivariate event history analysis is further conducted to explore the dynamics and to determine the causes of frequent and prolonged unemployment among immigrants in both countries. In the UK immigrants have similar risks of losing employment as the native-born. The same is true for immigrants in Germany, but only if the status – and particularly the occupation, industry and tenure of their current job – are taken into account. This suggests that the higher unemployment risks among immigrants in Germany might largely be attributed to their location in vulnerable occupations and industries, and their shorter tenure in the working place.

The outsider status of immigrants in Germany is also evident when the chance of exiting unemployment is analysed. Immigrants are disadvantaged at entry to white-collar employment, but have similar or even higher disadvantages in securing unskilled jobs. A different picture emerges from the multivariate analysis for the UK. Compared to native-born Britons, immigrants show similar rates of entering white-collar and skilled employment, but a lower risk of ending up in unskilled jobs.

The findings of the current chapter allow a deeper insight into the *process* of economic incorporation of immigrant populations in Germany and Great Britain, two European prototypes of conservative and liberal welfare regimes, and not only in the labour market *outcomes* as was done with the help of the EULFS cross-sectional data. The current analysis demonstrates that the higher unemployment rates and lower occupational status of jobs held by immigrants in conservative welfare regimes, as reported in Chapter 6, is only part of the story. These are outcomes of a more complex process of inclusion or exclusion varying between the two countries. While in the German labour market white-collar employment is practically closed to *all* unemployed immigrants, irrespective of their background and educational qualifications, in Great Britain immigrants striving for white-collar employment seem to be competing with the native-born on more or less equal terms. It should be stressed, however, that there is a variation among ethnic groups in the access to white-collar employment, which implies that ethnic preferences are still strong among British employers.[130] On the other end of the employment spectrum immigrants in Britain, and particularly whites and Asians, appear to be in less of a hurry to land unskilled employment. In Germany all third-country immigrants face clearly higher chances of ending up in unskilled jobs – jobs they also have a higher risk of losing due to their precariousness and vulnerability. As a result, immigrants in Germany, almost irrespective

[130] These results largely support the findings of Heath and McMahon (2000) and Heath et al. (1999), who pointed to the existence of different inclusion/exclusion processes for various ethnic groups in the different labour market segments using cross-sectional data.

of their ethno-national background and human capital, are trapped in the vicious cycle of employment in the secondary labour market and unemployment, remaining permanent labour market outsiders.

It is impossible to say definitively whether the diverging labour market trajectories of immigrants in Germany and the UK result from differences in immigrant selectivity (which are in turn related to immigration and citizenship policies in the two countries), or whether varying labour market regulations are responsible. Moreover, the combination of both factors is quite likely to produce the varying scenarios of labour market inclusion in the two countries. Identifying the effect of a single institution is not possible using the comparative design undertaken here, nor was this the current goal. Rather the aim is to have a closer look at the processes occurring on the level of individual actors using the data and statistical methods appropriate to descriptive and causal modelling of employment career trajectories. In a way, this chapter shows the potential of the panel data for analysing the immigrant labour market inclusion processes.

Unfortunately, the panel data currently available to researchers do not allow finer modelling of the analysed phenomena due to the modest sample sizes of the immigrant populations. It is worthwhile, for example, to check whether the returns upon education differ among immigrants and the native-born in the two countries. Furthermore, looking at various immigrant cohorts and particularly various ethnic groups could be instructive once sample sizes are large enough to allow meaningful analyses. It is particularly important in Great Britain where ethnic differences in economic attainment seem to be very pronounced.

Another problem is that variables included in the presented models might not capture the full extent of the variation in the nature of migration inflow in Germany and the UK, e.g., the cultural distances of immigrants to the native-born or the degree of transferability of their human capital. Moreover, the immigrant groups analysed here are too heterogeneous and their composition too diverse to consider them fully comparable. Unfortunately, the sample sizes in both data sources and particularly in BHPS do not allow the classifying of immigrants in a more precise manner. And even if differentiated according to ethnic membership, there is hardly any immigrant group strictly comparable between the two countries, as a crucial test for the significance of the institutional factors would be to focus on a single immigrant group in several receiving societies, thus eliminating or at least minimising the variation in migrant inflow, which might impede the comparison otherwise.

The analytic approach of looking at immigrants of a single origin in multiple destinations is exercised in the next chapter of this book as we assess the economic attainment of ex-Yugoslavs in two countries – Sweden and Austria. The aim of the analysis is, firstly, to mitigate the main methodological drawback of the current analysis by concentrating upon a single immigrant group in various receiving countries; and, secondly, with more detailed data, to address the situation of recent immigrants in Sweden (part of the social-democratic welfare regime), immigrants that according to analyses reported in Chapter 6, appear to have quite a high unemployment propensity.

CHAPTER 8. EX-YUGOSLAVS IN THE AUSTRIAN AND SWEDISH LABOUR MARKETS[131]

One finding of the analyses presented in Chapter 6 of this book was that recent immigrants in Scandinavian social-democratic welfare states seem to have more difficulties finding employment, even though no significant employment disadvantage has been documented for all post-war immigrants as a group. The present chapter therefore, aims at having a closer look at the situation of immigrants in Sweden, a country belonging to the social-democratic welfare regime, as compared to the situation of immigrants in a continental European country, Austria. Both countries not only belong to different welfare regimes, they also differ considerably in their conceptions of citizenship, immigration policies, and to some degree their labour market structures relevant to the economic incorporation of immigrants – all factors that might affect the structural integration of immigrants.

An ideal design for assessment of the role of institutions in the immigrant integration process, as already noted earlier, would be to analyse a comparable group of immigrants, preferably from a single country of origin, in order to minimise the effects of differences in the migrant inflow. Yugoslavs are the group selected for the study presented in this chapter, as a substantial number of them have migrated to Sweden and Austria in the last three decades.

The chapter begins with a brief overview of Yugoslav migration to Austria and Sweden, followed by an outline of the Austrian and Swedish institutional contexts as they relate to immigration and citizenship policies, labour market structure and welfare regimes, as well as their hypothetical influence on the integration of Yugoslav immigrants. The data utilised are taken from the Austrian 1996 micro census and the Swedish 1997 labour force survey. The labour market attainment of ex-Yugoslav citizens in Austria and Sweden is explored in terms of three outcomes: labour force participation, unemployment and occupational status. One of the main focuses in this chapter is the role of the period of migration which, due to variations in labour market outcomes for immigrants of various cohorts, might pick up the varying effects of immigration policy, labour market structure and welfare applicability in the two countries. This is particularly important in order to

[131] A somewhat different version of this chapter appeared in the *Journal of Ethnic and Migration Studies* (see Kogan, 2003a).

explore labour market outcomes of recent immigrants in Sweden and try to answer the question of why most recent immigrants in this country fare so poorly with respect to employment.

8.1. Yugoslav Migration to Austria and Sweden

Official migration from socialist Yugoslavia began in 1965 after the government launched a radically liberal reform of the country's economy (Schierup, 1995; Malačić, 1994). Anticipating a sharp increase in unemployment caused by the sudden introduction of a free market, the country's leadership officially accepted the necessity of Yugoslav citizens finding employment abroad. As a result, the number of Yugoslav citizens in Western Europe grew to about one million by 1973, with one in ten migrant workers in Western Europe being of Yugoslav origin (Schierup, 1995; Velikonja, 1975).

Post-liberalisation migration from Yugoslavia can be divided roughly into three periods.[132] Emigration of the first substantial wave, which took place prior to 1973, was purely labour oriented and directed to Western European countries, including Austria and Sweden, which recruited guest workers in order to fill job vacancies in their booming economies. About half of those who left were agricultural workers from the rural areas of Slovenia, Croatia, Vojvodina and Serbia (Velikonja, 1975). Emigration, however, expanded to metropolitan regions as well and unexpectedly involved skilled workers and educated specialists. The ease of travel to Austria intensified seasonal migration from Slovenia and Croatia and determined its mostly temporary nature. Although migration to Sweden was originally considered temporary too, a large proportion of Yugoslavs, attracted by advantageous employment opportunities and a generous social security system, eventually settled there (Velikonja, 1975; Živan, 1979).

More meagre emigration characterises the following fifteen years up until the late 1980s. The majority of Yugoslavs who left their home country in this period did so mainly in order to join family members already established abroad, or as asylum seekers or, as was the case in Austria, as temporary and seasonal workers. Claiming asylum or joining family, the only possible means of settlement in the majority of Western European countries for non-EU nationals after 1973, were methods sometimes used by otherwise economic migrants as a means of entering Western Europe (Münz, 1997). This post-1973 period is at the same time characterised by returning migration from the Western countries, which often experienced downturns in their economies and periods of growing unemployment, a situation that led to many lay-offs among previously recruited workers, Yugoslavs among them (Malačić, 1994).

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[132] Malačić (1994) divides Yugoslav emigration from 1964 to the early 1990s into four periods: a labour emigration boom of 1964–73; a halt in emigration between 1974 and 1979; the return of emigrants to Yugoslavia in 1980–1990; and a renewed migrant outflow after 1990. In the present work the second and the third periods are combined.

By the end of the 1980s the Yugoslav economy had entered a phase of severe economic crisis. Consequently, as reported by the SOPEMI (1988, 1989), any economic motivation to return weakened again, whereas the desire to emigrate increased tremendously. At the beginning of the 1990s, political, economic and social collapse in the former Yugoslavia resulted in the exodus of a substantial number of persons and caused the most extensive refugee problem in Europe since the Second World War (Schierup, 1995). About 700,000 former Yugoslav nationals were resettled in various European countries, including Sweden (74,000)[133] and Austria (70,000). Many victims of the wars in Croatia (1991–92) and Bosnia–Herzegovina (1992–93) as well as victims of the ethnic repression in Vojvodina, Serbia and Kosovo were not recognised in the West as political refugees, but rather tolerated as *de facto* refugees[134] (Fassmann and Münz, 1995). Austria, along with the refugee influx, also experienced an increase in the number of Yugoslavs entering the country as temporary workers at the end of the 1980s and the beginning of the 1990s.

8.2. The Institutional Contexts of Immigration in Austria and Sweden

As stressed earlier, the selection of comparable immigrant groups, or even a single, homogenous group, is critical for the assessment of the role played by institutions in the process of immigrant inclusion or exclusion. Selecting a group or groups with the same country of origin, however, obviously does not ensure unqualified similarity in immigrant characteristics. The mere fact that some Yugoslav migrants headed to Sweden while others decided to settle in Austria might in itself reflect some systematic difference among them. Although Yugoslav migrants might differ with regard to a number of socio-demographic characteristics, the fact remains that Yugoslavs entered two European societies, Sweden and Austria, during the same time period and with similar objectives, first as labour migrants (up to the early 1970s) and thereafter on grounds of family reunification and humanitarian protection. All in all, by examining a single group of immigrants one is able to minimise the variation in immigrant inflow and to concentrate upon the question of whether differences in the status of immigrants in Austria and Sweden – either in terms of employment rights and/or in regard to citizenship rights – translate into measurable differences in foreigners' labour market attainment. To answer this question it is necessary to review those similarities and differences among institutions that might contribute to the structural integration of immigrants. Three institutional factors of particular importance to immigrant integration – immigration policy, labour market structure[135] and welfare regulations – are summarised in Table 8.1 and discussed in the following sections.

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[133] The figures for Yugoslav refugees and asylum seekers who entered Sweden between 1991 and 1993 vary between 70 and 85 thousand in different sources (Ornbrant, 1999; Westin, 2000). By 1998 the number of persons from the former Yugoslavia was 127,554 (Westin, 2000).

[134] This status as a rule grants the right to temporary settlement.

[135] With respect to labour market flexibility Sweden and Austria are quite similar, as indicated by their EPL indexes (see Figure 4.6), so this factor may be expected to play little or no role in explaining differences in immigrant penalties within the labour markets of the two countries.

Table 8.1. Institutional factors relevant to immigrant integration in Austria and Sweden

	Austria	Sweden
Immigration policy		
Character of immigration	Temporary, mostly labour	Permanent, mostly humanitarian
Integration policy	Scarce	Extensive, multicultural
Citizenship acquisition	After 10 years Naturalisation rate of 2.1 per cent[a]	After 5 years, encouraged Naturalisation rate of 5.9 per cent
Labour market structure	Relatively large non-tertiary sector, larger demand for unskilled and low-skilled jobs	Expanded service sector, smaller demand for unskilled and low-skilled jobs
Welfare state support	Exclusive: employment based	Universal: citizenship (residence) based

Note: [a]Number of persons acquiring the nationality of the country in 1995 as a percentage of the stock of the foreign population at the beginning of the year (SOPEMI, 1997).

8.2.1. IMMIGRATION, INTEGRATION AND CITIZENSHIP POLICIES

Austria, like other ethnically homogeneous societies where mass foreign immigration started with the recruitment of guest workers, has unwillingly become an immigration country. Though many immigrants have lived in Austria for a long period of time, and some have even become Austrian citizens, the idea that immigrants are temporary is still apparent in Austrian discourse (Fassmann and Münz, 1994; Bauböck, 1996, 2000).[136] For immigrants this temporariness implies fewer incentives for long-term investments in host-country-specific human capital (e.g. German language, education or training in Austria) as well as orientation towards immediate monetary returns rather than a longer search for more favourable employment opportunities. To prevent the permanent settlement of immigrant workers, Austria has required constant renewal of residence and work permits. By means of annual quotas set by the federal government,[137] immigration has been encouraged during periods of growing labour demand and halted at times of slowdown. Thus, the pattern in Austria has been to squeeze as much economic gain out of immigrants as possible while putting the minimal investment possible into their social integration (Fassmann, 1999).

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[136] A 1988 reform of the foreign labour law from 1975 did reflect some shift from the perception of foreign inflow as constituting short-term work relationships to the realisation that it constituted immigration proper (SOPEMI, 1988). This, however, did not result in the revision of integration policies as relating to the majority of newcomers.

[137] Only when the proportion of foreign workers does not exceed nine per cent of all non-self-employed persons in a particular economic branch, and if the economic and the public interests of the natives are not endangered, is a foreigner entering the labour market granted an employment certificate (Fassmann, 1999).

Sweden, according to Westin (2000), represents a compromise between ethnic and multicultural models of nationhood (Castles and Miller, 1993). On the one hand, from the nineteenth century to the second part of the twentieth, the Swedish nation state was an ethnically homogeneous society with no apparent regional, cultural or linguistic differences (Westin, 2000). On the other hand, contemporary Sweden resembles 'classic' immigrant societies such as the USA, Canada and Australia, countries that consider immigration to be a permanent phenomenon (Hammar, 2000; Blos et al., 1997). An orientation towards permanence provides immigrants with stronger incentives to invest in host-country human capital as it opens up a wider horizon of returns upon educational as well as occupational investments. Moreover, immigrants with permanent status can more easily afford to wait for better employment opportunities without endangering their very presence in the host country.

A change in the notion of Swedish nationhood to one which acknowledged immigration as a reality began with the first significant wave of labour migration in the late 1960s. In 1974, after a long period of debate, the beneficial role of immigration and the multicultural nature of Swedish society, i.e. the existence of cultural and ethnic pluralism and the right of ethnic groups to maintain and develop their cultural heritage, were finally accepted[138] (Widgren, 1979; Westin, 2000). Despite an economic slowdown, which began toward the end of the 1970s, and restrictions on labour migration, immigration continued to grow, albeit modestly. Since then a substantial change has taken place in the nature of immigration to Sweden, evolving from purely labour migration to migration on a humanitarian basis, including the inflow of refugees and asylum seekers as well as family reunifications.[139]

As Sweden experienced a steady rise in asylum-seeker applications beginning in the early 1980s, a new refugee reception system was adopted in 1985. It aimed at dispersal and further integration of the refugee population in all municipalities of Sweden. Overall, the Swedish government makes a considerable effort to assist refugees and other immigrants during their initial period in the country. In addition to social benefits, Swedish language courses and educational support for children and young people (Werner, 1994), special municipal reception and care programs are provided. The latter, aimed mainly at removing integration barriers, are, in Soininen's (1999) opinion, overly protective and excessively patronising. Concerned about the disincentive effect of excessive reception care, the government launched a reform in 1991 intended to expedite the reception of refugees into the labour market via work training and labour market education.

Unlike Sweden, Austria has never really abandoned the idea of ethnic homogeneity in favour of accepting the permanent settlement of foreigners. The temporary and

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[138] A revealing example of the multicultural nature of Swedish society is the fact that since 1977 all municipalities have been obliged to provide school instruction in their immigrants' native tongues if there is a demand for such.

[139] Temporary work permits are granted only in order to deal with a shortage of qualified labour. They are restricted to a certain period of time and to a specific employer.

labour-oriented nature of immigration makes for a scarcity of integration measures for the majority of newcomers. Just to obtain a residence permit, immigrants must demonstrate a certain degree of integration, including having a secure source of income in Austria as well as a place to reside. A coherent integration program exists only for recognised political refugees,[140] while the integration of other migrants rests mostly upon the shoulders of the émigrés themselves. Even for refugees – and the Bosnian refugees in the 1990s are an example – the government's objective is to place them in jobs quickly, thus allowing them to support themselves instead of relying upon social welfare (Bauböck, 2000).

The process of naturalisation is not easy in Austria, and the majority of labour immigrants, despite having lived in the country for some decades, have retained their original citizenship. In order to apply for Austrian citizenship, an immigrant must have resided in Austria for more than ten years, must demonstrate a regular income, a place of residence, the absence of any criminal record, integration into the community and, finally, must renounce his/her former nationality[141] (SOPEMI, 1995). While in Austria naturalisation is perceived as an indication of the successful completion of integration, in Sweden it is viewed as a first step towards inclusion. The Swedish naturalisation procedure is one of the easiest in Europe and is actively encouraged by the government (Westin, 2000; Currle, 2004). Since 1976 immigrants coming from non-Nordic countries have been able to apply for naturalisation upon residing in Sweden for five years with no further explicit preconditions. Non-naturalised immigrants[142] in possession of a permanent resident permit enjoy the same social, and economic rights as Swedish citizens, as well as partial political rights.[143] This is not the case in Austria, where public sector (*Beamte*) employment is withheld from non-naturalised immigrants, as in Germany. Austrian citizenship, thus, along with granting unconditional residence authorisation and equal political and social rights (Morris, 1997), opens up a wider range of job opportunities for the immigrant population, including access to employment in the public sector with its relatively high-status jobs.

8.2.2. THE ROLE OF THE LABOUR MARKET

When in the 1950s and 60s Sweden and Austria began importing labour, their economies were booming and needed an expanded work force to fill vacancies in unskilled and

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[140] Refugees in Austria are eligible for social benefits and language or other training courses. They are provided with temporary housing for an initial period and receive preferential treatment from the employment offices in obtaining jobs (SOPEMI, 1992; Fassmann and Münz, 1994).

[141] After five years of living and working in Austria immigrants may apply for an unlimited residence permit.

[142] Until recently naturalisation coincided with renunciation of previous citizenship, which prevented some foreigners from taking this step.

[143] Since 1976 permanent residents of non-Swedish citizenship have had the right to vote in municipal and county elections.

low-skilled jobs. As Böhning (1995: 4) writes, 'Up to the beginning of the 1970s Europe's migrant workers were undergoing a successful process of spontaneous integration, albeit only in the secondary labour market.' In Sweden, for example, restrictions on immigrant labour were virtually non-existent; anyone finding a job automatically received residence and work permits (Vuori, 1997). There were no immigrant or minority policies, no language or training courses. Immigrants were integrated at their place of work.

The later slowdown in both countries' economies resulted in a worsening of the employment situation for immigrants, albeit to different degrees. In Sweden, starting in the early 1980s and more so at the beginning of the 1990s, the economic downturn and attendant structural changes caused a tremendous deterioration in the labour market situation for immigrants. The recession of the early 1990s, which coincided with large-scale refugee immigration, led to a sharp decrease in the activity rates among more recent immigrants as well as very high unemployment rates (Bevelander, 1999, 2000; Westin, 2000; Vuori, 1997). The vulnerable immigrant population was particularly hard hit by the economic restructuring of the last two decades, with its downsizing in the industrial sector. Many unskilled and low-skilled workers, recruited before 1973, lost their jobs and have been unable to compete with the highly educated and skilled national population in the service sector, a very substantial part of the Swedish economy.

The labour market situation for immigrants in Austria was less calamitous, even following the oil crisis of 1973, and the unemployment rate of the immigrant population remained rather low compared to that of other EU countries. Fassmann (1999) explains this with reference to the high concentration of immigrants in low-skilled jobs in the service sector, including hotel and restaurant businesses, catering, tourism and cleaning – all less affected by downsizing and structural reorganisation. Foreigners in Austria are also over-represented in the textile, leather and clothing industries, agriculture, construction and heavy industry (SOPEMI, 1993; Fassmann et al., 1999), sectors which shrunk significantly during the period in question, but nevertheless remained substantial within the economy.

In general, Yugoslav immigrants come to Austria to earn money and are ready to take any job, even a dirty or unpleasant one. In the early 1990s, even with an increase in immigration flow, particularly from the former Yugoslavia, the labour market situation of immigrants did not worsen as happened in Sweden, because the supply side of migration was met by a strong demand for additional labour, particularly low-skilled labour. Another potentially important reason for low unemployment rates among the immigrant population in Austria is the fact that unemployment leads to loss of regular residence status, which discourages foreigners from joining the ranks of the long-term unemployed (Fassmann, 1999; Fassmann et al., 1999). All in all, once settlement is tied to employment, as it is in Austria, immigrants just cannot afford to wait long for higher-status jobs as they are in danger of losing residence rights once unemployed.

8.2.3. IMMIGRATION AND THE WELFARE STATE

As a consequence of the less stable labour market situation, an increasing number of immigrants in Sweden as well as Swedes themselves have become dependent upon social welfare (Ornbrant, 1999; Bergmark and Bäckman, 2004). According to a 1989 survey (see Westin, 2000) one fourth of all social welfare beneficiaries are foreign-born, while immigrants represent only about 10 per cent of the general population. Hammarstedt (2000) contends that immigrants who arrived during the labour migration wave are significantly over-represented in early retirement, while more recent immigrants have higher chances of being found among recipients of social assistance (see also Bergmark and Bäckman, 2004). A further report, published by the association of Swedish municipalities, shows that of the refugees who were resettled in various municipalities in 1991, 74 per cent were still dependent upon social welfare as late as 1995 (see Westin, 2000). It is important to note that access to social welfare is universal in Sweden: all registered immigrants are legally entitled to the same social privileges and economic support as socio-demographically comparable Swedes (Brubaker, 1989; Knocke, 1999). Moreover, the acceptance of welfare assistance does not endanger immigrants' residence status in Sweden as it does in Austria, where the residence permits of immigrants, with the exception of refugees, are tied to their employment.

In Austria, moreover, foreigners and natives have unequal access to welfare benefits: firstly, only holders of a permanent work permit are eligible to receive unemployment benefits and, secondly, permanent foreign workers can enjoy insurance-based unemployment benefits only for one year, while this period may be much longer for the native-born (SOPEMI, 1997).

Differences in welfare coverage might be held partially responsible for the differences in the labour market trajectories of recently arrived immigrants in both countries. In Sweden recent immigrants with legal residence status are entitled to similar social assistance provisions as comparable immigrants with longer tenure in Sweden, or the native-born. As a result, in Sweden newcomers might be spared extra pressure to rapidly enter employment irrespective of its status. In Austria, on the contrary, recent immigrants might be forced to land jobs as quickly as possible, even if these are low-status, precarious jobs with unpleasant working conditions – in short, jobs normally found in the secondary labour market. This scenario is quite likely to occur in the case of recently arrived immigrants in Austria, as they are more likely to lack the welfare resources necessary to sustain a long search for better employment, in the way that the native-born can.

8.3. Hypotheses

Until 1973 Sweden and Austria did not differ substantially in their immigration policies. Both needed supplemental labour to keep their economies growing, and neither provided any formal measures – for newcomer integration occurred spontaneously within work

places. The two countries' immigration policies bifurcated, beginning in the mid-1970s. Sweden accepted the permanent settlement of immigrants on its soil and introduced integration measures for newcomers. Its character as a multicultural immigrant society is revealed by the fact that immigrants entering Sweden are entitled to nearly the same social rights and privileges as native-born Swedes. Austria, though a country with a proportionately significant immigrant population, is not a true immigrant society: integration measures are meagre, and social rights of the immigrant population are limited.

Immigration policies and labour market demand naturally shaped immigration inflow, which can be divided into three distinct periods. During the periods of increased labour demand and economic growth, Yugoslavs arrived in Sweden and Austria as labour migrants; following the global economic shock of 1973, the main type of settlement became family reunification and asylum; and finally, since the beginning of the 1990s refugee admissions have dominated the migrant inflow. A comparison of the labour market outcomes of a single immigrant group in two EU countries, Sweden and Austria – which differ in their labour market situations as well as their immigration, integration, citizenship and welfare policies – can serve as an indirect test of the role of those policies and the effect of the market upon immigrant employment rates.

1. The labour market outcomes of pre-1973 labour immigrants are expected to be most similar in the two countries when compared to the outcomes of subsequent immigrants, due to the comparable reception contexts and labour market demands in Austria and Sweden prior to 1973.

2. Continual shrinkage in the industrial sector of the Swedish economy since 1973 and growing demand for highly skilled labour should facilitate immigrants' exposure to employment opportunities in the tertiary sector. Higher risk of unemployment or withdrawal from the labour force might become visible when immigrants, even if highly educated, come into direct competition with the native Swedish population. In Austria, where the supply of immigrants seeking some kind of employment met the demand for low- and semi-skilled workers, the immigrant population should show comparatively lower unemployment risk.

3. Because Yugoslav immigrants entered Austria primarily with the aim of finding employment, and since the long-term unemployed risk losing their residence permits, they are expected to take any jobs, even less prestigious ones. In Sweden, economic restructuring, active labour market measures and the availability of social assistance for the duration of the job search should result, if employment is found, in a better chance of attaining employment of relatively high status.

The question is, however, whether it is possible to trace period effects relating to varying immigrant policies, labour market structure and welfare support by examining the labour market situations of particular immigrant cohorts in Sweden and Austria, or if all immigrant groups undergo similar assimilation processes irrespective of the period of arrival and context of immigration. Ideally, to answer this question one would analyse panel data

covering several decades of observation and including large samples of the immigrant population (Yugoslavs in the present case). Unfortunately, data on such a scale and of such quality are not presently available, and existing longitudinal records are not suitable for meaningful cross-national comparison of immigrants in Sweden and Austria. Hence, this chapter attempts to examine the labour market situation of Yugoslav immigrants by exploiting the single-year cross-sectional data at hand, and then to attribute the findings to either period or assimilation effects. Conclusive answers as to the relevance of period or duration effects are difficult to offer (Chiswick, 1978, 1979; Borjas, 1985). As will be seen, some findings are quite straightforward, while others demand further investigation using alternative data sources.

8.4. Data and Variables

The study presented in this chapter uses the data from the 1996 micro census for Austria and the 1997 labour force survey for Sweden, which are useful for their relatively large sample sizes that ensure adequate representation of Yugoslav immigrants. Individuals of Yugoslav origin are selected according to place of birth and/or their nationality. Selection has been limited to Yugoslav immigrants entering the country since the 1950s in order to exclude post-WW II family reunifications and return of expellees (particularly in Austria), which are beyond the scope of this book. Second generation Yugoslav immigrants, i.e. those who were born in Austria or Sweden or immigrated before their sixth birthday, are also included in the analysis in order to examine intergenerational assimilation trends. The Austrian LFS data allow one to identify among second generation immigrants only those who were born in Austria but possess other than Austrian citizenship and those who immigrated before their sixth birthday. The LFS data for Sweden, in contrast, do provide information about parental origin, including information on Swedish nationals with one or both parents born in the former Yugoslavia. Differences in the selection of second generation Yugoslavs do not allow a direct cross-national comparison, but corresponding figures are nevertheless included in the tables to provide some indication of the structural assimilation processes occurring among second generation Yugoslav immigrants.

The analysis is divided into two sections. The first presents an overview of the socio-demographic characteristics and labour market outcomes of Yugoslav immigrants as compared to the native-born in both countries. In the second part, multivariate analyses are carried out in order to evaluate the significance of the period of migration upon the two dichotomous labour market outcomes, i.e. (1) labour force participation vs. inactivity, (2) unemployment vs. employment, as well as to assess occupational status as measured against the ISEI scale (Ganzeboom et al., 1992; Ganzeboom and Treiman, 1996).[144] The dependent, independent and control variables used in the analysis are described in more detail in Table 8.2.

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[144] Using the 3-digit ISCO-1988 occupational code for Austria and the 4-digit one for Sweden, each person was assigned a score on the International Socio-Economic Index of Occupational Status (ISEI).

Table 8.2. Description of the variables used in the multivariate analysis

Variable	Description	Range
Dependent variables		
Labour force participation	Identifies one as being in the labour force vs. being out of the labour force	0 – out of the labour force 1 – in the labour force
Unemployment	Identifies one as being unemployed vs. employed	0 – employed 1 – unemployed
Occupational status	Internationally comparable measure of occupational status for the 3-digit 1988 International Standard Classification of Occupations (ISEI)	16–85
Independent and control variables		
Ethnicity	Indigenous population vs. Yugoslavs	0–1
Migration-related variables (for Yugoslav immigrants only)	• Immigrated before 1973	0–1
	• Second-generation immigrants[a]	0–1
	• Missing information on the year of migration	0–1
	• Year since migration (YSM) for those who arrived after 1973	0–22
	• With nationality (citizenship) of the host country	0–1
Age	Raw value	21–64
Age squared	Square of age	441–4096
Gender	Men, women	0 – male; 1 – female
Marital status	Married or cohabiting (for Sweden) vs. other (i.e. single, divorced, widowed)	1–married or cohabiting 0–all other
Education[b]	Low – CASMIN 1ab (compulsory education or below) – reference category	0–1
	Medium – CASMIN 1c, 2abc (vocational and secondary education)	0–1
	High – CASMIN 3a, 3b (tertiary education)	0–1
Regional unemployment rate[c]	Percentage of unemployed in the region (9 regional divisions for Austria: Burgenland, Niederösterreich, Wien, Kärnten, Steiermark, Oberösterreich, Salzburg, Tirol, Vorarlberg;	3.40–6.97 (Austria)
	8 for Sweden: Stockholm, Östra Mellansverige, Sydsverige, Norra Mellansverige, Mellersta Norrland, Övre Norrland, Smaaland med Oearna, Västsverige)	5.79–12.01 (Sweden)

Notes:

[a] In Sweden, where the LFS inquires about parents, this category includes people with one or both parents born in the former Yugoslavia. In Austria, it includes only those who claim other than Austrian nationality but were born on Austrian soil. Children who immigrated before their sixth birthday, and thus received education in the host country, are grouped together with the second-generation.

[b] Education is measured by dummy-coded highest educational degree in accordance with the CASMIN classification (see Table A.5 in the Appendix).

[c] The regional unemployment rate in the total labour force aged 21–64 are aggregated by the place (region) of residence.

Since labour force participation and unemployment[145] are dichotomous variables, they are estimated using logistic regression. Robust standard errors are used, since an aggregate measure of the regional unemployment rate is included (for a similar application see Model et al., 1999). Ordinary least squares regressions are used to predict occupational status. All the models are estimated for each country separately with individuals of Yugoslav origin aged 21–64 being contrasted to native-born populations of the same age range. In this chapter analyses are also extended to the female population since ex-Yugoslav women exhibited high labour force participation rate back in their home countries, differing little from their male compatriots in their affinity for paid work. Full specifications of the models run are as follows:

- Models of *labour force participation* are estimated by means of logistic regression with robust standard errors separately for men and women aged 21–64. The independent and control variables are migration status, nationality, age, age squared, marital status, education and the regional unemployment rate.
- Models of *unemployment* are estimated by means of logistic regression with robust standard errors and include migration status, nationality, gender, age, age squared, marital status, education and the regional unemployment rate.
- Models for *occupational status* (ISEI) are estimated by means of OLS regression and include migration status, nationality, gender, age, age squared, marital status and education.

8.5. Empirical Findings

8.5.1. DESCRIPTIVE CHARACTERISTICS

Table 8.3 provides an overview of the socio-demographic and labour market characteristics of former Yugoslav citizens who migrated to Sweden and Austria before 1996 and their children born in the host countries compared to the respective characteristics of the native-born population.[146]

Immigrants in Sweden and Austria display similar demographic characteristics, apparent from the mean age and per cent married figures. While the average age of the native population does not differ substantially between Sweden and Austria, former Yugoslav nationals are slightly younger than their indigenous counterparts in both countries. The proportions of married Yugoslavs emphasises the familial nature of migration to both countries. The unbalanced gender structure and particularly the high percentage of men

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[145] Both are defined according to the ILO (1990) definition.

[146] The reference category for Sweden, for which information about parents of the interviewees is available, includes Swedes who were born in Sweden and whose parents were likewise born in Sweden. Due to a lack of such information on parental background, the reference category for Austria may include native-born Austrians of immigrant parents.

in the migration intake of Austria might underline the more seasonal and temporary character of immigration there.

Half of the Yugoslav immigrants in Sweden arrived after 1990, while the flow from Yugoslavia to Austria remained steadier throughout the years. Table 8.3 presents the proportion of immigrants originating from Bosnia-Herzegovina and Croatia out of the

Table 8.3. Socio-demographic and labour market characteristics of ex-Yugoslav citizens and the indigenous populations, aged 21–64, Sweden and Austria

	Sweden		Austria	
	Swedes	**(Ex-)Yugoslavs**	**(Ex-)Yugoslavs**	**Austrians**
Mean age	41.75	38.81*	39.37*	41.32
	(12.24)	(11.77)	(10.44)	(12.10)
Per cent women	48.88	50.77	45.64*	50.46
Per cent married or cohabiting	71.57	76.29*	76.53*	65.37
Immigrated before 1973		22.14	34.92	
Immigrated after 1989		51.86	29.22	
Born in Bosnia-Herzegovina[a]		58.80	50.90	
Born in Croatia[a]		3.00	16.60	
Second generation		14.86	5.06	
Per cent naturalised		41.95	42.95	
With tertiary education	25.74	17.34*	1.87*	6.54
With compulsory education or lower	23.60	26.32	60.80*	25.35
Per cent in the labour force	84.70	53.73*	83.94*	72.41
Per cent unemployed	6.80	32.74*	8.74*	4.31
Mean occupational status	43.41	37.90*	28.72*	41.25
	(15.63)	(13.63)	(10.63)	(15.27)
Per cent in non-tertiary sector	28.27	37.57*	51.60*	39.46
Per cent self-employed	10.54	12.17	1.99*	12.10
Per cent with temporary job	10.89	27.71*	3.44	2.98
N[b]	25,403	646	1,227	21,043

Notes:

* Significant ($p < 0.05$) difference in means between groups within a country (results of the T-test).

[a] Figures for immigrants from Bosnia-Herzegovina and Croatia are a percentage of the total of all Yugoslav immigrants who arrived in the 1990s.

[b] The total number of cases in each group is presented. The total number of cases may differ in some variables due to the selection criteria and missing information.

Source: 1997 Swedish Labour force survey; 1996 Austrian micro census.

total number of Yugoslav immigrants who arrived in the two host countries after 1990. These serve as an approximation of the number of refugees who fled the major war zones in the beginning of the 1990s. One can see that Sweden experienced a slightly higher influx of (potential) refugee immigrants from Bosnia-Herzegovina than did Austria, which experienced a more substantial inflow of refugees from Croatia. Taking into account the fact that the majority of immigrants from the former Yugoslavia arrived in Sweden just after 1990, one can assume that the proportion of *de facto* refugees out of the total of all Yugoslav immigrants in Sweden is indeed more substantial than in Austria.

The lower figure for second generation Yugoslavs in Austria can be explained by the differing selection criteria: in Austria only those who were born in the country but retained citizenship of one of the former Yugoslav republics are included. In Sweden, the second-generation category also includes Swedish nationals whose parents were born in the former Yugoslavia. The percentage naturalised is quite similar in both countries, though the figure for Austria might increase if the absence of naturalised second generation Yugoslavs were to be taken into account. On the other hand, given the higher proportion of those who arrived in Sweden more recently and had not met the citizenship criterion (five-year residence period before naturalisation) by the time of the survey, it is plausible that a higher proportion of Yugoslavs among those eligible were indeed naturalised in Sweden than in Austria.[147]

The proportion of the native population with tertiary education is substantially higher in Sweden (ca. 26 per cent vs. only 7 per cent in Austria), while the figures for those with compulsory education or lower are quite similar. The distribution of education among immigrants in Sweden is closer to that observed among the native-born population, the proportion of Yugoslavs with university degrees being somewhat lower (17.34 per cent), and those with compulsory education insignificantly higher (26.32 per cent).[148] The distribution of education among Yugoslavs in Austria is more skewed: only two per cent possess any tertiary certificate, while more than half have only a low level of education. From Figure 8.1, which plots the distribution of the educational level of Yugoslav immigrants in Austria and Sweden according to immigration wave, it is evident that Yugoslavs from all migration waves to Sweden were better educated than their compatriots who headed towards Austria. There is no evidence that the 'quality' of immigrants who arrived as refugees or to join family members is lower than that of their predecessors. This is true in part because labour migrants in the 1960–70s were negatively selected and filled primarily unskilled and low-skilled jobs. Hence, improvement in immigrant educational attainment over time may be related to enhanced education in the former Yugoslavia on

[147] The fact that immigrants can apply for citizenship only after ten years of residence in Austria complicates this comparison.

[148] The figures for Yugoslav immigrants remain similar to those presented in Table 8.3 even when the second generation is excluded.

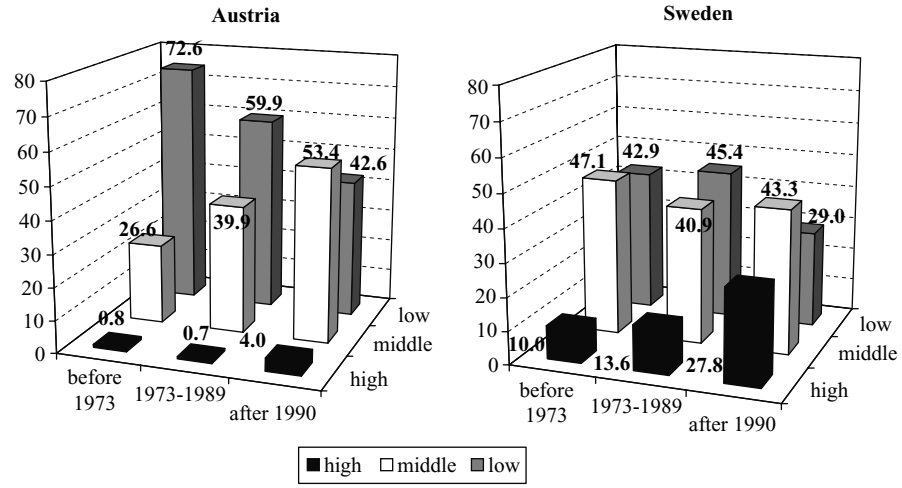

Figure 8.1. Educational levels of (ex-)Yugoslav immigrants in Austria and Sweden, by immigration wave

Source: 1997 Swedish labour force survey; 1996 Austrian micro census.

the one hand, and to educational upgrading in order to meet the demands of the local labour market, as in the case with immigrants who settled in Sweden, on the other.

As there are no formal criteria for immigrant selection in either country, the fact that more highly educated Yugoslavs reside in Sweden can be attributed to the peculiarities of labour market demand and a consequent self-selection. Fassmann et al. (1999), examining the integration of Turkish and (ex)-Yugoslav guest workers in Austria and Germany, found positive selection of Yugoslav migrants to Germany. They suggest that Yugoslavs from the less economically developed regions of the former Yugoslavia (Serbia, Bosnia-Herzegovina and Macedonia) were initially recruited to Austria, while immigrants from more industrialised Slovenia and Croatia headed towards other Western countries with higher levels of earnings, namely Germany, Sweden and Switzerland, where they could expect higher returns on their human capital.[149] According to Fassmann et al. (1999), informal selection of the later waves of Yugoslav immigrants occurred through already established immigrant networks. Geographic distance between origin and destination countries might affect skill selection as well with more educated persons being over-represented among migrants who move over long distances (Borjas, 1987; Jasso and Rosenzweig, 1990).

[149] This accords with the neo-classical theory of migration, in which migration is viewed as a rational decision based upon the desire to improve well-being by moving to places where the rewards for one's labour are higher (Arango, 2000; Massey et al., 1993).

Despite their more attractive labour market attributes, Yugoslav nationals have more difficulties in finding employment in Sweden than in Austria. Their extremely low labour-force participation (only 54 per cent vs. 85 among native Swedes) is coupled with a high unemployment rate (about 33 per cent). Even considering the high proportion of recent newcomers with refugee status and no knowledge of Swedish, the overall employment ratio of 36 per cent among Yugoslav immigrants, in contrast to 79 per cent among native Swedes, is extremely low. Table 8.3 indicates that Yugoslav immigrants went to Austria to land jobs, a fact apparent in that their labour force participation rate is higher than among native Austrians. Unemployment among them is twice as high as among the native population, but this disadvantage is less pronounced than in Sweden, where Yugoslavs suffer a five-fold penalty.

Immigrants in Austria, while evincing higher labour force participation and lower unemployment rates than their countrymen in Sweden, entered lower-status jobs. Their occupational status is significantly lower than that of native-born Austrians and much lower than that attained by Yugoslav immigrants in Sweden, who themselves are disadvantaged compared to the native population, though less so. Yugoslav migrants not only received less prestigious jobs, they are also significantly over-represented in the primary and secondary sectors of both host countries' economies, a sector which is more extensive in Austria than in Sweden. Furthermore, Fassmann et al. (1999) provide evidence for the economic segregation of immigrants of Yugoslav origin in Austria, claiming that certain economic branches, mostly in the production sector, are 'reserved' for ex-Yugoslavs and Turkish nationals.

The lower part of Table 8.3 gives further information on the types of job held by immigrants and the native-born in Sweden and Austria. While the proportion of the native-born that are self-employed is similar (approximately 11–12 per cent), Yugoslav immigrants in Sweden are slightly more likely than the native-born, as well as their compatriots who migrated to Austria, to be self-employed.[150] The figure for self-employed Yugoslavs in Austria is very low, only about 2 per cent. Some explanations for the divergent patterns of self-employment in the two countries might be found in differences in the countries' legislation: in Austria legislative acts practically impose dependent employment upon immigrants; while newcomers in Sweden often opt for self-employment because of general difficulties in entering the labour market, and because of the greater availability of funds necessary for setting up independent activities (Hjerm, 2004; SOPEMI, 2001).

A further potentially important indicator of labour market integration is the characteristics of non-employed Yugoslavs (either inactive or unemployed), especially in Sweden, where a high proportion of Yugoslav immigrants, in particular recent newcomers, do not work. However, due to a low number of cases and/or high non-response rates, this information might present only very general trends and is not included in Table 8.3. The majority

[150] The high entrepreneurial activity of Yugoslav immigrants in Sweden is also documented in Ekberg (1990).

of inactive Yugoslavs in Sweden do not seek jobs mainly because of their involvement in language courses or formal studies, presumably aimed at supplementing the home-country education in order to attain Swedish standards, particularly with regard to tertiary education, and for health reasons. Unemployed Yugoslavs do seem to be actively seeking jobs, the average period of the job search being about one year, which is significantly longer than among native Swedes. The majority of unemployed Yugoslavs mention job cuts and the end of temporary employment as main reasons for leaving their previous employment. In fact, in Sweden employed immigrants are substantially over-represented in temporary positions, unlike in Austria, where the proportion of temporary jobs seems to be very low for both natives and Yugoslavs (see Table 8.3). All in all, the pre-unemployment labour market characteristics of currently unemployed Yugoslavs are similar to those of employed native-born Swedes. In contrast, the occupational status of the previous jobs of unemployed Yugoslavs in Austria is similar to that of employed Yugoslavs, as is their representation in the non-tertiary sector of the Austrian economy.

8.5.2. RESULTS OF THE MULTIVARIATE ANALYSIS: PARTICIPATION IN THE LABOUR FORCE

In the present section labour market outcomes of Yugoslav immigrants to Sweden and Austria are explored by means of multivariate analysis. Models of labour force participation[151] (separately by gender) and unemployment are examined using logistic regression with robust standard errors, taking into consideration key socio-demographic characteristics. OLS regression is applied to predict the occupational status (ISEI) of the immigrant and native-born national populations. The models are fitted to the pooled sample of the native-born national population (the reference category) and individuals of Yugoslav origin.

As stressed in the previous sections, immigration policies and labour market conditions for Yugoslav immigrants in Austria and Sweden were comparable before 1973. Hence, it seems reasonable to single out the pre-1973 immigrant cohort and to examine whether its labour market performance is similar in both countries and, conversely, whether diverse labour market outcomes can be found for the rest of the immigrants. Since pre-1973 labour migrants were 'integrated' into the labour market immediately upon arrival, it would be quite misleading to associate their integration with the assimilation effect related to longer residence duration in the two countries by the end of the 1990s. Although there are grounds to single out the post-1990 cohort as well, this is not done in the present study, since it might be unwarranted to relate the results to the period effect alone. The findings might, for example, be reasonably attributable to their shorter period of residence. It is here that the single-year cross-sectional data fail to provide convincing answers.

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[151] Due to extremely low labour force participation of immigrants in Sweden, unlike in the previous empirical analyses in Chapters 6 and 7 of this book, here the model for this dependent variable is also fitted.

Table 8.4 presents the contrast between Yugoslavs and native-born nationals in Austria and Sweden in the log odds of being in the labour force separately by gender controlling for age, age squared, marital status, education and regional unemployment rate. Alongside the main effect for all Yugoslavs, dummy coded variables are included for those who arrived

Table 8.4. Effects (unstandardised coefficients and robust standard errors) of logistic regression predicting the log odds of labour force participation (vs. inactivity) in Sweden and Austria

	Men		Women	
	Sweden Column 1	**Austria Column 2**	**Sweden Column 3**	**Austria Column 4**
Yugoslavs	−2.68**	−0.13	−2.97**	−0.76**
	(0.31)	(0.63)	(0.26)	(0.27)
Yugoslavs: immigrated before 1973	0.40	0.79	1.92**	2.39**
	(0.66)	(0.73)	(0.62)	(0.36)
Yugoslavs: second generation	2.19**	1.85	3.65**	2.74**
	(0.71)	(1.17)	(0.72)	(0.59)
Yugoslavs: missing YSM		1.02		2.39**
		(0.79)		(0.49)
Yugoslavs: YSM (immigrated after 1973)	0.05	0.10	0.09*	0.14**
	(0.05)	(0.07)	(0.04)	(0.03)
Yugoslavs: naturalised	0.79	−0.64	−0.41	−0.95**
	(0.51)	(0.49)	(0.50)	(0.26)
Age	0.45**	0.62**	0.46**	0.33**
	(0.02)	(0.02)	(0.02)	(0.02)
Age squared/100	−0.56**	−0.83**	−0.53**	−0.46**
	(0.02)	(0.02)	(0.02)	(0.02)
Married (living alone – ref.)	1.05**	1.04**	0.45**	−0.69**
	(0.07)	(0.09)	(0.06)	(0.05)
Middle level of education (compulsory – ref.)	0.22**	0.42**	0.58**	0.44**
	(0.07)	(0.08)	(0.07)	(0.05)
High level of education (compulsory – ref.)	0.03	0.96**	0.76**	1.25**
	(0.08)	(0.18)	(0.08)	(0.13)
Regional unemployment rate	−0.06**	−0.10**	−0.08**	0.04**
	(0.02)	(0.02)	(0.02)	(0.01)
Intercept	−6.33**	−8.51**	−7.30**	−4.47**
	(0.38)	(0.40)	(0.33)	(0.31)
Wald χ^2	1164.82	2084.56	1298.34	1992.77
df	11	12	11	12
N	11378	11078	11385	11162

Note:
** $p < 0.01$;
* $p < 0.05$;
° $p < 0.10$.
Source: 1997 Swedish Labour force survey; 1996 Austrian micro census

prior to 1973, for second generation Yugoslavs and for those with missing information on the year of migration. For migrants arriving after 1973 (coded '0' in all variables mentioned above) the year since migration is included to pick up assimilation effects, if any. In addition, the differentiation is made between Yugoslav immigrants who acquired host country nationality, i.e. are naturalised, versus the other.

It can be seen that Yugoslav immigrants in Sweden, both men (Column 1) and women (Column 3), have much lower log odds of being in the labour force than socio-demographically comparable native-born Swedes. If the lower chances of labour force participation ($e^{(-2.68)}$ for men and $e^{(-2.97)}$ for women) of most recent Yugoslav immigrants can likely be attributed to their refugee status, their participation in integration programs and language courses as well as the availability of welfare support, the significantly lower ($e^{(-2.68+0.40)}$ for men and $e^{(-2.97+1.92)}$ for women) labour force participation of those who arrived as recruited workers before 1973 is most probably due to their early retirement. While the years since migration variable suggests a trend toward increasing labour force participation with the passage of time, the effect is not statistically significant for men. The YSM effect is, however, significant for women, but it is evident that Yugoslav female immigrants do not reach labour force participation levels similar to that of native-born Swedish women even after residing in the country for 20 years. Second generation Yugoslav immigrants appear to exhibit similar activity trends to native-born Swedes.

In Austria, as Column 2 shows, the log odds of being in the labour force for Yugoslav men, both labour migrants and those from subsequent immigration waves, do not statistically differ from those of comparable native-born Austrians. The labour force participation of Yugoslav women (see Column 4), with the exception of recent arrivals (less than 6 years in the host country), is even higher than that of Austrian women controlling for socio-demographic attributes.[152] These findings support expectations concerning the labour-oriented nature of Yugoslav migration to Austria irrespective of the period of migration, with women being no less committed to employment than men.

A cross-national[153] comparison of the coefficients points to significantly different activity patterns among male Yugoslav immigrants in Austria and Sweden, while several similarities are evident among Yugoslav women. Even though female Yugoslav immigrants tend to participate less in the labour force upon arrival than native-born indigenous women, they do enter employment with the passage of time. No statistically significant cross-national differences were found in the labour force participation of Yugoslav women of

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[152] It should be noted, however, that the labour force participation of Austrian women is lower than that of Swedish women.

[153] In light of the problems associated with cross-national comparisons of coefficients in probit and logit models, which are confounded with residual variation (unobserved heterogeneity), Allison's (1999) method of cross-group comparisons was applied. For cross-national comparison of coefficients from OLS regression, a t-test was applied. The t-statistic is calculated using the following formula: $t = \hat{\beta}_1 - \hat{\beta}_2 / \sqrt{(\hat{\sigma}_{\hat{\beta}1})^2 + (\hat{\sigma}_{\hat{\beta}2})^2}$, where $\hat{\beta}_1$ is the coefficient for Austria, $\hat{\beta}_2$ for Sweden, and $\hat{\sigma}$ the relevant standard error.

the labour migration wave as compared to female migrants who arrived more recently. However, when compared with the native-born populations, Yugoslav immigrants in Austria (both men and women) show higher labour force participation than those who headed towards Sweden.

The interpretation of the results becomes much clearer if one examines predicted probabilities calculated on the basis of the estimated models for labour force participation, which are plotted in Figure 8.2.[154] Predicted probabilities are presented for persons with compulsory or low-secondary education (less educated) and those with tertiary education (highly educated). In addition, predicted probabilities for labour force participation among individuals with an average educational level are shown to the right. Predicted values for the labour force participation among the native-born in both countries are plotted as a dark bar. Next, labour force participation probabilities for immigrants who arrived before 1973 (during the phase of labour recruitment in both countries) are plotted as a white bar in the middle, followed (to the right) by a grey bar representing a corresponding value for more recent immigrants, i.e. those who arrived in 1993. It is immediately evident from the figure that the labour force participation among ex-Yugoslavs in Austria is similar to that of the native-born. Moreover, immigrants who arrived prior to 1973 appear to have an even higher labour force participation than the native-born of the same socio-demographic

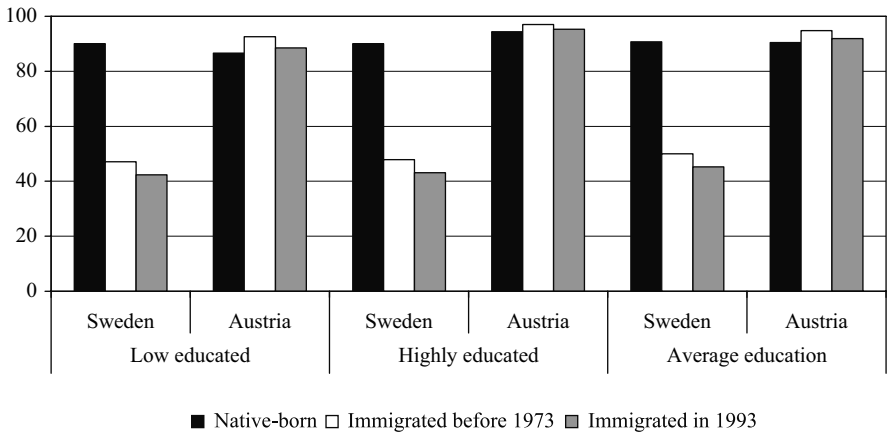

Figure 8.2. Predicted probabilities of labour force participation for ex-Yugoslav immigrants and the native-born in Austria and Sweden

Note: Probabilities are calculated with age, age squared, marital status and regional unemployment rate held constant at the sample means. All above-mentioned variables are significant at the 5% level (see discussion below).
Source:1997 Swedish labour force survey; 1996 Austrian micro census.

[154] The probability that a person with characteristics x_i will be in the labour force (as opposed to being inactive) can be written: $Pr(y_i = 1|x_i) = \frac{\exp(x_i\beta)}{1+\exp(x_i\beta)} = \frac{1}{1+\exp(-x_i\beta)}$

characteristics. In Sweden immigrants have considerably lower labour force participation rates, which is true for both newcomers and those with a longer tenure in the host country.

The effect of control variables should be mentioned as well. Age has an expected curvilinear relationship with labour force participation in both countries, i.e. it first increases and then flattens out. While in Sweden flattening of the age effect occurs at about 40–43 years old, in Austria it starts earlier, at the age of about 36–37 years.[155] Both in Austria and in Sweden married men have higher odds of labour force participation; the same is true for women in Sweden. In Austria, however, women once married have a higher probability of staying out of the labour market, other things being equal. As one might expect, labour force participation grows with increasing educational level, but this trend does not hold for Swedish men, who are not significantly different from less educated persons in their labour force participation, *ceteris paribus*. Finally, labour force participation is lower in regions with more depressed labour markets in both countries. The effect of the regional unemployment rate on women's labour force participation in Austria is, however, positive and statistically significant.

8.5.3. RESULTS OF THE MULTIVARIATE ANALYSES: UNEMPLOYMENT PROPENSITY AND OCCUPATIONAL STATUS

With labour force participation similar to or even exceeding that of native-born Austrians, Yugoslavs are disadvantaged in finding employment, as seen in the coefficients presented in Table 8.5, columns 1–2. The employment disadvantage of more recent Yugoslav immigrants in Austria ($e^{1.33}$) is, however, hardly comparable to the situation in Sweden, where recent arrivals show much higher odds ($e^{3.05}$) of being unemployed than demographically comparable native-born Swedes. Unemployment risk tends to decrease with the time spent in the host country, but the effect of YSM is weakly significant (at the 10%-level) only in Austria, being, however, similar across the two countries. Immigrants of the labour migration wave in Austria and Sweden exhibit similarly high unemployment risks relative to the native-born populations ($e^{(3.05-2.35)}$ in Sweden and $e^{(1.33-0.58)}$ in Austria). The unemployment risk of second generation Yugoslavs seems not to differ from that of the native-born national population, which has similar socio-demographic characteristics in Sweden and Austria.

To facilitate interpretation the predicted probabilities for unemployment in the two countries for immigrants and the native-born are plotted in Figure 8.3. This graphic presentation gives a comprehensive idea of the extent of immigrant penalties in both countries for recently arrived Yugoslav immigrants and for those who have arrived during the labour recruitment phase. The degree of employment difficulties for recent immigrants in Sweden

[155] In Sweden: $0.45/(2*0.56) \approx 40$ for men, $0.46/(2*0.53) \approx 43$ for women, in Austria: $0.62/(2*0.83) \approx 37$ for men, $0.33/(2*0.46) \approx 36$ for women. For the basis of calculation see coefficients for age and age squared presented in Table 8.4.

Table 8.5. Effects (unstandardised coefficients and standard errors) of logistic regression predicting the log odds of being unemployed and of the occupational status (measured against ISEI scale) in Sweden and Austria

	(1) Unemployed vs. employed		(2) Occupational status	
	Sweden Column 1	**Austria Column 2**	**Sweden Column 3**	**Austria Column 4**
Yugoslavs	3.05**	1.33**	−4.73**	−11.15**
	(0.29)	(0.36)	(2.29)	(1.17)
Yugoslavs: immigrated before 1973	−2.35**	−0.58	3.68	5.43**
	(0.68)	(0.43)	(3.91)	(1.46)
Yugoslavs: second generation	−2.67**	−2.23*	6.96°	8.11**
	(0.67)	(1.06)	(3.98)	(2.24)
Yugoslavs: missing YSM		−0.83		2.55
		(0.52)		(1.78)
Yugoslavs: YSM (immigrated after 1973)	−0.06	−0.07°	−0.18	0.26**
	(0.04)	(0.04)	(0.27)	(0.10)
Yugoslavs: naturalised	0.16	0.02	−1.35	1.86°
	(0.50)	(0.33)	(2.87)	(1.12)
Age	−0.16**	0.01	0.35**	0.26**
	(0.02)	(0.03)	(0.07)	(0.08)
Age squared/100	0.18**	−0.01	−0.25**	−0.24*
	(0.02)	(0.03)	(0.08)	(0.09)
Gender (women = 1)	−0.08	−0.06	−3.02**	0.07
	(0.06)	(0.08)	(0.20)	(0.20)
Married	−0.70**	−0.64**	0.91**	−0.51*
	(0.06)	(0.09)	(0.23)	(0.24)
Middle level of education	−0.40**	−0.48**	3.99**	11.16**
	(0.07)	(0.10)	(0.26)	(0.26)
High level of education	−1.28**	−1.12**	21.35**	37.10**
	(0.10)	(0.21)	(0.29)	(0.43)
Regional unemployment rate	0.16**	0.15**		
	(0.02)	(0.02)		
Intercept	0.39	−3.47**	26.24**	24.51**
	(0.38)	(0.53)	(1.34)	(1.46)
Wald χ^2	774.27	208.48		
Degrees of freedom	12	13	11	12
Adjusted R^2			0.31	0.36
N	19118	16247	17654	15438

Note:
** $p < 0.01$;
* $p < 0.05$;
° $p < 0.10$.
For unemployment logistic regression models with robust standard errors were run. An OLS regression with normal standard errors was applied in the occupational status model (ISEI).
Source: 1997 Swedish Labour force survey; 1996 Austrian micro census.

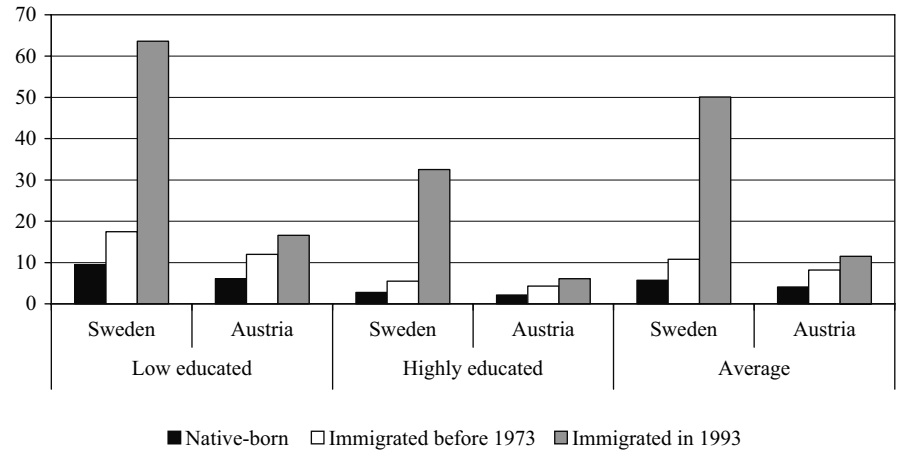

Figure 8.3. Predicted probabilities of unemployment for ex-Yugoslav immigrants and the native-born in Austria and Sweden

Note: Probabilities are calculated with age, age squared, marital status and regional unemployment rate held constant at the sample means. See discussion on the significance of the above-mentioned control variables below.

Source: 1997 Swedish labour force survey; 1996 Austrian micro census.

is clearly visualised. It is also shown that immediately upon arrival ex-Yugoslav immigrants in Austria are disadvantaged but not to the same extent as in Sweden. Furthermore, it can also be shown that for those immigrants who have resided in both countries for about 25 years, employment disadvantages are similar, which accords with the findings reported in Chapter 6.

In addition to migration status models of unemployment propensity include the following variables: gender,[156] age, age squared, marital status, education and a regional unemployment rate.[157] While the effect of age is curvilinear in Sweden, no significant age effect is documented for Austria. Other than age effect, effects of other control variables are quite similar in both countries. The risk of unemployment for men and women does not differ either in Sweden or in Austria. Married individuals have significantly lower unemployment propensity, while unemployment risks tend to decrease with rising educational attainment. Finally, residing in areas with a higher unemployment rate increases an individual's risk of unemployment in both countries.

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[156] Due to low labour force participation, which leads to a substantial loss in the number of cases for other labour force outcomes, models for unemployment and occupational status in Sweden are run for men and women together. To ensure comparability with results for Sweden, analogous models (for men and women together) were also run for Austria.

[157] The model yields a rather poor fit in both Sweden and Austria.

Columns 3–4 (model 2) present coefficients of the OLS regression that predict the occupational status (ISEI) of Yugoslavs as compared to the native-born national populations in Sweden and Austria. As may be seen in column 3, Yugoslav immigrants, *ceteris paribus*, have lower occupational status than native-born Swedes; and there are no significant differences in the occupational status of jobs held by Yugoslav labour migrants as compared to more recent immigrants. In addition, the effect of tenure among ex-Yugoslavs in Sweden plays no significant role in the improvement of occupational status in the host country. The occupational status of the second-generation immigrants in Sweden resembles that of the native-born, other things being equal, the coefficient, however, being significant only at the 10% level.

The occupational disadvantage of Yugoslav immigrants upon arrival in Austria seems to be more pronounced than in Sweden, as is visible from column 4. Those immigrants who arrived before 1973 are unable to catch up with the native population in the types of jobs they hold, but they do manage to find employment of higher occupational status than those who have arrived more recently. The positive significant effect of time since migration suggests that, while entering the labour market at its lower end upon arrival, Yugoslav immigrants succeed in improving their occupational status with a longer duration of residence in the host country. The labour market performance of second-generation Yugoslavs is an improvement as compared to their parents, even though they are still worse off when compared to native-born Austrians.

Compared cross-nationally, it seems that immediately upon arrival immigrants experience larger problems landing better-status employment in Austria. The situation seems to improve the longer immigrants reside in the country, but they never catch up with the native-born, not even in the second generation. In Sweden, on the contrary, immigrants have smaller penalties with respect to the status of their employment as soon as they arrive. Moreover, the occupational status of those who arrived in the 1960s to early 1970s is quite similar to that of the native-born. The above-described trends are depicted in Figure 8.4, which plots the predicted ISEI scores for ex-Yugoslav immigrants and the native-born in the two countries.

The effect of naturalisation among ex-Yugoslavs in Austria (see column 4 in Table 8.5) is worth discussing too. As expected, naturalised Yugoslav immigrants are indeed able to land jobs of somewhat higher occupational status than their non-naturalised counterparts (the effect is significant at the 10% level). Analyses thus confirm that in Austria naturalisation does open up better opportunities in the labour market, including access to higher-status public sector jobs, closed to non-Austrian citizens. Less expected is the finding that naturalised Yugoslav immigrant women have lower labour force participation than their non-naturalised compatriots (back to column 4, Table 8.4).

Other than that, the curvilinear effect of age can be observed in the model of occupational status as well. Women in Sweden appear to have somewhat lower occupational status than men, other things being equal, while in Austria there is no significant gender effect. Married individuals have higher occupational status in Sweden, but lower in Austria.

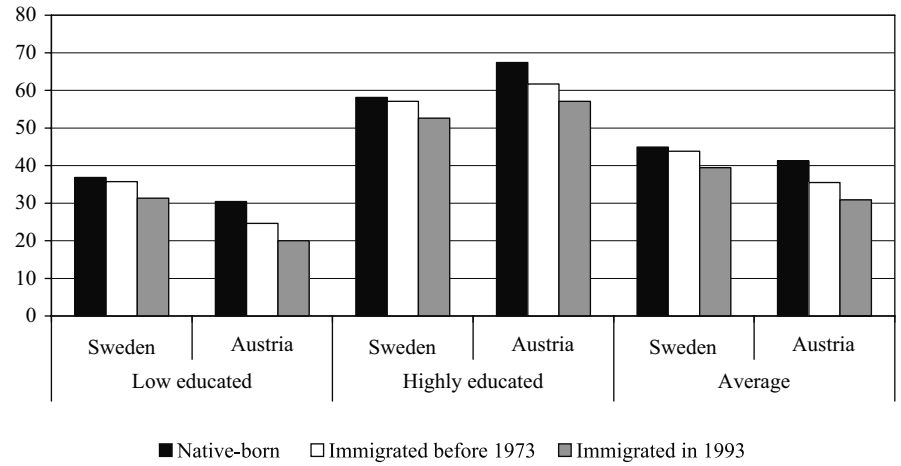

Figure 8.4. Predicted ISEI scores for ex-Yugoslav immigrants and the native-born in Austria and Sweden

Note: Probabilities are calculated with age, age squared, marital status and regional unemployment rate held constant at the sample means.

Source: 1997 Swedish labour force survey; 1996 Austrian micro census.

Not surprisingly, higher education is associated with higher occupational status, while the degree of the association is stronger in Austria. The latter effect is also visible in Figure 8.4. Less-educated native-born Austrians have somewhat lower occupational status than less-educated Swedes. The opposite is true for the native-born with tertiary education: those with tertiary education in Austria manage to attain occupations of higher status than similarly educated persons in Sweden.

8.6. Summary and Discussion

The present chapter assesses the labour market integration of ex-Yugoslav immigrants in two European countries, Austria and Sweden, in terms of the relevant structural characteristics of both societies. It is argued that differences in Austrian and Swedish institutional contexts since 1975, especially with regard to immigration and citizenship policies, as well as labour market structure and welfare regimes, have led to diverse patterns of immigrants' labour market integration.

Immigration to both countries began, however, in a similar setting, with a shortage of labour that threatened economic growth prompting a decision to recruit guest workers, former Yugoslavia being one of the sending countries. No integration policies existed in either country before the early 1970s. To the extent that integration did occur, it took place almost unintentionally, within the work places of the secondary labour market. During the following 25 years structural changes took place in both Sweden and Austria, with

industrial sector downsizing being especially prominent in the former. In accordance with the first hypothesis, we found similarity in several labour market outcomes (risk of being unemployed and occupational prestige) between the Yugoslav immigrant cohorts that arrived in the two countries during the first wave of labour migration. The differences, however, are found in the activity patterns of Yugoslav immigrants: in Sweden they have a much lower chance of labour force participation relative to the indigenous population than do their compatriots who settled in Austria. One possible explanation for this phenomenon has been suggested by Ekberg (1990), who found that immigrants who had arrived in Sweden as recruited workers more often experienced health problems and thus resorted to early retirement, exiting the labour force earlier than their native-born counterparts. Another possible explanation is that vacancies for unskilled and low-skilled jobs are rather rare in Sweden, and that less educated Yugoslav immigrants, being unable to compete with Swedes in the tertiary sector, opt for withdrawal from the labour force, in the best case seeking re-qualification. Both scenarios assume the availability of welfare assistance, either in terms of early retirement or other social allowances (see also Hammarstedt, 2000).

The oil shock of 1973 led to a slowdown in both countries' economies as well as to a change in the nature of immigration: mass recruitment of labour was no longer practised, and Yugoslav immigration remained meagre and based mostly on family reunification and asylum until the late 1980s. This new situation caused a change in immigration policy, but only in Sweden. From 1975 onward it became apparent that Sweden would adopt multiculturalism as the cornerstone of its immigration policy, and it introduced comprehensive integration measures for its newcomers. In Austria, by comparison, social exclusion of the immigrant population, misperception of their presence as temporary and the consequent lack of integration measures continued unchanged.

The results of the multivariate analysis show that Yugoslav immigrants who arrived after 1973 evince much lower labour force participation than native Swedes, a trend which is particularly acute for the most recent refugee immigrants. In Austria Yugoslavs display similar or, as is the case among women residing in Austria for more than 6 years, even higher activity rates than native-born Austrians. The high labour force participation levels, especially among men, accord with the labour-oriented nature of immigration to Austria even after 1973.

The unemployment risk of more recent Yugoslav immigrants in Sweden is much higher than among natives – it is also more pronounced than among their countrymen who headed towards Austria – which might be at least partially related to the severe recession Sweden experienced at the beginning of the 1990s, during which time it also had to absorb significant numbers of refugees from the former Yugoslavia. A weak improvement in the employment situation of Yugoslavs with the passage of time can be seen in both host countries, but the effect of YSM is not significant at the conventional significance level.

Recent immigrants to Austria show lower unemployment risk than their countrymen in Sweden, but at the same time seem to be landing jobs of lower occupational status

than their compatriots in Sweden. For immigrants in Austria improvement in the quality of their jobs occurs only with the passage of time. If able to find employment, recent Yugoslav immigrants in Sweden, on the other hand, compare more favourably to the native-born in getting more prestigious jobs than do their counterparts in Austria.

Explanations for these findings can be sought in the structural differences between the two countries. In Austria, Yugoslav immigration is heavily employment-oriented; immigrants fear the loss of residence status in case of long-term unemployment, and the demand for low-status jobs in the industrial and service sectors matches the supply of immigrant labour with few occupational ambitions. These realities, taken together, determine a high probability of labour force participation, a lower risk of unemployment and the lower occupational prestige of jobs held by Yugoslav immigrants in Austria. In Sweden the availability of social assistance in case of unemployment and during participation in training schemes makes it possible for immigrants, who are better qualified than their Austrian compatriots, to seek suitable jobs. Discounted educational credentials from abroad, insufficient knowledge of the Swedish language, lack of experience in the Swedish labour market and deficiency in high demand communicative and interpersonal skills might make Yugoslav immigrants less attractive than Swedish-born candidates. Those Yugoslavs who have succeeded in finding employment have often obtained only lower-status jobs as compared to socio-demographically similar native Swedes – but the immigrant penalty with respect to employment is still larger in Austria than in Sweden.

The role of naturalisation in the labour market success of immigrants is also explored in the analyses, which reveal that the significance of naturalisation differs in the two countries. In Sweden, a country of permanent migration where permanent residents enjoy similar economic and social rights as native Swedes, citizenship does not influence labour market outcomes. In Austria, citizenship does open the door to wider employment opportunities and guarantees similar social rights. Non-Austrian citizens are obviously disadvantaged as they manage to land jobs of a somewhat inferior occupational status as compared to their naturalised counterparts.

All in all, it appears that recent immigrants in Sweden have particularly serious problems in getting employment, which accords with our expectations and confirms the findings of Chapter 6. With the analyses conducted here it is, however, impossible to attribute immigrants' disadvantages in employment and job status solely to the differences in the variability of welfare assistance directed towards recent arrivals. This is because the two countries under discussion differ not only in the welfare support they offer to newcomers, but also with respect to their labour market structures and immigration policies.[158]

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[158] A comparison of the two countries that happen to differ in several institutional characteristics per design does not allow for identifying a single institutional factor that might be held responsible for any particular outcome of immigrants' labour market allocation.

It is fair to conclude, though, that in the Swedish case universal welfare assistance is at least partially responsible for the observed outcomes of recent immigrants, as it allows those, who arrive with the intention of a permanent stay to seek employment matching their formal educational qualifications. In Austria, on the other hand, recent immigrants, who often intend a short-term stay and are generally underprivileged in their social rights compared to the Austrian population, are forced to accept any employment in order not to lose their residence status. Fortunately, the demand for less-skilled employment is comparatively strong in Austria, which contributes to the lower unemployment risk of its immigrant population (as has also been shown in Chapter 6 of this book).

CHAPTER 9. CONCLUSIONS

The troubling labour market performance of immigrants is at the top of the agenda in the majority of European Union countries, being a very important issue for both policy-makers and researchers. Low labour market participation, stubbornly high unemployment and welfare dependence among underprivileged third-country immigrants are problems which EU countries confront. Strategies in dealing with these issues differ cross-nationally; so does the degree of success. Descriptive evidence shows that in a large number of EU countries third-country immigrants face substantial difficulties in finding employment, while in only a few countries are immigrants' employment fortunes similar to those of the native-born. Furthermore, third-country immigrants appear to enter employment at a much lower-status level than the native-born. In this respect important cross-national variation is evident as well.

The main purpose of this book has been to explain these cross-national differences in immigrants' labour market attainment across Europe and to arrive at a more appropriate understanding of the individual and, above all, institutional determinants of labour market allocation for immigrants. In fact, one of the main claims in this book is that structural characteristics of immigrant societies play a significant role, perhaps more than European research has hitherto acknowledged, in explaining cross-national variation in immigrants' job allocation processes across Europe. The idea that the institutional characteristics of the receiving societies direct the labour market integration processes of immigrants is by no means a new one. However, neither those scholars who have emphasised the role of single institutions, such as immigration policy or labour markets, nor others who have claimed that the independent and combined effects of several institutional factors are at work have given a clear account of the reasons for macro-level differences. In other words, a straightforward model able to show how macro-level factors interfere with the processes occurring on the level of individual actors was clearly lacking. In this book the attempt has been made to identify how immigration policies, labour market structure and regulations, and welfare regimes influence the basic mechanism of labour market allocation – that is, how these structural components shape employers' and job seekers' resources and preferences, which determine the way individuals are matched with jobs (Chapter 2).

Selection of immigrants with respect to human capital characteristics, the degree of transferability of their human capital, its relevance in the host society and its signalling power for the prospective employers are seen as being mostly influenced by countries'

immigration policies and the contexts of immigrant reception (Chapter 3). Furthermore, immigrant labour market allocation largely depends, in addition to immigration policies, upon the labour market structures and regulations in receiving countries (Chapter 4) as well as the nature of their welfare regime (Chapter 5). It is argued that in less flexible labour markets employers have stronger reservations against recruiting 'risky' workers, so that underprivileged immigrants are more at risk of facing statistical or error discrimination. When a perfect match is less an issue for an employer or when there is a greater demand for certain types of jobs while the supply of the native-born labour force is scarce – as for example in the secondary labour market – employers more eagerly accept immigrants. Immigrants, particularly recent newcomers with short-term designs, are themselves often interested in landing employment quickly, even irrespective of its status. In the long run these people are trapped in the secondary labour market, especially if the insider–outsider divide in the country of their residence is severe. Indirectly, welfare state policies might influence immigrant labour market fortunes as well. In countries where the welfare system discriminates against particular immigrant groups, depriving them of elementary financial resources to sustain job search, immigrants will be forced to take secondary labour market jobs more quickly. If immigrants can draw on more extensive financial support when searching for employment, they would prefer to look for employment better fitting their qualification levels, even if at any particular point in time they may be over-represented among the unemployed.

Against this theoretical backdrop a number of hypotheses were formulated about the influence of immigration policy, labour market (structure and regulations) and welfare regime upon two aspects of immigrants' labour market performance – unemployment risk and occupational standing. These hypotheses were then tested empirically: first, in a large-scale analysis covering 14 European Union countries; and second, in two more detailed complementary analyses for a number of countries with institutional constellations 'responsible' for the variation in immigrants' labour market outcomes. A macro-level design applied to the large-scale analysis offers a significant methodological improvement over the research conducted on the issue so far. Only by including variables capturing the macro-level characteristics of the receiving societies into a single straightforward empirical model, as is done here, is it possible to directly test their hypothetical influence upon the labour market outcomes of the immigrant populations.

Acknowledging the variation in ethno-national composition of immigrant populations across Europe and the problematic practice of lumping immigrants from various social and cultural backgrounds together, the study has, not least due to data limitations, mainly had to focus on two rather broad immigrant groups: (1) immigrants coming from the EU-15 Member states and other western industrialised countries (e.g., USA, Canada), and (2) immigrants coming from the rest of the world, so called third-country immigrants.[159]

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[159] This is done in Chapter 6 and largely in Chapter 7. In Chapter 8 the focus is upon a group of immigrants from the former Yugoslavia, which despite certain intra-group variation (e.g. religious, language), are probably a more homogeneous group than the more widely defined immigrant classes used in the rest of the book.

The bulk of the hypotheses on the impact of structural factors were related to the more vulnerable third-country immigrants: the labour market allocation of EU immigrants and other westerners, due to more secure legal status and rights comparable to those of the native-born, was expected to be less affected by those institutional factors that are likely to affect the labour market incorporation of third-country immigrants.

Whereas the results of single analyses have already been summarised at the end of each chapter, here an attempt will be made to merge all the findings in order to attain an integrated picture of immigrants in the labour market and how they are affected by the structural and institutional make-up of the EU countries. Above all, attention will be drawn here to the differences in the labour market allocation of immigrants in the several types of welfare regime and the role of the labour market structure and regulations. But before embarking on this discussion, a few words are in order concerning the role of immigration policies and the contexts of immigrant reception in European host countries.

The Role of Immigration Policies and the Contexts of Immigrant Reception

Since the middle of the 20th century migration to Western Europe has increased substantially, and by the end of the century net immigration became a characteristic of all European countries constituting the European Union-15. Immigrants originally entered Western European countries seeking to fill the numerous job vacancies in their quickly expanding economies. Later on, humanitarian considerations (e.g. family reunification and resettlement of refugees and asylum seekers) became dominant in the immigration policies of the countries under discussion. Recently a revival of labour migration on a more modest scale has been observed. But this time the policies of many European countries are also aimed towards selecting highly-educated and qualified immigrants to boost these countries' economies; Europe is starting to compete for 'the best and the brightest' immigrants with the USA, Canada and Australia.

Among the issues discussed in this book were the effectiveness of host countries' immigration policies with regard to immigrant selection (and self-selection), the degree of transferability of immigrants' human capital and its attractiveness to prospective employers, the incentive effect of immigration policies for the accumulation of host-country-specific human capital among immigrants, and immigrants' labour market choices. It was argued that in countries that have experienced a significant inflow from former colonies, proportionally more third-country immigrants possess human capital relevant to the host country as a result of existing institutional links between these countries. Moreover, anticipating permanent settlement, these immigrants more eagerly invest in the host-country-specific human capital. Having educational qualifications more meaningful to prospective employers and being fluent in the host-country language(s), such immigrants should fare better when it comes to higher-status employment. The opposite is true in countries where immigrants possess fewer host-country-specific human capital resources, e.g. the new immigration countries of Southern Europe, Finland, and Ireland. Hence the macro-level hypotheses formulated in Chapter 6, with respect to a possible immigrant

penalty in occupational status, contrasted countries that experienced a substantial inflow from former colonies, where a smaller immigrant penalty was expected, with new immigration countries. The results confirmed the anticipated better jobs of immigrants on average in countries with a tradition of migration from former colonies. Furthermore, the analyses presented in Chapter 7, in which the labour market trajectories of immigrants in Great Britain (a country with a history of immigration from former colonies) and Germany (a country with a history of guest-worker recruitment) were compared, backed up this finding. It was clear that in Great Britain better-educated immigrants have rather more favourable chances of entering higher-status employment than is the case in Germany. There was, however, an indication that immigrants in the UK do not receive equal (to the native-born) returns upon their education, and that ethnic preferences are still strong among British employers.

Chapter 8 in turn examines the labour market attainment of a single immigrant group – ex-Yugoslavs – in Sweden and Austria, two European countries in which recruitment of guest workers dominated the inflow of the 1950–60s. Despite the fact that labour migration to both countries began in a similar setting without any integration measures or social rights having been provided to migrants, the situation changed dramatically in Sweden in the mid-1970s. That country adopted multiculturalism as a cornerstone of its immigration policy, promoting permanent settlement and providing comprehensive integration measures for the newcomers. Whereas Austrian immigration policy crystallised out as one primarily oriented towards the country's economic needs, with immigrants' labour market and social integration resting upon the shoulders of the immigrants themselves.

The results of the comparative analyses show that the integration measures, e.g. language and (re-)training courses, offered to immigrants in Sweden appear to keep them out of the labour force; while in Austria the activity and involvement of the immigrants, irrespective of the timing of their arrival, is rather high and comparable to that of the native-born. So how effective, then, are the Swedish integration measures? This book does not deal with this question directly but the results of the analyses conducted here suggest that the Swedish immigration and integration policies, in combination with welfare support, allow Yugoslav immigrants in Sweden to search for and eventually gain employment of higher occupational status than those in Austria. At the same time, ex-Yugoslavs in Sweden are still strongly disadvantaged in gaining employment; and their disadvantage would probably have been even larger if no integration or labour market stimulation measures had been put in place. Employment rates and occupational attainment of longer-term ex-Yugoslav immigrants are quite similar in both countries, the only difference being, once again, the immigrants' comparatively small participation in the work force in Sweden.

The Role of the Labour Market Structure

Consistent with the findings of other studies dealing with the immigrant labour market in continental Europe, it was shown that third-country immigrants appear to be over-represented in unskilled and low-skilled employment, and segmented into economic

sectors likely to be associated with the secondary labour market (see Section 4.2). Manufacturing, and particularly the manufacturing of textiles, clothing, rubber and plastic products, appears to be one of their most obvious employment niches. Besides this, third-country immigrants seem to flock to the hospitality and restaurant sectors, and also to be over-represented among those employed in private households.

Immigrants from the European Union or other western countries differ sharply from third-country immigrants with respect to their occupations and economic sectors. Primarily, they tend to be under-represented among the unskilled and the low skilled or at least match the proportion of the native-born at the lower end of the occupational hierarchy. Secondly, the niches of immigrants from EU or other western countries are located in different economic sectors (compared to third-country immigrants). They are over-represented in areas of research and development, computers, finance industries, real estate, sport, culture and recreation. Even though EU immigrants and émigrés from other industrialised countries are also found in manufacturing, these are more demanding sectors when it comes to skills and training.

One of the arguments put forward in this book is that a stronger demand for unskilled and low-skilled labour within a country should lead to a levelling of the employment rates between third-country immigrants and the native-born. This hypothesis found empirical support when looking at both newcomers and all male third-country immigrants[160] (see Chapter 6). Indeed, in countries with a bottom-heavy occupational hierarchy the employment disadvantage of third-country immigrants is smaller. A country's demands upon the less-skilled labour force might also exert an effect on the nature of migrant inflow (e.g. seasonal migration for employment in agriculture), attracting migrants with more immediate goals. Southern European countries, where the number of jobs at the lower end of the occupational structure is quite large, seem to have experienced a boom in temporary, labour-oriented immigration, so that comparatively smaller immigrant disadvantages in these countries can be explained by a match in the nature of migrant inflow to the type of labour needed (see also Kalter and Kogan, 2003). The explanation for smaller immigrant employment penalties in Austria, as compared to Sweden, seems to be at least partially related to the same factor. In Austria the demand for low-status jobs in the industrial and service sectors matches the supply of immigrants from neighbouring ex-Yugoslavia who have low educational qualifications and who seek temporary or seasonal employment (see Chapter 8).

In this book the relative weight of the bottom of the occupational structure has been singled out as a factor influencing immigrants' labour market fortunes. With the highly aggregated labour force survey data it was impossible, however, to really capture the demand side of the labour market. Thus, for example, it was not in practice feasible to operationalise the

[160] The analyses also showed that the size of the bottom of the labour market did not affect the employment chances of EU immigrants or other westerners.

demand for high-skilled workers at the upper end of the occupational hierarchy in rapidly growing economic sectors, e.g. biotechnology, computers and telecommunication. This might be related to the smaller penalties or even the advantages of immigrants over the native-born, as for example, among Indian immigrants in Great Britain (see Chapter 7).

The Role of Labour Market Flexibility

Controlling for the labour market structure and possible effects of immigration policies, the results of the analyses (both in Chapter 6 and 7) broadly confirm that third-country immigrants face more favourable labour market prospects, in terms of employment rates and occupational prestige, within flexible, unequal liberal welfare 'syndromes'. They confront bigger labour market barriers in conservative and social-democratic welfare regimes. In the first case, third-country immigrants appear to be less disadvantaged with respect to gaining employment and good occupational status compared to immigrants in other regimes. The snapshot of the immigrants' labour market situation gained from the analyses of the cross-national EULFS data is further reinforced by results from the longitudinal data analyses in Chapter 7 using the examples of Germany and Great Britain. They show that in both countries immigrants' employment careers are distant from those of native-born men; but in Germany it is third-country immigrants who are particularly disadvantaged, even after taking into account the differences in the socio-demographic characteristics of immigrants and the native-born. Moreover, it appears that long and frequent unemployment spells are behind the dissimilarity in immigrants' employment careers in both countries, with the situation being particularly alarming in Germany. Also of concern in Germany is the level of occupational attainment of its immigrants. While in Great Britain immigrants' careers are rather similar to those of the native-born, which accords with the results of the cross-sectional data analyses in Chapter 6, in Germany immigrants are clearly segmented into manual, mostly unskilled, blue-collar jobs. In the latter case immigrants' diverging occupational careers are only partially explained by the lack of skills – it is also a matter of discounted human capital.

Germany (a prototype of the conservative regime) and Great Britain (fairly typical of a liberal welfare regime) differ not only in the outcomes of their immigrants' labour market allocation – be it unemployment or occupational standing – but also in the underlying inclusion or exclusion processes. In Germany white-collar employment seems to be practically closed to all unemployed immigrants, irrespectively of their background and educational qualifications. In Great Britain it seems as though immigrants in search of white-collar employment compete with the native-born on more or less equal terms. It should be stressed, however, that ethnic groups vary in their chances of gaining white-collar employment, which might imply that ethnic preferences are still strong among British employers. Thus, for example, it appears that Indian immigrants are often 'preferred' for white-collar jobs, which might at the same time be a sign of direct recruitment of Indian specialists for high-tech or medical jobs, for which the demand is particularly strong in the UK. Another part of the story is that in Germany once immigrants hold blue-collar, particularly unskilled, employment they have a higher risk of losing it due to

its precariousness and vulnerability. When laid off from high-churning sectors, immigrants normally remain within these sectors nevertheless, since high vacancy rates allow them to find re-employment – but at the price of a higher probability of future unemployment. As a result, the bulk of immigrants in Germany, almost irrespective of their ethno-national background and human capital, oscillate between employment in the secondary labour market and unemployment, not being able to break out of their outsider status. To be sure, in Great Britain many immigrants confront the same scenario, but the better educated there have more hope of escaping this fate – certainly far more so than in Germany.

Differences in immigrants' labour market allocation existing between the two countries are, on the basis of the analyses in Chapter 6, attributed to the nature of the welfare regime: the British liberal model with flexible, unequal labour markets, low labour costs and market-based social insurance as opposed to the German conservative model with segregated, segmented and rigid labour markets, high labour costs, rather compressed wage structures and employment-based social insurances. Out of the two nexuses of the welfare regime, seen as relevant to the labour market allocation of male immigrants (i.e., labour market regulation and welfare state), the role of labour market regulation, and above all employment protection legislation, was singled out. Indeed, stricter employment-protection legislation seems to be responsible for the larger employment disadvantages of recent third-country immigrants (see Section 6.3.3); while receipt of unemployment benefits has no significant influence upon immigrant re-employment chances in either Germany or Great Britain (see Section 7.3.3).

How sure can we be that in claiming such an effect for EPL strictness upon immigrants' employment chances we do not pick up other macro-level effects spuriously related to labour market flexibility (King et al., 1994)? Among possible correlates the following can be mentioned. Firstly, immigrants heading towards countries with more flexible labour markets might be more positively selected with respect to observed and intrinsic characteristics, such as motivation or abilities. Positive self-selection with respect to formal educational qualifications in liberal welfare regimes is confirmed (see Sections 3.3.2 and 6.2.2) and seems to be a part of the explanation for occupational success of third-country immigrants in Great Britain and Ireland (see Section 6.3.4). However, with only the labour force or census data it is not really possible to identify whether immigrants making for more unequal liberal welfare regimes are in fact better selected with respect to motivation or intrinsic abilities (Borjas, 1987; Cohen and Haberfeld, 2003).

Secondly, in both of the European liberal welfare regimes, Britain and Ireland, the English language is spoken, and it goes without saying that in the modern world lots of people happen to study and speak English, though not always at a level sufficient to enter prestigious white-collar employment in an English-speaking country. At any rate, it might be reasonable to expect that people arriving in Great Britain and Ireland already have the basics of the host-country language, which might be less the case among immigrants heading to Germany, Finland or Denmark. In the analyses in Chapter 6 it was impossible to control for host-country language proficiency (as this variable is not

present in the dataset), but it was possible to take this important indicator into account in the analyses in Chapter 7. The results showed that, even after controlling for language knowledge, immigrants in Germany nevertheless have lower rates of securing white-collar employment compared with immigrants in Great Britain, and even assuming that in the latter all immigrants know both oral and written English well.

With the analyses presented in Chapter 7 it was not possible, however, to weigh up the relative importance of the two institutional factors in immigrants' labour market inclusion or to unravel the contribution of immigration policies (including immigrants' self-selection with respect to intrinsic characteristics) to immigrants' on average more favourable labour market allocation in Great Britain. To what extent this is an artefact of the less discriminating labour market (due to more flexible regulation and/or more stringent anti-discrimination legislature) is also unknown. The problem is that countries' institutional characteristics often come as part of a package: there normally exists a strong correlation between various structural and institutional factors, as can be seen in Section 6.2.2. The question is, then, whether it is at all possible to disentangle institutional effects and whether or not it is worthwhile to just speak of immigration regimes or institutional 'syndromes', as suggested by Engelen (2003) (see Chapter 5).

The Role of the Welfare State

The analyses in Chapter 6 (Section 6.3.3) show that recent newcomers in Scandinavian social-democratic welfare regimes face particularly serious obstacles upon employment entry. This effect persists after controlling for the degree of labour market flexibility. In fact, social-democratic welfare regimes are characterised by quite flexible labour markets, more so than conservative welfare regimes. Hence, larger immigrant penalties for third-country immigrants and particularly for more recent newcomers might be related at least partially to the welfare state generosity and/or universal welfare coverage in social-democratic welfare regimes (see Chapter 5). This would not necessarily mean that in social-democratic welfare states immigrants abuse welfare resources.[161] In fact, as other research findings show, immigrants' over-representation among welfare recipients is related to their more vulnerable socio-demographic characteristics than their immigrant status *per se*. In this book we argue that in countries other than social-democratic welfare states recent newcomers might not be entitled to the same welfare provisions as the native-born, largely due to the absence of a secure legal status, such as permanent residence, and consequently face a more limited choice of opportunities and behave differently in the labour market.

This claim has been verified in Chapter 8, which examined the situation of ex-Yugoslav immigrants in the labour markets of both Sweden (a prototype of a social-democratic

[161] Unfortunately with the data (a single year cross-sectional labour force survey) at hand (with no questions as to the use of welfare benefits) it was impossible to directly investigate this issue.

welfare regime) and Austria (one of the countries classified as a conservative welfare regime). Before discussing substantive findings, the importance of the analytic design, which compares labour market outcomes (and if possible the underlying processes) for a single immigrant group in different receiving societies, should be emphasised once again. The fact that immigrants from the same or similar origins have markedly different labour market outcomes in different societies should point towards the characteristics of the societies themselves as an important explanation (Reitz, 1998). Focusing upon immigrants with similar origins allows a kind of control for social and cultural distances between immigrants and the native-born, as well as other factors related to the international environment, which are often beyond operationalisation in the standard surveys. Differences in the position of immigrants within a destination country can therefore be accredited to the structural characteristics of the society, including differences related to immigrants' selection or self-selection with respect to particular characteristics and to their experience with those resources within the institutions of the receiving society. In fact, one of the main drawbacks of the analyses presented in Chapters 6 and 7 was exactly the failure to adequately control for immigrants' origin in order to associate the cross-country variation in residual immigrant effects with the variation in the array of social institutions in the receiving societies.

Going back to the results of the analyses presented in Chapter 8, the labour market attainment of ex-Yugoslav citizens in Austria and Sweden was explored in terms of three outcomes: labour force participation, unemployment and occupational status. One of the main focuses of the chapter was to assess the role of the period of migration, which, due to variation in the labour market outcomes of immigrants in different cohorts, was expected to pick up the effects of changes in immigration policy and labour market factors in the two countries under discussion. Secondly, the study aimed, using the example of host-country citizenship, at assessing the significance of the legal status of immigrant populations upon labour market outcomes.

The study found that ex-Yugoslav immigrants of the guest-worker cohort face similar (relative to the native-born) risks of being unemployed in both countries and are similarly disadvantaged (again compared to their native-born neighbours) in occupational status. Cross-nationally these immigrants differ only with respect to labour force participation – quite low in Sweden and comparable to that of the native-born in Austria. It is obvious that universal welfare state provisions in Sweden allow immigrants to opt for early retirement or withdrawal from the labour force (often for re-qualification). Extremely low labour force participation is also characteristic of immigrants who arrived after 1973 and particularly for the most recent refugees from the former Yugoslavia. This stands in sharp contrast to the activity patterns of ex-Yugoslavian immigrants in Austria, whose work attachment is similar to that of the native-born. Recent immigrants in Austria do indeed face less risk of unemployment than their countrymen in Sweden, which accords with the findings of Chapter 6; but these immigrants seem, at the same time, to attain jobs of lower occupational status than their compatriots in Sweden.

The analytic design of the study suggests that explanations for these findings can be found in the structural differences between the two countries. In Austria Yugoslav immigration is heavily employment-oriented, with recent immigrants not entitled to the welfare benefits enjoyed by the native-born, and at danger of losing their residence status in case of long-term unemployment. Moreover, in that country the demand for low-status jobs in the industrial and service sectors matches the supply of immigrant labour with low educational qualification and little occupational ambition. These factors, taken together, determine a high probability of labour force participation and a lower risk of unemployment. In Sweden the availability of social assistance in case of unemployment and during participation in training schemes makes it possible for immigrants, who are better qualified than their Austrian counterparts, to seek suitable jobs. Are they able to find employment matching their educational qualifications? The results show that this is by no means always the case. Those Yugoslavs who have succeeded in finding employment have often managed to gain only lower-status jobs when compared to socio-demographically-similar native Swedes. Discounted educational credentials from abroad, insufficient knowledge of the Swedish language, lack of experience in the Swedish labour market and deficiency in much required communicative and interpersonal skills probably make Yugoslav immigrants less attractive than Swedish-born candidates.

Taken together, the findings presented in this book make it clear that immigrants' economic success is not only a function of exogenous factors which determine the composition of immigration inflow; nor is it determined solely by differences in the selectivity of immigration policy. To a very significant degree, immigrant labour market allocation is shaped by the institutional structure of host societies. Above all, labour market structure and regulations, the nature of the welfare state and immigration policy form specific institutional syndromes or sets of conditions that are capable of shaping immigrants' labour market fortunes.

Open Questions

A deliberate strategy in this book has been to use multiple data sources and similar or related analyses, thereby ensuring better reliability of results and firmer evidence for or against hypotheses. Indeed, each of the data sources applied in the book has its own strengths and limitations which, to a certain degree, shaped the direction of the analyses. The strength of the European Union Labour Force Survey, on which the principal large-scale descriptive and multivariate analyses were based, lies in its comprehensive European coverage, larger sample sizes and cross-country comparability. This has allowed the drawing of the main contours of immigrant labour market performance across Europe, a task barely conceivable with any other data set.[162]

[162] An alternative, to use the European Community Household Panel (ECHP), the database that might be preferred due to its detailed longitudinal information, was not a feasible option because of the intolerably small sample sizes of the immigrant population.

One of the important limitations of the EULFS is the restricted levels of detail in the variables.[163] It should therefore be conceded that aggregating the data, e.g. classifying immigrants in very broad groups, might conceal more than it actually reveals; and that additional analyses with other data sources possibly with a further break-down according to immigrants' origin, is therefore advisable. To a certain extent the lack of detail in the EULFS data was tackled by using individual labour force surveys in the in-depth analyses in Chapter 8. Another obvious problem with the EULFS, as well as with individual labour force surveys, is their exclusively cross-sectional nature. The data provide aggregate snap-shots of labour market career outcomes at different points in time, but there is no way with these data alone to empirically address the underlying individual careers nor to approach the outcomes – for example, unemployment – from a dynamic perspective. This needs to be done and indeed has been done in Chapter 7 with the panel data for the selected countries, but the importance of the dynamic perspective and career approach can hardly be overstated. Unfortunately, in this study's close-up investigation of immigrants' labour market careers and unemployment dynamics in Germany and Great Britain it was impossible to look at other facets of employment: attempting, for example, to detect if immigrants are over-represented in precarious forms of employment, e.g. temporary contracts or part-time jobs. The reason is that, unfortunately, the small sample sizes for the immigrant population hardly permit more detailed analysis than that conducted in Chapter 7. It is feasible, however, and even necessary, to extend the observation window (six years in the current study) to accumulate the data to test the validity of claims advanced in this book with the benefit of a longer time series and historical circumstances.[164] Moreover, extending coverage to a decade or more should better resolve the effects of the structural fluctuation and institutional change upon immigrants' employment careers.

As demonstrated by these current limitations, a real need in the area of immigration research is an investment in improved data, preferably of longitudinal nature with samples of the immigrant population and their offspring large enough for meaningful analyses. Such panel data, covering immigrants from multiple origins in a variety of host countries, should ideally have a design that allows for following respondents over a considerable period of time from the very moment they land in their destination country. At the moment, however, studies pursuing the above-described design are still exceptionally rare and are indeed only in their formative stages, as yet yielding fairly short observation spans (Jasso et al., 2003).

In this book first-generation immigrants are under the spotlight. The growing population of second-generation immigrants is, however, a reality in the majority of European countries

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[163] This limitation of the EULFS is largely related to the way the data have been delivered by Eurostat at the time of writing. Having access to the multidimensional tables rather than individual data reduces a researcher's freedom, both with respect to the number of analysed variables and to the level of detail within them.

[164] Extending analyses to more recent data is also advisable with the EULFS, which would allow adding time dimension to the analyses and testing not only international but also *intra*-national differences.

nowadays, and research questions legitimately shift towards assessment of their situation within host societies. Are children of immigrants able to improve their labour market status better than their parents? Do second-generation immigrants become indistinguishable from the native-born with respect to their educational and labour market related characteristics? Unfortunately answering these and many other questions is a real challenge for researchers since it is often not feasible to distinguish naturalised second-generation immigrants in large-scale standardised surveys, including labour force surveys, in the majority of European countries. Having acquired citizenship of the host country, second-generation immigrants become invisible in these data sources. The problem is becoming more acute with the passage of time as, due to liberalisation of naturalisation procedures in the majority of European countries, the proportion of naturalised second-generation immigrants is constantly growing. National statistic offices and Eurostat need to track parental country of birth since only then would researchers be able to trace assimilation patterns of second-generation immigrants using large representative surveys. In fact, due mainly to the lack of appropriate data, serious comparative studies upon this topic have been quite rare until recently. Heath's (2007) large-scale cross-national undertaking and Crul and Vermeulen's (2003) comparative study are rare exceptions indeed. The main focus of these studies is upon the effect of immigrants' country of origin and the role played by country of destination upon the labour market positioning of the immigrants and their offspring. As neither of the studies analyses the data from a single cross-national file, but rather from a number of surveys conducted separately for each country with results being subsequently compared cross-nationally, the effects of the institutional characteristics of the receiving societies influencing first- and second-generation immigrants' labour market attainment can only be assessed indirectly.[165] Moreover, the aforementioned comparative studies mainly focus on the labour market *outcomes* of the (first and) second-generation immigrants; while a dynamic perspective, the importance of which is stressed in Chapter 7 of this book, is clearly lacking. A serious study using longitudinal data is necessary, and this is where much needs to be done in the future.

The main focus of this book has been upon institutional determinants in the labour market performance of male immigrants, who are seen as the main breadwinners in immigrant families. If men's attachment to work is indisputable and is less dependent on their ethnic membership and religious orientation, perhaps the opposite is true when it comes to women. The female labour market has been ignored in this book largely because of difficulties in introducing cultural and religious dimensions to the analyses without really being able to empirically differentiate between specific ethno-national groups. Future research should make strides towards understanding individual and structural determinants of immigrant women's labour market allocation processes (see Van Tubergen, 2004 for an attempt to do so).

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[165] Hence, a central theoretical question – whether host countries' institutional characteristics that shape labour market outcomes of the first-generation immigrants are also responsible for the labour market fortunes of their children – still remains to be adequately explored.

The study presented in this book is limited to the analyses of unemployment incidence and dynamics as well as occupational standing (either in the form of occupational prestige or occupational destinations, e.g. white-collar, skilled and unskilled manual jobs) of immigrant populations as compared to the native-born.[166] The issue of immigrants' earnings has been absolutely neglected here, again, to a large extent, because of data limitations. Analysing income from dependent employment, self-employment and social security transfers, could add an important dimension to the assessment of immigrants' inclusion in the labour market. It is particularly important since European Union countries vary with respect to their wage bargaining models, minimum income legislation, and the way welfare states redistribute wealth and disperse wages. There are reasons to expect that in liberal welfare states, immigrants, and particularly those who end up in low-skilled employment, face substantial risks of economic deprivation and even poverty, since such jobs often do not cover the cost of living. In conservative and especially in social-democratic welfare regimes with their more egalitarian wage structures and stronger redistributive policies, low-skilled immigrants and even the unemployed should enjoy a decent living. Thus it may well be that the monetary gain to be had in upgrading from, say, unskilled to skilled employment is much lower in social-democratic welfare states than in British or Irish liberal welfare regimes. As a consequence, different incentives and decision-making strategies would be expected among immigrants, as well as the native-born, living under the different regimes.

Despite its limitations and the open questions that remain, it is fair to hope that this book has managed to reveal certain contours in the variety of immigrant inclusion patterns in Europe more clearly than has been done to date. Even if, in the end, unequivocal proof for the suggested effects of the structural characteristics of receiving societies could not be extracted from the data at hand, the results shown here point out an important direction for future cross-national research.

[166] In a close-up analyses of ex-Yugoslav immigrants, labour force participation was also examined.

APPENDIX

Table A.1. Income and work eligibility of asylum seekers in EU countries

Country	Monthly allowance for single adult in Euro	Eligibility to work
Austria	Those under 'federal care' (about 30% of asylum seekers) allowed pocket money of € 518.	Can apply for permit but few given permission to work
Belgium	Those outside of centres entitled to € 518.	Depends on a request for a permit from a prospective employer
Denmark	Those in reception/accommodation centres get € 304.2 for clothing, food and pocket money. Those outside centres get no financial support	Not entitled to work
Finland	Living allowance (excluding accommodation) – € 292.5.	After 3 months can apply for a work permit relating to specific job. Permit only granted if the job cannot be filled by national or resident.
France	One off allowance of € 304.9 on arrival. Those in centres with full board get € 91.4 while those outside centres get € 274.4.	Not entitled to work.
Germany	€ 41 pocket money and support in-kind for those in centres. Those outside receive vouchers or currency.	After 12 months can apply for a work permit.
Greece	None – though vulnerable asylum seekers may receive assistance from NGOs.	Can be granted temporary work permit.
Ireland	Asylum seekers without income entitled to € 391.7. In addition, a rent allowance of € 377 may be granted.	Those who have been in Ireland since at least 26 July 1998 are allowed to work.
Italy	Those without support entitled to € 17.5 per day for 45 days (i.e. € 525 for a 30 day month)	Not entitled to work.
Netherlands	Varies according to the extent of meal provision. If all meals provided asylum seekers receive € 68.1 and if no meals are provided it is € 167.6.	Can work for a maximum of 12 weeks a year but only in agricultural/seasonal work.

(*continued*)

Table A.1. (*Continued*)

Country	Monthly allowance for single adult in Euro	Eligibility to work
Portugal	Admitted asylum seekers are given € 140 for four months. Those under accelerated procedures receive no support.	After 6 months can apply for a work permit.
Spain	Those in centres receive pocket money of € 41, others receive € 242 for six months though it may be extended for 2 additional periods of 3 months.	After 6 months can apply for a work permit.
Sweden	€ 256.6 for those in centres where they prepare their own meals and € 86.1 in centres where meals are provided.	After 6 months can apply for a work permit.
United Kingdom	Destitute asylum seekers entitled to € 72.9 cash alongside support in-kind and supermarket vouchers.	After 6 months can apply for a work permit.

Source: Bloch (2000).

Table A.2. Requirements for naturalisation in EU countries and naturalisation rates

	Minimum age	Period of residence in country	Of good character	Never convicted of crime	Never disturbed public order	Never expelled from country	Knowledge of the language	Integrated in the community	Renouncement of former nationality	Oath required	Undertaking to reside in country	Means of livelihood	Naturalisation rate (%)
AT	19	10 years		√		√		√				√	2.1
BE	18	5 years		√	√			√	√				2.8
DK	18	7 years	√	√			√		√				2.7
FI	18	5 years	√				√		√			√	2.6
FR	18	5 years	√	√		√	√	√					2.7
DE	18	10 years		√			√	√	√	√		√	4.5
GR	18	8 years	√	√		√				√			2.6
IE	18	4 years	√							√	√		0.2
IT	18	10 years				√				√			0.8
LU	18	10 years		√			√	√	√	√			0.6
NL	18	5 years		√	√	√	√	√					9.2
PT	18	6 years	√	√			√					√	0.6
ES	18	10 years	√		√			√	√	√			1.7
SE	18	5 years	√						√				5.9
UK	18	5 years	√	√	√	√	√				√		2.1

Note: Naturalisation rate is the number of persons acquiring the nationality of the country in the most recent year available as a percentage of the stock of the foreign population at the beginning of the year.
In Germany statistics include naturalisation claims, which concern essentially ethnic Germans.
In Luxembourg minor children acquiring the nationality as a consequence of the naturalisation of their parents are not included.
In Spain persons recovering their former Spanish nationality are not included.
Source: SOPEMI (1995, 1997).

Table A.3. General information and details on sampling procedures and data collection of the EULFS in countries-participants

Country	General information	Sampling	Data collection
Austria	Compulsory participation (with optional part). Covers private households only.	Sample size is 31500 households. The average survey rate is 1%.	Face-to-face interviews. Response rate is 78.7%.
Belgium	Compulsory participation. Covers both private and collective households.	Sample size is 35000 households. The average survey rate is about 0.9%.	Face-to-face interviews. Response rate is 85%.
Denmark	Voluntary participation. Greenland and the Faroe Islands are not covered. Covers both private and collective households.	Sample size is 15600 persons. The average survey rate is 0.4%.	CATI and mail. Response rate is 72%.
Finland	Voluntary participation. Covers both private and collective households. Foreign nationals with at least 1 years of (intended) residence are included. Asylum-seekers are not considered legally resident.	Sample size is 19717 persons. The average survey rate is 0.4%.	5% of interviews are face-to-face (CAPI), 95% are telephone with CATI. Administrative sources are also used. Response rate is 86.7%.
France	Compulsory participation. Covers private households, collective households are included if they have ties with private households.	Sample size is 75000 households. The average survey rate is 0.33%.	Face-to-face (CAPI). The Business Register is also a source of information. Response rate is 89.7%.
Germany	Compulsory participation (with optional part). Covers both private and collective households except for military quarters.	Sample size of about 380000 persons. The average survey rate is 0.45%.	Face-to-face interviews supplemented by written answers. Response rate is 97.8%. Response rate to the optional part is up to 40%.

(*continued*)

Table A.3. (*Continued*)

Country	General information	Sampling	Data collection
Greece	Covers private households only.	Sample size is 30000 households. The average survey rate is 0.87%.	Face-to-face interviews (CAPI). Response rate is 90–92%.
Ireland	Voluntary participation. Covers private households only.	Sample size is 39000 households. The average survey rate is 3.3%.	Face-to-face (CAPI). Response rate is 93%.
Luxembourg	Voluntary participation. Covers private households only.	Sample size is 8500 households. The average survey rate is 5%.	Face-to-face interviews. Response rate is 78%.
The Netherlands	Voluntary participation. Covers private households only.	Sample size is 60000 households. The average survey rate is 1%.	Face-to-face (CAPI). Response rate is 55–60%.
Portugal	Compulsory participation. Covers private households, collective households are included if they represent a potential for the labour market.	Sample size is 20000 households. The average survey rate is 0.68%.	Face-to-face (CAPI). Response rate is 91.2%.
Spain	Voluntary participation. Private households are covered (including servants). Collective households are sampled via parents living in private households. Foreign nationals with at least 1 years of (intended) residence are included.	Sample size is 65000 households. The average survey rate is 0.5%.	CAPI, telephone (CATI). Response rate is 91%.
Sweden	Voluntary participation. Covers both private and collective households.	Sample size is 17000 persons. The average survey rate is 0.3%.	Telephone (CATI). Administrative records are also used. Response rate is 86.6%.
United Kingdom	Private households are covered. Collective households are sampled via parents.	Sample size is 68250 households.	Face-to-face (CAPI) or telephone (CATI). Response rate is 86.7%.

Table A.4. The full version of the EGP class schema

I	Higher-grade professionals, administrators, and officials; managers in large industrial establishments; large proprietors
II	Lower-grade professionals, administrators, and officials; higher-grade technicians; managers in small industrial establishments; supervisors of non-manual employees
III*a*	Routine non-manual employees, higher grade (administration and commerce)
III*b*	Routine non-manual employees, lower grade (sales and services)
IV*a*	Small proprietors, artisans, etc., with employees
IV*b*	Small proprietors, artisans, etc., without employees
IV*c*	Farmers and smallholders; other self-employed workers in primary production
V	Lower-grade technicians; supervisors of manual workers
VI	Skilled manual workers
VII*a*	Semi- and unskilled manual workers (not in agriculture, etc.)
VII*b*	Agricultural and other workers in primary production

Source: Erikson and Goldthorpe (1992).

Table A.5. The CASMIN schema of educational qualifications

Qualification	Description	Deutschland (Germany)	Great Britain
1ab	Level of compulsory education or below	Haupt-/Volksschulabschluss oder kein Schulabschluss	General elementary education or less (e.g. CSE)
1c	Basic vocational training above and beyond compulsory schooling	Haupt-/Volksschulabschluss mit Abschluss einer Lehr-/Anlernausbildung oder Meister-/Technikerausbildung	Basic vocational qualifications (e.g. BTEC, BEC First Certificate or equivalent)
2b	Academic or general tracks at the secondary intermediate level	Realschulabschluss (Mittlere Reife)	Intermediate general qualifications (e.g. O-level or equivalent)
2a	Advanced vocational training or secondary programs in which general intermediate schooling is combined by vocational training	Realschulabschluss mit Abschluss einer Lehr-/Anlernausbildung oder Meister-/Technikerausbildung	Intermediate vocational qualifications (e.g. BTEC, BEC First diploma or equivalent)
2c	Full maturity certificates (e.g. the Abitur, A-levels)	Fachhochschulreife, Hochschulreife (Abitur) ohne Lehr-/Anlernausbildung oder Meister-/Technikerausbildung	Full secondary general (e.g. A-level or equivalent with or without RSA Advanced Diploma or equivalent)
2c voc	Full maturity certificates including vocationally-specific schooling or training (e.g. Abitur plus vocational training certificate, BTEC)	Fachhochschulreife, Hochschulreife (Abitur) mit Lehr-/Anlernausbildung oder Meister-/Technikerausbildung	Vocational secondary (e.g. TEC general)
3a	Lower-level tertiary degrees, generally of shorter duration and with a vocational orientation (e.g. technical college diplomas, social worker or non-university teaching certificates)	Fachhochschule, Ingenieurschule	Lower tertiary
3b	The completion of a traditional, academically-oriented university education	Hochschule	Full tertiary, university degree

Source: Adapted from Brauns and Steinmann (1997), Hillmert (2001).

Table A.6a. Results of the multinomial logistic regression predicting cluster membership for immigrants in Germany

	(1) vs. (4)		(2) vs. (4)		(3) vs. (4)		(6) vs. (4)		(7) vs. (4)		(5) vs. (4)	
Immigrant	−5.3**	(0.4)	−3.2**	(0.6)	−1.4**	(0.4)	−0.4**	(0.4)	−2.6**	(0.7)	−0.3	(0.3)
EU immigrant	1.6**	(0.5)	1.7**	(0.5)	0.0	(0.5)	−0.3	(0.5)			0.2	(0.4)
YSM/10	0.6**	(0.2)	0.5*	(0.2)	0.0	(0.1)	−0.1	(1.3)	0.3	(0.3)	0.2	(0.1)
Age/100	−0.1	(0.8)	0.2	(1.0)	−2.1*	(0.8)	1.2	(0.9)	6.1**	(1.4)	−1.4	(0.8)
Low general	−2.1**	(0.3)	−1.2**	(0.3)	−1.7**	(0.2)	0.0	(0.2)	0.4	(0.3)	−1.0**	(0.2)
Middle general	0.5*	(0.3)	−0.5	(0.4)	−1.6**	(0.3)	0.4	(0.3)	1.3**	(0.4)	−0.9**	(0.3)
Middle vocational	1.1**	(0.2)	0.0	(0.3)	−0.4	(0.2)	0.0	(0.3)	1.2**	(0.4)	−0.3	(0.2)
Tertiary long	3.7**	(0.4)	1.3**	(0.4)	−0.4	(0.4)	1.1**	(0.4)	1.2	(0.7)	0.0	(0.4)
Tertiary short	2.7**	(0.4)	1.0*	(0.4)	−0.3	(0.4)	0.3	(0.5)	1.6**	(0.6)	0.0	(0.4)
Constant	1.7**	(0.3)	0.2	(0.4)	2.0**	(0.3)	−0.9*	(0.4)	−3.8**	(0.7)	0.9**	(0.3)

Log likelihood = −4134.8098.
N = 2796.

Table A.6b. Results of the multinomial logistic regression predicting cluster membership for immigrants in the UK

	(1) vs. (4)		(2) vs. (4)		(3) vs. (4)		(6) vs. (4)		(7) vs. (4)	
Immigrant	−0.8	(0.9)	−0.3	(1.0)	−0.3	(0.9)	1.6	(1.0)	0.2	(1.1)
EU immigrant	0.5	(0.6)	0.8	(0.7)	−0.4	(0.7)	0.3	(0.9)	0.6	(0.7)
YSM/10	0.1	(0.3)	0.1	(0.3)	0.3	(0.3)	−0.3	(0.4)	0.1	(0.3)
Age/100	1.0	(0.8)	1.8*	(0.9)	−0.6	(0.9)	0.3	(1.5)	7.3**	(1.1)
Low general	−0.4*	(0.2)	−0.7**	(0.2)	−1.0**	(0.2)	0.6	(0.4)	−0.2	(0.2)
Middle general	2.0**	(0.4)	−0.6	(0.6)	−0.4	(0.5)	0.9	(0.9)	0.8	(0.6)
Middle vocational	2.0**	(0.3)	0.0	(0.4)	0.0	(0.4)	−0.6	(1.1)	0.7	(0.4)
Tertiary long	4.8**	(0.7)	0.8	(0.8)	0.3	(0.9)	3.3**	(0.9)	1.4	(0.9)
Tertiary short	1.6**	(0.2)	−0.1	(0.3)	0.0	(0.3)	0.1	(0.6)	0.2	(0.3)
Constant	−0.2	(0.3)	−0.4	(0.4)	0.8*	(0.4)	−2.3**	(0.7)	−3.6**	(0.5)

Log likelihood = −3093.8773.
N = 2271.
Notes: Number in the first row refers to the following clusters.
1. White-collar jobs (stable and mobile service classes and routine non-manual class).
2. Petty bourgeoisie.
3. Low-grade technicians and supervisors of manual workers and skilled working class.
4. Largely stable unskilled working class.
5. Mobile working class (for Germany only).
6. Unemployed.
7. Out of the labour force.

Annex A.1: Statistical Classification of Economic Activities (NACE 2-digit)

Section A Agriculture, hunting and forestry

01 Agriculture, hunting and related service activities
02 Forestry, logging and related service activities

Section B Fishing

05 Fishing, operation of fish hatcheries and fish farms; service activities incidental to fishing

Section C Mining and quarrying

10 Mining of coal and lignite; extraction of peat
11 Extraction of crude petroleum and natural gas; service activities incidental to oil and gas extraction excluding surveying
12 Mining of uranium and thorium ores
13 Mining of metal ores
14 Other mining and quarrying

Section D Manufacturing

15 Manufacture of food products and beverages
16 Manufacture of tobacco products
17 Manufacture of textiles
18 Manufacture of wearing apparel; dressing and dyeing of fur
19 Tanning and dressing of leather; manufacture of luggage, handbags, saddlery, harness and footwear
20 Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials
21 Manufacture of pulp, paper and paper products
22 Publishing, printing and reproduction of recorded media
23 Manufacture of coke, refined petroleum products and nuclear fuel
24 Manufacture of chemicals and chemical products
25 Manufacture of rubber and plastic products
26 Manufacture of other non-metallic mineral products
27 Manufacture of basic metals
28 Manufacture of fabricated metal products, except machinery and equipment
29 Manufacture of machinery and equipment n.e.c.
30 Manufacture of office machinery and computers
31 Manufacture of electrical machinery and apparatus n.e.c.
32 Manufacture of radio, television and communication equipment and apparatus
33 Manufacture of medical, precision and optical instruments, watches and clocks
34 Manufacture of motor vehicles, trailers and semi-trailers
35 Manufacture of other transport equipment
36 Manufacture of furniture; manufacturing n.e.c.
37 Recycling

Section E Electricity, gas and water supply

40 Electricity, gas, steam and hot water supply
41 Collection, purification and distribution of water

Section F Construction

45 Construction

Section G Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods

50 Sale, maintenance and repair of motor vehicles and motorcycles; retail sale of automotive fuel
51 Wholesale trade and commission trade, except of motor vehicles and motorcycles
52 Retail trade, except of motor vehicles and motorcycles; repair of personal and household goods

Section H Hotels and restaurants
55 Hotels and restaurants

Section I Transport, storage and communication
60 Land transport; transport via pipelines
61 Water transport
62 Air transport
63 Supporting and auxiliary transport activities; activities of travel agencies
64 Post and telecommunications

Section J Financial intermediation
65 Financial intermediation, except insurance and pension funding
66 Insurance and pension funding, except compulsory social security
67 Activities auxiliary to financial intermediation

Section K Real estate, renting and business activities
70 Real estate activities
71 Renting of machinery and equipment without operator and of personal and household goods
72 Computer and related activities
73 Research and development
74 Other business activities

Section L Public administration and defence; compulsory social security
75 Public administration and defence; compulsory social security

Section M Education
80 Education

Section N Health and social work
85 Health and social work

Section O Other community, social and personal service activities
90 Sewage and refuse disposal, sanitation and similar activities
91 Activities of membership organization n.e.c.
92 Recreational, cultural and sporting activities
93 Other service activities

Section P Private households with employed persons
95 Private households with employed persons

Section Q Extra-territorial organizations and bodies
99 Extra-territorial organizations and bodies

Annex A.2: International Standard Classification of Occupations (ISCO-88 (COM)), 3-digit

100 Legislators, senior officials and managers

110 Legislators, senior officials and managers
111 Legislators and senior government officials
114 Senior officials of special-interest organisations

120 Corporate managers
121 Directors and chief executives
122 Production and operations managers
123 Other specialist managers

130 Managers of small enterprises
131 Managers of small enterprises

200 Professionals

210 Physical, mathematical and engineering science professionals

211 Physicists, chemists and related professionals
212 Mathematicians, statisticians and related professionals
213 Computing professionals
214 Architects, engineers and related professionals

220 Life science and health professionals
221 Life science professionals
222 Health professionals (except nursing)
223 Nursing and midwifery professionals

230 Teaching professionals
231 College, university and higher education teaching professionals
232 Secondary education teaching professionals
233 Primary and pre-primary education teaching professionals
234 Special education teaching professionals
235 Other teaching professionals

240 Other professionals
241 Business professionals
242 Legal professionals
243 Archivists, librarians and related information professionals
244 Social science and related professionals
245 Writers and creative or performing artists
246 Religious professionals
247 Public service administrative professionals

300 Technicians and associate professionals

310 Physical and engineering science associate professionals
311 Physical and engineering science technicians
312 Computer associate professionals
313 Optical and electronic equipment operators
314 Ship and aircraft controllers and technicians
315 Safety and quality inspectors

320 Life science and health associate professionals
321 Life science technicians and related associate professionals
322 Health associate professionals (except nursing)
323 Nursing and midwifery associate professionals

330 Teaching associate professionals
331 Primary education teaching associate professionals
332 Pre-primary education teaching associate professionals
333 Special education teaching associate professionals
334 Other teaching associate professionals

340 Other associate professionals
341 Finance and sales associate professionals
342 Business services agents and trade brokers
343 Administrative associate professionals
344 Customs, tax and related government associate professionals
345 Police inspectors and detectives
346 Social work associate professionals

347 Artistic, entertainment and sports associate professionals
348 Religious associate professionals

400 Clerks

410 Office clerks
411 Secretaries and keyboard-operating clerks
412 Numerical clerks
413 Material-recording and transport clerks
414 Library, mail and related clerks
419 Other office clerks

420 Customer services clerks
421 Cashiers, tellers and related clerks
422 Client information clerks

500 Service workers and shop and market sales workers

510 Personal and protective services workers
511 Travel attendants and related workers
512 Housekeeping and restaurant services workers
513 Personal care and related workers
514 Other personal services workers
516 Protective services workers

520 Models, sales persons and demonstrators
521 Fashion and other models
522 Shop, stall and market salespersons and demonstrators

600 Skilled agricultural and fishery workers

610 Skilled agricultural and fishery workers
611 Market gardeners and crop growers
612 Animal producers and related workers
613 Crop and animal producers
614 Forestry and related workers
615 Fishery workers, hunters and trappers

700 Craft and related trades workers

710 Extraction and building trades workers
711 Miners, shotfirers, stone cutters and carvers
712 Building frame and related trades workers
713 Building finishers and related trades workers
714 Painters, building structure cleaners and related trades workers

720 Metal, machinery and related trades workers
721 Metal moulders, welders, sheet-metal workers, structural-metal preparers, and related trades workers
722 Blacksmiths, tool-makers and related trades workers
723 Machinery mechanics and fitters
724 Electrical and electronic equipment mechanics and fitters

730 Precision, handicraft, craft printing and related trades workers
731 Precision workers in metal and related materials
732 Potters, glass-makers and related trades workers
733 Handicraft workers in wood, textile, leather and related materials
734 Craft printing and related trades workers

740 Other craft and related trades workers
741 Food processing and related trades workers
742 Wood treaters, cabinet-makers and related trades workers

743 Textile, garment and related trades workers
744 Pelt, leather and shoemaking trades workers

800 Plant and machine operators and assemblers

810 Stationary-plant and related operators
811 Mining and mineral-processing-plant operators
812 Metal-processing plant operators
813 Glass, ceramics and related plant operators
814 Wood-processing- and papermaking-plant operators
815 Chemical-processing-plant operators
816 Power-production and related plant operators
817 Industrial robot operators

820 Machine operators and assemblers
821 Metal- and mineral-products machine operators
822 Chemical-products machine operators
823 Rubber- and plastic-products machine operators
824 Wood-products machine operators
825 Printing-, binding- and paper-products machine operators
826 Textile-, fur- and leather-products machine operators
827 Food and related products machine operators
828 Assemblers
829 Other machine operators not elsewhere classified

830 Drivers and mobile plant operators
831 Locomotive engine drivers and related workers
832 Motor vehicle drivers
833 Agricultural and other mobile plant operators
834 Ships' deck crews and related workers

900 Elementary occupations

910 Sales and services elementary occupations
911 Street vendors and related workers
912 Shoe cleaning and other street services elementary occupations
913 Domestic and related helpers, cleaners and launderers
914 Building caretakers, window and related cleaners
915 Messengers, porters, doorkeepers and related workers
916 Garbage collectors and related labourers

920 Agricultural, fishery and related labourers
921 Agricultural, fishery and related labourers

930 Labourers in mining, construction, manufacturing and transport
931 Mining and construction labourers
932 Manufacturing labourers
933 Transport labourers and freight handlers

000 Armed forces
010 Armed forces

Annex A.3: Levels of Education and Training (ISCED 1997)

ISCED 0 — Pre-Primary Education

Programs at level 0 (pre-primary), defined as the initial stage of organised instruction, are mainly designed to introduce very young children to a school-type environment, i.e. to provide a bridge between the home and a school based atmosphere. Upon completion of these programs, children continue their education at level 1 (primary education).

ISCED 1 — Primary Education or First Stage of Basic Education

Programs at level 1 are normally designed on a unit or project basis to give students a sound basic education in reading, writing and mathematics along with an elementary understanding of other subjects such as history, geography, natural science, social science, art and music. In some cases religious instruction is featured. The core at this level consists of education provided for children, the customary or legal age of entrance being not younger than five years or older than seven years. This level covers, in principle, six years of full-time schooling.

ISCED 2 — Lower Secondary Education or Second Stage of Basic Education

The contents of education at this stage are typically designed to complete the provision of basic education which began at ISCED level 1. In many, if not most countries, the educational aim is to lay the foundation for lifelong learning and human development. The programs at this level are usually on a more subject oriented pattern using more specialised teachers and more often several teachers conducting classes in their field of specialisation. The full implementation of basic skills occurs at this level. The end of this level often coincides with the end of compulsory schooling where it exists.

ISCED 3 — (Upper) Secondary Education

This level of education typically begins at the end of full-time compulsory education for those countries that have a system of compulsory education. More specialisation may be observed at this level than at ISCED level 2 and often teachers need to be more qualified or specialised than for ISCED level 2. The entrance age to this level is typically 15 to 16 years. The educational programs included at this level typically require the completion of some 9 years of full-time education (since the beginning of level 1) for admission or a combination of education and vocational or technical experience.

ISCED 3A: Programs designed to provide direct access to ISCED 5A;
ISCED 3B: Programs designed to provide direct access to ISCED 5B;
ISCED 3C: Programs not designed to lead to ISCED 5A or 5B.

ISCED 4 — Post-Secondary Non-Tertiary Education

ISCED 4 captures programs that straddle the boundary between upper secondary and post-secondary education from an international point of view, even though they might clearly be considered as upper secondary or post-secondary programs in a national context. These programs can, considering their content, not be regarded as tertiary programs. They are often not significantly more advanced than programs at ISCED 3 but they serve to broaden the knowledge of participants who have already completed a program at level 3.

Typical examples are programs designed to prepare students for studies at level 5 who, although having completed ISCED level 3, did not follow a curriculum which would allow entry to level 5, i.e. pre-degree foundation courses or short vocational programs. Second cycle programs can be included as well.

ISCED 4A: See text for ISCED 3A;
ISCED 4B: See text for ISCED 3B;
ISCED 4C: See text for ISCED 3C;

ISCED 5 — First Stage of Tertiary Education (Not Leading Directly to an Advanced Research Qualification)

This level consists of tertiary programs having an educational content more advanced than those offered at levels 3 and 4. Entry to these programs normally requires the successful completion of ISCED level 3A or 3B or a similar qualification at ISCED level 4A. They do not lead to the award of an advanced research qualification (ISCED 6). These programs must have a cumulative duration of at least two years.

ISCED 5A: Programs that are largely theoretically based and are intended to provide sufficient qualifications for gaining entry into advanced research programs and professions with high skills requirements.

ISCED 5B: Programs that are practically oriented/occupationally specific and are mainly designed for participants to acquire the practical skills and know-how needed for employment in a particular occupation or trade or class of occupations or trades, the successful completion of which usually provides the participants with a labour market relevant qualification

ISCED 6 — Second Stage of Tertiary Education (Leading to an Advanced Research Qualification)

This level is reserved for tertiary programs which lead to the award of an advanced research qualification. The programs are therefore devoted to advanced study and original research and not based on course-work only. They typically require the submission of a thesis or dissertation of publishable quality which is the product of original research and represents a significant contribution to knowledge. They prepare graduates for faculty posts in institutions offering ISCED 5A programs, as well as research posts in government, industry, etc.

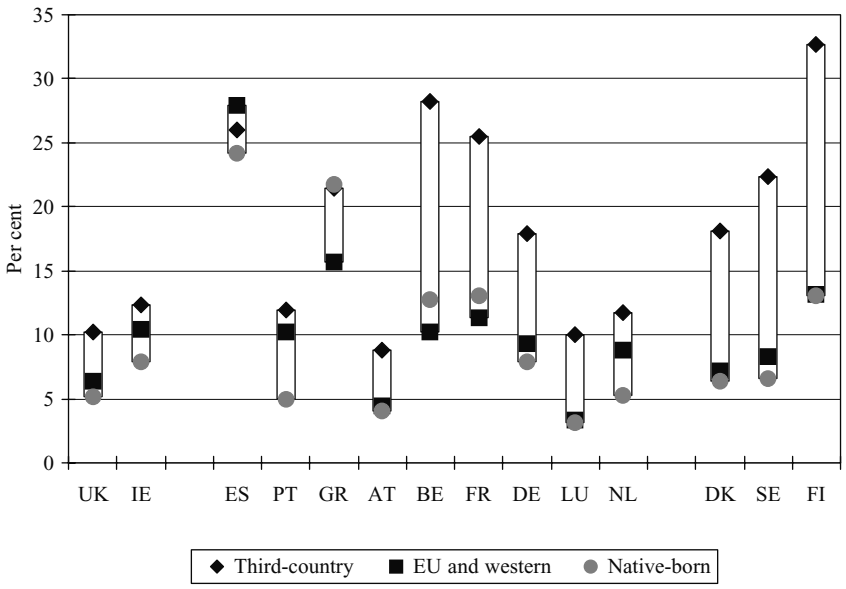

Figure A.1. Unemployment rates among female immigrants and the native-born, aged 18–64, in EU countries

Source: EULFS, 1995–2000.

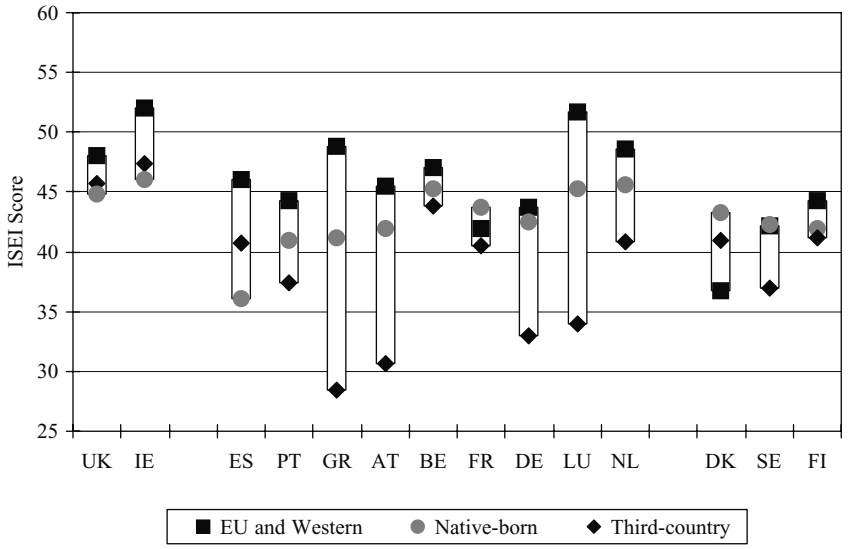

Figure A.2. Occupational status (ISEI) of female immigrants and the native-born, aged 18–64, in EU countries
Source: EULFS, 1995–2000.

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