

Equal Opportunities?

THE LABOUR MARKET INTEGRATION OF THE CHILDREN OF IMMIGRANTS

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Foreword

Children of migrants are entering the labour markets of many EU and OECD countries in large numbers, at a time when conditions have become extremely difficult for all new labour market entrants. There is a fear that what has already been an unfavourable situation in many countries prior to the downturn is getting worse. Indeed, past experience has shown that immigrants and their children are among those hardest hit in the labour market during a steep downturn.

It is important that the objective of securing the labour market integration of the children of immigrants remains a priority for policy makers. Integration has major social and political dimensions to it, but labour market integration is arguably the key thing to get right to ensure that immigrants and their children make their way in our societies. If EU and OECD countries succeed on this front, they will have won three quarters of the battle.

It has been no great surprise to learn that many immigrants have had difficulties integrating into the labour market – to a certain extent, if they have arrived in the receiving country as adults, they will always retain something of their countries of origin that may hamper their employment prospects. For example, qualifications and work experience obtained in the origin countries – particularly in the case of immigrants from non-OECD countries – may not be considered equivalent in the labour markets of EU and OECD countries, and employers may have difficulties in judging their value.

These obstacles, however, should not apply to the children of immigrants, who have been raised and educated in the host countries. Their outcomes can thus be seen as a “benchmark” for the success of integration in the long-term. Here, the bad news from the OECD reviews on the labour market integration of immigrants and their children (*Jobs for Immigrants*, Vols. 1 and 2) has been that there often continue to be difficulties for the children of immigrants born and educated in the country of residence, even when they have good qualifications. This outcome is very disappointing, and it is an issue which transcends the current economic downturn.

To shed more light on the issues involved, the European Commission and the OECD co-organised, on 1 and 2 October 2009 in Brussels, a seminar on the labour market integration of the children of immigrants. This publication compiles the papers presented at this joint seminar. It contrasts the experiences of European OECD countries with those of the non-European OECD countries which have been settled by migration. Past sending countries, such as the southern European countries, have recently – prior to the downturn – evolved into countries of immigration. In these countries, the children of immigrants are only now gradually beginning to enter the labour market in larger numbers. These countries can benefit from the experiences – both the successes and failures – of the other countries where large numbers of children of immigrants have already been present in the labour market for some time. The publication also identifies the sources of the apparent disadvantages which many children of immigrants face in EU and OECD countries, with a particular focus on the role played by different labour

market institutions in compensating for or reinforcing these obstacles. In addition, it highlights some of the experiences gained by EU and OECD countries with respect to the policies in place aimed at providing equal opportunities.

By highlighting the disadvantages and obstacles which children of immigrants face, one should not forget that the majority of them are well integrated in the societies and labour markets of EU and OECD countries. There have been many success stories, and the joint seminar has highlighted some of these, as well as good practices that warrant being more widely shared. A balanced picture on integration needs to account not only for the obstacles that have to be overcome, but also for the progress that has been achieved by host countries with respect to providing equal opportunities, and the numerous cases of successful integration. Clearly, however, there is still much more potential in the children of immigrants. Successful labour market integration means to make the best use of it, to the benefit of both children of immigrants and the host societies.

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Main findings of the joint EC/OECD seminar on the labour market integration of the children of immigrants (1 and 2 October 2009, Brussels)

by

Thomas Liebig (OECD) and Lena Schröder (Consultant to the OECD)

Introduction

The integration of the children of immigrants – both those born in the host country (“second generation”) and those who arrived young enough to be educated in the host country – is of growing policy relevance for OECD countries. This group is entering the labour market in ever-larger numbers. Since these children of immigrants have been raised and educated in the host country, their outcomes are often seen as the “benchmark” for successful integration policy. Concern over labour market integration is particularly pertinent for those children whose parents were low-educated.

The labour market integration of the children of immigrants is an area where comparative international knowledge is gradually evolving but still underdeveloped. Recent work by the OECD (*Jobs for Immigrants*, Vols. 1&2) has shown that the children of immigrants tend to have lower employment outcomes than the children of natives in most countries. This is partly due to their lower educational attainment, but a substantial gap remains even when education levels are comparable.

To shed more light on the issues involved in the labour market integration of the children of immigrants, to identify the sources of disadvantage, and to discuss policy answers and share good practices, the EU Commission and the OECD Secretariat co-organised a joint technical seminar in Brussels on 1 and 2 October 2009. The elements of analysis presented during this seminar gave a comprehensive overview of the range of critical issues related to the labour market integration of the children of immigrants. This publication presents the proceedings of this event, identifying the following key findings.

Overview of the educational and labour market outcomes of the children of immigrants and their determinants in international comparison

Comparing the situation of the children of immigrants across the OECD is not a straightforward exercise. Their situation in different countries reflects the diversity found among immigrant populations themselves. This diversity is also found in the educational and labour market outcomes of the children of immigrants, which are highly correlated with those of their immigrant parents. The age structure of the children of immigrants is also quite heterogeneous. In countries with a long history of immigration, children of immigrants are found in all age groups, although they are generally overrepresented among the younger cohorts. In countries with a shorter history of immigration, such as the southern European OECD countries, the children of immigrants are only now starting

to enter the labour markets in large numbers, at a time where labour market conditions have become very difficult for all new entrants.

Internationally comparative information on labour market outcomes, as well as parents' country of birth, is difficult to obtain. Research on the children of immigrants has largely been based on data from one single country, or at most, two or three countries. At the seminar, new internationally comparative data on the educational and labour market outcomes in OECD countries was presented and discussed. While new information sources – such as those on which the new results were based – are gradually becoming available, there continues to be a need to better monitor and analyse the labour market outcomes of the children of immigrants.

Educational outcomes

Education is an important determinant of labour market outcomes, especially for young people. There is some evidence that education may be particularly important for immigrants and their children, as it reduces the impact of discrimination, which tends to be more pronounced on the bottom end of the skills and qualification spectrum. However, the situation in this respect seems to be rather diverse across OECD countries.

The discussions highlighted the critical importance of the early years of life in family and at school for the labour market integration of the children of immigrants. Mastering the language of the host country represents a critical first step for the educational performance of children. Facilitating the access of the children of immigrants to child care facilities and education at this sensitive early stage is of key importance for integration and a basic prerequisite for future performance in education and employment. There are close links between the outcomes at age 15 observed in the OECD's Programme for International Student Assessment (PISA) and educational attainment levels of those 20-29 years old.

The general picture of educational differences between children of immigrants and children of the native-born is that, on the aggregate, children of immigrants tend to perform at least as well as the children of the native-born in the OECD countries which have been settled by immigration (Australia, Canada, New Zealand and the United States), while the situation is the opposite in all European countries for which data are available.

Explaining the educational gaps

Parents' education and socio-economic position are one of the key explanatory factors of the lower outcomes of the children of immigrants observed in European OECD countries. Social class and educational level of parents appear to explain almost all the educational disadvantages of children of immigrants from high-income countries, but only half of the disadvantage of the children from lower-income countries.¹

There has been a lot of discussion about ethnic segregation in schools, although the magnitude of its impact remains unclear. There is little evidence that the ethnic concentration at the school is *per se* a sizeable disadvantage, once the social class

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1. As will be seen below, in countries such as Canada and the United States one generally refers to "non-white" or "visible minorities", whereas in the European OECD countries, reference is generally made to children of immigrants from "non-European" or "lower-income" countries. Although these groups do not fully overlap (indeed, "visible" or "non-white" in the United States and Canada can refer to the children of parents who have not themselves immigrated), the types of disadvantages which they face tend to be very similar.

composition of the school has been taken into account. While there may be a negative effect of ethnic segregation, it appears that its impact is considerably smaller than that attributable to the socio-economic position of the parents.

Labour market outcomes

The general picture of the labour market situation of the children of immigrants closely mirrors that of educational achievement. In most European OECD countries, the children of immigrants have lower employment rates and/or higher unemployment rates. In particular, children of immigrants from lower-income countries face difficulties in the labour markets of the host countries. In the United States, Canada, Australia, New Zealand and Switzerland, the labour market position of the children of immigrants tends to be, on the aggregate, at least at par with that of the children of native-born.

Of great concern are those young people at the margin of the labour market that is, low-educated and neither studying nor in employment. With the exception of Australia and Canada, higher proportions of children of immigrants are at the margin of the labour market than is the case for the children of native-born. In some countries, conspicuously high proportions of young women born abroad but arriving in the host country before the age of 18 are at the margin (between 20 and 25% in Belgium, Germany, France and Spain). In general, the risk of being at the margin of the labour market is higher for female children of immigrants than for men, with the exception of the Scandinavian countries and Canada.

While the overall situation in the United States and Canada is favourable, this does not hold for all groups of children of immigrants. Unemployment and earnings data from Canada suggest that native-born visible minorities are not doing as well in the labour market as would be expected from their relatively good educational backgrounds. Likewise, in the United States, the favourable labour market outcomes of the children of immigrants on the aggregate are driven by the children of white immigrants, who have higher wages than the children of natives, while the wage gap is negative for the children of immigrants from Latin America.

For those employed, differences between children of immigrants and children of natives are rather small regarding the qualification level of the job, and this also seems to hold with respect to wages. The greatest hurdle for the children of immigrants thus seems to be to get a foothold into the labour market.

Explaining the labour market gaps

Several explanations of the labour market gaps between the children of immigrants and the children of natives were presented at the seminar. Some of the explanations refer to the supply side of the labour market (*i.e.* individual characteristics), others to the demand side in the host countries (*i.e.* attitudes and behaviour of those involved in the recruitment process and rules and norms governing the functioning of labour market institutions).

The differences in labour market outcomes between the children of immigrants and the children of the native-born that are observed in most countries can only be partly explained by the lower educational levels of the children of immigrants. On average across the OECD, just over one-third of the lower employment rates can be explained by these lower education levels. Taking into consideration that children from different parental origin countries also differ by other socio-demographic characteristics, notably

the education and socio-economic position of the parents, further reduces the gaps, but large and persistent differences across both parental origin and destination countries remain. Some groups, such as children of immigrants whose parents came from Turkey or North Africa, seem to face particular obstacles which cannot be explained by observable supply-side characteristics.

Most of the discussions related to demand-side barriers as these are areas where policy can more directly intervene. Indeed, removing these barriers is a prerequisite for providing equal opportunities. Tackling them is also important for social cohesion.

One important barrier in this respect is *discrimination*. The most convincing studies of the occurrence of discrimination are field experiments, which test the actual behaviour of employers seeking to fill job vacancies. Fictitious job seekers are paired, with equivalent formal qualifications but with names signalling that the job seeker belongs to the majority population or to a minority group. Such studies have been performed in a number of countries, and all have found that discrimination occurs against the job seeker from the minority group. It is not uncommon for job seekers whose name marks them as being of “foreign origin” to have to write more than twice as many applications as a person with the same credentials, but with a native-sounding name.

Likewise, in most countries, vacancies are filled using informal recruitment channels, rather than through advertisements or employment agencies. This is notably the case with respect to apprenticeship, where the initial contact with the employer is often established informally. The individuals’ personal *networks* are thus important assets. Children of immigrants have less access to networks consisting of people linked to the labour market, particularly with respect to the most rewarding areas of the labour market.

Familiarity with *labour market functioning* involves knowledge about how to draft CVs and letters of introduction, to identify appropriate job opportunities, and how to respond and react in recruitment interviews. This can be a problem for immigrants who came from countries where practices and norms, both procedural and cultural, may be different. Since information about labour market functioning is at least in part transmitted via parents or close friends, children of immigrants tend to have a structural disadvantage in this respect.

Although a number of factors can help explain the unfavourable labour market situation of many children of immigrants, little is known about the relative importance of these factors.

What can be done to foster the labour market integration of the children of immigrants?

As already mentioned, the labour market disadvantage of the children of immigrants from lower-income countries are strongly linked with the lower educational levels and the socio-economic status of their parents. Clearly, children cannot choose their parents. Parents’ education and labour market position should thus by no means be regarded as a justification for political inaction to tackle the persisting educational and labour market disadvantages faced by the children of immigrants. On the contrary, measures to help integrate immigrant parents (by providing training and better access to employment) will have an important spill-over effect on the outcomes of their children. Involving and supporting immigrant parents is thus a necessary and important first step towards achieving equal opportunities for their children.

Regarding schooling, evidence points to the positive impact of participation in kindergarten and other pre-school activities on the educational outcomes of the children of immigrants. Measures aimed at increasing participation in early education are thus essential for both the educational and the labour market career.

Ethnic segregation of schools is a matter of growing concern among policy makers in a number of countries. Trying to reverse this trend seems to be particularly difficult. As mentioned above, ethnic segregation appears to be less detrimental than socio-economic segregation, but the two types of segregation frequently coincide. Measures against socio-economic segregation of schools will thus probably work against ethnic segregation as well.

There is evidence from several countries that children of immigrants do not have the same chances to access good training places in the apprenticeship system. In countries without an apprenticeship system, the same applies to different types of work-place training within the school system. Educational institutions, therefore, need to be more actively involved in the acquisition of apprenticeship and other training places in the ordinary labour market and in allocating pupils to these training places. Similarly, schools should be more active in transmitting information about labour market functioning.

Targeted labour market measures towards the children of immigrants appear to risk increasing stereotypes and therefore to be avoided. Nonetheless, most countries already have general labour market policies in place which demonstrably increase the employment probabilities for participants. For example, wage subsidies in ordinary jobs have proven to be particularly effective for immigrants' access to regular employment in several countries; apprenticeship subsidies could play a similar role for the disfavoured youth, including children of immigrants. Intensified job-matching and counselling are other tools that may compensate for statistical discrimination and lack of networks.

Children of immigrants should have the same access to these programmes as other job seekers. This does not only relate to equal right of access, which is generally the case even for those with a foreign nationality, but also real access, where concrete obstacles persist. Enhancing transparency and information would be a first important step in this direction. In order to assess whether children of immigrants are underrepresented in high quality labour market programmes, some form of monitoring must be in place, and appropriate action taken if such monitoring reveals underrepresentation.

While mainstream policies are the rule, some additional indirectly-targeted measures are needed to tackle the specific problems faced by the children of immigrants. As discrimination appears to be largely based on stereotypes about children of immigrants and their productivity, measures that improve their possibilities to prove their true productivity have been shown to be promising. Mentoring seems particularly beneficial in this respect, and a number of countries have put in place large-scale mentorship programmes with demonstrable success. Depending on the design, such programmes tackle a whole range of obstacles – not only do they help to overcome prejudices, but they also transmit tacit knowledge about labour market functioning and provide access to networks.

With the same objectives in mind, several countries have put forward so-called “diversity policies” aimed at tackling both explicit and implicit discrimination in access to employment. Occasionally, the lines between diversity policies and affirmative actions blur. The experience in the United States with affirmative action have indicated that this can be a useful tool, in conjunction with other policies. But the experience in the United States and elsewhere also shows the need for flexible administration rather than rigid quotas.

What role for the social partners and civil society?

In the past, the social partners have not always been very active with respect to promoting the labour market integration of the children of immigrants. This is rapidly changing, as both employers and labour unions now view better integration of the children of immigrants as one of their key objectives. For employers, children of immigrants are an increasingly important resource. Labour unions not only support integration as a means of promoting equal opportunities, but also to increase their membership.

Mass media play an indirect but nevertheless vital role in the promotion of the integration of immigrants and their children. It influences public discourse, shapes public opinion and transmits perceptions about children of immigrants, which may reinforce negative preconceptions and disaffection by the children of immigrants with the host country or on the contrary contribute to a better mutual understanding. This also holds for the media of the migrant community themselves.

Regarding the mainstream host country media, more balanced portrayal of immigrants and the cultural diversity in society seems to be needed and indeed, several key media have taken steps in this direction over the past two decades. These included not only the content and scope of the information provided, but also the staff involved in media production and transmission, which has become increasingly diverse.

Participants concurred that the full integration of the children of immigrants in all aspects of society and their representation among its key players is of crucial importance, not only given the context of demographic ageing, but also for the future of social cohesion.

Chapter 1.

OVERVIEW: CHILDREN OF IMMIGRANTS IN THE LABOUR MARKETS OF OECD AND EU COUNTRIES

by

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Summary

This chapter provides a first comparative overview of the presence and outcomes of the children of immigrants in the labour markets of OECD and EU countries, based on a collection of data from 16 OECD countries with large immigrant populations. Its key findings are the following:

- In about half of all OECD countries, children of immigrants – both native-born offspring of immigrants and foreign-born who immigrated before adulthood with their parents – account for 10% or more of young adults (aged 20-29) in the labour market.
- Most children of immigrants have parents from low- and middle-income countries, and the share with parents from such countries is larger among foreign-born children than among the native-born offspring of immigrants. This is a result of the diversification of migration flows over the past 20 years.
- Among the native-born children of immigrants in European OECD countries, Turkey is the single most important country of parental origin, followed by Morocco. When comparing the countries of parental origin for the native- and the foreign-born children of immigrants, one observes in the European OECD countries a strong decline in the importance of the origin countries of the post-World War II wave of labour migration, in particular Turkey but also Morocco, Italy, Portugal and Pakistan.
- In all countries except Germany and Switzerland, a large majority of the native-born children of immigrants have obtained the nationality of their countries of residence.
- The OECD's Programme for International Student Assessment (PISA) has demonstrated lower assessment results for the children of immigrants in most European OECD countries. There are close links between PISA outcomes and educational attainment levels. In the countries in which children of migrants have

large gaps in PISA scores vis-à-vis children of natives, children of immigrants are also strongly overrepresented among those who are low-educated.

- One observes a clear difference between the non-European OECD countries (Australia, Canada, New Zealand and the United States) on the one hand and European OECD countries on the other hand. In the former, the children of migrants have educational and labour market outcomes that tend to be at least at par with those of the children of natives. In the European OECD countries (with the exception of Switzerland), both educational and labour market outcomes of the children of immigrants tend to be much less favourable.
- Part of the differences in labour market outcomes observed in most European OECD countries is due to the fact that the children of immigrants tend to have a lower educational attainment than the children of natives. However, significant gaps remain in many of these countries even after correcting for differences in average educational attainment.
- The remaining gaps are particularly large for the offspring of migrants from Turkey and from certain non-OECD countries such as Morocco. In all countries, children with parents from middle and low income countries have lower outcomes than children of immigrants from high-income countries. The differences are particularly large for young immigrant women.
- On average over the OECD countries for which data are available, the children of immigrants have an unemployment rate that is about 1.6 times higher than that of the children of natives, for both genders. The children of immigrants also have lower employment rates – the gaps compared with the children of natives are about 8 percentage points for men and about 13 percentage points for women.
- For women, one observes much better results for the native children of immigrants than for young immigrants, suggesting that having been fully raised and educated in the country of residence brings some additional benefit. However, this is not observed for men, where the native-born children of immigrants do not seem to fare better than the young immigrants, particularly after accounting for the lower educational attainment of the latter group.
- The less favourable picture for the female children of migrants compared with their male counterparts is less clear-cut after controlling for socio-demographic characteristics, in particular marital status and number of children. Part of the “double disadvantage” for the female offspring of immigrants seems to be due to the fact that in the age range under consideration (20-29 years old), they are overrepresented among those who are (already) married and have children. Indeed, once controlling for this, native-born women who have parents from the Maghreb region or southern Europe, as well those with Turkish parental origin, tend to have higher employment rates – relative to comparable natives – than their male counterparts.
- When in employment, children of immigrants are in occupations similar to those of the children of natives. They are also widely spread throughout the economy, but tend to remain underrepresented in the public sector.

Introduction

The integration of the children of immigrants is now attracting much attention among policy makers in the European Union and OECD countries. Although it is not a new issue – already since the late 1970s there has been growing concern about the educational outcomes of the children of migrants in European OECD countries (see *e.g.* Castro-Almeida, 1979) – it has gained prominence in recent years. Children of migrants – both those who were born in the country of residence or who have migrated themselves with their parents – now account for a significant part of the youth population in most countries. This is a result of the large number of migrants who have entered OECD countries over the past three decades. Many of the children of these migrants have just entered or are about to enter the labour market, and their share of new labour market entrants is expected to grow over the coming years. Since many countries expect that a greater recourse to migration may be needed in the future to counter, in conjunction with other policies, the effects of ageing on the labour market, the integration of the children of migrants is likely to gain further importance.

The integration of the children of migrants into the societies and, in particular, the labour markets of OECD countries is an important issue for social cohesion. The OECD reviews on the labour market integration of immigrants (OECD, 2007a, 2008) have shown that equality of labour market outcomes with comparable natives is an objective which is often difficult to achieve for persons who have migrated as adults, because of integration obstacles which are linked with the migration process itself. An individual who has migrated as an adult has acquired his or her human capital in an environment and in a language that may be very different from that of the country of residence. Because of this, integration is generally seen as a process which takes place over time (Chiswick, 1978), although the convergence towards the outcomes of persons born in the host country may be only partial even after many years. Because migrants themselves will always tend to retain characteristics related to their foreign origin which may hamper the integration process, it has been argued that the success or failure of the native-born children of migrants raised and educated in the country of residence is the ultimate benchmark of integration (Card, 2004).

Against this backdrop, there is concern that the labour market outcomes of the children of immigrants are lagging behind those of the children of natives. The OECD country reviews on the labour market integration of immigrants and their children (*Jobs for Immigrants*, OECD, 2007a, 2008) provided evidence that the labour market outcomes of the children of immigrants are not as good as those of native-born youth with native-born parents in many European OECD countries such as Belgium, Denmark, France, Germany, the Netherlands and Sweden. In addition, related OECD work on the school-to-work transition (*Jobs for Youth*) has highlighted the difficulties encountered by the children of immigrants in many OECD countries to access the labour market.

This overview provides a first comparative overview of the presence and outcomes of the children of immigrants in the labour markets of OECD countries. It contrasts the situation for the children of immigrants compared with the children of natives in European and non-European OECD countries along a number of key outcomes (educational attainment, employment and unemployment rates, occupations and sectors). In doing so, it neither intends to provide an analysis of possible reasons for observed differences in labour outcomes – with the exception of those linked with basic socio-demographic characteristics such as education, age, marital status and having small

children – nor to present and discuss possible policy solutions to tackle any observed differences. These issues are dealt with in other contributions to the joint EC/OECD seminar on the labour market integration of the children of immigrants.

The remainder of this overview is structured as follows. Section 1 provides a brief overview of the available internationally comparable data and research on the children of immigrants. Section 2 describes the size and parental origin of the children of immigrants in the countries under review. This is followed by an overview of the educational attainment of the children of immigrants compared with the children of natives (Section 3). Section 4 presents descriptive information on the labour market outcomes of the children of immigrants compared with those of the children of the native-born.¹ Section 5 provides a tentative overview of how much of the observed differences in labour market outcomes can be explained by socio-demographic characteristics. The overview ends with a summary and conclusions (Section 6).

1. Data and research on the children of immigrants

Internationally comparable data on the labour market outcomes of the children of migrants has been lacking thus far

In spite of the policy interest in the integration of the children of migrants, internationally comparable data and research on their outcomes are still rather scarce.² The main reason for this is that few international datasets contain information on the country of birth of the respondents' parents. The most prominent among the exceptions is the OECD *Programme for International Student Assessment* (PISA), which provides information on the background characteristics and the educational outcomes of 15-year-old students. Generally, more attention has been paid to the educational outcomes of the children of immigrants, both with respect to data and research. On the data side, in addition to PISA, such information is available from the *Third International Mathematics and Science Study* (TIMSS; covering 7th and 8th graders) and the *Progress in International Reading Literacy Study* (PIRLS; covering 4th graders) (see Schnepf, 2004 for an overview of the outcomes of children of migrants in these surveys).

Gradually, international datasets are becoming available which contain not only information on labour market outcomes, but also on the country of birth of the parents. The 2008 European Labour Force Survey has a special migration module which has this type of information, but the module is not yet available for many countries. Once fully available, it will permit comprehensive comparable analysis of the labour market situation of the children of immigrants for the European OECD countries.

1. The terms “native-born” and “native” are used synonymously in this report. They refer to the population born in the country of residence, not to the population which has the nationality of that country.
2. That notwithstanding, there have been many studies in recent years focusing only on one or two OECD countries. Regarding the labor market integration of immigrants, see, for example, Khoo *et al.* (2002) for Australia; Meurs *et al.* (2006) for France; Van Ours and Veenman (2004) for the Netherlands; Aydemir and Sweetman (2006) for the United States and Canada; Dustmann and Theodoropoulos (2006) for the United Kingdom; Rooth and Ekberg (2003) for Sweden; Nielsen *et al.* (2003) for Denmark; Olsen (2006) for Norway; and Glorieux and Laurissen (2009) for Belgium (Flanders).

Another recently collected dataset is *the Integration of the European Second Generation* (TIES), which contains rich information on the children of migrants from Turkey, Morocco and the successor countries of the former Yugoslavia, in comparison with the children of natives. Data were collected for individuals from 15 major cities in Austria, Belgium, France, Germany, the Netherlands, Spain, Sweden and Switzerland. Damas de Matos (2009) provides an overview of first results from the project regarding the family background characteristics on the labour market integration of the offspring of immigrants.

To date, the only available comprehensive internationally comparable analysis of the labour market situation of children of immigrants is provided by Heath and Cheung (2008). Their collective volume contains analyses for ten OECD countries and a number of non-member countries. However, because of lack of data, the children of migrants were often defined as native-born with foreign nationality. This excludes the many children of migrants who have obtained the nationality of the country of residence (see below). The 2007 *International Migration Outlook* (OECD, 2007b) provided basic data on the educational attainment levels and the employment and unemployment rates of the native-born children of migrants for ten OECD countries.

An overview of the situation of the children of immigrants across the OECD

This overview presents an update and extension of this latter work, extending both the coverage (16 countries) and the range of outcomes that are considered. In addition, some basic information on the parents' origin countries is presented. For the purposes of this overview chapter, the target population is defined as encompassing both the native-born with two foreign-born parents and individuals who are themselves foreign-born but arrived in the country of residence as children (that is, before the age of 18). Both groups are generally analysed separately, the latter group will be referred to below as either "immigrant children" or "young immigrants" and the former as "native children of immigrants" or "native-born children of immigrants". Unless stated otherwise, the information presented below refers to those aged 20-29 who are not in education.³

The analysis focuses on the children of parents who were both themselves immigrants, excluding immigrants who entered as adults (*i.e.* generally without their parents) on the one side and native-born children who have only one foreign-born parent on the other side. In several European OECD countries, there is growing concern regarding the native children whose grandparents have immigrated (sometimes, a bit unfortunately, referred to the "third generation"). This group is difficult to define. Most often, the debate on the so called "third generation" refers to the offspring of a couple in which a native-born child of immigrants married someone from the origin country of his or her parents. In practice, available data do not allow one to distinguish these children from the ones in which one parent is foreign-born and the other an offspring of natives (often referred to as "mixed marriages"). OECD (2007a) shows that overall the native-born children who have one native-born and one foreign-born parent generally have better outcomes than the children with two foreign-born parents.

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3. Annex Table 1.A1.2 shows the percentage of children of natives and children of immigrants who are still in education. On average for the OECD countries for which data are available, about 20% of both native children of immigrants and of children of natives are still in education. Among the young immigrants, the share is slightly higher at about 25%.

With the support of member countries, data on the children of migrants have been gathered from country-specific sources (see Annex 1.A2 for details) for virtually all OECD countries where this group constitutes a significant part of the population aged 20-29. This concerns Australia, Austria, Belgium, Canada, Denmark, France, Germany, Luxembourg, the Netherlands, New Zealand, Norway, Sweden, Switzerland, the United Kingdom and the United States.⁴ However, not all information was available or statistically reliable (due to small sample sizes) for all countries in each of the sections below.

2. The size and parental origin of the children of migrant populations in OECD countries

Children of immigrants now account for a non-negligible share of young people of working age in many OECD countries

In all countries with the exceptions of Norway and France, the target population accounts for more than 10% of the 20-29 year-olds (Table 1.1).⁵ It is largest in Luxembourg (40%) and Switzerland (27%). In the other European OECD countries covered, as well as in Canada and the United States, the share is between 11% and 19%. Data for Australia and New Zealand are only partially available, but indicate that the share is likely to be around 20% in these two countries.⁶

In seven out of the 12 countries for which data are available, the group of the native-born children of immigrants is smaller than that of the immigrants who arrived as children. This is notably the case in the Nordic countries, Switzerland, Austria, Germany and the United States, reflecting the large inflows of immigrants into these countries in the second half of the 1980s and the 1990s. In contrast, the population of the native children of immigrants is larger in Canada, France, Belgium, Luxembourg and the United Kingdom.⁷

For the countries for which data are available, the two groups of children of immigrants taken together account for roughly the same proportion among the 20-29 age group as immigrants themselves among the entire working-age (*i.e.* 15-64) population. Note, however, that the latter population includes the young immigrants who arrived as children. This implies that the children of migrants account for a larger proportion in their age cohort (20-29) than the migrants who came as adults in the working-age population as a whole (15-64).

4. This list of countries does not include Ireland and the southern European countries for which significant levels of immigration are recent, and where few native-born children of immigrants are currently in the age group 16-74 were foreign-born, but less than 83 000 persons were native-born children with foreign-born parents, making it impossible to derive reliable descriptive statistics on the labour market outcome for native-born children of immigrants. However, the number of immigrants who have immigrated before adulthood is sufficiently large to include Spain with respect to that group in a number of tables below.
5. Note, however, that for France, the children of foreign-born parents who had French nationality at birth were excluded. The same has been done for Belgium. For the Netherlands, the children of parents from Indonesia have been excluded (see Annex 1.A2). These adjustments have been made to exclude the offspring of expatriates who returned from former colonies (see OECD, 2008 for details).
6. Exact data for Spain are not available either. A rough estimate suggests that children of migrants account for less than 5% of the age group 20-29.
7. The size of the population of the native children of immigrants in the United Kingdom could be overestimated since the classification is based on self-declared ethnic origin (see Annex 1.A2).

Table 1.1. Share of children of immigrants among the population aged 20-29 and not in education, selected OECD countries, around 2007

	AUS	AUT	BEL	CAN ¹	DNK	FRA	DEU	LUX	NLD	NZL ¹	NOR	SWE	CHE	GBR	USA	OECD
Native-born children of immigrants (%)	10.7	5.0	7.1	9.7	2.3	5.8	4.8	21.6	5.0	n.a.	1.7	5.1	9.6	12.2	6.5	7.4
of which: Non-OECD/Turkey/Mexico	n.a.	94%	68%	48%	87%	66%	89%	0%	92%	n.a.	90%	45%	32%	48%	91%	65%
Young immigrants	n.a.	9.2	5.2	8.9	n.a.	3.4	10.0	18.8	6.3	9.3	4.9	8.8	17.0	4.7	9.7	8.9
of which: Non-OECD/Turkey/Mexico	n.a.	86%	62%	76%	n.a.	87%	84%	2%	83%	6%	92%	84%	75%	70%	94%	69%
Total children of immigrants	n.a.	14.1	12.3	18.6	n.a.	9.2	14.8	40.4	11.3	n.a.	6.6	13.9	26.6	16.9	16.2	16.3
Pro memoria: % foreign-born among population aged 15-64 (2008)	28	17	11	22	9	12	15	42	13	24	9	16	27	14	16	18

1. Data for Canada refer to the 2006 census and for New Zealand to the percentage of the foreign-born labour force from the 2006 census.

Source: See Annex 1.A2. OECD refers to the simple average of all countries in the table for which full data is available.

The origin countries of the parents differ widely and reflect the history of migration to OECD countries after World War II. Among the native-born children of immigrants, those with parental origin from non-OECD countries or from the low-income OECD countries (*i.e.* Turkey and Mexico) account for around 90% or more of the stock in Austria, Denmark, Germany, the Netherlands, Norway and the United States. Only in Switzerland (32%) and Luxembourg (less than 5%) do children with parents from non-OECD countries/Turkey/Mexico account for a clear minority among the native children of immigrants.

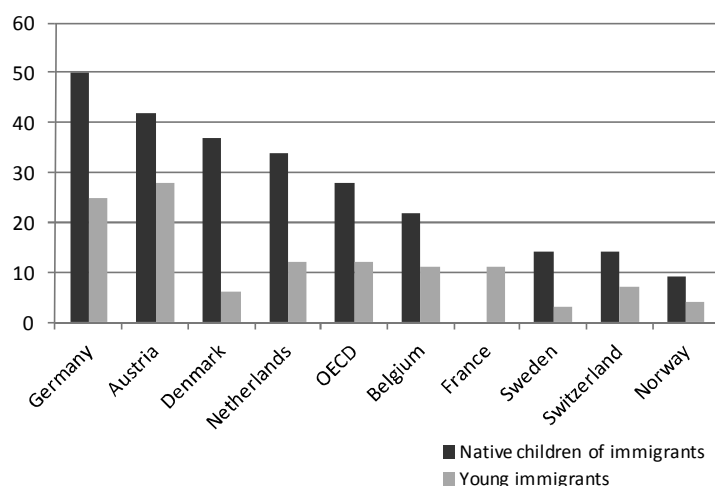
Turkey is the single most important parental origin country of the native children of immigrants in European OECD countries

Annex Table 1.A1.1 shows the main origin countries of the parents for the two groups of children of immigrants who are under consideration. These data tend to be limited, since data sources which have information on parents' origin countries often provide them only by broader regions. For the European OECD countries, the parental origin countries of the native children of immigrants are heavily dominated by the origin countries of the era of the so-called "guest worker recruitment". Among these, Turkey stands out as the main parental origin country, accounting for more than a third of the native children of immigrants aged 20-29 in Germany, Austria, Denmark and the Netherlands (Figure 1.1). In all European OECD countries for which data are available, Turkey is one of the three main parental origin countries for this group. Morocco comes second, accounting for at least 20% of the native children of immigrants in Belgium, France and the Netherlands. Pakistan is the main parental origin country for this group in Norway, and the second most important country (after India) for the United Kingdom.

Because of post-colonial links, the majority of the parents of the children of immigrants in France and the United Kingdom come from countries where the language of the country of residence is widely spoken. This is not the case for the other European OECD countries.

Only in a few countries (Canada, Luxembourg, Sweden and Switzerland) are high-income countries the single most important countries of parental origin.

Figure 1.1. Share of children with Turkish immigrant parents among children of immigrants in European OECD countries, 20-29 years old and not in education, around 2007



Source and note: See Annex 1.A2. Data refer to persons not in education. OECD refers to the simple average of all countries in the graph for which full data are available. For France, detailed countries of origins could not be defined for native-born children of immigrants.

The origin countries of the children who have themselves immigrated are very diverse, reflecting the diversification in migration flows over the past decade

The parental origin countries of the children who are themselves foreign-born tend to be more diverse. In most countries, the share of children with parents from non-OECD countries is larger among young immigrants than among the native-born children of immigrants. The shift is particularly remarkable for Switzerland. The majority of the young immigrants are from non-OECD countries, reflecting the shift in migration flows towards such countries over the past two decades.⁸

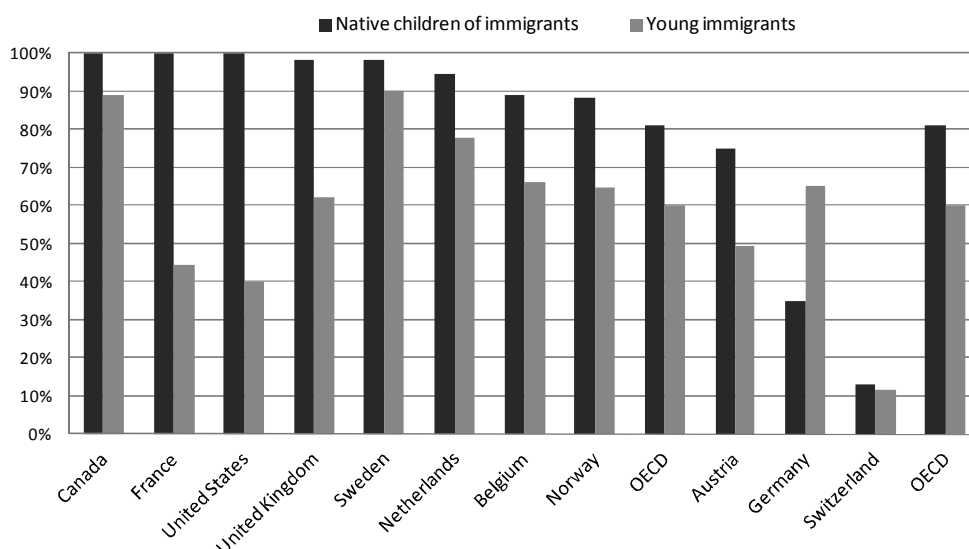
Likewise, in all countries, the relative weight of the three main origin countries is lower than among the native children of immigrants. This is a result of the growing diversification in overall immigration flows which was associated with the shift in origin countries. The only exception is the United States, where young immigrants of Mexican origin account for 43% of immigrant children (38% for the native children of immigrants) aged 20-29 years old.

In many European OECD countries, children from the successor countries of the former Yugoslavia account for a large part of the young immigrants, generally reflecting the large humanitarian flows following the wars in Bosnia-Herzegovina and Kosovo. In Austria and Switzerland, young immigrants from the successor countries of the former Yugoslavia account for almost half of the immigrant children.

8. The parents of children who have themselves immigrated represent more recent immigration cohorts than the parents of the native children of immigrants.

Most children of immigrants from non-OECD countries or from Turkey and Mexico have obtained the nationality of their host countries (Figure 1.2).⁹ This is notably the case for virtually all the native children of immigrants in Australia, Canada, France, Sweden, the United Kingdom and the United States. In contrast, in Germany and Switzerland, only a minority of the native children of immigrants have the nationality of their host countries. As can be expected, in most countries the percentage of those who have the nationality of the country of residence is larger for the native children of immigrants than for the young immigrants.¹⁰ The only exception is Germany where the opposite is observed.

Figure 1.2. Percentage of children of immigrants from non-OECD countries/Turkey/Mexico who obtained the nationality of the country of residence, 20-29 and not in education, around 2007



Source and note: See Annex 1.A2. OECD refers to the average of all countries in the figure.

3. The educational attainment of the children of immigrants

Educational attainment is a major determinant of labour market outcomes and more generally for the integration of the children of immigrants. As seen above, the parental origin countries of the children of immigrants in European OECD countries are generally the origin countries of the post-war labour migration wave. One main characteristic of the latter was that it mainly involved low-qualified immigrants, and the spouses of these immigrants also tended to be low-qualified. Empirical data from many studies show some tendency towards the intergenerational transmission of human capital (*e.g.* Bauer and Riphahn, 2007). Because of the differences between the average educational attainments

9. Figure 1.2 focuses on these countries since the economics of naturalisation shows that it is generally nationals from middle- and low-income economies who gain most from taking the citizenship of their host countries (see OECD, 2008, pp. 232f.).
10. This seems to be mainly due to a shift in origin countries towards a higher proportion of children of immigrants with German ancestry from Central and Eastern Europe, who often obtained German nationality upon arrival. Part of the explanation could, however, also be linked with the liberalisation of Germany's citizenship law in 2000.

of immigrant and native-born parents, one might thus anticipate somewhat lower educational outcomes for the children of immigrants in these countries. In contrast, one would expect more favourable results in countries which have longstanding policies to favour skilled migration, such as Australia, Canada and New Zealand.

OECD PISA data has demonstrated the lower educational outcomes for the children of immigrants...

These expectations are confirmed by data from the OECD's Programme for International Student Assessment (PISA) which assesses student knowledge and skills in mathematics, science, reading and cross-curricular competencies at age 15, that is, towards the end of compulsory education. PISA data show strong linkages between the skills level of the migrant intake and the educational attainment of the native children of immigrants relative to other natives. In the OECD countries which have selected their immigrants based on qualifications and labour market needs, such as Australia, Canada and New Zealand, the average achievement level of the native children of immigrants (prior to controlling for the socio-economic background of their parents) is about the same as that of other natives or even slightly better (Table 1.2). At the other end of the spectrum are Germany and Belgium, two countries where the recruitment of low-skilled immigrant labour was particularly pronounced in the past.

In general, the native-born children of immigrants tend to perform better than their immigrant counterparts of the same age. This is what one would expect, since the former were born and entirely educated in the country of assessment.¹¹ Indeed, analysis with the PISA data (OECD, 2006) shows that age at arrival is negatively correlated with PISA outcomes.

In most European OECD countries for which data are available, significant gaps remain, however, between the children of natives and the native-born children of immigrants. This is particularly the case for Austria, Germany and Belgium, where the gaps in the raw scores for the native children of immigrants amount to the equivalent of about two or more years of schooling.¹²

If the differences in educational outcomes vis-à-vis the children of native-born were solely attributable to differences in the socio-economic background (including education of parents, but also other factors such as family wealth and educational resources at home), one would expect them to diminish after controlling for this. Indeed, controlling for socio-economic background does reduce the gaps by about half. However, even then, the native children of immigrants tend to remain at a substantial disadvantage in European OECD countries, again particularly in Austria, Belgium and Germany. In contrast, in France, the disadvantage of the native children of immigrants is no longer significant.

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11. The only exceptions are Austria and Germany. This seems to be linked with the different origin countries of the parents of the young immigrants compared with the parents of the native-born children of immigrants.
 12. Although an exact translation of PISA test scores into years of schooling is not possible, a rough approximation is that about 35 points amount to one year of schooling (see Willms, 2004 for details).

Table 1.2. PISA 2006 results for the children of immigrants

	Points differences compared with the scores of the children of natives								Differences in the number of years of highest parental schooling compared with the children of natives	
	Reading				Mathematics					
	Unadjusted		Adjusted		Unadjusted		Adjusted			
	2nd gen.	Immig. students	2nd gen.	Immig. students	2nd gen.	Immig. students	2nd gen.	Immig. students	2nd gen.	Immig. students
Australia	(-7)	(-1)	-9	(2)	-12	-11	-13	-8	-0.5	0.4
Austria	79	48	46	21	81	65	48	39	-2.1	-0.9
Belgium	81	101	42	74	84	112	43	85	-3.1	-1.7
Canada	(0)	-19	(-7)	21	(8)	(7)	(4)	(7)	-0.1	0.7
Denmark	64	79	34	47	63	80	32	46	-2.8	-1.3
France	36	45	(5)	(19)	47	62	(15)	33	-3.1	-2.7
Germany	83	70	42	39	78	65	38	34	-4.9	-5.2
Greece	..	37	..	(17)	..	45	..	24	..	..
Ireland	..	(14)	..	(19)	..	(19)	..	23	..	..
Italy	..	69	..	54	..	44	..	28	..	..
Luxembourg	61	69	17	29	46	55	8	22	..	..
Netherlands	61	65	23	40	66	58	30	31	-3.1	-1.5
New Zealand	(7)	19	-12	27	(13)	(-6)	(1)	(1)	-1.4	0.3
Norway	..	63	..	40	..	58	..	34	..	..
Portugal	..	69	..	64	..	59	..	55	..	..
Spain	..	55	..	47	..	59	..	50	..	..
Sweden	29	68	15	48	42	64	28	42	-1.4	-1.3
Switzerland	48	85	22	60	62	88	36	61	-1.9	-1.7
United Kingdom	(7)	44	(-6)	34	25	25	13	(14)	..	..
United States	22	50	(-1)	23	23	37	(-2)	(9)	-1.9	-1.7
OECD	46	51	17	35	46	52	22	32	-2.2	-1.4

Note: The figures show the points differences in the PISA 2006 scores for mathematical and reading literacy between children of natives on the one hand and (native- and foreign-born) children of immigrants on the other. “Immigrants” are students who are foreign-born and whose parents are also born in another country. “Second generation” refers to native-born students whose both parents were foreign-born. “Unadjusted” refers to the points’ differences in the raw scores, “adjusted” to the differences after controlling for the socio-economic background of students. The socio-economic background was created on the basis of the following variables: the International Socio-Economic Index of Occupational Status (ISEI), the highest level of education of the student’s parents, the index of family wealth, the index of home educational resources and the index of possessions related to “classical culture” in the family home. Differences in the reading score for the United States and on the differences in the highest parental schooling are values from PISA 2003. OECD is the average of all countries for which full data are available. Negative values mean that children of immigrants have better results than children of natives. Differences which are not statistically different from zero are in parentheses.

Source: OECD PISA database, 2003 and 2006.

One factor specific to the children of immigrants is that they often speak a language at home which differs from that of the country of residence. Such children tend to have lower outcomes than other children with a migration background, particularly in Belgium and Germany (OECD, 2006). The fact that France is (together with the United Kingdom for reading) the only European OECD country in which the differences between the native children of immigrants and the children of natives disappear after controlling for differences in socio-economic background may at least in part be attributable to the fact that a large part of the parents of the former come from countries where the language of the country of residence is widespread.¹³ However, it could also be the case that the school systems in France and the United Kingdom are better able to provide for equitable outcomes than those in Austria, Belgium and Germany.

13. Nevertheless, in most countries, language spoken at home explains only a minor part of the differences between the test scores of the children of natives and the children of immigrants (see OECD, 2009).

...and this translates into a lower educational attainment for children of immigrants in most European OECD countries

How do the differences in educational outcomes (as measured by PISA) between the children of immigrants and the children of natives compare with differences in educational attainment levels? Figure 1.3 illustrates the links between PISA outcomes and differences in educational attainment as measured by differences in the share of the low-qualified between the children of natives and the children of immigrants.¹⁴ Although the latter refers to a different cohort – the 20-29 year-olds for the most recent year available – there are strong parallels with the PISA results on educational outcomes – that is, countries which do well in PISA regarding differences between the children of natives and the children of immigrants also show only small differences in educational attainment levels; the reverse is the case for countries with large gaps in PISA outcomes.

The correlation is particularly pronounced for the native children of immigrants. The countries which have the largest differences in PISA scores between the native children of immigrants and the children of natives – that is, Austria, Belgium, Denmark, Germany, Luxembourg and the Netherlands – are also the ones where the native children of immigrants are most strongly overrepresented among the low-educated. In contrast to most European OECD countries, the native children of immigrants are underrepresented among the low-educated in the OECD settlement countries that have strong and long-standing selection policies, *i.e.* Australia and Canada.¹⁵

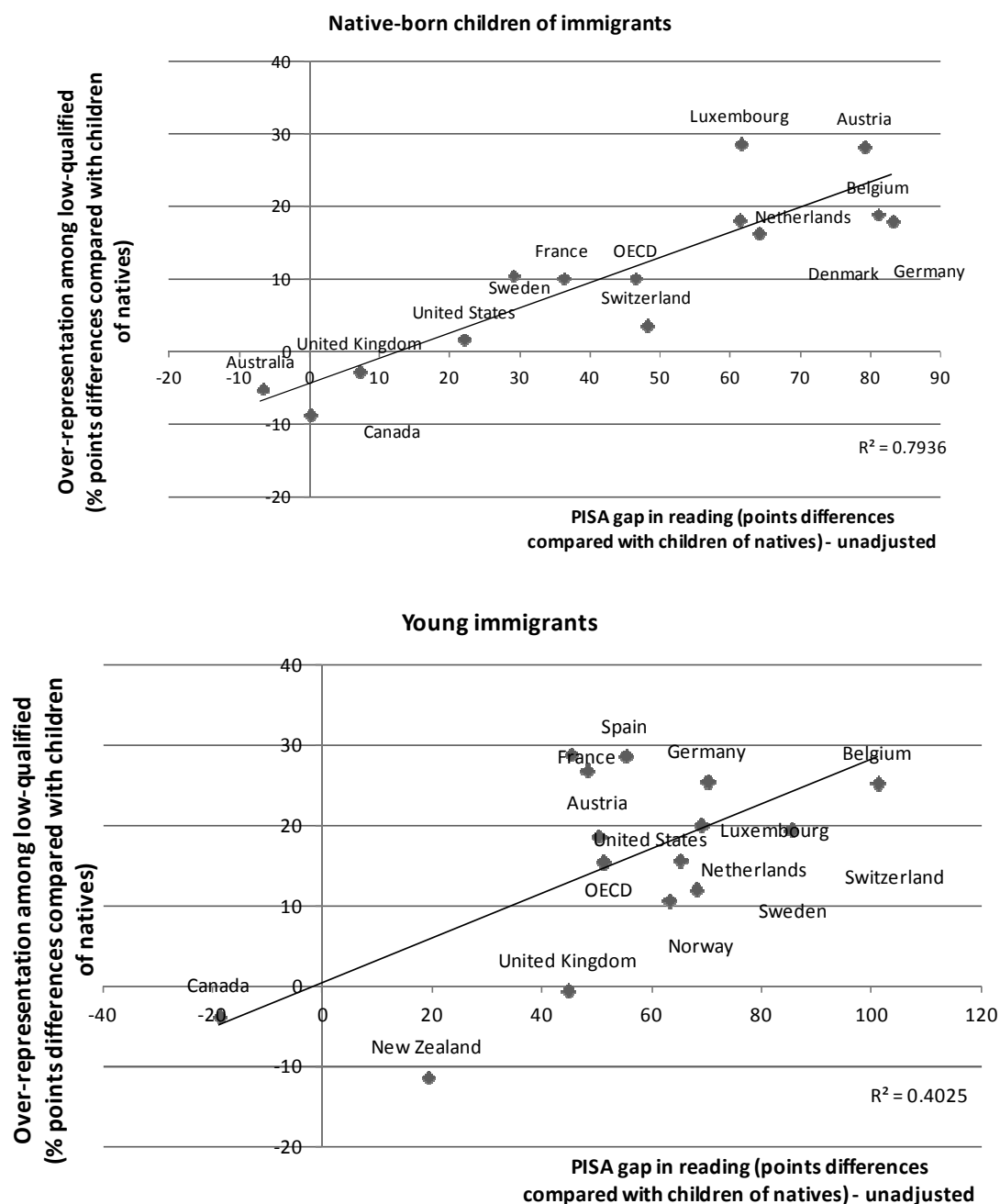
In all European OECD countries with the notable exception of the United Kingdom, the children of immigrants are overrepresented among the low-educated, for both genders (Figure 1.4). Among the native children of immigrants, women fare somewhat better (both in absolute terms but also compared with their counterparts who have native parents) than men.

The picture is quite different for the young immigrants. For men, the strong cross-country differences that have been observed for the native children of immigrants in the European OECD countries tend to even out – with young immigrants generally being overrepresented among the low-educated by 15-25 percentage points (compared with 10-35 points for the native children of immigrants). For the average of the OECD countries for which data are available, one observes few differences between the young immigrants and the native children of immigrants. For women, in contrast, one observes for almost all countries lower attainment levels for the young immigrants than for the native children of immigrants. Young immigrant women have particularly low attainment levels (relative to the children of natives) in Austria, Belgium, France, Germany and Spain. On average, the “overrepresentation” (in percentage points) of young immigrants among the low-educated is almost twice as high as for the native children of immigrants. Since both genders tend to account for roughly equal shares of the main origin countries, the observed gender differences are rather strong, albeit tentative, evidence that the educational advancement “across generations” is stronger for women than for men.

14. The discussion below on attainment levels focuses on the low-educated who are of particular policy relevance since their labour market prospects are poorer. Annex Table 1.A1.2 shows the outcomes on the aggregate by three education levels.

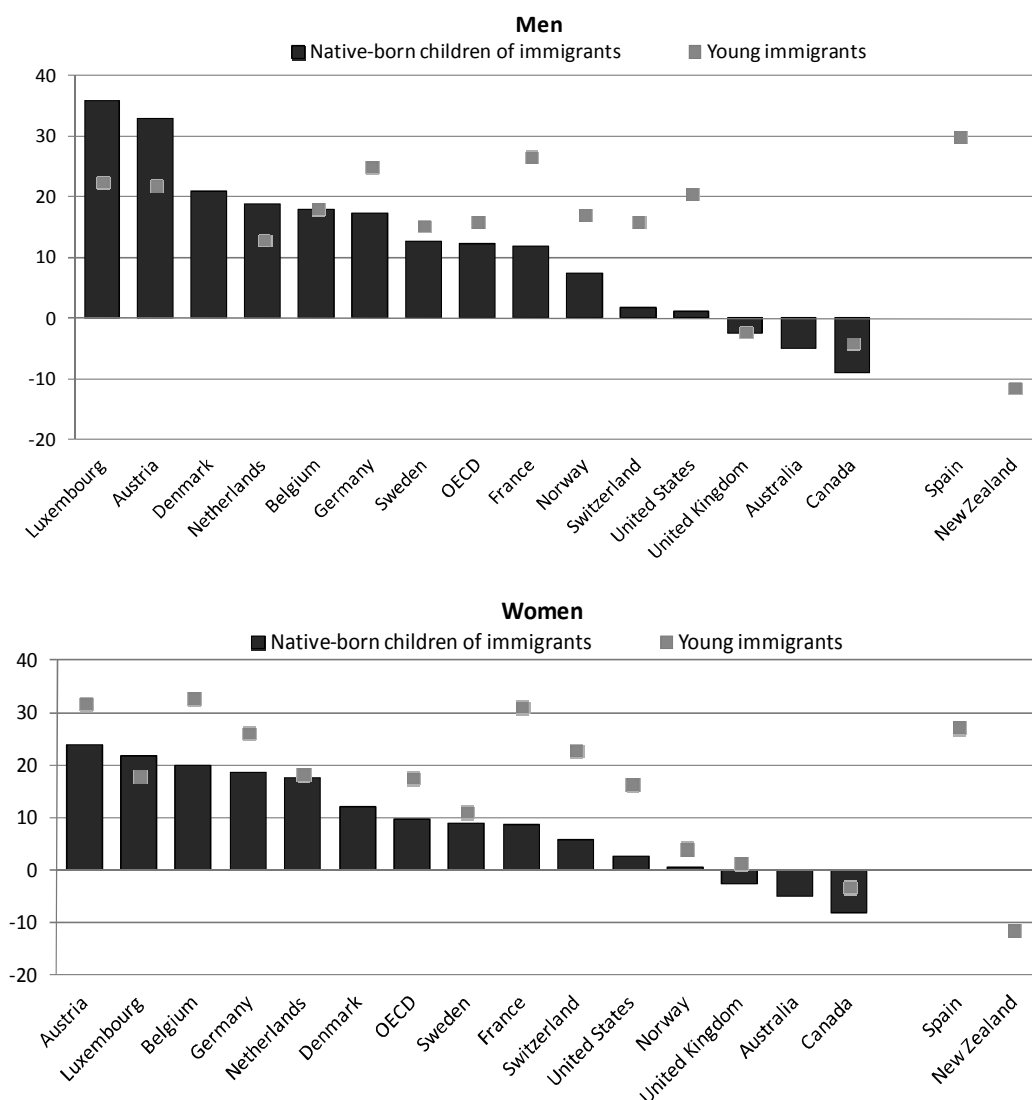
15. There are no data for the native children of immigrants for New Zealand. Young immigrants, however, have a much higher educational attainment than the children of natives.

Figure 1.3. Percentage-point differences between the children of immigrants and the children of natives in the share of low-educated, aged 20-29 and not in education, around 2007



Source and note: See Annex 1.A2. Figures for young migrants are not available for Australia and Denmark. Figures for the native-born children of immigrants are not available for New Zealand and Spain. OECD refers to the average of all countries for which full data are available. “Overrepresentation among low-qualified” refers to the difference (in percentage points) in the share of low-qualified among children of immigrants minus share of low-qualified among children of natives, for the average of men and women. “Unadjusted” refers to the points’ differences in the raw scores in the OECD PISA study 2006.

Figure 1.4. Percentage-point differences between the children of immigrants and the children of natives in the share of low-educated, aged 20-29 and not in education, by gender, around 2007



Source and note: See Annex 1.A2. OECD refers to the average of all countries for which full data are available. Figures for young migrants are not available for Australia and Denmark. Figures for the native-born children of immigrants are not available for New Zealand and Spain.

As already mentioned, because of the recent nature of large-scale migration to Spain, data for that country are only available for the young migrants. For both genders, the children of migrants are largely overrepresented among those who are low-educated. Among men, almost 80% have less than upper secondary education, almost twice the figure of the children of natives and the highest figure in the comparison group.

4. Overview of the labour market outcomes of the children of immigrants

Children of immigrants tend to have lower employment rates than the children of natives...

A first glance at the employment rates¹⁶ of the children of immigrants compared with the children of natives reveals significantly lower employment rates for the former in most OECD countries (Figure 1.5). The gaps are particularly large in Belgium and the Netherlands, where the native children of immigrants have employment rates more than 20 percentage points lower than the children of natives, for both genders.¹⁷ The differences are also large in Sweden, France, Germany, Austria, Denmark and Norway, where they are in the order of 10 percentage points, for both genders. In contrast, one observes little difference for both genders in Australia, Canada, the United States and Switzerland, as well as for men in the United Kingdom.

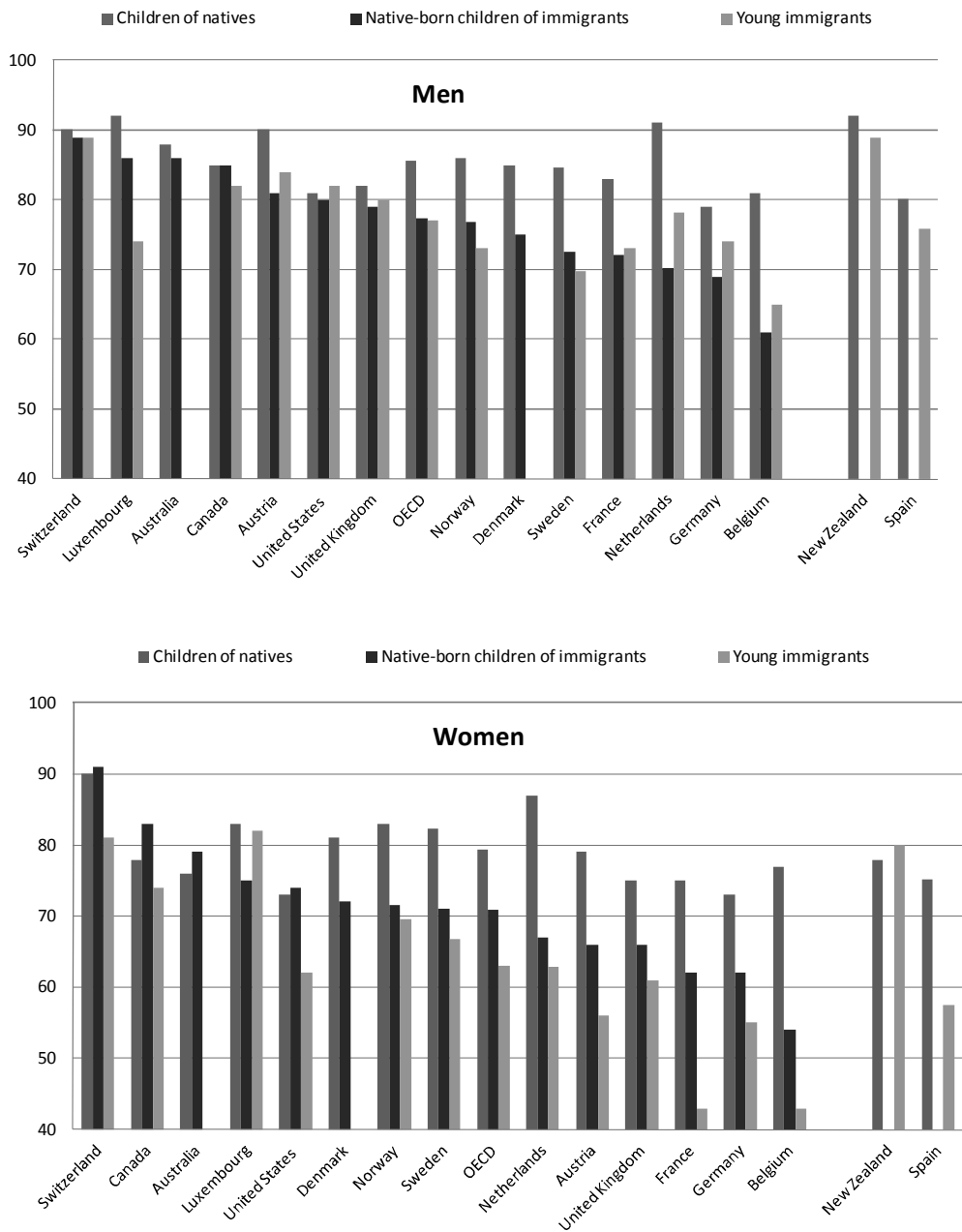
For men, on average there are no differences between the employment rates of young immigrants and the native children of immigrants. This is surprising, given the lower average educational attainment of the former group. For the countries for which data are available, the gap between the children of natives and the children of immigrants is about 8 percentage points for both groups. The picture for women is quite different. One observes on average a clear ranking in employment rates, with native women having the highest employment rates, followed by the native children of immigrants (about 10 percentage points lower employment rates on average than the children of natives) and young immigrant women (about 16 percentage points lower employment rates).

...and gaps vis-à-vis the children of natives tend to persist across education levels, although there is a great heterogeneity even among the European OECD countries

Annex Table 1.A1.3 shows the employment-population ratios of the children of immigrants and the children of natives by education level. The picture is quite diverse, although some interesting patterns emerge, notably for the male native children of immigrants in the countries which have less favourable outcomes on the aggregate. For example, for men in Austria and Germany, the low-educated native children of immigrants seem relatively well integrated into the labour market compared with the children of natives, but there are large differences between the two groups for the high-qualified. The reverse is the case in Belgium, Denmark, France, the Netherlands, Sweden and the United Kingdom. The reasons for this heterogeneous pattern merit further investigation.

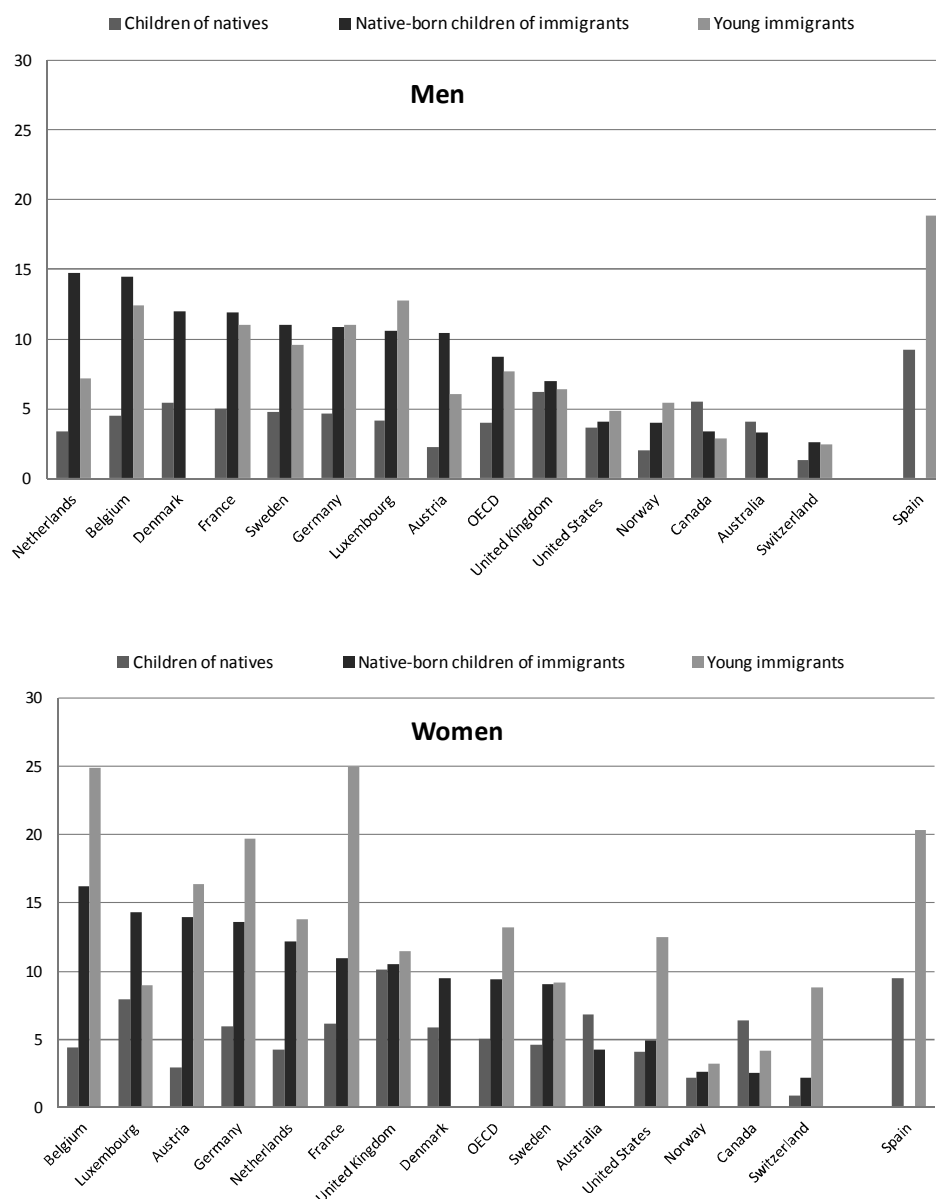
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16. The term “employment rate” is used in this report synonymously with the employment-population ratio. It is not the ratio of the number of persons employed to persons in the labour force.
 17. The particularly unfavourable situation of the native children of immigrants in the Netherlands contrasts with the somewhat more favourable assessment in OECD (2008). This is due to the fact that the native children of immigrants in OECD (2008) include those who have only one foreign-born parent. This is a relatively large group in the Netherlands, and also one that has relatively favourable outcomes. The striking differences demonstrate the importance of having a uniform definition of the target group when it comes to comparing the outcomes of the children of immigrants across countries.

Figure 1.5. Employment rates of the children of natives and the children of immigrants, aged 20-29 and not in education, by gender, around 2007



Source and note: See Annex 1.A2. Figures for young migrants are not available for Australia and Denmark. Figures for the native-born children of immigrants are not available for New Zealand and Spain. OECD refers to the average of all countries for which full data are available.

Figure 1.6. Share of persons without an upper secondary degree and neither in employment nor in education among children of natives and children of immigrants, aged 20-29, around 2007



Source and note: See Annex 1.A2. In contrast to the other tables and figures, the data above show the percentages as a share of the total population aged 20-29 (*i.e.* including individuals in education) of the children of natives and the children of immigrants, respectively. OECD refers to the average of all countries for which full data are available. Figures for young migrants are not available for Australia and Denmark and too small to be statistically reliable for Luxembourg and the United Kingdom (women). Figures on the native-born children of immigrants are not available for New Zealand and Spain and too small to be statistically reliable for Austria (women), Switzerland and the United States (women).

The outcomes of the children of immigrants from non-OECD countries and from Turkey and Mexico can only be separated for few OECD countries, and are only available on the aggregate. In all countries, children with parents from non-OECD/Turkey/Mexico have lower employment rates overall than children with parents from high income OECD countries. The differences are particularly large for young immigrant women.

Many children of migrants are at the margin of the labour market...

Of particular policy interest are young people who are at the margin of the labour market, *i.e.* individuals who are low-educated and not in employment or education (the so-called “NEET” group, Figure 1.6). As could be expected from the previous analysis, one observes again a rather favourable picture for the non-European OECD countries (Australia, Canada, New Zealand and the United States with the exception of young immigrant women), but an overrepresentation of the children of immigrants among the population at risk in all European OECD countries with the exception of Switzerland. For men, across the countries for which data are available, 9% of native-born children of immigrants and 8% of the young immigrants are low-educated and NEET, compared with 4% of the children of natives. For women, it is again the young immigrants who find themselves particularly often among the low educated who are not in employment or education – this concerns more than 13% on average, a figure that is almost three times as high as among the female children of natives.

...and/or face unemployment

The situation regarding unemployment mirrors the above picture with respect to employment in many ways. Children of immigrants have roughly similar unemployment rates as the children of natives in the OECD countries that have been settled by migration, with the notable exception of New Zealand (for young immigrants). In contrast, the children of immigrants are overrepresented among the unemployed in all European OECD countries (Table 1.3). On average across the OECD countries for which data are available, the children of immigrants have an unemployment rate that is about 1.6 times higher than that of the children of natives. This holds for all four groups (young immigrants and native children of immigrants, for both genders). In absolute terms, the situation is particularly worrisome in Belgium, Germany, Spain and France, where more than one out of four offspring of immigrants in the labour force is unemployed.

If employed, native children of immigrants are quite well represented in highly-skilled occupations

Once employed, do the children of immigrants manage to obtain highly-skilled jobs? Table 1.4 shows that there are significant differences between the native children of immigrants and the young immigrants. On average for the countries for which data are available, employed native-born children of immigrants are almost as often in highly-skilled occupations as the employed children of natives. In Australia, Canada, the United States and the United Kingdom, the percentage of those who are in highly-skilled occupations is even larger than among the children of natives. Indeed, considering that the native-born children of migrants who are employed tend to be less educated than the employed children of natives in most European OECD countries, the remaining differences vis-à-vis children of natives are not large (with the exceptions of Austria and Belgium). However, this descriptive result should be interpreted with much caution, since the lower employment rates of the children of migrants implies that those who are in employment could be positively selected.

Table 1.3. Unemployment rates of children of immigrants and children of natives aged 20-29 and not in education, by gender, around 2007

Percentage of the labour force

	AUS	AUT	BEL	CAN	DNK	FRA	DEU	LUX	NLD	NZL	NOR	ESP	CHE	GBR	USA	OECD
	Men															
Children of natives	6	6	11	8	2	12	16	6	5	5	3	13	4	9	9	9
Native-born children of immigrants	6	..	28	7	6	21	27	11	..	..	4	..	..	15	9	15
Young immigrants	..	12	24	8	..	19	20	19	..	10	8	20	5	11	8	15
	Women															
Children of natives	5	5	12	7	3	13	13	11	4	7	3	13	4	7	7	9
Native-born children of immigrants	5	..	27	6	6	21	20	22	..	10	3	..	..	10	..	15
Young immigrants	..	..	28	8	..	29	19	9	18	..	7	24	7	12	..	16
	Total															
Children of natives	5	6	12	8	2	13	15	8	5	6	3	13	4	8	8	9
Native-born children of immigrants	6	16	27	7	6	21	24	17	16	..	4	..	6	12	8	16
Young immigrants	..	13	26	9	..	23	20	14	14	10	8	22	6	12	7	15

Source and note: See Annex 1.A2. Figures on young migrants are not available for Australia and Denmark. Figures on the native-born children of immigrants are not available for New Zealand. For the other countries, “..” means that the numbers are too small to be statistically reliable or not available. OECD refers to the average of all countries for which full data are available.

Table 1.4. Share of people working in highly-skilled occupations, by immigrant status, persons aged 20-29, employed and not in education, around 2007

Percentage of total employment

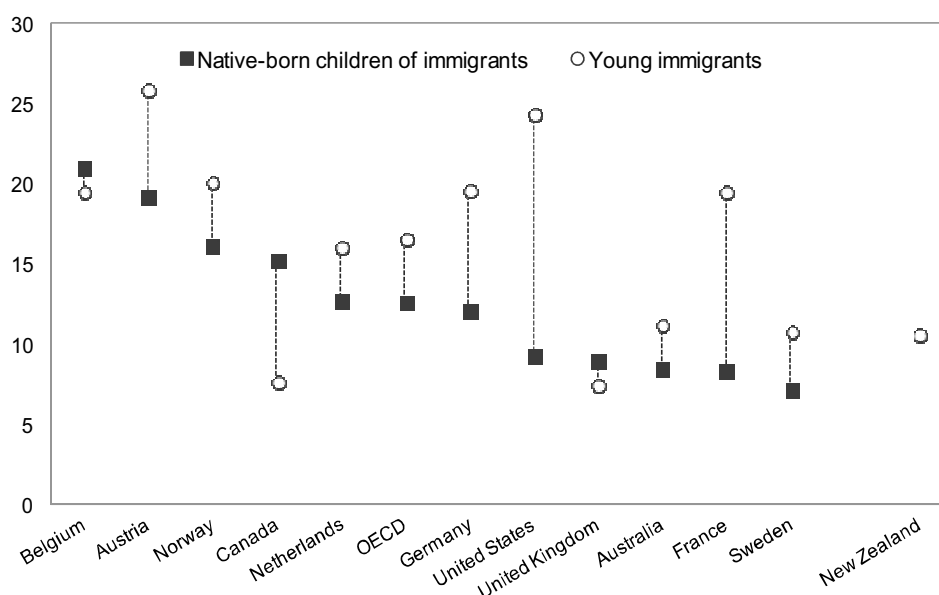
	AUS	AUT	BEL	CAN	FRA	DEU	NLD	NZL	NOR	SWE	CHE	GBR	USA	OECD
Children of natives	27	35	42	34	36	38	43	24	30	23	44	38	18	34
Native-born children of immigrants	33	23	30	45	32	29	37	..	25	19	44	40	20	32
Young immigrants	36	20	32	38	24	25	30	30	18	17	25	40	14	27

Source and note: See Annex 1.A2. Highly-skilled occupations refer to ISCO 1-3 (legislators, senior officials and managers, professionals, technicians and associate professionals). For Australia and New Zealand, the Australian and New Zealand Standard Classification of Occupations (ANZSCO) has been used, highly skilled occupations refer to Managers and Professionals. OECD refers to all countries for which full data are available.

A more detailed picture of the occupational status of the employed children of immigrants compared with the children of natives is provided in Annex Table 1.A1.3. The underrepresentation of children of immigrants in the highly-skilled occupations in European OECD countries tends to be mirrored by an overrepresentation among the low-skilled jobs (*i.e.* elementary occupations – ISCO 9), whereas the children of migrants are roughly equally represented in the medium-skilled occupations (ISCO 4-8). Again, the differences tend to be larger for the young migrants. However, because of the small numbers involved, the differences between the three groups for single occupational levels are not often statistically significant.

Figure 1.7 shows the percentage of children of immigrants who would need to be re-distributed among the nine main occupation groups (ISCO 1-9) in order to have the *same* distribution as the children of natives, the so-called “index of occupational dissimilarity”. On average this would concern about 12% of native children of immigrants, compared with 16% for the young immigrants. The situation is quite diverse, and the clear differences between European and non-European OECD countries which are observed for other outcomes are not observed with respect to occupational distribution. For example, in the United States young immigrants have a very different occupational distribution from that of the children of natives, but the reverse is the case in Canada.

Figure 1.7. Index of occupational dissimilarity between children of natives and children of immigrants, aged 20-29 and in employment, around 2007



Source and note: See Annex 1.A2. The dissimilarity index is defined as the sum over all occupations of $(|p_i - q_i|)/2$, where p_i and q_i represent the share of occupations i in the employment of children of immigrants and each of the two groups of children of natives, respectively. This indicator gives the percentage in percentage points of children of migrants who would have to be reallocated from occupations in which they are overrepresented to those in which they are underrepresented for the distribution of employment by occupations to resemble that of children of natives.

Native-born children of immigrants are widely spread throughout the economy, but remain underrepresented in the public sector

Annex Table 1.A1.4 shows the employment distribution of the children of immigrants and the children of natives across key sectors. Although the data are not statistically reliable for all countries and sectors because of the small sample sizes involved, a number of patterns emerge. Firstly, by and large, the children of immigrants – in particular those who are native-born – appear to be less concentrated in sectors such as manufacturing, construction, wholesale and hotel and restaurants than their immigrant parents. However, there is wide variation between countries, with perhaps the exception of the hotel and restaurant sector, where young immigrants tend to be overrepresented in most countries – although the differences are often not statistically significant.

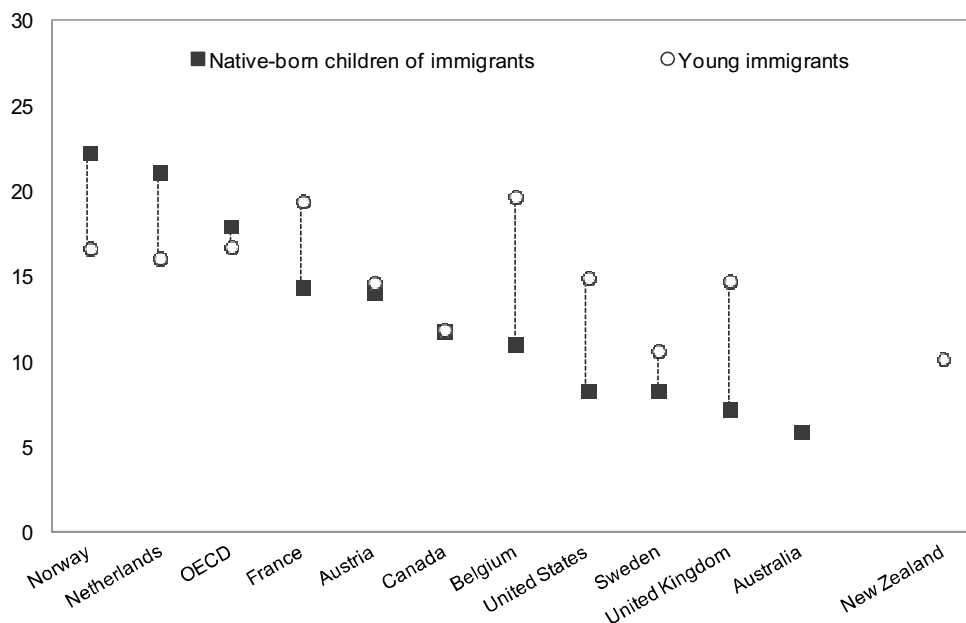
Of particular policy interest is the *public sector*, where the children of immigrants remain underrepresented in several countries.¹⁸ For the young immigrants, this could at least in part be due to the fact that some have not obtained the citizenship of the country

18. By employing the children of immigrants, the public administration acts as a role model for the private sector. Employment in the public administration can also increase the visibility of immigrants and their children in daily life and can contribute to enhancing the understanding of their needs by public institutions. When the children of immigrants are employed in certain key occupations such as teaching, they can also serve as a role model for others, notably the children of immigrants who are in school.

of residence. However, in France and Germany, even native-born children of immigrants are underrepresented in the public sector. While few native children of immigrants in Germany have German nationality (see above) which could explain the situation for that country, virtually all native children of immigrants in France have French nationality, thereby ruling out this possible explanation for their underrepresentation in the public sector (see also OECD, 2008). In contrast, in the Netherlands, the native children of immigrants are relatively well represented in the public sector, which seems to be at least in part a result of longstanding targeted policy efforts. Likewise, it appears that policies targeted at a better representation of the children of immigrants in the public sector have met with some success in Belgium and Norway (see OECD, 2008; and Liebig, 2009). Native children of immigrants also seem to be relatively well integrated into the public sector in the non-European OECD countries and in the United Kingdom.

Figure 1.8 shows the index of sectoral disparity (*i.e.* the percentage of children of immigrants who would need to be re-distributed among the main NACE sectors – see Annex 1.A2 – in order to have the same distribution as the children of natives). In contrast to what has been observed for occupations above, the sectoral employment distribution of the native children of immigrants does not resemble that of the children of natives more closely than what is observed for the young immigrants. Indeed, overall sectoral dissimilarity is rather high – it is of roughly similar size as for the total immigrant employed population of working-age when compared with natives in that age-range (see OECD, 2001; and Liebig, 2009).

Figure 1.8. Index of sectoral dissimilarity between children of natives and children of immigrants, aged 20-29 and in employment, around 2007



Source and note: See Annex 1.A2. The dissimilarity index is defined as the sum over all sectors of $(|p_i - q_i|)/2$, where p_i and q_i represent the share of sectors i in the employment of children of natives and each of the two groups of children of immigrants, respectively. This indicator gives the percentage in percentage points of children of migrants who would have to be reallocated from sectors in which they are overrepresented to those in which they are underrepresented for the distribution of employment by sectors to resemble that of children of natives.

5. Explaining differences in labour market outcomes – The role of socio-demographic characteristics

Only part of the observed differences in employment rates is explained by differences in average educational attainment

The lower labour market outcomes of the children of immigrants in many European OECD countries that have been observed above are perhaps not very surprising when considering their lower average educational attainment compared with the children of natives. Figure 1.9 shows how the differences in employment rates would change if children of immigrants had the same educational attainment as the children of natives. The first observation is that the cross-country variation with respect to the differences in employment rates tends to decline. Education seems to explain a large part of the difference in Germany and Norway, but not in most other countries. On average, differences in educational attainment explain only about one third of the gap for men, but almost one half for women.

Even after controlling for socio-demographic characteristics, there remain large and persistent differences across both parental origin and destination countries

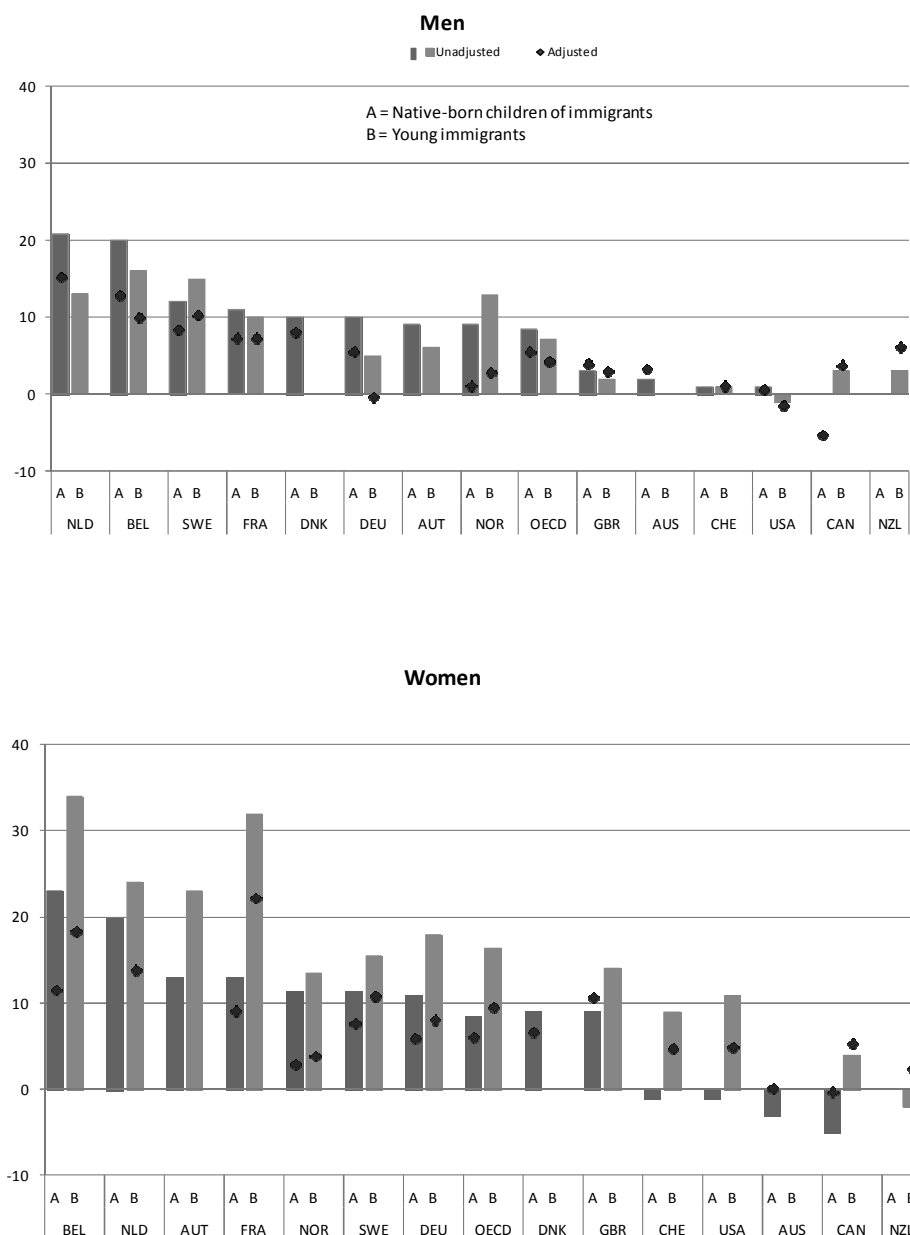
Annex Table 1.A1.6 takes a closer look at the impact of socio-demographic characteristics on the differences in the employment rates of the main parental origin groups for the children of immigrants relative to the children of natives in seven OECD countries (Austria, Belgium, France, Germany, Switzerland, the United Kingdom and the United States).

The first and salient observation is the large difference in the outcomes across countries and between origin country groups. Regarding destination countries, the unfavourable picture for Belgium continues to hold across origin groups and gender, and remains very robust even after controlling for socio-demographic background.

Children whose parents came from Turkey, the Maghreb region (in particular Morocco) and Pakistan (in the United Kingdom) appear to be most disfavoured, and socio-demographic factors explain only a small part in the differences in the outcomes for these individuals in Austria, Belgium, France and the United Kingdom.

In contrast to the rather favourable picture on the aggregate, the labour market outcomes of the children of immigrants in the United Kingdom look rather unfavourable for the main parental origin groups after controlling for socio-demographic characteristics, in particular for young immigrant women. The employment rates are particularly low for women whose parents came from Bangladesh, Pakistan and India, a result that is consistent with earlier research in the United Kingdom (Lindlay *et al.*, 2004). Notable exceptions are young Indian men who perform better than children of natives.

Figure 1.9. Percentage-point differences in the employment rates between the children of natives and the children of immigrants and the impact of the qualification structure, aged 20-29 and not in education, around 2007



Source and note: See Annex 1.A2. “Adjusted” shows the expected differences if children of immigrants had the same educational attainment as the children of natives. The expected differences are calculated using the employment rates by three levels of educational attainment for the children of immigrants (low/medium/high, see Annex 1.A2). Figures on young migrants are not available for Australia and Denmark. Figures on the native-born children of immigrants are not available for New Zealand. For women, some of the underlying figures for children of immigrants in Austria and the United Kingdom (for young immigrant women) are too small to be statistically reliable. OECD refers to the average of all countries for which full data are available.

There are also other groups of children of migrants who outperform children of natives after controlling for differences in socio-demographic characteristics. This concerns young male Mexican immigrants in the United States and native-born children of migrants (both genders) from the southern European OECD countries in France, Germany and Switzerland. The favourable aggregate outcomes for children of immigrants that have been observed in Switzerland on the aggregate are thus in part driven by the fact that the majority of children of migrants have parents from the southern European OECD countries. However, the outcomes in Switzerland are also favourable for the children of Turkish and of non-OECD immigrants, *i.e.* individuals who seem to face persisting difficulties elsewhere.

Part of the unfavourable outcomes of female children of immigrants seems attributable to their earlier marriage and childbearing

For women, controlling for marital status and having children (in addition to controls for education and age), reduces the gaps in most countries, in particular in Austria and Germany. Part of the “double disadvantage” for the women immigrant offspring thus seems to be due to the fact that in the age-range under consideration (20-29 years old), they are overrepresented among those who are (already) married and have children. Indeed, after controlling for these two latter factors, native-born women who have parents from the Maghreb or southern Europe, as well those with Turkish parental origin in Germany, tend have higher employment rates relative to comparable children of natives than their male counterparts. Differences in marital status and childbearing have a particularly strong impact in Austria and Germany where remaining differences are small and statistically insignificant for most origin groups.

6. Conclusions

The chapter has provided an overview of the composition and outcomes of the children of immigrants in 16 OECD countries where these account for a significant share of young people in the labour market. Although the situation is not uniform, a number of patterns and lessons have emerged. First, both native-born children and individuals who have immigrated as children now account for a significant part of the youth population in many OECD countries, and this share can be expected to grow in the future. There are indications of a growing diversification, and the proportion of those having parental origin from non-OECD countries is larger among the children who have themselves immigrated than among the native children of immigrants. In parallel, the importance of key parental origin countries of the post-World War II labour migration wave to Europe (mainly Turkey, Morocco, Italy and Portugal) is gradually declining.

With respect to both educational and labour market outcomes, there is a strong contrast between the situation in the European OECD countries on the one hand, and the OECD countries which have been settled by migration (Australia, Canada, New Zealand and the United States) on the other. In the latter countries, there is little difference between the outcomes of the children of immigrants and those of the children of natives. In contrast, the children of immigrants are in a much less favourable situation in most European OECD countries. However, the situation is not uniform. Differences in labour market outcomes are particularly large in Belgium and the Netherlands. Switzerland stands out among the European OECD countries as having labour market outcomes for the children of immigrants that are, on the aggregate, roughly at par with those of the children of natives. This is also the case for the United Kingdom, but there it is

attributable to the higher educational attainment of the children of immigrants relative to the children of natives in that country. For *given* education levels, the children of immigrants in the United Kingdom do not seem to fare better than elsewhere in the OECD Europe where children of immigrants have lower educational attainment levels than children of natives.

Only part of the gap in labour market outcomes in these latter countries can be explained by the lower average educational attainment of the children of immigrants. Significant differences would generally remain even if the children of immigrants had the same average educational attainment levels as the children of natives. The contrasting situation between European and non-European OECD countries (both before and after accounting for differences in socio-demographic characteristics between children of immigrants and children of natives) suggests that much could be learned from a closer exchange of experiences and practices between these countries.

There are also strong gender differences. For women, the native children of immigrants tend to have more favourable outcomes than their counterparts who have themselves immigrated. Tentative evidence suggests that this holds even after controlling for parental origin and other socio-demographic characteristics. Although the results relate to different cohorts, they indicate that longer residence in the country of residence seems to have a positive impact on the integration of the children of immigrants. This is an issue which merits closer investigation with longitudinal data including the date when the young immigrant arrived in the country of residence. If such analysis would confirm the above, it could have potentially important policy implications, in particular for family reunification policy. However, the same pattern is not observed for men, where the native-born children of immigrants do not seem to fare better than the young immigrants, pointing to the fact that the integration process over time seems to differ between men and women (see also Chapter 5 by Lena Schröder who highlights that discrimination seems to be more pronounced against male offspring of migrants).

The outcomes for the children of immigrants also differ largely across origin countries, with children whose parents came from high-income OECD countries generally having more favourable outcomes than children with parental origin from Turkey and Mexico or from non-OECD countries. The growing share of children of immigrants from such middle and low-income countries is thus a particular challenge for integration. However, even for this group there is wide variation both between OECD countries (for the same origin countries), and also within OECD countries (for different non-OECD origin countries).

Preliminary evidence suggests that once in employment, the children of immigrants – in particular when they are native-born – tend to have outcomes that are often at par (if not better) than those of the children of natives. This is a very tentative result not only because differences in educational attainment etc. were not controlled for, but also because there could be a selection bias at work.

In any case, the fact that at least regarding labour market access, significant differences remain for native children of immigrants from certain origin countries even after controlling for socio-demographic characteristics such as education, age and marital status suggests that there are other obstacles to their full integration – obstacles that persist across generations. Some obvious candidates are language problems and unfavourable family background and neighbourhood characteristics. Indeed, PISA data has shown that these have a strong impact on educational outcomes. The question is, however, to which degree such characteristics have an *additional* impact on labour

market outcomes for the children of immigrants who have educational attainment levels at par with those of the children of natives. Chapter 2 by Ana Damas de Matos and Chapter 3 by Garnett Picot and Feng Hou address these issues. Other potential explanations concern a lack of networks and knowledge about labour market functioning; discrimination; and, more generally, labour market institutions which tend to disfavour children of immigrants (see Chapter 5 by Lena Schröder and the Comment by Nabanita Datta Gupta).

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*Annex 1.A1. Supplementary tables***Table 1.A1.1. Main origin countries of children of immigrants aged 20-29 and not in education, around 2007**

	Native-born children of immigrants		Young immigrants	
	Origin country of parents	Share (in %)	Origin country of parents	Share (in %)
Austria	Turkey	42	Turkey	28
	Serbia	20	Bosnia and Herzegovina	22
	Bosnia and Herzegovina	18	Serbia	14
Belgium	Morocco	35	Morocco	14
	Turkey	22	Turkey	11
	Italy	17	-	-
Canada	Italy	11	India	10
	India	10	China	5
	United Kingdom	7	Philippines	3
Denmark	Turkey	37		
	Pakistan	15		
	Former Yugoslavia	7		
Germany	Turkey	50	Turkey	25
	-	-	Serbia and Montenegro	9
	-	-	Poland	8
France	Maghreb	46	Morocco	19
	Southern Europe	27	Turkey	11
	-	-	Algeria	9
Luxemburg	Portugal	70	Portugal	60
	Italy	17	France	9
	France	9	Germany	8
Netherlands	Turkey	34	Morocco	17
	Suriname	18	Turkey	12
	Morocco	22	Suriname	8
Norway	Pakistan	36	Bosnia and Herzegovina	8
	Vietnam	11	Iraq	8
	Turkey	9	Somalia	8
Sweden	Finland	28	Iran	9
	Turkey	14	Former Yugoslavia	9
	Former Yugoslavia	10	Bosnia-Herzegovina	9
Switzerland	Italy	42	Kosovo	17
	Turkey	14	Macedonia	12
	Spain	9	Portugal	12
United Kingdom	India	14	Germany	13
	Pakistan	13	Bangladesh	8
	-	-	Pakistan	6
United States	Mexico	38	Mexico	43
	Puerto Rico	6	Puerto Rico	4
	Philippines	4	Philippines	3

Source and note: See Annex 1.A2. For France, a further disaggregation for the parental origin countries of the native children of immigrants was not possible. For Germany and the United Kingdom, parents' countries of origin are also only available on an aggregated basis for the native children of immigrants other than Turkey (for Germany) and Indian/Pakistani "ethnic background" (United Kingdom).

Table 1.A1.2. Educational attainment of children of immigrants and children of natives aged 20-29 and not in education, by gender, around 2007

Percentage points											
	Educational attainment						% still in education		Share of children with a non-OECD/Turkish/Mexican background among low-qualified		
	Low		Medium		High						
	Men	Women	Men	Women	Men	Women	Men	Women			Men
Australia											
Children of natives	16	14	69	62	15	24	12	15			
Native-born children of immigrants	11	9	68	58	21	34	15	18			
Austria											
Children of natives	9	9	82	79	9	12	23	26			
Native-born children of immigrants	42	33	54	65	..	..	15	20	44	..	
Young immigrants	31	41	65	53	..	..	15	27	32	46	
Belgium											
Children of natives	19	12	50	43	31	45	26	27			
Native-born children of immigrants	37	32	53	50	10	19	26	25	42	37	
Young immigrants	37	45	48	38	15	17	29	30	42	51	
Canada											
Children of natives	21	15	49	39	30	46	12	15			
Native-born children of immigrants	12	7	41	29	47	65	15	18	10	5	
Young immigrants	17	12	41	33	42	55	35	32	16	11	
Denmark											
Children of natives	30	22	59	59	11	19	26	27			
Native-born children of immigrants	51	34	42	54	7	12	24	28	53	36	
France											
Children of natives	20	15	50	44	31	41	21	24			
Native-born children of immigrants	32	24	45	45	23	31	16	19	38	26	
Young immigrants	47	46	39	38	15	16	23	21	49	47	
Germany											
Children of natives	16	15	71	68	13	17	33	31			
Native-born children of immigrants	33	34	61	58	6	8	29	30	34	35	
Young immigrants	41	42	52	52	7	7	29	28	42	44	
Luxembourg											
Children of natives	47	31	33	31	20	37	12	15			
Native-born children of immigrants	83	53	..	32	..	..	15	18	..	..	
Young immigrants	69	49	..	36	..	..	35	32	..	..	
Netherlands											
Children of natives	28	18	48	49	24	33	34	31			
Native-born children of immigrants	47	36	33	49	20	15	33	35	48	39	
Young immigrants	41	37	50	47	..	16	37	35	43	42	
New Zealand											
Children of natives	47	40	35	35	15	23	..	..			
Young immigrants	36	29	35	34	26	35	..	..	36	28	
Norway											
Children of natives	9	8	38	38	53	54	12	15			
Native-born children of immigrants	17	8	41	44	42	47	15	18	19	8	
Young immigrants	26	12	36	40	37	48	35	32	27	13	
Spain											
Children of natives	49	34	23	24	28	42	22	26			
Young immigrants	79	61	17	23	4	15	12	17	..	..	
Sweden											
Children of natives	15	11	69	62	16	26	12	15			
Native-born children of immigrants	28	20	61	61	11	19	15	18	29	19	
Young immigrants	29	22	60	59	11	19	35	32	31	23	
Switzerland											
Children of natives	6	4	67	70	26	27	32	30			
Native-born children of immigrants	8	10	73	74	19	16	28	29	..	..	
Young immigrants	22	27	69	59	9	14	16	20	25	31	
United Kingdom											
Children of natives	25	22	48	46	27	33	16	18			
Native-born children of immigrants	23	19	43	41	34	40	22	24	22	19	
Young immigrants	23	23	43	42	34	35	31	30	25	25	
United States											
Children of natives	11	9	60	53	29	38	15	17			
Native-born children of immigrants	12	11	58	48	30	41	20	20	13	12	
Young immigrants	32	25	49	47	19	27	14	18	33	27	
OECD											
Children of natives	18	14	54	50	28	36	19	21			
Native-born children of immigrants	25	20	48	47	27	33	19	21	27	20	
Young immigrants	32	27	46	45	22	28	25	26	33	29	

Source and note: see Annex 1.A2. “..” means that the numbers are too small to be statistically reliable or not available.

Table 1.A1.3. Employment-population ratios of children of immigrants and children of natives aged 20-29 and not in education, by gender and education level, around 2007

	Educational attainment									
	Low		Medium		High		Total		Of which: Non-OECD/Turkey/Mexico	
	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women
Australia										
<i>Children of natives</i>	71	43	91	77	96	92	88	76		
Native-born children of immigrants	-6	-1	-5	0	2	0	-2	3	..	..
Austria										
<i>Children of natives</i>	67	56	92	80	96	88	90	79		
Native-born children of immigrants	4	..	-2	-6	-19	..	-9	-13	-10	-14
Young immigrants	10	-11	-6	-15	-1	..	-6	-23	-7	-26
Belgium										
<i>Children of natives</i>	68	49	82	71	88	89	81	77		
Native-born children of immigrants	-21	-17	-13	-14	-9	-7	-20	-23	-28	-31
Young immigrants	-15	-28	-15	-15	0	-18	-16	-34	-22	-43
Canada										
<i>Children of natives</i>	70	50	86	76	92	88	85	78		
Native-born children of immigrants	-3	6	-2	-1	-2	0	0	5	-2	3
Young immigrants	4	-1	-5	-8	-4	-4	-3	-4	-3	-5
Denmark										
<i>Children of natives</i>	76	63	88	85	88	89	85	81		
Native-born children of immigrants	-7	-2	-9	-9	-2	-5	-10	-9	-10	-10
France										
<i>Children of natives</i>	68	46	86	73	88	87	83	75		
Native-born children of immigrants	-13	-3	-8	-13	-3	-7	-11	-13	-17	-18
Young immigrants	1	-14	-12	-24	-6	-23	-10	-32	-13	-35
Germany										
<i>Children of natives</i>	56	44	82	77	90	86	79	73		
Native-born children of immigrants	-2	-1	-6	-4	-9	-22	-10	-11	-12	-13
Young immigrants	6	-10	-1	-9	0	-6	-5	-18	-5	-20
Luxembourg										
<i>Children of natives</i>	90	70	92	87	96	92	92	83		
Native-born children of immigrants	-5	-3	..	..	..	..	-6	-8	..	..
Young immigrants	..	..	..	..	..	..	-18	-1	-27	-40
Netherlands										
<i>Children of natives</i>	81	66	94	90	96	94	91	87		
Native-born children of immigrants	-28	-19	-14	-14	-3	..	-21	-20	-24	-24
Young immigrants	-9	-24	-13	-20	..	0	-13	-24	-15	-29
New Zealand										
<i>Children of natives</i>	88	65	95	83	97	94	92	78		
Young immigrants	-3	0	-5	-3	-3	-1	-3	2	-4	0
Norway										
<i>Children of natives</i>	75	67	91	86	92	92	86	83		
Native-born children of immigrants	-3	-5	-6	-6	-6	-9	-9	-11	-9	-12
Young immigrants	-7	-6	-8	-8	-7	-10	-13	-13	-13	-14
Spain										
<i>Children of natives</i>	76	62	83	78	86	84	80	75	..	..
Young immigrants	-3	-2	9	..	..	2	-4	-18	..	..
Sweden										
<i>Children of natives</i>	63	53	88	83	92	92	85	82		
Native-born children of immigrants	-10	-8	-9	-9	-5	-6	-12	-11	-13	-13
Young immigrants	-12	-13	-11	-12	-7	-8	-15	-15	-15	-15
Switzerland										
<i>Children of natives</i>	69	65	90	90	94	94	90	90		
Native-born children of immigrants	..	..	1	3	2	-2	-1	1	-13	-7
Young immigrants	18	4	1	-4	-11	-8	-1	-9	-1	-12
United Kingdom										
<i>Children of natives</i>	71	44	89	77	92	92	82	75		
Native-born children of immigrants	-10	-16	-9	-11	-2	-6	-3	-9	-3	-13
Young immigrants	-11	..	-6	-16	-3	-11	-2	-14	-5	-19
United States										
<i>Children of natives</i>	60	43	80	68	91	87	81	73		
Native-born children of immigrants	-3	..	0	2	-2	-1	-1	1	-2	0
Young immigrants	22	-3	2	-2	-8	-10	1	-11	1	-12
OECD										
<i>Children of natives</i>	66	49	85	76	91	89	83	77		
Native-born children of immigrants	-8	-6	-7	-7	-5	-7	-8	-9	-11	-12
Young immigrants	-2	-11	-7	-12	-4	-11	-8	-18	-9	-20

Source and note: see Annex 1.A2. “..” means that the numbers are too small to be statistically reliable or not available.

Table 1.A1.4. Employment of children of natives and children of immigrants by main industry, aged 20-29 and not in education, around 2007

	Manufacturing	Construction	Wholesale	Hotels and Restaurants	Public administration and extra-territorial organisations
Australia					
Children of natives	11	10	5	7	11
Native-born children of immigrants	9	10	5	6	10
Austria					
Children of natives	21	10	18	6	5
Native-born children of immigrants	18	..	27	..	..
Young immigrants	24	14	21	11	..
Canada					
Children of natives	12	8	19	5	9
Native-born children of immigrants	10	7	19	6	8
Young immigrants	13	6	20	7	7
Belgium					
Children of natives	19	7	15	3	7
Native-born children of immigrants	21	..	15	7	7
Young immigrants	18	..	24	9	..
France					
Children of natives	16	7	17	4	9
Native-born children of immigrants	14	11	15	6	5
Young immigrants	12	14	15	11	4
Germany					
Children of natives	20	7	15	4	10
Native-born children of immigrants	29	5	20	6	3
Young immigrants	26	6	18	7	5
Netherlands					
Children of natives	12	9	18	4	6
Native-born children of immigrants	..	..	15	..	11
Young immigrants	14	..	15	9	..
New Zealand					
Native-born children	12	10	19	6	13
Young immigrants	11	6	20	6	18
Norway					
Children of natives	12	11	4	5	5
Native-born children of immigrants	6	4	4	8	4
Young immigrants	10	5	4	11	3
Sweden					
Children of natives	16	9	18	5	4
Native-born children of immigrants	15	6	19	9	3
Young immigrants	15	4	17	9	3
Switzerland					
Children of natives	..	8	16	3	4
Native-born children of immigrants	..	..	20	..	..
Young immigrants	..	10	24	7	..
United Kingdom					
Children of natives	12	10	17	5	7
Native-born children of immigrants	8	8	18	4	7
Young immigrants	7	6	19	9	5
United States					
Children of natives	9	17	10	7	13
Native-born children of immigrants	10	18	6	8	13
Young immigrants	10	15	11	7	8
Average (countries above)					
Children of natives	14	10	14	5	8
Native-born children of immigrants	13	8	14	7	6
Young immigrants	13	8	15	9	5

Source and note: see Annex 1.A2. “..” means that the numbers are too small to be statistically reliable or not available.

Table 1.A1.5. Employment by occupation, children of natives and children of immigrants aged 20-29 and not in education, around 2007

	Legislators, seniors officials and managers	Professionals	Technicians and associate professionals	Clerks	Service workers and shop and market sales workers	Skilled agricultural and fishery workers	Craft and related trades workers	Plant and machine operators and assemblers	Elementary occupations
Austria									
Children of natives	3	7	25	16	15	3	20	5	7
Native-born children of immigrants	..	..	..	16	24	..	16	..	..
Young immigrants	..	..	15	..	15	..	26	9	21
Belgium									
Children of natives	6	24	13	16	12	2	12	8	8
Native-born children of immigrants	9	12	9	17	18	..	8	13	15
Young immigrants	12	12	..	14	21	..	14	8	10
Canada									
Children of natives	6	14	14	15	19	2	13	8	10
Native-born children of immigrants	8	21	16	18	15	1	9	5	7
Young immigrants	7	18	14	18	18	1	9	8	9
France									
Children of natives	4	11	22	14	17	3	13	9	7
Native-born children of immigrants	5	7	21	12	18	..	15	10	11
Young immigrants	6	5	13	10	23	..	17	9	15
Germany									
Children of natives	3	10	25	14	16	2	19	5	6
Native-born children of immigrants	5	5	19	15	18	0	20	10	9
Young immigrants	3	4	17	9	21	0	21	10	13
Netherlands									
Children of natives	5	17	21	13	18	2	13	6	6
Native-born children of immigrants	..	13	22	17	19	..	..	..	12
Young immigrants	..	..	18	14	18	..	10	11	15
New Zealand									
Children of natives	10	14	14	11	15	6	12	8	9
Young immigrants	10	20	17	13	15	2	8	5	9
Norway									
Children of natives	2	6	21	7	32	2	16	9	5
Native-born children of immigrants	2	7	17	12	41	0	7	8	5
Young immigrants	1	5	12	12	44	0	9	10	8
Sweden									
Children of natives	1	9	13	9	26	1	12	13	7
Native-born children of immigrants	1	7	11	11	29	0	9	12	9
Young immigrants	1	6	10	10	32	0	6	13	10
Switzerland									
Children of natives	2	15	27	14	13	6	17	3	3
Native-born children of immigrants	..	12	29	17	16	..	16	3	..
Young immigrants	..	7	16	9	24	..	25	10	6
United Kingdom									
Children of natives	10	11	17	13	13	9	11	6	11
Native-born children of immigrants	9	15	17	16	9	8	12	5	10
Young immigrants	11	10	19	13	7	9	12	7	13
United States									
Children of natives	9	6	2	5	16	8	32	6	16
Native-born children of immigrants	12	6	..	..	12	..	38	6	15
Young immigrants	8	5	..	..	10	13	31	12	17
Average countries above									
Children of natives	4	10	19	12	20	3	14	8	8
Native-born children of immigrants	5	10	17	14	22	2	12	8	9
Young immigrants	5	8	14	12	24	2	12	9	11

Source and note: see Annex 1.A2. “..” means that the numbers are too small to be statistically reliable or not available.

Table 1.A1.6. Percentage points differences in the probability to be in employment for main origin groups of children of immigrants compared with children of natives, selected OECD countries, aged 15-34 and not in education, by gender

	Men			Women		
	Model 1	Model 2	Model 3	Model 1	Model 2	Model 3
Controlling for education and age	N	Y	Y	N	Y	Y
Controlling for marital status and for having at least one child	N	N	Y	N	N	Y
Austria						
Native-born children of immigrants:						
- Turkey	-20***	-13*	-15*	-35***	-31***	-22***
- other OECD	0	-3	-3	5	6	-1
- (Ex-)Yugoslavia	-18**	-10	-11*	-11*	-6	-2
- other non-OECD/Mexico	-17	-16	-15	-1	3	1
Young immigrants:						
- Turkey	-11*	-6	-8*	-26***	-21***	-9*
- other OECD	-2	0	0	-8	-8	-11
- (Ex-)Yugoslavia	-6	-1	-1	-17***	-14**	-4
- other non-OECD/Mexico	-12*	-3	-4	-16	-14	-9
N	5803	5803	5803	5276	5276	5276
Pseudo R2	0.02	0.17	0.17	0.02	0.04	0.14
Belgium¹						
Native-born children of immigrants:						
- Italy	3	-1	-2	-11***	-12***	-13***
- Turkey	-17***	-8***	-12***	-40***	-26***	-26***
- other OECD	-5*	-7**	-7**	-4	-1	-2
- Morocco	-22***	-18***	-17***	-25***	-16***	-14***
- other non-OECD/Mexico	-25***	-21***	-19***	-22***	-13***	-11**
Young immigrants:						
- Turkey	-22***	-19***	-21***	-49***	-36***	-33***
- other OECD	-9***	-7**	-6**	-15***	-11***	-10***
- Morocco	-13***	-14***	-16***	-50***	-39***	-37***
- non-OECD/Mexico	-18***	-13***	-13***	-23***	-15***	-16***
N	17747	17747	17747	17285	17285	17285
Pseudo R2	0.02	0.22	0.23	0.04	0.23	0.26
France						
Native-born children of immigrants:						
- Southern Europe	7***	4*	4*	5	4	4
- other OECD	-12*	-12*	-9*	-9	-2	-6
- Maghreb	-14***	-13***	-15***	-17***	-13***	-13***
- Africa	-20**	-12	-12*	-13*	-10	-6
- other non-OECD/Turkey/Mexico	-11*	-7	-11*	-11*	-5	0
Young immigrants:						
- Southern Europe	-0	6*	4	-20**	1	5
- other OECD	-8	-13	-11	-12	-8	-7
- Maghreb	-19***	-11***	-14***	-33***	-23***	-19***
- Africa	-20***	-15***	-17***	-28***	-13***	-12**
- other non-OECD/Turkey/Mexico	-4	0	-0	-38***	-27***	-24***
N	25943	25943	25943	25579	25579	25579
Pseudo R2	0.01	0.13	0.14	0.01	0.11	0.14
Germany						
Native-born children of immigrants:						
- Turkey	-14***	-4*	-7**	-23***	-13***	-5
- Italy	-8	-1	-2	-1	7	8*
- other OECD	7	5	4	2	5	7
- (Ex)Yugoslavia	-12*	-10	-11	-5	-4	-4
- other non-OECD/Mexico	-12***	-5	-5	-11***	-7*	-4
Young immigrants:						
- Poland	-11***	-7*	-8*	-6	-3	0
- Italy	5	10***	9**	-8	2	7
- Turkey	-9***	1	-3	-34***	-14***	-3
- other OECD	-11*	-4	-4	-12*	-7	-5
- (Ex)Yugoslavia	-7*	2	1	-20***	-8*	-1
- Russia	-7*	4*	3	-21***	-13***	-6
- other non-OECD/Mexico	-9***	0	-3	-17***	-9***	-4*
N	28537	28509	28365	28601	28576	28480
Pseudo R2	0.01	0.11	0.12	0.02	0.08	0.18

Table 1.A1.6. (cont.). Percentage points differences in the probability to be in employment for main origin groups of children of immigrants compared with children of natives, selected OECD countries, aged 15-34 and not in education, by gender

	Men			Women		
	Model 1	Model 2	Model 3	Model 1	Model 2	Model 3
Controlling for education and age	N	Y	Y	N	Y	Y
Controlling for marital status and for having at least one child	N	N	Y	N	N	Y
Switzerland						
Native-born children of immigrants:						
- Italy	4	1	1	3	4	2
- Turkey	-7	-1	-1	-14	-3	1
- Spain	8***	3*	3*	8	8**	7*
- Portugal	-7	2	2	-1	-5	-1
- Other OECD	0	1	0	4	5	4
- other non-OECD/Mexico	-21*	-4	-5	-18*	-8	-6
Young immigrants:						
- Portugal	-9	-1	-1	4	8**	8***
married			5***			-13***
at least one child			-1			-9***
N	2326	2325	2325	2552	2550	2550
Pseudo R2	0.02	0.28	0.29	0.01	0.10	0.16
United Kingdom						
Native-born children of immigrants:						
- other OECD	-7***	-4**	-4**	-4*	-4	-2
- India	-1	-5	-3	-2	-11**	-10*
- Pakistan	-16***	-14***	-13***	-29***	-32***	-25***
- Bangladesh	-25**	-13	-9	-20*	-17*	-8
- non-OECD/Turkey/Mexico	-11***	-10***	-7*	-12***	-19***	-15***
Young immigrants:						
- other OECD	-3	-1	-1	-10**	-8	-7
married			11***			6***
at least one child			-2***			-25***
N	13813	12363	12363	14534	13152	13152
Pseudo R2	0.01	0.12	0.14	0.02	0.15	0.21
United States						
Native-born children of immigrants:						
- Mexico	-5*	5**	4**	-11***	0	2
- other OECD	10*	7	8	8	1	-2
- Philippines	6	0	3	15**	13	12
- other non-OECD/Turkey	-10***	-7**	-6*	-4	-1	-3
Young immigrants:						
married			13***			-8***
at least one child			0			-14***
N	17101	17101	17101	18543	18543	18543
Pseudo R2	0.00	0.23	0.24	0.01	0.18	0.20

The reference categories are the children of natives.

Immigrants who arrived after the age of 18 are excluded from the analysis. The figures correspond to marginal effects in a logistic regression, calculated at the sample means of the respective variables.

1. Models for Belgium also control for native-born children of immigrants from France and the Netherlands and for young immigrants from France, Italy and the Netherlands.

***/**/* significance 1%/5%/10% level, respectively.

For countries in which the microdata are based on a rotation group design (such as Austria and the United Kingdom), some waves were excluded to get distinct data for regressions.

Source and note: see Annex 1.A2.

Annex 1.A2. Methodological notes

Migration background

<i>Variable</i>	<i>Definition</i>	<i>Remarks</i>
Native-born children of native-born parents	Native-born children with at least one parent native-born	<i>Belgium</i> : native-born children with at least one parent native-born with Belgian nationality at birth; <i>France</i> : native-born children with at least one parent native-born and/or with French nationality at birth; <i>Spain</i> : native-born children with Spanish nationality; <i>United Kingdom</i> : native-born with self-reported “white British” ethnic background; <i>United States</i> : Persons born in outlying areas of the United States, such as Puerto Rico or U.S. Island Areas were excluded.
Native-born children of foreign-born parents	Native-born children with both parents foreign-born	<i>Belgium</i> : native-born children of foreign-born parents with foreign nationality; <i>France</i> : native-born children of foreign-born parents who had a foreign-nationality at birth; <i>Netherlands</i> : native-born children of immigrants from Indonesia were excluded; <i>Germany</i> : native-born children of parents who moved after 1960 to Germany or native-born children with foreign-nationality at birth for cases where the parental variable is missing; <i>United Kingdom</i> : native-born with self-reported “other than white British” ethnic background; <i>United States</i> : Persons born in outlying areas of the United States, such as Puerto Rico or U.S. Island Areas were excluded.
Young immigrants	Foreign-born persons who arrived in the host country before the age of 18	<i>Belgium</i> : foreign-born with foreign nationality at birth arrived before the age of 18; <i>France</i> : foreign-born with foreign nationality at birth arrived before the age of 18; <i>Germany</i> : foreign-born children who arrived in the host country before the age of 18; <i>United States</i> : Persons born in outlying areas of the United States, such as Puerto Rico or U.S. Island Areas were excluded.

Region of origin OECD/non-OECD

<i>Variable</i>	<i>Definition</i>	<i>Remarks</i>
Native-born children of foreign-born parents from OECD countries	Native-born children with both parents foreign-born of which at least one parent born in an OECD country, excluding Turkey and Mexico	<i>Denmark</i> : OECD countries, excluding Turkey, Mexico, Japan and Korea; <i>France</i> : native-born children of foreign-born parents originating from northern, southern, or eastern Europe; <i>Germany</i> : native-born children with at least one parent having a nationality at birth of an OECD country, excluding Turkey, Mexico, United States, Canada, Australia, New Zealand, Korea, Japan, but including Estonia, Latvia, Lithuania, Malta, Cyprus, and other Eastern European countries; <i>United Kingdom</i> : native-born children with self-reported “other white or other white mixed than white British” ethnic background

Region of origin OECD/non-OECD (cont'd)

<i>Variable</i>	<i>Definition</i>	<i>Remarks</i>
Native-born children of foreign-born parents from non-OECD/Turkey/Mexico	Native-born children with both parents foreign-born in a non-OECD country/Turkey/Mexico	<i>Denmark</i> : non-OECD/Turkey/Mexico including Japan and Korea; <i>France</i> : native-born children of foreign-born parents not originating from northern, southern, or eastern Europe; <i>Germany</i> : native-born children with both parents having a nationality at birth of a non-OECD country including Turkey, Mexico, United States, Canada, Australia, New Zealand, Korea, Japan, but excluding Estonia, Latvia, Lithuania, Malta, Cyprus, and other Eastern European countries; <i>Netherlands</i> : native-born children with parents originating from a non-OECD country including Turkey, Mexico, and the Netherlands Antilles. Native-born children of parents from Indonesia were excluded; <i>United Kingdom</i> : native-born children with self-reported “other than white or white British” ethnic background (e.g. Pakistani, Indian, Bangladeshi, Caribbean)
Young immigrants born in OECD countries	Young immigrants born in an OECD country, excluding Turkey and Mexico	<i>France</i> : young immigrants with a foreign nationality at birth born in an OECD country, excluding Turkey, Mexico, Australia, New Zealand, Japan, Korea, Czech Republic, Hungary, Iceland, and Slovak Republic; <i>Germany</i> : young immigrants having a nationality at birth of an OECD country, excluding Turkey, Mexico, Australia, New Zealand, Japan, and Korea, but including Estonia, Latvia, Lithuania, Malta, and Cyprus; <i>United Kingdom</i> : young immigrants born in an OECD country, excluding Turkey and Mexico
Young immigrants born in non-OECD/Turkey/Mexico	Young immigrants born in a non-OECD country or in Turkey or Mexico	<i>France</i> : young immigrants with a foreign nationality at birth born in a non-OECD country, including Turkey, Mexico, Australia, New Zealand, Japan, Korea, Czech Republic, Hungary, Iceland, and Slovak Republic; <i>Germany</i> : young immigrants having a nationality at birth of a non-OECD country including Turkey, Mexico, Australia, New Zealand, Japan, and Korea, but excluding Estonia, Latvia, Lithuania, Malta, and Cyprus; <i>Netherlands</i> : young immigrants born in non-OECD countries including Turkey, Mexico, and Netherlands Antilles. Young immigrants born in Indonesia were excluded; <i>United Kingdom</i> : young immigrants born in a non-OECD country/Turkey/Mexico

Educational attainment

<i>Variable</i>	<i>Definition</i>	<i>Remarks</i>
Low	Pre-primary education, primary education, and lower secondary education	<i>Austria</i> : primary education includes ISCED 3c (short) as suggested by the Federal Office of Statistics in Austria (Statistik Austria, 2009); <i>United Kingdom</i> : Below NVQ level 2 or no qualifications; <i>United States</i> : Below 12 th grade, no diploma
Medium	Upper secondary education, and post-secondary, non-tertiary education	<i>United Kingdom</i> : NVQ levels 2 or 3, trade apprenticeships or other qualifications; <i>United States</i> : High school diploma or equivalent, or some college but no degree
High	First and second stage of tertiary education	<i>United Kingdom</i> : NVQ level 4 and above; <i>United States</i> : Associate degree, Bachelor's or Master's degree, Professional school degree or Doctorate degree <i>Germany</i> : educational classification is based on Schrödter <i>et al.</i> (2006).

Occupations

<i>Variable</i>	<i>Definition</i>	<i>Remarks</i>
High-qualified	ISCO classification 1-3	<i>Australia</i> and <i>New Zealand</i> : Australian and New Zealand Standard Classification of Occupations (ANZSCO) has been used

Sector of industry

<i>Variable</i>	<i>Definition</i>	<i>Remarks</i>
Main industry	NACE classification	<i>Australia</i> and <i>New Zealand</i> : the Australian and New Zealand Standard Industry Classification (ANZSIC) has been used.

Source:

Australia, Canada and New Zealand: Census (2006); Denmark and Sweden: Population register (2007); Norway: Population register (2008); Austria: Microcensus (2008); Belgium: Labour Force Survey (2003/2004/2005) linked with register data provided by INS; France: Labour Force Survey (2006/2007); Luxembourg, Spain and Switzerland: Labour Force Survey (2008); Germany: Microcensus (2005); Netherlands: Labour Force Survey (2004/2005) linked with data from the Employment and Wage Survey – data provided by Centrum voor Beleidsstatistiek; United Kingdom: Labour Force Survey (2008); United States: Current Population Survey March Supplement 2008.

Part I.

**MAIN DETERMINANTS OF EDUCATIONAL
AND LABOUR MARKET OUTCOMES**

Chapter 2.

THE INTEGRATION OF CHILDREN OF IMMIGRANTS IN EUROPEAN CITIES: THE IMPORTANCE OF PARENTAL BACKGROUND

by

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Summary

This chapter uses a unique survey of children of immigrants from Turkey, Morocco and ex-Yugoslavia, and children of natives in 13 major European cities to closely compare their educational and labour market outcomes. In all outcomes analysed, the children of Turkish, Moroccan and Yugoslav immigrants lag behind the children of natives. The aim of the chapter is to investigate to which extent differences in outcomes may be explained by differences in family background.

Differences in educational attainment between children of natives and children of immigrants, measured by the rate of higher education attendance, are largely explained by family background. Parents' education level, other proxy variables for the individual's family environment during childhood (such as the number of books in the household when the individual attended high school) and the number of siblings are shown to be important determinants of higher education attendance. Among children of immigrants, speaking the host country language within the family is also strongly correlated with higher education attendance.

Once differences in education have been accounted for, the gap in labour market outcomes between children of immigrants and children of natives decrease significantly. Employment rates and earnings are only weakly correlated with family background; indeed, after controlling for educational differences, the gap between children of natives and second generation in these two labour market outcomes is already fairly small in the sample. The observed lower labour force participation of second-generation women is partly explained by the lower levels of education of second-generation women; however, family background and whether the mother herself participated in the labour force are also strong predictors of the participation rate and contribute to explaining the gap observed between ethnic groups.

Parents' characteristics are also shown to be important predictors of the extent to which the second generation marries within the ethnic group. Children from lower background marry more often immigrants or children of immigrants from the parents' origin country.

Finally, the estimation of a simple intergenerational model of human capital shows that in European cities there is less correlation between parents' and children's outcomes in immigrant families compared with native ones. This result indicates the possibility of a greater intergenerational mobility for immigrant children.

Introduction

As the children of the post-war guest workers arrive on the labour markets across western Europe, their integration becomes a major policy concern for the OECD countries. The integration of the children of immigrants, or second generation,¹ has little in common with the immigrants' integration process. These are children born and raised in the host country. Most of the issues raised when dealing with the integration of immigrants such as the learning of the host country language, the relative quality of schooling in the home country or the lack of an extended social network are at odds in the context of the second generation. However, there is increasing evidence that in Europe the children of immigrants lag behind the children of natives in educational achievement and in labour market outcomes.² The focus of this chapter is to understand the source of some of these differences at the European level.

One of the first difficulties that arise when comparing the outcomes of children of immigrants and children of natives³ is that immigrant parents often have a lower educational background than the average native parents. It is a well known fact that the outcomes of children are strongly influenced by parental background, as measured by parents' education, occupation or income. It is therefore important to compare children of natives and immigrants with similar family characteristics to understand to which extent the gap in outcomes may be linked to background. If immigrants have on average a lower background than natives, an immigrant child may not be expected to do as well as the average child of native-born parents. A few papers have addressed the impact of parental background on the second-generation performance in individual European countries, such as Riphahn (2003) for Germany, or Van Ours and Veenman (2003) for the Netherlands. Rigorous cross-country comparisons, based on these papers, are difficult to make since the methodology used and the outcomes measured are hardly comparable.

The first contribution of the chapter is to address the impact of background differences between immigrant and native families at the European level. The author takes advantage of a recent survey of children of immigrants from Turkey, Morocco and ex-Yugoslavia, in 15 European cities, the Integration of the European Second Generation (TIES) project, which has very detailed information on individual and family history. In particular, the chapter focuses on the impact of parental background on the educational, labour market and marriage market outcomes of the three second-generation groups. All the analysis is done relatively to a comparison group of children of natives living in the same cities. Educational achievement and earnings are commonly used measures of economic assimilation. Second-generation inter-ethnic marriage has been shown to be

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1. The second generation is defined in this context as the children born in the host country who have at least one foreign-born parent.
 2. See Heath *et al.* (2008) for a recent literature review.
 3. The term "natives" refers to individuals born in the host country. The TIES network uses the term "comparison group" instead.

highly correlated to labour market outcomes in the United States, as in Card *et al.* (2000), and is often looked upon as the ultimate measure of social assimilation. Marrying a native has also been shown by Furtado and Theodoropoulos (2009) to have a positive impact on labour market outcomes of the US second generation. The aim here is to take advantage of the detailed family information to determine which parental characteristics are correlated with a higher probability of the child marrying a native. The chapter shows that parental background accounts for a big part of the gap in educational and labour market outcomes between children of natives and children of immigrants. Parental characteristics are also shown to be important predictors of the extent to which second-generation children marry within the ethnic group.

The long-term consequences of immigration for the host country depend greatly on the intergenerational mobility of immigrants. Immigrants' outcomes get closer to the natives' average during their life cycle but have been shown not to converge, see for example in the US case Lubotsky (2007). A more important question is whether outcomes of their children and grandchildren can be expected to converge to those of the offspring of natives. It is a well established fact that the outcomes of parents and children are correlated but that there is regression towards the mean between generations. For instance, children of parents in the lower tail of the income distribution will have on average a lower income than the mean but will be closer to the mean than the parents were. In terms of intergenerational assimilation, it is important to know to which extent there is regression towards the mean in immigrant families. It is *a priori* not clear whether the transmission should be higher or lower for immigrants than for natives. On the one hand, immigrants suffer disadvantages that their children do not, as in most cases they completed their education in the home country and are not fluent in the host country language. This could lead to a higher mobility for children of immigrants than children of natives. On the other hand, cultural factors have been shown to have an impact on labour market's outcomes and could slow the convergence of immigrant descendants' outcomes to the natives'. Fernández and Fogli (2009), for instance, show for the United States that second-generation fertility and female labour market participation are closely correlated to those of the country of origin of the immigrant parents, making the convergence towards the native mean slower.

The second contribution of this chapter is to quantify the average intergenerational transmission of human capital for immigrant and native families at the European level using different measures of educational achievement and occupational status. Some recent papers have looked at this issue for different European countries, such as Bauer and Riphahn (2007) for Switzerland, Gang and Zimmermann (2000) for Germany, or Hammarstedt and Palme (2006) for Sweden. The approach here is different so that the analysis is made at the European level for three second-generation groups, the children of Turkish, Moroccan and Yugoslav immigrants. It shows that the intergenerational transmission of educational outcomes and occupational status is on average lower for immigrant than native families.

The remainder of the chapter is organised as follows. Section 1 offers a short introduction to the Turkish, Moroccan and Yugoslav migration to Europe and describes the data used for the analysis; Section 2 studies the outcomes of the second generation in the educational, labour and marriage markets; Section 3 quantifies the intergenerational transmission of human capital in immigrant families; Section 4 concludes and points the direction to further research.

1. Context and data

The Integration of the European Second Generation (TIES)⁴ is a comparative research project on the outcomes of the children of immigrants from Turkey, Morocco and ex-Yugoslavia in major European cities. The project is based on an international survey that has been administered to approximately 10 000 individuals aged 18 to 35 years old in 15 cities in eight countries (Vienna and Linz in Austria, Brussels and Antwerp in Belgium, Paris and Strasbourg in France, Berlin and Frankfurt in Germany, Amsterdam and Rotterdam in the Netherlands, Madrid and Barcelona in Spain, Zürich and Basel in Switzerland and Stockholm in Sweden). The main focus of the project is on the offspring of Turkish immigrants; children of Turkish immigrants have participated in the survey in all countries except Spain; whereas children of immigrants from Morocco have been selected in Belgium, the Netherlands and Spain; and children of immigrants from ex-Yugoslavia have been surveyed in Germany, Austria and Switzerland.

The main Turkish, Moroccan and Yugoslav migration flows to western Europe started in the post-war period and were driven by the area's unprecedented growth. At the beginning of the 1960s, western Germany, soon followed by other European countries, signed the first guest-workers agreements. Immigrants, mainly from Turkey, would come to western Europe for a short period to help western economies deal with labour shortages and would return to the home countries with new skills to enhance the countries' industrialisation processes. Turkey signed agreements with Austria, Belgium, the Netherlands, France, and Sweden. Morocco signed similar agreements in the 1960s with West Germany, France, Belgium and the Netherlands. Yugoslavia also participated in the late 1960s in guest worker programmes with Austria and Germany. Although these waves of migration were supposed to be temporary and host countries tried to put a stop to immigration during the mid 1970s downturn, most guest workers settled in western Europe. During the 1980s and 1990s, European host countries saw their stocks of Turkish, Moroccan and Yugoslav immigrants increase sharply through family reunifications. In the early 2000s, Moroccan descendants amount to approximately 300 000 in the Netherlands and 200 000 in Belgium. Turkish descendants in western Europe are estimated at more than 3 million. The offspring of immigrants from the successor countries of the former Yugoslavia account for approximately 1 million people in Germany and close to 400 000 in Switzerland. The timing of the TIES survey coincides with the arrival of the children of immigrants in the European labour markets.

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4. The TIES survey was carried out by survey bureaus under supervision of the nine national TIES partner institutes: Netherlands Interdisciplinary Demographic Institute (NIDI); Institute for Migration and Ethnic Studies (IMES), University of Amsterdam in the Netherlands; Institute for Social and Political Opinion Research (ISPO), University of Leuven in Belgium; National Institute for Demographic Studies (INED) in France; Swiss Forum for Migration and Population Studies (SFM), University of Neuchâtel in Switzerland; Centre for Research in International Migration and Ethnic Relations (CEIFO), University of Stockholm in Sweden; Institute for Migration Research and Intercultural Studies (IMIS), University of Osnabrück in Germany; Institute for the Study of Migration (IEM), Pontifical Comillas University of Madrid in Spain; and Institute for European Integration Research (EIF), Austrian Academy of Sciences in Austria. For more information on the TIES project, see www.tiesproject.eu/index.php?lang=en.

Several aspects make the TIES project a unique and extremely valuable instrument for the study of the second generation in Europe. Firstly, the data is extremely detailed and contains information on virtually all aspects of economic, social and political integration (education, labour markets, income, parental background, housing and neighbourhood, social relations and political participation, etc.). The fact that the questionnaire was the same in the different countries makes European comparisons possible. Secondly, and perhaps, more importantly, a comparison group, consisting of children of parents born in the host countries, was also taken into account, making the comparisons between children of natives and children of immigrants possible at the city level. The project should make it possible not only to compare, for instance, children of Turkish immigrants in Switzerland and in Germany but also relative differences between the outcomes of children of Turkish nationals and children of natives in the different cities.

For the analysis, the author uses data on all countries, except Spain and Belgium,⁵ and all origin groups. Only individuals out of full-time education are considered in the analysis in order to make the analysis on educational achievement and labour market performance meaningful. As the population of the survey is relatively young, this means that only two-thirds of the total sample is considered in the estimations. Table 2.1 presents the number of individuals considered in the sample by city and origin group. The definition of second generation used throughout the chapter is children with a least one foreign-born parent. Most second-generation individuals in the sample considered have both parents foreign-born, only approximately 6% have one foreign-born and one native parent. This distinction does not make much difference in the outcomes analysed and is hence not presented in most of the results. The only exception is the marriage market outcomes.

A major drawback of the data set is the fact that the weighting scheme of the different countries is hardly comparable.⁶ For the moment, all the estimations are made unweighted. One should hence be careful not to extend the results, and in particular the descriptive characteristics of the sample, to the population of the cities considered. Measures of association, on the other hand, like regression coefficients, should not be too different in weighted and unweighted estimations, in particular if the sampling rate does not depend too much on the outcome variable. Comparing the TIES sample descriptive statistics with other main surveys for the different countries should alleviate this concern and is an important point of the research agenda. For a discussion on weighted against unweighted estimations, see Korn and Graubar (1995).

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5. Data from Spain does not have a sample of children of Turkish immigrants and data from Belgium is not available.
 6. Major efforts are being made by the project teams to design a suitable weighting scheme.

Table 2.1. Effective numbers by city

	Natives	Turkish 2nd generation	Moroccan 2nd generation	Ex-Yugoslav 2nd generation
Amsterdam	174	149	130	0
Basel	153	141	0	122
Berlin	213	221	0	165
Frankfurt	222	210	0	170
Linz	133	130	0	160
Paris	111	110	0	0
Rotterdam	173	177	132	0
Stockholm	186	185	0	0
Strasbourg	108	165	0	0
Vienna	155	173	0	217
Zurich	133	131	0	165

Note: For more information on the TIES project, see www.tiesproject.eu/index.php?lang=en.

Source: The TIES survey was carried out by survey bureaus under supervision of the nine national TIES partner institutes: Netherlands Interdisciplinary Demographic Institute (NIDI); Institute for Migration and Ethnic Studies (IMES), University of Amsterdam in the Netherlands; Institute for Social and Political Opinion Research (ISPO), University of Leuven in Belgium; National Institute for Demographic Studies (INED) in France; Swiss Forum for Migration and Population Studies (SFM), University of Neuchâtel in Switzerland; Centre for Research in International Migration and Ethnic Relations (CEIFO), University of Stockholm in Sweden; Institute for Migration Research and Intercultural Studies (IMIS), University of Osnabrück in Germany; Institute for the Study of Migration (IEM), Pontifical Comillas University of Madrid in Spain, and Institute for European Integration Research (EIF), Austrian Academy of Sciences in Austria.

2. Parental background and the integration of the second generation

The majority of the European second generation in the TIES are the children of the post-war guest workers. For the most part, the guest workers had low levels of education and came from a rural background. Given the lower educational background of their parents, the children of immigrants may not be expected to do on average as well as the children of native-born parents. It is crucial to compare the second generation to native children with similar background in order to understand to which extent the difficulties they face are specific to migrant families. From a policy perspective, progress on this issue should indicate whether suitable policies are policies targeted at low educated, low income families or policies aimed specifically at the children of immigrants.

This section uses a very simple model to analyse differences in educational and labour market outcomes of children of immigrants and children of natives across 13 major European cities holding family characteristics constant (Box 2.1). The originality of the analysis is to compare children of different origins at the city level. The strength of the TIES survey is the very detailed personal and family history that makes these comparisons possible at the local level. Table 2.2 contains the means values for all variables used by ethnic group for the individual and the parents.

Table 2.2. Summary statistics

	Natives	Turkish 2nd generation	Moroccan 2nd generation	Ex-Yugoslav 2nd generation
Male (d)	0.49	0.5	0.51	0.5
Age	28.45	25.91	25.23	26.73
Ed1 (d)	0.01	0.06	0.14	0.03
Ed2 (d)	0.08	0.23	0.22	0.12
Ed3 (d)	0.5	0.58	0.42	0.73
Ed4 (d)	0.4	0.14	0.22	0.11
Siblings	1.46	2.66	4.97	1.61
Books 0-10 (d)	0.06	0.27	0.36	0.18
Books 11-25 (d)	0.12	0.29	0.3	0.28
Books 26-50 (d)	0.18	0.22	0.17	0.24
Books 51-100 (d)	0.21	0.12	0.12	0.15
Books 100+ (d)	0.42	0.11	0.05	0.15
Language Index	0	1.41	1.41	1.13
One parent native-born (d)	0	0.05	0.06	0.1
High skilled (d)	0.6	0.43	0.4	0.32
ISEI	49.55	41.97	44.88	42.34
LFP (d)	0.87	0.7	0.72	0.82
Empl (d)	0.92	0.84	0.81	0.89
AT	0.16	0.17	0	0.37
CH	0.16	0.15	0	0.29
DE	0.25	0.24	0	0.34
FR	0.12	0.15	0	0
NL	0.2	0.18	1	0
SE	0.11	0.1	0	0
Mother ed1 (d)	0.03	0.55	0.74	0.18
Mother ed2 (d)	0.32	0.22	0.14	0.33
Mother ed3 (d)	0.47	0.16	0.11	0.39
Mother ed4 (d)	0.19	0.07	0.01	0.09
Mother in the labour force (d)	0.63	0.43	0.26	0.69
Father ed1 (d)	0.03	0.48	0.67	0.13
Father ed2 (d)	0.19	0.22	0.12	0.26
Father ed3 (d)	0.47	0.16	0.15	0.46
Father ed4 (d)	0.31	0.13	0.05	0.15
Father high skilled (d)	0.65	0.47	0.2	0.43
FISEI	48.27	34.21	32.31	34.77
N	1761	1792	262	989

Note: Ed1 to Ed4 are four dummies representing four levels of education: primary, lower secondary, higher secondary and college. Mother ed1 to Mother ed4 and Father ed1 to Father ed4 represent the same levels for the mother and the father of the individual. “Books” represents in five categories the number of books owned by the household when the individual was in high-school. The language index represents the frequency the second generation speaks the host country language within the family at the time of the survey; the index goes from 0 to 3. One parent native-born is a dummy that is one if the individual is a second generation and has one parent who is native-born. High skill is a dummy that is one if the individual has a high-skilled occupation. ISEI is the International Socio-Economic Index of occupational status of the current occupation based on the ISCO 88 coding. LFP is a dummy for labour force participation defined only for women. *Empl* is a dummy for employment. “Mother in labour force” is a dummy that equals one if the mother participated in the labour force when the individual was 15 years old. “Father high skilled” is a dummy that equals one if the occupation of the father when the individual was aged 15 is considered high-skilled according to the ISCO 88 classification. FISEI is the International Socio-Economic Index of occupational status (ISEI) of the father when the individual was aged 15 based on the ISCO 88 coding.

Source: TIES.

Box 2.1. The model

The model estimated is:

$$Y_i = X_i\beta + Z_i\gamma + \alpha_k SG_{ik} + \mu_j City_{ij} + \varepsilon_i$$

- Y_i represents an outcome measure in education, the labour market or the marriage market of individual i . In particular, the measures used for educational achievement are: a dummy for having attended some form of higher education; the labour market outcomes are monthly earnings, a dummy for being employed and labour force participation for women; as a marriage market outcome, a dummy is used to indicate whether the individual married within the ethnic group.
- SG_{ik} are dummy variables corresponding to each second-generation group, Turkish, Moroccan and ex-Yugoslav. The reference group is the children of natives.
- X_i is a vector of individual characteristics and Z_i a vector of parental characteristics.

Note that all estimations have city dummies to capture regional variation in the outcomes considered. Country effects are also captured by the city dummies and it would be redundant to introduce country fixed effects. In this model, there are no interactions between the ethnic group dummies and the city fixed effects. The assumption made is that the slopes for each group are the same in the different cities. Although the assumption is strong, the results are robust to introducing the interactions. The results of the unrestricted model are available from the author.

The background coefficients are the same for all groups. The empirical model does not allow for different returns to characteristics between ethnic groups. This means that for instance, a European father's high-school diploma is assumed to have the same impact on the child's probability of attending higher education than the equivalent foreign diploma for a Turkish father. The differences in returns will hence be captured by the second-generation group dummies. Although the quality of education varies between countries, the aim is to keep the specifications as simple as possible, even if this implies some additional restrictions.

The choice of variables

The individual characteristics are limited to age, gender and in some cases education. Although the TIES survey has a large choice of individual variables, most would be endogenous in this context and hide the full effect of parental background.

The choice of parental background variables is also larger than in most surveys. This report uses variables that account for parental educational and cultural background, family composition and the parents' labour market status at a prime age. Parents' education is coded in four levels corresponding to primary, lower-secondary, higher-secondary education, and higher education (*Father edu1* to *Father edu4* and *Mother edu1* to *Mother edu4*). A proxy for parents' background is the quantity of books (*Books*) owned by the household when the individual attended high-school. This variable is coded in five categories: 0-10, 11-25, 26-50, 51-100, more than 100 books and has proved to be a good proxy in the education literature. Introducing this variable helps capturing family background characteristics that may not be captured by the parents' education. This may be particularly relevant in the case of immigrant families, as foreign education levels are hardly comparable to the host countries and may not indicate as clearly the immigrants' cultural background.

Family composition is accounted for by the individual's number of siblings (*Siblings*), which has been shown in the literature to be relevant in particular for educational achievement. Black *et al.* (2005) show for Norway that not only the size of the family matters but also the birth order. However accounting for the number of older siblings, instead of the total number of siblings, makes no significant difference in the specifications below. The size of the family matters for most outcomes whereas the birth order does not.

Parents' labour market situation is captured using: a distinction between high-skilled and low-skilled occupation for the father when the individual was aged 15 (*Father high skilled*)*; and the mother's labour force participation status also at age 15 (*Mother in the labour force*). It is important to have these last two variables when the individual was aged 15, since the parents' labour market status at a prime working age matters a priori more than at the time of the survey when most parents are already retired. Also for immigrants, there is often a downgrading in labour market status upon arrival in the host country; see for example *Jobs for Immigrants, Vol.1* (OECD, 2007). After 15 years or more of residence the labour market situation of the immigrant parents should have significantly improved and stabilised.

* Occupations coded 1 to 3 in the one-digit ISCO 88 classification are considered high-skilled occupations.

Educational achievement

It is among individuals who attended higher education that the children of immigrants in the TIES sample used seem to lag behind the most significantly. Since higher education degrees are a ticket to the best paying jobs, this disadvantage has long term consequences for the life cycle earnings of the second generation. A measure of educational attainment is used, an indicator for whether the individual attended university or some equivalent form of higher education. Table 2.3 presents the results of a linear probability model of higher education attendance. All specifications control for age, gender and city fixed effects. Column (1) presents average differences between ethnic groups in higher education attendance for the whole sample considered and column (2) presents these differences only for the individuals who have no missing values for the background variables used in the model. The effect of background characteristics may hence be seen by comparing the coefficients on each second-generation group in columns (2) and columns (3) to (5), since the sample used is exactly the same in all these specifications. All other tables in this section are presented in the same way.

Table 2.3. Higher education

	(1)	(2)	(3)	(4)	(5)
Turkish 2nd gen.	-0.22*** (-0.01)	-0.23*** (-0.02)	-0.12*** (-0.02)	-0.07*** (-0.02)	-0.02 (-0.02)
Moroccan 2nd gen.	-0.25*** (0.03)	-0.21*** (0.04)	-0.05 (0.04)	0 (0.04)	0.04 (0.04)
Ex-Yugoslav 2nd gen	-0.16*** (0.02)	-0.15*** (0.02)	-0.08*** (0.02)	-0.04* (0.02)	0.01 (0.02)
Men	-0.01 (0.01)	-0.01 (0.01)	-0.01 (0.01)	0.00 (0.01)	0.00 (0.01)
Father edu2			-0.00 (0.02)	-0.02 (0.02)	-0.02 (0.02)
Father edu3			0.06*** (0.02)	0.04* (0.02)	0.03 (0.02)
Father edu4			0.23*** (0.03)	0.18*** (0.03)	0.17*** (0.03)
Mother edu2			0.01 (0.02)	-0.01 (0.02)	-0.02 (0.02)
Mother edu3			0.04 (0.02)	0.01 (0.02)	-0.01 (0.02)
Mother edu4			0.16*** (0.03)	0.12*** (0.03)	0.11*** (0.03)
Siblings			-0.02*** (0.00)	-0.01*** (0.00)	-0.01*** (0.00)
Language index					-0.05*** (0.01)
Books				Yes	Yes
Constant	-0.20*** (0.04)	-0.24*** (0.05)	-0.36*** (0.05)	-0.44*** (0.06)	-0.43*** (0.06)
Observations	4779	3445	3445	3445	3445
Adjusted R2	0.192	0.197	0.260	0.290	0.294

Note: Linear probability model of higher education attendance. All specifications control for age, gender and city fixed effects. See the note on Table 2.2 for the definitions of the variables used. Standard errors in parentheses. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

Source: TIES.

The three second-generation groups in the TIES sample attended higher education less often than natives living in the same cities. The difference is particularly large for Moroccan and Turkish second generation at 25 percentage points. Controlling for parental education increases the fit of the model, the adjusted r-squared goes from 0.20 to 0.26. More importantly, parents' education reduces the higher education attendance gap by more than half for all groups considered. The effect is particularly large for the Moroccan second generation whose parents in the four cities considered have particularly low levels of education, whereas their children do much better as shown on the summary statistics in Table 2.2. Both mother and father's education are significant in the model. Running a separate model for men and women shows that the mothers' education is more relevant for the daughter's than the son's higher education attendance.⁷

The *Books* variable, as an extra proxy for parental background, reduces the gap further by 4 percentage points for all groups. Family background differences not accounted for by parents' education thus also play a part in the educational achievement gap of the TIES second generation. The number of siblings has a negative impact on the higher education attendance rate. This result is in line with the education literature. As immigrant families in the sample are on average larger than native families, family composition plays a part in explaining the educational gap.

Finally, among the second generation, differences in the family's integration, as captured by the usage of the host country language, also have a significant impact on educational achievement. Children of natives and children of immigrants with similar family background and who mainly speak the host country language within the household have on average virtually the same rate of higher education attendance. The average difference in higher education attendance between children of immigrant families that always speak the host country language among them and those who never do is 12 percentage points.

The apparently very large differences between ethnic groups in higher education attendance in the sample thus seem to be to a large extent explained by background characteristics. The results for the three second-generation groups in each city with the same specifications than in Table 2.3 are available from the author.

Labour market outcomes

Several labour market outcomes are analysed in this section: wages and employment rates but also women's labour participation, and occupational status, measured by a distinction between high-skilled and low-skilled jobs.

Table 2.4 presents the results of a linear probability model of employment.⁸ Employment rates are lower for the second generation than for natives in the sample. Controlling for the individual's education level decreases the gap slightly. The family background variables are not strong predictors of the employment rates once education has been taken into account. Separate estimations for men and women show that the differences in employment rates are higher for women than men, and differences in

7. The results are not shown but are available from the author.

8. The dependent variable is a dummy that equals one if the individual is employed full-time at the time of the survey and equals 0 if the individual participates in the labour force but is unemployed. Part-time workers are excluded from the analysis.

background are more important for women than men.⁹ As before, the different coefficients for the second-generation groups by city are available from the author. Differences in employment rates are not strongly related to background once education has been taken into account.

Table 2.4. Employment

	(1)	(2)	(3)	(4)	(5)
Turkish 2nd gen.	-0.02 (0.03)	-0.08* (0.04)	-0.06 (0.04)	-0.08* (0.05)	-0.05 (0.05)
Moroccan 2nd gen.	-0.10** (0.04)	-0.11** (0.04)	-0.10** (0.04)	-0.12** (0.05)	-0.08* (0.05)
Ex-Yugoslav 2nd gen.	0.06* (0.04)	0.11*** (0.04)	0.11*** (0.04)	0.12*** (0.04)	0.13*** (0.04)
Men	0.01 (0.01)	0.01 (0.01)	0.02 (0.01)	0.02* (0.01)	0.02* (0.01)
Edu2			0.04 (0.04)	0.05 (0.04)	0.05 (0.04)
Edu3			0.17*** (0.04)	0.18*** (0.04)	0.17*** (0.04)
Edu4			0.21*** (0.04)	0.21*** (0.04)	0.21*** (0.04)
Father edu2				-0.07*** (0.02)	-0.08*** (0.02)
Father edu3				-0.04** (0.02)	-0.05** (0.02)
Father edu4				-0.05** (0.02)	-0.05** (0.02)
Mother edu2				0.02 (0.02)	0.01 (0.02)
Mother edu3				0.03* (0.02)	0.03 (0.02)
Mother edu4				0.03 (0.02)	0.02 (0.03)
Siblings				0.00 (0.00)	0.00 (0.00)
Language index					-0.03***
Books				Yes	Yes
Constant	0.52*** (0.04)	0.54*** (0.04)	0.43*** (0.06)	0.44*** (0.06)	0.45*** (0.06)
Observations	4156	3022	3022	3022	3022
Adjusted R2	0.056	0.065	0.090	0.093	0.095

Note: Linear probability model of employment. All specifications include age, gender and city fixed effects. See the note on Table 2.2 for the definitions of the variables used. Standard errors in parentheses. *** p<0.01, ** p<0.05, * p<0.1.

Source: TIES.

When looking at labour market outcomes for women, the labour force participation is an important indicator. Table 2.5 presents the results of a linear probability model of labour force participation for women in the TIES sample. Second-generation women with Turkish and Moroccan origins have on average much lower participation rates than children of natives at the city level, 19 and 13 percentage points respectively.

9. The results are not shown but are available from the author.

Accounting for differences in education reduces the Turkish and Moroccan gap by approximately one third. Second-generation women from these two groups have on average lower education and hence face a lower cost of staying out of the labour force. Parental background explains half of the remaining gap for the Turkish second generation and the entire gap for the Moroccan second generation.¹⁰ The individual's education decision is likely to be correlated with the decision to participate in the labour force. For example, a woman who decides not to participate in the labour force may decide not to complete an advanced schooling degree as she will not get the return from the schooling investment. Also, as the individual's education is partly explained by the parents' own education, the education variable may be hiding the full effect of parental background. However, not accounting for the individual's education in the specifications does not have an effect on the other coefficients presented in Table 2.5.¹¹

Note also the very significant negative coefficient on the number of siblings. Women from larger families participate less in the labour force even after accounting for ethnicity. Having a mother who participated in the labour force at her prime age is also a significant predictor of labour force participation of the daughter.

As for the educational outcomes results, the language index is large and significant. Speaking mostly the host country language within the family is associated with a higher probability for women to participate in the labour force.

All in all, taking into account background characteristics strongly decreases differences in labour force between ethnic groups. The results are robust to allowing for different city effects for the different ethnic groups. The results are available from the author.

Once employed, occupational status is another measure of a labour market outcome. The distinction is made between low-skilled and high-skilled occupations. This classification is based on the occupation classification, ISCO 88, at the one digit level.¹² Results of a linear probability model are presented in Table 2.6.

Second-generation individuals have less often high-skilled occupations than the children of natives: the difference is close to 15 percentage points for each second-generation group. A large part of this gap is linked to the lower educational attainment of the second generation. Accounting for educational attainment strongly decreases the gap. Parental background reduces the gap further: the gap becomes insignificant for all groups. These specifications also include a variable that indicates whether the individual's father had a high-skilled occupation when the respondent was 15 years old. The father's occupational status is a very strong predictor of the child's own occupational status. Once this variable and the educational attainment have been accounted for, parent's education has no significant impact on the individual's probability of having a high-skilled occupation.

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10. The results for the Moroccan second generation are an average for four cities and those for the Yugoslav second generation an average for six cities, compared to 13 cities for natives and the Turkish second generation. Introducing interactions between cities and second-generation groups allows estimating the coefficients at the city level. The results are robust and available from the author.
 11. The results are not shown but are available from the author.
 12. The occupational classification is for the moment not available for France. This country is hence not taken into account in these specifications.

Table 2.5. Labour force participation for women

	(1)	(2)	(3)	(4)	(5)
Turkish 2nd gen.	-0.18*** (0.02)	-0.18*** (0.02)	-0.12*** (0.02)	-0.07** (0.03)	-0.04 (0.03)
Moroccan 2nd gen.	-0.15*** (0.04)	-0.17*** (0.05)	-0.09* (0.05)	0.01 (0.06)	0.03 (0.06)
Ex- Yugoslav 2nd gen.	-0.03 (0.02)	-0.04 (0.03)	-0.02 (0.03)	-0.00 (0.03)	0.03 (0.03)
Edu2			0.05 (0.06)	0.04 (0.06)	0.04 (0.06)
Edu3			0.31*** (0.06)	0.29*** (0.06)	0.28*** (0.06)
Edu4			0.40*** (0.06)	0.37*** (0.06)	0.36*** (0.06)
Father edu2				-0.02 (0.03)	-0.02 (0.03)
Father edu3				-0.02 (0.03)	-0.02 (0.03)
Father edu4				-0.01 (0.04)	-0.02 (0.04)
Mother edu2				0.05 (0.03)	0.04 (0.03)
Mother edu3				0.05 (0.03)	0.04 (0.03)
Mother edu4				0.02 (0.04)	0.01 (0.04)
Siblings				-0.02*** (0.01)	-0.02*** (0.01)
Mother in the labour force				0.04* (0.02)	0.04* (0.02)
Language index					-0.03* (0.02)
Books				Yes	Yes
Constant	0.96*** (0.06)	0.99*** (0.07)	0.79*** (0.09)	0.77*** (0.10)	0.78*** (0.10)
Observations	2417	1689	1689	1689	1689
Adjusted R2	0.065	0.050	0.119	0.125	0.126

Note: Linear probability model of labour force participation. All specifications control for age and city fixed effects. See the note on Table 2.2 for the definitions of the variables used. Standard errors in parentheses. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

Source: TIES.

The TIES survey does not contain detailed information on the individual's wage, instead respondents were asked to situate their monthly earnings in one out of ten EUR 500 groups: less than 500, between 500 and 1 000, and so on, until 5 000 or more. Although in Switzerland and Sweden, the amounts are stated in Swiss franc and Swedish kronor, respectively, the earning bands are approximately equivalent. The midpoints of each band are used as a measure for monthly earnings. All estimations have city fixed

effects that account for differences in prices. Very few respondents work part-time,¹³ less than 5% of the sample, thus only full-time workers are considered for the estimations. Table 2.7 presents estimation results of a linear regression model of log monthly earnings.

Table 2.6. High-skilled jobs

	(1)	(2)	(3)	(4)	(5)
Turkish 2nd gen.	(0.02)	(0.02)	(0.02)	(0.03)	(0.03)
Moroccan 2nd gen.	-0.17*** (0.04)	-0.18*** (0.06)	-0.15** (0.06)	-0.10 (0.07)	-0.07 (0.07)
Ex-Yugoslav 2nd gen.	-0.13*** (0.02)	-0.12*** (0.03)	-0.07*** (0.02)	-0.02 (0.03)	0.01 (0.03)
Men	-0.08*** (0.01)	-0.08*** (0.02)	-0.07*** (0.02)	-0.07*** (0.02)	-0.06*** (0.02)
Edu2			-0.11 (0.08)	-0.10 (0.08)	-0.10 (0.08)
Edu3			0.02 (0.08)	0.02 (0.08)	0.01 (0.08)
Edu4			0.34*** (0.08)	0.30*** (0.08)	0.30*** (0.08)
Father edu2				-0.04 (0.03)	-0.04 (0.03)
Father edu3				0.01 (0.03)	0.01 (0.03)
Father edu4				0.01 (0.04)	0.01 (0.04)
Mother edu2				0.00 (0.03)	-0.01 (0.03)
Mother edu3				-0.02 (0.03)	-0.03 (0.03)
Mother edu4				0.01 (0.04)	-0.01 (0.04)
Father high skilled				0.11*** (0.03)	0.11*** (0.03)
Siblings				0.00 (0.01)	0.00 (0.01)
Language index					-0.04** (0.02)
Books				Yes	Yes
Constant	-0.25*** (0.05)	-0.19*** (0.07)	-0.09 (0.10)	-0.12 (0.11)	-0.12 (0.11)
Observations	3501	2178	2178	2178	2178
Adjusted R2	0.243	0.248	0.330	0.339	0.340

Note: Linear probability model of high-skilled job status. All specifications control for age, gender and city fixed-effects. See the note on Table 2.2 for the definitions of the variables used. Standard errors in parentheses. *** p<0.01, **p<0.05, * p<0.1.

Source: TIES.

13. Individuals working less than 20 hours a week are considered to be part-time workers.

At the city level, in the TIES sample, the Turkish and the Moroccan second generations earn on average significantly less than natives; whereas the children of Yugoslav immigrants earn approximately the same as natives. Accounting for the individual's education decreases the group differences since, as discussed earlier, there is important variation in education between groups. After accounting also for family background, the earnings gap decreases substantially in the sample considered. The TIES survey has detailed job information. Even after controlling for the size of the firm, the sector, the occupation at the one-digit level and the private/public status of the workplace, the results remain very similar to the ones in Table 2.7 (the results are not shown but are available from the author). Separate estimations for men and women show that the earnings gap is higher for women than men.

Table 2.7. Earnings

	(1)	(2)	(3)	(4)	(5)
Turkish 2nd gen.	-0.11*** (0.01)	-0.11*** (0.02)	-0.05*** (0.02)	0.00 (0.02)	0.02 (0.03)
Moroccan 2nd gen.	-0.15*** (0.03)	-0.12*** (0.04)	-0.08** (0.04)	0.01 (0.04)	0.02 (0.05)
Ex-Yugoslav 2nd gen.	-0.03* (0.02)	-0.04* (0.02)	-0.00 (0.02)	0.03 (0.02)	0.04* (0.02)
Men	0.14*** (0.01)	0.15*** (0.01)	0.16*** (0.01)	0.16*** (0.01)	0.16*** (0.01)
Edu2			0.05 (0.06)	0.05 (0.06)	0.05 (0.06)
Edu3			0.15*** (0.06)	0.13** (0.06)	0.13** (0.06)
Edu4			0.35*** (0.06)	0.31*** (0.06)	0.31*** (0.06)
Father edu2				-0.00 (0.03)	-0.00 (0.03)
Father edu3				0.01 (0.03)	0.00 (0.03)
Father edu4				-0.01 (0.03)	-0.01 (0.03)
Mother edu2				0.05* (0.02)	0.04* (0.02)
Mother edu3				0.03 (0.02)	0.03 (0.03)
Mother edu4				0.06* (0.03)	0.05* (0.03)
Siblings				-0.01* (0.01)	-0.01* (0.01)
Language index					-0.02 (0.01)
Books				Yes	Yes
Constant	4.75*** (0.20)	4.72*** (0.25)	5.00*** (0.25)	4.86*** (0.25)	4.86*** (0.25)
Observations	3234	2415	2415	2415	2415
Adjusted R2	0.448	0.444	0.485	0.489	0.489

Note: OLS model of the log monthly earnings, as described in the text. All specifications control for age, age2, gender and city fixed effects. See the note on Table 2.2 for the definitions of the variables used. Standard errors in parentheses. *** p<0.01, ** p<0.05, * p<0.1.

Source: TIES.

Marriage market outcomes

The marriage of the children of immigrants to natives may be seen as an alternative measure of social integration. In the economics assimilation literature, an alternative assimilation index used is the rate of inter-marriage of the children of immigrants. Inter-marriage of the second generation has been shown in the US case to be correlated to other economic assimilation measures, see Card *et al.* (2000), and also to promote the second-generation spouse labour market outcomes through extended networks, see Furtado and Theodoropoulos (2009). The index considered in this section is the rate of marriage within the immigrant group: the dependent variable is one if the individual marries an immigrant from the parents' country of origin or a second generation from the same origin group; it is zero if the individual marries someone whose both parents are native-born.¹⁴ The aim of this section is to understand to which extent marriage decisions are correlated to family background and investigate which parents are more likely to have children who marry outside the immigrant group.

The regression results presented in Table 2.8 are obtained from a linear probability model of the inter-marriage index described above. The regressions are run only on second-generation individuals, since the outcome measured is not relevant for the children of natives. The baseline is now the Turkish second generation. As in the previous sections, interactions between the second-generation groups and the city effects allow to compare for each city the difference in outcomes of the different groups. Differences in marriage rates within the ethnic group between cities may be due to differences in the sizes of the immigrant local communities. The interactions between the origin groups and the city effects account for these potential differences.¹⁵

In the TIES sample, marriage within the immigrant group is the norm for the children of Turkish and Moroccan immigrants but less so for the Yugoslav second generation. Women in the TIES sample are also more often married within the ethnic group. In this chapter, all the variables describing family background from the previous models are used and a dummy indicates whether one of the parents is native-born. The marriage choice of the parents is particularly important in the marriage market.¹⁶ In fact, having one native-born parent strongly decreases the probability for men and women of marrying within the ethnic group. The mother's characteristics come out to be more relevant than the father's. Education and labour market status are important predictors of marriage decisions. Children with more educated parents and with a working mother tend to marry more outside of the immigrant group. Family size is also positively correlated with marriage within the group: women from larger families intra-marry more even after controlling for parental education. Separate results for men and women indicate that background variables are more important predictors for women than for men. All the background variables are also correlated with the individual's educational achievement. However,

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14. There are only 20 cases in the sample considered of a second-generation individual marrying an immigrant or a second generation from another origin, and 51 cases where a second generation marries someone from a country that is neither the host country, neither one of the three origin countries. These observations are not taken into account in the estimations.
 15. The model with interactions between cities and second-generation groups is not shown but results are available from the author. All coefficients remain virtually the same than those in Table 1.8.
 16. Having a native-born parent is not significantly correlated with the educational and labour market outcomes presented above in the TIES sample.

even accounting for the individual's education level, the parental background variables still have an impact on the marriage choices. Note that in specifications that account for the individual's education, column (4), and specifications that ignore this variable, column (3), the coefficients on the parents' education remain stable. The language index, as in the previous models, has a strong effect also on the inter-marriage rate. Children of immigrant families more assimilated in terms of the host country language tend to inter-marry significantly more. Note that this effect remains strong after controlling for having one native-born parent.

Table 2.8. Endogamous marriage

	(1)	(2)	(3)	(4)	(5)
Moroccan 2nd gen.	-0.01 (0.05)	0.01 (0.06)	-0.01 (0.06)	0.01 (0.06)	0.07 (0.06)
Ex-Yugoslav 2nd gen.	-0.24*** (0.02)	-0.18*** (0.03)	-0.11*** (0.03)	-0.12*** (0.03)	-0.10*** (0.03)
Men	-0.03* (0.02)	-0.07*** (0.03)	-0.07*** (0.02)	-0.07*** (0.02)	-0.07*** (0.02)
Edu2				0.03 (0.07)	0.06 (0.07)
Edu3				0.01 (0.06)	0.06 (0.06)
Edu4				-0.12* (0.07)	-0.05 (0.07)
One parent native-born			-0.33*** (0.06)	-0.31*** (0.06)	-0.21*** (0.06)
Father edu2			-0.04 (0.04)	-0.04 (0.03)	-0.01 (0.03)
Father edu3			-0.08** (0.04)	-0.08** (0.04)	-0.05 (0.04)
Father edu4			-0.09* (0.05)	-0.08* (0.05)	-0.04 (0.05)
Mother edu2			-0.09** (0.04)	-0.09** (0.04)	-0.08** (0.04)
Mother edu3			-0.00 (0.04)	-0.00 (0.04)	0.00 (0.04)
Mother edu4			-0.12* (0.06)	-0.12* (0.06)	-0.10* (0.06)
Siblings			0.01* (0.01)	0.01 (0.01)	0.01 (0.01)
Mother in the labour force			0.02 (0.03)	0.03 (0.03)	0.02 (0.03)
Language index					0.13*** (0.02)
Books				Yes	Yes
Constant	0.79*** (0.08)	0.83*** (0.10)	0.90*** (0.11)	0.84*** (0.12)	0.73*** (0.12)
Observations	1361	887	887	887	887
Adjusted R2	0.14	0.131	0.222	0.232	0.273

Note: Linear probability model of the marriage assimilation rate described in the text. The reference group is the children of Turkish immigrants. All specifications control for age, gender and city fixed effects. See the note on Table 2.2 for the definitions of the variables used. Standard errors in parentheses. *** p<0.01, ** p<0.05, * p<0.1.

Source: TIES.

3. Intergenerational assimilation

The descriptive results above show that, for quite diverse outcomes, parental background explains most of the differences between second-generation groups and children of natives. The question that arises in the intergenerational assimilation is how mobile are the children of immigrants compared to the natives. Is the weight of parental background heavier or lighter in immigrant families? The next section compares the intergenerational transmission of human capital for immigrant and native households for a set of outcomes (Box 2.2).

Table 2.9 presents the estimations of a simple intergenerational model for different outcomes: higher education attendance; two occupational measures: the International Socio-Economic Index of occupational status (ISEI),¹⁷ and the dichotomous variable for high-skilled against low-skilled occupation; and the labour force participation for women. In the intergenerational assimilation literature, earnings is a more commonly used measure, however the TIES survey does not inquire about parental earnings. The ISEI and “Father high skilled” measures are built using the father’s occupation when the respondent was aged 15 and are to a certain extent correlated to earnings.

Box 2.2. The model

A simple model of intergenerational transmission of human capital, based on Solon (1999), may be written as follows:

$$Y_{child_i} = \alpha + \beta Y_{parent_i} + \varepsilon_i$$

Y_{child_i} is an outcome of interest (related in this context to the educational or labour market performance) of the individual surveyed in the TIES sample. Y_{parent} measures the same outcome for the mother and/or the father when the child was aged 15. Ideally, the child and the parents’ outcomes should be measured exactly at the same stage in the life cycle, say at age 40. β is the coefficient of interest, it measures intergenerational mobility, or how correlated parent and child outcomes are. A higher β corresponds to a lower intergenerational mobility. The constant α captures differences in mean outcomes across generations.

For the estimations, a slightly transformed model is used:

$$Y_{child_i} = \alpha + \beta Y_{parent_i} + \gamma_k Y_{parent_i} SG_{ik} + \delta_k SG_{ik} + \mu_j City_{ij} + \mu_{jk} City_{jk} SG_{jk} + \varepsilon_i$$

The city fixed effects interacted with the different ethnic groups capture regional variations in outcomes. No interaction effects between city dummies and parents’ outcomes to allow for different rates of intergenerational transmission at the city level are included. Introducing dummies for the different origins allows the constants in the model to differ between children of immigrants of the different origins and children of natives.

The coefficients of interest in this setting are the γ_k : the difference in intergenerational transmission between ethnic groups. β represents the intergenerational transmission for natives.

17. This index captures the attributes of occupations that convert education into income. The index was derived by the optimal scaling of occupation groups to maximise the indirect effect of education on income through occupation and to minimise the direct effect of education on income, net of occupation (both effects being net of age). For more information, see Ganzeboom *et al.* (1992).

Let us start by the three first columns in Table 2.9. In all three cases, there is a high correlation between the child and the father's outcomes, between 25 and 32 percentage points. The correlation between immigrant fathers and children's outcomes is lower since the coefficient of interest is negative or insignificant. Some of these coefficients are not significant due to high standard error.¹⁸ More research is still needed on the link between parents and children's outcomes but this simple model indicates that on average children and parents' characteristics are more strongly correlated for native families than for immigrant ones, indicating the possibility of a greater intergenerational mobility for immigrant children.

The labour force participation of women is a different case. Having a mother who participated in the labour force increases the daughter's probability of participating in the labour force by 4 percentage points. The correlation in outcomes between generations seems stronger for second-generation women, although the large standard errors make the coefficients insignificant. This result would be in line with recent research on the second generation in the United States. In fact, second-generation female labour market outcomes, and labour force participation in particular, have been shown to be strongly influenced by the parents' country of origin, see Blau *et al.* (2008), and to be correlated with the labour force participation of women in the parents' country of origin, see Fernández and Fogli (2009).

Table 2.9. Intergenerational mobility

	Higher education	High skill	ISEI	LFP
Yparent	0.30*** (0.02)	0.31*** (0.03)	0.33*** (0.03)	0.04 (0.03)
Yparent*Turkish 2nd gen.	-0.17*** (0.03)	-0.33*** (0.06)	-0.29*** (0.06)	0.07** (0.04)
Yparent*Moroccan 2nd gen.	-0.46*** (0.12)	-0.22* (0.13)	-0.12 (0.14)	0.03 (0.08)
Yparent*Ex-Yugoslav 2nd gen.	-0.10** (0.04)	-0.10 (0.07)	-0.05 (0.06)	0.05 (0.05)
Constant	0.53*** (0.03)	0.55*** (0.06)	40.09*** (2.05)	0.86*** (0.04)
Observations	4351	2852	1837	2330
Adjusted R2	0.241	0.244	0.189	0.075

Note: The models are estimated with an OLS. All specifications control for gender, second-generation group, city fixed effects and city fixed effects interacted with each second-generation group. Standard errors in parentheses. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

Source: TIES.

4. Conclusions

In all educational and labour market outcomes analysed in the chapter, the children of Turkish, Moroccan and Yugoslav immigrants lag behind the children of natives in 13 major European cities.

18. Estimations in columns (2) and (3) do not take France into account since the ISCO 88 coding is for the moment unavailable for this country. Column (3) also does not take Austrian data into account.

The large educational attainment gap between children of immigrants and children of natives at the city level is on average largely explained by differences in family background. The parents' education levels are strong predictors of the child's own education and both mothers' and fathers' educations seem to matter. The number of books in the household when the individual attended high school has often been used in the literature as a proxy for parental background. This variable allows accounting for differences in the child's upbringing environment that may not be reflected solely by the parent's education levels. Introducing the number of books in the analysis also explains part of the educational achievement gap. Comparing children of immigrants and children of natives whose parents have similar educational levels and who grew up in a somewhat similar environment reduces the differences in educational achievement greatly. Children from larger families are also on average less likely to complete higher education. Among children of immigrants, children who more often speak the host country language within the family (with the parents and siblings) are more likely to attend higher education. The analysis has been focused on the higher education rate of attendance as a measure of educational achievement. Further research should investigate whether these findings also hold for alternative educational achievement measures.

The labour force participation of second-generation women is significantly lower than the participation of children of natives in the sample. Part of the gap in labour force participation between the two groups can be explained by differences in educational levels. Children of immigrants are less educated and thus opt out of the labour force more often. After accounting for the individual's own education level, the parents' education is not a strong predictor of labour force participation. The mother's labour force participation, on the other hand, seems to be a strong determinant of the daughter's own decision to participate in the labour force. Among the children of immigrants, the extent to which the host country language is spoken within the family is again positively correlated with labour force participation.

Differences in employment rates for children of natives and children of immigrants may partly be explained by differences in education levels. Less educated individuals have on average lower employment rates. After accounting for differences in educational attainment of the children, parental background seems to have virtually no effect on the employment rate. Family composition and the fluency in the host country language also appear to be uncorrelated with the likelihood of being in employment. This suggests that the impact of parental background on children of migrants' labour market outcomes is mainly indirect (*i.e.* through its impact on educational attainment).

Once employed, children of immigrants earn lower wages and are less likely to have high-skilled occupations than children of natives living in the same cities. Lower education levels, once again, partly explain the differences observed. Parent's education and the host country language fluency are not strongly correlated with the individual's wage or with his/her occupational status. A notable exception is the strong correlation between the individual's probability of having a high-skilled job and whether the father had himself a high-skilled job at his prime age. Nevertheless, after controlling for educational differences, the gap between children of natives and second generation in these two labour market outcomes is (already) fairly small in the sample.

The children of immigrants' marriage decisions, and in particular the decision whether to marry within the ethnic group, are correlated with parental background. Children who have more educated parents and who were brought up in smaller families tend to marry more outside of the ethnic group. The results also indicate that the parents'

marriage decisions are strong predictors of the child's own marriage patterns. Children who have one native-born parent seem to have a much higher probability of marrying a native. Speaking the host country language within the family is also correlated with marrying outside of the group. Other factors are relevant for marriage decisions, such as religion and other cultural differences, and would be worth investigating in further research.

One major concern is the extent to which the results presented above may be generalised to the whole population of the cities considered. The introduction of appropriate weights in the analysis and the comparison of the TIES sample with other available, albeit more general, data sources on the European second generation should ease this concern.

The aim of the chapter was to present a broad picture of the second-generation outcomes at the European level. Results at the city level¹⁹ indicate that although the outcome gaps are of different magnitudes in the different cities, the results go broadly in the same direction whatever the European city considered. Future research should aim at understanding the specificities of each European country and the reasons for cross country differences in the second-generation integration process.

The results suggest that there is less correlation between parents' and children's outcomes in immigrant families compared with native ones. This result indicates the possibility of a greater intergenerational mobility for immigrant children. However, intergenerational mobility is linked to the institutional setting of a country. There are large differences between OECD countries in the extent to which parents' and children's outcomes are correlated.²⁰ Or putting it differently, children from the lowest social classes have different probabilities of climbing the social ladder depending on the country they live in. A better understanding of cross country differences in intergenerational mobility more generally and how these relate to the schooling system and labour market institutions would be a crucial next step in the research agenda on this important issue. The second step would then be to analyse cross-country differences between the intergenerational mobility of immigrants and native families and how these relate to countries' institutional settings.

19. The results for the different outcomes are available from the author.

20. See Corak (2006) for a comparative overview of intergenerational mobility in Europe.

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Chapter 3.

SEEKING SUCCESS IN CANADA AND THE UNITED STATES: LABOUR MARKET OUTCOMES AMONG THE CHILDREN OF IMMIGRANTS

by

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Summary

This chapter reviews recent research on the determinants of the labour market outcomes of the children of immigrants in Canada and the United States. New research on outcomes in Canada is also presented. Much of the recent research focuses on outcome gaps between the children of immigrants, also referred to as the second generation, and the children of native-born parents, for whom the term third-and-higher generations is used. Our understanding of the intergenerational transmission of earnings between immigrants – the first generation – and their children is also reviewed.

In both Canada and the United States the labour market outcomes of the children of immigrants are quite positive. On average – with no controls – they have higher levels of education, and similar labour force participation rates and unemployment rates as the third-and-higher generations. Furthermore, the children of immigrants tend to have higher earnings and are more likely to be employed in professional occupations than their counterparts with native-born parents, again before any controls are applied to account for differences in educational attainment, age, and so on.

In Canada in particular most of the earnings advantage among the second generation relates to their higher level of education and their residential location, clustered as they are in large urban areas where wages are higher. Conditional on educational attainment and location of residence, in Canada the second generation has a negative wage gap relative to the third-and-higher generation. This negative wage gap, after controlling for socio-economic differences, is observed primarily among visible minority groups, particularly the black population. The second-generation visible minority population may have more difficulty converting education to earnings than the third-and-higher generation Whites. In the United States, conditional on education and residential location, the positive wage gap between the children of immigrants and those of American-born

1. The views expressed in this chapter are those of the authors and do not necessarily reflect those of Statistics Canada.

parents disappears, suggesting the these two factors account for the initial unadjusted positive gap between these groups.

Ethnic/source region group differences loom large in both countries. In the United States, concern focuses on the second generation with Central and South America, and Puerto Rican backgrounds. The “segmented assimilation” model in United States sociological research predicts poorer outcomes for these groups, driven by lower parental education, a higher share of single parent families, possible deviant lifestyles related to drugs and gangs, discrimination, and other factors. The children of immigrants from Mexico and Central/South American countries have poorer labour market outcomes – before controls – than the third-and-higher generation Whites, or other second-generation groups. These poorer outcomes are in part accounted for by their much lower level of education. And these educational attainment outcomes are in turn driven in part by the lower levels of educational attainment among their immigrant parents, and a relatively low level of upward educational mobility between the Mexican immigrant parents and their children. But, *conditional on their socio-economic background*, including education, the second-generation Mexican-Americans register better earnings outcomes than the third-plus generation with comparable background characteristics. Furthermore, the negative wage gap between Mexican-American workers and the third-and-higher generation Whites is reduced considerably from the first to second generations. However, because of their more disadvantageous backgrounds, significant negative outcome gaps persist between the children of many Hispanic immigrants, including Mexican, and the second-plus generation.

There is also considerable variation in outcomes by ethnic group/source region background in Canada. Visible minority groups tend have superior educational attainment outcomes. In particular, educational levels among second-generation children with Chinese, Indian, and African backgrounds are much above those of the third-plus generation. This is reflected in superior labour market outcomes, before controls. But, conditional on background characteristics, children whose parents came from developed European countries tend to do better in the labour market. In both Canada and the United States, even after accounting for numerous socio-economic background variables, significant differences in outcomes among the second-generation groups with different ethnic/source backgrounds persist.

Regarding the determinants of aggregate outcomes, educational attainment may account for up to half of the positive unadjusted earnings gap between the second and third-and-higher generations. Other important determinants of the wage gap include location of residence and community size, ethnic group/source region background, the “degree of stickiness” in educational and earnings transmission between immigrants and their children, and “ethnic capital”. The latter concept typically refers to the advantages, or disadvantages, bestowed on the individual by the overall level of income and educational attainment for the ethnic group as a whole.

The gap in earnings outcomes between the second and third-and-higher generations may be moving in different directions in the two countries. In the United States, the positive earnings gap that the children of immigrants held over their counterparts with American-born parents declined over the past few decades. This relative decline may continue, and the gap may turn negative, driven largely by the shift in source regions of immigrants, and their associated educational attainment. In Canada, the numerically positive gap in educational outcomes between the second and third-plus generations, already fairly large may increase. Such movement would be driven by the rapidly rising

educational attainment of the immigrant parents since the 1980s, the shift in source regions towards those that place a very high value on educational achievements and register high educational outcomes, and the high degree of educational upward mobility between parents and children in immigrant families, particularly those with low educational levels. This in turn is likely to increase the unadjusted positive earnings gap between the second and third-and-higher generations in the future.

There are at least three stages at which policy can be applied to influence the outcomes of the children of immigrants. The first is immigrant selection. Background characteristics of immigrants, such as education, language, ethnic capital and others are important determinants of second-generation outcomes. Examples of such policy tools would include the points system in Canada, and the visa programme in the United States. The second stage is the degree of educational upward mobility between the first and second generation. This is particularly important for immigrant groups with lower educational levels. Policy levers at this stage are often associated with the educational system. Topics such as whether schools are financed locally or by a higher level government, the degree of immigrant “segregation” in the school system, the degree of aid available to immigrant groups in the school system, language programmes, and the ability to operate schools effectively with a diverse student population become important. Conditional on the education level achieved, the third stage is the entry into the labour market. Issues such as the availability to immigrant families and their children of job search networks, potential “statistical” or “preference” discrimination in the case of some visible minority groups, and the variation in the returns to education, for whatever reason, become important.

In the aggregate, educational and labour market outcomes of the children of immigrants in Canada and the United States tend to be equal to or better than those of the third-plus generation. Some caveats to this overall conclusion have been noted. Economic integration may be a multi-generational process. In both countries the wage gap – after controls – of racial minorities with the third-and-higher generation Whites falls from the first generation (immigrants), to the third generation (their children), and even to the third-and-higher generation in some cases.

Introduction

It is difficult to overstate the importance of the outcomes for the children of immigrants in major immigrant receiving countries such as Canada and the United States. The second generation is a sizeable component of total population in both countries. The success of the second generation in the labour market reflects the long-term process of immigrant integration.

The size of the second-generation population depends, of course, on first-generation immigration levels. In absolute terms, the United States receives more immigrants than any other nation, and in relative terms, the annual immigration rate has been higher in Canada than any other country in recent years.

In Canada, in 2006 one third of the population were immigrants or their children: one in five people were immigrants, and an additional 15% were second-generation Canadians. These numbers are second only to those in Australia. And since immigration is highly geographically concentrated, the effect on some cities is considerable. In Toronto three quarters of the population are immigrants or their children. Their economic outcomes are obviously of importance.

In the United States, the proportions are somewhat lower because of lower immigration rates, but in absolute terms they are more significant. In 2006, 12% of the population were immigrants, a number smaller only than that of Canada and Australia. An additional 11% were second-generation Americans; almost one-quarter of the United States population were immigrants or their children.

Economic outcomes among first-generation immigrants entering Canada and the United States have deteriorated over much of the period since the early 1980s (Aydemir, and Skuterud, 2005; Borjas, 2000; Chiswick *et al.*, 2005; Picot and Sweetman, 2005). Obviously immigrant economic outcomes are important, but one could argue that it is the outcomes of their children that really matters. Improved economic and educational opportunities for their children are often a primary motive for immigration. And the long-term success or failure of a nation's immigration policy hinges to a considerable extent on the outcomes of the children.

Objectives

This chapter reviews the determinants of labour market outcomes of the second generation in Canada and the United States, and includes some original research for Canada. Employment, unemployment and earnings outcomes are included. Since the second-generation's labour market outcomes depend to a considerable extent on their educational attainment, a review of the determinants of educational outcomes of immigrant's children is also included.

Labour market outcomes are addressed from two perspectives. First, we ask how second-generation outcomes compare to those of the third-and-higher generation² (*i.e.* the children of native-born parents), and what are the determinants of the earnings outcome gap between these two generations. The second perspective is intergenerational. How are the children of immigrants doing compared to their parents? This requires a longer perspective, often comparing the outcomes of the children, typically as young adults, to those of their parents twenty five years earlier. The chapter employs results from both the sociological and economics literature to address these topics.

The determinants of the “gaps” in educational and labour market outcomes are important. Societies need to know why immigrant groups are performing at levels above or below that of the domestic-born, and why immigrant's children vary in performance from that of the children with native-born parents. The degree of “integration” of immigrant families is typically measured in this way.

Contextual differences between Canada and the United States

Although both Canada and the United States are major immigrant receiving countries, in recent decades, immigration patterns differed in many ways in the two countries, influencing outcomes for the second generation. Prior to the 1960s, both countries used

2. There is significant variation in the literature regarding the definition of the second and third-plus generations. The second generation may include children born to one or two immigrant parents. Typically labour market outcomes are superior for those children with two rather than one immigrant parents. The third generation comparison group may include all children of native-born – *i.e.* American or Canadian – parents, or it may only include those born with one or two White parents. There is no standard in the literature, and we attempt to convey the definitions when necessary.

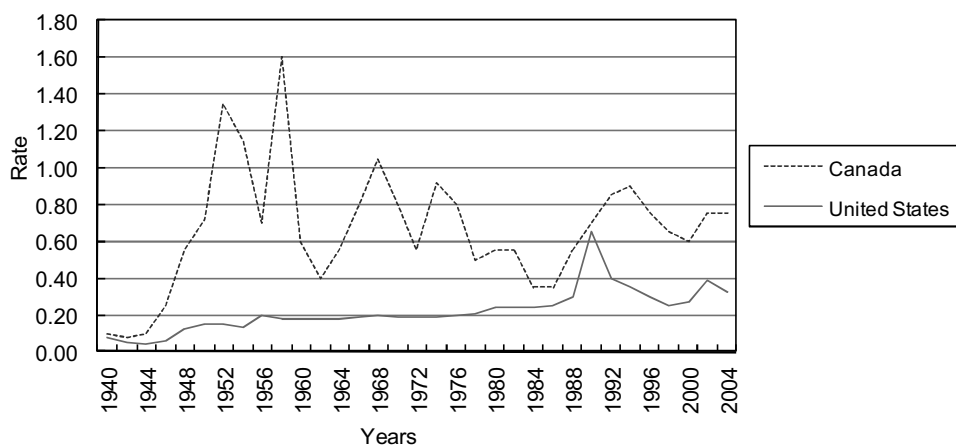
country of origin as a primary determinant of immigrant selection, focusing on western Europe. In the 1960s both countries altered their immigration policies, leading to what many researchers refer to as the “new” immigration (Green and Green, 2004; Smith and Edmonston, 1997). In Canada this meant many more immigrants from Asia and Africa, while in the United States it meant a shift more towards Mexico and other Central/South American countries.

The immigration rates from these “new” source countries increased particularly in the late 1970s and 1980s, and many children of these immigrants are just now entering the labour market. It is still early days regarding the evaluation of the labour market outcomes and their determinants for children of this “new” immigration. The children of immigrants entering during the 1970s would be under 40, and those of the 1980s immigrants under 30. And since most studies of second-generation outcomes are based on the population aged roughly 20 to 60, many of the “children” (as adults) included will stem from immigrants entering before the “new” immigration. As a result, there is more research on the determinants of educational outcomes of the children of the “new” immigration than of labour market outcomes (see Picot and Hou, 2010, summarising educational outcomes).

Smith and Edmonston (1997), Green and Green (2004) provide overviews of immigration history for the United States and Canada respectively. The historical differences are discussed in Aydemir and Sweetman (2008). There are four areas of difference in the “new” immigration that are important for second-generation outcomes.

First, immigration rates have been higher in Canada than the United States since the 1940s (Figure 3.1), and hence the first and second-generation populations are relatively larger in Canada than the United States. Second, the distribution of immigration by source regions evolved very differently in the two countries. The United States has always had a greater share of its immigration from Central and South America, including Mexico. As we will see, this is significant, since the second-generation outcomes for these groups are often inferior to those of other groups such as the Asians, to which Canada turned for much of its “new” immigration”.

Figure 3.1. Immigration rates, Canada and the United States, 1940-2004



Source: Aydemir and Sweetman (2008).

Thirdly, the United States has employed family reunification as the main immigration programme, whereas Canada also employs a “skilled worker class” which is selected on a points system. About one-half of all immigrants to Canada now enter under this class. The result has been that in general, immigrants to Canada are now more highly educated than those entering the United States. Finally, settlement policies may differ between the two countries and this could have a significant impact on second-generation outcomes. Canada adopted a “multiculturalism” policy in the 1970s, which the United States has not. This difference may result in a more welcoming environment in Canada to immigrants (and their children) from diverse cultures, but in reality the effect of this policy (if any) is difficult to judge.

There is a significant American *sociological* literature on second-generation assimilation, focusing primarily on educational and other outcomes such as crime and family formation, but less so on labour market outcomes. Much of this work is driven by the “segmented assimilation” theory. It states that a variety of factors may lead to successful assimilation, but that they can also lead to poorer second-generation outcomes and “downward” assimilation.³ Determinants such as family socio-economic status, the extent of single parenthood, the social context within which immigrants are received, discrimination, and deviant life-styles such as drugs/gangs can play a major role, particularly in “downward” assimilation. The theory predicts very different outcomes for different ethnic groups in the United States (see Portes *et al.*, 2009 for a recent overview. Other overview papers include Portes and Fernandez-Kelly, 2008; Zhou, 1997; Zhou *et al.*, 2008). This theory is largely applicable to the United States. It is rarely invoked to explain second-generation outcomes in Canada.

The *economics* literature turns to traditional determinants to explain gaps in labour market outcomes between the first, second and third-and-higher generations. These include the educational attainment of the children of immigrants, which itself is driven by as number of determinants including the educational attainment of the immigrant parents, the degree of educational mobility between immigrants and their children, the amount of “ethnic capital”,⁴ and the value placed on education by the ethnic/source region group. Other determinants of the labour market outcomes of the second generation include location of residence, source region or ethnicity, ethnic capital, parents’ expectations, and “visible minority” (racial minority) status and discrimination. The latter variable is rarely directly addressed in the economics literature literature, but is at times invoked as one of the reasons for a negative earnings gap between racial minorities and Whites. There is a substantial literature on discrimination from other disciplines, however (see Schroder, 2009).

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3. The characteristics of the assimilation pattern, including downward (poor) assimilation outcomes, are often measured in this literature by a range of outcome variables related to crime, education, etc. (Portes *et al.*, 2009).
 4. The concept of “social capital” relates to the characteristics of the ethnic group to which an immigrant or their children belong. These effects on outcomes are above and beyond those of the individual or the family. Some ethnic groups provide an environment that increases the opportunities for the members, and leads to increased chances of success in education and the labour market. This may relate to the existence of networks, advantageous role models, peer group effects, and so on. Other groups lack such advantages. Empirically, “social capital” is often measured by the average educational attainment and family income of the ethnic group to which an individual belongs.

The terms “visible minority” and “racial minority” are both used in this chapter. In Canada, the term “visible minority” is widely employed in official government documents and in the research community. It refers to non-white and non-Aboriginal population groups collectively. It is rarely used in other countries, where the term “racial minority” is more common. When referring to Canadian research, the term “visible minority” will be used, and elsewhere, racial minority.

1. Labour market outcomes among the children of immigrants in Canada

Educational outcomes among the children of immigrants in Canada

Because educational attainment is such a strong predictor of earnings and other labour market outcomes, we begin with a brief review of the educational levels achieved by the children of immigrants in Canada (see Picot and Hou, 2009 for more detail).

Second-generation Canadians have a significantly higher level of educational attainment than the third-and-higher generation. In the 2006 Canadian census data, 36% of the children of immigrants held degrees compared with 24% of the third-and-higher generation. And children with two immigrant parents register a larger positive education gap than those with only one immigrant parent (Hum and Simpson, 2007; Aydemir and Sweetman, 2008). This higher level of achievement is most noticeable among the visible minority second generation (Boyd, 2002; Aydemir and Sweetman, 2008). There is significant variation among ethnic groups/nationalities, with Chinese, Indian and African second generation registering the highest educational attainment (Abada *et al.*, 2008). However, very few second-generation ethnic groups do not outperform the third-and-higher generation.

Immigrants to Canada are more highly educated than the population as a whole, and this higher parental education among the second-generation Canadians (as compared to the third-and-higher generation) accounts for perhaps one-half of the quantitatively positive educational attainment gap between the second and third-and-higher generation (Boyd, 2002; Aydemir and Sweetman, 2008). Location of residence is important, as the second generation lives disproportionately in large urban areas where educational attainment is higher. “Ethnic capital” plays a role, accounting for perhaps a quarter of the gap (Abada *et al.*, 2008). Parents’ expectations also play a role, often an important one (Finnie and Muelleur, 2009). But much of the gap persists even after adjusting the data for all of these effects, particularly among the higher achieving ethnic groups such as the second generation with Chinese and Indian immigrant parents, two of the larger immigrant groups in Canada in recent decades.

The effect of parent’s education on the educational attainment of the children is weaker among families with immigrant rather than Canadian-born parents (Hum and Simpson, 2007). Put another way, educational mobility between the first and second generation is greater among families with immigrant rather than Canadian-born parents. This result appears to be driven primarily by the observation that children from less educated immigrant families are more likely to achieve a higher level of education than are their Canadian-born counterparts from families with similar lower levels of education (Bonikowska, 2008). The intergenerational persistence in years of schooling between the first and second generation is rather weak between immigrants and their Canadian-born children, only about one-third as strong as among families with Canadian-born parents. And immigrant family income has little to do with this intergenerational educational tie (Aydemir *et al.*, 2008).

Overall, these effects result in a much higher level of educational attainment among the children of immigrants than among their counterparts with Canadian-born parents.

Employment, unemployment and occupational outcomes

The authors found little literature on the employment, unemployment and occupational outcomes of the children of immigrants⁵ that focused on determinants. In the absence of such work, following are data for 25-54 year-olds (prime age workers) for May 2006, generated by the authors from the 2006 Canadian census.

Employment rates are virtually identical among the children of immigrants and those of Canadian-born parents, both for men and for women (Table 3.1). Overall, unemployment rates are, if anything, lower among the children of immigrants than their counterparts with Canadian-born parents (4.4% vs. 4.9%, Table 3.1). However, this pattern is not evident for all groups. These data suggest visible minority second generations are not doing as well as one might expect, given their educational backgrounds.

The unemployment rate “advantage” is observed only among the second-generation Whites. Among visible minority groups (Blacks, Asians and others), unemployment rates are higher among the second than the third-and-higher generation. Perhaps more importantly, the unemployment rates among the second-generation Canadians of Asian descent are higher than those of the third-and-higher generation Whites (5.4% vs. 4.9%), even though Asians have significantly higher educational attainment. The unemployment rates among second-generation Blacks and “other visible minorities” are even higher, at 9.2% and 8.6% respectively.

When employed, the occupations of the children of immigrants reflect their educational attainment. They are much more likely than the third-and-higher generation to be in professional and related occupations,⁶ and much less likely to be in “blue collar” occupations such as trades, transportation, manufacturing and primary industry jobs. This is particularly true for the second generation of Asian descent, where educational attainment levels are the highest (Table 3.2).

Overall, about 30% of the children of immigrants (when they are aged 25 to 54) were in professional occupations, compared to 26% of the children with Canadian-born parents. And this difference held for each of the four ethnic groups examined in Table 3.2, including Blacks, where 30% of the second generation were in professional and related occupations, which is larger than the share among third-and-higher generation Whites. Fully 37% of second-generation Canadians of Asian descents were in the professions.

Involvement in blue collar occupations was much less, as 19% were in such jobs, compared to 26% among the third-and-higher generation. Interestingly, a larger share of second-generation Whites held blue collar jobs (20%) than did Blacks or Asians (16% and 10%).

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5. The one paper that incorporated employment and unemployment outcomes used 2001 census data, and found that employment rates in the census reference week were higher among the second generation than either the first or third-and-higher, and unemployment rates roughly the same for the second and third-and-higher generations (Aydemir *et al.*, 2005).
 6. This includes natural and applied sciences and related occupations, health occupations, occupations in social science, education, government services, and occupations in art, culture, recreation and sport.

**Table 3.1. Employment and unemployment rates of the second and the third-and-higher generations
Canadians aged 25 to 54, May 2006**

	Total		Men		Women	
	Second generation	Third-and-higher generation	Second generation	Third-and-higher generation	Second generation	Third-and-higher generation
Employment rates						
Total	82.8	82.9	87.0	86.9	78.7	79.0
Education attainment						
Less than a high school diploma	69.9	66.9	76.4	74.7	60.3	56.8
High school graduates	81.5	82.4	86.4	87.1	75.6	76.9
Some post secondary education	85.1	87.2	89.4	90.7	81.7	84.6
University degree	85.3	89.9	89.0	92.9	82.1	87.4
Visible minority status						
Whites	84.1	82.9	88.4	87.0	79.9	79.0
Blacks	75.6	73.7	77.9	78.5	73.3	69.5
Asians	76.1	82.8	79.5	86.0	72.7	79.5
Other visible minorities	72.2	77.1	76.5	79.0	67.8	75.5
Unemployment rates						
Total	4.4	4.9	4.2	5.0	4.7	4.8
Education attainment						
Less than a high school diploma	7.3	9.0	6.8	8.9	8.2	9.3
High school graduates	4.9	5.3	4.7	5.4	5.2	5.3
Some post secondary education	4.1	3.9	3.7	3.8	4.4	4.0
University degree	3.5	2.8	3.1	2.5	3.9	3.1
Visible minority status						
Whites	4.1	4.9	3.8	5.0	4.3	4.7
Blacks	9.2	8.6	9.0	8.8	9.3	8.5
Asians	5.4	4.6	5.1	5.0	5.7	4.1
Other visible minorities	8.6	4.5	8.4	4.7	8.8	4.4

Source: Statistics Canada 2006 census.

Overall, there is little difference between the second and third-and-higher generation in employment and unemployment rates. However, these data show greater employment difficulties among the second-generation visible minorities, in spite of their higher educational levels. The occupational data do reflect the second-generation's educational attainment. When employed, they are more likely to be in professional and less likely to be in blue collar occupations than the third-and-higher generation.

No research was found that focused on the determinants of these outcomes. However, Hum and Simpson (2007) do find that after controlling for variables such as age, region, community size, union status, firm size and industry, annual hours worked are not significantly different between the second and third-and-higher generations.⁷

7. They find weak evidence that second-generation women work marginally fewer hours than the third-and-higher generation. They have a pooled sample of second and third-and-higher plus generation

Table 3.2. Occupational distribution of the employed second and third-and-higher generation Canadians aged 25 to 54, May 2006

	Second generation			Third-and-higher generation		
	Total	Men	Women	Total	Men	Women
Total	100	100	100	100	100	100
Management	12.9	15.5	10.2	10.8	12.8	8.6
Business, finance and administrative	20.9	11.6	31.0	19.1	9.3	29.6
Professional and related occupations	29.7	25.7	34.1	25.4	19.6	31.7
Sales and service occupations	17.5	15.2	20.0	18.6	14.7	22.7
Trades, transport, and blue collar	19.0	32.0	4.8	26.1	43.6	7.4
Whites	100	100	100	100	100	100
Management	13.5	16.2	10.6	10.8	12.8	8.6
Business, finance and administrative	20.6	10.8	31.3	19.1	9.3	29.6
Professional and related occupations	28.8	24.3	33.8	25.4	19.6	31.7
Sales and service occupations	16.9	14.7	19.4	18.5	14.7	22.6
Trades, transport, and blue collar	20.2	34.0	5.0	26.2	43.6	7.4
Blacks	100	100	100	100	100	100
Management	7.1	7.3	6.9	7.6	8.0	7.2
Business, finance and administrative	26.3	19.2	33.5	19.7	10.1	29.4
Professional and related occupations	30.1	26.4	33.9	21.2	16.3	26.1
Sales and service occupations	20.8	20.7	20.9	27.4	24.2	30.5
Trades, transport, and blue collar	15.8	26.5	4.8	24.1	41.4	6.7
Asians	100	100	100	100	100	100
Management	10.4	12.7	8.0	13.8	17.3	9.7
Business, finance and administrative	21.6	16.3	27.3	21.6	13.5	31.0
Professional and related occupations	37.3	37.6	36.9	32.7	29.4	36.4
Sales and service occupations	21.1	17.5	24.9	16.6	14.8	18.7
Trades, transport, and blue collar	9.6	16.0	3.0	15.3	25.0	4.3
Other visible minorities	100	100	100	100	100	100
Management	7.6	7.8	7.4	8.8	10.2	7.6
Business, finance and administrative	21.5	15.1	29.0	19.1	10.8	26.8
Professional and related occupations	30.6	28.0	33.5	23.7	18.1	28.8
Sales and service occupations	20.4	17.5	23.8	24.8	19.0	30.2
Trades, transport, and blue collar	19.9	31.7	6.3	23.6	41.9	6.7

Source: Statistics Canada 2006 census.

The earnings gap between the second and third-and-higher generations

The remarkable educational outcomes of the second generation in Canada, particularly among the visible minority population, should set the groundwork for potentially successful earnings outcomes. And this is largely the case. But it is difficult to focus the research on the children of the “new” post-1970 immigration, which was largely from developing countries such as China and India. The children of immigrants entering during the 1970s will be under aged 40, those of the 1980s immigrants under 30. Hence, many of the “children” (as adults) in the studies, which typically refer to the population aged roughly 20 to 60 years old, will be from pre 1970s immigrant families. Nonetheless, recent papers are beginning to provide a picture of outcomes. The 2001 Canadian census for the first time after the 1971 census included a question on the birthplace of parents, allowing the second generation to be accurately identified.

Canadians aged 25 to 70 from the 1999 Survey of Labour and Income Dynamics. This data source provides relatively small samples which precludes an analysis by ethnic group or source region.

With no controls, or controlling only for age, the second generation has earnings above those of the third-and-higher generation. For example, Aydemir and Sweetman (2008), using 2001 census data for 20-64 year-olds,⁸ show average annual earnings among male second-generation Canadians⁹ that are 13% above that of third-and-higher generation Whites, and 22% higher among women. Aydemir *et al.* (2005) report similar results across a wider range of indicators. Including individuals aged 16 to 65 and with positive earnings, they find the second generation has mean annual earnings 9% above those of the third-and-higher generation¹⁰ in the 2001 census. Hum and Simpson (2007), using the 1999 Survey of Labour and Income Dynamics find similar results; the second generation has a 10% advantage in both hourly wages and annual earnings (unadjusted).

But given the significant educational advantage that most of the second generation holds over the third-and-higher generation, these results should not be surprising.

The annual earnings advantage of the second generation over the third-and-higher generation is significantly reduced when years of schooling is controlled for, and becomes a negative with the introduction of other variables (Aydemir and Sweetman, 2008, Table 3). For males whose both parents were immigrants, their earning advantage falls from 18.9% to 8.7% after controlling for years of schooling, and when marital status, ethnicity and urban/rural and city location are added, it becomes negative, -5.5%. This last effect is related largely to the location variable: urban dwellers have higher earnings, and the second generation is more likely to live in large cities (Table 3.3).

Table 3.3. Percentage difference in annual earnings between the second and third-and-higher generation, Canada, population aged 25 to 65, 2000

	No controls	Add years of schooling	Add marital status ethnicity, urban/rural location
Males			
2 nd generation, Mom immigrant	0.133	0.059	-0.045
2 nd generation, Dad immigrant	0.077	0.009 ¹	-0.082
2 nd generation, both immigrants	0.189	0.087	-0.055
Females			
2 nd generation, Mom immigrant	0.095	0.021 ¹	-0.073
2 nd generation, Dad immigrant	0.11	0.039	-0.055
2 nd generation, both immigrants	0.299	0.186	0.016

Note: The table is based on coefficients from ordinary least square regression with log annual earnings as the dependent variable.

1. Not significant at $p < 0.05$. Other numbers are significant at $p < 0.05$.

Source: Aydemir and Sweetman (2008). The original data are from Statistics Canada 2001 census.

8. Including all persons age 20 to 64 in the labour force whether they have earnings or not. That is, they include the unemployed with zero earnings by assigning one dollar in annual earnings.
9. Where both parents were immigrants.
10. Including both Whites and visible minorities.

Hum and Simpson (2007) also conclude that the wage and earnings advantage of the second generation is overstated if education is ignored. They find that the observed wage advantage of the second over the third- plus generation¹¹ tends to disappear when the education variable is introduced.

But these results assume that the returns to years of schooling are identical for immigrants, the second generation and the third-and-higher generation. In a different model specification, Aydemir and Sweetman relax this assumption. They find lower returns to schooling for the second as compared to the third-and-higher generation (9.8% vs. 11.5% return for each additional year of schooling for males, 12.6% vs. 16.7% for females). This possibility of lower returns to higher education may be part of the explanation of the negative wage gap after accounting for educational and locational differences between the second and third-plus generations, and likely deserves more attention.

Research done by this chapter's authors based on the 2006 census suggests a more subtle picture. The larger sample in the census can support a more detailed analysis. We focus on second-generation men. Consistent with the above mentioned research, the second generation has weekly earnings about 6% higher than the third-and-higher generation, with controls for age only. But this positive wage gap is driven entirely by second-generation Whites, which has a 9% lead. Among visible minority males, the gap is -5%, in spite of the fact that they have higher educational attainment than the second and third-and-higher generation Whites. And there is huge variation among visible minority groups, with the largest gap registered by Blacks (-21%), and a small positive gap among the Chinese (Table 3.4).

Controlling for education results in a larger negative gap between second-generation visible minority groups and the third-and-higher generation Whites, as one would expect given the visible minorities' higher levels of education. Controlling for location also results in a larger negative gap. Once working time and other controls for language and marital status are added, the wage gap between the second and third-plus white generation decreases to between -5% and -14% among the second-generation visible minority groups, and about zero among second-generation Whites.

The story for women is very similar, except that the initial gaps are positive everywhere because of the very high levels of education achieved by second-generation females, particularly the visible minorities. Location is a very important variable, accounting for much of the positive wage gap, along with education.

This more recent work suggests that the unadjusted (except for age) second-generation positive wage gap is associated primarily with white men, and women. Among the visible minority populations, it is due largely to their very high levels of education, and their location. After accounting for these differences, negative wage gaps with the third-and-higher generation Whites develop. Among male visible minority groups, negative wage gaps are evident even in the unadjusted data, and the gaps increase after accounting for differences in education and location.

11. When employing controls for a number of variables such as community size, region, age, experience, industry, union status, firm size, but not education.

Table 3.4. Gap in weekly wages between the second generation and third-and-higher generation Whites, Canada, 2005

	Controlling for:					
	(1) Age, age ²	(2) (1) plus education	(3) (2) plus location	(4) (3) plus language marital status	(5) (4) plus part/full time status	(6) (5) plus occupation, industry
Coefficient x 100 = percent						
Men						
2 nd generation (all)	0.056	0.006	-0.054	-0.030	-0.016	-0.011
2 nd generation white	0.085	0.043	-0.018	-0.004	0.001	0.005
2 nd generation visible minority	-0.049	-0.130	-0.198	-0.122	-0.095	-0.086
Black	-0.212	-0.241	-0.297	-0.254	-0.177	-0.135
Chinese	0.041	-0.079	-0.157	-0.095	-0.045	-0.049
South Asians	0.008	-0.092	-0.169	-0.126	-0.067	-0.086
Other visible minorities	-0.086	-0.142	-0.202	-0.157	-0.107	-0.087
Women						
2 nd generation (all)	0.141	0.069	-0.016	-0.005	0.009	0.004
2 nd generation white	0.137	0.077	-0.003	0.007	0.017	0.017
2 nd generation visible minority	0.158	0.044	-0.071	-0.057	-0.027	-0.052
Black	0.061	-0.010	-0.130	-0.126	-0.079	-0.100
Chinese	0.247	0.088	-0.031	-0.007	0.011	-0.023
South Asians	0.190	0.047	-0.069	-0.049	-0.023	-0.057
Other visible minorities	0.113	0.038	-0.068	-0.052	-0.024	-0.035

Note: Coefficients from Ordinary Least Square regression with log weekly wages as the dependent variable.

Source: Statistics Canada 2006 census.

We found no other papers that addressed the determinants of the second-generation labour market outcomes in Canada. However, there is a significant body of research asking if there is a wage gap between visible minorities and Whites in Canada. For a review of this research, see Hou and Coulombe (2009). Results have been mixed; some papers find a wage gap between visible minorities and Whites (Baker and Benjamin, 1994; Pendakur and Pendakur, 1998; Stelcner, 2000), while others find no wage gap among men, or one restricted to the black population (Hum and Simpson, 1999; Pendakur and Woodcock, 2008). However, the largest samples from the census data suggest that there is indeed a negative wage gap between visible minorities and Whites, even in the raw data. This is consistent with the research reported above on second and third-and-higher generation earnings gaps, and the important role played by visible minority status.

Other work based on ethnic groups who have received their education in Canada¹² suggests that not only do the levels of educational attainment vary significantly among ethnic groups, as noted earlier, but there is also large variation in the economic returns to an additional year of schooling among ethnic groups (Sweetman and Dicks, 1999). Both

12. This includes the 1.5 generation (immigrated to Canada before the age of 15) plus the second and higher generation Canadians.

of these factors would influence earnings outcomes among ethnic groups, but more importantly, even after controlling for education and other variables, differing returns to education would contribute to difference wage levels among ethnic groups.

Economic integration among visible minorities in Canada may be a multi-generational process. Skuterud and Hou (2008), using data from the 2001 and 2006 censuses, focus on the weekly earnings gap across generations. They find, after including a number of controls, that the earnings gap between visible minority groups and the third-and-higher generation Whites diminishes from the 1.5 generation (those who came to Canada before 12 years old), to the second, and to the third-and-higher generation of visible minorities. More specifically for our purposes, they find that after conditioning on a large number of variables including educational attainment,¹³ second-generation males in all visible minority groups earned less than the third-and-higher generation Whites. In 2005, the weekly earnings gap ranged from -.14 log points (roughly -14%) among Blacks to -.033 among the Chinese.¹⁴

The intergenerational transmission of earnings among immigrant families

The extent to which earnings are transmitted between immigrants and their children is a concern in Canada. If the degree of transmission (correlation) is strong, whatever the mechanism, it would hold serious implications for the outcomes of future cohorts of the children of immigrants, given the significant downturn in economic outcomes of entering immigrants since the 1980s. But not surprisingly, earnings transmission between the first and second generations is closely tied to the degree of intergenerational transmission of education.

The educational attainment of the second generation is perhaps the most important determinant of their labour market outcomes. It in turn is driven to a considerable extent by first, the educational attainment of the immigrant parents, and second, the educational mobility between the immigrant parents and the children. Ideally, children from immigrant families with less educated parents (or low incomes) would display considerable upward intergenerational mobility (little intergenerational transmission of education), achieving higher levels of education.

Aydemir, Chen and Corak (2005) concentrate on the earning mobility between the first and second generation in Canada. They find that on average, the second generation earned more than their immigrant parents at comparable points in the life cycle. However, the fathers' earnings are somewhat correlated with that of the sons; the son's earnings are about 2.7% higher for each 10% increase in the father's earnings (an intergenerational income elasticity of 0.27). But this is a relatively low correlation between the fathers and sons earnings. This correlation is roughly twice as high in the United States as in Canada, meaning earnings mobility is greater in Canada than the United States and the extent to which the sons' earnings are correlated with the fathers is about the same for immigrant

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13. More specifically, potential labour market experience, years of schooling, highest educational credential, part-time/full-time job status, marital status, language, location of residence, city/province, detailed occupation and industry.
 14. While negative, these gaps are significantly smaller than reported by Aydemir and Sweetman (2008). However, the fact that the Skuterud and Hou paper (2008) did not allow returns to education to vary across generations, and they have many more detailed controls, may account for some of the difference.

families as for the Canadian-born. By international standards this is a fairly high degree of earnings mobility. It is comparable to that in the Nordic countries, and well above that in the United States or United Kingdom. The fathers' earnings are less of a predictor of the earnings of the sons in Canada than in many countries, among both immigrant and Canadian-born families.

As noted, educational attainment of the children is the most obvious mechanism for intergenerational earnings mobility. Aydemir *et al.* (2005) ask to what extent the higher educational attainment of the second generation drove the degree of intergenerational earnings mobility observed. They find that for Canada, education of the children is not the main pathway driving the intergenerational elasticities. They find returns to education of the second generation are low, and the relationship between fathers' income and sons' educational attainment is fairly weak. This is consistent with earlier findings reported above. It is not family income that drives the educational attainment of the children.

Turning to the issue of "ethnic capital" introduced by Borjas (1992), Aydemir *et al.* (2005) find that the average level of paternal education in the immigrant community is important. They hypothesise that more educated communities are able to steer their children through the barriers they may face in broader society in a way that gives them an advantage.

They find that the intergenerational correlation in earnings (*i.e.* stickiness in wages) that does exist is largely observed at the top of the earnings distribution; it is the sons from higher income families who become the high income earners in adulthood. However, much of this outcome is driven by the high average parental educational attainment of the (wealthier) community. That is, "ethnic capital" is an important determinant of the intergenerational transmission of earnings. When this is controlled for, the outcome is reversed; it is the children of the poorer immigrant families who become the above average earners. That is, conditional on the educational attainment of the parents in the community, children of the poorer immigrant families do very well.

Summary of the Canadian labour market outcomes

One would expect labour market outcomes to reflect the significant educational advantage held by the second generation over the third-and-higher generation in Canada, and in the aggregate they do. Overall, unadjusted (raw) employment, unemployment and earnings data suggest that, on average, the children of immigrants are doing as well as or better than the children of Canadian-born parents. Employment rates are similar, unemployment rates lower, and earnings higher among the children of immigrants than the third-and-higher generation. However, these raw aggregate data mask important differences between the generations.

Employment and unemployment data suggest greater employment difficulties among the second-generation visible minorities. The occupational data reflect the second-generation's educational attainment, and among those employed, they are more likely to be in professional and less likely to be in blue collar occupations than the third-and-higher generation.

Among those employed, average earnings of second-generation Canadians surpass those of the children of Canadian-born parents, with no controls. Educational attainment accounts for more than half of the earnings advantage, and location of residence is also important. Immigrants and their children tend to live in large urban centres where wages are higher. The second-generation's very high level of educational attainment, and the

fact they live in large urban centres, allow them to achieve earnings levels (unadjusted) equal to or above that of the third-and-higher generation.

However, this story does not apply to second-generation male visible minorities in particular. They earn less than the third-and-higher generation Whites in spite of the fact that they are more likely to live in large centres, and have higher levels of educational attainment. After accounting for these differences (and the fact that they are less likely to work in full-time jobs and controlling for other demographic and work characteristics), their wage gap with the third-plus white generation is in the -5% to -14% range.

After accounting for education, the visible minority second generation earns less than the third-and-higher generation in part because their returns to education appear to be lower. Considerable research on the wage gap between Canadian-born visible minorities and Canadian-born Whites also suggests a negative wage gap.

It may be that economic integration is a multi-generational process. The earnings gap for visible minorities (relative to third-and-higher generation Whites) is reduced across generations; it is the greatest among the first generation, decreases with the second, and falls even more among the third. This may be related to a very long term acculturation process.

There is considerable intergenerational earnings mobility between the first and second generations. Intergenerational earnings mobility is about the same among immigrant families as among Canadian-born families, and greater than among immigrants or the American born in the United States. Ethnic capital is an important determinant of this process in Canada. It not only accounts for part of the educational outcomes of that generation, but is an important factor in the transmission of earnings from the first to the second generation, above and beyond its effect on the education of the second generation.

2. Labour market outcomes among the children of immigrants in the United States

A brief summary of educational outcomes

Since educational attainment is such an important variable regarding labour market outcomes, following is a brief summary of second-generation educational outcomes from a review paper by Picot and Hou (2009).

American children with immigrant parents have unadjusted educational attainment levels roughly equal to, or marginally higher than, the children of American-born parents (Card *et al.*, 2000; Chiswick and Deburman, 2004). The difference may be more significant among the 25-54 year-olds, with 38% of second-generation Americans holding degrees, compared to 30% of the third-and-higher generation (Mosisa, 2006). It is clear that after accounting for differences in parents educational attainment, location, family status and other variables, the second generation is seen to outperform the third-and-higher generation educationally (Card *et al.*, 2000; OECD, 2006).

But as in Canada, there are significant ethnic group/nationality differences. In the United States, Americans whose parents were immigrants from Mexico or other Central/South American countries have significantly fewer years of schooling than the third-and-higher generation Whites, while those from Europe, Asia and Africa register more. Much of this inter-ethnic group difference is related to differences in the educational attainment of the parents.

The sociological literature finds that parents' education and socio-economic status are important, but even after accounting for these factors differences in educational outcomes among ethnic groups persist, as they do in Canada (e.g. Rumbaut, 2005). Parental expectations regarding educational attainment may play a major role, and so does family structure; second-generation children from intact families are seen to have superior outcomes. The incidence of lone parenthood is greater among some ethnic groups than others.

The degree of “stickiness” between the educational attainment of the immigrant parents and that of their children is greater in the United States than in Canada (Card *et al.*, 2000; Card, 2005). That is, the correlation between the parent's and their child's educational attainment is higher. There may be dimensions of the Canadian education system that result in higher levels of educational mobility between generations. More is said of this later. Encouragingly, as in the Canadian case, some research suggests that the major gains of the second generation over the third-and-higher generation are made by children whose parents have very low levels of education. And also as seen in Canada, it is the fathers' education, not income that is the primary determinant of educational outcomes of the children.

Much of the concern regarding educational outcomes in the United States focuses on the Mexican and Hispanic immigrant communities. However, significant gains in relative educational attainment are made by these groups across generation from the immigrants (first generation), to their children, and even to the third-and-higher generation (Smith, 2003). Blau and Kahn (2004) found significant intergenerational gains in educational attainment between the first and second Mexican generations, but not beyond. Fry and Lowell (2006) also conclude that assimilation progress among Mexicans appears to stall after the second generation. Little evidence of “downward assimilation” is observed in this research, however, at least regarding educational attainment outcomes (Smith, 2003). Nonetheless, given the low levels of educational attainment among Hispanic and Mexican immigrants, educational gaps (with the third-and-higher generation Whites) may well persist among the second generation in these ethnic groups, in spite of the gains that they are making.

Participation rates, unemployment rates and occupational outcomes

As in Canada, little work was found focusing on the determinants of employment, unemployment and occupational outcomes among the children of immigrants. Mosisa (2006) produced descriptive results based on data from March, 2005 Current Population Survey.

Among 25-54 years-olds, labour force participation rates are about the same for the children of immigrants as among the third-and-higher generation of Americans, at around 80% (Table 3.5). There are some ethnic group differences. Second-generation Asians and Blacks had rates around 80%, while Hispanics and Latinos had somewhat higher rates at 83% and Whites at 85%. Unemployment rates were also very similar between the second and third-and-higher generations (at 4.6%), although there was some variation by gender. Among males, the second generation had higher rates, while among women their rates were lower.

Table 3.5. Employment and unemployment rates of the second and the third-and-higher generation Americans aged 25 to 54, March 2005

	Total		Men		Women	
	Second generation	Third-and-higher generation	Second generation	Third-and-higher generation	Second generation	Third-and-higher generation
Labour force participation rates						
Total	79.6	79.2	84.9	84.7	74.0	74.0
Education attainment						
Less than a high school diploma	68.9	63.6	77.0	72.2	59.0	53.8
High school graduates	79.1	80.5	86.7	86.9	69.6	73.6
Some post secondary education	85.5	84.4	92.4	90.5	78.6	79.5
University degree	87.6	89.4	93.1	95.3	82.4	84.1
Ethnic background						
White non-Hispanic or Latino	84.5	84.2	90.9	90.9	77.7	77.7
Blacks	79.9	78.7	85.1	79.7	74.9	77.9
Asians	80.9	80.3	84.1	87.2	77.0	73.7
Hispanic or Latino	82.8	78.8	90.5	85.5	75.2	72.5
Unemployment rates						
Total	4.6	4.6	5.5	4.9	3.6	4.2
Education attainment						
Less than a high school diploma	8.3	11.9	6.5	10.7	11.2	13.8
High school graduates	6.4	5.8	8.4	6.2	3.3	5.2
Some post secondary education	4.6	4.3	6.4	4.5	2.5	4.2
University degree	3.1	2.2	2.7	2.4	3.5	2.0

Source: Mosisa (2006).

The marginally higher educational attainment of the second generation as a whole in the United States is reflected in the occupational outcomes (Table 3.6). Overall, the children of immigrants aged 25-54 years old were more likely to be in professional occupations than the third-and-higher generation (27% compared to 23%). But there was considerable difference by ethnic group, again reflecting to some extent educational attainment. Among the children of immigrants, Asians had the highest proportion in professional occupations, at 36%, followed by Whites and Blacks, where around 30% were in professional occupations in 2005. Americans of Latino/Hispanic origin were least likely to be in professional occupations, at around 19%. They also had the smallest share holding degrees, at around 21%. The children of black immigrant families were much more likely to be in the professions than their black third-and-higher generation counterparts (at 17%), likely because their educational attainment was much higher. Thirty-seven percent of second-generation Blacks held degrees, compared to only 18% of third-and-higher black generation.

Table 3.6. Occupational distribution of the employed second and third-and-higher generation Americans aged 25 to 54, March 2005

	Second generation			Third-and-higher generation		
	Total	Men	Women	Total	Men	Women
Total	100	100	100	100	100	100
Management, business and financial operations	17.6	16.7	18.8	16.3	17.2	15.4
Professional and related occupations	27.1	22.4	32.8	22.8	17.7	28.3
Sales and service occupations	37.0	30.8	44.4	37.8	27.0	49.4
Blue collar:construction/transport/production, etc.	18.2	30.1	4.0	23.1	38.2	6.9
White non-Hispanic or Latino	100	100	100	100	100	100
Management, business and financial operations	20.8	21.2	20.2	17.5	18.7	16.2
Professional and related occupations	30.0	23.7	37.7	24.0	18.7	29.9
Sales and service occupations	32.3	26.9	38.8	36.0	25.6	47.8
Blue collar:construction/transport/production, etc.	16.8	28.2	3.3	22.5	37.0	6.3
Blacks	100	100	100	100	100	100
Management, business and financial operations	12.1	8.2	15.9	10.6	8.5	12.3
Professional and related occupations	30.3	30.0	30.6	17.4	11.6	22.1
Sales and service occupations	44.8	36.3	53.3	45.9	34.7	54.9
Blue Collar:construction/transport/production, etc.	12.8	25.6	0.3	26.1	45.3	10.7
Asians	100	100	100	100	100	100
Management, business and financial operations	19.0	14.3	25.3	19.2	19.9	18.4
Professional and related occupations	36.7	37.9	35.1	31.1	26.6	35.8
Sales and service occupations	32.9	30.5	36.2	39.7	38.1	41.4
Blue collar:construction/transport/production, etc.	11.4	17.3	3.4	10.0	15.4	4.3
Hispanic or Latino ethnicity	100	100	100	100	100	100
Management, business and financial operations	12.3	10.5	14.4	12.7	12.5	12.9
Professional and related occupations	19.2	13.7	25.7	16.5	12.7	20.8
Sales and service occupations	45.2	37.6	54.2	45.6	33.4	59.3
Blue collar:construction/transport/production, etc.	23.3	38.2	5.7	25.2	41.5	7.0

Source: Mosisa (2006).

In spite of their higher levels of education, and higher proportion in professional occupations, the median annual earnings of second-generation *males* were about the same as the third-and-higher generation (USD 44 000 and USD 43 000 respectively). The unadjusted (raw) data suggested that second-generation women earned more than their third-and-higher counterparts. Not surprisingly, here too there were significant differences by ethnic groups. Second-generation Asians earned the most (at USD 47 000), followed by Whites, Blacks and Hispanic/Latinos (the latter at USD 33 000). This in part reflects education and occupation differences. Notably, second-generation Blacks earned significantly more than their third-and-higher generation counterparts (USD 40 000 vs. USD 30 000).

The earnings gap between the second and third-and-higher generations

As noted above, absent any controls, the labour market outcomes of second-generation Americans at any point in time are very similar to those of the third-and-higher generation Whites, and superior to those of the third-and-higher generation racial minorities. Using data from the early 2000s, Aydemir and Sweetman (2008) find employment and unemployment rates and earnings that are very similar between the

second and third-and-higher generation (Table 3.7).¹⁵ After controlling for age, second-generation immigrants earn more than their third-and-higher generation counterparts. Card (2005) finds that after controlling for age, second-generation immigrants have an 8% higher wages. Borjas (2006) finds a 7% to 9% gap in 2000.

Table 3.7. Labour market outcomes of second and third-and-higher generation Americans, no controls, population aged 25 to 65, 1998 to 2004

	Immigrant		Second generation			Third-and-higher generation	
	Age at immigration ≥ 2 years	Age at immigration ≤ 1 year	Father only	Mother only	Both	White	Other
Males							
Employed (%)	85.4	86.2	81.4	84.9	82.5	84.6	74.6
Unemployed (%)	4.6	4.4	3.4	4.1	3.8	3.3	6.2
Annual earnings (USD)	32.3K	36.9K	43.6K	44.5K	40.8K	42.1K	27.5K
Females							
Employed (%)	58.2	71.4	69.9	74.6	69.9	71.5	68.5
Unemployed (%)	4.3	3.1	2.7	3	3.3	2.3	4.8
Annual earnings (USD)	14.5K	22.2K	22.3K	23.0K	21.5K	21.2K	18.4K

Source: Aydemir and Sweetman (2008) with data from the Current Population Survey.

But as noted in much of the literature, source region of the parent (immigrant) is an important determinant of these wage differentials. In 2000, second-generation members with parents from Mexico, Nicaragua, Haiti, El Salvador and the Dominican Republic had wage gaps in the order of -4% to -19% (age adjusted, compared to third-and-higher generation as a whole), while those whose parents were from countries like Canada, Germany, Greece, India, Poland, and the United Kingdom had large positive gaps in the range of 17% to 27% (Borjas, 2006). This is important because of the increase in the share of immigrants from Mexico and other Central and South America.

The overall relative wage advantage of the second generation has been declining through time in the United States. Borjas (2006) shows that the wage advantage of second-generation males over their third-and-higher counterparts (age adjusted only) has declined from 18% in 1940, to 15% in 1970, and just 6% in 2000. Just as relative earnings among immigrants has been declining, certainly since the late 1970s, so too have relative wages among the children of immigrants. Changing source regions and factors correlated with it, such as educational attainment, language, education quality, discrimination, etc., is a large part of the explanation for the decline in *immigrant* earnings in both Canada and the United States, and that may be the case among the second generation as well.

Borjas (2006) finds that controlling for both education and age reduces the gap between the second and third-plus generation males to 3% from 6%. In a separate study, Card (2005) controls for region of residence and reduces the gap between the second and third-plus generations to around 3% from 8% (Table 3.8). Adding controls for education reduces it yet again, to around 1.5%. Hence, most of the wage gap between second and

15. They compute estimates for various types of second and third-and-higher generation Americans. See Tables 11 to 13 in Aydemir and Sweetman (2008).

third-and-higher generations at a point in time can be accounted for by where they live and their higher educational attainment. These two variables are important in explaining the wage gap in Canada as well. Location of residence seems to be particularly important, since immigrants and their children cluster in large urban areas where wages are higher. However, these specifications assume identical returns to education for third and third-and-higher generations, and some Canadian research, and United States research shown below, suggests lower returns for second-generation visible minorities in particular.

Table 3.8. Hourly wage gap between second and third-and-higher generation Americans, population aged 21 to 64, 1995 to 2002

	Coefficients = (roughly % differences)			
	Controls for:			
	(1)	(2)	(3)	(4)
	age	(1) plus region/urban	(2) plus education	(3) plus race/ethnicity
Men	8.0	3.6	1.5	2.3
Women	8.3	3.0	1.2	1.9

Note: Virtually all coefficients are statistically significant.

Source: Card (2005). Original data are from Current Population Survey.

The research of Aydemir and Sweetman (2008) (and others) suggest that educational attainment reduces the gap (Table 3.9). However, as with the Canadian case, they find some evidence that the returns to education are lower among second-generation Americans than the third-and-higher generation. Returns to years of schooling are seen to be 14.0% for each additional year among third-and-higher generation, and 12.6% among second-generation males. Similar differences are observed for females, although the rates of return are higher than for males. While the differences in the rates of return are not statistically significant, they are of the same order of magnitude as in the Canadian case, where they are statistically significant due to the larger sample.

Table 3.9. Percentage differences in annual earnings between second and third-and-higher generation, United States, population aged 25 to 64, 1998 to 2004

	(1)	(2)	(3)
	No controls	(1) plus years of schooling	(2) plus add marital status ethnicity, urban/geographic location
Males			
2 nd generation, Mom immigrant	0.014	-0.015	0.004
2 nd generation, Dad immigrant	-0.026	-0.068	-0.068
2 nd generation, both immigrants	0.021	-0.009	0.001
Females			
2 nd generation, Mom immigrant	0.077	0.055	0.006
2 nd generation, Dad immigrant	0.023	-0.019	-0.072
2 nd generation, both immigrants	0.088*	0.077	-0.026

* Statistically significant

Note: The table is based on coefficients from ordinary least square regression with log annual earnings as the dependent variable.

Source: Aydemir and Sweetman (2008). Original data are from the Current Population Survey.

The intergenerational transmission of wages among immigrant families

As in Canada, there is concern in the United States about the intergenerational transmission of earnings, given that earnings have declined among entering immigrants since the 1980s. If intergenerational transmission between immigrants and their children is strong, then wage declines among immigrant parents in the 1980s and 1990s may be passed on to future generations of their children.

Borjas (2006) focuses on the intergenerational transmission of earnings, and factors affecting it. Wages of the second generation are seen to be 5% to 10% higher than that of the first-generation parents. Rising intergenerational educational attainment levels appear to be responsible for much of the intergenerational wage gain, since the intergenerational wage gain largely disappears once the data are adjusted for differences in educational attainment between generations. He estimates an intergenerational wage correlation, after controlling for age, of around .56 for men over the 1970 to 2000 period, and .28 for women. That is, in the case of men, about half of the wage advantage or disadvantage of the parent is passed on to the offspring. These correlations are higher than in Canada, suggesting wages are “stickier” between immigrant generations in the United States than Canada, and intergenerational wage mobility less.

Once again, education appears to account for much of this “stickiness” in wages between generations in the United States. After controlling for both age and education, these intergenerational correlations decline by about half, to .25 for men, for example. Much of the intergenerational transmission of wages reflects intergenerational transmission of education. The estimate of the (age adjusted) intergenerational wage correlation .56 for men, for example, is higher than that typically observed among the United States population as a whole (between .2 and .4). Thus, wage “stickiness” between immigrants and their children is relatively high.

Borjas (2006) argues that this greater degree of intergenerational stickiness is associated with “ethnic capital”. That is, a child’s outcome depends not only on their parents’ socio-economic status and activities, but also on the ethnic environment in which the child is raised. An advantaged environment, where most parents have a university education, for example, provides the children with valuable characteristics that improve their outcomes later in life, independent of family effects. An environment where most members are high school drop-outs may have the opposite effect. Borjas points to a number of studies that suggest “ethnic capital” can have such an effect (Borjas, 1995; Cutler *et al.*, 2005). Canadian research also suggests that “ethnic capital” is an important component of the intergenerational transmission of wages (Aydemir *et al.*, 2005).

The concern regarding wage stickiness seems to be related largely to the low wages and educational levels among immigrants with Hispanic, notably Mexican, backgrounds. Will these lower levels be passed on to their children? Smith (2003) addresses the issue of intergenerational educational attainment and wage transmission for Hispanics (including Mexican) father-son pairs. He finds rapid decreases in the wage gap with the third-and-higher generation from the first to second generations. For example, Mexican *immigrants* born between 1940 and 1944 had a wage gap (deficit) of 35% with the third-and-higher generation Whites, age adjusted. Among their sons, the gap was reduced to 18%.

Much of this wage gap is due to the fact that the educational attainment among Mexicans, no matter which generation, is less than among the third-and-higher generation Whites. Hence, one would expect them to earn less. Focusing on the gap between the second-generation Mexicans and third-and-higher generation Whites, Smith (2003)

concludes that these differences in educational attainment account for a little less than half of the gap. It falls from 17% to 10% when adjusted for educational attainment. Hence, while educational attainment counts for some of the wage gap, much remains after adjusting for that factor.

Fry and Lowell (2005) come to a similar conclusion when focusing on the wage gap between second-generation Latino (Mexican, Puerto Ricans and Central/South Americans) workers and third-and-higher generation Whites. They find that more than half of the negative wage gap is accounted for by the lower educational attainment and potential experience of the second-generation Latino Americans.

Smith (2003) finds intergenerational transmission elasticity of .46 between the first and second-generation Mexicans, somewhat on the high side compared to estimates for non-immigrant populations in the United States, which tend to be in the .2 to .4 range. There is a considerable degree of “stickiness” in the intergenerational transmission of wages among Mexicans. As noted above, this stickiness was noted by Borjas (2006), who argues that “ethnic capital” may be responsible. Hence, although there are intergenerational gains made by the Mexican population, the regression to the mean wage is slower among this group than the non-immigrant populations. The disadvantages apparent among the immigrant parents are passed on to a greater extent than for non-immigrant families.

Summary of labour market outcomes in the United States

Participation rates and unemployment rates among the children of immigrants and those of American-born parents are roughly the same. Reflecting their somewhat higher level of education, a larger share of second-generation Americans are in the professions than is the case for the third-and-higher generation. Particularly high levels of concentration in professional occupations are evident among the children of immigrants of Asian background. Second-generation Blacks also have a relatively high share in the professions, equal to second-generation Whites, and much above third-and-higher generation Blacks.

Second-generation Americans earn, on average, about the same or somewhat more than their third-and-higher generation counterparts (age adjusted). But this positive wage gap has declined significantly over the past few decades, just as the negative wage gap between immigrants and the third-and-higher generation has increased. Both trends are driven to some extent by the change in composition of immigrants by source region.

There is significant variation in the second/third-generation gap by ethnic group/nationality. Children of immigrants parents from Mexico and other Central/South American countries earn significantly less than the third-and-higher generation as a whole, while those with parents from Canada and western and northern Europe earn more. And the share of immigrants, and hence of the second generation as well, from the former countries has been rising over time.

Much of the economics research in the United States focuses on the intergenerational transmission of wages between immigrants and their children. The children do experience higher average wages than their immigrant parents, largely because of higher educational attainment. But the intergenerational transmission of wages is stickier among immigrant families than the United States population as a whole.

Immigrant ethnic groups with a wage advantage pass this on to their children more than is the case for American families as a whole, and those with a wage disadvantage also pass

this on to a considerable extent, and more than among Canadians, immigrants or not. Intergenerational transmission of educational attainment is also relatively “sticky” among immigrant families in the United States, and some of the stickiness in wages reflects this stickiness in educational attainment. Much of it also likely reflects the effect of “ethnic capital”, part of which is the educational attainment of the community as a whole.

This intergenerational transmission process could be detrimental for Hispanics and Mexicans, as noted in the “segmented assimilation” literature. Lower parental educational attainment, a greater share of single parent families, discrimination and deviant lifestyles (drugs, gangs) are seen to result in poorer integration outcomes for these ethnic groups, among others.

However, the economics literature suggests that there is positive assimilation along the wage dimension among Hispanics and Mexicans in the United States. Wages are higher among second-generation children than among their immigrant parents. Perhaps more importantly, the negative wage gap with the third-and-higher generation Whites is large among immigrants in these ethnic groups, but narrows considerably among the second generation (their children), and is even smaller among the third generation. This progression is partly related to higher levels of education among successive generations.

Assimilation is seen to be a multi-generational process in the United States as in Canada. Nonetheless, even though there are on average intergenerational gains in relative wages, even among Hispanics and Mexicans, the low levels of educational attainment and wages among the immigrant parents, and relatively sticky intergenerational processes, does mean lower wages among the second-plus generation, even with positive assimilation. And the share of immigrants and second-generation American in these groups has risen over the past 30 years.

3. A summary of the determinants

The research reviewed above suggests that the determinants of *earnings* outcomes (notably earnings gaps) for the second generation include:

- *Years of schooling*: an important determinant of wages in any wage model, this variable accounts for one half to two thirds of the positive wage gap between the second and third-and-higher generation in Canada, and perhaps all of the gain in wages between the first and second generation in the United States. But some research suggests that the second-generation visible minority population have lower returns to education than the third-and-higher generation, reducing the effect of this variable on the earnings of the second generation.
- *Location*: this is an important determinant of the wage gaps. Wages tend to be higher in large urban areas than elsewhere, and it is here that immigrants and their children (as adults) tend to cluster. This variable accounts for almost as much of the difference in the second and third-and-higher generation wage gap as does years of schooling.
- *Ethnic group/Source region*: even after controlling for variables such as those mentioned above, ethnic group differences in earnings among the second generation persist. In Canada, Blacks tend to earn less, the Chinese more than other visible minority groups. And there are significant differences in the economic returns to education across ethnic groups educated in Canada which will influence earnings outcomes.

- *The “stickiness” of wages between the first and second-plus generation:* since first-generation immigrants in many ethnic groups find themselves with very low wages (relative to the third-and-higher generation), wage mobility between these immigrants and their children (as adults) is important. Generally speaking, wage mobility is greater among immigrant families in Canada than in the United States, just as it is among the population as a whole. Much of the higher level of “stickiness” is a reflection of the higher intergenerational stickiness of educational outcomes also observed in the United States. In the United States, intergenerational wage transmission is particularly sticky among Mexicans, although the Mexican second generation does, on average, outperform their immigrant parents.
- *Ethnic capital:* this variable is seen to play a major role in the intergenerational transmission of wages (from the first to the second generations). In Canada, the average level of educational attainment of the ethnic community is an important determinant of the wages of the second generation. In the United States, the lower intergenerational wage mobility is seen to be in part due to a lack of “ethnic capital” among some groups, notably Mexican immigrant communities.

4. Conclusions

Overall, the children of immigrants in both Canada and the United States, along with Australia and to a lesser extent the United Kingdom, register very positive educational and labour market outcomes. In the aggregate, employment and unemployment rates are equal to or better than those of the third-plus generation, and among those employed, earnings are superior. And reflecting their high levels of education, the second generation is more likely to be in professional occupations than their third-plus generation counterparts. Generally speaking, such evidence does not suggest a need for a significant active policy response.

There are a couple of caveats regarding this overall positive picture, and possible future outcomes.

First, there are significant differences in outcomes among ethnic/source region groups. Basically, second-generation *Canadians* whose parents originate from developing nations such as China, India and Africa have superior educational outcomes, but those with backgrounds from developed nations such as Europe, the United States and Australia have superior economic and labour market outcomes. Evidence is emerging to suggest that although the second-generation visible minority population does as well or better economically compared to the third-plus generation, in large part because of their very high education level, they may have more difficulty converting education to earnings than other second-generation groups, or the third-and-higher generation. Evidence on this point remains preliminary, so at the very least more research is required. In Canada, for this issue the focus is really on the black population, where negative wage gaps with the third-and-higher generation Whites are the largest (around 10% to 15% after controlling for socio-economic differences). The black population is a relatively small population in Canada, only 6.7% of immigrants, 3.2% of the second generation, and 1.1% of the third-and-higher generation were Black in 2006.

In the United States, concerns in the sociological literature regarding “downward assimilation” focus on the outcomes of the children of Mexican and South American immigrants. This “segmented assimilation” literature suggests that deviant lifestyles, low-educational attainment among the parents, and larger number of single parent families combine to produce poor outcomes for the Hispanic/Latino second generation. It is

important to recall that the economics literature suggests that, on average at least, there are significant improvements intergenerationally among Mexican and Hispanic immigrant families. Furthermore, the children from Mexican immigrant families outperform the third-plus generation with similar family characteristics. But the educational attainment of the parents is very low, and hence, even with this higher level of performance, outcomes among the children remain an issue. The lower level of intergenerational educational and earnings mobility observed among the Mexican immigrant families also plays a role.

Of course, discrimination, either statistical¹⁶ or preference/taste-based,¹⁷ cannot be ruled out as contributing to this issue. Most laboratory and field experiments suggest that some form of discrimination against racial minority groups is evident in labour market processes (see Schroder, 2009 for a review). But these are mostly European or United States based studies, where this issue is more salient, since second-generation outcomes among racial minorities are less positive than in Canada. In a randomised Canadian field experiment, Oreopoulos (2009) did find that job applicants with English sounding names and Canadian experience were much more likely to be called for an interview (all other job and personal characteristics identical) than those with Asian sounding names, and foreign experience. But whether this points to discrimination or employers' concerns regarding language (among immigrants) and other traits is not known.

The second caveat to the generally positive results relates to the direction in which educational and labour market outcomes of the second generation may move in the future. The results reported are derived primarily from the children of immigrants who entered North America before the 1980s. The economic conditions of entering immigrants deteriorated significantly through the 1980s and 1990s. It is too early to tell if poorer economic integration among the immigrant parents will influence the educational and labour market outcomes of their children in the years to come.

But there are reasons to believe second-generation outcomes in Canada and the United States will move in different directions in the future. These reasons relate to the changing composition of the immigrant population since the 1980s. We focus on *Canada* first. Because of changes in the selection process for skilled economic immigrants, the educational attainment of entering immigrants rose dramatically. Various authors¹⁸ have commented on the positive effect on the second-generation educational outcomes of selecting highly educated immigrants in the first generation. This positive effect will probably increase in the future. In 1981, one-quarter of recently entering male immigrants¹⁹ had a university degree; by 2006 it was almost 60%. The trend is similar among women, but the proportions somewhat lower (Annex 3.A1). The educational attainment of the parents is an important determinant of educational and hence labour market, outcomes of the children. Rising educational attainment of immigrants should

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16. Where information on the productivity or language ability of the individual is difficult to obtain, and hence decisions regarding hiring, for example, are made based on the employers notion (real or perceived, correct or incorrect) of the characteristics such as language or productivity of the group to which the individual belongs, rather those of the individual.
 17. Where employers, customers or colleagues prefer people of one group over that of another, independent of any considerations regarding productivity, work ethic, etc.
 18. E.g. Boyd (2002); Aydemir and Sweetman (2008); Hum and Simpson (2007).
 19. Aged 25 to 54 and entered during the previous five years.

have a strong positive effect on the outcomes (particularly the educational attainment outcomes) of the children of immigrants in the future.

Second, Canada displays considerable mobility in the intergenerational transmission of educational and labour market outcomes among immigrants. Coming from a less educated immigrant family (or a poor one) does not dictate that the children will have poor educational or labour market outcomes. The “stickiness” in the intergenerational transmission of education is much lower among immigrant than Canadian-born families, and lower among Canadian families than American ones, immigrant or not. A child from a less educated immigrant family is more likely to achieve a higher level of education than that from a similarly educated family with Canadian-born parents. And declining incomes among the more highly educated families may have little effect, since educational outcomes of the children are driven more by the educational attainment of the parents than their incomes. There is some preliminary evidence based on the 1.5 generation, children entering Canada under the age of 12 years old, to support this view (Bonikowska and Hou, 2009).

Third, through the 1970s and 1980s increasing numbers of Canadian immigrants came from China, India, and other Asian countries that place a very high value on educational and labour market success for their children, and have very high levels of “ethnic capital”. The share of male entering immigrants aged 25-54 years old from South and East Asia (mainly China and India) rose from 16% in the late 1970s to 40% in the early 2000s. Similar trends hold for women (Annex 3.A1). These groups register very high level educational outcomes in particular.

Because of these three factors, the already positive educational attainment gap between the second and third-plus generation in Canada is likely to increase in the future, also affecting future labour market outcomes.

It is not clear that similar movement can be expected in the United States. First, the educational attainment of entering immigrants did not improve over the 1980s and 1990s in the United States as it did in Canada (Annex 3.A1). The share of entering immigrants with a university degree changed little, from 33% to 35%, between the late 1970s and the early 2000s. Hence, relative to the American-born population, educational attainment of immigrants has been falling. The lack of a points system for selecting skilled economic immigrants, and the fact that most immigrants to the United States enter through “family reunification”, makes it more difficult in that country to alter characteristics such as educational attainment. This will likely have a significant effect on the outcomes of the children.

Second, the shift in immigrant source regions toward Mexico, and other South and Central American countries in recent decades could significantly affect aggregate outcomes of the second generation in the United States. Among new male adult immigrants who entered the United States in the late 1970s, about one quarter of the immigrants were from South and Central America; by the early 2000s entering cohort this had risen to one half (Annex 3.A1).

Hence, gazing into the future to assess broad trends in the outcomes of the children of immigrants entering during the 1980s and 1990s, it seems likely that outcomes in Canada, already quite positive, are likely to become even more so. In the United States the (positive) earnings gap between the second and third-plus generations has declined over the past few decades, and may continue to do so, possibly turning negative.

Such a prognosis does not take into account possible actions that could alter, positively, such outcomes. Second-generation outcomes are the result of a number of stages, each of which is affected by policy choices. First there is immigrant selection. The educational, source region, language and other characteristics of immigrants affect the outcomes of the children. The points system in Canada and Australia provides a policy lever unavailable in some other countries. Of course, selection is also affected by factors such as physical proximity (Mexico to the United States for example), over which there is less policy control. Furthermore, immigrants select host nations as much as the nations select immigrants, and this could affect future selection outcomes as nations increasingly compete for the highly skilled in particular. Nonetheless, policy levers do exist to influence selection through points systems, or visa programmes such as exist in the United States.

Conditional on the characteristics of immigrants selected, the second stage that affects second-generation outcomes is the degree of intergenerational education mobility between immigrants and their children. This aspect is particularly important among children from immigrant families with lower educational attainment. This can be affected by a host of factors, some of which were mentioned in this chapter, such as ethnic capital and parenting style.²⁰ But the important factors with policy levers attached often relate to the educational system.

Some important differences exist between Canada and the United States. While American youth are, overall, more likely to attend university than Canadians, if one comes from a family in the bottom income quartile, university attendance is more likely in Canada.²¹ This is consistent with the higher level of intergenerational educational mobility observed in Canada, particularly from the bottom of the distribution. There may be a number of reasons for this outcome. The elementary-secondary school system is likely more homogeneous regarding school quality in Canada than the United States. Which school you attend will have less effect on the likelihood of getting into university in Canada. School funding also plays a role, since schools are funded provincially in Canada, and each receives roughly the same (per capita) resources, whether in a rich or poor neighbourhood. School funding is often local in the United States, so schools in poorer (often immigrant) neighbourhoods have fewer resources available.

There is considerable concern in Europe regarding educational mobility among immigrant families, since so many have very low levels of education. European policy analysts are concerned with school and mobility related issues such as the ways to avoid segregation of immigrants in the school system, the resources available to assist children of immigrant families, reducing the negative impact of ability grouping, and ensuring

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20. American sociologists asked why some second-generation children in the Mexican-American community succeeded in achieving upward mobility while others were less successful, and concluded that one of the important differences was parenting styles. Families with more authoritarian (less liberal) styles focused on achieving upward mobility and preventing the children from entering deviant life styles were seen to be more successful (Portes *et al.*, 2009).
 21. Access to post-secondary education is more equitable in Canada than in the United States. In Canada, children from bottom and second income quartiles are equally likely to attend university, and top quartile students twice as likely as those from the bottom quartile. In the United States, second quartile students are twice as likely to attend, and top quartile children four times as likely, as those from the bottom income quartile (Frenette, 2005).

high quality teaching and learning environments in schools with considerable ethnic diversity (Nusche, 2009)

Conditional on the educational attainment achieved, the third stage is the entry into the labour market. A number of factors can potentially influence the experience of the children of immigrants at this stage. Networking may be an issue. Some immigrant groups may have more limited networks than those available to native-born families, in part because of their limited time in the country. Mentoring programmes for immigrants and their children appear to have some success in overcoming this potential shortcoming. Among visible minority groups, discrimination, either statistical or preference based, may play a role in obtaining a first interview, or the job. Statistical discrimination in particular may play a role in obtaining an interview, as employers may use names as signals for unknown characteristics, such as language skills. Potentially lower returns to education among visible minorities, discussed earlier in the chapter, may also play a role, as may cultural differences in approaching the job search and acquisition process.

It is important to stress that overall, both Canada and the United States have experienced generally positive results regarding the educational and labour market outcomes of the children of immigrants. Some important caveats to this general conclusion have been noted.

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Annex 3.A1. Source regions composition and educational attainment of new immigrants in the United States and Canada aged 25 to 54

	Men				Women			
	1980	1990	2000	2005	1980	1990	2000	2005
United States								
Source region								
North America	2.6	2.0	2.6	1.8	2.8	2.1	2.8	2.1
Caribbean	7.0	7.2	6.9	5.1	7.6	7.7	7.8	6.2
South & Central America	25.1	32.2	40.6	49.3	24.8	30.9	36.6	40.9
Northern Europe	4.4	3.9	3.3	2.6	4.4	3.5	2.7	2.1
Western Europe	2.7	2.5	3.0	2.2	3.4	2.9	2.9	2.0
Southern Europe	4.5	1.9	1.7	1.3	3.8	1.5	1.6	1.2
Eastern Europe	6.0	6.2	7.7	5.5	6.0	5.8	8.7	7.0
Africa	3.9	3.9	5.8	5.9	2.1	2.3	5.0	5.5
South Asia	5.4	5.6	8.7	8.5	4.1	4.1	7.1	7.2
Southeast Asia	13.4	9.3	5.6	5.2	16.2	13.7	8.4	9.4
East Asia	12.8	15.6	10.4	9.1	14.4	17.2	12.9	12.7
West Asia	6.4	4.4	2.9	2.5	4.8	3.7	2.6	2.6
Oceania & other	5.8	5.2	0.9	1.0	5.6	4.6	1.0	1.1
With a university degree	33.0	33.9	36.3	35.0	19.7	26.0	32.3	36.0
Canada								
Source region								
North America	6.9	2.4	1.6	1.9	7.9	3.5	2.1	2.4
Caribbean	6.8	4.5	3.0	2.9	7.2	6.0	3.6	3.2
South & Central America	6.4	8.8	4.4	7.2	6.6	9.2	5.2	7.7
Northern Europe	17.3	4.7	2.6	3.0	15.0	4.9	2.0	2.1
Western Europe	5.7	2.5	3.6	3.4	5.6	2.7	3.2	2.7
Southern Europe	7.9	5.3	5.3	2.4	7.2	4.3	4.8	2.1
Eastern Europe	5.7	12.9	10.3	9.9	5.5	11.3	11.0	10.8
Africa	6.5	8.6	9.6	12.7	5.4	5.8	7.4	9.7
South Asia	6.2	9.8	18.7	20.3	6.9	7.3	15.1	17.8
Southeast Asia	14.9	11.2	6.5	7.2	15.6	15.7	9.9	10.5
East Asia	10.0	19.2	25.1	20.4	11.9	21.4	27.9	23.1
West Asia	4.4	9.3	8.6	8.0	3.6	7.1	7.3	7.2
Oceania & other	1.5	0.7	0.6	0.8	1.5	0.7	0.5	0.6
With a university degree	26.2	28.2	52.9	59.7	16.4	21.1	41.7	51.1

Note: New immigrants include those who immigrated to Canada within the previous five years.

Source: Bonikowska *et al.* (2009).

Chapter 4.

MAIN DETERMINANTS OF EDUCATIONAL AND LABOUR MARKET OUTCOMES

by

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Summary

This chapter compares the evidence on the labour market integration of the children of immigrants in the European OECD countries with that in North America. In both European OECD countries and North America, the children of immigrants from many non-western countries experience disadvantages in education and the labour market. Children of Turkish, North African, Caribbean or Mexican heritage (that is, “visible minorities”) experience the largest disadvantages. A large part of the educational inequalities can be explained by levels of parental education (low in Europe but relatively high in Canada). Visible minorities fare less well on educational tests at age 15, but in some countries have higher continuation rates into further education. Even when children of immigrants have good qualifications, they still often experience major barriers to gaining employment.

The chapter discusses some possible explanations for these persisting disadvantages, as well as possible reasons for the observed cross-national differences in the track record of the integration of the children of immigrants.

Introduction

As Chapters 2 and 3 by Damos de Matos and Picot and Hou show, there is increasing evidence documenting the educational and labour market outcomes of the children of immigrants in a number of OECD countries, although the evidence is rather patchy and of uneven quality.

There appears to be considerable cross-national variation in the success or otherwise of the children of immigrants, but the reasons for this cross-national variation are not yet well understood. As Picot and Hou show in Chapter 3 on North America, and has been found in Europe too, there is also clear evidence of inter-ethnic variation with children of Indian or Chinese heritage tending to be more successful and those of Turkish, North African, Sub-Saharan African or black Caribbean heritage tending to be less successful than their respective majority groups. It is therefore essential to distinguish the separate

ethnic groups and not simply to treat the children of immigrants as an undifferentiated group, which would be seriously misleading.

However, a major obstacle to rigorous cross-national research in this area is the absence of standard ways of measuring ethnic origins. In some countries self-identified ethnicity is collected, in others parents' country of birth can be used, while in others nationality at birth can be established. However, with the growing number of "third-generation" children in several countries, measures which rely on nationality at birth or parents' country of birth are bound to become increasingly inadequate over time: third-generation individuals from ethnic minorities will by definition have parents born in the country of destination and will typically be conflated with the third-and-higher generation white majority group. It is only in countries such as the United States where measures of self-reported race or ancestry are available that we can investigate the experience of the third generation. As Picot and Hou note, this can be important as, for example, progress appears to stall among third-generation Mexicans. Forward-looking and harmonised methods of recording ethnic heritage are becoming essential in order to monitor progress between countries and across generations.

It is also clear that the pattern of advantage and disadvantage varies at different stages of the educational and labour market career, and that the explanation of these "ethnic penalties" (or occasionally "ethnic premiums") vary at the different stages. It is important therefore to be aware of the complexity of the issues involved. In particular, educational success may not always be matched by success within the labour market. This note follows the careers of the children of immigrants through the educational system and into the labour market. (For more detailed reviews see Heath *et al.*, 2008 on the second generation in Western Europe; and Kao and Thompson, 2003 on the United States).

1. Educational attainment at the end of lower secondary education

The western European evidence (see for example Levels and Dronkers, 2008; Levels *et al.*, 2008; Lutz, 2007; Rothon, 2007) shows that before controlling for parental class and parental education, second-generation minorities whose parents came from less-developed non-European origins have substantially lower test scores or exam results during the period of compulsory schooling than do the majority groups in the countries of destination. The most disadvantaged groups in this respect in almost all the countries concerned are young people of Turkish, Moroccan and North African, Pakistani, Bangladeshi and Caribbean heritage. Rather more successful, although often still somewhat behind the majority groups are minorities of European ancestry, for example young people of Italian, Portuguese or of (former) Yugoslavian heritage. Most of these groups are the children of so-called "guestworkers", but the patterns are not restricted to guestworkers, and similar findings have been made for the children of refugees and asylum seekers (in the Nordic countries), and of voluntary labour migrants from former colonial territories (in Britain, France and the Netherlands). A few groups outperform the majority population, sometimes by a considerable distance. This is especially true of the second generation of Indian or East Asian heritage such as the Chinese, a pattern that is replicated in the United States (see for example Waters *et al.*, forthcoming who compare results for Britain and the United States).

The picture changes somewhat in detail, although the broad outlines stay the same, when we introduce controls for parental background. However, it is important to recognise that such controls can be quite problematic. Firstly, the meaning of parental

education for the parents educated abroad (*i.e.* the parents of the second generation) may be very different from its meaning for the parents of third-or-higher generation white children: a white western European parent with no secondary school qualifications will be among the most deprived groups in his or her country of birth, while an ethnic minority parent, educated in Turkey or Bangladesh, will have had very little in the way of educational opportunity and the majority of his or her peers may also have no educational qualifications. Second, and perhaps related to the first point, the relationship between parental and children's education may be much weaker for the children of immigrants than it is for members of the white majority group. (There is evidence consistent with this in both Chapters 2 and 3 by Damas de Matos and by Picot and Hou.) Standard models which control for social background may therefore be mis-specified when applied to the children of immigrants.

Factors that appear to be involved in the educational disadvantages of minorities at around age 15/16 are as follows. (For more detailed discussion see Heath and Brinbaum, 2007; Heath *et al.*, 2008.)

- The social class and educational level of the parental generation. This appears to explain around half the disadvantage of the groups from non-European backgrounds, and almost all the disadvantage of children from European backgrounds;
- Concentration in “disadvantaged” schools where children from poorer backgrounds are over-represented;
- Age at arrival: children of the 1.5 generation (usually defined as young people who arrived in the country of destination during their secondary school career) appear to be additionally disadvantaged, especially if they do not speak the destination country language. And the later the age at arrival, the greater the disadvantage appears to be;
- Parental lack of fluency in the destination country language may be important, as the parents may lack knowledge about the operation of the destination country system of education and may also have difficulty in helping their children with school work in the majority language (an important feature of many western educational systems);
- There is little evidence that the ethnic diversity or ethnic concentration of the school is a source of disadvantage once the social class composition of the school has been taken into account.
- There is little direct evidence that teacher racism is a major factor, although there is evidence of high levels of school exclusion experienced by black Caribbean pupils in Britain;
- There is some evidence of racist bullying of minority pupils by the majority, but it is unclear whether this affects school attainment or progress;
- But low teacher expectations of some minority groups may be a factor.

2. Continuation into upper secondary and tertiary education

There is evidence in a few countries that the children of immigrants have as high or indeed higher rates of continuation into upper secondary and tertiary education than do members of the majority group with similar levels of attainment at around age 16. However, it is unclear whether this applies equally in all western countries as many countries do not have the panel studies necessary to investigate this question. Such panel studies are available in France, Sweden, Britain and the United States, in all of which we find high rates of continuation, conditional on prior achievement. (See for example Waters *et al.*, forthcoming comparing Britain and the United States; Brinbaum and Boado, 2007 on France.)

There are two very different sorts of explanation for these high continuation rates (but the evidence is limited and inconclusive).

- Minorities may anticipate, or experience, discrimination in the labour market. Leaving education in order to find work therefore becomes a less promising alternative than continuing in education. In other words, continuing in education is a rational strategy in the light of discrimination in the labour market (see further below) because the “opportunity costs” are lower.
- Minorities may be particularly ambitious for educational and occupational success, possibly because their (immigrant) parents were “positively selected” (since migration requires considerable drive and determination); or because their parents experienced blocked opportunities in the labour market and have adapted by focussing on helping their children succeed; or because migration was part of a “family project” designed to secure the advancement of their families.

There is more systematic evidence on rates of college attendance. Here there does seem to be substantial cross-national and cross-ethnic variation. The Integration of the European Second Generation (TIES) data shows that Turkish, North African and ex-Yugoslav students have lower overall rates of college attendance (before controls for social background) than their respective majority groups, while in Britain the second generation actually have higher rates of attendance than do members of the white majority group. Indeed, some groups such as Indians and Chinese have markedly higher rates of college attendance than does the white majority group (see for example Chapter 3 in this volume; and Waters *et al.*, forthcoming.)

However, it is important to recognise that there may be important qualitative differences in the kind of tertiary institution attended. Apart from Indians and Chinese, most minorities seem to be relatively concentrated in low-status institutions, which is likely to have important consequences for their future chances in the labour market. There is relatively little evidence on this, since the status of the institution attended is usually not identified in most datasets. However, there is some evidence on Britain and New York respectively, shown in Table 4.1.

Here we can see that, in both Britain generally and in New York, minorities such as Blacks, Caribbeans, Pakistanis and Puerto Ricans have higher (or similar) rates of attendance at low-status universities than the white majority but have much lower attendance rates at elite institutions. There thus appear to be important issues of educational disadvantage that are hidden in the general statistics which lump all tertiary institutions into a single category, regardless of status.

Table 4.1. Attendance at elite and low-status universities in Britain and New York

Ethnic origins:	Britain		Ethnic origins:	New York	
	% attending elite universities	% attending low-status universities		% enrolled in elite universities	% enrolled in lower-ranked universities
White	8.6	20.8	3rd gen. White	16.7	21.1
Black Caribbean	2.6	35.8	3rd gen. Black	2.6	23.0
Black African	7.5	51.2	3rd gen. Puerto Rican	1.1	20.3
Indian	13.0	43.0	2nd gen. Chinese	14.2	14.8
Pakistani	6.1	32.4	2nd gen. CEP	2.2	16.7
Bangladeshi	4.4	26.4	2nd gen. Dominican	2.1	16.8
Chinese	14.1	24.2	2nd gen. Russian Jews	8.4	19.4
Mixed	10.4	20.1	2nd gen. West Indian	2.7	23.6

Source: Waters *et al.* (forthcoming). CEP refers to Columbians, Ecuadorians and Peruvians.

3. Labour market integration – economic activity and unemployment

Economic activity rates are particularly low for women from some ethnic backgrounds, such as Turkish, or Pakistani, although the differences from the majority group are not as large in the second generation as they were in the first generation. This may reflect cultural traditions and expectations. But other groups, such as black Caribbean men in Britain, also show relatively high levels of economic inactivity. Some of these groups may well be “discouraged workers”, *i.e.* they have looked unsuccessfully for work and have therefore given up trying.

Among the economically-active, ethnic minorities from most non-European origins generally appear to have much higher unemployment rates than the majority group – even when comparing minority and majority young people with the same qualifications. It is very important to recognise that this applies not only to poorly-qualified minority group members but also to those with higher levels of qualification. In other words, even after controls for educational level, most minorities in most countries are disadvantaged and suffer “ethnic penalties”.

Table 4.2 shows these ethnic penalties, based on large-scale harmonised national datasets (such as the census, microcensus or labour force surveys), for a variety of western countries and minority groups. (Note that the models on which these analyses are based control for age and educational qualifications but do not control for parental education or occupation, although one can expect that most of the effect of parental background will be mediated by the respondent’s own educational attainment, which is included in the models. See Table 2.5 in Chapter 2 by Damas de Matos for an example of this.)

Broadly speaking Table 4.2 suggests that minorities are often substantially disadvantaged and have significantly higher rates of unemployment than do members of the white majority with the same levels of education and of the same age. Canada stands out as the country where minorities are least likely to experience ethnic penalties, whereas in Belgium disadvantages are largest. Given the fact that different minorities are present in different countries, it would be unwise to draw any strong conclusions about the cross-national variations. However, it does appear to be the case that countries such as Australia and Canada, which have had much more selective immigration policies, tend to exhibit fewer and smaller ethnic penalties than do countries that had major guestworker programmes. Heath and Cheung, in their commentary on these findings, conclude that:

“[there is] a continuing legacy of initial disadvantage passed on from generation to generation... Thus, where, as in much of western Europe, guestworker programmes were introduced in the 1950s and 1960s, large and relatively low-educated and poorly qualified migrant communities were established... Our hypothesis is that group processes may serve to limit the advance of members of these communities. This may result, for example, from lack of ‘bridging’ links with the charter population and lack of knowledge about opportunities outside the ethnic community” (Heath and Cheung, 2007, p. 687).

Table 4.2. Ethnic penalties (and premiums) among second-generation men and women of non-European ancestry: avoidance of unemployment

Logistic regression parameter estimates

	Minority	Men	Women
Australia	Chinese	0.35	0.02
	Lebanese	-0.63	-0.67
Austria	Turkish	-0.30	n.a.
Belgium	Moroccan	-1.49	-1.10
	Turkish	-1.93	-1.84
Canada	Lebanese	0.11	-1.02
	Chinese	0.14	-0.08
	Indian	-0.03	-0.03
	Caribbean	-0.49	-0.48
	African	-0.05	-0.21
	Filipino	0.77	0.37
France	Maghrebin	-1.67	-1.69
Germany	Turkish	-0.69	-0.61
Netherlands	Surinamese	-1.14	-0.23
	Antillean	-0.41	-0.42
	Turkish	-0.82	-0.56
	Moroccan	-1.11	-0.90
Sweden	African	-1.13	-0.90
	Latin American	-0.46	-0.55
United Kingdom	Indian	-0.43	-0.86
Great Britain	Caribbean	-0.80	-0.74
	Pakistani	-1.11	-1.13
United States	East Asian	0.39	0.87
	Cuban	0.19	0.02
	Filipino	-0.41	-0.03
	Dominican	-0.67	-0.91
	Black	-0.84	-1.11
	Mexican	-0.39	-0.65
	Puerto Rican	-1.08	-0.77

Note: Figures in bold are significant at the 0.05 level.

Source: Inglis and Model (2008) on Australia, Kogan (2008) on Austria, Phalet (2008) on Belgium, Yu and Heath (2008) on Canada, Silberman and Fournier (2008) on France, Katler and Granato (2008) on Germany, Tesser and Dronkers (2008) on the Netherlands, Jonsson (2008) on Sweden, Cheung and Heath (2008) on Britain, and Model and Fisher (2008) on the United States. Parameter estimates come from logistic regression models controlling for educational level, age, age squared and marital status.

However, while group processes may well be very important in explaining cross-national variation, it is also important to recognise that in all countries where field experiments on discrimination have been conducted, these have shown clear evidence of racial discrimination in the labour market. Such studies have been conducted *e.g.* in the

United States, Britain, France, Sweden, Switzerland, the Netherlands and all have shown very substantial evidence of discrimination (see for example Attstrom, 2008 on Sweden; and Cediey and Foroni, 2008 on France.) It should also be recognised that tough laws against discrimination (as in Britain and Sweden) do not appear to provide a sufficient deterrent against discrimination. Affirmative action programmes, such as those in the United States, Canada and Northern Ireland, do however appear to be more effective (see further below).

4. Labour market integration – occupational positions

While unemployment is a major hazard for the second generation in almost all western countries, there is also evidence for substantial disadvantage for some minorities in some countries even when they do obtain work. This can be seen in Table 4.3 which reports standardised cross-national analyses of access to the “salarial” (professional and managerial posts) in a range of western countries. As with Table 4.2, these estimates are derived from models that control for age and level of education, and are thus “net” rather than “gross” disadvantages.

Table 4.3. Ethnic penalties (and premiums) among second-generation men and women of non-European ancestry: access to professional and managerial occupations

Logistic regression parameter estimates			
	Minority	Men	Women
Australia	Chinese	1.24	0.37
	Lebanese	0.68	0.67
Austria	Turkish	-1.62	NA
Belgium	Moroccan	-1.56	-1.18
	Turkish	-1.44	-1.33
Canada	Lebanese	0.64	-0.18
	Chinese	0.96	0.57
	Indian	0.32	0.38
	Caribbean	0.12	0.32
	African	0.15	-0.30
	Filipino	0.45	-0.31
France	Maghrebin	-1.19	-1.13
Germany	Turkish	-1.25	-0.88
Netherlands	Surinamese	-0.40	-0.40
	Antillean	-0.08	-0.23
	Turkish	-0.75	-0.78
	Moroccan	-0.69	-1.11
Sweden	African	0.02	0.22
	Latin American	0.31	0.22
United Kingdom	Indian	0.67	0.00
Great Britain	Caribbean	-0.11	0.62
	Pakistani	-0.17	-0.15
United States	East Asian	-0.06	-0.03
	Cuban	0.52	0.86
	Filipino	0.27	0.16
	Dominican	0.29	-0.32
	Black	-0.15	0.37
	Mexican	-0.33	-0.02
	Puerto Rican	-0.19	0.04

Note: Figures in bold are significant at the 0.05 level.

Source: Heath and Cheung (2008). Parameter estimates come from models controlling for educational level, age, age squared and marital status. Economically inactive and unemployed respondents are excluded.

The interpretation of Table 4.3 is complicated by the selective processes involved in gaining work in the first place. However, the general picture is that occupational disadvantage (for those who do have jobs) is not nearly as widespread as is the disadvantage with respect to employment shown in Table 4.2. In particular in a number of countries such as Australia, Canada, the United States, Britain and Sweden, minorities who have obtained work are employed at similar (or often better) levels as their counterparts from the majority group with similar qualifications and similar age.

However, in Belgium, France, Germany and the Netherlands, we see major disadvantages even for minorities who have obtained work. In other words the disadvantages in these countries tend to be cumulative.

The reasons for this cross-national variation in occupational attainment are not well understood. Possibilities include:

- Concentration in ethnic enclaves where firms tend to be smaller with fewer opportunities for progress to managerial posts; again this might be particularly important in countries with large concentrations of guestworkers and their children;
- Lack of access to public sector employment. There is some evidence that public sector employment has been an important avenue of occupational advance for minorities in the United States and Britain, and that disadvantage is somewhat less in the public than the private sector (*e.g.* Heath and Cheung, 2006). This may in turn relate to the ease with which citizenship can be obtained;
- These ethnic inequalities may simply be, at least in part, by-products of more general processes of social exclusion. For example, countries such as Australia, Canada and Sweden which exhibit few ethnic penalties in access to the salariat are also ones where social mobility is relatively high, whereas countries such as Belgium and Germany tend to be less open;
- It may also not be accidental that two of our best-performing countries, Canada and the United States, are ones that have affirmative action programmes in the labour market. Such programmes require firms (or, in the United States case, federal contractors) to monitor the composition of their workforce and to take action to remedy under-utilisation of women and ethnic minorities.

5. Conclusions

Better data are needed in order to monitor the experiences of the children of immigrants in education and the labour market. The OECD could develop, in co-operation with Eurostat, a harmonised system of classification for recording ethnic origins (in those countries where it is permitted), analogous for example to ISCED. Good, harmonised data derived from large-scale reliable sources such as the Labour Force Surveys is essential as a diagnostic tool for determining which groups are over-represented in unemployment and under-represented in higher-level occupations or income, and whether progress is being made over time. It is also essential to develop a system of classification that will work for the third generation, who currently tend to be invisible in most European national datasets. It must be recognised that some countries have understandable ethical concerns about ethnic monitoring although equally it should be recognised that countries where ethnic monitoring is possible, such as the United States, Canada and Australia, appear to have better outcomes for minorities than is the case in countries where monitoring has been made more difficult. The ethical issues are

not straightforward and it could perhaps be argued that there is an issue about whose ethics (those of the white majority or those of the minorities) are being implemented.

Fluency in the destination-country language is essential for the 1.5 generation children who arrive during their school careers, and also for the parental generation if they are to help their children navigate the educational system. It is also likely to be crucial for wider social integration. Different arrangements for this are made in different countries, and an evidence-based review of “best practice” would be helpful for national governments.

Provision of “alternative routes”, or “second chances”, for access in tertiary education appears likely to be important. Highly tracked educational systems that provide little scope for entering tertiary education after attending non-academic tracks in secondary education appear to disadvantage minorities (and also groups of lower socio-economic position generally). Again a review of national arrangements, and an evaluation of “best practice”, could be helpful to national governments.

Provision of help for unemployed or discouraged members of minority groups in order to prepare them for work might be helpful. While many governments do provide extra assistance for the long-term unemployed irrespective of their ethnicity, it also needs to be recognised that the reasons for long-term unemployment may be different in the case of minorities (because they experience the additional disadvantage of discrimination in the labour market), and that providing them with the same support as disadvantaged majority-group members may actually be a form of indirect discrimination. (In other words treating dissimilar cases in the same way is in itself inequalitarian.) Extra help for minorities may therefore be required in order to counter the continuing presence of discrimination. (For an example of such help provided by the third sector see LEAP – Local Employment Access Projects – www.leap.org.uk.)

While anti-discrimination legislation is clearly essential, and is now rightly required under EU legislation, it is by no means sufficient as the continued existence of discrimination in countries such as Britain and Sweden with long-standing and tough anti-discrimination legislation demonstrates. The evidence also suggests that individual lawsuits to remedy racial discrimination do not have long-lasting effects on firms’ practices (see Kalev and Dobbin, 2006). Nor do equal opportunity policies on their own appear to have much effect since many such policies appear to be “empty shells”. The United States and Northern Irish evidence (Holzer and Neumark, 2000; Kalev *et al.*, 2006; Muttarak and Heath, 2009) does however suggest that a range of fair employment practices, backed up by compliance reviews and the potential for legal sanctions, can be effective. Key features of these programmes are:

- Monitoring of the ethnic and gender composition of firms in order to determine whether certain groups are under-represented and whether progress is being made towards remedying under-representation;
- Professionalisation of human resource functions, including appointment of a designated employee with responsibility for implementation of fair employment practices (with high level commitment from the top of the organisation);
- Formal advertising, including advertisements in media read by the under-represented group, rather than word of mouth recruitment.

- Compliance reviews to determine whether firms are implementing fair employment practices, with the possibility of legal sanctions (*e.g.* disbarment from government contracts) if the practices are not implemented.

Consistent with Holzer's recommendation in Chapter 8, our research on Northern Ireland has found that voluntary agreements with firms to address under-representation have been more effective than compulsory ones.

Government procurement and contracting can be used to establish legal agreements with firms to adopt these methods. However, we have found that in Britain there is considerable uncertainty in government about the extent to which such agreements are permitted under EU law, and what measures can be included in government contracts. In this context, the European Commission could revise its guidelines for national governments on the use of procurement in order to address under-representation (including under-representation of women and the disabled). In particular such guidelines should include *i)* ethnic monitoring in order to determine whether progress towards fair employment is being achieved, *ii)* specification of the legitimate steps that can be required on the part of firms to actively promote fair employment, and *iii)* the provision of legal sanctions for failure to take the agreed steps to promote fair employment. Furthermore such guidelines need to be outcome-oriented and not encourage "empty shell" policy documents.

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Chapter 5.

LABOUR MARKET CHARACTERISTICS AND THEIR IMPACT ON THE INTEGRATION OF IMMIGRANTS' OFFSPRING

by

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Summary

Explanations of the employment differences between children of some groups of immigrants and children of natives can be found on both the supply and the demand side of the labour market. This chapter focuses on the demand side. Three issues are highlighted: recruiting through networks, discrimination and labour market institutions.

Networks play an important role when recruitment and promotion are largely made through informal channels. There are differences between the networks of children of immigrants and children of natives. Compared to children of natives, the children of immigrants on average to a greater extent have unemployed parents and relatives, live in socially disadvantaged neighbourhoods and attend segregated schools. This means that the children of immigrants have less access to networks with links to the labour market and to the most rewarding areas of the labour market.

There are several studies showing *discrimination* against the children of certain groups of immigrants. One reason behind discrimination could be that employers, co-workers and/or customers dislike being in close contact with people from certain minorities. Another source of discrimination is what economists call statistical discrimination, which occurs if information on the individual job seeker's productivity is difficult or costly to obtain. Employers' hiring decisions are in this case based on preconceptions of the average productivity of the group the job seeker seems to belong to, and not on the abilities of the job-seeking individual. Children of some groups of immigrants are ascribed various characteristics that can be attributed to some individuals in the group but not to all. Generalising negative characteristics to every individual in the group contributes to statistical discrimination.

Different *institutions* can counteract the difficulties caused by discrimination and the lack of networks. Educational institutions are important for the transition from school to

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work. If occupation-specific human capital is provided in the regular educational system, employers are well informed of the potential productivity of an inexperienced job seeker. Young people with credentials from such vocational tracks have an advantage in finding not only a job, but also an appropriate job. The disadvantages are obstacles for the children of immigrants to gain entrance into attractive vocational tracks, in particular to training places at the work place, where there is a risk of discrimination against the children of immigrants or an extensive use of selection through networks. On the other hand, more comprehensive educational systems have the benefit of being less selective, but the disadvantage of giving less informative signals to the labour market.

When discrimination and the lack of resourceful networks are obstacles for children of immigrants to gain employment, labour market programmes can improve their chances. Programmes that are very close to the labour market are found to be the most effective in terms of increasing the participants' employment possibilities. Such programmes are wage subsidies in ordinary jobs and labour market training of high quality. Another measure found to be effective is intensified matching and counselling. The important issue is whether the children of immigrants have access to high quality programmes to the same extent as children of natives or if they are overrepresented in programmes that are very far from the labour market. There are some indications that this is the case, but the issue needs further research.

The *policy implications* constitute of measures that compensate for the lack of networks and counteract discrimination. Correspondence testing could be a useful tool to assess the extent of discrimination against children of immigrants. Besides legislation there are a number of other measures, which have in common that they increase the chances of children of immigrants to refute preconceptions about their abilities and give them a chance to demonstrate their true productivity to employers.

Educational institutions need to more vigorously involve themselves in the acquisition of apprenticeship and other training places in the ordinary labour market and in the allocation of pupils to these training places. Labour market programmes should be subjected to a systematic use of evaluation methods. Such evaluations should consider how the policy is implemented as well as the labour market outcomes of programme participants. Differences in implementation or in outcomes between the children of immigrants and the children of the native-born should be identified.

Education on discrimination and the mechanisms behind should be included in the in-service training at employment offices and schools and be mandatory in all intercultural courses.

Introduction

As their parents, the children of immigrants are a heterogeneous group. Some are children of the guest-workers who moved to the north-western Europe, mainly before the economic downturns following the oil-crises in the middle of the 1970s. Many of these guest-workers had rather low education, worked in low-skilled jobs and were severely hit by the industrial downturns affecting many western countries. Others are children of refugees, with a more polarised educational profile, with some being highly educated and some having almost no education at all. Their parents have in general arrived in the host countries more recently than the low-skilled guest-workers. The former colonial powers have received many immigrants from their former colonies. Finally, there are also children of rather skilled immigrants, who have moved within the common labour

markets of the Nordic countries and the European Union or in response to different schemes to attract particular types of immigrant labour. As parents' education and position on the labour market are of crucial importance for the labour market success of their children, research on the children of immigrants requires that consideration be given, not only to their ethnic origins but also to their social backgrounds.

There is no single definition of the children of immigrants in the literature, but most studies deal with young people who are either born in the country or immigrated before they started school.

In the literature it is well established that children of immigrants are facing labour market disadvantages in all the European countries which have researched the question. In some econometric studies, differences in education and social background explain all of the labour market disadvantages of the children of immigrants, *i.e.* the problem has to do with social class and/or the educational system. In the case of children of some groups of immigrants, however, their labour market disadvantages remain, even after having taken these and other background factors into consideration. The groups facing difficulties on the labour market are in some countries categorised as visible minorities. In other countries children of immigrants from non-western, non-European or non-OECD countries are found to be those with labour market difficulties (see the overview by Thomas Liebig and Sarah Widmaier in this volume).

The topic of this chapter is to discuss whether issues other than education and social background can explain the greater difficulties on the labour market of the children of certain groups of immigrants compared to other young people.

The explanations offered in the literature often have to do with elements that are not easily quantified. Sometimes such alternative explanations concern the supply side of the labour market and sometimes the demand side. Sometimes they are presented as possible explanations and sometimes they are empirically tested. Explanations belonging to the supply side, *i.e.* characteristics of the children of immigrants, are explored in other contributions to this seminar. This chapter concentrates on explanations on the demand side, *i.e.* attitudes and behaviour of those involved in the recruitment process and rules and norms governing the functioning of labour market institutions.

Section 1 deals with the role of network recruiting and discrimination for the labour market prospects of the children of immigrants. Section 2 discusses how different institutions might improve or worsen the transition from non-employment into employment. The chapter ends with policy implications from the findings.

1. Access to networks

To improve the labour market situation of the children of immigrants it is necessary to examine more closely the reasons behind their non-favourable situation. As mentioned above, this chapter focuses on the demand side of the labour market, which should not be interpreted as meaning that supply factors are of minor importance. Education is crucial for all young people and, at least in the Scandinavian countries, for the children of immigrants in particular (Helland and Støren, 2006; Rooth and Åslund, 2006).

Access to the labour market and the outcome attained is not only the result of demand and supply and the individual's human capital. Social capital, in terms of resources embedded in the individual's networks, play an important role especially when recruitment and promotion are largely made through informal channels.

Personal networks are formed in many ways. There is reason to believe that there are important differences between the networks of immigrants and those of the native-born population. On average, immigrants have lower employment rates and/or less qualified jobs and lower wages than the native-born population. Family members and relatives constitute an important part of a person's network, which means that the children of immigrants have less access to networks consisting of people linked to the labour market and to the most rewarding areas of the labour market. Networks are also formed through friends made in the neighbourhood and at school. If the neighbourhood is socially segregated, *i.e.* to a great extent consists of low wage earners and non-employed, the composition of the individual's network will be poor in resources. The same is applicable to socially segregated schools, where parents of school friends or class mates will command less resources compared to schools where parents are less socially disadvantaged.

To my knowledge, there is no special study of the role of networks for the labour market position of the children of immigrants. Several studies have, however, found that networks have an important role for the labour market position of immigrants, *i.e.* the parents of the children of immigrants (see Behtoui, 2006 for an overview). Many of these studies are from the United States and one would expect that similar results are not entirely applicable to European countries with more regulated labour markets and more formalised recruitment procedures than in the United States.

Two dissertations from Sweden (Olli Segendorf, 2005; Behtoui, 2006), however, show that most job vacancies are filled through informal recruitment methods also in Sweden. In both studies, natives get jobs through their networks more frequently than immigrants. In addition, compared to using formal channels, getting a job through personal networks means higher wages for natives but lower wages for immigrants. The explanation concerns differences in the size and "quality" of the networks. Compared to immigrants, the networks of natives are not only more extensive but also to a greater extent consist of people with access to resources that are valuable on the labour market.²

In the light of the results above, it seems reasonable to assume that children of immigrants in general, compared to children of natives in general, have less access to networks that can improve their access to the labour market and to the more rewarding jobs on the labour market in particular.

2. Discrimination

Whether, and to what extent, the labour market differences between children of immigrants and children of natives can be explained by discrimination has long been a critical issue. There is huge variation among the populations in European countries regarding their perception of the importance of ethnic discrimination. According to the Eurobarometer 80% or more in Sweden, the Netherlands and France believe that ethnic discrimination is widespread, while less than 50% hold the same opinion in the three Baltic countries and Germany (European Commission, 2007). These country differences could reflect differences in awareness more than variations in the extent of ethnic discrimination.

2. Both studies compare immigrants and natives with the same education, age, gender, etc.

Awareness is influenced by knowledge. It is a methodological challenge to empirically establish discrimination on the labour market. Many studies on discrimination are based on interviews or questionnaires, asking whether the respondents believe they have been subjected to discrimination or not. Such studies can only measure what people believe, not what actually happened. For convincing results other types of data are necessary.

Using quantitative data

Quantitative data have the advantage of containing impartial information. The drawback is that a lot of information relevant for assessing discrimination is missing in most datasets. Some studies, however, use datasets for which results give strong indications of discrimination.

In order to eliminate the influence of unobserved factors, Rooth (2002) analyses children born abroad but adopted by Swedish parents. Estimates from this study show that adopted children with probable non-European looks face larger risks of being unemployed than adopted children with probable European looks. The conclusion being that discrimination in the labour market cannot be excluded as a possible explanation for these disparities.³

Another approach is used by Arai and Skogman Thoursie (2009). They study the earnings development of immigrants who changed their foreign-sounding surnames to Swedish-sounding or neutral surnames.⁴ The progression of yearly earnings of name-changers is compared with the earnings of immigrants born in the same regions who did not change their names. For immigrants with surnames that are typically African, Asian or Slavic, incomes were similar before the name-changers changed their surnames. After the change of surname, the increase in earnings is steeper for name-changers than for those who kept their foreign sounding surnames. The annual earnings gain corresponds to around 15% on average, and is highest at the lower end of the earnings distribution. The authors conclude that there is a preference in Swedish society for individuals with Swedish- or neutral-sounding surnames while individuals holding foreign-sounding names pay a price in terms of lower yearly earnings. The estimations also indicate that a large part of the name change effect is due to an increased probability of being employed. The authors' interpretation is that the increased employment probability largely stems from improving one's chances of being called to a job interview.

Using experiments

The advantage of using experiments is the possibility to control for factors that could influence the results, but are not available in datasets.

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3. The empirical estimations control for differences in age, years of schooling, marital status and the local unemployment rate.
 4. The empirical estimations controls for differences in age, gender, year of immigration, educational level and place of residence in Sweden.

Laboratory experiments

Several experiments have been performed as “games” in a laboratorial setup. In a Swedish experiment participants played with co-players with different ethnic affiliation, exposed by their family names. The results showed statistical discrimination against co-players with non-Swedish names, but not preference discrimination. Another interesting result is that discrimination was entirely a male behaviour (Ahmed, 2004).

In another experiment Swiss university students evaluated fictitious job applicants from Swiss-born children of immigrants, belonging to what was believed to be more or less disliked countries of origin. All applicants had similar schooling and language proficiency. Discrimination was observed for children of immigrants from Kosovo but not for those from Spain (Krings and Olivares, 2007).

Field experiments

Field experiments have the benefit of taking place on a labour market in the real world. They focus on real behaviour of employers seeking to fill vacancies and have been frequently used in English-speaking countries for several decades. The usual design is that fictitious job seekers are paired who have equivalent formal qualifications obtained in the country where the test is performed. The only difference within the pair is the name, signalling that the job seeker belongs to the majority population or to a minority group. These experiments have mostly been performed by young job seekers, where the minority tester is born or raised in the country. The results are thus of high relevance for the children of immigrants.

In the beginning of this millennium these types of field experiments had been conducted across ten countries for over 30 years. They all reveal non-equal treatment of job applicants from the minority group (see Riach and Rich, 2002 for an overview of the results and also a discussion of the methodology). There are mainly two types of methodology: situation testing⁵ and correspondence testing.

Situation testing

The ILO has co-ordinated situation testing in eight countries (Belgium, France, Germany, Italy, the Netherlands, Spain, Sweden and the United States) (see Taran, 2008, for an overview of the ILO studies). Similar testing has been performed in Denmark and Switzerland as well.

The testers are to be as similar as possible, both in terms of their fictional qualifications and in terms of their actual appearance, body language, attitude, personality etc. The testers are usually young professional actors or students. The testing is performed throughout the three stages of the recruitment process, *i.e.* inquiry by phone about the job vacancy, written application and job interview. The difference in outcomes between the two testers in each of the three stages is then calculated and used as a measure of manifest discrimination.

The results show that discrimination is of considerable importance in all countries covered by the experiments. The minority testers usually have to make three to five times more tries as majority testers to obtain a positive response in the employment application process. A common trait is that the greatest hurdle is in the first stages, *i.e.* the minority

5. Also called practice testing or auditing.

testers are being screened out at the first phone call or receive no response to the CVs they have sent. Another common trait is that small companies seem to discriminate against the minority job seekers to a greater extent than large companies.

The advantage of the method is that it examines if discrimination against the minority job seeker occurs in any of the stages in the recruitment process. A limitation is that the test can only be used for unskilled or semiskilled jobs, *i.e.* hiring procedures that do not require written documents to confirm the qualifications of the applicant. The test is also rather expensive. The major drawback is the difficulties to control the actual behaviour of the testers. In the experiments, the minority tester frequently is told that the job is filled, while the majority tester is welcomed to send his or her CV or invited to an interview for the same job.⁶ These experiences in the testing situation could probably affect the behaviour of the testers.

The results from situation testing have also been questioned by Heckman (1998). He argues that there can be differences between the testers that are not known to the researcher but will be noticed by the employer. If these differences are unevenly distributed among testers from the minority and from the majority group, the results are unreliable.

Correspondence testing

The other method, correspondence testing, differs by only testing the probability of getting invited to an interview after having sent a CV to a job opening. Pairs of equally productive individuals send written job applications to the same job vacancy. One of the applicants has a name signalling that he or she belongs to a minority group and the other a native-sounding name. The test is constructed to make the applications similar in all relevant aspects, only the name of the job seeker differs. When one of the applicants is invited to an interview, the test for that particular job is put to an end. As with situation testing, the corresponding testing technique was first developed in the United Kingdom and has mostly been performed there but also in the United States, Canada, Australia and Sweden.

Correspondence testing could be regarded as a type of randomised experiment, which provides the possibility to draw causal inferences. Both skilled and unskilled jobs can be examined, as written documentation of qualifications is not needed. It is also less costly than situation testing and thus allows for a higher number of job openings to be tested or for repeated tests at different time periods. The drawback is that only one stage in the hiring process is tested.

As with situation testing, the results cannot be used for stating that discrimination is more or less common in one country than in another. International comparability is not possible, because the composition of the minority group, professions tested, and the phase in the business cycle vary across countries.

Gender aspects

In Sweden, three correspondence tests have been performed in 2006/07 and with minority testers with a name indicating a background from the Middle East or Africa. They show discrimination towards the minority group in almost all tested professions. A

6. The minority tester always makes his or her call before the majority tester.

common result is that discrimination is higher against the minority group in low-skilled professions than in the high-skilled (Carlsson and Rooth, 2006; Bursell, 2007). Gender issues are also addressed. One of the studies (Arai *et al.*, 2008) show that discrimination is more pronounced against male job applicants than against women. In Carlsson and Rooth (2006) male recruiters were found to have a higher propensity to discriminate than female recruiters, *i.e.* the same result as in the laboratory experiment by Ahmed (2006).

That discrimination against immigrants with Moroccan and Turkish origin is more common against men than against women is also demonstrated from a study in Flanders (Timmerman *et al.*, 2003). An interesting question for further research is thus whether ethnic discrimination is predominantly a male phenomenon.

What type of discrimination?

There are several definitions of discrimination. Economists distinguish between preference or taste discrimination and statistical discrimination. Preference or taste discrimination is based on employers, customers or colleagues, preferring people with native origin to those with immigrant origin. Statistical discrimination occurs if information on the individual job seeker's productivity is difficult to obtain or could only be obtained at high costs, *i.e.* by interviewing 100% of all job seekers. When information is costly to obtain it can be rational of the employer to base the hiring decision on opinions on the average productivity of different groups, whether these opinions are true or false. The hiring decision would in this case be based on preconceptions of the average productivity of the group the job seeker seems to belong to, and not on the abilities of the individual job seekers (Aigner and Cain, 1977).

Another concept is structural or institutional discrimination, which has to do with the rules, norms and routines within institutions and other societal structures that represent obstacles to ethnic minorities in achieving the same rights and opportunities available to the majority population. The concept is less strictly defined compared to those used by economists. It includes explicit rules, as the restricting of the access to the Austrian work councils to Austrian nationals as well as the stereotyping of the children of immigrants at Swedish employment offices (see the section on *Institutions* below).

The methodology used in the studies described above does not allow for distinguishing between different types of discrimination. Choosing job applicants from the majority population could be based on preferences, *i.e.* a dislike for having people from the minority population in the workforce. The same behaviour could also be ascribed to statistical discrimination as well. When native-born job applicants from the minority population have equal formal qualifications as those from the majority, employers might still believe that those from the minority are less productive, *e.g.* that they are less fluent in the majority language or not as well acquainted with informal rules and norms at the workplace.

There are a few studies on changes in labour market position after 9/11 for people of Muslim faith or ascribed as Muslims (for a recent overview see Goel, 2009). They all describe an increase in hostilities against Muslims (or people perceived as being Muslims). However, they observe no change in labour market outcomes or the results are inconclusive. One interpretation of these results is that discrimination on the labour market is negligible, otherwise deterioration in the labour market position of people believed to be Muslims would have been observed. Another interpretation is given by Åslund and Rooth (2005). As in the other studies, they report increased resentments

against Muslims in the Swedish society as a whole, but no change in labour market outcomes. They, however, discuss their results in terms of preference and statistical discrimination. If there is preference discrimination on the labour market, people believed to be Muslims would have met harsher conditions on the labour market after 9/11. Statistical discrimination, on the other hand, does not necessarily have to be influenced by 9/11, *i.e.* if employers think Muslims (or people perceived as Muslims) are less productive in terms of language proficiency, restrictions induced by religion, etc.

In the three Swedish field experiments, the minority job applicants were born in Sweden and given names signalling origins from the Middle East or Africa. The results indicate the importance to leap over the first hurdle, where there is a greater risk of being screened out because of stereotyped preconceptions. At the interview stage, the individual has a better chance to show his or her true abilities, *i.e.* and indication of statistical discrimination. The result from Åslund and Rooth (2005) is another indication that the unequal treatment of the minority in the Swedish experiments could be attributed to statistical discrimination.

From a policy perspective it is important to distinguish between different forms of discrimination. Statistical discrimination can, for example, be counteracted by measures that assist children of immigrants in revealing their true productivity when applying for jobs.

Taste-based discrimination needs to be addressed by other types of measures aimed at changing behaviours and attitudes among the majority population. These types of measures could also be used against structural or institutional discrimination. Monitoring policy outcomes and the ways policies are implemented from an ethnic perspective could also be used as a tool to reveal institutional discrimination.

What is behind discrimination?

An important issue is what lies behind discriminatory behaviour? Why do individuals in the majority population think that children of immigrants are less productive?

Preference or taste discrimination stems from longstanding ideas that judge people according to phenotypic traits, meaning that employers, co-workers and/or customers dislike being in close contact with people from certain minorities, regardless of their productivity. Biological arguments on the differences between races have been replaced by cultural arguments, ascribing people from many minorities with inherent and unchanging characteristics. People from certain immigrant groups are ascribed behaviour, attitudes, norms and traditions that do not fit into domestic labour markets.

The role of these norms and attitudes are in many studies analysed from the supply side, *i.e.* characteristics of the children of immigrants as explanations for their labour market problems. This study will focus instead on the demand side, *i.e.* attitudes and norms towards children of some groups of immigrants in the majority population.

Statistical discrimination has its roots in economic theory and is based on employers' information costs and uncertainty. General attitudes in the majority population will, however, probably influence how employers perceive the average productivity of some groups of immigrants and their children.

Children of some groups of immigrants are ascribed various characteristics that can certainly be attributed to some individuals. The problem arises when these characteristics

are generalised to apply to every individual in the group. In recent years children from Muslim families have been in focus of interest.

Young women from Muslim families are in many cases described as having restrictions regarding working hours, the composition of the work force (male/female) or the geographical location of the work place. Even if this is true for some young women, it does not follow that all daughters of Muslim families have the same restrictions. There are for instance many refugees who have left their countries because of religious oppression in general and against women in particular. There is also a risk that women with a name that could be associated with origins from the Middle East could be ascribed the same characteristics, although they are Christians or strong non-believers.

Male children of immigrants are ascribed other characteristics that will affect employers' perception of their potential productivity, *e.g.* inferior work ethics and difficulties to accept female supervisors or co-workers. As in the case of women, this could be true for some individuals, but the problems arise when such characteristics are generalised and ascribed to all individuals in the group.

The media has an important role for stereotyping children of some groups of immigrants. As is stated in Wolf (2009) it is important that there be a more balanced portrayal of the children of immigrants. Stereotyping children of some groups of immigrants is not, however, limited to the media. In the world of research there are several examples, particularly of Muslims, being described as having labour market behaviour that differs from the norm, which makes them less productive on the labour market. These statements are not necessarily substantiated by empirical evidence. An underlying factor could be that the perception of Muslims, in particular, as being different in all aspects, is so widespread that it does not need empirical support (see Schröder, 2008 for an overview in Swedish).

This generalising of negative characteristics to entire migrant populations contributes to statistical discrimination and increases the labour market disadvantages of the children of immigrants.

3. Institutional aspects

Institutions affecting the transition from school to work

In European countries many of the children of immigrants are young, which means that institutions affecting the transition from school to work are important for their labour market careers.

There are common features in all transition processes. Being new entrants, young people lack, or have very limited work experience, compared to adult workers. This means that young people are less productive, or considered to be less productive, than their adult counterparts. Another consequence is that the training costs of the employing firm are higher, or considered to be higher, for young workers compared to adults. It is also more difficult and costly for employers to get information on the potential productivity of young job seekers, compared to those with previous work experience.

Children of immigrants could be affected by similar employer considerations. Employers may perceive the children of immigrants as less productive than other job seekers, or they are more uncertain about their potential productivity.

In order to illustrate the transition from school to work a very simple model for demand and supply of labour can be used. The reason for using this model is that it includes the training costs and the risk-taking of the firm, which is particularly relevant in the case of labour market entrants. The model states that:

$$w_i = mp_i - tc_f - rc_f$$

where:

w_i = the wage cost for employing individual i ,

mp_i = the marginal productivity of individual i , *i.e.* the value of the increase in production that is a result of employing individual i

tc_f = the training costs of firm f

rc_f = compensation for risk-taking of firm f .

From the employer's point of view, the model illustrates the reduction in wage costs that will be required in order to compensate for perceived higher training costs and/or lower productivity. In addition, employers are uncertain of the potential productivity of inexperienced job applicants and might require compensation for risks they are taking by recruiting someone without references from a previous employer. An employer will hire a job seeker if $w_i \leq mp_i - tc_f - rc_f$.

Recruiting through networks can be seen as a device for reducing employers' uncertainty and perceived risks by employing someone without little or no previous experience.

According to this model, young people would be hired at a lower wage than adults if labour markets were perfectly competitive. If there is discrimination against children of immigrants, they would be hired at an even lower wage, at least in the short run.

Models of this kind have been used empirically by economists using differences between countries and/or changes over time to study how labour market regulations affect youth employment and unemployment. The crucial variables in these studies have been the degree of flexibility in the wage-setting process and regulations affecting the possibility to use temporary contracts during a probation period and the magnitude of potential costs related to poor recruitment decisions.

Most labour markets are, however, not perfectly competitive, which in the model would result in youth unemployment being higher than the unemployment of adults. If there is discrimination, unemployment would affect the children of immigrants in particular.

The labour market situation of inexperienced persons is, however, not only influenced by the general structure of the labour market. Most countries have developed institutions, which affect some or all of the components in the model.

Educational institutions and labour market signals

Educational institutions affect most of the components on the right hand side of the model. If occupation-specific human capital, or even firm-specific capital, is provided in the regular educational system, employers are rather well informed of the potential productivity (mp_i) of an inexperienced job seeker as well as of the training costs (tc_f) and

the potential risks (rc_j). The possibilities for employers or employer organisations to influence the curricula in vocational tracks have the same effect. The higher the degree of occupational specificity provided by the school system and the higher the degree of employer involvement in curricula and training, the higher the potential productivity of a job applicant with adequate education and the lesser the perceived training costs. If potential productivity and training costs are fairly well known to employers, the perceived risk-taking by employing an inexperienced job applicant will be low. Young people with credentials from such educational tracks thus have an advantage in finding not only a job, but also an appropriate job. As the educational system gives very clear signals to the employer of the potential productivity of the job seeker, statistical discrimination is less important in the hiring decision and the children of immigrants are less disadvantaged.

Educational systems providing a high degree of occupation-specific human capital are also highly stratified, *i.e.* there are many different vocational tracks as well as academic tracks. In many cases they are also highly selective. At a rather young age, pupils are sorted into different tracks according to school performance, traditions, and sometimes also according to teachers and advisors preconceptions. If employers are involved in the admission to vocational tracks, there is also a risk of the access to attractive vocational tracks being limited by discrimination against the children of immigrants or an extensive use of selection through networks.

The apprenticeship system could be considered as a negotiated outcome of the model, where all the elements are institutionally determined. An apprentice receives a wage that is negotiated by the social partners and employers have an influence on the curricula and examinations. Those who have accomplished an apprenticeship have credentials that give employers a fairly good perception of potential productivity as well as of the risks they perceive they take by employing an inexperienced job seeker. Children of immigrants who in many cases lack networks (or have networks with poor resources) and are at risk of being discriminated could thus benefit from obtaining an apprenticeship. The risks employer might perceive by employing someone with an immigrant background are reduced by the information embedded in the apprenticeship credentials.

Apart from the apprenticeship system, vocational education is provided in the ordinary educational system in all countries, but there is great variation in the occupational specificity of the vocational tracks and the degree of selectivity. Other educational institutions influencing parts of the model are the different forms of work practice organised by the schools. As in the apprenticeship system, employers' perceived risk by employing children of immigrants could be reduced if they have previous experience from some sort of work practice organised by the school.

For the children of immigrants there are both benefits and drawbacks in educational institutions providing occupation-specific human capital. The benefits stem from the distinct signals transmitted to the labour market. The drawbacks are obstacles for the children of immigrants to gain entrance into attractive educational tracks, in particular to training places at the work place.

On the other hand, more comprehensive educational systems have the benefit of being less selective, but the disadvantage of giving less informative signals to the labour market, which means that recruiting through networks and discrimination gain in importance.

Empirical evidence

A few studies compare the role of different educational systems for the labour market success of the children of immigrants.

Crul (2007) compares the children of Turkish immigrants in the apprenticeship countries Germany and Austria with the Netherlands and France. He highlights the favourable mechanisms of the apprenticeship systems, allowing for smooth transitions to the labour market for those children of Turkish immigrants who have gained access to an apprenticeship training place. According to Crul, one reason is that discrimination is of less importance when apprentices are entering the labour market.

The drawback of the apprenticeship system is, however, that the obstacles faced by many children of immigrants at the point of labour market entry are moved upstream, to the point at which trainings slots in the apprenticeship system are allocated. This has partly to do with children of immigrants being less successful in school than other pupils. Low-qualified pupils fail to obtain a training slot and low-qualified school leavers have poor chances of getting a proper job in countries with extensive apprenticeship systems (Brinsky-Fay and Nikolai, 2008). Several studies argue that the children of the migrant population are strongly disadvantaged in the German educational system. The children of Turkish immigrants, the largest migrant population in Germany, seem to be the most disadvantaged (see Relikowski *et al.*, 2008 for an overview).

Lower educational qualifications are, however, not the only explanation to the obstacles for children of immigrants to gain access to the apprenticeship system.

Already in the beginning of 1990s, Faist (1993) reported a persistent inequality between “Turkish and German” youth regarding access to training places in the apprenticeship system. He emphasized the importance of networks to explain these differences.

According to Worbs (2003) similar results have been found in several other studies of the children of immigrants on the German labour market. The disadvantages of the children of immigrants from Turkey in particular can only partly be explained by their lower educational qualifications. She points out that an increasing shortage of apprenticeship places affects the native-born children of immigrants in particular. Those children of immigrants who have gained access to the apprenticeship system are overrepresented in a limited number of occupations, such as hairdresser and mechanic. Those who cannot find an ordinary apprenticeship position are often trained through other publicly financed measures. Although these measures are aimed at disadvantaged youth in general, they are of particular importance for the children of immigrants.

One of the reasons for the difficulties of the children of Turkish immigrants to gain access to good training places is the role of the work councils. Turkish immigrants are concentrated in a few segments of the labour market, which hampers the possibilities of their children to break into other areas of the labour market.

Herzog-Punzenberger (2003) gives a similar picture for Austria. There is often an oversupply of applicants to apprenticeship training places. Suppliers of training places can choose and seem to prefer applicants without an immigrant background. The author also mentions the importance of networks for obtaining a training place. The work councils have an influence on who receives a training place. Foreigners are not allowed to be elected to work councils in Austria. To the extent that children of immigrants have

parents with a foreign citizenship, this hampers their access to the apprenticeship system, or at least to attractive positions.

The evidence from Norway points in the same direction. Helland and Støren (2006) underline the importance of good grades for obtaining an apprenticeship and that good grades are even more important for children of immigrants of non-western origin. The differences in the probability of obtaining an apprenticeship place between immigrants with non-western origin cannot be explained by human capital factors. Their conclusion is that applicants of non-western origin have to outperform their majority peers in order to have the same chance of obtaining an apprenticeship. They also emphasize the importance of networks for gaining access to an apprenticeship place. Although the regional authorities are required to assist apprentice seekers in finding training places, around half of the apprentices have contacted the employers on their own, have relatives or acquaintances in the firm or have previously worked in the firm.

That children of immigrants have difficulties in getting access to apprenticeship training places is reported from other countries as well (for France, see Simon, 2003; and for the Netherlands, see OECD, 2008, Chapter 4).

Sweden does not have an apprenticeship system. The vocational tracks of upper secondary school, however, include 15 weeks of practice at an ordinary place of work. Arnell Gustafsson (2000) shows that children of immigrants have greater difficulties than other pupils in finding a training place, especially boys.

Labour market institutions

Labour market institutions can affect the labour market prospects of the children of immigrants in a number of ways. Labour market flexibility has attracted much interest among economists, for example studies of how high minimum wages and strict employment protection affect employers' choices of workers from the majority or the minority population. These issues are covered by Nabanita Datta Gupta in her Comment at the end of the chapter.

Labour market programmes

The simple model $w_i = mp_i - tc_f - rc_f$ can also be used to discuss the design of many labour market programmes. One type of programme is affecting w_i , by subsidising the wage costs in ordinary jobs. The perceived risk is also reduced, as the employment contracts are temporary. Other programmes provide labour market training, which would reduce the training costs for an employer.

When discrimination and the lack of resourceful networks are obstacles for children of immigrants to gain employment, these types of labour market programmes can improve their labour market chances. The key factor is the quality of the programme.

The Scandinavian countries have a long history of using active labour market policy rather extensively, and also a more recent tradition of evaluating the programmes. There is consensus in the evaluation literature that programmes close to the labour market are the most effective in terms of increasing the participants' employment possibilities (see Nekby, 2008 for an overview).

Wage subsidies are very close to the labour market as they subsidise regular jobs. Training programmes can be more or less close to the labour market. Some give

occupational qualifications that are accepted on the labour market and could also include training in ordinary places of work.

Another measure found to be effective in fostering the transition to employment is intensified matching and counselling.

There are also labour market programmes that are very far from the labour market. Their main purpose is to keep non-employed people occupied, enhance their self-confidence and the like. These programmes are mostly run in the public sector and are typically targeted at disadvantaged groups, such as people with drug problems and physical or mental handicaps.

An important issue is thus whether the children of immigrants have access to high quality programmes to the same extent as children of natives or if they are overrepresented in programmes that are very far from the labour market. It is reported from Denmark that only 2% of the programmes offered to immigrants are wage-subsidised programmes (Nekby, 2008). From Sweden there is evidence that job seekers from countries in Africa and South America have a lower probability of securing wage-subsidised jobs (Sibbmark and Åslund, 2006).

To my knowledge, there are no studies that focus on the allocation to different types of labour market programmes when it comes to the children of immigrants. It cannot, however, be excluded that children of immigrants face the same obstacles in accessing high-quality labour market programmes as has been seen in the apprenticeship system. In case of wage subsidies in ordinary jobs, employers have the final say. If employers perceive children of immigrants as less productive, they might prefer other job applicants. It can also not be excluded that employees at the employment offices could stereotype children of immigrants as belonging to the disadvantaged group, and place them in special programmes for unemployed with severe problems. There is very scanty evidence pointing in this direction. Faist (1993) reports that policy makers and administrators categorised immigrant youth as a problem group, along with mentally and physically handicapped German youth. One study from Sweden, based on interviews of employees at the employment services, points in the same direction. Although the interviewers clearly indicated that the issue was the labour market possibilities of native-born children of immigrants, the interviewees made no distinctions between young newly arrived immigrants and those who were born and raised in Sweden (but with immigrant parents). The shortcomings of newly arrived immigrants were generalised to the entire young population belonging to the same ethnic group or culture. They also reported that employers in many cases hesitated to employ “immigrants”.⁷ The employees of the employment services were governed by political goals, one of which being the placement of as many as possible in regular jobs. Employers’ reluctance to take on “immigrants” meant that the employees of the employment services had to spend more time and greater effort to get an “immigrant” into a regular job than was the case for “Swedes” (Knocke and Hertzberg, 2000).

Labour market policy implementation

Potential obstacles for children of immigrants to gain access to high-quality labour market programmes do not necessarily stem from discrimination or stereotyping.

7. “Immigrants” here include native-born children of immigrants.

Mechanisms influencing the implementation of labour market policy could unintentionally have a similar effect.

The efficiency, structure and function of the numerous institutions in government and municipalities that aim at facilitating the transition from non-employment to employment have received little interest among quantitative researchers. When institutions are examined from this perspective, the research is based on qualitative analysis and sometimes on case studies. The focus is rarely the children of immigrants.

It would be of interest to explore the underlying mechanisms driving the performance of governmental and municipal employees involved in the everyday implementation of labour market policy. Economic incentives are intensively researched when it comes to individual behaviour. To my knowledge, there are no studies of how incentives might affect the manner in which authorities make their decisions from the perspective of immigrants and their children.

Although not mentioned by Knocke and Hertzberg (2000), their interviews displayed an in-built mechanism in the governing of the employment services. For the fulfilment of political goals, it would be more rational for employment officers to concentrate on the “Swedes” than on the more hard to place “immigrants”. This possible disincentive in the case of employment officers is reinforced if political goals are expressed in quantitative terms, which is common in Sweden nowadays. When goals are formulated as “xx% of the programme participants shall have a job after xx days”, there is a clear risk for skim creaming implying that those at risk of being discriminated against by employers are also at risk of not being selected for labour market programmes. Other types of quantitative goals can lead to an unproductive juggling of people between different authorities and institutions, where everyone tries to transfer the difficult cases to someone else.

In Sweden the different means of financing the unemployed have an influence on the access to programmes. Those with a previous attachment to the labour market are covered by unemployment insurance, which is more lucrative than the social benefits available for those who have never been successful in entering the labour market. Over and beyond differences in the remuneration levels and stipulations in the two systems, there are also differences between them in terms of access to labour market programmes. An example is that the Public Employment Services are not allowed to treat those with unemployment insurance as “not job-ready” and some of the national programmes are in practice reserved for the insured. Compared to adults, young people (and perhaps the children of immigrants in particular) are more seldom qualified for unemployment insurance, which could affect their access to some types of labour market programmes.

It is possible that there are other institutional rules distorting the access of children of immigrants to different types of programmes in Sweden as well as in other countries. A precondition for discovering such distorting mechanisms is to carefully monitor the allocation of different kinds of job seekers to different types of programmes and to evaluate the effects of the programmes.

4. What can be done?

On the basis of the studies and evidence presented in this chapter, it would appear that measures against discrimination could contribute to integrating the children of immigrants into the labour market. Statistical discrimination could be counteracted by several measures besides legislation. A first prerequisite, however, is that the existence of

discrimination needs to be recognised by the majority population. Correspondence testing could be a useful tool to assess the extent of discrimination against children of immigrants. There are a number of other measures, which have in common that they increase the chances of children of immigrants to refute preconceptions about their abilities and give them a chance to demonstrate their true productivity to employers.

The lack of resourceful networks is another obstacle to finding work for the children of immigrants. Measures to overcome this obstacle often coincide with measures against statistical discrimination.

First of all, it is important to increase the chances for children of immigrants to access good training places in the apprenticeship system. In countries without an apprenticeship system, the same argument applies to different types of workplace training within the school system.

Educational institutions need to more vigorously involve themselves in the acquisition of apprenticeship and other training places in the ordinary labour market and in the allocation of pupils to these training places.

In many countries several measures that could be beneficial for the children of immigrants in particular are accessed through the employment services. Intensified job-matching and counselling are methods where an experienced employment service official with extensive contacts with employers serves as a substitute for the networks many children of immigrants lack. Employment service officials could also make use of their employer networks to change stereotyped perceptions regarding the productivity of the children of immigrants.

Wage subsidies in ordinary jobs have proved to be effective for accessing regular employment. Children of immigrants should have access to these programmes to the same extent as other job seekers. In order to assess whether children of immigrants are underrepresented in labour market programmes of high quality, the means to monitor this would need to be in place.

Improved knowledge about the effects of different ways of governing public authorities could be helpful in formulating effective labour market policy. Are goals formulated and monitored in a way that creates incentives for case-workers to give precedence to children of natives to certain programmes? Are there other rules with similar consequences?

Finding out what works, how and for who implies a systematic use of evaluation methods. Such evaluations should consider how the policy is implemented as well as the labour market outcomes of programme participants. Differences in implementation or in outcomes between the children of immigrants and the children of the native-born should be identified.

Most important of all is to refrain from stereotyping children of immigrants as having norms, behaviour and traditions making them less productive on the labour market or keeping them out of the labour force. Generalising this to entire populations, moreover, contributes to discrimination and increases the labour market disadvantages of the children of immigrants. Education on discrimination and the mechanisms behind should be included in the in-service training at employment offices and be mandatory in all intercultural courses.

A COMMENT

by

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Despite the substantial flows of migration that have existed in the last several decades, the evidence on the labour market performance of the children of migrants in continental European countries is still limited. This is because this group is still young and only just beginning to make school-to-work transitions. More complete evidence is available from the “old” receiving countries such as United States, Canada, United Kingdom and Australia. These studies by and large show that the children of migrants do nearly as well as natives on the labour market. In part this may be due to positive selection of immigrant parents to these countries, but in part due to institutions and mechanisms that ensure that the children of migrants invest in their human capital, and that labour markets and employers make use of and reward this investment.

In continental Europe, on the other hand, the children of migrants lag substantially behind their native counterparts in terms of labour force participation, success in finding a job and, to a lesser extent, wages. In part this is due to unfavourable parental and neighbourhood capital and lack of integration, but there is also strong evidence that returns to characteristics differ substantially between children of migrants and natives, suggesting certain unexplained differences. Lena Schröder’s contribution in Chapter 5 focuses on demand side explanations such as hiring through personal networks, screening by employers for regular jobs or apprentice positions and discrimination.

It is also increasingly becoming clear that institutionalised wage setting and inflexible labour market regulations that characterise many continental European labour markets doubly penalise marginal groups such as the children of migrants and may be one of the reasons for a generally higher unemployment rate within this group compared to natives. Those who do get jobs obtain wage protection but at the expense of a flat career profile. The beneficial effects of wage protection at the bottom of the distribution actually hurt high-skilled children of migrants. Time-limited wage subsidy schemes which preserve skill formation may be a way to increase employability of the children of migrants. Objectively determined job assignment systems taking into account different sources of heterogeneity at the individual level increase efficiency and reduce the possibility of negative stereotyping of the children of migrants by caseworkers on the basis of group characteristics.

As of yet, only limited evidence is available on the labour market integration of the children of migrants in Europe despite the substantial flows of migration that have existed in the last several decades. This is because in many continental European countries the first significant wave of immigration started with the guest workers in the 1960s and 1970s meaning that children born to these workers after arrival in the host countries (*i.e.*, “native children of immigrants”) are today at most in their 30s and 40s. Of course, some children accompanied their parents during those early waves (*i.e.*, “immigrant

children”) but the typical guest worker was an unmarried man who formed a family only after migrating. Thus, in continental European countries researchers have begun to observe school-to-work transitions and the early labour market performance of the children of migrants.

Some of the best evidence to date comes from the “old” immigrant receiving countries such as the United States, Canada, United Kingdom and Australia in which the full age range of children of migrants can be observed starting from labour market entry age up to retirement age. Researchers using data from these settings have identified important definitional issues concerning the labour market progress of the children of migrants. First of all, how to identify the children of migrants on the basis of parental ancestry? Should the condition be that both parents are foreign-born? Or should the requirement be weaker, with *e.g.* just one parent being foreign-born as sufficient to identify an individual as a child of a migrant? Furthermore, should we compare migrant children’s progress on the labour market to that of all young natives or only those who have similar socio-economic background? Just as the children of migrants cannot be considered a homogenous group, the native group also includes minorities whose labour market attainment lags behind the majority (*e.g.*, African Americans in the United States). Should we include non-immigrant minorities in the “native” reference group? Including them in the reference group may overstate the labour market progress of the children of migrants.

Existing studies have each adopted different definitions of the above. Still, much of the available evidence shows that in the “old” receiving countries, the children of migrants overall appear to be doing almost as well on the labour market as their native counterparts. Card (2005) in his study of the position of United States immigrants on the labour market compares 21-64 year-olds second generation and third generation or higher in the CPS data from 1995-2002, where second generation is defined as having at least one foreign-born parent. Relative to third generation or higher natives, second-generation immigrants have more schooling (.45 more years, males, and .31 more years, females), are more likely to be working (.8% more males, .5% more females) and even get higher (log) hourly wages (2.3% more males, 1.9% more females), controlling for age, education, region/urban, race (black) and ethnicity (Hispanic).

Aydemir and Sweetman (2008) use more recent CPS data as well as Canadian census data from 2001 on almost the same age group. They separately estimate their models for all three definitions of parent nativity – mother foreign-born, father foreign-born and both mother and father foreign-born. Like Card, they find that the children of migrants obtain more schooling relative to the native-born excluding visible minorities, *i.e.*, basically non-Hispanic Whites (+0.64 to +1.05 years males United States; +0.58 to +0.67 years males Canada; +0.57 to +0.77 years females United States; +0.48 to +0.61 years females Canada). When splitting by region of origin, however, it can be seen that children of migrants of Mexican origin and a residual group (“Other”) have substantially less schooling than white natives although all other ethnic groups do better than white natives.

A study by Miller and Chiswick (2007) on immigrant generation and income in Australia focusing on adult men in the 1981 Australian census also finds a modest wage premium of 4% for those with overseas-born parents, but which vanishes holding constant observed individual characteristics. The study finds, furthermore, that the partial effects of characteristics among the native-born are not related to parents’ nativity.

Dustmann *et al.* (2003) compare the relative labour market performance of individuals with ethnic background under age 45 born in the United Kingdom to United Kingdom born Whites of the same age range. They provide evidence on labour force

participation, employment, and wages. United Kingdom born minorities – men and women considered separately – are just as likely to participate in the labour market compared to United Kingdom born Whites, but have slightly lower employment rates. The differences, however, are not significant in all cases – *e.g.*, men of Bangladeshi origin and men and women of Chinese ethnicity are not significantly less likely to be employed compared to United Kingdom born Whites. Compared to immigrants of the same ethnic background, the study also shows that men in all groups among the children of migrants move closer to white natives in terms of their participation and employment probabilities. Although women among the children of migrants eliminate the gap in participation between themselves and United Kingdom white women, they make less progress where employment probabilities are concerned. The differences in participation between children of migrants and United Kingdom born Whites are not affected when controlling for region and other characteristics, either for men or for women. Finally, in terms of wages, only individuals of Black African, Caribbean or Pakistani descent lag behind United Kingdom born Whites, and this is true for both sexes, whereas for all other United Kingdom born ethnic groups, there is no statistically significant difference in wages when compared to United Kingdom born Whites.⁸

By and large, the children of migrants seems to be doing nearly as well as natives on the labour market in the “old” receiving countries (although somewhat better in the United States, Canada and Australia than in the United Kingdom) and this is in part due to the relatively high level of education of children of migrants compared to natives, *i.e.*, they tend to be “positively selected”, with the exception of certain ethnic groups. At the same time, in many of these countries, returns to human capital do not differ appreciably between children of migrants and natives. It appears to be the case, therefore, that certain institutions and mechanisms in these countries are ensuring both that the children of migrants invest in their human capital and that labour markets and employers make use of and reward the labour capacity of the children of migrants at the same rate as their native counterparts.

The situation appears to be different, however, in continental Europe. The scant evidence that exists on labour market status of the children of immigrants indicates that the children of migrants lag substantially behind their native counterparts in terms of labour force participation, success in finding a job and wages. Nielsen *et al.* (2003) find that the school-to-work transition is less successful for children of immigrants compared to ethnic Danes. Children of migrants in Denmark are less likely to obtain post-secondary education, wait longer to get their first job, and have both lower wages and shorter duration of their first employment spell. A logistic regression of post-secondary education, duration models of time until first job and of first employment spell, and an OLS model of hourly wages are estimated in each case separately for natives and the children of migrants. The estimates are used to predict how immigrant attainment would change if a given characteristic (or coefficient) had the same value as for Danish youth. For the educational gap, the most important factor is age, meaning that within the 18-35 age group the children of immigrants are on average younger than Danes and therefore are less likely to have completed post-secondary education. However, there is an equally large effect of the *coefficient* on age on immigrant youths' probability of completing education, which is interpreted as the consequence of children of immigrants completing their education at a later age than native Danes.

8. However, the authors caution that sample sizes are small when subdividing by ethnic background and gender so that statistical significance is in general low.

Unfavourable parental capital and unfavourable neighbourhood characteristics explain a smaller portion of the educational gap, especially for men. However, if male children of immigrants were endowed with the same coefficients on parental capital as Danes, this would *reduce* their probability of obtaining an education significantly. The interpretation of this finding is that male children of immigrants due to their “behaviour” are less susceptible to their poorer parental capital. Another interpretation given is that the welfare state may have been particularly successful in increasing intergenerational mobility within this group. For female children of immigrants, though, having the same coefficients on parental capital and, especially, having the same marriage indicators as native Danes would improve their chances of completing post-secondary education. Thus, if female children of migrants had had the same marital characteristics as native Danes (being married to ethnic Danes) and the same “behaviour” as native Danes in terms of marriage, they would increase their chances of completing education.

Intergenerational capital turns out to be much more important for explaining the labour market success (time until first job, spell length of first job) of the children of migrants than for explaining their educational attainment. For male children of migrants, again, the effect of parental and neighbourhood characteristics is overall smaller than the effect of parental and neighbourhood coefficients, while for female children of migrants, both characteristics and coefficients are important in explaining their lacking labour market success relative to native women. Nielsen *et al.* interpret the effect of differences in coefficients as differences in behavior. It cannot be determined, however, whether individual behavior or societal behavior in terms of norms and attitudes leads to a differential effect of the same characteristic for immigrants and Danes.

Rooth and Eckberg (2003) chart labour market outcomes for all children of migrants in Sweden according to parental ethnic composition – *i.e.* whether both parents are foreign-born or only one parent foreign-born. They find, not unexpectedly, that even after controlling for age, education, marital status, and choice of local labour market, individuals whose parents have southern European or non-European background fare worse in terms of probability of being unemployed and earnings. However, parental ethnic composition is important – having one parent who is foreign-born implies a lower probability of being unemployed than having both parents being foreign-born. Interestingly, the effect is strongest if the mother is native Swedish.

Another study using Swedish data (Behrenz *et al.*, 2007) defines labour market performance as consisting of two components – first, the probability of having income from work (labeled the “threshold” effect) and second, given that one is on the labour market, the level of income from work (called the “income from work” effect). Because the study accesses unique data in which children of migrants can be linked to their parents, the authors construct matched comparison samples of natives and children of immigrants according to parents’ socio-economic background – age, occupational status, and county of residence – standardised to values observed in 1970 for both groups of parents. Thus, when making their comparisons they ensure that the children of immigrants and the children of natives have grown up under similar socio-economic circumstances. Labour market performance of the children of migrants and their matched native “twins” are observed in 1997.

In terms of the econometric specification, they first estimate a binary probit model of having a job or not. Next, they estimate a Heckman selection model consisting of an income equation which includes explanatory variables and the probability of having a job. Their results show that a significant threshold effect exists – male children of migrants

from southern Europe and non-European countries have about a 10% lower probability of having a job compared to children of natives, whereas for female children of migrants this disadvantage is even larger. For children of immigrants from other Nordic countries or Eastern European countries, the disadvantage is about 4% age points for males, and slightly less for females. Thus, a clear threshold effect exists.

Although significant differences are found in income from work between children of migrants and native twins, after taking into account the threshold effect and other background characteristics, the differences in income from work between children of migrants and children of ethnic Swedes are substantially reduced. Different groups of children of migrants, however, tend to perform differently in the Swedish labour market – male children of immigrants from Nordic countries, eastern and southern Europe tend to earn significantly lower incomes than their native counterparts, whereas for male western and non-European children of migrants there is no statistically significant difference in income from work compared to their native twins. Among females, differences in income from work tend to disappear for all groups except children of migrants from other Nordic countries. The same factors appear in both the threshold equation and the income from work equation, so identification is achieved mainly through functional form.

Although the labour market performance of the children of migrants is not the focus of their study, Fertig and Schurer (2007) provide some indirect evidence on this issue for Germany, using 21 waves of the GSEOP data. Dividing immigrant groups according to their period of arrival, they estimate assimilation profiles for unemployment and earnings for each group compared to native Germans. They find that catch-up occurs after approximately ten years, but this is when children of migrants are included in the sample. When the group of children of migrants is omitted, the cohort arriving between 1988 and 2002 no longer reaches the earnings level of native Germans. However, the opposite is the case where unemployment is concerned. This suggests that relative to native Germans, the children of migrants (migrants who arrived before the age of 14) appear to be doing well in terms of earnings, but worse in terms of probability of becoming unemployed.

On the basis of the studies reviewed above, a few conclusions can be drawn about the labour market success of the children of migrants.

1. Children of migrants appear to be doing well on the labour market in the “old” receiving countries, which may be due to the positive selection of immigrants to these countries due to their longer history of attracting skilled migrants or due to more flexible labour market institutions with greater upward mobility. However, the children of migrants are not a homogenous group and neither is the native reference group. There are differences by ethnic origin; for example, children of Mexican migrants in the United States and children of Black African, Caribbean and Pakistani migrants in Britain lag behind.
2. In continental Europe, there is only limited evidence to date because the children of migrants are still young. However, a few studies from Scandinavia and Germany show that children of migrants lag behind natives, particularly when it comes to the probability of having a job. Conditioning on having a job, differences in earnings are not that much.
3. While age, unfavourable parental capital and neighbourhood effects seem to be important for the labour market success of the children of migrants, in particular women, they work through unexplained ways. That is, the effects of parental and

neighbourhood characteristics more than the levels are important for the labour market success of the children of migrants.

4. Particularly in the European context, it is important to standardise the comparison by age and parents' socio-economic background since children of migrants are typically the children of unskilled guest workers and therefore drawn from the lower end of the distribution.
5. There are important differences by gender and by parental ethnic composition. Having one parent who is native is better for outcomes, especially if the mother is native, suggesting the transmission of perhaps language skills.
6. Finally, even after controlling for age, education, and other background characteristics and matching narrowly by parental socio-economic background, the children of migrants in Europe do worse than natives. That is, there are unexplained differences that may be due to selective screening by employers or discrimination.

Schröder's contribution in Chapter 5 is to exactly probe the sources of and analyse the reasons for such *unexplained differences* in the labour market disadvantage of children of migrants. Unlike most previous studies, which only control for supply side differences such as education, socio-economic background, etc., Schröder focuses on explanations arising from the demand side. First, Schröder considers the role of recruitment channels and employer discrimination. Second, Schröder discusses the design and functioning of labour market institutions that may unintentionally foster and prolong the problems which children of migrants face in making the transition from school to work. Schröder summarises studies showing that most jobs vacancies are filled through personal networks and informal recruitment channels and that there are differences in both the size and quality of the networks of natives and immigrants. But networks are not exogenously given, so it would be useful to know more about how networks are formed. In particular, it is possible that supply-side factors such as education, parental background, and residential location also to some extent determine the size and quality of networks.

While previously unexplained differences in wage or employment regressions used to be attributed to “discrimination”, researchers are now developing approaches that more directly reveal the existence of labour market discrimination. Whether using quantitative data, laboratory experiments or field experiments involving either situation testing or correspondence testing, Schröder's summary of a number of studies establishes quite convincingly that there *is* non-equal treatment of job applicants from minority groups by employers. What is less researched, however, is why it exists (*i.e.*, due to employer preferences or due to employers using migrant status as a screening device in settings where individual productivity is costly to infer, *i.e.*, statistical discrimination), and what to do about it. These two questions are related, as Schröder rightly points out – in order to adopt appropriate measures to counter discriminatory practices, we need to know whether discrimination is arising because employers believe that minority members are less productive on average, or because they have a distaste (preference) for hiring minority (majority) members.

A new branch of research is exploring the importance of attitudes and norms, but so far only on the supply side, as Schröder points out, and in many cases, the questions being posed and the conclusions being drawn seem to reflect an underlying belief that “western” attitudes and norms are the ones that are most compatible with the labour market and that there is an unbridgeable gap between majority and minority attitudes and norms. An important question in this context is whether attitudes in turn affect labour market outcomes. Could living in immigrant-hostile areas affect immigrants' wages on

the labour market? Larsen and Waisman (2007) exploit a settlement policy in Sweden to compare immigrants who were assigned to immigrant-friendly areas vs. those assigned to immigrant hostile areas and find that well-educated immigrants from developing countries who live in municipalities with a strong negative attitude earn less than what they could have had they lived in more immigrant-friendly municipalities. In fact, if attitudes changed from the average level to being positive, immigrants could earn 12% more in wages, corresponding to 70% of the wage gap between well-educated immigrants from developed countries and those from developing countries.

To understand how institutions affect the labour market disadvantage of the children of migrants, we must look at the institutions which pave the way from school to work. Schröder sets up a simple model of the demand and supply of training slots. It can be seen from this model that in order for employers to cover the training costs of hiring a young worker and to get an adequate compensation for risks, wages will need to be lowered. However, this model of perfectly flexible labour markets is probably not directly applicable to European labour markets with minimum wages and other institutions. Thus, if employers perceive children of migrants as being harder to train or more risky to employ in a setting where the wage for unskilled labour is given, this will result in higher unemployment for children of migrants compared to natives, even if their productivity is the same.

A study by Orrenius and Solomon (2006) reports that unemployment among young immigrants relative to natives is higher in those OECD countries which have a high degree of labour market regulation compared to those which are less regulated. This is because institutionalised wage setting and a high degree of job protection price young workers out of the labour market, and the children of immigrants aside from having low education and inferior language skills also lack labour market experience. A consequence of lower employment chances by virtue of being at the bottom of the pool could be that children of migrants end up working in subminimum wage jobs as self-employed/employed in the family business or even “under the table”.

Labour market rigidities such as an economy-wide minimum wage or institutional wage-setting have been found to impact natives and immigrants differently, depending on where they are located in the overall wage distribution. Butcher and DiNardo (2002) find that minimum wages lead to greater compression at the bottom of the wage distribution for immigrants compared to natives. On the other hand, Chiswick *et al.* (2006) compare immigrant wage outcomes throughout the conditional wage distribution in the United States to those in Australia, a labour market characterised by a much higher rate of institutional wage setting and regulation. Their results show that while the least-skilled immigrants seem to benefit from the greater wage protection in the Australian labour market compared to the United States one, the situation is reversed when it comes to high-skilled immigrants, where the United States labour market appears to be better in terms of encouraging skill formation and upward earnings mobility. Thus, those children of immigrants who are successful in getting jobs in regulated labour markets will enjoy wage protection, but in the long run may end up being locked into dead-end positions with flat experience-earnings profiles. Interestingly, similar observations have been made about the relative size of the gender wage gap at different points in the wage distribution and on women's career progression in regulated versus unregulated labour markets. While wage floors have been found to be beneficial for reducing the gender wage gap at the bottom of the wage distribution, there appears to be large wage disadvantages for women at the top of the wage distribution in countries with regulated labour markets, whereas there appears to be strong wage growth for women in the top of the distribution in unregulated labour markets (Datta Gupta *et al.*, 2006).

Schröder lists the types of labour market programmes and institutions which have been effective in raising employment in Scandinavian countries, such as wage subsidies, matching, and counselling programmes. Of course, wage subsidy schemes could lead to deadweight loss if they go to employers who would have hired young immigrants anyway. There could as well be substitution effects (if the demand for substitute marginal groups such as, for example, their immigrant parents are impacted) and displacement effects (firms and industries that are subsidised will tend to out-compete those that are not, leading to a weeding out of the non-subsidised firms in the economy). The literature also points to disincentives of workers to undertake training investments etc. when covered by wage subsidies (Cossa *et al.*, 1999). Furthermore, the subsidy may stigmatise targeted workers and make them less attractive to employers by signalling that they are low-skilled and require special assistance (see, for example, Katz, 1996). On the other hand, the economist Edmond Phelps argues quite strongly in favour of wage subsidies for improving the prospects of marginal workers in the labour market. The lessons learned here seem to be that wage subsidy policies must be adopted with caution and must be time-limited to avoid disincentive effects.

An interesting question Schröder raises is whether administrators of labour market programmes and caseworkers stereotype young immigrants as belonging to a problem group and therefore tend to place them in less productive settings and less challenging jobs which would weaken their incentives to remain on the labour market. One solution could be profiling systems which are being used in some countries. Profiling systems use statistical methods to predict the risk of long-term unemployment (LTU) of job seekers so that they can be more effectively assigned to suitable labour market programmes. The benefits are that by identifying those with the greatest chance of becoming LTU, it maximises efficiency by targeting those who have the largest expected gains from participating and minimises deadweight loss by assigning lower priority to those who have a greater likelihood of finding jobs on their own. Second, because profiling is based on an objective statistical scoring procedure which takes into account multiple sources of individual heterogeneity, it minimises caseworker stereotyping of workers based solely on group affiliation such as being immigrant or female.

In Denmark, since 1 December 2004, such a statistical model of profiling workers based on their LTU chances has become an integrated part of active labour market policy (see Rosholm *et al.*, 2006). This study describes the statistical profiling model which is a hazard model of exiting unemployment based on a large number of variables such as age group, gender, migrant status and generation, reason for temporary absence, all types of benefit take-up history and detailed past labour market history.⁹ The basic idea is to be able to assist caseworkers by predicting for each case the likelihood that the individual will be unemployed for more than six months or not (LTU) starting from the date the case opens. On average, the predictive rate of the Danish profiling model exceeds the predictive rate of comparable profiling systems in other countries but prediction rates are still far below 100%. Still, it is an improvement on the previous system based mainly on subjective assessments. Furthermore, it is to be seen as a tool to be used together with the more traditional tools such as face-to-face interviews etc. for forming an overall assessment of a job seeker's employability.

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9. The model could be refined even more, because currently there are no controls for education, previous wage and labour market experience as only limited data from the Danish Labour Market Authority could be used.

Schröder's contribution in Chapter 5 is a much needed call to researchers and policy makers alike to begin to both address and rectify the inadequacies and barriers originating from the demand side of the labour market. Formally providing a structure to the workings of the demand side of the labour market and its institutions is also the focus of the new equilibrium search models of the labour market. While experiments, correspondence tests, and field audit studies provide direct and often very compelling evidence of discrimination, they are costly to undertake and have weak power because of are small sample sizes. Often, the testers are drawn from a very restricted segment of the population; as are the sampled firms, and therefore results do not always carry over to other groups of workers and to the labour market as a whole. On the other hand, observational studies have trouble establishing causality unless truly randomly occurring events or convincing instruments can be found. Typical wage equation analysis ignores key features of the working of labour markets, such as the rate at which individuals receive job offers and the rate at which firms lay off workers. Search models allow a framework which incorporates both behavioral and productivity differences while still controlling for worker heterogeneity.

An equilibrium search model has been estimated using matched employer-employee data for Germany by Bartolucci (2008). The framework allows determining to what extent wage differences between immigrants and natives arise due to differences in ability, differences in job search patterns, or to discrimination. Bartolucci finds that immigrants are more productive than natives in similar jobs, are more mobile, but have lower bargaining power, which would mean that in spite of having positive wage differentials, they are being discriminated against. He does not distinguish, however, between immigrant parents and children of migrants.

Within the structural framework of an equilibrium search model (ESM), Datta Gupta and Kromann (2009) explore whether employers exhibit favouritism towards natives over children of migrants when making their hiring, firing, and promotion decisions. The main question analysed within such a search model is if children of migrants get fewer job offers than natives even when they have the same qualifications as natives. Thus, we want to test if the children of migrants in Denmark are subject to a longer waiting period before they find their first job, as well as before they find their first job in the intended occupation. Preliminary descriptive evidence appears in Table 5.1 below.

Table 5.1. Means of variables included in the ESM model, Denmark, 1985-2003, children of migrants compared to natives, 18-35 years, by sex

	Children of migrants males	Native males	Children of migrants females	Native females
State in first spell, 1: empl., 2: unempl.	1.37	1.19	1.38	1.25
Unemployment duration, spell 1	38.60	42.60	43.00	49.90
Employment duration, spell 1	125.60	196.50	123.90	214.20
Hourly wage, spell 1	124.00	132.70	107.90	109.40
Unemployment duration, spell 2	15.60	13.40	20.90	18.30
Employment duration, spell 2	89.80	139.40	73.80	110.50
Hourly wage, spell 2	136.40	153.00	116.50	125.60

Bold figures: significantly greater at 5% level.

It is clear from the table that the children of migrants – males and females to the same extent – suffer more unemployment in the first observed spell than do natives. Given unemployment in the first spell, the duration of unemployment is in fact slightly lower for children of migrants compared to natives. A large gap is seen however in the duration of employment in the first spell. Both male and female children of migrants have considerably shorter employment durations than natives of the same age group. There are no differences in hourly wages conditional on employment. The pattern repeats itself when looking at the second spell, although male children of migrants seem to earn slightly lower wages than their native counterparts in their second employment spell. Thus, on the basis of this preliminary evidence, it would seem that the children of migrants in Denmark have difficulties in finding their first job, and seem also to separate from their jobs – either voluntarily or involuntarily – faster than natives. When they find employment, however, they earn approximately the same wages as natives.

Examining these patterns further, we can shed some light on the destinations individuals exit to, after employment spells in Table 5.2 below.

Table 5.2. Destination after first and second spells observed, Denmark, 1985-2003, children of migrants compared to natives, 18-35 years, by sex

	Children of migrants males	Native males	Children of migrants females	Native females
Employed 2nd spell	0.63	0.68	0.63	0.66
Unemployed 2nd spell	0.09	0.11	0.1	0.1
Non-employed 2nd spell	0.28	0.21	0.27	0.23
Employed 2nd spell				
Employed 3rd spell	0.65	0.7	0.61	0.64
Unemployed 3rd spell	0.14	0.14	0.15	0.17
Non-employed 3rd spell	0.21	0.16	0.23	0.2

Calculations for persons who had been employed in the first spell. Bold figures: significantly greater at 5% level.

Table 5.2 shows that the children of migrants – both males and females – are less likely to be in employment and more likely to be out of the labour market in the destination state immediately following the first employment spell. This is not observed for the second employment spell, however. These results may point to the children of immigrants facing particular difficulties establishing their first foothold in the labour market, perhaps by not being able to convert apprenticeship (first employment spell) into a job offer, as was mentioned also by Schröder in Chapter 5).

The evidence above, though suggestive, is based on the raw data, and although immigrant and native samples are matched by age (both 18-35 year-olds), there may be other potential differences between the two groups in terms of their characteristics. A closer matching will be made when estimating the ESM. Estimation of the full ESM model will also reveal whether the pattern observed above is due to a higher quitting rate or a greater layoff rate among the children of migrants. For policy purposes, it will be important to distinguish between these two scenarios.

Schröder's contribution to this workshop is to take the "problem" of the children of migrants and turn it on its head. Rather than focus on the deficiencies of the children of migrants with respect to their skills and qualifications, Schröder asks what is wrong with

employers, labour markets, institutions, and the implementers of labour market policy which collectively prevents the continental European countries from adequately utilising the resources of children of migrants. In the evidence presented earlier in this chapter, we saw that the old receiving countries have been far more successful in this regard. The evidence collected together in this chapter point to attitudes, norms, and employer preferences but also to the workings of labour markets, in particular wage-setting institutions and other institutional rigidities which place a double penalty on the children of migrants. Cautious application of time-limited targeted wage subsidies which preserve the possibility of skill formation and more effective and objectively determined job assignment systems are suggested as ways to foster labour market integration of the children of migrants.

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Part II.

**FACILITATING THE INTEGRATION OF CHILDREN OF IMMIGRANTS
IN EDUCATION AND THE LABOUR MARKET**

Chapter 6.

POLICY OPTIONS FOR IMPROVING THE EDUCATIONAL OUTCOMES OF THE CHILDREN OF IMMIGRANTS¹

by

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Summary

Education plays an essential role in preparing the children of immigrants for participation in the labour market and society. Giving these children opportunities to fully develop their potential is vital for future economic growth and social cohesion in OECD countries. But migrant students in most OECD countries tend to have lower educational outcomes than their native peers. This chapter identifies the different factors that contribute to the educational disadvantage of migrant students and reviews a range of policy options to narrow the achievement gap between natives and migrants.

Many OECD school systems face challenges related to the segregation of students along socio-demographic lines. While concentration in school is often linked to residential and housing policies, it is sometimes reinforced by the structure of the education system. Policy options to integrate rather than segregate migrant students include effective management of school choice, rethinking of ability grouping practices and ensuring high curricular standards in all schools.

Migrant students in many OECD countries are more likely to be enrolled in underfunded schools located in deprived areas. Additional resource inputs can be necessary to bring their schools up to parity and finance additional programmes to address the particular linguistic and other needs of immigrant students. Research indicates that funding for equity will be most effective at the earliest levels of education, and that both universal programmes for low socio-economic status (SES) students and targeted measures for immigrant students are necessary.

The educational success of migrant students also hinges on school and classroom conditions and practices favouring a positive approach to diversity. To narrow the achievement gap between natives and migrants while improving the quality of education for all, schools need to be provided with incentives, training, guidelines and support in

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1. The work underlying this chapter was undertaken as part of the *OECD Thematic Review on Migrant Education*. It is a condensed and updated version of the OECD Education Working Paper No. 22 (Nusche, 2009). Parts of the analysis may be reproduced in individual country notes or the *Final Synthesis Report of the OECD Thematic Review on Migrant Education*.

recruiting and retaining effective teachers, adapting the school climate and pedagogy to diverse students, providing adequate language support and reaching out to migrant parents and communities.

Introduction

In most OECD countries, migrant students on average have lower educational outcomes than their native peers. Often their access to high quality education is restricted by a range of factors, including residential segregation, selective mechanisms and resource inequality. In addition, their participation in schools is often interrupted as they tend to drop out and leave school early more frequently than their native peers. And as the PISA studies have consistently shown, there are also significant performance gaps between native and migrant students in most OECD countries, with first-generation migrants lagging on average about 1.5 school years behind their native counterparts (OECD, 2007).

These are dreary results. But the PISA studies also show that this situation is not inevitable. For example, in Australia, Canada and New Zealand, there are virtually no performance differences between migrant students and their native peers. Migrant students perform better in these countries than in the rest of the OECD, even when socio-economic background is controlled for. In Switzerland, students of Turkish origin perform significantly better than students of Turkish origin in Germany and Austria despite their otherwise similar background characteristics. In Sweden, second-generation migrants make greater gains *vis-à-vis* first-generation students than in other OECD countries. These country differences suggest that when the right conditions are provided, the educational gap between migrant and native students can be significantly narrowed.

Previous research has described the range of factors influencing the educational success of migrant students. While broader societal conditions such as immigration, housing and social policies may influence migrant educational outcomes, many factors of disadvantage are in the remit of education policies (for a review, see for example Brind *et al.*, 2008; Heckmann, 2008). This chapter summarises evidence on the different education system-level and school-level factors that contribute to the achievement gap between natives and migrants. It then looks at the ways in which *education policies* can influence these factors to improve the educational opportunities for migrant students.

The first part focuses on ways in which the structure of education systems can be shaped to improve the access, participation and performance outcomes of migrant students in OECD education systems. Part two looks at system-level policies to allocate resources in order to support migrant education strategies. Finally, part three deals with school-level policies that seek to shape school and classroom environments as well as school-home relationships.

1. Reducing educational segregation

Many OECD school systems face challenges related to the segregation of students along socio-demographic lines. The clustering of students with similar background characteristics may lead to polarised education systems with some schools enrolling mostly well-off and native students and others enrolling large numbers of disadvantaged and migrant students.

Research suggests that concentration of migrant students in schools can be detrimental to their educational outcomes. Regression analyses using cross-country data from studies such as the Third International Mathematics and Science Study (TIMSS), PIRLS and PISA show that across OECD countries a higher degree of segregation is associated with a higher unexplained test score gap between native and migrant students (Schnepf, 2004; Scheeweis, 2006). Studies from countries such as Denmark, the Netherlands and Sweden also point to a negative impact of migrant concentration in schools on student performance (Egelund and Tranaes, 2008; Karsten *et al.*, 2006; Nordin, 2006; Szulkin and Jonsson, 2007).

The concentration of migrant students in schools often reflects residential patterns. In the traditional catchment area model, students are assigned to a school in their neighbourhood. Thus, where housing is highly segregated, schools tend to be segregated as well. The schools perceived to be of better quality are often located in areas where property prices and rents are higher. Good quality schooling thus often has an implicit price in the housing market and migrant students from low socio-economic backgrounds may not have access to it (Field *et al.*, 2007).

In addition, in countries allowing for school choice, the concentration of students along socio-demographic lines is sometimes reinforced by the choices parents make regarding the school in which they enrol their children. Research shows that native parents tend to be more likely than migrant parents to use school choice to opt out of schools with high concentration of migrants, thus reinforcing segregation between schools (Hastings *et al.*, 2005; Rangvid, 2007b).

Finally, segregation may be aggravated by the design of educational systems, especially by policies that are broadly referred to as “ability grouping”, *i.e.* the sorting of students into classrooms, tracks and schools according to their perceived intellectual ability (Ammermüller, 2005; Schneeweis, 2006). Research suggests that in countries practicing ability grouping, migrant students tend to be more likely than natives to be grouped into the tracks with lower curricular standards and lower average performance levels (*e.g.* Resh, 1998).

Residential and housing policies are beyond the scope of this chapter. The remainder of this section will look at education policies related to school choice and ability grouping that may help desegregate schools and classrooms and enhance migrant students’ educational outcomes.

Managing school choice to avoid segregation

To ensure that all children have access to good quality schools, many countries have introduced school choice arrangements. School choice aims to ensure the right of parents to decide which school their child will attend, independently of the area they live in. It is also expected to increase efficiency in education, by enhancing competition between schools and pushing schools to improve quality and reduce costs.

There is little empirical evidence to clearly support or reject these expectations. Overall, the results from PISA 2006 indicate that student performance is higher in systems with a higher degree of school choice and competition, but this positive effect is no longer significant when other factors related to student performance are included into the estimation (OECD, 2007). Empirical studies conducted in different countries often report mixed results, showing that some types of school choice have a positive impact on certain groups of students, but other types do not (Björklund *et al.*, 2004; Mickelson *et al.*, 2008).

Although the empirical evidence on the impact of school choice is mixed, there is a risk that it may lead to increased socio-demographic segregation between schools.

First, school choice rarely means that parents have complete freedom of choice. As school places are limited, the schools with the highest perceived quality are likely to have more applicants than places. If oversubscribed schools are allowed to give preference to students with higher performance levels or who live near the school, school choice arrangements might reinforce segregation. In Sweden, for example, a school reform which allowed independent schools to select students by ability led to a marked increase in segregation across schools by immigrant status (Björklund *et al.*, 2004).

Second, studies have shown that it is mostly the more well-off native families who exercise school choice. In Denmark, for example, research suggests that since public school choice was introduced in the 1990s, segregation has increased because native students tend to choose schools with fewer immigrant and low-SES students (Bloem and Diaz, 2007). Rangvid (2007b) shows that native Danes tend to “opt out” of local schools when the proportion of migrants is between 35 and 40%. In the Netherlands, according to reports by school principals, a percentage of minority pupils exceeding 50% to 60% causes Dutch parents to leave the school (Karsten, 1994).

Third, students with weaker parental support are likely to be disadvantaged by school choice because their parents may be less well informed about the available options (Field *et al.*, 2007). Language barriers, resource constraints, lower levels of education or lack of knowledge of the school system may hinder migrant parents’ capacity to enrol their children in the most appropriate schools (Schneider *et al.*, 2000; Hastings *et al.*, 2005). Practical problems such as lack of transportation, concerns about security, operating hours of schools and workplace arrangements can also hinder parents’ exercise of school choice (Lacireno-Paquet, 2004; André-Bechely, 2007).

Country practice and research provide some examples of how education systems can manage school choice to avoid segregation. However, little evidence is available on the impact of such policies on educational outcomes.

- *Lotteries.* Several studies suggest that choice plans should use simple lotteries to pick among the applicants for oversubscribed schools in order to promote a more diverse student intake (Godwin *et al.*, 2006). Education systems can also consider providing financial incentives for oversubscribed schools to enrol migrant students (Field *et al.*, 2007). For example, school funding may be weighted according to socio-demographic characteristics of the student population. The idea is that good schools will seek to enrol migrant students from low socio-economic backgrounds because they know that with the additional money provided they will be able to provide additional support for the child to show improvement trends and reach performance levels (Hoxby, 2001).
- *Improving the quality of concentrated schools.* To encourage native students to choose schools with diverse student populations, attractive schools with special curricula can be placed in relatively disadvantaged areas. In the United States, such “magnet schools” offering special math, science or art curricula have existed since the 1970s (Heckmann, 2008). They aim at providing high quality education in a specialised and integrated learning environment. Generally, transport is provided for children, mostly from well-off white families, to be brought to these schools outside their catchment areas. Other initiatives focus on raising the quality of existing schools with high proportions of migrant students.

In Switzerland, for example, the QUIMS (Quality in Multi-Ethnic Schools) programme offers extra resources and professional support to schools with 40% or more students from migrant backgrounds. Among other things, the project explicitly aims to attract more Swiss and middle class students to these schools (Gomolla, 2006).

- *Parental information.* Some policies attempt to influence the preferences of native and/or migrant parents. In one large district in North Carolina, for example, school choice information programmes included distribution of information material, volunteers undertaking home visits to low-income and immigrant families, “choice booths” in shopping malls, a district-wide information fair and hotlines in English, Spanish and Vietnamese to explain the different available programmes. Documentation shows that 95% of families submitted their choices in the following year and that African-American parents participated at an even higher level (Godwin *et al.*, 2006).
- *“Bussing”.* Following the example of bussing policies in the United States, several OECD countries are experimenting with ways to distribute immigrants more evenly across schools. In some Danish municipalities, for example, schools with predominantly native Danish students are receiving migrant students from other schools. Some municipalities report positive results. In Aarhus, for example, 34% of pupils bussed to a new school experienced an above normal progression in their linguistic development, 45% had developed as expected and 20% below expectations (Information received from the Danish Ministry of Education).

Reducing the negative impacts of ability grouping

While the concentration of students with *similar socio-demographic background* is widely considered undesirable, many systems deliberately favour the concentration of students with *similar levels of ability* in schools and classrooms. Ability grouping policies aim to create some degree of academic homogeneity within classrooms, tracks or schools. Such grouping practices aim to provide instruction at the optimal level and pace of each achievement group.

At the same time, there are risks that ability grouping may hinder the learning of those who are grouped into the lowest tracks (Field *et al.*, 2007). Being labelled as a “low-ability student” at an early age may lead students to internalise low expectations and loose motivation for, and interest in, education (Jussim and Harber, 2005). Moreover, in some settings, lower tracks may provide less stimulating learning environments, due to differences in curricular standards, teacher expectations, instructional methods and student compositions (Oakes, 1995; Ammermüller and Pischke, 2006; Entorf and Lauk, 2006).

The potential negative impacts of ability grouping are especially salient for migrant students. In some environments, migrant and low-SES students are disproportionately grouped into the least academically-oriented schools or tracks (Resh, 1998; Prenzel *et al.*, 2005; Strand, 2007). Some types of ability grouping, especially when it happens at an early age, may lock them into low level instructional environments before they have had a chance to develop the linguistic, social and cultural skills to prove their full educational potential (Entorf and Lauk, 2006).

The impact of tracking into different school types seems to be especially harmful to migrant students when it happens at an early age. Early separation from mainstream

students may not allow them to develop the linguistic and culturally relevant skills necessary to perform well before being assigned to a lower level system. Entorf and Lauk (2006) find that separating students into different tracks at an early age amplifies the learning differences between native and migrant students that already existed before they are allocated to tracks. Several cross-country studies find that, after controlling for a range of other factors, early tracking is associated with greater inequality of outcomes but does not have any discernible effect on mean performance (Schütz *et al.*, 2005; Hanushek and Wössmann, 2006; Meier and Schütz, 2007).

A greater number of lower secondary school types can compound the risks of early tracking. PISA 2006 data shows that in countries with a greater number of distinct lower secondary school types, student background tends to have a significantly larger impact on student performance. The risk of having many differentiated school types is that a relatively small number of very low-performing students may be concentrated in the lowest type, representing a rump of poor performance and low expectations (OECD, 2008). Another risk is that in more differentiated systems it can be easier to move weak performers to lower school types rather than investing extra resources to raise their performance (OECD, 2007).

In many countries, the material covered in different tracks is very different. Ability grouping with such curricular differentiation quite quickly locks students into their initial low-track placement because they are not even exposed to the material they would need to move into higher tracks (Schofield, 2006). Some systems that use ability grouping within schools reserve high level curricula for the most “academically able” students. However, some research indicates that being taught a rigorous and higher level curriculum could actually benefit *all* students. Arnett (2007), using PISA 2003 data from 32 countries finds that the more standardised the curriculum within a country, the weaker the effect of student socio-economic background on student learning.

Policies and practices from a range of OECD countries provide examples of how the risks of early tracking for immigrant and low-SES students can be reduced:

- *Avoiding biases in grouping practices.* In systems where students are sorted into different school types based on teachers’ recommendations, the disproportional assignments of migrant students to lower tracks or school types may be related to biases in teacher judgements. In Germany, for example, Spinath (2005) shows that the diagnostic competencies of German teachers concerning their primary school students were very poor. To reduce the risk of biases in teacher judgements, education systems using ability grouping at any point in the educational pathway need to invest in developing teachers’ diagnostic competences, ensure that criteria used are fair and transparent, and provide assessment mechanisms that allow taking into account linguistic and cultural differences.
- *Postponing the age of tracking.* Analyses based on international student assessments suggest that each additional year of untracked schooling can contribute to reducing the overall impact of home background on student outcomes (OECD, 2007). Meghir and Palme (2005) find that Swedish reforms in the 1950s replacing tracking at age 12 with a comprehensive system increased overall attainment and improved equity. Pekkarinen *et al.* (2006) show that a Finnish school reform in the 1970s postponing tracking from age 11 to 16 and introducing a uniform curriculum in lower secondary schools improved equity in later earning outcomes. The most recent example is Poland where tracking was postponed from age 14 to 15 year-olds in 2002. When PISA data from 2000,

2003 and 2006 is compared, it seems that this reform is associated with improvements in the performance of low-performers without harming the achievement of high-performers (OECD, 2007).

- *Reducing the number of school types.* Some countries or states (e.g. Luxembourg, the Slovak Republic, and some German states) are encouraging reforms to combine several lower school types into one. In Germany, for example, some Länder have adopted two-tiered school systems instead of three-tiered systems by combining the former Hauptschule and Realschule tracks. Most of these policies are too recent to provide longitudinal evidence of their impact.
- *Ensuring high curricular standards for all.* In the United States, several studies have revealed that an enriched, accelerated curriculum² is more effective than a low-level remedial curriculum to increase the achievement of initially low-achievers (Oakes *et al.*, 1990; Peterson, 1989; Levin, 1988; Burris *et al.*, 2006). Analyses of data from the Second International Mathematics Study (SIMS) and the Third International Mathematics and Science Study (TIMSS) further indicated that low track; remedial curricula actually depressed the mathematics performance of American students rather than improving it (Burris *et al.*, 2006). These findings suggest that all students including those with initially low achievement can benefit from being given educational opportunities similar to those of initially high achieving students. The Accelerated Schools Project in the United States, for example, is based on the idea that through challenging assignments building on students' strengths, all students may become academically able (Levin, 2005).

2. Allocating resources for migrant students

One of the most common policy approaches in migrant education is to allocate additional resources, in the form of finance or teaching staff, to schools enrolling high proportions of migrant students. The rationale for such redistributive policies is twofold. Migrant students are in many countries more likely to be enrolled in underfunded schools located in deprived areas, and additional resources may be necessary to bring these schools *up to parity* with the mainstream (OECD, 2005a; Darling-Hammond, 2000; Pugin, 2007). Going further, it is argued that schools enrolling high proportions of migrant students should be allocated additional resources *on top of* an equitable distribution of services and funding so that they can respond more effectively to these students' specific learning needs.

There is powerful evidence that investments in the education of migrant children have the highest rate of return when focused at the earliest levels of education (Cunha *et al.*, 2005). A consistent body of research has shown that learning is a dynamic process where all achievements build on foundations that are laid down at earlier ages (Cunha *et al.*, 2005; Heckman, 2006a, 2006b). If gaps emerge in children's cognitive, linguistic and social abilities at an early age, these gaps will be difficult to overcome later on. Cost-benefit analyses have shown that investment in early childhood education and care

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2. In their initial form, accelerated classes in the US represented an attempt to meet the needs of "gifted and talented" learners. The tradition of accelerated classes began in the 1980s. Some states, such as New York, have mandated that all school districts offer an accelerated curriculum in middle schools, to meet the needs of "gifted" students (Burris *et al.*, 2006).

(ECEC) is relatively more effective and less costly than remedial programmes later on in the lifecycle (see for example Cunha *et al.*, 2005; Heckman, 2006a, 2006b).

At the same time, investments in the subsequent levels of education are also clearly beneficial for migrant students' educational achievements. Research has shown that the benefits gained from ECEC programmes may “fade out” over time if they are not continuously nurtured (Barnett, 1995) – this is especially true for disadvantaged children who are at higher risk to attend low quality primary and secondary schools (Lee and Loeb, 1995). The benefits gained at early age need to be sustained through follow-up programmes and continued high quality learning experiences (Heckman, 2006b). Beyond ECEC, compulsory education (roughly primary and lower secondary education) should be the first priority to improve migrant students' educational outcomes. By definition, the compulsory level enrolls all students including all disadvantaged and migrant students, whereas in most non-compulsory levels of education migrant students are underrepresented. As the OECD study on equity (Field *et al.*, 2007) has pointed out, spending on tertiary education will rarely be an equity priority, as low income and migrant students are much less likely to benefit from such expenses.

Whether additional funding is successful in narrowing the achievement gap between native and migrant students depends of course on the types of programmes the money is actually spent on. But research has shown that the strategies used to calculate and distribute these resources also have an impact on whether they will be used effectively or not.

Determining target groups

The first step in devising resource allocation mechanisms is to determine the exact target group: should all students with educational disadvantages be targeted or should migrant students be singled out for specific financing?

Research has shown that migrant status often overlaps with low-SES, and many migrant groups experience higher levels of poverty than the majority (Brind *et al.*, 2008). Hence, allocating additional resources to schools with low-SES students is likely to reach many migrant students as well. However, while poverty and parental education may be among of the most marginalising factors in terms of educational achievement, in some countries migrant students' educational disadvantage remains after controlling for socio-economic status (Brind *et al.*, 2008). This suggests that funding strategies to tackle particular priority areas for migrant students are relevant. OECD countries have adopted a range of different funding strategies:

- *Targeting disadvantaged students.* Many funding strategies adopt an integrated approach directing additional resources to all “disadvantaged” students. They calculate per-student funding based on student background criteria that tend to be correlated with low educational performance, such as family income, parental education, migrant status and language spoken at home. Migrant students are likely to be eligible under several types of criteria, as they often face multiple disadvantages linked to their migrant background on the one hand and to their relatively low socio-economic status on the other. Title I of the Elementary and Secondary Act in the United States, for example, provides additional funding to virtually all the highest poverty schools, which are defined as those with 75% or more of students eligible for free and reduced-price lunch. Title I schools also serve higher than average percentages of minority, bilingual and migrant students (Kirby *et al.*, 2003).
- *Targeting disadvantaged areas.* Some funding strategies take into account the characteristics of local communities such as high unemployment, concentrations

of migrant families and adverse structural conditions. Such approaches cover migrant students living in deprived areas in an integrated approach along with their native peers. The British Excellence in Cities (EiC) programme, for example, targets support at all students living in disadvantaged urban areas but in fact, 60% of migrant students live in these areas and are covered by the funding (Kendall *et al.*, 2005). The programme provides EiC “local partnerships” with additional resources for initiatives such as supporting the teaching and learning of the most able pupils; providing Learning Mentors to work with pupils to identify and address underlying issues which may undermine their progress; developing small school based units for pupils at risk of exclusion; designing City Learning Centres to enhance the whole curriculum using high quality ICT facilities. Recent evaluations show very good results. For example, the rate of increase in GCSE performance for EiC areas was shown to be around twice that of non-EiC areas between 2001 and 2005 (Kendall *et al.*, 2005).

- *Targeting migrant students.* Some countries highlight the need to implement funding strategies designed to meet the specific needs of migrant students. In Switzerland, for example, the Quality in Multi-Ethnic Schools (QUIMS) programme focuses explicitly on ethnic and cultural diversity. It provides extra financial resources and professional support to schools with 40% or more students from migrant backgrounds through language instruction, adaptation of assessments to the needs of linguistic and socio-cultural diversity, and an inclusive and non-discriminatory school ethos (Gomolla, 2006).
- *Targeting specific groups of migrants.* In the United Kingdom, funding from the Ethnic Minority Achievement Grant (EMAG) is allocated based on numbers of pupils from nationally underachieving minority ethnic groups and English language learners. The major objectives of the grant are to support whole-school change to narrow achievement gaps for underachieving minority ethnic pupils and to meet the costs of additional support to meet the specific needs of bilingual learners (DFES, 2004). The results in terms of achievement are mixed. While Pakistani, Bangladeshi and black Caribbean students remain the most at risk of underachieving, the rates of improvement were greater for Pakistani and Bangladeshi students than for other groups (Tikly *et al.*, 2005).

Ensuring efficient management of resources

- Having determined the exact target groups and levels of funding that each group should receive, the second step is to identify what level of the education system is best suited to manage the funds. While allocation to intermediate authorities may be helpful to reduce regional spending disparities, schools may be best placed to decide on the most urgent local funding priorities. Country experience suggests that approaches where intermediate authorities work together with schools to support efficient use of additional funding may work well.
- To develop locally coherent initiatives and respond best to local conditions, some countries have adopted decentralised funding approaches, allocating resources for migrant education to intermediate authorities such as school districts, local authorities or municipalities. In Sweden, for example, the national government redistributes resources from wealthy to poorer municipalities through a grant (Ahlin and Mörk, 2005). Yet, while such redistributive mechanisms can be an effective tool to balance disparities between regions, inequities within

disadvantaged regions may remain, and some schools may not receive the share that corresponds to their relative needs.

- Giving funding directly to schools can be a way to avoid biases in spending patterns of intermediate authorities and ensure that the money indeed reaches the schools with the highest proportions of migrant students. In several countries redistributive strategies have gone in line with an extension of school autonomy, an emphasis on new systems of quality management, and professional development opportunities provided to school staff.
- Funding tied to achievement targets. In the United Kingdom, the allocation of extra resources through the EMAG is based on concrete targets to raise the achievements of particular underachieving ethnic minority groups. Schools are required to use ethnic monitoring, which allows collecting and analysing achievement data in relation to students' ethnic backgrounds. This is seen as an important instrument in identifying inequalities, introducing specific interventions and monitoring success (Gomolla, 2006). In the United States, Title I schools are required to reach "adequate yearly progress" (AYP) as defined by external performance standards for all their students, depending on their students' particular background characteristics. If schools fail to reach AYP goals for two consecutive years, they are identified as in need of improvement and provided technical assistance to help them improve. If they fail to make progress for two years after being identified for improvement, they are subject to "corrective action" by districts, which may include replacing staff, introducing a new curriculum or restructuring (Kirby *et al.*, 2003).
- Funding combined with training for school-level professionals. When funding for migrant education is distributed to schools, it is important that further guidance or professional training is provided on how the resources can be used effectively. Otherwise, school staff may not know how to fit new initiatives into their school development plans, or they may use the money on programmes that have not been demonstrated to be effective in improving migrant education. In Switzerland, the QUIMS strategy aims to provide attractive incentives and professional support for participating teachers and schools. Participating schools are provided with structured schemes for school improvement and additional support from the local administration, including advisory services, professional development, materials, handbooks, local networks and evaluations (Gomolla, 2006).
- Funding administered by intermediate authorities. Intermediate authorities can provide vital support to schools in using additional resources effectively. In the United Kingdom, Tikly *et al.* (2005) show that additional funding for ethnic minority students was more likely to impact on student achievement when the local authorities provided active support in the management and co-ordination of additional funds. The local authorities that were successful in raising migrant student achievement often provided good practice guidelines and advisory services for schools. They also tended to offer professional development opportunities to train school managers and governors in the use of EMAG, disseminate good practice in addressing the needs of ethnic minority students, and have provisions to monitor progress in migrant education. It can be important to earmark funds allocated to intermediate authorities, to make sure that they are indeed used for migrant education, rather than for other local priorities (Ahlin and Mörk, 2005; Field *et al.*, 2007).

3. Ensuring high quality teaching and learning environments in diverse schools

The previous sections discussed policies concerning the structure and inputs of education systems. The present section is concerned with the conditions and processes taking place in individual schools. It deals with policies aiming to change school and classroom characteristics in order to take migrant students' needs into account.

Recruiting and retaining high quality teachers

While migrant and disadvantaged students stand to benefit the most from high quality teaching, they are often the least likely to receive it (Field *et al.*, 2007). Research has shown that teacher preferences may direct the more qualified and more experienced teachers to schools enrolling mostly native students (Hanushek *et al.*, 2001; Bénabou, 2003; Karsten *et al.*, 2006). In France, for example, the share of young inexperienced teachers and the rates of teacher turnover are much higher in the educational priority zones (ZEP) than on national average (Bénabou, 2003). In the United States, the highest-poverty *Title I* schools face greater challenges than other schools in terms of higher teacher attrition and teacher inexperience (Kirby *et al.*, 2003).

The following policies can help address these challenges and improve the quality of teachers in schools with high proportions of migrant students:

- *Hiring additional teachers* in schools with high proportions of migrant students is an often cited policy measure to provide more responsive schooling for migrants. Higher teacher density allows schools to create smaller classes, which in turn enables teachers to provide more individualised support and keep track of each student's specific needs. Moreover, class size reductions are likely to improve the classroom climate, reducing the number of disruptions and the level of noise, and allowing more time for each student to participate and become engaged (Santiago, 2005). While the impact of smaller classes on mainstream students seems to be modest (Tomlinson, 1988; Hanushek, 1997), a substantive body of literature from a wide range of countries has shown that class size reductions do have a large and significant effect on disadvantaged students, including migrant, ethnic minority and low-income children from low-educated parents, especially at younger ages (Robinson and Wittebols, 1986; Krueger, 1999; Angrist and Lavy, 1999; Lindahl, 2001; Björklund *et al.*, 2005; Andersson, 2007).
- *Paying teachers more.* Some governments have provided additional funding to teachers in “challenging” schools in the form of higher salaries or better working conditions. Such funding schemes are intended to reduce teacher turnover rates and attract high quality teachers to schools serving low-SES, migrant and ethnic minority students. Overall, there is some evidence that higher salaries for teachers in challenging schools may contribute to raising teachers' satisfaction and attracting high quality teachers to these schools. But the evidence also indicates that such salary increases would need to be very substantial (20-50%) to make a difference in teacher turnover rates (Hanushek *et al.*, 1999, 2001).
- *Hiring teachers with migration backgrounds.* Teachers who are familiar with the experiences, culture and language of immigrant students can serve as role models and enhance the self-confidence and motivation of immigrant students. There is evidence from international research that using more migrant-origin / minority teachers is likely to improve the educational experience and outcomes of

immigrant students. Research conducted in the United States has consistently shown that teachers tend to have more positive perceptions and higher expectations of students who share their demographic backgrounds (Beady and Hansell, 1981; Ehrenberg *et al.*, 1995; Quiocho and Rios, 2000; Dee, 2005). There is also some tentative evidence that performance outcomes increase in certain subjects when students are assigned to a teacher with similar demographic background characteristics (Dee, 2004; Lindahl, 2007). In England and Wales, for example, the Teacher Training Agency (TTA) has introduced measures to attract more visible ethnic minority entrants to the profession. These measures have included targeted advertising, mentoring schemes, taster courses, training bursaries, and the setting of recruitment targets for initial teacher training institutions (Carrington and Skelton, 2003).

Adapting pedagogy and school culture to diverse students

In almost all OECD countries, there is recognition that schools should implement measures to respond to the increasing cultural diversity of their students. Policies and practices that take into account the ethnic and cultural differences between students are broadly referred to as “intercultural” or “multicultural” education (Eldering, 1996). While these terms are used differently across OECD countries, there is broad agreement in the literature that for intercultural education to be successfully implemented it is not enough to introduce curriculum adaptations at the national level. Institutional changes must be made at the level of every school, including changes in school leadership and in the expectations, skills and methodologies of teachers.

Teaching students from a wide range of different social, cultural and linguistic backgrounds takes a complex set of skills that many teachers may not have through formal training. In some countries, dealing with heterogeneous student populations is a relatively new challenge for teachers. In Denmark, for example, a 2006 survey showed that about 75% to 80% of teachers do not feel sufficiently qualified to teach immigrant students. This may lead to insecurity and low expectations when dealing with students from diverse backgrounds.

In some countries there is evidence that migrant students experience lower expectations and a less well developed culture of achievement at school (*e.g.* Beady and Hansell, 1981; Ehrenberg *et al.*, 1995; Dee, 2005; Rangvid, 2007). This is troubling in the light of international research showing the negative effect that low teacher expectations can have on student motivation and performance. Experimental research has shown that low teacher expectations can become self-fulfilling prophecies, *i.e.* they can lead students to perform at levels consistent with these expectations (Rosenthal and Jacobson, 1968; Brophy and Good, 1974; Rosenthal and Rubin, 1978) and that students from stigmatised social groups, such as immigrant students, are particularly vulnerable to such self-fulfilling prophecies (Jussim and Harber, 2005).

There are pedagogical approaches that teachers can apply to ensure that all students are held to high expectations and given the support they need to achieve these expectations. International research highlights formative assessment, differentiated instruction and a focus on second language development throughout all subjects as particularly relevant in socially, culturally and linguistically diverse classrooms. Such instruction is more tailored to individual needs and more challenging for teachers. It needs to be developed by strong initial and in-service teacher training (Field *et al.*, 2007).

While the attitudes and capacities of teachers are probably the most important factor influencing student outcomes, it is the role of school leadership to ensure the right climate and conditions for effective teaching and learning in schools. While effective leadership is important for all schools, research in different countries indicates that the effects of successful leadership on student learning are greatest in schools in more challenging circumstances, *e.g.* schools with high proportions of students from low-SES and/or culturally and linguistically diverse backgrounds (Leithwood *et al.*, 2004; Mulford *et al.*, 2008).

Concretely, the following policy approaches can be helpful in creating responsive school environments for increasingly heterogeneous student bodies:

- *Training teachers for intercultural education.* Targeted pre-service and in-service training is necessary to provide teachers with the knowledge and pedagogical tools to differentiate instruction and respond to the language and other needs of migrant students. In Denmark, for example, aspects of intercultural education are now a part of several mandatory subjects of pre-service training. Student teachers can also choose Danish as a Second Language (DSL) as one of their main subjects of specialisation in teacher training. In addition, in-service teacher training can be ordered by schools or municipalities and be tailored to their particular needs. Shorter courses are offered to subject teachers and provide them with tools to facilitate language development through their subject content teaching. Longer courses lead to a pedagogical diploma degree and include training related to formative assessment, intercultural pedagogy and second language acquisition. An evaluation report concludes that pre- or in-service training of teachers in these areas does improve the everyday teaching practice at schools (EVA, 2007).
- *Strengthening school leadership.* In order to establish a consistent school policy on issues such as intercultural pedagogy and second language support, school leaders themselves need knowledge in these areas of pedagogy and they need to be able to monitor their teachers' practice. Targeted initial and in-service training is therefore necessary for all school leaders. In California, for example, the Principal Leadership Institute, which prepares future leaders for urban schools with diverse student populations, has included a module on second language acquisition in the initial training for school leaders. School leaders in multicultural schools can also be supported through guidelines from the system level on how to best address diversity issues and language learning. In England, for example, the National College for School Leadership has developed a "Guide to Achieving Equality and Diversity in School Leadership". The guide highlights the need for a clear diversity policy at the school level and outlines key equality and diversity actions for school leaders to follow, along with case studies and examples.
- *Whole-school professional development.* Professional training for school leaders and teachers could be embedded in whole-school professional development. There is evidence that whole-school professional development is particularly effective and relevant for professionals in challenging schools as it is situated in actual school contexts and involves both teachers and school leaders. In England, for example, the whole-school professional development programme "Raising the Achievement of Bilingual Learners" has helped raise the confidence of teachers to support their bilingual students and has led to improved student performance (White *et al.*, 2006; Benton and White, 2007). The programme involved the following elements: support with building school leadership teams and creating

an inclusive school culture, appointment of a DSL consultant within the schools, diagnostic visit by a specialist, development of a migrant achievement plan, professional development for teachers, and additional support in the classroom.

4. Providing adequate language support

Proficiency in the language of instruction is a fundamental determinant of successful educational outcomes. Migrant students who do not master the language of instruction are at a significant disadvantage in schools. Cross-country data from PISA show that migrant students who do not speak the language of instruction at home are roughly one year of learning behind their native peers. At the same time, those migrant students who do speak the language of instruction at home are about half a year behind. This means that there is about *half a grade level difference* between migrants who do and do not speak the language of instruction at home (Christensen and Stanat, 2007). Regression analyses based on PIRLS, TIMMS and PISA also show that speaking a foreign language at home significantly decreases pupils' achievements in both primary and secondary schools (Schnepf, 2004).

Measures to improve the language proficiency of migrant students are therefore a priority in education policies across OECD countries. But countries vary greatly in the methods and programmes adopted to reach this aim. Research in this field provides some guidance on the strategies that are likely to be successful in supporting migrant students' language as well as content learning.

- *An early start in language learning.* As discussed earlier in this report, educational support for migrant students is most important and effective in early childhood. This is also true for language support (AERA, 2004; Knapp, 2006). Language training can begin in very early childhood and care programmes. Research has shown that phonological awareness – being able to listen to language and to hear rhymes and syllables in words – is an important determinant of later reading and writing ability (Leong and Joshi, 1997; Ehri *et al.*, 2001). Building on early phonological awareness training, migrant children should receive special language and literacy support before entering primary school. Research in the United States has shown that children can acquire the basic language skills necessary for reading and writing quite quickly when they are taught a systematic curriculum from early on (Slavin and Yampolski, 1992).
- *Ensuring consistent language support across grade levels.* Research indicates that while it takes children approximately two years to develop “communicative” language skills, it can take up to seven years for students to become proficient in the “academic” language used in school environments (Cummins, 1979). Systematic and ongoing language support is therefore necessary at all levels of education. An explicit language policy and clear guidelines from the system level can help create consistency in language support across grade levels and transitions (Grubb, 2008). Christensen and Stanat (2007) have compared the characteristics of language learning programmes in those countries that seem to succeed best in teaching the language of instruction to immigrants. They find that language support in the more successful countries is systematic across grade levels. Three characteristics are of particular importance: 1) language support is based on centrally developed curriculum documents, 2) teachers must be specifically trained in second language acquisition and the 3) programmes are time-intensive and offered in a continuous way throughout primary and secondary schools.

- *Integrating language and content learning.* Research has also shown that it is neither necessary nor desirable to postpone academic teaching until students fully master the language of instruction (Watts-Taffe and Truscott, 2000). Language development and cognitive development are interconnected and language learning seems to work best when learners use language for meaningful purposes (Au, 1998). It is therefore essential to ensure that language classes are closely connected to the mainstream curriculum and that mainstream teachers understand their key role in furthering students' language development. Research points to a number of techniques to facilitate language acquisition in all subjects, such as frontloading (analysing the linguistic demands of a course and teaching these demands up front), scaffolding, providing graphic illustrations and using vocabulary explicitly and strategically so that all students can learn effectively in Danish (Dutro and Moran, 2003, in Grubb, 2008). Such language development techniques can be included initial teacher training and targeted in-service training. In Denmark, for example, approaches to be aware of students' language needs and adapting teaching accordingly are now part of the mandatory teacher training (Danish Ministry of Education, 2008).
- *Valuing the mother language.* While it is not clearly proven that mastering one's mother tongue is a prerequisite for proficiency in a second language, research indicates that students learn best when they can draw on their full linguistic and cognitive repertoire to achieve new objectives (Cummins, 1979). Valuing migrant students' mother language can be an essential component of intercultural education. It means welcoming students' language capacities as a resource for learning and understanding and helping them bridge the gap between their home and the school. Many different arrangements using the native language to differing degrees can be successful in helping migrant students achieve in education, such as hiring a bilingual classroom assistant, offering elective subjects in the mother language, or proposing the mother language as part of foreign language learning in the official curriculum.

Parental involvement in schools

The close relationship between family background and student outcomes is well-established. Students' interaction with their parents is one of the mechanisms through which this relationship operates. Parents may not only provide direct support in terms of after-school tutoring, learning materials and homework supervision, but through their interactions with their children they also communicate certain values and expectations about education that students are likely to internalise. In some countries, programmes to strengthen the links between school and home are now high on education policy agendas.

The impact of parental involvement is a well-researched field. Literature reviews and meta-analyses of empirical studies confirm that parental involvement in education is associated with improved student outcomes (Jeynes, 2005, 2007; Fan and Chen, 2001; Desforges and Abouchaar, 2003; Schofield *et al.*, 2006). This effect seems to work in two main forms: parental involvement at home, including discussion about school, homework supervision and reading with children; and parental involvement at school, including contact with teachers, attendance of events and volunteering at school activities. Moreover, the evidence shows that the various forms of parental involvement are beneficial for student achievement regardless of background factors such as immigrant status or ethnicity (Desforges and Abouchaar, 2003; Schofield *et al.*, 2006; Jeynes, 2007).

However, while parental involvement matters for all children, immigrant parents, especially those with lower SES, are often less involved than native-born parents (Turney and Kao, 2006). While migrant parents often have high aspirations for their children, they may face multiple barriers to involvement in school, such as language difficulties, weak knowledge in school subjects or lack of time and/or money to invest in their children's education. They may also feel alienated and unwelcome in a foreign school environment (Desforges and Abouchaar, 2003).

These findings have important implications for policy. Initiatives to boost parental involvement need to address the complex set of factors likely to inhibit parental support in migrant families. Schools need to find ways of communication that appeal to parents with different levels of education, language skills and understanding of the school system. They need to build parents' capacity in supporting their children while at the same time training teachers to interact with parents effectively.

- *Bringing education into homes.* Home visiting programmes are one of the most commonly used approaches to foster parental involvement in their children's education. Such programmes send facilitators into the homes of "at-risk" families to improve children's education by working together with parents. This approach is widely used at the pre-school level. The Home Instruction Program for Preschool Youngsters (HIPPY), for example, has been widely implemented in several OECD countries. The programme is targeted specifically at disadvantaged families, including low-income, migrant and ethnic minority families. It involves fortnightly visits by tutors from the same community who teach parents how to facilitate their children's learning using structured workbook activities. Evaluation results from different countries show significant performance advantages in the cognitive ability of participating versus control group children (Lombard, 1994; Alder, 1995; Burgon, 1997).
- *Parents as partners in school education.* As an alternative or in addition to home visiting programmes, schools may encourage parents to become engaged in school-based activities. One example is the INSPIRE project conducted in Birmingham (United Kingdom) where the local authority provided training, materials and funding to schools to prepare them to work alongside parents. As a result, staff and parents reported a 70% increase in educational activity at home and 60% of teachers reported increased achievement among involved students (Desforges and Abouchaar, 2003). In some countries, schools have appointed special professionals to ensure effective liaison between schools and homes. In London (United Kingdom), for example, the School Home Liaison Project was initiated in 1995 by the London Diocesan Board for Schools to promote partnerships between schools and parents. An evaluation report shows that the project has led to better communication between families and schools, more parents coming forward to seek help and support, an improvement in parents' understanding of school issues and better teacher understanding of family situations (Hallam and Castle, 1999).
- *Subject-specific parental involvement.* Further research indicates that parental involvement programmes are most effective when targeted in specific subject areas. In a review of family influence on literacy learning in the United States, Sheldon and Epstein (2005a) find that 22 out of 23 targeted reading programmes that taught parents to become involved with their children in reading and language activities produced significant gains in student performance in these

areas. Many of the students participating in the studies were from ethnic minority or immigrant groups. Using longitudinal data from elementary and secondary schools, Sheldon and Epstein (2005b) also show that effective implementation of practices that encouraged families to support their children's mathematics learning was associated with higher mathematics test scores.

- *Educational and service offers for parents.* In some countries, broader services for parents are directly offered at schools to connect parents' own development to that of their children. In Austria, the city of Vienna offers mothers German language courses at the kindergarten or school where they drop off their children. Although no data is collected to report the impact on student performance, an evaluation exercise reports positive effects on school climate and school-parent communication (OECD, forthcoming). In the United Kingdom, "Full Service Extended Schools" were developed in every local area to provide comprehensive services such as health care, adult learning, community activities, study support and childcare. These extended schools aim to address social, health and other concerns of parents while always highlighting education as the pathway to achievement, employment and inclusion. The final evaluation of the initiative found that the approach positively affects pupils' attainment and that these results are clearest for pupils facing difficulties. The initiative also had a positive impact on engagement with learning, family stability, adult learning and employment (Brind *et al.*, 2008).

5. Conclusions

A broad range of factors at the system, school and individual level contribute to the educational disadvantage of migrant students. First, structural features of education systems such as school choice, tracking, selection mechanisms and resource inequalities may contribute to segregation and have disproportionately negative impacts on migrant students. Second, features of each individual school such as teacher expectations, classroom environments and school organisation contribute to shaping migrant students' learning experience. Third, individual student characteristics including socio-cultural background and language proficiency are also important determinants of migrant students' educational success.

As discussed in this chapter, policy action is necessary to manage school choice, rethink ability grouping practices, allocate resources effectively, recruit high quality teachers, adapt school policies and classroom instruction to more heterogeneous groups, provide adequate language support and encourage parental involvement. The chapter has provided a number of examples of migrant education policy approaches across OECD countries, some of which have shown positive results.

But it is unlikely that any one policy approach alone will be sufficient to close the gap the gap between natives and migrants. A comprehensive mix of universal equity policies and targeted measures for migrant students is needed to meet the needs of heterogeneous student bodies. Moreover, across OECD education systems, and especially at the level of schools, a change of mindset is necessary to acknowledge linguistic and cultural diversity as a permanent feature of school life and to assume responsibility for developing the linguistic and cognitive competences of all students.

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Chapter 7.

SCHOOL SEGREGATION

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Summary

Many OECD countries have recently experienced a rapid increase in immigration, and concomitant changes in the ethnic-social mix in their neighbourhoods and schools. The position of these immigrants in education is generally a major cause for concern because of their low performance levels, poor participation in higher education and high dropout. Considering that education is crucial for obtaining employment and income, the improvement of the educational position of immigrant students is an important policy goal. There is strong evidence that shows that non-school factors, such as family background, parenting practices, country of origin and language explain much of the systematic low achievement of certain immigrant groups. One school factor stands out as an important explanatory variable as well, and that is the impact of the ethnic and socio-economic composition of the students' school. There is much evidence that school and classroom composition effects school achievement and educational attainment through differences in learning opportunities (*e.g.* differences in teaching practices and teacher quality) and influences of peers. National and international data (in particular the Programme for International Student Assessment – PISA) show that immigrant students are not evenly spread over neighbourhoods and schools, and they often cluster with other low income groups, resulting in school segregation. For example, PISA data of the United States and European countries show that immigrants are highly clustered in a small number of schools. In many OECD countries half or more of immigrant students need to be moved to achieve equal representation in all schools.

Educational segregation is mainly the outcome of a process of residential segregation, processes of supply and demand on the local school market (parental choice, school profiling and admission rules), and general selection processes in education (*e.g.* early selection and tracking). Up to now, there have been not many, fully successful, policy programmes to create a more “balanced” system of schools in most OECD countries. In general three approaches can be distinguished. First, strategically using mandatory assignments of students by local or regional authorities through adjusting school attendance boundaries (*e.g.* integrating more affluent neighbourhoods or suburbs into one district); strategic planning of new schools; strategic use of special programmes or targeted recruitment of students and families (*e.g.* magnet schools); and, finally, student transfers (*e.g.* voluntary student transfer

programmes, regulating transfers). Each of these policy measures presupposes that the public authorities have considerable discretion over the schools in their area. Second, the “controlled choice” approach. In a system employing this approach, either full mandatory assignment to “neighbourhood schools” or full “free choice” is abolished, and students are assigned to schools on the basis of a carefully-designed process. Parental control plays a major role here. This system depends on the juridical and administrative abilities to take account of the criteria in assigning students to schools. Third, the school improvement approach. Because the growing body of research that suggests a school’s effectiveness is determined largely by the quality of its teachers, great emphasis in this approach must be placed on attracting excellent teachers to the schools where migrant or minority student clusters are numerous.

The controlled choice strategy seems to be most promising compared to both compulsory assignment and free or uncontrolled choice. First, controlled choice offers an important advantage over a compulsory assignment system: in many countries choice adds a right rather than taking one away. Those who can afford to buy a house in a “good neighbourhood” already had choice. So, choice is also expanded to less affluent families. Second, control can avoid the prisoner’s dilemma issue of uncontrolled choice – public authorities can provide the necessary information to the parents, design fair procedures and try to find the right “balance”. An important element is that authorities develop a fair system of admission rules of students, and strictly limit the number of schools that can “cream off” the better students. However, any strategy of better balancing the intake of students has to be complemented with policies of improving neighbourhoods and schools.

Introduction

The inequality of immigrants in acquiring human capital is an important factor in the explanation of the diversity in their labour market opportunities and chances of integrating successfully in their host countries. There is a large amount of literature that shows that immigrants’ educational dispersion in many countries is considerably higher than that of the native population. For most OECD countries, this higher educational dispersion derives from very low-achieving immigrants (Schnepf, 2008). Consequently, an explanation is needed concerning the factors that may play a significant role in the school careers of immigrant students and the low achievement of certain groups of immigrants.

There is strong evidence that shows that *non-school* factors, such as the family background (socio-economic status – SES – and the mother’s level of education), the country of origin, language and parenting practices, explain much of the systematic low achievement of certain immigrant groups. One *school* factor that explains differential achievement, and which is generally seen as a very important variable (more important than the teacher-student ratio, salary differences, and public versus private schools), is school or classroom composition (the student mix). The student composition of schools and classrooms can influence opportunities to learn in different ways (for example, through teacher-student and student-student interactions), and this can eventually translate into differences in achievement. It is therefore important to study the differences in student composition between and within schools, both nationally and across nations. This chapter examines the issues related to these differences in student composition in OECD countries: effects, causes and policies.

1. School segregation

The difference in distribution of immigrants and natives in schools (producing different school or classroom compositions) is often referred to as school segregation. In the academic literature segregation is a measure of the unevenness in the distribution of individual characteristics between organisational units (*e.g.* schools or jobs). In educational research the term is conceptually related to the impact of peer's characteristics and attitudes on the educational outcome at the school level. Unequal distribution of a particular population (*e.g.* socio-economic, ethnic, racial or immigrant group) is a necessary but not sufficient condition for defining the phenomenon of segregation. The notion of segregation implies negative consequences for individuals clustered in particular schools. For example, the students of Japanese schools in some major European cities are of course very similar to each other in terms of social characteristics, but it would be hard to think of these schools as problematic for immigrants. However, an immigrant student in a highly segregated school with a high percentage of low performing immigrants or natives is very much likely pulled to the average immigrants' achievement, while the same student can probably benefit much from a high percentage of well achieving peers in another school.

School segregation can be measured in various ways. Measures of unevenness, isolation, concentration, clustering, and centralisation have been applied in the past (Massey and Denton, 1988). The arguments in the academic debate about how best to measure segregation combine normative disagreements about what segregation actually is with more technical arguments about the desirable properties of a segregation index. As the differences between the various indices are equally valid and can actually be informative, we will not choose between them here and will mention only the most frequently used indices.

The first method of calculating the level of segregation is to measure the *unevenness* of the distribution between schools. The most familiar indicator for an uneven or imbalanced distribution is the *dissimilarity index* (DI). This indicator concerns the proportion of a certain group of students who would have to be reassigned to other schools in order to achieve the same proportion in each school as for the whole area (Duncan and Duncan, 1975). Such an area may form a geographic or administrative unit (*e.g.* school district, city or country). The theoretical limits of the index are zero (no reassignment necessary) and one (the entire population of a specific group must be reassigned). The advantage of the index is that this measure is unaffected by the actual numbers of a certain group of students in society, and is therefore “composition invariant”. This segregation indicator, however, has one major limitation. While this index measures the *scope* of segregation, it says nothing about *where* the segregation occurs. So, the dissimilarity index can be the same for two or more areas, but can be blind to interesting differences in these areas (see also Hutchens, 2001). For example, in some areas students to be reassigned must come from a few schools, while in other areas (with the same level of segregation) these students must come from many or all schools. This may be important information for policy makers.

The second dimension of segregation concerns the *extent of interaction* between two groups. We are mainly interested in this dimension if we expect certain effects from this interaction (such as friendship relations or inter-ethnic tolerance). In this case, we can use the *index of exposure*, which was first proposed by Coleman *et al.* (1975) to measure the extent of inter-ethnic contact. This index refers to the variation in the ethnic or social composition of schools. This index can be expressed both as a percentage (Rossell, 1988)

and as a curve (see Coleman *et al.*, 1975). This index is used mainly to show the differences between school districts or neighbourhoods with respect to the extent of interaction between specific groups of students. A second, closely related measure of inter-ethnic contact is based rather on its absence, or what is sometimes termed *ethnic isolation*. One commonly used measure of isolation is the percentage of certain minority students who are in school with enrolments between 90% and 100% minority students. Measures of this sort can be defined for different groupings (*e.g.* ethnic, racial, social background or immigrant status) and different percentages. It would be best if this type of percentage were also an empirically based reference point for specific results (the “tipping point”): such as fewer development opportunities for certain groups of students, fewer possibilities for integration, or an extra burden on teachers. However, at present, there is no empirically based theory that enables us to establish an absolute criterion.

2. Cross-national differences

The issue of ethnic and social segregation in schools has attracted interest in many countries, but very few studies have been conducted to investigate ethnic or social segregation in a cross-country perspective that allows comparison of the levels of segregation. Literature, examining school segregation of immigrants, focuses generally on national data which are hardly comparable between countries. For this comparison we have to bear in mind that immigrant groups are not evenly spread over the countries so that the national level index doesn’t always say much. That is why many single-country studies mainly report on the situation in the urban areas and the big cities.

Examples of those single-country studies are:

- About the largest school districts in the United States (Clotfelder, 2004; the publications of Civil Rights Project of Harvard University such as Frankenberg *et al.* 2003); the United States are into a dual processes of racial transformation and re-segregation. The next generation will be much less “white” because of the aging and small family sizes of “white” families and the demography is deeply affected by the immigration from Latin American and Asia. In particular the segregation of Latinos (the largest immigrant group) is now far more severe than when it was first measured nearly four decades ago. At the same time federal data show that the country is in a process of re-segregation and in some of the nation’s previously desegregated communities they have moved back to segregated neighbourhood schools.
- About different aspects of segregation in England (Gorard *et al.*, 2003; Jenkins *et al.*, 2006; Noden, 2000; West *et al.*, 2004), in particular in relation with the reforms of 1980s. In England social segregation has been rising consistently, albeit slowly on average, but this national average masks considerably differences in segregation between Local Education Authorities.
- About major cities in France (Felouzis *et al.*, 2005; Maurin, 2004; Oberti, 2007). In France school segregation is, by its planning and assignment system (*la carte scolaire*), strongly concomitant with urban segregation. That is why Maurin uses the term “ghettoisation” to describe this situation.
- About Berlin (Noreish, 2007) and some states in Germany (Kristen, 2005). The case of Berlin shows that there is a high correlation between the movement of German children between catchment areas and the percentage of children who do not speak German in the home attending these schools.

- About Madrid (Berniell, 2009). The case of Madrid shows that as the share of immigrants in the population increases, the proportion of native parents who choose to send their children to private schools increases.
- About the situation in more egalitarian countries such as Denmark (Rangvid, 2007), the Netherlands (Karsten *et al.*, 2006), Norway (Fekjaer and Birkelund, 2007), and Sweden (Szulkin and Jonsson, 2007) where ethnic segregation is on the rise. Sweden is an interesting case because it still combines comparatively high immigration rates and ethnic segregation with relatively equal opportunities for children.

An interesting study is also done by Ladd *et al.* (2009) which compares the levels of segregation in the largest school districts in the United States with the four major Dutch cities. They conclude that the segregation of disadvantaged immigrant students in the Dutch cities exceeds that of black students in most American cities. So, we can hardly deny that ethnic and racial inequality, long one of the central characteristics of American urban education, is increasingly becoming an important feature of the European educational landscape.

Studies with a cross-country perspective are scarce. In her study about differences in educational achievement between immigrants and natives in ten countries with a high population of immigrant students Schnepf (2006) computes the dissimilarity index for those countries using data from the OECD's Programme for International Student Assessment (PISA). Although she stresses (for technical reasons)¹ the need of some scepticism regarding the appropriateness of the PISA data for the calculation of the segregation index, she presents the segregation index DI together with the number of schools in the PISA sample, the average schools' immigration composition and the percentage of immigrants in the 50th and 90th percentile (ordered by the share of immigrants in schools) by country for PISA reading. The ten countries are ordered by the magnitude of the dissimilarity index (see Table 7.1).

Table 7.1. Average school immigrant composition in percentage and dissimilarity index, school level in PISA reading

	Number of schools	Mean percentage of immigrants in school	Percentage of immigrants in 50th percentile (P50) of school distribution	Percentage of immigrants in the 90th percentile (P90) of school distribution	DI
United States	148	9.1	0	40	0.647
United Kingdom	362	9	4	20	0.616
Canada	1 117	13	3.4	42.4	0.602
Netherlands	100	13.2	4	40	0.546
New Zealand	153	14.5	8.3	40.9	0.501
Sweden	154	13.3	6.1	29.6	0.497
Germany	215	16.2	11.1	43.3	0.493
France	117	11.1	6.3	33.3	0.490
Australia	231	23	14.3	66.7	0.479
Switzerland	282	18.7	14.3	44.4	0.400

Source: Taken from Schnepf (2006).

1. The PISA is a sample survey, which means that any measure of segregation estimated using its data is subject to sampling variation.

The table shows that the immigrants are highly clustered in a small number of schools. When we look at the dissimilarity index (DI) we see that school segregation is highest in the United States (almost 65% of the immigrant students in the United States would need to be moved to achieve equal representation in all schools). From the European countries the United Kingdom and the Netherlands also rank high, while in Switzerland (with the lowest index) still as many as 40% of immigrant students need to be moved for equal representation. In her further analyses Schnepf also finds that in Canada, France, Germany, New Zealand, Switzerland, the United Kingdom and the United States students in schools with an over-representation of immigrants (compared to the national share of 15-year-old immigrants) fared worse than students in other schools even if student' and schools' socio-economic background were hold constant. Obviously, high clustering of immigrants in some schools is neither favourable for the educational achievement of immigrants nor natives attending these schools. Controlling for school segregation decreased immigrants' educational disadvantage in France, the Netherlands, Sweden and Switzerland where socio-economic background differences between the two groups of children could not explain the whole immigrants' educational disadvantage (see more in Section 4).

Entorf and Lauk (2008), also using PISA, provide the dissimilarity index for six additional OECD countries: Czech Republic (0.82), Denmark (0.63), Hungary (0.61), Norway (0.58), Austria (0.58), and Russia (0.51). All countries have a segregation index above 0.5 indicating that the integration of migrant students in the educational system appears to be rather limited.

In a recent study Jenkins *et al.* (2008) focussed on the differences in socio-economic background in an internationally comparative perspective. Since immigrant status in many (European) countries highly correlates with socio-economic status, their data are of interest too. They compared the social segregation across 27 OECD countries with cross-national survey data (PISA 2000 and 2003).² Their results show that levels of segregation in secondary schools do vary appreciably between countries. Factors of particular importance in explaining the degree of social segregation are: where parents of different social backgrounds live; how parents choose schools for their children (parental choice), and how schools choose their students (school choice based on ability and other admission rules). See Figure 7.1 and Jenkins *et al.* (2008) for the differences in the dissimilarity index (with 95% confidence intervals).

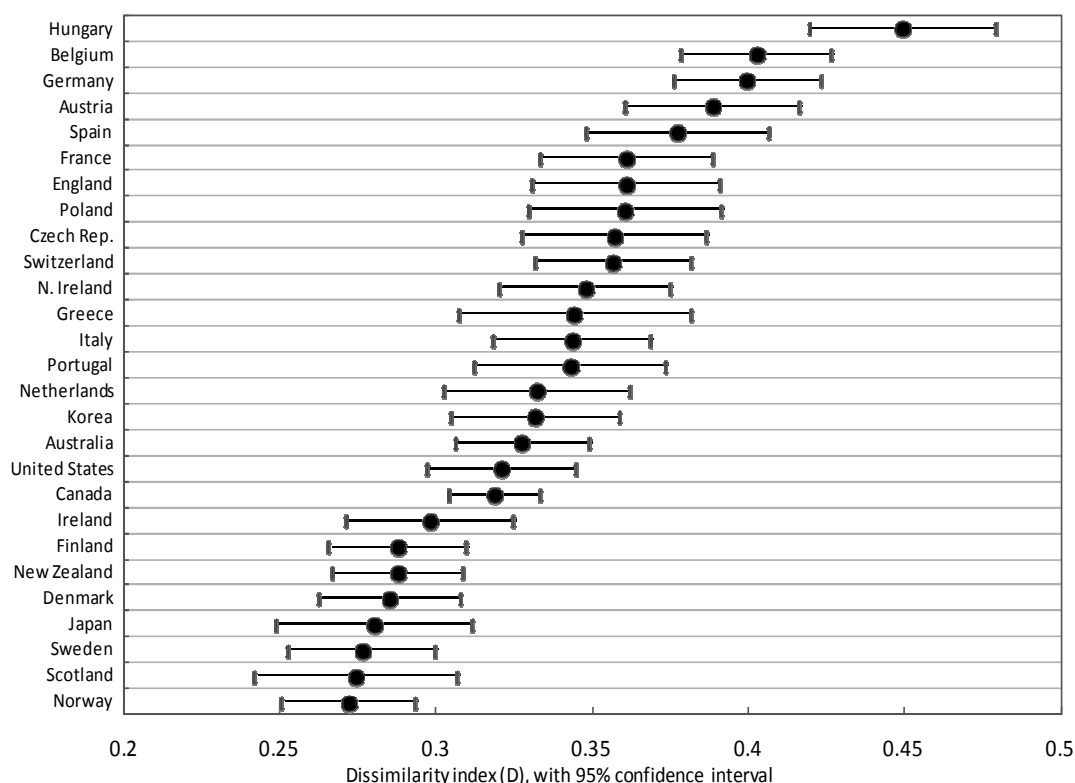
Their main findings are:

- High-segregation countries include Austria, Belgium, Germany, and Hungary. Hungary stands out as having the highest level of segregation, regardless of the choice of index or social position.
- Low-segregation countries include the Nordic countries of Denmark, Finland, Norway and Sweden. Scotland is also part of this group.
- The United States occupies a position in the country rankings that is similar to that of England – towards the middle of the distribution.
- Higher levels of segregation are found in countries with a higher prevalence of school choice (*i.e.*, schools selecting their students themselves). The same is not true for parental choice.

2. Note that their index does not include migrant background in its definition.

- Several countries with separate school tracks for academic and vocational schooling – Austria, Belgium, Germany and Hungary – have relatively high social segregation. Over half of this is due to an uneven social background between the separate school tracks, rather than an uneven spread within each of the school tracks.

Figure 7.1. Social segregation in schools, 27 countries, dissimilarity index (D)



Note: High (low) family background defined by whether the parental occupation index value is above (below) the national median. The horizontal lines show 95% confidence intervals. Data for Japan refer to 2003 only.

Source: Data provided by Jenkins, Micklewright and Schnepf (2008) based on calculations from PISA data 2006.

3. Effects of school segregation

When assessing the effects of school segregation, a distinction can be made between primary and secondary effects. The primary effects concern the direct results at student level, for example on the student's cognitive performance, their non-cognitive skills (such as self-esteem, future aspirations) and inter-ethnic/interracial relations. Secondary effects concern the outcome over the longer term; for example, employment perspectives (social capital, ability to work in diverse workplaces), as well as the consequences for the school organisation (school climate and school attractiveness) and for the teacher labour market.

Most of the academic literature concerns the effects on the *performance* of students. If this effect occurs, this may be due to the characteristics of the students (mainly due to the average and the distribution of their abilities), the social and cultural resources that they have access to, the atmosphere that this gives rise to at school and in class, and the resulting teaching method. In general, it is assumed that the students' differences in socio-economic background are reflected in this. For immigrant students, it is also assumed that, when they are in the majority, the learning pace may slow down due to the extra

attention they will require due to cultural differences with the school and the teachers. And they also lack the benefit of having their native tongue being used as the teaching language. According to this last hypothesis, students who are not native speakers and who attend predominantly minority schools will have insufficient contact with the native language, and consequently their language skills will continue to lag behind.

However, it has often been difficult to convincingly isolate the different factors and mechanisms in empirical studies, because students from similar backgrounds typically tend to associate with one another, which means that a student's peer group is almost always self-selected. This self-selection occurs primarily in countries with parental choice and/or an extensive system of private education. But there are also schools that consciously divide up their students into certain level groups based on their performance, or which place immigrant children with language problems together in classes with teachers specialising in second language acquisition. This type of "self" selection makes it difficult to establish the cause and the actual scope of the effects on student performance. Recent years have seen a considerable amount of research that has attempted to use natural and quasi-experimental settings to identify the real effects of classroom composition.

Despite these better-designed studies, there is still no overall consensus on the subject: reported results vary from strong effects to no effect at all. The peer effects literature is vast, and has been extensively summarised and discussed, even in the form of reviews or meta-analyses (*e.g.* Hattie, 2002; Thrupp *et al.*, 2002). Recently, Van Ewijk and Slegers (2007 and 2009) conducted two meta-analyses: one analysis of all studies on the effect of socio-economic status, and a second analysis of studies on the influence of ethnicity.³ Their findings were:

- The average weighted effect size over all the reviewed studies was 0.32. This means that an increase of the average socio-economic status of a student's peer group with one student-level standard deviation leads to an increase of 0.32 SD in the student's test score. The exact amount depended on the operationalisation of the average SES variable and the model specification chosen.⁴ These results suggest that the SES of a student's classmates has a substantial effect on the individual student's test scores.
- In the existing literature, the effect of the ethnic minority share on test scores is generally not very large, but there are some important variations. For example, the effect of the share of African Americans seems considerably stronger than the effect related to the share of immigrants. In addition, the ethnic minority share seems to have a stronger effect on the students from that same ethnic minority group than on students belonging to the ethnic majority or on other minority groups. The average effect size is much smaller than that of socio-economic status (SES), but one has to understand that, in most countries, the ethnic minority or migrant status highly correlate with the SES. Moreover, if these effects of ethnicity apply throughout a child's entire school career, they can add up considerably.

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3. They provide a list of around 30 recent studies, which is why below there will be no longer references to specific studies.
 4. Their meta-analysis does not give strong indications for the biasing role of omitted variables and the selection issue in the estimation of the peer effect.

In short, the socio-economic composition and – to a lesser extent – the ethnic composition, but certainly a combination of the two, have an effect on student performance. This is a major factor, particularly for children from disadvantaged environments, who are almost entirely dependent on the school for the acquisition of their human capital. An important piece of information related to policy making is that several studies have shown that the relationship is not linear, but has a tipping point effect (*e.g.* some studies suggest that the segregation effect is only significant in classrooms with 30% to 70% disadvantaged students, but this may be due to the extra resources schools with high concentration of disadvantaged students receive in some countries).

Meta-analyses are a good starting point, but have the major drawback that they only provide an average effect, and leave out the interesting findings of the individual studies. Although this is not the place to review those particular results, we can conclude that many questions stay unanswered. For example, we still don't know how peer effects work. Does the presence of students with poor outcomes spoil the outcomes of many other students? Or is the reverse the case, do the good performing students inspire all others to raise their achievement? Are there countries where the impact of segregation is more pronounced? Has it increased or decreased over time? These questions stress the importance of an international research agenda on this topic.

Other primary effects have been studied much less often, and the quality of the studies in this area is generally somewhat lower. There are only very few studies which, based on a quasi-experimental design, have established that inter-ethnic contact can lead to inter-ethnic friendships or a reduction in prejudice. A summary of 26 studies in this area (Lindo, 2008) demonstrated that more contact between students from different social strata and ethnic groups has a positive effect if a number of important conditions are met: equal status between the groups (especially the same performance level), active co-operation with social goals within the school, and support arising from regulations and customs. These are conditions that are generally difficult to meet. Descriptive evidence also indicates that simply redistributing students by race or ethnicity may not simply increase cross-racial or ethnic interaction if students are choosing to self-segregate. It is also clear from various studies that extracurricular conditions are also important, such as the general social and political climate, contact at neighbourhood level and the number of heterogeneous marriages.

Research into the secondary effects has taken place mainly in the United States, due to the years of experience with school segregation (since the landmark Supreme Court decision in 1954). From several perspectives, these studies are not transferrable to other OECD countries. For example, several older studies offer indications of differences in occupational aspirations between Blacks from desegregated and segregated schools and differences in social networks (social capital) as a result of attending segregated schools. Research has also been conducted into the effects of enforced desegregation (such as by bussing) on the school climate (increased conflicts and sometimes even violence). In addition, one study (Rivkin, 2000) examined whether desegregation programmes have raised lifetime earnings for Blacks, either through the expansion of interracial contact or improvements in school quality. He concludes that *involuntary* desegregation programmes have contributed little to the educational careers of African Americans. Therefore, he raises the point of whether schools differ in quality due to the functioning of the teacher labour market. There are strong indications that this is indeed the case. Many United States studies demonstrate how poor and minority students are put at a disadvantage by poor teacher quality. Interesting in this respect are numerous studies that have documented the tendency of the most qualified teachers to gravitate toward schools

that serve relatively well-off students, even though the salaries are often no higher in such schools. There is also a large body of evidence that suggests that the power of higher salaries to attract teachers is limited, particularly when the pay differential consists of a one-time signing bonus rather than a permanent salary increase (for example, Clotfelter *et al.*, 2008).

4. Causes of social and ethnic segregation

In general, social and ethnic segregation can be caused by three factors. First of all, there is the effect of demographic trends and *residential segregation*. Where parents of different social and ethnic or racial backgrounds live is of particular importance. Since the 1970s, in most industrialised countries, the number of immigrants has been increasing in metropolitan areas and in certain districts within those areas. At the same time, the number of native residents has been falling in many western countries. Schools in these districts are experiencing the consequences of these changes: the proportion of immigrant students is increasing, and the proportion of native students is decreasing. Second, the *parental choice* for schools – which is motivated by social and ethnic factors – can play a role in the sectors or schools where students concentrate (within the state sector or between the private and state sector). Third, how schools choose their students, given that some admission rules (such as concerning ability or religion) are associated with social and ethnic background. In addition, some countries allow the *formation of new schools* based on religions such as Islam and Hinduism. Most students in such schools have an immigrant background.

The spatial dynamics of migrant or ethnic groups is not only a key to understanding the structure of society and the place occupied by specific groups in this society, but it also gives us some insight into the relationship between residential and educational segregation. Direct government intervention (such as affirmative action or zoning) has always been fairly minimal in housing in many western countries. There is a strong tradition of civil freedoms in the areas of residence. That is why ideas about dispersal have never been followed up by concrete policies. In many countries, the ethnic minority population is unevenly distributed throughout the country. Non-western immigrants are considerably overrepresented in the major cities, and distribution is also uneven within the cities themselves. Where housing is highly segregated, neighbourhood schools are generally segregated too. Existing school segregation may also reinforce housing segregation. In this vein, some majority households may move away to areas of a city with a small or nonexistent minority population, because they prefer majority-dominated schools.

However, the connection between residential segregation and educational segregation does not explain the whole picture. Parental choice is also an important factor. There is evidence (for example, Karsten *et al.*, 2003) that this choice can be influenced by differential preferences of different ethnic and social groups. A study by Schneider and Buckley (2001) in Washington, D.C. revealed that parents have a strong behavioural bias toward the demographic characteristics (that is, the country of origin of the parents) of the student population during their choice process, which is in marked contrast to verbal reports of the importance of race. They also found that the composition of the student population played a greater role among well-educated parents than among less well-educated parents. The availability of private education also seems to play an important role. For example, Betts and Fairlie (2003) tested the hypothesis that native parents react to increasing inflows of immigrants in the United States by sending their children to private schools. They find for primary schools no significant relation between

immigration and private school attendance of natives, but they do find a significant link for secondary schools. The authors estimate that for every four immigrants who arrive in public high schools one native student switches to private education.

There are important cross-national variations in parental choice that can have an impact on segregation. The most common forms of formal choice are presented in Table 7.2.

Table 7.2. Most common forms of parental choice

Extent of parental choice	Description	Examples
No choice	The students are divided among schools according to criteria set by public authorities. These criteria may be: place of residence, available transport, performance level, special needs, etc. The parents' choice depends on the affordability of housing, waivers, choice for private school or evasion	Austria France Switzerland (Cantons) Germany (several Länder)
Choice between public schools	Parents can choose another school than that assigned to them by the public authorities The extent of the parental choice is determined by the size of the district, or other well-defined geographical boundaries	Land Nordrhein-Westfalen (since 2009) Zurich canton (since 2001) Charter schools in the United States (since 1991)
Choice between all schools (public and private)	The choice is extended to include private schools The choice for a private school may be attached to certain restrictions (such as endorsement of religious principles) The same as in the public system, the choice is attached to certain geographical boundaries	Denmark (since 1849) Finland (since 1996) Netherlands (since 1917) Sweden (since 1992) Voucher programmes in certain parts of the United States

Source: Derived from Muller (2009).

The parents' choice of schools, taking into account where they live and parental avoidance strategies, not only depend on these formal regulations, but also on spatial and/or financial barriers, and, of course the attitudes of parents toward different groups.

In a recent study Alegre and Ferrer (2009) tried to examine how and to what extent certain characteristics of educational systems influence school *social* segregation across countries using PISA data. Their analysis considers data for 32 OECD educational systems.

Certain characteristics of school regimes are specially assessed: the level of institutional differentiation existing in the educational career; the presence of private schools in compulsory education; the level of school autonomy as regards the process of student admission; and the models and criteria defining public regulation of school access processes. Results of their analyses suggest that the margin given to schools to intervene in student admissions is more important in explaining social segregation than the margin given to families to select between different schools (parental choice). This is in line with earlier studies (West *et al.*, 2004) and is an important conclusion for policy makers.

5. Conclusions: policies concerning desegregation

Educational segregation is the outcome of a process of housing segregation, processes of supply and demand on the local market (parental choice and school profiling) and general selection processes in education. To date, few policies have been pursued to influence this situation in most OECD countries.

Only a few countries, with the United States being the most famous example, have tried to counteract segregation by means of *direct intervention*. “Non-white” children from the poorest neighbourhoods were “bussed” to predominantly “white” schools in more prosperous districts. This policy, often imposed by the courts, was justified by the argument that segregated schools were “inherently unequal” (see Clotfelder, 2004 for the historical background). The government was able to pursue this policy of forced reassignment because it was in control of nearly all the schools and there was no right to a free choice of school (except for affluent students in private schools). In the United States, forced bussing resulted in an accelerated exodus from the big cities to the suburbs (with the side effect of rising house prices), but also a “flight” to private schools.

Less direct ways of doing this are through policy measures with “controlled choice” (Kahlenberg, 2001). In this case, parents must report to a central enrolment point and indicate several school preferences. The public authorities then try to honour these preferences as much as possible, taking into account a desirable distribution. A number of places in the United States already have some experience with this method. This approach has several variations: such as voluntary agreements between schools on quotas and acceptance policies, centralised information for parents and the use of parental advisors who try to influence the parents’ choice. Another variation is the introduction of magnet schools, which are public schools that try to attract certain groups of parents so that a certain degree of parental choice results in a diverse school population. The results regarding the effectiveness of such policies have been mixed.

Furthermore, voluntary parent initiatives are present in several countries with broad parental choice, such as the Netherlands. These initiatives consist of actions undertaken by parents who collectively sign up for highly segregated schools in order to create a better balance. Parents interact with the school authorities about the curriculum, individual attention for their children, placement in groups and after-school child care. Most of these initiatives are too recent to determine the effectiveness of such actions. In addition, there are student exchange projects undertaken by schools with very different compositions. These projects, which include collective sports, after-school child care and excursions, attempt to create some form of inter-ethnic contact. However, this may have little effect on student performance.

Finally, measures exist that allow the unequal distribution of students to be accepted as a fact, while extra subsidies (for example, weighted funding) are used to help make the

schools with high concentrations of disadvantaged students as effective as possible. These measures fall within the category of the “classic” positive discrimination programmes. Other studies have already explained (Karsten, 2006) that these programmes have only had limited success in recent decades.

In summary, three methods or approaches to desegregate can be distinguished:

- Strategically using *mandatory assignments of students* by local or regional authorities to what are often called “neighbourhood” or “community” schools (as is traditionally done by many public school systems in the United States or through *la carte scolaire* in France). In communities where one finds segregated housing patterns, assigning students based solely on their geographic proximity to schools can result in significant school segregation. One way to counteract this is by improving the housing situation and to strive for “mixed” neighbourhoods (e.g. by zoning; housing vouchers programmes). Other ways are: adjusting school attendance boundaries (e.g. integrating more affluent neighbourhoods or suburbs into one district); strategic planning of new schools; strategic use of special programmes or targeted recruitment of students and families (e.g. magnet schools); and, finally, student transfers (e.g. voluntary student transfer programmes, regulating transfers). Each of these policy measures presupposes that the public authorities have considerable discretion over the schools in their area and that the public system has a (quasi) monopoly or some influence on the private system – through regulating powers or voluntary contracts, for example.
- *The “controlled choice” approach.* In a system employing this approach, either full mandatory assignment to “neighbourhood schools” or full “free choice” is abolished, and students are assigned to schools on the basis of a carefully-designed process. Parental control plays a major role here. This system depends on the juridical and administrative abilities to take account of the criteria in assigning students to schools.⁵ Individual family or student characteristics that may be considered in order to create a better balance include socio-economic status, parental income, geographic area, parental educational backgrounds and household characteristics. Because of the fact that in many countries desegregation plans based on immigrant status, race or ethnicity have been (successfully) challenged in courts and in the public debate, many authorities have been seeking “non-discriminatory” methods to maintain some racial or ethnic diversity in their schools. This could include, for example, socio-economic integration. This method of “controlled choice” also presupposes the same conditions as in the mandatory assignment approach.
- *The school improvement method.* Given the fact that demographic trends point towards declining numbers of “native” or “white” students in inner-city districts, which imposes a severe constraint on policy makers’ ability to raise inter-ethnic or socio-economic exposure, some argue that a policy for improving schools attended by minority or migrant students is more realistic. Because the growing body of research that suggests a school’s effectiveness is determined largely by the quality of its teachers, great emphasis in this approach must be placed on

5. In many countries “race”, “ethnicity” or migrant status cannot be used because of constitutional reasons of non-discrimination. For example, in France there is no official “ethnicity” category, due to the French conception of the citizen and citizenship, which does not recognise ethnicity.

attracting excellent teachers to the schools where migrant or minority student clusters are numerous. It is also argued that providing a high-quality education and a diverse education are not mutually exclusive. However, there is no question that some urban areas are severely segregated and so meaningful desegregation or integration is simply not possible without reversing some demographic trends.

The controlled choice strategy seems to be most promising compared to both compulsory assignment and free or uncontrolled choice (see also Kahlenberg, 2001). First, controlled choice offers an important advantage over a compulsory assignment system: in many countries choice adds a right rather than taking one away. Those who can afford to buy a house in a “good neighbourhood” already had choice. So, choice is also expanded to less affluent families. Second, control can avoid the prisoner’s dilemma issue of uncontrolled choice – public authorities can provide the necessary information to the parents, design fair procedures and try to find the right “balance”. An important element is that authorities develop a fair system of admission rules of students, and strictly limit the number of schools that can “cream off” the better students. However, any strategy of better balancing the intake of students has to be complemented with policies of improving neighbourhoods and schools.

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Chapter 8.

ENHANCING DIVERSITY THROUGH AFFIRMATIVE ACTION: WHAT OTHER COUNTRIES CAN LEARN FROM THE UNITED STATES' EXPERIENCE

by

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Summary

This chapter reviews the experience in the United States with “affirmative action” in employment and higher education for underrepresented minorities and women, and what it implies for other countries and regions (like the European Union) who might consider such policies to help the children of immigrants become better integrated in their economies and societies.

The chapter begins with some history of affirmative action in the United States, and why it has become so controversial. Overall, the author argues that affirmative action policies have generated significant benefits for underrepresented groups in the United States at very modest cost to white males. While the credentials of affirmative action beneficiaries are often below those of other employees or university students, their ultimate performance in the workplace does not seem deficient. Evidence of positive externalities to a variety of other individuals and institutions (like the military and businesses) can be found. While affirmative action at public universities in the United States might not survive the more conservative membership of the courts in recent years, it is likely to survive in most other contexts. Finally, the author argues that affirmative action in other countries should be implemented in ways that would make it effective while minimising opposition and resentment from majority groups – in other words, as parts of broader sets of policies undertaken in the national interest of fully developing and utilising all available human talent in an increasingly competitive global economy.

Introduction

Affirmative action policies have been used in the United States for about four decades, in order to enhance racial and ethnic diversity in employment at major companies and in admissions at universities, and generally to improve the educational and employment outcomes of minorities relative to those of Whites. These policies are used in the labor market, universities and government, and involve a series of affirmative efforts that go beyond simple nondiscrimination to improve the outcomes of minorities.

Yet, after so many decades, they remain highly controversial, since critics regard them as “reverse discrimination” against Whites and especially white males.

As OECD and European Union countries wrestle with policy choices to better integrate immigrants and their children into their own economies and societies, should they consider some version of affirmative action? What has been the United States’ experience with this set of policies, and what does economic research tell us about its effectiveness and costs? What are the similarities and differences between the situations of minorities in the United States and those in the European Union, especially regarding native-born vs. immigrant background? Overall what lessons can the European Union take away from the United States’ experience?

This chapter will review what has been learned from the United States’ experience with affirmative action, and what lessons might be derived for other countries. Section 1 begins with a review of the United States’ experience – first with some general historical background on affirmative action in the United States, and then with a review of the research on its economic effects. It also presents the current legal and political status of affirmative action, and what this might imply about its future in the United States. Then Section 2 turns explicitly to some lessons that might be relevant for affirmative action type policies in the European Union and elsewhere.

1. Affirmative action in the United States

What is affirmative action?

Affirmative action is defined as a set of policies that involve specific positive efforts to advance the relative economic status of minorities and women. They begin with Executive Order 11246 by President Lyndon Johnson in 1965, who had concluded that the legacy of racism made it difficult for minorities to achieve equal footing with Whites without special efforts to help them gain relative ground. While the original efforts focused primarily on native-born African Americans, eventually the efforts expanded to cover a range of “under-represented” and therefore “protected” groups like Hispanics, Asians, Native Americans as well as women.¹

Under Johnson’s Executive Order and its subsequent replacements, companies having contracts with the federal government above a certain size were required to make special efforts to improve the employment status of minorities – by recruiting and hiring them in greater numbers and into better jobs and also promoting them over time.² Such affirmative efforts were also sometimes imposed by judges as remedies on companies who had been found guilty of illegal employment discrimination. Over time, government agencies at the federal, state and local levels began to develop rules requiring that some minimum percentages of their contracts and procurement be awarded to minority- (and

1. While women and Asians are among the “protected” groups who are covered by affirmative action rules, they are no longer underrepresented in universities (relative to their shares of the population) overall, though they might be in particular departments in universities or sectors of the economy.
2. Currently, federal contractors are required to engage in affirmative action if they have at least 50 employees or contracts worth at least USD 50 000. The Office of Federal Contract Compliance Programs (OFCCP) at the U.S. Department of Labor monitors the employment status of minorities at contractor firms and can undertake actions against companies showing insufficient progress towards “goals” and “timetables” for minority employment, including potential loss of the contract (though this happens very rarely).

female-) owned companies. And both public and private colleges and universities began to use affirmative action in their admissions decisions, in order to raise the presence of minorities in their institutions. These latter activities were largely undertaken voluntarily by the institutions themselves, and not imposed by law or judicial rulings.

But affirmative action policies began to generate controversy fairly quickly. White students (especially white males) sometimes felt that these policies constituted “reverse discrimination” against them in university admissions, especially in cases where minorities were admitted with lower grades and test scores than Whites who had been rejected. In employment, situations where minorities have been hired or promoted with less experience or seniority than Whites who were not hired or promoted, and those where Whites have been laid off with more experience or seniority than minorities who kept their jobs, have generated resentment among white Americans.

Lawsuits by white plaintiffs alleging discriminatory treatment began to appear in the early 1970s and culminated in the United States Supreme Court’s *Bakke* decision in 1978. Alan Bakke was a white student applying for admission to medical school at the University of California, and had been rejected while several minority candidates with lower grades and standardised test scores were admitted. His lawsuit against the University of California alleged that he was denied equal protection under the law, which is required of state governments (and, by implication, their public universities) by the 14th Amendment to the United States Constitution. In a 5-4 decision, the Supreme Court ruled that the University of California’s racial admissions quotas were, in fact, a violation of the 14th Amendment. At the same time, the judges also upheld the right of universities to engage in some form of affirmative action, as long as it used an individual’s race as one of several factors in a more flexibly designed admissions scheme. They ruled that the state had a “compelling interest” in promoting racial diversity on its campuses that justified the use of some such policies, even if they caused some disadvantage to white students.³

Legal challenges to affirmative action in employment and university admissions have continued over the years, as the courts continued to uphold affirmative action while sometimes narrowing its permissible scope.⁴ In 2003, two lawsuits by white students against the University of Michigan once again made their way to the United States Supreme Court, where a pair of 5-4 decisions struck down affirmative action plans that were considered too rigid (*Gratz v. University of Michigan*) but upheld more flexible versions of these plans (*Grutter v. University of Michigan*).⁵

3. Of the nine Supreme Court justices, Lewis Powell was the “swing vote” on the case who voted with the majority in both opinions. While opposing racial quotas, Powell concurred with the view that promoting diversity in universities serves a compelling public interest that can be beneficial to majority and minority students as well as the universities overall.
4. For instance, the courts have ruled that “strict scrutiny” will be applied to affirmative action programmes in public universities and government contracting to ensure that they are narrowly tailored to meet a compelling state interest, like overcoming past discrimination in employment or promoting diversity at universities. Affirmative action in admissions in private universities has not been challenged in court cases or popular referenda, while those in private companies have generally been ruled permissible as long as they do not violate federal civil rights laws by discriminating against white employees. See Holzer and Neumark (2000a) for descriptions of individual court cases and their rulings.
5. In these cases, Justice Sandra Day O’Connor voted with the majority in both rulings, and thus constituted the “swing vote” like Justice Powell in 1978.

Other political means have also been used to challenge the legal basis of affirmative action. While the Reagan Administration in the 1980s considered rescinding the original Executive Order establishing affirmative action hiring requirements of contractors, it ultimately chose not to do so, when several major businesses and the United States military expressed opinions supportive of it. Affirmative action also survived a well-publicised review undertaken by the Clinton Administration in 1995 (Stephanopoulos and Edley, 1995).⁶

But a series of ballot initiatives at the state level, beginning in the 1990s, has restricted the abilities of about six states to use affirmative action in their university admissions and contracting. In some cases, these states have implemented alternative policies to help disadvantaged students or employees – including but not always limited to minorities – in ways that do not target individuals according to their race or ethnicity.⁷ Clearly, affirmative action remains controversial, especially among white males in the United States, but it has continued to survive in one form or another despite these challenges for over 40 years.⁸

Why do such differing views of affirmative action persist? The proponents of affirmative action believe that large disparities in education and employment remain in the United States between Whites and minorities largely because of systemic forces that limit opportunity for the latter. According to this view, the legacy of past discrimination and racism – as embodied today in lower family incomes of minorities, the segregated schools they attend and segregated neighborhoods in which they live, and even some ongoing employment and housing discrimination – tend to perpetuate these disadvantages. Accordingly, attempts to equalise opportunity for minorities must go beyond the outlawing of discrimination and other efforts to help low-income individuals from these racial/ethnic groups, and must actively seek to promote the educational and employment outcomes of the groups overall (Edley, 1996). These policies, if successful, would not only benefit individual members of these groups, but might also spill over in a variety of ways and generate positive “externalities” for other members of these groups as well as other institutions (like universities, businesses, etc.) and even members of majority groups who would also benefit in a variety of ways from greater “diversity” in society (Gurin *et al.*, 2004).

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6. This review argued for the need to maintain affirmative action programmes to combat ongoing systematic disadvantages faced by minorities and women in higher education and employment. It also led to the conclusion, summarised by the phrase “mend it but don’t end it” that argued for some adjustments in programmes to ensure high quality and performance among affirmative action beneficiaries. These issues are discussed more fully below.
 7. The States of California, Florida, Michigan, Nebraska and Washington have enacted statewide bans on the use of affirmative action in their universities and government contracting. Court rulings in Georgia and Texas have also eliminated affirmative action in their universities, though the ruling in Texas was ultimately overturned by the Supreme Court ruling in the Grutter case. Texas, Florida and California have all substituted admissions plans for affirmative action that guarantee admission to at least some state universities for any student falling within the top X% of their high school graduating classes (where the exact percentages vary across states).
 8. While most surveys show overwhelming support for affirmative action among minority groups, even here these opinions are not universal. In fact, the popular ballot initiatives eliminating affirmative action in the States of California and Michigan have been spearheaded by an African-American businessman named Ward Connerly, who feels that affirmative action tends to stigmatise Blacks.

But the opponents of affirmative action would take issue with a number of these arguments. They point to evidence that remaining disparities in education and employment between Whites and minorities mostly reflect differences in basic cognitive skills, rather than discrimination or other factors, which arise very early in life and mostly reflect influences in the family and home. Ongoing family income gaps also reflect the choices of minorities themselves, such as whether or not to marry and have children out of wedlock and whether or not to participate in crime, more than differences in opportunity structures faced by minorities relative to Whites (Thernstrom and Thernstrom, 1997).

The critics of affirmative action argue that it is not only unfair to white males, who in many cases are denied equal opportunity based on their underlying skills and credentials; but that it also perpetuates the use of race rather than merit to allocate social rewards, which they regard as unjust under any circumstances. To the extent that affirmative action targets individuals for assistance based on race/ethnicity rather than family income (or “class”), it conceivably could help middle- or upper-income minorities at the expense of lower-income Whites (Kahlenberg, 1996). Furthermore, many of the critics also argue that affirmative action often results in unqualified minorities being admitted to universities and jobs where they are ultimately unsuccessful. In this view, these policies are harmful not only to Whites, but to businesses and universities and even the intended beneficiaries of the policies in the minority community (Thernstrom and Thernstrom, *op. cit.*). To the extent that minorities who might be qualified enough on their own to be admitted to universities and jobs become stigmatised by these programmes, they incur an additional and serious cost.

The ongoing disputes over affirmative action thus reflect ongoing differences in interpretation over the source of continuing disparities between Whites and minorities in educational and employment outcomes, and over the efficacy of affirmative action as one (among many) potential remedies to these disparities. Some of these disputes involve differing readings of the social science evidence on disparities, while some of it is more philosophical. But, to the extent that social science and evidence remains part of the argument, it is important to also consider the evidence on the effects of affirmative action in employment and education, which we do below.

Before moving to this discussion, we note one more important characteristics of affirmative action in the United States: with its roots in the “Civil Rights” era of history (*i.e.*, roughly 1965-75), it was mainly intended to benefit native-born African Americans, rather than immigrants and their children. While, as already mentioned, other ethnic groups have been added to “protected” or “underrepresented” categories over time – and these groups often include the children of immigrants, especially of Hispanic origin – the immigrants groups have not been the primary intended beneficiaries of the programme.

Indeed, in the United States, the earnings levels of most immigrant groups have historically “caught up” with those of their white counterparts within two generations of arriving, and sometimes even sooner (Borjas, 1994). The evidence that discrimination (as opposed to differences in education and language ability) limits their employment opportunities has always been very limited (Reimers, 1983); indeed, there is even some evidence (mostly qualitative and ethnographic) that employers prefer immigrants to native-born workers in jobs that require little formal education or language ability (Kirschenman and Neckerman, 1991). All of this stands in sharp contrast to the historical record on native-born Blacks and some groups of Hispanics (like Puerto Ricans), who

have experienced very persistent disparities across many generations and against whom ongoing discrimination in housing and labor markets has been well-documented.

Thus, most immigrant groups have not needed affirmative action in the United States, and were mostly not the intended beneficiaries of the programme. Whether or not affirmative action makes sense in other OECD countries, primarily as a means of assisting with the integration and advance of immigrants and especially their children, remains to be discussed and explored.

The effects of affirmative action: empirical research

As mentioned above that one's position on the efficacy of affirmative action should depend at least partly on rigorous evidence on its impacts on minorities in education and employment as well as other groups and institutions. Indeed, a large body of such evidence now exists. (For summaries see, Holzer and Neumark 2000a, 2006; Holzer, 2007.)

Below the main findings of this body of research will be summarised, especially regarding the following four issues:

1. To what extent does affirmative action redistribute university positions and jobs from Whites (especially white males) to minority groups?
2. Are minorities who benefit from affirmative action less qualified than the white males whom they might replace in universities and jobs, and to what extent is their performance weaker relative to white males in these settings?
3. Are there other groups who either benefit from affirmative action or are harmed by it, aside from the individual minorities and white males directly affected?
4. Are there other policies that might replace affirmative action and perform some of its same functions of assisting members of underrepresented minority groups, without using individual race *per se* as the primary determinant of who benefits or loses from this policy?

Redistribution in employment and higher education

The primary goal of affirmative action policies in employment and higher education is to redistribute jobs and university positions from Whites to minorities. But how large, in fact, is the magnitude of such redistribution under affirmative action policies? What kinds of jobs and/or university slots are so redistributed? Ultimately, how much difference do these policies make?

The magnitude of employment redistribution has been analysed in the United States by Jonathan Leonard (1990) and also by Holzer and Neumark (1999, 2000b), using different sources of data and different definitions of affirmative action.⁹ Both sets of studies find that the employment of minorities and women rises in firms that use affirmative action in hiring, especially in firms that are federal contractors. At the same

9. Leonard (1990) used the government's EEO-1 data, which includes employment data by race and gender for all firms with 50 or more employees, and indicates whether or not firms are government contractors. Holzer and Neumark (1999, 2000b) use a survey of employers in four large metropolitan areas in the period 1992-94 (Holzer, 1996), in which the use of affirmative action in recruitment or hiring is self-identified.

time, the magnitudes of these shifts are not enormous. For example, Holzer and Neumark (1999) find that white males account for about 30% of employees at firms that use affirmative action in hiring, relative to 36% in firms that do not – and that only part of this difference can actually be attributed to their different hiring practices. Furthermore, white females account for more of the differences between these firms than do differences in employment rates for Blacks and Hispanics.

It is also important to note that employment for white males is not reduced overall by affirmative action, but merely shifted to the non-affirmative action sector – which accounts for about half of overall employment in the United States. On the other hand, the affirmative action firms are larger and likely pay higher wages than the non-affirmative action firms (Holzer and Neumark, 2000b). Furthermore, affirmative action likely changes the distribution of employment within as well as between these firms, with minorities and women being more likely to be promoted into higher-paying positions than would otherwise occur. Thus, white males might face some very modest reduction in their overall earnings levels due to affirmative action, though not necessarily to their employment rates.¹⁰

Other studies have sought to measure the extent to which affirmative action redistributes positions in colleges and universities from Whites to minorities. Thomas Kane (1998) and Mark Long (2004) have both found fairly small effects of affirmative action on the racial composition of students in most schools, but that the magnitude of the effect grows with the average quality of the schools (as measured by average test scores of students). Again, the magnitudes are not necessarily large, even in the top deciles of schools, where affirmative action appears to increase the minority share of enrollment by 3-4 percentage points (as opposed to 1-2 percentage points overall). On the other hand, while this is a small share of total enrollment at these schools, it is substantial from the point of view of minorities themselves, who constitute only a fourth of the United States population, and whose share of enrollment at elite schools absent affirmative action would be quite low. And, at the most elite undergraduate institutions (Bowen and Bok, 2000) and graduate programmes, the impacts on minorities are quite substantial, often doubling or more their representation relative to what it would be absent affirmative action.

Are the beneficiaries of affirmative action less qualified than those of Whites?

While affirmative action seems to successfully redistribute a modest overall share of contractor jobs and elite university slots to minorities, that very success raises a disturbing question: are the beneficiaries of these policies sufficiently qualified for these positions, or does their performance and productivity lag behind others hired or admitted? And, if the latter is true, do the minorities themselves ultimately bear the cost – in terms of inability to successfully complete their courses of study and gain employment in their fields of choice, or in the form of reduced earnings later due to stigmatisation?

Somewhat surprisingly, the research provides a mixed story. On the one hand, the beneficiaries of affirmative action in employment have weaker credentials (in terms of education or work experience) than their white counterparts. Yet their productivity in most cases does not seem to be adversely affected. This finding appears in studies that use subjective employer rankings of worker productivity (Holzer and Neumark, 1999)

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10. This assumes, of course, that redistribution across demographic groups is a zero-sum game, and abstracts from any potential positive effects of affirmative action on total firm performance that might enable these firms to expand over time.

and others using more objective measures in specific sectors, such as crime rates where cities have used affirmative action to integrate their police forces (McCrary, 2007).¹¹

Of course, this finding also generates a conundrum: if worker credentials are weaker, and if these credentials generally have some predictive power regarding employee productivity (which is presumably why employers use them), why would minorities hired under affirmative action with weaker credentials not have weaker performance? Holzer and Neumark (2000b) argue that, when well implemented, affirmative action does not just “lower the bar” in terms of employee performance; it enables firms to uncover or generate productive employees in spite of their weaker credentials. This is because employers practicing effective affirmative action recruit more broadly, screen more intensively (as they look for other personal attributes that might signal potential future productivity besides the standard credentials), and then invest more resources in evaluating performance and training their newly hired workers than do other employers.

In terms of university admissions, some authors (e.g., Sander, 2004) suggest that minority admits under affirmative action obtain worse grades, have higher dropout rates, and ultimately have more difficulty becoming employed in their chosen fields than do non-affirmative action admittees (as lawyers, in that particular case).¹² On the other hand, Kane (1998) shows quite clearly that, at least at the undergraduate level, affirmative action seems to reduce dropout rates – particularly since the elite schools where affirmative action matters the most also tend to graduate very high fractions of those who attend. Supportive services for struggling students tend to be very strong at these universities – indicating once again that the effects of affirmative action depend not just on whether, but also on how, they are actually implemented. And, on average, the minorities admitted to more elite universities seem to earn more after they graduate than those who do not – even if their grades there are somewhat weaker. On the other hand, for those who fail to complete these programmes, it is less clear how they ultimately fare in the labor market.

Who else benefits?

If affirmative action seems, on net, to generate positive employment and educational outcomes for individual minorities who directly benefit but modest negative effects on Whites, are there others who gain or lose as well?

For instance, there is some evidence that minorities admitted in greater numbers to medical schools in the United States as a result of affirmative action are more likely to serve lower-income or minority patients, and in non-specialty fields, than their white counterparts (Holzer and Neumark, 2000a). Assuming that these services would not have been offered at the same level by other (white) doctors in the absence of affirmative action, this constitutes an important positive “externality” of affirmative action on a broader range of beneficiaries than those who directly gain university admissions or employment due to affirmative action.

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11. Holzer and Neumark (1999) compare productivity ratings by employers of white male vs. minority/female employees in firms that use affirmative action in hiring v. those that do not, and find little evidence of larger gaps in the former. McCrary (2007) uses data on court-ordered integration plans for police departments in various cities over time and finds little evidence that they are correlated with subsequent crime rates.
 12. For some methodological criticisms of Sander’s work, see Ayres and Brooks (2005) and Holzer and Neumark (2006).

Furthermore, there is some modest evidence of positive effects of same-race or same-gender “role models” in universities, though such evidence is stronger for females than for minorities. There is also some evidence on the effects of ethnic diversity (and therefore of affirmative action) on the academic outcomes as well as the civic values and participation of both white and minority students at universities (Gurin, 2004), though some questions remain about the direction of causation in these studies (Holzer and Neumark, 2006). More broadly, many university administrators clearly believe that their institutions preserve legitimacy as contributors to opportunity and inclusion in United States society through their affirmative action policies in admissions (Lehman, 2004).

Other major American groups also indicate that they see view affirmative action positively. Several large companies filed legal briefs with the Supreme Court in support of affirmative action during its deliberations over the Gratz and Grutter cases, arguing that these policies now serve their companies well. Research indicates that having minority managers helps them recruit applicants from minority communities (Stoll *et al.*, 2004) and that minority employees are positively viewed by customers in these growing communities (Holzer and Ihlanfeldt, 1998). And the United States military has become a strong public proponent of affirmative action, and has clearly used affirmative action to successfully generate a large corps of minority officers as well as enlisted men and women (Butler and Moskos, 2001).

In all, fairly large and important segments of United States society perceive that they gain from affirmative action in many forms, and the research evidence also suggests that it generates positive externalities in a variety of ways.

Can non-racial policies generate the same outcomes?

In states that have barred the use of affirmative action in admissions at its public universities, has the presence of minorities on campuses been adversely affected? And are there alternative practices that can similarly generate a greater presence of minorities?

On the former question, the answer is largely as one would predict from the findings noted above: since affirmative action mostly affects minority enrollment at more selective schools, it is at such schools that its elimination matters the most. Indeed, a variety of authors (*e.g.*, Hinrichs, 2009) find the biggest reductions in minority employment after a ban on affirmative action is implemented occurs at the “flagship” universities within the state systems – in other words, the most elite campuses.

Some authors favor the use of class or family background in admissions rather than race or ethnicity. Aside from the practical difficulties of administering these policies – such as the fact that the measurement of income is more complicated than that of race, and varies over time for most families – would these practices generate classes as racially diverse as affirmative action? The answer is no, since most of those newly admitted under such practices would be lower-income Whites (Cancian, 1998). Indeed, it may be more difficult to find qualified applicants for elite universities in a pool of low-income students than in one of minorities that includes those from both middle- and lower-income families, since measures of scholastic achievement such as grades and test scores are highly correlated with family income as well as race. On the other hand, if such policies were to target lower-income and segregated neighborhoods as well as families, the adverse effects of the elimination of affirmative action on racial diversity in elite universities and graduate programmes might be somewhat mitigated.

Other practices have been tried to offset the adverse effects of minorities. For instance, after a ban on affirmative action in the State of Texas was imposed by the courts there, state officials generated a policy they dubbed “Affirmative Access,” in which any students within the top 10% of their high school graduating classes were guaranteed admission to state universities, including those with the highest average student qualifications. Such a system, of course, generates the greatest benefits for minorities in the most segregated schools, where their chances of placing in the top 10% of students is highest; for this reason, it might actually deter families from moving to more integrated schools and neighborhoods where opportunities and outcomes for minorities are greater. But, regardless of such incentives, “Affirmative Access” was not sufficient to fully offset the loss of minority representation at the best universities in Texas after affirmative action was eliminated (Tienda and Niu, 2006).

The future of affirmative action in the United States

Overall, the research on affirmative action in the United States suggests that it generates some important benefits to the minority community and quite modest costs to the majority (white) population, especially white males. But the benefits of affirmative action also extend to employers and government institutions like the military, who have found it easier to recruit minority candidates and serve minority clientele as a result of affirmative action policies and practices.

Yet, some versions of affirmative action remain very controversial in the United States, especially in university admissions. Studies of popular attitudes towards affirmative action among Whites indicate mixed views, with most Whites supporting targeted policies to help improve education and skills among minorities and also special efforts to recruit them into schools and jobs. But anything that suggests rigid quotas or racial preferences for minority candidates with weaker credentials than their white counterparts remain quite unpopular with the majority population, who tend to view any kind of preferences as a form of “reverse discrimination (Bobo and Kluegel, 1993; Steeh and Krysan, 1996).

Interestingly, preferences in university admissions for other groups of applicants – such as the children of alumni and wealthy donors – do not seem to generate the same level of outrage.¹³ Perhaps this is because affirmative action beneficiaries are more salient (due to their skin color or ethnicity) at universities, or because they sometimes more clearly struggle in the classroom than do others. It also seems likely that the loss of admissions to elite schools among Whites is somewhat overestimated in the minds of white applicants who are not admitted, with every such applicant who is denied admission seeing themselves as a direct and full victim of every minority with weaker grades or test scores admitted in their place.¹⁴

What does the future hold for affirmative action in the United States? There are indications of threats to at least some versions of affirmative action policies as well as continued support for others. Regarding the former, perhaps the most direct threat is the changing composition of the Supreme Court. With recent retirements and their

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13. See Golden (2007) for an account of the extent to which elite universities in the United States grant admissions to the children of former alumni and wealthy donors, among other groups.
 14. In other words, if ten white males are denied a university admission or a job that goes to a minority under affirmative action, it is quite possible that all ten feel aggrieved and victimised, though in reality only one of the ten would have gotten the position in the absence of affirmative action.

replacements, the center of gravity on the Court has shifted, and Justice Anthony Kennedy is widely regarded as the new “swing vote” out of nine, in place of Sandra Day O’Connor. But Kennedy is more clearly an opponent of using an individual’s race as a determinant of educational or employment outcomes, having voted against all versions of affirmative action in the Michigan cases and in earlier ones.¹⁵ Barring any other changes to the composition of the Court in the near future, it is likely that it will strike down affirmative action in admissions to public universities and in other contexts, if and when any other cases on these issues come before it. To the extent that the opponents of affirmative action continue to seek popular votes in more state referenda on affirmative action practices in their states, more restrictions on these practices around the country might appear as well.

At the same time, there is no question that the United States will become increasingly diverse over time, as minority populations – especially Hispanics and Asians – will continue to grow, and that a range of American persons and institutions will have some interest in their continuing integration into and advance in society. Businesses will still be interested in finding productive workers in these applicant pools, and in reaching out to potential minority customers; universities will want Hispanic and Asian students and faculty, to serve as contacts and role models to these populations and to preserve their images as inclusive and legitimate institutions; and the United States military will continue to want to recruit minority applicants and find ways of promoting them in successful careers. While affirmative action is not the only way for these institutions to accomplish these goals, it is one that has been successfully implemented over many decades and might be well worth preserving, in their views. Perhaps most importantly, politicians in both major political parties now view Hispanics as a major swing group in future elections, and will be somewhat reluctant to antagonise them with major initiatives to eliminate affirmative action.¹⁶

Overall, then, affirmative action in public universities in the United States might well disappear, and these universities will adapt by continuing to develop alternative policies that are not based on individual race but that seek to target minority populations in a variety of indirect ways. At the same time, affirmative action in employment at contractor firms, at private universities, and in other contexts is likely to remain with us for some time and to thrive.

2. What can other countries learn from the United States’ experience?

What does all of this imply for countries in the European Union and elsewhere who have some interest in encouraging more successful integration of their diverse populations?

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15. Kennedy also voted in two cases with the majority in 2007 to strike down voluntary school desegregation plans in the cities of Louisville Kentucky and Seattle Washington where the race of individual students was sometimes taken into account when assigning students to different schools. He indicated in his written opinion that he might support other plans to achieve racial balance in schools that do not use the individual’s race as a determining factor.
 16. Indeed, it is widely perceived in the United States that Republicans lost large segments of the Hispanic vote in 2006 and 2008 because of their perceived stands on immigration issues, though President George W. Bush and Senator McCain were both supportive of comprehensive immigration form with paths to legalisation for undocumented immigrants.

For one thing, immigrants and their children in the European Union look more like native-born minorities than like immigrants in the United States. Indeed, immigrants and their children in the European Union have lower levels of earnings and employment that persist over time and across generations, and that are not fully accounted for by their lower education levels; there is also clear evidence of labor market discrimination against them (Arai and Nekby, 2007; Schroeder, 2007). To the extent that educational and employment gaps persist across generations, a case can be made for some type of active policy response to support greater income equality and mobility for these groups. In fact, a number of other countries and regions – including Canada, the Netherlands, and Northern Ireland – have undertaken “positive action” policies to date with at least some evidence of success (Dhami *et al.*, 2006).

The goal for countries that want to successfully promote integration among diverse populations should be to emulate, as much as possible, the positive aspects of the American experience with affirmative action while avoiding the divisiveness and backlash it has sometimes generated among the majority population there. While exactly how to do so is not clear, the following general propositions might be helpful:

- *Affirmative (or Positive) Action should be framed as a set of policies and procedures* that serve the national interest by helping to uncover and foster pools of talent that might otherwise not be fully utilised. In a globally competitive marketplace, national prosperity requires that all human resources be effectively developed and utilised, especially among diverse populations. Affirmative action policies can be viewed as an attempt to do so. This should be the primary stated motivation for its use, rather than social equity.
- *Affirmative action should also be presented as just one of a broader package of policies to promote education and employment among all groups.* Other policies designed to counter “achievement gaps” between majority and minority children should also be actively implemented, including early childhood education and major investments in schools with predominantly minority populations. Workforce development efforts, including job training and other kinds of “active labor market policy,” could be important for reducing earnings gaps as well.
- *In administering affirmative action policies, avoid quotas or rigid numerical goals whenever possible.* A flexible use of minority status as one of many personal indicators incites less opposition among the majority population.
- *Where possible, use voluntary arrangements and agreements to promote these practices.* If pressure is necessary on private actors, use it on those that already benefit from their relationship with the public sector, such as government contractors. When the leaders of businesses, universities and other major social institutions feel that they benefit from these policies, whether they undertake them voluntarily or at the behest of the government, their statements to that effect should be heavily emphasised in public discussions of these policies.
- *Affirmative action policies should be combined with other practices in universities and workplaces* to foster successful outcomes among those minorities hired, promoted or admitted under these programmes. Negative effects on performance can be avoided if those who benefit from affirmative action policies possess other strengths or can receive other supportive policies, like additional training or tutoring, to offset other disadvantages. Highlighting successful performance and outcomes among these beneficiaries can help to counter the view that underqualified minorities are benefiting from these programmes.

Overall, affirmative action policies should be viewed as efforts to identify talented individuals who would otherwise not have the opportunities to fully develop their capabilities, and to give them chances to become more productive citizens of their countries. These individuals are those whose credentials on paper might not fully predict their productive potential in universities and employment. It should not be viewed, and in reality should not be, a lowering of overall performance standards, or merely an attempt to redistribute social rewards from majority to minority groups, but rather a more flexible way of recruiting and selecting potentially productive individuals for university admissions and employment in demographically diverse societies.

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Chapter 9.

MAINSTREAMING THE FLEMISH EMPLOYMENT EQUITY AND DIVERSITY POLICY

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Summary

This chapter provides an overview of the Flemish Employment Equity and Diversity Policy. This policy aims at tackling the disadvantages faced by certain groups in the labour market such as immigrants and their children. The Employment Equity and Diversity Policy is one of the pillars of the Flemish integration policy towards immigrants and their children. It is translated into action through several measures, some which are directly or indirectly targeted at children of immigrants, such as notably the “Work-Up” project which provides personalised accompaniment and counselling for this group.

Introduction

In a relatively short period of time, Flanders’ approach to employment equity and diversity has developed into an integrated, well-balanced set of policy instruments that can hold its own in international comparison. In the first part of this chapter we present a brief history of the employment equity policy in Flanders and explore some of the most remarkable features and results of this policy. In the second part, this outlook is complemented by a closer examination of opportunities, threats and key dilemmas the policy is currently facing.

1. Why this policy and why in Flanders, the Flemish region of Belgium?

Employment equity and diversity is an important policy focus for all three regions in Belgium, and indeed equality of chances and equal opportunities on the labour-market is one of the central challenges in labour policies throughout the country. Further, in recent years we can see a trend towards similar policy-solutions over the three regions, Flanders, Wallonia and Brussels (the capital region). Nonetheless, policy consequences and instruments, as well as views, have differed between the regional and federal levels in the past. The Flemish region decided to implement a policy strongly focused on employment equity and diversity and on the countering of discrimination, following the ILO comparative study that proved discriminative tendencies on the Belgian labour market in 1997. The Walloon and federal government structures of the nation were, during this phase, more inclined to an integrative policy approach that was reluctant to use the notion of target groups in labour policies on the basis of their origin, nationality and their specific position on the labour market.

2. Employment equity in Flanders: a slow but steady start

Currently, the Flemish employment equity and diversity policy (EED policy) features a strong legal foundation, broad support by social partners and civil society organisations, and a balanced mix of instruments, all characteristics which were obviously not present when the theme was put on the political agenda in 1998. By focusing on a number of pivotal points, we aim to illustrate the policy's slow but steady evolution.

Up to mid-1998: developing awareness and preparation

Up until the end of 1997, the emphasis in the Flemish employment policy was on creating opportunities, especially for the lower skilled and the long-term unemployed. Category-oriented actions focusing on specific disadvantaged groups such as immigrants were mainly limited to specific projects. When particular categories were targeted, such as the disabled, the emphasis was on financial employment incentives, and on granting reimbursement for the loss of profitability and for the adaptation of the workplace. There was no organised support for companies and organisations implementing an HR policy that respected differences.

One exception to this rule concerned the equal opportunities policy for men and women: one of its best-known measures was the promotion of affirmative action plans for women. Companies were provided with consultancy and support to develop and implement an affirmative action policy. Though this measure's success was limited – it placed rather high demands on companies' HR management – a number of good practices were developed which subsequently helped to form the basis of a more general categorical approach for disadvantaged groups.

From mid-1997 onwards, Flanders' employment equity policy underwent change, in particular with respect to the target group of immigrants. Though different factors can help in explaining the shift towards a more targeted approach for this group (*e.g.* the approval by the Flemish Government of a Strategic Plan for Ethnic-Cultural Minorities and the fact that immigrant organisations became more professional) the direct trigger was the International Labour Organisation's (ILO) "Ethnic discrimination in recruitment" study (FDWTC, 1997). The set-up of this study was straightforward: through case studies, it examined whether, and if so, to what extent, immigrants were discriminated against in recruitment and selection. The case studies paired up job seekers that had the same score on important objective characteristics, such as their knowledge of Dutch, their training and work experience. The important difference between the two "applicants" was that one belonged to the original population of the country, while the other belonged to the largest immigrant group in the region. The results revealed widespread discrimination (in up to 40% of the cases in some Flemish economic sectors) and provoked a strong response in the press and among social partners and policy makers.

By the end of 1997, the Flemish Government and social partners had started to discuss the appropriate policy response to the ILO study's harsh conclusions; they would not reach a consensus until June 1998. In retrospect, however, this can justifiably be described as a pivotal moment, as these discussions laid the basis for a consensus that still characterises the Flemish EED policy. After lengthy discussions, and loosely inspired by both Dutch policy and the Canadian Employment Equity Act, a consensus was achieved on an approach which can be described as "voluntary yet committed". Qualitative and quantitative objectives were to be formulated at the Flemish level, supported by both the Flemish Government and the social partners. These objectives would be laid down every

year in an action plan and funded through the government's employment budget. This approach had the benefit of creating a broad and robust basis through the social partners' involvement, while initiating operational action programmes which allowed for follow-up and monitoring.

As all partners agreed upon the need for tangible results, an important part of the actions was focused on awareness-raising and counselling in enterprises, public institutions and local administrations. Building on Flanders' experiences with affirmative action plans for women, the instrument of "affirmative action plans" was slightly adapted: no longer a comprehensive plan, it was designed as a tailor made instrument with a focus on "learning by doing", consultancy without extra costs, a non-recurrent subsidy and little red tape. Today, these diversity plans are still the successful cornerstone of Flanders' micro-level approach to employment equity.

When tripartite discussions were finally concluded in June 1998, the formal agreement to strive for employment equity was followed in September 1998 by the first Annual Action Programme, with goals such as 75 affirmative action plans in companies for immigrants, 13 regional action programmes, the development of training programmes, the support of training courses for starting immigrant entrepreneurs, and the steady expansion of regional networks of consultants for the support of companies and institutions.

Mid-1998-mid-2001: category-oriented action programmes, experiments with affirmative action plans and the development of methodology at the micro-level

The results of the first Annual Action Programme for the employment of immigrants were not entirely positive. The regional action programmes had all been started up, but in some cases with a great deal of overlap, and not always focusing on the most urgent problems. The target of starting 75 affirmative action plans in companies was not achieved; 60 plans were concluded, with 43 organisations applying for a subsidy. The sectoral actions were slow to get started and for various reasons the message was slow to take root:

- The timing was very tight. The first action programme was ambitious and wished to achieve visible and significant progress, but underestimated the time it took to do so.
- The approach was new. Methodologies had to be developed, the network of consultants had (in part) still to be recruited and trained, there were hardly any examples of good practices and there were no companies that could facilitate the approach in other organisations through mentorship.
- The strong support for the action plans at the Flemish level existed to a much lesser extent in the regions and (particularly) in the sectors. The importance of persistent awareness-raising at this meso-level had clearly been underestimated.
- Companies and institutions appeared to suffer from "cold feet" to a greater extent than policy makers had anticipated. Many saw a diversity policy as a high risk, long-term investment with clear short-term costs and uncertain long-term advantages.

Nonetheless, the first Annual Action Programme cannot be considered a failure. It put the topic of the employment of immigrants and other minority groups on the agenda of the social partners and in tripartite discussions – permanently and structurally. New

methodologies and instruments were developed and tested to carry out tailor-made actions that could (partly) be used for an affirmative action policy for other minority groups. The first steps were taken to involve representatives of immigrant communities in the construction of this policy. The core of the future structures for (subsidised) consultancy and support was developed (the network of regional consultants), as were the first good practices. New dynamics emerged at the regional and local levels.

After a first evaluation, the Flemish Government and social partners decided to continue and strengthen the approach with the following actions and emphases:

- Additional scientific research was ordered to support the policy. Refer to the publication “Working on Work for Immigrants” (Verhoeven *et al.*, 2000).
- Further development of supporting instruments.
- Enlargement of the network of subsidised consultants.
- Closer involvement of the sectoral social partners in the implementation of the yearly action programmes.
- Reinforcing the example function of governmental institutions (including local administrations).

The consolidation and expansion of Flanders’ affirmative action policy was given an extra boost through the start of action programmes for the disabled (from 2000 onwards) and for older employees and job seekers (from 2001 onwards), analogue to the annual action programmes for immigrants. Together with the longer running action programme on equal opportunities for men and women, four parallel affirmative action programmes therefore existed by the end of 2001. Despite the similarities in terms of content, co-ordination between these action plans did not appear to be easy, particularly at the micro-level of companies and organisations.

At the same time, some of the recommendations of academic research gave rise to policy controversy. From the start, Flemish policy had emphasised the voluntary aspect and the importance of stimulating organisations by means of financial incentives and free consultancy and support. On the basis of the experiences in Canada, the United States and the Netherlands, Verhoeven *et al.* (2000) concluded that this was a weak point of the Flemish approach, as those international experiences revealed that measures needed to have a compulsory character in order to really make a change. The study revitalised the discussion initiated by Martens (1998), questioning the relationship between a stimulating (incentives, support and counselling) and a more coercive approach towards organisations. Often narrowed down to a debate on quota and hindered by strong polarisation, this discussion failed to result in a consensus on a balanced mix of stimuli and coercive elements.

Mid-2001-end of 2004: an inclusive approach aimed at consolidation, broadening and deepening, and making a start with mainstreaming

A concerted and well-monitored effort at the macro-level

As comparable action plan formulas were applied to different disadvantaged groups and compatibility issues arose, the Flemish policy makers were challenged to reconsider their approach. As of mid-2001, the policy called for a more integrated employment equity approach, stronger meso-level dynamics and more involvement and firm

commitments of the social partners, the community-based organisations of immigrants and representatives of other disadvantaged groups.

The Flemish Government's decree on employment equity in the labour market added an important key ingredient to the policy mix on 8 May 2002. This decree converted the European directives on non-discrimination into Flemish regulations and aimed to guarantee equal treatment, preventing any form of discrimination on grounds of gender, so-called race, ethnicity, nationality, etc., in the fields of career guidance, vocational training, career supervision, and employment mediation, and also in the field of working conditions for government employees and teaching staff within the Flemish community. Confirming the aim of employment equity in the Flemish labour market, and thereby moving beyond what is required by the European directives, the decree encourages companies to adopt a policy of employment equity and diversity. Moreover, it fixes the monitoring and independent evaluation of the decree, as well as the procedures for dealing with complaints and the possibility of sanctions. In brief, it provides a strong legal basis for the policy of employment equity and diversity, and it assigns the Flemish departments and intermediaries in the employment market an active role in achieving these aims. All institutions of the Flemish Government are obliged, for example, to draw up an Annual Action Plan (with objectives, procedures, evaluation methods), and to submit a progress report to the Flemish Parliament every year.

From 2002 onwards, the employment gap of disadvantaged groups and their proportional participation in the public employment service's training and job counselling modules are closely monitored. An instrument was created to measure Flanders' year-to-year progress towards the objective of employment equity – a benchmark set for 2010 in 2001's pivotal "Vilvoorde Pact" between the Flemish Government and the social partners. For immigrants and the disabled, this benchmark was translated into a growth scenario by calculating the number of extra jobs to be created each year to significantly reduce the employment gap by 2010. This policy goal still holds, but at the same time it was renewed in 2008 by a new set of goals aiming at higher and better labour participation of all target-groups in the focus of this policy by 2020: ethnic minorities, people with work disabilities and people over 50.

Another policy effort at the macro-level in this period consisted of more actively involving the social partners and the target groups' representatives in Flemish employment policy: since 2003 they have been actively involved not only in its creation, but also in implementing a number of long-term and complementary projects. In the "Jobchannel Project" of VOKA, the association of employers of (mainly) larger companies, job consultants promote the recruitment of immigrants, disabled persons, and older job seekers by tackling the mismatch between supply and demand. UNIZO, the employers' organisation which mainly represents smaller organisations and entrepreneurs and the liberal professions, established a "Diversity Service Point", which delivered made-to-measure services with regard to raising awareness and support for diversity management in SMEs. They have also worked out an appropriate methodology for on-the-job (Dutch) language training in small organisations. The Service Point also devoted attention to the problem of clients who discriminate and to the specific needs of immigrant entrepreneurs. From 2006 onward VOKA and UNIZO together with the employer association of the not-for-profit sector VERSO combined forces in the reinforced Jobchannel Project, tripling the amount of job consultants and putting forward an ambitious yearly target of matching 5 000 members of the targeted groups to vacant jobs. The earlier developed entrepreneur platform on diversity, which was set up in 2005

by the three employer organisations UNIZO, VKW and Voka was also integrated in the Jobchannel project from 2009 onwards.

The Flemish trade unions deployed diversity consultants to raise EED awareness and to fully mainstream the idea of diversity and equal opportunities in all trade union handling and thinking. The diversity consultants support union staff and representatives to persuade employees and workers to remove resistance and to stimulate the development of a diversity policy in all companies whether or not by means of a diversity plan. Experience has shown that the most successful diversity plans are those in which employees and their representatives most actively participate.

The project of the Forum of Ethnic-cultural Minorities and two other community-based immigrant organisations aimed to develop a single central support structure for all the actions related to access to work and training that is done by immigrant organisations. At the same time, the project serves a bridging function in supporting immigrant associations' involvement in employment equity policy. The federations of immigrant associations can become more professional in the field of employment and labour market policy as a result of the project, so that they become a full partner in the advisory and monitoring organisations in which they are represented. A similar project was started in 2003 by GRIP, an organisation representing people with disabilities, leading to the development of a user-platform of organisations representing the field of handicap and labour-market-participation.

The finishing touch in the active involvement of minority groups in the EED policy was the establishment, on 16 December 2003, of the Diversity Commission of the Social-economic Council of Flanders (SERV), the central consultation and advisory organisation of the Flemish social partners. This Commission has since then developed into the central instrument to allow disadvantaged groups to be permanently involved in creating, monitoring and evaluating the EED policy.

Strengthening policy at the meso-level through sector involvement

In the Flemish employment agreement of 2001-02, the sectors were asked to make sectoral action plans with a view to removing obstacles in the labour market. The action plans formed a basis for pacts between the sectors and the government. The pacts contained a chapter on diversity, and sectors were assigned a number of diversity consultants for the execution of sectoral diversity work plans. Such pacts were concluded with about thirty sectors.

Depending on their possibilities, the sectors could develop a range of actions to complement the efforts of other field workers involved in employment equity and diversity. Examples of actions which were undertaken by the sectors include: custom-made (basic) training for different minority groups; support for the application of a sectoral non-discrimination code; exchange of experiences for companies with a diversity plan; providing training and exchange of experiences for mentors/coaches of newly recruited employees from minority groups.

The micro-level: the evolution of the diversity plans

Research has provided an important stimulus for the shift from affirmative action plans to diversity plans, as well as for their evolution in terms of content. Reference has already been made above to Verhoeven's research, which argued for more counselling and support for organisations' action plans and for a better co-ordination with the

meso-level (Verhoeven and Martens, 2000). The “Diversity management in practice” study by Doyen *et al.* (2002) presents a typology of diversity policy in organisations, indicating the strengths and weaknesses of each policy type. It is also on the basis of this research (and the later research by Lamberts *et al.*, 2005) that some aspects of the regulations on diversity plans were adapted from 2003 onwards:

- Extra care was devoted to strengthening involvement of personnel and their representatives.
- We saw a visible shift towards a more integrated approach to diversity management: greater attention to a complementary combination of actions; greater attention to career planning, with emphasis on personal development plans linked to job orientation interviews; growing attention to the well-being of employees and the quality of work, in particular co-ordination between work and family life/leisure time; a growing attention to the improvement of company training-schemes and the employability of all workers; a growing involvement of disadvantaged groups’ representatives in the execution of the diversity plans.
- Since 2004, subsidy regulations explicitly required organisations to indicate how the planned diversity actions could have a positive influence on their training and skills policy.
- In addition, it was requested that every diversity plan should pay attention to opening doors: self-defined figures projecting the amount of intake, throughput and training of members of the target-groups have to be listed and reported by the organisations themselves. From 2005 onwards figures and actions regarding retention (often regarding elderly workers and handicapped workers) were also monitored.
- Moreover, actions towards raising awareness (working on cultural change) and changing practice (incorporating the results of the diversity plan in the organisation’s HR policy) were stressed in action planning and reporting.
- Parts of Doyen *et al.* (2002) research recommendations were included in the diversity plan manual “Reizen in diversiteitsland: Handleiding voor diversiteitsplannen” (Van de Voorde and Hellinckx, 2004).

3. 2005 and beyond: Flanders’ employment equity policy branches out

The current situation

By the end of 2004, Flanders’ employment equity policy had a sound legal basis and broad stakeholder support, clear objectives and a measurable growth scenario (at least for immigrants and disabled people) to achieve these objectives. Also, the first steps had been taken towards the mainstreaming of this policy. A mix of instruments was set up at different levels in order to implement an active policy of employment equity. At the Flemish macro-level, long-term projects were initiated with the social partners and the organisations of minority groups, aiming to improve the match between supply and demand, access to work and training, and diversity support for SMEs and employees’ representatives. The exchanges of experience between and with companies are promoted through various diversity projects. In addition, the Flemish “newcomer” policy aims at integration of immigrants in the labour market. At the meso-level, agreements were made with the different sectors: diversity consultants are made available to draw up a sectoral

diversity working plan. The regional social partners have a network of project developers who support organisations (companies, institutions and local government) in implementing their diversity policy. And last but not least, at the company micro-level, the Flemish Government subsidises diversity plans in companies and supports them through a network of over 40 consultants.

The strengths and experiences listed above clearly did not suffice to significantly improve the labour market position of immigrants and disabled persons: the main benchmark (the growth scenario) was not achieved. A number of issues remained to be tackled: co-ordination between the diverse actions was rather weak, and the effectiveness and efficiency of most of the measures remained limited. It was clear that new measures were necessary to improve the output and outcome of the employment equity policy. Therefore, all programmes and actions were evaluated in 2005. This thorough evaluation led to the following conclusions:

- The need for better integration of all the programmes, actions, projects and networks.
- Stronger involvement of the target groups.
- A better balance between impulse policy and mainstreaming.
- A better balance between categorical actions and inclusive policy.
- The need to work at the same time on opening doors (the inflow of minority group members), opening eyes (fighting prejudices, improving intercultural skills) and opening practices (embedding the results from diversity actions in the HR-policy of the organisation).
- The need for a broader and more visible impact by enhancing the number of diversity plans (and related budget) from 550 in 2005 to 750 from 2008 onwards.
- From the end of 2005 on, all stakeholders of the Flemish EED policy are working on these objectives. Two central instruments are used: a “diversity fund” to finance the impulse policy and a “diversity test” to strengthen mainstreaming.

The diversity fund

The structural projects of the social partners and target group organisations

All the structural projects and other EED instruments were evaluated in 2005 and again in 2008. This time each gave way to slight adjustments and extra tasks, in turn for which the partners received the necessary means (money and people):

- The Jobchannel project “New Style” is now a project of all the Flemish employers’ organisations (VOKA, UNIZO, VKW and Verso). Jobchannel has a yearly objective to help 5 000 target group members (disabled persons, migrants and 50+) to find a sustainable job. This is the core business of some 40 jobchannel-consultants and office workers. The entrepreneur platform on diversity became integrated within the project in 2008 and focuses mainly on informing and sensitising entrepreneurs on the advantages of integrating diversity in the company HR policies.
- The 25 diversity consultants of the three Flemish trade unions (ABVV, ACLVB and ACV) now operate more and more as a second line helpdesk; mainstreaming EED

within the own organisation and supporting shop-stewards/delegates and trade union staff to play their role in the diversity plans on the company floor. One of their central aims for the coming years (2009-12) will be to put diversity on the annual agenda of the in-company social dialogue in 600 companies and organisations with a works council or committee on prevention and well-being at work.

- In the Work-Up II project of the Forum of Ethnic-cultural Minorities room was made for their further professionalisation in the field of employment. This is a requirement to ensure the active involvement of the organised target groups in making, implementing and evaluating the EED policy. Three consultants and a Task Force Employment fulfil a critical bridging function between policy makers and migrant communities in Flanders. All of the eight mediators coach and support 75 young migrant labour-market drop-outs annually towards guidance services of the public employment service (VDAB) or towards work. These mediators are employed by regional embedded migrant worker organisations and they operate in six regions with high immigrant unemployment.
- The consultative platform Disability and Work also fulfils a critical bridging function between the policy makers and, in this case, the organisations of disabled persons. Furthermore a second line helpdesk on handicap and work was developed within the disability and work platform, supporting all diversity consultants of the other structural EED projects, regarding their questions about legislation, reasonable adjustments, supported employment, disability management etc.
- Better co-ordination of and between the structural projects is achieved by working with clear and measurable target figures and data in all the projects and by reporting on these annually. To have a real effect, clear agreements on tasks must be made with all those working in the field of diversity, without imposing a straightjacket. On the Flemish level, we organise a meeting two or three times a year to attune all the actions. On the regional level such meetings take place several times a year.
- In an integrated and inclusive policy, tensions may arise between the need for categorical actions and the inclusive character of the policy. This is the case for example in the development of instruments related age-diversity. Because of the greying labour-market population a focus on 50+ job seekers and workers has become urgent and inevitable. Within the EED policy this resulted in a rather strong categorical accent on age diversity from 2005 onwards, but clearly within the framework of the whole of the EED policy.
- Updated action plans for the three priority target groups have been developed, but in all the actions, and especially in the diversity plans, an inclusive approach of diversity is actively promoted: the treatment of every person as an equal, as a unique individual with unique talents.

The diversity plans: more, better, more diverse

The 2005 and 2008 evaluations provide a few conclusions regarding Flanders' instrument of diversity plans. First, developing this policy instrument in co-operation with all relevant stakeholders and adjusting it in the yearly action plans has enabled discussion, experiment and (re)adjustment. This approach made possible the evolution from affirmative action plans towards more inclusive diversity plans ("inclusive action and approach where possible, categorical where necessary"). Secondly, through the instrument of diversity

plans, Flemish policy focused rightly on the micro-level of the organisations. Modest financial incentives (from EUR 2 500 up to 10 000 depending on the type of diversity plan), a useful set of guidelines and checklists, a broad network of consultants to support the implementation of the diversity plans, self-determined target figures, little red tape and a tailor made approach have proven to be of key importance for success.

The instrument of the diversity plans is working quite well and is therefore continued, but with a stronger emphasis on the cross-connections with competence management, company training policy, career services and development, as well as with more attention to the quality of work (devoting attention, *inter alia*, to the co-ordination of work and family/free time). A strong link with corporate social responsibility via stakeholder-management will also be developed further, step by step, as should integration of newly developed methodologies in the diversity plans.

However, the criticism that diversity plans are achieving results “too slowly” must be taken seriously. To significantly lower the threshold for smaller enterprises, we developed some “light” versions of the classical diversity plan; they comprise a short description of the situation with regard to the diversity policy, they contain concrete target figures and one or more actions to achieve them. Thanks to this kind of start-up plan, the yearly number of new diversity plans now exceeds over 700. Furthermore, the focus lies more then in the past on the inflow of target group members with priority on immigrants, disabled people and elderly employees (50+).

Age diversity

There has been a strong increase in the attention devoted to the target group of older employees and job seekers in Flanders in recent years. This attention was in part drawn by international comparisons: Flanders has an exceptionally low (34% in 2007) employment rate in the 55-64 age bracket. Increasing the labour market participation of the group over 50 is considered one of the most important “critical success factors” for increasing the overall employment rate. However, policies in this field are still in their infancy and mainly limited to encouraging age-conscious HR management, including job seekers over 50 in the counselling actions by the PES, and monitoring their proportional participation in vocational training. To boost attention to older workers a “centre of excellence” Age & Work started up in 2006 in the Flemish department of Work and Social Economy. This centre actively promotes age diversity on the shop floor through two main instruments. The first is 100 diversity-plans on age-diversity annually. The second is a network of 13 regional Age & Work consultants (in addition to the other 30 regionally based EED consultants) who counsel and support the organisations with a diversity plan with a specific age-focus, promote best practices and develop practical instruments and checklists for the implementation of age diversity on the shop floor.

The diversity test

The Flemish approach to diversity management has not chosen a single, clearly outlined, theoretical approach, but rather a combination of insights arising from different approaches. Flanders places the emphasis on action, on tailor-made activities, on looking for creative approaches and experiments, and on the need for “learning by doing”. The choice for a “diversity test” as the main instrument for mainstreaming the employment equity and diversity policy reflects this. It is not an analytical instrument, but a guideline for immediate action. In policy implementation stakeholders of a specific part or programme of the Flemish employment policy are asked to answer three simple questions for all the central actions they are going to undertake:

1. What are the quantitative targets to guarantee the presence of target group members in the measure you take?
 - Which target group(s) are you focusing on?
 - What action will you undertake to reach these targets?
 - How do you monitor your efforts?
 - (In final report) What were the results? Strengths and weaknesses?
2. What are the qualitative targets to facilitate the presence of target group members?
 - Which target group(s) are you focusing on?
 - What action will you undertake to reach the targets?
 - How do you monitor your efforts?
 - (In final report) What were the results? Strengths and weaknesses?
3. What partnerships did you set up to reach your quantitative and qualitative targets?

This uncomplicated instrument can be used at the start of an action as a planning and organising instrument. Yet, in practice, some stakeholders still struggled to formulate sufficient tangible and measurable objectives. The diversity test is therefore now introduced in new areas together with a manual and with specific examples of good practise. Different forms of the diversity test have been implemented in several measures and programmes such as ESF-calls, work-experience projects, sector agreements etc.

4. Conclusions

A young tree planted in the late 1990s, Flanders' employment equity policy has quickly taken root in Flemish labour market policy. Its roots include the strong involvement of the various stakeholders, the establishment of a specific Flemish decree in 2002 and the dissemination of methods and experiences in over 3 000 Flemish companies and organisations over the last few years. Branching out, it was and still is faced with a number of challenges, including its focus (the balance between categorical action and an inclusive approach), its monitoring and its character (only facilitating or more coercive?). This last question is far from solved. In the past years, a consensus has grown in Flanders that the EED policy should not be based on awareness-raising only, and therefore have a purely optional character, but that clear objectives should be set and monitored. But then the question arises about the nature of these objectives. The debate often focuses on the question of whether it is appropriate to work with quotas that can be imposed by law. In practice there is very little support in Flanders for quotas, with employers particularly opposed. The Flemish Government, therefore, has opted for a positive incentives approach, but coupled this with clear and ambitious target figures and close monitoring. Nevertheless, spokespeople for the target groups clamor for EED policy to shift urgently into second gear, as the results up to now came too slow. The new coalition that came to power in 2009 intends to take the necessary measures to strengthen the EED policy and to stimulate stakeholders and companies to strongly work on integrating diversity, competence management and social innovation in HR policies. Companies and organisations receiving significant subsidies or government contracts will have to develop a diversity policy (contract compliance) in the coming years.

Still other less visible challenges lie ahead of us:

- In the employment policy area we must take into account the division of competences across the Belgian federal level, the regions and the communities. In the short run, better co-operation and – where possible – co-ordination between the regions, the communities and the federal level can increase the impact of the Flemish policy.
- Likewise, better co-ordination and co-operation between the different Flemish policy domains still can strengthen the policy; after all, there are numerous cross-connections with education (the transition from school to the labour market, lifelong learning), with welfare and integration (the consultation with community based immigrant organisations, the policy on the disabled, the co-ordination of work and private life) and obviously with the economy (economic incentive policy, regional economic policy, immigrant entrepreneurs, corporate social responsibility etc.). Better co-ordination and co-operation between the policy areas of employment, economics, education, integration and welfare can get a boost by developing joint cross-sectoral actions or projects. Obvious possibilities include actions related to the transition from school to the labour market, lifelong learning, and the quality of work (including attention to the balance between work and private life).

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Chapter 10.

POLICIES TO ENHANCE DIVERSITY IN RECRUITMENT AND PROFESSIONAL DEVELOPMENT

by

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Summary

This chapter provides an overview of the policies in France to enhance diversity in recruitment and professional development. It points to the difficulties encountered by young people with an immigrant background when they enter the French labour market, and the measures taken to promote access to employment for this group.

The chapter highlights in particular two initiatives being by the French authorities in co-operation with other actors in order to facilitate the labour market integration of immigrants and their children, and to promote diversity policies in companies and in the public sector.

Introduction

In France, there are 3.5 million immigrants from countries outside the European Union, some 1.6 million of whom are on the labour market. In 2007, their unemployment rate was 19.1%, or three times as large as that of the native-born French population. The gap is even greater for more highly educated immigrants, since it is four times as large for holders of Bachelor's (licence) and Master's degrees.

Young people in France are particularly hard hit by unemployment (nearly three times the national unemployment rate, *i.e.* 19.3% versus 8% in 2007), and the situation is even worse for young immigrants from countries outside the European Union, over 30% of whom are unemployed.

Young immigrants living in disadvantaged suburban neighbourhoods have an unemployment rate 10 points higher than those living in other neighbourhoods in the same cities, and these difficulties in finding jobs played a role in the riots that took place in French suburbs in October 2005.

There is still significant discrimination in employment in France, despite the measures taken by government (strengthening legislation; establishing an independent authority to combat discrimination, HALDE, which has broad powers). For example, a discrimination test conducted at the initiative of the ILO showed that for young people

between the ages of 20 and 25, in four out of five cases the employer preferred a person with a French first and last name over similar applications by young people with Arab or African-sounding first and last names.

1. Some examples of measures promoting the employment of children of migrants

A number of initiatives taken by government or by private stakeholders are particularly useful and effective for young people who are immigrants or from an immigrant background. The most effective three measures are listed in the annex to this chapter:

- Personalised support provided by creating mentoring networks of voluntary participants – either business executives or newly retired people – who mentor a young person in a personal relationship over a number of months. These mentoring networks operate within a structure, most often a local mission (a body jointly financed by the French authorities and cities to facilitate youth employment), in partnership with chambers of commerce and companies. The mentors use their contacts, facilitate relations with companies and re-motivate young people. These programmes are enabling some 20 000 young people to be mentored each year, 70% of whom come from neighbourhoods covered by France's "City Policy" targeting high unemployment areas, and one-third of them are from an immigrant background. This programme, which has existed since 1993, is particularly effective since two-thirds of these young people either find stable employment or a training programme leading to a qualification.
- The work being done with companies by the *Pôle Emploi* (the French public employment services) to ensure greater objectivity in hiring procedures, particularly with regard to young people. This work involves developing practical exercises that make it possible to identify job seekers' skills and place them in a job for a short period to assess whether they are able to perform the type of work the company requires.
- This has led to the creation of vocational platforms for youth employment, recruitments through job simulation and evaluations in the workplace. These systems are effective and make it possible to neutralise all kinds of discriminatory behaviour, which is still significant for young people from immigrant families. These methods are being increasingly widely used and have now enabled several thousand young people to find jobs.
- For young graduates from an immigrant background, who often find a first job that is below their qualifications, the organisation of job forums in suburbs, at which companies propose job offers to young graduates who have been selected and prepared beforehand, is an approach that is particularly effective.

These forums are organised at the initiative of the MEDEF (organisation representing employers in France) and groups of firms. During a half day, several dozen business recruiters come to these neighbourhoods and meet with young people from an immigrant background who would otherwise have had little chance of obtaining a job interview. These young people are selected and prepared beforehand by specialised associations to which the job openings have been forwarded. Through this system, which is now widespread (some one hundred meetings per year), dozens of these young people find jobs that match their qualifications.

2. Two good practices established by the French authorities to enhance diversity in recruitment and career development

These policies involve affirmative action, since their goal is to increase equal opportunities in access to employment and in career progression for population categories that are vulnerable or may be subject to discrimination.

Developing closer ties with the business world to promote access to employment for newly arrived foreigners

The OECD, in its comparative studies between various Member countries on the labour market integration of immigrants and their children, showed that France was the country where newly arrived foreigners' access to employment was most difficult, and that it took ten years for their situation to become comparable to that in the other countries studied.

In the light of this problem, the French government decided to take action. Since the beginning of 2007, the some 100 000 foreigners who arrive each year to settle in France sign a reception and integration contract (*contrat d'accueil et d'intégration*, CAI) with the French authorities at a reception office, where they are given a presentation on life in France. They also have an interview with a social advisor who takes stock of their situation and they receive a certain number of benefits to facilitate their integration, including up to 400 hours of language training and a three-hour session to assess their job skills.

These people encounter numerous obstacles in their labour market integration and often find jobs that do not match their qualifications, frequently in occupations that are unrelated to their training and experience in their country of origin.

At the same time, many companies, particularly in economic sectors that are expanding or have strong labour potential, are unable to fill the jobs available.

The Ministry for Integration's objective is use these initiatives to involve companies and business actors in order to orient better the job seekers who have signed the CAI and to reduce the time it takes them to find a job.

Agreements and partnerships have therefore been signed or are being prepared with the following:

- Representatives of occupational sectors experiencing recruitment difficulties so as to enable the people who have signed the CAI to receive training in these occupations or benefit from measures for finding jobs in these economic sectors. These agreements concern personal services, transport and logistics, hotels and catering, cleaning and the social economy;
- Major economic networks, such as the National Association of Human Resource Managers, the Foundation *Agir contre l'Exclusion* (Act against Exclusion) and the Permanent Assembly of Chambers of Trade, in order to experiment with direct means of providing access to employment in companies in several *départements*; and
- Lastly, large industrial groups, such as Vinci for public works and civil engineering, Casino for supermarkets and Manpower for temporary employment, in order to test methods for rapidly integrating newly arrived immigrants.

These agreements also allow immigrants to continue their language learning in companies so that they can advance in their careers.

It is still too early to make a full assessment of these agreements, but the companies involved often discover a group of people with whom they were unfamiliar and that can be of interest to them, provided that there is a programme to help them adapt to the jobs available.

Establishing the “Diversity Seal of Approval”

At the French authorities’s initiative, in late 2004 a leading CEO made a proposal to 30 major French groups that they sign the Diversity Charter. The purpose of this charter, which contains six articles, is to show a company’s commitment to non-discrimination and diversity, to promote equal opportunity in employment and to improve the company’s performance. It is aimed at all types of employers and since 2005 it has been promoted by a steering committee composed of representatives of major economic networks, employers and the French authorities.

At present, the charter has been signed by some 2 500 companies, associations, local and regional governments and public services, 80% of which are SMEs. The use of this charter is spreading to other European countries, and has also been adopted in Germany and Spain and soon will be in Italy.

However, the charter is only a commitment and is monitored on the basis of information provided by the signatories themselves.

To take this charter a step further and to enable the employers who have made a commitment to report objectively on the results being achieved in the field of diversity, a Diversity Seal of Approval (*Label Diversité*) has been developed following intensive work and co-operation between the French authorities and the National Association of Human Resource Managers (ANDRH).

In co-operation with the French certification agency, AFNOR, over a hundred people – representatives of companies, the French authorities and local and regional governments, recruitment agencies, lawyers, researchers and academics, employers and trade unions – prepared a standard on diversity in recruitment and human resource management, and then the specifications for the seal of approval. The Diversity Seal of Approval was created at the end of 2008 by decree and the first seals were granted in January 2009.

This seal of approval is intended for all public and private employers meeting a certain number of objective criteria concerning the recruitment and career management of their employees. It covers the prevention of all types of discrimination recognised by the law, in particular that relating to the origin of persons, age, disability, sexual orientation, religion, membership in trade unions and associations, political opinions, etc., with the exception of gender discrimination, which is already covered by a specific seal, the “Equality Seal of Approval”.

Granted for three years with an interim evaluation after 18 months, the seal of approval is awarded to organisations of any kind that file an application, whatever their size, their activities or the status of their employees. It is an effective means of enabling the entity awarded the seal to make continual progress on issues of equal opportunity and prevention of discrimination.

The specifications for the Diversity Seal of Approval are organised around the following five criteria: first, assessment of the situation regarding diversity within the organisation; second, implementation of a diversity policy; third, internal communication, awareness-raising and training; fourth, incorporation of diversity into the organisation's activities; and fifth, evaluation and ways of improving the diversity effort.

The procedure for awarding the Diversity Seal of Approval is conducted in three stages: firstly, the applicant files a request by completing an application; AFNOR Certification then reviews the application, a process that includes an on-site evaluation; the Awards Commission (*Commission de Labellisation*) then gives an opinion on the basis of the report prepared by AFNOR Certification, and then decides whether or not to award the seal.

The Awards Commission, created and chaired by the French authorities, includes representatives of the relevant ministries, labour and management and individuals designated by the ANDRH.

The seal has been awarded to 24 companies since the beginning of the year, including large groups but also companies and public services (the Post Office), SMEs and VSEs, covering a total of 490 000 employees. Approximately a hundred employers are currently involved in this procedure, including large cities (Bordeaux and Lyon), educational institutions and even one of the major French ministries, the Ministry for Economic Affairs, Industry and Employment.

In order to make it easier for SMEs and social economy organisations to have access to the seal, a working group of the Awards Commission was established in July with responsibility for adapting the specifications and identifying the tools needed to promote the seal among SMEs, the financial aid available and the good practices of economic actors that would enable small entities to implement a diversity policy and prepare to apply for the seal.

At the same time, another group was created to adapt the seal to the civil service and examine whether its requirements are compatible with the rules of recruitment and staff management in government bodies.

Lastly, a number of tools that are particularly useful for SMEs and VSEs will be made available to them, such as a guide on how to use the seal's specifications, explaining each point and illustrating it with examples; a brochure presenting the seal to make it easier to promote; and lastly an on-line self-diagnosis document aimed at reducing the time required for the audit and thus the cost of applying for the seal.

Annex 10.A1. Difficulties encountered by young people with an immigrant background and measures promoting access to employment

Difficulties encountered by young people from an immigrant background when they enter the labour market

These young people frequently lag behind in school and their qualifications are still too low: they are over-represented in class repetitions and among the 150 000 students who leave the school system without qualifications. They are one to two years behind French students when they leave school.

They receive poor guidance at the end of lower secondary school and are often oriented towards short technical streams in vocational *lycées* and general academic university programmes in higher education, which lead to limited job opportunities.

They lack of information on the range of educational options and occupations and on how to find employment, in particular because of their background (55% of young people of Maghreb origin have a father who is a manual worker and one-third of them have a father who is unemployed).

They are unable to enter the civil service, many public enterprises and institutions and certain occupations in the private sector if they are foreign. One-third of the labour markets, *i.e.* approximately 7 million jobs are closed to them. If they have French nationality, they may not know about these jobs if their parents were not eligible for them.

They lack networks of relations that can help them find a job (social capital). In France, two-thirds of jobs are obtained through relations or unadvertised vacancies. Since their parents belong to disadvantaged groups, are often unemployed and do not speak French well, they do not have these networks of relations. All studies show clearly the importance of the PES for these young people.

There is a poor image of young people in general, and of young people from an immigrant background in particular and of suburban neighbourhoods, conveyed by the media.

Employers continue to engage in significant discriminatory practices:

- A test conducted by the ILO covering 1 100 vacancies showed that for young people between the age of 20 and 25, in four out of five cases employers prefer applicants with a French first and last name;
- A test conducted by the centre for monitoring discrimination (*Observatoire des Discriminations*) covering 1 340 vacancies showed that an applicant of Maghreb origin is two times less likely to be asked to an interview for a position as manual worker and is five times less likely for a management position.

- A test conducted by the Centre for the Strategic Analysis of Suburban Youth in Ile-de-France (ages 18-22) covering 624 vacancies showed that a young person with a Moroccan first and last name is three times less likely to be offered a job as a waiter and ten times less likely to be offered a job as an accountant.

Measures promoting access to employment for children of immigrants

Three types of initiatives can be mentioned:

- general measures taken upstream in the school system;
- initiatives for young people with low qualifications;
- initiatives for young graduates

School system

- Providing information on occupations in schools located in the suburbs of large cities, organising forums on occupations, visits to companies, etc.;
- Facilitating students' initial contact with companies: establishing ties between schools and companies to enable students to find traineeships; promoting mentoring of young people still in school by managers from companies to enable them to have access to traineeships, apprenticeship, employment or to re-motivate students;
- Providing support to young people in neighbourhoods covered by France's "City Policy" targeting high unemployment areas, so that they can have access to higher education and "*grandes écoles*" (systems of ESSEC, Sciences Po, the "telecoms engineer passport" with the phone company SFR, etc., partnership between universities and major corporations, such as that between Danone and the University of Villetaneuse).

Young people with low qualifications

For these young people, it is crucial to organise an individualised monitoring system and to strengthen their network of relations providing access to employment.

- The role of Local Missions, public bodies created in co-operation with the French authorities and local governments, is essential. They help young people to define their career plans, give them methods and provide them with support. They monitor nearly one million young people each year, many of whom are from suburban areas. 7% of the young people they assist are foreign (4.6% of the young population);
- Mentoring is an effective measure for helping young people who are foreign or from an immigrant background to find employment. Some 20 000 young people are mentored every year, 70% of whom come from neighbourhoods covered by France's "City Policy"; one-third are from an immigration background; 40% are unskilled; 59% are female; two-thirds of them find stable employment or a training programme leading to a qualification after six to nine months;
- The work done with chambers of commerce and trade organisations to help these young people enter apprenticeships is important (2%, for 4.6% of young people),

and includes mentoring to find companies with apprenticeship openings, other forms of networking through apprentice training centres, awareness-raising for employers and training provided to the staff of training centres;

- The work done to make the hiring procedure more objective, for example, the vocational platforms for disadvantaged young people aged 18 to 25 with low qualifications that assess their skills on the basis of job vacancies provided by companies; recruitments by job simulation and the skills method;
- Greater awareness and involvement of companies with regard to diversity and prevention of discrimination.

Young graduates

Young graduates from an immigrant background not only encounter special difficulties in gaining access to employment, but they are often offered jobs that are below their level of education.

The Ministry for Integration has conducted many studies analysing this population. These show that they generally come from an underprivileged background and that the vast majority enrol in short university programmes and a portion of them do not finish their studies. Most of them enter programmes that lead to few job opportunities and find it much more difficult to have access to traineeships. This means that in nearly half of all cases, their first job requires no qualifications and has no prospects for the future and is poorly paid, in particular for young women.

Some effective solutions have been tested to prevent these outcomes:

- Establishment of networks of experts, managers and human resource departments of companies to advise young people about various aspects of their career plans;
- Establishment of specialised mentoring networks for young graduates drawn from companies or networks of companies;
- Organisation of forums in suburban areas to promote access to employment, in which companies offer jobs to young graduates who have been selected and prepared beforehand by the National Employment Office, Local Missions or specialised associations (AFIJ, AFIP, etc.);
- Initiatives to provide support for preparing the competitive examination for category A of the civil service (management level) for young people from the suburbs (test on general culture, preparing the technique for oral examinations);
- Partnership agreements between the French authorities and companies, institutions, etc. to experiment with access to alternating classroom-workplace training (France-Télévisions, Air-France), to review recruitment procedures (MACIF), and to step up initiatives to promote diversity and prevention of discrimination.

Annex A.

Programme of the joint technical seminar on the labour market integration of the children of immigrants, co-organised by the European Commission and the OECD

Overview of the seminar structure

The introductory session provided an overview of the labour market outcomes of the children of immigrants across the OECD, based on new data collected by the OECD Secretariat. The first session looked at the main determinants of educational and labour market outcomes of the children of migrants, with two presentations contrasting the situation in European OECD countries (based on new data from the project “The Integration of the European Second Generation”) and North America, followed by discussion of the implications of these findings. The session also included a brief presentation of the main findings of the OECD work on the school-to-work transition. It ended with a discussion of the impact of labour market institutions and characteristics on integration.

The second session was devoted to an overview and discussion of policies and good practices to facilitate labour market integration of the children of immigrants. It started with a presentation of recent EU work on this issue, followed by an overview of policies to improve educational outcomes of children of immigrants. Three presentations of contrasting experiences in the United States, Belgium and France opened the discussion on affirmative action and diversity policies. The session ended with a review of a nationwide mentorship project for young immigrant women implemented in Denmark, leading into a discussion of mentorship and networking initiatives.

The final session addressed the role of the social partners and civil society in the integration process, and consisted of two roundtables. The first brought together representatives of employer associations, trade unions, non-governmental organisations and immigrant youth. The second roundtable dealt with the impact of the media and public opinion on policy options and integration itself.

**Programme of the joint technical seminar on the labour market integration
of the children of immigrants co-organised by the European Commission
and the OECD**

1-2 October 2009, Brussels

1 October 2009

Opening remarks

Robert VERRUE (Director General, DG Employment, Social Affairs and Equal Opportunities, European Commission)

John MARTIN (Director for Employment, Labour and Social Affairs, OECD)

**INTRODUCTION: CHILDREN OF IMMIGRANTS IN EU AND OECD COUNTRIES –
PROFILE AND CHALLENGES**

Chaired by: John MARTIN

Children of immigrants in EU and OECD countries: an overview

- Population
- Origin countries of children of immigrants and their parents
- Educational and labour market outcomes

Presentation by: Thomas LIEBIG (Directorate for Employment, Labour and Social Affairs, OECD)

**Statistics on the children of migrants in the context of Eurostat's work to develop data on the
social and economic situation of migrants**

Presentation by: David THOROGOOD (Eurostat)

**SESSION 1: MAIN DETERMINANTS OF EDUCATIONAL AND LABOUR MARKET
OUTCOMES**

Chaired by: John MARTIN

- Importance of parental background and of acquired human capital
- Fluency in the host-country language and determinants of its acquisition
- The impact of geographical concentration of children of immigrants
- Knowledge of labour market functioning

Presentations by:

Ana DAMAS DE MATOS (Researcher, London School of Economics, United Kingdom)

Garnett PICOT (Director General, Socio-Economic and Business Analysis Branch, Statistics Canada)

Child poverty aspects

Presentation by: Antonia CARPARELLI (Head of Unit, Inclusion, Social Policy Aspects of
Migration, Streamlining of Social Policies, European Commission)

General debate introduced by: Anthony HEATH (Professor, Nuffield College, University of Oxford, United Kingdom)

Presentation of the main findings of the OECD project on the school-to-work transition by: Martine DURAND (Deputy Director, Directorate for Employment, Labour and Social Affairs, OECD)

Labour market characteristics and their impact on integration

- Selective screening by employers
- Implicit discrimination by labour market institutions, including the public sector
- Other relevant labour market characteristics

Presentation by: Lena SCHRÖDER (Consultant to the OECD and former Director of Research at the Swedish Integration Board, Sweden)

General debate introduced by: Nabanita DATTA GUPTA (Professor, Department of Economics, Aarhus University, Denmark)

2 October

SESSION 2: POLICIES AND GOOD PRACTICES TO FACILITATE LABOUR MARKET INTEGRATION OF CHILDREN OF IMMIGRANTS

Chaired by: Constantinos FOTAKIS (Co-ordinator on migration issues, DG Employment, Social Affairs and Equal Opportunities, European Commission)

Presentation of the study “Pathways to work: Current practices and future needs for the labour market integration of young people”

Presentation by: Egbert HOLTHUIS (Deputy Head of Unit, European Employment Strategy, Corporate Social Responsibility and Local Development, European Commission)

Compensating for education deficiencies

Presentations by: Deborah NUSCHE (Directorate of Education, OECD)
Sjoerd KARSTEN (Professor, Pedagogic and Didactics Department, University of Amsterdam, The Netherlands)

Discussant:

Barbara HERZOG-PUNZENBERGER (Senior Researcher, Institute for European Integration Research, Austrian Academy of Sciences, Austria)

Mentoring, role models and networking: providing contacts with employers

Reading by: Dilek GÜNGÖR (Author from Germany)

Testimonial from: Denmark KVinfo (Mentorship Project for Immigrant Women)
Elisabeth MØLLER JENSEN (Director KVinfo)

Nasrin BILLIE (journalist, mentee)

Karen GAHRN (journalist, mentor)

SESSION 3: THE ROLE OF SOCIAL PARTNERS AND CIVIL SOCIETY TO FACILITATE INTEGRATION

Views of employers, trade unions and immigrant associations/non-governmental organisations

Round table chaired by: Benjamin HOLST (Senior Advisor, Confederation of Danish Employers and Business Europe, Belgium)

Participants:

Catherine GINER (Director, Work and Social Integration Department, VINCI Group, France)
Marco CILENTO (Adviser on Migration, European Trade Union Confederation, Belgium)
Seren DALKIRAN (ECHO Ambassador of the Children of Immigrants, The Netherlands)
Mohammed BALI (Work-up consultant, Belgium)

Towards a constructive debate in the media and the public opinion

Round table chaired by: Bernardo SOUSA (Director, High Commission for Immigration and Intercultural Dialogue - ACIDI, Portugal)

Participants:

Edouard PELLET (Head of Integration and Diversity, France Television, France)
Gualtiero ZAMBONINI (Commissioner for Integration and Cultural Diversity, Western German Broadcasting – WDR, Germany)
Ed KLUTE (Director of MiroMedia and Chair of the European Network Online: More Colour in the Media, The Netherlands)

CLOSING SESSION

Conclusion and way forward by: Elizabeth RUDDICK (Director General, Research and Evaluation Branch, Citizenship and Immigration Canada, Chair of the OECD Working Party on Migration) and Martine DURAND

Closing remarks by: Belinda PYKE (Director, Equality between Men and Women, Action against Discrimination, Civil Society, European Commission)

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Equal Opportunities?

THE LABOUR MARKET INTEGRATION OF THE CHILDREN OF IMMIGRANTS

The integration of the children of immigrants – both those born in the host country (the “second generation”) and those who arrived young enough to be educated in the host country – is of growing policy relevance for OECD countries. This group is entering the labour market in ever larger numbers. Since these children of immigrants have been raised and educated in the host country, their outcomes are often seen as the benchmark for successful integration policy. Concern over labour market integration is particularly pertinent for those children whose parents have low levels of education.

The labour market integration of the children of immigrants is an area where comparative international knowledge is gradually evolving, but still underdeveloped. Recent work by the OECD has shown that the children of immigrants tend to have lower employment outcomes than the children of natives in most countries. This is partly due to their lower educational attainment, but a substantial gap remains even when education levels are comparable.

To shed more light on the issues involved in the labour market integration of the children of immigrants, and to discuss policy answers and share good practices, the EU Commission and the OECD Secretariat jointly organised a technical seminar in Brussels on 1 and 2 October 2009. This publication contains the proceedings of this event.

Further reading

Jobs for Immigrants (Vol. 1): Labour Market Integration in Australia, Denmark, Germany and Sweden (2007)

Jobs for Immigrants (Vol. 2): Labour Market Integration in Belgium, France, the Netherlands and Portugal (2008)

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