Jobs for Immigrants

VOLUME 3

LABOUR MARKET INTEGRATION IN AUSTRIA, NORWAY AND SWITZERLAND

OECD

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LABOUR MARKET INTEGRATION
IN AUSTRIA, NORWAY AND SWITZERLAND



BETTER POLICIES FOR BETTER LIVES

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Foreword

Integration policy is currently high on the policy agenda in many OECD countries for several reasons. Firstly, immigrants have been among the groups hardest hit by the difficult labour market situation in many countries following the economic downturn of 2008-09. This concerns in particular the many immigrants who have arrived in OECD countries over the past decade.

Secondly, in the context of demographic ageing, many OECD countries expect to face growing labour and skill shortages. To tackle this, better use needs to be made of the skills of immigrants who are already residing in these countries. The transferability and recognition of qualifications and work experience that were acquired in different contexts in the countries of origin thus becomes an important issue. The successful labour market integration of the many immigrants who are already resident or who arrive for reasons other than employment is necessary if there is to be a greater recourse to labour migration to tackle labour and skill shortages in the future. Finally, for both immigrants and their offspring, labour market integration is arguably the most important condition for ensuring full and autonomous participation by immigrants in the society at large.

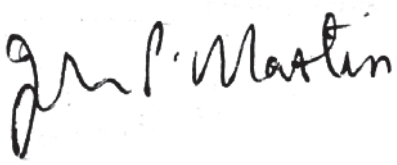
This volume, the third in the OECD *Jobs for Immigrants* series, assesses the experiences of three European OECD countries (Austria, Norway and Switzerland) with respect to the integration of immigrants and their children into the labour market. The introductory chapter highlights some key findings from the analyses of the three countries covered. It is followed by the three country reviews. All three country chapters start with an overview of the framework for integration, before providing an in-depth analysis of some key issues. Each of the country reviews concludes with a summary and recommendations.

The findings shed light on important questions such as migrants' skills and their use in the labour market, migrants' participation in active labour market policy measures, the employment of immigrant women, the integration of immigrants' offspring, and the issue of discrimination. In all three countries, mainstream labour market services bear the main responsibility for the labour market integration of immigrants, but are complemented by additional services and programmes directly or indirectly targeted to immigrants and their children. This is most visible in Norway, where specialised employment services for migrants have been created. In Austria and Switzerland, much of integration policy is determined at the regional and local level, as a result of the federal nature of policy making in both countries.

All three countries have recently experienced significant waves of new arrivals, in particular free-mobility migrants from the enlarged European Union in response to favourable labour market conditions. While labour market integration is virtually automatic for this group, Austria, Norway and Switzerland are also major recipient countries of humanitarian and family migrants, a group which needs support in integration following their arrival.

An emerging topic in many OECD countries is the integration of the children of immigrants, who are now entering the labour market in growing numbers. They already have a strong presence in Austria and Switzerland, and the figures are steadily increasing in Norway as well. Successful outcomes for the children of immigrants are arguably the best benchmark for the long-term success of integration policy. Results, however, show that the labour market outcomes for the children of immigrants are unfavourable when compared with the children of natives, even for those who have good qualifications. Early intervention policies seem to have the best return, showing that integration policy is above all an investment in the future.

Like its predecessors in this series, this publication was prepared by the International Migration Division in the OECD Directorate for Employment, Labour, and Social Affairs (DELSA). The principal authors are Thomas Liebig and Karolin Krause.



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The OECD Secretariat would like to thank all of the persons in the countries visited who gave freely of their time to inform the project team about developments in their respective countries and to respond to the numerous questions raised. A special thanks goes to Norbert Bichl, Pauline Fron, Julia Jauer, Yassine Khoudja, Sebastian Kohls, Etienne Piguet, Lena Schröder and Kristian Tronstad for their contributions to the analysis.

The individual country reviews were presented at conferences and press events in the member countries concerned. Draft versions were discussed at the OECD Committee for Employment, Labour, and Social Affairs (ELSAC) and the OECD Working Party on Migration. The OECD Secretariat wishes to thank the participants of these conferences, as well as the members of ELSAC and the Working Party, for their helpful comments.

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The labour market integration of immigrants and their children in Austria, Norway and Switzerland

Key findings

The issues involved in the labour market integration of immigrants are broad and numerous, and so should also be the policy responses. The previous two publications of the "Jobs for Immigrants" series (OECD, 2007 and 2008a) have highlighted a broad range of challenges that need to be tackled in order to achieve the objective of integrating immigrants and their children into the labour markets of OECD countries. The resulting policy recommendations are summarised in Box 0.1, along with examples of good practices from the countries previously reviewed. While these issues are naturally also important for Austria, Norway and Switzerland, a number of additional findings emerged from the three most recent country studies, highlighting new issues and shedding new light on others. This introductory chapter summarises these new findings and their implications for policy.

Box 0.1. Recommendations for an effective integration policy and examples of good practices from previous country studies

Facilitate the rapid integration of new arrivals

- Link language training with early work experience (*Sweden*).
- Adapt language courses to the needs of the labour market and to immigrants' competence levels (*Australia, Denmark).*
- Target between 300 and 500 hours of language courses for the majority of immigrants (*Sweden, France).*
- Provide incentives for municipalities and language course providers to get immigrants rapidly integrated into the labour market (*Denmark*).
- Provide a stepwise introduction into the labour market through a sequence of language training, on-the-job training, and possibly subsidized employment (*"Stepmodel" – Denmark, Sweden*).
- Welcome immigrants by providing all relevant services "under a single roof" (*National and Local Immigrant Support Centres – Portugal*).

Establish contacts between immigrants and employers and help to overcome employers' hiring reluctance

- Promote enterprise-based training for immigrants and their offspring (*Vocational Qualification Networks – Germany*).
- Target wage subsidy schemes to immigrants (*Denmark*).
- Establish networks through mentoring schemes (*Kvinfo Mentoring for Immigrant Women – Denmark; Programmes de parrainage – France).*
- Implement pro-active anti-discrimination and diversity policies (*Diversity Plans – France, Belgium)*.
- Promote naturalisation and enhance awareness about its benefits (*Australia, Belgium*).

- Involve the social partners in the integration process (*Belgium*).
- Promote temporary employment and temporary employment agency work as a stepping-stone to more stable employment for immigrants.

Make better use of the skills of migrants

- Enhance transparency regarding the assessment and recognition of foreign qualifications and skills (P*re- and Post-embarkation Information – Australia*).
- Provide bridging courses with the involvement of all actors (*Programme for Professional Integration of Immigrant Doctors – Portugal*).
- Enhance accreditation of prior learning.
- Accompany immigrants' self-employment and facilitate their access to financial credits (*Belgium, Netherlands*).

Pay more attention to the children of immigrants

- Promote immigrant employment in the public service (*Pre-police Academy – Netherlands*).
- Promote early contact with host country language for children of immigrants (*Ecole maternelle et classes passerelles - France; Vorlaufkurse – Germany*)
- Activate immigrant mothers in conjunction with childcare (*Rainbow Kids – Denmark*)
- Put more weight to children of immigrants in school funding (*France, Belgium, Netherlands*)

Enable identification and subsequent mainstreaming of effective practices *(Benchmarking of municipalities – Denmark)*

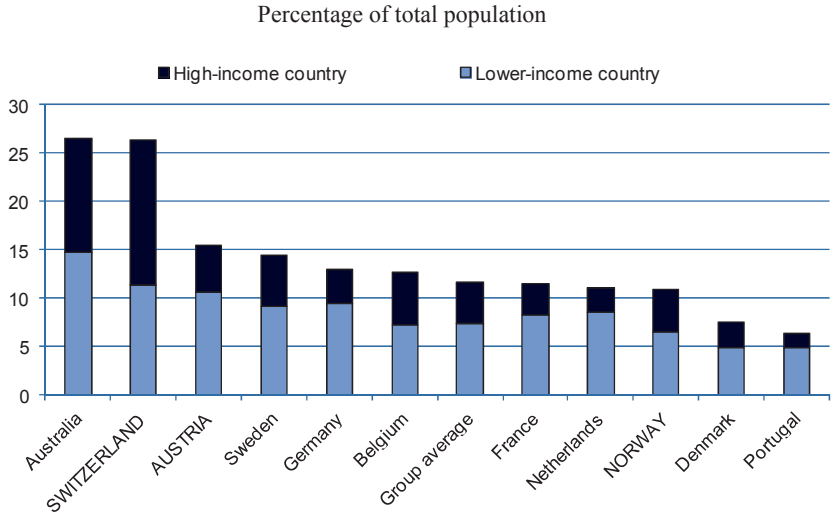
1. Overview of the three countries covered: Austria, Norway and Switzerland

The countries covered in this volume (Austria, Norway and Switzerland) share a number of common characteristics. All three are small, open European OECD countries that enjoy among the highest per capita GDPs in the OECD and good overall labour market conditions with low unemployment. They also share a longstanding humanitarian tradition and they have been, in per capita terms, among the main recipient countries of asylum seekers since the fall of the Iron Curtain. In recent years, Austria, Norway and Switzerland experienced significant free movement migration, with the majority of new arrivals coming from the enlarged European Union. As a consequence of these inflows, Norway and Switzerland recorded some of the highest per-capita permanent immigration flows in the OECD.

With respect to the resident immigrant population, Switzerland stands out for having – together with Australia, Israel and Luxembourg – the largest share of immigrants in the OECD (Figure 0.1), and this is longstanding. In contrast to Austria and Norway, the majority of Switzerland's immigrants have, moreover, come from high-income OECD countries, and this group of migrants tends to have better labour market integration outcomes. While Austria also has a rather large and longstanding immigrant population, large-scale immigration has been a more recent phenomenon for Norway.

Two of the countries – Austria and Switzerland – have a strong federalist tradition. This has had important implications for the design of integration policy: the regional level has an important stake in integration, and as a result, integration policy at the federal level evolved rather late. This has also been associated with a less developed integration infrastructure overall, in spite of a longstanding and significant immigrant presence. Norway, in contrast, which has a more recent history of immigration, maintains a more developed integration infrastructure.

Figure 0.1. Size and composition of the immigrant population in Austria, Norway and Switzerland in comparison with the other countries under review, 2009-10



Source: See OECD (forthcoming), *Settling In – OECD Indicators of Immigrant Integration 2012*, OECD Publishing, Paris.

Regarding the labour market outcomes of immigrants, the three countries show significant differences between immigrants and the native-born (Table 0.1). At the same time, however, in all three countries, immigrants have employment rates that are above the average of OECD countries. Unemployment rates for immigrants are in turn well below the OECD average for all three countries.

Table 0.1. Main labour market outcomes for immigrants in Austria, Norway and Switzerland compared with the OECD average, population aged 15-64, by gender, 2009/10

	Employment rate		Unemployment rate	
	Immigrants	Difference (+/-) with native-born	Immigrants	Difference (+/-) with native-born
All				
Austria	65.5	-7.5	8.9	5.1
Norway	69.5	-7.1	7.7	4.8
Switzerland	75.1	-5.1	7.4	4.2
OECD average	*65.0*	*-2.8*	*12.1*	*4.4*
Men				
Austria	73.0	-4.8	9.7	5.9
Norway	73.3	-5.0	9.2	5.9
Switzerland	83.4	-1.5	6.7	3.7
OECD average	*72.2*	*-0.6*	*12.4*	*4.5*
Women				
Austria	58.7	-9.4	7.9	4.1
Norway	65.6	-9.1	6.0	3.5
Switzerland	67.1	-8.4	8.3	4.8
OECD average	*58.2*	*-4.8*	*11.7*	*4.3*

Source: European Labour Force Survey 2009-10.

In spite of these similarities, there are also some important differences between the three countries. Switzerland has the most favourable outcomes and indeed, by many indicators the immigrant population is better integrated than in virtually all other OECD countries (see OECD, 2012). While the favourable mix of origin countries in Switzerland has contributed to this, good overall labour market conditions have undoubtedly also been an important factor.

Native-born children of immigrants, who are in many ways the "benchmark" for integration as they have been raised and educated in the host country, have in all three countries less favourable outcomes than their peers with native-born parents (Table 0.2).

Table 0.2. Labour market outcomes of native-born children of immigrants and children of native-born in Austria, Norway and Switzerland compared with the OECD average, population aged 20-29, by gender, around 2008

	Employment rate		Unemployment rate		NEET[1]	
	Native-born immigrant offspring	Difference (+/-) with children of native-born persons	Native-born immigrant offspring	Difference (+/-) with children of native-born persons	Native-born immigrant offspring	Difference (+/-) with children of native-born persons
Men						
Austria	81	-9	..	..	10	8
Norway	77	-9	4	1	4	2
Switzerland	89	-1	..	..	3	1
OECD average[2]	*74*	*-8*	*15*	*6*	*9*	*5*
Women						
Austria	66	-13	..	..	14	11
Norway	72	-11	3	0	3	0
Switzerland	91	1	..	..	2	1
OECD average	*68*	*-9*	*15*	*6*	*9*	*4*
Total[3]						
Austria	73.5	-11.0	15.5	9.7	12	10
Norway	74.3	-10.2	4.0	1.0	3	1
Switzerland	90.0	0.0	6.2	2.2	2	1
OECD average	*71.2*	*-8.7*	*16.4*	*7.6*	*9*	*5*

Note: "..": not publishable because of low number of observations.

1. The employment and unemployment rates refer to the population not in education.

2. The OECD average includes the following countries: Australia, Austria, Belgium, Canada, Denmark, France, Germany, Luxembourg, Netherlands, New Zealand, Norway, Spain, Sweden, Switzerland, the United Kingdom and the United States.

3. The "Total" refers to the unweighted average for men and women.

Source: Adapted from Liebig, T. and S. Widmaier (2010), "Children of Immigrants in the Labour Markets of EU and OECD countries", *Equal Opportunities? The Labour Market Integration of the Children of Immigrants*, OECD Publishing, Paris, pp. 15-52.

Of particular concern is the overrepresentation of native-born children of immigrants among the "population at risk", that is, those who are low-educated and not in employment, education or training (NEET). However, the incidence varies a lot between the three countries. Whereas native-born children of immigrants in Austria – particularly the women – have a high probability to find themselves among the low-educated NEET, this is less of an issue in Norway and Switzerland. This also holds with respect to employment and unemployment, where Austria performs less well than the two other countries. In all three indicators, Switzerland stands again out as having one of the most favourable outcomes for the offspring of immigrants in the OECD.

2. New issues that emerged from the reviews

Immigrant women are often out of the focus of labour market integration policy measures

As seen in Table 0.1, one group that has particular difficulties to get a foothold into the labour market are immigrant women. In all three countries, immigrant women have less favourable labour market outcomes than immigrant men, also compared with their native-born counterparts. The gaps in employment rates *vis-à-vis* the native-born women are also well above the OECD average. However, this has to be seen in the context of high employment rates for native-born women in international comparison in all three countries – particularly in Norway and Switzerland.

The low labour market participation of immigrant women in the host country is particularly observed for the many that have arrived as family migrants, often joining a spouse already working in the host country. After arrival, they take – at least initially – the task of taking care of the household.

In many countries, including Austria, Norway and Switzerland, family migration is only possible if the sponsor in the host country provides for the living of the family members wishing to join him or her – in other words, immigration rules generally ensure that family migrants are not dependent on benefits (at least not initially). However, integration measures, including active labour market policy measures, are often only available for persons receiving benefits. This in turn implies that many immigrant women who are far from the labour market also receive little integration support. For this group, mainstream measures need to be complemented by more targeted support.

The analysis presented in this volume also shows that having small children is associated with a much stronger decline in the employment of immigrant women than of native-born women. In this respect, cash-for-care subsidies which are paid to the parents of children not attending kindergarten can be highly detrimental to immigrant women's labour market participation. This holds particularly for low-educated women with several children in countries where public childcare is expensive, as the costs for the latter accumulate. For these women, the additional income that can be expected from employment is unlikely to outweigh the costs of public childcare; the incentives to enrol their children are thus rather low. Evidence from Norway (Hardoy and Schøne, 2009) suggests that a cash-for-care subsidy may have reduced the labour supply of the immigrant women concerned by as much as 15%.

Early intervention and improving access to apprenticeships are two promising routes to improving outcomes for the children of immigrants

The issue of the labour market integration of immigrant mothers – particularly those who are low-educated – is directly linked with the education of their children, which is a key challenge in many European OECD countries – including the three under review.. There is growing evidence that participation in early childhood education and care (ECEC) starting at the age of three has a strong impact on the educational career of children of low-educated immigrants. Indeed, this is the group for which benefits from ECEC tend to be largest. At the same time, it is also the group that tends to be most underrepresented in ECEC which is, in addition, less developed in Austria and Switzerland than elsewhere in the OECD. This suggests large potential gains from targeted measures (including better information of parents about the available support

instruments and their benefits for the educational success of their children) and improved incentives (such as limiting cash-for-care subsidies, where they exist, to parents with children up to the age of two) for early integration. In parallel, early language support in ECEC should be reinforced to make best use of this early phase in education and to facilitate the subsequent integration into the school system.

For those who are at the end of formal schooling, apprenticeship provides a particularly promising school-to-work transition mechanism, particularly in countries where apprenticeship is highly valued, such as Austria and Switzerland. In both countries, the available evidence suggests that apprenticeship has a much stronger impact on the labour market integration of offspring of immigrants that on comparable offspring of native-born. At the same time, offspring of immigrants tend to be underrepresented in apprenticeship and/or drop out more often if they have started an apprenticeship. The reasons for this are not entirely clear. Access to apprenticeship in the first place might also be an issue, since contact to employers is often established through networks, which tend to be less extensive for immigrants offspring. For those who start but do not finish an apprenticeship, higher initial wages in the low-skilled labour market appear to be one reason for the often high incidence of drop-outs among immigrant offspring. This indicates that offspring of immigrants need to be better informed about the long-term negative consequences of drop-out as this not only negatively impacts on wages but – more importantly – also on their probability to be in employment.

One tool that has met with some success are the so-called "motivation semesters", a Swiss active labour market programme targeted at young persons who are not in employment, education or training. They receive language training where necessary, albeit the focus is generally on "soft skills" such as punctuality, attention to quality and the ability to work in a team. The programme administrators arrange trial internships for the participants prior to a full apprenticeship. About two-thirds of the participants manage to get placed into a regular apprenticeship upon completion of the programme.

One group of immigrant youth that tends to fall through the system are young immigrants who arrived in the host country at the end of obligatory schooling or just thereafter. Often neither regular schooling nor specific integration support is available to this group. To circumvent this problem, Switzerland, for example, requires immediate family reunification (within one year after arrival of the sponsoring family member) for children above the age of 12.

Humanitarian migrants have difficulties, and structured integration programmes seem to help

A third group that has particular difficulties to enter the labour market are humanitarian migrants. Among the three countries, only Norway has a structured introduction programme, with a strong focus on employment. The evidence to date suggests that such programmes, although costly, tend to be an effective integration tool and indeed, Norway has rather favourable outcomes for recent humanitarian migrants. Introduction programmes can contribute to raising the employment rate of immigrants in the early settlement process, which in turn has positive long-term implications for their subsequent labour market integration.

Language training is the main directly integration-related expenditure item, but its effectiveness is unclear

In all OECD countries that have been under review by the OECD thus far, language training is the single most important integration-related expenditure that is directly targeted at immigrants. Language training is particularly crucial for the three countries included in this volume, as the vast majority of new arrivals (apart from those who arrive through intra-EU/EFTA free mobility) do not speak a host-country language.

To stress the importance of host-country language mastery, many OECD countries, including Austria and Norway, have made participation in language training – or certification of mastery of the host-country language – a precondition to obtaining a permanent residence permit.[1] Such obligations have been introduced as a reaction to the fact that many immigrants in the past have had inadequate mastery of the host-country language, even many years after their arrival. However, the reasons for this are not clear, and often have been associated with lack of knowledge about the available courses or lack of appropriate offerings. Sweden has recently taken an alternative approach of using positive incentives (that is, financial rewards for migrants who successfully pass a language exam) and improved course offerings. It will be interesting to contrast the results with those of other OECD countries which focus rather on negative incentives (that is, obligations coupled with sanctions for those immigrants who do not comply).

Given the importance attached to language training and the significant investment involved, it is surprising that the effectiveness of language training is rarely assessed. The limited available evidence suggests that the effectiveness often leaves much to be desired, with the exception of vocation-specific language training "on the job" which is, however, rather costly.

Most labour market integration measures are mainstreamed, but specialised services are a promising tool

With the exception of language training, there is generally little integration support available that is directly targeted at immigrants. Most countries have opted for a "mainstreaming" of labour market integration. In this approach, mainstream employment services are generally in charge of labour market integration (at least after the initial settlement process) and standard active labour market policy tools are made available to immigrants and native-born alike. However, immigrants are a group that may have special needs arising from the fact that they often have acquired their education and work experience in a very different context and language. The mainstream services thus generally need to be complemented by some "greasing the wheel"-type measures that account for the specific obstacles that immigrants face, such as lack of networks and knowledge about labour market functioning and recruitment practices, as well as discrimination (see above).

Norway has gone a step further by creating specialised employment services for immigrants ("NAV intro"), targeting at both low- and high-qualified immigrants, whereas immigrants with medium-skills level are considered to be sufficiently taken care of by the mainstream services. Austria has included immigrants as a specific target group for active labour market policy, and the public employment service established a specific youth service in Vienna, with 60% of the clients being children of immigrants.

Within mainstream instruments, a key finding from the reviews has been that the impact often differs between immigrants and the native-born. Wage subsidies and

employer-based training, for example, seem to have a more beneficial effect upon immigrants than upon the native-born. However, it is often in these particularly beneficial instruments where immigrants tend to be underrepresented. This suggests that efficiency in labour market integration policy could be greatly improved if the latter were more broadly based on evidence-based indirect targeting.

The public sector can be a role model for integration

To encourage hiring in the private sector, the public administration should itself be a role model by employing immigrants. Indeed, employment in the public sector provides the government with a direct lever to aid immigrants' labour market integration, as it has a more direct influence on its own employment decisions than on those in the private sector. If in fact immigrants find employment in the public administration, this can also increase the visibility of immigrants in daily life and is a strong symbol for the openness and inclusiveness of public institutions. Finally, employment of immigrants in the public sector can contribute to enhancing the understanding of immigrants' needs by public institutions. When immigrants are employed in certain key occupations such as teaching, they can also serve as a role model for others, notably immigrant youngsters.

Norway, where the public sector is particularly large, has been a frontrunner in this respect in recent years. Already since 2002, there has been an obligation for employers in the state sector to interview at least one candidate with an immigrant background from a lower-income country, if they are qualified. Since 2007, all state agencies have been obliged to set concrete targets for the recruitment of people with an immigrant background, and to provide plans on how this goal could be attained. In addition, hiring managers receive training in diversity management. Norway has also introduced a pilot project for moderate affirmative action for immigrants applying for positions in the state public administration. If candidates have equal or approximately equal qualifications, a candidate with an immigrant background is to be preferred.

Although it is difficult to assess the impact of such measures on actual hirings, one observes that overall Norway has achieved a representation of immigrants in the public sector that is broadly at par with their overall presence in the labour market. In contrast, in Austria and Switzerland, where immigrants' employment in the public sector has received little attention by policy makers, immigrants are largely underrepresented in this sector.

Naturalisation can be a driver for integration, but access is still difficult in some countries

Access to the host country nationality is a key instrument of integration policy. The conditions under which this is granted vary widely across EU and OECD countries. Both Austria and Switzerland have rather stringent naturalisation laws, and significant numbers even of native-born children of immigrants do not have host-country nationality.

Recent OECD work (OECD, 2011) has shown that naturalisation can have a positive impact on the labour market outcomes of immigrants, in particular for disadvantaged immigrant groups. The improvements in outcomes mainly relate to a higher probability to be employed in highly-skilled occupations and in the public sector.

The positive effect of naturalisation on the labour market outcomes of certain groups of disadvantaged migrants seems to be due to a mix of factors. First, naturalised persons are more likely to invest into host-country specific human capital (in particular language),

both before and after naturalisation. Second, employers face lower administrative costs if they wish to employ a naturalised person rather than a foreigner; for example, because there is no need to verify work rights, or – although this is likely to be a minor factor – because of facilitations in international business-related travel for those in jobs for which this is an issue. Third, and this is probably the most interesting channel, naturalisation seems to function as a signalling device for the employer for better "integration" which in turn tends to be associated with unobservable higher productivity (for example, because of better language mastery or higher motivation). The degree to which naturalisation can exert a signalling function depends in part on whether or not it is common to mention one's nationality in the application process (if host country nationality is not a precondition for the job itself, which is rarely the case). Practices seem to differ across countries – it is common to state nationality in applications in Austria and Switzerland, whereas this is rarely done in Norway.

The degree to which signalling can take place in this context will in turn influence the impact of naturalisation on immigrants' bargaining power – both vis-à-vis the current employer and potential future, alternative employers. One alternative option that becomes available with naturalisation is jobs that require citizenship status, in particular in the public sector.

Finally, there are also indirect effects of naturalisation, such as better access to housing (both public and private) and credits. These could enhance immigrants' mobility and thereby their opportunities on the labour market (especially regarding higher-skilled and better-paid jobs).

Migrants often have acquired their qualifications abroad, and these qualifications tend to be discounted on the labour market

A key common issue in all three countries under review has been the use of migrants' skills in the labour market. This issue has been emerging in recent years along with growing skills shortages and rising international competition for highly-skilled migrants. In addition, the population of migrants with tertiary education has been growing in OECD countries, both in absolute numbers and relative to the immigrant population as a whole (OECD, 2012). Likewise, for economic efficiency as well as for the acceptance of additional migration by public opinion, it is important to make best use of the skills of the many migrants who are already in the country, including those who have arrived for reasons other than employment, namely family and humanitarian migration.

As Table 0.3 shows, the vast majority of migrants in most countries for which data are available have acquired their highest educational degree abroad – in Austria, more than 60% and in Switzerland, even more than 80%; comparable data for Norway are unfortunately not available.[2] In all countries, migrants with foreign qualifications are much more likely to be in jobs below their formal education level than immigrants who have host-country degrees – except in Switzlerland for those with tertiary education.[3] Yet, even immigrants from this latter group who were at least partly educated in the host country still tend to have lower labour market outcomes than the native-born.

Table 0.3. Origin of highest educational degree and labour market outcomes for immigrants in employment, selected European OECD countries, 2008

	Level of education	All foreign-born				% of native-born in a job according to their qualification
		Highest degree achieved in the same country	% in a job according to their qualification	Highest degree achieved from abroad	% in a job according to their qualification	
AUSTRIA	***High***	***33***	***77***	***67***	***67***	***78***
	Medium	***30***	***88***	***70***	***74***	***93***
Belgium	High	31	79	69	73	78
	Medium	34	93	66	79	91
Spain	High	18	71	82	40	69
	Medium	9	91	91	67	93
France	High	63	81	37	64	80
	Medium	63	89	37	78	92
Germany	High	36	82	64	51	79
	Medium	39	90	61	73	92
Greece	High	22	76	78	30	82
	Medium	14	97	86	69	97
Ireland	High	26	74	74	53	70
	Medium	20	92	80	80	94
Italy	High	27	91	73	40	88
	Medium	25	92	75	70	96
Luxembourg	High	4	97	96	94	98
	Medium	28	96	72	90	96
Netherlands	High	44	85	56	71	88
	Medium	62	93	38	83	95
Portugal	High	46	87	54	65	86
	Medium	28	91	72	82	93
Sweden	High	36	80	64	64	88
	Medium	46	93	54	88	95
SWITZERLAND	***High***	***19***	***81***	***81***	***82***	***80***
	Medium	***17***	***94***	***83***	***87***	***95***
United Kingdom	High	66	77	34	67	77
	Medium	39	86	61	80	88
Group average	High	34	81	66	61	82
	Medium	32	92	68	79	93

Note: "High" education refers to ISCED 5 and above, "medium" to ISCED 3 and 4. The group average refers to the average of the countries in the table. "According to their qualification" refers to ISCO 5 and above for the high-educated and to ISCO 3 and above for the medium-educated.

Source: European Labour Force Survey, *ad-hoc* module 2008.

Annex Table 0.A1.1 shows the results separately for immigrants from lower-income countries. As can be seen, this group faces larger discounts on its foreign qualifications than immigrants overall in virtually all countries.

The discount of immigrants' foreign qualifications in the labour market, particularly for those who have obtained their qualifications in lower-income countries, is due to a mix of factors which are difficult to quantify and disintangle. First, it is possible that qualifications obtained in lower-income countries may actually be of less value in the context of the host country labour market and indeed, there is some evidence that this is the case (see Dumont and Monso, 2007; OECD, 2008a). It is also conceivable that access to networks and knowledge about host-country labour market functioning – both of which

immigrants tend to have less than the native-born – may be particularly important for higher-skilled jobs. Finally, employers may have difficulties in assessing qualifications and work experience obtained in education systems and workplaces which differ substantially from domestic ones.

Assessment and recognition seems to help, but is rarely used

Regarding employer uncertainty with respect to the value of foreign qualifications, a formal "verification/certification" of foreign qualifications should help. Since a majority of migrants have obtained their highest qualification abroad, the issue of the *assessment and recognition of foreign qualifcations* is thus a particularly pertinent one. Indeed, having their qualifications assessed seems to be associated with better labour market outcomes for immigrants with foreign credentials (Table 0.4; Annex Table 0.A1.2).

However, in Austria and Switzerland, as well as in most other countries for which information is available, only a minority of the immigrants with degrees from abroad have undergone such a procedure. The reasons for this are not entirely clear, but appear to be linked with the complexity of, or limited information about, the assessment and recognition systems in place in many countries.

Systems for the assessment and recognition of foreign credentials are often rather complex and fragmented – this tends to be a particular issue in federal countries, such as Austria and Switzerland, where a large part of the responsibilities regarding education is at the sub-federal level. Austria and Switzerland also attach particularly great importance to formal qualifications, and have strong apprenticeship systems combining work and school, which tend to be less prominent in origin countries. Numerous actors are involved in the process of the assessment and recognition of foreign qualifications, depending on the type and domain of qualification and occasionally also the region of residence. It is not unlikely that immigrants may be discouraged from submitting requests by the opacity of these systems.

Nevertheless, certain elements of these frameworks appear to work rather well. Switzerland, for instance, maintains a comprehensive and rather transparent procedure for the accreditation of both regulated and non-regulated vocational occupations. In Austria, immigrants with tertiary degrees can quite easily obtain a non-binding evaluation to assess the equivalence of their degree with Austrian credentials. These evaluations may then serve as an orientation for employers. Norway, finally, maintains a rather well-functioning system for the assessment of the general degree level of tertiary qualifications which is binding for the public sector (which is a large employer in Norway).

To help immigrants navigate through a complex assessment and recognition system, the introduction of a one-stop shop system would be helpful. Ideally, applications for assessment and recognition would be submitted to only one central body which collects and transfers them to the responsible authorities who are in charge of the actual assessment. In Portugal, such a one-stop-shop-procedure is part of a larger one-stop-shop that is designed to assist new arrivals with their first steps in the country.

Table 0.4. Assessment, recognition and labour market outcomes for immigrants in employment, selected European OECD countries, 2008

	Level of education	All foreign-born						% of native-born in a job according to their qualification
		Did not apply for recognition	% in a job according to their qualification	Applied for recognition	% in a job according to their qualification	Recognition granted	% in a job according to their qualification	
AUSTRIA	***High***	***67***	***61***	***33***	***77***	***91***	***82***	***78***
	Medium	***74***	***69***	***26***	***89***	***82***	***94***	***93***
Belgium	High	67	75	33	71	78	79	78
	Medium	75	78	25	83	73	84	91
Spain	High	50	32	50	47	39	70	69
	Medium	72	64	28	75	32	84	93
France	High	64	66	36	(59)	(61)	(66)	80
	Medium	90	78	10	..	..	..	92
Germany	High	56	45	44	57	78	57	79
	Medium	78	73	22	73	77	78	92
Greece	High	87	27	13	(49)	(53)	(76)	82
	Medium	97	68	3	(84)	(81)	(90)	97
Ireland	High	78	46	22	77	82	88	70
	Medium	96	80	4	85	76	89	94
Italy	High	82	34	18	69	56	87	88
	Medium	93	68	7	95	65	96	96
Luxembourg	High	78	94	22	93	93	93	98
	Medium	86	90	14	(91)	(91)	(92)	96
Netherlands	High	55	75	45	67	82	71	88
	Medium	68	82	32	84	74	87	95
Portugal	High	61	61	39	71	85	83	86
	Medium	75	81	25	83	85	83	93
Sweden	High	53	59	47	71	88	74	88
	Medium	81	87	19	94	75	93	95
SWITZERLAND	**High**	**83**	**82**	**17**	**81**	**77**	**87**	**80**
	Medium	**86**	**85**	**14**	**93**	**58**	**95**	**95**
United Kingdom	High	8	33	92	70	99	71	77
	Medium	16	69	84	82	99	82	88
Group average	High	64	56	36	69	76	77	82
	Medium	78	77	22	86	74	88	93

Note: See Table 0.3.

Source: European Labour Force Survey, *ad-hoc* module 2008.

Policy measures to improve the use of migrants' skills

For those migrants whose degrees are not judged equal to a domestic degree of the same level, bridging courses should complement the assessment and recognition process, particularly in cases where the assessed differences are not large. In all three countries, such bridging offers are under-developed, and there is little information on the availability of such courses, as well as migrants' use of these.

Because of employer's lack of information regarding immigrants' foreign work experience, skills and qualifications, one would a priori expect that immigrants would benefit disproportionately from measures which certify their actual skills (acquired both formally and informally) as opposed to their formal degree. Such accreditation of prior learning (APL) already exists in many OECD countries, and the use of this tool is becoming increasingly wide-spread. Data on the effectiveness of APL-type procedures and/or on the participation of immigrants are rarely available. Where they exist, for example in Norway, immigrants tend to be underrepresented among the participants, suggesting that the scale and scope of this tool for the labour market integration of

immigrants is not yet fully exploited, and that awareness of this issue may be lacking on both sides (*i.e.* both the administration providing such measures and the migrants themselves).

Mentoring is another measure that is becoming increasingly wide-spread and has met with some success in a number of OECD countries. In the course of mentorship programmes, a skilled immigrant is usually matched with a native-born person of similar sex, age and occupation, to the extent possible. The native-born person provides the immigrant with basic information on procedures, institutions, how-things-are-done-here, etc. on an as-required basis. The mentor might also assist the immigrantwith respect to vocation-specific language knowledge. Finally, the mentor can make the immigrant benefit from his/her own network of contacts and in some cases, even act as an intermediary to potential employers. In Austria, Norway and Switzerland, such programmes are only gradually developing, and their wider-spread implementation is recommended.

Active labour market policy also includes measures that train immigrants for specific occupations for which demand is strong. Austria, for instance, has taken an innovative approach by training immigrants towards shortage occupations, through job-specific language training combined with on-the job training, in co-operation with enterprises.

More generally, any measure which familiarises the immigrant with recruitment and work practices in the host country and/or which brings immigrants in contact with potential employers seems particularly beneficial. The same goes for measures which reduce uncertainty for employers by granting them an opportunity to assess the capabilities of potential immigrant recruits.

Discrimination is a source of persistent disadvantages but needs to be brought into the limelight

Linked with the uncertainty of employers about immigrants' productivity is the issue of *discrimination* in the labour market. While this issue is not new, it is of particular relevance to Austria and Switzerland due to the less developed anti-discrimination framework compared with other OECD countries. The selective hiring of persons with certain characteristics (*e.g.* nationality, origin, visible minorities, etc.) or discrimination against those who differ in these characteristics is difficult to demonstrate. Characteristics which have not been explicitly taken into account or which are not observed directly could drive employers' preferences for certain candidates rather than outright discrimination (see further below). In addition, employers may be taking hiring decisions on the basis of preconceptions of a group's characteristics due to a lack of information or time to assess a candidate's individual merit. In practice, however, the impact if not the intent is the same as if the employer were practicing outright discrimination.

A first, rough indicator of discrimination is disparities in employment outcomes that remain when differences in socio-economic characteristics are taken into account. Such disparities can be observed in Austria, Norway and Switzerland, as well as in most other OECD receiving countries. However, these gaps cannot be fully attributed to discrimination, since they might as well stem from other, unobserved characteristics that may hamper the competitiveness of immigrants and their offspring in the labour markets of these receiving countries, such as language proficiency.

A rigorous way of singling out the actual extent to which gaps in outcomes are driven by discrimination is provided by so-called testing studies. In the course of such studies,

almost identical resumes are submitted to real job offers in the names of fictitious candidates with and without foreign-sounding names who are otherwise equally qualified. Discrimination is then usually assessed in terms of differences in the call-back rate for job interviews.[4] Among the three countries under review, only Switzerland has conducted a testing study thus far. Findings from this study suggest that young immigrants from Turkey and the former Yugoslavia have to write between three and five times as many applications as their native-born peers, in order to be invited for a job interview (Fibbi *et al.*, 2004). Similar evidence is yet lacking in Norway and Austria, but testing studies are currently under way or in preparation in both countries. Communicating the results of such studies is an important element of integration policy, since the high degrees of discrimination generally found by such studies can largely contribute to raising public awareness of the issue.

Anti-discrimination legislation needs to be complemented by more pro-active diversity-type measures

The frameworks of anti-discrimination policy in Austria, Norway and Switzerland differ quite strongly with respect to their degree of elaboration. Norway and Austria are both maintaining legal provisions against ethnic discrimination and charge special ombudspersons and commissions with enforcing these laws. However, while Norway has been actively and strongly engaged in anti-discrimination policy since the early 1990s and has since repeatedly reinforced its efforts through a series of action plans against discrimination, Austria has only recently started to consider ethnic discrimination in its equal treatment law and has not yet implemented any pro-active policy measures. Switzerland, which is not subject to the relevant EU directives on equal treatment, lags behind all other European OECD countries in this regard. It has neither specific legislation nor an institution in place to legally combat discrimination against immigrants in the labour market.[5]

Whereas a legal framework is important, only few immigrants actually seek the assistance of public equal treatment bodies and counselling advisory offices. This might be partly due to a general lack of awareness about the existing possibilities to tackle discrimination. In all three countries, the topic of discrimination against immigrants has been rather absent from the public debate thus far. More pro-active policy measures to promote diversity could help to raise awareness about this issue. Although discrimination appears to be more pronounced in small- and medium-sized enterprises (see Carlsson and Rooth, 2006; Zucha, 2003), many diversity tools are indirectly targeted at large enterprises. Little attention tends to be paid to smaller companies, although these often account for the bulk of employment. In this respect, in particular Austria and Switzerland could learn from the policies employed by other OECD countries such as Belgium (see OECD, 2008a).

Notes

1. In Switzerland, cantons also have the possibility to require attendance of language training for immigrants, but this possibility has been used to date only in exceptional circumstances.

2. Among the immigrants who have obtained the highest degree in the host country, many have arrived as children, notably in France.

3. As Chapter 3 shows, this favourable picture is mainly attributable to the many recent highly-educated labour migrants from the European Union whereas migrants from lower-income countries have outcomes that are in line with those observed elsewhere.

4. A recent large-scale field experiment in Canada (Oreopoulos, 2011) found substantial discrimination across a variety of occupations towards applicants with foreign names. Listing language fluency, multinational firm experience, education from highly selective schools, or active extracurricular activities had no diminishing effect. Recruiters justified this behaviour with language skill concerns but failed to fully account for offsetting features when listed.

5. In the OECD countries which are EU members, these are minimum standards according to the EU directive on equal treatment.

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Annex 0.A1

Supplementary tables

Table 0.A1.1. Origin of highest educational degree and labour market outcomes for immigrants in employment, immigrants from lower-income countries vs. immigrants from high-income countries, selected European OECD countries, 2008

	Level of education	From low er-income countries				From high-income countries				% of native-born in a job according to their qualification
		Highest degree achieved in the same country	% in a job according to their qualification	Highest degree achieved from abroad	% in a job according to their qualification	Highest degree achieved in the same country	% in a job according to their qualification	Highest degree achieved from abroad	% in a job a according to their qualification	
AUSTRIA	***High***	***31***	***67***	***69***	***57***	***35***	***85***	***65***	***76***	***78***
	Medium	***32***	***86***	***68***	***68***	***26***	***93***	***74***	***85***	***93***
Belgium	High	36	80	64	63	25	78	75	81	78
	Medium	32	94	68	73	36	93	64	86	91
Spain	High	13	68	87	30	29	74	71	69	69
	Medium	7	92	93	66	36	89	64	91	93
France	High	68	80	32	55	42	(82)	58	82	80
	Medium	62	89	38	77	67	91	33	82	92
Germany	High	38	81	62	38	31	84	69	68	79
	Medium	41	90	59	71	34	92	66	77	92
Greece	High	18	(74)	82	23	36	(78)	64	65	82
	Medium	11	96	89	69	33	(100)	67	73	97
Ireland	High	22	69	78	53	29	76	71	53	70
	Medium	12	95	88	76	24	91	76	82	94
Italy	High	23	92	77	30	41	90	59	83	88
	Medium	20	92	80	69	56	93	44	79	96
Luxembourg	High	11	(100)	89	86	3	(96)	97	95	98
	Medium	30	92	70	73	28	97	72	93	96
Netherlands	High	50	85	50	63	31	84	69	86	88
	Medium	67	92	33	80	42	96	58	89	95
Portugal	High	40	87	60	61	67	87	33	..	86
	Medium	24	89	76	81	63	96	37	..	93
Sw eden	High	33	74	67	56	40	88	60	79	88
	Medium	42	93	58	86	53	95	47	92	95
SWITZERLAND	***High***	***23***	***76***	***77***	***68***	***18***	***84***	***82***	***87***	***80***
	Medium	***15***	***92***	***85***	***81***	***19***	***95***	***81***	***91***	***95***
United Kingdom	High	69	77	31	67	58	79	42	68	77
	Medium	43	86	57	81	32	85	68	78	88
Group average	High	34	79	66	54	35	83	65	76	82
	Medium	31	91	69	75	39	93	61	84	93

Note: See Table 0.3.

Source: European Labour Force Survey, *ad-hoc* module 2008.

Table 0.A1.2. Assessment, recognition and labour market outcomes for immigrants in employment, immigrants from lower-income countries vs. immigrants from high-income countries, selected European OECD countries, 2008

	Level of education	Immigrants from lower-income countries						% of native-born in a job according to their qualification
		Did not apply for recognition	% in a job according to their qualification	Applied for recognition	% in a job according to their qualification	Recognition granted	% in a job according to their qualification	
AUSTRIA	***High***	***69***	***51***	***31***	***69***	***85***	***74***	***78***
	Medium	***77***	***63***	***23***	***83***	***74***	***91***	***93***
Belgium	High	57	66	43	60	72	74	78
	Medium	71	70	29	81	76	79	91
Spain	High	46	15	54	42	37	69	69
	Medium	72	63	28	74	32	82	93
France	High	63	60	37	(48)	(56)	..	80
	Medium	89	78	11	..	..	..	92
Germany	High	(54)	30	46	47	76	(50)	79
	Medium	76	70	24	73	75	80	92
Greece	High	88	21	12	(40)	(51)	..	82
	Medium	98	68	2	(77)	(76)	..	97
Ireland	High	70	42	30	80	80	94	70
	Medium	96	76	4	..	..	..	94
Italy	High	85	24	15	64	52	89	88
	Medium	94	68	6	96	56	97	96
Luxembourg	High	67	89	33	80	100	80	98
	Medium	78	75	22	(66)	(88)	(69)	96
Netherlands	High	48	66	52	59	81	63	88
	Medium	66	79	34	82	75	85	95
Portugal	High	63	58	37	66	82	80	86
	Medium	76	80	24	81	82	80	93
Sweden	High	49	46	51	66	87	68	88
	Medium	79	84	21	96	73	97	95
SWITZERLAND	**High**	**77**	**68**	**23**	**68**	**63**	**80**	**80**
	Medium	**82**	**79**	**18**	**89**	**50**	**93**	**95**
United Kingdom	High	7	39	93	70	99	70	77
	Medium	14	72	86	83	99	83	88
Group average	High	53	48	40	61	73	66	82
	Medium	76	73	24	82	71	85	93
		Immigrants from high-income countries						
AUSTRIA	***High***	***65***	***72***	***35***	***85***	***96***	***88***	***78***
	Medium	***69***	***80***	***31***	***97***	***94***	***97***	***93***
Belgium	High	74	80	26	85	86	84	78
	Medium	80	85	20	86	68	92	91
Spain	High	61	69	39	68	45	74	69
	Medium	68	89	32	95	35	100	93
France	High	65	..	35	..	..	..	80
	Medium	94	81	6	..	..	..	92
Germany	High	60	64	40	(74)	81	(67)	79
	Medium	81	78	19	72	81	(73)	92
Greece	High	86	61	14	..	..	..	82
	Medium	89	(69)	11	..	..	..	97
Ireland	High	84	49	16	72	85	80	70
	Medium	96	82	4	(81)	(78)	..	94
Italy	High	68	85	32	78	65	83	88
	Medium	77	75	23	92	91	95	96
Luxembourg	High	80	94	20	95	92	96	98
	Medium	87	92	13	98	92	98	96
Netherlands	High	67	85	33	88	83	90	88
	Medium	74	88	26	92	72	92	95
Portugal	High	..	..	..	..	..	..	86
	Medium	..	..	..	..	..	..	93
Sweden	High	58	77	42	81	90	84	88
	Medium	86	92	14	(87)	(79)	(84)	95
SWITZERLAND	***High***	***85***	***87***	***15***	***88***	***86***	***90***	***80***
	Medium	***90***	***90***	***10***	***98***	***68***	***97***	***95***
United Kingdom	High	9	23	91	72	99	73	77
	Medium	18	65	82	81	99	81	88
Group average	High	66	71	34	81	83	83	82
	Medium	78	82	22	89	78	76	93

Note: See Table 0.3.

Source: European Labour Force Survey, *ad-hoc* module 2008.

The labour market integration of immigrants and their children in Austria

Executive Summary

With 17% of the working-age population in 2010 being foreign-born, Austria has one of the largest shares of working-age immigrants in the OECD. As in other European OECD countries, the migration landscape in Austria has been shaped by the recruitment of low-educated labour migrants prior to the first oil shock and subsequent family migration. Even more important were the fall of the Iron Curtain in the late 1980s and the conflicts in the former Yugoslavia, which triggered large-scale migration movements to Austria. More than three quarters of all migrants of working-age currently residing in Austria have arrived since the former event, with most entering between 1988 and 1995.

Following these large inflows, a number of measures were introduced in the early and mid-1990s which kept many newly-arriving immigrants from lower-income countries out of the labour market. These measures appear to have contributed to the unfavorable outcomes of some migrant groups, in particular immigrant women. Although most of these obstacles have been gradually removed, some are still in place for a number of permanent-type immigrants. Abandoning the remaining restrictions would enhance transparency of the system.

In spite of its large immigrant population, the overall framework for integration in Austria is less developed than in other OECD countries that have been under review by the OECD thus far. In particular, the labour market integration of immigrants and their children in Austria has only recently received significant policy attention. This is partly due to the fact that the labour market outcomes of immigrants have been quite good until about a decade ago.

The immigrant population is strongly concentrated in Vienna, where labour market conditions are less favourable than in the remainder of Austria. Accounting for this geographical concentration strongly reduces the differences in labour market outcomes between immigrants and the native-born population.

Indeed, at first sight, the overall labour market integration outcomes of immigrants are not unfavourable in international comparison. This seems to be mainly attributable to overall labour market conditions and the fact that Austria has a rather favourable mix of origin countries of migrants. More than half of the current immigrant population of working-age is from high-income OECD countries and large part of the remainder are from one of the successor countries of the neighbouring former Yugoslavia, with whom Austria has many historical and cultural ties. Both of these groups of migrants also tend to have relatively favourable labour market outcomes elsewhere. Other groups, in particular women from lower-income countries, have outcomes which are not as good in international comparison. Overall, the low integration outcomes of women – both immigrants and their children – in terms of education and labour market – merit further policy attention.

The Austrian labour market places strong importance on formal qualifications which poses particular challenges for immigrants. First, they are strongly overrepresented among

the low-educated, which hampers their employment prospects. Second, those who have qualifications from their origin countries find them discounted on the Austrian labour market. The incidence of migrants working in jobs that would only require a qualification below the education level which they have obtained is among the highest in the OECD. Formal recognition seems to help in this respect, but is a route rarely taken by immigrants. The reasons for this merit closer scrutiny, and remedial action needs to be taken.

In recent years, a number of measures have been introduced to make better use of immigrants' skills, in the context of a larger effort to augment Austria's supply of skilled labour. These include programmes to train immigrants for skilled occupations in which there are labour shortages. There is some evidence that these have been particularly effective. In addition, starting in 2012, immigrants will be specially targeted by the Public Employment Service (AMS). The social partners, who play a particularly important role in the labour market integration of immigrants in Austria, have also put forward a number of measures, such as counselling services and a mentorship programme, to complement the standard tools of the AMS.

In contrast to other OECD countries, Austria does not have a structured integration programme for new arrivals at the federal level. The single main budget item which can be directly attributed to immigrants' labour market integration is language training. Efforts in this domain, which are largely financed by the AMS, have recently been stepped up significantly. However, relatively few immigrants make their way directly into jobs after participation in these courses. The reasons for this merit closer investigation, given the significant investment made in language training.

Apart from language training, there are no integration measures at the federal level which are directly targeted at immigrants. Offers by non-governmental organisations and at the sub-national level partly compensate for this, but these are often small-scale and project-based, making an assessment difficult.

A major shortcoming is the lack of effective policy co-ordination at the federal level, and it is urgent to tackle this. The lack of co-ordination is particularly visible in the area of the recognition of foreign qualifications, where there is a multitude of different actors which hampers transparency of the system. Effective policy guidance has also been held back by a significant lack of research and evaluation regarding immigrants' labour market integration. This deficit has been partly due to the absence of data on immigrants and their children. As more and better data become available, tackling the deficit in research and evaluation should be a next step.

Particularly worrisome are the rather poor results for the offspring of immigrants. These are now gradually entering the labour market and, compared with the children of natives, are four times more likely to find themselves among the low-educated who are neither in employment nor in education. To tackle this significant challenge, a co-ordinated effort is needed. This should include a focus on pre-school education at the critical ages of three and four, as well as measures targeted at a better representation of children of immigrants in vocational colleges, apprenticeships and in the public sector, where children of immigrants are currently largely underrepresented.

Even those children of immigrants who manage to obtain a higher Austrian educational degree have difficulties in finding employment, pointing to structural obstacles in the Austrian labour market that are specific to immigrants and their children, including discrimination. They would thus benefit from the introduction of more pro-active anti-discrimination and diversity measures.

All things considered, there has been significant progress in Austria's integration framework over the past few years and recent initiatives go in the right direction, but integration policies in Austria still lag behind those of other OECD countries. To overcome the remaining shortcomings and further improve the labour market outcomes of immigrants and their children, a number of measures are recommended.

Summary of the main policy recommendations for Austria

A. Improve the framework for a coherent and effective integration policy

- Establish at the federal level a structure for better experience-sharing and co-ordination of integration policy, acknowledging that integration is a cross-cutting issue involving many different actors.
- Overcome the current deficit in research and evaluation, among others through the development and exploitation of longitudinal data sources.

B. Strengthen integration offers for immigrants

- Make sure that immigrant women who are far from the labour market are reached by integration offers.
- Implement a structured integration programme for new arrivals, based on the individual's needs, with a clear focus on labour market integration.
- Extend the current offers for skills- and vocation-specific language training and make sure that the language training provided by different stakeholders is co-ordinated.
- Promote immigrants' participation in "inplacement foundations" which train the unemployed in accordance with the skills needs of enterprises.

C. Pay more attention to early labour market entry

- Reduce the complexity of the residence and work permit system and abolish the remaining obstacles to the labour market access of permanent-type immigrants.
- Consider giving asylum seekers more rights to work, at least for those whose request is not apparently unfounded.

D. Make better use of the skills of migrants

- Make the possibilities for the recognition of foreign qualifications more widely known and enhance transparency of the recognition process, ideally by the implementation of one-stop shops including all the different types of qualifications.
- Develop and implement tools for the accreditation of prior learning, with a specific focus on immigrants and in close co-operation with the social partners.

E. Pay more attention to the needs of the children of immigrants

- Make sure that restrictions regarding family migration do not hamper the integration process of the children of immigrants.
- Seek to increase the participation of children of immigrants in pre-school education at the critical ages of 3 and 4.
- Provide more structured German language training to the children of immigrants and re-consider the current focus on "mother-tongue education".
- Implement special measures for young immigrants who arrive at the end of obligatory schooling or just thereafter, to make sure that they obtain an Austrian qualification that is recognised and valued in the labour market.
- Investigate the causes for the low outcomes of the 15-24 year old children of immigrants compared with their older peers, and take appropriate action.

- Promote access to vocational colleges and apprenticeships for the children of immigrants.
- Put more effort into increasing the employment prospects for the children of immigrants in the public sector.

F. Streamline and strengthen the framework for anti-discrimination

- Make the anti-discrimination framework more visible to immigrants and inform them about their rights.
- Conduct an experimental testing study to capture the incidence of discrimination in hiring, and communicate the findings widely to raise awareness about the issue.
- Consider more pro-active measures to tackle discrimination, such as increasing recourse to diversity policy tools.

The labour market integration of immigrants and their children in Norway

Executive Summary

In the context of longstanding and significant differences between the labour market outcomes of the native-born and immigrants, the labour market integration of immigrants has been a key policy issue in Norway. The differences are largely attributable to the prevalence of family and humanitarian migrants in the past, since these have outcomes that are not as good as those of labour migrants in most countries.

Evidence from many OECD countries shows that immigrants, in particular recent arrivals, tend to be especially affected by an economic downturn. The available tentative evidence on unemployment suggests that this is also the case in Norway in the current downturn, particularly with respect to the many recent labour migrants from the new EU member countries. Since this can have a lasting effect on their labour market outcomes, it is important that the integration of immigrants remains a priority for policy.

In the years prior to the downturn, labour market outcomes have clearly improved with the favourable economic conditions, and current overall outcomes are fairly positive compared to the past. Although strong labour migration from eastern Europe has contributed to the increase in the employment rate for the migrant population as a whole, the outcomes of more longstanding migrant groups have improved as well.

In parallel, there has been much effort to enhance the labour market integration of immigrants, in particular of recent arrivals. How much of the improvement in outcomes is due to these efforts and how much is attributable to the improved labour market conditions and the shift toward more labour migration is difficult to discern. The testing time for integration is thus occurring now with the economic downturn.

The labour market integration of immigrants and their children has to be seen in the context of Norway's high GDP per capita (second highest in the OECD), low unemployment and high labour market participation of both genders. It also has to be viewed against the backdrop of a Nordic-type welfare state. The labour market and social security system is characterised by a rather high degree of wage compression with wages largely determined by centralised bargaining, high net replacement rates in particular for low earners with many children, a large public sector and a relatively "active" labour market policy.

More attention should be paid to low-skilled immigrants, whose outcomes are unfavourable in international comparison. This seems to be attributable to a mix of disincentives to work and limited availability of low-skilled jobs. To overcome these obstacles, more targeted training and education measures should be considered.

More could also be done to make better use of the skills of migrants who have acquired their qualifications in non-OECD countries. There appears to be a large discount of foreign qualifications in the labour market, but there is some uncertainty related to this since little is known about migrants' foreign qualifications. This is an important gap in

the data infrastructure which should be tackled in order to get a better picture of the use of migrants' skills in the labour market and, linked with this, possible remedial action.

There are a number of shortcomings in the process of the assessment and recognition of foreign qualifications which need to be tackled. In particular, there seems to be a shortage of "bridging" offers for persons whose degree is not considered fully equivalent to a Norwegian one. Likewise, the currently limited possibilities for the assessment and recognition of vocational competencies, both acquired formally and informally, should be expanded with a specific focus on immigrants, in co-operation with the social partners.

Given the rather recent nature of larger-scale migration to Norway, the overall infrastructure for integration is well-developed. Immigrants were prioritised in active labour market policy measures for the ordinary unemployed, and this seems to have had a beneficial effect. Although this prioritisation ended in 2009 in favour of an individual assessment of the work capability of each unemployed, some indirect targeting is likely to remain since immigrants are a central target group of labour market policy in general.

However, few immigrants are currently participating in wage-subsidy programmes, in spite of the fact that this has been shown to be a particularly effective tool for the labour market insertion of immigrants, both in Norway and in other OECD countries. Likewise, there are few measures that aim at overcoming the structural disadvantage which migrants face in the labour market due to their lack of networks. A broader sponsorship of mentorship programmes would be beneficial in this respect.

Newly arrived humanitarian migrants and the family members of humanitarian migrants (both already settled and newly arriving ones) have to participate in a two-year introduction programme if they lack basic qualifications. The programme seems adequately targeted, but it discourages early labour market entry, which can be counterproductive. Norway tries to disperse humanitarian migrants across the country, and the distribution is based on negotiations between the state and municipalities. The process is lengthy, and small municipalities are not always able to provide integration programmes to the refugees which are tailored to their needs. This suggests that the settlement process could be made more effective if it took into account the fact that needs differ according to ability. Municipalities could specialise in the integration of certain migrant groups, and a longer-term commitment should be linked with financial incentives.

The Norwegian labour market seems to place much emphasis on full mastery of the Norwegian language and indeed, Norway invests significant amounts in providing language training. There is, however, some uncertainty regarding the quality of the training which is provided, and municipalities' incentives to provide training which is adapted to migrants' skills could be strengthened. The right to language training should also be extended to immigrants from EEA countries.

Much emphasis has been put in recent years on a better integration of immigrants into the large public sector in Norway. These have included the obligation to interview at least one person of immigrant background for new positions and, on a trial basis since 2009, to give preference to immigrant candidates for a job offering if they have the same qualifications as natives. There is some evidence that these and other efforts in the public sector at all levels have paid off. Over the past five years, the public sector has contributed disproportionately to higher employment among non-OECD migrants who have been in Norway for longer.

An emerging issue is the labour market integration of the native-born children of immigrants, who are now entering the labour market in greater numbers. Their labour market outcomes lag behind those of comparable children of natives, although the differences do not appear to be larger than in other OECD countries. They have particular difficulties in finding apprenticeship places, and this process can be expected to become more difficult now for all groups in the economic downturn. A greater involvement of educational institutions in the process of finding places would seem helpful in this respect, as well as additional incentives to employers to overcome their reluctance to hire apprentices with an immigrant background. Children of immigrants would also especially benefit from a larger participation in kindergarten before the age of 4, the age range for which they are currently most underrepresented. One obstacle to this is the "cash-for-care" subsidy which provides strong disincentives to send children into early childhood educational institutions. Since the subsidy also seems to hamper the labour market integration of immigrant women, there seems to be a strong case for abolishing it. The amount saved through the abolition of the subsidy should be used to create more places in formal institutions in those parts of the country where there are still shortages.

Despite numerous governmental action plans since 1992, most other stakeholders tend not to attribute much weight to the issue of labour market discrimination against immigrants, nor have there been testing studies in Norway thus far that would quantify its importance. This shortcoming should be overcome and indeed, first steps have been taken in this direction, and a testing study is currently under way. A potentially important step in overcoming selective hiring procedures is the obligation for employers to establish and implement active measures to promote equality and prevent discrimination against immigrants, introduced in early 2009. However, small and medium-sized enterprises are excluded from this obligation, despite some tentative signs that this is the part of the labour market where selective hiring is most pronounced. For monitoring to be an accepted tool, the administrative burden on employers has to be limited; and its effective implementation should be promoted thorough incentives and administrative support, notably for small and medium-sized enterprises. The box below summarises the main policy recommendations.

Summary of the main policy recommendations for Norway

A. Enhance the effectiveness of language training and of the introduction programme

- Strengthen the incentives of municipalities to provide quality and outcome-focused language training according to migrants' abilities and needs by better accounting for participants' progress in Norwegian in the payments to municipalities.
- Consider a more adapted settlement strategy that takes into account the fact that needs differ according to ability to enable smaller municipalities to provide adapted introduction programmes and to quicken the settlement process.
- Incite municipalities to make more effective use of the possibility to allow faster tracks for new arrivals who are closer to the labour market, and remove disincentives to take up employment early for those migrants who have acquired the basic qualifications for a sustainable integration into the labour market.
- Modify the current lump-sum funding scheme for the introduction programme to align municipalities' incentives with the objective of rapid and lasting labour market integration, and to meet the different integration needs of migrants depending on their skills level.
- Improve experience-sharing between municipalities. To this end, introduce a benchmarking of municipalities that monitors their success in the integration of new arrivals (language mastery and labour market integration).

- Consider extending the right to language training to long-term immigrants from EEA countries.
- Fully include language training in the set of training measures for vocational rehabilitation.

B. Make better use of migrants' skills

- Make the formal assessment and subsequent recognition of foreign credentials – linked with bridging offers where applicable – an integrated part of the introduction programme for new arrivals.
- Enhance the scale and scope of "bridging" courses which enable migrants to obtain a qualification that is familiar to employers, and make the available options more transparent to migrants.
- Implement assessment and recognition procedures for persons with foreign vocational qualifications. This could be embedded in a larger framework to enhance accreditation of prior learning with a specific focus on immigrants, in co-operation with the social partners.
- Establish a one-shop information and service centre for assessment and recognition of qualifications at all levels.
- Establish clearer guidelines to universities for the recognition of academic professions, and provide incentives for their effective implementation.
- Register the foreign qualifications of migrants to get a better picture of the use of migrants' skills in the labour market, and take appropriate subsequent action. Likewise, the labour market impact of having one's foreign qualifications recognised should be assessed in a pilot study.

C. Establish footholds into the labour market

- Provide more training to low-educated migrants to raise their functional literacy level and link this with work experience.
- Carefully increase the use and targeting of wage subsidies for the labour market integration of immigrants.
- Monitor the impact of the recent abolishing of direct targeting of immigrants in labour market policy measures for the ordinary unemployed on migrants' labour market reinsertion. Take remedial action if the impact is negative.
- Implement mentorship programmes on a larger scale.

D. Pay more attention to the children of immigrants

- Abolish the cash benefit to increase the incentives of parents to place their children in early childhood education, at least for children after the age of 2 – the age after which participation in early childhood education and care has demonstrably favourable effects on the education outcomes of children of migrants. Reducing the length of cash benefit recipiency would also have a favourable impact on the labour supply of immigrant women.
- Extend existing exemptions from day care/kindergarten fees to all households with low incomes.
- Inform immigrant families with small children about the importance of kindergarten for their children's' later success, and communicate the possibility of fee exemptions for them.
- Consider targeted increases in apprenticeship subsidies for employers who provide places for children of immigrants, and strengthen educational institutions' support in the process of searching for apprenticeship places.

E. Improve the framework for anti-discrimination

- Make the anti-discrimination framework more visible to immigrants and inform them about their rights. This could be done by including a session on anti-discrimination in the introduction courses.
- Conduct an experimental testing study to assess the incidence of discrimination in hiring.
- Monitor selective hiring in small- and medium-sized enterprises.
- Strengthen the incentives of employers to implement anti-discrimination monitoring.
- Support the implementation of anti-discrimination and diversity plans through government-sponsored consultants.

The labour market integration of immigrants and their children in Switzerland

Executive Summary

Switzerland is among the OECD countries with the largest immigrant populations – 27% of the working-age population are foreign-born – and the issue of immigration is high on both the policy agenda and in the public debate. Given the numerous debates around this issue in Switzerland, one could be tempted to think that immigrants are less well integrated than in other countries.

The review shows that overall, integration works well in Switzerland. The labour market outcomes for the immigrant population as a whole are highly favourable in international comparison. Both immigrant men and immigrant women have higher employment rates than in other OECD countries.

The favourable picture is mainly attributable to the overall good labour market conditions in Switzerland and a specific mix of origin countries. The bulk of migrants (more than 60%) have come from high-income OECD countries, more than half of whom from the neighbouring countries with which Switzerland shares the same national languages. Among the other immigrants, the majority are from the successor countries of the former Yugoslavia and from Turkey.

In recent years, following the gradual introduction of freedom of movement with the member countries of the European Union, Switzerland experienced an exceptionally large inflow of immigrants. About 5% of the resident population consists of recent immigrants, defined as those immigrants with less than five years of residence. Most recent arrivals have again come from neighbouring countries, in particular Germany, and these migrants tend to have highly favourable labour market outcomes by all standard indicators.

Notwithstanding the overall favourable picture, less good outcomes are recorded for some migrant groups, such as, for example, immigrant women with young children. There are few integration measures for immigrant women and they often do not have access to the full range of active labour market policy tools. There are also some signs that the labour market participation of this group has declined in recent years.

Another group which has low employment rates, including in international comparison, are recent *humanitarian migrants*, who seem to have more difficulties in the Swiss labour market now than previous cohorts of humanitarian migrants. In contrast to other countries, Switzerland does not yet have a standardised integration programme for new humanitarian arrivals, which may have contributed to the low outcomes of this group. Given the positive experiences of OECD countries with structured integration programmes targeted at labour market integration, an introduction of these in Switzerland should be seriously considered.

The generally high employment rates for migrants in Switzerland have also been associated with a significant degree of overqualification for migrants with qualifications from non-OECD countries. These are strongly discounted on the Swiss labour market and there are few bridging courses available. In contrast to other OECD countries, there are also few mentorship or similar programmes in place which would provide immigrants with the necessary contacts with native-born Swiss and with employers, as well as knowledge about labour market functioning, both of which are important for access to higher-skilled jobs. Such tools should be provided more broadly, in co-operation with employers.

The federalist character of the country is clearly visible in integration policy, and different local and cantonal practices to promote integration have evolved. While this is in accordance with the principle of subsidiarity and may have contributed to tailor-made and flexible solutions for many migrants, it has also retarded the development of a federal integration policy. As a result, and in spite of considerable improvements over the past decade, the overall framework for integration is thus still underdeveloped. Federal integration policy is modest in comparison with the activities in other OECD countries, most of whom have smaller immigrant populations than Switzerland. Apart from some instruments such as basic language training financed by the Federal Office for Migration, only few integration measures directly targeted at immigrants are available throughout the whole of Switzerland. Indeed, the overall approach to integration in Switzerland is one of immigrants' inclusion in mainstream services, rather than providing targeted measures. To tackle the shortcomings of the current system, the Confederation, cantons and local authorities have recently come forward with a number of suggestions to improve the integration framework, and committed to enhanced funding for integration.

Integration measures at the cantonal level vary widely, partly reflecting the different size and composition of migrant populations. Although many cantons have stepped up their integration measures in recent years, this has often been done on a small-scale, project-type basis, and it is difficult to assess their effectiveness. Some minimum standards should be set by the Federal authorities to ensure that all immigrants get the measures which they need, regardless of the canton they live in.

Access to Swiss nationality is difficult for immigrants, due to exceptionally long duration-of-residence requirements – 12 years for the ordinary procedure, the longest in the OECD – and the three-tiered nature of citizenship acquisition, which involves federal, cantonal and municipal requirements. A reform of citizenship legislation is underway which would tackle some of the most important shortcomings of Swiss nationality law and enhance immigrants' mobility within Switzerland. Empirical evidence suggests that this could provide an important impetus for the integration of disfavoured immigrant groups.

Overall, labour market outcomes for children of immigrants are highly favourable in international comparison. This is partly attributable to good overall labour market conditions and other factors such as the strong role of apprenticeship, which seems to be a particularly beneficial school-to-work transition mechanism for children of immigrants. There are also some innovative programmes in place to prepare low-educated youth (among which children of immigrants account for a large part) for apprenticeship and these appear to have a beneficial effect.

However, children of immigrants whose parents are low-educated tend to have low educational outcomes, and growing numbers of these are now entering the labour market. The less favourable outcomes seem to be at least in part attributable to a lack of early childhood education, as the latter is not yet commonly available in Switzerland. A better and

targeted early childhood education for children of immigrants at the critical ages of three and four, in conjunction with language stimulation, should be an urgent priority for policy.

One area in which Switzerland lags greatly behind other OECD countries is anti-discrimination measures. There is little awareness about this issue on the part of employers and it is absent from the public debate. Yet, research suggests that offspring of immigrants, in particular from the former Yugoslavia, with an otherwise equivalent CV have to submit up to five times the number of applications made by the children of natives in order to get invited to a recruitment interview. It is thus important to take appropriate action to reduce such inequities.

All things considered, while overall Switzerland performs well in terms of the labour market integration of its immigrants in international comparison, there are several signs that the labour market outcomes of certain groups of immigrants are diverging, with some disfavoured groups running the risk of being left behind. It is thus important to take action now, while overall outcomes are still good. There is awareness of this, and action in the domain of integration has been stepped up on all three levels of government. Nevertheless, in many aspects the integration policies in Switzerland lag behind those in other OECD countries. To overcome these shortcomings and to ensure that outcomes are favourable for *all* migrant groups, a number of measures should be considered.

Summary of the main policy recommendations for Switzerland

A. Strengthen the overall framework for integration

- Develop common minimum standards for integration measures that apply across all cantons.
- Facilitate the exchange of good practices between cantons and municipalities.
- Ensure that all immigrants in need of integration support have adequate access to it independent of their type of permit and of the type and scale of benefit receipt, including in particular immigrant women.
- Provide language training to all immigrants in need of this, adjusted to their skills and qualifications.
- Facilitate access to Swiss nationality, and reduce in particular cantonal and municipal residence requirements, to facilitate the geographical mobility of migrants.
- Raise awareness about the benefits which acquiring Swiss nationality entails for the better integration of immigrants and their children.

B. Promote early labour market integration of humanitarian migrants

- Strengthen the cantons' incentives for the rapid labour market integration of humanitarian migrants during the first five years of residence.
- Implement a structured integration programme for all newly-arrived humanitarian migrants (*i.e.*, persons whose claim is recognised or who are on temporary protection), based on each individual's needs, with a clear focus on labour market integration.
- Better inform employers about the labour market access of persons with temporary protection status.

C. Make better use of the skills of migrants

- Make sure that the current focus on lesser-skilled employment for humanitarian migrants does not come at the detriment of making the best use of their skills.

- Make the available offers for the assessment and recognition of foreign qualifications better known to immigrants and raise awareness about the benefits which recognition conveys.
- Extend bridging courses and other support programmes to help immigrants with credentials from abroad to get into higher-skilled employment.
- Consider the careful extension of temporary wage subsidies for immigrants.

D. Put more effort into the early integration of the children of immigrants

- Enhance pre-school education and pay specific attention to increasing the participation of children of immigrants from disadvantaged background at the early ages 3 and 4.
- Strengthen language training for the children of immigrants, in particular at early ages.
- Investigate the reasons for the apparently low completion rates of apprenticeship by children of immigrants and take remedial action.

E. Establish a strong framework for anti-discrimination

- Outlaw discrimination in hiring based on Swiss nationality.
- Raise awareness about the issue of discrimination among employers and the society in general.
- Consider the introduction of more pro-active measures to tackle discrimination.

Chapter 1

The labour market integration of immigrants and their children in Austria

Until the mid-1980s, the share of migrants in Austria was relatively low in international comparison. With the fall of the Iron Curtain and the opportunities which it opened for East-West flows, migration to Austria increased rapidly. This chapter presents an overview of the key labour market outcomes of immigrants in Austria in international comparison, and their evolution over time. It analyses the framework for integration and provides a detailed picture of immigrants and their children in the labour market. It analyses the main integration policy instruments, the skills and qualifications of immigrants and their use in the labour market, and reviews the school-to-work transition of the children of immigrants as well as the evidence regarding discrimination.

Introduction

Until the mid-1980s, the share of migrants in Austria was relatively low in international comparison. With the fall of the Iron Curtain and the opportunities which it opened for East-West flows, migration to Austria increased rapidly. This was further fuelled by the break-up of the neighbouring former Yugoslavia, with which Austria has strong historical and cultural ties. The foreign population more than doubled between 1988 and 1993. The children of this large wave of immigration are now gradually entering the labour market, and the share of native-born children of immigrants in the population aged 15-24 will more than double by 2020, from 7% currently to 15%.

In spite of the large population with an immigration background – 18.6% of the population have two foreign-born parents – the overall framework for integration is less well developed than in the other countries which have participated in the OECD *Jobs for Immigrants* reviews thus far. This is partly linked with the federal structure of the country, where a large number of actors at all government levels have a stake in integration. Where it has been active, integration policy has focused mainly on improving education outcomes and language skills – including mother-tongue education for the children of migrants.

The labour market integration of immigrants has to be seen in the context of a favourable overall labour market situation – Austria has one of the lowest unemployment rates in the OECD (4.5% in the first quarter of 2011), and in particular youth unemployment is low in international comparison. Austria also combines a relatively flexible labour market with a strong role of the social partners. The latter has resulted in a rather unique governance of the labour market, with important implications for labour market integration.

Recently, the issue of integration has played a prominent role in public debate, and labour market integration has moved towards the centre stage. This is fuelled by evidence that the education and labour market outcomes of immigrants and their children in Austria are lagging behind those of natives.

Against this backdrop, the remainder of this chapter is structured as follows. Section 1.1 presents an overview of the key labour market outcomes of immigrants in Austria in international comparison, and their evolution over time. Section 1.2 analyses the framework for integration, that is, the evolution and current composition of the immigrant population, the evolution and main elements of integration policy, the labour market setting and the stakeholders involved in the integration of immigrants. Section 1.3 provides a detailed picture of immigrants in the labour market, including labour market access, the convergence of immigrants' outcomes towards those of natives over time, and the issue of immigrants' qualifications and their value and recognition in the labour market. Section 1.4 analyses the main integration policy instruments. Section 1.5 reviews the school-to-work transition of the children of immigrants, followed by a glance at the evidence regarding discrimination in Section 1.6. The chapter ends with a summary and recommendations.

1.1. A first glance at the labour market outcomes of immigrants and their children

Overview

Table 1.1 provides a first overview of the labour market outcomes of immigrants. As can be seen, the labour market outcomes of immigrants lag significantly behind those of the native-born in Austria.[1] The differences are particularly large for women for whom the gaps in employment rates exceed 10 percentage points. Although the unemployment rates of immigrants are not higher than elsewhere, these must be seen in the context of the overall low unemployment in Austria. Indeed, the incidence of unemployment is about 2.5 times higher among immigrants than among the native-born.

Table 1.1. Labour force characteristics of immigrants and native-born aged 15-64, selected OECD countries, 2008/09 average

	% of the population foreign-born	% of the foreign-born from a lower-income country[1]	Participation rate			Employment rate				Unemployment rate			
			Native-born	Foreign-born	Foreign-born from a lower-income country[1]	Native-born	Foreign-born	Foreign-born from a lower-income country[1]	Difference NB-FB in % points	Native-born	Foreign-born	Foreign-born from a lower-income country[1]	Difference FB-NB in % points
Men													
Austria	**16.4**	**49**	**81.2**	**81.0**	**81.0**	**78.5**	**73.7**	**71.5**	**4.8**	**3.4**	**9.0**	**11.6**	**5.6**
Australia	28.1	...	83.8	80.5	...	79.7	76.1	...	3.6	4.9	5.5	...	0.6
Belgium	12.3	51	73.0	74.0	74.1	68.6	62.2	57.8	6.4	5.9	15.9	22.0	10.0
Canada	20.3	...	82.0	83.2	...	75.5	75.8	...	-0.3	7.9	8.8	...	0.9
Denmark	8.4	49	84.6	80.2	77.6	80.7	73.4	70.2	7.4	4.5	8.5	9.5	4.0
France	11.9	66	75.1	77.2	76.4	69.6	66.9	64.3	2.7	7.4	13.4	15.9	5.9
Germany	15.1		82.2	82.6	...	76.4	72.0	...	4.4	7.0	12.8	...	5.8
Netherlands	12.2	76	85.8	79.9	79.1	83.4	73.9	72.4	9.5	2.8	7.6	8.5	4.8
Norway	9.0	53	82.0	81.3	75.5	79.8	74.4	66.5	5.4	2.7	8.5	12.0	5.8
Sweden	15.2	59	81.9	79.3	78.2	76.7	68.3	63.6	8.5	6.3	14.0	18.6	7.6
Switzerland	27.2	33	87.6	88.9	87.8	85.4	83.9	80.1	1.5	2.5	5.6	8.8	3.1
United Kingdom	13.7	63	81.9	83.2	80.9	75.8	76.9	73.8	-1.1	7.5	7.6	8.9	0.1
United States	16.7	89	77.4	86.0	86.3	70.5	79.1	79.0	-8.6	8.6	8.0	8.5	-0.6
Average[4]	**15.9**	**59**	**81.4**	**81.3**	**79.7**	**77.0**	**73.6**	**69.9**	**3.4**	**5.5**	**9.6**	**12.4**	**4.1**
Women													
Austria	**18.1**	**43**	**70.7**	**62.0**	**55.5**	**68.1**	**57.0**	**49.7**	**11.1**	**3.7**	**8.0**	**10.3**	**4.3**
Australia[2]	28.4	...	72.6	64.0	...	69.1	60.1	...	9.0	4.9	6.0	...	1.1
Belgium	13.2	50	62.3	51.4	46.4	58.0	43.2	36.2	14.8	6.9	16.0	22.0	9.1
Canada[3]	21.6	...	75.6	69.7	...	71.2	63.7	...	7.5	5.8	8.6	...	2.8
Denmark	9.7	51	78.3	66.8	60.7	75.1	60.9	54.5	14.2	4.2	8.9	10.3	4.8
France	12.5	65	67.3	59.7	55.4	61.6	51.4	46.4	10.2	8.5	13.8	16.2	5.4
Germany	16.0	...	72.9	62.3	...	68.0	54.5	...	13.5	6.6	12.5	...	5.9
Netherlands	13.6	73	75.1	61.6	57.5	72.8	57.2	52.9	15.5	3.1	7.0	8.0	4.0
Norway	9.7	59	77.1	72.3	68.1	75.4	68.3	63.4	7.1	2.2	5.5	7.0	3.3
Sweden	17.4	57	78.6	67.6	63.7	73.7	58.3	52.0	15.4	6.2	13.7	18.4	7.5
Switzerland	28.0	36	78.4	73.3	68.2	76.0	67.6	59.5	8.3	3.1	7.7	12.8	4.7
United Kingdom	14.2	62	70.4	62.9	55.9	66.5	58.2	50.6	8.3	5.6	7.5	9.5	2.0
United States	15.7	88	68.9	62.9	62.3	64.7	58.4	57.7	6.3	6.1	7.1	7.4	1.0
Average[4]	**16.8**	**59**	**72.9**	**64.3**	**59.4**	**69.2**	**58.4**	**52.3**	**10.9**	**5.1**	**9.4**	**12.2**	**4.3**

1. "Lower-income" refers to all non-OECD countries plus Mexico and Turkey.

2. Data for Australia refer to the average of Jan. 2008-June 2009.

3. For Canada, separate data for men and women were not available for the foreign-born from lower-income countries.

4. The average refers to the unweighted average of all countries included in the table.

Source: European Union Labour Force Survey, except United States (Current Population Survey March Supplement), Canada (Labour Force Survey) and Australia (Labour Force Survey).

For both genders, immigrants from lower-income countries have less favourable outcomes. This group tends to have more difficulties in most OECD countries, partly because most of these have arrived for reasons other than employment (notably humanitarian) and have acquired their skills in a context that differs a lot from that in high-income OECD countries. Immigrants from lower income-countries account for just under 50% of all immigrants in Austria. They thus account for a smaller share of immigrants than in most other countries in the comparison group where they generally account for the majority of the immigrant population, except in Switzerland and Denmark. Looking only at immigrants from these countries, Austria performs about average. Compared with the native-born, in particular the high incidence of unemployment stands out.

Reliable data on the labour market outcomes of the foreign-born population are only available for the years since 2004 (see Box 1.1).

Box 1.1. Data and research on immigrants and their children in Austria

In spite of Austria's large immigrant population, data and research on the integration of immigrants and their children are scarce. This is partly attributable to the fact that most administrative data and much of the research have been based on the concept of nationality, rather than place of birth.[1] "Immigrants and their children" are thus viewed as persons with a foreign nationality. Foreigners are identified only by individual nationality in Austrian population statistics since 1981, and data on migration flows by nationality are only available since 1998.

The reliance on data on foreign nationals is a major shortcoming, in particular with respect to immigrants from lower-income countries who are more likely to take-up the host-country nationality, and in particular those who are better integrated. Statistics on the foreign population thus tend to overestimate the gaps in labour market outcomes between immigrants and the native-born (see OECD, 2011). Among the foreign-born in Austria, 36% have Austrian nationality; among those from Turkey, this figure is 48%. At the same time, among the native-born children with two immigrant parents, 30% do not have Austrian nationality.

The principle source for data and research which contains information on the respondent's place of birth is the Austrian Microcensus (which also forms the basis of the Austrian Labour Force Survey). It is also the main source of data that has been used in this chapter. Over the past few years, the labour force survey has been gradually adjusted to the needs of migration research. In 2004, the design of the microcensus was overhauled. The sampling strategy was changed from census- to register-based sampling. Moreover, in addition to other changes, the survey was made continuous, as households are now interviewed in every week of the year and not just over a reference period of four weeks, as had been the case before. These significant changes – in particular the change in the reference period which has a strong impact due to the high seasonality of employment in Austria – marked a break in the data series and render comparisons with years prior to 2004 virtually impossible.

Another major shortcoming has been the lack of longitudinal data. In contrast to several other OECD countries, Austria has no major panel survey which identifies immigrants and/or their offspring. Partly due to this lack of data, research on the integration of immigrants and their children, especially of the quantitative kind, has been extremely limited to date.

There have been a number of recent initiatives which should help to tackle the significant deficit in data and research. In the first quarter of 2008, as in the other European OECD countries, the Austrian Labour Force Survey contained an *ad-hoc* module on immigrants and their children. Questions included the reason for migration, the origin of qualifications and information on the recognition of foreign qualifications. Information on the countries of birth of the respondents' parents is now regularly included in the Austrian Microcensus since 2008, thereby providing the possibility to identify children of immigrants born in Austria.

A potentially powerful tool for the analysis of immigrants' labour market integration is the so-called data warehouse of the Austrian Public Employment Service (AMS) which is gradually being developed further. It provides longitudinal information on the respondents' employment and unemployment histories, participation in

labour market measures, as well as on wages and benefit receipt from 1987 onwards. In recent years, the warehouse has been extended and it is now possible to match AMS data with other administrative data from the social insurance system. A major shortcoming of the AMS data in the past has been the exclusive identification on the basis of nationality, since the AMS does not register the individual's country of birth. Recently, however, there has been an effort to proxy for the respondent's "migration background" by using available information on the respondent's current and previous nationality, as well as the nationality or previous nationality of the parent, for those who are co-insured. This latter information is only available since 2007. All of these data are only gradually becoming available and up to now, there has been no in-depth study of the labour market integration of immigrants using this information. Since 2010, information from the data warehouse can also be linked with data from the labour force survey. This should give a boost to research on labour market integration in the future.

Regarding the children of immigrants, the Ministry of Education and the Federal Ministry of Labour, Social Affairs and Consumer Protection have recently commissioned a panel survey among 5 000 students at the age of 14 who are in the final year of lower secondary education. They will be surveyed about their school-to-work-transition at the ages of 15, 16 and 17, *i.e.* between 2011 and 2013. As children of immigrants are overrepresented in the target group, this survey should shed some more light on the difficulties which they encounter when entering the labour market, and possible solutions.

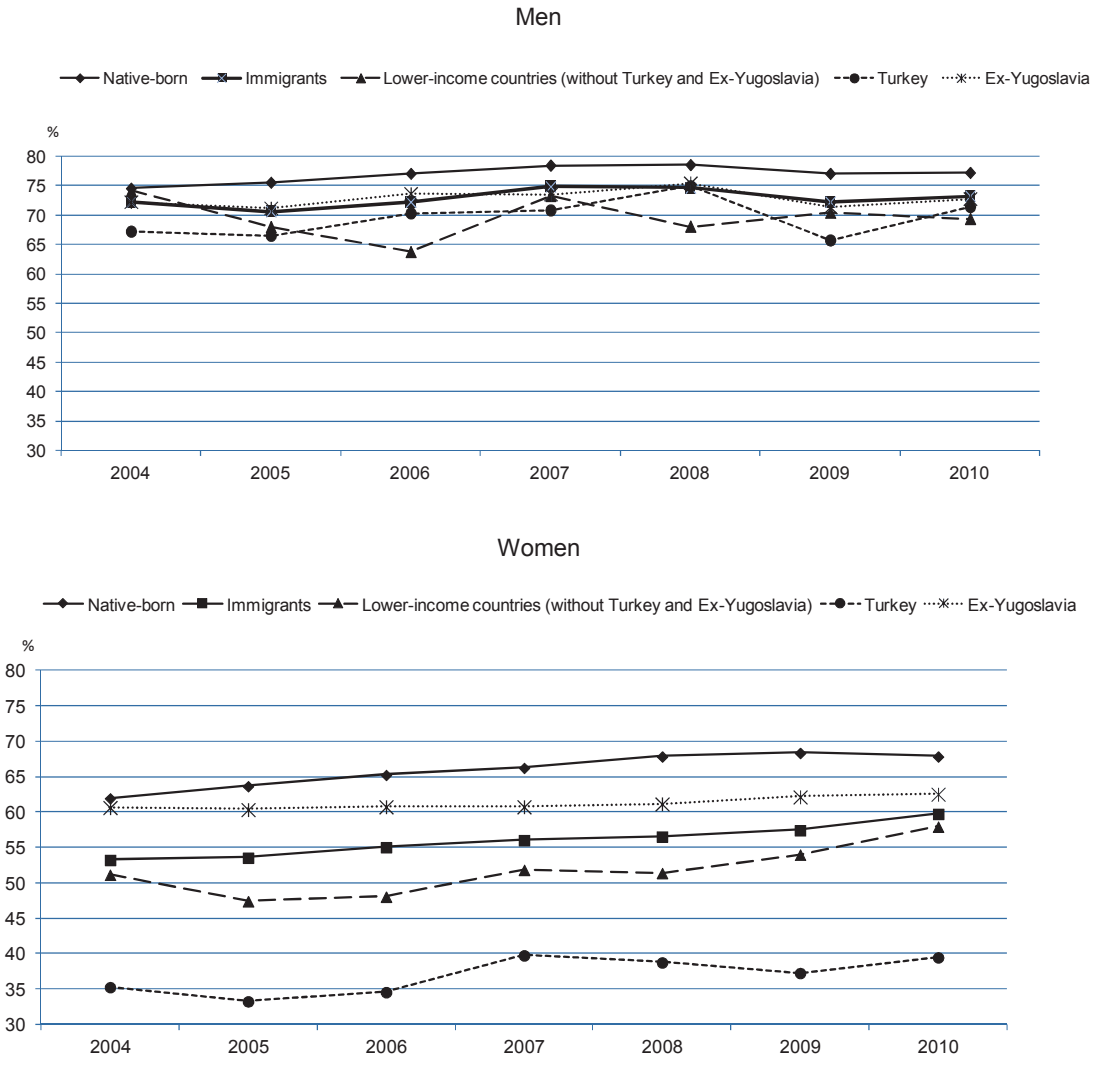
To overcome the current deficit in research on integration, the Vienna Science and Technology Fund has established a special programme for funding research on "ethnic origin, migration, inter-cultural mobility, integration and inter-cultural relationships". EUR 1.2 million were allocated in 2010 and an additional 2 million are available in the 2011 project call which has a special focus on the labour market.

1. Even research on the integration of foreigners has been limited. In contrast, there have been a number of studies which look at the impact of immigration on the labour market prospects of natives and its impact on economic growth (see *e.g.* Biffl, 2010b; Bock-Schappelwein *et al*., 2009; Hofer and Huber, 2001).

Figure 1.1 shows the evolution of the employment rate since then.[2] For men, both the employment rates and the gaps *vis-à-vis* natives have remained broadly the same since 2004, although the pattern is somewhat erratic. For women, there has been some improvement in the employment rate, but this has been in parallel with an increase in employment of the native-born, and the aggregate gap has remained constant. One also observes a strong difference in the labour market performance of the different migrant groups. Women from the successor countries of the former Yugoslavia have employment rates that are just slightly lower than those of native-born Austrian women – although a gap has appeared over the past six to seven years.[3] In contrast, differences are large and longstanding for immigrant women from Turkey. An interesting observation is the counter-cyclical increase of almost 10 percentage points in the employment rate of women from lower-income countries (excluding ex-Yugoslavia and Turkey) during the crisis (i.e. between 2008 and 2010). This seems to be attributable at least in part to the so-called "added-worker effect", that is, spouses entering the labour market to compensate for the actual or probable employment loss of the principal migrant (see OECD, 2010).

Table 1.A1.1 in the annex further disaggregates the outcomes for immigrants by country of origin. It shows a large variation of outcomes by origin. Immigrants from the EU-15 and Switzerland generally outperform the native-born in the labour market. At the other end of the spectrum are immigrants from Turkey, for whom the outcomes are well below those of the native-born, for both genders. Outcomes are also unfavourable for immigrants from the non-EU countries of eastern Europe (mainly Russia), from Asia and Africa, who nevertheless account for a relatively small part of the immigrant population.

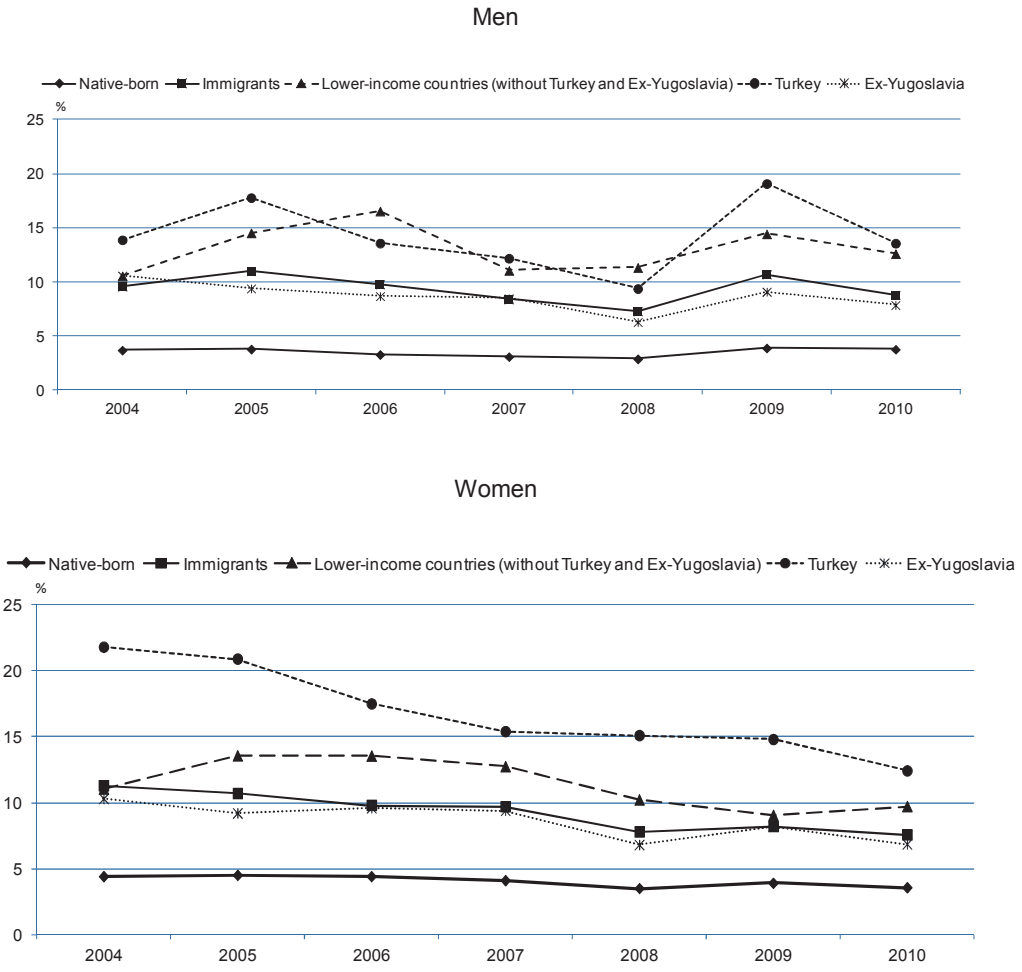
Figure 1.1. Evolution of the employment/population ratio of native-born and immigrants aged 15-64 in Austria since 2004, by country of birth



Source: 2004-10: Austrian Microcensus (data provided by Statistics Austria). 2001: *OECD Database on Immigrantsin OECD Countries* (DIOC).

The effect of the recent crisis is highly visible in the evolution of the unemployment rate of immigrant men, in particular those from Turkey (see Figure 1.2). Indeed, the unemployment of Turkish men seems to be particularly sensitive to overall labour market conditions. A 1-percentage-point change in the unemployment rate of native-born men is associated with a 2 percentage-point change for immigrants as a whole, and a 4-5 percentage-point change in the unemployment rate of men from Turkey.

Figure 1.2. Evolution of the unemployment rate in Austria since 2004, by country of birth, people aged 15-64



Source: 2004-10: Austrian Microcensus (data provided by Statistics Austria). 2001: *OECD Database on Immigrants in OECD Countries* (DIOC).

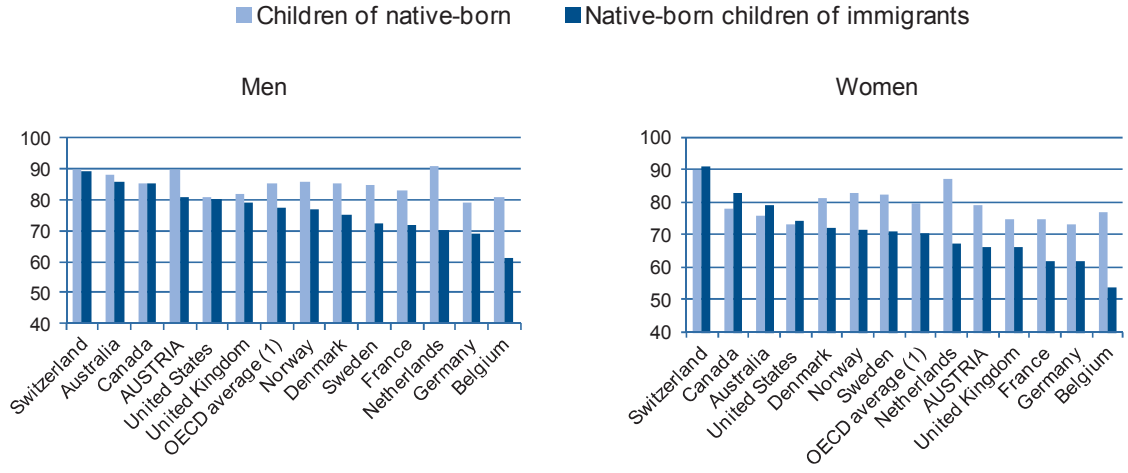
The pattern is again different for women. Here, one observes a trend decline in the unemployment rate of immigrant women since 2004, both in absolute terms and relative to the native-born. The effect is particularly strong for women from Turkey, who were also apparently not negatively affected by the crisis. The slight trend improvement in employment observed above was thus mainly driven by a decline in unemployment and not by an increase in labour market participation.

Children of immigrants

Among the 15-29 year old population in Austria, one fifth has two foreign-born parents. About 6% were born in Austria to foreign-born parents. This group is growing rapidly; it already accounts for 15% among those aged between 6 and 14 (see Figure 1.A1.1 in the annex). Most of the children of immigrants – 78% – have parents from lower-income countries, notably from the former Yugoslavia and from Turkey which together account for 60% of all native-born children of immigrants.

In international comparison, young people in Austria enjoy good overall labour market outcomes. Among those who are not in education, young men (aged 20 to 29) without a migration background have an employment rate of about 90%, one of the highest in the OECD (see Figure 1.3). The native-born sons of immigrants have, likewise, rather favourable outcomes in international comparison, with an employment rate of roughly 80%. However, compared with most other countries that record high employment rates, namely Switzerland, Australia and Canada, native-born sons of immigrants in Austria face rather large gaps in their employment rate compared with the sons of native-born. The situation is less favourable with respect to the employment rates of young native-born women with immigrant parents. Here, Austria ranks in the middle range of the comparison group, and the gaps are larger than the OECD average.

Figure 1.3. Employment rates of the native-born children of immigrants and the children of natives, selected OECD countries, people aged 20-29 and not in education, around 2007



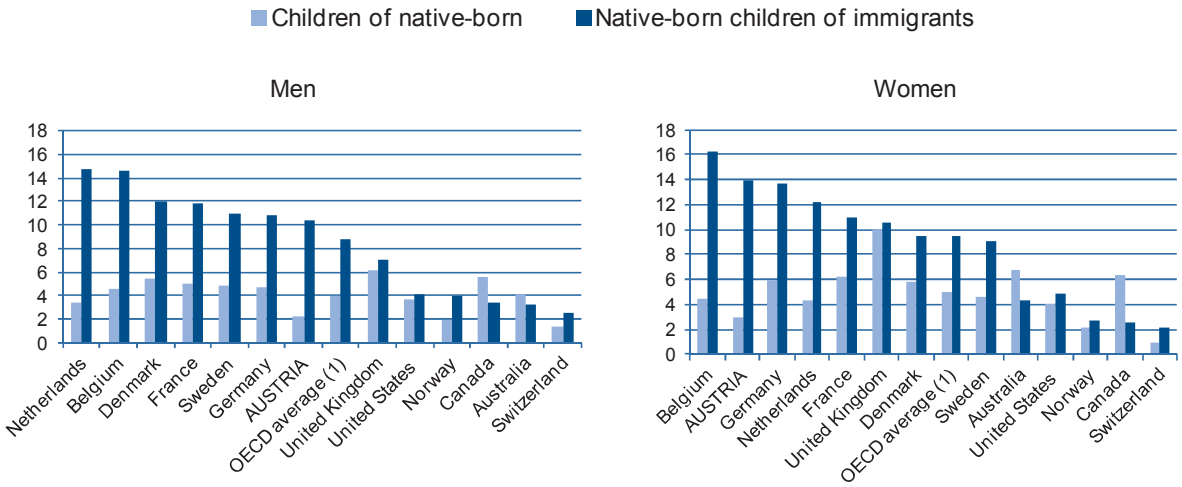
Note: Data for France exclude native-born children of those foreign-born parents who had French nationality at birth. Adjustments were also made for Australia, Denmark and Switzerland.

1. The OECD average refers to the unweighted average of the countries included in the figures.

Source: Adapted from OECD (2010), *Equal Opportunities? The Labour Market Integration of the Children of Immigrants*, OECD Publishing, Paris.

Although employment rates suggest that immigrant offspring in Austria master the school-to-work transition rather well, this masks the fact that a rather large portion of the youth population with an immigrant background is both low-educated and neither in employment nor education or training (low-educated NEET). 14% of native-born female offspring of immigrants in Austria belong to this population group (see Figure 1.4). In the comparison group, only Belgium records a higher share. These figures have to be seen in perspective with the relatively low incidence of low-educated NEET among the female offspring of native-born, among whom only 2% belong to the "population at risk", suggesting that this problem is largely related to immigrant background. Although young men with immigrant parents fare slightly better, they are still more than four times as likely to find themselves in this group with particularly poor labour market prospects.

Figure 1.4. Population "at risk" among native-born children of immigrants and the children of native-born aged 20-29, by gender, around 2007



Note: The "population at risk" is defined as being low-educated and not in employment, education or training.

1. The OECD average refers to the unweighted average of the countries included in the figure. See also Figure 1.3.

Source: Adapted from OECD (2010), *Equal Opportunities? The Labour Market Integration of the Children of Immigrants*, OECD Publishing, Paris.

To summarise, at first glance the labour market outcomes of immigrants – in particular those from lower-income countries and from Turkey – and their children are significantly less favourable than those of persons without a migration background.[4] This holds in particular with respect to the incidence of unemployment and, for youth, the low-educated NEET. Women seem to be at a greater disadvantage than men, and this holds also in international comparison.

Regional differences

The immigrant population is strongly concentrated in Vienna. 42% of all immigrants live in Vienna compared with only 16% of the native-born. The concentration is even greater for the children of immigrants. This uneven geographic distribution has an important impact on aggregate outcomes, since the labour market conditions in Vienna are less favourable than in the remainder of Austria (see Table 1.A1.2 and 1.A1.3 in the annex). Over the past few years, unemployment has been nearly twice as high in Vienna as elsewhere in the country, and national employment rates are 7 percentage points higher for men and 2 percentage points higher for women than in Vienna. Accounting for the uneven distribution tends to lower the differences between immigrants and the native-born, as well as for their respective children, substantially. However, one observes that in general, immigrants and their children, when compared with their native peers, fare better in Vienna than elsewhere. The exception is the female offspring of immigrants, for whom the unemployment rate and the incidence of low-educated NEET are particularly high in Vienna.

1.2. The framework for integration

This section discusses the overall context for integration policy in Austria. It starts with an historical overview of the evolution of immigration to Austria, to explain how the main current groups of immigrants and their children have emerged. Following this, the

evolution and current structure of integration policy is presented, along with the Austrian labour market setting. This section concludes with a presentation of the main stakeholders for integration in Austria.

The evolution of immigration to Austria and the main immigrant groups

From the Habsburg Empire to the early 1950s

Austria is a country with a long-standing history of immigration, emigration and transit migration that have essentially followed the pattern of inflows from the East and outflows towards the West.[5]

In 1848, when Austria was in a double monarchy with Hungary, citizens of the Austro-Hungarian Empire were granted the right of free movement within its borders, which led numerous Czech-, Slovak-, Polish- and Serbo-Croatian speaking migrants from the outskirts of the empire to move to its core cities Budapest, Prague and Vienna, as well as to the industrialising regions of Styria and Vorarlberg. To date, Bosnia and Herzegovina, Serbia, Poland, the Czech Republic, Hungary and Croatia are still among the most important source countries of migration to Austria (see Table 1.2).

In 1919, following the First World War, which had brought about the dissolution of the Austro-Hungarian Empire, the criteria for Austrian nationality were redefined. Residents who did not belong to the ethnic majorities of the monarchy's non-German-speaking successor countries and who could be considered German by "race and language" were offered citizenship (see Bauböck, 1996). As nationalist tensions in Austria grew in the interwar period, this definition of nationality offered a means to expel members of minorities from the territory of the Austrian republic. At this point, many migrants and their offspring returned to their regions of origin which had emerged from the war as separate countries. Between 1918 and 1948, about 160 000 Czechs and Slovaks, who had once represented the largest linguistic minority in the Austro-Hungarian empire in the land of the new Austrian republic, were repatriated (see Bauböck, 1996). Remaining members of linguistic minorities were pressured to assimilate. Their children were absorbed into Austrian society without further concern about actual integration difficulties.[6]

In the post-World War II period, migration to Austria has been based on two main pillars. The first is the so-called "guestworker" migration from Turkey and the former Yugoslavia, as well as subsequent family migration from these countries. Humanitarian migration, mainly from central and south-eastern Europe, represented the second pillar and concerned Austria as a destination country, but also as a neutral main country of transit between the two blocks of the cold-war era.

"Guestworker" migration to Austria and subsequent family migration

Like most other western European countries, Austria experienced sustained economic growth in the post-war period, but labour shortages were not visible until the late 1950s. This was partly due to deficits in the modernisation of the Austrian industry, as well as to the integration of half a million displaced persons who had arrived in the aftermath of World War II and represented a sizeable pool of workers (see Bauböck, 1988). During the early post-war years, many Austrians emigrated to Switzerland and western Germany to benefit from higher wages and better working conditions. The recruitment of guestworkers in Austria hence set in with some delay compared with other European countries, notably with Austria's neighbours Germany and Switzerland.

The policy framework for the recruitment of labour migrants essentially emerged as a compromise between the social partners who have played a key role in shaping labour migration policy during the entire post-War period until today. They were split into advocates of recruitment on the side of the employers and opponents on the side of the trade unions and the chambers of labour. In the summer of 1961, the social partners agreed upon a first modest numerical limit on the number of foreigners to be recruited for work in the construction sector. However, with no recruitment agency yet in place, the actual number admitted remained below the numerical limit. At the end of the same year, the social partners established an official agreement for the large-scale recruitment of guestworkers (the so-called *Raab-Olah Agreement)*. It stipulated conditions for their admission to the Austrian labour market and determined a first yearly numerical limit of 47 000 foreign workers. This corresponded to 2% of total employment at that time. For foreign workers coming under this numerical limit, the usually required individual labour market test was abandoned. The trade unions agreed under the condition that guestworker permits would be limited to 12 months and that foreign workers be employed under the same conditions as natives, but laid off preferentially in cases of economic pressure.[7] The Austrian guestworker scheme thus envisioned a system of rotation that would permit the hiring and replacement of foreign workers at short notice in response to labour market needs. From the start, this concept was undermined by the fact that permits were renewable and allowed guestworkers to stay in Austria for more than a year. Many employers took advantage of this possibility to request renewal and to keep the workers with whom they were familiar.

In its initial phase, recruitment got under way rather slowly before it intensified in the mid-1960s. In the first years following the Raab-Olah Agreement of 1961, inflows remained far below the average yearly numerical limits of 37 000 permissions, and a bilateral recruitment agreement with Spain from 1962 had no notable impact. Spanish and Italian guestworkers were more attracted to countries such as Switzerland and Germany, which offered higher wages and had already well-established recruitment systems. Moreover, the Austrian economy was expanding at a rather moderate rate (see Bauböck, 1988). Hence, the share of foreigners in the total Austrian population remained modest at about 1.5% throughout the early 1960s.

Recruitment only started to soar after bilateral recruitment agreements were signed with Turkey (1964) and the former Yugoslavia (1966) and recruitment agencies were established in Belgrade and Istanbul. The share of foreign workers in total employment increased sharply from 1% in 1964 to almost 9% in 1973. In that year, the absolute number of foreign workers peaked at 227 000. Over the course of a few years, Turkey and Yugoslavia had become the two major origin countries for migration to Austria. Today, immigrants who were born in Turkey or the former Yugoslavia make up 6% of the overall Austrian population and account for more than 40% of the foreign-born (see Table 1.2).

The importance of "guestworker" migration is even more visible among the native-born children of immigrants – about 75% of immigrant children aged 20-34 have parents from former Yugoslavia or from Turkey. Box 1.2 provides an overview of the labour market outcomes of immigrants from these countries in international comparison.

Table 1.2. Composition of the immigrant population by main countries of birth, as a percentage of the total foreign-born population

	2009
Germany	15%
Serbia and Montenegro	15%
Turkey	12%
Bosnia and Herzegovina	10%
Romania	5%
Poland	4%
Czech Republic	4%
Hungary	3%
Croatia	3%
Russian Federation	2%
Other countries	26%

Source: *OECD International Migration Database.*

In 1973, at the peak of guestworker recruitment, Austria was hit by the first oil price shock, which marked a turning point in its labour migration policy. Official recruitment came to a halt and labour market access was restricted. A new foreigners' employment law came into effect in 1976 that formalised the main principles of guestworker recruitment which had been applied in practice since 1961.[8] Key elements were the yearly definition of numerical limits on recruitment, the priority of Austrian workers in hiring and the preferential laying off of foreigners (see Bauböck, 1988).

Many labour migrants returned to their countries of origin over the following years and the number of registered foreign workers decreased by almost 40% between 1974 and 1984.[9] Others, however, found it too risky to leave at this point when re-admission to Austria had become unlikely. Instead, these immigrants – in particular those from Turkey – settled and subsequently brought over family from their origin countries.[10] Already before the recruitment ban came into effect, this development had been enforced by the fact that employers had started to renew existing work contracts, as well as to recruit family members and friends of already employed foreigners. This practice had contributed to undermining the "rotation system" of strictly temporary migration that had been envisioned by the social partners. Until the mid-1980s, family migration largely compensated for the return migration of guestworkers (see Lebhart and Marik-Lebeck, 2007). The share of foreigners in the Austrian population thus remained steady at roughly 4% until 1986, while employment of foreigners decreased.

Under the guestworker scheme, work permits were linked to a specific employer and the right to free labour movement within Austria could only be obtained through an *exemption certificate* (*Befreiungsschein*) that was granted after eight years of almost uninterrupted employment in Austria or to spouses of Austrian citizens. Although originally tailored to shield the Austrian labour market from new labour migrants, this rigid regulation hampered the labour market integration of family members who were already residing in Austria, since eight years of uninterrupted employment were difficult to achieve, especially for women with children. Throughout the 1980s, 15% of foreigners, on average, held an exemption certificate (Biffl, 1990).[11]

Box 1.2. Immigrants from the former Yugoslavia and Turkey and their labour market integration in Austria

Immigrants from the various successor countries of the former Yugoslavia and Turkey together account for more than 40% of the immigrant population in Austria, and almost 80% of the immigrants from lower-income countries.

With the recent update of the *OECD Database on Immigrants in OECD Countries* (DIOC 2005), a comparative overview of the labour market outcomes of immigrants by origin country is possible for those OECD countries where they account for a sizeable population group. The table below provides such an overview for selected OECD countries around 2005. Compared with other OECD countries, immigrants from the former Yugoslavia have relatively high employment rates in Austria. In contrast, immigrant women from Turkey fare less well in Austria than in the labour markets of other OECD countries. In addition, for both origin groups and both genders, differences in unemployment tend to be relatively large in Austria.

Labour force characteristics of immigrants aged 15-64 from the former Yugoslavia and Turkey in Austria and other OECD host countries, around 2005

	Employment rates (ER) in %			Percentage point difference in the ER compared with the native-born (native-born *minus* other)			Unemployment rates (UR) in %			Percentage point difference in the UR compared with the native-born (native-born *minus* other)		
	Ex-Yugoslavia	Turkey	Foreign-born	Ex-Yugoslavia	Turkey	Foreign-born	Ex-Yugoslavia	Turkey	Foreign-born	Ex-Yugoslavia	Turkey	Foreign-born
Total												
Australia	63	51	70	13	25	5	6	11	6	-1	-6	-1
Austria	***67***	***53***	***63***	***4***	***18***	***8***	***10***	***17***	***10***	***-6***	***-13***	***-6***
Belgium	45	36	50	18	27	12	..	28	17	..	-21	-10
Canada	75	61	72	0	14	3	6	11	7	0	-5	-1
Denmark	58	61	63	23	20	18	7	12	7	-5	-10	-5
France	52	46	57	13	19	8	23	27	18	-13	-17	-8
Germany	59	51	61	11	19	9	15	20	15	-6	-12	-6
Netherlands	58	54	60	17	21	15	13	11	11	-8	-7	-6
Norway	65	52	70	27	41	22	..	..	..	..	..	..
Switzerland	68	65	74	14	17	8	11	15	8	-8	-12	-5
United States	74	70	72	-2	2	0	7	7	7	0	1	1
Average[1]	**62**	**54**	**65**	**13**	**20**	**10**	**11**	**16**	**11**	**-5**	**-10**	**-5**
Men												
Australia	71	65	80	11	17	2	6	10	6	-1	-5	-1
Austria	***73***	***69***	***73***	***5***	***9***	***5***	***9***	***15***	***10***	***-6***	***-11***	***-6***
Belgium	57	54	61	13	15	8	..	..	16	..	..	-9
Canada	81	74	80	-2	5	-1	5	9	6	1	-3	0
Denmark	64	68	67	21	16	17	6	10	2	-4	-8	-5
France	57	65	65	13	5	5	21	21	15	-12	-12	-6
Germany	67	65	69	8	10	6	16	20	9	-8	-11	-7
Netherlands	65	70	69	18	12	13	13	10	4	-9	-6	-7
Norway	66	59	71	26	33	21	..	..	..	..	..	..
Switzerland	77	70	83	11	18	5	8	16	7	-6	-13	-5
United States	81	81	82	-5	-5	-7	6	6	6	2	2	2
Average[1]	**69**	**67**	**73**	**11**	**12**	**7**	**10**	**13**	**8**	**-5**	**-7**	**-4**
Women												
Australia	54	36	62	16	34	8	6	13	7	-2	-8	-2
Austria	***61***	***34***	***54***	***3***	***30***	***10***	***10***	***20***	***10***	***-5***	***-16***	***-6***
Belgium	31	18	40	25	38	16	..	..	18	..	..	-10
Canada	68	46	65	3	25	6	7	15	8	-1	-8	-2
Denmark	52	51	58	24	25	18	7	9	15	-4	-6	-13
France	47	24	49	14	36	12	26	42	21	-14	-31	-10
Germany	51	35	52	13	29	13	15	13	22	-6	-4	-13
Netherlands	51	36	51	17	32	16	11	12	14	-6	-8	-10
Norway	63	43	69	29	50	24	..	..	..	..	..	..
Switzerland	58	59	65	17	16	10	13	13	9	-10	-10	-6
United States	67	57	61	1	11	8	8	8	8	-1	-1	-1
Average[1]	**55**	**40**	**57**	**15**	**30**	**13**	**11**	**16**	**13**	**-6**	**-10**	**-7**

Note: Persons with unknown gender and place of birth are excluded. Former Yugoslavia includes all successor countries except Slovenia.

1. The average includes all countries for which data are presented in the table.

Source: OECD Database on Immigrants in OECD Countries (DIOC 2005).

Humanitarian migration

The second major source of post-war immigration to Austria was migration on humanitarian grounds. Over the past three decades, Austria has been a major recipient of asylum seekers, and recorded roughly 480 000 inflows between 1980 and 2009. This corresponds to almost 60 asylum seekers per thousand inhabitants, a figure that has only been topped by Sweden and Switzerland during that same period. Austria's central role with respect to humanitarian migration flows stems from its distinct geographical position between the two former blocs of the cold war era. It offered humanitarian migrants a first resort after the fall of the Iron Curtain, when new opportunities for migration from East to West opened up. Austria's role as a main recipient country of humanitarian migration was also shaped by the dissolution of the former Yugoslavia with which it shared frontiers, as well as strong historical ties. Since the 1970s, Austria moreover received smaller inflows of asylum seekers from Chile, Argentina, Uganda, Iran and Afghanistan.

Until the early 1980s, inflows of humanitarian migrants to Austria had been predominantly temporary, with Austria being a transit zone for migrants from eastern Europe rather than an actual destination country.[12] In the years immediately succeeding World War II it hosted close to one million displaced persons and Jewish refugees, as well as ethnic Germans from central and eastern Europe (see Bauböck, 1988). The majority left after several months, but between 300 000 and 500 000 ethnic Germans settled permanently. Austria experienced two further waves of humanitarian migration in 1956 and 1968, when uprisings against the Soviet occupation caused political turmoil in Hungary and the former Czechoslovakia. Only a small number of these migrants settled permanently in Austria.

Over the 1980s and 1990s, Austria shifted from a transit to a reception country, as humanitarian migration became more permanent in nature. This trend essentially started with a wave of humanitarian migration from Poland in 1981/1982, during which 33 000 out of roughly 120 000 migrants requested asylum. Around 18 000 of these requests were successful (see Biffl, 2010a). In the following years, the number of asylum seekers who arrived in Austria rose sharply when the Iron Curtain fell and communist regimes in eastern Europe dissolved. The number of asylum requests peaked at 27 300 in the year 1990, when a wave of asylum seekers arrived from Romania. These high inflows sparked xenophobic fears in the Austrian population, as well as political consequences in the form of a more restrictive asylum law that came into effect in 1992.

The new law of 1992 established the option of "exceptional treatment" of immigrants who did not come from countries with severe human rights violations or for persons who had crossed a third country that could be considered safe before reaching Austria. Migrants from these groups could be denied asylum under an accelerated procedure, even before they filed a request. They were either sent back to their home countries or relegated to apply for asylum in the safe third country through which they had passed. As a consequence, asylum requests dropped significantly, to around 5 000 in both 1993 and 1994. Whereas the acceptance rate of asylum requests had amounted to 90% in the 1970s and roughly 50% in the mid-1980s, it dropped sharply to a low point of 7% in 1993 (see Fassmann and Münz, 1995). In 2009, 19% of asylum requests were accepted.

While the number of formal asylum seekers was reduced significantly, Austria continued to receive around 100 000 humanitarian migrants between 1992 and 1995 who came from the war zones of the former Yugoslavia. The majority (about 90 000) came from Bosnia and Herzegovina and did not enter through the asylum channel but were directly granted temporary protection as "de-facto-refugees". As the conflict continued,

many Bosnians were granted residence permits and labour market access, and few actually returned to Bosnia (see Biffl, 1999).[13] Bosnians who arrived between 1992 and 1995 still make up 40% of the overall 145 000 immigrants from Bosnia living in Austria today, who represent the fourth largest group of foreign-born (see Table 1.2). In the late 1990s, the number of asylum requests started to rise again, trigged by asylum seeking of Albanian Kosovars who fled the ethnic conflicts in Kosovo.

Over time, the source countries of humanitarian migration to Austria have diversified, although a significant proportion of asylum seekers continue to come from European countries. Over most of the 1980s, asylum seekers to Austria came almost exclusively from geographically close countries behind the Iron Curtain, namely the former Czechoslovakia, Hungary, Poland, Romania and the former Yugoslavia. Their total share among all asylum seekers remained at 80 to 90% throughout most of the decade. A diversification of humanitarian inflows started in the late 1980s and early 1990s when Austria started to record increasing asylum requests from Afghanistan, Iraq, Iran and India, as well as from Turkey. Over the past decade, there has also been a rising number of asylum requests of Russian nationals, who have recently replaced Afghans as the largest group of new asylum seekers. Nigeria and Georgia have also become major source countries in recent years. While Serbians still accounted for 15% of asylum seekers in the beginning of the past decade, their share has since dropped to roughly 8% in 2010.

The annual number of asylum requests declined continuously between 2002 and 2007, from 39 400 to 12 000 and has remained below 16 000 since. The decrease is partly attributable to EU enlargement which pushed the external EU border from Austria to the East. Indeed, part of the asylum seekers who previously demanded asylum in Austria now demand it in the new EU member countries (see Biffl, 2006).

The fall of the Iron Curtain and the arrival of new immigrant groups

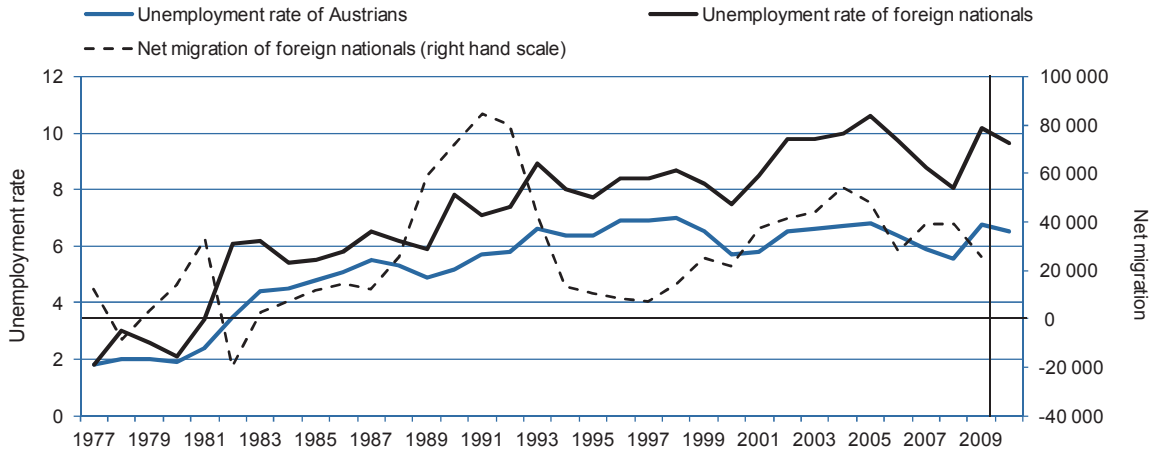
As a consequence of the increasing humanitarian migration from eastern Europe, inflows to Austria started to accelerate in the second half of the 1980s. Between 1986 and 1993, the share of the foreign population doubled from 4 to 8% and net migration peaked at 84 700 in 1991, adding more than 1% to the Austrian population. This period was marked by an economic boom in Austria during which real annual GDP growth peaked at 4.5% in 1990, as the Austrian economy benefitted strongly from the fall of the Iron Curtain. The labour market experienced a significant growth in employment. At the same time, however, the labour market became more competitive and unemployment increased both for foreigners and Austrian nationals, reaching 8 and 5%, respectively, in 1990 (see Biffl, 1991, for a comprehensive discussion).

Until the early 1990s, the employment rate for both foreign men and women was higher than for their Austrian counterparts (see Deutsch *et al.,* 2010). In parallel with the high inflows, total unemployment started to grow, and foreign nationals experienced an over-proportional increase. Indeed, as Figure 1.5 shows, whereas (net) migration[14] used to be procyclical in the early years, this has no longer been the case since the mid-1980s, and migration has shown a rather countercyclical pattern for the most part.[15]

Policy reacted to these developments in two ways. First, already in 1990, a "federal numerical limit" was introduced which capped the number of new work permits per year to limit the share of foreign workers in the total workforce to less than 10%.[16] Once this figure is reached, new work permits can only be granted to an additional 1% of the workforce to certain groups of foreign nationals determined in an ordinance by the Minister of Employment (see Nowotny, 2007 for more details). Until July 2011, there

have been additional numerical limits for each federal state (*Bundesland*) in place. Once these were reached, the work permit procedure was tightened in the respective federal state. The state-specific limits were, in the early years, in the aggregate well below the federal limit, and thus occasionally tested, albeit this did not occur with the federal limit (see Biffl, 1992). The overall system was thus rather complex.[17]

Figure 1.5. Net migration and unemployment of nationals and foreigners in Austria since 1977



Note: There has been a break in the series for the unemployment rates for nationals and foreigners in 2008 due to a revision of the national unemployment register.

Source: Unemployment rates (national definition) provided by the Austrian Public Employment Service; data on inflows provided by Statistics Austria.

A second reaction followed in 1993, when a "settlement quota" system was introduced to restrict new immigration.[18] This system introduced numerical limits, on an annual basis, for a number of migrant categories, notably for family migration of non-EU nationals.[19] As for the "federal numerical limit", these are further broken down for each federal state. As a consequence, the actual impact varied considerably. In some federal states, prospective family migrants had to wait for more than five years before they would get allocated a place under the settlement quota and could migrate to Austria. With the introduction of the EU directive on family migration which was implemented in a comprehensive reform of the Alien's Act in 2005, the maximum waiting period for the immigration of family migrants under the "settlement quota" has been limited to three years.[20]

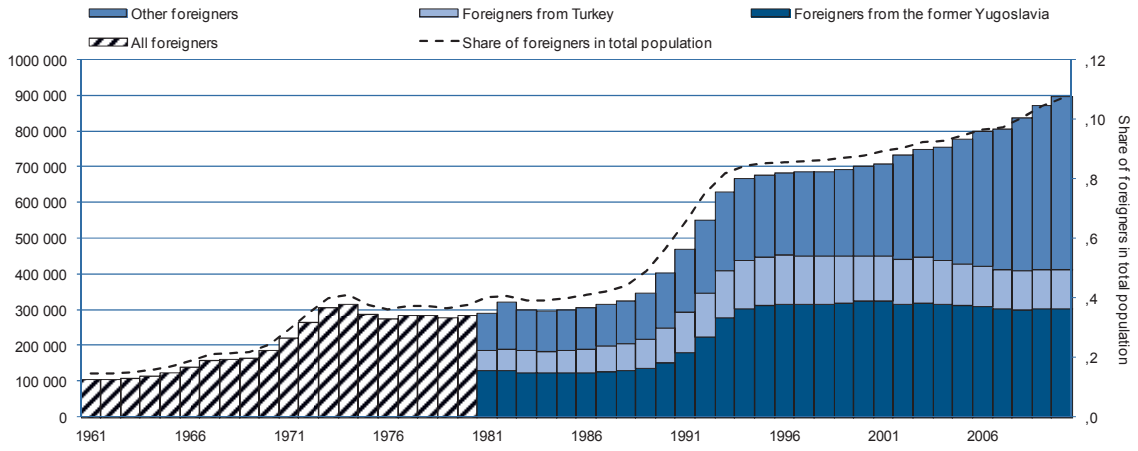
Those family migrants who managed to acquire a permit under the "settlement quota" system furthermore found themselves barred from the labour market for the first five years of residence, except if they passed a labour market test (see Section 1.3 below). After 2005, this period was limited to one year.

In fact, only a rather small and declining share of immigrants entering Austria is covered by the settlement quota system. The system is still formally in place but has lost much of its importance. Most inflows are either free movement or family members of Austrian and EEA citizens, who have been exempted from quota regulations since 1993. Refugees are also excluded from the settlement quota. With the enlargement of the European Union in 2004 by eight countries from central and eastern Europe, the ability of the quota system to regulate the magnitude of migrant flows was further undermined.

In spite of the fact that Austria implemented transition arrangements for labour migration from the EU-8 until 1 May 2011, free movement migration from the enlarged European Union emerged as the prime source of new immigration.[21] This trend started already prior to enlargement and in fact, much of the free movement migration is from the old (pre-2004) EU members (EU-15). Since Austria's accession to the European Union in 1995, the share of foreigners from the EU-15 among the total foreign population has increased steadily, and rose from 15% to 21% between the years 2001 and 2009. More than two-thirds of this increase can be attributed to the inflow of Germans, who made up 15% of the foreign-born in 2009. They represent the largest group of foreign-born in Austria along with immigrants from Serbia (see Table 1.2).

Unfortunately, as explained in Box 1.1, historical data on "immigrants" in Austria are only available by nationality status and not by country of birth.[22] An overview of the evolution of the size and composition of the foreign population in Austria since 1961 is provided in Figure 1.6. Due to lack of detailed data on the nationality of the population before 1981, only the overall evolution of the foreign population is visible prior to that date. Throughout the 1980s and 1990s, the joint share of Turkish and Yugoslav nationals remained steadily above 60%. Their populations grew proportionally with the overall foreign population during the years of record high net migration between 1986 and 1993. Over the past decade, however, their number has started to decline as a consequence of rather high rates of naturalisation (see Lebhart and Marik-Lebeck, 2007). In parallel, the number of foreigners from other lower-income countries and the European Union has grown significantly, both in absolute terms and in relation to the population from the former guestworker countries.

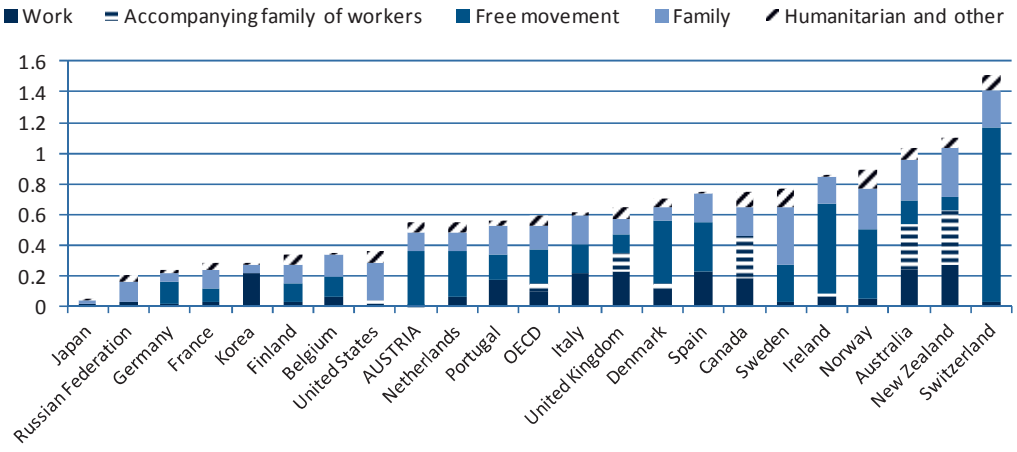
Figure 1.6. Evolution and composition of the foreign population in Austria, absolute numbers and share in the total population, 1961-2010



Source: Data provided by Statistics Austria.

The composition of recent immigration *flows* is shown in Figure 1.7. As can be seen, free movement is by far the most important category of entry for new permanent-type migration. Migrants from the enlarged European Union (EU-27) accounted for almost 60% of inflows in 2009. Family migration remains the most important category for migrants from outside the European Union, followed by humanitarian migration. Labour migration from outside of the EU-27 accounts for only a negligible share of inflows.

Figure 1.7. Permanent inflows into selected OECD and non-OECD countries, as a percentage of the total population, by category of entry, 2009



Source: OECD (2011*), International Migration Outlook,* OECD Publishing, Paris.

In order to increase the scale and scope of skilled labour migration from non-EU countries, Austria introduced a so-called "red-white-red-card" for the selective recruitment of skilled labour migrants The scheme gradually introduces a points-based system for the admission of skilled and highly-skilled labour migrants starting on the 1st of July 2011. It includes both a supply-driven job-search visa for highly-skilled migrants without a job offer and a demand-driven tier for migrants with a job offer in a shortage occupation or having passed a labour market test (for a detailed discussion of the red-white-red-card and the measures that accompany it, see Box 1.3, as well as Bichl *et al.*, forthcoming).

Box 1.3. A new labour migration system for Austria: the "Red-White-Red" card

Austria has started to gradually introduce a new criteria-based immigration scheme in July 2011. The so-called *Red-White-Red Card Model* (RWR Card) aims to allow for a more flexible immigration of qualified labour migrants from outside of the European Union and their families who wish to settle permanently in Austria. The model accounts for both personal (*i.e.* related to the applicant) and labour market criteria with the most important factors being qualification, work experience, age, language skills, a job offer and minimum remuneration (see OECD, 2011b for a full list of the criteria and their weights and a comparison with points-based systems in other OECD countries).

The RWR Card scheme introduces two new titles of residence that are linked to a work permit. The Red-White-Red Card entitles to residence and employment with a specific employer for a period of 12 months. After at least ten months of continuous employment, a *Red-White-Red Card Plus*, which grants unrestricted labour market access, can be issued to replace the first title.

Three groups are targeted by this reform in the sense that they can obtain an RWR Card to come to Austria if they fulfill the requirements of the points-based system. "Very highly-qualified" migrants can obtain a RWR Card through a supply-driven tier of the points-based system, that is, they do not need to have a job offer. They may be issued a six-month visa for the purpose of searching for an employment in Austria if they achieve a certain minimum amount of points. After finding an adequate job in Austria, they can then obtain a "Red-White-Red" Card. "Key workers" who have passed a labour market test and skilled workers in shortage occupations can obtain a RWR Card in the demand-driven tier if they have a job offer and have reached the level of points required.

International graduates of at least master level programmes can obtain a job-search visa. If they succeed in finding a job that corresponds to certain criteria within six months after graduation, they can change their status into a RWR Card (again restricted to a specific employer and limited to one year maximum). They are exempt from the points-based system, but like the other groups of migrants have to apply for a "RWR Card Plus" after one year to gain unlimited labour market access.

The "RWR Card Plus" is also given to the family members of the above-mentioned groups of migrants, as well as to holders of an EU Blue Card and their family members. It can also be issued to family members of foreign nationals that have already settled permanently in Austria. Family migrants wishing to obtain the RWR Card Plus need to pass a language examination at the A1 level of the Common European Framework prior to entry. Only family members of "very highly-qualified" holders of the RWR Card who have entered through the supply-driven tier are exempt from this requirement.

While the bulk of reform measures accompanying the introduction of the RWR card scheme came into effect in July 2011, skilled workers in shortage occupations (*i.e.* without labour market test) will have to wait until at least May 2012 before they can apply for a title under this scheme.

The evolution of integration policy

In spite of the longstanding presence of immigrants in Austria, integration policy developed rather recently. Over most of the post-war era, Austrian policy with respect to foreigners was closely linked to the notion of guestworker migration, which was built upon the concept of rotating, temporary inflows of foreign workers. This policy did not envision Austria as a destination country for permanent migrants and as a consequence was not concerned with the issue of integration. The circumstances for integration were largely shaped by the Act on the Employment of Foreigners (*Ausländerbeschäftigungsgesetz*), which determined immigrants' labour market access and has traditionally represented the most important tool of Austrian integration policy.

In the 1970s and 1980s, there was no formal integration policy, with the exception of support measures for recognised refugees that were, for instance, provided by the Austrian Integration Fund (see below). There was also some language training in German and "mother-tongue" instruction for children of immigrants that would help to prepare them for their eventual return to their countries of origin. These measures were, however, not formalised by law until 1992. Indeed, partly a heritage from the times of guestworker migration, so-called "mother-tongue" instruction is still a rather strong element of the education of the children of migrants in Austria today (see Section 1.5). Until the end of the 1980s, apart from a few local initiatives, Austria had not implemented major measures to promote the integration of immigrants.

Austrian integration policy only started to adjust to the fact of the permanent settlement of immigrants in the late 1980s, when many of the former "guestworkers" and their families had already been living in Austria for more than 15 years. In 1988, it became easier for immigrants to obtain an "exemption certificate" and its duration was extended to three years. Moreover, labour market access was liberalised for children of immigrants who did not have Austrian nationality. While they had been treated like new arrivals after completion of education by the old law, they could now generally obtain an "exemption certificate" (see Deutsch *et al.*, 2010).[23]

The rather late development of integration policy at the federal level in Austria must be seen in the context of decision-making in this domain. Until 1993, migration policy and labour market integration remained largely under the responsibility of the social partners who discussed related topics as part of their negotiations about labour market and welfare policy. Debates on this issue largely occurred outside of the parliament and

public sphere and were thus hardly politicised until the early 1990s.[24] This changed in the aftermath of the record-high inflows of the years 1989 to 1993. Responsibility for migration policy was shifted from the social partners to the Federal Ministry of the Interior and with rising anti-immigrant sentiments in the population, the topic started to gain more weight in the political debate.

Only in 1997 was a formal federal framework for integration established, which mainly consisted of acknowledging the permanent presence of immigrants in Austria through legal measures. A so-called *integration package* stipulated the principle of "integration before new immigration", restricting the entry of new immigrants through labour and family migration while improving the legal status of long-term migrants. For those who had resided in Austria for more than eight years, the right to stay was made independent of the previous necessity to have sufficient means of subsistence. About half of the immigrants from outside the European Union who were living in Austria at that time and had not entered as asylum seekers benefitted directly from this amendment (Gächter, 2008). Since 1999, foreigners have had the same rights as nationals to receive unemployment benefits, provided they have contributed to the social security scheme.[25]

A second major step was taken in 2003 when the government introduced a so-called "integration agreement" that targeted new arrivals. Under this agreement, immigrants from outside the European Union – in practice almost exclusively family migrants since refugees and labour migrants are exempted – have to commit themselves to obtaining a basic level of German-language proficiency within a certain period of time after their arrival in order to acquire a permanent residence permit. In its original (2003) version, the agreement demanded immigrants to attend a language course leading towards A1 level in the European reference framework for languages within four years after arrival. In 2006, the required level of German proficiency was raised to the A2 level and the acquisition period was extended to five years. In addition, immigrants had to pass a final examination at the end of the course. Moreover, the scale of available preparatory courses was enlarged, and additional literacy courses were introduced.[26] Failure to fulfil the integration agreement could, under certain conditions, lead to administrative fines and theoretically also to expulsion.

Since July 2011, obligations to learn German have been strengthened further and the integration agreement has undergone a third overhaul. In principle, all migrants from non-EEA countries (as well as from Romania and Bulgaria until 2013/14) who are neither labour migrants nor part of the family of labour migrants or of EEA citizens have to provide proof of basic German language knowledge (A1 level) prior to immigration, if they apply for certain categories of residence titles. There are a number of exceptions, namely for minors, for people who cannot reasonably be expected to provide such evidence because of their physical or mental health condition, for family members of holders of certain residence titles ("Blue Card EU" and "Long-term Residence Permit – EC") as well as for highly qualified persons. In parallel, the period for obtaining the required level of German for the fulfilment of the integration agreement (that is, the A2 level) has been reduced to two years after immigration. At the same time, for obtaining permanent residence status and for naturalisation, a higher language proficiency (at the B1 level) is now required for all non-EEA migrants (including labour migrants).[27] Exemptions apply to persons being underage when applying and to persons who cannot reasonably be expected to provide such evidence because of their physical or mental health condition.

The framework for integration policy that has evolved since 2003 is marked by two main characteristics that are both reflected in the integration agreement. The first is its strong focus on *linguistic integration*. The attainment of German-language proficiency is emphasized as a key to social, economic and cultural integration and the main feature of the integration agreement. The second key feature is the *mandatory* character of integration measures. The integration agreement specifies both the obligation and the right of immigrants to participate in the courses provided, but fees are only partly refunded.

A national action plan for integration was adopted in January 2010. The plan essentially takes stock of existing measures relating to seven fields of action such as the labour market, education, housing, health and the social system, leisure activities and public opinion. Its main goal is to enforce co-ordination of the different actors in the field of integration policy. The integration/co-ordination/process and the development of appropriate measures are supported by an independent "expert board" (established in 2010). The first "Austrian Integration Report" was presented in July 2011 and includes 20 sets of measures within the seven fields of action.

The Austrian labour market setting

A key feature of the Austrian labour market is the tripartite nature of policy setting. In particular, *wage policy* is largely oriented by macroeconomic conditions and shaped by the social partners. Wage negotiations occur at the sectoral level on a yearly basis, where increases of collective wage contracts and the so-called "actual wage" paid to employees are negotiated. Within firms, further increases (overpayments) of the "actual wage" can be negotiated either individually or between the work council and management.[28] A certain co-ordination of wage policy takes place even at the firm level, due to the close links between work councils and the unions. There is no statutory minimum wage in Austria. However, the agreed-upon wages in collective agreements – which must not be lower than EUR 1 000 (on a full-time monthly basis, paid 14 times per year) – cannot be undercut. Wage differentials with respect to gender, age and industry are relatively high by international standards (see *e.g.* Böheim *et al*., 2011; and Hofer *et al*., 2001).[29]

The labour market is relatively flexible, and the level of *employment protection* is somewhat below the average of European OECD countries. In particular, individuals aged 25-50 can easily be dismissed. Job turnover is high in Austria. In 2010, 1.59 million new employment contracts were concluded and 1.55 million contracts terminated compared with a total employment of 3.36 million. This dynamic can be explained in a large part by the high seasonality of employment in Austria. Two of the main industries in Austria are construction and tourism, accounting for 9% and 6%, respectively, of total employment. These experience significant seasonal fluctuations in demand and are also sectors in which immigrants are strongly overrepresented. In 2009/10, according to data from the Austrian Microcensus, immigrants accounted for 20% of employment in construction and 33% of employment in tourism (compared with 16% in total employment). Annex Table 1.A1.4 provides an overview of the sectoral distribution of employment for the native- and foreign-born populations by gender.

The institution primarily responsible for the implementation *labour market policy* in Austria is the Public Employment Service (AMS). The AMS is responsible for tasks such as the placement of workers, support with the elimination of placement barriers, implementation of measures to raise labour market transparency, reduction of qualitative imbalances between labour demand and supply through training and retraining

programmes, preservation of jobs if this is in line with active labour market policy, and securing the livelihood of the unemployed through unemployment insurance. The concentration of the responsibility for placement activities and the disbursement of unemployment insurance benefits within the AMS is intended to secure the effectiveness of the principle of activation before passive benefit receipt.

The Austrian *welfare model* is employment-centred. The eligibility for transfer payments depends mainly on integration in the labour market. The tax burden on labour is relatively high in Austria, particularly due to the relatively high social security contributions, and the tax wedge (*i.e.* the sum of income tax and employer and employee contributions to social security as a percentage of labour costs) in Austria is well above the EU average. The relatively high marginal tax burden for low-income earners – among which immigrants are likely to be overrepresented – provides negative incentives to work. The states are responsible for social assistance, which used to be reflected in considerable differences in terms of requirements, types of services and the organisational and financial structure of the respective programmes. The introduction of a means-tested basic income scheme (*Bedarfsorientierte Mindestsicherung*) in 2010 should lead to a harmonisation of the different systems (uniform cash benefits, access conditions, conditions regarding repayment and recovery of benefits). One goal of the reform is the better integration of recipients into the labour market. The reform also aims to create one-stop-shop at the AMS, which should enhance the access to active labour market programmes for groups more distant from the labour market, among which immigrants are overrepresented.

In recent years, the *temporary employment sector* in Austria has experienced significant growth. A recent evaluation (Riesenfelder and Wetzel, 2010) has shown that temporary employment agency work grew more than threefold in Austria between 1998 and 2008. Much of the growth has been attributable to persons with a migrant background, whose share among temporary employment agency workers has increased from about 20% in 1998 to about 35% in 2008.

Key actors

In all OECD countries, the labour market integration of immigrants and their children is shaped by a multitude of actors. Nevertheless, in no other OECD country that has been under review thus far, appears the resulting framework to be as diversified as in Austria. The main actors include a broad range of ministries and agencies in the federal administration, the federal states and the municipalities, as well as the social partners.

Since the early 1990s, the *Federal Ministry for the Interior* (BMI) has been charged with the legal regulation of inflows, citizenship legislation, as well as the administration of residence permits and asylum procedures. It also maintains the relevant registers and statistics on permits and asylum requests. The ministry has recently increased efforts to co-ordinate the different actors in the field of integration policy, notably through the introduction of the National Action Plan for Integration in 2010. In April 2011, the BMI created a separate State Secretariat for Integration. Its competencies are mainly the nationwide co-ordination of integration measures and the sponsorship of related integration projects. Furthermore, the BMI deals with aspects related to the admission and residence of immigrants, as well as with the implementation of the integration agreement.

The BMI is also in charge of enforcing the integration agreement that it implements jointly with the *Austrian Integration Fund* (ÖIF), an independent agency founded in 1960 by the BMI and the United Nations High Commissioner for Refugees (UNHCR). The ÖIF had originally been a provider of care and services for humanitarian migrants, and gradually extended its services to other migrant groups. In 1991, it was outsourced from the BMI as an independent agency and is mainly in charge of administering the integration agreement through co-funding language courses and evaluating and certifying institutions that provide them. The ÖIF also assists the BMI in the distribution of resources from the *European Refugee Fund* (ERF) and the *European Fund for Integration* (EIF) and maintains four integration centres (in Vienna, Tyrol, Styria and Upper Austria) for immigrants, in particular refugees. These centres provide information and counselling on a broad range of integration-related aspects. The ÖIF also recently established a "House of Education and Professional Integration" in Vienna which provides a range of labour market-related services to immigrants.

In 2010, the BMI provided the ÖIF with a budget of EUR 11 million and spent an additional EUR 1.5 million on the National Integration Plan. It also contributed some EUR 3.3 million to the funding of integration projects such as language courses, career guidance and training for children of immigrants and refugees that were partly implemented at municipal level.

A new Federal Office for Asylum and Migration (*Bundesamt für Asyl und Migration*, BAM) is planned to be established as from late 2011. The new office is intended to shorten and simplify procedures and to unite the tasks of currently 194 agencies in one administrative unit. With respect to labour market integration, the Federal Ministry of Labour, Social Affairs and Consumer Protection *(*BMASK) plays the main role, as it administers the Law on the Employment of Foreigners and has the authority to regulate labour market access. The BMASK is also responsible for the administration of social security in Austria. Most importantly, however, the BMASK defines the framework for active labour market policy in Austria which is implemented by the AMS. There is no direct information available on the funds allocated to the labour market integration of immigrants. Information is only available on the cost of active labour market policy measures (including active labour market policy for skills training and part-time allowance for older workers) spent on foreign nationals, and this amounted to EUR 230 million in 2009, twice the 2005 level (BMASK, 2010a). The AMS is organised in agencies at federal, state and municipal levels and the offers provided to immigrants differ accordingly. The AMS offices in some states, such as Vienna and Upper Austria, have provided specific labour market measures that, although not directly targeted at immigrants, have strong indirect targeting (see Section 1.4 below).

As already mentioned, the *social partners* play a rather unique role in Austria and have important competencies in overall labour market and social policy. In addition to their role in policy-making, they offer a range of services that are provided in other OECD countries either by the governmental agencies or by other, non-governmental organisations. The Chambers of Labour, for instance, offer legal advice in cases of perceived discrimination at the workplace, as well as language and general skills training to all members. Box 1.4 gives an overview of the activities of the social partners in the field of integration.

Box 1.4. Integration activities of the social partners

Austrian labour market policy is strongly shaped by the principle of social partnership which ranks amongst the most highly developed in the OECD. It favours voluntary co-operation and the reconciliation of interests between the state, employers and employees. The social partners have traditionally exerted a strong influence on migration policy. Among the social partners, the key actors for integration are the Chambers of Labour on the employees' side and the Federal Economic Chamber as the representation of employers' interests.

The Chamber of Labour is organised on a federal basis with each federal state having its own chamber. Membership is life-long and compulsory upon entrance into the labour market, except for employees in agriculture and civil servants. The Chamber of Labour is not directly involved in collective bargaining, wage agreements or the organisation of strikes which lie within the remit of the Trade Union Federation. The Chamber is rather a think-tank, providing expertise and lobbying, as well as a range of other services for its members such as legal consultation and consumer protection.

Vienna has a particularly large immigrant population and the local Chamber of Labour is strongly involved in shaping their labour market integration. It notably provides personalised legal advice in roughly 40 000 cases per year, half of which are requested by members with a migration background. As this group only makes up one third of the Viennese Chamber's members, immigrants are overrepresented among those seeking legal support. Legal advice is frequently called on in cases of perceived discrimination at the workplace. However, such inquiries are rarely successful, as immigrants find it hard to provide proof of having been discriminated against. Besides that, it offers education vouchers and language training to its members and engages in supporting the school-to-work-transition of young people by organising a job fair and by keeping contact with problematic schools. Finally, there is a programme that trains children to become "multipliers" by informing their peers about issues of discrimination. The chamber is currently developing a diversity concept for its own employees and has started to recruit bilingual legal consultants of immigrant origin.

The Austrian Federal Economic Chamber is the legal representation of all Austrian businesses. Altogether, the organisation comprises more than 400 000 member businesses. Membership of the Austrian Federal Economic Chamber, the provincial chambers and the associations is governed by law and constituted by the exercise of an economic activity. Among the tasks conferred by law upon the Austrian Federal Economic Chamber is the responsibility to balance and represent the interests of all Austrian businesses, to promote the economy and to communicate knowledge.

The topic of immigrants' labour market integration has gained prominence for the Economic Chamber in recent years. The Chamber launched a mentoring project in 2008 which is still ongoing. Over a period of six months, a migrant who is skilled but unemployed or overqualified in his job is tutored by a person well integrated into the Austrian economy. The latter shares his or her knowledge of the Austrian labour market and recruitment system, as well as the social network with the mentee. This partnership aims at equipping migrants with social capital that will empower them over the long run, rather than just assisting with job search. Thus far, 450 mentoring couples have participated in the programme that the Economic Chamber runs jointly with the Austrian Integration Fund and the Public Employment Service. After having started in Vienna, the project was extended to three more federal states.

A range of projects and initiatives are run by the local economic chambers. The Viennese chamber, along with the federal chamber, for instance, provided language training in business German for 80 participants in 2010. In the same year, the economic chamber of Upper Austria was engaged in enhancing access to information and consulting for migrant entrepreneurs. Since 2008 it has also been involved in a project that aims to foster the labour market integration of youth with a migration background.

Both the *Chamber of Labour* and the *Economic Chamber*, as two of the key representatives of employees' and employers' interests, respectively, have only recently started to account for the growing diversity of their members in their organisational structures. The right of foreign citizens to be elected as a representative was only formalised in 2006 by the Chamber of Labour. In the Economic Chamber, only Austrian nationals have passive voting rights. Since 2010, however, Turkish entrepreneurs can run for representative posts in the Economic Chambers, on the basis of a bilateral agreement.

Regarding the education of immigrants and their children, responsibilities are distributed among several actors. While the *Federal Ministry for Education, Arts and Culture* (BMUKK) defines the legislative framework for language training in pre-, primary and lower secondary schools, the actual implementation is partly taken over by the federal states.[30] Municipalities are in charge of maintaining schools and headmasters and enjoy considerable autonomy in budgetary matters (see OECD, 2009a). Due to this fragmentation, the quality and availability of integration measures for the children of immigrants varies widely (see Section 1.5). Adult education for migrants is mainly provided in educational institutions that are financed by the social partners.

The recognition of foreign qualifications is also shared by four different ministries, namely the *Federal Ministry for Science and Research* that maintains the National Academic Recognition Information Centre (ENIC-NARIC Austria) and is in charge of academic diplomas, the *Federal Ministry of Economy, Family and Youth* in matters of vocational education and training, as well as the *Ministry for Education, Arts and Culture* and the *Ministry of Health* with respect to school-leaving diplomas and healthcare qualifications, respectively.

Most *federal states* have recently adopted a formal integration strategy or are currently in the process of doing so. These strategies stipulate a range of policy goals that aim at securing a continuous long-term commitment to integration, regardless of changing political regimes. Since the introduction of the first municipal integration strategy by the city of Dornbirn in 2002, more and more small- and medium-sized cities have developed their own concepts of integration policy. In 2009, three quarters of all cities with more than 20 000 inhabitants either had developed an individual integration strategy or had adopted the strategy of their federal state (Antalovsky *et al*., 2009).

As in other OECD countries, a large part of integration policy in Austria is implemented at the *local level*. The allocation of social services, for instance, is administered through the BMASK, but delivered largely by the municipalities. Likewise, the BMUKK sets the framework for early childhood education and language training in schools, while the municipalities secure its provision. The municipalities also administer the provision of communal housing and many of them reserved these facilities for Austrian and EEA nationals until 2005. After that, access was liberalised nationwide as a measure of harmonisation with EU legislation.

A particularly important role is played by *Vienna*, which is both a city and a state, and which hosts 42% of the immigrant population in Austria (for an overview of the labour market integration of immigrants in Vienna, see Biffl *et al.,* 2008). Particularly strong is the presence of children of immigrants. 43% of the underage population is either foreign-born or native-born with two foreign-born parents. Because of this strong immigrant presence, there is a broad range of services available to immigrants and their children. For example, the Viennese AMS maintains a special agency for youth. Although migrants are not yet an official target group, they are still targeted indirectly since more than 60% of

the youth agency's clients have a migration background. Vienna also offers a number of integration activities with a specific focus on refugees and on immigrant women. It has also established a specific fund, the Vienna Employment Promotion Fund (*Wiener ArbeitnehmerInnen Förderungsfond,* WAFF), which provides a range of services to migrants (among other groups), including counselling and financial support for training. The municipal administration, moreover, maintains a separate department for integration and diversity (*Magistratsabteilung 17*) that promotes diversity within the administrative body (see *Magistratsabteilung 17*, 2009). It also runs a range of support measures such as language support programmes linked with a childcare facility for immigrant mothers.

Where the public infrastructure has been lacking, *non-governmental organisations* (NGOs) have generally stepped in, albeit rarely in a way that would ensure a co-ordinated and nation-wide coverage. An exception is the field of anti-discrimination policy. About 22 NGOs are grouped under the Litigation Association against Discrimination *(Klagsverband*) that was founded in 2004 as an umbrella organisation of NGOs and provides legal assistance and general information on anti-discrimination. They are an important complement to public anti-discrimination policy that is not yet comprehensive. Key actors at the federal level are the *Equal Treatment Commission* and the *Ombud for Equal Treatment* under the auspice of the *Federal Chancellery's Division for Women and Gender Equality,* which provide a means for potential victims of ethnic discrimination to have their case evaluated in terms of the anti-discrimination law before actual court proceedings need to be enforced. Equal treatment commissions also exist at state level. The extent to which these official facilities are used remains, however, limited thus far.

Other NGOs and the welfare services of the churches assist immigrants and asylum seekers with finding housing and employment, provide shelter and counselling centers, as well as legal advice and short-term financial support. Such NGOs, furthermore, offer language courses, including special training opportunities for children with special needs and special assistance and training opportunities for women.

Compared with the other OECD countries that have been under review thus far, *immigrant associations* seem to be less developed in Austria and are essentially small-scale. Until the 1980s, immigrant associations focused on the maintenance of ethnic identities, traditions and links with the countries of origin, rather than on promoting their members' integration into Austrian society. This was a response to the insecure residence status of many migrants in Austria, who faced the constant risk of being sent back to their countries of origin. In recent years, migrant associations have received more financial support to help them to professionalise their structures and to provide integration measures.

1.3. Migrants' position in the labour market: some key issues

The labour market access of immigrants and the outcomes of recent arrivals

Evidence from a number of OECD countries suggests that *early participation* in the labour market is a key determinant of future labour market performance for immigrants, and several OECD countries have put a lot of effort into preparing immigrants to enter the labour market and take up employment soon after arrival. In Denmark, where policies in this respect are particularly strong, this strategy has been associated with significant improvements in the labour market outcomes of new arrivals in recent years (see OECD, 2007).

One of the basic preconditions for migrants' entry into the labour market is that they have full access to the latter, without a labour market test or other administrative burdens for employers which would prevent them from employing immigrants. Indeed, there is little reason for putting administrative obstacles in the way of early labour market entry for migrants who can be expected to stay in the country for good, and all OECD countries that have been under review by the OECD thus far generally provide permanent-type migrants with full access to the labour market upon arrival.

Austria is among the few OECD countries that do not automatically grant full and immediate labour market access to all permanent-type migrants. The Austrian framework is rather complex and has changed repeatedly since the late 1980s (for an overview, see Deutsch *et al.,* 2010). Recognised refugees, persons under subsidiary protection and family members of an EEA citizen get full and immediate labour market access. Other new arrivals (essentially family migrants of non-EEA citizens) are subject to the requirement of having a work permit until they can change status to an "unrestricted permanent residence permit" which already includes the entitlement to work; for family migrants of non-EEA citizens this is generally possible after a year. In essence, only a small group of resident (permanent-type) migrants thus still needs a separate work permit.

To obtain such a permit, a number of requirements have to be met, including passing a labour market test. In addition, the employer needs to request the work permit. In practice, this means that the labour market is essentially closed for migrants concerned by these regulations, as only the highly-educated and specialists will both pass the labour market test and find an employer willing to go through the red tape to hire them.

The requirement of a work permit was abandoned for most of the remaining migrant groups still subjected to it, notably the majority of family migrants, in the framework of the comprehensive reform of the immigration framework which entered into force in July 2011. It remains, however, in place for a few, relatively small groups of immigrants. The main group for which a work permit will continue to be required is temporarily admitted humanitarian migrants who do not have a certification of basic knowledge of German. For those migrants among this group who will remain in Austria, the lack of labour market access is unfortunate not only because of the negative impact on employment prospects, but also since having a job tends to have important spillover effects to other integration outcomes, including mastery of the host-country language. In addition, this group has access neither to subsidised language training through the integration courses nor to the free language training provided by the AMS (since they are not yet part of the labour market). At the same time, because of the lack of labour income, they will often not have the funds for privately-provided language training.

One (again small) group which currently does not have any labour market access – at least initially – are migrants who have arrived as adult immigrant offspring and other (non-core) family migrants. They can only access the labour market if they manage to change status to an unrestricted permit after five years. In order to do so, however, a stable source of income is required – something which tends to be difficult for persons who are not allowed to work.

The provisions regarding labour market access of asylum seekers are also rather restrictive. Most OECD countries provide labour market access for asylum seekers at some stage after arrival, although the provisions vary – from three months in Finland to 12 months (plus a labour market test) in Germany. In Austria, employment of asylum seekers is currently only possible after three months and only for seasonal work after a

labour market test, and upon employer request. Given that asylum procedures can be rather lengthy before some kind of humanitarian permit is granted, this means that a significant proportion of immigrants who will remain in Austria on humanitarian grounds may have to wait for many years before getting in touch with the regular labour market.[31]

As explained in Section 1.2 above, since 1993 the issuance of a work permit is subject to numerical limits which essentially aim at ensuring that new work permits can only be granted if the share of migrants in the labour market who are neither EEA migrants nor recognised refugees does not exceed a certain percentage, currently 7%. The current share is a little over 6% and indeed, the quota has generally not been reached over the past decade. Even if this figure were reached, a special ordinance by the Minster of Employment would allow for granting additional work permits to most migrant groups up to a further limit of 8% of the workforce. Different numerical limits also used to apply at the regional level where they depended on the already resident population, further adding to the complexity of the system. These regional limits were abolished under the new post-July 2011 immigration framework.

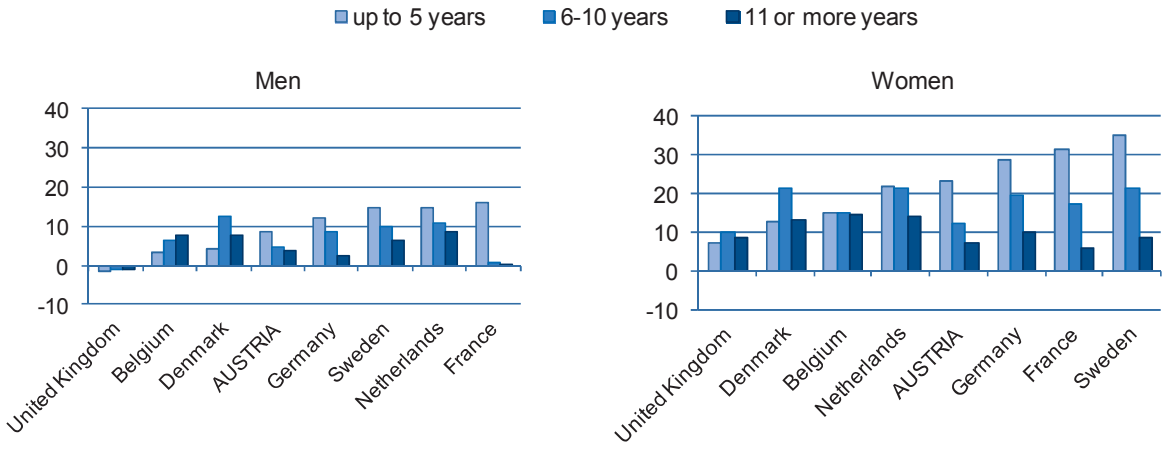
Indeed, the labour market access of immigrants has become significantly liberalised over the past 15 years, partly driven by EU directives such as notably the directive on family reunification. Prior to 2003, when the latter directive was implemented in Austria, the labour market test applied for family migrants from non-EEA countries during the first five years of residence; until 1998, the waiting period was eight years. Until 2007, the provisions were similar for persons with subsidiary protection who account for the bulk of humanitarian migrants to Austria. In that year, the waiting period was abolished.

Figure 1.8 shows the differences in the employment rates between immigrants and the native-born by duration of residence. As can be seen, the differences are pronounced in Austria over the first five years for women from lower-income countries, in particular for those from Turkey. A worrying trend is that the gaps for newly-arrived *vis-à-vis* the native-born women increased for all groups between 2004/05 and 2008/09, in spite of various policy measures which intended to improve their integration outcomes, including the "integration agreement" which was introduced in 2003 for family migrants and extended in 2006, strengthening its compulsory component.

Evidence from other OECD countries (*e.g.* Clausen *et al.*, 2008) points to "lock-in" effects of language training, as it may prevent participants from entering the labour market. However, it is unclear to what extent, if any, such effects are responsible for the declining labour market performance of recently arrived women from lower-income countries in Austria.

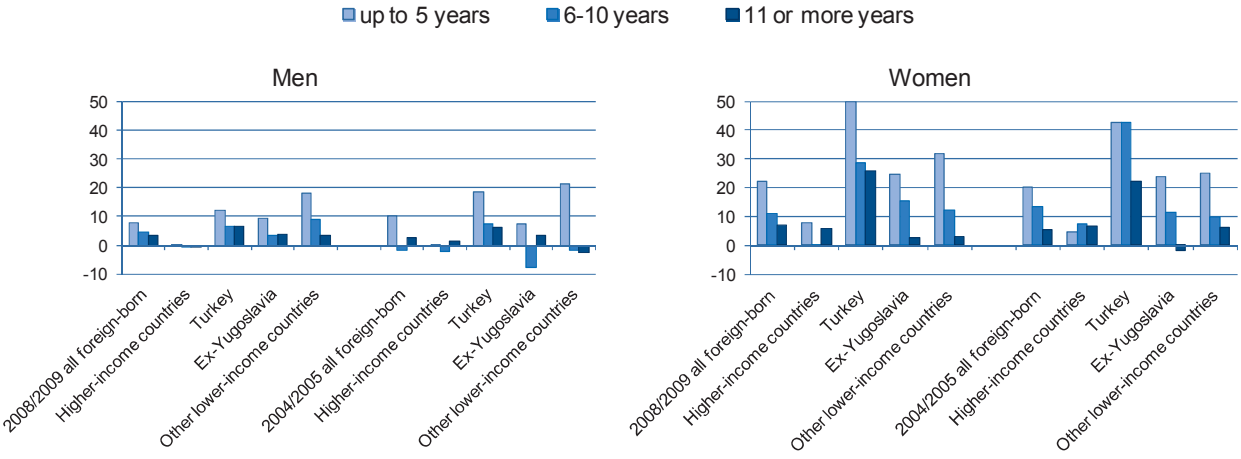
Although the overwhelming majority of permanent-type migrants now enjoy full labour market access, there seems to be little reason for the remaining exceptions. In addition, they make the system highly opaque and may prevent employers who have little experience with hiring foreigners from doing so – and this can have a negative impact even on those many migrants who do enjoy full access.

Figure 1.8a. Percentage-point difference in the employment rates of immigrants aged 15-64 compared with the native-born in selected OECD countries, by duration of residence and gender, 2008/09



Source: Austrian Microcensus (data provided by Statistics Austria).

Figure 1.8b. Percentage-point difference in the employment rates of immigrants aged 15-64 compared with the native-born for different immigrant groups in Austria, by duration of residence and gender, 2004/05 and 2008/09



Source: Austrian Microcensus (data provided by Statistics Austria).

The integration of immigrant women

As noted, immigrant women from lower-income countries appear to have been particularly hit by the above-mentioned significant restrictions in labour market access which have been in place until recently for many non-labour migrants during the first years of residence. Since early labour market integration is an important determinant of integration outcomes in the long run, these past restrictions may still negatively impact on the labour market integration of immigrant women.

Indeed, as seen in the overview in Section 1.1, immigrant women have relatively unfavourable labour market outcomes in Austria. This holds in particular for those from Turkey, who have both the lowest employment rates (only 38% of those in working-age

are employed) and the highest unemployment rate (13.6%, almost four times the level for native-born women) among all major origin groups.

Other factors have also contributed to this unfavourable labour market position. In particular, the education level of immigrant women from Turkey is particularly low – more than three quarters have at most lower secondary education (see Table 1.A1.1). However, even after accounting for this, significant gaps in the labour market outcomes still remain for immigrant women from lower-income countries with the notable exception of women from the former Yugoslavia (see Table 1.3).

Another explanatory factor may lie in the lack of incentives to work. However, in contrast to other OECD countries, the tax and benefit system does not provide particularly strong disincentives for second earners with low expected earnings levels.

Finally, early childhood education and care (ECEC) is relatively poorly developed in Austria in international comparison, in spite of significant improvements over the past decade.[32] As will be seen in more detail in Section 1.5 below, the children of immigrants up to the age of 4 are underrepresented in ECEC in Austria. There seem to be some links between the low employment rates of immigrant women and the limited participation of children of immigrants in ECEC.

An analysis of the association between childbearing and the employment of women is given in Table 1.3. As can be seen, the negative association between having a child below the age of 5 and employment is much stronger for immigrant women, in particular for those from lower-income countries. This suggests that they could particularly benefit from a broader provision of ECEC.

Table 1.3. Association between childbearing and the employment of immigrant women aged 15-64 in Austria, 2009/10

Variables	(1)	(2)	(3)	(4)
Born in Turkey	-30***	-14***	-13***	-10***
Born in Ex-Yugoslavia	-6***	3***	3***	5***
Born in other lower-income country	-12***	-12***	-11***	-9***
Born in high-income country	-3***	-8***	-7***	-7***
Having at least one child below age 6			-5***	-2***
Having at least one child between ages 6-17			5***	4***
Child below 6 x Turkey				-14***
Child 6-17 x Turkey				5*
Child below 6 x Ex-Yugoslavia				-17***
Child 6-17 x Ex-Yugoslavia				5***
Child below 6 x other lower-income country				-13***
Child 6-17 x other lower-income country				4*
Child below 6 x high-income country				-6***
Child 6-17 x high-income country				5***

Note: The dependent variable is the dichotomous variable "employed". The coefficients correspond to an estimate of the parameters of a linear regression on the employment of women between 15 and 64 years. The figures depict the predicted percentage-points difference between the employment rate of the respective group and native-born women in the population. The reference group is native-born women. All models include a constant. Models 2-4 also include control variables for age and educational attainment. *, **, *** denote significance at the 1%, 5% and 10% level, respectively.

Source: Austrian Microcensus (data provided by Statistics Austria).

There have been a number of initiatives, in particular at the state and local level, to promote the labour market integration of immigrant women. The most important measure has been the "*Mama lernt Deutsch*" (Mama learns German) project in Vienna which provides basic German-language knowledge to immigrant women without prior knowledge of German. More than 5 000 immigrant women have participated in these courses since 2006. This training is generally followed up by some more labour-market-oriented language training or other measures. Since October 2010, these offers are complemented by additional specific literacy training for those women who lack basic qualifications.

Migrants' qualifications and labour market outcomes

A characteristic feature of the Austrian population is the predominance of medium-level qualifications. Among the prime-age population of 25 to 54 years, more than two-thirds of the native-born have as their highest education upper or post-secondary degrees, which is more than in any other country in the comparison group (see Table 1.4). The proportion of highly-educated, on the other hand, is relatively small and amounts to only 19%, compared with 28% on average for the OECD countries included in Table 1.4. This distribution stems from the prominent role of vocational training in the Austrian education system, which will be discussed in more detail in Section 1.5.

Table 1.4. Distribution of the native and foreign-born population aged 25-54, by educational level, selected high-income countries, around 2008/09

Percentage

		ISCED 0-2	ISCED 3/4	ISCED 5/6
Austria	**Native-born**	**13**	**68**	**19**
	Foreign-born	**30**	**51**	**19**
	Foreign-born, lower-income	**44**	**43**	**14**
Belgium	Native-born	23	41	37
	Foreign-born	39	30	31
	Foreign-born, lower-income	46	28	26
Denmark	Native-born	20	43	37
	Foreign-born	29	39	32
	Foreign-born, lower-income	42	36	22
France	Native-born	23	45	32
	Foreign-born	41	31	28
	Foreign-born, lower-income	43	30	27
Germany	Native-born	9	64	28
	Foreign-born	35	45	20
	Foreign-born, lower-income	...	...	...
Netherlands	Native-born	22	44	35
	Foreign-born	39	33	28
	Foreign-born, lower-income	45	32	22
Norway	Native-born	18	44	38
	Foreign-born	26	35	38
	Foreign-born, lower-income	36	33	31
Sweden	Native-born	11	55	34
	Foreign-born	25	40	35
	Foreign-born, lower-income	29	37	33
United Kingdom	Native-born	27	39	34
	Foreign-born	22	41	37
	Foreign-born, lower-income	26	38	36
United States	Native-born	7	61	32
	Foreign-born	28	42	30
	Foreign-born, lower-income	31	41	28
Switzerland	Native-born	5	58	36
	Foreign-born	27	38	36
	Foreign-born, lower-income	31	40	29
OECD average[1]	Native-born	15	47	30
	Foreign-born	28	35	28
	Foreign-born, lower-income	37	36	27

1. The OECD average refers to the unweighted average of all countries included in the table.

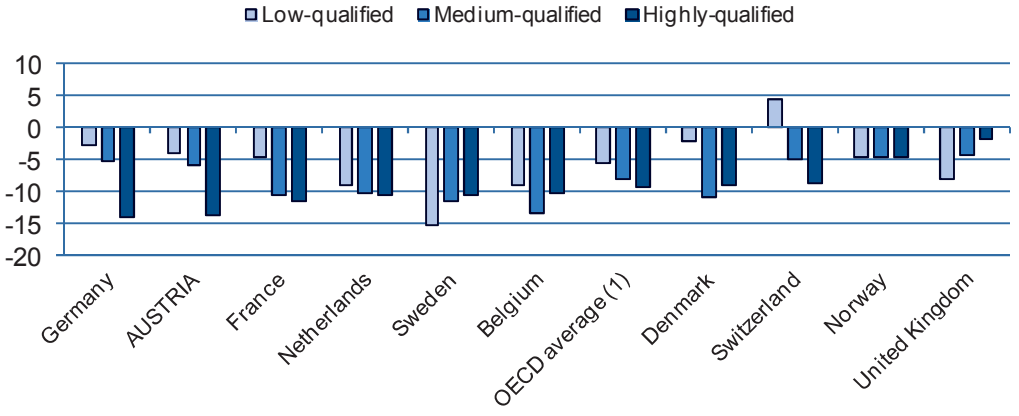
Source: European Community Labour Force Survey 2009 and Current Population Survey March Supplement 2009 for the United States.

Immigrants in Austria have a similar proportion of highly-educated as the native-born population. However, they are strongly overrepresented among the low-educated. 30% of all foreign-born and 44% of immigrants from lower-income countries have not completed upper secondary education compared with only 13% of the native-born. The difference is particularly large among immigrants from lower-income countries. These are three times as likely to be low-educated as the native-born. Only Germany has a similarly strong overrepresentation of the former. However, as in other OECD countries, recent arrivals seem to be more educated than past immigrant cohorts. Among those who have arrived over the past decade, 23% are highly educated.

The low average educational attainment of immigrants in Austria is particularly problematic since the Austrian labour market places strong emphasis on formal qualifications, as evidenced by a strong increase in the employment rate with education level (see OECD, 2009a).[33] Overall, the employment rate for the highly-educated aged 25-64 is 30 percentage points higher than for the low-educated, above the OECD average of 26 percentage points.

However, the increase is much less pronounced for immigrants, who apparently have difficulties in having their education credentials equally well accepted as the native-born. Figure 1.9 shows the differences in employment rates between immigrants and native-born by education level. In general, these gaps tend to be larger for highly-qualified immigrants than for the low-educated. In Austria, as well as in Germany, France and Switzerland, this tendency is particularly pronounced. A more detailed breakdown by gender and country of origin is provided in Table 1.A1.5 in the annex. It shows that immigrant men with low education have a slightly higher employment rate than comparable native-born men. It is again the immigrants from lower-income countries, and in particular women, who face the largest disadvantages.

Figure 1.9. Percentage-point differences in employment rates of foreign- and native-born, by educational level, people aged 15-64 not in education, 2008/09 average



1. The OECD average refers to the unweighted average of all countries included in this figure.

Source: European Community Labour Force Survey 2008/09.

Even when they find employment, highly-educated immigrants in Austria have, compared with the native-born, a much lower probability of being in a job that matches their skills. While 70% of the highly-educated native-born are employed in highly-skilled jobs, this only holds for 55% of the foreign-born (see Annex Table 1.A1.6). Among

immigrants from lower-income countries, only 40% of those who are highly-educated are actually working in a highly-skilled job. Among the countries in the comparison group, Austria records the largest percentage of highly-educated foreign-born from low-income countries working in low-skilled jobs, as well as the highest share of inactive persons from this group (along with the Netherlands).

Further analysis points to similar tendencies in occupational outcomes for the large group of medium-educated. One third of the native-born with upper and post-secondary education are working in jobs above their skill level, while only 7% are in low-skilled jobs. In contrast, almost one third of medium-qualified immigrants from lower-income countries work in low-skilled jobs. It hence appears that the native-born are more prone to being underqualified for their jobs, whereas immigrants from lower-income countries tend to be overqualified. Immigrants from higher-income countries have, once more, almost the same outcomes as the native-born. It is thus essentially immigrants from lower-income countries who find their credentials discounted on the Austrian labour market.[34]

One possible explanation for the high incidence of overqualification among the immigrants in Austria could be the fact that until recently, employment was required for many immigrants to maintain a secure residence status, obliging immigrants to take up any job, even one for which they were overqualified. In addition, the access of foreign nationals to both unemployment support and social assistance used to be restricted until the late 1990s. In 1990, for example, more than 90% of the registered unemployed nationals received either unemployment support or social assistance, compared with only 48% of foreigners (see Biffl, 1992). Finally, for those who needed a work permit (mainly recent arrivals), this used to be tied to a specific employer until recently. This hampered upward job mobility.[35]

The value of foreign qualifications

Another explanation for the above-mentioned disparities in the outcomes between native-born and immigrants with the same education level from lower-income countries could be that Austrian employers value less degrees which have been acquired in a foreign education system. Indeed, analysis of the probability to be in a highly-skilled job suggests that the country of origin of a higher degree is of considerable relevance for the labour market outcomes of immigrants in Austria (see Table 1.5). Compared with the native-born, the foreign-born with Austrian qualifications seem to be the least disadvantaged, followed by immigrants with degrees from other high-income countries. Immigrants who completed their education in a lower-income country, on the other hand, appear to have significantly lower probabilities, even after accounting for other factors such as duration of residence.

Those immigrants from lower-income countries who have their education formally recognised still experience a significant discount, but the differences in the probability to be in highly-skilled employment are reduced by 26 percentage points. This suggests that at least part of the devaluation might arise from employers' unfamiliarity with foreign qualifications (see also Gächter and Smoliner, 2010; Gächter, 2010).

Table 1.5. Percentage-point differences in the probability of being in highly-skilled employment for highly-educated persons aged 15-64 in Austria, by origin of the qualification, 2008

Variables	(1)	(2)	(3)
Foreign-born	-25***		
Highest education in Austria		-11**	-11**
Highest education from abroad			
Highest education from high-income country		-17***	-17***
Highest education from lower-income country		-45***	
Highest education recognised			-26**
Highest education not recognised			-50***
(Reference group: native-born)			

Note: The figures show the differences between immigrants and the native-born. They correspond to marginal effects in a logistic regression, calculated at the sample means of the respective variables. The reference group is the native-born. *, **, *** denote significance at the 1%, 5% and 10% level, respectively. All regressions control for gender, years of work experience in Austria, living in or outside of Vienna and number of children. Managers of small enterprises (up to five employees) and persons in full-time education were excluded from the sample.

Source: Austrian Microcensus, *ad-hoc* module 2008 (data provided by Statistics Austria).

Recognition of foreign qualifications

Having one's foreign qualifications formally assessed and recognised is thus a key issue for labour market integration. In Austria, the outcome of the recognition procedure for academic qualifications can be either a so-called "nostrification" which provides an Austrian academic title but often requires revision of certain parts of the curriculum in an Austrian university, or a so-called "evaluation" which is non-binding, but places the foreign degree in the context of the Austrian education system without further requirements.[36] The outcome of the process for non-academic, vocational qualifications is an "equivalence". In addition, for a range of academic and non-academic degrees from countries maintaining bilateral agreements with Austria, a formal "recognition" can be acquired through a fast-track procedure.

The Austrian system for recognition is thus rather complex, and this complexity is further reinforced by the fact that different bodies are in charge of the various types of credentials. The Ministry of Economy, Family and Youth, for instance, assesses the equivalence of vocational qualifications, while school-leaving diplomas fall under the domain of the Ministry for Education, Arts and Culture. The "nostrification" of academic credentials is conducted by universities, following common standards which are set by the Ministry for Science and Research. The Ministry of Health is, finally, responsible for the recognition of qualifications in certain healthcare professions.[37]

In the case of vocational qualifications, the assessment of "equivalence" tends to be difficult because Austria operates a dual education system, combining apprenticeship training at the workplace and in vocational schools, whereas several key origin countries rely on purely school-based programmes. As a result, vocational qualifications from such countries are often only partially recognised. Equivalence can be certified directly within two weeks, but if there is some doubt about the qualification, the applicant is required to pass either the practical part of the relevant Austrian apprenticeship examination or even the complete exam before the certificate is issued. For immigrants from these groups, an

"evaluation" (as is possible for academic qualifications) would seem useful, but this is currently not possible.

In 2010, the Federal Ministry of Economy, Family and Youth processed roughly 30 requests for equivalence certificates per month, mostly filed by immigrants from the former Yugoslavia and from Germany. With Germany, in addition, there are bilateral agreements on a range of vocational qualifications for which direct recognition is guaranteed.

With respect to academic diploma, Austria maintains several bilateral agreements with most of the major origin countries to facilitate the recognition procedure, such as with Bosnia, Croatia and Serbia. Immigrants from these countries can address the Ministry of Science and Research for recognition of their degrees if the agreement covers their study discipline. If the set of personal and academic documents is complete, they can expect to be notified on the result within a few weeks. Given that about one third of the immigrants with foreign qualifications come from a country that maintains a bilateral agreement with Austria, the number of recognitions that are actually processed through this path is small – only 70 in 2010.

However, as seen above, having one's foreign qualifications formally assessed seems to convey considerable benefits to migrants. One possible reason for the apparent strong link between the assessment and labour market outcomes is that the procedure reduces employers' uncertainty about the value of foreign qualifications. In addition, wage agreements fixing wages according to qualifications generally refer to Austrian qualifications and do not necessarily apply to foreign credentials. Furthermore, foreign qualifications which are not formally recognised do not conform generally to the classifications used by the Public Employment Service's digital registration system. In such cases, their holders are generally assigned the code "PO", which implies that compulsory education has not been completed.

A major shortcoming of the current framework is the lack of a one-stop centre which would be in charge of qualifications at all levels and domains. Immigrants have to rely on NGOs for guidance, and these are rarely available outside of the main cities. Only immigrants with academic degrees can seek advice at the ENIC-NARIC Austria under the auspices of the Ministry for Science and Research, which provides individual, non-binding assessments of diplomas, as well as advice on further steps to follow in seeking recognition of foreign qualifications.

Administrative fees for the recognition procedure are modest. They range from EUR 13 for vocational credentials to EUR 150-160 for academic degrees and regulated healthcare professions. Like the amount of fees, the duration of this procedure varies, from a few weeks in cases of existing bilateral agreements to several months or longer, in cases where applicants need to revise parts of the curriculum in the Austrian system.

About three quarters of all migrants with post-secondary degrees have obtained these abroad (see Table 1.6). In spite of the above-mentioned link between recognition and labour market outcomes, the majority of these immigrants do not go through a recognition process. Only about 30% of immigrants who completed at least post-secondary education abroad stated in 2008 that they had applied for recognition of their qualifications. Out of these, the vast majority ultimately obtained it, with less than 10% of the requests being rejected. Among those who did not apply, when asked for the reason, about two-thirds stated that they did not consider it necessary. It is not clear what is underlying this statement – that is, whether the employer recognised their qualifications

without a formal recognition procedure, or whether they are simply not aware of the procedure and its accessibility for non-regulated professions. Given the apparent benefits which the recognition procedure seems to convey in Austria, these reasons for not applying for qualifications recognition should be subject to closer study.

Table 1.6. Achievement of a higher degree abroad and efforts to have it formally recognised in Austria for foreign-born aged 15-64 with post-secondary education and above, 2008

Highest degree or qualification achieved	Foreign-born in %		Foreign-born, from a lower-income country, in %	
In Austria	**28**		**24**	
Abroad, out of which	**72**		**76**	
applied for recognition, out of which	32	*(100)*	29	*(100)*
degree was recognised		*88*		*81*
degree was not recognised		*6*		*9*
did not get the result yet		*6*		*10*
did not apply for recognition	68	*(100)*	71	*(100)*
was not necessary		*67*		*62*
other reason		*33*		*38*

Note: How to read the table: 72% of immigrants with post-secondary qualifications got their highest qualification abroad. Out of these, 32% applied for recognition. Among the latter, 88% succeeded.

Source: Austrian Microcensus, *ad-hoc* module 2008 (data provided by Statistics Austria).

Informal qualifications or practical work experience cannot be considered during the assessment procedure and are not subject to any formal accreditation. Indeed, non-formal qualifications have received little policy attention in Austria thus far and there is no comprehensive procedure for the accreditation of prior learning (APL) in place. In the state of Upper Austria, however, the Social Partners, in co-operation with the Public Employment Service, have launched a pilot project in 2007 that assesses non-formal and informal qualifications in a modular procedure. Through targeted complementary training measures, participants are individually trained for a skill level that corresponds to the Austrian apprenticeship examination in the respective profession. After successful completion of the programme, they are awarded a formal certificate of equivalence.

The public debate on the necessity of such measures has increased over the past ten years (see Österreichische Universitätskonferenz, 2009). Indeed, one would expect immigrants to benefit disproportionately from such measures, given that employers tend to be more uncertain about the qualifications and skills of immigrants who have obtained these in often very different contexts.

Finally, there are relatively few specific integration offers for highly-skilled migrants. Indeed, most available measures tend to focus mainly on lesser-skilled migrants and their children.[38] However, in the framework of the recent "skilled worker initiative" (see Section 1.4), skilled and highly-skilled migrants have been targeted indirectly. In addition, there are a number of projects at the regional and local level, but these are generally small-scale.

1.4. Integration policy

Immigrants' participation in active labour market programmes

Considering the low overall unemployment rate in Austria, spending on active labour market policy measures (ALMP) is relatively high compared with other OECD countries (see Duell *et al.,* 2010). Currently, immigrants are not a specific target group for labour market policy in Austria, but the current version of the Federal Minister's labour market policy targets for the AMS provides for including immigrants as a separate target group, to be implemented from 2012 onwards.[39]

Indeed, in recent years there has been a growing effort to cater better for the needs of immigrants and their offspring, albeit mainly on a project-like basis, with multi-level financing and at the regional level. This has been partly integrated in the overall framework of the so-called "integration initiative" (see below). For example, the Territorial Employment Pacts (co-financed by the European Social Fund and the Austrian Federal Ministry of Labour, Social Affairs and Consumer Protection) have funded or co-funded several projects for specific migrant groups (immigrant offspring, immigrant women, and refugees). Unfortunately, none of these projects has been evaluated in a way that would permit to determine whether or not they are effective labour market integration tools.[40] The AMS also enhanced its efforts to better reach immigrants, including by providing specific counselling for immigrants and information materials targeted at immigrants. In addition, the AMS has tried to increase the share of persons with an immigration background among AMS staff, among other, by favouring the hiring of persons who speak the main languages of immigrants. The Vienna AMS has implemented a comprehensive diversity management approach and provides, among other measures, special diversity training to its staff. Since 2007, it also obliges external course providers to participate in a two-day special "diversity course" which includes awareness-raising about discrimination mechanisms in the labour market.

Participants in active labour market policy measures are assigned to the individual courses by their AMS case workers. Most of the courses are organised by private companies. To date, there has been no comprehensive evaluation of the effect of the Austrian ALMPs on immigrants.[41] Indeed, policy evaluation is poorly developed in Austria. Many "evaluations" content themselves with descriptive analysis. The "effect" is sometimes merely measured by taking the participants' opinions about the measure's usefulness, albeit this is often complemented by descriptive figures about transitions into employment.

Until recently, information on participation in active labour market policy measures has only been available on the basis of nationality. Better data are gradually becoming available as the AMS data now allow to identify not only current nationality but also naturalisation of immigrants and their offspring (see Box 1.1 above).

According to data from the AMS, persons with a migration background account for about 32% of persons registered as unemployed. Given this share, persons with a migration background appear to be roughly proportionally represented among participants in common active labour market programmes in Austria (see Table 1.7). They are almost exclusively targeted by AMS-financed language courses which prepare for the labour market.[42] The highest job placement rate is reached by workshop-based dual programmes, followed by "inplacement foundations" (see Box 1.4) and wage subsidies. All of these seem to be rather effective, if the overall percentage of low-educated unemployed in Austria who are in employment a year later is taken as a rough benchmark for the

evaluation.[43] The lowest percentage of persons with an immigrant background is found in inplacement foundations ("*Implacement Stiftungen*"), yet this measure seems to be a particularly beneficial programme for immigrants and their children.

In other OECD countries, wage subsidies have had a demonstrably strong effect on improving migrants' labour market integration, over and above the effects obtained for natives. Although the overall employment rates of persons who previously benefited from this measure (integration subsidy) are high in Austria as well, there is no difference in the placement rates between participants with and without a migration background.

Table 1.7. Participation in selected labour market programmes and employment rates three months after programme participation, 2009

Programme	Number of participants	Share with a migration background (in %)	% in employment three months after completion of the programme	
			without migration background	with migration background
Inplacement foundations	5 540	21	51	59
Language courses	10 442	..	..	22
Workshop-based dual programmes	7 880	49	73	67
Wage subsidies	22 768	37	62	60
Socio-economic enterprises	16 619	38	36	33
Non-profit employment projects	6 987	25	41	41

Note: The figures for the share of "persons with a migration background" refer to the foreign-born and native-born with two immigrant parents.

Source: OECD Secretariat calculations on the basis of data provided by the Federal Ministry of Labour, Social Affairs and Consumer Protection and the Austrian Microcensus (data provided by Statistics Austria).

In recent years, there have been a number of measures to foster migrants' skills. In 2008, the federal government launched an initiative to enhance the pool of skilled labour in Austria (skilled labour initiative), and enhancing the skills of immigrants has been an important focus of this initiative.[44] In 2010, almost EUR 80 million were spent on training and other measures under this programme, 18% of which was spent on foreigners. A second programme with a specific focus on skilled labour in the metal industry had been launched in 2007 already (lasting until 2009). The available figures for foreigners – 21% of the EUR 77 million spent concerned foreigners – suggest that they have been well overrepresented. According to an internal analysis carried out by the BMASK, the share of participants with a migration background amounted to approximately one third in this programme. Indeed, in the integration efforts in Austria there has been a particular focus on occupations in which there is a current or expected future demand for skills, and there is some evidence that this has paid off (see Box 1.5).

Box 1.5. Integrating immigrants into shortage occupations

Skill shortages are a growing problem in Austria, in particular in some of the more dynamic regions. The government has therefore launched a number of important initiatives in this respect since 2008 to promote skilled employment for those not in employment. Although not directly targeted by most of these measures, immigrants are overrepresented in several of these. One of the industries where labour shortages are pronounced is the metal industry. To tackle the issue, the AMS launched a "skilled metal workers training campaign" in 2007 that aimed at doubling the number of skilled metal workers trained in AMS measures from previously 5 000 to 10 000 per year and was funded with EUR 133 million over a period of two years. About 20 000 persons participated in the programme between 2007 and 2009 and about one fifth of these were foreign nationals. Indeed, immigrants were mentioned as a particular target group for this measure. Participants were either placed in apprenticeships that led to a final apprenticeship examination or participated in intensive training courses for skilled workers that build upon existing competencies. The AMS has, moreover, launched a "regional skilled worker programme" in 2008 that allows to adjust the quantity and quality of "skilled worker training" to the needs of regional labour markets (BMASK, 2010b).

The AMS of Upper Austria, for instance, has implemented the "skilled metal workers training campaign" in a large-scale programme since 2008 that has a modular structure and includes several stages of language – and vocational training. To prepare for the final apprenticeship examination, participants gain hands-on experience in machine parks that were especially set up for this purpose. Participants are paid a monthly allowance that corresponds to 70% of the former net income (for those with previous employment). The programme can take up to 18 months but because of the modular structure, participants are free to skip certain modules or to finish without taking part in the final examination. From the roughly 600 persons on average that have started the programme each year, 40% complete the entire course. Immigrants make up for almost 40% among all participants and even half of the participating women.

The budget for this qualification programme amounted to EUR 13 million in 2010, which represented 10% of the total budget of the AMS Upper Austria and corresponded to over EUR 20 000 per participant. A first evaluation in the second half of 2009 suggested that the measure was rather successful, as 59% of the participants were in skilled employment three months after completion of the programme, despite the economic crisis which hit the Austrian labour market at the same time. It is estimated that more than two-thirds of the participants actually integrate into the steel industry. The figures are broadly the same for immigrants.

Another rather successful tool for the targeted training of unemployed for shortage occupations is the so-called "inplacement foundations", introduced in 2002. One week after completion of the programme, more than half of the participants are in employment. This figure even rises to almost 70% one year after the end of the measure (BMASK, 2010a) and the available evidence in Table 1.7 suggests that it is particularly beneficial for immigrants, albeit they tend to be significantly underrepresented. Funded and organised jointly by the AMS and employers, inplacement foundations train participants specifically for vacancies that enterprises cannot fill from the regular labour supply. Employers participate in the recruitment of participants, as well as in the development of a tailor-made training plan. During the programme that usually takes between one and three years, they contribute to the monthly training costs (in Styria, for instance, they contribute an amount of about EUR 400 per month) and provide candidates with internship opportunities and the prospect of employment in the company.

Given its success, the programme has been expanded in recent years. The AMS more than doubled the resources allocated to all sorts of labour foundations between 2000 and 2009, the bulk of which concerned this particular measure (BMASK, 2010a).[1] Costs per participant in labour foundations in general amounted to EUR 10 600 per person in 2009. Among the main sectors applying the concept of "inplacement foundations" is the elderly- and health-care sector.

1. Apart from "inplacement foundations", the AMS maintains "outplacement foundations" and other measures with similar concepts which are all subsumed under the title of labour foundations.

The integration offers for new arrivals and language training

In contrast to other OECD countries that have participated in the *Jobs for Immigrants* reviews such as Norway, Denmark or Sweden, Austria does not have an introduction

programme, although some states and communities have established local programmes on a voluntary basis for some specific groups.[45] The introduction activities proposed to migrants at the federal level are related to the obligation of migrants to have some basic mastery of German in the framework of the integration agreement (see above).

To help migrants fulfil these obligations, the Austrian integration fund co-finances language courses. These target a basic level of German language mastery and not labour market integration. Indeed, they aim at passing the requirements of the integration agreement which family migrants and a number of other groups from non-EEA countries who arrived after 1 January 2006 need to sign (see above). Under certain circumstances, the Austrian integration fund provides co-financing of up to EUR 375 for alphabetisation courses, and an additional EUR 750 co-financing for the standard courses (which last 300 hours), provided that the A2 level in the common European reference framework for languages has been reached.

Far more important in terms of budget expenditure are the offers by the AMS. In 2008, EUR 23 million of language training in German were provided by the AMS. In 2009 and 2010, the available funds for language training were increased further in the framework of the so-called "integration initiative" (*Integrationsoffensive*) for jobseekers registered at the AMS.[46] More than EUR 38 million were spent in this context during the first ten months of 2009 alone.[47] The courses are available in three levels, depending on the prior German-language knowledge and qualification level of the participant. In the first ten months of 2009, more than 15 000 persons participated in language training through this channel, and the budgeted number of participants has been 21 500. In 2009, the average cost per participant and day was about EUR 30, a strong increase over the EUR 19 in 2008.[48]

There is also the possibility to provide the language training as vocational-specific training on-the-job. In other OECD countries, this has often been a rather effective – albeit expensive – tool for labour market integration; to which degree this is also the case in Austria is not known. Integrated packages with language tuition and vocation-specific training on-the-job only account for a relatively small part – about 5% – of all language training provided by the AMS. Nevertheless, language courses are often combined with subsequent (further) qualification or vocational training, where both are organised and monitored as separate measures but still form a comprehensive package.[49]

In addition to the integration courses and the AMS-provided language training, there are also a number of local offers in place. Little is known about their scale and scope, but figures for Vienna suggest that these play a much smaller role than the first two. The language courses which are provided by the different actors – AMS, Integration Fund and local authorities – are not co-ordinated, in spite of the fact that most of them broadly aim at the same level of language mastery (that is, generally A2 level).

In spite of the significant investment involved for the public purse, there has been no comprehensive evaluation of the language training thus far in Austria. The available information is shown in Table 1.7 above, indicating that on average only about one out of five participants are in employment three months after having completed the course. However, this rather low figure should be interpreted with caution, since many of the participants may have been quite far from the labour market and an additional 20% are in further qualification measures. Nevertheless, even one year after having participated in a language course by the AMS, less than 35% are in employment (a further 12% are still in qualification measures).

Another indication of the effectiveness of the courses is the association between past course participation and current labour market outcomes that is possible with the 2008 migration module in the Austrian Microcensus. This analysis also shows no discernible association between prior attendance at a language course and current labour market status, even after controlling for a number of factors such as country-of-origin, educational attainment and duration of residence in Austria.

This, of course, does not mean that language training is not effective. Indeed, it is likely that there is some negative selection in language course attendance, since those with good mastery of the German language will not need such training which, in addition, generally only targets low levels of language mastery.

1.5. The labour market integration of the children of immigrants

Migrants themselves will always tend to retain characteristics related to their foreign origin which may hamper the integration process. The success or failure of the children of migrants raised and educated in the country of residence is thus often seen as the ultimate "benchmark" of integration (Card, 2004). The integration of the children of immigrants is of particular importance in Austria as their number is growing rapidly. The share of native-born children of immigrants in the population aged 15-24 will more than double by 2020, from currently 7% to 15%. As seen above, labour market outcomes are strongly influenced by educational attainment in all OECD countries, and the association is particularly strong in Austria. The education outcomes of the children of immigrants and the institutional context of education thus have be analysed first, before looking at the functioning of the labour market itself.

Education outcomes in international comparison

Results from the 2009 OECD's Programme for International Student Assessment (PISA) show that the children of immigrants in Austria have much lower educational outcomes than the children of native-born (see Table 1.8; for additional information on the 2009 PISA survey see OECD, 2010c). Only Belgium and Denmark recorded larger differences in the reading literacy between native-born children of immigrants and the children of natives. With respect to young immigrants, Austria records the largest gap in reading scores of all countries in the comparison group. Table 1.8 also shows significant gender differences – the gaps tend to be larger for young women with a migration background than for men, in contrast to what is observed in most other OECD countries where the gaps tend to be smaller for women.

Empirical studies from many countries show some tendency towards intergenerational transmission of human capital. Immigrant parents are less educated on average than their native-born peers, although the differences in Austria, especially for the immigrant parents of native-born children, are not as large as in most other countries in the comparison group. Controlling for differences in the socio-economic background thus reduces the differences between children of immigrants and children of natives (by about one third), but they still remain large in international comparison, in particular for young women with an immigrant background.

Further analysis with the PISA data shows that age at immigration has a significant, albeit small influence on PISA outcomes – each additional year that young immigrants spend in the origin country is associated with a decline of the score of more than 2 points. Likewise, Bock-Schappelwein *et al*. (2009) report that the age of the time of migration to Austria is negatively correlated with the qualification level which young migrants reach.

Insofar as the restrictive policies for family migration that have been introduced in recent years retard the arrival of young immigrant children into Austria, for families in which this is an issue, they may thus come at a cost in terms of lower integration outcomes.

Early childhood education

Empirical findings from a number of OECD countries suggest that early childhood education and care (ECEC) can have an important impact on the educational outcomes of children from a disfavoured socio-economic background (see OECD, 2009b for an overview). One possible reason for the poor performance of children of immigrants in Austria may thus be the fact that ECEC is relatively poorly developed in Austria (see Bacher, 2003; OECD, 2009b). Participation in ECEC begins rather late, in general at the age of 3. The overall enrolment rates in Austria (excluding Styria, for which no data are available) have risen from about 67% in 2004 to 80% in 2009; the figures are slightly lower (about 5 percentage points in either year) for the children with a foreign nationality.[50] However, there are important differences, both across regions and among nationality groups. In Vienna, for example, children at this age who have a Turkish or ex-Yugoslavian nationality have only an enrolment rate of 57%, compared with more than 84% for Austrians. The former are also the only group which does not seem to have benefited from the recent improvements in coverage of ECEC in Austria. At the age of 5, however, enrolment rates are around 90% and above in all regions and for nationals and foreigners alike.

Table 1.8. PISA 2009 results for the children of immigrants, point differences in reading scores compared with the children of natives

	Unadjusted						Adjusted						Differences in the numbers of years of highest parental schooling compared with the children of natives	
	Native-born children of immigrants			Young immigrants			Native-born children of immigrants			Young immigrants			Native-born children of immigrants	Young immigrants
	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total	Total	Total
Australia	-20	-10	-16	*-7*	*1*	*-3*	-24	-12	-19	*-7*	*2*	*-3*	*0.0*	0.5
Austria	***51***	***58***	***55***	***77***	***118***	***98***	***23***	***37***	***30***	***49***	***87***	***69***	***-1.2***	***-1.9***
Belgium	69	60	65	81	55	71	39	35	37	44	37	42	-1.5	-1.1
Canada	8	*1*	5	*7*	*7*	8	*-2*	*-7*	*-4*	*5*	*7*	7	-0.4	0.6
Denmark	57	57	56	78	81	79	34	34	32	56	55	55	-1.8	-0.8
France	70	40	55	79	71	77	39	*13*	24	50	48	51	-1.8	-1.4
Germany	56	52	54	54	70	61	31	33	31	40	46	42	-2.0	-0.7
Greece	36	24	33	74	69	69	*20*	*13*	20	37	39	36	*0.2*	-0.6
Ireland	*20*	*-27*	*-6*	50	*15*	36	35	*-19*	*4*	48	26	39	*-0.2*	0.9
Italy	42	43	45	81	80	81	21	22	23	52	55	54	*-0.2*	*0.0*
Luxembourg	60	53	56	50	43	47	28	19	22	27	20	24	-3.4	-2.0
Netherlands	43	51	46	48	39	44	17	26	21	*18*	*-1*	7	-2.4	-2.3
New Zealand	27	28	28	*2*	*9*	*6*	*6*	*13*	*10*	11	18	15	0.1	0.8
Norway	39	51	45	55	68	60	26	35	31	33	41	37	-0.7	-0.9
Portugal	*21*	21	16	54	*16*	36	*1*	20	*9*	47	*12*	29	1.1	2.2
Spain	*21*	32	26	63	62	62	*14*	26	20	44	45	44	*-0.1*	*0.0*
Sweden	49	60	53	91	94	91	29	34	31	68	54	61	-0.7	-1.8
Switzerland	41	43	42	59	59	58	21	22	21	41	43	42	-1.7	-0.9
United Kingdom	20	*-8*	*7*	45	38	41	23	*-3*	11	31	29	29	*-0.3*	*-0.3*
United States	25	20	22	30	*14*	21	*1*	*-1*	*0*	*4*	*-11*	*-5*	-2.1	-1.9
OECD	**28**	**22**	**25**	**37**	**30**	**33**	**8**	**6**	**7**	**18**	**12**	**14**	**-1.5**	**-0.9**

Note: The figures show the points differences in the PISA 2009 scores for reading literacy between children of natives on the one hand and (native- and foreign-born) children of immigrants on the other. "Young immigrants" are students who are foreign-born and whose parents were also born in another country. "Native-born children of immigrants" 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. 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 italics.

Source: OECD PISA Database 2009.

The first year of early childhood education thus seems to be the most critical one, in particular for the most disadvantaged migrant groups. The reasons for the low enrolment are unclear, but in areas where places are limited, preference is given to older children and to children with working mothers. Since immigrant mothers – in particular those from Turkey – are less likely to be in employment than their native-born counterparts, their children have thus less chances to be able to participate in ECEC, in spite of the fact that they would particularly benefit from it.

Since 2005, all 4-5 year-olds are screened for language deficits and can participate in language support measures if a need is detected. The Federal Ministry of the Interior has developed a national curriculum for early language learning, and several federal states have launched their own initiatives in this field. In 2009, a free but compulsory year of kindergarten has been introduced nationwide to secure that all children are captured by these supportive measures. An evaluation of early language support, however, suggests that the training period of one year may be insufficient and that language screening at the age of 3, such as practiced *e.g.* in Denmark, tends to be more effective (Breit, 2007; see also OECD, 2009b). Moreover, it appears that these reforms have led to a shift of resources that comes at the expense of measures targeting the 2- to 5-year-olds in some states.

Children of immigrants in the Austrian education system

In contrast to ECEC, which is a competence of the local authorities, schooling is a state competence. The official Austrian school statistics provide two alternative means of identifying children with a migration background. These are nationality and the language spoken at home. Given that the majority (60%) of the native-born children of immigrants below the age of 15 has Austrian nationality, the preferable proxy for migration background in the Austrian school statistics seems to be the language spoken with the parents at home, which is registered for every child. In 2009, almost one fifth of the overall student population in Austria spoke a first language different from German.[51] In Vienna, their share amounted to more than one third, while other federal states recorded less than 10%. The most frequent languages are Turkish, Bosnian, Serbian and Croatian. However, this is an imprecise indicator as well, since many children of immigrant parents speak German at home. It is estimated that this proxy misses out at least 5% of children with a Turkish and 13% with a Yugoslav background (Herzog-Punzenberger, 2007).

A key feature of the Austrian education system is its selectivity. Schooling is compulsory between the age of 6 and 15, and over the course of these nine years, students are sorted twice. The first step of selection – between a higher and lower track – takes place at the age of 10 (*i.e.* after four years), which is earlier than in other OECD countries (the OECD average is 14 years). The parents' educational background and professional status have been found to have a strong impact on the outcomes of this first selection process that is based on grades, parents' preferences and teacher recommendation (Bacher, 2003).

High-performing students proceed to the higher track of lower secondary school, where students with a first language different from German are underrepresented, albeit not by much. They account for 15% in these schools compared with 20% in the overall age group. Accordingly, they are slightly overrepresented in the *lower* track, especially in Vienna where they make up almost two-thirds of students in this track (that is, given their share in the population they are twice as likely to find themselves in this track). In recent years, several comprehensive "new middle schools" have been established that skip the

first step of selection and offer comprehensive schooling until the age of 14 (see OECD, 2010b). Although not yet widely spread, these schools seem to attract immigrant offspring over-proportionally. Children of immigrants make up 28% of the student population in these schools.[52]

At the age of 14, students are sorted for the second time, either into *vocational* or *academic* upper secondary tracks. Only one quarter of all students choose the second option that prepares for higher education and leads to the *Matura* (university-entrance diploma) after four years of general upper secondary education. The remainder follows some sort of vocational education and training (VET). This is one of the highest shares in the OECD and demonstrates the prominent role of VET in the Austrian education system, which in turn is related to the predominance of medium-level qualifications in the Austrian working-age population (see OECD, 2010b). Half of the VET students follow a dual apprenticeship training (*Lehre*), combining practical training on the job with part-time vocational schooling. Another 40% enrol in higher vocational and technical colleges that award the *Matura* along with a professional qualification after five years of joint general and vocational education and grant access to higher education. The remainder follows purely school-based vocational programmes.

While vocational students in other OECD countries such as Germany, Denmark, the Netherlands and Switzerland transit directly from lower secondary school into apprenticeships, many Austrian students usually have to spend a bridging year in between because they need to wait until they turn 15 to be allowed to work. So-called *polytechnic schools* offer one-year training in basic vocational skills and career guidance and are open to all students, irrespective of previous performance. About a fifth of a student cohort passes through such a school. Well-performing students, however, mainly spend their bridge year in more prestigious vocational schools and colleges that maintain admission criteria. Low-performing students, hence, tend to be concentrated in the non-selective polytechnics, especially in urban areas, where alternatives are broad. Although the transition rate into regular VET training amounts to 90%, drop-out rates are higher for those coming from polytechnic schools than for students from other school types.[53] Children of immigrants are more likely to spend a year at polytechnic school than children with German as a first language, especially in Vienna where they represent 60% of the polytechnic students.

The two steps of selection in the Austrian education system appear to be key determinants of immigrant offspring's educational attainment. Children of immigrants who chose the higher track after the first four years of primary school (that is the lower level of academic secondary school) have broadly similar subsequent education pathways as children of natives (see Table 1.9). In contrast, those who were sorted into the lower track (that is lower secondary school) have different education pathways which generally lead to lower outcomes. They are 13 percentage points less likely than the native German speakers to proceed to the (rather prestigious) higher vocational college, but 13 percentage points more likely not to transit into any sort of upper secondary education at all. Due to a lack of data and evaluation, it is unknown whether this gap is attributable to lower grades or previous performance, or other factors – notably those linked with a migration background.[54]

Table 1.9. Percentage-point difference in the transition rate of 14-year-olds from lower to upper secondary education, students with a foreign first language, compared with students whose first language is German, 2009/10

	Children of natives	Children of immigrants[1]	%-point difference in the transition rate of the children of immigrants, compared with the children of natives
Transition from **lower secondary school** to…			
Academic secondary school (higher level)	6.8	5.2	-1.6
Higher vocational college	31.8	18.9	-12.9
Vocational school	22.1	17.8	-4.3
Apprenticeship	7.2	8.7	1.5
Polytechnic school	26.4	30.6	4.2
No transition	4.3	13.9	9.6
Transition from **academic secondary school (lower level)** to…[2]			
Academic secondary school (higher level)	59.8	61.9	2.1
Higher vocational college	32.4	26.7	-5.7
Vocational school	1.7	1.2	-0.5
Apprenticeship	0.8	0.5	-0.3
Polytechnic school	0.5	0.5	0.0
No transition	1	2.6	1.6

1. "Children of immigrants" are defined as children with a first language other than German. Transition takes place after completion of the 8th grade of compulsory schooling. "No transition" applies to students who left the education system or for whom information is missing. Corresponding ISCED levels: polytechnic school (3C); vocational school/apprenticeship (3B), higher vocational college (3A/4A); academic secondary school-higher level (3A). Percentages do not add up to 100 as figures for transition into special needs schools, as well as repeaters of the eighth grade are not included in this table. A negative difference means that children of immigrants are less likely to transit into this school type, compared with children of natives.

2. Most students attend a polytechnic school or first year of vocational school for one year before starting an apprenticeship. Considering this, in total one third of an age cohort opt for apprenticeship training.

Source: Austrian School Statistics 2010, provided by Statistics Austria.

Even for those who remain in education after this second step of selection, school drop-out remains a considerable problem. This is a known shortcoming of the Austrian school system (see OECD, 2010b; and Steiner, 2009) which nevertheless affects children of immigrants overproportionally. Almost 60% of children with a first language other than German who entered vocational school do not complete it, compared with 47% of the children of natives. One third drops out of the academic upper secondary track compared with one fifth of native German speakers. The difference in drop-out rates is most striking for students of higher vocational colleges. Half of children of immigrants in this track do not complete it, which is twice as many as among children without a migration background.[55] This suggests that children of immigrants would benefit more than proportionally from policy measures designed to cut drop-out rates.

As a result of this early school leaving, at the age of 20-29, about 20% of native-born immigrant offspring find themselves among the low-educated who are not in education, three times more than the children of native-born. Offspring of Turkish origin are particularly affected, as about one out of three in this age group has not completed upper secondary education. As shown in Table 1.10, the lower average level of mother's education explains half the gap in the probability to have left the education system without an upper secondary degree for the children of immigrants.

Table 1.10. Percentage-point difference for the probability to leave the education system without an upper secondary degree, children of immigrants *vs.* children of native-born aged 15-34, by gender, 2009

	Model 1	Model 2	Model 3
Native-born children of immigrants	15***	9***	9***
Young immigrants	17***	12***	12***
Control variables			
Mother's education		x	x
Age			x
Vienna			x
Number of children			x
Marital status			x
Gender			x

Note: The figures show the differences between the children of immigrants and the children of natives. They correspond to marginal effects in a logistic regression, calculated at the sample means of the respective variables. The reference group is the native-born. *, **, *** denote significance at the 1%, 5% and 10% level, respectively.

Source: Austrian Microcensus, *ad-hoc* module 2009 (data provided by Statistics Austria).

Policy measures to improve educational outcomes of the children of immigrants

In Austria, basic German language training, as well as so-called "mother-tongue" instruction, have been relatively established in schools since the early 1970s; the latter mainly aimed at preparing the children of "guestworkers" for the eventual return to their countries of origin, rather than for long-term integration into Austrian society. This concept changed in 1992, when German language training and "mother-tongue" instruction were formalised in Austrian law as part of a more global commitment to diversity in the education system (see OECD, 2009b).

The scale of "mother-tongue" instruction in Austria seems to be still rather extensive nowadays, in spite of a lack of solid empirical evidence that this is an effective integration tool (see the discussion in OECD, 2008a, Chapter 4). Courses are provided in 18 different languages, but 80% of the students are either learning Turkish or Bosnian/Croatian/Serbian. In 2008/09, almost 30 000 students participated in this measure and were taught by roughly 360 teachers. About half of these students and teachers were concentrated in Vienna.

With respect to German language training, Austria maintains two different streams. Students with significant deficits in German can be classified as *non-regular students*, which means that their performance is not assessed and that they cannot fail a grade.[56] These students generally receive remedial German language training over a period of 12 months, which can be prolonged for another year (see OECD, 2009b). However, to be established, these courses require a minimum number of eight participants. In practice, this hampers access to this offer for students in schools and regions with a low concentration of recently arrived immigrant offspring. Schools with non-regular students receive earmarked funding directly from the federal government to provide them with up to 12 hours of German language training per week.[57]

Next to German language training for non-regular students, there is a second stream of training offers in German as a "second language" for *regular students*.[58] In contrast to the courses for non-regular students, these are administered at state level. In 2001, the

responsibility for language support budgets with respect to training in German as a "second language" for regular students, as well as "mother-tongue" instruction was shifted from the federal government to the states. The latter have since funded language training from residual resources that remain after accounting for the overall regular teaching activities. Although the government has included a recommendation to extend language training measures in school (both in "mother-tongue" instruction and German as a "second language" for regular students), the states are not bound to invest into this and can use their residual budgets for other measures if they wish to do so. Indeed, it appears that the 2001 shift of budget administration triggered a sharp decline in the resources allocated for language support measures in some states and increased heterogeneity of language support for immigrant offspring across Austria. The federal administration lacks information on language offers on the language training for regular students, including on their set-up, efficiency and allocated budgets.

A growing number of students with a "first language" other than German are native-born, have Austrian citizenship and are rather unlikely to return to their parents' country of origin. The prevailing emphasis on "mother-tongue" instruction in the Austrian context is thus questionable, especially given the unstable funding for language support measures in general, where investment in "mother-tongue" instruction may come at the expense of German language support measures.[59]

Although education of the children of immigrants is emphasized as an important field of policy intervention in the National Integration Plan of 2009, no concrete actions at the federal level have followed thus far. There are, however, some measures related to this at state-, municipal and school level. The city of Vienna, for example, maintains an intensive language support programme for newly-arrived students (see OECD, 2009b).

School-to-work transition

Some limited data on the school-to-work transition is available from a 2009 *ad-hoc* module in the Austrian Microcensus. These show that immigrant offspring have a much more difficult school-to-work transition than their peers without a migration background. About 20% of the 15- to 34-year-olds not in education have never worked, compared with only 7% of the children of native-born. Among those who have been employed at least once, 11% of the native-born children of immigrants had already found their first job before they completed education compared with 16% of the children of natives. For those who start or continue to search for a job after having finished education, school-to-work transition takes 4 months longer than for the children of native-born (19 months *vs.* 15 months).

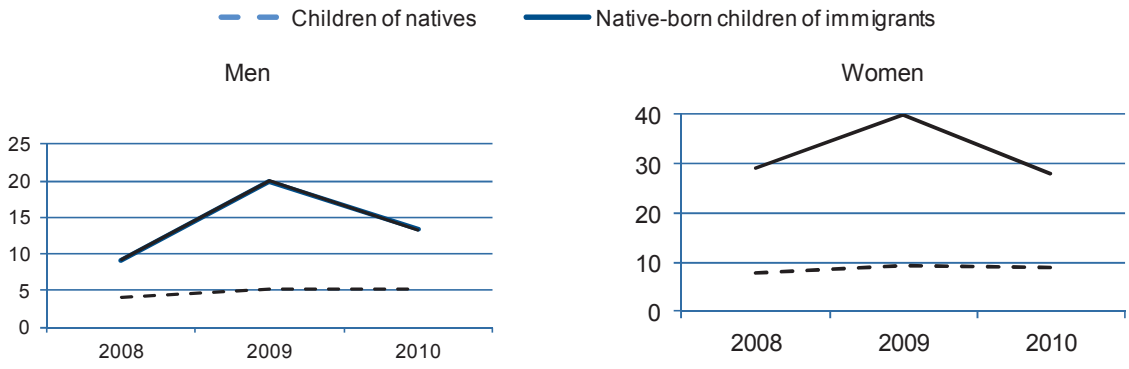
Immigrant offspring who manage to find a first job mainly transit into medium-skilled employment, about the same as for the children of natives. About 8% find a first job at a low-skill level, twice as many as among the children of native-born.[60] The remainder takes up a highly-skilled job.

The most prominent way for youth in Austria to find their first job is through family and friends, especially for the native-born children of immigrants. About 35% of the 15- to 34-year-olds who managed to find a first job used this channel, compared with 27% of the children of natives. Another major pathway is through previous work experience with the first employer, *i.e.* through internships or apprenticeships. While one quarter of the children of natives found their first job this way, this was only the case for 15% of the children of immigrants. The differences are not associated with differences in the educational level and the number of completed internships.[61]

The impact of the crisis on the school-to-work transition

In the aftermath of the economic crisis, youth unemployment in Austria experienced a steep rise in 2009 (see Figure 1.10). Particularly affected were the children of immigrants, especially young women. The latter experienced a sharp increase in unemployment that peaked at about 40% in 2009, compared with about 10% for the children of native-born.[62]

Figure 1.10. Unemployment rates by migration background and gender, youth aged 15-24 and not in education, 2008-10



Source: Austrian Microcensus (data provided by Statistics Austria).

Partly in response to the crisis, but also as an element of a long-term effort to decrease youth unemployment that has shaped active labour market policy over the past decade, the Federal Ministry for Labour and Social Affairs established a *Youth Employment Pact* in 2008.[63] At the core of this measure is a *training guarantee* (*Ausbildungsgarantie*) that ensures all unemployed youth a placement offer in a job or training measure until the sixth month of unemployment, thereby aiming at the prevention of long-term unemployment. In 2009, EUR 120 million were provided for this measure which placed 138 000 young people in employment and 83 000 in training courses. The programme is still ongoing.

Labour market outcomes of the children of immigrants

As outlined in Section 1.1, the overall employment outcomes for youth in Austria are rather favourable in international comparison, which is often attributed to the strong dual vocational system that also yields comparable results in the Netherlands, Germany and Denmark (see *e.g.* Dornmayr, 2010; and Hofer and Lietz, 2004). A closer look at the employment rates for the children of immigrants by gender, age cohort and parental origin is given in Table 1.11. Two interesting patterns can be observed. First, female offspring of immigrants have larger gaps in outcomes, when compared with the offspring of natives, than their male counterparts. Second, across all groups of offspring of immigrants one observes significantly larger gaps among the younger cohort – in particular for the children with parents from Turkey. Due to a lack of longitudinal data, it is unfortunately not possible to discern whether this is due to the fact that the offspring of immigrants have generally more difficulties in the early years after school-leaving and then catch up or whether this is a cohort effect (*i.e.* young children of immigrants have more difficulties than older cohorts used to have).[64]

Table 1.11. Employment/population ratios and unemployment rates by immigrant status and gender, people aged 15-24 and 25-34 not in education, 2009/10

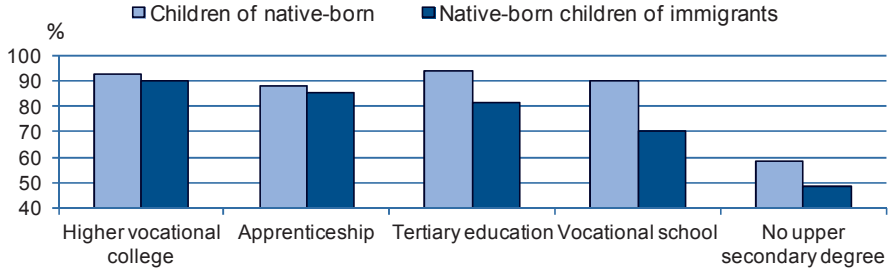
	Men		Women	
	15-24 years	25-34 years	15-24 years	25-34 years
Children of native-born	84	92	83	86
Native-born children of immigrants	*-18*	*-9*	*-31*	*-18*
...parents from				
Ex-Yugoslavia	*-16*	*-10*	*-21*	*-15*
Turkey	*-22*	*-6*	*-43*	*-31*
All	81	90	77	79

Note: The figures for the children of immigrants refer to the employment rates of children of native-born minus the employment rates of native-born children of immigrants.

Source: Austrian Microcensus (data provided by Statistics Austria).

As seen above, children of immigrants are overrepresented in the lower educational tracks. This explains part of the difference in labour market outcomes, since these vary substantially by type and level of previous schooling (see Figure 1.11). Apprenticeship seems to be a beneficial school-to-work-transition pathway for both the children of natives and the children of immigrants, but the latter seem to benefit disproportionally from it. If they followed this pathway, they achieve employment rates of roughly 85%, about the same as the native-born. The positive association between apprenticeship and the outcomes of immigrant offspring has already been found in other OECD countries. Notably in the Netherlands and Germany, children of immigrants have a disproportionally higher chance to be in employment if they follow this track compared with other choices (see OECD, 2007; OECD, 2008a). As in these countries, children of immigrants in Austria are underrepresented in this track, as they only account for 8% of apprentices compared with 11% in total upper secondary education.

Figure 1.11. Employment rate by highest educational attainment, children of natives *vs.* native-born children of immigrants aged 15-34 and not in education, 2009/10



Note: Persons whose highest qualification is from an upper secondary academic school are not included as this applies only to a small group. Moreover, this is not a vocational qualification, but is usually supposed to be followed by a tertiary degree. Employment rates are 89% for the children of native-born and 77% for the native-born children of immigrants.

Source: Austrian Microcensus (data provided by Statistics Austria).

There is one qualification that is associated with even higher employment outcomes than apprenticeships – a higher vocational college degree. After completion of a five-year course of joint vocational and general education, native-born immigrant offspring achieve

employment rates of roughly 90%. Indeed, higher vocational colleges appear to be able to offset disadvantages stemming from socio-economic background better than either purely vocational or general schools (Bacher, 2003). It is not clear whether the positive outcomes of higher vocational college attendants might be a selection effect of the grouping of particularly well-performing students with a migration background into this track, or whether other factors play a role. This issue merits further scrutiny, to assess if an even higher representation of children of immigrants in this track would promote their labour market integration.

Immigrant offspring with tertiary qualifications have significantly lower employment rates than those with the before-mentioned vocational qualifications. Moreover, there is a large gap between their outcomes and the employment rate of the children of native-born, which remains even after controlling for socio-economic characteristics (see Table 1.12). It thus appears that children of immigrants in Austria benefit more from higher vocational training and apprenticeships than from tertiary education. This is in line with findings from Section 1.3, *i.e.* gaps in employment rates are particularly pronounced for the highly-skilled in Austria. In contrast to findings for immigrants themselves, the unfavourable labour market outcomes for the native-born children of immigrants can, however, be attributed neither to problems connected with the recognition of their qualifications, nor to restrictions in labour market access, thereby pointing to other structural obstacles, which will be discussed in more detail in the next section.

Table 1.12. Percentage-point difference in labour market outcomes by type of highest qualification, native-born children of immigrants *vs.* children of native-born aged 15-34, 2009/10

	Higher vocational college	Apprenticeship	Tertiary education	Vocational school	No upper secondary degree
Probability to be in employment	-3	-1	-12**	-18***	-5**
Reference group: children of native-born					
Controls: Age, Vienna, children, marital status, gender, year					

Note: Marginal effects after probit estimation. *, **, *** denotes significant at the 1%, 5% and 10% level, respectively. Shaded areas mark figures that are statistically not significant.

Source: Austrian Microcensus (data provided by Statistics Austria).

Differences in outcomes are largest, however, for youth who completed vocational schools that offer school-based intermediate-level programmes without extensive on-the-job training. After having completed this track, the children of immigrants have an employment probability that is 18 percentage points lower than that of the children of natives (see Table 1.13).

Particular policy attention needs to be devoted to youth who do not pursue upper secondary education and who are not in employment either (the so-called low-educated NEET). This "population at risk" is small among the native-born (3%), but accounts for 11% of native-born immigrant offspring (see Table 1.13) and almost one fifth of the children with parents from Turkey. Once again, the offspring of parents from the former Yugoslavia fare better than the children of immigrants in general.

Table 1.13. Percentage of "early school leavers" and population "at risk" (low-educated NEET) in the overall population, by migration background, youth aged 15-24, 2009

Migration background	"Early school leavers"	"At risk"
	in %	
Children of native-born	5	3
Native-born children of immigrants	18	11
...parents from:		
successor country of Ex-Yugoslavia	16	9
Turkey	29	18

Note: "Early school leavers" are persons without an upper secondary degree who are out of education. The "population at risk" is defined as early school leavers who are not in employment.

Source: Austrian Microcensus (data provided by Statistics Austria).

A group that seems particularly disfavoured in the Austrian labour market are young immigrants who arrived in Austria between the age of 15 and 19. They make up some 3% of the population aged 20-34 and the majority holds no Austrian degree. Instead, they hold predominantly low- (48%) and medium- (45%) level qualifications from their origin countries. With an employment rate of only 63%, they are about 20 percentage points less likely to be employed than the native-born children of immigrants who completed their education in Austria. This is a group which is neglected in the current policy framework, since they generally do not receive a structured integration offer.

The most important employer for the native-born in Austria is the *public sector*, accounting for more than 14% of employment in general and 8% for the offspring of natives in the age group 20-29. Children of immigrants are significantly underrepresented – the public sector accounts for only 4% of their employment. While the offspring of immigrants from the former Yugoslavia are relatively well represented with almost 7% among those in employment working in the public sector, the incidence of employment in the public sector among the offspring with a Turkish background is particularly low (2%). These differences do not seem to stem from the fact that part of the public sector is restricted to nationals, since almost 80% of the children of Turkish immigrants have Austrian nationality compared with 60% of the offspring of immigrants from the former Yugoslavia.

By employing immigrants, the public sector can act as a role model for the private sector. Employment in the public sector can also increase the visibility of immigrants in daily life and can contribute to enhancing the understanding of immigrants' needs by public institutions. When immigrants are employed in certain key occupations such as teaching, they can also serve as a role model for others, notably immigrant youngsters. Because of this potentially beneficial contribution of the public sector, other OECD countries have recently made strong efforts to increase the employment of children of immigrants in this sector, and these have met with some success, notably in Norway, Belgium and the Netherlands (see OECD, 2008a; and Liebig, 2009). In Austria, however, apart from a few initiatives at the sub-federal level, there are no measures in place to enhance the presence of immigrants in public sector employment. This issue has also been largely neglected in the 2009 National Integration Plan.

Inter-generational mobility

Across all indicators, the performance gaps of immigrant offspring in the education system and the labour market are large, but these need be put into perspective since their

parents are largely overrepresented among the low-educated. Indeed, in a survey among 1 000 children of immigrants,[65] two-thirds of those with a low-educated father were found to have improved their educational outcomes. Similar tendencies were observed for occupational status (see Weiss, 2007). Nevertheless, inter-generational mobility seems to be lower than among children of natives. Among those in employment who have a father in a blue-collar job, the children of immigrants were twice as likely to be in a blue-collar job themselves.

Likewise, in an analysis based on the 2009 *ad hoc* module of the Austrian Microcensus on the school-to-work transition of youth indicated that differences in intergenerational mobility between offspring of immigrants and children of natives are especially pronounced for youth with low-educated parents (Knittler, 2011). Among the 15- to 34-year-olds whose parents did not obtain an upper secondary degree, 53% of the children of immigrants did not achieve a higher education level, compared with only 14% of the children of natives. For the offspring of better educated parents, no differences in intergenerational mobility could be found.[66]

Inter-generational mobility can also be observed indirectly through a comparison of gaps in education outcomes and employment rates between the population with and without a migration background for different cohorts.[67] With respect to young men, Table 1.14 shows that the overall difference in the probability to be low-educated is larger for immigrant offspring than for the generation of their immigrant parents.[68] With respect to women, the gap is about the same for both cohorts at the aggregate level and has even narrowed considerably for the children of immigrants from the former Yugoslavia.

Table 1.14. Percentage-point differences in the probability to be low-educated, population with a migration background *vs.* population without a migration background, people aged 20-29 and 45-54 and not in education, 2009/10

	Men		Women	
	Aged 45-54	Aged 20-29	Aged 45-54	Aged 20-29
Share of low-educated in the population *without* migration background (in %)	9	8	20	8
Percentage-point differences population with migration background vs. population without migration background (in %-points)	*Foreign-born vs. native-born*	*Native-born children of immigrants vs. children of natives*	*Foreign-born vs. native-born*	*Native-born children of immigrants vs. children of natives*
All foreign-born / children of immigrants	16	19	21	21
from Ex-Yugoslavia	14	17	38	21
from Turkey	69	31	68	31

Note: Low-educated is defined as not having acquired an upper secondary qualification and is equivalent to ISCED level 0-2. For the cohort of 45- to 54-year-olds, migration background is defined as being foreign-born. For the cohort of 20- to 29-year-olds, migration background is defined as being native-born with two foreign-born parents. The figures for foreign-born/children of immigrants refer to the *differences* compared with the native-born/children of natives. Positive values mean that the foreign-born/children of immigrants are more likely to be low-educated than the native-born/children of natives.

Source: Austrian Microcensus (data provided by Statistics Austria).

Noteworthy, however, is the improvement of education outcomes for youth with a Turkish background compared with their immigrant parents. Both for young men and women, the gaps in the probability to be low-educated have narrowed by more than half. Although they are still 30 percentage points more likely to be low-educated than the

children of natives, this indicates a rather high intergenerational mobility of immigrant offspring with a Turkish background in the Austrian education system.

Regarding employment for men, Table 1.15 shows the gap in the probability to be employed is only half as large for immigrant offspring as it is for the cohort of the immigrant fathers. For offspring with Turkish origins, the gap has decreased sharply by three quarters, but they still face more than twice the gap that is observed for children with parents from the former Yugoslavia.

Table 1.15. Percentage-point differences in the probability to be in employment, population with a migration background *vs.* population without a migration background, people aged 20-29 and 45-54 not in education, 2009/10

	Men		Women	
	Aged 45-54	Aged 20-29	Aged 45-54	Aged 20-29
Employment/population ratio in the population *without* migration background (in %)	*89*	*90*	*81*	*87*
Percentage-point differences population with migration background vs. population without migration background (in %-points)	*Foreign-born vs. native-born*	*Native-born children of immigrants vs. children of natives*	*Foreign-born vs. native-born*	*Native-born children of immigrants vs. children of natives*
All foreign-born / children of immigrants	-10	-5	-14	-21
from Ex-Yugoslavia	-10	-2	-13	-15
from Turkey	-20	-6	-37	-31

Note: For the cohort of 45- to 54-year-olds, migration background was defined as being foreign-born. For the cohort of 20- to 29-year-olds, migration background was defined as being native-born with two foreign-born parents. The figures for foreign-born/children of immigrants refer to the *differences* compared with the native-born/children of natives. Negative values mean that the foreign-born/children of immigrants are less likely to be in employment than the native-born/children of natives.

Source: Austrian Microcensus (data provided by Statistics Austria).

For young women, the picture is different at first sight. Overall, gaps have increased for immigrant offspring compared with the cohort of their mothers. Looking separately at the two main groups with a migration background, one observes a small improvement for the offspring of Turkish immigrants and virtually no difference for those with a background from the former Yugoslavia. Inter-generational improvements in employment outcomes thus appear to be largest for the offspring of Turkish origin.

Policy measures to facilitate the labour market integration of immigrant offspring

It appears that career-guidance programmes and job-application training are not yet well integrated into upper secondary education in Austria (see AMS, 2011; OECD, 2010b). Participation in such measures depends largely on the motivation of individual teachers. Counselling facilities (*Berufsinformationszentren,* BIZ) are, however, available at the AMS, as well as in 60 regional career information centres run by the Economic Chamber. Both the AMS and the social partners are, moreover, strongly in favour of a reinforced co-operation with schools in this matter (see AMS, 2011). In Vienna, the AMS maintains a special agency for youth. About 60% of its clients are children of immigrants. There are also a number of additional measures offered for immigrant offspring in Vienna (see Box 1.6).

Indeed, when compared with the labour market situation of offspring of natives, male children of immigrants appear to fare relatively well in Vienna. However, this does not hold for women (see Table 1.A1.3 in the annex).

Box 1.6. Measures to facilitate the school-to-work transition of immigrants' offspring in Vienna

Given the disadvantages of immigrants' offspring in the labour market, their school-to-work-transition is a major concern for Austrian integration policy makers and their partners. Quite a number of projects have already been established by different actors that aim at facilitating the school-to-work-transition for youth at risk. While most projects do not target immigrants exclusively, the *Integrationshaus* in Vienna offers measures that address the children of immigrants specifically.

The *Integrationshaus* is a centre for the accommodation and integration of asylum seekers and immigrants, providing general advice, professional counselling, and language and training courses to facilitate labour market integration. It hosts the *Dynamo network* that co-ordinates a range of different projects all aiming at facilitating the labour market integration of immigrants' offspring. The projects have a modular structure which allows young people aged 15 to 25 to follow a course that is tailored to their individual needs and educational goals. One branch of projects provides youth with the basic qualifications and language training needed to proceed to a secondary education diploma. A second branch assists with finding employment or an apprenticeship, for example through participation in a mentoring project. The network is supported by actors such as the AMS, the Chamber or Labour, the Vienna Employment Promotion Fund (WAFF) and the Ministry of Education, and co-financed by the European Social Fund (ESF). Each day, between 180 and 200 young people participate in education measures co-ordinated by *Dynamo*.

While *Dynamo* targets young people who have already finished school, there are some other projects that aim at preparing youth for successful labour market integration while they are still in regular education. The project *C'mon 14,* implemented in 2010, aims at providing youth aged 14 to 17 with information, counselling and case management to prevent early school dropout and to facilitate their school-to-work-transition. The project's target group consists of disadvantaged pupils and school drop-outs among which children of immigrants are strongly overrepresented. The project is still in its pilot phase and limited to the city of Vienna. Its budget of roughly EUR 2 million is partly funded by the ESF and co-financed by the Public Employment Service and other partners united under the Territorial Employment Pact, such as the Chamber of Labour and the Economic Chamber. The responsibility to co-ordinate funding and project partners resides with the WAFF. The project *move.on* offered by the *Integrationshaus* has a similar structure. In 2009, it provided professional and educational counselling for 12 classes of altogether 284 pupils who are in their last two years of lower secondary school.

Since 2008, the AMS has extended its funding of large-scale, workshop-based dual programmes that aim to compensate for the lack of apprenticeships in private companies through practical experience in workshops and in-school vocational training (*Überbetriebliche Ausbildung*).[69] These programmes train students in vocational professions for up to three and a half years, but primarily aim at preparing them for a quick transition into regular apprenticeships. In 2009/10, some 12 300 places were created in such programmes, a 30% increase over the year before. In 2010/11, the number of places was once more increased to reach 13 800 (+12%). About EUR 15 000 per capita were spent on this measure in 2008/09, compared with 10 000 for training in vocational schools and colleges, and roughly 6 400 for regular apprentices (Dornmayr, 2010). Three quarters of the participants are in employment three months after participation in such schools, suggesting that they are relatively effective. Children of immigrants account for nearly half of the participants (see Table 1.7 above).[70]

In summary, the evidence shows that it is the female offspring of immigrants – especially those with parents from Turkey – who face the greatest difficulties in integrating into the Austrian education system and the labour market. There have been a number of initiatives to address this in the labour market, but most of these lack appropriate targeting. It also appears important to tackle the poor educational outcomes of

immigrant offspring, in particular of women. Given the significant challenge of integrating the growing number of immigrant offspring who are about to enter or who have recently entered the labour market, and the significant gaps in education outcomes, a stronger, targeted and more co-ordinated policy effort is needed.

1.6. Sources of persisting disadvantage across generations – and possible remedies

The large and persistent differences in the employment outcomes, even of native-born children of immigrants with good qualifications, inevitably raise the question of other structural obstacles to immigrants' employment than their human capital.

Networks and knowledge about labour market functioning

One possible reason could be a lack of networks which creates in effect a structural barrier to employment. Although immigrants have networks as well, they are likely to be concentrated among persons from their own communities, which tends to limit their employment opportunities. It is difficult to understate the importance of networks for access to employment. In Germany, for example, almost 30% of vacancies in 2008 were filled using personal contacts by employers; in enterprises with less than 50 employees, one out of two vacancies were filled using personal contacts (Klinger and Rebien, 2009). Using a larger definition of "personal contacts", evidence from Sweden indicates that as much as two-thirds of all vacancy fillings involved some form of informal contacts (Behtoui, 2008).

There has been no quantitative study of this issue for Austria thus far. However, small- and medium-sized enterprises predominate in Austria – more than 60% of employment is in companies with less than 50 employees. As these companies tend to resort disproportionately to personal referrals, the importance of networks is likely to be high in Austria. Some rough indication is given by the Austrian Microcensus, which in 2010 included a question on how young people aged 15-34 found their first job. More than 30% answered "through friends and relatives", and a further 23% mentioned that they found their first job through previous employment (*e.g.* internships or vocational training) with the same employer.

The large importance of informal recruitment channels means that in practice many job vacancies, although not necessarily closed to immigrants and their children, may be filled in such a way that they have little opportunity for their candidacies to be considered. Immigrants and their children are therefore at a structural disadvantage compared with the native-born, although it is currently not possible to quantify the importance of this disadvantage for Austria.

Another, related structural disadvantage from which migrants and their offspring tend to suffer is a lack of information about labour market functioning. This 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 seems to be a particular issue in the Austrian labour market, which has a number of particularities such as the use of academic titles in day-to-day contacts. This can be a problem for immigrants who came from countries where practices and norms, both procedural and cultural, may be different. Since this information is at least in part transmitted via parents or close friends, the offspring of immigrants continue to be at a structural disadvantage.

Mentorship programmes are one way of overcoming the obstacles arising from a lack of employment-relevant networks and lack of information about labour market

functioning. These programmes have become increasingly popular in some OECD countries. Denmark and France, in particular, have introduced them on a rather large scale in recent years. In mentorship programmes, an immigrant is matched with a native-born person of similar sex, age and occupation, to the extent possible. The native-born person provides the immigrant with basic information on procedures, institutions, how-things-are-done-here, etc. The mentor can also make the immigrant benefit from his/her own network of contacts and, in some cases, even act as an intermediary to potential employers. These programmes are attractive to host countries since they involve the native population. In addition, the cost to the host country is limited, because the mentors are generally volunteers, although they do undergo special training to sensitise them to cultural differences and to immigrant expectations.

In Austria, the scale and scope of mentorship and other networking-type measures have been rather limited to date. There have been a few local initiatives, but these tend to be of very small scale, generally involving few migrants. One larger programme is that of the Austrian Economic Chamber, in co-operation with the AMS and the Austrian Integration Fund (ÖIF), which recently initiated a mentorship programme, matching employers or senior staff of enterprises with immigrants who seek employment in their mentor's sector or occupation. Up to now, the scale of the programme has been limited; only about 450 immigrants have taken part in it.

Discrimination

Another structural obstacle which immigrants and their children face is discrimination on the basis of ethnic origin, and in particular discrimination in hiring by employers. This issue has received little attention in Austria thus far, and efforts to enhance legislation and policies against ethnic discrimination are recent. Anti-discrimination legislation used to be limited to issues of gender equality and was only amended to cover origin-based discrimination in 2004, when Austria was obliged to implement the EU Racial Equality Directive.[71] Anti-discrimination law, as set by the *Equal Treatment Act*, has since prohibited discrimination based on race, ethnic origin, religion or belief, age and sexual orientation in employment. Since then, discrimination has been furthermore prohibited with respect to education, social security (including social insurance, healthcare and social benefits) and the supply of public goods and services (including housing). Apart from this, there has not been any major policy initiative against ethnic discrimination thus far.

Since 2004, Austria has been maintaining two main public institutions at the federal level to implement the Equal Treatment Act. The first is the *Equal Treatment Commission*, situated at the Federal Chancellery's section for Women and Equality. It examines cases put forward by presumed victims and assesses their coverage by the Equal Treatment Act. This service is free of charge and aims at settling disputes before the initiation of actual court proceedings. The outcome of the process is legal recommendations which are, however, not binding (unlike in other countries such as Australia, Canada and Norway where non-complying employers can be fined, see OECD, 2008a) and tend to remain vague. The assessment procedure itself is rather lengthy and takes on average between nine months and one and a half years. Potential victims thus face long waiting times with little expectation of an outcome that is ultimately to their benefit. Accordingly, few persons seize this opportunity. In 2006/07, the commission received only 29 requests related to incidents of ethnic discrimination in employment. Employees of the federal public sector who feel discriminated against at work need to address a special commission, the *Federal Equal Treatment Commission.*

The second key body of Austrian anti-discrimination policy is the *Ombud for Equal Treatment,* which complements the activities of the Equal Treatment Commission. The ombudspersons offer counseling as well as representation of potential victims of discrimination against the employer and can attend meetings of the Equal Treatment Commission in an advisory function. Furthermore, the ombudspersons engage in spreading information about the rights of victims through information material, the internet, as well as by giving workshops, lectures and as speakers in public debates and conferences. There are several ombuds, one for equal treatment in employment irrespective of gender, one for discrimination in employment based on other characteristics including ethnicity and finally one for all sorts of discrimination in areas outside of employment. In 2008/09, the Ombud received 308 requests for counselling in cases of ethnic discrimination in employment, one third of all cases treated by the responsible ombud. Almost two-thirds of these requests were filed by residents of Vienna. This strong underrepresentation of immigrants from outside the capital seems to be attributable to the fact that this ombud has an agency only in the capital. Immigrants living outside of Vienna thus have to displace themselves to seek advice in a personal meeting. The ombudsman for gender discrimination in employment, in contrast, maintains several regional offices and received almost 6 600 requests in 2008/09.[72]

In addition to the federal structure, different regional anti-discrimination acts exist and are enforced at state level. Federal states maintain own counselling bodies to reinforce equal treatment in their fields of responsibility (that is, employment in the public sector at state or municipal level, as well as with respect to public services and goods provided by the state or a municipality). However, these facilities have a rather limited scope, as they generally do not cover discrimination by private actors.

A complementary structure is offered by the social partners, most notably by the *Chamber of Labour*. In matters related to the employer-employee relationship, including cases of perceived discrimination, the chamber provides legal counselling to its members (see Box 1.4). However, since membership is conditional upon entry into the labour market, family or humanitarian migrants who have not yet been in employment in Austria have generally no access to this facility. This is unfortunate, given that this group would seem to be particularly vulnerable to discriminatory hiring practices that might hamper their labour market integration.

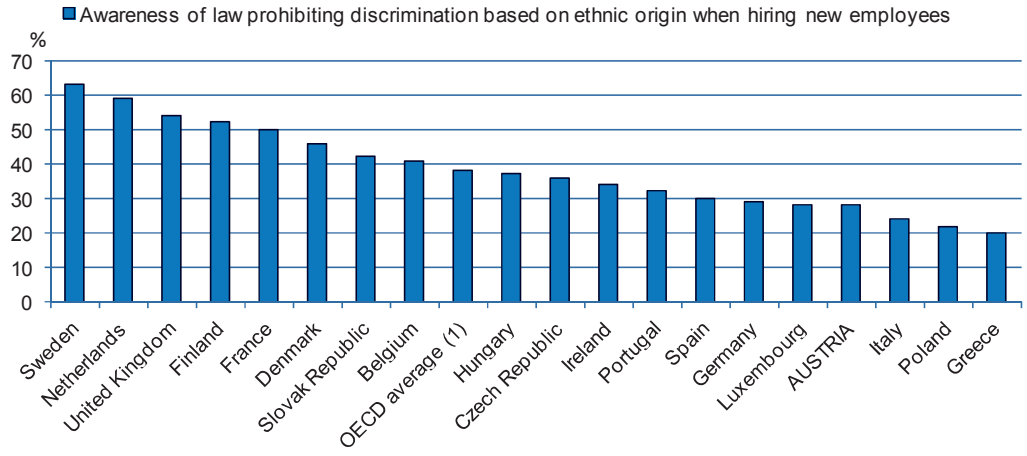
On the side of non-governmental actors, immigrants in Austria benefit from the steadily growing anti-discrimination network that is provided through the Litigation Association against Discrimination *(Klagsverband,* see Section 1.2). Funded partly by the Federal Ministry of Labour, Social Affairs and Consumer Protection, the Federal Chancellery's section for Women and Equality and the state of Salzburg, it offers legal assistance and general information on anti-discrimination legislation and provides training courses and seminars on this topic.[73] The Klagsverband is the only NGO in Austria that is legally entitled to stand in court and to intervene as a third party in cases of discrimination. Non-member NGOs have no procedural rights and hence cannot perform advisory functions in court (see Schindlauer, 2007).

Although the existing sources of legal support for potential victims of ethnic discrimination in Austria are rather extensive, legal intervention in such cases remains rare. Individual law suits against employers demand a considerable amount of courage on the part of the potential victims, as they risk stigmatisation in their enterprise and on the local labour market (see Manolakos and Sohler, 2005).[74] Moreover, the Austrian legal framework does not allot substantial remedies for victims, thereby lowering incentives to

pursue legal actions for redress. Instead, reinstatement is ordered if a lay-off has been found to be discriminatory, but as many victims are reluctant to return to their old employer, the actual sanction is rarely enforced (Schindlauer, 2007).

Another factor lowering the number of actual anti-discrimination proceedings might be a general lack of public awareness concerning the unlawfulness of discriminatory hiring practices against immigrants and their offspring. Less than 30% of the Austrian population know that such practices are prohibited by law (see Figure 1.12). This share is among the lowest in European OECD countries.

Figure 1.12. Public awareness about legal anti-discrimination provisions, selected OECD countries, 2007



Note: The bars correspond to the percentage share of persons answering "Yes" to the question "Please tell me whether, in your opinion, in your country there is a law which prohibits the following types of discrimination when hiring new employees – discrimination on the basis of ethnic origin".

1*:* The OECD average refers to the average of all countries included in the figure.

Source: Adapted from OECD (2008), *Employment Outlook,* OECD Publishing, Paris; original source: European Commission (2007), "Discrimination in the European Union", Special Eurobarometer No. 263, Wave 65.4, Brussels, available at: *http://ec.europa.eu/public_opinion/archives/ebs/ebs_263_sum_en.pdf* (20 May 2011).

The lack of awareness about anti-discrimination provisions in Austria runs parallel with a lack of research on the topic. It is difficult to prove, for instance, selective hiring practices that disfavour persons with particular characteristics, such as an immigrant background. The very factor that stirs the employer's refusal of certain candidates cannot be identified easily, since it is always possible that other *unobserved* characteristics account for hiring preferences rather than outright discrimination.

An increasingly widespread way to single out discriminative behaviour in employers' hiring practices is to conduct large-scale paired *testing studies*. These have been carried out in a large and growing number of OECD countries in recent years. Such experimental studies employ the method of *matched pairs*, originally developed by the ILO. Applications to the same job are submitted by two (fictitious) candidates who differ essentially in only one attribute indicating their ethnic origin.[75] Testing studies following this methodology have been conducted in seven out of the ten countries under review thus far (Belgium, Denmark, France, Germany, the Netherlands, Sweden and Switzerland), with an additional Norwegian study underway. The findings pointed towards the prevalence of discrimination at significant levels in all of the seven countries. To get invited to a job interview, it is not uncommon for persons with foreign-sounding names to

have to write up to four times as many applications as persons without a migration background who have an otherwise equivalent CV (see OECD, 2008a).

In Austria, no such testing study has been conducted yet. To date, there has only been a small-scale audit experiment on discrimination against job applicants of African origin (Satner and Adam-Maxova, 2002). The study found that applicants with African-sounding names had to write twice as many applications to be invited for a job interview compared with otherwise similar candidates who had an Austrian-sounding name. The limited scale of this study – only 72 CVs were sent to employers – does not allow for any generalisation of the finding, but underscores the need for further empirical research on this issue in Austria.

Apart from this, the only available evidence on immigrants' discrimination in Austria is based on subjective perceptions. Zucha (2003) examined feelings of being discriminated against of roughly 800 immigrants and their children with origins in the former Yugoslavia and Turkey who had participated in a survey by the Chamber of Labour. The findings suggested that experiences with discrimination were rather frequent in the building, cleaning, catering and hotel industry. Moreover, employees of small enterprises felt more often discriminated against than immigrants working in larger firms. This finding is in line with evidence from other OECD countries (see *e.g.* Carlsson and Rooth, 2006), pointing out that selective hiring to the disadvantage of immigrants tends to be more pronounced in smaller companies. Moreover, a survey among employers in the Netherlands revealed that small firms have a particularly limited awareness of anti-discrimination legislation and are thus less sensitive about its implications (Havinga, 2002). Given the predominance of small enterprises in the Austrian economy – more than 60% of employment is in companies with less than 50 employees – this seems to be a significant issue that merits further investigation.

In Austria, there are also a number of elements in the labour market framework that tend to be inherently discriminatory against immigrants. The first is the classification of foreign qualifications by the AMS. As mentioned earlier, foreign credentials which have not passed a formal recognition procedure are registered as "compulsory education not completed".

The Act on the Employment of Foreigners up to now has required employers to preferentially lay-off foreign workers who hold a first-time work permit valid for up to one year before firing Austrian nationals in a downturn. Although this provision had limited practical implications – only few migrants held such a permit – it signalled a preference against immigrants in the labour market. Under the revised Act on the Employment of Foreigners, which entered into force in July 2011, the provisions for preferential lay-off will be abolished, and labour market access for newly-arrived permanent-type migrants greatly facilitated.

A third element of institutional discrimination prevailed in the sphere of public housing over several decades until it was abolished in 2005 under the pressure of the EU Directive on long-term residence status. Until then, almost all major cities, including Vienna, reserved community housing facilities to Austrian or other EU citizens. These facilities are particularly affordable and assure the decent lodging of families in need. Immigrants without Austrian or EU citizenship (depending on individual state regulation) were widely excluded from community housing. There is some evidence that this has contributed to the segregation of immigrants, in particular in sub-standard housing facilities (Kohlbacher and Reeger, 2007). Although only indirectly linked with labour market integration, housing has an important impact not only on labour mobility, but also on labour market and social integration in many other ways. When, as seems to be the case in Austria, limited access to housing is associated with *geographical segregation* in poor neighbourhoods, it can inhibit access to social networks (by which many vacancies are filled), hamper acquisition of the

host-country language by immigrants and their children, and may also have important negative effects on the integration of the children of immigrants as childcare and education facilities often tend to be underdeveloped in these areas.[76]

The shortcomings of both research and policy on discrimination in Austria seem to express a lack of awareness with respect to issues of discrimination in the labour market. Only recently have there been some modest efforts to overcome discrimination in hiring and to incite employers to diversify their recruitment channels (see Box 1.7).

Box 1.7. Policies to promote diversity

Austria, like most other OECD countries, has put in place anti-discrimination legislation to address the problem of discrimination in hiring. However, as mentioned above, it is difficult to detect or to demonstrate discrimination, and indeed, the number of complaints related to hiring discrimination is small compared with the level of discriminatory behaviour that is revealed by testing studies in numerous OECD countries. The perceived lack of effectiveness of anti-discrimination legislation and the persistence of other structural obstacles to the employment of immigrants and their children have prompted governments to take more pro-active measures. A new policy line that has become prominent in many OECD countries in recent years is known as *diversity policy*. Belgium, in particular, has become a frontrunner in this, inspired by earlier Dutch policies of the 1990s. Diversity policies aim at achieving equal opportunities for disadvantaged groups in the labour market (including immigrants and their children) by incentives and measures with strong indirect targeting. Practices in Belgium (notably in Flanders) include, for example, the exclusive opening of certain job vacancies to disadvantaged groups in the labour market for a limited period, and financial and administrative support for companies who try to diversify their staff both in the hiring and promotion process. First results of an evaluation of this policy indicate that it appears to have contributed to the recent improvements in the labour market integration, in particular for the children of immigrants (see Van de Voorde, 2010).

Efforts in other OECD countries have been less far-reaching, but are also on the rise (see OECD, 2009a). In France, for example, companies have the possibility to pass an audit as to whether or not hiring and promotion practices are inherently discriminatory. If they pass the test and have demonstrably implemented additional actions to promote diversity, they can obtain a *diversity label* (*label diversité*) from the authorities in charge of integration. In order to receive the seal of approval, enterprises need to satisfy six criteria: a formal commitment by the enterprise to diversity; an active role of the social partners within the enterprise; equitable human resource procedures; communication by the enterprise on the question of diversity; concrete public measures in favour of diversity; and procedures to evaluate actual practices. France, like a growing number of other OECD countries including Belgium, the Netherlands and Germany, has also been promoting a "*diversity charter*" in which signatories commit themselves to favour diversity through recruitment and career management, as a strategy for greater efficiency and progress and to enhance their social relations. Without a precise follow-up of hirings and of career progress in signatory enterprises, it is difficult to have a precise idea of how effective this sort of measure is. There is undoubtedly a self-selection of already committed enterprises as signatories, although a formalisation of the process may have its usefulness in disseminating norms throughout the enterprise. Another measure that has been tested in a number of OECD countries, including France, Germany and Norway, are *anonymous CVs*.

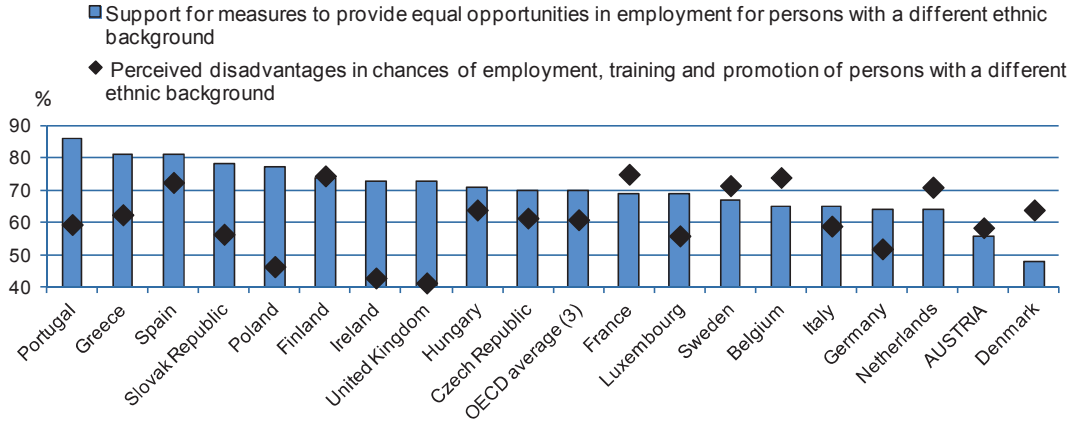
In Belgium, Norway and the Netherlands, there has been a strong effort to enhance diversity in the public sector. The policies in place tackle the different points in the recruitment process where immigrants and their offspring are at a structural disadvantage. This has included the broad-based introduction of anonymous CVs, the targeted promotion of apprenticeship for young people with a migration background, internship opportunities to give them a first step into the labour market, and special training to help them pass the recruitment tests.

Among the broad array of measures available, only the diversity charter has been tried in Austria thus far, but only recently. The Economic Chamber launched in November 2010 a "Charta of Diversity in Austria" that aims at promoting diversity in Austrian companies. By April 2011, 18 companies had participated in the initiative, essentially large employers. Austria's National Action Plan for Integration, introduced in 2009, stipulates to combat discrimination as one of its major goals, but no concrete measures have yet been implemented to actually tackle the issue.

Given the lack of action at the federal level, some cities have implemented initiatives in their domain of competence, but these have remained limited in scale and scope. The most prominent example is the city of Vienna, which has developed an integration and diversity monitoring programme since 2007, in order to analyse the status of integration of the Viennese population in the most important areas of life (among others education and training, employment) and the management of diversity in the municipal administration.[77]

It seems that public support for measures to provide equal opportunities in employment depending on ethnic origin is particularly low, with only a little more than half of the Austrian population being in favour compared with the OECD average of 70% (see Figure 1.13). About the same percentage acknowledges that there exist disadvantages in employment chances based on ethnic origin.

Figure 1.13. Percentage of the population believing that persons of a different ethnic background face disadvantages in chances of employment, training and promotion[1]; and percentage of the population that supports measures to provide equal opportunities[2] for persons with a different "ethnic background", selected OECD countries, 2007



1. Share of persons answering "Less likely" to the question "Would you say that, with equivalent qualifications or diplomas, the following people would be less likely, as likely, or more likely than others to get a job, be accepted for training or be promoted – persons of different ethnic origin or not white compared to the rest of the population". 3% of respondents answered "More likely".

2. Share of persons answering "In favour" to the question "Would you be in favour of, or opposed to, specific measures being adopted to provide equal opportunities for everyone in the field of employment?". Specific measures for people depending on "ethnic origin".

3. The OECD average refers to the average of the countries included in the figure.

Source: Adapted from OECD (2008), *Employment Outlook,* OECD Publishing, Paris; original source: European Commission (2007), "Discrimination in the European Union", Special Eurobarometer No. 263, Wave 65.4, Brussels, available at: *http://ec.europa.eu/public_opinion/archives/ebs/ebs_263_sum_en.pdf* (20 May 2011).

In sum, the limited available evidence suggests a lack of knowledge about the prevalence of discrimination in Austria, and little use is made of the existing structures which, in addition, appear to cover only the legal aspects of combating discrimination. It thus seems important to put the issue into limelight and, in addition, to implement more pro-active measures – namely those which promote diversity – as has been done in other OECD countries.

Summary and recommendations

Among the OECD countries, Austria has one of the largest shares of immigrants in the workforce, many of whom have arrived rather recently.

With 17% foreign-born, Austria is among the OECD countries which have large shares of immigrants in the workforce. There are three main groups of immigrants in Austria. The first are so-called "guestworker" migrants and their families, mainly from the former Yugoslavia and from Turkey, who came to Austria as a result of labour recruitment in the post-World War II economic boom and subsequent family migration. The second are humanitarian migrants, most of whom arrived after the fall of the Iron Curtain, an event which had a profound impact on migration to Austria. The bulk of humanitarian migrants are from the former Yugoslavia and from eastern European countries. Finally, since Austria's accession to the European Union in 1995 and the enlargement of the latter in 2004 and 2007, free movement migration has accelerated and now accounts for the majority of new migration flows.

The overall labour market outcomes of immigrants are rather favourable in international comparison, which is due to good labour market conditions and a favourable mix of origin countries.

A first glance at the labour market outcomes for immigrants shows significant gaps between their outcomes those of and the native-born, albeit these are not larger than elsewhere. This holds especially when considering that 42% of immigrants live in Vienna (compared with 16% of the native-born), where labour market conditions are less favourable than in the remainder of the country. Even in Vienna, however, the labour market conditions are still better than in many OECD countries. Indeed, the rather flexible labour market and low unemployment seem to have contributed to the relatively high employment of immigrants and their children in international comparison, in particular for men. Austria has also a relatively favourable mix of origin countries, with the majority of immigrants coming from high-income countries (Germany being the main origin country) who tend to face less difficulties in the labour markets of all OECD countries. The bulk of the immigrants from lower-income countries are from the successor countries of the former Yugoslavia, with whom Austria has many historical and cultural ties and who have high employment rates for both genders.

This tends to mask less positive labour market outcomes of some groups, in particular of immigrant women.

The overall rather favourable outcomes mask persistent difficulties for some groups. The employment rate of immigrant women from lower-income countries is almost

20 percentage points lower than that of native-born women. Immigrant women from Turkey are particularly disadvantaged: their unemployment rate is five times higher than that of their native peers, and only 38% of those in working-age are in employment, an employment rate that is 30 percentage points below that of the native-born. Likewise, native-born offspring of immigrant parents aged 20-29 are four times more likely than the offspring of natives to be both low-educated and neither in employment nor education or training. Again, the gaps *vis-à-vis* the offspring of natives are particularly large for those whose parents have come from Turkey, and for women. Overall, the poor outcomes of women with an immigrant background – both with respect to education and the labour market – call for urgent policy actions to improve them.

The crisis negatively affected outcomes of immigrant men and immigrant offspring, but not of immigrant women.

The effect of the recent crisis had a strong impact on the unemployment rate of immigrant men, in particular those from Turkey, whose unemployment rate rose by almost 10 percentage points in 2009, before falling again. There was also a strong increase in the unemployment rates of immigrant offspring from the former Yugoslavia and from Turkey. In contrast, during the crisis, there was a counter-cyclical increase of almost 10 percentage points in the employment rate of women from lower-income countries (other than ex-Yugoslavia and Turkey). This seems to be attributable, at least in part, to the so-called "added worker effect", that is, spouses entering the labour market to compensate for the actual or probable employment loss of the principal migrant.

The impact of policies restricting family migration on the integration outcomes should be assessed.

In recent years, a number of measures have been taken to restrict family migration from lower-income countries. Their impact on integration outcomes needs to be assessed carefully. If they merely retard immigration, they may have a negative impact on integration outcomes. This seems particularly damaging in the presence of children. Analysis from the OECD's Programme for International Student Assessment (PISA) and other sources suggests that later arrival in Austria has a negative impact on the education outcomes of the children of the immigrants concerned.

There is a significant deficit in empirical research on integration, and it is important to overcome this as more and better data sources become available.

The assessment of the labour market integration of immigrants in Austria is hampered by significant deficits in the data infrastructure. Apart from the census, the only dataset which allows for an identification of immigrants is the microcensus. This only adequately captures the foreign-born population since 2004 and the native-born offspring of immigrants since 2008. As a result, empirical research on integration has been extremely limited to date. Better data are gradually becoming available as the Public Employment Services shift from an exclusive identification of current nationality in their files to the identification of previous nationality and the nationality of the parents (for those who are co-insured), thereby allowing for the identification of naturalised immigrants and their offspring. Likewise, a data warehouse is being developed which will link administrative

data with the labour force survey. These new data sources should be exploited in quantitative research to enable informed, effective and targeted policy making.

The current infrastructure for integration is highly dispersed.

Integration is a cross-cutting domain and thus, in all OECD countries, many stakeholders are involved in the process. However, the framework in Austria is among the most dispersed and complex of all the OECD countries which have been under review to date. For example, the assessment and recognition of foreign qualifications involves four different ministries, and there are a multitude of different procedures in place depending on the origin, domain and level of the degree.

There are many small-scale projects at the local level which are difficult to assess.

Apart from the mainstream integration offers by the Austrian Public Employment Service, there are few federal measures in place at the federal level which aim at supporting immigrants' labour market integration. At the same time, there are a multitude of projects at the state and local level, and it is difficult to assess their impact. In any case, most of these projects are small-scale, time-limited and with multiple-level financing, making it questionable whether they are a cost-effective means of service provision for migrants.

The establishment of a central co-ordination body for integration at the chancellery would improve governance in this cross-cutting domain.

The current complex and dispersed infrastructure for integration and the many small-scale projects call for a more co-ordinated policy approach, to ensure consistency and effectiveness of the integration framework, and to enable a better experience sharing about what works and what does not. Some modest efforts in this direction have recently been taken with the introduction of a National Action Plan for integration and the establishment of a State Secretariat for integration in the Federal Ministry of the Interior. Given the multitude of stakeholders involved and the variety of domains related to integration, a more cross-cutting co-ordination body should be seriously considered. The ideal location for this would be in the Federal Chancellery. It seems important to tackle this now as the children of immigrants are entering the labour market in increasingly large numbers.

The social partners play an important role in labour market integration.

A unique feature of the labour market setting in Austria is the strong involvement of the social partners. These are also among the main actors in labour market integration. The Chambers of Labour are among the main providers of advice, notably related to discrimination in the labour market and to training. The Economic Chamber recently initiated a mentorship programme for immigrants.

The framework governing the labour market access of immigrants is complex and lacks transparency.

Austria is among the few OECD countries that do not provide full and automatic labour market access to all permanent-type migrants upon entry. Although most migrant groups now get immediate labour market access, there are many different permits with varying degrees of labour market access. On top of this, Austria has a unique system of numerical limits for new work permits that can be granted in a given year, depending on the share of the foreign population in the workforce. The restrictions may also have contributed to the particularly low employment rates of newly arrived immigrant women from lower-income countries, since these are among the few groups where the restrictions have been binding.

In spite of some progress in recent years, there are still several administrative obstacles to the employment of some immigrant groups, and it is urgent to remove these.

Over time, the labour market access of immigrants in Austria has gradually improved, and most permanent-type immigrants now either enjoy immediate labour market access or obtain this after a year. The new immigration law which entered into force in July 2011, brought about further facilitations. Since this date, only few groups still have limited labour market access, and these groups are small. However, for those immigrants concerned, there are some additional difficulties to overcome. For example, labour market participation is a precondition for access to most publicly funded language training. Labour market restrictions for migrants who can be expected to stay in the country for good hampers the integration process. In any case, since the groups involved are small, the remaining obstacles should thus be abolished, including the system of limits on the number of work permits for migrants who are already legally residing in Austria.

A cautious opening of the labour market to asylum seekers at later stages of the process should be considered.

One group for which Austria is particularly restrictive are asylum seekers. This group is only issued work permits after three months, and only for seasonal occupations. Since the asylum process can be rather lengthy, the full labour market entry of those who eventually remain in Austria can be retarded significantly, with potentially adverse consequences on the long-term integration prospects. Clearly, a balance needs to be achieved between the facilitation of labour market entry for those who need protection and prevention of abuse of the asylum channel. Many OECD countries have opted for granting broader labour market access to asylum seekers at some stage of the process, once it has become clear that the request is not completely unfounded. Such a middle way should also be considered in Austria.

A more comprehensive integration programme for new arrivals, targeted at labour market integration, should be envisaged.

The unfavourable labour market outcomes of newly-arrived immigrant women from lower-income countries also raise the question of introduction offers for immigrants. Many OECD countries have recently introduced or extended structured integration programmes for new arrivals. These are lacking in Austria. The only structured "offer" for this group is an obligation to pass a language test, which is partially refunded for those who succeed. The implementation of an introduction programme for new arrivals, in particular for those who lack the basic skills to succeed in the Austrian labour market, should be seriously considered. Even if such programmes tend to be costly, the experience of the Scandinavian countries, which have implemented them with a strong focus on early employment and on skills upgrading (for those in need of this), suggests that they contribute to better integration outcomes in general and labour market integration in particular.

Labour market integration measures have been stepped up recently.

Labour market integration has only recently become an issue of policy concern. This seems to be partly due to the fact that the labour market outcomes of immigrants have been lower in the past decade than what they used to be. The reasons for this deterioration in outcomes are not entirely clear. In reaction to the unfavourable evolution of integration outcomes, there have been a number of initiatives over the past few years aimed at better accounting for the needs of immigrants in the Austrian Public Employment Service (AMS). For example, the AMS has implemented diversity training for its employees and immigrants will be included as a specific target group for active labour market policy as of 2012.

There has been considerable effort to integrate migrants into shortage occupations, and this seems to have paid off.

Austria has recently launched two major initiatives aimed at better utilising the skills potential of the resident population, and immigrants have been dis-proportionately represented in the corresponding labour market policy measures. There have also been several related programmes which indirectly target immigrants, with the aim of enhancing the supply of skilled labour in shortage occupations. The available evidence suggests that these have been particularly effective policy tools, and it seems important to continue along this promising route. Particular attention should be paid to placing more immigrants into the so-called "inplacement foundations" which provide tailor-made training for shortage occupations, co-financed by employers and the AMS. These seem to be particularly beneficial for immigrants, but they are currently underrepresented in this measure.

Language training is the largest integration-related expenditure, but does not seem to be very effective and a better co-ordination among the stakeholders is needed.

As in other OECD countries, language training is the single most important direct integration-related expenditure. Investment in German-language training used to be quite limited in the past, but has been increased considerably over the past three years. The bulk of the expenditure is financed by the AMS, but other stakeholders also provide language training, and there is little co-ordination among them. The AMS courses are the only courses whose impact can be at least partly assessed, since information on the labour market status of past participants is available. While there has been no thorough investigation of its effect thus far, the fact that only about 20% of participants are in employment three months after the training suggests that it may not be very effective.

Language training should be more skills- and vocation-specific.

The low transition rate from AMS-provided language training into employment could partly be due to the fact that it may not be sufficiently focused. Indeed, most language training targets low levels of mastery in German (A2 level), and skills- or vocation-specific language training on-the-job accounts for only a small part of the language training provided by the AMS. This is the type of training which seems to entail the most benefits, and its broader-based introduction should be considered.

The incidence of "overqualification" among immigrants is higher than elsewhere in the OECD.

The Austrian labour market strongly values formal qualifications, but immigrants often find their foreign qualifications discounted by Austrian employers. The discount is strongest for the highly-educated who have obtained their qualifications in lower-income countries. Only 40% of these actually work in a highly-skilled job compared with 70% of the native-born. 11% of highly-educated immigrants from lower-income countries even work in a low-skilled job. Indeed, the relatively high employment rate of immigrants in international comparison seems to be linked with a high incidence of "overqualification" – that is, of immigrants working in a job requiring only skills below their formal education level.

The assessment of foreign qualifications seems to help immigrants, but it is highly complex and few immigrants take advantage of it.

Cross-sectional data show a strong positive association between having a foreign degree formally assessed and the probability to be in highly-skilled employment, for migrants who have obtained their qualifications in lower-income countries. This suggests that the recognition process plays the role expected from it. However, relatively few immigrants seem to take advantage of this possibility, in spite of the fact that only a rather low fee is demanded from them. This seems to be at least partly due to the fact that the current infrastructure in this domain is particularly dispersed. The establishment of a one-stop-shop accepting applications for recognition in all domains and levels (and then

handing them over internally to the competent authorities) would seem to be a promising first step which the authorities should consider. In addition, the finding that assessment helps in getting good jobs needs to be made more widely known to immigrants.

Immigrants would benefit from the accreditation of prior learning.

A major shortcoming in the current infrastructure for integration is the fact that there is no system in place for the accreditation of prior learning. One would expect immigrants to benefit disproportionately from the introduction of such measures, given that employers tend to be more uncertain about the qualifications and skills of immigrants who have obtained these in often very different contexts. For the outcome of such a competence assessment to be accepted on the labour market, the social partners need to be strongly involved.

Measures to improve the low educational outcomes of immigrant offspring would be particularly beneficial, with a focus on education at the age of 3.

Data from the OECD Programme for International Student Assessment (PISA) have shown that the differences in the education outcomes between the children of immigrants and the children of natives are particularly large in Austria, and immigrant offspring also lag well behind their counterparts in terms of educational attainment levels. This tendency seems to be reinforced by early streaming in the school system. Early streaming would be less of a problem if pre-school education could compensate for the often unfavourable socio-economic background of the children of immigrants. However, in spite of some recent improvements, pre-school education is under-developed in Austria. In addition, children of immigrants are underrepresented in pre-school education below the age of 4, which is a particularly crucial age for integration. This is an issue which needs urgent policy attention. A wider and better targeted provision of pre-school education for children of immigrants at the critical age of 3, along with early language support measures, would seem to entail important benefits – not only for the children themselves, but also possibly with respect to the labour market outcomes of their mothers. Indeed, there is a particularly strong and negative association between having small children and the labour market outcomes of immigrant women from lower-income countries.

The current focus on "mother-tongue" education should be re-considered.

While support measures to foster education outcomes for the children of immigrants, notably German language training, appear to be less developed than in other OECD countries, so-called "mother-tongue" education is rather well established. The reasons for this are not entirely clear, and it should be investigated whether this type of language training provides the benefits expected from it or whether the money spent on this would be better invested into additional German-language training, in particular at the critical ages of three and four. Finally, language support measures in schools are rather heterogeneous with respect to their availability and quality and a stronger co-ordination at the federal level would help to enhance the consistency of the current framework on the basis of common minimum standards.

More recent cohorts of children of immigrants face larger difficulties than previous ones, and this requires urgent policy attention.

Across all groups of offspring of immigrants one observes significantly larger gaps among the younger cohort – in particular for the children with parents from Turkey. Due to a lack of longitudinal data, it is not possible to discern whether this is due to the fact that the offspring of immigrants have generally more difficulties in the early years after school-leaving and then catch up or whether this is a cohort effect (*i.e.* young children of immigrants have more difficulties now than older cohorts used to have at the same age). Given the significant and growing number of children of immigrants who are about to enter the labour market in Austria, this is an issue which requires urgent policy attention.

Immigrant offspring tend to be underrepresented in those tracks of vocational education that are particularly effective pathways for the school-to-work transition.

The transition from lower to upper secondary education appears to be a decisive step in the process of school-to-work transition. Several pathways are open to students at this stage. Apprenticeships provide a smooth school-to-work transition and are associated with good labour market outcomes, both for immigrant offspring and the children of natives. However, children of immigrants tend to be underrepresented in this pathway. They are also less likely to proceed to and to complete higher vocational colleges after the end of lower secondary education, although this is a pathway that appears to yield particularly high employment rates for them. In contrast, immigrant offspring tend to be overrepresented in the intermediate track of vocational schooling that is less effective in promoting their labour market integration. It is thus important to identify the reasons for the apparently disadvantageous choices among the available pathways which immigrants make, and to take remedial action.

Immigrant offspring are largely overrepresented among early school leavers, and a concerted policy effort is needed to tackle this.

Children of immigrants are three times more likely to leave the school system without an upper secondary qualification than the children of natives. As a consequence, they are also four times more likely to be low-qualified and neither in education nor in employment or training. Offspring with parents from Turkey are in a particular unfavourable situation, as one fifth belongs to this group at risk. There are only few measures in place to tackle this significant challenge, and more targeted action is needed. Although the AMS has recently reinforced its efforts to promote the qualification and labour market prospects of early school leavers, immigrant children have not yet been designated a specific target group in these measures.

The public sector needs to engage more strongly in the integration of immigrant offspring.

One sector in which immigrant offspring are currently largely underrepresented is the public sector. By employing immigrants, the public sector acts as a role model for the private sector. Employment in the public sector can also contribute to enhancing the understanding of immigrants' needs by public institutions. When immigrants are employed in certain key occupations such as teaching, they can also serve as a role model for others, notably immigrant youngsters. As a result, other OECD countries have recently taken strong efforts to increase employment of immigrants and – in particular – their offspring in the public sector, and these have met with some success. In Austria, however, apart from a few small-scale initiatives at the sub-federal level, there are no measures in place to enhance the presence of immigrants in public sector employment. It is important that the public sector, as a major employer with high visibility, engages more strongly in integration.

The unfavourable labour market outcomes even of immigrant offspring with good Austrian qualifications point to structural obstacles in the labour market.

The large and persistent gaps in the labour market outcomes, even for immigrant offspring with good Austrian qualifications, point to the existence of other, structural obstacles to labour market integration, such as lack of networks or lack of familiarity with labour market functioning, as well as discrimination. To tackle the former two obstacles, other OECD countries have implemented a broad range of measures to bring immigrants and their children in contact with employers, and to provide them with knowledge about labour market functioning. In Austria, such measures have been limited to date, with the exception of mentorship. Their implementation on a wider basis should be considered.

The issue of discrimination against migrants has not been very present in the public debate, and testing studies would help to raise awareness about this issue.

In the public debate, as well as among employers in Austria, there seems to be little awareness of the possibility of discrimination in hiring. There have been no testing studies thus far that would demonstrate and quantify its existence. This is unfortunate, since testing has often revealed a much larger incidence of discrimination than is generally perceived. In the other OECD countries under review, it is not uncommon that persons with an immigrant-sounding name have to write three times as many applications to get an invitation to a job interview as persons without a migration background but an otherwise similar CV. A monitoring of discrimination would thus bring the issue into the limelight. Particular attention should be paid in this respect regarding small- and medium-sized enterprises, in which selective hiring processes tend to be more pronounced and which account for the bulk of employment in Austria.

The institutional framework against discrimination needs to be reformed and complemented by more pro-active measures.

The current institutional framework against discrimination is both recent and dispersed. At the same time, the few cases currently formally treated can be assumed to be only the tip of the iceberg, if the experiences of other OECD countries are any indication. A reform of the anti-discrimination framework by reducing the number of different bodies involved could well entail efficiency gains. At the same time, the framework needs to be made more widely known to immigrants. Such a reform should be complemented by more pro-active diversity policy measures aimed at the diversification of recruitment channels by employers, which are currently lacking.

Notes

1. The terms "immigrants" and "foreign-born" are used interchangeably in this text.

2. The term "employment rate" is used in this document synonymously with the employment-population ratio, that is, the percentage of employed in the respective age cohort (unless stated otherwise, the working-age population aged 15-64).

3. For the sake of convenience, the terms "ex-Yugoslavia" or "former Yugoslavia" are occasionally used in this document to refer to the former Federal Republic of Yugoslavia and its successor countries. Slovenia, which is a successor country but now part of the European Union, is generally excluded from these figures, in line with Austrian statistics.

4. The term "migration background" is a commonly-used term in Austria to distinguish immigrants and their children on the one side from the offspring of the native-born. Although, as will be explained in more detail in Section 1.5, one should be careful in examining the integration of immigrants and that of their offspring in the same terms, since the issues involved differ, the phrase "migration background" is nonetheless occasionally used in this document for the sake of convenience.

5. For overviews of the history of migration from and to Austria, see Bauböck (1996), Bauer (2008) and Fassmann and Münz (1995).

6. Slavic family names are still widespread in Austria and a reminder of this early phase of immigration. However, their spelling has often been "Germanised" as a result of efforts to assimilate.

7. This provision remained formally in place until its recent abolition under the new immigration law which entered into force on 1 July 2011 (see below).

8. In spite of the end of official recruitment in 1973, the "guestworker" system remained in place until 1992.

9. This decline is partly due to naturalisation rates of 3% of the total foreign population on average per year. However, among these naturalisations, immigrants from Yugoslavia accounted for a rather modest share of roughly 17%, and there were few naturalisations of Turkish nationals at that time. About half the naturalisations concerned immigrants from Germany and eastern Europe.

10. Indeed, there is some evidence that return migration among Yugoslavians was much more pronounced than among the Turks, while the reverse was observed for family migration. As a result, the Turkish population grew more strongly between 1971 and 1981 than the Yugoslav population (see Neyer, 1985). It is unclear to which extent this differential migration pattern has contributed to the rather strong differences that are observed in terms of labour market integration for these two groups (see Box 1.2).

11. At the same time, some 75% of the foreign population in Switzerland held a permanent residence permit (see Bauböck, 1988).

12. A major group to transit Austria were Jewish emigrants from the Soviet Union. 250 000 to 300 000 stayed temporarily in Austria between 1973 and 1989, before moving to the United States or Israel (see Bauböck, 1996).

13. For convenience, "Bosnia" is used as a shorthand for Bosnia and Herzegovina.

14. Until 1996, data on migration are only available for net migration.

15. Over the past 20 years, there has been no discernible correlation between the development of net migration and unemployment of Austrian nationals.

16. In 1994, this number was further reduced to 8%. At the same time, nationals from the EU-15 have been excluded from the count. On 1 May 2011, nationals from the EU-8 have also been excluded, and the limit lowered to 7% of the workforce.

17. In parallel, in 1990, controls to prevent illegal employment of irregular migrants were enforced, along with a legalisation campaign that granted a work permit without a labour market test to foreigners who held a valid residence permit. Another innovation was that, after 12 months of legal employment in Austria, most migrant workers could get a renewable work permit (Arbeitserlaubnis) which granted them full labour market access for two years in the Austrian state where they had been employed with a work permit before.

18. In addition, also in 1993, a requirement for employers requesting a work permit for an immigrant was introduced which stipulated that the former has to declare that he or she did not fire or refuse employment to an older worker (above 50 years old) during the last six months for a similar post. This requirement is still formally in force.

19. The terms "federal numerical limit" and "settlement quota" are rather confusing, as the former essentially relates to a quota (*i.e.* the share of foreigners in the workforce) and the latter to a numerical limit.

20. For a detailed discussion of the post-2005 legislation and its implications for the labour market access of immigrants, see Bichl *et al.* (2010).

21. Migration from the new member countries is included in free movement migration from the time they joined the European Union, because of the significant facilitations for migration in the enlarged European Union even during the transition period which Austria applied, and the fact that member states have only very limited control over the flows. In 2009, almost two-thirds of permanent-type migration to Austria were free movement migration (OECD, 2011).

22. This latter information is only available for the census year 2001 and from 2004 onwards.

23. The majority of immigrant offspring did not have Austrian citizenship at that time, but the number of those at working age was still rather small as well.

24. For a thorough discussion of the social partners' role in Austrian integration policy, see Bauböck (1988).

25. Compared with other OECD countries, these rights have been extended rather late to foreigners.

26. Moreover, exemption criteria for the obligation to sign the agreement were reduced. The agreement is to be signed by third-country nationals who are at least 9 years old upon arrival and cannot provide evidence of equivalent German language proficiency, for example though education diploma. Recognised refugees are exempted, as well as key workers and persons whose state of health or age is an obstacle to their participation.

27. For a comprehensive discussion of naturalisation policy, citizenship testing and its links with integration in Austria, see Perchinig (2009) and Reichel (2011).

28. A comprehensive description of the institutions of the Austrian labour market is provided in Hofer and Winter-Ebmer (2007).

29. There has been no study of the wages of immigrants in Austria thus far. Indeed, the only dataset which includes both information on country of birth and of wages is the EU Survey of Income and Living Conditions. However, the samples of immigrants from lower-income countries in Austria are small.

30. The federal states are in charge of implementing education policy in pre- and primary school, as well as in the lower track of lower secondary education. In contrast, the higher track of lower

secondary education and upper secondary education and above are in the responsibility of the federal government (for a detailed discussion of the Austrian education system, see Section 1.5).

31. Nevertheless, the asylum procedures have been accelerated since 2007. Lengthy procedures have often resulted from the distinct legal protection offered by Austria to asylum seekers. Austria has provided a wide range of legal remedies that goes beyond those offered by many other EU member countries. Moreover, it must be considered that Austria still has one of the highest shares of asylum seekers in the OECD.

32. In addition, many immigrant women come from countries where women participate less in the labour market. The low employment rates in origin countries to a certain extent carry over into the destination country after migration However, as seen in Section 1.1, during the crisis an increase in the employment rate of women has been registered among immigrant groups with a low employment rate of women, which demonstrates that these women are reactive to changing labour market conditions and labour needs.

33. Formal qualifications are not only important in the labour market, but also in social life in Austria, where persons are commonly addressed by their academic titles.

34. For a comparison of the qualification structure of migrants in Austria, as well as their rates of over- and underqualification to that of migrants in other EU countries, see Huber *et al.* (2010).

35. A related factor was that, until the 1990s, the obligatory labour market test for some groups was generally not applied for employment in certain low-skilled occupations with labour shortages, notably construction and tourism.

36. In total, in 2010, 1 400 requests for evaluations were addressed to the National Academic Recognition Information Centre (ENIC-NARIC Austria).

37. EEA and Swiss nationals with qualifications in certain non-medical healthcare professions can benefit from a one-stop-shop procedure that the Ministry of Health in order to obtain a license to exert their profession. Non-EEA/Swiss nationals, however, need to address the government of the Austrian state in which they are residing to apply for "nostrification". As is also the case in "nostrification" procedures for nationals of other countries, they may have to participate in additional training courses, but places are limited and applicants often need to pass an entry exam including a German language test.

38. Since the low-qualified are more frequently affected by unemployment, the focus of the Austrian Public Employment Service generally lies with low-qualified job-seekers.

39. The Federal Minister for Labour, Social Affairs and Consumer Protection, in agreement with the Social Partners, publishes labour market policy goals to be implemented by the Public Employment Service. These goals set the framework for the long-term planning of the AMS to be translated into annual objectives, which will include immigrants as a specific target group from 2012 onwards.

40. A systematic and methodically rigorous evaluation should be based on a comparison of the ex post labour market outcomes of participants in a given measure with the outcomes of a comparison group with equal characteristics and equal ex ante labour market status but who has not participated.

41. In addition to evaluations of individual ALMP measures (*e.g.* Weber and Hofer, 2004a and 2004b), there have been two comprehensive evaluations of the Austrian ALMPs, by Lutz *et al.* (2005) and by Lechner *et al.* (2007). Neither of these looked at immigrants separately, although the latter study found that foreign nationals were underrepresented in most programmes.

42. However, the job placement rates – that is, the percentage in employment three months after having completed the language course – are low for this measure. Only one out of five participants is in employment three months after completion of the course.

43. Note that the difference in the time period may be less of a problem since several of the measures last for about six months to a year. However, it is not possible to have a rough idea of the long-term effects.

44. Although "persons with a migrant background" were a target group, unfortunately there is no information currently available regarding how many of them actually participated, and the effect which programme participation actually had on this group.

45. The city of Vienna, for instance, has launched a coaching programme for new arrivals in 2008. The programme focuses on facilitating access to language courses, explains the integration agreement and refers new arrivals to counseling centres that provide assistance with the recognition of foreign qualifications and labour market entry in general.

46. The language training by the AMS is available to all registered unemployed independent of whether or not they obtained unemployment benefits or other social security payments. In contrast to many other OECD countries, in principle all migrants not in employment could thus benefit from this measure, even those who have no work experience in Austria.

47. Data for the full year of 2009 and for 2010 are not yet available.

48. The cost per participant hour is generally a good proxy measure for the quality of the training. Investment here varies widely, from less than EUR 3 per participant per hour for standard language courses in Germany to more than EUR 10 in Denmark. Assuming that the typical course is between four to five hours per day, Austria thus seems to be somewhere in the middle range. The average cost per participant over the whole training course in Austria was more than EUR 2 200 in 2009.

49. Especially workshop-based dual programmes and complementing (preparatory) measures such as production schools integrate vocational training and language support measures. In these measures, youth with a migration background have a considerable share among the participants.

50. Data from years prior to 2004 are not available, but there is little doubt that there has been a strong improvement since the late 1990s, the time when the 2009 PISA cohort was in the ECEC age range. The current poor performance may thus be at least partly the result of the low ECEC coverage at that time.

51. For the sake of convenience, in the subsequent analysis based on schooling statistics, children with a first language other than German are subsequently referred to as "children of immigrants".

52. Unless noted otherwise, all figures in this sub-section are extracted from the Austrian School Statistics, Statistics Austria 2009/10.

53. Half of the students in vocational schools and more than two thirds of the students in vocational colleges finish upper secondary education successfully, while this is only the case for 40 and 30%, respectively, of former polytechnic students.

54. In any case, children of immigrants are twice as likely as the children of natives to be already 15 years old upon completion of lower secondary education, in general because they repeated a year. This means that they fulfil the required nine years of compulsory schooling after the 8th grade and are free to leave the school system at this early stage.

55. However, these figures need to be interpreted with caution. The high drop-out rates in vocational schools and colleges are partly attributable to the common practice of spending the ninth year of compulsory schooling in one of these institutions before taking-up an apprenticeship at the age of 15. Moreover, these figures do not specify the reasons for drop-outs. The latter might thus represent actual school leaving, or stem from a mere change of school type.

56. In 2009/10, about 20 000 students held this status.

57. Since 2009, budgets for this purpose have been increased for schools with a high share of non-regular students.

58. Indeed, one may question the term "German as a second language" in a context in which a large part of the children concerned are born in Austria and have Austrian citizenship.

59. This is not to say that such education may not provide benefits for the children involved, but given the limited resources available and the ultimate objective of a better integration into the Austrian labour market and society, the resources would probably be more effectively invested in German language training. Some of the funds for "mother-tongue" education could also be invested into inter-cultural offers for all children, to enhance mutual understanding between children of immigrants and children of natives. A first step in this direction has been taken, as the Federal Ministry for Education has recently developed a curriculum for teacher training in "linguistic diversity and intercultural education".

60. These findings also broadly hold with respect to the current job.

61. Children of immigrants and children of native-born have the same share of youth who succeeded in finding their first job through an unsolicited application (17%). Placement through the Public Employment Service (AMS) appears to be a neglected pathway, as it was only used by 5% of youth overall. However, this is partly explained by the fact that youth without prior insurance periods will not receive unemployment benefits, which often constitutes the reason for first contact with the AMS.

62. Note that the youth aged 15-19 who are not in education tends to be a negatively selected group, since the vast majority – including children of immigrants – pursues upper- and post-secondary education. In Austria, the share of children of immigrants in the age group 15-19 is more than twice as large as among the 20-24 year old, due to the large inflows following the fall of the Iron curtain and the wars in the former Yugoslavia. Part of the high youth unemployment for children of immigrants in the age range 15-24 is thus attributable to their biased age composition. However, a stark increase in 2009 is also observed after accounting for this.

63. For a review of active labour market policy for youth in Austria between 1994 and 2010, see BMASK (2010a).

64. In principle, one could shed some light on this important issue by looking at the outcomes of children of immigrants five or ten years ago. However, information on the native-born offspring of immigrants is only included in the Austrian Microcensus since 2008.

65. The sample consisted of 1 000 youth aged 16 to 26 years who were predominantly of Turkish or Yugoslav origin and had either been born in Austria or immigrated before the age of 4.

66. Due to limits in the sample size of the 2009 *ad-hoc* module, Knittler (2011) employed a broad definition of "children of immigrants" including both native-born children of immigrants and young immigrants. The sample was also too small to conduct analysis separately by country of origin.

67. This approach allows for larger samples, since it does not require the variable on the parents' level of education, which is only included in the *ad-hoc* module (*i.e.* only in the second quarter of 2009). Hence, the full annual microcensus can be used and although the actual parent-child relationship cannot be traced back here, this approach has the advantage of permitting separate analysis for different groups of immigrants and their offspring.

68. Note that the education outcomes of the children of immigrants are nevertheless better than those of their parent generation. However, the education outcomes of young men without a migration background have improved more strongly *vis-à-vis* their parents.

69. In addition, the AMS has enlarged its subsidies for company-based apprenticeships since 2005 under the so-called "Blum Bonus" programme, which led to the creation of 10 000 new subsidised apprenticeships until 2007 (Bildungsbericht, 2009).

70. As a measure to foster the re-integration of early school leavers into vocational tracks, the AMS, moreover, established so-called workshop schools (Produktionsschulen) that aim at enhancing

practical skills through hands-on training programmes that are accompanied by social workers. At the end of 2010, 19 such schools existed in Austria and counted about 2000 participants (BMASK, 2010a). There has been no evaluation yet of their effectiveness.

71. Austria chose to implement the directive by adding the aspects of ethnic origin, religion and belief as new fields of application to the already existing law for gender equality.

72. For a detailed account on the ombuds offices' activities in 2008/09, see Gleichbehandlungsanwaltschaft Österreich (2010).

73. For a detailed account on the Klagsverband's activities in 2009, see Klagsverband (2010).

74. Class actions as used, for example, in the United States could provide a remedy to this problem, but the Austrian legal framework does not yet provide this opportunity for cases of discrimination (for more information on class action in the United States, see Sherwyn, 2009).

75. In recent studies, this has usually been the name. Note that in Austria, such a testing would not be possible with respect to Slavic family names, as these are widespread even among offspring of natives.

76. Note that this may be part of the explanation of the particularly low participation of children of immigrants in pre-school education in Vienna.

77. The results were published in the first Viennese Integration and Diversity Monitor in 2010 (see Magistratsabteilung 17, 2010).

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Annex 1.A1

Supplementary tables and figures

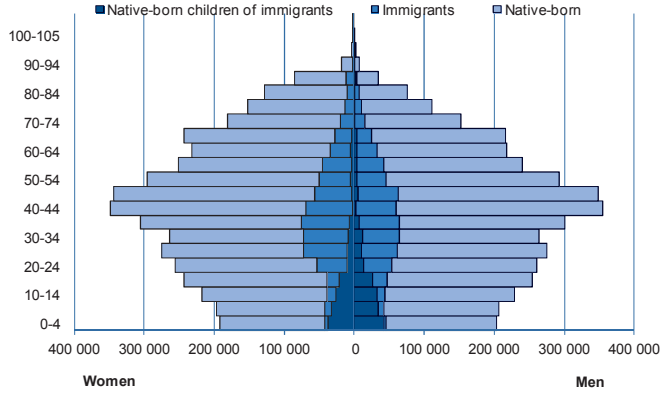
Table 1.A1.1. Education level and labour market outcomes by country of origin and gender in Austria, people aged 15-64, 2009/10 average

			Native-born	Foreign-born								
				EU15 (without Austria) + Switzerland	EU12 (new members)	Former Yugoslavia (excl. Slovenia)	Turkey	Asia (excl. Russia)	Africa	Latin America	Other eastern Europe (incl. Russia)	other	All foreign-born
Total													
Percentage of all immigrants				18.3	17.3	32.3	14.6	8.5	3.0	1.5	3.1	1.3	100
Educational level	Low		20	-9	-4	21	51	15	9	6	2	-11	13
	Medium		64	-9	0	-10	-38	-27	-23	-15	-29	-36	-15
	High		16	19	4	-10	-13	11	14	8	27	47	2
Participation rate			75.5	+2.1	-3.9	-2.5	-11.1	-6.8	-1.3	-1.8	-8.7	-9.5	-3.8
Employment rate			72.7	+1.3	-6.9	-5.5	-18.1	-10.8	-9.1	-5.7	-15.5	-9.9	-7.3
Unemployment rate			3.8	+0.9	+4.4	+4.2	+11.6	+6.1	+10.6	+5.3	+10.7	..	+5.1
Men													
Percentage of all immigrants				18.6	14.2	33.6	16.3	8.8	3.8	..	2.4	..	100
Educational level	Low		16.3	-7	-2	+16	+48	+16	+8	..	+5	..	+14
	Medium		66.1	-15	+1	-4	-34	-27	-25	..	-24	..	-14
	High		17.6	+22	+1	-12	-15	+11	+17	..	+20	..	+1
Participation rate			80.2	+4.1	-0.9	-1.6	+1.7	-2.2	+4.8	..	+0.3	..	+0.4
Employment rate			77.1	+3.5	-3.9	-5.1	-8.5	-9.0	-5.4	..	-12.8	..	-4.4
Unemployment rate			3.9	+0.5	+3.8	+4.6	+12.4	+8.8	+11.8	..	+16.3	..	+5.9
Women													
Percentage of all immigrants				18.0	20.2	31.2	13.0	8.1	2.2	..	3.8	..	100
Educational level	Low		23.3	-12	-6	+26	+54	+14	+12	..	0	..	+13
	Medium		62.7	-4	0	-17	-44	-26	-21	..	-32	..	-16
	High		14.1	+16	+7	-9	-10	+12	+9	..	+32	..	+3
Participation rate			70.8	+0.4	-4.1	-3.3	-26.3	-11.4	-13.8	..	-11.8	..	-7.1
Employment rate			68.1	-0.5	-7.2	-5.7	-29.7	-12.5	-17.6	..	-15.1	..	-9.4
Unemployment rate			3.8	+1.2	+4.9	+3.8	+9.8	+2.6	...	..	+6.2	..	+4.1

Note: Educational level and labour market outcomes for immigrants are shown in percentage-point differences *vis-à-vis* native-born. ".." means not significant for publication.

Source: Austrian Microcensus (data provided by Statistics Austria).

Figure 1.A1.1. Population structure by age, migrant status and gender, 2009/10



Source: Austrian Microcensus (data provided by Statistics Austria).

Table 1.A1.2. Labour market outcomes of immigrants in Vienna and the remainder of Austria, people aged 15-64, 2008-10

		Total	Vienna	Rest of Austria
	Distribution of populations			
	Native-born (in %)	100	16.1	83.9
	Foreign-born (in %)	100	41.7	58.3
	Foreign-born from lower-income countries (in %)	100	43.7	56.3
Employment rate (ER)				
	Men			
	Native-born	77.8	72.0	78.9
Difference in ER[1]	Foreign-born	-4.2	-0.3	-3.9
	Foreign-born, lower-income country	-5.9	-1.9	-5.7
	Women			
	Native-born	68.0	66.4	68.3
Difference in ER[1]	Foreign-born	-10.4	-8.9	-10.6
	Foreign-born, lower-income country	-13.5	-11.7	-13.9
Unemployment rate (UR)				
	Men			
	Native-born	3.4	6.5	2.8
Difference in UR[1]	Foreign-born	+5.2	+3.7	+4.6
	Foreign-born, lower-income country	+6.8	+5.3	+6.0
	Women			
	Native-born	3.6	5.6	3.2
Difference in UR[1]	Foreign-born	+4.2	+2.8	+4.2
	Foreign-born, lower-income country	+5.5	+3.9	+5.6

1. Foreign-born minus native-born.

Source: Austrian Microcensus (data provided by Statistics Austria).

Table 1.A1.3. Labour market outcomes of the children of immigrants in Vienna and the remainder of Austria, people aged 20-29, 2008-10

		Total	Vienna	Rest of Austria
	Distribution of populations			
	Children of natives (in %)	100	21.3	78.7
	Native-born, children of immigrants (in %)	100	52.0	48.0
	Native-born, children of immigrants from lower-income countries (in %)	100	50.9	49.1
	Employment rate (ER)			
	Men			
	Children of natives	82.0	73.1	84.1
Difference in ER[1]	Native-born, children of immigrants	-3.5	+1.7	-1.9
	Native-born, children of immigrants from lower-income countries	-3.6	+1.5	-2.3
	Women			
	Children of natives	75.7	66.9	78.0
Difference in ER[1]	Native-born, children of immigrants	-4.8	-0.8	-2.5
	Native-born, children of immigrants from lower-income countries	-5.7	-0.4	-4.3
	Unemployment rate (UR)			
	Men			
	Children of natives	6.1	11.0	5.0
Difference in UR[1]	Native-born, children of immigrants	+5.2	+1.6	+5.0
	Native-born, children of immigrants from lower-income countries	+5.7	+2.8	+5.1
	Women			
	Children of natives	5.6	8.4	5.0
Difference in UR[1]	Native-born, children of immigrants	+5.3	+6.3	+2.6
	Native-born, children of immigrants from lower-income countries	+6.0	+6.0	+3.8
	Share of low-educated[2] neet among 20-29 year old			
	Men			
	Children of natives	3.2	5.3	2.7
Percentage points difference[1]	Native-born, children of immigrants	+6.3	+4.8	+6.1
	Native-born, children of immigrants from lower-income countries	+7.0	+5.7	+6.7
	Women			
	Children of natives	5.4	7.6	4.7
Percentage points difference[1]	Native-born, children of immigrants	+5.5	+5.4	+3.9
	Native-born, children of immigrants from lower-income countries	+6.7	+6.3	+5.3

Note: Persons in education were excluded for the calculation of the employment and unemployment rates.

1. Children of immigrants *minus* children of native-born.

2. "Low-educated" refers to lower secondary education and below (ISCED 0-2).

Source: Austrian Microcensus (data provided by Statistics Austria).

Table 1.A1.4. Distribution of the labour force between different economic sectors in Austria, by country of birth and gender, people aged 15-64, 2009/10 average

	Native-born	Percentage-points difference between foreign-born and native-born
Men		
Agriculture, Forestry, Fishing	6	-4
Construction, Mining, Quarrying	12	+5
Manufacturing	23	-1
Electricity, Gas and Water Supply	1	-1
Wholesale and Retail Trade, Repair	14	0
Tourism (Hotels and Restaurants)	3	+7
Transport and Communication	8	+2
Financial Intermediation	4	-2
Real Estate, Renting and Business Activities	10	0
Public Administration, Compulsory Social Security	8	-7
Education	4	-1
Health and Social Work	4	-1
Other	4	+2
Total	**100**	
Women		
Agriculture, Forestry, Fishing	5	-4
Construction, Mining, Quarrying	2	-1
Manufacturing	9	+2
Electricity, Gas and Water Supply	0	0
Wholesale and Retail Trade, Repair	19	-2
Tourism (Hotels and Restaurants)	7	+9
Transport and Communication	3	-1
Financial Intermediation	4	-2
Real Estate, Renting and Business Activities	10	+7
Public Administration, Compulsory Social Security	7	-4
Education	10	-5
Health and Social Work	16	0
Other	7	+1
Total	**100**	

Note: Sectors constructed after ÖNACE classification.

Source: Austrian Microcensus (data provided by Statistics Austria).

Table 1.A1.5. Percentage-point differences in the employment rate between foreign-born and native-born, by gender and educational attainment, people aged 15-64 and not in education, 2008/09

		Men			Women		
		ISCED 0/2	ISCED 3/4	ISCED 5/6	ISCED 0/2	ISCED 3/4	ISCED 5/6
Austria							
	Foreign-born	2	-2	-8	-10	-9	-19
	Foreign-born, lower-income	4	-4	-16	-16	-16	-33
Belgium							
	Foreign-born	-6	-10	-5	-10	-16	-15
	Foreign-born, lower-income	-8	-14	-10	-15	-22	-19
Denmark							
	Foreign-born	-1	-9	-8	-3	-11	-11
	Foreign-born, lower-income	-1	-16	-10	-7	-18	-22
France							
	Foreign-born	-1	-8	-6	-7	-13	-17
	Foreign-born, lower-income	-4	-9	-6	-13	-16	-18
Germany							
	Foreign-born	5	-4	-7	-10	-8	-21
	Foreign-born, lower-income	…	…	…	…	…	…
Netherlands							
	Foreign-born	-9	-7	-7	-10	-12	-14
	Foreign-born, lower-income	-9	-8	-9	-11	-14	-20
Norway							
	Foreign-born	-5	-6	-4	-4	-3	-5
	Foreign-born, lower-income	-10	-12	-7	-5	-4	-7
Sweden							
	Foreign-born	-11	-11	-9	-17	-12	-11
	Foreign-born, lower-income	-14	-12	-14	-20	-13	-17
Switzerland							
	Foreign-born	10	-4	-3	-1	-8	-14
	Foreign-born, lower-income	8	-5	-6	-7	-13	-25
United Kingdom							
	Foreign-born	0	2	2	-13	-11	-6
	Foreign-born, lower-income	13	8	7	-22	-19	-9
United States							
	Foreign-born	36	6	-1	12	-5	-8
	Foreign-born, lower-income	36	6	-2	12	-6	-8
OECD average[1]							
	Foreign-born	2	-5	-5	-7	-10	-13
	Foreign-born, lower-income	1	-7	-7	-10	-14	-18

Note: Persons in (full-time) education have been excluded.

1. The OECD average refers to the unweighted average of the countries included in this table. "Foreign-born, low-income" refers to foreign-born from a lower-income country.

Source: European Community Labour Force Survey 2008/09 and Current Population Survey March Supplement for the United States.

Table 1.A1.6. Labour market outcomes of highly-educated population aged 15-64 in selected high-income countries, 2008/09

		Percentage of persons aged 15-64 working in…				
		Highly-skilled	Medium-skilled	Low-skilled	Unemployed	Inactive
Austria						
	Native-born	**70**	**17**	**(1)**	**(2)**	**10**
	Foreign-born	**55**	**16**	**(5)**	**(4)**	**19**
	Foreign-born, high-income	**65**	**14**	**...**	**...**	**17**
	Foreign-born, lower-income	***40***	***20***	***(11)***	***...***	***23***
Belgium						
	Native-born	65	18	1	3	13
	Foreign-born	51	19	3	8	19
	Foreign-born, high-income	60	17	...	5	17
	Foreign-born, lower-income	*41*	*20*	*5*	*12*	*21*
Denmark						
	Native-born	76	11	(1)	3	9
	Foreign-born	57	16	...	(8)	14
	Foreign-born, high-income	68	(12)	...	...	(12)
	Foreign-born, lower-income	*39*	*(25)*	*...*	*...*	*...*
France						
	Native-born	64	16	1	4	14
	Foreign-born	51	15	3	8	22
	Foreign-born, high-income	59	11	...	(7)	21
	Foreign-born, lower-income	*49*	*17*	*4*	*8*	*22*
Germany						
	Native-born	71	17	1	3	14
	Foreign-born	54	20	5	7	14
	Foreign-born, high-income	...	...	...	...	...
	Foreign-born, lower-income	*...*	*...*	*...*	*...*	*...*
Netherlands						
	Native-born	77	10	1	2	10
	Foreign-born	58	15	(3)	4	19
	Foreign-born, high-income	69	13	...	...	12
	Foreign-born, lower-income	*52*	*16*	*(3)*	*(5)*	*23*
Norway						
	Native-born	80	9	...	1	8
	Foreign-born	61	18	...	...	14
	Foreign-born, high-income	73	...	...	...	...
	Foreign-born, lower-income	*49*	*25*	*...*	*...*	*17*
Sweden						
	Native-born	79	9	1	3	8
	Foreign-born	52	20	4	9	15
	Foreign-born, high-income	67	16	...	(5)	10
	Foreign-born, lower-income	*41*	*22*	*6*	*13*	*18*
United Kingdom						
	Native-born	65	18	2	4	12
	Foreign-born	58	19	3	5	15
	Foreign-born, high-income	65	15	3	5	12
	Foreign-born, lower-income	*55*	*21*	*2*	*6*	*17*
Switzerland						
	Native-born	72	18	1	2	7
	Foreign-born	69	14	(1)	4	12
	Foreign-born, high-income	76	12	...	3	10
	Foreign-born, lower-income	*53*	*18*	*(3)*	*7*	*18*
OECD average[1]						
	Native-born	72	14	1	3	10
	Foreign-born	52	16	3	6	15
	Foreign-born, high-income	60	12	3	4	12
	Foreign-born, lower-income	*42*	*18*	*3*	*8*	*18*

Note: "Foreign-born, high-income" refers to foreign-born from a high-income OECD country and "foreign-born, low-income" to all other countries.

1. The OECD average refers to the unweighted average of the countries included in this table.

Source: European Community Labour Force Survey 2009 and Current Population Survey March Supplement 2009 for the United States.

Glossary

AMS	*Arbeitsmarktservice Österreich* (Austrian Public Employment Service)
ALMP	Active Labour Market Policy
APL	Accreditation of Prior Learning
BMASK	*Bundesministerium für Arbeit, Soziales und Konsumentenschutz* (Federal Ministry of Labour, Social Affairs and Consumer Protection)
BMI	*Bundesministerium für das Innere* (Federal Ministry for the Interior)
BMUKK	*Bundesministerium für Unterricht, Kunst und Kultur* (Federal Ministry for Education, Arts and Culture)
BMWA	*Bundesministerium für Wirtschaft und Arbeit* (Federal Ministry for Economy and Labour)
ECEC	Early Childhood Education and Care
EIF	European Fund for Integration
ENIC – NARIC	European Network of Information Centres – National Academic Recognition Information Centre
ERF	European Refugee Fund
FIW	*Kompetenzzentrum "Forschungszentrum Internationale Wirtschaft"* (Research Centre International Economics)
IAB	*Institut für Arbeitsmarkt- und Berufsforschung* (Institute for Employment Research)
IBW	*Institut für Bildungsforschung der Wirtschaft* (Institute for Research on Qualifications and Training of the Austrian Economy)
IHS	*Institut für Höhere Studien* (Institute for Advanced studies)
ILO	International Labour Organization
ICMPD	International Centre for Migration Policy Development
ISCED	International Classification of Education
ISEI	International Socio-Economic Index of Occupational Status
IZA	*Institut zur Zukunft der Arbeit* (Institute for the Study of Labour)
KMI	*Kommission für Migrations- und Integrationsforschung* (Commission for Migration and Integration Research)
NEET	Neither in Employment nor Education or Training
NGO	Non-Governmental Organization
ÖIF	*Österreichischer Integrationsfonds* (Austrian Integration Fund)

ÖNACE	Austrian version of the NACE classification of economic activities
PISA	Programme for International Student Assessment
SIAW	*Schweizerisches Institut für Aussenwirtschaft und Angewandte Wirtschaftsforschung* (Swiss Institute for International Economics and Applied Economic Research)
SORA	SORA Institute for Social Research and Consulting
VET	Vocational Education and Training
WAFF	*Wiener ArbeitnehmerInnen Förderungsfond* (Vienna Employment Promotion Fund)
WIFO	*Österreichisches Institut für Wirtschaftsforschung* (Austrian Institute for Economic Research)

Chapter 2

The labour market integration of immigrants and their children in Norway

The labour market integration of immigrants has been a longstanding issue on the policy agenda in Norway. It is seen as essential to ensuring social cohesion, and has gained importance in the context of the recent increase in immigration. This chapter presents an overview of the key labour market outcomes of immigrants in Norway in international comparison, and their evolution over time. It sets out the framework for integration and provides a detailed picture of migrants in the labour market. It analyses some of the key characteristics of the Norwegian labour market and their links with integration and the main integration policy instruments. The chapter also looks into the labour market integration of the children of immigrants, the integration programme, integration into the public sector and the evidence regarding discrimination.

Introduction

The labour market integration of immigrants has been a longstanding issue on the policy agenda in Norway. It is seen as essential to ensuring social cohesion, and has gained importance in the context of the recent increase in immigration. The current foreign-born population stands at 9.4% of the total population, more than twice the 1991 figure, placing Norway between Denmark (6.9%) and Sweden (13.4%). According to national statistics, more than 50 000 people migrated to Norway in 2007, with net migration adding almost 1% to the Norwegian population, which is by far the highest immigration inflows on record and also one of the highest in the OECD. There is evidence that this recent increase in migration – to a large part driven by labour migration to accommodate high labour demand – has been beneficial to Norway's economy in several ways, in particular by allowing the economy to grow at a higher level (see OECD, 2008a). Indeed, the promotion of labour migration has been an important policy objective in the period of economic growth before the recent economic crisis. In spite of a general feeling that the outcomes of immigrants have improved with the favourable economic conditions and the larger intake of labour migrants in previous years, there is a fear that this achievement may not be sustainable in the context of the current downturn. Many actors consider the current situation as a "testing time" for integration.

Until the 1960s, Norway was a country of net emigration, and immigration remained modest until the fall of the Iron curtain in the late 1980s. Indeed, the Norwegian population has been – and in many ways still is – a rather homogeneous one. Partly as a result of subsequent return migration of former emigrants, a relatively large part of the foreign-born has at least one native-born parent. These are not considered "immigrants" in the Norwegian statistics and indeed are indistinguishable from the native-born in many ways. They are therefore excluded from the analysis presented here but generally included in the international comparison to maintain comparability (see Box 2.1). Along with the recent growth in immigration, there has been a diversification of origin countries, partly attributable to humanitarian migration and partly to increases in labour migration, particularly from the new EU member states.

Box 2.1. Defining the target population

In most publications and research in Norway, the "immigrant population" encompasses the foreign-born without "Norwegian background" – that is, the foreign-born with two foreign-born parents. 15% of the foreign-born population (1.4% of the total population) have at least one native-born parent and are thus not considered "immigrants" in the Norwegian context. A significant part of these foreign-born are descendants of Norwegian emigrants to other OECD countries, and their labour market position resembles in many ways that of the native-born. Where this chapter presents data and analyses on immigrants from national sources, it follows the national definition. However, most other OECD countries do not make this distinction and include all foreign-born in their immigrant population. For the international comparisons, statistics from the European Labour Force Survey on the entire foreign-born population have been used, along with Norwegian register data on immigrants according to the national definition.

The inclusion of the *native-born* children with two foreign-born parents in the "immigrant population" in national statics and much research is problematic, since this group differs in two important ways from the foreign-born. Firstly, they have been fully raised and educated in Norway. The issues related to their integration thus differ (see OECD, 2007a). Secondly, the average age of the native-born children of immigrants is rather low in Norway (more than half are below the age of 10, see Figure 2.A1.1), reflecting the more recent immigration history. They are thus treated as a separate group in this chapter.

In late 2008, Statistics Norway changed the terms used in their classification of immigrants and their children. Since then, the native-born children of immigrants are no longer included in the "immigrant" group (see Daugstad, 2009). However, they are still part of the "immigrant population" in most previously-published statistics. It is important to keep this somewhat confusing nomenclature in mind when interpreting Norwegian data and research. Unless mentioned otherwise, when this chapter refers to "immigrants" based on national Norwegian data, it refers to the foreign-born with two foreign-born parents.

Prior to the 2008 revision, Norwegian data also distinguished between "non-western" and "western" immigrants. This distinction, as well as the definition of "immigrants" including the native-born children of immigrants, is still made in much available data and research. "Western" includes the EEA countries plus Switzerland, as well as Australia, Canada, New Zealand and the United States. Although this distinction is now being abandoned in favour of a distinction along geographical regions/continents in statistical publications, integration policy remains mainly concerned with "non-western" immigrants and their children.

Where possible, this chapter generally distinguishes between OECD and non-OECD countries of origin. This distinction comes reasonably close to the (former) distinction of origin countries in Norway in "western" and "non-western" countries, with the notable exception of Turkey which is an OECD member country but included among the "non-western" countries in the national Norwegian statistics. Since the number of Turkish migrants in Norway is not very large, for the sake of convenience the terms OECD/non-OECD and non-western/western are used synonymously in this chapter.

At the same time, the native-born children of immigrants (the so-called "second generation") are now gradually entering the labour market. This group is still small in international comparison – currently accounting for only about 2% of the 15 to 24-year old population – but its share among school-leavers is rapidly growing and as is the case in many OECD countries, its outcomes are lagging behind those of the children of natives. For persons who have themselves immigrated, language problems, differences in education systems and educational curricula, as well as difficulties related to the migration process itself, will affect their likelihood of finding employment or a job commensurate with their qualifications and experience. These explanations do not hold for the native-born children of immigrants who have been fully raised and educated in Norway. Because of this, their outcomes are often seen as the "benchmark" for successful labour market integration.

The labour market integration of immigrants and their children has to be seen in a context of Norway's high GDP per capita (second highest in the OECD), low unemployment and high labour market participation of both genders. It also has to be viewed against the backdrop of a Nordic-type welfare state. The labour market and social security system is characterised by a rather high degree of wage compression with wages largely determined by centralised bargaining, high net replacement rates in particular for low earners with many children, a large public sector and a relatively "active" labour market policy (see OECD, 2003).

This chapter is structured as follows: Section 2.1 presents an overview of the key labour market outcomes of immigrants in Norway in international comparison, and their evolution over time. Section 2.2 sets out the framework for integration, that is, the evolution and current composition of the immigrant population, the main elements of integration policy, and the stakeholders related to the labour market integration of immigrants. Section 2.3 provides a detailed picture of migrants in the labour market, including the impact of socio-demographic characteristics, the convergence of immigrants' outcomes towards those of natives over time, and the impact of macro-economic conditions. Section 2.4 analyses some of the key characteristics of the Norwegian labour market and their links with integration. This is followed by an analysis

of the main integration policy instruments in Section 2.5. Section 2.6 looks into the labour market integration of the children of immigrants, followed by a glance at the evidence regarding discrimination in Section 2.7. The chapter ends with a summary and recommendations.

2.1. A first glance at the labour market outcomes of immigrants in international comparison and their evolution over time

A first overview at the key labour market indicators in international comparison is presented in Table 2.1. It shows that the overall labour market outcomes of the foreign-born in Norway are quite favourable in international comparison. For immigrant men, the employment rates are at the same level as in countries like Australia and the United Kingdom, although the gaps *vis-à-vis* natives are somewhat higher.[1] The picture regarding unemployment is less favourable – the incidence of unemployment is almost three times as high as among the native-born, but this has to be seen in the context of low overall unemployment. The picture in international comparison is particularly favourable for foreign-born women. They have the lowest unemployment rate in the comparison group, and the employment rates are higher than in any other country included in this overview.[2]

However, looking at registered employment for immigrants according to the national definition (see Box 2.1) gives a much less favourable picture,[3] in particular for immigrant women. Note that differences between register data and labour force survey data regarding the outcomes of immigrants (both in absolute terms and relative to the foreign-born) are not unique to Norway – similar differences are also observed in the other Nordic countries with register data (*i.e.* Denmark and Sweden).[4] There are several possible reasons for this discrepancy between register and labour force survey data, but it is difficult to capture the extent to which each single one contributes to the overall difference. The first possible explanation could be that fewer immigrants who have a lower employment probability participate in the labour force survey.[5] A second could be that the foreign-born are to a greater extent working in non-registered employment (*e.g.* mini-jobs or informal employment). A third and related reason is that employment in the registers are based on the situation in the month of November, which means that those who do not have a permanent job could be underrepresented compared with the labour force survey which is conducted in September. This would tend to disproportionately affect immigrants since they are more often in seasonal or temporary employment. Another source to the difference is the so-called "overcoverage" of the registers, *i.e.* they tend to include a number of people who probably do not or no longer live in the countries concerned. Again, foreign-born tend to belong to this "registered non-existing" group to a greater extent than natives. In any case, the size of the discrepancy calls for a closer investigation of its causes, and subsequent adjustments if possible.

These rather significant differences between the register data and the labour force survey data have thus to be taken in mind in the interpretation of the results. For the reasons mentioned above, the labour force survey seems more adequate for the international comparisons, but when looking at differences across immigrant groups, the register data has the clear advantage of universal coverage (see also Box 2.2). Where possible, data from both sources will be presented below.

Box 2.2. Data and research on migrants and their children in Norway

Considering the recent nature of immigration to Norway, data and research on the labour market integration of immigrants are well developed. One important reason for this is that Norway – similar to the other Scandinavian countries – has a system of administrative registers which are linked through a personal identification number (PIN). A wide range of individual-level information is submitted to Statistics Norway through the various administrative registers, surveys and other sources (see Vassenden, 2008) in the Central Population Register (CPR) database which has been established in 1964 – the first among the Nordic countries (United Nations Economic Commission for Europe, 2007). Since every resident in Norway is assigned a PIN, linked information on the entire population is available, including inter alia on immigration, education, employment, and programme participation (*e.g.* with respect to participation in labour market measures). This makes it possible, for example, to follow the integration process of immigrants over time. Since knowledge of the register number of a person's parents is also available, the integration of the native-born children of immigrants can also be well studied. Over the past 15 years, Statistics Norway has made significant investments in improving the data infrastructure regarding immigrants. As a result, information on the permit of the migrant is available since 1990. The majority of research on integration in Norway uses CPR data.

Nevertheless, there are a number of shortcomings in the CPR system that hamper its use for integration research. The most important of these is that foreign qualifications of immigrants are not recorded. Every ten years, Statistics Norway has therefore conducted a special survey to register the foreign education of immigrants who had arrived during the last ten years. The last such survey took place in 2001, covering migrants who had arrived before the year 2000. Information on the education of more recent immigrants is only available from the labour force survey. In addition, there are many missing education data even for immigrants who arrived before 2000. Longitudinal analyses are furthermore hampered by the fact that information on occupations is only available since the year 2003. Finally, the year 2001 marks a break in the series for the register-based employment statistics. Among a number of other changes, self-employment is included since 2001. These different definitions render comparisons with labour market outcomes prior to 2001 difficult.

In 1983, 1996, and 2005/06, Statistics Norway has conducted a comprehensive survey on the living conditions of the largest "non-western" migrant groups, to collect a range of information generally not available from administrative sources, including information on language training, the foreign qualifications of migrants, and indicators of social integration (see Blom and Hendriksen, 2006 for an overview). The most recent survey covered 500 immigrants from each of the following non-OECD countries: Bosnia-Herzegovina, Serbia and Montenegro, Iran, Iraq, Pakistan, Sri Lanka, Vietnam, Somalia and Chile. These groups account for almost half of the total foreign-born population from non-OECD countries. Migrants from Turkey are also included in the survey. Because of its scale and scope, the survey has been used on several occasions throughout the chapter. In 2005/06, the living conditions survey was supplemented by a special survey on 870 children of immigrants from Pakistan, Turkey and Vietnam (see Løwe, 2008 for an overview of the results).

Statistics Norway regularly publishes reports on a wide range of migration and integration issues, including an annual report on "Immigration and Immigrants". Recent impetus to the research has also been given through a significant grant on "integration of non-western immigrants: identifying policies that work" by the Norwegian Research Council to a number of research institutions over the period 2007-10.

Norway has also participated in the International Adult Literacy Survey in 1998 and the Adult Literacy and Life Skills Survey in 2003. Due to a relatively large coverage – in 2003, more than 5 400 people participated in the survey in Norway, and an oversampling of immigrants in the 1998 Survey – some basic country-specific analyses on the effect of literacy on labour market outcomes can be undertaken. This data source has also been used on various occasions in this chapter.

Table 2.1 also shows that the labour market outcomes differ largely between immigrants from OECD countries and immigrants from non-OECD countries, with the latter having much less favourable outcomes, for both genders. Such a pattern is also observed in other OECD countries. However, for immigrant men, the differences between the two groups are larger than elsewhere (Table 2.A1.2 in the annex). As will be seen in more detail below, this is to a large degree explainable by the fact that much migration

from the OECD has been recent labour migration from the EU accession countries, whereas non-OECD migration has been largely of humanitarian nature.

Indeed, among all origin country groups, immigrants from the new EU member countries have the most favourable labour market outcomes (Table 2.2).[6] Only among women, immigrants from the other Nordic countries have higher employment rates. For women, the latter are the only group which has higher employment rates than the native-born. For men, this also is the case for migrants from the other EU countries. Among migrants from non-OECD countries, differences between origin country groups are large, with immigrants from Central and South America having the most, and immigrants from Africa the least favourable outcomes, for both genders.

Table 2.1. Labour force characteristics of native- and foreign-born aged 15-64, selected OECD countries, 2007/08 average

	% of the population which is foreign-born	Participation rate		Employment rate		*Difference*	Unemployment rate		
		Foreign-born (FB)	Native-born (NB)	Foreign-born (FB)	Native-born (NB)	*(NB-FB) % points*	Foreign-born (FB)	Native-born (NB)	*Ratio FB/NB*
Men									
Austria	*16.7*	82.0	82.8	76.1	80.3	*4.2*	7.2	3.0	*2.4*
Australia	*27.7*	79.5	84.2	76.1	81	*4.9*	4.3	3.8	*1.1*
Belgium	*10.8*	72.4	74	60.5	69.7	*9.2*	16.5	5.8	*2.8*
Canada	*21.2*	82.7	81.9	77.6	76.5	*-1.1*	6.1	6.7	*0.9*
Denmark	*8.6*	78.3	85.3	72.1	82.9	*10.8*	7.8	2.9	*2.7*
France	*11.4*	77.8	75.2	68.8	70.4	*1.6*	11.6	6.4	*1.8*
Germany	*14.0*	81.6	81.6	69.4	75.4	*6.0*	14.9	7.7	*1.9*
Netherlands	*12.3*	79.5	86.0	76.1	84.1	*8.0*	4.4	2.1	*2.1*
Norway	***8.9***	***81.0***	***82.9***	***76.0***	***81.1***	***5.1***	***6.2***	***2.2***	***2.8***
Register data[1]		*74.6*	*81.0*	*71.0*	*79.9*	*8.9*	*4.8*	*1.3*	*3.7*
Register data OECD migrants[1]		*82.4*		*81.3*			*1.4*		
Register data non-OECD migrants[1]		*71.0*		*66.3*			*6.6*		
Sweden	*14.0*	79.6	83.0	70.8	79.4	*8.6*	11.0	4.4	*2.5*
Switzerland	*26.0*	88.3	88.2	83.2	86.4	*3.2*	5.8	2	*2.9*
United Kingdom	*13.0*	83.3	82.6	77.8	77.6	*-0.2*	6.5	6.1	*1.1*
United States	*16.8*	86.4	77.8	81.8	73.4	*-8.4*	5.4	5.7	*0.9*
OECD above-mentioned countries[2]	***15.5***	***81.0***	***82.0***	***74.3***	***78.3***	***4.0***	***8.3***	***4.5***	***1.8***
Women									
Austria	*18.4*	62.0	70.7	56.7	67.8	*11.1*	8.5	4.0	*2.1*
Australia	*27.6*	62.2	72	58.9	68.7	*9.8*	5.2	4.5	*1.2*
Belgium	*11.9*	50.3	62.5	42.4	57.8	*15.4*	15.7	7.5	*2.1*
Canada	*22.1*	69.3	74.3	63.9	69.7	*5.8*	7.9	6.2	*1.3*
Denmark	*10.1*	63.5	78.7	59.8	75.5	*15.7*	5.8	4.0	*1.5*
France	*12.0*	58.3	67.1	50.2	62.2	*12.0*	13.9	7.3	*1.9*
Germany	*15.1*	61.4	72.1	53.1	66.3	*13.2*	13.5	8.0	*1.7*
Netherlands	*13.6*	61.9	74.7	58.1	72.8	*14.7*	6.1	2.6	*2.3*
Norway	***9.4***	***72.7***	***77.3***	***69.3***	***75.6***	***6.3***	***4.6***	***2.2***	***2.1***
Register data[1]		*63.3*	*76.6*	*59.4*	*75.7*	*16.3*	*6.1*	*1.3*	*4.7*
Register data OECD migrants[1]		*72.3*		*70.6*			*2.3*		
Register data non-OECD migrants[1]		*60.7*		*56.2*			*7.4*		
Sweden	*16.2*	67.8	80	59.6	76	*16.4*	12	4.9	*2.4*
Switzerland	*26.6*	70.5	76.7	64.3	74.2	*9.9*	8.8	3.2	*2.8*
United Kingdom	*13.4*	62.6	70.5	57.8	66.9	*9.1*	7.7	5.1	*1.5*
United States	*15.6*	62.1	69	59.1	65.8	*6.7*	4.8	4.6	*1.0*
OECD above-mentioned countries[2]	***16.3***	***63.4***	***72.7***	***57.9***	***69.2***	***11.2***	***8.8***	***4.9***	***1.8***

Note: Data for European countries refer to third quarter (Q3) except for Germany and Switzerland where they refer to 2007 annual data.

1. Data refer to third week of November 2007 and to the national definition on immigrants. Non-OECD includes Turkey.

2. Data refer to the unweighted average.

Source: European Union Labour Force Survey, except for the United States (Current Population Survey March Supplement), Canada 2006 Census, Australia 2006 Labour Force Survey Data. Register data: Statistics Norway (Labour Market Statistics).

Table 2.2. Labour market characteristics in Norway by region of origin, population aged 16-74, 2007

Register data

	Employment rate		Unemployment rate	
	Men	Women	Men	Women
Native-born	74.8	69.2	1.3	1.3
Immigrants	68.4	57.3	4.0	4.6
Nordic countries	76.8	72.2	1.9	1.5
Western Europe	77.0	65.1	1.6	1.9
New EU member countries	81.3	66.9	1.1	3.1
North America and Oceania	70.0	58.6	2.0	1.7
Other Eastern Europe	65.0	59.4	4.9	5.5
Asia	63.1	50.0	5.5	6.4
Africa	55.5	40.9	10.4	9.1
Central and South America	71.7	60.5	4.7	4.5

Note: Asia includes Turkey.

Source: Statistics Norway (Labour Market Statistics).

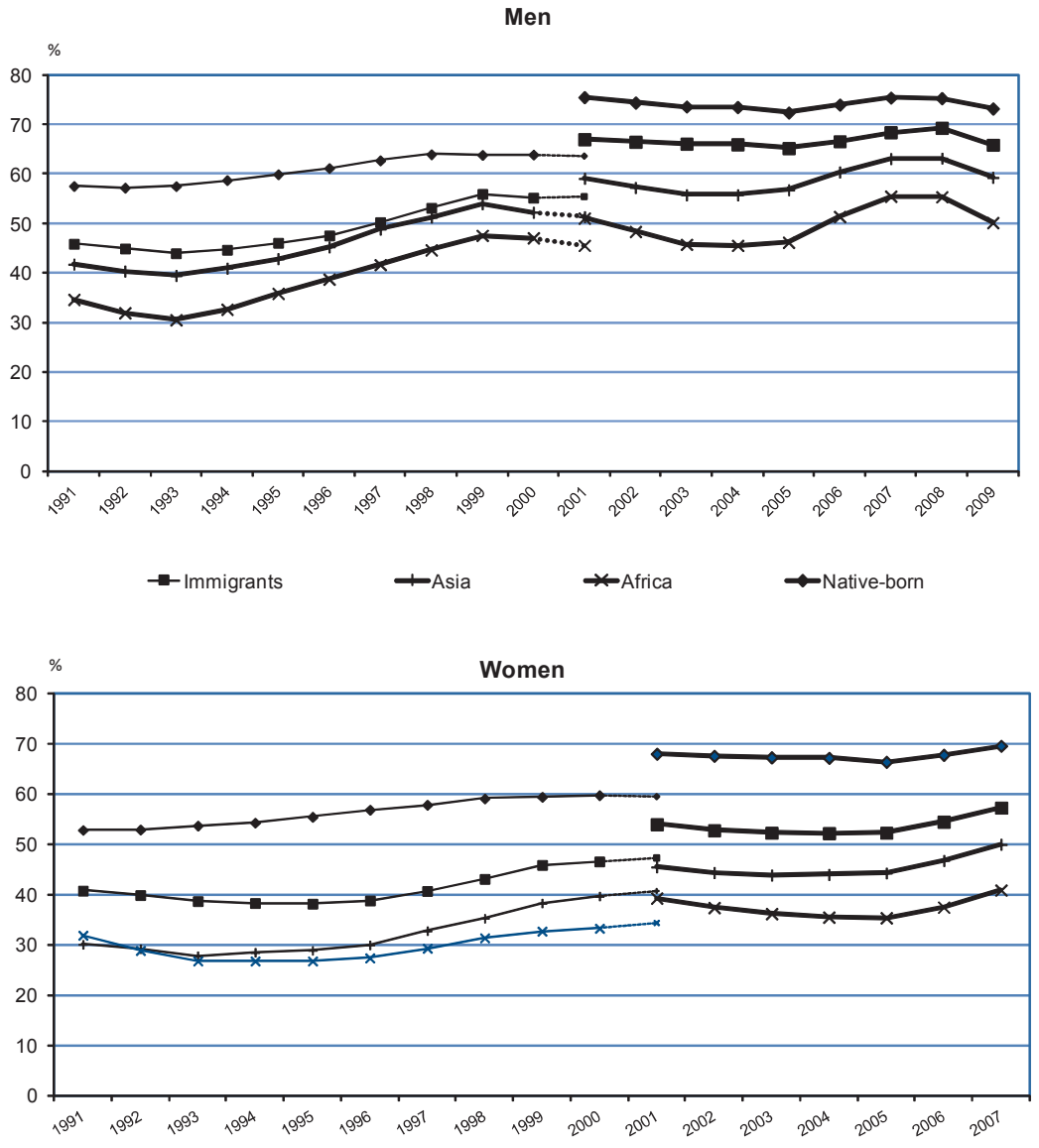
Figure 2.1 shows the evolution of the employment rates of immigrants and the native-born according to the national definition since 1991. The first and salient observation is that immigrants' labour market outcomes have been well below those of the native-born for many years. Indeed, the differences in employment rates between the native-born and the immigrant population as a whole have been relatively stable over most of the time, although immigrants' employment has particularly benefited from the favourable labour market conditions in the late 1990s and since about 2005.

For men, the gaps in the employment rates of immigrants *vis-à-vis* the native-born have been reduced by about half between the early and late 1990s and remained broadly stable since then. A look at the evolution by region-of-origin indicates that this pattern also broadly holds for different origin groups, with some additional improvement (both in absolute terms and relative to the native-born) for less favoured immigrant groups (*i.e.* migrants from Africa and Asia) in 2005 and thereafter.

For immigrant women, there has also been some improvement *vis-à-vis* the native-born on the aggregate in the second half of the 1990s, although the changes were less pronounced. There are some indications that the gap is now widening again slightly, in particular for women from Africa. Nevertheless, women from all origin groups have benefited from the strong increase in the employment of women since about 2004.

Much of the improvement is attributable to a reduction in unemployment. Indeed, as Figure 2.2 shows, the unemployment of immigrant men declined by a full 7 percentage points between 2004 and 2008. For immigrant men from Africa, the improvement was almost 10 percentage points. For immigrant women, there has also been a strong decline in unemployment, albeit less pronounced. In spite of this strong improvement in absolute terms, the ratio of unemployment rates (unemployment rate of immigrants/ unemployment rate of native-born) has remained remarkably stable, for both genders and across regions of origin.

Figure 2.1. Evolution of the employment/population rate of the native-born and immigrant aged 16-74 in Norway since 1991

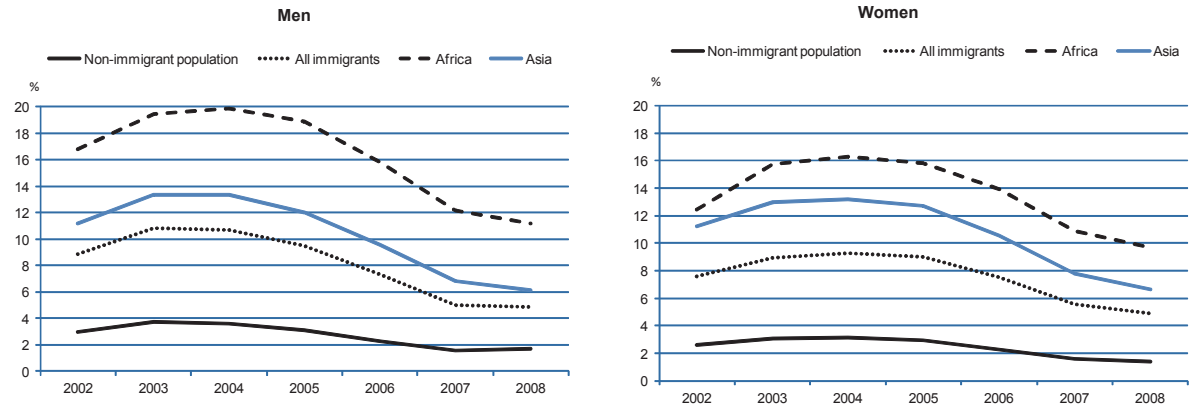


Note: A break in the series occurred in 2001. Before this date, data include only employees (not self employed) and since 2001 data are based on a new data source that includes self employed (and some other registers that includes more employees). Asia includes Turkey.

Source: Statistics Norway (Labour Market Statistics).

For those immigrants who are in employment, median wages are below those of the native-born, for both men and women. On the aggregate, the differences are of similar order as those observed on other OECD countries (Figure 2.3). For immigrant women, the picture is even relatively favourable in international comparison.

Figure 2.2. Evolution of the unemployment rate of the native-born and immigrant aged 15-64 in Norway since 2002, selected origin countries, by gender

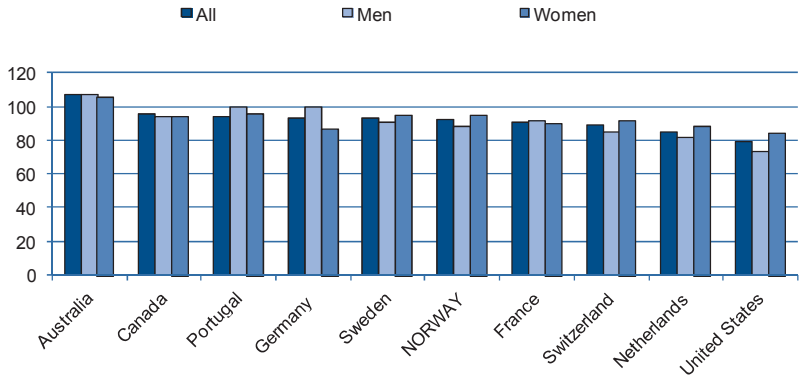


Note: Asia includes Turkey.

Source: Statistics Norway (Labour Market Statistics).

Figure 2.3. Median wages of immigrants relative to the native-born, 2005/06

(native-born = 100)



Source: For Norway: Statistics Norway. For other countries, see OECD (2008), *International Migration Outlook,* OECD Publishing, Paris.

Figure 2.A1.5 in the annex provides an overview of the wage structure of immigrants relative to the native-born. For both groups, the wage-structure is relatively compressed. As can be seen, when employed, immigrants earn on average less than the native-born. The differences are larger than in Sweden but smaller than, for example, in the Netherlands (see OECD, 2008d for a comparison).

In summary, the picture which emerges from this first glance at labour market outcomes is one of sizeable differences between immigrants and the native-born population in Norway. Immigrants from non-OECD countries, especially women, are particularly disadvantaged. These differences are longstanding, but there appears to have been some recent improvement along with very favourable economic conditions. Indeed, considering the high employment of the native-population for both genders, the differences between immigrants and the native-born do not appear to be unfavourable in international comparison.

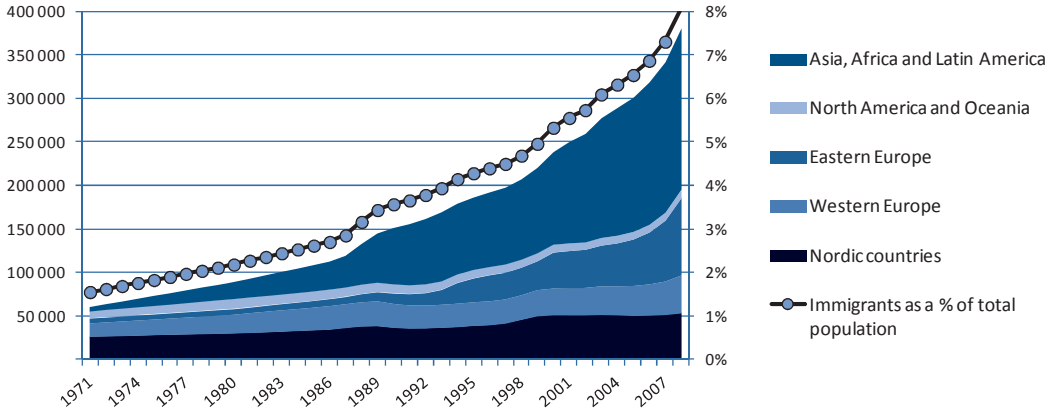
2.2. The framework for integration

The evolution of immigration to Norway and the main immigrant groups

For much of its history, Norway had been a country of net emigration, and this continued to be the case for the early post-World War II years. Only in 1967 turned net migration positive for the first time, but immigration flows remained modest. In 1970, the immigrant share in the total population was below 1.5%, and almost half (45%) of the immigrants were from the *other Nordic countries*. These are still an important migrant group, currently accounting for about 53 000 people (14% of the immigrant population). Citizens from the Nordic countries have enjoyed, among a range of other rights, freedom of movement through the establishment of the common Nordic labour market in 1954. In addition, labour market integration of migrants from the Nordic countries – particularly those from Sweden and Denmark who account for the overwhelming majority of Nordic migrants to Norway – has been facilitated through the many linguistic and cultural ties which Norway shares with these countries.

Immigrants from *other western European countries and from North America* have accounted for the bulk of the remainder of early immigration to Norway (see Figure 2.4). In 1970, about 45% of the immigrant population originated from these countries, mainly from the United States, the United Kingdom, Germany and the Netherlands. In 2007, this figure stood at about 14%.

Figure 2.4. Evolution of the immigrant population in Norway since 1970



Note: Asia includes Turkey.

Source: Statistics Norway (Population Statistics).

In many ways, Norway was a latecomer with respect to "*guestworker"-type labour migration* in the post-World War II era. In spite of a prospering economy, immigration was viewed as a marginal issue in the context of the labour market policy. There was essentially a regime of free movement for labour migration, including from non-OECD countries, with little controversy over this because of the small numbers concerned.[7] Only in the late 1960s and early 1970s, when the recruitment of immigrants in other, at the time more attractive, European OECD countries slowed down, labour migration to Norway slowly started to become more significant, but it did not reach the scale experienced in most other western European countries. Since emigration from the southern European origin countries had already begun to cease at the time, labour

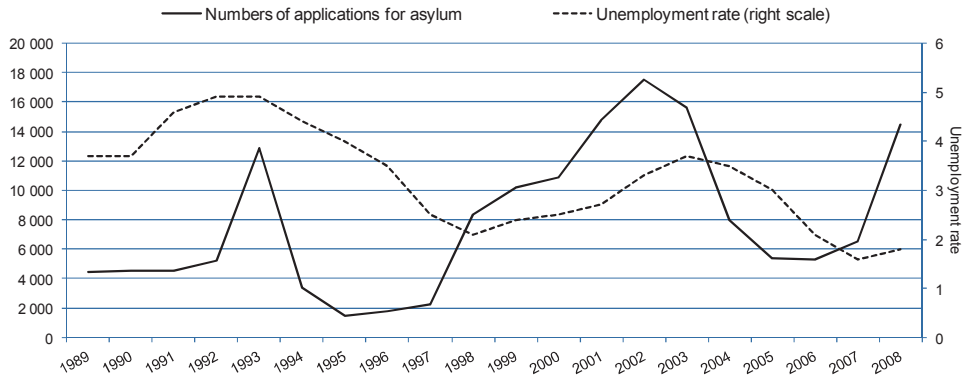
immigration to Norway was predominantly from non-European countries, namely Pakistan and Morocco, in addition to some limited migration from Turkey, India and Yugoslavia. In February 1975, a stop to low-skilled labour immigration was introduced, but there were important exceptions, notably for high-skilled experts needed by Norway. These were implemented to ensure that labour shortages would not hamper economic development in the context of the oil-driven economic boom from which Norway has benefited since the 1970s.

In spite of the halt to recruitment for low-skilled labour migrants, immigration from the countries of early labour migration continued, particularly from *Pakistan*, which had by 1980 evolved as the most important origin country outside of Europe and the United States. This growth was essentially due to family reunification and family formation. As a result, native-born children of immigrants from Pakistan are now by far the single most important group, accounting for more than 16% of the native-born children of immigrants.

Norway has also been one of the most important host countries of *humanitarian migrants*, and the main origin countries of migrants outside of the OECD and the origin countries of the early migrants mirror the country's humanitarian tradition (see Table 2.A1.1). There are two main channels of humanitarian migration to Norway – the asylum channel and the resettlement channel.

Norway ranks in per-capita-terms among the main recipient countries of asylum seekers in the OECD. Flows were particularly elevated in the early 1990s and around the year 2000. In the past, asylum seeking to Norway has shown no strong link with economic conditions. If anything, it has been somewhat countercyclical – the peaks in asylum seeking broadly coincided with or preceded peaks in unemployment (see Figure 2.5). Preliminary figures for 2008 show a strong increase in asylum seeking in that year, to almost 15 000.

Figure 2.5. Inflows of asylum seekers and unemployment in Norway since 1989



Source: Statistics Norway (Labour Market Statistics) and Directorate of Immigration (UDI).

Norway also receives resettled refugees each year, in co-operation with the UNHCR. This policy was founded in the 1940s when Norway – one of the first members of the former IRO (International Refugee Organisation) – took the position that receiving countries should also accept refugees who were sick, disabled or elderly, and their

families. This policy was approved by the Parliament in 1952 and originally was adopted on an *ad-hoc* basis, according to the perceived humanitarian needs (see Sosialdepartementet, 1979, for an overview). The annual quota varies, but has been between 1 000 and 1 500 for most of the years since 1986. Among the European OECD countries that have long-established programmes to accept quota refugees, only Sweden has taken larger numbers.

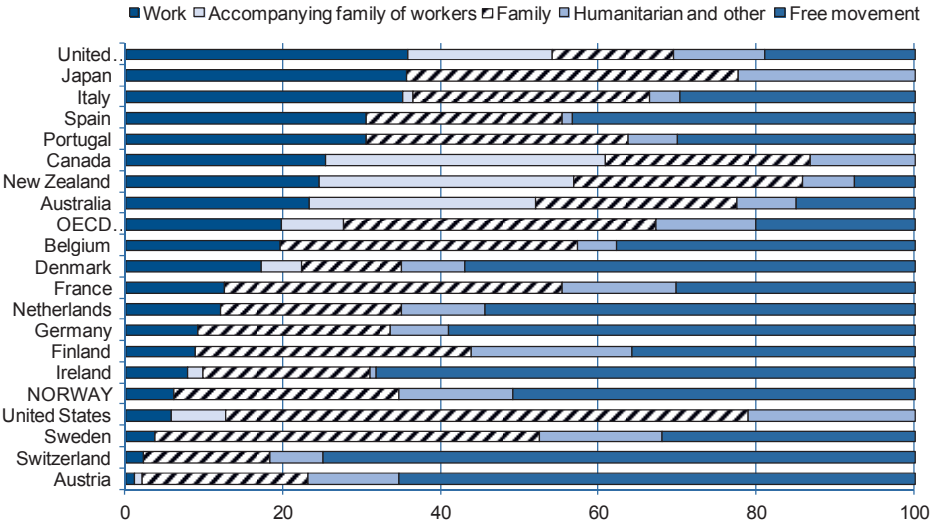
In total, it is estimated that more than 132 000 refugees and their families are currently living in Norway – about 35% of the immigrant population. The main origin countries are Iraq (about 17 600), Somalia (15 500), Bosnia and Herzegovina (12 400), Iran (11 500) and Vietnam (12 400).

Partly as a result of the humanitarian tradition, Norway has currently a very diverse immigrant population – the ten most important origin countries account for only 44% of the total immigrant population. More than half of Norway's immigrants originate from non-OECD countries.

With significant labour shortages in the context of the strong economic growth in recent years, *labour migration, in particular from the new EU member countries*, has gained importance. The vast majority have come from Poland – almost 15 000 immigrants (more than 26% of total immigration) in 2007. Poland has not only been the main origin country of new immigration since 2005, it has now also replaced Sweden as the single most important origin country of the total immigrant population.[8]

There are some indications that immigration from Poland is not only a temporary phenomenon. In 2006 and 2007, Poland has also been on top of the list of the origin countries for family migration (see Thorud, 2008 for details). The composition of permanent-type immigration to Norway in international comparison is shown in Figure 2.6.[9]

Figure 2.6. Composition of permanent-type migration to OECD countries, 2007



Note: The OECD average is the unweighted average of the countries included in the figure. For information on the compilation of the standardised statistics, see *www.oecd.org/els/migration/imo2008*.

Source: OECD (2009), *International Migration Outlook*, OECD Publishing, Paris.

The evolution of integration policy

Considering the small scale of immigration to Norway until the 1990s, integration policy developed quite early. In 1974, a White Paper was presented to parliament that not only proposed a labour recruitment stop, but was also the first public document concerned with integration. It established what could be considered as an "optional inclusion policy" (Brochmann and Kjeldstadli, 2008) – immigrants had the choice to which degree they wanted to become assimilated into the Norwegian society. Integration policy in the years following 1975 focused on the following issues: housing; a special grant to support the city of Oslo and other communities with many immigrant families to build up infrastructure for integration; funding for the establishment of immigrant organisations; trial projects for the integration of family migrants – often language and civic courses for women combined with care for their children; and language training, including mother tongue education for the children of immigrants. 240 hours of training in Norwegian was provided free of charge, but often in a rather *ad-hoc* manner, accounting for the often limited capacities of municipalities which hosted only few immigrants.

In 1987, a parliamentary report on migration and integration policy emphasized that immigrants have the same rights and obligations as the native population. This translated into the goal of "equal status for all" on the basis of human rights and the ideal of the solidarity of the Norwegian society in the welfare state. The 1987 report also emphasized the principle of mainstreaming, which means that the needs of migrants should as far as possible be provided for within the general labour market and social policy measures as part of the general welfare policy, although some adaptations might be required (see Haagensen, 1994). In line with this, foreign nationals with at least three years of residence in Norway had already received voting rights in local elections since 1983. At the same time, the government continued to stress that "cultural assimilation" was not demanded from immigrants.

In the early 1990s, integration efforts were further enhanced, with more attention being paid to access to the labour market and the combating of discrimination. Emphasis was laid on making the best use of the skills of immigrants, through more targeted language training and improvements in the recognition procedures for foreign qualifications.

With growing immigration and large difference in the labour market outcomes between immigrants and the native-born, the integration of immigrants gained further prominence as a policy issue in the mid-1990s. A major governmental report was presented to the Storting (parliament) in early 1997. The report stated that Norway was developing into a "multicultural society", and the provision of equal opportunities was reiterated as the goal of integration policy. The report reiterated the view that in principle, integration should be achieved through *mainstream* policy measures, although some adaptations may be required. Additional, directly targeted measures should only apply in a few areas where this was needed to bring immigrants on an equal footing with the native-born. This concerned notably language training and anti-discrimination. A prominent place was also given to special job-related training for immigrants through a combination of language training and vocational training.

These broad policy lines are still governing integration policy in Norway. However, more attention has recently been paid to the integration of new arrivals. Already since the 1970s, there had been some special integration measures for refugees. Over time, the scale and scope of the introduction measures expanded. They gradually included, in

addition to language training and labour market preparation, also elements of "civic" integration. Coverage has also expanded from refugees to their families and to other migrant groups in need. However, these activities were essentially provided *ad-hoc* by the municipalities which were generally subsequently refunded by the state for their expenses, particularly regarding language training.

The introduction programme and the settlement of refugees

With the aim of establishing a more uniform and binding framework for new arrivals, the Storting passed legislation in June 2003 to establish an integration programme. First introduced on a trial basis in selected municipalities, the introduction programme was fully implemented in its current form in on 1 September 2004. The introduction programme is for migrants with a permit based on application for asylum and their family members.[10] Participation is obligatory for migrants aged between 18 and 55 who have arrived in Norway after 1 September 2004 and who lack basic qualifications. The programme is full-time and generally lasts for a maximum of two years, although it may be extended to a maximum of three years. Immigrants who are participating in the introduction programme get an introduction benefit (currently about NOK 11 700 or EUR 1 300 per month).[11] The benefit is not means tested and above the social assistance level.

For the municipalities, the settlement of refugees is voluntary, and is subject of negotiations between the Norwegian Directorate for Integration (IMDi) and the municipalities. If the latter decide to resettle refugees, they are compensated for this through several grants. The most important one is the resettlement grant, amounting to NOK 551 500 (about EUR 61 300) for each adult refugee (NOK 531 500 or EUR 59 100 for children), paid over a period of five years. It is intended to compensate not only for the introduction programme (with the exception of language training, see below), but also for the likely additional burden on the municipal social assistance budget once the introduction benefit ceases. Indeed, the five year period is an implicit acknowledgement that the integration process for this group takes longer than two to three years.[12] IMDi has established a website which allows municipalities to estimate the expected fiscal costs or benefits from accepting refugees.[13] Municipalities which take in refugees are obliged to provide immigrants with a tailor-made introduction programme within three months after a person is settled.

The introduction programme has three objectives – to provide basic Norwegian language skills, to give insight into the Norwegian society, and to prepare for the labour market. Accordingly, the programme has three main components – language training, social studies and preparation for the labour market or for further education. Although the programmes are tailor-made, there seems to be a special emphasis on language training.

On 1 September 2005, the right and obligation to participate in 250 hours of Norwegian language training and 50 hours of "social studies" was introduced. The obligation to participate in the 300 hours language and social studies training applies to all new arrivals from non-EEA countries who do not speak Norwegian. For persons in need of training, the actual number of hours of language training can be much higher – up to 3 000.

Language training is generally provided free of charge for new arrivals. The municipalities have the task of arranging the training. Their expenses are intended to be covered by special per capita grants for all new arrivals covered by the Introduction Act. Like the settlement grants, the grants for language training are also paid over five years and

differ by the origin of the immigrant. Municipalities get a total of NOK 38 800 (EUR 4 311) for each immigrant from western Europe, North America, Australia and New Zealand; and NOK 108 000 (EUR 12 000) for each immigrant from Africa, Asia, Oceania (excluding Australia and New Zealand), eastern Europe, or Central and South America. Municipalities which receive few migrants also get additional funding for the set-up of the language training infrastructure. Finally, municipalities receive NOK 5 300 (EUR 589) for each immigrant who has passed a written or oral language examination.

Participation in the language training is a precondition for obtaining a permanent residence permit, which is usually granted after three consecutive years of residence in Norway. Participation in the introduction programme is a requirement for obtaining the "introduction benefit".

Immigrants who have arrived before 1 September 2005 are also entitled to 300 hours of language training and social studies, but participation is not obligatory for them and they can get the training for free. Education providers are paid NOK 437 (EUR 49) per teaching hour and an additional NOK 26 (EUR 3) per participant hour. Language training (up to 250 hours) is also provided to asylum seekers above the age of 16 who still wait for their final decision.

The Action Plan for Integration

In the context of its ambition to turn Norway into the "most inclusive society in the world", the government established in 2006 – in parallel with an Action Plan against Poverty – a comprehensive Action Plan for Integration and Social Inclusion of the Immigrant Population (Ministry of Labour and Social Cohesion, 2006). The plan encompasses a series of actions in a broad range of areas related to immigrants' integration. For each area, the plan provides "goals for social inclusion", based on an overview of the status quo – described by quantitative indicators – and a quantified target. These are linked with a series of concrete actions. In the area of employment, these include, among other measures, additional funding for indirectly targeted active labour market policy instruments and closer follow-up of the participants. A key focus area of the plan is the public sector (see below). Efforts in key areas such as language training, early childhood education and additional active labour market measures have been prolonged or further reinforced in a follow-up plan in 2007 (Ministry of Labour and Social Cohesion, 2007). The total (additional) budget implications of the two plans for the period 2007-09 amount to NOK 826 million (about EUR 92 million).

Key actors

The *Ministry of Labour and Social Inclusion* (AID) is the main actor with respect to immigration and the integration of immigrants in Norway. The ministry has broad responsibilities related to immigrants' integration, including migration policy, the introduction programme, access to citizenship, and labour market policy. The ministry is also responsible for working environment and safety, Sami and national minorities' issues, pensions, welfare and social policy. With this scope of integration-related tasks under the auspices of a single ministry, Norway has gone furthest among the countries under review thus far with respect to combining migration and integration-related tasks under a single ministerial responsibility. The part of the ministry's budget which can be directly attributed to integration amounts to NOK 4.5 billion (about EUR 500 million). The vast majority of this sum are grants to the municipalities to compensate them for the financial charges related to the settlement of humanitarian migrants (NOK 2.8 billion –

about EUR 310 million) and for their expenses in language training (NOK 1.3 billion – about EUR 140 million). There is also a small budget line (NOK 43 million or EUR 4.8 million) for grants to immigrant associations and non-governmental organisations.

Under the auspices of the AID, there are three directorates. One directorate is in charge of integration (IMDi), and one is in charge of immigration policy (UDI). The Directorate for Integration was established as a separate administrative entity on 1 January 2006, in part to signal the growing attention paid to the issue of integration. In order to ensure a uniform and co-ordinated approach to the integration issue, the Ministry of Labour and Social Inclusion also has responsibility for co-ordinating policy and measures in the field of integration and social inclusion that involve other ministries. One example is the governments' Action plan for the integration and inclusion of immigrants which is co-ordinated by the AID.

The third directorate of the AID is the Directorate of Labour and Welfare, which is in charge of the *Norwegian Labour and Welfare Organisation* (NAV). The NAV is the one-shop service for employment and welfare administration. It was created in July 2006 as a merger of three previously separate services – the (national) Public Employment Service, the National Insurance Service and the (municipal) Social Assistance Service.

Until late 2007, the AID was also in charge of anti-discrimination policy which was then transferred to the *Ministry of Children and Equality* (BLD). The *Equality and Anti-Discrimination Ombud* has been established as an independent public administrative agency under the auspices of the BLD in January 2006 as a result of a merger of two previously separate institutions, the gender Ombud and the Centre to combat ethnic discrimination. Its 40 employees give opinions on complaints and provide information and documentation services. The Ombud is also in charge more generally of the promotion of equal opportunity and combating discrimination, including through the enforcement of anti-discrimination law.

The *Ministry of Government Administration and Reform* is responsible for the government's administration and personnel, and therefore administers inter alia the hiring decisions in the public administration.[14] It is in charge of implementing a trial programme on moderate affirmative action in the public sector (see below).

Education policy is a domain of the *Ministry of Education and Research*. Among its activities are language training for the children of immigrants. Primary school pupils whose mother tongue is neither Norwegian nor Sami, and who do not have sufficient mastery of Norwegian are entitled to differentiated Norwegian language learning and/or mother tongue education, according to their level. The ministry has recently established an action plan for a better integration of children of immigrants in the education system (Ministry of Education and Research 2007). The ministry is also in charge of the recognition of foreign qualifications. A specialised agency, NOKUT, has been created in 2003 which is in charge of this task.

The *municipalities* play a significant part in the integration of immigrants at the local level, notably through their responsibilities in the area of social assistance and housing. Within the broad framework defined at the national level, municipalities are also responsible for primary and lower secondary schools, while *county* authorities have the responsibility for upper secondary schools. In partnership with IMDi, the municipalities are in charge of settling refugees who have been granted a residence permit. As already

mentioned, the municipalities are obliged to provide introduction programmes and language courses in Norwegian for newly arrived immigrants who are resident in the municipality. Since the content of the programme is intended to be tailor-made to each immigrant, municipalities enjoy large discretion in this respect. The qualification programme and the "second chance" programmes (see below) are also administered by the municipalities. These programmes often complement other local activities targeted at immigrants. In the City of Oslo, most of the tasks related to integration have been transferred to the districts. In most relevant budget line grants to districts, the number of non-western immigrants in the district is applied as one weighing factor.

The interests of the municipalities, the counties and the local public enterprises are represented on the national level by the *Norwegian Association of Local and Regional Authorities* (KS). It notably plays an important role in the negotiations regarding settlement of refugees between the state and the municipalities.

The *social partners* play a significant role in Norway, and have a large influence in the functioning of the labour market. In particular, wages are negotiated between the respective organisations of employers and employees. The social partners have also engaged in a range of activities related to the labour market integration of immigrants, such as mentorship projects or support for entrepreneurship, but these have been rather small-scale up to date. There are no statistics on the participation of immigrants in the leading employers' organisation (NHO) and the main labour union (LO). It seems that immigrants are underrepresented.[15] In any case, they are almost completely absent from the decision-making bodies in these organisations. However, there is awareness of this shortcoming (see, in particular, Lund and Friberg, 2005 – a study on immigrants in the labour unions commissioned by LO). Both organisations have recently started some activities to reach out to immigrants.[16]

Immigrants' views on integration are considered in the decision-making process through the *Contact Committee for the Immigrant Population and the Authorities* (KIM). The Committee is a government-appointed advisory body consisting of representatives from immigrant organisations, political parties, relevant governmental agencies and ministries. Immigrant associations in Norway are essentially locally organised, the members representing the immigrant population are therefore nominated by local immigrant organisations from the whole country.[17] KIM has a secretariat of five people, paid out of the state budget, and hosted in the Norwegian Directorate for Integration.

In contrast to most other OECD countries that have been under review thus far, *non-governmental organisations* play a minor role in the integration process.

2.3. Migrants' position in the labour market

Migrant's qualifications and labour market outcomes

Qualifications are an important determinant of labour market outcomes. Here the key observation is that immigrants in Norway are overrepresented among the low-qualified (Table 2.3). More than 30% of the immigrant population and even more than 40% of immigrants from non-OECD countries have at most upper secondary education, in contrast to less than 20% of the native-born population. In addition, Norway is among the OECD countries where virtually no-one in the prime-age (25-54) population has not reached at least the lower secondary level. However, a full 7% of immigrants from non-OECD countries are in this group for whom there is no adequate native comparison group.

Table 2.3. Native- and foreign-born aged 25-54 by education level in selected OECD countries, 2006/07

Percentage

		Native- and foreign-born populations by education level			
		Very low	Low	Medium	High
Austria	*Foreign-born*	*2*	*30*	*50*	*19*
	Native-born	-	12	69	18
Belgium	*Foreign-born*	*24*	*16*	*30*	*30*
	Native-born	9	17	39	35
Switzerland	*Foreign-born*	*9*	*20*	*39*	*32*
	Native-born	0	4	63	32
Germany	*Foreign-born*	*12*	*25*	*46*	*18*
	Native-born	1	9	64	26
Denmark	*Foreign-born*	*9*	*17*	*38*	*35*
	Native-born	-	17	47	36
France	*Foreign-born*	*22*	*20*	*30*	*27*
	Native-born	6	19	45	30
Netherlands	*Foreign-born*	*15*	*17*	*45*	*24*
	Native-born	5	18	44	33
Sweden	*Foreign-born*	*10*	*10*	*47*	*33*
	Native-born	1	10	57	33
United States	*Foreign-born*	*17*	*12*	*35*	*36*
	Native-born	1	6	50	42
Norway	***Foreign-born***	***5***	***26***	***32***	***37***
	OECD	***-***	***13***	***31***	***55***
	Non-OECD	***7***	***34***	***32***	***27***
	Native-born	**-**	**19**	**44**	**36**
OECD above-mentioned countries[1]	*Foreign-born*	12	19	39	29
	Native-born	3	13	52	32

Note: "Very low" refers to primary education or below (ISCED 0 and 1), "low" to lower secondary education (ISCED 2), "medium" to upper secondary and post-secondary non-tertiary education (ISCED 3 and 4), and "high" to tertiary education (ISCED 5 and above). Non-OECD includes Turkey. "-" means not significant for publication.

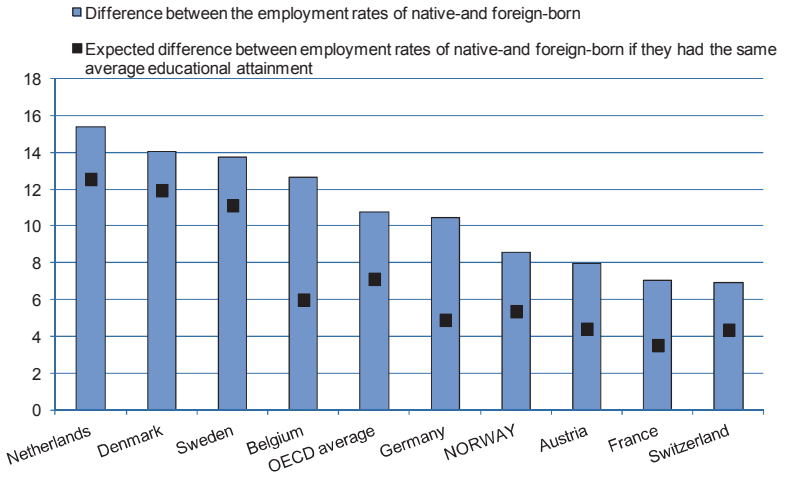
1. Data refer to the unweighted average.

Source: European Union Labour Force Survey (data provided by Eurostat), except for the United States 2007/08 (Current Population Survey March Supplement).

How much of the differences in the labour market outcomes between the native- and foreign-born populations can be explained by differences in the qualification structure? Figure 2.7 shows that if the foreign-born had the same basic distribution of educational attainment as the native-born population, differences in employment rates between the two groups would be reduced by about 40% – more than in the other Scandinavian countries, but less than in Germany and France.

Table 2.4 shows the differences in employment rates by education level between immigrants and the native-born. For most countries, the gaps are lower for the low-educated than for the high-educated – and this generally holds for both men and women. There are only few exceptions to the general pattern – Denmark for women, and Norway and the Netherlands for both genders. This suggests that Norway has a challenge in integrating low-qualified immigrants into the labour market and indeed, the employment rates for low-qualified foreign-born men are lower in Norway than for all other countries in the comparison group with the exception of Belgium and Sweden. Because of its importance in the context of the Norwegian labour market, this issue will be analysed more closely in the next section.

Figure 2.7. Percentage-points differences in employment rates between native- and foreign-born aged 15-64 and the impact of the qualification structure, 2006/07



Note: The OECD average refers to the unweighted average of the countries included in the figure. The expected differences are calculated using the employment rates by three levels of educational attainment for the foreign-born. The three levels are "low" for below upper secondary; "medium" for upper secondary and post-secondary non-tertiary; and "high" for tertiary and above.

Source: European Union Labour Force Survey (data provided by Eurostat).

Table 2.4. Percentage-points differences in the employment rate between native and foreign-born aged 15-64, by gender and educational attainment, 2006/07

		Low	Medium	High
Austria	Men	-10.3	5.2	7.4
	Women	0.4	8.8	19.5
Belgium	Men	3.0	9.0	8.3
	Women	7.2	14.5	15.2
Switzerland	Men	-16.4	5.2	5.1
	Women	-2.2	8.7	15.3
Germany	Men	-12.4	5.2	11.8
	Women	1.1	9.8	19.3
Denmark	Men	8.5	13.3	10.2
	Women	13.8	16.2	11.2
France	Men	-7.3	3.0	7.1
	Women	0.0	11.4	17.0
Netherlands	Men	12.6	13.2	8.2
	Women	15.4	17.6	14.0
Norway	**Men**	**4.6**	**7.3**	**3.8**
	from OECD	***-2.0***	***-1.9***	***-1.7***
	from non-OECD	***6.5***	***13.6***	***11.2***
	Women	**8.6**	**13.5**	**3.7**
	from OECD	***-11.8***	***6.1***	***-1.1***
	from non-OECD	***13.5***	***17.6***	***9.6***
Sweden	Men	5.7	12.7	11.5
	Women	8.1	15.3	14.1
United States	Men	-38.4	-6.7	0.5
	Women	-11.4	5.8	8.3
OECD above-mentioned countries[1]	**Men**	**-5.0**	**6.7**	**7.4**
	Women	**4.1**	**12.2**	**13.8**

Note: "Low" refers to lower secondary education or below (ISCED 0-2), "Medium" to upper secondary and post-secondary non-tertiary education (ISCED 3-4), and "High" to tertiary education (ISCED 5 and above). Non-OECD includes Turkey.

1. Data refer to the unweighted average.

Source: European Union Labour Force Survey (data provided by Eurostat) and Current Population Survey March Supplement for the United States.

The labour market outcomes of highly-skilled migrants and the recognition of foreign qualifications

As has been seen above, data from the European Labour Force Survey shows that about 37% of immigrants report having tertiary education. This is among the highest shares in the comparison group. However, among immigrants from non-OECD countries, the share is only 27%. The qualifications of immigrants have often been acquired abroad, raising questions of equivalence and recognition. Since foreign education is not fully registered for immigrants who arrived after 2000, there is only limited information on the origin of qualifications of migrants. The available more recent data comes from the Survey of Living Conditions of the nine most important origin country groups of migration from non-OECD countries and from Turkey (see Box 2.2). Among the high-qualified from this group, about half have tertiary education from Norway. Among the current migrant population who were already resident in 2001, the latest year for which register-based information on the foreign education of migrants are available, 46% of tertiary-educated migrants from OECD countries, and 52% of those from non-OECD countries and from Turkey, had a Norwegian degree.

The overall labour market outcomes for highly-qualified foreign-born in international comparison are [2]shown in Table 2.5. Almost two-thirds of the highly-qualified foreign-born are also in a job that can be classified as highly-skilled. Only in Switzerland is a larger share of immigrants in highly-skilled employment. Although the respective share for migrants from outside of the EU-27 is lower, the picture still appears to be a rather favourable one.

Table 2.5. Labour market outcomes of highly-educated people aged 15-64 in selected OECD countries, 2006/07

		Percentage of highly-educated working in:				
		High-skilled job	Medium-skilled job	Low-skilled job	Unemployed	Inactive
Austria	*Foreign-born*	*51*	*18*	*5*	*5*	*20*
	Native-born	68	19	1	2	10
Belgium	*Foreign-born*	*51*	*18*	*3*	*8*	*20*
	Native-born	66	18	1	3	13
Switzerland	*Foreign-born*	*67*	*14*	*1*	*4*	*14*
	Native-born	73	19	1	1	6
Germany	*Foreign-born*	*49*	*18*	*4*	*8*	*20*
	Native-born	70	17	1	3	9
Denmark	*Foreign-born*	*56*	*15*	-	-	*17*
	Native-born	76	11	1	3	9
France	*Foreign-born*	*49*	*14*	*4*	*10*	*23*
	Native-born	63	16	1	5	16
Netherlands	*Foreign-born*	*59*	*13*	*3*	*5*	*20*
	Native-born	75	11	1	2	11
Norway	***Foreign-born***	***64***	***20***	**-**	**-**	***12***
	EU27	***73***	***16***	**-**	**-**	***9***
	Non EU27	***57***	***23***	**-**	**-**	***14***
	Native-born	**77**	**12**	**-**	**1**	**9**
Sweden	*Foreign-born*	*53*	*20*	*3*	*8*	*16*
	Native-born	78	10	1	3	8
United States	*Foreign-born*	*53*	*21*	*6*	*2*	*18*
	Native-born	58	21	5	2	14
OECD above-mentioned countries[1]	***Foreign-born***	**55**	**17**	**4**	**6**	**18**
	Native-born	**70**	**15**	**1**	**2**	**11**

Note: High-skilled job refers to ISCO 1-3, medium-skilled to ISCO 4-8, and low-skilled to ISCO 9. For the purposes of this table, the category ISCO 131 (managers of small enterprises) has been excluded. Highly-educated refers to tertiary education (ISCED 5 and above). "-" means not significant for publication. Data do not necessary add up to 100 due to the reliability threshold.

1. Data refer to the unweighted average.

Source: European Union Labour Force Survey (data provided by Eurostat) and Current Population Survey March Supplement for the United States.

Nevertheless, there is still a non-negligible difference *vis-à-vis* the highly-qualified native-born, among whom 77% are working in a high-skilled job – a figure which is high in international comparison. Further analysis with pooled data from the 1998 International Adult Literacy and the 2003 Adult Literacy and Life Skills Survey for Norway shows that significant differences between immigrants and natives regarding the probability to be in highly-skilled employment are only observed for immigrants with foreign degrees. About one third of the difference in employment probabilities for this group compared with natives can be explained by differences in literacy (Table 2.6). This appears to be less than in the OECD on average, where differences are no longer significant after controlling for this factor. In contrast to what is observed on average in the OECD, the disadvantage of high-qualified immigrants with foreign degrees in the labour market can thus not be explained by lower literacy.

Table 2.6. Percentage-point differences in the probability of being in highly-skilled employment for highly-skilled people aged 15-64 in Norway and OECD

	Norway				OECD			
	Without controlling for literacy		After controlling for literacy		Without controlling for literacy		After controlling for literacy	
Immigrant	-13***		-8*		-8***		3	
-Education abroad		-18***		-11**		-20***		-3*
-Education in host country		-4		-3		5		11**
Observations	3 113				21 008	14 280	21 008	14 280

Note: All regressions include a control for age, gender and survey year. The regressions for the OECD also include country dummy variables for all countries included in the surveys (*i.e.* Ireland, Belgium, Sweden, United Kingdom, Finland, Germany, Italy, Norway, New Zealand, United States and Canada). Data on the origin of education are not available in the ALL survey for Canada and the United States, the ALL data for these countries have therefore been removed from the respective regressions. *, **, ***: denote significance at the 1%, 5% and 10% level, respectively. Non-significant values are shaded. The figures show the differences between the native-born and immigrants, by the origin of education for the latter. They correspond to marginal effects in a logistic regression, calculated at the sample means of the respective variables.

Source: Pooled data from the 1994-1998 International Adult Literacy Survey (IALS) and the 2003 Adult Literacy and Life Skills Survey (ALL).

Norwegian education thus seems to be much higher valued in the Norwegian labour market than foreign education. This also holds with respect to wages, although there is some uncertainty whether or not immigrants benefit more from Norwegian education than the native-born. Hardoy and Schøne (2009a) show that the wage return for an additional year of education for immigrants from non-OECD countries is 2.5% if the education has been obtained abroad. It is 5.3% for those who have some education from the origin country, but the highest education was obtained in Norway. Native-born persons have a return of 6.8% per year of education. This return is even exceeded by immigrants who have obtained all of their schooling in Norway, who enjoy a return of 8.1%. All groups have roughly the same returns to experience in Norway, but foreign experience is almost completely discounted.[18] The authors also find that the returns to education are stable irrespective of work experience in Norway. Since immigrants start from a lower earnings level, that initial differences in earnings for given education levels will tend to increase over time for all immigrant groups with the exception of those who have obtained all of their schooling in Norway. For this group, earnings will tend to converge to, and eventually exceed, those of the native-born. This latter finding is challenged by the longitudinal study of Brekke and Mastekaasa (2008) who find evidence for earnings

divergence for non-OECD immigrants who graduated from Norwegian universities, and this holds even for individuals with a long residence in Norway.

The procedure for the recognition of foreign qualifications

The 2003 establishment of NOKUT has been a major step towards improving the recognition of foreign qualifications. Prior to this date, formal recognition did not exist in Norway – only non-binding advices were issued. There has been a clear upward trend in recognition requests in recent years, and a peak was reached in 2008 with almost 3 200 requests.[19] The most important origin country – accounting for 17% of all requests between 2006 and 2008 – has been Russia, followed by Poland, Ukraine and the Philippines. Immigrants from Iraq, who are a numerous and rather qualified migrant group, can currently not obtain recognition because of difficulties to receive verifiable information from the educational institutions in the origin country.

The process takes on average 6-8 weeks after the full application material is received and is provided free of charge. Information is provided in ten languages. The outcome is a number of ECTS credits[20] and, linked with this, a decision on equivalence of the foreign degree to a Norwegian degree. In slightly over half of the cases, the equivalence to a Norwegian degree is established.[21] This does not necessarily mean "full" recognition since a decision could also involve the equivalency of a foreign master's degree to a Norwegian bachelor. In general, the decision is based on the years of formal education until the degree is obtained. The decisions are binding for public employment regarding qualifications requirements/job classifications. They could in principle also be used in anti-discrimination court cases, but apparently this has not been applied to date.

There has been no assessment of the impact of the recognition procedure on the labour market outcomes of immigrants.[22] One Swedish study has shown that foreign-born persons whose qualifications are assessed and recognised as equivalent get an earnings premium relative to persons whose qualifications are assessed but not fully recognised as equivalent, who in return get a premium compared with persons whose qualifications are not assessed (Berggren and Omarsson, 2001). However, all three do not do as well as someone with qualifications earned in the host country. Similar results have been observed for Australia (OECD, 2007a).

NOKUT gives only general recognition regarding the degree level (*e.g.* "bachelor"), but not regarding specific subjects (*e.g.* "engineer"). This is done free of charge at the universities, and there is no information available on the length of the process and its outcome at this level. However, anecdotal evidence suggests that this procedure is lengthy and lacking transparency. Indeed, universities currently have no incentives to enhance the process – they have to provide recognition services for which they are not reimbursed, and whose outcome is not monitored. If anything, universities face negative incentives regarding recognition, since non-recognition implies that immigrants have to enrol in regular courses for which universities are funded.

For regulated professions, the respective professional bodies are in charge. For non-academic, non-regulated vocational qualifications, there is no formal recognition system in place. Indeed, the medium-skills range seems to be an important gap in the current system, since the accreditation of prior learning (APL) is also largely absent.

When the right to upper secondary education for adults was implemented in 2000, a right to a so-called "real competence" assessment was established. The assessment is targeted at individuals who do not have completed upper secondary education but intend

to pursue education in upper secondary vocational subjects. The outcome is a skills certificate which allows him/her to have a shorter educational curriculum, and be only taught in the subjects that he or she needs. A priori one would expect that immigrants from non-OECD countries especially benefit from such assessments, yet they are underrepresented in this measure (Table 2.7).[23]

Table 2.7. Participation in "real competence" assessments in Norway, 2007

	Total number of participants in upper secondary education for adults	Number of real-competence assessments	Share of participants with real-competence assessment
"Non-western" immigrants	6 286	2 003	32
"Western" immigrants	929	381	41
Native Norwegians	31 646	13 573	43
Total	39 128	16 007	41

Source: Data provided by the Ministry of Labour and Social Inclusion.

The convergence of labour market outcomes over time and the composition of the immigrant population

The convergence concept of integration, introduced by Chiswick (1978), suggests that gradually, over time, as immigrants acquire host-country specific human capital such as language skills and knowledge about the general functioning of the labour market, their labour market outcomes should approach those of the native-born.

The overall picture with respect to the outcomes for recent arrivals compared with those who have been in Norway and the other countries in the comparison group for more time is depicted in Figure 2.8. Note that these results are not based on longitudinal data following people over time, but cross-sectional data based on length of residence in the host countries. For most countries, the pattern is nonetheless as expected, that is, immigrants who have been longer in the country have a higher probability to be in employment.

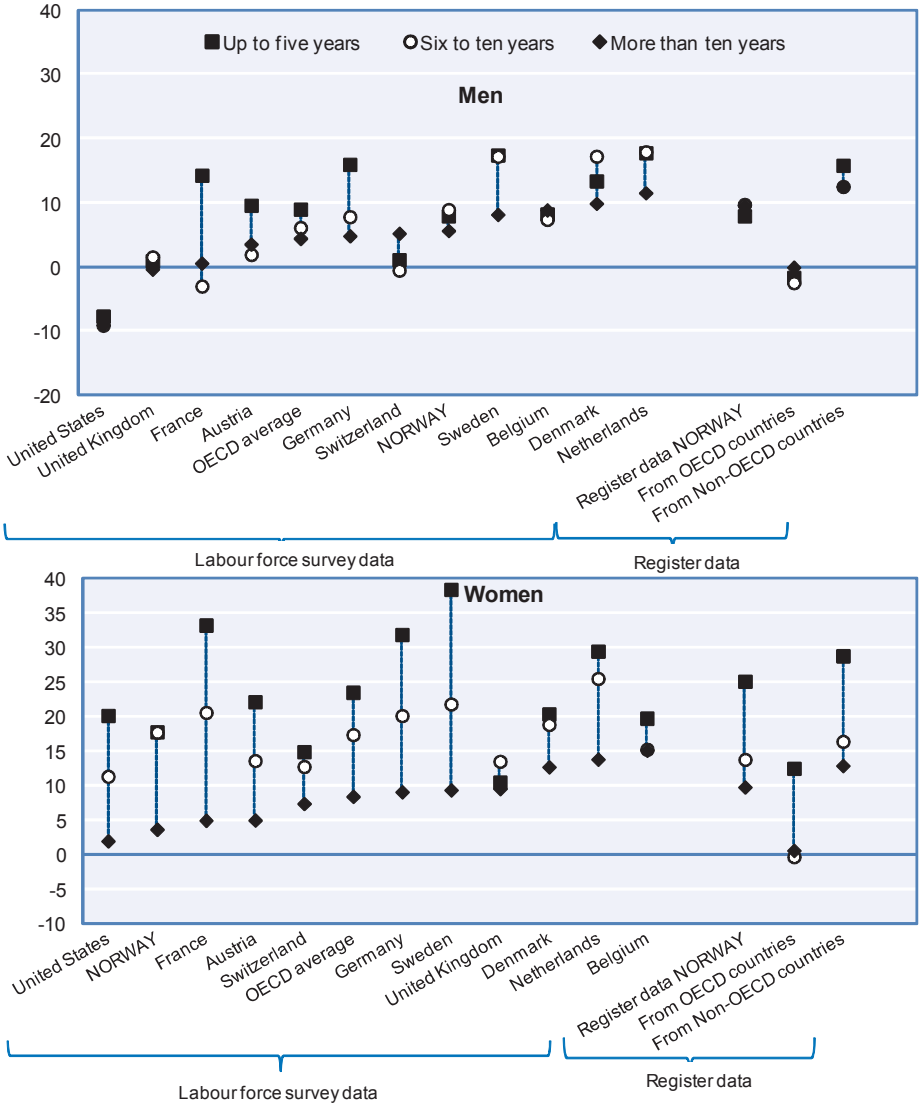
This does not appear to be the case in Norway. For men, on the aggregate level there is virtually no difference in employment rates between recent arrivals and those cohorts of immigrants who have been in the country for longer. This holds for both OECD and non-OECD migrants. For women, register data indicate a rather strong improvement in the first years after arrival, but little improvement thereafter.

One reason for the rather unusual picture for men appears to be that the composition of the migrant population in Norway varies significantly by duration of residence. According to register data, among the recent arrivals (up to five years of residence) from non-Nordic countries, about one third have arrived as labour migrants. This is only the case for 8% of the migrants with six to ten years of residence, and for an even smaller percentage for those who had arrived before. In addition, the qualification structure seems to be somewhat more favourable than among previous immigrant groups.

In all countries, the single most important factor shaping immigrants' labour market outcomes – at least with respect to labour market participation – is the category of migration. Figure 2.A1.2 shows the employment rates by duration of residence and migrant category. Labour market outcomes tend to be best for migrants who came for employment, independent of duration of residence. For family migrants and humanitarian migrants, employment has generally not been the primary objective of migration, and

these two groups have accounted for the overwhelming majority of past migration to Norway. The differences in outcomes between groups tend to be strongest in the early years after arrival, but they remain also in the longer term. Resettled refugees generally have the least favourable outcomes, and these have accounted for a larger share of total migration to Norway than in most other OECD countries, at least until the strong recent growth of labour migration.

Figure 2.8. Percentage-points gaps in the employment rate of immigrants compared with the native-born by duration of residence, people aged 15-64, 2006/07 average



Note: For register-based data, "non-OECD" includes Turkey. The OECD average refers to the unweighted average of the countries included in the figure.

Source: European Union Labour Force Survey (Eurostat) except for Norway on the right side of the chart (Register data from Statistics Norway, Labour Market Statistics) and Current Population Survey March Supplement for the United States.

Data on labour market outcomes of immigrants by migration category over time is only available for a few OECD countries. Table 2.8 compares Norway with the Netherlands, albeit for different time periods and thus different points of the economic cycle. As can be seen, the labour market outcomes shortly after arrival are not very different from those observed in the Netherlands. However, the improvement in the outcomes over the first three years seems to be quite strong, in particular for humanitarian migrants but also for family migrants.

Table 2.8. Employment rates by migration category in Norway and the Netherlands, one year and three years after arrival

	Norway (arrival: 2002)		Netherlands (arrival: 2000)	
	One year	Three years	One year	Three years
Work	76%	82%	79%	69%
Family	36%	46%	40%	43%
Humanitarian	28%	43%	13%	30%
Total	40%	51%	42%	40%

Note: The employment rates of family migrants from the Netherlands are calculated as the average of the rates for family reunification and family formation migrants, weighted by the relative number of permits for each category in 2000.

Source: Statistics Norway (Labour Market Statistics) and Statistics Netherlands (Statline).

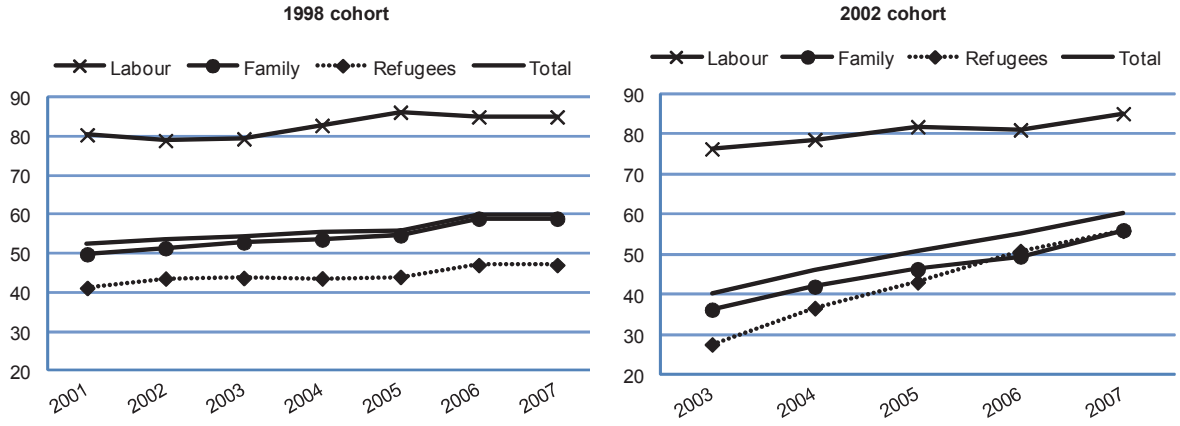
Data on the evolution of labour market outcomes is only available since 2001. Figure 2.9 compares the convergence process of two different migrant cohorts in Norway over time. It clearly shows that more recent migrant cohorts have better labour market outcomes than their predecessors. After five years of residence, the overall employment rate for immigrants from the 2002 cohort was more than 60%, compared to less than 55% for the 1998 cohort. The quicker convergence is particularly striking for refugees (56% for the 2002 cohort after five years compared with 44% for the 1998 cohort). The better situation of recent refugees, and their apparently rather quick convergence, could in part be attributable to a cohort effect, that is, a change in origin countries. However, the origin-country composition of the two cohorts did not differ much. It thus seems that the more favourable labour market conditions have quickened the integration process. As will be discussed in more detail below, there is some evidence suggesting that this could have a beneficial impact in the long term as well.

Since figures on labour market outcomes by permit data are available only for a limited number of years (2001-07), it is difficult to discern whether or not there may still be cohort effects – resulting from a shift in origin countries and/or the favourable economic situation, or whether they reflect a more fundamental change in the labour market integration process. Important will be in this context whether or not the improvement comes to a halt after the five years for which data are currently available. To answer this question, the evolution of the outcomes of recent migrant cohorts by category should thus be continuously monitored over the coming years.

Indeed, the picture of past cohorts has been that the convergence process is relatively quick in the first five years and a quick decline thereafter with convergence coming to a halt after about eight years (see *e.g.* Blom, 2004; Brekke and Mastekaasa, 2008). The observation of a halt in convergence after the first few years is also the impression which one gets from cross-sectional data on the labour market outcomes by duration of residence for different migration categories (Figure 2.A1.2).

Figure 2.9. Evolution of the employment-population ratios for the 1998 and 2002 cohorts, by migration motive

Percentage



Source: Statistics Norway (Labour Market Statistics).

Longva and Raaum (2000) studied the earnings assimilation of immigrants in Norway. They find that the earnings of immigrants from OECD countries are comparable to those of natives at the time of entry and remain at the same level. Immigrants from non-OECD countries earn considerably less than the native-born at the time of entry. Although their relative earnings improve gradually over time, the convergence is too slow to eventually create parity with natives.

The impact of economic conditions on the labour market outcomes of immigrants

The national economic situation is one of the most important factors in shaping the labour market outcomes of immigrants. In all countries which have been reviewed thus far, immigrants' labour market indicators show stronger improvement than those of the native-born when the economy is performing well, but immigrants also tend to disproportionately suffer from an economic downturn.

This is particularly apparent regarding unemployment. Taking the national definition of unemployment, a 1 percentage-point change in the unemployment rate among the native population results in a change among immigrants in the order of 2 to 3 percentage points (Figure 2.10). The variation is even higher for immigrants from Africa and Asia, but it is much lower for immigrants from European OECD countries. The ratio of unemployment rates has remained remarkably constant over the past decade – both for the immigrant population as a whole, but also across origin countries.

There are a number of possible reasons for migrants' stronger sensitivity to economic conditions, including the types of jobs which immigrants perform – often less stable, low-skilled employment at the margin of the labour market. Such employment tends to be more affected by the economic situation. Likewise, immigrants – in particular immigrant men – are more often employed in cyclically-sensitive sectors such as construction (Figures 2.A1.3-2.A1.5).

Until now, Norway has been less affected by the current economic downturn than other OECD countries. Nevertheless, in the first months of 2009 there has been a strong increase in unemployment. By the end of April 2009, according to the statistics of the Norwegian Labour and Welfare Organisation (NAV), (full) unemployment had increased to 2.9%, almost twice the figure of the previous year, and a further increase is expected. Immigrants from the new EU member countries experienced a particularly strong growth in unemployment. At the end of the first quarter 2009, the unemployment rate for this group was 8.2%, an increase of 5.9 percentage points compared with one year earlier. The growth in the unemployment rate was between 1.1 and 1.7 percentage points for the other immigrant groups, and 0.6 percentage points for the native-born.

Figure 2.10. Evolution of the unemployment rate for native-born and immigrants aged 16-74 in Norway, 1989-2008

Percentage



Source: Statistics Norway (Labour Market Statistics).

As a reaction to the downturn, a stimulus package with the overall volume of NOK 20 billion (about EUR 2.3 billion) was announced in late January 2009. A significant part is for public infrastructure investment (NOK 6.6 billion or about EUR 740 million). Allocations to the NAV have also been augmented to take better care of the unemployed. In addition, funds for the immigrant-targeted "second chance" programme (see below) have been increased.

The current deterioration in labour market conditions follows a period of unprecedented immigration flows to Norway. This is worrisome, since evidence from past downturns in other OECD countries has demonstrated that a downturn can have a strong negative impact on the aggregate outcomes of immigrants, particularly when many immigrants arrived just prior to an economic downturn and when it is linked with a fundamental structural change affecting sectors with strong immigrant employment.[24]

As a consequence of the economic downturn, the labour market entry of the many new arrivals who did not have a job upon arrival will be delayed. Employers can be more selective at the hiring stage and characteristics such as language difficulties, which tend to hamper productivity, may be used to screen out applicants. Evidence from Sweden also suggests that personal or informal networks are more commonly used for job seeking during economic downturns than formal methods (Behtoui, 2008). Here again, recent

arrivals tend to have less access to such networks and are therefore disadvantaged *vis-à-vis* the native-born (see below). Past experience from other OECD countries has also shown that the negative impact of a downturn on new or recent arrivals can be long-lasting. One possible reason for the long-term negative impact of economic conditions at (or shortly after) arrival are so-called "scarring effects". Immigrants who have not managed to get employed quickly after arrival may be stigmatised in the labour market.

Sweden provides an example in case (see OECD, 2007a). It underwent a severe crisis in the early to mid-1990s which saw a 12% drop in employment levels in less than three years, followed by a rapid recovery. Åslund and Rooth (2003) show that about six years after arrival, migrant cohorts who had entered before the recession are 7-9 percentage points more likely to be employed, and have about 12-18% higher earnings than migrants who arrived in during the deterioration of the labour market.[25] With large numbers of new arrivals of humanitarian immigrants from the mid-1980s to the late 1980s and early 1990s occurring at the same time as an economic downturn, Denmark also saw a drop in the employment-population ratio of its foreign-born population of almost 15 percentage points. Likewise, in Germany, the economic stagnation in the early and mid-1990s closely followed a period of large inflows of migrants. The difference between the employment-population ratios of foreigners and of German nationals almost doubled (from 5 to 9 percentage points) between 1991 and 2004. In the Netherlands, the severe economic crisis of the early 1980s appears to be at the outset of the low employment of immigrants, many of whom had arrived in the second half of the 1970s (see OECD, 2008c).

The extent to which such a long-lasting impact of macroeconomic conditions on arrival also holds in Norway is not clear. Blom (2004) does not find evidence for a long-term "scarring effect" of economic conditions on arrival in Norway, based on longitudinal data for refugees who arrived between 1987 and 1999. However, Raaum and Røed (2006) demonstrate for other entrants into the labour market in Norway – young adults – that a downturn at the end of formal schooling (age 16-19) is associated with a rise in adult (prime-age) unemployment of up to 2 percentage points.

Similarly, Bratsberg, Raaum and Røed (2006) analysed the labour market integration of the early labour immigrants from non-OECD countries and from Turkey (*i.e.* migrants who had arrived in the early 1970s). They found that these migrants were not only more sensitive to economic conditions, but that they also faced a high probability of permanent exit from the labour market during an economic downturn. In their estimation, an increase in the unemployment rate of 3 percentage points raises the transition rate from employment to non-employment by 2 percentage points for immigrants, but only 0.6 percentage points for natives. In a related study, Bratsberg, Raaum and Røed (2007) find that an unemployment-induced reduction of the native re-entry rate into the labour force of 1.5 percentage points results in a parallel reduction of the rate for immigrants by about 6 percentage points. They conclude that immigrants not only become more rapidly disconnected from the labour market during deteriorating economic conditions, but also that it takes them longer to stabilise in a new job. They also argue that the negative effect of an economic downturn could be reinforced by disincentives which the Norwegian tax and benefits system provides for low-skilled persons in families with two or more children to return to the labour market once employment prospects improve.

There is also evidence that the earnings of immigrants exhibit greater sensitivity to (local) unemployment than the earnings of the native-born in Norway (Barth *et al.*, 2004). A similar finding is reported in Longva and Raaum (2002) who show that higher (regional) unemployment has also a detrimental impact on the wages of non-OECD migrants relative

to those of natives in Norway. This holds even after controlling for individual unemployment experience, which suggests that the main channel by which this effect takes place is via a decline of the earnings of non-OECD migrants who remain in employment.

Finally, there is some evidence that the higher sensibility of immigrants to economic conditions also holds for the native-born children of immigrants. For example, Brekke (2007a) finds that children of immigrants exhibit higher earnings sensitivity to local economic conditions than the children of natives. It thus seems important that both migrants and their children who enter the labour market during the downturn get support in gaining initial work experience, for example through traineeships or subsidised jobs.

Self-employment of immigrants

A first look at self-employment shows that its incidence is small in international comparison, both among the immigrants and the native-born (Table 2.9). Although there are some differences by country-of-origin, with the exception of immigrants from North America and Oceania the self-employment of immigrants does not reach the levels observed in other OECD countries.

Table 2.9. Share of self-employment among the total employment of foreign-born and native-born aged 15-64 in selected OECD countries, 2007/08 average

	Austria	Belgium	Denmark	France	Germany	Netherlands	**Norway**	Sweden	Switzerland	United Kingdom	United States	OECD average
Non-OECD countries	6.0	14.4	11.1	10.4	..	10.2	**5.7**	9.1	6.5	15.2	9.5	9.8
OECD countries	12.2	16.4	9.0	11.7	..	14.0	**9.5**	11.3	11.0	11.9	16.1	12.3
Total foreign-born	***8.0***	***15.4***	***10.2***	***10.8***	***9.7***	***11.1***	***7.4***	***10.0***	***9.1***	***13.9***	***10.4***	***10.6***
Native-born	***12.2***	***13.3***	***8.0***	***9.8***	***10.8***	***12.2***	***7.2***	***9.2***	***14.6***	***12.3***	***10.2***	***10.9***

Share of self-employment among the employed foreign-born and native-born aged 15-74, Norway. Register data (fourth quarter 2007)

Total immigrants	**5.8**
Nordic countries	***7.7***
Western Europe else	***7.2***
New EU countries in Eastern Europe	***3.6***
Eastern Europe else	***3.1***
North America and Oceania	***8.8***
Asia	***6.6***
Africa	***3.6***
South and Central America	***4.7***
Native-born	**6.7**

Note: The OECD average is the unweighted average of the countries included in the table. Non-OECD includes Turkey and for the United States Mexico. Data refer to the 2006/07 average for Germany and Switzerland. In the Norwegian Register data, Asia includes Turkey.

Source: European Union Labour Force Survey (data provided by Eurostat), Current Population Survey March Supplement for the United States, Register data for Norway from Statistics Norway.

Evidence from a number of OECD countries suggests that self-employment is one way of escaping marginalisation on the labour market (*e.g.* Clark and Drinkwater, 2000; Blume *et al*., 2003). To which degree this is also the case in Norway is not known, but the very low incidence of self-employment among the most disfavoured group in the Norwegian labour market – immigrants from Africa – suggests that not many marginalised migrants in Norway have resorted to self-employment up to now.

In contrast, considerable attention has been paid in recent years towards raising entrepreneurship (that is, non-marginalised self-employment) among immigrants. For example, IMDi has recently established, on a trial basis, courses in entrepreneurship. These last for 2-4 weeks, with an individual follow-up for a further three months.

Likewise, in the municipality of Drammen, a training and knowledge centre specialised in the entrepreneurship of immigrants has been established. The centre provides training in entrepreneurship to immigrants all over Norway, in co-operation with a large business school. The main emphasis is on the standard curriculum for entrepreneurship studies, which is complemented by some immigrant-specific training and personalised coaching. All courses are free and take place in the evening to allow the migrants to pursue their previous employment while participating. The centre was set up as part of a regional development strategy and benefited from a close co-operation with the national agency "Innovation Norway" and its banking operation. This facilitated access to financial credit for promising entrepreneurship ideas.

In addition, in co-operation with the Confederation of Norwegian Enterprises, a project "Introductory Enterprise" has been established for participants of the Introduction Programme wishing to become entrepreneurs. As part of the introduction programme, they can plan, establish and run a simulation enterprise, linked with language training. During this process, contact is being established between the Introductory Enterprise and private enterprises as well as public institutions. The aim of the project is that participants attain knowledge and experience about how to establish their own business in Norway. At the same time, they can get in contact with local business and industry, as well as with public administrative bodies and procedures.

It is not clear to which these rather small-scale activities have contributed to raising self-employment among immigrants. In any case, immigrants have been overrepresented among recent new business establishments. They accounted for more than 11% of new business creations in 2007, and this figure has been relatively stable in recent years. Since the incidence of immigrants' self-employment is lower (9% of the personal-owned enterprises), this suggests that fewer migrants succeed when pursuing this route. Indeed, for the few years for which data on survival of new personal-owned companies is available, immigrants have somewhat lower survival rates, but the differences are not large. Of all companies which were established by immigrants in 2002, about 26% were still in business in 2006. The corresponding figure for the native-born is somewhat over 29%. However, there is also some tentative evidence that the surviving enterprises owned by immigrants exhibit a stronger growth in employment than those owned by natives, and this growth seems to overcompensate the loss in activity of those who close down (see Statistics Norway, 2006). This is an indication that the self-employment of immigrants is gradually becoming a significant contribution to the Norwegian economy.

Self-employment of immigrants in Norway is concentrated in some economic sectors, and this concentration is particularly pronounced among immigrants from non-OECD countries. About 20% of all self-employment from this group is in the hotel and restaurant sector, in contrast to only 2% for the native-born. A further 24% is in trade, repair and household goods services, compared with 15% for the native-born.

2.4. Characteristics of the Norwegian labour market and links with integration

The tax and benefit system

Much of the public debate in Norway has been concerned with the impact of the tax and benefit system on immigrants' labour market integration. Indeed, the overall tax level is high, and Norway has a developed welfare state. For nearly all family types and income situations, net replacement rates in Norway are above the OECD average. They are particularly high in international comparison for households with several children and a single earner who has been out of work for a long time. After five years out-of-work, for

a previously low-income (earning 66% of the average production worker) single-earner married couple with two small children, the combination of the various benefits results in the highest net replacement rate in the OECD (OECD, 2007b). This is a group in which immigrant households from non-OECD countries are largely overrepresented.

Unemployment traps arising from high net replacement rates thus seem to be a problem, but there is no evidence that they would affect immigrant's behaviour in a different way than that of comparable native-born. Bratsberg, Raaum and Røed (2007) provide an overview of disincentives in the tax and benefit system and their possible implications on the labour market integration of immigrants. They find that differences in the family structure can explain up to a third of the immigrant-native employment differential. The impact of family structure (that is, the marital status and the number of children) on employment seems to be stronger on immigrants than on the native-born. One possible explanation for this finding is that immigrants' expected wages in the labour market are relatively lower.

An important issue is whether or not immigrants assimilate rather into or out of welfare. Looking at cross-sectional data by duration of residence, one finds that immigrants who have been in the country for longer depend to a lesser degree on social assistance than more recent arrivals. However, it seems that over time, disability – which requires previous work experience – gradually replaces other social security transfers which do not require prior employment (see Bratsberg *et al.*, 2007 for some longitudinal evidence on this).[26] Likewise, more recent immigrant groups (Iraq, Somalia, and Afghanistan) depend more often on social assistance than on disability, which is the main benefit for immigrants from Morocco, Turkey and Pakistan (Figure 2.11). Nevertheless, it is important to stress that employment remains the main source of income for all immigrant groups and for both genders, with the exception of the most marginalised group on the labour market – immigrant women from Somalia.

Figure 2.11. Composition of total income in Norway, native-born and various immigrant groups, by gender, population aged 16-74, 2006



Note: Child-related benefits include maternity grants, child allowances and cash-for-care.

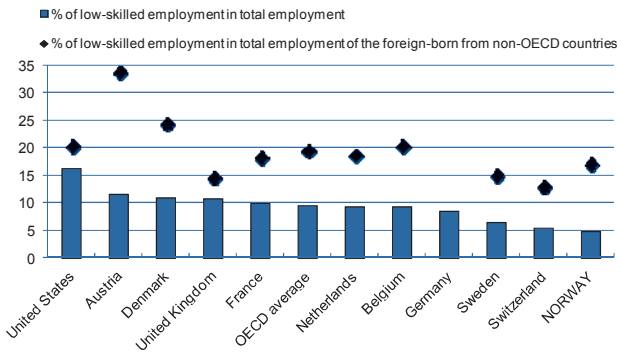
Source: Statistics Norway (Income Statistics).

The low-skilled employment sector

As has been seen above, whereas the labour market outcomes of highly-qualified immigrants in Norway do not seem to be unfavourable in international comparison, this does not appear to be case for low-qualified immigrants – particularly those from non-OECD countries. As already mentioned, there are disincentives provided by the tax and benefit system which could be part of the explanation, but there is no evidence that low-educated immigrants would be more affected than the low-educated native-born, provided they have similar other socio-demographic characteristics and reservation wages.[27] There are thus likely to be other factors at work as well.

This notably concerns the supply of low-skilled jobs, which seems to be more limited in Norway than in other OECD countries. Norway is the country in the comparison group with the lowest share of low-skilled occupations among total employment (Figure 2.12). The limited number of low-skilled jobs could be an effect of high entry wages, which makes it rational for employers to substitute low-skilled employment through capital, where possible. Note, however, that the similarly high wage compression in Denmark has apparently not prevented a relatively high number of low-skilled jobs.

Figure 2.12. Low-skilled employment as a percentage of total employment, selected OECD countries, 2007/08 average



Note: The OECD average is the unweighted average of the countries included in the figure. Non-OECD includes Turkey. Data for non-OECD countries include also Mexico for the United States. "Low-skilled" refers to ISCO 9.

Source: European Labour Force Survey (data provided by Eurostat, Third Quarter, 2006/07 for Switzerland) and Current Population Survey March Supplement for the United States.

Linked with the limited importance of low-skilled employment is also the observation that this accounts for a relatively small share of the employment of non-OECD immigrants in Norway in international comparison.

A third possible explanation relates to the fact that low-qualified immigrants may have a lower skills level and therefore may be less productive than low-qualified native-born. Again, there is some evidence that this is the case in Norway, and literacy differences seem to be among the driving forces behind the lower employment of low-qualified immigrants in international comparison (see Box 2.3). This result suggests that some more targeted measures may be needed. There are two possible policy options to tackle this: either very low-qualified immigrants are brought – via education and training – to a skills level that is at par with that of low-qualified native-born, or targeted wage subsidies compensate employers for the likely lower productivity of the former.

There have recently been some modest efforts to raise the basic skills of immigrants. However, these have essentially related to employed individuals. NOK 34.5 million (EUR 3.8 million) have been budgeted over the past three years to compensate companies for providing training programmes for employed and unemployed persons lacking basic skills – with an explicit reference to immigrants.

Box 2.3. The poor labour market outcomes of low-qualified immigrants in Norway: is literacy part of the explanation?

The comparison of education levels between immigrants and the native-born is hampered by the fact that educational systems differ across countries. Data from the International Adult Literacy Survey (IALS) are an indication of language proficiency, reading ability and cognitive skills, and provide a direct measure of human capital that is comparable for both immigrants and native-born persons. Results from IALS show a discount of tertiary qualifications obtained in non-OECD countries which is largely explained by differences in literacy skills (see OECD, 2008c). In principle, one would expect that such a discount matters less for low-qualified persons, although data from the OECD's Programme for International Student Assessment indicate that there are already large differences in the performance of lower secondary school systems. In addition, as is suggested above by Table 2.7, low-educated immigrants often do not even have obtained the basic qualifications which low-educated native-born generally have, and indeed sometimes even lack primary schooling. Data from the IALS give an indication of the magnitude of the (literacy) skills differences between immigrants and the native-born (Table 2.10).

Table 2.10. Differences in the mean literacy scores between low-qualified native- and foreign-born aged 15-64, by gender

	Men	Women
Finland	(-12)	-
Ireland	(-13)	(-21)
Italy	(-19)	(-19)
Germany	22***	34***
New Zealand	34***	31***
Canada	35***	54***
Belgium	41*	-
United Kingdom	41***	44***
Sweden	52***	85***
Switzerland	55***	41***
Netherlands	59***	30***
United States	67***	86***
Norway	87***	95***

Note: ***,**,*: difference of means is significant at the 1%, 5% and 10% level, respectively. (-) means that there are less than five immigrants in the respective sub-sample.

Although these results have to be interpreted with some caution due to the small sample sizes in the IALS for low-educated immigrants, they indicate that the differences in literacy between immigrants and the native-born tend to be larger in Norway than in any other country for which data are available, and this holds for both gender.

With pooled data from the IALS and its successor, the Adult Literacy and Life Skills Survey (ALL), it is possible to investigate to which degree differences in literacy are correlated with employment status. Controlling for age, sex and year effects, low-educated immigrants have on average an employment probability that is about 12 percentage points lower than that of low-educated native-born in Norway. Controlling in addition for the literacy score reduces the difference by more than half and turns it insignificant. This provides an indication that the low employment of low-qualified immigrants may in part be attributable to lower literacy.

Source: International Adult Literacy Survey (1994-1998).

In summary, the unfavourable labour market position of low-qualified immigrants seems to be attributable to a mix of disincentives to work, a limited availability of low-skilled jobs, and the observation that low-qualified native-born have a higher skills level than low-qualified immigrants. While it is difficult to zero in on one specific factor, there seems to be a case for measures that tackle both supply- and demand-side obstacles to the employment of low-qualified immigrants.

Migrants and the public sector

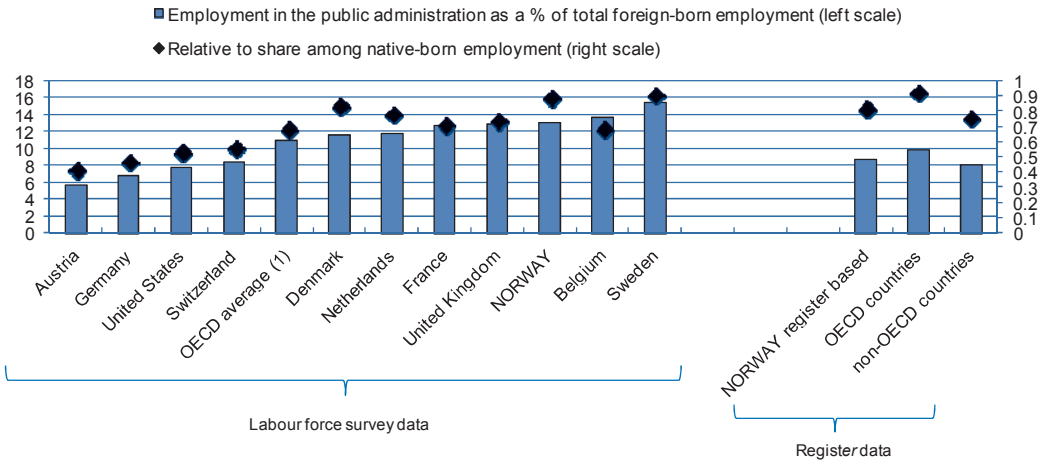
Immigrants' integration in what can be widely defined as "public sector" is of particular importance in Norway, since a large part of employment in Norway is under some public control. Three sectors of varying government influence can be distinguished – the state sector, the municipal sector, and fully or partially state-owned enterprises. Taken together, these three sectors account for about 47% of total employment in Norway.

Employment in the public sector provides the government with a lever to aid immigrants' labour market integration, as it has a more direct influence on its own employment decisions than on those in the private sector. In addition, by employing immigrants, the public administration acts as a role model for the private sector. If in fact immigrants find employment in the public administration, this can also increase the visibility of immigrants in daily life. Finally, employment of immigrants in the public sector can contribute to enhancing the understanding of immigrants' needs by public institutions. When immigrants are employed in certain key occupations such as teaching, they can also serve as a role model for others, notably immigrant youngsters.

The most direct influence which the central government exerts is clearly in its own administration. According to national statistics, 11.4% of total employment in Norway is in the *state sector*. Immigrants, in particular those from non-OECD countries, are underrepresented in the state sector – it accounts for 9.4% and 7.9%, respectively, of their total employment. Using internationally comparable data from the labour force survey which uses a slightly different definition comes to more favourable result (see Figure 2.13). By and large, the overall presence of immigrants in the public administration in Norway thus seems to be above the level observed in other OECD countries, with the exception of Sweden.

Olsen (2009) investigated the participation of immigrants in the public administration with register data. He finds that although immigrants are underrepresented in the public administration, this is largely explainable by the different qualification requirements in the public sector (*i.e.*, more highly-skilled employment). Indeed, 74% of employment in the state sector is in high-skilled occupations, compared with 33% in the private sector. Immigrants are quite often employed in these highly-skilled jobs – they account for about 90% of OECD immigrants' and 67% of non-OECD immigrants' employment in this sector.[28] In addition, recent arrivals generally do not work in the public sector. Indeed, immigrants with four years of residence or more in Norway have already a roughly equal representation in the state sector (Olsen, 2009).

Figure 2.13. Employment of foreign-born aged 15-64 in the public administration in selected OECD countries, 2006/07



Note: The labour force survey data for the public administration includes education. The register-based data refer to state sector. Non-OECD includes Turkey.

1. The OECD average refers to the unweighted average of the countries included in the figure.

Source: European Union Labour Force Survey (data provided by eurostat), register data: Statistics Norway (Labour Market Statistics) and Current Population Survey March Supplement for the United States.

Indeed, for many years, Norway has had an active policy to recruit persons with an immigrant background in the public administration. Special attention has been paid to qualified and highly-qualified immigrants, through improving transparency regarding immigrants' qualifications, and courses in multicultural awareness for hiring staff (see Holter, 1999).

A number of measures have recently been taken to further enhance the integration of immigrants and their children in the state sector, in context with the comprehensive Action Plan for Integration and Social Inclusion (Ministry of Labour and Social Inclusion, 2006 and 2007, see above). Already since 2002, there is an obligation for employers in the state sector to interview at least one candidate with a non-western immigrant background, if they are qualified. Since 2007, all state agencies are obliged to set concrete targets for the recruitment of people with an immigrant background, and to provide plans on how this goal is to be attained. In addition, hiring managers receive training in diversity management. These measures are supplemented since 2008 by a two-year pilot project for moderate affirmative action for immigrants applying for positions in the state public administration. If candidates have equal or approximately equal qualifications, a candidate with an immigrant background is to be preferred. An intermediate evaluation (Orupabo *et al.*, 2009) indicated that only a minority of state agencies have implemented this obligation thus far. Many hiring managers seem to be sceptical about the feasibility of the action. However, they also claim that the measure has encouraged them to pay more attention to latently discriminatory recruitment practices and prejudices.[29]

The *municipal* level accounts for another 22% of total employment. Again, immigrants are somewhat underrepresented, but the differences are not large – at the end of 2007, the municipal sector accounted for 18.4% of immigrants' employment. Notably

the larger cities seem to have been rather active regarding the recruitment of persons with an immigrant background. The City of Oslo established an action plan on the employment of immigrants in the municipal services, with the aim of having a proportional representation of immigrants and their offspring. This target has been reached in 2008, with 19% persons of "non-western origin" in the municipal services.[30] Other cities have established similar programmes. The City of Drammen, for example, has set similar targets and also obliged its agencies and services to provide work-experience placements for new arrivals under the introduction programme. In all job vacancies, immigrants are explicitly encouraged to apply. In addition, as in the state sector, hiring managers are generally obliged to invite at least one person with an immigrant background to a job interview if the person has the required qualifications and experience. Hiring managers also receive special training in intercultural management.

It is difficult to evaluate the impact of these various measures on immigrants' employment. The overall share of the state and municipal sector as a percentage of (non-OECD) immigrants' employment has remained broadly stable in recent years (27.3% in 2002 and 27.0% at the end of 2007, the latest year for which data are available). Nevertheless, as mentioned above, the picture is slightly distorted because of the many new arrivals who do not take up employment in the public sector, at least initially. A better (albeit still crude) indication is to look only at migrants in 2007 who were already in Norway in 2002. For this group, there was a growth in the absolute number of employed by more than 11% over the five years. The state and municipal sector accounted for more than half of this figure.

The third part of the labour market over which the public authorities exert some direct control are the *state-owned enterprises*. About 20% of private sector employment in Norway is in at least partially state-owned enterprises. The government influences the management of these companies notably regarding guidelines of good corporate governance and in this context, growing attention has recently been paid to enhance diversity in this part of the private sector. Compared with the information on employment in the state and municipal sector, data on the employment of immigrants in the state-owned enterprises is not readily available. However, since 2006, IMDi publishes an annual report on the recruitment and employment of immigrants and their children in 26 fully state-owned enterprises, based on questionnaires. The most recent report shows a slight increase in employment of immigrants and their children in these enterprises, although immigrants and their children remain underrepresented relative to their share in the workforce. There has been some targeted action to encourage applications of immigrants and their subsequent recruitment, and indeed, immigrants have been overrepresented among recent hirings. In the 22 enterprises for which information was provided, 16% of applicants, 15% of interviewees and 14% of new recruits had an immigrant background (see IMDi, 2009).

In summary, the large public sector has taken considerable efforts on all levels to promote immigrants' employment, and there are some tentative signs that this has paid off.

The labour market integration of immigrant women

Together with Denmark and closely followed by Sweden, Norway is the OECD country with the highest employment rate of women. As seen above, immigrant women, in particular from non-OECD countries, have much lower employment rates. According to register data, their employment level reaches only 75% of that of native-born women (that is, an employment rate of less than 60% compared with almost 76% for native women).

These results have to be seen in the context that most immigrant women did not come primarily for employment. They generally joined their spouses who were often already working and, at least initially, took the task of taking care of the household, etc. About 60% of permanent-type migration of women to Norway since 1990 was for family purposes, compared with only about 30% for men.

In addition, immigrant women often come from countries where the employment of women is much lower than the employment of men. It may therefore seem overly ambitious to expect that they reach the same employment level as native Norwegian women. Galloway (2006) shows that there are indeed strong country-of-origin effects in the labour market integration process of immigrant women in Norway. Women from non-OECD countries generally have very low employment levels shortly after arrival. Whereas women from countries such as Vietnam and Sri Lanka converge towards the employment rates of their native-born counterparts, the convergence is much slower for women from Pakistan and Turkey where traditional gender roles in the labour market seem to be particularly pronounced. Women from these countries largely remain outside the labour force even after many years in Norway.

One important determinant of immigrant women's labour market participation is the presence of children in the household. Young married Norwegian women with children have slightly lower employment rates than their (native-born) counterparts without children. The differences between those who have children and those who have not are much larger for immigrant women and for women who are native-born children of immigrants. Interestingly, on the basis of these descriptive aggregate statistics, there is little difference between married without children and single without children. It is the presence of children which seems to make the difference. Table 2.11 also indicates that even though the differences *vis-à-vis* native Norwegians[31] are very large for immigrant women with children, a similar pattern is observed for the few countries for which comparable data are available. In addition, although the differences are considerably lower for the native-born children of immigrants in Norway, independent of family status, they nevertheless remain high.

Table 2.11. Employment rates for native Norwegian women in comparison with non-OECD immigrants and native-born children of immigrants by marital status and children for persons aged 25-34, 2006

	Total	Married with children	Married without children	Single without children
Native women	82	84	89	82
Difference with non-OECD 2nd generation	*14*	*23*	*5*	*12*
Difference with non-OECD immigrant women	*33*	*38*	*29*	*26*
Austria	*31*	*30*	*27**	-
Belgium	*42*	*50*	*43**	-
France	33	43	26	21
Netherlands	37	41	33*	*15**
United Kingdom	*20*	*31*	*20*	*11*

Note: The second and third row show the differences in employment rates between the native Norwegian women and the native-born children of immigrants and immigrant women, respectively. The differences refer to the native-born female children of immigrants and immigrant women from non-OECD countries/Turkey, by group of socio-demographic characteristic. Rows 4 to 8 show for each column the percentage-point differences between the employment rates of native-born women and women from other than European OECD countries. Data with an asterix (*) have to be interpreted with caution regarding reliability (between A and B threshold). "-" means not publishable. "2nd generation" refers to the native-born children of immigrants.

Source: Register data from Statistics Norway, European Union Labour Force Survey for other countries (data provided by Eurostat 2006/07 average).

As a measure to support families who wish to take care of their children at home, a so-called "cash-for-care" subsidy was introduced in 1998. It covers (since January 1999) all children aged between one and three years who do not take full benefit of kindergarten. About NOK 3 300 (EUR 367) are paid on a monthly basis to the parents of children not attending kindergarten at all. The payment is phased out according to the number of hours spent in kindergarten.

In 2006, for about 40% of 1- and 2-year-old children of natives cash benefit was paid, but 65% of children of parents from non-OECD countries. When considering immigrants' strong geographical concentration in the main cities and in particular in Oslo where the infrastructure for early childhood institutions is more developed, the disparity is even more pronounced. In Oslo, for example, only for a little more than 20% of children of natives in the relevant age range cash benefit was paid, in contrast to about 75% for children from non-OECD and Turkish migrants (see Daugstad and Sandnes, 2008). The subsidy accounts for a non-negligible part of the aggregate income for immigrant women from countries such as Somalia, Iraq, Morocco and Pakistan, whereas its importance for native women is negligible (see also Figure 2.11 above).

Since kindergarten attendance results in a loss of the cash-for-care subsidy, the logical counterpart of the payment is a lower kindergarten attendance of those children whose families benefit from it. Indeed, data on kindergarten attendance by single year of age mirror the overrepresentation of immigrants among the cash-for-care beneficiaries. One observes that the differences in attendance rates between children of natives and children of immigrants are large until the age of 3 and then converge (Table 2.12). The large discrepancies after the age of 2 are worrisome, since early participation in the residence country's educational institutions has proved important in raising educational attainment levels of the children of immigrants. For France, Caille (2001) has shown that at the age of 2, kindergarten attendance starts having a favourable impact on the school success of the children of immigrants. The effect is stronger than on comparable natives for whom little or no effect is observed.

The incentives to send young children in kindergarten are furthermore reduced by the fact that attendance can be quite costly. In 2007, the maximum fee for full-time attendance of kindergarten was NOK 2 330 (EUR 259) per month. Although there are various reductions (both for poor households and for families with several children), the cost can still be substantial for low-income families. Several municipalities now offer free day care/kindergarten to families with low payment capacity, but it appears that immigrants are not always aware of the exemptions available to them.

Table 2.12. Kindergarten attendance by age, all children and "language minority" children, 2007

Age	All children (in %)	Children from a "language minority"
1	59.5	25.4
2	79.3	43.0
3	92.3	72.1
4	95.3	85.8
5	95.9	90.0
Average 1- 5	84.3	62.8

Note: "Language minority" children are children who have a mother tongue different from Norwegian, Sami, Swedish, Danish or English.

Source: Statistics Norway.

Hardoy and Schøne (2009b) analysed the effect of the cash-for-care subsidy on the labour supply of immigrant women from non-OECD countries. Their estimates show that the subsidy could have reduced the labour supply of these immigrant women by up to 15%, and there are also some indications that the effect has been stronger than for comparable natives.[32] Most of the reduction seems to be due to the fact that the reform has reduced the incentive to enter the labour market for previously inactive mothers, whereas those who were already in the labour market in the pre-subsidy period were less affected.

One of the reasons for the introduction of the cash-for-care was apparently that there was no full kindergarten coverage across Norway. Since this is now been gradually resolved, there seems to be little reason for maintaining the subsidy, given its multiple negative effects on the integration of immigrants.

2.5. Integration policy in Norway

Language training and the introduction programme

One characteristic of immigration to Norway is that the overwhelming majority of immigrants do not speak or understand the host country language upon arrival. While this situation is similar to that of the other Scandinavian countries and the Netherlands (to a lesser degree also to Germany and Austria), it distinguishes Norway from the countries that have been settled by migration and also from several European OECD countries such as France and the United Kingdom.

There is little doubt that mastery of the host country language is an important factor for integration – not only for labour market integration but also for integration into the society. Because of this, language training is generally the single most important measure that is directly targeted at immigrants in OECD countries, and Norway is no exception in this respect.

Since September 2005, it is compulsory for all newly arrived immigrants outside of the European Economic Area who do not master Norwegian (or Sami) to take 250 hours of Norwegian language and 50 hours of civic education (see above).[33] 250 hours of language training does not seem to be an excessive amount, since this is the lower end of the range in which language training has been demonstrated to continue yielding significant improvements in the labour market outcomes in Sweden (OECD, 2007a). The municipalities are obliged to offer up to an additional 2700 hours to those in need of further education in Norwegian. The government is currently considering to increase the number of compulsory language training and civic education from 300 to 600 hours.

Already prior to the formal establishment of the introduction programme, most immigrants from non-OECD countries followed some Norwegian language training. Among the participants in the 2005/06 Survey of Living Conditions, this was the case for more than 80%. In about half of the cases, the training was between 200 and 500 hours – not very dissimilar from the current setting.

The respondents of the 2005/06 survey who did not participate in a language course were asked for the reasons. Although it is difficult to identify the key drivers underlying non-participation, less than one third reported that it was due to no or inadequate offering.[34] This suggests that the scope and quality of language training may, at least in the past, have at times left something to be desired. Indeed, stakeholders in Norway repeatedly argue that a major benefit of the obligation to language training is that is a mutual one – municipalities

can no longer avoid offering training to immigrants by claiming that there is no demand for this. Nevertheless, there are still very few incentives to municipalities to provide *quality* language training. The grant which is given to municipalities if the immigrant passes language examination is low in comparison with the overall lump sum paid to municipalities for language training, which is paid independent of training content and quality.

There is only very limited and indirect information available on the effect of language training on the labour market outcomes of immigrants in Norway. Information on participation in language training can currently not be obtained from register data, which has hampered evaluation of its effects. Some basic information is only available from survey data, in particular from the Survey on the Living Conditions of Immigrants. These data have the disadvantage of being self-reported, which is particularly problematic for an evaluation of the improvement of language proficiency. Hayfron (2001) examined the links between language course participation, language mastery and labour market outcomes as reported by immigrants in Norway in the 1993 Living Conditions Survey. He finds a positive correlation between participation in language training programmes and self-reported proficiency in Norwegian. However, no link could be established on the basis of the data between (self-reported) Norwegian language proficiency and immigrant earnings.

The overall level of proficiency in Norwegian that is demanded on the labour market seems to be high, even for low-skilled employment. There is a remarkable agreement among the main stakeholders on the necessity to have a good mastery of Norwegian in order to find employment.[35] Because of this general agreement, the necessity to make language training obligatory for new arrivals from non-EEA countries is also rarely questioned. Stakeholders argue that even educated immigrants may not be sufficiently aware of the need of Norwegian language mastery for sustainable integration in the labour market and society. In any case, the penalty associated with non-participation in the 300 hours Norwegian language training and social studies for immigrants not under the introduction programme is minor. Those who do not follow the obligation essentially have to continue renewing their temporary permits. Since 1 September 2008, participation is also a prerequisite for all migrants who apply for citizenship. If immigrants can prove an adequate knowledge of Norwegian, they are exempt from the obligation to participate.

The recent strong inflow of immigrants who do not master Norwegian from the new EU member countries currently poses a particular challenge. These migrants are in principle not entitled to language training, although the fact that Polish migrants have headed the list of origin countries for family reunification migrants suggest that many of these migrants intend to stay in Norway for longer. During the favourable economic situation until recently, many Polish labour migrants found employment in construction. Indeed, that these immigrants did find employment without speaking Norwegian is generally seen as an exception, and attributed to the specific situation in the construction sector where it was not unusual for entire teams to consist of Polish-speaking migrants.[36] With the strong decline in construction, immigrants from the new EU countries now have the second highest unemployment rate of any migrant group in Norway, and their lack of language skills is clearly a major obstacle to employment in other sectors, both currently and in the future. Municipalities are not obliged to offer language training to immigrants from the new EU countries. However, the latter can take part in some limited Norwegian language training by the NAV as part of a labour market course. Their spouses may also be eligible for such measures, but only if they are registered as unemployed. If this is not the case, and for more general language training outside of the NAV courses, migrants

from the new EU countries may have to pay for the training. Given the rather high cost of Norwegian language training on the private market – about NOK 50 (EUR 6) per hour – it is not clear how many migrants will by themselves make the necessary investment. On the other hand, a generalisation of the free language training in Norwegian will be a costly undertaking for the public purse.[37]

Language training is also an important part of the introduction programme, although its relative weight may vary greatly, depending on the needs of the migrants. Where possible, once a basic level has been reached, vocational language training is provided in the context of work or language practice measures.

As already mentioned, the introduction programme may last up to two years and in special cases up to three years and is a right and duty for new arrivals from non-EEA countries who lack basic qualifications. Indeed, it seems difficult to justify obligatory programmes of such a rather long duration for already qualified individuals. For immigrants who lack basic qualifications, the argument that some additional education and training is needed to bring them up to the overall skills level of the native population seems plausible. Indeed, the experience with low-skilled immigration in other European OECD countries in the past has shown that neglecting this issue can have an adverse impact not only on the migrants themselves, but also – and possibly even more – on their children. It is also conceivable that this particular group may be less aware of the benefits of having basic qualifications, which would seem to provide some justification for the obligatory nature of the programme.

Although many refugees and their families may need two or even more years to get ready for the labour market, some could well be ready before the end of the regular two-year introduction period. Indeed, this is acknowledged by the introduction act which allows for faster tracks but it is not clear to which degree this is currently being applied by municipalities. In any case, there are few incentives to take up employment early, since the introduction benefit which is linked to programme participation is relatively high – notably above the level of social assistance. This reflects the fact that participation is full-time and generally seen as the participant's "first job in Norway". However, combined with other out-of-work benefits, in particular for larger families, the total benefit level can easily exceed typical entry wages for the lesser-skilled (see Djuve, 2003).

This suggests that there may be substantial "lock-in effects" arising from the programme, that is, the programme might delay labour market entry for some migrants. These effects are further reinforced by the full-time nature of the programme, leaving immigrants little time to look for a job by themselves. Because of the recent nature of the introduction programme, there has been no longer-term evaluation of its effects. Kavli *et al.* (2007) analysed the short-term effects of the first cohort of programme participants (2004-06). They find that those migrants who dropped at some stage out of the programme to get into employment had also a higher probability to be in employment after the end of the introduction phase. Thus, some immigrants of the target group seem to be labour market ready in less than two years. Similar evidence of "lock-in effects" of introduction programmes has been reported for Denmark (see OECD, 2007a).

Djuve (2003) evaluated the labour market effects of the trial introduction programme. She found that the number of hours of programme participation had neither an effect on proficiency in Norwegian nor on the probability to have a job. However, this could be due to a negative correlation between the number of hours and the prior literacy of the participant. She also found that 80 hours or more of work praxis increase the probability

of having a job. A positive correlation between work practice-measures and labour market outcomes is also reported in Kavli *et al.* (2007). There are also some indications that close follow-ups and budget autonomy for the participants improve subsequent labour market outcomes (see Djuve, 2003).

53% of the participants who completed or ended the programme in 2008 subsequently obtained regular employment or further education. An additional 20% participated in some further labour market training. In general, migrants in more remote municipalities seem to have a higher probability to find employment than those in the larger, more central municipalities (IMDi, 2008). This is apparently because labour needs in the remote areas tended to be more pressing than in the more central parts of the country.

There is a wide variation in the implementation of the introduction programme, and small municipalities clearly have more difficulties to provide tailor-made programmes.[38] There seems to be a particular challenge regarding highly-educated immigrants. 60% of the municipalities who have immigrants under the introduction programme cannot offer targeted courses for people with tertiary education, although in some cases there is also access to adapted training in surrounding municipalities. The situation is similar regarding work-practice for the highly-skilled. It thus seems to be more difficult to adapt the programme to the needs of the highly qualified than to those with low qualifications (Kavli *et al*., 2007).

By comparison with previous migrant cohorts (2002 arrivals), Kavli *et al.* (2007) also find some tentative evidence that the programme has increased the labour market prospects of immigrant men.[39] They do not find similar evidence for women, however.

The settlement of immigrants

The immigrant population in Norway has been concentrated in the main cities, particularly in the Oslo region. About 30% of all persons with an immigrant background live in Oslo, although the city accounts for less than 12% of the total population in the country.

This pattern is not unique to Norway. Indeed, it is somewhat natural for people from the same country living abroad to congregate. Such a concentration may have some undesirable effects. Firstly, it could create a social and fiscal burden in host regions which needs to be spread more equally across the country. Secondly, living in such enclaves may retard the integration process – particularly with respect to acquisition of the host-country language – because of a tendency to socialise with persons of one's own community. Immigrants may thus have less contact with the native population as a result. Thirdly, these centres may not necessarily be places where labour demand – and therefore employment possibilities for immigrants – is strongest. When there are limited transportation possibilities to employment areas, or when these are distant, this could hamper labour market integration. Based on these arguments, policies to disperse or to encourage immigrants to disperse throughout the country have been introduced in a number of OECD countries.

In order to achieve a more equal distribution of humanitarian migrants and their families across the country, Norway has a longstanding dispersal policy for refugees. The settlement of refugees and their families is a matter of negotiation between the municipalities and the IMDi, with the intermediation of the national association of the municipalities (KS).

This process is relatively time-consuming. Humanitarian migrants spend on average an additional 180 days after they obtained their residence permit until they are settled in a municipality.[40] The availability of housing has been a critical factor, since public housing is scarce, and it appears that labour migrants often compete with the new arrivals in the introduction programme (via the municipalities) for cheap adequate housing in the private market. Another problem is that few immigrants who have been placed in the remote northern parts of Norway remain there, in spite of favourable labour market conditions.

In Sweden, where a similar dispersal policy operated, the availability of housing soon turned out to be the deciding factor for the location of refugees. Edin *et al.* (2004) found that this policy had strong negative effects on the labour market outcomes: after eight years of residence, earnings were 8 percentage points lower, the employment rate about 3 percentage points lower, and welfare dependency 4 percentage points higher than in the absence of the policy. A simulation showed that the effects would have been even much greater if all immigrants would have stayed in the location to which they were initially assigned. A similar observation has been made in Denmark, where immigrants' relocation tended to reduce the duration until the first job (Damm and Rosholm, 2005).

There has been no comprehensive assessment of the effects of dispersal policy in Norway thus far. It seems that the underlying factors do not differ greatly from those observed in Denmark and Sweden, although there is an effort to base the settlement decision on the overall prospects for successful integration, and to avoid that the availability of housing becomes the decisive factor.

The difficulties encountered by small municipalities and the length of time from arrival in Norway to the eventual settlement in the host community suggests that much could be gained from a more targeted settlement strategy that allocates immigrants according to their skills, allowing municipalities to specialize and to invest into introduction programmes for specific groups. This would probably imply changes in the current lump-sum funding which does not differentiate between migrants of different skills levels, since experiences from other OECD countries seem to suggest that both the adequate labour market integration of very high- and of very low-educated immigrants tends to be more resource-intensive than of medium-skilled immigrants.

Labour market programmes and the participation of immigrants

As already mentioned, social inclusion is a key objective of the Norwegian government, and full labour market participation of all groups is seen as the main route towards achieving this. Besides the introduction programme and language training, there are few measures which are directly targeted at immigrants. Indeed, the overall labour market policy is one of mainstreaming. Labour market programmes in Norway traditionally differentiated between "ordinary unemployed" and "vocationally disabled" (see Duell *et al.*, 2009 for an in-depth study on activation policies). For both groups, three main sets of active labour market policy instruments in Norway can be broadly distinguished – training, work practice measures, and wage subsidies. Since 2008, all measures can in principle be offered to both groups, but this depends on an individual assessment of work capability.

Compared with their share in the working-age population, immigrants from non-OECD countries are strongly overrepresented among the ordinary unemployed, but only slightly among the vocationally disabled. They were formally prioritised in labour market measures for the former group. This prioritisation ended in 2009 in favour of an individual assessment of the work capability of each unemployed. In 2008, according to

data from the Directorate of Labour and Welfare, 36% of all participants in labour market measures for the ordinary unemployed were immigrants from non-OECD countries (Table 2.13), although these only account for 20% of the unemployed. A strong overrepresentation also remains after controlling for socio-economic characteristics (Kvinge and Djuve, 2006). In contrast, on the aggregate, immigrants from non-OECD countries are slightly underrepresented among the participants in measures for the vocationally disabled. In 2008, they accounted for about 10% of the vocationally disabled, but only for less than 9% of those vocationally disabled who participate in labour market measures.

Because of the availability of register data, the impact of labour market measures on participants' labour market outcomes has been relatively well studied. Overall, participation in active labour market programmes (ALMPs) in Norway reduces the transition rate to ordinary work during participation and increases it thereafter (Røed and Raaum, 2003). For most native-born participants, the net effect is close to zero. In contrast, there are significant net effects for immigrants from non-OECD countries. Since the measures tend to be costly, this also seems to be the only group for which there is a net fiscal effect of ALMPs in Norway. It also appears that the favourable effects tend to be larger in good economic times than during a downturn.

Kvinge and Djuve (2006) follow the labour market outcomes of unemployed migrants and native-born who were registered at the previous Public Employment Service in 2003. Their analysis carries over a two-year horizon. They find that wage-subsidies have a positive effect on employment, but very few get them. Indeed, as Table 2.13 shows, only about 600 "non-western" immigrants were in a wage-subsidy programme in 2008. In addition, the relative importance of this tool (calculated as its share in all measures) is much smaller for immigrants than for the native-born. This is unfortunate, since there is evidence from other OECD countries that wage subsidies tend to have larger beneficial impact on the labour market integration of immigrants than on comparable native-born (OECD, 2007a). More generally, the recent Nordic evaluation literature shows that wage subsidy programmes targeted at immigrants and other disfavoured groups in the labour market consistently yield improved labour market outcomes (Nekby, 2008).

Thus, in spite of the apparent merits of wage subsidies as a tool for the labour market integration of immigrants, they are still rarely used – not only in Norway but also in other OECD countries. One often reported reason is that employers remain reluctant to employ immigrants, even when subsidised. Indeed, a subsidy may by itself not be sufficient to overcome uncertainty about productivity if the perceived risk is large. In this context, it seems that close follow-up of programme participants by the employment service tends to be helpful in reassuring employers.

The most frequent programmes for immigrants from non-OECD countries are education/training and work practice. The limited available evidence on their effects shows no clear-cut picture. They seem to yield positive employment effects for women from Asia and eastern Europe, but no impact on other migrant groups. The positive effects of education/training are largely conditioned by the participants' subsequent inclusion in a wage-subsidy programme (Kvinge and Djuve, 2006).

Table 2.13. Participation of migrants in the various active labour market programmes in Norway, 2008

	Programmes for the "ordinary unemployed"			Share of non-OECD immigrants among all participants
	Non-OECD immigrants	Share of measure as a % of all measures for non-OECD immigrants	All participants	
Training and education, language training	2 183	56%	4 848	45%
Wage subsidies	436	11%	1 735	25%
Work practice	1 177	30%	3 808	31%
Employment measures, leave and temporary post	6	0%	22	26%
Other	100	3%	446	22%
Total	3 901	100%	10 859	36%
	Programmes for the vocationally disabled			
	Non-OECD immigrants	Share of measure as a % of all measures for non-OECD immigrants	All participants	Share of non-OECD immigrants among all participants
Clarification programmes	290	6%	1 893	15%
Follow-up, monitoring	591	12%	5 530	11%
Training and education	2 118	44%	22 798	9%
Wage subsidies	174	4%	2 242	8%
Work practice	1 162	24%	11 453	10%
Assisted work	344	7%	9 440	4%
Employment measures, leave and temporary post	11	0%	91	12%
Other	104	2%	1 321	8%
Total	4 794	100%	54 768	9%

Source: Data provided by the Directorate of Labour and Welfare.

The provision of language training is generally a task of the municipalities and thus generally not in the direct remit of the NAV. To which degree it is provided within labour market programmes depends in part on the respective NAV office. The language training provided within these programmes tends to be less comprehensive and more work-oriented than the training provided by the municipalities.

There is one notable exception from the policy of catering immigrants' needs via the general mainstream services and indirect targeting. This concerns specialised labour market offices for jobseekers with an immigrant background (Box 2.4).

A so-called "qualification programme" has been implemented in the context of the ongoing NAV reform and is only offered in municipalities with NAV offices (which by now means almost universal coverage). The target group of the programme are people with reduced work capability, the majority of whom are social benefit recipients. The programme is administered by municipalities and aims at the labour market integration of people who are long-term social benefit recipients. It consists of tailor-made individual integration plans which may include a broad range of elements such as education, traineeships, and other work-related training measures (including language training, but this is apparently rarely done). The programme is rather attractive to participants, as they receive a (taxable) "salary"-type benefit set at twice the basic social assistance level which also generates pension benefits. Almost 5 300 persons applied to participate in the programme in 2008.

Box 2.4. Specialised employment services for persons with an immigrant background: the NAV Intro

Already in the early 1980s, the Norwegian Employment Services established a specialised office in Oslo to facilitate the labour market integration of immigrants and their children. Currently there is one so-called "NAV Intro" office in each of the four largest cities (Oslo, Bergen, Trondheim and Kristiansand).

The NAV Intro office in Oslo is the largest among the four establishments. It employs 25 persons, providing each immigrant with a specialised caseworker. The target groups are both low- and high-qualified migrants, whereas immigrants with medium-level skills are seen as being sufficiently taken care of by the regular mainstream services. Through its many years of experience, the office has established close connections with employers, and ensures regular follow-ups for immigrants in work placements. These two latter elements proved crucial in finding work assignments for immigrants, particularly for those who are difficult to place. The NAV Intro in Oslo is also in charge of the introduction programme for new arrivals in the city.

The NAV Intro offices also assist the regular local NAV offices in their region to better account for the needs of immigrants. This includes training in counseling for persons with an immigrant background, advice in the design of programmes for immigrants with special needs, and general information on the merits of diversity in the workplace. It also provides information sessions for employers regarding diversity matters.

Among the social benefits recipients as a whole, immigrants from non-OECD countries and their children accounted for 28% in 2007. The latter also have a longer average duration in social assistance. By the nature of the qualification programme, one would thus expect that immigrants are disproportionately benefiting from it, but there are currently no statistics available on programme participation, nor on its effects.

Box 2.5. The "Second Chance" Programme

The "Second Chance" Programme was implemented in 2005 to try out methods from the introductory programme on another target group. The aim is to integrate people into the labour market who have been in Norway for many years and who have a large distance from the labour market and therefore receive social assistance. Within this group, the programme is targeted at immigrant women. Indeed, for the participation of the latter, dependence on benefits is not a precondition. The Directorate of Integration and Diversity (IMDi) administers and allocates the funds for "second chance" projects in municipalities. The programme is still in its pilot phase and currently restricted to the 12 municipalities with the largest amounts of immigrants. The main element of the programme is a combination of language training with work experience. Where possible, elements of mentorship are included to accompany this. Employers who are offering training in the framework of the programme are often in services sectors such as nursing home, cleaning, and transportation. Participants receive a benefit from the programme, and this benefit is independent of their individual situation, tax free and set at the level of the introduction benefit for newly arrived immigrants participating in the introductory programme. The content and duration of the programme is adapted to the needs of each individual, but the maximum length of the programme is two years. Participants are closely followed up by employers and case workers. Over the pilot period (2005-07), 901 immigrants participated in the programme, almost half of whom followed further education or training after completion.

In the municipality of Oslo, about 70% of the people attending the programme are immigrants or with immigrant background. Among these, the majority are women aged between 25 and 54 who have been on social assistance for 10-15 years, mainly from Somalia, Afghanistan and Iraq. The focus of the 2009 programme is again on women with children who come from countries with very low labour market participation such as Somalia, Afghanistan, Iraq and Turkey. In general, an effort is made to involve entire families. To achieve this, the caseworkers also occasionally visit the families at home. There is also a regular follow-up in the enterprises which provide the training.

In the stimulus package announced late January 2009 as a reaction to the economic downturn, the Second Chance Programme received NOK 15 million (EUR 1.7 million) additional funding (see above).

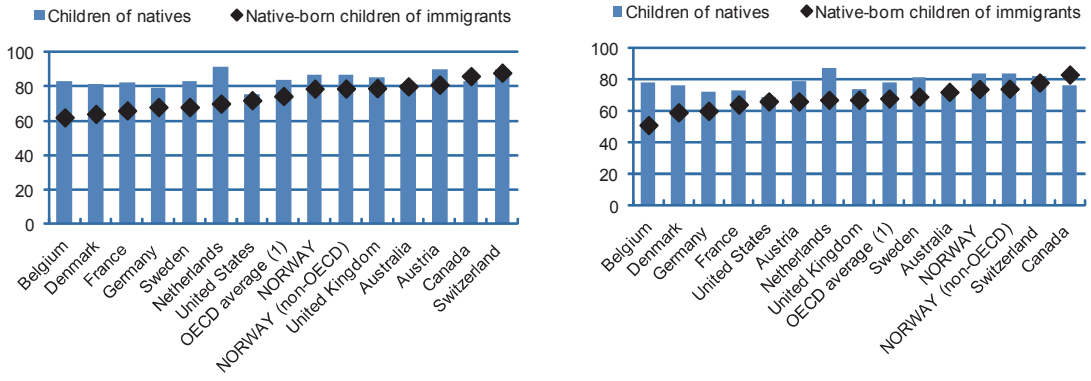
More directly targeted at immigrants is another recent initiative, the "Second Chance Programme" (see Box 2.5). It is a rather small-scale programme for people who are even further away from the labour market than those included in the qualification programme. There are also a few local projects, but their overall scale and scope has thus far been rather limited compared with other OECD countries.

2.6. The labour market integration of the children of immigrants

Overview of the labour market outcomes of the children of immigrants

Because of the rather recent migration history to Norway, the native-born children of immigrants ("second generation") are only now gradually entering the labour market. A first look at the labour market outcomes of the native-born children of immigrants in international comparison shows that the overall situation is quite favourable. For men, the employment rates for the 20-29 years old native-born children of immigrants are about average (both in absolute terms and relative to the children of natives) for those countries for which data are available (Figure 2.14). For women, the employment rates are even among the highest. There is also little difference in the labour market outcomes of the native-born children of immigrants as a whole and those from non-OECD countries. This is attributable to the fact that almost 88% of the native-born children of immigrants have parents are from non-OECD countries or from Turkey. Since their parents are often low-educated, their overall labour market situation thus does not seem to be unfavourable in international comparison.

Figure 2.14. Employment rates of the native-born children of immigrants and the children of natives, selected OECD countries, people aged 20-29 and not in education



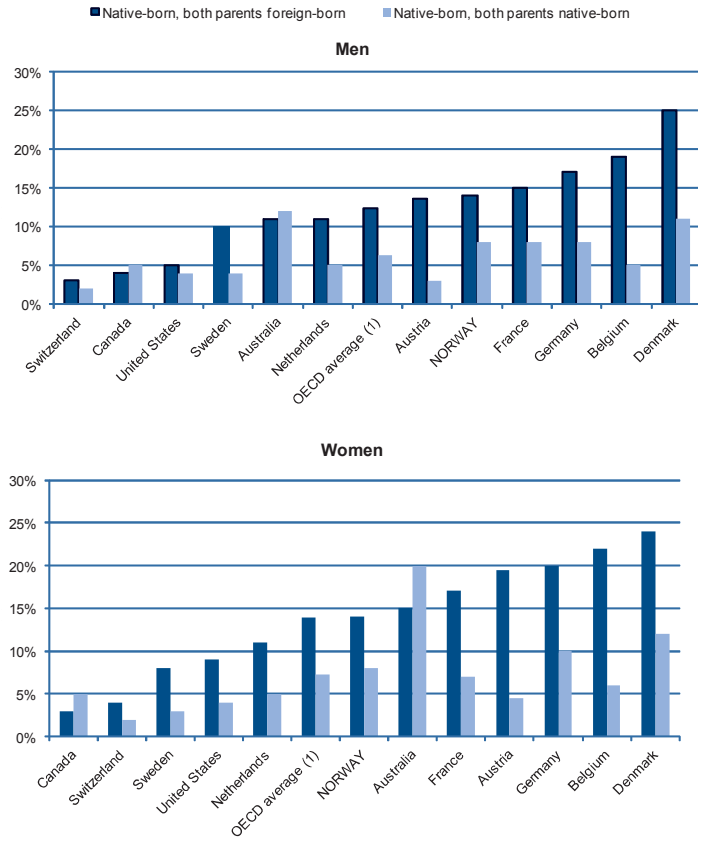
Source: Liebig, T. and S. Widmaier (2010), "Children of Immigrants in the Labour Markets of EU and OECD countries", *Equal Opportunities? The Labour Market Integration of the Children of Immigrants*, OECD Publishing, Paris, pp. 15-52.

Young immigrants also have a three times higher risk of being school drop-outs (see OECD, 2008f). This is particularly noteworthy since *a priori* children of immigrants do not have unfavourable school grades. Hægeland *et al*. (2004) find that, after controlling for socio-economic background characteristics, children of immigrants from non-OECD countries achieve roughly the same grade point averages as children of natives.

Following the school-to-work transition of a single (1980) cohort of native-born children of immigrants over time, one observes for men that there is a gap in the employment-population ratio *vis-à-vis* native Norwegian men of about 10 percentage

points, which is remarkably persistent in the early adulthood years. Employment rises for both groups as they finish post-secondary education. For each single age year, a roughly equal proportion of native-born children of immigrants and native Norwegian men is in education (Figure 2.15).[41]

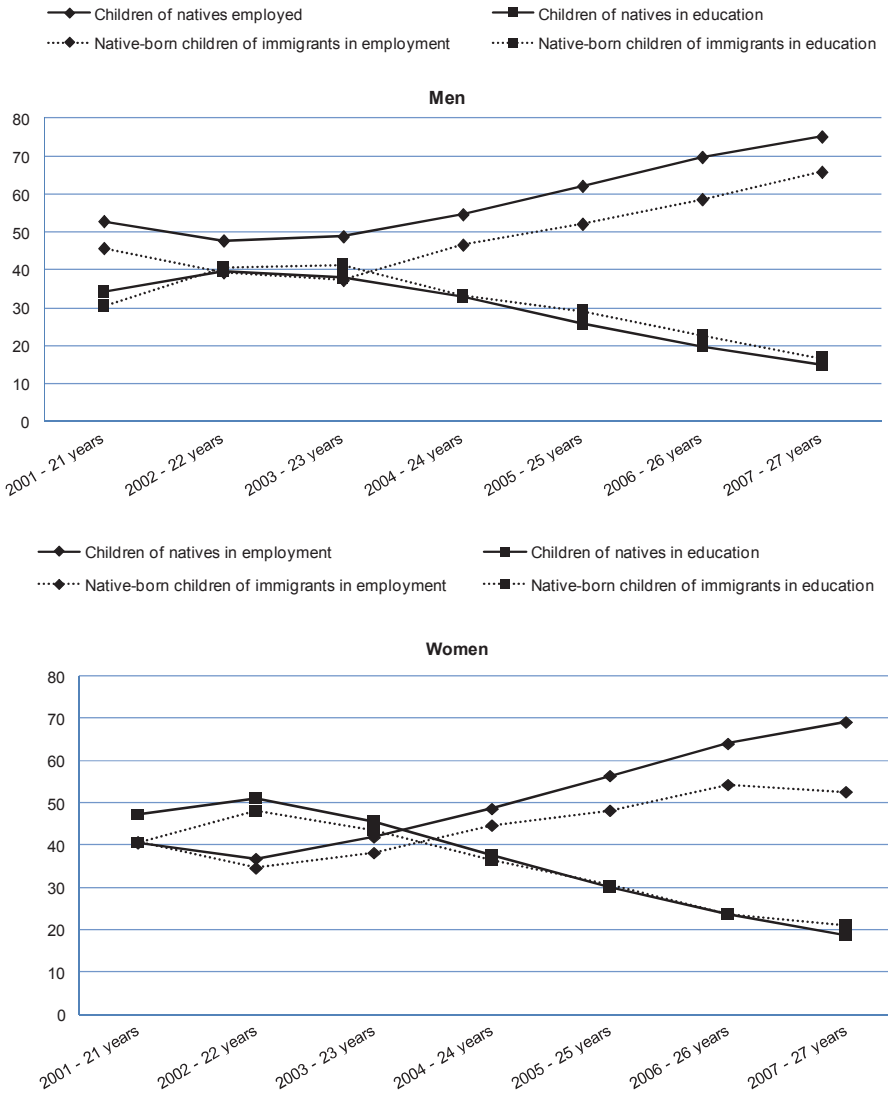
Figure 2.15. Percentage without upper secondary degree and not in employment, children of natives *vs.* native-born children of immigrants aged 20-29 and not in education, selected OECD countries



Source: Liebig, T. and S. Widmaier (2010), "Children of Immigrants in the Labour Markets of EU and OECD countries", *Equal Opportunities? The Labour Market Integration of the Children of Immigrants*, OECD Publishing, Paris, pp. 15-52.

The same pattern with respect to education is also observed for women who are native-born children of immigrants. Regarding employment, the differences are initially smaller than for their male counterparts, but increase quite strongly at the age of about 25. Around the age of 27, the employment rate even decreases, raising the difference *vis-à-vis* native Norwegian women from less than 4 percentage points at the age of 24 to almost 17 percentage points. This seems to be linked with the observation that marriage and birth of the first child is more often associated with a drop out of the labour market for the children of immigrants. Since the native-born children of immigrants are still young, it is somewhat too early to say whether or not they will re-enter the labour market at a later stage, or whether the gap will be persistent – in other words, whether the drop-out will be temporary or persistent.

Figure 2.16. Percentage of children of natives and native-born children of immigrants born in 1980 who are either in employment or in education, by gender, 2001-07



Note: People who are both in employment and education have been classified as in education.

Source: Statistics Norway.

Vocational training and the school-to-work transition

Until the age of 16, education in Norway is predominantly general. At this age, about 46-48% of young people opt for vocational education, which is organised in a sequential way. Students first spend two years in full-time education and subsequently move on to full-time apprenticeship (see OECD, 2008f for details). Research from other OECD countries has shown that children of immigrants have greater difficulties in finding apprenticeship places, but also enjoy a disproportionate improvement in their later employment prospects if they have participated in apprenticeship compared with other school-to-work transition mechanisms (OECD, 2007a and 2008c).

Helland and Støren (2006) analysed children of immigrants' chances of obtaining an apprenticeship place in Norway. Based on register data that covers all applicants for apprenticeship, they find that children with a "non-western origin" had a much lower probability to get an apprenticeship place, even after controlling for a large variety of other factors (grades, days of absence from school, region of residence, age, sex, and the sector for which the application was done). The impact of "non-western origin" was rather large – it was higher than the difference of a one point higher grade point average (which ranks from 0 to 6). The disadvantage was particularly pronounced in the Oslo area. This is surprising, since one would expect fewer information asymmetries in this area due to the large presence of immigrants.[42] Children of immigrants also especially benefit from higher grades, and the difference in the impact between both groups is strong. Given the large importance of language mastery placed by Norwegian employers, his could be an indication that grades are also used as a proxy for language proficiency.[43]

Norway's employers receive relatively large subsidies for apprenticeship training, whose size depends on several criteria such as age, subject area and prior schooling. Immigrant background is not taken into account. There has been no systematic study yet regarding the costs and effects of this subsidy (see OECD, 2008b). To prevent rising youth unemployment, the government has recently increased the amount of the subsidies to be paid.

Brekke (2007a) finds that children of immigrants have a lower probability to be full-time employed two years after graduation from vocational training than comparable children of natives. The differences are not very large for the native-born children of immigrants (a predicted 64% compared with 68% for children of natives with the same socio-economic characteristics), but sizeable for children of immigrants who have arrived in Norway seven years prior to graduation (a predicted probability of 57%). She also finds that, once employed, children of immigrants face large initial earnings gaps which nevertheless disappear over time. For the native-born children of immigrants, there is even some evidence that those who are in employment start to outperform employed children of natives after about four years in terms of wages. In contrast, the gaps in the employment rate are persistent. This pattern suggests that children of immigrants have difficulties in finding employment, but enjoy relatively good wage progression once employed. Similar findings have also been observed in the other countries under review thus far (see OECD, 2007a and 2008c).

The pattern seems to be somewhat different for university graduates. Whereas tertiary-educated children of immigrants also need more time after graduation to find employment compared with children of natives, the pay-gap seems to increase over time (Brekke, 2007b; Brekke and Mastekaasa, 2008), in contrast to what has been observed for persons with vocational training.

In summary, children of immigrants face particular obstacles in obtaining an apprenticeship place, but it seems to be a rather effective school-to-work transition mechanism for this group – notably for those who are native-born children of immigrants. As has been seen above, they also tend to suffer more from an economic downturn as other youth. This seems to make a case for some more targeted action to raise their access to apprenticeship. Some first steps have recently been taken in this direction, in the framework of the Strategic Plan of the Ministry of Education and Research (2007). In particular, the state as employer has committed to provide more traineeship places and apprenticeships. In addition, there will be some training in "multicultural guidance" for instructors in companies providing apprenticeships.

2.7. Sources of persisting disadvantage across generations – and possible remedies

As has been seen above, there are non-negligible differences in the labour market position *vis-à-vis* the children of natives even for the highly-qualified children of immigrants born and educated in Norway. This inevitably raises the question of structural obstacles to the employment of immigrants and their offspring other than differences in human capital endowment *vis-à-vis* native Norwegians.

Networks and the functioning of the labour market

One possible reason could be a lack of networks, which create in effect a structural barrier to employment. Although immigrants have networks as well, they are likely to be concentrated among persons from their own communities, which tends to limit their employment opportunities. It is difficult to capture the importance of networks for access to employment, and there has been no in-depth study of this issue for Norway thus far. Evidence from Sweden indicates that up to two-thirds of all vacancy fillings involved some form of informal contacts (see Behtoui, 2008). For Norway, Hagtvet (2005) reports that only about 40% of all vacancies have been formally published prior to being filled.[44] This figure includes the public sector, where employers are in principle obligated to publish all vacancies with a duration of more than six months. The fact that only a minority of private sector vacancies are being published is a rough indication of the use of informal methods in the Norwegian labour market – the figure thus seems to be in the range of what is observed in Sweden. Interestingly, the importance of networks for finding employment seems to be stronger for low-skilled jobs than for high-skilled employment (Hagtvet, 2005).

The large importance if not predominance of informal recruitment means that in practice, many job vacancies, although not necessarily closed to immigrants and their children, may be filled in such a way that they have little opportunity for their candidacies to be considered. Immigrants and their children are therefore at a structural disadvantage compared with the native-born.

Another, related structural disadvantage from which migrants and their offspring tend to suffer is a lack of information about labour market functioning. This 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 this information is at least in part transmitted via parents or close friends, the offspring of immigrants also tend to be at a structural disadvantage.

A third disadvantage which is of growing importance in Norway stems from new technologies and work practices which increase the importance of communication and informal human capital. Rosholm *et al.* (2006) show that firms that have less formally structured work environments employ fewer immigrants who have not been raised and educated in Norway. This negative relationship is particularly strong for immigrants from non-OECD countries. Similar findings have been made for Denmark and Sweden (Rosholm *et al*., 2006).

Mentorship programmes are one way of overcoming the obstacles arising from a lack of employment-relevant networks and lack of information about labour market functioning. These programmes have become increasingly popular among OECD countries. Denmark and France, in particular, have introduced it on a rather large scale in

recent years. In mentorship programmes, an immigrant is matched with a native-born person of similar sex, age and occupation, to the extent possible. The native-born person provides the immigrant with basic information on procedures, institutions, how-things-are-done-here, etc. The mentor can also make the immigrant benefit from his/her own network of contacts and in some cases, even act as an intermediary to potential employers. These programmes are attractive to host countries since they involve the native population. In addition, the cost to the host country is limited, because the mentors are generally volunteers, although they do undergo special training to sensitise them to cultural differences and to immigrant expectations. Finally, there is some evidence that mentorship is a rather effective tool for integrating immigrants into the labour market (see OECD, 2007a and 2008c).

In Norway, the scale and scope of mentorship and other networking-type of measures has been rather limited thus far.[45] There have been a number of local initiatives, but these tend to be of very small scale, generally involving less than 20 migrants. This not only makes an appraisal difficult, but also raises questions of efficacy since these programmes also involve some overhead costs. Leaving questions of scale efficacy aside, some projects nevertheless have commendable features that seem to merit expansion. The Norwegian Enterprise's Regional Federation for the Agder Region in southern Norway, for example, established a mentorship programme for highly-educated migrants in co-operation with the local business school. Native students who participate in the project as mentors can obtain credits for their university in the framework of management development skills.

The NAV could also intensify its use of networking-type elements by such as "intensive counselling". Under such a measure, the case-worker at NAV would allocate some time to use his or her contacts with employers more intensively than otherwise, both during the placement process but also in the month following the job placement. While this is already possible, it appears that this instrument could be more formalised and focused on immigrants. A trial programme in Sweden which included such features was found to have a positive effect on migrants' chances to find employment – in conjunction with other measures such as wage subsidies (Åslund abd Johansson, 2006).

In summary, the apparent large importance of informal channels in the recruitment process and the importance of informal human capital seems to call for more comprehensive efforts regarding mentorship and networking. These are an important complement to the mainstream services which are currently being offered. For a successful broader-based introduction on a larger scale, a stronger involvement of non-governmental actors at both national and local level would be beneficial.

Discrimination

Norway has a long experience in anti-discrimination legislation, starting with the gender equality act of 1978. Since the beginning of the 1990s, the question of discrimination against immigrants has also been on the political agenda in Norway. In 1992, the co-ordinating minister for immigration and integration policy launched the first action plan against racism and ethnic discrimination which was followed by two further plans (1998-2001 and 2002-06). Among the measures in the 2002-06 plan were the promotion of the employment of immigrants and their children in the public sector (see above).A new action plan to promote equality and prevent ethnic discrimination for the period 2009-12 was launched in April 2009.[46] One key objective of the plan is to enhance

knowledge of the nature, scope and causes of discrimination with a view of developing better targeted measures to combat it, in closer co-operation with the social partners.

In 2006, two new institutions, the Equality and Anti-Discrimination Ombudsman and the Equality Anti-Discrimination Tribunal, were established. The Ombudsman and the Tribunal offer free-of-charge access to justice for victims of discrimination and thereby contribute to the enforcement of anti-discrimination law. The Ombud also more generally informs and advises on anti-discrimination. However, it seems that the institution of the Equality and Anti-Discrimination Ombud is not well known to immigrants. In 2007, advice regarding ethnic discrimination from the Ombud was only sought in 169 cases.

Equally in 2006, a new anti-discrimination act on ethnicity and religion entered into force. One rather unique feature of the new act is that it prohibits discrimination on language grounds. Indeed, the strong emphasis placed on Norwegian language mastery in the Norwegian labour market could be a convenient way to hide outright discrimination. However, the practical implications of the prohibition of discrimination on the basis of "language" are probably limited. The act remains rather vague in this respect, and up to now only very few anti-discrimination cases concerned language – 3 out of 156 complaints in 2008.[47]

The selective hiring of persons with certain background characteristics or discrimination against those with others is difficult to demonstrate. There is always the possibility that characteristics which have not been explicitly taken into account or that are not observed directly could account for employer preference for certain candidates rather than outright discrimination.

The shortcomings in demonstrating discrimination are overcome in large-scale experimental tests of hiring procedures carried out in a number of OECD countries in recent years. These suggest the existence of significant discriminatory behaviour on the part of employers (see Simeone, 2005). The tests consist of the submission of applications for the same job from two (fictitious) candidates differing essentially only in name. Since the qualifications need to be approximately the same for both candidates, the testing essentially concerns persons who received their highest level of attainment in the host country and thus apply essentially to offspring of immigrants. Such studies have demonstrated the prevalence of significant discrimination in hiring in six of the eight countries under review thus far (Belgium, Denmark, France, Germany, the Netherlands and Sweden).

To date, Norway has not participated in such testing. Indeed, discrimination against immigrants is an area where research in Norway has been underdeveloped. The existing quantitative research has essentially tried to demonstrate discrimination indirectly, that is, via gaps in labour market outcomes that remain after controlling for a broad range of observable characteristics, notably for the children of immigrants (see, for example, Brekke, 2007a). However, without a common measure of human capital, it is difficult to assess the incidence of discrimination in the labour market. Even for persons with equal socio-demographic characteristics, remaining differences in employment and earnings probabilities may be due to unobservable characteristics such as access to networks or tacit knowledge about the functioning of the labour market.

Discrimination remains as a possibility and is generally distinguished between outright and "statistical" discrimination.[48] Statistical discrimination occurs in the presence of information asymmetries, that is, when the employer judges an applicant not on the basis of his/her expected individual marginal productivity, but rather on preconceptions

about the average productivity of the group to which the person belongs. This form of discrimination can be "rational" in the sense that it can be revenue-maximising for the employer. Outright and conscious discrimination on the basis of race, etc., is the second form and comes at a cost to the employer. This is the starting point of Becker's (1971) theory of taste-based discrimination.[49] Røed and Schøne (2006) provide evidence for the existence of such taste-based discrimination in Norway against immigrants from non-OECD countries, but not with respect to immigrants from OECD countries. They find that the segregation between plants hiring natives and non-OECD migrants is stronger in the domestic sectors than in the internationally open sectors. In addition, there seems to be a positive causal relationship between the employment of non-OECD migrants and profits in the domestic market. However, this approach can only demonstrate the existence of discrimination and not its magnitude. In addition, it cannot demonstrate "statistical" discrimination which is often seen as the larger problem. This can only be done with experimental studies.

The absence of experimental studies regarding discrimination is particularly unfortunate since testing has often revealed a much larger incidence of discrimination than is generally perceived. In the other OECD countries under review, persons with an immigrant-sounding name have to write up to three times as many applications to get an invitation to a job interview as persons without a migration background with the same education (see OECD, 2008c). A monitoring of discrimination would thus raise awareness of the issue. Indeed, among the most important actions in the new 2009 Action Plan against discrimination is the announcement to conduct a testing study to capture the incidence of discrimination in hiring, which is currently under way.

Already in January 2009, the anti-discrimination act was amended to include a duty to promote equality for all public employers and for private employers with more than 50 employees. This obliges employers to make active and targeted efforts to promote equality. The requirement concerns the establishment of clear goals for enterprises where immigrants are underrepresented, and an associated plan to reach these goals. These efforts have to be published in the annual report of the enterprise. There are no fines for employers who do not meet the obligation.

A similar obligation has already been in place in Norway for many years with respect to gender equality. In contrast to the anti-ethnic discrimination framework, the obligation to promote gender equality applies also to small employers. Indeed, the restriction to larger enterprises excludes almost two-thirds of private sector employment from the anti-discrimination monitoring regarding immigrants. In addition, evidence from Sweden (Carlsson and Rooth, 2006) indicates that selective hiring against immigrants tends to be more pronounced in smaller companies. To which degree this is also the case in Norway is not clear. Data on employment of immigrants by company size in Norway show indeed a positive correlation between company size and the share of immigrants – smaller companies employ disproportionately fewer immigrants – but the differences are not very large.

The framework for the monitoring of employment of ethnic minorities is very similar to the Dutch *Act Stimulating Labour Participation of Minorities* (Wet Samen), which also obliged companies to monitor the employment of immigrants and to report on the steps taken to realise an equitable workforce. During its enforcement between 1998 and 2003, a strong improvement in the labour market outcomes of immigrants was observed. However, the monitoring was abandoned because it was perceived as placing a too high administrative burden on employers. In Norway, it appears to be more easily possible to

monitor the employment of immigrants and their children on a company level, since this information is in principle available from the registers. Each company could thus obtain basic information on its employment of immigrants on an annual basis from Statistics Norway. In addition, companies' efforts to diversify their staff could be supported both financially and also administratively through diversity consultants – as is currently done, for example, in Belgium (see OECD, 2008c).

Summary and recommendations

Norway has a rather recent history of immigration with a significant refugee population.

Significant immigration to Norway is a relatively recent phenomenon. In 1970, only 1.5% of the population was foreign-born, and most of the early migration was of immigrants from the neighbouring countries and from other western European countries. With the fall of the Iron Curtain, immigration to Norway both accelerated and diversified, essentially because of the growth in humanitarian and family migration. Labour migration has only become large-scale in recent years, essentially from Poland which is now the most important origin country. The foreign-born currently account for 9.4% of the total population, which places Norway between its Scandinavian neighbours Denmark (6.6%) and Sweden (12.9%).

The overall labour market outcomes of immigrants are rather favourable in international comparison.

Considering the composition of the migrant population with many humanitarian migrants who typically have lower employment levels than the native-born in most countries, the labour market outcomes of migrants and their children in Norway are relatively favourable in international comparison. These also have to be seen in the context of high overall employment levels in Norway. There is some uncertainty regarding the situation of immigrant women, for whom there is a large discrepancy between internationally comparable labour force survey data and Norwegian register data. The reasons for this merit closer scrutiny and subsequent adjustments if possible

This is largely attributable to favourable labour market conditions in recent years.

This favourable picture is to a large degree attributable to the very favourable economic conditions in recent years, from which migrants seem to have especially benefited. In addition, much of the recent growth in migration has been labour migration, and these migrants tend to have better employment outcomes, in particular in the early years after arrival. There have also been considerable efforts in recent years to foster immigrants' labour market integration, but the extent to which these have contributed to the current more favourable outcomes is difficult to assess.

The testing case for integration policy comes now with the worsening of the economic conditions.

With the current economic downturn, there is thus the feeling that the testing time for integration has come. Indeed, there is ample evidence both from Norway and other

OECD countries that immigrants and their children have been particularly affected by labour market conditions in the past. The tentative available data on unemployment suggest that the recently arrived labour migrants from the new EU member countries are especially affected in Norway in the current downturn.

The downturn calls for a strengthening of integration efforts.

Many permanent migrants have arrived just prior to the downturn. Experience from past downturns shows that a delay in labour market entry can have long-term adverse consequences. This also seems to be the case for the native-born children of immigrants, who are now entering the labour market in larger numbers. The situation thus clearly calls for a strengthening of integration efforts, notably regarding footholds into the labour market for recent arrivals and access to apprenticeship for the children of immigrants.

Extending language training to immigrants from the EEA should be considered.

The recent arrivals from the new EU member countries who intend to remain in Norway are particularly affected by the current downturn. In contrast to migrants from non-EEA countries, they generally cannot benefit from free language training, and obtaining such training in the private market can be costly. Given the importance of language mastery to find employment in sectors other than construction, provision of free language training for this group should be considered – as is indeed already the case for migrants from non-EEA countries.

The integration programme seems well targeted…

Since September 2004, all newly arrived persons with a permit based on asylum and their family members from non-EEA countries who are aged between 19 and 55 and who lack basic qualification have to participate in an introduction programme. For this group, the argument that some additional education and training is needed to bring them up to the overall skills level of the native population seems indeed plausible. It is also conceivable that this particular group may be less aware of the benefits of having basic qualifications, which would seem to provide some justification for the obligatory nature of the programme. The programme is adapted to the needs of each migrant and consists of language training, education, and work practice.

…but disincentives to early labour market entry should be removed for those who are ready for a lasting integration into the labour market.

Although many participants may need two or even more years to get prepared for the labour market, some could well be ready for a sustainable labour market integration before the end of their introduction period. For this group, there are few incentives to take up employment early, since the introduction benefit which is linked to programme participation is relatively high, reflecting the full-time obligatory nature of the programme. Indeed, there is some evidence of so-called "lock-in effects" of the programme. This suggests that incentives to take up employment should be increased, for

example by providing an in-work benefit, which is reduced gradually, to those who find a low-paid job. Since employment/work placements are part of the introduction programme, the lack of incentives seems to concern mainly those who would abandon the programme to find (better) employment in a different municipality. However, there is a balance to be achieved between the objective of *rapid* labour market integration and that of *lasting* labour market integration. Therefore, such an in-work benefit should only be paid for people who are in principle ready for a sustainable integration into the labour market, that is, their skills should not only be appropriate for a marginalised part of the labour market.

A better evaluation and benchmarking of municipalities' integration success would be beneficial.

Municipalities have a relatively large discretion in the design of the integration programme. Currently, there is no instrument in place to evaluate which municipalities succeed better in the task of integrating immigrants into the labour market, and why. In principle, it should be possible to establish a "benchmarking" of municipalities, and this tool has been implemented in Denmark with some success. Its introduction in Norway should be considered, at least in those larger municipalities who take non-negligible numbers of immigrants.

Municipalities' incentives to provide quality language training should be strengthened.

Municipalities are rather generously reimbursed for their expenses under the introduction programme, but their incentives to provide quality (outcome-based) language training are limited. Indeed, there is some evidence that at least in the past, the quality has often left something to be desired. Ideally, participants' progress in Norwegian should be evaluated, and payments to municipalities adjusted accordingly. A first step in this direction would be to increase, possibly through a reduction of the ordinary grant, the "outcome grant" which municipalities currently obtain for each migrant who passes the language examination.

The efficiency of the integration process could be enhanced through a more targeted settlement strategy.

To distribute humanitarian migrants more evenly across the country, Norway operates a rather unique dispersal policy which is based on negotiations between the Norwegian Directorate for Integration and municipalities. Since the payments are fixed, and municipalities' acceptance of migrants voluntary, the process is rather lengthy. For migrants in reception centres, it currently takes on average six months from the issuance of the humanitarian permit until settlement in a municipality. Many small municipalities also seem to have difficulties in providing quality, tailor-made introduction programmes, particularly for the highly-qualified. It thus appears that much could be gained by a more targeted settlement strategy that would take into account differing needs according to ability. Municipalities could specialise in the integration of certain migrant groups, and a longer-term commitment should be linked with financial incentives. Such a process

would enable smaller municipalities to provide adapted introduction programmes, and to quicken the settlement process.

The public infrastructure for labour market integration is rather developed…

Considering the relatively small scale of immigration to Norway until recently, the public infrastructure for integration is rather well-developed. One factor which may have contributed to this are the wide-ranging competencies of the Ministry of Labour and Social Inclusion, including migration policy, the introduction programme, access to citizenship, and general labour market and social policy. Norway has gone furthest among the countries under review thus far with respect to combining migration and integration-related tasks under a single ministerial responsibility. It seems in particular that the decision to attribute the overall responsibility for integration to the ministry in charge of employment has contributed to the "mainstreaming" of integration tasks. Particularly noteworthy in this context are the "NAV Intro" offices which have specialised in the labour market integration of immigrants.

…but it needs to be complemented by mentoring and networking measures which are currently lacking.

One shortcoming of the current system is that there are few activities which "grease the wheel" in the process of labour market integration outside of the introduction programme and the regular labour market policies. This seems particularly important in the Norwegian context where informal recruitment channels play a key role. One activity which has been implemented with some success in several of the other countries under review has been that of "mentoring". Under this programme, an immigrant is matched with a native-born person who provides the immigrant with basic information on procedures, institutions, how-things-are-done-here, etc. The mentor can also make the immigrant benefit from his/her own network of contacts and in some cases, even act as an intermediary with potential employers. These programmes are attractive to host countries since they involve the native population and the cost to the host country is limited, because the mentors are generally volunteers. Such mentorship and other "networking"-type measures are largely absent in Norway to date, and this should be changed.

Past targeting of unemployed migrants in labour market measures seems to have been effective – the effects of its recent abolition should be closely monitored.

Until 2009, immigrants and their children were prioritised in measures for the "ordinary unemployed". The available evidence suggests that this had the desired effect – immigrants were not only overrepresented in the respective labour market programmes, but also seem to have benefited more from participation in them than native Norwegians. This direct targeting was abandoned in early 2009 in favour of an individual assessment of the work capability of each unemployed. The effects of this change should be closely monitored, both regarding programme participation of immigrants and with respect to employment prospects of unemployed immigrants.

Low-qualified immigrants have great difficulties in the Norwegian labour market.

In most OECD countries, low-qualified immigrants have employment rates that are at least as high as those of low-qualified native-born. Norway is among the exceptions, and this seems to be attributable to a number of factors such as the limited availability of low-skilled jobs and a low literacy level of low-educated immigrants compared to the low-educated native-born. This suggests that targeted training and education measures could help in better integrating low-qualified migrants. There are also disincentives arising from the tax and benefit system. Indeed, many low-skilled immigrants, particularly those in single-earner families with children, face high net replacement rates resulting from the interplay between low expected (net) earnings and relatively generous benefits.

Wage subsidies seem particularly effective in tackling structural entry barriers into the labour market.

At the same time, there are also demand-side barriers to employment because of relatively high collectively-bargained entry wages. The latter may be one explanation for employer hiring reticence if the latter are concerned about migrants' productivity. Indeed, as in other OECD countries, there is evidence that wage subsidies are a particularly effective tool to integrate immigrants into the labour market. Yet, very few migrants currently benefit from this tool. An increased use of wage subsidies, accompanied by a better targeting, should thus be considered.

Immigrants with degrees from non-OECD countries seem to find them largely discounted on the labour market, but there is some uncertainty regarding the situation.

The available data on the labour market integration of highly-qualified migrants is not fully conclusive. On the one hand, a relatively large part of highly-qualified immigrants in general seems to be in jobs commensurate with their qualifications. On the other hand, immigrants from non-OECD countries who have qualifications from their origin countries find them largely discounted on the labour market, both in terms of access to employment and regarding wages. Such discounts are also observed in other OECD countries, where most of the discount can generally be explained by the lower literacy levels associated with degrees from non-OECD countries. In Norway, a large discount remains even after controlling for this.

This is due to data limitations regarding foreign qualifications, which calls for improvements in the data infrastructure.

However, too little is known about migrants' foreign qualifications. This is a clear shortcoming in the current data framework that should be addressed to get a better picture of the degree to which migrants' skills are used in the labour market, and to take subsequent possible remedial action. In particular, the qualifications of new arrivals should be registered as part of their overall competence evaluation. The currently available information on the origin of migrants' education is either dated or from the

surveys of living conditions, which cover only part of the migrant population. The available data suggests that the majority of highly-qualified immigrants come from OECD countries, and those highly-educated migrants who come from non-OECD countries often have Norwegian qualifications. The problems which non-OECD immigrants with qualifications from their origin countries could face may thus not be sufficiently captured in the currently available data.

Despite some progress, there is considerable scope for further improvement in the process of recognition of foreign professional qualifications.

There are a number of initiatives to improve the labour market integration of highly-skilled migrants, and the process for the *general* recognition of foreign degree levels seems to be relatively transparent and efficient. These observations stand somewhat at odds with the general perception that too little use is made of migrants' skills, and that there is not much done to tackle this issue. Indeed, the process for the subject-*specific* recognition of foreign qualifications is much less developed than the general process for academic degree levels. Universities are in charge of professional recognition at the academic level, but are expected to cover the cost from their own resources, which is unrealistic. Bridging courses also appear to be scarce. Providing incentives and clearer guidelines to universities regarding recognition, and an obligation to link the outcome with bridging offers – where applicable – should thus be a policy objective. In addition, the creation of a one-shop information and service centre for advice and recognition (or direct referral) in all areas of academic and professional/vocational recognition would greatly enhance the transparency of the process.

Immigrants would benefit disproportionally from accreditation of prior learning, in co-operation with the social partners.

Indeed, one area where there is a gap in the current integration infrastructure is the recognition of vocational qualifications, which is currently not possible. Likewise, accreditation of prior learning has been underdeveloped. It currently only exists in the form of a "real competence assessment" which is a credit-type assessment targeted at individuals wishing to pursue upper secondary vocational education following the assessment. Immigrants are currently underrepresented in this measure. Since employers will generally have less knowledge about immigrants' skills than the immigrants' themselves, one would a priori expect that the latter would particularly benefit from this and other, more general measures which certify skills, acquired both formally and informally. A broadening of the scale and scope of the "real competence assessment" with a specific focus on immigrants should thus be considered, possibly by means of a formal certification of skills. For this certification to be accepted in the labour market, it should be implemented in close co-operation with the social partners.

There has been much effort to promote immigrant employment in the large and varied public sector, and there are some signs that this has paid off.

The public sector in Norway is large and diverse. Taken together, all areas over which the authorities have some influence (state sector, municipal sector and publicly-owned

enterprises) account for almost half of the total employment in Norway. There have been considerable efforts to promote the employment of immigrants and their children in the public sector, and to turn it into a role model for the private sector. There is some evidence that this has paid off, and indeed, migrants' participation in the public sector is relatively higher than what is observed in other countries. Over the period 2002-07 for which data are available, the public sector has also disproportionately contributed to the growth in employment among immigrants from non-OECD countries. In 2008, efforts to integrate migrants in the state sector have been strengthened further through the introduction of moderate affirmative action (*i.e.*, if candidates have approximately equal qualifications, a candidate with an immigrant background is to be preferred) on a trial basis.

Immigrant women drop out of the labour market when they have children.

Norway is one of the countries with the highest employment rate of women, and immigrant women lag greatly behind the native-born in this respect. This is largely attributable to the fact that most immigrant women did not come for the purposes of employment, and originated in countries with generally low women employment rates. At the same time, there is evidence that childbirth tends to often result in a retreat from the labour market, both for women who are immigrants and those who are native-born children of immigrants. However, since few of the latter are above the age group of 30-35, it is too early to say whether the retreat from the labour market following childbirth will be permanent.

Abolishing the cash-for-care subsidy would help to prevent this and also promote the integration of migrant children.

One factor which seems to have contributed to this phenomenon is the cash-for-care subsidy which is paid to households who raise their small children at home instead of sending them to formal institutions. Immigrants have disproportionately taken advantage of this measure, and there is also evidence that it has hampered labour market entry of immigrant women. At the same time, it also prevents children of immigrants' early participation in host country educational institutions, at an age when such participation begins to have a beneficial effect on later education outcomes for this group. There thus seems to be a rather clear case for abolishing the cash-for-care subsidy, at least for children after the age of 2. The amount saved through the abolition of the subsidy should be used to create more places in formal institutions in those parts of the country where there are still shortages, and to finance kindergarten attendance for the children from low-income households.

The native-born children of immigrants fare relatively well in the Norwegian labour market.

Because of the relatively recent nature of migration to Norway, the native-born children of immigrants ("second generation") are only now gradually entering the labour market. Although their education and labour market outcomes lag somewhat behind those of comparable children of natives, the differences are smaller than in most other

European OECD countries. Although drop-out rates are much higher than among children of natives, the situation *vis-à-vis* comparable children of natives seems to be relatively more favourable for the low-educated than for the highly-educated native-born children of immigrants.

A better targeting of apprenticeship subsidies should be considered.

One area where children of immigrants appear to have most difficulties is the access to apprenticeship training, which is a relatively important school-to-work transition mechanism in Norway. This is unfortunate, since evidence suggests that this group tends to particularly benefit from such training. Employers receive subsidies for providing apprenticeship, and these have recently been increased in the context of the economic downturn which can be expected to have a particularly negative impact on the employment of the offspring of immigrants. Consideration should also be given to further increasing subsidies for employers who provide training places for particularly disfavoured youth, including children of non-OECD migrants. A more active involvement of the educational authorities would also seem to be favourable for the children of migrants' chances to obtain an apprenticeship place.

The issue of discrimination against migrants has not been very present in the public debate, and testing studies would help to overcome this shortcoming.

In the public debate, there seems to be little awareness of the possibility of discrimination in hiring, and there have been no testing studies in Norway thus far that would demonstrate and quantify its existence. This is unfortunate, since testing has often revealed a much larger incidence of discrimination than is generally perceived. In the other OECD countries under review, persons with an immigrant-sounding name have to write up to three times as many applications to get an invitation to a job interview as persons without a migration background with the same education. A monitoring of discrimination would thus bring the issue into the limelight and indeed, such a testing study is currently being implemented. At the same time, the institution of the Equality and Anti-Discrimination Ombud is apparently not well known to immigrants. It could thus be considered to provide general information on the values of equality and anti-discrimination in the introduction programme. Currently, there seems to be much emphasis on immigrants' obligations regarding gender equality – informing immigrants about anti-discrimination more generally could help bring the intended messages across in a more welcoming way.

The obligation for employers to take measures to promote migrants' employment can be useful, but incentives and enforcement need to be strengthened for this to be the case.

Since 2009, all public employers and private employers with more than 50 employees have the duty to make active and targeted efforts to promote equality in the hiring and promotion of immigrants. The requirement concerns the establishment of clear goals for enterprises in which immigrants are underrepresented, linked with a plan to reach these goals. These efforts have to be published in the annual report of the enterprise. There are

no fines for employers who do not meet these obligations. Evidence from the Netherlands suggests that such monitoring can be an effective tool, but the administrative burden on employers needs to be limited to ensure acceptance. In addition, companies' incentives to diversify their staff could be strengthened, and their efforts supported through diversity consultants.

More attention should be paid to selective hiring in SMEs.

Almost two-thirds of private sector employment in Norway is in small- and medium-sized enterprises (SMEs), and immigrants are currently underrepresented in such companies. SMEs are also exempted from the obligation to take active measures to promote hiring of immigrants. This is a shortcoming, since evidence from other countries indicates that selective hiring processes are more pronounced in smaller companies, and immigrants are underrepresented in SMEs in Norway. There thus seems to be a case for paying more attention to the issue of discrimination and diversity in such companies. To overcome hiring reluctance in these companies which have little experience with migrants, close follow-up measures for work-placements would seem particularly beneficial, in addition to administrative support measures.

Notes

1. The term "employment rate" is used in this chapter synonymously with the employment-population ratio. It is not the ratio of persons employed to persons in the labour force. The employment rate generally refers to the population aged 15-64, although occasionally it refers to the 16-74 since this is the reference age range in most national statistics.

2. Some caution needs to be taken in the interpretation of the recent data regarding the employment of immigrant women on the basis of the labour force survey. The improvement in employment rates in 2007 and 2008 compared with previous years is exceptionally strong for this group and can hardly be attributed solely to the favourable economic conditions and to recent immigration.

3. Note that the less favourable picture in the register data is only to a very small degree attributable to the different definitions of the immigrant population in the register compared with the European Labour Force Survey (see Box 2.1). The large differences between immigrants and the native-born in the register data decline only slightly when comparing the native-born with all foreign-born (*i.e.* including foreign-born with native-born parents).

4. For 2007 in Sweden, register-based employment was about 10 percentage points lower for immigrant men and 6 percentage points lower for immigrant women. For the native-born, there was virtually no difference.

5. This notably concerns recent arrivals. Although this problem concerns all countries for which the data is based on the labour force, it could be somewhat more pronounced in Norway because recent arrivals account for a relatively large share of the immigrant population.

6. However, unemployment among immigrants from the new EU member countries is now rising quite rapidly.

7. See Brochmann and Kjelstadli (2008) for a comprehensive overview of immigration to Norway and its political context.

8. When taking the entire foreign-born population (that is, including foreign-born with at least one Norwegian parent who are not considered "immigrants" in the national statistics), Sweden is still the single most important origin country as of 1 January 2008, the latest date for which statistics are currently available.

9. Note that family migration from the EEA member countries is included in the free movement category in Figure 2.6.

10 For a comparison with the introduction programmes in Denmark and Sweden, see Brochmann and Hagelund (forthcoming).

11. An exchange rate of NOK 9 per euro is assumed in this chapter.

12 For family migrants, the grants are somewhat lower, and paid over three years. There are also additional grants for recently arrived disabled migrants, elderly migrants, and children in primary school age.

13. The website can be accessed via *www.imdi.no/no/Bosetting/Bosettingskalkulatoren/*.

14. Note that another large part of overall employment is in state-owned enterprises (see below) over which the Ministry of Trade and Industry has some supervisory power.

15. Some data on union membership is available from the 2005/06 Survey on the Living Conditions of Immigrants and the 2004 Survey on Living Conditions for the whole population. About half of

the respondents in employment in the latter survey answered to be a union member, in contrast to 39% of migrants participating in the 2005/06 survey (Blom and Hendriksen, 2009).

16. LO, for example, has published a dictionary "Norwegian in the shop floor" in the main languages spoken by immigrants.

17. It appears that few immigrants are organised in associations. Among the immigrants who participated in the 2005/06 Survey on the Living Conditions of Immigrants, only 8% stated that they are member of an immigrant association.

18 This latter finding is also observed in other OECD countries (see OECD, 2007a and 2008c).

19. As already mentioned, little is known about the competencies of recent arrivals. Taking the qualification structure of the resident migrant population as a rough (and probably conservative) approximation of the share of university graduates among the almost 45 000 permanent-type arrivals in 2007, it thus seems that only a fraction of university-educated migrants seeks recognition.

20. The European Community Course Credit Transfer System European Community Course Credit Transfer System (ECTS) was developed by the European Commission to provide common procedures for the academic recognition of studies abroad.

21. Note that the remainder is not necessarily non-recognition, as it might involve decisions on incomplete degrees, referrals to other competent bodies, etc.

22. Such an evaluation is in principle possible since immigrants have to state their register number (PIN) upon application for recognition.

23. The reason why immigrants from non-OECD countries use this assessment to a lower degree seems to be at least in part be attributable to the fact that they are underrepresented in health and social-studies, which is where most of these assessments are done.

24. See OECD (2009) for an in-depth discussion of the impact of the downturn on migrants' labour market outcomes.

25. Note, however, that the cohorts mainly concerned refugees and their family members.

26. An overview of the various benefits is given in Ministry of Labour and Social Inclusion (2008). An analysis of the various benefits in Norway and their implications for work incentives is beyond the scope of this chapter. For an in-depth study in international comparison, see Duell *et al.* (2009).

27. The "reservation wage" is an economic term referring to the lowest wage rate at which an individual will accept employment.

28. This stands in rather stark contrast with the private sector, where only 14% of non-OECD immigrants are in high-skilled jobs.

29. Teigen and Jensen (1995) reached a similar conclusion in their evaluation of the earlier moderate affirmative action policies for women in Norway.

30. Most of the increase in employment of immigrants from non-OECD countries in the municipal sector in Oslo was in the social and health services.

31. "Native Norwegians" refers to the children of natives.

32. Recent evidence from the Mediterranean countries also indicates that the labour market supply of married women with children responds to economic incentives (Nicodemo and Waldmann, 2009).

33. It appears that the 50 hours of "social" courses integration focus much on immigrants' obligations and less on immigrants' rights in Norway. One possibility could be to link the two, notably in the area of equality, which could be approached by linking information on gender equality and on

immigrants' rights. To have a more hands-on approach, the information could be provided by the institutions in charge, such as for example the Equality and Anti-Discrimination Ombudsman.

34. 18% of those who did not participate said they lacked training because they had not been offered courses. Between 6 and 7% answered that they had not taken any courses because the level of the course was not adequate; roughly the same number reported non-attendance due to illness or because they were not interested. Eight per cent of the women answered that lack of childcare was preventing them from attending Norwegian language courses. A few immigrants also stated that they had not been given an opportunity because the course was too far from their home or because they were still on a waiting list (1% each). However, the majority (57%) did not fit into any of these categories and answered "other".

35. This could at least in part be attributable to the fact that Norway is a rather homogeneous country with a very strong emphasis on social cohesion (see Grjebine, 2006).

36. To which degree this is actually the case, and whether or not the situation is indeed different in other sectors, is difficult to verify.

37. There are also other issues to be considered, such as the impact of Norwegian language mastery on the settlement prospects of migrants from the enlarged European Union.

38. Note that the problem of small municipalities' limited infrastructure is not unique to immigrants. For example, as a result of Norway's scattered population, 40% of primary and lower secondary schools are so small that children of different ages are taught in the same classroom.

39. The evaluation of a programme that is in principle mandatory for everybody is a challenge. In particular, the more favourable economic conditions in 2006 will tend to bias the results. The authors try to correct for this by using information on local variation in employment and unemployment rates in 2006 and 2002. Nevertheless, there remains the problem of selectivity into the introduction programme. Some individuals are exempted from the obligation to participate in the programme (*e.g.* those who are very sick), but they are included in the 2002 comparison group.

40. Note that, for accepted asylum seekers, these 180 days add on to the time needed for treating the request.

41. The higher drop-out rates for the children of immigrants that are reported above seem to concern particularly the labour-market-oriented stream of upper secondary education, notably apprenticeship (see below). The fact that the gaps in employment rates are already observed at the age of 21 and persistent thereafter also suggests that this drop out of upper secondary education is not for employment – at least not for a stable one.

42. On the other hand, if the immigrants in the Oslo area have more unfavourable characteristics than the average immigrant population, "statistical discrimination" (*i.e.* discrimination based on the presumed average characteristics of the immigrant population, see below) could be more pronounced.

43. This could in principle by analysed by looking at possible interaction effect for grades in Norwegian.

44. A similar figure was reported in an earlier study which asked employees how they found their job (Nordli-Hansen, 1995).

45. One notable initiative regarding networking is the "colorful football" day, jointly organised once a year by the Labour Unions (LO) and the National Football Association. The event, which involves several thousand people across the country, aims at bringing immigrants together with the native Norwegian population through a football event. LO has also established a monthly information day for immigrant women in the Oslo/Akershus region, involving about 50 immigrant and native-born women, including prominent figures such as her Royal Highness the Crown Princess.

46. See *www.regjeringen.no/upload/BLD/Planer/2009/hpl_etnisk_diskriminering.pdf.*

47. Note that the requirement of Norwegian as "mother tongue" would probably also provide a ground for ethnic discrimination. Indeed, similar formulations in employment offers in other OECD countries have been ruled as ethnic discrimination.

48. See OECD (2008e) for a comprehensive discussion of discrimination in the labour market.

49. Since the demand for the group which suffers from discrimination will be lower, their relative wage will be lower than for the group which is not discriminated against. This behavior can be sustainable in product markets with limited competition. Employers in these markets who do not discriminate will employ more immigrants and make higher profits.

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Annex 2.A1

Supplementary tables and figures

Table 2.A1.1. The ten main countries of origin of immigrants in 1988, 1998 and 2008

Percentage of total immigration and absolute numbers

1988	Persons	% of total	1998	Persons	% of total	2008	Persons	% of total
Denmark	17 655	13.3	Sweden	18 844	9.4	Poland	30 636	8.0
Sweden	12 947	9.8	Denmark	17 123	8.5	Sweden	25 081	6.6
United Kingdom	11 736	8.8	Pakistan	12 348	6.2	Iraq	18 132	4.8
United States	9 283	7.0	Bosnia-Herzegovina	11 082	5.5	Denmark	17 775	4.7
Pakistan	8 868	6.7	Vietnam	10 842	5.4	Germany	16 348	4.3
Germany	6 440	4.9	United Kingdom	10 031	5.0	Somalia	16 208	4.3
Vietnam	5 658	4.3	Iran	7 888	3.9	Pakistan	16 110	4.2
Finland	4 270	3.2	United States	7 516	3.8	Bosnia-Herzegovina	13 130	3.4
Turkey	3 726	2.8	Germany	7 448	3.7	Iran	12 626	3.3
Poland	3 359	2.5	Serbia and Montenegro	7 289	3.6	Vietnam	12 571	3.3
Sum of above	***83 942***	***63.3***	***Sum of above***	***110 411***	***55.1***	***Sum of above***	***178 617***	***46.9***
Total immigrants	**132 708**	**100**	**Total immigrants**	**200 392**	**100**	**Total immigrants**	**380 643**	**100**

Source: Statistics Norway.

Table 2.A1.2. Employment rates of foreign-born aged 15-64 from OECD and non-OECD countries, by gender, 2007/08 average

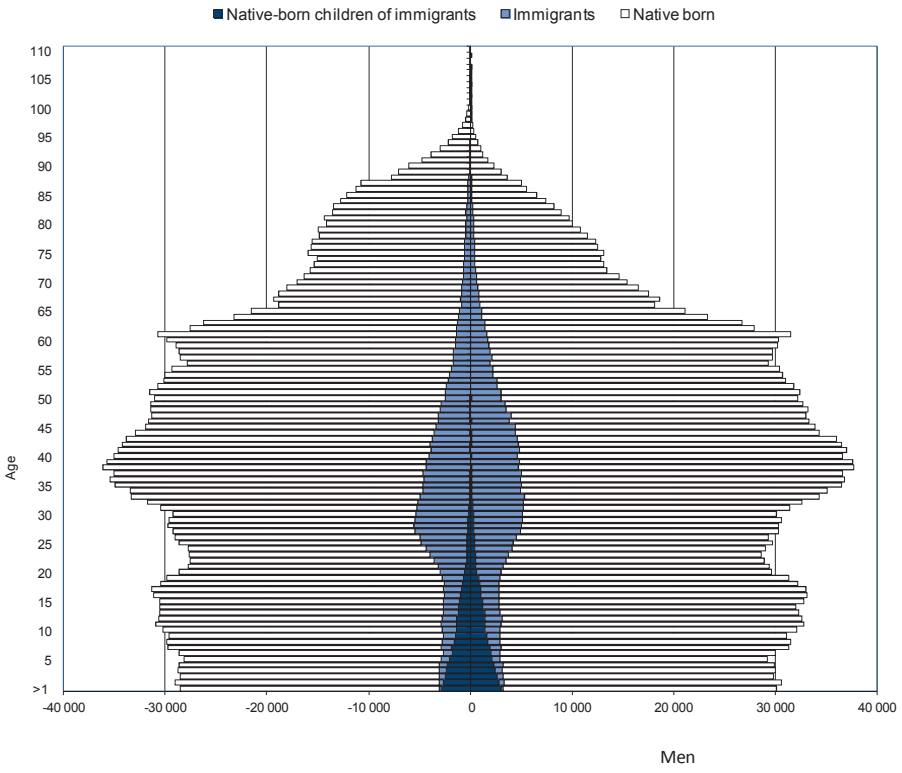
	OECD	Non-OECD	Non-OECD countries as a % of total immigrants
Men			
Austria	81.0	74.1	71.4
Australia			
Belgium	66.7	55.7	56.8
Canada			
Denmark	80.1	67.7	64.5
France	71.5	68.9	73.4
Netherlands	78.4	67.4	79.9
Norway	**86.6**	**68.6**	**58.6**
Sweden	78.0	67.0	65.3
Switzerland	85.9	77.9	44.2
United Kingdom	85.2	74.2	66.7
United States	79.6	82.1	87.2
OECD above-mentioned countries[1]	**79.3**	**70.36**	**66.8**
Women			
Austria	63.2	53.6	67.8
Australia			
Belgium	51.6	35.1	55.9
Canada			
Denmark	71.3	52.7	61.7
France	59.0	48.5	71.2
Netherlands	65.5	48.8	76.1
Norway	**79.1**	**63.9**	**64.4**
Sweden	70.1	53.9	64.7
Switzerland	69.7	58.0	46.5
United Kingdom	69.0	52.0	66.2
United States	62.6	58.5	84.5
OECD above-mentioned countries[1]	**66.1**	**52.5**	**65.9**

Note: Data for European countries refer to third quarter (Q3) except for France 2008 (Q3), and Netherlands and Switzerland where they refer to 2006/07 average annual data. Non-OECD includes Turkey and Mexico.

1. Data refer to the unweighted average.

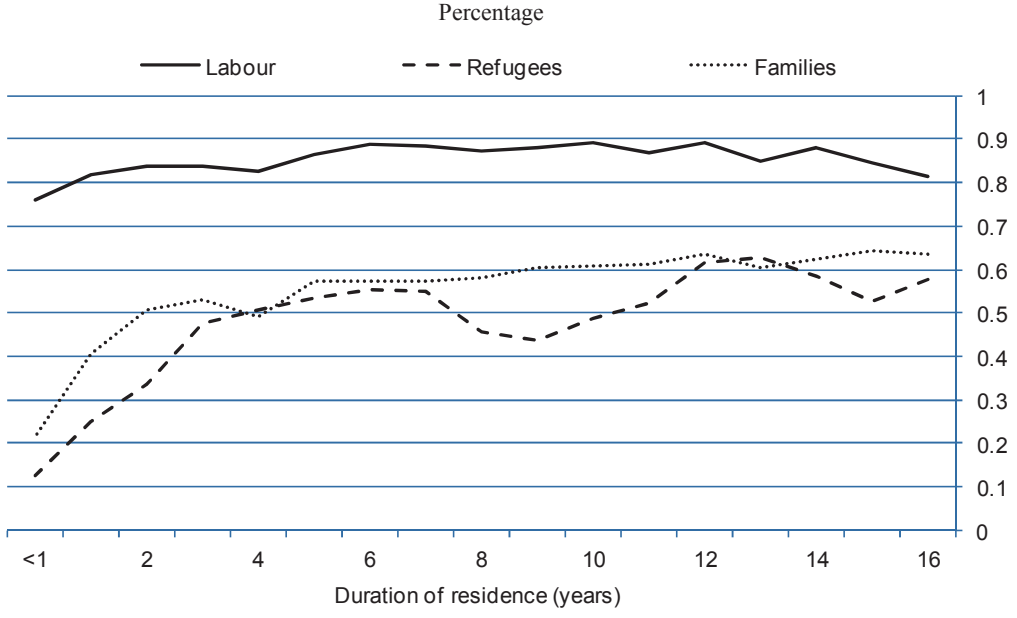
Source: European Community Labour Force Survey, except for the United States, OECD excludes Mexico (Current Population Survey March Supplement).

Figure 2.A1.1. Population structure by age, migrant status and sex



Source: Statistics Norway.

Figure 2.A1.2. Employment rates by duration of residence and migration category in Norway, 2006

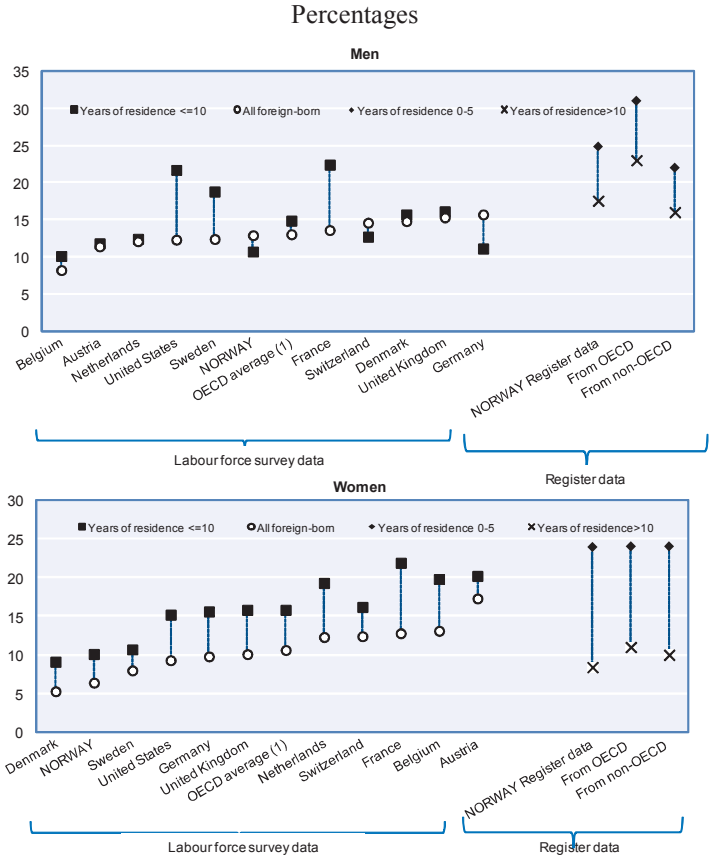


Source: Statistics Norway.

The sectoral distribution of immigrants' employment

Immigrants are relatively spread throughout the economy in international comparison (Figure 2.A1.3). However, there is a considerable difference between national register-based statistics and the internationally comparable data from the labour force survey, with the former showing a much stronger concentration for immigrants, in particular for recent arrivals. Immigrants from non-OECD countries, in particular men, are somewhat more evenly spread throughout the economy than immigrants from OECD countries. This is largely due to the fact that many recent migrants from OECD countries were construction workers, in particular from Poland.

Figure 2.A1.3. Index of sectoral disparity between native-and foreign-born employment for selected OECD countries, people aged 15-64, 2006/07 average



Note: The disparity indicator is defined as the sum over all sectors of (|pi-qi|)/2, where pi and qi represent the share of sector i in the employment of natives and foreign-born, respectively. This indicator gives the percentage in percentage points of immigrant workers 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 sector to resemble that of natives. For the register-based data, non-OECD includes Turkey.

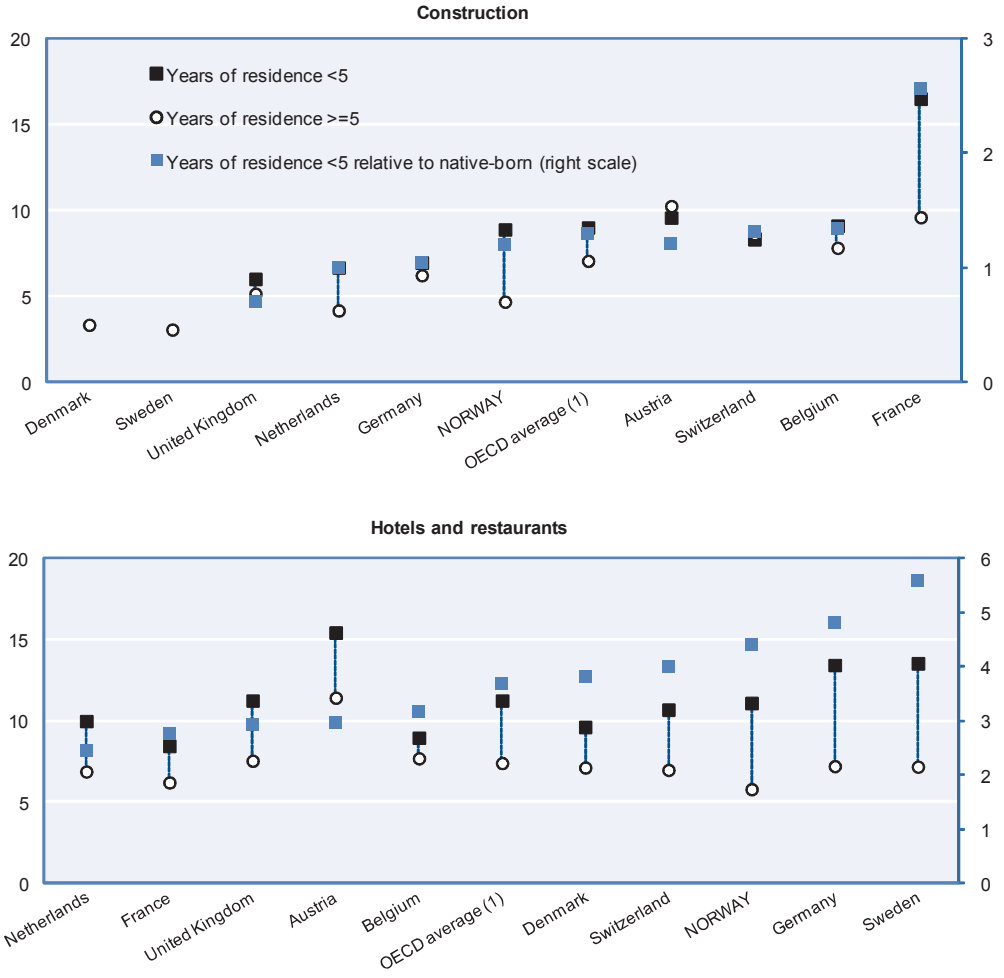
1. Data refer to the unweighted average of the countries included in the figure.

Source: European Union Labour Force Survey (data provided by Eurostat); Current Population Survey March Supplement for the United States; right side of the figure: Register data from Statistics Norway (Labour Market Statistics).

One sector in which there is a particularly large concentration of immigrants – and of recent arrivals in particular – is the hotel and restaurant sector (Figure 2.A1.4). Recent arrivals are also overrepresented in construction, although the pattern is not very pronounced – neither compared with the native-born nor in international comparison.

Figure 2.A1.4. Share of selected sectors in total foreign-born employment by duration of residence and relative to the native-born, people aged 15-64, 2006/07

Percentages and ratio (right scale)

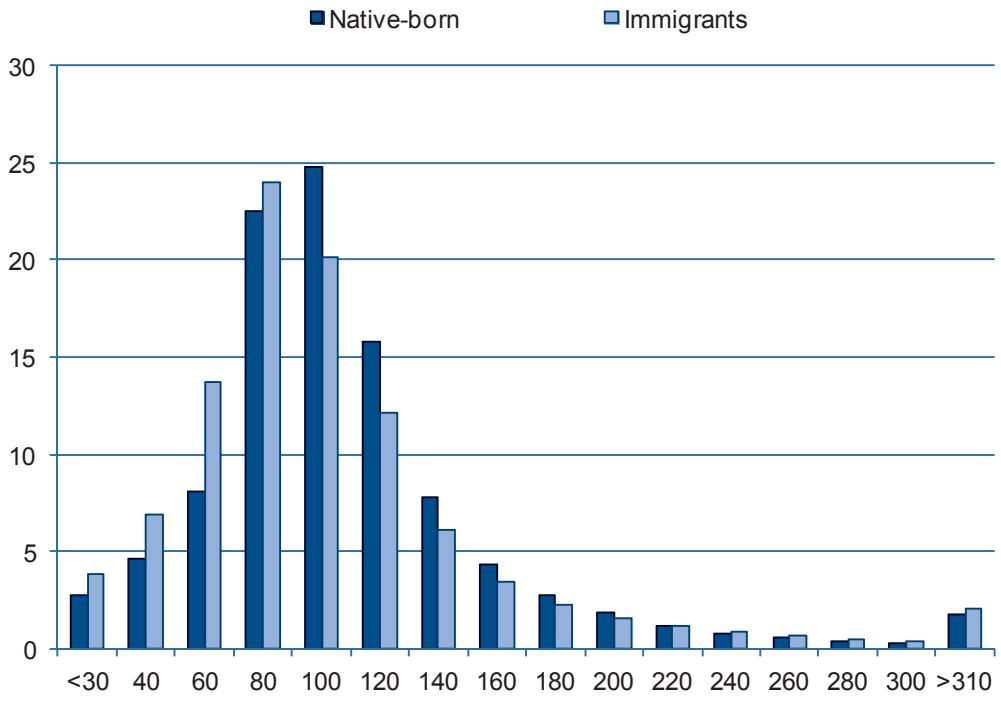


1. The OECD average refers to the unweighted average of the countries included in the figure.

Source: European Union Labour Force Survey (data provided by Eurostat).

Figure 2.A1.5. Distribution of wages for the native- and foreign-born in Norway, people aged 15-64 and not in education

Median hourly wage of the total employed population=100



Note: The figures on the x-axis indicate the middle of each respective interval (*e.g.* 100= 90%-110% of the hourly median wage). Reported wages below NOK 10 have been excluded.

Source: Statistics Norway.

Glossary

AID	Ministry of Labour and Social Inclusion
ALL	Adult Literacy and Life Skills Survey
ALMP	Active labour market programme
BLD	Ministry of Children and Equality
CPR	Central Population Register
ECTS	European Community Course Credit Transfer System
EEA	European Economic Area
IALS	International Adult Literacy Survey
IMDi	Norwegian Directorate for Integration
ISCED	International Standard Classification of Education
ISCO	International Standard Classification of Occupations
IRO	International Refugee Organisation
KIM	Contact Committee for the Immigrant population and the Authorities
KS	Norwegian Association of Local and Regional Authorities
LO	Main labour union
NAV	Norwegian Labour and Welfare Organisation
NHO	Leading employers' organisation
NOK	Norwegian kroner
NOKUT	Norwegian Agency for Quality Assurance in Education
PIN	Personal identification number
UDI	Norwegian Directorate of Immigration
UNHCR	UN Refugee Agency

Chapter 3

The labour market integration of immigrants and their children in Switzerland

Switzerland has – together with Australia and Luxemburg – one of the largest immigrant populations in relative terms in the OECD. This chapter provides an overview and assessment of the key labour market outcomes of immigrants in Switzerland in international comparison, and their evolution over time. It discusses the framework for integration and analyses some key issues in the labour market integration of immigrants and their children, including the use of immigrants' skills in the labour market, naturalisation, discrimination, integration of recent arrivals and the school-to-work transition of the children of immigrants.

Introduction

With about 27% of its working-age population being foreign-born, Switzerland has – together with Australia and Luxemburg – one of the largest immigrant populations in relative terms in the OECD. This large share is the result of a longstanding migration history – already in 1970, more than 16% of Switzerland's population did not have Swiss nationality.

A distinguishing characteristic of the immigrant population in Switzerland is the strong concentration of immigrants from other European countries, in particular from neighbouring Italy, Germany and France, as well as by Portugal. Originally, the vast majority of immigrants came from Italy – in 1960, 63% of all foreigners were from that country. Over time, the immigrant intake has diversified to other southern European countries, in particular the former Yugoslavia.[1] More recently, following Switzerland's stepwise introduction of freedom of movement with the member countries of the European Union, there has been a large flow of immigrants from Germany. Today, almost 60% of the immigrant population are from countries of the European Economic Area. A further 17% are from the successor countries of the former Yugoslavia.

Most migration to Switzerland has been labour migration and associated family flows. As a result, the labour market integration of immigrants was less an issue of public debate than the macroeconomic impact of immigration on wages and on structural change.

Over the past 20 years, following the fall of the Iron Curtain, Switzerland has also become one of the most important destination countries for humanitarian migration, and this has contributed to a further diversification of the migrant intake. Along with this diversification and the arrival of non-labour migrants from more distant countries, immigrants' labour market integration has gained importance in the public debate, although it remains less of an issue in Switzerland than in many other OECD countries with much smaller immigrant populations.

The labour market integration of immigrants also has to be analysed in the context of three key structural specificities of Switzerland. The first is the decentralised nature of policy-making with the strong involvement of three levels (federal, cantonal and local) and the linguistic heterogeneity of the country with four official languages (German, French, Italian and Rumantsch). The second is a flexible labour market with high labour market participation of both genders, low unemployment, high salary levels and relatively low net benefit replacement rates in comparison with other European OECD countries. Finally, Switzerland has a highly productive and internationalised economy, with one of the highest per capita GDP in the OECD, and exports accounting for more than 40% of this.

This chapter is structured as follows: Section 3.1 presents an overview of the key labour market outcomes of immigrants in Switzerland in international comparison, and their evolution over time. Section 3.2 sets out the framework for integration, that is, the evolution and current composition of the immigrant population, the main elements of integration policy, and the key stakeholders involved in the labour market integration of immigrants. Section 3.3 highlights some key issues in the integration of immigrants. Section 3.4 reviews the labour market integration of the children of immigrants. The chapter ends with a summary and recommendations.

3.1. A first glance at the labour market outcomes of immigrants and their children in international comparison and their evolution over time

Immigrants

Looking at the labour market outcomes of immigrants in international comparison, the first and salient observation is that the employment rates of immigrants are the highest in the comparison group, for both genders (Table 3.1).[2] The situation is less positive with respect to unemployment – immigrants face between two and three times higher unemployment rates than the native-born. However, this has to be seen in the context of low overall unemployment in Switzerland which is, after Norway, the lowest in the comparison group.

Table 3.1. Labour force characteristics of immigrants and native-born aged 15-64, selected OECD countries, 2008/09 average

	% of the population foreign-born	% of the foreign-born from lower-income country	Participation rate			Employment rate				Unemployment rate			
			Native-born	Foreign-born	Foreign-born from lower-income country	Native-born	Foreign-born	Foreign-born from lower-income country	Difference NB-FB in %-points	Native-born	Foreign-born	Foreign-born from lower-income country	Difference FB-NB in %-points
Men													
Austria	16.4	49	81.2	81.0	81.0	78.5	73.7	71.5	4.8	3.4	9.0	11.6	5.6
Australia[1]	28.1	...	83.8	80.5	...	79.7	76.1	...	3.6	4.9	5.5	...	0.6
Belgium	12.3	51	73.0	74.0	74.1	68.6	62.2	57.8	6.4	5.9	15.9	22.0	10.0
Canada[2]	20.3	...	82.0	83.2	...	75.5	75.8	...	-0.3	7.9	8.8	...	0.9
Denmark	8.4	49	84.6	80.2	77.6	80.7	73.4	70.2	7.4	4.5	8.5	9.5	4.0
France	11.9	66	75.1	77.2	76.4	69.6	66.9	64.3	2.7	7.4	13.4	15.9	5.9
Germany	15.1		82.2	82.6	...	76.4	72.0	...	4.4	7.0	12.8	...	5.8
Netherlands	12.2	76	85.8	79.9	79.1	83.4	73.9	72.4	9.5	2.8	7.6	8.5	4.8
Norway	9.0	53	82.0	81.3	75.5	79.8	74.4	66.5	5.4	2.7	8.5	12.0	5.8
Sweden	15.2	59	81.9	79.3	78.2	76.7	68.3	63.6	8.5	6.3	14.0	18.6	7.6
Switzerland	**27.2**	**33**	**87.6**	**88.9**	**87.8**	**85.4**	**83.9**	**80.1**	**1.5**	**2.5**	**5.6**	**8.8**	**3.1**
***German Switzerland*[3]**	***24.8***	***49***	***88.9***	***89.3***	***86.9***	***87.1***	***84.7***	***80.9***	***2.4***	***2.0***	***5.2***	***7.1***	***3.1***
***Romandy/Italian Switzerland*[3]**	***33.5***	***33***	***84.0***	***88.1***	***86.0***	***80.5***	***82.4***	***77.4***	***-1.9***	***4.3***	***6.6***	***10.2***	***2.3***
United Kingdom	13.7	63	81.9	83.2	80.9	75.8	76.9	73.8	-1.1	7.5	7.6	8.9	0.1
United States	16.7	89	77.4	86.0	86.3	70.5	79.1	79.0	-8.6	8.6	8.0	8.5	(-0.6)
Average[4]	**15.9**	**59**	**81.4**	**81.3**	**79.7**	**77.0**	**73.6**	**69.9**	**3.4**	**5.5**	**9.6**	**12.4**	**4.1**
Women													
Austria	18.1	43	70.7	62.0	55.5	68.1	57.0	49.7	11.1	3.7	8.0	10.3	4.3
Australia[1]	28.4	...	72.6	64.0	...	69.1	60.1	...	9.0	4.9	6.0	...	1.1
Belgium	13.2	50	62.3	51.4	46.4	58.0	43.2	36.2	14.8	6.9	16.0	22.0	9.1
Canada[2]	21.6	...	75.6	69.7	...	71.2	63.7	...	7.5	5.8	8.6	...	2.8
Denmark	9.7	51	78.3	66.8	60.7	75.1	60.9	54.5	14.2	4.2	8.9	10.3	4.8
France	12.5	65	67.3	59.7	55.4	61.6	51.4	46.4	10.2	8.5	13.8	16.2	5.4
Germany	16.0	...	72.9	62.3	...	68.0	54.5	...	13.5	6.6	12.5	...	5.9
Netherlands	13.6	73	75.1	61.6	57.5	72.8	57.2	52.9	15.5	3.1	7.0	8.0	4.0
Norway	9.7	59	77.1	72.3	68.1	75.4	68.3	63.4	7.1	2.2	5.5	7.0	3.3
Sweden	17.4	57	78.6	67.6	63.7	73.7	58.3	52.0	15.4	6.2	13.7	18.4	7.5
Switzerland	**28.0**	**36**	**78.4**	**73.3**	**68.2**	**76.0**	**67.6**	**59.5**	**8.3**	**3.1**	**7.7**	**12.8**	**4.7**
***German Switzerland*[3]**	***25.5***	***51***	***80.0***	***74.2***	***69.1***	***77.9***	***68.8***	***61.5***	***9.0***	***2.8***	***7.4***	***11.2***	***4.6***
***Romandy/Italian Switzerland*[3]**	***34.7***	***39***	***74.1***	***71.9***	***68.7***	***71.0***	***65.9***	***60.1***	***5.1***	***4.3***	***8.5***	***12.7***	***4.2***
United Kingdom	14.2	62	70.4	62.9	55.9	66.5	58.2	50.6	8.3	5.6	7.5	9.5	2.0
United States	15.7	88	68.9	62.9	62.3	64.7	58.4	57.7	6.3	6.1	7.1	7.4	1.0
Average[4]	**16.8**	**59**	**72.9**	**64.3**	**59.4**	**69.2**	**58.4**	**52.3**	**10.9**	**5.1**	**9.4**	**12.2**	**4.3**

1. Data refer to the average of January 2008-June 2009.

2. For Canada, separate data for men and women were not available for the foreign-born from lower-income countries.

3. Data from the Swiss Labour Force Survey (*Enquête suisse sur la population active* – ESPA), Swiss Federal Statistical Office 2008/09.

4. The average refers to the unweighted average of all countries included in the table. Definitions of lower-income countries differ slightly between the ESPA and the European Labour Force Survey data. "Lower-income countries" refers to all countries other than OECD high-income countries. *Source*: European Union Labour Force Survey, except Switzerland by regions (ESPA), United States (Current Population Survey March Supplement), Canada (Labour Force Survey) and Australia (Labour Force Survey).

Source: European Union Labour Force Survey, except Switzerland by regions (ESPA), United States (Current Population Survey March Supplement), Canada (Labour Force Survey) and Australia (Labour Force Survey).

To a large degree, these positive outcomes are attributable to the fact that the majority of immigrants – about two-thirds, the largest proportion in the comparison group – is from high-income OECD countries.[3] The labour market outcomes of migrants from these countries tend to be better in most countries than those of other migrants (see also OECD, 2007 and 2008b). This is attributable to a number of factors, such as the fact that migrants from lower-income countries are often humanitarian migrants. In addition, at the time of migration, the labour markets and education systems in these countries have often differed quite significantly from those found in high-income OECD countries.[4]

When looking only at immigrants from lower-income countries, the picture remains relatively favourable for men, whereas the labour market outcomes for women from these countries are broadly in line with those observed in other OECD countries with well-performing labour markets such as Denmark and Norway.

Table 3.1 also shows that the regional differences between the German- and French/Italian-speaking parts of Switzerland are not large. However, employment is higher and unemployment lower in the German-speaking part. This also holds for immigrants, but to a lesser degree. In addition, the share of immigrants from lower-income countries – mainly from the former Yugoslavia and from Turkey – is larger in the German-speaking cantons.

Analysis of the labour market integration of immigrants and their children over time is hampered by the fact that data on the labour force status of immigrants is only available from the labour force survey, which has only since 2003 regular information on the country of birth.[5] Indeed, when reference is made to "immigrants" in Switzerland, both administrative data and research and the public debate generally consider essentially the population with a foreign nationality (see Box 3.1).

Figure 3.1 provides an overview of the evolution of the employment rates of immigrants in Switzerland since 2003. For immigrant men, one observes a continuous improvement in the employment rates since 2003, both in absolute terms and relative to the native-born population. This is to some degree attributable to a shift in the composition in the immigrant population towards more immigrants from higher-income countries. Indeed, it is surprising to note that the employment rates of the latter are almost perfectly correlated with those of the native-born population over the entire period. For the foreign-born from lower-income countries, there has been a notable improvement in the labour market situation, with the gap in employment rates having almost halved since 2003.

For women, there is again an almost perfect correlation between the employment rates of immigrants from high-income OECD countries and the native-born. Significant gaps, however, are observed for immigrant women from lower-income countries. In addition, and in contrast to the situation for men, the gap between the labour market outcomes of native-born women and women from lower-income countries is now growing again. However, the level remains rather high in international comparison (see Table 3.1) – at an employment rate of about 60%.

Box 3.1. Target population, data and research on the labour market integration of immigrants and their children in Switzerland

In spite of the large immigrant share and the growing policy attention attached to immigrants' labour market integration in Switzerland, quantitative research on this issue has been rather scarce. One reason for this is the fact that both legal documents (such as the *Ordinance on the Integration of Foreigners*, OIE) and administrative datasets in Switzerland that provide information on the labour market integration of "immigrants" do not refer to the foreign-born population, but to foreign nationals. The reliance on the nationality criterion hampers international comparisons, as citizenship laws and citizenship take-up vary greatly between OECD countries.

Whereas citizenship in Australia, Belgium and Canada can be obtained only three years after immigration, Switzerland has a relatively stringent citizenship law which, in particular, does not envisage automatic citizenship for persons born in Switzerland to immigrant parents (see Section 3.3 below). Furthermore, naturalisation appears to be selective: individuals who acquire Swiss nationality tend to be higher educated and to have better labour market outcomes. This may lead to a situation in which integration figures for "foreigners" worsen, even though the actual integration results for the migrant population as a whole stay constant or even improve. In addition, because of Switzerland's long immigration history and the difficult access to citizenship, more than one out of five foreigners is a native-born offspring of immigrants. However, the issues involved are not the same for persons born and educated in the host country as for persons who have immigrated themselves, generally as adults, and who have acquired at least part of their human capital abroad. For these reasons, wherever possible, this document focuses on foreign-born persons and not on persons with a foreign nationality. Because of the size of the native-born offspring of immigrants, a separate section is devoted in this chapter to their integration.

The assessment of the labour market integration of immigrants in international comparison is also hampered by the fact that most immigrants have come from the European Economic Area (that is, the enlarged European Union, Norway, Iceland and Liechtenstein). Immigrants from these countries not only tend to have better labour market outcomes in most destination countries; they can also easily return to their origin countries in the case of unemployment and benefit from a number of favourable provisions regarding occupational mobility and recognition of their qualifications in Switzerland. Labour market integration is essentially viewed in Switzerland as being an issue for migrants from outside of the European Economic Area (EEA). For this reason, the main target population of this chapter tends to be immigrants from non-EEA countries and their children.

Data on the foreign-born used to be scarce, but here the situation has significantly improved over the past years. The Swiss Labour Force Survey regularly contains special migration modules. Such modules were included in 1998, 2001, 2003 and 2008. The most recent module also contains rich information on participation in integration services and the recognition of foreign qualifications and allows for an identification of the native-born children of immigrants. Since 2003, the survey has an oversampling of foreigners and includes information on the respondents' country of birth. Since 2009, the data from the labour force survey can also be linked with administrative data from the social insurance funds; retrospective data on this basis are available since 1999. However, information on the type of labour market integration measures in which an individual has participated is only available on a highly aggregated basis.

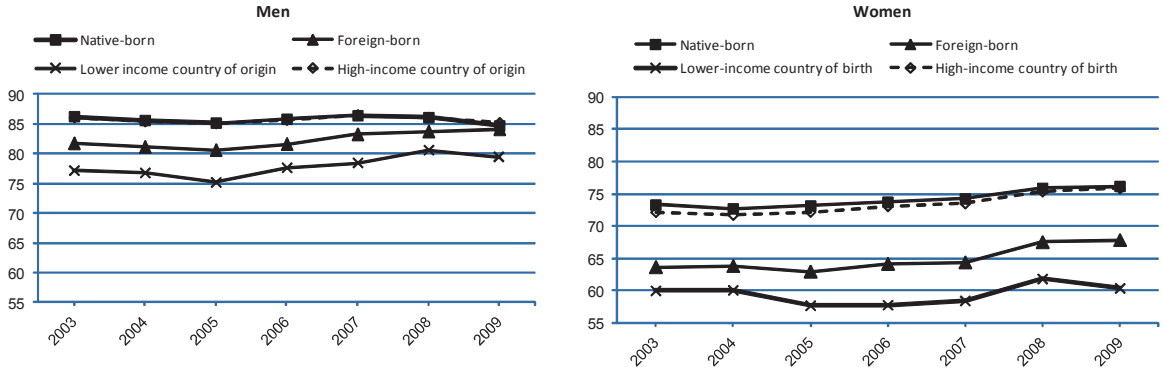
Switzerland has also participated in the 2003 Adult Literacy and Life Skills Survey (ALL). The Swiss sample included 1 087 immigrants and a further 334 native-born persons with two immigrant parents, making it possible to conduct some basic analyses with this survey (see below).

The main longitudinal dataset in Switzerland is the Swiss Household Panel (*Panel suisse de ménages*, PSM). Established in 1999 with 5 074 participating households, it contains information on a broad variety of integration-related issues, including background information on the respondents' parents. However, the small sample size and the attrition hamper the usability of this data source for a longitudinal analysis of immigrants' labour market integration. This has been gradually changing with the integration of the PSM in the EU Survey of Income and Living Conditions (EU-SILC). In 2011, a special module covers the intergenerational transmission of disadvantage.

Longitudinal analysis regarding the labour market integration of immigrants' offspring is possible through the TREE (Transition from Education to Employment) dataset. The dataset covers 5 528 persons who participated in the 2000 PISA survey in Switzerland and has followed their school-to-work transition in eight annual waves until 2007, an additional wave was conducted in 2010. Since the dataset contains information on both education outcomes and the respondents' migration background, the longitudinal dimension of the integration of immigrants' offspring can be well studied. This dataset has been used in the analysis on the children of immigrants below.

A number of institutions and initiatives have recently provided impetus to research on immigrants' integration, although labour market integration has not always been the primary focus area. In 1995, the Swiss Forum for Migration and Population Studies was established at the University of Neuchâtel. The Forum conducts interdisciplinary research on migration and integration issues. Between 2003 and 2008, the Swiss National Fund commissioned a large-scale special research programme on integration, with a total funding amount of CHF 13 million. This was the second major framework programme on migration and integration, following a CHF 8 million research grant by the Fund on migration and intercultural relations which ended in 2000.

Figure 3.1. Evolution of the employment rate since 2003 by country of birth, people aged 15-64

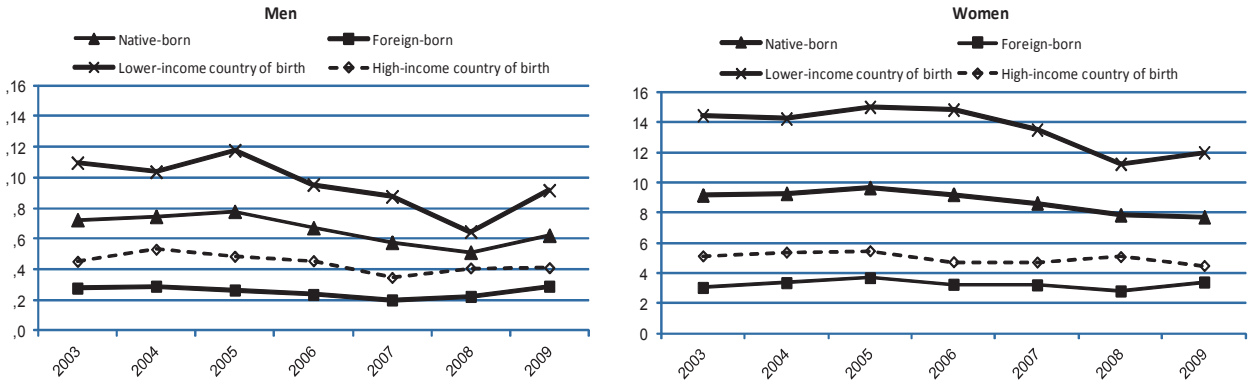


Source: Swiss Labour Force Survey, Swiss Federal Statistical Office.

The evolution of the situation regarding unemployment is shown in Figure 3.2. Here one observes for all immigrant groups higher unemployment, and the differences are again particularly pronounced for women from lower-income countries. For both genders, immigrants from lower-income countries have nevertheless experienced a significant decline in unemployment between 2005 and 2008. For men, the unemployment rates even declined to a little more than half the 2005 level. However, their unemployment rates increased disproportionately with the crisis.

A look at the wages of immigrants shows that when employed, immigrants are clustered among those with a low salary (see Annex Figure 3.A1.1). There are again rather significant differences between immigrants from high- and lower-income countries, with the latter having much lower salaries. 28% of immigrants from lower-income countries earn less than two-thirds of the hourly median wage for full-time employed, compared with 17% for immigrants from higher-income countries and 20% for the native-born. At the same time, immigrants from lower-income countries are underrepresented among the high earners (that is, persons earning more than 166% of the hourly median wage for the full-time employed).

Figure 3.2. Evolution of the unemployment rate since 2003 by country of birth, people aged 15-64



Source: Swiss Labour Force Survey, Swiss Federal Statistical Office.

Children of immigrants

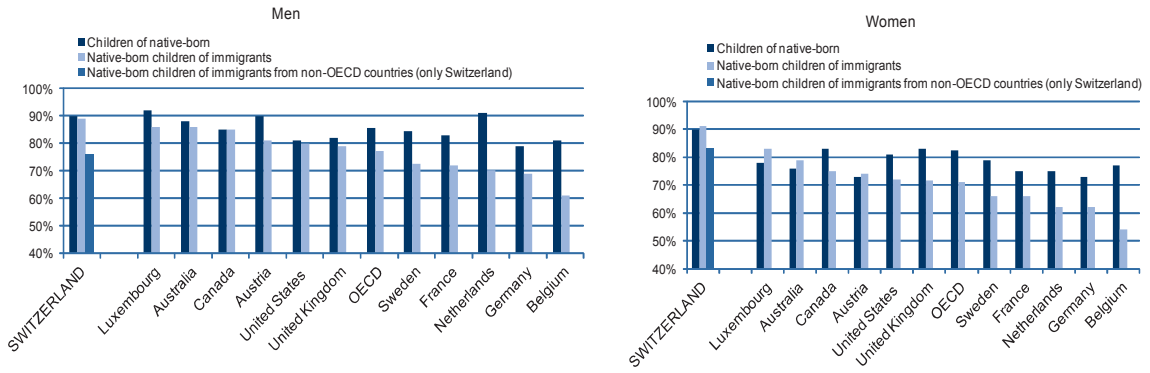
When arriving in their host country, immigrants often face substantial difficulties to enter the labour market, because their human capital differs from that of the native-born. The native-born children of immigrants, however, should not be facing these difficulties as they grew up with the host-country language and have been educated in the host-country's education system. A priori, their labour market outcomes should thus not differ much from those of the children of native-born parents and they are often considered the "benchmark" for integration (Card, 2004).

Internationally comparable data on the labour market integration of the children of immigrants is available for the 20-29 year-olds. Across almost all OECD countries under comparison, the native-born children of immigrants have a substantially lower employment rate than the children of natives (see Figure 3.3). Switzerland, in contrast, stands out with an almost negligible difference. Indeed, for women, the employment rates of the native-born children of immigrants are even higher than for the children of natives in Switzerland. For both genders, children of immigrants enjoy the highest employment rates across the OECD.

This favourable picture also holds for a group that is of particular concern for policy, the low-educated youth who are neither in employment nor in education or training (the so-called "NEET"). Here also Switzerland enjoys the smallest share of this "population at risk" among the native-born children of immigrants across the OECD (Figure 3.4).[6]

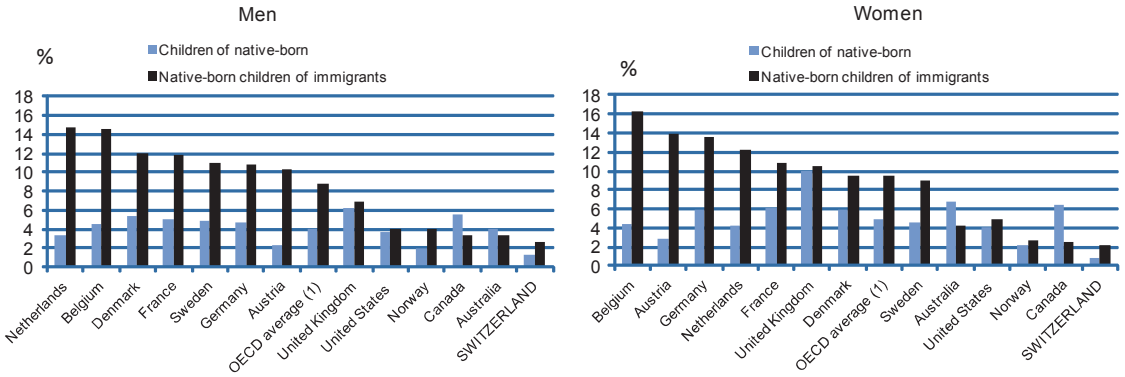
In all countries, children of parents from lower-income countries tend to have lower employment rates than the offspring of immigrants from high-income countries. While around 90% of the children of natives and of native-born children of immigrants from high-income countries are in employment, this is the case for less than 80% of children of immigrants from lower-income countries.

Figure 3.3. Employment-population ratios for children of natives and native-born children of immigrants, by gender, people aged 20-29 and not in education, around 2008



Source: For Switzerland, Swiss Labour Force Survey (Swiss Federal Statistical Office). For the other countries and for the notes, see Liebig, T. and S. Widmaier (2010), "Children of Immigrants in the Labour Markets of EU and OECD countries", *Equal Opportunities? The Labour Market Integration of the Children of Immigrants*, OECD Publishing, Paris, pp. 15-52.

Figure 3.4. Population "at risk" (the NEET group) among the native-born children of immigrants and the children of native-born aged 29-29, by gender, around 2007



Note: The population "at risk" is defined as being low-educated and not in employment, education or training.

1. The OECD average refers to the unweighted average of the countries included in the figure. See also Figure 3.3.

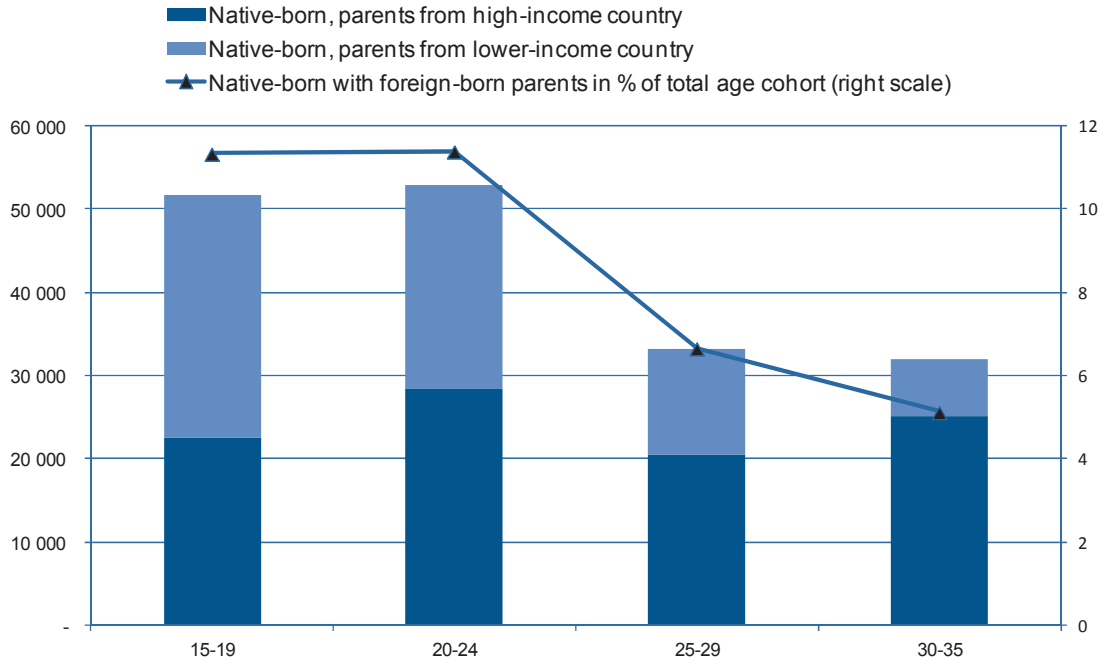
Source: Adapted from Liebig, T. and S. Widmaier (2010), "Children of Immigrants in the Labour Markets of EU and OECD countries", *Equal Opportunities? The Labour Market Integration of the Children of Immigrants*, OECD Publishing, Paris, pp. 15-52.

Indeed, the overall favourable picture of immigrant offspring's labour market integration in this age group in Switzerland is partly associated with the fact that the share of offspring with parents from high-income countries is bigger in Switzerland than in any other OECD country that has been under review thus far. Almost two-thirds of native-born immigrant offspring aged 20-29 have parents who have come from a high-income country, mostly Italy, Spain and Portugal. These latter three alone account for almost half of the native-born immigrant offspring in this age group. Only 30% of the native-born children of immigrants have parents from lower-income countries, compared with an average of 65% for the 12 OECD countries for which this information is available (see OECD, 2010a). In Switzerland, two-thirds of these have parents from the former Yugoslavia or from Turkey.

However, the composition of the native-born children of immigrants is changing rather quickly, as Figure 3.5 shows. Among those now entering the labour market (age 15-19), the majority has parents from lower-income countries, accounting for more than 6% of this age cohort.

In summary, a first look at the aggregate outcomes reveals that the favourable country-of-origin mix of the foreign-born population is crucial in explaining the overall favourable employment outcomes of immigrants and their offspring in Switzerland. Nevertheless, outcomes appear to be quite favourable even for the relatively small share of immigrants from lower-income countries who tend to have more difficulties in all OECD countries.

Figure 3.5. Size and composition of the native-born children of immigrants, by origin and age, 2008/09



Source: Swiss Labour Force Survey 2009, Swiss Federal Statistical Office.

3.2. The framework for integration

The evolution of immigration to Switzerland and the main migrant groups

Shortly after World War II, Switzerland experienced an economic boom which led to an increased demand for labour. Switzerland's capital stock had remained largely untouched during the war, and a shortage of labour was felt earlier than in other European countries.

In 1948, Switzerland was one of the first European countries to actively recruit foreign workers by signing a recruitment treaty with Italy. As the competition for "guest workers" with countries like Germany intensified, Switzerland had to revise its 1948 recruitment treaty with Italy in 1964, giving more rights to Italians living in Switzerland (for example, facilitated provisions for permanent residency and family reunion).

Unlike other western European countries, Switzerland did not have publicly-provided recruitment agencies for foreign workers. Instead, recruitment was organised by the employers themselves (see Körner, 1990). Even today, the social partners (employers' associations and labour unions) in several sectors maintain recruitment and training facilities abroad. Like other countries, Switzerland thought that the demand for labour and the corresponding immigration would be temporary, which resulted in significant labour migration without major restrictions. However, the rapid increase in the pool of labour was met by rising hostility towards immigrants. In 1963, Switzerland began to gradually control labour immigration by introducing a ceiling on the number of foreigners per establishment.

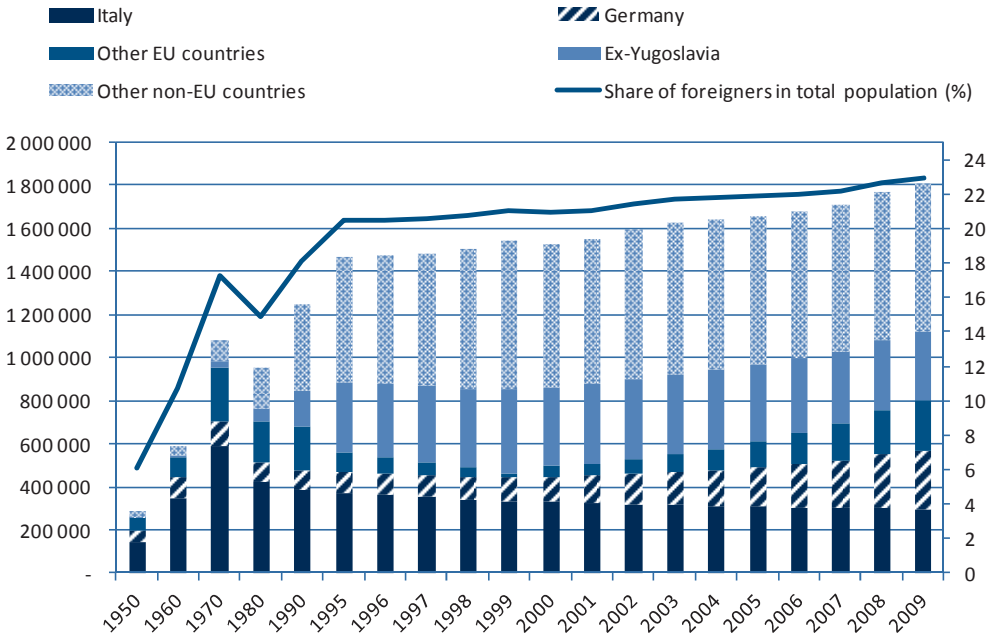
Already in 1970, the share of foreigners among the population in Switzerland was above 16%, together with Luxemburg the largest in Europe.[7] At that time, about three quarters of the foreign population were from Switzerland's neighbouring countries. Italians were by far the most important group, accounting for more than half of all foreigners (see Figure 3.6). The next most important countries were Spain (11%), Germany (11%), France (5%) and Austria (4%).

That same year, the Swiss government placed a global upper limit on the number of immigrants allowed to enter the country.[8] Switzerland was thus one of the first western European countries to restrict labour migration. Partly due to this early reaction, Switzerland was able to maintain its labour migration framework even after the first oil crisis and, unlike other European OECD countries such as its neighbours Austria, France and Germany, did not opt for a general stop of the recruitment of foreign labour.

At the time of the first oil shock, Switzerland did not have mandatory unemployment insurance and many foreigners who did not enjoy social protection left the country. By doing so, the foreign workers served as a "buffer" on the labour market: despite a reduction of the overall workforce of 8% – the highest fall in the OECD – the unemployment rate never topped 1% (see Sheldon, 2001).

With Italy's rapid economic development and integration in the European Economic Area (EEA) and the economic development and democratisation in Spain, immigration to Switzerland become less attractive for immigrants from these countries. Most of the labour needs in the two decades following the first oil crisis were filled with immigrants from the former Yugoslavia and, to a more limited degree, from Portugal. These were mainly recruited for low-skilled seasonal jobs in agriculture and hospitality. After four years, however, such seasonal permits could be transformed into a regular residence permit (B-permit which is an annual permit, renewable) which implied that a large share of labour migration entered through low-skilled employment in the seasonal sectors.[9] Indeed, in the 1980s, the macroeconomic impact of the essentially low-skilled nature of past immigration became a major issue of debate. Empirical evidence suggested that it had hampered structural change and thus economic growth (see *e.g.* Schwarz, 1988). In parallel, the country-of-origin composition of recent immigrants shifted away from the predominance of Italy to a larger share of immigrants from the former Yugoslavia.

Figure 3.6. Evolution and composition of the foreign population in Switzerland, absolute numbers and share in the total population, 1950-2009



Note: Prior to 1995, data are from the Swiss Census; after that year, data are from population registers.

Source: OECD Secretariat calculations on the basis of data from the Swiss Federal Statistical Office.

As a reaction to these developments, the Swiss government introduced the so-called "Three-Circles Model" in 1991. According to this concept, immigrants from the EEA were granted preferential status (first circle). If labour demand could not be met by immigrants from these countries, people from the United States, Canada, Australia and New Zealand could be recruited (second circle).[10] All other countries were consigned to the third circle. Along with the change in policy, labour migration from non-EEA countries was gradually restricted to highly-qualified foreigners. Indeed, in contrast to the migrants of the 1980s, the labour migrants who entered in the 1990s were overrepresented in high-skilled occupations, and there is evidence that this had a positive impact on economic growth in Switzerland (Becker *et al.*, 2006).

With a longstanding humanitarian tradition, Switzerland has also been one of the most important destination countries for *asylum seekers*. Until the fall of the Iron Curtain in 1989, however, asylum seeking remained relatively modest, but then grew rapidly. Asylum seeking was particularly strong in the 1990s, a decade during which Switzerland received, on a per capita basis, more asylum seekers than any other OECD country. The overwhelming majority of the asylum seekers during this period came from the successor countries of the former Yugoslavia. Asylum seeking peaked in 1999 with the war in Kosovo, when more than 46 000 persons sought asylum in Switzerland. Mainly as a result of these humanitarian flows and family reunification, almost three quarters of all immigrants from the former Yugoslavia who are resident in Switzerland today have arrived after 1991, *i.e.* after the end of most labour recruitment from the former Yugoslavia. These latter migrants have mainly settled in the German-speaking part of the country, in particular in eastern Switzerland (see Annex Figure 3.A1.4). Since

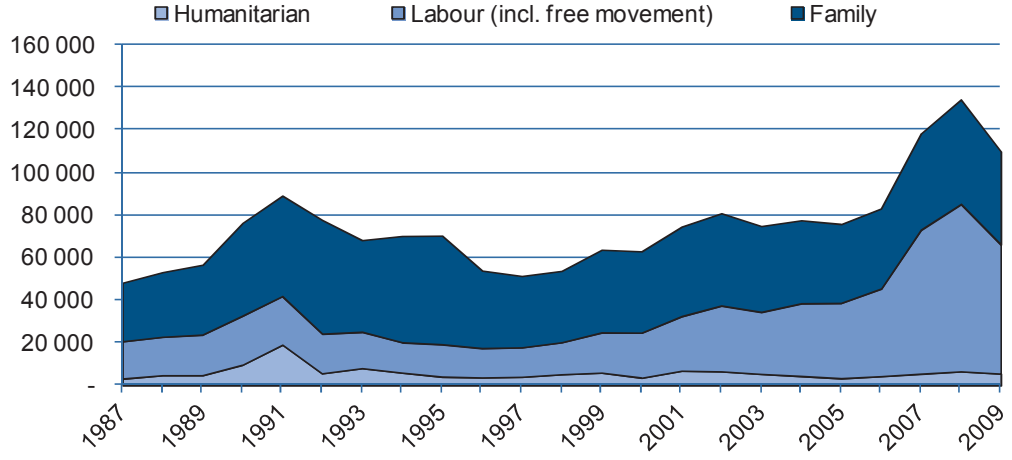
humanitarian migrants and their families tend to have lower labour market outcomes in all countries, it is not surprising that the employment rates of the migrants who arrived after 1991 are significantly below those of previous arrivals from the former Yugoslavia, for both genders. Likewise, the incidence of unemployment is higher among the post-1991 migrants (Annex Table 3.A1.3).

Today, Switzerland still has one of the largest per-capita inflows of asylum seekers in the OECD, but current numbers are well below the figures seen in the 1990s. In parallel, there has been a shift in the origin countries, with a large part now coming from Africa.

Nevertheless, humanitarian migration has generally accounted for a relatively small part of overall migration to Switzerland – its share in total permanent-type migration exceeded 10% only in the early 1990s (see Figure 3.7).[11] Indeed, compared with most other European OECD countries which have participated in the OECD reviews on the labour market integration of immigrants and their children, the share of humanitarian migration in total permanent-based migration has been relatively small over the past six years for which standardised data are available (see OECD, 2011a). In addition, with respect to the flows of asylum seekers, the pattern has been rather procyclical (see Figure 3.8).[12]

Since 2002, Switzerland has gradually established freedom of movement with the EEA member countries. This has been associated with a recent boom in free movement (labour) migration, in particular from Germany. This recent migration has led to a major shift in the composition of the migrant population in several ways.[13] First, in contrast to the past, the majority of recent labour migrants have been highly-educated.[14] Second, whereas the share of immigrants from higher-income countries in the migrant population had been declining since the late 1980s, it increased again since 2002. Third, a majority of recent migrants spoke one of the national languages when they arrived.

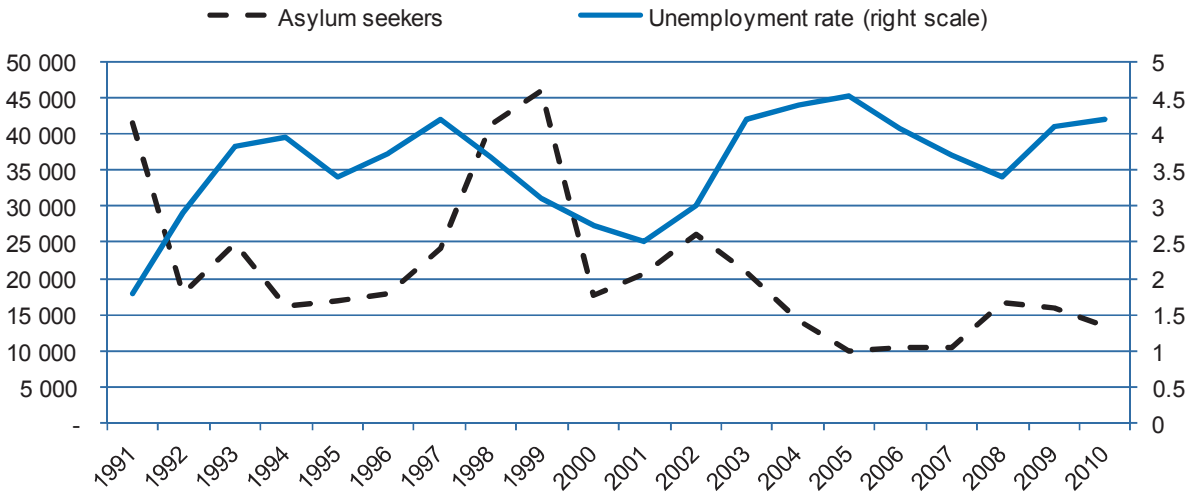
Figure 3.7. Evolution of permanent-type migration to Switzerland, by main category of entry, 1987-2009



Note: Pensioners and education are excluded. Data are based on national statistics and differ slightly from the standardised statistics published by the OECD (see OECD, 2011, *International Migration Outlook*, OECD Publishing, Paris).

Source: Swiss Federal Statistical Office.

Figure 3.8. Asylum seekers and the labour market situation in Switzerland

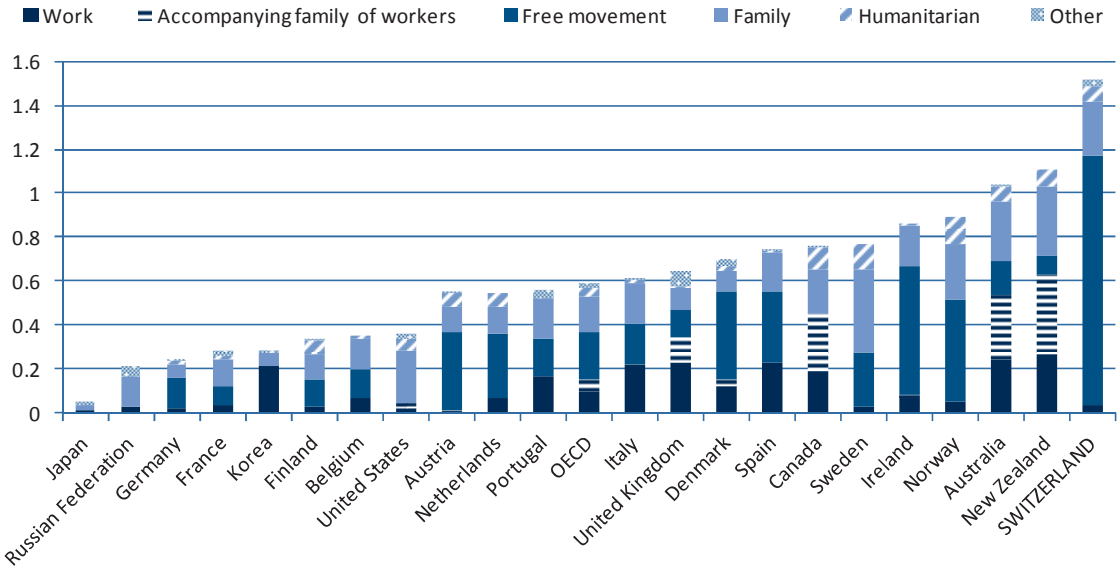


Source: UNHCR; OECD Labour Force Statistics.

Figure 3.9 provides an overview of the current scale and composition of permanent migration inflows to OECD countries. Switzerland stands out in two respects. First, it had the largest share of migration in per-capita terms, at a rate of 1.5% in 2009 compared with an OECD average of 0.6%. Second, three quarters of all permanent-type migration in 2009 to Switzerland was of the free movement type, the largest share in the OECD.[15]

Figure 3.9. Permanent-type migration flows into selected OECD and non-OECD countries by category of entry, 2009

Percentage of the total population



Note: For information on the compilation of the standardised statistics and the definitions, see: *www.oecd.org/els/migration/imo.*

Source: OECD (2011), *International Migration Outlook*, OECD Publishing, Paris.

Among the total resident immigrant population in Switzerland, currently more than one out of five in working age have come from one of the successor countries of the former Yugoslavia (see Annex Table 3.A1.1). The single most important origin country is Germany (13%), followed by Italy (10%) and Portugal (9%). Among the lower-income countries, Turkey ranks second next to the successor countries of the former Yugoslavia, accounting for 5% of all immigrants. Box 3.2 provides an overview of the labour market outcomes of immigrants from the former Yugoslavia and Turkey in international comparison.

Box 3.2. Immigrants from the former Yugoslavia and Turkey and their labour market integration in Switzerland

Immigrants from the various successor countries of the former Yugoslavia and Turkey together account for 24% of the immigrant population in working-age in Switzerland, and 54% of the immigrants from lower-income countries in that age range.

With the recent update of the *OECD Database on Immigrants in OECD Countries* (DIOC 2005), a comparative overview of the labour market outcomes of immigrants by origin country is possible for those OECD countries where they account for a sizeable population group. The table below provides such an overview for seven European OECD countries around 2005. Overall, both groups fare relatively well in the Swiss labour market compared with other countries. This is particularly notable for immigrant women from Turkey who have an employment rate of 59% compared with an average of 42% for the seven countries. In contrast, immigrant women from the former Yugoslavia fare only slightly above average, and notably less well than in Austria and Norway. In addition, for both origin groups and both genders, differences in unemployment rates *vis-à-vis* natives tend to be relatively large in Switzerland. The differences are particularly large for men from Turkey.

Labour force characteristics of immigrants aged 15-64 from the former Yugoslavia and Turkey in Switzerland, Austria and in other main European host countries, around 2005

	Employment rates (ER) in %			Percentage point difference in the ER compared with the native-born (native-born *minus* other)			Unemployment rates (UR) in %			Percentage point difference in the UR compared with the native-born (native-born *minus* other)		
	Ex-Yugoslavia	Turkey	Foreign-born	Ex-Yugoslavia	Turkey	Foreign-born	Ex-Yugoslavia	Turkey	Foreign-born	Ex-Yugoslavia	Turkey	Foreign-born
Total												
Australia	63	51	70	13	25	5	6	11	6	-1	-6	-1
Austria	67	53	63	4	18	8	10	17	10	-6	-13	-6
Belgium	45	36	50	18	27	12	..	28	17	..	-21	-10
Canada	75	61	72	0	14	3	6	11	7	0	-5	-1
Denmark	58	61	63	23	20	18	7	12	7	-5	-10	-5
France	52	46	57	13	19	8	23	27	18	-13	-17	-8
Germany	59	51	61	11	19	9	15	20	15	-6	-12	-6
Netherlands	58	54	60	17	21	15	13	11	11	-8	-7	-6
Norway	65	52	70	27	41	22	..	..	..	..	..	..
Switzerland	***68***	***65***	***74***	***14***	***17***	***8***	***11***	***15***	***8***	***-8***	***-12***	***-5***
United States	74	70	72	-2	2	0	7	7	7	0	1	1
Average[1]	**62**	**54**	**65**	**13**	**20**	**10**	**11**	**16**	**11**	**-5**	**-10**	**-5**
Men												
Australia	71	65	80	11	17	2	6	10	6	-1	-5	-1
Austria	73	69	73	5	9	5	9	15	10	-6	-11	-6
Belgium	57	54	61	13	15	8	..	..	16	..	..	-9
Canada	81	74	80	-2	5	-1	5	9	6	1	-3	0
Denmark	64	68	67	21	16	17	6	10	2	-4	-8	-5
France	57	65	65	13	5	5	21	21	15	-12	-12	-6
Germany	67	65	69	8	10	6	16	20	9	-8	-11	-7
Netherlands	65	70	69	18	12	13	13	10	4	-9	-6	-7
Norway	66	59	71	26	33	21	..	..	..	..	..	..
Switzerland	***77***	***70***	***83***	***11***	***18***	***5***	***8***	***16***	***7***	***-6***	***-13***	***-5***
United States	81	81	82	-5	-5	-7	6	6	6	2	2	2
Average[1]	**69**	**67**	**73**	**11**	**12**	**7**	**10**	**13**	**8**	**-5**	**-7**	**-4**
Women												
Australia	54	36	62	16	34	8	6	13	7	-2	-8	-2
Austria	*61*	*34*	*54*	*3*	*30*	*10*	*10*	*20*	*10*	*-5*	*-16*	*-6*
Belgium	31	18	40	25	38	16	..	..	18	..	..	-10
Canada	68	46	65	3	25	6	7	15	8	-1	-8	-2
Denmark	52	51	58	24	25	18	7	9	15	-4	-6	-13
France	47	24	49	14	36	12	26	42	21	-14	-31	-10
Germany	51	35	52	13	29	13	15	13	22	-6	-4	-13
Netherlands	51	36	51	17	32	16	11	12	14	-6	-8	-10
Norway	63	43	69	29	50	24	..	..	..	..	..	..
Switzerland	***58***	***59***	***65***	***17***	***16***	***10***	***13***	***13***	***9***	***-10***	***-10***	***-6***
United States	67	57	61	1	11	8	8	8	8	-1	-1	-1
Average[1]	**55**	**40**	**57**	**15**	**30**	**13**	**11**	**16**	**13**	**-6**	**-10**	**-7**

Note: Persons with unknown gender and place of birth are excluded. 1. The average includes Germany, Denmark and the Netherlands (and Norway and Sweden for employment rates).

Source: OECD Database on Immigrants in OECD Countries (DIOC 2005).

As in other OECD countries, immigrants are not evenly distributed across Switzerland. Annex Figure 3.A1.3 provides an overview of the immigrant population by region and its composition. The largest immigrant concentration (almost 40%) is found in the Italian-speaking Canton of Ticino, where, not surprisingly, half of all migrants have come from Italy. In the remainder of the country, the immigrant population is more diverse. Next to Ticino, a particularly large immigrant population is also found in the Lake Geneva region, where immigrants from neighbouring France and from Portugal are the two main origin groups. In Zurich and in Northwestern Switzerland, immigrants also account for more than 30% of the population. In these two regions, immigrants from Germany are the main origin group, followed by immigrants from the former Yugoslavia.

In summary, one can distinguish four broad waves of different composition of immigration to Switzerland. The first was the early "guestworker" migrants and their families who arrived between 1950 and 1970, mainly from Italy. The second were the late "guestworkers" who arrived between 1970 and 1991, mainly from the former Yugoslavia and Portugal and to a lesser degree from Spain. The third is humanitarian migration, which peaked in the 1990s and is still non-negligible, and here again the former Yugoslavia has been the main origin country in the past, albeit more recently origin countries have diversified, mainly towards Africa but also Asia. The fourth and most recent wave has been free movement migration from the European Union, in particular from Germany.

The evolution of integration policy

As already mentioned, for most of the post-war period, the permanent settlement of immigrants in Switzerland, and consequently any idea of integration, was not on the policy agenda. On the contrary, the amount of time immigrants could stay was strictly limited under a model of rotating workers without family reunification (*Gastarbeiter*). For example, under the labour recruitment agreement signed with Italy in 1948, workers could be asked to return home at any time and the length of stay required before a permanent residence permit could be obtained was set at ten years. The underlying idea was that immigrants only wanted to stay for a limited time and would thereafter return to their home country. Geographical mobility within the country was limited, as was the right to change employers. These restrictions in the mobility even of permanent-type immigrants remained in place until 2008.

The considerable restrictions placed on immigrants in Switzerland were mainly intended to prevent lasting settlement. Although measures targeted at supporting migrant workers were sometimes taken, they consisted of improving the conditions of their stay, but were not aimed at promoting their integration.[16]

In the early 1960s, the labour-market-oriented migration policy without concern for integration based on the rotation of workers began to show its limits with the emergence of a xenophobic current and international pressure to improve the status of migrants. Already in 1953, the predecessor of today's OECD, the OEEC, had suggested reducing the time required to obtain a permanent residence permit from ten to five years and Italian diplomacy was taking active steps to assist the 400 000 Italian nationals in Switzerland. The Confederation gave ground on these issues, and new directives were adopted to facilitate family reunification. There were also first signs of a growing awareness that immigration was a lasting rather than a merely cyclical phenomenon, and the Federal Council commissioned a working group of scientists and representatives of the administration to prepare an exhaustive report on "the problem of foreign labour". This

planning document, published in 1964, charted the course for the decades to come, *i.e.* the rotation model would continue to be applied for the majority of migrants,[17] but those who were called upon to remain in Switzerland had to take (once they had been allowed to do so) the only pathway that made it possible to "combat an excessive foreign penetration", *i.e.* assimilation followed by naturalisation (which has been difficult to obtain, see Section 3.3 for a discussion). The working group also adopted a "universalist" approach and suggested that the equal treatment of Swiss citizens and foreigners should be extended to all forms of social security and vocational training. It also opposed the idea of educating immigrant children in separate classes.

A more targeted strategy was also outlined around the concept of "contact points". This suggested creating support centres in major cities to provide services such as language courses for newly arriving immigrants. The idea was to promote mutual knowledge and reduce conflicts between foreigners and natives. However, the implementation of what clearly constituted the first integration programme officially mentioned in Switzerland was left entirely to the good will of individuals, as an appeal to promote integration was implicitly made to landlords, fellow tenants, neighbours, employers, colleagues and subordinates, members of all kinds of groups and organisations, craftsmen, managers of public institutions, doctors, teachers, etc. In line with the tradition of the Swiss social partnership, great hope was placed in the integrating potential of trade unions and it was regretted that there were few foreigners who were union members. In fact, the various concrete measures were being taken in a geographically uneven and unco-ordinated manner, and mainly provided some basic language training as well as advice and support to employers, trade unions and also the associations representing the immigrants themselves at the national or regional level.

Only following the shock of the xenophobic "Schwarzenbach" initiative of 7 June 1970, which proposed a drastic reduction in the number of foreigners and which was only narrowly defeated, did the federal authorities become more aware of the need for integration and take steps to develop a concrete policy in this field. The fact that mention was made in 1970, for the first time, of the existence of a "second generation" of immigrants during a session of the Federal Council was very symptomatic in this regard (Niederberger, 2005).[18] A specialised standing commission was established at the national level – the predecessor of today's Federal Migration Commission (see below).[19] Although the "universalist" approach to policies remained dominant and the Federal Council's programme for the 1971-1975 period was aimed at granting all workers the freedom to change their job, profession or residence, maintaining national priority on the labour market remained key for Swiss policy which in practice continued the non-integration policy of the 1960s. For example, when the economic situation was severely affected by the oil shock of 1973, the Federal Council announced that Swiss job-seekers were to be given priority over resident foreigners and a circular to this effect was sent to the cantonal authorities (Piguet, 2009). However, the fact that the newly established Federal Commission took the liberty of criticising the federal authorities was a sign that a change was underway.

During the period from the mid-1970s to the 1990s, in which immigration began to grow again, federal integration policy remained minimalist and was limited to trying to gradually improve the legal situation of foreigners so that they would enjoy the same civil rights as Swiss citizens. The main obstacle to this policy proved to be the sensitive nature of migration issues among the Swiss population and the willingness of xenophobic movements to make use of the tool of direct democracy. When the measures proposed were universal in scope and only affected foreigners indirectly, as was the case with the

general extension of unemployment insurance in 1976, they were accepted. When they were more specific, such as the attempt to reform the Act on Foreign Nationals in 1978 and the two attempts to facilitate the naturalisation of children of immigrants in 1983 and 1994, they failed to pass the popular vote.[20]

Another reason why central government did not play a particularly active role is the importance given in Switzerland to the federalist principle of subsidiarity, which has been particularly apparent in the area of integration. Under this principle, responsibility for implementing concrete integration measures lies primarily with the local authorities. As the Confederation did not, until recently, have a legal basis for allocating financial resources to integration, its modest efforts in the domain were limited to trying to promote initiatives by the cantons and municipalities, which are not always convinced of the need for the suggested policies. For example, the Federal Commission initially sought, with limited success, to encourage the establishment of local commissions devoted to integration issues that would act as contact points and centres for disseminating information (Niederberger, 2004). It also encouraged the involvement of foreign delegates on an advisory basis. In 1979, a document was jointly published with the major associations of Swiss communes to provide information and support to municipalities in the field of integration, which stressed the need to enable foreigners to participate more fully in public life (Steiner, 2007). This manual was revised in 1989 ("Foreigners in Our Commune") and demonstrates the predominant role played by the local level in the field of integration until the 1990s.

In the 1980s, when Switzerland faced a growing diversification of the immigrant population and an increasing number of immigrant offspring, the Commission became involved in encouraging cantons and cities to establish educational support schemes for children of immigrants, to facilitate their access to social and medical services and to ensure that parents were included in school boards. Among the cantonal measures specifically intended for immigrants, separate classes for new arrivals, which had initially met with criticism, became widespread. Emphasis was also placed on the vocational training of young people with an immigrant background, the number of whom was increasing rapidly.

In the 1990s, along with the growing numbers of humanitarian migrants, attention at the federal level shifted to the issue of asylum, to the detriment of interest in integration issues. To this was added the fact that there was significant return migration during the cyclical downturn around 1993, which reinforced the view that immigrants with difficulties to integrate into the labour market would leave the country. In 1991, a major report was published that the Federal Council had commissioned from its administration on the design and priorities of Swiss policy regarding foreigners for the 1990s (OFIAMT/OFE, 1991), but the issue of integration was only addressed marginally. It was at the level of cities and cantons, through the introduction of active integration policies, that a change became perceptible during this period. Many cities and cantons adopted "guidelines" regarding integration and set up specialised administrative services (Sancar, 1999).[21] This central role played by the local level confirmed the primacy of "ordinary" and "universalist" structures with regard to integration (education, etc.), since these are communal or cantonal responsibilities in Switzerland. It is also possible that the strong decentralisation of integration policy has contributed to the divergence, pointed out by many observers, between the conceptions of integration in French-speaking Switzerland – more focused on participation – and in German-speaking Switzerland, more focused on rights and duties (D'Amato, 2009).

By the end of the 1990s, because of many factors – the above-mentioned growing diversity of the origin of immigrants and the reasons why they immigrated, the prospect of permanently relinquishing the "guestworker"-type approach to labour migration associated with the rotation model, the concern over the socio-economic situation of certain groups of settled immigrants and the prospect of complete freedom of movement with the European Union – the issue of integration had come to the forefront of political agendas. In 1999, an article on integration was added to the Foreigners' Act, which provided, for the first time, a legal basis for action by the Confederation to support the integration activities of the cantons. The broad mandate of the revised Act was specified in 2000 when an Order on the Integration of Foreign Nationals issued by the Federal Council came into force. For the first time, it gave the Confederation an explicit mandate, together with a budget of CHF 10 million, to promote the integration of immigrants. Even though the amount was very small, a new era was opened for integration policy.

With the new Foreigners' Act which entered into force in 2008, this legal base was enlarged. The new act includes many references to integration and provided the Federal Office for Migration (*Office fédéral des migrations,* ODM) with the co-ordination role for integration. It also provides for labour market access and full intra-Swiss mobility (that is, the right to change the place of work and the employer) of most permanent-type immigrants in Switzerland.[22] In addition, the cantons were equipped with the possibility to introduce "integration conventions" which can bind the issuance of residence permits or access to support through social care for migrants from non-EU/non-EFTA countries to certain conditions such as the attendance of language classes or other vocational training or employment measures. To date, this tool has only been used in some exceptional circumstances.

The new integration policy of the Confederation was elaborated through the "Report Integration Measures" (ODM, 2007), which set the focal points of the federal integration policy for the years 2008-11. Within this action frame, measures are undertaken to increase the intercultural competence and language skills of the staff in labour mediation institutions through the offering of courses and specific action recommendations like adding intercultural skills as criteria in the hiring process of new staff. Additionally, the competitiveness of migrants on the labour market is to be increased through imparting basic labour-market-oriented knowledge (*e.g.* everyday mathematics), as well as basic language training. In addition, co-operation between government agencies, providers of labour market placement measures and private corporations was to be improved, and the number of foreign job seekers accessing integration allowances to be increased. In addition to these measures that take place within the mainstream services, the Confederation also provides a number of measures targeted at migrants (see below).

In 2010, the Federal Council decided in the "Report for the further development of federal integration policy" (Federal Council, 2010; see also de Coulon and Gäumann, 2011) to maintain funding levels and priorities, while continuing to restructure responsibilities. In addition, federal funding will be stepped up from 2014 onwards. The Confederation will be the strategic actor, and the cantons the operative actors within the frame of specific integration policies. Even though parliamentary debates raised the issue of discrimination as a substantial obstacle to the labour market integration of immigrants, the federal council did not see any need to implement additional legislation to prevent discriminatory actions. However, some awareness-raising measures are foreseen from 2014 onwards. In addition, the federal state intends to make welcoming information sessions for recent arrivals obligatory from 2014. Within these meetings, the immigrant's

ability to integrate will be evaluated and, depending on the appraisal and the admission status, the authorities will arrange an integration convention with him or her.

Key actors

As described above, due to subsidiarity and the structure of the Swiss state, migration and integration policy in Switzerland is relatively decentralised. The decentralised nature of active labour market policy in general creates specific challenges for co-ordination (see Duell *et al*., 2010 for a comprehensive description).

At the federal level, Switzerland has several actors which develop and influence integration policy

At the federal level, the *Federal Office for Migration* (ODM) was created in 2005 to handle all migration issues for which the competence is Federal, including immigration and naturalisation. It is in charge of Federal integration policy and co-ordinates the integration activities at the sub-central level. The ODM was the result of a merger between the Federal Office for Refugees and the Federal Office of Immigration, Integration and Emigration. The office has more than 700 employees. In recent years, it has progressively expanded its activities with respect to integration and about CHF 72 million were budgeted for integration measures in 2010. The vast majority of this budget – 59 million – was lump-sum payments to cantons for the integration of humanitarian migrants (that is, refugees and provisionally admitted persons). Only CHF 16 million were available for general integration measures (that is, not targeted at humanitarian migrants), mainly for language training (9 million). The remainder was for "Integration competence centres", which are mainly responsible for welcoming migrants and providing information on integration issues as well as mediating between institutions and people involved in integration processes, for a "mediation centre for intercultural translation" and for the development of innovative integration pilot projects. By 2014, it is planned to merge the lump-sum payments for humanitarian migrants with the regular budget and to top this up by an additional 20 million. This should not only significantly enhance the budget, but also the scale and scope of integration activities at the Federal level which will nevertheless remain more limited than in other OECD countries.

The second key player at the federal level is the State Secretariat for Economic Affairs (Secrétariat d'État à l'économie, SECO), the Swiss government's "competence centre" for all issues related to economic policy. Within the SECO, the Directorate for Employment is in charge of labour market policy. SECO has also a mandate in public policy analysis which means that it reviews labour market integration policy, and produces periodic reports and recommendations.

The Federal Migration Commission (Commission fédérale pour les questions de migration, CFM) was created by the Federal Council in 2008, through merger of the Federal Foreigners Commission (Commission fédérale des étrangers, CFE) and the Federal Refugee Commission (Commission fédérale pour les questions des réfugiés). The CFM is meant to serve as a bridge between civil society and the federal administration. It is an extra-parliamentary commission, with 30 elected members serving a three-year term, and a full-time staff of four. The predecessor to the Commission managed special federal integration funds from 2001-07, of 10 million per year. Since 2008, the CFM provides grants of about CHF 2 million annually, through tenders. Projects may cover language, integration services, or "innovative projects" in which the CFM is directly involved. Given its limited funds, the CFM concentrates on experimentation, to stimulate

local authorities to implement good practices. In addition to funding projects, it publishes reports and recommendations and advises the government. In 2010-11, it published recommendations on several issues (migrant women, integration contracts, naturalisation, and undocumented migrants). However, the focus of the activities is not on the actual labour market integration of immigrants.

Finally, at the Federal level, there is an "Anti-racism Commission" (*Commission fédérale contre le racisme*, CFR) with a rather modest budget of CHF 155 000 (in 2008). The commission essentially runs information campaigns related to discrimination and racism and issues policy statements in these domains.

But "operation" means expenditures and this is at cantonal/communal level

While most responsibility for policies and expenditures related to integration is at the sub-federal level, it is divided between different levels and different branches. The *cantons*, for example, are the main level of government responsible for active labour market policies for the unemployed. The cantonal labour offices, which are part of the cantonal economic departments, run the local employment offices ("offices régionaux de placement", ORP/"Regionale Arbeitsvermittlungszentren", RAV). The cantons also handle unemployment insurance, although benefit administration is generally not co-ordinated with job-placement activities. In addition, while invalidity insurance is regulated by federal law, the offices are run at the cantonal level (see Duell *et al.,* 2010 for details).

Beyond the mainstream services provided by the public employment and social assistance services and the invalidity-insurance offices, most cantons have established cantonal integration services which deal with projects and stakeholders. They also decide how to disburse the lump-sum integration payment provided for the integration of humanitarian migrants. In addition, all cantons now have integration delegates who co-ordinate integration activities at the cantonal level. The scale and scope of their activities differ widely, partly reflecting differences in the size and composition of the immigrant population (see Annex Figure 3.A1.3). It is not uncommon even in some of the larger cantons that the integration activities are more or less exclusively confined to recently-arrived humanitarian migrants for whom there are, as already mentioned, some targeted funds available.

The *municipalitie*s are generally responsible for social assistance and health support, subject to cantonal rules. Smaller municipalities may pool or outsource their social benefit administration to the canton, allowing for more comprehensive cantonal intervention. Active labour market policy for those receiving social benefits is generally co-funded by the canton. The Public Employment Services, which are organised to place the unemployed and benchmarked accordingly, do not normally provide active labour market policy services for those receiving social benefits. The larger cities also have established their own integration services.

The tripartite agglomeration conference, founded in 2001, serves as a co-ordintation platform for policy across the three levels of government. One of its key tasks is the development of recommendations regarding integration policy and in 2009, it authored a key policy document on the future of integration (Tripartite Agglomeration Conference 2009), which provided an important impetus for the further development of integration policy (see Federal Council, 2010).

The operational model for labour market integration is through contract fee-for-service provision and short-term tenders to private social and non-social enterprises

The Public Employment Services are key actors in placement, but private actors do most of the formal job placement: in 2008, there were about 4 000 private placement agencies and temporary-work agencies, placing 70-80% of all jobseekers passing through institutional placement support.

Most funds for active labour market policy (ALMP) are outsourced by cantons. Cantonal budgets vary according to the caseload. The contracted organisations generally do training and preparation. ALMP service providers can be funded by different cantons, and may propose interventions to different funders for beneficiaries with different benefits. Training institutes – often with close links to employers' associations – are another key actor in the Swiss system, with courses subsidised according to the case file of the beneficiary.

The wide variety of actors conducting labour market integration policy for immigrants seems both a strength and a weakness. On the one hand, actors are able to experiment different approaches. On the other hand, differences in philosophy and approach may make successful initiatives difficult to imitate, and a fully-fledged evaluation is rarely done. Finally, the provision of ALMPs – when they are outsourced – is determined by the parameters of evaluation in the tender, so that initiatives may be designed not around the individual needs of beneficiaries, but to meet performance targets on which projects are reapproved. This may be a particular issue for migrants, whose needs differ and who are often quite far from the labour market. This may notably lead to so-called "creaming" effects, *i.e.* immigrants benefiting less from ALMP, although there is little evidence that this has been an issue in Switzerland thus far (see Section 3.3 below).

Non-governmental organisations play a more limited role than elsewhere

In contrast to other OECD countries such as Belgium, Germany or the Nordic countries, there is no formal representation of immigrants at the federal level, although migrant representatives have half of the seats in the Federal Commission for Migration (*Commission fédérale pour les questions de migration,* CFM*)*. More generally, non-governmental organisations (NGOs) appear to play less of a role than elsewhere. The largest NGO with respect to integration is the Swiss Refugee Aid which runs a number of integration-related projects for humanitarian migrants and asylum seekers.[23] In 2010, it had a budget of about CHF 6.8 million.

Business and employers' associations have not played a major role with respect to labour market integration of immigrants thus far. Labour unions, in contrast, have a long tradition of having a strong migrant representation in their membership – particularly the blue-collar unions. More than 50% of the members of Switzerland's largest union, UNIA, are immigrants (leading it to declare itself "Switzerland's largest migrant association"). UNIA provides language training and mentorship programmes. These, however, are mainly for persons already in employment. Further, migrant membership appears due largely to its sectoral concentration (construction accounts for more than a quarter of the members in employment) and comprises mostly the labour migrants (Italian, Spanish and Portuguese) who have arrived several decades ago and many of whom are approaching pension age, rather than young immigrants from the other countries or humanitarian migrants.

3.3. Key issues in the labour market integration of immigrants

Migrants' qualifications and labour market outcomes

The qualification structure of the Swiss workforce aged 25-54 is largely dominated by upper-secondary and tertiary qualifications (see Table 3.2). As in the United States, Austria and Germany, the medium-educated represent more than half of the native-born population and in addition, the highly-educated have a rather high share of 38%. The low-educated population, on the other hand, is smaller in Switzerland than in any other country in the comparison group. The share of low-educated amounts to only 5% among the native-born, compared with 15% on average in the comparison group.

Among immigrants, qualifications below upper-secondary level are more widespread than among the native-born – more than one quarter of the foreign-born are low-educated. The share of highly-educated, on the other hand, is as high as among the natives. Among the group of immigrants from lower-income countries, there are almost even shares of low- and highly-educated, roughly 30% each.

In terms of labour market outcomes, and in contrast to all other European OECD countries in the comparison group, low-educated immigrants fare better in the Swiss labour market than their native peers (see Figure 3.10).[24] However, the medium- and high-educated face rather large differences in their employment rates compared with their respective native peers.

Sixty nine per cent of the highly-educated immigrants work in jobs that match their skill level, which is the highest share in international comparison (see Annex Table 3.A1.2). This is, however, again driven by the large share of immigrants from high-income countries in the foreign-born population. Indeed, this group is even less concerned by over-qualification than the native-born. The picture is quite different for immigrants from lower-income countries. Only 53% of the highly-educated are in jobs that match their skill level. Although this share is still quite high in international comparison, it is much lower than for the natives and immigrants from higher-income countries who have shares of 72% and 76%, respectively. It thus appears that the highly-educated immigrants from lower-income countries face obstacles to having their qualifications and work experience valued in the Swiss labour market, although these are not necessarily larger than elsewhere.

There are several possible reasons for this observation. First, immigrants may have obtained their qualifications and work experience abroad and employers may have difficulties in assessing such qualifications and work experience, particularly when they have been obtained in education systems and workplaces which differ substantially from the Swiss ones. It is also conceivable that qualifications obtained in non-OECD countries may actually be of less use in the Swiss labour market and indeed, there is some evidence that this explains part of the discount of foreign qualifications in the labour markets of OECD countries (see OECD, 2008b). However, empirical analysis (Table 3.3) suggests that highly-educated immigrants from lower-income countries are disadvantaged even when they have obtained Swiss qualifications. This disadvantage also remains significant when differences in work experience in the Swiss labour market are taken into account. This suggests that this group of immigrants faces additional obstacles not related to the origin of their qualifications or work experience.

Table 3.2. Distribution of the native and foreign-born populations aged 25-54, by educational level, selected high-income countries, 2008/09

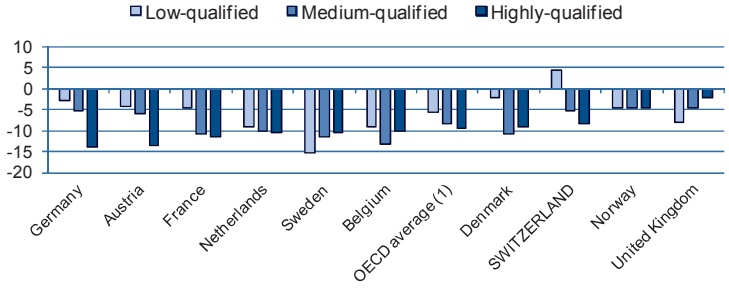
Percentage

		ISCED 0-2	ISCED 3/4	ISCED 5/6
Austria	Native-born	13	68	19
	Foreign-born	30	51	19
	Foreign-born, lower-income	44	43	14
Belgium	Native-born	23	41	37
	Foreign-born	39	30	31
	Foreign-born, lower-income	46	28	26
Denmark	Native-born	20	43	37
	Foreign-born	29	39	32
	Foreign-born, lower-income	42	36	22
France	Native-born	23	45	32
	Foreign-born	41	31	28
	Foreign-born, lower-income	43	30	27
Germany	Native-born	9	64	28
	Foreign-born	35	45	20
	Foreign-born, lower-income	...	...	...
Netherlands	Native-born	22	44	35
	Foreign-born	39	33	28
	Foreign-born, lower-income	45	32	22
Norway	Native-born	18	44	38
	Foreign-born	26	35	38
	Foreign-born, lower-income	36	33	31
Sweden	Native-born	11	55	34
	Foreign-born	25	40	35
	Foreign-born, lower-income	29	37	33
Switzerland	**Native-born**	**5**	**58**	**36**
	Foreign-born	**27**	**38**	**36**
	Foreign-born, lower-income	**31**	**40**	**29**
United Kingdom	Native-born	27	39	34
	Foreign-born	22	41	37
	Foreign-born, lower-income	26	38	36
United States	Native-born	7	61	32
	Foreign-born	28	42	30
	Foreign-born, lower-income	31	41	28
Group average[1]	Native-born	16	51	33
	Foreign-born	31	39	30
	Foreign-born, lower-income	37	36	27

1. The group average refers to the average of the countries included in this table and for whom data were available.

Source: European Community Labour Force Survey for the European OECD countries and Current Population Survey March Supplement for the United States.

Figure 3.10. Percentage-point differences in employment rates of foreign- and native-born, by educational level, people aged 15-64 and not in education, 2008/09 average



1. The OECD average refers to the unweighted average of the countries included in the figure.

Source: European Community Labour Force Survey.

Among these obstacles may be lack of access to networks and lack of knowledge about labour market functioning, both of which particularly concern immigrants. Although there is no evidence of the importance of these obstacles for the Swiss case, there is little reason to believe that the situation differs much from the one observed in other OECD countries such as Norway, Sweden, Germany or Austria where a large part – if not the majority – of jobs involve informal contacts with employers. Immigrants have fewer of these and a number of OECD countries have implemented mentorship programmes to provide immigrants with such contacts. Although some cantons have implemented them in Switzerland, the scale and scope of such programmes is rather limited, and they are often not targeted at immigrants.[25] Discrimination in the labour market remains as a third possibility and indeed, its incidence seems to be high in Switzerland (see below).

A particularly strong discount of foreign qualifications is observed by immigrants who have obtained their highest diplomas in lower-income countries. Weins (2010), in an analysis of data from the International Adult Literacy Survey, shows that the devaluation of foreign credentials on the Swiss labour market holds even after accounting for an objective measure of literacy. With respect to the returns from education, immigrants with a foreign vocational or university diploma benefit significantly less from having invested in vocational or higher education than their peers with Swiss qualifications. The former (except for holders of tertiary vocational diplomas) do not seem to yield a significant increase in their salary levels, compared with persons who did not obtain any upper-secondary diploma, whereas this is the case for Swiss diplomas.

Information on qualifications recognition from the Swiss Labour Force Survey suggests that immigrants who obtained a formal recognition of their foreign diploma appear to be no longer significantly disadvantaged in the Swiss labour market in terms of employment opportunities (see Table 3.3).[26]

More generally, in the Swiss context, the recognition of a foreign diploma could be expected to play a particularly important role, as formal credentials have a high importance in the labour market and send strong signals to employers during the hiring process (see Weins, 2010). This is partly related to the relatively high stratification of the Swiss education system. Like Austria, Denmark and Germany, Switzerland maintains quite specialised tracks of vocational and professional training leading to rather specific professional profiles that are certified through *formal credentials* (for a more detailed discussion of vocational education and training in Switzerland, see Section 3.4).

Table 3.3. Percentage-points differences in the probability of being in highly-skilled employment for highly-educated persons aged 15-64 in Switzerland, foreign-born compared to native-born, 2008

Variables	Model 1	Model 2	Model 3	Model 4
Foreign-born	-6.5***			
Highest education obtained in Switzerland		-5.7**		
Born in high-income country			0	0
Born in lower-income country			-15.4***	-15.4***
Highest education obtained in high-income country		0.4	0.4	0.4
Highest education obtained in lower-income country		-26.0***		
Highest education recognised			-7.5	-7.5
Highest education not recognised			-29.9***	
Did not file a request for recognition				-27.4***
Request for recognition was rejected				-47.7***
Controls				
Work experience	0.5***	0.6***	0.6***	0.6***
Work experience^2	-0.02	-0.03***	-0.03***	-0.03***
Gender	-6.0***	-5.6***	-5.7***	-5.7***

Note: The figures show the differences between immigrants and the native-born. They correspond to marginal effects in a logistic regression, calculated at the sample means of the respective variables. The reference group is the native-born. *, **, *** denote significance at the 1%, 5% and 10% level, respectively. All regressions contain controls for gender and a proxy for years of work experience in Switzerland. Managers of small enterprises (up to five employees) were excluded from the sample.

Source: Swiss Labour Force Survey, Swiss Federal Statistical Office.

Recognition of foreign qualifications

Foreign qualifications on the Swiss labour market and the value of recognition

Given the disadvantages facing highly-educated immigrants from lower-income countries in the Swiss labour market and the apparent benefits of having a foreign qualification formally recognised, one could expect a rather high demand for recognition in Switzerland, especially as over 80% of the highly-educated immigrants have obtained their highest degree abroad (see Table 3.4). They would thus be potentially concerned by a devaluation of foreign higher degrees in the Swiss labour market.

Therefore, it is surprising to find that the vast majority of immigrants with tertiary degrees do not seek recognition. Among immigrants from lower-income countries, only about one quarter report that they have applied for recognition, while the majority deemed recognition "not necessary" (see Table 3.4).[27] For those who apply, the actual chances to obtain recognition appear to be quite good, as two out of three requests filed by immigrants from lower-income countries until 2008 were approved. These findings leave one with a puzzle – recognition seems highly valuable in the Swiss labour market, but few immigrants seek it. This could be due either to a lack of awareness about the possibilities for recognition and the value which it provides or to other factors intrinsic to the Swiss system for the recognition of foreign qualifications which might discourage them from applying. To shed some light on this question, it is important to first take a closer look at the system.

Table 3.4. Origin of qualifications and participation in recognition, highly-qualified foreign-born aged 15-64, 2008

Highest degree or qualification achieved...	Foreign-born in %		Foreign-born, from a lower-income country, in %	
... in Switzerland	**16**		**17**	
... abroad, out of which:	**84**		**83**	
applied for recognition, out of which	18	*(100)*	24	*(100)*
degree was recognised		*77*		*64*
degree was not recognised		*18*		*29*
did not get the result yet		*5*		*7*
did not apply for recognition	82	*(100)*	76	*(100)*
was not necessary		*87*		*71*
other reason		*13*		*29*

Note: How to read the table: 84% of the highly-skilled immigrants got their highest qualification abroad. 18% applied for its recognition.

Source: Swiss Labour Force Survey, Swiss Federal Statistical Office.

The Swiss system for the recognition of foreign qualifications

As in other OECD countries, there are no formal recognition requirements for non-regulated occupations in Switzerland: it is up to the employer to decide whether or not to accept the job applicant's claim to have the necessary skills. For regulated professions, formal recognition is generally required, although the same profession may be regulated or non-regulated depending on cantonal legislation. Compared with other OECD countries, Switzerland regulates relatively few professions, but for these, the system of recognition is complex.

There is no national framework or comprehensive law governing the recognition of foreign qualifications, and responsibilities are shared among a multitude of different actors. These include different federal ministries and offices, as well as the cantons and organisations such as the *Rectors' Conference of Swiss Universities* (*Conférence des Recteurs des Universités Suisses*, CRUS) or the Swiss Red Cross. This fragmentation stems from Swiss federalism, as well as from the stratified nature of the training system (universities, universities of applied sciences and vocational programmes fall under different ministerial and cantonal responsibility) and the exclusion of certain professions (such as medical professions) from general regulations.

The most comprehensive structure for recognition is maintained by the Federal Office for Professional Education and Technology (Office fédéral de la formation professionnelle et de la technologie, OFFT) that is in charge of assessing professional qualifications gained through vocational education and training (VET), professional education and training (PET) and at universities of applied sciences (UAS). In a sort of one-stop-shop procedure, the OFFT accepts "preliminary applications" for recognition and subjects them to a first evaluation aiming to sort out diplomas that fall under the responsibility of a different body.[28] The applicant is then informed about further action to take and, if necessary, referred to the third body in charge.

Regarding applications in its own domain of competence, the OFFT proceeds to the proper assessment after having received certified copies of the necessary documents. On average, the overall recognition procedure takes between two and four months. In the case of an application being successful, recognition can be granted in two different forms.

For credentials in regulated professions, the OFFT usually issues a *recognition certificate* ("*reconnaissance*"/"*Anerkennung*") that costs CHF 550 and is legally binding in the sense that it grants the permission to exercise a regulated profession. Where doubts remain about the full equality of a diploma to a Swiss one, the OFFT can recommend adjustment measures, but these are not linked with bridging offers. For credentials in non-regulated professions that do not actually require formal recognition, the OFFT offers a so-called *level certificate (*"*attestation de niveau*"/"*Niveaubestätigung*") for which it charges CHF 150. This assessment aims to classify the foreign diploma with respect to the Swiss system in order to help employers assess its value.

In 2009, the OFFT received about 4 000 "preliminary applications". Only one third concerned regulated professions, while the majority was filed by immigrants with qualifications in non-regulated professions. 60% of the applicants were EU citizens.[29] Around 900 applications were referred to third bodies – for example to the CRUS in the case of higher-education diplomas – while roughly 1 200 were assessed and processed by the OFFT itself. Only between 1 and 3% of the processed applications were eventually rejected.

Immigrants who cannot provide proof of a VET diploma (*e.g.* because they lack the required documents) or have never obtained a formal upper-secondary qualification cannot be considered for formal recognition by the OFFT. However, Switzerland is currently in the process of developing a national framework for the accreditation of prior learning (APL) that is usually referred to as *validation d'acquis*. Within this framework, professionals without an upper-secondary diploma will have the possibility to obtain a basic Swiss VET diploma to have the non-formal and informal skills that they gained from their work experience valued on the labour market.[30]

The cantons are charged with the implementation of the *validation d'acquis*, while the OFFT sets the guidelines at the federal level. To enhance the harmonisation of the validation procedures, the OFFT published a set of guidelines in 2010, jointly with the cantons, the social partners and employers' associations (see OFFT, 2010a). In these guidelines, the relevant actors develop a concept for a step-by-step assessment of an individual qualification profile that is only accorded a formal diploma if applicants can demonstrate the skills usually required from participants in the corresponding formal VET course. Although not all cantons have come forward with a concept for a validation procedure, the process is underway.

While the recognition of vocational qualifications appears to be administered quite effectively at the federal level, university diplomas (with the exception of universities of applied sciences) are not subject to federal regulations. They fall under the responsibility of the CRUS that can issue non-binding "recommendations" for foreign university diplomas under the condition that a similar university course or diploma is offered by a Swiss university.[31] "Recommendations" aim to facilitate access to non-regulated professions and are meant for holders of foreign qualifications who would like to enter the Swiss labour market.

In cases where recognition is a pre-requisite for the pursuit of further higher education, however, universities conduct their own assessment of previous diplomas autonomously. This is also the case for secondary school-leaving certificates and it appears that Swiss universities tend to be quite demanding with respect to the pre-requisites for admission. According to CRUS – which holds bi-monthly meetings with admissions officers from the different Swiss universities to harmonise the approach to recognition – universities are particularly sceptical of degrees from lower-income countries. However, there is no common concept for structured bridging courses in order

to make up for deficits in previous education. Instead, guidance counsellors tend to orient applicants away from the university system, which is often justified by the view that Switzerland offers highly-skilled jobs that do not require a university diploma.

Problems may further arise where non-EU university degrees correspond to a VET qualification in the Swiss system (*e.g.* in the case of social work). For such degrees, the CRUS cannot issue any "recommendation" and equivalence would have to be assessed by the OFFT. The OFFT, in turn, does not take university degrees into consideration (with the exception of degrees from universities of applied sciences), even in cases where their only Swiss equivalent would be a VET degree. By consequence, immigrants with such degrees have neither access to a non-binding "recommendation" nor to a formal recognition in Switzerland. For this group, a *validation d'acquis* would appear to be particularly useful, in order to have their skills better valued on the labour market and to obtain a recognised Swiss qualification. This also applies to those immigrants who are unable to document their studies – which is, for instance, the case for many refugees.

There are certain professions that require an official license and are thus subject to exceptional recognition procedures in Switzerland. These are healthcare professions, teaching professions, certain technical professions, lawyers and notaries. In these cases, recognition is covered by the responsible licensing bodies at the federal or cantonal level. If responsibility lies with the cantons, the recognition procedures may vary according to cantonal legislation. *Architect*, for instance, is a regulated profession requiring official recognition in some cantons, while it is non-regulated in others.[32] As a consequence, immigrants can be disadvantaged just from living in a specific canton, which is questionable with respect to principles of equal treatment, especially if their resident status does not permit them to change cantons without obstacles.

Immigrants from outside the European Union, moreover, face considerable obstacles if they have degrees in medical professions. Recognition of the latter is only possible under the bilateral agreement asserting the mutual recognition of foreign qualifications between Switzerland and the EU-25/EFTA.[33] As a consequence, third-country nationals, as well as Romanian and Bulgarian citizens with foreign degrees, are excluded from formal recognition, unless they have already obtained recognition elsewhere in the European Union and fulfil a range of additional pre-requisites.[34] Nevertheless, some cantons authorise medical staff trained outside of the EU/EFTA to practice, under certain conditions, even without recognition.

In sum, recognition procedures for foreign qualifications vary substantially in Switzerland, depending on the type and level of the qualification, the relevant profession and licensing body and cantonal legislation. This tends to make the overall system rather complex and is associated with inequalities in the access to recognition procedures and the opportunities to practice certain professions and generates obstacles to the labour market integration of immigrants with qualifications from non-EU countries. Since the fees involved are not high, the complexity of the system and a lack of knowledge about its functioning and benefits on the part of immigrants appear to be the main obstacles to their making more extensive use of it.

The labour market integration of recent arrivals

Overview

In recent years, Switzerland has experienced exceptionally large inflows of immigrants. It has received the highest number of permanent-type immigrants in the OECD since the collection of comparable statistics by the OECD in 2003. As a result,

about one out of five resident immigrants has arrived over the past five years, accounting for 5% of the total resident population. Given these figures, the labour market integration of these new arrivals is an issue of particular importance in Switzerland.

The *convergence concept of integration* suggests that gradually, over time, as migrants acquire host-country specific human capital such as language skills, their labour market outcomes should approach those of the native-born. Evidence from other OECD countries (see OECD, 2007 and 2008b) suggests that early labour market entry is a crucial determinant of integration outcomes in the long-run.

Figure 3.11a shows the employment-population ratios of immigrants in Switzerland by year of residence and migrant group, for 2003/04 and 2008/09. As can be seen, for men the labour market outcomes of recent arrivals are quite favourable in Switzerland. The outcomes are particularly good for immigrants from higher-income countries who have accounted for the bulk of new arrivals in Switzerland. The favourable picture also holds in international comparison and when looking only at immigrants from lower-income countries (Figure 3.11b). However, for women from lower-income countries, the picture is less favourable and there is some evidence that the outcomes of recent arrivals are lower now than what they used to be.

Figure 3.11a. Differences in the employment rates of immigrants aged 15-64 *vis-à-vis* native-born by year of residence, origin group and gender, Switzerland, 2003/04 and 2008/09

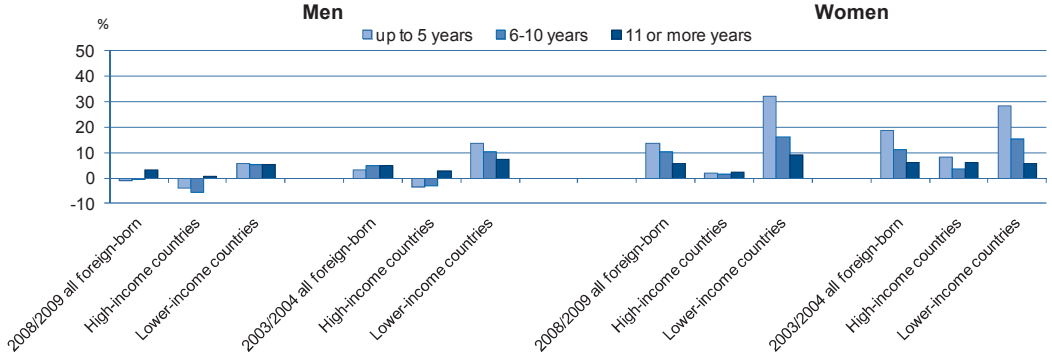
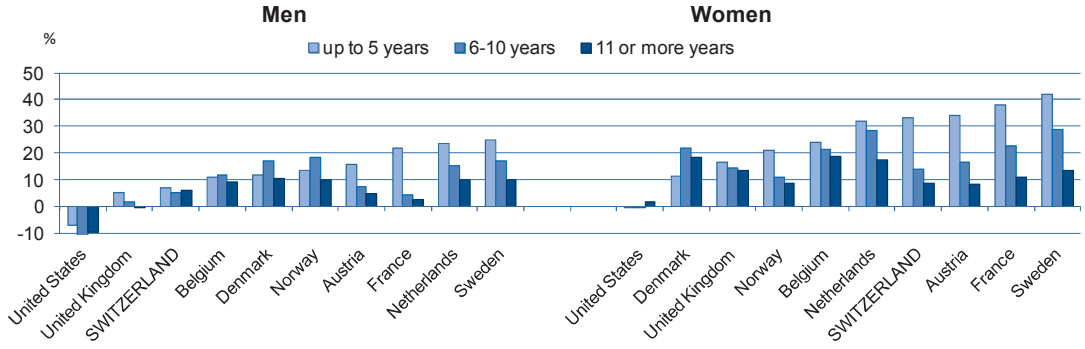


Figure 3.11b. Differences in the employment rates of immigrants aged 15-64 from lower-income countries *vis-à-vis* the native-born, by year of residence and gender, Switzerland, 2008/09

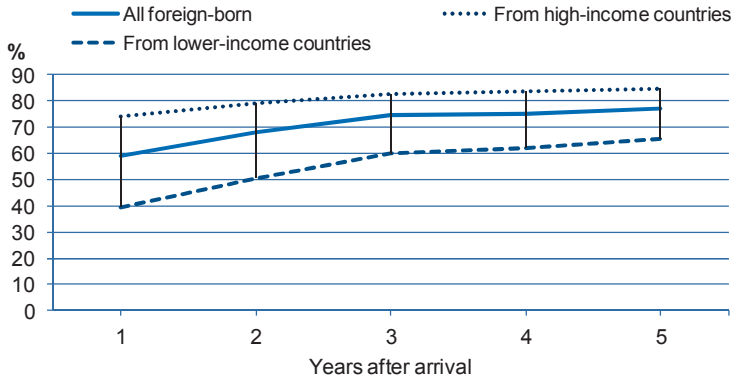


Note: The definition of "lower-income countries" in the European Community Labour Force Survey differs slightly from the Swiss Labour Force Survey. The differences in the employment rates are calculated as employment rate of the native-born *minus* employment rate of the foreign-born.

Source: Swiss Labour Force Survey, Swiss Federal Statistical Office.

Note that Figures 3.11a and 3.11b are not based on longitudinal data, that is, persons are not followed over time. By using the information on year of arrival from the Swiss Labour Force Survey, a pseudo-cohort analysis is possible for immigrants who arrived around 2003. The results of this are depicted in Figure 3.12. Of particular interest are again immigrants from lower-income countries since most of these are non-labour migrants – in contrast to immigrants from higher-income countries, in particular those from the European Union (see below). On average, the former start from a low level of employment but enjoy a rather quick convergence over the first three years: 60% were in employment after three years. This is higher than what is observed for *all* migrants with that duration in countries which also have favourable labour market conditions, such as Denmark (around 55% for the 2004 cohort), Norway (51% for the 2002 cohort), Austria (50% for those who arrived around 2004) or the Netherlands (40% for the 2000 cohort). However, after about three years, the progress appears to slow down significantly.

Figure 3.12. Estimated evolution of the employment rate of immigrants aged 15-64 who arrived around 2003



Note: The figure has been constructed through a pseudo-cohort analysis using cross-sectional data and information on years of residence. To obtain reliable results, three consecutive years of labour force survey data have been pooled.

Source: Swiss Labour Force Survey, Swiss Federal Statistical Office.

The integration of new arrivals from the EU-27

The overwhelming majority – 64% – of recent arrivals (*i.e.*, with less than five years of residence) are from the EU-27, following Switzerland's gradual establishment of freedom of movement with the European Union and its member countries on the basis of bilateral agreements. Recent arrivals account for more than 5% of the resident population at working age and their significant number has been an issue of much public debate in Switzerland. However, labour market integration of these new arrivals has been less of an issue than their macroeconomic impacts on growth, wages, housing prices and on the infrastructure.[35]

Since most of these recent migrants came for employment, it is not surprising to see that they have an employment rate of more than 84%. The high educational attainment of this group – 58% of those in prime working age (25-54) have a university degrees, compared with 37% of the native-born population – has also contributed to their good overall labour market integration.

Table 3.5 provides an overview of the labour market outcomes and the education levels of recent arrivals from the EU-27 in comparison with the total migrant population

and the native-born. The first and salient observation is the large diversity even within the recent migrants from the enlarged European Union. Recent migrants from Portugal are predominantly low-educated and employed in medium and low-skilled occupations. They also face rather high unemployment. In contrast, migrants from Germany and from EEA countries other than Germany, Portugal and Italy are mainly highly-educated and find themselves overrepresented in highly-skilled occupations.[36] Their unemployment rate is similar to that of the native-born. Recent immigrants from Italy find themselves between the Germans and the Portuguese in terms of educational attainment and labour market outcomes.

Table 3.5. Labour market outcomes and educational profile of recent arrivals in Switzerland, people aged 15-64, by origin, 2008/09 average

	Recent arrivals from…						All resident migrants	Native-born
	Germany	Portugal	Italy	Other EU-27	All EU-27	All recent arrivals		
% of all resident migrants	5	2	1	4	12	20	100	-
% of all recent arrivals	26	11	5	22	64	100	-	-
Education level (in %)								
Low-educated	3	73	20	6	17	19	29	15
Medium-educated	36	19	34	29	31	32	39	57
Highly-educated	61	[8]	45	65	52	50	31	28
Occupational profile (in %)								
Managers	5	…	…	7	5	5	3	4
Professionals and Technicians	65	[9]	52	65	41	50	37	45
Service, sales, craft and related trades	19	57	27	18	28	27	33	27
Other medium-skilled professions	9	16	12	8	13	11	17	21
Elementary occupations (ISCO 9)	[2]	16	…	[3]	13	7	10	4
Labour market outcomes (in %)								
Employment rate	89	81	83	78	83	75	76	81
Unemployment rate	3	11	…	5	5	8	7	3
Over-qualification rate among highly- & medium-educated	9	…	8	11	11	13	13	11
Median gross hourly wage (in CHF)	41	26	32	45	38	36	35	40

Note: Numbers in brackets are based on sample sizes below 50. "…" refers to less than five observations.

Source: Swiss Labour Force Survey, Swiss Federal Statistical Office.

The overall favourable picture also holds when looking at other indicators such as wages (see Annex Table 3.A1.2). As a group, recent arrivals from the EEA have lower over-qualification rates than the native-born. In addition, in a standard wage regression they enjoy slightly higher wages than the Swiss with otherwise similar observable characteristics.

A comprehensive analysis of the links between the recent migration from the European Union and the Swiss labour market is provided in Cueni and Sheldon (2011). They also find that these migrants enjoy on average higher employment and higher wages than native Swiss. The authors estimate that the vast majority (more than three quarters) of the difference is attributable to the more favourable observable characteristics of the recent migrants including a higher education level, longer working time and an overrepresentation in regions with high wages. In contrast, the year-to-year risk of exiting from employment into unemployment is almost 70% higher for EU migrants than for natives, and only a little more than one third of this disadvantage can be explained by differences in observable characteristics, including seniority. They also find no evidence of a negative impact on the wages of natives.

Immigrants' participation in active labour market policy measures

As already mentioned, Switzerland has opted for a mainstream approach to integration, and there are only a few measures specifically targeted at immigrants. However, there is strong indirect targeting as immigrants and their children account for the majority of those receiving unemployment aid or social assistance.[37] In April 2011, a reform of the federal unemployment insurance law lowered the possibilities for cantonal employment services to offer certain programmes to persons not fulfilling the contribution period for unemployment insurance, unless social assistance steps in. This lowers access to labour market measures for many recent arrivals and family migrants. However, there remains a possibility to participate in some ALMPs if the cantons contribute 50% of the cost. This sum is paid by the Federal Office of Migration in the case of recognised refugees.

Although immigrants are strongly overrepresented in the groups targeted by active labour market policy, there is no evaluation study available that focuses explicitly on their actual participation or the specific effects of active labour market policy on the group of immigrants.[38] Indeed, in contrast to the overall rather well-developed evaluation culture in Switzerland, programme evaluation regarding immigrants is scarce. However, a number of evaluations use nationality and/or permit status as control variables. Overall, foreigners are represented in ALMPs to roughly the same degree as they are represented among the unemployed (see Duell *et al*., 2010), a result which has also been observed in earlier studies (see Gerfin and Lechner, 2002; and Spycher *et al*., 2007).

Gerfin and Lechner (2002), in their microeconometric evaluation of Swiss active labour market policy, find positive effects of wage subsidies for foreigners, and this effect is stronger than for comparable Swiss nationals. They find, however, that, given their characteristics, foreigners are underrepresented in temporary wage subsidy programmes.[39] Similar results are obtained by Lalive *et al*. (2002) who find, using information on permits, that this programme provides strong benefits only for foreigners with a B-permit (*i.e.* an annual permit, renewable), but the latter are also quite significantly underrepresented in this measure. These results are in line with empirical evidence from the Nordic countries (see Nekby, 2008).

Language training

There is also little information available on the available language training for migrants. The Federal Office for Migration finances some basic alphabetisation courses with EUR 9 million, but this accounts only for a small part of overall language training. Most training is provided by the cantons, and there is great diversity in the available offers, not only between but also within cantons, as language training can be financed either through the social assistance services or through the Public Employment Services, or through the invalidity services.

The limited available evidence suggests that this diversity of actors has been associated with under, rather than with, overprovision of language training. In their overview of labour market integration measures for immigrants, Spycher *et al.* (2007) conclude that all branches of social security provide too little language training, and that the overall quality often leaves much to be desired.

Some basic (self-reported) information on participation in language training is available from the 2008 module of the Swiss Labour Force Survey. This suggests that less than one out of four immigrants from lower-income countries have obtained language

training in the first two years after arrival. Even among humanitarian migrants who are the main target group of integration policy at the federal level (see below), less than half claim to have obtained language training.

Although there has been no in-depth evaluation of language training in Switzerland thus far, some basic information on the impact of language training financed by the Public Employment Service is available from the general evaluation studies. These generally find no impact on participants' labour market prospects compared with non-participants. Gerfin and Lechner (2002) even find negative effects; however, this may be due to negative selection of participants (*i.e.*, immigrants with few difficulties do not participate) and does not necessarily imply that these courses have actually a negative impact. In any case, less than a third of participants are in employment one year after programme participation.

In summary, there is a great diversity of language training across Switzerland. It nevertheless seems that only a minority of immigrants from countries with a language different from the Swiss national languages benefit from language training, and the available offers do not seem to yield good results in terms of labour market integration.

The labour market integration of humanitarian migrants

Labour market access

Within the group of humanitarian migrants, there are two main groups of roughly equal size. The first are refugees under the UN convention, about 25 300. These receive a regular residence permit (B-Permit) and enjoy full labour market access. The second are provisionally admitted persons, about 23 500, who need to apply for a work permit which is nevertheless granted without a labour market test (such a test applied until 2007) if they find an employer willing to hire them.[40] They also need to apply for permission to change residence between cantons. In recent years, the number of new provisionally admitted persons has largely surpassed the number of newly admitted refugees.

Asylum seekers do not have access to the labour market during the first three months. After that, they may obtain employment subject to a labour market test. It seems, however, that the test is generally waived for a range of lesser-skilled occupations where there are perceived labour shortages, notably in the hotel and restaurant sector.

Labour market outcomes in international comparison

In all OECD countries, humanitarian migrants face particular difficulties in integrating into the labour market. They have generally arrived without any attachment or link with the host-country labour market and often suffer from psychological stress or disabilities. In addition, their qualifications and work experience have been acquired under conditions that generally differ greatly from those of the host-county education system and labour market, and they may be unable to document them.

Compared with other OECD countries, humanitarian migrants constitute only a relatively small fraction of the foreign-born in Switzerland.[41] According to the Swiss Labour Force Survey, which in 2008 included a question on the reason for migration, humanitarian migrants account for about 3.4% of the foreign-born population in Switzerland and about 10% of immigrants from lower-income countries. In contrast, in Sweden, almost 23% of the foreign-born have arrived on humanitarian grounds. Among the new inflows in 2009, according to the standardised statistics of the OECD, less than

5% of new permanent-type migrants to Switzerland were humanitarian migrants, compared with around 10% in Austria and 15% in Canada, Norway and Sweden.

Based on the information from the labour force survey, Table 3.6 provides an overview of the labour market outcomes of humanitarian migrants compared with non-humanitarian migrants and with the native-born. Humanitarian migrants tend to have lower educational attainment levels than other migrant groups. Nevertheless, they have relatively high labour market participation, particularly those who are low-educated. The main issues related to their integration seem to be their high incidence of long-term unemployment and the fact that they often find themselves in occupations for which they are formally over-educated. About one in two employed highly-educated humanitarian migrant in Switzerland works in an employment that is below his or her educational level. The high employment rate is thus associated with a high level of formal overqualification. Indeed, for this group the issue of the transferability and recognition of qualifications obtained abroad is a crucial one (see above on these issues).

Table 3.6. Labour market outcomes and education level of humanitarian migrants[1] in Switzerland, people aged 15-64, 2008

	Native-born (in %)	Percentage-point difference to the native-born			
		Foreign-born from high-income country	Born in lower-income country		All foreign-born (in%)
			Non-humanitarian migrants (in%)	Humanitarian migrants (in %)	
Percentage of all immigrants		54.3	42.2	3.4	100
Employment rate	81	-1	-11	-4	-5
of low-educated	56	16	3	20	10
of highly-educated	93	-7	-15	-16	-10
Unemployment rate	2	2	6	8	4
Median duration of unemployment (months)	4	2	5	11	4
Overqualified[2]	21	-8	8	28	-2
Percentage of full-time employed among all employed	65	7	10	16	9
Total median gross hourly wages in the last 12 months of low-educated full-time employees (CHF)[3]	8	23	19	22	27
Total median gross hourly wages in the last 12 months of highly-educated full-time employees (CHF)[3]	53	0	-8	-20	-2
ISCED 1-2	15	10	21	24	15
ISCED 3-4	58	-20	-15	-16	-18
ISCED 5-6	28	10	-6	-8	3

1. Humanitarian migrants are migrants who state to have arrived in Switzerland with the intention to apply for asylum.

2. Only highly-educated (ISCED 5+6).

3. The hourly wage has been derived from the total gross salary of the respondents of the last 12 months using the average working hours per year in Switzerland (1 926 hours following the Swiss Federal Statistical Office). Only people who stated that they have been employed without "longer interruption" during this period are included. "..." means not significant for publication.

Source: Swiss Labour Force Survey, Swiss Federal Statistical Office.

Note that the labour force survey data above refer to the first permit under which the person entered Switzerland which may differ from the current permit, in particular for those who have been in Switzerland for more than ten years. 80% of the humanitarian migrants in the labour force survey have been in Switzerland for more than ten years, and 94% more than five years.

To look into the labour market integration of more recent cohorts of refugees in particular, the Federal Office for Migration conducted in 2006 a comprehensive survey among refugees who had just received their permit, as well as surveying two additional cohorts of refugees one and three years after the decision. The employment rates were 22%, 17% and 32%, respectively. These figures are lower than those observed for example, in Norway, where about 27% and 43% of humanitarian migrants are in employment one and three years, respectively, after arrival.

The overall picture regarding the employment of immigrants is thus rather ambiguous. The outcomes of recent arrivals appear to be low in international comparison, whereas those of longer-standing immigrants are rather favourable. In the absence of both longitudinal data and different years for comparison, it is difficult to ascertain whether or not this reflects a process of belated, but significant convergence or whether these differences in outcomes mainly reflect cohort effects – that is, more recent humanitarian migrants have more difficulties in integrating into the Swiss labour market. An indication that the latter explanation is the more likely one is given by the fact that recent humanitarian migrants mainly come from Africa, whereas past humanitarian migrants often came from Europe, and the latter tend to have better labour market outcomes in most OECD countries.

Programmes for humanitarian migrants

Humanitarian migrants are the main focus group of integration policy in Switzerland, at least as far as the federal level is concerned. Since 2008, the federal state provides the cantons with a lump sum of CHF 6 000 per recognised refugee and provisionally admitted person, earmarked for "occupational integration measures and the acquisition of a national language". Eighty per cent of the payment is given as an upfront lump sum, the remainder is paid after "successful integration". The corresponding ordinance stipulates that the main indicator to measure integration is employment "under consideration of the overall labour market situation in the canton". In practice, however, in virtually all cases the full lump sum is paid out with no attention being paid to this "indicator". The cantons use these funds on the one hand to generally support measures and programmes and on the other hand to finance participation costs for specific individuals. The federal spending in this field amounted to CHF 31 million in 2009 and CHF 56 million in 2010.

In addition, the Federation reimburses the cantons for social assistance benefits (which are paid at the sub-federal level) during the first five years after admission and for provisionally admitted persons during the first seven years. However, for provisionally admitted persons, the social assistance payments are much lower than the regular assistance. In practice, it appears that this lower level has often been associated with a lower effort by cantons to integrate these particular migrants into the labour market. Two cantons, Luzern and Basel City, have decided to provide provisionally admitted persons with access to full regular social assistance, accompanied by intensive integration support. An evaluation of the effects of this measure is currently under way.

The current structure thus means in essence that cantons and municipalities have little incentive to integrate refugees and provisionally admitted persons into the labour market

during the first five to seven years. This is a crucial period, since it is an important predictor of long-term labour market integration outcomes (see OECD, 2007). The degree to which cantons and municipalities offer structured integration services varies widely. Since humanitarian migrants are dispersed throughout Switzerland, such a wide dispersion in the inter-cantonal provision on integration services raises questions regarding equal treatment.[42]

Nevertheless, there are a number of projects in the cantons and municipalities in place to facilitate the labour market integration of humanitarian migrants. In addition, there have also been pilot projects financed by the Federal Office for Migration. The projects in place mainly focus on lesser-skilled employment in the hotel and restaurant sector, trade/industry, construction and cleaning (see KEK-CDC, 2008). Most programmes are open to all humanitarian migrants and not targeted at recent arrivals. It is not clear to which degree they may have contributed to the current picture of relatively high employment, in parallel with a high incidence of overqualification for those humanitarian migrants who have tertiary education.

In contrast to other OECD countries that have been under review by the OECD thus far, notably the Nordic countries, most cantons in Switzerland do not have a structured integration programme.[43] The available evidence on these programmes – *e.g.* from Denmark and Norway – suggests that, when properly designed, they can contribute to increasing the labour market integration of immigrants (see OECD, 2007; and Liebig, 2009). Given the low labour market outcomes of recently arrived humanitarian migrants, a structured and tailor-made integration programme for all newly-arrived humanitarian migrants and their families could thus entail significant benefits for Switzerland.

The employment of immigrant women

Switzerland has one of the highest employment rates of women of all OECD countries and this holds also for immigrant women, with an overall employment rate of more than 66% (see Table 3.7). A specific issue in the employment of women in Switzerland is the large incidence of part-time employment. As a result, the full-time equivalent employment of women is average in international comparison. More than half of the employed women work part-time in Switzerland, compared with only one quarter of women on average in the OECD (see OECD, 2006b). Immigrant women participate less in part-time employment than their native-born peers. According to 2009 data from the Swiss Labour Force Survey, the share of full-time employed women among all women in the working-age group is 31% for native-born and 32% for foreign-born from lower-income countries, whereas the share of part-time employed is 44% and 27%, respectively. Thus, on the aggregate, the difference in employment rates between native-born and foreign-born women from lower-income countries is attributable to the higher share of part-time employment among the former.

One key factor which determines the labour market participation of women is the availability of childcare, and here Switzerland lags behind other OECD countries (see OECD, 2009; and Section 3.4 below). Early childhood education and care (ECEC) is mainly the responsibility of the cantons. Although ECEC increased significantly over the past two decades, the increase in coverage was particularly pronounced in those cantons which already had a relatively high coverage (see Swiss Federal Statistical Office, 2008), namely the urban cantons Geneva, Zurich and Basel. In 2005, an extensive study on ECEC estimated that overall only 40% of all potential demand for ECEC was met by the existing offers (Swiss National Fund, 2005). The study provided also some indications

that families from the former Yugoslavia participate more often in ECEC than native families with otherwise similar observable characteristics. Such a pattern was not observed, however, for other migrant groups.[44]

Table 3.7 takes a closer look at the determinants of the employment of immigrant women in Switzerland. It reveals a number of interesting patterns. First, there are large differences in the employment rates between immigrant groups, with women from Turkey having the lowest employment rates. Second, about half of the disadvantage for women from Turkey and from the former Yugoslavia is due to their less favourable age and education structure compared with the native-born. Third, having a child below the age of 6 has a particularly negative effect on the employment rate of foreign-born women from Turkey and from lower-income countries other than the former Yugoslavia. Part of the explanation for the fact that childbearing seems to have less of a detrimental impact on women from the former Yugoslavia could be linked with the high participation of their children in ECEC.

Table 3.7 also shows the results regarding the association between the presence of children in the household and the employment of immigrant women in comparison with native-born women, separately for full-time and part-time employment. The gaps are most pronounced regarding part-time employment. However, as the positive interaction terms for immigrant women from lower-income countries in model 4a suggest, having children is associated with a much stronger decline in the probability to be in full-time employment for native-born women than for immigrant women from lower-income countries.

Table 3.7. Determinants of the employment of immigrant women aged 15-64 in Switzerland, 2009

Variables	(1)	(2)	(3)	(3a) full-time employment *vs.* not in employment	(3b) part-time employment *vs.* not in employment	(4)	(4a) full-time employment *vs.* not in employment	(4b) part-time employment *vs.* not in employment
Turkey	-24***	-12***	-10***	-1	-14***	-11**	-9*	'-14***
Ex-Yugoslavia	-14***	-6***	-5***	6***	-12***	-8***	-2	'-16***
Other lower-income countries	-16***	-16***	-15***	-8***	-22***	-15***	-16***	'-22***
High-income countries	-2*	-1	0	6***	-5***	0	3*	'-5***
Having at least one child below age 6			-11***	-35***	0	-9***	-40***	2
Having at least one child between 6-17			0	-13***	10***	0	-18***	9***
Child below 6*Born in Turkey						-17**	5	-17**
Child 6-17*Born in Turkey						11*	19***	9
Child below 6*Born in Ex-Yugoslavia						-5	9**	0
Child 6-17*Born in Ex-Yugoslavia						8***	18***	7*
Child below 6*Born in other lower-income countries						-9**	13***	-10**
Child 6-17*Born in other lower-income countries						6**	18***	6
Child below 6*Born in high-income countries						-2	10***	-3
Child 6-17*Born in high-income countries						0	9***	0
Number of observations	19 616	19 578	19 578	12 026	13 266	19 578	12 026	13 266

Note: The dependent variable is the dichotomous variable "employed". The coefficients of the independent variables are based on an OLS regression on the employment rate of women between the ages of 15 and 64 years. All models include a constant. Models 2-6 also include control variables for age and educational attainment. *, **, *** denote significance at the 1%, 5% and 10% level, respectively. "Born in" refers to the respective country of birth of the women. Reference group are the native-born women. In columns 3a/b and 4a/b, a positive coefficient is associated with a higher probability to be in fullt-ime/part-time employment, the reference group being not in employment.

Source: Swiss Labour Force Survey, Swiss Federal Statistical Office.

There are few integration measures for immigrant women. Evidence of this is that according to data from the Swiss Labour Force Survey, only 15% of immigrant women from non-neighbouring countries (*i.e.* countries with which Switzerland does not share a common language) have participated in language training.

Indeed, for many immigrant women, access to mainstream services is limited. The measures provided by the cantonal Public Employment Services are mainly available to the beneficiaries of unemployment insurance, which implies that the person has been previously employed in Switzerland. Until 2011, cantonal employment services had the possibility to extend their services to other groups, but this option has been curtailed under the recent revision of the unemployment insurance law.

Discrimination in the labour market

The issue of discrimination against immigrants has received little attention in Switzerland thus far. There is no specific legislation covering discrimination against immigrants and no institution is in charge of bringing discrimination cases to a court (see OECD, 2008c).[45] The overall framework for anti-discrimination is thus less developed than in other European OECD countries.[46]

At the federal level, the Federal Commission against Racism (*Commission fédérale contre le racisme,* CFR) provides advice for victims of discrimination, but may not bring cases to court or levy sanctions on employers. There are "advisory offices" at the sub-federal level which provide advice regarding discrimination by private persons. Seven of these (including the Federal Commission against Racism) have joined their forces through a network. In 2010, the network treated only 23 cases of discrimination in the labour market. The low number of cases may be linked with the fact that the issue of sanctions regarding discrimination in hiring is unclear in the current legal setting.[47]

Regarding discrimination by the authorities or public institutions, there is an "Office for the fight against racism" within the Federal Department of the Interior. In contrast to the Federal Commission against Racism, the Office has a small budget – about CHF 1 million – for financing projects to combat discrimination within the Federal administration. In addition, at the cantonal and municipal level, there are about a dozen of ombudsmen offices providing advice on discrimination.

The lack of a strong institutional framework against discrimination holds in particular with regard to the labour market, where contractual freedom prevails and nothing prevents *a priori* employers from making their choices on the basis of criteria such as origin.[48] This state of affairs, added to the fact that historically immigrants have only had moderate difficulties in entering the labour market in Switzerland, has meant that the issue of discrimination has attracted little public debate and media coverage. Even today, the existence of systematic discrimination on the labour market is doubted by many actors of Swiss society, and there are few policies aimed at combating labour market discrimination.[49]

As seen above, immigrants from lower-income countries are disadvantaged in the Swiss labour market, even after accounting for a range of socio-demographic characteristics and an objective measure of skills. Differences in labour market outcomes after controlling for such characteristics are often interpreted as indirect measure of discrimination (de Coulon and Flückiger, 2000; Fibbi *et al.*, 2006). However, there is always the possibility that other factors which have not been explicitly taken into account or which are not observed directly could explain such differences.

The shortcomings in demonstrating the existence of discrimination are overcome in large-scale experimental tests of hiring procedures carried out in a number of OECD countries in recent years. These suggest the existence of significant discriminatory behaviour on the part of employers (see Simeone, 2005). The tests consist of the submission of applications for the same job from two (fictitious) candidates differing essentially only in name. Since the qualifications need to be approximately the same for both candidates, the testing concerns persons who received their highest level of attainment in the host country and thus apply essentially to offspring of immigrants. A sufficient number of applications are sent to exclude the effect of chance and, if the applicants of one origin group are rejected more often than others, it can be concluded that there is discrimination. Such studies have demonstrated the prevalence of significant discrimination in hiring in six of the nine countries under review thus far (Belgium, Denmark, France, Germany, the Netherlands and Sweden).

A study of this type was conducted in Switzerland in 2002 funded by the Swiss National Science Foundation (Fibbi *et al.*, 2004) using fictitious applications by young men with credentials from Swiss educational institutions, all looking for their first permanent job. Four groups of immigrants were under study – immigrants from Portugal in the French-speaking part of the country, immigrants from Turkey in the German-speaking part, and immigrants from the former Yugoslavia in both parts.[50] In the design of the study, candidates who were invited to a job interview sent a refusal letter; often, the immigrant candidate was only invited after the native candidate had refused the offer. It is somewhat ambiguous whether or not these cases of differential treatment should be treated as discrimination or not, since a causal link between the time-lag between the sending of the invitation letters to the two candidates and the refusal of the offer by the first candidate cannot be established. Table 3.8 summarises the results. It shows that discrimination against immigrants in the hiring process appears to be quite wide-spread in Switzerland. Immigrants from Turkey have to write three times as many applications as an otherwise equivalent native Swiss to get invited to a job interview, and immigrants from the former Yugoslavia up to five times as many.[51] The significant difference in the two alternative measurements suggests that Switzerland's tight labour market may limit discrimination.

More generally, it seems that discrimination against the largest group – *i.e.* immigrants from former Yugoslavia – is most pronounced. Discrimination seems to be more pronounced in the German-speaking part of the country. The study also showed that the degree of discrimination does not seem to vary with the size of the company nor the sector of activity, but there is a slightly greater tendency towards discrimination when the job involves direct contact with customers.

Table 3.8. Estimated number of applications to be sent by different immigrant groups in order to receive an invitation to a job interview, relative to an otherwise equivalent native Swiss candidate

	Upper limit	Lower limit
Portuguese in French-speaking part	2.1	no difference
Ex-Yugoslavian in French-speaking part	2.9	1.3
Turkish in German-speaking part	3.3	1.4
Ex-Yugoslavian in German-speaking part	4.8	2.5

Source: OECD Secretariat calculations on the basis of the data in Fibbi, R., B. Kaya and E. Piguet (2003), "Le passeport ou le diplôme ? Étude des discriminations à l'embauche des jeunes issus de la migration", Forum suisse pour l'étude des migrations, Rapport de Recherche No. 31, Neuchâtel.

More generally, it can be assumed that there is much confusion in the minds of the public and employers regarding the preference – enshrined in the law – given to the resident Swiss and foreign population in the field of immigration policy (a person can only be admitted in the country for work if there are no Swiss, EU, or settled applicants available), and the attitude to be adopted towards foreign job-seekers who are already legally residing in Switzerland and legally have equal access to the labour market. A periodic national opinion survey included a question on "do you think that priority on the labour market should be given to Swiss citizens?" in 2001.[52] It showed that a majority of Swiss supported the idea of national preference in hiring (33% entirely and 27% partially) and that only 12% were strongly opposed (Raymann, 2003).

Indeed, it is not uncommon in job offers in private enterprises that "Swiss nationality" is required.[53] In contrast to other OECD countries (see, for example, OECD, 2008b and 2008c), this type of discrimination is at present generally not illegal in Switzerland.[54]

In sum, there seems to be a good *prima facie* case for strengthening the anti-discrimination framework in Switzerland. However, one should not expect too much from mere legal measures, even when they involve strong enforcement and penalties. Even in OECD countries with a strong and established anti-discrimination framework, such measures generally cover only the tip of the iceberg. To overcome discrimination in hiring, it is important to bring the issue into the limelight. Other OECD countries have also gone beyond formal antidiscrimination legislation to implement so-called "diversity policies" (Box 3.3).

Box 3.3. Policies to promote diversity

In contrast to most other OECD countries, Switzerland has no comprehensive anti-discrimination legislation to address the problem of discrimination in hiring. Even in countries where the anti-discrimination is strong, it has proved difficult to detect or to demonstrate discrimination. In all countries, the number of complaints related to hiring discrimination is small compared with the level of discriminatory behaviour that is revealed by testing studies in numerous OECD countries, including Switzerland. The perceived lack of effectiveness of anti-discrimination legislation and the persistence of other structural obstacles to the employment of immigrants and their children have prompted governments to take more pro-active measures. A new policy line that has become prominent in many OECD countries in recent years is known as *diversity policy*. Belgium, in particular, has become a frontrunner in this, inspired by earlier Dutch policies of the 1990s. Diversity policies aim at achieving equal opportunities for disadvantaged groups in the labour market (including immigrants and their children) by incentives and measures with strong indirect targeting

Practices in Belgium (notably in Flanders) include, for example, the exclusive opening of certain job vacancies to disadvantaged groups in the labour market for a limited period, and financial and administrative support for companies who try to diversify their staff both in the hiring and promotion process. First results of an evaluation of this policy indicate that it appears to have contributed to the recent improvements in labour market integration, in particular for the children of immigrants (see Van der Voorde and de Bruijn, 2010).

Efforts in other OECD countries have been less far-reaching, but are also on the rise (see OECD, 2008b). In France, for example, companies have the possibility to pass an audit as to whether or not hiring and promotion practices are inherently discriminatory. If they pass the test and have demonstrably implemented additional actions to promote diversity, they can obtain a *diversity label* (*label diversité*) from the authorities in charge of integration. In order to receive the seal of approval, enterprises need to satisfy six criteria: a formal commitment by the enterprise to diversity; an active role of the social partners within the enterprise; equitable human resource procedures; communication by the enterprise on the question of diversity; concrete public measures in favour of diversity; and procedures to evaluate actual practices. France, like a growing number of other OECD countries including Belgium, the Netherlands and Germany, has also been promoting a "*diversity charter*" in which signatories commit themselves to favour diversity through recruitment and career management, as a strategy for greater efficiency and progress and to enhance their social relations. Without a precise follow-up of hirings and

of career progress in signatory enterprises, it is difficult to have a precise idea of how effective this sort of measure is. There is undoubtedly a self-selection of already committed enterprises as signatories, although a formalisation of the process may have its usefulness in disseminating norms throughout the enterprise. Another measure that has been tested in a number of OECD countries, including France, Germany and Norway, are *anonymous CVs*, although the evidence regarding its effectiveness has been rather mixed.

In Belgium, Norway and the Netherlands, there has been a strong effort to enhance diversity in the public sector. The policies in place tackle the different points in the recruitment process where immigrants and their offspring are at a structural disadvantage. This has included the broad-based introduction of anonymous CVs, the targeted promotion of apprenticeship for young people with a migration background, internship opportunities to give them a first step into the labour market, and special training to help them pass the recruitment tests.

In Switzerland, apart from a few small-scale projects at the cantonal level and some voluntary measures by employers (see Schönenberger and Fibbi, 2010), no such diversity policy tools have been implemented thus far.

Overall, the area of discrimination seems to be one where there is ample scope and need for improvement, both with respect to the legislative and institutional framework and regarding active measures to raise awareness about the issue and to combat discrimination on the labour market.

Naturalisation and its impact

Access to the host-country nationality is an important instrument of integration policy. OECD (2011a) has shown that naturalisation tends to have a positive impact on immigrants' labour market outcomes through a number of channels. Among these are the removal of institutional barriers in the labour market, notably regarding the public sector and higher-skilled employment. In addition, naturalisation seems to function as a signalling device for the employer of better "integration potential", which in turn may be associated with higher productivity (for example, because of better language mastery or higher motivation or ability). For example, testing studies have shown that immigrants who have naturalised get more frequently invited to a job interview than otherwise equivalent immigrant candidates who have not. The degree to which naturalisation can exert a signalling function depends in part on whether or not it is common to mention one's nationality in the application process (if it is not required for the job itself, which is rarely the case). In Switzerland, it is common to state one's nationality in job applications which suggests that this latter channel may be of considerable importance.

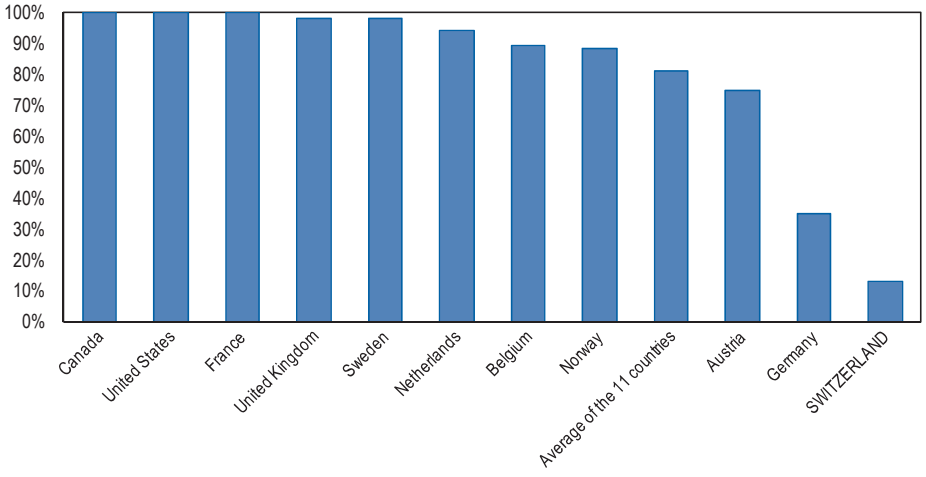
The criteria for access to citizenship vary considerably across OECD countries and by many standards, Switzerland has one of the most restrictive naturalisation frameworks in the OECD, reflecting the view that it is a certification of successfully completed integration. For example, minimum residence requirements for ordinary naturalisation are 12 years in Switzerland, the longest in the OECD. Another key specificity of the Swiss naturalisation system is the three-tiered nature of citizenship (see Box 3.4). As a result, only slightly more than one third of all immigrants with more than ten years of residence in Switzerland have Swiss citizenship, compared with the OECD average of more than 60%. Only Luxembourg has a lower percentage of long-term residents who have not naturalised.

As a result of the stringent naturalisation policy and longstanding immigration, more than 6% of the native-born population do not have a Swiss passport. Indeed, among the OECD countries for which comparable data on the nationality of the native-born offspring of immigrants are available, Switzerland has the lowest percentage of those who have naturalised (see Figure 3.13).[55]

In any analysis, it is important to keep in mind that naturalised and non-naturalised immigrants differ in many ways, because naturalisation is a selective process. Immigrants have to apply for naturalisation, and they have to meet a number of criteria before they become naturalised. To study the impact of naturalisation, longitudinal data are needed which compare the outcomes of immigrants over time. There has been no such longitudinal study in Switzerland thus far.[56] Steinhardt *et al.* (2010) use cross-sectional data from the Swiss Labour Force Survey to compare the labour market outcomes of immigrants who have naturalised with those of immigrants who remained foreigners. Even after controlling for a broad range of socio-demographic characteristics, the authors find that naturalised immigrants have higher employment rates and wages than their non-naturalised peers, although they still have less favourable labour market outcomes than the native Swiss.

Liebig and Von Haaren (2011), again with cross-sectional data, compare the labour market outcomes of naturalised and non-naturalised immigrants in 14 OECD countries. Naturalised immigrant men in Switzerland have an almost 10 percentage points higher probability to be in a high-skilled occupation than their non-naturalised counterparts with otherwise similar observable characteristics (see Table 3.9). The difference was particularly strong for immigrant men. Access to higher-skilled jobs is associated to a larger degree with naturalisation in Switzerland than elsewhere, which may at least be partly attributable to the fact that the naturalisation requirements hamper geographical mobility in Switzerland for foreigners (see also Box 3.4.).

Figure 3.13. Percentage of native-born children of immigrants from lower-income countries who have the host-country nationality, people aged 20-29 and not in education, around 2007



Source: See Liebig, T. and F. von Haaren (2011), "Citizenship and the Socioeconomic Integration of Immigrants and their Children: An Overview across EU and OECD Countries", *Naturalisation: A Passport for the Better Integration of Immigrants?*, OECD Publishing, Paris, pp. 24-64.

Box 3.4. Access to Swiss nationality

Switzerland is among the OECD countries in which foreigners face particularly difficult conditions for naturalisation. The residence requirement for the ordinary naturalisation procedure is 12 years, and thus considerably higher than in other OECD countries where it is generally between five and eight years (see Guimezanes, 2011). Switzerland also adheres to the principle of *ius sanguinis* which implies that native-born children of foreigners do not have automatic access to Swiss citizenship.

A unique feature of Swiss nationality is the fact that it is three-tiered. Swiss citizenship also implies having cantonal and communal citizenship, and all three levels of government have their own requirements for naturalisation. This implies that the Federation cannot enforce a naturalisation if cantonal or local authorities refuse it although the formal requirements are met. The sub-federal requirements generally stipulate a certain minimum number of years of residence in the respective canton and municipality which can be up to ten years. This tends to hamper professional and geographical mobility.

In the past, several municipalities had public votes on naturalisation. This common practice ended in 2003, when the Federal Court ruled that naturalisation is an administrative act. Refusals therefore have to be justified, which is not possible in the case of public votings.

There have been a number of attempts to liberalise access to Swiss citizenship, notably for the offspring of immigrants raised and educated in Switzerland, most recently in 2004. In spite of these failed fundamental reforms, there have been a number of important modifications of the access to citizenship since 2004 which also liberalised access to Swiss citizenship. The most important one was the 2006 reform that cantons and municipalities cannot require naturalisation fees which exceed procedural costs. Prior to this, fees could amount in some municipalities to up to several thousand Swiss francs.

A fundamental reform of citizenship legislation is currently in preparation. Among the changes that are being considered is a reduction of the residence requirement for the ordinary naturalisation procedure from twelve to eight years and limits on cantonal and municipal residence requirements. If the reform passes, access to Swiss nationality would still be more difficult than access to nationality in most other OECD countries, but Switzerland would be more in line with practices in other OECD countries.

Table 3.9. Estimated higher probability of employment in a high-skilled occupation associated with naturalisation, people aged 15-64, around 2007

	All immigrants		Immigrants from high-income countries		Immigrants from lower-income countries	
	Men	Women	Men	Women	Men	Women
Austria	5***	(-1)	9***	(-11***	5***	4**
Belgium	(-4)	(-1)	(-4)	(-2)	(1)	8**
Canada	1***	2***				
Switzerland	**9*** **	**5** **	**8** **	**(2)**	**10*** **	**7** **
Germany	(-2***	3**	(-8***	4**	3***	4***
Denmark	12***	8**	13***	(0)	12***	12***
Spain	6*	(0.)	(2.)	(-5)	11***	(4.)
France	7***	3**	10***	(3)	5***	(3)
Luxembourg	(1.)	(-4)	(0.)	(-6)	(7.)	(1.)
Netherlands	(0)	(-2)	(-2)	(-2)	5**	(1)
Norway	(5.)	(-12***	(4.)	(-8)	17**	(-19**
Sweden	(-1)	(1)	(2)	(5)	11***	(-1)
United Kingdom	(2.)	(2.)	(3.)	(2.)	5**	(2.)
United States	(2)	5***	(1)	(4)	2*	5***
United States (excl. irreg).	(1.)	4***	(1.)	(4.)	-1	4**

Note: The sample is restricted to employed individuals. The table shows the naturalisation coefficients in percentage points. The dependent variable is the dichotomous variable "employed in a high-skilled occupation". The regression includes control variables for origin country, age and education. Further notes in Liebig and von Haaren (2011).

Source: Liebig, T. and F. von Haaren (2011), "Citizenship and the Socioeconomic Integration of Immigrants and their Children: An Overview across EU and OECD Countries", *Naturalisation: A Passport for the Better Integration of Immigrants?*, OECD Publishing, Paris, pp. 24-64.

Compared with their peers who remained foreigners, naturalised immigrants in Switzerland also have a much higher probability to participate in on-the-job-training and to be employed in the public sector.[57] However, immigrants from lower-income countries remain largely underrepresented in the public sector in Switzerland, even when they have naturalised (Liebig and Von Haaren, 2011).

3.4. The labour market integration of immigrants' offspring

How important are educational institutions?

As seen in Section 3.1, the overall picture of immigrant offspring's labour market integration in Switzerland is favourable both in international comparison and compared with the children of natives. However, as has been pointed out already, this partly stems from the fact that two-thirds of the native-born immigrant offspring aged 20-29 have parents from high-income countries of origin and these seem to face no apparent difficulty integrating into the Swiss labour market. This is not the case for the native-born children of parents from lower-income countries who, on average, have more difficulties. To identify starting points for policy measures that aim to foster the labour market integration of this disadvantaged group, it is worthwhile to take a step back and to examine their integration into the Swiss education system, which in principle prepares them for labour market entry.

In general, one would expect the labour market outcomes of immigrant offspring to be better in countries where their educational outcomes are good. Taking differences in the reading performance of 15-year-olds as an indicator for the degree of integration, results from the 2009 OECD Programme for International Student Assessment (PISA) show that immigrant offspring in Switzerland face larger gaps in education outcomes *vis-à-vis* children of natives than in other OECD countries (see Table 3.10). Children of immigrant parents have considerably lower reading scores than the children of natives, especially if they have not been born in Switzerland, but migrated there as children. Particularly striking are the large gaps between the young immigrants and the children of natives, which are almost twice as large as the OECD average – in spite of the fact that the difference in parental schooling between young immigrants and offspring of natives is not larger than the OECD average.

Given these substantial differences in school performance, as measured by the OECD Programme for International Student Assessment (PISA), the rather low overall differences in labour market outcomes of immigrant offspring come as a surprise. With longitudinal data on the school-to-work transition process, the educational career and subsequent outcomes of immigrant offspring can be examined more thoroughly, in comparison to that of the children of natives. Such data are available for Switzerland in the form of the PISA/TREE panel survey which is the main data source on which the following analysis is based. The PISA/TREE panel follows the participants of the 2000 PISA survey in Switzerland during the process of their school-to-work transition, with the last wave having been conducted in 2010. Box 3.5 gives more detailed information on this unique dataset.

Table 3.10. PISA point differences in reading scores for the children of immigrants compared with the children of natives, 2009

	Unadjusted		Adjusted		Differences in the numbers of years of highest parental schooling compared with the children of natives	
	Native-born children of immigrants	Young immigrants	Native-born children of immigrants	Young immigrants	Native-born children of immigrants	Young immigrants
Australia	-16	*-3*	-19	*-3*	*0.0*	0.5
Austria	55	98	30	69	-1.2	-1.9
Belgium	65	71	37	42	-1.5	-1.1
Canada	5	8	*-4*	7	-0.4	0.6
Denmark	56	79	32	55	-1.8	-0.8
France	55	77	24	51	-1.8	-1.4
Germany	54	61	31	42	-2.0	-0.7
Greece	33	69	20	36	*0.2*	-0.6
Ireland	*-6*	36	*4*	39	*-0.2*	0.9
Italy	45	81	23	54	*-0.2*	*0.0*
Luxembourg	56	47	22	24	-3.4	-2.0
Netherlands	46	44	21	7	-2.4	-2.3
New Zealand	28	*6*	*10*	15	0.1	0.8
Norway	45	60	31	37	-0.7	-0.9
Portugal	16	36	*9*	29	1.1	2.2
Spain	26	62	20	44	*-0.1*	*0.0*
Sweden	53	91	31	61	-0.7	-1.8
SWITZERLAND	**42**	**58**	**21**	**42**	**-1.7**	**-0.9**
United Kingdom	*7*	41	11	29	*-0.3*	*-0.3*
United States	22	21	*0*	*-5*	-2.1	-1.9
OECD	**25**	**33**	**7**	**14**	**-1.5**	**-0.9**

Note: The figures show the points differences in the PISA 2009 scores for reading literacy between children of natives on the one hand and (native- and foreign-born) children of immigrants on the other. "Young immigrants" are students who are foreign-born and whose parents were also born in another country. "Native-born children of immigrants" refers to native-born students whose both parents were born outside of Switzerland. "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 index 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. 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 italics.

Source: OECD PISA Database 2009.

Box 3.5. The PISA/TREE Panel Survey

The PISA/TREE panel surveys the cohort which participated in the PISA 2000 study and finished compulsory education in the same year. Those students in this cohort who accepted to participate were then sent a yearly survey to follow their educational career as well as their labour market integration. The cohort is representative for Switzerland and its language regions. The resulting dataset is rather rich and allows for a broad variety of analyses.

Survey year	2000	2001	2002	2003	2004	2005	2006	2007
Gross sample	11 710	6 343	5 944	5 609	5 345	5 060	4 852	4 659
Responses	6 343	5 528	5 206	4 877	4 679	4 506	4 133	3 979
out of which								
Children of natives	77%	78%	79%	79%	79%	79%	79%	80%
Native-born children of immigrants, high-income country	10%	9%	9%	9%	9%	9%	9%	9%
Native-born children of immigrants, lower-income country	6%	6%	6%	6%	6%	6%	6%	5%
Young immigrants, high-income country	1%	1%	1%	1%	1%	1%	1%	1%
Young immigrants lower-income country	3%	3%	3%	3%	3%	3%	3%	3%
% wave	54%	87%	88%	87%	88%	89%	85%	85%
% survey 2001			82%	77%	74%	71%	65%	63%

Source: Transition from Education to Employment (TREE) dataset.

The response rates until 2007 – the most recent year for which the data have been released – do allow for distinct analysis of different groups of offspring of immigrants, but they, nevertheless, limit the extent to which detailed analysis can be done in later years with respect to specific questions. Over the years, the content of the questionnaire varied. While it mainly focused on upper secondary education over the first three waves, emphasis shifted to the transition into the labour market or tertiary education over the last three years of available data.

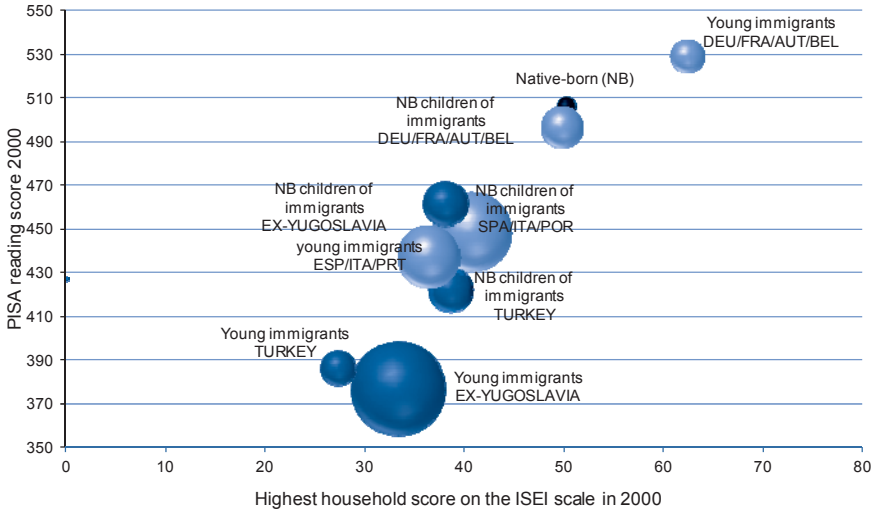
The sample of 2000 is composed of individuals of different ages. The median as well as the average age was 15, but the actual ages ranged from 13 to 18.

Educational outcomes of the children of immigrants in Switzerland

Already in 2000, the PISA study detected a considerable performance gap for students with immigrant parents at the end of lower-secondary schooling in Switzerland.[58] The children of immigrants from lower-income countries faced the largest disadvantages. In addition, outcomes varied greatly across different groups of origin: while PISA reading scores were not significantly different from those of the children of natives, among the children of immigrants (either foreign- or native-born) from Germany, France, Austria and Belgium, young immigrants from the successor countries of the former Yugoslavia had lower outcomes by almost 170 points.[59]

Part of these differences in educational performance can be explained by differences in the parental socio-economic background. Figure 3.14 displays the correlation between average PISA reading scores and the average ISEI index of parental socio-economic status for different groups of immigrant offspring, with the area of the bubbles indicating their relative group size (with the exception of the native-born).[60]

Figure 3.14. Parental socio-economic background and PISA reading scores in 2000, by migration background and country of origin



Note: "NB children of immigrants" stands for "*native-born* children of immigrants". The bubble for the "native-born" is the only one that was not drawn at its correct relative size, since this group is so large that the respective bubble would dominate the whole picture. The bubble can thus only be interpreted in terms of its position, but not its size. ISEI: International socio-economic index.

Source: Transition from Education to Employment (TREE) dataset.

As Figure 3.14 illustrates, immigrant offspring from different origin countries tend to differ significantly with respect to their parents' social status. Offspring with parents from high-income countries such as Germany, France, Austria and Belgium have an average socio-economic background that is comparable to that of the children of natives – or, in the case of young immigrants, even more favourable. Offspring with parents from Turkey and the successor countries of the former Yugoslavia, as well as from the high-income countries Spain, Italy and Portugal, on the other hand, tend to come from families with a lower socio-economic status. Although almost all immigrant offspring have, on average, lower education outcomes in the PISA study, even when differences in socio-economic status are taken into account, children of parents with a lower socio-economic status are at a greater disadvantage. For policy making, it is of particular interest to understand how these differences, in correlation with migration background, translate into educational and finally employment outcomes.

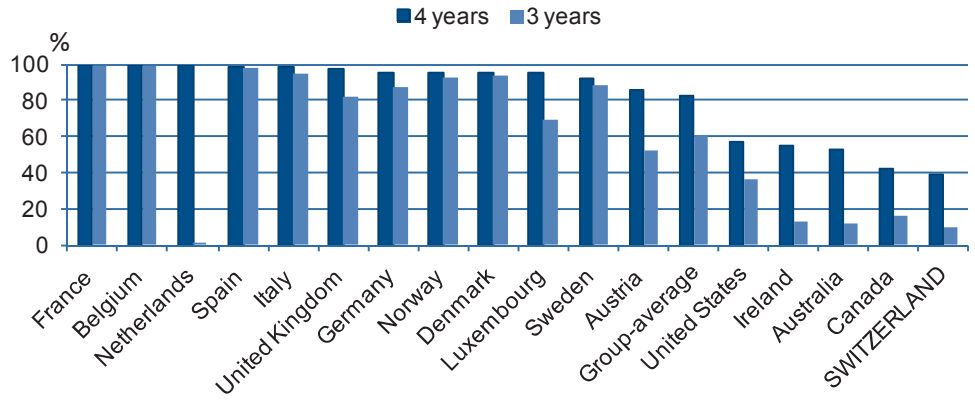
Early childhood education

A quite effective way to tackle disadvantages stemming from an unfavourable socio-economic background appears to be the enrolment of children in Early Childhood Education and Care Programmes (ECEC).[61] Measures targeting children around the age of 3 to 4appear to be particularly successful in this respect and they seem to be even more beneficial to the children of immigrants than for the children of natives. A recent study from Germany found that participation in ECEC measures increased the chances to attend the most challenging type of secondary education (*École de maturité*) by over 55% for the children of immigrants, compared with 38% on average overall (Fritschie and Oesch,

2008). Likewise, a French study has shown that participation in ECEC at the age of 3 has a positive effect on the education outcomes of immigrant offspring (Caille, 2001).[62]

In Switzerland, participation in ECEC measures has been low, especially for children younger than four. Among the 3-year-olds, less than 10% participated in pre-school programmes, which is due to the fact that most cantons offer ECEC only starting from the age of 4, with the exception of Ticino. Regarding the enrolment rate of 4-year-olds, Switzerland also ranks lowest among all countries in the comparison group. In 2008, only 40% of the 4-year-olds participated in a formal ECEC facility (see Figure 3.15). On average, children in Switzerland spend only 1.4 years in pre-school programmes, compared with 2.3 years on average for the OECD.[63] There are no separate figures available on the enrolment rates of children with a migration background. Although there is no evidence that they are particularly disadvantaged in this respect (see above), the percentage remains low.

Figure 3.15. Participation rates in formal care and pre-school for children aged 3 and 4 years, selected OECD countries, 2008



Source: OECD Education Database.

Although researchers largely agree on the beneficial impact of Early Childhood Education and Care (ECEC) programmes on the cognitive development of children from disadvantaged backgrounds, this has only recently emerged as a topic of public interest and policy attention in Switzerland.[64] Caring for young children at home has a long tradition in Switzerland and is still given priority over establishing a comprehensive institutional approach in the public opinion.[65] Indeed, language support projects ("*Step:wise*") for disadvantaged children aged 0-3 years in some German-speaking cantons provide language training and assistance to mothers at *home*, thereby perpetuating the current system rather than enhancing the structures for institutionalised ECEC.

A recent choice experiment that has been initiated and financed by the Swiss National Fund revealed that the demand for pre-school programmes targeting children below the age of 4 is actually much higher than the current supply in Switzerland. Over the course of this experiment, 600 families, 150 of which had a head of household with a foreign nationality, were presented with a set of different fictional offers for ECEC facilities at different prices (derived from actual market prices) and were asked to hypothetically choose their preferred means of child-care. Whereas 84% of the participants took care of their small children at home in real life, only 44% opted to do so in the fictional thought

experiment. Moreover, the share of participants considering sending their child to a nursery school (30%) was three times higher than the share of those who actually did so. Most notably, the study revealed that the supply of nursery schools could only meet 40% of the demand at the time and suggested that this demand was quite elastic with respect to prices and income levels (Swiss National Fund, 2005). This pattern of demand was similar for families with and without a migration background.

While an initiative has been launched to harmonise pre-schooling across cantons by making participation obligatory starting from the age of 4 (as stipulated in the so-called "HarmoS Konkordat"), there has been no comparable initiative for children aged 3 years, which is generally considered a critical age for integration. Existing programmes for this age group vary even more substantially across cantons and even cities. There is a multitude of low-threshold programmes at the municipal and cantonal level in Switzerland, especially in large cities such as Bern, Basel, Zerich and St. Gallen. Since 2001, for instance, the federal government has provided funding for so-called "playgroups" (*Spielgruppen*) that integrate elements of language training into their range of activities.[66] Nevertheless, these measures lack a common curriculum and co-ordinated effort and are barely institutionalised. Although many of these local initiatives focus particularly on supporting migrant families and their children, the number of families benefiting from them remains limited (see Schulte-Haller, 2009). In reaction to this fragmentation, the Federal Commission for Migration called for a national action plan in 2009 in order to develop common terms and goals of ECEC for children below the age of 4 and to incite the harmonisation of the diverse offers across Switzerland. To date, no such plan has been implemented.

Upper secondary education

Children usually enter primary school at the age of 6 or seven in Switzerland. They are in comprehensive schooling until the end of obligatory education after nine years. After completion of the 9th grade, they are sorted into different tracks of upper-secondary education which is a decisive step in the educational career. The type of upper-secondary schooling that is chosen at this point determines the subsequent educational career. The so-called *Écoles de maturité*/*Maturitätsschulen* represent the most prestigious track. Admission is selective and they provide a general education preparing for tertiary education and lead to a university-entrance diploma at ISCED 3A level (*Maturité/Matura*). The second option is vocational education and training (VET) that generally combines part-time schooling with company-based apprenticeship training. Finally, students can opt for continued full-time schooling in vocation-specific schools, which qualifies them for further schooling or entry into traineeships. This option is, however, rarely used (for further information on the Swiss education system, see Swiss Coordination Centre for Research in Education, 2011).

Students who finish the selective track of an *École de maturité* tend to achieve rather positive subsequent educational and employment outcomes. Of those participants in the TREE panel who obtained the *Maturité* (or an equivalent qualification at the ISCED 3A level) within seven years after the end of obligatory schooling, two out of three also attended tertiary education afterwards. Only 4% were NEET (neither in employment nor in education or training).

A more detailed analysis shows that the offspring of parents from lower-income countries are much less likely to finish this track successfully compared with the children of natives (Table 3.11), while native-born offspring of immigrants from high-income

countries face no significant disadvantage. Parental socio-economic background is a major driving factor accounting for differences in completion rates. When accounting for both PISA scores, the differences disappear. When accounting in addition for parental background, native-born children of immigrants from high-income countries, as well as young immigrants from lower-income countries, are even *more* likely to obtain the *Maturité* than the offspring of natives. This mainly concerns young women.

Table 3.11. Differences in probability in percentage points of successfully completing upper-secondary education that qualifies for university attendance, by gender (PISA 2000 cohort)

	Model 1			Model 2			Model 3		
	All	Men	Women	All	Men	Women	All	Men	Women
By own migration background									
Native-born children of immigrants, high-income country	-4	-8	-2	**14***	13	15	**18***	14	**24***
Native-born children of immigrants, lower-income country	**-24*****	**-25*****	-11	-8	-14	6	2	-7	20
Young immigrants, high-income country	**-18****	-16	**-20*****	-5	-7	-3	-4	-8	4
Young immigrants, lower-income country	**-25*****	**-24*****	**-28*****	11	5	22	**21***	11	35
All immigrant offspring									
Parents from high-income country	-6	-11	-1	7	1	13	9	-2	**22***
Parents from lower-income country	**-21*****	**-27*****	-10	3	-11	25	12	-8	**38***
Controls									
PISA 2000 reading score				x	x	x	x	x	x
Socio-economic background							x	x	x
Mother's education							x	x	x

Note: The figures show the differences between the children of immigrants and the children of natives. They correspond to marginal effects after a Probit estimation, calculated at the sample means of the respective variables. The reference group is the native-born. *, **, *** denote significance at the 1%, 5% and 10% levels, respectively. In the top four rows, respondents are grouped by their own migration status as well as their parents' countries of origin. The following two rows report the result for an analysis where respondents are grouped by their parents' countries of origin only.

Source: Transition from Education to Employment (TREE) dataset.

Given the overall under-representation of immigrant offspring in the more prestigious track of upper-secondary education, particular attention must be paid to vocational education and training (VET) because it is the pathway that is used by the majority of immigrant offspring in Switzerland. Indeed, offspring with a foreign nationality account for 36% of students in VET programmes leading to qualifications at the ISCED 3C level – which is almost twice as much as their share in the age group overall (19%). The most prominent VET programme is *apprenticeship*, and having completed an apprenticeship appears to be over-proportionally beneficial for the school-to-work transition of immigrant offspring, especially if the parents have come from lower-income countries (see Table 3.12). It significantly reduces their risk to be in NEET, both in absolute terms and relative to the native-born. This observation is in line with similar findings from other OECD countries that employ dual VET systems, such as Austria, Germany and the Netherlands (see OECD, 2007; OECD, 2008a; Krause and Liebig, 2011).

Although immigrant offspring are already quite well represented in *starting* apprenticeship training, their general probability to *complete* it remains below that of the children of natives (see Table 3.12). It is not entirely clear what explains the apparent higher drop-out of children of immigrants from apprenticeship training.

Table 3.12. Difference in the probability of having completed an apprenticeship, children of immigrants relative to children of Swiss-born parents by migration background, 2007 (PISA 2000 cohort)

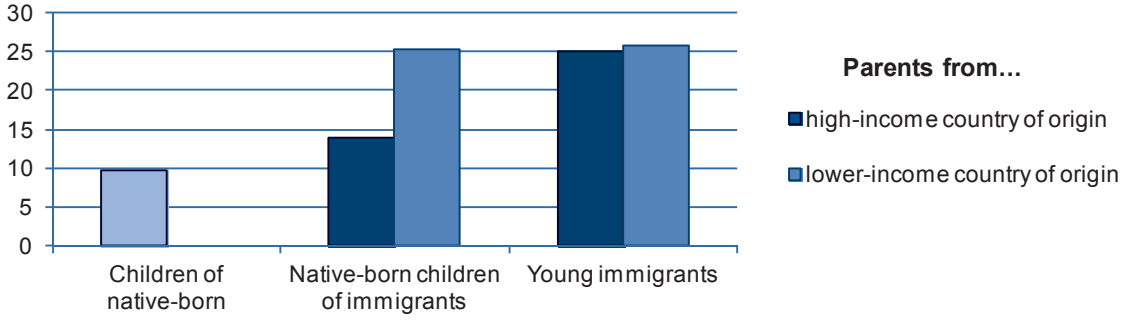
Migration background	Model 1			Model 2			Model 3			Model 4		
	All	Men	Women	All	Men	Women	All	Men	Women	All	Men	Women
Native-born children of immigrants from...												
high-income country	2	-3	7	1	-3	4	-4	-11	3	-5	-10	2
lower-income country	-4	-7	5	-5	-9*	3	-17***	-20***	1	-18***	-21***	0
Young immigrants from…												
high-income country	-3	-13*	26***	-3	-13**	27***	-11*	-19***	20*	-10*	-18***	20*
lower-income country	-1	-9**	16***	-3	-18***	17***	-21***	-25***	-14**	-23***	-30***	-13**
Parents from high-income countries of origin		-8*	11**		-8*	9		-14***	6		-14***	5
Parents from lower-income countries of origin		-8**	14**		-14**	14***		-21***	-11*		-25***	-10*
Controls												
Region	x	x	x	x	x	x	x	x	x	x	x	x
Socio-economic status of the parents				x	x	x				x	x	x
PISA reading score							x	x	x	x	x	x
Gender	x			x			x	x	x	x	x	x

Note: The figures show the differences between the children of immigrants and the children of natives. They correspond to marginal effects after a Probit estimation, calculated at the sample means of the respective variables. The reference group is the native-born. *, **, *** denote significance at the 1%, 5% and 10% level, respectively.

Source: Transition from Education to Employment (TREE) dataset.

In general, immigrant offspring have a higher tendency than the children of natives to leave the school system without any sort of upper-secondary qualification (see Figure 3.16). Around 25% of offspring with parents from lower-income countries who participated in the 2000 PISA study did not obtain any upper-secondary degree within seven years after the end of obligatory schooling, whereas this applied to only 10% of the children of natives. The share among the children of parents from high-income countries amounted to about 15% for the native-born and 25% for young immigrants and was thus, likewise, considerably higher than among the children of natives.

Figure 3.16. Share of persons without upper-secondary education, seven years after the end of obligatory schooling (PISA 2000 cohort)



Source: Transition from Education to Employment (TREE) dataset.

These differences can be analysed accounting for previous school performance and parental social background. In a regression analysis, the differences tend to become insignificant when both factors are taken into account.[67] This partly explains the surprisingly unfavourable outcomes of offspring with parents from high-income

countries, since the parents from the major origin countries Spain, Portugal and Italy have rather low socio-economic status on average (see Figure 3.14 above).

A particularly important group for policy are children who find themselves neither in employment nor in education or training (the so-called "NEET" group). Children of immigrants from lower-income countries, even after accounting for their lower PISA results and attainment level, have a much higher probability than children of natives to be in the NEET group seven years after the end of obligatory schooling (Table 3.13). The differences are particularly strong for men and indeed, their lower PISA results do not account for much of the disadvantage.

Table 3.13. Difference in the probability to be neither in education nor in employment (NEET), seven years after the end of obligatory schooling (PISA 2000 cohort)

	Model 1			Model 2			Model 3			Model 4		
	All	Men	Women	All	Men	Women	All	Men	Women	All	Men	Women
Immigrant offspring with parents from…												
High-income country	2	14***	1	1	13***	0	1	5	-3*	1	4	-3*
Lower-income country	17***	13***	20***	13***	12***	8**	13***	18***	9**	27***	36***	-7***
Apprenticeship							1	-5***	6***	2*	-3	5***
Interaction apprenticeship * lower-income country										-5***	-5***	-2***
Controls												
PISA reading score				x	x	x	x	x	x	x	x	x
Language region	x	x	x	x	x	x	x	x	x	x	x	x
Gender	x			x			x			x		

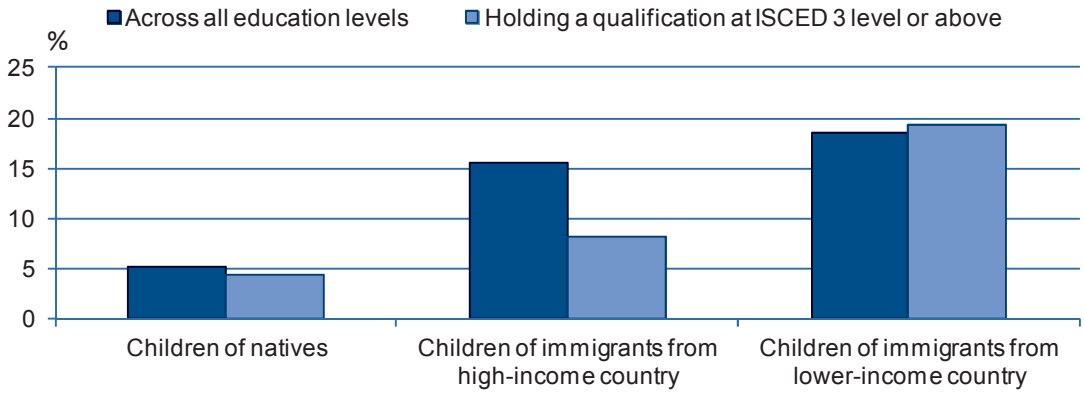
Note: The figures show the differences between the children of immigrants and the children of natives. They correspond to marginal effects after Probit estimation, calculated at the sample means of the respective variables. The reference group is the native-born. *, **, *** denote significance at the 1%, 5% and 10% level, respectively. "Apprenticeship" refers to having completed apprenticeship training. The sample is restricted to children who obtained at least ISCED 3 level.

Source: Transition from Education to Employment (TREE) dataset.

Whereas only about 5% of children with native-born parents were neither in employment nor in education seven years after the end of obligatory schooling, this applied to almost 20% of youth with parents from lower-income countries, even for those who managed to obtain an upper-secondary qualification (see Figure 3.17).

In summary, poorer school performance at the end of obligatory schooling and an unfavourable socio-economic background lead to a perpetuation of disadvantages throughout upper-secondary education for the children of immigrants from lower-income countries, which results in an over representation among youth without an upper-secondary diploma and among NEET. Finding ways to better integrate the children of immigrants during pre-schooling and the early years of compulsory education, and decreasing performance differences such as those found by PISA before the end of obligatory schooling seems to be a crucial element in preventing immigrant offspring from falling behind in their educational careers.[68]

Figure 3.17. Share of youth in NEET seven years after the end of obligatory schooling, by parental origin and educational attainment



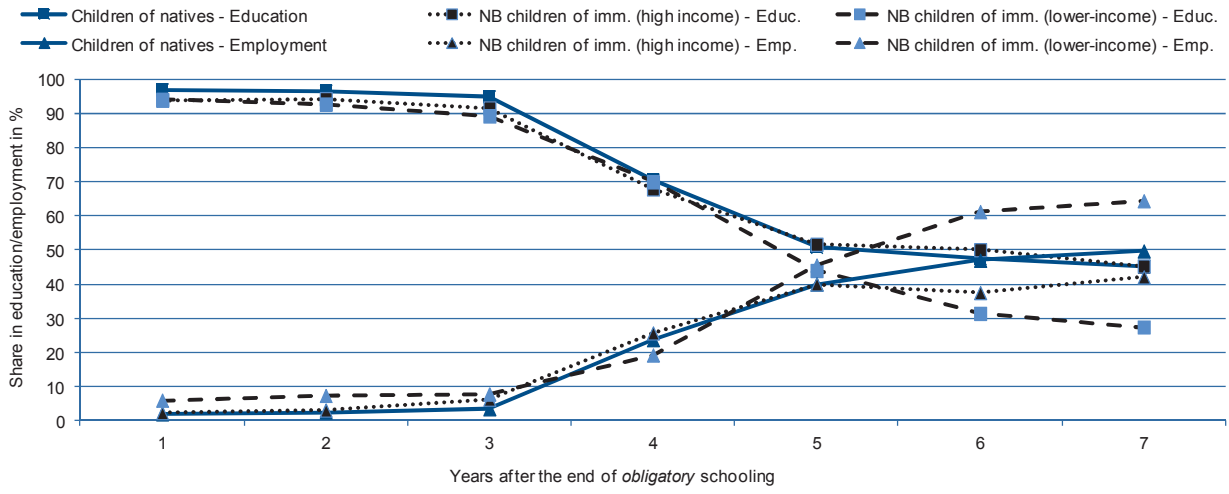
Source: Transition from Education to Employment (TREE) dataset.

School-to-work transition process and labour market outcomes

During the school-to-work transition process, it is not only previous school performance that matters, but also the transition process as such, that is, the duration of job search and the channels used to find a first employment.

Data from the TREE panel show that the native-born children of immigrants from high-income countries pursue a transition process broadly similar to that of the children of Swiss-born parents (see Figure 3.18). On average, they spend around the same number of years in the education system and have a similar share of youth in employment seven years after the end of obligatory schooling (between 40 and 50%). Children of immigrants from lower-income countries, in turn, tend to leave the education system – and to take up employment – earlier.

Figure 3.18. Transition from education to employment, children of natives and native-born children of immigrants (PISA 2000 cohort)



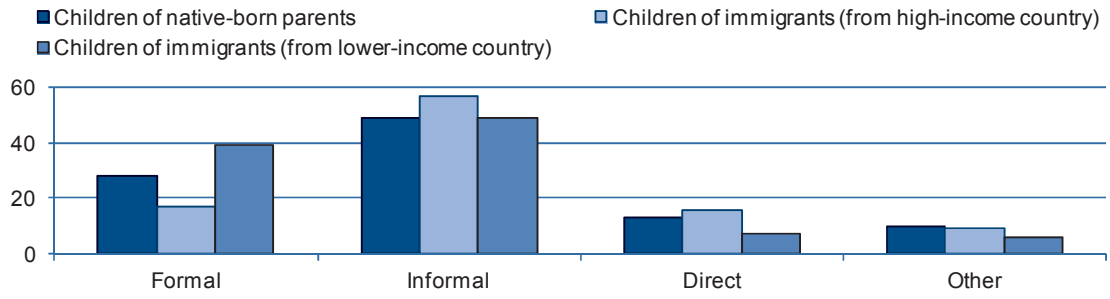
Note: "NB" = native-born.

Source: Transition from Education to Employment (TREE) dataset.

When looking only at the individual employment situation of participants in the TREE panel two years after the highest degree was obtained, there does not seem to be any difference in outcomes *vis-à-vis* children of natives, not even for children of immigrants from lower-income countries.[69] The majority of those who had completed a degree two years earlier and were not in full-time education anymore had participated in vocational training. Equipped with company-based apprenticeship training, they managed the transition process rather well, which highlights the success of this pathway in ensuring employment for children of immigrants. In this respect, personal networks as providers of such channels are one factor that shapes school-to-work transition, beyond the mere quantity and quality of education.[70]

Analysis based on data from the 2009 Swiss Labour force Survey (*Enquête suisse sur la population active*, ESPA) which contains a special module on the school-to-work transition suggests that formal channels of job search play a much greater role for native-born children of immigrants from lower-income countries than for any other group. The differences are even more pronounced among participants in the TREE panel (see Figure 3.19). Here, immigrant offspring from lower-income countries appear considerably *less* likely to have found their first job through an informal channel. Differences observed in both the ESPA and the TREE survey data become, however, insignificant, once previous education is accounted for.[71] Thus, although the labour force survey and the TREE panel suggest that there are differences in the ways the children of immigrants from lower-income countries find their first jobs, these differences appear to stem primarily from differences in education.

Figure 3.19. Channels through which 20-29 year-olds found their first jobs, by migration background (PISA 2000 cohort)



Note: Native-born immigrant offpring and young immigrants are grouped together due to restrictions in the sample size. "Formal" refers to the use of the employment office or private employment agency; "informal" refers to personal networks; "direct" refers to applications to employers without intermediation of a third agent.

Source: Transition from Education to Employment (TREE) dataset.

In addition to networks, other factors may hamper the school-to-work transition of children of immigrants such as discrimination (see above) and lack of knowledge about labour market functioning. All of these could lead to a longer duration of job search. In this case, the children of immigrants could be expected to take more time than the children of natives to find employment after having obtained their highest degree. This actually seems to be the case, as participants in the TREE panel whose parents came from lower-income countries needed on average almost twice as long to find a first job and this difference remains relatively robust, even after controlling for education and PISA scores.[72]

Turning to the employment of the 20-29 year-olds who are not currently in full-time education, native-born children of immigrants from high-income countries seem to be integrating rather well into the Swiss labour market, having even slightly better outcomes than children of the native-born (see Table 3.14). More than 90% of the 20-29 year-olds have successfully made their way into employment. Unemployment is slightly lower than for the children of natives. The picture is different for native-born offspring of parents from lower-income countries, in particular for young men. They have substantially lower employment and higher unemployment rates. Both figures differ by 15 to 20 percentage points from the rates observed for the children of natives. For women, in turn, only small disadvantages are observed.

Table 3.14. Employment-population ratios and unemployment rates by migration background and gender, people aged 20-29 not in education, 2009

	Employment rate		Unemployment rate	
	Men	Women	Men	Women
Children of native-born	89	87	7	7
Native-born children of immigrants with parents from…				
high-income country	*4*	*5*	*-1*	*-2*
lower-income country	*-16*	*-2*	*18*	*4*

Note: The figures for the children of immigrants display the percentage-point difference relative to the children of native-born. A negative figure for the employment rate means that children of immigrants have a lower employment rate than the children of natives.

Source: Swiss Labour Force Survey, Swiss Federal Statistical Office.

As seen above, the much less favourable employment outcomes of male native-born immigrant offspring with parents from lower-income countries cannot be fully explained by their higher risk of not completing upper-secondary education. Even among those who had attained a qualification at upper secondary level or higher within seven years after the end of obligatory schooling, children with parents from lower-income countries of origin were still much more likely to be neither in education nor employment (see Table 3.13 above).

Policy intervention to support immigrant offspring's school-to-work transition

Given the precarious employment prospects of youth without an upper-secondary degree in Switzerland and the overrepresentation of immigrant offspring in this group, policy intervention that helps to master the step from lower- to upper-secondary education appears to be of particular importance. Indeed, Switzerland maintains a broad framework to support youth in this transition process. The framework has been overhauled by the OFFT since 2002, to better account for the needs of youth having particular difficulties to integrate into regular apprenticeships. In all of these, children of immigrants are among the target groups.

The federal government and the cantons have committed to raising the share of 25-year-olds holding an upper-secondary degree from 90% in 2004 to 95% by 2015. To this end, most cantons are currently in the process of developing a case management programme that is funded by the OFFT with CHF 35.5 million until 2015. The cantons are expected to establish case management bodies to better co-ordinate already existing measures of career guidance. Moreover, case managers are to identify youth with particular difficulties when they are still in lower-secondary education and to assure

that they obtain an upper secondary qualification. Although no data on participant characteristics is available yet, immigrant offspring can be expected to be strongly represented in the target group which is defined as youth confronting "multiple problems" during the transition into upper-secondary education.[73]

In the course of the recent overhaul of Swiss regulations for vocational education and training, the cantons have been engaged in establishing a low-threshold alternative to regular three-to-four-year apprenticeships (see OECD, 2009). These apprenticeship programmes take only two years and lead to a certificate that qualifies for lesser-skilled occupations. For apprentices at the risk of dropping out of this measure, individual counselling is available that is partly funded from federal resources. In exceptional cases, it is also possible to extent the duration of apprenticeships.

Finally, the OFFT also funds so-called *transformational measures* that are implemented by the cantons to bridge the transition from lower-secondary education into vocational training for youth who could not find an apprenticeship right after the end of obligatory schooling. The programmes usually take up to one year and either focus on school-based general education or on practical training that involves an internship (*pré-apprentissage*). Within this framework, special language and integration courses are offered to young immigrants with substantial language deficits. All these measures aim to prepare for a transition into regular apprenticeships.

Apart from the support framework provided by the OFFT, there are also measures of active labour market policy available to youth, financed by the unemployment insurance. However, young immigrants who completed part of their education abroad may not be eligible for the whole range of ALMP measures.[74] The unemployment insurance, however, makes an exception for youth who have spent at least their final year of schooling in the Swiss education system and allows them to take part in the *Motivation Semester* programme (Box 3.6).[75] Nevertheless, the cantons are required to contribute 50% to the costs of these "exceptional participants" and the latter do not receive any unemployment support during programme participation. They may thus be tempted to take up (low-skilled) jobs to earn some money quickly rather than invest into a better education, which increases their risk to become NEET thereafter. The above analysis suggests that this seems to be a rather widespread phenomenon among children of immigrants from a disadvantaged background.

Box 3.6. The "Motivation Semester"

The *Motivation Semesters* are a Swiss active labour market programme, running since 1994. They are targeted at young persons (aged 15-25 years) who have finished or left school and are unemployed, either because they have not found a place in the apprenticeship system, have abandoned an apprenticeship or have no career plans whatsoever. While the programme is not designed specifically for immigrants, many of those meeting the criteria for participation are children of immigrants.

The Motivation Semester aims to fill in gaps in formal training, to restore confidence and to prepare participants for regular employment. This may include language training. The focus is less on technical skills – such as operating machinery – than on softer skills such as punctuality, attention to quality and the ability to work in a team. The programmes are designed to run six months on a full-time basis (40 hours a week), although they may be extended. While apprenticeships generally start in August, enrolment in the Motivation Semester can occur throughout the year. Participants who are eligible to receive unemployment benefits continue to receive them during the Motivation Semester, while those who do not fulfill the eligibility criteria do not receive financial support during the measure.

In 2011, there are 70 such programmes across Switzerland (49 in German-speaking Switzerland, 18 in French-speaking Switzerland, and 3 in Ticino). Roughly 2 000 persons (*i.e.*, almost 2.5% of a youth cohort) participate each year and expenses per participant amounted to almost 40 000 Swiss Francs in 2009, making the measure rather costly. The Motivation Semesters are financed by the unemployment insurance.[1] They are tendered to third-sector organisations – generally training organisations or social enterprises. The success of the Motivation Semester relies partly on the relationship of trust between the training institute and local employers. Individual casework is involved to place and support each student in the internships which are meant to lead to an apprenticeship. The structure of each Motivation Semester varies, as does the individual training and placement offered to participants.

In Thun (in the Canton of Bern), for instance, a foundation has been running a Motivation Semester since 2003. Participants are referred by the Public Employment Service – generally those with a poor educational background – if they have no prior work experience. Out of 53 places and 100 participants (due to the six-month duration) annually, about half are children of immigrants. The programme consists of two days of schoolwork, covering language, mathematics, social studies, sports and general knowledge. The other three days are spent in a PVC fabric cutting workshop. Students are pushed to start an internship of 2-6 months with a company as soon as possible. After completion of the internship, companies are requested to take on the intern as an apprentice. In Thun, about 60% of participants end up in an apprenticeship, 15% are rejected, and 25% drop out of the programme.

The Motivation Semester thus represents a significant investment and seems to prevent unemployed youth from falling out of the system. It reflects the need for individual support during coursework and the internship. The success rates for the programmes vary, depending on the local economic situation and the characteristics of the youth involved, but on average, around two-thirds of participants start an apprenticeship or another type of further education after the end of the programme (Duell *et al.*, 2010). The measure thus appears to be rather effective in this respect.

1. Like other measures in the realm of active labour market policy, the motivation semester springs from article 59d of the Unemployment Insurance Law. The Motivation Semester is meant, however, to lead to an apprenticeship rather than job placement.

In summary, the good overall performance of the children of immigrants in the past has masked significant problems faced by the children of immigrants from lower-income countries, and the number of these is growing rapidly. There are a number of well-designed programmes in place, but too little attention is paid to early intervention which is crucial for education outcomes and the school-to-work transition.

Summary and recommendations

Switzerland has a large share of immigrants, and the overall picture for labour market integration is favourable.

About 27% of Switzerland's population is foreign-born, which is – together with Luxembourg and Australia – one of the largest shares in the OECD. On the aggregate, the key labour market integration indicators for immigrants are quite favourable in international comparison. Both immigrant men and women in Switzerland have among the highest employment rates in the OECD, and this holds also for the native-born offspring of immigrants. Nevertheless, and in spite of the low overall unemployment rate in Switzerland, unemployment for some immigrant groups is non-negligible, in particular for many immigrant women with small children.

This reflects both relatively full employment in Switzerland and the fact that most immigrants have come from neighbouring countries.

The broadly favourable integration picture compared with other OECD countries seems to be essentially due to two factors. First, overall labour market conditions in Switzerland are good. Second, in contrast to most other OECD countries, the bulk of migration – both in the past and recently – has been from high-income countries, in particular from the neighbouring countries of Germany and Italy which are the two most important origin countries. Within the group of the lower-income countries of origin, the former Yugoslavia and its successor countries account for almost half of all immigrants, with Turkey accounting for an additional 12%. The bulk of migration has been for work and subsequent family migration, whereas humanitarian migrants – who tend to have particular difficulties in integrating into the labour market in all countries – accounted for a smaller part than elsewhere. However, this latter group is non-negligible in terms of numbers, and indeed Switzerland has been one of the main destination countries for asylum seekers in the OECD over the past two decades.

There are many recent migrants from the European Union, and these are generally well integrated into the Swiss labour market.

Since 2002, when it gradually introduced freedom of movement with the EU member countries, Switzerland experienced a large influx of immigrants from the European Union. Today, more than 5% of the Swiss resident population at working age consists of recent arrivals, defined as immigrants with less than five years of residence. Within this group, there is considerable diversity in the socio-demographic composition of the flows across origin countries, and immigrants from Portugal in particular also face high unemployment. Generally, however, recent migrants from the enlarged European Union have highly favourable labour market outcomes. In particular, they are on average more

often found in jobs which match their formal qualification level than the native-born, which suggests that their skills match well with labour demand.

There are some signs of a worsening of the labour market situation of immigrant women from lower-income countries, and this should be watched closely.

One group for which labour market outcomes are not only unfavourable but have also deteriorated in recent years are immigrant women from lower-income countries, in particular recent arrivals. This is a worrying development which requires careful monitoring. Indeed, immigrant women tend to be out of the focus of integration efforts, as they are often out of the labour market and not benefit-dependent. For this group, the recent reduction in the co-financing (through the unemployment insurance) of active labour market policy measures for persons not receiving unemployment aid could well have the effect of a further reduction in the already limited provision of integration measures – unless social assistance steps in. In contrast to humanitarian migrants, family migrants generally do not receive standard integration support after arrival, although they may obtain some support regarding basic language training. In contrast, in other OECD countries, introduction measures are increasingly made available to all new arrivals, and/or activities by non-governmental organisations compensate for the lack of mainstream offers. Both of these are less prominent in scale and scope in Switzerland. Since a better integration of immigrant women from lower-income countries in the Swiss labour market can also have important spill-over effects to their children, extending integration measures to them is worthy of serious and urgent consideration.

The poor outcomes of recent humanitarian migrants call for more structured integration measures

One group which has much lower labour market outcomes currently than in the past and which also has poor outcomes in international comparison are recently-arrived humanitarian migrants. The reasons for this are not entirely clear. In any case, this is a group which needs targeted integration measures, and other OECD countries have implemented structured integration programmes for this group. These last for up to three years and seem to have met with some success. The better outcomes of recent humanitarian arrivals in countries like Denmark and Norway with structured programmes targeted at labour market integration suggest that much could be gained if Switzerland were to follow such an approach.

Cantons' incentives for the rapid labour market integration of humanitarian migrants need to be strengthened…

Although social assistance is a sub-federal competence, it is funded by the Confederation to the cantons for refugees during the first five years of residence. For the large and growing group of the provisionally admitted, the Confederation pays during the first seven years before persons in this group come under cantonal/communal responsibility. In addition, provisionally admitted persons receive less than the regular social assistance, and it appears that this has sometimes been accompanied with less effort to integrate this group. This implies that cantons have little incentive to integrate humanitarian migrants into the labour market during the first five to seven years. But if

immigrants are not adequately prepared by then, they find it extremely difficult to enter the labour market successfully and empirical evidence from other OECD countries suggests that early labour market entry is a crucial determinant for integration in the long term. Incentives for rapid labour market integration of humanitarian migrants thus need to be strengthened.

…and remaining legal obstacles for labour market access removed.

Since 2008, provisionally admitted humanitarian migrants have access to the labour market without a labour market test. However, and in contrast to other migrant groups, they still need a work permit which they generally obtain if they manage to find an employer willing to hire them. Abolishing the requirement of a separate work permission procedure would thus serve to reduce red tape and facilitate labour market integration. In any case, employers should be better informed about the possibilities to hire these migrants.

The framework for integration is relatively complex and opaque…

As federal action in the domain of integration has been very limited until recently, most integration measures were implemented at the cantonal and municipal levels, reflecting the principle of subsidarity. While this has contributed to a flexible approach to integration, it has also led to strongly differing levels of service provision between cantons. While this is true for many policies in Switzerland, and indeed also concerns many services for non-immigrants, for humanitarian migrants this raises questions of horizontal equity since they cannot freely choose their canton of residence and have limited mobility within Switzerland.

…and this is mainly due to the fact that access to integration services depends on many factors.

The rather complex and opaque nature of the Swiss integration framework is perhaps its single most important shortcoming. It is mainly due to the fact that access to integration services depends on a great variety of factors – the canton of residence, the type of permit and the duration of residence, receipt (or not) of social insurance payments and the pillar of social insurance (unemployment, invalidity or social assistance) under which the migrant eventually falls.

The unequal level of service provision across cantons calls for more policy co-ordination.

The apparently unequal levels of integration service provision across cantons and the fact that some groups of migrants are not eligible for mainstream services call for more policy co-ordination, both within and across cantons. Common minimum standards should be implemented to make sure that immigrants receive measures according to their needs, independent of their location in Switzerland, of their permit type and of the type and degree of benefit/insurance payment which they may receive or not. In addition, exchanges of good practices between cantons and municipalities should be strengthened.

Wage subsidies seem to be a particularly effective integration measure for immigrants, but they rarely benefit from them.

For such an exchange to make sense, an evaluation of what works and what does not is a precondition, which implies that research and evaluation have to be built into new programmes. Indeed, in spite of a well-developed overall evaluation culture in Switzerland, there has been little specific evaluation of labour market policy regarding immigrants and their children. This reflects mainstreaming of integration policies, but neglects that the effect of active labour market policy on immigrants may differ from that on the native-born. One rather solid result of past evaluations – both in Switzerland and in other OECD countries – has been that wage subsidies are particularly beneficial for immigrants. Yet, they rarely benefit from this measure in Switzerland.

As better data are now available, tackling the research deficit should be part of a coherent integration policy.

The lack of specific programme evaluation regarding immigrants also holds for research on integration more generally, which is surprising given the significant and longstanding presence of immigrants and their children in Switzerland. The lack of quantitative research has been partly due to a lack of data. As more and better datasets – including longitudinal ones – are now gradually becoming available, tackling the deficit in research and programme evaluation regarding the labour market integration of immigrants and their children should be an important element for a better informed and targeted policy making.

Language training needs to be stepped up, with a clearer focus on the labour market.

There is international evidence that language training can facilitate the integration of immigrants. It is difficult to assess language training in Switzerland, since most of it is provided by a range of different services at the cantonal level, with little interaction between them. The limited information which is available on language training suggests that this is less frequently provided than in other OECD countries and is not associated with good labour market outcomes for those who have followed it. The reasons for this merit closer scrutiny and corresponding policy action should be taken. In any case, there seems to be a case for both increasing coverage of language training and for more targeted job- or vocation-specific language training. In order to standardise language training throughout Switzerland, a common framework for language training should be considered.

Naturalisation should be facilitated, as this promotes immigrants' integration.

Switzerland has one of the most restrictive naturalisation policies in the OECD, reflecting the view that naturalisation is a certification of a successfully completed integration process rather than an instrument to promote it. Yet, empirical evidence suggests that naturalisation is associated with better labour market outcomes for immigrants and their children in Switzerland, in particular for immigrants from lower-income countries regarding access to higher-skilled jobs and the public sector. These

findings and further longitudinal evidence from other OECD countries suggest that much could be gained from facilitating access to Swiss nationality. In any case, there are costs involved in maintaining the current restrictions and awareness about this and about the benefits of obtaining Swiss citizenship for those migrants who are eligible for it should be raised.

To promote mobility, cantonal and municipal residence requirements should be reviewed.

In addition to the federal duration-of-residence requirement of 12 years for the ordinary naturalisation procedure, there are cantonal and municipal residence requirements. These make acquisition of nationality more difficult and can be a disincentive to migrants' mobility within Switzerland. A reform of the Swiss naturalisation law is in preparation which should remove some of the most significant shortcomings, namely through an overall harmonisation of duration-of-residence criteria at cantonal and municipal levels and a reduction of the Federal residence requirement to eight years. However, even if the planned reform goes through, the Swiss system would still remain restrictive in international comparison, in particular for the many native-born children of immigrants of whom currently only few have Swiss nationality.

Integration measures need to account better for the skills of immigrants.

Most available integration measures are targeted at lesser-skilled employment. The incidence of "overqualification", that is, of migrants working in jobs below their formal education levels, is high for migrants who have obtained their degrees in lower-income countries, and this also seems to hold after controlling for objective skills measures.

The transparency of the assessment and recognition of foreign credentials has to be improved, and all professions need to be covered.

The assessment and recognition of foreign qualifications seems to be one of the weak points of the Swiss system. Although the fees involved are low and the process is rather quick, the system lacks transparency, and knowledge about it is limited even among integration service providers. In addition, for a number of occupations it is currently not possible at all to obtain assessment and recognition of foreign qualifications and work experience, and these gaps in the system should be fixed. Improving the assessment and recognition system is important, since the vast majority of immigrants with degrees have obtained these abroad. The process outcome seems to be accepted on the labour market, since immigrants who have obtained formal recognition have better labour market outcomes. However, few immigrants with tertiary degrees from non-EEA countries actually seek assessment and recognition. It is unclear if this is because they are not aware of the offer or whether they are discouraged from applying because they are unlikely to obtain recognition.

The creation of a one-stop-shop for all assessment and recognition requests would help in this respect.

The Federal Office for Professional Education and Technology already accepts "preliminary applications" for recognition in all domains and levels and provides information on the competent bodies. A further step would be the creation of a one-stop-

shop which formally accepts all applications and hands over those outside of its domain to the competent authorities rather than returning them back to the applicant with advice as to which office he or she needs to apply to. This would be an important move towards enhancing transparency. In addition, the finding that recognition helps in getting good jobs should be made more widely known to immigrants.

Bridging offers and mentorship for skilled migrants should be implemented more broadly, in co-operation with employers.

There are few bridging courses for immigrants and the focus on rapid labour market integration for both refugees and the unemployed in general conflicts with bridging offers. Access in particular to highly-skilled employment is often provided through networks, of which immigrants have less. Here, mentorship programmes seem to be an effective tool, but their scale and scope is limited to date. Immigrants would also seem to benefit disproportionally from a wider provision of accreditation of prior learning (APL), which is now gradually developing in Switzerland. Care should be taken that the APL measures which are currently being developed will actually reach immigrants and meet their needs. Such tools should be provided more broadly, in co-operation with employers.

There is a high incidence of discrimination in Switzerland, and awareness of this should be raised.

Testing studies have pointed to a high incidence of discrimination in hiring. They suggest that to get invited to a job interview, children of immigrants educated in Switzerland may have to submit up to five times as many applications as children of natives with otherwise identical CVs. The relatively low incidence of unemployment among immigrant offspring suggests that the latter compensate for this discrimination by submitting more applications. The high degree of discrimination is also partly masked by overall good labour market conditions; and in the public debate, there is little concern about the possibility of discrimination in hiring. Nevertheless, children of immigrants need twice as long to find a job as natives with the same educational outcomes. It is thus important to raise awareness of this issue.

The legal and institutional framework for anti-discrimination lags greatly behind that in other OECD countries…

The legal and institutional framework against discrimination lags greatly behind that of most other OECD countries, and nationality-based discrimination is currently not illegal, except for immigrants from the European Union. In addition, the counselling and advice structures are currently less well equipped than in other countries, and they may only provide legal advice but cannot take legal action. As a result, the number of cases that they treat is negligible compared to the level of discrimination revealed in testing studies.

…and strengthening the framework should be complemented with other measures.

It is thus important that both the legal and the institutional framework against discrimination be strengthened, and then be made more widely known to immigrants. Such a reform could be complemented by more pro-active diversity measures aimed at the diversification of recruitment channels by employers, which are currently lacking in

Switzerland. The public sector, where immigrants are underrepresented, also needs to be involved in this. Diversity tools such as anonymous CVs, diversity labels and diversity consultants have recently been implemented in a number of OECD countries.

The apprenticeship system appears to be working well for the children of immigrants, but their low completion rates merit further attention.

The OECD's Programme for International Student Assessment (PISA) has shown that at the age of 15, children of immigrants have much lower educational outcomes in Switzerland than children of natives, and the differences are larger than in many other OECD countries. Longitudinal analysis suggest that the school and training system manages to provide these children of immigrants still with relatively good qualifications at a later stage, and the apprenticeship system seems to be working particularly well for them. However, the children of immigrants are less likely to complete an apprenticeship. The reasons for this should be investigated further, and subsequent remedial action taken.

Children of low-educated immigrants seem to have more integration difficulties now than previous cohorts of immigrant offspring, and tackling this should become a priority for policy.

Although the school-to-work mechanism works well for most children of immigrants, there are some signs that more recent cohorts of children of immigrants have more difficulties now than previous ones, and the many children of immigrants born abroad also have less favourable outcomes. This particularly concerns children of immigrants with parents from lower-income countries, who find themselves often neither in employment nor in education or training a few years after having left school. As children of immigrants from lower-income countries are now entering the labour market in large numbers, it is important that improving their outcomes becomes a priority for policy.

All young immigrants need to get equal access to active labour market policy measures for youth.

There is an extensive framework in place to smoothen the school-to-work transition process for youth in need of support. However, regarding most active labour market policy measures, youth are often only eligible if they have resided in Switzerland for at least ten years. In addition, such immigrant children benefiting from exempted programmes, notably the so-called "Motivation Semester", do not receive unemployment benefits – unlike native children – and may thus be tempted to enter the labour market directly and then take up low-skilled employment instead. They then run the risk of being NEET (neither in employment nor in education or training) at a later stage, and the incidence of NEET is indeed high for this group. A first step in tackling this important challenge would be to ensure that all immigrant children have the same incentives to participate as native children.

Early childhood education and care needs to be improved, with a focus on disfavoured children of immigrants.

One area which seems to entail particular benefits for the children of immigrants is pre-primary education, as research from a number of OECD countries suggests. However,

pre-school education is currently greatly underdeveloped in Switzerland, in particular at the ages of three and four which are a critical first stage for integration. A wider and better targeted provision of pre-school education at these ages, along with early language support measures, would seem to entail important benefits. Beneficiaries would not only be the children of immigrants themselves, but also their mothers whose employment is much more strongly linked with childbearing than for native mothers.

Notes

1. For the sake of convenience, the terms "ex-Yugoslavia" or "former Yugoslavia" are used in this document synonymously to refer to the former Federal Republic of Yugoslavia and its successor countries. Slovenia, which is a successor country but is now a member of both of the European Union and the OECD, is generally excluded from these figures.

2. The terms "employment rate" and "employment-population ratio" are used synonymously in this chapter. The comparison group includes OECD countries which also have large and longstanding immigrant populations, most of which have also been under review by the OECD.

3. Unless stated otherwise, "high-income countries" refers to high-income OECD countries (*i.e.* OECD other than Mexico and Turkey). "Lower-income countries" include all other countries of origin.

4. Note that the distinction between high- and lower-income countries conceals some heterogeneity within these groups. For example, as will be seen below, migrants from Portugal – a high-income OECD country – often face significant difficulties in labour market integration. This is partly attributable to their low education and has also been associated with poorer outcomes for their children (see also Fibbi *et al.*, 2010).

5. Information on country of birth is also available for 1998 and 2001. However, until 2001, only 16 000 households were surveyed in the Swiss Labour Force Survey and the results for the immigrant population are not reliable. In 2001, the sample was increased to 35 000 households. Since 2003, the survey has included a regular question on country of birth. In addition, again since 2003, an additional sampling of 15 000 households in which the household head is a foreign national has been selected from the Central Information Service on Migration (Système d'information central sur la migration, SYMIC). Since 2010, the labour force survey has been conducted on a continuous basis, a shift which has been associated with a large further increase in the sample size (105 000 households plus an additional sample of 21 000 foreign households).

6. Figures regarding NEET in Switzerland for native-born children from lower-income countries are below the publication threshold.

7. Data on the foreign-born population are only available for recent years. However, for most of the post-war era, there was a large overlap between the foreign- and foreign-born populations in Switzerland.

8. This was a response to a popular initiative ("Schwarzenbach") which sought to restrict the share of foreigners in the total population to 10%. After an intense campaign and one of the largest voter turnouts in Swiss history, the initiative was rejected by the Swiss people by a relatively close margin of 54% against 46%. Five further initiatives which aimed at limiting the share of foreigners in the population were voted upon subsequently and were all rejected, most recently in 2000.

9. For a discussion of the evolution of Swiss labour migration policy, see Liebig (2002).

10. The distinction between the second and the third circle was justified by the better "integratability" of immigrants from the former countries. This was criticised as being discriminatory (see CFR, 1996), and the Three-Circles Model was replaced by the "dual recruitment system" in 1998, which only differentiates between EEA nationals and other immigrants. This model is in essence still in place today.

11. Note that family migration includes, as in other OECD countries, family formation and family reunification with refugees.

12. Labour force statistics are available only since 1991.

13. For a comprehensive analysis of this "new" immigration to Switzerland, see Avenir Suisse (2008).

14. According to data from the Swiss Labour Force Survey, in 2009, 53% of immigrants from the EU-15 with less than five years residence in Switzerland had a tertiary degree.

15. For an in-depth overview of recent trends in migration and migration policy in Switzerland, see de Coulon and Gäumann (2011).

16. For example, in 1962, there was a verification of the adequacy of the housing provided by employers. This measure was taken because of the awareness that workers were often inadequately housed in shanties or dilapidated buildings converted into housing. The degree of spatial segregation of migrant workers remained considerable and contact with the local population was limited, without this giving any cause for concern.

17. [The status of seasonal worker] "constitutes one of the most effective means of combating Überfremdung [swamping by foreigners] and…should be maintained to the greatest possible extent" (p. 200).

18. "To achieve this, our efforts must be aimed above all at assimilating young foreigners of the second generation immigrants…" – Meeting of the Federal Council, excerpt from protocol, Wednesday 15 July 1970, Federal Archives.

19. Advisory Commission for Addressing the Problem of Foreign Presence, established in July 1970. Two years earlier, the city of Zurich had played a pioneering role with its "Commission for Assimilation Issues" (Mahniged, 2005). The Federal Commission was later called the Commission for Issues relating to Foreign Nationals in 1980 and then the Federal Commission for Foreigners (Commission fédérale des étrangers, CFE) in 1993; its membership consisted of representatives of employers, churches, trade unions, communes and civil society in general. Until 1980, the Federal Council refused to allow foreign representatives to sit in the commission.

20. A third attempt failed in 2004 (see also Section 3.3 below).

21. It was at this time also that cantons ended the exclusion from school of children who did not have a residence permit, first in Geneva in 1991 and then throughout the country, at the time of Switzerland's ratification of the UN Convention on the Rights of the Child in 1997.

22. Prior to the new law, changing jobs or cantons was subject to permission for persons without a settlement permit, which was generally only obtained after five and ten years of residence in Switzerland for EEA and non-EEA nationals, respectively.

23. Until 2008, the Swiss Refugee Aid was the main actor in charge of the integration of humanitarian migrants.

24. In the United States, the favourable outcomes for immigrants with low educational attainment have to be seen in the context of the fact that many immigrants in this group are labour migrants, many of whom are irregular.

25. Among the larger ones is the mentoring project run by the Canton of St. Gallen to facilitate labour market entry for youth ("Tandem"). Since 2006, it has had 150 participants.

26. Indeed, they appear to have better outcomes than migrants from the same group of countries who obtained their qualifications in Switzerland. However, this may be partly due to different origin countries, since many migrants within this group who have Swiss qualifications have come from Asia, Africa and Latin America, whereas migrants who have a recognised foreign education have more often come from central and eastern Europe.

27. It remains unclear, however, whether immigrants choose this response category because they simply did not need the assessment to find a job that matched their skill level, or because they had their qualification recognised automatically, *i.e.* through bilateral agreements. The corresponding variable in the Swiss Labour Force Survey does not provide for a detailed distinction of motives and the response category "not necessary" might thus be chosen for different reasons.

28. Certified copies of diplomas are not required at this step in the procedure. The evaluation is based on documents (in any Swiss language or English, or free translation), describing the level, duration, content and on-the-job component of the training programme.

29. Qualifications that were obtained within the European Union or EFTA countries are generally recognised under the bilateral agreement on free movement that Switzerland has signed with the European Union and its member countries in 1999. The agreement applies to a specified list of regulated professions that is quite extensive and covers tertiary as well as vocational qualifications.

30. The legal basis for this measure has been laid by amendments to the Federal Law on Vocational Education and Training that were introduced in 2002 and 2003.

31. This recommendation is done in the framework of the Council of Europe's ENIC (European Network of National Information Centres on Academic Recognition and Mobility). The Swiss ENIC has been delegated to the CRUS. The CRUS uses the correspondence information developed and shared by ENIC and treats non-EU degrees according to the same framework.

32. Such problems of intercantonal mobility used to be an issue even for persons with Swiss degrees, but for this group the 1995 law on the Swiss internal market removed previously existing obstacles.

33. The agreement refers to both tertiary medical professions (doctor, dentist, veterinarian and pharmacist) and to secondary qualifications in human and dental medicine. While the recognition of medical professions falls under the responsibility of the Federal Ministry of Health, the Swiss Red Cross is in charge of secondary healthcare professions.

34. For detailed information on this regulation, see *www.crus.ch/information-programme/anerkennung-swiss-enic/reglementierte-berufe/gesundheitsbereich.html,* 2 Aug. 2011.

35. The available evidence suggests that there has been little impact on wages (see *e.g.* Cueni and Sheldon, 2011). In contrast, there seems to have been a positive impact on growth – both on an aggregate level and on a per-capita basis. To which degree immigration has put pressure on the infrastructure and the housing market remains unclear, since these are mainly driven by other factors not linked with immigration (see OECD, forthcoming).

36. The migrants from these other EEA countries are mainly from France, the United Kingdom and Austria.

37. Immigrants and their children also account for 35% of those receiving invalidity benefits, which is the third pillar of social protection. For a comprehensive overview of the Swiss social protection system and activation policy, see Duell *et al.* (2010).

38. However, Spycher *et al.* (2007) provide an in-depth discussion of the links between the Swiss social security setting and the labour market integration of foreigners. Likewise, BASS (2006), in a study commissioned by the Swiss State Secretariat for Economic Affairs, looks at the risk of unemployment for foreigners and discusses possible policy responses.

39. They attribute this to the fact that only "easy-to-integrate" foreigners are admitted to these programmes.

40. Although these migrants are formally admitted only on a provisional basis, most of them can be expected to remain in Switzerland. However, their pathway to a secure residence status is long. They may obtain a regular residence permit (B-permit) after five years which can then be transformed into a settlement permit after an additional ten years.

41. The following analysis of humanitarian migrants is based on the self-reporting by the foreign-born in the ESPA 2008 (migration motive = asylum seeking). For migrants who have arrived over the last 15 years, there is also administrative data available (the so-called SYMIC). A comparison of the migration motives of the migrants who are included in both datasets reveals that of those who specified humanitarian reasons as their motive for entering Switzerland in the ESPA 2008, 48% were registered in the SYMIC as humanitarian migrants and 45% as migrants who came for family migration which includes family migration linked to humanitarian migrants.

42. Of course, different levels of cantonal service provision are an issue that also affects the native-born. However, for humanitarian migrants – in particular for the provisionally admitted – the situation is different since they do not enjoy full mobility within Switzerland and cannot freely choose their canton of residence.

43. Among the exceptions is the Canton of Bern.

44. Unfortunately, the study only covered immigrant families from the former Yugoslavia, Portugal and Italy.

45. However, there are some legal provisions that in principle allow workers to bring a discrimination case before the courts. In addition, the Federal Commission against Racism and the Service for Combating Racism may offer guidance and counseling to victims of discrimination. In addition, in some cantons, there are institutions which may provide support as well. Finally, since 2002, EU nationals are protected against discrimination in the labour market through provisions in the agreement on the freedom of movement between Switzerland and the European Union.

46. The OECD countries which are member of the European Union all have a basic framework against ethnic discrimination on the basis of the EU anti-discrimination directive; for Norway, see Liebig (2009). For an overview of anti-discrimination legislation in general, see OECD (2008c).

47. For a comprehensive critical discussion of the current framework, see CFR (2009).

48. Provided that they do not express their preferences, which could be deemed public discrimination under Art. 261bis of the Criminal Code. However, it should be pointed out that discrimination on grounds of gender is punishable under a specific law (Act on Equality), see Fibbi (2005).

49. The grounds of a judgement by the Federal Court in 2002 may be symptomatic of this situation. Following the request by two girls – living with their Swiss mother divorced from their Albanian father – to be allowed to take their mother's name, the court refused unanimously and contested the fact that an Albanian name might be detrimental to their future professional careers. The Court did not exclude the possibility that the Balkan-sounding name might sometimes be disadvantageous for job applicants, but stated that "in the vast majority of cases, this influence has neither been proven nor suspected" (Judgement 5C.163/2002 of 1 Oct. 2002).

50. The place of birth in the fictitious application was Kosovo, and Albanian was stated as "mother tongue".

51. The actual incidence of discrimination may be even higher, since the study excluded job offers which required Swiss nationality or "Swiss-German mother tongue".

52. This survey has not been repeated since then.

53. In the German-speaking part of the country, "mother-tongue Swiss German" is also at times required.

54. However, EU nationals are somewhat protected against this type of discrimination since they may evoke the treaty on the freedom of movement.

55. However, there are same facilitations for children of immigrants. In particular, for the calculation of duration of residence requirements, years of residence in Switzerland between the age of 10 and 20 are counted twice.

56. Longitudinal studies have, however, been conducted for other OECD countries. These suggest that naturalisation tends to improve labour market outcomes, in particular for the most disadvantaged immigrants. However, the extent to which this is actually the case varies a lot across countries and migrant groups (see OECD, 2011a for a comprehensive analysis of this issue).

57. In general, immigrants in Switzerland are largely underrepresented in the public sector (that is, the public administration and the education system). While this is also the case in other OECD countries, the difference in the relative importance of this sector among immigrants' total employment compared with natives' total employment is particularly large in Switzerland (see Annex Figure 3.A1.5). This is unfortunate since, by employing immigrants, the public sector acts as a role model for the private sector. If in fact immigrants find employment in the public sector, this can also increase the visibility of immigrants in daily life. Finally, employment of immigrants in the public sector can contribute to enhancing the understanding the needs of immigrants and their children by public institutions. When immigrants are employed in certain key occupations such as teaching, they can also serve as role models for others, notably offspring of immigrants.

58. For more on the PISA 2000 survey see, for example, OECD (2001).

59. Note, however, that many of these had spent only few years in the Swiss education system.

60. The ISEI refers to the maximum of the father's and the mother's ISEI score.

61. Throughout this section, pre-school education will be used synonymously with early childhood education and care (ECEC).

62. For a more thorough overview of ECEC programmes, institutions and their effects, see, for example, OECD (2006a).

63. Figures are derived from data in the OECD Education database and Eurostat (2008).

64. UNICEF published a report in 2008 that provides an overview of ECEC frameworks in 25 OECD countries. In a benchmark ranking that includes ten standards of good practice in the field of ECEC, Switzerland is classified in the bottom group, meeting only three out of ten benchmarks. At the time of the report in 2008, Switzerland provided regulated and subsidised childcare facilities for less than 25% of the children under 3, had not established a national plan highlighting the needs of disadvantaged children and did not meet the expenditure benchmark of 1% of GDP on childcare services per year. In 2003, only two OECD countries under comparison, Ireland and Korea, spent fewer resources on early childhood education and care (UNICEF, 2008).

65. For a more detailed discussion, see Schulte-Haller (2009).

66. From 2001 to 2007, resources were provided by the Federal Commission for Foreigners. Since 2008, these measures have been funded by the Federal Office for Migration.

67. The results of the respective regression analysis are not reported here but are available from the Secretariat upon request.

68. This implies that children of immigrants do not arrive late in their educational careers. Indeed, Switzerland tries to incite early immigration by imposing that children above the age of 12 have to migrate to Switzerland within one year. It is currently under discussion to further lower this age.

69. Students in the panel differ in their educational careers; they are going back and forth between education and employment. Due to the sample size, it is impossible to control for all of these factors by using more complex statistical models. Instead the analysis focuses on the employment situation for each respondent in the second year after the highest reported educational degree in order to achieve a solid level of comparability. At this time, students who chose to continue with tertiary education have, for the most part, entered the respective institutions and those who chose to enter the labour market have had some time to adjust.

70. The reliability of survey responses regarding the degrees obtained and the dates of graduation are questionable and it is therefore difficult to assess the overall representativeness of the result.

71. The corresponding regression tables can be made available on request. These results are to be taken with caution as sample sizes are rather small.

72. These results should be interpreted with caution: Not only are the samples small, but there is also a problem with sample selectivity. It could, for instance, be assumed that individuals who searched longer simply did not enter the labour market at all. Persons in tertiary education could be more likely to have had shorter search times and immigrant offspring are under-represented in this group. Such a bias could lead to an overestimation of the difference. Note also that the duration of job search is rather short in Switzerland: it is on average only about three months for the children of natives.

73. Across cantons there is some variety in the definition of these "multiple problems" (see OFFT, 2010b). As the programme is still in its initial phase, there has not yet been any rigorous evaluation of its success or the group of participants. An evaluation of the project development and implementation has been conducted by Landert (2011).

74. In Switzerland, eligibility requires 12 months of contribution within two years previous to unemployment. Youth who register as unemployed after having dropped out of the education system are exempted only if they have been a resident in Switzerland for a period of ten years. This reflects the objective of promoting early family migration, but also has the effect of excluding young immigrants who have arrived at the end of primary schooling or thereafter.

75. While the Motivation Semester targets unemployed youth in general, many cantons run additional pre-motivation semesters targeting beneficiaries of social assistance who have substantial language and integration problems and who are not yet ready or eligible to participate in the regular Motivation Semester (Spycher *et al*., 2007).

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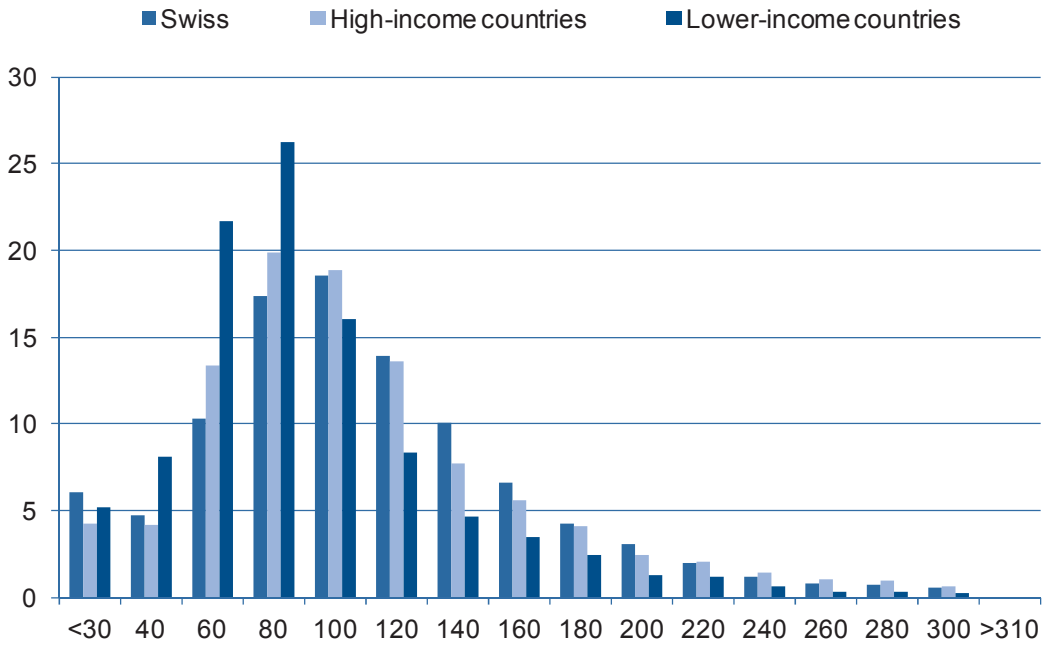
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Annex 3.A1

Supplementary tables and figures

Figure 3.A1.1. Distribution of the gross hourly wage for the full-time employed in Switzerland, people aged 15-64 and not in education, 2009

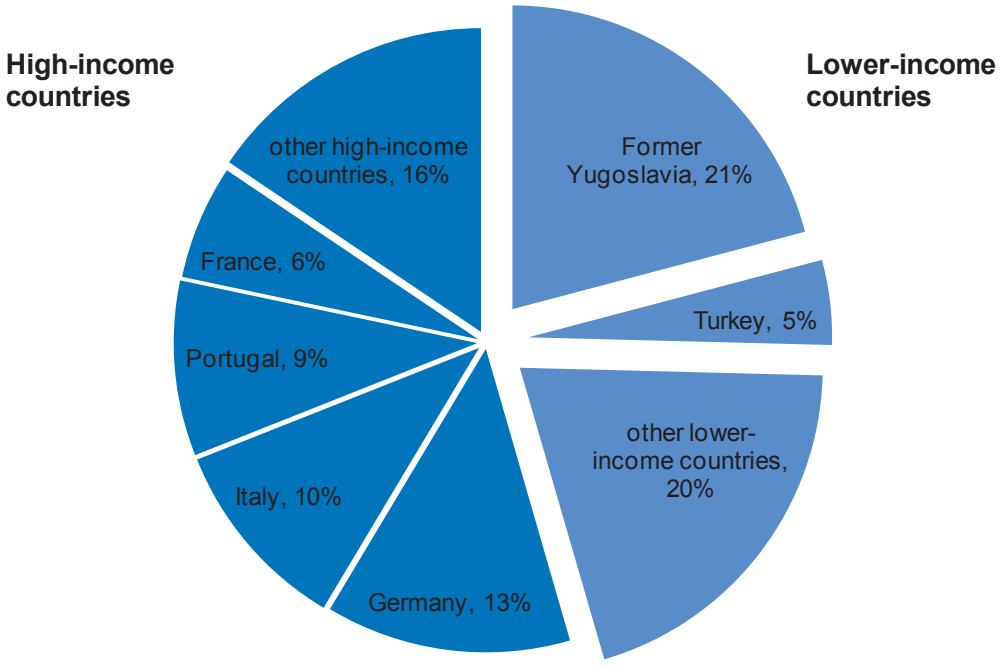
Median hourly wage of the total employed population=100



Note: The figures on the x-axis indicate the middle of each respective interval (*e.g.* 100= 90%-110% of the hourly median wage).

Source: Data from the Swiss Labour Force Survey linked with administrative data on wages (SESAM).

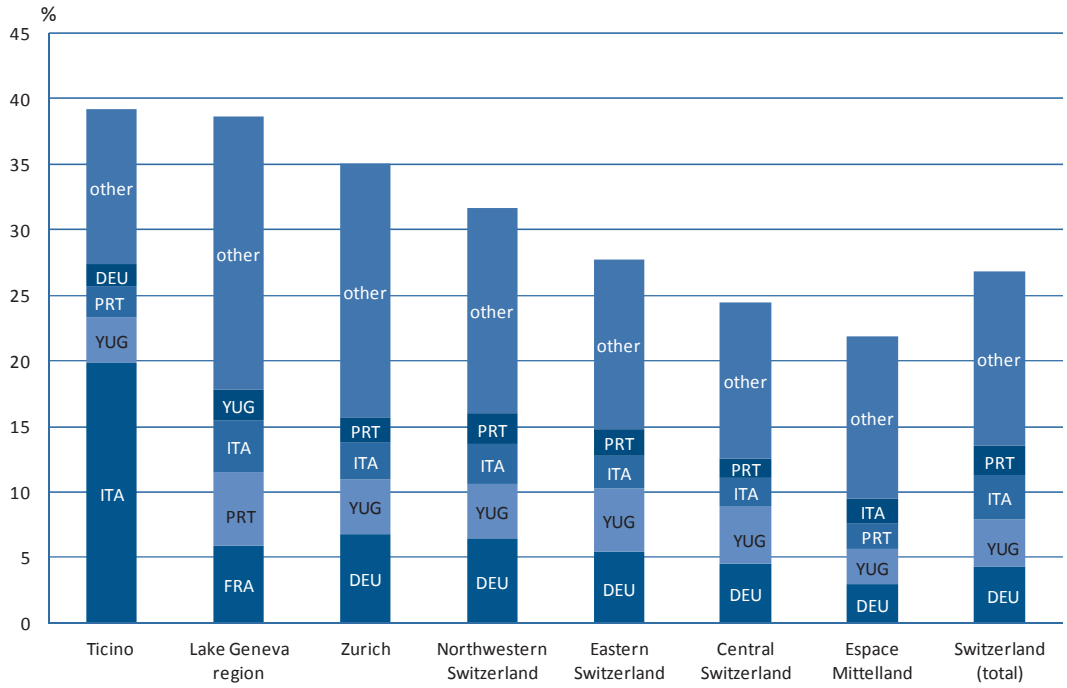
Figure 3.A1.2. Main origin countries of the current migrant population, 2008



Country of origin	%
Former Yugoslavia	21%
Kosovo	7%
Serbia	4%
Macedonia	4%
Bosnia and Herzegovina	3%
Croatia	2%
Slovenia	0%
Montenegro	0%
Germany	13%
Italy	10%
Portugal	9%
France	6%
Turkey	5%
Spain	3%
United Kingdom	2%
Austria	2%
United States	1%
Brasil	1%
Sri Lanka	1%
India	1%
Netherlands	1%

Source: Swiss Labour Force Survey, Swiss Federal Statistical Office.

Figure 3.A1.3. Immigrant population by region and main migrant groups, as a percentage of total population, 2009

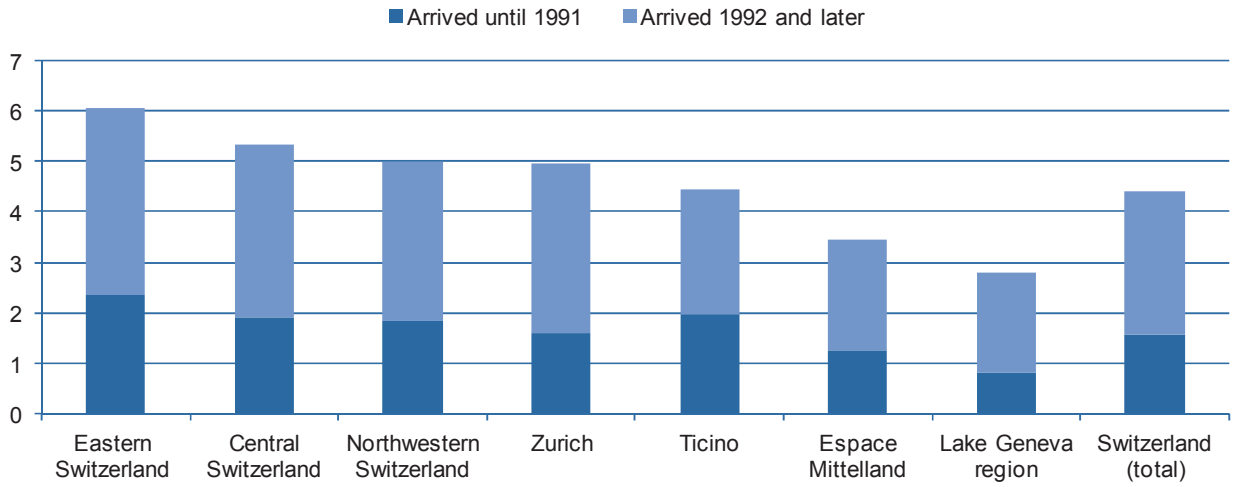


Note: The classification of the regions is indicated in the table below. YUG includes the former Yugoslavia and all successor countries.

Source: Swiss Labour Force Survey, Swiss Federal Statistical Office.

Region	Cantons
Lake Geneva region	Vaud, Valais, Geneva
Espace Mittelland	Berne, Fribourg, Solothurn, Neuchâtel, Jura
Northwestern Switzerland	Basel-City, Basel-Country, Aargau
Zurich	Zurich
Eastern Switzerland	Glarus, Schaffhausen, Appenzell Ausserrhoden, Appenzell Innerrhoden, St. Gallen, Grisons, Thurgau
Central Switzerland	Lucerne, Uri, Schwyz, Obwalden, Nidwalden, Zug
Ticino	Ticino

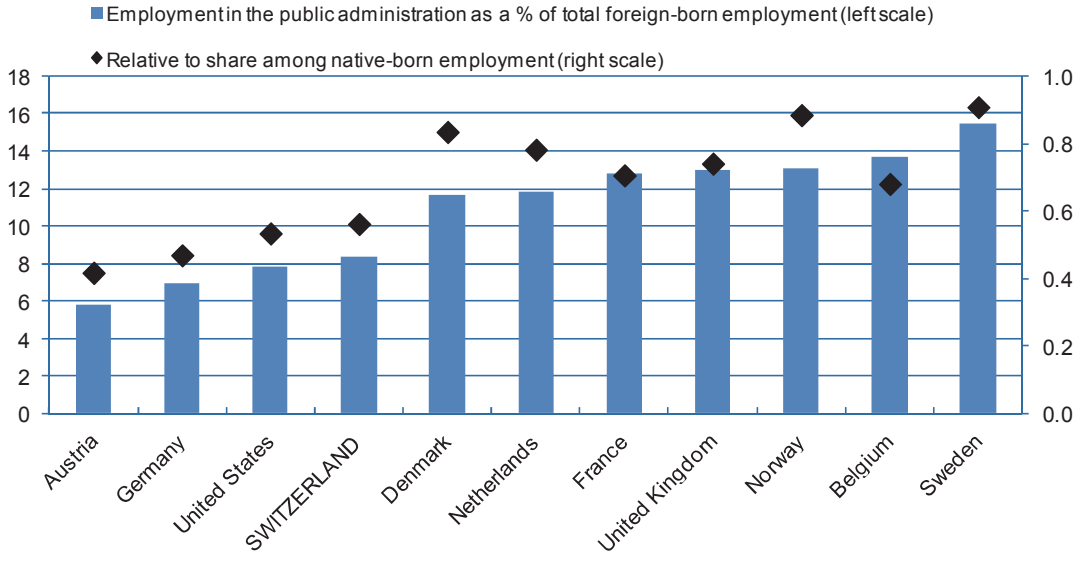
Figure 3.A1.4. Distribution of immigrants aged 15-64 from the former Yugoslavia by year of arrival and region of residence, 2009



Note: For the classification of the regions, see note to Annex Figure 3.A1.3.

Source: Swiss Labour Force Survey (Swiss Federal Statistical Office).

Figure 3.A1.5. Employment of foreign-born aged 15-64 in the public sector in selected OECD countries, 2006/07



Source: European Labour Force Survey.

Table 3.A1.1. Wages of recent arrivals aged 15-64 by origin compared with the native-born, by gender, 2008

Panel A. Gross wages

	Median gross hourly wages		
	All	Men	Women
All recent arrivals from the EU-27	38	39	34
- from Germany	41	44	39
- from Italy	32	32	30
- from Portugal	26	28	24
-other	45	49	34
All recently arrived migrants	36	38	32
All migrants	35		
Native-born	40	43	32

Note: Only full-time employees who have been in employment over the last 12 months "without longer interruption".

Source: Swiss Labour Force Survey (Swiss Federal Statistical Office), SESAM.

Panel B. Explaining differences in gross wages between immigrants and the native-born

	Men			Women		
	(1) raw difference	(2) controlling for work experience, education, region	(3) (2) plus job skill_lev, region	(1) raw difference	(2) controlling for work experience, education, region	(3) (2) plus job skill_lev, region
All recent arrivals from the EU-27						
- from Germany	5.7***	4.3**	3.7**	8.3***	5.0***	4.5***
- from Italy	-7.8**	2.4	2.2	0.1	2.0	1.7
- from Portugal	-18.6***	1.3	3.6**	-8.6***	0	2.1
-other	29.6***	22.1***	21.2***	6.5***	2.6	2.9
EU27 >5 years	2.9***	2.4**	2.8**	3.7***	0.2	1.0
Non-EU-27 recent arrivals	3.3	8.2***	9.8***	-1.0	0.1	1.6
Non-EU-27 >5 years	-10.7***	-5.6**	-3.0	-6.1***	-5.4***	-3.8***
Constant	48.0	22.5	17.9	32.9	18.0	11.7

Note: The dependent variable is the hourly wage, which has been derived from the total gross salary of the respondents of the last 12 months using the average working hours per year in Switzerland (1 926 hours according to the Federal Statistical Office). Only people who stated that they have been employed without "longer interruption" during this period are included. Migrants from the United States, Canada, Japan, Korea, Australia and New Zealand as well as respondents who earned EUR 0 or more than EUR 1 000 per hour were excluded. Reference group are the native-born. *, **, *** denote significance at the 1%, 5% and 10% level, respectively.

Source: Swiss Labour Force Survey (Swiss Federal Statistical Office), SESAM.

Table 3.A1.2. Labour market outcomes of highly-educated population aged 15-64 in selected OECD countries, 2008/09

		Percentage of persons aged 15-64 in…				
		Highly-skilled employment	Medium-skilled employment	Low-skilled employment	Unemployment	Inactive
Austria						
	Native-born	70	17	(1)	(2)	10
	Foreign-born	55	16	(5)	(4)	19
	Foreign-born, high-income	65	14	...	...	17
	Foreign-born, lower-income	*40*	*20*	*(11)*	...	*23*
Belgium						
	Native-born	65	18	1	3	13
	Foreign-born	51	19	3	8	19
	Foreign-born, high-income	60	17	…	5	17
	Foreign-born, lower-income	*41*	*20*	*5*	*12*	*21*
Denmark						
	Native-born	76	11	(1)	3	9
	Foreign-born	57	16	...	(8)	14
	Foreign-born, high-income	68	(12)	...	...	(12)
	Foreign-born, lower-income	*39*	*(25)*	...	...	...
France						
	Native-born	64	16	1	4	14
	Foreign-born	51	15	3	8	22
	Foreign-born, high-income	59	11	…	(7)	21
	Foreign-born, lower-income	*49*	*17*	*4*	*8*	*22*
Germany						
	Native-born	71	17	1	3	14
	Foreign-born	54	20	5	7	14
	Foreign-born, high-income	...	...	...	...	...
	Foreign-born, lower-income	*...*	*...*	*...*	*...*	*...*
Netherlands						
	Native-born	77	10	1	2	10
	Foreign-born	58	15	(3)	4	19
	Foreign-born, high-income	69	13	...	...	12
	Foreign-born, lower-income	*52*	*16*	*(3)*	*(5)*	*23*
Norway						
	Native-born	80	9	...	1	8
	Foreign-born	61	18	...	…	14
	Foreign-born, high-income	73	…	...	…	…
	Foreign-born, lower-income	*49*	*25*	*...*	*…*	*17*
Sweden						
	Native-born	79	9	1	3	8
	Foreign-born	52	20	4	9	15
	Foreign-born, high-income	67	16	…	(5)	10
	Foreign-born, lower-income	*41*	*22*	*6*	*13*	*18*
Switzerland						
	Native-born	**72**	**18**	**1**	**2**	**7**
	Foreign-born	**69**	**14**	**(1)**	**4**	**12**
	Foreign-born, high-income	**76**	**12**	**...**	**3**	**10**
	Foreign-born, lower-income	***53***	***18***	***(3)***	***7***	***18***
United Kingdom						
	Native-born	65	18	2	4	12
	Foreign-born	58	19	3	5	15
	Foreign-born, high-income	65	15	3	5	12
	Foreign-born, lower-income	*55*	*21*	*2*	*6*	*17*
United States						
	Native-born	53	26	3	3	15
	Foreign-born	49	25	4	4	18
	Foreign-born, high-income	53	23	3	3	18
	Foreign-born, lower-income	*48*	*26*	*5*	*4*	*17*
OECD average[1]						
	Native-born	70	15	1	3	11
	Foreign-born	56	18	4	6	16
	Foreign-born, high-income	65	15	3	4	15
	Foreign-born, lower-income	*47*	*21*	*4*	*8*	*20*

1. The OECD average refers to the average of the countries included in this table and for whom data are available.

Source: European Community Labour Force Survey 2009 and Current Population Survey March Supplement 2009 for the United States.

Table 3.A1.3. Employment and unemployment rates of migrants aged 15-64 from the former Yugoslavia, by gender and arrival, 2009

	Employment rates (%)			Unemployment rates (%)		
Arrival	Total	Before 92	92 and later	Total	Before 92	92 and later
Men	73.1	75.8	71.3	8.1	5.8	9.7
Women	55.3	59.1	53.6	10.7	8.1	11.9
Total	64.3	68.7	61.9	9.2	6.7	10.7

Source: Swiss Labour Force Survey, Swiss Federal Statistical Office.

Glossary

ALL	Adult Literacy and Life Skills Survey
ALMP	Active Labour Market Policy
APL	Accreditation of Prior Learning
CFE	*Commission fédérale des étrangers* (Eidgenössische Ausländerkommission, EKA ; Federal Commission for Foreigners)
CFM	*Commission fédérale pour les questions de migration* (Eidgenössische Kommission für Migration, EKM ; Federal Migration Commission)
CFR	*Commission fédérale contre le racisme* (Eidgenössische Kommission gegen Rassismus, EKR; Federal Commission against Racism)
CRUS	*Conférence des Recteurs des Universités Suisses* (Rektorenkonferenz der Schweizer Universitäten; Rectors' Conference of Swiss Universities)
DFE	*Département fédéral de l'économie* (Eidgenössisches Volkswirtschaftsdepartement, EVD; Federal Department of Economic Affairs)
DIOC	OECD Database on Immigrants in OECD Countries
EEA	European Economic Area
ECEC	Early Childhood Education and Care
EFTA	European Free Trade Association
ENIC	European Network of National Information Centers on Academic Recognition and Mobility
ESPA	*Enquête suisse sur la population active* (Schweizerische Arbeitskräfteerhebung, SAKE; Swiss Labour Force Survey)
EU-SILC	EU Survey of Income and Living Conditions
ISCED	International Standard Classification of Education
ISEI	International Socio-Economic Index of Occupational Status
NEET	Neither in Employment nor in Education or Training
NGO	Non-Governmental Organisation
ODM	*Office fédéral des migrations* (Bundesamt für Migration, BFM; Federal Office for Migration)
OFFT	*Office fédéral de la formation professionnelle et de la technologie* (Bundesamt für Berufsbildung und Technologie, BBT; Federal Office for Professional Training and Technology)

OFIAMT	*Office fédéral de l'industrie des arts et métiers et du travail* (Bundesamt für Industrie, Gewerbe und Arbeit, BIGA; Federal Office for Economic Development and Labour)
OIE	*Ordonnance du 24 octobre 2007 sur l'intégration des étrangers* (Verordnung über die Integration von Ausländerinnen und Ausländern, VIntA; Ordinance on the Integration of Foreigners)
ORP	*Offices régionaux de placement* (Regionale Arbeitsvermittlungszentren, RAV; Local Employment Offices)
PES	Public Employment Service
PET	Professional Education and Training
PISA	OECD Programme for International Student Assessment
PSM	*Panel suisse de ménages* (Schweizer Haushalt-Panel, SHP; Swiss Household Panel)
SECO	*Secrétariat d'État à l'économie* (Staatssekretariat für Wirtschaft; State Secretariat for Economic Affairs)
SESAM	*Protection sociale et marché du travail* (Enquête) [Soziale Sicherheit und Arbeitsmarkt, SESAM (Erhebung); Social protection and labour market (Survey)]
SYMIC	*Système d'information central sur la migration*, SYMIC (Zentrales Migrations-Informationssystem, ZEMIS; Central Information Service on Migration)
TREE	Transition from Education to Employment
UAS	Universities of Applied Sciences
UNHCR	United Nations High Commissioner for Refugees
VET	Vocational Education and Training

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LABOUR MARKET INTEGRATION IN AUSTRIA, NORWAY AND SWITZERLAND

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