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Immigration Policy, Labor Market Regulation and the Welfare State: A Comprehensive Look at Immigrant Labor Market Integration in Germany, Great Britain, the United States and Canada

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Introduction and Background

As of 2005, 5.2% of the native born population in Germany reports a foreign born parent. A majority of "second generation" immigrants are in their early twenties to early forties, and thus represent an increasingly large proportion of the German labor force (Statistiches Bundesamt 2007). The second generation stems disproportionately from lower class backgrounds, and it represents the largest native born "foreign" population in German history. The fate of the second generation is a subject of intense concern amongst policy makers, and the fear that the second generation will develop into a socially marginalized *Unterschichtung* (underclass) looms large in German politics and the popular media. The question of whether the second generation will experience academic and labor market success provides a test for models of intergenerational mobility and assimilation theories.

The second generation in Germany stems from several different migration streams with diverse socioeconomic backgrounds and legal statuses. The largest group is the children of guest workers recruited from 1955-1973, labor migrants who report very little formal education and remain clustered in unskilled or semi-skilled manual jobs¹. The second largest group is the children of immigrants of German descent. They are granted German citizenship immediately upon arrival through Germany's right of return, and their skill distribution is more similar to native Germans² than guest workers. Finally, the remaining members of the second generation are the children of newer migrants who come from heterogeneous origins, including refugees mainly from Eastern Europe, as well as a diverse mix of workers and students primarily from the EU.

State of Current Research

Theoretically, the bulk of second generation research in Germany has drawn from the US-centered assimilation models put forth by Richard Alba³, Frank Kalter⁴, and Hermut Esser⁵. These scholars argue that in the search for higher wages, nicer houses, and more stable employment, immigrants look beyond the limited opportunities offered through co-ethnic institutions, neighborhoods and markets. The central empirical hypothesis is that, across time and generations, the educational, occupational, and spatial distributions of immigrants and Germans (without a migration history) will converge. More recently, scholars have applied alternative models of immigrant incorporation such as segmented assimilation⁶ and "dissimilation" theories⁷ to the German case. These theories emphasize the lower class background of second generation youth, and the prejudice that immigrants and their children face from native Germans, which impedes their academic and labor market success⁸. While assimilation theorists expect increased immigrant *convergence* with natives across generations, segmented assimilation and dissimilation scholars predict increased *divergence*, at least for a significant proportion of immigrant offspring.

Empirically, the general consensus is that the second generation fares worse than the children of native born Germans in terms of their educational attainment, employment, and occupational status, but they are also more evenly distributed throughout the educational and occupational distribution than their parents⁹. A critical first step in interpreting this finding is identifying the cause of continued second generation disadvantage: does the second generation fare worse than children of native born Germans because they are disproportionately poor or because they are the children of immigrants? I argue that separating the effects of class reproduction experienced by both Germans and immigrants from mobility constraints that are specific to immigrants alone is a critical area of second generation research.

Prior research has not fully addressed this issue. We know that controlling for parental characteristics accounts for *some* of the differences between the second generation and children of the native born; however, residual disadvantage in educational, occupational and income levels remain, and these disadvantages are different for different origin groups ¹⁰. While common explanations for these differences include discrimination effects ¹¹, origin differences in social capital and language abilities ¹², or differences in ambition or motivation, ¹³ at the moment research is not conclusive.

Two critical weaknesses limit the ability of prior research to separate the effect of class background from disadvantages stemming from an immigrant background. The first is related to German data sets—until recently, German custom was to separate immigrants and natives by nationality, rather than place of birth, which makes identifying ethnic German immigrants and their children, who are guaranteed citizenship upon arrival, impossible in governmental datasets. As a result, the majority of migration research in Germany focuses on guest workers and their children, who are unusually uniform in their lower class standing. Studies that focus solely on the children of these migrants are forced to use very general measures of class background ¹⁴, as there is very little variability in education or occupation amongst former guest worker immigrant parents. Without comparing the children of guest workers to children of more advantaged immigrants, it is difficult to disentangle the effect of ethnicity and immigrant background from class background.

A second difficulty is that the origin differences that are observed amongst immigrants and their children are nearly always explained at the individual level. Particularly glaring is the lack of research specifically comparing native and immigrant family environments, ¹⁵ as these are a critical determinant of educational performance and subsequent socioeconomic attainment in Germany. ¹⁶ Class and culture, particularly as they are transmitted across generations, impacts youth at the household level. Therefore, we need more studies that introduce household level measures of financial and social resources in order to better measure class and immigrant disadvantages.

This project will fill both the gaps outlined above. First, I describe inequality between different immigrant origin groups and natives as it is experienced at the household level, linking individual immigrant disadvantage with the experiences of children in their family environment. Second, I utilize new data sources that allow me to explicitly compare several outcomes for different second generation groups, including ethnic Germans. Below, I outline my dissertation, the contribution of each individual chapter, and my plan and timeline for analysis.

Chapter One

One of the most important influences in a child's status attainment process is his childhood living environment, an important component of which is the financial resources within his household. As a result, my first chapter will decompose income inequality between different immigrant origin and native households. Usually, researchers approximate family resources by using father's (and sometimes mothers') education or occupation level in second generation status attainment models; however, we know from the literature that these variables do not translate into the same earnings for immigrants and the native born. In addition, we also know immigrant households are structured differently than native families; immigrant families are larger and have lower female labor force participation rates 17, as well as greater welfare intake 18. Each family member's well being is determined by the total pooled earnings of all members of the household, combined with public and private transfers and capital gains. Therefore, a critical source of income inequality between groups is not only the individual characteristics of their

members but also the relative importance of component parts of their income at the household level: their income *structure*.

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Given that household income stems from many components, namely welfare, capital gains, and private transfers, as well as the earnings of all working members, it is possible that the prior individual level analyses of immigrant and native earnings inequality have incorrectly estimated income inequality as it is actually experienced within the family. To better understand how these individual characteristics might contribute differently to financial resources for different immigrant origin groups and natives, we must look at two separate processes. First, how do differences in both individual and household characteristics observed amongst different immigrant origin groups and natives contribute to differences in each of the component parts of household income? Second, what is the relative importance of each of these components in exacerbating or ameliorating household level inequality?

To answer these questions, I draw on detailed three year averages of household income from the 2003-2005 waves of the German Socioeconomic Panel (GSOEP). This data is ideally suited for a comparison of immigrant and native household income components: the dataset includes repeated yearly measures of public and private transfers, earnings, and labor supply, as well as individual level measures of human capital and work experience. Perhaps most importantly, the survey includes large enough numbers of the foreign born to disaggregate Turkish guest workers, other guest workers, ethnic Germans from the former Soviet Union, other ethnic Germans and more recent immigrants in comparison with the native born ¹⁹.

My analysis takes place in two steps. First, I perform a series of regressions for each source of household income. For my analysis, I identify these as women's labor market earnings, men's labor market earnings, and capital gains, private transfers, and public transfers (welfare). Each of these components is governed by a different process, and thus requires a different regression. This analysis allows me to determine how differences in both individual and household characteristics amongst different immigrant origin groups and natives contribute to differences in each of the component parts of household income.

The second step of my analysis puts these pieces together. First, I disaggregate household income inequality into its component parts for each group, describing the relative importance of each part, in terms of increasing or decreasing inequality, for each comparison group²¹. This allows me to describe the relative importance of each of these components in increasing or decreasing household income inequality. When put together, these two steps take into account not only the individual level differences observed between immigrant origin groups and natives, they also allow me to adjust for intergroup differences in income structure. ²² Given what is known about differences in male and female labor force participation rates and welfare take-up differences between each of the groups, this should provide a much more accurate and thorough description of income inequality as it is experienced by immigrant and native families at the household level.

Time Frame: I have obtained IRB permission for the use of the GSOEP for this project, and have begun data construction and descriptive statistics. This chapter should be complete by late Spring, 2008.

Chapter Two

One of the critical disadvantages facing the second generation is their poor educational performance relative to natives²³. Immigrant youth are twice as likely as native Germans to have no official certifications, and whereas 26% of native German youth were enrolled in advanced tracks in 1996, only 15% of the second generation were in the advanced tracks²⁴. Whether this

disadvantage is consistent with the class reproduction in the German society at large, or whether it is specific to certain immigrant groups, is the subject of much debate.²⁵ Though qualitative studies have found important variation in schooling expectations and support across different origin groups²⁶, quantitative analysis on this topic has traditionally been restricted to assessing the effects of parental socioeconomic variables alone²⁷, leaving residual origin differences unexplained.

Whereas my first chapter sought to expand our understanding of immigrant disadvantages in financial resources, this chapter concerns itself with educational disadvantage. I draw from the rich explanatory variables available in the 2003 Program for International Student Assessment study (PISA) to examine in depth the impact of social support and linguistic environment on second generation educational performance. This chapter focuses first on describing differences in educational resources and expectations within families of different origins, and the impact of these differences on children's educational performance.

The smaller numbers in this study restricts my analysis to three second generation origin groups, which nonetheless represent the two most important migration streams: children of Turkish guest workers, children of Yugoslavian guest workers, and children of Soviet ethnic Germans²⁸. In addition, while the PISA study includes many family level social and expectation variables, measures of class background are restricted to parents' occupations and educational levels.

My analysis will follow several steps. First, I will regress educational performance²⁹ on origin indicators, describing the net effects of origin on performance. Next, I include parental education and occupation in the model, both as main effects and as interactions with origins, measuring the effects of class disadvantage on performance differences, and allowing the effect of class to differ by origin. Finally, I add family environment indicators³⁰, including home language indicators, to the model to test whether remaining origin differences can be accounted for by differences in the home environment. Controlling for both the socioeconomic characteristics of parents well as family level characteristics hypothesized to effect immigrant families, such as language and family support for education, will allow me to disentangle the effect of immigrant origins from class reproduction mechanisms affecting all children in Germany.

Time Frame: I have obtained this publicly available dataset and begun data construction collecting descriptive statistics. This chapter should be completed by early summer, 2008.

Chapter Three

The next logical question is whether or not the immigrant origin and native differences in financial and social support will effect the second generation as they reach their final educational attainment levels and vocational certifications. Particularly in the German case, where the ties between education and vocational training and later occupations and wages is particularly strong, second generation disadvantage in these outcomes will be particularly important. Unfortunately, the PISA survey only measures schooling performance, so for this analysis I turn to the 2005 German Mikrozensus to test the effects of immigrant origin and socioeconomic background on educational completion and vocational training.

In 2005, the Mikrozensus asked for parent's place of birth for the first time, enabling the first detailed comparison of second generation and native German educational attainment and vocational training, including ethnic Germans and the naturalized second generation. Previous studies with the Mikrozensus have restricted their definition of the second generation to those who are still categorized as foreign nationals, possibly overestimating the educational

disadvantage of the second generation as a whole and disallowing tests of the effect of citizenship and finer socioeconomic background distinctions.

This chapter will use multinomial logistic regression to compare the importance of parental background, state of residence, and family size on schooling and vocational training levels attained by children still living in their parental household³². This chapter expands on our understanding of differences in intergenerational mobility at a much finer level, as the large number of sampled households in the Mikrozensus³³ allows me to separate guest workers, ethnic Germans, and other immigrant streams by individual national origins. Moreover, this chapter will improve on existing work by assessing vocational training in addition to general education, a critical source of human capital in the German case³⁴.

Time Frame: I have obtained IRB permission to access this data at a secure site in Mannheim, Germany. This chapter will be completed by early Winter, 2008.

Chapter Four

My final chapter asks whether the second generation faces disadvantage in job search and occupational attainment, and how this might differ by national origin. Though research on second generation occupational attainment is preliminary, a promising area of study is the role of social capital in job search and occupational attainment. 35 At the moment, the relative youth of the second generation, the lack of a large sample size in national data sources, and the fact that the second generation is only identified by national origin, have greatly constrained our understanding of second generation occupational outcomes. This chapter contributes to the literature by utilizing the 2005 Mikrozensus for two analyses of occupational attainment. The first analysis regresses the likelihood of a job "match", defined as work within the occupation the respondent was trained for ³⁶, as opposed to a job mismatch or unemployment, on respondent's educational attainment, region of residence, years working experience, birth cohort, and generational and national origins. Comparisons of job match by generation (foreign born vs. second generation) will inform hypotheses of intergenerational mobility, whereas comparisons across national origins (in particular, comparisons of former guest workers and ethnic Germans) will inform hypotheses regarding the effects of immigrant background and context of reception on immigrant and second generation outcomes.

The second analysis I have planned approaches labor market performance as labor force attachment. One of the major mechanisms of immigrant disadvantage posed in the literature is the lack of social contact with native Germans, and more recently social contacts have been shown to effect occupational status of the second generation as well³⁷. Unfortunately, these studies have collapsed all observations of the second generation in the GSOEP to maximize sample size, so we could not see the causal time ordering of the effect of social contacts on occupational status.

In early 2008, the German statistical office will release a Mikrozensus panel study for 2000-2004, providing yearly observations of the same households³⁸ across four years. I will restrict my analysis to unemployed men and women who are currently using informal contacts, the unemployment office, or other means of job search. I will then track the job quality, appropriateness of the match, and stability of the job they find with these different methods in later waves. We might expect that the first and second generation will experience fewer returns on informal job searches than native Germans, as they are less likely to be connected to good job networks. This could be an important intervening variable of both the inter- and intragenerational mobility pattern differences we observe in the data, and an important refinement to our understanding of origin and native differences.

Time Frame: I have obtained IRB permission to access this data at a secure site in Mannheim, Germany. This chapter will be completed by early Winter, 2008.

Contributions

My dissertation will contribute to the literatures on immigration, social stratification, and ethnic and racial studies. My project utilizes both new data and new methods to better understand the intersection of class, origin, and immigrant history in explaining second generation outcomes in Germany. Germany, like many Western industrialized nations, must integrate their growing ethnic minority and immigrant populations. Better understanding the role of class and migration history on second generation disadvantage in income, educational attainment, and job placement is therefore critical to understanding the future of labor market inequality.

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Word Count: 2,991

¹Stefan Bender and Wolfgang Seifert(1998) "Migrants in the German labor market: nationality and gender specific labor market opportunities" in *Immigration, Citizenship, and the Welfare State in Germany and the United States: Immigrant Incorporation*, Kurthen, Fijalkowski, and Wagner (eds) JAI Press, Stamford, Connecticut; Massey, D.S., and Constant, A. (2005) "Labor Market Segmentation and the Earnings of German Guestworkers." *Population Research and Policy Review*, 24:489-512.

² Kogan, Irena (2004) "Last Hired, First Fired? The Unemployment Dynamics of Male Immigrants in Germany, European Sociological Review: 20:5, p. 445-461; Greif, S., G. Gediga and A. Janikowski (1999) "Erwerbslosigkeit und beruflicher Abstieg von Aussiedlerinnen und Aussiedlern," in K.J. Bade and J. Oltmer (Eds), Aussiedler: deutsche Einwanderer aus Osteuropa, Osnabruck: Rasch: 81-106

³ Richard D. Alba, (1998) "Assimilation, exclusion, or neither? Models of the incorporation of immigrant groups in the U.S." Pp. 1-31 in Peter Schuck and Rainer Münz (eds.), *Paths to Inclusion: The Integration of Migrants in the United States and Germany*. New York: Berghahn Books; Richard Alba (2005) "Bright vs. blurred boundaries: Second-generation assimilation and exclusion in France, Germany, and the United States," *Ethnic and Racial Studies* 28: 20-49.; Richard Alba and Victor Nee, *Remaking the American Mainstream: Assimilation and Contemporary Immigration*. Cambridge: Harvard University Press, 2003.

⁴ Kalter, Frank (2006) Auf der Suche nach einer Erklärung für die spezifischen Arbeitsmarktnachteile von Jugendlichen türkischer Herkunft. Zugleich eine Replik auf den Beitrag von Holger Seibert und Heike Solga: "Gleiche Chancen dank einer abgeschlossenen Ausbildung?" *Zeitschrift für Soziologie*. 35(2): 144-160; Kalter, Frank. 2007. "cite here"

⁵ Esser, Hartmut (2004) "Does the "new" immigration require a "new" theory of intergenerational integration?" *International Migration Review*, 28:3; Esser, Hartmut 2001: Integration und ethnische Schichtung. Gutachten im Auftrag der Unabhängigen Kommission "Zuwanderung": http://www.bmi.bund.de/Downloads/Esser.pdf

⁶ Portes, Alejandro and Min Zhou (1993) "The New Second Generation: Segmented Assimilation and Its Variants" *Annals of the American Academy of Political and Social Science*, Vol. 530 pp. 74-96; Kalter (2007)

⁷ Riphahn, Regina (2003) "Cohort Effects in the educational attainment of second generation immigrants in Germany: An analysis of census data" *Journal of Population Economics* 16(4), 711-737;

⁸ Seibert, Holger and Solga, Heike (2005) "Gleiche Chancen dank einer abgeschlossenen Ausbildung? Zum Signalwert von Ausbildungsabschlüssen bei ausländischen und deutschen jungen Erwachsenen" *Zeitschrift für Soziologie*. 34(5), pp. 364-382

⁹ Crul, Maurice and Hans Schneider (2003) "The Second Generation in Europe" *International Migration Review* 37(4); Sohn, J. and Oezkan Veysel (2006) "The Educational Attainment of Turkish Migrants in Germany". *Turkish Studies* (7) pp. 101–124); Worbs, Susanne (2003) "The Second Generation in Germany: Between School and Labour Market", in: Crul, M./Vermeulen, H. (eds.), *The Future of the Second Generation. The Integration of*

Migrant Youth in Six European Countries. Special Issue of the International Migration Review, pp. 1011-1038.; Kogan, Irena (2007) "A study of immigrants' employment careers in West Germany using the sequence analysis technique" Social Science Research, 2007: 36, Issue 2, p. 491-511.

- ¹⁰ For education see Riphahn 2003; Kristen and Granato 2004, though see as well Gang and Zimmerman (2000), who find no effect of migrant's education on their children's outcomes. Intergenerational income mobility is also found to be less among immigrants than native Germans (Yuksel YR).
- ¹¹ Seifert and Solga 2006; Kalter, Frank and Nadia Granato (2001) "Die Persistenz Ethnischer Ungleichheit auf dem deutschen arbeitsmarkt: Diskriminierung oder Unterinvestion in Humankapital?" *Koelner Zeitschrift fuer Soziologie und Sozialpsychologie*,53:3 497-520
- ¹² Kalter 2006; 2007
- ¹³ Kirsten, Cornelia and Nadia Granato (2007) "The educational attainment of the second generation in Germany: social origins and ethnic inequality" *Ethnicities* 7(3) 343-366: pg. 348
- ¹⁴ For instance only separating out two educational categories (see Gang and Zimmerman (2000) "Is child like parent? Educational Attainment and Ethnic Origin" *Journal of Human Resources*. 35:3 p. 550-569) or into one dichotomous "some education" category plus a vocational training dummy variable (Riphahn (2005) 'Are there diverging time trends in the Educational Attainment of Nationals and Second Generation Immigrants?" *Jahrbücher f. Nationalökonomie u. Statistik* 225:3).
- f. Nationalökonomie u. Statistik 225:3).

 15 For important exceptions, see results of family surveys completed by Bernhard Nauck (2001) "Social Capital, Intergenerational Transmission and Intercultural Contact in Immigrant Families" Journal of Comparative Family Studies; Karen Phalet and Ute Schoenpflug. (2001). "Intergenerational Transmission in Turkish Immigrant Familes: Parental Collectivism, Acheivement Values and Gender Differences" Journal of Comparative Family Studies.
- ¹⁶ Crul and Vermeuelen 2003
- ¹⁷ cite
- ¹⁸ Buechel, Felix and Joachim Frick (2004) "Immigrants in the UK and in West Germany –Relative income position, income portfolio, and redistribution effects *Journal of Population Economics* 17:3
- ¹⁹ For the purposes of this analysis, households are grouped according to the immigrant and origin status of the head of household reported in the GSOEP. All other members of the household fall under the status of the head regardless of nationality, following Buechel and Frick (2004), I also include an indicator for "mixed" households where German nationals reside in immigrant households. For frequencies of different household categories in my sample, see Table 1.
- ²⁰ Men's and women's earnings will be regressed separately on standard human capital variables, marital status, and assimilation indicators along with indicators of origin. Capital gains and private transfers will be regressed on these characteristics of both sexes together. Finally, as public transfers are distributed at the household level, public transfers will be regressed on household characteristics such as mean education level of the household, number of children, and presence of elderly in the household along with indicators of origin.
- ²¹ Following Buechel and Frick (2004), this will be accomplished by computing household income measures relative to the German mean for each group, then subtracting each component from the total and measuring the size and direction of the change in household income relative to the mean.
- ²² For instance, we know that both men and women ethnic Germans are more highly educated, on average, than former guest workers, which should be correlated with higher earnings in the individual earnings regressions above. Yet they are also more likely to enjoy government subsidies and support (Buechel and Frick 2004), which should further improve their household income status, relative to former guest workers. Furthermore, ethnic German women are also more likely to work than the wives of former guest workers, further boosting their household income relative to guest workers. My analysis will allow me to adjust for these multifaceted differences in both individual characteristics and income structure to account fully for income inequality.
- ²³ Crul and Vermuelen 2003; Worbs 2003; Riphahn 2003; Soehn and Oezkan 2006
- ²⁴ Riphahn 2003
- ²⁵ For a summary of this debate, see the recent "Immigration Outlook" published by the OECD 2006
- ²⁶ Nauck 2001; Crul and Vermuelen 2003
- ²⁷ Though see interesting studies which include language ability (Gang and Zimmerman 2000) and cohort effects on educational attainment (Riphahn 2003).
- ²⁸ For frequencies of these groups in the 2003 PISA see table 2.
- ²⁹ The PISA study includes several measures of educational performance: a standardized reading test, a standardized math test, and GPA. Each of these will be tested as dependent variables.

³⁰ Fortunately, the PISA dataset contains a rich array of family environment variables, for instance parental supervision and support of schoolwork, parental and student expectations of academic achievement, the availability of private desk space and books for study, and many other variables. National origin differences in these variables will be explored descriptively as well as added into the model. This allows me to disaggregate "cultural differences" often ascribed to residual national origin inequality in regression models.

³¹ Blossfeld, H.-P. (1993) Changes in Educational Opportunities in the Federal Republic of Germany, in Y. Schavit & H.-P. Blossfeld (Eds) *Persistent Inequality Changing Educational Attainment in Thirteen Countries*, pp. 41-74. Boulder: Westview Press

- ³² Following Riphahn (2001;2003), I restrict this analysis to children still living at home with their parents in order to obtain information on parental background. Fortunately, it is possible in the Mikrozensus to determine educational track and vocational training enrollment for children still young enough (ages 15-22 in this analysis) to be living at home, as children are sorted into educational tracts at the age of 10, and those in lower educational tracks leave formal training for vocational training as young as 16.
- ³³ In 2005, the Mikrozensus surveyed 47,0278 individuals, of which 37,038 reported foreign nationality.

³⁴Blossfeld, (1993); Insitut fuer Wirtschaftsforschung Koeln 2004

³⁵ Kalter (2007); Hoag, Sonya. 2003. "Interethnic Friendship Ties as an Indicator of Social Integration. An Empirical Investigation of Young Italian and Turkish Migrants in Germany" *Kolner Zeitschrift fur Soziologie und Sozialpsychologie*, 55(4), pp. 716-736

³⁶ By self-reports in the MZ 2005

- ³⁷ Kogan, Irena: Labor Markets and Economic Incorporation among Recent Immigrants in Europe, *Social Forces*, 2006: 85, Issue 2, p. 697-721.; Kogan (2007)
- ³⁸approximately one fourth of the regular sample, about 100,000 households, of which 15,000 are of first or second generation).

TABLES

Table 1. Frequencies of Immigrant and Native Households, GSOEP 2002-2005

	Persons Households	
Native Born Germans	13085	8895
Former Guest Worker, Turk	897	408
Other Fomer Guest Worker	779	390
Ethnic German, USSR	385	277
Other Ethnic German	320	165
Other Immigrant	571	312
TOTAL	16037	10447

Table 2. Frequencies of largest origin groups of children in PISA 2003

Turkey	197
Soviet Union	180
Poland	100
Former Yugoslavia	45
TOTAL	522