

# **Germany's new culture of welcome: Changing opportunity structures and the labour market integration of new immigrants**

Paper proposal for the European Population Conference 2014, Budapest, Hungary, 25-28 June 2014, Conference Theme: International Migration and Migrant Populations

Lenore Sauer<sup>\*</sup>, Andreas Ette<sup>\*</sup>, Rabea Mundil-Schwarz<sup>+</sup>, Harun Sulak<sup>\*</sup>

<sup>\*</sup> Federal Institute for Population Research, Friedrich-Ebert-Allee 4, 65185 Wiesbaden

<sup>+</sup> Federal Statistical Office, Gustav-Stresemann-Ring 11, 65189 Wiesbaden

## **Short abstract**

As many industrialised countries will be affected in the next decades by the consequences of demographic change, governments increasingly tap into the source of immigrants as a chance to meet their labour market needs. Also Germany has started to fundamentally reform its immigration and integration regime over the past decade in order to attract especially highly skilled workers. However, little information exists on the impact of those changing opportunity structures on the labour market integration of newcomers. Traditionally, the issue of how immigrants fare in their host countries has been studied either from an intergenerational perspective – comparing different generations of immigrants – or from an individual perspective – analysing trajectories and sequences of migrants' labour market integration. Studies concentrating on the trend of labour market integration, instead, are largely missing. Based on micro-census data from 1996-2010, the paper, for the first time, analyses how recent institutional changes of Germany's immigration and integration regime have affected the performance of newcomers. Besides established human and social capital theories it therefore integrates institutional variables by separating two groups of new immigrants – nationals from other EU member states and third country nationals – whose access to the labour market has been affected largely by recent policy reforms.

## **Extended abstract**

### **Introduction**

As many industrialised countries will be affected in the next few decades by the consequences of demographic change – due to an increasing life expectancy, low birth rates and a shrinking workforce –, governments increasingly tap into the source of immigrants as a chance to meet their economic and labour market needs. Whereas previously, the labour market performance of immigrants has been an issue of societal justice only, it now moved to the centre of political attention because it directly affects the future economic well-being of those countries. Germany, for example, traditionally seen as a reluctant country of immigration, has started to fundamentally reform its immigration and integration regime over the past decade in order to improve the societal as well as economic gains of migration. Little information exists, however, on the impact of those changing opportunity structures on the labour market integration of newcomers. Traditionally, the issue of how immigrants fare in their host countries has been studied either from an intergenerational perspective – comparing different generations of immigrants – or from an individual perspective – analysing trajectories and sequences of migrants’ labour market integration with increasing time of residence (Granato 2003; Chiswick et al. 2005; Chiswick and Miller 2011; Haug 2005; Akresh 2006, 2008; Kalter 2006; Luthra 2010). Instead, studies concentrating on the trend of labour market integration are largely missing, mainly because they require elaborate data sources. Building on the recent political interest on the issue of new migrants’ inflows and their labour market integration and the limited knowledge we have, the proposed paper analyses, for the first time, how recent institutional changes of Germany’s immigration and integration regime have affected the performance of those newcomers who state that they have immigrated within the last twelve months. Based on micro-census data from 1996-2010 the paper investigates two aspects: First, it describes the development and extent of labour market integration of new immigrants compared to natives. Second, the paper contributes to the theoretical debate on understanding those recent trends by referring to established human and social capital theories. Additionally, it integrates institutional variables by separating two groups of new immigrants – nationals from other EU member states and third country nationals. The first group is experiencing free movement of people within the EU and has the same legal rights to enter the labour market as nationals, while the access to the labour market of the second group has been affected in a fundamentally different way by recent migration and integration policy reforms.

## **Theoretical focus**

Labour market integration is generally regarded as one of the most crucial dimensions impacting on the overall success of immigrants in their host society. Consequently, there exists a wealth of different theoretical approaches to explain the overall economic disadvantage experienced by most immigrants. Human capital theories are generally regarded as first cut approaches arguing that immigrants either lack the kinds and levels of human capital that are needed in the country of destination. Or, the original human capital of newly arrived immigrants might become devalued in the host country, because it is not necessarily transferable, and immigrants may find it hard to translate and adapt the educational credentials accumulated in their countries of origin (Friedberg 2000). Another aspect highlighted by these approaches concerns specific lacks of knowledge about the functioning of the host country's labour market as well as missing language fluency. New immigrants will therefore experience some degree of occupational downgrading upon arrival (Chiswick 1978; Chiswick et al. 2005). Nevertheless, they might compensate for the initial devaluation of their original human capital with duration of stay in the host country allowing them to gain knowledge about the functioning of the host country's labour market and acquire the host country's language as well as local education and training suggesting an U-shaped pattern of occupational adjustment trajectories (Chiswick 1978; Chiswick et al. 2005; Cohen-Goldner and Eckstein 2008; Bratsberg and Ragan 2002; Shields and Wheatley Price 2002; Kanas and van Tubergen 2009). From this perspective immigrants are making long-term investments to improve their position in the labour market in the long run. However, if they perceive their stay as temporary they might decide not to invest in country-specific human capital and might opt for jobs with immediate monetary returns even if these are low-status jobs (Bonacich 1972; Heath und Ridge 1983; Dustmann 2000; Kalter and Kogan 2006).

A second school of thought focuses on discrimination as another possible source to explain immigrants' differences in labour-market performance. It is common to distinguish between preference-based and statistical discrimination. Preference-based discrimination refers to potential employers simply disliking a particular subgroup of the population and therefore tries to avoid it (Brekke and Mastekaasa 2008). Instead, statistical discrimination approaches assume that employers do not possess full information on the productivity of potential workers. Drawing on general beliefs and/or prior experience with migrant employees, employers might judge immigrants' capacities based on group rather than individual characteristics, which could lead to a devaluation of their human capital (Phelps 1972; Stiglitz 1973; Cain 1986).

Thirdly, Granovetter (1973) and Lin (1999) have drawn attention to social networks and other aspects of social capital impacting on immigrants' labour market performance. From this perspective, immigrant groups may differ with respect to their social networks they can access. Ethnically homogenous networks, for example, are made up of family, relatives and other co-ethnics which constitute the most immediate sources of social contacts. Particularly for recently arrived migrants, these networks have proved to be crucial in enhancing the chances of employment. However, available studies suggest that the quality of resources of the contact person affects the quality of job that is found via this person (de Graaf and Flap 1988; Lin 1999). Therefore, social networks including natives might provide better information about the host country labour market compared to co-ethnics (Hagan 1998; Putnam). Immigrants with strong ethnic ties might therefore never acquire higher-reaching contacts and will thus be hindered by the weakness of their networks and will remain restricted to low status jobs (Portes 1995; Portes and Rumbaut 2001; Zhou 1999).

Finally, formal and informal institutional arrangements, including laws, organizational policies and practices, interest groups, and popular culture have been found to impact on the labour market performance of immigrants. In his comparative study of immigrants in the United States, Canada and Australia, for example, Reitz (1998, 2002) argues that not only individual characteristics of immigrants themselves but different institutional aspects – the 'warmth of welcome' – are important determinants. These include immigration policies, labour market structures and practices, the educational system, as well as the overall welfare regime.

All four approaches are regularly applied to explain why immigrants in Germany have lower occupational statuses and smaller income than native workers (Kalter 2008; OECD 2008; Basilio and Bauer 2010; Brückner and Fuhr 2011; Tucci 2011). These theories work particularly well to explain the success of different generations of immigrants in the host country or – from an individual perspective – to explain trajectories and sequences of migrants' labour market integration with increasing time of residence. During the last years, however, particular attention has been spent on the labour market trajectories of newcomers (see, for example, Cobb-Clark 2004 for newcomers in Australia, Brodmann and Polavieja 2011 for Denmark; Demirova 2011 for the United Kingdom; Silva and Vázquez-Grenno 2011 for Spain and Kogan 2011 for Germany). Caused by global changes to the structure of international migration flows as well as an increasing interest of host societies for higher skilled migrants, these studies regularly work on the assumption that recent immigration fundamentally differs from the experiences of earlier migrant generations. This closely

resembles the situation in Germany where the composition of immigration flows in the decades before and after the immigration ban in 1973 fundamentally differs from the situation during the last decade. The continuous reforms of Germany's labour migration policy since the year 2000 have incrementally resulted in a higher proportion of migrants with higher skills (for an overview see Ette et al. 2012).

### **Empirical Approach**

The paper analyses the labour market integration of new immigrants arriving during the last fifteen years in Germany. Special focus is on how recent institutional changes of Germany's immigration and integration regime have affected the performance of new immigrants. To deal with these questions a pooled dataset from the German micro-census for the period 1996 to 2010 is used. The German micro-census is an annual survey in which one percent of all households in Germany are involved, i.e. approx. 370,000 households and 820,000 persons. It is a multipurpose survey providing statistical information on the economic and social situation of the population, on families and their living conditions, as well as on employment, the labour market and the educational system (for an overview on the micro-census see Müller 1999). Furthermore, it contains different questions concerning spatial mobility, so that newcomers can easily be distinguished. Newly arrived immigrants are defined as those who did change their place of residence between the date of the current survey and twelve months previously (Ette et al. 2008).

Based on this information the paper investigates two aspects: In a first step, the paper describes the development and extent of labour market integration of new immigrants compared to natives, focussing on the developments between 1996 and 2010. In a second step, different logistical regression models are fitted in order to measure the labour market performance of new immigrants. Two dependent variables representing the labour market performance are examined: the chance of being employed according to the labour-force concept of the International Labour Organization (ILO) and the occupational status measured by the International Socio-Economic Index of Occupational Status (ISEI). The models analyse the variable influence of human and social capital factors. Next to those individual resources, the models account for the changing migration and integration policy regime in Germany. Therefore, institutional variables are introduced by separating two groups of new immigrants – nationals from other EU member states and third country nationals. The first group is experiencing free movement of people within the EU and has the same legal rights to enter the labour market as nationals, while the access to the labour market of the second group

is affected by migration and integration policies. Thus, for the first time, different time trends, representing the period 1996 to 2010, have been introduced additionally in the multivariate models.

## Conclusion

Based on this comprehensive research design, the paper addresses at least two pressing issues in the current debate: First, the descriptive analysis allows a detailed description of the development and extent of labour market integration of natives compared to new immigrants. Second, the multivariate analyses expand our knowledge how different human and social capital factors as well as recent institutional changes of Germany's immigration and integration regime have affected the performance of newcomers. Based on this empirical knowledge and theoretical understanding of labour market integration of new immigrants in Germany, the paper also provides necessary information to assist policy-making in Europe.

## References

- Akresh, Ilana Redstone (2006): Occupational Mobility Among Legal Immigrants to the United States. In: *International Migration Review* 40 (4), S. 854–884.
- Akresh, Ilana Redstone (2008): Occupational Trajectories of Legal US Immigrants: Downgrading and Recovery. In: *Population and Development Review* 34 (4), S. 435–456.
- Basilio, Leilanie; Bauer, Thomas (2010): Transferability of Human Capital and Immigrant Assimilation: An Analysis for Germany. Hg. v. IZA. IZA. Bonn (IZA Discussion Paper, 4716). Online verfügbar unter <http://ftp.iza.org/dp4716.pdf>, zuletzt geprüft am 20.04.2012.
- Bonacich, Edna (1972): A Theory of Ethnic Antagonism: The Split Labor Market. In: *American Sociological Review* 37 (5), S. 547–559.
- Bratsberg, Bernt; Ragan, James (2002): The Impact of Host Country Schooling on earnings. A study of Male Immigrants in the United States. In: *Journal of Human Resources* 37 (2), S. 64–105.
- Brekke, Idunn; Mastekaasa, Arne (2008): Highly educated immigrants in the Norwegian labour market: permanent disadvantage? In: *Work, Employment and Society* 22 (3), S. 507–526.
- Brodmann, Stefanie; Polavieja, Javier G. (2011): Immigrants in Denmark: Access to Employment, Class Attainment and Earnings in a High-Skilled Economy. In: *International Migration* 49 (1), S. 58–90.
- Brückner, Gunter; Fuhr, Gabriela (2011): Bevölkerung mit Migrationshintergrund. In: Statistisches Bundesamt und Wissenschaftszentrum Berlin für Sozialforschung (Hg.): Datenreport 2011. Ein Sozialbericht für die Bundesrepublik Deutschland. Bonn: Bundeszentrale für politische Bildung, S. 188–192.
- Cain, Glen C. (1986): The Economic Analysis of Labor Market Discrimination: A Survey. In: Orley C. Ashenfelter und Richard Layard (Hg.): *Handbook of Labor Economics*. Vol. 1. Amsterdam: Elsevier, S. 693–785 (Chapter 13).
- Chiswick, Barry R. (1978): The Effect of Americanization on the Earnings of Foreign Born Men. In: *Journal of Political Economy* 86 (5), S. 897–922.
- Chiswick, Barry R.; Miller, Paul W. (2011): Negative and Positive Assimilation, Skill Transferability, and Linguistic Distance. IZA. Bonn (IZA Discussion Paper, 5420). Online verfügbar unter <http://ftp.iza.org/dp5420.pdf>, zuletzt geprüft am 18.04.2012.
- Chiswick, Barry R.; Lee, Yew L.; Miller, Paul W. (2005): Longitudinal Analysis of Immigrant Occupational Mobility: A Test of the Immigrant Assimilation Hypothesis. In: *International Migration Review* 39 (2), S. 332–353.
- Cobb-Clark, Deborah A. (2004): Selection Policy and the Labour Market Outcomes of New Immigrants. Hg. v. IZA. IZA. Bonn (IZA Discussion Paper, 1380). Online verfügbar unter <http://ftp.iza.org/dp1380.pdf>, zuletzt geprüft am 19.04.2012.
- Cohen-Goldner, Sarit; Eckstein, Zvi (2008): Labor mobility of immigrants: training, experience, language and opportunities. In: *International Economic Review* 49 (3), S. 837–872.

- Demirova, Neli (2011): New Migrants in the UK: Employment Patterns and Occupational Attainment. In: *Journal of Ethnic and Migration Studies* 37 (4), S. 637–655.
- Dustmann, Christian (2000): Temporary Migration and Economic Assimilation. IZA. Bonn (IZA Discussion Paper, 186).
- Ette, Andreas; Rühl, Stefan; Sauer, Lenore (2012). Die Entwicklung der Zuwanderung hochqualifizierter Drittstaatsangehöriger nach Deutschland. *Zeitschrift für Ausländerrecht und Ausländerpolitik*.
- Ette, Andreas; Unger, Rainer; Graze, Philip; Sauer, Lenore (2008): Measuring spatial mobility with the German Microcensus: The case of German return migrants. In: *Zeitschrift für Bevölkerungswissenschaft* 33 (3-4), S. 243–480.
- Friedberg, Rachel M. (2000): You can't take it with you? Immigrant assimilation and the portability of human capital. In: *Journal of Labor Economics* 18 (2), S. 221–251.
- Graaf, Nan de; Flap, Hendrik D. (1988): With a little help from my friends: Social resources as an explanation of occupational status and income in West Germany, the Netherlands and the United States. In: *Social Forces* 67 (2), S. 452–472.
- Granato, Nadia (2003): Ethnische Ungleichheit auf dem deutschen Arbeitsmarkt. Opladen: Leske + Budrich (Schriftenreihe des Bundesinstituts für Bevölkerungsforschung, 33).
- Gronovetter, Mark S. (1973): The strength of weak ties. In: *American Journal of Sociology* 78, S. 1361–1380.
- Hagan, Jacqueline M. (1998): Social Networks, Gender and Immigrant Settlement: Resource and Constraint. In: *American Sociological Review* 63 (1), S. 55–67.
- Haug, Sonja (2005): Familienstand, Schulbildung und Erwerbstätigkeit. Eine Analyse der ethnischen und geschlechtsspezifischen Ungleichheiten. In: Sonja Haug und Claudia Diehl (Hg.): *Aspekte der Integration. Eingliederungsmuster und Lebenssituation italienisch- und türkischstämmiger junger Erwachsener in Deutschland*. Wiesbaden: VS-Verlag, S. 51–75.
- Heath, Anthony F.; Ridge, John (1983): Social mobility of ethnic minorities. In: *Journal of Biosocial Science Supplement* (8), S. 169–184.
- Kalter, Frank (2006): Auf der Suche nach einer Erklärung für die spezifischen Arbeitsmarktnachteile von Jugendlichen türkischer Herkunft. In: *Zeitschrift für Soziologie* 35 (2), S. 144–160.
- Kalter, Frank (2008): Ethnische Ungleichheiten auf dem Arbeitsmarkt. In: Martin Abraham und Thomas Hinz (Hg.): *Arbeitsmarktsoziologie. Probleme, Theorien, empirische Befunde*. Wiesbaden: VS-Verlag, S. 303–332.
- Kalter, Frank; Kogan, Irena (2006): Ethnic inequalities at the transition from school to work in Belgium and Spain: discrimination or self-exclusion? In: *Research in Social Stratification and Mobility* 24, S. 259–274.
- Kanas, Agnieszka; van Tubergen, Frank (2009): The Impact of Origin and Host Country Schooling on the Performance of Immigrants. In: *Social Forces* 88 (2), S. 893–916.
- Kogan, Irena (2011): New Immigrants - Old Disadvantage Patterns? Labour Market Integration of Recent Immigrants into Germany. In: *International Migration* 49 (1), S. 91–117.
- Lin, Nan (1999): Social Networks and Status Attainment. In: *Annual Review of Sociology* 25, S. 467–487.
- Luthra, Renee Reichl (2010): Enduring Inequality: Labour market outcomes of the immigrant second generation in Germany. University of Essex. Essex (ISER Working Paper Series, 2010-30).
- Müller, Walter (1999): Der Mikrozensus als Datenquelle sozialwissenschaftlicher Forschung. In: Lüttinger, Paul (ed.): *Sozialstrukturanalyse mit dem Mikrozensus*. Mannheim: ZUMA.
- OECD (2008): *International Migration Outlook*. Paris: OECD.
- Phelps, Edmund (1972): The statistical theory of racism and sexism. In: *American Economic Review* 62, S. 659–661.
- Portes, Alejandro (1995): *The Economic Sociology of Immigration: Essays on Networks, Ethnicity and Entrepreneurship*. New York: Russell Sage Foundation.
- Portes, Alejandro; Rumbaut, Rubén G. (2001): *Legacies. The story of the Immigrant Second Generation*. Berkeley: University of California Press.
- Putnam, Robert D.: *Bowling Alone: The Collapse and Revival of American Community*. New York: Simon & Schuster.
- Reitz, Jeffrey G. (1998): Warmth of Welcome. The Social Causes of Economic Success for Immigrants in Different Nations and Cities. Oxford: WestviewPress.
- Reitz, Jeffrey G. (2002): Host Societies and the Reception of Immigrants: Research Themes, Emerging Theories and Methodological Issues. In: *International Migration Review* 36 (4), S. 1005–1019.
- Shields, Michael A.; Wheatley Price, Stephen (2002): The English Language Fluency and Occupational Success of Ethnic Minority Men Living in English Metropolitan Areas. In: *Journal of Population Economics* 15 (1), S. 137–160.
- Silva, José I.; Vázquez-Grenno, Javier (2011): The ins and outs of unemployment and the assimilation of recent immigrants in Spain. In: *Journal of Population Economics* 24, S. 1309–1330.
- Stiglitz, Joseph (1973): Approaches to the Economics of Discrimination. In: *American Economic Review Papers and Proceedings* 63 (2), S. 287–295.

- Tucci, Ingrid (2011): Lebenssituation von Migranten und deren Nachkommen. In: Statistisches Bundesamt und Wissenschaftszentrum Berlin für Sozialforschung (Hg.): Datenreport 2011. Ein Sozialbericht für die Bundesrepublik Deutschland. Bonn: Bundeszentrale für politische Bildung, S. 193–199.
- Zhou, Min (1999): Segmented Assimilation: Issues, Controversies, and Recent Research on the New Second Generation. In: Charles Hirschman, Philip Kasinitz und DeWind Joshua (Hg.): The Handbook of International Migration. New York: Russell Sage Foundation, S. 196–211.