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Heinz Werner\*

# The Integration of Foreign Employees in the Labour Market

*For a number of European countries the presence of a more or less large number of foreign workers and their families is a fact to which they will have to adjust. As a rule, the longer the length of their stay, the less probable it becomes that these workers will return to their country of origin. In view of this fact it is necessary that the foreign workers and their families are integrated as comprehensively as possible, for humanitarian, social and economic reasons. The following article examines a number of indicators for integration so far in France, Germany (West), the Netherlands and Sweden.*

Integration is necessary for humanitarian reasons because the immigrants have lived and worked for years in the country and by doing so have contributed to its development. If they decide to stay permanently in the country, they must be enabled to participate in society with the same rights as the indigenous population. Integration is necessary for social reasons because the disadvantaging of particular groups can lead to their marginalisation. This in turn can lead to socially undesirable behaviour expressed, for example, in crime or social unrest. From an economic point of view, integration is necessary because discrimination on the labour market means that human resources (in this case the foreign workers) are not employed according to their qualifications, which means that they are utilised inefficiently. The effect of this is that productivity potentials are not deployed and avoidable costs ensue.

The migration of foreign workers into the European industrial countries can be expected to continue in future and a large part of the immigrants will stay. Integration efforts will be necessary for these immigrants, too. This immigration will have two causes: it will be due, firstly, to the enormous pressure to emigrate from the south (e.g. from the Maghreb countries) and from central and eastern Europe, and secondly, to the aging of the labour force in the receiving countries.

Integration can be understood as being both a process and a condition at the same time. The

process of integration moves towards the desired condition, namely the achievement of successful integration. The process of integration has been successful when there is no longer any difference between comparable groups of nationals and foreigners or ethnic minorities with regard to their participation in the various sectors of society in the receiving country. Sectors which are important for integration are housing, education and employment. A precondition for the success of the integration process is legal certainty and legal equality for the immigrants.

Equality for nationals, foreigners and ethnic minorities must not only be equality according to the law but also in practice, in the application and exercise of the corresponding regulations. In competitive societies equality before the law is seldom adequate to guarantee that people of different cultural backgrounds will be able to avail themselves of social opportunities under the same conditions. Disadvantaged persons must therefore be helped or placed in a position to be able to compete under similar conditions. Depending on the context this can be done for immigrants in different ways. For example, those who speak the main language of the country badly or not at all must be given language tuition. Those who are lacking in education or vocational training due to their cultural background or their upbringing must be helped to achieve a level of education or training comparable to that of their peers.

Employment is an important element of society and in the life of the individual, who requires employment to be able to earn his living and whose status in society is determined by his job. With regard to the labour market, successful integration would have to

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show the same employment structures for comparable groups of nationals and foreigners (e.g. rate of unemployment, earnings, participation rate). A precondition for this is equal access to occupations/jobs, including the fulfilment of certain requirements which place foreign workers in a position to take up employment under the same conditions as nationals. These include, for example, access to the educational system and to educational measures, housing and social security. The sectors named are thus not independent of one another and can have a mutual influence on each other.

**Measurement of Integration on the Labour Market**

Integration on the labour market means progress towards the same employment structures for foreign workers or workers from ethnic minorities and workers from the indigenous population. Similar employment structures are a sign of successful integration. Specifically applied to the labour market this means that at the end of the integration process there should no longer be any differences between comparable groups of indigenous and migrant workers with regard to their participation rate, to unemployment or to earnings.

Since integration is a process, moving towards a desired condition (the same employment structures), it could be measured by the divergence (or similarity) of the employment structures of foreign and of indigenous workers. In the simplest type of measurement, labour market parameters (e.g. unemployment, participation, earnings) for foreign workers are compared directly with those for indigenous workers. Indicators can also be constructed which specify the degree of deviation, for example.

A major problem is the definition of a comparable indigenous group. In order to be able to judge the degree of integration, comparable groups of nationals and foreigners or ethnic minorities must be compared. The characteristics of the indigenous group used for the comparison must, if possible, be identical with those of the foreign/ethnic minority group. The most important characteristics with regard to the labour market are age, sex, qualifications, occupation, branch of the economy and region.

Integration also has a temporal aspect. The personal situation of a worker and the situation of the succeeding generations change in the course of time. If integration is to be measured in the form of structural characteristics or indicators, this means

that the situation is determined at a particular point in time. Varying individual integration processes, which at the time of measurement can find themselves at different stages, are added together and standardised at this particular point in time (e.g. by the calculation of ratios). The differences in the course of events and between the generations are obliterated, since only an average for a particular point in time is obtained. There can continue to be considerable differences behind this average value, e.g. according to nationality/country of origin. A more detailed breakdown – to the extent that the statistics allow this – could help to make these differences visible.

Because of the temporal dimension of integration, the degree of integration can correctly only be obtained in the course of time, i.e. with the aid of a longitudinal analysis. The individual development of the immigrants and that of the succeeding generations within the society of the receiving country would have to be followed up and compared to that of the indigenous population. This can be done, for example, by using retrospective interviews, in which the stages of integration can be asked about individually on the basis of past development up to the time of the interview.

The measurement of integration in the form of indicators is thus not without problems. Nevertheless, a number of indicators which could be regarded as an indication of the state of integration of foreign workers in the labour market will be presented in the following.

There is no indicator which is adequate on its own to describe the stage of integration achieved. A complete picture can only be obtained by examining

**Table 1**

**Unemployment Rates of Nationals and Foreigners in France, Germany (W.), the Netherlands and Sweden According to Age and EC Citizenship Status, 1993**

(in per cent)

	Nationals		Foreigners			
	Total	Under 25	Total	Under 25	EC Citizens	Non-EC Citizens
France	10.8	25.2	20.6	32.3	11.5	27.4
Germany (W.)	7.1	4.9	12.7	14.1	7.9	14.7
Netherlands	5.7	9.8	19.6	25.0	8.1	27.6
Sweden	7.1	18.0	20.8	27.8	12.0 <sup>1</sup>	27.6 <sup>2</sup>

<sup>1</sup> Nordic countries.

<sup>2</sup> Non-Nordic countries.

Sources: Eurostat: Community labour force survey (for F, NL, D); SCB (Central Statistical Office): Labour force sample survey, annual averages (for S); own calculations.

several indicators together. The indicators must not be interpreted schematically on the basis of a single figure. The same figure can represent different processes due to the variations in the functioning of labour markets from one country to another.

The choice of meaningful indicators is reduced if these are to have any weight for the estimating of integration and if value is placed on their ability to be empirically verified and on their cross-country comparability. In the following several indicators which have been selected according to these criteria are presented and discussed.

In order to achieve the greatest possible degree of comparability the indicators for the labour market are taken from Eurostat's (Statistical Office of the European Communities) annual survey of labour. A comparable survey is available for Sweden.

### Rate of Unemployment

It can be assumed that unemployment has an unfavourable effect on the integration of foreign workers. Repeated or long-term unemployment tends to lead to a loss of qualification and involves the danger of marginalisation. Table 1 presents the rates of unemployment for nationals and foreign workers in the four countries under examination here for 1993. It shows that in all four countries the rate of unemployment of foreigners was considerably higher than that of nationals. It is usually double the rate of unemployment of nationals and in the Netherlands it is even three times as high. If we differentiate between age under 25 years (youth unemployment) and over

25 years then the differences between the rates are even greater (Table 2). Young foreigners showed a rate of unemployment three times that of the comparable age group of nationals. This is a clear signal for educational and employment policy that action is required here! This situation has not improved for young foreign workers in the course of time.

The total unemployment figure for foreigners conceals large differences between nationalities. For certain groups unemployment is three or four times as high as the rate for nationals.

How can these differences in the rates of unemployment between nationals and foreign workers be explained? The following reasons can be named:

A large proportion of foreign workers is employed in the manufacturing sector. Employment in this sector is falling generally. In addition, this sector finds itself in a process of restructuring and rationalisation, which requires better qualifications from those employed there. Foreign workers are often employed in unskilled jobs. These jobs are increasingly done away with in the course of rationalisation and restructuring. This means dismissals and unemployment for the less qualified workers, among them many foreigners. Access to further training and retraining is more difficult for them because foreign workers usually do not have a good basic education and, in addition, show language deficiencies.

Foreign workers can only partially compensate for the massive loss of jobs in industry by employment in the tertiary sector. In employment requiring higher qualifications or which involves contact with

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customers such as advising/selling, they meet with competition from nationals. They usually do not have enough capital to set themselves up in business.

But even if groups of nationals and foreigners with identical characteristics are compared with one another it can be established that the rate of unemployment of foreigners is greater than that of nationals. We are left with a "remainder" of unemployment which cannot be explained by other characteristics (apart from nationality). This remainder, which has no statistical/methodological explanation can only be assigned to the characteristic "nationality", but it does not necessarily have anything directly to do with nationality. It can be a case, for example, of disadvantages caused by prejudices regarding ethnic origin.

These disadvantages (discrimination) of the foreign workers result, for example, from the procedure of job application and selection within firms. Workers who are nationals, for example, tend to use formal methods of applying for jobs, whereas foreigners are more inclined to look for jobs via networks of friends and acquaintances. By doing so they exclude themselves from certain selection procedures.

Foreign workers' problems in the labour market are greater in a recession: less-skilled workers (many of them foreigners) are hardest-hit by dismissals. When employing workers, firms can choose from a larger pool of job-seekers. This larger pool consists not only of workers who have become unemployed, but also of new entrants to the labour market such as school-leavers and women who wish to re-enter employment after a period of occupational inactivity. If they have a greater choice, firms will as a rule – *ceteris paribus* – prefer to employ nationals.

### Earnings

Their economic success is important for the integration of immigrants. Integration can only be successful if – all other things being equal – material equality between nationals and foreigners (or ethnic minorities) can be achieved. An important precondition for this is equal pay for equal work, and the same work for the same qualification, for nationals and foreigners. Equal earnings by nationals and foreigners, all other things being equal, is an indicator for integration in the labour market. In order to make a definitive comparison it is necessary to compare groups of national and foreign workers with identical characteristics. Groups with identical characteristics such as sex, age and equal qualification are the least which is necessary. Unfortunately this statistical basis seldom exists. Apart from which, the characteristic "qualification" is not easy to record statistically. Qualification is a combination of school education and the skills and abilities learnt on the job. The usual statistics only register the level of school education.

It must be confirmed that in the four countries under examination here there are differences in the earnings of nationals and foreigners whose characteristics are otherwise identical. Foreigners are not a homogeneous group, however. Larger differences in earnings can be found between foreign workers from different areas of origin. The difference in wages between nationals and foreigners is explained by, among other things, the fact that the qualification of the foreign workers is usually low, with the result that they are concentrated in lower fields of activity or in sectors of the economy or sectors of the labour market (secondary labour market) in which below-average wages are paid. But even if one

Table 2

### Unemployment Rates of Nationals and Foreigners in France, Germany (W.), the Netherlands and Sweden, 1983 - 1993/4

(in per cent)

	France				Germany (W.)				Netherlands				Sweden			
	Nationals		Foreigners		Nationals		Foreigners		Nationals		Foreigners		Nationals		Foreigners	
	Total	<25	Total	<25	Total	<25	Total	<25	Total	<25	Total	<25	Total	<25	Total	<25
1983	7.4	19.1	14.5	30.0	6.0	10.1	11.3	18.2	11.3	20.5	23.7	33.7	-	-	-	-
1987	10.2	22.8	19.0	34.0	6.3	6.9	12.5	15.4	9.4	16.4	23.5	32.5	1.8	4.0	4.4	8.1
1991	8.7	19.4	16.7	25.8	3.7	3.2	8.0	7.1	6.6	10.4	24.0	31.7	2.4	5.7	6.6	11.5
1993	10.8	25.2	20.6	32.2	4.9	4.8	12.7	14.1	5.7	9.8	19.6	25.0	7.8	18.0	20.8	27.8
1994	11.7	27.6	24.4	41.9	-	-	-	-	-	-	-	-	7.6	16.2	21.0	30.6

Sources: EUROSTAT: Community labour force survey (for France, Germany and the Netherlands); for Sweden: Central Statistical Office: Labour force sample survey, annual averages; own calculations. A change in the EUROSTAT definitions after 1991 primarily affected the rates in the Netherlands.

attempts to eliminate influencing factors such as these by comparing groups of national and foreign workers which are identical with regard to branch of the economy, qualification and other characteristics, there remain certain differences, even if these are not spectacular. Ethnic origin/nationality often has the effect of reducing earnings.

The differences in earnings between identical qualification groups do not appear to be quantitatively very serious at first glance. The following must be remarked about this: the investigations are often only able to compare classification categories within firms due to the available statistics. There are indications that this classification often does not take adequate account of the previous education/qualification of the foreign worker, who is then classified in the firm's wage hierarchy below his education and qualification. Within the wage categories there are often only slight differences between nationals and foreign workers, particularly if the wage structure is laid down in collective agreements. The bulk of the foreign workers find themselves, as a rule, in the lower segment of the wage hierarchy. Foreign workers remain more often, or longer, in this lower section of the wage scale compared to nationals, since for a number of reasons they participate less in firm-internal promotion procedures.

**Female Participation Rate**

Employment as such is an integration factor. Employment is not only the basis for earning one's livelihood but it also makes personal contacts and social relationships possible. Employment behaviour is most simply expressed in the participation rate. This is the quotient of the labour force (= gainfully employed + unemployed) divided by the entire population. Employment behaviour, and thus participation rates, vary between nationals and

foreigners. They do show a tendency, however, to become more similar in the course of time. The participation rate can therefore be taken as an indicator for integration: the closer the participation rates of nationals and foreigners draw to one another, the more similar their employment behaviour, the greater the progress made by integration. Not the total participation rate is a suitable indicator, however, but the female participation rate. In order to explain this choice some general remarks are necessary on migration between countries and on female employment.

In the first phases of the migration typical in Europe the migrants are mainly male workers. They are looking for employment with better earnings than those in their country of origin. The participation rate of foreign men is therefore high. It would not be a suitable indicator for integration in the labour market since employment was their motive for coming. The case of the wives of foreign workers is different. They were fetched later by their husbands. Employment was originally not the only motive for these women. The foreign worker as a rule takes up one of the lower positions in the job and income hierarchy. It is therefore necessary to increase the family income in order to avoid material marginalisation and to catch up with occupationally similar layers of the indigenous population. The employment of the foreign worker's wife becomes a necessity.

But foreign women have a harder time finding employment than indigenous women or foreign men. Their rate of unemployment is, as a rule, higher than the total rate for foreigners and is considerably higher than the unemployment rate of indigenous women (Table 3). Whereas the male worker has generally made contacts through his work environment and socialisation processes in the country of immigration have thus become possible, this is difficult for the

**Table 3**

**Unemployment Rates of Indigenous and Foreign Women in France, Germany (W.), the Netherlands and Sweden, 1983 - 1993/4**

(in per cent)

Country	France		Germany (W.)		Netherlands		Sweden	
	Nationals	Foreigners	Nationals	Foreigners	Nationals	Foreigners	Nationals	Foreigners
1983	10.0	19.1	7.0	14.2	13.3	29.5	-	-
1987	13.0	23.6	7.4	15.2	13.5	36.6	1.8	3.8
1991	11.2	21.1	4.5	8.6	9.5	25.3	2.2	5.8
1993	13.0	23.5	5.4	13.1	7.4	16.4	6.2	17.0
1994	13.7	28.3	-	-	-	-	6.4	17.4

Sources: EUROSTAT: Community labour force survey (for F, D, NL); SCB (Central Statistical Office): Labour force sample survey, annual averages (for S) and own calculations.

foreign women. Their access to the labour market is made more difficult by this. It is also made difficult by their lack of language proficiency, their lack of qualifications and their cultural distance to the world of employment. These factors represent a barrier to integration. Once in the labour market, the foreign women – even more so than the foreign men – are to be found in the less attractive, badly paid jobs, which in addition are also unstable (dependent on the business cycle, temporary, subject to notice at any time etc.). Periods of employment and unemployment alternate.

The special employment problems of foreign women are reflected in different participation rates compared to those of indigenous women. In the course of time the participation rates of foreign and indigenous women should become similar, which would mean a step towards integration. The difference between both participation rates can therefore be regarded as an indicator of integration or non-integration in the labour market.

In Table 4 the participation rates of foreign and indigenous women in the four countries under

examination here are presented. Since the employment of women varies according to age, age-specific participation rates are compared. Table 4 shows that the participation rate of foreign women in 1993 was, almost without exception, considerably below that of indigenous women. Compared to 1983 there had been no great change. These divergencies between the participation rates indicate that the integration of foreign women has not taken place. If the figures for women from EC countries are compared, their participation rate is often close to that of indigenous women. This can be connected with the fact that on average women from EC countries remain in the receiving country longer than women from third countries. Furthermore, foreigners from EC countries are more likely, due to the regulations concerning the free movement of labour, to return to their home country if they experience economic or other difficulties – integration problems, for example. In their case this does not involve an irreversible decision as it does for persons from third countries outside the EC, who as a rule cannot come back to their previous country of immigration once they have returned to their home country.

**Table 4**  
**Participation Rates of Indigenous and Foreign Women According to Age Groups 1993 and 1983**  
(in per cent)

Age Groups	Nationals		Foreigners					
	1993	1983	Total		EC Citizens		Non-EC Citizens	
1993			1983	1993	1983	1993	1983	1993
France								
15-24	37	46	31	34	41	33	27	34
25-49	79	70	56	46	67	50	44	46
50-64	39	39	37	33	42	30	29	34
Germany (W.) <sup>1</sup>								
15-24	56	48	42	37	48	46	41	34
25-49	75	58	59	57	64	62	54	55
50-64	42	33	50	50	49	50	45	49
Netherlands								
15-24	61	45	38	30	50	36	36	27
25-49	67	46	43	39	56	52	37	34
50-64	27	18						
Sweden								
16-24	53	64	36	52				
25-49	89	89	65	77				
50-64	64	63	36	45				

<sup>1</sup> 1993 including the new Bundesländer.

Source: Eurostat (Community Labour Force Survey) and SCB (Central Statistical Office): Labour Force Survey, annual averages (Sweden) and own calculations.

### **Other Indicators**

Each of the indicators named above describes one particular aspect of the labour market. In addition to these indicators of integration in the labour market, others can be conceived of (although no empirical data for them will be presented here):

1. The rate of employment of nationals and foreigners in atypical forms of employment can be compared. Examples of such forms are temporary employment, part-time employment and loan employment.

The use of atypical forms of employment is attractive for enterprises because they enable them to adjust personnel capacities to the fluctuating requirements of production. From the perspective of the workers, atypical forms of employment are not always necessarily the worst alternative compared to normal employment contracts. To a certain extent they correspond to the interests of the workers. This is the case, for example, for women with children who wish to work part-time and for pupils and students, who are not interested in permanent employment. In most cases, however, those searching for employment have no alternative to atypical employment due to the situation on the labour market.

Atypical forms of employment are to be classified as belonging to the so-called secondary labour market and are thus a reflection of a precarious situation for workers on the labour market. If foreign workers are found to be overproportionally represented in such forms of employment this would be an indication of inadequate integration in the labour market. There are signs that foreigners are to be found overproportionally in so-called precarious forms of employment.

2. A further clue to the integration of foreigners/ethnic minorities in the labour market can be the ratio of self-employed foreigners to foreign employment as a whole. The decision to become self-employed can, as a rule, only be taken on the basis of a certain amount of knowledge of the local market, which implies a certain degree of familiarity with the local environment. Self-employment is also an indication of the intention to remain permanently in the receiving country. The existence of the opportunity for a foreigner to set up a business shows that access to this part of the labour market in the receiving country is open, at least to a certain extent. The effect of open access to the labour market is, in principle, to support integration.

Access for foreigners can be limited if the exercise of particular occupations by self-employed persons is tied to the nationality of the country of residence (for example, tobacco shops in France). Access can also be limited if the conditions for a licence to practise self-employed occupations are difficult for foreigners to fulfil. For example, the management of a craftsman's firm in Germany is dependent on the "examination for master craftsmen". A requirement for the latter is the completion of training in a recognised "trained occupation". This condition cannot be met by foreigners who have not gone through the German occupational training system. Approximately two thirds of German youth go through this occupational training system. Training usually lasts three years. It should be mentioned here that within the framework of the realisation of the single European market the conditions for a licence to practise as a self-employed craftsman are, for nationals of EU countries, no longer tied to the rigid requirement of the "examination for master craftsmen".

There is a certain justification for regarding the proportion of foreign self-employed as an indicator of integration in the labour market. Care must be taken here, however: the circumstances under which the self-employment originated and the nature of the firm must be taken into consideration. Have, for example, the foreigners been "forced" to become self-employed due to the negative situation on the labour market? How high is the income which can be achieved from self-employment and what are the firms' chances of survival? More research is necessary in order to answer these questions.

According to the census of workers by the EC Statistical Office (EUROSTAT), in 1991 the ratio of self-employed to the number of foreign gainfully employed as a whole was – with an upward trend – 9.0% in France, 6.4% in Germany, 8.1% in the Netherlands and (the result of a similar survey) 7.2% in Sweden. The information from the population census of 1990 in France is interesting in that the proportion of self-employed among the naturalised French (*français par acquisition*) is one third higher than that of foreigners. The role of nationality for the establishment of businesses would have to be taken into consideration in international comparisons.

3. Education represents a decisive factor for occupational integration in the labour market. As a rule, education improves access to employment and renders possible equality of opportunity with regard to income and choice of occupation. Success or failure



at school not only determines later opportunities on the labour market but also brings social behaviour in its train which can have a positive or a negative influence on the further course of life (marginalisation, crime). The proportion of the second and third generation of foreigners who go through the various levels of the educational system is an important indicator for integration in the educational system and in the society of the country of residence. This proportion can be measured, for example, by the percentage of foreign pupils, divided according to age groups, in the different levels of the educational system, the percentage of drop-outs, failures and successes compared to indigenous pupils. These figures give an indication of later opportunities in the labour market. It is impossible within the framework of this article, however, to examine these statistics empirically for the four countries under examination.

### Final Remarks

Finally, it can be ascertained that the general assimilation of relationships on the labour market for foreigners/ethnic minorities and indigenous workers cannot be expected in the near future. Foreign workers, as a rule, take up occupations in the lower wage segment. (There is also increasing migration by highly qualified workers, but their absolute number is still small.) Upward mobility is generally not easy from this segment of the labour market and it is more difficult for foreigners in particular and in competition with nationals for a number of reasons (inadequate language skills, inadequate qualifications, disadvantages in the recruitment process etc.) Improvements in the occupational situation are therefore primarily to be expected from one generation to the next. This development needs time. It is, however, dependent to a large degree on integration policy, which must not allow segregation to take place in important social areas such as the housing market, the educational system and the labour market, and whose task it is, if such segregation exists, to eliminate it.

In integration policy we can differentiate between direct (particular) and indirect (general) measures. The former proceed from particular needs of the immigrants which require particular (direct) measures in order to improve their situation and integration. Closely linked to direct integration policy is the concept of minority policy. This focuses on special regulations and measures for the various individual minorities. Indirect integration policy should be seen within the framework of the general social policy of

the receiving country, which includes the migrants as having largely equal rights. The more extensive the policies in the areas of housing, education and social security and the more strongly these policies are based on the principle of equality, the more it can be assumed that this system also contributes to the integration of foreigners/ethnic minorities.

A convergent trend is recognisable in the development of the integration policies of the four countries under examination here. Countries which have implemented a multicultural integration policy, such as the Netherlands and Sweden, are coming closer in their policies to monoculturally oriented countries such as France. In contrast to this, in the Federal Republic of Germany – with a monocultural policy – there has been an intensive discussion in recent years on the question of the multicultural society. The massive inflow of asylum-seekers has in the meantime led to horrible incidents and the discussion has been interrupted, however.

It must also be pointed out that in spite of manifold attempts at integration, admittedly made with varying degrees of intensity, the results have tended to be similar everywhere: unemployment among foreigners/ethnic minorities is considerably above the average, in part with an upward trend. The cross-country comparison also demonstrated considerable differences in the labour market situation for foreigners/ethnic minorities both between countries and between the different immigrant nationalities within a country.

Successful integration is only possible if immigration can be managed successfully. Uncontrolled, massive immigration would make attempts at integration more difficult and competition would arise between nationals and foreigners on the labour and housing markets. The excessive demands on the educational and social systems and the resulting high costs would not be accepted by the indigenous population. Sweden, which of the countries examined here follows the immigration and integration policy which is the most consistent and is based on the most fully developed concept, has always heavily regulated immigration. The system for intake, accommodation, education and incorporation into the labour market would otherwise be unable to take the special requirements of the immigrants, particularly in the initial years, into account. The longer the immigrants remain without employment or in employment much below their qualifications, the greater is the depreciation of their human capital, i.e. of their skills and capabilities.