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Non-Technical Abstract

We study the relationship between ethnic identity and labor-market outcomes of non-EU immigrants in Europe. Using the European Social Survey, we find that there is a penalty to be paid for immigrants with a strong identity. Being a first generation immigrant leads to a penalty of about 17 percent while second-generation immigrants have a probability of being employed that is not statistically different from that of natives. However, when they have a strong identity, second-generation immigrants have a lower chance of finding a job than natives. Our analysis also reveals that the relationship between ethnic identity and employment prospects may depend on the type of integration and labor-market policies implemented in the country where the immigrant lives. More flexible labor markets help immigrants to access the labor market but do not protect those who have a strong ethnic identity.

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Ethnic Identity and Labor-Market Outcomes of Immigrants in Europe[1]

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We study the relationship between ethnic identity and labor-market outcomes of non-EU immigrants in Europe. Using the European Social Survey, we find that there is a penalty to be paid for immigrants with a strong identity. Being a first generation immigrant leads to a penalty of about 17 percent while second-generation immigrants have a probability of being employed that is not statistically different from that of natives. However, when they have a strong identity, second-generation immigrants have a lower chance of finding a job than natives. Our analysis also reveals that the relationship between ethnic identity and employment prospects may depend on the type of integration and labor-market policies implemented in the country where the immigrant lives. More flexible labor markets help immigrants to access the labor market but do not protect those who have a strong ethnic identity.

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1. INTRODUCTION

An intense political and intellectual debate is taking place in Europe around migration issues. Rather than being centered on the economic costs and benefits of such inflows, the debate has instead focused on the perceived costs and benefits of cultural diversity.[6] This debate has been particularly intense after the series of violent disturbances in various cities and towns in England (e.g. Oldham, Leeds, Burnley, Bradford) in the spring and early summer of 2001, involving young British Asian men, and the riots in Paris' suburbs in November 2005 where most of the rioters were the French-born children of immigrants from African countries.

Though a range of potential explanations were proposed, two received considerable attention in political circles and also in the media. The first explanation put forward the lack of a shared civic *identity* that could bring together diverse communities. The second one was the *adverse labor market outcomes* of the ethnic groups, which experienced very high levels of unemployment.

The attention paid to these factors (ethnic identity[7] and adverse labor-market outcomes of ethnic minorities) is relatively novel in Europe and does represent a departure from the long-standing debate which has tended to emphasize racial discrimination as the key explanation of ethnic disadvantage. The debate in the United States on these issues, at both a policy and academic level, is of longer standing. One theme that has emerged from the academic literature is that some individuals in ethnic groups may "choose" to adopt what are termed "oppositional" identities, that is, some actively reject the dominant ethnic (e.g., white) behavioral norms while others totally assimilate to it (see, in particular, Ainsworth-Darnell and Downey, 1998). Studies in the US have found, for example, that African American students in poor areas may be ambivalent about learning standard English and performing well at school because this may be regarded as "acting white" and adopting mainstream identities (Fordham and Ogbu, 1986; Wilson, 1987; Delpit, 1995; Akerlof, 1997; Ogbu, 1997; Austen-Smith and Fryer, 2005; Selod and Zenou, 2006; Battu, McDonald and Zenou, 2007; Bisin et al., 2009a; Fryer and Torelli, 2010). In some instances, oppositional identities produce significant economic and social conflicts and can lead to adverse labor-market outcomes for ethnic minorities. This is a good example that can explain why a strong ethnic identity can lead to adverse labor-market outcomes.

In the present study, we contribute to such a debate by providing some evidence on the relationship between *ethnic identity* and *labor-market outcomes* of the immigrants in Europe. Using data from the *European Social Survey* (ESS), we are able to differentiate between first and second generation of immigrants and collect some suggestive results on the patterns of cultural and economic integration of immigrants in Europe.

[6] Huntington (1996)'s notion of clash of civilization has served as a focal point for those who believe multi-cultural societies are simply not feasible. In his book, Sen (2000) has opposed these views.

[7] For definitions of "ethnic identity" and overviews on this issue, see Akerlof and Kranton (2010).

There are very few studies analyzing this relationship. Our contribution to this literature is as follows. First, we analyze the relationship between ethnic identity and employment outcomes for immigrants moving to Europe from non-European countries, using information on 20 different European countries. Second, we are able to differentiate between first and second generation immigrants, which enables us to study their cultural and economic assimilation patterns. Finally, we look at policy issues analyzing how integration policies as well as labor-market policies and conditions affect the relationship between ethnic identity and labor-market outcomes.

The paper unfolds as follows. In Section 2, we give some figures of the employment situation of immigrants in Europe. Section 3 discusses the related literature and provides some theoretical mechanisms explaining the relationship between employment and ethnic identity. Section 4 describes the ESS data and details, in particular, how we identify the different generations of immigrants and how we measure ethnic identity. Section 5 empirically investigates the relationship between ethnic identity and employment outcomes of immigrants in Europe. In Section 6, we analyze the different integration and labor-market policies implemented in Europe and relate such policies to our research question. Finally, Section 7 contains some concluding remarks.

2. THE LABOR MARKET SITUATION OF IMMIGRANTS IN EUROPE

In 2006, persons born abroad represented a significant portion of the workforce and of the employed population in European countries. There were however some important variations among host countries, reflecting differences in terms of immigration in general (Table 1). In Finland, and in the countries of Central and Eastern Europe, immigrants account for less than 3% of total employment. In Switzerland, by contrast, this figure is as high as 26%, and it is nearly 44% in Luxembourg.

In most European countries, immigrants represented a larger share of employment in 2006 than in 2002. The increase was particularly notable in Spain (more than seven percentage points), and also in Ireland and Italy (3.5 to 4.5 percentage points), and to a lesser extent in Austria, the United Kingdom and Luxembourg (about 2.5 percentage points). The Netherlands is an exception here: it was the only European country to see the immigrant employment share decline between 2002 and 2006 (down by 1.5 percentage points). Thus, while about 11% of that country's jobs were held by foreign-born workers in 2002, this figure was only 10.3% in 2006.

[Insert Table 1 here]

In all European countries, immigrants find it hard to enter the labor market. The labor market in itself is decisive for how individuals who have immigrated are integrated in their new countries. Immigrants generally have a weaker position on the labor market than natives. This is clearly shown in Figure 1, which indicates the relative position of

immigrants on the labor market in European countries (and also in other OECD countries such as the United States and Canada).

In all countries, with the exception of the United States and Hungary, unemployment is larger among individuals who have immigrated than for the native population. There are large differences between countries, however. In the Nordic countries and in Austria, Belgium and Switzerland, immigrants are over-represented among the unemployed by a factor of at least two compared to their share in the labor force (in other words, their unemployment rate is at least twice that of the native-born). In France, in Germany and even in the United Kingdom, those born abroad also suffer a notably higher rate of unemployment. On the other hand, in recent immigration countries (especially Greece and Portugal), place of birth makes little difference to the unemployment rate.

[Insert Figure 1 here]

The motivating question of this article is why immigrants have such a hard time entering the European labor market. There are many explanations but we will mainly focus on how ethnic identity and integration as well as labor-market policies in Europe can affect this outcome. In the next section, we expose the theoretical mechanisms that can explain the negative relationship between identity and employment.

3. ETHNIC IDENTITY AND LABOR-MARKET OUTCOMES: THEORETICAL MECHANISMS AND RELATED LITERATURE

There are in fact few studies that have analyzed the connection between ethnic identity and labor market outcomes for individuals with a foreign background.

Even though the mechanisms are slightly different, there are some *theoretical models* that have analyzed the link between ethnic identity and education. Austen-Smith and Fryer (2005) propose a model where ethnic individuals are defined by two types: her *social type*, reflecting her compatibility to the group, and her *economic type*, reflecting her intrinsic ability or market potential. Austen-Smith and Fryer (2005) show that there is tension faced by ethnic minorities between signalling their type to the outside labor market and signalling their type to their peers: signals that induce high wages can be signals that induce peer rejection. Patacchini and Zenou (2006) develop a different model where ethnic students prefer to have friends of the same race (preference bias) but value white friends because their parents have higher human capital levels, inducing better grades. They show that having a higher percentage of same-race friends (measure of identity) has a positive effect of white teenagers' school performance while having a negative effect on blacks' school performance. Finally, Battu, McDonald and Zenou (2007) propose an explicit model where the relationship between ethnic identity and employment outcomes is analyzed. In this model, ethnic minorities are defined with respect to their social environment (family, friends, neighbors) and their attachments to their culture of origin (religion, language), and jobs are mainly found through social

networks. There are two types of firms: those which have a strong preference for hiring whites and those which are race neutral. Ethnic minorities must decide to totally or partially adopt the white culture or to reject it by anticipating the implications of this choice on their labor market outcomes, given that whites have a better social network. There are two countervailing forces. On the one hand, ethnic minorities would like to mainly interact with same-race friends and thus to reject the white's norm (preference bias). One the other, interacting with whites is beneficial because ethnic workers may then benefit from the high quality of whites' social networks since the latter do not suffer from discrimination. They find that ex ante identical ethnic workers can end up choosing "oppositional identities" (as defined above), i.e. some ethnic minorities reject while others conform to the white's norm. Their results depend on the value of the intensity of peer pressure, the wage premium of being employed, and the marginal impact of the identity choice on the ethnic-minority unemployment rate. This paper can help us understand why having a strong identity can be harmful to ethnic minorities: discrimination and a lack of good social network can induce minorities to reject the white's norm and not to search intensively for a job.

There are some *empirical papers* that have tested the relationship between ethnic identity and employment outcomes. Pendakur and Pendakur (2005), using data from Canada, examine the effects of ethnic identity on the use of informal networks to obtain jobs and on employment itself. They find that for European ethnic minorities the strength of minority identity is positively related to the use of informal methods (friends and family) for gaining employment but there is no effect for "visible" ethnic minorities (those of non-European and non-Aboriginal origin). For "visible minorities", ethnic identity is also associated with lower occupational prestige and this finding is not evident for white minorities. Mason (2004) focuses on the consequences of identification to the majority culture and skin color of Hispanic Americans for labour market outcomes. For Hispanic groups, adopting a non-Hispanic white racial identity is associated with higher annual income and hourly wages. However, this is not sufficient to overcome the negative penalties associated with a dark complexion or a non-European phenotype. Constant, Gataullina, and Zimmermann (2006), Zimmermann, Zimmermann, and Constant (2007) investigate the connection between the different degrees of identification to the majority and minority cultures (i.e. integration, assimilation, separation and marginalization; see Berry, 1997) and the probability of being employed in Germany. They find no systematic differences in employment between assimilated and integrated men, but they do find differences between assimilated and integrated women, at the advantage of the latter. At the same time, the results show that the probability of being employed, independent of sex, is significantly lower for those who are separated and marginalized as compared to those who are assimilated. This can be interpreted as a strong minority identity not having any negative effect on the chances of being employed, given that it is combined with a strong majority identity. Just like the identification with the German majority culture can increase the probability of being employed, being employed might increase the feeling of affinity with German culture. Results showing that those who identify with the majority culture are employed to a

larger extent might simply be due to these individuals having had a good labor market situation in a historical perspective. First, this might have increased the probability of identifying with the majority culture and second, it might have increased the probability of future employment. In the same country-context, i.e. Germany, Casey and Dustmann (2010) study the formation of identity with home and host countries and the association between both identities and labor market outcomes. The uniqueness of their dataset, which is a long panel that oversamples individuals with a foreign background and contains information for both parents and their children on ethnic group identity, also allows them to study the intergenerational transmission of identity from a generation to the next. Their findings denote a strong transmission of ethnic traits between parents and children, as well as signs of a relationship between ethnic identity and labor market outcomes, although the effect does not appear to be particularly pronounced. Nekby and Rödin (2010) study the relation between cultural identity and employment in Sweden. The results show that there are only small differences in employment between individuals with an integrated identity and those with an assimilated identity. Those who are integrated have a three percentage point lower chance of being employed as compared to those who are assimilated. But individuals with the separated identity have considerably lower chances of becoming employed and an eight percentage point lower probability of being employed than those who are assimilated. The differences in employment between different cultural identities are a male phenomenon. The results for men are similar to those that apply for the whole group while the results for women do not show any systematic differences between the different cultural identities as concerns employment. The differences among men are small between the integrated and the assimilated identity while the separated identity has considerably lower chances of employment (9.5 percentage points) as compared to the assimilated identity. Finally, for the UK, Battu and Zenou (2010) undertake a simple empirical investigation of the relationship between an oppositional identity and employment in the labor market in Britain. Their results indicate that the social environment of individuals has an influence on their identity choice and that those non-whites who have preferences that accord with being oppositional are likely to experience an employment penalty. They actually have a seven percentage point lower possibility of being employed as compared to those who are not oppositional. There is also a cost of being against mixed marriages; people who care about whether a close relative would like to marry a white person also have a lower probability of being employed.[8]

All studies imply that there is a strong identification with the majority culture that is important in order to succeed on the labor market and that the degree of identification with the cultural background seems to be less important.

So far, we have examined papers that only consider "subjective" measures of identity, not "objective" measures like intermarriage rates,[9] racial choice of friends, fertility rates,

[8] See also Battu, Seaman and Zenou (2011) who investigate the relationship between ethnic identity and the efficiency of social networks in finding a job.

[9] Inter-marriage is considered to be a measure of social assimilation and also a factor producing it (Pagnini and Morgan, 1990).

gender gaps, etc. There is a literature that looks at these issues (Meng and Gregory, 2005; Chiswick and Houseworth, 2008; Bisin et al., 2009b; Furtado and Theodoropoulos, 2009) and relates, in particular, these "objective" measures to employment, earnings. These papers also find that there is a penalty in terms of outcomes for ethnic minorities who have a strong identity as determined by these "objective" measures.

In this paper, we investigate the relationships between the identity of non-EU immigrants in Europe and their labor-market outcomes. The main difference with the previous studies is that we will use data on most of the 25 European countries (and not on only one country) and, as a result, be able to draw some general policy implications for Europe. The drawback is that the information on some variables is not as good as in the country-specific dataset used in the studies discussed above.

4. DATA

We use data from the European Social Survey (ESS), which is a European Union funded survey conducted in most European countries every two years, starting from 2002. The questionnaire comprises 'core' items (which are repeated in all rounds) aiming at monitoring change and continuity in a wide range of socio-economic, socio-political, socio-psychological and socio-demographic variables and 'rotating' items (which vary from round to round) aiming instead at deepening the understanding of some special topics. A supplementary questionnaire is also administered to all respondents, asking questions on human values.[10] In particular, the ESS contains information on the country of birth of both the respondent and the parents, which allows us to precisely identify the immigrants as well as to distinguish between first and second generation of immigrants. It does not, however, oversample the individuals with a foreign background. As a result, the limited sizes of the immigrant sample in the different European countries do not allow us to differentiate immigrants by ethnic groups. We reduce the heterogeneity within the immigrant population in Europe by focusing our analysis on immigrants coming from *non-European (non-EU) countries* only. We classify the respondents as immigrants if one or both parents are born in a non-EU country. We then define first generation immigrants if born in a non-EU country and second generation immigrants if born in the "host" country. We bundle the countries of origin by geographical area, following the classification provided in the first round of the ESS, where the information on the country of birth is limited to the continent of birth: "Asia", "Africa", "North America", "South America and Caribbeans", "Australasia".[11]

[10] The European Social Survey is academically led and, as a result, has used a methodologically rigorous multinational design that guarantees representativeness. A slightly modified formulation of the main questions is also administered to a sub-sample of respondents in order to determine measurement errors and the reliability of the items.

[11] "Australasia" includes Australia, New Zealand, and neighboring islands in the Pacific Ocean.

We use the *cumulative* ESS data, which pools the common information from the first to the third ESS round. It includes countries participating in at least two rounds, ending up with a total of 24 countries and roughly 125,000 individuals. Because we are ultimately interested in investigating the relationship between ethnic identity and employment prospects, we consider individuals between 16 and 64 years only. We also exclude countries for which the number of surveyed non-EU immigrants is particularly small (lower than 10 people). Our final sample consists of approximately 85,000 individuals covering the countries: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Luxembourg, Netherlands, Norway, Poland, Portugal, Spain, Sweden, Switzerland, UK, and Ukraine. Immigrants represent about 4 percent of our sample, of which roughly 64 percent belong to the first generation and 36 percent to the second generation. Immigrants mainly come from Africa (38%)-predominantly from Maghreb-, from Asia (37%) and South America and Caribbean states to a lesser extent (16%).

The ESS provides information on different dimensions of ethnic identity. In particular, it contains direct questions about the "attachment to religion", the "importance of following traditions and customs", and the "language most often spoken at home". It does not contain, however, information on the relationship between ethnic identity and the identity of the "majority" group where this person lives. For example, Bisin et al. (2008) as well as Battu and Zenou (2010) use the UK Fourth National Survey of Ethnic Minorities (FNSEM) collected in 1993/94 by the Policy Studies Institute (PSI), which deliberately over-samples ethnic groups and contains extensive information on various issues surrounding ethnic identity and preferences. For example, in this dataset, ethnic minorities had to choose between "Strongly agree", "Agree", "Disagree", "Strongly disagree", "Neither disagree or agree" to answer the following questions: "In many ways I think of myself as British" and "In many ways I think of myself as ….[Respondent's ethnic group]".

We measure here the strength of ethnic identity for each individual using a composite index, which is derived on the basis of the answers to the questions related to the *three dimensions of ethnic identity* mentioned above. The first variable "attachment to religion" is taken from the direct ESS question: "How religious would you say you are?", with a scale of 1 to 10, with 0 being "not religious at all" and 10 "very religious". For immigrants coming to Europe from non-EU countries, it seems reasonable to assume that the attachment to religion is a measure of identity, especially for groups like Muslims, Sikhs and Buddhists where religion is a way of keeping traditions from the home country (Bisin et al., 2008).[12] The second variable "importance of following

[12] In the case of the United States, it is a well-established that religion activities have an important impact on Blacks' sense of identity. Indeed, the Black church is the anchoring institution in the African American community (Lincoln and Mamiya, 1990; Myrdal, 1944). The church acts simultaneously as a school, a benevolent society, a political organization, a spiritual base, etc. Black churches are significantly more likely than White congregations to participate in civil rights activities. For example, using data from the 1979-1980 national Survey of Black Americans, Ellison (1993) shows that participation in church communities fosters positive self-perception of blackness through the interpersonal supportiveness and positive reflected appraisals of coreligionsists.

traditions and customs" is taken from the ESS section on human values that asks the following question: "How much like you is this person? Tradition is important to him. He tries to follow the customs handed down by his religion or his family." The possible answers are: "Very much like me", "Like me", "Somewhat like me", "A little like me", "Not like me", "Not like me at all", re-coded with a scale 6 to 1. Finally, our last indicator of ethnic identity "language most often spoken at home" is instead a dichotomous variable taking value 1 if the language most often spoken at home is different from the national language (and also different from English) and 0 otherwise.[13,14]

The composite index of ethnic identity is obtained using a standard factor analysis which suggests retaining only one combined variable as an appropriate summary of the three basic indicators. It explains roughly 50% of the total variance. The factor loadings show that it is almost equally driven by "attachment to religion" and "importance of following traditions and customs" whereas "language most often spoken at home" contributes to a lesser extent. It has a standard deviation equal to one, which eases the interpretation of the results.

5. ETHNIC IDENTITY AND EMPLOYMENT OUTCOMES

Table 2 displays the immigrant to native gap in terms of identity, education and employment prospects, distinguishing between first and second generation of immigrants and regions of origin. We include as controls, when relevant, the level of education, gender, age, a quadratic function of age, years since arrival in the (host) country and (host) country dummies.[15] Table 2 reveals that first-generation immigrants have a higher level of identity than native Europeans, regardless of the region of origin. They also tend to be less educated than Europeans and, controlling for education, they have a lower probability of finding a job than native Europeans. There is, in particular, a statistically significant (negative) gap for those coming from Africa and Asia. Not surprisingly, immigrants from North America have a higher education level than that of native Europeans. This does not, however, translate into a higher employment probability since there is a negative (and statistically significant) gap with respect to Europeans, which is similar to that of Africans and Asians. Turning to the second-generation immigrants, only for immigrants coming from Africa and Asia we still find a stronger (and statistical

[13] There is a literature that emphasizes the importance of English language fluency (Chiswick, 1978; McManus, Gould, and Welch, 1983; Borjas, 1994; Dustmann and Fabbri, 2003) and religion and culture (Iannaccone, 1998; Lazear, 1999; Brown, 2000) for the degree of assimilation and labor market outcomes of immigrants.

[14] In the ESS, there are other interesting questions related to ethnic identity, such as those asking opinions on, for example, if it is good for a country if almost everyone shares the same customs and traditions or if immigrants should be allowed to educate their children in their own separate schools if they wish. Unfortunately, these questions are only available in the first wave (special module on immigration), whereas we need to pool all 3 waves to get a large enough size of the immigrant sample.

[15] Employment prospects are measured using a dummy variable equals to 1 if the individual is in paid work (including self-employment) and 0 otherwise. Unfortunately the ESS does not provide information on wages (only a proxy for total household income is available and it contains too many missing values). Moreover, we cannot perform our analysis by type of contract because of too small sample sizes for immigrants in paid work.

significant) sense of ethnic identity as compared to Europeans. Interestingly, this is not anymore true for second-generation immigrants whose parents came from North-America, South America and the Caribbean, and Australasia. Moreover, the education level of the second-generation immigrants tends to be higher than that of native European, with a statistically significant (positive) difference for those coming from Africa and Australasia. This educational advantage does not seem to be translated into a higher employment probability. In particular, the second-generation immigrants coming from Africa, which are one of the two groups with a significantly higher education level with respect to natives, show a significant penalty in terms of employment prospects. This could be an indication of discrimination. As noted above, these second-generation immigrants from Africa are one of the two groups that maintain a stronger sense of ethnic identity than native Europeans. This could also be an indication that there is a penalty in terms of employment of having a strong identity.

[Insert Table 2 here]

Let us now examine in detail this last idea: is there a penalty in terms of labor-market outcomes for a non-EU immigrant with a strong ethnic identity in Europe? We will investigate this relationship for both first and second-generation immigrants, controlling for the region of origin, country of destination and individual characteristics.[16]

Table 3 (panel (i)) contains the estimation results of a regression analysis where the probability of being employed is regressed on the strength of ethnic identity (as measured by our composite index), immigrant status (being first or second generation), and their interaction terms. The dependent variable is a dummy equal to 1 if the individual is in paid work and 0 otherwise. We control for age, gender, education, and years since arrival in the country. We also include region-of-origin dummies and host country dummies. The use of host country dummies is essential in this context because of the large differences between European countries in terms of institutions, especially in the labor market.

We investigate whether and to what extent there is a negative relationship between identity and labor market outcomes when the strength of identity is measured *relative to the native population*, i.e. using the whole sample (specification (1)), and when considering the absolute level of ethnic identity, i.e. restricting attention of the sample of immigrants only (specification (2)), so that the strength of identity is measured in absolute terms while, for the second-generation immigrants, it is measured *relative to their parents.*

[Insert Table 3 here]

[16] Unfortunately, this further analysis cannot be performed separately by country of origin, destination and immigrant generation because of too small immigrant sample sizes.

In line with expectations, we find that the probability of being employed first increases and then decreases with age, is lower for females than for males, and is higher for more educated workers. We also find that, within the immigrant sample, the longer the time spent in the host country, the higher is the probability of finding a job. Focusing now on the identity issues, the results in column (1) (identity measured with respect to the native population) indicate that, in Europe, a one standard deviation increase in the composite indicator of ethnic identity (encompassing attachment to religion, attachment to traditions and language spoken at home) is, on average, associated with an employment penalty of about 0.7 percent, which is common to both natives and immigrants. Being a first generation immigrant, instead, leads to a penalty of about 17 percent while second-generation immigrants have a probability of being employed that is not statistically different from that of natives. These results seem to indicate an economic integration process of immigrants in Europe.

If we now look at our interaction terms, one can see that being an immigrant and having a strong ethnic identity is associated with a further decrease in the probability of being employed, which is statistically significant only for second-generation immigrants.

When the sense of ethnic identity is instead evaluated in absolute terms (column (2)), we find that the employment penalty increases by more than five times. However, while second-generation immigrants have a higher probability of finding a job as compared to their parents, there is no longer an additional penalty for second-generation immigrants with strong ethnic identities. Taking these results as a whole, the picture seems to be that second-generation immigrants have a higher probability of being employed as compared to their parents. Compared to natives, there does not seem to be any difference in terms of employment. However, when they have a strong identity, their chance of being employed becomes lower than that of natives.

Our analysis so far has revealed whether and to what extent there is a penalty in terms of labor-market outcomes for an immigrant with a strong ethnic identity in Europe, for any given level of education. To understand better these results, let us now investigate the relationship between education and ethnic identity and see if the negative relationship between employment and identity can be mainly explained by lower level of education. We report in Table 3 (panel (ii)) the results of a similar regression analysis where the dependent variable is now “years of education”.

When the performance of the immigrants is compared to that of natives (column (1)), we find that having a strong sense of identity is associated to a lower education level. However, contrary to panel (i), it is now the first generation of immigrants with stronger ethnic identity that seems to be more penalized in terms of education. Indeed, when focusing on immigrants only (column (2)), we find that the penalty is mitigated for second generation immigrants with a strong ethnic attachment. Therefore, it seems that second-generation immigrants with strong identity encounter difficulties only in the labor market and not in terms of education.

Let us now provide some further insights about the components of the composite indicator that are driving the results and get a better sense of the magnitude of these effects. For that, we now break down our composite indicator of ethnic identity by

considering separately “importance of religion”, “importance of following traditions and customs”, “language spoken at home”. Remember that “attachment to religion” is coded on a scale 1 to 10, “importance of following traditions and customs” on a scale 1 to 6 while “language most often spoken at home” is instead a dichotomous variable taking value 1 if the language most often spoken at home is different from the national language (and also different from English) and 0 otherwise. We construct a dichotomous variable (*importance of religion*) taking value 1 if the reported value in “attachment to religion” is (strictly) greater than 5 and 0 otherwise and a dichotomous variable (*attachment to traditions*) taking value 1 if the reported value in “importance of following traditions and customs” is (strictly) greater than 3 and 0 otherwise.

We then repeat the previous regression analysis of Table 3 for our sample of immigrants only by including each of the different indicators of ethnic identity as separate regressors. Table 4 contains the results for employment (column (i)) and education (column (ii)) outcomes. The results in column (i) reveal that a strong attachment to religion and not speaking the host-country language at home are the two dimensions of ethnic identity that lower the probability of finding a job whereas a strong attachment to traditions and customs does not seem to play a significant role. In terms of magnitude of the effects, being strongly attached to religion has a comparable effect to the one associated with speaking a foreign language at home (6.5 versus 7 percent less chance of finding a job). The results for second-generation immigrants confirm the findings of Table 3 (panel (i), column (2)). Indeed, while second-generation immigrants have a higher probability of finding a job as compared to their parents, there is no longer an additional penalty for second-generation immigrants with strong ethnic identities, regardless of the indicator used to measure ethnic identity.

Interestingly, when turning the attention to education outcomes (column (ii)), we find that the relationship between education and ethnic identity comes from a different source. Contrarily to column (i), it is now a strong attachment to traditions and customs as well as language spoken at home that seem to play an important role. In terms of magnitude of the effects, immigrants strongly attached to traditions have roughly one year of education less than immigrants who are not attached to traditions. Again, the penalty of speaking a foreign language at home is similar (slightly more than a year). However, in this case, the results for the interaction terms with the second-generation dummy show a signal of attenuation of the effect in terms of language for second-generation immigrants. This evidence thus suggests that our previous result in Table 3 (panel (ii), column (2)) about a mitigation of the penalty for second generation immigrants with a strong ethnic attachment is probably driven by the language dimension of our indicator of ethnic identity.

[Insert Table 4 here]

Taking the results of our analysis as a whole, we find that the negative relationship between employment and ethnic identity does not seem to be simply explained by the relationship between education and identity. Factors specific to the labor market, and

different than those driving the association between ethnic identity and education, seem also to be at work.

In light of Section 2 above, it could be the case that non-EU immigrants with a strong ethnic identity pay a penalty in the labor market because they are either discriminated against and/or because they have few contacts with the majority group, yielding a poor-quality social network, and/or because they are rejecting the majority's norms in the host country. These different theories are linked to each other because, for example, someone who has been discriminated against can react very negatively by rejecting the majority's culture, which isolates him/her from individuals from the majority. We cannot test which theory prevails but it seems reasonable to assume that all play some role. In Section 6 below, when we will consider the different types of integration and labor-market policies in Europe, we will be able to give some (imperfect) answers on this issue since a favorable labor-market access policy is an indication that discrimination is less severe in the country in question.

One obvious problem with what we have done so far is that the strength of an individual's identity may in fact be endogenous because of omitted variables and/or simultaneously determined with employment outcomes. Indeed, a lack of success in the *host country* labor market may induce or encourage some to adopt identities that are out of kilter with majority values. Dealing with this issue, especially in this context, is difficult. One standard approach is to undertake a two-stage instrumental variable estimation, where in the first stage the intensity of ethnic identity is estimated with appropriate instruments.

Focusing on the non-EU immigrants in our sample, we instrument the immigrant sense of ethnic identity with the strength of ethnic identity in the country of origin.[17] This variable should be directly correlated with own ethnic identity (if, for example, a Muslim immigrant comes from a very religious country, then he/she is more likely to have a strong attachment to his/her religion than someone coming from a more secular country) but not with own employment probability in the host country. In particular, it should eliminate the portion of variance in the individual strength of ethnic identity that is possibly due to a reverse causality mechanism, i.e. the lower the probability of finding a job in the host country, the stronger is one's ethnic identity. The two-stage least squares estimation results are contained in Table 5. The analysis shows a strong first stage *F*-test and a still significant and negative impact of the intensity of ethnic identity on employment probability at the second stage, suggesting that the causality points towards the assumed direction. Indeed, our strategy rules out the possibility that the strength of ethnic identity is simply an optimal response to the host country environment.

[Insert Table 5 here]

[17] We take the average of our measure of ethnic identity by region of origin.

6. INTEGRATION AND LABOR-MARKT POLICIES, ETHNIC IDENTITY, AND EMPLOYMENT OUTCOMES

Our results so far seem to point towards a negative relationship between ethnic identity and labor-market outcomes for non-EU immigrants in Europe. As stated above, by rejecting the majority culture in the country where they live, immigrants might find it difficult to enter the labor market. We would like now to study whether this relationship between ethnic identity and labor-market outcomes is affected by the integration policies and labor market policies implemented in the host country where the immigrant resides. In other words, is there a lower employment penalty of having a strong identity in countries that have more favorable integration and/or general labor market policies and conditions?

6.1. Integration policies

The European Social Survey (ESS) is a survey on individuals and therefore contains no information on integration policies of the 20 European countries studied. We use the Migrant Integration Policy Index (MIPEX),[18] which measures policies integrating migrants in 25 EU Member States and 3 non-EU countries. It considers over 140 policy indicators to create a rich, multi-dimensional picture of migrants' opportunities to participate in European societies. MIPEX covers *six policy areas* that shape a migrant's journey to full citizenship: "labor market access", "family reunion", "long-term residence", "political participation", "access to nationality", "anti-discrimination". Since policies are measured against the same standards across all member states, MIPEX is a "benchmark" tool to compare performance. This index varies between 100 (when migrants and nationals have exactly the rights in the corresponding policy area) to 0 (when migrants have no rights at all).

"Labor market access" measures if a migrant worker or entrepreneur is *eligible* for the same opportunities as EU nationals to work in most sectors. In particular, it takes into account if this migrant worker can count on help from *labor market integration measures* to adjust to the language and professional demands of the labor market (for example, if the state helps him/her to get his/her full set of skills and talents recognized, to access training, and to develop language skills that are critical for the job market). It also measures how *secure* a migrant worker is in his/her employment, if he/she can renew most types of work permits and remain living in the country and look for work, if

[18] MIPEX is produced by a consortium of 25 organisations. Amongst them are universities, research institutes, think-tanks, foundations, NGOs and equality bodies. The MIPEX Group is committed to improving the quality of debate on migrant integration policy in Europe. The first edition of MIPEX was published in 2004, and this is the one we use. MIPEX is produced biannually to track the progress of integration policies in Europe over time. MIPEX is led by the British Council and Migration Policy Group (MPG). MIPEX is freely accessible and can be found at: http://www.integrationindex.eu/.

he/she loses her job. Looking at Table 6, one can see that Sweden performs best (with an index of 100) while, for example, Poland (25) and Denmark (40) perform poorly. More generally, labor market access in the EU is, on average, only halfway to best practice. Migrants are partially eligible and can take up labor market integration measures that go only halfway to best practice.

[Insert Table 6 here]

"Family reunion" measures the country policy in terms of bringing families together. In particular, it measures how long it takes for a migrant to be *eligible* to sponsor his/her spouse, registered partner, minor or adult children and her dependent relatives, e.g. his/her grandmother. It also measures the administrative procedures and how easy is to bring families together. In particular, is it a fair, transparent, free and short process? Can a family member renew his/her permit and stay as long as her sponsor does? One can see that Sweden (92) and Portugal (84) have high index values while Austria (34) and Denmark (36) perform poorly.

"Long-term residence" measures how many years as a legal resident it takes for a migrant to be *eligible* to become a long-term resident and full 'civic citizen'. Again, it also measures if the process is transparent, free and short and if his/her application is refused or his/her permit withdrawn only if his/she is found guilty of either fraud in trying to acquire it or of a serious crime. It also measures if the migrant has the same access to education and vocational training as nationals, and if he/she becomes ill, injured, pregnant or homeless, he/she can rely on social security, social assistance, healthcare, and housing support. The countries with the most favorable policies are the Nordics (including Denmark), the Western Mediterranean, and the UK. Ireland (39), France and Luxembourg (48) have the lowest scores.

"Political participation" measures if a migrant has opportunities to participate in public life which conform to Europe's highest democratic principles. In particular, it measures if the state guarantees his/her *political liberties* to form an association, even a political one, to join political parties, and thus participate in civil society. It also determines if as a legal resident, the migrant can *vote* and stand for local elections, just like EU-nationals. Policies in North and Western Europe are on average slightly favorable, while those in Greece and Eastern Europe are unfavorable (Poland (14) obtains the lowest scores).

"Access to nationality" measures how many years it takes for a migrant with legal residence to be *eligible* for nationality. It also measures if any of his/her descendents born in the country are dual nationals at birth. It also determines if being tied to the country by residence or by family are the sole criteria for becoming a national. It also measures if the migrant is allowed to choose whether or not to keep his/her original citizenship. From Table 6, one can see that eligibility for nationality has the lowest maximum and the lowest minimum score with respect to all the other dimensions. Most countries do not facilitate naturalization for first-generation migrants. European-born children most often face unfavorable additional requirements for becoming citizens in

their country of birth. Most oaths and ceremonies do not involve requirements that can exclude migrants from participating or receiving their citizenship. Partially insecure under the law, many naturalizing migrants can have their application refused or nationality withdrawn on many grounds, without any time limits. Only a few countries fully allow migrants to hold dual nationality.

"Anti-discrimination" measures the anti-discrimination law in each country that helps guarantee equal opportunities in economic, social and public life for all members of society, including a migrant and her descendants. It also measures if the law punishes a wide range of actors who discriminate against a migrant in many ways because of his/her ethnic origin, race, religion or nationality, among other grounds. It also determines if the state helps the migrant to seek justice through strong *enforcement mechanisms*. Sweden (94) and Portugal (87) have high scores and this reflects the fact that the legal definitions of discrimination and the mechanisms to enforce them are slightly favorable across the European countries. A wide range of actors are punished for discriminating against migrants based on their race or ethnic origin.

6.2. Labor-market policies

One of the problems with the integration policies described above is that there are endogenous in the sense that the lower is the employment rate of immigrants in a given country the more likely this country will target specific integration measures to increase this employment rates. In other words, there is an obvious endogeneity problem here since the policy formulation in different European countries is determined in large part by the characteristics and number of their immigrants. In order to avoid this problem, we also consider general labor-market policies that are not specific to immigrants but still affect their employment outcomes. We consider three main policies in Europe: "minimum wage", "strictness of employment protection legislation" and "trade union density".

Using data from OECD, we first collect for each European country the "minimum wage relative to the median wage of full-time workers", that is, the ratio of minimum wages to median earnings of full-time employees - excluding overtime and bonus payments.[19] Indeed, for cross-country comparisons, data on minimum wage levels are further supplemented with data on average or median wages. Median rather than mean earnings provide a better basis for international comparisons as they account for differences in earnings dispersion across countries. Looking at Table 6, one can see that a country like France has a very high minimum wage relative to median wages while other countries like Luxembourg and Spain have a much lower ratio. Other countries,

[19] A national minimum wage is the minimum rate which by collective agreement must be paid in all circumstances for certain work or to employees of a certain category.

like for example the Scandinavian countries, have no legislation on a national minimum wage. For these countries the value of the indicator is set to 0.[20] Countries with high minimum wages should be less favorable to immigrants since the latter tend to be less educated and thus paid at the minimum wage. Indeed, higher minimum wages implies higher labor costs for employers and thus lower chance of being hired.

We then use the OECD employment protection indicators, which are compiled from 21 items covering three different aspects of employment protection: (1) "Individual dismissal of workers with regular contracts: this index incorporates three aspects of dismissal protection: (i) procedural inconveniences that employers face when starting the dismissal process, such as notification and consultation requirements; (ii) notice periods and severance pay, which typically vary by tenure of the employee; and (iii) difficulty of dismissal, as determined by the circumstances in which it is possible to dismiss workers, as well as the repercussions for the employer if a dismissal is found to be unfair (such as compensation and reinstatement); (2) "Additional costs for collective dismissals": most countries impose additional delays, costs or notification procedures when an employer dismisses a large number of workers at one time. This measure includes only additional costs which go beyond those applicable for individual dismissal. It does not reflect the overall strictness of regulation of collective dismissals, which is the sum of costs for individual dismissals and any additional cost of collective dismissals; (3) "Regulation of temporary contracts": this index quantifies regulation of fixed-term and temporary work agency contracts with respect to the types of work for which these contracts are allowed and their duration. This measure also includes regulation governing the establishment and operation of temporary work agencies and requirements for agency workers to receive the same pay and/or conditions as equivalent workers in the user firm, which can increase the cost of using temporary agency workers relative to hiring workers on permanent contracts. It is important to note that employment protection refers here to only one dimension of the complex set of factors that influence labor market flexibility. These indices are synthetic indicators of the strictness of regulation on dismissals and the use of temporary contracts.[21]

All these indices range between 0 (least restrictions) and 6 (most restrictions). Looking again at Table 6, different countries have different employment protection legislations. For example, when considering the policy "individual dismissal of workers with regular contracts", one can see that countries like Portugal and to a lesser extent the Netherlands have stricter legislations while countries like the UK and Ireland have very weak ones. If we now look at the legislation on the "regulation of temporary contracts", which is another important aspect of labor-market flexibility, again the UK and Ireland have very

[20]Observe that wage floors can exists even in absence of statutory minimum wages. For example, in Sweden, there exist personal contracts which are concluded between individual employees and employers specifying such minimum rate. An employer who pays rates below the minima incurs liability for breach of the collective agreement concerned. However, these agreements largely vary between economic sectors and depend on employer characteristics. "Negotiated" wage floors are thus not considered here.

[21] For full details on the methodology and weights used to compile the indicators, go to: http://www.oecd.org/dataoecd/24/40/42740190.pdf.

weak legislations. This should not come as a surprise because these Anglo-Saxon countries are well-known to have very flexible labor markets. On the other hand, countries like Belgium and to a lesser extent Italy and France have much more regulated labor markets. More flexible labor markets (like in the UK or Ireland) should be, in principle, more favorable to immigrants because it gives them more chance to obtain a job.

Finally, we consider "trade union density", which corresponds to the ratio of wage and salary earners that are trade union members, divided by the total number of wage and salary earners (see Visser et al., 2010*).* Not surprisingly, Scandinavian countries have very high rates of trade union density (for example, 77.3 percent in Sweden) while countries like France, Spain and Germany have much lower rates (8 percent for France, 15.5 for Spain and 22.2 for Germany), even though trade unions are very powerful. It is well documented that trade union mainly defend the interest of their workers and thus immigrants, who are often "outsiders", tend to be disadvantaged compared to the natives, the "insiders" (Lindbeck and Snower, 1988).

Because of prejudices and discrimination, the main problem for immigrants is very likely to find a *first* job (whether they are new immigrants or second-generation immigrants) since once employed they can show their ability and thus, in principle, prejudices and discrimination should be lower. As a result, more flexible labor markets with lower minimum wages and lower trade-union density should be more favorable to immigrants because they allow them to find a first job more easily. In countries where the labor market is very rigid and trade union density very high, it is very difficult for immigrants to obtain a first job. Sweden, which has a very high trade-union density and a relatively rigid labor market, is a good example of such a case since immigrants have one of the lowest employment rates in Europe (See, e.g. Åslund, Östh, and Zenou, 2010).

6.3. Analysis

We will now use the MIPEX scores, our indicators of minimum wage, strictness of employment protection legislations and trade union density to understand how *each* of these different policies affects the probability of being employed and how their interaction with ethnic identity impacts on employment outcomes of immigrants. Specifically, focusing on the sample of immigrants only, we will assign to each individual the score of the country in which he/she resides in terms of the different policies. [22] Our regression analysis results are contained in Tables 7 and 8.

[22] Both the MIPEX index and our selected indicators of labor-market policies and conditions are not available for Ukraine. This country has thus been eliminated in our analysis on policy issues.

If we first look at the direct impact of integration policies on employment outcomes of immigrants, Table 7 shows that only "family reunion" policies seem to have a positive and significant impact on employment outcomes. However, when we interact these policy variables with the strength of ethnic identity, then we see that "labor-market access" policies seem to be beneficial in decreasing the penalty for those with a strong ethnic identity. This may confirm some theoretical mechanisms presented in Section 3. Indeed, if immigrants with a stronger ethnic identity are more likely to be discriminated against, then, in countries where the labor-market legislation protects immigrants against some type of discrimination, the employment prospects will be better for these immigrants. On the contrary, for the "family reunion" policy, which had a positive and significant impact on employment outcomes, the cross effect is negative. This could indicate that a richer network of social contacts in the host country (relatives and friends) might be helpful in finding a job (for example because it increases the information about job opportunities), but that such externalities are hampered when strong ethnic feelings are preserved.

[Insert Table 7 here]

A more surprising result is the negative impact of "political participation" policies on immigrants' employment prospects. This variable is certainly more "noisy" than other policy variables but it could be the case that allowing immigrants to participate to local elections triggers negative reactions from natives, which leads to more discrimination in the labor market. Interestingly, if we look at the cross effects, "political participation" is the only variable associated with a significant and positive one. This seems to suggest that this type of integration policies might positively affect the relationship between ethnic identity and employment probability, only for those immigrants who have an extreme identity.

Let us now focus on labor-market policies, which are, in principle, "exogenous" to immigration patterns. The results are shown in Table 8 and confirm the intuition we had before. Indeed, more flexible labor markets are, in general, favorable to immigrants. One can see from Table 8 that most labor-market policy variables are associated with a negative estimated effect, although statistically significant only for "trade-union density". In other words, more flexible labor markets that have a low trade-union density like the UK or Ireland are more favorable to immigrants in terms of employment. This is confirmed by Figure 1 where UK and Ireland have relatively high ratios of employment for the immigrants while Scandinavian countries have much lower ones. Interestingly, when we interact these labor-market policies with ethnic identity, all signs become positive, meaning that more regulated labor markets tend to alleviate the employment penalty of having a strong identity. In particular, the effect is statistical significant for minimum wage and employment protection regarding individual dismissal of workers with regular contracts. This could be an indication that tough employment legislations reduce labor-market discrimination so that immigrants, even with stronger identity, are protected in terms of employment. So the general picture here is that more flexible labor

markets (like the UK and Ireland) could help immigrants to access the labor market but do not protect those who have a strong ethnic identity.

[Insert Table 8 here]

7. CONCLUDING REMARKS

The Lisbon Strategy (named after the European meeting in Lisbon in the spring of 2000) states that by the year 2010, the EU shall become the most competitive and dynamic knowledge-based economy in the world, with the possibility of sustainable economic growth, with more and better work opportunities and a higher degree of social solidarity. It is crucial for the chances of EU reaching this goal that more people become employed. The problem is that many people are still outside the labor market, in particular those who have a foreign background. The integration of these individuals is thus crucial for reaching the Lisbon goals and European integration policy must play a more important role in Europe. The integration of citizens of third countries who live and work in the EU has therefore become an increasingly important issue in the last few years. During the council meetings (legal and domestic questions) in 2002, it was decided that a network of national contact points within the area of integration should be created and this was confirmed during the council meeting in June 2003 and the commission was appointed the task of creating yearly reports on migration and integration. In its message on immigration, integration and employment, the commission is trying to get an overall grip of the issue of integration. The first issue of the handbook on issues of integration for decision-makers and those who work with integration issues in practice was published in November 2004 (*Handbook on Integration for policy-makers and practitioners).* Integration is a major issue within several of the EU policy areas. If there is a successful integration of immigrants on the labor market in an efficient and responsible way, this would be an important contribution to the Lisbon goal.

There is thus a *common agenda (or EU directive*) *for integration policy* – a framework for the integration of citizens of third countries in the European Union – but there is *no common integration policy* in Europe (Zenou, 2009). There is, however, a great willingness to carry out a common *migration policy* in Europe. Indeed, on October 16, 2008, all presidents and prime ministers from the EU have signed the European pact for immigration and asylum which contains commitments within the following areas: legal immigration, illegal immigration and returning people, border control, asylum and partnership with third countries and the promotion of synergies between migration and development.

In the present paper, we focus on an important aspect of the migration and integration policy in Europe: the labor-market outcomes of first and second generation immigrants. In particular, we analyze the relationship between ethnic identity and employment

outcomes of non-EU immigrants in Europe. As mentioned in the Introduction, the riots in France in November 2005 combined with the riots in England (in Oldham, Leeds, Burnley and Bradford) in the summer of 2001 had in common that most of the rioters belonged to ethnic minority groups: children of immigrants from Arab and African countries in France, young British Asian men in England. The common explanation put forward was the high unemployment rates experienced by these groups and their lack of cultural integration in their host country. It is therefore important to study if indeed there is a relationship between integration (where ethnic identity could measure some aspects of it) and labor-market outcomes of immigrants in Europe.

Our results suggest that there is in fact a penalty to be paid in terms of employment for immigrants with a strong identity in Europe. To be more precise, a one standard deviation increase in our composite indicator of ethnic identity (encompassing attachment to religion, attachment to traditions and language spoken at home) is, on average, associated with an employment penalty of about 3.7 percent. Being a first generation immigrant leads to a penalty of about 17 percent while second-generation immigrants have a probability of being employed that is not statistically different from that of natives. These results seem to indicate an economic integration process of immigrants in Europe since second-generation immigrants have a higher probability of being employed than their parents and, compared to natives, there does not seem to be any difference in terms of employment. However, when they have a strong identity, second-generation immigrants have a lower chance of finding a job than natives.

If we look more carefully at what drives these results in terms of ethnic identity, we find that speaking a language at home different than that of the majority is harmful in terms of employment. Moreover, a strong attachment to religion has also a negative impact on employment while a strong attachment to traditions and customs does not seem to play a significant role. This is not that surprising given the presence of a rather important Muslim population in Western European countries as a consequence of voluntary immigration of workers coming from the Middle East, North Africa or South Asia.

Our analysis also reveals that integration and labor-market policies aiming at improving the employment prospects of non-European immigrants can be successful but their results vary depending on the strength of identity of the immigrants. We find that more flexible labor markets tend to be, in general, more favorable to immigrants. In particular, more flexible labor markets that have a low trade-union density like the UK or Ireland are more favorable to immigrants in terms of employment than, for example, Scandinavian countries that have more rigid labor markets. However, this is no longer the case if immigrants have a strong ethnic identity.

In this respect, our analysis provides valuable insights into the political debate on immigration in Europe. Although we are fully aware that these issues are complex and other aspects are at work, our results suggest that a largely under-investigated issue, i.e. the relationship between ethnic identity and immigrants' employment prospects, might be an important factor to be considered for policy design in Europe.

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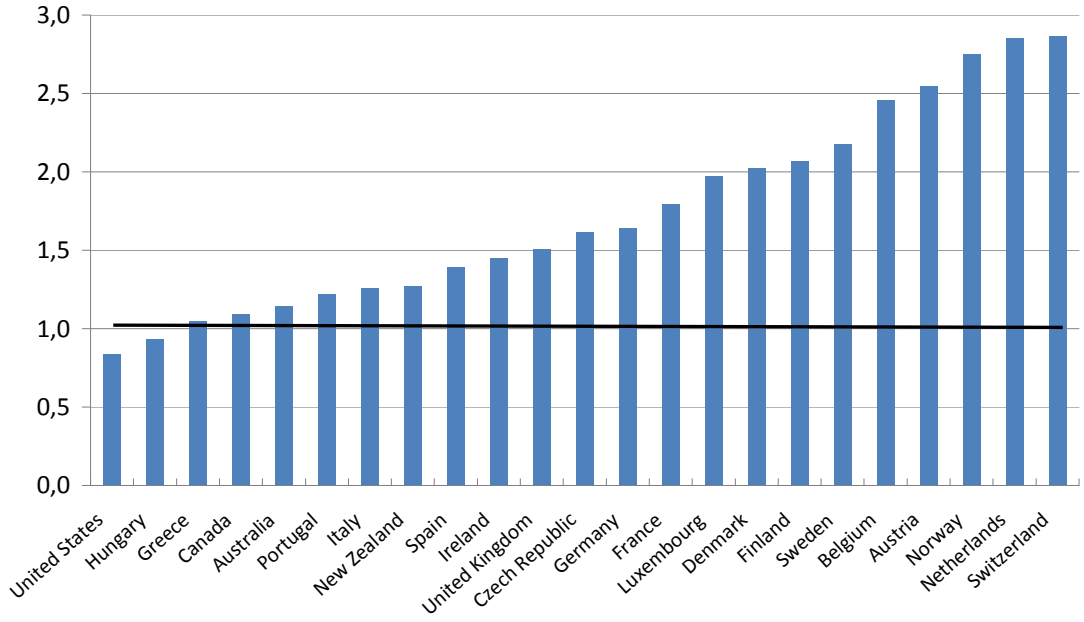
Figure 1: Unemployment rate of immigrants relative to the native-born, 2006



Sources: European countries: European Union Labour Force Survey (data provided by Eurostat); Australia: Labour Force Survey; Canada: Census of population, 2006; United States: Current Population Survey, March supplement.

Table 1: Share of the foreign-born in total population, labor force and employment (15 - 64 years old)

	Share in the total population		Share in the total labor force		Share in employment	
	2002	2006	2002	2006	2002	2006
Australia	26.6	27.6	24.7	25.7	24.7	25.6
Austria	13.2	17.0	13.3	16.2	12.7	15.4
Belgium	12.4	13.5	11.3	12.3	10.1	11.1
Canada	18.4	19.8	19.9	21.2	19.8	-
Czech Republic	2.0	2.0	1.9	1.9	1.8	1.8
Denmark	6.7	7.1	5.7	6.0	5.5	5.8
Finland	2.5	3.3	2.4	3.1	2.2	2.8
France	12.4	12.5	11.7	12.0	11.0	11.2
Germany	8.9	8.8	8.6	8.7	8.3	8.5
Greece	6.4	7.6	7.4	8.3	7.2	8.3
Hungary	1.3	1.7	1.3	1.7	1.4	1.8
Ireland	9.3	13.1	9.5	13.9	9.4	13.7
Italy	4.1	7.6	5.1	8.6	5.0	8.5
Luxembourg	37.7	40.4	41.4	44.6	41.1	43.8
Netherlands	13.1	12.8	11.3	11.0	11.0	10.3
Norway	7.0	8.5	6.5	7.8	6.2	7.4
Portugal	5.8	7.4	6.3	7.9	6.2	7.8
Slovakia	-	0.7	-	0.7	-	0.7
Spain	6.8	13.6	7.8	15.1	7.6	14.6
Sweden	14.0	14.9	12.4	13.5	11.7	12.5
Switzerland	-	26.1	-	25.4	-	24.4
UK	9.7	11.8	8.8	11.2	8.6	11.0
USA	14.8	15.6	14.7	15.7	14.6	15.8

Sources: European countries: European Union Labour Force Survey (data provided by Eurostat) and census of population 2001, for Italy; Australia: Labour Force Survey; Canada: 2001 and 2006 population censuses; United States: Current Population Survey, March supplement.

Table 2: Immigrant to native identity, employment and education gap by region of origin and generation

Whole sample

	(1) Identity		(2) Education		(3) Employment	
	1st Gen.	2nd Gen	1st Gen.	2nd Gen	1st Gen.	2nd Gen
Africa	1.7438***	0.2829***	-1.1801**	0.3994*	-0.2666***	-0.0713**
	(0.1088)	(0.0703)	(0.5215)	(0.2198)	(0.0534)	(0.0315)
Asia	1.6034***	0.3145***	-0.8461*	0.3392	-0.2627***	-0.0002
	(0.1113)	(0.0815)	(0.5042)	(0.2422)	(0.0534)	(0.0382)
North America	0.9158***	-0.0156	2.6080***	0.7378	-0.2380***	-0.0297
	(0.1897)	(0.1328)	(0.7774)	(0.4888)	(0.0753)	(0.0650)
South America & Caribbean	1.0625***	0.0534	-0.8259*	0.2739	-0.0682	-0.0186
	(0.1075)	(0.1002)	(0.4763)	(0.3613)	(0.0561)	(0.0521)
Australasia	0.7540***	-0.0446	-0.6349	1.3305*	-0.0430	-0.0276
	(0.2122)	(0.1948)	(0.9387)	(0.7901)	(0.1378)	(0.1615)
Age	0.0078***		0.2648***		0.0980***	
	(0.0022)		(0.0073)		(0.0012)	
Age2	0.0001***		-0.0038***		-0.0012***	
	(0.0000)		(0.0001)		(0.0000)	
Education	-0.0136***		-		0.0197***	
	(0.0014)				(0.0008)	
Female	0.2235***		-0.2384***		-0.2084***	
	(0.0092)		(0.0354)		(0.0050)	
Years since arrival	-0.2018***		0.1651		0.0347***	
	(0.0267)		(0.1206)		(0.0129)	
Host country dummies	yes		yes		yes	
Observations	77,556		84,361		84,004	
Pseudo-Rsquared	0.216		0.925		0.179	

Notes: (1) Dep. Var.: Strength of ethnic identity; OLS estimates and robust standard errors (in parentheses) are reported (2) Dep. Var.: Probability to be in paid work; Probit marginal effects and robust standard errors (in parentheses) are reported (3) Dep. Var.: Years of full-time education completed; OLS estimates and robust standard errors (in parentheses) are reported. *** p<0.01, ** p<0.05, * p<0.1

Table 3: Ethnic Identity, Employment and Education

	(i) Employment		(ii) Education	
	(1) Whole sample	(2) Only Immigrants	(1) Whole sample	(2) Only Immigrants
Ethnic identity	-0.0068**	-0.0372**	-0.1845***	-0.6972***
	(0.0030)	(0.0159)	(0.0206)	(0.1391)
First generation	-0.1722**	-	0.4275	-
	(0.0734)		(0.7512)	
Second generation	-0.0630	0.1540**	0.7792	-0.4794
	(0.0522)	(0.0624)	(0.6129)	(0.5384)
First generation* Ethnic identity	-0.0163	-	-0.4751***	-
	(0.0157)		(0.1385)	
Second generation* Ethnic identity	-0.0344*	-0.0201	-0.1352	0.3333*
	(0.0191)	(0.0247)	(0.1234)	(0.1833)
Age	0.0972***	0.1008***	0.2716***	0.2655***
	(0.0012)	(0.0063)	(0.0072)	(0.0429)
Age2	-0.0012***	-0.0012***	-0.0039***	-0.0033***
	(0.0000)	(0.0001)	(0.0001)	(0.0006)
Female	-0.2038***	-0.2123***	-0.1929***	-0.0754
	(0.0051)	(0.0251)	(0.0355)	(0.2096)
Years since arrival	0.0200	0.0283*	0.0520	-0.1834
	(0.0137)	(0.0155)	(0.1278)	(0.1334)
Education	0.0195***	0.0106***	-	-
	(0.0008)	(0.0030)		
Region of origin dummies	yes	yes	yes	yes
Host country dummies	yes	yes	yes	yes
Observations	77,291	2,892	77,556	2,904
Pseudo-Rsquared	0.177	0.185	0.928	0.905

Notes: *(i)* Probit estimation results. Marginal effects and robust standard errors (in parentheses) are reported. *(ii)* OLS estimation results. Coefficient estimates and robust standard errors (in parentheses) are reported. *** p<0.01, ** p<0.05, * p<0.1

Table 4: Different Dimensions of Ethnic Identity, Employment and Education
– Immigrant sample-

	(i) Employment	(ii) Education
Importance of religion	-0.0650*	-0.1561
	(0.0353)	(0.3069)
Attachment to traditions	-0.0248	-0.9633***
	(0.0404)	(0.3274)
Language spoken at home	-0.0703*	-1.3617***
	(0.0384)	(0.3416)
Second generation	0.1591**	-0.8347
	(0.0764)	(0.6554)
Second generation* Importance of religion	-0.0533	-0.3840
	(0.0573)	(0.4378)
Second generation* Attachment to traditions	0.0073	0.5615
	(0.0601)	(0.4524)
Second generation* Language spoken at home	-0.0182	1.1275*
	(0.0965)	(0.6301)
Age	0.1011***	0.2686***
	(0.0063)	(0.0428)
Age2	-0.0012***	-0.0034***
	(0.0001)	(0.0006)
Female	-0.2120***	-0.1292
	(0.0252)	(0.2092)
Years since arrival	0.0257*	-0.1948
	(0.0155)	(0.1335)
Education	0.0106***	
	(0.0031)	
Region of origin dummies	yes	yes
Host country dummies	yes	yes
Observations	2,892	2,904
Pseudo-Rsquared	0.187	0.906

Notes: *(i)* Probit estimation results. Marginal effects and robust standard errors (in parentheses) are reported. *(ii)* OLS estimation results. Coefficient estimates and robust standard errors (in parentheses) are reported. *** p<0.01, ** p<0.05, * p<0.1

Table 5: Robustness check: Ethnic Identity and Employment

2SLS – Immigrant sample-

First stage results	Dep. Var.: Strength of Ethnic Identity
Country of origin ethnic identity	0.8945***
	(0.1692)
Age	0.0089
	(0.0133)
Age2	-0.0001
	(0.0002)
Education	-0.0337***
	(0.0062)
Female	0.1634***
	(0.0529)
Second generation	-1.1347***
	(0.1243)
Years since arrival	-0.1454 ***
	(0.0312)
Host country dummies	yes
F test	22.16
R-squared	0.1651

Second stage results	Dep. Var.: Probability to be in paid work
Ethnic Identity	-0.0879*
	(0.0470)
Age	0.0885***
	(0.0037)
Age2	-0.0011***
	(0.0000)
Education	0.0068*
	(0.0036)
Second generation	0.0626
	(0.0839)
Years since arrival	0.0147
	(0.0128)
Female	-0.1667***
	(0.0273)
Host country dummies	yes
Obs.	2,892
R-squared	0.216

Notes: *** p<0.01, ** p<0.05, * p<0.1

Table 6: European countries by policy types (year 2004)

	Immigrant focused policies (MIPEX by policy areas) (1)						General labour market policies and conditions (2)				
								Strictness of employment protection (EPL)			
	Labor market access	Family reunion	Long-term residence	Political participation	Access to nationality	Anti-discrimination	Minimum relative to median wage	Collective dismissals	Regular contracts	Temporary contracts	Trade Union Density
Austria	45	34	55	34	22	42	0	3.25	2.37	1.5	34.1
Belgium	75	61	74	57	71	75	0.51	4.13	1.73	2.63	52.9
Denmark	40	36	67	55	33	33	0	3.88	1.63	1.38	71.7
Finland	70	68	65	81	44	75	0	2.63	2.17	1.88	73.3
France	50	45	48	52	54	81	0.61	2.13	2.47	3.63	8
Germany	50	61	53	66	38	50	0	3.75	3	1.25	22.2
Greece	40	41	60	14	25	58	0.46	3.25	2.33	3.13	23.7
Hungary	40	50	50	29	36	85	0.48	2.88	1.92	1.13	18.2
Ireland	50	50	39	59	62	58	0.53	2.38	1.6	0.63	35.7
Italy	85	79	67	55	33	69	0	4.88	1.77	1.88	33.9
Luxembourg	45	50	48	84	45	56	0.41	..	..	..	42.1
Netherlands	70	59	66	80	51	81	0.45	3	3.05	1.19	21.3
Norway	70	66	72	86	39	54	0	2.88	2.25	2.88	55
Poland	25	66	67	14	45	46	0.43	3.63	2.06	1.75	17.4
Portugal	90	84	67	79	69	87	0.48	2.88	4.17	2.75	18.7
Spain	90	66	70	50	41	50	0.42	3.13	2.46	3.5	15.5
Sweden	100	92	76	93	71	94	0	3.75	2.86	1.63	77.3
Switzerland	75	43	51	55	44	33	0	3.88	1.16	1.13	19.6
United Kingdom	60	61	67	46	62	81	0.43	2.88	1.12	0.38	28.8

Sources: (1) Migrant Integration Policy Index *(available on line http://www.integrationindex.eu/)*
(2) OECD *Labour Force Statistics (available on line: http://stats.oecd.org)*

Table 7: Ethnic Identity, Employment and Integration Policies

Probit estimation results – Immigrant sample-

Dep. Var.: Probability to be in paid work

Ethnic Identity	-0.1298***
	(0.0424)
Access to nationality	-0.0023
	(0.0017)
Labor market access	0.0007
	(0.0011)
Family reunion	0.0053***
	(0.0013)
Long term residence	0.0004
	(0.0015)
Political participation	-0.0034***
	(0.0007)
Anti-discrimination	-0.0005
	(0.0010)
Ethnic Identity * Access to nationality	-0.0002
	(0.0017)
Ethnic Identity * Labor market access	0.0020***
	(0.0007)
Ethnic Identity * Family reunion	-0.0025**
	(0.0012)
Ethnic Identity * Long term residence	0.0009
	(0.0009)
Ethnic Identity * Political participation	0.0017***
	(0.0006)
Ethnic Identity * Anti-discrimination	-0.0004
	(0.0011)
Second generation	0.1488**
	(0.0592)
Age	0.1016***
	(0.0033)
Age2	-0.0012***
	(0.0001)
Education	0.0105***
	(0.0024)
Female	-0.2110***
	(0.0208)
Years since arrival	0.0273*
	(0.0149)
Region of origin dummies	yes
Observations	2,879
Pseudo-Rsquared	0.188

Notes: Marginal effects and standard errors clustered at the country (of destination) level (in parentheses) are reported.
*** p<0.01, ** p<0.05, * p<0.1

Table 8: Ethnic Identity, Employment and Labor-Market Policies

Probit estimation results – Immigrant sample-

Dep. Var.: Probability to be in paid work

Ethnic Identity	-0.2261***
	(0.0736)
Minimum wage relative to median wage	-0.0149
	(0.1322)
EPL- Collective dismissals	0.0708
	(0.0440)
EPL- Regular contract	-0.0301
	(0.0275)
EPL- Temporary contracts	-0.0005
	(0.0185)
Trade Union density	-0.0022**
	(0.0009)
Ethnic Identity * Minimum wage relative to median wage	0.0730*
	(0.0407)
Ethnic Identity * EPL- Collective dismissals	0.0203
	(0.0274)
Ethnic Identity * EPL- Regular contract	0.0319**
	(0.0127)
Ethnic Identity * EPL- Temporary contracts	0.0049
	(0.0098)
Ethnic Identity * Trade Union density	0.0006
	(0.0007)
Second generation	0.0854
	(0.0696)
Age	0.1011***
	(0.0038)
Age2	-0.0012***
	(0.0001)
Education	0.0099***
	(0.0024)
Female	-0.2102***
	(0.0228)
Years since arrival	0.0130
	(0.0166)
Region of origin dummies	yes
Observations	2,836
Pseudo-Rsquared	0.181

Notes: Marginal effects and standard errors clustered at the country (of destination) level (in parentheses) are reported.
*** p<0.01, ** p<0.05, * p<0.1