

## **Enduring Inequality: The Second Generation in the German Labor Market**

### **Introduction**

A central question to the study of migration, ethnicity, and social stratification is whether the children of immigrants will successfully integrate into their receiving society. One critical indicator of successful integration is labor market performance: do the children of immigrants experience similar labor force participation, employment, and occupational status as the children of natives? Do some immigrant origin groups perform better or worse than others? If so, can differences be explained by legal, ethnic, or social boundaries between the different immigrant origin groups and the children of the native born? This paper provides answers to these questions by examining the labor force participation, employment, and occupational status of the children of immigrants in Germany. As the largest economy in the European Union and home to the largest number of foreign born residents, the German case is exemplary for studying the challenges of integration facing the “new” immigrant destination countries in Western Europe. Exploiting the 2005 German Mikrozensus, the first dataset to allow a complete disaggregation of different immigrant origin groups in Germany, this paper also applies hypotheses of ethnic difference largely developed in the US to this case. This provides a test for the generalizability of current US assimilation debates and a description of inequality both between and within immigrant groups in Germany.

### **Hypotheses**

Comparative work between second generation youth of different origins is still in its beginning stages in Germany. Due to data restrictions, prior research focused primarily on former guest workers and foreign nationals. This research generally finds labor market disadvantage of this group relative to the native Germans. Yet former guest workers lack the variation in human capital, labor market integration, timing and context of migration, and legal status central to theories of integration. This paper utilizes the 2005 German Mikrozensus to compare the children of smaller immigrant groups, as well as naturalized immigrants. This more representative sample allows me to assess the impact of 1) context of reception, 2) naturalization and intermarriage, and 3) signaling differences in training on second generation labor market outcomes.

#### *Hypotheses of Ethnic Difference*

##### 1. Context of Reception

My paper focuses on two major immigrant groups: former guest workers and ethnic Germans. These two groups represent very different contexts of reception – a factor that has well documented impact on the integration of the second generation in the US (Portes and Rumbaut 2001). Former guest workers exemplify a negative context of reception. Originally recruited as temporary labor, former guest workers faced high barriers to naturalization and were actively discouraged from settling by the German state, have historically low levels of societal acceptance, and live in coethnic communities with high levels of unemployment and low average levels of human capital. In contrast, ethnic Germans have a very positive context of reception: they are immediately entitled to citizenship, language and settlement assistance, and the majority report German language abilities and have human capital distributions similar to those of native Germans. Given these differences, we would expect guest workers and their children to experience more barriers to integration than ethnic Germans.

*H1: The children of ethnic Germans will not differ from native Germans in their likelihood of employment and occupational status. Former guest workers will have higher unemployment and lower occupational status than the children of ethnic and native Germans.*

## 2. Intermarriage and Naturalization: Crossing Legal and Social Boundaries

In addition to the aggregate effect of the context of reception for the ethnic group, I also assess the effect of individual boundary crossing mechanisms – most importantly naturalization and intermarriage- on second generation labor market performance. *Boundary crossing*, whether it be crossing the boundary from foreign national to fellow citizen, Turkish speaker to German speaker, or from a friendship circle of fellow coethnics to one consisting of native peers, is hypothesized as a core mechanism of immigrant integration (Alba and Nee 2003; Wimmer 2008; Diehl and Blohm 2008). Although the direction of causality is difficult to determine<sup>1</sup> this paper provides a first test for a correlation of social and legal boundary crossing with labor market performance after controlling for human capital:

*H2: Respondents who partner with native Germans or are German citizens will have lower unemployment and higher occupational status than respondents who have a non-German partner or are foreign nationals.*

## 3. Signaling Differences

Economic theories of discrimination, in particular signalling theory (Arrow 1973), are often evoked to explain ethnic differences in labor market outcomes. Signalling theory argues that educational attainment serves as a signal of productivity that employers use to assess the risk of hiring workers and the appropriate wage to offer them. According to this view, the signalling value of an educational credential is variable, and employers are hypothesized to assign the educational credentials different weight depending on the ethnicity of the worker applicant. Whether a degree held by a member of one group is seen as a more “accurate” indicator of actual productivity varies with the amount and kind of information the employer has about the group; therefore groups that are perceived as less productive in general, or seen as more culturally distant from native Germans, are more likely to be ascribed a larger range of error surrounding the productivity associated with their qualification. Employers are therefore less likely to hire workers who are negatively received than native Germans or positively received groups:

*H3: The effect of human capital on employment and occupational status is expected to differ by immigrant origin. The children of negatively received former guest workers will receive lower returns on their human capital than native Germans and positively received ethnic Germans.*

## Data and Methods

I utilize data from the 2005 Original File German Mikrozensus. The Mikrozensus is a nationally representative survey containing population and labor market data in which 1 percent of all households in Germany are involved in an ongoing household sample. The very large sample size and representativeness of the Mikrozensus enables finer national origin distinctions than other datasets. In addition, each member of the household is included in the survey, enabling links between spouses and partners and identification of naturalized and mixed-origin households. In 2005 the Mikrozensus first asked about naturalization and parental place of birth,

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<sup>1</sup> Higher job performance may lead immigrants to naturalize and intermarry at higher rates *or* naturalization and intermarriage may prompt higher job performance.

enabling the identification of ethnic Germans and the naturalized first and second generation for the first time.

The sample used in this paper consists of native German and second generation men and women living in the former Western German states ages 27-39 who have not attended school in over a year. I define the second generation as individuals born in Germany to at least one foreign born parent or who immigrated before the age of 7. A restrictive age range is chosen to ensure comparability between second generation and native German respondents: 90% of the second generation is under the age 40, and 96% of the second generation live in the former Western States.<sup>2</sup> The foreign born are also excluded from analysis. After these restrictions, the full sample includes 34,682 men and 36,446 women.

This paper examines three dependent variables: labor market participation (0=out of the labor force, 1=working or having sought a job within the past 3 months); employment (0=not working and having sought work, 1=employed), and occupational status (International Socioeconomic Index Score (ISEI) from main occupation). For the first two outcomes, probit regression is used; for ISEI scores, a continuous variable, OLS regression is used. For all outcomes, men and women are modelled separately.

The key independent variables in this analysis are:

- a. Immigrant origin: guest worker (separated by Turkish, former-Yugoslavian, or “other” guest worker origin), ethnic German, European Union/US, and Third Country/Other. The children of Germans without a migration background (native Germans) are the comparison group in all analyses.
- b. Domestic partnership or marriage to a native German
- c. Citizenship Status (1=noncitizen, 0= German citizen)

Controls for work experience, educational attainment, number of children, marital/partner status, state of residence, county-level unemployment rate, and metropolitan status are also included.

### **Preliminary Findings**

Preliminary results from the regression analysis are reported in Tables 1-3 below. These analyses reveal that the labor market outcomes of the second generation, relative to native Germans, vary by context of reception, boundary crossing, and gender, though not necessarily in ways consistent with the hypotheses above. Beginning with hypothesis one, we see that the although ethnic German origin women consistently perform better than guest worker origin women<sup>3</sup> (Table 2), ethnic German origin men do not consistently perform better than then guest worker origin men. In fact, male ethnic Germans are as likely (at the .05 level) as male guest workers to be unemployed – even *before* controls for human capital, and experience the same disadvantage in terms of occupational status after controlling for human capital and other variables. The expectation of a positive association between intermarriage and naturalization and labor market success is upheld in my findings, however, these effects largely become insignificant after controlling for human capital and other variables. Finally, I split both the women and men sample by educational attainment, allowing the effect of immigrant origins, boundary crossing, and each of the controls to differ depending on whether or not the respondent had vocational training or a tertiary degree, or whether they had only a secondary degree or less.

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<sup>2</sup> Including Eastern Germany does little to change the results once other regional controls (state of residence, unemployment at county level, and metropolitan status is included in the model).

<sup>3</sup> Guest worker origin women have significantly (at the .05 level) higher odds of unemployment, and significantly lower socioeconomic status scores than ethnic German women.

Splitting the samples significantly improved the fit of the model at the .01 level for men<sup>4</sup>. Results for this model are in table 3. Consistent with the signaling theory outlined in hypothesis 3, second generation disadvantage in employment and occupational status is explained by different returns to education: among those with no training, there is no ethnic disadvantage, among those with vocational or tertiary training, most second generation men have higher unemployment and lower occupational status scores. However, once again a positive context of reception does not have an impact on this disadvantage, as even the children of ethnic Germans receive lower returns on their training than native Germans.

### **Future Steps**

Because of high unemployment rates among the second generation – as high as 25% for some groups- it is likely that the employed second generation are not representative of all the second generation in the labor force. If unobservable characteristics that predict employment, such as ambition or work ethic, are also correlated with unobservable characteristics that predict occupational status, measures that ignore selection into employment will be biased. Future work will try to adjust for this potential bias by using simultaneous equation models to allow for a correlation between these error terms. Preliminary work with these models suggests that although some selection bias exists, correcting for selection does not change the substantive results of ethnic inequality in occupational status.

### **References**

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<sup>4</sup> Interacting all variables in the model by education did not improve the fit at the .05 level for women.

## Tables

Table 1. Labor Market Outcomes of Native and Second Generation Women in Germany, Ages 27-39

	Labor Force Participation			Employment			Occupational Status		
	Raw	After		Raw	After		Raw	After	
	Differences	Controls		Differences	Controls		Differences	Controls	
Turkish	-.307 **	-.006		-.773 **	-.451 **		-4.296 **	-1.024	
Ex Yugoslavian	.172	-.045		-.422 **	-.394 **		2.318 +	.299	
Other GW	.152	-.024		-.231 +	-.125		3.054 *	1.566	
Other EU or US	.188	-.229 +		-.252	-.182		4.882 **	-1.561	
Third Country	.073	-.064		-.172	-.027		1.450	-1.692	
Ethnic German	.022	-.212 +		-.119	-.017		3.097 *	2.148 *	
Foreign National	-.268 **	-.040		-.172 +	-.054		-6.775 **	-1.966 *	
German Partner	-.205 **	.045		.311 **	.006		.541	.122	
All Controls	no	yes		no	yes		no	yes	
N	36446	36446		32842	32842		29133	29133	

+ = p<.1, \* = p<.05, \*\* p<.01

Source: Mikrozensus 2005

Table 2. Labor Market Outcomes of Native and Second Generation Men in Germany, Ages 27-39

	Employment			Occupational Status		
	Raw	After		Raw	After	
	Differences	Controls		Differences	Controls	
Turkish	-.641 **	-.409 **		-6.102 **	-1.23 +	
Ex Yugoslavian	-.585 **	-.516 **		-2.914 *	-1.65 +	
Other GW	-.236 *	-.006		-2.9 **	0.582	
Other EU or US	.018	.091		2.837 *	0.191	
Third Country	-.444 **	-.364 **		5.081 **	1.63 +	
Ethnic German	-.520 **	-.381 *		-0.933	-1.614 +	
Foreign National	-.203 *	-.129		-3.254 **	-0.781	
German Partner	.711 **	.349 **		2.09 *	0.333	
All Controls	no	yes		no	yes	
N	34778	34778		31650	31650	

+ = p<.1, \* = p<.05, \*\* p<.01

Source: Mikrozensus 2005

Table 3. Labor Market Outcomes of Native and Second Generation Men in Germany, Ages 27-39

	Men Low Educated		Men High Educated	
	Employment	ISEI	Employment	ISEI
Turkish	-0.162	2.192	-0.497 **	-2.367 **
Ex Yugo	-0.582 *	2.409	-0.474 **	-2.202 *
Other GW	0.157	0.0906	-0.0356	0.965
Other EU or US	-0.186	0.699	0.184	0.0837
Third Country	-0.149	-0.638	-0.39 **	2.081 *
Ethnic German	-0.00918	-0.205	-0.455 **	-1.837 +
Foreign National	-0.25	-1.515	-0.105	-0.692
German Partner	0.62 **	1.431	0.28 *	0.0604
N	3692	2815	31086	28835

+ =  $p < .1$ , \* =  $p < .05$ , \*\*  $p < .01$

Source: Mikrozensus 2005