

New Research in
Global Political Economy



Görkem
Arda Benz

**Second Generation Pakistanis
in the UK from 1994 to 2005:**

Progress in Labour Market Integration as
Compared to British People?

New Research in GPE
Working Paper
No. 1/2009

Department of Social
Sciences

“Globalisation & Politics”

U N I K A S S E L
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urn:nbn:de:hebis:34-2009070328559

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Görkem Arda Benz
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Working Paper No. 1/2009
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Kassel University
July, 2009

a long dedication:

to my mother for teaching me to finish what I have begun;

to my son Tim Berk who waited for his birth patiently, until her mother finished her master's thesis, defended it and had a couple of additional days to relax;

to my little son Ediz who waited for his mother's milk patiently, while his mother transformed her master's thesis into this working paper;

to my husband Thomas who made this possible;

and to Prof. Dr. Christoph Scherrer who challenged my mind through the GPE Master's Programme.

I am indebted to Prof. Dr. Heike Solga, without her great contributions this paper could not have been written. Moreover, I am grateful to the United Kingdom Essex Archive for providing the Labour Force Survey and to Reza Afkhami for the assistance about the data. I also thank to Dr. Helen Schwenken, Prof. Dr. Christoph Scherrer, and Dr. Holger Seibert for their helpful comments. I am responsible for any remaining errors.

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Abstract

In spite of being the second largest immigrant group in the United Kingdom, Pakistanis are still one of the most disadvantaged immigrant groups with respect to labour market integration. Hence, dealing with their labour market integration is the first step to improve it. This paper compares second generation Pakistanis in the United Kingdom with their British peers and analyses, whether the gap between the two ethnicities with respect to labour market integration decreased or not. Both groups in the analysis were born in the United Kingdom and possess British nationality. The only difference is the ethnicity; while Pakistanis have Pakistani ethnicity; British people have “white” ethnicity. The analysis covers people whose age are between 18 and 33 years old and compares the time period of December 1993-February 1995 and December 2004-February 2006. To carry out this analysis, I operationalise labour market integration as employment chance and utilise the United Kingdom Quarterly Labour Force Survey data. Empirical findings show that the gap between the labour market integration of second generation Pakistanis and their British peers in the sample did not change significantly from 1994 to 2005.

List of Abbreviations:

EFFNATIS	Effectiveness of National Integration Strategies towards Second Generation Migrant Youth in a Comparative European Perspective
EUMC	The European Monitoring Centre on Racism and Xenophobia
GCSE	General Certificate of Secondary Education
GDP	Gross Domestic Product
GNVQs	General National Vocational Qualifications
IAB	Institut für Arbeitsmarkt und Berufsforschung
ILO	International Labour Organisation
IQ	Intelligence Quotient
LFS	The Labour Force Survey
NCVQ	National Council for Vocational Qualifications
NVQs	National Vocational Qualifications
OECD	Organisation for Economic Co-operation and Development
PISA	The Programme on the International Student Assessment
UK	The United Kingdom

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1. Introduction

After the Second World War, many Western European countries; such as, Germany, France, and the United Kingdom had labour shortage. While the United Kingdom supplied its labour force mostly from the new Commonwealth¹, other countries accepted “guest workers” from Turkey, Greece, and Italy. It was unexpected for host countries that these temporary residents became immigrants. These people and their dependants have had difficulties with language, education system, and life style. Declining demand for labour after the oil crises in the 1970s and discrimination have made it more difficult for them to integrate into host societies. Though quite late, the urgent need for integration of immigrants has become clear and integration has arisen as an important issue.

Among different forms of integration, I decided to focus on labour market integration. While people can enter into labour market through social and cultural networks, they can also find access to social and cultural sphere through labour market. Employment makes it possible- not only for native people, but also for immigrants- to afford living, educational, and social expenses which in turn improve their life standards, increase qualifications, and ensure their integration process into society. Therefore, I think, labour market integration is one of the most important means for immigrants to integrate into a host society. Because of raw data availability and access, I decided to analyse the immigrants in the United Kingdom.

There have been significant differences among ethnic groups in the United Kingdom. As it is seen in Table 1, Pakistanis are the second largest immigrant group after Indians. While the labour market integration of Indians has been quite successful, that of Pakistanis has been rather poor (Dustmann, Fabbri, Preston, and Wadsworth 2003:6-8). Probably because of small sample size, existing studies have dealt with the overall position of ethnicities in the United Kingdom and they have not concentrated only on Pakistanis. Nevertheless, a research concentrated only on Pakistanis is crucial to improve their labour market

¹ **Old Commonwealth** (Usage- since the 1960s): Australia, Canada, New Zealand and South Africa. **New Commonwealth** (Usage- mostly in the 1960s and 1970s): Kenya, Uganda, Tanzania, Malawi, Zambia, Zimbabwe, Botswana, Lesotho, Swaziland, Gambia, Ghana, Nigeria, Sierra Leone, Barbados, Jamaica, Trinidad and Tobago, West Indies, Other Caribbean Commonwealth, Belize, Guyana, Bangladesh, India, Sri Lanka, Hong Kong, Malaysia, Singapore, Cyprus, Gibraltar, Malta and Gozo, Seychelles, Mauritius, Other New Commonwealth, and Pakistan (Dustmann et al. 2003:73) and Wikipedia.

integration. This would help to integrate a large population of people into the British society and provide them with self-esteem. Thus, I concentrate only on Pakistanis and restrict the research group by second generation Pakistanis who were born in the United Kingdom and have British nationality. I expect that the second generation has better command of English and higher qualifications than the first generation. Moreover, they are in employment age, while the first generation is on the way to retirement. Hence, through analysing the labour market integration of second generation, it is possible to provide more improvement in the British labour market. Nevertheless, the objective of this paper is to draw attention to the urgency and importance of labour market improvement of Pakistanis and not to make any policy suggestions. Due to sample size I cover only people from second generation who are between 18 and 33 years old. In this way, I cover also a part of the youth unemployment definition of the International Labour Organisation which defines young people as those who are in the age group of 15 and 24. This coverage is important, since young people are more vulnerable to economic shocks than adults and this is more valid for young people with migration background. I compare second generation Pakistanis with their native British peers who would probably take full benefit of any improvement in the labour market and in their qualifications and who would not face with discrimination. Hence, this comparison will reflect the gap between potential and actual labour market improvement of second generation Pakistanis. The comparison period is December 1993-February 1995 and December 2004-February 2006 and my research question is, whether second generation Pakistanis in the United Kingdom improved their labour market integration as compared to their British peers in this time period or not.

I have two hypotheses. In the first one, I argue that second generation Pakistanis have improved their labour market integration as compared to their British peers. If it is due to higher qualifications of second generation Pakistanis, this would confirm Spence's signalling theory and if it is because of increase in demand for labour, it would confirm Thurow's job competition model. In the second hypothesis, I contend that the magnitude of the gap between labour market integration of two ethnicities did not change significantly. This can be due to following factors; there has been neither change in qualifications nor change in demand for labour, or both factors might have changed, but second generation Pakistanis may still have problems with discrimination or adaptation to British society. Empirical findings show that the gap did not change significantly. This supports the last

hypothesis which is based on Thurow's job competition model; both factors have changed, but Pakistanis have struggled still with discrimination or adaptation.

I want to make three remarks. First, I use labour market integration and performance interchangeably to avoid repetitions. Second, National Statistical Office data classifications are based on colour; such as, "white" and "non-white". The aim might be to provide statistics which can show the frequencies of racist attacks. Existing literature uses the same classification, as well. I use them also not to cause any misunderstanding, though I do not agree with this categorisation. The third point is about the usage of country definition². I preferred to use the United Kingdom and my analysis cover England, Wales, Scotland, and Northern Ireland. I do not differentiate between Britain and the United Kingdom. Where the authors used Britain, I preferred to use Britain instead of the United Kingdom.

This paper is divided into nine parts. The next part reviews literature and the third part covers post-war immigration and integration policies of the United Kingdom. The fourth part introduces education system and labour market developments in the United Kingdom. In the fifth part, I explain the labour market theories of Thurow and Spence. The sixth part deals with hypothesis and its operationalisation and the seventh part explains data and methodology. The eight part is an analysis of empirical findings and the last part concludes.

² The conventional long form for the United Kingdom is the United Kingdom of Great Britain and Northern Ireland. Great Britain includes England, Scotland, and Wales. The conventional short form is the United Kingdom

2. Literature Review

Although present studies, which were available as this paper was written, deal with the overall labour market integration of immigrants in the United Kingdom; there is no study - to my knowledge- which concentrates merely on the second generation Pakistanis. Since the integration of first generation Pakistanis has failed, concentrating on the second generation is decisive to improve the future of next generation Pakistanis. Considering that Pakistanis are the second largest immigrant group in the United Kingdom, but at the same time they are one of the most disadvantaged groups in the United Kingdom, drawing attention to their poor labour market performance will be the first step to improve their position. Through this improvement such a large group will acquire economic independence and self-esteem and British society will gain successfully integrated people.

Dustmann, Fabbri, Preston, and Wadsworth (2003a), on which also Dustmann and Fabbri (2005) is based, provide the most detailed analysis about the immigrants in the United Kingdom. The analysis show that there is a significant difference between the labour market performance of UK-born “whites” and immigrant groups and this difference has increased from 1979 until 2000. Pakistanis, Bangladeshis, Black Africans, and Caribbeans are most disadvantaged both among immigrants and UK-born minorities. The difference across immigrants groups is large even after controlling education, age, sector choice, time of residence, and regional distribution. UK-born minority individuals have advantages over minority individuals who were not born in the United Kingdom. Employment and participation probabilities of “non-white” immigrants are more fluctuating as compared to British born “whites” and “white” immigrants. Although there is an adaptation, employment and participation probabilities of minority immigrants are lower than that of British born “whites”. (Dustmann et al. 2003a:5-69). These results overlap with the findings of Wheatley Price (2001) who analysed only native and foreign born men in England and find out that their employment chances are determined by their country of birth, education, potential experience, and family characteristics. Immigrants who attained their education and labour market experience outside of the United Kingdom are disadvantaged and Pakistanis are among immigrants who are the least likely to be employed. While “non-white” immigrants never obtain employment equality with native born “white” men, “white” immigrants face only with a temporary employment disadvantage (Wheatley Price 2001:193-220).

Most “white” immigrant communities have on average higher wages than UK-born “whites” with same characteristics, but immigrants from all other ethnic communities have lower wages. Even after conditioning on individual characteristics, wages of Bangladeshis and Pakistanis are lower than that of UK-born “whites”; 40 per cent and 20 per cent, respectively. Dustmann et al. (2003a) confirms the results of Hatton and Wheatley Price (1999) who find out that Pakistanis have lower participation rates, no qualifications, work in low-paid and undesirable jobs, and irrespective of being foreign born or native they receive the lowest wages as compared to other immigrant groups and native British people (Hatton and Wheatley Price 1999:1-47).

The lowest level of language proficiency is observed among immigrant groups which have the most disadvantaged position in the British labour market. The early entry to the United Kingdom and higher education increase the language proficiency and the wage level of an immigrant (Dustmann et al. 2003a:68 and Dustmann and fabbri 2003b: 695-714). This strengthens the results of Shields and Wheatley Price (2002) who find out language fluency as the second most important factor in occupational success after having a degree or an equivalent qualification. Fluency in English increases the mean occupational wage approximately by 16.5 per cent. While Pakistanis, Indians, and Bangladeshis are the least likely to be fluent, other things being equal, Black Caribbeans and African Asians have the highest probability of being fluent. However, Shields and Wheatley Price (2002) additionally point out the significance of reading and writing skills for labour market success as compared to fluency in English (Shields and Wheatley Price 2002:137-155).

The chances of Pakistani women in the British labour market have been much lower than for Pakistani men. Since they immigrated to the United Kingdom as dependants of their husbands, they have been rather passive as compared to women who immigrated with their own decision (Dale, Fieldhouse, Shaheen, and Kalra 2001:1-4). Pakistani women have had lack of qualifications and fluency in English. Male dominance in these communities strengthens the old division of labour in families; men are mostly bread-winner and women are housewives. Further education of girls and economic activity of women are mostly limited. On the one hand, thanks to intergenerational change, some young Pakistani women, who have no language problems and who acquired their education in the United Kingdom, perceive paid work as independence and self-esteem. On the other hand, families continue to restrict further education of girls and family formation is still the first priority

for some Pakistani women (Dale et al. 2001:28-29 and Dale, Angela; Shaheen, Nusrat; Kalra, Virinder; and Fieldhouse, E. 2000: 9-21). Factors which determine the economic activity of Pakistani women are the age of the youngest dependent child, being born in the United Kingdom, speaking fluently English, and having qualifications (Dale et al. 2000:29-33). Women with higher qualifications have higher probabilities of being economically active than women without qualifications or women with overseas qualifications. Though there are not many Pakistani women with qualifications, the authors draw attention to discrimination by employers towards high qualified Pakistani women (Dale et al. 2000:37-38).

Boyes and Huneke (2004); Brauns, Gangl, and Scherer (2001); Isengard (2002), Werner (2003); and Seibert and Solga (2005) reveal that while in France and in the United Kingdom education has played an important role in access to labour market, in Germany it has been the dual vocational system which has ensured the labour market entry to a great extent. Seibert and Solga (2005) compare labour market chances of young adults among different ethnic groups in Germany and question to which degree vocational training certificates offset ethnic disadvantages. They find out that particularly job opportunities of Turkish young adults in Germany are negatively affected through “ethnic” signal value of certificates³ (Seibert and Solga 2005: 364-382). Similar results can also be expected for second generation Pakistanis in the United Kingdom, since they have similarities with Turkish community in European countries. Boyes and Huneke (2004) argue that each ethnicity has difficulties with regard to labour market integration due to uncertainty about the duration of residence in a host country, difficulties in access to credits, and obstacles in recognition of prior degrees (Boyes and Huneke 2004:1-46). Educational segregation both in the United Kingdom and in Germany affects integration negatively. As Seibert (2005) argue, poor labour market integration of young people with migration background shows that neither the integration of first nor the integration of next generations is ensured. Their labour market integration is adversely influenced through ethnicity, lack of education and skills.

Literature on second generation in Europe- Crul and Vermeulen (2003); Westin (2003); Worbs (2003); Crul and Doornik (2003); Timmerman, Vanderwaeren, and Crul (2003)

³ “Ethnic” signal value of certificates refers briefly to the signals through which ethnicity influences the value of certificates and decisions of employers. The term signal will be elaborated in the Part 6, in Spence’s signalling theory.

and Simon (2003); Herzog-Punzenberger (2003) - focus mostly on Turkish and Moroccan people due to their large population in European countries. Although Moroccans, Turks, and Pakistanis are to a great extent Muslim; Moroccan people in Europe seem to be more open than Turkish people and Pakistanis. While the latter two groups prefer to marry only within the same community, Moroccans marry also people from other ethnicities and this supports the success of Moroccan children. Hence, more than religion, customs in a community seems to be one of the decisive factors for life paths of second generation. Self-employment, strong community relations and attitude towards gender are common both in Turkish and Pakistani communities. Therefore, similar to Seibert (2005), literature on second generation in Europe relates the disadvantaged position of second generation in European countries to segregation in schools, early school selection for further education, language problems, family backgrounds, and discrimination.

3. Post-war Immigration and Integration Policies of Britain

Until 1962, Britain welcomed labour force from Ireland, English-speaking Caribbean and the Indian continent to compensate severe labour shortages which arose as a result of the Second World War and British emigration⁴. However, as a result of conservative attempts which aimed to control the “non-white” immigration from the New Commonwealth, the first Commonwealth Immigrants Act was put into practice in 1962. This was the turning point of a change in the immigration policy. Afterwards Labour governments tried to make a compromise between opponents and proponents of immigration, while the Conservatives practised a restrictive immigration policy even in the case of labour shortage (Layton-Henry 2004:300-303). British immigration policy embodied a systematic assimilation of immigrants. In 1966, social scientists discredited assimilation and pluralistic integration gained importance. The new focus was on having same rights while maintaining cultural differences. Nevertheless, politicians and the British society were not yet ready to accept the new focus. Politicians preferred immigrants from Ireland and other European countries to immigrants from the Caribbean and the Indian subcontinent; since they thought that the race or religion of the first two groups does not prevent intermarrying with the host population (Layton-Henry 2004:328-332 and Schönwälder and Sturm-Martin 2001: 146-148). “Coloured” immigrants faced with strict immigration controls, unequal treatment, social exclusion, and unemployment. These people were not seen as part of the British society. A former Pakistani mill worker in Bradford, Abdur Rahman Saheb says: “They wanted us to be British- but not to British. They wanted us inside and outside.” (Boyes and Huneke 2004:2).

For post-war governments, integration was preservation of law and order; such as, keeping racist violence and street crime under control and not to apply proactive policies to support ethnic minority integration. Governments accepted integration as the responsibility of immigrants, since they decided on their own to immigrate, they had to be aware of costs and benefits, as well (Layton-Henry 2004:297-318). Thus, integration policies of post-war governments were rather reactive and they did not foresee the potential size and duration of immigrants. This resulted in insufficient investments in housing, schools and other services (Layton-Henry 2004:328-332). Pakistanis and Bangladeshis have faced with residential and educational segregation and dislike by local “white” people, as well as suffering from

⁴ British emigration to Australia, North America, and other Commonwealth countries

unemployment and poverty (Layton-Henry 2004:297-300 and Schönwälder and Sturm-Martin 2001: 151). However, under same conditions, Hindus, Chinese, Sikhs, and East African Asians have been successful in labour market integration and education and they achieved upward social mobility.

Hall (2001) argues that though British people are conscious about racism, racism is still embedded in the society. Through “institutional racism” the culture of institutions determines the behavioural structure of individuals automatically, systematically, in an unexpressed and informal way. This unwritten culture is mostly more effective than written regulations and functions also without racist individuals. “Institutional racism” became evident in the United Kingdom, as the British police did not take racist attacks by “white” people against “black” people seriously and considered them only as daily disputes (Hall 2001: 154-167).

In spite of restrictive immigration policies and the absence of a clear integration policy, citizenship and naturalisation did not constitute a debate in the political agenda of Britain. Commonwealth citizens who were considered as “British subjects” and resided in Britain enjoyed full political, social, and civic rights (Layton-Henry 2004:328-332).

4. Education System and Labour Market Developments in the United Kingdom

The United Kingdom has made progress with regard to educational investments and outcomes over recent years, particularly at the pre-primary and primary level. Nevertheless, dealing with children coming from disadvantaged backgrounds deserves special attention to decrease their school absenteeism and the progress in university-level education has levelled off (OECD Observer 2005:2-10). While initial education alone can no longer fulfil the increasing and changing demand for skills, on the job education and training fail to fill skill gaps arising from initial education differences. The probability of getting training is higher for employees in upper-level service industries than people who are older and who work in non-executive and unskilled jobs (Schleicher 2005: 1-13).

As it is seen in Table 3, the United Kingdom has the most flexible labour and product markets among the OECD countries (OECD Observer 2005:1). Main problems have been education, insufficient health care services, housing market, and an unreliable railway system which has decreased productivity. While the output growth rate in the second quarter of 2005 was 1.7 per cent, the unemployment rate has been stable around 5 per cent since mid of 2000 (OECD Observer 2005:2-10). In the early 1980s and 1990s, the United Kingdom experienced two major recessions which increased unemployment rates dramatically. Implementation of a tight monetary policy to decrease the inflation rate worsened the situation further (Robinson 1997:95). Between 1979 and 1984, the industrial composition changed from manufacturing to services sector. The traditional industries of the North East; coal pits and shipyards collapsed over the last 20-30 years. Table 4 shows that the share of overall manufacturing jobs in Great Britain decreased from 23 per cent in 1983 to 13 per cent in 2003, while the share of services increased from 67 per cent to 81 per cent. The number of jobs for men went up from 12.241 in 1983 to 12.886 in 2003, whereas for women there was a dramatic increase from 9.727 to 12.669 jobs. (Williams 2004: 321-323). Because immigrants predominantly worked in low-skill sectors, they were dramatically hit from the change in skills in demand and many of them became unemployed. The likelihood that ethnic minorities will be unemployed is twice as high as their “white” counterparts (Ethnic Minority Employment Task Force (2004: 1-7). Figure 1 shows the gap between the unemployment rates of “white” people and ethnic minorities, particularly during two recessions at the beginning of 1980s and 1990s. In 2004,

employment rate of Indians was 69.8 per cent, while that of Pakistanis was 45.2 per cent, the lowest after Bangladeshis among other ethnic minorities.

Beginning from the early 1980s deregulation has characterised the labour market policy of the United Kingdom and flexible forms of employment have dominated the labour market. British governments have preferred active labour market policies; they have reduced the value of unemployment benefits as compared to average earnings and increased assistance to jobseekers through a number of Employment Service programmes (Robinson 1997:65-77). Deregulation policy has mostly affected collective industrial relations and determination of wages. Collective bargaining and union membership have decreased sharply and trade unions have lost their influence. Moreover, the abolishment of the Wages Council resulted in a sharp increase in wage inequality (Robinson 1997:5-27 and Lindsay 2003:133-142).

5. Theory

In 2001, George Akerlof, Michael Spence, and Joseph Stiglitz received the Nobel Prize in Economic Sciences for their analyses of markets with asymmetric information (The Royal Swedish Academy of Sciences 2001:1). The theory of asymmetric information is based on the assumption that the information which a person knows may not be available to other person in the market, so the latter tries to get this information. This theory has a wide range of implementation and the interaction between an employer and a job applicant is one of them. Since Spence concentrates more on the employment side, I decided to use the signalling theory of Spence to analyse the labour market integration of the second generation of Pakistani immigrants in the United Kingdom.

5.1 *Spence-Signalling Theory*

While a migrant is fully aware of his/her abilities and qualifications, a prospective employer may not have this information. Spence argues that an immigrant needs to find a way to signal his/her qualifications which can be perceived by the prospective employer so that s/he person can be employed. Spence focuses on circumstances in which people convey information about themselves; such as, a recruiting process between a job applicant and a prospective employer. People transmit information about themselves through indices and signals (Spence 1974:107). Spence adopts the “index” and “signal” terminology of Robert Jervis who analysed the communication way of nations based on these terms. Signals are alterable features and convey information about characteristics of people. The activity itself, sending signals, is called signalling. Indices are unalterable and observable features. Education is a signal, since it can be changed as a result of invested time and money. Race and sex are indices, because they are not changeable. Indices intermingle with signalling and influence “the logical structure of the signalling game”. Spence concentrates on signals and his objective is to construct a conceptual framework through which he can explain the signalling power of education, sex, race, job experience, personal characteristics, and other observable characteristics. He argues that because the employer does not know the productive capacity of an individual when h/she hires the employee, decision making process occurs under uncertainty; however, after hiring the job applicant the employer receives feedback about the productive capacity of the person (Spence 1973:359 and Spence 1974: 10-11,107-109).

Spence makes four differentiations among signals and indices: potential signal, actual signal, potential index, and actual index. A potential signal is an observable characteristic. An actual signal is a potential signal by which the conditional probability of an employer's productivity evaluation of a job applicant changes. An observable unchangeable characteristic is a potential index. An actual index is a potential index by which the conditional probability of an employer's productivity evaluation of a job applicant changes. Jervis differentiates between manipulable and nonmanipulable characteristics and between intentional and unintentional activities of the sender. Indices are involuntary activities, whereas signals are voluntary activities as long as a person commits them consciously. If a person is not aware of his/her activities, there is no chance for manipulation, either. People may undertake activities so that the other side perceive these activities as indices, though they are not. There are high- and low-cost signals. Very high-cost signals are like indices, because they are too expensive to impress an employer (Spence 1974: 10). Spence modifies the signal-index dichotomy of Jervis by arguing that a person might not necessarily think of him/herself as signalling while manipulating information about his/her characteristics (Spence 1974: 11).

Spence classifies education costs as signalling costs. Education is multidimensional, one can measure it through years of education, institutions attended, grades, and recommendations. Spence argues that social and private returns to education are different (Spence 1973:370 and Spence 1974:5-22). Some people gain, some other loose. Everyone might loose, as well. Individuals are supposed to select signals such that they can maximize the difference between signalling costs and offered wages. He points out that while a characteristic might be a signal for a specific job, it may not be a signal for another job. Spence argues that equilibrium occurs as a result of a feedback loop. There is a signalling equilibrium, if employers' expectations about a potential employee are confirmed. Hence, he defines signalling equilibrium as a feedback circle. Expectations of employers match different wage levels to certain education levels and this determines investment decisions of people with respect to education. After employment, the actual relationship between education and productivity confirms or revises the expectations of employers and the circle continues (Spence 1973:359-373 and Spence 1974: 26-27).

For Spence, market signals convey information about the characteristics or activities of individuals to other people and his objective is to construct models to find out the major

features of communication processes and information transfers in job markets. He argues that though the employer is mostly uncertain about the productivity of a potential employee and “hiring is investing under uncertainty”, because of the existence of potential signals; such as, education, past employment experience if any, personal appearance, race, and sex, the employer is not totally uninformed, either. However, a job applicant tries to control over his/her image to project a better impression to the employer. This might be additional education or buying and wearing a new suit (Spence 1974:1-3).

Considering race as a potential signal, Spence argues that

There are externalities implicit in the fact that an individual is treated as the average member of the group of people who look the same and that, as a result, and in spite of an apparent sameness, the opportunity sets facing two or more groups which are visibly distinguishable may in fact be different (Spence 1974:33).

Hence, recruitment process depends on stereotypes with respect to group members and this is in turn based on a social categorisation (Solga 2005:71). Therefore, one can expect that a Pakistani will be treated in the labour market as an average member of Pakistanis because they look like “the same”, while different group of people; for example, Irish people and Pakistanis may have different opportunity sets in the labour market.

Spence argues that if there are no differential signalling costs between different groups, suppressing the index will remove random discrepancies in the equilibrium without causing any side effects. Nevertheless, if there are systematic differences in signalling costs, which take place due to discrimination or other factors exogenous to the labour market, suppressing the index may have undesirable and unintentional consequences. For Spence, it is not possible to prevent discrimination concurrently at the levels of both signals and underlying capacities. Not discriminating at the signal level will result in discrimination at the level of underlying capacities. Hence, suppressing indices, though it may inhibit prejudice from affecting the market is a risky policy. Admission boards in colleges are expected not to consider race and other similar features in their decisions; however, it is, indeed, necessary to take them into account, so that educational disadvantages of many precollege period minorities can be offset (Spence 1974:46).

With respect to discriminatory mechanisms in market signalling, Spence points out that without mentioning discriminatory sources in the information system, it would be

misleading to elaborate indices. In a multimarket setting, expectations of employers may cause a self-selection of some groups out of some markets; for example, prejudices of employers might result in occupational exclusion and wage discrimination. This results in a permanent occupational separation among self-selected groups and decreases the motivation of discriminated group to invest in education. (Spence 1974:102-103). Although employers do not differentiate between races and sexes, higher education costs for one group cause the exclusion of this group from the market, though it is not directly observable to the employer. Forcing some members of this group into the market shows employers that a given education level means more talent for the members of this group. Once the exclusion chain is broken, market experiences of employers also change. Informationally based job segregation actualises itself and moves to a new equilibrium when there is a change in information. However, prejudice based barriers are difficult to adjust quickly to a new equilibrium. In case of an informationally based barrier, Spence suggests a minimum quota legislation to solve the exclusion problem. He states that after a while, one can remove the quota and the original equilibrium will be no more valid (Spence 1974:47-51 and 98-100).

The treatment of employees as average members of the groups to which they belong causes externalities in the market and creates incentives for cooperative behaviour. People have a potential impact on the informational structure of the job market, if they belong to a certain group; such as, graduating from the same college, going to the same church, and belonging to a minority group. This belonging provides a kind of certification for them. Cooperative behaviour shows that people are aware of the existence of signalling and they try to affect the informational structure of the market by collective action (Spence 1974:56-61).

Statistical information is passed directly through indices. Hence, information about productivities of indices which are used by employers hides statistical discrimination. Statistical discrimination takes place when employers speculate about the future performance of a job applicant on the basis of the behaviour structure of a group to which this person belongs (Solga 2005:65-66). According to Spence, statistical discrimination does not provide a complete picture of functions of indices in a market information system. He argues that the existence of active signalling reduces the power of statistical features (Spence 1974:104-106).

The signalling theory approaches to the recruitment process from the supply side and focuses on eliminating individual deficits rather than removing structural disadvantages and exclusion risks in vocational training and labour market. Hence, the signalling theory overlooks the demand side and institutional regulation in the labour market and presumes market equilibrium (Solga 2005:64-72). Without demand for labour, even people with high level of qualifications do not have employment chances. Hence, the match between skills in demand and skills acquired plays an important role for increasing employment chances. If the cause of unemployment is not low level qualifications, the signalling theory of Spence would not provide an explanation for the poor performance of second generation Pakistanis in the British labour market. Therefore, there is a need for an additional theory which would take demand for labour into consideration. This explanation is given in the Job Competition Model of Lester Thurow.

5.2 Lester Thurow Job Competition Model

Thurow argues that what people compete for in the labour market is not wages, but the job itself. He assumes that the job-competition model is the sole mechanism to clear the market (Thurow 1975:75-76 and Thurow 1979: 17). Thurow's key argument is that workers acquire most of their general and specific skills through on-the-job training. The function of labour market is matching trainable individuals with training gaps and not mainly matching "demands and supplies of different job skills". Two factors determine how training gaps will be distributed; workers' relative place in the labour queue and the actual allocation of job opportunities in the economy. While the characteristics of jobs determine wages, relative position of workers in the labour queue clarifies distribution of training opportunities to trainable labour (Thurow 1975:75-76 and Thurow 1979: 18).

It is jobs which have marginal products and not individuals, so the training of individuals will be according to the marginal productivity of the job. Workers have "background characteristics"; such as, personal habits, gender, age, sex, education, psychological test scores, and innate abilities. For entry jobs, new workers are selected on the basis of their background characteristics. Although job specific skills are not inherent in background characteristics, they affect training costs. Demand for job skills determines which job skills will be trained. This in turn shapes the supply of skills. Different background characteristics are associated with different levels of training costs which cover costs of uncertainty, teaching good work habits and industrial discipline. To minimise training costs, employers

rank potential workers according to training costs. This ranking constitutes the labour queue. They search for employees whose training costs are lower than the difference between job's wage and its marginal product. Since employers do not have direct information on training costs of potential employees, they use background characteristics for their ranking. They rank people with minimum training costs in the first place. As acquiring first skill decreases the costs of acquiring second skill, complementary skills lead to further training ladders. Discriminated groups find themselves at the end of the labour queue, even if they have the same training costs. When the gap between the objective discrepancies in training costs gets smaller, subjective preferences play a larger role for the final ranking of the labour queue. Since education implies the capability to absorb other training forms, it becomes an important indicator for measuring training cost differences. As a training form and a background characteristic, education shows the trainability of a person and whether the employee has industrial discipline or not. In some cases, it is more difficult to teach industrial discipline than job specific skills. The industrial discipline might cover doing unpleasant things, adaptability to work atmosphere, and taking orders (Thurow 1975:85-90). Education is a defensive expenditure in the job-competition model, because people invest in it to protect their market share (Thurow 1975:95-97 and Thurow 1979:18-20).

For Thurow, though not determining the shape of the job distribution, the labour queue determines the relative position of a group in the allocation of job opportunities (Thurow 1979:21-22). Thurow states that:

Differences between these expected will depend upon the size of the random fluctuations around the group's expected value. As a result, groups have expected positions in the labour queue, but individuals do not. They are subject to random fluctuations around their groups' expected position (Thurow 1979:21).

Although it is not clear what Thurow means with "these expected values", I understand it as ranking of different background characteristics by employers. The passage implies the following for the research question in this paper. Pakistanis and other ethnicities in the British labour market have a certain ranking and an expected position in the labour queue. Individuals among Pakistanis will have positions changing randomly around the expected position of their ethnic group.

An individual who belongs to a group that has a lower probability of having a desired characteristic, or a higher probability of having an undesired characteristic, is not paid less; he is completely excluded from the job in question (Thurow 1975:173-174).

Therefore, if Pakistanis have a lower probability of having a desired characteristic for employers, second generation Pakistanis, even if their background characteristics and qualifications differ significantly from the average level of Pakistanis, will not be ranked at the bottom of the labour queue and have a lower employment chance, but they will be automatically excluded from the labour market.

Thurow argues that in case of shortage of labour, hiring characteristics relax, and employers are obliged to employ the best available employees in the market. These employees may not be necessarily the best ones with respect to performance requirements, but employers train them more costly to fill job vacancies. Under these circumstances, people with low qualifications have better chances to find a job. In case of excess supply of labour, hiring characteristics escalate and employers prefer employees who are at the top of the labour queue. As a result, people who are at the bottom of the labour queue stay unemployed. People who achieved to be recruited might be hired under their performance levels (Thurow 1975:95, Thurow 1979:21, and Solga 2005:73).

With respect to the American economy, Thurow argues that supply side policies might be essential to change the structure of American incomes; however, these policies need to be implemented together with programmes to change the structure of demand for labour (Thurow 1979:21-22). Considering that supply side policies have played also important roles in the United Kingdom, particularly for ethnic groups which have difficulties in entering the labour market, programmes to alter the structure of labour demand might be needed.

Thurow states that due to advanced technology and globalisation, a lifetime employment in a company is not common anymore. People change often jobs and after exceeding a certain age limit; e.g. fifty five, it becomes difficult to find a job. Employers prefer young employees who possess up-to-date skills, who can adapt to new technologies, and who are open to learn new things. Skills, which an employee is supposed to have, have been changing rapidly. Smart employees tend to change their job when they find a better alternative, since they think that they will be fired when their employers do not need them

anymore. On the one hand, companies decrease their investment in on-the-job training, because they assume that smart workers will leave the company, if they find a better alternative. On the other hand, people do not want to spend their funds for investment on education without knowing where they will work and what kind of skills employers will require. Thus, “the cycle of underinvestment” accelerates. Unlike what Homo economicus suggests, Thurow argues that job security has become much more important for workers than maximum wages. Thurow points out that a labour-training market needs to encourage existing workers to transfer their knowledge to new workers. Without wage and employment security, there will be no incentives to transfer knowledge which is seen as a guarantee to keep the existing job (Thurow 1975:77-81 and Thurow 1979: 22-23). Profit-maximising companies provide training to employees whose training will be the cheapest and shortest. Therefore, they prefer usually people who need minimum additional education and training. A good educated person for employers means a person who knows how to learn, since this makes the training process cost and time efficient. Hence, people who get the chance to acquire on-the-job skills are those who have “off-the-job education”. Thus, skills result in more skills (Thurow 1999:130-148). This means inequality in further opportunities; for example, second generation Pakistanis who could not acquire higher education have lower chances to get on-the-job training. Therefore, as Schleicher (2005) argue, initial education differences cause more inequality in the future career path and on-the-job training does not compensate initial differences.

The job-competition model explains the unequal job entry chances of group members with different levels of education and the unequal job entry chances of group members with same level of formal qualifications through the dynamics of market without undermining individual education performance (Solga 2005:77).

As in the signalling theory, also in the job-competition model employers recruit people according to the probability assumptions about future performances. While the job-competition model compares relative position of different groups with different education levels with respect to recruitment chances, the signalling theory focuses on only position of one group with a given level of education. Since in the job-competition model the position of an individual in the labour queue depends on the positioning of others, the higher the proportion of educated people, the lower is the recruitment chances of less qualified people. The job competition model explains low recruitment chances of less qualified people not

only through low education levels of these people, but also through the relation between demand for labour and labour supply. Timing of the job entry plays an important role for the success in labour market. Given the same level of education, the chance of getting a qualified job is higher with higher demand for labour than with lower demand for labour. People, who entered to the labour queue from its lower part due to insufficient demand for labour, may stay in this position permanently even if demand for labour goes up with time. Hence, initial position may prevent these people from realising an upward movement in the labour queue and from recruitment for qualified jobs (Solga 2005:73-77).

National Level

When it comes to healthcare, as already alluded to, in some ways it is arbitrary to separate the institutional from the national level, as compromised healthcare institutions will certainly affect the nation in less than palatable manners. However, inferring that that which harms the institutional level will equally harm the national level may be too simplistic.

For a clearer picture of how the migration of healthcare professionals can devastate at the institutional level, yet have ambiguous results at the national level, it is enlightening to look, once again, at the Philippines. The Philippines is well-known for exporting skilled nurses, however, within their own healthcare system they have an estimated 30,000 vacant nursing positions as well as high levels of under and unemployment (Bach, 2006: 5). In fact, according to Public Services Independent Confederation (PSLINK), the migration of nurses has led some Filipino hospitals to close due to lack of appropriate staff (2007). Despite this, the national government continues to encourage the international migration of its nurses, mainly in the hope that they will submit remittances from abroad, but also as a way to export unemployment. While remittances provide some economic compensation for the nation losing its healthcare professionals, and benefit those whom receive them, they are not reinvested directly in the healthcare sector. Thus, it would appear that the Philippines is 'producing' and 'exporting' nurses in hopes of 'developmental' remittances, while simultaneously decreasing its national health budget. In other words, the Philippines standing is 'benefiting' from the degradation of its own health system. As emotively explained by PSLINK:

[b]y this stance, the Philippine government acts like a salesman peddling its wares, which happen to be its skilled health workers, at the peril of the Filipino citizens' right to have a quality and adequately funded health workforce (2007: 3).

As this example illuminates, the institutional level and the national level may experience nurse migration differently; on the one hand, we find eroding healthcare institutions and ‘brain drain’, on the other hand, remittances, which are hailed as providing fuel for development (for example see: Acosta et al., 2007; Adams & Page, 2005; López Córdova, 2005). The lure of remittances is not to be underestimated as Jolly & Reeves state: “[r]emittances from overseas workers add up to more than US\$100 billion a year. About US\$60 billion goes to developing countries, exceeding funds from all overseas development assistance” (2005: 26). Foreign direct investment remains the only source of external funding larger (Stilwel et al., 2003). In conjunction with remittances, various scholars have pointed to the fact that when migrants return home or have financial success abroad, their improved investment capability will benefit their home country (Bach, 2006; Buchan et al., 2006; Jolly & Reeves, 2005; Xu & Zhang, 2005). By way of example, as argued by Jolly & Reeves, “70 per cent of the foreign investment which fuelled China’s economic growth comes from the Chinese diaspora” (2005: 26). Given the potential national benefits of emigration, many countries are now actively supporting the migration of their healthcare professionals as part of national development schemes, as exemplified by India, Cuba and, more recently, China (Bourassa Forcier et al., 2004; Xu & Zhang, 2005). Thus, it would seem that some countries have decided that the potential benefits of emigration exceed the potential detriments.

In contrast to the optimistic accounts of remittances, the Council of Global Unions states:

Much of the policy debate on migration and development focuses on the positive contributions of migrants to development through remittance transfers and reinvestment of human and financial capital back into the country of origin. While these processes are valuable and in need of sustained policy support, the evidence suggests that the real intent of proponents of this approach is to promote narrowly oriented, temporary labour migration schemes geared to filling labour market shortages in receiving developed countries. Such narrowly conceived approaches avoid issues of permanent settlement of migrants, family unity, the protection of migrants’ rights, and their entitlement to decent jobs and quality of life. In short, they fail to incorporate a social dimension in migration policies (2007: 2).

This quote provides an instructive and valuable contribution to the topic, as it would appear that a focus on remittances can detract from the harmful, non-quantifiable effects that migration can have on the individuals involved and the societies in which they are embedded/ disembedded. Yet, despite other less optimistic studies on the impact of remittances on development (for example see: Amuedo-Dorantes & Pozo, 2004; de Haas, 2005; Orozco, 2006), comments such as: “[...] remittances have major financial muscle

now [...] the next half of the century can be our chance to conquer world poverty if migration is open and managed adequately” (Senior Policy Advisor Nigel Hans as quoted in Van Eyck, 2005: 85), proclaimed during a European Policy Centre discussion, are indicative of a remittance zeal, in which they are being hailed as the next big development ‘tool’. Such a discourse, it could be postulated, may be indicative of a privatization/individualization of development aid, a process that might further silence migrating persons’ experiences and struggles. Hence, the preoccupation with remittances and their supposed developmental capabilities might result in global structural inequalities – which have historically developed through exploitative practices – being framed as problems to be solved by migrants from the global South. Such a discourse would thereby effectively place development responsibility on migrating persons whom come from disadvantaged countries and alleviate the North from its ‘helping’ obligations. In short, the social dimensions of migration appear to be destined to remain subordinate to the economic; the personal experiences and struggles silenced under the remittance clamor.

6. Hypotheses and Operationalisation

Labour market integration has a wide scope and it can be operationalised through many factors; such as, unemployment rate, wage level, self-employment rate, and type of employment (seasonal, part-time, and full-time). However, considering the scope of the paper, I operationalised labour market integration only as being in employment (1) or being unemployed (0). Hence, I will not consider other indicators, though these are also crucial for measuring labour market integration.

My objective is to compare the labour market integration of second generation Pakistanis with that of their native British peers and to find out whether second generation Pakistanis could perform an improvement in the British labour market as compared to their British peers between December 1993-February 1995 and December 2004- February 2006 or not. Existing literature points out that Pakistanis and Bangladeshis are not as successful as their “British” peers. Therefore, a gap between labour market integrations of both groups exists in any case. However, the magnitude of this gap is important. While a decrease in the magnitude of this gap in favour of second generation Pakistanis implies an improvement in their labour market integration, an increase would mean a worsening.

To analyse the labour market integration of second generation Pakistanis between December 1993-February 1995 and December 2004- February 2006, I constituted two hypotheses. The **first hypothesis** is that there was a progress in the labour market integration of second generation Pakistanis and this decreased the magnitude of the gap between the labour market integration of second generation Pakistanis and their British peers in December 2004- February 2006. In this case, I expect that the odds ratio of the interaction effect between ethnicity*year is larger than one and significant. This would mean that after eleven years the probability of being employed for second generation Pakistanis has increased and the distance between British and Pakistani people has become smaller.

The arguments for the first hypothesis are as follows. First, second generation Pakistanis were born in the United Kingdom, so they are supposed to have a good command of English language which would ease their labour market entry and integration. Particularly for service jobs, as soft skills, competency in English will send a positive signal to employers. Second generation Pakistanis in the whole data set were born in the United

Kingdom, so they are theoretically supposed to have almost same proficiency level in English with their British peers as long as they took benefit of some opportunities; such as, going to kindergarten, visiting play groups, language courses, and after school assistances. However, there might be differences in using these opportunities between Pakistani groups in both years. These opportunities play a significant role, since they would improve language capabilities and support second generation both in their school and career lives. I suppose that the group in December 2004- February 2006 was more likely to use such opportunities. Using opportunities differently might have various reasons; such as, availability of these opportunities, being aware of their existence, and willingness of families and children to use them. Second, over the years I expect that second generation adapted better into the British society, because they had the opportunity to observe different career paths and life styles of the first and older second generation Pakistanis and that of other ethnicities. Through these observations they could assess and select their own path. They are more aware of what they do and this awareness is also reflected in their strong application behaviour which the second generation in December 1993- February 1995 did not have. Third, I assume that second generation Pakistanis in the second year are more aware of the importance of education in the course of time and they prefer to work in high skill sectors rather than low skill sectors. However, the cause of the improvement in the labour market integration of second generation Pakistanis in the second year might be because of another factor, namely, a general increase in demand for labour. Hence, two sub hypotheses arise from the first hypothesis:

Hypothesis 1a: It was the qualifications of the second generation Pakistanis which improved their labour market integration rather than increasing demand for labour. Qualifications are represented through education (highest qualification attained), employment duration in year (length of continuous employment), and occupational position (major occupation group in main job). I expect that introducing qualification variables will decrease both the significance and odds ratios of the main effect of ethnicity and the interaction effect ethnicity*year. This case would be a confirmation for Spence's signalling theory, since second generation Pakistanis sent positive signals to employers through their improved educational qualifications and achieved a better integration into the labour market.

Hypothesis 1b: The improvement in the labour market integration of second generation Pakistanis was because of an increase in demand for labour. Thus, I expect that introducing qualification variables will not change the significance of the interaction effect ethnicity*year. This case would be a confirmation for Thurow's job competition model which highlights the importance of demand for labour with respect to better employment prospects.

The **second hypothesis** is a competing version of the first one. The magnitude of the gap between labour market integration of second generation Pakistanis and their British peers did not change significantly from December 1993-February 1995 to December 2004-February 2006. In this case, I expect that the odds ratio of the interaction effect between ethnicity*year is not significant. This would mean that after eleven years the probability of being employed for second generation Pakistanis has not changed and the distance between British and Pakistani people has remained the same. Causes for this constant disadvantage could be the following:

Hypothesis 2a: First, there was no change in qualifications of second generation Pakistanis. This means they did not take benefit of kindergartens, language courses, and similar opportunities to improve their English. Since their families were not proficient in English, they could not receive support from their families to develop their English, either. Thus, their English level needs still improvement and not having a good command of English affected their education level adversely

Hypothesis 2b: The demand for labour did not change, either.

Hypothesis 2c: Both factors might have changed, but they may still have problems with adaptation to British society, because they stay between "home" and "host" country cultures. The possibility that forebears might return to Pakistan may increase uncertainty for the second generation whether to stay in the United Kingdom or to go to Pakistan and this in turn would affect their decisions adversely with respect to education, adaptation to society and integration into the labour market. Particularly females might still face difficulties or pressures from their families or husbands due to traditional expectations or religious values which are embedded in their community. This might in turn decrease their education chances and prevent their success in labour market integration. Last, they might

still face with discrimination by employers. The empirical expectation for the second hypothesis is that the interaction effect of ethnicity*year is not significant.

With regard to age, I expect that older people⁵ have more chances to be employed, since the older they are, the more chances and time they had to improve their qualifications. With respect to sex and marital status I expect that sex would be negatively correlated to being in employment, because women mostly stay at home and look after children given the community structure of Pakistanis.

⁵ Since the sample covers the age group of 18-33, here, older people mean people who are around 30 years old.

7. Data and Methodology

7.1 Data

As data base I used Labour Force Survey of the United Kingdom Essex Data Archive. To carry out the analysis there are different dataset options; the Quarterly Labour Force Survey, General Household Survey, and Two-Quarter and Five-Quarter Longitudinal datasets of the Labour Force Survey. The advantage of the General Household Survey is providing the variable for the country of birth of parents; however, other labour market indicators which I want to use in the analysis are not available; such as, last occupational position held and labour force experience of a person. Hence, I decided not to use this data set.

Two-Quarter and Five-Quarter longitudinal data sets make an analysis of a longer period of time possible. They are prepared by the data depositors and contain appropriate weights. Unfortunately, they include a very small sample of Pakistanis. While Five-Quarter has only 66 Pakistanis, Two-Quarter has 190. Therefore, after sorting them according to age group, country of birth, nationality, and sex the number of cases are too low for an analysis. This is the reason, why I did not choose these data sets for my analysis, either.

Though the Quarterly Labour Force Study does not cover information about the country of birth of parents, so selecting second generation will not be 100 per cent accurate as in the General Household Survey. However, its quarters have larger samples and the variables which I need. Hence, I decided to use the Quarterly Labour Force Survey for my analysis.

The Labour Force Survey (LFS) has a systematic random sample design which represents the whole of Great Britain. Each quarter of the LFS data sets covers 5 waves and 60.000 private households. Each wave includes approximately 12.000 households who are interviewed in five successive quarters. First interviews are face-to-face and successive ones are made by telephone. It is a dynamic data set; in any one quarter, respondents in one wave may have their first interview, while the others have their second. The final interview takes place in the fifth wave. Hence, 80% of respondents in the samples overlap in successive quarters (National Statistics 2005:4).

To compare the labour market integration of second generation Pakistanis, I will analyse two years. The time period needs to be around ten years to expect a change in the labour market integration. After comparing the sample sizes of different quarters and years, I

decided, first, to compare September-November 1996 and September-November 2005 data sets. Both of them had higher number of Pakistanis as compared to other quarters and years. However, the merged sample size for Pakistanis in this database was still not satisfactory for an analysis. After a selection of Pakistanis according to the criteria of the regression models, there were only 112 Pakistanis in the merged data set. Therefore, I decided to merge successive quarters in one year.

The Labour Force Survey Group does not recommend merging successive quarters over time to users on their own because same respondents can exist in up to five waves' data. Combining these datasets without making any selection among waves is subject to uncorrected attrition and non-response-bias. In collaboration with the Labour Force Survey, I merged data sets by combining first and fifth waves of the first quarters of each year. Then I added only the first waves of successive quarters, since the first wave has the highest response rate. Adding first and fifth waves in all successive quarters is not possible, because the fifth wave of a quarter will have overlapping respondents with the first wave of its successive quarter. Hence, the way of merging data sets ensured boosting the sample size while avoiding duplication.

The latest available Labour Force Survey data set is the December 2005-February 2006. Since I will merge data sets of successive quarters in one year, I decided to combine December 2004-February 2005, March-May 2005, June-August 2005, September-November 2005, and December 2005-February 2006. Thus, the second year includes the period of December 2004-February 2006. To analyse the difference in the labour market integration, I selected a lag of eleven year, so the first year data includes the quarters of December 1993-February 1994, March-May 1994, June-August 1994, September-November 1994, and December 1994-February 1995. Thus, the first year covers the time interval of December 1993-February 1995.

To be able to cover most of the second generation Pakistanis I restricted the sample by people who were born in the United Kingdom, who have Pakistani ethnicity, and who have British nationality. British nationality is taken granted for native British people, but it is quite important for second generation Pakistanis, as it shows the integration willingness. However, restricting samples first only by the country of birth and then by nationality show that there is a negligible difference. Selecting the sample by nationality reduced the sample

of Pakistanis only by one person. To reduce the risk of including the third generation, I limited the age group in the sample. Most of Pakistanis immigrated to the United Kingdom between 1960 and 1970 and they brought their dependants after having lived some years in the United Kingdom. The immigration has not stopped and it has been still continuing. Hence, I expect that second generation children who are currently in the labour force were born mostly between the 1960s and 1980s. Table 5 shows the age distribution according to years. As it is seen in the Table, in the first year, the age distribution is accumulated between in the age group of 21-26. This means most of the second generation was born between 1968 and 1973. Although the youth unemployment definition of the ILO covers people who are between 15- 24, I focused on the age group of 18-33. This selection had two reasons. First, some young people continue their education between 15 and 18 and they may not have enough qualifications to ensure the entry into labour market. Second, by taking the age group of 18-33, I could boost the sample size. To be able to compare the difference in labour market integration between two years I selected the same age group in December 2005-February 2006. In this way, it is possible to analyse, whether the same age group of Pakistanis succeeded a better integration into the labour market in December 2005-February 2006 than in December 1993-February 1995.

In the sample, second generation Pakistanis refer to people who have Pakistani ethnicity. British people who are in the same age group are represented through “white” ethnicity. While the second year data set differentiates people as “British whites”, “other whites”, and “white Northern Irish”; the first year data set includes only “white” people and does not cover such a differentiation. I preferred to compare “white” people who have British nationality and who were born in the United Kingdom, so that a consistent comparison between two years is possible. The percentage distribution of “British white”, “other white”, and “white Northern Irish” in the database of December 2004-February 2006 are 93.5 per cent, 1.5 per cent, and 3.9 per cent, respectively. This means the majority in the sample is “British white”. Though the first year database does not provide “British” white differentiation, one could assume a similar distribution in the first year, as well.

7.2 Methodology

To analyse the labour market integration of the second generation of Pakistani immigrants, I prefer to use the binomial logit model, since the dependent variable is a dummy variable. I chose the binomial logit model to systematically eliminate the possibility that a prediction of D_i might have the values outside the probability interval of 0 to 1. By using a kind of the cumulative logistic function, the binomial logit model avoids the unboundedness problem of the linear probability model. D_i in the Equation 1 represents the dummy dependent variable. It equals one, if there is employment and it equals zero, if there is unemployment. The Equation 1 models the ratio $D_i/(1-D_i)$ rather than D_i and the dependent variable becomes the log of the odds. $D_i/(1-D_i)$ is called the odds ratio, likelihood ratio, which is “the ratio of the number of times a choice will be made divided by the number of times it will not” (Studenmund 2001:442).

$$\ln\left(\frac{D_i}{[1-D_i]}\right) = \beta_0 + \beta_1 X_{1i} + \beta_2 X_{2i} + \varepsilon_i \quad (1)$$

While keeping other explanatory variables constant, here, a coefficient of an independent variable denotes the impact of a one unit increase in the dependent variable, on the log of the odds and not on the probability itself (Studenmund 2001:445). Both sides of the Equation 1 are unbounded. It is seen that if $D_i=1$,

$$\ln\left(\frac{D_i}{[1-D_i]}\right) = \ln\left(\frac{1}{0}\right) = \infty \quad \text{and if } D_i = 0, \ln\left(\frac{D_i}{[1-D_i]}\right) = \ln\left(\frac{0}{1}\right) = -\infty$$

$$D_i = \frac{1}{1 + e^{-[\beta_0 + \beta_1 X_{1i} + \beta_2 X_{2i} + \varepsilon_i]}} \quad (2)$$

In the equation 2, if $\hat{\beta}_0 + \hat{\beta}_1 X_{1i} + \hat{\beta}_2 X_{2i}$ equals infinity, then \hat{D}_i equals one and if $\hat{\beta}_0 + \hat{\beta}_1 X_{1i} + \hat{\beta}_2 X_{2i}$ equals minus infinity, \hat{D}_i will be zero. Thus with the binomial logit model, it is possible to avoid the unboundedness problem of the linear probability model,

since \hat{D}_i is bounded by one and zero and it approaches both of these values asymptotically (Studenmund 2001:443).

$$\hat{D}_i = \frac{1}{1 + e^{-\infty}} = \frac{1}{1} = 1 \text{ and } \hat{D}_i = \frac{1}{1 + e^{\infty}} = \frac{1}{-\infty} = 0$$

I will estimate logits with maximum likelihood method, since it chooses coefficient estimates which maximise the log likelihood. The log likelihood denotes the prediction degree of the observed values of the dependent variable from the observed values of the independent variables (Studenmund 2001:444-446). To measure the overall fit of the models and its contribution to the explanation, I will use the improvement of fit and Pseudo- R^2 (Nagelkerke R^2).

8. Empirical Findings

As it is seen in the Table 6, the total sample in the analysis includes 57.891 people of which 424 are Pakistani and 57.467 are native British people (“white”). From now on, Pakistanis refer to second generation Pakistanis. While Pakistanis comprise 0.7 per cent of the total sample, British people constitute 99.3 per cent. In December 1993-February 1995⁶ data set, there are 103 Pakistani (0.4 per cent) and 28.502 British people (99.6 per cent). December 2004-February 2006⁷ data set includes 321 Pakistani (1.1 per cent) and 28.965 British people (98.9 per cent). In total, there are 28.605 respondents in the first year and 29.286 people in the second year.

Table 9 shows the main variables included in the analyses: employed, ethnicity, year, interaction effect of ethnicity*year, education, age, sex, and married. The dependent variable is represented by the variable “employed” and is categorised as to be employed or unemployed. It takes the value of one, if the person is in employment; and it is zero, if the person is unemployed. This variable is based on the unemployment definition of the International Labour Organisation⁸. Occupational position and employment duration in years are not included in the regression, because the correlation between the dependent variable and these variables is too high. Hence, I use these variables only to provide more information about the sample and include them solely for descriptive statistics purposes. All the classifications and details regarding the variables which are used in the regression can be found in Appendix in the Classifications section.

Table 7 shows that the mean age of British people is around 26 in both years, whereas it increases for Pakistanis from 23.6 in December 1993-February 1995 to 24.7 December 2004-February 2006. Considering both sexes differently, it is seen that the mean of Pakistani women is one year younger than Pakistani men, 23 and 24, while for British people it is constant at 26 for both sexes. Taking the small size of second generation Pakistanis in the sample, I preferred not to provide other descriptive statistics and regression analysis based on sex. Otherwise, differentiating by sex will decrease the

⁶ First year

⁷ Second year

⁸ ILO Unemployment: People who have not worked more than one hour during the short reference period- generally the previous week or day-, but who are available for and actively seeking work (O’ Higgins 1997:1).

number of Pakistani young adults further and this will prevent drawing a logical conclusion about the position of second generation Pakistani men and women.

Table 10 and Table 11⁹ show the distribution of all variables according to ethnicity and year in absolute numbers and in percentages, respectively. While unemployment rates decreased, employment rates went up for both groups. The number of unemployed British people decreased from 3.342 people (11.7 per cent) in December 1993-February 1995 to 1.785 people (6.2 per cent) in December 2004-February 2006. In the same time period, the unemployment rate of Pakistanis declined from 25.2 per cent (26 people) to 13.1 per cent (42 people). The number of people in employment increased from 77 (74.8 per cent) to 279 (86.9 per cent) for Pakistanis and from 25.160 (88.3 per cent) to 27.180 (93.8 per cent) for British people between the two years. As it is seen in Table 12, the gap between British people and Pakistani with respect to employment went down from 13.5 to 6.9 percentage points. Comparing ethnicities within themselves show that Pakistanis increased their employment chances in the second year by 16.3 per cent as compared to Pakistanis in the first year. For British people this increase remained at 6.3 per cent. The decrease in unemployment risk was similar for both ethnicities; 48.2 per cent and 47.4 per cent for Pakistanis and British people, respectively.

Table 11 shows that for both ethnicities, the percentage of males in the total sample is higher than that of females; particularly the percentage of Pakistani females (39.9 per cent) in the second year is lower than that of males (60.1 per cent). This might be because Pakistani women do not necessarily work after marriage and having children. Unlike British people, the percentage of married Pakistanis in the first year, 56.3 per cent, was higher than that of single Pakistanis, 43.7 per cent. Nevertheless, in the second year the percentage of singles for both ethnicities was higher than that of married people. The number of second generation Pakistanis in higher secondary education increased from 40.08 per cent to 51.7 per cent from December 1993-February 1995 to December 2004-February 2006. The increase in tertiary education was rather small; it slightly went up from 25.2 per cent to 27.7 per cent. The percentage of Pakistanis who had less than higher

⁹ Row percentages show the percentage of people in a respected category to the whole row (e.g. in employment $3.342/5.195=64.3\%$), where $5.195=(3.342+26+1.785+42)$, whereas column percentages denote the percentage of people in a respected category to the total number of people belonging either to British or Pakistani ethnicity (e.g. in employment $26/103=25.2\%$), where $103=(26+77)$.

secondary education decreased from 34 per cent to 20.6 per cent till December 2004-February 2006.

Table 12 shows the performance gap between Pakistanis and British people with respect to four variables. In higher secondary education, the gap between two ethnicities in the second year went down by 65.9 per cent in favour of Pakistanis. In December 1993-February 1995, the percentages of Pakistanis were higher than that of British people both in “tertiary education” and “less than higher secondary education” categories. In the first year, second generation Pakistanis had a higher rate of tertiary education, 25.2 per cent as compared to 19.8 per cent for British young adults. In the second year, the percentage of British people who have tertiary education increased to 30.3 per cent, whereas for Pakistanis it remained at 27.7 per cent. In December 2004-February 2006, British people overtook Pakistanis in “tertiary education” category. The gap between two ethnicities decreased in the second year by 13.1¹⁰ in the first category in favour of British people. Hence, the progress in tertiary education for British people was almost 1.5 times more than for Pakistanis. However, this might be also due to the small sample size of second generation Pakistanis in the first year. Comparing ethnicities within themselves show that the percentage of British young adults who have tertiary education level was 53 per cent higher than the percentage of British young adults in the first year. This remained at 9.8 per cent for Pakistanis. In the first category of education, the gap between British people (“white” versus “white”) declined by 48.2 per cent in the second year. Nevertheless, this decline was offset by the total increase of 56.3 per cent¹¹ in higher and tertiary education. This was not the case for Pakistani young adults. While the decrease in the lowest educational category was 39.5 per cent, the total rise in other two categories was 36.6 per cent¹².

With respect to occupational position, the gap between second generation Pakistanis and their British peers decreased in all three categories. While the lowest decline in the gap was with 6.4 per cent in “higher occupations”, the highest decrease took place in “lower occupations” with 71.6 per cent. British young adults increased their participation in “higher occupations” by 31.4 per cent, whereas Pakistanis by 39.7 per cent as compared to the first year within the same ethnicity. Considering employment duration in year,

¹⁰ Calculation= $100 - ((7,3 * 100) / 8,4) = 13,1\%$

¹¹ Calculation: $56\% = 53\%$ (Tertiary education) + 3.3% (Higher secondary education)

¹² Calculation: $36.6\% = 9.8$ (Tertiary education) + 26.6% (Higher secondary education)

particularly in the category of “1 year and more” the gap between Pakistanis and their British peers decreased by 42.5 per cent in favour of Pakistanis.

Descriptive statistics with respect to employment, education, occupational position, and employment duration imply a progress in the position of second generation Pakistanis. Except for the “tertiary education” category, the gap between the two ethnicities decreased in favour of Pakistanis for all variables. Therefore, descriptive statistics support the first hypothesis that the gap between Pakistani and British young adults went down and Pakistanis improved their labour market integration. In this case, the next point would be to clear, whether it is because of higher qualifications (Hypothesis 1a) or due to a general increase in demand for labour (Hypothesis 1b). However, before looking at the results of binomial logistic regression models, it might be too early to draw reliable conclusions with regard to the labour market integration of second generation Pakistanis.

The sample which I used for the binomial logit regression covers in total 57.891 people of which 424 are second generation Pakistanis. Each year¹³ in the sample includes 5 successive quarters. The dependent variable shows the employment chances of Pakistani and British young adults as compared to their unemployment risk. The most important independent variables are the interaction effect of ethnicity*year, ethnicity, and year. The coefficients of independent variables are odds ratios and denoted by $\text{Exp}(B)$. Odds ratios are higher than one mean higher employment chances than the reference category; odds ratios less than one mean lower employment chances as compared to the reference category.

Table 13 provides the regression results for three models. Since the sample size of Pakistanis in the data set is rather small, the results represent the situation of Pakistanis in the sample rather than providing general conclusions for young Pakistanis in the United Kingdom. Common variables in all models are ethnicity, year variables, and the interaction effect of ethnicity*year. Model 1 is calculated only on the basis of ethnicity, year variables, and the interaction effect of ethnicity*year. Of main interests is firstly the interaction effect. The odds ratio of the interaction term is 1.1 and insignificant. This means that the gap between the employment chances of British people and second generation Pakistanis remained the same. Therefore, the main effect of ethnicity displays the employment

¹³ The first year: December 1993-February 1995 and the second year: December 2004-February 2006

chances of Pakistanis as compared to the British, and the main effect of year reports about the change in employment chances between the two years. The odds ratio of the ethnicity variable is less than one ($=0.39$) and significant at one per cent level. Hence, young adults with Pakistani ethnicity have poorer employment chances as compared to their British counterparts. The odds ratio for the year variable is greater than one ($=2.02$) and significant at one per cent level. This implies that both British and Pakistani young adults had better employment chances in December 2004-February 2006 than in December 1993-February 1995.

Model 2 introduces additionally the education variable into the regression according to Hypothesis 2a. The improvement of fit in Model 2 is significant at one per cent level and both Chi-Square and Nagelkerke R^2 are higher than in Model 1. This means Model 2 is better than Model 1 and the inclusion of education variable into Model 2 is justified. The reference category is “less than higher education”. The odds ratios of other categories are significant at one per cent level and greater than one. While the odds ratio of the “higher secondary education” category is 2.47, that of tertiary education is 4.66. Introducing education variable into Model 2 does not change the significance and magnitude of the odds ratio of the main effect of ethnicity. The odds ratio of the interaction effect of ethnicity*year remains insignificant and it has almost the same magnitude. This means that differences in educational distribution do not explain differences in the employment chances between Pakistani and British and there is no change in the labour market integration of second generation Pakistanis. However, at the same significance level the odds ratio of the year variable decreases from 2.02 to 1.69 (that is by 16 percent¹⁴). This means that the employment chances of both British and Pakistani young adults in the second year increased due to the increase in demand for labour.

Model 3 brings additionally all control variables in the regression; age, marital status (married), and sex. All control variables are significant at one per cent level. While the odds ratio of the age is 1.06; the odds ratios of married and sex variables are 1.95 and 1.38, respectively. The introduction of the control variables does not change the significance and magnitude of the main variables of interaction effect of ethnicity*year. This means that control variables do not provide an explanation with respect to differences of employment chances between Pakistani and British. Since the odds ratio of the ethnicity variable is still

¹⁴ Calculation: $2,02 - 1,69 = 0,33 \rightarrow 0,33/2,02 * 100 = 16,33 \%$.

smaller than 1 and significant at one per cent level, it is clear that second generation Pakistanis have lower employment chances than their British peers. This may hide also the discrimination effect. The odds ratio of the year variable is still significant at one per cent level and it increases from 1.69 in Model 2 to 1.92 in Model 3. This confirms the results of the Model 2 that in the second year employment chances of both Pakistanis and British people increased as a result of increase in demand for labour. However, this could not change the gap between two ethnicities with regard to employment chances. Though not affecting the significance, introduction of control variables changes the magnitude of the education variable. While the odds ratio of “higher secondary education” category increases slightly from 2.47 to 2.55 (by 3.24 per cent¹⁵), the odds ratio of the “tertiary education” category decreases by 14 per cent¹⁶. This confirms the results of the descriptive statistics. The improvement of fit is significant at one per cent level in Model 3. Hence, the inclusion of control variables into Model 3 is justified. Moreover, the Nagelkerke R^2 and Chi-Square are the highest in Model 3. This shows that Model 3 is better than Model 2 and Model 1.

The regression result of Model 3 confirms the second hypothesis; the magnitude of the gap between labour market integration of second generation Pakistanis and their British peers in the sample did not change significantly from December 1993-February 1995 to December 2004-February 2006. Descriptive statistics showed that both Pakistanis and British people improved their qualifications. However, this improvement did not lead to an improvement in labour market integration of Pakistanis as compared to British people. Therefore, Hypothesis 2c is the hypothesis which explains Model 3. Both demand for labour and qualifications of Pakistanis changed; however, second generation Pakistanis have either still adaptation problems or they face with discrimination. This result confirms Thurow’s job competition model. There was a general increase in demand for labour through which also Pakistanis had better employment chances in the second year, though lower than their British peers. Hence, the gap between second generation Pakistanis and their British fellows did not change significantly. As Seibert and Solga (2005) draw attention to the signal effect of Turkish ethnicity in German vocational and labour market, Pakistanis in the United Kingdom may also suffer from Pakistani ethnicity in the British labour market. This may support the argument that Pakistanis entered to the labour queue from the lower part due to stereotypes about Pakistanis and it becomes difficult for them to move upwards even there is an increase for demand for labour. Prejudices against Pakistanis after the September

¹⁵ Calculation= $((100*2.55)/2.47)-100$

¹⁶ Calculation= $((100*4.01)/4.66)-100$

11th might be also influential in this result. Moreover, adaptation problems might have prevented second generation Pakistanis to show a strong progress, so that they can improve their labour market integration.

9. Conclusion and Outlook

Immigrants in the United Kingdom have enjoyed the British citizenship rights, though not always having been accepted as part of the society. Post-war era policies of British governments have often favoured assimilation to integration and “white” immigrants to “non-white” immigrants. Residential and educational segregation between natives and immigrants, the change in the industrial composition from manufacturing to services, and the recessions in the 1980s and 1990s worsened the integration of immigrants further. Since labour market integration is one of the most important keys for the overall integration into a host society, evaluating labour market performances of immigrants is crucial to improve their situation.

Immigrant groups in the United Kingdom performed differently with respect to labour market integration. While Indians have been one of the most successful immigrant groups, Pakistanis have taken their place at the lowest end. They have had insufficient command of English and low levels of education, worked in low-skilled jobs, and got lower wages. Because of gender inequality in the Pakistani community, the situation of Pakistani women has been worse than men. Girls have had limited access to higher education and women have had lower probability of being economically active, particularly after having children. Hence, through dealing with poor labour market performance of Pakistanis, it is possible to expose a huge potential both for the British labour market and Pakistanis.

Focusing on second generation Pakistanis is more challenging; since I assume that they have better qualifications and they have not completed their employment life as the first generation. Although being the second largest immigrant group after Indians, the poor labour market performance of second generation Pakistanis has not been analysed, yet. Hence, this is the motivation of this paper to analyse, whether second generation Pakistanis could perform an improvement in the British labour market as compared to their British peers between 1994 and 2005 or not. Both selected groups were born in the United Kingdom, possess British nationality and are in the age group of 18-33. Pakistanis have Pakistani and British people have “white” ethnicity. I use binomial logistic regression model and utilise the United Kingdom Quarterly Labour Force Survey data sets. I operationalise the dependent variable, the labour market integration, as employment

chance. Main independent variables are ethnicity, year, interaction effect of ethnicity*year, and education level. Control variables are age, sex, and marital status.

I have two competing hypotheses. In the first one, I argue that second generation Pakistanis have improved their labour market performance and the gap between them and their British peers has become smaller. This can be, first, based on Spence's signalling theory, because of higher qualifications which have enabled second generation Pakistanis to send positive signals to employers. Second, based on Thurow's job competition model, it can be due to an increase in demand for labour. In the second hypothesis, I argue that the gap between the two ethnicities has remained the same and constitute three sub-hypotheses. First, there has been no change in qualifications of Pakistani second generation. Second, the demand for labour has not changed, at all. Third, both factors might have changed, but second generation Pakistanis may still have had problems with discrimination or adaptation to British society. According to descriptive statistics both second generation Pakistanis and British people improved their qualifications. However, empirical findings show that the magnitude of the gap between labour market integration of second generation Pakistanis and their British peers in the sample did not change significantly from 1994 to 2005. Both demand for labour and qualifications of Pakistanis have increased, but the improvement in their qualifications has not lead to an improvement in their labour market integration as compared to their British peers. This result confirms Thurow's job competition model. Second generation Pakistanis have been still struggling either with adaptation problems or discrimination.

These findings overlap with the conclusions of Dustmann et al. (2003a), Wheatley Price (2001) and Hatton and Wheatley Price (1999). The labour market integration of Pakistanis is still poor as compared to British people. As Dustmann et al. (2003a) state, the difference across immigrant groups is large even after controlling education. The analysis here shows that education alone does not explain the differences in labour market performances of second generation Pakistanis and their British peers. Moreover, the conclusions of this paper support also Seibert and Solga (2005). As in the case of the signal effect of Turkish ethnicity in German vocational and labour market, second generation Pakistanis in the United Kingdom may also suffer from Pakistani ethnicity in the British labour market. From Thurow's job competition model perspective, this would mean that due to stereotypes about Pakistanis, Pakistanis might entered to the labour queue from the lower part and it

becomes difficult for them to move upwards even in the case of an increase for demand for labour.

Studies which analyse the labour market integration of second generation Pakistanis with larger samples would show, whether the empirical findings in this paper can be confirmed or not. Larger samples would also allow putting additional independent variables into the regression. Moreover, it would be quite interesting to know, why Indians have been successful in the British labour market, while Pakistanis not. It is also worth to question, whether Indians immigrated to the United Kingdom with a certain level of human capital, which enabled them to begin their employment life in the United Kingdom from the upper side of the labour queue.

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Appendix 1: Figures and Tables

Table 1: Population of the United Kingdom: by ethnic group, April 2001

	Total Population		Non-White Population
	(Numbers)	(Percentages)	(Percentages)
White	54.153.898	92,1	-
Mixed	677.117	1,2	14,6
Indian	1.053.411	1,8	22,7
Pakistani	747.285	1,3	16,1
Bangladeshi	283.063	0,5	6,1
Other Asian	247.664	0,4	5,3
All Asian or Asian British	2.331.423	4,0	50,3
Black Caribbean	565.876	1,0	12,2
Black African	485.277	0,8	10,5
Black Other	97.585	0,2	2,1
All Black or Black British	1.148.738	2,0	24,8
Chinese	247.403	0,4	5,3
Other ethnic groups	230.615	0,4	5
All minority ethnic population	4.635.296	7,9	100
All population	58.789.194	100	

Source: National Statistics

Table 2: Ranking of Macroeconomic Indicators of the United Kingdom with respect to OECD Countries

	Period	Ranking among	
		G7 countries	All 30 OECD countries
Macroeconomic performance			
Smallest absolute output gap	Average 1998-2004	1st	1st
Lowest variance of CPI inflation	Average 1998-2004	1st	1st
Structural performance			
Liberal product market regulation 2003	2003	1st	2nd
GDP per capita	2003	3rd	14th
Productivity per hour	2003	5th	15th (out of 27)
Skills, % of adults having more than low skills	2003	5th	17th
R&D intensity	Average 2000-03	6th	14th
Infrastructure, Global Competitiveness Report 2004	2004	6th	17th

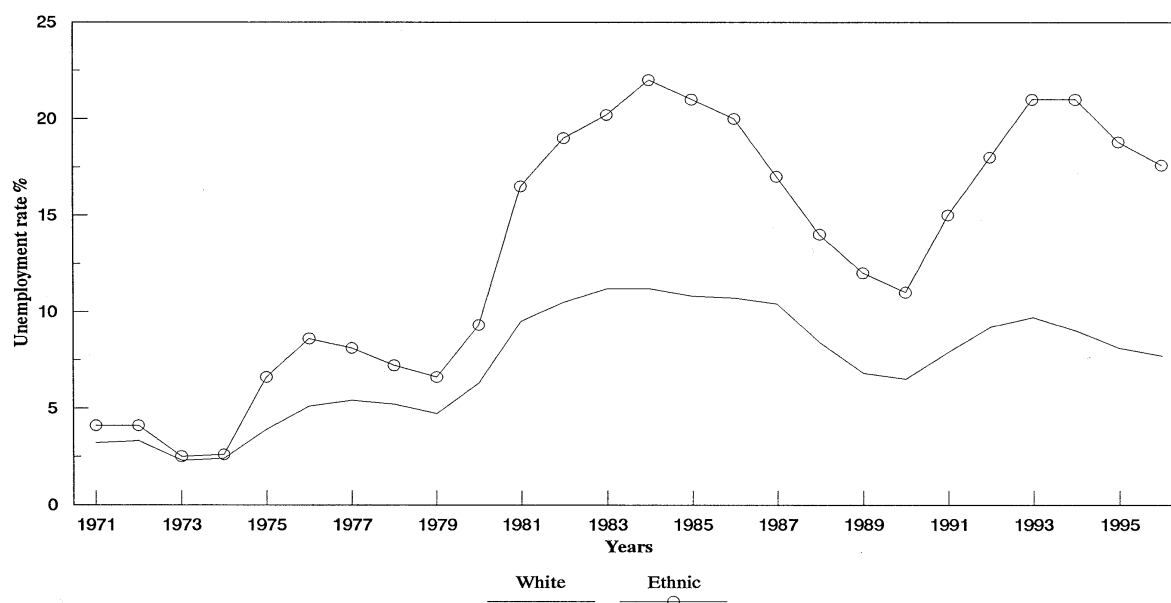
Source: OECD Observer 2005

Table 3: Proportions of employee jobs by broad industry sector & selected region; Great Britain; 1983, 1993 & 2003

	Great Britain			London			Per cent North East		
	1983	1993	2003	1983	1993	2003	1983	1993	2003
All									
Manufacturing	23	17	13	15	8	6	24	20	16
Services	67	76	81	79	88	90	64	72	77
Other industries	10	7	6	6	4	4	13	8	7
Employee jobs (thousands=100%)	21.967	22.452	25.554	3.703	3.359	3.972	1.125	1.128	1.212
Men									
Manufacturing	29	24	19	19	11	8	31	28	26
Services	56	65	71	73	84	86	49	57	62
Other industries	15	11	10	8	6	7	20	15	12
Employee jobs (thousands=100%)	12.241	11.249	12.886	2.097	1.722	2.100	627	562	600
Women									
Manufacturing	16	10	7	10	6	4	15	12	6
Services	81	87	91	87	92	95	82	86	92
Other industries	3	3	2	2	2	1	3	2	2
Employee jobs (thousands=100%)	9.727	11.203	12.669	1.606	1.638	1.873	498	566	612

Source: Williams 2004

Figure 1: Ethnic and "White" Unemployment Rates in the United Kingdom: 1971-96



Source: Robinson (1997)

**Table 4: Descriptive Statistics
Age Distribution according to years**

Age	Frequency	
	December 93- February 95	December 04- February 06
18	6	19
19	4	20
20	5	20
21	10	26
22	14	26
23	13	35
24	15	29
25	12	23
26	11	12
27	4	20
28	3	21
29	3	12
30	1	17
31	2	20
32	0	11
33	1	10
Total	104	321

Source: Labour Force Survey Dec.93-Feb.95 and Dec.04-Feb. 06,
Own calculations

**Table 5: Descriptive Statistics
Sample Size According to Ethnicity and Year**

	Year			
	December 93-February 95		December 04-February 06	
	Ethnicity		Ethnicity	
	"White"	Pakistani	"White"	Pakistani
Number of people according to ethnicity and year	28.502	103	28.965	321
Percentage of people according to ethnicity and year	99,6	0,4	98,9	1,1
Number of people according to year	28.605		29.286	
Total Number of Pakistanis	424			
Percentage of Pakistanis in the whole sample	0,7			
Total Number of British people	57.467			
Percentage of British people in the whole sample	99,3			
Total number of people	57.891			

Source: Labour Force Survey December 1993-February 1995 and December 2004-February 2006, own calculations

Table 6: Summary Statistics, Means of Age (unweighted)

Variable	December 93-February 95		December 04-February 06	
	"White"	Pakistani	"White"	Pakistani
	Mean		Mean	
Age	26,2	23,6	26	24,7

Source: Labour Force Survey December 1993-February 1995 and December 2004-February 2006, own calculations

Table 7: Summary Statistics, Means of Age according to sex (unweighted)

		December 93-February 95				December 04-February 06			
		"White"		Pakistani		"White"		Pakistani	
		Male	Female	Male	Female	Male	Female	Male	Female
		Mean	Mean	Mean	Mean	Mean	Mean	Mean	Mean
1	Age	26	26	24	23	26	26	25	24

Source: Labour Force Survey December 1993-February 1995 and December 2004-February 2006, own calculations

Table 8: Variable Codes* in the Regression (Variables 1-7)

	Variables	Variable Codes*
1	ILO Employment Rate (Dependent Variable)	Employed In employment=1, ILO unemployed=0
2	Ethnicity	Pakistani 1 if Pakistani, 0 if British
3	Year	Year 0 if December 1993-February 1995, 1 if December 2004-February 2006
4	Interaction Effect of ethnicity*year	ethnicity*year
5	Education Level (Highest Qualifications Received)	Education
6	Age (Control Variable)	Age
7	Sex (Control Variable)	Sex 1 if female, 0 if male
8	Marital Status (Control Variable)	Married 1 if married, 0 if single
9	Last Occupational position held (Extra Category, only for descriptive statistics)	Occupational position 1) Never employed, 2) Lower Occupations, 3) Higher Occupations
10	Length of time continuously employed (in year) (Extra Category, only for descriptive statistics)	Empl. duration in years 1) Never employed, 2) Less than one year, 3) 1 year and more

*Original variable names, recodings of variables, variable categories, and additional variables which are used to restrict the sample can be seen under "Classifications and Recodings".

Table 9: Descriptive Statistics
Distribution of Variables According to Ethnicity and Year

	Variables	Categories	Year			
			Dec93-Feb95		Dec04-Feb06	
			Ethnicity		Ethnicity	
			"White"	Pakistani	"White"	Pakistani
1	Employed	0- ILO Unemployed	3.342	26	1.785	42
		1- In Employment	25.160	77	27.180	279
2	Sex	0- Male	15.502	56	15.059	193
		1- Female	13.000	47	13.906	128
3	Married	0- Single	17.618	45	22.186	205
		1- Married	10.884	58	6.779	116
4	Age	18-21	5.298	24	6.291	85
		22-25	7.046	54	6.983	113
		26-29	7.802	21	7.181	65
		30-33	8.356	4	8.510	58
5	Education	1- Less than higher secondary education (Other qualifications and people without any qualifications)	7.289	35	3.839	66
		2- Higher secondary education (GCE, A-level or equivalent, GCSE grade A-C or equivalent)	15.568	42	16.348	166
		3- Tertiary education (Degree and higher education)	5.645	26	8.778	89
6	Occ. Position	1- Never employed	3.342	26	1.785	42
		2- Lower occupations	17.721	55	17.238	183
		3- Higher occupations	7.439	22	9.942	96
7	Emp. Duration in year	1- Never employed	3.342	26	1.785	42
		2- Less than one year	6.251	32	7.544	103
		3- 1 year and more	18.909	45	19.636	176

Source: Labour Force Survey December 1993-February 1995 and December 2004-February 2006, own calculations

Table 10: Summary Statistics
Percentage Distribution of Variables according to Ethnicity and Year

Variables	Categories		Year			
			Dec93Feb95		Dec04Feb06	
			Ethnicity		Ethnicity	
			"White"	Pakistani	"White"	Pakistani
1 Employed	0- ILO Unemployed	Row %	64,3	0,5	34,4	0,8
		Col %	11,7	25,2	6,2	13,1
	1- In employment	Row %	47,7	0,1	51,6	0,5
		Col %	88,3	74,8	93,8	86,9
2 Sex	0- Male	Row %	50,3	0,2	48,9	0,6
		Col %	54,4	54,4	52,0	60,1
	1- Female	Row %	48,0	0,2	51,3	0,5
		Col %	45,6	45,6	48,0	39,9
3 Married	0- Single	Row %	44,0	0,1	55,4	0,5
		Col %	61,8	43,7	76,6	63,9
	1- Married	Row %	61,0	0,3	38,0	0,7
		Col %	38,2	56,3	23,4	36,1
4 Age	18-21	Row %	45,29	0,21	53,78	0,73
		Col %	18,59	23,30	21,72	26,48
	22-25	Row %	49,63	0,38	49,19	0,80
		Col %	24,72	52,43	24,11	35,20
	26-29	Row %	51,78	0,14	47,65	0,43
		Col %	27,37	20,39	24,79	20,25
	30-33	Row %	49,36	0,02	50,27	0,34
		Col %	29,32	3,88	29,38	18,07
5 Education	1- Less than higher secondary education	Row %	64,9	0,3	34,2	0,6
		Col %	25,6	34,0	13,3	20,6
	2- Higher secondary education	Row %	48,5	0,1	50,9	0,5
		Col %	54,6	40,8	56,4	51,7
	3- Tertiary education	Row %	38,8	0,2	60,4	0,6
		Col %	19,8	25,2	30,3	27,7
6 Occ. Position	1- Never employed	Row %	64,3	0,5	34,4	0,8
		Col %	11,7	25,2	6,2	13,1
	2- Lower occupations	Row %	50,3	0,2	49,0	0,5
		Col %	62,2	53,4	59,5	57,0
	3- Higher occupations	Row %	42,5	0,1	56,8	0,5
		Col %	26,1	21,4	34,3	29,9
7 Emp. Duration in year	1- Never employed	Row %	64,3	0,5	34,4	0,8
		Col %	11,7	25,2	6,2	13,1
	2- Less than one year	Row %	44,9	0,2	54,2	0,7
		Col %	21,9	31,1	26,0	32,1
	3- 1 year and more	Row %	48,8	0,1	50,7	0,5
		Col %	66,3	43,7	67,8	54,8

Source: Labour Force Survey December 1993-February 1995 and December 2004-February 2006, own calculations

Table 11: Summary Statistics
Percentage Distribution of Variables according to Ethnicity and Year

Variables	Categories	Year									
		December 93-February 95		December 04-February 06		Gap between "White" and Pakistani in % points		Difference between the two gaps in %	Dec93-Feb95 versus Dec04-Feb06		
		White	Pakistani	White	Pakistani	December 93-February 95	December 04-February 06		Gap between "White" and "White" in %	Gap between Pakistani and Pakistani in %	
1	Employed										
	0- ILO Unemployed	11,7	25,2	6,2	13,1	13,5	6,9	48,8	47,4	48,2	
	1- In employment	88,3	74,8	93,8	86,9	13,5	6,9	48,8	6,3	16,3	
2	Education	1- Less than higher secondary education	25,6	34,0	13,3	20,6	8,4	7,3	13,1	48,2	39,5
		2- Higher secondary education	54,6	40,8	56,4	51,7	13,8	4,7	65,9	3,3	26,8
		3- Tertiary education	19,8	25,2	30,3	27,7	5,4	2,6	147,4	53,0	9,8
3	Occ. Position	1- Never employed	11,7	25,2	6,2	13,1	13,5	6,9	48,9	47,0	48,0
		2- Lower occupations	62,2	53,4	59,5	57,0	8,8	2,5	71,6	4,3	6,7
		3- Higher occupations	26,1	21,4	34,3	29,9	4,7	4,4	6,4	31,4	39,7
4	Emp. Duration in year	1- Never employed	11,7	25,2	6,2	13,1	13,5	6,9	48,9	47,0	48,0
		2- Less than one year	21,9	31,1	26,0	32,1	9,2	6,1	33,7	18,7	3,2
		3- 1 year and more	66,3	43,7	67,8	54,8	22,6	13,0	42,5	2,3	25,4

Source: Labour Force Survey December 1993-February 1995 and December 2004-February 2006, own calculations

Table 12: Determinants of Being in Employment for the Age Group of 18-33

December 1993-Februar 1995 and December 2004-Februar 2006

Variables	Model 1	Model 2	Model 3
	Exp(B)	Exp(B)	Exp(B)
Ethnicity	0,39***	0,40***	0,39***
Year	2,02***	1,69***	1,92***
Interaction Term ethnicity*year	1,10	1,18	1,20
Education 1-Less than higher education 2-Higher secondary education 3-Tertiary education		2,47*** 4,66***	2,55*** 4,01***
Age			1,06***
Married			1,95***
Sex			1,38***
Constant	7,53***	3,77***	0,66***
Chi-Square	584,18***	1.865,08***	2.881,97***
Degree of Freedom	3	5	8
Improvement of fit (df)		1.280,9*** (2)	1.016,9*** (3)
Nagelkerke R ² (Pseudo R2)	0,02	0,07	0,11
Total Number of Observations	57.891 57.467 "White" and 424 Pakistani	57.891 57.467 "White" and 424 Pakistani	57.891 57.467 "White" and 424 Pakistani

Significance levels * $p < 0,1$, ** $p < 0,05$, and *** $p < 0,001$. Source: Labour Force Survey, Own Calculations

Appendix 2 : Classifications And Recodings:

Both years cover five quarters. 1st year: December 1993-February 1995: December 1993-February 1994, March- May 1994, June- August 1994, September-November 1994, December 1994-February 1995. 2nd year: December 2004-February 2006: December 2004-February 2005, March- May 2005, June- August 2005, September-November 2005, December 2005-February 2006. Below the variable codes in capital letters in titles show the original variable names of the Quarterly Labour Force Survey.

1) Unemployment Classification:

ILODEFR both in December 1993-February 1995 and in December 2004-February 2006: (1) In employment, (2) ILO unemployed, (3) Inactive, (4) Under 16, (-9) Does not apply, (-8) No answer. I recoded ilodefr as dilodefr: If ilodefr=1, dilodefr=1 and if ilodefr=2, dilodefr=0. I excluded other cases from the sample. For the sake of simplicity, the variable dilodefr is called “employment” in the paper and in the tables.

2) Sex Classification:

SEX both in December 1993-February 1995 and in December 2004-February 2006: (1) Male, (2) Female, (-9) Does not apply, (-8) No answer. I recoded sex as dsex: If sex=1, dsex=0 and if sex=2, dsex=1. The variable dsex is called “sex” in the paper and in the tables for the sake of simplicity.

3) Marital Status Classification:

MARCON in December 1993-February 1995: (1) Married, (2) Living together, (3) Single, (4) Widowed, (5) Divorced, (6) Separated, (-9) Does not apply, (-8) No answer. If marcon=1 then dmarstt=1 and if marcon=2, 3, 4, 5, 6 then dmarstt=1. In December 2005-February 2006, marital status variable is represented by “marsta” which covers also civil partners.

MARSTA in December 2005-February 2006: (1) Single, never married, (2) Married, living with husband/wife, (3) Married, separated from husband/wife, (4) Divorced, (5) Widowed, (6) Civil partner, (7) Separated civil partner, (8) Former civil partner, legally dissolved, (9) Surviving civil partner, partner died, (-9) Does not apply, (-8) No answer. I recoded marsta as marstt: If marsta=1, 3, 4, 5, 6, 7, 8, 9 then marstt=0 and if marstt=2 then dmarstt=1. Recoding civil partners as married couples does not make sense, since their number is too low, only 12 people. Moreover, this category is not included in other quarters.

MARSTT in December 2004-November 2005: (1) Single, never married; (2) Married, living with husband/wife; (3) Married, separated from husband/wife; (4) Divorced; (5) Widowed; (-9) Does not apply; (-8) No answer. I recoded marstt as dmarstt: If marstt=1, 3, 4, and 5 then dmarstt=0 and if marstt=2 then dmarstt=1. The variable dmarstt is called “married” in the paper and in the tables for the sake of simplicity.

4) Country of Birth Classifications:

CRY- Country of Birth- 1. December 1993-February 1995: (1) UK, British; (6) Irish Republic; (36) Hong Kong; (58) China; (59) Other; (-9) Does not apply; (-8) No answer. I restricted the sample through people whose country of birth is the United Kingdom and excluded others. 2. December 2004-February 2006: CRY01- Country of Birth- (1) England; (2) Wales; (3) Scotland; (4) Northern Ireland; (5) UK, Britain (Do not know country); (6) Republic of Ireland; (36) Hong Kong; (58) China; (59) Other. I restricted the sample through people whose country of birth is England, Wales, Scotland, Northern Ireland, and UK, Britain and excluded others. There were very few people who answered (5) UK, Britain (Do not know country).

5) Nationality:

NATION both in December 1993-February 1995 and in December 2004-February 2006: (1) UK, British; (6) Irish Republic; (36) Hong Kong; (58) China; (59) Other; (-9) Does not apply; (-8) No answer. I restricted the sample through people whose nationality is the category (1) and excluded others. In December 2005-February 2006 nationality is represented by the variable “ntnlty”; however the classifications are the same. Therefore, I recoded “ntnlty” as “nation”.

6) THISWV (Wave to which data refers):

This variable has the same name both in December 1993-February 1995 and in December 2004-February 2006: 1st year: December 1993-February 1995: December 1993-February 1994 includes wave 1 and wave 5, March- May 1994 includes only wave 1, June- August 1994 includes only wave 1, September-November 1994 includes only wave 1, December 1994-February 1995 includes only wave 1. 2nd year: December 2004-February 2006: December 2004-February 2005 includes wave 1 and wave 5. March- May 2005 includes only wave 1. June- August 2005 includes only wave 1. September-November 2005 includes only wave 1. December 2005-February 2006 includes only wave 1.

7) Ethnicity Classifications:

1. December 1993-February 1995: ETHCEN- Ethnic origin (Census of Population definition): (0) White, (1) Black Caribbean, (2) Black African, (3) Black-other non-mixed, (4) Black-mixed, (5) Indian, (6) Pakistani, (7) Bangladeshi, (8) Chinese, (9) Other Asian non-mixed, (10) Other-other non-mixed, (10) Other-mixed, (-9) Does not apply, (-8) No answer. I recoded dethcen as: If ethcen=0, dethcen=0. If ethcen=6, dethcen=1. I excluded other ethnicities from the sample. 2. December 2004-February 2006: ETHCEN15- Ethnicity revised: (1) British, (2) Other White, (3) White and Black Caribbean, (4) White and Black African, (5) White and Asian, (6) Other Mixed, (7) Indian, (8) Pakistani, (9) Bangladeshi, (10) Other Asian, (11) Black Caribbean, (12) Black African, (13) Other Black, (14) Chinese, (15) Other, (-6) White Northern Irish, (-9) Does not apply, (-8) No answer. I recoded ethcen15 as: If ethcen15=1, 2, and -6, then dethcen=0. If ethcen15=8, dethcen=1. I excluded other ethnicities from the sample. The variable dethcen is called “ethnicity” in the paper and in the tables for the sake of simplicity.

8) Highest Qualification Detailed Grouping Classification:

1. December 1993-February 1995: HIQUAPD- Highest qualification (detailed grouping): (1) Degree or equivalent; (2) Higher education; (3) GCE, A-level or equivalent; (4) GCSE grade A-C or equivalent; (5) Other qualifications; (6) No qualification; (-9) Does not apply; (-8) No answer. Except for category 7, hiquapd and hiquald are the same. Therefore, I recoded hiquapd as hiquald. 2. December 2004-February 2006: HIQUAL5D- Highest qualification (detailed grouping). (1) Degree or equivalent; (2) Higher education; (3) GCE, A-level or equivalent; (4) GCSE grades A*-C or equivalent; (5) Other qualifications; (6) No qualification; (7) Do not know; (-9) Does not apply; (-8) No answer. After merging data of December 1993-February 1995 with December 2004-February 2006, to deal with missing cases I recoded hiquald as hiquald3 as follows: If hiquald=-8 and 7, I recoded hiquald=6. I left other cases the same. The idea behind this is the following. The sample includes only people who are in employment or who are unemployed, i.e. dilodefr=0 or 1. If a person does not know his or her highest level qualification, but s/he is at the same time in employment, in the worst case scenario, it means this person does not have any qualifications. If this person is unemployed and does not know his or her highest level qualification, then I assumed that this person has no qualifications. Otherwise, people would be able to define their qualifications. There are 187 cases in which people did not give an answer about their qualifications, though they are in employment. All cases are in the first year and constituted by British people. In the first year, there was no option to state "Do not know", so perhaps people gave no answer, since they could not classify their qualifications. This would be a confirmation that they have no qualifications as a worst case scenario. Since the number of cases was very small, I recoded hiquald as hiquald3: Less than higher secondary education (Categories 5 and 6), higher secondary education (Categories 3 and 4), tertiary education (Categories 1 and 2). The variable hiquald3 is called "education" in the paper and in the tables for the sake of simplicity.

9) Major Occupation in Main Job- Occupation Classifications:

1. December 1993-February 1995: SOCMAJM- Major occupation group (main job): (1) Managers and administrators, (2) Professional occupations, (3) Associate professional & technical occupations, (4) Clerical, secretarial occupations, (5) Craft and related occupations, (6) Personal, protective occupations, (7) Sales occupations, (8) Plant and Machine operatives, (9) Other occupations, (-9) Does not apply, (-8) No answer. 2. December 2004-February 2006: SC2KMMJ- Major occupation group (main job): (1) Managers and senior officials, (2) Professional occupations, (3) Associate professional and technical, (4) Administrative and secretarial, (5) Skilled trades occupations, (6) Personal service occupations, (7) Sales and customer service occupations, (8) Process, plant and machine operatives, (9) Elementary occupations, (-9) Does not apply, (-8) No answer. I recoded "socmajm" as "sc2kmmj", since all classifications are the same in the meaning. After merging datasets of December 1993-February 1995 with December 2004-February 2006, I recoded "sc2kmmj" as sc2kmmjc to deal with missing cases. If "sc2kmmj", =-9 and dilodefr=0, I recoded sc2kmmjc as -9 which means this person has never been in employment. If "sc2kmmj", =-9 and dilodefr=1, I excluded these cases from the sample not to be biased for any category. These cases belonged to 153 British people and 1 Pakistani. Moreover, if "sc2kmmj", =-8 and dilodefr=1, I excluded these cases from the sample not to be biased for any category. These cases belonged to 76 British people. I recoded "sc2kmmjc" as occpos3 so that occupational position has only three categories: never employed (Category -9); lower occupations (Categories 4-9); higher occupations

(Categories 1, 2, and 3). The variable `occpos3` is called “occup. position” in the paper and in the tables for the sake of simplicity.

10) Length of time continuously employed (including self-employment):

After merging datasets of December 1993-February 1995 with December 2004-February 2006, I recoded “`empmon`” as `empmonc` to deal with missing cases. There were 5195 cases in which `dilodefr=0` (ILO unemployment) and “`empmon`”=-9 (Does not apply). I recoded `empmonc=0`. This means an unemployed person has an employment experience of a zero month. There were 216 cases in which `dilodefr=1` (ILO unemployment) and “`empmon`”=-8 (No answer). In this case, I recoded `empmonc=1`, since I assumed that a person who is in employment can be counted as at least one month in employment, even this person worked at that time only few days. Moreover, there were 3 cases in which `dilodefr=1` and “`empmon`”=-9 (Does not apply). I recoded `empmonc=1` with the same thinking. Furthermore, there were 930 cases in which `dilodefr=1`, but “`empmon`”=0. I recoded `empmonc=1`. The idea behind this is that if a person is in employment, even not a complete month, this can be counted as one month. Since the length of employment as number of months is difficult to analyse, I created 3 classifications to show the length of employment in terms of years. These classifications are as follows: `EMPYEA3`: (1) 0 months= Never employed, (2) Less than 1 year, (3) 1 year and more. The variable `empyea3` is called “Emp. duration in year” in the paper and in the tables for the sake of simplicity.