

Ethnic Minorities in the Labour Market

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Overview of British research: trends, explanations and policy

1 Executive summary

1. There are persisting patterns of ethnic disadvantage in the labour market with Black Caribbeans, Pakistanis and Bangladeshis having higher unemployment rates, lower incomes and poorer occupational attainment than whites. Indians and Chinese are closer to white levels.
2. It is clear that ethnic disadvantages in unemployment have not ameliorated over time whereas the overall disparities in occupational attainment have tended to decline and may be expected to decline further in future. The picture is less clear with respect to income.
3. The rising levels of education of ethnic minorities, both among the second generation and among more recent migrants, probably explain a substantial part of the improvement in occupational attainment.
4. The disadvantages experienced by Black Caribbeans, Pakistanis and Bangladeshis can be explained in part by their levels of qualification. After taking account of educational level, there appears to be relatively little ethnic disadvantage with respect to occupational attainment or income among the second generation, but the second generation continues to suffer large disadvantages with respect to unemployment even after taking account of their educational qualifications.
5. There is little evidence supporting the idea that ethnic minority disadvantage in securing jobs can be explained by lower educational or career aspirations.
6. The role of social isolation from mainstream society and of social assimilation is unclear. However, lack of the necessary social networks and contacts might have a role in explaining ethnic minority disadvantage in finding work.
7. The role of contextual factors such as lack of economic opportunities in local labour markets is unclear but 'spatial mismatch' is probably not a major factor.
8. Prejudice and discrimination by the white population is a likely explanation for the continuing disadvantage in unemployment. It is possible that there is more discrimination in hiring manual employees than there is in nonmanual labour markets.
9. The primary policy objective must be to tackle ethnic minority unemployment.
10. Improving ethnic minorities' human capital, particularly through technical and vocational qualifications that protect against unemployment, could prove beneficial. Active labour market policies in helping people to find work might also be effective.

Overview of British research: trends, explanations and policy

2 Introduction

In this report we focus on the labour market experience of the main visible minorities in Britain today, namely Black Caribbeans, Black Africans, Indians, Pakistanis, Bangladeshis and Chinese. There are complicated issues in the definition and measurement of ethnicity (Berthoud 1998), and ideally we would use more refined categorisations which distinguish subgroups within these broader groupings. For example, the work of Modood et al (1997) suggests that the experience of African Indians has been somewhat different from that of Indians who migrated directly from the subcontinent while Brown (2000) shows important differences between Indian Sikhs, Hindus and Muslims. However, we are limited by the categories used in the main datasets (and we should note that these categorizations have changed periodically, making comparisons over time somewhat problematic). We should also note that there are a range of important questions to be addressed about the labour market experience of white ethnic minorities such as the Irish, migrants from Eastern Europe, and migrants who have recently arrived as asylum seekers. However, there has been relatively little research on these various white groups and we shall therefore not have a great deal to say about them in this report. (On the Irish see however Heath and McMahon 1996, and on other white groups see Shields and Price 1998.)

In this report we begin in Section 1 by reviewing the overall trends over time with respect to occupational attainment, income, self-employment and unemployment. We then consider possible explanations for the trends in Section 2 and on the basis of this make some suggestions about the prospects for the future in Section 3. In Section 4 we consider possible explanations for the pattern of continuing disadvantage and in Section 5 we review possible policy responses. We largely restrict ourselves to the findings from the economics literature and from quantitative sociological research. There is also important geographical and anthropological work on ethnic minorities although we shall have relatively little to say about this.

3 Aggregate Trends Over Time

In this section we consider the **gross** differences between ethnic minorities and the white population of Britain. By the gross differences we mean the overall differences before taking account of any relevant differences between ethnic minorities in their age or qualifications (which we defer until later sections). It is important to remember that an ethnic minority may appear to be doing as well as whites when one looks at the gross differences, but significant ethnic disadvantages may emerge once one turns to the **net** differences and takes account of age and education and other relevant characteristics. For example, Black Africans appear to be doing quite well, but they are also a highly educated group and one finds that they are not doing nearly as well as equally well-educated whites. We have termed these net differences 'ethnic penalties'. From a policy point of view they are at least as important as the gross differences.

3.1 Occupational attainment

Long-run aggregate data suggest that ethnic minorities have made very substantial progress over recent decades in their occupational attainments. The proportions entering professional, managerial and other nonmanual work from all ethnic groups have increased. Throughout the period, the proportion of Indian men in these jobs has been close to that of whites with West Indians and Pakistanis/Bangladeshis being considerably lower (Iganski and Payne 1996). However, Iganski and Payne also find that the gap between these two latter groups and the British-born whites has substantially reduced over time. For example, in 1966 only 8% of West Indian men were in non-manual work compared with 33% of white men. In contrast by 1990, 30% of West Indian men were in non-manual occupations compared with 46% of white men (Iganski and Payne 1996, table 2). The gap thus narrowed from 25 percentage points to 16 points.

3.1.1 Table 1: % in professional and managerial posts 1992-2000: men

<i>Ethnic group</i>	<i>1992</i>	<i>1993</i>	<i>1994</i>	<i>1995</i>	<i>1996</i>	<i>1997</i>	<i>1998</i>	<i>1999</i>	<i>2000</i>
White	23	24	24	25	25	25	26	26	27
Black-Caribbean	8	10	11	10	11	12	13	14	14
Black-African	17	11	18	18	22	17	19	27	26
Indian	25	22	21	25	27	30	28	28	28
Pakistani	13	11	12	12	12	13	14	15	14
Bangladeshi	6	7	8	7	7	7	9	13	17
Chinese	26	22	18	26	22	27	28	22	43

Source: Labour Force Surveys. Sample: respondents in employment. Note that the figures for the Black Africans, Bangladeshis and Chinese are based on small numbers of respondents, and that year-to-year variations may well be explained by sampling error.

Table 1 updates these trends up to the year 2000. Unlike Iganski and Payne we focus only on managerial and professional posts, which we term the salariat. The recent trends show that there has been a gradual increase among all groups alike in the proportions in the salariat but that there has been little change over the 1990s in the gaps between the white majority and the ethnic minorities. There are some hints in the data that the Bangladeshis have been catching up in recent years.

3.1.2 Table 2: % in professional and managerial posts 1992-2000: women

<i>Ethnic group</i>	<i>1992</i>	<i>1993</i>	<i>1994</i>	<i>1995</i>	<i>1996</i>	<i>1997</i>	<i>1998</i>	<i>1999</i>	<i>2000</i>
White	12	13	14	14	14	14	15	15	15
Black-Caribbean	6	13	9	14	11	14	10	12	13
Black-African	6	14	10	7	7	7	8	10	8
Indian	12	10	12	11	11	14	14	15	16
Pakistani	10	13	6	8	4	6	8	10	9
Bangladeshi	-	-	-	-	-	-	-	-	-
Chinese	15	15	10	22	17	26	20	30	29

*Source: Labour Force Surveys. Sample: respondents in employment.
Note that figures are not shown where the base N less than 50.*

The trends over time for women are very similar to those for men, although smaller proportions of women from all groups alike have positions within the salariat. As with men, Iganski and Payne found that, in the period up to 1990, West Indian and Pakistani/Bangladeshi women closed the gap with whites in the percentages obtaining non-manual work. Table 2 suggests however that there has been little change in differentials since 1990. Table 2 also shows that the differentials between women in access to the salariat are rather smaller than those for men and that the proportion of Black Caribbean women in the salariat (which includes trained nurses) is close to that for white women and does not show the large differential found in the corresponding figures for men. Table 2 also shows an exceptionally rapid increase in the proportions of Chinese women in the salariat: this would need to be checked from other sources before we could be confident about this trend.

3.2 *Income*

Blackaby et al (1994) have suggested that the wage differential between ethnic minorities and the white majority increased in magnitude in the 1980s, having been 7.3% in the 1970s and increasing to 12.1% in the 1980s. The widening of the wage differential is rather puzzling, and appears to be inconsistent with Payne and Iganski's findings on trends in occupational attainment. The discrepant findings may be due to methodological problems with these earlier data (see further below). However, the more recent trends in wage differentials appear to parallel those for occupational attainment. Blackaby et al's more recent work suggests that the overall wage differential fell slightly in the mid-1990s to 10.9% overall (being 12.4% for Blacks, 6.6% for Indians and 30.5% for Pakistanis (Blackaby et al 1998).

Table 3 charts the trends in net weekly pay during the 1990s up to 2000. It shows a continuing wage gap for Black-Caribbeans, Pakistanis and Bangladeshis, although by the end of the period the Indians and Chinese were very close to, or perhaps even ahead of, the white majority.

3.2.1 Table 3: average net weekly pay in main job 1993-2000: men

<i>Ethnic group</i>	<i>1993</i>	<i>1994</i>	<i>1995</i>	<i>1996</i>	<i>1997</i>	<i>1998</i>	<i>1999</i>	<i>2000</i>
White	238	238	244	249	263	274	285	297
Black-Caribbean	195	199	204	206	217	235	248	254
Black-African	-	-	205	-	236	227	258	287
Indian	218	218	231	221	256	254	260	307
Pakistani	-	167	197	196	191	194	208	222
Bangladeshi	-	129	118	-	113	156	154	142
Chinese	-	212	-	-	220	258	283	264

Source: Labour Force Survey, respondents aged 64 or younger, weighted data.

Notes: question asked of employees only. Figures not shown where base N less than 50.

Table 4 shows that Black Caribbean, Black African, Indian and Chinese women all earn more than white women, but this almost certainly reflects different rates of part-time employment. Ethnic minority women have higher rates of full-time work. This may be because of their distinctive preferences or it may be cause of unavailability of parti-time employment for ethnic minority women. “There is evidence that employers have continued to make part-time jobs preferentially available to white women (CRE 1991) and that full-time employment [by ethnic minority women] may, sometimes, be the result of discrimination rather than choice” (Holdsworth and Dale 1997: 453). It is important to emphasize that the lack of an ethnic wage gap for women does not prove an absence of discrimination. Moreover, once characteristics such as age and education are taken into account, a significant wage gap does emerge (Leslie et al 1998).

3.2.2 Table 4: average net weekly pay in main job 1993-2000: women

<i>Ethnic group</i>	<i>1993</i>	<i>1994</i>	<i>1995</i>	<i>1996</i>	<i>1997</i>	<i>1998</i>	<i>1999</i>	<i>2000</i>
White	134	137	140	145	152	160	170	180
Black-Caribbean	168	161	172	171	175	186	197	210
Black-African	-	-	160	157	176	158	184	199
Indian	138	146	145	144	162	161	183	194
Pakistani	-	-	-	-	121	142	144	146
Bangladeshi	-	-	-	-	-	-	-	-
Chinese	-	-	-	-	210	212	230	214

Source: Labour Force Survey, respondents aged 59 or younger, weighted data.

Note: question asked of employees only. Figures not shown where base N less than 50.

3.3 Self-employment

Indians, Pakistanis and Chinese have consistently been found to have higher self-employment rates than the white majority. Table 5 suggests that this pattern has continued throughout the 1990s. However, there are hints that the Indian and Chinese trends may be converging towards the white level. This convergence would be consistent with some explanations for the initial high levels of self-employment, namely blocked opportunities for upward mobility. As opportunities for entry into the salariat increase, so the incentive to become self-employed may reduce over time.

3.3.1 Table 5: % self-employed 1992-2000: men

<i>Ethnic group</i>	1992	1993	1994	1995	1996	1997	1998	1999	2000
White	12	12	12	13	12	12	12	11	11
Black-Caribbean	7	7	5	8	10	7	6	9	7
Black-African	3	3	6	5	4	3	7	4	8
Indian	16	18	14	13	12	12	15	14	14
Pakistani	19	18	20	21	20	17	16	20	25
Bangladeshi	18	12	10	8	12	8	13	12	8
Chinese	22	32	25	21	23	20	18	17	18

Source: Labour Force Survey. Note: self-employed covers employers and own account workers, excluding professionals. Sample: respondents in employment.

In general, as table 6 shows, women from all ethnic groups have lower rates of self-employment than do men. Given the small numbers involved, it is hazardous to draw any conclusions about trends over time.

3.3.2 Table 6: % self-employed 1992-2000: women

<i>Ethnic group</i>	1992	1993	1994	1995	1996	1997	1998	1999	2000
White	5	5	5	5	5	5	5	4	4
Black-Caribbean	2	1	2	2	1	2	1	0	2
Black-African	1	1	3	1	1	1	2	2	6
Indian	5	9	7	4	5	6	4	5	8
Pakistani	13	8	10	8	8	3	2	7	3
Bangladeshi	-	-	-	-	-	-	-	-	-
Chinese	11	14	8	13	17	8	11	9	7

Note: self-employed covers employers and own account workers, excluding professionals. Figures not shown where base N is less than 50.

3.4 Unemployment

The ethnic minority unemployment rate has remained around twice that of whites throughout the 1980s and 1990s (Leslie et al 1998, table 2). The highest unemployment rates are those for the Black Caribbean, Black African, Pakistani and Bangladeshi groups, but Indian men also tend to have rather higher unemployment rates than whites. These differentials have been stable over time and seem to have shown no major change since the 1970s. To put these disadvantages into perspective, they are rather similar to the ones experienced by Catholics in Northern Ireland. Table 7 updates previous estimates and extends them up to 2000. In 2000 the unemployment rates for Black Caribbeans, Pakistanis and Bangladeshi men continued to be more than twice as high as those of whites.

3.4.1 Table 7: % unemployed 1992-2000: men

<i>Ethnic group</i>	1992	1993	1994	1995	1996	1997	1998	1999	2000
White	11	12	10	9	9	8	6	6	6
Black-Caribbean	29	30	30	25	21	19	14	15	17
Black-African	26	46	39	28	22	24	16	15	11
Indian	13	14	15	12	13	8	9	9	8
Pakistani	25	31	26	24	27	24	21	16	14
Bangladeshi	27	29	40	40	25	19	20	19	19
Chinese	7	8	13	10	15	10	10	9	5

Source: Labour Force Surveys. Sample is of economically active respondents.

Note: unemployment is defined using the ILO procedure.

The same patterns holds for women as for men although women's unemployment rates generally tend to be slightly lower than those of men (Leslie et al 1998). Once again, there is some variation between ethnic minorities, with Black Caribbeans and Pakistanis having the highest unemployment rates. (There are too few economically active Bangladeshi women in the samples to make accurate estimates, but it is likely that they also have rather high unemployment rates.) As with men, Indian women have higher unemployment rates than the British white women. Table 8 shows that the differentials have not shown any tendency to decline over the last decade.

3.4.2 Table 8: % unemployed 1992-2000: women

<i>Ethnic group</i>	1992	1993	1994	1995	1996	1997	1998	1999	2000
White	7	7	7	6	6	5	5	5	4
Black-Caribbean	13	17	15	18	15	14	10	10	12
Black-African	21	27	25	27	26	26	20	18	14
Indian	12	11	12	11	12	8	9	10	8
Pakistani	21	27	24	24	27	23	21	19	18
Bangladeshi	-	-	-	-	-	-	-	-	-
Chinese	5	10	8	9	6	4	9	5	3

Source: Labour Force Surveys. Sample is of economically active respondents.

Note: unemployment is defined using the ILO procedure. Figures not shown where base N is less than 50.

Tables 7 and 8 show the percentages of appears that trends may be converging with the white pattern. This needs to be borne in mind when looking at the overall patterns of unemployment, occupational and income differentials for women. In effect, there may be rather different selective processes bringing ethnic minority women into the labour market (see Holdsworth and Dale 1997).

3.5 Summary of trends over time

- Over the 1970s and 1980s there was probably some convergence between whites and ethnic minorities in occupational attainment. However in the last decade there has been little or no change in the gross differences and Black Caribbeans, Pakistanis and Bangladeshis continue to have substantially lower rates of access to the salariat while Indians and Chinese have achieved parity with whites.
- Gross wage differentials have been largely stable or perhaps have declined slightly since the 1980s. The pattern of differentials mirrors that for occupational attainment. Black Caribbeans earn 12% less than whites.
- There has possibly been some modest convergence in rates of self-employment, but Indians, Pakistanis and Chinese continue to have higher rates of self-employment than do whites or Black Caribbeans.economically-active respondents who are unemployed. However, rates of economic activity among women vary quite sharply from one ethnic group to another, although it
- There have been persisting unemployment differentials. Black Caribbeans, Pakistanis and Bangladeshi men continue to have unemployment rates that are more than twice those of whites. Indian men also have somewhat higher unemployment rates than whites.

4 Explaining Trends Over Time

There is a wide variety of factors that could explain the trends over time:

- Methodological (such as changes of definition)
- Compositional changes (such as changing quality of migrants' human capital)
- Increasing acculturation on the part of the first generation
- Increasing assimilation on the part of the second generation
- Economic restructuring
- Changing levels of discrimination by white employers.

Unfortunately, there is no systematic discussion and comparison of these possible explanations of changes over time. The single best analysis is that of Bell (1997), who focuses solely on immigrants rather than on the ethnic minority population as a whole.

4.1 *Methodological factors*

The changing definitions of ethnicity used in the main sources (particularly in the GHS) make comparisons over long periods somewhat hazardous. In the earliest studies ethnicity had to be defined by place of birth (a particular problem in the case of Indians since many white people were born in India). More recently self-assessed measures of ethnicity have been used, but there were major changes in 1991 in the official classification used by the Census and by government surveys. It is also clear that there are some important differences in the ethnic identities chosen by the second generation people of Caribbean descent (in particular their greater use of the category Black-British).

4.2 *Compositional changes (changes in cohort quality)*

There may well have been changes in the skills and human capital of ethnic minorities over time, particularly as changes in legislation may have affected the kinds of migrants that are able to come to Britain. Bell (1997) shows that there have been substantial increases in the educational levels of White, Indian and West Indian immigrants over time and that immigrants in general have had higher average educational levels than the native-born population. However, there have also been large increases in the educational level of the native-born white population over the same period and it is not clear from Bell's work whether, relative to native-born whites, there has been any increase in immigrant 'quality' or not. On the other hand, there is evidence that the second generation have caught up with the native-born whites, or indeed overtaken them, in their educational levels (Heath and Yu forthcoming). Overall then there has probably been some improvement in the ethnic minorities' human capital, relative to that of the white population. This would in turn lead one to expect improvements in ethnic minorities' occupational attainment and earnings relative to whites (since education is an important predictor of occupational attainment).

4.3 *Acculturation of the migrants*

The American literature suggests that an adult immigrant will on arrival receive low wages (relative to those of the native-born) but might then catch up, at least to some extent, as he or she gains more experience in the country of destination and more know-how about how the labour market works. Economists have termed this assimilation, but it is probably better regarded as acculturation. However, neither Bell (1997) nor Shields and Price (1998) finds that experience in the UK labour market brings greater income returns to the migrants than to native-born whites. In other words, they found no evidence that migrants catch up gradually as they acquire British experience. On the other hand, Wheatley Price (1998) does find that new migrants catch up with respect to unemployment. How far acculturation occurs in Britain among migrants therefore remains an open question.

4.4 *Assimilation of the second generation*

The growth in the numbers of the second generation, born and educated in Britain, means that we are not comparing like with like when we compare aggregate figures for the 1970s with those for the 1990s. Data from the 1970s will primarily tell us about the experience in the labour market of the first generation, that is of migrants, whereas data from the 1990s will tell us more about the experience of the second generation. There are several reasons why we might expect the second generation to do better:

- the second generation will have received all their education in Britain, and virtually all the evidence suggests that British qualifications bring higher returns than do foreign qualifications obtained in less developed countries (Bell 1997, Shields and Price 1998; Cheng and Heath 1994);
- the second generation will have acquired fluency in the English language (Modood et al 1997), and virtually all the evidence suggests that lack of fluency substantially impairs occupational and income prospects (Dustmann 1994, Dustmann and Fabri 2000, Gazioglu 1996, Heath and Yu forthcoming, Shields and Wheatley Price 1999);
- the second generation have caught up substantially in educational terms with British-born whites (Demack et al 2000, Heath and Yu forthcoming);
- The second generation may be more likely to be assimilated and to have developed bridging social capital (Heath and Yu forthcoming).

The evidence is not wholly conclusive but is in line with these expectations. It suggests that the second generation are faring somewhat better than the first generation in access to professional and managerial jobs (Heath et al 2000) and that the second generation are faring somewhat better than the first in earnings (Leslie et al 1998). However, contrary to our expectations, the second generation are faring no better than the first in the avoidance of unemployment (Leslie et al 1998, Heath et al 2000). As Model (1999) argues “Native birth brings occupational improvement but does little to mitigate unemployment”.

4.5 Economic restructuring

The period since 1979 has seen continued growth in the size of the professional and managerial classes, but has also seen declining demand for manual labour (following from the decline of traditional manufacturing industry) and higher unemployment rates. In other words there has been economic polarization (sometimes termed the 'hour glass economy'). This does not in itself explain why ethnic disadvantage, relative to the white population, should persist with respect to unemployment but not with respect to access to the salariat. The restructuring would be expected to affect both whites and ethnic minorities equally.

4.6 Discrimination

Continuing discrimination is a plausible explanation for the failure of the ethnic differentials in unemployment to decline over time. There have been a series of studies on the same lines as the audit studies carried out by American researchers and these suggest that discrimination against ethnic minorities persists (Daniel 1967, Brown and Gay 1985, Riach and Rich 1991, CRE 1996). These studies do not allow us to conclude that the magnitude of discrimination has been unchanged, but there is other evidence from surveys of the white population that suggests that prejudice against ethnic minorities has remained at a fairly constant level over the past thirty years (Heath and Yu forthcoming).

5 Likely Future Trends

It seems likely that we can expect continued, albeit slow, narrowing of the ethnic wage differentials and of the gross differences in occupational attainment as the proportions of second generation ethnic minorities, with fluency in the English language, British educational qualifications, and know-how about the British labour market, increase. This catching-up may be most apparent among the recent arrivals such as Pakistanis and Bangladeshis (among whom there are relatively few second generations members at present) but is likely to be very limited among other groups where there are already substantial proportions of the second generation in the labour market. However we must expect that substantial gross differentials between whites, Blacks, Pakistanis and Bangladeshis will persist. Continued disparity in unemployment rates is also likely to continue unabated and must be the primary target for policy-making.

6 Explaining persisting differentials

The evidence suggests that there have been enduring differences between ethnic minorities which have persisted both over time and across generations. In general Indians and Chinese have been the most successful, while Black Caribbeans, Pakistanis, and Bangladeshis lag some way behind. However, we should note that in the second generation Indians suffer similar net disadvantages in unemployment to the other groups (Leslie et al 1998, Heath et al 2000).

There are a number of possible explanations for these persisting differentials:

- Differences in human capital
- Unmeasured differences
- Social isolation
- Segmented assimilation
- Spatial mismatch
- Differing levels of discrimination

In explaining differences between ethnic minorities it is important to distinguish between those explanations that apply to the first generation and those that apply to the second. We concentrate on explaining the disadvantages experienced by the second generation, which are probably of greatest policy concern. However, it should be noted that there is relatively little work as yet specifically on the second generation and the scale of the 'ethnic penalties' (the net differences that remain after taking account of characteristics) experienced by different second-generation ethnic minorities remains somewhat uncertain.

6.1 Differences in human capital

The main ethnic minorities differ substantially in their levels of human capital such as their educational investments. Indians and Chinese for example have higher educational levels than Black Caribbeans, Pakistanis and Bangladeshis. (There are relatively few Bangladeshis in the second generation but it is probably safe to assume that they will be similar to the Pakistani second generation). These differences in measured human capital may be able to explain much of the **gross** gaps between the ethnic minorities in their occupational attainment and earnings but substantial **net** gaps (that is ethnic penalties) in unemployment persist among the second generation even when we control for education (Heath et al 2000, Berthoud 1999, Leslie et al 1998). Factors such as lack of fluency in the English language and possession of overseas qualifications may account for a substantial part of the ethnic disadvantage experienced by first generation Pakistanis and Bangladeshis but cannot account for much of the disadvantages of the second generation. Differences in human capital are therefore an important part of the story but substantial ethnic penalties with respect to unemployment remain in the second generation even after taking account of human capital.

6.2 Unmeasured differences

It is possible that there may be unmeasured differences in the characteristics of ethnic minorities in their skills, motivations and so on. Following the work of Borjas in the US, it might be argued that migrants from Pakistan or Bangladesh are of lower 'quality' with respect to their human capital than are Chinese or Indian migrants. It is likely that different selection processes occurred among the migrants; for example Indian refugees from East Africa or Chinese refugees from Vietnam might well be more 'select' groups than 'economic migrants' from poorer areas of Bangladesh or Pakistan. However, this kind of explanation is likely to have more force in explaining the pattern of ethnic penalties for the first generation than for the second. These unmeasured characteristics among the first generation may also be important in explaining educational differences among the second generation but it is less clear that they will explain why second-

generation Blacks or Pakistanis with similar qualifications to whites continue to have higher unemployment rates. Nevertheless, it is important to try and improve measurement of relevant characteristics (of which social class origin is an obvious example).

6.3 Social isolation

One possible explanation for ethnic minority disadvantage, particularly among Pakistanis and Bangladeshis, is that they are socially isolated (Leslie et al 1997). They may therefore lack the bridging social capital with white society that is necessary for finding out about job opportunities and so on. They may also be held back by lack of 'ethnic capital', that is by the low levels of education within the ethnic group as a whole. It is certainly true that British ethnic minorities are highly concentrated in a small number of urban areas, and that the Bangladeshis have the highest level of geographical segregation from the white population (Peach 1996). It should be noted however that this segregation does not approach levels found in the US (Peach 1996). Social isolation could therefore in theory account for Bangladeshi economic disadvantage, although Fieldhouse's (1999) evidence suggests that ethnic minority disadvantage can best be explained not by ethnic concentration as such but by factors that are common to the white population residing in the same areas. The evidence on rates of intermarriage with whites (often taken to be a key indicator of structural assimilation) also suggests that Pakistanis and Bangladeshis may be less assimilated socially than Indians, but on this criterion the most assimilated group are the Black Caribbeans, where the second generation have very high rates of intermarriage with whites (Berrington 1996). Since Black Caribbeans continue to have high levels of unemployment in the second generation, lack of structural assimilation on its own is not therefore a sufficient explanation of patterns of ethnic disadvantage. However, it could be that lack of networks and bridging social capital linking ethnic minorities to potential employers could be relevant for Black Caribbeans as well as for Pakistanis and Bangladeshis.

6.4 Segmented assimilation

As American writers such as Borjas and Portes have argued, ethnic minorities may be held back not only by lack of assimilation but also by assimilation into lower-class social milieux. Ethnic minorities who live in areas of deprivation where most of the other residents (both black and white) have low levels of human capital may therefore be held back by 'contextual' processes. Sociologists have suggested possible mechanisms that might account for these contextual effects: for example there may be social pressures towards accepting the norms and values of an oppositional culture or a levelling down of aspirations leading to resigned adaptation. This explanation (like the spatial mismatch theory below) focuses on processes which affect the white population living in the same area and are thus conceptually distinct from the social isolation hypothesis discussed above.

There is little British evidence available as yet for testing this explanation. There is little evidence on the aspirations and expectations of ethnic minorities in the inner city. There is however national data suggesting that negative attitudes to work cannot explain the persistently higher unemployment rate of nonwhites in the UK (Thomas 1998). There is also evidence from the Youth Cohort Study that the educational and career expectations

of Blacks, Indians and Bangladeshis are if anything higher than those of whites (Rothon 2001). The case for theories of oppositional culture or resigned adaptation is therefore at best unproven.

6.5 *Spatial mismatch*

A rather different possible explanation for contextual effects could be the absence of employment opportunities in these areas of deprivation (the spatial mismatch theory). It is certainly true that ethnic minorities are concentrated in areas of high unemployment. However, Fieldhouse and Gould (1998) find that unemployment rates in the local travel-to-work area fail to account for ethnic minority disadvantage. On the other hand, Fieldhouse (1999) finds that ward-level unemployment rates do, in a statistical sense, account for ethnic minority disadvantage. However, detailed analysis suggests that local availability of employment is not a critical factor and Fieldhouse is therefore inclined to reject the spatial mismatch theory. Instead he suggests that the pattern of associations may be generated by 'neighbourhood self-selection'. That is, people (both black and white) who are either unemployed or at risk of unemployment may be more likely to come to live in these neighbourhoods, partly perhaps because of the concentration of public housing in these neighbourhoods.

6.6 *Discrimination*

In theory it is possible that different ethnic minorities experience different levels of discrimination by white Britons. There is no direct evidence on this although indirect evidence from the British Social Attitudes survey suggests that the British population as a whole believe there to be similar levels of prejudice against Blacks and against Asians (quoted in Blackaby et al 1998). Self-report studies from the PSI surveys however indicate that Black Caribbeans are substantially more likely than Indians to say that they believe employers discriminate or that they have actually experienced discrimination in applying for jobs (Smith 1977, Brown 1984, Heath and Yu forthcoming). The position with regards to Pakistanis is unknown, and one might have guessed that white Britons would be likely to discriminate equally against Indians and Pakistanis. However, it could be that racial discrimination is greater in the manual labour market than it is in the non-manual labour market (which is perhaps more tightly regulated); Denny et al (2000) present indirect evidence suggesting that discrimination is greater at the lower end of the labour market. Given their lack of qualifications, Black Caribbeans may be more likely than Indians to be applying for working-class jobs and hence may actually experience more discrimination. It should also be noted that, controlling for education, second-generation Indians do appear to suffer rather similar difficulties in obtaining employment as do Black Caribbeans or Pakistanis. It is therefore quite possible that all ethnic groups experience similar amounts of discrimination in the manual labour market.

6.7 *Summary of research findings on causes of continuing ethnic minority disadvantage:*

- Lack of human capital, particularly lack of English language fluency and lack of British qualifications among the first generation, is a major factor on the importance of which all the research is agreed.
- Unmeasured selection biases and differences in ‘quality’ may be important among the first generation, but there is no consensus on this. They are likely to be less important among the second generation.
- Social isolation and lack of social assimilation may be a relevant factor but there is no systematic evidence to support this claim.
- Assimilation into lower class values may be important, but there is no direct evidence for a downward levelling of aspirations.
- Spatial mismatch is a possible explanation for the high unemployment rates of ethnic minorities in the inner city, but selective processes leading to residence in the inner city are a plausible alternative.
- Discrimination is likely to be a major factor. It may be that discrimination is greater in manual labour markets but this is not yet well established.

7 Policy Priorities

We need to distinguish policies that are aimed at the first generation (the migrants) from those aimed at the second generation. The research suggests that, among the second generation, the priority needs to be policies aimed at reducing ethnic minority unemployment. As Leslie et al argue “Unemployment is the most socially damaging economic disadvantage of all. One reason why unemployment is a more pressing problem is that earnings discrimination, if it occurs, is overt and more open to challenge – indeed has been successfully challenged in the courts. Discrimination at the hiring stage is easier to conceal and correspondingly more difficult to challenge” (Leslie et al 1998). Consideration may need to be given to whether policies will be equally effective for men and women, given the complex interactions between ethnicity, gender and labour market success that have been found.

A great deal of the academic literature is on immigration policy (eg Hatton and Wheatley Price 1999). Despite its undoubted importance, I do not propose to deal with immigration policy in this report. Instead, the focus is on policies aimed at improving the labour-market chances of people who are already here.

Policies may be **direct**, that is policies such as anti-discrimination legislation aimed specifically at improving the fortunes of ethnic minorities, or they may be **indirect** measures, such as urban regeneration policies that are aimed to improve the fortunes of

all residents, black and white alike, in certain neighbourhoods but that will especially benefit ethnic minorities if they are disproportionately resident in those neighbourhoods. Whether direct or indirect measures are called for will depend in part on the nature of the causal process at which they are directed. We therefore organize this section according to the possible causal processes involved in ethnic minority disadvantage.

7.1 Human capital policies

Policies aimed at increasing the educational qualifications and more generally the work-related skills of ethnic minority members would appear to be strongly indicated by the research findings. It also appears to be likely that investments in British education bring ethnic minorities similar returns as they do to British whites (Rothon 2001). This suggests that investment in education is a rational strategy for blacks and whites alike.

In the case of the first generation who have already received their schooling abroad, the evidence suggests that investment in further education in Britain and in particular in English language skills would be beneficial.

In the case of the second generation, policies (which are no doubt already under way) aimed at improving the schooling available in deprived neighbourhoods would be beneficial for those ethnic minorities who are disproportionately concentrated in these areas. It has been suggested that previous policies, such as increasing parental choice within education markets, may indirectly have disadvantaged working-class and inner city ethnic minorities by limiting their effective choice of school (Tomlinson 1997). However, if the aim is to avoid unemployment, the emphasis might profitably be shifted towards vocational training and towards further education. Vocational qualifications give their holders the highest probability of avoiding unemployment and finding skilled work (Heath and Cheung 1998). Increasing the accessibility of further education and increasing opportunities for a 'second start' in deprived neighbourhoods could be beneficial. Owen et al (2000) provide some encouraging evidence on the role of the European Social Fund in this respect but present a more discouraging picture of ethnic minority take-up of Modern Apprenticeships.

7.2 Policies to reduce social isolation and increase bridging social capital

The research base on the consequences of social isolation and lack of contact with the white majority is weak, but US evidence suggests that lack of 'bridging social capital' could be important in explaining failure to find and obtain jobs. Policies aimed at developing social networks, perhaps through facilitating grassroots community associations, sports clubs, churches or trade unions might be one direction to pursue. Since one role of these networks in the job search is to provide information about job opportunities, an alternative strategy might be to provide additional channels of information about job opportunities.

7.3 Policies to reduce 'ghettoisation'

The research base on the causal impact of geographical concentration on labour market experience is weak. American evidence suggests that there may be some effects and that housing policies enabling people to move to more affluent areas may be beneficial. However, the very different nature of the American inner city and the British inner city should lead one to be cautious in extrapolating from American experience. However, it is likely to be the case that, as in America, housing policy is likely to be the most effective way to proceed. It should be noted that the unintended consequence of previous housing policies, such as council house sales, has been 'residualisation'. That is to say, the people who now obtain public housing are those who find it most difficult to compete in the open market. There must be a danger that policies like the American ones to help people find homes in more affluent suburbs will simply increase the 'residualisation' of those left behind and remaining in the inner city.

7.4 Policies to reduce spatial mismatch

The evidence at present is not sufficient to warrant job creation schemes in the inner city. If there is adequate work to be found in the relevant 'travel-to-work' area, then policies to help people find that work may be more useful than policies to relocate work.

7.5 Anti-discrimination policies

The research does not provide a pressing case for additional policies to deal with racial discrimination against those in work. Policies to ensure a levelling playing field for finding work must be the priority. While the success of affirmative action in America is hotly contested, policies of this kind must be considered seriously. However, it may well be that the crucial problem in Britain is discrimination by small employers who might well not be affected by affirmative action programmes. Similarly, programmes of ethnic monitoring (see for example Coombes 1997, Karn 1997) would need to ensure that they covered small employers. Given likely opposition to affirmative action measures, it would be essential first to demonstrate (eg through audit studies) that discrimination does explain ethnic minority disadvantage in employment and that alternative explanations, such as lack of bridging social capital, can safely be ruled out.

7.6 Active labour market policies

European evidence, for example from Sweden, suggests that active labour market policies can be successful (Wilensky 1992). Policies such as the American Job Corps should also be investigated. The key objective here would be to give extra help in finding work to those people who may find it particularly difficult, for example through lack of previous experience or lack of social networks.

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