Comparing Labor Market Participation Rates of Ethnic Populations with Innovative Administrative Data for Migration Studies

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Introduction

Germany has the third highest number of immigrants in the world, after the United States and Russia (United Nations, 2011). In 2009, the proportion of immigrants in the German population was about 20% (Statistisches Bundesamt, 2010). The population of immigrants is heterogeneous, comprised of ethnic Germans and other foreigners from different countries of origin, among others. Foreigners include all people living in Germany who do not hold German citizenship. From the perspective of national policy, ethnic Germans are considered a special group of immigrants who receive full German citizenship upon arrival. This includes entitlements to pension benefits matching their employment history and social support that other immigrants do not receive.

Because of the high proportion of immigrants, integrating them is a central part of political decisions. However, their integration is often difficult, because their education and qualifications obtained in the source countries are often not accredited in Germany. Successful integration of immigrants is an ambiguous concept in the literature, as well. The definitions vary depending on the perspectives from which integration and assimilation are examined. For instance, assimilation theory describes integration from the point of view of host countries, focusing on the extent to which immigrants can be assimilated into the native population (Alba/Nee, 1997). In contrast, transnational theory reveals the importance of maintaining the immigrants' affiliation to the country of origin and of integrating into the host country, because transnationality indicates a relationship to both the source and the host country (Pries, 2006). "Transnational migration is the process by which immigrants forge and sustain simultaneous multi-stranded social relations that link together their societies of origin and settlement." (Glick Schiller/Basch/Szanton Blanc, 1995: 48).

For both perspectives, the labor market integration of immigrants is considered a central research topic; however, the motivations for analyses may differ between them. High labor participation rates guarantee the accumulation of human capital and support the continuous integration in societies. In addition, labor market integration of immigrants is not only concentrated on individual labor supply, but also on labor demand. In particular, transnational migration also supports the creation of jobs. For instance, transnationality enhances the development of ethnic businesses, and thus provides workplaces where the specific social and cultural capital of immigrants is needed. In consequence, this reflects a plurilocal social space with permanent social structures for immigrants (Pries, 2010). Strengthening ethnic businesses may also help to improve the native population's acceptance of immigrants. However, before focusing on the labor demand side, it is important to study the labor market participation of immigrants in a longitudinal perspective, to find out whether the labor market integration of immigrants in Germany can be considered satisfactory.

Research on immigrants shows that their integration in the labor market is difficult (Brück-Klingberg et al., 2009). For instance, immigrants are at a higher risk of being unemployed than natives (Kalter, 2005). Education and qualifications obtained in the countries of origin are often not accredited, which then might lead to lower employment or higher underemployment rates. Hence, immigrants are missing an integral tool which is necessary for a smooth entrance in the labor market. Thus, the aim of public policy is to find ways to support the labor market integration of immigrants. This includes quantitative as well as qualitative studies which produce the high quality evidence that public policy needs. For instance, studying migration topics from various perspectives and for different cohorts helps to develop new strategies which support the participation of immigrants in many aspects in social life, and promote their acceptance in the host society.

To achieve this, social science is demanding reliable demographic data, including information on migration history (i.e. country of origin, date of entry) because public policy has to account for heterogeneity among immigrants. Unfortunately, the availability of detailed data sources on migration in Germany is limited. Due to the fact that transnational attributes are classified as sensitive information with high disclosure risks, public use files usually do not contain the relevant information. Thus, researchers often have to apply for restricted data access in order to study migration topics. One of these data files was recently developed within the grant "Biographical Data of Selected Social Insurance Agencies in Germany (BASiD)", funded by the

Ministry for Education and Research. Because it makes it possible to distinguish between Germans, foreigners, naturalized citizens, and ethnic German immigrants, the new dataset offers unique opportunities for analyses in the field of migration. The data is accessible for non-commercial research studies within a secure computing environment at the Research Data Centre (FDZ) of the Federal Employment Agency (BA) at the Institute for Employment Research (IAB), in order to meet German data protection laws.

The remainder of this report will briefly introduce this dataset and show its potential for transnational research by analyzing labor market participation rates of Germans, immigrants and ethnic Germans.

The BASiD Data

The aim of the BASiD collaboration was to create a new innovative dataset containing a variety of characteristics, to allow researchers to study research questions that could only be answered less precisely in the past. Therefore, German administrative data on individuals of two social security agencies, the German Federal Employment Agency (BA) and the German Pension Insurance (GRV), were linked. The BASiD data contains longitudinal information on the life course of 568,468 individuals. It covers employment histories from 1951 until 2009 and enables differentiated analyses of the complete employment biographies of immigrants of different cohorts, because immigrants can be directly identified. For instance, the data contains information concerning life income, daily wages, occupations, education, receipt of unemployment benefits or assistance payments, the claim of monetary integration subsidies, training such as language classes, receipt of pension benefits, periods of illness, regional information, and information about important events like the birth of children (Hochfellner/Müller/Wurdack, 2012). For ethnic Germans, information regarding their employment history in their home country is also available, which is an additional useful feature for transnational migration studies (Hochfellner, 2010). The individual employment histories are complemented by information on the employing establishments. The establishment data contain information on the size and employment structure on the reference date of June 30th every year.

BASiD is a highly valuable resource for studying network effects on labor market integration in a transnational longitudinal perspective and the role employers are playing in transnational environments. For instance, by using the regional information in the data, it is possible to follow the migration history of immigrants in Germany on a day-to-day basis. This is particularly interesting for research on transnational social spaces and the development of ethnic enclaves,

because it is possible to see if immigrants move to places with a higher share of immigrants. It is also possible to see how immigrants select into different establishments. This is a valuable resource when studying, for example, ethnic businesses. Summing up, the data allows for differentiated longitudinal analyses addressing immigrants and migration flows which partly depend on transnational migration.

Immigrants' Labor Force Participation Rates

Being employed directly after entry into the host country facilitates inclusion in the social context and helps to reduce language difficulties (Blaschke, 1989). Having access to an established network of peers or family who have migrated years in advance helps with entering the labor market faster (Granato, 2009). Hence, labor market integration is an important step for structural assimilation (Esser, 2001; Heckmann, 2001). Successful structural assimilation facilitates the baseline for complete assimilation and the opportunity for maximization of human capital gains. The labor force participation rate is considered as an indicator of integration into the labor market. On average, immigrants are less integrated into the labor market than persons without migration background (Kalter, 2005). In the discussion below, the labor market participation rates of Germans, immigrants, and ethnic Germans from the birth cohorts of 1940 to 1949 are analyzed to draw conclusions regarding the integration of immigrants. In our analyses, immigrants are defined as people with a foreign nationality and without German citizenship, ethnic Germans are identified by their entitlements to the German "Fremdrentengesetz"[1], and Germans comprise the native comparison group. The potential employment periods in Germany are calculated for individuals aged 20 to 65. This is the accumulated period of years a person is able to work, meaning that the person has already left the education system but has not retired yet, is not doing civil or military service, and is not incapable of working. Then, the relation (ratio) of the periods of potential employment to the actual employment state on June 30th of every year is examined. Employment is defined as a job that is covered by social security. It is determined neither by working hours nor by the type of occupation. The calculations for these three categories of persons are presented separately for men and women (see Fig. 1).

[Figure 1]

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[1] This law treats eligible foreigners with German ancestry as people who have spent their whole life in Germany, although they actually lived part of it in another country. Any period of employment, held in both their home countries and in Germany, is taken into account for calculating ethnic Germans' annuities.

The average labor force participation rate of Germans is at its highest from 1980 to 1989. The rate increased at the beginning of the 1980s, and fell sharply in 1990[2]. In the period from 1992 to 2006, the labor force participation rate decreased. The highest participation of the German cohorts 1940-1949 was when the individuals were aged between 30-39 years. After 39 years, participation decreased again.

Immigrants consistently show the lowest labor force participation rates compared to ethnic Germans and Germans. The only exceptions are during the 1970s. Until 1973, labor force participation increases and stays consistent at higher level, until the beginning of the 1980s. This development can be explained by the recruitment of immigrant workers starting in 1955 and lasting until 1973 (Wünsche, 2009). Immigrants show the highest labor force participation rates in their twenties. Beginning in 1993, a strong and lasting decrease of employment was noted. After 2003, only one third of the immigrant population is employed.

The labor force participation rate of ethnic Germans contrasts sharply with the patterns of the other immigrant groups. There are strong fluctuations in subsequent years. One explanation for the outlined development of the employment trajectory of ethnic Germans can be the disruptions of their employment history, such as frequent loss of jobs and the associated unemployment (Hochfellner/Wapler, 2010). The labor force participation rate increases in 1969.[3] From the mid-1990s there is a continual decrease in the labor force participation rate.

German men on average have higher labor force participation rates than German women and hence are better integrated in the labor market. This gender difference in employment opportunities is similar for immigrants with and without German nationality. This gender gap decreases continually and is nearly equalized in the last ten years of the employment history. For ethnic Germans, there are smaller gender differences. This is due to the fact that a high labor force participation rate of women was common in the former Soviet Union (Behrensen/Westphal, 2009).

Conclusion

The present results addressing labor market integration refer to different ethnic groups in the German labor market. Transmigrants are included in the population of immigrants and thus no

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[2] Data from 1990 should be interpreted with caution, since there was a delay in the information on employment caused by the German reunification

[3] This is because in 1969 only few ethnic Germans had immigrated to Germany. The lower number of individuals in our sample reflects this situation.

separate analyses are executed for people who can be considered as transmigrants. In sum, ethnic Germans show approximately the same level of employment as Germans, whereas immigrants clearly lag behind. It seems that the privileges awarded to ethnic Germans support a better labor market integration compared to other immigrants. Because of their history, ethnic Germans are entitled to special integration programs and trainings. Public policy should enlarge these measures to all immigrants. In addition, public policy can develop specific trainings targeting immigrants or other labor market policies, to support immigrants finding jobs and getting comfortable in their workplaces.

The results also show indications of a problematic situation for older employed persons, since a decreasing job market participation rate can be found for all groups over time. This problem is most pronounced for immigrants. Early retirement in combination with employment careers not fully spent in Germany and a lower average income (Konietzka/Kreyenfeld, 2001) combine into a risk factor for old age poverty.

Our study shows that the BASiD data can be used for longitudinal analyses of immigration. Another important topic for transnational migration studies is to use the employment information of the country of origin and compare these individual histories to the employment histories in Germany. For instance, for ethnic Germans a higher pre-migration wage translates into a higher wage in Germany. This supports the argument of partial transferability of pre-migration human capital to the host country's labor market (see Hirsch et al., 2013). Mika and colleagues (2010) compare the occupations of ethnic Germans with BASiD. They show that ethnic Germans working in low qualified employment tend to find employment at the same level on Germany, whereas only a small proportion of ethnic Germans who worked in high qualified jobs in their home country find the same kind of work in Germany. Both these studies provide evidence that high qualified transmigrants in particular are facing problems of staying employed within the same occupational level.

All the outlined results are examples of how BASiD can be used to gain new evidence in migration studies. In general, BASiD enables analyses of difficulties, characteristics, and resources of immigrants in general and transmigrants in particular.
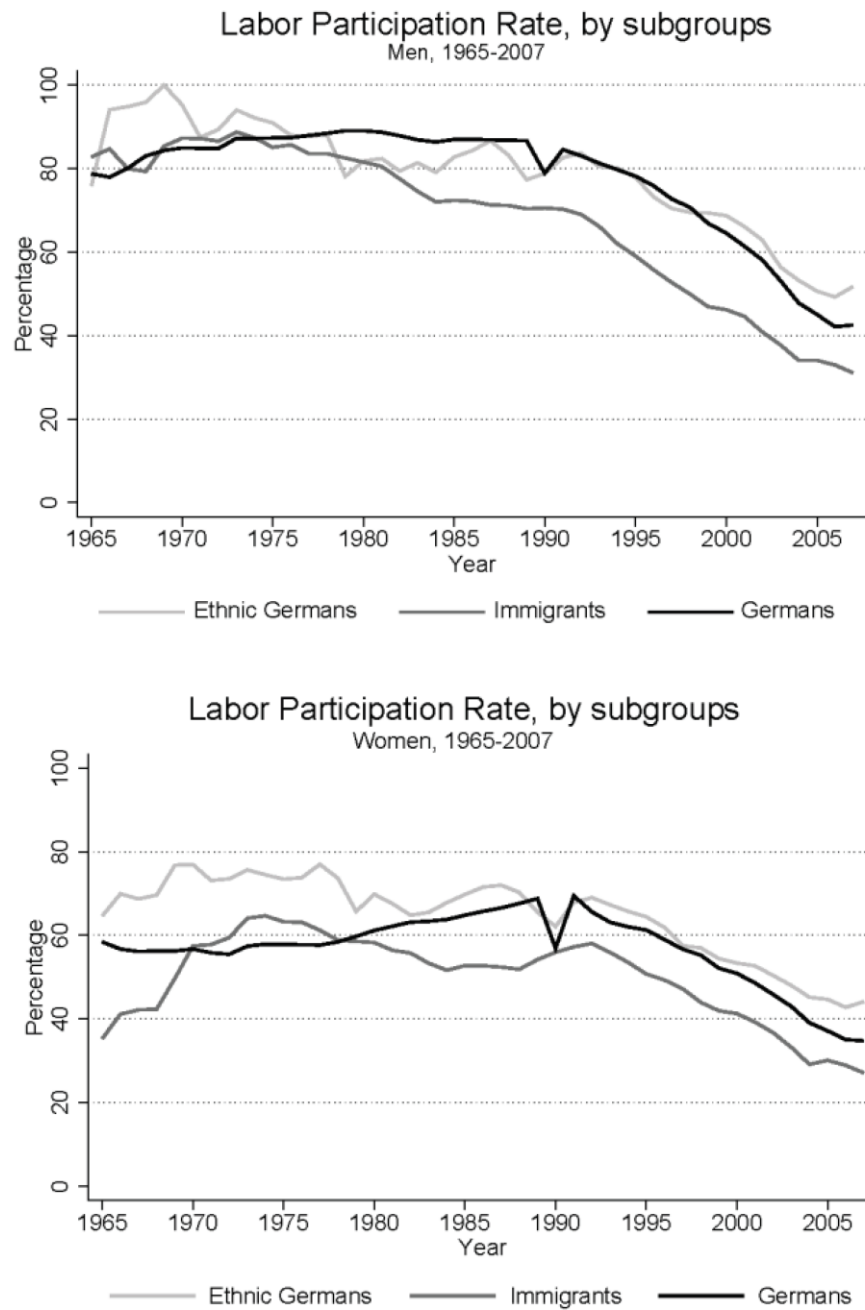
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Figure 1: Labor Participation Rate, by subgroups. Men and Women.

Source: own representation