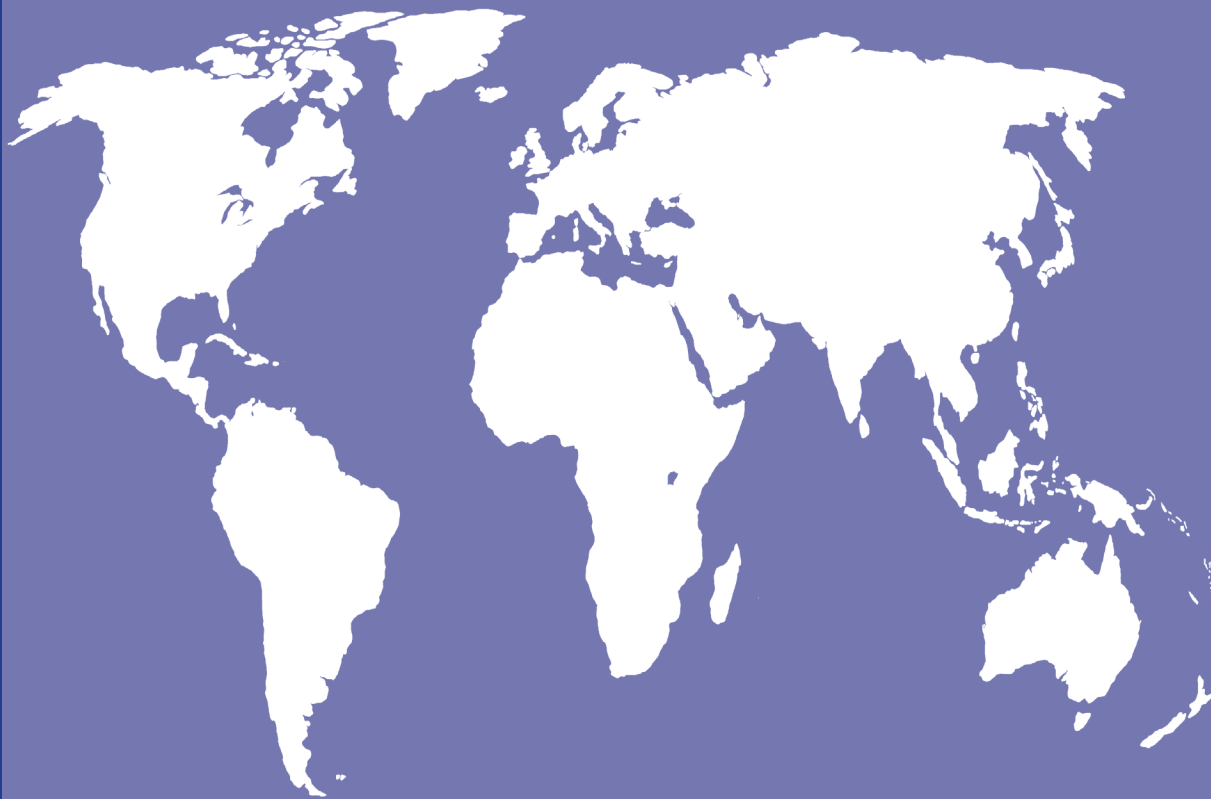




DIW DC



Annual Report 2007

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*Excellence in
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Chairman's Message



There was never a question about where DIW DC should be located. Not only is Washington, DC the seat of all three branches of the United States' federal government, it is home to the World Bank, the International Monetary Fund, 22 colleges and universities (several ranked among the best in the world), 172 foreign embassies, and innumerable think tanks, lobbying groups, NGOs, and professional associations. Yet despite these rich offerings, we noticed an important absence: there was no research institution dedicated to interpreting and communicating the European and American economic scenes for both audiences, while offering unrivaled expertise based on research in economics with a policy bent. We set out to fulfill this need and in January 2007 the DIW DC office opened on K Street.

An American partner of the German Institute for Economic Research (DIW Berlin) and the Institute for the Study of Labor (IZA Bonn), DIW DC specializes in researching and disseminating

American and European economic trends for the transatlantic market, serving as a platform for joint research, policymaking and academic exchange between the United States and Europe, continuing the academic tradition of its European partners through its affiliations with Georgetown University and DIW Berlin's Graduate School. Most importantly, the Institute is nonprofit, nonpartisan and independent. In close cooperation with its European partners it conducts research and analysis for the public sector, the private sector, foundations, universities and private individuals. DIW DC is committed to promoting research in economics with unwavering integrity and to communicating its sound research to policymakers in a simple and unbiased way.

I am elated to have Professor Amelie F. Constant, PhD. as DIW DC's Executive Director. Not only has Dr. Constant spearheaded the development of the Institute, but she also has a long history of supporting international cooperation, producing outstanding original economic research and analysis and educating many cohorts of undergraduate and graduate students. A native European, she completed her early education in Greece and France and has spent most of her adult life living and working in the United States, receiving her Ph.D. in economics from Vanderbilt University. With her additional five-years work experience at Germany's best think tanks, Dr. Constant is ideally suited to serve as economic ambassador

and interpreter between the United States and Europe. She is a woman of ability, resourcefulness, probity and vision. A polyglot and a great communicator, DIW DC is very lucky to have her at its helm.

Migration was at the forefront of world current events this past year. In the United States, it was the unfortunate main event of 2007, as the Senate and the House were incapable of passing several versions of comprehensive migration bills. The proposal of a guestworker scheme with a pathway to citizenship was heavily debated. Despite the support of President Bush, migration remains in a quagmire. The main issue stems from the estimated 12 million illegal immigrants living in the U.S. Europe also faces immigration challenges, mostly related to the integration of immigrants and the alignment of migration policies across the 27 union members. The European Commission proposed to introduce a “Blue Card,” allowing labor migrants to enter the European Union member states in a more systematic way. Skilled immigrants are the type of labor migrants most sought after in all countries, including the United States, Canada and Australia. Passionate about migration, the field of her main research for 15 years, Dr. Constant was ready to communicate her research to the academe, the public and the media, using European migration and the German guestworker program as a valuable paradigm. For an in-depth discussion of current migration challenges, please refer to our Annual Essay, “Integration of Migrants: Ethnic Identity Affects Economic Success,” included in this report.

Two thousand and seven was more than just a busy year on the world stage, however. As DIW DC’s inaugural year, the Institute was occupied with conducting new research for academic publication and for public education; forging new contacts; attending conferences, lectures, seminars and policy events to represent the Institute and educate the general community; teaching classes at partner institution Georgetown Public Policy Institute; hosting the annual Migrant Ethnicity Meeting; leading a lecture series for doctoral students from the DIW Berlin Graduate Center of Economic and Social Research; offering two rigorous classes in macroeconomics and economic policy; and placing DIW students in internships in high profile think tanks in the area, to mention but a few of the year’s activities. Executing part of DIW Berlin’s Graduate School curriculum is a significant function of the Institute, which is aligned with our mission to educate and prepare future international leaders. I am proud of what we have accomplished and eager for what the future will bring.

As DIW DC continues its work into the next calendar year, we look to expand the output of our research and analysis in several areas of economics, increase our staff, raise our profile at leading conferences, business events, the media and the policy arena, and to deepen connections with leading scholars from both sides of the Atlantic. Thank you to those friends and supporters who have guided us throughout the year.



Prof. Dr. Klaus F. Zimmermann, Chairman of the Board

Director's Message



It is a privilege to be DIW DC's Executive Director and lead the Institute in its first steps in the world. I am grateful for the warm welcome we received from the city and the community and I appreciate everyone's help and support. I feel very fortunate to serve under a fabulous board and humbled to be guided by the prestigious board of distinguished advisers.

Two thousand and seven was a wonderful year for DIW DC, as we established the Institute and put it on the map. DIW DC's important mission is to conduct original scientific research, to promote academic debate on issues that affect people's lives, the economy and the world, to present our output to the academic community and the general public in an accurate and unbiased manner, to make policy recommendations based on our research, to educate the next generation of leaders and scholars, to strengthen and deepen the dialog between Europe and the U.S., and to encourage

and facilitate the exchange of scholars and students between the two geopolitical and economic giants. We take pride in our high standards, our fresh approach to socioeconomic challenges and our commitment to non-partisanship. Our motto and vision is that DIW DC can make a difference as it engages the community and raises awareness of socio-economic issues.

DIW DC is uniquely positioned in Washington, DC, in the heart of the golden triangle and a few blocks from the White House and other international organizations and institutions that influence and shape policies and the economy. In DC we find unmatched opportunities and challenges to tackle. Affiliated with Georgetown University, a national leader in education and a member of the Consortium of Universities in the Washington Metropolitan area, DIW DC has a strong academic bond and is well-placed in the academic community. In its very short life the Institute is already a serious source of research for policymakers.

In 2007, DIW DC made tremendous headway in networking and promoting our name and research internationally. The Institute and its staff have initiated, cultivated and established many valuable contacts with other DC and American institutes, universities, and businesses. We participated in numerous conferences in the U.S. and Europe and forged cooperations with our partners. Through careful planning,

dedication, commitment to high standards, and perseverance, DIW DC has provided great service to the community and brought the two continents closer. The Institute has been well-represented in public education through its expert seminars, reports, and policy briefs, as well as its refereed journal publications and discussion papers.

It is also with great enthusiasm that I report that DIW DC has successfully managed the DIW Berlin doctoral program in Washington, DC, by offering rigorous and intensive courses, academic supervision, valuable internships in key area think tanks, and other scientific and extracurricular activities to students. Teaching at the Georgetown Public Policy Institute is another contribution of DIW DC to the scientific community. As a visiting professor at GPPI, I teach graduate students microeconomics and international migration and the labor markets. Through our guest researchers program we bring Europeans and Americans together and keep the discourse alive.

Two thousand and seven has been marked with intense partisanship in the U.S. over migration and the war in Iraq. Migration research at DIW DC offers insights on the immigrants' ethnic identity and its relation to the social life and the labor market (please see our Annual Essay).

I look forward to the future with its challenges and rewards, leading DIW DC through these interesting times, sticking to our vision and making sure that the Institute's voice is heard. We monitor the world's activities as we experience heightened geopolitical instability and head into the presidential elections of 2008.

Thank you to all,

A handwritten signature in blue ink, appearing to read 'A. Constant', with a stylized flourish at the end.

Prof. Amelie F. Constant, Executive Director

Who We Are

DIW DC is an independent nonpartisan, nonprofit economics think tank incorporated in Washington, DC. Founded in January 2007, DIW DC specializes in researching and interpreting American and European economic trends for the transatlantic market, serving as a platform for joint research and policymaking between the United States and Europe.

The DIW DC organization focuses on current and emerging socioeconomic and policy issues of our time, both domestically and internationally, all while engaging in educational and research activities. Acting as a nexus between academia and public policy, DIW DC offers practical policy solutions and advice for both the general public and policymakers.



Through teaching, fellowships, visiting scholars, conferences and publications, DIW DC widely disperses educational research and analysis, serving as a vital catalyst between academic scholarship and policymaking. The institute achieves its goals primarily by bringing new knowledge to the attention of decision-makers and affording scholars greater insight into public policy issues.

Focusing on issues of current social and economic importance, DIW DC facilitates the exchange of ideas, knowledge and people among U.S. and European policymaking institutions with the aim of stimulating transatlantic research exchange and providing unique insight into both economic landscapes.

DIW DC Board of Directors

The Board of Directors serves as the governing body of DIW DC. This group of international economic experts is responsible for managing the Institute's affairs by setting its mission and policies, planning and supervising its operations and publicly serving as advocates of DIW DC. Current board members include:

- Prof. Dr. Klaus F. Zimmermann
- Prof. Daniel S. Hamermesh, Ph.D.
- Prof. Amelie F. Constant, Ph.D.

DIW DC Board of Distinguished Advisers

The Board of Distinguished Advisers is comprised of leading scholars, distinguished business and corporate executives, academics, former government officials and community leaders who provide advice and counsel to the Institute. They support the Institute, further strengthen DIW DC's connections and ensure continued relevance to the national and international business communities. Members include:

- Prof. Rebecca Blank, Ph.D., Brookings Institution
- Prof. Larry Hedges, Ph.D., Northwestern University
- Prof. Douglas Massey, Ph.D., Princeton University
- Prof. Dr. Christopher Pissarides, London School of Economics
- Mr. Howard Silver, Partner, Hogan and Hartson LLP
- Prof. Dr. Rita Süßmuth, Former President of German Federal Parliament
- Prof. Jan Svejnar, Ph.D., University of Michigan

Doctoral Students

Each year, first-year students from the DIW Berlin Graduate Center of Economic and Social Research spend three months at DIW DC as part of their studies. The students attend classes, participate in internships, and are given the opportunity to interact with some of America's leading economic minds. The 2007 doctoral student visitors include:

- Eva Berger
- Frauke Braun
- Astrid Cullmann
- Burcu Erdogan
- Johannes Geyer
- Daniela Glocker
- Sven Heitzler
- Cathérine Müller
- Marc Vothknecht
- Nicolas Ziebarth
- Johannes Ziemendorff



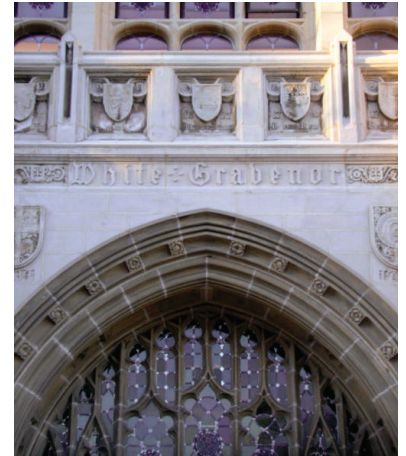
What We Do

Excellence in Research and Teaching

The Institute's collaborative research teams are international and multidisciplinary, drawing upon political science, law, sociology, geography, social psychology and anthropology to explain economic forces and behaviors. Some projects are initiated by our staff or individual fellows, while others are commissioned or funded by foundations or governments. Together with our partner organizations, we conduct research in the following areas of economics:

- Migration
- Evaluation of Labor Market Programs
- Labor Markets, Institutions and Development
- Macroeconomic Analysis, Business Cycle Measurement and Forecasting
- International Economics
- Public Economics
- Energy, Transportation, Environment
- Information Society and Competition
- Innovation, Manufacturing, Service
- Political Economy
- Health

In addition to conducting cutting-edge research, DIW DC is strongly committed to educating tomorrow's economic leaders. Each year DIW DC hosts students from DIW Berlin's Graduate Center of Economic and Social Research, arranging internships, classes, and weekly guest lectures from prominent American economists. Students are given career advice and encouraged to make lifelong American connections. DIW DC works closely with American students as well; as a visiting professor at Georgetown University, DIW DC's Executive Director, Amelie Constant, shares her in-depth knowledge of the European economic landscape with her students and encourages them to attend DIW DC lectures and events.





Solutions for Effective Policymaking

Seeking to enrich understanding of public policy issues through work with international scholars, government leaders, the general public and the private sector, DIW DC is committed to promoting conscientious economic research and disseminating knowledge to the public. As an Institute, DIW DC focuses on current socioeconomic and policy issues, offering practical policy solutions and advice to both the general public and policymakers. The institute achieves its goals by bringing new knowledge to the attention of decision-makers and affording scholars greater insight into public policy issues.

DIW DC also offers a direct connection to international policy research. Affiliated with leading German economic research institutions DIW Berlin and IZA Bonn, DIW DC serves as a stage for U.S.-European collaborative research and policymaking. Focusing on issues of current social and economic importance, DIW DC facilitates the exchange of ideas, knowledge and people among U.S. and European policymaking institutions with the aim of stimulating transatlantic research exchange and providing unique insight into both economic landscapes.

Stronger Transatlantic Relationships

DIW DC enjoys close partnerships with DIW Berlin, the largest German think tank in economics, and IZA, the international network of labor economics, headquartered in Bonn, Germany. Building on the internationally renowned reputation of IZA and the more than eighty years of DIW Berlin's commitment to research, teaching, and policy advice, DIW DC brings a new level of awareness and resources to the scientific community, the political arena and the wider public.

DIW DC also enjoys partnership with Georgetown University, an international leader in scholarship and public policy. Additionally, the Institute is affiliated with The Migration Policy Institute and Southern Methodist University's John Goodwin Tower Center for Political Studies and enjoys special relationships with The World Bank, The Urban Institute, The American Institute for Contemporary German Studies, The Center for Economic and Policy Research, Welch Consulting, The German Marshall Fund, The Turkish Industrialists and Business Association in the United States, The International Food Policy Research Institute and other organizations. DIW DC is also an active member of the German American Business Council and maintains good contacts with Deutsche Telekom, DHL, Deutsche Welle, The Representatives of German Industries and Trade and the local German expatriate community. Through these connections, DIW DC bridges the gap between academic research and public policy.

Events

I. In the United States

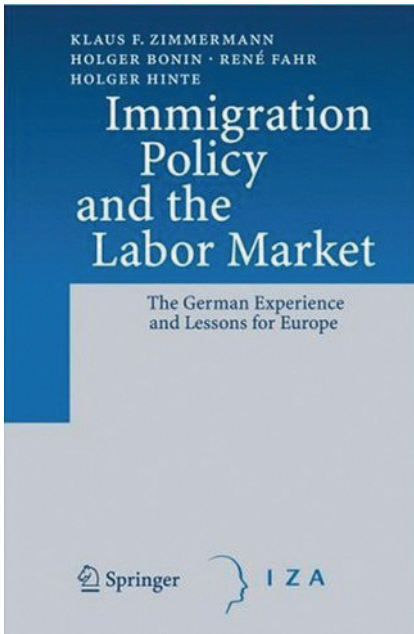
Lecture Series: Distinguished Scientists and Their Stories

In the spirit of educating the next generation of leaders, the DIW Berlin Ph.D. curriculum offers hands-on experience through internships in the most influential think tanks and other lecture series and seminars. This series intends to give insights, enrich social capital, and provide unconventional cross-disciplinary education, as scholars and industry leaders share their experiences with the students. Topics covered include a survival guide to the doctoral program, recipe for success in the profession, how to publish and not perish, how different international organizations work, how to succeed in a foreign country, and career options outside academia, just to name a few. The 2007 lecturers include:

- Dr. Robert Lerman, The Urban Institute and American University
- Dr. Jackson Janes, American Institute for Contemporary German Studies
- Prof. Dr. Klaus Zimmermann, DIW Berlin, University of Bonn, IZA
- Prof. Pierre Pestieau, Ph.D., Université de Liège
- Prof. Robert Bednarzik, Ph.D., Georgetown Public Policy Institute
- Prof. Alain Joustien, Ph.D., Université de Liège and IMF
- Mr. Wolfgang Jakubek, Deutsche Telekom
- Prof. James Albrecht, Ph.D., Georgetown University
- Prof. Dr. Georg Meran, DIW Berlin
- Mr. Abdullah Akyuz, TUSIAD-U.S.



Professor Pierre Pestieau shares his experience working in economics with DIW Berlin graduate students



Book Presentation: *Immigration Policy and the Labor Market* by Klaus F. Zimmermann, Holger Bonin, René Fahr and Holger Hinte

This high profile book presentation took place in Washington, DC in March 2007. This was a joint event with the Migration Policy Institute in DC and hosted at their premises. In MPI's conference room packed with more than eighty people from academia, think tanks, the media, the business world and policymakers, Zimmermann presented his book, "Immigration Policy and the Labor Market: The German Experience and Lessons from Europe" (with



Holger Bonin, René Fahr and Holger Hinte). Demetri Papademetriou, President of MPI and a world-known figure in migration policy, welcomed the audience and moderated the presentation. Zimmermann talked about the new Immigration Law of 2005, a long overdue act that acknowledges Germany as an immigrant country. He addressed the immigration problems in Germany, namely the need for socioeconomic



integration efforts for the immigrants who are already in Germany, the need to open the doors to highly skilled immigrants and to keep highly educated foreign students. He also underscored the need for a new immigration strategy by Germany and the EU in general, as Europe has a weak position in the global competition for human capital. Lastly, he proposed solutions for amelioration based on economic criteria. For example, Europe should devise a "common procedure to create attractive conditions to encourage qualified immigrants to choose Europe." The EU should realize that managing migration does not only mean border controls. The presentation was followed by questions from the audience and a buffet dinner.

MPI President Demetri Papademetriou

Third Annual Migrant Ethnicity Meeting (MEM)

Continuing the high standards scholarly format, Klaus F. Zimmermann and Amelie F. Constant co-organized the Third Migrant Ethnicity Meeting (MEM), which took place on March 9-10, 2007 in Washington, D.C. IZA scholars from a dozen of different countries representing several disciplines in social sciences participated, presented their latest research and provided valuable insights into all major research areas of IZA's Migrant Ethnicity Project supported by the Volkswagen Foundation: (1) measurement of ethnicity, (2) citizenship, (3) ethnic entrepreneurship, and (4) interethnic marriages.

The question of ethnic identity and its measurement was raised and discussed in the presentations by Roland Benabou (Princeton University) on "Identity, Dignity and Taboos" and by Amelie Constant on gender differences and the effects of ethnic identity on immigrants' probability to work. Ethnic entrepreneurship was addressed by Konstantinos Tatsiramos (IZA) with his



Solomon Polachek

dynamic model of immigrant entrepreneurship in the United States. While Martin Kahanec (IZA) discussed the impact of ethnicity and language on the "Russian-Ukrainian earnings divide," James Hollifield (Southern Methodist University at Dallas) presented his findings on immigration and immigrant integration in the Dallas-Fort Worth metro area using a new and rich dataset. Fresh work by Christina Houseworth (University of Illinois at Chicago) on what determines ethnic intermarriages among immigrants shed more light on this special area of interest within the Migrant Ethnicity project. In other sessions, the issues on identity, socialization, and assimilation and earnings were hotly debated. Leading academic authority in the economics of migration, Barry Chiswick, offered valuable new findings on human capital, denomination and religiosity. The keynote speech at the third MEM was delivered by Solomon Polachek (Binghamton University and IZA). Focusing on the role of hurricanes in Florida, he analyzed the effects of natural disasters on local labor markets.

Session One (Chair: Pieter Bevelander (Malmö University and IZA))

- Martin Kahanec (IZA), Amelie Constant (Georgetown University, DIW DC and IZA) and Klaus F. Zimmermann (IZA, DIW Berlin and University of Bonn) - “The Russian-Ukrainian Earnings Divide”
- James Hollifield (Southern Methodist University at Dallas and IZA) - “Immigration in a Sun Belt City: Immigration and Immigrant Integration in Dallas-Fort Worth”

Session Two (Chair: Don J. DeVoretz (Simon Fraser University and IZA))

- Keynote Speech: Solomon Polachek (Binghamton University, New York and IZA) - “How Disasters Affect Local Labor Markets: The Effects of Hurricanes in Florida”

Session Three (Chair: Klaus F. Zimmermann (IZA, DIW Berlin and University of Bonn))

- Roland J.M. Benabou (Princeton University and IZA) and Jean Tirole (IDEI, Université des Sciences Sociales, Toulouse) - “Identity, Dignity and Taboos: Beliefs as Assets”
- Alberto Bisin (New York University) and Thierry Verdier (Paris-Jourdan Sciences Economiques) - “Bend it Like Beckham. Identity, Socialization, and Assimilation”

Session Four (Chair: Carmel U. Chiswick (University of Illinois at Chicago and IZA))

- Amelie Constant (Georgetown University, DIW DC and IZA), Klaus F. Zimmermann (IZA, DIW Berlin and University of Bonn) and Liliya Gataullina (IZA) - “Gender, Ethnic Identity and Work”
- Barry R. Chiswick (University of Illinois at Chicago and IZA) - “The Earnings of American Jewish Men: Human Capital, Denomination and Religiosity”

Session Five (Chair: Barry R. Chiswick (University of Illinois at Chicago and IZA))

- Christina Houseworth (University of Illinois at Chicago) - “Determinants of Ethnic Inter-marriage Among Immigrants to the United States”
- Konstantinos Tatsiramos (IZA) - “Entrepreneurship and Survival Dynamics of Foreign-Born and U.S.-Born Immigrants”





Inaugural Gala

The DIW DC opening gala on October 23, 2007 was a great success, attracting about 200 attendants among the “Who’s Who” of the DC area and Germany. During the official inauguration, IZA Director and DIW Berlin President Klaus F. Zimmermann, his Excellency the German Ambassador, Klaus Scharioth, and the honorable Chairman of the U.S. Council of Economic Advisers to the President, Edward Lazear, all underscored the importance of an international perspective on scientifically-

founded policy advice. “Whether it is health care reform, climate change, immigration reform, the transparency of financial markets or product piracy, economic policy needs professional research-based advice,” said Professor Zimmermann.

This policy advice needs a global perspective, he added. Chairman Lazear praised the new Institute, confirmed the need for it, and expressed his certainty of future success. During his speech, he stressed the idea of comparative advantage and that the U.S. must pursue policies of economic openness and low taxes to keep the economy growing. The high-profile inaugural gala was well attended by the academic, business, and policy communities from both the Washington, DC area and Europe.



II. Abroad

In cooperation with its European partners, DIW DC organized and held a series of other scientific and expert meetings on the issues of migrant ethnicity and integration throughout 2007.

Fourth Practitioners’ Meeting on Inter-marriage

The fourth of a series of practitioners’ meetings, the “Interethnic Marriages Practitioners’ Meeting,” organized and led by DIW DC Executive Director Amelie Constant and IZA Program Director Barry Chiswick took place on May 25, 2007 at IZA Bonn. Bringing together theory and practice is an integral part of IZA’s research activities within the Volkswagen Foundation-funded Project “Migrant Ethnicity.”



This one-day focus group event offered valuable insights on interethnic marriages. A dozen of intermarried individuals, experts, and representatives from the interethnic partnerships and families in Germany participated, presenting current German statistics and sharing their stories. While German women were much more likely to be in a bi-national marriage in the past, after 1995 it is German men who are more often intermarried than German women (remarkably, German men intermarry twice as much as German women). In 2005, roughly 12% of children were born to interethnic couples, that is, couples in which one

partner is German. Issues discussed during this focus group meeting included problems of visa acquisition and residency permits for spouses and their relatives, hostility and prejudices against non-German spouses, language barriers, discrimination, religious concerns, and rearing children in an interethnic household. This workshop was the ideal forum for the fruitful exchange of knowledge and experience; people who are personally affected by the regulations were able to be analyzed by scientific researchers in order to provide well-founded policy advice.

Fourth Annual Migration Meeting (AM²)

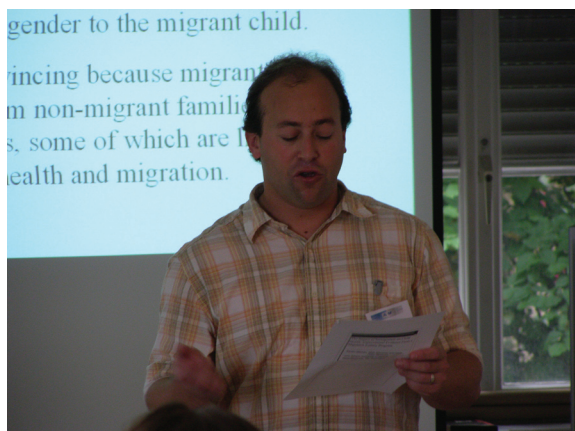
AM² at partner institute IZA has been established as a marketplace of ideas and research in all formats and types. The meeting once again met its goals and lived up to its reputation by bringing together international scholars in economics and social scientists at every career stage. Organized around important new and substantive issues that inspire and invigorate the migration field, the meeting also offered a social program and opportunities for animated discussions outside the sessions.

The international group of migration scholars presented and discussed their latest work on important migration issues and labor market outcomes over the two days. All papers were assigned a discussant and were also discussed with the audience. The issues of health and safety were covered by Steven Stillman (Motu Economic and Public Policy Research Trust), who presented the effects of immigration on child health and Arturo Gonzalez (Public Policy Institute of California), who



*University of Illinois at Chicago Professor
Chiswick, DIW DC Executive Director Constant*

spoke about the undocumented status of immigrants in the United States and the day labor market. The session on religion, discrimination, and ethnicity stirred a lot of discussion as Pieter Bevelander (Malmö University) talked about youth's attitudes towards Muslims, Dan-Olof Rooth (Kalmar University) about discrimination in hiring, and Amelie Constant (DIW DC, IZA and Georgetown University) about the role of the "ethnosizer" on immigrant and native earnings.



Skills, productivity, and the stratification of immigrants was the next session. Continuing with the high caliber of papers and presentations, Massimiliano Tani (Macquarie University, Sydney), Daniele Paserman (Boston University), and Guillermina Jasso (New York University) covered these topics for the EU, Israel, and the U.S. respectively. While David McKenzie (World Bank) discussed the role of migrant networks in the case of Mexican-US migration, Alfonso Miranda (Keele University) questioned whether migrant networks affect education in urban Mexico.

As always, the highlight of AM² was the Julian Simon Lecture. Professor Barry R. Chiswick delivered the 2007 keynote on "The Economics of Language," an area that he has been working on for at least two decades. Starting with the Tower of Babel story, he convinced the audience that language is not just a means of communication, but an essential element of immigrants' success and a powerful tool of immigration policy. The talk focused on recent research developments in language issues. There were two primary themes in the talk. One theme was the determinants of dominant language proficiency among linguistic minorities, where the primary application is to immigrants. He elaborated on the three fundamental "E's": exposure, efficiency and economic incentives. The second theme was labor market consequences (primarily earnings) of dominant language proficiency among immigrant and native-born linguistic minorities.

"The Interface between Migration Research and Policy Making" Interdisciplinary Conference

As part of the interdisciplinary research project on "Migration and Integration" funded by the Volkswagen Foundation, the third joint conference of all study groups participating in this project took place on November 23–24, 2007 in Bonn. Organized by Executive Director Amelie F. Constant, Chairman Klaus F. Zimmermann and Konstantinos Tatsiramos (IZA), this academic conference concentrated on "The Interface between Migration Research and Policy Making." The pioneering conference represented all fields of social sciences so ethnicity can be intensively debated from all disciplines (sociology, economics, political science, anthropology, economic history, linguistics, and social psychology). The purpose of this meeting was to bring the research community closer to the public and the policymakers, to emphasize the importance of connecting scientific research to policy recommendations, to open a constructive dialogue, to strengthen the exchange of scientific approaches and results among the funded study groups, and to provide a research continuum to Volkswagen Foundation's program on migration and integration. The

pioneering conference was also attended by Dr. Alfred Schmidt from the Volkswagen Foundation.

The first part of the conference focused on the divide between the scientific and political world and on how to better disseminate the available research findings in the political realm and the general community. Representing Mr. Armin Laschet, Minister for Intergenerational Affairs, Family, Women and Integration of North Rhine-Westphalia, Dimitria Clayton spoke about the potential reasons for “communication problems” between researchers, policymakers and the public. While she recognized that problems exist, she was also able to provide some encouraging examples of fruitful interaction between these groups. According to Clayton, both the “tunnel vision” of some politicians as well as the reluctance of many researchers to express their findings “in simpler terms” could be overcome. Acknowledging the responsibility of the media, she also called for the inclusion of various other societal groups in the information process. She emphasized the importance of rich datasets as a basis for high-quality research as well as for the purpose of legitimizing policies. She welcomed the fact that it has finally been made possible to collect data on the migration backgrounds of German citizens. This is the only way for politicians and researchers to effectively evaluate integration strategies, she said.



Barbara John, one of Germany’s most renowned integration policymakers and the coordinator for language acquisition programs in the Berlin Senate Office for Education, Youth and Sports, explained quite illustratively why the common knowledge of the German public about immigration issues does not often correspond with reality. There have been many misguided approaches to integration problems in the past, starting with the self-deceptive term “guest worker” for labor migrants who came to post-war Germany. As long as it is not established in the public’s mindset that all members of society will ultimately benefit from controlled immigration, people will remain suspicious toward any liberalization of immigration strategy, which is why policymakers are reluctant to implement such policies. As a result, Germany finds itself in a paradox: while rules for work permits are overly restrictive, benefit entitlements are relatively generous – although the opposite would make more sense from an integration perspective. This also explains why Germany has been so reluctant to introduce an immigration policy based on economic objectives and make use of the options contained in the new immigration act.

A thought-provoking and challenging panel discussion moderated by Amelie Constant focused on “How to Talk to the General Public about Migration.” Participating scholars and pundits from several countries and disciplines included Klaus F. Zimmermann, Jeroen M.J. Doornik (University of Amsterdam, IMES) and Timothy J. Hatton (University of Essex, Australian National University), who debated with John and Clayton on the topic. The main task of scholars is to study the migration phenomena, understand them and come up with robust findings, but despite the fact that policymakers have also been concerned with these issues and trying to grapple with them, there is still a serious gap in the interface between

researchers and policymakers, said Constant. She posed the following crucial questions to the panelists and the audience: How can researchers effectively communicate with and share their findings with policymakers? How can politicians understand and use research findings to achieve a win-win situation in their difficult road to implement policies, avoiding unintended consequences and pleasing the public? How can we reach a nexus between policy and science? How do we maintain research independence when research is government-funded? How do we raise public awareness? Finally, how do we deal with oftentimes biased news in the press?

Differing target audiences for scientists and politicians, coupled with complex scientific analyses that are not easy to reconcile with the simplification required by politics and the media are serious issues, Zimmermann said.

Politicians Remain Reluctant to Implement Far-Reaching Reforms

The distorted picture often spread by the media was seen as an impediment to objectively informing the public, who then doubts the credibility of the scientific findings. At the same time, policymakers are “playing by their own rules” (Barbara John), accepting research results only if these serve to legitimize their own policy agenda. Dimitria Clayton drew a more optimistic picture of politicians’ openness to advice from migration researchers. She pointed out that there has been an increasing demand for such advice,

which has also found its way into recently implemented policy programs, although any implementation can only be done step-by-step in order to receive sufficient public support.



Nonetheless, Zimmermann criticized the lack of stamina among German migration and integration policymakers, who – despite remarkable progress with the citizenship reform and the 2005 immigration acts – fail to show “the will to see this thing through.” For instance, while the growing shortage of skilled labor in Germany virtually begs for adjustments to the immigration act, this seems to be nowhere near the top of the political agenda. Zimmermann also

saw it as the task of the research community to better promote important issues and potential solutions through the media. The problem, he conceded, is that there is always the risk of one’s statements being misquoted or oversimplified, which could then lead to the opposite of the intended effect. Nevertheless, Zimmermann regarded the media as a promising way to positively influence political decisions – as long

as communication is broached with the necessary caution and openness and scientific conduct is not neglected in the process. “Scientists should remain true to their research findings and be nonpartisan,” he said.

The discussants agreed in their final assessment that migration and integration policies can only succeed when administered in small, well-chosen doses. They also called on the research community to pave the way with practice-oriented research pursued in such projects as the one supported by the Volkswagen Foundation.

In the second part of the conference, group members presented their research, made an effort to establish a rapport with public policy, and participated in exchanging ideas and discussing each other’s work. The following issues were presented and discussed: migrants with a foreign academic degree and political strategies for immigrant regulation; systematic and rigorous data collection efforts; cultural diversity in the health care system in Germany, Italy and Canada; ethnic diversity in organizations of law and order in Germany in comparison with similar practices in other countries. In addition, the following questions were raised: Does cultural diversity matter for a successful career start among immigrants and natives in Germany? How important is integration at the kindergarten level? How is cultural capital constructed and what is the role it plays in accessing the labor market? How do we measure ethnic identity and its impact on economic outcomes? The four newly funded study groups focus on the role of language (speaking and writing capabilities in German or in their country of origin language) as a key to immigrant integration.



Successful Grand Finale Conference: Social and Labor Market Integration of Ethnic Minorities

DIW DC participated in the conference “Social and Labor Market Integration of Ethnic Minorities in the European Union: Challenges and Prospects,” which took place in December in Brussels. The purpose of this event was the official presentation of the final IZA report of the European Commission’s “High Level Advisory Group of Experts on the Social Integration of Ethnic Minorities and their Full Integration in the Labor Market.” The presentation of the report was followed by a broad political debate on the findings contained in the report.

As an advisor to the High Level Group, partner institute IZA delivered a comprehensive analysis of the barriers to labor market integration of ethnic minorities. The conference was opened by EU Commissioner Vladimír Špidla and High Level Group President Rita Süssmuth. Both stressed the importance of a successful integration of ethnic minorities in Europe and the need for policy initiatives to achieve this goal. The subsequent panel discussion with Špidla and Süssmuth also featured DIW



DC Chairman and IZA Director Klaus F. Zimmermann, as well as Claude Moraes, Viktória Mohácsi and Livia Járóka, members of the European Parliament, and Bashy Quraishy from the High Level Group. The experts shared their opinions on the most serious problems of minority integration, the results and recommendations of the report, and the roles of policymakers and the civil society in fostering integration. Zimmermann particularly stressed that successful integration policies rely on accompanying scientific evaluation, which in turn requires the collection of relevant data.

Representatives of non-governmental organizations reported on the social and economic inclusion of disadvantaged ethnic and religious minorities in Europe and discussed the role of NGOs in promoting minority inclusion. The ensuing panel on public policy addressed the challenges in developing integration policies at various levels of formation, adoption, and implementation.

The second day of the conference was opened by the keynote speaker Douglas Freeman (Virtcom Consulting), who discussed the future of diversity management from a global perspective. He reported an increasing trend in labor force and customer diversity and stressed the need for management approaches that can successfully address the opportunities and challenges inherent in this trend. The subsequent panel discussed business approaches to good practices of minority integration. Among the issues addressed were the benefits for businesses from becoming ethnically more diverse, what businesses can do in order to change (negative) attitudes of their staff, and which partnerships can be built between businesses, public authorities, and non-governmental organizations in order to support diversity management.

The final panel of the conference focused on the inclusion of the Roma. By analyzing their specific integration process, it was possible to identify lessons that should be learned to overcome their integration difficulties. The discussants highlighted the role of the civil society, the need for capacity building, and the importance of changing the negative attitudes toward the Roma.

Belinda Pyke, head of the directorate for “Equality between Men/Women, Action against Discrimination, Civil Society” in the European Commission, concluded the conference, emphasizing the importance of new scientific approaches to successful policy action. She also reiterated that the integration difficulties for ethnic minorities in the European labor markets pose some of the most serious challenges for the EU, which will need to be adequately addressed by all stakeholders and at all levels.

Event Participation



Conferences/ Events/ Lectures/ Seminars Attended by DIW DC Staff in 2007:

- Allied Social Science Associations (ASSA) in Chicago (January 2007)
- Migrant Ethnicity Meeting (MEM) in Washington, DC (March 2007)
- Population Association of America (PAA) in NYC (March 2007)
- University of Cyprus Seminar and Public Lecture, Nicosia (April 2007)
- SOLE in Chicago (May 2007)
- ESPE in Chicago (June 2007)
- U.S. Department of State Lecture Series (FSI) (June and August 2007)
- Conference on Capitol Hill on Securing Our Nation's Future (March 2007)
- APPAM in Washington, DC (November 2007)
- Infraday conference at the University of Maryland (November 2007)
- IZA-Volkswagen Foundation-Funded Group Conference in Bonn (November 2007)
- EU Minority Meeting in Brussels (May and November 2007)
- AM² in Bonn (May 2007)
- E & D Conference in Bonn (June 2007)
- AIEL Annual Conference in Naples (September 2007)

Public Meetings / Events Attended by DIW DC Staff:

- APSA inaugural meeting (October 2007)
- FES functions (November and December 2007)
- Lectures at the National Press Club (February, September, October 2007)
- GPPI Friday seminar (April 2007)
- DIW DC opening gala (October 2007)
- The World Bank (December 2007)
- The Washington Statistical Society (December 2007)
- The American University (October 2007)
- Georgetown University (September 2007)
- Data conference - ODAF (December 2007)

DIW DC's Staff Also Gave Invited Lectures at Universities:

- University of Cyprus Seminar and Public Lecture, Nicosia (April 2007)
- Georgetown University, GPPI seminar (April 2007)

Scientific & Policy Output

In 2007, DIW DC produced seven scientific discussion papers and two refereed journal publications. The scientific discussion papers included:

- “The Gender Gap Reloaded: Are School Characteristics Linked to Labor Market Performance?” (S. Konstantopoulos and A. Constant) DIW DP # 711
- “Circular Migration: Counts of Exits and Years Away From the Host Country” (A. Constant and K.F. Zimmermann) IZA DP # 2999 and DIW DP # 718
- “Ethnic Identity and Immigrant Homeownership” (A. Constant, R. Roberts and K.F. Zimmermann) IZA DP # 3050 and DIW DP # 726
- “Measuring Ethnic Identity and its Impact on Economic Behavior”(A. Constant and K.F. Zimmermann) IZA DP # 3063 and DIW DP # 721
- “Naturalization Proclivities, Ethnicity and Integration” (A. Constant, L. Gataullina and K.F. Zimmermann) IZA DP # 3260 and DIW DP # 755
- “Evaluating Continuous Training Programs Using the Generalized Propensity Score” (J. Kluve, H. Schneider, A. Uhlenborff and Z. Zhao) IZA DP # 3255 and DIW DP # 752
- “Too Bad to Benefit? Effect Heterogeneity of Public Training Programs” (U. Rinne, M. Schneider and A. Uhlenborff) IZA DP # 3240 and DIW DP # 749

The 2007 refereed journal publications included:

- “What Makes an Entrepreneur and Does it Pay? Native Men, Turks, and Other Migrants in Germany” (with Y. Shachmurove and K.F. Zimmermann) in International Migration, October 2007, Vol. 45 Issue 4, pages 71-100.
- “Ethnic Self-Identification of First-Generation Immigrants” (with L. Zimmermann and K.F. Zimmermann) in International Migration Review, September 2007, Vol. 41 Issue 3, pages 769-781.

DIW DC also produced policy briefs (DIW Wochenbericht: Nr. 51-52 / 2007), granted several interviews, and received and advised several German scientists, policymakers, business and members of the media.



Integration of Immigrants: Ethnic Identity Affects Economic Success

Prof. Amelie F. Constant, PhD^{**}
Prof. Dr. Klaus F. Zimmermann^{**}

Local labor markets often experience discrepancies between demand and supply. It is possible, for example, for a market to experience both job vacancies and unemployment at the same time. In Europe, there is frequently an excess supply of low qualified jobs and a lack of highly qualified work. In addition, there is an accelerated shrinking of the working age population, and thus an inevitable decrease in the economically active population. While migration is at the heart of this challenge, only a few Western European countries have opted to reform their immigration legislature to confront this issue; those who have done so have only progressed gradually. Initiatives at the European Union (EU) level call for tougher labor market-oriented immigration policies and economic criteria at the forefront. Still, the growing demand for highly qualified workers cannot be met. At the same time, immigrants work all too often in low-paid jobs, even if they have higher qualifications or are registered as unemployed. This only exacerbates competition with native workers with low qualifications and heightens problems with them.

The fact that many migrants possess distinct culture-specific human capital that can be of high value in increasingly globalized societies and economies is backed by research that emphasizes the indisputable value of ethnic diversity (Ottaviano and Peri, 2006).¹ Ethnic capital, however, has been either ignored by the receiving countries (Germany) or recognized but as yet left untapped (Canada), or immigrants have been forced to shed this ethnic capital and assimilate (France). The EU recognizes that culture and diversity are vital elements to its countries' economies and competitiveness and its international relations with third countries. "Today's strategy promoting intercultural understanding confirms culture's place at the heart of our policies" said Barroso (in EU, 2007).² In May 2007 (named the year of equal opportunities for all), the European Commission proposed three objectives: cultural diversity and intercultural dialogue; culture as a catalyst for creativity; and culture as a key component in international relations. Similarly, the role of the ethnic identity of immigrants with regards to labor market success has been rather undervalued. This essay presents a measure of ethnic identity and examines to what extent ethnic identity determines not only economic integration, but also earned income and labor force participation.

Ethnic Diversity Boosts Economic Potential

Studies have repeatedly shown that the average labor market performance of workers with a migrant background falls behind that of comparable natives. The lack of congruence between employer demand and immigrant human capital supply is undoubtedly a reason for this unfavorable starting position. The education of immigrants, especially those from third-world countries living in the EU, does not often correspond to the requirements of domestic employers; immigrants may lack the necessary certification or higher qualifications may not be transferable or recognized. Even well-educated immigrants often lack the

necessary country-specific human and social capital, such as a good command of the local language and family and friends to support them; such factors can be decisive for labor market success. Worse, migrant-specific labor markets or enclaves where immigrants encounter better employment opportunities on the grounds of their cultural experiences and language competence offer considerably lower income and few promotion prospects.

Ethnic diversity generates economic advantages which can be utilized by both migrants and the receiving country

Immigrants, independent of their country of origin, indisputably possess skills specific to their culture of origin, something unique and different that natives do not have. It is well-known in economics that economic migrants are needed because they are different. In the case of a homogeneous population, there is always the risk of lost creativity. In fact, a pluralistic society's goal of assimilation is not to erode all ethnic distinctions, but rather to increase the common culture and economic opportunities shared by all groups. There are costs and benefits associated with this cultural capital embodied in immigrants. In the production process, when immigrants and natives are complements to each other, we

can have a win-win situation; immigrants and natives can profit and the economy and society can benefit from greater prosperity. In ethnic-specialized market sectors, immigrants exhibit a potential advantage over natives as they fit in and have the best match for their human capital. Accordingly, ethnic diversity appears to raise the growth of an economy overall, even when considering any negative consequences that may arise. Diversity has more potential to produce and increase output than harm the economy. This is why immigrants may seem to have a potential advantage over natives in a market sector specializing in ethnic-specific goods and services. Policies that welcome ethnic diversity within the larger society without encouraging separation would be desirable. A genuinely inclusive policy of multiculturalism would also be beneficial (Chiswick 2008).³ The process of assimilation and integration as immigrants experience it is therefore of key importance for their socioeconomic success.

Ethnic Identity

Ethnic identity is anything that makes individuals the same or different in comparison to other ethnic groups. It may also encompass a network of strong beliefs, values, and what people hold dear. Ethnic identity surfaces and becomes a strong part of migrant persona when an immigrant arrives in a host country that is dominated by a different ethnicity or culture. Ethnic identity, then, is like property; a person can have an ethnic identity for some time, can lose it and acquire a new one or lose it and never take on or assume another one. Ethnic identity, much like personality and other individual characteristics, is supposed to influence labor market outcomes. The degree of attachment to or self-identification with the receiving and sending countries is pertinent.

The evolution of a person's ethnic identity can be described as moving on a plane formed by two

axes representing commitment to the home and host countries. Immigrants may, for instance, retain a strong, perhaps even fanatical identification with the country of origin, no matter how long they stay in the host country. On the other hand, identification with the country of origin can also become weaker or completely disappear after migration. At the other extreme, immigrants who were pushed out of the country of origin may be disgruntled and turn against their own culture and heritage after immigration. Similarly, commitment to the host society may vary from overly zealous devotion to extreme abomination and subversion. A combination of different commitments to the origin and host societies at a given point of time describes the state of an immigrant's ethnic identity; the movement between them denotes the immigrant's degree of attachment.

Four such identity states can be categorized as follows:

- *Assimilation* - strong identification with the receiving country's culture and society and weak identification with the country of origin;
- *Integration* - a strong bond with the country of origin with a simultaneous strong connection with the receiving country;
- *Separation* - identification is entirely with the original culture, even years after emigration;
- *Marginalization* - no sense of belonging, neither to the receiving country's culture nor to that of the country of origin.⁴

The status of an immigrant's ethnic self-identity at a certain time sheds light on whether he or she is familiar with the culture and traditions of specific communities. For example, assimilation describes a state in which immigrants speak the receiving country's language, they have close contacts with natives, they know and observe the receiving country's customs and want to naturalize and stay in the receiving country. Immigrants in the assimilation state do not manifest any ethnic identity related to their country of origin. In the state of separation, the opposite occurs; there is an ethnic retention with a simultaneous lack and snubbing of the host country's ethnic, social and cultural capital. Integration denotes feeling comfortable with both cultures and possessing culture-specific human capital from both worlds. Marginalization is the state where immigrants are detached and withdrawn from either culture.

The analytical evaluation of ethnic identity and culture-specific human capital, as well as their influence on the integration and economic success of immigrants in a receiving country is not trivial; different cultural influences on this identity are very likely, and it is a challenge to distinguish between the fine lines of the different elements of ethnic identity. Thus, a framework that is capable of explaining the continuation, persistence or disappearance of ethnic identity in terms of the success or failure of immigrants in the economy and society is needed.

A migrant's culture-specific human capital can be measured by the "ethnosizer," a multi-dimensional concept of ethnic identity. The ethnosizer is an index that measures the intensity of the ethnic identity of a person by combining five essential elements: language, culture, social interaction, ethnic networks, migration history, and ethnic self-identification.⁵ Research results based on this index are more robust than previous analyses based on direct interviewing. They reveal that ethnic identities have a

primarily exogenous nature; vary greatly according to the country of origin and sex; are independent of the social and cultural processes in the receiving country; and have already formed prior to migration.

Migrants in Germany and the Ethnosizer

Among immigrants to Germany, those who arrived in the sixties during the guestworker era are of particular interest, especially those from the main recruitment countries Turkey, the former Yugoslavia, Greece, Italy and Spain. Immigrants from these countries are also prominently represented in the Socio-Economic Panel

(SOEP) of the German Institute for Economic Research (DIW Berlin). We concentrate on these immigrant groups. A wealth of questions in the 2001 wave of the SOEP allows us to measure the ethnic identity of migrants. These data are still relevant, as changes in identity only occur at a very slow rate.

Table 1 shows that the observed ethnic groups comprise a good 50% of the immigrants in Germany. Turkish immigrants were by far the most predominant group with 25% and 1.7 million people at the end of 2007; followed by the people of the former Yugoslavia (14%); Italy

(8%); Greece (4%); and Spain (2%). These proportions have hardly changed in comparison with 2001. Note that the SOEP has a different weighting system, which leads to a larger and, therefore, better group-specific sample survey.

Furthermore, we have concentrated only on the first-generation migrants, so data used in this essay deviate from the official statistics. (See last column in table 1.)

In accordance with the measuring concept of the ethnosizer, survey data for each individual was based on

Table 1

Immigrants in Germany

Country of Nationality	Federal Statistical Office				SOEP ¹
	12.31.2007		12.31.2001		2001
	Total	%	Total	%	%
Turkey	1 713 551	25.41	1 947 938	26.62	34.80
Ex-Yugoslavia	937 762	13.90	1 085 765	14.84	18.20
Greece	294 891	4.37	362 708	4.96	8.50
Italy	528 318	7.83	616 282	8.42	15.30
Spain	106 301	1.58	128 713	1.76	3.60
Other	3 164 056	46.91	3 177 222	43.41	19.60
Total	6 744 879	100.00	7 318 628	100.00	100.00

¹ Only first generation immigrants

Source: Federal Statistical Office and Socio-Economic Panel (SOEP) of the German Institute for Economic Research (DIW Berlin)

Table 2

Distribution of Immigrants According to Concentration in the 4 States in Percent

Ethnic Identity	Not in Country	Number of Indicators in Each State				
	0	1	2	3	4	5
Integration	27.36	34.79	23.14	9.43	1.21	-
Assimilation	34.86	32.79	17.21	8.43	2.14	0.50
Separation	19.14	22.64	22.29	17.71	11.57	2.57
Marginalization	39.57	36.00	15.21	4.64	0.50	-

Note: 34.79% of the immigrants in the integration state are only integrated according to one of the five indicators

Source: Socio-Economic Panel (SOEP) of the German Institute for Economic Research (DIW Berlin)

five elements: (1) language (self-assessment of spoken and written German and the native language); (2) culture (use of media from Germany and the country of origin); (3) social interaction and ethnic networks (close relationship with co-ethnic friends and family); (4) migration history (intention of returning home or applying for German citizenship); and (5) the individual's ethnic self-identification as German or tied to the country of origin. In every one of these elements, each individual is assigned one of the four identity states: integration, assimilation, separation, and marginalization.

On the basis of the five observations, the country variables can have a value between zero and five, whereby the variables total five. Table 2 contains the distribution of the country variables for the entire dataset. It reveals that only a weak correlation exists between the individual countries and the individuals. It is therefore all the more problematic to rely on only one indicator (for example self-assessment), as has been done in the literature previously. Typically it has been suggested that integration and assimilation increase with longer periods of residence in the host country and separation and marginalization decrease. This applies to assimilation and separation, but not to integration and marginalization, as Table 3 illustrates from a simple regression analysis.

Table 4 portrays the mean and standard deviation of the four states of the index of ethnic identity (integration, assimilation, separation, marginalization) by sex, nationality and religion. Women are less integrated and assimilated and more separated and marginalized than men. Of all the nationalities, Turkish immigrants exhibit the strongest identification with the culture from the country of origin and the weakest affinity to Germany. In contrast, Spanish immigrants have the greatest identification with the German culture. They rank the highest among all the groups in integration and assimilation and lowest in separation and marginalization. The other ethnic groups are positioned somewhere in between. It appears that Muslims exhibit a similar pattern to Turks and Catholics to Spaniards. This is hardly surprising due to a large overlap between these two groups. Thus, Muslims are just as strongly separated as Turks, but a little more strongly assimilated and much less integrated. Catholics are more strongly integrated and assimilated, but also less separated than Muslims.

In Tables 5 and 6 we illustrate the correlation between the ethnosizer and earned income and labor force participation respectively. These Tables also show the breakdown of ethnic identity by gender, nationality and religion. Incomes are higher overall among those in the integration and assimilation states

Table 3
Duration of Stay and Ethnic Identity¹

	Integration	Assimilation	Separation	Marginalization
Constant	1.04 (6.1)*	0.8 (4.5)*	2.48 (10.5)*	0.67 (4.4)*
Duration	0.01 (0.5)	0.06 (2.0)*	-0.11 (-2.6)*	0.03 (1.2)
Duration Squared	-2*10 ⁻⁴ (-0.1)	-3*10 ⁻³ (-2.0)*	5*10 ⁻³ (2.5)*	-2*10 ⁻³ (-1.3)
Duration Cubed	-4*10 ⁻⁶ (-0.2)	4*10 ⁻⁵ (1.8)*	-7*10 ⁻⁵ (-2.2)*	3*10 ⁻⁵ (1.5)

¹ Regression analysis. Duration is measured as years after migration, t-values in parentheses under the coefficients

A * corresponds to a significance of at least 5%

Source: Socio-Economic Panel (SOEP); own calculations

Table 4

Ethnic Identity by Sex, Country of Origin and Religion¹

	Integration	Assimilation	Separation	Marginalization
All	1,191 (0.027)	1,080 (0.030)	1,871 (0.038)	0.859 (0.024)
Women	1,151 (0.040)	1,030 (0.041)	1,918 (0.055)	0.901 (0.036)
Men	1,229 (0.038)	1,127 (0.042)	1,827 (0.053)	0.818 (0.033)
Country of Origin				
Turkey	1,032 (0.046)	0.779 (0.045)	2,293 (0.063)	0.896 (0.043)
Ex-Yugoslavia	1,219 (0.062)	1,107 (0.065)	1,756 (0.083)	0.917 (0.059)
Greece	1,121 (0.095)	0.897 (0.083)	2,069 (0.132)	0.914 (0.083)
Italy	1,163 (0.064)	1,077 (0.080)	1,894 (0.095)	0.865 (0.064)
Spain	1,388 (0.162)	1,122 (0.145)	1,776 (0.213)	0.714 (0.109)
Other	1,471 (0.062)	1,681 (0.069)	1,117 (0.070)	0.732 (0.049)
Religion				
Catholic	1,245 (0.046)	1,295 (0.058)	1,634 (0.067)	0.826 (0.043)
Other Christian	1,255 (0.066)	1,119 (0.067)	1,761 (0.087)	0.864 (0.054)
Muslim	0.929 (0.044)	0.862 (0.047)	2,262 (0.064)	0.946 (0.043)
Other Religion	1,538 (0.084)	1,138 (0.081)	1,538 (0.098)	0.788 (0.068)
Non-religious	1,585 (0.078)	1,169 (0.072)	1,518 (0.092)	0.728 (0.062)

¹ Standard errors in parentheses

Source: Constant, Gataullina and Zimmermann (2008)

than among those in separation and marginalization states. The differences at this aggregation level are not very great.

It is striking that there are no fundamental differences between integration and assimilation and separation and marginalization. This also appears in the labor force participation statistics, only here the differences are monumental between integration and assimilation on one side and separation and marginalization on the other. Those who are integrated or assimilated have considerably higher labor force participation rates (far in excess of 60%) than those who are separated or marginalized (far below 50%).

We also find interesting gender differences in the labor market: women participate less in the labor force than men (43% versus 67%), and earn less (1,351 Euros compared to 2,454 for men). Although there are no fundamental differences between integration and assimilation and separation

and marginalization as regards labor participation, integrated women earn considerably more than marginalized women and separated men earn less than marginalized men. Marginalized women are just as well off as assimilated. Thus, in contrast to assimilation, integration is rewarded in monetary terms for women, while not affecting men.

Spanish immigrants have the highest labor force participation at 69%, and Turkish immigrants the lowest at 48%. Both Turks and Spaniards have the lowest income, while those from Greece have the highest. For all ethnic groups, labor force participation is high when immigrants are integrated or assimilated and low when separated or marginalized. In fact, only immigrants from Spain and the former Yugoslavia have noticeably higher labor force participation when integrated than when assimilated. Among

those who are separated or marginalized, the separated have greater labor force participation than others of their nationality who are marginalized; only in the case of Turks and Greeks is the opposite true. Separation in all ethnic groups leads to lower income than with marginalization. Economically speaking, assimilation is always better than marginalization, but only in the case of Italian, Greek and Turkish immigrants is it also better than integration.

Table 5
Ethnic Identity and Earnings by Sex, Country of Origin and Religion

	Integration	Assimilation	Separation	Marginalization	Total
All	2092	2095	1921	2014	2027
Women	1447	1347	1231	1373	1351
Men	2518	2539	2327	2421	2454
Country of Nationality					
Turkey	2051	2162	1887	1931	1991
Ex-Yugoslavia	1951	1948	1874	1966	1968
Greece	2254	2409	2056	2361	2213
Italy	2142	2229	1874	1914	2037
Spain	2038	2013	1865	1900	1980
Other	2175	1967	2056	2120	2054
Religion					
Catholic	1942	2046	1811	1871	1941
Other Christian	2131	2119	2066	2067	2083
Muslim	2047	2060	1891	1935	1970
Other Religion	2150	2120	1962	2163	2100
Non-religious	2425	2245	2094	2433	2284

Source: Socio-Economic Panel (SOEP) of the German Institute for Economic Research (DIW Berlin), 2001

Table 6
Ethnic Identity and Labor Force Participation by Sex, Country of Origin and Religion (in Percent)

	Integration	Assimilation	Separation	Marginalization	Total
All	64.79	63.38	48.23	47.53	55.32
Women	54.37	50.52	35.63	35.98	43.07
Men	74.14	74.64	60.89	59.71	67.06
Country of Nationality					
Turkey	62.55	64.03	38.06	41.47	47.77
Ex-Yugoslavia	66.44	57.84	53.18	48.65	56.61
Greece	73.08	74.04	48.75	52.83	59.48
Italy	66.12	66.52	58.88	46.67	60.10
Spain	75.00	70.91	67.82	60.00	69.39
Other	60.85	61.11	58.19	55.32	59.53
Religion					
Catholic	65.76	65.79	59.41	49.56	61.02
Other Christian	71.15	67.65	55.84	54.76	62.14
Muslim	61.57	60.60	38.31	40.46	46.88
Other Religion	63.42	56.04	48.78	53.18	55.63
Non-religious	60.84	57.46	50.34	54.23	55.90

Source: Socio-Economic Panel (SOEP) of the German Institute for Economic Research (DIW Berlin)

Non-religious migrants earn the most; Catholics, like Muslims, earn the least. Marginalization is more beneficial than separation among the religious migrant groups. However, only Muslims, other religions and especially the non-religious clearly fare better. Catholics, other Christians and Muslims are better off under assimilation than marginalization; with other religions and the non-religious it is the opposite. Integration only pays off for the non-religious, but it does not harm

the other groups in comparison to assimilation. The integrated non-religious are nearly as well off as the marginalized.

Ethnic Identity Affects Labor Market Success

According to our analysis, the degree of success in the labor market depends largely on the scope of culture-specific human capital and the ethnic identity of immigrants. Assimilated immigrants have especially good chances in the host labor market, however, they now compete directly with the natives and no longer have culture-specific human capital as an additional qualification. Integrated migrants, on the other hand, can be complements or substitutes to the native workforce. At the same time, they have access to “ethnic” markets and this gives them better chances than if they were only assimilated. Separated immigrants are confined in ethnic enclaves with low prospects of being incorporated in the host country and being successful. They can also perpetuate and inflate negative stereotypes about enclaves. This is why the success of immigrants on the host labor market may very well depend on the current state of an individual’s ethnic identity.

A foresighted immigrant integration policy should take the effects of ethnic identity into consideration. This will enable equitable integration and ethnic diversity, ultimately increasing the creativity and dynamism of society

This is also made clear by the simulation calculations based on data from the SOEP-2001. These calculations by ethnic identity show clear variations in income levels, likelihood of employment, as well as the likelihood of owning property. Integration and assimilation are prerequisites for permanent labor market success and economic well-being. As the degree of integration or assimilation increases, so does the rate of home ownership, the likelihood of being employed, and the monthly income; separation and marginalization generate the opposite effect. The sex of the immigrant also plays a role here: male immigrants profit from assimilation as well as from integration, whereas women are only successful in the labor market if they are well integrated. Women appear to be more strongly bonded to their home countries’ culture, which enables them to profit from the acquisition of culture-specific human capital from the receiving country. Further economic analysis of the correlation between ethnic identity and economic success of immigrants in the German labor market was able to establish a causal link: the particular characteristics of ethnic identity determine the degree of success in the labor market and not vice versa. Economically successful immigrants do not change their ethnic identity because of this success anymore than the absence of economic success provokes a modification of the ethnic identity.

Conclusions

The research results show that a foresighted immigrant integration policy (applied to immigrants after

they arrive in the host country) would do well to factor in the role of ethnic identity. The idea of complete assimilation is not necessarily advantageous. It is at the same denominator with complete prevention of separation and marginalization. What is desirable are strategies in which equitable integration and ethnic diversity are welcomed in society: promoting creativity and dynamism without encouraging separation.

Those who are proactive will take this into account before migrants enter the country (applying migration policy on the flows). One should bear in mind that many characteristics that determine ethnic identity essentially exist before migration. It may therefore make more sense to recruit young migrants who have completed their studies in Germany over those who have earned their qualifications in their countries of origin, as the latter group of people do not offer a “guarantee” for successful integration in the labor market and society.

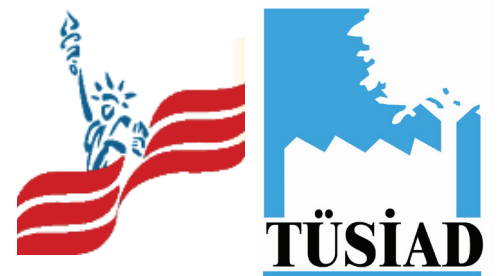
The integration prognosis should be incorporated from the outset with the long-overdue formulation of appropriate migrant criteria in view of a selection and quota system. The greater the probability of integration or assimilation, the greater the probability of finding a suitable job, earning a higher income, and contributing to social well-being. Future economic immigration policies must keep these interrelated factors clearly in mind.

Endnotes:

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