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**MIGRATION RESEARCH AND POLICY**

During an interdisciplinary research conference in Bonn, international experts focused on how to better transfer research findings on the topics of migration and integration into political reality. With a series of additional events the institute's migration research area pushed its initiative in the field. [page 4](#)

**INTEGRATION OF ETHNIC MINORITIES IN THE EU**

On behalf of the European Commission, IZA researchers analyzed the prospects and challenges faced by ethnic minorities in the EU labor markets. The report found that many minorities are substantially disadvantaged, both socially and economically. In Brussels and Berlin experts discussed policy implications of these disconcerting findings. [page 7](#)

**GEOGRAPHIC MOBILITY IN THE EU**

A new IZA study sheds light on the European paradox that skill shortages exist in some areas of the EU, while others face persistently high unemployment. Increased efficiency in terms of mobility could help all EU regions to experience faster economic growth. [page 13](#)

**CHILD LABOR RESEARCH NETWORK**

IZA has established a new research network for the analysis of child labor and its consequences. [page 14](#)

**OPINION**

IZA Director Klaus F. Zimmermann argues in favor of a new partnership between labor market research and labor policy. [page 18](#)

## Ethnic Identity and Labor Market Success Ongoing IZA Research on New Integration Measures

In 2005, funded by the Volkswagen Foundation, IZA created a large interdisciplinary and international research network to analyze burning questions on migration and integration. Four themes that go to the heart of the immigrant integration are studied: interethnic marriages, citizenship, ethnic entrepreneurship and ethnic identity. The latter theme aims at quantitatively measuring ethnic identity and investigating its impact on the social and labor market integration of immigrants. The IZA team is headed by IZA Director *Klaus F. Zimmermann* and *Amelie F. Constant* (Georgetown University, DIW DC and IZA) in close cooperation with Migration IZA Program Director *Barry R. Chiswick* (University of Illinois at Chicago and IZA).

Most studies show that immigrants exhibit a poor performance in the labor market compared to comparable natives. Economists explain this gap with a mismatch in human capital characteristics. Immigrants tend to have lower education. But even well-educated immigrants often cannot find a job because they lack the necessary host culture-specific human and social capital. A plethora of studies on earnings assimilation still leaves unanswered questions. Could there be other reasons why immigrants perform poorly? For many, economic assimilation is socially desirable, and efforts to weaken the link between the country of origin and the immigrants are needed. That is, targeting the ethnic identity of immigrants (what makes them unique and different than others) is very important.

Indisputably, immigrants possess skills specific to their culture of origin, which natives do not have. It is well known in economics that economic migrants are needed precisely because they *are* different. When immigrants and natives are complements to each other, it is a win-win situation. The adaptation and adjustment process experienced by immigrants is of grave importance for the immigrants themselves, as well as for the host

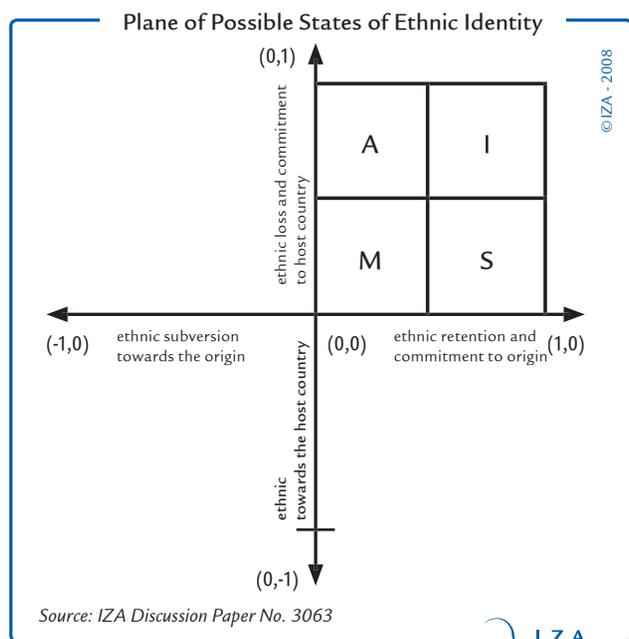


country. Diversity has more potential to produce and increase output than to harm the economy. This is why immigrants may seem to have a potential advantage over natives in a market sector specializing in ethnic-specific goods and services.

The evaluation of culture-specific human capital and its impact on immigrants' economic success in the host country has been a particularly challenging task for economists as there is no clear-cut measure of individually held human capital that is specific to one or another culture. An economic framework for ethnicity that explains its persistence or the vanishing point that cause the success or failure of immigrants in the economy and society is needed. The IZA research team introduced key principles of the evaluation of immigrants' identity and acculturation from psychology and sociology to economics. It also addressed the question of immigrants' culture-specific capital and its impact on well-being in a number of studies. A team of researchers delved into this path-breaking idea. Findings suggest that ethnic identities are largely exogenous to the economic and social process experienced in the host country and strongly formed by pre-migration characteristics; the amount of culture-specific human capital possessed by an immigrant can be measured through the multidimensional concept of ethnic identity; gender differences go beyond the common ethnic origin; and assimilation or total absorption of immigrants by natives is not necessarily an advantage in the labor market. Some of the important findings of this research project are summarized below.

### Conceptual framework of ethnic identity

Upon arrival in the host country, immigrants may experience a fundamental identity crisis. Their struggle centers upon the follow-



to the host society may vary from an over-zealous devotion to an extreme abomination and subversion. A combination of different commitments to the origin and to the host society at a given point in time describes the state of an immigrant's ethnic identity (IZA Discussion Paper No. 3056).

The ethnosizer, a measure of the intensity of a person's ethnic identity, is constructed from information on the following elements: language, culture, societal interaction and ethnic networks, history of migration, and

Note that assimilation also assumes that immigrants completely discard any skills and knowledge specific to the origin, become identical to natives, and therefore substitutes. In this case of a homogeneous population there is always the risk of lost creativity. Similarly, separation suggests an ethnic retention with a simultaneous lack and snubbing of the host country's ethnic, social and cultural capital. Information on both the home and the host countries is needed for the next two states or regimes of the ethnosizer. Integration is the state that immigrants achieve when they can combine strong dedication to and pride of the origin with a large commitment and affinity to the host country. This is the state of a blissful symbiosis. Marginalization indicates detachment from any culture-specific affinity (IZA Discussion Paper No. 2040).

**Ethnic identity plays a great role in host country labor market success**

Naturally, assimilated immigrants have better chances for labor market integration and success (find and keep a job with good remuneration), but they also directly compete with natives in their own turf. Integrated immigrants, however, have an expanded circle. They can have access to the "native" labor market while they are either imperfect substitutes or complements to natives. At the same time, they have access to the "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 to succeed. 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.

Empirical analyses based on the 2001 wave of the German Socio-Economic Panel (GSOEP) have shown interesting variations in immigrants' working probability, earnings and homeownership rates by ethnic identity (Table ►). A strong manifestation of integration or assimilation in ethnic identity is particularly beneficial for immigrants' success in the labor market as well as for their overall economic well-being. More specifically, the working probability, monthly earnings and homeownership rates grow with an increase in the strength of assimilation or integration (IZA Discussion Papers Nos. 2420, 3050, 3056). High scores in separation or marginalization, on the other hand, decrease the chances of immigrants to find their place in the German labor market, be economically well off, or own their house. The relationship between the ethnic identity measure, or the ethnosizer, and

ing questions: (i) do we keep our ethnic identity and remain true to our heritage, language and culture, (ii) do we completely abandon our ethnicity, cast aside the attributes that could hamper our success and become identical to natives, (iii) should we be detached and give up having any identity since we cannot keep our own but we cannot assimilate either, or (iv) can we find a happy medium to "fit" into the new society without "betraying" our own? Ethnic identity is perceived as the balance between the commitment to and self-identification with the society of origin and the host society. It can evolve, change, or disappear with time in the host country.

Natives can also experience an evolution in their ethnic identity after immigrants arrive in their country and are exposed to the new culture. They also have four choices: associating only with co-natives and staying away from foreigners; interacting with immigrants and embracing the different culture while keeping their own; having no social contacts with people of any culture including their own; and identifying only with foreign cultures.

The evolution of this 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 less intensive 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

ethnic self-identification. The ethnosizer is thus a composite measure containing information on many aspects and therefore a better expression of a person's ethnic identity. The positive part of the two-dimensional concept of the ethnosizer classifies migrants into four states (Figure ▲): integration (feeling comfortable with both cultures), assimilation (being absorbed by the host culture), separation (keeping only the culture of origin) and marginalization (not belonging to any culture and being detached). It is important to note that in what state individuals end up varies among immigrants even from the same country. Moreover, the quest for ethnic identity affects women and men differently. The ethnosizer and direct measures of ethnic self-identification (IZA Discussion Papers Nos. 2300, 2535) largely depend on pre-migration characteristics. The ethnosizer is also proven to be a superior measure of an immigrant's ethnic identity when compared to the direct measure of ethnic self-identification provided by a survey (IZA Discussion Paper No. 3056).

An immigrant's current state of ethnic identity contains information about culture-specific human and social capital that the immigrant possesses, to the extent that a commitment to one or more cultures and societies indicates good familiarity with these societies, their culture and traditions. In the next two states of the ethnosizer, the two events are mutually exclusive, and the ethnosizer can be constructed with information on one country only. Ethnic identity with assimilation attributes, for example, indicates that a migrant speaks the language of the host country well, has contacts with natives, is familiar with local customs of communication, considers the host country "home" and naturalizes.

various indicators of economic well-being differs by gender. While male immigrants benefit from either integration or assimilation, female immigrants in Germany succeed in the labor market only if they score high in integration. Such gender differences in the relationship between ethnic identity and labor market performance signal the dissimilarity in how culture-specific human and social capital helps immigrant men and women to economically adjust in Germany. The noted gender difference indicates that male immigrants are more likely to achieve success in the German labor market if they commit themselves to the German society and adopt the German persona, no matter how they will relate and identify with the country and society of their origin. Immigrant women, on the other hand, are better off only if they manage to keep the best from both worlds, acquiring German culture-specific skills and knowledge, while retaining and displaying at the same time a close affinity with their ancestry.

Additional econometric analysis studies the relationship between ethnic identity and the economic success of immigrants in the German labor market. As it turns out, the state of ethnic identity defines the degree of an immigrant's labor-market success, and not vice versa. This carries implications for immigration policies aiming at improving local labor market shortages by bringing the demanded labor into the country. Immigrants with stronger signs of assimilation and integration are more likely to find a job and have higher earnings in the German labor market than comparable immigrants who either remain attached to their origin (separated) or detached from either world (marginalized) (IZA Discussion Papers Nos. 3056, 3063).

The issue of cultural assimilation compatible with persistent ethnic groups and as-

similation through intermarriage and other mechanisms that blur distinctions and lead to the disappearance of ethnic identities is studied by Carmel U. Chiswick (IZA Discussion Paper No. 2212). The paper finds that ethnic identity per se is neither undesirable nor a barrier to the assimilation of individuals into the larger society.

#### Immigration policy should account for integration probability

A government should decide what kind of benefits they envision through immigration policy measures. If the goal is to bring in immigrants who complement natives and have high chances of being productive and successful, then governments should target immigrants who can keep equilibrium between the "sameness" and "otherness." That is, allow immigrants in the country who are more likely to integrate or assimilate into the German society, taking into account that the probability for an immigrant's ethnic identity to have more characteristics of integration, assimilation, separation or marginalization depends more on pre-migration characteristics (IZA Discussion Papers Nos. 3056, 3063). In this context, immigration policy in Germany which aims at reducing tensions on the local labor markets will be well advised to also account for a person's integration probability when developing immigration criteria. It may, for instance, be reasonable to put more emphasis on attracting young immigrants with a high potential of completing a university level education in Germany, rather than solely concentrating on the educational status that a prospective immigrant has already obtained.

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. 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 (IZA Discussion Paper No. 2212).

#### Ethnicity and naturalization

The question often arises why some eligible legal immigrants do not naturalize, why some do, and whether there are any internal or external barriers to this process? New research (IZA Discussion Paper No. 3260) investigates under which conditions immigrants from Turkey and the former Yugoslavia exercise or abandon their right of naturalization in Germany, and which individual and institutional barriers may impede this process. Based on GSOEP data they measure the impact of integration and ethnicity indicators on the probability to naturalize beyond the standard individual and human capital characteristics. A robust finding is that German citizenship is very valuable to female immigrants and the generally better educated, but not to those educated in Germany. The degree of integration in German society has a differential effect on citizenship acquisition: While a longer residence in Germany has a negative influence on actual or future naturalization, arriving at a younger age and having close German friends are strong indicators of a positive proclivity to citizenship acquisition. Likewise, ethnic origins and religion also influence these decisions. Muslim immigrants in Germany are more willing to become German citizens than non-Muslim immigrants, but there are also fewer German citizens among Muslims than among non-Muslims.

#### Ethnicity and risk attitudes

Trying to understand economic dissimilarities across different socioeconomic groups from a different angle, further IZA Research studies differences in behavior towards risk (IZA Discussion Papers Nos. 1999, 2537). The analyses hypothesize that the gap in risk proclivity between immigrants and natives is larger for those immigrants who remain close to their ethnic origin and culture and smaller for those who are better assimilated and identify with the host country society. Based on the 2004 wave of the GSOEP and using factor analysis, the studies unveil an interesting relationship between ethnic persistence (when immigrants remain close to the origin), assimilation (when immigrants resemble the natives more and more) and risk proclivity. For example, first generation immigrants are more risk averse or less willing to take risks than natives, and while second generation immigrants are less risk averse than their parents, they do not dif-

Simulated Change of Economic Performance

	Working probability		Earnings		Homeownership
	Males	Females	Males	Females	
<b>Integration</b>	0.079	0.199	1.573	3.651	0.261
<b>Assimilation</b>	0.122	-0.011	1.194	-0.024	0.348
<b>Separation</b>	-0.064	-0.081	-1.410	-1.043	-0.171
<b>Marginalization</b>	-0.204	-0.078	-2.556	-3.438	-0.082

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The ethnoser measures four defining attributes of migrants with data from the SOEP Questionnaire: Their level of integration, assimilation, separation and marginalization. Each of these four attributes is measured through questions regarding language, culture, societal interaction, history of migration and ethnic self-identification (scale from 0 to 5). The entry in each cell should be understood as a change in the corresponding economic variable if the referenced measure of ethnic identity were at a maximum (i.e. equal to 5) and the remaining three measures were at a minimum (i.e. equal to 0) for all men and women, respectively. In case of the working probability and the homeownership probability, the resulting absolute change in the probability, comparing the state of full absorption with the average ethnoser in the sample is investigated. In the case of earnings, numbers are the log differences of earnings of the hypothetical average individual in full absorption and the average individual in the sample (evaluated at sample means for all variables).

Source: IZA Discussion Paper No. 3063

fer from natives. More importantly, they find that the higher the value of the ethnic persistence factor is the higher the degree of risk aversion, and the higher the degree of assimilation is the higher the willingness to take risks. These findings also hold for men and women individually.

More refined analysis on specific risk attitudes considers the behavior of immigrants and natives towards driving, financial portfolio, leisure, career, and health. In all but the health aspect, immigrants are significantly less willing to take risks than natives. The ethnic persistence factor is significantly negative for driving, leisure and career, indicating that the more immigrants exhibit high attachments to the origin, the more they differ from natives and the less they are willing to take risks in these three facets. The assimilation factor shows that immigrants who resemble natives in ethnic identity aspects are more willing to take risks in leisure and careers than natives. Disaggregation by gender reveals significant differences between men and women in the five aforementioned risk aspects. For immigrant men, ethnic persistence only affects their driving negatively while assimilation affects their financial, leisure and career positively. For immigrant women, ethnic persistence keeps them unwilling to take risks with regards to leisure, career and health. Assimilation, however, increases the willingness to take risks vis-à-vis leisure and career.



### IZA Discussion Papers on the topic

#### IZA DP No. 3260:

A. Constant, L. Gataullina, K. F. Zimmermann  
**Naturalization Proclivities, Ethnicity and Integration**

#### IZA DP No. 2535:

L. Zimmermann, K. F. Zimmermann  
A. F. Constant  
**Ethnic Self-Identification of First-Generation Immigrants**  
*published in: International Migration Review, 2007, 41 (3), 769–781*

#### IZA DP No. 2420:

A. Constant, L. Gataullina, K. F. Zimmermann  
**Gender, Ethnic Identity and Work**

#### IZA DP No. 2300:

L. Zimmermann, L. Gataullina, A. Constant, K. F. Zimmermann  
**Human Capital and Ethnic Self-Identification of Migrants**  
*published in: Economics Letters, 2008, 98 (3), 235–239*

#### IZA DP No. 2212:

C. U. Chiswick  
**The Economic Determinants of Ethnic Assimilation**  
*forthcoming in: Journal of Population Economics, 2009*

#### IZA DP No. 2040:

A. Constant, L. Gataullina, K. F. Zimmermann  
**Ethnosizing Immigrants**  
*forthcoming in: Journal of Economic Behavior and Organization, 2008*

#### IZA DP No. 3063:

A. Constant, K. F. Zimmermann  
**Measuring Ethnic Identity and Its Impact on Economic Behavior**  
*published in: Journal of the European Economic Association, 2008, 6 (2–3), 424–433*

#### IZA DP No. 3056:

K. F. Zimmermann  
**Migrant Ethnic Identity: Concept and Policy Implications**  
*forthcoming in: Ekonomia, 2008*

#### IZA DP No. 3050:

A. Constant, R. Roberts, K. F. Zimmermann  
**Ethnic Identity and Immigrant Homeownership**

#### IZA DP No. 2537:

H. Bonin, A. Constant, K. Tatsiramos, K. F. Zimmermann  
**Ethnic Persistence, Assimilation and Risk Proclivity**

► <http://www.iza.org/publications/dps>

## “The Interface between Migration Research and Policy Making” – Interdisciplinary Conference in Bonn Organized by IZA



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 IZA Director Klaus F. Zimmermann, Amelie F. Constant (IZA, Georgetown University and DIW DC) and Konstantinos Tatsiramos (IZA), this academic conference concentrated on “The Interface between Migration Research and Policy Making.” Pioneering in having all fields of social sciences represented 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 the Volkswagen

Foundation’s program on migration and integration. The conference was also attended by Dr. Alfred Schmidt from the Volkswagen Foundation that supported the meeting.

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 by many researchers to express their findings “in simpler terms” could be overcome. Acknowledging the re-

sponsibility 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 background 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 often does not correspond with reality. There have been many misguided approaches to integration problems in the past, starting with the self-deceptive term “guest worker” (Gastarbeiter) for labor migrants who came to post-war Germany. As long as it is not es-



Barbara John



Dimitria Clayton



Timothy J. Hatton

established in the public 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 sense from an integration perspective. This also explains why Germany has been so reluctant to introduce an immigration policy based on economic objectives, and to 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 – Klaus F. Zimmermann, *Jeroen M.J. Doomernik* (University of Amsterdam, IMES) and *Timothy J. Hatton* (University of Essex, Australian National University and IZA) – debated with Ms. John and Clayton on the topic. While the main task of scholars is to study the migration phenomena, understand them and come up with robust findings and while 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 commu-

nicate and share their findings with policy makers? How can politicians understand and use research findings to achieve a win-win situation on their difficult road to implement policies avoiding unintended consequences and please the public? How can we reach a nexus between policy and science? How to maintain research independence especially if research is government funded? How to raise public awareness? And, how to deal with often times biased news in the press?

**“What the public wants to know is not always what we know”**  
(Klaus F. Zimmermann)

The different target audiences that scientists and politicians have, coupled with complex scientific analyses that are not easy to reconcile with the simplification needed in 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, which 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 even lead to the opposite of the intended effect. Still, with the necessary caution and openness in communication, Zimmermann regarded the media as a promising way to positively influence political decisions – as long as scientific conduct is not neglected in the process.

**“Scientists should remain true to their research findings and nonpartisan”**  
(Klaus F. Zimmermann)

The discussants agreed in their final assessment that migration and integration policies can only succeed when administered in



Alfred Schmidt, Amelie Constant



Jeroen M.J. Doomernik, Klaus F. Zimmermann

## 3rd Integrated Conference of the Volkswagen Study Group on Migration and Integration: The Interface Between Migration Research and Policy Making

### Friday, November 23

#### Welcome Address

*Klaus F. Zimmermann*  
(IZA, University of Bonn, DIW Berlin)  
*Alfred Schmidt*  
(Volkswagen Foundation)

#### Keynote Address 1

Chair: *Klaus F. Zimmermann*  
(IZA, University of Bonn, DIW Berlin)  
“Migration Policy, Migration Research – Challenges and Prospects”  
*Dimitria Clayton*  
(Ministry for Intergenerational Affairs, Family, Women and Integration, North Rhine-Westphalia) representing *Armin Laschet* (Minister of Intergenerational Affairs, Family, Women and Integration, North Rhine-Westphalia)

#### Keynote Address 2

Chair: *Klaus F. Zimmermann*  
(IZA, University of Bonn, DIW Berlin)  
“Is Everything Wrong Germans Know About Immigration?”  
*Barbara John*  
(Berlin Senate Commissioner for Migration and Integration 1981-2003, Berlin Senate Coordinator of Language Training for Migrants)

#### Plenary Session

“How to Talk to the General Public About Migration”  
Chair: *Amelie Constant*  
(Georgetown Public Policy Institute, Georgetown University, DIW DC, IZA)  
*Dimitria Clayton*  
(Ministry for Intergenerational Affairs, Family, Women and Integration, North Rhine-Westphalia)  
*Jeroen M.J. Doornik*  
(University of Amsterdam, IMES)  
*Timothy J. Hatton*  
(University of Essex, UK, Australian National University, IZA)  
*Barbara John*  
(Berlin Senate Commissioner for Migration and Integration 1981-2003, Berlin Senate Coordinator of Language Training for Migrants)  
*Klaus F. Zimmermann*  
(IZA, University of Bonn, DIW Berlin)

#### Parallel Sessions

##### Session 1:

#### Education, Integration and Policy Making

Chair: *Uta Quasthoff*  
(University of Dortmund)  
*Anette Haas*  
(Institute for Employment Research, IAB)  
*Andreas Damelang*

(Institute for Employment Research, IAB)  
“Migration and Labour Market Integration from a Regional Perspective – Does Cultural Diversity matter?”  
*Francesco D’Amuri*  
(Fondazione Eni Enrico Mattei and ISER, University of Essex)  
*Gianmarco I.P. Ottaviano*  
(Fondazione Eni Enrico Mattei, Univerista’ di Bologna and CEPR)  
*Giovanni Peri*  
(University of California, Davis and NBER)  
“The Labor Market Impact of Immigrants in West Germany”  
*Maurice Crul*  
(University of Amsterdam)  
“The Integration of the European Second Generation”

#### Session 2: Cultural Capital, Ethnic Capital and Labor Market Policies

Chair: *Karin Schittenhelm*  
(University of Siegen)  
*Anja Weiß*  
(University of Duisburg)  
“The Experience of Legal Exclusion. What Does It Teach Us About Migration Legislation and Administration? What Is the Position of Social Science in this Highly Politicized Field?”  
*Eleni Hatzidimitriadou*  
(University of Kent)  
“Migration and Education as an Issue for Policy Recommendation: Second Generation Perspectives in a German-British Comparison”  
*Martin Kahanec* (IZA)  
*Mehmet Tosun*  
(University of Nevada-Reno)  
“Political Economy of Immigration in Germany: Attitudes and Citizenship Aspirations”  
*Anzelika Zaiceva* (IZA)  
*Klaus F. Zimmermann*  
(IZA, University of Bonn, DIW Berlin)  
“Children, Kitchen, Church: Does Ethnicity Matter?”

#### Presentations by Newly Funded Volkswagen Study Groups

Chair: *Jens Schneider*  
(University of Amsterdam)  
*Matilde Grünhage Monetti*  
(German Institute for Adult Education, DIE)  
*Martin Hartung*  
(German Institute for Adult Education, DIE)  
“Researching Workplace Communication towards Developing L2 Provision at/for the Workplace”  
*Uta Quasthoff*  
(University of Dortmund)  
“Literacy between Languages and Cultures: Resource and Obstacle to Integration”

*Michael Bommers*  
(University of Osnabrück)  
*Christoph Schroeder*  
(Bilgi University Istanbul and University of Potsdam)  
*Ulrich Mehlem*  
(IMIS, University of Osnabrück)  
*Inken Sürig*  
(IMIS, University of Osnabrück)  
“Literacy Acquisition in Schools in the Context of Migration and Multilingualism: A Comparative Study Turkey/ Germany. Project Outline & State of the Art.”  
*Ludger Pries*  
(University of Bochum)  
“Transnational Migrant Organisations in Europe – Integrating Whom and Where”

### Saturday, November 24

#### Session 3: Integration Policies

Chair: *Amelie Constant*  
(Georgetown Public Policy Institute, Georgetown University, DIW DC, IZA)  
*Christiane Falge*  
(University of Bremen),  
*Giulia Bigot*  
(University of Trento),  
*Saime Ozcurumez*  
(McGill University),  
*Maria Laura Russo*  
(University of Trento),  
*Ulla Wittig*  
(University Hospital Leipzig),  
*Lloy Wylie*  
(University of British Columbia)  
“Political Advocacy and Civic Engagement: The Case of Immigrants Participation in the Health Systems of Canada, Italy and Germany”

#### Session 4: Migration and Public Life

Chair: *Amelie Constant*  
(Georgetown Public Policy Institute, Georgetown University, DIW DC, IZA)  
*Rüdiger Lautmann*  
(Institute for Research on Security and Prevention, ISIP)  
“Organizational and Societal Interests in Conflict: About the Difficulties of Scientific Research to Intervene in Organizational Practices”

#### Final Discussion, Assessment and Further Planning

Chair: *Alfred Schmidt*  
(Volkswagen Foundation)

► [www.iza.org/link/3rdVW](http://www.iza.org/link/3rdVW)

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, the group members presented their research, made an effort to establish a rapport with public policy, and participated in exchanging ideas and discussed each other's work.

The following issues were presented and discussed: Does cultural diversity matter for a successful career start among immigrants and natives in Germany? How important is integration at the kindergarten level? How successful are migrants with a foreign academic degree? What political strategies for immigrant regulation are suitable? How is cultural capital constructed and what role does it play in accessing the labor market? How can ethnic identity and its impact on economic

outcomes be measured? The discussion also dealt with systematic and rigorous data collection efforts; cultural diversity in the health care system in Germany, Italy and Canada; and ethnic diversity in organizations of law and order in Germany in comparison with similar practices in other countries. The four newly funded study groups focused on the role of language (speaking and writing capabilities in German or in their country of origin language) as a key to immigrant integration.

## Further IZA Activities on Issues of Migrant Ethnicity, Integration and Immigration Policy

### Migrant Ethnicity Meeting in Washington

Continuing the high-standard 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, DC, and was organized in collaboration with DIW DC. IZA scholars from a dozen 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 and IZA) on "identity, dig-

nity 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 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 and IZA) 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. Program Director *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.

### Practitioners' Meeting on Interethnic Marriages

IZA's concerted effort to involve practitioners and ethnic groups in its ongoing research on ethnic identity resulted in two additional one-day focus group meetings in 2007 (see IZA Compact October 2006 for the previous two meetings). The "Interethnic Practitioners' Meeting on Naturalization and Citizenship" took place in Bonn in January 2007 (see IZA Compact March 2007). On May 25, 2007, IZA hosted the "Interethnic Marriages Practitioners' Meeting," organized and led by *Amelie Constant* and *Barry Chiswick*. Bringing together theory and practice is an integral part of IZA's research activities within the Volkswagen Foundation funded Project "Migrant Ethnicity."

This meeting offered IZA in-house researchers, visiting fellows and doctoral students a chance to communicate with immigrants in

Germany, who have experienced the benefits and difficulties of interethnic marriages. A dozen intermarried individuals, experts, along with representatives from the inter-



ethnic partnerships and families in Germany participated, presented current German statistics and shared their stories. While German women were much more likely to be in a bi-national marriage in the past, af-

ter 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 with people who are personally affected by the regulations that are to be analyzed by scientific research in order to provide well-founded policy advice.

## Immigration and the Labor Market: IZA Book Presentation in Washington



D. Papademetriou, H. Bonin, K. F. Zimmermann

IZA takes several initiatives to stimulate knowledge exchange in migration politics between the US and Europe. A recent IZA volume, authored by the institute's experts *Klaus F. Zimmermann, Holger Bonin, Holger Hinte and René Fahr* (University of Cologne and IZA) focuses on "Immigration Policy and the Labor Market: The German Experience and Lessons from Europe" (for details see IZA Compact March 2007). During an event organized with the support of DIW DC and the Migration Policy Institute (MPI) on March 8, 2007 in Washington DC, Zimmermann took the opportunity

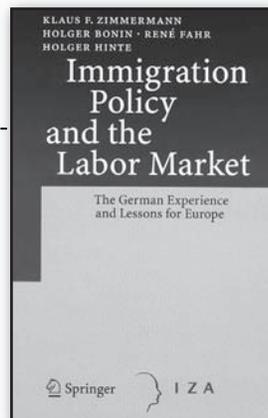
to comment on recent trends in US, German and European migration debate. In MPI's conference room packed with more than eighty people from academia, think tanks, the media, the business world and policy makers, Zimmermann presented his book (with Holger Bonin, René Fahr and Holger Hinte). *Demetrios Papademetriou*, President of MPI and a well-known figure in migration policy, welcomed the audience and moderated the presentation. Zimmermann talked about the new German 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 socio-economic 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.

Klaus F. Zimmermann/Holger Bonin/René Fahr/Holger Hinte

**Immigration Policy and the Labor Market: The German Experience and Lessons for Europe**

Springer: Berlin/Heidelberg, 2007;  
ISBN 978-3-540-68381-0  
209 pages



## IZA Annual Migration Meeting (AM<sup>2</sup>)

Headed by *Barry R. Chiswick* and *Amelie Constant* the IZA Migration Research Area held its Fourth Annual Migration Meeting (AM<sup>2</sup>) on May 21–22, 2007 at IZA. AM<sup>2</sup> has been established as a marketplace of ideas and research, in all formats and types. The meeting again reached its goals and lived up to its reputation by bringing together scholars in economics and aligned social scientists at every career stage and from different countries. Organized around important substantive and new issues that inspire and invigorate the migration field, the meeting also offered a social program and opportunities for animated discussions outside the sessions. The gathered international group of migration scholars presented and discussed their latest work on migration issues and labor market outcomes over the two days. The issues of health and safety were covered by *Steven Stillman* (Motu Economic and Public Policy Research Trust and IZA), who presented the effects of immigration on child health and *Arturo Gonzalez* (Public Policy Institute of California and IZA), who 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 and IZA) talked about youth's attitudes towards Muslims, *Dan-Olof Rooth* (Kalmar University and IZA) about discrimination in hiring, and *Amelie Constant*

about the role of the "ethnosizer" on immigrant and native earnings.

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

The highlight of AM<sup>2</sup> as always was the Julian Simon Lecture. *Barry R. Chiswick* delivered the 2007 keynote on "The Eco-

nomics 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 it is also an essential element of the immigrants' success and a powerful tool of immigration policy. The talk focused on recent research developments on 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 was to immigrants. He elaborated on the three fundamental "E's", exposure, efficiency and economic incentives. The second theme was the labor market consequences (primarily earnings) of dominant language proficiency among immigrant and native-born linguistic minorities.

The complete text is downloadable at:

► [www.iza.org/files/js2007.pdf](http://www.iza.org/files/js2007.pdf)



Guillermina Jasso



Barry R. Chiswick

# Barriers to Integration – Barriers to Prosperity

## IZA Study on Ethnic Minorities in the EU

Funded by the European Commission Employment, Social Affairs and Equal Opportunities DG, IZA completed a study on the social and labor market integration of ethnic minorities in Europe-25. The Ethnic Minorities project was led by IZA Director *Klaus F. Zimmermann*, *Amelie Constant* (IZA, DIW DC and Georgetown), *Don DeVoretz* (IZA and Simon Fraser University) and *Martin Kahaneč* (IZA). Other members of the core IZA research group were *Anzelika Zaiceva* (University of Bologna and IZA) and *Liliya Gataullina* (IZA and DIW Berlin). Fourteen additional researchers from IZA, including Program Director *Barry R. Chiswick* (IZA and University of Illinois at Chicago), and other institutions were also involved in this large-scale project. Another eleven renowned international external experts delivered the individual country reports. The study, commissioned by the “High Level Advisory Group of Experts on the Social Integration of Ethnic Minorities and their Full Participation in the Labour Market” of the European Commission, headed by *Rita Süssmuth* (Former President of the German Bundestag), is published as IZA Research Report No. 16 (“Study on the Social and Labour Market Integration of Ethnic Minorities”). The study provides a broad overview of the social and economic situation of various ethnic minorities in the EU (people of foreign origin, national, linguistic or religious minorities, and stateless people) that are at risk of labor market exclusion, presents a comprehensive cross-country analysis of the barriers to labor market integration of ethnic minorities in Europe, offers insights concerning good practice of business integration initiatives and policy measures, and contains various suggestions for an effective EU integration policy based on economic objectives. Other valuable contributions of this study are a close look at the plight of the Roma, an attempt to tackle cultural issues and to examine the role of perceptions and attitudes by the minorities themselves. In light of the insufficient labor market integration in many respects, the report calls on policymakers to eliminate existing barriers in order to also achieve better social integration.

Undoubtedly, a successful economic integration of minorities can result in positive spillovers in the social and cultural domains. Focusing on ten different and “minority representative” countries in the EU-25 (Denmark, France, Germany, Hungary, Latvia, the Netherlands, Romania, Slovakia, Spain, and the United Kingdom), the study also brings Canada as a valuable heuristic

benchmark example to gain comparative insights. These countries were chosen based on the degree of risk of labor market exclusion and the size of their respective ethnic minority populations. They also provide a representative picture of the general European situation as they vary in their EU entry date, population size, and economic growth levels. All ten elaborated country case studies share a common fact that there is a serious external barrier to the labor market: low human capital and intergenerational mobility exhibited by the diverse minorities. The three main economic indicators used to gauge integration are labor force participation rates, unemployment rates and labor income.

### Innovative instruments to overcome lack of data

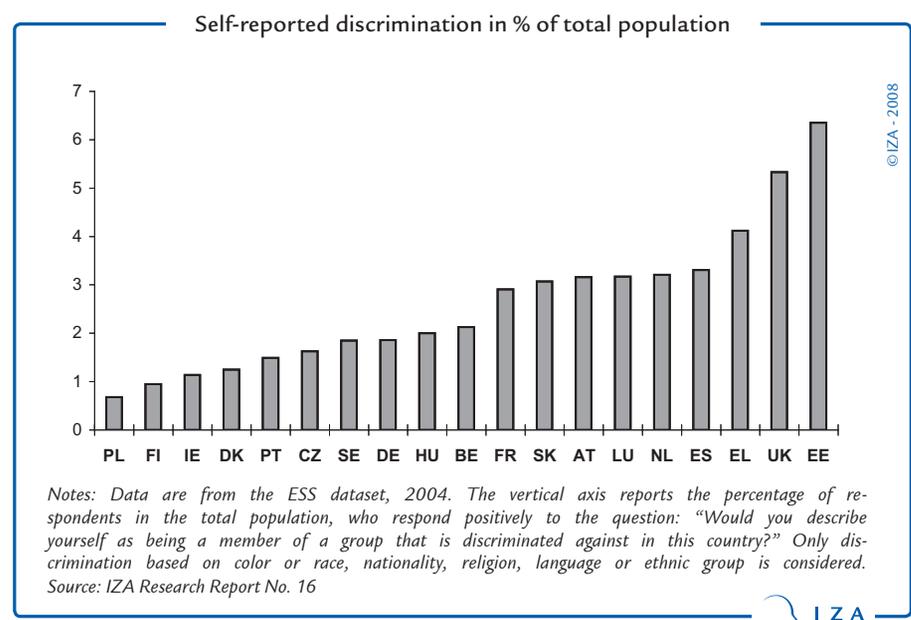
Perhaps the most important obstacle in studying ethnic minorities is the insufficiency and/or inconsistency of the available European data. The production of a reliable micro data base that permits a sophisticated cross-country comparative analysis of ethnic minorities remains a major challenge for EU policymaking. However, the report reveals that a picky debate about measurement concepts cannot hide the worrisome reality of ethnic minorities in Europe. Ethnic minorities tend to have higher unemployment rates, lower occupational attainment and wages, and often a smaller labor market attachment when measured by participation rates. Some ethnic minority groups strongly participate in the labor force, possibly because of positive self-selection.

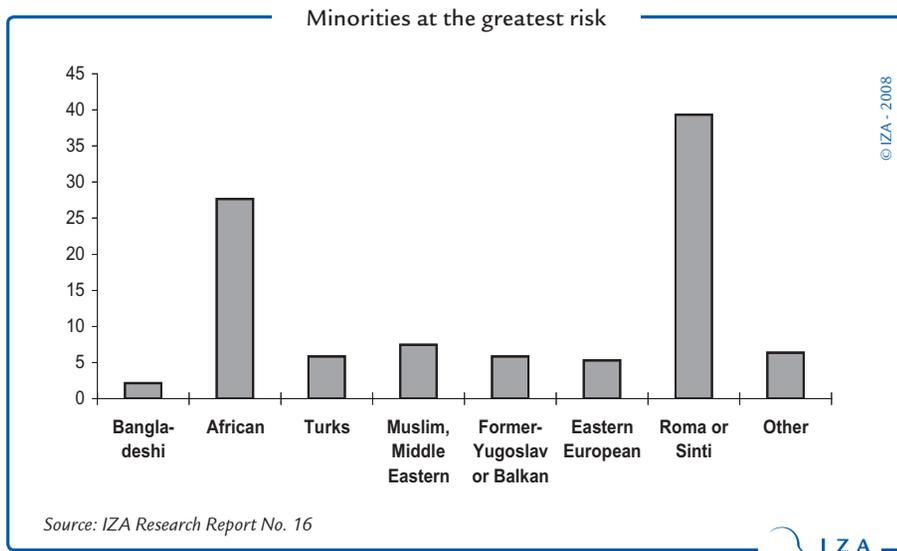
An egregious case is the Roma who, while living in Europe for centuries, face a great risk of exclusion. The severity of the results varies by country. Thus, while the Roma experience serious labor market hardships in Central and Eastern Europe, their situation in Spain is somewhat less pessimistic. Of concern is that the economic status of minorities does not necessarily progress across generations.

The report not only identifies and assesses the existing challenges and established facts on the status of ethnic minorities in EU, but also uses state-of-the-art econometric methods to investigate the disadvantages caused by the potentially hostile attitudes of natives. Unfavorable attitudes held by the ethnic majority of a country are typically understood to be a major source of disadvantages for ethnic minorities. The IZA team investigated the European Social Surveys (ESS) dataset to explore the magnitude of self-reported discrimination in Europe. Self-reported discrimination (based on color or race, nationality, religion, language or ethnicity) is found highest in Estonia, Great Britain and Greece, while it is the lowest in Poland, Finland and Ireland (Figure ▼).

### Better labor market integration is the key

Among the other innovative instruments employed for the study is IZA Expert Opinion Survey among expert stakeholders. The survey is IZA’s own Europe-wide collection of 22 good-practice integration initiatives, and the derivation of a policy matrix to judge





societal development and policy choices. The policy conclusions deal with potential strategies to overcome the barriers that ethnic minorities still face in the European labor markets of today. The proposals are addressed at private businesses, non-governmental organizations and EU governments.

Regression analysis was used to ascertain the causal effects of demographic, social, political and economic factors on attitudes. As for the economic and demographic factors that affect attitudes, the largest proportion of those with more hostile attitudes is found among the permanently sick or disabled, the discouraged workers, the unemployed and the retirees, whereas young people and the higher educated are more open toward ethnic minorities. Representatives from minority ethnic groups are, in general, more positive than the majority's attitudes toward individuals from different ethnic groups.

The IZA Expert Opinion Survey was conducted in 27 EU countries to receive the evaluations from ethnic minority stakeholders measuring their perceptions and concerns. The labor market situation of ethnic minorities in Europe is described as severe and worsening. The Roma and Africans are most frequently cited as those facing the largest risk of exclusion (Figure ▲). Public attitudes are seen as a strong negative force for labor market integration. Given the experts' views of public and business attitudes, it is not surprising that discrimination is perceived to be the single most important integration barrier. Other significant integration barriers cited include linguistic, educational, internal, and institutional factors. It was further felt that changes should be initiated by local and national governments, under the preferred principle of equal treatment instead of special treatment.

However, the results on integration initiatives in the IZA Expert Opinion Survey indicate that

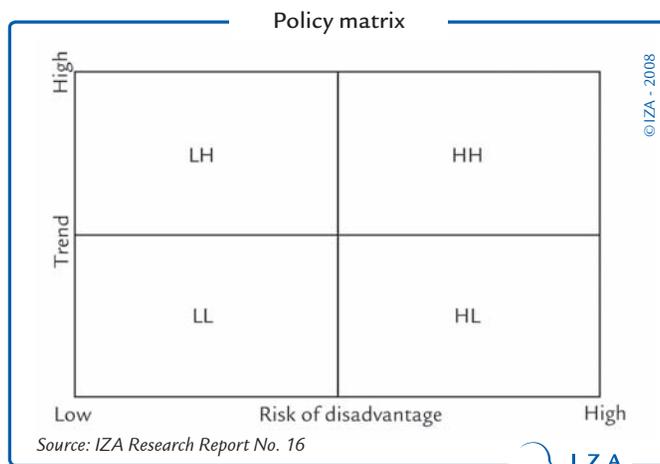
most of the work is actually done by non-governmental and public organizations. In light of the information reported, the limited number of initiatives of the business sector is unfortunate, since employers directly and significantly affect the integration chances of ethnic minorities. The experts also indicate that improvement in the labor market integration of ethnic minorities is the most important measure of any initiative's success. While standard efficiency and effectiveness concerns drive the success of integration initiatives, efficient communication with the affected parties, fairness, and acceptance of integration measures are factors that are instrumental to insure the success of an initiative.

**Integration success requires long-term commitment**

Policy interventions and private initiatives must be tailored to the situation and prospects of specific groups in specific countries. The concept of the policy matrix (Figure ►) developed by the IZA team employs data from the IZA Expert

Opinion Survey and provides a guide for the prioritization and calibration of integration efforts. The main thrust of the reported country matrices is that risk levels and trends vary within ethnic minorities geographically as well as within countries across groups. As a consequence, there are no simple findings.

While the IZA Expert Opinion Survey provides quantitative insights into the public, non-governmental, and business initiatives, the study also provides qualitative insights, highlighting good-practice innovative approaches through interviewing people in charge of these initiatives in the lead and partner organizations. A number of universal principles emerge: Fairness with respect to all partners and transparent rules facilitate building trust, forging social relationships and adopting positive perceptions that greatly ease integration and guarantee minority incorporation prospects. Voluntary participation as well as strict and transparent selection rules are seen as crucial to ensuring the motivation of the target population and creating a positive image of the initiatives. Fair and equal treatment after initial exclusion has been surmounted mitigates conflict and resentment, facilitates support by the majority and alleviates stigmatization of the minority. Positive action is accepted as a transitory measure in the state of exclusion. Furthermore, merit-based remuneration creates feelings



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**Study on the Social and Labour Market Integration of Ethnic Minorities**

IZA Research Report No. 16

► <http://www.iza.org/files/IZA16.pdf>

of self-worth while prompting work discipline and further support by the majority. Cooperation between private, public and non-governmental organizations breeds a functional relationship and is necessary in the case of extraordinarily segregated minorities. Sustainability of integration initiatives remains one of the main concerns of minority integration in Europe. Long-term commitment is perhaps one of the most important determinants of integration success.

The study also showed that initiatives to foster the labor market and social integration of ethnic majorities can work. Successful actions take the specific situation of the respective ethnic minority into account. Effective measures use the right mixture of general and targeted integration measures. They should be balanced, complementary and mutually reinforcing. General initiatives are necessary to create an institutional and social environment inhibiting discrimination and facilitating targeted

action. But all measures need to be persistent, flexible enough to account for changes and allow for time to become effective. One should be aware that it is impossible to change everything in a short time horizon, particularly when it comes to tackling cultural issues such as perceptions and attitudes. Perhaps most importantly, all of the involved parties must realize that barriers to integration of ethnic minorities are barriers to economic and social prosperity for all.

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



Mohácsi, Zimmermann, Špidla, Quraishy, Sclafani, Süßmuth, Moraes

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.

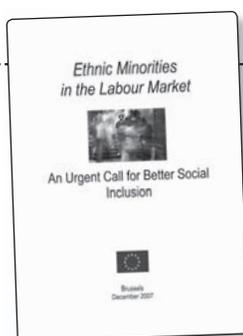
The second day of the conference was opened by the keynote speaker Douglas Freeman (Virtcom Consulting), who discussed the future of diversity management from a global perspective. He reported an increasing trend in labor force and customer diversity and stressed the need for management approaches that 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

On December 3–4, 2007, the IZA research team, several IZA experts, members of the EU High Level Group and representatives of many minority groups came together at the conference “Social and Labor Market Integration of Ethnic Minorities in the European Union: Challenges and Prospects,” which took place in Brussels. The purpose of this event was the official presentation of the 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, IZA delivered a comprehensive analysis of the barriers to labor market integration of ethnic minorities based on its Minority Report (see p. 10).

The conference, for which IZA also provided organizational support, 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 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.



### Ethnic Minorities in the Labour Market: An Urgent Call for Better Social Inclusion

Report of the High Level Advisory Group of Experts on the Social Integration of Ethnic Minorities and their Full Participation in the Labour Market

► [http://ec.europa.eu/employment\\_social/fundamental\\_rights/pdf/hlg/etmin\\_en.pdf](http://ec.europa.eu/employment_social/fundamental_rights/pdf/hlg/etmin_en.pdf)

## Social and Labour Market Integration of Ethnic Minorities in the European Union: Challenges and Prospects

Monday, December 03

### Opening of the conference

Vladimír Špidla (European Commissioner for Employment, Social Affairs and Equal Opportunities)

Rita Süßmuth (President of the High Level Advisory Group of Experts)

Moderated Panel

### The inclusion of ethnic minorities - a challenge for Europe

Moderation: Robin Sclafani (Director CEJI)

Vladimír Špidla

Rita Süßmuth

Claude Moraes (MEP)

Viktoria Mohácsi (MEP), Livia Járóka (MEP)

Bashy Quraishy, Lee Jasper (Members of the HLG)

Klaus F. Zimmermann (Director IZA)

### Presentation of the report of the ENAR ad-hoc expert group

Report of the ENAR ad-hoc expert group on social and economic inclusion of disadvantaged ethnic and religious minorities

Pascale Charhon (ENAR) and Michelynne Laflèche (Runnymede Trust)

### Panel

#### Public Policy

Chair: Madi Sharma (EESC)

Ilze Brands Kehris, Istvan Serto-Radics (Members of the HLG)

Jozef de Witte (Belgian Center for Equal Opportunities and Opposition to Racism)

John Wrench (FRA)

Chris Burston (Department for Work and Pensions)

Medardus Huemer (Bavarian Ministry of Employment, Social Affairs, Families and Women)

Tuesday, December 04

### Keynote Speech

#### “The future of diversity management - a global perspective”

Douglas Freeman (Virtcom Consulting)

### Panel

#### Businesses and Good Practice

Chair: Douglas Freeman (Virtcom Consulting)

Tarja Summa (Member of the HLG)

Olajobi Makinwa (UN Global Compact)

Elmar Brok (MEP)(Bertelsmann AG)

Andrea Ferenczi (Association for Women’s Career Development in Hungary)

Elena Brandalise (Migrationsrat Berlin Brandenburg)

Ralf Drachenberg (UEAPME)

### Panel

#### Inclusion of Roma - Lessons to be learned

Chair: Ivan Ivanov (ERIO)

Andrzej Mirga, José Fresno, Jarmila

Balázsová (Members of the HLG)

André Wilkens (Open Society Institute)

Valeriu Nicolae (ERGO)

### Closing

Belinda Pyke, European Commission, Director for Equal Opportunities (DG EMPL/G)

► [www.iza.org/link/ethmin](http://www.iza.org/link/ethmin)

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.

### Berlin Lunchtime Meeting on Policy Conclusions

On March 12, 2008, Klaus F. Zimmermann, Martin Kahanec and Amelie Constant presented the IZA study during a joint Berlin Lunchtime Meeting with DIW Berlin. The president of the “High Level

Group,” Rita Süßmuth, elaborated on the group’s policy recommendations for European and national integration policies. Based on the findings of the IZA study, the High Level Group Report concludes with an “An Urgent Call for Better Social Inclusion” of ethnic minorities in the European Union.



## Zimmermann Appointed to the “Commission on the Future of NRW”

Since May 2008, the “Commission on the Future of NRW” advises the state government of North-Rhine Westphalia on education, economic and labor market policy with a particular focus on questions of solidarity in an aging society. Established by the state’s prime minister

Jürgen Rüttgers, the independent commission will prepare a report on “NRW 2025 – Innovation, Employment, Quality of Life” with recommendations to achieve these goals. The state government intends to incorporate this advice in next year’s agenda and discuss the issues at an

annual Europe-wide congress on the living conditions of future generations. Among the 23 members of the commission representing various areas of society, IZA Director Klaus F. Zimmermann will coordinate the activities in the areas of economics and labor.

# New Study: Stimulate Geographic Mobility in the European Union

Geographic mobility rates are still relatively low in the European Union, both within and between countries. A new study by IZA, NIRAS Consultants and the Swedish National Labor Market Board for the European Commission sheds some light on the European paradox that skill shortages exist in some areas of the EU, while others are plagued by persistently high unemployment. Mobilizing the potential of labor mobility is one of the key issues in the Lisbon process and the European Employment Strategy.

## Current state of geographical mobility in the EU

The average cross-border mobility rate within EU-15 countries and the average cross-border mobility rate from the new Member States to the EU-15 countries are about equal. For the EU-12, mobility rates from EU-15 countries are increasing in contrast to the mobility rates within EU-15 countries, which are relatively stable over time. While cross-border mobility rates in the EU have been relatively small, mobility between regions within countries is much more pronounced.

While for any type of move the average for the EU-25 is about 67 percent, focusing on moves within a country, the corresponding EU-25 average is about 16 percent, dropping to about 4 percent for moves inside the EU and to about 3 percent for moves outside the EU. More frequent job changes are associated with more frequent geographic moves, and vice versa. While analyzing mobility intentions in asking whether an individual believes that he or she is likely to move within the next five years, significant differences among countries were found. Five countries clearly stand out as high mobility countries: Sweden, the United Kingdom, Estonia, Finland, and France, while others such as Austria, the Czech Republic, Germany and Portugal are the opposite.

Current imbalances in unemployment rates and real wages across EU-27 are large. Geographic labor mobility might lead to a more balanced allocation of jobs and workers in the EU. Furthermore, enlarging the relevant labor market for individuals through geographic mobility may result in better skill matches. From a supranational perspective, positive externalities from mobility outweigh the potential negative externalities. Positive externalities mainly stem from positive growth effects associated with free movement of human capital reducing labor market imbalances, improved skill matches in an integrated market, higher investment in education, and a higher level

of innovation and entrepreneurship. Negative externalities are primarily pecuniary or fiscal, and at least partially offset by corresponding positive effects. The efficiency gains are unambiguously beneficial for Europe. Regarding demographics, in this concrete context, there is limited scope for geographic mobility within the EU alleviating the impact of aging and population decline since almost all of Europe faces similar problems.

In view of the still substantial imbalances, there seem to be unexploited, mostly economic gains. Thus, as the economic effects are clearly positive, the demographic effects are nil and the social effects are mixed, it seems reasonable to assume that increased intra-European mobility would increase the welfare of the vast majority of Europeans.

## Mobility drivers and barriers

Survey evidence suggests that migrants have a variety of motivations for moving. Employment-related factors, such as higher income and better working conditions, play a key role. But also family and network related factors, as well as housing and local environment conditions often seem to affect migration decisions. Survey results do not support sentiments that migration is primarily triggered by access to welfare payments or better public services. Besides "country effects", age, gender, household structure, education, employment situation, and past mobility experiences are the key microeconomic determinants: young people are more mobile than older people, men are more mobile than women etc.

Language and cultural barriers are extremely important when explaining the limited level of geographic mobility in Europe. Moreover, the persistence of national forms of labor market and housing market organization, welfare state and fiscal systems could constrain intra-EU mobility. Although EU citizens do not generally perceive these as the most essential mobility barriers, harmoniza-

tion and coordination are certainly relevant in designing effective mobility policies.

## Policy recommendations

The new study recommends strengthening the institutional preconditions of mobility on the labor market. This means that Member States should develop mobility-supporting active labor market policies. In accordance with the flexicurity principle, they should assess the role of their labor market institutions in determining geographic mobility. Financial compensation to mobile job seekers should be considered, and the European Commission should assess the role of housing, child care services and other public or corporate policies influencing the costs of mobility.

Furthermore, Member States should develop mobility-friendly educational policies and put strong emphasis on creating foreign language learning capacities at all levels. Existing European exchange programs such as Erasmus or Leonardo should be further promoted and participation encouraged.

The creation of effective information and social networks is another determinant of a flexible and dynamic labor market. It is necessary to extend and improve the EURES network and Europass in order to raise mobility awareness at all levels. The European Commission should identify roles and delegate responsibilities for all relevant social partners in relation to the promotion of mobility and ensure social integration of migrant workers and their families. Easing mobility barriers stemming from the diversity of national social protection and qualification systems is another important measure. Despite the progress already made, the European Commission should continue to address remaining obstacles in the field of coordination of national social security regimes. Progress must be made regarding the issue of pension portability in the realm of preserving supplementary pension rights. Transparency of qualifications has to be improved while persisting barriers to mobile professionals need to be removed.



Holger Bonin (IZA)  
Werner Eichhorst (IZA)  
Christer Florman (AMS)  
Mette Okkels Hansen (NIRAS)  
Lena Skiöld (AMS)

Jan Stuhler (IZA)  
Konstantinos Tatsiramos (IZA)  
Henrik Thomsen (NIRAS)  
Klaus F. Zimmermann (IZA)

## Geographic Mobility in the European Union: Optimising its Economic and Social Benefits

IZA Research Report No. 19

► <http://www.iza.org/files/IZA19.pdf>

## IZA Child Labor Network Established New Network to Link Research and Policy

More than 190 million children under 15 are working in the world today. Many of these children are helping their families by working on the family farm or in the family business while others toil in horrific conditions. Academic research on child labor and related questions about how children spend their time in low income countries has boomed in recent years. So too has policy interest and attention. Unfortunately there is no generally accepted definition of child labor nor any consistent evaluation of policy measures. In fact, research is too often conducted without appropriate attention to policy, and too often policy is designed and implemented without relying on the best available science.

Established in 2007, the purpose of the IZA Child Labor Network (IZA-CLN) is to construct communication and information bridges between researchers interested in improving the policy relevance of their work and policymakers interested in improving the science and capacity to learn from and build on their efforts. The network is headed by *Eric V. Edmonds* (Dartmouth College, NBER and IZA). Its members are currently engaged in projects to define child labor, to understand why children work and how they become engaged in the worst forms of child labor, to measure the consequences of common forms of work for education, health, and occupational choice, and to evaluate the effectiveness of various child labor and schooling-related policy interventions.

To initiate the network, IZA conducted a first workshop on “Child Labor in Developing Countries” in June 2007. The program featured some of the most recent contributions to the research in child labor. *Gianna C. Giannelli* (University of Florence and IZA) addressed the issue of how to advance women’s rights in order to simultaneously improve the situation of women and children. While mothers’ work generally increases family

wealth and should thus improve children’s welfare in terms of educational opportunities and protection from work activities, the authors found that the probability of child labor actually increases when job quality and wage levels for working mothers are very low.

*Gabriel Gonzalez-König* (El Colegio de la Frontera Norte) examined how financial transfers from migrants affect children’s school enrolment. They tested remittances from the person who left the family for another country against increases in other sources of income and found that increasing transfers from family members abroad do not affect school enrolment of urban boys or girls and rural boys, but have a significant positive effect on the enrolment rates of rural girls. Consequently, remittances can make a decisive difference for the group that is most at risk of not receiving a proper education. A paper on public remedial programs to enhance school quality in Mexico was presented by *Furio Camillo Rosati* (University of Rome Tor Vergata and IZA). The study dealt with the question whether such programs help keep children in school and out of work. The results show that improved school quality produces a lock-in effect that urges children to pursue further education. This also implies that parents value education and keep children away from the labor market if learning achievements improve.

The study presented by *Ayal Kimhi* (Hebrew University) dealt with land reforms in transition countries and their impact on child labor in rural areas. While increased landholdings raise the demand for male child labor, poorer rural families tend to sacrifice the future well-being of their sons in order to satisfy current needs. Consequently, land reforms may produce the undesired effect of increasing rural inequality as they do not affect the more well-to-do families.

An undocumented negative effect of anti-drug policies in South America on household behavior was discovered by *Ana C.*

*Dammert* (McMaster University and IZA). As coca production moved from one country to another, rural welfare decreased, which led to an increase in children’s domestic and market work in coca-growing states. Schooling outcomes were not affected, which suggests that children are not taken out of school altogether but rather work part-time. Hurricane Mitch served as a natural experiment for *Javier Baez* (Syracuse University) who examined children’s medium-run vulnerability to weather shocks. They found that children in affected areas of Nicaragua were less likely to be taken for medical consultation if sick, though they did not suffer from more diseases than their unaffected counterparts. The share of school children who work doubled to 15.6 percent, but overall school enrolment remained unaffected. Yet, the authors found that children were disproportionately affected as adult nutrition and consumption patterns remained unchanged in regions hit by the storm. The most destructive effects of large shocks in poor countries may therefore come to bear on the nation’s future – the children. At the end of the workshop, Eric V. Edmonds provided an overview of the empirical literature on child labor. He discussed the issues associated with using the term “child labor” in research and policy settings, the most common types of child labor, policy options and important future research questions.

The IZA Child Labor Network will continuously expand its activities in this field of research. More information is available online at ► [www.iza.org/child\\_labor](http://www.iza.org/child_labor)



Eric V. Edmonds

## Federal Ministry of Economics and IZA Present Study on Workfare

On behalf of the Federal Ministry of Economics and Technology (BMWi), IZA has published a study on the implementation of the workfare approach as part of the BMWi model to create employment that pays a living wage. On May 13, 2008, BMWi Undersecretary *Walter Otremba*, IZA Director *Klaus F. Zimmermann* and IZA Labor Policy Director *Hilmar Schneider* pre-

sented the study to the public in Berlin. The BMWi model aims at requiring welfare recipients to work in return for the transfer payments they receive. The idea is to create more incentives to secure a living through full-time work without state assistance. Last year IZA had already estimated that up to 1.4 million new jobs may be created in the process, thus lowering public expendi-

tures by about 25 billion euros per year. According to the new study, the BMWi model could be implemented without extraordinary organizational efforts. Meanwhile, the scientific advisory committee of the Federal Ministry of Finance (BMF) has also proposed the introduction of workfare elements.

► [www.iza.org/files/IZA18.pdf](http://www.iza.org/files/IZA18.pdf)

## Markus Frölich New IZA Program Director

IZA Research Fellow *Markus Frölich* (University of Mannheim) has joined *Robert Holzmann* (World Bank) as Program Director for the IZA Program Area “Employment and Development” in March 2008. He is taking over from IZA Director *Klaus F. Zimmermann*, who had acted as interim program director after launching the cooperation with the World Bank in 2006. Markus Frölich has been Full Professor of Econometrics at the University of Mannheim since January 2008. He received his Ph.D. from the University of St. Gallen in October 2002 for his thesis on “Programme Evalua-

tion and Treatment Choice.” After visiting University College London as a Marie Curie Individual Fellow, he became Assistant Professor at the University of St. Gallen. In addition to development economics and evaluation, his research interests include the economics of education. Zimmermann welcomed Frölich’s decision to coordinate IZA’s activities in this area: “Markus Frölich is a young, dynamic researcher who has cooperated with IZA for quite some time. He will certainly contribute a great deal to advancing this important research area together with Robert Holzmann.”



Markus Frölich

## IMF Appoints IZA Fellow Olivier Blanchard as Chief Economist

*Dominique Strauss-Kahn*, Managing Director of the International Monetary Fund, named *Olivier Blanchard* (MIT) new chief economist of the IMF, effective September 1, 2008. Blanchard has been affiliated with IZA as a Research Fellow since 2001. *Klaus F. Zimmermann* welcomed the decision as a “premium choice for this crucial, policy-oriented position.

Blanchard’s impressive publication record covers the whole range of fields relevant to the work of the IMF. With his experience and scientific excellence, Olivier Blanchard is well-equipped to close the gap between policy practice and the implications of state-of-the-art research in economics.”



Olivier Blanchard

## IZA Director Re-Elected as Head of ARGE Institutes

*Klaus F. Zimmermann*, Director of IZA and President of the German Institute for Economic Research (DIW Berlin), was re-elected for another three years as Director of the Executive Board of the Association of German Economic Research Institutes (ARGE) on April 17, 2008. Among the other board members are IZA Policy Fellows *Thomas Straubhaar* (HWWI) and *Johann Eekhoff* (University of Cologne), as well as *Ulrich*

*Blum* (IWH), *Wolfgang Franz* (ZEW), and *Hans-Werner Sinn* (ifo). Established in 1949, ARGE is the umbrella organization of 30 German economic research institutes. “Given the multitude of economic challenges ahead, it is important that the institutes keep pushing for sustainable economic policies. ARGE provides an excellent platform for this purpose,” said Zimmermann after his re-election.



Klaus F. Zimmermann

## Zimmermann is Senior Editor of Applied Economics Quarterly

As of January 2008, IZA Director *Klaus F. Zimmermann* has been Senior Editor of *Applied Economics Quarterly*, an international journal publishing empirical research with relevance for economic policy. The journal’s goal is to contribute to current policy de-

bates and enhance economic policy-making by providing a forum for innovative and rigorous empirical research. While the journal is global in scope, it has a strong focus on European policy issues.

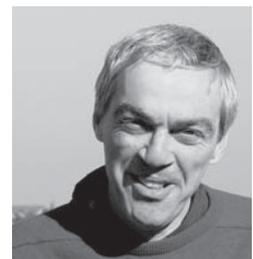


Regina T. Riphahn

## IZA Fellow Appointed to German Science and Humanities Council

As of February 2008, *Regina T. Riphahn* has been appointed a member of the German Science and Humanities Council (Wissenschaftsrat), an influential advisory body to the federal and state governments. After completing her post-doctoral habilitation under IZA Director *Klaus F. Zimmermann* in 1999, Riphahn taught at the Universities of Mainz (2000–2001) and Basel (2001–2005). Since April 2005 she

holds the chair for Statistics and Empirical Economics at the University of Erlangen-Nuremberg. She has been an IZA Research Fellow since 1999 and Research Professor at DIW Berlin since 2001. Zimmermann welcomed her appointment to the Science Council: “As one of the most promising and competent young economics professors in Germany, Regina Riphahn is certainly the ideal candidate for this position.”



Arthur van Soest

## Visiting Research Fellows: Deborah Cobb-Clark and Arthur van Soest

In early 2008, IZA welcomed *Deborah Cobb-Clark* (Australian National University) and *Arthur van Soest* (Tilburg University) as long-term Visiting Research Fellows. Cobb-Clark will stay at IZA for the entire year to focus on her research of the net worth and asset port-

folios of immigrant and native-born families and on understanding intergenerational transmission of disadvantage. Van Soest stayed at IZA until May 2008 to work. During his stay at IZA he will work on measuring retirement preferences and well-being of the elderly.



Deborah Cobb-Clark

## New IZA Research Staff

**Erin L. Krupka** and **Douglas J. Krupka** joined the IZA Research Team in July 2007. Erin Krupka's academic career began at Wheaton College. She received her Master of Public Policy from the University of Chicago in 2000. In 2007 she completed her Ph.D. in Behavioral Decision Research at Carnegie Mellon University in Pittsburgh, PA. In her research she explores how social and environmental factors influence human behavior using both laboratory and field experiments. Her current research focuses primarily on social norms and inter-temporal choice. Douglas Krupka's academic background covers a broad range of interests. After a bachelor in history and music he got his Master's degree at the University of Chicago School of Public Policy where he also received his Ph.D. From 2004 until 2007, while being affiliated with IZA as a Research Affiliate, he was an assistant professor in the Economics Department at Georgia State University in Atlanta. Elaborating on the topics of his thesis on "Location-Specific Human Capital, Migration and Amenities", his primary research interests are in Labor and Urban Economics.

Since May 2007 **Marco Caliendo** has been Deputy Program Director for the IZA research area on the "Evaluation of Labor Market Programs". He joined IZA as a Senior Research Associate in August 2007 after having worked for the Public Economics Department at the German Institute for Economic Research (DIW Berlin) since Jan-

uary 2005. Marco Caliendo studied economics at the University of Frankfurt and the University of Manchester. He received his Ph.D. at the University of Frankfurt for his thesis on "Microeconomic Evaluation of Labour Market Policies" in April 2005. His current research interests include empirical labor economics, applied (micro-) econometrics and the evaluation of labor market policies.

**Mutlu Yuksel** completed his Ph.D. at the University of Houston in May 2007 after receiving degrees in mathematics (Middle East Technical University) and economics (Bilkent University, University of Houston). In August 2007, he joined IZA as a Research Associate. His research interests include labor economics, applied microeconomics and development economics while his current research focuses on discrimination, assimilation and naturalization.

**Arne Uhlenдорff** became a Research Associate at IZA in August 2007 after having joined IZA as a Research Affiliate in March 2004. He studied economics and sociology at the University of Cologne and the University of Utrecht, graduating in 2002. From November 2002 until July 2007 he was a research associate at DIW Berlin and finished his doctoral studies in economics at the Free University Berlin. His research interests include empirical labor economics and migration, with a particular emphasis on the evaluation of labor

market policies and employment dynamics.

**Steffen Altmann** worked at IZA as a Resident Research Affiliate since March 2005 and became a Research Associate in October 2007. He studied economics at the Universities of Mannheim and Barcelona and joined the Bonn Graduate School of Economics as a Ph.D. student in September 2003. His research interests include personnel and labor economics as well as behavioral and experimental economics. Recently, he has been working on incentive systems and the determinants of trust and social preferences based on experimental studies.

**Melanie Khamis** joined IZA as a Research Associate after completing her Ph.D. at the London School of Economics in February 2008. She also holds an M.Sc. in Economics from the University of Warwick and a B.Sc. in Economics from the London School of Economics. Before and during her doctoral studies, she worked as an economist for the UK Department for International Development (DFID), as a consultant for the World Bank, and as a researcher for the International Monetary Fund (IMF). Her main research interests are in labor economics, development economics and microeconomics.

In September 2007 **Zhaopeng Qu** has started his one-year research visit at IZA. He is a Ph.D. student in economics at Beijing Normal University (BNU), China, after receiving his Master's Degree in Economics in 2006. Before his studies at BNU, he worked as a journalist for the "China Business Post" in Beijing and Shanghai. He currently focuses on the effects of aging on the income distribution in China.



Erin L. Krupka



Douglas J. Krupka



Marco Caliendo



Mutlu Yuksel



Arne Uhlenдорff



Steffen Altmann



Melanie Khamis



Zhaopeng Qu

## IZA Alumni

**Holger Bonin**, IZA Senior Research Associate and Deputy Program Director for “Evaluation of Labor Market Programs,” has left IZA after seven highly productive years. Since October 2007 he is head of the department “Labour Markets, Human Resources and Social Policy” at the Centre for European Economic Research (ZEW) in Mannheim. “Holger Bonin’s numerous publications on demographic aging, generational accounting, immigration, and welfare state reforms have contributed significantly to IZA’s research and policy advice profile in this area,” said IZA Director Klaus F. Zimmermann. Bonin will continue to remain affiliated with IZA as a Research Fellow.

IZA Senior Research Associate **Thomas Dohmen** left IZA in November 2007 to become Director of the Research Centre for Education and the Labour Market (ROA) and professor of education and the labor market at the Faculty of Economics and Business Administration of Maastricht University. Dohmen had joined IZA in 2003 and later became Deputy Program Director for “Labor Markets in Emerg-

ing and Transition Economies.” He was also an important member of the IZA research team in behavioral and personnel economics. “Thomas Dohmen’s move to Maastricht leaves a void at IZA that will be hard to fill. But at the same it reflects IZA’s successful strategy to support young researchers and prepare them for their careers,” said Klaus F. Zimmermann at Dohmen’s farewell.

**Uwe Sunde**, also a Senior Research Associate at IZA, received his habilitation (*venia legendi*) in economics from the University of Bonn in January 2008. He had joined IZA in 2001 and contributed significantly to the success of the institute in academic research and policy advice. In addition to publishing high-quality scientific articles, Sunde was also in charge of IZA’s seminar and guest researcher program. He will continue his career at the University of St. Gallen, where he is now a professor of economics with a specialization in macroeconomics and labor markets. IZA Director Klaus F. Zimmermann lauded Sunde as “the perfect example of a young labor economist who

seized his opportunity at IZA while at the same time giving the institute much back in return.”

Since January 2008, IZA Research Associate **David Huffman** is Assistant Professor at Swarthmore College in Pennsylvania. “In his four years of excellent research work at IZA, David contributed substantially to our dynamic activities in personnel and behavioral economics,” said Zimmermann. Like the other alumni, Huffman will remain a part of the IZA network as a Research Fellow.

**Winfried Koeniger** joined IZA in September 2001 and later became Senior Research Associate and Deputy Program Director of “Labor Markets and Institutions.” In August 2007, he accepted a lecturer position in the Department of Economics at Queen Mary, University of London. “IZA owes Winfried Koeniger a great deal of gratitude for his valuable impulses in the research and policy fields. We are happy to remain in touch with him through our network,” said IZA Director Klaus F. Zimmermann.



D. Huffman



H. Bonin



W. Koeniger



Dohmen, Zimmermann, Sunde

## IZA Young Labor Economist Award Presented in New Orleans

On January 5, 2008, IZA Director *Klaus F. Zimmermann* presented the second IZA Young Labor Economist Award to *Oriana Bandiera* (London School of Economics), *Iwan Barankay* (University of Warwick) and *Imran Rasul* (University College London) during an IZA reception held at the Annual Meetings of the Allied Social Science Associations (ASSA) in New Orleans. The award honors an outstanding paper published by young labor economists under the age of 40. The selection committee – consisting of Zimmermann and the IZA Program Directors – chose their joint paper “Social Preferences and the Response to Incentives: Evidence from Personnel Data” (*Quarterly Journal of Economics*, 2005) from a large number of nominations submitted by IZA Research Fellows.

During the award ceremony, Zimmermann said the selection committee was impressed with the “originality of the research approach, the methodological rigor and the thorough analysis of the data” in the prize-winning paper, which has important implications for the design of incentive schemes: Analyzing personnel data from a UK farm, the authors found that due to the workers’ social preferences their daily productivity was at least 50% higher under piece rates compared to relative performance incentives.

In his acceptance speech, Barankay thanked the community of labor economists for nominating the paper, as well as the “142 fruit pickers without whom our research would not have been possible.”



Imran Rasul, Oriana Bandiera, Iwan Barankay



## Strengthening Scientific Policy Advice

The relationship between policymakers and the research community is often characterized by misperceptions. Many policy-oriented researchers get the impression that their findings and recommendations are selectively ignored – or misused as a fig leaf to serve political goals. Policymakers, on the other hand, argue that science-based recommendations are rarely feasible for the day-to-day decision-making process because they are either out of touch with reality or delivered too late. It is not surprising, therefore, that management consultancies have now surpassed academic experts in terms of popularity among policymakers.

This development is a threat to the sustainability of social and economic policies, which are faced with such key challenges as globalization, demographic change, technological progress, depletion of natural resources and climate change. In these times, policymaking is more than ever in need of well-founded, independent advice. While private-sector consultants certainly offer important operational advice, they cannot replace the insights gained from academic science with its long-term analytical perspective. Politicians need to realize that their work can only benefit from accompanying research when they also acknowledge the inconvenient findings and help improve this research by facilitating access to relevant data.

We must also get rid of the antiquated rituals still governing academic policy advice. In order to achieve better permeability of knowledge between science and politics, government institutions could, for instance, establish temporary contracts for full-time in-house consultants. A continuous, confidential dialogue would certainly enhance strategic political planning, whereas the long-term benefit of advisory

committees remains questionable in many cases. The incumbency of advisory boards should be confined to the duration of political terms and not be appointments for life. Staff exchange programs between government departments and economic research institutes could prove to be fruitful and stimulating for both sides. Journalists could also be included in these programs as they have the important task of communicating complex economic issues and the need for further reforms to the public.

In addition to these structural reforms, a crucial aspect of economic policy advice is the evaluation of policy programs by independent economic research institutions. Labor market policies can only be successful in the long run if their effects are continuously analyzed. It would certainly make sense to legally mandate the evaluation of all major policy programs. But to achieve these goals, politicians would first need to change their own perception of what policymaking is all about. They must become more willing to test their approaches in pilot projects before transforming them into national policies. This is why bills should be passed with an “expiration date” to facilitate the retraction of programs that – according to thorough evaluation – have failed to produce the desired effects.

Moreover, it remains clear that highest scientific standards and access to all relevant data are prerequisites to high-quality policy advice. Lowering these standards may result in hackneyed advice but will never lead to sustainable policies from which the labor market and the whole economy can profit.



Klaus F. Zimmermann



Institute for the Study of Labor



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