CHAPTER 2. EXPLAINING IMMIGRANT LABOUR MARKET INEQUALITY

2.1. A Micro Approach to the Analysis of the Immigrant Labour Market Situation

Integration of immigrants into the labour market is one of the central issues in migration research, as it largely determines the economic impact of immigrants on the receiving country, as well as the social integration of immigrants and their offspring. Whether immigrants soon become economically integrated or whether long-term ethnic stratification emerges has serious consequences for both the immigrants and the receiving society.

Labour markets represent arenas in which workers exchange their labour in return for wages, status and other benefits (Kalleberg and Sørensen, 1979: 351). Micro-sociological and micro-economic two-sided search and matching models can serve as a conceptual framework for explaining differences in the labour market for immigrants as compared to native-born workers. These models describe outcomes of the allocation process, which represents the interplay of opportunity structures determined by employers’ preferences and job resources on the one hand and job seekers’ preferences and personal resources, which determine their choice of opportunities, on the other (Coleman, 1991; Kalleberg and Sørensen, 1979; Sørensen and Kalleberg, 1981; Logan, 1996). The underlying process can then be understood as matching (the requirements of) jobs to (the characteristics of) individuals, with employers and job seekers being the two types of actors involved in this process (see Figure 2.1). Both are assumed to be rational, to aim at maximising their utility levels, that is at looking for the optimal solution from their own point of view.

2.1.1. HUMAN CAPITAL AND MIGRATION

Following basic economic principles, an employer, given the characteristics of a job vacancy, seeks to recruit the most productive and the least costly applicant. What matters for the employer is a job applicant’s potential performance, including his or her adaptability and trainability. Faced with a pool of applicants, the employer presumably ranks job candidates in a queue, while an individual’s position in the queue is determined not by his/her absolute level of productivity (in fact actual productivity is unobservable), but rather by his/her rank in relation to other candidates according to characteristics perceived as relevant by employers, characteristics that might serve as proxies for expected productivity (Thurow, 1975, 1978; Sørensen and Kalleberg, 1981). These will certainly include
direct indicators of workers’ skills, such as education and training, which, according to the human capital model, represent investments that increase productivity\(^7\) (Becker, 1962, 1964; Mincer, 1958). The most obvious factor that might thus account for immigrants’ lower position in the queue, and for their labour market disadvantages in a broader sense, is their lack of human capital resources, which may be attributed to several factors.

Firstly, due to differences in the level of educational opportunity in various countries, in particular disparities between western industrialised countries (as host societies) and third-world countries (as sending societies), immigrants, and above all those coming from the third world, might offer lower average educational qualifications than those of the native-born population. Normally, however, people voluntarily emigrating from a particular country are not a random sample drawn from the population, but rather a select group. Chiswick’s (1978) explanation for the exceptional success of immigrants arriving in the USA in the 1950s–1960s is, in fact, based on their positive self-selection. Economic immigrants, Chiswick maintains, represent the more ambitious, motivated, risk-taking, and able elements in their source countries. This is so because only persons with such characteristics are willing to take the risky and (at least initially) costly step of migrating. Chiswick’s (1978) self-selection argument has, however, been theoretically and empirically challenged by Borjas (e.g. 1987, 1990, 1994a), who has argued that immigrants’ selectivity in both observed and unobserved traits is not always positive, but rather depends upon the relative returns on skills in source and destination countries. Positive selection for skills, i.e. selection from the upper tail of the home country’s income distribution, is expected of immigrants from relatively egalitarian countries, i.e. those in which income is less dispersed (e.g. Sweden), to more unequal countries, i.e. the ones with more dispersed income (e.g. the US), where highly skilled immigrants can enjoy greater returns on their skills. By contrast, negative selection of immigrants, i.e. those that hearken from the lower levels of income distribution, is expected from relatively unequal to more equal countries, where the (welfare) state protects the less skilled. Selection also appears to vary with respect to the type of migration, with economic migrants being more favourably self-selected on the basis of higher intrinsic abilities and economic motivation, and tied movers or refugees less so (Chiswick, 2000).

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\(^7\) Questioning the human capital theory’s assumption of the link between education and productivity, some scholars argue that education serves as a screening device (Arrow, 1972) or a signal (Spence, 1973) that is connected to ability rather than productivity.