

Measuring the size of the employer contribution to the ethnic minority employment gap

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Executive Summary

1. Ever since systematic data on ethnic minorities in the labour market started to be collected over thirty years ago, the evidence has shown that ethnic minority employment rates are substantially lower than those of the white British. Currently the gap is around ten percentage points for men, although varying from one ethnic group to another. The aim of this study is to investigate the main drivers of this gap and in particular to assess how large is the employer contribution to the gap.

2. The employment gap has varied over time, almost certainly reflecting the state of the economy with the gap being particularly large when the economy is slack. But it is clear that there is a very long-standing and apparently intractable problem of ethnic minority worklessness. Furthermore, it is a problem with possible major implications for efficient use of manpower, as well as for social justice and social cohesion.

3. It is important to recognize however that there is considerable variation between ethnic groups, with Indians consistently having employment rates quite close to those of the white British, while Caribbeans, Africans, Pakistanis and Bangladeshis have had consistently low employment rates. There is also variation between men and women. It is misleading therefore to lump all minorities together into a single group. This report therefore looks at the ethnic-specific employment gaps.

4. It is also important to recognize that the workless are a heterogeneous group. They will include people (primarily younger people) who are currently in full-time education. They also include the unemployed who are available for, and looking for, work. A third group are people who would like work but are not currently looking for work – some of whom might be regarded as ‘discouraged workers’. A fourth category includes people who do not actually want work, perhaps because they are looking after the home or after young children. The reasons for ethnic groups being over-represented in these different categories will vary from one category to another, and between men and women, and likewise the extent of the employer contribution will also vary. It will again be misleading to lump all these categories together. We therefore focus particularly on ethnic minority unemployment rather than overall worklessness.

5. Finally we need to recognize that the drivers of unemployment (and of worklessness generally) are rather different for new migrants (the ‘first generation’) and for native-born ethnic minorities (the ‘second generation’). For example, many new migrants will lack fluency in the English language, and this will limit their opportunities in the labour market. Separate studies need to be conducted of new migrants and of the second generation. We focus on the second generation in this report.

6. We can group the factors that potentially explain the ethnic-specific employment gaps into a number of broad headings, some of which shape the supply of labour on the part of the ethnic minorities and some of which shape the demand for labour on the part of the employers. These factors include:

- Individual aspirations and expectations;
- Human capital such as skills and training relevant to job performance;
- Financial capital for setting up in business;
- Social capital such as social connections and networks;
- Cultural preferences and other cultural barriers;

- Direct discrimination (positive or negative) by employers, banks or co-workers;
- Indirect discrimination;
- Other structural aspects of the labour market.

7. To assess what role these factors play in explaining the employment gaps, we draw on the most authoritative available data sources and in particular on two major government surveys - the Labour Force Surveys and the Home Office Citizenship Surveys – using the most recent data from 2002-2006. However, there are some major limitations to these data sources:

- They do not measure all the concepts of interest, and even those that are measured are rarely measured in the detail that would ideally be necessary for our purposes;
- They are cross-section surveys, and it is not therefore possible to be sure whether some measures are causes or consequences of the employment gaps;
- They contain rather small numbers for some ethnic minority groups and estimates for these groups will therefore have substantial ‘sampling error’.

Our conclusions therefore must be, at best, tentative and provisional and subject to considerable margins of error. But we believe that this is the best that can be done at present with the available data.

Individual aspirations and expectations

8. Among the native-born the aspirations and expectations of ethnic minorities appear to be little different from those of the white British. However, there are some hints in the data that ethnic minorities might be more ambitious but conversely less willing to take ‘any job’ rather than be unemployed. But the differences are small and this is unlikely to be a major driver of the employment gaps.

Human capital

9. While many of the first generation lacked the human capital necessary for success in the British labour market, the second generation have made great investments in their education and training, and several groups now outstrip the white British in their proportions attending university – and do so by a considerable margin. Ethnic minorities may possibly have lower quality university qualifications than the white British, and (because of their younger age profile) will also lack work experience. Lack of the relevant human capital therefore explains only a modest part of the employment gap (perhaps somewhere between 10% and 30% depending on the group in question).

Social capital

10. Ethnic minorities may lack the ‘bridging social capital’ and social networks involving white British workers and employers who can provide information and access to mainstream jobs. However, the evidence suggests that the great majority of the second generation do in fact have some friends from other races. The idea that Britain contains segregated communities with no contact between them has probably been much exaggerated. Lack of bridging social capital, as measured in the available surveys, may explain around 10% of the gap but the measures are far from perfect.

Cultural preferences and other cultural barriers

11. Again the evidence suggests that the second generation, who have been educated and brought up in Britain, are more similar in their cultural values to the white British than has usually been recognized. However, there is evidence that religion is associated

with employment chances, with practicing Christians having better chances of being in work than are the non-religious, while some non-Christian religions are associated with lower chances of employment. It is important to note that this pattern appears to hold **within** particular ethnic groups, for example Indian Muslims have lower employment chances than Indian Hindus while Indian Christians have the highest chances of employment. However, the reasons for these patterns are currently obscure and they do not give a firm basis for policy. Since it is difficult to be sure that religion is distinct from ethnicity, we do not attempt to quantify the contribution of religion to the employment gap.

Direct discrimination

12. There is compelling evidence that ethnic minorities, especially Black Africans men, have higher rates of refusal when they apply for jobs than do British or other whites. While we cannot be sure that this is the product of discrimination (since it might be due to minorities applying for inappropriate jobs), discrimination by employers is likely to be major component. This therefore is likely to be a significant driver of the employment gaps for some ethnic minorities, although the evidence suggests that it is not by any means the whole story. It explains up to 25% of the gap, once again varying from group to group.

Other structural factors

13. In general we do not have the data to investigate other possible structural factors, apart from geography. Some ethnic minorities are located in areas of relatively high unemployment and this may therefore be a modest driver of the gap. However, our evidence suggested that this amounted only to a few percent of the employment gap.

Quantifying the size of the different contributions

14. We have no direct measures of financial capital or of indirect discrimination, and most of the measures that we do have are imperfect and underestimate the contribution of each particular component. Not surprisingly therefore we are unable to explain much of the employment gaps. We should also note that our different sources give rather different estimates of the contributions of each factor. Perhaps the main conclusion of this research is how little we currently know about the causes of the ethnic minority employment gaps.

15. Our estimates of the size of the employer contribution (based on the measure of job refusals in HOCS) to the second-generation unemployment gaps is given in the following table. While much of the remaining gap (shown in the last column) may well be due to factors such as expectations, financial capital, cultural factors and indirect discrimination that our main data sources do not cover, it might be wise to assume that some of the unexplained gap will also be due to the imperfect nature of the measures of human capital, social capital and discrimination available in our data sources. The estimates should therefore probably be regarded as **underestimates** of the contribution of each component.

	Overall gap compared with White British	% of gap explained by human capital	% of gap explained by social capital	% of gap explained by job refusals	% of gap remaining unexplained
Men					
2nd gen					
B Car	11.1	10.8	6.8	11.9	71.3
B Afr	8.6	17.4	3.9	24.5	54.2
Indian	4.8	29.2	12.1	-3.0	61.7
Pak/Bang	5.6	25.0	11.3	3.6	63.1
All BME	7.4	16.4	10.2	7.0	66.4
Women					
2nd gen					
B Car	6.2	32.6	-1.4	14.4	54.5
B Afr	--	--	--	--	--
Indian	4.5	28.8	2.5	-0.2	68.9
Pak/Bang	6.2	23.4	1.6	12.9	62.1
All BME	5.0	31.1	3.3	7.6	58.0
All 2 nd gen BME	6.1	23.1	8.0	7.8	61.1

Source: HOCS 2003, 2005.

Note: we have not calculated the components for Black African women as the HOCS data do not seem to be reliable for this group.

16. These results suggest that discrimination (as proxied by job refusals) does not explain any of the relatively small Indian unemployment gap. It does however seem to play a significant role in the case of Black Caribbean and Black African men – the two groups with the highest unemployment gaps. Another way to view these results is that job refusals are the largest identified components of the Black male unemployment gaps.

Recommendations

17. Effective policy-making needs a firmer evidence base than we have been able to establish in this report. Our first recommendation is that better data should be collected. In particular we need to know whether the high rates of ethnic minorities being refused jobs are due to inappropriate applications, lack of specific skills and training, or to unfair treatment by employers (wittingly or unwittingly).

18. There are three kinds of data that it would be desirable to collect:

- Systematic field experiments in which applications are made by matched applicants from majority and minority groups to a representative sample of employers;
- A prospective study in which matched school and university leavers from the majority and minority groups are tracked, recording the kinds of jobs that they apply for and the treatment that their applications receive, and their subsequent reactions and behaviour.
- Monitoring data, collected by firms (on a voluntary basis) recording numbers of applicants and acceptances by members of the majority and minority groups.

(Such a monitoring exercise has been running successfully for some years in Northern Ireland.)

19. However, it would be unfortunate to put actual policy interventions entirely on hold while we await better research evidence. Our second recommendation is that there should be a series of small but carefully monitored pilot interventions. Such interventions should be diverse, targeted at a range of the drivers of the employment gaps. In the specific case of the employer contribution, one possibility would be to follow the example of the Northern Ireland fair employment policies, which do appear to have been quite successful in reducing the Catholic/Protestant employment gap. On a voluntary and experimental basis, employers among whose workforces ethnic minorities are currently under-represented might establish recruitment targets for increasing minority representation.

Monitoring progress at reducing the ethnic minority employment gaps

20. The ethnic minority employment gaps need to be kept regularly under review. Since, as the table above shows, the gaps vary from one group to another, it is important to disaggregate and to look at ethnic-specific employment gaps. It is also important to distinguish the first generation from the second. Our experience in carrying out the research for this report indicates that it is premature to use the percentage of the gap contributed by employers as a yardstick for measuring progress: there is too much uncertainty in the measurement. The ethnic-specific unemployment gaps are a clear and straightforward measure (although it should be noted that they may vary according to the overall state of the economy). Measured rates of job refusal represent a more specific measure of how applicants are treated by firms.

Report

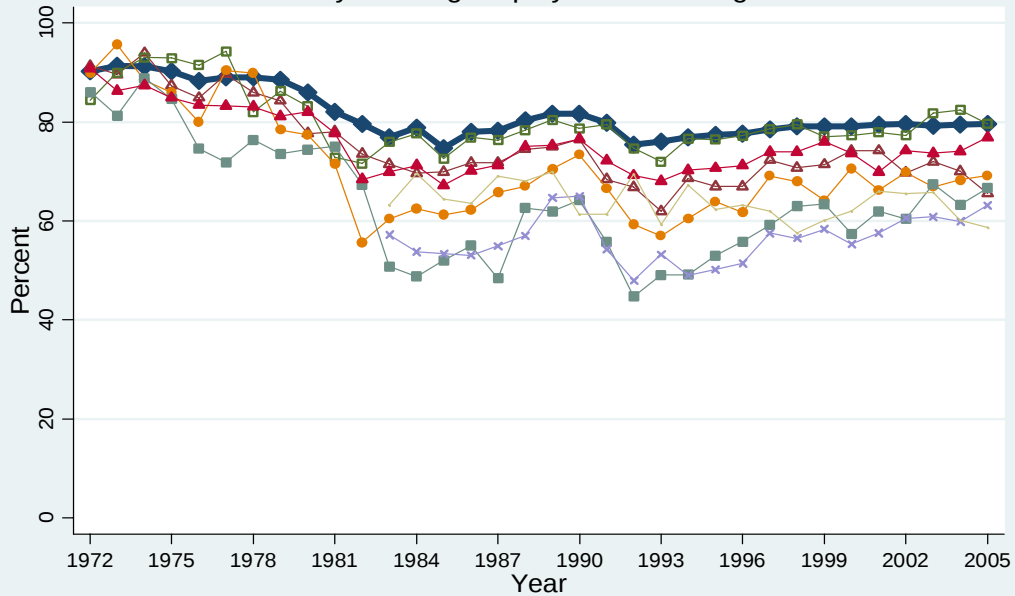
1. AIMS

The aim of the proposed study is to quantify the employer contribution to the observed ethnic minority disadvantage in employment. We first review the background and the nature of the current employment gaps. We then review the potential explanations for this gap before moving on to the detailed empirical analysis of the various drivers of the gap. Next we decompose the gaps, attempting to isolate the contribution made by discrimination, before concluding with some recommendations.

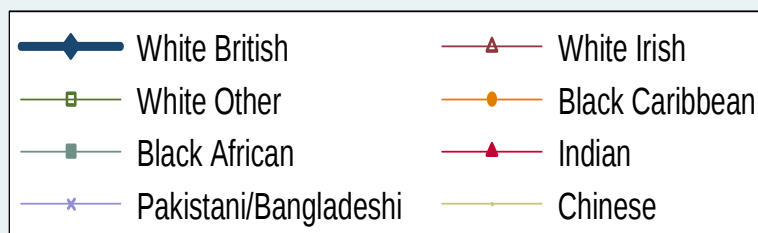
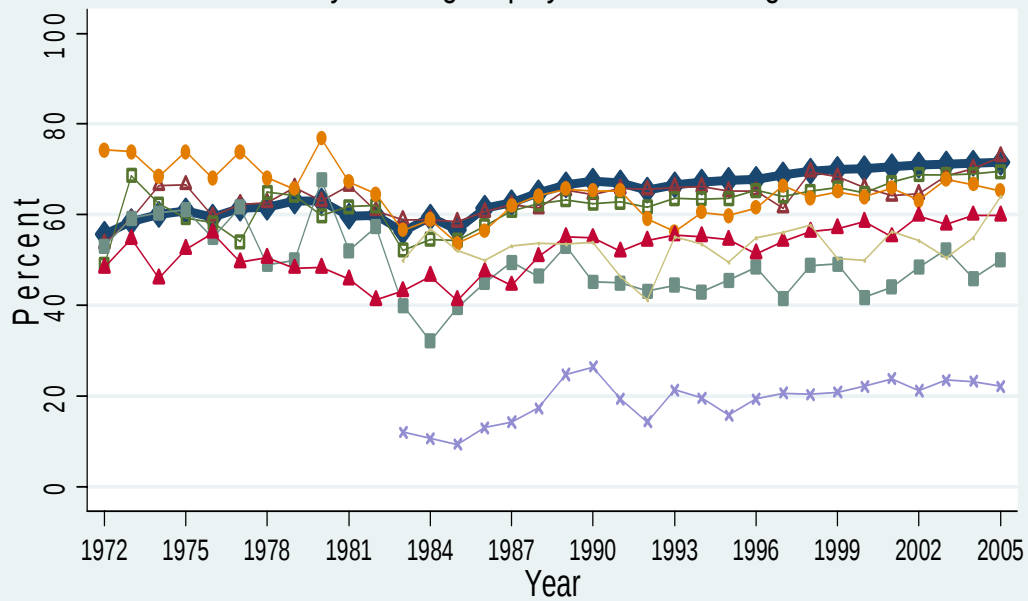
2. BACKGROUND

There has been substantial and continuing ethnic minority disadvantage in employment ever since systematic data on ethnicity started to be collected over thirty years ago. Figure 1 shows the rates of unemployment for men aged 16 to 64 and resident in Great Britain (based on pooled GHS and LFS data) from 1972 to 2005. As we can see, there is some variation over time, with ethnic minority employment rates being particularly low when the economy was slack (as in the mid 1980s and the early 1990s). We also see that there is some variation between ethnic groups, with Indians consistently having employment rates quite close to those of the white British and Pakistanis and Bangladeshis having consistently low employment rates for much of the last two decades. Moreover, at the end of the period ethnic minority employment rates remained substantially lower than that of the majority population, and by larger amounts than at the beginning of the period. There is therefore a very long-standing and apparently intractable problem. Furthermore, it is a problem with possible major implications for efficient use of manpower, as well as for social justice and social cohesion.

Figure 1: Employment status of ethnic groups in Britain
Probability of being employed for men aged 16-64



Probability of being employed for women aged 16-59



Note: The samples for Chinese and Pakistani/Bangladeshi too small before 1983.

Source: Pooled data of GHS/LFS.

It should be noted that the problems faced by ethnic minorities appear to be much less when we consider the opportunities available for those who are actually in employment. Recent research has suggested that, for native-born ethnic minorities who are fortunate enough to have jobs, their occupational attainment and earnings are broadly comparable with those obtained by British whites with the same educational qualifications. (This does not, however, hold true for the foreign-born migrants. See Cheung and Heath 2007.) The major issue, therefore, for the native-born appears to be that of getting work. It is therefore right to focus, as the NEP wishes to do, on issues of gaining employment.

It is however important to recognize that those not in employment are quite a heterogeneous group. For example, they will include people (primarily younger people) who are currently in full-time education. They also include the unemployed who are available for, and looking for, work (the ILO definition of unemployment). A third group are people who would like work but are not currently looking for work – many of whom might be regarded as ‘discouraged workers’. And a fourth category includes people who do not actually want work, perhaps because they are looking after the home or after young children. The reasons for ethnic groups being over-represented in these different categories may well vary from one category to another, and likewise the extent of the employer contribution might also vary.

Table 1 shows the distributions. We focus on the main ethnic categories identified in the standard Census classification of ethnicity. We should remember that these categories are self-reported measures of the respondents’ cultural background. They can be regarded as measures of ancestry or heritage. Because of the small numbers involved we combine people of Pakistani and Bangladeshi cultural background and we also combine the smaller mixed and other groups into a broader category of ‘Other’. Note that the Irish – one of Britain’s largest and longest-standing ethnic minorities – is included in the category of Other White along with more recent migrants from Europe, North America and the ‘old’ Commonwealth.

Table 1 Ethnic differences in employment: men (percentage by row)

	Employee or self- employed	Unemp loyed (ILO)	Full- time student	Looking after home	Discou raged worker	Other	N
Men							
British White	82.4	3.5	1.2	1.1	0.1	11.7	86,792
Other White	80.4	3.9	3.7	0.9	0.1	11.1	4,124
Black Caribbean	71.0	11.0	2.8	1.5	0.2	13.5	825
Black African	68.7	10.0	12.3	0.9	0.1	8.0	790
Indian	79.1	4.9	4.6	0.9	0.1	10.5	1,853
Pakistani/Bangladeshi	68.6	9.8	6.1	2.3	0.2	13.0	1,504
Chinese	74.5	2.9	14.7	0.0	0.0	7.9	341
Other	70.9	7.9	6.4	1.1	0.2	13.4	2,145
All	81.6	3.8	1.7	1.1	0.1	11.7	98,374
Women							
British White	73.1	2.5	1.6	12.1	0.1	10.6	85,273
Other White	68.7	3.4	3.9	14.4	0.1	9.5	4,447
Black Caribbean	65.1	6.3	4.1	12.1	0.1	12.2	1,015
Black African	51.8	7.4	12.7	16.8	0.0	11.5	1,020
Indian	67.2	5.1	3.2	17.9	0.1	10.5	1,914
Pakistani/Bangladeshi	24.1	4.8	2.8	53.9	0.1	14.3	1,574
Chinese	56.8	3.9	13.7	14.4	0.2	10.9	431
Other	54.2	6.2	5.8	22.3	0.2	11.3	2,287
All	71.1	2.8	2.1	13.3	0.1	10.6	97,961

Notes:

1. Men aged 21-64 and women aged 21-59 in Great Britain only.
2. The Other group include White and Black Caribbean, White and Black African, White and Asian, Other Mixed, Other Asian, Other Black, and Other.
3. The 'discouraged workers' are those not working, not seeking because they 'believe that no jobs are available'.

Source: LFS (2002 summer, 2003 summer and 2006 autumn).

As we can see, the male employment rates (given in the first column) are substantially lower for the Black Caribbean, Black African and Pakistani/Bangladeshi ancestry groups than for British whites. For these three groups the gaps are over eleven percentage points. As was also shown in Figure 1, the gap is a great deal smaller for the Indian ancestry group, with the Chinese group in between.

It is also very important to note that the make-up of the non-employed respondents varies very markedly from one group to another. All the ethnic groups identified in the table have higher proportions of full-time students than is the case for British whites, probably reflecting in part their younger age profile, but the proportion of full-time students is particularly marked for Black Africans and Chinese (and this remains true even when we compare people of similar ages). In the case of the Chinese this means that their apparent 'employment deficit' can be fully explained by their high rates of continuation in full-time education. In the case of Black Africans, in contrast, we see

both high continuation in education and high unemployment. And in the case of Black Caribbeans we see high unemployment but a relatively low rate of continuation into higher education.

We see a somewhat similar picture for women, but one striking phenomenon in the lower panel of Table 1 is the very high proportion of women of Pakistani or Bangladeshi cultural background who are looking after the home.

In general we expect the explanations for unemployment, for continuation in higher education, and for looking after the home to be rather different from each other. It may therefore be very misleading to combine these three categories into a single measure of non-employment. In this report we therefore focus on explaining the unemployment rates of the different ethnic groups, unemployment being a relatively unambiguous indicator of disadvantage in the labour market. For a comprehensive analysis it would be desirable to carry out separate analyses of each of the main components of non-employment, and we would expect to find that the size of the employer contribution varies quite considerably from one component to another.

In summary, then, we can see that

- The employment gap varies markedly from one ethnic group to another, with men and women of Black Caribbean, Black African and Pakistani/Bangladeshi heritage being particularly disadvantaged;
- The components of the employment gap also vary quite markedly from one group to another, with marked variations in unemployment rates, in rates of continuation in full-time education, and rates of looking after the home between the different ethnic groups.

Our conclusion from this is that (A) it is preferable to focus on the explanation of ethnic-specific disadvantages, rather than generalizing about ethnic minorities as a whole, and that (B) it is preferable to disaggregate the differing components of non-employment, with a particular focus on unemployment.

3. POTENTIAL EXPLANATIONS FOR THE EMPLOYMENT GAPS

We can group the factors that potentially explain the various components of ethnic minority employment gaps into a number of broad headings, some of which shape the supply of labour on the part of the ethnic minorities and some of which shape the demand for labour on the part of the employers. These factors include:

- Individual aspirations and expectations;
- Human capital such as skills and training relevant to job performance;
- Financial capital for setting up in business;
- Social capital such as social connections and social support;
- Cultural preferences;
- Direct discrimination (positive or negative) by employers, banks or co-workers;
- Indirect discrimination;
- Alternative sources of securing an income.

We describe each of these in more detail below.

Aspirations may well differ between ethnic groups and between migrants and natives. It is often assumed that migrants will be ‘positively selected’ and will have greater motivation and drive to succeed than non-migrants in their country of origin. This is because migration is a costly and risky business and people who decide to migrate are therefore likely to have personal qualities that make them more willing to incur the costs involved in migration. Through family socialization, these personal qualities may well be passed on to their children, at least to some extent. In general one can assume that groups such as the Chinese who have come from further afield (and perhaps with greater obstacles in their way) will be more positively-selected than groups such as, for example, the Irish for whom migration to Britain is relatively cheap and easy.

The very high levels of educational success achieved by second-generation children of Chinese descent (far outstripping the education of the white British) may well be due in part to such processes of positive selection of the parental generation. Reliable evidence on aspirations is unfortunately rather rare, however, and it is not included in the main datasets available for our analysis. However, we should note that high rates of continuation in higher education on the part of the native-born minorities may also reflect their expectations about the likelihood of experiencing discrimination in the labour market: if one expects to be unable to secure a job, then staying on in school may become a more attractive option than becoming unemployed.

Human capital, that is the investments that individuals and families have made in their skills and training, has regularly been shown to have important implications for success in the labour market (eg Heath and Cheung 2007, Heath and Li 2008). Human capital includes both the skills that individuals have acquired through formal education (as measured by their qualifications) and the skills that they have learned on the job in the course of their working life. Human capital also includes individuals’ linguistic skills and their stock of knowledge about the operation of the labour market. Human capital is most often measured with reference to individuals’ level of qualifications and length of experience in the labour market, but some measures will not fully capture all aspects of human capital (for example the quality of their education or work experience).

Financial capital tends to be relevant mainly for the relatively small numbers who seek to establish themselves in business. There is evidence that family and community support can be a source of finance for some ethnic minority entrepreneurs, although it has also been suggested that migrants may find it difficult to access loans from commercial institutions. Unfortunately, it is rare for direct measures of financial capital to be available in the large-scale datasets necessary for investigating employment gaps.

Social capital, such as the social ties and networks that individuals have developed and the trust that tends to emerge from these ties, has been shown in various case studies to be of potential value in finding work. The distinction between ‘bonding’ social capital (strong ties within a particular community) and ‘bridging’ social capital (linking a member of one community with individuals in other communities) is particularly important. Bridging social ties may be valuable as a means of finding out about job opportunities among mainstream employers; bonding social capital may be important when starting up one’s own business or when looking for work with co-ethnic employers. However, the value of strong ties within a community may also depend on the extent of the resources that the community as a whole has. Bonding social capital may be much more useful if a community has substantial resources of capital or know-

how to share, and may be relatively valueless if fellow-members of one's community are out of work themselves.

There is as yet only limited systematic evidence on these different aspects of social capital but it is likely that these different forms of social capital vary quite considerably between ethnic groups. For example, Caribbeans and Chinese have especially high intermarriage rates with white British, and hence may have greater bridging social capital than Indians or Pakistanis, who tend to have much lower intermarriage rates but probably also have higher levels of bonding social capital. The Indian community, however, may have greater resources to share than does, say, the Bangladeshi community and hence the implications of the bonding social capital may be quite different in the two groups.

Cultural preferences are known to be important in the context of, for example, choice of school (with some communities showing a preference for single-sex education especially for girls) and may also be relevant to labour market participation. In particular there is evidence that members of the Indian and Pakistani communities are likely to have more traditional family values and to live in extended families. These may in turn be linked with a preference for a traditional division of labour within the family with the husband taking on the main provider role and the wife staying at home to look after the children and the elder members of the household. However, cultural preferences may differ markedly between communities; the Black Caribbeans, for example, may prove to be even less 'traditional' in their family values than the white British.

Cultural preferences may also take more specific forms for certain kinds of work. For example, caste Hindus may be unwilling to take on jobs that Hinduism has traditionally regarded as 'polluting' and which are associated with the former 'untouchable' castes. It is not known how far such preferences will extend to the second generation however.

Direct discrimination by employers on grounds of race or colour is one possible way in which employers may contribute to the employment gap. Economists make an important distinction between 'statistical discrimination' and a 'taste for discrimination'. A taste for discrimination, based on a simple preference for white over non-white employees, is economically inefficient since it implies the hiring of a less productive white worker in preference to a more productive non-white worker. However, economists have pointed out that statistical discrimination may be a rational strategy when hiring workers about whom little is known: if previous evidence suggests that, for example, non-whites have poorer on-the-job skills (perhaps because of lack of experience in the British labour market), then it might be rational for the employer to use colour as a cheap screening device for excluding workers with lower than average skills. Employers may also take language proficiency and cultural affinity as productive elements in the team-work settings, which would work against minority ethnic groups in the recruitment processes.

In practice however it is empirically difficult to determine whether job rejections are due to a taste for discrimination or to statistical discrimination. The results of field experiments, many of which have shown that ethnic minority applicants are more likely to be rejected than are white applicants, are consistent with both interpretations. It should also be noted that ethnic minorities might experience hostility from co-workers

and this might lead to higher rates of job exits and thus further contribute to the employment gap.

Indirect discrimination can occur when employers operate a particular procedure in a ‘colour-blind’ way but that procedure nonetheless disadvantages members of a particular community. This could occur, for example, if jobs are offered through word of mouth to associates of current employees. Case studies of particular firms’ recruitment and hiring practices are likely to be the best way forward for investigating this.

Alternative opportunities for securing an income can be relevant in a variety of ways. For example, some individuals may lack easy access to state benefits (perhaps because of their undocumented status) and this may increase their willingness to undertake low-paid work. Other individuals may have access to the informal economy and this may make them less willing to take on poorly-paid work. Self-employment may be another avenue pursued by individuals who have failed to secure paid employment or who perceive a strong likelihood of discrimination in the mainstream labour market.

While we have treated each of these major types of factor as distinct, we should note that in practice they may often work jointly. This is particularly clear in the case of indirect discrimination where the impact of a particular hiring practice will depend on the nature and characteristics of the potential applicants. It is the **conjunction** of the two that creates the problem. Also note that factors may work together. For example higher education or British work experience may well reduce traditionalism and increase access to bridging social capital. Finally, one factor may impact upon another: for example discrimination by employers (real or perceived) may change applicants’ behaviour, their investments in human capital, or their job-search methods.

It is also evident that the different explanations may apply with different force to various ethnic communities. It is very important to recognize the heterogeneity of the main ethnic communities in Britain today. Some communities may have more human capital (at least as measured by formal qualifications) than the white British while other communities may have less. There will be great variety too in access to social capital, in cultural preferences, and perhaps in aspirations. Employers may have different perceptions about the employability of the different groups. This means that lack of education may explain the employment gap for the Pakistani community but not for Indian. Similarly lack of bridging social capital may explain part of the gap for Indians but not for Chinese or Caribbeans. Since the various ethnic communities are so heterogeneous, therefore, it makes little sense to pool them together and to analyse them as a single category. For example, if one group has higher education than the white British while another has lower education, then a pooled analysis would probably show that education explains **none** of the employment gap. However, education might in fact explain half of the gap for the latter group while the former group’s high level of education might mask other disadvantages that they experience, such as lack of bridging social capital. Our strategy in this report therefore is to attempt to explain the specific gaps experienced by the different communities rather than to attempt a single pooled analysis.

In explaining the employment gap it is important to begin by distinguishing factors that are specific to the migrants who came to Britain as adults (the ‘first generation’) from factors that affect the children of immigrants (the ‘second generation’). Factors that may be specific to, or more marked among, the first generation are:

- Willingness to take low-paid work
- Foreign qualifications, language difficulties, lack of knowledge of the British labour market and foreign work experience;
- Lack of bridging social capital;
- Greater traditionalism.

Note that these may work in opposite directions.

Also note that we would need to include variables such as foreign work experience which do not apply to the native-born population, leading to potential identification problems, if we were to include the first generation. Therefore in this report we focus on the native-born, that is the second generation. This group is particularly relevant for issues of social justice and efficiency. Furthermore, the native-born experience very similar employment gaps, particularly with respect to unemployment, as the first generation.

4. EMPIRICAL RESULTS

To assess what role, if any, factors such as human capital, social capital and discrimination play in explaining the employment gaps, we draw on the most authoritative available data sources. We draw on two major government surveys - the Labour Force Surveys and the Home Office Citizenship Surveys – using the most recent data from 2003-2006. The LFS has excellent measures of qualifications together with some measures of religion, language difficulties (but only in the years 2002, 2003 and 2006, which are therefore the years on which we focus) and some rudimentary measures of social capital. The HOCS also covers qualifications, religion, social capital and reported experiences of discrimination.

It must be recognized at the outset that, while these data sources are highly authoritative and are conducted to the highest standards of survey research, the topics that they include in their questionnaires are not ideally suited to the explanation of employment gaps. They do not, for example, include measures of aspirations and expectations, of cultural preferences or of financial capital, and their measures of social capital are far from ideal for our purposes. It is very unlikely therefore that we will be able to achieve a full explanation of the employment gaps. However, there are currently no better sources available in Britain and therefore we shall do what we can with the material available. We will also briefly refer to other material where it can shed any light on possible additional explanations. (We should note that the proposal to enlarge the British Household Panel Survey to 40,000 households may in due course enable us to make more progress in explaining these gaps since a panel study is inherently superior to a cross-section survey for explanatory purposes. Unfortunately the current BHPS with a sample of 10,000 households is far too small for adequate investigation of ethnic minority employment gaps.) Best of all would be a new panel study designed specifically to tackle these questions.

Aspirations

Our main data sources of the LFS and HOCS do not contain any information on aspiration levels. In any event, even if the main surveys of the labour market included questions on aspirations, a major problem with such measures would be that they may well reflect people's experience in the labour market rather than cause that experience (in technical language, aspirations may be endogenous). What we need, instead, is evidence about aspirations **before** entering the labour market. This evidence is available from the Longitudinal Study of Young People in England (LSYPE). This is a new study that includes ethnic minority booster samples and will also be tracking young people into higher education and the labour market. At present however we have only the information on the young people at age 13-14 which is perhaps rather too early to be fully informative about young people's career intentions.

The data in the LSYPE are nonetheless of some interest. The survey includes a number of questions about attitudes to work and employment and the results are shown in table 2. As we can see, differences between ethnic groups and British whites are in general very small, somewhat mixed and rarely reach statistical significance. There are however some hints that ethnic minority young people are slightly more ambitious than British whites and are more likely to agree with the statements that "Having a job that leads somewhere is important" and "Having a job or career in the future is very important to me". But this appears to go with a greater willingness to accept unemployment rather than "any job". This pattern applies with very few exceptions to both males and females and to all ethnic minorities. Ambition then, at least among these young people, might be something of a double-edged sword, leading ethnic minority young people to aim for careers but perhaps making them slightly less willing than their white British counterparts to accept 'any job' in preference to unemployment.

Table 2 Ethnic differences in attitudes to work and perceptions of equal treatment

	% strongly agreeing that 'Having a job that leads somewhere is important'	% strongly agreeing that 'Having a job or career in the future is very important to me'	% strongly agreeing that 'Having any kind of job is better than being unemployed'
Men			
British white	70.6	86.2	60.6
Other white	71.6	93.2	68.0
Black Caribbean	78.7	92.6	54.5
Black African	75.9	90.2	57.7
Indian	75.1	90.4	58.1
Pakistani/Bangladeshi	71.5	88.3	54.8
Chinese	60.0	91.7	40.0
Other	74.6	89.7	56.4
Women			
British white	68.1	89.6	54.7
Other white	65.2	90.2	47.7
Black Caribbean	79.2	92.4	48.6
Black African	73.0	92.2	46.6
Indian	72.4	92.0	48.9
Pakistani/Bangladeshi	71.7	85.4	55.2
Chinese	61.1	100.0	58.8
Other	69.7	91.7	46.7

Source: LSYPE wave 1 (2004). Respondents in year 9 (aged 13-14). England only.

We must emphasize that the differences between ethnic groups are extremely modest, and we shall see much greater differences later. It is unlikely therefore that differences in aspiration and attitudes to work can explain much of the ethnic minority employment gaps, but we should assume that these attitudes may have a modest role.

Human capital

Human capital is always found among native populations to have a powerful relationship with employment, and it therefore has considerable potential to explain differences between ethnic groups. The main measure of human capital available in large-scale government surveys is the highest level of qualification. We should note that such measures do not necessarily fully capture the quality of education or its value in the labour market. For example, there is considerable evidence (eg Boliver 2006) that ethnic minorities (other than Chinese and to some extent Indians) tend to be over-represented in lower-status universities (such as the post 1992 Universities) and under-represented in elite institutions (such as the Russell group). On the other hand, there is evidence that ethnic minorities are somewhat more likely to select applied subjects at university (subjects such as medicine, law, business or computing) rather than traditional humanities subjects (such as English or History). These applied subjects

may reduce the risks of unemployment after graduating. Possibly, therefore, these two factors will balance out.

Another important aspect of human capital, especially for the migrant generation, is fluency in the English language. However, as we see below, this does not appear to be important for the second generation.

Cross-sectional surveys such as the LFS and HOCS do not contain measures of actual job experience. It is usual to proxy job experience by including age as a measure in our analyses since greater age is in general associated with longer experience of work. However, this may be less useful in the case of ethnic minority women since older women may have spent a considerable part of their adult lives as full-time carers of their children or the elderly, especially for South Asian women. We therefore also include measures of marital status and of dependent children in our models for women.

Table 3 Ethnic differences in education, language difficulties and (for women) mean number of dependent children under 16 in family: British-born

	% with degree level qualification	% with low or no qualifications only (below GCSE)	% who had language difficulties in finding work	Number of dependent children
Men				
British white (ref)	17.5	23.7	0.0	
Other white	18.1	23.7	0.0	
Black Caribbean	12.5**	21.6**	0.0	
Black African	45.7***	11.8***	0.8***	
Indian	44.1***	13.6	0.6***	
Pakistani/Bangladeshi	28.1***	22.2**	0.8***	
Chinese	51.6***	5.5*	0.0	
Other	26.8***	19.3***	0.2**	
Women				
British white (ref)	16.0	26.8	0.0	0.76
Other white	19.1**	26.5	0.2***	0.66***
Black Caribbean	16.3	16.5***	0.0	1.13***
Black African	41.7***	8.3***	0.0	1.29**
Indian	40.7***	8.9***	0.2**	0.87*
Pakistani/Bangladeshi	23.1***	20.2**	2.0***	1.37***
Chinese	52.0***	12.0**	0.0	0.69
Other	27.2***	16.9***	0.2**	0.96***

Notes:

1. For men aged 21-64 and women aged 21-59, born and resident in Great Britain.
2. The three lowest qualifications are 'GCSE D-E', 'Foreign' and 'No qualifications'.
3. Figures for groups that are significantly different from the British White figures are shown in bold with * p<0.05, ** p<0.01, *** p<0.001.

Source: LFS (2002 summer, 2003 summer and 2006 autumn).

Table 3 shows very clearly major differences in the highest qualifications achieved by the different ethnic groups. Chinese, Black Africans and Indians are the most successful educationally, with proportions well above those of the British whites. Indeed, the only group that is clearly less-qualified than the white British are the Caribbean men. Even groups such as the Pakistani/Bangladeshi one that are normally thought to be quite disadvantaged have higher rates of obtaining degrees than do the white British. This pattern has been confirmed from other data sources too. However, we need to recall two points made earlier: first, these high rates of continuing in education may in part be due to expectations of discrimination in the labour market if one were to leave school; second, the minorities tend to be disproportionately attending less prestigious universities, which may not in general give the same opportunities in the labour market. In addition, it is also worth pointing out that the situation is very different for the first, migrant generation for whom there is clear evidence that most groups had substantially lower qualifications than the British. The first generation also have much higher rates of language difficulties when looking for work than does the second generation.

Given the generally high levels of education achieved by these native-born ethnic minorities, it is clear that education will be unable to explain the employment gaps experienced by the native born. Only in the case of the Black Caribbean men can we expect lack of education to explain any of the gap. However, other aspects of human capital, especially the ethnic minorities' relatively youthful age and hence lack of experience in the labour market, will have some role to play since unemployment rates tend to be higher among the young and inexperienced. We therefore carry out a multivariate analysis in which we control for the various measures of human capital available to us in the main LFS dataset. Specifically we include as predictors measures of highest qualification, age (which we take as a proxy for experience in the labour market), language difficulties, marital status and, in the case of women, number of dependent children.

Table 4 Logistic regression of employment vs ILO unemployment with controls for human capital: second-generation men and women resident in Great Britain

	Men		Women	
	Model 1 -- no controls	Model 2 -- controls for human capital	Model 1 -- no controls	Model 2 -- controls for human capital
Ethnicity				
British white (ref.)				
Other white	.012	.011	-.068	-.149
Black Caribbean	-1.369***	-1.156***	-1.179***	-.959***
Black African	-.614 [†]	-.478	-1.143***	-.843*
Indian	-.508**	-.347 [†]	-.401 [†]	-.255
Pakistani/Bangladeshi	-1.119***	-.990***	-1.384***	-.975***
Chinese	-.225	-.029	-1.115*	-.952*
Other	-.915***	-.646***	-1.192***	-.873***
Education				
Degree (ref)				
Prof below degree		.142 [†]		.172*
A Level or equivalent		-.001		-.109
Voc. higher than GCSE		-.258***		-.343***
GCSE A-C		-.213**		-.233**
Less than GCSE		-.491***		-.618***
Foreign qualifications		-.511***		-.789***
No qualifications		-1.029***		-1.039***
Age				
Age/10		1.228***		1.646***
Age/10 squared		-.139***		-.177***
Partnered		1.130***		.897***
Language difficulties		-2.289***		-1.790***
Number of dep children				-.275***
Constant	3.169***	.428 [†]	3.377***	-.059
Pseudo R ²	.005	.067	.006	.061
N	77,646	77,067	67,130	66,638

Notes:

1. For men aged 21-64 and women aged 21-59, born and resident in Great Britain.
2. Figures for groups that are significantly different from the British White figures are shown, [†] p<0.10, * p<0.05, ** p<0.01, *** p<0.001.
3. Full-time students are dropped from the analysis.

Source: LFS (2002 summer, 2003 summer and 2006 autumn).

Table 4 shows that our measures of human capital do manage to explain some of the Black Caribbean, Black African and Pakistani/Bangladeshi disadvantages in gaining employment, albeit by only 10-20%. Thus in the case of Black Caribbean men the log odds fall from -1.369 in the first model (without controls) to -1.156 in the second model, which includes our controls, a drop of almost sixteen percent. In the case of the

Pakistani/Bangladeshi men the log odds fall from -1.119 to -0.990, a drop of only 12%. In the case of the latter group, the main driver of this fall will be the relatively youthful age profile of this group, and so this particular component of the disadvantage can be expected to gradually disappear as this group gets older.

Note that in the case of the Chinese men, all of the (very modest) original gap is explained and this effectively means that Chinese men compete on equal terms with white British men of the same experience and education. (For Chinese women, however, there is a rather puzzlingly large disadvantage even after controlling for human capital. One possible reason for this is that since over 80% of the Chinese women in self-employment work in the service sector such as in the wholesale, retail, hotel, restaurant or take-away businesses where they work long and unsocial hours for relatively low pay, many of them may not regard their job as proper employment and may have been looking for another job in the reference weeks. See Li, 2007, Table 6.)

However, the fact that our measures of human capital explain so little of the employment gaps is not surprising, given the evidence in table 3 showing the high levels of qualification obtained by the native-born minorities.

Social capital

We do not have measures of financial capital available in our datasets, and therefore move on to consider social capital.

As we noted in section 3 above, there are many different aspects of social capital and in the case of ethnic minorities the distinction between ‘bridging’ and ‘bonding’ social capital may well be particularly relevant in the search for work. Unfortunately the LFS does not contain any detailed data directly on social capital but the Home Office Citizenship Survey includes a certain amount of information about social capital. One relevant question asks respondents whether all their friends are from their own ethnic group. Table 5 shows the pattern. (Because of the small numbers in the HOCS, we are not able to look at the other whites, Black Africans or Chinese separately but have to include them all in the ‘Other’ category.)

Table 5 Probability of having same-race friends (% by row)

	Men				Women			
	All the same	More than half the same	About half the same	Less than half the same	All the same	More than half the same	About half the same	Less than half the same
British white	56.2	33.5	4.2	6.1	57.3	31.8	5.7	5.3
Other white	65.0	16.5	2.2	16.3	45.5	25.7	11.1	12.6
Black Caribbean	9.9	30.3	21.1	38.8	8.7	33.5	33.2	24.5
Black African	7.2	46.0	19.1	27.6	7.3	26.1	25.2	41.4
Indian	14.2	28.7	28.9	28.3	9.7	29.9	27.6	32.7
Pakistani/Bangladeshi	7.8	39.6	28.3	24.3	19.3	24.4	25.2	31.2
Chinese	4.1	2.0	29.6	64.0	24.7	28.6	8.7	38.4
Other	17.5	11.7	13.8	56.9	11.6	9.0	18.0	61.3
All	55.2	33.2	4.7	6.9	55.9	31.5	6.3	6.3

Note

1. The variable is constructed from *srace* and *sracep* in HOCS 2003 and *srace* in HOCS 2005. Respondents reporting 'no friends' are dropped from the analysis.
2. For men aged 21-64 and women aged 21-59, born in Britain and resident in England and Wales at the time of interview.

Source: HOCS 2003 and 2005.

Table 5 not surprisingly shows that it is in fact the whites who are by far the most likely to have friends only from their own race – that is other whites. Given the much larger number of whites in Britain, and the geographical concentration of ethnic minorities in large conurbations, many whites will not have opportunity to meet ethnic minorities.

However, the very high proportions of the ethnic minorities who report having some friends from other races are quite striking. We must of course remember that we are dealing here with the second generation, who will have gone to school in Britain. The proportions with friends only from one's own race are substantially higher among the first generation.

The format of the HOCS question does not enable us to be sure that, when ethnic minorities do have friends from other races, those friends actually are white or British. However, given the numerical predominance of white British in the population, this assumption will broadly hold true. The social capital hypothesis is that having white friends will increase one's chances of finding work, and exploratory bivariate analysis does indeed indicate that ethnic minorities who only have friends from their own race are somewhat more likely to be unemployed.

We can include these measures of social capital in our regression analyses. However, we need to recognize that having friends from other races means rather different things

depending on whether one is white or not. To allow for this we need to include an interaction between white/non-white and our measure of friends from other races. Table 6 shows the results for the HOCS dataset. Since there are some differences in the detailed patterns shown by the LFS and HOCS datasets (probably reflecting their different sampling strategies) we also include for comparison the results of the model with controls for human capital only.

Table 6 Logistic regression of employment vs ILO unemployment with controls for social capital: second-generation men and women and resident in Great Britain

	Men		Women	
	Model 2	Model 3	Model 2	Model 3
Ethnicity				
British white (ref.)				
Other white	.80	.78	-.09	-.08
Black Caribbean	-1.19***	-1.10***	-.76**	-.75**
Black African	-1.05	-.97	1.54	1.55
Indian	-.40	-.32	-.68	-.65
Pakistani/Bangladeshi	-.28	-.20	.04	.01
Chinese	-1.65	-1.59	.76	.63
Other	-.58	-.48	-.44	-.45
Education				
Degree (ref)				
Prof below degree	-.03	-.05	.51	.49
A Level or equivalent	-.05	-.06	-.39	-.42
Voc. higher than GCSE	-.02	-.04	-.60	-.65
GCSE A-C	-.07	-.08	-.36	-.38
Less than GCSE	-.38	-.40	-1.18**	-1.22**
Foreign qualifications	-.77	-.80	-.45	-.48
No qualifications	-.64*	-.66*	-1.10**	-1.14***
Age				
Age/10	1.61**	1.62**	2.22**	2.22**
Age/10 squared	-.17**	-.17**	-.24*	-.24*
Partnered	1.38***	1.37***	1.27***	1.26***
Number of dep children			-.38***	-.38***
Social capital (friend of same race)		.08		.17
Social capital*nonwhite interaction		-.47		.87
Constant	-.70	-0.74*	-1.13	-1.18
Pseudo R ²	.10	.10	.11	.11
N	5,279	5,279	5,271	5,271

Notes:

The interaction term simply distinguishes white from non-white, ie assumes that the effect of social capital is the same for each of the non-white ethnic minorities.

Source: HOCS 2003 and 2005.

Table 6 shows that having friends from other races has no impact on the chances of the white British obtaining work. However, the interaction term indicates that, in the case of non-white men, it is quite disadvantageous to have friends only from one's own race and that this significantly increases the risk of unemployment. (We do not find the same pattern for ethnic minority women, however.)

We can also see that, in the case of men, the inclusion of this measure of social capital does help to explain part of the ethnic disadvantages shown in model 2. In other words, social capital does have some explanatory power over and above that of human capital. Since, as we saw in table 5, it is only a few ethnic minorities whose friends are all drawn from the same race, the overall impact of this measure is not especially great. But the clear pattern for men does suggest that social capital should be regarded as a significant factor in ethnic minority men obtaining work.

It must be emphasized that this is an imperfect measure of the complexity of social capital and hence is likely to underestimate the role of social capital in the job search. Nor are we able to investigate wider social processes such as those involved in social context more generally.

Cultural preferences

Direct measures are not available in our main datasets. However, some data are available in a 1997 study of ethnic minority political attitudes and behaviour. Perhaps most relevant for a study of ethnic minority behaviour in the labour market is the question on conceptions of gender roles which, as suggested in section 3 above, might help explain patterns of labour market supply. The 1997 study asked respondents to place themselves on a scale the poles of which were 'Women should have an equal role with men in running business, industry and the government' and 'A woman's place is in the home'. In general, answers were heavily skewed towards the 'equal roles' pole, and we therefore report in Table 7 the percentages agreeing with an equal role for women.

Table 7
Ethnic differences in cultural preferences: British-born men and women

	% agreeing that 'women should have an equal role with men'	
	Men	Women
British white	57	68
Other white	NA	NA
Black Caribbean	44	79
Black African	64	93
Indian	54	73
Pakistani/Bangladeshi	25	67
Chinese	NA	NA

Source: BES 1997, main cross-section and ethnic minority booster sample.

It is perhaps not wholly surprising that women are more likely on average to support equal gender roles than are men, which is what we see in table 7. More surprising however is the absence of any marked differences between women belonging to the

different ethnic minority groups. The high figures, not significantly different from those for British whites, on the part of the Indian and Pakistani/Bangladeshi group are particularly striking. We should of course remember that these figures are for the second generation, who will have been educated in British schools and have been exposed to contemporary British conceptions of gender equality. There may well be larger differences with the first generation.

However, there are much larger differences among men, with Pakistani/Bangladeshi men in particular standing out with a rather low percentage in favour of strict equality. We cannot rule out the possibility that it is the men's attitudes that may be decisive in determining whether their wives stay at home or go out to work.

Unfortunately we cannot include such measures of cultural preferences in our multivariate analysis of the LFS or HOCS. However, these surveys do include measures of religion, and this may be treated as a proxy for cultural preferences. We have to be particularly careful here since it has been argued that religion may also be a basis for discrimination in the same way that race may be. We cannot be sure that religion is a pure measure of culture, although we do know that it is correlated with some aspects of culture, such as the attitudes to gender roles described above.

We also need to be careful in the analysis of religion since there will be an 'identification problem'. In the case of Pakistanis and Bangladeshis, we find that almost all are Muslim and we cannot therefore disentangle the effects of religion from the effects of ethnicity. However, there are also some Muslims (as well as members of other religions) among Africans, Indians and the white British and hence we can use these groups to explore the separate effects of religion and ethnicity. Hence we run the analyses both with and without Pakistanis and Bangladeshis. This is done in Table 8, where we add religion to our previous controls for human capital.

Table 8 Logistic regression of employment vs ILO unemployment with controls for religion: second-generation men and women resident in Great Britain

	Men		Women	
	Model 4a excluding Pakistani/ Bangladeshi groups	Model 4b including Pakistani/ Bangladeshi groups	Model 4a excluding Pakistani/ Bangladeshi groups	Model 4b including Pakistani/ Bangladeshi groups
Ethnicity				
British white (ref.)				
Other white	.055	.056	-.079	-.078
Black Caribbean	-1.240***	-1.234***	-.977***	-.980***
Black African	-.261	-.246	-.949***	-.959**
Indian	-.219	-.211	.008	-.002
Pakistani/Bangladeshi	NA	-.199	NA	-.801*
Chinese	-.160	-.166	-.903	-.907
Other	-.463	-.458	-.757***	-.757***
Education				
Degree (ref.)				
Prof below degree	.119	.101	.098	.099
A Level or equivalent	-.081	-.081	-.176	-.176
Voc. higher than GCSE	-.323***	-.332***	-.414***	-.419***
GCSE A-C	-.308***	-.316***	-.299***	-.307***
Less than GCSE	-.561***	-.574***	-.657***	-.681***
Foreign qualifications	-.538***	-.543***	-.859***	-.859***
No qualifications	-1.129***	-1.132***	-1.098***	-1.102***
Age				
Age/10	1.243***	1.228***	1.622***	1.658***
Age/10 squared	-.142***	-.140***	-.175***	-.179***
Partnered	1.079***	1.069***	.890***	.888***
Language difficulties	-1.752*	-1.939*	-1.457*	-1.798*
Number of dep children			-.274***	-.275***
Religion				
Christian	.186***	.182***	.294***	.293***
Hindu	.322	.311	.047	.072
Muslim	-.526	-.595*	-.041	-.050
Other non Christian	.400**	.397**	-.214	-.202
No religion (ref.)				
Muslim*dep children interaction			-.036	.062
Constant	.325	.362	-.197	-.259
Pseudo R ²	.065	.065	.063	.065
N	64,916	65,176	60,785	60,982

Notes:

1. For men aged 21-64 and women aged 21-59, born and resident in Great Britain.
2. Figures for groups that are significantly different from the British white figures are shown, † p<0.10, * p<0.05, ** p<0.01, *** p<0.001.
3. Full-time students are dropped from the analysis.

Source: LFS (2002 summer, 2003 summer and 2006 autumn).

Table 8 shows that the coefficient for Muslim religion is very similar in the two models (those including and excluding Pakistanis and Bangladeshis respectively), and this suggests that we are dealing with a ‘Muslim effect’ rather than merely re-describing the Pakistani/Bangladeshi disadvantage. It should be noted that this effect is statistically significant only for men when including the Pakistanis and Bangladeshis. (The fact that the coefficients for Christians and for other non-Christians are significant despite being smaller in size will be due to the larger number of respondents involved and hence the greater statistical power.)

We have replicated these analyses using the HOCS, and obtained fairly similar results (Table 9). This gives us more confidence that there are distinct disadvantages associated with being Muslim. As we noted above, however, we must be very careful about the interpretation of any such disadvantage since we cannot be sure that it is due to Muslims’ cultural preferences or cultural distance from British norms as opposed to religion acting as a marker for subtler forms of discrimination.

Table 9 Logistic regression of employment vs ILO unemployment with controls for religion: second-generation men and women and resident in Great Britain (HOCS)

	Men		Women	
	Model 4a excluding Pakistani/ Bangladeshi groups	Model 4b including Pakistani/ Bangladeshi groups	Model 4a excluding Pakistani/ Bangladeshi groups	Model 4b including Pakistani/ Bangladeshi groups
Ethnicity				
British white (ref.)				
Other white	.773	.777	-.035	-.035
Black Caribbean	-1.104***	-1.090***	-.785**	-.779**
Black African	-.881	-.870	1.486	1.486
Indian	.259	.273	-.876	-.799
Pakistani/Bangladeshi	NA	.490	NA	-.726
Chinese	-1.583	-1.585	.616	.624
Other	-.279	-.262	-.476	-.463
Education				
Degree (ref)				
Prof below degree	-.052	-.057	.524	.486
A Level or equivalent	-.039	-.058	-.428	-.438
Voc. higher than GCSE	-.052	-.053	-.571	-.593
GCSE A-C	-.054	-.073	-.377	-.394
Less than GCSE	-.394	-.389	-1.211**	-1.225**
Foreign qualifications	-.801	-.805	-.441	-.455
No qualifications	-.632*	-.655*	-1.125***	-1.141***
Age				
Age/10	1.642***	1.622***	2.220**	2.211**
Age/10 squared	-.177**	-.174**	-.241*	-.239*
Partnered	1.379***	1.369***	1.263***	1.251***
Social capital (friends of the same race)	.097	.097	.187	.188
Social capital*nonwhite interaction	-.342	-.454	1.015*	.865
Number of dep children	NA	NA	-.384***	-.381***
Religion				
Christian	-.024	-.022	.184	.183
Hindu	-1.036	-1.036	-.294	-.357
Muslim	-.787	-.804	.263	.756
Other non-Christian	-.278	-.274	.555	.528
No religion (ref)				
Muslim*dep children interaction			NA	.395
Constant	-.782	-.733	-1.264	-1.230
Pseudo R ²	.099	.099	.115	.114
N	5,131	5,271	5,270	5,270

Notes:

1. For men aged 21-64 and women aged 21-59, born and resident in Great Britain.
2. Figures for groups that are significantly different from the British white figures are shown, * p<0.05, ** p<0.01, *** p<0.001.
3. In the model excluding Pakistani/Bangladeshi women, the interaction term for Muslim*dependent children is dropped due to the identification problem.

4. Full-time students are dropped from the analysis.

Source: HOCS 2003 and 2005.

Another way in which cultural processes might operate is in leading other factors to operate in ways that are different among ethnic minorities from members of the white population. For example, stronger conceptions of sex roles might lead some groups such as Muslim women to be more likely to withdraw from the labour market when they have children. To test this we can add interaction terms between religion and dependent children. In practice, we doubt if this will impact much on unemployment per se but rather on looking after the home, but it is nonetheless of some interest to include it in our models. We have therefore added it to the analysis reported in Table 9 above.

Discrimination

The best way in which to test for the existence of discrimination is to conduct field experiments in which ‘real life’ applications (either in person by actors or by letter) are made for actual job vacancies. If applications from majority and minority ‘pseudo applications’ are carefully matched for skills and training, it is then possible to determine whether minority applicants receive unequal treatment. The results of such experiments cannot however tell us why the employer made the decisions that he or she did, and therefore we cannot determine whether the unequal treatment was due to a taste for discrimination (racial prejudice) or to ‘statistical’ discrimination (beliefs, possibly correct, about applicants’ skills).

Most field experiments in Britain and elsewhere have shown evidence for substantial amounts of unequal treatment, although one important recent study of the top 100 companies failed to show unequal treatment (Hoque and Noon 1999). Unfortunately, there has been no large-scale representative investigation in Britain along these lines. It is also very difficult (without strong and unverifiable assumptions) to compare the results of field experiments with the results of survey-based analysis such as the analysis used in the remainder of this report.

Field experiments, then, give us powerful reasons to believe that forms of discrimination may well be important in explaining some of the employment gaps observed in contemporary Britain. However, in order to compare the size of its contribution with the other components covered in this report, we need to turn to survey-based measures.

The Home Office Citizenship Survey contains one important question that enables us to make some headway on the issue of discrimination. The HOCS asked respondents:

*May I check, in the last five years, have you been refused or turned down for a job?
[IF YES] Do you think you were refused the job for any of the reasons on this card?*

- Your gender*
- Your age*
- Your race*
- Your religion*
- Your colour*
- Where you live*

(The first question was asked only of people who were currently in work together with those who had had a job or looked for one in the last five years.)

We cannot be certain about the validity of the responses about the reasons for job refusals. It is in theory possible that people might rationalize any job rejections as being a result of racial discrimination when in fact the job rejection was perhaps due to lack of appropriate skills or experience. If this was the case we would expect to find the same overall rejection rates for white and ethnic minority respondents but partitioned differently between the various reasons on the card. On the other hand, it is also possible that respondents underestimate how often they have been treated unfairly on racial grounds since they may well be unaware whether their skills and experience are superior to those of white applicants for the same job.

While the reasons given for the job refusals must be treated with great caution, the overall rates of job refusal will nonetheless be of great interest. In particular, do we find that ethnic minorities are more likely to report that they have been refused jobs than are the white British? To be sure, any 'excess' ethnic minority refusal rate might be due not to employers' hiring practices but to the applicants' patterns of application. For example, minority applicants might apply for jobs that are inappropriate for their levels of qualification and experience. However, the evidence that we reviewed above on ethnic minority aspirations suggested that such differences are likely to be fairly small. (It could also be argued that employers ought to make clearer what their requirements are for the jobs they advertise so that inappropriate applications are deterred.)

Table 10 **Reported rates (%) of and reasons for job refusal: second-generation men and women in England and Wales**

	Has been refused job on non-racial grounds	Has been refused job on racial grounds	Overall reported refusal rate
Ethnicity			
Men			
British white	15.4	0.3	19.3
Other white	19.2	0.0	22.3
Black Caribbean	26.3	8.1	40.0
Black African	50.9	18.0	74.2
Indian	25.6	5.8	36.8
Pakistani/Bangladeshi	27.2	5.3	40.7
Chinese	6.5	0.0	10.4
Other	22.0	6.4	33.7
All	15.7	0.5	19.7
Women			
British white	12.3	0.3	16.1
Other white	9.3	0.0	12.5
Black Caribbean	19.3	7.6	28.3
Black African	29.3	17.3	38.9
Indian	21.7	5.7	32.0
Pakistani/Bangladeshi	21.5	4.9	37.3
Chinese	13.8	0.0	17.5
Other	26.2	4.8	37.2
All	12.6	0.4	16.5
Religion			
Men			
Christian	11.8	0.3	15.8
Hindu	14.7	2.6	24.2
Muslim	27.4	6.9	42.3
Other non-Christian	16.7	1.4	24.7
No religion (ref)	18.7	0.5	22.2
All	15.6	0.5	19.7
Women			
Christian	10.2	0.4	14.2
Hindu	27.5	0.8	35.7
Muslim	23.7	4.8	42.1
Other non-Christian	15.3	2.0	22.2
No religion (ref)	14.6	0.3	18.0
All	12.5	0.4	16.5

Note:

1. For men aged 21-64 and women aged 21-59, born in the UK and resident in England and Wales.
2. Reasons for race include race or colour and those for non-race include any of the following: sex, age, where living, religion or non-specified other.
3. As not everyone who reported that they had been refused a job would give a reason, the figures for 'race' and 'non-race' will not always add up to those for 'refusal'.
4. Weights for the full sample [wtfinds] are used.

Source: HOCS 2003 and 2005 combined.

As can be seen from Table 10, with the exception of the Chinese and the other whites, all the other ethnic minority groups (both men and women) report substantially higher overall refusal rates than do the white British respondents. In the case of Black Caribbean, Black African and Pakistani/Bangladeshi men the overall refusal rates are twenty percentage points more than those of the white British. Reported refusal rates are slightly lower, but still substantial, among Indian men and women.

It is also interesting to observe that the refusal rates are much higher for Muslims than they are for the other religious groups, and this is consistent with the hypothesis that religion may be a marker for other, subtler forms of discrimination.

The pattern of these results does mirror rather closely the patterns of ethnic disadvantage that our descriptive material has revealed. It is therefore possible that they can go some way towards explaining the employment gaps. We therefore add measures of job refusals to our multivariate analysis.

Table 11 Logistic regression of employment vs ILO unemployment with controls for job refusals: native-born men and women and resident in England and Wales

	Men		Women	
	Model 5a excluding Pakistani/ Bangladeshi groups	Model 5b including Pakistani/ Bangladeshi groups	Model 5a excluding Pakistani/ Bangladeshi groups	Model 5b including Pakistani/ Bangladeshi groups
Ethnicity				
British white (ref.)				
Other white	.747	.752	-.079	-.079
Black Caribbean	-1.025***	-1.016***	-.743*	-.741*
Black African	-.752	-.753	1.550	1.548
Indian	.348	.356	-.894	-.818
Pakistani/Bangladeshi	NA	.551	NA	.784
Chinese	-1.690	-1.687	.583	.593
Other	-.244	-.230	-.369	-.358
Education				
Degree (ref)				
Prof below degree	-.098	-.108	.409	.372
A Level or equivalent	-.085	-.105	-.476	-.489
Voc. higher than GCSE	-.084	-.084	-.657	-.677
GCSE A-C	-.075	-.096	-.461	-.476
Less than GCSE	-.480	-.472	-1.222**	-1.237**
Foreign qualifications	-.865	-.865	-.452	-.466
No qualifications	-.695*	-.717*	-1.139***	-1.256***
Age				
Age/10	1.519***	1.502***	2.008*	2.004*
Age/10 squared	-.165**	-.162**	-.219	-.218
Partnered	1.370***	1.360***	1.237***	1.226***
Social capital (friends of same race)	.083	.083	.209	.212
Social capital*nonwhite interaction	-.313	-.435	.952*	.804
Number of dep children	NA	NA	-.389***	-.389***
Religion				
Christian	-.053	-.049	.143	.142
Hindu	-1.189	-1.181	-.208	-.273
Muslim	-.834	-.852	.531	.948
Other non-Christian	-.322	-.315	.631	.599
No religion (ref)				
Muslim*dep children interaction			NA	.352
Reported job refusal: non-racial grounds	-.393	-.380	-.614*	-.606*
Reported job refusal: racial grounds	-.342	-.294	-.249	-.221
Constant	-.360	-.323	-.596	-.577
Pseudo R ²	.102	.102	.122	.120
N	5,131	5,271	5,146	5,270

Notes:

1. For men aged 21-64 and women aged 21-59, born and resident in Great Britain.
2. Figures for groups that are significantly different from the British white figures are shown, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$.
3. In the model excluding Pakistani/Bangladeshi women, the interaction term for Muslim*dependent children is dropped due to the identification problem.
4. Full-time students are dropped from the analysis.

Source: HOCS 2003 and 2005.

5. CALCULATING THE SIZE OF THE DIFFERENT COMPONENTS OF THE EMPLOYMENT GAPS

We have no direct measures of financial capital or of indirect discrimination, and most of the measures that we do have are imperfect and underestimate the contribution of each particular component. Not surprisingly therefore we are unable to explain much of the employment gaps. We should also note that our different sources give rather different estimates of the contributions of each factor. Perhaps the main conclusion of this research is how little we currently know about the causes of the ethnic minority employment gaps.

The results of the logit models reported above show the relative magnitude and statistical significance of the various explanatory variables for the outcome variable which in this report we take as employment versus ILO unemployment. The logit models do not, however, tell us the contributions made by the (groups of) explanatory variables towards the outcomes. In order to assess the relative contributions, we turn to the Fairlie decomposition method (Fairlie, 2005) which computes the nonlinear decomposition of binary outcome differentials between the two groups and quantifies the contribution of group differences in the explanatory variables to the outcome differential.

Our estimates of the size of the employer contribution (based on the measure of job refusals in HOCS) to the second-generation unemployment gaps is given in the following table. While much of the remaining gap (shown in the last column) may well be due to factors such as expectations, financial capital, cultural factors and indirect discrimination that our main data sources do not cover, it might be wise to assume that some of the unexplained gap will also be due to the imperfect nature of the measures of human capital, social capital and discrimination available in our data sources. The estimates should therefore probably be regarded as **underestimates** of the contribution of each component.

Table 12: Decomposing the employment gap

	Overall gap (%) compared with White British	% of gap explained by human capital: Model 1	% of gap explained: Model 2 (=Model 1 + social capital)	% of gap explained: Model 3 (=Model 2 + job refusals)	% of gap remaining unexplained at Model 3
HOCS					
Men					
2nd gen					
B Car	11.1	10.8	16.8	28.7	71.3
B Afr	8.6	17.4	21.3	45.8	54.2
Indian	4.8	29.2	41.3	38.3	61.7
Pak/Bang	5.6	25.0	36.3	36.9	63.1
All BME	7.4	16.4	26.6	33.6	66.4
1st gen					
B Car	10.9	10.8	13.8	15.9	84.1
B Afr	5.6	11.1	26.7	28.0	72.0
Indian	2.1	-37.6	-7.6	6.2	93.8
Pak/Bang	7.9	6.3	16.3	18.5	81.5
All BME	5.4	2.4	16.4	19.5	80.5
Combined					
B Car	11.0	10.5	15.5	22.5	77.5
B Afr	6.0	11.2	24.3	28.2	71.8
Indian	2.7	-10.4	14.8	20.0	80.0
Pak/Bang	7.4	9.2	21.8	22.8	77.2
All BME	5.9	5.1	18.3	21.6	78.4
Women					
2nd gen					
B Car	6.2	32.6	31.1	45.5	54.5
B Afr	+1.7	--	--	--	--
Indian	4.5	28.8	31.3	31.1	68.9
Pak/Bang	6.2	23.4	25.0	37.9	62.1
All BME	5.0	31.1	34.4	42.0	58.0
1st gen					
B Car	0.9	100.0	82.2	200.0	NA
B Afr	6.8	13.1	15.0	25.0	75.0
Indian	4.8	-9.6	-11.5	-6.5	NA
Pak/Bang	4.7	24.5	27.7	33.4	66.6
All BME	4.5	6.3	6.1	1.1	98.9
Combined					
B Car	4.0	38.8	36.3	59.8	40.2
B Afr	5.3	16.6	19.8	32.1	67.9
Indian	4.7	3.6	5.7	8.1	91.9
Pak/Bang	5.4	23.1	18.9	24.6	75.4
All BME	4.6	11.8	14.0	19.4	80.6

Notes:

1. For men aged 21-64 and women aged 21-59 in Great Britain.
2. In Model 1, human capital includes education, age, age squared and partnered for men, and the same plus number of dependant children for women.
3. Full-time students are dropped from the analysis.

4. Since the Fairlie decomposition does not allow for weighting, unweighted data are presented in the overall gaps.

Source: HOCS 2003 and 2005.

These results suggest that discrimination (as proxied by job refusals) does not explain any of the relatively small Indian unemployment gap and very little of the Pakistani/Bangladeshi gap. It does however seem to play a significant role in the case of Black Caribbean and Black African men – the two groups with the highest unemployment gaps and who reported the highest levels of job refusals on racial grounds. In the case of the Black Caribbean men, discrimination explains 12 percent of the gap, and in the case of Black African men 25%. In both cases discrimination is the largest identified component of the unemployment gaps.

As we mentioned above, these estimates should probably be regarded as underestimates and as providing a ‘lower bound’ to the likely contribution of discrimination. Another approach would be to ask what percentage of the explained gap was contributed by discrimination. This might be thought of as providing an ‘upper bound’. If we follow this approach, we find that discrimination explains 41 percent in the case of Black Caribbean men and 53 percent in the case of Black Africans. The truth probably lies somewhere in between.

While we need more robust evidence in order to draw any strong conclusions, this provisional picture is consistent with the other evidence available and makes a sensible working basis.

6.RECOMMENDATIONS

Effective policy-making needs a firmer evidence base than we have been able to establish in this report. Our first recommendation is that better data should be collected. In particular we need to know whether the high rates of ethnic minorities being refused jobs are due to inappropriate applications, lack of specific skills and training, or to unfair treatment by employers (wittingly or unwittingly).

There are three kinds of data that it would be desirable to collect:

- Systematic field experiments in which applications are made by matched applicants from majority and minority groups to a representative sample of employers;
- A prospective study in which matched school and university leavers from the majority and minority groups are tracked, recording the kinds of jobs that they apply for and the treatment that their applications receive, and their subsequent reactions and behaviour.
- Monitoring data, collected by firms (on a voluntary basis) recording numbers of applicants and acceptances by members of the majority and minority groups. (Such a monitoring exercise has been running successfully for some years in Northern Ireland.)

However, it would be unfortunate to put actual policy interventions entirely on hold while we await better research evidence. Our second recommendation is that there should be a series of small but carefully monitored pilot interventions. Such interventions should be diverse, targeted at a range of the drivers of the employment gaps. In the specific case of the employer contribution, one possibility would be to follow the example of the Northern Ireland Fair Employment policies, which do appear to have been quite successful in reducing the Catholic/Protestant employment gap. On a voluntary and experimental basis, employers among whose workforces ethnic minorities are currently under-represented might establish recruitment targets for increasing minority representation.

The ethnic minority employment gaps need to be kept regularly under review. Since, as the table above shows, the gaps vary from one group to another, it is important to disaggregate and to look at ethnic-specific employment gaps. It is also important to distinguish the first generation from the second. Our experience in carrying out the research for this report indicates that it is premature to use the percentage of the gap contributed by employers as a yardstick for measuring progress: there is too much uncertainty in the measurement. The ethnic-specific unemployment gaps are a clear and straightforward measure (although it should be noted that they may vary according to the overall state of the economy). Measured rates of job refusal represent a more specific measure of how applicants are treated by firms.

APPENDIX

Table 1 **Components of the gap in unemployment rates (LFS)**

LFS	Overall gap (%) compared with White British	% of gap explained by human capital (Model 1)	% of gap explained: Model 2 (=Model 1 + religion)	% of gap explained: Model 3 (=Model 2 + geography)	% of gap remaining unexplained at Model 3
Men					
2nd gen					
B Car	10.2	11.5	12.4	10.9	89.1
B Afr	3.2	23.1	38.4	34.7	65.3
Indian	2.5	30.8	72.0	62.4	37.4
Pak/Bang	7.4	9.9	33.9	136.5	-63.5
1st gen					
B Car	8.4	9.9	14.0	12.6	87.4
B Afr	9.8	16.2	25.1	26.2	73.8
Indian	1.5	-22.0	107.0	103.3	-3.3
Pak/Bang	8.9	15.5	76.9	75.6	24.4
Combined					
B Car	9.4	10.1	13.1	11.6	88.4
B Afr	8.7	18.3	28.5	29.3	70.7
Indian	1.8	0.0	71.6	64.4	35.6
Pak/Bang	8.5	14.8	92.0	91.2	8.8
Women					
2nd gen					
B Car	6.7	13.7	13.7	19.3	80.7
B Afr	6.4	19.4	18.9	26.6	73.4
Indian	1.5	36.0	114.0	124.7	-24.7
Pak/Bang	8.7	22.9	24.6	24.0	66.0
1st gen					
B Car	3.7	6.8	8.6	19.5	80.5
B Afr	9.6	13.8	16.0	21.1	78.1
Indian	5.4	3.3	17.6	19.8	70.2
Pak/Bang	18.0	12.3	26.6	26.9	73.1
Combined					
B Car	5.5	12.0	12.5	19.6	80.4
B Afr	9.1	14.5	17.1	22.9	77.1
Indian	4.2	10.9	35.2	38.1	61.9
Pak/Bang	13.4	18.2	33.5	33.3	66.7

Notes:

1. For men aged 21-64 and women aged 21-59 in Great Britain.
2. In Model 1, human capital includes education, age, age squared, partnered and language difficulties for men, and the same plus number of dependant children for women; in Model 2, Muslim*number of dependent children is included for women
3. Full-time students are dropped from the analysis.

4. Since the Fairlie decomposition does not allow for weighting, unweighted data are presented in overall gaps.

Source: LFS 2002 summer, 2003 summer and 2006 autumn.

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