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The impact of youth labour market experiences on later employment opportunities: what roles do ethnicity and gender play?

Abstract

Joblessness in youth leaves a scar, but some people appear to be more successful in recovering from this than others. We examine the relationship between early labour market experiences and later employment outcomes for second-generation ethnic groups in the UK, comparing the outcomes of men and women from Indian, Pakistani, Bangladeshi and Caribbean origins to those of white British. Our analysis is based on the ONS-Longitudinal Study, a dataset linking census records for a 1 per cent sample of the population of England and Wales across five successive censuses. We study how the early labour market status of young individuals (aged 16 to 29 in 2001) affects their employment probabilities ten years later, when they are 26-39 years old. While being unemployed or inactive in youth (vs. being employed or in education) reduces employment opportunities later in life, our study shows that some male ethnic minority groups are less affected by previous non-employment compared to white British.

Keywords

Ethnicity; Employment; England and Wales; Gender; Labour market; Scarring effects; Second-generation; Youth

Introduction

It is well established that poor youth labour market integration has scarring effects in adult life, affecting subsequent periods of unemployment and lowering income over the life course (e.g. in UK: Gregg 2001, in The Netherlands: Luijkx and Wolbers 2009, in Germany: Schmillen and Möller 2012). A substantial body of research has also shown that ethnic groups perform differently in the labour market. Unemployment is one of the key problems faced by many minority populations in the UK (Cheung and Heath 2007, Khattab and Modood 2015) and elsewhere in Europe (Carmichael and Woods 2000, Silberman and Fournier 2008, Kogan 2011). Nevertheless, and with some important exceptions, such as the experiment carried out by Birkelund, Heggebø, and Rogstad (2016) in Norway or the longitudinal analysis done by Mooi-Reci and Ganzeboom (2015) in The Netherlands, surprisingly little is known about how scarring effects vary by ethnicity and gender. In particular, limited attention, if any, has been paid to how the consequences of a difficult labour market entry vary for young men and women of different ethnic groups. We address this gap by examining how the early labour market status of young white British, Indian, Pakistani, Bangladeshi and Caribbean men and women in the UK (aged 16 to 29 in 2001) affect their employment probabilities ten years later, when they are 26-39 years old.

Our analysis is based on the ONS-Longitudinal Study, a dataset linking census records for a 1 per cent sample of the population of England and Wales across five successive censuses (Hattersley and Creeser 1995). This data has, to our knowledge, the largest number of second-generation ethnic minorities, which allows identifying the most

important groups as well as differentiating between Pakistanis and Bangladeshis, who are usually combined in most analyses. Our results contribute to the literature on scarring effects by showing that the transmission of disadvantage is not equal for all, but it depends on ethnicity and gender. Initial joblessness leaves a scar, but some ethnic groups (and genders) appear to be more successful in recovering from this than others. In addition, our results also contribute to the literature on ethnic penalties (Heath and Cheung 2007) by showing that cross-sectional studies on the labour market outcomes of ethnic minority groups (vis-à-vis the white British) provide only a limited picture of how they actually perform in the UK labour market. While unemployment is a well-known problem faced by many minority groups, our results suggests that under certain conditions (which will need further exploration in the future) they might be relatively advantaged when compared to the white British.

The role of early labour market outcomes on later ones

When looking for explanations of why an early experience of inactivity or unemployment might affect later labour market outcomes, the literature has highlighted two in particular: human capital decay and stigma (Omori 1997, Schmelzer 2011). These explanations focus mainly on the employers' perspective and how they recruit workers. Human capital decay suggests that in periods of non-employment individuals lose vital work experience, which, in turn, might reduce their future employability and earnings. Stigma-related explanations, on the other hand, suggest that employers judge future employees' capabilities based on their unobserved characteristics, which are inferred from their work trajectory of employment and non-employment. In other words, employers *infer* workers' qualities. In this context, previous unemployment spells can have a negative stigma, for

example, when employers assume that individuals are unemployed because they are lazy. This might then affect employment opportunities and income prospects.

Supporting these explanations, empirical studies in Europe (e.g. Luijkx and Wolbers 2009, Schmillen and Möller 2012) have shown that experiencing non-employment while young can have negative long-term effects in later labour market outcomes. In the UK several studies have also addressed this issue. For example, using the National Child Development Study (NCDS) Gregg (2001) found that men who were unemployed for an extra 3 months before age 23 experience 1.3 months longer out of employment when they are older; for women the effect is about half that of men. Kalwij (2004) found evidence in the same direction: two years in unemployment (measured as the last spell) decreases the probability of young British men becoming employed by 31%. Analysing the British Household Panel Study (BHPS), Crawford et al. (2010) also found that individuals who are not in employment, education or training at 18-19 years old have almost 20% increased chance of being unemployed ten years later, compared to individuals who are either studying or working. Others have also shown similar evidence using wages as outcome (i.e. Gregg and Tominey 2005, Crawford et al. 2010).

The literature also provides evidence that those with more education are, in general, less exposed to scarring effects (Burgess et al. 2003, Kalwij 2004, Schmelzer 2011). This is in part because highly educated individuals depend less on the human capital accumulation derived from work experience, but also because employers apply less stigma to highly

educated individuals, presuming that their higher resources allow them to wait longer for a better matching job.

In sum, a wealth of research on early labour market experiences reveals how crucial periods of early unemployment are for later life outcomes. The effects of these experiences vary by educational attainment with the lowest qualified being the most negatively affected in later life. Clearly these findings are very significant given the heightened rates of youth unemployment that have been experienced across Europe preceding, and exacerbated by, the 2008 financial crisis (Author B et.al.).

How and why the relationship between early and later labour market outcomes might vary by ethnicity and gender

Migrants (or ethnic minorities, in the UK context) and majoritarian native groups in destination countries are known to perform differently in the labour market. Often, the former are disadvantaged, experiencing therefore ethnic penalties, especially as regards their employment opportunities (Heath and Cheung 2007, Khattab and Modood 2015). Furthermore, although those raised in destination countries (i.e. second-generations) are often in a better situation compared to their parents in terms of education and occupational outcomes (e.g. Author A et.al., Platt 2005), their lower income levels and higher unemployment continue to be a matter of concern (Alba and Foner 2015, Khattab and Johnston 2015, Li and Heath 2016; Longhi, Nicoletti, and Platt 2013). In the UK, second-generation Caribbean, Pakistanis and Bangladeshis experience penalties in

employment even after controlling for parental socio-economic background and neighbourhood deprivation (Author A).

Most of studies on ethnic penalties concentrate on certain time points and use cross-sectional data. There is, however, limited research that compares how early labour market experiences might affect later employment or occupational outcomes for different migrant or ethnic minority groups compared to the majoritarian white population in destination countries. This paper aims to address this gap.

Highlighting mechanisms

There are several mechanisms as to why we might expect that a previous situation of unemployment or inactivity might differently affect minority groups and the white British. First of all, as suggested by previous studies (Mooi-Reci and Ganzeboom 2015, Birkelund, Heggebø, and Rogstad 2016), the relationship between early and later labour market experiences might vary by migrant background or ethnicity because employers infer characteristics of individuals based on their ethnic group, be these characteristics connected to their productivity or stereotypes attached to this group. This is connected to the second mechanism outlined before, that of stigma, but in this case attached to ethnicity. If employers think that an ethnic minority group has certain negative characteristic in terms of employability – such as an educational degree obtained abroad, language deficiencies or their concentration in deprived neighbourhoods – a period of unemployment or inactivity might exacerbate these negative preconceptions and

stereotypes, affecting future employment probabilities, the type of occupations they get, or their income.

In the UK, experimental studies have shown that employers usually prefer white British compared to other ethnic groups, especially Asians and Blacks (Wood et al. 2009, Heath and Cheung 2006). If this preference is connected to preconceptions about productivity, then a period of unemployment might affect these minorities' opportunities in particular negative ways. We might see this happening among Pakistani and Bangladeshi populations, who have historically performed relatively lower qualified jobs and have been spatially concentrated in the most deprived areas (Robinson and Valeny 2005, Phillips 1998).

Empirical evidence supporting this argument is found in the work of Demireva and Kesler (2011), who using data from the British Quarterly Labour Force Survey (1992-2008), studied transitions into and out of employment for different migrant and native groups in the UK. They showed that men born in the New Commonwealthⁱ are more likely than the white British to remain in or move into unemployment/inactivity between two consecutive periods. Among (pooled) second-generation migrants the authors noted that migrant men are more likely to remain in unemployment than equivalent white British. Reyneri and Fullin (2011), who analysed a pooled sample of ten Western European countries, also provided evidence in the same direction, finding that non EU-15 immigrants have a higher probability of remaining in unemployment between two consecutive years. Similarly, in a study based on the Netherlands Labour Supply Panel

(covering data between 1980 and 2000), Mooi-Reci and Ganzeboom (2015) also found that individuals born outside the Netherlands (coming largely from Suriname, Turkey, Morocco and the Dutch Antilles) have lower re-employment income if they were more often unemployed, compared to their equivalent Dutch counterparts.

However, not all evidence shows the same patterns. Birkelund, Heggebø, and Rogstad's (2016) field experiment in Oslo (where CVs of individuals of different ethnicity and unemployment experiences are sent to employers) found that although having a previous unemployment experience and belonging to an ethnic minority affect the probability of being called for an interview, they did not find that these effects are multiplicative. In other words, the negative effect of having had a period on unemployment is not higher for the ethnic minority group under study, in this case Pakistanis.

Next to the potential multiplicative effects of belonging to an ethnic minority and having spent time outside of the labour market, Mooi-Reci and Ganzeboom (2015) also suggested that employers' perceptions might vary by the gender of candidates. They argued that immigrant women from poorer countries are more likely to be perceived as more nurturing and obedient, which might make the stigma of joblessness weaker compared, for example, to that of ethnic minority men. In their study of the Netherlands, they showed for example that the greater negative effect of unemployment on income observed for the foreign born is particularly strong for men. In the UK, this might apply to Pakistani and Bangladeshi women, embedded in cultural contexts in which women are expected to stay at home (Peach 2005). In other words, in a context where more than 60%

of Pakistani and Bangladeshi women are, according to according to the 2011 Census (Office for National Statistics), inactive, a period out of the labour market might be seen as less negative in the eyes of employers, and therefore reduce the penalty associated with being out of the labour market.

Next to the above-mentioned mechanisms that lead to more negative outcomes for ethnic minorities, and which are connected with negative signals, we could actually think of others mechanisms that are based on positive signals. It has been shown that scars are often lower among highly educated individuals, partly because employers observe a period of unemployment for highly educated individuals as not necessarily stigmatizing (Schmelzer 2011). In terms of ethnic differences and how employers perceive groups, this might benefit minorities who have historically performed more qualified occupations and have very high rates of university degree holders. This is the case, for example, for Indians. According to 2011 Census data (Office for National Statistics), around 42% of Indians in England and Wales have completed a university degree and around 50% have a professional/managerial position; this, however, reduces to 25% and 36% respectively for the white British. This over-achievement in education and the predominance of Indians in qualified occupations could be observed as a positive signal for employers, who then would associate higher levels of productivity with the Indian background. This could, in turn, reduce the stigma of unemployment for this minority group.

A final and not least important argument to make is that positive/negative signals, which relate ethnicity to productivity, are not the only explanation behind why we might

observe differences in the effects of early labour market statuses on later ones across ethnic groups. In fact, this explanation only refers to how employers perceive potential candidates. However, groups' perspectives, their culture and networks, might also affect the relationship between initial and later labour market outcomes. For example, although it is true that Bangladeshis are usually raised in poor areas and arrived with low social backgrounds, there is evidence showing that second-generation Bangladeshi men are improving their labour market outcomes, even more so than those of Pakistani men (Author A). This finding might be connected with unobserved positive characteristics of Bangladeshi men that enable them to better overcome a situation of early unemployment or inactivity. Although more research is needed in this direction, Modood and Khattab (2016) find, for example, that self-employment is a strategy used by some groups (including Bangladeshis)ⁱⁱ to overcome unemployment. This could be one of the possible mechanisms that explain better employment outcomes among Bangladeshis (Author A) and potentially, also one that moderates the size of scars, when compared to other groups with similar social backgrounds and labour market experiences.

Among women, cultural factors might also play a role in the relationship between early and later labour market outcomes. Strong traditional gendered expectations around work and the family amongst some Asian ethnic groups, together with family and community pressures, might make it particularly difficult for some Asian women to become employed if they had early experiences of unemployment or inactivity (Dale, Shaheen, Fieldhouse, et al. 2002, Dale, Shaheen, Kalra, et al. 2002, Kabeer 2002). Demireva and

Kesler (2011) find, for example, that migrant women are more likely to move from unemployment to inactivity, compared to their white British counterparts.

In sum, research to date indicates that employer's perceptions can account variation in scars across ethnic groups. If ethnic minorities' productivity is put into question, this will increase the stigma of non-employment; conversely, a positive signal connected to ethnicity might counterbalance the negative effects of a previous period of non-employment. In addition, groups' characteristics might also influence how the individuals relate to the labour market over time. Although it is difficult to empirically test these mechanisms and disentangle which of them predominate, this paper uses them as a background to show preliminary evidence on the links between early labour market experiences and later employment outcomes for different ethnic groups (and genders) in the UK. In so doing, we open the debate to a more longitudinal view to ethnic minorities' integration into the British labour market.

Data and methods

The ONS Longitudinal Study

Our analysis is based on the ONS Longitudinal Study (ONS-LS), a unique dataset collected by the Office for National Statistics in the UK that links census information and life events for a 1% sample of the population of England and Wales, following individuals in 1971, 1981, 1991, 2001 and 2011. The original sample was selected from the 1971 Census, and incorporated data on individuals born on one of four selected dates.

The sample was updated at each successive census by taking individuals with the same four dates of birth in each year and linking them to the existing data (Hattersley and Creeser 1995). Life event information has been added to the ONS-LS since the 1971 Census. New members enter the study through birth and immigration and existing members leave through death and emigration. Some individuals might also exit the study (e.g. someone who went to live abroad for a period) and then re-enter at a later census point; however, individuals are never ‘removed’ from the dataset, nor do they actively ‘leave’ from it.

Slightly more than 500,000 individuals can be found at each census point; however, information for people in the 1% sample who participated in more than one census point is more limited. For example, there are about 400,000 people who have information at two census-points, on average; while people who have information in all five census-points amounts to approximately 200,000. In total, around 1,000,000 records are available for the entire period (1971-2011).

One of the most interesting aspects of this data – in addition to its large sample size – is that both household and aggregated census data for small geographical areas can be attached to each individual and for each census point. This provides a reasonable idea of the ‘family contexts’ and ‘neighbourhoods’ in which individuals live at different moments of their lives.

Sample

Our focus is on young individuals (from 16 to 29 years old) in 2001, which we follow through into 2011, when they are between 26 and 39 years old. Different definitions have been given around what it means to be young or to belong to the ‘youth population’. The Office for National Statistics, for example, usually considers an age ranges that goes from 16 to 24. We decided to go for a slightly wider age range for two reasons. First, because we want to capture the increasing prolonged and blurred trajectories into adulthood (Aassve, Iacovou, and Mencarini 2006; Author B et.al. 2018); and secondly, because this way we could include a larger sample of ethnic minorities. We performed robustness checks excluding individuals aged 25-29 and found that the results go in the same direction.

We constructed our sample in a way that allows having more than one measurement per individual. When individuals had more than one measurement of ‘family contexts’ and ‘neighbourhoods’ when they were growing up (i.e. between 0 and 15 years old), we counted them as two units of analysis. For example, we counted an individual twice if he/she was for example 21 years old in 2001 and had household and neighbourhood information in both 1991 (when he/she was 11 years old) and 1981 (when he/she was 1 year old). This structure follows a model used previously by Platt (2007) and is common in works using panel-like data. In order to account for double measurement, we control for ‘origin year’ (1981/1991) and we use clustered standard errors in the regression models. We have also estimated a model in which one origin year per individual is

randomly chosen and the results remain the same. The total sample comprises 77,180 cases, out of which 73% are ‘unique’ individuals.

A limitation of this approach is that we do not know what happens during the nine years between the two time points studied, nor are we able to account for unobserved heterogeneity. Nevertheless, the large sample size and the diversity of individual, household and neighbourhood level variables – measured at different time-points – provides an important source of data to examine these issues.

Variables and methods

Our outcome is a dummy variable that determines whether the person was employed or not in 2011 (the reference category are the unemployed/inactive, excluding students).ⁱⁱⁱ This is examined in relation to labour market status in 2001: we distinguish unemployed/inactive,^{iv} employed and students.^v The focus is on the potential negative effect that being out of employment and out of education in 2001 might have in later employment outcomes, and how this varies by ethnicity and gender.

We examine these trajectories across five ethnic groups: white British, Indian, Pakistani, Bangladeshi and Caribbean. In this study, white British are those who identify themselves as white British/English/Scottish/Northern Irish^{vi} and have both parents (or one parent, in the case of individuals raised in single-parent households) born in the UK. Ethnic minorities, on the other hand, are those who identify themselves as belonging to each of the main ethnic groups and have one (in case of single-parent households) or two parents

born abroad.^{vii} The parental country of birth is measured when individuals were between 0 and 15 years old in 1981-1991.

In studies of scarring effects, efforts are usually made to measure the actual scar in the best possible way. Often, we do not know all the variables that might affect an outcome; if those variables are present, but we do not control for them, then we might be over(under)estimating the size of the scar. For example, if individuals of a certain group have characteristics that make them more likely to be unemployed, this will affect both the 2001 and 2011 outcomes and will make the relationship between the two unemployment variables in the respective time-points stronger than it really is. In order to reduce unobserved heterogeneity, we control for a wide range of key predictors of labour market status, including education in 2011 and the socio-economic characteristics of the households in which individuals lived when they were between 0 and 15 years old. Household-level variables (found in 1981 and 1991 census files), include: number of cars, housing tenure, level of overcrowding in the home, and parental occupation (taking the highest status between the father and mother). In addition, we also control for current neighbourhood deprivation^{viii} and neighbourhood deprivation when individuals were between 0 and 15 years old, both measured with the Carstairs Index (Norman and Boyle 2014, Norman, Boyle, and Rees 2005). This measure is a summary of four dimensions: % male unemployment, % overcrowded households, % no car/van ownership, and % low social class.

The inclusion of variables that denote neighbourhoods' characteristics – current and, most importantly, past – has been a commonly used tool by some authors (e.g. Gregg 2001) to control for the self-selection of individuals into their initial condition (in our case, labour market status in 2001), and hence reduce the impact of unobserved heterogeneity. In terms of our study, this is because neighbourhood deprivation when individuals are young is likely to affect labour market status in 2001, but not labour market status in 2011, except through neighbourhood deprivation in 2011 (which we control for). Most importantly, this variable has the advantage that young individuals probably did not choose the neighbourhood where they lived when they were young (rather their parents did).

Although the idea of using neighbourhood information in our models is inspired by the work of Gregg (2001), our model has some limitations. First, we are not able to use, as Gregg does, detailed neighbourhood unemployment levels, which would be a better indicator of labour market conditions and availability of jobs. The ONS has restrictions as regards the use neighbourhood variables: neighbourhood deprivation is easy to access and is a commonly used variable among ONS-LS users. Note, however, that since we include students in our initial labour market statuses, it could also be argued that neighbourhood deprivation is a better predictor, given that it includes indicators such as parental social class. Secondly, we do not use an instrumental variable approach, as Gregg does, where labour market status in 2001 is considered as an endogenous variable in the model, and neighbourhood characteristics when individuals were growing up as an instrument. The program we use to analyse our data (Stata 14: StataCorp 2015) has

limitations in terms of instrumental variables' commands and some tests made us prefer a classic regression model.^{ix} Finally, a third limitation (that would also be present even with an instrumental variable approach) is that there might be parental or group unmeasured characteristics (like parental aspirations or group preferences for certain areas) that affect individuals' outcomes as well as their selection of neighbourhoods. If present, these unmeasured characteristics will weaken the neighbourhood deprivation's potential ability to randomize the allocation of individuals into areas and, hence, into initial statuses.

In sum, we are aware that we cannot fully randomize the selection of individuals into their initial statuses in 2001, which means that we cannot be certain that the relationship between initial status and employment in 2011 is casual. The observed scar might therefore include some unmeasured characteristics of individuals, their parents or groups. Our multivariate analyses are based on average marginal effects, derived from logistic regressions. On top of the above-mentioned variables, other controls include age in 2001, country of birth and number of census-points in which the individual participated. A detail of all control variables is provided in Table S1 (Supplementary Material online).

Analysis

Descriptive statistics

Table 1 shows the percentage of individuals employed in 2011, by their labour market status in 2001, ethnic group and gender.^x For most groups, and as expected, having been

employed or in education in 2001 leads to a greater likelihood of being employed in 2011, compared to individuals who were inactive or unemployed in 2001. However, the strength of this relationship varies across ethnic groups and genders.

TABLE 1

Having been unemployed/inactive in 2001 (compared to having been employed) seems to be less detrimental for the employment prospects of ethnic minority men, especially Asians, when compared to the white British. While only 59% of white British men who were unemployed/inactive in 2001 are employed in 2011, this figure rises for Indians in particular (78%), but also for Pakistani and Bangladeshi men (around 65%). Table 1 also shows that, for Caribbean men, having been employed in 2001 might not be as protective as it is for the white British. Caribbean and white British men's employment probabilities are similar among those who were unemployed/inactive in 2001. However, amongst those who were previously employed, Caribbean men are around 10 percentage points less likely to be employed in 2011 than white British men.

Pakistani and Bangladeshi women have the lowest employment probabilities. However, there is no clear evidence of unemployment or inactivity having a stronger negative effect on them being employed in 2011. In contrast, we do observe a particularly strong negative effect connected to them having been a student in 2001. Caribbean women, on the contrary, do seem to suffer more strongly from previous unemployment/inactivity, compared to white British women.

These results, however, need to be studied after controlling for a series of factors that might affect these outcomes. There is a great variation across ethnic groups in terms of educational achievements, socio-economic backgrounds and family arrangements as shown in Table S1. Ethnic minorities tend to have, in general, more deprived social origins; at the same time, they also tend to be more educated, suggesting educational upward mobility. Variation is also observed in terms of family type: Pakistani and Bangladeshi populations have a large proportion of households of couples with children. The multivariate analysis is divided in two parts. First, we look at the role of early labour market experiences on employment outcomes, for men and women separately, controlling by ethnicity: this provides a general overview of the size our key explanatory variables and of differences across genders. Next, we move to the core of the analysis, exploring how the effect of early on later labour market outcomes varies by ethnicity and gender.

Multivariate models: average effects

Table 2 shows the effect of labour market status in 2001 and that of the ethnic group on employment probabilities in 2011, before (Model a) and after (Model b) controlling for key individual, social origins and neighbourhood variables. Results are presented separately for men and women; coefficients represent average marginal effects derived from logistic regressions (models with all controls are shown in Table S2).

TABLE 2

Overall, our findings indicate that having been unemployed or inactive in 2001 (as compared to having been employed) reduces the probability of being employed in 2011 by more than 30% points, for both men and women (Table 2, Model a). After we control for social origin and individual characteristics, as well as for current and past levels of deprivation of the neighbourhood of residence (Model b), the effect reduces, but is still quite substantive (around 17%).

Poor labour market integration at a young age for both men and women has a negative effect on later employment. The effect of having been in education in 2001 on the probabilities of being employed in 2011 (Model a) is similar (or higher, for women) compared to the effect of having been employed in 2001. However, this becomes negative after we control for key variables (Model b). This implies that after we control for the fact that individuals with more socio-economic resources are usually more likely to continue in higher/university education, and that higher educational levels lead to better employment chances, a situation of employment (vs. any other) in 2001 seems to have more positive long-term effects than studying. Although this does not mean that individuals should invest less in education, it does suggest however that early experiences of employment – perhaps next to an educational activity – can have positive long term effects in terms of accessing work in the UK labour market. This might be connected with the extra skills acquired thanks to a longer work experience, but also with sending a positive ‘signal’ to employers. In terms of average ethnic group differences, and controlling for labour market status in 2001, we observe that men from ethnic minority

backgrounds have similar or even higher probabilities (Bangladeshis) of being in work in 2011, compared to the white British. For women, on the contrary, all ethnic minority groups have lower employment probabilities than white British women. Differences range from 6% points lower for Indian women to 16% points lower for Pakistani women.

Multivariate models: the role of labour market status in 2001 on employment outcomes in 2011, by ethnicity and gender

Next we examine whether the role of early labour market experiences on employment vary by the individuals' ethnic group. In particular, we are interested in knowing whether being out of education and of the labour market is particularly detrimental (or not) for different ethnic groups. For this purpose, we add to Model b (men and women) interactions between labour market status in 2001 and ethnicity (see Table S3; B-coefficients are shown). The interpretation of interactions in logistic regression models is not straightforward as in linear regression models (Norton, Wang and Ai 2004). We have therefore computed contrasts from these models (in Stata 14: StataCorp 2015). This command “tests linear hypotheses and forms contrasts involving factor variables and their interactions from the most recently fit model” (StataCorp 2013). Contrasts also show the marginal effects of ethnicity in the interaction, that is, it shows the difference in the effect of being unemployed/inactive in 2001 (vs. being employed) on employment in 2011 between two selected groups, and whether this difference is statistically significant. Contrasts and their statistical significance are shown in Table S4. We can see that statistically significant interactions at a $p\text{-value} < .10$ are present only when comparing

Indian and Bangladeshi men with white British men. Our discussion below, however, includes a broader range of results that might be relevant given the size of the contrasts and the level of statistical significance; in particular, those for Pakistani and Caribbean men.^{xi} Next to contrasts, we have also calculated predicted values for the groups from the interaction models (see Table S5). From these predicted values, we created Figures 1 and 2.

FIGURES 1 AND 2

A first look at Figures 1 and 2 reveal how different the experiences of ethnic minority men and women are, with respect to that of white British men and women. While among women the tendency is of lower employment levels for the ethnic minorities, independently of the labour market status in 2001, for ethnic minority men results are much more mixed and, in general, more favourable for the ethnic minorities. Going to the key results, Figure 1 shows that having been unemployed/inactive in 2001 (vs. having been employed or a student) has a less detrimental effect for Indian and Bangladeshi men than for white British men. In particular, this implies that among those who were unemployed/inactive in 2001, Indians and Bangladeshis have a higher probability of employment in 2011 than the white British. This difference is quite substantive: of around 9% points more for Indians and 12% points more for Bangladeshis (see also Table S5). Put differently, the scar connected to a previous period of unemployment/inactivity is three times bigger for white British than for Indians and Bangladeshis: while unemployment/inactivity in 2001 decreases white British men

probability of employment by 18% points, it decreases that of Indians and Bangladeshi men by 5-6% points. Bangladeshis are also greatly advantaged among those who were students in 2001. Conversely, these groups have more similar employment probabilities among those who were employed in 2001.

Pakistani and Caribbean men employment opportunities seem to be less dependent on their labour market status in 2001 (denoted by the slightly flatter line these groups also have); although results are less reliable in statistical terms. Among Caribbean men, however (and to a lesser extent also among Indian men) we also observe that among those who were employed in 2001, their employment opportunities seem to be poorer compared to those of the white British.

Finally, among women, results are far from statistical significance. Inspection of Figure 2 suggests that Pakistani and Caribbean women might be more negatively affected by a period of unemployment/inactivity compared to white British women; however, more cases would be needed in order to make a stronger argument around group differences (see also footnote #3).

Overall, the results show that ethnic minority men (Indian and Bangladeshi in particular) are not particularly penalized by having previously been unemployed/inactive in 2001; on the contrary, a situation of unemployment/inactivity has a reduced negative effect for later employment probabilities compared with the white British. Among women the results suggest lower employment levels for ethnic minorities, independently of the

labour market status in 2001; however, there might be some indication of larger detrimental effects of unemployment/inactivity for Pakistani and Caribbean women.

Discussion

We have sought to bridge a gap between two research agendas that have marginally talked to each other: ethnic inequalities and the role of labour market experiences in youth on later outcomes. A further important dimension we have included here, which is less evident in previous research, has been the systematic comparison of gender differences between these different ethnic groups. Using the ONS Longitudinal Study allowed us to follow young individuals over time and to have a sufficiently large number of ethnic minority groups, accompanied with rich and detailed information on their socio-economic background, including neighbourhood deprivation information attached to individuals.

Our results support previous research indicating the effects of early experiences on subsequent labour market outcomes. On average, we found that those who were unemployed or inactive in 2001 had around 17% points less chance of being employed in 2011, compared to those who were employed in 2001, and controlling for comparable levels of education, social background and neighbourhood deprivation.

We found that the role of a previous experience of unemployment or inactivity on later employment outcomes vary across ethnic groups, and depend on the gender of individuals. One of the most striking findings are the evident differences that emerge between men and women: while among men, there is no clear story of ethnic minority

disadvantage, for women there is no doubt that having an ethnic minority background is a limitation for labour market integration. Specifically, we find that having been unemployed or inactive in 2001 has a less negative effect on employment outcomes ten years later for Asian males than for white British men: the unemployment/inactivity scar is three times less for Indians and Bangladeshis. For women, results generally suggest lower employment levels independently of the initial status; however, we do not find robust empirical evidence that suggest a variation in scars across ethnic groups (even though some coefficients might suggest larger scars for Pakistanis and Caribbean).

Our results for men contradict previous findings in the UK (Demireva and Kesler 2011) and in other European countries (Mooi-Reci and Ganzeboom 2015, Reyneri and Fullin 2011). Penalties associated with coming from an ethnic minority background do not accrue with being unemployed/inactive, as the stigma argument predicted. On the contrary, some male groups actually experienced the opposite trajectories. In the case of Indians, their high levels of educational attainment at the group level might compensate for any experience of unemployment or inactivity in the eyes of employers recruiting them. Previous findings (Author A et.al.) also show that Indian men benefit in terms of occupational status from being raised in areas with a higher share of co-ethnics. This might also point to networking mechanisms taking place, which have the potential to increase resilience when a difficult situation like unemployment takes place. Among Bangladeshi men, the results also go in line with some of our expectations.

Further research to unpick these patterns might focus on unmeasured characteristics of these groups, including motivational factors, the role of networks at the neighbourhood level, the opportunities that self-employment may provide (see e.g. Modood and Khattab 2016), the potential impact of networks created at the university level, the exploitation of resources such as internships or job training programmes, and the type of degrees they choose. Given that we are not able to use a model in which self-selection into initial conditions is fully accounted for, these explanations might actually be part of the story.

At the same time, we could also think of specific reasons why white British men do worse, such as those related to the labour market context. It was suggested by Birkelund, Heggebø and Rogstad (2016) that if unemployment happens in periods where unemployment is relatively low, as in the early 2000s, the stigma applied to unemployment might be higher for the majoritarian population. This is because they lack a job when they are expected to have one, given the favourable labour market situation.

Our work suggests as well that, even in the scenario where ethnic minority women do not face larger scarring effects, we would still see a clear ‘ethnic minority disadvantage’ in the labour market. It is likely that part of this disadvantage is connected to discrimination; however, cultural factors are likely to play a role as well. Pakistani and Bangladeshi women often have high levels of inactivity (Khattab and Hussein 2017) and are very much responsible for caring and household activities (Peach 2005, Dale, Lindley, and Dex 2006), while white British women often combine these with part-time work (Author B et.al.).

Conclusion

These findings feed into policy implications regarding which groups' policymakers should target. Often being an ethnic minority is equated with being disadvantaged, but our results show that this is not necessarily always the case in the UK. The fact that young white British men experience higher unemployment/inactivity scars might be a sign that they are increasingly being 'left behind' (OECD 2012). Furthermore, although we do not disregard the fact that unemployment is a problem faced by many ethnic minority groups in the UK, and discrimination continues to exist, our results shed a somewhat differentiated light on men and women's experiences across different ethnic groups.

These rich and differentiated findings have implications for policy aimed at integrating young people into employment. First, it highlights that different ethnic groups face different barriers, and greater attention needs to be given to understanding how to remove those. Second, there are distinctive differences for young men and women that require policy implementation to be informed by a gendered, intersectional analysis. Some of these policies, in particular require better support to help young Muslim women access employment through more focused support, peer-to-peer mentoring, and recognising discrimination and unconscious bias (House of Commons Women and Equalities Committee 2016).

Our study provides an important contribution to the relatively neglected examination of the experiences of second-generation ethnic youth raised mostly, or entirely in the UK. It controls for key factors often ignored in other studies such as social origins and

neighbourhood deprivation, both currently and when individuals were young. This might be an explanation as to why our results show a less negative picture for ethnic minority men, compared to other studies (Khattab and Johnston 2013). But an important dimension of our analysis has been to highlight the relatively poor integration of some ethnic minority women into the labour market, despite having been educated in the UK.

TABLES

Table 1: Employed individuals in 2011, by labour market status in 2001, ethnic group and gender (%)

	Labour market status in 2001			Total employed in 2011
	Unemployed/ Inactive	Student	Employed	
Men				
White British	58.9	92.0	93.6	89.8
Indian	77.6	91.8	91.0	90.1
Pakistani	64.8	86.0	91.2	84.1
Bangladeshi	64.5	100.0	87.5	87.7
Caribbean	58.3	76.2	84.9	78.3
Women				
White British	50.2	89.2	85.6	80.0
Indian	50.9	87.1	82.4	80.3
Pakistani	29.9	61.6	67.5	52.2
Bangladeshi	33.7	64.2	68.1	53.5
Caribbean	41.0	74.6	84.8	74.4
(Totals Men)				
White British	3,471	6,878	24,791	35,140
Indian	85	413	434	932
Pakistani	88	222	181	491
Bangladeshi	31	60	80	171
Caribbean	24	42	86	152
(Totals Women)				
White British	6,875	8,158	23,315	38,348
Indian	110	357	403	870
Pakistani	224	198	203	625

Bangladeshi	89	67	72	228
Caribbean	39	59	125	223

Population: Individuals between 16 and 29 years old in 2001

Source: Authors' own calculations based on ONS-LS

Table 2: Probability of being employed in 2011, by labour market status in 2001 and ethnic group; AME (clustered standard errors)

	Men		Women	
	Model a	Model b	Model a	Model b
Labour market status in 2001 (ref. employed)				
Unemployed/Inactive	-0.338*** (0.0103)	-0.175*** (0.0078)	-0.357*** (0.0079)	-0.173*** (0.0073)
Student	-0.005 (0.0045)	-0.041*** (0.0063)	0.056*** (0.0052)	-0.012* (0.0071)
Ethnic group (ref. White British)				
Indian	0.003 (0.0120)	0.004 (0.0109)	-0.028 (0.0176)	-0.061*** (0.0185)
Pakistani	-0.020 (0.0164)	0.007 (0.0130)	-0.211*** (0.0250)	-0.160*** (0.0223)
Bangladeshi	0.002 (0.0243)	0.042*** (0.0159)	-0.180*** (0.0393)	-0.100*** (0.0325)
Caribbean	-0.067* (0.0347)	-0.023 (0.0246)	-0.064* (0.0343)	-0.073** (0.0324)
N	36886	36886	40294	40294
Basic controls	X	X	X	X
Individual, social origin & neighbourhood controls		X		X

* p-value<.10 ** p-value<.05 *** p-value<.01

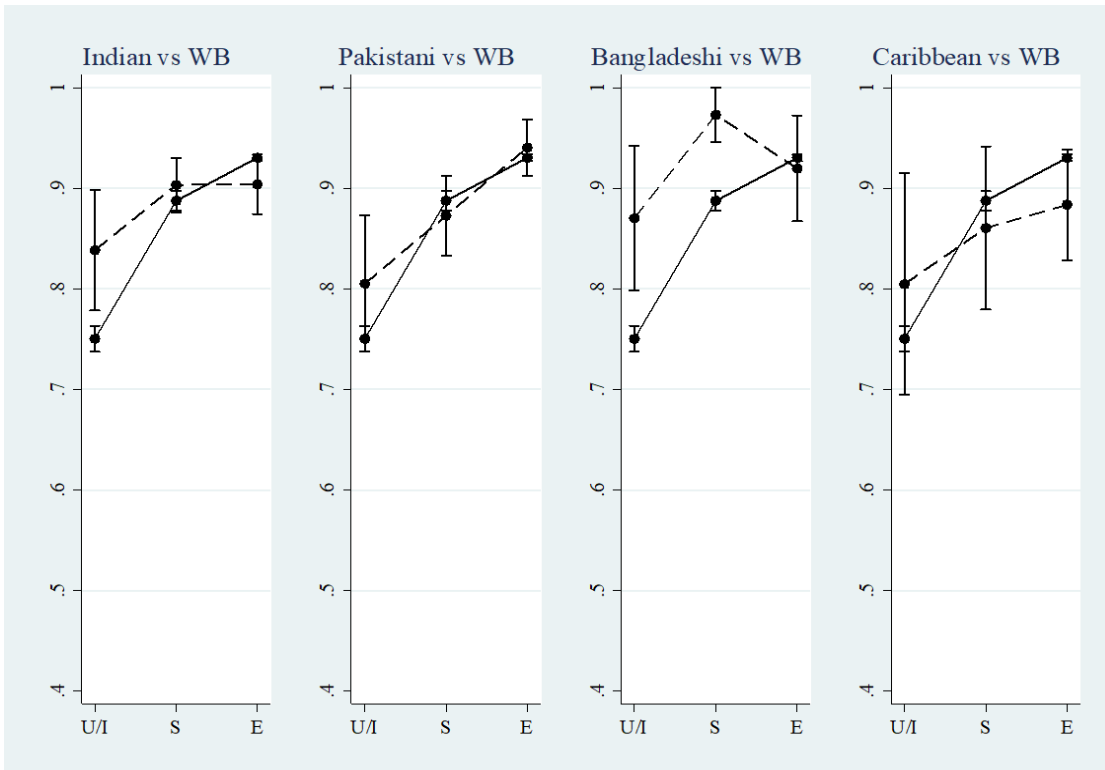
Basic controls: age, country of birth, origin year and number of census-points.

Individual, social origin & neighbourhood controls: education, family type, parental social class, number of cars, tenure, level of overcrowding and neighbourhood deprivation (past and current).

Population: Individuals between 16 and 29 years old in 2001

Source: Authors' own calculations based on ONS-LS

Figure 1: Predicted values of employment (90% CI) by labour market status in 2001; comparison between each ethnic minority group (dashed line) and the white British (solid line). Men.



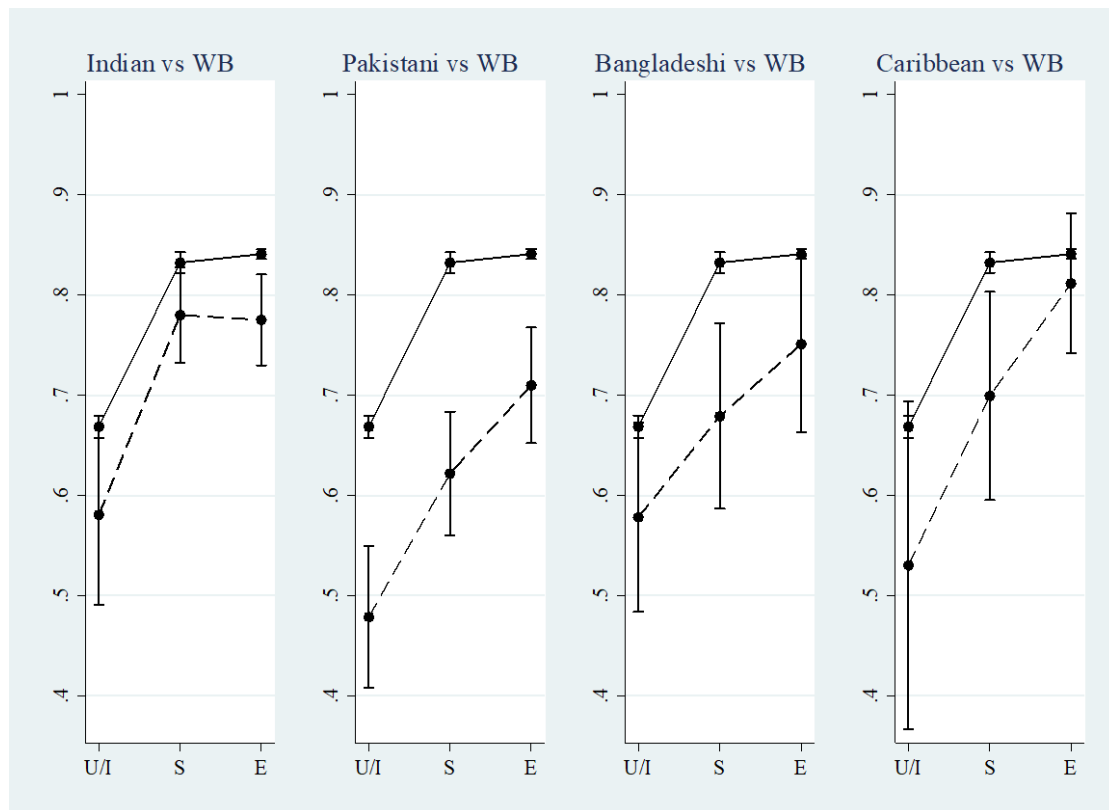
U/I=Unemployed/Inactive; S=Student; E=Employed (2001)

Controls: age, country of birth, origin year, number of census-points, parental social class, number of cars, tenure, level of overcrowding, neighbourhood deprivation (past and current), education and family type.

Population: Individuals between 16 and 29 years old in 2001

Source: Authors' own calculations based on ONS-LS

Figure 2: Predicted values of employment (90% CI) by labour market status in 2001; comparison between each ethnic minority group (dashed line) and the white British (solid line). Women.



U/I=Unemployed/Inactive; S=Student; E=Employed (2001).

Controls: age, country of birth, origin year, number of census-points, parental social class, number of cars, tenure, level of overcrowding, neighbourhood deprivation (past and current), education and family type.

Population: Individuals between 16 and 29 years old in 2001

Source: Authors' own calculations based on ONS-LS

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The permission of Dr Paul Norman, School of Geography, University of Leeds, to use the 2011 Carstairs Index of Deprivation he created is gratefully acknowledged. Please see Norman P. and Boyle P. (2014) Are health inequalities between differently deprived areas evident at different ages? A longitudinal study of census records in England and Wales, 1991–2001, *Health & Place*, 26, 88-93, for use of the Carstairs Index in conjunction with the ONS LS.

Endnotes

ⁱ Includes India, Pakistan, Bangladesh and the Caribbean, pooled.

ⁱⁱ Although their study pools together Pakistanis and Bangladeshis, given the results of other studies we might think of Bangladeshis as the ones actually driving the effect. More research is needed in this direction.

ⁱⁱⁱ We have also studied the attainment of a professional/managerial position. However, we did not find important differences in terms of unemployment scarring across ethnic groups. Results are available upon request.

^{iv} We have tested unemployment and inactivity separately, but some cells had very few counts. Among men inactivity is much less frequent than for women.

^v Inactivity includes: individuals doing housework, individuals with long-term disabilities or illness, and all other inactive situations. Students are excluded from the dependent variable, but considered as a separate category in the independent variable.

^{vi} Ethnicity is measured with a question on self-identification (measured in 2011 and, when missing, self-identification in 2001 is used). The specific groups are stated in the Census questionnaire (see: <https://census.ukdataservice.ac.uk/use-data/censuses/forms>).

^{vii} Individuals where one parent is born abroad and the other in the UK are excluded from the analysis. White British with foreign-born parents (or a foreign-born parent, for single-parent households) and ethnic minorities with UK-born parents (or a foreign-born parent, for single-parent households) are also excluded. African and Chinese were excluded due to their low number of cases.

^{viii} Neighbourhood deprivation is expressed in population-weighted quintiles and is obtained at the ward level. The ward is the key building block of UK administrative geography and is used to elect local government councillors. Wards vary in terms of size and population, with the average population amounting to 4,000. In general, the smallest and most populous wards are in metropolitan areas, where the majority of ethnic minorities are found.

^{ix} Ivprobit, which is the command we should use given that our outcomes are dichotomous, does not allow factorial endogenous variables (i.e. status in 2001). We have, nevertheless, run a model (without interactions) in which being in employment or in education (vs. being unemployed or inactive) in 2001 is used as an endogenous dummy variable, and neighbourhood deprivation when individuals were 0-15 as an instrument. The results are similar to the ones presented here. Another option would be to use ivregress, and ignore the fact that our dependent variable is dichotomous. We have tried this model as well, but the outcomes are hard to interpret (predictions go over one and have very large standard errors). All results are available upon request.

^x Some cell counts, percentages and totals shown in the tables have been modified in order to comply with publication rules established by the Office for National Statistics. These modifications, however, do not affect the main findings derived from the regression models.

^{xi} We have calculated contrasts and predicted values (margins) without specifying any values for the control variables. Another possibility would have been to set the controls to their mean (when doing this, the results of interaction effects for women become slightly more significant in statistical terms, especially for Pakistani and Caribbean). However, following Muller and MacLehose's (2014) test, we prefer the first option.