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PILLAR 3

# STATE OF THE ART

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## LAMIE

### The Labour Market Disadvantage of Citizens with a Migration Background: from Measuring to Explaining and Remediating

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## Keywords

Migration, Labour Market, Discrimination, Second Generation, Policy

## Introduction

Migration has profoundly changed the Belgian labour market: individuals with a non-Belgian background now constitute a sizable proportion of the country's population and workforce. However, the literature reveals that individuals with a migration background generally experience poorer labour market outcomes than natives. These outcomes vary based on specific origin and gender and persist from the first into the second generation. The mechanisms underlying these poorer outcomes are discrimination, individual preferences, and human and social capital differences. Recommendations for employers include implementing standardised hiring procedures and fostering awareness of discrimination among recruiters. On the employee side, investing in human capital, increasing labour market knowledge, and having competencies formally recognised can help to employment gaps. Policy refinement to combat biases appears necessary. Alternative pathways to attaining employment, such as self-employment and volunteering, are promising areas for future research.

## State of the art

### Key research hypotheses in the field of the research project

Labour market integration following migration is better understood as a dynamic, rather than a static, process. The integration of migrant labour into host countries' markets can be viewed through two key theoretical lenses: classical assimilation and segmented assimilation (Portes & Zhou, 1993). While both perspectives recognise the initial labour market challenges faced by migrants, their expectations for long-term integration differ. Assimilation theory posits that, over time, migrants will integrate into the labour market of the host country, leading to a reduction in disparities in human capital. However, segmented assimilation theory argues that certain social mechanisms can sustain these initial disadvantages, confining migrants to secondary labour markets with limited upward mobility (Portes & Zhou, 1993; Kalter & Kogan, 2014). Which of these theories prevails is influenced by mechanisms on both the employer and worker sides, as well as by institutional factors. On the demand side of labour, employers may engage in discriminatory practices. On the supply side, workers may differ in terms of human and social capital, as well as cultural preferences and behaviours. Additionally, Belgium's specific institutional context contributes to the precarious labour market outcomes observed for migrants.

Employer-side discrimination can be categorised into statistical and taste-based discrimination. Statistical discrimination implies that employers may rely on group-level statistics rather than individual characteristics due to incomplete information, resulting in biased judgments against individuals with a migration background (Arrow, 1973; Phelps, 1972). This type of discrimination persists as acquiring detailed information about each candidate can be impractical or costly (Altonji & Pierret, 2001). In contrast, taste-based discrimination stems from personal prejudices. Employers, colleagues, or customers may exhibit preferences against working with or being served by individuals from certain ethnic backgrounds, which leads to biased hiring and workplace practices (Becker, 1971; Borjas, 2020; Combes et al., 2016).

This discrimination can result in wage disparities and employment segregation, particularly in imperfectly competitive labour markets (Black, 1995).

On the worker side, several factors impact labour market outcomes. Differences in education levels, language proficiency, and the transferability of qualifications from the country of origin are crucial. Migrants often have lower educational qualifications and face challenges in having their credentials recognised in the host country (Becker, 1964; Chiswick & Miller, 2009). Language proficiency is critical, as it increases the economic returns on education and work experience (Borjas, 1992; Chiswick & Miller, 1992). Moreover, social networks play a significant role in job search efficiency and employment outcomes. Migrants often have limited access to native networks, leading to less effective job search strategies and poorer long-term employment outcomes (Putnam, 2000; Behtoui, 2007). Social isolation and cultural distance exacerbate these challenges (Parks-Yancy, 2006). Cultural differences, especially regarding gender roles and work-family responsibilities, also affect labour market participation. Migrant women often face additional barriers to integration due to traditional gender roles (Clark et al., 1991; Kok et al., 2011; Maes et al., 2022). These cultural norms significantly influence both individual preferences and behaviour (Borjas, 1992).

The importance of these supply- and demand-side mechanisms is shaped by the broader institutional context. Policies that govern migrant selection, focusing on human capital and skills, influence labour market outcomes. Flexible labour markets and supportive welfare policies can further enhance migrants' employment prospects (Borjas, 1994; Baeyens et al., 2020).

## Main findings of past research

First-generation migrants in Belgium tend to experience lower employment probabilities and slower transitions out of social assistance programs compared to native-born individuals. Their expectations regarding employment prospects are also generally lower (Carpentier et al., 2017; Piton & Rycx, 2021; F. Verhaeghe et al., 2017; P.-P. Verhaeghe et al., 2015). Although second-generation migrants generally perform better than their parents, significant disparities persist. These individuals often face higher unemployment rates and lower employment probabilities relative to natives, particularly when they originate from countries that are geographically and culturally distant from Belgium (Baert & Cockx, 2013; Baert et al., 2016; Gorodzeisky & Semyonov, 2017; Piton & Rycx, 2021).

When it comes to the quality of employment, first-generation migrants are more likely to be overeducated and experience higher wage penalties for overeducation compared to natives. Wage disparities and discrimination are especially prevalent among migrants from developing countries (Fays et al., 2021, 2023; Grinza et al., 2020; Jacobs et al., 2021, 2022b). Second-generation migrants experience less wage disparity than their first-generation counterparts but are still underpaid relative to their productivity. Overeducation affects their productivity more than their wages, resulting in a gap between productivity and earnings (Jacobs et al., 2022a).

Existing research also highlights the role of employer and employee mechanisms, as well as the institutional context. Statistical discrimination is prevalent. This type of discrimination tends to decrease with job tenure and in larger firms with more formalised human resources practices, though the relationship between firm size and discrimination remains ambiguous (Baert et al., 2017, 2018; Jacobs et al., 2021, 2022b; Lippens et al., 2023). In contrast, taste-based

discrimination is manifesting in a reluctance to collaborate with individuals from different ethnic backgrounds or customer aversion to being served by someone of a different ethnicity. This form of discrimination is influenced by the characteristics of the firm and industry (Baert & De Pauw, 2014; Derous et al., 2016; Lippens et al., 2023).

Human capital factors are critical for both first- and second-generation migrants. First-generation migrants often possess lower educational qualifications and face challenges in having their credentials recognised in Belgium. Language barriers and the imperfect transferability of qualifications further hinder their employment prospects (Chiswick & Miller, 2009; Fays et al., 2023; Jacobs et al., 2022a, 2022b; Piton & Rycx, 2021). For second-generation migrants, human capital transferability is less of an issue, but factors linked to their social background, such as limited social networks and economic resources, continue to affect their employment outcomes. Moreover, their educational performance often lags behind that of natives (Gorodzeisky & Semyonov, 2017; Kil et al., 2018; Maes et al., 2019; Phalet & Heath, 2010; P.-P. Verhaeghe et al., 2015).

Cultural values, especially concerning gender roles, play a significant role in labour market participation. Women with a migration background, particularly first-generation migrant mothers, show lower labour market participation compared to their native-born counterparts. This trend is less pronounced among second-generation migrants (Maes et al., 2022; Wood & Neels, 2017).

Lastly, Belgium's rigid labour market, characterised by high minimum wages and strong collective bargaining, poses significant challenges to the integration of low-skilled migrants. Strict educational requirements and limited use of atypical work arrangements further restrict employment opportunities for those lacking language proficiency or recognised qualifications (Høj, 2013; OECD, 2023).

### Existing gaps of past research

There are no studies in the Belgian labour market that specifically examine the impact of having a first and last name that signal mixed ethnicity, nor are the underlying mechanisms of such effects fully explored. Similarly, Belgian research on the effect of wearing a headscarf on hiring discrimination is lacking. It remains unclear which mechanisms account for potential differences in employment opportunities in this context.

Additionally, there is a significant gap in research on intergenerational wage trajectories for individuals with a migration background in Belgium, which is crucial for understanding the mechanisms that lead to varied labour market outcomes. The evidence regarding whether atypical employment, such as part-time work, temporary contracts, and self-employment, serves as a stepping stone to regular and high-quality employment is mixed. Belgian studies in this area are limited and yield ambiguous results.

Apart from the ongoing Belspo project, there are no quantitative studies that assess wage disparities for second-generation migrants, an essential area for future research to better understand how companies distribute profits equitably between native-born and migrant workers. Moreover, investigating the likelihood of overqualification among workers from different origin countries could provide valuable insights into the challenges migrants face in securing jobs that match their educational qualifications.

Finally, there is a lack of studies that propose specific policy recommendations and evaluate how both employers and employees would respond to such measures.

### **New research contributions**

We propose the first intergenerational analysis of inequalities between natives and migrants in Belgium, examining whether second-generation migrants perform better than their parents (first-generation migrants) in terms of wages, overeducation (or underemployment), and rent-sharing. Additionally, we will assess atypical employment as a potential entry channel into the labour market, offering insights for policy strategies to address the employment gaps faced by migrants. Our studies will also investigate the mechanisms underlying ethnic discrimination through vignette experiments and test employee- and employer-side interventions to mitigate unequal treatment.

The project is methodologically innovative, enhancing its potential impact. For instance, the vignette experiments we will conduct will offer improved ecological validity compared to previous studies and will be uniquely applied to explore solutions rather than problems. Furthermore, by employing sophisticated longitudinal analyses, such as sequence and event history analysis, on linked survey and administrative data, we will pioneer new insights into how migrants navigate atypical employment. Access to detailed, large-scale panel data on employers and employees will enable more accurate measurement of overeducation, particularly by controlling for cohort effects and sectoral differences in job requirements. Finally, our project will contribute to the limited studies that measure wage discrimination against migrants while directly accounting for firm-level productivity effects.

### **Discussion on what is expected in terms of policy maker recommendations**

Based on the current state of Belgian labour market research, several policy recommendations can be formulated. On the employer side, implementing competency-based assessments through standardised formal hiring procedures is recommended to reduce discrimination. Additionally, raising awareness and providing training for recruiters on the issue of discrimination is crucial. Anonymising CV screening should also be considered as a measure to mitigate ethnic bias in the recruitment process.

On the employee side, it is important to accelerate and simplify the procedures for the recognition of foreign qualifications, as this can improve labour market outcomes for migrants. Investing in language training is also essential to enhance employability. Encouraging voluntary work and entrepreneurship can serve as alternative routes to regular employment.

From an institutional perspective, more flexible labour market policies could facilitate easier access to employment. Improving access to affordable childcare is key to increasing the labour market participation of women with a migration background. Finally, simplifying the procedures for obtaining residence and work permits, as well as Belgian nationality, would help improve integration into the labour market.

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