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ABSTRACT

Ethnic Identity and Work*

Immigrants do not fare as well as natives in economic terms; even after including many controls, an unexplained part remains. The ethnic identity entered the field of labor and migration economics in an effort to better explain the economic outcomes of immigrants, their behavior and their often perceived as irrational and suboptimal choices. Quantifying ethnic identity is a major issue; even more challenging is to measure its impact on economic outcomes such as the probability to work or the earnings of immigrants. The thin but burgeoning theoretical and empirical literature shows that ethnic identity has a significant impact on the economic behavior of immigrants.

JEL Classification: F22, J15, Z10

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Introduction

The Greek and Latin etymology of the words ethnic and identity shows that these concepts exist among humans for at least 2,000 years. Ethnic is derived from the Greek word *ethnos* that means nation, people, caste and tribe. It is akin to the Greek word *ēthos* that refers to the spirit, customs, beliefs and aspirations of a group. The word identity comes from the Latin *identitas* and *idem* and denotes the concept of sameness and oneness. Together they define the notion of a person's individuality and self-recognition, as a person is part of and shares the culture of a larger group. Together, they emphasize boundaries and juxtaposition to the otherness. While reference groups become essential in ethnic identity formation and adaptation, bloodlines are not so relevant.

Social scientists have long understood the importance of ethnic identity as it shapes people's lives individually and within a society and a country. Social Psychologists, Sociologists, Anthropologists, Historians and Economic Sociologists, and Political Scientists have been studying ethnic identity for decades in social, sociopolitical, psychological and educational contexts. However, the construct entered the realm of economics and became the subject of in-depth studies only recently. Quantifying the concept of ethnic identity is a major issue. The nonavailability of data, endogeneity issues, selection biases, and inadequate theoretical frameworks have been some of the hurdles economists face.

Studying ethnic identity and its impact on the labor market is of outmost importance; it can offer key insights to the economic outcomes of immigrants in the host country, and suggestions to an effective migration policy that caters to needs of immigrants and encourages their integration. Other social phenomena such as ethnic diversity, multiculturalism, ethnic mobilization, diaspora effects, ethnic uprising, minority issues, intercultural dialogue, national identity, etc. make more sense after we understand ethnic identity.

Ethnic identity as a concept, its meaning and use in economics is presented in Part 1. The theoretical considerations and empirical advancements in measuring ethnic identity are offered in Part 2. How attached people are to their ethnic group and see themselves compared to the majority identity can influence their labor market decisions. Part 3 elaborates how these aspects of ethnic identity relates to choices of participating in the labor force, working in the primary labor market, using social networks to look for a job, employment level (prestige), as well as wage. Finally the conclusion summarizes.

1. Ethnic Identity as a Concept

The definition of ethnic identity is crucial when one wants to build a theory and provide an analytical framework to evaluate the impact of ethnic identity on economic phenomena. There is no specific definition of ethnic identity in economics. Researchers use common definitions of the words - as they are defined in dictionaries and in other sciences - and often adapt them to their specific study.

Identity is interconnected to the perception individuals have about themselves, their being and their role in society; it is their distinguishing character that includes both the physical appearance and the sense of belonging or not to a group. It is what makes individuals unique and different from others and it is self-defined. It denotes how strongly an individual is attached, relates, or feels a sense of belonging to a particular ethnic group or culture. It signifies a sense of continuity of belonging to a group that shares certain elements such as cultural practices, language, interactions with society and ethnic peers, as well as preferences for same-ethnic friends or colleagues. The ethnic identity of individuals describes their social, psychological, and consumer behavior (Constant et al., 2006b). In contrast to ethnicity, or ancestry, which is a permanent characteristic and externally identifiable, ethnic identity can continuously morph throughout a person's life. It can change or develop due to age, relationships, experience with others, discrimination, religious influence, time and migration, among a number of other factors. But since it can change and requires self-assessment, it is challenging to capture and measure it in a way to allow for comparisons or evaluation.

As sociologists have shown, ethnic or racial identity can alter when conflicts arise; they distinguish the concepts of situational ethnicity and opposing identity. In the US, segregated neighborhoods can create the structural conditions for the development of 'an oppositional culture that devalues work, schooling and marriage' and impedes success in the larger economy (Massey and Denton, 1993). If ethnic identity varies from that of most people in a country, it can also be defined as the minority, or "oppositional", identity, which simply indicates that it is outside the majority, or dominant, identity in society. Battu, McDonald and Zenou (2007) find that non-Whites choose to adopt 'oppositional' identities; some individuals may identify with the dominant culture and others may reject it, even if it implies adverse labor market outcomes. More recently, Mason and Matella (2014) using self-identification as white as a measure of acculturation and the fraction of all hate crimes directed at Muslims as a measure of stigmatization show that after 9/11 in the US, there was a statistically significant and

substantively large decrease in the probability that Arab and Islamic Americans will self-identify as white.

When individuals live in their home country are part of the majority¹ and their ethnic identity is not in conflict or contrast with others. However, when people move to a new country, they immediately feel the clash of cultures. The contrast of cultures, languages, mores and customs poses a polylema. An immigrant ponders whether to keep her identity and remain true to her origins, to shed all ancestral attachments and adopt the new culture, or to find some combination of both. Ethnic identity applies to natives as well. By being in contact with immigrants and their culture, natives can also alter their own identity. This additional complication of moving identities makes the measurement of ethnic identity all the more difficult. The ethnic identity of immigrants — the attachment to the culture, language, traditions, etc. of the home country — can be further challenged, changed or redefined based on their experiences with additional years in the host society, particularly if they face discrimination or acceptance. How people perceive and interpret their surroundings result in a personal and individual adaptation (Phinney et al., 2001). Ethnic identity may or may not influence an individual's other identities such as national identity — how attached a person feels to her country. But it has been found that religion is a decisive factor for ethnic identity evolution (Constant et al., 2009).

The way natives receive immigrants, their attitudes and perceptions about immigrants can trigger different ethnic identity reactions among immigrants. If immigrants switch identities because natives treat them differently, this may very well result in different economic integration patterns. In a theoretical and empirical study, Manning and Roy (2010) examine how people see others and how they see themselves. They focus on the cultural assimilation of immigrants in the UK, the British identity and rights and responsibilities in societies. They find that while almost all UK-born immigrants identify as British, and the rest feels more British with additional stay in the UK, the white UK-born population does not perceive these immigrants as British. Interestingly, they are worried that Pakistanis who feel British are causing problems but are not worried about Italians who do not feel British and cause problems.

¹ There are some exceptions such as the Jews, who are a minority in other countries and become a majority when they migrate to Israel.

2. How to Measure Ethnic Identity

Ethnic identity becomes all the more salient in economics. Akerlof and Kranton (2000) helped increase discourse about the role of identity in economics. A strand of literature is developing that places identity, behavior and personality traits in the heart of labor markets and the performance of individuals. The general goal is to explain economic labor market integration and unexplained wage differentials whether examining sex, racial, minority or immigrant-native differences.

Theoretical Advancements

Once the concepts of one's identity, personality and wellbeing entered the utility function of the individual agent and became part of modern economics, researchers showed that these concepts significantly affect economic behavior and can even explain "irrational" and suboptimal choices and outcomes. Akerlof and Kranton (2010) demonstrated that when facing economic decisions, including those in the labor market, people choose different paths, even when given the same incentives; the missing explaining link is identity. The ethnic identity and its significance in economic behavior triggered new research in labor and migration economics. How a person sees himself or herself compared to others and fitting into a larger group (i.e. the ethnic community or society at large) can lead to non-rational economic outcomes (Constant and Zimmermann, 2011).

Akerlof and Kranton (2000) offer a novel theoretical framework of the utility maximization function and a more realistic economic rigor to neoclassical economics. They conceive a person's self-identification as powerful motivation for behavior, implying that achieving an "ideal self" and being comfortable with one's identity is bound to affect one's utility function. In this case, utility increases; otherwise, utility decreases. Accordingly, even rational individuals may reach non-optimal solutions if they cogitate about their identity.

Incorporating a broad class of beliefs including identity, Bénabou and Tirole (2011) developed a model that can explain labor market integration and wage differentials. The authors also examine self-serving beliefs linked to pride, dignity or wishful thinking that arise endogenously. For example, some individuals may have the human capital and the drive to integrate and flourish in the labor market, but they may not succeed because their behavioral norms are in the way and their self-identity images are muddled.

To explain the evolution of behavioral ethnic codes that people follow in order to maintain social acceptance, Kuran (1998) created a theory of reputational cascades; they can

explain why similar societies may exhibit different levels of ethnic activity. The theory incorporates the speed of acting ethnic, chosen under social pressures, which in turn the individuals themselves create and sustain; interdependencies among individual incentives are strong and crucially affect personal choices. Darity, Mason and Stewart (2006) developed a long-term theory of racial (or ethnic) identification formation. In this evolutionary game theory model there allow for multiple equilibria; one, in which everybody follows an individualist identity strategy, another in which everybody pursues a racialist (or ethnic) identity strategy, and yet another equilibrium as a mixture of both. Accordingly, race or ethnicity may be more or less significant for both market and non-market social interactions. The foundation of this theory is the positive impact of racial identity on the productivity of social interactions, which also explicates the persistence of racial or ethnic advantages in market economies.

The Ethnosizer

As mentioned, one barrier to more thorough economic studies was measuring ethnic identity in order for comparison. A breakthrough came with the “ethnosizer,” a measure of the intensity of a person’s ethnic identity (Constant et al., 2006b). The authors conceived and defined ethnic identity as the balance between the commitment to or self-identification with the culture and society of the country of origin and the host country. With the ethnosizer, they offer a complete concept of ethnic identity and a new approach for empirical modeling.

The ethnosizer can be one-dimensional, two-dimensional or multidimensional to capture the dynamic and multidimensional character of ethnic identity. The authors allow the ethnosizer to differ among immigrants of the same origin, and/or be comparable among immigrants of different ethnic backgrounds. The one-dimensional ethnosizer in which ethnic identities toward the home and host country are mutually exclusive, it is very much related to the assimilation literature. It assumes that every time a person becomes more assimilated towards the host country she has to become less attached towards the home country. This can be visualized by drawing the Cartesian plane and focusing on the upper right quadrant, in which the horizontal axis measures commitment to the home country and the vertical axis measures commitment to the host country. The line that connects the two axes (the hypotenuse in Figure 1) illustrates how immigrants alter their ethnic identity; it is the one-dimensional ethnosizer.

Constant et al. (2006b and 2009),² created the two-dimensional ethnosizer that allows for more realistic possibilities of the ethnic identity of immigrants such as the simultaneous

² These states mirror Phinney et al.’s (2001) four acculturation strategies in the psychology field, built off of previous acculturation theory (Berry, 1980).

commitment to both countries and other permutations. The ethnosizer is based on five elements that best capture the essence of ethnic identity: language, culture, societal interaction, history of migration, and ethnic self-identification.³ As in the one-dimensional ethnosizer, the horizontal axis measures the commitment to the home country and culture and the vertical axis commitment to the host country and culture with respect to the five elements. In this case immigrants are allowed to traverse through the space defined by the box that the axes can form. This box identifies four distinct states of ethnic identity, differentiated by the strength of commitments to each country. (i) Assimilation: a prominent identification with the host culture and society, a firm conformity to the norms, values and codes of conduct, and a weak identification with the origin; (ii) Integration: a simultaneous dedication to and identification with the ancestral and the host society. This is a state of bi-culturalism; (iii) Marginalization: a pronounced detachment from either the dominant culture or the culture of origin; and (iv) Separation: a strong commitment to the culture of origin even after years of emigration, along with weak involvement in the host culture and country realities. A migrant can undergo a more intricate journey through the four states. An interesting aspect of the ethnosizer is that in what state individuals end up varies among immigrants even from the same country.

Figure 1 illustrates how Constant and Zimmermann (2008) expanded the theoretical possibilities of the ethnosizer by allowing the commitments to the countries to become negative, thus taking into consideration the multidimensionality of ethnic identity. Accordingly, ethnic identity includes the extreme cases of “subvert”, negative or undermining manifestation of ethnic identity. Using the same setting of the Cartesian coordinates, a migrant can move from the upper right quadrant to the lower right or the upper left or the lower left. Moving to the right along the positive part of the horizontal axis expresses ethnic retention and increasing commitment to the country of origin. Point (1,0) shows maximum commitment to and self-identification with the culture of origin and zero commitment to the host country. It is possible that immigrants move beyond point (1,0), as they identify more fanatically with the country of origin. For example, this is the case of radical individuals practicing more extreme views than even comparable co-ethnics who stay in the country of origin. The ethnic identity can also manifest along the negative part of the horizontal vector indicating that immigrants turn against their own heritage and culture.

³ Zimmermann et al. (2007a) compared the ethnosizer to the ethnic self-identification measured directly from the GSOEP and showed that the ethnosizer is a better measure of identity.

Moving up from (0,0) to (0,1) on the positive vector of the vertical axis, indicates increasing identification with the host country to the point of reaching maximum assimilation. The ethnic identity of immigrants can move beyond point (0,1); such is the case of overzealous migrants, who identify with the host country even more than comparable natives. Another possibility is that immigrants actively resent the host culture and develop a subvert self-identification towards it. This is illustrated by the movement on the negative vector of the vertical axis. The lower right quadrant characterizes individuals who keep the ancestral identity, but turn against the host country. In the lower right quadrant individuals are turning against both countries.

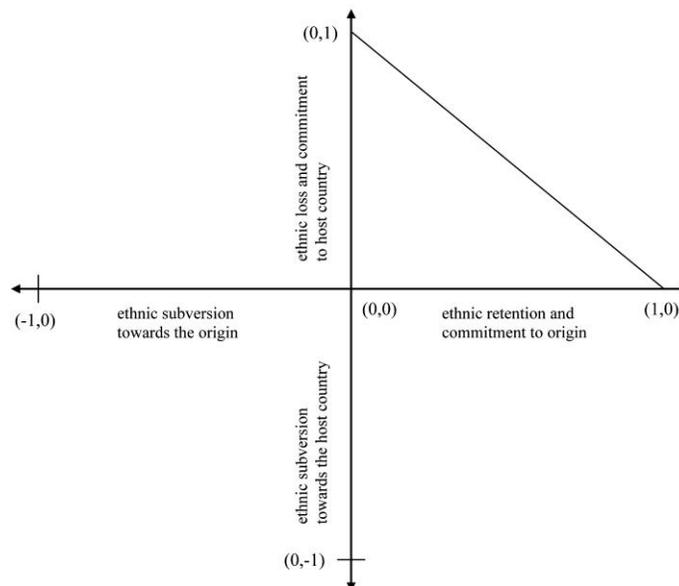


Figure 1: Complete illustration of ethnic identity; retention, relinquishment, and subversion (Constant and Zimmermann (2008)

Epstein and Heizler (2015) provide a theoretical framework that sheds light on the ethnosizer literature. In their theoretical model of utility maximization, they incorporate ethnic identity and add a time dimension. They show that two identical migrants arriving at two different periods will have a different the ethnic identification, which will increase over time.

Empirical Advancements

Measuring and quantifying ethnic identity is a difficult task. This intrigues economists, yet generally speaking the field of economics has been unhurried to undertake thorough research on ethnic identity, mainly due to endogeneity issues and sample biases (Constant and Zimmermann, 2013). Do individuals accept work opportunities and make decisions because of their ethnic identity, or do people's identities define their work opportunities? These questions reveal the endogeneity problem. Empirically, endogeneity and sample bias are additionally affected by the fact that respondents are self-evaluating and self-reporting their ethnic attachment making it difficult to prove causality.

Another dimension of the difficulty is lack of data that contain appropriate information about ethnic self-identification and attachment to the home or host country. There are some exceptions such as the Ethnic Diversity Survey in Canada, the British Household Panel or the German Socio-Economic Panel (GSOEP). Lastly, it is difficult to effectively and quantitatively distinguish between discrimination and an individual's own ethnic choices or preferences; this holds true for many tastes or preferences, as well as for ethnic identity influencing one's employment choices.

Utilizing the GSOEP waves 2000 to 2002, and combining information of the five elements that compose the ethnic identity, Constant, Gataulina and Zimmermann (2006b; 2009) created the two-dimensional ethnosizer. The measure ranges from zero, indicating full commitment to the host country, to one indicating full commitment to the country of origin. The authors find that men are closer to the native German ethnicity than women due to greater language use and cultural aspects attachment but the gender difference is not significant. They also find that young migrants are integrated and assimilated the most; immigrants with higher education or college degrees (from the home country) integrate, but do not assimilate. Regarding the ethnicities of immigrants in Germany, the authors show that ex-Yugoslavs assimilate more and separate less than Turks, but they also marginalize more. While Greeks, Spaniards and Italians were no different than Turks, other ethnicities integrated and assimilated more. The results from the ethnosizer are mostly influenced by pre-migration characteristics; making this measure exogenous to the economic and social processes that immigrants experience in Germany (Zimmermann, 2007).⁴

Georgiadis and Manning (2013) studied the correlates of national identity in Great Britain and showed that these people who feel they are well treated and tolerated with their values are

⁴ Hochman and Davidov (2014) used the GSOEP and found that it is German language proficiency that has a strong impact on the national identification of immigrants and not the other way around.

more likely to identify with the country and have feelings of belonging to society. Also, individuals who live around their likes have a stronger feeling that they belong to the country.

Below, I focus on labor market outcomes, specifically individual decisions to work, how many hours to work, the use of informal ethnic networks to look for work, as well as employment and wages.

3. Ethnic Identity and the Labor Market

Some empirical economists embarked upon the quest to improve human capital models and gain a greater understanding of the behavioral determinants of occupational and monetary success by utilizing ethnic identity. The question is whether ethnic identity matters and is useful to immigrants and natives. The rationale is that immigrants are mostly useful in the host country when they possess different talents and skills than natives, and when they bring with them characteristics that are relatively scarce. This improves labor market efficiency. When a population is homogeneous, there is always the risk of lost creativity. There are, however, costs and benefits associated with this cultural capital embodied in immigrants. When immigrants and natives are complements to each other, both can profit as well as the economy and society can benefit from creativity, dynamism and greater prosperity. Most of the empirical studies and findings are based on cross-sectional evidence and on a few countries.

When non-Whites in the UK identify with their social environment, their culture of origin, and when social networks assist them in finding jobs – they end up with totally different choices than other otherwise identical individuals (Battu, McDonald and Zenou, 2007). On the other hand, Battu and Zenou (2010) show that social environment influences the individuals' identity choice. Those non-white British who develop and manifest oppositional and extreme identities are penalized in the labor market, facing a 6-7% lower probability of being employed.

Linking identities, conflicting behavioral norms and job attributes, Russo and van Hooft (2009) find that individuals who experience conflicting norms in the labor market choose job characteristics that can reduce the degree of conflict such as favorable working hours and good relationships with colleagues and managers. While men favor a career when a conflict between career and leisure arises, women do not. Bisin et al. (2011) find that in European countries, immigrants face more difficulties to enter the labor market than natives do. Across all levels of education, those with strong ethnic identities experience a penalty in the labor market. The

authors suggest that more flexible labor markets can ease these difficulties for immigrants, but not those with strong ethnic identities. In contrast, in Sweden, income and employment differences for foreign-born men depend on the strength of the *majority* identity, irrespective of ethnic identity (Nekby and Rödén, 2007).

Constant, Gataullina, and Zimmerman (2006a) studied the effect of ethnic identification on the probability of working in Germany by sex. The probability of immigrant men working is not affected when they are integrated. The probability of working for immigrant women, on the other hand, is significantly affected if they are integrated. Constant and Zimmermann (2009) extend the ethnosizer framework to model labor force participation and earnings disaggregated by sex. They find that the ethnic identity of immigrants in Germany is a strong determinant of their labor force participation. Interesting gender dynamics show that immigrants (both men and women) who are separated and marginalized are less likely to work than those who are assimilated and demonstrate a strong commitment to the German society. In addition, women who were integrated tended to work more than those who were assimilated, but there was no significant difference between integrated men and assimilated women. Curiously, they find that ethnic identity does not significantly affect the earnings of men and women workers. They explain this finding through the selection process in the labor market. In other words, ethnic identity can make a difference in the probability to work, but once immigrants have a job, their ethnic identity does not affect their earnings.

Applying the ethnosizer on different data in Germany — the evaluation dataset on the unemployed — Constant, Kahanec, Rinne, and Zimmermann (2011) demonstrated that those unemployed immigrants who are separated experience a relatively slow reintegration into the labor market.

Job Search and Working in Ethnic Enclaves or the Primary Market

Identity within an enclave or ethnic group shapes an individual's decisions regarding work. Being part of an informal network can have positive and negative effects on employment and wages. An individual may have access to information and job opportunities within her ethnic group thus more likely to find a job through her network. Benefits could include work that aligns with ethnic practices or religious beliefs. Repercussions may be that the job offers a wage below her human capital capabilities or is outside of the primary labor market. Further, the individual may be stuck in the enclave and never be able to access the entire labor market possibilities. Ethnic identity can influence the decision to enter the primary labor market (labor force participation). More opportunities, along with pressure, encouragement, or willingness to

economically assimilate may drive an individual to and work with the majority population, as opposed to working in the enclave. It is also possible that an individual combines both markets such as a medical doctor who works in the primary market, but because of his ethnic advantage in language for example can also have co-ethnic patients and an expanded clientele.

Pendakur and Pendakur (2005) find that some individuals in Canada desire to work among co-ethnics and thus are willing to “pay” for it through accepting traditionally-classified low-quality jobs but that are within the ethnic enclave. Regarding job search, the authors find almost 40% found their current job through an informal network, including family and friends. A study on ethnic identity and employment in the US finds that ethnic minorities prefer to have same-race friends despite the economic gains of having white (in this case the majority group) friends, who open social networks in the mainstream labor market (Battu et al., 2007). Choosing to conform to the “white’s norm” depends on peer pressure, offered wages and the impact on the minority unemployment rate (ibid.). This delicate balance between outsiders’ perceptions versus those of an individual is demonstrated again in Canada through examining “visible minorities;” those with strong ethnic identity work jobs with lower occupational prestige than visible minorities without deep ethnic identity (Pendakur and Pendakur, 2005).

Therefore depending on the strength of individuals’ ethnic identity, behavioral decisions will be based on a trade-off between expected social and economic outcomes. It seems likely that a person who strongly identifies with her ethnicity could favor social networks to find a job or work in the ethnic economy, despite it possibly being a sub-optimal economic decision, since she gains social reassurance and benefits which she may personally value more than additional employment prestige or salary.

An individual’s attachment to his ethnic group can affect the decision to work, the (un)employment rate, choosing to work in the primary or ethnic economy, the level (prestige or quality) of his job and if employment aligns with his human capital. A study on ethnic minorities in England finds that non-whites adopting an oppositional identity (i.e. strong ethnic identity) experience higher unemployment and low probabilities of finding a job compared to “other non-whites who choose to adopt the white’s norm” (Battu and Zenou, 2010; similarly to Mason’s (2004) research showing wage differences depending on ethnic identity). The authors also show that there is a lower probability of being employed (6 to 7% lower) for those with “extreme identities.” This is a smaller effect than domestic educational qualifications, inter-ethnic marriage and home and car-ownership, yet a larger effect than language fluency and ethnic enclaves (ibid.).

As stated, there are benefits to working in the ethnic economy, but it has been found that participation in it also lowers social activities in the overarching society, creating a social cost (Fong and Ooka, 2002). It is possible that working in the ethnic economy also has economic costs, as it may not efficiently utilize human capital or may offer a lower wage than the primary labor market. For example, an individual may work a job involving the production or sale of ethnic goods, perhaps in an ethnic restaurant, market, or clothing store because she has the necessary language and ethnic know-how despite also being over-educated for the position. On the other hand, she may willingly accept, or even prefer, this job since it may offer social benefits or lowers her economic risk.

The trade-off between economic gains and “social reassurance” exemplifies why seemingly economically irrational behavior may actually be rational for the individual (Akerlof and Kranton, 2000; Pendakur and Pendakur, 2005, p 2). It also demonstrates the reality that traditional economic measurements for employment level or prestige — such as earnings — are no longer always the appropriate tools to evaluate labor market outcomes. Attempting to include personal utility stemming from ethnic community payoffs seems to be integral for economists to include in analyses.

Wages

Ethnic identity may have direct effects on an individual’s wage, which could be surprising if one had assumed wage differences stemmed from how *others* perceive the individual. But Mason (2004) shows that Mexican- and Cuban-Americans were able to increase their income and hourly wages by “acculturating into a non-Hispanic white racial identity” (although it was not enough to overcome penalties for those with a dark complexion). Acculturation is similar to ethnic identity, as seen above, in the sense that an individual decides how attached she is to a culture or ethnic group. If a person self-reports a low ethnic identity (weak attachment) and identifies more with the majority identity, it can result in higher economic gains than peers with a high ethnic identity (Mason, 2004), particularly if she interacts with the majority and has access to the primary labor market.

Studying the effect of ethnic identification on income, Zimmermann (2007) applied the two-dimensional ethnosizer and showed that integrated men and women experience a dramatic earnings growth; the increase in the earnings of women is higher. Full separation and full marginalization led to a decrease in labor earnings for both male and female migrants. Using the ethnosizer and Greek data, Drydakakis (2012) found that assimilation and integration significantly increase the wages of immigrants; separation and marginalization decrease them.

More recently, Gorinas (2014) extended the *ethnosizer* by developing *the modernization index* to measure openness to majority norms. He showed that while immigrant employment in general is almost unaffected by the ethnic identity of immigrants in Denmark, immigrant women benefit from significantly better employment outcomes.

Endogeneity Issues

Experiments offer a way to circumvent the endogeneity issue. Following social psychology methods to introduce an exogenous variation in identity, Benjamin et al. (2010), could identify the marginal effect of a particular social category by priming subjects as respondents – temporarily – lean toward the norms associated with the salient category. That is, the authors prime identities with unknown norms and can infer what those norms are through the behavioral response to the prime.

Conclusion

How a person's multi-faceted identities mix, conflict or reinforce each other has been and continues to be an interesting research topic across the social sciences and an important point for public policy, including immigration policy. Varying levels of ethnic identity have social benefits to enrich a country's overall society and culture, as well as economic benefits since those with strong attachments to an ethnic group can possess different human capital and skills than the majority identity. At issue is whether immigrants should assimilate, or integrate in the host country. Likewise economic migrants are willing to move abroad, but how willing or likely are they to adopt the host country's culture and societal norms? Migrants become assimilated, integrated, marginalized or separated into society (the four states of the *ethnosizer*), which can directly impact their labor market outcomes.

Competing directly with natives and no longer having any culture-specific human capital as an additional qualification is not advantageous for immigrants. At the same time, preserving one's ethnic identity with dignity and pride is important, and integration can be enriching and rewarding for immigrants.

Research thus far has shown a strong impact of ethnic identity on the labor market. Some individuals can avoid the labor market penalties through relinquishing their ethnic identity and showing greater attachment to the majority, or dominant, identity (i.e. stronger assimilation);

although those with certain factors — such as dark complexion — may be unable to do so. Economic gains may rise with increased interaction with the majority population since these connections can open new opportunities in the primary labor market and individuals may experience less discrimination. These interactions help to explain why second-generation immigrants show greater economic assimilation,

Of those self-assessed of having an ethnic identity in Canada, about 40% found their current job through an informal social network, which demonstrates the usefulness of extracting information from the ethnic group and benefiting from labor market outcomes. For those working, jobs may be in the ethnic economy rather than in the primary labor market. These positions carry a trade-off between economic gains and social benefits (within the ethnic group) that is slowly being understood and captured in data.

Decisions to work, pay taxes, and employment levels and prestige all influence the nation's productivity, efficiency and output. Hence immigrants' ethnic identity is a public policy topic. It is improbable that a country would aim to marginalize people based on ethnic identity, likewise it is unusual that individuals are separated from both home and host cultures. If a nation's objective is to have assimilated migrants, then giving preference to young migrants with degrees is a strong approach to immigration policy (Constant et al., 2006). If a country decides that national identity is more important, they can create policy to encourage assimilation and for group to feel accepted, which makes it more likely that national identity will be strong (Phinney et al., 2001).

The two-dimensional ethnosizer depends on pre-migration characteristics, and is exogenous to economic activity. Post-migration variables play practically no role in explaining the de facto exogeneity of the ethnosizer variables found in the literature.

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