Nordic Journal of Political Economy

Volume 35 2009 Article 1

Willingness to Assimilate and Ethnicity

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ISSN 0345-8555

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Abstract

A model is set up whereby migrants must choose a level of social traits and consumption of ethnic goods. We deal with the relationship between the consumption of ethnic goods, the choice of social traits, wages and the employment of migrants. As the consumption level of ethnic goods increases, the migrants become ever more different from the local population and less assimilated. We consider the effect that being part, or not being part, of the labor force has on the consumption of ethnic goods, comparing those who are not part of the labor force with the employed and the level of ethnic goods each uses and their chances of assimilation in the host country.

JEL classification: J61

Keywords: Social benefits, Ethnic goods, Social trait, Assimilation, Unemployment

[1] Financial support from the Adar Foundation of the Economics Department of Bar-Ilan University is gratefully acknowledged.

1. Introduction

The assimilation of migrants into the local population is not trivial. Migrant assimilation is a topic of active research. The literature discusses the speed of assimilation, the factors advancing and obstructing assimilation, attitudes towards indigenous immigrants, and inter-generational issues. To a degree, the question is how long does it take for immigrants and their families to assimilate into the economic and social structure of the host country. The literature examines first generation immigrants and the length of time, and other factors involved, in achieving earning parity with the native-born.[2] There is also some evidence on inter-generational aspects of assimilation (Gang and Zimmermann 2002, Deutsch, Epstein and Lecker, 2006). While the evidence is mixed, the view that ethnic differences melt away does not hold sway. However there is much individual variation - on average some ethnic groups do well and some do not; and within ethnic groups, some assimilate, some do not, and some maintain a middle ground.

There is well-established high quality literature on the role of networks, particularly ethnic networks, in international trade. Ethnic networks are a way of overcoming informal barriers (information costs, risk and uncertainty), and trade by building trust and substituting for the difficulty of enforcing contracts internationally. Ethnic networks exist when assimilation is not complete. Epstein and Gang (2006) consider the struggle of migrants to assimilate and, at the same time, the struggle of the local population to prevent such assimilation. These activities affect trade possibilities. Moreover, they show that it may be in the interest of migrants, who specialize in trade, at some point in time, to turn from investing in assimilation activities and invest in anti-assimilation activities in order to preserve immigrants' preferences for their native country goods. There are other situations under which the migrants may not wish to assimilate, depending on different interest groups and there objectives. Over time, conflicts develop within the minority group as members exhibit different interests in assimilating and in maintaining their cultural identity. This affects the minority's position over time and the influence of public policy (see Epstein and Gang, 2009).

One of the factors determining the assimilation of migrants into the local population is the migrants' choice of locality. This choice has an important role in determining the assimilation process. The social capital of the migrants is developed by the fiscal and ethnic surroundings in the host country. This is determined by their choice of location, the networks they join and the level of ethnicity they choose. In a recent paper, Epstein (2008) considers the different ways migrants choose where they live and analyze its effect on the assimilation process. This assimilation affects their social capital and, in the long run, has an effect on the different migrants and their families. Various indicators are used to measure the degree to which migrants have assimilated. The most common measures, in the economic literature, are wages and earnings, and there is an extremely large literature that examines the rate and degree of decline in wages and earning differences among groups. Other indicators, which are now more frequently examined over several generations, include labor force participation, poverty, and education, Moreover, for immigrants and their descendants, as the length of time in the host country increases, assimilation occurs and immigrant earnings tend to approach those of the comparable workers. On occasion, migrants out-perform those workers. Recently Constant, Gataullina and Zimmermann (2008) and Constant and Zimmermann

[2] The classic paper by Chiswick (1978) is the first of the modern literature on immigrant wage assimilation. The controversies are summarized by Duleep and Regets (2002) who resolve the main issues. This and other strands of the literature are synthesized in Bauer and Zimmermann (1997). Also see the volume edited by Bauer and Zimmermann (2002) for highlights of the literature.

(2008) presented the *ethnosizer*, which measures the ethnic identify of a migrant rather than his ethnicity, using information such as language, culture, societal interaction, history of migration, and ethnic self-identification. Using the GSOEP 2002 data, they show that ethnic identity persists - stronger in specific groups such as females, Muslims and those that enter at an older age - while those with closer cultures such as Catholics and other Christians assimilate more easily.

This choice of location also affects the immigrants' consumption of ethnic goods, which distinguishes the migrants from the local population and affects their assimilation. We consider the relationship between the migrants' consumption of ethnic goods and the willingness of the local population to accept them into the economy. This willingness affects the productivity and the wages of the migrants, and thus their employment. The question of assimilation and integration into the labor market of the host country has been analyzed in the literature (see for example, Boeri, Hansen and McCormick, 2002, Bauer, Lofstroem and Zimmermann, 2000 and Venturini, 2004).

The growth perspectives of European Union member countries are seen to be crucially related to the challenge of mobilizing people to work. One issue is that non-economic migrants have more difficulties in economic performance and labor market integration, and provide a larger potential burden to the social security systems than economic migrants. Recent work in Denmark and Germany (see Tranaes and Zimmermann, 2004, Schultz-Nielsen and Constant, 2004, Constant and Zimmermann, 2005 and Constant, Gataullina and Zimmermann, 2006) has provided new evidence, which indicates that an ever-rising number of immigrants is unavailable to the labor force. Instead, migrants arrive as refugees, asylum seekers or for family reunification purposes. Differences in labor market attachment might be due to differences in individual characteristics across ethnicities and within ethnicities, as we claim in this paper.

In this paper we consider the relationship between the migrants' consumption of ethnic goods and the willingness of the local population to accept them into the economy. This willingness affects the productivity and the wages of the migrants, and thus their employment. Often, the local population is less than welcoming, blaming the migrants for depressing wages and displacing local workers – i.e., causing unemployment of the local population. [3] This presumption has very strong political implications and is implicit in the calls for increased regulations of immigration, which is heard worldwide. Yet, there is mixed evidence on the impact of the migrants on local worker's majority wages and employment – it depends on whether they are substitutes or complements (Gang and Rivera-Batiz 1994). This perception exists whether migrants actually lower wages and increase unemployment or not. Because of this the local workers may take active steps to discourage the migrants – discrimination, isolation, and so on.[4] Assimilation of migrants, into the local culture, is a function of two main elements: 1. The extent to which the migrants wish to assimilate, the effort they invest to stay different from the local population, holding on to their heritage, and the consumption of ethnic goods, which distinguishes them from the local population. 2. The degree to which the local population welcomes the migrants. It is clear that there may never be full assimilation into the local population even if the migrants make every effort to do so. A related issue is a type of "statistical discrimination" argument. It may well be that the costs of being different depend on how different others of your own group are.

[3]On assimilation and international trade see Epstein and Gang (2006).

[4] The 1997 Euro-barometer survey contained a question on racism. Nearly 33 percent of those interviewed openly described themselves as "quite racist" or "very racist".

Employers and co-workers may not easily observe all the choices made by you, but may have a view of the "average" level of social traits among other immigrants e.g. from the same country. This would limit the migrant's chances of adaptation. In this paper we concentrate on what can be done to assimilate or distinguish the migrants from the local population.

Migrants have to choose their actual level of social traits. Choosing a person's traits has a cost. For example, going every Sunday to church, praying a few times a day, not working on the Sabbath, not eating specific types of food or at certain places, wearing specific clothes etc. all have opportunity costs. On the other hand, there are benefits from keeping their ideal (satiation) social traits and any deviation also has a cost. Bisin and Verdier (2000) developed an economic framework, which studied a similar type of evolution about the persistence of ethnic and religious traits and the role of marriage in the development of the cultural traits of children. In contrast to Bisin and Verdier (2000), we look at how the wage structure and unemployment benefits are affected by the choice of the migrants. Looking at a specific group, Berman (2000) considers the case of the Israeli Ultra-Orthodox men, who study full-time in yeshiva till age 40 on average. The paper looks at the questions of why fathers, with families living in poverty, choose yeshiva over work. Berman (2000) shows that Yeshiva attendance signals commitment to the community, which provides mutual insurance to members. Our paper differs from this approach since we do not consider the specific type of economy where devotion creates a signal to the community and provides benefits to the individual from such devotion.

We set up a model where migrants have to choose their level of social traits and consumption of ethnic goods. Each migrant has his/her own ideal (satiation) social traits and given this they choose their consumption level. As the consumption of ethnic goods increases, the migrants become more unlike the local population and are less assimilated. Less assimilation affects the reaction of the local population to the migrants and their willingness to accept them. We show that migrants who are not part of the labor force consume higher levels of social traits than employed migrants.[5] Moreover we consider the relationship between migrants with, and without, families in the determination of the consumption of ethnic goods and unemployment.

2. The model

2.1 Production

Local workers and migrants differ in many ways. One dimension, which distinguishes between the local population and the migrants, is the consumption of specific ethnic goods: the choices, of ethnic and religious traits, are determined by the consumption of these items. Social customs and the consumptions of ethnic goods take many forms. The simplest type to consider is religion. In all religions individuals have to choose how intensely they wish to keep the laws of their religion. For example, in Islam it could be praying five times a day, going to Mecca once a year, their dress code, not eating certain specific foods like pork etc. A Greek immigrant to the USA has to decide if he will keep all the Greek traditions, will he talk Greek at home? Will he send his kids to Sunday Greek school etc.? The level of consumption of ethnic goods may differ from individual to individual. This choice will have an effect on the way the local population accepts the migrants.

[5] This may help understanding the phenomena under which immigrants (Germany, Sweden and Denmark) account for approximately 10 percent of the total population and are recipients of over 30 percent of the total cash welfare expenditures (Wildasin, 2004).

The question of assimilation and integration into the labor market of the host country has been analyzed in the literature (see for example, Boeri, Hansen and McCormick, 2002, Bauer, Lofstroem and Zimmermann, 2000 and Venturini, 2004). According to the standard economic models in this field, the degree of assimilation is influenced by individual factors, the characteristics of the home and host countries, the migration motives, and the expected migration duration. The greater the similarity between the sending and the receiving countries, i.e. the type of ethnic goods each country consumed, the more rapid is the assimilation

Consider a firm that has two factors of production: local workers, L_L, and migrants, L_M. For simplicity, we assume that there is only one group of migrants. We assume that migrants and the local population are not identical. As long as the migrants hold on to their ethnicity, the local population will not recognize them as fully substitutes for the local population and the local workers will not always be willing to cooperate fully with them.

We normalize the efficiency level of local workers to unity and the migrants' productive/efficiency level to equal $d(.)$. $d(.)$ plays an important role in the determination of production and wages; aside from these, labor is homogeneous. The key point here is that immigrants may be less effective because the local populations do not view them as full substitutes for their own labor. This is somewhat different to the traditional setup where the employer is the discriminator and not the co-workers. Thus here we consider the interaction between the workers amongst themselves: the immigrants and the local population which creates a friction because of preferences of the local population towards the migrants.

$d(.)$, the migrants' productive/efficiency level $(0 < d(.) < 1)$, is a function of the level of consumption of ethnic goods. As a result of the consumption of these goods the level of efficiency of the migrants decreases, as stated above this can be a result of different activities by the local population, such as harassing the members of the migration group, not cooperating with them, discriminating against them, and so on. Such activities decrease the migrants' productivity and thus their efficiency.[6] $d(.)$ reflects the productivity and efficiency of the migrants, relative to the local population. The representative firm's production function is given by

$$Q_t(L) = f(L_L + d(.)L_M), \tag{1}$$

such that

$$\frac{\partial f(L)}{\partial L} > 0 \quad and \quad \frac{\partial^2 f(L)}{\partial L^2} < 0 \tag{2}$$

Let w_L be the local worker's wage, and w_F be the migrant's wage. We assume that the wages the local population and the migrants receive equals their marginal product values. We could assume that the local population has market power over their employers; this would not change our results.

Normalizing the price of the product to unity, the profits of the firm are given by

$$\pi(.) = f(L_L + d(.)\,L_M) - (w_L L_L + w_F\, L_M) \tag{3}$$

[6] Similar to the harassment activities in the insider-outsider theory (see, Lindbeck and Snower, 1998).

The first order conditions for maximization are

$$\frac{\partial \pi(.)}{\partial L_L} = f' - w_L = 0 \Rightarrow f' = w_L, \quad (4)$$

and,

$$\frac{\partial \pi(.)}{\partial L_M} = d(.)f' - w_F = 0 \Rightarrow d(.)f' = w_F \quad (5)$$

Equation (4) represents the wage conditions for the local population workers and (5) represents the wage conditions for the migrants, since $0 < d(.) < 1$ the wages the migrants earn are lower than that of the local population. The ratio of the wages: $\frac{w_F}{w_L}$ equals to *d(.)*. We now wish to discuss what determines *d(.)*. Let us look at the determinacy of *d(.)* which, as we discussed above, is a function of the consumption of ethnic goods by the migrants. The consumption of ethnic goods is by both employed migrants and those who are not part of the labor force, and will have an effect on the productivity of the migrants via the willingness of the local population to work, cooperate and coordinate production with the migrants.

An important distinction should be made between elements of d(.) that are choice variables for immigrant and elements of d(.) which are not choice variables. The non- choice elements are issues which identify the migrant and cannot be changed easily, such as country of birth, skin color, name, religion etc. On the other hand, there are elements which can be chosen by the migrant such as the level of consumption of ethnical products and choosing to distinguish the migrant from the local population. In the next section we consider the choices made by the migrant to distinguish him from the local population.

Let us now look at the ethnicity consumption choices of the individuals when taking into account its effect on wages and utility.

2.2 The consumption of ethnic goods

As presented above, wages depend on the level of the consumption of ethnic goods. Each individual (family) has to choose his/her social traits' level. These social traits can be seen as ethnic goods consumed by the individual. The payoff of a migrant is given by *v* which is a function of five components: *(i)* the ideal level (the satiation) of the social traits which this individual (family) believes it should aspire to, *I* (this is also called the bliss point or the satiation point, many times in the literature); *(ii)* the actual level of the social traits the migrant decides to follow, *x* [7]; *(iii)* the average level of traits under which the migrant congregation is currently at, *B* ; and *(iv)* the earning of the immigrant, *er*.

We assume that the migrants differ in only one dimension and that is the ideal (satiation) level of social traits they believe they should hold. It is assumed that migrants are distributed uniformly across different levels of the ideal social traits on the interval $\left[\underline{I}, \overline{I}\right]$: $I_i \sim U\left(\underline{I}, \overline{I}\right)$.

[7] One could think of *x* as the level of ethnic identity as measured by the *ethnosizer* index (see Constant, Gataullina and Zimmermann, 2006).

To simplify we assume an indirect payoff function of the migrant. Migrant *i*'s payoff equals to: [8]

$$v_i = -\left(I_i - x_i\right)^2 - \frac{\left(B - x_i\right)^2}{er_i} \tag{6}$$

The payoff function, *v*, is a function of two components: 1. the utility of practising social traits at a level of x_i, $-\left(I_i - x_i\right)^2$. $\left(I_i - x_i\right)^2$ is the migrant's decrease in utility after choosing an actual level of ethnic goods, level *x,* while his ideal (satiation) level is *I*. This deviation can go both ways. Increasing the actual level over the ideal or decreasing the level below the ideal, which will cause the utility to decrease. Notice that if the migrant chooses a trait level, which equals his/her ideal, he/she will be at the maximum utility level. 2.. the cost of choosing such social trait levels, $-\frac{\left(B - x_i\right)^2}{er_i}$. It is assumed that the average trait level in the sociality of the migrants is at level *B*. It is also assumed that it is easiest for the migrant to "consume" at the average level *B*. However, if the migrant wants to deviate from this level, it will cost him/her, since it will be harder to practice his/her social traits when they differ from the average level. This puts the migrant in the environment where he/she lives, and to deviate from it, he/she must invest more effort - thus the further away he/she wishes to be from the average social trait levels in that society, the harder it will be. The bigger the change in the "consumption" of ethnic goods, from the average level which the migrant decides on, (either increasing or decreasing it), the higher the cost of adjustment. However, as earnings increase, the cost of deviating from the average level, *B*, decreases since the wages substitute for the deviation from the average trait level. The migrant can use the earnings to buy such ethnic goods (like traveling to the home country frequently, buying specific types of food, etc.) simply by a substituting effect.

Of course the costs described above depend on the relevant population, or what we can call the reference group. Of course, the cost will be higher if the migrant moves to an enclave with many other migrants than if he moves to a area of residential local population with very few migrant. Thus the choice of a place to live, and earlier migration patterns, play an important role in determining the cost functions and so the outcome will depend on the structure of the costs. In this study we do not consider the migration location as one of the options the migrant can choose. We take, as given, that the migrant lives in an ethnical enclave.

In our analysis, we assume that the migrants do not have a direct utility from earnings. The reason we assume this is to emphasize the choice of social traits.

We have assumed symmetric payoff functions. Thus a deviation in each direction has the same consequence on the payoff function of the migrant. In other words, increasing the trait or decreasing the trait, by one unit over or below the ideal (satiation/bliss) level, will have the same effect on the migrant's payoff function. In reality it may well be that the cost and utilities are not symmetric, namely, increasing the level of consumption of the ethnic goods decreases the utility by less than the change in the other direction. This, of course, will be a function of the migrants' preferences. If the migrants care about their special social traits, they may prefer to increase their actual traits above the ideal, rather than decrease them.

[8] The results would not change if there was a more complex function under which the individual would choose to consume two products: *x* and *y* and if the individual would face a budget constraint.

We must distinguish between the employed migrants and those who are not part of the labor force. The employed migrant earns w_f which as presented above is a function of d and d is a function of the level of consumption of ethnic goods by the migrant: $w_f(d(x))$ such that $\frac{\partial w_f(d(x))}{\partial x} = \frac{\partial w_f(d(x))}{\partial d}\frac{\partial d(x)}{\partial x}$. Since $\frac{\partial w_f(d(x))}{\partial d} > 0$ *and* $\frac{\partial d(x)}{\partial x} < 0$, $\frac{\partial w_f(d(x))}{\partial x} < 0$. If an immigrant is not part of the labor force the unemployment benefits are independent of his/her consumption of ethnic goods.

Case 1: A migrant outside the labor force:
A migrant chooses the optimal level of consumption of ethnic goods – stoical traits that maximizes his payoff function *v*. The first order condition is given by:

$$\frac{\partial v_i}{\partial x_i} = 2(I_i - x_i) + 2\frac{B - x_i}{sb_i} = 0 \tag{7}$$

The second order condition is satisfied: $\frac{\partial^2 v_i}{\partial x_i^{\,2}} = -2\left(1 + \frac{1}{sb_i}\right) < 0$.
Solving the first order condition gives us the following optimal level of consumption of ethnic goods – social traits of the migrant which is outside the labor force equals:

$$x_{ui}^* = \frac{sb_i I_i + B}{sb_i + 1} \tag{8}$$

Thus,

$$\frac{\partial x_{ui}^*}{\partial I_i} = \frac{er_i}{1 + sb_i}; \quad \frac{\partial x_{ui}^*}{\partial B} = \frac{1}{1 + sb_i}; \quad \frac{\partial x_{ui}^*}{\partial sb_i} = \frac{I_i - B}{(1 + sb_i)^2}; \tag{9}$$

As we can see from (8) we obtain that:

$$\frac{\partial x_{ui}^*}{\partial I_i} > 0; \quad \frac{\partial x_{ui}^*}{\partial B} > 0$$

and

$$\frac{\partial x_{ui}^*}{\partial sb_i} \begin{matrix} > \\ = 0 \\ < \end{matrix} \; if \; \begin{matrix} I_i > B \\ I_i = B \\ I_i < B \end{matrix}$$

Therefore, for a **migrant outside the labor force** the actual level of consumption of ethnic goods (social traits level) will increase as his/her ideal social traits increase: $\frac{\partial x_{ui}^*}{\partial I_i} > 0$ and the actual level of ethnic goods consumption (social trait level) of a migrant will increase as the average level of consumption of social traits in the society, B,

increases, $\frac{\partial x_{ui}^{*}}{\partial B} > 0$. As the social benefits increase, the consumption of ethnic goods – social traits - will increase (decrease) if the ideal level is greater (smaller) than the average level in the sociality. Namely, as social benefits increases migrants will choose an actual trait closer to their ideal (satiation) point.

Case 2: The case of the employed migrant

A migrant chooses the optimal level of consumption of ethnic goods – social traits that maximizes his payoff function *v*. The first order condition is given by:

$$\frac{\partial v_i}{\partial x_i} = 2\left(I_i - x_i\right) + 2\,\frac{B - x_i}{w_{fi}} + \frac{\left(B - x_i\right)^2}{w_{fi}^{\,2}}\frac{\partial w_{fi}}{\partial x_i} = 0 \qquad (10)$$

Let us take two migrants that have the same ideal level and whose consumption of social traits is identical and, at the same time, the wages equal the social benefits.

Thus comparing (7) and (10) we will obtain that $\frac{\left(B - x_i\right)^2}{w_{fi}^{\,2}}\frac{\partial w_{fi}}{\partial x_i}$ must equal zero. However this is impossible since we have shown above that for any level of consumption of ethnic goods $\frac{\left(B - x_i\right)^2}{w_{fi}^{\,2}} > 0$ and $\frac{\partial w_{fi}}{\partial x_i} < 0$. Thus the consumption of ethnic goods cannot be identical between the employed and those which are not part of the labor force in this situation. Moreover since $\frac{\left(B - x_i\right)^2}{w_{fi}^{\,2}} > 0$ *and* $\frac{\partial w_{fi}}{\partial x_i} < 0$ and the second order conditions hold, it must be the case that if the wages are identical to the social traits and both have the same ideal level, those that are not part of the labor force will consume more ethnic goods than the employed.

Notice that social benefits are lower than the wages obtained: $w_f > sb$ thus the employed workers with high wages may well consume ethnic goods closer in their level to those who are not part of the labor force. Those with low wages will consume less ethnic goods.

Therefore wages are a sort of a stabilizer. On the one hand they decrease the consumption of ethnic goods and enable assimilation of the workers into the local population while on the other hand their actual level has an effect of the magnitude of the consumption. The higher the wages, the more they enable the worker to move further from the average level of the community in which it lives.

Epstein (2007) presented a paper that deals with an economic analysis of intergenerational transition of ethnic and social trait. In the paper, the level of social traits chosen by parents and its effect on their children's choice, when reaching adulthood, is considered. Epstein (2007) develops a theory which suggests that parents will chose extreme ethnic and social traits in order to increase the cost their children will pay if they wish to deviate from their parent's "ideal". The extreme choice of the ethnic social traits of parents has an effect on the segregation of minorities and migrants. Therefore, in our setting, migrants with families, compared to those without families, will consume more ethnic goods and earn lower wages. Migrants that are not part of the labor force, with families, will consume the highest level of ethnic goods and have a lower chance of assimilation.

3. Concluding Remarks

We developed a model which deals with the relationship between the consumption of ethnic goods, the choice of social traits, wages and the employment of migrants. We begin by showing that wages earned by the migrants depend on their assimilation level. We continue to look at the choice of the migrants with regard to the consumption of ethnic goods. This consumption makes the migrants differ from the local population and as a result affects their wages. We first analyze the choice of the migrants which are outside the labor force and then consider the optimal level of consumption of ethnic goods on the employed migrants.

We show that the actual level of consumption of ethnic goods (social traits level) of a migrant outside the labor force will increase as his/her ideal social traits increase and the actual level of ethnic goods' consumption of a migrant will increase as the average level of consumption of social traits in the society increases. As the social benefits increase, the consumption of ethnic goods will increase (decrease) if the ideal level is greater (smaller) than the average level in the sociality. Namely, as social benefits increase migrants will choose actual traits closer to their ideal (satiation).

For the employed migrants, wages are a sort of a stabilizer. On the one hand they decrease the consumption of ethnic goods and enable assimilation (of the works) with the local population, while on the other hand their actual level has an effect of the magnitude of the consumption. The higher the wages the more it enables the worker to get further away from the average level of the community in which it lives.
If we would consider migrants with families, then in our setting, these migrants, compared to those without families, will consume more ethnic goods and earn lower wages. Migrants outside the labor force with families will consume the highest level of ethnic goods and have a lower chance of assimilation.

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