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WORKING POVERTY AMONG IMMIGRANTS AND "ETHNIC MINORITIES" :THEORETICAL FRAMEWORK AND EMPIRICAL EVIDENCE ACROSS WELFARE REGIMES

Eric Crettaz

unine
UNIVERSITÉ DE NEUCHÂTEL

About the author

Eric Crettaz is lecturer at the Centre for the Understanding of Social Processes. He received his PhD at the Swiss graduate school of public administration for a study of policies that alleviate working poverty in Europe and North America. He has specialised in the fields of comparative social policy and welfare regime analysis, and poverty and income inequality analysis. For several years, next to his academic activities, he also worked for the Swiss federal administration and published numerous reports on working poverty and social assistance in Switzerland.

Eric.crettaz@unine.ch

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MAPS MAISON D'ANALYSE DES PROCESSUS SOCIAUX

Contact:
MAPS - Maison d'analyse des processus sociaux
Faubourg de l'Hôpital 27
CH - 2000 Neuchâtel
Tél. +41 32 718 39 34
www2.unine.ch/maps
maps.info@unine.ch

Abstract

While the research that focuses on working poverty and low-wage employment usually explains the situation of immigrants and 'ethnic' minorities in terms of human capital, linguistic skills, social origin, and the like ('class-only' explanations), the literature that starts from the specific situation of minorities, especially the one that deals with immigration laws and/or labour market discrimination, tends to ignore what their situation has in common with that of disadvantaged 'native whites' in post-industrial economies. This paper attempts to build a theoretical bridge between these two strands of literature, and provides, in a first step, evidence as to the incidence of working poverty among immigrants (and 'ethnic' minorities when the information is available) across welfare regimes. In a second step, the impact of the citizenship status, the country of birth (and of 'race' in the US) is assessed, when the main working poverty factors and the main forms of labour market discrimination are controlled for. Interestingly, these variables have a significant impact in these models; hence, further factors must be at play, and some hypotheses are discussed, especially the role of 'ethnic economies'.

Keywords

Working poor

Discrimination

Welfare regimes

Immigrants

Ethnic minorities

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1. EXPLANATIONS OF WORKING POVERTY AMONG IMMIGRANTS AND 'ETHNIC MINORITIES'

Whereas there are very mobile and cosmopolitan elites made up of CEOs, top executives, higher-level academics, and high-ranking officials – the concept of 'mobility' rather than 'migration' is often used in such cases - the fact that immigrants and 'ethnic' minorities are harder hit by poverty and social exclusion is a classical finding of the mainstream literature on these topics (see e.g. Bourdieu 1993, Gans 1995, Wilson 1996, Chiswick et al. 1997, Borjas 1994). It is also a well-known finding that they are more likely to end up in the low-wage sectors of the economy; however, belonging to a minority is usually not considered as a specific factor in the literature on low-wage employment. Indeed, this group of workers is mainly characterised by its low human capital, and much of the analysis is devoted to the impact of various factors on unskilled workers, whether or not they have a migration background (Asplund et al. 1998, Bazen et al. 1998).

Given that immigrants and 'ethnic' minorities are more exposed to poverty and more likely to hold a low-wage job, it can be hypothesised that they are more affected by working poverty. This fact is widely acknowledged in the US, especially regarding African Americans and Hispanics (see e.g. Bureau of Labor Statistics 2011). Whereas the importance of having a migration background is sometimes analysed in European publications (see e.g. Swiss Federal Statistical Office 2008), the inclusion of this factors in quantitative analyses is not central. One of the main contributions in this field largely ignores this topic (Andress and Lohmann 2008). However, the most recent European publication dealing with working poverty includes a chapter devoted to migrants (Fraser et al. 2011).

In summary, disadvantaged workers who have a migration background or who belong to an 'ethnic' minority are mainly perceived, in the working poverty literature, as low-skilled workers who often lack linguistic and other skills (such as social skills). Such strict class theories explain 'interethnic' differences in terms of education, income, wealth, credits and loans, networks, and the like; they have 'defenders among Marxists and neoclassical economists alike' (Light and Gold 2000: 99). Indeed, a low educational level has a marked impact on the likelihood of being a low-wage worker or a working poor. Likewise, fluency in English has been demonstrated to have a strong impact on earnings (Borjas 1994, Chiswick et al. 1997).

There is, however, a strand of literature that analyses the specific difficulties that immigrants and minorities face, especially in the labour market, as it analyses discrimination. *Discrimination is multifaceted* and affects (Pager and Shepherd 2008):

- Employment, especially discrimination in hiring practices, which often results in occupational segregation, immigrants and other minorities being overrepresented in less desirable and less paid occupations. Discrimination can go beyond recruitment and affect promotion, training, dismissal and redundancies (Wrench et al. 1999, Piguet 2001). A difficult access to decent waged work is often seen as one of the main determinants of the overrepresentation of some ethnic minorities among own-account self-employed workers (Light 1979, Light and Gold 2000).

- Wages, earnings.

- The housing market: this type of discrimination results in spatial segregation.

- The credit market, especially mortgages, which obviously affects the functioning of the housing market.

- Consumer markets; this can translate into longer waiting periods, prepay requirements, higher prices, increased surveillance, verbal and physical abuse, and the like.

Moreover, *various methods and techniques* can be used to assess the extent of discrimination (Pager et al. 2009, Pager and Shepherd 2008, Piguet 2001):

- Measuring the perceptions of discrimination, by asking survey questions to immigrants and members of 'ethnic' minorities (about their experiences with discrimination) and to potential discriminators; there is a long tradition, especially in the US, of surveys on racial attitudes and stereotypes. Researchers have developed interview techniques that reduce the social desirability bias. The obvious drawback of this approach is that victims may not be aware of the fact that they have been discriminated against, or, on the contrary, wrongly attribute a negative outcome to discrimination. Likewise, employers may not be fully aware of their prejudice and discriminatory practices.

- Using regression models that control for a wide range of human capital variables and other socioeconomic variables. The residual gap between the majority and immigrants/minorities is then interpreted as indirect evidence of discrimination. The main drawback of this approach is that what authors attribute to discrimination may be explained by unobserved characteristics, e.g. reliability, motivation, interpersonal skills, access to useful networks, and the like (Pager and Shepherd 2008), or by other factual elements. For instance, some authors have shown that controlling for other factors than those usually included in econometric models, such as ancestry (Skuterud 2010) or cognitive skills (Farkas and Vicknair 1996), strongly reduces the significance of 'race' or 'ethnicity' in the determination of wages, which means that discrimination may occur before disadvantaged minorities enter the labour market, rather than during the wage-setting process (Farkas and Vicknair 1996).

- Experimental methods are also used. They allow researchers to measure causal effects directly, when they are based on carefully constructed and controlled comparisons (Pager and Shepherd 2008, Bourhis and Leyens 1999). Two types of experiments exist. The first approach relies on laboratory experiments: Subjects – psychology students more often than not – are put in a situation where they have to assess candidates or application documents without being informed that the experiment aims at observing discriminatory behaviours. However, the second approach based on field experiments is usually preferred because researchers seek to bring more realism to the investigation (Pager and Shepherd 2008). A well-known method is the 'paired résumés audit': Paired CVs are sent in response to a job ad; they are similar in all aspects but one, such as the 'ethnicity', the nationality, the place of residence, and so forth (Bonoli and Hinrichs 2010, Fibbi et al. 2003, Pager and Quillian 2005). The difference in the likelihood of getting an employment interview is a good indicator of the existence of discriminatory practices. Field experiments can even go further by selecting testers who are trained in a way that their 'performance' is as controlled as possible, and they are assigned fictitious résumés that are very similar. When testers are invited to an interview with an employer or a manager, this greatly increases the understanding of the hiring process. In some instances, testers were asked to take notes after the interviews; these field notes were then submitted to a content analysis (Pager et al. 2009).

- Finally, some researchers study anti-discriminatory laws and legal records from formal discrimination claims. Others study the practices adopted by corporations and public administrations, such as affirmative or positive action plans, equal opportunity policies implemented at an organisational level, as well as diversity management (Wrench et al. 1999, Wrench 2005).

Another strand of literature examines another determinant of the situation of immigrants and 'ethnic' minorities, namely laws and legislations. Anti-discriminatory laws are one aspect; immigration laws, including those devoted to asylum seekers and refugees, are of obvious importance: They have a substantial impact on migration flows and on the composition of the immigrant population (Eliott and Lindley 2008, Wrench et al. 1999, Borjas 1994, Flückiger

1998). For instance, among countries with high levels of migration, Canada and Australia award visas to persons who have 'desirable' socio-economic characteristics, while the US mainly awards entry visas to applicants who have relatives already residing in the country (Borjas 1994). The macro-economic context is often taken into account: Some countries set annual quotas that depend on the state of the economy, such as Canada and Australia (Chiswick et al. 1997), while others have drastically restricted their migration policies after the oils shocks of the 1970s and the end of the postwar economic boom, especially in Europe (Wrench et al. 1999, Flückiger 1998). By contrast, countries such as Israel and the US do not adapt their policies to the business cycle (Chiswick et al. 1997). Moreover, national laws usually favour specific groups of immigrants, by awarding various types of residence permit, for instance in Switzerland (Piguet 2001). Moreover, in some countries the access to public employment is restricted to national citizens (Wrench et al. 1999).

It is fundamental to note that while studies that start from the analysis of low-wage employment or working poverty often analyse the situation of immigrants and 'ethnic' minorities in class terms, studies that start from the specific situation of minorities and migrants usually ignore what their situation has in common with disadvantaged workers in majority groups; at best, a few sentences are devoted to this aspect. However, discrimination also affects white non-immigrants in post-industrial economies. Indeed, some categories of migrants are better off than the average native white (Elliott et al. 2008, Light and Gold 2000).

For instance, young women in their late twenties, early thirties can be discriminated against; in countries in which employers expect that women will experience a productivity decline due to births, they will be more reluctant to hire them in the first place, to invest in their human capital and to pay them equal wages (Esping-Andersen 2002). As far as 'class' is concerned, Bourdieu showed that 'social agents' tend to despise the tastes and behaviours of persons who are below them in the space of social positions, except for some members of the upper class who are able to distance themselves from the hierarchy of cultural values (Bourdieu 1979). Hence, persons with a working-class background may have more difficulties to get higher level jobs, all other things being equal. Even CVs do contain signals of the social background of the applicant (first name, hobbies, double-barrelled last names in Britain), and employers tend to discriminate in favour of candidates from privileged class backgrounds (Jackson 2009). Moreover, among native speakers, different speech patterns have an impact on wages. For instance, African Americans who have speech patterns that distinctly identifies them as Blacks have a much larger wage penalty than African Americans who have not, even when controlling for a broad set of sociodemographic and human capital variables (Grogger 2009). In this case, we can see the complex interplay of 'race' and class at work.

This paper is a modest attempt to build a bridge between these two types of approaches, in the field of working poverty analysis, by reflecting on how discrimination interacts with the mechanisms that lead to working poverty. Moreover, it provides empirical evidence on the situation of immigrants and minorities across welfare regimes, based on Luxembourg Income Study (LIS) data for the mid-2000s; welfare regimes are defined as 'the ways in which welfare production is allocated between state, market, and households' (Esping-Andersen 1999: 73). Welfare regimes have a pervasive impact on working poverty mechanisms (Crettaz and Bonoli 2011); hence, it is interesting to assess whether they have a differential impact on immigrants and ethnic minorities.

It should be noted that the comparative perspective adopted here is confronted with a significant difficulty: The concepts and the terminology used to describe immigrants and 'ethnic' minorities vary largely from one country to another (Wrench et al. 1999). In the American literature (on working poverty or on discrimination), the word 'race' is very widespread and its meaning is treated as self-evident; it is often used to distinguish whites, blacks, and Asians, while 'ethnicity' is used for Hispanics for example (see e.g. Bureau of

Labor Statistics 2011). In Canada, the expression 'visible minority' is widespread and is similar to 'race' in the US (see e.g. Skuterud 2010). In the UK literature, the word 'race' is sometimes used, but usually in inverted commas (Wrench et al. 1999); the most used term is ethnic minority. Except for the Netherlands, the expressions 'race' and 'ethnic minorities' are not used in the continental European literature and are in many cases even perceived as not appropriate. The most widely used term is 'immigrant', which usually refers to persons who are non-nationals. However, in France and Belgium, this expression ('immigré' in French) is also used for national citizens who have a migration background (Wrench et al. 1999). These differences are also reflected in the variables available in the Luxembourg Income Study. The US dataset is the only one[1] that contains a distinction between blacks, whites and other 'races'; however, it only distinguishes between American citizens and foreigners, while the European databases put more emphasis on nationality. The German and Swedish datasets contain a very detailed list of nationalities that I had to recode for the descriptive analysis, while the Spanish data only allow for a broad distinction between Spaniards, other EU citizens and non-Europeans.

In what follows, the word 'immigrants' applies to persons born in another country than the country of residence and who were not citizens of the country in which they now live when they were born. Foreigners who were born in the country or residence are not, hence, 'immigrants'; what distinguishes them is their nationality. I use the expression 'ethnic minority', with ethnic systematically put in inverted commas (to indicate that this concept is highly debatable), for persons who are easily perceived as different from the majority of workers, e.g. because of the colour of their skin, or because they have Asian features, or a Latin American origin that is easily perceivable. Finally, I (rarely) use the word 'race', also in inverted commas because it is even more controversial than 'ethnic minority', the same way as American scholars do. These conventions are quite arbitrary, indeed; however, the variables used in the analyses below are clearly defined.

2. DISCRIMINATION, IMMIGRATION LAWS AND WORKING POVERTY MECHANISMS

As far as *recruitment discrimination* is concerned, Gary Becker developed a theoretical framework in terms of 'statistical' discrimination (Becker 1957, Charles and Guryan 2008, Bonoli and Hinrichs 2010). Statistical discrimination is considered in this type of analysis as a tool used to screen applicants: Employers tend not to hire candidates who have certain characteristics, such as belonging to specific 'ethnic' or 'racial' groups, or living in disadvantaged neighbourhoods, because they think that they are more likely to have problems with these categories of workers. This model seems to downplay the fact that a few employers might be racists who refuse to hire members of minorities altogether, though it would probably be very difficult to assess the number of employers who have such behaviours. Indeed, racism and discrimination are complex realities that pertain to ideology, personal prejudices, behaviours, and depend on both cognitive and social factors (Pager et al. 2009, Fibbi et al. 2003, Bourhis and Leyens 1999).

I do not wish to review the existing literature on hiring discrimination, especially the large body of evidence for the US, most of which is based on field experiments; suffice it to say that the American literature clearly shows that there is discrimination against minorities, especially against African Americans (see e.g. Pager et al. 2009, Bonoli and Hinrichs 2010). In the European Union too, field experiments have been carried out to identify discriminatory practices and assess their extent. This problem has been identified in the UK, the Netherlands, Germany, Spain, Belgium and Denmark. However, except in the UK, this method is not widely applied and is sometimes deemed to be in breach of ethics guidelines (Wrench et al. 1999). In the case of Switzerland, such a paired CVs approach has also been

used; there is evidence of substantial discrimination against Portuguese, Turkish, and albanophone ex-Yugoslavian youths (Fibbi et al. 2003).

Laboratory experiments also provide evidence of discriminatory hiring practices; for instance, applicants with a foreign accent were systematically discriminated against (Bourhis and Leyens 1999). Other experiments have shown that black and white candidates were not treated equally, on the basis of their application material, by undergraduate psychology students (Pager and Shepherd 2008).

Other studies are based on qualitative interviews with employers. Obviously, employers are very reluctant to admit that they use 'statistical' discrimination, yet interesting elements emerge from these studies (Bonoli and Hinrichs 2010, Pager and Quillian 2005, Wrench et al. 1999). Interestingly, in many low-skill sectors, employers cannot be too 'choosy' when hiring their employees, most of whom are immigrants and/or belong to an 'ethnic' minority. But even in such cases, 'ethnicity' or nationality also play a role – for instance, some groups of immigrants are deemed more trustworthy than others (Bonoli and Hinrichs 2010).

As far as *wage discrimination* is concerned, Becker's model goes along the following lines: Market pressures due to prejudice cause blacks to be hired by the least racially biased employers. What is determinant in this model is the marginal employer's level of prejudice (i.e. the most prejudiced employer who hires blacks), as well as the level of prejudice among the least racially biased employers and the composition of the labour force (Becker 1957, Charles and Guryan 2008). The evidence is more mixed than for recruitment discrimination. First, audit studies provide limited information about wages (Pager and Shepherd 2008); hence, most evidence is derived from econometric models (see e.g. Charles and Guryan 2008). There are heated debates regarding the control variables that should be included in the model. As indicated, cognitive skills can play a role, as well as school performance, and some researchers have come to the conclusion that the wage penalty faced by minorities may be due to discriminations that precede labour market entry (Farkas and Vicknair 1996, Pager and Shepherd 2008). Ancestry could also play an important role, but this information is rarely available in surveys. Moreover, the observed wage penalties are partly caused by recruitment discrimination, because the latter results in occupational segregation whereby 'ethnic' minorities and immigrants are disproportionately represented in low paying jobs (Elliott and Lindley 2008).

I do not wish to review the evidence on other forms of discrimination, as hiring/firing and wage discrimination are the ones that probably have the biggest impact on working poverty mechanisms. But how does this interaction look like?

Let us start with 'class'-related explanations. Immigrants and 'ethnic' minorities tend to have, on average, a lower educational level - or their diplomas are not accepted in the host country - and more limited linguistic skills. These factors are obvious barriers to employment and to intra-generational social mobility, even in the absence of discriminatory behaviours. For children, having parents who are not native speakers can be an obstacle to educational achievement (Esping-Andersen 2006). An additional factor is noteworthy, namely that some minorities have more children, which increases their financial needs (see e.g. Swiss Federal Statistical Office 2008).

Regarding working poverty and its causes, it has been shown (Crettaz and Bonoli 2011) that there are three mechanisms leading to working poverty: being badly paid (low wage rate), a low labour force attachment, and high needs - especially a high number of dependent children - relative to national averages. Working poverty can only be the consequence of one or more of these three mechanisms. Hence, while the poverty literature identifies a myriad of risk factors and of categories of disadvantaged workers, these three mechanisms are the channels through which economic, sociodemographic and public policy factors have a direct bearing on working households. For instance, macroeconomic factors such as globalisation,

deindustrialisation and endogenous skill-biased technological changes have had an influence on unskilled workers because they have had a negative impact on their wage rate and their labour force participation.

It is fundamental to understand that the relative weight of each working poverty mechanism depends on the interplay of the three sources of welfare – markets, families, and the government; this interaction defines welfare regimes (Esping-Andersen, 1990). Esping-Andersen's famous typology of welfare regimes – 'Liberal' (Anglo-Saxon countries), Social-democratic (Nordic countries), Corportatist conservative (continental Europe) - is based on three criteria: the first is the degree to which people's well-being is independent from the market (decommodification), the second is the impact of the welfare regime on the class composition of society, and the third is the respective role of the public and the private spheres (Esping-Andersen, 1990). I suggest that a fourth cluster should be added for the analysis of working poverty, namely a Southern European cluster (Spain, Portugal, Greece and Italy). I have chosen four countries to illustrate these clusters: the United States epitomises the 'liberal' model, Sweden the Social-democratic cluster, Germany the Corportatist conservative model, while Spain represents the Southern European model.

The three working poverty mechanisms are the following:

- Low hourly earnings. The most intuitive mechanism leading to working poverty is the fact of being badly paid. However, several researchers have pointed out that low wages alone are seldom the cause of working poverty (Andress and Lohmann 2008, Nolan and Marx 2000, Strengmann-Kuhn 2003, Peña-Casas and Latta 2004). However, few will object that being paid a low wage rate vastly increases the risk of ending up in working poverty. Indeed, Crettaz and Bonoli (2011) have shown that around half the working poor in Sweden, Germany and the United States (that is, workers who live in a household with a disposable income smaller than 60 per cent of median equivalised income) have low earnings in full-time equivalents, that is, below 50 per cent of the median. In Sweden and Germany, this is mainly due the working poor's young age, and the incidence of low-wage employment is much higher among young workers - in line with the human capital theory - while in the US and Spain this problem appears to be longer lasting (the working poor rate is noticeably higher among prime-age workers than in Sweden and Germany).

- Low labour force attachment. This mechanism is proteiform and hits underemployed and intermittent workers, as well as persons - usually women - who cannot or are not willing to work more due the presence of children in the household. The rise in double earnership observed in most OECD countries puts families with a non-working spouse in a relatively more difficult situation that during the postwar years, when single-earnership was the norm. At the turn of the millennium, in all countries but Sweden, the working poor had a lower degree of workforce participation than non-poor workers. This difference is more marked in Germany and Spain, and far less in the US. In Sweden, as the employment rate is very high among all population groups, poor and non-poor workers do not differ in this regard.

- Large needs, especially a large number of dependent children in the household. Most studies show that having many children can lead to poverty. The conclusions drawn depend in part on the equivalence scale used to standardise the income of households of various sizes and compositions, though. The mainstream scales are derived from household budget surveys, but some researchers who use subjective indicators rather than consumption data have criticised these scales for ascribing too much weight to children (Falter 2006). Evidence derived from opinion questions must be interpreted with caution, though, as they may be a reflection of parents' adaptive preferences (Halleröd 2006), rather than a reliable account of children's living conditions. In this paper, I consider that having children can be a poverty risk, a widespread finding in the poverty literature. The same number of children is more likely to lead to poverty for one-parent families than for two-parent families. In fact, after a break-up or a divorce, even just two children may become problematic, because the needs of

the two resulting households (the ex-husband who lives alone and the mother with the children, most of the time) increase significantly. What matters, as a result, is not the absolute number of children in a household, but rather the ratio of children to adults. In countries in which family policy is not well developed, such as Spain and the US, the child-per-adult ratio is an important working poverty mechanism; on the contrary, in Sweden, having children is not a poverty factor (Crettaz and Bonoli 2011).

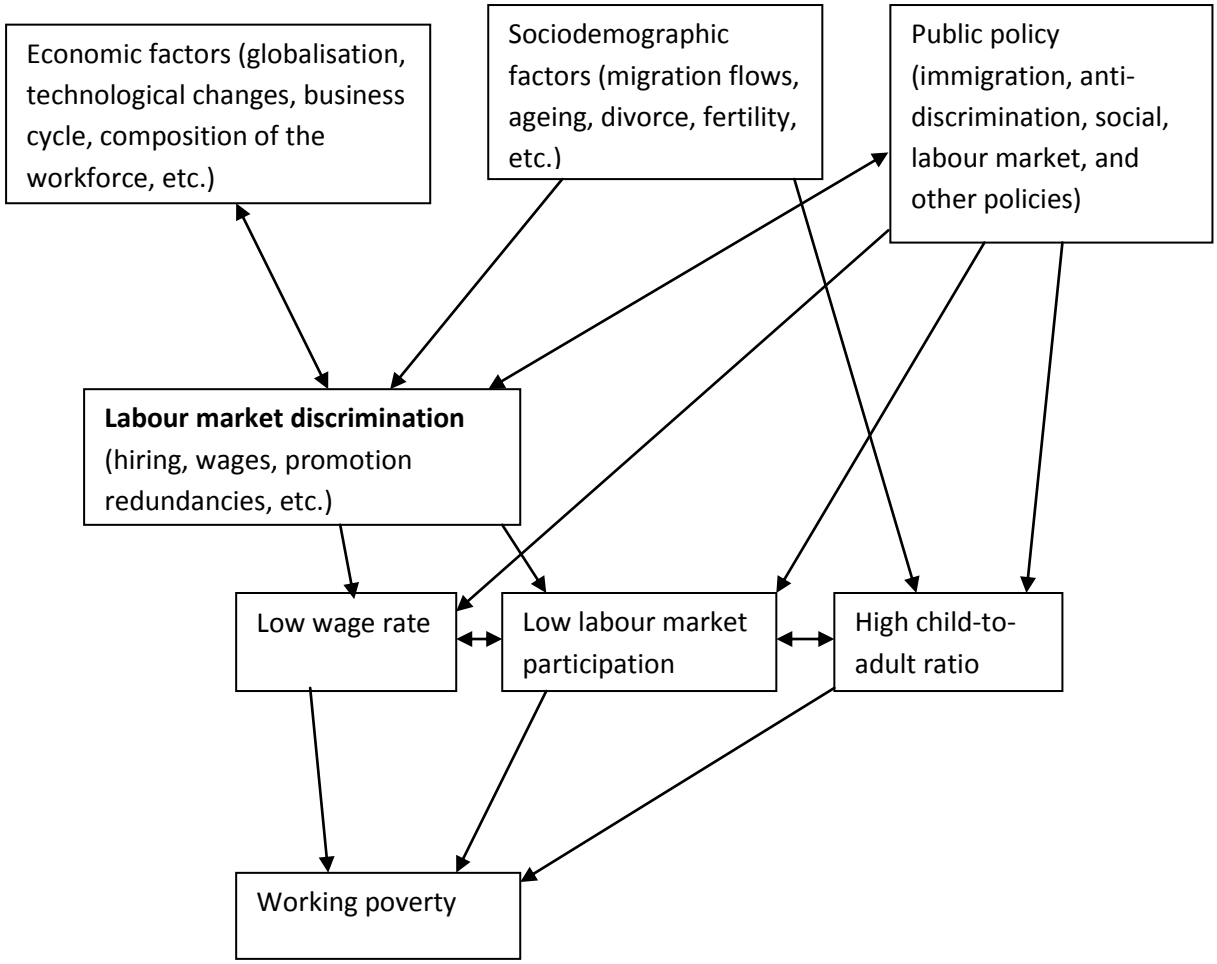
Each mechanism can be seen as a necessary but not sufficient condition; that is, a working poor will have at least one of the features described above; however, none of these factors necessarily leads to working poverty. What is more plausible is to assume that the accumulation of these mechanisms will increase the likelihood of being a working poor.

And what about the second type of analysis, focussed on immigrants and 'ethnic' minorities?

In the model I propose, though it is evident that immigrants and 'ethnic' minorities face specific obstacles and challenges - such as discrimination in the labour market and the fact that their educational credentials are not recognised by employers (Light and Gold 2000) - these specific factors have an impact on working households through the working poverty mechanisms described above, i.e. they translate into lower wage rates and lesser employment opportunities. However, discrimination acts like a filter: Macrolevel causes (economic, sociodemographic and public policy factors) have a differential impact on the three immediate causes of working poverty depending on whether a person has been discriminated against or not (because of his or her race, ethnicity, nationality, gender, age, social origin, sexual orientation, etc.).

This 'causal scheme' can be described as follows:

Figure 1: Working poverty factors and mechanisms, and discrimination



Source: own representation

Obviously, this schema does not account for all possible causal links; moreover, the model is static, whereas it is well-known that the dynamic aspects of working poverty are fundamental. Despite its shortcomings, however, Figure 1 appropriately describes the relationship between macrolevel factors and working poverty mechanisms, and how discrimination fits into the model. Moreover, from a theoretical standpoint it can be hypothesised that high levels of discrimination can have an impact on the macrolevel factors. For instance, many immigrants and members of 'ethnic' minorities, rather than relying on the mainstream labour market where they are exposed to discrimination, turn to their community in the hope of improving their situation, and work in 'ethnic economies' (Light 1979, Light and Gold 2000, Fong and Lee 2007, Hilmann 1999). Indeed, 'In a world of full employment and nondiscrimination, ethnic ownership economies and ethnic-controlled economies would be unnecessary' (Light and Gold 2000: 78). This phenomenon affects the sectoral composition of the labour market. Moreover, if the existence of discriminatory practices is acknowledged in the political arena, anti-discriminatory legislations are likely to be introduced or extended.

Having now defined a conceptual and theoretical framework that takes into account immigrants' and ethnic minorities' specific problems, it is interesting to analyse, in a descriptive fashion, the poverty risk these workers face in the four countries that epitomise the welfare regimes discussed above. In a second step, I will try and assess whether being a

non-citizen, born abroad, and/or belonging to an 'ethnic' minority have an impact on the 'likelihood' of being a working poor (among wage earners) when controlling for the main forms of discrimination considered here - i.e. by controlling the wage level and the volume of work - and the main determinants of working poverty identified in the literature, namely the age, the gender, the educational level, the number of children, and the marital status[2]. If the effects of the nationality, the country of birth and the 'ethnicity' remain significant, this would imply that further factors are also at play. Finally, it is interesting to check whether conclusions vary from one welfare regime to another, as it has been shown that welfare regimes have a strong impact on the mechanisms that lead to working poverty (Crettaz and Bonoli 2011) and on the composition of the working poor population (Fraser et al. 2011, Andress and Lohmann 2008).

3. WORKING POVERTY AMONG NON-CITIZENS, IMMIGRANTS AND 'ETHNIC' MINORITIES

In order to assess the incidence of working poverty among various minorities across welfare regimes, the most recent wave of the Luxembourg Income Study has been used (2004). The LIS is the best database for comparing incomes in North America and Europe (Kenworthy 2011). Different types of surveys are used; however, data are made as comparable as possible. This is particularly the case for households' disposable income.

In order to be able to compare households of various sizes and compositions, I have used an equivalence scale, as is customary in poverty research. The equivalence scale used here is the so-called 'OECD modified scale' which ascribes a weight of 1 to the first adult member of the household, 0.5 to each subsequent adult and 0.3 to children under 14 years of age. Hence, for instance, a couple with two children is considered to have needs that are 2.1 times higher than those of a single childless person (=1+0.5+0.3+0.3). This scale is arguably the most widely used in comparative research. In what follows, a person is deemed to be a working poor if he or she:

- Holds a job at the time of the interview, regardless of his or her previous work record and current working hours. Most definitions of working poverty rely on an arbitrary cut-off point in terms of hours a week, or months during the year preceding the interview, spent in the labour market, which is not satisfactory, because some categories of workers are excluded from the outset of the analysis (Crettaz and Bonoli 2011).

- Lives in a 'poor' household, i.e. a household whose yearly income is below 60 per cent of the median equivalised disposable income - that is, the after-tax income standardised with the modified OECD scale. The choice of 60 per cent of the median, rather than 50 per cent for instance, is obviously arbitrary. However, it is the most widely used poverty threshold in European comparative analysis and social statistics (Fraser et al. 2011, Andress and Lohmann 2008, Eurostat 2005).

In this paper, I focus on wage earners. This is obviously an important limitation, given the importance of self-employment for some 'ethnic' minorities (Light and Gold 2000, Hillmann 1999). However, the earnings of self-employed workers are notoriously difficult to measure through surveys (the Canberra Group 2001). Hence, I have decided to focus on workers for whom reliable income data are available.

Let us now move on to empirical results. The United States, as already indicated, epitomises the 'liberal' welfare regime. In the US, American citizens are much less exposed to working poverty: They represent nine out of ten wage earners (90.6 per cent), but 'only' three-quarters of the working poor (76.4 per cent). Their working poor rate is three times lower than that of non-citizens. Being born in the US automatically makes one an American citizen (the

citizenship laws are based on the *ius soli* principle); hence, it is not surprising that the working poor rate of people born in the US and that of American citizens are very similar. Workers born in the US are much less exposed to poverty; their rate is much lower than that of workers born abroad (9.5 vs. 22.8 per cent). Finally, blacks are much more affected by working poverty than whites (19.4 vs 7.4) and than other 'races' (12.0 per cent), despite the fact that most of them are American citizens born in the US:

Table 1: Working poverty in the US by citizenship status, country of birth and 'race', 2004

	Working poor rate (in %)	% of the working poor	% of all wage earners
US citizens	9.7	76.4	90.6
Other nationalities	29.1	23.6	9.4
Born in the US	9.5	70.1	84.9
Born abroad	22.8	29.9	15.1
White	7.4	65.0	81.1
Black	19.4	27.4	13.0
Other 'race'	12.0	7.7	5.9
All wage earners	**11.5**		

Source: Luxembourg Income Study, own calculations

Let us now analyse the situation in the Conservative corporatist welfare regime by looking at the German case. German citizens are much less exposed to working poverty (6.7 per cent) than most non-citizens (18.7 per cent for non-EU15 citizens), with the notable exception of workers stemming from old EU member states, whose working poor rate is around two-thirds of that of German citizens (4.3 per cent vs. 6.7 per cent). Workers who were born in Germany are not very likely to live in a low-income household; the risk is 1.7 times higher for workers born abroad (11.1 per cent vs. 6.5 per cent).

Table 2: Working poverty in Germany by citizenship status and country of birth, 2004

	Working poor rate (in %)	% of the working poor	% of all wage earners
German citizens	6.7	88.4	93.9
EU 15	4.3	1.4	2.2
Other nationalities	18.7	10.2	3.9
Born in Germany	6.5	83.1	89.1
Born abroad	11.1	16.9	10.7
All wage earners	**7.0**		

Source: Luxembourg Income Study, own calculations

Concerning Sweden, the dataset I have used here dates back to the turn of the century, as the labour force status variable has been modified between 2000 and 2004, making the most recent data difficult to compare with those of the other three countries. In Sweden, many similarities with Germany can be observed. Swedish citizens have a noticeably lower working poor rate (4.1 per cent) than most non-citizens, especially non-EU15 citizens (11.5 per cent). Workers who are citizens of old member states of the EU, however, are less affected by working poverty than Swedes (3.5 vs. 4.1). Despite the fact that Scandinavian countries, and Sweden in particular, received in the 1990s their largest wave of immigrants-refugees in modern history (Palme et al. 2002), the difference between citizens and non-citizens is lower in Sweden than in the other three countries analysed here (see Table 5 below). Workers born in Sweden are less affected than those who were born abroad (3.9 vs. 7.0 per cent). Here too, the gap is smaller than in the other three countries.

Table 3: Working poverty in Sweden by citizenship status and country of birth, 2000

	Working poor rate (in %)	% of the working poor	% of all wage earners
Swedish citizens	4.1	92.7	95.7
EU15	3.5	1.8	2.2
Other nationalities	11.5	5.5	2.0
Born in Sweden	3.9	82.7	89.5
Born abroad	7.0	17.3	10.5
All wage earners	**4.2**		

Source: Luxembourg Income Study, own calculations

I have chosen Spain to represent the Southern European cluster. Until the 1980s, it was Spaniards who emigrated in search of work. In the recent past, however, the number of immigrants has skyrocketed, with a 900 per cent increase between 1996 and 2007 (Garrido and Gutiérrez 2009). In Spain, as in the other two European countries analysed in this paper, national citizens have a much lower risk of being working poor; the difference with non-EU citizens is particularly marked, the latter having a working poor rate that is nearly three times as high as that of Spaniards (18.0 per cent vs. 6.7 per cent). EU citizens who work in Spain have a higher risk of being working poor than Spaniards (9.8 vs. 6.7 per cent); unfortunately, the Spanish dataset does not allow distinguishing between those who come from old EU member States and those who come from the new ones. Being born in Spain strongly decreases the poverty risk:

Table 4: Working poverty in Spain by citizenship status and country of birth, 2004

	Working poor rate (in %)	% of the working poor	% of all wage earners
Spanish citizens	6.7	87.7	94.7
Other EU	9.8	1.3	0.9
Other nationalities	18.0	11.0	4.4
Born in Spain	6.7	86.0	92.7
Born abroad	13.8	14.0	7.3
All wage earners	**7.2**		

Source: Luxembourg Income Study, own calculations

In summary, it can be said that national citizens have a lower risk of being working poor in all welfare regimes; in addition, the risk is also lower for workers who were born in these countries. However, in the corporatist conservative and the social democratic welfare regimes, foreign workers who hail from old EU member states are better-off than national citizens, on average. Table 5 summarises the gaps that exist between citizens and non-citizens on the one hand, and those born in their country of residence and those born abroad, on the other hand. These gaps are largest in the US and lowest in Sweden and Germany, while Spain is in between but closer to the other EU member states than to the US:

Table 5: Ratios of working poor rates

	US	Germany	Sweden	Spain
Non-citizens/citizens	3	2	1.8	2.5
Born abroad/in country of residence	2.4	1.7	1.8	2.1

Source: Luxembourg Income Study, own calculations

Very interestingly, the ranking of the gaps corresponds to the country ranking in terms of social expenditure: Countries that have the highest levels of expenditure in per cent of the GDP display smaller gaps. Indeed, this ranking looks as follows: Sweden 32.1 per cent of GDP, Germany 28.4, Spain 24.1 and the US 17.4 (OECD website, Social Expenditure Database: Gross public social expenditure in per cent of the GDP in 2007).

Last but certainly not least, it should be noted that it is not possible to observe differences between various ‘ethnic groups’ in European countries, as the collection of this type of data is deemed to be inappropriate, with the notable exception of the UK (Wrench et al. 1999). Hence, it is possible that blacks are as strongly discriminated against in continental Europe than in North America (experimental evidence does, indeed, show that discrimination is substantial, as shown above), but this cannot be assessed on the basis of the surveys usually used in poverty research.

4. THE SITUATION OF MINORITIES, *CETERIS PARIBUS*

After having analysed in a descriptive fashion the disadvantage faced by non-citizens and immigrants (and 'racial groups') across welfare regimes, by looking at the four countries that exemplify them, it is important to try and assess whether these factors have an impact on working poverty, all other things being equal. Working poverty cannot be the direct result of one type of discrimination, contrary to being a low-wage worker. Rather, it reflects the accumulation of disadvantages, due both to discrimination and to class-related factors. The aim of this section is not to draw conclusions regarding discrimination; its main objective is to assess whether the nationality and the country of birth (and the 'race' in the case of the US) have an impact on the odds of being a working poor, when the main working poverty factors (being badly paid, having a low degree of labour force participation, and high needs due to the household context) are accounted for. Moreover, including the wage rate and the volume of work in the model allows controlling for the main types of discrimination that directly affect two of the three working poverty mechanisms.

To this end, a logistic regression (logit model) is calculated: The logarithm of the odds of being a working poor is regressed on the nationality and the respondent's country of birth. In the case of the US, a 'race' variable is also included (black, white, other 'race'). The following control variables are used: the gender, the age, the educational level (broken down in three broad categories: primary, secondary, tertiary), the marital status, the number of children under age 18 in the household, the usual hours worked per week, the number of weeks worked during the year preceding the interview, and the logarithm of the wage (in full-time full-year equivalent). Most of the effect of hiring discrimination and of wage discrimination should be captured by the latter three control variables. In the German case, it is also possible to control for the tenure in the current job (number of years). In the US and Germany, the working poor rate decreases regularly with age. In Spain, the pattern is more complex: the working poor rate decreases between 25 and 30 years of age, increases after 30 and the decreases again after 50 (Crettaz 2010). To account for this specific pattern, the age variable is entered into the model as a cubic polynomial.

This model is calculated with 2004 data, i.e. the most recent wave of the Luxembourg Income Study. It is not possible, however, to calculate the baseline model for Swedish dataset, because it does not contain some of the labour force attachment variables. Unfortunately, it is also the case for the other Nordic datasets (Norway, Denmark and Finland). This is unfortunate because Nordic countries are an important component of Esping-Andersen's model. The other three countries are, however, very contrasted examples of welfare regimes; for the purpose at hand here, this is probably the most important aspect.

It should be noted that I will not analyse the impact of each variable; I will focus on the nationality, the country of birth and, in the case of the US, the fact of belonging to an 'ethnic group' or 'race'. Suffice it to say that all control variables have a statistically significant impact on the odds of being a working poor in the US, Germany and Spain, and that their effect has the expected direction.

Table 6 contains odds ratios and significance tests for the US:

Table 6: Odds ratios and significance tests for the United States, 2004

	Odds ratio	Signif. (p-value)
Nationality: US citizen (ref: other nationalities)	**0.557**	**0.000**
Country of birth: Born in the US (ref: born abroad)	**0.853**	**0.000**
'Race': White (ref: neither white nor black)	**0.674**	**0.000**
Black	**1.527**	**0.000**
Woman (ref: man)	1.200	0.000
Age	1.005	0.000
Education: primary educational level (ref: secondary)	1.479	0.000
Tertiary educational level	0.337	0.000
Marital status: Married (ref: never married)	0.503	0.000
Divorced	1.128	0.000
Separated	1.607	0.000
Widowed	1.056	0.000
Number of children under 18	1.370	0.000
Usual hours worked per week	0.994	0.000
Number of weeks worked (year preceding the interview)	0.980	0.000
Ln(wage)	0.951	0.000
Number of cases: 84,443		

Source: Luxembourg Income Study, own calculations

Being an American citizen decreases the odds of being a working poor by 44.3 per cent (=1-0.557) and being born in the US by 14.7 per cent, ceteris paribus. Moreover, being white strongly decreases these odds, namely by around one-third (-32.6 per cent), while being black increases them by more than 50 per cent. These variables have a significant impact on working poverty even when accounting for the main working poverty factors (wage, volume of work and needs) and including variables that capture the effect of the main forms of labour market discrimination, namely discriminations in hiring, firing and wage-setting practices.

Similar conclusions hold for Germany. German data allow for a more detailed analysis of the impact of the nationality; however, they do not contain information on 'ethnic' groups. Being a German citizen strongly reduces the risk of being a working poor – the odds decrease by around one-third - while having the Turkish nationality more than doubles the odds. Interestingly, the regression model confirms that citizens of the EU-15 countries have a notably lower risk than German nationals: Stemming from these countries reduces the risk by around three-quarters.

Whatever the citizenship status, being born in Germany has a strong impact, as the odds of being a working poor are reduced by around 40 per cent:

Table 7: Odds ratios and significance tests for Germany, 2004

	Odds ratio	Signif. (p-value)
Nationality: German citizen (ref: neither German, nor Turk, nor EU15)	**0.654**	**0.000**
Turk	**2.051**	**0.000**
EU 15	**0.263**	**0.000**
Country of birth: Born in Germany (ref: born abroad)	**0.602**	**0.000**
Woman (ref: man)	1.124	0.000
Age	1.020	0.000
Education: primary educational level (ref: secondary)	1.887	0.000
Tertiary educational level	0.334	0.000
Marital status: Married (ref: never married)	0.159	0.000
Divorced	1.093	0.000
Separated	0.988	0.000
Widowed	0.198	0.000
Number of children under 18	1.341	0.000
Usual hours worked per week	0.979	0.000
Number of weeks worked (year preceding the interview)	0.987	0.000
Tenure in current job (number of years)	0.927	0.000
Ln(wage)	0.939	0.000
Number of cases: 10,173		

Source: Luxembourg Income Study, own calculations

In Spain, likewise, the nationality and the country of birth are important working poverty factors, all other things being equal:

Table 8: Odds ratios and significance tests for Spain, 2004

	Odds ratio	Signif. (p-value)
Nationality: Spanish citizen (ref: non EU citizen)	**0.580**	**0.000**
Rest of the EU	**0.946**	**0.000**
Country of birth: Born in Spain (ref: born abroad)	**0. 962**	**0.000**
Woman (ref: man)	0.489	0.000
Age	1.431	0.000
Age^2	0.992	0.000
Age^3	1.000	0.000
Education: primary educational level (ref: secondary)	1.607	0.000
Tertiary educational level	0.671	0.000
Marital status: Married (ref: never married)	0.977	0.000
Divorced	0.954	0.000
Separated	1.322	0.000
Widowed	0.914	0.000
Number of children under 18	2.121	0.000
Usual hours worked per week	0.970	0.000
Number of weeks worked (year preceding the interview)	0.975	0.000
Ln(wage)	0.135	0.000
Number of cases: 10,886		

Source: Luxembourg Income Study, own calculations

Being a Spanish citizen lowers the risk of being working poor, as the odds decrease by around 40 per cent. It is not possible, unfortunately, to distinguish between old and new EU member states; hence, the fact that EU citizenship reduces the 'likelihood' of being a working poor by only 5.4 per cent is not easy to interpret. Being born on Spanish soil reduces this risk by around 4 per cent.

It should be noted that multicollinearity has been measured. All variance inflation factors are smaller than 5, a level that is customary in social science research. Hence, the correlations between the explanatory variables are not strong enough to bias the estimates and the significance tests. Moreover, the number of cases is very high for each model. Overall, then, the results presented above are reliable.

These three models are not completely comparable, however, because the set of explanatory variables is not identical. Hence, models have been re-calculated with the same independent variables. Results are not fundamentally altered. Table 9 displays the odds ratios of the variables of interest:

Table 9: Odds ratios of the citizenship and the country of birth variables for the United States, Germany and Spain in 2004

	US	**Germany**	**Spain**
Citizen	0.516*	0.584*	0.736*
Born in country	0.643*	0.963*	0.539*
Nagelkerke's R^2	0.22	0.297	0.221

Source: Luxembourg Income Study, own calculations

* Significant at the 1% level

In summary, it can be said that being a national citizen and being born in the country of residence significantly and markedly reduce the 'likelihood' of being a working poor; interestingly, the fit of the model is very similar in countries as different as Spain and the US (see Nagelkerke's R^2 in Table 9). These results are remarkable for many reasons: First, in the three countries analysed here, the welfare state, labour market regulations, as well as immigration and anti-discrimination laws vary greatly, as do the composition of the workforce and that of the labour market. However, while the trend is the same across welfare regimes/countries, the degree to which these factors impact on working poverty differs notably (see Tables 5 and 9). Second, and perhaps more importantly, the above conclusions hold even when the main working poverty factors are accounted for (gender, age, marital status, education, number of children, wage level, and work volume); moreover, some of the control variables included in the models capture a probably large part of the effect of discriminations in hiring and firing, as well as in wage-setting, practices.

5. DISCUSSION

This paper proposes a theoretical framework in which labour market discrimination has an indirect impact on working poverty, by affecting two of the three working poverty mechanisms, namely a low wage rate and a low degree of labour force participation. Indeed, discriminatory practices combined with class-related factors (a low human capital in particular), prevent many immigrants and members of 'ethnic' minorities from having an access to segments of the labour market where wages are higher and where there are more work opportunities.

In this model, discrimination acts like a filter: Economic, sociodemographic and public policy factors have a differential impact on two immediate causes of working poverty (a low wage rate and a below-average labour force attachment) depending on whether a person has been discriminated against or not. In this paper, I have focused on discrimination against immigrants and 'ethnic'/'racial' minorities, but this model also applies to persons discriminated against because of their age, gender, social origin, sexual orientation, physical appearance, etc.

The first empirical part of this paper has shown that national citizens and persons born in their country of residence are less exposed to working poverty. Interestingly, the countries that have a more 'generous' welfare state display smaller gaps between these groups and non-citizens and persons born abroad; this may not be a coincidence. In the case of the US, African Americans have a high working poor rate, despite the fact that they are American citizens born in the US (see also Bureau of Labor Statistics 2011). In Spain, national citizens and persons born in Spain are much less exposed to working poverty. In non-Southern European countries, workers who come from 'old' EU member states are better-off than national citizens, on average. This may also be the case in Spain; however, the variables available in the Spanish dataset do not allow to check this hypothesis.

The second empirical part, based on regression models, leads to the following conclusion: In the US, Germany and Spain, non-citizens and workers born abroad face a much higher risk of being working poor, even when the main working poverty factors and the main types of labour market discrimination are controlled for. This finding is remarkable, indeed, as it suggests that other disadvantages than a low human capital and discriminations are also at play.

Some hypotheses can be formulated. Workers who have repeatedly experienced discrimination may give up their hope of improving their situation in the mainstream labour market and turn to the so-called 'ethnic economy'[3], especially in the US, but also in other countries (Light and Gold 2000, Fong and Lee 2007, Hillmann 1999). For instance, the Turkish economy in Berlin markedly grew when unemployment rates went up in the 1990s in reunified Germany (Light and Gold 2000), and unemployment was cited as the main reason mentioned by respondents for opening their business (Hillmann 1999). Ethnic economies tend to pay lower wages than the mainstream labour market. This is in many cases the condition of these jobs' existence, usually in low-productivity activities (Light and Gold 2000), such as retail trade and restaurants (Hillmann 1999). Moreover, a part of the activities that take place in segregated neighbourhoods and, more generally, that are carried out by members of disadvantaged minorities, takes the form of informal work (Light and Gold 2000). In fact, many workers combine declared waged work with undeclared activities (Bourgois 2003, Light and Gold 2000, Cachón 1999, Hillmann 1999).

Hence, this structurally constrained resignation implies that many immigrants and members of 'ethnic' minorities work on low earnings in the 'ethnic economy'; this is still a direct consequence of discrimination. However, this may have further consequences: For instance, this constrained resignation could prevent people from investing time, money and energy into increasing their human capital and finding a better job in the general labour market. It is not possible, however, to assess the validity of these assumptions on the basis of the methodology used in this paper. Qualitative methods, ethnographic research in particular, are better suited to analyse such phenomena.

Another explanation could be that the variables included in the model do not completely capture the effect of labour market discrimination. It would have been interesting to control for the number and duration of the unemployment spells that respondents have experienced throughout their work career. However, I could only control respondents' work record during the year preceding the interview.

Finally, some limitations of this paper must be underlined. First, the financial situation of immigrants who have relatives in their country of origin is overestimated, due to the phenomenon of remittances. The way the concept of 'household' is usually used in poverty research is ethnocentric: Many immigrants not only share resources with the person they live with; they have to send money 'back home'. Second, the financial situation may be underestimated in some cases, because many workers have 'one foot in the general labor market and another in the ethnic economy's informal sector' (Light and Gold 2000: 42); the money earned in the informal sector is usually not measured in surveys. Last but not least,

the situation of the self-employed is not accounted for, because the reliability of the income data for self-employed persons is not sufficient in most surveys. For some categories of immigrants and 'ethnic' minorities, this is definitely a major drawback.

Nonetheless, the findings presented in this paper open up interesting avenues of research in the field of working poverty analysis and call for a combination of methods in order to better understand the mechanisms that lead immigrant and 'ethnic' minority workers to poverty. Moreover, the conceptual framework presented above can be applied to other groups of the workforce who are at risk of being discriminated against, due to their age, gender, family situation, class background, sexual orientation, physical appearance, etc.

NOTES:

1. Among the countries analysed in this paper, namely the US, Germany, Sweden and Spain.

2. Of course, the wage level and the volume of work are also working poverty factors.

3. An ethnic economy is defined by the 'coethnicity' of the self-employed and employers and their employees (Light and Gold 2000).

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