Next Year in Jerusalem... or in Cologne? Labour Market Integration of Jewish Immigrants from the Former Soviet Union in Israel and Germany in the 1990s

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This article focuses on how receiving societies’ structural and institutional characteristics affect immigrants’ labour market performance and progress. Using German census data for 1996 and 2000, and Israeli labour force surveys for the same years, the article compares patterns of self-selection and labour market integration of Jewish immigrants from the former Soviet Union (FSU) in Israel and Germany during the 1990s. The greater rigidity of the German labour market as compared with the Israeli, combined with the more generous benefits provided to FSU immigrants by the German than the Israeli state, explain many of the cross-national differences in initial labour market performance (unemployment level and occupational status) and labour market progress of FSU immigrants in Israel and Germany. However, contrary to economic theories of immigrant selectivity, we found no appreciable differences in patterns of educational self-selection of immigrants to Israel and Germany.

Introduction

Labour market performance of immigrants is one of the central issues in migration research, as it largely determines the integration of immigrants and their offspring in the host society, as well as their economic impact on the receiving country. Early US migration research was optimistic with regard to the incorporation of immigrants in the labour market, expecting the vast majority of economic immigrants to fully assimilate in the labour market of host societies in less than 15 years (Chiswick, 1978, 1979; Borjas, 1990, 1994), sociologists tend to emphasize the institutional and structural settings of the receiving societies in trying to explain the economic integration of immigrants (Reitz, 1998; Model et al., 1999; Reitz et al., 1999; Portes and Rumbaut, 1996; Kogan, 2003; Lewin-Epstein et al., 2003; Waters and Jimenez, 2005).

This article is aimed at contributing to this approach by focusing on Jewish immigrants from the former...
Soviet Union (FSU) who came to Israel and Germany during the 1990s. The unique circumstances of Jewish immigration from the FSU to Germany and Israel in the past 15 years, where immigrants were granted practically free entry to both countries—something that has been quite rare in recent migration streams—enable us to conduct a rigorous comparison of patterns of immigrants’ self-selection and economic integration in the two countries, which differ in their migration policies, welfare assistance and labour market institutions. The comparison of Jewish immigrants in both countries enables us to analyse not only how immigrants select their destination countries, but also how receiving societies’ structural and institutional characteristics affect immigrants’ labour market attainment.

The article is organized as follows. After presenting the theoretical background for the study, we describe the Israeli and German settings as they relate to immigration policies and labour market structures affecting FSU Jewish immigrants. Next, we develop hypotheses regarding selectivity patterns and labour market integration, especially for the differential effects of immigrant status and tenure. The following section presents the data—German censuses of 1996 and 2000, and the Israeli labour force surveys of 1996 and 2000—including an algorithm for identifying Jewish immigrants from the FSU in the German censuses. We then present the results, and the last section discusses the main findings and their implications.

**Theoretical Background**

Most previous research on immigrant assimilation has been conducted in the classical migration countries, i.e. mostly in the United States, but also in Canada and Australia. The dominant theory of immigrant labour market assimilation has been thoroughly articulated and empirically tested by Chiswick (1978). When immigrants reach their new country, the theory maintains, they earn less than natives of similar measured characteristics because their skills are not fully transferable to the new labour market. With time, as immigrants learn the local labour market and the language, and adjust their skills to the new economy, they narrow the earnings differential between them and comparable natives.

Chiswick’s research reached very optimistic results in regard to immigrant socioeconomic attainment at the end of the assimilation process, concluding that most immigrant groups arriving in the US between the early 1950s and late 1960s not only reached earnings parity with demographically comparable natives, but also surpassed them. The explanation for this ‘better than perfect’ assimilation is based on patterns of immigrant self-selection. Economic immigrants, Chiswick maintains, are not randomly selected from their source countries. Rather, they represent the more ambitious, motivated, risk-taking, and able elements in their source countries. This is because only persons with such characteristics are willing to take the risky and (at least initially) costly step of migrating. Such individual traits, unmeasured in virtually all immigration research, underlie immigrants’ exceptional success in the US labour market.

While the basics of this theory are accepted by most migration researchers, one of its important components has been theoretically and empirically challenged. In a series of articles and books Borjas (e.g. 1990, 1994) has argued that immigrants’ selectivity on both observed and unobserved traits is not always positive, but rather depends on the relative returns to skills in source and destination counties. Positive selection for skills is expected of immigrants from relatively egalitarian countries (e.g. Sweden) to more unequal counties (e.g. the US), where highly skilled immigrants can enjoy greater returns on their skills. In contrast, negative selection of immigrants is expected from relatively unequal to more equal countries, where the (welfare) state protects the less skilled.

A vivid debate has been going on for the past 20 years on immigrant selectivity, assimilation and economic impact (e.g. Borjas, 1990, 1994; Chiswick, 1999; Card 2005). Revisionist attempts to explain the lack of assimilation of some immigrant groups introduced the term ‘segmented assimilation’ (Portes and Zhou, 1993), while other models of immigrant incorporation have emphasized that economic assimilation is not the only possible outcome of immigration. Recent experiences in other countries also suggests that economic assimilation may not be taken for granted and that classical US-based empirical evidence is not always instructive for understanding labour market integration of newer immigrant groups, especially in countries that differ from the US in their migration policies, citizenship laws, labour market, and welfare institutions.

Previous research indeed shows that cross-national differences in immigrant labour market integration also depend on the institutional and structural make-up of the receiving societies, in particular special immigration policies, including public assistance programs and settlement policies, as well as labour market structures (Portes and Rumbaut, 1996; Reitz, 1998, 2003; Freeman and Ögelman, 2000; Kogan, 2007).
The underlying assumption is that of institutional embeddedness of immigrants’ labour market trajectories (Kogan, 2007). In other words, immigrants’ labour market performance depends on individual preferences and resources of prospective employers and employees, both immigrants and natives, which in turn are shaped and restricted by the institutional contexts of the receiving societies. Thus, without disregarding important differences in the individual characteristics of immigrants, the institutional approach shifts the focus in studying and explaining differences in immigrants’ labour market outcomes from single-country studies to cross-national studies, and from the micro to the macro level.

In this light, analysing the fate of immigrants from the FSU in Israel and Germany separately is a worthwhile undertaking, if only for the challenge it represents to classical assimilation theory. Studying these populations in a comparative perspective, however, provides a strategic research design, as the comparison gives a unique opportunity to conduct a more rigorous test of the selectivity argument as well as of other relevant mechanisms discussed in recent migration research. In fact, since the doors to both countries were practically open to FSU immigrants since 1990, the comparison can be viewed as a natural experiment in immigrants’ destination choices. Thus, a comparative study of labour market assimilation of Jewish immigrants in Germany and Israel would shed light on two central questions, which are important for economic assimilation theory in general and for understanding the immigrant situation in Israel and Germany in particular: (i) How do immigrants select destination countries, and what are the consequences of immigrant self-selection on their labour market success? And (ii) What role do countries’ immigrant reception contexts and labour market characteristics play in immigrants’ economic assimilation?

**Israeli and German Settings**

Since the USSR started to disintegrate in the late 1980s, about 1.5 million Jewish emigrants left the country to various destinations in Western Europe, North America, and especially Israel. That the majority of immigrants—about one million—came to Israel is partly due to Israel’s immigration policy, which is aimed at admitting as many Jewish immigrants as possible (Cohen, 2002). Consequently, the Israeli government actively attracted and assisted immigrants from the FSU to immigrate to Israel. Almost as soon as the Jewish exodus from the FSU began, Germany became an alternative destination for these emigrants. Immigration of Jews to Germany was initiated by the last East German government in July 1990, and since 1991 has been extended to the united Germany. Since, 1990 about 200,000 Jews from the FSU and their family members (including non-Jews) entered Germany as refugees, an option open to virtually all FSU Jews. The proportion of FSU emigrants choosing Germany has been steadily on the increase throughout the 1990s, and starting in 2002 Germany has taken in more FSU Jewish immigrants each year than any other country, including Israel.

German authorities recognize as Jewish Quota Refugees (JQR) persons with at least one Jewish parent, as well as their immediate family members, including non-Jewish spouses (Schoeps et al., 1996, 1999; Dietz, 2000; Becker, 2001; Gruber and Rüssler, 2002). This definition is somewhat more restrictive than the Israeli Law of Return, which defines as Jews persons with at least one Jewish grandparent. Both the Israeli and German definitions accept non-Jewish spouses and dependent children of Jewish immigrants. Evidently, all those defined as JQR in Germany could have gone to Israel, since they are Jews according to the Israeli Law of Return. Some of those who were admitted to Israel under the Law of Return, however, would not be considered as JQR in Germany.

While Israel grants citizenship to FSU Jewish immigrants upon arrival, much like the German practice with regard to ethnic Germans, JQR are not immediately entitled to German citizenship. Rather, depending on the federal state (Bundesland), they must reside in Germany for 6–8 years before they are eligible to apply for German citizenship, which is extremely important for labour market performance, as it opens a wider range of employment opportunities, including public sector employment (e.g. teaching positions), and ensures fewer hurdles to self-employment (Heckmann, 2003).

Germany practices the policy of distributing Jewish quota immigrants (also ethnic Germans and recognized asylum seekers) across the entire country (Harris, 1999). Even though a refugee may take up residence in whichever part of the German Federal Republic (s)he prefers, some of the newcomers’ financial benefits are contingent on their remaining where they are sent. Interestingly, this was the Israeli practice until the 1980s, but when the recent wave of FSU immigrants arrived in 1990, Israel decided that the ‘free market’ would be more efficient than the state in allocating immigrants’ residential locations (Doron and Kargar, 1993).
In terms of material assistance, Jewish immigrants in Germany are better off than all other immigrant groups. Unlike most other categories of immigrants—guest workers, immigrants from EU countries, unrecognized asylum seekers, and labour migrants—JQR enjoy extensive state support (Doomernik, 1997; Gruber and Rüßler, 2002; Harris, 1999). They receive an unlimited residence permit, permission to work, housing support and initial absorption assistance for a maximum of 6 months, along with a state-provided German language course of the same duration. Moreover, JQR are eligible for social security benefits if they have not been able to find work after the absorption assistance has expired. In addition, FSU Jewish immigrants, who are recognized as ‘Jews’ (namely, having been born to a Jewish mother) by the Jewish communities in Germany, are entitled to additional benefits (Harris, 1999). Unlike ethnic Germans (Aussiedler), however, JQR are not eligible to receive working pensions based on years of work abroad (Harris, 1999; Gruber and Rüßler, 2002), nor are their educational credentials automatically recognized by the state (Harris, 1999). In these respects, the situation in Israel is similar: educational credentials from the FSU were found to be problematic for labour market assimilation (Friedberg, 2000; Lewin-Epstein et al., 2003), and years of working abroad were not counted towards Israeli pensions.

A major difference between the two countries is the material assistance granted to the immigrants. While in Israel, too, immigrants are entitled to some benefits (a lump sum upon arrival, language classes, limited unemployment benefits, subsidies in mortgage, and some retraining courses), available evidence suggests that JQR in Germany are entitled to a more generous material package than their counterparts who immigrated to Israel. The value of the Israeli package is far below the value of the German package (in both absolute value and purchasing power parity), and, more importantly, it lasts for a shorter period. The Jewish Agency (2003) estimated that in their first year after immigration, the monetary value of the assistance provided to immigrants in Israel and Germany is appreciably the same (about 15,000 €). Calculated for the first 5-year period after immigration, however, the value of the German package is over three times higher than the Israeli package, and the ratio increases to seven when it is calculated over a 10 year period.

The two countries differ not only with respect to immigration policies and the amount and length of material assistance extended to immigrants, but also in labour market regulations and the general rigidity of the labour market. The Israeli labour market of the 1990s was less rigid than the German. To be sure, until not long ago the Israeli labour market was relatively inflexible—the vast majority of workers (about 80 per cent) were covered by labour unions and enjoyed job security, and the labour market and economy were regulated in corporatist arrangements (Cohen et al., 2003). Since 1985, however, the Israeli economy and labour market have been undergoing a process of economic liberalization. By 2000 less than half of wage and salary workers were unionized (Cohen et al., 2003), and the proportion of external and contract workers—about 5 per cent of the labour force (Nadiv, 2004)—had risen much higher than in European countries (Storrie, 2002). Consequently, the proportion of low-wage workers is much higher in Israel than in Germany, and the level of earnings inequality—a proxy for returns on skills—in Israel is similar to the level in the most unequal countries in the developed world—US, UK, and New Zealand (Kristal and Cohen, 2007). In contrast, the German labour market is still rather rigid, and earnings inequality in Germany is relatively modest (Gottschalk and Smeeding, 1997). In 2000 job security was still the rule rather than the exception in Germany, with contract workers accounting for only about 1 per cent of the labour force (Storrie, 2002), and the quasi-corporatist system (Thelen, 1991; DiPrete and McManus, 1996)—which in Israel has been completely eroded during the past 20 years—is still functioning.

Expected Cross-National Differences in Selectivity Patterns and Economic Assimilation

The differences between Israel and Germany with respect to their immigration policies towards FSU Jews, together with the institutional differences between the Israeli and German labour markets, lead to some testable hypotheses regarding the type of immigrants who may be expected to choose each country, how they should fare in each country’s labour market upon arrival, as well as how fast, if at all, they should progress in the labour market.

Immigrants’ destination choices are expected to be affected by the ‘offer’ extended to them by immigrant-receiving countries (Borjas, 1990, 1994). In the present case a major component of the offer is the welfare assistance to prospective immigrants. By this standard, Germany’s offer appears to be more attractive than
the Israeli offer, but since much of the assistance in Germany (less so in Israel) is directed to non-employed immigrants, Germany should especially attract immigrants expecting to rely on public assistance for a longer period. Highly skilled immigrants, who are more likely to be employed, should care less about welfare assistance and more about labour force options, including the rate of return on skills and advancement possibilities. Germany’s unwillingness to employ FSU immigrants in privileged jobs in the public sector (until they obtain German citizenship) and the overall rigidity of the German labour market may steer them away from the German option to the Israeli one, where they can expect higher returns on skills acquired in the FSU. In short, to the extent that economic factors determine immigrants’ destination choices (an assumption to which we will later return), immigrants choosing Israel should be of higher skills than their counterparts choosing Germany.

In terms of integration in the labour market upon arrival, the considerations of prospective employers and immigrant workers lead to similar predictions. Begin with employers. In the relatively rigid German labour market, with its higher dismissal costs, employers tend to set higher hiring standards (Cohen and Pfeffer, 1986) and are forced to look for observable and clear signals of appropriate skills in order to reduce the risk of a bad match (Gangl, 2003; Giesecke and Groß, 2003; Kogan, 2007). One such “negative” signal is immigrant status. For employers the costs of an unsatisfactory match are higher in relatively rigid labour markets, like the German, causing employers to avoid hiring workers with unclear signals unless wages are sufficiently low to compensate for the risk, which is not the case in Germany. Hence, when a ‘perfect’ match is critical, a risk of statistical or error discrimination might increase. In countries with lower job security, like Israel, employers are less worried about a bad match, because unsuitable workers could be dismissed easier and at relatively little cost.

Viewed from the supply side (prospective immigrant workers), the predictions are similar. Entitled to more generous and long-lasting public support, FSU immigrants in Germany are able to search for a long time for employment opportunities that better match their educational qualifications, and as a consequence to enter jobs of a higher status than their counterparts who chose to immigrate to Israel. An obvious side effect of this process is likely to be higher initial unemployment rates in Germany than in Israel, as German immigrants remain unemployed as long as they search for (high status) jobs. In Israel, on the other hand, the paucity of resources for sustaining the search for better employment opportunities might push FSU immigrants to enter any employment, irrespective of its status. The expected outcome is lower initial unemployment rates but also lower occupational standing among FSU Jews in Israel than in Germany. In short, given the rigidity of the German labour market, combined with the more generous benefits provided to FSU immigrants by the German state, we expect that upon arrival: (i) unemployment rates of FSU immigrants will be higher in Germany than in Israel (relative to natives in each country); and (ii) among employed immigrants, a greater proportion will hold higher status occupations in Germany than in Israel (relative to natives in each country).

With respect to economic progress, the theoretical considerations are more complex. On the one hand, the rate of immigrants’ economic progress is known to be affected by ceiling and floor effects. Therefore, it is reasonable to expect inverse relations between initial unemployment rates and the effect of tenure in the host society on getting out of this status. Thus, to the extent that FSU immigrants in Germany experience higher initial unemployment rates than their counterparts in Israel, as reported by past research (Kessler, 1997; Rajman and Semyonov, 1997; Haberfeld et al., 2000), we should expect a stronger effect of tenure on getting out of unemployment in Germany than in Israel, because in Israel initial unemployment rates are already relatively low and there is not much room for improvement. On the other hand, it may be that because the German welfare assistance to FSU immigrants lasts for many years, the disincentives for FSU immigrants to take any employment might not be limited to their first years in Germany, but last longer.

With respect to occupational progress, the situation is different, as both immigrant groups are expected to start below demographically comparable natives. We expect that the relatively rigid German labour market and the nature of German occupational internal labour markets, permitting relatively low rates of occupational mobility (DiPrete and McManus, 1996), not only block the initial employment of immigrants, but also hinder their occupational progress in the longer run. Thus, we expect a greater effect of tenure on Professional, Technical, and Managerial (PTM) employment in Israel than in Germany.

Data

We use the 1996 and 2000 German micro-census for analysing the characteristics of FSU Jewish immigrants.
in Germany. The German census is conducted annually and includes basic demographic characteristics, education and labour market information for a representative sample of 1 per cent of German households. Unfortunately, the German census does not include information about respondents’ country of birth, ethnic origin or religion, nor (for immigrants) about the legal status at migration (e.g. quota refugee or asylum seeker). However, it does include nationality and year of arrival, which makes it possible to identify immigrant populations.

Because of the special nature of FSU immigration to Germany in the 1990s, it is possible to use the German census for identifying JQR. Aussiedler are automatically awarded German citizenship and therefore are not traceable in the census, unless they have kept dual FSU-German citizenship. Since, practically no other immigrants from the FSU (besides JQR and Aussiedler) were allowed into Germany since 1990, it is safe to assume that the vast majority of those arriving Germany since 1990 and holding citizenship of one of the FSU republics are JQR. This being the case, we have classified as JQR all those arriving in Germany during 1990–2000 who satisfy all four criteria below: (i) they hold nationality of one of the FSU republics; (ii) they do not hold dual (German-FSU) citizenship; (iii) they do not have a spouse or children residing in the FSU; (iv) they are not married to a spouse of German nationality. Criterion (ii) is aimed at distinguishing between JQR and ethnic Germans. Criterion (iii) attempts to filter out some labour migrants or students from the FSU, normally underrepresented in the census data. Criterion (iv) is aimed at excluding FSU persons who immigrated to Germany following marriage to a German spouse. This identification algorithm yields a total of 318 and 499 JQR, aged 15 and over, in the 1996 and 2000 German censuses, respectively.

This identification algorithm is certainly not perfect. It might include some non-Jewish students from the FSU. However, the number of such immigrants should not be very high, because the census covers only private households, while students often live in dormitories or collective households. Likewise the identification algorithm underestimates two categories of JQR: (i) very recent arrivals (arriving in 2000) who might still have resided in public housing during the census week in May; and (ii) very early arrivals, who by 1998 or 1999 were eligible to apply for German citizenship. Assuming that the process of naturalization takes 1 year, and that most JQR exercise their right to become German nationals, by 2000 most of the 1990–1991 cohort may not be identifiable in the 2000 census, having become German nationals. Thus, the 2000 German census enables us to accurately identify 1992–1999 Jewish arrivals from the FSU, but less inclusively those arriving in 1990, 1991, and 2000. Similarly, the 1996 census is likely to underestimate 1996 arrivals. Notwithstanding these difficulties, the census data are best suited to describe and analyse the characteristics with which FSU immigrants arrived in Germany, as well as their economic progress in their new country in comparison to their counterparts who immigrated to Israel.

For Israel we use the labour force surveys for 1996 and 2000. These surveys are conducted annually by the Israeli Central Bureau of Statistics and contain standard demographic and labour market information for representative samples of about 11,000 households, including about 23,000 individuals 15-year-old and over (excluding persons in institutions and Bedouins living outside communities). The identification of FSU immigrants in these surveys is straightforward: there is a variable asking if the person was born in the FSU, and a variable for year of immigration. Evidently, these surveys may be compared with the German census data, thus enabling us to adequately analyse patterns of immigrants’ self-selection and socio-economic assimilation in both countries. Appendix A presents a description of all variables used in the analyses.

Results

Self-Selection

As shown in columns 1 and 3 of Table 1—presenting the characteristics of two immigrant cohorts shortly after arrival—Israel attracts more immigrant women than men, while in Germany the reverse is the case. In the following analyses, we do not present the results by gender group, because we found that the pattern of relevant results is similar for both gender groups, and also because the number of cases for Germany is too small to present separate analyses for men and women.

The age structure of immigrants coming to Israel is somewhat skewed towards old-aged persons. The proportion of immigrants 55 years and older is significantly higher in Israel than in Germany. With respect to younger immigrants the two countries are more alike, especially among recent arrivals of the 1996–2000 cohort. Thus, Israel appears to attract older immigrant women, while Germany is more likely to attract men and women immigrants in their prime working age, whose chances of fully integrating in the labour market and society of the host country are
greater than those of older immigrants. In other words, with respect to age, patterns of self-selection favour Germany over Israel.

Levels of human capital that immigrants bring with them to the destination country tell us much about the nature of selectivity that takes place during the migration process. Educational level is arguably the best-observed indicator of immigrant skills. One comparable educational measure available in both the Israeli and German data sets is whether or not respondents have at least a first university degree. Fortunately, this is the most significant educational level in advanced economies; a university degree has increasingly become the main avenue for attaining prestigious occupations and high-income jobs in both the Israeli and German labour markets.

Educational levels of immigrants from the FSU do not vary much across destination countries. The proportion of university graduates choosing Israel and Germany in the early 1990s (column 1) is about the same (about 41.0–46.5 per cent), albeit being slightly higher in Israel, and is much higher than the respective proportions of the native populations in Germany (14.5 per cent) or Israel (22.5 per cent). While no appreciable educational selectivity between the two countries was detected, the educational levels of the recent cohort (column 3) in both countries are not as high as the levels among the earlier cohort. Whether the declining educational level of 1996–2000 arrivals stems from a change towards lower-education immigrants in patterns of selectivity to both countries, or from the declining educational level between the early and late 1990s of the population at risk, namely, potential Jewish immigrants left in the FSU, we cannot determine.

As expected, the unemployment figures presented in columns 1 and 3 of Table 1 demonstrate that the employment situation of new arrivals in Germany is far worse than in Israel. While in Israel the unemployment rate of 1990–1995 arrivals (column 1) is 8.2 per cent (3 points higher than the rate among natives in 1996, 5.2 per cent), it is 47.1 per cent in Germany (about 37 points higher than the rate among natives in that year, 10.2 per cent). Interestingly, and consistent with the educational findings, in both countries the unemployment levels of 1996–2000 arrivals (column 3) are higher than those of 1990–1995 arrivals (column 1), and the gap between immigrants and natives is greater in both countries in 2000 than in 1996.

We hypothesized that due to the more substantial welfare support extended to FSU immigrants in Germany than in Israel, the former might be able to sustain a search for better quality jobs—therefore displaying higher rates of employment in PTM occupations, together, however, with higher unemployment. In Israel low unemployment among FSU immigrants was expected to go hand in hand with lower rates of PTM employment. The data are consistent with these expectations. In their first years in Israel, only 26.4 per cent of the immigrants arriving in 1990–1995 (column 1) held PTM occupations, compared with 38.3 per cent in Germany. The proportion of immigrants holding prestigious PTM occupations declined in both countries among 1996–2000 arrivals (11.7 per cent in Israel, and

### Table 1: Selected socio-demographic and labour market characteristics of FSU Jewish immigrants, 15-year-old and over, in Israel and Germany by period of immigration (figures in parentheses are for the native-born in Germany and in Israel in 2000)

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<tr>
<td>Total number of cases</td>
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<tr>
<td>Israel</td>
<td>8,769</td>
<td>8,508</td>
<td>3,302</td>
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<tr>
<td>Germany</td>
<td>318</td>
<td>211</td>
<td>288</td>
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<tr>
<td>Men (per cent)</td>
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<tr>
<td>Israel</td>
<td>44.2</td>
<td>45.2</td>
<td>43.5</td>
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<tr>
<td>Germany</td>
<td>53.1</td>
<td>51.7</td>
<td>53.8</td>
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<tr>
<td>15–24-year-old (per cent):</td>
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<tr>
<td>Israel</td>
<td>16.5</td>
<td>19.3</td>
<td>17.8</td>
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<tr>
<td>Germany</td>
<td>22.6</td>
<td>17.1</td>
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<td>Over 55-year-old (per cent):</td>
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<tr>
<td>Israel</td>
<td>36.7</td>
<td>33.6</td>
<td>30.9</td>
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<tr>
<td>Germany</td>
<td>21.1</td>
<td>23.7</td>
<td>23.3</td>
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<td>With at least B.Aa (per cent):</td>
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<tr>
<td>Israel (22.5)</td>
<td>46.5</td>
<td>46.3</td>
<td>40.1</td>
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<tr>
<td>Germany (14.5)</td>
<td>41.0</td>
<td>49.3</td>
<td>36.6</td>
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<td>Unemploymentb (per cent):</td>
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<tr>
<td>Israel (6.8)</td>
<td>8.2</td>
<td>7.1</td>
<td>15.1</td>
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<tr>
<td>Germany (9.2)</td>
<td>47.1</td>
<td>31.9</td>
<td>60.1</td>
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<td>In PTM occupationsc (per cent):</td>
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<tr>
<td>Israel (40.0)</td>
<td>26.4</td>
<td>32.1</td>
<td>11.7</td>
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<tr>
<td>Germany (43.2)</td>
<td>38.3</td>
<td>42.9</td>
<td>29.1</td>
</tr>
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</table>


aAmong persons aged 25–64. Those with at least B.A are persons with CASMIN 3a and 3b in Germany, and CASMIN 3b in Israel (more than 15 years of schooling and last school being an academic institution).

bAmong those in the labour force, aged 25–64. In 1996 unemployment among natives in Israel and Germany were 5.2 per cent and 10.2 per cent, respectively.

cAmong those in employment, aged 25–64.
29.1 per cent in Germany), but the gap favouring Germany has remained about the same.

In sum, with respect to immigrants’ initial labour market performance, the results are consistent with the hypotheses: upon arrival unemployment rates are higher in Germany than in Israel, as is employment in high status occupations. With respect to selectivity, the findings regarding the most important measure of immigrant skills—education—do not show much difference between immigrants choosing Germany or Israel. However, in both countries the immigrants arriving in the second half of the 1990s appear to be less skilled (i.e. less educated) than their counterparts arriving in the early 1990s. Consequently, in both Germany and Israel, the cohort arriving in 1996–2000 experienced greater difficulties in labour market entry—measured by the unemployment rate and the proportion of workers in PTM occupations—than their counterparts who arrived in Israel and Germany during 1990–1995.

Economic Progress

To assess immigrants’ labour market progress, we first compared labour market outcomes of the 1990–1995 arrivals in 2000, when they had been in their new countries between 5 and 10 years (column 2), to the outcomes in 1996, when they had been in the country between 1 and 6 years. Unemployment rates of FSU immigrant men arriving in Germany in 1990–1995, which were very high in 1996 (47.1 per cent), declined in the next 5 years to 31.9 per cent. In Israel this cohort experienced only a modest decline in the unemployment rate—from 8.2 per cent in 1996 to 7.1 per cent in 2000—in large part because the initial unemployment rate of immigrants in Israel was not much higher than that of natives. The results regarding the proportion of immigrants in PTM occupations show only a modest rise of 5 –6 percentage points in both countries.

In order to test the empirical status of the hypotheses regarding the net effects of immigrant status and tenure in the host country (years since migration, hereafter YSM), controlling for basic socio-demographic characteristics (age, marital status, and education) and year of observation. The exponent for being an FSU immigrant indicates the chances of an immigrant to be unemployed upon arrival, relative to a native-born person of the same measured characteristics. The exponent for YSM indicates the degree to which each additional year in the host country reduces the chances of unemployment for immigrants.

The cross-national differences in the odds of unemployment for FSU immigrants are striking. Immediately upon arrival FSU immigrants in Germany are about 49 times more likely to be unemployed than demographically comparable native-born. In Israel, FSU immigrants are also disadvantaged when they arrive; their odds of unemployment are ‘only’ about four times greater than the natives’. With the passage of time in the host country, the employment chances for FSU immigrants improve in both countries (YSM exponent below 1), but as expected, more in Germany than in Israel. As expected, the exponent for YSM in Germany (0.691) is lower than in Israel (0.871), and the difference is statistically significant. Consequently, as shown in Figure 1, the decline in the expected probabilities of the average immigrant to be unemployed is steeper in Germany than in Israel. This does not mean that the employment situation of immigrants in Germany is better than in Israel. After as many as 6 years in the host country, the probability of German immigrants’ being unemployed (about 34 per cent) is significantly higher than the probability among natives of the same measured characteristics (8.9 per cent). The respective figures for Israel are about 8 per cent for immigrants and 5 per cent for natives (Figure 1). However, should these trends continue in both countries at the same rate, in about 10 years after migration, immigrants in Germany and Israel will have the same chance of being unemployed as natives of similar characteristics in each country.

Occupational attainment: As shown in columns 3 and 4 of Table 2, the odds of holding a PTM occupation in both countries are lower for FSU immigrants than for natives. As expected, the initial occupational penalty is greater in Israel than in Germany (the difference between the coefficients for FSU immigrants in the two countries is statistically
significant). With the passage of time, however, immigrants in Israel are able to improve their chances of PTM employment at a faster rate than in Germany. In fact, the effect of YSM in Germany is not statistically significant. Consequently, the expected probability of immigrants’ being in PTM employment in Israel approaches the probability of their German counterparts (Figure 2). Assuming the same trends will continue, in 10 years after migration the probability of immigrants’ being in PTM occupations will be similar in both countries (about 25 per cent), albeit remaining below that of natives of similar characteristics (about 44 per cent for both countries) (Figure 2).

### Discussion and Conclusions

During the 1990s both Germany and Israel offered free entry to FSU Jewish immigrants. While both countries provided material benefits to prospective immigrants, the German benefit package was more attractive. Thus, it might be expected that Germany would have received less-skilled, less motivated immigrants attracted to the long-lasting benefits provided by the German government, while Israel would have attracted the more able and motivated immigrants. Judging by the age composition of FSU immigrants, it appears that Germany rather than Israel attracts somewhat younger immigrants. Judging by the educational level with which immigrants arrived in both countries, no selectivity was detected, as both countries attracted a similar, and relatively high, proportion of university graduates.

Many factors could explain the lack of educational selectivity between the two immigrant groups. One plausible explanation is that economic considerations are only secondary to other considerations in determining immigrants’ destination choices. In fact, when asked why they chose Germany over Israel, JQR rarely mention economic reasons; rather, they focus on political, cultural, familial and even climatic considerations (Doomernik, 1997; Gruber and Rüßler, 2002). Notwithstanding that what immigrants say may not always represent their revealed preferences, in our case it appears that revealed preferences match the declared preferences. Another possible explanation could be that the German immigration ‘offer’ is not perceived as inferior to the Israeli offer, especially not in the eyes of young, highly educated, highly motivated immigrants who believe that they, and even more so their children, will eventually succeed in integrating in the rigid German labour market and society.

### Table 2: Results of the regression predicting odds of unemployment and of professional, technical or managerial (PTM) employment for native-born and FSU immigrants, 25–64, in Germany and Israel

<table>
<thead>
<tr>
<th></th>
<th>Unemployment</th>
<th>PTM Occupation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Germany 1</td>
<td>Israel 2</td>
</tr>
<tr>
<td>Native-born</td>
<td>1.000</td>
<td>1.000</td>
</tr>
<tr>
<td>FSU immigrants</td>
<td>49.338**</td>
<td>3.958**</td>
</tr>
<tr>
<td>YSM</td>
<td>0.691**</td>
<td>0.871**</td>
</tr>
<tr>
<td>Demographics</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Men</td>
<td>0.731**</td>
<td>0.766**</td>
</tr>
<tr>
<td>Age</td>
<td>0.934**</td>
<td>0.950**</td>
</tr>
<tr>
<td>Age squared</td>
<td>1.001**</td>
<td>1.001**</td>
</tr>
<tr>
<td>Married (rest = 0)</td>
<td>0.581**</td>
<td>0.543**</td>
</tr>
<tr>
<td>Education</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tertiary education b</td>
<td>0.430**</td>
<td>0.545**</td>
</tr>
<tr>
<td>Observation year (2000 = 1)</td>
<td>0.872**</td>
<td>1.290**</td>
</tr>
<tr>
<td>Intercept</td>
<td>0.419**</td>
<td>0.347**</td>
</tr>
<tr>
<td>Log likelihood</td>
<td>−123,782</td>
<td>−10,774</td>
</tr>
<tr>
<td>chi Square</td>
<td>9247</td>
<td>812</td>
</tr>
<tr>
<td>Pseudo R²</td>
<td>0.036</td>
<td>0.036</td>
</tr>
</tbody>
</table>


*The differences between the coefficients for Germany and Israel are statistically significant (P < .01). Only differences between coefficients related to immigrants (the main effect for FSU immigrants and the effect of YSM) have been checked.

*Tertiary education pertains to CASMIN 3a and 3b for Germany and CASMIN 3b for Israel (see Appendix A).

*P < .05; **P < .01
Although, we are unable to empirically test these possibilities, the relevant fact for our study is that no appreciable differences in patterns of self-selection with respect to educational levels were found between the two countries. This being the case, it is unlikely that such patterns are responsible for the observed cross-national differences in unemployment propensities and the occupational attainment of immigrants. We therefore conclude that, for the most part, the differences are a function of the institutional differences between the German and Israeli labour markets as well as of differences in the policies of the two countries towards these immigrants, including the level of the material assistance provided to them. Thus, we found that immigrants coming to Germany suffer from extremely high unemployment rates when they first arrive, but are more likely to attain high status PTM occupations upon arrival than their counterparts in Israel. The main explanation for this finding, we argue, is Germany’s less receptive labour market together with the more generous material assistance offered to unemployed FSU immigrants in that country. Consequently, FSU Jews in Germany are able to wait for agreeable jobs (i.e. high status white-collar jobs), while their counterparts in Israel are forced to take whatever job is offered to them, for state benefits expire one year after migration.

It should not be forgotten, however, that in relative terms the stream of FSU immigrants into Israel in the 1990s was substantially larger than the flow of all immigrants into Germany during the same time. Thus, on the one hand, the Israeli advantage with respect to initial unemployment levels of immigrants is all the more impressive. On the other hand, the lower unemployment rates of Jewish immigrants upon arrival in Israel might be at least partially related to the opportunities offered in ethnic economies, more pronounced in Israel (Mesch, 2002) than in Germany.

In terms of economic progress, the results suggest that 6 years after migration, neither group reaches parity with demographically comparable natives. The rate of progress in the two countries differs as shown in Figure 1. The figure presents predicted probabilities of unemployment in Germany and Israel by years since migration. Sources: Israel: Labour Force Surveys 1996 and 2000; Germany: micro censuses, 1996 and 2000. Figure is based on Models 1 and 2 of Table 2. All covariates set at means. For native-born unemployment probabilities are invariant. Non-overlapping confidence envelopes around the fitted probabilities suggest that the reported differences are indeed statistically significant (results are not shown but available on request).
substantially, depending on the outcome of interest. German immigrants experience faster progress in getting out of unemployment, consistent with the hypothesis expecting inverse relations between the initial rate of unemployment, on the one hand, and the pace at which this rate increases, on the other. Thus, contrary to popular beliefs that FSU immigrants in Germany will never reach the employment levels of natives, our results suggest that if the rate of progress observed in the first years in Germany will continue, in about 10 years after migration, Jewish immigrants in Germany will have the same chance of being unemployed as demographically comparable natives. With time, apparently, FSU immigrants in Germany learn the language, integrate in some social networks, and make impressive progress with respect to getting out of unemployment.

But the picture is different when employment in high-status occupations, rather than any employment, is the outcome of interest. In Israel there is only a modest rate of progress, and in Germany the rate is even slower. Since PTM status is highly correlated with earnings, this implies that FSU immigrants of the 1990s can hardly ever expect to achieve earnings parity with demographically comparable natives in Israel, and especially not in Germany.

The failure of FSU immigrants to achieve full economic assimilation in either country cannot be attributed to their selectivity with respect to either observed or unobserved characteristics. If that were the case, the rate of occupational progress in the two countries would have been appreciably the same, which is not the case—in Germany occupational mobility is more limited than in Israel, a finding which is consistent with previous research on mobility rates in the two countries (DiPrete and McManus, 1996; Yaish, 2004). Thus, institutional differences between Israel and Germany appear to be responsible for this difference as well as for other differences in labour market integration that were detected in Tables 1 and 2.

On a broader level our findings cast doubt on the notion that most immigrant groups in most receiving countries eventually close the socio-economic gaps

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**Figure 2** Predicted probabilities of PTM employment in Germany and Israel by years since migration.

*Sources: Israel: Labour Force Survey, 2001; Germany: micro censuses, 1996 and 2000. Figure is based on Models 3 and 4 of Table 2. All covariates set at means. For native-born unemployment probabilities are invariant and are the same for both countries (about 44 per cent). Non-overlapping confidence envelopes around the fitted probabilities suggest that the reported differences are indeed statistically significant (results are not shown but available on request).*
with comparable natives. Apparently, the complete assimilation of immigrants has never been a universal pattern. Rather, it occurred mostly in the US during the 1950s, 1960s, and 1970s, when the institutional conditions of the labour market and society enabled it (Massey, 1981, Waters and Jimenez, 2005). In the past 20 years, there is increasing evidence that even in the US many immigrant groups fail to fully assimilate in the labour market (Smith and Edmonston, 1997). Their failure is often explained, on the basis of controversial evidence, as stemming from their poor skills, which are due to changes in patterns of self-selection of immigrants to the US (Borjas, 1990). Our results regarding Germany and Israel suggest that exploring institutional changes in the US labour market might be a promising path to follow for understanding the decline in the assimilation rates of US immigrants over time.

Notes

1. Between 1970 and 1989 FSU Jewish emigrants were entitled to refugee status in the US. Thus, in a sense, in 1990 Germany replaced the US as an alternative for FSU Jewish immigrants.

2. Chiswick (1978, 1979) demonstrated that the initial earnings of economic immigrants are higher than those of refugees, but the rate of earnings assimilation (i.e. earnings growth above the rate of demographically comparable natives) is higher among refugees than among economic immigrants, in large part because the former group starts at the bottom.

3. Under the current asylum law (from 1993) it is practically impossible for persons from the FSU (unless they are Jews) to receive asylum. Recently, however, with the intensification of the war in Chechnya, the number of asylum seekers from this republic might have increased, but during the 1990s their proportion was negligible.

4. An alternative explanation for immigrants’ initial higher unemployment rates in Germany than in Israel could be that FSU German immigrants are sent to economically depressed regions (e.g. federal states in Eastern Germany), and therefore suffer disproportionately from the higher unemployment rates in these regions. We checked the empirical status of this explanation, and found that it is not supported by the data (data not shown).

5. See Jasso and Rosenzweig (1990) and Card (2005) for this controversy.

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### Appendix A

Description of variables included in multivariate analyses.

#### Dependent variables

<table>
<thead>
<tr>
<th>Variable</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unemployment</td>
<td>Identifies a person as (1) unemployed vs. (0) employed (for those in the labour force)</td>
</tr>
<tr>
<td>Professional, technical or managerial (PTM) employment</td>
<td>Identifies a person as being in (1) PTM job vs. (0) other jobs (for those in employment)</td>
</tr>
</tbody>
</table>

#### Independent variables

<table>
<thead>
<tr>
<th>Variable</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>FSU immigrants (dummy)</td>
<td>Native-born (=0) vs. FSU immigrants (=1)</td>
</tr>
<tr>
<td>Migration-related variables (for FSU immigrants only)</td>
<td>Year since migration (YSM), Native-born have value 0.</td>
</tr>
<tr>
<td>Gender</td>
<td>Dummy-coded variable (1) men vs. women (reference)</td>
</tr>
<tr>
<td>Age</td>
<td>Raw value</td>
</tr>
<tr>
<td>Age squared</td>
<td>Square of age</td>
</tr>
<tr>
<td>Marital status</td>
<td>Dummy-coded variable (1) married vs. rest (reference)</td>
</tr>
<tr>
<td>Tertiary education</td>
<td>CASMIN 3a and 3b in Germany; 3b for Israel.</td>
</tr>
<tr>
<td></td>
<td>See Braun and Steinmann (1997) and (for Israel) Kraus, Shavit and Yaish (1988).</td>
</tr>
<tr>
<td>Observation year</td>
<td>1996 (=0)</td>
</tr>
<tr>
<td></td>
<td>2000 (=1)</td>
</tr>
</tbody>
</table>