



# Explaining Ethnic Differences: Can Ethnic Minority Strategies Reduce the Effects of Ethnic Penalties?

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## Abstract

Some social scientists are sceptical of the explanatory power of ethnicity and seek to explain ethnic differences by references to non-ethnic factors such as discrimination. We challenge this scepticism by considering two theoretical objections: there is no such thing as ethnicity and ethnic categories are unable to explain social processes; and by showing how ethnic strategies affect outcomes that cannot be captured in standard ethnic penalty analyses, we offer a new way to examine ethnic penalties in unemployment. We calculate a set of net ethnic penalties and then analyse longitudinal labour-force data to examine how strategies such as self-employment change ethnic penalties in unemployment amongst six different ethnic groups in Britain. The results show that self-employment reduces the ethnic penalty for Indians, Pakistanis-Bangladeshis and others, but not for Blacks, White-Others and White-British. This supports the argument that ethnicity can provide an explanation for some of the ethnic differentials in the labour market.

## Keywords

ethnic differences, ethnic penalties, ethnic strategies, self-employment, South Asians, UK, unemployment

## Introduction

This article offers a new way to examine ethnic penalties in unemployment in the UK. It examines whether some ethnic groups manage to reduce the effects of ethnic-penalties

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by utilizing alternative strategies more than others. We do this by considering the relationship between unemployment and self-employment across a number of ethnic groups, initially using the same logistic regression modelling as employed in ethnic penalty analyses. Then we analyse longitudinal labour force data to examine how a strategy of self-employment changes the extent of ethnic penalties in unemployment amongst six different ethnic groups. The results of the Cox-regression and the mixed effect models show that self-employment reduces the ethnic penalty for some minority groups but not for some others. Similarly, self-employment does not have any impact on unemployment amongst the majority White-British group. We believe the differential impact of self-employment on reducing ethnic penalties provides some support for the argument that ethnicity per se can provide an explanation for some of the ethnic differentials in the labour market (together with other factors). We begin, however, by considering what ethnicity is, and why some social scientists are sceptical that it can have any explanatory power.

Ethnicity, as a concept, has been central to quantitative analyses of discrimination in the UK, especially since its introduction into the UK census in 1991. There is however a genuine question of to what extent the concept is amenable to quantitative analysis. The study of minority ethnicity and of the 'ethnic penalty' has to contend with a number of difficulties. Two important theoretical claims are:

1. There is no such thing as ethnicity.
2. Ethnic categories are unable to explain behaviour or social processes.

We will briefly discuss these difficulties in turn, responding to each. The purpose is not a fully-fledged discussion about the theoretical status of ethnicity but to clear the way for an approach to the study of ethnic penalties that can deploy a concept of ethnicity that is not reducible to 'ethnic penalties'.

### *There is No Such Thing as Ethnicity*

This objection to the concept of ethnicity, as also to the concept of 'race', is that no set of biological or quasi-biological attributes can be found which distinguish one ethnic group from another, and so ethnic groups are not a natural phenomenon but ways of thinking, social constructions, imagined affiliations or simply political artifices (Brubaker, 2002). We have no brief with the concept of ethnicity that is being denied here. Of course, ethnicity denotes descent, and so has some objective, natural descriptive content. Without this it would be impossible to distinguish ethnic groups from, say, a group based on locality or users of a particular language (which in each case can be multi-ethnic). However, there need be no suggestion, and as far as social inquiry is concerned there usually is no suggestion that biological descent determines behaviour or cognitive faculties. We can reject such a naturalistic understanding of ethnicity without claiming that ethnicity does not exist. The non-existence would only follow if we assumed a naturalistic criterion of ontology. We can see no good reason to hold such a narrow ontology which would relegate most if not all aspects of society to 'social construction' and therefore not fully real. For contemporary social scientists such a

conclusion is tantamount to a *reductio ad absurdum*. The social world is discursively constituted and historically constructed but it is all of a piece in being non-natural in this fundamental, ontological sense; ethnicity is not less real than society as such (Modood, 2013 [2007]).

### *Ethnic Categories are Unable to Explain Behaviour or Social Processes*

Those who deny that ethnicity exists do not deny that at a certain level of lived social experience and organization, there is a phenomenon of ethnicity (Brubaker, 2013). After all, the use of the concept of ethnicity is widespread, people identify with certain ethnic groups, in relation to which data is collected, policies made and so on. Rather, the claim is that ethnic phenomena is an *explanandum* not an *explanans*; it does not explain any aspect of observed phenomena, it always and only stands in need of non-ethnicity explanations (Banton, 2012). While we do not deny that ethnic phenomena is sometimes explained by other factors (e.g., economic motivation) we do not see that this is a one-way flow. Sometimes economic or other kinds of phenomena can be explained by reference to ethnic characteristics (for example, a higher level of savings could be explained by an ethnic community structure which facilitates the pooling of resources, e.g., through the partner credit rotating system African-Caribbeans brought to Britain) by providing a high level of trust or adherence to and enforcement of certain community norms (see, for example, a discussion of the Jewish success, in Botticini and Eckstein, 2005, 2007; Burstein, 2007; Chiswick and Huang, 2008). Or, a higher level of economic activity may be explained by ethnic group customs which confer status and prestige on those who work hard or are economically successful or perhaps are thought to be favoured by God (Modood, 2005; Modood et al., 1997). The community beliefs, norms and activities that do the explaining do not of course have to be unique to one, discrete group. They may overlap across a number of (but not all) groups and nor do they have to be operative to the same extent, or even any extent, in every member of the group in question.

That is not because of any deficiency in the concept of ethnicity: social life is never uniform in that way and those conditions can only be fulfilled in abstract, economically-reductive models. Rather, the point is that there will be cases of economic decisions and economic activity, the understanding and explanation of which is not possible without some reference to features of an ethnic group (cf. how many economic decisions may have a gender dimension, such as the relative prioritization of spending on a car and on a house, or how much is spent on clothes and hairdressing by an individual). Moreover, it means not only that ethnicity (like gender) sometimes explains behaviours and outcomes that will otherwise lack adequate explanation, but also that social explanations can be grounded in and be developments out of the categories of practice. All the examples of explanation given in this and the previous paragraph are ones which are available at the level of practice and are standardly used by actors. While social science can develop such explanations to a higher standard of systematicity and rigour, it can do so without postulating any theoretical entities or making a radical break with ordinary language concepts (*pace* Banton, 2012; Brubaker, 2013). It follows then that it is not the case that ethnicity is always an *explanandum*, never an *explanans*; nor that explanation always requires theoretical (i.e., non-practice based) postulates. Hence it is mistaken to make a

*categorical* or absolute dichotomy between the concepts of theory and the concepts of practice.<sup>1</sup> A further difficulty of the view we are critiquing is that it is dependent on, indeed it promotes the idea of a universal template of rationality of the kind: 'any person in these circumstances regardless of their ethnic consciousness or affiliation will choose to act in the same way', and so any deviation from a standard rational response is due to sub-optimal rationality or due to factors external to the group. Social scientists do often assume a standard rationality to explain behaviour (e.g., economic agents buy low and sell high; hungry people will riot) but also should be open to considering evidence for differential behaviour which is equally reasonable. The reasonableness may be due to the fact that it fits the expectations of a culture or a way of thinking and living that is what one does in the circumstances. This culture may be the culture of an organization (of the BBC rather than of Sky) or of a place (London rather than the Orkneys) or it may be of national groups (Chinese rather than Japanese) or of ethnic groups (British-Pakistanis rather than British-Chinese), and so on.

## What is Ethnicity?

Our understanding of ethnicity is of a form of identification with groups defined by descent, where a number of such groups are present. The element of identification, and with it community norms and structures and the inter-subjectivity that constitutes a group, is what distinguishes ethnicity from a predominantly ascriptive identity such as that of a 'race'. The idea of ethnicity as discrete, bounded populations is simplistic and false; yet there are real differences between groups of people such as British Pakistanis and the White British, and, whatever other groupings may be contained within these, these differences are usefully conceptualized as those of ethnicity. The concept of ethnicity allows us to capture the historical, the element of agency and meaning 'from below'. These may be ambivalent and subject to change, including an intensifying of group consciousness in the face of external contact or domination and a projection of a (re)imagined past in order to account for a certain groupness. Nevertheless, there is nothing inherent in the character of ethnicity such that it always requires 'external' explanations and that reference to ethnicity is never explanatory. As already indicated, however, an ethnic group is partly shaped by outsiders, usually a dominant group. Ethnic groups, in their subjectivity as well as socio-economic circumstances, are creations within political and ideological processes. But these formations are not simply 'imposed' but the outcome of power relations, struggles, negotiations, shifts in circumstances and meaning, in which subordinate groups may be far from passive. This element of collective agency is not confined to the political or oppositional. If outcomes are to be explained as an interaction between ethnic minority agency (ethnicity, for short) and discriminatory and disadvantaging factors (such as 'ethnic penalties'), then we must be able to identify the effect of both these sets of factors. Perhaps the best example of formation from outside is 'racialization' but before we turn to that in the next section, we state here five dimensions of ethnic 'difference' that cannot be reduced to external explanations, which Modood identified some years ago (Modood, 2005):

1. *Cultural distinctiveness*: norms and practices such as arranged marriage, existence of specific gender roles or a religion. Of course, these norms and practices will to some extent be contested within the group and will modify and perhaps even disappear over time. The cultural distinctiveness therefore does not merely lie in conformity but also in the fact that one feels one needs to engage with those practices. The way that some Muslim women are reinterpreting Islamic gender norms is a very good example.
2. *Disproportionality*: a group may be marked by a disproportional distribution of a characteristic that is not distinctive (e.g., high unemployment); while the distribution may be a structural product of opportunities and obstacles within the wider society, it can shape attitudes within the group, as well as to the group, a sense that they are not typical but different (e.g., poor, brainy, sporty, etc.). Moreover, the disproportional presence or absence of certain ethnic minorities in certain occupations may be to do with racism or features of a particular labour market but they may also be due to, for example, an ethnic group particularly favouring a certain profession (e.g., medicine) or, for example, not working with meat products.
3. *Strategy*: responses to a common set of circumstances (e.g., high unemployment) may lead some groups to become demotivated or politically militant or self-employed; where differential strategies persist they can come to contribute to group consciousness and to distinguish groups.
4. *Creativity*: some groups are identified with some innovations (e.g., longer shop-opening hours, or a clothes style) even though they get taken up by the mainstream.
5. *Identity*: membership of a group may carry affective meanings that may motivate or demotivate, e.g., black pride in a history of resistance to oppression, or as Muslims, we must aid fellow Muslims in a time of need.

Our concept of ethnicity, then, assumes that it is a form of inter-subjectivity consisting of norms and behaviours which have an effect on and are shaped by socio-economic structures such as those of, say, education and employment, as well as are affected by the treatment of other, especially dominant (ethnic) groups. An implication is that behaviours vary by ethnic group; which means that it can be a source of differential education and employment profiles (for example in relation to education, see Modood, 2004).

## Racialized Ethnic Minorities

There is no doubt someone's ethnicity or perceived ethnicity can be a ground for discrimination against them in contexts such as employment. Ethnic inequalities research, specifically quantitative analysis of, say, discrimination in labour markets, or of 'ethnic penalties' (which are unable to disentangle discrimination from other factors in a 'penalty') as pioneered by Heath and others (Cheng and Heath, 1993; Heath et al., 2008) is not really interested in ethnicity. Their focus is on how non-members (typically whites) perceive and treat ethnic minorities or, more generally, on the effects of processes and

structures such as labour markets. To the extent that these researchers identify an ethnic group feature (e.g., proficiency in English language) it is in order to factor it out so that they can determine the external effects upon an ethnic minority group. For example, the effect of racism or the racialization of an ethnic group (Brynin and Güveli, 2012). While racism in modern Europe took a biologicistic form, what is critical to the racialization of a group, the treating of a population as a 'race' is not the invocation of a biology but a radical 'otherness' and the perception and treatment of individuals in terms of physical appearance and descent (Miles, 1989). Groups identified by physical appearance and descent can be racialized by reference to aspects of 'culture' – e.g., their language, customs, family structures and so on may be deemed 'backward' or a cause of their inferior socio-economic position. Post-war racism in Britain has been simultaneously culturalist and biological, and while the latter is essential to the racism in question, it is, in fact, the less explanatory aspect of a complex phenomenon. Biological interpretations have not governed what White British people, including racists, have thought or done; how they have stereotyped, treated and related to non-whites; and biological ideas have had increasingly less force both in the context of personal relationships and in the conceptualization of groups. As white people's interactions with non-white individuals in Britain increased, they did not become necessarily less conscious of group differences but they were far more likely to ascribe group differences to upbringing, customs, forms of socialization and self-identity than to biological heredity (Modood, 1997).

Once we recognize that racialization and racism is not necessarily and always tied to biology but can be a form of cultural racism, the way is open to note that religious identifications too can be a basis of racialization and hence of ethnic penalty type analyses. Indeed, non-Christian religious minorities in Europe can undergo processes of racialization where the 'otherness' or 'groupness' that is appealed to is connected to a cultural and racial otherness which relates to European peoples' historical and contemporary perceptions of those people that they perceive to be non-European (Goldberg, 2006). For example, how Muslims in Europe are perceived today is not unconnected to how they have been perceived and treated by European empires and their racial hierarchies in earlier centuries (Gottschalk and Greenberg, 2008). This is because their perception and treatment clearly has a religious and cultural dimension but, equally clearly, bares a phenotypical component.

Thus, colour racism and cultural racism can act in conjunction with each other to determine the fate of various groups by marginalizing them. However, given that culture or ethnicity is not merely a product of racialization, we can also observe that the culture or ethnicity can operate as a source to resist marginalization and other structural barriers by developing various alternative strategies which help the groups in question to reduce or possibly to circumvent the negative impact of these external forces. In what follows we expand this latter point further.

## **Ethnic Penalties and Ethnic Strategies**

Ethnic differences in the British labour market are a well-established finding in the literature. While most of the non-white ethnic groups face an ethnic penalty in unemployment (Khattab and Johnston, 2013, 2014), different groups experience different levels of these penalties (Khattab, 2009, 2012). For example, the literature ranks Indians above

Pakistanis, Bangladeshis and Black-Africans in terms of their labour market outcomes and socio-economic attainment (Li and Heath, 2008). Black-Caribbeans are just above Pakistanis and Bangladeshis. The latter groups are more likely to experience long-term unemployment, are under-represented within the professional and managerial positions and have fewer chances of socio-economic mobility than Indians (see also Modood et al., 1997: 138–43).

Some of these ethnic differences are likely to be associated with racism and unfair practices by employers on the grounds of statistical and taste discrimination (Becker, 1957; Phelps, 1972). However, as we argue in this article, some of these differences are also likely to be associated with different ethnic practices and strategies.

Using information on the self-assigned ethnic background, in this study we were able to define six ethnic groups. These groups will be used in the analysis to examine labour market penalties in relation to unemployment. However, given, what we have said above there is a question of to what extent the differences that might be found are the result of external forces (e.g., racialization and discrimination), or of ethnically distinct behaviours and alternative strategies or both? For example, if two ethnic groups, after having controlled for characteristics such as qualifications and geographic location, are found to have quite different levels of unemployment, how can we determine that the difference is due to the fact that one group has fewer responsive strategies to unemployment or that there is more discrimination against it? This problem particularly arises with ‘ethnic penalty’ studies, which typically do not have data on either of these contingencies but nevertheless believe that most of whatever cannot be explained by variables contained in the data is likely to be discrimination (and not due to ethnic minority strategies). This study is no exception; it faces the same challenge. However, we utilize a new approach that to the best of our knowledge has not been used before and that allows us to identify the impact of group alternative strategies on ethnic penalties. We employ the longitudinal Labour Force Data to trace the employment behaviour of groups across five consecutive quarters. Analysing the longitudinal data using Cox regression and mixed effect models improves our ability to examine how ethnic penalties in unemployment changes over time when modelled against ethnic strategies such as turning to self-employment during economic recessions. Previous international or comparative studies suggest that some but not all post-immigration minority groups reduce their exposure to unemployment by increasing their presence in self-employment (Abada et al., 2014; Van Tubergen, 2005; Zhou, 2004). Partly drawing on Raijman and Tienda (2000), Zhou instances an example of an intergroup difference in contemporary USA:

Korean business owners often consider business ownership as a strategy to cope with problems associated with blocked mobility, but do not want their children to take over their businesses. Hispanic entrepreneurs, in contrast, often view entrepreneurship not just as an instrument to overcome discrimination but also as a strategy for intergenerational mobility. (Zhou, 2004: 1047)

Van Tubergen’s cross-national study of 17 Western societies, on the other hand, found that ‘immigrants from predominantly non-Christian countries of origin tend to be more often self-employed than immigrants from Christian nations’ (Van Tubergren, 2005: 726). In relation specifically to England, it has been found that while Indians are likely

to be drawn to self-employment for positive reasons, Pakistanis are much more likely to resort to self-employment as a way to avoid discrimination and unemployment (Metcalf et al., 1996).

## Data, Methods and Analysis

In order to conduct the analysis, we have utilized five longitudinal quarters from the Labour Force Survey LFS (January–March 2008 to January–March 2009) which yield a sample of 7,167 individuals that have been interviewed at each one of the five quarters. This particular dataset is ideal because it provides very detailed information on the labour market behaviour of individuals while the longitudinal aspect of the data allows us to examine how this behaviour changes over time.

The analysis has been conducted in three stages. In the first stage, we draw on the work of Carmichael and Woods (2000) and Brynin and Güveli (2012) to calculate the ethnic penalty. At each quarter of the five LFS quarters we used two logistic regression models. In the first model, we calculated the predicted unemployment probabilities while controlling for individual and human capital characteristics while excluding the ethnic background. This model has yielded the predicted probability of unemployment as it should be in the real world without the influence of the ethnic background. In the second model, we have included the ethnic background along with the other personal characteristics yielding the predicted unemployment probability with the influence of ethnic group membership. The difference between the two models gives the net ethnic penalty in unemployment. This first stage will not be presented in this article but can be made available upon request. Instead we will present the final outcome of this stage, namely the net ethnic penalties for each group across the five LFS quarters (see Table 2).

In the second stage of the analysis, we employed a Cox regression analysis model to estimate the shift from employment to self-employment during the five LFS quarters as a function of ethnicity. This analysis helps answer the question whether some ethnic groups have turned to self-employment more than others. This analysis has been carried out using the Cox Regression procedure in SPSS (Table 3 and Figure 1).

In the third stage of the analysis, we used a longitudinal mixed effects model to regress the ethnic penalty in unemployment against self-employment interacted with ethnicity. This analysis allows us to assess the impact of self-employment on the ethnic penalty in unemployment for the different ethnic groups while controlling for the covariance across LFS quarters, as we assume that observations across quarters for each individual are not independent. We have carried out this analysis using the linear mixed model procedure in SPSS and then have repeated the same analysis using the MLwin software to check the accuracy of the analysis and estimates. The results obtained from both software were similar (Table 4 and Table 5).

The variables we employed in the three-stage analysis were as follows:

### *Dependent Variables*

Unemployment: was measured as a binary variable using the standard ILO measure taking the value 1 if unemployed and 0 if employed.



Ethnic penalty in unemployment: as discussed earlier, was measured by calculating the difference in the predicted probability of unemployment before and after controlling for ethnicity.

### *Independent Variables*

*Ethnicity.* Measured using the standard question of ethnicity available in the LFS. The original question was recoded into six categories of ethnic groups: White-British, which was used as the reference group, White-Others, Blacks, Indians, Pakistanis-Bangladeshis, and Others.

*Sex.* Coded as 1 for men and 2 for women. Women was used as a reference group.

*Age.* The analysis was restricted to people aged 16–64 years and this variable was used in bands of 5 years each except for the first age group of 16–19 which had 4 years. The latter group was also used as the comparator.

*Marital status.* This variable was recoded into three categories of married, divorced or separated and single, which was used as the comparator.

*Region of residence.* Due to the high concentration of ethnic minorities in the area of London, we have included a measure of their spatial concentration by using the region of residence which was recoded into three categories: Inner London (the reference category), Outer London and the rest of the UK.

*Qualification.* This variable is the main measure of human capital. It has been recoded into four categories: degree or above, higher qualification, low to high secondary qualification, and no qualification as the reference group.

*Self-employment.* This variable was used as the main independent variable in the linear mixed effect model. It has been utilized as a dummy variable coded 1 for self-employment and 0 for employees with the latter used as the comparator.

### **Findings**

Table 1 presents the unemployment rate for each ethnic group across the five consecutive quarters. It shows that White-British and Other-Whites experience the lowest level of unemployment at each quarter. However, the trend amongst the majority White-British is on the increase. In quarter five (January–March 2009), they faced a higher unemployment rate (4.5%) than in the first quarter (2.9%). This increase in unemployment might be related to the deepening of the recession during that period. All of the other non-white groups faced a much higher unemployment with Pakistanis-Bangladeshis facing the highest level of unemployment (14.7% in first quarter and 13.5% in the last quarter).

**Table 1.** Unemployment rate by ethnicity and quarter, longitudinal LFS 2008–2009.

	January–March 2008	April–June 2008	July–September 2008	October–December 2008	January–March 2009
Other whites	4.0%	4.8%	5.3%	3.2%	4.5%
Blacks	9.8%	11.1%	12.5%	8.0%	11.3%
Indians	11.3%	3.8%	10.5%	11.9%	8.8%
Pakistanis-Bangladeshis	14.7%	9.1%	8.1%	5.6%	13.5%
Others	5.6%	8.3%	11.4%	8.1%	10.4%
White-British	2.9%	3.1%	3.6%	3.9%	4.5%
Total	3.2%	3.5%	4.1%	4.1%	4.8%
N	4,672	4,695	4,728	4,709	4,686

**Table 2.** Ethnic penalty\* in unemployment across the five quarters, longitudinal LFS 2008–2009.

	January–March 2008	April–June 2008	July–September 2008	October–December 2008	January–March 2009
Other whites	0.98	1.24	1.43	-0.76	-0.16
Blacks	7.41	7.69	8.59	4.63	7.41
Indians	10.47	1.60	8.20	9.06	6.13
Pakistanis-Bangladeshis	14.45	9.04	3.73	1.12	6.46
Others	3.01	5.51	7.43	5.71	7.01
White-British	-0.19	-0.20	-0.36	-0.16	-0.14
Total	0.25	0.16	0.09	0.07	0.19

\*Calculated by the difference in the predicted probability with and without taking ethnicity into account.

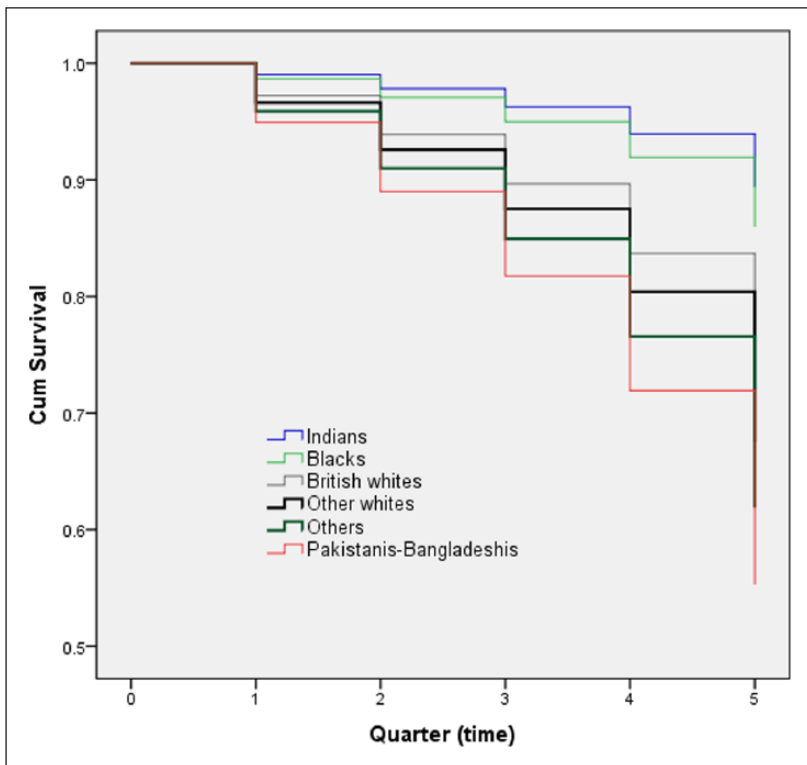
Table 2 presents the net ethnic penalties in relation to unemployment. These ethnic penalties have been calculated by subtracting the difference in the predicted probability of unemployment using two logistic regression equations at each quarter (with and without controlling for ethnicity). The difference between the first equation and the second equation yields the net ethnic penalty (Carmichael and Woods, 2000).

It can be seen that these ethnic penalties are positive and substantially higher amongst the non-white groups and follow the same pattern as the real unemployment rates which have been presented in Table 1. However, these penalties are slightly lower compared with the real unemployment rates in Table 1. It is quite possible that some of the initial differences that have been observed in Table 1 are due to individual and human capital differences. In Table 2, we control for these individual and human capital characteristics, but some substantial penalties still exist which might be attributed to discrimination or differences in the kind and level of strategies that these groups utilize in coping with unemployment. In the next analysis we examine the hypothesis that self-employment is used by different groups to different degrees as a response to unemployment.

Moving on to the results of the Cox regression, Table 3 and Figure 1 show that Pakistanis-Bangladeshis, Others and White-Others are the least likely to have stayed on in the status of employee rather than turning to self-employment. They appear to have moved to self-employment during the five LFS quarters at a faster pace than

**Table 3.** Cox regression (survival analysis) for examining the shift from employment to self-employment.

	B	SE	Wald	Exp(B)
Ethnic penalty	0.02	.013	3.62	1.025
Ethnicity			58.99	
Other whites	0.20**	.078	6.76	1.224
Blacks	-0.75**	.258	8.47	.472
Indians	-1.05**	.281	13.92	.350
Pakistanis-Bangladeshis	0.61**	.163	14.19	1.849
Others	0.40**	.138	8.63	1.498
-2 Log Likelihood	Chi-square 70.94 (df = 6) $p < .001$			



**Figure 1.** Estimated cumulative probability (survival) of staying on in employee status by ethnic group.

White-British. Contrary to this, Indians and Blacks were the most likely to stay on in the status of employee. The question that needs to be asked here is whether by turning to self-employment, they have reduced the unemployment penalty during that period. Table 3 helps answer this question.

**Table 4.** Multivariate mixed effect model for the impact of self-employment on ethnic penalties.

Parameter	Estimate	SE
Intercept	-0.28	0.02
Other whites	0.35**	0.08
Blacks	6.26**	0.16
Indians	6.17**	0.15
Pakistanis-Bangladeshis	4.76**	0.22
Others	5.99**	0.14
Self-employment	0.08	0.04
Other whites × self-employment	0.24	0.16
Blacks × self-employment	0.13	0.58
Indians × self-employment	-2.65**	0.65
Pakistanis-Bangladeshis × self-employment	-0.59	0.42
Others × self-employment	-2.19**	0.26
Level-2 variance	1.08**	0.025

\*\* $p < .01$ .

Table 4 presents the results from the longitudinal analysis in which we modelled ethnic penalties as an outcome of ethnicity interacted with self-employment while controlling for the dependence (and variations) between individual cases across the five quarters. The analysis shows that compared to majority White-British, all non-white groups have a significantly higher penalty within the category of employees. Self-employment amongst majority group does not have any influence on their unemployment. However, for three non-white groups, self-employment seems to reduce their ethnic penalty: Indians, Pakistanis-Bangladeshis and Others. Although the coefficient of self-employment amongst Pakistanis-Bangladeshis is negative, which indicates a reduction in the penalty, it is statistically insignificant, most likely due to small sample size. For the remaining two groups of Blacks and Other whites, self-employment does not make any difference.

Indians and Others manage to reduce their initial penalty by 2.65% and 2.19%, respectively. Likewise, Pakistanis-Bangladeshis succeed to reduce their unemployment penalty, but at a lower rate of 0.59%. This suggests that self-employment operates differentially amongst different groups. It might also suggest that some groups could be utilizing the option of self-employment more than others as a way to survive in a labour market operating under the pressure of a recession. To analyse these results further, we have calculated the estimated marginal means of ethnic penalties for each group by employment status. These results are presented in Table 5.

The estimated marginal means confirm the previous results. Indians, Others and to a lesser extent Pakistanis-Bangladeshis were able to reduce their unemployment penalty via turning to self-employment. For these groups, the unemployment penalty was lower in the case of self-employment, whereas for Blacks and Other-whites the unemployment rate was even slightly higher in the transition to self-employment.

**Table 5.** Estimated marginal means of ethnic penalty for self-employment and employees across the ethnic groups.

	Self-employed			Employee		
	Mean	SE	df	Mean	SE	df
Other whites	0.38	0.15	9261.96	0.07	0.08	4856.94
Blacks	6.18	0.56	4665.36	5.97	0.16	4557.76
Indians	3.31	0.63	4271.02	5.89	0.15	4405.65
Pakistanis-Bangladeshis	3.97	0.36	4241.56	4.48	0.22	4417.25
Others	3.59	0.24	7833.19	5.71	0.14	5047.36
White-British	-0.21	0.04	8070.21	-0.28	0.02	4664.28

## Discussion and Conclusions

In this study, we have questioned some of the bases of theoretical scepticism about the concept of ethnicity and demonstrated its empirical existence through an innovative use of some quantitative techniques. Specifically, we have critically discussed two major theoretical challenges facing sociological research on ethnicity in general and particularly the 'ethnic penalties' approach: the existence of ethnicity (whether ethnicity is real) and the explanatory power of ethnicity. We argued that while ethnicity is partially produced, shaped and reinforced by external processes such as racialization and associated unequal power relations, it cannot and indeed should not be reduced to them. In some cases, such as in the social and economic realms we turn to external processes such as racialization in order to explain between-group differences and inequality. This is appropriate to explain discrimination, exclusion and ethnic or ethno-religious stratification but it does not exhaust explanations of ethnic differentials in relation to socio-economic phenomena such as unemployment and self-employment. We specifically illustrate this by looking at an example of the relationship between unemployment and self-employment across the key ethnic minorities in Britain.

Most quantitative sociological research in the UK has primarily followed a residual approach, in which the unexplained residual differences in labour market outcomes between minorities and the majority have been attributed to discrimination and other external factors (see, for example, Brynin and Güveli, 2012; Heath and Cheung, 2007; Heath and Martin, 2013). We do agree that some of the ethnic and religious differences reported in these studies are associated with structural barriers including direct and indirect discrimination. However, some groups, precisely because they are aware of the negative impact of the external factors, forge different tactics and strategies which allow them to reduce the impact of discrimination or consolidate their success (for example, Jews in the US: Botticini and Eckstein, 2005; Burstein, 2007; Chiswick and Huang, 2008). Accordingly, in this study we argued that ethnic differences in relation to unemployment and self-employment can be partly attributed to differences in ethnic group behaviours and strategies, using the same quantitative modelling used to identify ethnic penalties and discrimination. While there is good evidence that ethnic minorities in British labour markets experience discrimination (not necessarily all of one kind or to the same degree) and it is not in their power to avoid it, its impact can sometimes be

reduced by developing and adopting various strategies and behaviours (which may not be available to all groups equally)

The data presented here have shown that most non-white groups face a penalty in relation to unemployment. The results in relation to the net ethnic penalty presented in Table 1 leave little doubt about that. However, not all minorities respond to unemployment in the same way. The results from the Cox regression analysis and the mixed effect model have provided original systematic evidence that some of these groups (e.g., Pakistanis/Bangladeshis and Others) have managed to reduce the initial net ethnic penalty by turning to self-employment during the five quarters of 2008–2009 studied here.

Thus, in addition to taking external factors and other structural barriers into account, researchers should consider group-based internal factors and processes such as their motivations, their internal solidarity, within-group resources and strategies. We do not suggest, however, that biological descent determines behaviour or cognitive faculties, but emphasize historical experiences (as in the case of Jews: Botticini and Eckstein, 2005, 2007), present motivations (in the case of Polish migrants in London: Eade et al., 2006) and trajectories. Although these can be affected by external factors, they also directly contribute to the dimensions of ethnic ‘difference’ that we identified in the first half of the article.

To illustrate this idea further, in a recent study Khattab and Fox (2014) found that while many ethnic groups in the UK, including the majority White-British, have faced a greater risk of unemployment during the recent recession (2008–2011), Eastern European workers have managed to steer away from unemployment by turning to self-employment and accepting jobs that are not commensurate with their qualifications. This response to the recession was not universal and could not be found amongst other ethnic groups, which, along with our own findings in this study suggests that there is not, and indeed we should not expect, a singular rationality. Instead, we suggest here an ethnic rationality that facilitates different strategies based on the group’s own historical experience, motivation, the availability of resources and priorities – their own distinctive orientation.

We conclude therefore that it is not the case that ethnicity is always an *explanandum* and never an *explanans*; and that it is possible to demonstrate the explanatory power of ethnicity through sophisticated quantitative modelling and not only, as one might expect, through qualitative and hermeneutical studies.

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## Note

1. Indeed, there should be a two-way dialectical flow between practice and analysis, which means we should avoid a scholasticism that treats the categories of analysis and practice as discrete. Calling it 'dialectical' means the interaction is not 'external' (like the wind blowing leaves off a tree) but 'internal', i.e., through the logic of the concepts of practice. So, for this dialectic to be possible, we cannot subscribe to the 'categories of practice' and 'categories of analysis' conceptual dualism (*pace* Banton, 2012; Brubaker, 2012).

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