GOING PLACES

NEIGHBOURHOOD, ETHNICITY AND SOCIAL MOBILITY

EDITED BY SIMONE DELORENZI

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Preface

ippr's 2005 Social Mobility and Life Chances Forum focused on ethnicity and place. The aim was to explore the impact both can have on individuals' life chances and to start developing a shared understanding of the way to address them, drawing from the latest research and the common experiences in Europe and the United States.

It is widely understood that the neighbourhood in which children grow up can have a profound effect on their behaviour and attitudes. Where people live influences their inclusion: for example, poor neighbourhoods tend to have fewer employment opportunities, poorer public services and higher crime rates. In these neighbourhoods, the prevailing culture is often one of negativity towards education and those who choose not to take part may become involved in the kind of antisocial behaviour that earns respect from peers. Turning to crime and drug dealing can be perceived as the only opportunity to get on in the world.

Housing trends in the UK have evolved towards increasing segregation. This means that poor children are often brought up in places where all their neighbours – and all their fellow pupils at school – suffer poverty and disadvantage. This trend should be reversed. Poverty needs to be deconcentrated and an important way of doing this is through building new sustainable and mixed income communities, and regenerating older neighbourhoods.

The picture is further complicated by the fact that many of the most deprived neighbourhoods are becoming more ethnically diverse, at a time when the previous consensus about how to manage greater diversity is being questioned. The example of the Netherlands should act as a warning. Formerly a multicultural role model, it is today caught up in one of the most intense identity crises in Europe. Perceptions of immigrants as welfare dependent can easily become a channel through which hostility can surface. It is for researchers to question the rhetoric and for policymakers to pre-empt possible backlash.

Rather than focusing on ethnic diversity *per se*, more needs to be done to address inequality and help the most vulnerable and disadvantaged, black and white. Indeed, it is not possible to categorise poverty along clear ethnic lines. Some of the most striking examples of high levels of social mobility in the UK can in fact be found among non-white communities. When comparing like with like in terms of educational and other opportunities, many from minority ethnic groups make better progress than their white British counterparts – with the important exception of the Pakistani and Bangladeshi communities.

At the same time, many poor, ethnically diverse communities are characterised by disproportionate levels of unemployment, poor health and relative underachievement in education. There is a need to develop a better understanding of the specific barriers that minority ethnic communities need to overcome and to promote more targeted policies.

This book helps us understand the complex relationships that determine people's life chances in Britain. The evidence and analysis that are presented make an invaluable contribution to these discussions and we hope it will help galvanize the cause behind the need for greater action in these areas.

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Introduction

Simone Delorenzi

Geographical mobility has always been an important means for people to achieve social mobility: many move to improve their conditions and to obtain better life chances, for themselves and their children. This is true both of international and internal migration, as attested by the relative shift in population away from de-industrialised areas and the increasing concentration of population in the south-east of England.

The population flows that these mobile individuals and families create are linked to wider economic and industrial trends. But their need to move – and their capacity to do so – depends significantly on their position within society. The benefits that a person gains from moving, say, to an area with better employment opportunities vary widely depending on where they come from, the conditions in which they migrate and their individual characteristics. Those who live in highly deprived areas face significant barriers to moving to places with better opportunities. And immigrants trying to integrate within their new environment have to overcome further barriers, whether linguistic, economic, social, cultural or again – if they end up in a deprived area – physical.

The aim of this book is to explore some of the complex links between social and geographical mobility or rather, as often happens, lack of mobility. The interest in this set of issues comes from a wider perspective set by ippr's programme of Social Mobility and Life Chances Forums and the successive themes that they have explored since 2003 (it is the papers from the November 2005 Forum, which took place at HM Treasury, that make up this book). Initial events assessed the extent of social and intergenerational mobility in the UK and explored the factors that facilitate or inhibit it (Delorenzi *et al* 2005). This confirmed the wide academic consensus that individual and family characteristics are what matter most for people's life chances. In turn, this was reflected in the focus of previous Forums on education and early years policies.

This book takes up the challenge of looking at some of the issues relating to the fact that individuals belong to different groups – whether defined by where they live or by where they come from. It seeks to ascertain the role and impact both of place and ethnicity in individuals' life chances, and the degree to which these create, or remove, barriers to social mobility. It also seeks to examine some of the numerous policies that have sought to tackle deprivation and/or unequal life chances, through targeting specific communities defined either by their geographical location, their ethnicity or both. Hence, the policies explored range from area regeneration and housing to the integration of immigrants.

To enjoy the support that can ultimately determine their success, all policies need to be explained and based on a degree of political and popular consensus. In recent years, policies relating to immigrant integration and diversity have upheld a special position. Not only are they more likely to be subject to public and political scrutiny, they have also been depicted as the ultimate test for the welfare state, in a debate around the idea that increasing diversity might undermine solidarity and the willingness of people to pay for a large welfare state.

This debate is important in relation to social mobility, because the welfare state is considered as one of the main tools for creating more equal opportunities for all. Ultimately, it shows that integrating minority ethnic groups is also important in creating a society that makes sure everyone has equal opportunities.

The immediate backdrop to the November 2005 Social Mobility and Life Chances Forum (whose papers form this book) provided a stark illustration of its key themes and how they interrelate. The riots in France in November 2005, which culminated in two weeks of vandalism, cars being set alight and confrontations with the police in most main French cities, laid bare the segregation that many minority ethnic groups experience in disadvantaged suburbs.

The situation showed the shortcomings of the French model of integration of its minorities. But it also echoed events in the United States and UK during previous months: the plight suffered by the predominantly poor black victims of Hurricane Katrina in August and, in October, the inter-community riots in Lozells, one of Birmingham's most disadvantaged areas, fuelled by feelings that Asians were taking advantage of Afro-Caribbeans. Both these situations showed the risks posed by similar juxtaposition of socio-economic disadvantage and ethnic differences.

This book aims to provide a contribution to the debate that these events have generated and that are likely to retain their saliency in the next few years. This introduction gives an overview of the main arguments developed in the later chapters and also reflects contributions not included in this collection and the discussions that took place during the Forum.

Equal life chances and place

In the UK as in most countries, there are wide socio-economic disparities between different locations – from the regional level to that of individual wards. Wider national and international trends affect different areas in different ways, and the fate of the more disadvantaged areas, as a result of economic and social factors, public order or equity, has concerned policymakers for many decades. But which affects social mobility and life chances more: place or individual and family characteristics? The research presented at the Forum shows that the evidence for the impact of place is significant

in some areas, and this certainly leaves space for devising policies that tackle geographical disadvantage.

Both Alan Berube, from a US perspective (Chapter 1), and Stephen Machin, who presented the Gibbons *et al* paper at the Forum (Chapter 2), agree that individual and family characteristics have a greater impact on outcomes than neighbourhood characteristics do. Individuals living in areas of concentrated disadvantage have worse outcomes in education, employment, health and involvement in crime.

But, statistically, most of these factors can be explained through their individual characteristics, including low parental educational attainment and income. Their outcomes are not very different from those of individuals with similar characteristics living in better-off areas. This still leaves space for 'area effects', such as peer pressure and poverty of aspirations. These additional factors might not be adequately captured by statistical analysis – largely because they are the aggregate of individuals who come to live in the same place for the very reason that they share these characteristics to start with.

Experiments carried out in the United States also showed mixed evidence of cause. A number of programmes have aimed to move people living in extreme deprivation from inner cities into more affluent or mixed neighbourhoods. Those who took the chance to move out obtained better outcomes overall. But Alan Berube notes that these effects may have been exaggerated by the very high levels of deprivation initially suffered, and the impact of discrimination and segregation on neighbourhoods dominated by African-Americans.

Both these aspects are rarely found in the UK, where there is less ethnic segregation and a higher number of moderately deprived areas, with only a few very highly deprived areas. As a result, simply moving people out is unlikely to have the same impact. However, a closer look at the dynamics between place and life chances using different measures – economic activity and employment, education, health and crime – shows that areas and neighbourhoods do come into play, and may have a role in helping policymakers.

Economic activity and employment

There is clear evidence of substantial and persistent spatial differentials in unemployment, economic inactivity and other dimensions of economic activity (Buck 2005). However, this is likely to be due primarily to compositional effects. For example, in the housing market, people from similar backgrounds are sorted through their purchasing power or tastes. These factors are more prevalent than contextual effects, where the employment prospects of individuals in deprived areas may be lower than those of similar individuals in better-off areas. There are regions where the spatial pat-

tern of job loss, due to industrial restructuring, has led to structural unemployment. But this does not explain why small pockets of unemployment persist in areas or wards that are right next to booming areas.

However, qualitative research shows that it is indeed more difficult for people in deprived neighbourhoods to find employment. People in these areas tend to have more limited access to information, support and connections into the labour market (Buck 2005). Even when not insuperable, physical distance, isolation and lack of confidence may create a perception that few opportunities are available. Discrimination based on place of residence may also hinder employment. Some might be tempted to migrate to areas with more opportunities. But the cost of housing and the lack of national labour market information makes moving a significantly more risky option for those without qualifications than it is for graduates, who tend to move easily across the country to adjust to labour market demand.

All these real and perceived barriers are largely down to individual characteristics rather than a neighbourhood effect, and people from these neighbourhoods might well carry the barriers with them even if they are given the opportunity to move to different areas. But the issues still need to be addressed, in places where these difficulties are concentrated in one location, and it makes sense to tackle them at an area level – for example, by improving local employment services.

Another reason why area effects may not show up in statistical analysis is that those who do manage to improve their situation and increase their income tend to move out of deprived areas. They are then replaced by people with similar initial profiles and create a zero-sum game where people move in and out of some areas, without fundamentally changing its composition. This suggests that policies could create a virtuous circle by seeking to fight some of the more negative effects of neighbourhood deprivation through improving public services and retaining higher-income households.

Gibbons *et al* in their chapter suggest that the solution to employment differentials may lie less in trying to move low-skill jobs to deprived regions than in fostering greater economic integration, through seeking the high value-added economic activity usually associated with well educated labour. This is because in today's service economy, the spending power of well educated workers generates jobs for those with fewer skills. This does not preclude helping those who want to move out of their deprived areas. More portable forms of housing benefit for these families would increase their mobility and their capacity to adapt to changing circumstances and economic conditions.

Education

In Chapter 3, Ruth Lupton presents a similarly mixed picture on the evi-

dence of neighbourhood effects on education. It is widely acknowledged that there are major disparities between schools in different types of areas. Neighbourhood has been shown to have some impact – for example, on test scores for four- to five-year-olds. Overall, neighbourhood effects are real, but are, again, always less influential than individual and household effects. However, there is abundant qualitative evidence that peer groups have an influence on attainment and that poor labour market prospects affect aspirations, as do the availability of alternatives to education, such as paid labour, crime and drug dealing.

Neighbourhoods are particularly important in the way they influence the quality and effectiveness of schools – for example, by affecting teacher recruitment and retention. This may explain why poor neighbourhoods tend to have poor schools. This is important, because schools probably account for between eight and 15 per cent of attainment differentials. Thus, raising the quality of schooling in deprived areas can be expected to yield benefits and should be a priority, acknowledging that schools in poor areas perform a somewhat different role than in better-off areas, for example in socialisation.

Part of the neighbourhood effect may be due to the composition of schools. Admissions systems based on proximity to where pupils live, or 'catchment area', mean that children from low-income families tend to attend schools and classes with a majority of other children from low-income families, and this may affect their general attitude to schooling. The average pupil attainment in a school decreases rapidly as the proportion of pupils from disadvantaged backgrounds increases.

These types of compositional effects might be offset by different organisational models, along with more resources for schools in poor neighbourhoods. Even if placing children from poor backgrounds in better schools may not have a direct impact on their attainment, fighting segregation may be a valuable aim, if we are to achieve the type of economic integration mentioned earlier. Schools are one of the main factors influencing where the young parents who can afford to choose decide to live. So ensuring good and relatively mixed schools in all areas should bring wider benefits.

Crime and health

Crime and health are two areas in which there is more significant evidence of area effects on life chances. Crime, and the fear of crime, are highly concentrated in particular areas (Bottoms 2005). The crime rates in areas of deprivation reflect the poor educational achievement and lack of economic opportunities experienced in those areas. There is modest evidence of the effects of neighbourhood and peer groups, which are particularly significant for girls, although more mixed for boys.

However, the most significant area effects appear to be on health. It is well known that life expectancy at birth is considerably lower in some areas of the UK than others. The experiments reviewed in Alan Berube's chapter in US cities also show clear evidence of improved physical and, importantly, mental health for people moving away from deprived areas.

Individual characteristics continue to dominate, and account for about 90 per cent of the influence on health outcomes (Mitchell 2005). But an individual's health and behaviour may well depend on what kind of area they live in – for example, through pollution, climate, crime, the quality of housing and the sheer stress associated with living in a disadvantaged neighbourhood.

The evidence suggests that wealth and income are ultimately the strongest factors in influencing outcomes in crime and health alike, so that policies that target economic activity, employment and education appear crucial. At the same time, improving social mobility and equalising life chances is also linked to other aims, such as improving conditions for the most disadvantaged. Even if there are no measurable outcomes in terms of social mobility, improving the quality of life for those who live in areas that are high in crime, pollution or poor quality facilities is important for social justice. It may also help retain those with higher incomes, thereby having a beneficial effect on neighbourhoods.

Thus, there is a strong case for area-based policies. This may not be based on direct evidence of any impact on improved social mobility. But it derives from the aims of social justice – reducing segregation and improving community cohesion – which are no less desirable. These are all factors that, in the longer term, create the possibility of moving towards a more equal society. In the meantime, we need policies that have a combined focus on both individuals and the areas or communities in which they live.

Migration and social mobility

It is easier to isolate the impact of ethnicity, rather than place, on the intergenerational mobility of individuals. But this impact shows itself in complex, and sometimes opposite, ways for different categories of migrants and minority ethnic groups. Recent research that breaks down the life chances for different categories opens up new ways of understanding what mechanisms are at play here.

In Chapter 4, Lucinda Platt shows that, if ethnicity is important in explaining the life chances of individuals, what their migrant parents bring with them is no less crucial. First-generation migrants who hold educational qualifications and come from higher social classes usually experience downward mobility when they settle in the UK. But their children are more likely to improve their position in society than their white British peers.

However, the patterns of transition between the social class of the parents and that of their children are highly differentiated by ethnic group. The ability of privilege to maintain itself across generations is stronger for some groups (white migrants, non-migrants and Indians) than for others (Caribbeans and Pakistanis).

Recent ippr research, presented at the Social Mobility and Life Chances Forum, also alerts us to the fact that immigrants can hardly be considered one homogeneous category (Kyambi 2005). Mapping of new immigrant communities who have arrived in the UK since 1990 shows that their trajectories differ widely according to country of birth. Variations in unemployment rates are striking. They range from almost non-existent among new immigrants born in Finland, Mauritius, Canada and Japan to rates that grossly exceed the UK rate – particularly for those born in Angola, Algeria, Iran and Iraq. Circumstances related to overall employment rates and the conditions of their arrival in the UK, particularly for asylum seekers, play a big part in explaining these differences.

Interestingly, given the overall theme of this book, there are also striking regional disparities, with large and persistent variations in the employment gap. Possible explanations range from the fact that different categories of immigrants settle in different regions to the regional variations in barriers to employment. The high proportion of high-earning immigrants in regions other than London indicates a capacity for all regions to attract and benefit from these potential employees. This hints at interesting ways of tackling area differentials.

The findings from these recent strands of research suggest that integration policy has an important role to play, and needs to be more differentiated – in particular, paying more attention to new immigrants and their socio-economic outcomes. The ippr report (Kyambi 2005) also recommended further investigation into how the proliferation of immigrant diversity affects service delivery, inter-community relations and cohesion. These issues are explored in the third part of this book.

Diversity, solidarity and the welfare state

In recent years, there has been increasing interest in a debate originating from the United States on the impact of ethnic and racial diversity on social cohesion and the willingness of people to contribute to the welfare state. In an increasingly diverse society, so the argument goes, people are less willing to pay for services that they see as benefiting disproportionately immigrant or ethnically different communities (Alesina and La Ferrara 2003). In the UK, this perceived tension between diversity and solidarity (both major themes for European parties of the progressive centre and left) has been dubbed the 'progressive dilemma' (Goodhart 2004). However, the

evidence presented in this book provides a strong rebuttal for this argument.

Introducing a North American perspective, Keith Banting (in Chapter 5) explores the two dimensions of this potential trade-off between support for the welfare state and accommodation of ethnic diversity. He does this by referring both to the *de facto* increase in heterogeneity, triggered by immigration, and to the multicultural policies that some countries use to recognise their minority ethnic groups.

Banting examines the proposition that growing levels of ethnic diversity, or the adoption of multicultural policies, have eroded support for the welfare state, and finds that international comparisons do not support this premise. He particularly emphasises Canada as a counter-narrative, arguing that the distinctive US history in 'race relations' means that all countries may not necessarily be following the US path.

The difficulties in transposing an analysis of the role of diversity across countries is exemplified in this book by the different terms used to describe this diversity. Where our North American authors talk about 'race' and 'African-Americans', British and European authors use the words 'ethnicity', 'black British' or break them down according to their countries of origins, for example. These concepts not only have opposite degrees of social acceptability – or political correctness – in different countries, but they also cover slightly different realities, forged by specific histories of immigration, national formation and segregation. These need to be born in mind when trying to compare attitudes towards diversity across countries.

In his analysis of European trends, Peter Taylor-Gooby questions the idea that the welfare state has irremediably been weakened in recent years, or that all welfare spending is geared towards minority ethnic groups at the bottom (Chapter 6). Immigration has undoubtedly increased from the early 1990s. But a number of factors appear more significant in explaining challenges to European welfare states, including the slowdown in economic growth and an ageing population. Taylor-Gooby also reserves a special role for the changing power relations between political movements.

Historically, the presence of social democratic, socialist and liberal parties in government has been the decisive factor in explaining the creation and scale of welfare states in Europe as compared with the United States. It is also the weakening of these movements that best explains challenges to welfare spending that have taken place since the 1980s, along with the strength of neo-liberal ideology. In many countries, conservative parties have given space to right-wing populism, blaming the social crisis on both immigration and the political establishment, largely associated with the welfare state (Cuperus 2003).

This is a somewhat unnatural alliance. Simply rolling back welfare spending is most likely to hit those whose situation has deteriorated in the past couple of decades. At the same time, the concerns of the disadvantaged parts of the population need to be addressed and established parties need

to reflect on their failure to adequately represent them. Politics can create and sustain an understanding across ethnic groups and the progressive centre and left have a crucial role to play in making the case for solidarity and the welfare state. This challenge is manifold, but part of it has to do with integration policy.

In Chapter 7, Rinus Penninx provides a useful example, describing the way Dutch integration policy has evolved over the past 30 years. The Netherlands has long been considered a model in terms of integration, but has been particularly hit by the rise of populist far-right movements and the highly symbolic murders of one of their leaders, Pim Fortuyn, and the filmmaker Theo van Gogh. Integration policy has evolved from the 'welfare state' model of the 1980s (also later characterised as 'multiculturalist') through to a 'republican' model, emphasising civic integration courses, and on towards the more authoritarian and 'assimilationist' policies of the new millennium. Discourse has seen a parallel change, from a depoliticisation of immigration issues to increasing references to an 'asylum crisis', which has accompanied the rise of the populist movements.

However, despite the rhetoric, many of the earlier instruments of integration are still up and working – particularly at the local level. As a result, a mixed model of integration is currently in place, meshing many elements of the initial welfare state and republican models, accompanied by a more authoritarian discourse and tone.

These are issues that all western countries currently have to grapple with, whatever their past integration record, and whichever type of policies they have favoured. It is also likely that they will all have to move towards a mixed set of policies. Keith Banting argues in his chapter that the European debate opposing assimilation of minority ethnic groups and multiculturalism may be missing the point. The countries with the largest immigrant communities – Canada and Australia – pursue both strategies, combining language courses, teaching of the country's history and the recognition of diversity. Active welfare strategies that facilitate inclusion in the labour market and the economy are also a necessary part of the equation.

Integration policies are an important part of a country's national identity. They tend to be defined centrally, through what can often turn out to be a highly charged debate, in which different political forces may seek to hijack the diversity question to further their own ends. However, ultimately, it is at the local level that integration succeeds or fails. There is a strong argument for devising policies that bring together the two dimensions explored in this book – area deprivation and ethnic segregation – and that address both these issues together. These strategies would need to focus on locally based community cohesion in order to facilitate trust and reciprocity between the majority and minority communities.

Removing barriers to mobility

Individual characteristics remain the most significant in explaining people's social mobility and life chances. Evidence showing the impact of belonging to specific communities – defined geographically or by ethnicity – is more mixed. The impact is very clear in the case of some minority ethnic groups, but harder to disentangle on some measures of area disadvantage.

In one respect this is unsurprising. Social mobility is mainly seen as an individualistic concern anyway: if we all moved up, nobody would see their relative situation improve. But belonging to groups is an integral part of human life, usually for very positive reasons, and it is an aspect that the research and policies relating to social mobility need to take into account. When this membership creates barriers to social mobility, it may not be desirable or feasible simply to expect individuals to abandon their associations. Any policies can only work if they take this membership fully into account. Further research is needed not only on the impact of belonging to particular places or ethnic groups, but also on the interactions between the two.

The term 'integration' is usually used to refer to minority ethnic groups. But the area-based research presented here shows that the need to fight segregation may be equally relevant for disadvantaged groups – particularly with regard to housing and education. Improving the quality of life of those who live in deprived communities is of equal importance, and may create the conditions of future more equal life chances. Public services have a particular role to play in this regard, and there is a strong case for arguing that services in deprived communities should be further improved. It is still too often the case that schools or early years facilities that serve poor communities are themselves at the poorer end of the scale. Further research is required on the way public services could be made more responsive to the particular, sometimes disadvantaged, communities that they cater for.

Targeting resources at specific categories of people can be contentious, particularly when they are defined as 'alien' – a term that can be attributed to members of the white British so-called 'underclass' as much as to newly arrived asylum seekers and second-generation immigrants. Hence rhetoric, and the way in which public spending is justified and explained, has a vital role. Political leaders must take up the challenge showing the gains to be made from a more inclusive and supportive society, while at the same time recognising the challenges posed by diversity.

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1. Overcoming barriers to mobility: the role of place in the United States and UK

Alan Berube

In late 2004 and the first half of 2005, the US media elite caught the mobility bug. Within weeks of one another, three newspapers of national record – *The New York Times*, *The Wall Street Journal*, and the *Los Angeles Times* – each independently published a series of articles describing, by various measures, whether and how Americans are 'getting ahead' today.[1] Collectively, the articles offered a re-examination of a powerful narrative in the United States: that of a classless society, with boundless opportunity awaiting those who choose to seize it.

Why these newspapers all chose to examine the issue at the same time is anyone's guess. But one might wonder why the media elite did not place social mobility on the public radar in the run-up to November 2004, when the nation was embroiled in yet another narrowly contested presidential election. It would have been illuminating to watch candidates Bush and Kerry grapple with the policy implications of changing opportunity and mobility in US society, rather than argue about who was going to give the nebulous middle class a bigger tax cut (and reduce the budget deficit at the same time).

For frustrated US researchers, then, it is quite gratifying – and envy-inducing – to see the issue of social mobility assume a central place in the public debate across the Atlantic. In the UK, the discussion is empirically grounded, its implications are acknowledged across the political spectrum, and policymakers connect the issue to a series of domains, including education, health, safety, and employment. Americans who foolishly argue that the UK is not really a 'foreign' country need look no further.

One important strand of the UK mobility discussion has focused on the role of 'place'. The central questions here seem to be (a) 'Does where you live affect your chances in life?' and (b) 'If so, how much?'. The answers could inform a range of policies regarding housing, schools, regeneration, and welfare – and could help policymakers assess the relative importance of reforms in these areas to broader efforts aimed at enhancing social mobility.

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1 See, for example, the 'Class Matters' series at www.nytimes.com/classmatters, the 'New Deal' series at www.latimes.com/newdeal, and the four-part 'Moving Up' series that ran from May to July 2005 in *The Wall Street Journal*. The series took quite different approaches to the subject, with quite different results. Samantha Henig, 'The Longer View: Two Times and a Journal Look at Class in America', *Columbia Journalism Review*, June 5, 2005.

Notably, the potential influence of place on social mobility received only passing attention in recent US media accounts.[2] But among US sociologists, economists, and policy professionals, the degree to which location might influence life chances – at least for a subset of Americans – has animated a great deal of research, experimentation, and spirited debate. Those efforts have also underpinned a range of US housing policy interventions over the past 10 to 20 years, aimed at breaking the connection between place and poverty.

In that spirit, this chapter offers a brief overview from the US side on what we know about the links between place and social mobility. First, it reviews the evidence on mobility generally, in both the US and the UK, to establish the relative scale of the challenge. Second, it examines both theory and evidence, mostly from the US side, of the role that location might play in determining a series of important outcomes for people. The chapter concludes by assessing the possible implications of US work on this subject for UK research and policy.

Mobility in the United States versus the UK

The phrase 'social mobility' has a pleasant ring to it, partly because it is so vague. It connotes an endless variety of outcomes that might mark transition from one social class to the next. Trends in one's income, wealth, education, occupation, household type, and even values system could be indicative of social mobility. (These various domains are often cited by Americans as indicators of middle-class status (Wolfe 1998).) Understandably, most social science researchers gravitate towards the easily measurable, adopting an economic framework for analysing social mobility.

A second dimension of mobility research concerns timeframe. Some studies focus on transitions within one's lifetime (for example, how a person's earnings in a given year relate to his or her earnings 20 years later) while others focus on intergenerational patterns (relating one's economic status to that of one's parents or grandparents). Both approaches raise important questions for policymakers – and for society as a whole.

The continued prominence of social mobility in the UK policy debate owes a great deal to recent research by Blanden *et al* (2005). Comparing the United States, the UK, and other European nations, they find considerably higher correlations between the earnings of sons and parents in the United States and Britain than they do elsewhere, pointing to lower rates of

2 One *New York Times* story profiled a mother of five, formerly on welfare, whose prospects changed for the better when she met a man, moved her family out of the notorious Robert Taylor Homes on Chicago's South Side, and earned a nursing degree. Isabel Wilkerson, 'Angela Whitiker's Climb.' *New York Times*, June 12, 2005.

intergenerational income mobility in those two countries.[3] Moreover, while in the US mobility seems to have remained static, by their measures it has actually declined in Britain in recent years.

These findings are consistent with research from the US suggesting rather low rates of income mobility across generations, and little change in these rates over time. Solon (1992) first challenged the conventional wisdom of the United States as the 'opportunity society', showing intergenerational income correlations of roughly 0.4. One interpretation of this measure is that a US child born into the lowest-income quintile has only a 25 per cent chance of earning above median income as an adult, and only a five per cent chance of moving into the highest income quintile. More recent measures (Lee and Solon 2004) suggest that these rates remained reasonably stable between 1977 and 2000.

Hertz (2004) demonstrates that the persistence in intergenerational poverty in the US is very closely associated with race. In the United States, poor black children are significantly more likely to be poor adults than are poor white children – a finding echoed by Gottschalk and Danziger (1999).

Within generations, there is evidence that US society is becoming somewhat less socially mobile. Bradbury and Katz (2002) find that across the 1990s, about 40 per cent of US families ended the decade in the income quintile in which they began, versus 36-37 per cent in the 1970s and 1980s. More than half of families in the bottom quintile remained there after ten years. Fisher and Johnson (2002) come to remarkably similar conclusions, looking at data on both income and consumption in the 1980s and 1990s.

One factor that increasingly seems to frustrate social mobility in the United States is income inequality. The further apart the rungs of the economic ladder, the more difficult the climb. Economic forces, including globalisation, technological innovation, and immigration, have contributed to a widening income divide among US families over the past 20 years. Between 1979 and 2000, income for the average family in the bottom fifth of the distribution rose just seven per cent. Among the top fifth, by contrast, the rise was 55 per cent, and half again as rapid for the top five per cent (Mishel *et al* 2004). A similar dynamic is likely to affect income mobility in the UK, which today ranks second only to the United States among industrialised Western nations in standard measures of income inequality.[4]

The United States, evidently, is not quite the economically fluid society that many of us believe it to be. Addressing the root causes of low-income mobility should be of equal, if not greater, concern there as it is in Britain.

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3 Further estimates by the authors suggest even stronger correlations between the earnings of fathers and their sons in the United States than in the UK, and thus lower cross-generation income mobility.

4 Luxembourg Income Study, see www.lisproject.org

The role of 'place'

Myriad factors might account for low levels of income mobility in the United States, as well as in the UK. Inherited traits, such as intelligence or race, might predetermine one's economic station later in life. Parental income may influence the years and/or quality of schooling available to a child, in turn affecting their earning potential. Family financial wealth, too, may provide children with an endowment that enables their future economic success. Bowles and Gintis (2002) find that these factors are all significant, but together explain only one-third of the relationship between the incomes of fathers and those of their sons. Other factors unobservable in the data, such as the influences of behaviour and culture, may be at least as important.

For those curious about the role of place in income mobility, these large, longitudinal studies unfortunately provide little guidance. The data from which they are constructed do not typically permit researchers to distinguish location. Even if one could view the locations of these families in the data, it might be that their choice of location reflects unobservable parental traits and attitudes that together influence later outcomes. Not accounting for these factors might lead one to overstate the impacts of local environment.

Yet there are reasons to believe that where one lives may exert an independent effect on how one turns out. Such an argument is most compelling with regard to deprived neighbourhoods and their residents. The idea that living in a deprived location may itself exacerbate barriers to social mobility is known as the 'area effects' thesis in Britain, or the 'neighbourhood effects' thesis in the United States. These neighbourhoods are proposed to influence several pathways to social mobility, including:

- *Employment.* Living in a deprived area can lead to lower levels of employment by separating people from work geographically, by limiting job networks, or by modifying the social norms surrounding employment so that adults and children attach a lower value to work.
- *Education.* Children from poor neighbourhoods generally attend schools with disproportionate numbers of other children from low-income families, which may reduce the school's capacity to provide quality instruction, and can expose students to negative peer pressure that lowers their educational performance.
- *Crime.* People living in deprived areas face higher levels of economic need. They may feel they have less to lose from forfeiting a legal job and face lower social recrimination for engaging in illicit activities. All these factors may contribute to the higher levels of criminal activity among people living in deprived areas, thereby further limiting their future economic potential.
- *Health.* Health care may be of lower quality in poor neighbourhoods, and the combination of substandard housing conditions, crime-related

stress, reduced access to nutritious food, and lower stigma attached to risky behaviours like drug and alcohol use may contribute to poorer health outcomes for residents.

Put another way, the concept of 'area effects' suggests that a poor individual living in a poor neighbourhood experiences worse outcomes than a demographically and economically identical individual living elsewhere (Ellen and Turner 1997).

Much of the literature about the existence and scale of these effects originated in the United States. In the early 1980s, the extreme levels of deprivation found in US inner cities, particularly in predominantly black communities, drew the attention of researchers to the effects that these places might exert on their inhabitants (especially children). The United States has also been more aggressive in testing neighbourhood effects, using experiments to control for unobserved characteristics that may distinguish residents of poor neighbourhoods from those of middle-class neighbourhoods.

More recently, the UK government's focus on disadvantaged communities has encouraged similar (though less 'interventionist') research on how area deprivation may influence a range of social and economic outcomes.

Three US-based policy interventions have been of particular value in assessing the potential impacts of neighbourhoods on short-term and long-term outcomes:

- *The Gautreaux programme* was initiated in the 1970s in response to a US Supreme Court order to remedy segregation in the Chicago Public Housing Authority. Between 1976 and 1998, the programme assisted 7,000 low-income families, mostly in public housing units, to move within the Chicago metropolitan area to predominantly white or racially mixed neighbourhoods, many in the suburbs (Keels *et al* 2003).
- *The Moving to Opportunity (MTO) programme* grew out of research and policy interest in the findings reported from the Gautreaux programme, and in the work of pioneering sociological researchers such as William Julius Wilson, whose work *The Truly Disadvantaged* painted a stark portrait of life in Chicago's ghettos in the 1980s (Wilson 1987).

  In 1992, the US Congress funded the five-city MTO experiment to assist families living in public housing in high-poverty neighbourhoods to move to private rental housing in low-poverty neighbourhoods elsewhere in the metropolitan area. The demonstration featured a rigorous experimental design not present in the Gautreaux programme, to control for unobserved family characteristics that might influence participation in the programme or choice of location. Researchers have conducted several years'-worth of evaluation on the subsequent social and economic well-being of the families involved (Kling 2002).

- *HOPE VI* has since 1992 provided funding for highly distressed public housing projects to be demolished and replaced with high-quality, mixed-finance, mixed-income communities. Many of the families relocated from these projects are provided with housing vouchers (portable rental subsidies for use in the private market) and mobility counselling to help them find stable housing while their former public housing site is renovated. Others choose to relocate to a different public housing project. Some plan to return, but others stay in their new unit. A team of researchers has been tracking outcomes for people who located from a set of five HOPE VI sites (Popkin *et al* 2002).

Several other non-experimental and quasi-experimental studies have helped to shed light on whether and how deprived neighbourhoods might affect the life chances of their residents. Some findings are summarised below.

Employment

Given the radically decentralised nature of US metropolitan economies, and private-sector disinvestment in inner cities, a good deal of research has focused on the extent to which low-income, central-city neighbourhoods predominantly inhabited by members of minority ethnic groups might suffer from a 'spatial mismatch', in other words a lack of suitable employment opportunities for their residents. Reviewing the literature, Ihlandfeldt and Sjoquist (1998) conclude that the research supports this hypothesis, but that barriers go beyond geography alone, and include discrimination and limited information.

In a related manner, Andersson, Holzer, and Lane (2003) show that among low-wage workers who achieved wage gains in the late 1990s, a greater proportion did so by changing employers than by moving up the wage ladder within the same firm. Information and networks thus seem critical to entering and advancing in the labour market. As living in a deprived neighbourhood limits those ties, it may therefore limit employment opportunity.

Evidence from the Gautreaux programme on employment outcomes suggests potentially strong neighbourhood effects. Comparing mothers who used their housing subsidy to move to the suburbs with those who moved within the city of Chicago, Rosenbaum and Rubinowitz (2000) find that 75 per cent of suburban movers ended up in employment, versus 41 per cent of city movers.[5] Rosenbaum and DeLuca (2000) also report lower

5 In principle, families in the Gautreaux programme had a choice as to where they moved, but in practice they were assigned to an apartment either in the city or the suburbs in a quasi-random manner. Rosenbaum and DeLuca (2000: 3) note: 'Apartment availability was unrelated to client interest, and clients got offered a unit according to their position on the waiting list, regardless of their locational preference. Although clients could refuse an offer, few did so, since they were unlikely to ever get another. As a result, participants' preferences for the city or suburbs had little to do with where they ended up moving.'

rates of welfare receipt for movers who ended up in neighbourhoods with more educated residents, suggesting that they may have benefited from local job networks or increased social expectations.

However, evidence from the MTO programme is less promising on the employment front. Roughly five years after relocation, the employment rate among household heads from the experimental group – those relocated to low-poverty neighbourhoods – had risen from 25 per cent to more than 50 per cent. However, the rise was no different from that experienced by control-group household heads. Researchers did detect some evidence that younger adults (under 33 years old) experienced beneficial employment and earnings effects from moving to low-poverty environments, after an initial disruption period. Across the full sample, however, medium-term effects of neighbourhood on adult self-sufficiency were not evident (Kling, Liebman and Katz 2004).

Analysis of families relocated from HOPE VI redevelopment sites comes to similar conclusions. Relocatees moved to much less deprived areas (with an average neighbourhood poverty rate of 27 per cent, versus 62 per cent in their former neighbourhood), but overall earnings and employment rates did not improve. Health problems, and the presence of young children in the household, constituted barriers to employment for a significant portion of relocatees (Levy and Kaye 2004).

Education

The US-based evidence of the impact of neighbourhoods on educational performance is similarly mixed. Research suggests several different avenues through which concentrations of children from low-income families may lower student achievement in schools. Some factors result from the backgrounds of individual students, and others from environmental and peer influences (National Research Council and the Institute of Medicine 2004, Lupton 2004).

There is some empirical evidence that a school's economic composition may affect student performance, independently of family background. Controlling for individual ability and family environment, one study finds that attending a middle-class school reduces a child's chances of poverty in adulthood by more than two-thirds (Century Foundation 2002). Increased economic segregation has been found to exacerbate educational inequalities between children from high-income and low-income families (Mayer 2001). It is unclear, though, whether these studies account for the unobservable differences between families that may cause otherwise similar children to attend different schools.

On the experimental side, young people in the Gautreaux programme who moved to the suburbs were much more likely than their city counterparts to enrol in a college preparatory class track, and to subsequently enrol

in either a two-year (polytechnic) or four-year college. Grades for city and suburban movers remained similar, though the higher standards at suburban schools suggest that suburban students probably performed at higher levels. However, some mothers who moved to the suburbs felt that their children suffered from discrimination at their new schools (Rosenbaum and Rubinowitz 2000).

The MTO experiment, on the other hand, finds little impact on student achievement. Four to seven years after the relocation, Sanbonmatsu *et al* (2004) assessed children and young people between the ages of six and 20. They saw no significant changes to the test scores or behaviour problems for any age group.

One factor that could have contributed to this lack of progress was that even though the students in the experimental group moved to much less deprived neighbourhoods, their new schools were similar in quality and demographic profile to their previous ones. The average ranking of the participants' schools (based on reading exam results) was 17th percentile before relocation but still only 25th percentile after relocation, and the schools were still predominantly attended by minority ethnic groups.

Policies designed to increase the possibility for pupils to choose between different state schools operate in and around many MTO cities. They seem to have weakened the relationship between the characteristics of neighbourhoods and the characteristics of schools.[6]

Parents relocating from HOPE VI projects reported significant increases in their children's school quality, and children attended more economically integrated schools than in their old neighbourhoods. However, data on student performance has not yet been analysed (Popkin *et al* 2004).

Crime

The evidence is fairly conclusive that in the US, severely deprived neighbourhoods suffer higher rates of crime – especially violent crime – than other areas. Many of the participants in the Gautreaux programme, and those relocating from HOPE VI redevelopment sites, did so in order to escape dangerous neighbourhoods. Indeed, high crime rates and gang activity in public housing projects provided much of the impetus for the HOPE VI programme itself, which has facilitated the demolition of the nation's most distressed projects. Participating adults perceived significantly improved neighbourhood safety in their new communities, and lower chances of becoming victims of crime (Duncan *et al* 2004).

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6 Other evidence from Chicago shows that winning a state school lottery, and attending a better high school, had little impact on the academic performance of lower-income students, though it seemed to improve behaviour and reduce involvement in crime (Cullen, Jacob, and Levitt 2005).

Youth delinquency and involvement in crime were also tracked in the MTO experiment. The results for girls were positive and significant, with less frequent arrests both for crimes against property and violence. For boys, however, the results were more mixed, with arrests for violent crime dropping, but an increase in those for property crime. Kling, Ludwig and Katz (2004) offer several hypotheses as to why the ways in which boys respond to new neighbourhood environments could differ from those of girls. Popkin and Briggs (2005) further explore how the behaviour of the female MTO participants might fit more easily into the range of acceptable activities in their new neighbourhoods than that of the boys.

Health

Perhaps the strongest evidence on 'area effects' is in relation to the negative health implications of living in a high-poverty area. Adults in the experimental MTO group experienced significant improvements in mental health. These outcomes may be attributable to lower violence and disorder, or improved community resources (such as schools, housing, and parks) (Leventhal and Brooks-Gunn 2003). Moreover, researchers found that the larger the increase in neighbourhood quality achieved, the greater the improvement in mental health. Overall, they likened the magnitude of the effect to that found in 'some of the most effective clinical and pharmacological mental health interventions' (Kling *et al* 2005).

Some physical health improvements were evident as well, with participating adults exhibiting lower rates of obesity, possibly due to self-reported higher rates of exercise and eating healthy foods (Kling *et al* 2005). Other research has identified the physical characteristics of poor neighbourhoods as contributing to physical health deficiencies. Similarly, higher levels of neighbourhood abandonment in US cities are associated with higher disease rates and premature mortality (Cohen *et al* 2003). HOPE VI participants achieved significant improvements in housing quality – such as less mould and peeling paint – that could lead to improved physical health in the future (Comey 2004).

For children participating in MTO, health effects mirrored those for crime. Girls achieved significant gains in mental and physical health, but they were offset by adverse mental health outcomes for male youth. Girls in the experimental group were less likely to engage in risky behaviours than their control-group counterparts, while males were more likely to (Kling and Liebman 2004).

Additional considerations

So, how important are 'area effects' to social mobility? The literature reviewed here hardly covers the possible range of effects. Further important research is needed into the ways in which deprived neighbourhoods affect people's attitudes, social capital, market prices and the quality of local services. Moreover, the focus here is on recent experimental and quasi-

experimental evidence. As such, it leaves aside a rich historical literature that has attempted, with varying degrees of success, to estimate the effects of neighbourhoods, controlling for all the possible characteristics that could influence life outcomes.

Nevertheless, there is general agreement across recent and earlier literature that outcomes are more affected by individual and family characteristics than by neighbourhood characteristics. The question for policymakers is whether the potential benefits to residents of improving the neighbourhood quality of highly deprived environments outweigh the costs. In light of the evidence presented above, two points seem critical.

First, some have interpreted findings from MTO as proving that 'neighbourhoods don't matter much'. This is a bit of an oversimplification. The empirical findings from MTO compare the outcomes for those families that were offered the treatment (a voucher to move to a low-poverty neighbourhood and associated mobility counselling) with control families who were not offered the treatment. Only about half of the families offered the treatment used the voucher under the terms of the programme.

This approach – focusing on those who were offered vouchers rather than those who actually used them – was appropriate for the MTO research design. It answers the question of what we could expect from a similar, more widespread policy intervention, and it controls for unobservable differences in the characteristics of families who used the experimental voucher, and those who did not use it. But the programme fell far from achieving universally better neighbourhood conditions for the experimental group. Indeed, even many who managed to move ended up in areas geographically proximate to their original neighbourhoods, which may have enabled the young males to sustain their negative social ties.

Similarly, the Gautreaux programme lacked some elements of a rigorous experimental design. However, its results at least suggest that giving poor families from deprived communities access to the sort of neighbourhoods that most middle-class Americans take for granted can generate positive, lasting outcomes for those families.[7]

Second, Americans interested in neighbourhood effects have largely focused on the quantifiable, forward-looking outcomes explored above. But this approach inevitably disregards the historical impacts of concentrated poverty, which may have modified attitudes, behaviours, and parenting skills in ways that frustrate upward mobility. MTO families who were never exposed to such deprived neighbourhoods in the first place

7 This is consistent with research by Galster (2002) suggesting that interventions must produce real step changes in neighbourhood conditions to significantly improve residents' life chances.

might have fared quite differently. And as Fitzpatrick (2004) notes in a review of studies carried out in the United States and the UK, the qualitative evidence on area effects is now quite strong with respect to neighbourhood stigma, limiting social networks, and social conflict and disorder. Clearly, the lack of 'bridging' social networks among residents of New Orleans' poorest neighbourhoods gave many nowhere to turn when Hurricane Katrina approached in 2005 (Berube and Katz 2005).

Put simply, day-to-day quality of life in highly deprived neighbourhoods is generally much worse than it is in middle-income neighbourhoods. Some new MTO research sheds further light on this. Popkin and Briggs (2005) investigate why girls taking part in the scheme seemed to do much better than boys on mental health, risky behaviour and delinquency. Their analysis of interview data paints a stark portrait of life for teenage girls in deprived inner-city neighbourhoods. Girls in the control group (those whose families were not offered the opportunity to move with a voucher) were more likely to face pressure from older men in the neighbourhood for early, risky sex; to report being sexually harassed when they walk down the street; and to have experienced sexual violence or coerced sex.

In contrast, the girls who relocated seemed far safer from this type of predation and its long-term psychological effects, and from possible shorter-term effects, such as premarital childbirth. This sort of evidence reminds us that policies to help low-income families in highly deprived neighbourhoods to access better local environments can be defended on social justice grounds as well as social mobility ones.

Implications for the UK

The research explored in this chapter largely comes from the United States because the magnitude of the US problem commanded researchers' attention much earlier than was the case in the UK. The levels of deprivation observed in some US inner cities suggest that area effects in the UK may not be as large in magnitude or as persistent over time. Still, the emerging UK-based literature does signal the importance of such effects, as shown in Chapter 2 of this book. Moreover, the relative scale of area versus individual effects does not suggest that policy should address either one in isolation. Instead, it needs to balance efforts to improve outcomes for disadvantaged people with those to address distressed communities as a whole.[8]

In reviewing the evidence on the role of place in social mobility, the UK must not overlook the consistent and significant presence of race on the US side. Most of the US inner-city neighbourhoods that have given rise to research and policy experiments are overwhelmingly black – the legacy of

8 Atkinson and Kintrea (2001) propose a robust research agenda on neighbourhood effects in the UK.

legalised segregation. Introducing a poor family from the inner city into a suburban neighbourhood would provoke complex responses in any society. In the US, racial dynamics can complicate this picture tremendously. This is not to suggest that race relations and racial disparities hold no importance to the place debate in the UK, but the nation's history and contemporary experience with minority ethnic groups remains distinct from that in the United States.

Nevertheless, it is worth asking whether the UK still has neighbourhoods of such severe deprivation that they might merit interventions similar to those in the United States – such as helping poor families to move out (as with MTO, Gautreaux, or the housing voucher programme), or demolishing public housing and starting anew (as with the HOPE VI programme).

It is difficult to find comparable, small, area-based economic measures in the two countries, but rough proxies indicate the existence of a small number of highly deprived areas in each nation. US researchers such as Wilson (1987) and Jargowsky (2003) have defined extreme-poverty neighbourhoods as those in which at least 40 per cent of the population lives below the poverty line (a threshold itself equivalent to roughly 40 per cent of median income). In 2000, about three per cent of the US population lived in such neighbourhoods.

In 2001, based on the receipt of means-tested benefits (income support or job seekers allowance) as an imperfect substitute, England had 58 wards in which at least 40 per cent of residents lived in such households, containing just one per cent of the overall population. A work-poverty-based approach, such as that employed by Lupton (2005), reveals 140 wards in England where at least 40 per cent of adults are not in work or education – comprising 2.5 per cent of the overall population.

Since US-based interventions focus on families in poor public housing, we might also look more closely at the neighbourhood conditions of families in social rented accommodation in the UK. In England in 2001, only three per cent of households in the social sector lived in high-poverty wards (with more than 40 per cent on benefits), compared to nearly half of households in US public housing prior to reform in 1990. However, because England has a much larger social housing sector than the US, roughly as many social-sector households live in these high-poverty local areas in England (125,000) as did in the six per cent of US public housing labelled 'highly distressed' in 1992 (targeted subsequently by the HOPE VI programme). As such, social-sector households in high-poverty areas do represent a significant, if small, minority in the UK.

Of course, economic measures alone are insufficient to identify the types of areas in which 'neighbourhood effects' may really hold back social mobility. It seems that US efforts achieved the most meaningful impacts for families who escaped areas with high levels of crime and disorder. Thus,

policies aimed at breaking the link between poverty and place in the UK need to go beyond economic conditions to consider quality-of-life factors, such as crime, which debilitate residents mentally and physically, and expose young people (especially girls) to risky behaviours that threaten their longer-term prospects. As Gibbons *et al* demonstrate in Chapter 2, crime is concentrated in certain areas of Britain, with high levels of persistence through time.

It seems, then, that for a relatively small number of families in highly deprived areas, gaining access to a much better neighbourhood may be a necessary precondition to achieving longer-term social mobility, and simply living a healthier life. In view of this, the US experience suggests a couple of possible avenues for housing policy in the UK, aimed at reducing the incidence and severity of concentrations of deprivation.

First, the UK might experiment with a more portable form of housing benefit for families in deprived communities, along the lines of the Housing Choice Voucher Programme in the United States. Wider adoption of the Housing Benefit Pathfinder scheme could improve the mobility of low-income families, but the Government needs to consider structuring the benefit to give families access to housing in other jurisdictions.

Five elements might accompany such a demonstration:

- An enhanced benefit value to open up additional housing and neighbourhood opportunities to these families
- Intensive counselling for families along the lines of that offered in the MTO programme, to help them find new housing and adjust to life in their new community
- Active outreach to landlords in the private rented and social sectors, to increase acceptance of the benefit
- Rigorous quantitative and qualitative evaluation of family and community outcomes
- Continued support for these families to help prevent possible 'backsliding' into highly deprived communities.[9]

Second, fostering greater economic integration may improve some of the negative area effects seen in deprived areas. Studies of mixed-income communities in the United States find that they provide a safer environment for families than high-poverty communities, because residents display greater collective efficacy to address issues around crime and behaviour (Sampson and Morenoff 2004, Joseph *et al* 2005).

In extremely deprived estates that suffer from high levels of crime and

9 Briggs and Keys (2005) demonstrate that black and white families leave high-poverty neighbourhoods quite often, but that black families are much more likely to re-enter such neighbourhoods. Their findings are further supported by evidence from the MTO demonstration.

disorder, where residents are socially isolated and face negative stigma, a radical intervention along the lines of HOPE VI may be the necessary precursor to fostering greater economic integration.[10] In Britain's much higher proportion of moderately deprived areas, more active monitoring of neighbourhood conditions, additional investment in public services, and concerted strategies to attract somewhat higher-income households may help sustain, and perhaps strengthen, economic integration.

As a strategy to promote social mobility within and across generations, improving neighbourhoods is relevant for only a minority of people in the United States and the UK. It cannot take the place of larger public policies concerning university admissions, early childhood interventions, workforce development, and lowering teenage pregnancy. At the same time, our societies do owe those families whose progress is most inhibited by the current social order a shot at something far better. Relieving concentrated deprivation seems a logical place to start.

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10 The possible implications of HOPE VI for housing policy in Britain are further explored in Berube (2005).

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2. Is Britain pulling apart? Area disparities in employment, education and crime[11]

Stephen Gibbons, Anne Green, Paul Gregg
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Geographic disparities in economic and social outcomes, from the broad regional to the community level, have been a concern to those seeking social justice for centuries. The heavy geographic imbalance associated with the early 1980s' recession and subsequent recovery only heightened these concerns ahead of the Commission on Social Justice's report (1994). In essence, the concerns have two components. The first is a simple sense of territorial equity, namely that people should not be disadvantaged by where they live. The second, deeper, concern is that spatial imbalances can have substantial economic and social costs. The key costs are:

- The economic costs from congestion in areas of intense economic activity.
- The costs resulting from the need for economic tools, such as higher interest rates, to be required to ease inflationary pressures generated in boom areas while other areas are characterised by excess non-employment. (Clearly a single, national interest rate cannot take account of such regional differences.)
- The costs arising from the effect of concentrated deprivation on employment, crime, education and other outcomes for residents.

This last grouping is usually called 'neighbourhood effects'. These are highly localised community level concerns, whereas the first two groups above impact at regional, city-region or local labour market area levels. There is no single agreed definition of 'neighbourhoods', but often micro areas such as wards have been used as a proxy.[12]

This chapter focuses on policy issues around spatial imbalances in outcomes both at the regional or city level and the neighbourhood or commu-

11 This paper was originally published in Pearce N and Paxton W (2005) *Social Justice, Building a fairer Britain*, London: ippr.

12 There are more than 10,000 wards in the UK, and these vary markedly in size, from populations of less than 1,000 to over 30,000. For the 2001 Census of Population, the finest level of spatial disaggregation is the output area, with an average working-age population of around 335. Local labour markets also vary considerably in size; the minimum working population size of a Travel-to-Work Area (TTWA) is 3,500, while in metropolitan areas TTWAs can have working populations of over 500,000 and well over a million in the case of London. For further details of UK 'geographies' see www.statistics.gov.uk/geography

nity level. At the more aggregate level we consider only employment or its absence while at neighbourhood level we explore three issues: employment, crime and education. To make the exercise tractable we have to leave other interesting topics such as incomes, productivity and health to one side.

The chapter opens by assessing recent trends in the geography of economic activity and asks why persistent differences in employment exist at sub-national levels. In particular we seek to assess why migration of people to jobs – or jobs to people – does not even out broad level disparities. At the more micro 'community' level, we assess the evidence of how disparities in levels of deprivation develop through the sorting of certain population groups into certain areas and whether this concentrated deprivation does in itself affect the economic and social outcomes of their residents. Here we focus on whether or not there are substantive 'neighbourhood effects' in employment, crime and education. The final section of the chapter makes policy recommendations based on these findings.

Changes in employment at the regional and city level

Population changes within England and Wales in the 1990s were marked by a number of trends. At the regional level a population drift to the South and East of England continued, while at a sub-regional level the picture was one of counter-urbanisation, with city decline, movement towards small town and more rural settings, and greater commuting to work. This offers a prima facie case for regional imbalances creating and reinforcing congestion costs. While population growth has been more marked in the South and East, the recent recovery in employment rates has been less clearly focused. Unemployment rates have converged markedly across regions in the last decade, but this in part reflects increasing differences in inactivity across regions, with levels of disability showing a particular skew. Hence overall employment (and non-employment rates) form a better guide to regional labour market performance.

Table 1 shows that the regional employment situation through the 1990s has been far more balanced than for a very long time (Jackman and Savori 1999). While all regions show increases of over 2.5 per cent, the pattern of the best and worst performers bears little relation to any North-South divide. London, the North East and East Midlands have performed the least well and Wales, Scotland, the West Midlands and the South West the best.[13] Yet the bigger picture is one of a widespread improvement in the employment situation overall, but no reversal of the regional imbalances

13 A regression of the regional change in employment against the initial level has almost no predictive power (an r-squared of just 0.003) and the coefficient on the initial level is an insignificant 0.0209. This suggests no convergence or divergence in employment rates over this period.

Table 1: Percentage of working age population in employment by region, 1993-2003

	1993	1997	2003	Change 1993-2003
North East	65.4	66.8	68.1	2.7
London	67.5	70.3	70.3	2.8
East Midlands	72.9	75.3	75.9	3.0
Yorkshire and Humber	70.7	70.5	74.1	3.4
Eastern	74.4	75.9	78.7	4.3
South East	74.8	77.9	79.5	4.7
North West	68.4	69.9	73.4	5.0
South West	73.2	77.1	78.4	5.2
West Midlands	68.8	72.7	74.0	5.2
Scotland	69.0	70.3	74.3	5.3
Wales	65.6	68.2	72.6	7.0

Source: ONS (2004) Labour Force Survey

which were so obvious in the early 1990s. While the situation is far better than at the height of the 1980s boom, large cross-sectional regional imbalances remain intact.

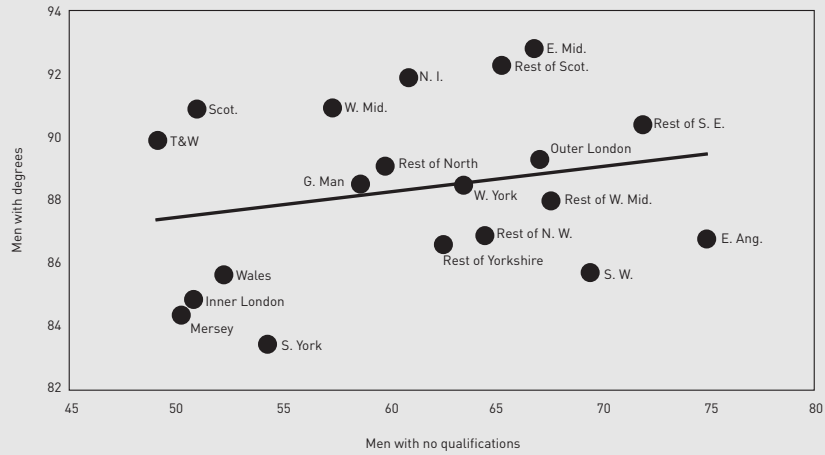
Why are employment differences across regions so persistent?

Standard labour economics suggests that regional imbalances in employment should be eroded, either by the migration of people to jobs or, attracted by lower labour costs, the movement of jobs to depressed regions. This process of adjustment is either not happening at all, or is glacial in pace in the UK. This stands in marked contrast to the situation in the US, where state differences in unemployment are fairly short lived (Blanchard and Katz 1992).

One should, however, note that the question needs defining carefully. Regional differences in employment are almost non-existent for graduate labour and extremely marked for those with no formal education qualifications.

Figure 1 shows this picture for the regions, with the major metropolitan areas split out to show the major cities in detail. While employment rates for men with no formal qualifications differ by more than 25 points, from the depressed areas to the affluent East Anglia and South East, for graduates the maximum difference is just eight points (Gregg *et al* 2004). What is more, there is barely any relationship between employment rates for the least and most qualified across regions. So the real question is: why are there such persistent differences in employment among low-skilled labour, which are almost completely absent for educated labour?

Figure 1: Comparison of working age male employment rates by region, spring 2003



Source: ONS (2004) Labour Force Survey
Note: excludes full-time students

Moving the low skilled to jobs?

So how can we explain these patterns? One possible explanation could be patterns of residential mobility. Overall such mobility is quite high in the UK compared to other European countries and strongly pro-cyclical; that is, regional mobility occurs mainly in periods of strong growth and job creation (Gregg *et al* 2004). This research also highlights that regional mobility is only marginally higher among the unemployed than the employed, but it is much higher (two to three times) among the better educated than the least qualified. This evidence combines to suggest that people migrate across regions in response to job openings, rather than due to concentrated regional unemployment, and that the better educated are far more prone to move region in response to available job openings.

The same work also suggests that most job-related mobility is due to people securing a job and then moving, rather than speculative moves followed by attempts to secure employment (ibid). But this is harder for the lower skilled. While national newspaper advertisements or specialist business magazines create easy opportunities for graduates to locate openings in other regions prior to moving, for the lower skilled this is less the case. For these groups most recruitment occurs via word of mouth, advertisements in windows or local job centres. In short, an inability to secure knowledge of job opportunities outside their local area presents hurdles to migration by the lower skilled.

At the same time, large differentials in regional housing costs and the high cost of housing as a share of income in the UK make speculative moves

to boom areas very risky. Indeed, the high differentials in regional housing costs restrict moves to boom areas for the low skilled even if a job is secured in advance. Graduates can trade down house size in moves, but there is little for the less skilled to trade down into (in the US trailer parks may serve this purpose).

An argument often made is that social housing may also restrict the mobility of the least educated. Social housing tenants receive a housing subsidy (the lower rent available to social renters relative to other tenure types) and it is very difficult to take this subsidy on moving to a new local authority. So it is argued that the potential loss of this subsidy discourages tenants from moving to areas with more job openings. However, this lower mobility among those in social housing is common to those in receipt of the subsidy and those, mainly offspring, who are not (ibid). This suggests other barriers to mobility (including non-economic factors such as family connections and cultural factors) are probably more important (Kitching 1990, Hollywood 2002).

Moving low-skilled jobs to low demand areas?

If low-skilled labour is close to being geographically fixed, then it is important to ask why low-skilled jobs are not moving to low demand areas. In theory this would happen only if the wages are substantially lower and the potential jobs are producing goods and services that can be traded over a wider geographic area. Manufacturing jobs have traditionally met these criteria for the less skilled, but they have grown more and more scarce. While there has been substantial growth in jobs in low wage occupations, such as the personal service occupations, and there are new job opportunities for the less skilled, most of these are in services directly related to consumption in the local area (Goos and Manning 2003).[14] This means that many low-skill jobs are servicing increased consumption of retail and leisure goods for more affluent consumers, and as a result are located in the same areas as the expanding managerial and professional opportunities.[15]

As a consequence there is little opportunity for the less skilled to migrate to boom areas and relatively few mobile low-skilled jobs to migrate to depressed regions. Hence, taking account of both economic and non-economic factors, immobility of the less skilled is often the result of rational choice given the constraints that exist in Britain.

When do employment rates for the low skilled recover?

The argument above suggests that when an area experiences a downturn,

14 The expansion of call centres is an exception to this pattern, although these jobs have potential for outsourcing at a global scale.

15 Looking to the other end of the labour market: because there is no excess of graduate labour even in depressed areas/regions, there is no downward pressure on graduate wages.

many of the better educated (including new school leavers) migrate to areas offering job opportunities, while the less skilled do not. This can leave a residue of high worklessness concentrated on the less qualified in deprived areas. Equally, and more positively, it would suggest that if an area sees a marked upturn, a tightening labour market and inwards migration (or lower outwards migration) of the well educated will create opportunities for the less skilled (Gregg and Wadsworth 2003).

However, the picture is more complicated. In the early part of a recovery the intermediate education grouping (below degree level but not among the least educated third of the country) benefits most from the increased employment opportunities and the gap between the least skilled and the rest actually widens. This continues until employment rates among the intermediate group start to approach the levels observed for graduates and only then does job creation benefit the least skilled disproportionately, as shown in Table 2 below.

Table 2: Area economic performance and employment rates of less skilled

	High employment areas			Middle employment areas			Low employment areas		
	1993	2002	% ch*	1993	2002	% ch*	1993	2002	% ch*
Area employment rate	76.6	81.1	+3.5	70.9	73.5	+3.6	64.6	70.3	+5.7
Men									
Low qualifications	73.9	79.5	+5.6	61.6	62.4	+0.8	52.8	51.6	-1.2
Low qual's 25-49	79.6	84.9	+4.7	69.8	70.6	+0.8	58.9	53.5	-5.4
Low qual's social housing	57.6	65.0	+7.4	38.7	35.7	-3.0	32.2	25.3	-6.9
Women									
Low qualifications	59.1	64.8	+5.7	52.4	50.8	-1.6	46.1	50.3	+4.2
Low qual's 25-49	61.8	64.5	+2.2	55.7	53.7	-2.0	47.8	50.2	+2.4
Low qual's social housing	41.7	45.5	+3.8	32.0	29.1	-2.9	29.8	32.9	+3.1

Note: Low qualifications comprise the bottom 30 per cent of education qualifications in each year. Social housing includes both council housing and housing associations.
Source: Gregg and Wadsworth (2003).

Table 2 shows employment change between 1993 and 2002 for three groups of areas. The first group includes those where employment was already high in 1993 (the South East, excluding London and East Anglia); the second is an intermediate group (the North of England, excluding Tyne

and Wear, North Yorkshire and Greater Manchester); and the third covers 'depressed' areas where employment was very low in 1993 (Tyne and Wear, Merseyside and Strathclyde). Employment growth was strong across all these areas and, in this time period, was actually strongest in those which were most depressed in 1993.

What is crucial though is what happened to employment among the 30 per cent of the population with the lowest qualifications. In depressed and intermediate areas employment rates in this group fell, or saw very little change – except for the case of women in depressed areas. In contrast, in areas where the labour market was already tight in 1993, employment growth was very strong among the less qualified, even outperforming the average. This means that the employment gap between the less skilled and the rest closed in these tight labour markets. A little further investigation suggests this occurred when employment in the area reached around 75 per cent. The Government has recently stated an aim to reach an 80 per cent employment rate nationally (DWP, 2005). However, a rate close to this will be needed in every region in order for a disproportionate rise in employment for the low skilled to occur.

Neighbourhood deprivation

What shapes the geography of neighbourhood deprivation?

Regional differences in employment rates are marked. Yet there is often more variation between local areas within a region than between regions themselves. What is the evidence that this neighbourhood level of geographic concentration of deprivation is changing? Do such concentrations make any difference to the key outcomes for the residents? In this section we consider employment but also broaden our focus to education and crime.

While differences in these outcomes do clearly vary by people's residential area, robust evidence of causal relationships between community and individuals is difficult enough to identify, in even the simplest of cases. McCulloch suggests that 'neighbourhood' does have a statistical association with poverty, unemployment and other characteristics associated with social exclusion, albeit there are equally or more important influences at individual and household levels (McCulloch 2001). The problem is that group and individual characteristics are intertwined, even without causal influences. The selection mechanisms described above mean that adults choose their neighbourhood and community (or have it chosen for them on the basis of criteria related to their circumstances) and children choose their friends, based on income, preferences, talents and personality; a child is placed in a class or school alongside children of similar characteristics and ability.

At the heart of the issue then is whether the observed differences in outcomes across areas reflect the influence of our neighbours and peers on our outcomes, and whether local public services accentuate or fail to diminish such patterns. So in what follows we assess the evidence that area sorting is strengthening or weakening over time and whether such sorting has any independent influence on employment, education or crime victimisation outcomes. We also discuss the likely routes that such influences are taking as this will influence any policy response.

There are (at least) two powerful selection mechanisms that create concentrations of deprivation at this community level. The first is the transmission of inequalities of work and wages, operating via house prices and rents, into patterns of housing and neighbourhood demand. People can be thought of as 'consumers' of their local environment, from the population mix to social problems experienced, and from the natural beauty to the quality of services. Where the local environment is good people pay a premium to live there (Gibbons and Machin 2003). By contrast, neighbourhoods with negative intrinsic characteristics tend to lose out in the process of residential sorting, and in turn concentrations of poverty can acquire further problems (Lupton and Power 2002). Wider income inequalities across the population tend to widen price differentials and are likely to make segregation more extreme (Cheshire *et al* 2003).

The second selection mechanism particularly applies to the more deprived communities. This is rationed access to social housing through local authorities' allocation rules. Because of right-to-buy legislation and lower levels of new building, social housing has declined as a share of the housing stock for the past two decades. This trend has continued since 1997. As a result, rationing for new entrants to social housing has become ever more restrictive. These restrictions mean that only those with the most acute housing need – especially workless or low-income families with children – get housed.

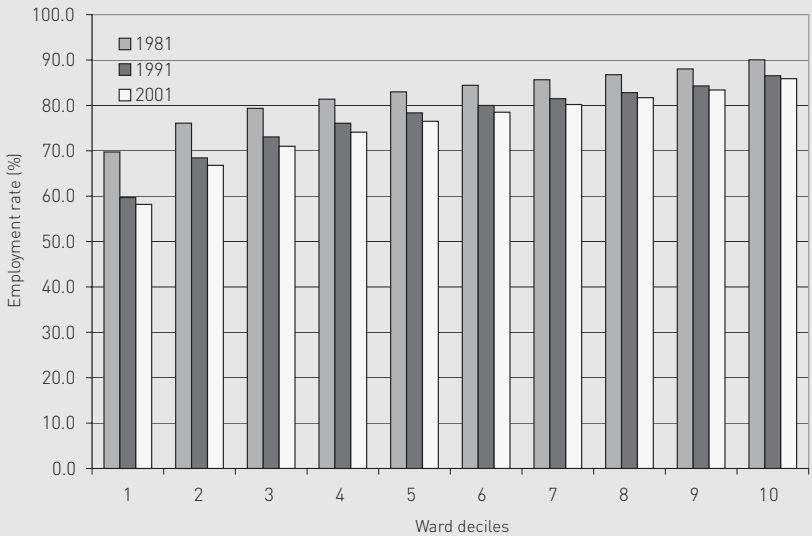
Neighbourhood employment

Figure 2 summarises the changing extent of variation in employment rates for working-age men at ward level. It uses census data to rank, in ascending order, all the wards in Great Britain (England, Wales and Scotland) in terms of their employment rate and then records the median employment rate for each decile group in 1981, 1991 and 2001. So as an example, the bar furthest to the left shows that the median employment rate for the lowest decile of wards in 1981 was slightly less than 70 per cent.

Employment rates for males of working age between 1981 and 1991 fell sharply, but this decline was concentrated in low employment wards. The first decile of wards saw employment rates drop by 10 per cent, whereas in the top decile group there was a decline of less than half this. The bottom

two deciles experienced notably worse outcomes than the rest of the distribution. The overall decline in male employment has continued, albeit to a less marked extent, between 1991 and 2001, with the decline being slightly more focused on the lower half of the distribution (though not especially focused on the bottom two deciles).

Figure 2: Employment rate by ward decile group for males of working age, 1981, 1991 and 2001



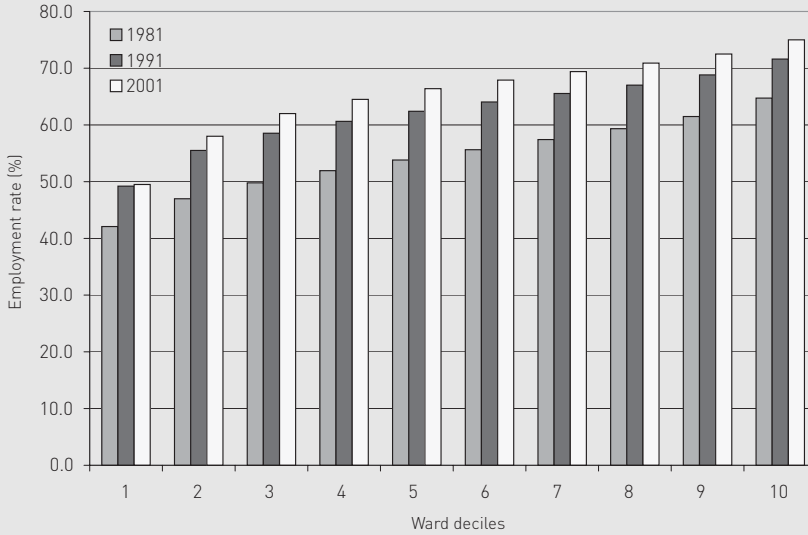
Note: There are around 10,000 wards, but they are not the same in the three census years.

Figure 3 (page 38) presents similar information, but for women of working age.[16] Contrary to the experience for men, women's employment rates increased between 1981 and 1991, and then again between 1991 and 2001. As with men, the change was more marked between 1981 and 1991 than in the later period, but unlike with men, the gain in employment was fairly even with only a slight hump around the third and fourth deciles. Looking to the lower deciles, the increase in the female employment rate between 1991 and 2001 was smaller in the first decile than everywhere else.

A comparison of the two charts shows that employment rates for males and females have converged; there has been a gradual decline in employment rates for men over time and an increase in employment

16 It is not necessarily the same wards that have low male and female employment rates. However, the correlation between male and female employment rates at ward level has increased from 0.75 in 1991 to 0.87 in 2001.

Figure 3: Employment rate by ward decile group for females of working age, 1981, 1991 and 2001



rates for women from each census year to the next. But for both sexes there is a marked step between the worst performing 10 per cent of wards and the next tenth. Over time the size of this gap between the very worst and the rest has increased markedly. This suggests that, at least in terms of employment, the worst 10 per cent of wards may be deserving of special attention.

The most deprived 10 per cent of wards form a key government target population under the National Strategy for Neighbourhood Renewal and hence we have a lot of information about them.[17] They house nearly 15 per cent of the population (or around eight million people), have a disproportionate number of children, are predominantly urban, have high housing densities and a high incidence of social housing.

Neighbourhood employment effects?

A key social justice question is whether this concentration of deprivation has an impact on the employment chances of residents. As many residents of deprived areas have very localised outlooks and often lack the confidence and means to travel far from their home area (Green *et al* 2005) and most low-skilled jobs come by word of mouth or adverts in windows (Gregg and Wadsworth 1996), being in an area with low employment rates may dam-

17 These wards are identified using the index of multiple deprivation (IMD), which covers domains such as income, housing and health as well as employment.

age a person's chances of finding employment as informal information networks for gaining intelligence about employment openings are restricted. It is also possible that employers exercise postcode discrimination, choosing not to hire from certain areas. However, evidence on such neighbourhood effects is difficult to identify. This is because of the selection issues described above; the people in the worst areas are not there by chance and hence whatever has led them to reside in these communities may also drive their poor employment outcomes.

The best evidence comes from US experimental studies, especially the recent Moving to Opportunity Program carried out in a number of major US cities (Orr *et al* 2003). This randomised experiment moved families from acutely deprived neighbourhoods into better neighbourhoods. The families received help finding accommodation and were given financial support to pay for the higher housing costs. The findings across all the studies are that there are no substantive impacts on welfare rolls, employment or earnings (ibid, Goering 2003). These results strongly suggest that the low employment problems of those in the most deprived wards would be broadly the same if they lived in somewhat better wards in the same city area.

This is reasonably intuitive as most deprived wards in cities are close to the central business district where work is plentiful but largely filled by people commuting in from suburban areas. For more geographically isolated deprived wards in old mining areas or city fringes this will not hold so strongly. It suggests the major focus on raising employment among people in deprived city areas should be about helping the individual. Of course, as individuals secure employment they may well leave these deprived areas if the areas are very unattractive to live in. Individuals' situations may therefore be improved without necessarily leading to an improvement in the concentration of deprivation. We will return to this crucial point later.

Neighbourhood and education

We now turn to area disparities in terms of the human capital that gives individuals the skills and capabilities, which in turn affect individual earnings, employability, health and other correlates of happy and successful lives. As is standard, we consider educational attainment as our measure of human capital, since we know that educational attainments are good predictors of individual adult outcomes. Looking at education shifts the issue of neighbourhood effects firmly to children, for whom the potential influence of neighbourhood services (schools) and peer groups seems intuitively stronger than for adults.

Three key themes

Three key issues arise when thinking about the geographical concentration of educational attainment.

First, the educational composition of the population is a building block of area advantage and disadvantage, and increasingly seen as a key factor in economic development at the regional level. So it is important to know how much places differ in terms of the educational characteristics. We also want to know how this is changing; are places becoming increasingly disparate, with the uneducated concentrated in some places and the educated in others, or are our communities becoming more educationally mixed? Accepted wisdom seems to be that places have become increasingly segregated along socioeconomic lines; this is one of the justifications for area-based policy initiatives.

Second, environmental factors in the neighbourhood, or social interactions among peers and within the community, may well be influential in the formation of children's knowledge, understanding and the attainment of educational goals. Again, this is often taken for granted, and neighbourhood-based policy is to some extent predicated on the assumption that tackling problems at the neighbourhood-community level is an effective way of tackling individual disadvantage. We review the evidence on such 'neighbourhood effects', drawing on UK data, but also recent experimental evidence from the US.

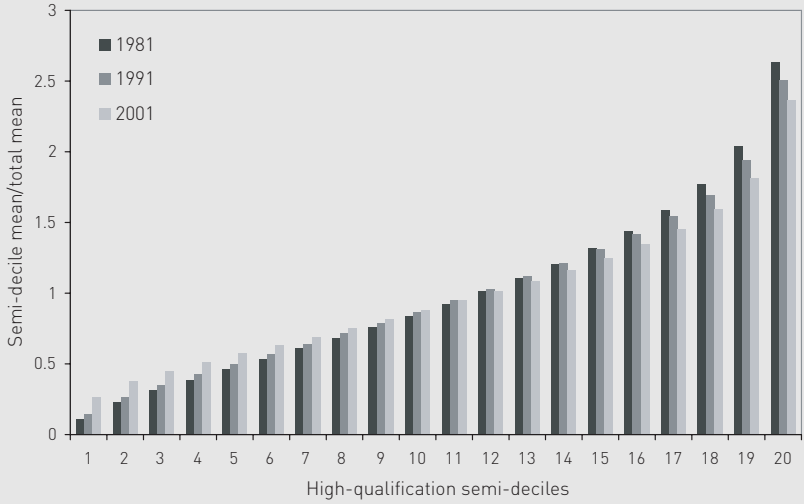
Third, geographical factors are linked to education because of the nature of school admissions in the state sector. In general, school choice is tantamount to residential choice, because admission is restricted to those who live close by. The implications of this for house prices are well known, through anecdote and through media coverage. There is also an emerging body of harder evidence that these patterns of demand for neighbourhood schools are important in the housing market. We argue that this is where the constraints of geographical space might play their most important role in the process of education, by rationing access to good schooling to those who can afford it.

Patterns and changes in the UK

There is no question that neighbourhoods differ markedly in terms of the mix of educational qualifications held by their residents. This will be news to nobody, but what is remarkable is the magnitude of these differences. Figure 4 shows the latest snapshot of how highly qualified people are distributed across different areas. It uses similar techniques to the employment graphs in Figure 2. In this case, the chart ranks census wards in terms of the proportions of working-age highly qualified men and women in 1981, 1991 and 2001. The mean proportion of 'highly qualified' men in census wards in each census year, for each five per cent of the distribution (semi-decile), is presented.

Figure 4 shows that there are very wide disparities between the wards with the most educated and the least educated populations. It is commonly

Figure 4: Distribution of the highly qualified at census ward level, men, 1981-2001

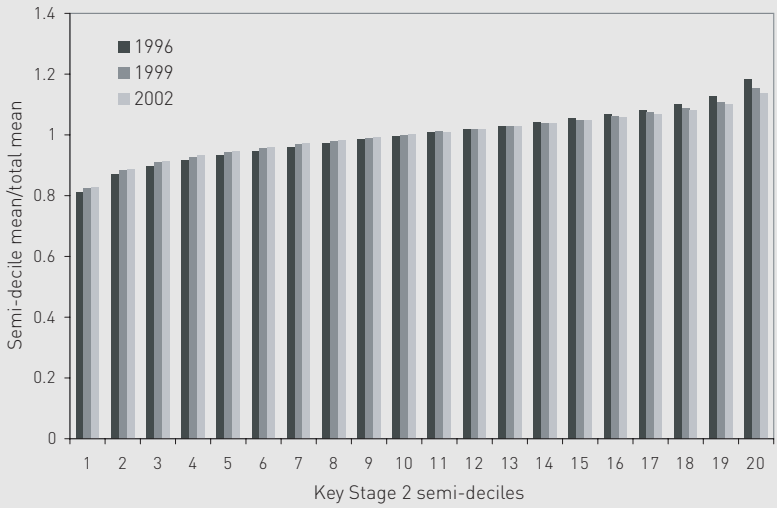


thought that this kind of segregation has increased over the past decades, with places becoming increasingly polarised along income, demographic and human capital lines. Such changes have been documented in the US (Jargowsky 1996, Kremer 1997), but there is no strong evidence for this in the UK (Hills 1995, SEU 2000). Local authorities with higher proportions of higher-educated residents in 1991 gained more educated residents over the 1990s than areas with few educated residents initially (Dorling and Thomas 2004), but these changes can be explained by general educational upgrading throughout the country.

As Figure 4 shows, the changes in the relative status of neighbourhoods is somewhat different. In 1981 the proportion of qualified male residents in the top five per cent wards was 24 times higher than the proportion in the bottom five per cent wards. In 1991 this figure fell to eighteen. In 2001 the ratio fell to just nine.[18] Though we do not present the data, the story for women is very similar. This reduction in inequality may be due to changes in ward definitions, changes in the classification of qualifications, or because no further segregation is feasible at the top end once all residents are qualified. But the majority of the reduction must reflect a genuine decrease in the extent to which neighbourhoods are segregated along educational lines. Wards seem to have become more educationally mixed over the past two decades.

18 The coefficient of variation (standard deviation/mean) falls from 0.54 to 0.60 to 0.51 over these years.

Figure 5: Distribution of school-average Key Stage Two point scores, boys, 1996-2002



Perhaps area differences in child, rather than adult, educational attainment might be more telling. Children are considered the most vulnerable to neighbourhood and community influences, so intuitively there could be stronger patterns in the distribution of their achievements. Figure 5 summarises the achievements of eleven-year-old boys at Key Stage Two (tests taken at ages ten or eleven). It charts the distribution of school-average point scores for tests in 1996, 1999 and 2002. Again, though the data is not shown, the picture for girls is almost identical. Since primary schools serve quite localised communities, we can visualise the geographical distribution through these school-level patterns.

Again we see marked inequality, but again the general trend (albeit at a slow pace) is towards slightly greater equality; primary schools seem to have become somewhat less segregated in terms of the attainments of children at the ages of ten and eleven. Part of this may be due to the fact that there is an upper limit to how high the best schools can go. Yet, only 0.2 per cent of schools had reached this upper limit by 2002.

Government policy over this period has been towards greater choice for parents. This policy has been argued to increase inter-school segregation. But admissions policies which tie school intake to the specific disadvantages of a school's geographic location can be more conducive to high levels of segregation than policies which allow schools to admit from a wider geographical area. We explore this more later.

Our description of the patterns and changes in the educational attainment by area suggests that the disparities are wide, but narrowing slightly. Still, we should be concerned if these differences in place and community context have an important role to play in shaping children's life opportunities and outcomes. Indeed, it is partly this thinking that motivates area-related regeneration schemes and school improvement schemes such as Excellence in Cities (Machin *et al* 2004). The reasoning is that it is more effective to tackle educational disadvantages at the area level, because improvements in the group as a whole have knock-on effects to the individual. Given this, it is worth reviewing what evidence we have on these processes.

There are many ways in which we could imagine that people, especially children, are influenced by their neighbourhood or community. These fall into two broad categories: mechanisms related to the social interaction between children and their friends, class mates or neighbours; or alternatively mechanisms related to actual physical location, like accessibility of schools or environmental quality. Most interest, at least as far as schooling is concerned, has been in the first category.

Empirical studies with evidence for these sorts of neighbourhood and peer-group effects, on education and other outcomes, have appeared thick and fast in the US since the early 1990s. In most cases the objective is simply to measure whether any causal relationship exists between some neighbourhood or school class-mates' characteristics and child achievements. Yet studies using traditional statistical techniques struggle to disentangle the influence of group characteristics from the child's own attributes and those of his or her family. Taken as a whole, this older evidence from the US is suggestive of some neighbourhood or school peer-group influences, but is certainly not conclusive (Jencks and Mayer 1990, Brooks-Gunn *et al* 1997, Ellen and Turner 1997, Sampson *et al* 2002).

The same could be said of neighbourhood studies for the UK that takes a similar approach (Garner and Raudenbush 1991, Gibbons 2001, McCulloch and Joshi 2001). Children from more educated or less deprived neighbourhoods in the UK seem to do better at school and gain higher qualifications, even taking into account observable differences such as family background. But it is hard to be sure that this is not just because families living in rich neighbourhoods differ from similar families living in poor neighbourhoods in ways that are hard to observe.

Because of these problems, recent research in the US has tried to find situations where the group in which an individual finds her or himself is unrelated to her or his own characteristics, or where neighbourhood or school change happens because of some policy intervention. Some of these 'quasi-natural' and policy experiments have proved useful, such as bussing of black pupils to out-of-town schools (Angrist and Lang 2002), random

assignment of pupils to schools (Cullen *et al* 2003), allocation of college freshmen to dormitories (Sacerdote 2000), the destruction of housing projects (Jacob 2004), and the Moving to Opportunity (MTO) programme (see Chapter 1).

The overall story these studies tell is, however, one of weak or non-existent neighbourhood effects on children's attainments. For example, the opportunity to move to a better neighbourhood under the MTO programme produced little or no improvement in reading and mathematics test scores (Sanbonmatsu *et al* 2004). Perhaps this is because not all those given the opportunity actually moved and because some of the children that moved did not change school. Perhaps it is the school or classroom peer-group that really matters.

How about school peer-group?

Other well executed research from the US that looks specifically at school peer groups does find some effects, but the results are mixed. For example, boys and girls in Texas seem to do slightly better in classes with more girls (Hoxby 2000) and peers' achievements seem to matter too (Hanushek *et al* 2003, Lefgren 2004). However, pupils who won lotteries to attend better, sought-after high schools in Chicago gained no advantage in terms of test scores and other traditional educational outcomes (Cullen *et al* 2003). Even here, the overriding message is that there is probably an impact on education attainment from peer groups, but this is of fairly modest importance relative to aspects of the family background.

How does this evidence square with the common belief that peer-group and classroom composition makes a big difference to our children's success at school? It is well known, for example, that the average pupil attainment in a school declines rapidly as the proportion of pupils from disadvantaged backgrounds increases (typically measured by free-school meal eligibility). This is undeniable, but is largely due to each child's own family background; children from poorer family backgrounds have, on average, lower attainments. But these children begin with lower attainments and end up with lower attainments, and there is only fragile evidence that school 'context' – that is the characteristics of the pupils with which a child shares the class or school – really matters much for that child's progress.

An extensive 'school effectiveness' literature in Britain (and elsewhere) is scattered with examples that seem to show school-based 'contextual' effects, especially related to free school meal entitlement. But most take little account of the fact that children educated among low-income peers will also tend to be from low-income families (even if they are personally ineligible for free meals). This happens because the housing market sorts individuals geographically according to incomes, and because schools draw their intake from geographically defined neighbourhoods.

A simple story about peer effects on primary school pupil attainments in England can be told by looking at progress through Key Stage Two in the National Curriculum, using the 2002 Pupil Level Annual Census carried out by the Department for Education and Skills (DfES). On average, pupils in community schools who were ineligible for free school meals scored 45.4 points in the tests at the end of Key Stage One, when they were six or seven years old (total points in reading, writing and mathematics). These pupils increased their overall scores by an average 38.0 points between ages of six or seven and ten or eleven at Key Stage Two. Pupils who were eligible for free school meals – the more income-disadvantaged – achieved 38.4 points in their age six or seven tests and a 36.9 point increase by age ten or eleven. Clearly background makes a big difference to baseline achievements – 7.4 points at the end of Key Stage One – and a small (but significant) difference to progress through primary school.

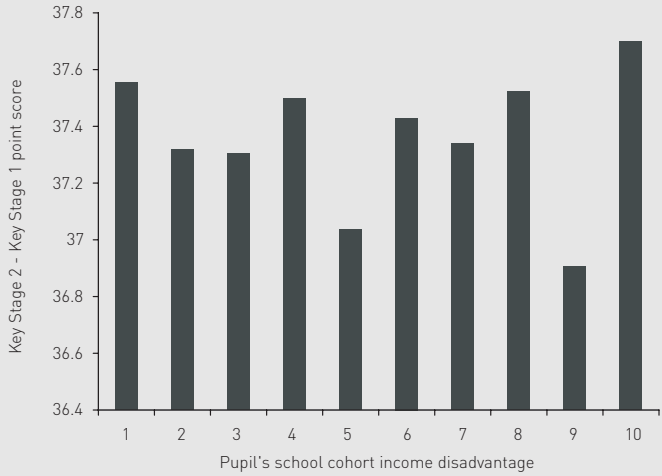
However, as Figure 6 (page 46) shows, the mix of free school meal entitlement in a child's cohort makes very little difference to the academic progress of poor children through Key Stage Two. The figure charts the mean Key Stage One to Key Stage Two increase in point score for income-disadvantaged children, as school cohort income disadvantage increases. The column on the left represents the mean point increase for the 10 per cent of pupils with the lowest proportion of their school cohort eligible for free-school meals. The column on the right represents the mean point increase for the 10 per cent of pupils with the highest proportion of their cohort eligible for free school meals.

There is no obvious systematic trend in achievement as pupil cohort composition changes (and statistical analysis would confirm that there is no significant trend). Poor pupils in a wealthier classroom context progress no better than poor pupils in poor classes through Key Stage Two. Evidence elsewhere indicates that school average free school meal entitlement may have more relevance to progress before Key Stage One, but even here the effects are relatively weak (Strand 2002).

None of what has been said should be taken to imply that peer groups and neighbourhoods never matter. Some aspects of peer and neighbourhood groups will matter sometimes for some groups of the population, and some studies find quite general effects for the UK (Gibbons 2001, Robertson and Symons 2003). Recent international evidence on peer groups is also supportive of small school-related peer effects (OECD 2003, Fertig 2003). But any reading of the literature would surely concur that if neighbourhood and peer group effects exist, their role in the development of traditional educational outcomes is relatively minor in comparison with personal family background factors and individual attributes.

For instance, if neighbourhood of origin is an important influence on

Figure 6: Peer group income disadvantage and progress through Key Stage Two, free-school meal eligible children, age 10/11 in Community schools in 2002



Source: DfES (2002) Pupil level annual census

educational attainments, we would expect to see strong correlations between the education of adults raised in the same neighbourhood (wherever they are later on in life). But in 1991, the correlation between years spent in education for adults who were teenagers in the same ward in the 1970s was only 0.16, and as low as 0.07 once family background differences are taken into account (Gibbons 2001). This result suggests that neighbourhood factors account for only a very modest proportion of the inequality that exists in educational attainment.

Access and opportunity

Taken as a whole then, this body of evidence indicates a possible role for the attributes and behaviours of neighbours and peers in fostering or hindering personal educational development. But the role seems to be a minor one. A recent survey of the effects of spatial disadvantage draws similar conclusion about a much wider range of outcomes (Buck and Gordon 2004).

Should we conclude that geography is largely irrelevant for education? This would certainly be too hasty. Schools differ in many ways, and some schools are clearly more desirable and popular than others. At least part of the reason for a school's popularity must be the effectiveness of the education it offers. Yet schooling choices are still heavily restricted by where a family lives and the most effective schools are not available to everyone. Yes, preferences take precedence in non-selective schools. But as soon as appli-

cations exceed the number of places available, it is how close a family lives that counts.

Numerous US studies and a handful for England have shown that this type of admissions policy leads to higher house prices nearer better, more popular schools, particularly at primary school level (Gibbons and Machin 2003, Cheshire and Sheppard 2004). It is not hard to see that this reduces opportunities for poorer families to access more effective schools. One study for England showed that the annual housing price premium for the highest performing primary schools could be as high as the fees for a private preparatory school education (Gibbons and Machin 2003).

Anyone concerned about equity in education provision should be concerned about the continuing, strong importance of geography in the school admissions systems. Systems of school admissions based more on parental choice or ability (selective LEAs) than on residence result in lower neighbourhood segregation (Burgess *et al* 2004). However, it doesn't follow that parental choice results in lower school segregation. Burgess *et al* compare segregation at a neighbourhood and school level. They show that there is a strong positive correlation between the feasibility of school choice and the extent of school segregation, controlling for residential segregation. They find this for segregation along the lines of both ability and income (ibid).

Neighbourhoods and crime

Crime and fear of crime are highly concentrated into particular areas, often featuring hot spots in highly localised places. Figure 7 (page 48) shows the distribution of property crime rates (defined as numbers of burglaries or thefts per 1000 population across 376 areas of England and Wales in 2003-4. The chart shows that the range across areas is wide, going from 2.9 crimes per 1000 people a year up to a huge 78.8 crimes per 1000 people, with the average being 24.6 per 1000 people. It is also the case that particular areas remain high or low crime areas over long periods of time (Hansen and Machin (2003) give an analysis of crime persistence over time in the 43 police force areas of England and Wales). So, for people who have concerns about area disparities, it is important to establish which areas have high crime rates, and which factors are important in determining this.

Standard economic models of crime postulate that the crime participation decision of individuals is formed by weighing up the expected costs and benefits of committing a crime relative to engaging in legal work, taking into account the probability of being caught and the sanction associated with being caught (Becker 1968). In this framework, individuals are predicted to commit a crime if the expected benefits outweigh the expected costs. As such there will be individual variations in the propensity to engage in crime, which will be influenced by the willingness to take risks and empathy towards the victim (especially for personal crime).

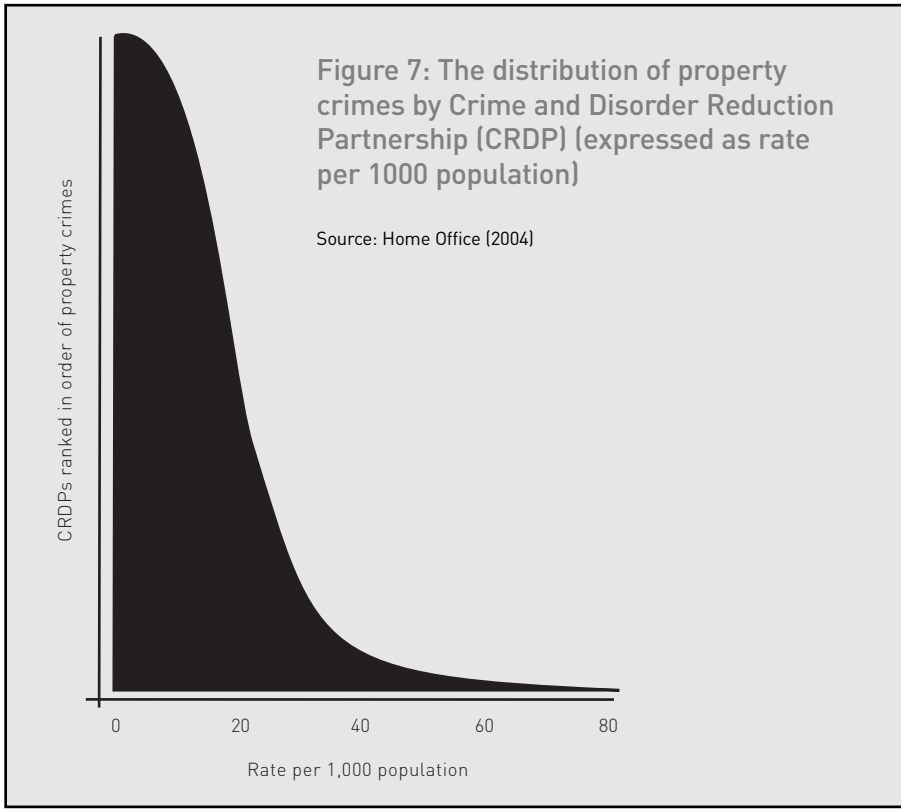


Figure 7: The distribution of property crimes by Crime and Disorder Reduction Partnership (CRDP) (expressed as rate per 1000 population)

Source: Home Office (2004)

Researchers have used area-level data to try to test the predictions of the economic model, namely that crime should be higher in places where earnings from crime are higher, where earnings from the legal labour market are lower and where sanctions and deterrence are less tough.

Area modelling of crime is relatively new in the UK, despite there being a huge literature on the development of macroeconomic models of crime. However, the work that exists is useful in shedding light on which areas are more likely to be characterised by higher crime rates. Machin and Meghir focus on the relationship between crime and the low wage labour market in the 43 police force areas of England and Wales (Machin and Meghir 2004). This research looked at cross-area changes in crime and changes in the 25th percentile of the area wage distribution between 1975 and 1996 (the 25th percentile wage is the wage of a person one-quarter from the bottom of the area wage distribution and can thus be viewed as an index of relatively low pay). The research reports a strong, negative correlation between the types of crime they examine (theft and handling, burglary, vehicle crime and total property crime) and low wages, even after controlling for other variables including demographic change and measures of deterrence.

Hansen and Machin approach the link between crime and the low wage

labour market in a different way, asking what happened to crime rates in areas where more people were beneficiaries of wage increases due to the introduction of the national minimum wage in April 1999, as compared to areas where fewer people received a wage boost (Hansen and Machin 2002). Their findings show that crime rates fell by more in relative terms in areas with more people who benefited from the minimum wage. Importantly this research compares what happened before the minimum wage was introduced and shows that the relationship between crime and the low wage labour market that existed in the period surrounding minimum wage introduction was not present before.

The finding that low wages matter for crime is now widely accepted by researchers. In contrast, the huge amount of research looking at connections between crime and unemployment conclude that evidence of an association is fragile at best (Freeman 1999). Other evidence based upon area analysis of crime rates is supportive of the notion that economic incentives matter for crime. For example, Feinstein and Sabates (2004) find that the financial incentive to stay in full-time education at the age of sixteen under the Educational Maintenance Allowance programme reduced both theft and burglary by male youths in pilot areas compared to similar areas not operating the programme.

Thus there are significant spatial variations in crime rates, and crime is concentrated in certain areas with high levels of persistence through time. This reveals the presence of important place and neighbourhood influences on criminal activity. It is also evident that the spatial incidence of property crime is linked to the economic opportunities available in particular places.

These findings based on data for England and Wales are in line with findings from the US. For example, the Moving to Opportunity programme confirms that moving to different, more affluent neighbourhoods leads to reductions in the chances of being a victim of crime for adults (Duncan *et al* 2004). Girls (though not boys) of families who moved to a better neighbourhood also reported lower witnessing of criminal activity. Likewise there were differences in reported engagement in risky behaviour, with girls reporting improvements but boys, if anything, going the other way. Furthermore, girls experienced far fewer arrests for violent offences but boys showed higher arrest rates for property crimes. So there is a mixed picture on adolescent behaviour and criminal activity, but clear differences in adult victimisation and areas with high crime rates reflect poor economic opportunities, mostly in terms of wages rather than unemployment.

Discussion and policy

How should these findings be translated into policy? It is clear that regional inequalities and neighbourhood effects represent a substantial social

injustice. At a regional or city/travel-to-work-area level there are large and highly persistent differences in employment levels focused heavily on the least educated. The evidence presented above suggests these differences will not be dissipated through mobility of the low-skilled to areas of job creation or of low-skilled jobs to deprived areas. Most economic migration is undertaken by people securing a job in a new area and then moving to that location.

Graduates are highly mobile in this way with a well functioning national labour market and area variations in employment are rapidly evened out. Low-skilled labour is less mobile because information on opportunities is hard to access and the high cost of housing in growth areas prohibits such moves. Social housing subsidies, which are not transferable across areas, are probably a minor additional restriction rather than a major factor in this low mobility. Low-skilled jobs are not flowing to low-wage areas because most growth areas of low-skilled employment are locally servicing consumption and leisure activities of the affluent.

Once the employment rate in an area rises above 75 per cent, however, the low-skilled start to benefit disproportionately from further jobs growth. This suggests that the Government's stated ambition to secure an 80 per cent employment rate will need to be nearly achieved in every region to reabsorb the lowest skilled.

So the solutions to employment differentials at the city/regional level probably lie less in trying to move low-skill jobs to deprived regions through relocation grants and so on, but in seeking the high value-added economic activity usually associated with well-educated labour. The spending power of these people will generate jobs for others. It is notable that strategies of urban regeneration aimed at making cities vibrant and attractive places to live have produced some clear success in this way. Government can support this agenda by encouraging university-based research activity and central government functions to move out of London and the South East. Supporting migration by the less skilled through national vacancies data in job centres and making social housing subsidies mobile would provide some additional support to reducing regional employment differentials by encouraging some (even short range) mobility – this is discussed more below.

At the community level there are sometimes huge degrees of spatial segregation along the lines of employment, education and crime. These patterns are also highly persistent across time. While the picture for employment segregation is of some further widening at ward level, spatial inequalities in education are diminishing for adults. These conflicting trends reflect the sharp increase in the employment differences across education groups which have been sufficient to offset the minor lessening of the extent of educational segregation at ward level. Spatial differences in educational

attainment among children are also slightly narrowing over time.

This spatial segregation is partly due to the more affluent seeking to purchase desirable neighbourhoods with low crime rates and high quality public services, raising house prices in these areas. Restricted entry in social housing to those in the most desperate circumstances also drives concentration of the poorest into certain neighbourhoods. There is no evidence that this special segregation has any effect on employment. That is, it seems that moving a person to a more affluent neighbourhood in the same broader area would have little on impact on their employment prospects.

For education, the available evidence is that peer group effects – who children attend school with – make only a modest difference to attainment, certainly when compared to the importance of the child's family. But families will pay substantially over the odds for higher school quality. Access to good schools is one of a number of ways that the affluent use their financial clout to advantage their offspring and this in part drives spatial segregation.

Being a victim of crime is strongly related to where you live and crime is concentrated heavily in certain areas. There is also some modest evidence that peer group in the neighbourhood influences the propensity to engage in crime or risky behaviour (including teenage pregnancy) for girls. There is clear evidence, however, that criminal activity is related to wage opportunities in the area.

This is important for policymakers because it suggests that at the community level employment issues are about helping individuals into work, as there is no evidence for neighbourhood employment effects. Indeed, improving economic opportunities for the less skilled in an area may not reduce spatial inequalities in employment if the gainers use their improved incomes to move out of the deprived areas. In contrast, for crime and risky behaviour there is evidence of modest neighbourhood/peer group effects for children and substantial spatial aspects to being a victim of crime.

While most educational disadvantage does not seem to come from the peer group, delivering resources to the child still may be best done through the school when it is more cost effective to do so or when the intervention requires group delivery; school resources and high quality teachers do not operate on just the individual child. Targeting resources on poor communities is therefore advantageous both as a cost effective way of reaching disadvantaged children and because of the spillover effects of concentrated deprivation.

The Excellence in Cities programme has had modest effects in raising attainment in deprived areas, but is cost effective given the relatively low level of resources injected (Machin, McNally and Meghir 2004). Likewise the Street Crime Initiative, which puts greater policing resources in the most deprived areas, seems to have had a significant impact in reducing

robberies (Machin and Marie 2005). Furthermore, the very act of improving the schools and reducing crime (and similar neighbourhood regeneration issues) will make these areas more attractive to live in, lessening incentives for people to leave if their personal circumstances improve. This addresses the very heart of the problem. Hence schools and crime reduction initiatives can be important elements of area regeneration.

This suggests that large amounts of extra funding for schools, and policing in deprived communities, should be a key component of a social justice agenda. The maze of local funding currently makes this approach very difficult. There are government funding streams given to local authorities which take account of area deprivation but the LEA does not have to transmit this to the schools serving poor children, and schools do not have to address the extra needs of deprived children. Likewise, police funding is to the local police authority, not the policing of the most deprived wards.

To address these problems the main approach of the Government has been to set targets to reduce gaps between the most deprived areas and the national average under the National Strategy for Neighbourhood Renewal. National and local public services are then required to meet these targets and local strategic partnerships are supposed to act as co-ordinating bodies to achieve these ends.

In addition, though, there are two further approaches. The first is hypothecated resources given to agencies to deliver area-based improvements in services and outcomes; Excellence in Cities and an array of Action Zones or the Street Crime Initiative reflect this. The second additional approach is the New Deal for Communities, which also delivers resources to an area but differs in that local residents are engaged in choosing priorities and even aspects of delivery.

A more direct transmission of resources for deprived families and communities has obvious benefits for the delivery of the public services they receive. It would also be desirable if institutional blockages could be eased. For example, offering appropriate incentives to encourage good teachers to teach deprived children (who tend to engage in more disruptive behaviour) in disadvantaged schools serving deprived communities seems desirable. If these schools could pay more they would have a good chance to recruit and hold such teachers.

Residence-based schools admission policies generate neighbourhood segregation and create a direct link between neighbourhood and school segregation. Selective education and parental choice based systems reduce neighbourhood segregation, but appear to raise school segregation given the lower level of neighbourhood segregation.

Parental choice can only improve on residence selection where the best schools cannot choose the pupil (as the school is oversubscribed another selection mechanism comes into play), as the school will choose the most

able and least difficult pupils. Furthermore, a simple choice system is less than ideal where the power to exercise meaningful choice is constrained by income. Low-income families can only choose local schools because they have less access to transport. None of these currently widely used systems is really effective at tackling educational segregation.

Yet policy can make a difference here; access to high quality public services and low crime neighbourhoods substantially influence patterns of spatial segregation. There is then the potential for improved public services (such as schools, policing and transport) in deprived areas, helping to reduce the crowding of the poor into a minority of wards by making these areas more attractive. This is not an argument for gentrification, which is the almost complete replacement of poor populations by affluent ones in an area, but an argument in favour of creating more mixed populations in the areas currently in the most deprived 10 per cent of wards and of making inner city areas more attractive places for people to live. In the case of schools, this could involve further weakening the link between where children live and the schools they attend, so that schools do not perpetuate geographical patterns of disadvantage and advantage. This requires choice backed by access and support (such as better bus services and informing and engaging with parents) and a blind selection mechanism for oversubscribed places.

A form of clearing system that matches choices and available places as with higher education (but here without an attainment pre-requisite) seems a clear way forward and is under trial in London. If a deprived child comes with substantial extra resources, any residual discretion schools have may be biased towards taking and supporting deprived children rather than the affluent. New funding mechanisms to deliver resources to the schools teaching deprived pupils and policing of deprived areas are required with substantially higher rates of funding than the national average.

Social housing reform can also play a role in creating more mixed communities (as well as enabling greater mobility as discussed above). Currently social housing subsidies are rationed to those who are in acute housing need (which is in turn strongly related to poverty and poor employment) and can only be secured through residence in social housing in one local authority. A local authority has no duty to offer housing to those already housed in another local authoriy and so shifting tenure type or moving across local authority boundaries normally results in loss of the subsidy – it is embedded in the bricks and mortar. As social housing units, with only some exceptions, are concentrated in certain communities, this exacerbates the concentration of deprivation.

This issue has been recognised and most new build social housing is in smaller units often dotted around towns and cities. However, there is very little new build and this does not address these issues for the existing stock.

A possible solution is to make the subsidy a long-term housing cost reduction for any family being assessed as having long-term need. It would then no longer be attached to one LEA and could be taken with the tenant when they move area or even into buying a house (although, unlike the right-to-buy scheme, not restricted to the current property). Housing associations would be able to rent to anyone at full cost but those eligible for the subsidy would pay a lower rent. This would reduce the concentration of deprivation on social housing, creating more mixed communities while also supporting more mobility.

Conclusion

Neighbourhood segregation is shaped by income inequalities translating into the better off securing more attractive neighbourhoods, which include good schools and low crime levels. Social housing allocation mechanisms and school admissions policies also create greater patterns of segregation in the UK. Whether the degree of segregation is worsening depends on the measure used but there clearly is no substantive recent improvement. These neighbourhood disparities have wider social consequences for their residents, which are commonly called neighbourhood effects. These are large for crime, modest for child education and non-existent for adult employment except in geographically isolated areas.

Addressing these neighbourhood effects through increased funding for schools, crime reduction and wider neighbourhood renewal would help create a virtuous circle as these are factors that make neighbourhoods attractive. Addressing the way that social housing allocation and schools admissions policies create segregation would be of further substantive benefit.

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3. How does place affect education?

Ruth Lupton

On the face of it, education seems intimately connected with 'place'. More so than virtually any other public service, schools are embedded in neighbourhoods. Often physically located at the centre of housing estates or villages, they exist and act locally. Catering for successive generations, day in, day out, they unavoidably interact with neighbourhood life. They link with community organisations in local projects and with businesses for work experience, sponsorship and careers advice. They deal with the impact of new housing or demolitions. They manage the fall-out from local unemployment. They cope with family break-ups, neighbourhood feuds and spates of crime or anti-social behaviour. They liaise with other local organisations such as police and social services.

Despite the rhetoric of choice and mobility, many schools are still thought of as serving specific, geographically bounded communities, and the vast majority of students are still educated locally. For many parents, the idea of the local primary school or the local comprehensive, within a safe walk or cycle ride, where all the neighbourhood's children may learn and play together, dies hard.

Moreover, while its policies of choice might serve to weaken school–neighbourhood links, in other guises the current government continues to place schools at the heart of neighbourhoods, driving their renewal and sustainability. In promoting modern, well-equipped, successful schools to attract and retain families with housing choice, and extended schools as the hub of welfare services for the less well-off, the Government is attempting to strengthen, rather than weaken, school–neighbourhood connections.

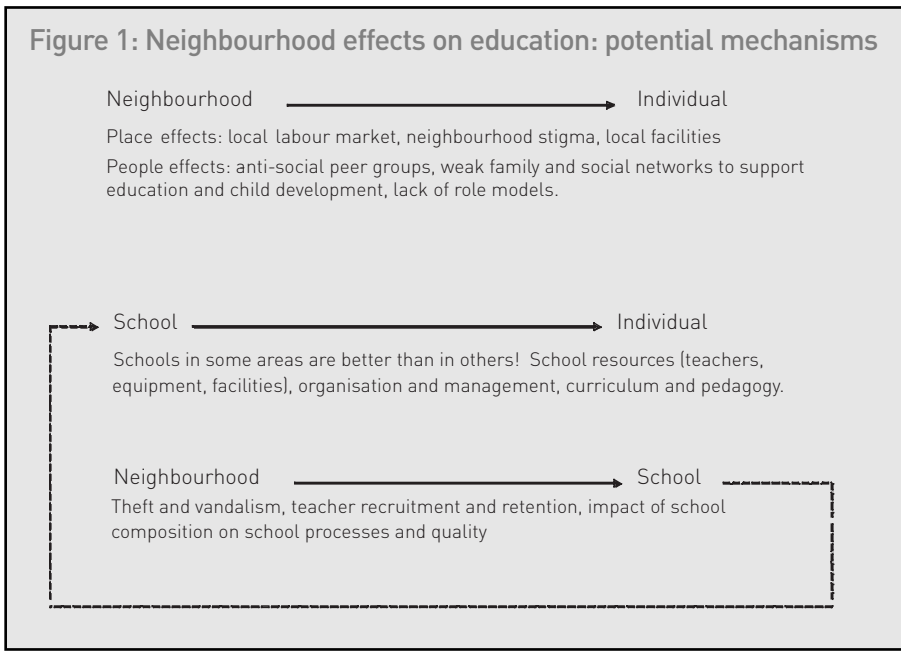
Thus, in discussions of educational inequality as a factor in social immobility, it is particularly pertinent to interrogate the role of 'place'. Given the connections between education and place, to what extent is place implicated in differential educational outcomes – and, if there are 'place effects', by what mechanisms do they come about?

This chapter attempts to provide some initial answers to these questions, with a brief (and almost certainly not comprehensive) overview of relevant literature. It is structured around three potential kinds of place effects, outlined in Figure 1. First, it explores the impact of neighbourhood on individuals – on motivations and opportunities to learn, considering place effects (such as the local labour market or environment and resources) and people effects (the other people who live in the neighbourhood) alike. Both are potentially important.

Second, it looks at the impact of schools on individuals. Schools are key neighbourhood resources, sufficiently so as to merit being treated separately, rather than simply as one of a number of place effects. For those students who are educated locally, the school is a principal mechanism by which their neighbourhood might affect them.

Third, it explores neighbourhood effects on schools: the extent to which schools do not just exist within neighbourhoods, but are constituted by them. Understanding that neighbourhood characteristics may have consequences for schools – for example, for their pupil composition or for their resources, curriculum or pedagogies – adds another dimension to the notion of school effects and how they might be addressed.

Figure 1: Neighbourhood effects on education: potential mechanisms



For each of these three mechanisms – individuals, schools and neighbourhoods – this chapter briefly considers the strength of the evidence base and reviews what it reveals, before bringing the three issues together in a discussion of possible implications for policy. For the sake of focus and in line with the bulk of the evidence on this issue, this chapter takes the limited view that 'education = school'. Pre- and post-compulsory education and learning in informal settings are not considered here, although place effects might be equally important in those contexts. It also takes a limited view of place as equivalent to 'neighbourhood' or 'locality'. This is because although global, national and city-regional influences might also be considered separately, they are effectively woven into local life through the identities and

actions of individuals and the distribution of resources, power and participation. Thus the chapter focuses on neighbourhoods, and on schools.

Neighbourhood effects on individuals

Evidence of neighbourhood effects on individuals comes from two sources. The first is a long line of small-scale qualitative community studies and school ethnographies designed to understand the actual experience of living in low-income neighbourhoods of various types. The second is a more recent set of quantitative studies designed specifically to measure whether neighbourhood has any effect on individual outcomes, over and above the effect of individual and household characteristics. In other words, is it worse to be poor in a poor area?

Numerous qualitative studies on education and other subjects reveal glimpses of adverse effects of living in a poor neighbourhood for young people's educational experiences, including:

- low aspirations because of historically or contemporarily weak labour markets
- alternatives to formal education (such as drug dealing, paid labour or crime)
- effects of neighbourhood stigma on self esteem and learner identities
- parental isolation and low social capital influencing, among other things, childcare, school and university choices
- limited educational resources such as libraries, computer facilities, safe play areas and equipment, and supervised youth activities.

There is a strong case for arguing that these restricted opportunities are important in their own right. It is inequitable that some young people should have to battle these difficulties to make the same progress with their education that others would take for granted. However, we might also want to know whether these problems have any significant short- or long-term effect on educational outcomes. Perhaps they are outweighed by personal resilience or family support, or are insignificant alongside individual or household determinants, such as academic ability or level of parental education?

Quantitative investigations into neighbourhood effects can answer some of these questions. However, they are fraught with data problems and methodological difficulties. They may use data at highly aggregated spatial scales because neighbourhood data is not available. Some test for associations between neighbourhood deprivation and individual outcomes but not for the specific theoretical mechanisms that might lead to these associations. Others tend to measure neighbourhood attributes only in terms of population composition, to the exclusion of place characteristics (for a full discussion, see Lupton 2003).

In general terms, quantitative studies leave us somewhat uncertain about the extent and nature of neighbourhood effects. In their 1997 literature review, Ellen and Turner found no consensus about which characteristics affected which outcomes, which types of households might be most affected by neighbourhood, or the causal mechanisms involved. They recommended employing 'some caution in interpreting the evidence' (Ellen and Turner 1997: 833). Similar inconsistencies were reported by Harding (2002) in his review of the US literature and by McCulloch (2001), who noted inconsistency in the findings of UK research, partly because of differences in theoretical or methodological approach. Much work remains to be done.

That said, existing studies have tended to find neighbourhood effects on education – for example:

- neighbourhood (ward) effects on test scores for children aged four to five but not older children (McCulloch and Joshi 2000, using UK data)
- neighbourhood effects on development outcomes aged four to five and on school drop-out and teenage pregnancy (Brooks-Gunn *et al* 1997, using US data)
- drop-out rates from school being influenced by availability of unskilled work and by concentrated neighbourhood poverty (Overman 2000, using Australian data)
- place effects (such as the lack of services and safety) on the likelihood of developing problem behaviours (Peeples and Loeber 1994)
- Families adopting different strategies in high-risk neighbourhoods (Furstenberg *et al* 1998, using US data).

The results of these studies suggest that neighbourhood has some effect, in that it probably is worse for one's education to live in a poor neighbourhood than a rich one. They do not tell us which, or which combination, of the mechanisms identified in the qualitative studies account for the effects. And importantly, they consistently find that neighbourhood effects are considerably smaller than individual and household effects.

Studies of residential mobility programmes in the US offer useful evidence. What happens when people move from a low-income neighbourhood to a more advantaged one? Evidence from the Gautreaux programme in Chicago suggested that moving to a better neighbourhood reduced school drop-out rates, and improved college participation rates (Rosenbaum 1995). However, the more recent 'Moving to Opportunity' programme found more mixed results. Delinquent and risky behaviour was reduced only among girls, not boys, and moving to a better neighbourhood had only a very small impact on educational attainment (Orr *et al* 2003).

Notably, in this latter study, children experienced only small improvements in the quality of schools attended as a result of their neighbourhood

move. Thus, although other studies do suggest some evidence of neighbourhood effects on outcomes, this latter finding leaves us with the suggestion that perhaps it may be schools, rather than neighbourhoods in themselves, that really make the difference.

What, then, is the specific evidence of school effects?

School effects on individuals

It is now well established that disadvantaged neighbourhoods tend to have schools that are of lower quality than those in rich neighbourhoods – not just in terms of academic results, but in terms of the adjudged quality of school processes. In the UK, they score less well in official inspections (Ofsted 2000) and are more likely to be diagnosed as failing and put into special measures or closed. Concern with the quality of schools in disadvantaged areas is what has spawned the current government's Excellence in Cities initiative – a programme of improvement for 'schools in challenging circumstances', and the Academies programme. Thus, while this is not always the case, students living in disadvantaged areas are more likely to be served by poor quality schools than their counterparts in the 'leafy lanes'.

To what extent do these differences between schools matter? More than 20 years of school effectiveness studies have established that quality of schooling does make a difference. The most often-cited figure is that differences between schools account for somewhere between eight and 15 per cent of attainment differences. Individual, home and background factors account for the rest (Reynolds *et al* 1996, Sammons 1999). This puts school efforts into perspective, but nevertheless positions them as having a significant impact. For example, Thomas and Mortimore (1996) suggested that, taking background factors into account, good schools could lift GCSE results by about 14 points for pupils with average prior attainment – equivalent to the difference between six Bs and six Ds.

On this basis, we can conclude that securing better schools in poor neighbourhoods might not compensate for wider inequalities, but it would make a contribution to closing the social-class gap in educational outcomes.

However, what we do not know is how this should be done. Until very recently, school effectiveness and school improvement studies have concentrated on generic issues, applicable to all schools, and have been reluctant to identify what different or additional measures might be necessary for schools in poorer areas to close the gap.

Recent papers (Harris 2002, Potter *et al* 2002, Chapman and Harris 2004, West *et al* 2005) have started to redress this balance, identifying features that might make for success in schools in disadvantaged areas. These include:

- a shared belief in the potential for growth and development in all pupils (and staff)
- a distributed leadership approach
- investment in staff development
- emphasis on high quality personal relationships
- a commitment to an 'interconnectedness of home, school, and community'
- strategies to foster social and emotional development as a precursor to learning – a particularly important factor.

This move towards distinct approaches in schools in poor neighbourhoods is an important one. It begins to suggest that neighbourhood context might be important as a driver of school quality, and that this factor might need explicit responses if school quality is to be improved. This brings us to the third potential place effect – neighbourhood impacts on schools.

Neighbourhood effects on schools

Developments in the school effectiveness and improvement literature reflect the emergence, since the mid-1990s, of a strong body of qualitative evidence demonstrating the ways in which neighbourhoods appear to impact on school processes and quality. Sharon Gewirtz described this as 'intricate and intimate connections between what school managers do and the socio-economic and discursive contexts within which they operate' (Gewirtz 1998: 440).

Gewirtz's study of two inner-London secondary schools showed how staff spent time on different activities. In the struggling school, they spent less time on curriculum matters and extra-curricular activities. There were difficulties in staff recruitment and parental involvement, and strained relationships between management and staff as improvement agendas became hijacked by day-to-day firefighting. Numerous other studies produced similar results (The Bishops' Conference of England and Wales 1997 and 1999, Johnson 1999, Thrupp 1999, Ofsted 2000, Thomson 2002).

On the basis of his study of New Zealand schools, Thrupp (1999) categorised the effects of school processes under three headings: organisation and management, curriculum and pedagogy, and peer relations. Opdenakker and Van Damme (2001) tested these findings quantitatively, using Belgian school data. They found significant correlations between variables in school processes, such as 'an orderly learning environment', and those in school composition, such as mean ability and socio-economic status.

Much of this work covers the secondary sector, leaving primary schools somewhat under-investigated, although local effects might be most strongly evidenced in primary schools, with their stronger neighbourhood connections.

My own work on UK schools (Lupton 2005), and that of Thomson (2002) in Australia, has developed Thrupp's work by pointing to the differences between neighbourhoods that are similarly impoverished. These include the importance of neighbourhood composition (particularly ethnic composition but also specific local issues such as the presence of children's homes or refugees), of neighbourhood resources including businesses and voluntary organisations, of neighbourhood issues such as family feuds, and of the local market for schooling.

From this work, it seems clear that neighbourhoods do impact on school processes, and that a disadvantaged neighbourhood context may make school quality harder to achieve. As with neighbourhood effects on individuals, we might argue that this is important in its own right. But does it impact on educational outcomes? Again, attempts to establish this quantitatively face methodological problems. One challenge is dealing with selection effects, with the notion that low-income students in failing working-class schools might be different from those who have managed to get into successful schools. Another is the difficulty in separating group, class and school-level effects.

The greatest difficulties can arise when measuring the composition of schools, that is to say the mix of pupils within the school. Most studies use only crude measures (if any) of socio-economic composition, such as the proportion eligible for free school meals (FSM), which takes no account of important local factors, such as ethnic composition or pupil turbulence, and no account of school composition above the FSM threshold. A school with 40 per cent of pupils on FSM and 60 per cent from high professional and managerial homes is very different from one with 40 per cent on FSM and 60 per cent whose parents are in low-paid work and fall just above the FSM cut-off point. School composition studies do not appear to be able to capture place effects as well as student composition. There is room for more refined data and more sophisticated methodologies.

Meanwhile, the evidence is mixed. Nash (2003: 444), claiming that compositional effects are spurious, argues that 'for every analysis that finds a compositional effect there is another that does not.' Thrupp *et al* (2002: 496) argue that the evidence is 'inconclusive but suggests the presence of school compositional effects'. They cite studies such as those by Bryk *et al* (1993) and Ho and Willms (1996) in the United States and Lauder *et al* (1999) in New Zealand, on the grounds that these have more robust data and methodologies than UK studies, which have been less clear on evidence of compositional effects.

Whether an effect of school composition, or simply of within class selection, it is worth noting that in England, children eligible for free school meals make better progress up to Key Stage 3 in schools with low

levels of FSM eligibility than do their non-FSM counterparts in schools with high levels of eligibility, as shown in Table 1.

Table 1: Percentage pupils progressing from expected level at KS2 in 1999 to expected level at KS3 in 2002 (mathematics)

School FSM band	Non FSM	FSM
<5%	90	83
5-9%	88	79
9-13%	85	77
13-21%	82	74
21-35%	80	70
>35%	74	67

Source: DfES 2004

Some evidence suggests that certain students are affected more than others from compositional effects – being taught with pupils of mixed degrees of ability. Opdenakker and Van Damme (2001) found that pupils with higher ability benefited more than those with lower ability from being in high socio-economic status schools. Much research, such as Robertson and Symons (2003), has found that higher-ability students tend to do better in streams, where they are taught with a group of similar-ability students for most of their courses, while lower-ability students tend to do better in mixed-ability groups. In other words, there is a trade-off in benefits to the two groups.

Most recently, however, Ireson *et al* (2005) did not find differential effects of setting – teaching students of similar ability by subject – on higher- and lower-ability students. This may be because students of all ability tend to be taught a similar curriculum in UK schools, contrary to US ones, where those in lower-ability classes may end up with a reduced programme. However, for individual students, particularly those with intermediate prior attainment, being placed in a set with students of similar, rather than mixed, ability had significant effects. These findings suggest that, for individual students, school composition may be mediated by in-school decisions on how to group students for teaching.

To summarise, overall it appears that neighbourhood socio-economic composition and other characteristics do have qualitative effects on school processes, and on school quality. This, in turn, would be expected to have an impact on pupil outcomes. This has been demonstrated in a number of quantitative studies, although one could not argue that it has been demonstrated beyond doubt. What happens within schools will also be important.

Two final points are salient. First, neighbourhoods' impact on schools depends largely on the extent to which local children go to local schools. School choice policies, and of course geography, transport and the availability of school places, can all serve to break the link between schools and their local neighbourhoods. This can make school composition a function of choice rather than locality, and weaken the impact of neighbourhood composition, neighbourhood resources and neighbourhood issues. The importance of place differs depending on the regime for allocating school places.

Second, any discussion of neighbourhood effects on schools must also take account of the effect of schools on neighbourhoods. Families with housing choice can – and do – move to secure places at better schools, thus altering neighbourhood composition both in the neighbourhoods they move to and in the neighbourhoods left behind. Schools can make or break neighbourhoods, as well as vice versa.

Conclusions and policy implications

These findings have a number of implications for education policies designed to reduce inequality and enhance social mobility.

Schools do affect educational outcomes

In the first instance, the evidence underlines the fact that schools do matter, and that equalising the quality of schooling across neighbourhoods must be an important element in reducing the gap in educational outcomes – although wider socio-economic inequalities will still present the bigger problem. This is well known and uncontroversial, but how to do it is highly debatable.

The Government's 2005 schools White Paper (DfES 2005) proposes to improve schools in low-income areas through another combination of carrot (increased investment) and stick (swifter closure for failing schools), along with structural reform in the form of trust schools with external sponsors. I have argued elsewhere (Lupton 2005) that, in recognition of the very different job that schools in poor areas are carrying out, a more effective alternative might be significantly greater investment that would support different organisation models and facilitate greater compatibility with the Every Child Matters and neighbourhood renewal agendas (DfES 2003, Cabinet Office 2001).

To be effective, school improvement strategies must take account of the fact that schools do not operate with a 'hermetic seal' around them (Thompson 2002). They are porous to neighbourhood influences, and are challenged by them. Effective schools in disadvantaged neighbourhoods are likely to need a different set of provisions to those in more affluent

neighbourhoods. These might include greater management resources, more welfare functions, more support staff, perhaps more curriculum options, and innovative and intensive strategies for parental involvement, as well as training incentives and more non-contact time for teaching staff.

Neighbourhoods affect educational opportunities too

It appears that non-school neighbourhood factors probably make a difference to educational opportunities, although it is not entirely clear what exactly they do, and how. Equalising neighbourhood conditions through neighbourhood renewal strategies could be expected to yield educational benefits, regardless of specific school-based interventions.

Parental isolation and low social capital, limited educational resources, poor facilities, high crime and dilapidated, stigmatised environments all seem to impact on learning opportunities and learning identities. As a result, the educational case for safer neighbourhoods with safe play and youth facilities, opportunities for family learning and for parents to interact and network seems well made, although perhaps hard to quantify in terms of hard educational outcomes. More mixed communities might also help.

School composition affects educational processes and possibly outcomes

The question of admissions must be raised. School composition seems to have an effect on school processes, and probably has an effect on outcomes, in that low-attaining students may be adversely affected by being in schools with high proportions of other low-attaining students. An obvious response – and one that can also be supported on grounds of reducing social segregation, regardless of educational impacts – is to engineer a situation in which more schools have balanced, socially mixed intakes, rather than simply disadvantaged ones.

The Government proposes to do this within the context of market mechanisms, helping low-income families travel outside their neighbourhood to school, enhancing the advice available to them, and establishing academies and trust schools in low-income areas so that better-off families might actively choose them. However, other models might also be considered, including area banding, admissions lotteries, or incentives to schools to take more disadvantaged students. ippr's current educational work specifically aims to explore some of these options (Tough 2006).

However, changes in admissions arrangements cannot be seen as a panacea. Schools serving socially mixed areas present a relatively straightforward case. Admissions mechanisms could be designed to ensure that such schools more adequately reflect the characteristics of their localities, admitting students from across the social gradient, rather than only the most disadvantaged. But schools serving uniformly disadvantaged neighbourhoods present a more difficult challenge. Mixing their intakes neces-

sarily involves breaking links with place, at the cost of long journeys to school, reduced leisure and home-study time, diminished local social networks, and difficulties for schools in forging links with identifiable geographical communities.

Moreover, the risk for middle-class parents of being allocated to such schools might be averted by moves even further afield, embedding residential segregation. This suggests that admissions policies cannot be the only answer. Place is likely to continue to be important. Designing and resourcing high quality schools, while also working with, utilising and building on their strengths, must continue to be a top priority that can offset the detrimental effects of high-poverty neighbourhoods.

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4. Understanding ethnic group differences in Britain: the role of family background and education in shaping social class outcomes

Lucinda Platt

There is still a lot we do not understand about the fortunes of Great Britain's minority ethnic groups, their occupational disadvantage, and the diversity of outcomes between them. This is despite the presence of a small but significant minority ethnic population since at least the post-war period, an extended body of research into the experience of the post-war immigrant population and relations between majority and minority, and the existence of race relations legislation since 1965. One area in which our knowledge is particularly limited is in relation to the transfer of advantage or disadvantage across generations.

This chapter[20] discusses how social origins contribute to patterns of occupational success among contemporary young adults aged 24 to 45 from different ethnic groups who were brought up in England and Wales. The term 'social origins' here refers to the social class, educational achievement and economic resources of the individual's parents. Social class, or simply 'class', is defined in relation to occupation and terms of employment. In this chapter it is grouped into three standard, broad categories: 'service' or 'higher' which refers to professional and managerial occupations; intermediate; and working or 'lower', which refers to routine non-manual and manual occupations. It is the property of a family rather than an individual. Therefore, where two partners in a couple have an occupational position, the higher position of the two is taken to represent the family's social class.

Social mobility is defined as movement from one of these broad groupings to another, and upward mobility as movement from the working (or intermediate) classes to the professional or managerial classes. This chapter is specifically concerned with intergenerational mobility, that is movement from a class based on the parents' occupations, as experienced by an individual in childhood, to another based on the child's (and his or her partner's) occupations as experienced in adulthood.

20 The results in this paper derive from analysis of the ONS Longitudinal Study. The permission of the Office for National Statistics to use the Longitudinal Study is gratefully acknowledged, as is the help provided by staff of the Centre for Longitudinal Study Information & User Support (CeLSIUS) – in particular Julian Buxton. Neither ONS nor CeLSIUS bear any responsibility for results or their interpretation. I am also grateful to the Joseph Rowntree Foundation for funding the project from which much of this research derives; to the Department of Sociology at the University of Essex for allowing me time to carry out the research, and for the hospitality of the Centre for Analysis of Social Exclusion at the LSE where I wrote this chapter.

Using data from the Office for National Statistics (ONS) Longitudinal Study, this chapter analyses the roles of class background and ethnic group in accounting for differences in outcomes between these young adults, and the intersection between the two. This enables a reflection on the context in which children of immigrants grow up. Does living in a stratified society mean that the life chances of members of minority ethnic groups reflect those of the majority, or is class 'trumped' by ethnicity? And what do such findings mean, both in terms of processes of occupational and social class achievement and the routes to achieving a more inclusive society?

As we shall see, background remains important: the children of parents from higher social classes are more likely to end up in higher social classes themselves. This is the case even when taking account of individual educational achievement. However, class background is less important for minority ethnic groups than it is for the majority. For the majority, class background operates separately from individuals' own educational success, but minorities achieve upward mobility through the education system.

Some members of minority ethnic groups (those identifying as Caribbean, black African, Indian or Chinese or other) with working class parents are more likely to end up in professional or managerial class families than white people of non-migrant but otherwise similar backgrounds. This means that Indians are now doing 'better' than the white majority. However, Pakistanis showed lower levels of upward mobility than their white British counterparts, and this disadvantage is exacerbated when their educational qualifications are taken into account. Thus there is not one 'story' that can be told for the children of immigrants. Instead, it is the way in which particular levels of class background and educational achievement intersect with ethnic group that seems critical.

The story is also complicated by more detailed analysis of Caribbeans. The aggregate levels of upward mobility of Caribbeans from working class backgrounds are slightly higher than those of their white British working-class peers. But their overall class outcomes are slightly poorer, because a higher proportion started off in the working class. Moreover, they appear to take longer to see the benefits of their educational qualifications in terms of these being translated into higher social class positions, and remain more at risk of unemployment compared to those from the majority with similar backgrounds and similar qualifications.

Coming from advantaged backgrounds is of no benefit to young adults from this group. Thus relatively privileged origins do not seem to provide the resources with which to protect the next generation against downward mobility, whether as a result of discrimination or other factors. The results here also highlight the fact that minority ethnic groups are internally highly heterogeneous, and grouping them in the forms of standard classi-

fications may in fact disguise relevant processes that are not reflected by ethnic group aggregations, as well as revealing those that are.

These results, and their implications, are discussed in more detail in the rest of this chapter. We begin by considering the rationale for investigating the social class mobility of minority ethnic groups, and issues of interpretation. We then go on to describe the study and the data, followed by a discussion of some of the core findings to come out of this body of research. This is followed by a brief discussion of implications and areas for further research

Migration, ethnicity and social class

There is a body of literature that relates the difficulties of immigrants in achieving occupational success on a par with their white British counterparts and congruent with their educational skills and experience to the process of immigration itself. Thus, disparities in occupational achievement are related to the following factors:

- fluency in English language (Dustmann and Fabbri 2003, Shields and Wheatley Price 2002)
- lack of familiarity with job-search institutions (Frijters *et al* 2005)
- more limited networks (Battu *et al* 2004)
- lack of translation of human capital across national boundaries or failure of employers to recognise qualifications gained abroad (Yoshida and Smith 2005)
- employer 'preferences' for native workers (Becker 1971)
- discrimination (Brown and Gay 1985, Commission for Racial Equality 1996)

In the main, such disadvantage would be expected to disappear over time, as immigrants become increasingly familiar with host institutions, increase their networks, become more fluent in English, acquire locally recognised qualifications, and so forth. And there is some evidence that disadvantage does diminish with time following migration – although, clearly, this could also be a 'cohort effect', suggesting that earlier migrants faced less disadvantage than later ones. At the same time, the reduction is not sufficient to remove labour market disadvantage, even after the lapse of quite substantial periods of time.

What is more, disadvantage is further maintained into the second generation, when most of the factors associated with the process of migration are no longer relevant. British-born children of immigrants will have experienced the British educational system, and they could be expected to have similar networks and understanding of native institutions and English-language fluency as their peers from non-migrant backgrounds.

To the extent that there is educational variation between groups, the returns to education in terms of wages and chances of being in employment might still be expected to be the same, with differences disappearing once education is taken into account. However, there remains substantial variation between second-generation minority ethnic groups in their occupational outcomes. Even after controlling for relevant characteristics, including education, Heath and McMahon were led to conclude that 'being born in Britain is not associated with any improvement in competitive chances' (Heath and McMahon 1997: 108).

Some have gone on to argue that the gap between actual achievement of members of minority ethnic groups and that to be expected on the basis of their characteristics is down to discrimination (Blackaby *et al* 1999 and 2002). However, how this discrimination operates – whether it is purely employer discrimination or whether it makes an impact outside of hiring and promotion – is not fully discussed.

An alternative account in this literature is to consider the possibility that certain minority ethnic groups have a 'taste for isolation', or 'oppositional culture', which limits their labour market options (Blackaby *et al* 2005, Battu *et al* 2005). It is acknowledged that such tastes may themselves be formed in response to discriminatory or racist experiences, but empirical support for this interpretation is not discussed.

Others consider that attributing the whole of any unexplained 'ethnic group effect' to discrimination is misguided. Other relevant characteristics that vary by ethnic group, and that may be important in accounting for differences, may have been excluded from the analysis (Hatton and Wheatley Price 1999, Yoshida and Smith 2005). The proponents of this position argue that we should at least attempt to exhaust possible relevant characteristics before attributing to any remaining gap the term 'discrimination'. However, in fact, such a search for additional relevant characteristics often focuses on individual attributes, thus assuming a highly individualised account.

Moreover, relevant characteristics, such as language fluency, are often tied back to the fact of immigration, thus locating causal processes with the individuals affected, and with their immigrant status, rather than in the constraints and structures with which they interact within the UK.

By contrast, the role of location may be important, given the relative concentration of certain minority ethnic groups in particular areas, the tendency of areas of minority ethnic concentration to overlap with disadvantaged areas (Dorsett 1998) and the differential nature of job markets – in terms of types of employment as well as unemployment rates, in different parts of the country.

The evidence both around neighbourhood effects (see chapter 1) and ethnic concentrations (Clark and Drinkwater 2002) is complex, and it has

been argued that in the UK, minority ethnic groups have adapted relatively successfully to de-industrialisation (Iganski and Payne 1999). Nevertheless, the availability of specific employment 'niches' (Smith 1977) and alternative job opportunities varies widely at the regional and sub-regional level, and within areas, over time. This has implications for the position of the migrant generation and, thus, what its members can transfer to the next generation and to subsequent generations growing up in these areas.

For a number of practical reasons, it has been hard to incorporate into this analysis evidence of how far location and employment opportunities have contributed to observed outcomes for minority ethnic groups, and to differences between groups. However, these remain potentially important in helping to account for mobility patterns illustrated here.

In addition, the very meaning of the term 'ethnic group effects', in terms of the unexplained impact of belonging to a particular ethnic group found in statistical models, has been questioned. Some would argue that there may be *a priori* assumptions involved in constructing models to look for ethnic group effects in the first place. This necessarily leads to forms of explanation that try to identify what it is about particular ethnic groups that can explain their own disadvantage. These explanations frequently invoke 'cultural differences', and thereby run the risk of essentialising and decontextualising ethnicity.

Zhou has referred to the weight placed in quantitative analysis on the 'effect of the ethnic dummy, the exact meaning and contents of which remains a black box' (Zhou 2005: 131). Zhou is questioning what 'ethnic group' is intended to stand for and points out that the cultural intersects with, and is redefined and reconstituted in relation to, the structural. However, this apparently self-evident insight is not consistently followed through in other analyses. In what follows, an attempt is made to elucidate and understand how ethnicity intersects with class structure in a society that remains highly stratified, even in the 21st century.

Heath and McMahon (1997) coined the term 'ethnic penalty' to describe the gap that emerged between ethnic groups in the relationship between characteristics and the occupational outcomes that might be expected to flow from such characteristics. This term summarised the negative 'ethnic group effects' arising from statistical analysis. Heath and McMahon consider that discrimination is likely to be part of any penalty, but they argue that there may be other factors that they were unable to include in their analysis, and that tend to be more associated with particular ethnic groups.

The concept of 'ethnic penalties' does not require that a particular group's penalty must be due to characteristics specific to that single group. For example, an employment 'penalty' experienced by Pakistani men does not have to be related to 'being Pakistani' and notions of practices, behav-

iours or characteristics that are considered unique to Pakistanis. In other words, we do not have to employ cultural understandings of ethnicity to understand ethnic differences. Rather, the classification 'ethnic group' may be acting as an indicator for unmeasured or poorly measured characteristics that are unevenly distributed across ethnic groups, and may influence their aggregate outcomes. We could think, here, of access to job networks or possession of particular skills that are inadequately picked up in information on qualifications, or concentration in particularly unfavourable labour markets with limited opportunities.

The flexible understanding of ethnic penalties is important both in considering potential additional factors to account for differences between groups, and in considering remedies for those differences. One possible set of characteristics that Heath and McMahon highlighted was the potential contribution of social-class background in influencing outcomes across ethnic groups.

The authors later conducted an analysis that included class background in exploring differential outcomes between groups (Heath and McMahon 2005). However, the class background examined was typically pre- rather than post-migration class. Downward mobility on migration (Daniel 1968) and the lack of class congruence across national boundaries mean that the two are not likely to be the same. This work needs to be extended within a common context, measuring parental class at the same point and within the UK (see Platt 2005a). Thus the analysis presented here (focusing on England and Wales) develops our understanding of how social-class background contributes within such a context.

Investigating ethnic group differences and inclusion of ethnic group as an 'explanatory factor' in analysis raises two important points for this study. First, it is important to be cautious about what claims are being made in relation to 'ethnicity'. Second, marginal effects may be a lot less important for a group's welfare than absolute effects, despite the emphatic search for such marginal effects. For example, differences in levels of education that result in limited labour-market opportunities (an absolute effect) may be more worthy of attention than the marginal differences in returns to education in wages and chances of being in employment (a marginal effect).

What is more, the policy implications that stem from this difference in emphasis – on absolute rather than marginal effects – are also likely to vary. Absolute differences are likely to invite universalist solutions, such as to improve the education levels of all, or of those who are poorer, and disadvantaged minority ethnic groups are likely to benefit. On the other hand, a focus on the marginal differences – for example, on the fact that people are not getting the outcomes they would appear to 'deserve' on the basis of their observed characteristics – may lead towards more targeted policies, such as 'race' audits, anti-discrimination legislation and so on.

It is important to act with caution when interpreting ethnic-group effects from the results that follow. Consideration of the impact of social-class origins can raise some similar quandaries. Generally, the effect of people's social class 'origins' on their 'destinations' has been consistently demonstrated as a relevant factor in their outcomes (Heath and Payne 2000). Social class is known to impact on occupational outcomes of future generations – not only through the ability of the higher social classes to mobilise educational qualifications, but also through a range of other factors.

Bourdieu (1997) used an analogy with economic capital to break down sources of advantage into cultural, economic and social capital, thus outlining the potential elements of class advantage and the processes by which they are maintained and transmitted. Researchers have taken up these concepts of 'capitals' extensively, and applied them to other contexts.

However, as with ethnicity, what 'class' precisely represents is often elusive. The precise way in which 'social class' (rather than its potentially constituent or related elements of networks, economic resources or 'know-how') operates to constrain or enable the outcomes of the next generation in the UK remains a somewhat open question. Nevertheless, insofar as class is recognised as structuring past and present British society, it is important to investigate its role in shaping the outcomes of minority ethnic groups. The ability of members of minority ethnic groups to maintain any class or occupational advantage that they achieve is indicative of greater openness of society over time in relation to ethnic difference.

The role of family background and education for social class outcomes

The overall study considered here sought to address three questions:

- whether there was evidence that family origins continued to be important for social class outcomes across groups
- whether this impact of origins was replicated across groups
- what the role of education was, either alongside, or in place of class origins in determining social-class success, both for the majority and minorities (Platt 2005a and 2005c, Platt and Thompson forthcoming).

Family origins and social-class outcomes

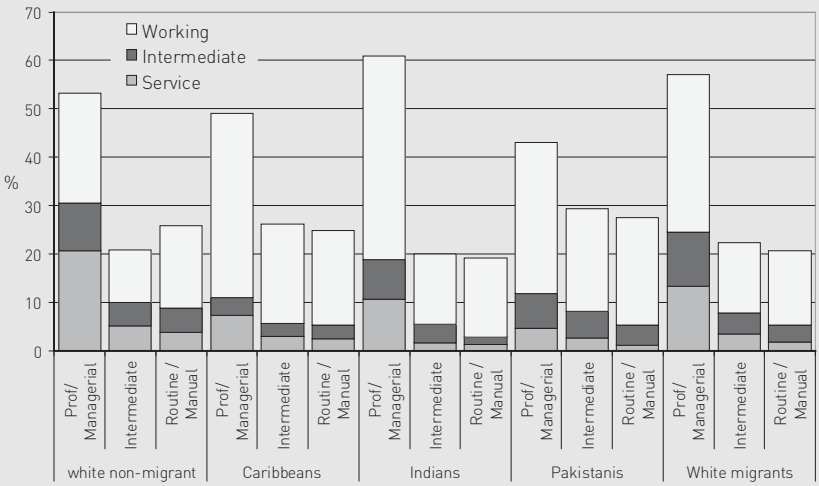
To do this, I made use of the ONS Longitudinal Study – a sample of the population of England and Wales that is followed over time from 1971.

Figure 1 illustrates the composition of participants' social class in 2001, according to their parents' social class, for five ethnic groups, and restricted to just the three main origin and destination classes. We see that in this year,

for all groups, the largest proportion were in the professional and managerial classes. A high proportion of these had origins in the working class, reflecting the changes in the overall occupational structure that have taken place between 1971 and 2001.

However, there are also some striking differences: there is a significantly higher proportion of people of Indian origin in the professional or managerial classes than there is among white non-migrants, and a higher share of these came from the working class. Pakistanis and Caribbeans had lower proportions in the professional or managerial classes, while the pattern for those of white ethnicity but migrant parentage is comparable to the white non-migrant majority, but with a greater share starting off in the working class across all three class destinations.

Figure 1: Percentages from different ethnic groups ending up in particular class destinations at 2001, by class origin



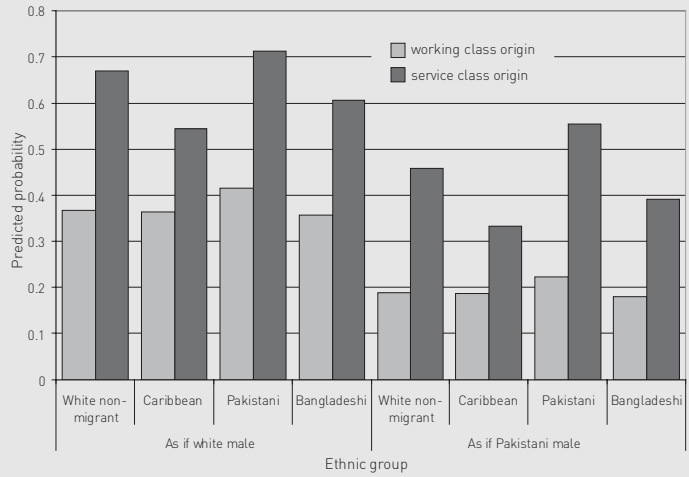
Source: ONS Longitudinal Study, author's analysis

While Figure 1 illustrates the overall patterns of class mobility, further exploration of these patterns is enabled by multivariate analysis.

Impact of origins across ethnic groups

Figure 2 shows the predicted probabilities of being in a professional or managerial class in 2001, by class origin in 1971 or 1981. The figures are derived from a multivariate selection model, controlling for relevant background and individual characteristics (see methodological note, p85). These predictions are for men only but, given the construction of family

Figure 2: Predicted probabilities of professional or managerial-class outcomes by ethnic group and origin, based on Heckman selection probit and estimating probabilities, and attributing 'white non-migrant' and 'Pakistani' effects to the probabilities



Source: ONS Longitudinal Study, author's analysis

class, the predictions for women are not widely different.

This figure graphically illustrates the impact of social-class origins or relative chances of social class success: note the differences between the columns in each pair. It thus shows how important class background remains to class outcomes.

The figure also incorporates a simulation, to illustrate the effect of ethnic group. Specifically, on the left-hand side, the predictions are based on the distribution of the characteristics across each of the groups included, with the exception that they are treated as if they were white British. (They are effectively given the 'white non-migrant' coefficient.) On the right-hand side, a similar process takes place, but this time the groups are treated as if they were Pakistani.

So, the white non-migrant-predicted probabilities on the left-hand side and the Pakistani-predicted probabilities on the right are the actual estimates for these groups. Pakistanis have substantially lower chances of ending up in the professional or managerial classes than their white peers – particularly when you take account of the fact that three-quarters of them (as opposed to half for white non-migrants) came from working-class backgrounds. However, in the construction where they are treated 'as if' they are white non-migrants, they would actually be doing rather better than their white British peers on the basis of their characteristics. So their overall disadvantage cannot be attributed to fewer advantageous characteristics,

among those that it was possible to measure.

The implications of these results are that there is still much further to do in attempting to account for differences between groups. There were indications that ethnic group (or factors associated with particular minority ethnic groups) becomes more salient at particular distributions of advantageous and disadvantageous characteristics.

It is possible that, for example, lower levels of education result in particularly low levels of occupational success for minority ethnic groups compared with the majority, whereas there is greater similarity between the majority and minorities at higher levels of qualifications. This could be because the opportunities for less qualified members of minority ethnic groups are more limited than those of their majority peers, and they are more likely to be subject to discrimination by employers and colleagues in the jobs that these lesser qualifications command.

We also need a better grasp of the impact of geographical differences – a factor that was not effectively captured by the minority ethnic concentration variable used in the analysis illustrated in Figures 1 and 2. The measure of concentration of people from minority ethnic groups in the local areas where respondents were growing up showed some positive effects on achieving professional or managerial class outcomes: the more concentrated, the better the outcomes. But separate analyses showed that this result was driven by the majority, and there were no detectable effects for minority ethnic groups. It is nevertheless interesting that concentrations of members of minority ethnic groups were positively associated with higher class outcomes for the white majority.

Moreover, we need a greater understanding of characteristics associated with particular ethnic groups that are relevant to social-class outcomes. Combined with that, we also need the ability to measure them. One of these characteristics may be family size. There is some evidence that the number of siblings has a detrimental effect on social mobility.

In addition, the class and education categories used in the analysis discussed here may be too broad to adequately capture important distinctions within mobility patterns. For those whose parents started off in some of the least-skilled jobs, movement upward within the working class may feel like upward mobility, but would not be recognised as such for the purposes of this study. There may be a high proportion of people from Pakistani backgrounds in this position.

Additionally, the only qualifications held by participants' parents included in this study were higher educational qualifications. In 1971 and 1981, only a small minority of the population had qualifications at this level, and this limitation does not allow for differentiation between those with some and those with no qualifications. This is potentially a much more important distinction than that between those with higher educa-

tional qualifications and those without.

Additionally, measures of 'success' may not be appropriate for some contexts. Some women move out of the labour market on marriage, and this is far more likely to occur in Pakistani and Bangladeshi families than in others. In this situation, the possibility of a well-qualified wife establishing the 'family class' on the basis of her occupation disappears. If a woman in this situation marries a man in a working-class occupation, she appears to experience downward mobility, and there is evidence that in the Pakistani community, women do not raise the social class of the family as much as they do for other groups.

However, women in this situation may not feel that they have experienced downward mobility in moving out of the labour market. In addition, highly qualified full-time mothers are well placed to pass on the benefits of their education to the next generation. It therefore may take more than one generation to understand fully how different groups engage with existing class hierarchies. Overall, we need to think about how characteristics associated with particular ethnic groups interact with particular contexts – both geographical and in terms of social structures and discriminatory practices (Bhavnani *et al* 2005).

The issue of time is also relevant to a separate analysis of the Caribbeans that was carried out as part of the same study. The class outcomes of Caribbean participants were examined in both 1991 and again in 2001. The findings indicated that they were disadvantaged by comparison with their white British peers in 1991, but that by 2001 they were achieving in line with their educational qualifications (Platt 2005b).

Just as there is some evidence that gaining qualifications may require some 'catching up' time, so the translation of those qualifications into success may also require some additional time. An additional contributing factor was probably the fact that the economy was much less buoyant in 1991 than in 2001, and it is consistent with both theory and other evidence that minority ethnic groups are more vulnerable to recessions than those in the majority. A greater susceptibility to unemployment also remained in 2001. Although attainment of professional or managerial classes was congruent with background and educational attainment, greater risks of unemployment at 2001 could not be explained in this way.

This confirms the view that minority ethnic group status may be particularly salient for those in the most vulnerable labour-market positions. It also shows the importance of considering unemployment alongside occupational-class outcomes, when investigating the experiences of members of a minority ethnic group. Indeed, the greater risk of unemployment for people of Caribbean origin, even in 2001, outweighed their small relative advantage in terms of upward mobility into the professional and managerial classes compared to white non-migrants. This emphasises again both

the heterogeneity of minority ethnic groups, and the consequent complexity of developing appropriate policy responses.

With members of the Caribbean community, as with the Pakistani community, we have to be sensitive to different judgments on what constitutes 'success' and on the direction of aspirations. Complementing the research from the ONS Longitudinal Study with a qualitative study of Jamaican migrants indicated that for some of the Caribbean migrant generation their aim in migrating was to gain a 'good working-class job' (Platt and Thompson forthcoming). It is possible that such aims were transmitted to the second generation.

Additionally, this same research suggested that aspirations among the first generation to return to the country of emigration may have influenced outcomes for the second generation. If returning parents took all their assets with them to establish a new life in their 'home' country, then this could influence the amount of financial support that was available to them.

The role of education

The results in Figure 1 indicated the extent to which society within England and Wales remains stratified, with outcomes being susceptible to class origin over and above educational qualifications. They would indicate that members of minority ethnic groups have to engage with class stratification as well as racial discrimination. But do these class effects hold across ethnic groups?

Individual analysis for the different ethnic groups suggested that the impact of class background was smaller for members of the minority ethnic groups than it was for non-migrant white groups – if, indeed, it existed at all. For example, for people of Caribbean origin, class background appeared to have no effect on social-class outcomes, nor to protect them against unemployment. For members of the Indian community, class effects disappeared once education was introduced into the model. That is, any class advantage was directly channelled through education, rather than operating alongside it, as it does for the white non-migrant majority.

On balance, then, intergenerational processes within minority ethnic groups do not seem to mimic those of the majority, even though this would be the expected outcome in the absence of discriminatory processes or structures. On the other hand, despite concerns about the education system in replicating disadvantage, members of minority ethnic groups are on the whole determinedly making use of the education system to advance between the migrant and the second generation. For many minority ethnic families, education becomes very important in the absence of being able to utilise class advantage for their children. This finding is consistent with studies of immigrant children in other countries (Lauglo 2000, Card 2005).

However, the translation of educational success into occupational or social-class success is not straightforward. As discussed above, it does not work for all groups, and it is possible that such translation occurs more easily at more advanced levels of education. Even within particular educational levels there may be some important differences, for example between degrees achieved at 'old' and 'new' universities. Modood and Shiner (1994) have argued that this distinction between higher education institutions is an important one in both defining educational inequalities between groups and in determining future outcomes.

Conclusions and implications

A number of issues arise from this research into how background impacts on outcomes among the current generation of young adults.

First, background potentially plays an important role in determining social class outcomes. However, the difference in the role of social class background across ethnic groups would suggest that members of minority ethnic groups are not competing on a level playing field with members of the majority.

Second, for those ethnic groups that are most disadvantaged, this disadvantage cannot be attributed either to their background or their levels of educational qualifications.

Third, class success at the family level is influenced by gendered occupational patterns. Individualised accounts of the relationship between characteristics and labour-market performance fail to recognise that class is experienced at the level of the couple or family. Further, aspects of family structure that may be important to consider (for example, the number of siblings) have been proposed as relevant explanatory factors, but await further investigation to understand whether they have an effect.

Fourth, there is extensive variation within each group, and treating ethnic groups as homogenous entities is neither justifiable nor likely to lead to effective interventions. (For more discussion of heterogeneity within groups, see Platt 2005a.)

In relation to the policy emphasis raised at the start of this chapter, these results suggest that universalist policies may well have the biggest impact on ethnicity-related differences in outcomes. That is, the policies that are likely to have an impact on the most disadvantaged minority ethnic groups are those that support educational achievement and employment opportunities among those who are living in disadvantaged areas, and are experiencing the consequences of deindustrialisation and more limited opportunities.

What is more, given the dependence on education as a route to upward mobility for minority ethnic groups, the role of the education system, and the extent to which it enables equality of opportunity, is clearly crucial. Thus concerns over the possible impact of current education plans may well

be pertinent to considerations of ethnic as well as social equality.

At the same time, social-class background is not as significant for minorities as it is for the non-migrant white majority. This indicates that even more privileged members of minority ethnic groups face obstacles in transmitting privilege across generations. Meanwhile, at the other end of the scale, less privileged groups appear more vulnerable to unemployment, and have more limited chances of upward mobility than their majority peers.

This indicates that policy attention to ethnic difference and ethnic discrimination is still very much warranted. For some groups, relative disadvantage is still likely to remain even within a more equalising society unless there is focused intervention and the enforcement of race relations legislation. However, as far as an unequal society shapes behaviours and responses, moves towards greater equality may reconfigure patterns as well as levels of ethnic disadvantage.

We would benefit from understanding in more detail the ways in which structure and context constrain and redefine group and individual practices. There also needs to be greater attention paid to the family and household experience of members of minority ethnic groups, in contrast with the current emphasis on individual outcomes and their individualised determinants.

It is now widely recognised that there is great diversity between minority ethnic groups in the UK: diversity that is confirmed in this study. However, we also need to be sensitive to, and understand more about, diversity within ethnic groups – also demonstrated in this study. To what extent does it make sense to aggregate individuals within such categories? What do they share compared to what distinguishes them from each other?

We also have relatively little direct evidence on how discrimination operates, and its impact. Does it shape the absolute differences between groups – for example, by constraining opportunity and educational achievement, as well as making up a part of the gap that remains after relevant characteristics are controlled for? These are questions that still deserve further and more detailed consideration in research, and to which policy needs to be sensitive.

Methodological note

The ONS Longitudinal Study is a one per cent sample of the population of England and Wales that is followed over time. It was initially obtained by taking a sample of the 1971 census, based on those born on one of four birth dates (day and month).

Information from samples taken at each subsequent census has been added to the ONS study. Participants are also added to the ONS study

between censuses, by linking information on births and immigrations using the same selection criteria. Data on events that occur to participants – births of children to them, infant deaths, deaths of spouses and cancer registrations – are also added. No more information is linked where participants' records indicate that they have died or have left England and Wales, unless emigrants re-enter at a later date, in which case they are re-incorporated into the study.

The ONS Longitudinal Study has some key advantages when it comes to exploring intergenerational mobility and ethnicity – namely, the size of the study sample, which facilitates analysis by ethnic group at relatively disaggregated levels, and the longitudinal design of the study, which allows intergenerational mobility to be tracked directly. By making use of the file on household members living with the participant, we can directly observe parents' social class, educational qualifications and household economic resources when the study members were children and living with their parent(s) in England or Wales (in 1971 or 1981). We can then follow through the cohort of participants to observe their own occupational class – and that of their partners – when they are grown up (in 2001).

For the purpose of this study, I pooled two cohorts of children. They were aged between four and 15 in 1971 or 1981, and grew up (or received at least some of their schooling) and entered the labour market in England or Wales. Their social class of origin was based on the higher social class of either co-resident parent, using the three-form CASMIN scale (Erikson and Goldthorpe 1993) (plus the category 'other'). This was done in the conviction that social class is a family attribute, and that it is misleading to base it simply on one or other parent.

Their destination social class was measured using the occupational class of the participant or their co-resident partner (whichever was higher), on a similar principle, and based on the three-form version of the NS-SeC (Rose and Pevalin 2003) plus 'currently unemployed' and 'other'. Other variables in the analysis included:

- whether parents had a higher qualification in 1971/81 (the only measure of education available in the census at that time)
- housing tenure and car ownership of the household in 1971/81, to represent available economic resources
- the minority ethnic concentration in the ward of residence in 1971/81 in a

five-point scale, to give some handle on area effects, discussed above

- the participants' own achieved qualifications by 2001, on a five-point scale.

For further discussion of the variables and their derivation, see Platt (2005b).

Multivariate analysis estimated the probability of different social-class outcomes, both separately and together (Platt 2005a), and outcomes at 1991 were compared with those at 2001 for a restricted number of groups (Platt 2005b). I also explored the impact of attrition on the sample and adjusted for differential 'survival' to 2001 among the original study members from 1971/81 by using a selection model of the probability of ending up in a higher professional or managerial class (Platt 2005c, Platt *et al* 2005).

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5. Ethnic diversity and the welfare state: a North American perspective

Keith G Banting

One of the most compelling challenges facing western democracies is how to maintain and strengthen the bonds of community in ethnically diverse societies. How can we reconcile growing levels of multicultural diversity with the sense of a common identity that sustains norms of mutual support and underpins a generous welfare state?

This challenge faces virtually every western democracy. In the past, it was perhaps feasible to divide countries into those with homogeneous societies and those with plural societies defined by ethnic, linguistic and religious diversity. Over the last half century, however, changing patterns of immigration have eliminated such polarities. We have seen the globalisation not just of our economies but also of our societies, and ethnic diversity is now a natural attribute of life in the West.

Not surprisingly, this transformation has sparked periods of political controversy, and we are living through such a period now. In part, controversy is fuelled by the heightened security agenda of the post 9/11 world. But current debates are also driven by a new pessimism about the impact of ethnic diversity for the welfare state.

A growing range of analysts argues that such diversity erodes trust and a sense of community among citizens, and that contemporary democracies face a trade-off between the accommodation of ethnic diversity on one hand and support for redistribution on the other. Increasingly, this trade-off is presented as a universal pattern in social relations, and the history of social policy in the United States is cited as the definitive evidence. US experience is increasingly seen not as an exceptional pattern resulting from a distinctive history of race relations, but simply as one instance of a more general phenomenon in social relations. As a result, the US story is emerging as a master narrative: a warning to other countries of the inherent weakness of a multicultural welfare state.

This concern has been labelled the 'progressive dilemma' (Goodhart 2004, Pearce 2004). Historically, challenges to immigration and multiculturalism have tended to come from the conservative right, which viewed them as a threat to cherished national traditions or values. Now, in many countries, doubts are emerging from the left and centre-left of the political spectrum that increasingly fear that multiculturalism makes it more difficult to pursue economic redistribution. As a result of these and other worries, we are seeing the potential splintering of the left-liberal coalition that has historically supported immigration, multiculturalism and the welfare state in many western countries.

Two distinct arguments are often interwoven in contemporary debates. These arguments point to two deep tensions at work:

- *The 'heterogeneity/redistribution' tension.* Ethnic/racial diversity weakens redistributive social policies because it is difficult to generate feelings of trust and national solidarity across ethnic/racial lines.
- *The 'recognition/redistribution' tension.* Multiculturalism policies that recognise or accommodate ethnic groups tend to exacerbate any underlying tension between diversity and social solidarity, further weakening support for redistribution.

Are these tensions real? More importantly, are they universal? Or do the cases of tension we do observe reflect particular contexts and historical trajectories? If these trade-offs are real and reflect a universal pattern in social relations, then the very idea of a multicultural welfare state – one that accepts and accommodates diversity – would be almost a contradiction in terms. If this is the case, we are in considerable trouble. Ethnic diversity is a reality in virtually all western democracies, and there is no reason to assume that minority ethnic groups will stop pressing for recognition and accommodation of their differences.

This chapter highlights recent findings from a Canadian research team with which I am associated. While results to date do not add up to a comprehensive and integrated interpretation, they do highlight the need for a more nuanced understanding of the relationship between ethnic diversity and redistribution than some of the prevailing assumptions in contemporary debates. Most importantly, they challenge the assumption that there is a universal tension between ethnic diversity and support for redistribution, or a universal tension between multiculturalism policies and the strength of the welfare state.

These results therefore represent a caution against extrapolating from US experience to predict the futures of other welfare states. They also point to a compelling research agenda: we need to understand better the conditions under which multicultural diversity and redistribution are compatible, and the conditions under which serious tensions emerge.

The chapter[21] proceeds through four sections. The first section summarises the evidence related to the 'heterogeneity/redistribution tension,' focusing initially on the US experience and then looking at counter-narratives from other countries. The second section shifts to the 'recognition/redistribution tension' and the vexed debate over multiculturalism policies. To assist in the development of a broader research agenda,

21 This chapter builds on Banting (2005) and 'Is the Multicultural State a Contradiction in Terms: Master Narratives, Counter Narratives and the Politics of Diversity', paper presented to Research Committee on Poverty, Social Welfare and Social Policy (RC 19), International Sociological Association, Chicago, September 8-10, 2005.

the third section points to several factors that need to be incorporated in more complex interpretations of the relationships between diversity and solidarity. The concluding section then reflects on the implications of the findings for the framing of debates in this field.

A tension between heterogeneity and redistribution?

Students of social policy have long argued that the welfare state was built on, and can only be sustained by, a strong sense of community and the associated feelings of trust, reciprocity and mutual obligation. An early expositor of this view was the British sociologist TH Marshall, who wrote his most definitive work during the post-war expansion of social programmes. For Marshall, entitlement to an expanded range of social benefits, which he called 'social citizenship,' reflected the emergence of a national consciousness in Great Britain – a consciousness that began to develop before the extension of modern social programmes and sustained their development in the 20th century.

'Citizenship,' Marshall argued in an oft-quoted passage, 'requires a bond of a different kind, a direct sense of community membership based on loyalty to a civilisation that is a common possession' (Marshall 1950: 8). More contemporary analysts emphasise the role of interpersonal trust in sustaining support for redistribution, and worry that ethnic diversity weakens levels of trust, and therefore public enthusiasm for social programmes – especially those that are seen as transferring resources to minorities.

Does racial diversity weaken this sense of social solidarity? Is the welfare state in greater trouble in countries with high levels of ethnic diversity? Although there is a large comparative literature on the welfare state, researchers have traditionally paid little attention to these questions. For example, models developed to explain cross-national differences in social spending as a proportion of gross domestic product (GDP) incorporate factors such as the level of economic development, the age structure of the population, the proportion of women in the paid labour force, the strength of organised labour, the dominance of political parties of the left or right, and the structure of political institutions and the electoral system.

In contrast, the literature is virtually silent on the effects of ethnic or racial diversity (Huber and Stephens 2001, Swank 2002, Castles 2004, Hicks 1999).[22] The same was true of the literature on welfare state regimes, which also paid scant attention to issues of multiculturalism (Esping-Andersen 1990 and 1996).

22 Early evidence that ethno-linguistic diversity constrained welfare-state development emerged in John Stephens's early work (Stephens 1979). However, this early interest faded in subsequent generations of the comparative literature. For other early hints, see Wilensky and Lebeau (1965) and Wilensky (1975).

Given the gap in comparative analysis, it is perhaps not surprising that researchers and commentators in public debates increasingly extrapolate from the experience of individual countries. In particular, the experience of the United States looms large in this debate, on both sides of the Atlantic.[23] This section therefore looks briefly at the US record, and its role in wider debates. It then summarises some recent research findings from other contexts.

Race and social policy in the United States: an emerging master narrative

The United States is often cited as the quintessential case of a multi-ethnic country in which racial diversity erodes interpersonal trust and public support for social programmes. This is an old story. Karl Marx worried that ethnic divisions posed a challenge to socialism in the United States (Lipset and Marks 2000), and more contemporary scholars continue to document the corrosive effects of race.

At the national level, race is a long thread running through the history of US social programmes. During the passage of the Social Security Act in 1935, resistance from southern congressmen and other conservatives led to the exclusion of agricultural and domestic labourers, denying coverage to three-fifths of black workers, and southern congressmen led a successful campaign in the name of 'states' rights' against national standards in public assistance, leaving southern blacks at the mercy of local authorities. In the 1960s, racial politics swirled around Aid to Families with Dependent Children and the Great Society programmes, which disproportionately assisted the black and Hispanic populations.

Resentment against these programmes was critical to the fracturing of the New Deal coalition and the base of the Democratic Party (Quadagno 1988 and 1994, Orloff 1993, Piven and Cloward 1971). The effect was to prove so powerful that in the 1990s the Democratic Party sought to insulate itself by embracing hard-edged welfare reforms itself, including the 1995 reforms signed by President Clinton.

The politics of race also constrain social policy at the state and local level. As numerous scholars have confirmed, diversity helps explain differences in social expenditures across cities and states in the United States (Alesina *et al* 1997, Hero and Tolbert 1996, Plotnick and Winters 1985, Luttmer 2001).

A similar story emerges from research on public attitudes, including attitudes to welfare and levels of trust. For example, public attitudes about race are central to Gilens's explanation of why Americans 'hate welfare' (Gilens

23 Evidence of a tension between ethnic diversity and redistribution has also emerged in the field of development economics, especially in explanations of the poor economic and social performance of countries in sub-Saharan Africa. However, extrapolations from this experience to OECD countries are less frequent. (See Easterly and Levine 1997, Easterly 2001a and 2001b, La Ferrara 2003 and 2002, Nettle 2000, James 1987 and 1993.)

1999). Robert Putnam raises similar issues in his work on social capital. Putnam argues that trust in one's neighbours and participation in social networks are critical to a wider sense of public purpose and a capacity for collective action (Putnam 2000) – but social capital, he has recently concluded, is weakened by ethnic diversity. Early findings based on his Social Capital Benchmark Study suggest that individuals in ethnically diverse regions and neighbourhoods in the United States are much less engaged in their community and wider social networks than individuals living in more homogeneous parts of the country (Putnam 2004).

The corrosive role of race in the politics of social policy in the United States is thus well documented. However, there is an important shift taking place in the role that the US story is playing in wider debates. Traditionally, students of social policy tended to see the politics of race as one factor contributing to US exceptionalism (Quadagno 1994, chapter 9). Increasingly, however, the strongly racialised dimension of US welfare politics is no longer seen as an anomaly – a legacy of the peculiar American history of slavery and segregation – but rather as a normal, even inevitable, reaction to the simple fact of ethnic/racial heterogeneity. The transition is nicely captured in two titles: Gunnar Myrdal's *An American Dilemma* (Myrdal 1944) and Glazer's 'The American welfare state: exceptional no longer?' (Glazer 1998).

As a result, the US experience is presented as a warning to other countries – especially those in Europe. In the 1980s, Gary Freeman described immigration as a 'disaster' for the welfare state and predicted that it would lead to 'the Americanisation of European welfare politics' (1986). In the late 1990s, Glazer drew on US experience to suggest that:

> … one may well see a withdrawal in European countries from the most advanced frontier of social policy, not only because these policies are expensive and are seen as undermining competitiveness, but also because they are seen as programmes for 'others'. (Glazer 1998: 17)

More recently, Alesina and Glaeser concluded that almost half of the difference in social spending between the United States and European countries can be explained by differences in the level of racial diversity, and concluded that US experience:

> … offers a caution about current directions in European politics… As Europe has become more diverse, Europeans have increasingly been susceptible to exactly the same form of racist, anti-welfare demagoguery that worked so well in the United States. We shall see whether the generous welfare state can really survive in a heterogeneous society. (Alesina and Glaeser 2004: 180-181)

This warning finds echoes on the other side of the Atlantic. For many Europeans, the United States has become the quintessential multicultural

country and the key test case of the relations between immigration, ethnic diversity and redistribution. In the United Kingdom, for example, analysts such as David Goodhart (2004) depict US experience as clear evidence that ethnic diversity erodes redistribution, and therefore as a warning about the future of their own country if the current policy trajectory is maintained.

While US experience is obviously relevant to wider debates, there are also important reasons to be cautious about simple extrapolations from the US to other contexts. First, the United States is not the only example of a multiethnic society. Other diverse societies generate other narratives, as we shall see below. Second, it is important to set the analysis of the relationship between hetereogeneity and redistribution in the context of the historical development of the welfare state.

The evolution of the welfare state reflects considerable path dependency, and welfare states at different stages of development may well respond differently to common social conditions. There is considerable difference between the US experience of racial diversity constraining the development of a welfare state from its very beginning, and European countries coming to terms with new forms of diversity in the context of mature welfare states that are well embedded in national cultures and voters' expectations.

For example, those extrapolating from US experience to the European context often fear that working-class voters, angered by immigration, will turn against redistributive programmes, abandon their traditional alliances to social democratic parties and shift their support to parties of the right, including radical right parties. However, it is important to remember that the voters most receptive to anti-immigration appeals – poorly educated, economically marginal males – also depend heavily on the welfare state, and tend to resist its retrenchment. Thus it is not contradictory to find some radical right parties opposing immigration but supporting the welfare state, seeking to protect it from the 'burdens' of needy immigrants (Kitschelt 1995, Crepaz forthcoming).

Voter backlash against immigration may produce undesirable policy outcomes, including increasingly restrictive immigration and asylum policies and longer residency requirements for access to some social benefits. But the pattern is unlikely to be a simple replica of US experience.

It is therefore time to broaden the frame of reference, and search for a wider set of narratives.

Counter-narratives: some recent research

A research team based in Canada has recently completed two studies that extend the evidentiary base. The first analyses the impact of ethnic diversity on trust and support for social redistribution in Canada, while the second analyses the impact of immigrants on social spending across the Organisation for Economic Co-operation and Development (OECD)

countries. Both are worth summarising briefly here.

Study 1: Canada as a multicultural welfare state
Canada represents an interesting case for three reasons:

- It is one of the most multi-ethnic countries in the world on multiple dimensions. About 18 per cent of its population was born outside the country, second only to Australia among developed countries. It manages an historical divide between English- and French-speaking communities. It also has a significant population of indigenous or aboriginal peoples.
- Canada has been a leader in the development of multiculturalism policies that recognise and support cultural differences.
- While the Canadian welfare state is modest by northern European standards, the country has maintained a more generous version of a liberal welfare state than the United States, with universal health care and more redistributive income transfer programmes. Canada therefore represents another test case of the prospects for a multiethnic welfare state.

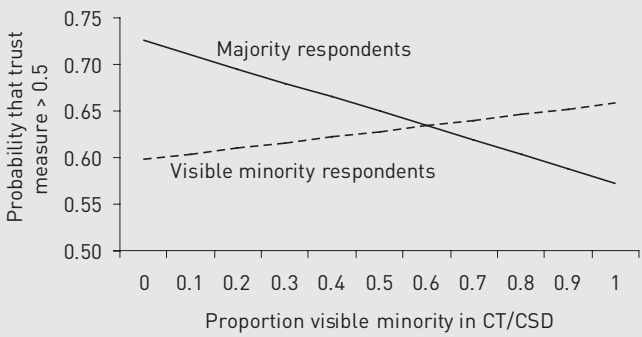
Our study of public attitudes in Canada (Soroka *et al* 2004, Soroka, Helliwell and Johnston forthcoming) tested the two-step proposition that ethnic diversity erodes feelings of trust in one's neighbours, and that this weakens support for social redistribution. The study was based on a large national survey, which was supplemented with an over-sample in metropolitan areas to get better evidence of the attitudes of members of racial minorities. We then integrated census data to capture a lot of information about the neighbourhoods in which Canadians live, including the ethnic composition of their neighbourhoods.

An interesting feature of the survey is our measure of interpersonal trust. We measured trust in other people – one's neighbours – using a wallet question. We asked respondents: 'Say you lost a wallet or purse with $100 in it. How likely is it that the wallet or purse will be returned with the money in it if it was found by a [neighbour/police officer/clerk at the local grocery store/ and a stranger]?'

There is good news and bad news. The sobering news is that there is a tension between the ethnic diversity of one's neighbourhood and levels of trust in neighbours, even when one controls for all the other factors that might influence trust, such as economic well-being, education, gender, age and so on. As Figure 1 shows, the larger the presence of visible minorities in the neighbourhood, the less trusting is the majority. Members of racial minorities, in contrast, are much less trusting where the majority is very dominant, but are less affected by changes in the ethnic composition of the neighbourhood.

As a result, the lines cross when the racial minority percentage is just above half. Beyond that point, the average visible-minority respondent is more interpersonally trusting than his or her 'majority counterpart.' Clearly, sustaining trust across racial differences is a challenge even in a country that officially celebrates multiculturalism. So far, the pattern resembles that found by Putnam in the United States.

Figure 1: Ethnicity and interpersonal trust in Canada



Source: Soroka *et al* (forthcoming)

But there is also good news. Many analysts simply stop at this point, and assume that diminished trust necessarily weakens support for redistribution, but this turns out not to be true – at least in Canada. We measured support for the welfare state with a battery of questions about specific programmes, and found virtually no relationship between ethnicity and ethnic make-up of one's neighbourhood on one hand and support for social programmes on the other.

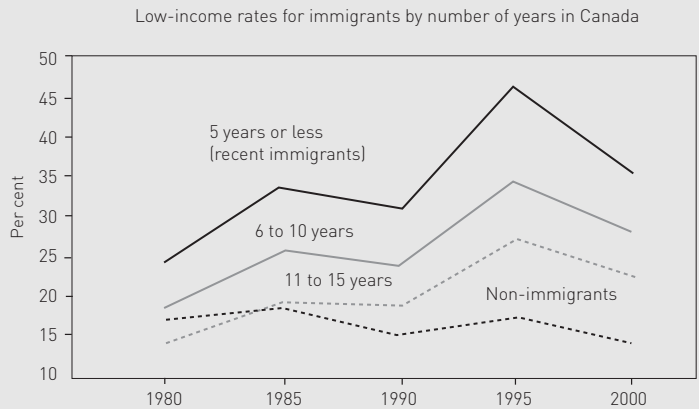
This finding stands up to multivariate analysis. Compared to income, education, gender and age (all of which are associated with support for social spending), ethnicity and the ethnic composition of one's neighbourhood virtually disappear.[24] Moreover, to the extent that there are even hints of a relationship, it is the minorities, not the majorities, that are less supportive. There is no evidence of majorities turning away from support for universal social programmes in the context of a more diverse society (Soroka *et al* 2004).

24 The impact of ethnicity and ethnic context is decisively small. In effect, moving from a community populated completely by the majority to a community split evenly between the majority and minorities leads to a decrease in aggregate support for unemployment benefits and health care of about 0.0025 per cent (Soroka et al 2004).

The politics of Canadian social policy and multicultural policies are consistent with this underlying attitudinal pattern. The Canadian welfare state was certainly under substantial pressure during the 1980s and 1990s, and a long series of incremental policy changes restructured – and in some cases, weakened – social programmes introduced in the post-war era. However, the primary pressures for restructuring flowed from globalisation, technological change, the ageing population, the fiscal weakness of Canadian governments in the 1980s and early 1990s, and a broad drift towards more neo-liberal political ideologies. In all of this, the Canadian story is a variant of the experience of western nations generally, and it is hard to find signs that ethnic diversity or multiculturalism policies contributed to the politics of retrenchment.

In contrast to the United States, north of the border racial diversity does not define the politics of social policy. Newly arrived immigrants receive settlement services and language training, but welfare recipients and the poor more generally are not socially distinctive: they do not stand out in linguistic, ethnic or racial terms.[25] Admittedly, there are warning signs for the future. Historically, immigrants have integrated into the economy relatively quickly, with poverty rates among them typically falling below national levels within a decade or so. However, as Figure 2 indicates, immigrants arriving in the past two decades have not enjoyed the same economic success as previous cohorts.

Figure 2: Economic integration of immigrants, Canada, 1980-2000



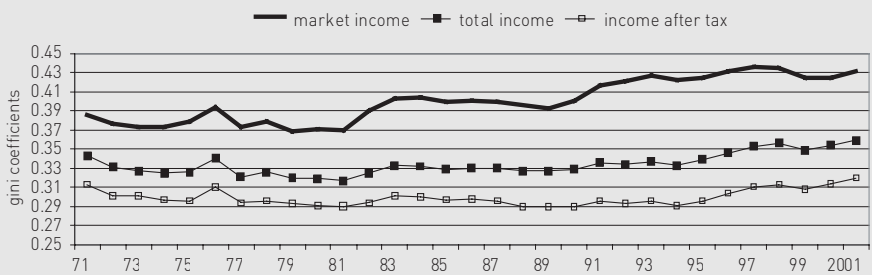
Source: Picott and Hou (2003)

25 One possible exception concerns aboriginal peoples in cities in the west – a dimension of Canadian diversity not captured in our study.

If the engine of economic integration stalls, and immigrants increasingly depend on social assistance and other benefits for extended periods, the politics of social policy might well fall victim to the corrosive dynamics evident south of the border. Not surprisingly, considerable attention is being devoted to the economic problems of recent immigrants in Canadian policy circles, but so far the dominant public perception of the poor does not have a distinctive racial or ethnic hue.

Finally, it is worth noting that, despite the restructuring of a number of welfare programmes, the redistributive role of the Canadian state has not eroded as sharply as in many other OECD countries, as shown in Figure 3. Market inequality was relatively stable in the 1970s and then rose in the 1980s and 1990s, as in many countries. But the distribution of total income (which includes government transfers) and income after tax (which includes both taxes and transfers and direct taxes) has been much more stable. Although there was some growth in inequality in post-tax income during the late 1990s, the change over the two decades has been much more muted than in the United States, the United Kingdom, France and many other OECD countries. Moreover, inequality in post-tax income in 2001 was virtually the same as in the early 1970s, when the transition to a more multi-racial society began.

Figure 3: Trend in income inequality among families in Canada, 1971-2001



Source: Statistics Canada, Income Trends in Canada 1980-2001 CD-ROM

In short, Canadian experience does not support the proposition that growing levels of racial diversity have eroded the levels of redistribution that were established during the construction of the welfare state in the post-war era.

Study 2: Immigration and the welfare state

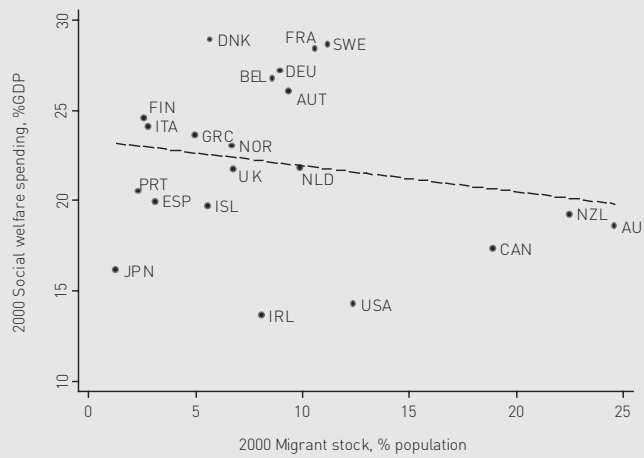
The second study turns more directly to the relationship between immigration and the welfare state on a comparative basis. Clearly, immigration and racial

diversity are two different issues. Not all immigrants are members of racial minorities in their new country, and not all racial minorities have emerged as a result of recent immigration, as the case of African Americans confirms.

Nevertheless, in western countries, immigration and diversity are increasingly related. Certainly in Europe, it is the new forms of diversity born of immigration that worry commentators. Moreover, to the extent that immigration and racial diversity differ, a focus on immigration and welfare benefits still captures much recent controversy. An example of this was seen in 2003 during the run up to the accession to the European Union of ten new countries in central Europe. Many member countries established extended residency periods for new arrivals from the 'new' Europe.

A second reason for focusing more directly on immigration is methodological: there are significant limitations to the available data on the level of ethnic diversity across OECD countries. First, no dataset provides data over time. Second, the dataset most often used to measure 'ethno-linguistic fractionalisation' is not built on the basis of a consistent definition of ethnicity and reflects different understandings in different counties.[26] While data on immigration has definite limitations, it does provide consistent coverage over time.

Figure 4: Immigration and social spending, 2000



Source: Banting *et al* (forthcoming)

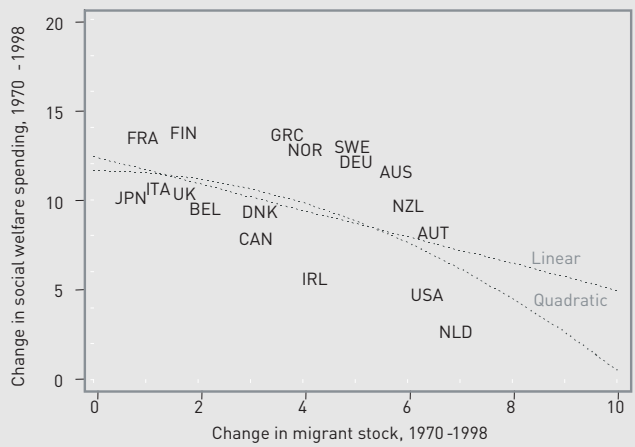
26 The classification of ethnicity in the Index of Ethno-linguistic Fractionalisation used in Alesina and Glaeser (2004) varies significantly across countries. For example, the UK data largely reflects racial differences: white 93.7 per cent, Indian 1.8 per cent, other UK 1.6 per cent, Pakistani 1.4 per cent, black 1.4 per cent. As a result, people of Irish origin living in the UK, as well as the Scottish and Welsh, are not included. In Canada, however, the data represent an amalgam of linguistic and national origins: French 22.8 per cent, other Canadian 43.5 per cent, British 20.8 per cent, German 3.4 per cent, Italian 2.8 per cent, Chinese 2.2 per cent, Amerindian 1.5 per cent, Dutch 1.3 per cent.

Soroka, Banting and Johnston (2006) analyse the relationship between immigration and change in the level of social spending over almost three decades. We use United Nations data on what is inelegantly called 'migrant stock' – that is, the proportion of the population born outside the country – and incorporate this variable into a model of the determinants of social spending adapted from the work of Swank (2002) and Huber and Stephens (2001). The model incorporates a variety of factors associated with levels of social spending, including GDP per capita, unemployment levels, the proportion of the population over age 64, the percentage of women in the labour force, the density of organised labour, and the strength of different political parties (left parties, Christian democratic parties, radical right parties).

Once again, there is some good news, and some that is more sobering. The good news is that there is no relationship between the proportion of the population born outside the country and the level of social spending across OECD countries. Figure 4 provides a first cut at the issues, suggesting that there is not a strong relationship between the size of the foreign-born population and spending on social programmes than countries with small immigrant communities. Multivariate analysis confirms the lack of a statistically significant relationship (Banting *et al* forthcoming).

The more sobering news is that the pace of change does seem to matter. When we analysed the impact of the extent of growth in the foreign-born population between 1970 and 1998, we found that countries with large increases in the proportion of their population born outside the country tended to have smaller increases in social spending.

Figure 5: Change in immigration and change in social spending, 1970-1998



Source: Soroka *et al* (2006)

Figure 5 demonstrates the bivariate relationship between immigration and social spending. It plots percentage-point changes in the foreign-born population against percentage increases in social spending as a proportion of GDP between 1970 and 1998. When we tested this relationship in the multivariate model, the impact of change in migrant stock remained statistically significant. Social spending as a proportion of GDP rose in every country in the sample during this period, including in countries with substantial growth in migrant stock. But the growth was smaller in countries that saw a significant increase in the portion of the population born outside the country, other things held constant (Soroka *et al* 2006).

So, the story here has two parts. There is no evidence that countries with large immigrant populations have greater difficulty in sustaining and enhancing their historic welfare commitments. But large increases in the foreign-born population do seem to matter. As often is the case, it is the very pace of change that is politically unsettling.

The story that emerges from these studies is hardly optimistic. But in combination, these studies underscore the importance of more nuanced analyses. The Canadian case provides a counter to claims of an inevitable tension at the level of public attitudes. Meanwhile, the cross-national evidence suggests that the size of the immigrant community is not a constraint, although the speed of change seems important.

A tension between recognition and redistribution?

Ethnic and racial diversity is a social reality today, and the critical issue facing contemporary governments is how best to respond to new forms of diversity. In the context of this chapter, a critical question is whether the way in which governments respond has implications for the vibrancy of the redistributive state.

Historically, western states tended to view immigrant ethnic identities with indifference or suspicion, and sought to assimilate newcomers into a common national culture. However, during the final decades of the 20th century many states increasingly accepted some obligation to accommodate such identities, adopting what have become known as 'multiculturalism policies'.

The essence of multiculturalism policies is that they go beyond the protection of basic civil and political rights that are guaranteed to all individuals in a liberal-democratic state. But they also go further, by extending some level of public recognition and support to ethnic minorities to maintain and express their distinct identities and practices (Kymlicka 1995). This trend has sparked lively debate about the nature of citizenship and rights in diverse societies, and countries have varied in the extent to which they adopted this approach. Moreover, several countries, including the

Netherlands and the UK, have witnessed a recent resurgence in controversy over the approach.

The issue before us is whether these different choices have consequences for the strength of the welfare state. Some theorists insist that the adoption of multiculturalism policies weakens redistribution (Barry 2001, Wolfe and Klausen 1997 and 2000, Rorty 1999 and 2000). A multicultural agenda, they argue, crowds out redistributive issues from the policy agenda or corrodes trust among vulnerable groups who would otherwise coalesce in a pro-redistribution lobby. It may also misdiagnose the real problems facing members of minority ethnic groups, leading them to believe that their problems lie in cultural misunderstandings rather than economic barriers that they confront along with vulnerable members of many other cultural groups.

Defenders of multiculturalism policies reply that such policies do not create distrust among groups. Distrust is the historical legacy bequeathed to us by earlier generations of indifference to, or repression of, ethnic differences. Multiculturalism policies can ease inter-communal tensions over time, and can strengthen the sense of mutual respect, trust and support for redistribution.

Frustrated by the extent to which these debates tend to rely on anecdotal references, Will Kymlicka and I have tried to subject the assertions to more systematic empirical evidence (Banting and Kymlicka 2004). We asked whether countries that have adopted strong multicultural policies over the past two decades experienced a weakening, or even just slower growth, in their welfare states compared to countries that have resisted such policies. Answering this question turned out to be a major undertaking since, to our knowledge, no one had attempted to measure systematically the extent to which different countries have adopted different levels or types of 'multiculturalism policies'.

We therefore constructed such an index, and classified OECD countries in terms of the relative strength of their multiculturalism policies. We took the following eight policies as the most common or emblematic of this approach:

- constitutional, legislative or parliamentary affirmation of multiculturalism
- the explanation/celebration of multiculturalism in school curriculum
- the inclusion of ethnic representation/sensitivity in the mandate of public media or media licensing
- exemptions from dress-codes, Sunday-closing legislation, and so on
- allowing dual citizenship
- the funding of ethnic group organisations or activities
- the funding of bilingual education or mother-tongue instruction
- affirmative action for disadvantaged immigrant groups.

For each of these policies, we gave each country a score of 1.0 if it had explicitly adopted and implemented the policy for much of the period we were examining (1980 to 2000, in this study), 0.5 if it adopted the policy in an implicit, incomplete or token manner, and 0 if it did not have the policy. This generates a total possible score of 8.0, and the detailed scoring for each country is reported in Table 1.

Table 1: The strength of multiculturalism policies for immigrant minorities in democratic countries

Country	Strength of multiculturalism policies
Australia	7.0
Austria	0.5
Belgium	3.5
Canada	7.5
Denmark	0.0
Finland	1.0
France	2.0
Germany	0.5
Greece	0.5
Ireland	1.5
Italy	1.5
Japan	0.0
Netherlands	4.5
New Zealand	5.0
Norway	0.0
Portugal	0.0
Spain	1.0
Sweden	3.0
Switzerland	1.0
United Kingdom	5.0
United States	3.0

Source: Banting *et al* (forthcoming)

The second step was to examine the relationship between multiculturalism policies and change in the welfare state between 1980 and 2000. Is it true that countries that adopted strong multiculturalism policies had more difficulty than countries that resisted such approaches in maintaining and enhancing their welfare states over the last two decades of the 20th century?

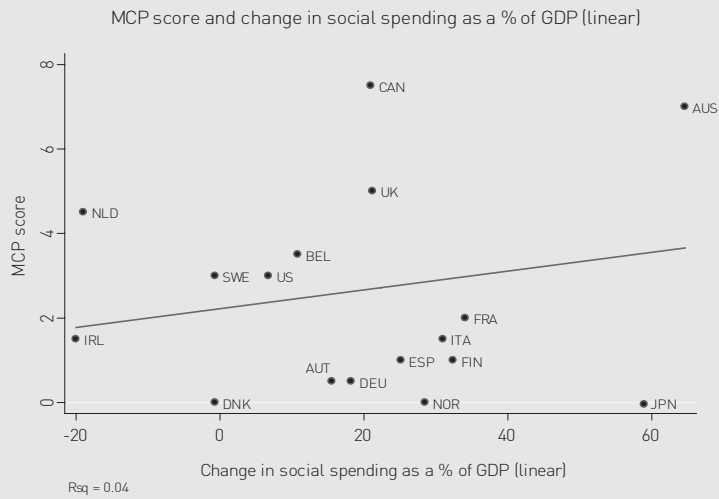
It is important to emphasise that our focus is on change in social spending as a proportion of GDP, rather than the level of spending. When critics argue that there is a correlation between multiculturalism policies and a weakened welfare state, they are not arguing that only weak welfare states adopt a multicultural strategy. Their claim is that even if countries with strong

welfare states adopt such policies, they will have more difficulty sustaining and developing their welfare states over time than countries that do not.

So their argument is not that countries with strong multiculturalism policies will necessarily have lower absolute levels of spending and redistribution than countries with weak ones. Rather, their claim is that countries adopting strong multiculturalism policies are likely to have witnessed relative decline in levels of spending and redistribution as compared to countries with weak ones. Hence our test, too, focuses on change in the welfare state between 1980 and 2000.

Figure 6 takes a first look at the issues. There is no evidence here of a systematic tendency for multiculturalism policies to weaken the welfare state. Countries that adopted such programmes did not experience an erosion of their welfare states, or even slower growth in social spending than countries that resisted such programmes. Indeed, the countries with the strongest multiculturalism policies seem to have done somewhat better than others, hinting that perhaps such policies may actually ease any tension between diversity and social spending.

Figure 6: Strength of multicultural policies and change in social spending, 1980-2000



Source: Banting et al (forthcoming)

The lack of a deep tension between recognition and redistribution is confirmed by multivariate analysis. In Banting *et al* (forthcoming), we incorporate our measure of multiculturalism policies into a model of the

determinants of social spending. This model includes the level of spending in 1980, the proportion of the population over 64 years of age, the proportion of women in the paid labour force, the strength of left-wing parties, and the proportion of the population born outside the country. The results confirm the conclusions from the first cut at the issue. There is no statistically significant negative relationship between multiculturalism policies and growth in social spending across OECD countries.

So, the evidence to date provides no support for the bald claim that 'a politics of multiculturalism undermines a politics of redistribution' (Barry 2001: 8). It is possible to attempt to save the assumption of a universal tension by arguing that the corrosive effects of multiculturalism policies take time, and that they will appear eventually.

For example, Philippe Van Parijs raises this objection in response to an earlier version of this research: 'time (is) required for these sociological processes to work themselves out and be politically exploited' (Van Parijs 2004: 382). However, the 20-year period was long enough for other political factors, such as the role of left-wing parties, to emerge strongly in multivariate analysis. More tellingly, perhaps, the effects of change in the proportion of the population born outside the country also emerged clearly in the 20-year analysis.

In our view, such a response postpones the real research challenge, which is to understand the factors that mediate the relationship between multiculturalism policies and the welfare state. While our research provides no support for the claim that there is an inherent or systematic trade-off between the two, it is possible – even likely – that there are more localised circumstances in which particular forms of recognition erode particular forms of redistribution. However, given the overall results, it is equally likely that there are other circumstances in which the politics of recognition enhances redistribution. It is important to try to identify the factors at work in localised cases either of mutual interference or of mutual support between recognition and redistribution.

Towards a wider research agenda

Understanding the factors that mediate between immigration and multiculturalism on one side, and social solidarity and the welfare state on the other, is a compelling research agenda. Four broad categories of factors stand out as potential candidates:

- the nature of flow of immigration
- economic integration
- political integration
- the structures of the welfare state.

These points are outlined below.

The nature of the immigration flow

As we have seen, the overall size of the population born outside of a country is not closely related to change in social spending, but significant growth in the immigrant population is associated with slower growth in social spending, suggesting that the pace of change may be the most politically sensitive dimension. Other aspects of the immigration flow may be relevant as follows:

- *The racial composition.* Broadening the focus to immigration does not necessarily make the racial composition of minority ethnic communities irrelevant. Does the race of immigrants matter? Most analysts assume that the racial complexion of contemporary immigrants has intensified the political reaction in many countries. On the other hand, Paul Sniderman *et al* (2000) found that in Italy the reaction to all outsiders, white and black, was similarly negative.
- *The legal status of immigrants.* To what extent does the balance between legal and illegal or undocumented immigrants matter to public support for social programmes?
- *The mix of immigrant categories.* Is the mix of economic immigration, family reunification and refugee/asylum seekers important? In most countries, asylum seekers are not entitled to work, and can remain dependent on social benefits for extended periods while their claim for asylum is investigated.

Economic integration

The intersection of ethnic diversity and economic class is obviously critical, and much would seem to depend on the extent of economic integration of immigrants. To what extent are immigrants absorbed into the economic mainstream, and to what extent do they remain poor and dependent on social benefits? Do countries that emphasise educational qualifications in the selection of economic immigrants have an easier time politically?

Economists have devoted considerable attention to the question of whether immigrants rely more heavily on social assistance programmes than natives do. Findings reveal that while in the 1960s this was not the case, more recent migrants into the United States and Europe tend to have lower educational and skill levels relative to the native population, and to face greater problems entering the labour market.

Although the evidence suggests that the long-term net fiscal impact is small, most studies conclude that in the short term – which is probably more important politically – immigrants in Europe and the United States rely more heavily than natives on social assistance programmes – especially in 'gateway' cities and regions (OECD 1997, Borjas 1994 and 1999, Boeri *et al* 2002). We need to understand the factors that influence the

extent to which transitional dependence becomes politicised in different countries.

Political integration

The political integration of immigrants varies dramatically from one country to the next, depending on which approach they take to naturalisation and citizenship. How important are differences in the extent to which the foreign-born population has and uses the vote? Also, how open is the prevailing sense of national identity to peoples from different backgrounds?

The structure of the welfare state

Is the structure of the welfare state critical? Two questions are important here. First, is it true, as suggested above, that the implications of ethnic/racial diversity differ between, on one hand, a historically diverse society starting to build its welfare state and, on the other, a previously homogeneous society that has already built a substantial welfare state coming to terms with new forms of diversity?

Second, what is the relationship between welfare state regimes and immigration? It might be argued that liberal welfare states are less sensitive than more redistributive ones to the politics of backlash, partly because such welfare states redistribute less, and therefore less is at stake.[27] On the other hand, there is growing evidence that universal welfare states tend to build a stronger sense of interpersonal trust (Kumlin and Rothstein 2005), dampen support for radical right parties (Swank and Betz 2003), and reduce the risk of public hostility to immigrant reliance on welfare programmes (Crepaz forthcoming).

Concluding reflections

We end as we began. One of the most compelling challenges facing national welfare states is how to maintain and strengthen the bonds of solidarity in increasingly diverse societies. There is no question that there is a *potential* conflict between ethnic diversity and solidarity. We do not need social scientists to tell us that. There is far too much evidence of ethnic and racial intolerance on our television screens. Moreover, there is undoubtedly potential fallout for the welfare state.

But we need to avoid premature judgments about the universality – indeed, the inevitability – of trade-offs, and tragic choices between eco-

27 It is striking, for example, how often racial incidents in cities in northern England and some European countries have been triggered by controversies about allocation to public housing. Such controversies may be less frequent in liberal welfare states, which allocate a much smaller proportion of the total housing stock.

nomic redistribution and cultural recognition. The evidence summarised here about public attitudes in Canada, the relationship between immigration and social spending, and the impact of multiculturalism policies on social spending all point to a need for nuanced analyses. The findings also underscore the need to understand the factors that mediate between diversity and redistribution. There is a compelling research agenda here.

Given the limited nature of our hard information in this area, there is a danger that the experiences of one country will emerge as a sort of 'master narrative' – a story that is seen as capturing the essence of the issues in play. For many Europeans, the United States has become the quintessential multicultural country, and the key test case of the relations between ethnic heterogeneity and redistribution. As we have seen, analysts such as David Goodhart (2004) in the United Kingdom depict US experience as clear evidence that ethnic heterogeneity erodes redistribution, and a warning about the future of their country if the current immigration pattern is maintained.

This is a field in which master narratives are as likely to mislead as inform. History and traditions matter here, and the United States has a distinctive history in race relations. In no other western democracy do the descendents of imported slaves form a significant minority. This is not to deny the relevance of the US case. But it is important to uncover diverse narratives, a variety of stories that point to different possible relationships between heterogeneity and redistribution.

The conflicting evidence summarised here stands as an antidote to more fatalistic assertions that immigration, ethnic heterogeneity and multiculturalism policies inevitably erode redistribution. The diverse narratives suggest that there is no inevitability at work and that policy choices count. This alone is an optimistic note in an increasingly turbulent debate about the future of the multicultural welfare state.

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6. Is the future American? Or can left politics preserve European welfare states from erosion through growing 'racial' diversity?[28]

Peter Taylor-Gooby

A central issue in European comparative social policy is: will Europe become more like the United States? This may be argued in a number of ways.

Challenges to the European welfare state project

Some commentators have suggested that globalisation (increasingly competitive international markets for goods and services and an expanding and enormously mobile international financial market) combined with rapid technical changes in the labour process will make it increasingly difficult for national governments to earmark substantial sums for welfare spending, or at least to those areas of state spending that do not contribute directly to economic production.

An additional economic argument suggests that the growth spurt associated with the rapid productivity gains of industrialisation will decline as economies become increasingly service-oriented, so that fewer resources will be available for welfare development and we will shift towards a climate of 'permanent austerity' (for example, Pierson 2001).

A political argument allied to this critique emphasises the role of the European Union (EU) and the enormous success of the Single European Act in creating a large and sophisticated market, wherein the power of national government is further eroded.

A further political argument suggests that the main political forces that produced modern welfare states (essentially cohesive left politics, supported by groups in the middle class) are now eroded by social changes that individualise interests and focus attention on the trajectory of the individual life course rather than collective problems (Jessop 2002). A similar position is reinforced from a different direction by arguments that suggest social cohesion and reciprocity are in decline, with damaging implications for a politics of social collectivism (for example, Putnam 2000).

More general arguments claim that the process of development

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inevitably leads to the dominance of liberal democracies on the US model (Fukuyama 1992) or sets in motion social processes that undermine trust in collective provision in a risk society (Beck 1992).

Recent research has demonstrated that these challenges require much more development to carry conviction. In particular, a number of writers have shown that welfare spending continues to expand and that there is no evidence of a 'race to the bottom' among European welfare states (Ferrera and Rhodes 2000, Scharpf and Schmidt 2000, Kuhnle 2000, Taylor-Gooby 2001). Welfare spending may assist governments in coping with the impact of more open economies on living standards and may assist a drive to ensure that workers accept greater flexibility in labour markets (Leibfried and Rieger 2003).

The EU appears careful to ensure that national welfare systems are respected in EU-level policies (Ferrera 2004). Welfare states respond flexibly to changes in the agenda of risks faced by individuals and do so as much through the development of new approaches and forms of provision as through cutbacks and privatisation (Taylor-Gooby 2004).

Social diversity versus social cohesion

A new and different challenge to the European welfare state project has emerged recently. The argument rests on the claim that the more ethnically (or, in some versions, racially) diverse a society is, the less able it is to sustain support for collective welfare provision. In the UK this argument was developed by David Goodhart and taken up in *The Guardian*, *The Economist* and elsewhere in the media (see Goodhart 2004a and 2004b and *Economist* 2004):

> … sharing and solidarity can conflict with diversity. This is an especially acute dilemma for progressives who want plenty of both solidarity – high social cohesion and generous welfare paid out of a progressive tax system – and diversity – equal respect for a wide range of peoples, values and ways of life. The tension between the two values is a reminder that serious politics is about trade-offs. It also suggests that the left's recent love affair with diversity may come at the expense of the values and even the people that it once championed. (Goodhart 2004a)

Goodhart goes on to argue that the tension between diversity and solidarity may undermine willingness to finance collective welfare. His conclusion is that this tension poses a challenge:

> People will always favour their own families and communities; it is the task of a realistic liberalism to strive for a definition of community that is wide enough to include people from many different backgrounds, without being so wide as to become meaningless. (Goodhart 2004a)

The *Economist* review of Alesina's work concurs that 'the evolution of Europe as a destination of mass migration… will test the durability of the welfare state' (*Economist* 2004). The extent to which the extreme right across Europe (Le Pen, Pim Fortuyn, Haider, the UK British National Party, the success of the German National Democratic Party (NDP) and People's Union (DVU), especially the 2004 regional elections in former eastern Länder) has exploited popular concern about migration patterns and about refugees and asylum seekers indicates that this issue merits serious consideration.

Goodhart's argument draws on the work of Alberto Alesina and colleagues (primarily Edward Glaeser) at Harvard and refers directly to his 2001 Brookings paper (Alesina *et al* 2001). It also refers to the work of Soroka and colleagues (for example, Soroka *et al* 2004: 18, which argues that 'the human component of globalisation may increasingly constrain welfare states that seemed fully consolidated two decades ago').

Alesina has been concerned for some time with the relationship between welfare state activity and economic growth and, more specifically, the question of why the United States, despite its obvious wealth and formal commitment to mass democracy, has never developed redistributive institutions on anything like the scale of the European welfare state. He has used statistical analysis to support the view that redistribution cuts investment and economic growth.

Alesina and Glaeser have recently published *Fighting Poverty in the US and Europe* (2004), a book that draws together and expands arguments developed in a number of previous publications, particularly the earlier Brookings paper. These arguments follow those of other writers (for example, Gilens 1999: 3) in suggesting that the greater diversity of the United States plays a major (probably the largest) role in the difference. The implications for the future of the European welfare state are spelled out:

> The recent rise of anti-immigrant politicians in Europe illustrates our claim that US-Europe differences have more to do with the racial divisions than with deep cultural differences. As Europe has become more diverse, Europeans have increasingly been susceptible to exactly the same form of racist, anti-welfare demagoguery that worked so well in the United States. We shall see whether the generous European welfare state can really survive in a heterogeneous society. (Gilens 1999: 181)

Alesina's argument is distinctive (and departs from that, for example, of Gilens) in that he is able to combine a detailed historical account of the development of political groupings in the United States and Europe with a sophisticated statistical analysis of the relationship with racial and ethnic 'fractionalisation'. The concepts of race and, to a lesser extent, ethnicity, are controversial. While the latter refers to the cultural identities of different

groups accepted across a society, the former is often used to demarcate putative differences and claims, in some sense, objectivity.

This claim is hard to sustain in view of the fact that diversity within identified racial groups on any biological measure used to distinguish them is greater than it is between them (Tucker 1994). Alesina relies on 1990 US census definitions, where the chief racial categories are white, black, Asian and Hispanic. 'Ethnicity' refers to migrant origin and distinguishes, for example, Irish, German and Italian groups among the white category. To measure the degree of fractionalisation, indices are constructed that reflect 'the probability that two people, drawn at random from the population, will be from different groups' (Alesina and Glaeser 2004: 137). It varies between one (everyone from a different group) and zero (everyone from the same group).

It is the precision of the definitions and the scientificity of the statistical methods they make possible, combined with the enormous clarity of the writing, that lend Alesina's argument strength and ensure that it is influential in the debate about the future of European welfare states. We will return to a more detailed examination of the method, but first wish to review the distinctive features of the United States as presented by Alesina and Glaeser.

The peculiarities of the US

Alesina and Glaeser first test economic arguments that might explain why European countries are much more inclined to extensive state welfare than the United States: the extent of income inequality, as a pressure for redistribution; the degree of mobility, as a factor that might promote individual rather than collective solutions; the openness of the economy, which might encourage redistributive approaches, since individuals might feel more vulnerable to the impact of shocks in the world market; and the efficiency of the tax system, since governments might find it easier to provide welfare if tax is easy to gather.

The analysis finds all these explanations wanting: the United States is more unequal, has roughly similar social mobility, is less open, and is more efficient in tax-gathering than Europe. These economic explanations in fact predict that the country should have a larger rather than a smaller welfare state.

The book then moves on to consider alternative approaches. It argues that the differences in social provision between European countries and the United States are to be explained by two basic factors: geography (the large size and relative isolation of the United States) and population (the much greater heterogeneity of the United States). The former factor ensures that the United States has always had an open internal frontier, making oppor-

tunities for physical mobility obvious; that it is, from a practical viewpoint, difficult to organise political movements to challenge the status quo; that any unrest is likely to be distant from the centre of power; that invasions have not disrupted governance or lent support to movements pressing for social change; and that a professional army, undefeated in foreign wars, can retain the morale to suppress challenges.

The latter fact makes it more difficult to organise support for collective welfare when this challenges the existing structure of authority. Socio-biological accounts of why individuals are more likely to endorse provision for others who are ethnically or (they believe) racially closer to themselves (for example, Trivers 1971) are briefly discussed, as is 'the simpler view… that members of one racial or ethnic group naturally dislike members of other groups (Becker 1957, provides an early economic exposition)' (Trivers 1971: 135). However, the core of the argument is that racial divisions provide a resource that politicians (viewed essentially as Schumpeterian political entrepreneurs) can exploit to gain support, especially when they are mapped onto an existing structure of inequality. This is the case especially with the white–black division in the United States.

Taking these factors together, the argument claims that the existing structure of authority in the United States established by the founding fathers has remained little changed during the past two and a half centuries while, in Europe, revolutions, wars and rapid social changes have been reflected in the growth of left-wing movements that promoted state welfare, and in the incapacity of traditional authorities to repress them. Thus in most European countries, new constitutions have been introduced during the 20th century that facilitated the entry of the left into politics through proportional representation.

In the United States, the original constitution, concerned primarily with the defence of the property interests of the 18th-century bourgeois liberals who set it up, has been reinforced by the judgements of the Supreme Court, trade unions were repressed during the army-led strike-breaking of the 1930s, and the left has never been able to constitute itself as a substantial political force.

Diversity plays a central role because it functions as an obstacle to the development of a collective politics of redistribution and because it is an important constituent in a dominant ideology that portrays welfare statism as primarily redistributing from the majority to minorities who are culturally, racially and ethnically different. Similar rhetorics have, of course, emerged in debates about migrants, refugees and asylum seekers in Europe. A further issue is that the different identities of different ethnic groups may operate as a barrier to the formation of a common political identity.

This argument is of considerable importance in the current context in Europe. Whether Europe will become more like the United States is a key question in welfare state studies. The pressures that European welfare states

currently face (and which they appear to be surmounting, albeit with difficulty) have been outlined above. Immigration into European countries is at historically high levels and has provided an opportunity for right-wing attacks on welfare states. If Alesina is correct in arguing that greater diversity makes welfare states more difficult to sustain, the current expansion of immigration, resulting from population globalisation, may be a more serious challenge to the European heritage than economic globalisation and the growth of the single market. From this perspective, the pressures towards an American future seems irresistible.

The statistical argument

One point may speedily be disposed of. Welfare state analysts often point out that most welfare-state spending is currently directed horizontally, to provide services to tax or social insurance contributors at stages of their life cycle when they experience needs. It finances health care, pensions and so on. Relatively little is directed vertically from the comfortable citizenry to impoverished and vulnerable groups on the margin. The rhetoric that portrays the welfare system as a channel from the mass to a distanced (and, in this version, ethnically and racially distinct) social minority is thus misleading.

From this perspective, evidence about diversity and a sense of solidarity simply does not apply to the reality either of European or of more limited US welfare systems. Most welfare activity can be seen as risk-pooling insurance, whereby people provide for their own needs rather than those of others (see, for example, Mckay and Rowlingson 1999: 15).

Unfortunately, most people in fact see welfare states as vertically redistributive – as supplying resources to poorer and other groups (for example, Commission on Taxation and Citizenship 2000, chapter 2, Taylor-Gooby and Hastie 2002: 87). If particular minorities are seen as net recipients of tax-financed welfare, as in the US context, the rhetoric of race thus bites home. The fact that welfare states are not particularly redistributive from better off to worse off does not undermine the possibility that they may require a strong sense of collectivity for legitimacy and that, if Alesina's argument is correct, divisions and diversity may undermine them.

The core of the argument is contained in a series of regressions that relate social spending to a range of characteristics that might plausibly influence support for the welfare state. In constructing these equations, the authors draw on the extensive social and political science literature that has used regression modelling of cross-national data sets provided by the Organisation for Economic Co-operation and Development (OECD), International Labor Organization (ILO), United Nations and other bodies to examine the impact of various factors on the development and direction of welfare states (see, for example, Huber and Stephens 2001, Castles 1998). The detail of the analysis is

contained in the earlier National Bureau of Economic Research (NBER) working paper by Alesina *et al* (2001, Table 4.4) and key findings are reported in jargon-free language in the book on pages 144-6.

The regressions use standard OECD measures of social spending as a percentage of GDP as the dependent variable and include measures of age-structure and majoritarian as opposed to consensus-oriented government. They also include two variables, which represent ethno-linguistic and racial fractionalisation.

The former, based on procedures developed by Easterly and Levine (1997), turns out not to be significant. The latter, constructed by Alesina and colleagues (see 2003: 184-9), is highly significant. In fact it is the most significant variable in the model, with a coefficient exceeding 0.09 (Alesina and Glaeser 2004: 145). The model covers 56 countries, and includes those with very diverse cultural and state spending traditions, and in particular those where family and other institutions play an important role in substituting for state welfare.

When dummy variables to represent broad groups of non-western nations where the state spending traditions are radically different (Latin America, Caribbean, Asian) are introduced, the coefficient falls to 0.075 (this model is reported in Table 1). The gap between Europe and the United States in racial fractionalisation, on Alesina's figures, is 0.433, so the coefficient predicts (0.433 x 0.075 = 0.032) or 3.2 percentage points of difference in social spending. The gap in social spending as a percentage of GDP between Europe and the United States is in fact 7.3 percentage points.

Thus the model indicates that racial fractionalisation accounts for 43 per cent of this difference, an estimate that Alesina describes as 'conservative' (Alesina and Glaeser 2004: 145). In other words, the claim, reinforced by statistical argument, is that diversity explains about half the difference between Europe and the United States in welfare state activity.

Table 1: Effects of race fractionalisation on social spending (56 cases) (Dependent variable: social spending as percentage of GDP)

'Racial' fractionalisation	-0.075*
Per capita GDP	-0.019
Majoritarian	-0.023
% population aged 15-64	-0.003
Latin American	-0.024
Caribbean	-0.030
Asian	-0.009
Constant	-0.25**
R squared	0.69

Note: * significant at 5% level, ** significant at 1% level
Source: Alesina *et al* (2001, Table 4.4)

The application of arguments about the impact of social processes, traced historically, on current arrangements and, by implication, on future developments, is always difficult. Alesina shows that there is a substantial and significant association between racial fractionalisation and social spending, taking into account a number of other relevant factors across a large number of countries. He constructs a convincing argument to sustain the view that the association is causal, and that it operates chiefly through the resource that racist stereotypes and fears offer to politicians who seek to use these concerns to undermine support for the welfare state.

However, this argument leaves open the question of what the political impact of greater diversity is likely to be in Europe, given that left parties have now developed and that constitutional changes during the past 250 years give the left greater opportunities to exert political influence.

To explore this question further, we examine the relationship between fractionalisation, using Alesina's own measures, and social spending, taking into account other factors that have been shown to influence welfare state development, but concentrating our attention on the developed welfare states where most previous analytical work has been carried out. Huber and Stephens, in a recent and detailed analysis, show that the measures that make a difference are: the age-structure of the population, the constitutional framework, the part played by the left in politics and, in some areas of spending, per capita GDP (Huber and Stephens 2001, Tables 3.2 and 3.3).

We accordingly focus attention on the impact of fractionalisation on spending in the context of these factors. Alesina includes age, constitution and GDP in his analysis but omits the role of the left. This is necessarily the case since his argument, operating from a US perspective, places fractionalisation as logically prior to the development of left politics. However, an analysis that is interested in the impact of fractionalisation in other advanced welfare states and particularly in Europe, where the left has achieved a substantial presence and exerted an influence on both political choices and on constitutional development needs to take its role into account.

In our analysis (Tables 2 and 3), left politics is represented by the proportion of cabinet seats held by left parties, the measure found most important by Huber and Stephens, Castles and others. Constitutional structure is represented by an index of pluralism, which takes into account decentralisation of government, the number of effective parties, bicameralism and presidential government, based on Schmidt (1996) and calculated for 1996.

For age structure we include the percentage of the population over the age of 65 and most likely to need and to generate political demand for the highest spending welfare state services: pensions and health care. This is in addition to Alesina's favoured measure of proportion of the population aged 15-64, which appears to have more limited explanatory power. The

ethnic fractionalisation measure is derived from Alesina *et al* (2001, Appendix 1) and the race measure from Alesina and Glaeser (2004, Table 6.1 and Figure 6.1).

It should be noted that the fractionalisation coefficients derive from a number of sources and refer to different years between 1996 and 2001. Since 1998 is most commonly referred to, we use other measures (apart from the pluralism index) for that year, taken from Armingeon's useful database (Armingeon *et al* 2004).

We first examine the bivariate correlations between these explanatory measures and social spending for advanced western economies including and excluding the distinctive case of the US (Table 2).

Table 2: Pearson correlations between social spending, diversity and other explanatory variables (1998)

	Including US (N=22)	Excluding US (N=21)
Diversity		
'Racial' fractionalisation	-0.36*	-0.17
Ethnic fractionalisation	-0.18	-0.08
Politics		
Left parties as % cabinet	-0.60**	-0.58**
Pluralism index	-0.17	-0.05
Economic development		
Per capita GDP	-0.07	-0.28
Population		
% pop 65+	-0.57**	-0.54**
% pop 15-64	-0.25	-0.32

Notes: Countries included: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, UK, United States.
* significant at 5% level
** significant at 1% level

The table shows four things. First, inclusion of the United States makes a substantial difference to all correlations except left politics and the population measures: hardly surprising since the United States is markedly more diverse, majoritarian, richer, but a low welfare spender, and has a welfare system skewed towards the elderly, who are a substantial political force. The US is in fact excluded from the correlation for 'left in government', since it has no left representation and the score is zero, explaining the similarity in coefficient between the two columns.

Second, it is clear that diversity has much less impact on welfare spending outside the US: since welfare spending is more widely supported across society, this group is a less significant lobby against it. Third, the per capita GDP variable has a much weaker relation to spending when the United States is included: the richest country with the lowest state spending. Fourth, it should be noted that the signs for each variable point in the same direction (except in the case of the small pluralism coefficient).

The correlations indicate that diversity does have a negative impact on welfare spending, but one that is much weaker and less significant in the advanced welfare states outside the United States. The interesting question concerns the impact of the political left – which is, of course, much stronger outside the United States – on this relationship. Partial correlations were calculated for the group of 21 countries apart from the United States, those that have a left political presence. These examined the relationship between social spending and racial fractionalisation, taking the impact of left politics into account. The coefficient is sharply reduced, from -0.17 to -0.06, wholly insignificant at the 0.78 level.

Corresponding partial correlations, using the proportion of elderly people (the other variable with a significant bivariate relationship in Table 2) have a similar impact, reducing the racial fractionalisation coefficient to 0.11, again insignificant at the 0.65 level.

We are now in a position to consider the introduction of the variable representing left Cabinet membership into regression equations similar to those used by Alesina and Glaeser (2004, Table 3). This model simply includes the three variables shown to be significant in Table 2 to explain welfare spending in developed economies. The presence of left parties in

Table 3: Fractionalisation, left politics and welfare spending in developed economies, OLS regressions (dependent variable: social spending as % GDP)

	Unstandardised coefficients	Standardised coefficients
Diversity		
'Racial' fractionalisation	-4.29	-0.11
Politics		
Left parties in cabinet	-0.05	-0.41 (sig. level 0.07)
Population		
% population aged 64+	-0.72	-0.28
R squared	-0.45	-0.45
Number of cases	22	22

government is the strongest and most significant explanatory variable, though the level of significance in the model is only seven per cent, presumably as a result of the small number of countries included. The racial fractionalisation variable becomes much weaker and is insignificant (significance level 0.60). The proportion of elderly in the population also becomes insignificant at the 0.26 level.

Conclusion

Alesina and Glaeser argue that diversity and state welfare are in conflict. This argument forms an important part of their explanation of why the United States has never developed the kind of welfare systems that have emerged elsewhere among economically developed countries. They make a compelling case for the view that racial diversity and particularly the link between black–white divisions and inequalities has made it difficult for the political forces which promote state welfare to develop in the United States, and has enabled politicians to exploit these difficulties to erode support for redistribution.

This argument refers primarily to the specific circumstances of the United States. It is important because it is expressed with great clarity, is reinforced with close statistical analysis and is now being taken up by commentators in Europe who argue that more migration from Africa and the east will undermine European welfare states. It is another component in the argument that Europe will inevitably drift towards a welfare and social settlement resembling that of the United States. It buttresses the view, expressed for different reasons by Fukuyama (1992) and Putnam (2000), that under current circumstances the course of development is set firmly in one direction, away from social cohesion and towards economic liberalism and plural democracy.

In this article we have reviewed the statistical method that underpins the argument and lends it its particular force. We have shown that, once left politics are taken into account, the impact of diversity on social spending falls dramatically. When a left-wing influence is established and has influenced political institutions, as is the case in Europe but not in the United States, different patterns of development and of path dependency are set in train.

In effect, the presence of the left appears able to insulate welfare systems against the impact of greater diversity among citizens. The data reviewed here indicate that it is not inevitable that Europe becomes like the United States. To assert that diversity has been an important factor obstructing the development of state welfare in the United States may be justified. To claim that it will therefore undermine welfare statism in the existing European context is to go beyond the evidence.

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7. After the Fortuyn and van Gogh murders – is the Dutch integration model in disarray?

Rinus Penninx

The assassinations of populist politician Pim Fortuyn in 2002 and filmmaker Theo van Gogh in 2004 made headlines in the press all over the world. The same questions were asked again and again: what happened to the Netherlands, with its reputation for tolerance and image as a beacon for integration policies in Europe? Is the Dutch model in disarray?

In order to try to answer these questions, three more specific questions need to be asked first:

- What is (or was) the Dutch integration model?
- How have the public and political discourse and the policies of integration evolved in the Netherlands?
- What was the significance of the two murders?

Dutch integration policies

After the Second World War, the Netherlands faced considerable levels of immigration of diverse origins: from its former colonies, from labour migration and, more recently, from asylum migration. From 1967 continuous net immigration figures made the Netherlands a *de facto* country of immigration (Lucassen and Penninx 1997). This fact, however, did not match self-perceptions, nor the belief that the Netherlands should not be a country of immigration. The Dutch considered their country overpopulated.

As a result, most immigrants were regarded as staying only temporarily in the Netherlands – for example, as 'guest workers'. This created a tension between the self-perception of not being a country of immigration and the fact that immigration was increasing – as were the numbers of immigrants becoming permanent residents in the country (Entzinger 1975).

The impetus to introduce a new integration policy for all immigrant groups came in the late 1970s with a report on minority ethnic groups by the Scientific Council for Government Policy (WRR 1979). The think tank outlined the fact that most immigrants who came with a temporary permit actually settled for the long term. The report led to the formulation of a radically different Ethnic Minorities Policy at the beginning of the 1980s (EM-Policy, Ministerie 1981 and 1983). This set the Netherlands at the forefront of integration policy development in western Europe, along with Sweden, which had opened the way in the mid-1970s.

This policy was characterised by the fact that it ranged right across the socio-economic, political and cultural domains, involving all the relevant ministries under the coordination of the Ministry of Home Affairs. As such, it was strongly anchored in the governmental organisation. It was backed by substantial specific financial resources at the national level and an elaborate monitoring system.

The policy was targeted at specific groups identified as combining socio-economic deprivation and cultural differentiation from mainstream society. This implied that it was not an immigrant policy in itself: it did not target all immigrants, but specific groups of low-class immigrants, such as refugees, guest workers, Moluccans, Surinamese and Antilleans. And it also included some native underprivileged groups, such as gypsies and 'travellers'.

The implementation of this policy had a differential impact in the various realms– political, socio-economic and cultural – that it focused on.

Inclusion and participation in the legal-political domain

In the political and legal realm, the Ethnic Minorities Policy focused on inclusion and participation of the identified groups within mainstream society. The whole Dutch legislation was scrutinised, and any clause that discriminated on the basis of nationality, race and religion was removed (Beune and Hessels 1983). Anti-discrimination legislation was reinforced, and a structure for reporting and consultation relating to discrimination was established.

Active and passive voting rights for alien residents were introduced in 1985. This led to direct political participation at the local level. In larger cities, significant numbers of councillors are now of immigrant background. The introduction of local voting rights also had a profound effect at the national level: today, some 8 per cent of Dutch parliamentarians are of immigrant background (born abroad, naturalised citizens) distributed across all parties.

The Dutch nationality law was changed in 1986 to include more elements of ius soli – relating nationality to residence rather than to descent – thus making it much easier for foreign immigrants to become Dutch citizens. The practice of condoning double nationality was actively introduced in 1992.[29] As a consequence, naturalisation peaked in the 1990s. For example, today, more than two-thirds of all immigrants of Turkish origin in the Netherlands have Dutch citizenship.

A consultation structure was established for all the target groups of the Ethnic Minorities Policy. Its purpose is to give them a voice in matters regarding their position in society.[30] The underlying idea was that immi-

29 This policy was reverted in 1997 when a proposal to anchor that policy in the law on naturalisation was rejected. Legal provisions remained as before (dual nationality as an exception), but the lenient practice of application changed.

grant organisations are important both for individuals within groups and for integration activities, bridging the gap between immigrants and wider society. Subsidising such organisations, both at the national and local levels, and trying to engage them in integration efforts, became an important strategic aspect of policy implementation. This basic assumption, however, has been strongly questioned in recent political debates and governmental support for these organisations is waning.

Equality in the socio-economic domain

Socio-economic policies aimed at achieving equality in the labour market, education and housing met with varying degrees of success. Those combating the high unemployment of target groups turned out to be the most problematic. Since the 1960s the influence of government on the labour market has decreased, and governmental authorities do not have effective instruments to steer the distribution of scarce jobs. Efforts to influence this distribution in the free market initially took the form of a voluntary agreement between employers' and workers' unions to strive for more jobs for immigrants – but this turned out to be symbolic paperwork only.

At the beginning of the 1990s, a soft law was introduced, inspired by the Canadian Employment Equity Act, that obliged employers to report on the ethnic composition of their workforce and encouraged them to make plans for more balanced recruitment. This also turned out to be purely symbolic, and implementation has been erratic (Jonkers 2003). The only real forceful instrument that the Government used in the period 1986-1993 was an affirmative action plan for national and local governmental employers. This was effective, and the percentage of government employees of immigrant background rose significantly in that period.

Labour market policies have thus been weak and ineffective, because of the lack of instruments. Interestingly, the high unemployment of immigrants was reduced to a great extent by the market itself. The continuous booming of the Dutch economy, particularly in the second half of the 1990s, led to a sharp decrease in general and immigrant unemployment. The latter dropped from 30-40 per cent to below 10 per cent in 2001 (Sociaal en Cultureel Planbureau 2001a). However, more recent figures show that unemployment of immigrants is sharply increasing again.

Policies in the domain of education have been an important part of minority policies from the beginning. In fact, by far the most of the specific

30 In 1985, a National Advisory and Consultation Body (LAO) was established, in which the most important minority organisations were represented. It advised the Government on issues around the integration of immigrants. In 1997, it was replaced by the National Consultation Body for Minorities (LOM). Its role changed more into that of a consultative body.

financial resources allocated to the Ethnic Minorities Policy have been spent in this domain – predominantly on measures to compensate for immigrant children falling behind in the mainstream education system. A point system gave schools significantly more money for children of immigrant background than for standard middle-class native pupils. Immigrant and minority children received 1.9 times the funding for native middle-class children (against 1.25 times for native children of low socio-economic background).

However, recently the Minister for Education proposed to abolish the specific high rating for children from minority ethnic groups altogether, and to shift the extra financial means to the general category of pupils of low socio-economic background.

Beside this general financial assistance to schools, a smaller proportion of funds was dedicated to education in pupils' native language and culture. This came to be increasingly considered as problematic, ineffective and even counterproductive. As a consequence, it was first taken out of the regular programme, before being recently abolished altogether.

One of the consequences of this policy has been the rise in the number of state-subsidised Islamic and Hindu schools since the end of the 1980s. Their establishment was the consequence of existing laws allowing denominational schools to qualify for state funding. Such initiatives were taken by elites among the immigrants – not least, to avoid predominantly 'black' state schools. Achievement in these schools is quite satisfactory, but they are being considered with increasing suspicion – particularly Islamic schools.

In the mainstream education system, immigrant children appeared to lag consistently behind the average over a long period of time, largely due to a continuous inflow of new immigrants triggered by family reunification. It is only in the late 1990s that reports started to show significantly better results, with greater numbers reaching upper secondary education, university and upper professional education (Sociaal en Cultureel Planbureau 2001b).

Finally, housing policies have been among the most successful of socio-economic policies. In 1981, a fundamental change was introduced that allowed legally residing aliens full access to social housing, which was denied before. Given that social housing constitutes the larger part of all housing in big cities in the Netherlands, and that social housing is distributed in a 'colour blind' way, according to socio-economic criteria such as income, this measure had very positive consequences for the position of foreign immigrants. One of the consequences is that there are no ethnically homogenous concentrations: immigrants of different backgrounds and Dutch people sharing the same socio-economic characteristics live together in quarters dominated by low-rent social housing.

Equity in the cultural domain

Initial policies relating to culture, language and religion may be qualified as an early form of multiculturalism. The Ethnic Minorities Policy allowed the groups and their organisations to develop their own culture, within the limits set by adherence to general Dutch laws. The role of the Government was defined as 'facilitating' – in other words, creating opportunities for minorities to engage with their own culture. This led to the creation of special media programmes in foreign languages. This liberal principle was later attacked, with the argument that 'preservation of their own culture' would hinder the integration of immigrants. Most of the supportive facilities did not survive the 1990s.

As for religion, policies should be understood in the light of the particular Dutch history of organising its society around 'pillars'. These are religious segments, each of which used to have its own complete institutional arrangements: schools, workers' and employers' organisations, political parties, and so on. This structure was swept away in the 1960s by strong secularisation, but the legal structure still persists in many domains.

It was this structure that enabled incoming religions to legally claim facilities such as denominational schools and broadcasting facilities on the same conditions as established religions. When Dutch society was increasingly becoming more secular, and tried to rearrange relations between the state and church at the beginning of the 1980s, Muslims and Hindus were invited to the negotiating table, along with established churches, to formulate the new principles. The result was that they became quickly institutionalised (see Rath *et al* 2001). It is only in the 1990s that these new institutional arrangements came under fire again.

From welfare state multiculturalism to assimilation?

This brief overview of policy implementation shows a mixed picture of success. In some areas, policies have been successful – particularly in the legal-political domain and in housing. In others, such as education, the picture is mixed: immigrants are still lagging behind, but children from the second generation are experiencing gradual improvement of their educational attainment. In the labour market, policies have been mainly symbolic. Finally, policies in the cultural and religious domain were initially very liberal, but have become the most contested part of policies.

Overall, the Dutch Ethnic Minorities Policy can best be characterised as an integration policy associated with a 'welfare state model'. It was certainly not conceived as a 'multiculturalist model' in the normative sense that this term acquired in the course of the 1980s and later. The term 'multiculturalism' does not appear in the original policy documents, and 'multicultural society' only crops up a few times to refer to the increasingly diverse com-

position of cities and the country. However, the policy could be called 'multicultural', to the extent that it aimed for equity in the cultural and religious domains.

The policy had its peak impact in the 1980s. But it came under strong criticism in 1989, in a new report by the Scientific Council for Government Policy (WRR 1989) that pinpointed the lack of sufficient progress in two crucial domains: labour market and education. It estimated that too much attention was given to (multi)cultural aspects and the subsidising of organisations, suggesting that this could hinder individual participation in education and the labour market, rather than enhance it. The report advised for more efforts to be made in those key areas, and in a more compulsory way.

Policy did not change immediately, but the seeds for a different conception were sown. A first, distinct change in policy focus and goals was formulated in a new policy document, the Contourennota, of 1994 (Ministerie 1994). It adopted a renewed 'Integration Policy' with a more 'republican' character, focusing on 'good citizenship' of individual immigrants.

The main policy goals were now to promote equal participation of immigrants in housing, education and the labour market, and to facilitate the initial integration of newcomers by providing civic integration courses. Reception courses were initially developed at the local level in a number of cities, before being implemented nationally in 1998. They gave newcomers a toolkit of Dutch language training and information on the functioning of important institutions in Dutch society.

A new turning point in Dutch integration policy took place after the turn of the millennium. According to Han Entzinger (2003), a growing emphasis on communitarian values has meant that immigrants are expected to adapt more to Dutch norms and values. Some observers go further, and characterise the recent changes in Dutch policy laid down in the new-style Integration Policy (Ministerie 2004) as a turn towards 'assimilationism'.

In short, the Dutch integration model initially started as a welfare state model, combined with a group-based emancipation principle. That model had a chance to institutionalise itself for more than a decade. Policy shifts from the mid-1990s changed the policy discourse significantly. Policy practice, however, changes less quickly and less pervasively than the discourse. As a consequence, the Netherlands now has a mixed model. Many elements of the initial policy are still present, but its aims and focus and, most significantly, its discourse and tone have substantially changed.

From depoliticisation to polarisation

How has the public and political discourse on integration of immigrants and integration policies evolved over time in the Netherlands? The Ethnic

Minorities Policy of the early 1980s received wide support from the elite of all political parties. This consensus did not mean that there were no diverging conceptions about integration among parties (Fermin 1997). But these differences were not displayed explicitly, as conflict avoidance and depoliticisation prevailed (Hoppe 1987).

There was a 'gentlemen's agreement' among the elites of the main political parties not to raise immigrant issues, but to resolve them through technocratic compromise (Rath 2001), resorting to science-based policy advice, co-opting ethnic elites (Guiraudon 1998), and involving ethnic leaders in special advisory bodies to ensure a broad consensus. This depoliticisation also took an active form: when, in the early 1980s, several extreme-right parties managed to enter the local and national political arenas, a 'cordon sanitaire' guarded against extreme-right parties that wanted to 'play the race card'.

Over the 1980s, immigration and integration issues were effectively depoliticised, providing stability to the Ethnic Minorities Policy. However, in the early 1990s, the public and political debate started to change. Three major factors account for this change. First, the policy had generated disappointment, particularly with regard to labour and education. The second report of the Scientific Council (WRR 1989) defined this failure predominantly as a consequence of too liberal policies in the cultural and religious domain, and a focus on immigrants as 'groups'. It suggested that policies should become more obligatory, and should focus on individuals in the domains of work and education.

Second, Frits Bolkestein, leader of the Liberal Party and of the opposition in the Dutch parliament, trod new ground in 1991 when he suggested that Islam formed a threat to liberal democracy and a hindrance for the integration of immigrants.

Finally, the public and political discourse on immigration in the 1990s became dominated by what can be called the 'asylum crisis'. The initially very warm asylum receptions had already become much more sober. But by 1993 – the year in which asylum peaked to a number of 53,000 applications – both the reception and the handling of evaluation procedures became completely jammed. The crisis lasted several years, despite ongoing efforts to reform asylum procedures. Numerous applicants stayed in limbo for years, not allowed to work or to access education. The number of asylum seekers who were denied refugee status but not sent back also increased, and swelled the ranks of illegal residents.

All this resulted in the public feeling not only that integration policies did not work, but also that they actually could not work, because of a lack of control on immigration and admission. The hotly debated increase in marriage migration to the Netherlands fuelled this feeling. Paul Scheffer brought much of this discontent together in an essay in 2000, published in a leading Dutch

newspaper under the ominous title 'The multicultural disaster'. In the eyes of public opinion, the failure of integration had become a fact.[31]

This new framing woke up a 'silent majority that was weary of multiculturalism but had not had the courage to speak out until then' (Entzinger 2003). Political parties started to take more explicit positions, breaking away from the earlier depoliticisation strategy. A 'new realism' (Prins 1997) emerged that tried to break with 'taboos' and engage in debate and confrontation with immigrants 'as a signal that they are taken seriously'.

All these different aspects became increasingly important over the 1990s. In 2001-02, the populist politician Pim Fortuyn brought them all together in strong statements about the failure of integration and about Islam's 'backward' culture. He coupled this with an accusation that the political elite was responsible, by 'hiding the real problems behind a curtain of political correct speech', and the contention that the victim was the 'common' (native) Dutch voter.

This populist campaign was very successful. Pim Fortuyn's party won a first great victory in the local elections in March 2002 in Rotterdam, the second largest city of the Netherlands. But a few weeks later Fortuyn was murdered, just before the national elections of May 2002 (by a lawyer who was strongly associated with the ecological movement). Notwithstanding (or thanks to) the murder, his newly established party – the Pim Fortuyn List (LPF) – managed to gain a substantial 26 parliamentary seats out of the total of 150.

However, without a leader and real programme, the new party was soon exposed as a collection of inexperienced opportunists. The new government coalition, in which the LPF was a partner, fell within 100 days of its establishment. In the new national elections, early in 2003, the LPF was reduced from 26 to only 8 seats. But the harm was done. To a large extent, other political parties had taken up the populist thinking on immigration and integration in their political programmes, and a 'new integration policy' was now led by a special Minister for Immigration and Integration from the Liberal Party, Rita Verdonk.

The murder of Theo van Gogh

On November 2 2004, the filmmaker Theo van Gogh was killed by a radicalised Muslim – a young Dutchman of second-generation Moroccan origin. The murder was clearly premeditated and politically/religiously motivated, as testified by a letter, written in excellent Dutch. The murder

31 In 2003, this led to an official parliamentary inquiry into the failure of integration policies. Its relatively balanced conclusions (Tijdelijke Commissie 2004) were heavily criticised by many politicians when they were published.

was carried out in public, in broad daylight and the murderer was prepared to die in his struggle.

How was the assassination perceived? Immediately after the event, two interpretations emerged.[32] The first framed the murder as an attack on the freedom of speech, and thus on the basic principles of democracy. Van Gogh had made straightforward statements on Islam and Muslims, both in public broadcasting programmes and in a short film, 'Submission', devised in close collaboration with Ayaan Hirsi Ali, a Liberal Party MP of Somali origin. The film used a confrontational style, portraying the 'submission' of women in Islam – among other images, showing naked women's bodies with Koran text written on them. After it was broadcast on Dutch public television, both Van Gogh and Hirsi Ali had been threatened for insulting Islam.

Framing the murder as a threat to democracy confirmed Bolkestein's earlier thesis that Islam and democracy were irreconcilable. It also tended to confirm Fortuyn's thesis of Islam as a 'backward culture'. In short, Islam as a religion became suspect. The second interpretation of the murder shed the light on integration policies, and exposed the murder as the ultimate evidence of failure – particularly with regard to Muslim immigrants, for allowing them to segregate themselves in Islamic schools, to import intolerant and fundamentalist imams, and so on.

These interpretations did not originate solely in the media, but were also voiced by Dutch politicians – particularly, but not exclusively, from the LPF and the Liberal Party. The Minister for Immigration and Integration saw the murder not only as a justification for her new, more obligatory, integration policies, but also announced new measures such as closer surveillance of mosques and imams, stricter naturalisation policies and the possibility to lose Dutch citizenship.

The logic of these dominant interpretations led to a series of further actions and polarisation. Some groups affiliated to the far-right movement exploited the situation by attacking Islamic symbols, and Islamic schools and mosques were set on fire. Great pressure was also put on Muslims and their organisations to distance themselves from the murder, and to show their loyalty to democracy, freedom of speech and integration. Representatives of Muslim communities and organisations complied to a great extent, although not in the exact terms they were asked to. They did declare themselves as being in favour of freedom of speech, but then not

32 Hajer and Maussen (2004) have described three 'frames' in the discussion on the murder. The first two are 'attack on the freedom of speech' and 'failed integration' discussed here. Their third frame is that of 'the war on terror'. Indeed, this frame can easily be recognised in the debates following the murder. However, it does not explain the murder itself as much as the reactions to it by politicians and the public. Hajer and Maussen rightly stress that such a frame makes a sound discussion of adequate strategies difficult.

only for the likes of Van Gogh, but also for Muslims and their religious leaders. They also did state their commitment to integration, but rejected assimilation and demands to forget about their Muslim religion.

How should we evaluate these dominant framings in terms of their explanatory value and their consequences for policy? My thesis is that both dominant interpretations are not only misguided, but are also bad advisers for policy.

The interpretation of Van Gogh's murder can be seen as an attack on the freedom of speech and democracy. However, it should not be perceived as an attack by Islam as such, but by a specific radicalised person or possibly a group of which the murderer was part. What made this interpretation dangerous is the strong tendency to generalise an isolated event to all Muslim immigrants and to Islam as a whole.

Interpreting the murder as a symbol of 'failed integration' is also problematic. Van Gogh's murderer was well integrated by all common standards. He had been a successful student, and had worked as a community worker. The group with which he was affiliated consisted of well-educated young people of mixed origin, including native Dutch. What they all had in common was to have converted to radical Islam in their adolescence.

If these interpretations do not stand, there is no reason to blame integration policies in general. Of course, there are good reasons to be more attentive to radicalisation – of any form – that undermines democratic societies. Preventing, isolating and fighting Islamic radicalism can only be achieved through the co-operation of all Muslims, and trust is the only basis on which that co-operation can be won. Polarisation, of the type that has taken place in the Netherlands after the Van Gogh murder, does – and, indeed, did – exactly the opposite.

Is the Dutch model of integration in disarray?

If we take a close look at the way it is currently managed, the Dutch integration policy is in disarray – particularly at the national level, where it has become the victim of polarisation. Most recent new measures have a strong symbolic, political message and try to respond primarily to the populist vote. The tone is authoritarian, and policies are increasingly mandatory, laying the burden of integration unequally on the shoulders of immigrants.

Many of the new so-called integration measures are meant to restrict immigration, as exemplified by the requirement to have a good command of Dutch language and knowledge of Dutch society before admission to the Netherlands. Such a policy tends to reinforce the divide, and feed distrust between natives and immigrants, rather than enabling the trust needed to speed up the integration of admitted immigrants or, for that matter, to combat radicalism.

However, the idea that the Dutch model of integration is in disarray needs to be nuanced, for two reasons. Many of the earlier instruments developed in more than 20 years of integration policies are still in place. Despite the predominant perception that these policies have failed, some of them have had positive effects, and continue to do so. A good example of a beneficial instrument is that of early reception courses – although these are currently at risk. Participation in such courses is likely to decrease as a consequence of recent reform, which requests rigorous, overall and mandatory implementation, while at the same time putting the financial burden on immigrants themselves and leaving it to local authorities and the market.

But another reason why the Dutch integration model is still relevant is that when we consider the situation at the local rather than national level, a very different picture emerges, giving more ground for optimism. Local resistance to the new national policies is increasing, and it is coming both from local government and civil society at large. It is at this level that the key for future policies and their implementation will lie. And it is here that practical solutions have to be found to address difficult and long-term integration processes.

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