

# **Perceptions of employability among London's low-paid: 'self-determination' or ethnicity?**

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## **Abstract**

We investigate how ethnicity, gender and other characteristics affect low-paid workers' perceptions of their employability in London's labour market, examining self-efficacy, ethnic and dual labour market theories. We find that perceptions vary considerably, both between genders and ethnicities and in the extent to which they are 'justified' by human capital attributes. Optimism varies between genders and ethnic groups but individuals' perceptions vary to an even greater extent *within* genders and ethnic groups. Hence, individual-level 'self-determination' explanations of these perceptions appear to have greatest explanatory power in this specific context though ethnic theories also have utility.

## **Introduction**

'Perceived employability', the individual's belief about how easy it is to find new employment (Rothwell and Arnold, 2007) has been much discussed in the last decade. We adapt the term to mean 'find a better job' for reasons we explain below. Much literature is rooted in human capital theory (see the review in Kirves et al., 2014). For decades, researchers have discussed the components of human capital (see Nafukho et al., 2004 for detailed definitional discussion), concluding that education and training are central, but experience also plays a role (Judge et al., 1995). Valuable recent work in this journal has also

identified its antecedents in different personal dispositions (Berntson et al., 2006). Other researchers have usefully examined the consequences of different levels of perceived employability (Berntson et al., 2010; De Cuyper et al., 2008, 2011).

This paper provides a new dimension by focussing on the ‘working poor’ and, within that group, on ethnicity, gender and other social dimensions. While some research attributes key inter-ethnic differences in attitudes and outcomes to structural factors affecting groups such as labour market segmentation (Kashefi, 2004) others emphasise individual human capital differences (O’Neill et al., 2006). We include the concept of ‘Superdiversity’ used to describe London’s labour market (Vertovec, 2007). The term emphasises the large extent of the city’s ethnic minorities and the degree of heterogeneity across them. Yet workers compete within labour markets as individuals and we therefore examine this dimension as well as the group one by using individual and group theories such as self-efficacy, ethnicity and ‘dual labour market’ theories.

We respond to Fry and Ritchie’s (2012) call for localised studies of specific regions and low-paying sectors, taking greater London as our research site. London’s labour market is characterised by a fast growing professional class at the top, growth in ‘bottom-end’ service employment, and a ‘squeeze out’ of jobs in the middle (Datta et al., 2007; Kaplanis, 2007; May et al., 2007; Wills et al., 2009b). Foreign-born workers are disproportionately represented at both poles, co-existing with long-established minorities and the ‘native’ British working poor (May et al., 2007; Rienzo, 2013). However, very little attention has been paid to perceived employability among the low paid.

Low-paid workers’ self-evaluations of their prospects of better employment are especially important to them because they influence their evaluation of ‘exit’ possibilities. They have weak bargaining power in relation to employers and ‘exit’ is a proportionately more important option for them than for those with more bargaining power and/or ‘voice’

possibilities (Hirschman, 1970). The low-paid's weak position is illustrated by their common reluctance to take remedial action through enforcement authorities even if paid below the National Minimum Wage (Croucher and White, 2007). Their views of their own ability to exit are therefore significant. If they are relatively sanguine about individual 'exit' possibilities, they may be confident of their individual ability to solve their own problems and therefore be proportionately less likely to be attracted by collective alternatives such as trade unions which have become increasingly interested in organising them (Wills, 2005).

Daniels et al. (1998) and Wittekind et al. (2010) called for more research on socio-cultural, ethnic and gender influences on perceived employability, but most of the samples subsequently used comprise higher paid workers with white backgrounds. Much research on migrant workers also focuses on highly-endowed employees whose capacities are under-recognised in the UK and uses a 'career' framework that is inappropriate for low-paid workers since they neither see employment in these terms nor experience 'careers' (Bloch, 2004; Evans et al, 2005; Erel, 2009; May et al, 2010; Green et al., 2013; Ram et al., 2013; Markova et al., 2013). Highly-qualified migrants often experience significant de-skilling and downward social mobility (Evans et al., 2005; Green et al., 2013), but they are only one component of the low-paid population.

Our data permit a novel and useful perspective because official statistics offer flawed data on the low-paid as a whole. The principal sources used by UK analysts, the Annual Survey of Hours and Earnings (ASHE) and the Labour Force Survey (LFS), are both problematic and provide inadequate data on low pay (Fry and Ritchie, 2012). The Low Pay Commission draws attention to the limited data available on ethnic minorities (Low Pay Commission, 2013). Therefore, Dustmann and Fabbri (2003) used data collected in 1993-4, when the Fourth National Survey on Ethnic Minorities' 'boost' sample of ethnic minorities was current, but which must now be regarded as historical.

We investigate our issue using recent data collected by the authors from among the low-paid in greater London's tourism and hospitality sector.

### **Hypothesis development**

Our central focus is on the dichotomy between individuals' perceptions of their employability and how this may be impacted by their perceptions of 'membership' of their ethnicity, gender and age groups on the one hand and their human capital on the other. We consider the latter in terms of a person's educational attainment, knowledge, skills, job tenure and experience (Becker, 1993). We refer to 'qualification optimism' and 'qualification pessimism' in connection with how appropriate individuals' estimates of their prospects are in relation to their human capital.

Ethnic groups may have differential perceptions of labour market discrimination against them and we develop a set of hypotheses based on this focus. We also consider the cross-cutting 'dual labour market' theory (Doeringer and Piore, 1971), a modification of classical economics theory suggesting a straightforward relationship between human capital and how individual employability is perceived within the labour market's 'secondary' segment.

### *Ethnic perspectives*

Ethnic theorists and social psychologists emphasise the importance of group memberships and this is very relevant in the 'superdiverse' London low paid labour market where different groups sought employment in very different phases of the market's development (Vertovec, 2007). Societal influences, notably discrimination, have been argued to impact individuals' perceptions of their human capital via internalisation processes and thus, affect their

optimism in employment terms (Daniels et al., 1998). Ng and Sears (2010) found ethnic minorities and women to have lower labour market confidence than the majority population and men, partly because of discrimination and its internalisation. The authors explain these findings by the lower self-efficacy minority groups have regarding their employment prospects. In line with Bandura (1982) and Gist and Mitchell (1992), they argue that due to more experiences of failures in the labour market ethnic minorities have not been able to develop a deeply-perceived capability for getting a new job easily. Moreover, as studies indicate that some ethnic minorities face more prejudices and stereotyping than others in employment contexts (Booth et al., 2012), labour market confidence may vary considerably between different ethnic groups of low-paid workers.

Another reason why perceptions of employability may differ between ethnic groups of low-paid workers may be their different average educational attainment. Different ethnic groups in the UK have segmented levels of attainment in education and vocational training. Bangladeshi and Pakistani adults are the ethnic minority most likely to have no educational qualifications and are also relatively unlikely to participate in post-compulsory education. Bangladeshi and Black Caribbean adults are less likely than those from other ethnicities to participate in job-related training (Bhattacharyya et al., 2003) while Indian and Chinese people are more likely to do relatively well throughout school (Bhattacharyya et al., 2003). Colour discrimination also has differential impacts. Thus, Black Africans, although a relatively small minority ethnic grouping in the UK, suffer colour penalties larger than those suffered by Pakistanis. The religious penalty also exists but is smaller (Khatab, 2012). Degrees of language acquisition have been shown to have a major effect, notably on earnings, in the UK (Dustmann and Fabbri, 2003). Actual outcomes suggest that these influences may be positive as well as negative: within low-paid industries, Indian workers not only experience better outcomes than other ethnic minorities, but also do better than ‘native’

British workers, whilst Bangladeshi workers experience the worst outcomes (Low Pay Commission, 2013: 47 and 64).

*A priori*, degrees of internalisation of external perceptions including discrimination potentially vary between different ethnic groups as well as between those with different levels of qualifications. It may also be that white British workers, because they may not expect ethnic discrimination against them, are relatively sanguine about their employability.

We therefore hypothesise:

*Hypothesis 1:* There is a high degree of variation between ethnic groups of low-paid workers in how they perceive their employability.

*Hypothesis 2:* Compared to white British workers, members of other ethnic groups take a more negative view of their employability.

### *Individual perspectives*

The collective ‘memberships’ which people may feel they have (for example through their ethnicity and gender) may be subordinate to a range of individual factors. Apart from the social identity that people gain by being a member of groups holding public esteem (Hogg and Abrams, 1988; Tajfel, 1981; Tajfel and Turner, 1986) individuals’ self-conception also encompasses their personal identity. Both aspects determine how individuals view themselves (Neisser, 1993). As individuals try to establish and maintain a positive self-concept (Aronson, 1969; Wicklund and Brehm, 1998) it is likely that, if social identities gained from their ethnicity cause senses of stigmatization and discrimination, personal identities might prevail and shape individuals’ views of themselves.

As Fugate et al. (2004) argue, perceived employability “subsumes a host of person-centered constructs (...) and is a psycho-social construct that embodies individual characteristics that foster adaptive cognition, behavior, and affect, and enhance the individual-work interface” (p. 15). The authors stress that, apart from social capital and human capital factors, certain individual attributes and individual cognitions (e.g. schemas) are necessary for developing a strong sense of employability. In particular, they describe optimism in the work domain (Peterson, 2000; Kirves, 2014), propensity to learn (Ashford and Taylor, 1990), openness to change and new experiences (Digman, 1990), internal locus of control (Skinner, 1996), as well as generalized self-efficacy (Judge et al. 1998) as crucial personal antecedents of perceived employability.

These considerations build upon research examining how core self-evaluation traits influence individuals’ views and valuations of themselves and how these individual characteristics affect personal goal-pursuits as in finding another job. Core self-evaluations are linked with individual goal-setting behaviour and goal self-concordance in that individuals with positive self-regard are more likely to pursue goals for intrinsic and value-congruent reasons (Judge et al., 2005; Erez and Judge, 2001). These relationships have been explained by the fact that core self-evaluations describe individuals’ estimates of themselves and their functioning in their environment. People with positive core self-evaluations appraise themselves in a consistently positive manner; they see themselves as capable, worthy, and in control of their lives (Judge et al., 2004). It is likely that these individuals view their environment more positively, perceive more control over their employment options (Watson et al., 1988), and thus manifest higher perceptions of employability. Such core-evaluation traits may originate partially in genetic dispositions (Judge, 2009) and may also be formed by successes and failures, vicarious experiences, social support and individuals’ emotional arousal while accomplishing particular tasks (Bandura, 1997). They

therefore are likely to vary substantially between individuals. In a relatively demand-led and liberalised labour market such as London's, individual-centred explanations may have considerable force.

Therefore we hypothesise that individual traits are key determinants for perceived employability:

*Hypothesis 3:* There is a higher degree of variation between individuals *within* ethnic, gender and age groups of low-paid workers than there is between groups in how they perceive their employability.

#### *The dual labour market perspective*

The influential 'dual labour market' concept first introduced by Lewis (1954) in a 'development' context and built on by Doeringer and Piore (1971) in the USA contends that labour markets function in primary and secondary segments in which the nature of jobs differs significantly. Primary sector jobs are relatively skilled, high productivity positions providing better wages, job security, working conditions, career opportunities and benefits. Secondary sector jobs encompass occupations requiring low skills, and have lower productivity, poor working conditions, ease of entry and an abundant labour supply. These factors create higher bargaining power for employers in relation to employees, and therefore low wages, low aspirations, low human capital and, ultimately, low accumulation of human capital (Riley and Szivas, 2003). Incentives for secondary sector employers to value employees are considerably lower, leading to high employee turnover and persistently low levels of pay. Employees, irrespective of their social characteristics, are characterised as

having a ‘subsistence mentality’, leading them to seek overtime and multiple jobs rather than better jobs (Riley and Szivas, 2003).

Such a mind-set leads individuals to overly-negative assessments of the opportunities available to them. Thozhur et al. (2007) contend that exogenous factors, such as low pay and poor labour market positions, become internalised into negative perspectives on employment and opportunity reinforced by long hours and hard work. We therefore speculate that workers in the labour market’s secondary segment may in time become (to borrow the term from analysts of behaviour in unemployment: Flaim, 1984) ‘discouraged’ and pessimistic, under-estimating their human capital.

Another possibility is that the higher human capital of more qualified workers in low-paid employment in London may negate the pessimistic assumptions of ‘dual labour market’ theory, developed in less ‘superdiverse’ environments. Newburry and Thakur (2010) demonstrate that education itself makes employees more optimistic about their employment prospects and that this optimism transcends the actual advantages conferred by education. In short, ‘qualification optimism’ may be common.

We therefore propose:

*Hypothesis 4:* Human capital indicated by education and experience has a positive relationship with perceived employability.

#### *Gender and age explanations*

Much literature demonstrates that gender remains important to labour market outcomes (Fenton and Dermott, 2006). Apart from findings indicating a ‘glass ceiling effect’ and a gender wage gap at the top and the very bottom of wage distribution (Arulamapalam et al., 2007; Peetz, 2014), studies found that even higher-skilled women tend to show both lower

confidence regarding their employment prospects (Ng and Sears, 2010) as well as low expectations of personal efficacy in relationship to many career-related behaviours and, thus, fail to fully realize their capabilities and talents in career pursuits (Fortin, 2005; Betz and Hackett, 1981). For various reasons (e.g., maternity leave, childcare provision) many women are forced into temporary and precarious, low-paid work (Glasmeier, 2014; Kalleberg, 2009). Given that these women are likely to experience more failures, i.e. show a lack of mastery experience (Bandura, 1982) while facing pressures to combine work and family at the same time (Fortin, 2005), we assume that their self-confidence in terms of getting another job easily is rather low.

Recent work on ageing makes broadly similar points about older workers also experiencing worse outcomes than their younger counterparts in the UK (Eichhorst et al., 2013). They may view their employability as declining with age (Lain, 2012; Rothwell and Arnold, 2007) since, despite recent official emphases on the value of older workers' experience and qualities, perceptions of them remain predominantly negative in relation to younger workers (Stone and Tetrick, 2013). Some studies show that reemployment likelihood in general is negatively linked with age (Wanberg et al., 1996) and that older people tend to struggle more with being displaced than younger ones (Lippmann, 2008). Since low-paid work is often characterised by poor working conditions and ergonomic demands (Kochan et al., 1994), it is likely that older low-paid workers will show low perceived employability as their self-efficacy weakens as a consequence.

We therefore hypothesise that:

*Hypothesis 5:* Female and older low-paid workers have lower assessments of their own employability than their younger and male counterparts.

## **Method and analysis**

### *Data collection, sample and measures*

The population of interest is hospitality and tourism workers from greater London, an industry and region chosen for their extensive diversity and high incidence of working poverty, especially among certain minority ethnic groups such as Pakistanis and Bangladeshis (Aldridge et al., 2013). Employers in hospitality and tourism - typically restaurants, hotels, travel agencies and theme parks - were selected. A random sample of owners and managers of small and medium business in greater London was approached by the researchers in person, explaining the purpose of the research. Subject to their approval, questionnaires were distributed amongst those non-managerial staff who were able to read and respond in English. 500 businesses were approached, of which 213 agreed to participate. 800 questionnaires were distributed and 647 returned. 538 of these were usable, giving a response rate of 67%, achieved through repeated reminders and a concise questionnaire.

The sample contains many workers who are multiple job-holders, a common practice in this labour market. In our survey we ask workers if they are in part-time or full-time work, and the number of jobs they hold, to account for multiple job-holding. 37.7% of the sample hold multiple jobs, two jobs on average. Those holding multiple jobs mirrored the total sample in other respects. A standard enterprise survey would record many multiple job holders as part-time workers as they will only do part-time work in each individual enterprise. If we consider multiple job holders in our sample (37.7%) they approximate the population's composition as reflected in regional aggregate data. The number of workers in part-time work is 44 or 8.2% which is technically sufficient to conduct econometric analysis.

The questionnaire contains questions relating to social demography and individual psychography. Demographic and human capital data on gender, age, family status, ethnicity and highest level of education were gathered categorically. Information on current (main job)

weekly income was also collected categorically. Open ended questions collected information on total weekly earnings (including main and secondary jobs) and weekly earnings in secondary jobs, total weekly hours of work in main job, weekly overtime in main job and total weekly hours in secondary jobs. Open ended questions were also used to elicit information on ethnic background, nature and tenure of current main job. Further, job and pay satisfaction were measured on a 5point Likert scale ranging from 1 (“extremely satisfied”) to 5 (“extremely dissatisfied”). An open ended format was used to elicit information on past jobs, reasons for leaving them, future job and earnings expectations.

Moreover, based on Rothwell and Arnold’s (2007) scale we included measures of low paid workers’ definition of a ‘better job’ as well as measurements of workers’ job opportunities, and their perceived employability.

*‘Better job’* - The ‘better job’ concept is crucial to the analysis as it provides an anchor on which to build the concepts of perceived opportunity and employability. Workers’ perceptions of a ‘better job’ may well transcend improved pay to facets addressing the prospective development of their human and social capital (McGovern, 2007). The open ended question in the questionnaire was “How would you define a better job for yourself?” This provided a basis to query opportunity perceptions.

*‘Perceived (job) opportunities’* - Howell et al. (1984) contend that any measure of perceived opportunities must be anchored by the concept of individual “opportunity”, rooted in the preferences of the respondents’ concept of relevant job opportunity. Measures used by other studies (Brinkerhoff and Kunz, 1972; Steel and Griffith, 1989) do not target the respondents’ frame of reference (Howell, 1984), but focus on a general societal level of entry difficulty. Research examining perceived job opportunities must examine the availability of jobs as perceived by the employee, the starting point for which is their definition of a better

job. As Thozur et al. (2007) observe the notion of a ‘better job’ will allow respondents to delineate horizons and to indirectly operationalise perceived opportunities.

*‘Perceived employability’* - Perceived employability is defined as the individual’s perception of his or her possibility of obtaining a new job, meaning an equal or better one (Berntson et al., 2006; Kirves, 2014; Rothwell and Arnold, 2007). We use a different definition from that used by Kirves (2014), which allows for an ‘equal’ job; among low-paid employees, this raises validity concerns as answering in the negative could be taken to imply that they are not ‘worth’ their current job. Therefore, the survey first asked individuals to identify whether they were looking for a new job, and if so, to define this new ‘better’ job. This measure is derived from Berntson et al. (2006) and verified by De Cuyper et al. (2011) when looking at perceived employability and turnover intentions.

### *Decomposition analysis*

To analyse in depth the differentials in employability perceptions across low-paid workers we applied a modified Blinder-Oaxaca (Blinder 1973; Oaxaca 1973) framework. Although the Blinder-Oaxaca decomposition technique was introduced to decompose racial and gender wage differentials, this technique had also been applied for studying changes in wages over time. The technique’s applications also extend to decomposing differences or changes in binary choice variables, such as the self-employment and labour-market participation choices (Fairlie 1999; Yun 2004), and differences or changes in wage inequality measured with variances of log wages (Yun 2006). In principle, the Blinder-Oaxaca decomposition technique can be applied to decomposing differentials of any outcome variable.

It is important to point out here that while we are using the original Blinder-Oaxaca decomposition mechanics we deal with perceptual differentials in employability rather than

with the objectively determined wage differentials. We therefore employed this method of distinguishing between the perceived importance of objective (observable) human capital traits and (unobservable) individual perceptions and interpretations of the labour market situation from an individual employability viewpoint.

The original Blinder–Oaxaca decomposition technique divides the wage outcome differential between two parts - one “explained” by group differences in productivity characteristics, such as education or work experience, and another that cannot be accounted for by (observed) differences in wage determinants. This “unexplained” part is often used as a measure of discrimination; in reality, it also subsumes the effects of group differences in unobserved predictors. Let us consider two labour market groups, A and B. To identify the contribution of group differences to the overall outcome difference, we can write:

$$R = \{E(X_A) - E(X_B)\}\beta_B + E(X_B)(\beta_A - \beta_B) + \{E(X_A) - E(X_B)\}(\beta_A - \beta_B) \quad (1)$$

Thus, we have a “threefold” decomposition where the outcome differential  $R$  is divided into three components  $R = E + C + I$ . The first component,  $E = \{E(X_A) - E(X_B)\}\beta_B$  amounts to the part of the differential that is due to group (perceived) differences in the observed predictors (the “endowment effect”). The second,  $C = E(X_B)(\beta_A - \beta_B)$  measures the contribution of differences in the coefficients (including difference in the intercept). These can be interpreted as differences in valuations or perceptions about the two groups. Third,  $I = \{E(X_A) - E(X_B)\}(\beta_A - \beta_B)$  is an interaction term accounting for the fact that (perceived) differences in endowments and coefficients exist simultaneously between the two groups. Here the decomposition is formulated from the viewpoint of group  $B$ : the group differences in the predictors are weighted by the coefficients of group  $B$  to determine the endowment effect ( $E$ ). The  $E$  component measures the expected change in group  $B$ ’s mean outcome if group  $B$  had group  $A$ ’s predictor levels. Similarly, for the  $C$  component (the “coefficient effect”), the differences in coefficients are weighted by group  $B$ ’s predictor levels: the  $C$  component

measures the expected change in group  $B$ 's mean outcome if group  $B$  had group  $A$ 's coefficients.

One prominent alternative decomposition technique stems from the idea of using a non-discriminatory coefficient vector to determine the (perceived) contribution of the differences in the observed predictors. Let  $\beta^*$  be such a non-discriminatory coefficient vector. The outcome difference is then

$$R = \{E(X_A) - E(X_B)\}\beta^* + \{E(X_A)(\beta_A - \beta^*) + E(X_B)(\beta^* - \beta_B)\} \quad (2)$$

We now have a “twofold” decomposition,  $R = Q + U$  where the first component,  $Q = \{E(X_A) - E(X_B)\}\beta^*$  is the part of the outcome differential that is explained by group differences in the predictors (the “quantity effect”, similar to the endowment effect), and the second component,  $U = E(X_A)(\beta_A - \beta^*) + E(X_B)(\beta^* - \beta_B)$  is the unexplained part. The latter is usually attributed to (perceived) discrimination, but it also captures all the potential effects of differences in unobserved variables (individual traits), including expectations of the labour market situation.

The unexplained part in (2) is sometimes further decomposed;  $U$  can be expressed as  $U = E(X_A)\delta_A - E(X_B)\delta_B$ : the unexplained component of the differential can be subdivided into a part,  $U_A = E(X_A)\delta_A$  that measures (perceived) discrimination in *favour* of group  $A$  and a part,  $U_B = -E(X_B)\delta_B$  that quantifies (perceived) discrimination *against* group  $B$ . Thus,  $U_A$  and  $U_B$  have opposite interpretations. A positive value for  $U_A$  reflects positive expected discrimination towards group  $A$ ; a positive value for  $U_B$  indicates negative expected discrimination towards group  $B$ .

The determination of these components is more involved because an estimate for the unknown non-discriminatory coefficients vector  $\beta^*$  is needed. Based on theoretical derivations, Neumark (1988) advocates use of the coefficients from a pooled regression over

both groups as an estimate for  $\beta^*$ . Oaxaca and Ransom (1994) and others propose weighting models taking into account the relative importance (sizes) of groups compared. An issue with the approach used by Neumark (1988) and Oaxaca and Ransom (1994) is that it can inappropriately transfer some of the unexplained parts of the differential into the explained component. To avoid this, we include a group indicator in the pooled model as an additional covariate.

## **Results and discussion**

In terms of descriptive statistics, our sample shows an approximately equal split between genders with 57% women. Educationally, 44% left after compulsory schooling, 36% left after some attendance at college and 20% completed university. The ethnic distribution mirrored service industry labour statistics with White British (17%), White other (25%), Asian British (25%) and Black British (11%) constituting the predominant groups. The main enterprises (sectors) in the sample are restaurants (17%), hotels (20%), transport (12%), tourism private industry (13%), travel intermediaries (23%) and the tourism public sector (3%).

Data on pay and hours worked were elicited for respondents' main job, other jobs, and total pay and hours worked. This allowed us to check the validity of self-reported measures: hours of work and pay were cross checked with total hours and income. Mean hourly earnings for all jobs and all hours was £6.90, i.e. workers were on the Low Pay Commission's 'mezzanine floor' in relation to the National Minimum Wage rate of £6.08 in August 2012 (Low Pay Commission 2014). The mean weekly income for all jobs was £250 gross. This is considerably less than official national earnings within the leisure and service occupations (£335) and the median for all UK full time workers of £518 as identified by the Office of National Statistics (2014) and falls into the bottom quintile of the earnings

distribution. The average number of weekly hours worked is 36, with a relatively low standard deviation of 5.8.

The dependent (outcome) variable in the present study is the expected probability of finding a better job. This is a transformation of the original perceived employability self-reported categorical variable, comprising three aggregate levels ('will not be able to secure better job', 'will find it extremely difficult to secure better job', and 'will be able to secure better job when searching'). Following Fairlie (1999, 2005) and Yun (2004), the transformed dependent variable is the predicted probability of finding a better job from an Ordered Probit regression where the explanatory variables are ethnicity, gender, human capital characteristics such as age, education, and experience (job tenure, employment status - full-time or part-time), and industry (sector) controls. An indicator of the perceived availability of better jobs is included. The advantages of this transformed dependent variable are that (i) it is continuous rather than categorical, allowing us to use the OLS estimator; (ii) it represents the perceived probability which is easy to interpret; and (iii) in the decomposition analysis that follows the unexplained component represents only the combined effect of expected discrimination and perceived availability of better jobs.

We start our empirical analysis of perceived employability with summary statistics describing the dispersion (measured by the standard deviation, SD, and the median absolute deviation, MAD) of the dependent variable between and within groups of interest based on ethnicity, age, and gender. Table 1 shows that the mean expected probability of finding a better job is low, ranging between 0.14 (for '21 years old and below') and 0.33 (for 'Pakistani British'). Significantly, the dispersion (SD) between groups (ranging between 0.01 and 0.05) is much smaller than the within-group dispersion (ranging between 0.12 and 0.20), which shows substantial intra-group heterogeneity.

- Table 1 about here -

We also conduct random effects ANOVA analysis where the outcome variable of interest (the expected probability of finding a better job) is decomposed into a sample mean ( $\mu$ ) and two zero-mean random variables, representing deviations at group,  $i$  ( $\alpha_i$ ) and within group (individual),  $j$  ( $\varepsilon_{ij}$ ) level. ANOVA allows us to estimate the variances (and SDs) of  $\alpha$  and  $\varepsilon$  and thus identify the sources of variance in the outcome variable (Gleason, 1997; Marchenko, 2006). For our ANOVA model of 538 individuals distributed into nine ethnicity groups the estimated SDs are 0.05 for the group effect and 0.15 for the within group effect. Thus, 75% of the variation in the expected probability of finding a better job is attributed to individual differences with the rest attributable to differences between ethnic groups.

The above analyses comprise a test of Hypothesis 1 and Hypothesis 3 and suggest that we could find stronger support for Hypothesis 3 due to the comparability between ethnic, gender, and age groups, while within-group individual heterogeneity is substantial. Different patterns, driven by within-group heterogeneity, may lead to apparently similar outcomes.

Therefore, Oaxaca-Blinder decomposition is used to illuminate the roles of observable and unobservable factors affecting group perception differentials. Perceived employability is here explained by ethnicity, gender, human capital characteristics, job tenure, employment status and industry controls. Results are presented in Table 2. First, we report the mean predictions of perceived employability, by pairs of groups, and their difference (probability differential). As a reference or comparator group we always use ‘White British’. Next, the probability differential is decomposed into two main parts: the explained (endowment) effect, reflecting differences in the observed predictors; and the effect of unobserved traits, including perceptions of discrimination in the labour market and availability of better jobs. It is subdivided into two components ( $U_A$  and  $U_B$ ) measuring perceptions in favour of group A and perceptions against group B respectively. Note that a positive value for  $U_A$  implies

positive perceptions of group A's labour market outcomes, while a positive value for  $U_B$  indicates negative perceptions of group B's.

- Table 2 about here -

Table 2 presents interesting findings. The differentials in perceived employability across ethnicities compared with 'White British' do not appear particularly large; only in two cases ('Pakistani British' and 'Asian other') are they statistically significant at the conventional 5% level. Otherwise, ethnic group effects on perceived employability exist but are minimal. There is no significant differential between men and women as evidenced in the last column of Table 2. The differentials, although generally statistically insignificant, appear positive for several ethnic groups as well as for the gender comparison, suggesting higher perceived employability than for the respective comparator group, 'White British'/'Men'. This is consistent with our finding that between-group effects are weaker than individual within-group effects. Thus we find empirical support for Hypothesis 3 but none for 1 and 2.

Turning to the differential decomposition results, the explained (endowment) part is relatively small and statistically significant in only two cases ('Black other' and 'Mixed other'). Although statistically insignificant at the conventional level, the explained part of the differential appears relatively large for the 'Black British' and 'Chinese British' groups. Endowment is positively related to perceived employability in most ethnic groups, since a negative effect is only found for 'Black British', 'Mixed British', and 'Mixed other' groups. The effect is also negative for 'Women'. The majority of ethnic groups do not exhibit 'qualification pessimism'; the large group of women does. This supports Hypothesis 4 and presents some initial support for Hypothesis 5.

Gender and tenure differentials appear negative for most ethnic groups. The full-time employment differential is generally positive, while age and education differentials are

mixed. Only the education differential appears positively associated with women's perceived employability. To interpret these results in terms of actual contributions of the human capital characteristics within each group requires information about the signs of the estimated (non-discriminatory) coefficients  $\beta^*$ . The signs of interest are reported in parentheses after each predictor differential in Table 2. For all samples the coefficients are statistically significant, again suggesting the importance of individual effects. The coefficients of age and education are positive, while those for gender, tenure in the current job and employment status are negative. General experience measured by age apparently contributes positively to perceived employability while specific-job experience measured by tenure has the opposite effect. We acknowledge the possibility of reverse causality where low perceived employability drives full-time employment choices and longer job tenure.

Compared with 'White British', minority ethnic workers are represented in the sample by older men, with the exception of 'Pakistani British' and 'Chinese British' who are younger. Ethnic minority workers are less well-educated than 'White British', with the exception of 'Chinese British' and 'Asian other'. All groups of ethnic minority workers seem to have longer job tenures, and are more commonly employed part-time, except for workers from the 'Mixed other' group who are relatively frequently employed full-time. Interestingly, the women in our sample appear to be younger and better educated than men with longer tenure in their current job and more frequent full-time employment.

Our finding that within ethnic groups, women have relatively optimistic estimates of their employability (despite their qualification pessimism) may be explained by one strand of feminist economic theory which emphasises the specificity of this labour market segment. It has been argued that this part of the labour market is viewed by employers and to some extent by women themselves as appropriate for women (Cormier and Craypo, 2000; Seguino, 2000). Women see no difficulty in obtaining jobs, but view their ('weak') qualifications as an

impediment to moving out of the low-paid labour market segment. Many have identified this as a key disadvantage, in that women are trapped in low-paying sectors requiring low qualifications. Men in this sector and especially less-educated men (as in our sample) have been shown to have slimmer chances of employment; women have little difficulty in finding jobs but much in finding well-paid jobs (Cormier and Craypo, 2000). The key driver of our finding was male pessimism, underlining the extent to which men in this part of the labour market feel 'discouraged'. These findings contradict Hypothesis 5.

The unexplained (perceived discrimination) part provides several interesting findings. The total unexplained part is quite large in general but is statistically significant at conventional levels for only two groups, 'Pakistani British' and 'Mixed British' who appear to maintain high expectations of finding a better job irrespective of their human capital; they have 'qualification optimism'. A similar though less statistically significant effect is found for 'Indian British', 'Asian other', and 'Mixed other'. 'Chinese British' and 'White other' appear to have negative employability expectations, net of their (human capital) endowment effect. In their cases, 'qualification pessimism' is apparent even though the reliability of the estimates is questionable.

Positive expectations and optimism about the availability of better jobs are statistically significant in the 'Black other' and 'Mixed other' groups. The unexplained part for the comparator group of 'White British' presents interesting patterns: 'White British' appear to have significantly lower expectations of finding a better job than 'Pakistani British', and to a lesser extent 'Indian British', but appear significantly more optimistic than those in 'Black other'.

In sum, our analysis shows that between-group differentials are generally statistically insignificant, with the exception of the 'Pakistani British' and 'Asian other' groups compared to 'White British'. Taken together with results from our univariate and ANOVA analyses

this supports Hypothesis 3 and leads us to reject Hypotheses 1 and 2. The picture is similar when considering the explained (endowment) and unexplained differential components which are also often - with notable exceptions - not statistically significant. These findings, together with other descriptive evidence, suggest that between-group differences are less important than within-group variations.

The argument is strengthened by the fact that individual human capital and job characteristics are significant in the large majority of the groups compared, thus supporting Hypothesis 4. Contradicting Hypothesis 5, age, indicating general work experience, and being a woman are positively associated with perceived employability. In terms of (unexplained) perceived employability ‘Pakistani British’, ‘Mixed British’, and ‘Women’ hold statistically significant positive expectations of their human capital and job characteristics. These findings and the total differential results lead us to reject the generality of Hypothesis 5 while noting that the results are driven by men’s low expectations.

Hence, we find overall support for our theoretically-derived hypotheses regarding the importance of within-group heterogeneity and regarding the impact of observed human capital traits on perceived employability. Hypotheses 3 and 4 find empirical support; 1 and 2 find none; 5 must be rejected albeit with a note about the unexpected mechanism involved. Results for our hypotheses regarding between-group differences and unobservable factors driving perceptions are more ambiguous.

## **5 Conclusions**

Our central contributions are threefold. First, and in contrast to much literature, we show that there is substantial variation *within* ethnic groupings in the extent to which they anticipate getting a better job. Second, we find that within-group heterogeneity is generally more

important than between-group differences. We thereby demonstrate the limited significance of ethnicity to perceived employability and note that the common treatment of ethnic groupings as homogenous blocs is therefore inappropriate. Third, we show that most ethnic groups and women exhibit optimism about their employability, despite women's 'qualification pessimism'. Collectively, these findings lend support to the idea that perceived employability at least in this context is a psycho-social construct. It is therefore substantially determined by individual characteristics such as self-efficacy, optimism, internal locus of control etc. (Fugate et al., 2004) but less shaped by perceptions and social identities that evolve from group memberships (Tajfel and Turner, 1986).

Our finding of greater within-group individual diversity of employability perceptions than diversity across groups, adds a subjective dimension to the 'superdiversity' concept. It appears quite possible that this derives from the open, high-demand nature of the low-paid London labour market where discrimination on ethnic grounds is likely to be less pronounced than elsewhere. It suggests that we are dealing with a perceptual *hyperdiversity* that cannot be predicted by group categorisations alone, however fine-grained and sensitive they may be.

Our findings are inconsistent with the uniformity implied by 'dual labour market' theory. None of our evidence permits rejection of theories based on ethnic groupings and these results are also interesting. Native 'White British' males were not, in their own perceptions, particularly privileged; some ethnic minorities viewed themselves more positively. Overall, the level of 'optimism' among ethnic minority workers was quite high. By contrast, pessimism in relation to their actual endowments was found among three groups, two of which held British nationality. This finding supplements those of Wills (2005) in her examination of the problems involved in organising workers in this sector in that sanguine evaluations of individual exit possibilities are likely to undermine union efforts to organise these workers. This contextualises recent political moves to encourage employers to adopt

the 'Living Wage', which are driven mainly by non-union actors and only sporadically by workers' self-activity (Wills et.al, 2009a).

It would be useful for future qualitative research to examine further how ethnicity interacts with age and gender to affect people's perceptions of their human capital as part of the wider issue of 'intersectionality' or how structural inequalities such as race, gender and age interact to shape how people perceive their lives (Dressel et al., 1997; Andersen and Hill-Collins, 1998; Browne and Misra, 2003; Mair, 2007). It would also be interesting to examine differences between recent and settled migrants, to see if employability perceptions gradually shift. Conceptual and measurement difficulties have been noted with this type of research (Healy et al., 2010). Therefore, it requires sensitive qualitative and ethnographic approaches.

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**Table 1 Differences in perceived employability between and within groups**

	No of observations	Mean	SD	Median	MAD
By ethnicity, between groups	538	0.24	0.05	0.23	0.05
By ethnicity, within groups					
<i>White British</i>	90	0.28	0.15	0.29	0.12
<i>Asian Indian British</i>	65	0.28	0.18	0.28	0.14
<i>Pakistani British</i>	45	0.33	0.19	0.31	0.14
<i>Chinese British</i>	30	0.29	0.20	0.22	0.16
<i>Black British</i>	59	0.16	0.12	0.13	0.09
<i>Mixed British</i>	20	0.23	0.15	0.23	0.10
<i>White other</i>	132	0.22	0.14	0.20	0.10
<i>Asian other</i>	31	0.16	0.12	0.14	0.09
<i>Black other</i>	24	0.21	0.13	0.23	0.11
<i>Mixed other</i>	42	0.23	0.13	0.26	0.12
By gender, between groups	538	0.24	0.01	0.24	0.02
By gender, within groups					
<i>Men</i>	230	0.22	0.16	0.19	0.12
<i>Women</i>	308	0.25	0.16	0.24	0.13
By age, between groups	538	0.24	0.03	0.21	0.03
By age, within groups					
<i>21 and below</i>	27	0.14	0.13	0.13	0.09
<i>22-25</i>	146	0.23	0.16	0.21	0.12
<i>26-35</i>	159	0.23	0.15	0.20	0.12
<i>36-45</i>	43	0.21	0.15	0.18	0.12
<i>46-55</i>	24	0.24	0.17	0.21	0.12
<i>55-60</i>	75	0.27	0.16	0.24	0.12
<i>61 or above</i>	64	0.30	0.17	0.30	0.14

Note: For each group mean and median are calculated and then for between groups the standard deviation (SD) or the median absolute deviation (MAD) are calculated respectively within the whole sample. For within groups SD and MAD are calculated using all the observations in each respective group.

**Table 2 Perceived probability of finding a better job by ethnic group and gender**

	Indian British (A)	Pakistani British (A)	Chinese British (A)	Black British (A)	Mixed British (A)	White other (A)	Asian other (A)	Black other (A)	Mixed other (A)	Women (A) Men (B)
<i>I. Differential</i>										
Predicted A	<b>0.290</b> (0.082)	<b>0.344</b> (0.061)	<b>0.144</b> (0.026)	<b>0.172</b> (0.023)	<b>0.232</b> (0.010)	<b>0.160</b> (0.023)	<b>0.282</b> (0.022)	<b>0.258</b> (0.050)	<b>0.239</b> (0.069)	<b>0.310</b> (0.028)
Predicted B (White British)	<b>0.184</b> (0.035)	<b>0.243</b> (0.034)								
Difference A-B	0.106 (0.088)	<b>0.160</b> (0.070)	-0.040 (0.044)	-0.012 (0.042)	0.048 (0.037)	-0.024 (0.042)	<b>0.097</b> (0.042)	0.074 (0.062)	0.055 (0.078)	0.068 (0.044)
<i>II. Decomposition</i>										
Explained total	0.013 (0.014)	0.013 (0.022)	0.033 (0.028)	-0.010 (0.008)	-0.017 (0.018)	0.009 (0.008)	0.023 (0.020)	<b>0.025</b> (0.013)	<b>-0.035</b> (0.010)	<b>-0.016</b> (0.002)
<i>Gender</i>	-0.003 (-) (0.003)	<b>-0.008 (-)</b> (0.003)	<b>-0.024 (-)</b> (0.006)	<b>-0.006 (-)</b> (0.002)	<b>-0.011 (-)</b> (0.005)	<b>-0.010 (-)</b> (0.002)	-0.004 (-) (0.004)	<b>-0.002 (-)</b> (0.000)	<b>-0.017 (-)</b> (0.004)	-
<i>Age</i>	0.002 (+) (0.003)	<b>-0.018 (+)</b> (0.005)	-0.003 (+) (0.004)	<b>0.006 (+)</b> (0.003)	0.009 (+) (0.006)	0.002 (+) (0.002)	0.009 (+) (0.005)	<b>0.014 (+)</b> (0.005)	<b>0.011 (+)</b> (0.003)	<b>-0.009 (+)</b> (0.001)
<i>Education</i>	<b>-0.004 (+)</b> (0.001)	<b>-0.013 (+)</b> (0.003)	0.003 (+) (0.004)	<b>-0.002 (+)</b> (0.001)	-0.002 (+) (0.002)	<b>-0.004 (+)</b> (0.001)	<b>0.009 (+)</b> (0.002)	<b>-0.010 (+)</b> (0.003)	-0.002 (+) (0.002)	<b>0.003 (+)</b> (0.000)
<i>Tenure</i>	<b>-0.017 (-)</b> (0.002)	<b>-0.001 (-)</b> (0.000)	<b>-0.011 (-)</b> (0.002)	<b>-0.010 (-)</b> (0.002)	<b>0.008 (-)</b> (0.002)	<b>0.001 (-)</b> (0.000)	<b>-0.013 (-)</b> (0.003)	<b>-0.010 (-)</b> (0.002)	<b>-0.011 (-)</b> (0.002)	<b>-0.004 (-)</b> (0.000)
<i>Full-time</i>	<b>0.017 (-)</b> (0.002)	<b>0.020 (-)</b> (0.002)	<b>0.040 (-)</b> (0.003)	<b>0.007 (-)</b> (0.001)	<b>0.014 (-)</b> (0.001)	<b>0.004 (-)</b> (0.000)	<b>0.013 (-)</b> (0.001)	<b>0.024 (-)</b> (0.002)	<b>-0.018 (-)</b> (0.001)	<b>-0.008 (-)</b> (0.000)
Unexplained total	0.093 (0.088)	<b>0.147</b> (0.070)	-0.073 (0.056)	-0.002 (0.044)	<b>0.064</b> (0.033)	-0.033 (0.042)	0.074 (0.046)	0.049 (0.061)	0.090 (0.079)	<b>0.084</b> (0.042)
<i>Unexplained A</i>	0.013 (0.062)	0.046 (0.053)	-0.063 (0.040)	0.043 (0.031)	0.052 (0.046)	-0.024 (0.018)	0.099 (0.072)	<b>0.157</b> (0.063)	<b>0.144</b> (0.071)	0.016 (0.016)
<i>Unexplained B</i>	0.080 (0.067)	<b>0.101</b> (0.048)	-0.010 (0.029)	-0.045 (0.031)	0.012 (0.032)	-0.009 (0.035)	-0.024 (0.061)	<b>-0.107</b> (0.026)	-0.054 (0.041)	<b>0.068</b> (0.030)
Number of observations	65	45	30	59	20	132	31	24	42	308 (Women)

Note: Figures in **bold italics** indicate 5% significance level; in parentheses under the coefficients standard errors are reported. Total number of observations is 538; in the ‘White British’ group it is 90. Controls for subsector and ethnicity (only in the gender comparison analysis) are included in all regressions; their effects and the ones reported add exactly to the ‘Explained total’.