

Neighborhood Effects on Labor Market Outcomes of First- and Second-Generation Migrants in Germany

Thomas K. Bauer

RWI, Ruhr-University Bochum and IZA

Regina Flake

Ruhr Graduate School in Economics

Mathias G. Sinning

Australian National University, RWI and IZA

-PRELIMINARY-

Do not cite without permission of the authors.

14 May 2010

Abstract. This paper examines the effects of neighborhood characteristics on wages and unemployment probabilities of first- and second-generation migrants in Germany, paying particular attention to the regional concentration of immigrant minorities. We take advantage of the opportunity to combine individual-level data from the German Socio-Economic Panel (SOEP) with economic and demographic postcode-level data from German administrative records. We find that a higher share of migrants in the neighborhood results in a wage increase for native workers - even after controlling for non-random sorting of migrants into neighborhoods. We do not find an effect of the share of foreigners in the neighborhood on migrants' wages. Our findings further suggest that the regional concentration of migrants in postcode areas does not affect individual unemployment probabilities.

JEL-Classification: F22, J31, J64, R23

Keywords: international migration, neighborhood effects, wages, unemployment, second-generation migrants

We are grateful to financial support of the German Israeli Foundation (G.I.F. Research Grant No. G-989-232.4/2007). Regina Flake also thanks the Ruhr Graduate School in Economics for financial support. All correspondence to Mathias Sinning, Social Policy Evaluation, Analysis and Research Centre (SPEAR), Research School of Social Sciences (RSSH), Australian National University, Fellows Road, Coombs Building (Building 9), Canberra ACT 0200, Australia, Tel: 612 6125 2216, Fax: 612 6125 0182, E-mail: mathias.sinning@anu.edu.au.