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

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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

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