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Social capital in ethnic neighborhoods: An exploration of the interconnections using the German Socio-Economic Panel Study

Social capital, defined as the resources available to members of a social network, has been argued to play a critical role in the economic integration of immigrants. The extent to which spatial contiguity among members of an ethnic community is necessary for the development of this valuable cache of business and employment related information has been much debated however. Recent research in geography makes the case that these networks are increasingly sustained by modern communication and transportation technology as opposed to physical contact between neighbors. The German Socio Economic Panel data, when linked with city statistical office data on the percentage of foreigners living, can be analyzed to test if access to social capital is indeed influenced by whether or not one lives in an ethnic neighborhood.

The 2001 SOEP contains a wealth of information on social capital, including information on participation in social activities, public engagement and support of various types from friends and relatives. We begin by using principal components analysis to create three meta variables measuring different aspects of social capital. Next we test to find out whether or not these are correlated with increased earnings after controlling for age and years of education and we find out that this does bear out for most measures of social capital. Then we move on to use OLS and logistic regression to find out if living in an ethnic neighborhood improves access to social capital and we find that in fact this is not the case. The results are important because efforts to improve access to social capital among immigrants have tended to be neighborhood based. While this strategy does target those most economically disadvantaged, social capital appears to be evolving on a broader scale than the neighborhood and it is perhaps this scale, the scale of citywide organizations, that should receive more attention in policy circles.