



Ethnic concentration and language fluency of immigrants: Evidence from the guest-worker placement in Germany



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ABSTRACT

This paper analyses the impact of regional ethnic concentration on the language proficiency and language use of immigrants. It solves the endogeneity of immigrants' location choices by exploiting a peculiar episode of the German immigration history: the exogenous placement of guest-workers after WWII, one of the largest guest-worker programs on record. The econometric approach accounts for several sources of measurement error and provides a falsification exercise that hypothetically relocates the most language proficient immigrants into ethnic enclaves to test the extent of cross-regional sorting necessary to render the results purely spurious. The results show a robust negative effect of ethnic concentration on immigrants' language ability which is driven by differences in contact rates with natives and not by differences in the willingness to integrate. The paper discusses these findings against the background of a language production function and in the light of feasible policy options to foster the language acquisition of immigrants.

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1. Introduction

Most developed countries' populations consist to a large degree of immigrants and their descendants. Governments devote significant resources and efforts to the integration of immigrants into their host country since failed integration bears substantial social costs as evidenced in many cities of the industrialized world. An often articulated political concern refers to immigrant groups forming self-sufficient enclaves characterised by poverty risk, unemployment and cultural isolation which might ultimately exert negative externalities even on immigrants who were willing and able to integrate. These local ethnic externalities can pass inequalities and disadvantages down generations (Borjas, 1995, 1998; Alba et al., 2002). On the micro-level, failed integration is often reflected in the failure of immigrants to learn the host country's language to a sufficient or desired degree. Language skills have been amply shown to be important determinants of labor market outcomes

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(Grenier, 1984; Dustmann, 1994; Dustmann and van Soest, 2001, 2002; Chiswick and Miller, 1995, 2002; Dustmann and Fabbri, 2003; Berman et al., 2003; Bleakley and Chin, 2004; Aldashev et al., 2009), but extend to many areas outside the labor market, specifically relating to societal integration (e.g. participation in the civil society; Danzer and Yaman, 2013).

This paper is the first one to analyse the causal effect of ethnic segregation on the language proficiency and language use of immigrants by means of a quasi-experiment. Our research question is: How large is the negative causal effect of exposure to an ethnic enclave on language acquisition and language use—ruling out differences in language ability? What is the political importance of anti-enclave policies, compared to alternatives? The application is for the guest-worker recruitment in Germany during the 1960s and early 1970s. Guest-worker programs have been used by US and Western European governments to actively recruit foreign workers in times of labor shortages, and the German scheme is with more than 2 million guest-workers one of the largest programs on record (Hansen, 1979; Castles, 1986).¹ Immigrants from different home countries were exogenously placed in firms across West Germany, allowing us to estimate the causal effect of own-ethnicity concentration on language proficiency. This unique set-up allows identifying the enclave effect for regional entities of 135–500 thousand inhabitants (*Anpassungsschichten*) from variation in contact rates with natives while ruling out differences in immigrants' willingness or ability to integrate and controlling for regional differences in the incentives to learn a language. Hence, we rule out differences in economic incentives and individual ability to explain the negative correlation between regional ethnic concentration and immigrant language.

The contribution of this paper is fourfold: First, it complements the vast literature on the negative labor market consequences for immigrants of living in an ethnic enclave by directly estimating one of the underlying human capital channels (proficiency in German). The empirical analysis of the paper provides evidence of a small negative effect from ethnic concentration on language fluency which is persistent across various immigrant subgroups. This result survives a number of robustness checks, including those pertaining to measurement error in the dependent and independent variables. Second, this paper is the first comprehensive treatment of the guest-worker placement in Germany as quasi-experiment. By providing rich details on the recruitment process and seriously addressing potential threats to identification, this paper goes beyond earlier work on social networks and civic engagement of guest-workers in Germany (like Danzer and Yaman, 2013). Third, in order to rule out the possibility of our estimated enclave effects being driven by endogenous sorting of immigrants across regions, we design a novel method providing extreme bounds. Specifically, we develop a falsification exercise which simulates the extent of sorting needed to render the enclave effects purely spurious. Fourth, the paper has a political dimension. It is informative about micro-level consequences of the state's recruitment activities in an international labor market. Living in an enclave does causally aggravate language acquisition casting doubts on a widespread political conviction that immigrants merely lack the willingness to integrate. Simple simulations illustrate how different policy options affect the prospective integration of immigrants.

The remainder of the paper is structured as follows: Section 2 provides an overview of the existing literature and the theoretical background, Section 3 discusses the guest-worker program in Germany. In Section 4 we provide details on the data and the methodology. Sections 5 and 6 are devoted to the presentation of the results and sensitivity checks. Section 7 discusses the policy implications of our research, before Section 8 concludes.

2. Literature and theoretical background

The literature on language acquisition of immigrants has distinguished between three major determinants of language proficiency: (1) Economic incentives, (2) Exposure, (3) Individual ability (see for example van Tubergen and Kalmijn, 2009; or Chiswick et al., 2005). Immigrants should learn the host country language better if the language premium for earnings is higher (economic incentives), if they use and hear it more frequently by either choice or necessity (exposure), and if they find it easier to learn for individual and often unobserved reasons such as education and “being good with languages” (individual ability). In practice disentangling these three factors has proven to be a challenging task, and in most of the literature the exogeneity of the variable of interest – typically the share of immigrants, or the share of inhabitants speaking the same first language as the immigrant in his region of residence, henceforth denoted *concentration* or *ethnic concentration* – has simply been assumed, and a negative relationship between the language proficiency and ethnic concentration has been demonstrated in a variety of host countries and immigrant groups (for the US Espenshade and Fu, 1997; Lazear, 1999; Chiswick and Miller, 2005; Cutler et al., 2008; for Canada Chiswick and Miller, 2001; Warman, 2007; for Australia Chiswick et al., 2005; for the UK Dustmann and Fabbri, 2003; Dustmann and van Soest, 2004; for Israel Mesch, 2003; for the Netherlands van Tubergen and Kalmijn, 2009; Vervoort et al., 2012; for Belgium van Tubergen and Wierenga, 2011). The risk for biased results however is high: if an immigrant who is not willing or capable to learn the host country's language decides to live in a region that minimizes his exposure to it, and if this willingness/capability cannot be observed, a regression of language proficiency on ethnic concentration will attribute the low language proficiency to ethnic concentration even though the estimate would be composed of an exposure effect and an individual ability effect. Indeed, Bauer et al. (2005) acknowledge this sorting effect and demonstrate that Mexican immigrants to the US are more likely to move to regions of high ethnic concentration if their English skills are initially poor. Moreover, it is equally conceivable that immigrants with high ability will be more inclined to move to places which offer high language wage premia. If ethnic concentrations correlate with language

¹ The US Bracero program (1942–64) recruited around 4.5 million guest-workers.

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