



Contents lists available at ScienceDirect

Regional Science and Urban Economics

journal homepage: www.elsevier.com/locate/regec

Does residence in an ethnic community help immigrants in a recession? ☆

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ARTICLE INFO

Article history:

Received 28 February 2013

Received in revised form 3 September 2013

Accepted 5 September 2013

Available online xxxxx

Keywords:

Immigrant labor markets

Spatial mismatch

Recession

ABSTRACT

Research on how the residential segregation of immigrant populations has impacted their labor market outcomes presents many challenges because of the fact that immigrants often choose to locate near co-ethnics to share resources and cultural amenities. Because not all immigrants choose to live in these ethnic communities, identification of a causal effect on living in an ethnic community is problematic. The estimation of the effect of living in these ethnic communities is also difficult because it is ambiguous whether such residence will help or harm the labor market outcomes of immigrants. This study implements a number of approaches to help identify a causal effect, including using sample of adults whose residential location is plausibly exogenous with respect to their labor market outcomes and using the current recession as a source of exogenous variation. Results suggest that residence in an ethnic community after the recession increases the likelihood of working, albeit with longer commutes.

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1. Introduction

Most literature on the spatial mismatch hypothesis has focused on how the residential segregation of African-Americans has disadvantaged them as jobs have moved to suburban areas. Only a few studies have examined Hispanic or immigrant populations (e.g. Ihlanfeldt, 1993; Aponte, 1996; Preston et al., 1998; Pastor and Marcelli, 2000; Parks, 2004a, 2004b; Painter et al., 2007; Liu, 2009). Some of these studies find that skills' mismatch between immigrants and the needs of their proximate employers are more important than space, while others find that residential location is related to the labor market outcomes of immigrants. In addition, most studies have focused on a single large immigrant gateway like New York or Los Angeles, and it may be the case that immigrants have very different experiences in metropolitan areas with fewer immigrants. Hellerstein et al.'s (2008) study is a recent exception that conducts an analysis with a nationwide metropolitan area sample.

What makes the study of how the labor market outcomes of immigrants are influenced by residential location particularly interesting is the fact that immigrants often choose to locate near co-ethnics to share

resources and cultural amenities (Logan et al., 2002). Despite the fact that this residential segregation is largely by choice,¹ it is still possible that choosing to live in an ethnic community can lead to worse labor market outcomes if job market opportunities are moving away from these ethnic neighborhoods (Liu and Painter, 2012a). At the same time, access to ethnic networks may help labor market outcomes, especially in times of economic hardship.

In order to determine how the residential clustering of Latino immigrants affects their employment outcomes, we use the 2000 Decennial Census 5% Integrated Public Use Microdata Series (IPUMS) sample and the 2008–2010 American Community Survey (ACS) microdata. In so doing, we examine three labor market outcomes: employment probability, wages, and commuting time. We define Latino ethnic communities where Latino immigrants concentrate in the metropolitan areas according to the methodology in Liu (2009). Unlike African American communities that have been traditionally segregated in central cities, immigrant communities are frequently located in suburbs

☆ We thank session participants at the Lincoln Institute of Land Policy conference, "Present and Retrospect: The Work of John M. Quigley." We also thank seminar participants at USC, AREUEA, and APPAM. We also thank Ric Kolenda for his excellent research assistance.

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¹ This study is not discounting the existence of discrimination against immigrants. See a recent Urban Institute review (http://www.urban.org/UploadedPDF/1001156_Discrimination.pdf) for evidence of its existence.

² As discussed below, we test the impact of locating in ethnic communities within central cities, and inner ring, and outer ring suburbs. A number of recent studies (Stoll, 1999; McConville and Ong, 2003; Liu, 2009) have acknowledged such differences and shown that it is important to consider the inner ring suburbs separately from the outer ring suburbs.

(Li, 1998; Logan et al., 2002; Liu and Painter, 2012a).² The models use data from four metro areas (Atlanta, Washington, D.C., Chicago, and Los Angeles) that vary based on each area's classification as an immigrant gateway.

Our identification strategy is based on a number of different modeling approaches that will each, in part, address the endogeneity of location choice and car ownership. First, we select a sample of non-householder adults that live with family. The assumption is that these adults are likely to have chosen to live with family for reasons other than access to the labor market. Next, we estimate models both before and after the recession. We argue that the recession introduced an exogenous shock that enables us to compare whether residence in an ethnic community after the recession affects an immigrant's labor market outcomes. Finally, we provide instrumental variable estimates for car ownership (Raphael and Rice, 2002) to account for the fact that residential location, car ownership, and labor market outcomes could be simultaneously determined.

Our results demonstrate that residence in an ethnic community increased the probability of finding work after the recession, albeit with longer commutes. This result contrasts with estimates drawn from 2000 Census data: residents of ethnic communities in central cities, inner ring suburbs, or outer ring suburbs fared worse in the labor market than did residents outside those communities. This pattern of results was stronger for new immigrants.

2. Literature review

2.1. Ethnic community residence and immigrant labor market outcomes

The level of residential segregation remains high for immigrants in general and Latino immigrants in particular (Cutler et al., 2008; Lichter et al., 2010). While their residential location patterns are shaped by both voluntary choice and market conditions, it is important to understand the labor market implications of their ethnic concentration. Theoretically, it is ambiguous whether residence in ethnic communities facilitates or hampers immigrants' economic achievement. Various theoretical frameworks offer different predictions on the effect of ethnic enclave residence on the employment status, earnings, and commuting behaviors of immigrants.³ Comparisons between Latino workers and black workers in segregated neighborhoods have found that immigrant enclaves do not resemble traditional ghettos because of their rich social and ethnic capital and vibrant informal economies (Clark, 2001; Cutler and Glaeser, 1997; Borjas, 1998; Edin et al., 2003). Neighborhood-based social networks and contacts connect immigrants to jobs, making them less spatially constrained to the local labor market (Portes, 1998; Bertrand et al., 2000; Elliott and Sims, 2001). By facilitating information flow, social networks ease the job-matching process between workers and employers and increase efficiency on both ends (Rodriguez, 2004).

Other research suggests that living in an ethnic enclave lowers the rate of acquisition of host country-specific human capital (Chiswick, 1991; Lazear, 1999). Living in an ethnic community discourages immigrants from interacting with natives and reduces the incentives for acquiring local skills, such as language, thereby adversely affecting immigrants' labor market outcomes in the long run. Chiswick and Miller (2005) hypothesize that ethnic minorities may be willing to accept a job at a lower wage rate if the job is located

in an ethnic enclave, as they are compensated by other ethnic amenities.

Empirical literature on the direction and magnitude of enclave effect on immigrant's economic outcomes is also mixed. Pastor and Marcelli (2000) found that individual skills matter more than "pure" spatial mismatch in Los Angeles, especially for recent Latino immigrants. Also in Los Angeles, Parks (2004a, 2004b) found that living in enclaves has a significantly detrimental effect on the employment status for certain immigrant women groups. Using a quasi-experimental design, Damm (2006) and Edin et al. (2003) found a positive earning premium for immigrants living in ethnically-concentrated areas in Denmark and Sweden, respectively. Others, however, find linguistic concentration leads to lower English language skills and lower earnings in the U.S. (Chiswick and Miller, 2005).

It is important to note that immigrants are increasingly settling away from the central cities within metro areas (Singer et al. 2008, Massey, 2008). Recent studies have characterized this increasingly decentralized residential pattern as "ethnoburbs" (Li, 1998), "melting pot suburbs" (Frey, 2001) and "suburban immigrant nation" (Hardwick, 2008). Thus, it is important to make a distinction among ethnic communities located in different parts of the metropolitan area. Liu (2009) documents that Latino immigrants living in job-poor central cities tend to have both lower employment probability and longer commutes than their inner-ring suburban counterparts, though residents in outer-ring suburban enclaves had longer commutes despite higher employment rates.

2.2. Recession and its impact on immigrants

The current Great Recession, which started in December 2007 and ended in June 2009, started in the housing and financial markets and quickly spread throughout all sectors. National unemployment rates rose from 4.9% in 2007 to 9.7% in 2009—the highest level since 1983 (Sahin et al., 2010). The recession also slowed the inflow of new immigrants (Passel and Cohn, 2010) and further intensified the debate on immigration and how immigrants impact the broader job market (Kochhar et al., 2010; Pollin and Wicks-Lim, 2011). Research finds that immigrants' employment patterns are more volatile and cyclical over business cycles due to their relative youth, average low skill level, and concentration in cyclically sensitive industries and occupations (Orrenius and Zavodny, 2009).

No study has explicitly examined how the economic downturn is experienced by immigrants living in different communities within the metropolitan areas—central cities versus suburbs, in and out of ethnic enclaves. It is an open question how an immigrant's networks will benefit them in a recession. This study will not be able to test directly the impact of these networks. However, because the overall economy has fallen across all communities, it can be argued that what remains for immigrants in these communities is their networks. The recession also provides an exogenous shock to the labor market that is not correlated with the residential location of immigrants. Therefore, observation of immigrant labor market outcomes within an ethnic community is subject to less endogeneity bias that might exist in a similar study during normal economic times.

3. Model specification

A standard specification of a labor market outcomes model would be the following:

$$Y_i = \beta_0 + \beta_1 S_i + \beta_2 X_i + \beta_3 T_i + \mu_i.$$

S_i is a set of variables related to the residential location of the immigrant household. We classify location by residence in the central city, inner ring suburbs, or outer ring suburbs. In addition, immigrant

³ In this research, we use the terms ethnic enclave and ethnic community interchangeably. In the traditional literature, the term ethnic enclave referred to ethnic concentrations in central cities. Since the Logan, Alba, and Zhang (2002) work recognizing the diversity of location and type of ethnic communities, the terms have been used more interchangeably.

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