

**Allegato 1 alla domanda per il  
“Franceschi Young Professional Grant” – bando 2013**

**Research Project:**

**“Employment assimilation of undocumented immigrants: understanding the role of  
segregation”**

**Motivation and related literature**

Residential segregation of migrants and minorities is a common feature of most cities in the developed world. Understanding the role of segregation in shaping the process of economic and social integration is thus crucial for the political debate (Borjas, 1995; Card and Rothstein, 2007; Cutler and Glaeser, 1997; Cutler, Glaeser, and Vigdor, 1999; Ross, 1998). Theoretical predictions of the effect of enclaves (ghettos) on their members’ economic outcomes are ambiguous. Living closer to an ethnic network may help its members in finding a job, but it may confine their employment possibilities to the limited set of the ethnic labor market and increase the risk of social exclusion. Likewise, living in a community which shares the same language, religion and culture, may substantially increase individuals’ utility (reducing their marginalization) but it may, for instance, delay the learning of the native language, institutions and culture, which are all crucial factors of socio-economic integration. Indeed, empirical results for both the US and Europe are mixed (see among others: Munshi, 2003; Kling, Liebman, and Katz, 2007; Clark and Drinkwater, 2000 and 2002; Edin, Fredriksson, and Aslund, 2003; Damm, 2009).

Using a novel and unique dataset with detailed information on residential choices of undocumented immigrants for more than 10 years, this project aims at estimating the causal effect of residential segregation on the employment status of immigrants.

**Data**

In this project we use a unique dataset collected by Naga, a voluntary association based in Milan which offers free primary care to – and exclusively to – undocumented immigrants.<sup>1</sup> On the

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<sup>1</sup> Italy is a particularly interesting case to study, as the Italian population of migrants increased by a factor of 5 between 1990 and 2010. In the OECD area only Spain attracted a larger number of migrants relative to the native population over the same time period. Milan is the Italian city with the largest immigrant population: more than 200 thousand non-EU immigrants live in Milan in 2012 (plus a similar figure in the surrounding province area), accounting

occasion of their first visit at Naga, immigrants are interviewed by volunteers who fill in a questionnaire (country of origin, sex, date of birth, date of arrival in Italy, date of visit, marital status, number of children, education, current employment, occupation in the home country, knowledge of Italian, accommodation, address, etc.) Since year 2000, all this information is available on electronic format.<sup>2</sup> Over the period 2000-2012, the datasets contains about 62 thousand observations, all of them undocumented immigrants. To the best of our knowledge, this is one of the largest datasets currently available for researcher on undocumented immigrants. Moreover, thanks to the specific nature of the data collection at Naga, this dataset is the only one existing which provides daily observations on undocumented immigrants (and for 12 years).

### **Proposed analysis**

In our empirical analysis we aim at estimating the causal effect of residential segregation on the employment status of (undocumented) migrants. The main identification challenge in estimating this causal effect relies in the endogeneity of residential choices. Indeed, immigrants who choose to live in more segregated areas are likely to be different from those who do not, and this may (at least partially) explain any difference in observed employment outcomes. We plan to address this major identification issue through three different instrumental variable strategies. First, as it is now widely recognized in the migration literature, there is an exogenous component of current immigrants' residential choices which is directly attributable to choices made in the past by conational immigrants (Altonji and Card, 1991). In other words, given that our data cover 12 years, we could use 5-10 years lags of segregation measures to instrument current segregation. Second, building characteristics (age, rooms' average size, presence of an elevator, etc.) can be used to instrument segregation: they are strong predictors of the presence of immigrants in the area and can be safely assumed to produce no direct impact on actual employment status of immigrants.<sup>3</sup> Third, major interventions on the city urban structure (e.g. requalification of areas, new developments, construction of new underground lines, etc.), by shocking house prices, may be used as exogenous determinant of immigrants' segregation<sup>4</sup>.

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for almost 18 percent of the resident population and for about 5 percent of the total immigrant population residing in Italy.

<sup>2</sup> Data are described in Devillanova (2008) and Devillanova et al., (2013).

<sup>3</sup> Boeri et al. (2012) use average building characteristics as instrument for immigrant segregation.

<sup>4</sup> Our data allow us to observe Milan for more than a decade: given that the city underwent substantial transformations in recent years, we expect this latter IV strategy to be particularly promising in this specific context.

## **Contributions to the literature**

We identify two major contributions to the international literature on segregation:

- 1) *Methodological*. We have a unique measure of segregation for a major European city: we have extremely detailed information on the residence location of the immigrants (we know the actual address), for a large sample of immigrants and, even more rare, we can follow the segregation pattern over time for more than a decade. Moreover, we can distinguish our migrant population in different groups according to duration of permanence in Italy and analyse the dynamic aspects of moving in/moving out of segregation. Finally, we will suggest novel instrumental variable strategy to address the major endogeneity issue that the literature on segregation faces.
- 2) *Focus on undocumented immigrants*. This is an absolute novelty in the literature, and one of great interest.<sup>5</sup> First, from a policy perspective, knowing more about the experience of immigrants who lack legal status is extremely interesting for countries which have sizeable stocks and flows of unauthorized immigrants. With its estimated stock of 12 million of undocumented immigrants and the current political debate regarding their future in the country, the US is the leading example in this area. Second, with respect to the legal stock, undocumented immigrants usually have much shorter permanence in the host country. Recently arrived immigrants are clearly the group where one would expect to observe stronger – positive or negative – effects of segregation. Moreover, decisions – such as the residential one - taken at the very early stage of the migration experience – i.e. at arrival – are bound to produce persistent effects on future integration of immigrants.

## **Expected outputs and delivery**

We expect this project to have at least two research outputs.

### Output 1:

The first output will be a descriptive report, which highlights the key characteristics of the undocumented immigrant population in Milan. This report will provide a through description of the key socio-economic characteristics of immigrants (gender composition, education, employment status) and their evolution over time. The outcome of this report will provide the background information for the development of the second, more academically oriented output. It will be disseminated to academics, policymakers and media.

Expected delivery time for output 1: Six months from the project's kick-off.

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<sup>5</sup> Boeri et al. (2012) have undocumented immigrants in their sample. But they are just 20 percent of sample which includes only 1137 observations.

### Output 2:

The second output will be a more academically oriented paper. It will take stock of the findings of the descriptive report and will perform the actual causal analysis of the link between residential segregation and labor market outcomes. We expect this paper to be published in an international academic journal. A preliminary version will be made publicly available in working paper format.

Expected delivery time for output 2: Eighteen months from the project's kick-off.

### **Team members**

The research team will be composed of Professor Carlo Devillanova (Bocconi University), Dr Francesco Fasani (Queen Mary University London), Dr Tommaso Frattini (University of Milan) and a Research Assistant.

## Appendix – References

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