

Urban Segregation and Employment Access of Ethnic Minorities

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Segregation and labor-market outcomes

- European countries (no common integration policies):
 - Discrimination
 - Language fluency
 - Exclusion from the labor market

Policies: help the immigrants/ethnic minorities finding a job

- USA:
- More focus on urban segregation (social norms, ethnic identity, social networks)
- Spatial mismatch hypothesis SMH (John Kain, 1968)

Policies: Impact on where people live

Hur viktig är närheten till jobb för chanserna på arbetsmarknaden?

How Important is Access to Jobs? Old Question — Improved Answer

- Yves Zenou, Olof Åslund, John Östh



Why job access is so important?

- Workers' job search efficiency may decrease with distance to jobs and, in particular, workers residing far away from jobs may have few incentives to search intensively
- Workers may refuse jobs that involve commutes that are too long because commuting to that job would be too costly in view of the proposed wage
- Employers may be less willing to hire people living far away from the workplace (redlining).



Our study: Two main innovations

- Exploit a quasi-experiment based on a policy in Sweden, under which the government assigned refugees to neighborhoods with different degrees of geographic job accessibility.
- Use a very rich data set with coordinates for the residence and the workplace of all Swedish workers, which enables us to calculate individual based job access measures.



Results of our study (Quasi) Natural Experiment

- Immigrants who in 1990-91 were placed in a location surrounded by few jobs had difficulties to find work also after several years in 1999.
- Doubling the number of (low-skill) jobs in the initial location in 1990-91 is associated with 5 percentage points higher employment probability in 1999

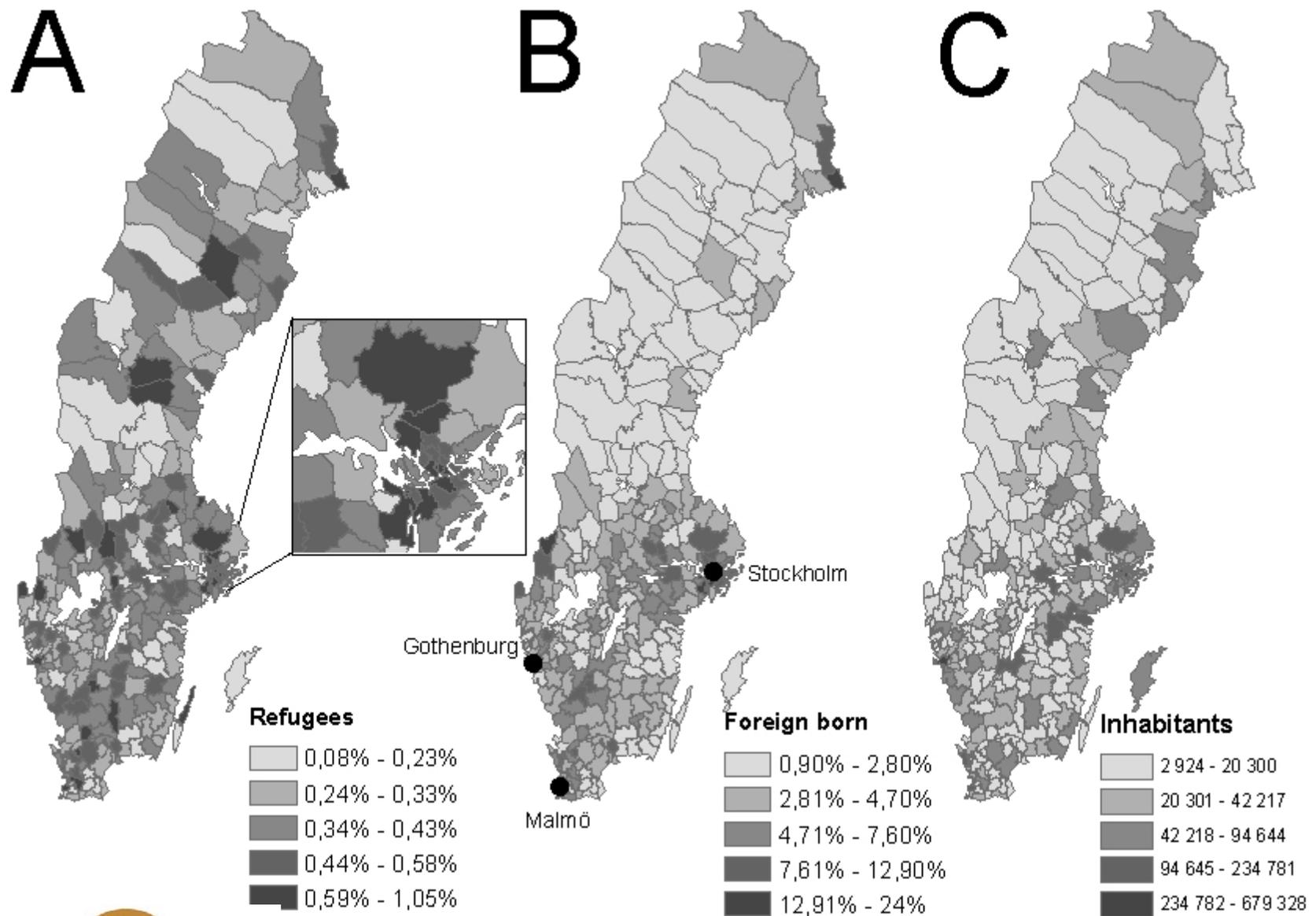


Some facts about Sweden

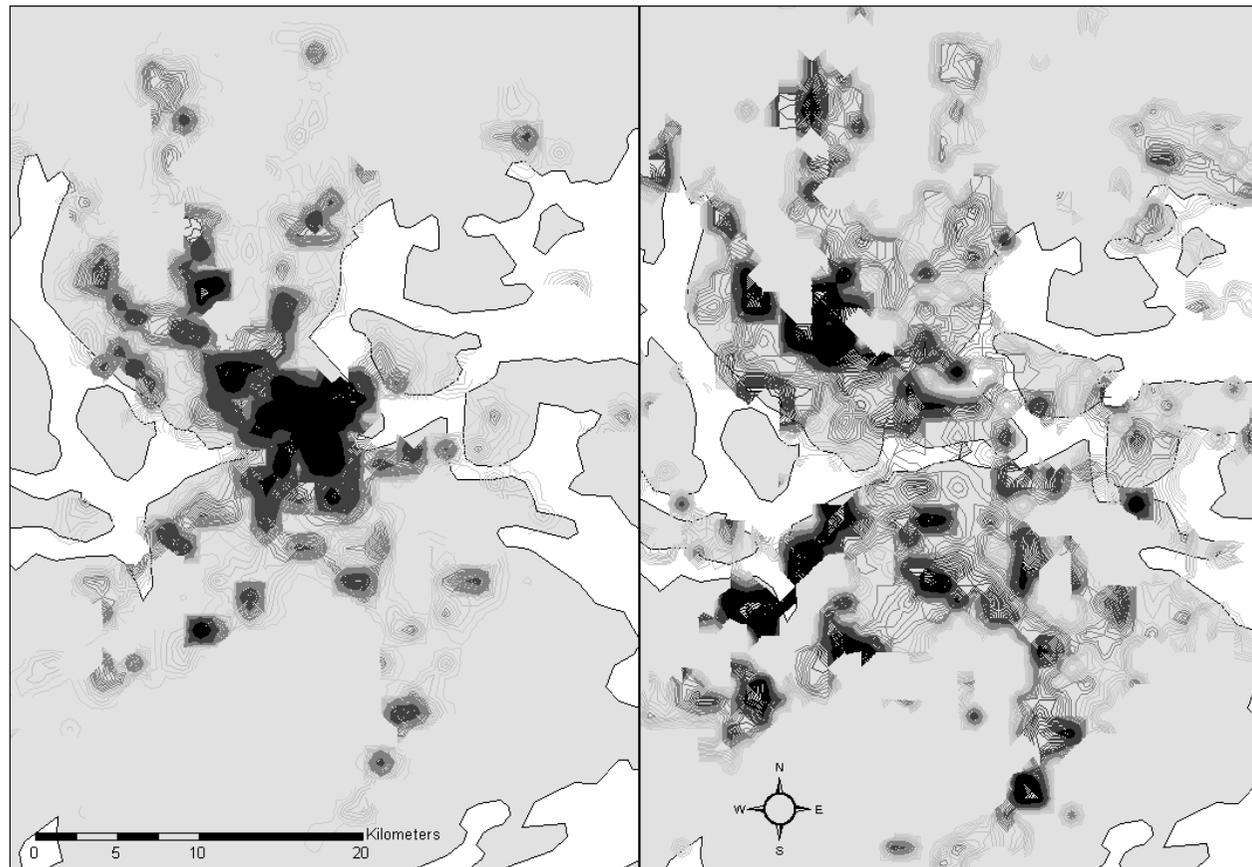


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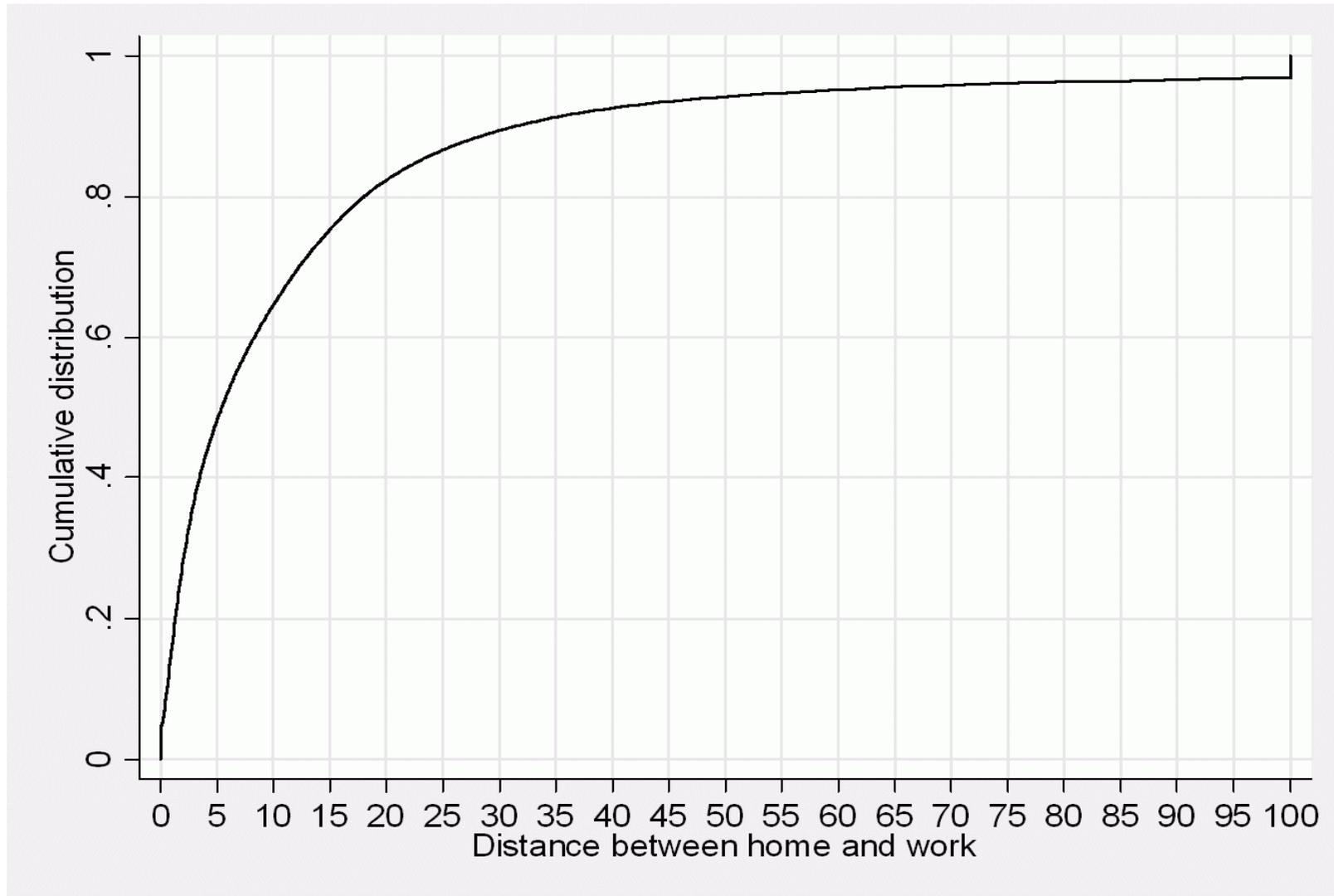




Jobs and ethnic minorities i Stockholm



Commuting distance, 1999



How do we measure job access?

- Draw a circle within a 5 km radius from the individual's place of living. Count the number of jobs and the number of people living within this circle.
- Study the relationship between individual's employment (or income) and job access in 1999
 - Control for all individuals' characteristics
 - Compare with persons living in the same "kommun"



Problems

Problem: *sorting (self-selection)*

Residential location is endogenous because families are not randomly assigned a residential location but instead choose it.

Correlation or causality?

Self-selection and unobserved heterogeneity (for example unobserved productivity such as motivation or perseverance) rather than distance to jobs may explain why black workers have adverse labor market outcomes.

Job access variables

- We compute job access variables (i.e. both the number of jobs and people living within a 5 km radius) with the help of geographical coordinates listing all individuals' place of residence and the working population's work-place coordinates.
- Apart from information on (for example) employment, income, education and family characteristics, we know exactly where each individual lives and works.



Data

Two samples of Swedish residents:

(i) a random sample of the entire Swedish population 26–64, 1999;

(ii) refugees who got their resident permits in 1990-91 and who were below 65 years old in 1999.

Both samples are restricted to those 26–64 years of age in 1999

Hela Sverige-strategin: 1985–1991

The refugee placement policy in the 1990s

- Refugee dispersal policy: recently arrived immigrants were assigned to an initial place of residence.
- The placement policy was a reaction to immigrant concentration in large cities.
- In 1989, 277 out of Sweden's (then) 284 municipalities participated to the policy.



Natural experiment

- Basic arguments for the exogeneity of the initial location with respect to unobserved individual characteristics:
- The placement rate was high (in particular during 1987–91),
- The housing market was booming (making it difficult to find vacant housing in attractive areas),
- There was no interaction between local officers and the refugee in question.



Description

- A large part of the refugees comes from Middle-east and east Africa (Ethiopia, Somalia).
- The refugees are on average younger than people in the random sample.
- The refugees have a higher percentage with little education, but also a somewhat larger fraction with higher university degrees.



Description

- Only 43 percent of the refugees are classified as employed in 1999 , i.e. at least 8 years after arriving in Sweden.
- In the random sample 78 procent are employed.



Empirical strategy

$$Y_i = \alpha + \beta X_i + \gamma job_{it} + \delta D_j + \varepsilon_{it}$$

Y_i outcome (employment or log annual earnings) of individual i in year 1999.

X_i set of standard characteristics for individual i (age, age squared, gender, family status, level of education, and country of origin).

job_{it} contains the job access variables (measured at time t (1999 or year of immigration))

D_j is a set of municipal dummy variables.

Random sample of the overall Swedish population 1999* Results

- Doubling the number of jobs within 5 kilometers from the individual is associated with 0.3 percentage points higher employment
- The earnings estimate is insignificant.
- But problem of self-selection

*424 462 individer

Regression for refugees

- Three specifications.
- The “OLS” model is the same as in the analysis above, i.e. outcomes in 1999 are regressed on job access in 1999 (self-selection problem).
- The “Reduced form” specification.
Relate 1999 outcomes to job access (i.e. both the job and the population variable) in the year of immigration (1990 or 1991).
Long-run effect of exposing an individual to a certain type of environment?
- 2SLS “IV” models: 1999 job access is instrumented by immigration year job access in the first stage, and in the second stage outcomes in 1999 are regressed on the first stage predictions.



Refugees 1990–91*

Results

OLS: no significant correlation between job access and labor market outcomes.

The pattern changes when we control for residential sorting in the “Reduced form” specifications.

Employment is clearly affected by job access.

*21 745 individer

Refugees 1990–91

Results

- Doubling the number of jobs in the initial location is associated with 2.9 percentage points higher employment probability in 1999.
- 5 percentage points if we consider on low-skill jobs.
- Having been placed in a location badly connected to jobs in 1990–91 leaves traces on employment for at least 8 years



Refugees 1990–91

Results

- Two possible mechanisms:
 - (i) Being "placed" in an area with bad job access impacts the probability of being employed, which in turn has an effect on future employment;
 - (ii) People who start "badly" (i.e. With bad job access) have a high risk to live in the same type of area even in 1999, which influences their employment in 1999.



Why access to jobs is so important?

- There are two spaces (places) for individuals to interact: Workplace and residence.
- If someone is excluded from the workplace (unemployment) then there is only the residence left.
- An ethnic minority who lives in a segregate area only meets other ethnic minorities (social norms, social networks).



Which Policies?

- The labor market eases the social integration of ethnic minorities.
- Focus: The environment where people live.
- One can either **move jobs to people** (economic regeneration) or **move (poor, low-educated) people to richer areas** (better schools, etc).
- Should we invest in people or in areas?



Policy implications

- Most policies in Europe have helped ethnic minorities mainly through the labor market.
- We should give more space to where people live.
- One should break the negative circle in terms of segregation.



Move jobs to people



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Enterprise Zone Programs

Regenerating tightly targeted local areas through tax subsidies

- Long history both in the UK and the US.
- USA
- England (1980)
- The British created their enterprise zones under the Local Government, Planning and Land Act of 1980.
- Main purpose: Attract medium- to large-scale capital-intensive industries to abandoned industrial areas that possessed few, if any, residents



Enterprise Zone Programs

More recently

- France (“Zones Franches Urbaines”) (1996)
Zones offering fiscal benefits to firms in distressed urban areas
- Italy (*Area Contracts*)
Agreements between local government, companies and other agencies to establish local programs of support measures in crisis areas, including funding and tax relief for businesses
- Empowerment Zones and Enterprise Communities in the US
(Zones receiving a combination of tax incentives and block grants to implement 10-year, community-wide, strategic plans to promote overall revitalisation).



Enterprise Zone Programs

- **Goal:** Encourage firms to move to depressed areas.
- **What is done?** Design all areas with certain characteristics: High unemployment, high poverty, high criminality.
- Firms that locate in these areas do not pay labor taxes during a certain period (typically 5 years). In exchange they must employ 20-30 percent of local workforce.
- **Mechanism:** Reduce the "distance" (physical but also social) between ethnic minorities and firms and help minorities to participate in the labor market.



Enterprise Zone Programs

- **Advantages:** Give jobs to minorities.
- **Disadvantages:** Difficult to evaluate the effects. How can we differentiate between substitution effects and creating jobs?
- Relative expensive policy in comparison with the number of jobs created.
- **Key for a successful policy:**
Extremely important to hire "local" people.
Avoid temporary contracts.



Enterprise Zone Programs

- USA: 11 states (California, Connecticut, Florida, Indiana, Kentucky, Maryland, New Jersey, New York, Pennsylvania, Virginia, District of Columbia)
- Period: 1982 to 1992



Characteristics of areas before the policy

Variable	EZ areas	Non-EZ areas
Unemployment 1980	4,8%	4,2%
Poverty 1980	17,9%	10,6%
Income per person 1980	\$5968	\$7253
Density of people (1000 person per Km2), 1980	1,856	1,015
Percentage blacks or Hispanics, 1980	30.7%	11.1%
Employment growth, 1997-1982	- 0,8%	23.5%
Firm growth	56,1%	89%
Average value of housing, 1980	48710	60611



- **Florida** "Enterprise Zone Program": (forst time to be implemented: 1982)
- There are 55 EZ i Florida. Firms are *not* required to employ local people.
- 1 october 2005 to 30 september 2006
- 3 324 new firms moved to an EZ.
- Created 12 490 new jobs
- 8 913 företag had technical help.
- Cost: 33 millions USD
- Cost per new job: 2 642 USD



France (Zones Franches Urbaines)

- Introduces for the first time the 14th november 1996 (law)
- Concern areas with more than 10 000 inhabitants
- There are 44 ZFU (38 within "France"): 790 000 people



France (Zones Franches Urbaines)

- Has created 50 000 jobs per year during 5 years (1997-2001) (substitution effect?)
- Minimum: 20 percent local people: i.e. 10 000 "local" jobs
- Cost in 1998: 230 millions Euros
- Cost per new job: 4 600 Euros (1998)
- Cost per new "local" job: 23 000 Euros (1998)



France (Zones Franches Urbaines)

- 1 january 2002 (new law):
- Give 3 603 Euros more per year during two years per person employed with a permanent contract (CDI). This person must live in a (ZFU) and has been unemployed during 12 months (or more).
- A company that have recently fired people or that comes from another ZFU cannot be part of this program.



Move people to "better" areas

- **Moving to Opportunity Programs (MTO)**
- USA: Baltimore, Boston, Chicago, Los Angeles, New York.
- First: Gautreaux Program i Chicago (1976)
- Then: MOT 1992
- **Goal:** Fight poverty
- Help poor families to live among richer families so that their children go to schools of better quality.



Moving to Opportunity (MTO)

- **What is done?**
- All households in the USA who reside in areas where more than 40 percent of the people are poor can be part of the MTO program.
- They get vouchers in order to live in richer areas. The state pays the price difference between the two areas.
- The agency which is responsible for the program helps people finding a housing to families.
- Participation to the MTO program is a free choice.



Moving to Opportunity (MTO)

- **Mekanism:** Social norms, peer effects.
- **Advantages:** Successful program: Effective against crime.
- **Disadvantage:** Selection and sorting problems. Difficult to know the exact mechanism.
- **Key for a successful policy:** Help the families finding a housing.



Moving to Opportunity (MTO)

- Baltimore, Boston, Chicago, Los Angeles, New York
- Between June 1994 and July 1998
- 4 608 families
- Among the 3 169 families who got vouchers 1 676 could move to a richer area.



Characteristics of the areas before the policy



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	Baltimore	Boston	Chicago	L.A	N.Y	All
When the head of the family is a woman (%)	98	92	96	81	93	91
Percent Black	97	37	99	52	50	64
Percent Hispanics	2	46	1	45	49	32
Main raison to move:						
Drugs, gangs (%)	55	54	51	60	48	53
Better housing (%)	26	29	18	13	26	22
Better schools (%)	12	9	24	23	19	18
The last 6 months have you been:						
Beaten or attacked	25	17	25	27	26	24
Hurt or shot	12	8	12	13	12	11
Numbers	637	961	895	1034	1081	4608



Outcome for 114 youngsters when they were between 8 and 15 years old and between 15 and 22.

Outcomes	Center	Suburbs
Dropped out	20%	5%
Has been part of a program with university possibilities	24%	40%
Went to university	21%	54%
Went 4 years to the university	4%	27%
Fulltime employed	41%	75%
Paid less than \$3.50 per hour	43%	9%
Paid more than \$6.50 per hour	5	21

Busing

- **Desegregation busing in the United States** (also known as **forced busing** or **busing**) is the practice of attempting to integrate schools by assigning students to schools based primarily on race, rather than geographic proximity.
- Though public schools were technically desegregated in 1954 by the US Supreme Court decision in *Brown vs Board of Education*, many were still *de facto* segregated due to inequality in housing and racial segregation in neighborhoods.



Busing

- Among the most radical busing plans took place in Charlotte, North Carolina (from 1969) and Savannah, Georgia (from 1970).
- In both plans, students were often transported many miles from their homes, passing one or more schools before arriving at their assigned campus.
- The Charlotte and Savannah plans are noteworthy in that most students were affected, and that a majority of blacks as well as whites would not attend their neighborhood school for two decades. (The two plans ended in the 1990s.)



Busing

- Proponents of such plans argued that with the schools integrated, minority students would have equal access to equipment, facilities and resources that the cities' white students had, thus giving all students in the city equal educational opportunities.
- They also pointed out that the United States Supreme Court had found that separate schools are inherently unequal.



Busing

- More recently: Metropolitan Council for Educational Opportunity (METCO) i Boston
- **Goal:** Help black kids to interact with white kids in schools of better quality.
- **What is done?** Send black kids (by bus) som live in the center of Boston to schools in the suburbs (where most whites live).
- Participation: free choice (both for schools and pupils).
- **Mechanism:** Social norms, peer effects.



Busing

- **Advantages:** Rather successful program
- **Disadvantages:** Often long commuting time every day, difficulties to integrate in the "white" school, selection.
- **Key for a successful policy**
 - Help black kids to integrate in the classroom.
 -



Busing

- Questioning the catchment area principle ("Carte scolaire").
- Selection problems
- Boarding schools?

