



Title: Initial Housing Conditions and Immigrants' Labour Market Outcomes

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Research Question:

Our research investigates the empirical relationship between conditions under which new immigrants search for their first homes and the labour market outcomes they experience after immigrating. Specifically, we consider whether having a dwelling arranged before immigrating allows immigrants to allocate more time to find better jobs, resulting in higher wages and faster integration into the labour market.

Importance:

Two of the most important decisions for new immigrants are where to live and where to work, and existing evidence shows that many new immigrants struggle in both searches. Our research ties into the literature on whether housing conditions affect immigrants' ability to integrate into their new country. However, while most studies look at direct effects of residential choice (e.g., crowding and enclave effects), we take a new approach by looking at how frictions in the process of choosing a residence might also have consequences in the job search. Better understanding of the relationship between immigrants' housing search and job search could aid policies for immigrant settlement and integration.

Research Findings:

We find that arriving in Canada without a home is negatively correlated with wages and employment. This relationship is stronger for low-skilled immigrants than for high-skilled immigrants, and it controls for access to family networks, wealth, language skills, and other relevant observables. The main limitation to our findings is that unobservable characteristics like motivation or talent could drive both whether a home is arranged before immigrating as well as labour market performance. We demonstrate, however, that this is not likely to be the case. First, the magnitude of our estimates diminishes over time, suggesting our results are not driven by permanent unobservable characteristics like talent. Second, arranging housing is uncorrelated with other precautionary behavior, suggesting our results are not driven by differences in motivation around the time of immigration.

Implications:

Our research implies that, in the short term and especially for low-skilled immigrants, a costly housing search may hinder the ability to search for a job and thus worsen labour outcomes. Housing search assistance *before the time of immigration*, may afford new immigrants time to identify higher-paying and more skill-appropriate jobs. A randomized control trial evaluating such an assistance program could overcome the main limitations of this study.