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Discussion Paper Series

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2017

Abstract

The paper explores the relationship between social identity and labour market outcomes of immigrants in Italy. Using an IV strategy to deal with endogeneity concerns, we find that the probability of being employed, both regularly or irregularly, and the access to better levels of income are higher for integrated immigrants. Interestingly, our analysis shows that assimilated foreigners have no better chances in Italian labour market than separated ones. Therefore, these results seem to suggest that public policies supporting foreigners' assimilation to the majorities' culture might not be effective if not combined with policies aimed at maintaining the customs and traditions of the minorities.

Keywords: Ethnic identity, Acculturation, Labour market outcomes, IV

JEL *classification*: F22, J15, Z13

1 Introduction

In the last decades it is largely recognised the salience of ethnic identity for assessing the individual behavior in taking some fundamental economic choices (Akerlof and Kranton, 2000; Liebkind, 1992; Phinney, 1990). Ethnic identity is a particular configuration of the wider concept of social identity, which implies feeling of belonging and commitment to a group, shared values and beliefs, and more positive attitudes towards members of a group, which is defined on the base of common ancestry or place of origin (Phinney et al., 2001).

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Despite the concept of ethnic identity can be applied to all situations where society is fragmented in several groups, it finds a natural application to the analysis of immigration. In this case a salient question, recently debated (Algan et al. 2010, Georgiadis and Manning, 2011, Constant and Zimmerman, 2012) is how ethnic identity interacts with national identity, i.e. the sense of belonging to the host country society. Indeed immigrants, when settled in a new country, have to choose simultaneously how to stay firmly anchored to their ethnic group and how to relate to the larger majority group of the new society. From these choices important economic and social consequences derive. For example, conflicting identities may favor the creation of suburbs of social exclusion, which rises the risk of social unrests or even terrorism. It is also likely that the massive inflow of immigrants with different ethnic identities, causing feelings of fear among the natives, increases their aversion to immigration, with increasing acts of racism. At microeconomic level, a possible consequence may be the reduction in the economic performance of immigrants. For example, the conflict between ethnic and national identity makes foreigners torn between the feeling of loyalty to their own ethnic group and the need to be accepted by the host society. A lack of resolution of this conflict may reduce their self-esteem and make them less secure about their self-concept, affecting adversely their economic outcomes. In this paper we focus on the effects of the immigrants' simultaneous sense of belonging to the ethnic and majority groups on their economic performance; in doing so we take into account the way in which immigrants manage multiple social identities, considering that different ways to solve the conflicts between different social identities are crucial for determining their economic success.

To capture the foreigners' social identity choices, we use subjective indicators based on the individual's self-identification to the host and the home country. In particular, following Berry (1997), we identify four strategies of social identity that immigrants may choose; the integration, which implies the migrants' strong attachment to both the ethnic and majority groups; the assimilation, typical of foreigners who choose to give up their origin culture while adopt that one of the new society; the separation, through which immigrants retain a strong ethnic identity, rejecting the culture of the majority group; finally the marginalization, which implies low identification with either the origin and the destination country. We expect that integrated individuals, because of their higher self-esteem and positive interactions from people belonging to both the ethnic and the majority group, realize an higher economic performance with respect to both the assimilated and separated individuals, while there is no reason for expecting a difference between the last two; indeed, both strategies imply a negative resolution of the conflict between the two social identities, which leads the foreigner to drop out one of the two groups. The least productive people are those marginalized, since self-esteem

and positive interactions are the lowest in this case.

We test this hypothesis by running an empirical investigation for the Italian country. In particular, we explore the relationship between the four indicators for the social identity strategies and the economic performance of immigrants, measured by the probability of being employed - both regularly or irregularly, part or full-time as employer or employee - to verify that having at least one social identity (as in case of integrated, assimilated and separated people) increases the migrants' chances to find a job with respect to those who do not identify in any social categories (those who marginalize). Moreover, as additional results, we also consider different measures of the migrants' performance in the labor market, as the probability of obtaining a regular job and earnings. Finally, to provide a causal interpretation to the results of our analysis, we implement an IV strategy to properly address the endogeneity problems that typically arise from the analysis of the relationship " identity-performance". In particular, we use the respondent's use of the Italian language at home and her interest in what happens in her origin's country as instruments for the potential endogenous variables.

The Italian case is particularly interesting as immigration has grown at impressive rate in the last decades. As for the early 2016 foreigners living in the country are about 5.9 million, accounting for 9.58% of the total population.[1] However, the rapid expansion of the immigration phenomenon has not occurred uniformly across the national territory, with a high concentration in some regions in the North, where the majority of the foreigners live (58.6%); this increased the risk of social conflicts and plausibly hampered the foreigners' opportunity to integrate in local areas. Yet, the irregular immigration - which represents about 7.4% of the total immigration (435,000 foreigners estimated in 2015) - has increased faster than the regular one, thus further contributing to threaten the process of foreigners' integration with the local community; the most numerous the irregulars immigrants in the country, the more likely the risk of their segregation. Moreover, this has been accompanied by an important change in the ethnic composition of the immigrants living in Italy; besides the more stable communities coming from East Europe, e.g.Rumanians, Albanians, Moldavians and Ukranians, there has been a substantial increase in foreigner coming from Asia (e.g. India, Bangladesh, Pakistan and Sri Lanka) and Africa (e.g. Egypt, Senegal and Nigeria). The potential increase in the cultural distance between natives and the new ethnic groups makes the opportunity to integrate hard. The existing evidence on the process of immigrants' integration in Italy is quite scant (de Palo et al., 2006; Carillo and Dessy, 2012). And scarse is also the empirical evidence on the factors affecting the foreigners' economic performance for the Italian case (Mazzanti et al., 2009;

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[1]This figure is very similar to that of the European countries characterized by a more structured and widespread tradition of immigration like France, UK and Germany

Faini et al. (2009)). To the best of our knowledge, this is the first paper addressing the relationship between the foreigners' social identity and their labor market outcomes in Italy.

Using cross-sectional data collected by the *ISMU* Foundation in 2008 we find that the economic outcomes realized by integrated immigrants, both in terms of probability of being employed or finding a regular job and income are massively higher than those of separated immigrants, while we do not find any systematic evidence of statistically significant differences between assimilated and separated in terms of all the measures of the foreigners' performance we use. In this respect our results differ from those of the rest of the literature on this field, finding that what really matters in explaining the immigrants' economic outcomes is the sense of belonging to the host country, while the ethnic identity does not give any advantage but rather a disadvantage if it is the only social identity expressed by the immigrants (Islam and Raschky, 2015; Drydakis, 2013; Nekby and Rodin, 2010; Casey and Dustmann, 2010). Our different results can be explained by the fact that integrated individuals are those who have solved in a successful way the conflict between the ethnic and national identity, thus enhancing their self-esteem and psychological well-being; moreover, the membership in the two social groups rises also the positive externalities deriving from the attitudes of other members of the groups. While, by considering the effects on self-concept and externalities form peers, there is no reason to expect a difference between assimilated and separated people. As additional result, in order to disentangle the effects of social identity deriving from the individual self-concept from those related to the attitudes of other members of the group, we have controlled for a variable that captures the "local ethnic community". We find that the probability of finding a job of integrated individuals rises dramatically, suggesting that the self-esteem and the more secure self-concept are the main drivers for the higher economic performance showed by integrated individuals.

Research as those presented in this paper seem to be very important, especially if one considers the massive flows of immigrants and asylum seekers from Middle East and North Africa toward Europe in recent years, that has strongly increased the risk of ethnic conflicts. In contrast to the policy prescriptions actually prevailing in Europe, our results seem to suggest that policies that support the immigrants' complete assimilation to the host country, neglecting or even hindering the worship of own culture of origin, might be not effective or even dangerous.

This paper is related to different strands of literature. A first strand is the literature that analyses from an economic point of view the concern for social identity. The most influential paper in this line of research is that of Akerlof and Kranton (2000), who added in the standard individual utility function a variable that captures the concern for social identity, which consists in the assignment to

social categories or groups. There are benefits and costs from this assignment and individuals choose actions, and to some extent also the group to which belong, in order to maximize pay-off derived from it. Also Benabou and Tirole (2011) present a theoretical model in which the identity is an asset of individuals which consists in relationships with others and shared moral values and culture. People are unsure on how much and whether their deep preferences adhere to the prescriptions of the reference group and in order to obtain signals of this adherence invest in identity formation.

Other interesting studies are those that analyze both empirically and theoretically the so called phenomenon of "acting withe", observed in US for which some African American adolescents refuse to learn standard English and to invest in education (see Ogbu, 1978; Fordham and Ogbu, 1986; Austen-Smith and Fryer, 2005; Fryer and Torelli, 2010). Austen-Smith and Fryer (2005) show that the equilibrium of "acting white" can emerge as an equilibrium solution of a signaling model where education is a signal both for ability and for the adherence to the values of a group. In such a case when the pressure of the social group is very strong and/or the wages are not very high, people can choose to not take actions that enhance their economic pay-off.

The model of "acting white" offers a theoretical base also for the phenomenon of "oppositional identity", the strategy adopted by ethnic minorities of strengthening their ethnic identity, rejecting the cultural values and customs that prevail in the destination country. Another theoretical model for explaining oppositional identities is offered by Darity et al. (2006), who in a dynamic game theory model show that in the long run the acculturation process may result either in the identification with the culture of the origin country or in a total assimilation to the host country. In the same vein, Bisin et al. (2016) propose a theoretical model where the identity formation derives from two forces: cultural conformity and cultural distinction. When the former prevails, the assimilation model represents the equilibrium solution, otherwise the separation strategy overcomes. According to Battu and Zenou (010b) migrants that choose to adopt the whites' culture to obtain economic benefits, may suffer the exclusion from the ethnic group they belong. As a result, some could prefer to reject the whites' culture, even if they realize unfavorable economic outcomes. Battu and Zenou (010a) find that, in England, non-whites that experience an oppositional identity have a probability of employment of about 6-7% lower than that of natives. Bisin et al. (2011) using data on EU20, show that immigrants with strong identity suffer a penalty of about 17% in terms of probability of finding a job. According to Mason (2004)'s empirical study, Americans of Mexican and Cuban descent are able to increase annual income and hourly wages by acculturating into a non-Hispanic white racial identity.

The common characteristic of the aforementioned studies on the oppositional

identity model is to adopt a concept of social identity as a mono-dimensional process, in which a strong attachment to the customs and culture of the origin country is associated with a lower feeling of belonging to the destination country. Another strand of the literature more near to our approach, by relying on the social psychological theory of which we discuss later on (Berry, 1980, 1984, 1997; Phinney, 1990, 1992; Phinney et al., 2001), takes into account the possibility that people may have multiple social identities and the crucial factor is whether these are in conflict, as in the case of oppositional identities, or not. In this line of research are Constant et al. (2009) and Constant and Zimmermann (2008) who propose an index of social identity (*the ethnosizer*), which takes into account the possibility that an individual may have multiple social identities: ethnic and national identity. With an empirical investigation using German data, they provide evidence about factors determining the choice of different social identity strategies. Their results show that young, male and more educated immigrants are more likely to choose the integration strategy. Also Nekby and Rodin (2010) consider the case of multiple social identities and their effects on the immigrants' labour market performance. In particular using a data set from Sweden they find that the sense of belonging to the host county enhances the probability of finding an occupation regardless whether accompanied or not to a strong sense of belonging to the origin country. They conclude that what matters for the foreigners' performance in the labor market is the strength of identification with the majority culture regardless their ethnic identity. Drydakis (2013) uses the same methodology for Greece, finding a similar results. One common characteristic of the above studies is the use of subjective measures of social identity based on the migrants' answer to the survey questions about their perception and self- identification. Also Pendakur and Pendakur (2005) use subjective measures of the foreigners social identities; they examine the Canadian case and find that ethnic identity rises the migrant's probability of using her ethnic network to find a job but she obtains a lower quality occupation.

One problem of the above papers is that they find simple correlations since the social identity and the economic performance of immigrants are interrelated phenomena with strong feedback effects. This implies that cross sectional studies suffer of endogeneity problems due to reverse causality and to the presence of confounding factors not easily to control for. Recently, Islam and Raschky (2015) take into account the endogeneity issue coming from the simultaneity in the relationship between employment and ethnic self-identification. By using the genetic distance between the origin and the destination country, like in Spolaore and Wacziarg (2009), as instrument for the endogenous identity variables, they show a negligible role of ethnic identity in explaining the performance in the labor market. However they do not analyze the effect of the interaction between the

two social identities, as they consider separately the effects of the national and the ethnic identity. Finally, Casey and Dustmann (2010) use the same approach to explore the effect of foreigners' identity on the individual economic outcomes in Germany; using longitudinal data they find a positive relationship between sharing a national identity and the labour market performance only for female migrants. In the end, the previous studies suggest that a strong identification with the host country is the key element to succeed in the labor market, while the identification with the origin county seems to be less important.

Another recent strand of research near to our paper analyses factors behind the formation of national identity (Masella, 2013; Manning and Roy, 2010; Georgiadis and Manning, 2013). In particular, they investigate whether multiculturalism may be a danger for the cohesion of a nation, questioning the nation building. Georgiadis and Manning (2013) state that a common sense of national identity is important for the well being of the society and explore empirically what factors favor such process for the Britain case. They find that when immigrants feel not well accepted by the wider society and when religion is an important aspect of the social group, the national identity is weakened. Manning and Roy (2010) investigate the determinants of the British identity among those living in Britain and find no evidence of conflict between the ethnic and Britain identity among immigrants, and so of a culture clash between the two identities.

The paper is structured as follows. In the next sections we describe the literature of social psychological theory in order to shed some lights on the process of social identity formation and on the reasons why social identity matters for the economic performance of immigrants. In Section 3 we show the empirical strategy followed. Section 4 contains the data and the descriptive statistics. Sections 5 discusses respectively the Ols and IV results. In section 6 we show robustness checks and further results. Finally, section 7 concludes.

2 The socio-psychological theory of Social identity

Social identity theory was developed by Tajfel and Turner (1979) to explain phenomena of racial discriminations, ethnic conflicts and separatist movements. Tajefel and Turner (1981) defined social identity as "that part of the individual's self-concept which derives from his or her knowledge of membership to a social group together with the value and the emotional significance attached to it" (1981, p. 255). According to this theory, social identity consists in defining categories or groups - to which correspond prescriptions that indicate the appropriate behavior in each situation - and in the assignment of people to these categories. Among

such behaviors "there is an in-group favoritism and discrimination against out-group people" (Tajfel and Turner, 1986)[2]. A further component of social identity is the comparison of the own group with others. An important aspect of the comparison is the social ranking of the groups; a social status is attached to each social group, so that an individual derives her/his social status and self-esteem also from the membership to the group.

To understand why the concept of social identity matters for the economic performance of immigrants it is important to focus on the process through which an immigrant integrates in the new society and on the way this process affects her/his concept of self. Indeed, migration is a major change in the life of people and it is possible that after that change also the assignment to a particular social group has to be revised. For instance, because immigrants have to adapt to the new country they need to consider whether and in which way to integrate in the society of arrival, reconsider the membership to the origin country group, and eventually, negotiate the clashes that can emerge between these different social identities. In other words in case of migration it is important to understand how and when multiple social group identities coexist. In this respect an important contribute is given by the acculturation theory due to Berry, Phinney and colleagues (Berry et al., 2006; Berry, 1997; Phinney, 1995), according to which immigrants may follow different strategies of adapting to the new society and to form their social identity. Based on the way in which the ethnic identity interacts with the national identity, Berry distinguishes between four acculturation strategies: integration, assimilation, separation and marginalization. In particular, an high self-identification with the culture of both the host and the home country identifies "integrated foreigners", while a strong identification with the country of destination and a contemporaneous weak attachment to the origin country is typical of "assimilated people". The reverse case is defined as "separation strategy"; finally a low sense of belonging with the culture of both the host and the home country identifies foreigners as "marginalized".

Despite the theoretical and empirical validity of the acculturation hypothesis, recent studies within the social inter groups theory analyze how multiple social identities develop and affect individuals self concepts. In this respect, Gaertner et al. (1993) clarify how the integration process of different social identities can be solved in a successful way. Amiot et al. (2007) identify different stages through which people ordinate multiple social identities, ending up to the integration phase, that implies the resolution of conflict between different social identities through the recognition of similarities and the creation of higher order categorization - which

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[2]There are a number of studies in social psychology and in economics which find evidence that people behave in a more favorable manner with the component of the group to which they identify with and less with others (Chen and Li, 2009).

includes the social identities as sub groups. In this case two different social groups become all in-groups of the larger category and simultaneous identification becomes possible.[3] However, the realization of each stage depends on features of individuals and of society of arrival. Gaertner and Dovidio (2000) find that the acceptance of the superordinate group will be facilitated if the sub group remain important and are not discriminated and are perceived as important part of the higher inclusive group. Hornsey and Hogg (2000) stress that the superordinate categorization will be effective only if group members feel that their sub group identity is respected within the larger group. This implies that a full integration occurs when the sub group identity is not weaken within the superordinate group but rather it can be strengthen. According to the literature on the acculturation studies the integration phase, in which foreigners manifest a contemporaneous high sense of belonging to the home and to the host country, seems to be the most conducive to immigrants' well being and psychological health (Berry et al., 1987; Berry, 1997; Phinney et al., 2001; Downe at al., 2004). While the empirical evidence regarding the case in which the acculturation process stop at the initial stages - so that the resolution of conflicts between the different social identities does not happen - is contrasting. On one hand, Cameron (1999), Phinney, (1995) and Phinney et al. (1997) find that mantaining a strong ethnic identity enhances the well being and psychological health of immigrants even in cases of stigmatized groups, since it attenuates the negative effect of discrimination. Also Liebkind (1996) and Nesdale et al. (1997), by analyzing the young second generation of immigrants , find that a strong and secure ethnic identity makes a positive contribution to psychological well being and mental health. On the other hand, a strong sense of belonging to their origin country group may rise the inter individuals and inter groups conflicts - the aversion of natives may be also strong - with a consequent reduction of immigrants well being. Ultimately the net results are ambiguous.

Some other studies exploring the role of ethnic and national identity in the education outcomes of immigrants, also find that integrated orientation is conducive to the best performance. Phinney et al. (2001) show that integrated adolescents scored significantly higher than all other groups even included the assimilated, while young foreigners classified as marginalized achieve the lowest score. While Portes and Rumbaut (1990) show that assimilated people underperform not only those who integrate, but even those who separate. Also Igoa (1995) and Sever (199) find that pressure towards assimilation may be problematic for the schooling performance. Olneck (1995) concluded that there is wide evidence that "maintaining ethnic loyalty, not assimilation, appears associated with stronger school

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[3]The first stage is the categorization, in which there is a a predominance of one social identity over others with a little or no overlap between old and new identities. The second stage is the compartmentalization, in which multiple identification is possible; there is no conflict between social identities and an increased overlap is usually observed.

performance" (1995, p 325). Ultimately the empirical evidence showed by the literature on social psychology suggests that integrated people outperform in terms of both psychological health and educational ability, while there are no strong differences between assimilated and separated and whenever a difference exists it is in favor of separated who manifest higher self esteem and achievement in education. From our perspective these are important findings as the productivity of a foreigner worker depends positively on self-esteem, their psychological adaptation and finally on their ability to absorb new knowledge.

3 Empirical strategy

To investigate the relationship between immigrants' social identity and their performance in the labour market, we estimate the following model:

$$y_{icn} = \beta_0 + \beta_1 Identity_{icn} + X_{icn}\delta + W + \epsilon_{icn} \tag{1}$$

where the subscript i, c and n indicate the individual, the Italian city where currently lives and the nationality of origin, respectively. Y represents the migrant's labour market outcome. *Identity* is a vector of dummies for the immigrant's status of integrated, assimilated, separated or marginalized, as described in the next subsection. The X and W vectors contain a set of control variables for all the individual and environmental characteristics that affect the relationship "performance-identity".

To capture the immigrants' labour market outcomes we use several measures of performance. In our main specification, the dependent variable is represented by the foreigners' employed status, measured by a dummy equal to one if the respondent declares to have any job at the time of interview - both regularly or irregularly, full or part time and either as employer or employee. Furthermore, to account for a potential heterogeneous effect of social identity depending on the fact that migrants are involved in legal or illegal activities, we look at the foreigner's employed status in the regular sector, measured by a dummy that takes value one if the respondent is employed only regularly. Finally, as additional outcome, we consider the foreigner's income class - in a scale from 0 to 7, where 0 is "no income" and 7 corresponds to "more than 2000 euros" - to verify the persistence of the relationship "identity-performance" also at the intensive margin.

We first estimate the model above with the OLS method.[4] However, due to endogenity concerns related to omitted variables and/or a simultaneity bias - the

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[4]Given that the dependent variables are binary indicators in two of the three specifications we use, i.e. the employment status and the regular employment, we also estimate the model by a probit specification. We find that OLS results are confirmed, thus suggesting that they are robust to mis-specification of the linear model. The probit results are available on request.

economic success in turn may affect the strategy of social identity that migrants choose to adopt - we can interpret the OLS results only as conditional correlations. To overcome the problem we implement an IV strategy, using some instruments for the potential endogeneity of our measures of identity and estimate the IV model with the 2SLS method, that allows us to say something about the causality of the relationship under study.

3.1   Measuring Social Identity

We set up a measure of social identity that is based on the Berry's acculturation model (Berry, 1997) according to which migrants are grouped as integrated, assimilated, separated and marginalized, according to their level of self-identification with both the host and the home country. More particularly, immigrants with a high self-identification with the culture of both the host and the home country are classified as "integrated", while a strong identification with the country of destination joined with a low sense of belonging to the country of origin identifies people as "assimilated". The reverse case is defined as "separated", typical of foreigners firmly tied to the home country's values and customs but with low feeling toward the host country culture and traditions. Finally, the lack of self-identification with both countries describes "marginalized" immigrants.

To build up our social identity indicators, we follow Nekby and Rodin (2010), Pendakur and Pendakur (2005), Casey and Dustmann (2010) and more recently Islam and Raschky (2015) who adopt direct measures of identity from the answers to the survey questions capturing the respondent's attachment to the host and home country. We consider the two questions "How much do you feel to belong to the host country?" and "How much do you feel to belong to the home country?", at which respondents can answer choosing among four options: "Far Too Little", "Little", "Enough" and "Very Much". To capture the acculturation strategies à la Berry (1997), we create 4 dummies: a dummy identifying integrated immigrants, which is equal to one if the respondent answers "Enough" or "Very Much" to both questions and zero otherwise; a dummy for assimilated immigrants equal to one if the respondent answers "Enough" or "Very Much" to the former question and "Far Too Little" or "Little" to the latter. The dummy for separated immigrants corresponds to the reverse case, in which the variable takes value one if the respondent reports as "Far Too Little" or "Little" her sense of self-identification with the host country and as "Enough" or "Very Much" her sense of self-identification with the home country; finally, the dummy for marginalized immigrants identifies the case in which the respondent answers "Far Too Little" or "Little" to both questions.[5]

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[5]Some authors (Algan et al., 2012) cast doubts about the suitability of such measures, since "subjective attitudes are just expressive manifestations of what is socially acceptable to say in

For the empirical analysis, we start investigating whether people who have a social identity - who identify with at least one group - achieve better economic outcomes than people who do not have any identity. To do this, we will consider all the four acculturation strategies in our analysis. Then, we focus on the core analysis of our research, in which we verify whether differences in terms of labour market outcomes also exist exclusively among people who have a social identity. To do this, we will consider only the sub-sample of migrants who declare to feel of belong to at least one group (integrated, assimilated and separated), excluding those who do not feel of being attached to any social categories (marginalized). However, concerns about potential sample selection are negligible, considering the very low number of foreigners that adopt the strategy of marginalization, represented by 2.5% of the whole sample.

3.2   Control variables

To avoid endogeneity concerns due to the omission of individual or environmental characteristics that are related to both social identity measures and labour outcomes, we add a large number of covariates in our regression. The X vector contains all the individual controls. Firstly, we account for differences between men and women and young and adult people, including the foreigner's gender and age. While, to capture different attitudes toward labour and identity that depend on cultural aspects and on the specific human capital of the respondent, we consider the religion she professes, her education[6] and the proficiency in the local language - a variable that indicates the migrant's knowledge of the Italian language in an increasing scale ranging from 1 to 5.

We also consider the respondent's marital status, the presence of children and their residence status - that informs on whether they are in Italy or not - as additional controls: indeed, married foreigners who have children living with them in Italy may have different incentives to work and to integrate in the host country than migrants who are single or live abroad away from their family. Finally, to take

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public" (Algan et al. 2012, p. 24). Instead, they suggest the individuals' actual behaviors, as for example the use of language, intermarriages and plans of citizenship, as proper measures of social identity. The critical aspect of this approach is that behaviors capture only in part the concept of social identity. According to Tajfel and Turner (1986) identity is "the person's sense of self" from which certain behaviors derive; it is, therefore, a broader concept, a psychological attitude that captures also other aspects of self-identification, such as self-esteem, psychological well-being, and son on. Furthermore, while some aspects of the actual behaviors may be determinants of the social identity strategy, others may be its consequences. Ultimately the use of the actual behaviors as measures of social identity could imply a more severe endogeneity problem due to the simultaneity and measurement errors.

[6]The level of educations are represented by four dummies: no education, compulsory, high school and BA degree or plus.

into account past work experiences that contemporaneously affect the migrant's social identity strategy and her current occupational status, we add the number of years that she has spent in Italy at the time of the interview.

The W vector represents a set of dummies that control for all the environmental characteristics influencing the relationship "identity-performance", including: the city in which the respondent lives, her nationality and the economic sectors in which she works, that take into account cultural aspect prevailing in the home country, different local labour market features, cross-cities differences in natives' attitude toward immigrants and any other differences linked to local jurisdiction and environment. Furthermore, the vector contains several interaction dummies between the foreigners' nationality and the city in which they reside, with which we identify the groups of foreigners of each nationality that reside in a specific municipality, i.e. a measure of the ethnic concentration in a particular place. Indeed, the agglomeration of people with common ethnicity in a given area may represent a typical source of endogeneity; on the one hand, the likely presence of economies of scale in the production of ethnic goods and the network effects, through which immigrants may benefit from hospitality at arrival and from receiving information about labour opportunities (Pendakur and Pendakur, 2005), may support potential job-seekers. On the other hand, a large ethnic agglomeration may reduce the availability of houses and rise the aversion of natives towards that ethnic group, which in turn increase labour market discriminations. The ethnic concentration in a local area is also strictly related to the foreigners' social identity, the relationship running in two ways. On the one hand, the ethnic concentration may determine the individual choice of social identity. Konya (2005), for example, shows that when the initial size of the ethnic group is small a model of full assimilation may occur, while when it is large a full separation equilibrium could prevail. On the other hand, it captures also the externalities due to the positive attitudes of the members of an ethnic group towards all people perceived as "in-group". Hence it captures an effect of the social identity choice. Therefore, the inclusion of this variable in our empirical analysis, allows us not only to control for a source of endogeneity due to omitted variable, but also to disentangle, among the mechanisms throughout the social identity affects the immigrant's economic performance, those related to the local ethnic concentration from those more strictly tied to the individual self-assessment.

Finally, we consider also some "survey fixed effects", represented by a series of dummies that control for the week and the place of interview, to net out the effect from potential seasonality - the probability of finding a job may differ during a year- and from the fact that respondents may give different answers to the questionnaire according to where they have been interviewed. Furthermore, we include the interviewer fixed effect to account for the fact that the migrant's level of trust, so

the quality of the answers to the questionnaire, may also change according to the interviewer type. In this way we drastically reduce some drawbacks linked to the direct measures highlighted by indirect measures advocates.

3.3   Endogeneity concerns

Despite the large number of covariates introduced in the above analysis, we have not completely eliminated the endogeneity concerns, due to some other omitted variables - as for example unobservable ability related to both the identity choice and the migrant's economic performance - and/or the reverse causality of the relationship under study - actually, the immigrant's satisfaction toward the host country increases if she has had a good past work experience; so that, in the extent to which the actual work experience is positively correlated with the old one, a simultaneity bias occurs.[7] To overcome these problems, we implement an IV strategy and exploit both the use of the Italian language at home and the immigrant's interest in what happens in the home country as instruments for the potential endogeneity of our measures of social identity. We expect that both the instruments affect the immigrant's attitude toward the host and home country, so her identity, but do not directly influence the probability of being employed. The fact that the immigrants prefer to speak the language of the destination country also at home, i.e. when they are not forced to do it, is a signal of their openness to the new culture and suggests that they feel very comfortable with the new country. So we expect a positive correlation with both the integration and assimilation status, but negative with that of separation. To ensure the instrument's exogeneity - indeed, one could argue that the status of worker affects the migrant knowledge of the Italian language - we add, as additional covariate in our regression, the variable representing the migrant's proficiency in the Italian language, i.e. an index of the scores that the respondent achieves in the reading, speaking, listening and writing of the Italian language. Regarding the other instrument, we argue that since a strong interest in the origin country occurs when people strongly identify with it, we expect a positive correlation with the status of integrated and separated while a negative one should be observed for people who assimilate.

To estimate the impact of identity on the probability of being employed, while addressing the aforementioned endogeneity problems, we use two stage least square (2SLS) estimation method. We estimate the following structural equation:

$$Employed_{icn} = \beta_0 + \beta_1 Identity_{icn} + X_{icn}\delta +_j +W + \epsilon_{icn} \qquad (2)$$

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[7] In order to reduce the concerns about this form of endogeneity, we also control for the influence of the past work experiences by using a proxy represented by the years that the respondent has spent in Italy at the time of interview.

$$Identity_{icn} = \gamma_0 + \gamma_1 Z_{icn} + X_{icn}\lambda +_j +W + \eta_{icn} \qquad (3)$$

where equation 3 is the first-stage regression and Z_{icn} is the vector of instruments - *Interested in the home country* - a dummy equal to one if the respondent answers "Enough" or "Very Much" to the question "Are you interested in what happens in your origin country?" and zero otherwise - and *Italian language at home* - in a scale from 1 to 5 where 1 corresponds to "Never" and 5 to "Always". Focusing our analysis on the outcomes of foreigners who have a social identity, so considering only the sub-sample of people who identify with at least one social group, *Identity* represents the vector of dummies for the immigrant's status of integrated, assimilated and separated (using the latter as reference group).

4 Data and descriptive statistics

Data are collected by the ISMU Foundation in 2008. Respondents are 12,049, both men or women, coming from EU and non-EU countries, aged 18 or older and living in 32 Italian provinces[8]. There are many advantages of using this dataset. One is the higher number of observations with respect to the data collected by other official institutions. Also, given the main goal of the ISMU Foundation to support studies that allow a complete and real understanding of the landscape of immigration in Italy, the survey collects not only the official information but also that regarding the irregular phenomenon. Moreover, to the best of our knowledge, this is the first survey that specifically focuses on the immigrants' integration in Italy, including proper information on the foreigners' feeling of belonging to the host and home country. In addition to the specific questions on the immigrants' social identity, the survey provides information on the respondents' socio-cultural and politico-economic conditions, allowing us to deeply examine the complex phenomenon of immigration in Italy.[9]

To the empirical analysis, we select only respondents that, at the date of the interview, work or are potentially job-seekers (85% of the sample), and exclude those in retirement age, housewives and students (in other words, those that declare not to be in a professional situation). The final sample we use is represented by 8,971 observations - almost 75% of the original sample, of which about 44% is represented by women and 56% by men.

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[8]The provinces are dislocated in 13 Regions: Piemonte, Lombardia, Trentino-Alto Adige, Veneto, Emilia-Romagna, Toscana, Marche, Abruzzo, Lazio, Campania, Molise, Puglia and Sicilia.

[9]A detailed description of the data is available in Cesareo and Blangiardo (2009).

According to the summary statistics in Table 1, almost 50% of the people in the sample is *Integrated*, while slightly more than 40% is *Separated*. A little bit more than 6% of the sample is *Assimilated* and, as expected, a very low percentage (2.5%) is *Marginalized*. Not surprisingly, immigrants living in Italy are younger than native people; they are 36.6 on average and mostly married with children (over 50%) - even if only 33% of them reside in Italy with their children. Surprisingly, instead, the percentage of those with at least a high school degree is about 60% (of this 60%, those with a BA degree or a higher level of education are the 17.5%). According to our data, 49.3% of the sample declares to be Christian and 38% to be Muslim (the rest are Buddhist, Hindus, those professing other religions or not religious). People belong to 128 different nationalities: the most of foreigners comes from Eastern Europe (especially from Albania, Romania and Ukraine) from Northwest Africa (especially from Morocco, Senegal and Tunisia) and, finally, from Asia (especially from China and Bangladesh). The respondents usually spend many years in Italy (they say to have been living in Italy for 8.5 years on average) and this explain their high level of knowledge of the Italian language (on average they reach a score of 3.44 in a scale ranging from 1 to 5).

Descriptive statistics by foreigners' social identity in Table 2 highlight some distinctive characteristics of migrants depending on their choices of social identity. As expected, assimilated and integrated people spend more time in Italy than separated and marginalized and achieve also better results regarding the proficiency in the Italian language. Moreover, they represent the highest percentage of the sample with an high school diploma or a BA degree and the lowest percentage of those declaring to have "no education" or "compulsory school". While there is a more homogeneous distribution of the variables informing about the marital status and presence of children across the identity categories (except for integrated foreigners, whose percentage of married people with children is slightly higher), persistent differences exist in terms of the presence of children living in Italy, whose percentage is higher for people who adopt the assimilation or integration strategy.

5 Main results

In Table 3 we report the OLS estimation results of the model in which we regress the probability of being employed on the migrant's social identity and the other covariates. According to column 1, being integrated rises the chances of finding a job - regularly or irregularly, part or full time, as employer or employee - by 6.7 percentage points with respect to all the other identity status. As expected (see column 2), people who have a social identity, i.e. who belong to at least one group (integrated, assimilated and separated), outperform people who do not have any social identity (marginalized - our reference group). However, as we can

see from the bottom of the table, while the integration strategy leads to a better economic performance also with respect to assimilation and separation, there are not statistically significant differences between the latter two status in terms of probability of being employed. The better performance of the integrated foreigners is confirmed also when we add the individual controls and the fixed effects at the nationality, city, economic sector and survey level, although the magnitude of the coefficient slightly decreases (column 3 and 4). Adding the interaction term between the respondent's nationality and the city in which she resides (column 5), to take into account the ethnic selection bias problems, confirms previous findings as those in column 2.

With regard to the other covariates, which have contemporaneous effects on the migrant's social identity and performance, the time spent in Italy and the knowledge of the local language play a significant role; they are positively related to the probability of being employed. Men seem to have higher chances than women on the labour market. Not surprisingly, we find no impact of education; none of the dummies we use per each level of education increases the chance to find a job with respect to the reference group represented by "no education". However, we would expect a major role of education when the job search is restricted to the regular sector only. Regarding the other covariates, we also find a positive correlation between the outcome variable and the status of married. The dummy indicating whether the respondent has children is negatively associated with the employment status but the reverse correlation occurs when we consider the dummy indicating whether her children live in Italy with her. Finally, none of the dummies representing the respondent's religion (not showed in Table 3) seem to affect the foreigner's economic performance differently than Christians (our reference group) except for the Muslims case, whose probability of being employed is lower.

While the OLS results confirm, as in previous studies, that having a social identity (i.e. the identification with at least one group) is beneficial for the foreigners' labour market performance (integrated, assimilated and separated realize better labour market outcomes than marginalized), we proceed by focusing exclusively on those who have a social identity and testing whether different identity strategies lead to different economic performances. To do this we restrict the sample, including only people who declare to belong at least to one group (we exclude marginalized immigrants, i.e. 2.5% of the whole sample). The estimates are reported in Table 4.[10] Results in column 1 confirm a positive correlation between

[10]In Table 8 in the Appendix at the end of the paper we report also the estimation of an OLS model in which we consider separated and marginalized as reference group. Due to the fact that assimilated foreigners realize a better economic performance than those who marginalize according to Table 3, we reduce the chance of finding no statistically significant differences between assimilated and the reference group when the latter is formed by grouping separated and marginalized. However, the results are very similiar to those we obtain when we drop-out

the probability of being employed and the immigrant's status of integrated. As before, integrated migrants increase their chances to find a job by more than 6 percentage points with respect to those who adopt the other social identity choices. We add results for the foreigners' status of assimilated in column 2; in contrast with previous studies, we find no significant difference in their employment status with respect to the separated counterpart. The sign and the magnitude of the integrated coefficient does not change. Results are robust to the specifications in columns (3) - (5) in which we control for the other covariates.

Therefore, the analysis so far carried out seems to suggest that what really matters in explaining the foreigners' occupational probability in Italy is the contemporaneous sense of belonging to the host country society and to their origin ethnic group. As properly argued by the sociological literature the social identity encompasses several aspects, i.e. self-esteem derived from the belonging to a group, self-confidence and psychological well-being associated to the resolution of conflicts between different social identities (Nesdale and Mak, 2003; Phinney et al., 2001) and positive behaviors of peers that produce externalities such as network effects.[11] According to this, identification with both groups, as in case of integrated people, is beneficial because it affects positively the individual's self-esteem, implies psychological well-being due a positive resolution of the conflicts deriving from the participation in different groups, and allows to exploit two different channels to obtain in-group favoritisms, as for example receiving useful information about labour market opportunities (positive externalities due to the peer effects). For the same reasons, we do not expect differences between people who assimilate and those who separate in terms of their labour market outcomes, both implying a negative resolution of the conflicts between different social identities, that leads to disclaim the participation in one of the two groups, with negative consequences on the individual's self-esteem and psychological well-being. Our results are in contrast with previous findings, since a conclusion of the leading literature in this field is that the positive foreigners' performance in labour market is mostly affected by the attachment to the host country, while the ethnic identity does not alter the result (when joined to a contemporaneous identification with the country of destination) or even worsens it (when in contrast with the individual's self-identification with the host country).

However, to strengthen the arguments so far proposed and give causal interpretation to the results we obtain, we proceed by addressing the endogeneity issues using two instruments as those described in subsection 3.3. Thus, we implement an identification strategy based on an IV model, whose results are reported in

the marginalized from the sample.

[11]Several experiments in social-psychology assess that people tend to have more favorable behaviors towards in-group individuals with respect to the out-group ones (Tajfel and Turner, 1986; Yamagishi and Kiyonari, 2000; Chen and Li, 2009)

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Table 5. With regard to the relevance of the instruments, the first-stage highlights a positive relationship between the *Italian language at home* and both the immigrant's status of integrated (column 1 and 2) and assimilated (column 2). Instead, *Interested in the home country*, is positively correlated with *Integrated* (column 1 and 2) but negatively associated with *Assimilated* (column 2), in line with our prior. The first stage F-statistic - at the bottom of the table - is equal to 31.24 (column 1) and 78.54 (column 2), so far above the usual rule of thumb of 10.

The second-stage results obtained from our baseline specification (not accounting for the local ethnic concentration) are reported in columns 3 and 4 of Table 5. We find that the impact of integration on employment's status is stronger than before. In particular, the probability of being employed for an integrated immigrant is about 17 percentage points higher than those of all the other categories (column 3). In column 4 we add *Assimilated*; yet, we find no significant impact of assimilation on employment status while, as expected, the magnitude of the coefficient of *Integrated* increases. Indeed, while the integration strategy ensures a better economic performance with respect to all the other acculturation choices, the difference with the assimilated group is lower than the difference with the separated ones - so that the distance in the probability of being employed tends to raise when the reference group is represented only by the separated (as in column 4). In columns 7 and 8 we report the results from the specification in which we include the foreigners' nationality times the city of residence fixed effects (our preferred specification). The magnitude of the coefficients of both *Integrated* and *Assimilated* is higher than before. Accounting for the local ethnic concentration, the probability of being employed of integrated migrants is 37 percentage points higher than that of the separated counterpart - the effect increases by about 10 percentage points with respect to the specification in column 4 - while the role of assimilation is still negligible. Therefore, omitting the variable accounting for the ethnic concentration in a given area implies a downward biased estimates of the difference between the economic performance of integrated people and that of separated ones. This is likely because the strongest effect that the ethnic concentration dummies capture is the peer-effect that helps foreigners to being employed (people that live in a given community more frequently share information about labour market opportunities). Furthermore, it is also likely that peer-effects are stronger for people that adopt separation strategies. Pendakur and Pendakur (2005), for example, find that separated immigrants use more frequently informal co-ethnic network to find a job in Canada. So that, accounting for the peer-effect allows us to say something about the mechanisms at work, in particular identifying those aspects of the social identity more strictly tied to the individual self-assessment: the higher differences between integrated and separated in terms of their occupational probability would represent the higher self-esteem and a more favorable

psychological attitude that characterized integrated immigrants with respect to the separated ones.[12]

6   Further results

In this section we present the results from different specifications of the empirical model. In particular, we consider different measures of performance as additional labour market outcomes. To account for the potential heterogeneous effect of the social identity depending on the fact that migrants are involved in legal or illegal activities, we consider the foreigners' probability of being employed in the regular sector only. We suspect that integration issues matter more when foreigners search for a regular job, while adopting different identity strategies may be less crucial for the performance on the irregular labour market. Results from OLS and IV model in Table 6 are in line with our basic analysis; we find a positive statistically significant impact of the foreigners' integration status on their probability of being employed in the regular sector (while the impact of the assimilation status is not statistically different from zero), so concluding that the results of our basic analysis may be driven by the regular sector.

In the second model specification, we analyze the relationship between social identity and foreigners' income, in which the outcome is represented by the migrants' classes of income. We report the OLS results in columns 1-2 of Table 7 (Panel A). We find that the integration status plays a role also in explaining differences in the migrants' income, while the status of assimilated keep being negligible. More specific, being integrated on average increases the probability of achieving an higher income class by about 13 percentage points. To deal with the endogeneity concerns, we extend the IV model also at the income analysis. We do not find statistically significant impact of integration on the foreigner's income class when we estimate the model by the 2SLS (column 3). A possible explenation may be represented by a potential non-linearity in the relationship integration-income, suggesting the use of the 2SLS estimation method as not appropriated in this case. To overcome the problem and preserve the non-linearity, we first estimate an ordered probit model - to net out the fact that the dependent variable is not continuous, representing 7 classes of income -, the results of which are reported in columns 4-5 of Table 7 (Panel A). Then we proceed estimating the IV model by using a mixed process estimator, implemented by the cmp module (Roodman, 2011), with the first stages in columns (7)-(8) estimated by Probit models. Results in column 6 confirms the persistence of the relationship "identity-performance" also at the intensive margin. Moreover, in Panel B of Table 7 we report the marginal

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[12]Table 9 in the Appendix at the end of the paper reports very similar results for the case in which separated and marginalized are grouped as reference group.

effects by single income classes, that we obtain from the IV estimation in column 6 (Panel A). Very interestingly, and in line with our prior, we find that the relationship identity-income is non-linear; in particular the impact of integration is negative at low levels of income and turns out to be positive at higher levels. Results may depend on the potential distortions of the local labour market that allows the migrants' access mostly to low profile jobs. Two effects are relevant here: on the one hand, in the extent to which integrated foreigners are also the individuals most capable the access almost exclusively to low quality job opportunities may have detrimental effects on their self-esteem. On the other hand, in the extent to which the access to low quality job occurs especially throughout the use of co-ethnic networks, being separated may give a reward.[13]

7 Concluding Remarks

Nowadays the issue of the immigrants' integration in Europe represents a priority in the political agenda of the European Community. Many studies recently carried out in several European countries, such as Germany and UK, seem to show that the phenomenon of integration, i.e. the self-identification with the culture, the lifestyle and the customs of the country of destination improves the social and economic inclusion of immigrants. However, evidence about the Italian case is missing. This paper represents one of the first studies on the relationship between social identity and labour market performance of the foreigners in Italy.

Using a measure of identity as described in Berry (1997) we show that the probability of being employed and the access to better levels of income of integrated immigrants (i.e. those with a great sense of belonging to either the host or the home country) are higher than those of separated ones (i.e. those strongly anchored to their origin's culture but with a contemporaneously low self-identification with the country of destination). We do not find systematic evidence of a better labour market performance for assimilated people, as usually showed in previous studies. Our results are robust to different estimated models. In particular, to deal with the endogeneity due to the simultaneity in the relationship between the immigrants' social identity and their employment status we use an IV strategy estimated by the 2SLS method.

Our results differ from the existing findings related to some other European countries, as Sweden (Nekby and Rodin, 2010) and Greece (Drydakis, 2013), in which not only the status of integration but also that of assimilation matters to explain the foreigners' performance in the local labour market, so concluding that

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[13]This is consistent with other previous studies, as Pendakur and Pendakur (2005), in which the authors find that maintaining a strong attachment to the origin's country (via informal ethnic network) helps foreigners to find low prestige jobs.

the identification with the host country represents the main driver for the foreigners' economic outcomes. Unlike these studies, our analysis seems to suggest that the full assimilation to the host country culture is not necessarily beneficial or sufficient for the foreigners' well-being. We argue that, while the condition of integrated denotes higher self-esteem and ability to acquire new knowledge, the assimilation, as the separation, may represent a "closeness" strategy. As many sociological studies highlight, there is a systematic loss of self-esteem associated to people who abandone their origin culture; it is what researchers define as "the paradox of assimilation" that justifies the lower performance realized by people who strongly assimilate to the host country culture (Phinney, 1991; Phinney, Cantu, Kurtz, 1997; Rumbaut, 1994; Umana-Taylor, 2004).

Our results have an important policy implication, showing that integration policies that promote full assimilation models, i.e. policies that push for a higher identification with the destination country, without allowing for immigrants to retain their origin culture, could be ineffective or, at least, not ensure the best pay-off foreigners would be able to realize.

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Tables

Table 1: Descriptive Statistics

	Obst	Mean	St. Dev.	Min	Max
Employment	10208	0.802	0.399	0	1
Regular employment	10208	0.682	0.466	0	1
Income classes	10487	2.347	1.836	0	7
Integrated	11626	0.486	0.500	0	1
Assimilated	11626	0.069	0.253	0	1
Separated	11626	0.420	0.494	0	1
Marginalized	11626	0.025	0.156	0	1
Interest in home country	11943	0.908	0.289	0	1
Italian language at home	11573	2.578	1.533	1	5
Years in Italy	11943	8.184	6.093	0	61
Italian language knowledge	11958	3.421	1.046	1	5
Male	11990	0.522	0.500	0	1
Age	11990	36.037	10.115	18	82
No education	11702	0.077	0.267	0	1
Compulsory school	11702	0.323	0.468	0	1
High school	11702	0.417	0.493	0	1
BA degree +	11702	0.182	0.386	0	1
Marital status	12049	0.371	0.483	0	1
Children	11946	0.527	0.499	0	1
Children in Italy	12049	0.327	0.469	0	1
Muslim	11619	0.385	0.487	0	1
Catholic	11619	0.238	0.426	0	1
Orthodox	11619	0.198	0.399	0	1
Coptic	11619	0.004	0.059	0	1
Evangelical	11619	0.023	0.151	0	1
Other Christian	11619	0.021	0.143	0	1
Buddhist	11619	0.035	0.185	0	1
Hindu	11619	0.016	0.125	0	1
Sikh	11619	0.006	0.075	0	1
Other	11619	0.010	0.099	0	1
No religion	11619	0.064	0.245	0	1
Indusrial sector	11495	0.142	0.349	0	1
Commercial sector	11495	0.167	0.373	0	1
Firm services sector	11495	0.080	0.271	0	1
Family services sector	11495	0.231	0.421	0	1
Agricultural sector	11495	0.036	0.185	0	1
Other sectors	11495	0.123	0.328	0	1

Table 2: Summary Statistics by ethnic group

	Integrated		Assimilated		Separated		Marginalized	
	Obst.	Mean	Obst.	Mean	Obst.	Mean	Obst.	Mean
Employment	4812	0.846	634	0.792	4188	0.768	251	0.677
Regular employment	4812	0.752	634	0.740	4188	0.610	251	0.534
Income classes	4956	2.547	715	2.180	4293	2.203	250	1.944
Interest in home country	5641	0.951	794	0.469	4870	0.953	291	0.577
Italian language at home	5473	2.836	779	3.418	4650	2.160	273	2.363
Years in Italy	5602	9.434	786	10.896	4857	6.474	288	7.441
Italian language knowledge	5617	3.660	791	3.959	4848	3.086	290	3.240
Male	5627	0.506	791	0.451	4859	0.552	292	0.527
Age	5628	36.557	792	35.525	4864	35.679	290	35.348
No education	5515	0.062	781	0.060	4744	0.094	286	0.112
Compulsory school	5515	0.291	781	0.269	4744	0.374	286	0.308
High school	5515	0.438	781	0.472	4744	0.387	286	0.381
BA degree +	5515	0.209	781	0.198	4744	0.144	286	0.199
Marital status	5653	0.342	797	0.430	4884	0.390	292	0.390
Children	5612	0.559	782	0.477	4852	0.506	290	0.503
Children in Italy	5653	0.378	797	0.364	4884	0.271	292	0.274
Muslim	5477	0.373	775	0.306	4711	0.414	275	0.364
Catholic	5477	0.249	775	0.302	4711	0.223	275	0.149
Orthodox	5477	0.186	775	0.204	4711	0.204	275	0.269
Coptic	5477	0.005	775	0.004	4711	0.001	275	0.015
Evangelical	5477	0.023	775	0.021	4711	0.023	275	0.040
Other Christian	5477	0.022	775	0.023	4711	0.019	275	0.022
Buddhist	5477	0.036	775	0.031	4711	0.035	275	0.029
Hindu	5477	0.020	775	0.010	4711	0.013	275	0.007
Sikh	5477	0.008	775	0.001	4711	0.004	275	0.004
Other	5477	0.009	775	0.012	4711	0.010	275	0.022
No religion	5477	0.070	775	0.086	4711	0.054	275	0.080
Indusrial sector	5420	0.157	761	0.093	4652	0.139	279	0.082
Commercial sector	5420	0.174	761	0.164	4652	0.158	279	0.176
Firm services sector	5420	0.092	761	0.078	4652	0.069	279	0.061
Family services sector	5420	0.225	761	0.212	4652	0.243	279	0.240
Agricultural sector	5420	0.033	761	0.030	4652	0.040	279	0.018
Other sectors	5420	0.121	761	0.148	4652	0.121	279	0.118

Table 3: Social identity and employment status. OLS model

	Dependent variable is: Employment status				
	(1)	(2)	(3)	(4)	(5)
Integrated	0.067***	0.155***	0.020***	0.041***	0.052***
	(0.009)	(0.034)	(0.006)	(0.015)	(0.018)
Assimilated		0.106***		0.032	0.046**
		(0.038)		(0.019)	(0.023)
Separated		0.090***		0.020	0.032*
		(0.034)		(0.016)	(0.019)
Years in Italy			0.002***	0.002***	0.002***
			(0.001)	(0.001)	(0.001)
Italian language knowledge			0.017***	0.016***	0.018***
			(0.004)	(0.004)	(0.004)
Male			0.029***	0.029***	0.030***
			(0.008)	(0.008)	(0.010)
Age			0.004*	0.004*	0.004
			(0.002)	(0.002)	(0.003)
Age squared			-0.000	-0.000	-0.000
			(0.000)	(0.000)	(0.000)
Compulsory school			-0.001	-0.001	0.006
			(0.014)	(0.014)	(0.016)
High school			-0.007	-0.007	-0.000
			(0.014)	(0.014)	(0.016)
BA degree +			-0.003	-0.003	0.005
			(0.015)	(0.015)	(0.018)
Marital status			-0.026***	-0.026***	-0.026**
			(0.009)	(0.009)	(0.011)
Children			-0.032***	-0.031***	-0.022*
			(0.010)	(0.010)	(0.012)
Children in Italy			0.027***	0.027***	0.027**
			(0.009)	(0.009)	(0.011)
Religion dummy	no	no	yes	yes	yes
Economic sector FE	no	no	yes	yes	yes
Survey & Time FE	no	no	yes	yes	yes
Nationality FE	no	no	yes	yes	yes
City FE	no	no	yes	yes	yes
Nationality x City FE	no	no	no	no	yes
R-squared	0.008	0.009	0.596	0.596	0.619
Observations	9885	9885	8971	8971	8971
Integ.- Separ. =0		0.065***		0.021***	0.020**
		(0.009)		(0.007)	(0.008)
Integ.- Assim.=0		0 .049***		0.009	0.005
		(0.019)		(0.012)	(0.015)
Assim.- Separ. =0		0.016		0.012	0.014
		(0.019)		(0.013)	(0.017)

Notes. Robust standard errors in parenthesis; *** $p < 0.01$, **$p < 0.05$, *$p < 0.1$. Survey and Time fixed effects include place of interview, interviewer and week of interview fixed effects. Sampling weights used.

Table 4: Group identity and employment status. OLS model

| | Dependent variable is: Employment status | | | | |
	(1)	(2)	(3)	(4)	(5)
Integrated	0.063***	0.065***	0.019***	0.021***	0.020**
	(0.009)	(0.009)	(0.006)	(0.007)	(0.008)
Assimilated		0.016		0.010	0.013
		(0.019)		(0.013)	(0.017)
Individual controls	no	no	yes	yes	yes
Economic sector FE	no	no	yes	yes	yes
Survey & Time FE	no	no	yes	yes	yes
Nationality FE	no	no	yes	yes	yes
City FE	no	no	yes	yes	yes
Nationality x City FE	no	no	no	no	yes
R-squared	0.007	0.007	0.590	0.590	0.612
Observations	9634	9634	8750	8750	8750

Notes. Robust standard errors in parenthesis; *** $p < 0.01$, **$p < 0.05$, *$p < 0.1$. The set of individual controls is the same as in Table 3, including *Years in Italy, Italian language knowledge, Male, Age, Age squared, Compulsory school, High school, BA degree +, Marital status, Children, Children in Italy and Religion dummies.* Survey and Time fixed effects include place of interview, interviewer and week of interview fixed effects. Sampling weights used.

Table 5: Group identity and employment status. Instrumental variables (2SLS)

	First stage		Second stage		First stage		Second stage	
			Dependent variable is:					
	Integrated	Assimilated	Employment		Integrated	Assimilated	Employment	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Interest in home country	0.203***	-0.402***			0.170***	-0.366***		
	(0.034)	(0.030)			(0.039)	(0.034)		
Italian language at home	0.029***	0.018***			0.024***	0.021***		
	(0.007)	(0.004)			(0.008)	(0.005)		
Integrated			0.173***	0.271***			0.252**	0.377**
			(0.064)	(0.097)			(0.109)	(0.153)
Assimilated				0.082				0.099
				(0.056)				(0.079)
Individual Controls	yes	yes	yes	yes	yes	yes	yes	yes
Economic Sectors FE	yes	yes	yes	yes	yes	yes	yes	yes
Survey & Time FE	yes	yes	yes	yes	yes	yes	yes	yes
Nationality FE	yes	yes	yes	yes	yes	yes	yes	yes
City FE	yes	yes	yes	yes	yes	yes	yes	yes
Nationality x City FE	no	no	no	no	yes	yes	yes	yes
R-squared	0.218	0.326	0.634	0.585	0.353	0.437	0.641	0.561
Observations	8362	8362	8362	8362	7372	7372	7372	7372
Hansen overidentification test (p-value)			0.11				0.13	
F-test of excluded instruments	31.24	78.54			17.66	47.95		

Notes. Robust standard errors in parenthesis; *** $p < 0.01$, **$p < 0.05$, *$p < 0.1$. The set of individual controls is the same as in Table 3, including *Years in Italy, Italian language knowledge, Male, Age, Age squared, Compulsory school, High school, BA degree +, Marital status, Children, Children in Italy and Religion dummies.* Survey and Time fixed effects include place of interview, interviewer and week of interview fixed effects. Sampling weights used.

Table 6: Group identity and regular employment

	OLS		IV - 2SLS (Second Stage)			
	Dependent variable is: Regular Employment					
	(1)	(2)	(3)	(4)	(5)	(6)
Integrated	0.029***	0.026**	0.168*	0.290**	0.277*	0.376*
	(0.010)	(0.013)	(0.100)	(0.144)	(0.147)	(0.208)
Assimilated	0.026	0.023		0.103		0.079
	(0.019)	(0.023)		(0.082)		(0.105)
Individual controls	yes	yes	yes	yes	yes	yes
Economic Sectors FE	yes	yes	yes	yes	yes	yes
Survey & Time FE	yes	yes	yes	yes	yes	yes
Nationality FE	yes	yes	yes	yes	yes	yes
City FE	yes	yes	yes	yes	yes	yes
Nationality x City FE	no	yes	no	no	yes	yes
R-squared	0.423	0.455	0.472	0.428	0.512	0.467
Observations	8750	8750	8362	8362	7372	7372
Hansen overidentification test (p-value)			0.18		0.39	

Notes. Robust standard errors in parenthesis; *** $p < 0.01$, **$p < 0.05$, *$p < 0.1$. OLS estimates in columns 1 and 2. Second stage of 2SLS estimates in columns (3)-(6). First stages of 2SLS estimates in columns (3)-(6) are the same as in columns (1)-(2) and (5)-(6) of Table 5. The set of individual controls is the same as in Table 3, including *Years in Italy, Italian language knowledge, Male, Age, Age squared, Compulsory school, High school, BA degree +, Marital status, Children, Children in Italy and Religion dummies.* Survey and Time fixed effects include place of interview, interviewer and week of interview fixed effects. Sampling weights used.

Table 7: Group identity and income.

	OLS		2SLS	Ordered Probit		IV - Ordered Probit		
						Second Stage	First Stage	
				PANEL A. Dependent variable is:				
	Income classes y						Integrated	Assimilated
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Integrated	0.080**	0.131***	0.282	0.062*	0.126***	0.126**		
	(0.036)	(0.045)	(0.351)	(0.032)	(0.040)	(0.062)		
Assimilated	-0.044	0.037	-0.070	-0.062	0.027	0.027		
	(0.071)	(0.089)	(0.259)	(0.065)	(0.082)	(0.111)		
Interest in home country							0.889***	-2.140***
							(0.081)	(0.104)
Italian language at home							0.132***	0.158***
							(0.016)	(0.028)
Individual controls	yes	yes	yes	yes	yes	yes	yes	yes
Economic sector FE	yes	yes	yes	yes	yes	yes	yes	yes
Survey & Time FE	yes	yes	yes	yes	yes	yes	yes	yes
Nationality FE	yes	yes	yes	yes	yes	yes	yes	yes
City FE	yes	yes	yes	yes	yes	yes	yes	yes
Nationality x City FE	no	yes	yes	no	yes	yes	yes	yes
R-squared	0.548	0.561	0.639	0.240	0.317		0.202	0.461
Log pseudolikelihood						-16463.855		
Wald Chi-squared						2.84e+09		
Observations	9031	9031	7610	9031	9031	9785	7302	3989
	PANEL B. Marginal effects of Income class y (Ref. col. 6)							
	No income	$y < 600$	$y \in [600, 799]$	$y \in [800, 999]$	$y \in [1000, 1199]$	$y \in [1200, 1499]$	$y \in [1500, 2000]$	$y > 2000$
Integrated	-0.014**	-0.007**	-0.006**	0.001*	0.008**	0.009**	0.005**	0.004**
	(0.007)	(0.003)	(0.003)	(0.001)	(0.004)	(0.004)	(0.002)	(0.002)
Assimilated	-0.003	-0.001	-0.001	0.000	0.002	0.002	0.001	0.001
	(0.012)	(0.006)	(0.005)	(0.001)	(0.007)	(0.008)	(0.004)	(0.004)

*Notes.* Robust standard errors in parenthesis; *** $p < 0.01$, **$p < 0.05$, *$p < 0.1$. Panel A reports OLS estimates in columns (1)-(2), 2SLS in column (3) and ordered probit estimates in columns (4)-(5). Column (3) reports the second stage of the 2SLS estimation, with first stages equal to those in columns (5)-(6) of Table 5. Instrumental variables-Ordered Probit in columns (6)-(8) are estimated by mixed process estimator, implemented by the cmp module (Roodman, 2011), with the first stages in columns (7)-(8) estimated by Probit models. R-squared are the Adjusted R-squared in columns (1)-(3) and the Pseudo R-squared in columns (4)-(5) and (7)-(8). Panel B reports the marginal effects for the individual income classes corresponding to the specification in column 6 of Panel A. The set of individual characteristics is the same as in Table 3, including *Years in Italy, Italian language knowledge, Male, Age, Age squared, Compulsory school, High school, BA degree +, Marital status, Children, Children in Italy and Religion dummies.* Survey & Time FE include place of interview, interviewer and week of interview fixed effects. Sampling weights used.

Figures

Figure 1: Marginal effects
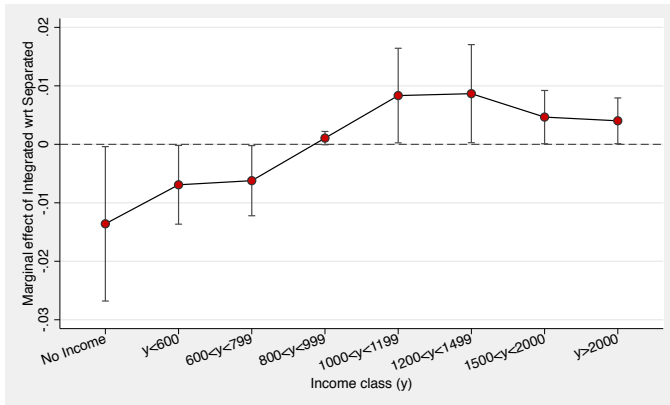
(a) Integrated wrt Separated
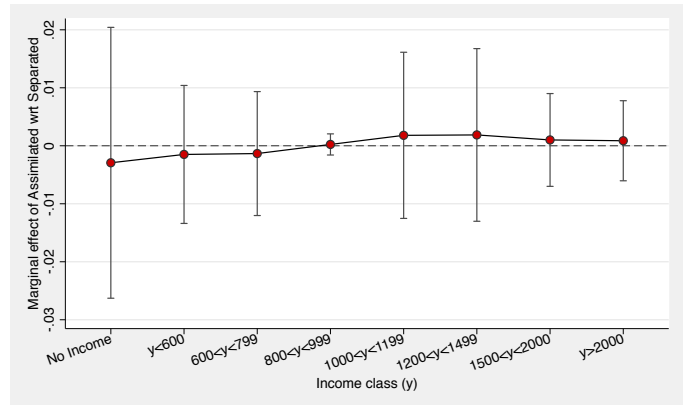
(b) Assimilated wrt Separated

Appendix: Integrated and Assimilated vs. Separated and Marginalized

Table 8: Identity and employment status. OLS model

	Dependent variable is: Employment status				
	(1)	(2)	(3)	(4)	(5)
Integrated	0.067***	0.070***	0.020***	0.022***	0.022***
	[0.009]	[0.009]	[0.006]	[0.007]	[0.008]
Assimilated		0.021		0.013	0.017
		[0.019]		[0.013]	[0.017]
Individual controls	no	no	yes	yes	yes
Economic sector FE	no	no	yes	yes	yes
Survey & Time FE	no	no	yes	yes	yes
Nationality FE	no	no	yes	yes	yes
City FE	no	no	yes	yes	yes
Nationality x City FE	no	no	no	no	yes
R-squared	0.008	0.008	0.596	0.596	0.619
Observations	9885	9885	8971	8971	8971

Notes. Robust standard errors in parenthesis; *** $p < 0.01$, **$p < 0.05$, *$p < 0.1$. The set of individual controls includes *Years in Italy, Italian language knowledge, Male, Age, Age squared, Compulsory school, High school, BA degree +, Marital status, Children, Children in Italy and Religion dummies.* Survey and Time fixed effects include place of interview, interviewer and week of interview fixed effects. Sampling weights used.

Table 9: Identity and employment status. Instrumental variables (2SLS)

	First stage		Second stage		First stage		Second stage	
			Dependent variable is:					
	Integrated	Assimilated	Employment		Integrated	Assimilated	Employment	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Interest in home country	0.222***	-0.371***			0.187***	-0.340***		
	[0.033]	[0.029]			[0.038]	[0.032]		
Italian language at home	0.030***	0.018***			0.026***	0.021***		
	[0.007]	[0.004]			[0.008]	[0.005]		
Integrated			0.160***	0.247***			0.228**	0.335**
			[0.056]	[0.086]			[0.093]	[0.131]
Assimilated				0.083				0.097
				[0.058]				[0.077]
Individual Controls	yes	yes	yes	yes	yes	yes	yes	yes
Economic Sectors FE	yes	yes	yes	yes	yes	yes	yes	yes
Survey & Time FE	yes	yes	yes	yes	yes	yes	yes	yes
Nationality FE	yes	yes	yes	yes	yes	yes	yes	yes
City FE	yes	yes	yes	yes	yes	yes	yes	yes
Nationality x City FE	no	no	no	no	yes	yes	yes	yes
R-squared	0.219	0.309	0.645	0.606	0.352	0.429	0.660	0.600
Observations	8567	8567	8567	8567	7568	7568	7568	7568
Hansen overidentification test (p-value)				.				.
F-test of excluded instruments	37.28	81.29			21.95	55.28		

Notes. Robust standard errors in parenthesis; *** $p < 0.01$, **$p < 0.05$, *$p < 0.1$. The set of individual controls includes *Years in Italy, Italian language knowledge, Male, Age, Age squared, Compulsory school, High school, BA degree +, Marital status, Children, Children in Italy and Religion dummies.* Survey and Time fixed effects include place of interview, interviewer and week of interview fixed effects. Sampling weights used.

Table 10: Identity and regular employment

	OLS		IV - 2SLS							
			First stage		Second stage		First stage		Second stage	
					Dependent variable is:					
	Regular Employment		Integrated	Assimilated	Regular Employment		Integrated	Assimilated	Regular Employment	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Integrated	0.030***	0.029**			0.155*	0.262**			0.245**	0.323*
	[0.010]	[0.012]			[0.089]	[0.130]			[0.125]	[0.178]
Assimilated	0.030	0.030				0.101				0.071
	[0.019]	[0.023]				[0.085]				[0.105]
Interest in home country			0.222***	-0.371***			0.187***	-0.340***		
			[0.033]	[0.029]			[0.038]	[0.032]		
Italian language at home			0.030***	0.018***			0.026***	0.021***		
			[0.007]	[0.004]			[0.008]	[0.005]		
Individual controls	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes
Economic Sectors FE	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes
Survey & Time FE	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes
Nationality FE	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes
City FE	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes
Nationality x City FE	no	yes	no	no	no	no	yes	yes	yes	yes
R-squared	0.426	0.458								
Observations	8971	8971	8567	8567	8567	8567	7568	7568	7568	7568
Hansen overidentification test (p-value)					.				.	
F-test of excluded instruments			37.28	81.29			21.95	55.28		

Notes. OLS estimates in columns 1 and 2. 2SLS estimates in column (3)-(10). Robust standard errors in parenthesis; *** $p < 0.01$, **$p < 0.05$, *$p < 0.1$. The set of individual controls includes *Years in Italy, Italian language knowledge, Male, Age, Age squared, Compulsory school, High school, BA degree +, Marital status, Children, Children in Italy and Religion dummies.* Survey and Time fixed effects include place of interview, interviewer and week of interview fixed effects. Sampling weights used.