

# Co-Ethnic Neighbors and Assimilation<sup>\*</sup>

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**Abstract:** Economic theory predicts that a common language and culture facilitate social interaction. The value of assimilation is larger for an individual from a small minority than for one from a large minority. We test the theory and confirm it by exploiting a natural experiment in Denmark between 2004 and 2015, when refugee immigrants were assigned to neighborhoods quasi-randomly and language training was a condition for receiving social assistance. The assigned share of co-language neighbors reduces the probability of having completed a language course four years since arrival, irrespective of gender and skills. While the share of neighbors who speak their native tongue has little impact on the economic success of men, it increases women's fertility and reduces their employment probability, earnings, and likelihood of working in communication-intensive jobs. Moreover, while favorable local labor market conditions improve individual labor market outcomes, they slow down the language course progression of men. Our results support the economic theory and have important implications for immigration and integration policies.

**Keywords:** Immigrants, Refugees, Asylum Seekers, Neighborhoods, Shared First Language, Second Language, Human Capital Investment, Culture, Assimilation, Natural Experiment.

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