

MODELING MIGRATION-INDUCED UNEMPLOYMENT

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Available at <https://pascalmichailat.org/14/>

MIGRATION INDUCES UNEMPLOYMENT EVERYWHERE EXCEPT IN EXISTING MODELS

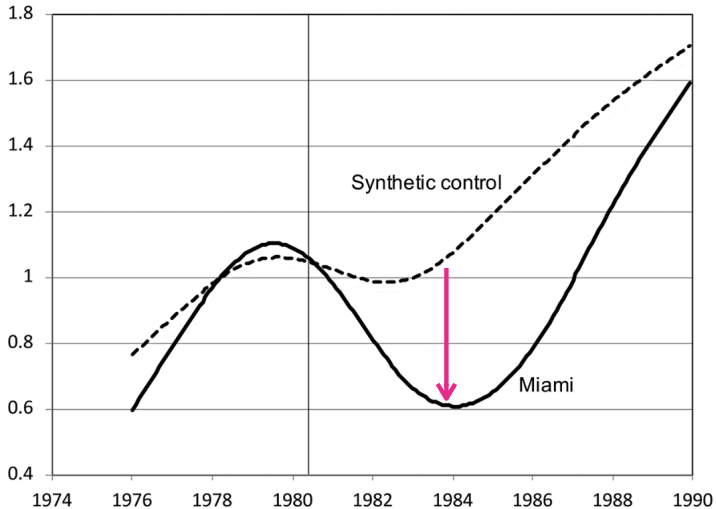
- In international/return/domestic migration experiments:
 - Newcomers raise unemployment rate of locals
- In popular perceptions and voting patterns:
 - People are worried that immigrants steal their jobs
- But not in existing labor-market models:
 - Walrasian model: no unemployment
 - DMP model: newcomers are seamlessly absorbed
- This paper:
 - A model in which migration affects local unemployment

EVIDENCE FROM MIGRATION STUDIES

- US workers → new cities during the Great Depression
 - 100 arrivals in city ⇒ 21 locals in unemployment
 - “NO JOBS in California / If YOU are looking for work—KEEP OUT / 6 men for every job / No state relief available for non-residents”
 - Source: Boustan, Fishback, Kantor (2010)
- French repatriates from Algeria → France in the 1960s
 - 100 repatriates in labor force ⇒ 20 locals in unemployment
 - Source: Hunt (1992)
- Algerians refugees → France in the 1960s
 - 100 refugees in region-education cell ⇒ 27 locals in unemployment
 - Source: Borjas, Monras (2019)

- Cuban immigrants \leadsto Miami in the 1980s
 - 100 new Cubans in labor force \Rightarrow 13 old Cubans in unemployment
 - Source: Card (1990)
- Ethnic Germans, East Germans, foreigners \leadsto Germany in 1987–2001
 - 100 new immigrants in employment \Rightarrow 30–40 old immigrants in unemployment
 - Source: d'Amurio, Ottaviano, Peri (2010)
- Czech commuters \leadsto German border towns in 1991–1993
 - 100 commuters in employment \Rightarrow 71 natives in unemployment
 - Cause: reduced inflows of natives into employment
 - Source: Dustmann, Schoenberg, Stuhler (2016)

TIGHTNESS FELL BY 40% AFTER MARIEL BOATLIFT (ANASTASOPOULOS, BORJAS, COOK, LACHANSKI 2021)



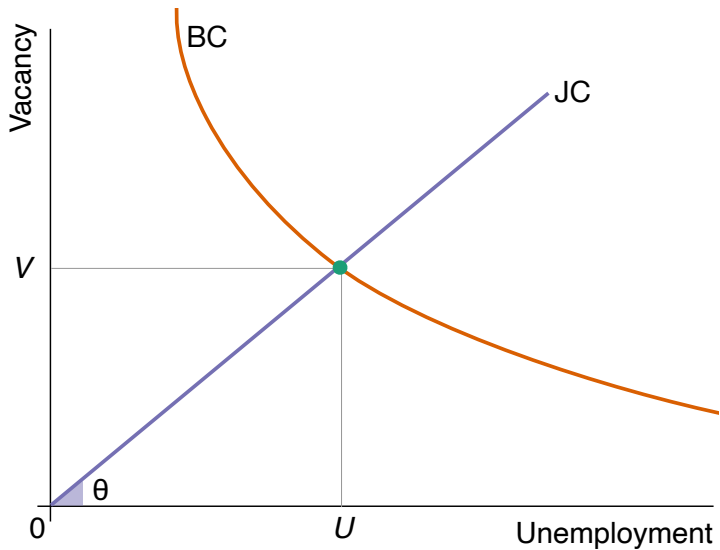
AND THERE MIGHT BE MORE EVIDENCE OUT THERE

- “The 1992 National Election Studies survey asked other questions about immigration that we do not analyze. For example, respondents were asked whether they think Asians or Hispanics ‘take jobs away from people already here.’ We do not focus on this question because its responses cannot clearly distinguish among our three competing economic models. All our models assume full employment, so no natives could have jobs ‘taken away’ by immigrants.”
- Source: Scheve, Slaughter (2001)

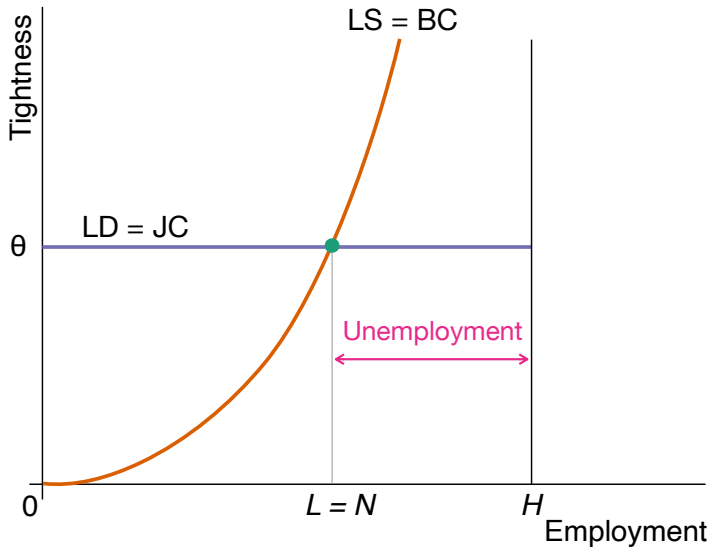
JOB STEALING IN 1992 NATIONAL ELECTION STUDIES SURVEY

	How likely is it?			
	Extremely	Very	Somewhat	Not at all
The growing number of these immigrants takes jobs away from people already here				
Hispanics	20%	29%	38%	13%
Asians	19%	30%	37%	13%

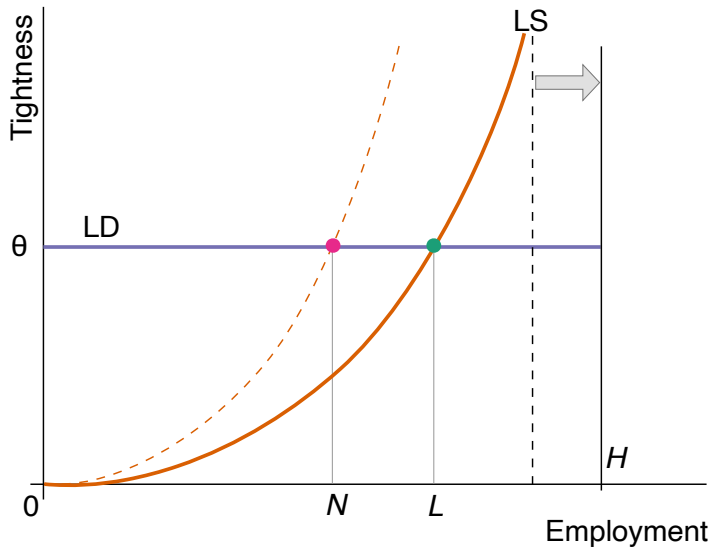
MIGRATION INDUCES NO UNEMPLOYMENT IN DMP MODEL



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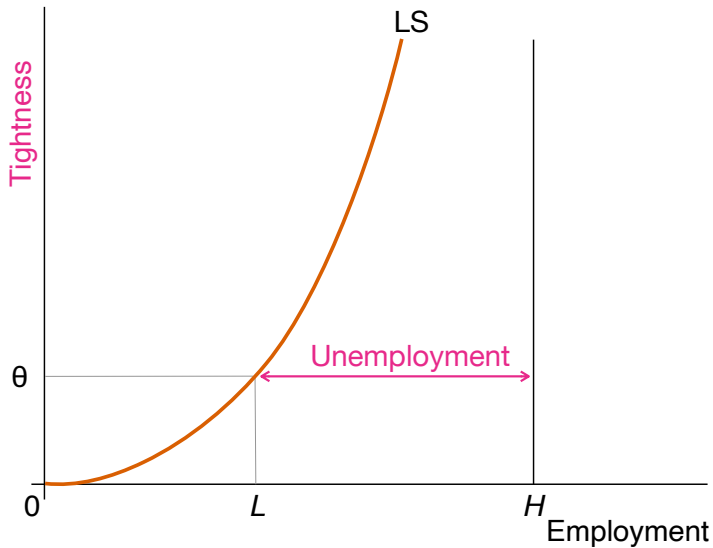
MIGRATION INDUCES NO UNEMPLOYMENT IN DMP MODEL



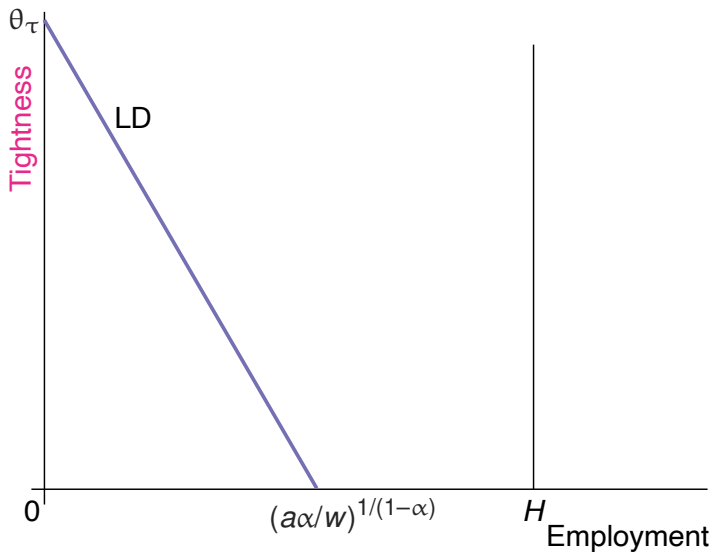
ADDING JOB RATIONING TO DMP MODEL (MICHAILLAT 2012)

1. Linear production function \leadsto concave production function
 - Labor demand is downward sloping in w and θ
 - Somewhat limited number of jobs
2. Bargained wages \leadsto rigid wages
 - Labor demand responds to business-cycle shocks
 - Fewer jobs in bad times
 - Response of wages to migration calibrated to evidence

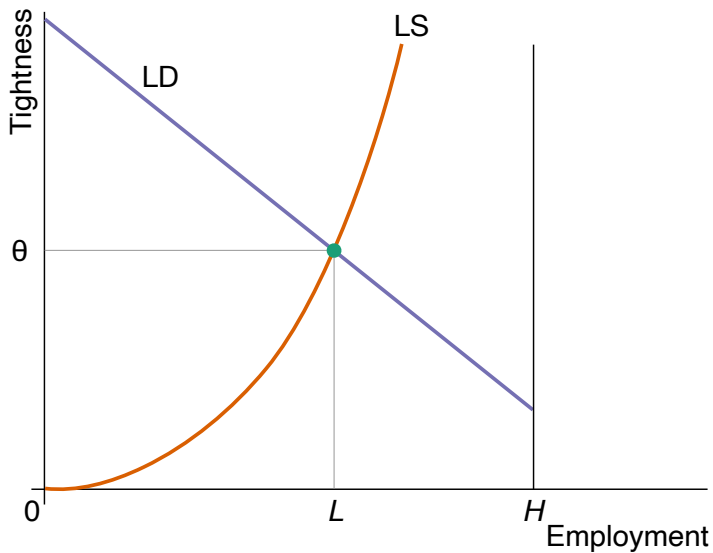
LABOR SUPPLY



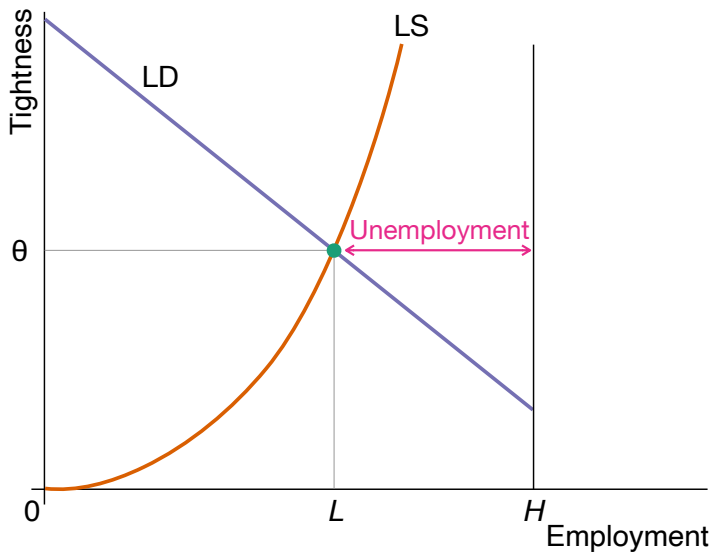
LABOR DEMAND



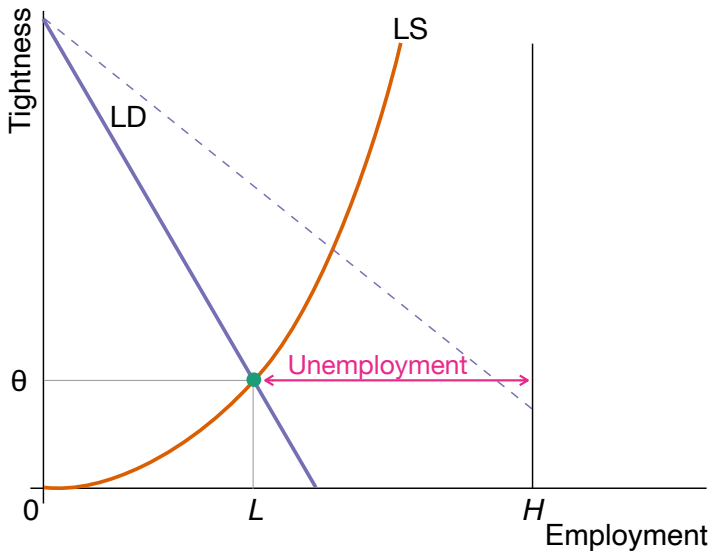
MODEL SOLUTION: BORJAS MEETS CARD



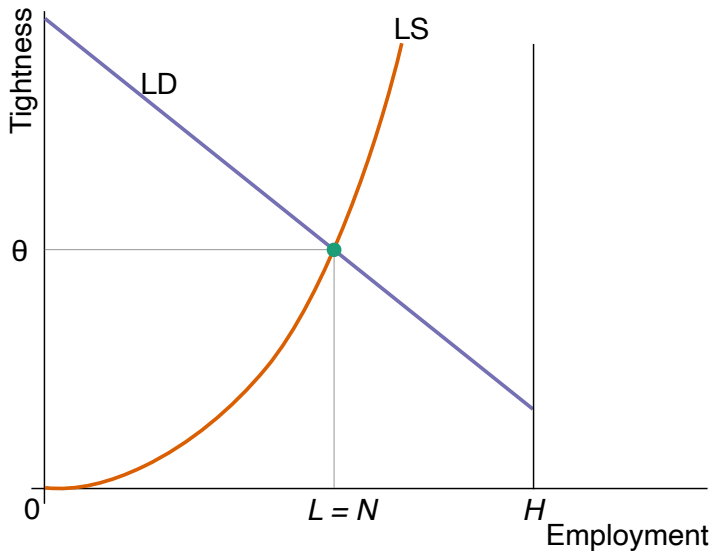
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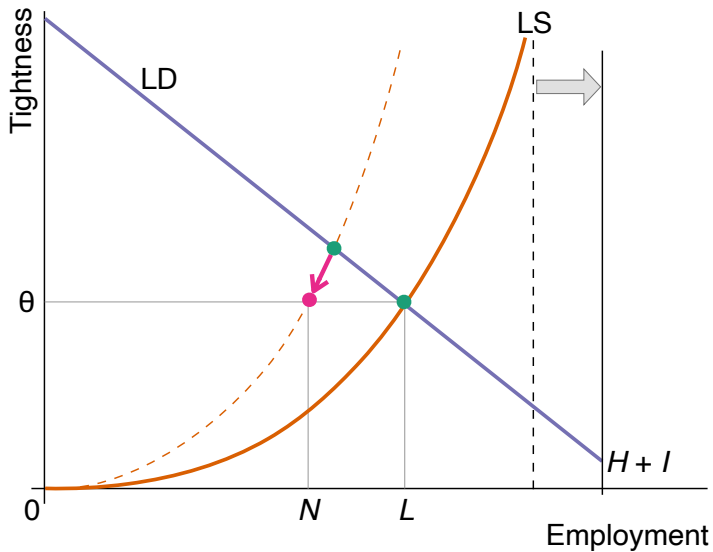
BAD TIMES: LOW LABOR DEMAND



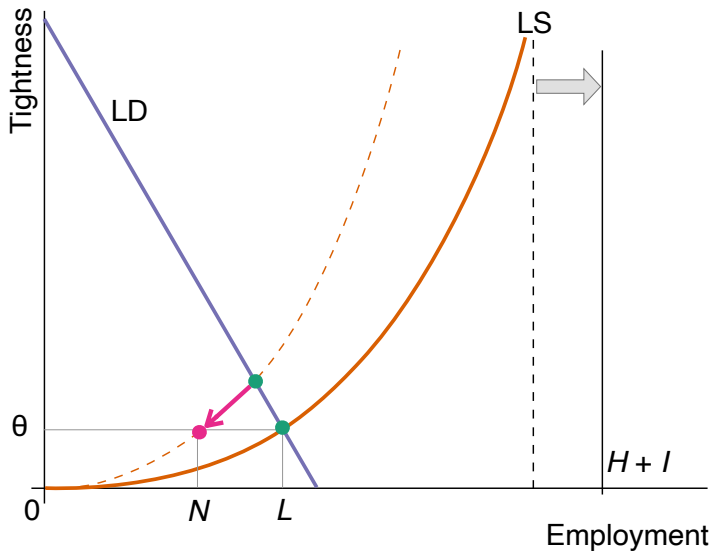
IN-MIGRATION: JOB-FINDING RATE OF LOCALS \downarrow



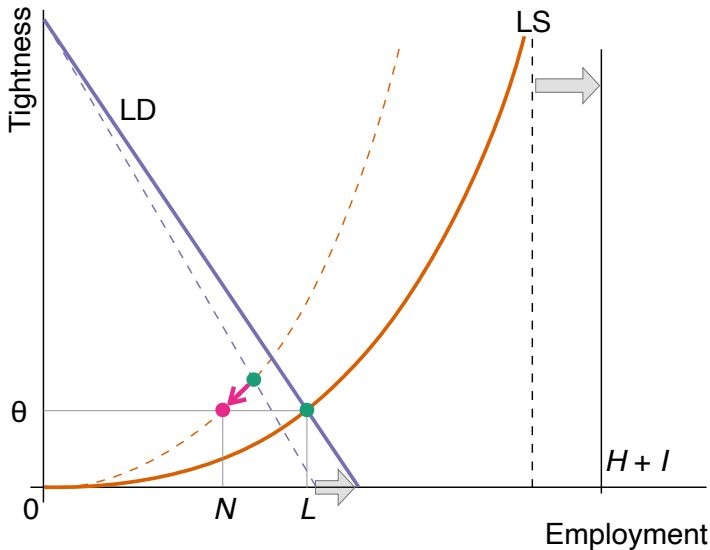
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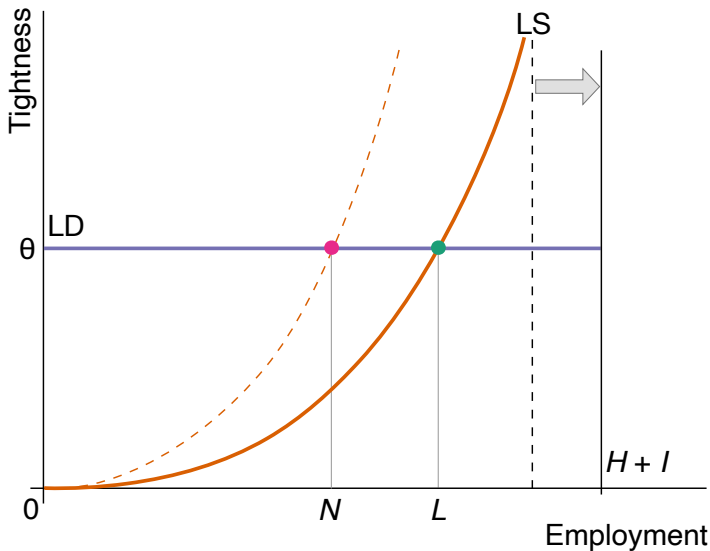
STRONGER JOB STEALING IN BAD TIMES



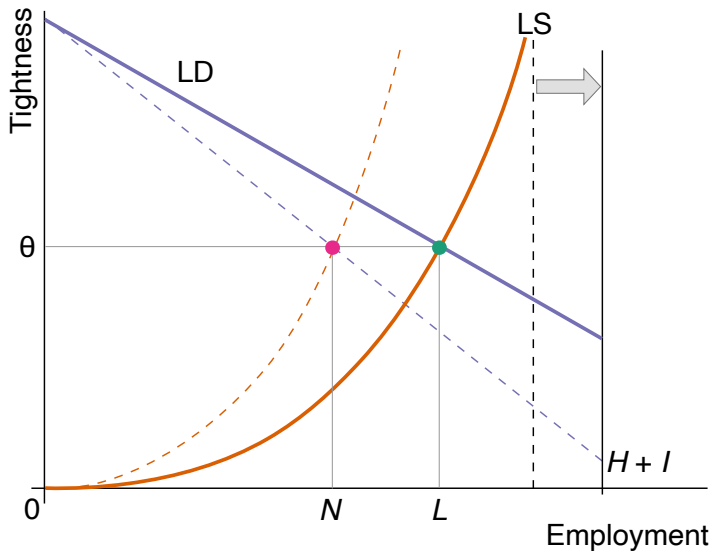
WEAKER JOB STEALING IF WAGES FALL



CLASSIC CARD SCENARIO: LINEAR PRODUCTION FUNCTION



CLASSIC BORJAS SCENARIO: FLEXIBLE WAGES



DISTRIBUTIONAL CONSEQUENCES FROM MIGRATION

- Local workers are **always hurt by in-migration**
 - Local labor income \downarrow with in-migration
 - Because local employment \downarrow (and wages \downarrow)
- Firm owners **always benefit from in-migration**
 - Firm profits \uparrow with in-migration
 - Because recruiting becomes easier (and wages \downarrow)
- Political implications:
 - Pro-labor parties & unions oppose immigration
 - Pro-business parties & business lobbies support immigration
 - Voters flock to anti-immigration parties when unemployment \uparrow

OPTIMAL MIGRATION POLICY FOR MACROSTABILIZATION

- In-migration improves local welfare in inefficiently tight labor market
 - By reducing tightness, **in-migration raises firm profits** more than it lowers local labor income
 - In-migration reduces local welfare in inefficiently slack labor market
 - By reducing tightness, **in-migration lowers local labor income** more than it raises firm profits
- ⇒ Optimal in-migration is **procyclical**
- When labor market is inefficiently slack: no in-migration
 - When labor market is inefficiently tight: enough in-migration to lower tightness below its efficient level

LACK OF IMMIGRATION AFTER CORONAVIRUS PANDEMIC

