

MODELING MIGRATION-INDUCED UNEMPLOYMENT

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MIGRATION INDUCES UNEMPLOYMENT EVERYWHERE EXCEPT IN EXISTING MODELS

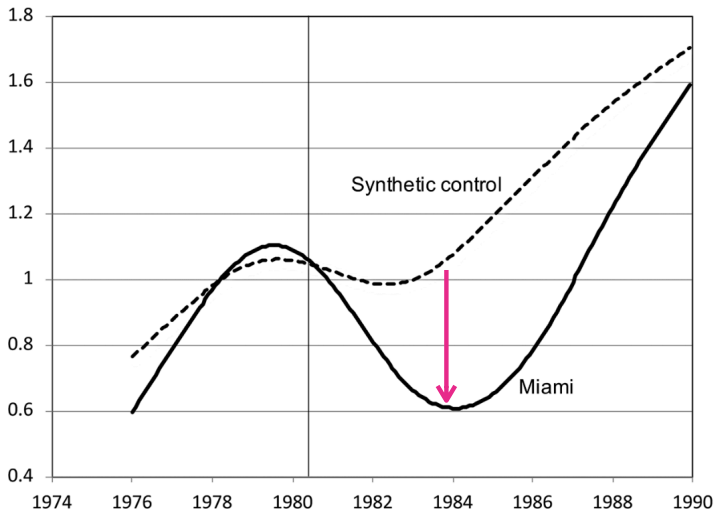
- In international/return/domestic migration experiments:
 - Newcomers raise unemployment rate of locals
- In popular perceptions and voting patterns:
 - People are worried that immigrants steal their jobs
- But not in existing labor-market models:
 - Walrasian model: no unemployment
 - DMP model: newcomers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



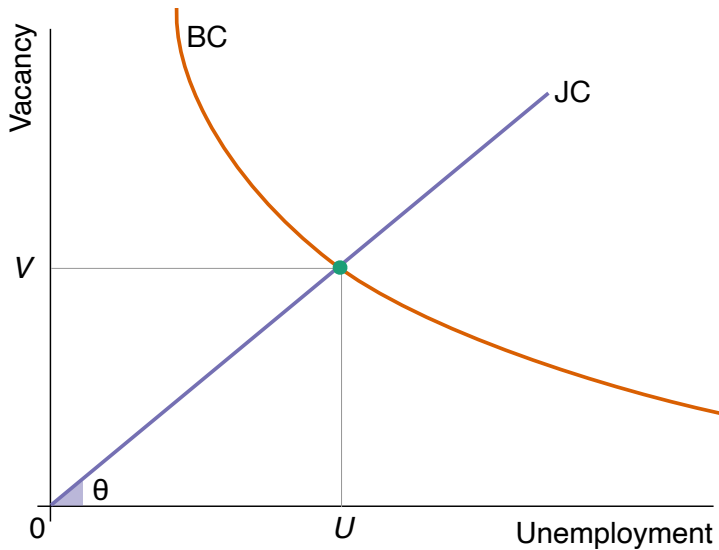
AND THERE MIGHT BE MORE EVIDENCE OUT THERE

- “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)

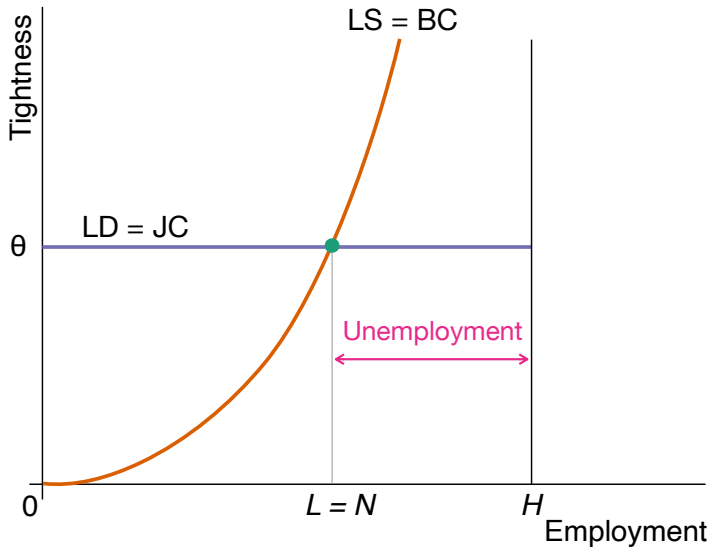
JOB STEALING IN 1992 NATIONAL ELECTION STUDIES SURVEY

	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%

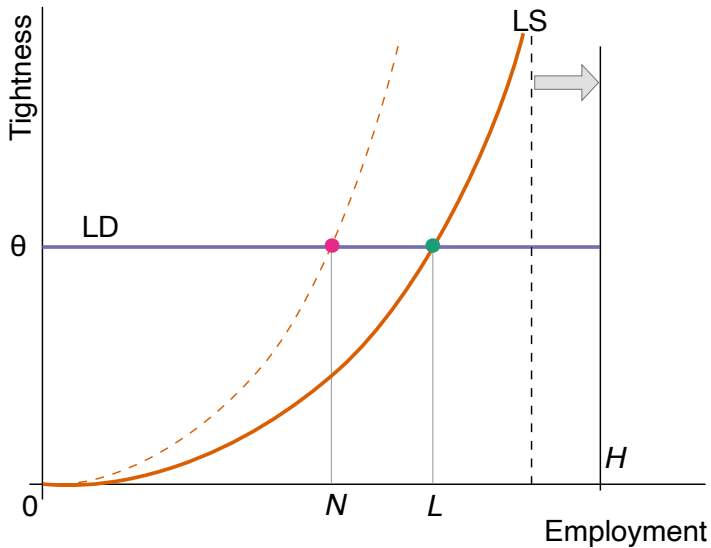
MIGRATION INDUCES NO UNEMPLOYMENT IN DMP MODEL



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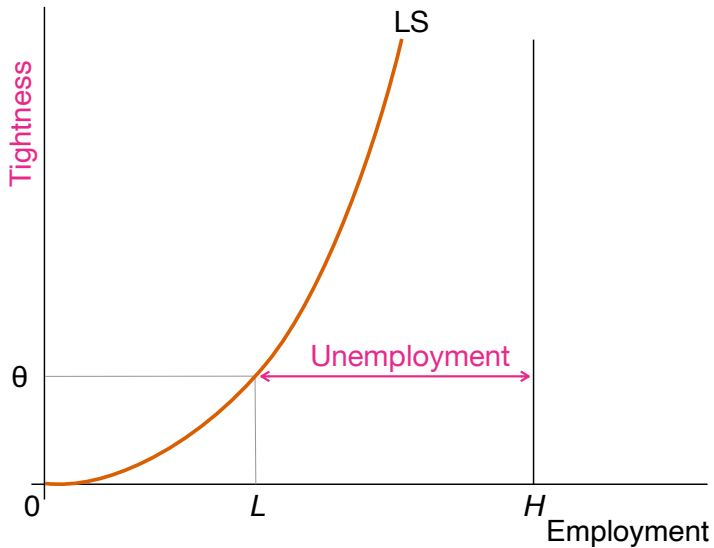
MIGRATION INDUCES NO UNEMPLOYMENT IN DMP MODEL



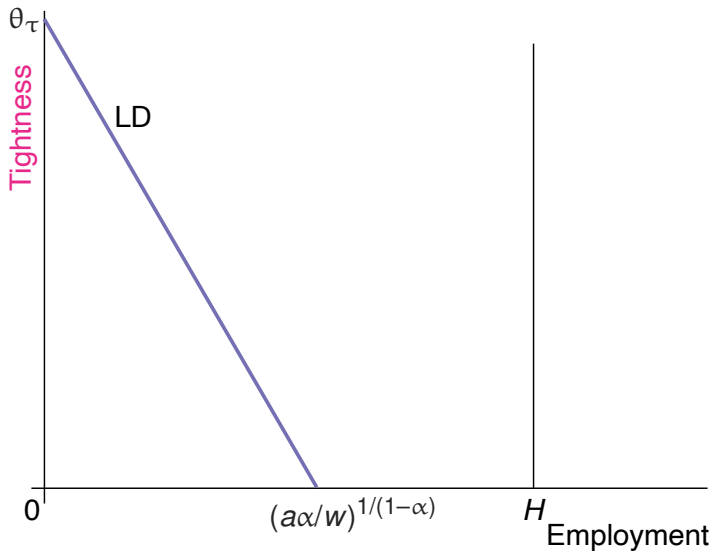
ADDING JOB RATIONING TO DMP MODEL (MICHAILLAT 2012)

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

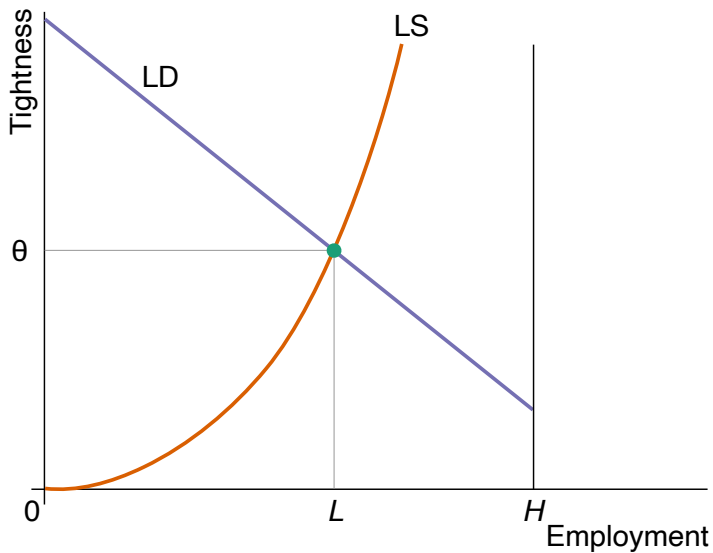
LABOR SUPPLY



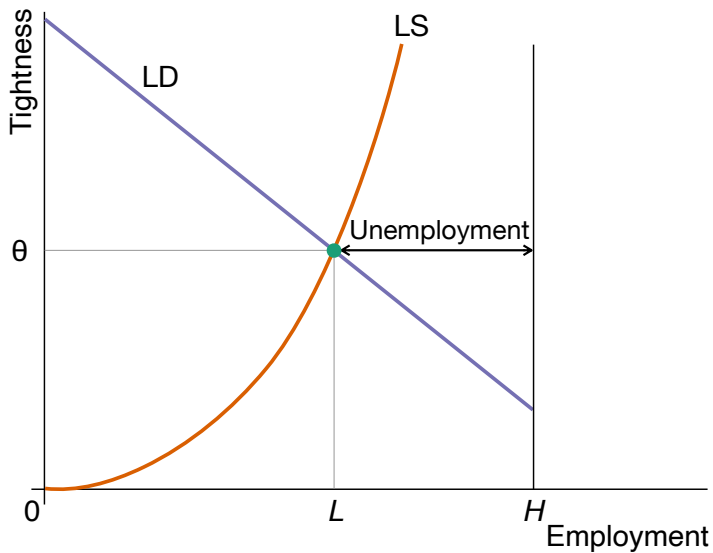
LABOR DEMAND



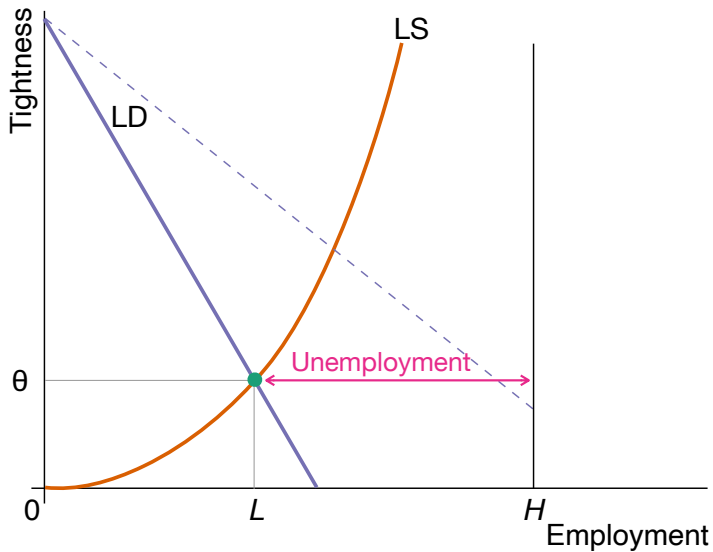
MODEL SOLUTION: BORJAS MEETS CARD



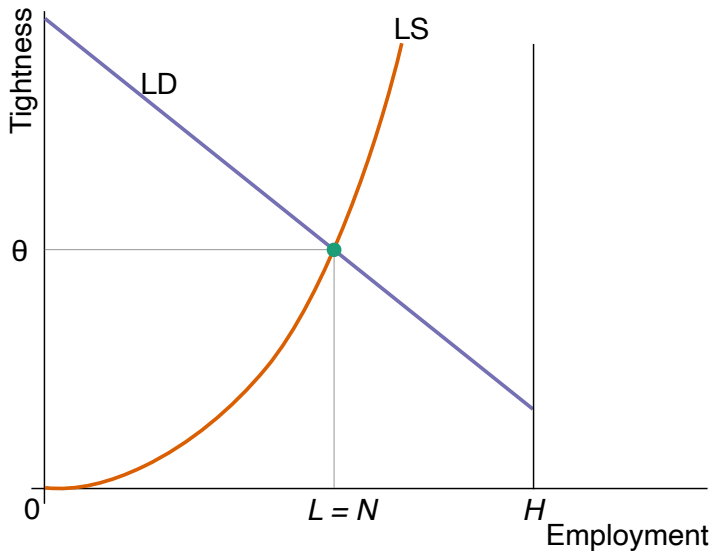
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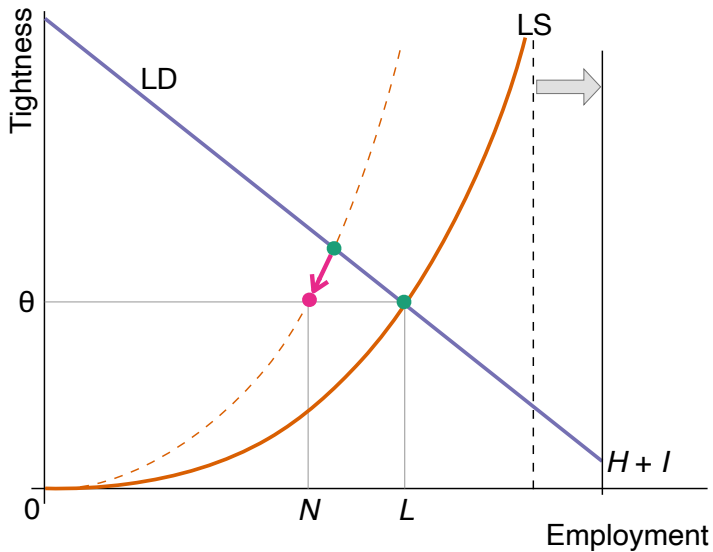
BAD TIMES: LOW LABOR DEMAND



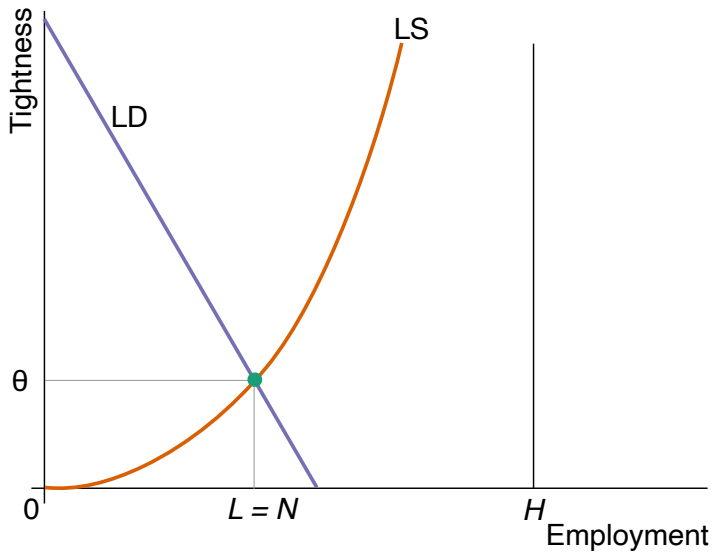
IN-MIGRATION: JOB-FINDING RATE OF NATIVES \downarrow



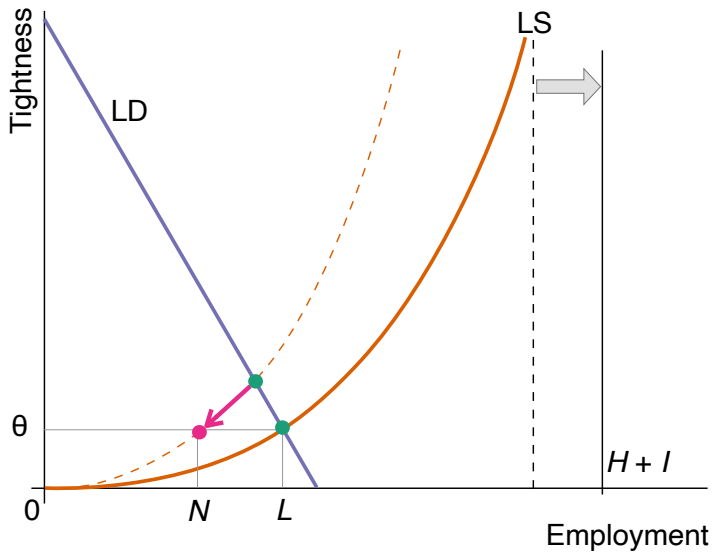
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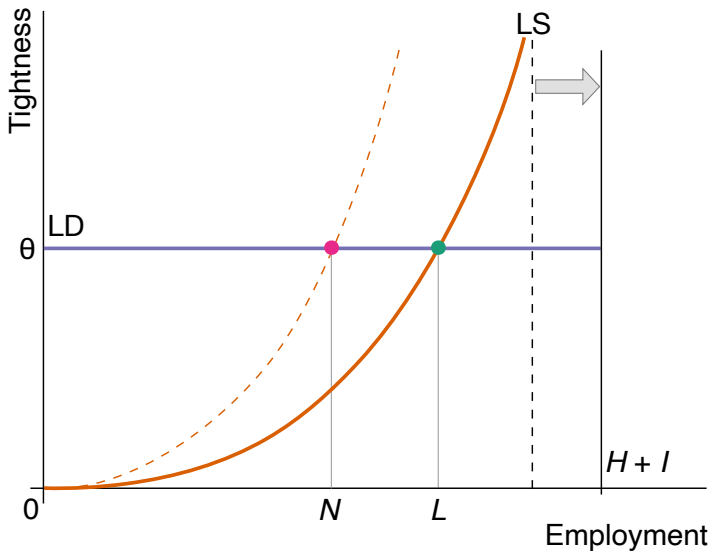
STRONGER JOB STEALING IN BAD TIMES



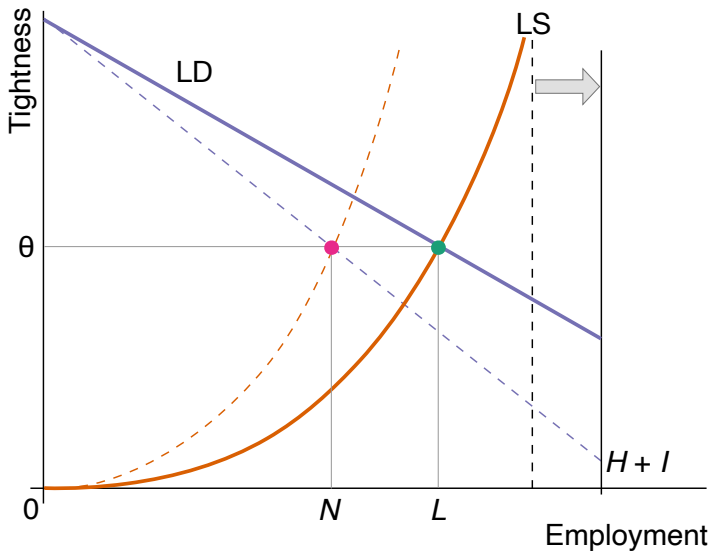
STRONGER JOB STEALING IN BAD TIMES



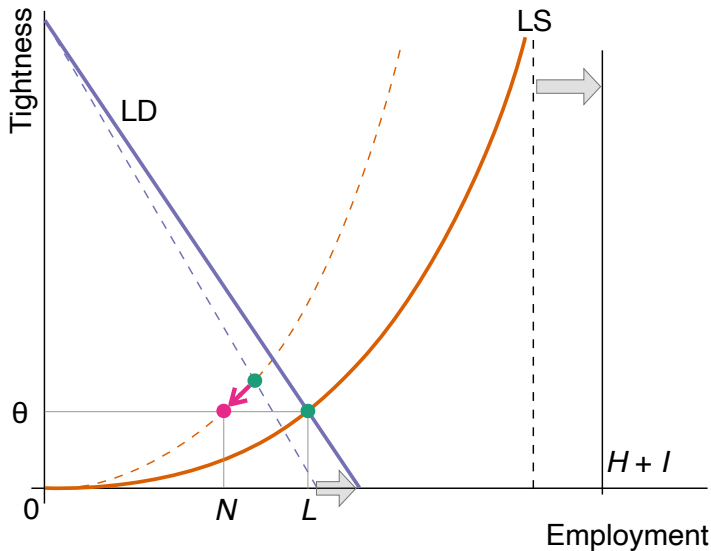
CARDIAN CASE: MIGRATION HAS NO EFFECTS



BORJASIAN CASE: MIGRATION ONLY AFFECTS WAGES



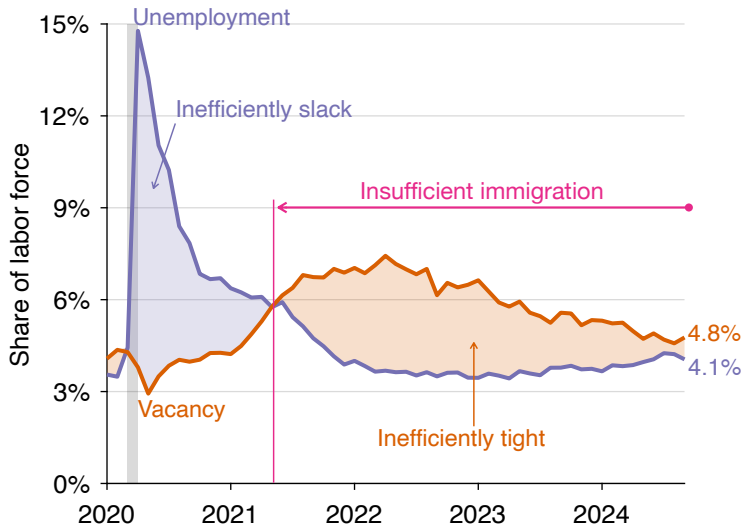
GENERAL CASE: MIGRATION AFFECTS WAGES & TIGHTNESS



IMMIGRATION AS STABILIZATION POLICY

- In model with job stealing, immigration should be **procyclical**
- Immigration improves native welfare in inefficiently tight labor market
 - By reducing tightness, immigration raises firm profits more than it lowers native labor income
- To maximize native welfare, immigration should **lower tightness until labor market is inefficiently slack**
- Immigration might complement monetary policy
 - Monetary policy takes 12–18 months to affect tightness

LACK OF IMMIGRATION AFTER CORONAVIRUS PANDEMIC



SOME POLITICAL IMPLICATIONS

- Pro-labor parties & unions oppose immigration, especially in bad times
 - Aim to maximize labor income, which is reduced by immigration
 - Elasticity of employment wrt migration is more negative in bad times
- Pro-business parties & business lobbies support immigration
 - Aim to maximize profits, which are improved by immigration
- In bad times, local workers are more opposed to immigration because it hurts their labor-market prospects more
 - Shift of Austrian voters toward the anti-immigration FPO party in response to immigration is stronger when the local unemployment rate is higher (Halla, Wagner, Zweimueller 2017)