

Stepping Stones or Dead Ends? How Geography Shapes the Effects of Low-Skill Employment

Nathan Jones and Martin Wiegand

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Abstract

Starting a career in low-skill employment has been associated with persistently worse labor market outcomes. Yet, such jobs are often concentrated in urban areas, which tend to offer substantial long-run advantages for workers. This paper examines whether the long-run effects of starting a career in low-skill employment differ across locations. We study the case of Spain's tourism sector—a major employer of young workers that spans both urban and rural areas—to explore how geography shapes the career consequences of low-skill work. Using newly digitized data on tourist flows over forty years, we exploit variation in exposure to tourist demand across regions and graduation cohorts to measure the long-run effects of graduating in a tourist boom. Ten years after graduation, we find that workers exposed to tourist demand (i) are more likely to work in touristic sectors; (ii) have lower earnings; and (iii) are less likely to have attained higher education. Crucially, we also find that local tourism booms attract young workers through migration. Going forward, we will study whether the long-run effects of early-career employment in a low-skill sector such as tourism differ across local labor markets.

Early-career decisions can have lasting consequences for workers' labor-market trajectories ([Oreopoulos et al., 2012](#); [Arellano-Bover, 2020, 2022](#)). A growing literature shows that young workers who start their careers in low-skill jobs forgo valuable human-capital investments, which reduces lifetime earnings and weakens employment stability ([Aparicio-Fenoll, 2016](#); [Adda and Dustmann, 2023](#); [Di Giacomo and Lerch, 2023](#)). If this is the result of behavioural frictions, it suggests a rationale for governments to discourage such low-skill employment among young workers, and perhaps encourage them to acquire more education instead.

However, this overlooks a key dimension of low-skill employment: its distribution across space. While large cities employ a higher share of high-skilled workers on average, they still host a substantial amount of low-skill employment ([Autor and Dorn, 2013](#); [Eeckhout et al., 2014](#)). Moreover, cities provide important dynamic career returns for young workers ([De La Roca and Puga, 2017](#); [Lhullier, 2023](#)). Yet, in the absence of entry-level jobs, young workers may not be able to capture these benefits by moving to and staying in big cities ([Bilal and Rossi-Hansberg, 2021](#); [Card et al., 2025](#)). Young workers with low wealth may therefore benefit from low-wage jobs in cities that allow them to smooth consumption and take advantage of dynamic gains.

In this project, we study the long-run labor-market effects of low-skill employment at early stages of a career and how these effects vary across space. Specifically, we examine whether low-skill jobs

help young workers start their careers in high-growth but high-cost cities. Finally, we consider the policy implications: should governments encourage low-skill employment in big cities—for example through subsidies to sectors such as tourism?

We study this in the context of tourism in Spain, which provides an ideal setting for three reasons. First, the touristic sector is especially important for young workers. In 2019, the tourism employment share was 22% among workers aged 16-29, compared to 14% and 12% among workers aged 30-49 and 50-64, respectively (see Figure 1a). Second, it provides a great deal of employment to young workers in most Spanish local labor markets, irrespective of their size (see Figure 1b). Third, tourism and, in turn, tourism employment have grown substantially over the past decades. For instance, the number of hotel stays among foreigners has tripled between 1990 and 2019 (see Figure 1c). We will focus in particular on the increase in the 1990s, which came from depreciation of the Spanish peseta and a handful of high-profile public events (such as the Olympics in Barcelona and the Universal Exhibition in Seville).

We begin by documenting that tourism demand shocks affect early career choices of young workers. We combine individual-level data from the Spanish Labor Force Survey (*Encuesta de Población Activa*) with province-level information on tourist stays. The latter is digitized from a yearbook on annual tourism flows (*Anuario de Estadísticas de Turismo*), which reports tourist stays by country of origin starting in 1980. We use this information to construct a shift-share instrument for province-level exposure to tourism growth, exploiting differences in provinces' initial exposure to tourists from different nationalities and the timing of tourism growth across those nationalities. Using this instrument, we study how tourism demand at graduation shapes young workers' labor-market trajectories. Specifically, we compare cohorts graduating in provinces experiencing tourism booms to those graduating elsewhere and instrument provincial exposure using the shift-share measure. We find that higher tourism demand at graduation increases the probability of working in tourism and reduces enrollment in higher education, in line with previous work (González and Surovtseva, 2020; Di Giacomo and Lerch, 2023). We also document a new result: local tourism booms influence location choices, increasing in-migration and reducing out-migration among young workers. This raises a natural question: if low-skill employment opportunities draw in and keep young workers in particular locations, is this good or bad for them? How do the long-run effects of low-skill employment differ across space?

In the next stage of the project, we will study whether the long-run effects of early-career employment in a low-skill sector such as tourism differ across local labor markets. For this part, we will use longitudinal worker information from social security records (*Muestra Continua de Vidas Laborales*). We will do this in two steps. First, we will produce descriptive evidence for our hypothesis. We will compare average lifetime earnings across workers who (i) start their careers in tourism vs. those who do not, and (ii) graduate high school in urban vs. rural regions. This can be operationalized in the

following regression:

$$\begin{aligned} \log(\text{Lifetime earnings})_i &= \beta_1 \cdot (\text{Graduate in urban})_i \\ &\quad + \beta_2 \cdot (\text{Graduate in rural})_i \\ &\quad + \beta_3 \cdot (\text{First job in tourism})_i \cdot (\text{Graduate in urban})_i \\ &\quad + \beta_4 \cdot (\text{First job in tourism})_i \cdot (\text{Graduate in rural})_i \\ &\quad + \mathbf{x}'_i \gamma + \varepsilon_i \end{aligned} \tag{1}$$

This will provide suggestive evidence of the potential differential returns to low-skill employment across space. Our hypothesis is that $\beta_3 > \beta_4$. However, whatever the result, this evidence will nonetheless be descriptive. Our next step will be to isolate quasi-random variation in which workers start their careers in tourism and which workers do not. For this, we will exploit two sources of variation. The first is the differential exposure of Spanish provinces to the general increase in tourism in the 1990s. While tourism demand grew in all provinces over this time period, this growth was very uneven across provinces. The second dimension of variation that we will exploit is within local graduation cohorts and based on workers' birth months. In Spain, the cutoff birth date for determining school cohorts is January 1st, even though the school year begins in September. Therefore, students born later in the calendar year typically graduate high school before turning 18, limiting their ability to work in tourism due to legal employment restrictions.¹ Tourism employment peaks between June and August in most Spanish provinces, so individuals born in September or later face additional barriers to entering tourism during the peak season.² We indeed find a decline in the share of young workers entering tourism by birth month, with no comparable pattern in other sectors, such as manufacturing or construction.

We will begin by providing visual evidence on whether the expansion of tourism flows—particularly after 1992—affected these two worker groups differently, with a focus on provinces that experienced larger relative increases of tourism inflows during the 1990s. Specifically, we will plot the share of graduates who take a job in the tourism sector across cohorts around 1992, separately for individuals born before September and those born in September or later, in provinces in the top tercile of 1990 tourism growth. After the initial descriptive evidence, we will turn to the continuous treatment version that we will use as our instrument. Specifically, we will instrument a young worker's decision to start their career in tourism during the years $t(i) \in [1990, 1999]$ in the following way:

$$\begin{aligned} (\text{First job in tourism})_i &= \alpha \cdot \log(\text{Tourist stays per capita})_{j(i), t(i)} \cdot (\text{Born before September})_i \\ &\quad + \eta_{j(i), t(i)} + \nu_i \end{aligned} \tag{2}$$

where $j(i)$ and $t(i)$ are the province and year of graduation of worker i respectively. The identification assumption is that tourism is the only force that changes the relative earnings prospects of workers born in different months of the year within the same cohort. If this assumption holds, our IV strategy will allow us to estimate Equation (1) causally. Depending on the results from this exercise, we will then examine the mechanisms that could explain regionally heterogeneous effects of low-skill employment.

¹For example, minors cannot work after 22:00—a key constraint in hospitality—and cannot drive, precluding taxi work.

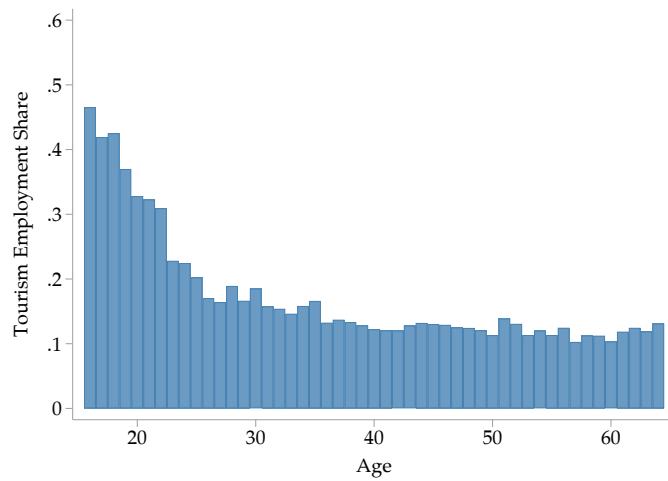
²In principle, we could choose a region-specific birth month cutoff depending on when tourism inflows peak in a province, which we observe in the aggregate tourist stay data.

In sum, this project seeks to understand how early-career low-skill employment shapes long-run labor-market outcomes across space. In particular, we are interested in whether such jobs enable young workers to access and climb job ladders in high-cost cities they might otherwise be unable to afford. This question has direct implications for policies that aim to promote—or restrict—tourism activity and related low-skill employment opportunities in urban areas.

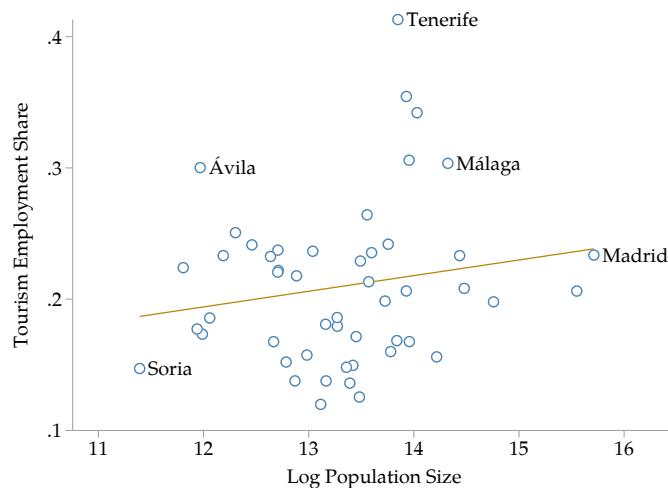
Figures

Figure 1

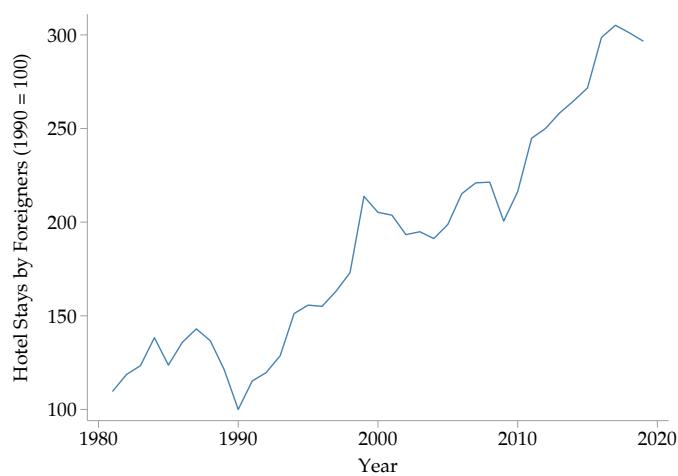
(a) Tourism Employment Share by Age of Worker



(b) Tourism Employment Share among Workers Aged 16 to 29 by Province



(c) Normalized Hotel Stays by Foreigners



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