Labour Mobility and Local Employment: Building a Local Employment Base from Labour Mobility?

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Introduction

Employment growth is a crucial issue for any region, as it reflects the ability to build an economic base within the region. In some cases, the employment growth relies on the local (residential) labour supply, while in other cases the growth in employment may reflect an increasing reliance on attracting labour from other regions. It remains an issue, how labour inflow influences the job opportunities for the local residents in the receiving region.

Main aim of this paper is to identify the economic significance of the labour inflow on the local labour markets.

Two types of labour inflow:

- In-migrants
- Out-commuters

Research Question

How labour inflow influences the job opportunities for the local residents:

- Does the labour mobility create the substitution or complementary effect on the local labour market?

Data

The empirical analysis in this paper is based on the longitudinal survey database that is created by recorded registry of every resident in Denmark. The data is received from the Statistics Denmark (2017) and covers every individual between 15 and 70 years of age.

Geographical Typology

- The municipalities are grouped in typology, where 4 types are identified: city, middle, rural and peripheral (see the map), based on the 14 socio-economic indicators of each municipality.

Methodology

We use the panel data estimation as to solve the problem of bias, caused by introducing heteroscedasticity, which is a common problem in the fitting of models with cross-sectional data sets. (Bolder, Hsiao and Pracàn, 2005; Levin, Lin and Chu, 2002; Phillips, P.C. & Moon, H.R., 2002, Phillips and Moon (1999)).

Following Card (2007), DiNardo et al. (2010), and Schmidt et al. (2010) we specify the following panel model for this study:

\[ \Delta y_{it} = \alpha_0 + \alpha_1 t + \alpha_2 M_{it} + \beta_1 M_{it-1} + \beta_2 M_{it-2} + \beta_3 M_{it-3} + \gamma_1 x_{it-1} + \gamma_2 x_{it-2} + \gamma_3 x_{it-3} + \epsilon_{it} \]

Where:

- \( M \) is a variable for local or emigration employment, \( M \) for in-migrants (job movers) and \( M \) for out-commuters.

The values of \( \alpha_0 \) will determine the intercept or trend modified, \( \beta_0 \) is a municipality-specific fixed effect, and \( \gamma_0 \) is a time-specific effect. All of the variables are in employment \( M \) or the error terms with internalized properties.

- \( \epsilon \) is a random error term.

- \( \alpha_0 \) implies that an in-migrants reduces local labour that is, the substitution effect

- \( \alpha_1 \) implies that an out-commuters reduces local labour, that is, the substitution effect

Conclusions

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Interreg 4A “Emerging Attraction”

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References

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Results

- High skilled
- Medium skilled
- Low skilled

<table>
<thead>
<tr>
<th>In-migrants</th>
<th>Out-commuters</th>
</tr>
</thead>
<tbody>
<tr>
<td>High skilled</td>
<td>Medium skilled</td>
</tr>
<tr>
<td>Medium skilled</td>
<td>High skilled</td>
</tr>
<tr>
<td>Low skilled</td>
<td>High skilled</td>
</tr>
</tbody>
</table>

In Outskirt municipalities

In Rural municipalities

COMPLEMENTARY EFFECT

SUBSTITUTION EFFECT

Notes: Estimates are presented with standard errors in parentheses. **p<0.01, ***p<0.001.

- \( \alpha_0 \) is not reported

- \( \epsilon \) is the error term

- Substitution effect is shown by positive values with **

- Substitution effect is shown by negative values with **