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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 basis 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 inflows:

- In-migrants
- In-commuters

Research Question

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

- Does the mobility labour create a substitution, or complemenary effect on the local labour market?

Data

The empirical analysis in this paper is based on the longitudinal micro database that is created by recorded registry of every resident in Denmark. The data is received from the Statistics Denmark (2007) and covers every individual between 15 and 70 years of age.

Geographical Typology

The 99 municipalities are grouped in typology, where 4 types are identified: High, Medium, rural and peripheral. (see the map) based on the 14 socio-economic indicators of each municipality.

Methodology

We use the panel data set estimations as to solve the problem of bias, caused by unobserved heterogeneity, which is a common problem in the timing of models with cross-section data sets. (Blinder, Blund and Privasian, 2003; Levin, Lin and Chu (2002), Levin, Lin and Chu (2002), Pesaran, and Shin (2004), Phillips and Moon (1999)).

Following Card (2007), D’Amuri et al. (2010), and Schmidt et al. (2006) we specify the following panel model for this study:

$$\Delta y_{it} = \alpha_i + \beta_1 y_{i,t-1} + \omega_{it}$$

Where:

- $\Delta y_{it}$ is the change in the dependent variable (employment growth or employment).
- $y_{i,t-1}$ is the average dependent variable from the last period.
- $\alpha_i$ is a municipality-specific fixed effect.
- $\omega_{it}$ is the error term with standard properties.

Dependent variables

The values of $\alpha_i$ will determine the coefficient or error modified.

$\beta_1$ is a municipality-specific fixed effect, and $\omega_{it}$ is a time-specific effect.

For all the estimations we use $\omega_{it}$ is the error term with standard properties.

$\Delta y_{it}$ is 1 implies that an in-migrant and local labour that, in the substitution effect $\Delta y_{it}$ is 1 implies that an in-commuter and local labour that, in the substitution effect

$$y_{it} = \alpha_i + \beta_1 y_{it-1} + \omega_{it}$$

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Results

<table>
<thead>
<tr>
<th>Model</th>
<th>High-Med</th>
<th>Med-Low</th>
<th>Low-High</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
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<td>1.920</td>
<td>1.930</td>
</tr>
<tr>
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</tr>
<tr>
<td>3</td>
<td>1.900</td>
<td>1.920</td>
<td>1.930</td>
</tr>
</tbody>
</table>

Note: * indicates a positive value with *** $p<0.01$ and ** $p<0.05$. Stars are correct to individual and longitudinal level.

Reference