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

Javakhishvili Larsen, Nino ; Schmidt, Torben Dall; Naveed, Amjad

Publication date:
2014

Citation for published version (APA):

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Download date: 06. feb., 2019
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: How labour inflow influences the job opportunities for the local residents.

Two types of labour inflow:
In-migrants and In-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?

Methodology
We use the panel data set estimations to solve the problem of bias, caused by unobserved heterogeneity, which is a common problem in the fitting of models with cross-section data sets. (Hsiao, Pesaran and Phillips (1993), Levin, Lin and Chu (2002), Pesaran and Shin (2004), Phillips and Moon (1999))

Following Card (2007), D'Amuri et al. (2013) we apply the following panel model for this study:

$$x_{it} = \alpha_0 + \alpha_1 y_{it} + \alpha_2 x_{it-1} + \alpha_3 z_{it} + \alpha_4 x_{it-1} z_{it} + \alpha_5 x_{it-1} y_{it} + \alpha_6 x_{it-1} y_{it} z_{it} + \alpha_7 x_{it-1} y_{it} z_{it} x_{it} + \epsilon_{it}$$

Where:
- \(x_{it}\) stands for local (or native) employment,
- \(y_{it}\) for immigrants (job seekers), and \(z_{it}\) for cross-section data sets. (Binder, Hsiao and Pesaran (2005), Levin, Lin and Chu (2002), Pesaran and Shin (2004), Phillips and Moon (1999))

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$$x_{it} = \alpha_0 + \alpha_1 y_{it} + \alpha_2 x_{it-1} + \alpha_3 z_{it} + \alpha_4 x_{it-1} z_{it} + \alpha_5 x_{it-1} y_{it} + \alpha_6 x_{it-1} y_{it} z_{it} + \alpha_7 x_{it-1} y_{it} z_{it} x_{it} + \epsilon_{it}$$

Where:
- \(x_{it}\) stands for local (or native) employment, \(y_{it}\) for immigrants (job seekers) and \(z_{it}\) for cross-section data sets.

The values of \(\alpha_1\) will determine the complementarity or crowding out.

\(\alpha_2\) to \(\alpha_7\) are municipality specific fixed effects, and \(\epsilon_{it}\) is the error term with iid properties.

\(\alpha_1\) - 1 implies that in-migrants crowds out local labour, that is, the substitution effect

\(\alpha_1\) - 1 implies that in-commuters crowds out local labour, that is, the substitution effect

Results

<table>
<thead>
<tr>
<th>Type of skills</th>
<th>High-skilled</th>
<th>Medium-skilled</th>
<th>Low-skilled</th>
</tr>
</thead>
<tbody>
<tr>
<td>High-skilled in migrants</td>
<td>0.0000</td>
<td>0.0000</td>
<td>0.0000</td>
</tr>
<tr>
<td>Medium-skilled in migrants</td>
<td>0.0000</td>
<td>0.0000</td>
<td>0.0000</td>
</tr>
<tr>
<td>Low-skilled in migrants</td>
<td>0.0000</td>
<td>0.0000</td>
<td>0.0000</td>
</tr>
<tr>
<td>High-skilled in commuters</td>
<td>0.0000</td>
<td>0.0000</td>
<td>0.0000</td>
</tr>
<tr>
<td>Medium-skilled in commuters</td>
<td>0.0000</td>
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<td>0.0000</td>
</tr>
<tr>
<td>Low-skilled in commuters</td>
<td>0.0000</td>
<td>0.0000</td>
<td>0.0000</td>
</tr>
</tbody>
</table>

Conclusions

**Complementary Effect**

- In Outskirt municipalities:
  - High-skilled locals
  - Medium-skilled locals
  - Low-skilled locals

- Medium-skilled locals
- Low-skilled locals

- High-skilled locals
- Medium-skilled locals
- Low-skilled locals

**Substitution Effect**

- In Rural municipalities:
  - High-skilled locals
  - Medium-skilled locals
  - Low-skilled locals

References