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

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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 base within the region. In some cases the employment growth relies on the local (residential) labour supply; 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 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?

Data

The empirical analysis in this paper is based on the longitudinal micro data files that is created by the Ministry of the Interior. The data is derived from the Statistics Denmark (1997) 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: city, suburb, 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 fitting of models with cross-section data sets. (Hole, Hseu and Pfefer, 2005; Levin, Lin and Chu, 2002; Pesaran and Shin, 2004; Phillips and Moon (1999))

Following Card (2007), D’Amuri et al. (2013), and Schmidt et al. (2013) we specify the following panel model for this study:

\[ \Delta Y = \alpha_0 + \alpha_1 Y_{-1} + \alpha_2 X + \alpha_3 M + e \]

Where:

\( Y \) is output; \( X \) is socio-economic variables; \( M \) is municipality specific fixed effect; and \( e \) is a error term.

The values of \( \alpha_2 \) will determine the complementar or substitution effect.

\( \alpha_2 > 0 \) - a complementary specific effect; and

\( \alpha_2 < 0 \) - a substitution specific effect.

\( \alpha_2 > 0 \) - if the growth in output is generated by migrants and \( \alpha_2 \) is the error term with unit roots.

\( \alpha_2 < 0 \) - implies that the migrants reduces the local labour that is, the substitution effect

\( \alpha_2 > 0 \) - implies that the commuters crowds out the local labour, that is, the substitution effect

Results

Employment Base from Labour Mobility?

In Outskirt municipalities

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<tr>
<th></th>
<th>Medium skilled</th>
<th>Low skilled</th>
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<tbody>
<tr>
<td>High-skilled in migrants</td>
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In Rural municipalities

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<th>Medium skilled</th>
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References


Do immigrant inflow lead to job displacement? Do immigrant inflow lead to job displacement?


