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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 (resident) 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.

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 the substitution, or complementary effect on the local labour market?

Data

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

Geographical Typology

- The 90 municipalities are grouped in typology, where 4 types are identified: city, middle, rural and peripheral (see the map). The municipalities are classified based on the socio-economic characteristics of municipalities.

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. (Blinder, House and Prentice, 2001; Levin, Lin and Chu, 2002; Frossan and Nino, 2004; Phillips and Moon, 1999)

Following Card (2001), D’Amuri et al. (2010), and Schmidt et al. (2013) we specify the following panel model for this study:

$$\Delta W_{it} = \alpha_0 + \alpha_1 x_{it-1} + \alpha_2 z_{it} + \alpha_3 y_{it} + \alpha_4 x_{it-1} \cdot z_{it} + \alpha_5 x_{it-1} \cdot y_{it} + \epsilon_{it}$$

Where:
- $W$: is the panel data for local (residents) employment.
- $x$: for in-migrants (job seekers) and $z$: for in-commuters.
- $y$: the values of $y$ and $z$ will determine the complement or instead. The specific fixed effects, and $\alpha_4$ is a type-specific effect.
- $\epsilon$: is the residual error on employment.

Note: $\alpha_1$ implies that in-migrants crowds out local labour, that is, the substitution effect

$$\alpha_0$$: implies that in-commuters crowds out local labour, that is, the substitution effect

$$\alpha_0$$: implies that in-commuters crowds out local labour, that is, the substitution effect

Results

Conclusions

High-skilled in-migrants

High-skilled in-commuters

High-skilled locals

Low-skilled in-migrants

Low-skilled in-commuters

Low-skilled locals

High-skilled in-migrants

High-skilled in-commuters

High-skilled locals

Low-skilled in-migrants

Low-skilled in-commuters

Low-skilled locals

High-skilled in-migrants

High-skilled in-commuters

High-skilled locals

Low-skilled in-migrants

Low-skilled in-commuters

Low-skilled locals

High-skilled in-migrants

High-skilled in-commuters

High-skilled locals

Low-skilled in-migrants

Low-skilled in-commuters

Low-skilled locals

In Outskirt municipalities

In Rural municipalities

References