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.

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

Methodology
We use the panel data set estimates to solve the problem of bias, caused by unobserved heterogeneity, which is a common problem in the hiring of models with cross-section data sets. (Binder, Hsiao and Pesaran (2001), Levin, Lin and Chu (2002), Pesaran and Shin (2004), Phillips and Moon (1999))

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

\[
\Delta y_{it} = \alpha_0 + \alpha_1 y_{it-1} + \alpha_2 x_{it} + \alpha_3 x_{it-1} + \epsilon_{it} + \mu_i + \eta_t + \delta_{it}
\]

Where:
\( \Delta \) $\Delta y_{it}$ is the change in the dependent variable relative to period $t$;\( \alpha_0 \) is a constant term; \( \alpha_1 \) is the parameter on lagged dependent variable; \( \alpha_2 \) is the parameter on time-variant explanatory variable; \( \alpha_3 \) is the parameter on lagged time-variant explanatory variable; \( \epsilon_{it} \) is the error term with standard properties; \( \mu_i \) is the error term with standard properties.

Results

<table>
<thead>
<tr>
<th>Substitution effect</th>
<th>Complementary effect</th>
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<tbody>
<tr>
<td>![High-skilled locals](High-skilled locals)</td>
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Conclusions

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