

Junior Migration Webinar

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Cem Özgüzel

The Cushioning Effect of Immigrant Mobility: Evidence from the Great Recession in Spain

ABSTRACT

This paper provides the first direct evidence on how the geographical mobility of immigrants cushions natives during a labor demand shock. Spain was one of the hardest-hit economies during the Great Recession. Faced with a drop in the local labor demand, immigrant workers moved within Spain or left the country, generating significant decreases in local labor supply. Focusing on this episode, I use microdata from municipal registers and longitudinal Spanish administrative data to study the effects of outflow of the immigrant population from provinces on the wages and employment of the natives. I build a shift-share instrument based on the past settlements of the immigrant population across Spain to instrument outflows and argue for a causal relationship. I find that outflow of immigrants slowed down the decline in employment and wage of natives, especially of those with higher substitutability with immigrants. Moreover, I find that increased transitions from unemployment and inactivity to employment drive the positive employment effects, while wage effects are limited to those who were already employed. These findings reveal that the higher geographical mobility of immigrants cushions the natives during a demand shock.

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