

Junior Migration Webinar

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The Role of Immigration in a Deep Recession

RÉSUMÉ

Many economies experienced large immigrant inflows before the Great Recession took place. This paper studies the impact of these foreign-born workers on the labour market during a recession. To this end, I use a random search model of the labour market featuring vacancy persistence, endogenous return migration and wage rigidity. Consistent with the Spanish data, in the model some immigrants leave the country in the event of a recession, so they free up jobs for natives. Yet, since immigrants and natives differ in their match quality draws, immigrants also affect the firms' job creation decision. While the return-migration channel is unambiguously positive for native workers, the calibration results for the Spanish economy suggest that the job-creation effect is negative. I find that immigrants smooth the recession and improve the welfare of natives. During the recession, the native unemployment rate would have been 2 percentage points higher in the absence of the pre-crisis immigration boom. Return-migration is the key channel since its short and long-run impact on natives' unemployment rate is 10 and 2 times as large as the sum of the impact of the other channels.

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