RÉSUMÉ

This paper studies the worker-level effects of a labor supply shock and determines the differential role of workers and firms in these effects. To do so, I exploit Venezuelans’ uneven and massive arrival within Colombia (as of 2019, nearly 2 million Venezuelans lived in Colombia) and use administrative employer-employee data covering the universe of formal workers to follow natives’ labor market outcomes over time. Overall, I find a reduction in worker-level employment that is concentrated at the bottom of the wage distribution (among self-employed and minimum wage earners). In contrast, I find a negative wage effect that is driven by workers from the upper part of the wage distribution who work in relatively small firms. To uncover the mechanisms behind these findings, I implement a machine learning method that shows that firm-specific pay premiums are more important in explaining the observed drop in employment and wages than other worker characteristics. These results support the influential role that firms play in determining the impact of immigration on workers’ outcomes.