Dynamics of Local Wages and Employment: Evidence from the Venezuelan Immigration in Colombia

RÉSUMÉ

The unprecedented socioeconomic and political deterioration of Venezuela has triggered a massive outflow of people leaving the country since 2016, both in a voluntary and a forced manner. Colombia has been the major receiver country with more than 1.2 million working-age Venezuelans (4.1% of the working-age population living in Colombia) as of 2019. I use this quasi-natural experiment to identify the causal impact of the Venezuelan immigration on the Colombian labor market. To analyze dynamic treatment effects I implement an event-study design with two different shift-share instruments. For both instruments I find that immigration from Venezuela had a highly negative short-run effect on local native wages since 2017, and the impact is mainly suffered by less skilled workers and workers without access to social security. Moreover, wages in lower percentiles of the native local wage distribution are severely more affected compared to those in upper percentiles. In terms of native employment, I find a delayed negative response after controlling for preexisting trends. On aggregate, the supply shock affected mainly the informal labor market with lower wages and higher employment on average.

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