

Comments on  
“The Labor Market Impact of Immigration”  
by George Borjas

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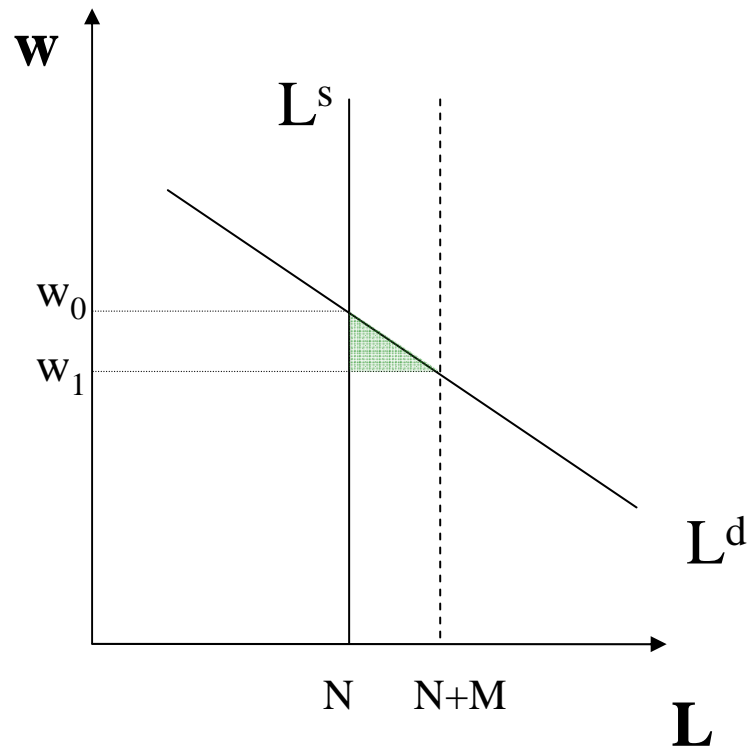
Bocconi University and fRDB

## It matters!

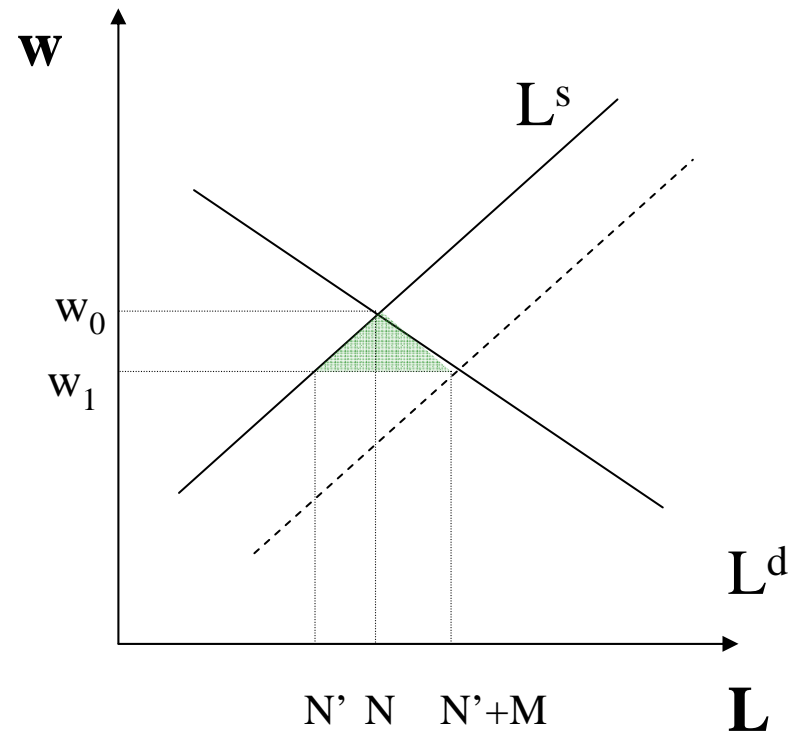
- Analysis of immigration to the US and Canada and emigration from Mexico
- Estimation of wage and employment equations for men with skill-specific *national* supply shocks
- Sizeable and remarkably similar effects: both in Canada and the US, an immigrant-induced 10 percent *increase* in supply reduces employment (full-time equivalents) by 2.5%, and reduces annual earnings by 6.2%
- A 10-percent emigrant-induced *reduction* in labor supply increases monthly earnings by 5.6%.

# What we expect to observe in flexible labour markets

- With rigid LS



- With elastic LS



## But

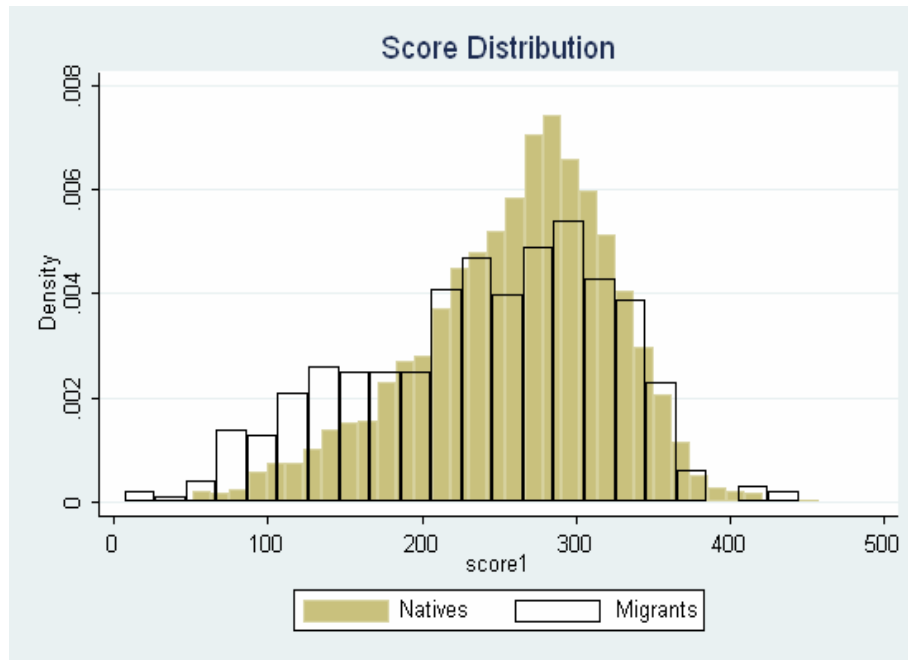
- “the effect of immigration on the labour market outcomes of natives is small” (Friedberg and Hunt 1995)
- “The weight of empirical evidence suggests that the impact of immigration on the wage of competing native workers is small” (Smith and Edmonston, 1997)
- “The empirical evidence painted a very optimistic picture of the contribution of immigrants to the American economy” (Borjas, 1994)

# Issues

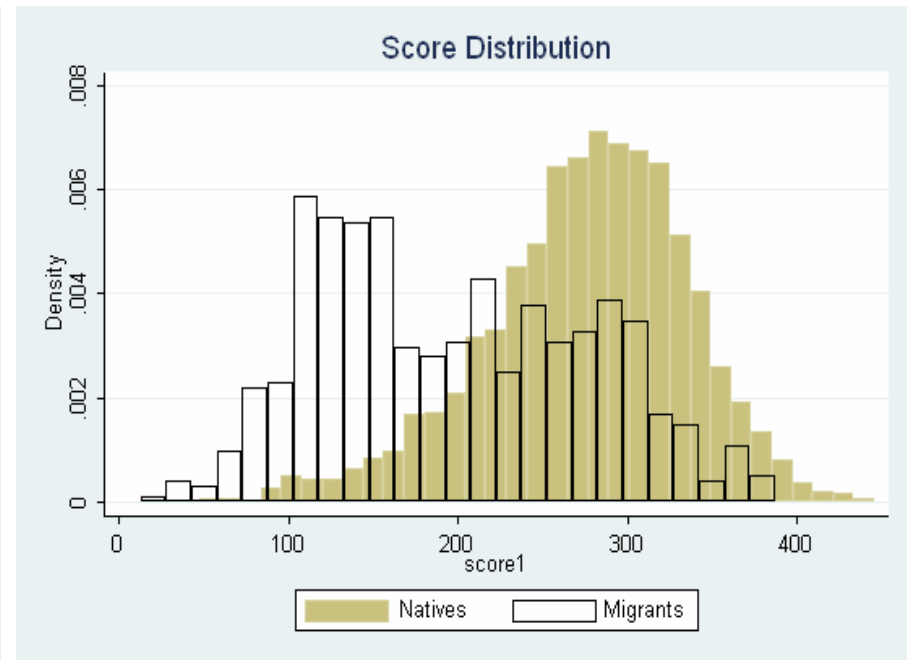
- Measurement of skill content of migration: can we do better?
- Identification strategy and the mobility of native workers.
- Is migration occurring to flexible labour markets?  
Policy issues for immigration to rigid (and welfare state abundant) labour markets.

# Measuring skill content

## Canada IALS



## US IALS



*Notes:* Average of scores in prose, document and quantitative tests

*Source:* IALS dataset

## Identification strategy

- Previous work ignored: i) self-selection of immigrants into high-wage regions; ii) changes in migration patterns of native workers, and iii) changes in the regional output mix.
- Effects of migration on wages and employment identified here via time-variation in the tenure-weighted skill-specific supply shocks (changes in the experience-weighted skill shares)
- Allowed interactions skills-tenure tenure-time skills-time

## Issues

- How large are US-Canada worker flows. Can't Canadians go the US?
- How about the triple interaction time-skill-tenure? In Canada point system cum cyclical quotas.
- Why not estimating the equations at the micro level? Potential gains in efficiency
- Can we learn anything by comparing local and national effects? Are factors i), ii) and iii) playing the same role in the US, Canada or ... Europe?



## Policy issues

- Similar impact effect of migration on wages in Canada, Mexico and the US
- But vastly different impact on wage distributions
- Is it because Canada has a point system? What is the counterfactual? A zero migration scenario?
- Difference between US and Canada is not only in the point system, but also in the procyclical quotas (tap-on, tap-off). Mobility of natives is larger under upturns.

## Immigrants and the welfare state

- In addition to natives also local areas react to immigration by adapting their welfare system
- Example of California: proposition 194 to bar immigrants from using many welfare benefits
- Proposition 194 prompted a reform of the welfare system at federal level in 1996
- In Canada less restrictions to welfare access by migrants
- Is a point system suitable for a EU-wide migration policy? Policies are evolving in that direction.