

Discussion of

The Effects of the Free Movement of
Persons on the Distribution of Wages
in Switzerland

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This paper

- Relevant issue: impact of FMP on wages (not unemployment!) in Switzerland
- Counterfactual obtained via decomposition methods plus structural estimation (skill-cell approach)
- Effects over the entire distribution (not only mean effect)
- Non-parametric estimates of the elasticity of substitution

Some background statistics

- 2002-06 vs 2007-11
- Gross inflows from 13 to 18 per 1000 inhabitants
- Gross outflows from 6.7 to 7.6
- Thus net increased by about 4 per 1000 inhabitants
- More than 70% from EU-EEA
- Increase of inflows from Italy, Portugal, Spain
- Unemployment among foreign twice as large as for natives
- Increase in skill level and EU-EEA flows since 1997 (Gerfin-Kaiser, 2010)

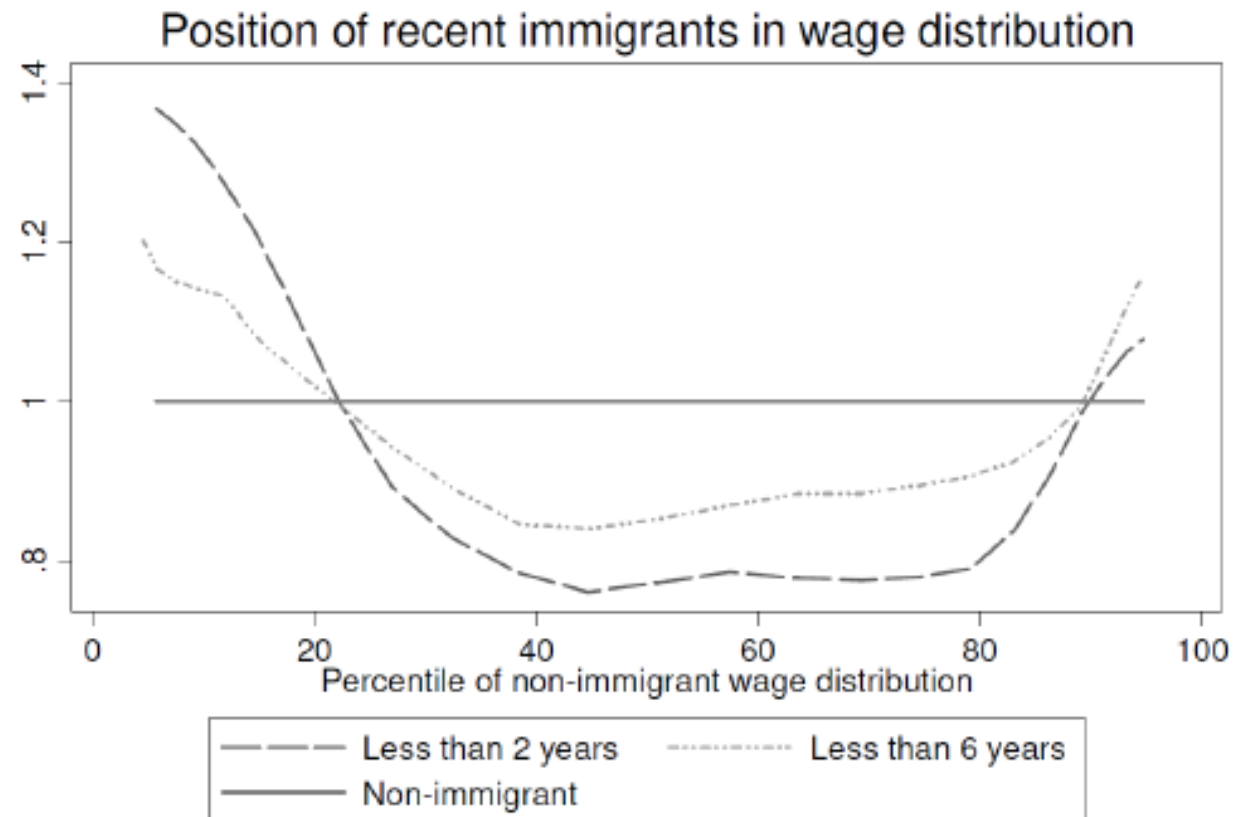
Main findings

- Migrants/immigrants perfectly substitutable within secondary and tertiary education levels. Complementarity across education and experience levels
- Counterfactual very close to factual
- Wage moderation only mildly related to FMP
- Polarization in the distribution cannot be attributed to FMP

Key issues

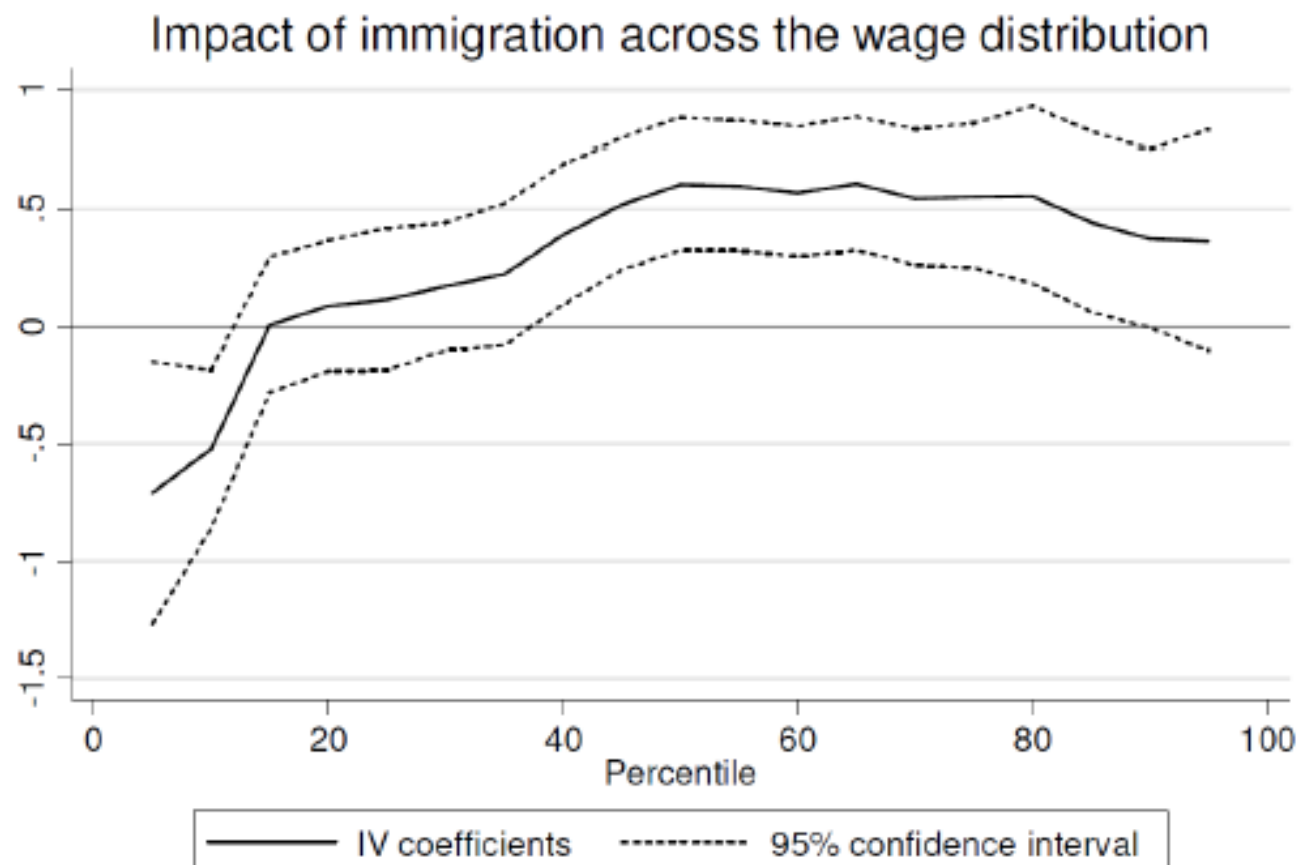
- Skill downgrading
- Regional differences
- 2008-9 crisis
- Decomposition methods

Skill downgrading



Source: LFS, various years

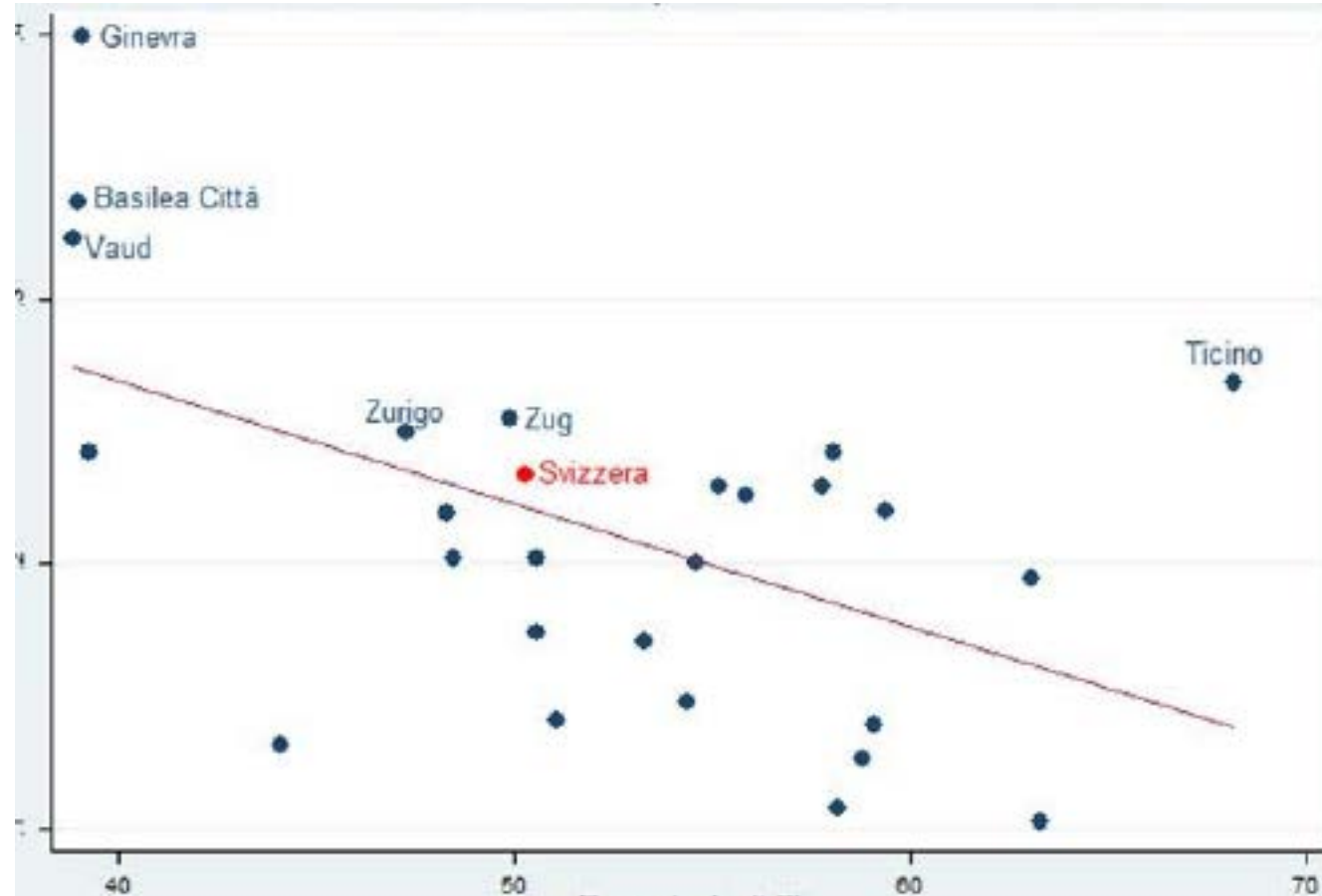
Effects over the wage distribution



Regional differences

- Migrants are not randomly allotted across Cantons
- Choices based on employment opportunities and real (residential housing costs taken into account) wages
- Important differences in labor taxes across regions
- Positive (non-negative) wage effects can be related to this regional sorting
- Important interactions with housing market
- Estimate area-specific elasticities of substitution?

Presence of migrants and vote at the February 2014 referendum against mass immigration



2008-9 crisis

- Are there asymmetric effects over the cycle?
- Some decline of migration flows in 2009, but still large net inflows
- Strong rebound during the recovery
- Increase of unemployment, decline in wages over the GR

Decomposition

- Causality/correlations
- Selection effects. Ignorability
- It is still a partial equilibrium exercise (SCB study cumulative effect of over 3% on GDP).
- Omitted groups: first and second generation, origin of immigrants, location, firm-jobs characteristics
- Plans to go beyond? Looking for mechanisms