

Title: Spatial Misallocation of Native Labor and Immigration

Speaker: Rish Singhania, University of Exeter Business School

Area: Economics

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Abstract:

We document that immigrants played an outsized role in one of the biggest reallocations of workers in the US since World War II: the shift in population from the Rust Belt to the Sun Belt. Motivated by this observation, this paper asks how much do immigrant workers contribute to US economic growth through the spatial reallocation channel. We first provide empirical evidence using US Census data that, in terms of labor-market earnings, immigrants sort themselves better across locations than natives. We then use a Roy model of occupational choice to measure frictions to labor reallocation separately for natives and immigrant workers. The standard deviation of the wedge between earnings and utility, the model-based measure of frictions, is more than three times larger for natives than for immigrant workers. We run equilibrium counter-factuals in which we evaluate the effect of varying the share of immigrant workers on aggregate US productivity. We find that in 2018 aggregate labor productivity in the US is hump-shaped in the share of immigrant workers. The hump shape reflects the net effect of two underlying forces. First, there is a misallocation effect: increasing the share of immigrant workers increases labor productivity by ameliorating the misallocation of native labor. The second effect reflects a change in endowment: increasing the share of immigrant workers lowers labor productivity because these workers are, on average, less productive than natives.

Speaker Profile:



Rish Singhania is a Senior Lecturer (Advanced Assistant Professor) in Economics at the University of Exeter Business School. His research interests lie in the areas of macroeconomics, firm dynamics and financial economics.

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