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Does Immigration Affect the Labor Market Outcomes of Natives? – the area approach for Sweden

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Abstract: This paper studies the effects of immigrant inflows on native labor market outcomes, using the so-called area approach. Inflows of immigrants to a local labor market area increase the supply of labor, possibly having both a price (earnings) and a quantity (employment) effect on native labor market outcomes. The study uses data for the total Swedish adult population in 1985, 1992 and 1998, divided into eighty-one local labor market areas and three skill groups. In the estimations a first-difference as well as an instrumental variable approach are applied.

The results imply that an increase in the immigrant density reduced the employment rates for the total native male and the total native female population both during 1985 to 1992 and 1992 to 1998. Interestingly, the employment effects for lower educated natives (though statistically significant throughout) were not more pronounced than for the overall native population. For native youths often no employment effects were found. The effects on earnings were more varied, being sometimes positive, sometimes negative. We also show that these results are not biased by natives reacting to immigrant inflows by moving to other areas.

Keywords: Immigrant inflows; Native labor market outcomes; Skill groups; Employment effects; Earnings effects

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