

Empirical Evidence on the Local Labour Market Impact of Immigration

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Abstract

We analyse the impact of immigration on local labour markets by exploiting a natural experiment triggered by the fall of the iron curtain, in which German districts were differentially affected by inflows of Czech workers. Using administrative panel data on the individual level we find, based on a comparison of affected and non-affected regions, that immigration had a rapid and large negative impact on local native employment levels. We discuss the magnitude and timing of the effect on various subgroups defined by characteristics such as sex, education and age. The effect on employment is negative also for skill groups whose relative supply decreases. Employment of young and old workers is much more strongly affected than employment of middle-aged workers. We further explore by which mechanisms overall employment levels adjust. Native employment is predominantly affected by changes in native inflows instead of outflows, but the relative importance of various adjustment channels is found to differ across subgroups.