



Posudek oponenta habilitační práce

Masarykova univerzita	
Fakulta	Ekonomicko-správní
Obor řízení	Ekonomie
Uchazeč	Mgr. Martin Guzi, Ph.D.
Pracoviště uchazeče, instituce	Katedra veřejné ekonomie Ekonomicko-správní fakulta Masarykova univerzita
Habilitační práce	Migration and Labor Market Imbalances: Do Immigrants Move to Where Their Labor is Needed?
Oponent	Ing. Zuzana Brixiová, Ph.D.
Pracoviště oponenta, instituce	VŠB-TU Ostrava

Mr. Guzi's habilitation thesis on *Migration and Labor Market Imbalances: Do Immigrants Move to Where Their Labor is Needed?* makes an important contribution to the literature on the role of migrants in addressing skill shortages in the European Union, a topic which has been widely debated among academics and policy makers. I find the thesis to be well written, insightful with important empirical findings and policy implications for managing economic shocks. I also think that the thesis provides a very good foundation for future work in this field. Below I suggest some topics for discussion and/or future research. I wish the author all the best in future endeavors

The thesis argues and shows empirically that (relatively new) immigrants are more responsive than natives to emerging skill gaps and in reducing labor market imbalances, thus contributing to efficient labor allocation in the EU. This is because (new) immigrants' costs of departing their home, job, and social networks in the country of origin are sunk upon arrival in a host country, while natives' decisions to move would still entail such costs. Differently put, the thesis puts forward a hypothesis that recently-arrived immigrants are more flexible workers, actively seeking employment opportunities and responding to changing economic conditions. The author further shows that immigrant workers are particularly fluid in countries that have a generally lower scale of immigration and more open immigration policy. Given that immigrants contribute to efficient labor market allocation in the EU, the thesis supports policies that encourage immigration.

Theoretical framework

In theory, the labor market consequences of immigration have been most often analyzed within the traditional neoclassical labor supply / labor demand framework. Examples of papers utilizing this framework include Borjas (2001 and 2003), on which also this habilitation builds. I have some reservations about the this framework given its static nature. Seasonal cross-border labor movements aside, migration is typically a forward looking decision made for several (or

many) years forward, which also involves considerable uncertainty. Since the thesis assumes that the cost/benefit comparisons of migration will change over time (and are implicitly uncertain), a dynamic framework would be more suitable.

The habilitation thesis also makes an important point that the cost associated with migration introduce (another) friction in the labor market adjustment to shocks, making the neoclassical framework less pertinent. Instead, given the established presence of frictions, the author may like to build on a more recent theoretical framework of Moreno-Galbis and Tritah (2016), which has also been empirically tested on EU countries. There the authors posit that immigrants, as newcomers in the host country labor market, are likely to lack relevant social networks and other country-specific assets.¹ Such shortage makes their relative bargaining position with local employers weaker than that of natives with comparable education and experience mix (observable human capital). The empirical implications of this assumption are in line with the argument in the thesis that immigrants will initially be more profitable for firms than natives, but these differences will narrow over time. However, the policy implications of these assumptions are different and would also vary with countries' attitudes towards inequality.

An imperfect substitution is another, often cited, argument for different wage and/or employment/mobility responses to shocks between immigrants and natives. With imperfect substitution, the lower wages of migrants, with same observable education and experience as natives, may accurately reflect their lower productivity (rather than low bargaining power), due to the immigrant's lack of country-specific skills (language being one example). In this case, it is less clear than in the above model with frictions and wage bargaining to what extent the immigrants contribute to addressing skill shortages and mismatches. Put differently, while immigrants may reduce skill shortages and mismatches within specific sectors/occupations, they may create new types of mismatches. This has different policy implications than if the lower wage rate/greater responsiveness of migrants is due to their lower (sunk) cost or bargaining power.

Policy implications

The thesis concludes that immigrants' labor market mobility provides for a more efficient allocation of labor in host labor markets. Hence policies that inhibit their mobility are costly in terms of forgone GDP and forgone economic opportunities. My main comment here, based on Dustmann et al. (2016), is that by adopting the skill-cell-specific inflow of immigrants approach (as in, for example, in Borjas (2003)), the thesis adopts a relative approach to changes in labor supply or wages. One limitation of this approach, which also impacts the robustness of policy implications, is that it does not account for complementarities across skills and the capital - labor. In sum, while this approach provides estimation of relative labor market effects, it does not estimate total (general equilibrium) labor market effects of immigration.

In future research, it would be also useful to discuss optimal policy responses to well-known long-term trends such as population aging in the EU and demographic transition in Africa, besides economic and financial shocks.

¹ As an example of valuable assets, the authors include unemployment benefits, which are conditional on past working experience in host countries.

References

Borjas, G. J. (2003), The Labor Demand Curve is Downward Sloping: Reexamining the Impact of Immigration on the Labor Market, *Quarterly Journal of Economics*, 118(4): 1335–74.

Borjas, G. J. (2001). Does Immigration Grease the Wheels of the Labor Market? *Brookings Papers on Economic Activity*, 32(1), 69–134.

Dustmann, Ch.; Schönberg, U. and Stuhle, J. (2016), The Impact of Immigration: Why Do Studies Reach Such Different Results?, *Journal of Economic Perspectives*, 30(4), 31 – 56.

Moreno-Galbis, E. and Tritah, A. (2016), The Effects of Immigration in Frictional Labor Markets: Theory and Empirical Evidence from EU Countries, *European Economic Review*, Vol. 84, 76 – 98.

Dotazy oponenta k obhajobě habilitační práce (počet dotazů dle zvážení oponenta)


Question:

What are the author's views on some of the other theoretical reasons for wage and/or mobility differences between immigrants and natives put forward in the literature. In particular, can the author discuss his views on whether the assumption of imperfect substitution between natives and immigrants are relevant in at least some of the sectors and if so, which ones. What are the examples of current practices for addressing the issue and what is the optimal policy?

Závěr

Habilitační práce Mgr. Martina Guziho, Ph.D., „Migration and Labor Market Imbalances: Do Immigrants Move to Where Their Labor is Needed?“ ***splňuje*** požadavky standardně kladené na habilitační práce v oboru Ekonomie.

V Ostrave dne 29.8. 2018

A rectangular area of the document is redacted with a solid black box, obscuring the signature of the reviewer.

podpis

Zuzana Brixiova