

Discussion of “Modeling Migration-Induced Unemployment”, by Pascal Michailat

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Fall 2024

Contribution

Does immigration lead to a decrease in wages (among competing workers)?

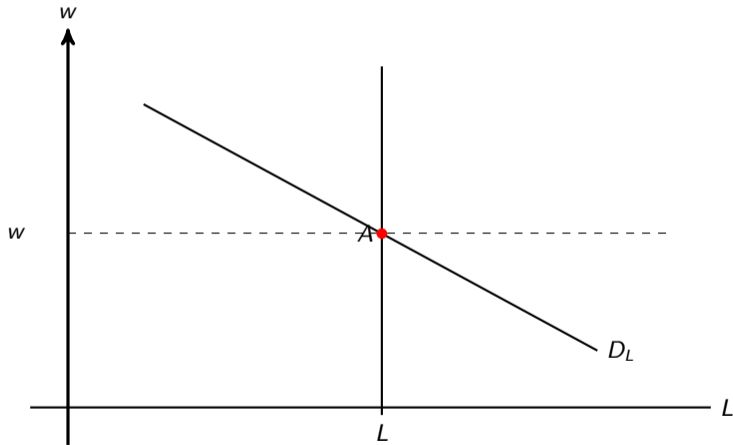
- ▶ Debate in the immigration literature has focused on wages:
 1. A number of papers seems to find mild effects on wages, such as Card Mariel Boatlift
 2. Although others seem to find some effects in the short-run
- ▶ Even among the papers that find little effect on wages, many report some effect on unemployment
 - ▶ Echos some of the debate in politics: do immigrants take jobs away?

Despite this debate, we lack a framework to think about the effect of immigration on unemployment

- ▶ Providing such framework is Michailat's main contribution
- ▶ Moreover, the new framework provides insights into immigrants' effect along the business cycle

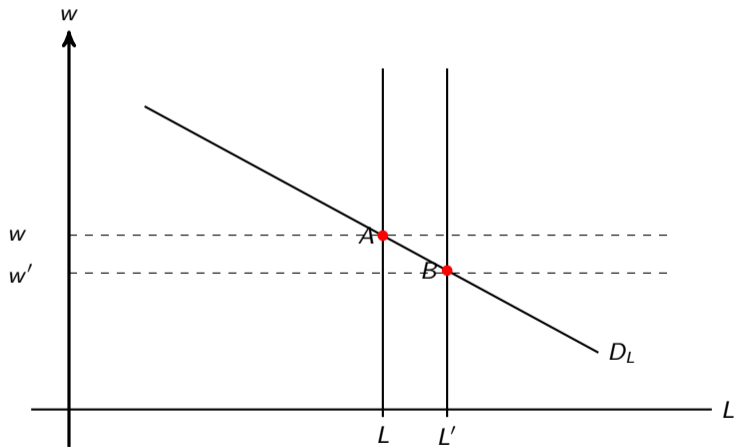
Basic analysis of immigration

Figure: Standard view of the labor market without immigration



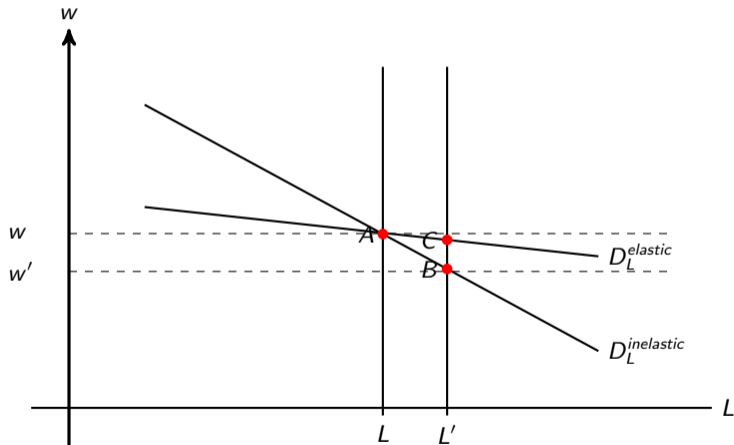
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Figure: Standard view: Immigrants move labor supply from L to L'



Basic analysis of immigration

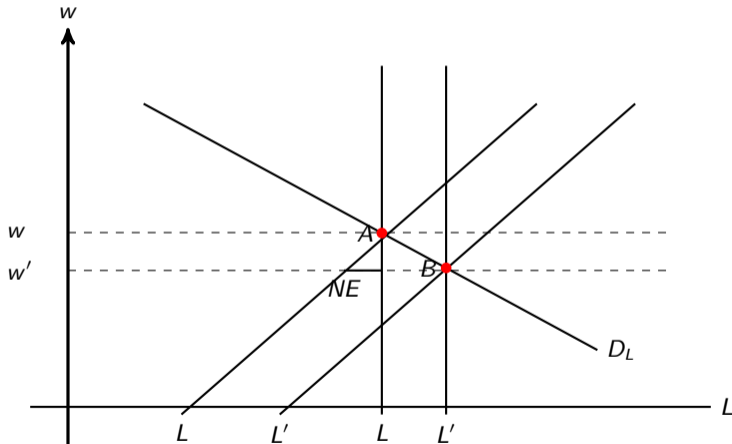
Figure: Debate in prior literature: Is the labor demand curve more or less elastic



However, in all these graphs there is no effect on employment among natives

Can we talk about employment in the neoclassical framework?

Figure: The elasticity of the labor supply curve is also important for equilibrium wages



Indeed, the dark NE line indicates the drop in native employment!

So what is Michailat's contribution?

The logic in the neoclassical model:

- ▶ *NE* workers do not want to work at the new prevailing wage
- ▶ So, if there is no wage effects, because of elastic labor demand curve \Rightarrow no effect on employment
- ▶ So, given a labor supply elasticity, we cannot have large effects on employment and small on effects sometimes, and the opposite some other times

Can we use the neoclassical model to read prior evidence?

- ▶ If wage effects are 0, employment effects must be 0:
 - ▶ Yet, some papers report employment effects and no wage effects
- ▶ If wage effects are negative:
 - ▶ Split between wage and employment effects governed by labor supply elasticity
 - ▶ If the labor supply elasticity is a structural parameter, hence, invariant:
 - ▶ how is it possible different papers find different splits between wage and employment effects?

Hence, Michailat's paper allows us to talk about empirical evidence that escapes the neoclassical model

Why not to use a standard search and matching framework?

- ▶ Standard search and matching frameworks linear production function
- ▶ Hence, no reasons why immigration can create congestion in the labor market
- ▶ This was already realized in Michaillat 2012, now adapted to study immigration

Main comments:

1. Anything that can be done to strengthen the discussion on why we need this framework, and the places where the neoclassical framework can't arrive will only improve an already great paper.
2. Something that is left not discussed:
 - ▶ Divergence in the literature is often related to empirical methodologies and (sometimes) implementation
3. I would emphasize the effects of migration over the business cycle
 - ▶ With a caveat, since inflows may be low when the economy is weak