

Misallocation of the Immigrant Workforce: Aggregate Productivity Effects for the Host Country

Download Other Working Papers Keep in mind

The series Working Papers on Economics is published by the Office for Economic Studies at the *Banco de la República* (Central Bank of *Colombia*). It contributes to the dissemination and promotion of the work by researchers from the institution. This series is indexed at Research Papers in Economics (RePEc).

On multiple occasions, these works have been the result of collaborative work with individuals from other national or international institutions. The works published are provisional, and their authors are fully responsible for the opinions expressed in them, as well as for possible mistakes. The opinions expressed herein are those of the authors and do not necessarily reflect the views of Banco de la República or its Board of Directors.

AUTHOR OR EDITOR José Pulido Alejandra Varón

The series Borradores de Economía (Working Papers on Economics) contributes to the dissemination and promotion of the work by researchers from the institution. On multiple occasions, these works have been the result of collaborative work with individuals from other national or international institutions. This series is indexed at Research Papers in Economics (RePEc)

Publication Date: Friday, 2 of October 2020

The opinions contained in this document are the sole responsibility of the author and do not commit Banco de la República or its Board of Directors.

Abstract

Mass migrations can impact the amount of labor misallocation in the host country if immigrants, relative to natives, face more frictions that prevent them from working in their preferred occupations. The resulting misallocation would imply an aggregate productivity loss in the short run while migration occurs, but an subsequent lapse of productivity growth when the immigrants start to be assimilated by the labor market. We study the case of Colombia during 2015-2019, a period when the country received a massive inflow of migrants from Venezuela. Through the lens of a Roy model of occupational choice with two types of frictions - discrimination and barriers preventing workers from choosing their preferred occupations - we quantify the extent of occupational misallocation for immigrants, and its implications for Colombian aggregate labor productivity. Our estimates indicate that both type of frictions significantly misallocate Venezuelan immigrants. Removing those frictions would lead at least one third of immigrants to reallocate, permanently increasing Colombian aggregate productivity by 0.9%.