

IMMIGRATION, SEARCH AND REDISTRIBUTION: A QUANTITATIVE ASSESSMENT OF NATIVE WELFARE

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Abstract

What are the welfare effects of immigration on low-skilled and high-skilled natives? To address this question, we develop a general equilibrium model featuring two skill types, search frictions, wage bargaining, and a welfare state that redistributes income through unemployment benefits and the provision of public goods. Our quantitative analysis suggests that, in all 20 countries studied, immigration attenuates the effects of search frictions. The resulting gains tend to outweigh the welfare costs of redistribution. Immigration has increased native welfare in almost all countries. In two-thirds of countries, both high- and low-skilled natives have benefited from the presence of immigrants, contrary to what models without search frictions or redistribution predict. Average total welfare gains from migration are 1.25% and 1.00% for high- and low-skilled natives, respectively. (JEL: F22, J61, J64)

The editor in charge of this paper was Dirk Krueger.

Acknowledgments: We would like to thank the editor and four anonymous referees for excellent comments and suggestions. We are also grateful for comments and suggestions from Simone Bertoli, from seminar participants in Clermont-Ferrand, Nottingham, Munich, Bayreuth and Linz, and from participants of LAGV, IIPF, EEA and of the OECD Migration conference in 2014, and ESPE in 2015. We thank Robert Breunig and Syed Hasan for providing summary statistics for Australia. Financial support by the Leibniz Association (SAW-2012-ifo-3) is gratefully acknowledged. Felbermayr is a Research Fellow at CESifo, Peri is a Research Fellow at CESifo and IZA and a Research Associate at NBER, Poutvaara is a Research Fellow at CESifo, CReAM and IZA.

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