

IMMIGRATION AND NATIVE WORKERS' MISPERCEIVED FEARS OF UNEMPLOYMENT: Evidence from Italy

The average Italian significantly overestimates the impact of immigration on their own job prospects, according to research by **Eleonora Porreca** and **Alfonso Rosolia**, to be presented at the annual congress of the European Economic Association in Manchester in August 2019.

Their study finds that residents of large cities, and native Italians who are older, male and more educated seem to have the correct perceptions of the effects of immigration on their labour market trajectories (which are likely to be negligible). On the other hand, residents of small cities, and less educated, younger and female natives make sizable overestimations of what are for them still weak actual effects of immigration.

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Do natives perceive immigrants as a threat to their job opportunities? If so, is this perception justified by real job competition between natives and immigrants? Or are natives too pessimistic about the effects of immigration on their own labour market opportunities?

These are important questions because perceptions themselves affect behaviours and outcomes. For example, workers underestimating their employment prospects are less likely to search actively for a job, more likely to exit the labour force and more likely to have lower reservation wage and to accept a lower wage job. Therefore, holding wrong views about immigration and its effects may have real effects even if economic fundamentals are largely unaffected by increases in foreign labour supply.

Immigrants are felt to compete with natives along a number of dimensions at a time when resources are scarce: constraints on government spending severely limit the reach of welfare systems; the adoption of labour-saving technologies hampers employment opportunities of less qualified segments of the labour force; and the secular growth slowdown raises concerns about future living standards.

This perceived competition is consistently detected by a number of social surveys, and goes hand in hand with sizable natives' misperceptions about the amount, characteristics and behaviours of immigrants in host countries. Natives with biased beliefs think that immigrants are greater in number, poorer, less educated, more unemployed and produce negative economic effects than they actually are.

This study uses novel data on Italian households to explore if the share of immigrants in the local labour market influences the self-reported job loss and job finding probabilities of natives.

The authors postulate a simple learning model that describes how agents form their assessments of the probability of losing or finding a job and use it to trace the empirical relationship between perceptions and the presence of immigrants to the true effects of increased foreign labour supply and to unmotivated pessimism about the role of immigrants in the local labour market.

The researchers find that on average natives significantly overestimate the impact of immigration. The higher the incidence of immigrants in the local labour market, the higher the self-reported natives' probability of losing job. But this effect is mostly explained by a perception bias of natives, as the true effect of immigration on the probability of losing one's job is negligible.

The study shows that the perception bias varies according to different characteristics of natives. Residents of large cities, more educated, older and male natives appear to perceive correctly the effects of immigration on their labour market trajectories; on the other hand, residents of small cities, less educated, younger and female natives display sizable overestimation of still weak actual effects.

In addition, among permanent employees, who are in highly protected jobs, the entire empirical association between the probability of losing one's job and the share of immigrants is exclusively a reflection of misperceptions. In contrast, self-employed workers holding riskier jobs actually face increased instability as the share of immigrants increases, although they also display a significant degree of misperception.

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