

Impact of Migration on the Happiness of Natives

Alpaslan Akay[‡]

IZA-Germany

Amelie Constant[‡]

DIWDC, Washington

Corrado Giulietti[°]

IZA-Germany

Abstract

The impact of immigration is at the centre of public debate in all developed and developing countries. Mainstream studies about the consequences of immigration focus on the impacts on labor market outcomes of the host country such as wages, employment and participation (for example: Card 2001, Borjas 2003, Dustmann et al 2005). In general, the labor market impact of immigration is estimated to be moderate. Despite such modest effect, natives typically possess negative attitudes about immigrants (see for example, Boeri and Brücker, 2005). This calls for a more through analysis of the impact of immigration, which goes beyond the analysis of standard labor market outcomes.

[‡] Alpaslan Akay, IZA (Institute for the Study of Labor), Box 7240, 53072 Bonn, Germany; E-mail: akay@iza.org.

[‡] Amelie Constant, DIWDC, George Washington University, DIW Berlin and IZA; Email: constant@iza.org.

[°] Corrado Giulietti, IZA (Institute for the Study of Labor), Box 7240, 53072 Bonn, Germany; E-mail: giulietti@iza.org

The aim of this paper is to provide a novel dimension in the study of immigration effects on natives. Rather than considering its impact on labor market outcomes alone or investigating the effect on natives' attitudes, the paper focuses on the relation between subjective well-being measures and immigration. The rationale is happiness is capable of capturing, besides standard labor market outcomes, also the impact of immigration on other dimensions (such as its social and cultural impact), which are hardly captured by measures such as wages and employment.

The analysis is carried out by estimating a spatial correlation model where happiness of natives is a function of the immigration penetration in each local labor market. The data used in the study come from the GSOEP panel data from 1995 to 2007. Besides their longitudinal dimension, the advantage of these data is their detailed geographic dimension, which allows capturing the impact of immigration at the local labor market level. Immigration has a direct and an indirect effect on happiness. The direct effect operates by affecting, say, the perceptions/attitudes of natives towards immigrants, while the indirect effect is the outcome of adjustments in the labor market consequent to immigration flows. The sign and magnitude of the final effect are in general ambiguous. Issues of endogeneity of the immigration variable are addressed in the paper by adopting a procedure similar to Card (2001).

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