

Immigration and Location Choices of Native-Born Workers in Canada

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Abstract

There are two competing views on how immigration would affect local labor markets. When immigrants offer skills similar to those of native-born workers, they may compete directly with them, and this competition may lead to lower economic returns for native-born workers. This view can be called the “substitution” hypothesis. The alternative view is that immigrants may provide “complementary” skills, which can raise the productivity of other workers. If the substitution argument is effective, immigration might lead to out-migration of the nonimmigrant population from a community in the short run. Models in location-choice studies usually examine the migration decision in two separate processes: whether-to and where-to decisions about moving. The present study investigates how location choices of native-born workers can be influenced by the conditions in both the potential destinations and the departure regions. To validate either the substitution or complementary view, we apply choice-specific, clustered fixed-effect response models, which use industry- and occupation-specific regional attributes that allow us to control for unobserved regional heterogeneity as well as to identify regional factors that affect location choices. This study uses the 20 percent sample of the 2006 Census that covers the entire country with 282 census divisions. The results show that location-choice models are sensitive to how regional attributes are defined. When industry-specific immigration density differentials across regions are measured only at destinations, they have strong and negative effects on the location choices of the native born. However, when the models control choice-specific attributes relative to the origin, immigration variables become insignificant on the desirability of destinations.

Keywords: Immigration, Migration, Crowding Out, Displacement, Mobility

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