

The labor market impact of immigration in markets with different degrees of firm entry regulation

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Abstract

We offer differences in the degree of firm entry regulation as a possible explanation for why empirical studies find weak labor market impacts of immigration on natives. We exploit German reunification as a social experiment and compare how the influx of East Germans to the West German labor market affected wages and employment of different demographic groups in regulated and unregulated occupations. Immigration had a negative impact on wage growth in unregulated occupations and not so in regulated occupations. In contrast and similar to the empirical literature so far, we find mostly insignificant effects when analyzing the two groups together.

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