Immigration and Occupational Downgrading in Colombia

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Abstract

Migrants around the world are often over-educated in their occupation relative to natives, and this may have important implications not only for the migrants themselves, and also for the host economy. In this paper, I study the effect of migrant occupational downgrading on native economic outcomes in the context of Venezuelan mass migration to Colombia. Using variation across 79 metropolitan areas, I estimate a nested-CES model of labor demand with imperfect substitutability between migrants and natives, and I develop a method to incorporate migrant downgrading into this framework. I find that downgrading has large consequences for hourly wages of less educated natives, driven by high migrant-native substitutability in low-skill jobs and low substitutability across education groups, both of which may be more common in the developing country setting. In a counterfactual in which I reallocate migrants to compete within their education group, less educated natives benefit while wages of more educated natives remain largely unchanged, reflecting higher migrant-native complementarity in high skill jobs and increases in total productivity that result from the reallocation. The results highlight the importance of policies to reduce migrant occupational downgrading, especially given the increasing global prevalence of large push-factor migration waves, which are more likely to result in downgrading and disproportionately affect developing countries.

Keywords: immigration, occupational downgrading, informality