Summary of the paper
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The Return to Big City Experience: Evidence from Danish Refugees
The Return to Copenhagen Experience: Evidence from Danish Refugees
Summary of the paper

Denmark versus Michigan: Metropolitan areas

Total population: 5,785,864 (2018)

Summary of the paper

Denmark versus Michigan: Metropolitan areas

Summary of the paper
Danish males 19–55 in 1986

Source: From the authors
Summary of the paper

Questions

Outside of the literature specifically on refugees and assimilation:

- Urban wage gap
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- **Urban wage gap**
  - “The relationship between wages and city size is neither new nor temporary.” (Glaeser and Maré 2001)
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- **The productive advantages of bigger cities** (Glaeser and Maré 2001), (Duranton and Puga 2004)
  - Controlling for **selection** of workers into cities
  - **Static** wage premium:
    - sharing effects (gains from greater variety of inputs and industrial specialization, common use of facilities, risk pooling)
  - **Dynamic** wage premium:
    - labor-market matching and (quantity or quality)
    - **learning effects** (human capital accumulation)
Summary of the paper

Method

Challenge: non-random sorting of workers and cities

- Natural experiment to “randomize” city sizes or workers?
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  - Workers: Apparently harder to randomize worker locations! (especially in developed countries)
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  ◦ Workers: Apparently harder to randomize worker locations! (especially in developed countries)

• Controlling for unobservables through the use of fixed effects

• Structural methods
Summary of the paper

Method: Rich individual-level data (starting with Glaeser and Maré (2001))

Literature

- Control for individual fixed effects, rich controls including occupations and industries in a Mincerian regression, also instrument for city size using lags or geography

- Assumptions: Mobility is random conditional on the fixed effects

This paper

- Randomize initial location of refugees between 2 areas

- Assumptions: No additional movement after the initial assignment (about 80% stay), or only good workers move into Copenhagen and not good workers moving out (roughly the case in the data)
Summary of the paper

Method: Rich individual-level data (starting with Glaeser and Maré (2001))

Literature

- **Estimates:** Net of occupation/industry composition
  - Elasticity of wages with respect to density: 0.01 to 0.03 (FR, ES, IT, UK, NL)
  - Dynamic effect can be as large as static after 8 yrs (ES)
  - Doubling density: 2.5% static and 2.5% dynamic gain (ES)

This paper

- **Estimates:** Differential experience profile inclusive of employment, firm and occupational sorting
  - No immediate wage gain for CPH, but gain 6.5% in 8 yrs
  - Doubling density (extrapolation): 1–2% dynamic gain
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- **Mechanisms:** Possibly all 3: Value of experience in big cities is retained after relocation \(\rightarrow\) learning (de la Roca and Puga 2016, Glaeser and Maré 2001)

**This paper**

- **Estimates:** Differential experience profile inclusive of employment, firm and occupational sorting
  - No immediate wage gain for CPH, but gain 6.5% in 8 yrs
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- **Mechanisms:**
  - Effect is reduced by 60–65% net of firm and occ. composition
  - Structural model (following Baum-Snow and Pavan 2011) confirms worker heterogeneity matters
Implications of the lack of a static gain?
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Wage level or wage growth

Figure 3: Wage Growth Among All Danes

Source: From the paper
Implications of the lack of a static gain?

Wage level or wage growth

Figure 3: Wage Growth Among All Danes
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Figure 3: Wage Growth Among All Danes

Log Mean Hourly Wage

Refugee integration into the labor market

Year


CPH

NCPH
Denmark fails to integrate refugees into Danish society

Along with restrictive anti-immigration policies, refugees in Denmark are vulnerable as only one in four refugees is employed, alienating many from Danish society.

Denmark, a European country hit by anti-immigration sentiments, has failed to integrate refugees into Danish society, a recent study from the Confederation of Danish Employers (DA) revealed. The report found that three out of four refugees who came to Denmark in the early 2000s are still unemployed. The unjust system of the Danish labor market promotes further social polarization in Danish society, which was on high alert after the double fatal shootings at a free speech meeting and a synagogue in Copenhagen that left two people dead on Feb. 15.
Implications of the lack of a static gain?
Wage level or wage growth

• Integration of refugees can be masked as a growth effect
  ○ The catch-up process to the difference jinto a wage growth of 0.8% per year

• The differential experience profile of refugees thus may not tell us about distinguishing between agglomeration channels
  ○ Can be perfectly consistent with the existence of static gains or sharing effects of cities in Denmark
Dynamic gain or dynamic selection?
Dynamic gain or dynamic selection?
Who works when

\[ y_{it} = \beta_1 \exp_{it} + \beta_2 \text{initCPH}_{it} + \beta_3 (\text{initCPH}_{it} \times \exp_{it}) + \epsilon_{it} \]

- Initial location is randomized but working experience is not.
- Initial location may have differential effect on the timing of experience, or who gets experience when, particularly for the population of refugees when employment is not guaranteed even among educated prime-age males and many are in and out of work.
Dynamic gain or dynamic selection?
Who works when

There are only jobs for Danes

The government, civil society and the media are all working on programmes to better integrate refugees. But one refugee argues there are deeper prejudices at play that are keeping resourceful refugees out of the labour market.

Despite going on to earn a master’s degree in public administration from Roskilde University in 2009, and learning Danish, he still felt locked out of the labour market. This year, aged 42 and now a Danish citizen, was the first time in 13 years that he held a job for six consecutive months, when he was employed as an integration consultant in Tårnby Council.

“The Danish labour market is very closed. There are only jobs for Danes. They would prefer to give a job to a stupid or under qualified Dane than a clever foreigner. Denmark is a strange society – they give you a free education, but then there are no jobs afterwards.”
Dynamic gain or dynamic selection?
Who works when

Source: Own calculations using authors’ data
Dynamic gain or dynamic selection?

- Refugees who are able to sustain a job in Copenhagen could be those who have better jobs to start with and are more capable.

- It is then unclear if the same refugee in Copenhagen is experiencing steeper wage growth over time, or the *group of working refugees* changes and is better selected over time:
  - Who gets experience at all is discussed in the structural model.
  - The point here is that it does change our understanding of dynamic gains.

- Not directly getting at matching or learning effects, but a new channel for the authors to investigate using their structural model: The effects of competition.

- Also concerned about differential measurement error given that partial employment is common among this population.
An alternative specification
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- Is there another way we can use the quasi-experiment taking into account endogeneity of experience?

Ideally, one would like to instrument for urban resident with variables that predict urban status and are orthogonal to unobserved ability. We know of no such variables. (Glaeser and Maré 2001)

Advantages:
- Doesn’t rely on workers not relocating after initial assignment
- No measurement error from measuring partial work experience
- Can easily use the full variation across city sizes

Caveats:
- Not the effect of working in a city, but employment can be an outcome
- Cannot interact experience across multiple cities (can’t have more instruments than cities): still cannot get at learning
An alternative specification

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Conclusion

• What we learned:
  ○ The wage-experience profile of the average employed refugees is steeper with the same intercept if initially assigned to Copenhagen.
  ○ Could reflect refugee integration or dynamic selection within a city over time rather than wage growth.

• To be explored:
  ○ Competition and selection of which refugees work and when → important current debates on improving refugee employment in Denmark (currently below 30% after 3 years).
  ○ Matching between firms and workers: Can also cite and follow Andersson, Burgess, Lane (2007), Andini, de Blasio, Duranton, Strange (2013), Figueriredo, Guimarães, Woodward (2014), all using matched employer-employee data.
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