CHAPTER 10 - WORKER MOBILITY: MIGRATION, IMMIGRATION, AND TURNOVER

This chapter employs the human capital framework to analyze the phenomena of geographic mobility and worker turnover. It demonstrates how the insights of human capital theory can explain the observed patterns of mobility and turnover, including the personal characteristics of those most likely to exhibit either kind of mobility.

The chapter also describes and analyzes immigration policy in the United States. It considers the problem of illegal immigration and uses economic theory to identify the gainers and losers from a more restrictive immigration policy. Finally, the section on immigration concludes with an analysis of the overall effects of immigration (including illegal immigration) on the "native" population.

The lengthy section on U.S. immigration policy is, of course, motivated by our human capital analysis of individual migration. However, the section does not directly employ human capital analytics. Thus, instructors who want their students exposed to human capital analysis as it applies to geographical mobility and turnover, and who are willing to forgo an analysis of the very topical issue of illegal immigration and what to do about it, could save some time in the course by eliminating the section of the chapter on immigration policy.

List of Major Concepts

1. Worker mobility can be viewed as a human capital investment, in which the benefit is added utility in the future and the costs are the direct and psychic costs of quitting one employer and seeking work elsewhere.

2. People will move from jobs or areas where pay is relatively low to jobs or areas where pay is relatively high unless such mobility is inhibited by a short time horizon (or high discount rate), costs of finding out about alternatives elsewhere, or high costs of the move itself.

3. There is an element of self-selection in immigration because those who are most likely to migrate are those for whom the net benefits of migration are largest (although the benefits are often initially depressed by unfamiliarity with the language or customs of the area to which they have moved).

4. Countries in which the earnings distributions is more compressed than in the United States will tend to send relatively skilled workers to the United States, while those with distributions that exhibit greater variance will tend to send less-skilled workers to the United States. U.S. immigration has tended to become less-skilled in recent years.

5. Like other investments, migration investments can fail to work out as expected, resulting in "return migration."

6. A large influx of immigrants will tend to lower wages in the relevant labor markets and create more employment, but only in special circumstances would an influx of X immigrants take X jobs away from "natives."

7. The argument that immigrants fill jobs no "native" would take overlooks the fact that inducements to work in a particular occupation are not independent of the wage being offered.

8. Immigration may increase product demand and the demand for other skill grades of labor.

9. If immigrants receive wages equal to their marginal product, the native population as a whole will not experience a loss of income unless the immigrants receive government services whose value exceeds the taxes they pay.

10. "Matches" between employer and employee are improved through the process of voluntary quits and involuntary layoffs. The human capital model can be used to model quit behavior.

11. Human capital theory can shed light on the cyclical pattern of quit rates, the pattern of quit rates across age groups, and international differences in quit rates.

12. The costs of quitting and searching for a new job may produce an upward sloping supply curve to individual firms, leading to monopsonistic behavior.