

# Networks, Sorting, and Productivity Implications of Immigrant Assimilation

Comments by

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# The paper

- Even at a preliminary stage, great paper.
- Very important issue:
  - given demographics prospects in advanced countries, immigration and assimilation of immigrants will be crucial for economic growth
- Excellent data and combination of empirics, modelling and use of computational techniques
- Interesting results with profound policy implications

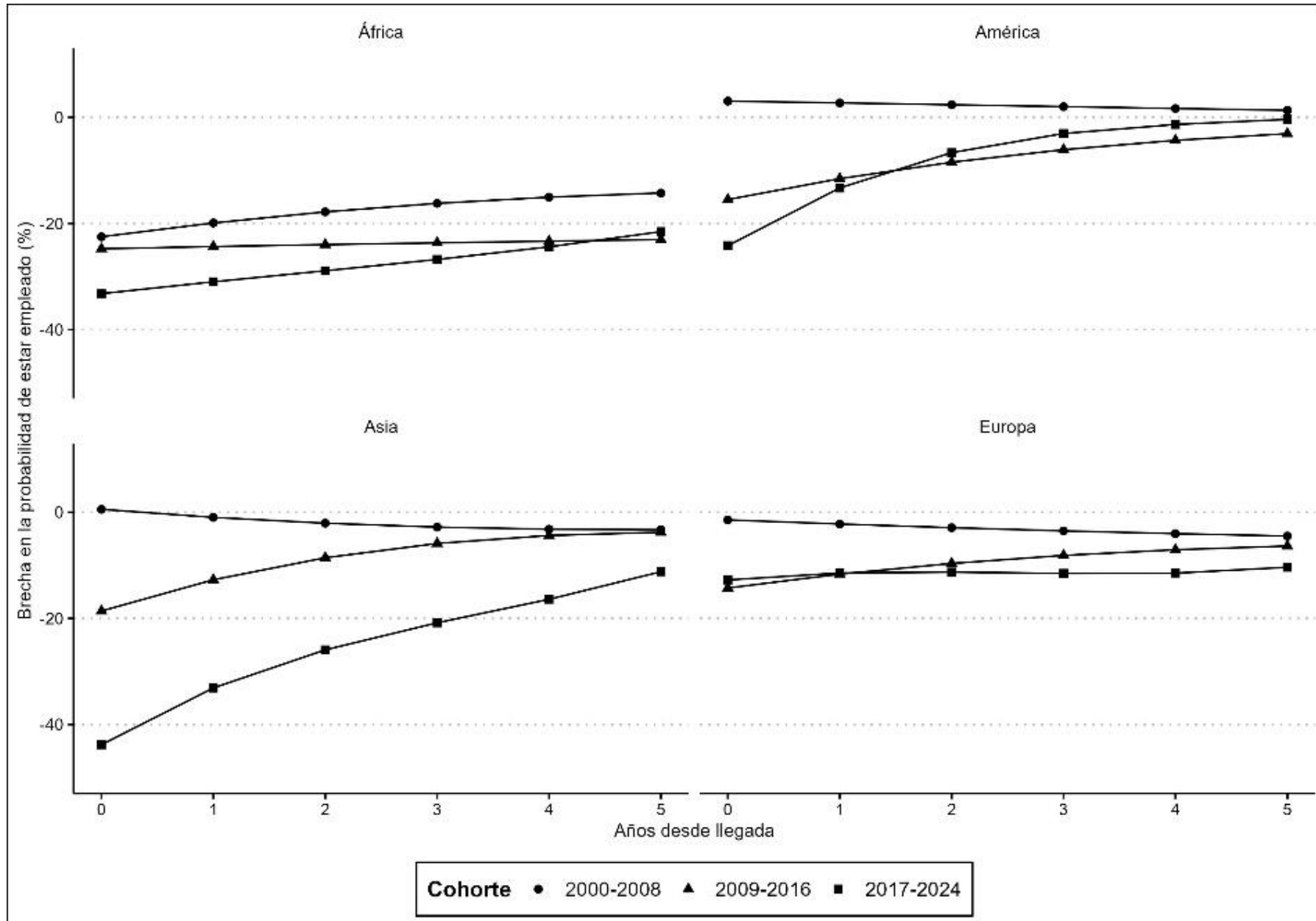
# The three main questions

- How do immigrants assimilate in the Canadian labor market/labor market with point system for selection of immigrants?
- What kind of barriers slow down the assimilation of immigrants?
- How big are the the productivity losses from a inefficient assimilation of immigrants?

# What the data says...

- Panel data (2001-2019): matched employer-employee dataset merged with register of immigrants
- In the paper:
  - Composition effects are not important for earnings gaps
  - Rapid assimilation (50% of the initial gap after 10 years)
  - Much lower gap in “good firms”
  - 44% of immigrants are hired through personal contacts (of which 90% are immigrants)
  - Immigrants find jobs in firms where there are more immigrants (of the same ethnicity)
  - Higher job mobility and instability among immigrants (also in “good firms”)
  - Without differences across industries and “occupations”
- Interpretation:
  - Job information provided by immigrant networks (mostly of the same ethnicity)

# Differences immigrants-natives in the probability of being employed, by time of arrival and region of origin. Spain, 2000-2024



# ...and what the data do not say

- Alternative interpretations?
  - Human capital, ethnic discrimination, statistical discrimination, immigrant status (permanent/temporary, guest workers, etc.), labor market institutions with differential treatment across industries, firms (small/large)...
  - Job information or immigrant with different comparative advantage sorting into firms “efficiently”?
- Convincing evidence on the importance of job information. Enough?
  - Unobserved heterogeneity among immigrants of different characteristics. Do  $\beta_{1i}^{Imm}$  and  $\beta_i^{FE}$  vary by year of arrival, age/gender of immigrants, country of origin...?
  - Differences by “points”: Do immigrants with higher points go to better firms? Do they assimilate faster? Do they display the same hiring/job dynamic patterns?

# The model

- General equilibrium search model with two-sided heterogeneity.
  - Firm heterogeneity in productivity. Workers heterogeneity by ability and country of origin, and assimilation status.
  - Imperfect transferability of human capital for immigrants
  - Allocational barriers modeled with different search technologies
  - Segmentation by labor market networks
  - Assimilation effort endogenously chosen by immigrants (assimilated immigrants=natives)
  - Wages set by *individual* bargaining
  - Exogenous job separation
  - Job finding by formal, business, and personal referrals.

# The model

- Is it a good device to compute productivity losses and their origins?
  - A simple labor market
    - **No wage barriers (no collective bargaining, no minimum wage), No EPL distortions**
    - **Imperfect human capital transferability but no role for training within and outside the firm/job experience**
  - A very complex matching structure
    - **Formal search and search through networks**
  - Calibration
    - 10 search and transition parameters
    - 7 productivity and assimilation parameters
    - 4 network parameters
    - Many parametric assumptions (functional forms)
- Short on counterfactual exercises
- Robustness of the calibration?

# Concluding remarks

- Excellent paper
- Looking forward to the next version