Labor Market Responses to Inflows of Foreign Workers: Evidence from Disaggregated Data in Japan

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Abstract

This study examines the effects of changes in the foreign employment share on labor market outcomes using data from Japan. The analysis exploits variation across narrowly defined labor markets—characterized by prefecture, industry, skill level, age group, and gender—and employs a shift-share instrument to estimate causal effects. Additionally, the analysis uses inflows of foreign labor in previous decades to control for potential carryover effects. Results suggest that an increase in foreign labor increased native employment and reduced hourly wages.

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