Chapter 10
Worker Mobility: Migration, Immigration and Turnover.

1. Use the economic model of mobility to explain how each of the following would affect the likelihood that a person moves across state lines to take a new job.
   a. marriage
   b. children
   c. age
   d. home ownership
   e. interest rates
   f. economic conditions in the home location.
   g. economic conditions in the destination location.

2. Suppose that the U.S. expands immigration quotas from their current level. Considering the difference between gross complements and gross substitutes, among the native population,
   i. which workers are likely to see a reduction in their wages and/or employment?
   ii. which workers are likely to see an increase in their wages and/or employment? (Be sure to consider both labor supply and labor demand effects.)

b. It is well established that immigrants tend to settle in areas that have high concentrations of people from their homeland (e.g. Chinese immigrants tend to initially locate in cities with a large Chinese population). If immigrants are willing to accept a lower wage to be surrounded by people from their own culture, how will this affect the wages of natives in the cities with large immigrant population? How will this, in turn, affect the mobility decisions of natives living in areas with increasing immigrant populations?

   c. Other than the effects that immigrants have on native wages, how else could immigration affect the standard of living of U.S. natives?

3. The marginal expense of labor (MEL) is equal to the increase in labor costs associated with hiring one additional unit of labor. Using calculus, it is straightforward to show that:

   \[ \text{MEL} = W(1+1/e^s) \]

   where \( W \) is the wage rate and \( e^s \) is the elasticity of labor supply. Recall from earlier that

   \[ e^s = \left| \frac{\% \text{ change in quantity of labor supplied}}{\% \text{ change in wage rate}} \right| \]

   a. Suppose that a firm has "townies" and "imports" in its employ. The townies have lived in the area all their lives and have many friends and family in the area. The imports have moved into town only recently and have relatively few friends and family in the area. Which group will likely have the greater elasticity of labor supply? Why?
   b. If the firm is paying townies and imports identical wages, how could it increase its profitability? Explain.
   c. What rule should the firm use to set the wages of the two groups of workers?

4a. Based upon the data presented in class, what are the major changes in the source of U.S. immigrants over the past 50 years?
   b. What are the different admission types of U.S. immigrants? What is the most common type of admission?

5a. Describe various ways that a firm may structure compensation to reduce turnover among workers.
   b. Describe the kinds of job characteristics will make it especially important for a firm to reduce turnover.

6. Describe the conclusions from the studies by Card and Borjas regarding the effect of immigrants on native wages. Explain how the two studies differed in terms of their conclusions and the analysis they performed.