

Abstract

Human-capital intensive activities may generate significant multiplicative effects at the local level. In particular, inflows of workers in knowledge-related sectors may contribute to make local labour markets more attractive for other kind of workers as well. Their actual impact on local economies crucially depends on specific institutional factors such as wage-setting mechanisms, unemployment rates, and labour mobility. This paper assesses how the relative growth of knowledge-intensive jobs and the inflow of workers in knowledge sectors affect wage, employment, and probability of outmigration of local workers in other sectors. We focus on Italy during the 2005-2019 period, taking advantage of matched employer-employee administrative data covering the universe of social-security-paying workers, which allows to track workers' histories across jobs and locations. To address identification concerns, we implement a two-step procedure combined with an IV strategy. We estimate individual-level regressions and use the predicted area-year effects as dependent variable in second-steps, estimated at the level of local labour markets. In addition, to account for idiosyncratic shocks to local labour markets we instrument our two variables of interest - the stock share variation and inflow of workers in knowledge-intensive sectors - with shift-share IVs. Our preliminary results suggest that both the share of workers in knowledge-intensive activities and the inflow of knowledge migrants affect local labour market dynamics. Specifically, they appear to have multiplicative effects on employment, increasing the number of days worked in non-knowledge sectors, and they also seem to reduce the probability of outmigration.