

The B.E. Journal of Economic Analysis & Policy

Contributions

Volume 11, Issue 1

2011

Article 34

Immigration, Family Responsibilities and the Labor Supply of Skilled Native Women

Lidia Farré*

Libertad González†

Francesc Ortega‡

*Institut d'Anàlisi Econòmica (CSIC), lidia.farre@iae.csic.es

†Universitat Pompeu Fabra, libertad.gonzalez@upf.edu

‡Queen's College - CUNY, fortega@qc.cuny.edu

Recommended Citation

Lidia Farré, Libertad González, and Francesc Ortega (2011) "Immigration, Family Responsibilities and the Labor Supply of Skilled Native Women," *The B.E. Journal of Economic Analysis & Policy*: Vol. 11: Iss. 1 (Contributions), Article 34.

Available at: <http://www.bepress.com/bejeap/vol11/iss1/art34>

Copyright ©2011 The Berkeley Electronic Press. All rights reserved.

Immigration, Family Responsibilities and the Labor Supply of Skilled Native Women*

Lidia Farré, Libertad González, and Francesc Ortega

Abstract

We investigate the effect of immigration on the labor supply of skilled women, using data on Spain's large recent immigration wave. We adopt a spatial correlations approach and instrument for current immigration using ethnic networks. We find that female immigration increases the local availability of household services and reduces their price. It also increases the labor supply of skilled native women, by allowing them to return to work earlier after childbirth, and to continue working while caring for elderly dependents. Immigration can account for one third of the recent increase in the employment rate of college-educated women providing child or elderly care.

KEYWORDS: immigration, female labor supply, fertility, elderly care, household services

*We thank seminar attendants at the University of Michigan, Columbia University, University of Alacant, ECARES and GRIPS, as well as attendants at the III Inside Workshop (IAE-CSIC), the 2009 SAE Meeting and the 2011 AEA Meeting. We are also grateful to the editor and two anonymous referees for their comments and suggestions, which improved the paper significantly. We acknowledge the support of the Barcelona GSE Research Network and the Government of Catalonia, as well as the Spanish Ministry of Science (grants ECO2008-05721/ECON (Farré), SEJ2007-64340/ECON (González), and ECO2008-02779 (Ortega)).

1. Introduction

There is a large literature addressing the effects of immigration on the host country's labor market. Most studies focus on the direct effects of immigration on the wages and employment opportunities of natives with the *same* skill level. However, immigration may also affect the labor market decisions of natives with *different* skills, through general-equilibrium effects. One such effect may arise if immigration increases the local supply of market-provided services that are close substitutes with housework (such as cleaning, cooking or child and elderly care). As a result, women that can afford to purchase those services may be able to shift time from house work toward market work.

As pointed out by Kremer and Watt (2006), this particular channel through which immigration can affect the labor market of the receiving economy may be quantitatively important. Through a calibration exercise, they estimate that taking this form of skill complementarity into account implies that the immigration surplus in the US may be more than 10 times larger than previously thought. In turn, Cortes and Tessada (forthcoming) provide empirical evidence that supports this mechanism. Their estimates indicate that low-skilled immigration led to a significant increase in the labor supply of highly skilled women in the US. This link between immigration and native female labor supply is present in other countries as well. Cortes and Pan (2009) show that educated women with young children in Hong Kong increased their labor market participation in recent decades thanks to an increased supply of foreign domestic workers.

In this paper, we empirically analyze the effect of female immigration on the labor supply of skilled native women in Spain over the last decade, with an emphasis on the response by women with family responsibilities. The "responsibilities" that we have in mind include caring for young children and elderly dependents. The former has already received some attention in the literature (Cortes and Pan). However, the latter has not been considered prior to our study, and we argue that it is particularly relevant for Europe, where fertility rates are low but the population is aging rapidly due to large increases in life expectancy. Between 2010 and 2050, the elderly population in the European Union will increase by 77%, while the working-age population will decrease by 16% (European Commission).

Our paper contributes to the literature on the potential impacts of immigration on the native population. We focus on the case of a Southern European country, Spain, which has experienced a very large wave of immigration over the last decade. The foreign-born share in the working-age population increased from 3% in 1999 to 15% in 2008 (Population Registry). In addition, there are reasons to believe that immigration may have a larger effect on the labor supply of women with family responsibilities in Spain than in the US or

Northern European countries. As is common in several Mediterranean countries and in Latin America, Spain is still characterized by geographically close family networks and a family-based provision of care for children and elderly (Esping-Andersen, 1990). As a result, Spanish females bear a larger burden on their time than women in countries where the government plays a larger role (e.g. Scandinavian countries) or where there is a larger supply of market-provided care (e.g. retirement homes in the US). This may partly account for Spain's low female employment rates.¹

The paper incorporates three methodological innovations. First, we focus on female immigration as our main explanatory variable, as opposed to total immigration flows. The reason is that employment in household services has been dramatically affected by female immigration. In 2008, 49% of recent immigrant women were employed as housekeepers or home-providers of child or elderly care. In the same year, roughly half of all recorded employment in household services was accounted for by female immigrants, compared to only 12% in 1999.

Secondly, we pay particular attention to the response of women whose labor supply is more heavily constrained by family responsibilities. We focus on two types of family situations that impose a burden on women's time: the presence of young children, and elderly dependents (typically parents or in-laws). To the best of our knowledge, we are the first to study the effects of immigration on the labor supply of women with elderly care responsibilities, which fills an important gap in the literature.

Third, we demonstrate the benefits of using registry data in the analysis. These benefits are twofold. First, the availability of population registry data to measure immigrant concentration makes it feasible to conduct the analysis using the relatively small Labor Force Survey.² This has important implications for policy-making, as it allows researchers to analyze the effects of an immigration episode promptly, as opposed to having to rely on Census data that, in most countries, become available only every ten years. Second, it allows us to measure regional immigrant concentration more accurately, including undocumented immigrants. The reason is that registration in the Spanish Local Population Registry is required in order to gain access to public healthcare and education, but also to be eligible in the event of an amnesty. The process of registration does not require proof of legal residence and the data are confidential (that is, cannot be

¹ Despite progress in recent decades, female employment remains lower in Spain than in the US and most Western European countries. In 2008, the female employment rate was 59% in Spain, compared with 64.5% in the EU-27 and 72% in the US. The gender gap in employment is also among the highest in industrialized countries (21% in Spain, 18% in the EU-27 and 10% in the US). See also De Laat and Sevilla-Sanz (2011).

² Aydemir and Borjas (2006) argue that estimates of regional immigrant concentration based on 5% Census samples (let alone the much smaller Labor Force Survey) may be very noisy, inducing substantial attenuation bias.

used to identify or deport undocumented migrants). The latter feature is crucial in our analysis, given that a substantial share of employment in household services is informal.

The analysis proceeds in three steps. First, we build a simple model of labor supply. The model shows that, under certain reasonable assumptions, a reduction in the price of household services leads to an increase in the labor supply of skilled native women with family responsibilities, relative to other skilled native women. Second, we analyze empirically the effects of female immigration on the household services sector, in terms of size (employment) and prices (wages). We define *household services* to include nannies (in-house childcare), housekeepers and in-house personal care workers. Third, we examine the effects of female immigration on the labor supply of skilled (highly educated) native women. Because of their high earnings potential, these women can afford to purchase household services. In contrast, low-educated women tend to earn lower wages, which makes it unprofitable for them to hire help at home in order to increase their own labor supply.

Methodologically, we follow a spatial correlations approach. Our identification strategy is based on correlating changes in immigrant concentration at the regional level with changes in the labor supply of skilled native women in the same region. While there are potentially multiple channels through which unskilled immigration can affect the labor supply of skilled workers, we identify the effects operating through the price of household services via changes in the labor supply of skilled women with family responsibilities *relative* to women without. Our model is set up so that only skilled women with family responsibilities purchase household services. The rest of skilled women, therefore, do not change their time allocation in response to changes in the local supply of household services. Our identification approach thus departs from the tests already in the literature³.

Crucial to the spatial correlations approach is the large variation in immigration inflows across Spanish regions. Over the course of the last decade, immigration generated large regional differences in the foreign-born share, which in 2008 ranged from below 4% in some regions to almost 25% in others. In order to provide a causal interpretation for our estimates, we adopt an instrumental variables approach based on ethnic networks (Card 2001).

We find that female immigration into a region affected the cost and availability of market-provided household services in the region. We find

³ Cortes and Tessada focus on the effects on the labor supply of all highly skilled native women. More similar to our approach, Cortes and Pan analyze the gap in participation between women with children under age 5 and mothers of older children. Hock and Furtado (2009) and Furtado and Hock (2010) argue that immigration reduced the trade-off between fertility and work in the US. Note that all these studies use decennial (Census) data while we use annual data.

evidence of a positive effect on employment in household services, and a negative impact on average wages in the sector. We also find that immigration led to an increase in the labor supply of college-educated women with family responsibilities, relative to equally skilled women without these responsibilities. Our results suggest that immigration allowed women to return to work sooner after childbirth, and to continue working while caring for elderly relatives. These effects are both statistically significant and quantitatively important, and operate mainly through the extensive margin of labor supply.

Our results also relate to some recent work on job polarization. Manning (2004) and Mazzolari and Ragusa (2007) argue that the increase in the demand for low-wage occupations over the last two decades is driven by a surge in the demand for non-traded household services by high-wage earners.⁴ Our results provide evidence of a demand for household services that responds to price changes driven by immigration.

The remainder of the paper is organized as follows. Section 2 discusses the two family arrangements that we argue may represent a burden on women's time. Section 3 presents a simple time-use decision model. Section 4 describes the empirical strategy and Section 5 introduces the datasets, presents some descriptive statistics, and explains the construction of the main variables. The results are discussed in Sections 6 through 8. Section 9 concludes.

2. Family responsibilities

The unequal gender distribution of tasks within the household imposes a burden on women's labor supply. This is particularly the case in countries where families are important providers of care for children and the elderly, as in Spain as well as most Mediterranean countries. To illustrate this point, Table 1 presents data on labor force participation (top panel) and time use (bottom panel) by gender and education in Spain. First, note that participation rates are much lower for women than for men. In 2005-2008, 41% of working-age women were out of the labor force, compared to only 13% of men. The majority of these women (62%) reported that family responsibilities were the main reason for not participating in the labor market, versus only 4% of men.⁵ Second, college-educated women display much higher labor market participation (only 11% were out of the labor force). However, even for educated women, family responsibilities were the main reason for non-participation.

⁴ The empirical evidence presented in those two papers is for the US and the UK.

⁵ Panel A of Table 1 refers to the period 2005-2008 because the classification of "reasons for being out of the labor force" in the Spanish Labor Force Survey changed in 2005.

Table 1: Family responsibilities and labor supply

Education level	All levels		College Graduates ⁽¹⁾		College Graduates		
	Women	Men	Women	Men	Women		
					Children ⁽²⁾	Male elderly ⁽³⁾	Female elderly ⁽³⁾
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Panel A: Labor Force Survey, 2005-2008							
% Out of the Labor Force	41	13	11	5	12	13	12
Reasons:							
Family Respons.	62	4	52	7	76	44	39
Retired	3	35	9	34	0	20	21
Other reasons ⁽⁴⁾	35	61	39	59	24	36	40
Observations	139,686	124,771	12,262	12,646	4,001	192	457
Panel B: Time Use Survey 2002							
% Employed ⁽⁵⁾	46	.	80	.	77	66	83
Daily hours of household work	5.6	.	4.44	.	6.15	4.6	4.22
Observations	12,845	.	1,938	.	571	94	109

Sources: For panel A, 2nd quarter LFS 2005-2008 merged. For panel B, 2002 Time Use Survey 2002.

Sample: individuals age 25-64.

(1) College graduates are defined as individuals with a four-year college degree or higher educational attainment.

(2) Children are defined as less than 8 years old.

(3) Elderly dependents are individuals 65 and older co-habiting with the respondent (other than the husband).

(4) “Other reasons” includes: studying, discouraged, disabled or other reasons not specified.

(5) Employed over working-age population.

Next, we consider two situations (“family responsibilities”) that may affect women’s labor supply. In column 5, the non-participation rate of college-educated women with young children (under age 8) is shown to be only slightly higher than for female college graduates in general. However, 76% of these women reported that family responsibilities were the main reason to exit the labor force.⁶ Scrolling down the column (in panel B) we can see that the employment rate of college-

⁶ Note that one out of three college-graduate women in our data had children younger than eight.

educated mothers was low compared to non-mothers (77 versus 80% among all college-graduates in 2002), and they spent almost two extra hours per day doing housework (6.1 versus 4.4 hours a day).

The second family responsibility that we consider is having an elderly dependent in the household, which has been shown to affect the labor supply decisions of women (Crespo and Mira 2009, Ettner 1995).⁷ This responsibility is becoming more frequent as a result of the large increase in longevity among the elderly in Spain.⁸ The last two columns in Table 1 present data on participation and time use for college-educated women with elderly dependents (separately by gender). Non-participation rates are only slightly higher for educated women with elderly dependents (12-13% compared with 11% for all college-educated females). Note, however, that there are marked differences between women with male versus female elderly dependents. To start, 44% of college-educated women with a male elderly dependent report that family responsibilities are the main reason for having exited the labor force, compared with a lower 39% among those with a female elderly dependent. Moreover, there are large differences in (2002) employment rates, as seen in the bottom panel. The employment rate among college-educated women with a male elderly dependent was 66%, compared with 83% for those with a female elderly dependent, and 80% for all college-educated women. We also find a small (0.4) difference in daily hours of housework between the two groups.⁹ These findings are consistent with the evidence in Del Boca et al (2005) for Italy, who find that grandmothers play an important role in freeing-up the labor supply of women with children.

These figures suggest that having young children or a (male) elderly dependent at home are events that impose a burden on the time allocation of (college-educated) women. As a result of their high earnings potential, these women are potential users of household services, and may want to increase their labor supply in response to a reduction in the price of these services. The model in the next section analyzes this time-use problem more formally.

⁷ This is particularly so in countries such as Spain, where families play a key role in caring for the sick and the elderly. For instance, the percentage of institutionalized elderly in Spain is 2.9%, compared with 4.3% in the United States and 7.9% in Sweden (Jacobzone, 1999).

⁸ Only 5% of female college-graduates have an elderly person living in their household in our data, grossly underestimating the number of these women that provide elderly care. Often elderly parents or in-laws live outside the household but in close proximity. Unfortunately, we cannot identify these situations due to data limitations.

⁹ None of our datasets contains information on time devoted to elderly care or the health status of household members. We can thus only partially identify potential care givers based on co-residence. This may account for the small differences in time devoted to housework associated with elderly dependents, according to our definition.

3. A simple time-use model

As we show later on, an inflow of immigrant women into a regional economy leads to a reduction in the price of household services in the region. The model here focuses on the effects of a decrease in the price of household services on the time-use of skilled women. Our model is highly stylized, leaving out many relevant factors of households' time-use decisions, but it will be helpful in providing an interpretation for our empirical results. In particular, we will argue that our empirical results are consistent with the predictions of the model for a specific subset of the parameter space.

We consider a time-use problem in the tradition of Gronau (1977), where an individual allocates time between three competing uses: market work, home production and leisure. Adopting the framework in Cortes and Tessada, we include the option of purchasing household services as an alternative to using one's own time for home production. More specifically, an individual maximizes a utility function of the form: $u(y) + \phi(l)$, where y is consumption and l is leisure, operating under a budget constraint, a time constraint and a home production constraint. Respectively,

$$(1) \quad y + px = wn + I$$

$$(2) \quad n + l + h = l$$

$$(3) \quad x + \alpha f(h) = R.$$

Consider the budget constraint (1). The left-hand side is the total expenditure on consumption good y (numeraire) and on household services x (at price p). The right-hand side is total income, which is the sum of labor earnings (n hours of work times hourly wage w) and unearned income I . Equation (2) is the time constraint: one unit of time can be used for market work (n), leisure (l) or home production (h). Obviously, we restrict all quantities to be non-negative.¹⁰

Equation (3) states that home production can be undertaken either through one's own time h (delivering $\alpha f(h)$ units of home output) or by purchasing household services in the market (x). Note that there is a required non-negative

¹⁰ As in Cortes and Tessada, we postulate an individual labor supply problem, as opposed to a household-level problem. One can think of this as a setup where the spouse's labor supply is exogenous and the non-labor-income term in the budget constraint of our decision maker as including the spouse's labor income.

level of home production R , which we interpret as family responsibilities.¹¹ These responsibilities do not generate utility but impose a constraint on resource allocation.

Departing from Cortes and Tessada, we assume that all individuals face the same wage rate, but there is heterogeneity in the burden imposed by family responsibilities. In particular, some individuals have family responsibilities that need to be fulfilled ($R > 0$) while others do not ($R = 0$).¹² These care-giving services (e.g. child or elderly care) can be bought in the market (x) or produced using one's own time (h). Naturally, individuals without family responsibilities will not purchase any of these household services and will not devote any time to home production, that is, $x = h = 0$. Their time will be divided solely between market work (n) and leisure (h). We can think of these individuals as women with no child or elderly care responsibilities, or as men.¹³

We are interested in the comparative statics of a change in the price of household services and, in particular, on the differential response of individuals with and without family responsibilities. Let us start by examining the optimality conditions associated with the time-use problem of individuals *with* family responsibilities ($R > 0$). First, the time devoted to home production is determined by equating the value of the marginal product of home production (where p is the price of household services) to its opportunity cost (given by the wage rate):

$$(4) \quad p\alpha f'(h^*) = w.$$

We denote the optimal home production time by $h^*(w, p)$, which is decreasing in w and increasing in p . Second, the demand for household services is given by

$$(5) \quad x^*(w, p, R) = R - \alpha f(h^*).$$

Finally, consumption and labor supply, (y^*, n^*) , are pinned down by the following two equations:

$$(6a) \quad w = MRS(1 - h^* - n, y) = \phi'(1 - h^* - n)/u'(y)$$

$$(7a) \quad y = wn + I - px^*.$$

¹¹ We assume that functions ϕ , u , and f are increasing and strictly concave. As a result, all constraints are binding.

¹² Our analysis of heterogeneity in family responsibilities pre-dates the related discussion in Cortes and Tessada. More importantly, our Proposition 2 below makes an empirical prediction that is distinct from theirs, although obviously consistent with their discussion since it is based on the same setup.

¹³ Recall from Section 2 that only 4% of males out of the labor force declare family responsibilities as the main reason for not participating in the labor market.

Equation (6a) equates the marginal rate of substitution between leisure and consumption to the real wage (w), and equation (7a) is the budget constraint after plugging in the optimal expenditure in household services. As shown by Cortes and Tessada, when w is high enough relative to p , market work hours (n) and purchases of household services (x) are both positive. Intuitively, individuals with a high wage have a high opportunity cost of time. For them, it pays off to hire someone (at rate p) and supply their own time to the market (at $w > p$).

We now turn to the optimal time use for individuals *without* family responsibilities ($R=0$). Trivially, for these individuals $h^* = x^* = 0$ and the amount of work and consumption are given by the solution to the following system of equations:

$$(6b) \quad w = MRS(1 - n, y)$$

$$(7b) \quad y = wn + I.$$

The time allocation for women without family responsibilities is not a function of the price of household services.

Assuming a binary nature for family responsibilities is clearly a simplification. In reality this variable is continuous. This assumption, however, greatly simplifies the analysis. For example, as just discussed, it implies that the price of household services has no effect on the time allocation of individuals with no child or elderly care responsibilities. However, in our empirical specification we do allow the price of household services to affect the time allocation of individuals with $R=0$, and test whether the impact is in fact equal to zero.

The propositions below summarize the effects of a reduction in the price of household services on the time-use allocation of individuals with and without family responsibilities. The proofs can be found in the appendix.

Proposition 1. *As a result of a reduction in the price of household services (p),*
i) The time use of individuals without family responsibilities ($R=0$) is unaffected.
ii) Individuals with family responsibilities ($R>0$) reduce the time devoted to home production (h^) and increase their purchases of household services (x^*).*

The first statement in the Proposition follows trivially from the fact that individuals without family responsibilities never devote any resources to family responsibilities. Statement ii) is also straightforward. Equation (4) implies that a reduction in the price of household services, p , leads to a reduction in the time

devoted to home production and, thus, an increase in the purchase of domestic services.¹⁴

The next Proposition describes the effects on the labor supply of women with family responsibilities.

Proposition 2 (sufficient condition). *If home production is productive enough (high α), a reduction in the price of household services (p) leads to an increase in the labor supply of women with family responsibilities.*

Even in our highly stylized model, the effect of a reduction in the price of household services on labor supply depends on parameters, due to the usual opposing income and substitution effects.¹⁵ The statement in Proposition 2 is conditional on a subset of the parameter space. The intuition behind our sufficient condition is the following. When the home production technology is effective enough, the bulk of family responsibilities is satisfied by means of one's own time, rather than by purchasing household services. As a result, a reduction in the price of these services has a negligible income effect. Therefore, a marginal reduction in the price of household services leads to a reduction in housework, an increase in the purchases of market-provided household services, and a larger supply of labor to the market.¹⁶ Of course, whether the sufficient condition holds is an empirical question.¹⁷

Our focus is on the time-use of highly skilled women. Nevertheless, two points are worth noting regarding the time use of less skilled individuals. First, low-wage women with family responsibilities will tend to devote their own time to home production. It does not pay off to pay someone else p units of the numeraire in order to earn w when these two prices are similar. Furthermore, in our application the reduction in the price of household services is triggered by immigration. Low-wage native individuals are likely to face greater labor market competition as a result of large immigration flows. This effect of immigration on their own wage will be confounded with the effect of cheaper household services.

¹⁴ Equations (4) and (5) imply that a given reduction in p has exactly the same effect on h^* and x^* regardless of the value of R , provided that $R > 0$. The effect on labor supply (Proposition 2) will generally depend on the exact value of R .

¹⁵ For very high values of α , we will reach a corner solution where $\alpha f(h) = R$ and $x = 0$. Clearly, in this case reductions in p will not have any effect on time use decisions.

¹⁶ On the basis that leisure is not an inferior good, Cortes and Tessada stress that a reduction in the price of household services is likely to lead to a reduction in the labor supply of women with family responsibilities. We note that the sufficient condition in Proposition 2 allows for an arbitrary income-elasticity for leisure.

¹⁷ One may want to consider the effect of a reduction in p on the labor supply of women with family responsibilities as a continuous function of R . Signing the effect, however, requires specific functional form assumptions.

For very low-wage natives, the former effect is likely to dominate since these individuals will most likely not employ household service workers.

In conclusion, this section shows that a reduction in the price of household services will (under some conditions) lead to an increase in the labor supply of highly skilled individuals with family responsibilities. In the model, the time use of highly skilled individuals without family responsibilities remains unaffected. We will test the key implication of the model by analyzing empirically the effect of a reduction in the price of household services on the labor supply of skilled women with “heavy” family responsibilities (young children or elderly dependents), relative to skilled women without.

4. Empirical strategy

Methodologically, we adopt a spatial correlation approach, where we correlate changes in the labor supply of skilled native females with female immigration shares across Spanish regions. We use instrumental variables to identify the causal effect.

Our main explanatory variable is a measure of female immigrant concentration at the regional level. For short, we refer to this variable as the Female Immigrant Share (*FIS*).¹⁸ We focus on female immigrants because the overwhelming majority of workers in the household services sector are women (about 95%).

Our empirical analysis proceeds in two steps. First, we examine the connection between female immigration and the household services sector (section 4.1). Second, we estimate the effects of immigration on the labor supply of skilled native women (section 4.2). After discussing our main specifications, section 4.3 describes our instrumental-variable approach.

4.1. Immigration and household services

Our first goal is to establish a link between female immigration flows into a region and the price and availability of household services in that region. In particular, we study the effects on the size (measured by employment) of the sector as well as the average wage received by household service workers.

We estimate the following empirical models:

$$(8) \quad EHS_{r,t} = \lambda_t + \phi_r + \beta_e FIS_{r,t} + \varepsilon_{r,t}$$

¹⁸ Due to data limitations, it is infeasible to use the price of household services as the main explanatory variable. We can only build a noisy estimate of the price for a limited number of years. Moreover, measurement error problems are likely to be amplified by the high degree of informal employment in this sector.

$$(9) \quad WHS_{r,t} = \lambda_t + \phi_r + \beta_w FIS_{r,t} + \varepsilon_{r,t}.$$

The dependent variables are, respectively, region r 's total employment in household services in year t , normalized by the working-age female population in the region (EHS), and the average hourly wage (in logs) in the household services sector (WHS). In both equations, the main explanatory variable (FIS) is the female immigrant share in the region at the beginning of the year. The specification includes year (λ_t) and region (ϕ_r) fixed effects. Accordingly, identification is based on within-region annual changes in the household services sector and in the female immigrant share.

Our coefficients of interest, β_e and β_w , capture the extent to which immigration flows are associated with changes in employment and average wages in the household services sector. Note that β_e will be zero if either no immigrant becomes employed in household services, or if immigrants fully displace natives working in that sector. A positive coefficient implies that female immigration is associated with a net increase in the size of the household services sector. Naturally, if immigration did not affect the size of the sector, we would not expect changes in wages either ($\beta_w = 0$).

4.2. Immigration and the labor supply of skilled women

We next analyze the effects of immigration on the labor supply of skilled native women by estimating the following individual-level labor supply model:

$$(10) \quad y_{irt} = \lambda_t + \mu_r + \alpha D_{irt} + \beta FIS_{rt} + \gamma D_{irt} FIS_{rt} + X'_{irt} A + \varepsilon_{irt}.$$

The dependent variable (y) is a measure of labor supply (employment or hours) for highly skilled individual i located in region r in year t . The right-hand side contains year (λ_t) and region (μ_r) fixed-effects, a dummy variable (D) that takes value one when the individual has any of the family responsibilities identified in Section 2, the female immigrant share (FIS) at the beginning of the year, an interaction of this variable with the dummy for family responsibilities ($D * FIS$), and a vector of individual controls (X), such as age, marital status and number of children.¹⁹ We allow the disturbance term to be correlated across individuals and over time in the same region.

We expect α to be negative, since family responsibilities impose a burden on women's time, which is likely to constrain their labor supply. Based on

¹⁹ In the empirical analysis we also allow the effect of immigration to vary by type of family responsibility.

Proposition 1i), we expect the coefficient on the female immigrant share (β) to be zero, since the time use of women without family responsibilities should not be affected by changes in the price of household services (driven by female immigration). Of course, our measure of family responsibilities is imperfect, and in practice women without family responsibilities may also consume household services, so that β may be positive. More generally, β may be negative if immigrants compete in the labor market with natives, or positive if native and immigrant workers are complementary factors in production.

Estimation of β is the main goal in Cortes and Tessada. However, our main interest is in coefficient γ , the differential effect on the labor supply of skilled women with family responsibilities, relative to women without. On the basis of Proposition 2 and the link from immigration to the price of household services, we expect a positive value of γ .

Identification is based on correlating changes in (female) immigration shares across Spanish regions with the gap between the labor supply of skilled women with and without family responsibilities. Presumably, other channels by which female immigration can affect the time use of skilled native females besides through the price of child and elderly care (such as labor market competition or complementarities in production) will affect both groups of skilled women similarly, and therefore will not affect this gap.

4.3. Endogeneity issues and our instrumental variables strategy

Clearly, OLS estimates of equation (10) may suffer from endogeneity bias. Both our main explanatory variables, the immigrant share and the family responsibilities indicator, are potentially determined jointly with labor supply. Next we discuss how we deal with endogeneity issues.

4.3.1. Endogeneity of the female immigrant share

If immigrants move to regions where *skilled* natives are increasing their labor supply for reasons other than immigration, then the OLS estimate of β will be biased upwards. However, there are reasons to expect less of an endogeneity bias here than in other spatial correlation analyses of immigration. First, we are studying a cross-skill effect. While it is very likely that unskilled immigrants move to regions experiencing positive shocks to unskilled labor demand, it is less likely that these regions additionally feature positive shocks to the demand for (female) skilled labor. Second, our measure of immigration includes only females. Conceivably, many of these will be tied movers. That is, their location will be determined by their husbands' employment opportunities. For instance, it is worth noting that in our period of analysis Spain experienced a pronounced housing

boom that led to a large increase in male immigrant employment in the construction sector. Often the regions with the largest construction booms differed from the regions with growing labor market opportunities for highly skilled women.

We account for the potential endogeneity of migrants' location choices using an instrumental variables approach. Specifically, we build a version of the widely used ethnic networks instrument à la Card (2001). This instrument exploits the fact that recent immigrants tend to locate in regions with large communities of previous immigrants from the same country of origin. More formally, consider the following predictor for the size of the immigrant population in a region r in a given year t :

$$(11) \quad Z_{r,t} = \sum_c Z_{c,r,t} = \sum_c \left(\frac{FB_{r,c,t_0}}{FB_{c,t_0}} \right) FB_{c,t}$$

for $t_0 < t$. The term in brackets denotes the share of the foreign-born population from country of origin c living in Spain's region r in some base year t_0 (the base year in our analysis is 1991). $FB_{c,t}$ is the total size of the population from country c residing in Spain in year t . We include both men and women, since our definition of networks is based purely on ethnicity, not gender. Our empirical models include region (and year) fixed effects. Thus, effectively, the instrument is used to predict regional *changes* in the immigrant population by using past *time-invariant* regional data interacted with the current change in the Spain-wide foreign-born population.

Our main explanatory variable is the female immigrant share (*FIS*), which has been normalized by the size of the region in terms of (female) working-age population. Consequently, we instrument it with the predicted share of immigrants (*ZS*), defined as the predicted immigrant population (Z) analogously normalized by the region's working-age population.

The instrumental variables approach based on ethnic networks has been widely used in the US, a country with a long history of immigration. The immigration episode in Spain started timidly during the second half of the 1980s and accelerated over the 1990s. We employ data from the 1991 Census to compute the distribution of immigrants by country of origin across Spanish provinces in that year, and then "predict" the distributions over our period of analysis. Our exogeneity assumption is that regional shocks to the demand for female *skilled* labor between 1999 and 2008 are uncorrelated with immigrant location patterns prior to 1991. Section 6.1 provides a detailed discussion of the validity of the instrument for our specific application.

4.3.2. Endogeneity of family responsibilities

Labor supply, fertility, elderly care and co-residence decisions may all be affected by individual-specific factors that we cannot control for, such as unobserved tastes for market versus household work. We do not instrument D (see equation 10), and therefore our estimates of α cannot be given a causal interpretation. However, we argue that our IV strategy can still provide an unbiased estimate of γ (the coefficient on the interaction between immigration and family responsibilities).²⁰

Even so, our causal estimate of γ could have an ambiguous interpretation, depending on whether the immigration episode affected the child and elderly care decisions of skilled native women (in the short run). In the presence of such an effect, γ would capture a combination of the “pure” behavioral effect on labor supply, and a composition effect (if immigration, for instance, increases the number of women with family responsibilities). In fact, there is evidence for the US that immigration increased fertility among skilled women (Furtado and Hock, 2010). In Section 8, we address this possibility by directly estimating the effect of immigration on family responsibilities.²¹

5. Data

5.1. Sources and definitions

We exploit the regional variation in immigration densities across the 52 Spanish regions. We combine data from four different sources: the Labor Force Survey (1999-2008), the Household Budget Survey (1999-2005), the Local Population Registry (1999-2008), and the 1991 Decennial Census.

Our main data source is the Labor Force Survey (LFS or “Encuesta de Población Activa”). This survey interviews about 60,000 households on a quarterly basis and is essentially standardized with the labor force surveys in other European countries. We use the second quarter interviews for each year between 1999 and 2008.²² We use the LFS to calculate the share of (female) workers employed in household services by region and year, the dependent variable in equation (8). The Labor Force Survey, however, does not provide information on wages or earnings. Therefore, in order to construct the dependent variable in the wage equation (9) (average hourly wages in household services by region and year), we combine data on hours worked by household service workers from the

²⁰ Note that we instrument both the immigrant share and its interaction with family responsibilities, using as instruments the immigrant share as predicted by 1991 enclaves and its interaction with the family responsibilities indicator.

²¹ As it turns out, we do not find evidence of a causal effect of immigration on fertility or elderly care decisions in Spain, so that γ can be interpreted as the behavioral effect.

²² We use only the second quarter in order to minimize seasonality effects.

LFS with information on expenditure on household services from the Household Budget Survey (HBS).²³ The average hourly wage of household service workers is constructed as total expenditure on household services in a region and year, divided by total hours worked by household service workers in the same region and year.²⁴

We also use the LFS to build our two measures of individual labor supply (a binary employment indicator and a continuous variable of weekly hours worked), the dependent variables in equation (10), as well as the vector of individual characteristics (age, gender, education, marital status, number and ages of children) and our indicators of family responsibilities.

The first binary indicator of “family responsibilities” identifies women with children younger than 8.²⁵ The second indicator (elderly dependents) takes value one for women that live in households where there is an individual aged 65 or older (typically, the woman’s parents or parents-in-law). As discussed earlier, this definition is somewhat limited. We do not know whether the woman is really providing care services for her elderly co-resident(s). Likewise, we do not know if women are caring for other elderly relatives that live in separate households. It may also happen that a grandparent in the household helps women cope with other family responsibilities, instead of imposing a burden, and this may be more pronounced for female elderly co-residents. Thus, we analyze separately the case of male and female elderly relatives in the household. Finally, we build a third joint indicator that takes value one if any of the previous family situations hold.

Our third source of data is the 1991 Spanish Decennial Census. We use the Census in the construction of the instrument. We compute the proportion of immigrants that lived in each Spanish region in 1991, separately by country of origin.

Finally, we use data from the Local Population Registry to construct our measures of immigrant concentration at the regional level. The Registry is collected by municipalities and published annually since 1998. We use these data in the construction of our instrument (Z) and our main explanatory variable, the female immigrant share (FIS). Specifically, FIS is defined as the number of working-age females with foreign nationality on January 1st of each year, over the region’s working-age female population in 1991. We prefer to normalize stock

²³ Other data sets that do have information on wages (the Earnings Structure Survey, the Continuous Sample of Working Lives) exclude the household services sector, thus our indirect approach for estimating wages.

²⁴ The HBS does not report the 52 regions, but it contains information at a higher level of regional aggregation (18 regional units). The wage analysis is aggregated accordingly.

²⁵ The specific age cut for the children is somewhat arbitrary, thus we also explore different alternative ages between 0 and 16.

variables using the 1991 population, as opposed to the current population in the region, because it is more plausibly exogenous to current labor market conditions.

Importantly, the Population Registry accurately reflects the size of the immigrant population, including undocumented workers. This feature is important in our analysis, since the household services sector has a high rate of informal employment. Two more points are worth noting. First, our main measure of immigrant concentration (*FIS*) defines immigrants based on nationality, rather than country of birth. The reason is that we want to focus on recent immigrants.²⁶ Employment in household services is often one of the few options available for recent female immigrants, especially if undocumented. As time passes, and in particular after naturalization, immigrant women experience occupational upgrading.

In our data, the proportion of immigrant females working in household services is decreasing in time since arrival in Spain. Almost half of employed female immigrants with less than 3 years of residence in Spain worked in household services in 2008, compared with a third of those with 3-6 years of residence, and only 9% of those with more than 10 years. Thus, a measure of recent immigration seems more appropriate than the overall stock of foreign-born females.²⁷

Second, our immigrant concentration measure does not distinguish immigrants by educational attainment. As just argued, upon arrival many immigrant women are not able to work in occupations that reward schooling.²⁸ Moreover, based on LFS data, we estimate that only a small fraction (about 9%) of the immigrant women included in our *FIS* measure have a college degree, and only about 6-7% work in high-skill occupations. The vast majority (almost 85%) works in low-skill occupations, and in fact about a third work in household services (LFS 2008). Thus, it is unlikely that the immigrant women included in our *FIS* variable compete in the labor market with the vast majority of college graduate native women. For that reason, we do not expect our female immigrant share to pick up competition or complementarity effects with skilled native women.

²⁶ Naturalization requires 10 years of legal residence in Spain (shorter for certain countries of origin).

²⁷ Our results are robust to an alternative definition of immigrant concentration based on country of birth only.

²⁸ Bertoli et al (2011), for example, show that the average wages of recently arrived Ecuadorians in Spain with and without a college degree are extremely close.

5.2. Measurement error

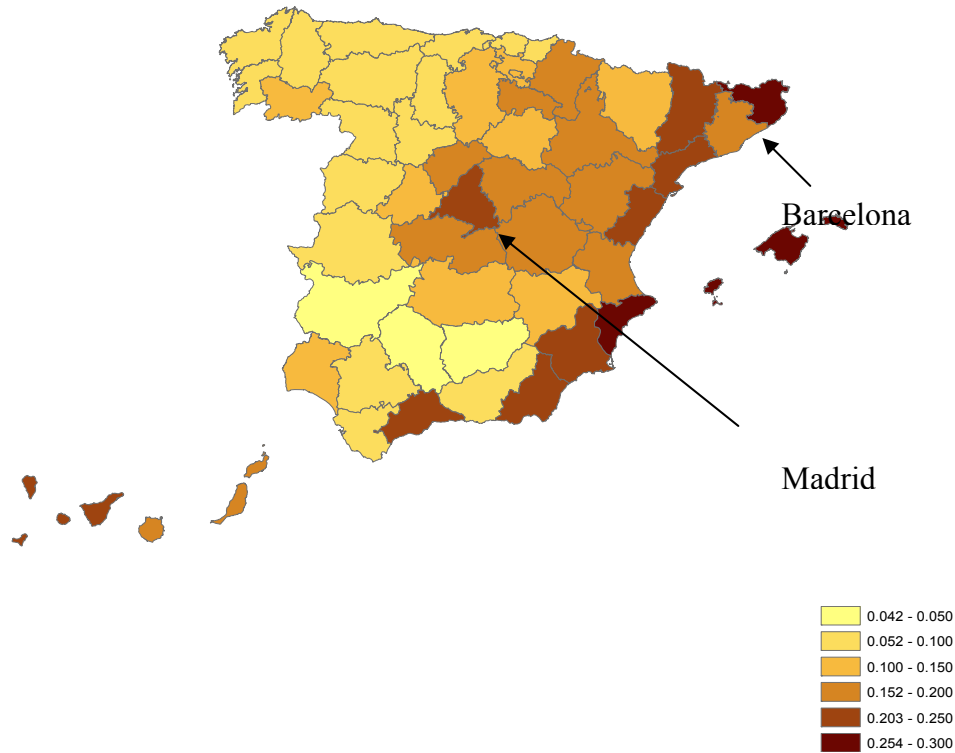
As pointed out by Aydemir and Borjas (2011), the spatial correlations approach is likely to suffer, in practice, from substantial attenuation bias due to measurement error in the main explanatory variable (a measure of regional immigrant concentration). Their warning is highly relevant in our analysis, since our main data source is the relatively small (compared with the decennial Census) quarterly Labor Force Survey. In addition, our focus on the household services sector requires a measure of the immigrant population that accurately accounts for undocumented migrants.

We can get around this data limitation thanks to the Population Registry. The whole population, rather than a sample, is counted in the Registry. Thus our main explanatory variable, the female immigration share (*FIS*), is virtually free of measurement error. For comparison purposes, we construct two alternative measures of immigrant concentration using the Labor Force Survey. First, following the approach in Cortes and Tessada, we compute the female unskilled share (*FUS*) in each region and year, including both natives and immigrants. Low-skill workers are defined as those having at most a high-school degree. As discussed earlier, educational attainment is very loosely correlated with occupation in the case of recent immigrants in Spain. Thus we only use this measure as a robustness check. Second, to investigate the effect of measurement error in the immigrant concentration variable, we also build the female immigrant share using the Labor Force Survey (*FISS*). As expected, for some regions in the early years in our sample period, the number of observations is quite low.

5.3. Descriptive statistics

Our identification strategy exploits the variation in immigrant concentration across regions. The size of immigration flows over the last decade differed a great deal across Spanish regions. Figure 1 plots the regional distribution of immigrants in 2008 (as a fraction of the working-age population). The Mediterranean coast, Madrid and the islands were the main host regions. The foreign-born share in many of these areas (e.g. Alicante, the Balearic Islands and Girona) increased from around 5% in 1999 to more than 20% in 2008. In contrast, in the South and West immigration shares were fairly low, with foreign-born shares in 2008 well below 5%.

Figure 1. Foreign-born share in the working-age population by region, 2008



Data from the LFS indicate that recent immigrants were on average younger, less educated, and more heavily concentrated in low-earnings occupations than natives. In 2008, immigrants were, on average, 5 years younger than natives, and had slightly lower levels of education (85% had at most a high-school degree, compared with 82% of natives). Despite the very small difference in this measure of educational attainment, immigrants were disproportionately employed in low-earnings occupations (83% compared with 33% of natives). In particular, a large number of recent female immigrants held household service jobs. Fuelled by immigration, this sector expanded vigorously: it increased from 3% of total employment in 1999 to 4.4% in 2008. The percentage of households reporting positive expenditures on household services increased from 6% in 1999 to 9% in 2005 (Family Budget Survey).

Table 2 (bottom panel) summarizes our main explanatory variables, that is, our measures of female immigrant concentration. Our main variable is the Registry-based female immigrant share (*FIS*). For the average region, this share increased from 2.6% to 17.9% between 1999 and 2008. The row below reports the analog variable computed using the Labor Force Survey (*FISS*), with very similar

mean values. The share of unskilled females (*FUS*) also increased over the period, from 90% to 96%.²⁹ Finally, the last row of the bottom panel reports the average predicted share of foreign-born individuals (*Z*), which increased by 16 percentage points between 1999 (4.5%) and 2008 (21.1%).

The top panel of Table 2 presents summary statistics regarding the labor supply of native women across education groups, distinguishing by family responsibility. We focus on the last two columns, which report on women with a college degree. First, there was remarkable skill upgrading among Spanish women between 1999 and 2008. Over this period, the share of women with a university degree doubled (from 4.6% to 9.3%). Second, roughly 40% of college-graduate women face at least one of the two family responsibilities. Having young children at home is the most common one, affecting 38% of skilled women in 1999 and 33% in 2008. In comparison, all women in age group 25-64 are characterized by a lower share of mothers of young children and a higher frequency of elderly dependents, reflecting the lower average age among more educated women.

Third, the employment rates of college-educated women increased by 8 percentage points, from 79% to 87%. In the same period, the employment rates of all women increased by 17 percentage points, from 38% to 55%. The employment rates of skilled women with young children also increased substantially, by about 10 percentage points.

²⁹ Note that all the measures of female immigrant concentration (*FIS*, *FUS* and *FISS*) are normalized using the 1991 female working-age population.

Table 2: Mean values of main variables in 1999 and 2008

Education level Year	All educ. levels		HS Graduates and Above		College Graduates ⁽¹⁾	
	1999	2008	1999	2008	1999	2008
Frequency						
Over all women	100	100	22.55	44.59	4.63	9.28
Within each education level						
Women with children ⁽²⁾	20.78	19.49	33.31	27.69	37.69	32.97
Women with male elderly dep. ⁽³⁾	9.20	8.74	3.33	4.32	2.40	3.03
Women w. female elderly dep.	5.22	5.70	3.76	4.87	3.20	3.39
% Employed						
Within each education level	37.98	55.23	66.9	74.38	79.05	87.11
Within each educ. and family respons.						
Women with children ⁽²⁾	42.96	61.91	63.48	73.24	74.82	85.36
Women with male elderly dep. ⁽³⁾	19.28	29.18	47.70	53.32	60	63.37
Women w. female elderly dep.	38.55	50.73	73.76	69.53	83.33	81.42
Average weekly hours worked						
Within each education level	13.81	19.16	24.55	26.42	28.47	31.43
Within each educ. and family respons.						
Women with children ⁽²⁾	15.22	20.69	22.89	24.83	26.5	29.42
Women with male elderly dep. ⁽³⁾	7.37	10.07	17.12	18.53	20.38	22.48
Women w. female elderly dep.	14.75	18.30	27.25	25.21	29.73	29
N. of observations	40,499	35,374	9,132	15,76	1,876	3,264

Main explanatory variables	1999	2008
Female Immigrant Share (FIS) ⁽⁴⁾	0.026	0.179
Female Immigrant Share Survey Data (FISS) ⁽⁵⁾	0.024	0.174
Female Unskilled Share (FUS) ⁽⁶⁾	0.902	0.961
Instrument: Predicted Immigrant Share (ZS) ⁽⁷⁾	0.045	0.211
N. of observations	52	52

Sources: 2nd quarter LFS 1999-2008.

Sample: Individuals age 25-64.

(1) College graduates include women with a four-year college degree or higher educational attainment.

(2) Children are defined as under 8 years of age.

(3) Elderly dependents are individuals aged 65 and older co-habiting with the respondent. (4) FIS is the number of foreign females over the 1991 female working-age population. Population registry and 1991 Census.

(5) FISS is the number of foreign females (from the LFS) over the 1991 female working-age population. LFS and 1991 Census.

(6) FUS is the number of women with at most a high-school degree (native or immigrant) over the 1991 female working-age population. LFS and 1991 Census.

(7) ZS is the predicted number of immigrants (both genders) over the 1991 working-age population (both genders). Population Registry and 1991 Census.

We next turn to work hours. Clearly, college-graduate women work more hours on average than women as a whole (31.4 versus 19.2 in 2008, respectively).³⁰ Family responsibilities are associated with fewer hours of market work. Moreover, between 1999 and 2008, average weekly hours of work increased by 3 hours for college-educated women as a whole (from 28.5 to 31.4), and by roughly the same amount for those with young children (from 26.5 to 29.4). In contrast, the employment rate and average hours of work among skilled women with female elderly dependents fell slightly. Finally, note that both the employment rates and work hours are considerably higher for college graduate women with a female versus a male elderly relative in the household.

6. Instrument validity

We follow an instrumental variables approach in order to provide a causal interpretation for the associations modeled by equations (8) through (10). Following Card (2001), we exploit the influence of ethnic networks established in the past on the location choices of current immigrant arrivals from the same country of origin. The validity of this instrument has been argued extensively in applications involving US data. It is less clear that ethnic networks are helpful in predicting actual immigration flows in countries with a shorter history of immigration.³¹ According to the Spanish National Immigrant Survey, over 80% of immigrants in Spain in 2007 reported that they had a local contact (a friend or relative) that they could go to upon arrival in Spain. This suggests that the first location upon arrival in Spain was, at least in part, driven by networks of friends and relatives from one's country of origin. Next, we discuss in turn the exogeneity and relevance of the instrument in the context of our application.

6.1. Exogeneity

Instrumental variables estimation of equation (10) will be consistent provided that the geographical location patterns of the 1991 stock of immigrants are uncorrelated with region-specific shocks that affect the labor supply of skilled native women between 1999 and 2008. Note that the typical analysis of the labor market effects of immigration using the ethnic networks instrument relies on a stronger assumption. Namely, it assumes that shocks to the labor demand for, say, unskilled labor in the past, are uncorrelated with recent shocks to the demand for

³⁰ Our computation of average hours of work includes women with zero hours of work. Thus, changes in participation rates also affect average hours.

³¹ Gonzalez and Ortega (2009) are the first to build a version of the ethnic networks instrument with Spanish data. Unlike here, their predictor does not use Population Registry data, it disaggregates immigration flows by education, and it covers only the period 2001-2006.

that same type of labor. Our assumption would only be violated if the regions that received positive aggregate economic shocks in the mid 1980s also received systematically high (or low) shocks to female skilled labor supply over the period 1999-2008.

We provide two pieces of evidence that support our exogeneity assumption. First, it is informative to compare the current location choices of the two groups that have a longer history of immigration into Spain, namely, Latin Americans and Moroccans. The predictive power of the instrument is primarily driven by the networks of these two groups. We compute each region's share of the total Moroccan population and the analogous Latino share using the Population Registry in 2008. Figure A1 in the Appendix reports these values. Note first that the Latino and Moroccan shares are positively correlated. This is not surprising since large provinces have larger shares of all immigrant groups. The correlation coefficient is 0.84, but drops to 0.44 when we exclude the four largest provinces. The figure also reveals important differences in the distributions of the two ethnic groups. For instance, in 2008 Madrid hosted 12.3% of all Moroccans versus 25.7% of all Latinos. Finally, these differences have a clear geographic interpretation. Excepting Barcelona and Madrid, all other provinces with an over-representation of Moroccans lie along the Mediterranean coast.³²

These observations have two important implications. Firstly, the geographic distribution of immigrants differs by country of origin, which suggests that current local economic conditions are not the only determinant of migrants' location. There is room for other variables, such as ethnic networks. Secondly, at least for the case of Moroccans, proximity to the country of origin seems to be a key determinant of current location. To the extent that earlier Moroccans also took this into account, distance is another reason that can account for the predictive power of the 1991 shares by country of origin that is not related to current local economic conditions.

Our second piece of evidence is based on the main determinants of the 1991 geographical distribution of immigrants. We next show that the relative size (in terms of GDP) and the sector composition of each region in 1991 can account for much of the variation in the distribution of immigrants at that time, while they do not appear to be correlated with the 1999-2008 increase in the regional demand for female skilled labor. This evidence supports the exogeneity assumption.

Let us start by analyzing the determinants of the cross-sectional distribution of immigrants in 1991. We estimate a cross-sectional regression where the dependent variable is the foreign-born share in 1991 at the regional level. The right-hand side variables are the economic size of the region (measured as the regional share in the national GDP) and its sector composition (value added

³² Murcia (7.9%), Malaga (5.5%), Almeria (5%), and so on.

in the primary sector and in tourism plus retail over total value added at the regional level). The results are presented in Table A1 in the Appendix (column 1). Clearly, the relative economic size and the share of services (tourism and retails) over GDP are both highly significant determinants of the foreign-born share. Together these variables account for 89% of the total variation in the data.

We next examine whether these 1991 variables are correlated with the recent evolution of the labor supply of skilled women. In doing so, we estimate the previous cross-sectional regression, but replacing the dependent variable with the increase in the regional employment-population ratio of college-graduate females between 1999 and 2008. Column 2 in Table A1 presents the results. None of the explanatory variables are now statistically significant, and the associated R^2 is very low. In conclusion, the main determinants of the 1991 location of immigrants do not appear to be correlated with recent changes in the labor supply of college educated women. Of course, we cannot rule out that other determinants of the past location of immigrants may be correlated with current changes in the demand for skilled female labor. However, on the basis of the good fit of the first regression (column 1, Table A1) this seems unlikely.

In any case, in the main labor supply analysis (section 8) we report supplementary IV specifications where we include controls for 1991 region characteristics interacted with year dummies (share of women with a college degree, employment rate of college-educated women, share of value added in agriculture, and share of value added in services), thus allowing for differential regional trends based on 1991 regional economic conditions.

6.2. Relevance

We now turn to examining the relevance of our instrument. The predictive power of the instrument for recent immigrant arrivals relies on the “pull” effect of immigrant enclaves established before 1991. About 2.15% of the population in Spain was foreign-born in 1991, almost 850,000 individuals. South America and Morocco were the most popular regions of origin, accounting for 18.5% and 14% of the foreign-born population, respectively. In 2008, these were still among the top source areas. South American immigrants made up 33% of all immigrants, while Morocco accounted for 11%, although some newer regions of origin were also well represented (remarkably, Romania had become the single most represented country, with 12%). Thus, it is South American and Moroccan immigrant that give power to our instrument.³³

Table 3 reports the OLS estimates of a set of regressions where the dependent variables are the different measures of the size of female immigration

³³ This is confirmed by first-stage regressions run separately by source country (not shown). The instrument’s predictive power is strongest for South American and Moroccan immigrant inflows.

flows: the female immigrant share (*FIS*), the share of unskilled females (*FUS*) and the female immigrant share built using survey data (*FISS*). The right-hand-side of the regressions contains our ethnic networks instrument (*ZS*), along with province and year fixed-effects, and a set of demographic controls. Let us focus first on the top panel, where the instrument is based on Population Registry data (and the 1991 Census). The first column presents our main specification, where the female immigrant share has also been built using the Population Registry. The coefficient associated with *ZS* is 0.288, positive and highly significant. The associated F-statistic is 65.5, which allows us to clearly reject the null of weak instruments.³⁴ The partial R² is 16%.

Table 3: Instrument relevance

Dependent variable:	[1] Female Immigrant Share (FIS)	[2] Female Unskilled Share (FUS)	[3] Female Immigrant Share Survey (FISS)
ZS (Population Registry) ⁽¹⁾	0.288***	0.297***	0.205***
t-stat ⁽²⁾	8.1	9.07	5.35
F-stat ⁽³⁾	65.61	82.26	28.62
Partial R ²	0.16	0.1	0.07
ZS (Labor Force Survey)	0.251***	0.183***	0.256***
t-stat	3.99	3.77	4.73
F-stat	15.92	14.21	22.37
Partial R ²	0.08	0.03	0.08

(1) *ZS* stands for the predicted stock of immigrants as a share of the 1991 working-age population.

(2) All specifications include province and year fixed effects, age, age squared, marital status and the presence of children in several age brackets. Standard errors clustered by province. Three asterisks indicate significant at 99% confidence level.

(3) Threshold value for the test of weak instruments is 16.38 (Stock and Yogo).

In words, a predicted annual increase in the immigrant population of 100 women in a given province is associated with an actual increase of almost 30 foreign females. There are at least two reasons that can account for a coefficient lower than one. First, even if networks accounted perfectly for each immigrant's first location in Spain, local labor demand shocks taking place later in time may induce some relocation. Second, as time goes by, some foreign-born individuals will become Spanish citizens and, therefore, will stop being counted as foreigners.

Columns 2 and 3 report on the ability of the instrument to predict the female unskilled share (*FUS*) and the female immigrant share built using survey

³⁴ The critical value, as reported by Stock and Yogo (2005), is 16.4.

data in place of the population registry (*FISS*). In both cases, the main coefficient of interest ranges between 0.2 and 0.3, and remains highly significant, even though the partial R^2 falls substantially.

The benefits from using Population Registry data are illustrated in the bottom panel of Table 3. Absent the registry data, we would have had to build our instrument and the immigrant concentration variables using the quarterly Labor Force Survey (and the 1991 Census). Consider the last column in the panel, where both the dependent and the main explanatory variable in this first-stage regression are based on the Labor Force Survey. The point estimate is 0.256, similar in size to our preferred estimate (0.288) but much less precisely estimated. The F-statistic is now only 22.37, compared with 65.61 earlier, and the partial R^2 has dropped by half. The F-statistics are even lower in columns 1 and 2, where they fall below the threshold that allows us to reject the null of weak instruments. In conclusion, the availability of even limited population registry data turns out to be very helpful. It allows for a strong first-stage, as well as relatively small standard errors in the final IV estimates of the parameters of interest.³⁵

7. Immigration and household services

In this section we report the estimated effects of (female) immigration on the household services sector. We expect migration inflows into a region to increase the availability of household services and to reduce its price (wage). Given its non-traded nature, inter-regional trade cannot help accommodate the changes in the local supply. Thus standard models predict an adjustment via prices and wages.

In order to test these hypotheses, we estimate regressions (8) and (9). In the former, the dependent variable is regional employment in household services relative to total employment. In the latter, it is the log of the average hourly wage for household service workers in the region. In both cases, the right hand side contains region and year fixed effects, together with the female immigrant share (*FIS*).³⁶

Table 4 reports the OLS and IV estimates. The top panel reports the estimates of the employment regression. The OLS results for our preferred specification, which uses the Registry-based female immigrant share (*FIS*), show that the arrival of 100 female immigrants into a region is associated with an

³⁵ In our main IV regressions, the vector of instruments includes *ZS* and *ZS*D*, in addition to the year and province fixed effects and the demographic controls. The results of the first-stage regression for our main specifications are reported in table A3.

³⁶ As explained earlier, data limitations require the use of larger regions in the wage regression. Instead of 52 regions we use the 18 aggregate regional units (“autonomous communities”) and can only use data for years 1999-2005, delivering a total of 126 observations. In comparison, the employment regression has 520 region-year observations.

increase in the number of household service workers of about 14. However, it could well be that immigrants are drawn to regions with increasing demand for service workers. If this is the case, then our OLS estimates will overestimate the impact of immigration. The second column reports the IV estimates. As expected, the coefficient is now smaller, but it remains positive and strongly significant. An inflow of 100 female immigrants into a region leads to an increase in the number of workers in household service occupations of about 9.³⁷

Table 4: Immigration and the household services sector

Dependent Variable: Employment in household services over total employment⁽¹⁾

	OLS	IV
Female immigrant share (FIS)	0.144*** [0.011]	0.086*** [0.021]
Observations	520	520
R-squared	0.81	0.798

Dependent Variable: Average log hourly wage household service workers^{(1),(2)}

	OLS	IV
Female immigrant share (FIS)	-3.22*** [0.889]	-5.87*** [2.17]
Observations	126	126
R-squared	0.597	0.562

Sources: Dependent variable in top panel A constructed from the Labor Force Survey (1999-2008) at the regional level (52 regions). Dependent variable in bottom panel constructed from the Labor Force Survey (hours worked) and the Household Budget Survey (expenditure) for the period 1999-2005, at a higher level of regional aggregation (18 regional units).

(1) Top regression includes region and year dummies. Bottom regression includes aggregate regions and year dummies. Both regressions are weighted using the 1991 female population. Standard errors are reported in brackets. One asterisk indicates significance at the 90% confidence level, two indicate 95% and three indicate 99%.

(2) Average hourly wage for household service workers in an aggregate region and year is constructed as total expenditure on household services divided by total hours worked by household service workers in the aggregate region.

Let us now turn to the wage regressions, reported in the bottom panel of Table 4. According to our data, the average hourly wage for household service

³⁷ Our results are unaffected by the use of alternative measures of immigrant concentration (available upon request from the authors). Note that the exogeneity assumption required for the validity of the instrument in these regressions is that the 1991 geographical distributions of immigrants is uncorrelated with annual shocks to the demand for household service workers at the regional level over 1999-2008.

workers in the period 1999-2005 was 4 euros, with a standard deviation of 2. The OLS results suggest that a 1 percentage point increase in the female immigration share in the region is associated with household service wages that are 3.2% lower. However, if immigrants are attracted to regions with increasing (household service) wages, the OLS coefficient may underestimate the actual wage effect. The second column thus reports the IV coefficient, which indeed points to a larger effect. A 1 percentage-point increase in the share of female immigrants in the region leads to a significant 5.9% decline in household service wages. This effect is quite large, but one should be cautious in its interpretation given the large associated standard errors.

Previous studies have not found significant effects of immigration on native wages in Spain (Carrasco et al. 2008, Gonzalez and Ortega 2010). However, household services were always excluded from the analysis in those studies, for data availability reasons (the main sources of wage data do not include this sector).³⁸

The results in this section provide clear evidence that female immigration into a region leads to an increase in employment in the household services sector and to a decline in the average hourly wage of household service workers, though the latter effect has been estimated with a limited degree of precision.

8. Immigration and the labor supply of skilled women

Since we lack precise estimates of the price of household services for the whole period at the disaggregated regional level, our approach is to estimate a reduced-form regression, where the main explanatory variable is the share of female immigrants in a region and year. The justification for this regression was provided in section 7, where we established a link between female immigration into a region and the supply (and price) of household services in that region.

We are relatively confident in the structural interpretation of our estimates. The reason is twofold. First, we focus on skilled native women, who most likely do not face labor market competition from recent female immigrants, a channel of interaction that is missing in our simple model. Reassuringly, the data presented earlier showed that the occupational distribution of the two groups of women differs sharply. Second, we focus on the differential effect of female immigration on the labor supply of skilled women with family responsibilities, relative to skilled women in the same region that do not have such responsibilities. Any other channel through which immigration may affect all skilled native women, regardless of their family situation, will thus not confound our results.

³⁸ A report from the Spanish President's Economic Bureau (2006) reports average annual growth of wages in household services for 1988-1997 and 1998-2004 at 10% and -1.7%, respectively. The source of the data used for these calculations is unspecified.

Let us then turn to the estimation of the labor supply model in equation (10), shown here again:

$$(10) \quad y_{irt} = \lambda_t + \mu_r + \alpha D_{irt} + \beta FIS_{rt} + \gamma D_{irt} FIS_{rt} + X'_{irt} A + \varepsilon_{irt}.$$

For now, the “family responsibilities” dummy (D) takes a value of one for all women with children younger than 8 or living with an elderly dependent. We consider two measures of labor supply: a dummy for being employed and the number of weekly hours worked (including the zeros).³⁹

Main results: Table 5 presents the OLS and IV estimates. The top panel estimates the models on the sample of college-graduate native women.⁴⁰ For comparison, the middle and bottom panels use increasingly larger samples of native women: native women with at least a high-school degree, and all women.

Let us focus on the main sample, native women with a college degree. First, the coefficient of the family responsibilities dummy (α) is negative and highly significant, as expected. The point estimates indicate that family responsibilities are associated with lower employment rates (about 5 percentage points) and fewer hours worked (about 2 per week). Second, we do not find any significant effect of immigration on the labor supply of skilled women without family responsibilities, that is, we cannot reject the null hypothesis of $\beta=0$. This is consistent with the predictions of our theoretical model. Note, however, that as we include less and less educated women in the sample (middle and bottom panels), the IV point estimate for β becomes negative and significant in the employment regressions. Our interpretation is that recent female immigration exerted downward pressure on the employment rates of middle and low educated women, through greater competition in the labor market.

We now focus on γ , the coefficient associated with the interaction between the family responsibilities indicator and the female immigrant share. This is our main coefficient of interest, capturing the *differential* effect of an increase in the female immigrant concentration on the labor supply of skilled women with family responsibilities, relative to skilled women without. Both in OLS and IV we find a positive and significant effect on employment.⁴¹

³⁹ We include the individuals with zero hours in the sample in order to be able to interpret the results causally. Since participation is endogenous, excluding the observations with zero hours would technically invalidate the identification strategy.

⁴⁰ Table A2 reports the corresponding first-stage regressions. As shown by the t-statistics, the female immigration share, FIS , is highly correlated with the predicted immigration share, ZS , while $FIS*D$ is highly correlated with the interaction term $ZS*D$. Thus, the rank condition for 2SLS is satisfied (Wooldridge 2002). The Cragg-Donald statistics associated with these regressions are around 6, allowing us to reject the null of weak instruments (critical value 4.58 for a 15% maximal IV size, Stock and Yogo 2005).

⁴¹ Note that the IV and OLS estimates are very similar, suggesting a small endogeneity bias.

Table 5: Immigration and the labor supply of native women

Dependent variable: Estimation method:	Employed ⁽¹⁾ OLS [1]	Hours worked ⁽²⁾ OLS [2]	Employed IV [3]	Hours worked IV [4]
COLLEGE GRAD. +				
Dummy for Family Responsibilities (<i>D</i>)	-0.053** [0.013]	-2.216** [0.524]	-0.056** [0.013]	-2.32** [0.543]
Female Immigrant Share (<i>FIS</i>)	-0.064 [0.088]	-1.576 [4.460]	-0.128 [0.162]	-1.08 [8.193]
Interaction (<i>FIS</i> x <i>D</i>)	0.196** [0.061]	1.637 [2.761]	0.222** [0.063]	2.578 [2.754]
Observations	25,529	25,272	25,529	25,272
HIGH SCHOOL GRAD. +				
Dummy for Family Responsibilities (<i>D</i>)	-0.039** [0.007]	-1.631** [0.256]	-0.053*** [0.006]	-2.166*** [0.252]
Female Immigrant Share (<i>FIS</i>)	-0.081 [0.062]	-1.765 [2.410]	-0.256** [0.129]	-5.039 [3.607]
Interaction (<i>FIS</i> x <i>D</i>)	0.103** [0.031]	0.162 [1.250]	0.147*** [0.032]	2.888** [1.415]
Observations	128,953	127,919	128,953	127,919
ALL EDUC. LEVELS				
Dummy for Family Responsibilities (<i>D</i>)	-0.013** [0.004]	-0.338 [0.195]	-0.019** [0.004]	-0.642** [0.196]
Female Immigrant Share (<i>FIS</i>)	0.039 [0.049]	3.984* [1.735]	-0.229* [0.102]	-5.492 [2.891]
Interaction (<i>FIS</i> x <i>D</i>)	-0.074** [0.024]	-4.901** [1.224]	-0.019 [0.024]	-1.613 [1.098]
Observations	362,613	360,222	362,613	360,222

Note: All regressions include region and year fixed effects, age, age squared, marital status and the presence of children in several age brackets. *D* is the indicator for family responsibilities that takes value 1 in the presence of children younger than 8 or male elderly dependent (65 and older). Standard errors clustered by region are reported in brackets. One asterisk indicates significance at the 90% confidence level, two indicate 95% and three indicate 99%.

(1) The dependent variable is a dummy for being employed.

(2) The dependent variable is the number of weekly hours worked (zeros included).

According to the IV estimate, a 10 percentage-point increase in the share of foreign females in the region leads to a 2.2-point rise in the employment rate of college educated women with family responsibilities, relative to other college educated women in the same region. Interestingly, the point estimate for γ falls rapidly as we enlarge the sample by including high school graduates (middle panel) and high-school dropouts (bottom panel). In our view, this reflects the fact that relatively few less skilled women can afford household services.

Since the female immigration share in the average region increased by 15 percentage points between 1999 and 2008, the increase in employment that can be attributed to immigration equals about 3 percentage points. The employment rate of college-educated women with family responsibilities experienced an overall increase of 10 percentage points in this period. Thus, immigration can account for almost a third of the large increase in employment rates for skilled Spanish women caring for children or elderly relatives over the last decade.

Regarding hours worked, the coefficient on the interaction (γ) is also positive, both in OLS and IV, although we cannot reject the null of no effect. At face value, the point estimate implies that a 10 percentage-point increase in the female immigrant share leads to an increase in weekly hours worked of 0.26 (15 minutes). The failure to detect this small effect on hours may be due to the relatively small sample size. When we enlarge the sample by including women with at least a high-school degree (middle panel), the IV point estimate of γ remains practically unchanged, but becomes significant at the 95% confidence level. The coefficient turns negative and insignificant once we include all education levels (third panel). In sum, we find partial evidence for a labor supply response along the intensive margin for skilled women with family responsibilities. However, the effect appears to be rather small.

Robustness checks: For comparison with previous studies, we re-estimate the empirical models in Table 5 with the *share of low-skilled females (FUS)* as main explanatory variable, which includes both natives and immigrants. Cortes and Tessada use this explanatory variable to account for the potential increase in competition among low-skilled workers resulting from the immigration inflow. The results are presented in Table A3 in the Appendix. Our previous conclusions remain mostly unaffected. However, two points are worth mentioning. First, the share of low-skilled females increased by 6 percentage points over the period. Thus the predicted effects of the immigration inflow are slightly smaller under this alternative specification. Second, the point estimates are less precisely

estimated, probably due to the larger measurement error in the immigrant share obtained from the Labor Force Survey.

We also check the robustness of our main IV estimates by allowing regions to experience different shocks over time based on their 1991 values of several key variables. Namely, we include in the regression a set of additional controls, interacting a set of *regional characteristics in 1991* (share of women with a college degree, employment rate of college-educated women, share of value added in agriculture, and share of value added in services) with year dummies. The results are reported in Table A4. Most of the additional controls are not significant, and our main coefficients of interest remain within the same range. Also, we check the sensitivity of our results to defining immigrant status based on nationality by re-estimating the models in Table 5 using an alternative definition of the female immigrant share based on country of birth. The results are essentially unchanged.⁴²

As an interesting comparison, we also estimate the models in Table 5 for the analogous samples of men.⁴³ We expect to find smaller *effects for men* since their labor supply is less constrained by family responsibilities (see Table 1). Similar effects to those found for women would suggest that mechanisms other than the effect of immigration on the household services sector are responsible for our results. As it turns out, we cannot reject the null of no effect on the employment and hours of men for any of the three samples (neither in OLS nor in IV). The interaction with family responsibilities is never significant and the sign is actually negative for the sample of college-graduate men. Thus increases in the local supply of female immigrants have effects that are specific to native women.

As noted in section 4.3.2, the interpretation of our estimate of γ would change if immigration had (short-term) effects on fertility or co-residence patterns (with elderly relatives). In that case, γ would partly reflect a composition effect. We address this possibility by directly estimating the *effect of immigration on family responsibilities*. Table 6 shows regressions of the family responsibilities indicator (overall and separately for child and elderly care) on the female immigration share and a set of controls. While the OLS estimates are positive and statistically significant (driven by a positive association between immigration and fertility), the effect vanishes once the endogeneity of immigration is controlled for using our ethnic networks instrument. We take these findings to imply that immigration did not have a causal effect on child or elderly care decisions for native women.

⁴² Results are available upon request.

⁴³ Results are available upon request.

Our results in Table 6 differ from the findings in Furtado and Hock, who find an effect of immigration on the fertility of highly skilled American women. One reason for the discrepancy between the US and Spain’s results may be the very recent nature of large-scale immigration in Spain. Since fertility decisions are difficult to reverse, Spanish women may not have reacted to immigration-driven changes in household services prices as rapidly as US women, where the foreign-born share has been high for quite some time.

Table 6: The Effect of Immigration on Family Responsibilities

Dep. Var.	Family Responsibilities ⁽¹⁾	Male Elderly Dependents ⁽²⁾	Female Elderly Dependents ⁽³⁾	Young Children ⁽⁴⁾
OLS				
Female immig. share (FIS)	0.270** [0.087]	0.021 [0.036]	-0.057 [0.040]	0.253** [0.089]
OLS with 1991 controls				
FIS	0.228* [0.095]	0.005 [0.040]	-0.036 [0.041]	0.209* [0.087]
IV				
FIS	0.135 [0.236]	0.069 [0.093]	-0.026 [0.121]	0.064 [0.221]
IV with 1991 controls				
FIS	-0.382 [0.764]	0.028 [0.236]	0.259 [0.315]	-0.477 [0.667]
Observations	25,529	25,529	25,529	25,529

Note: Each coefficient comes from a different regression. In all cases the sample is the set of women with a college degree. All regressions include region and year fixed effects, age, age squared and marital status. The second and fourth rows also include a set of 1991 controls interacted with the year dummies (i.e. share of women with a college degree, employment rate of college-educated women, share of value added in agriculture, and share of value added in services). Standard errors clustered by region are reported in brackets. One asterisk indicates significance at the 90% confidence level, two indicate 95%, and three indicate 99%.

(1) The dependent variable is an indicator for family responsibilities that takes value 1 in the presence of children younger than 8 or male elderly dependents (65 and older).

(2) The dependent variable is a dummy for the presence of a male elderly dependent (65 and older).

(3) The dependent variable is a dummy for the presence of a female elderly dependent (65 and older).

(4) The dependent variable is a dummy for the presence of children younger than 8.

In sum, we find significant and sizeable effects of immigration on the labor supply of college-graduate native women, operating mostly along the extensive margin. Our interpretation is that cheaper household services induced

high-productivity women to re-optimize their time use, reducing their housework and increasing their market labor supply.

In sections 8.1 and 8.2, we estimate labor supply models analogous to (10), separately for mothers of young children and women with elderly dependents. Section 8.3 compares our results with those found for the US in Cortes and Tessada.

8.1. Women with young children

To investigate the labor market response of mothers with young children, we restrict the sample to college-educated women younger than 45, and include two indicators for the presence of young children (younger than 4 and between 4 and 7 years old).

The estimation results are presented in Table 7, both for OLS and IV. First, the coefficients associated with the children dummies are negative. In particular, according to our IV estimates, having a child younger than 4 is associated with a probability of employment almost 4 percentage points lower, compared with only 2 points for children aged 4 to 7. Second, the coefficient on the female immigrant share is never significantly different from zero. Finally, the coefficient on the interaction between the immigrant share and the dummy for children younger than 8 is positive and highly significant. Additionally, the point estimates we obtain are very similar to those in Table 5. A 10 percentage-point increase in the female immigrant share leads to an increase in the employment rate of skilled women with children equal to 2.2 percentage points, relative to comparable women without children younger than 8. This is perhaps not too surprising given that having young children is the most common family responsibility in our sample.

Table 7: Immigration and the labor supply of skilled women with young children

Dependent variable: Estimation method:	Employed OLS [1]	Hours worked OLS [2]	Employed IV [3]	Hours worked IV [4]
COLLEGE GRAD. +				
Dummy for child younger than 4	-0.036*** [0.012]	-1.945*** [0.439]	-0.039*** [0.011]	-2.042*** [0.444]
Dummy for child between 4 and 7	-0.021 [0.015]	-0.980* [0.500]	-0.025* [0.015]	-1.091** [0.516]
Female Immigrant Share (<i>FIS</i>)	-0.077 [0.112]	-4.639 [5.560]	-0.312 [0.250]	-9.717 [12.03]
Interaction (<i>FIS</i> x <i>D_child</i>) ⁽¹⁾	0.150** [0.066]	2.025 [2.447]	0.220** [0.098]	4.281 [3.961]
Observations	17,116	16,971	17,116	16,971

Sample: College graduates, younger than 45

Note: Each column corresponds to a different regression. All estimates include region and year fixed effects, age, age squared, marital status and the presence of children in several age brackets. Standard errors clustered by region are reported in brackets. One asterisk indicates significance at the 90% confidence level, two indicate 95% and three indicate 99%.

(1) *D_child* takes a value of one if there is a child younger than 8 in the household.

For robustness, we re-estimated the model including yearly indicators for the age of the youngest child as well as their interaction with the female immigration share.⁴⁴ This alternative specification suggests that the bulk of the effect comes from the labor supply response of mothers with children younger than 1, indicating that the lower wages of foreign domestic workers allow skilled women to return to work earlier after childbirth.

8.2. Women with elderly dependents

We next analyze the effect of female immigration on the labor supply of women cohabiting with an elderly relative (most often one of the parents or parents-in-law).⁴⁵ The estimation results in Table 8 correspond to a model with separate male and female elderly dependent dummies (*D_eldm* and *D_eldf*), and interactions between these two dummy variables and the female immigration share (*FIS*).

⁴⁴ These results are available upon request.

⁴⁵ Some of the elderly men are husbands. We also estimate analogous regressions excluding the husbands from the definition of elderly dependents, with very similar results.

The results show that a male elderly dependent is associated with a lower employment probability (15 to 18 percentage points) as well as lower working hours (about 6 per week). In contrast, the presence of a female elderly dependent is not significantly related to the labor supply of skilled native women.

The coefficient on the female immigrant share is not statistically significant. Regarding the interactions with the elderly dependent dummies, our IV estimates suggest that a 10 percentage-point increase in the share of foreign females in the region increases the employment rate of college-educated native women with *male* elderly dependents by almost 7 percentage points, and their weekly hours of work by 2, relative to other equally educated women without elderly dependents.

On the other hand, we find no effect on labor supply for skilled women with *female* elderly relatives in the household. This finding is consistent with elderly women on average helping with household chores more than imposing a burden on the working-age female head of household, and could also be related to better health compared with men in the same age range.⁴⁶

The point estimates for the interaction with male elderly dependents are considerably larger than the estimated effects for mothers, but the standard errors are also substantially higher, particularly for hours worked. However, note that our estimates may overstate the true effect of immigration on labor supply for all women caring for elderly or disabled relatives if cohabiting (male) elderly relatives have higher caring needs than non-cohabiting ones. On the other hand, private day-care centres for young children are more prevalent in Spain (and more accessible in terms of price) than their equivalent for elderly day-care, so that there may have been a higher latent demand for in-house elderly care services, leading to stronger labor supply effects for women with elderly dependents compared to women with children.

⁴⁶ To further investigate the effect of female dependents, we estimated a model where the indicator variable is broken down by the age of the dependent (younger than 75 and older than 75). Female dependents younger than 75 may be more likely to help out with housework, while those older than 75 may require more caring. However, our main conclusions in Table 8 remained unaffected. Results are available upon request.

Table 8: Immigration and the labor supply of skilled women with elderly dependents

Dependent variable: Estimation method:	Employed OLS [1]	Hours worked OLS [2]	Employed IV [3]	Hours worked IV [4]
COLLEGE GRAD. +				
Dummy for <i>male elderly dependent</i> (D_{eldm})	-0.146 [0.029]***	-5.527 [1.127]***	-0.176 [0.031]***	-6.42 [1.226]***
Dummy for <i>female elderly dependent</i> (D_{eldf})	0.015 [0.022]	-0.568 [0.997]	0.014 [0.028]	-0.493 [1.216]
Female immigrant share (FIS)	-0.013 [0.077]	-1.871 [3.958]	-0.098 [0.146]	-1.563 [7.603]
Interaction ($FIS \times D_{eldm}$)	0.439 [0.170]**	13.102 [6.531]*	0.691 [0.160]***	20.515 [7.350]***
Interaction ($FIS \times D_{eldf}$)	-0.138 [0.130]	2.395 [5.459]	-0.123 [0.182]	1.945 [7.867]
Observations	25529	25272	25529	25272

Sample: College graduates, all ages

Note: Each column corresponds to a different regression. All regressions include region and year fixed effects, age, age squared, marital status and the presence of children in several age brackets. Standard errors clustered by region are reported in brackets. One asterisk indicates significance at the 90% confidence level, two indicate 95% and three indicate 99%

8.3. Comparison with US results

Our paper is very related, in goals and methodology, to the US study by Cortes and Tessada. They use US decennial Census data for 1980, 1990 and 2000 and focus on women at the top of the wage distribution (while we focus on highly educated women, which allows us to study the effect on the extensive margin of labor supply). The main substantive difference between the two papers is our focus on the issue of family responsibilities, and in particular elderly care.

Cortes and Tessada find that immigration had a positive effect on hours worked for high-wage native women. When they include an interaction with the presence of young children, its coefficient is small, negative and not statistically significant; they do not consider the case of women with elderly care responsibilities. The effect on hours is also present when they use the sample of highly educated women. They also find an unexpected negative effect on

participation for all education groups.⁴⁷ In contrast, we find positive effects on labor supply, but mostly in the extensive margin, and only for women with family responsibilities (young children or elderly dependents).

The discrepancies between their results and ours may relate to the large institutional differences between the US and Spain's labor markets, such as the more flexible work schedules and the higher baseline female employment rates in the US. Both their findings on labor supply and ours can be accommodated by the model. As discussed earlier, our findings (labor supply effects for skilled women with family responsibilities) are consistent with a parameterization of the model along the lines of Propositions 1 and 2. As argued in Cortes and Tessada, there are (other) parameter values for which the model's predictions are consistent with their empirical findings (no differential labor supply effect for mothers).

9. Conclusions

Our results suggest that female immigration into a region leads to higher employment and lower wages in the household services sector. We have also shown that the labor supply of skilled women with family responsibilities increases in response to immigration, relative to skilled women without child or elderly care responsibilities, whose labor supply is found to be unaffected. Similarly, immigration does not appear to affect the labor supply of men, regardless of the presence of young children or elderly dependents in their household. These results are consistent with the predictions of our theoretical model (under parameter values implying a relatively unimportant income effect). We conclude that the main channel through which female immigration affects the time use of skilled females is through household services.

Our results suggest that the main effects operated through the extensive margin of labor supply. We find that immigration allowed skilled women to reconcile their family responsibilities and their careers, by allowing them to go back to work earlier after childbirth, and to continue working (possibly by postponing retirement) when caring for elderly dependents.

The results indicate that the effect of immigration was also quantitatively important. According to our estimates, recent female immigration flows were responsible for an increase of 3 percentage points in the employment rate of skilled women with family responsibilities over the period 1999-2008. This is a large effect, compared with the 8 percentage-point increase in the employment rate of college-educated women or the 10 percentage-point rise for women with young children.

⁴⁷ Furtado and Hock argue that this is due to a causal effect of immigration on the fertility decisions of skilled native women in the US.

Our results are broadly consistent with those in Cortes and Tessada for the US, suggesting an important effect of recent immigration on the time-use decisions of highly skilled native women. Our findings are also in line with those for Hong Kong in Cortes and Pan, who show that the arrival of foreign domestic workers between 1976 and 2006 played a crucial role in eliminating the gap in labor force participation rates between mothers of younger and older children.

Several countries have already introduced special visa programs for foreign caregivers (Canada, Israel or Hong Kong). The main goal of these programs has been to help skilled native women with young children balance their careers and their family responsibilities. Our results suggest an even larger scope for these programs on the grounds of the positive effect on the employment rates of women caring for elderly relatives.⁴⁸ This result is particularly relevant in Europe, where fertility rates are low and the population is aging rapidly.

Appendix

Proof of Proposition 1. Statement i) is obvious. The first-order conditions associated to the problem of individuals without family responsibilities do not depend on p , the price of household services. Statement ii) is equivalent to showing that h^* and x^* are, respectively, increasing and decreasing functions in p for individuals with family responsibilities. For these individuals, their first-order conditions imply:

$$w = p\alpha f'(h) \quad \text{and} \quad x = R - \alpha f(h).$$

It follows from strict concavity of f that the optimal time devoted to home production is a function $h^*(p\alpha, w)$, increasing in $p\alpha$ and decreasing in w . Moreover, the optimal purchases of household services are given by $x^*(R, p\alpha, w) = R - \alpha f(h^*)$, which is decreasing in p for any $\alpha > 0$.

Proof of Proposition 2. Implicit differentiation of the first-order conditions for individuals with family responsibilities leads to the following expression:

$$\left(- \frac{dn^*}{dp} \right) = \frac{dh^*}{dp} - \frac{w u'' x^*}{\phi'' + w^2 u''}$$

⁴⁸ To the extent that the elderly themselves may also be interested in cheaper household services, such immigration policy proposals are likely to receive strong political support from this group. For studies on the political economy of immigration policy see, for instance, Ortega (2005, 2010).

We already established that the first term on the right-hand side is positive. Under our assumptions (strictly concave u and ϕ), the second term is also positive. As a result, the sign of the right-hand side depends on parameters.

We next provide a sufficient condition for x^* to be close to zero. As a result, the monotonicity of h^* as a function of p is inherited by n^* . We proceed in four steps. First, let H be implicitly defined by $R = \alpha f(H)$, that is, the time devoted to home production that fulfills the required family responsibilities. Obviously, in this case the purchases of household services are zero. Second, recall that we derived earlier the following demand functions $h^*(p, \alpha, w)$ and $x^*(R, p, \alpha, w)$. Third, given p and w , observe that there exists α' such that $h^*(\alpha' p, w) = H$ and $x^*(R, \alpha' p, w) = 0$. Fourth, for values of α close enough (from below) to α' ,

$$\left(-\frac{dn^*}{dp} \right) \cong \frac{dh^*}{dp} > 0.$$

That is, the supply of work hours to the market is locally monotonically increasing. QED

Example: Suppose $f(x) = \phi(x) = u(x) = x^{0.5}$. Then

$$\left(-\frac{dn^*}{dp} \right) = \frac{1}{1+w} \left(\frac{\alpha^2 p}{w} \left(\frac{1}{2} + \frac{1}{w} \right) - \frac{R}{w} \right).$$

It is easy to check that the expression is positive if and only if

$$\alpha^2 > \frac{R}{p \left(\frac{1}{2} + \frac{1}{w} \right)}.$$

Table A1: Instrument exogeneity (supporting regressions)

Dependent variable	FB share 1991 ⁽¹⁾	Ch. Employment Skilled Females ⁽²⁾
	[1]	[2]
Share GDP 1991 ⁽³⁾	0.890*** [0.065]	0.356 [0.675]
Share Primary 1991 ⁽⁴⁾	-0.024 [0.042]	-0.068 [0.431]
Share services 1991 ⁽⁵⁾	0.098*** [0.020]	-0.203 [0.207]
R ²	0.89	0.02
Observations	50	50

Note: 50 regions. Ceuta and Melilla excluded due to lack of data.

(1) Dependent variable is the foreign-born share in 1991 (stock of foreign-born over working-age population).

(2) Dependent variable is the change in the employment rate of college educated women between 1999 and 2008.

(3) Regional GDP over Spain's GDP in 1991.

(4) Value added in primary sector over total value added in the region in 1991.

(5) Value added in services over total value added in the region in 1991.

Table A2: First-stage regressions (for Tables 5, 7 and 8).

Dep.Var.	All Family Responsibilities ⁽¹⁾		Elderly Dependents ⁽²⁾		Young Children ⁽³⁾	
	<i>FIS</i>	<i>FIS*D_all</i>	<i>FIS</i>	<i>FIS*D_elderly</i>	<i>FIS</i>	<i>FIS*D_child</i>
<i>ZS</i>	0.288*** [0.082]	-0.096*** [0.019]	0.288*** [0.036]	-0.004*** [0.002]	0.286*** [0.035]	-0.136*** [0.016]
<i>ZS x D</i>	0.001 [0.005]	0.530*** [0.086]	0.019* [0.011]	0.554*** [0.087]	0.001 [0.004]	0.568*** [0.039]
<i>Obs.</i>	25,529	25,529	25,529	25,529	25,529	25,529

Notes: Each set of estimates is from a different regression. In all cases the sample is the set of women with a college degree. All regressions include region and year fixed effects, age, age squared, marital status and the presence of children in several age brackets. Standard errors are clustered by province. One asterisk indicates significance at the 90% confidence level, two indicate 95% and three indicate 99%.

(1) The family responsibilities variable (*D_all*) is an indicator for the presence of children younger than 8 or a male elderly dependent (65 and older) in the household.

(2) *D_child* is an indicator for the presence of children younger than 8 in the household.

(3) *D_elderly* is a dummy for the presence of a male elderly dependent (65 or older) in the household.

Table A3: Immigration and the labor supply of native women, alt. measure of immig.

Dependent variable: Estimation method:	Employed ⁽¹⁾ OLS [1]	Hours worked ⁽²⁾ OLS [2]	Employed IV [3]	Hours worked IV [4]
COLLEGE GRAD. +				
Dummy for Family Responsibilities (<i>D</i>)	-0.098* [0.037]	-4.352** [1.295]	-0.273* [0.112]	-4.851 [3.317]
Female Immigrant Share (<i>FUS</i>)	0.016 [0.057]	-1.070 [2.576]	-0.132 [0.150]	-1.176 [7.132]
Interaction (<i>FUS</i> x <i>D</i>)	0.073 [0.037]	2.548 [1.272]	0.266* [0.121]	3.097 [3.558]
Observations	25,529	25,272	25,529	25,272
HIGH SCHOOL GRAD. +				
Dummy for Family Responsibilities (<i>D</i>)	-0.003 [0.022]	-1.616 [0.825]	-0.192** [0.059]	-4.829* [1.905]
Female Immigrant Share (<i>FUS</i>)	-0.057 [0.051]	-2.238 [1.837]	-0.248* [0.120]	-4.861 [3.483]
Interaction (<i>FUS</i> x <i>D</i>)	0.001 [0.021]	0.001 [0.770]	0.178** [0.064]	3.516 [2.058]
Observations	128,953	127,919	128,953	127,919
ALL EDUC. LEVELS				
Dummy for Family Responsibilities (<i>D</i>)	0.031* [0.015]	1.568* [0.751]	-0.008 [0.027]	0.908 [1.216]
Female Immigrant Share (<i>FUS</i>)	-0.053 [0.040]	-0.38 [1.317]	-0.22* [0.086]	-5.188* [2.377]
Interaction (<i>FUS</i> x <i>D</i>)	-0.055** [0.015]	-2.562** [0.776]	-0.012 [0.029]	-1.845 [1.301]
Observations	362,613	360,222	362,613	360,222

Note: All regressions include region and year fixed effects, age, age squared, marital status and indicators for children in several age brackets. *D* is the indicator for family responsibilities that takes value 1 in the presence of children younger than 8 or male elderly dependents (65 and older). Standard errors clustered by region are reported in brackets. One asterisk indicates significance at the 90% confidence level, two indicate 95% and three indicate 99%.

(1) The dependent variable is a dummy for being employed. (2) The dependent variable is the number of weekly hours worked (zeros included) (3) *FUS* is the number of women with at most a high-school degree (native or immigrant) over the 1991 female working-age population.

Table A4: Immigration and the labor supply of native women, w. 1991 controls

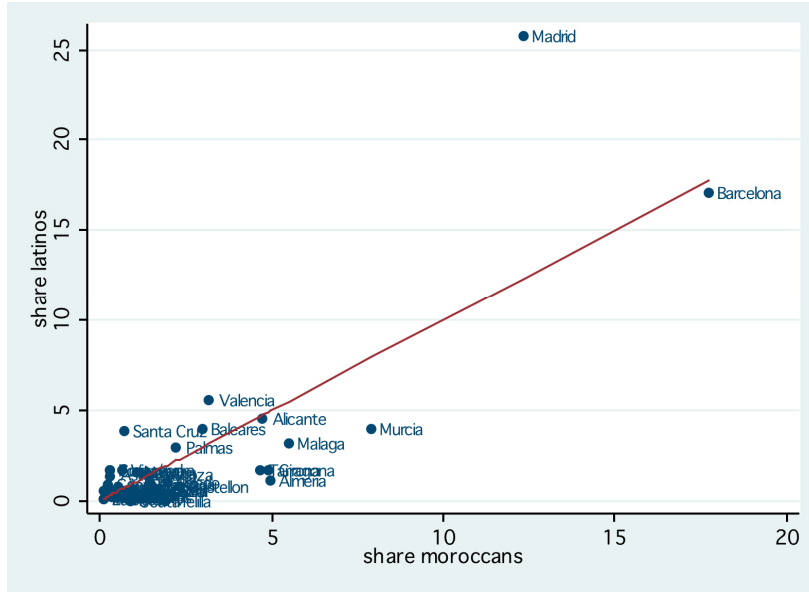
Dependent variable: Estimation method:	Employed ⁽¹⁾ OLS [1]	Hours worked ⁽²⁾ OLS [2]	Employed IV [3]	Hours worked IV [4]
COLLEGE GRAD. +				
Dummy for Family Responsibilities (<i>D</i>)	-0.050** [0.013]	-2.157** [0.502]	-0.054** [0.013]	-2.302** [0.526]
Female Immigrant Share (<i>FIS</i>)	0.022 [0.088]	-2.31 [4.720]	0.299 [0.494]	14.556 [26.914]
Interaction (<i>FIS</i> x <i>D</i>)	0.165** [0.060]	0.966 [2.461]	0.201** [0.062]	2.169 [2.561]
Observations	25,529	25,272	25,529	25,272
HIGH SCHOOL GRAD. +				
Dummy for Family Responsibilities (<i>D</i>)	-0.039** [0.007]	-1.635** [0.256]	-0.045** [0.006]	-1.901** [0.291]
Female Immigrant Share (<i>FIS</i>)	-0.081 [0.073]	-3.923 [3.198]	-0.232 [0.332]	-5.946 [9.740]
Interaction (<i>FIS</i> x <i>D</i>)	0.100** [0.031]	0.048 [1.262]	0.150** [0.038]	2.633 [1.563]
Observations	128,953	127,919	128,953	127,919
ALL EDUC. LEVELS				
Dummy for Family Responsibilities (<i>D</i>)	-0.013** [0.004]	-0.334 [0.196]	-0.019** [0.004]	-0.643** [0.188]
Female Immigrant Share (<i>FIS</i>)	0.071 [0.047]	4.128* [1.839]	-0.483 [0.394]	-19.87 [14.88]
Interaction (<i>FIS</i> x <i>D</i>)	-0.075** [0.024]	-4.960** [1.235]	-0.010 [0.021]	-1.648 [0.927]
Observations	362,613	360,222	362,613	360,222

Note: All regressions include region and year fixed effects, age, age squared, marital status and indicators for children in several age brackets. They also include a set of 1991 controls (share of women with a college degree, employment rate of college-educated women, share of value added in agriculture, and share of value added in services) interacted with the year dummies. *D* is the indicator for family responsibilities that takes value 1 in the presence of children younger than 8 or male elderly dependent (65 and older). Standard errors clustered by region are reported in brackets. One asterisk indicates significance at the 90% confidence level, two indicate 95% and three indicate 99%.

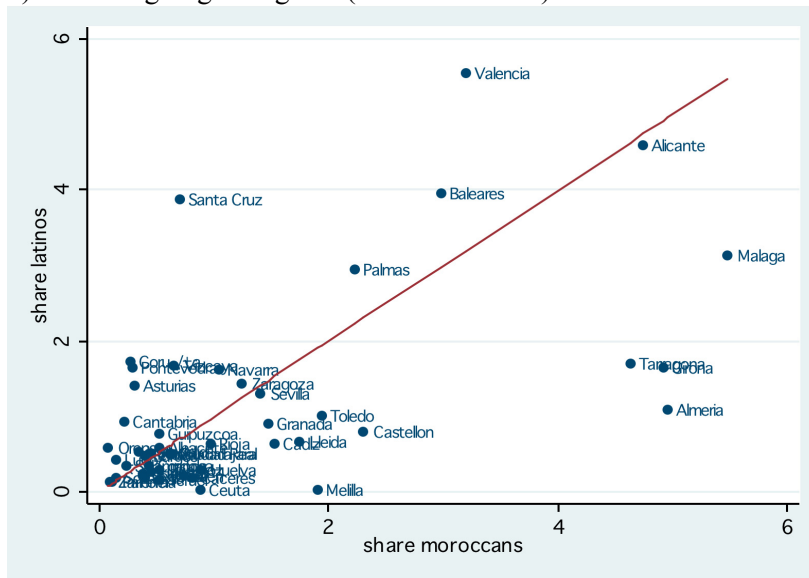
(1) Dependent variable is a dummy for being employed. (2) Dependent variable is the (unconditional) weekly hours worked. Non-employed individuals have zero hours worked.

Figure A1: Share of immigrants by region in 2008.

a) All regions (52 observations).



b) Excluding largest regions (48 observations).



Notes: The figures include a 45 degree line. The 2008 share of Moroccans is defined as the number of Moroccans in region r over the total number of Moroccans in Spain, times one hundred. The 2008 share of Latinos is defined likewise.

References

- Aydemir, Abdurrahman and George Borjas (2011): "Attenuation Bias in Measuring the Wage Impact of Immigration." *Journal of Labor Economics*, vol. 29(1), 1-45.
- Bertoli, Simone, Jesús Fernandez-Huertas and Francesc Ortega (2011): "Immigration Policies and the Ecuadorian Exodus." *The World Bank Economic Review* 2011; doi: 10.1093/wber/lhr004.
- Card, David (2001): "Immigrant Inflows Native Outflows, and the Local Labor Market Impacts of Higher Immigration" *Journal of Labor Economics* 19: January, pp. 22-64.
- Carrasco, Raquel, Juan F. Jimeno and A. Carolina Ortega (2008): "The Effect of Immigration on the Labor Market Performance of Native-Born Workers: Some Evidence for Spain." *Journal of Population Economics*, vol. 21(3), p. 627-648, July.
- Cortes, Patricia and Jessica Pan (2009): "Outsourcing Household Production: The Demand for Foreign Domestic Helpers and Native Labor Supply in Hong Cong", Working Paper, University of Chicago, Booth School of Business.
- Cortes, Patricia and Jose Tessada (forthcoming): "Low-Skilled Immigration and the Labor Supply of Highly Educated Women." *American Economic Journal: Applied Economics*
- Crespo, Laura and Pedro Mira (2009): "Caregiving to elderly Parents and employment status of European mature women", CEMFI Working Paper.
- Del Boca, Daniela, Marilena Locatelli and Daniela Vuri (2005): "Child Care Choices by Italian Households", *Review of Economics of the Household*, 3(4), 453-477.
- De Laat, Joost and Almudena Sevilla-Sanz (2011): "Working Women, Men's Home Time and Lowest Low Fertility." University of Oxford Department of Economics Series Ref: 308. Forthcoming in *Feminist Economics*.
- Esping-Andersen, Gøsta (1990): *The three worlds of welfare capitalism*, Polity Press, Cambridge.
- Ettner, Susan L. (1995): "The Impact of "Parent Care" on Female Labor Supply Decisions", *Demography*, February, Vol. 32, No. 1, pp. 63-80.
- Furtado, Delia and Heinrich Hock (2010): "Low-Skilled Immigration and Work-Fertility Tradeoffs among High-Skilled US Natives." *American Economic Review P&P*, May.

- Gonzalez, Libertad and Francesc Ortega (2010): "How Do Very Open Economies Absorb Large Immigration Flows? Recent Evidence from Spanish Regions." *Labour Economics* 18 (2011) 57–70.
- Gronau, Reuben (1977): "Leisure, Home Production, and Work - The Theory of the Allocation of Time Revisited." *Journal of Political Economy*, Vol. 85, No. 6, 1099-1123
- Hock, Heinrich and Delia Furtado (2009): "Immigrant Labor, Child-Care Services, and the Work-Fertility Trade-Off in the United States", IZA Discussion Paper No. 3506.
- Jacobzone, Stéphane (1999): "Ageing and Care for Frail Elderly Persons: an Overview of International Perspectives", Series OECD Labour Market and Social Policy-Occasional Papers, No. 38. Paris, OECD.
- Kremer, Michael and Stanley Watt (2006): "The Globalization of Household Production", mimeo.
- Manning, Alan (2004): "We Can Work It Out: The Impact of Technological Change on the Demand for Low-Skill Workers." *Scottish Journal of Political Economy*, 51(5), 581-608.
- Mazzolari, Francesca and Giuseppe Ragusa (2007): "Spillovers from High-Skill Consumption to Low-Skill Labor Markets." IZA Discussion Paper 3048, September 2007.
- Ortega, Francesc (2005): "Immigration Policy and Skill Upgrading." *Journal of Public Economics*, Vol. 89, pages 1841-1863.
- Ortega, Francesc (2010): "Immigration, Citizenship, and the Size of Government," *The B.E. Journal of Economic Analysis & Policy*: Vol. 10(1), Contributions, Art. 26.
- Stock, James and Motohiro Yogo (2005): "Testing for Weak Instruments in Linear IV Regression." In D.W.K. Andrews and J.H. Stock, eds., *Identification and Inference for Econometric Models: Essays in Honor of Thomas Rothenberg*, Cambridge: Cambridge University Press, 2005, 80–108.