

MIGRATION: THEORY AND EVIDENCE

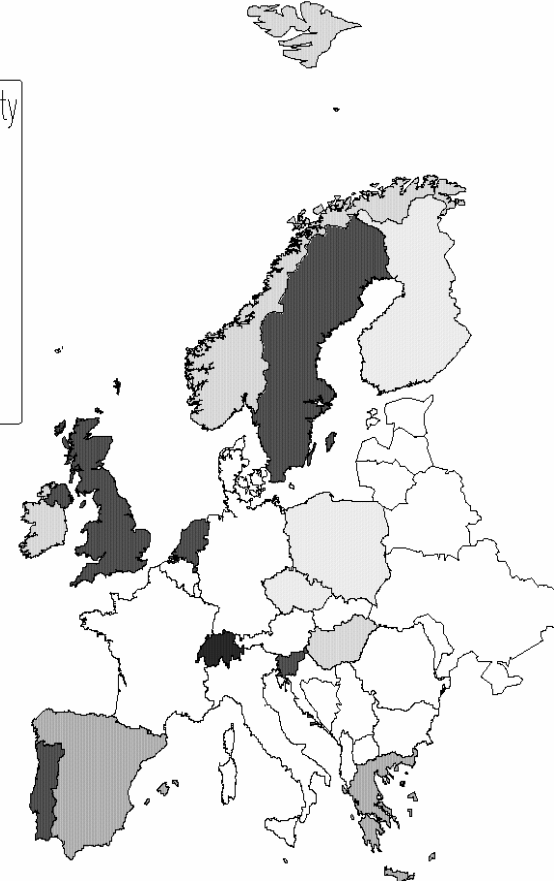
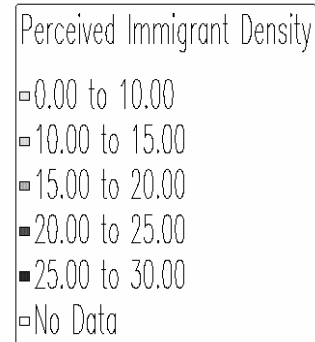
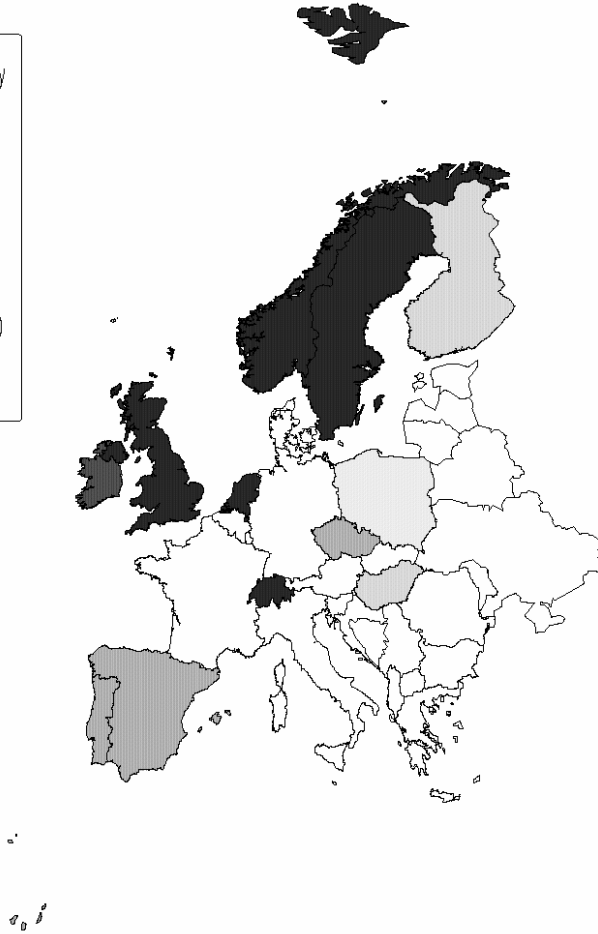
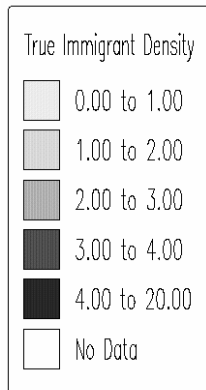
Credits;

D.Card, Ch. Dustman, I. Preston, K.
Vincent, C. Wallace.

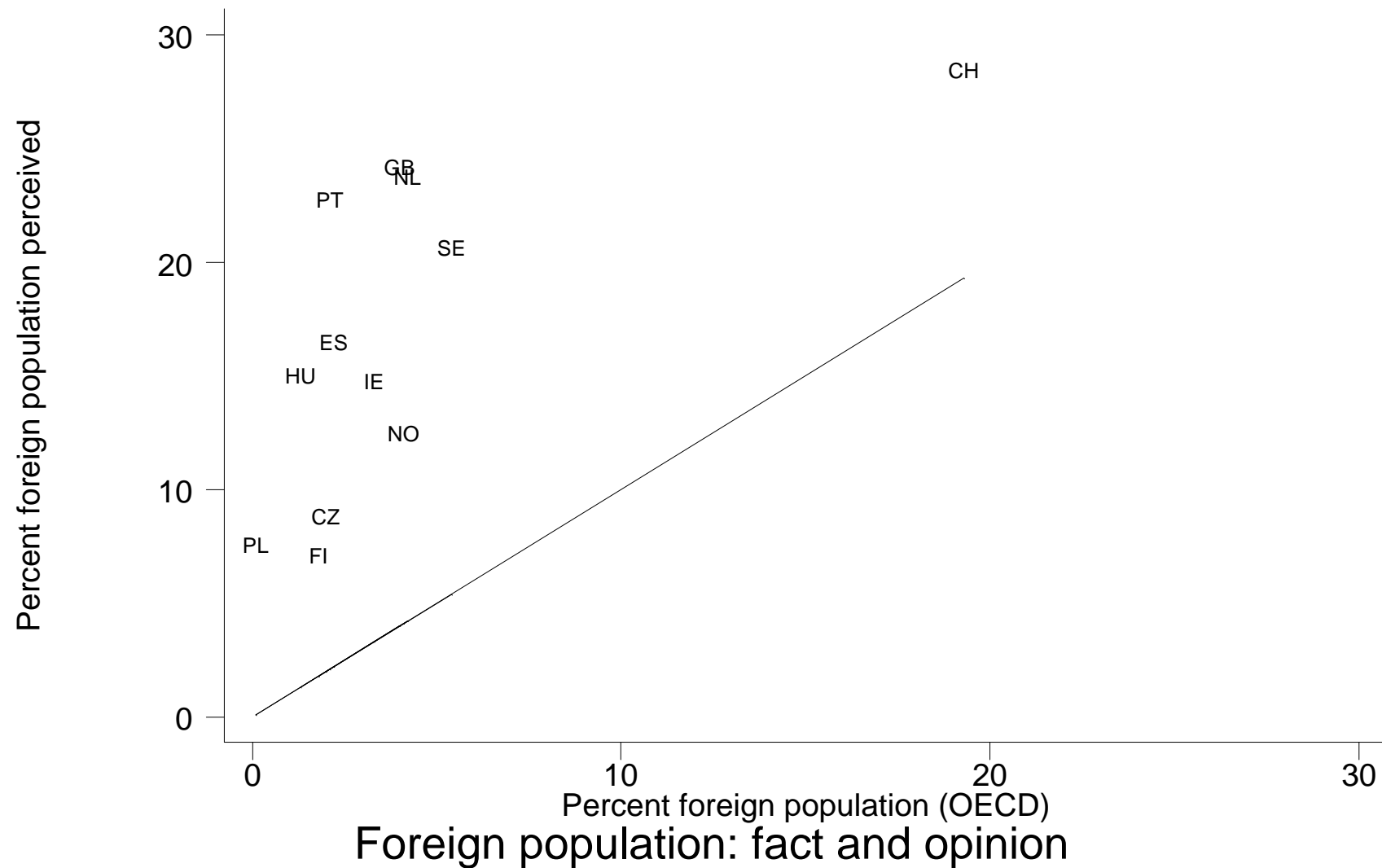
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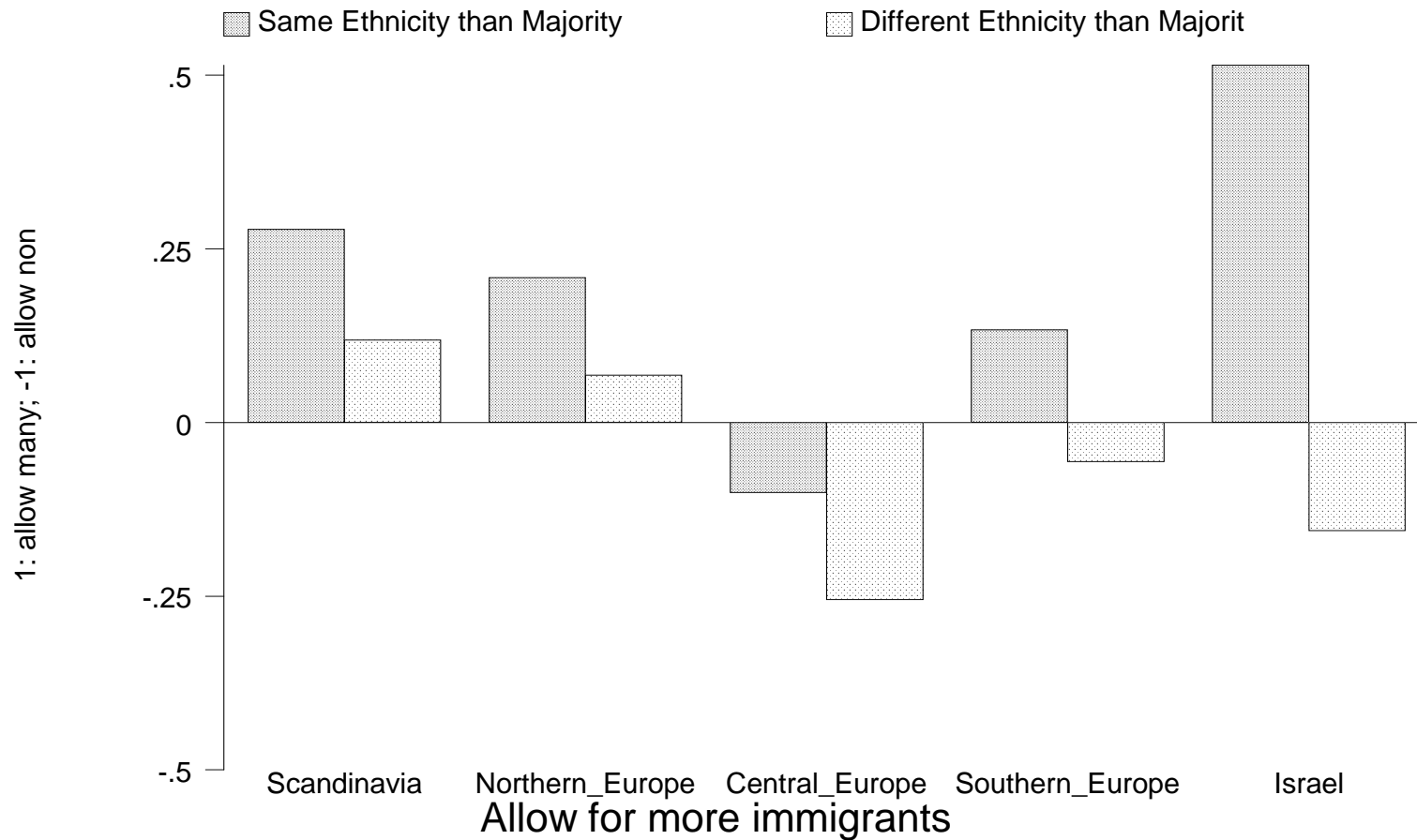
Immigrants as percentage of population



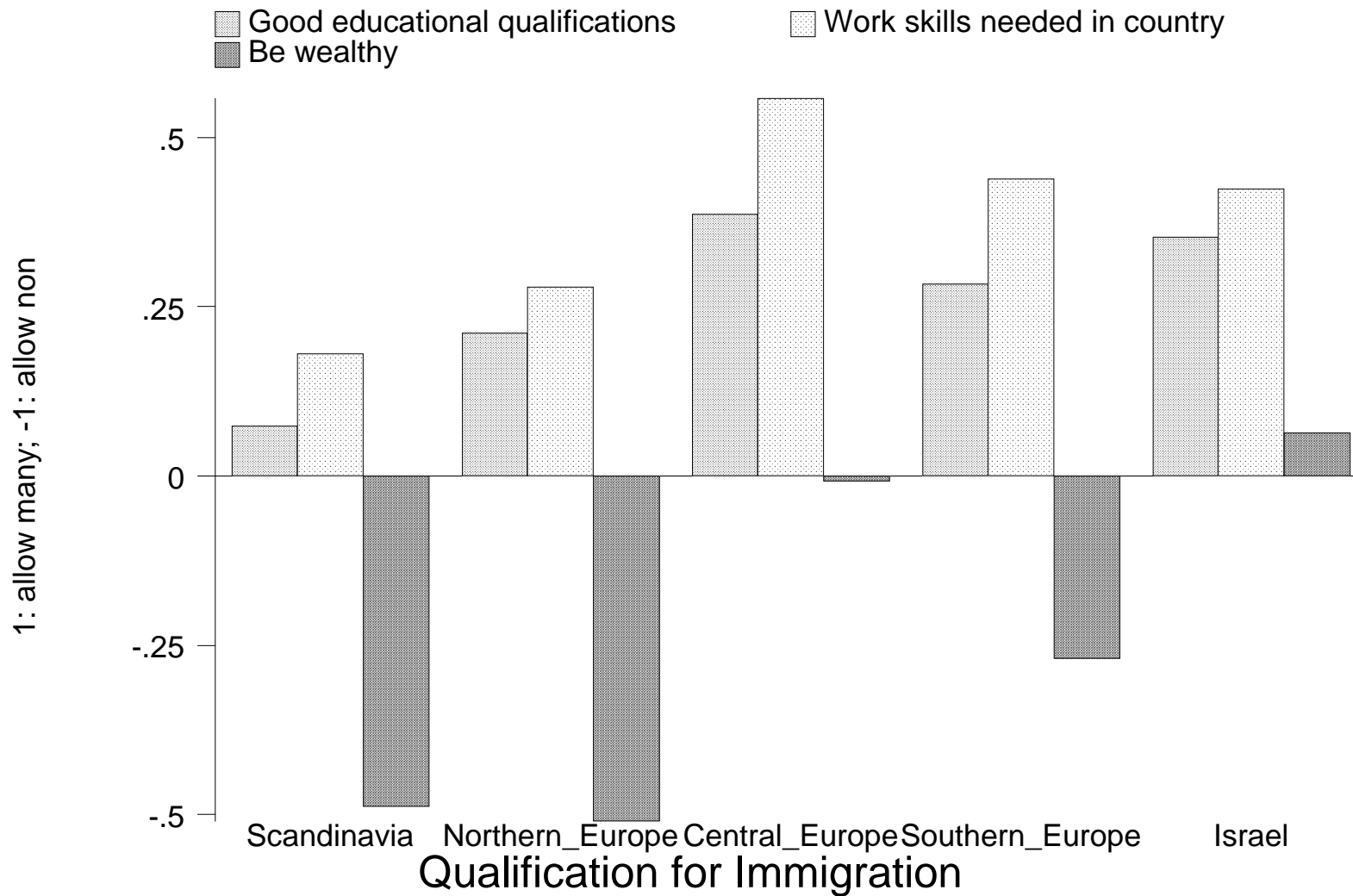
Foreign Population: Fact and Opinion



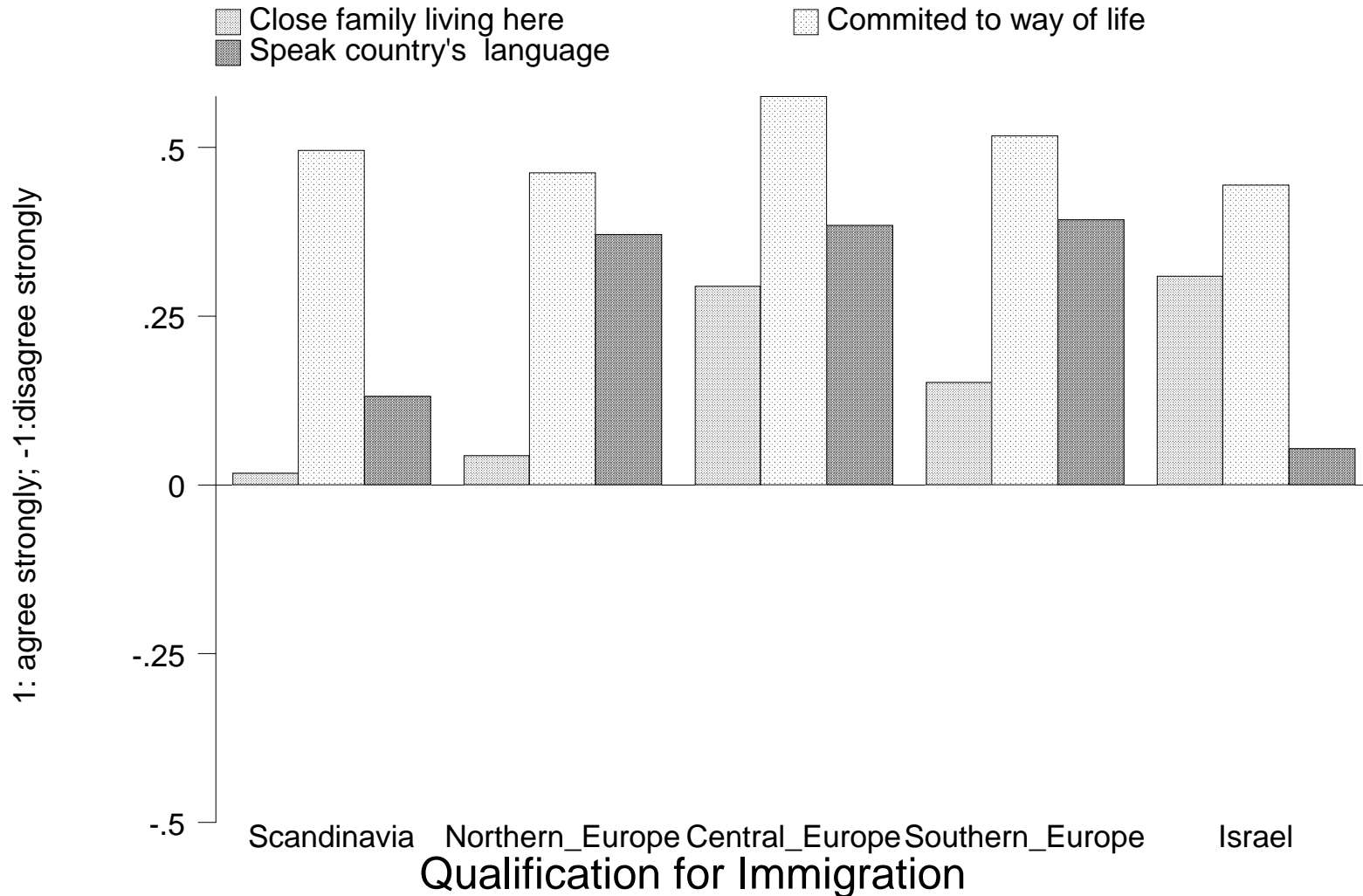
Support for Liberal Immigration Policy: Same / Different Ethnicity than Majority Population



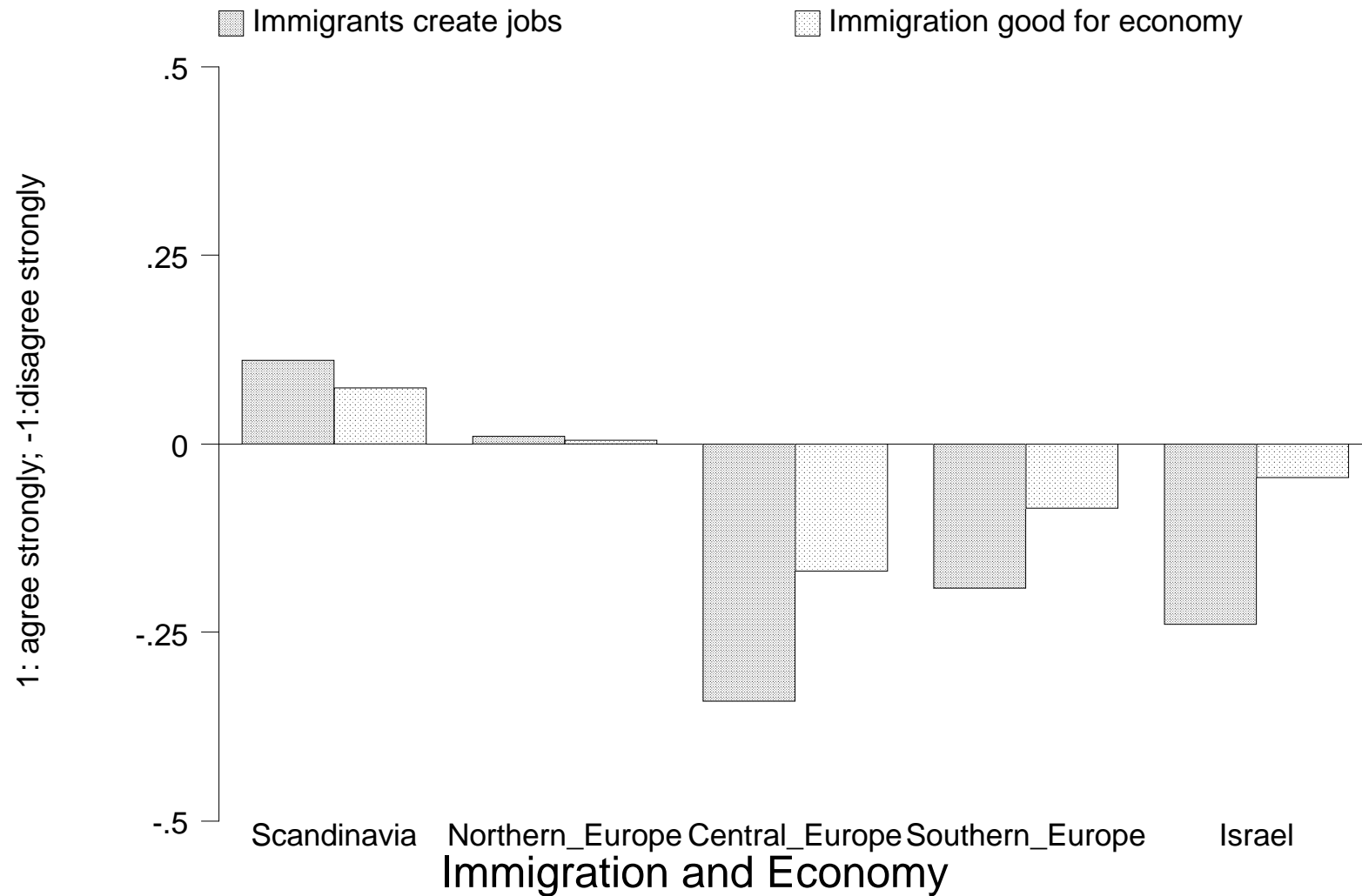
Qualification for Immigrants: Education, wealth and work skills needed



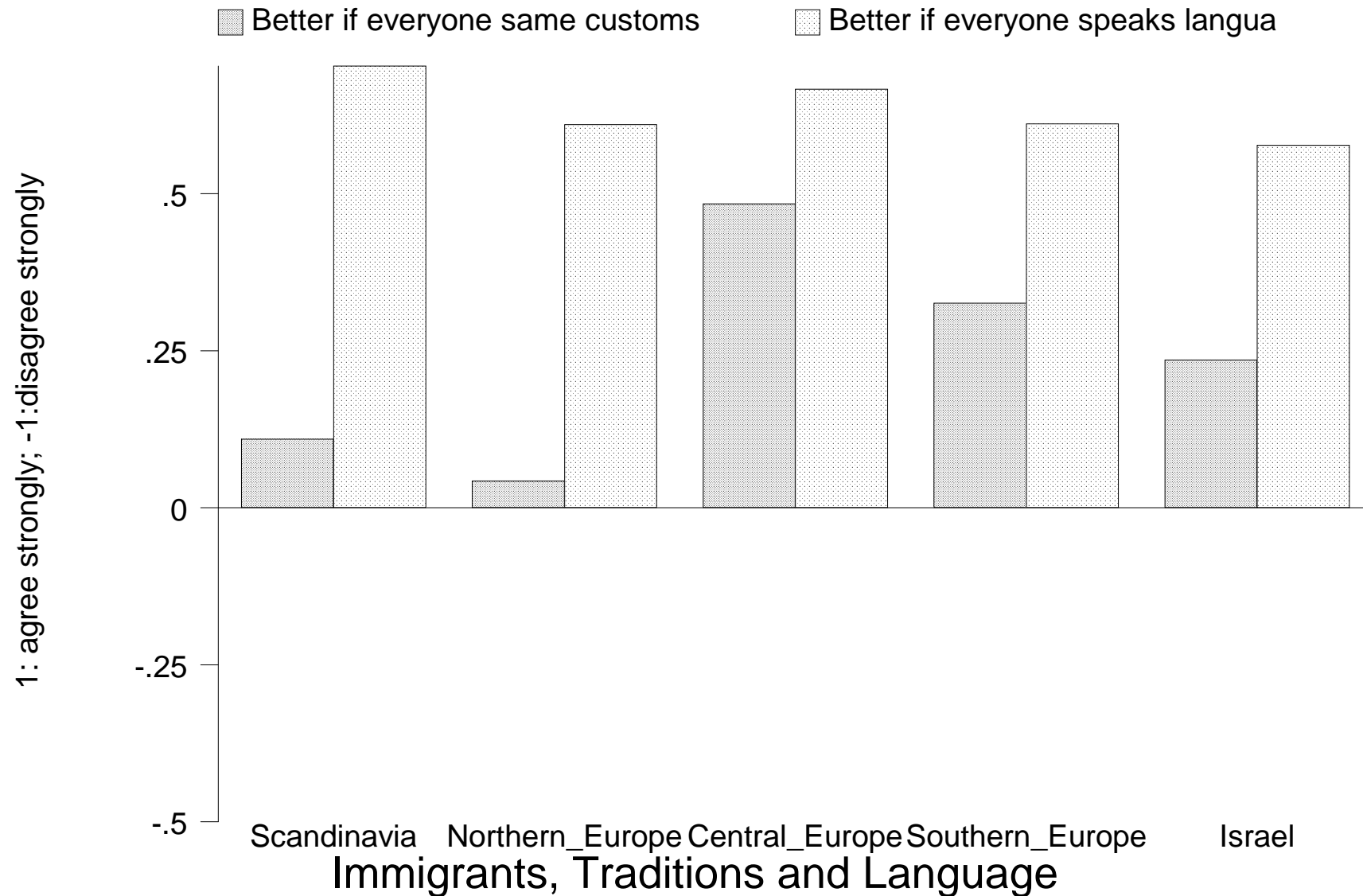
Qualification for Immigrants: Language, family links and commitment to way of life



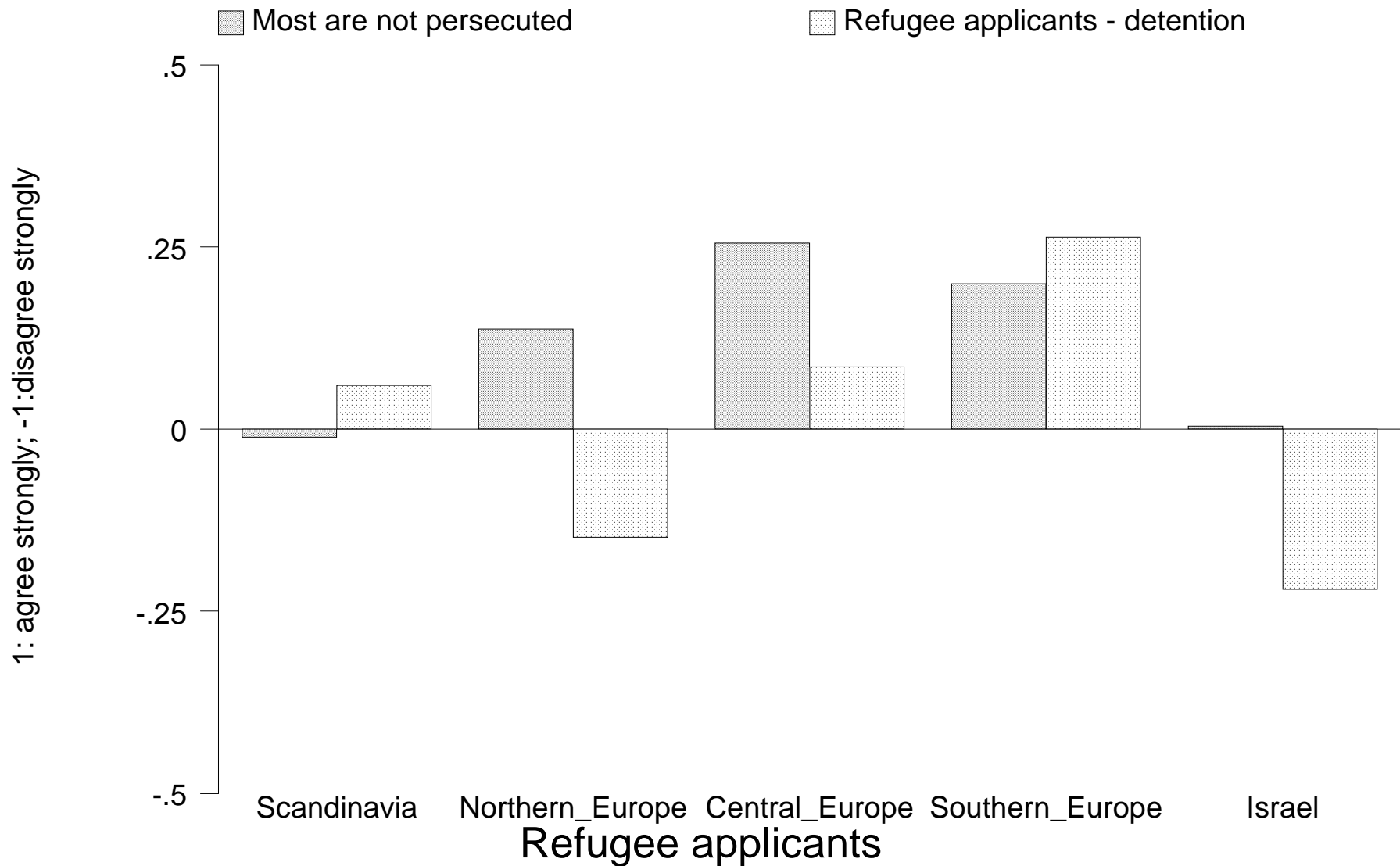
Immigrants: Job creation and beneficial for the economy



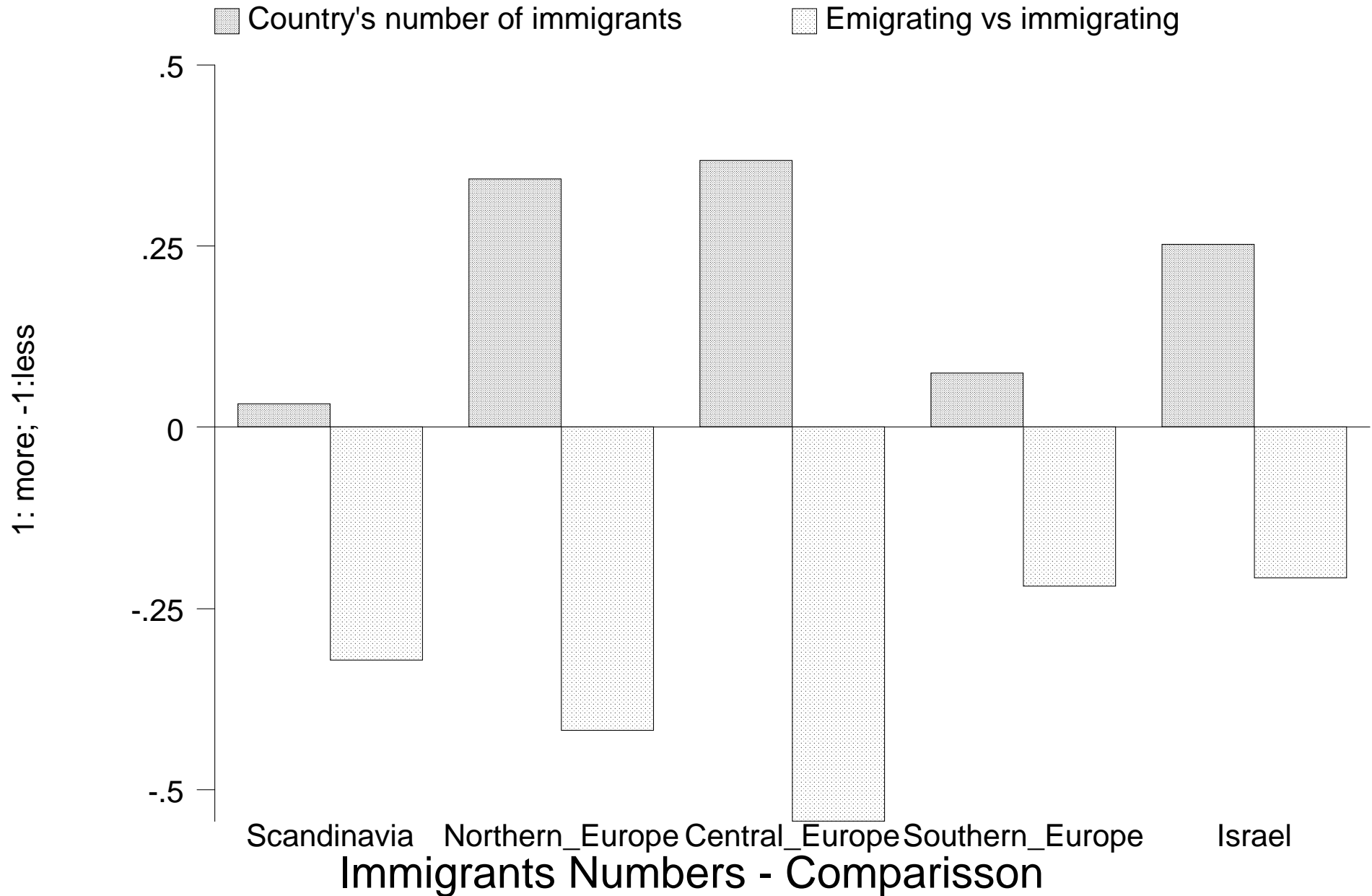
Immigrants: Same traditions and Language



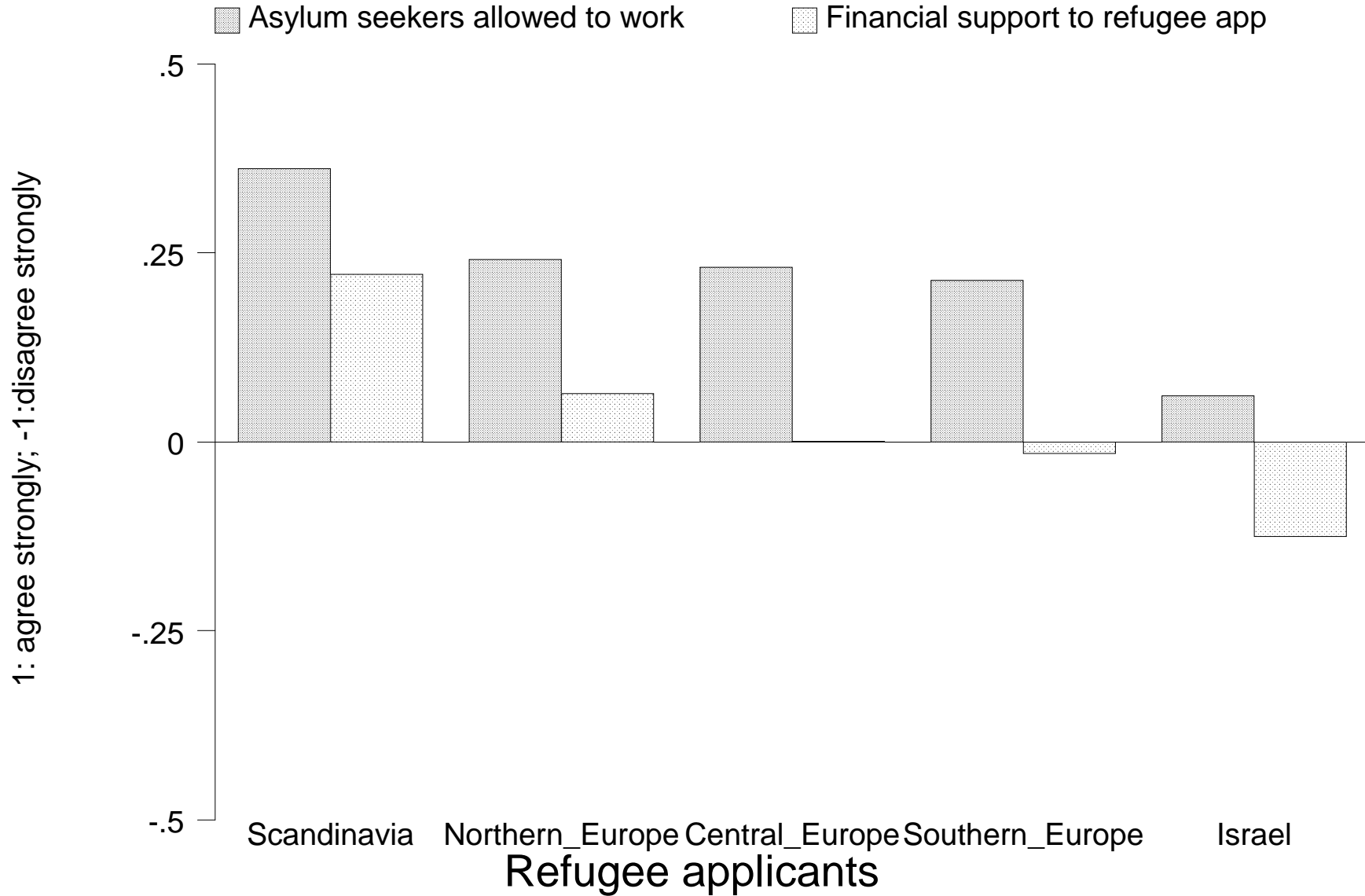
Refugee applicants: Are claims true, and should they be detained?



Immigration and emigration – Comparison



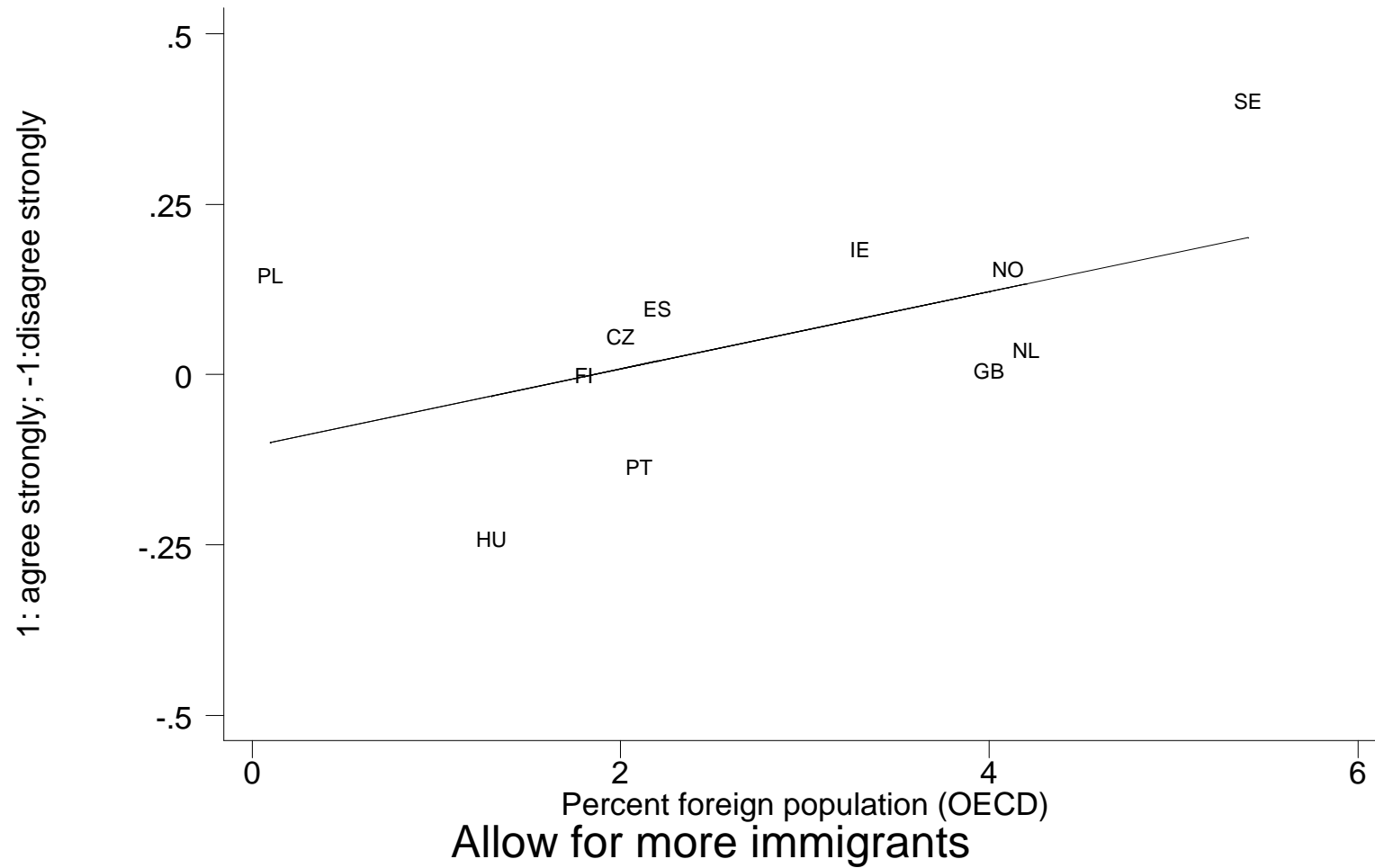
Refugee applicants: financial support and work permits



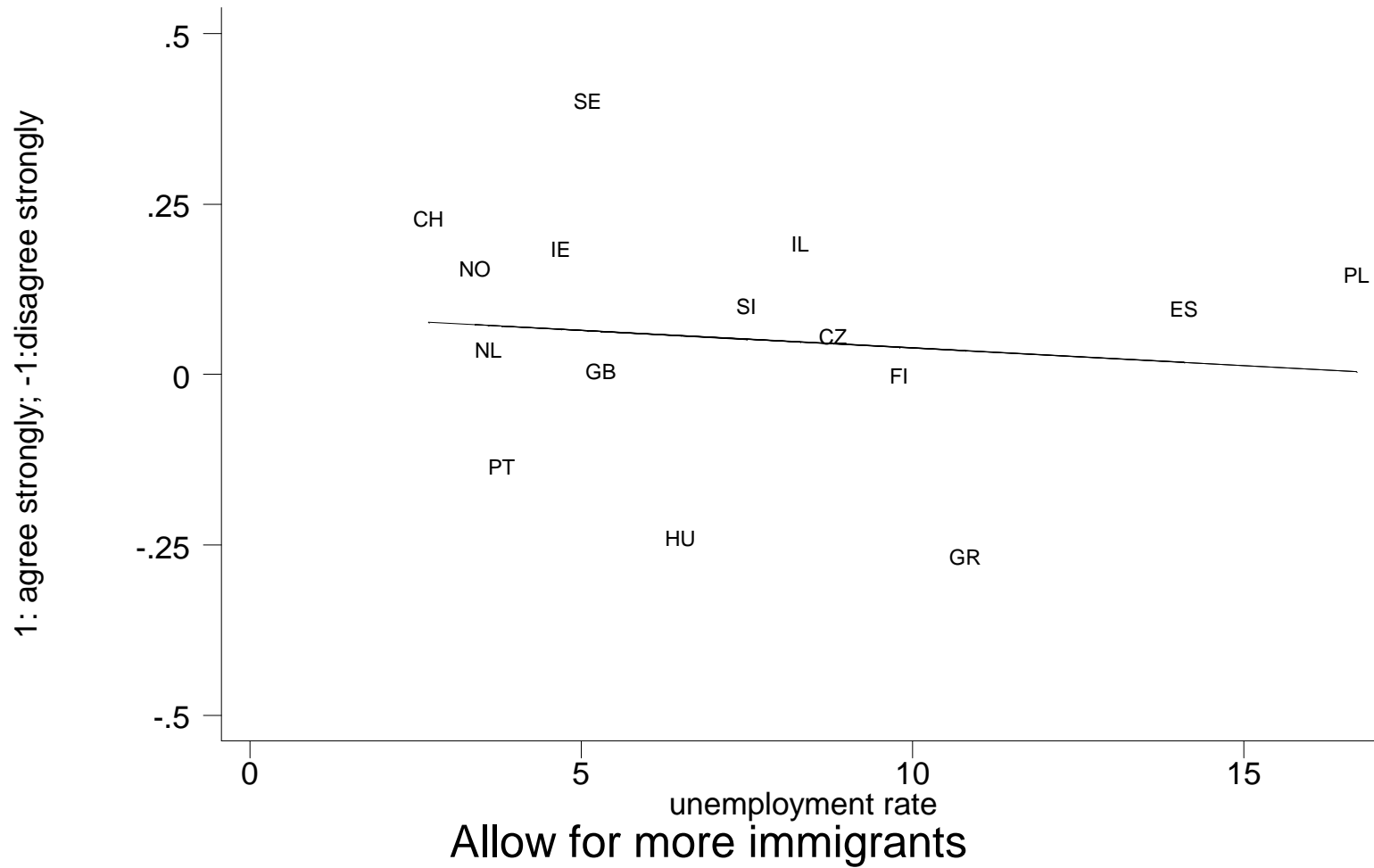
Responses and Macro-Economic Indicators

- This section relates particular aspects of attitudes to economic indicators in the various countries
- Macro-information is drawn from The World Bank and from the OECD
- Macro-data refer to 2001 in most cases

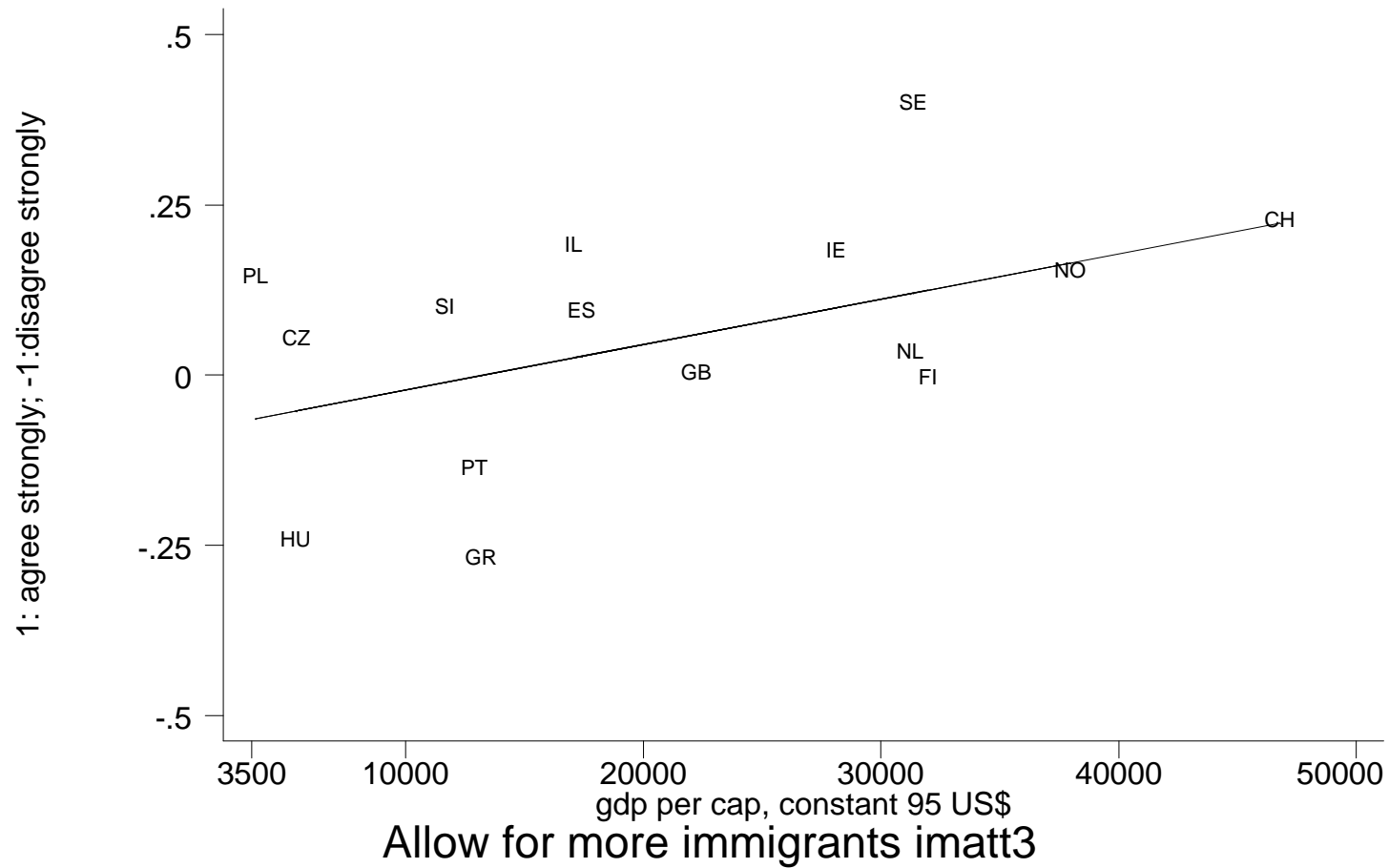
Opinion on further immigration and stock of foreign born population



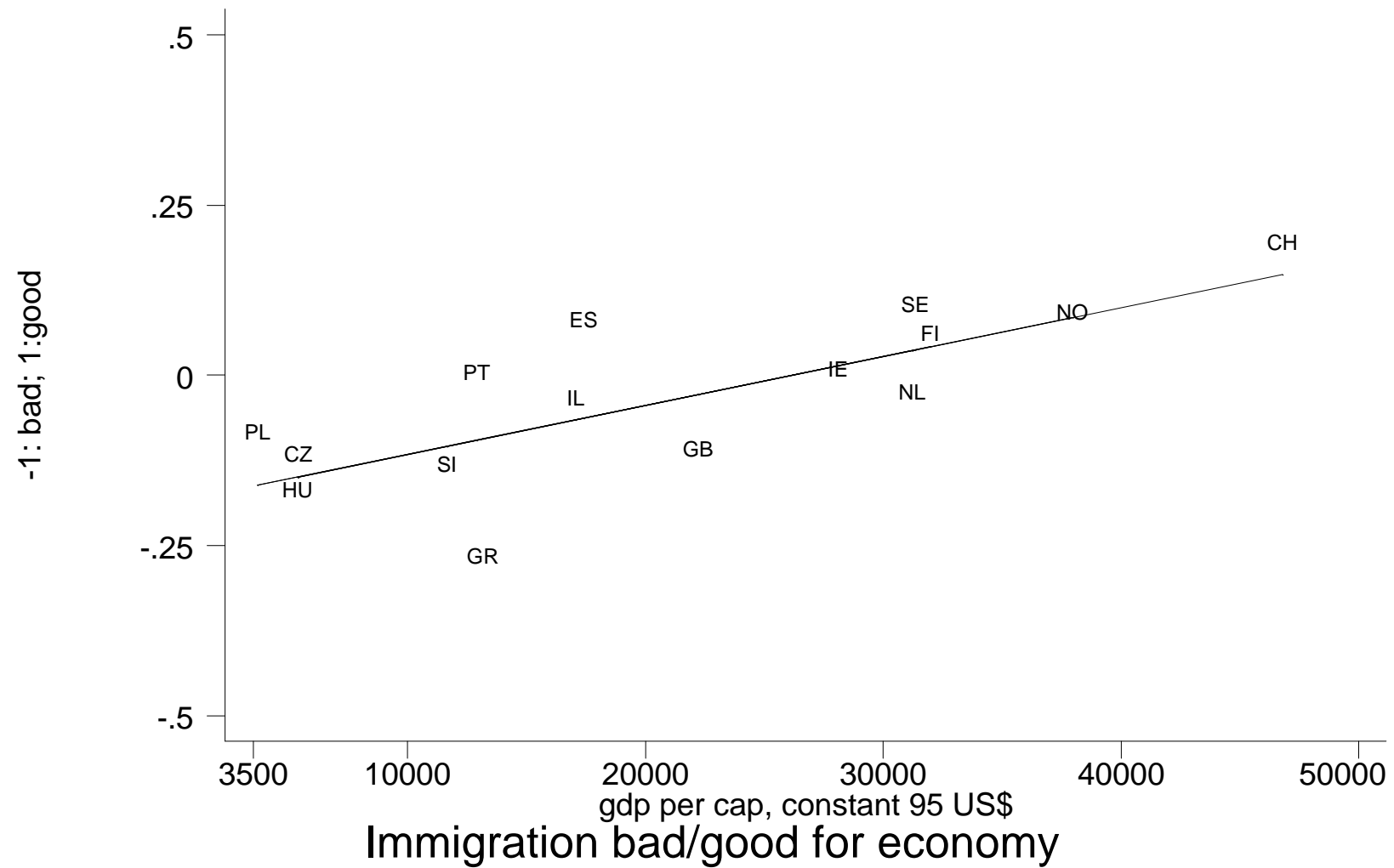
Opinion on further immigration and unemployment rate



Opinion on further immigration and GDP



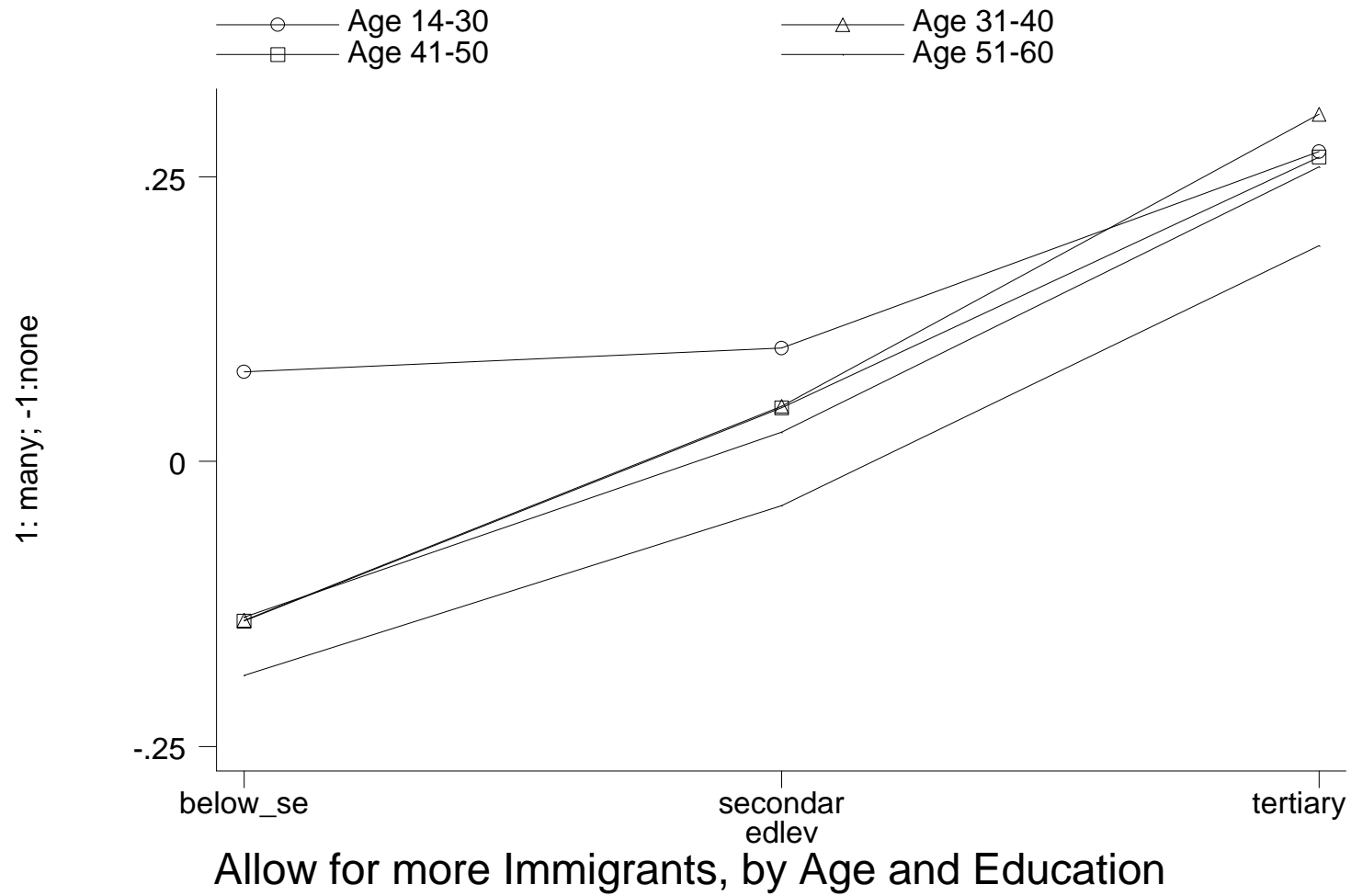
Economic Benefits of Immigration and GDP



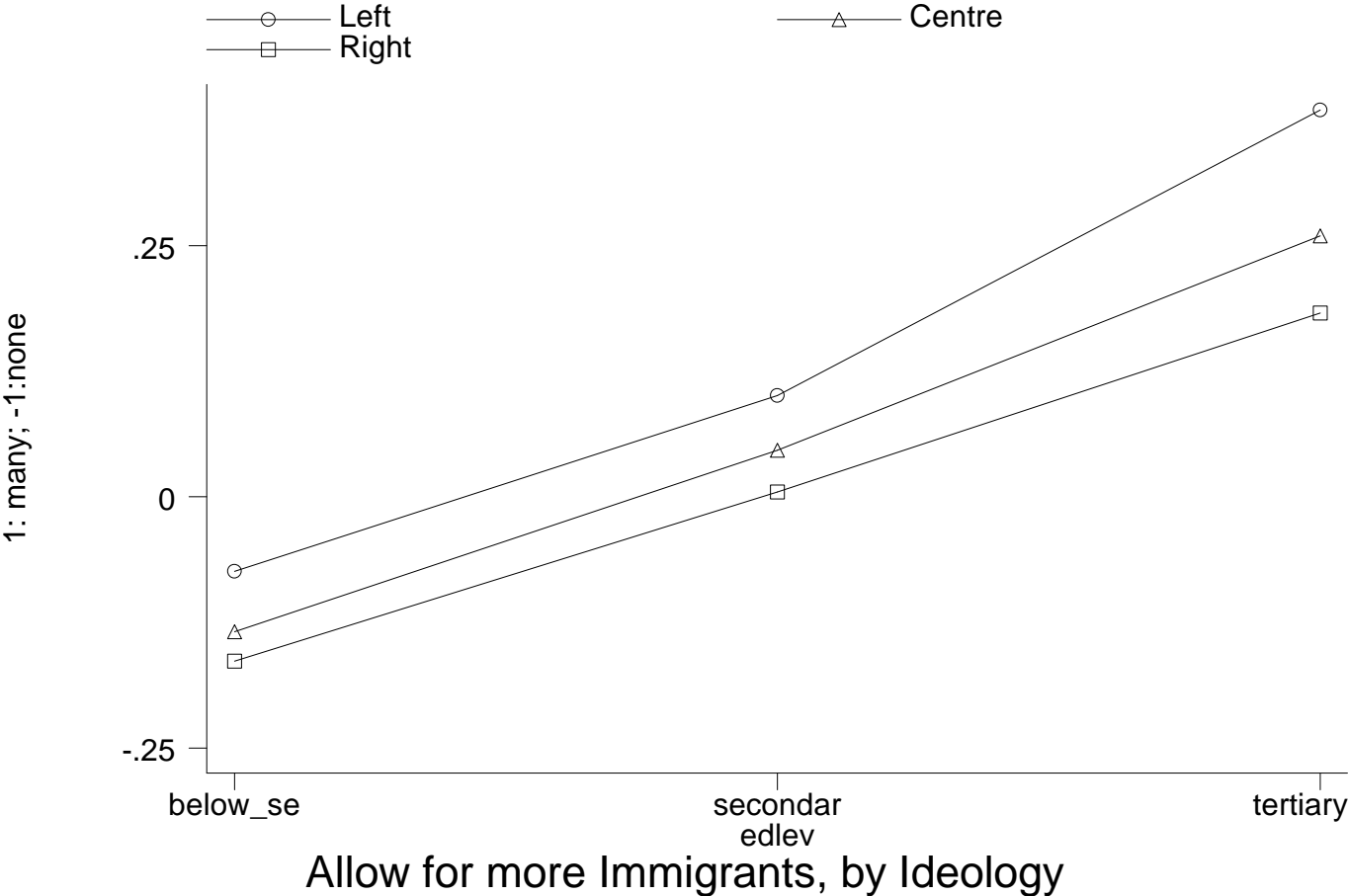
Opinion on Immigration and Individual Characteristics

- Are there systematic differences in the way individuals' opinion towards further immigration varies with observed characteristics?
- How are individuals' opinion towards further immigration related to their concerns about the economy/crime/welfare and fears of cultural alienation?

Opinion towards further immigration, by age and education



Opinion towards further immigration, by education and political opinion



Regressions

- All regressions include country dummies, age dummies, education dummies, and a variable for gender

Dependent Variable: Allow many/few immigrants

country's cultural life enriched	0.018 (12.44)**
immigrants make country better place	0.029 (17.03)**
immigrants make country's crime problems better	0.017 (11.44)**
immigrants create new jobs	0.001 (1.07)
Immigration: good for economy taxes and services:	0.039 (24.84)**
immigrants take out less	0.011 (7.75)**

Dependent Variable: Allow many/few immigrants

TV watching (total average time) **-0.037 (6.24)****

TV watching, news/ politics **0.036 (3.94)****

Newspaper read. (tot. aver. time) **-0.055 (4.57)****

Newspaper read. (politics) **0.13 (8.01)****

Dependent Variable: Allow many/few immigrants

Most people can be trusted **0.107** (15.79)**

Most people try to be fair **0.040** (5.74)**

Migration in Europe

Foreign and Foreign Born Population, Europe

Table 1: Total¹, Foreign², and Foreign born³ population in European countries

	<i>Total population (in millions)</i>	<i>Foreign population (as % of total population)</i>			<i>Foreign-born population (as % of total population)</i>
	2002	1990	1995	2000	2001
Austria	8.14	*6.6	.	***8.9	12.5
Belgium	10.32	9.2	9.0	8.4	10.7
Czech Republic	10.21	0.4	1.5	2.0	4.5
Denmark	5.37	3.5	4.3	4.9	6.8
Finland	5.20	0.5	1.3	2.0	2.5
France	59.44	6.3	.	**5.6	10.0
Germany	82.50	*7.3	8.8	8.9	12.5
Greece	10.63	.	.	***7.3	10.3
Hungary	10.17	.	1.4	**1.3	2.9
Ireland	3.88	*2.5	.	**3.2	10.4
Italy	57.92	1.37	1.85	2.2	.
Luxembourg	0.44	*30.2	33.4	37.3	32.6
Netherlands	16.14	4.3	4.9	4.1	10.1
Norway	4.54	3.3	3.8	4.0	7.3
Poland	38.63	.	.	**0.1	2.1
Portugal	10.03	*1.2	1.7	2.1	6.3
Slovenia	1.99	.	2.4	2.1	.
Spain	41.18	*0.9	1.3	2.2	5.3
Sweden	8.92	5.6	6.0	5.4	12.0
Switzerland	7.23	*17.1	19.3	19.3	22.4
United Kingdom	58.86	6.3	6.3	7.0	8.3

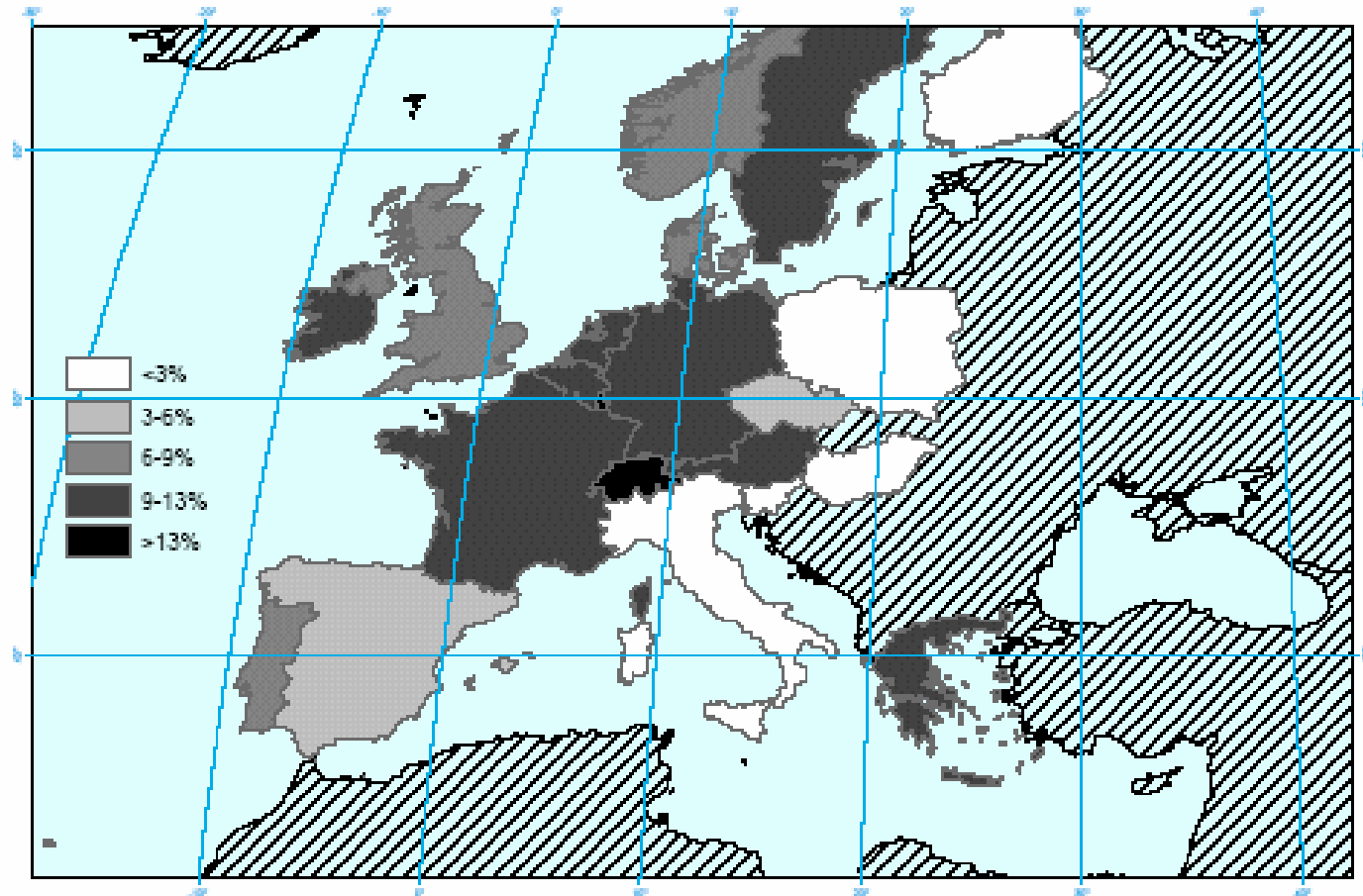
¹ Source: World Bank World Development Indicators

² Source: OECD International Migration Statistics, Migration Information Source, National Statistical Offices

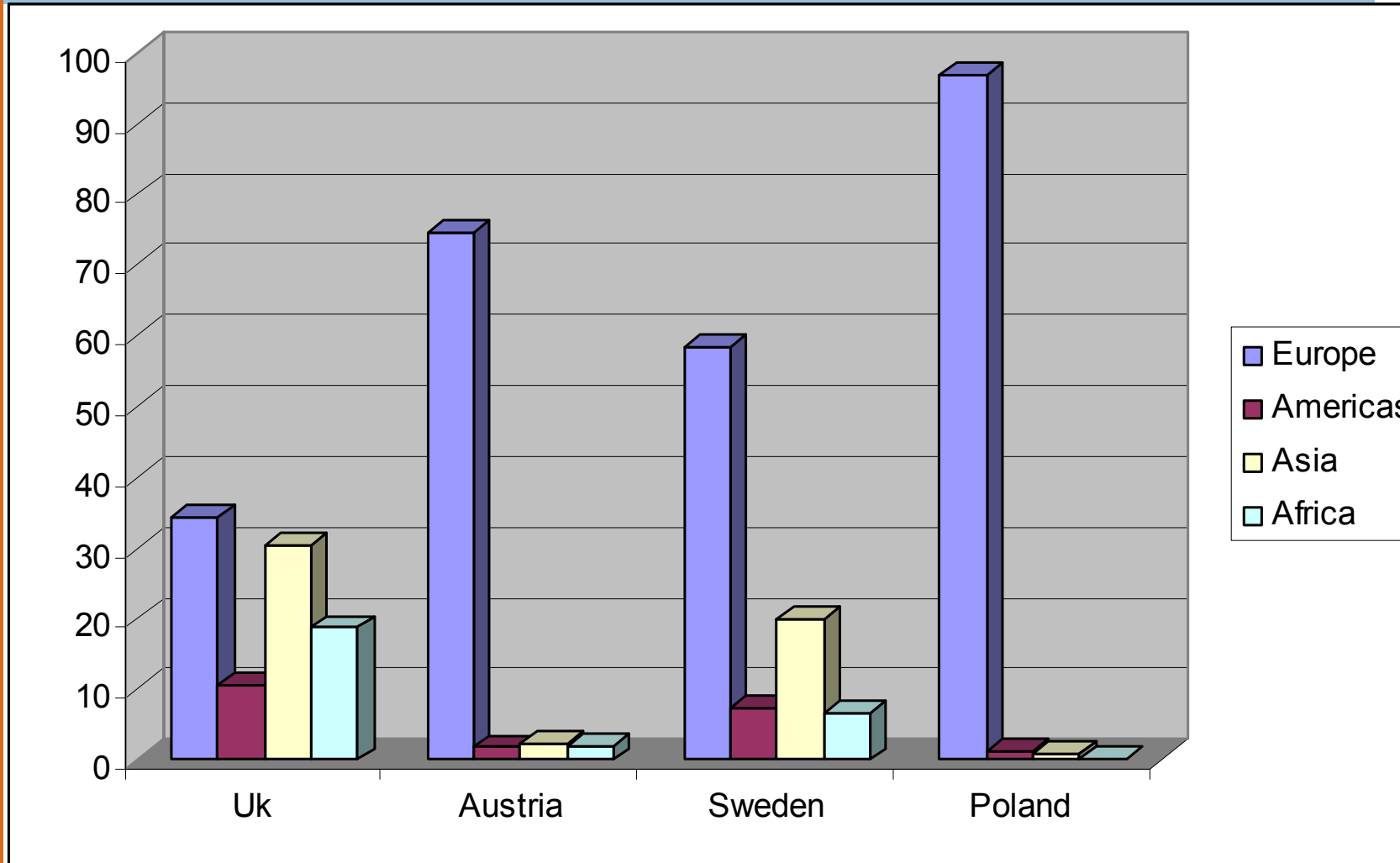
³ Source: Dumont J.C., Lemaitre G. (2004), "Counting Immigrants and Expatriates in OECD countries: A new perspective", OECD Working Paper

* 1991, ** 1999, *** 2001

Historical Perspective: Stock of Immigrant Population



Historical Perspective: Composition of Immigrant Population



Historical Perspective

- Immigration experience diverse across European countries, and often different from US and Australia
- Composition and size of immigrant populations differs widely
- Results from one country study are unlikely to hold for another country.

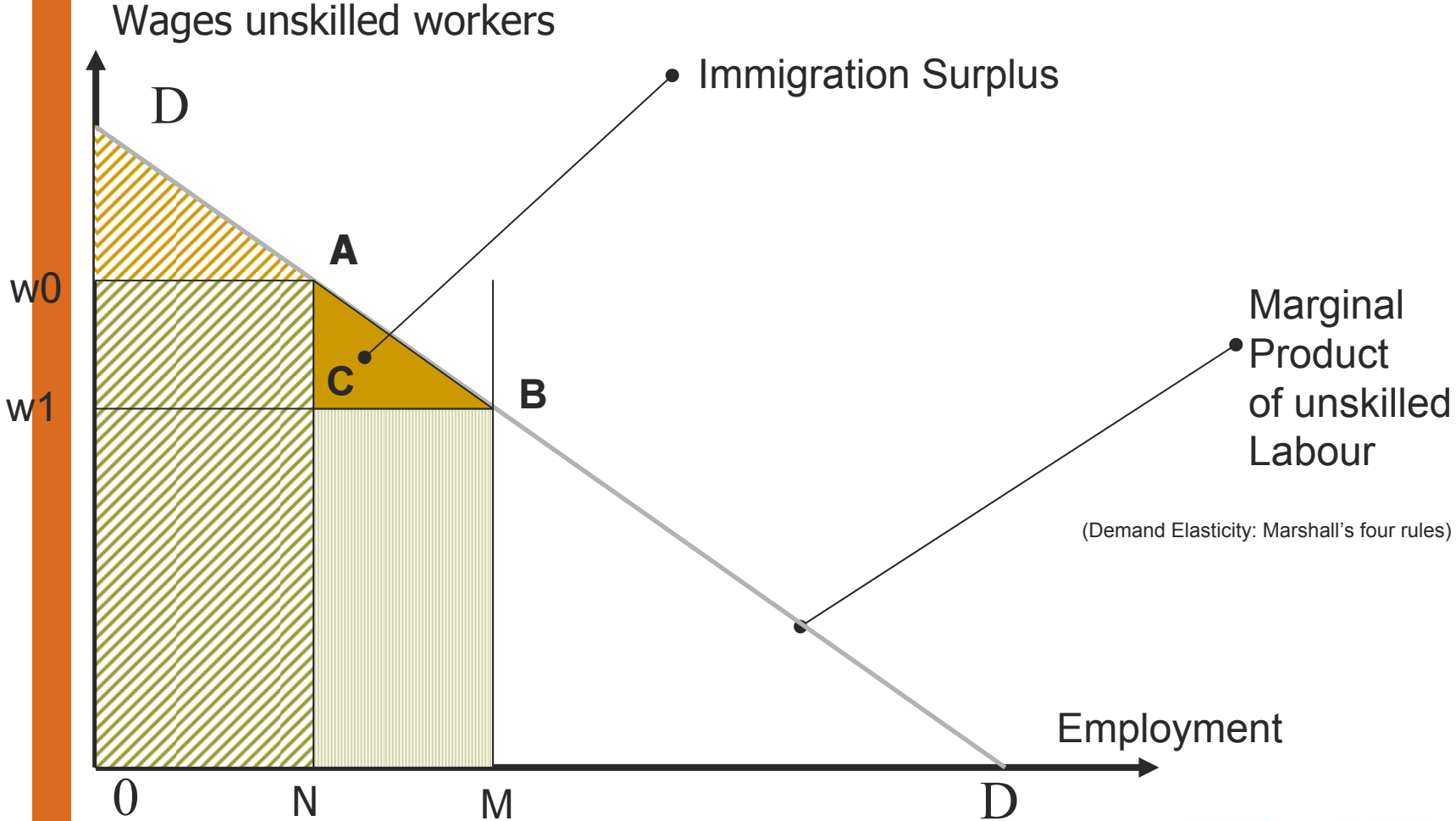
Labour Market Effects of Immigration: Theory

- Models used to analyse effects of immigration on wages and employment: *equilibrium models*
- Question: *What happens if the number of workers of some type increases in an economy that is in full employment equilibrium*
- But: Full employment equilibrium often not the situation in which immigration occurs
- Europe's recent history: periods of large immigration often characterised by high number of vacancies in receiving economy

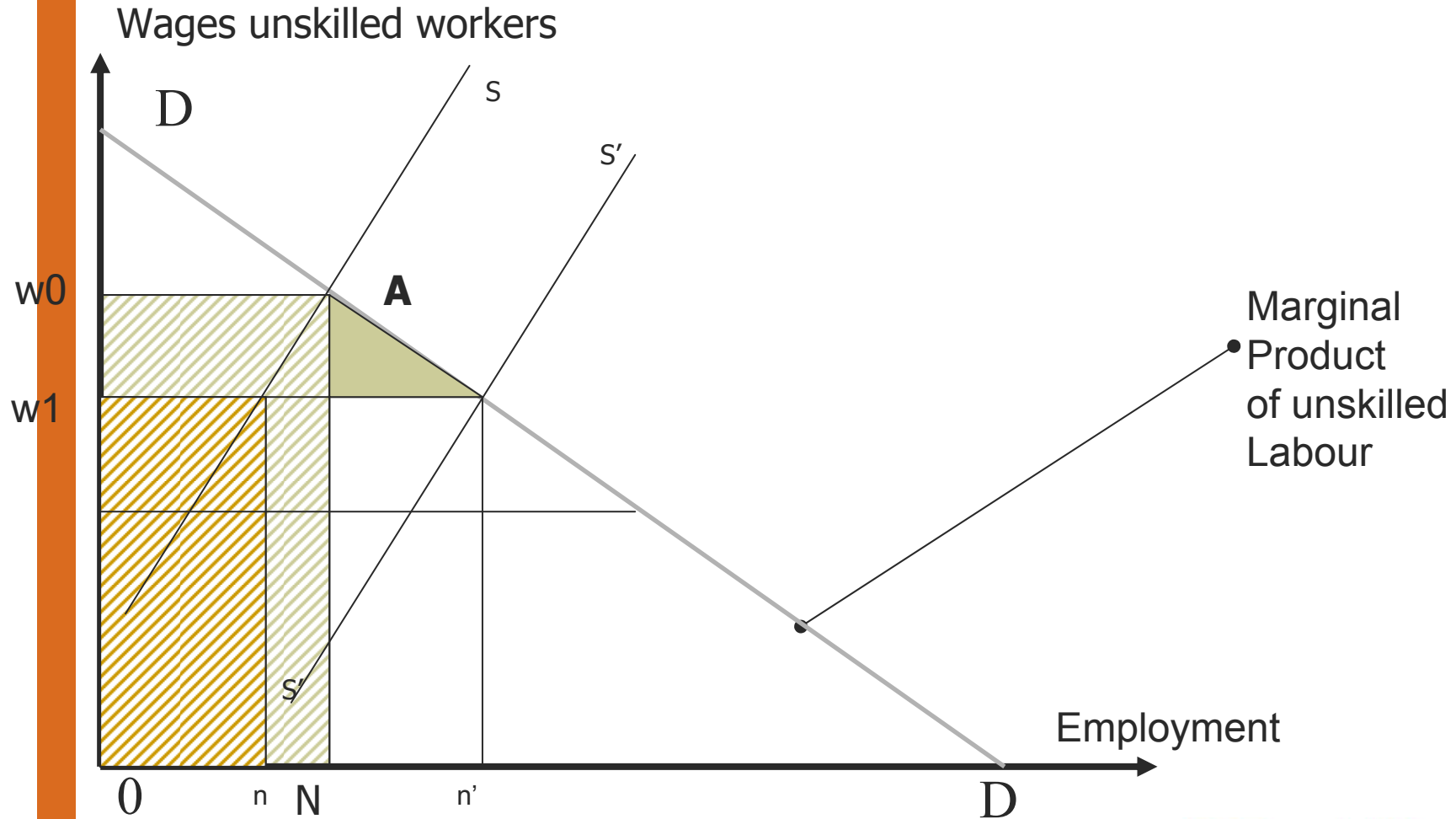
Labour Market Effects of Immigration: Theory

- One industry, produces output using capital, skilled and unskilled workers.
- Assumption: price of capital (interest rate) is set on international market (Capital supply perfectly elastic).
- Before immigration: Economy is in full employment equilibrium
- Now consider Immigration of unskilled labour of size M

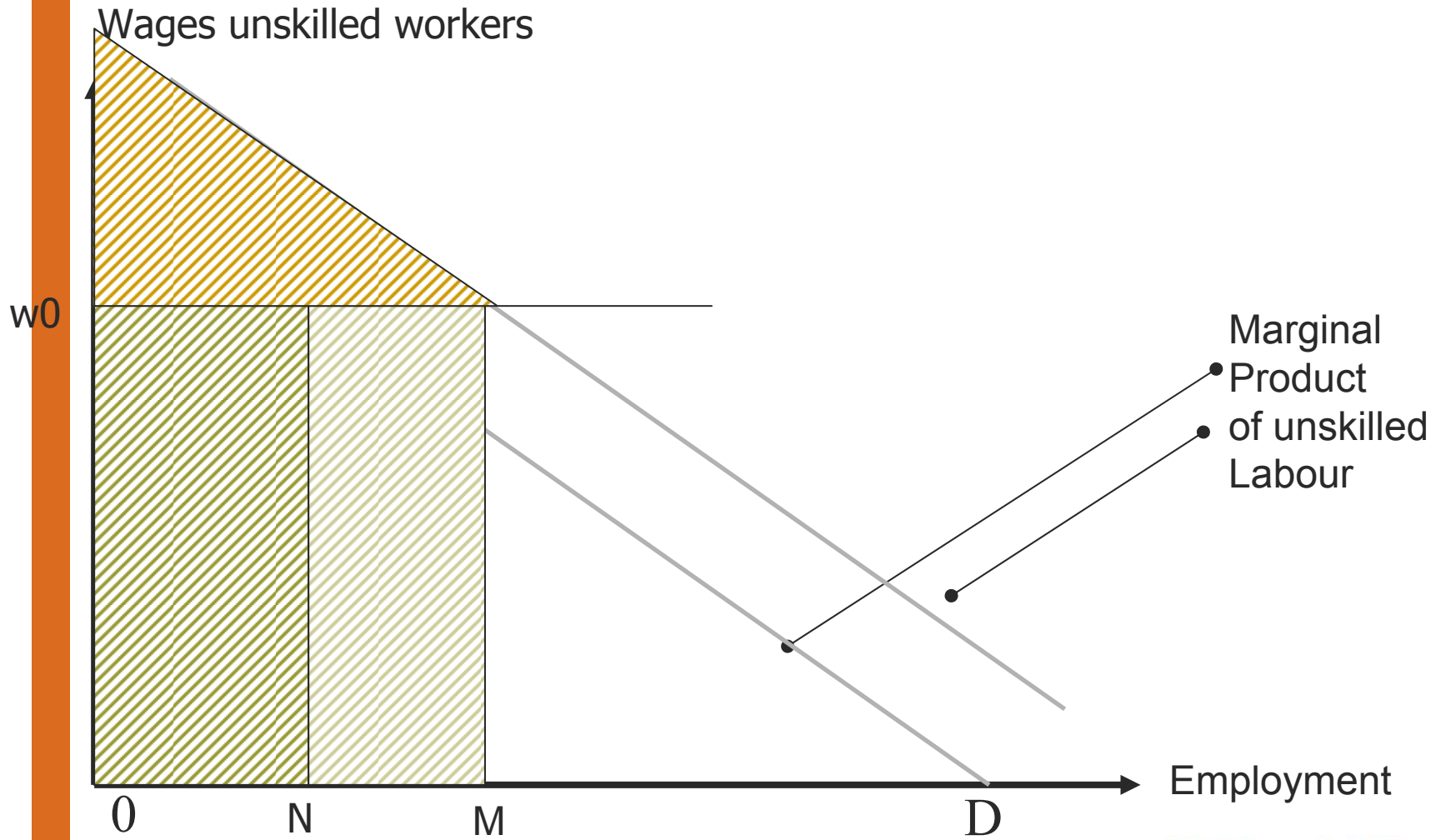
Labour Market Effects of Immigration: One Output Model, skilled and unskilled labour



Labour Market Effects of Immigration: One Output Model, elastic labour supply



Labour Market Effects of Immigration: One Output Model



Labour Market Effects of Immigration: One Output Model

- Migration has only effects if immigrant skill composition differs from that of residents
- Migration may have adverse wage- and employment effects
- Negatively affected are those who compete with immigrants. Beneficiaries are those who are complements to immigrants
- Immigration may generate a surplus for the receiving country
- Problem: Distribution of surplus, as some benefit, but others lose.

Labour Market Effects of Immigration: Multiple outputs

- Before: One output good
- Now: Multiple outputs (more than factors of production); some tradable
- Economy can also adjust through the **output mix**
 - In the long run: Economic theory compatible with **zero effects** on **employment and wages** (effects can be absorbed by changes in the output structure).

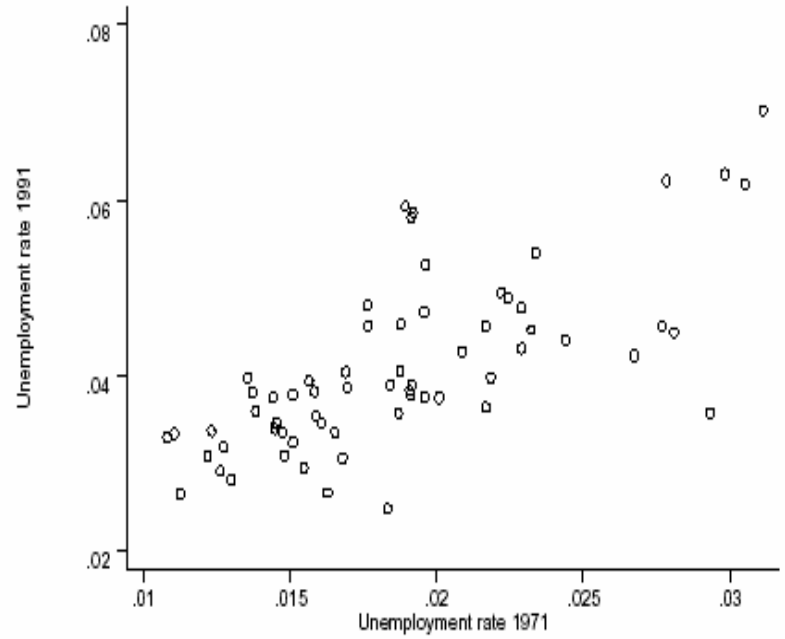
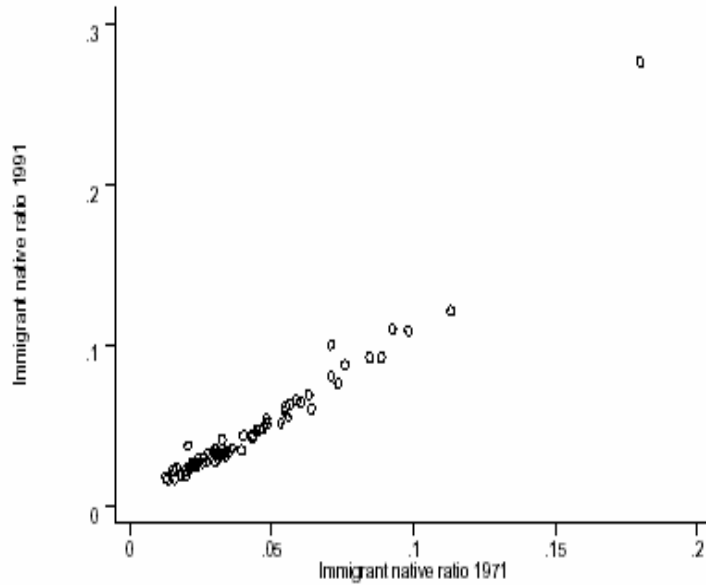
Labour Market Effects of Immigration: Empirical Measurement

- Empirical research tries to measure the *causal* effect of immigration: wages (or employment) of residents after immigration (observed) compared to wages if immigration had not occurred (*counterfactual situation*).
- Construction of counterfactual situation is difficult and at the core of applied academic research.

Labour Market Effects of Immigration: Empirical Studies

- Key Question: Are there employment- and wage effects, and how large are these?
- Usual Approach: Correlate variation in immigrant population across local areas with variation in economic outcomes (Spatial Correlation Approach).
- Problems with this approach:
 - Permanent correlation of economic conditions and immigrant concentration
 - Immigrants tend to go to economically successful areas (direction of causation unclear)
 - Native Workers may move out when immigrants move in

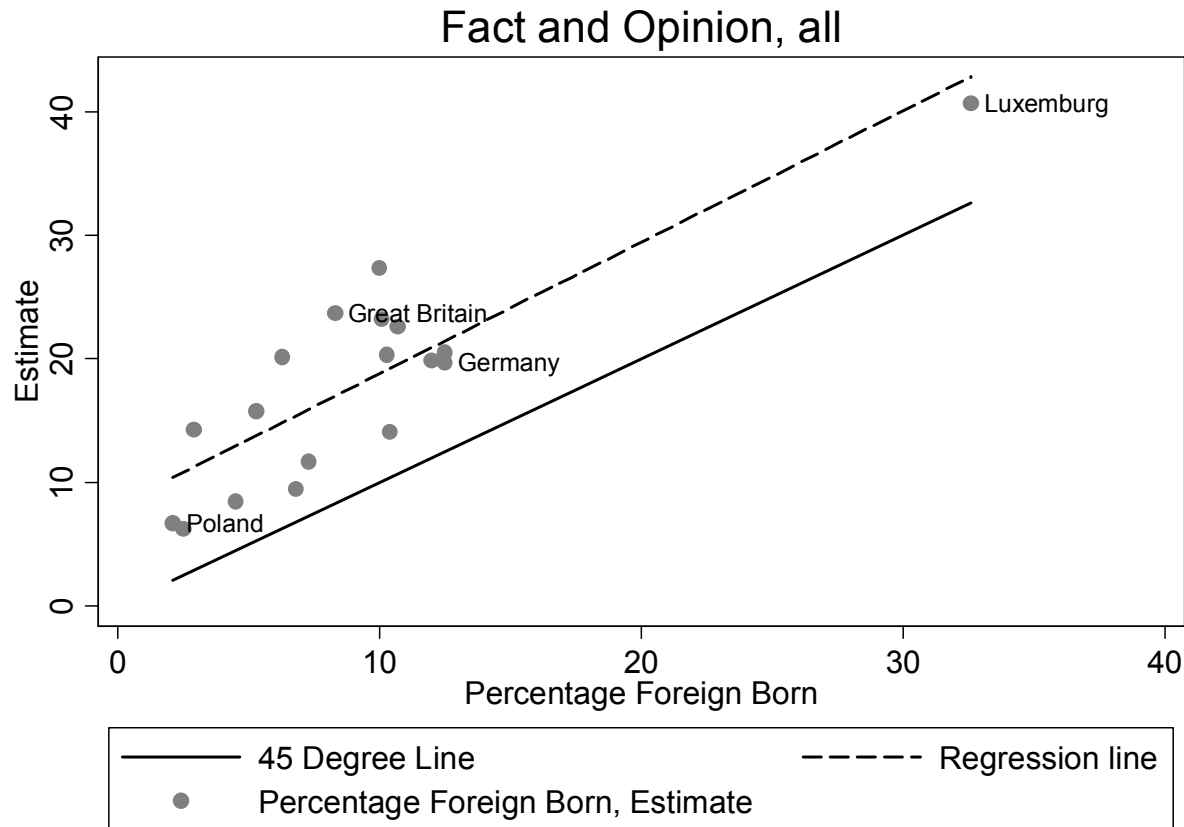
Labour Market Effects of Immigration: Permanent effects



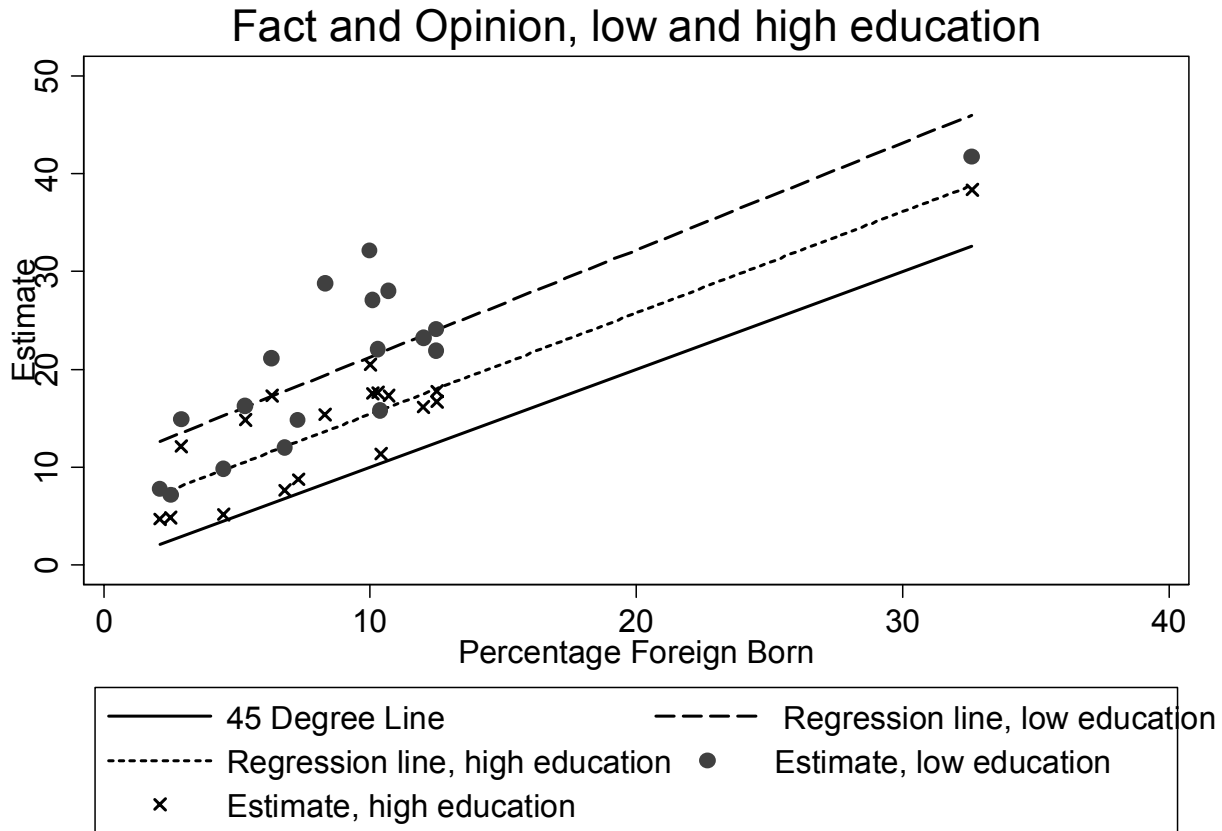
Spatial Correlation Approach: Problems

- Immigrants tend to go where economic situation is more favourable
 - Solutions:
 - Analyse situations where allocation is exogenous (e.g. Miami Boat Lift, Ethnic Germans after 1989, Asylum immigrants in Sweden)
 - Use region characteristics that are not correlated with economic shock, but affect location decisions of immigrants as instruments
- Out-migration of natives

Factual Knowledge about Immigration



Factual Knowledge about immigration, by education

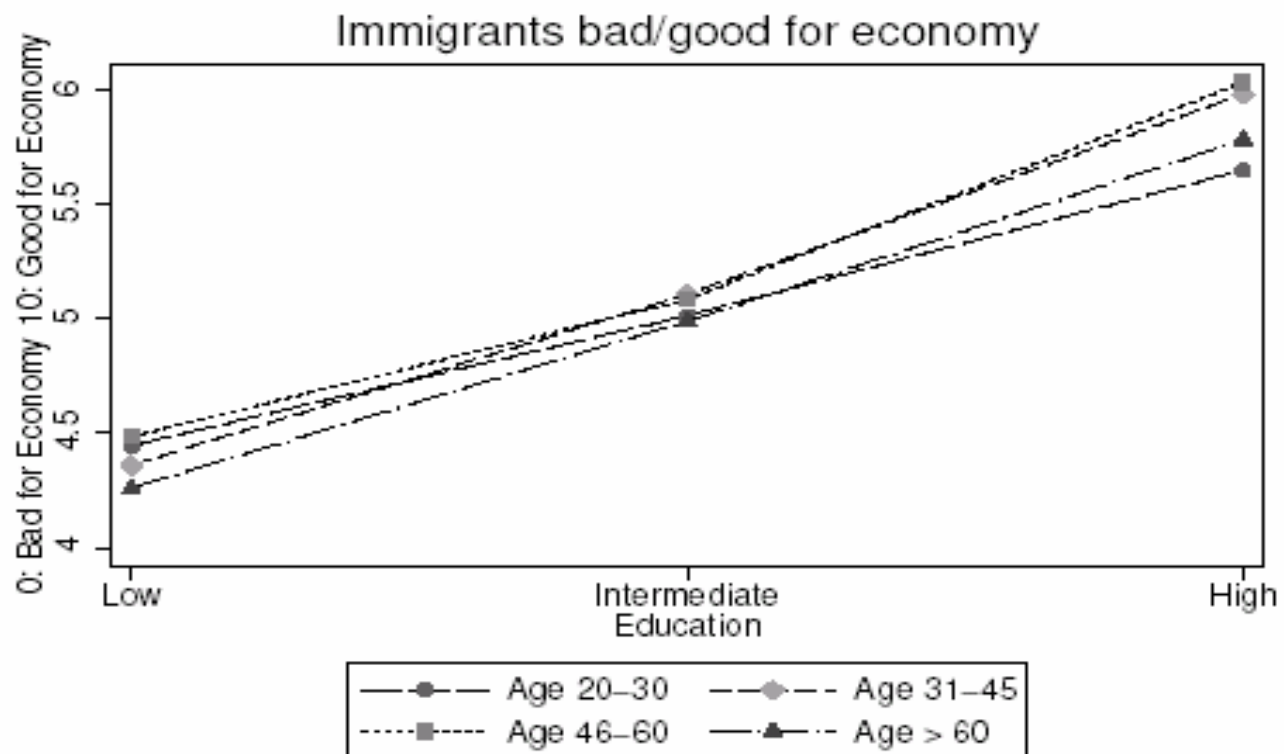


Opinion About Effects of Immigration

- Responses to the following questions are analysed:
 - Average wages are generally brought down by immigrants
 - Immigrants harm economic prospects of the poor more than the rich
 - Immigrants help fill jobs where there are shortages of workers
 - Immigrants take jobs away in country or create new jobs

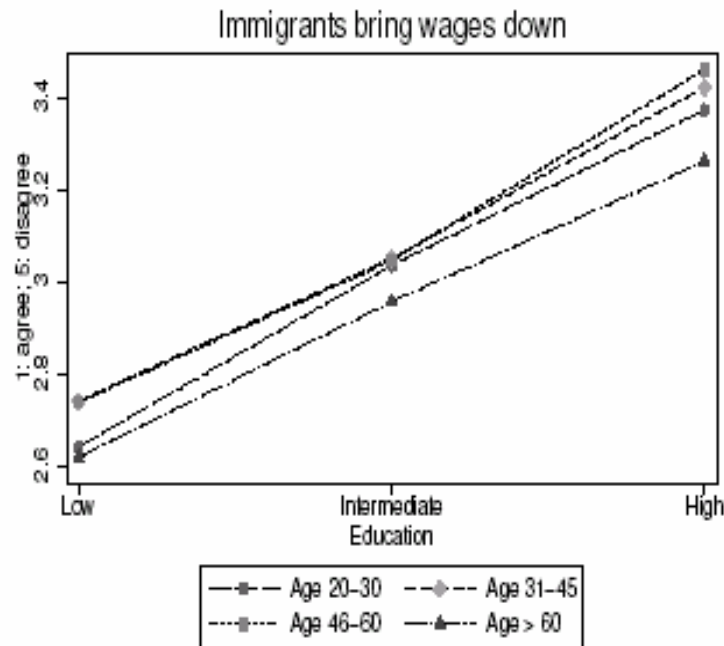
Descriptive Evidence

Figure 1: Immigrants and the Economy



Source: European Social Survey, 2003

Descriptive Evidence



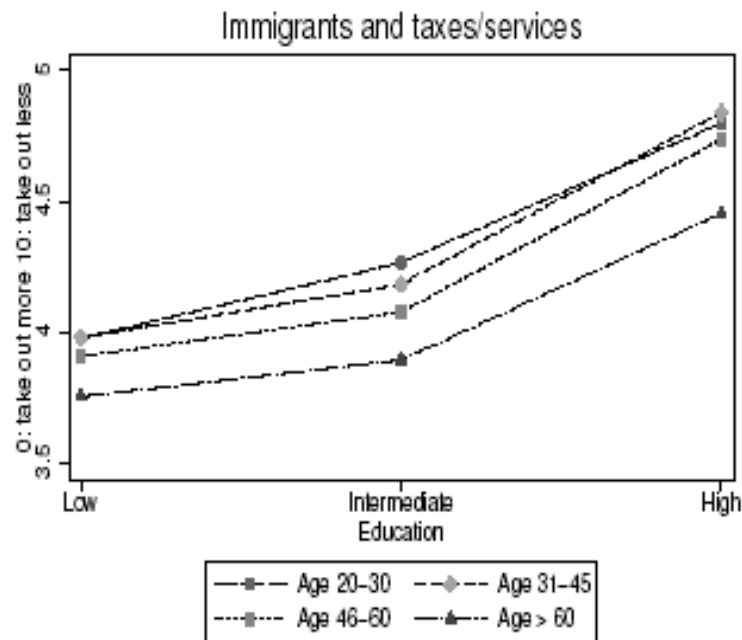
Source: European Social Survey, 2003



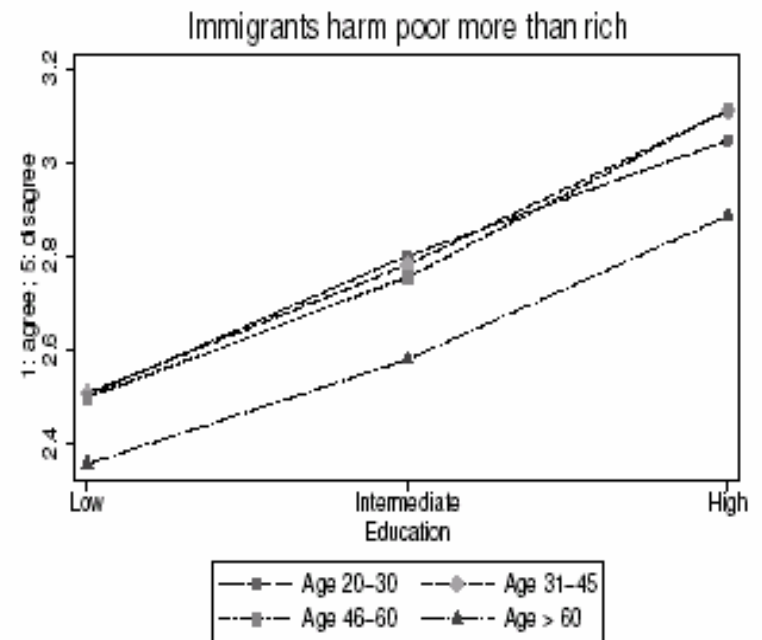
Source: European Social Survey, 2003

Figure 2: Wages and Jobs

Descriptive evidence



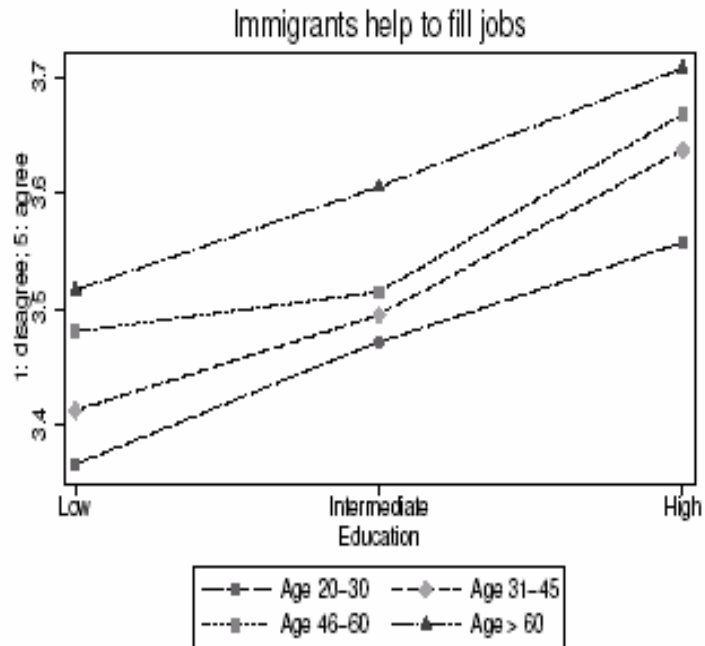
Source: European Social Survey, 2003



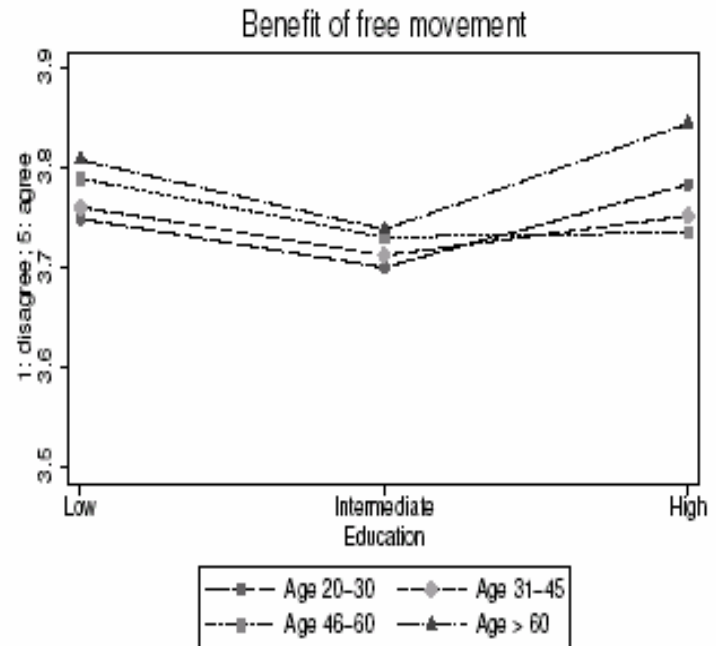
Source: European Social Survey, 2003

Figure 3: Taxes and Distribution

Descriptive Evidence



Source: European Social Survey, 2003



Source: European Social Survey, 2003

Figure 4: Efficiency

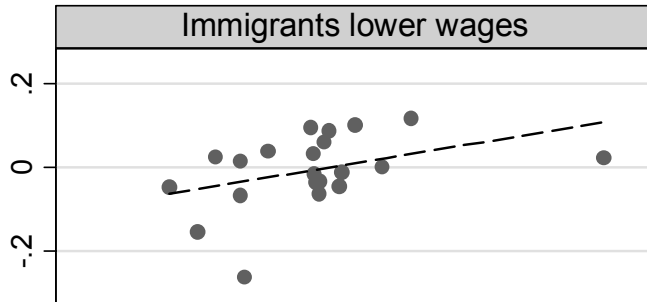
Country Variation in Opinion

Table 6.4 Normalized coefficients of country dummies

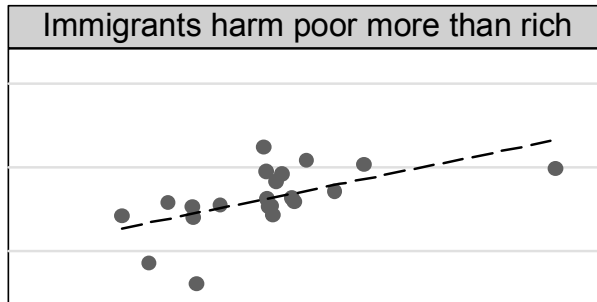
Wage		Distribution		Fill		Jobs	
Coef.	Country	Coef.	Country	Coef.	Country	Coef.	Country
0.1	DK	0.01	DK	0.21	IT	0.04	DK
0.09	SE	0	NO	0.21	LU	0.04	LU
0.08	NL	0	LU	0.2	FR	0.03	NO
0.06	BE	0	IT	0.18	AT	0	NL
0.03	ES	-0.01	NL	0.17	IE	0	FI
0.03	IT	-0.03	BE	0.15	ES	-0.01	FR
0.02	CZ	-0.05	IE	0.15	NO	-0.01	ES
0.02	LU	-0.07	CH	0.14	PT	-0.02	CH
0.01	SI	-0.07	GB	0.14	SE	-0.02	IT
0	IE	-0.08	AT	0.13	SI	-0.03	AT
-0.01	AT	-0.08	CZ	0.13	DK	-0.05	GB
-0.01	GB	-0.09	ES	0.1	GR	-0.06	BE
-0.03	DE	-0.09	FR	0.09	BE	-0.07	IE
-0.03	FI	-0.09	SI	0.09	CZ	-0.09	SI
-0.04	CH	-0.09	FI	0.08	NL	-0.09	DE
-0.04	PL	-0.11	DE	0.08	GB	-0.1	PT
-0.06	FR	-0.11	PL	0.07	DE	-0.11	PL
-0.06	PT	-0.12	PT	0.06	HU	-0.14	CZ
-0.15	HU	-0.23	HU	0.05	FI	-0.16	HU
-0.26	GR	-0.28	GR	-0.01	PL	-0.22	GR

Source: European Social Survey, 2003.

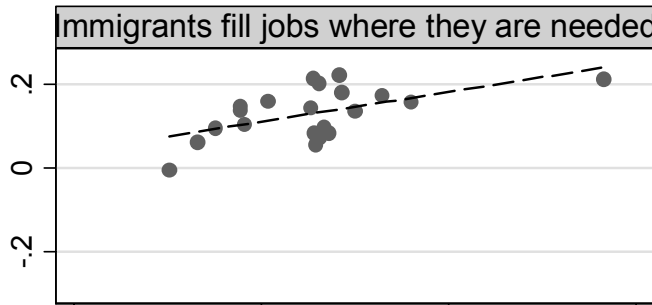
Differences across countries and GDP



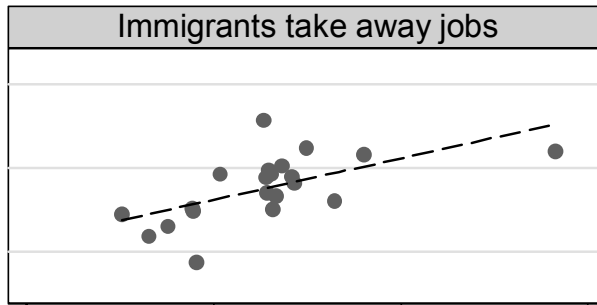
Source: European Social Survey, 2003



Source: European Social Survey, 2003



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Source: European Social Survey, 2003

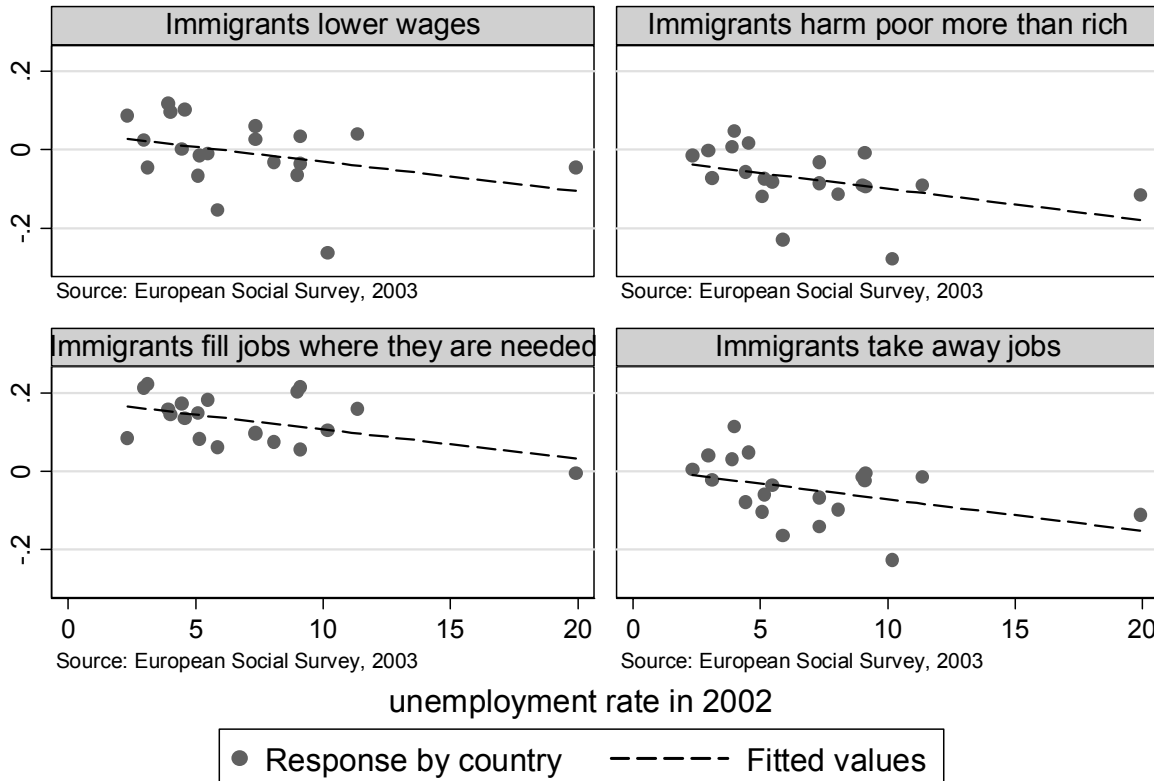
GDP per capita in 2002, PPP(current international \$), in 000s

● Response by country - - - - - Fitted values

Graphs by Response

Differences across countries

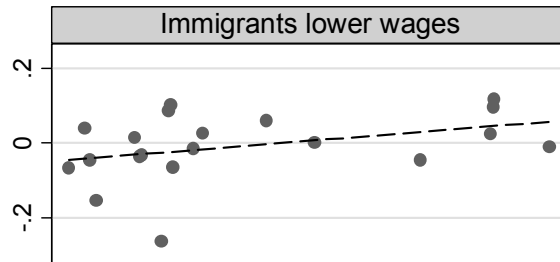
Unemployment Rate



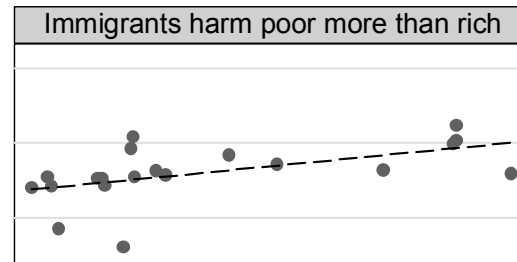
Graphs by Response

Differences Across Countries

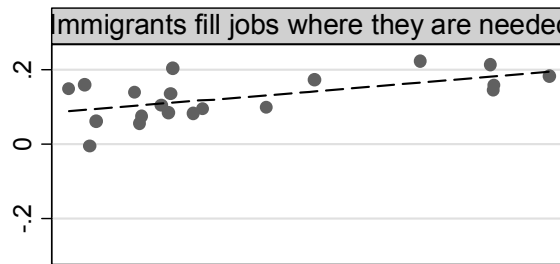
Asylum Applications



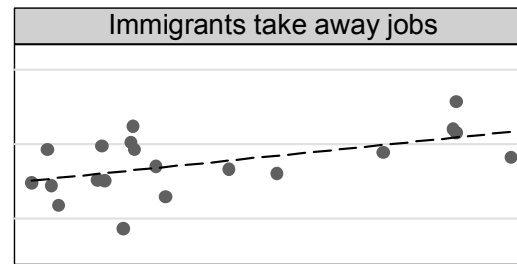
Source: European Social Survey, 2003



Source: European Social Survey, 2003

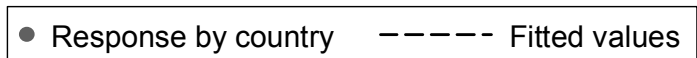


Source: European Social Survey, 2003



Source: European Social Survey, 2003

No Asylum Applications over total population, 2002



Graphs by Response

How strong is the Economic Argument if forming attitude?

Table 1: Average responses to immigration questions, all countries

	Immigration from					
	Rich European	Poor European	Rich Overseas	Poor Overseas	Same ethnicity	Different ethnicity
Many	14.73	11.45	12.19	10.19	15.35	10.12
Some	42.54	43.45	41.1	40.65	47.29	41.11
Few	28.39	32.65	31.37	34.8	26.98	33.88
None	9.56	8.44	10.56	10.1	5.9	10.41
Don't know	4.77	4.01	4.79	4.26	4.48	4.48

More / less immigration of ethnically equal/unequal Immigrants



Figure 1: Allow many/none immigrants of the same ethnicity as majority (1: Allow many 4: Allow none)
-Mean responses

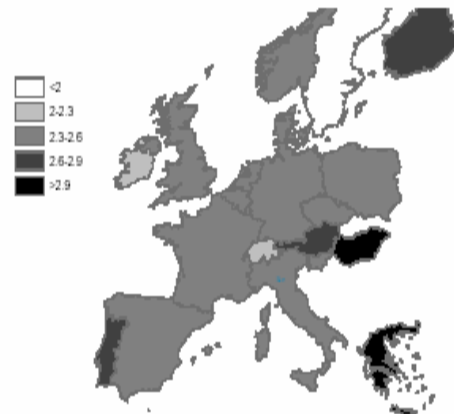


Figure 1: Allow many/none immigrants of the different ethnicity as majority (1: Allow many 4: Allow none)
-Mean responses

Sentiment for more immigration, by age/education

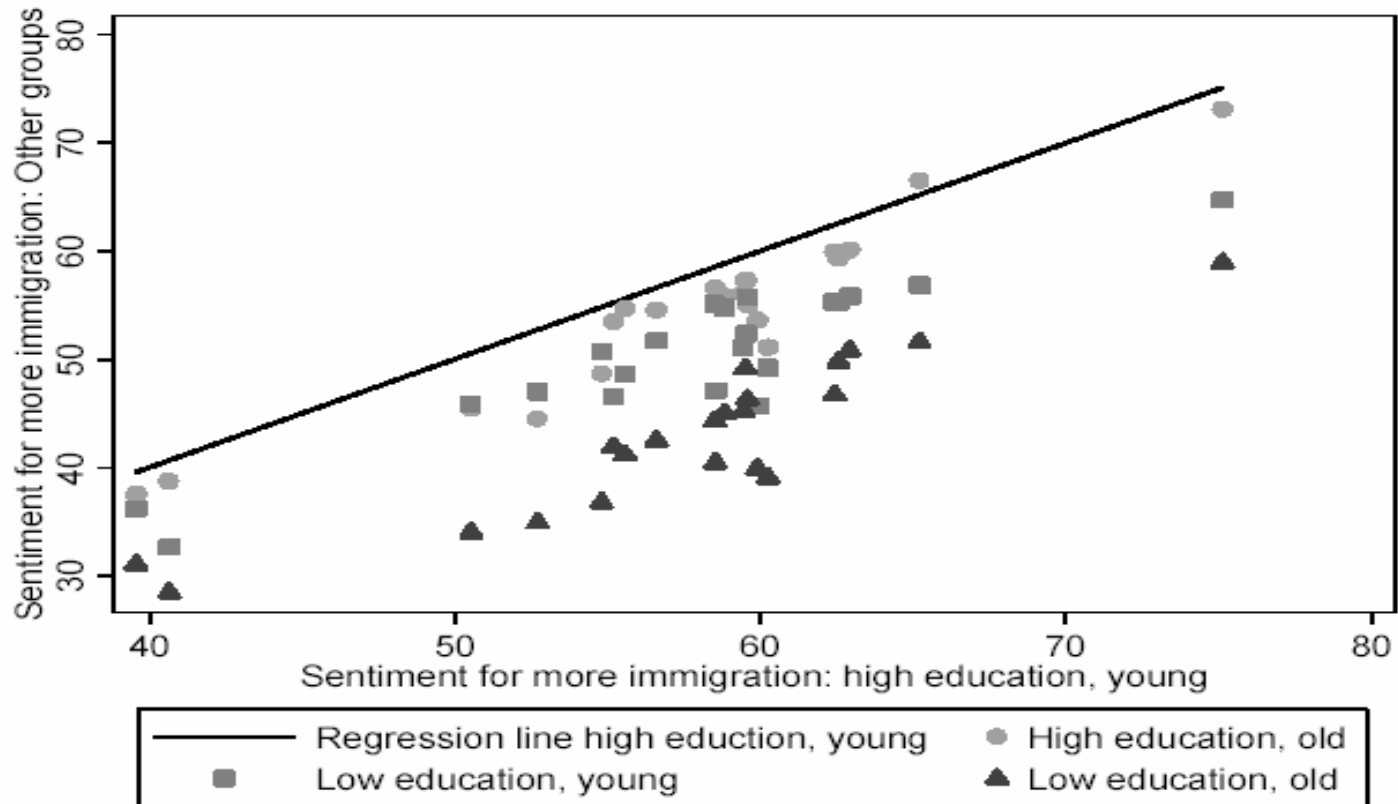
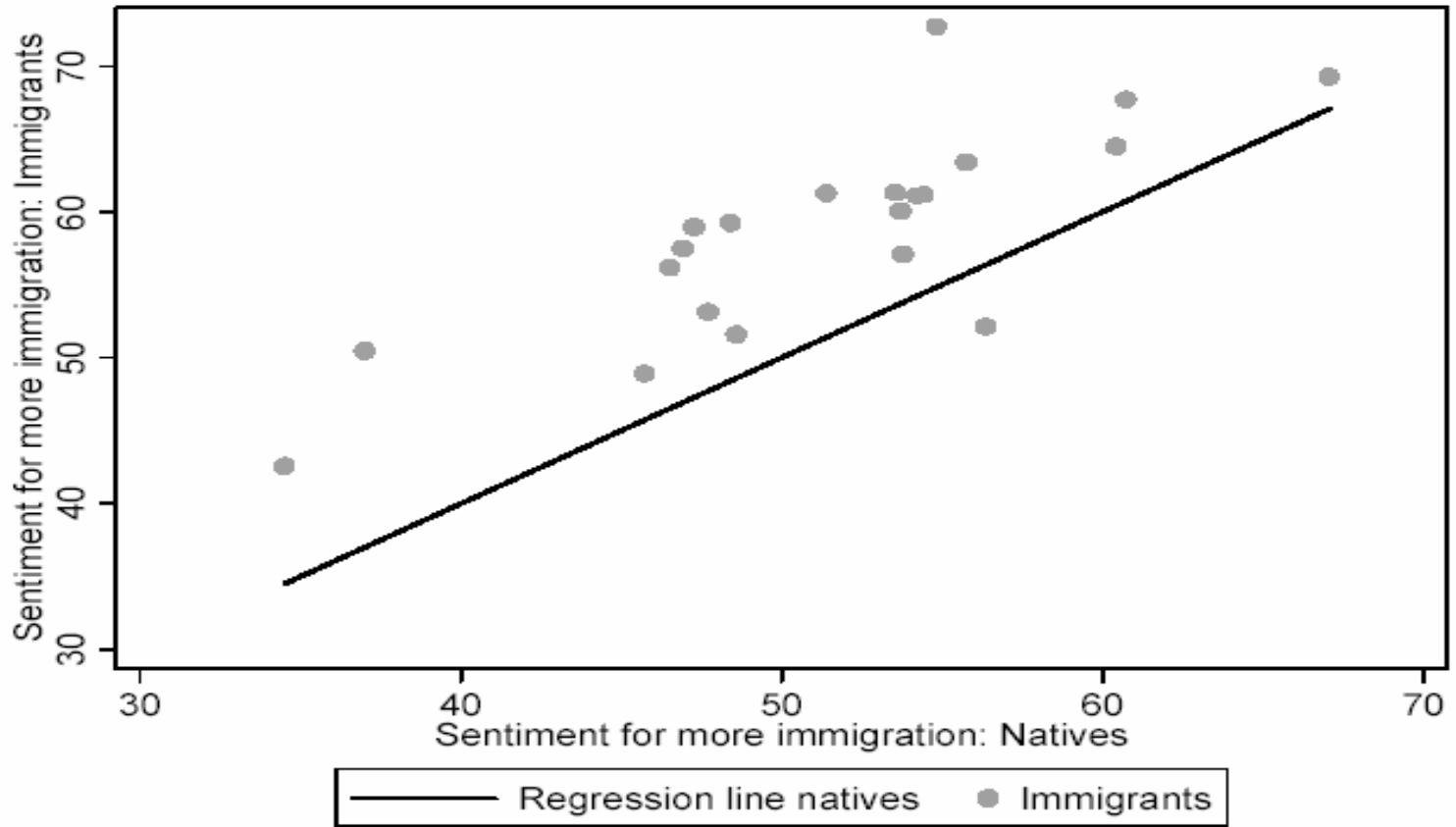


Figure 4: Sentiment for more immigration, by age and education

Sentiment for more immigration, immigrants/natives



Structural Empirical Analysis: Labour Market Competition, Public Burden, and Efficiency

Λ matrix

Variable	Labour Market Competition		Public Burden		Efficiency		Σ_u
	Coeff	t-ratio	Coeff	t-ratio	Coeff	t-ratio	
Overall	0.015	1.23	0.736	50.60	0.077	6.21	0.382

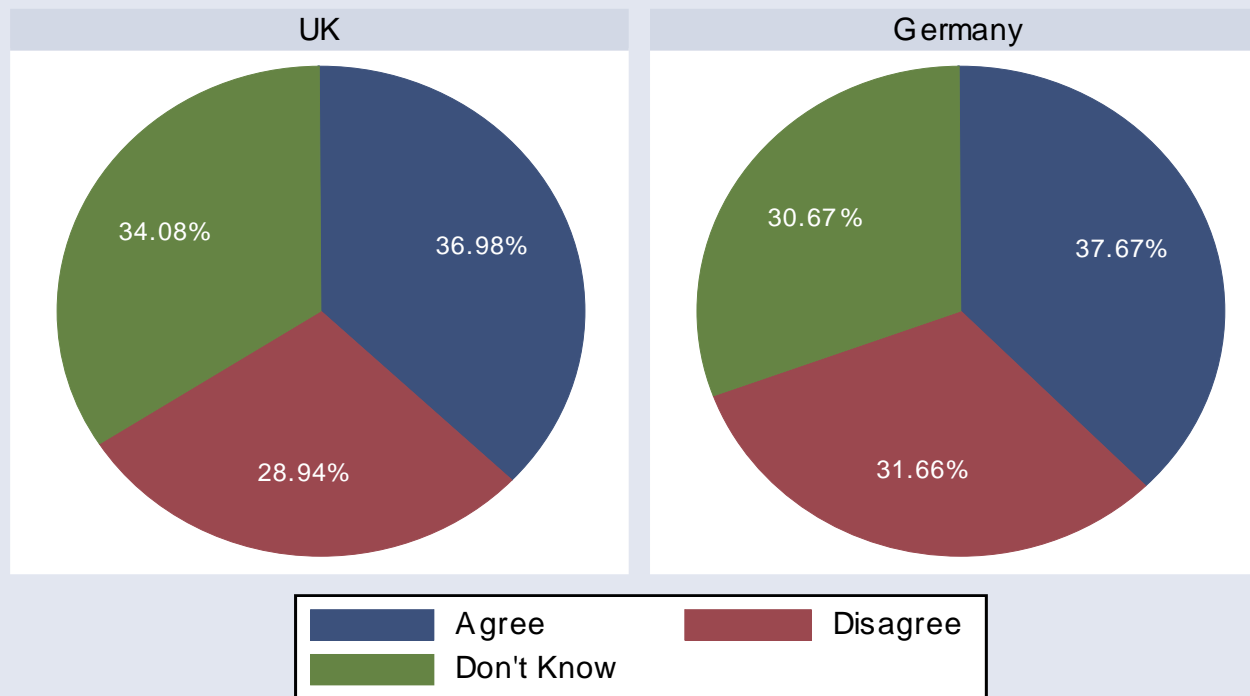
Source: Dustmann/Preston,

“Is Immigration good or bad for the Economy?

Analysis of Attitudinal Data”, forthcoming *Research in Labor Economics*

Immigration and Wages, Opinion

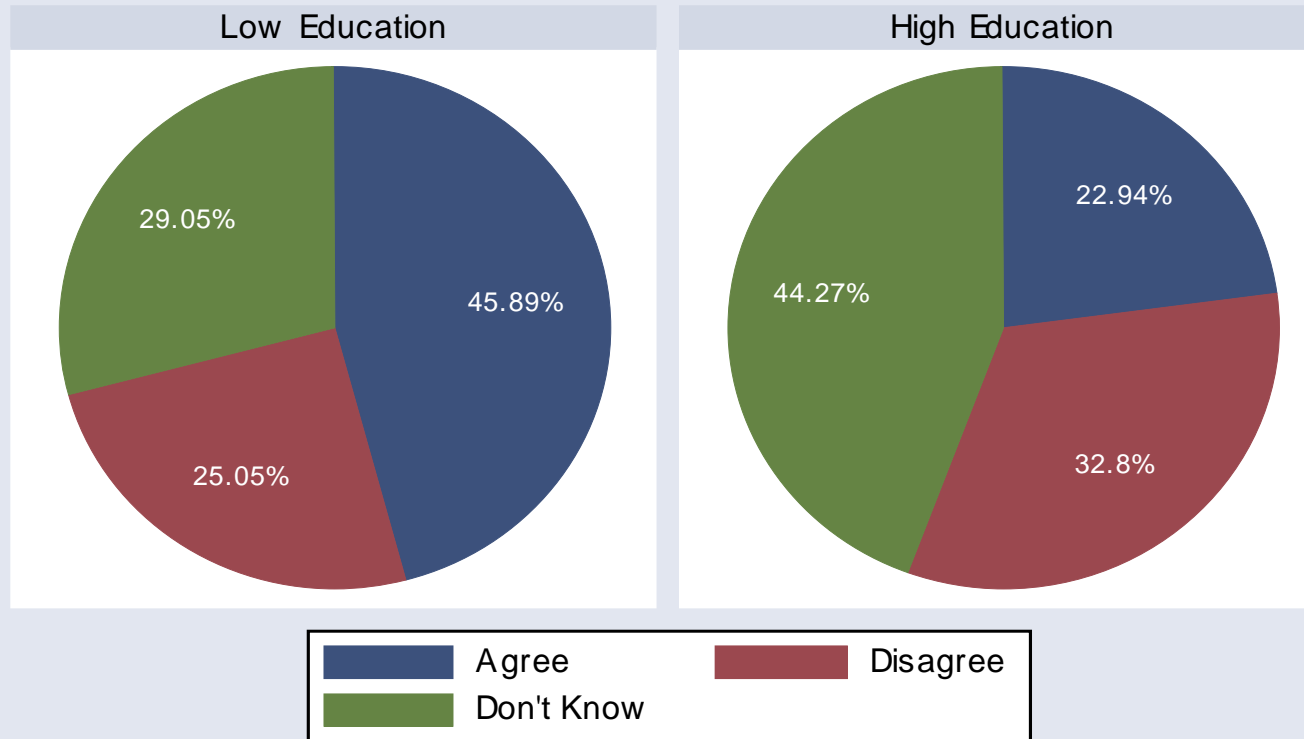
Average Wages are brought down by Immigrants
Opinion of Residents of the UK/Germany



Source: European Social Survey, 2003

Immigration and Wages, High-Low Ed.

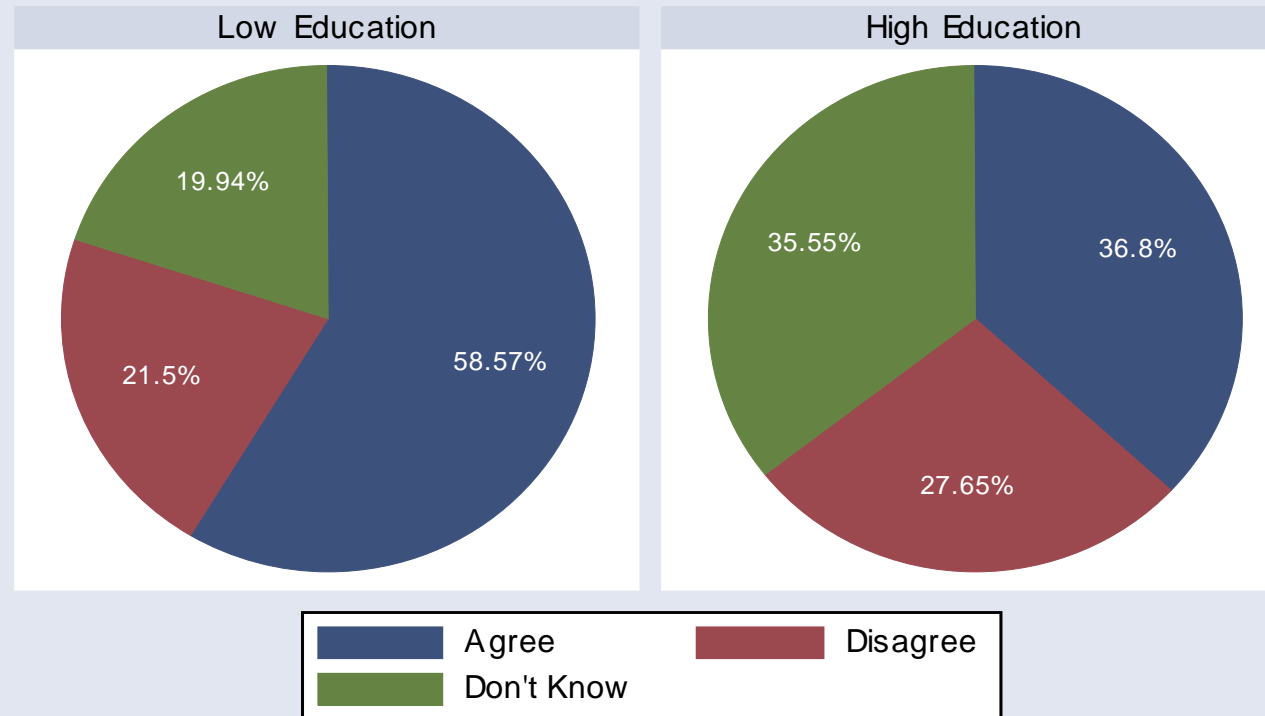
Average Wages are brought down by Immigrants Opinion of Residents of the UK



Source: European Social Survey, 2003

Immigration and Economic Prospects

Immigrants harm economic prospects Poor more than Rich
Opinion of Residents of the UK

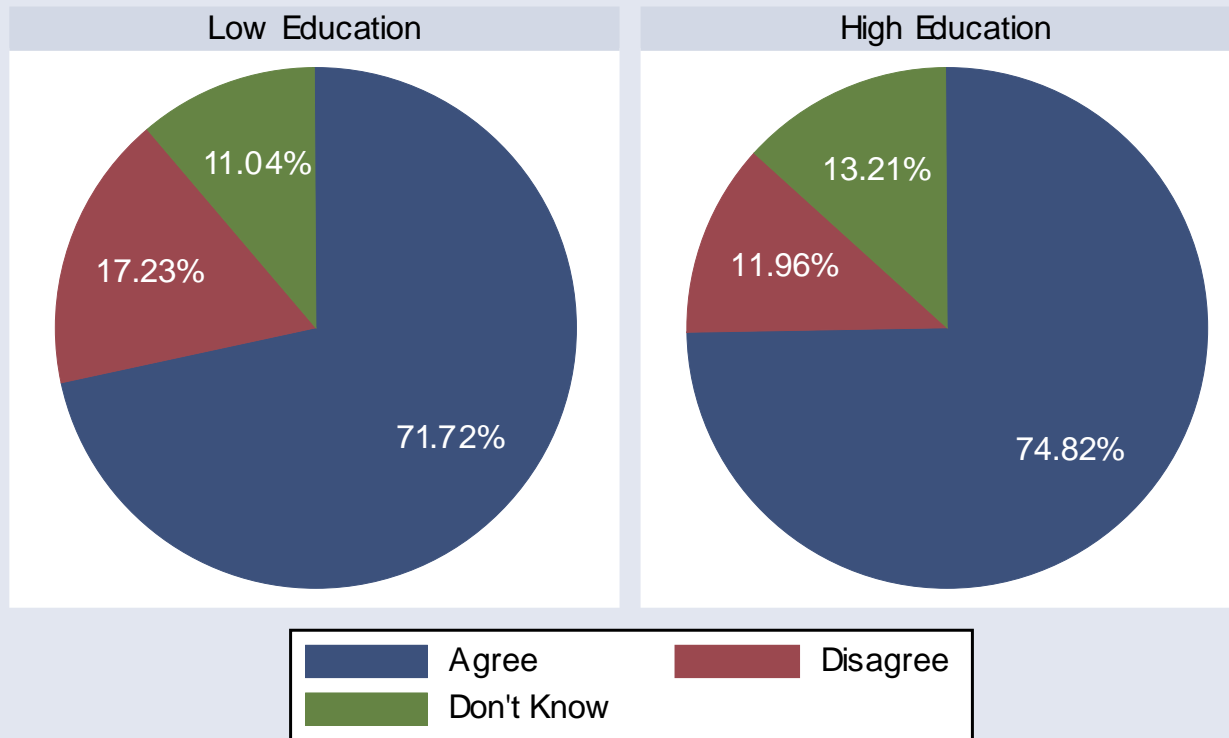


Source: European Social Survey, 2003

Migration and Skills

All countries benefit if people can move where skills needed

Opinion of Residents of the UK



Source: European Social Survey, 2003

Opinion, Summary

- UK residents acknowledge that immigration may have different economic effects on different groups in the population
- They also acknowledge that migration may have beneficial effects

Overall Effects of Immigration

- Immigration may generate a surplus for the receiving country
- Problem: Distribution of surplus, as some benefit, but others lose.

Skilled and Unskilled Labour

- Before: Only one type of labour
- Assume now: Skilled and unskilled labour, capital supply perfectly elastic
 - Migration has only effects if immigrant skill composition differs from that of residents
 - Migration may have adverse wage- and employment effects
 - Negatively affected are those who compete with immigrants. Beneficiaries are those who are complements to immigrants

Adjustment through Output Mix

- Before: One output good
- Now: Multiple outputs
 - Economy will also adjust through the **output mix**
 - In the long run: Economic theory compatible with **zero effects** on **employment and wages** (effects may be absorbed by changes in the output structure).

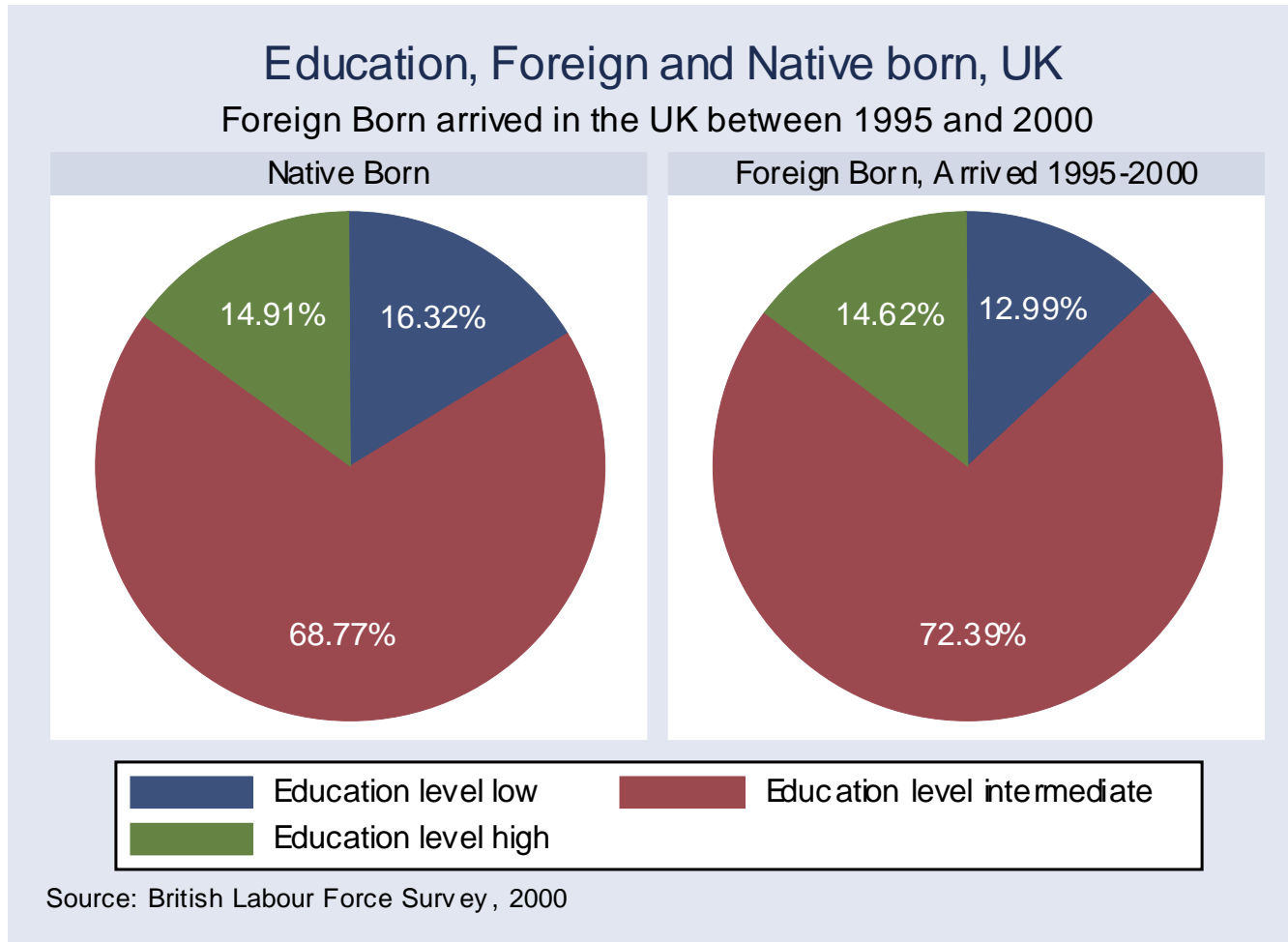
Empirical Studies

- Key Question: Are there employment and wage effects, and how large are these?
- Usual Approach: Correlate variation in immigrant population across local areas with variation in economic outcomes.
- Problems with this approach:
 - Permanent correlation of economic conditions and immigrant concentration
 - Immigrants tend to go to economically successful areas (direction of causation unclear)
 - Native Workers may move out when immigrants move in

Empirical Studies, Previous Evidence

- Common consensus of most empirical work for both the US and Europe: Impact of immigration on wages and employment in local labour markets modest

How Different are Immigrants from Natives?



Effect of Immigration on Total Unemployment

- Interpretation of our most robust estimates: An increase in immigration amounting to one percent of the non-immigrant population leads to an increase in 0.18 percentage points in the non-immigrant unemployment rate
- The coefficient estimate is insignificant, and zero effects can not be rejected statistically

Migration and the enlargement process

[Background]

- Enlargement of European Union 2004 and 2007
- New Borderlands to the East
- Ukraine, Moldova, Belarus (also Georgia and Armenia)
- Large economic and political differences

[Background]

- Tradition of suitcase trading and labour migration to Poland, Czech Republic, Slovakia and Hungary
- Post-industrial nature of migration
- Temporary movements
- Policies – general closure of borders

[Theoretical background]

- Role of migration networks and chains (social capital) (Portes/Sassen)
- Role of irregular migration becoming more common
- Feminisation of migration
- Short term circulatory systems becoming more common than one-way flow (Wallace)
- Migration regimes in receiving countries important

[Research questions]

- Motivations of migrants
- Characteristics of migrants
- Migrant networks
- Financial situation of migrants
- Destination countries
- Activities of migrants

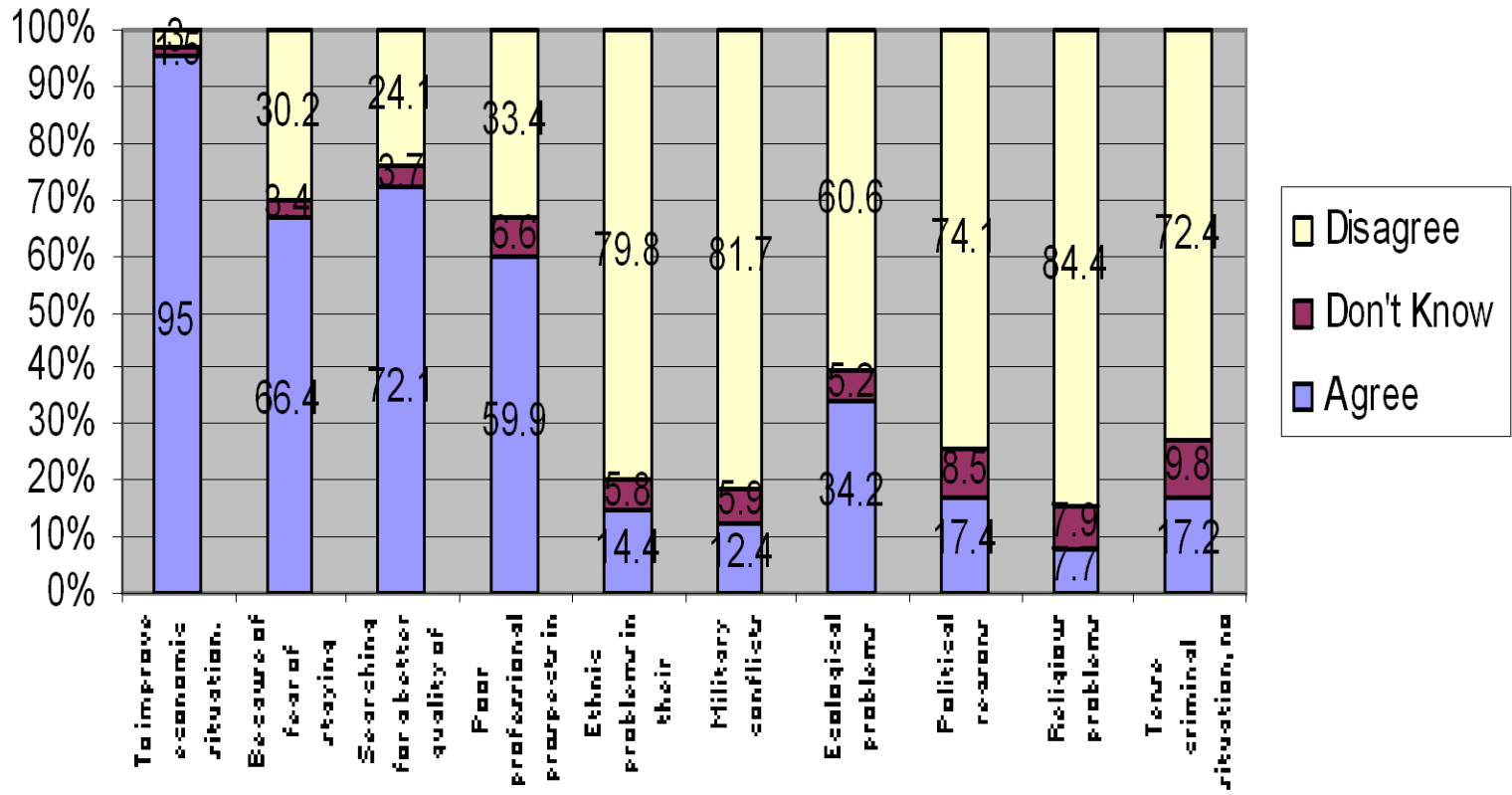
[Method]

- EU INTAS project 2005-2007
- Ethno survey of 400 individuals (households) in 5 countries (Ukraine, Moldova, Belarus, Georgia and Armenia) carried out in 2005 = 2000 interviews
- 20 follow-up interviews in each country (only Moldova, Belarus and Ukraine analysed here) analysed using Framework method

[Numbers of migrants]

- Armenia: 3.3%
- Belarus: 10.8%
- Georgia: 1.7%
- Moldova: 13.5%
- Ukraine: 11.8%

Reasons for leaving



[Motivations and characteristics]

- Mainly economic motivations
- More male than female
- Mostly better off households (perhaps because of migration?)

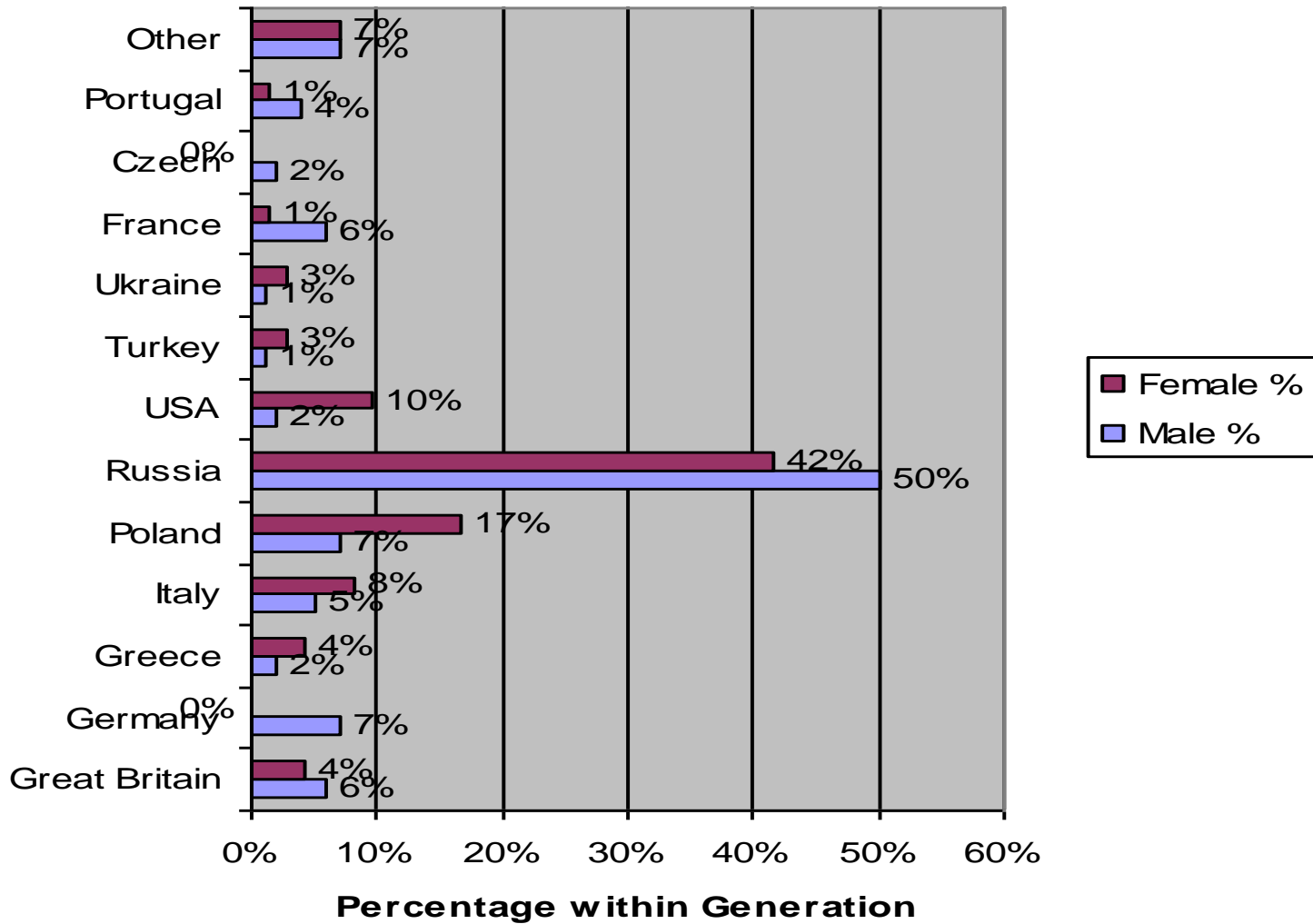
Migration networks

- Had people abroad who could help
- Had people in EU or NIS countries
- BUT just as many people who migrated had friends or relatives abroad as those who didn't so results were insignificant
- Qualitative data: 16 used friends, 16 used family (more than half)
- But many used agencies or schemes

Most important factors in migration

- Logistic regression
- Being low educated and male
- Being well off
- Social capital only barely significant
- 15.3% of variance explained

Returned Migrant Destinations



[Destination countries]

- Russia
- Poland, Italy and Portugal for Ukrainians,
- Great Britain and USA also important

[Migrant activities]

- Students
- Care workers
- Construction
- Agricultural work
- Hospitality industries

[Methods of migration]

- Social capital/networks for new migration countries (Southern Europe, Ireland, NMS)
- Old migration countries had closed migration doors so only accessible through agencies and schemes (USA, UK, Germany)

[Conclusions]

- Migration mainly to Russia
- Otherwise new migration countries and old migration countries
- About one in ten were temporary migrants
- Role of social capital vs. agencies and schemes
- Feminisation of migration related to Southern European welfare state
- In New countries started illegally and were legalised, in old countries entered legally but did additional work
- Students an important aspect of migration