

Why Do Estimates of Immigration's Economic effects clash so sharply?

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This Talk:

1. What are the economic effects of immigration, and how can we measure them?
2. Do economic considerations matter for the way people assess immigration policy, and what are the drivers of people's attitudes towards immigration and immigration policy?
3. How does migration affect voting outcomes?

Why Do Estimates of Immigration's Economic effects clash so sharply?

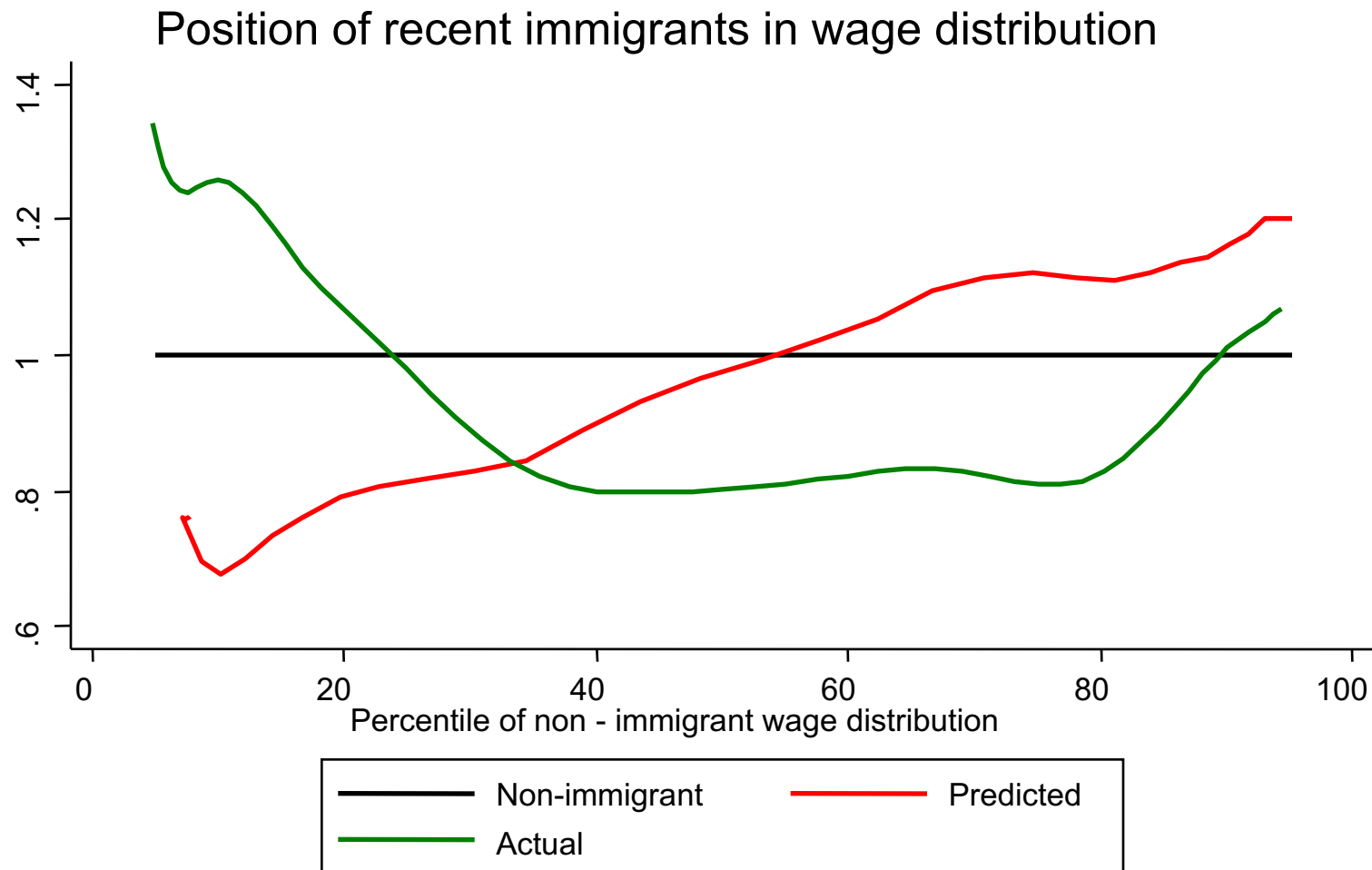
- ▶ We address that question in a recent paper (Dustmann, C., U. Schoenberg and J. Stuhler, “The Impact of Immigration: Why Do Studies Reach Such Different Results?” JEP, 2016)
 - » The Effect of Immigration **is** different for every country and for every period within countries
 - » Different academic papers estimate different parameters that are not comparable (e.g. partial versus total effects)
 - » Difficult to place migrants into labour market slices where they compete with natives => Downgrading of immigrants often ignored

Key empirical challenge ...

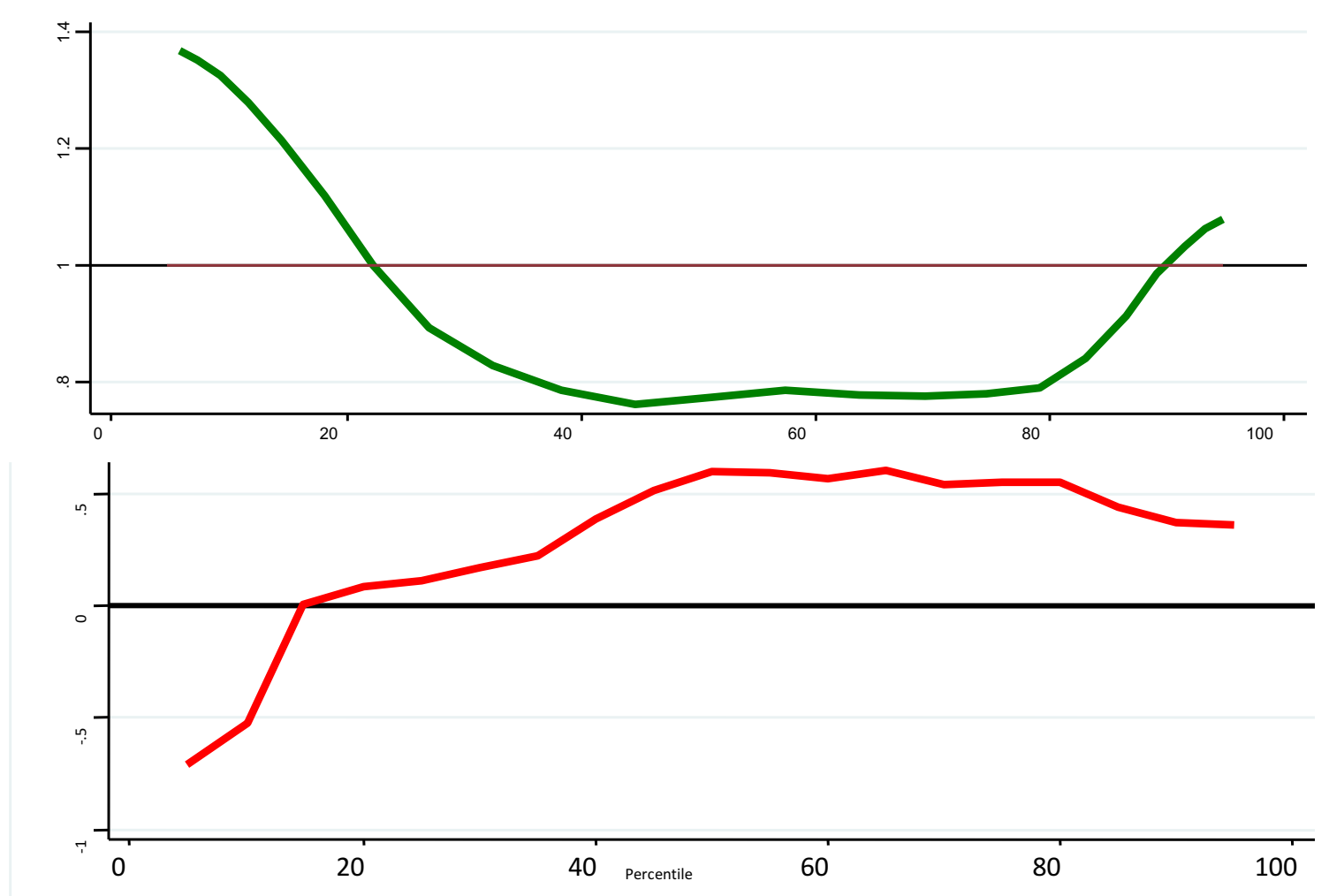
... in measuring the impact of immigration:

- ▶ Construction of counterfactual situation, “What would have happened had migration not occurred?”
- ▶ Example: Impact on Wages
 - » Observed: Wages of residents before and after Immigration
 - » Not Observed: Wages of residents after Immigration *if Immigration had not taken place*
- ▶ Construction of counterfactual situation is difficult and at the core of applied academic research.

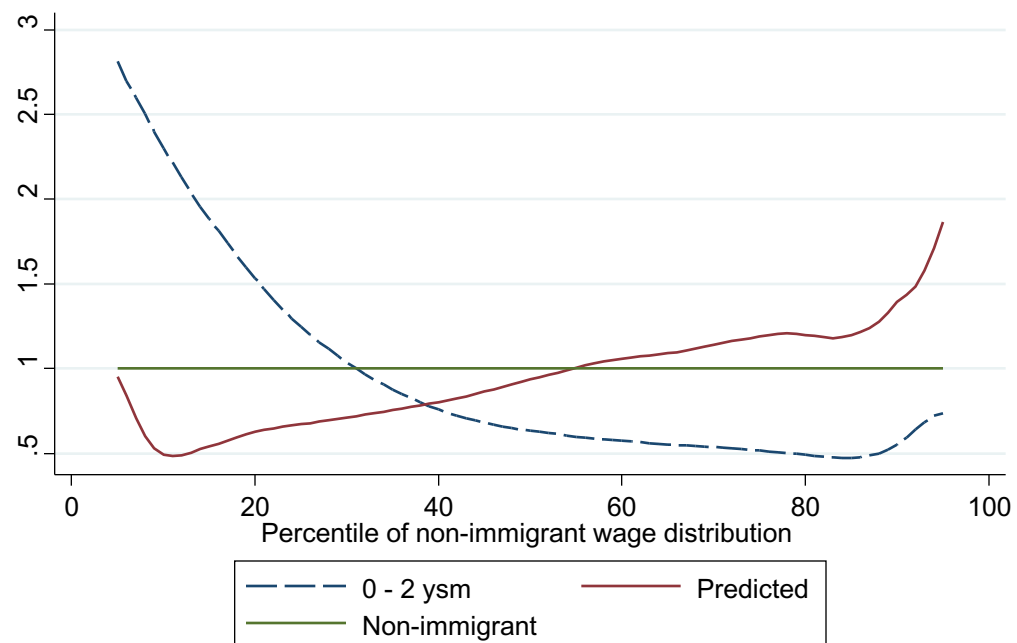
Relative density of recent immigrants along the native wage distribution



Wage effects and wage location compared

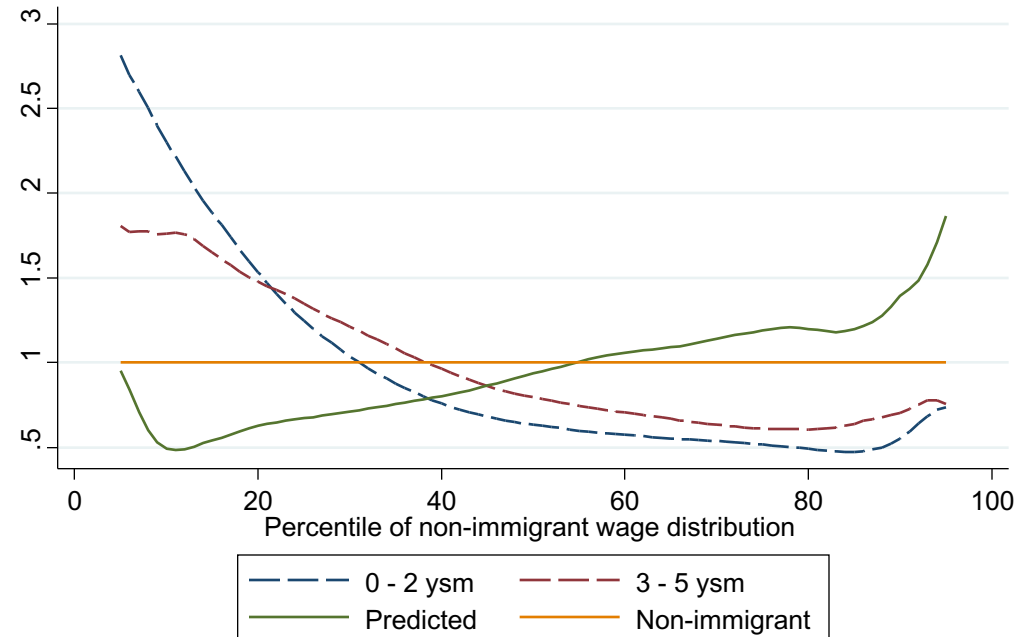


Position of migrants in native wage distribution



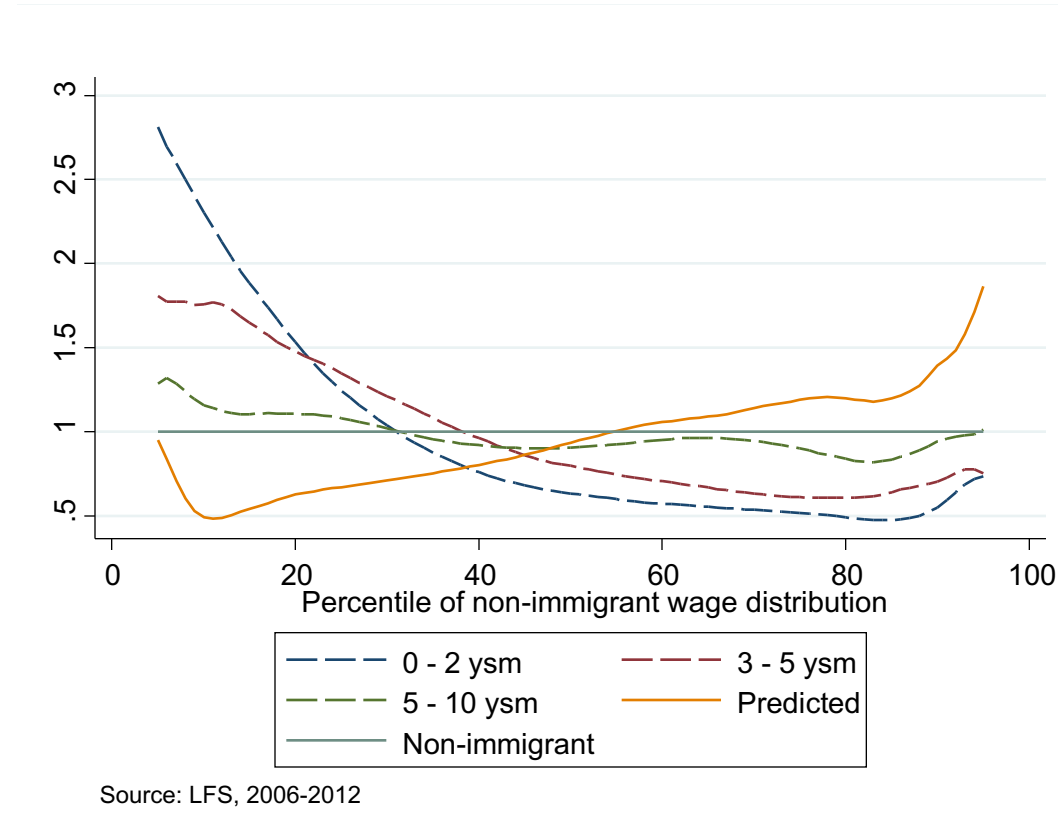
Source: LFS, 2006-2012

Position of migrants in native wage distribution

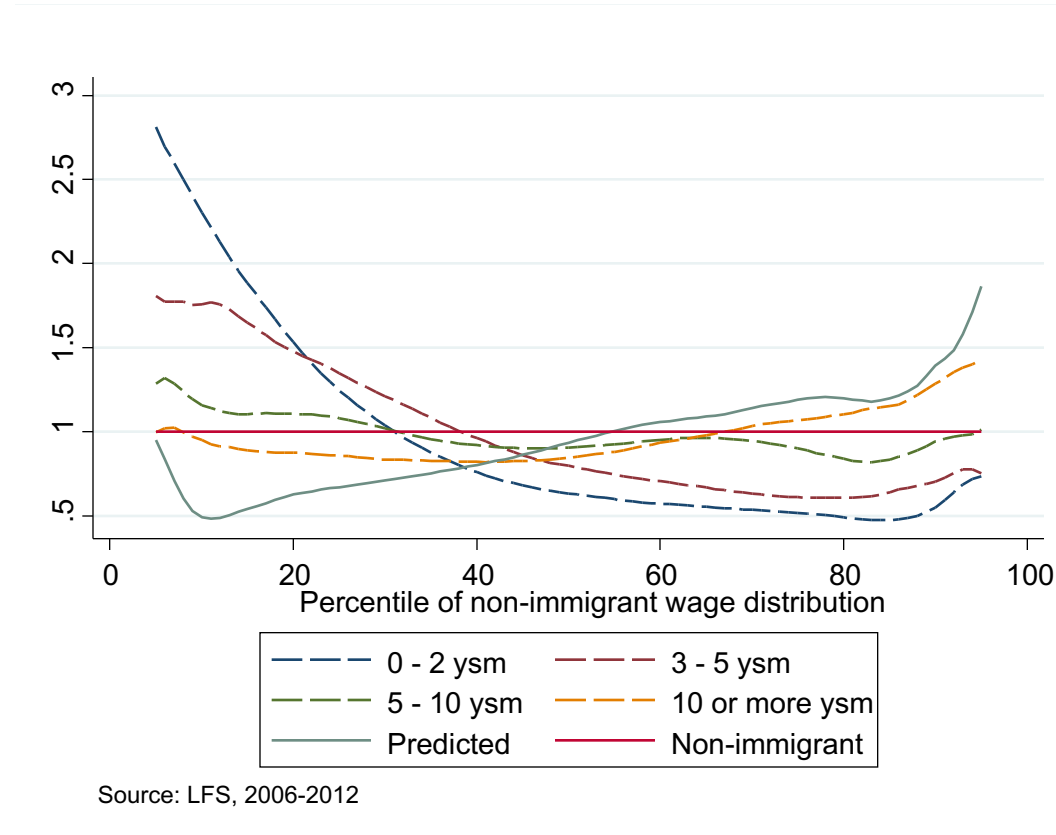


Source: LFS, 2006-2012

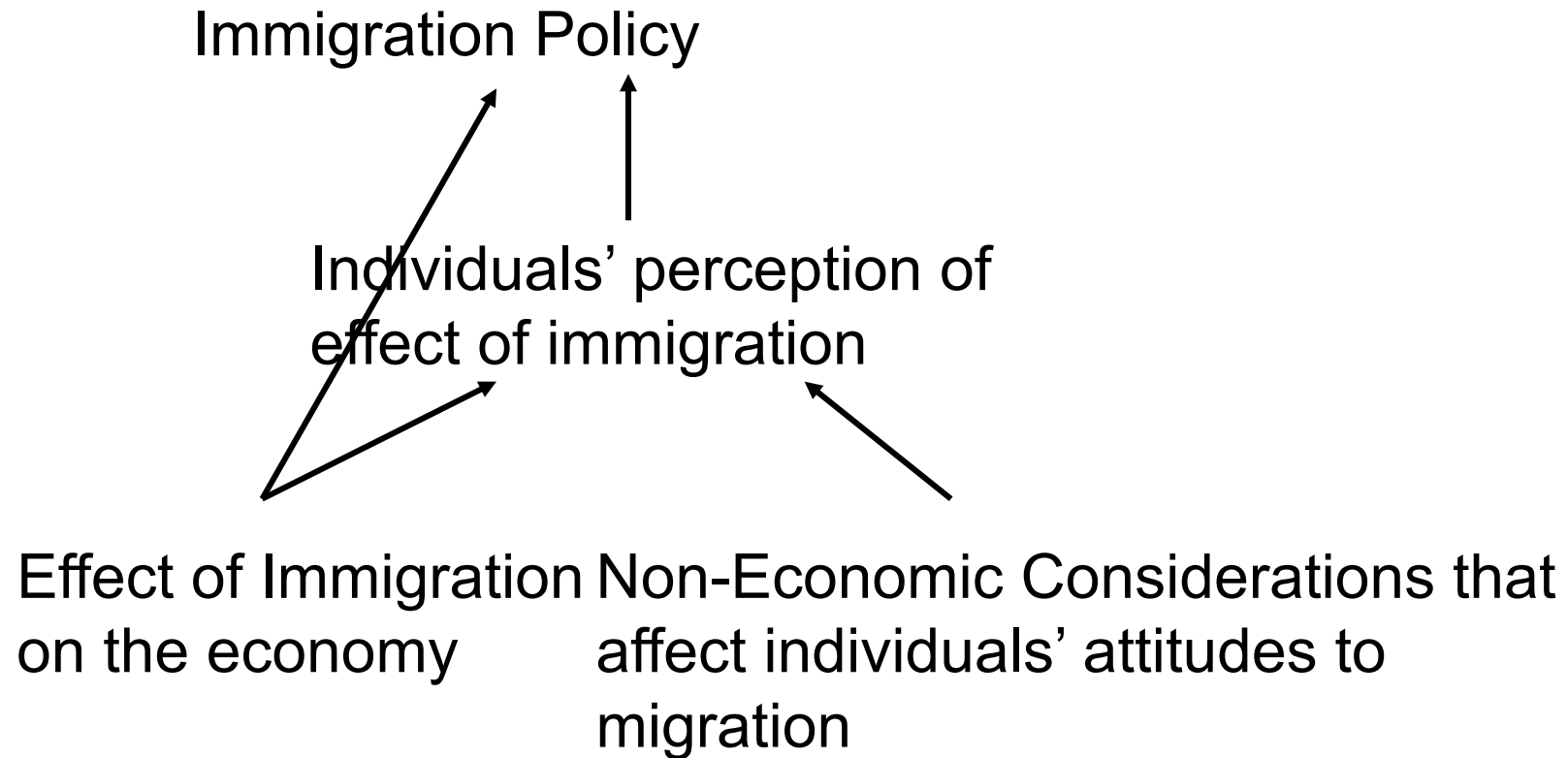
Position of migrants in native wage distribution



Position of migrants in native wage distribution



What REALLY drives Immigration Policies?



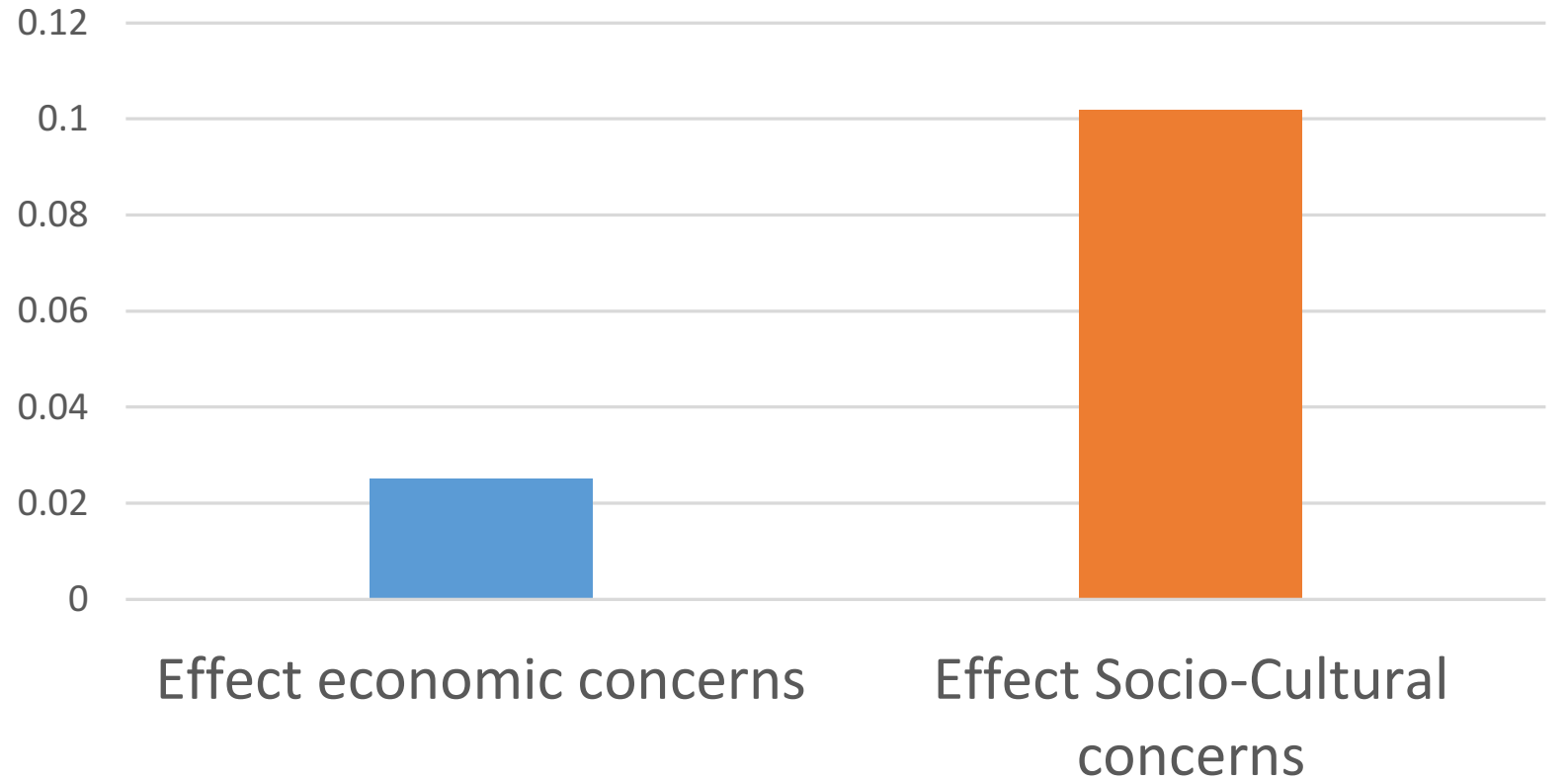
Attitudes to Immigration: Economic and Non-Economic Channels

- ▶ Hypothesis:
- ▶ Attitudes to immigration reflect a *combination* of concerns over socio-cultural factors and direct economic impacts on wages and taxes.
- ▶ Key Findings:
- ▶ Concerns over socio-cultural factors are far more important than concerns over the impacts on wages and taxes (by factor 3-5)

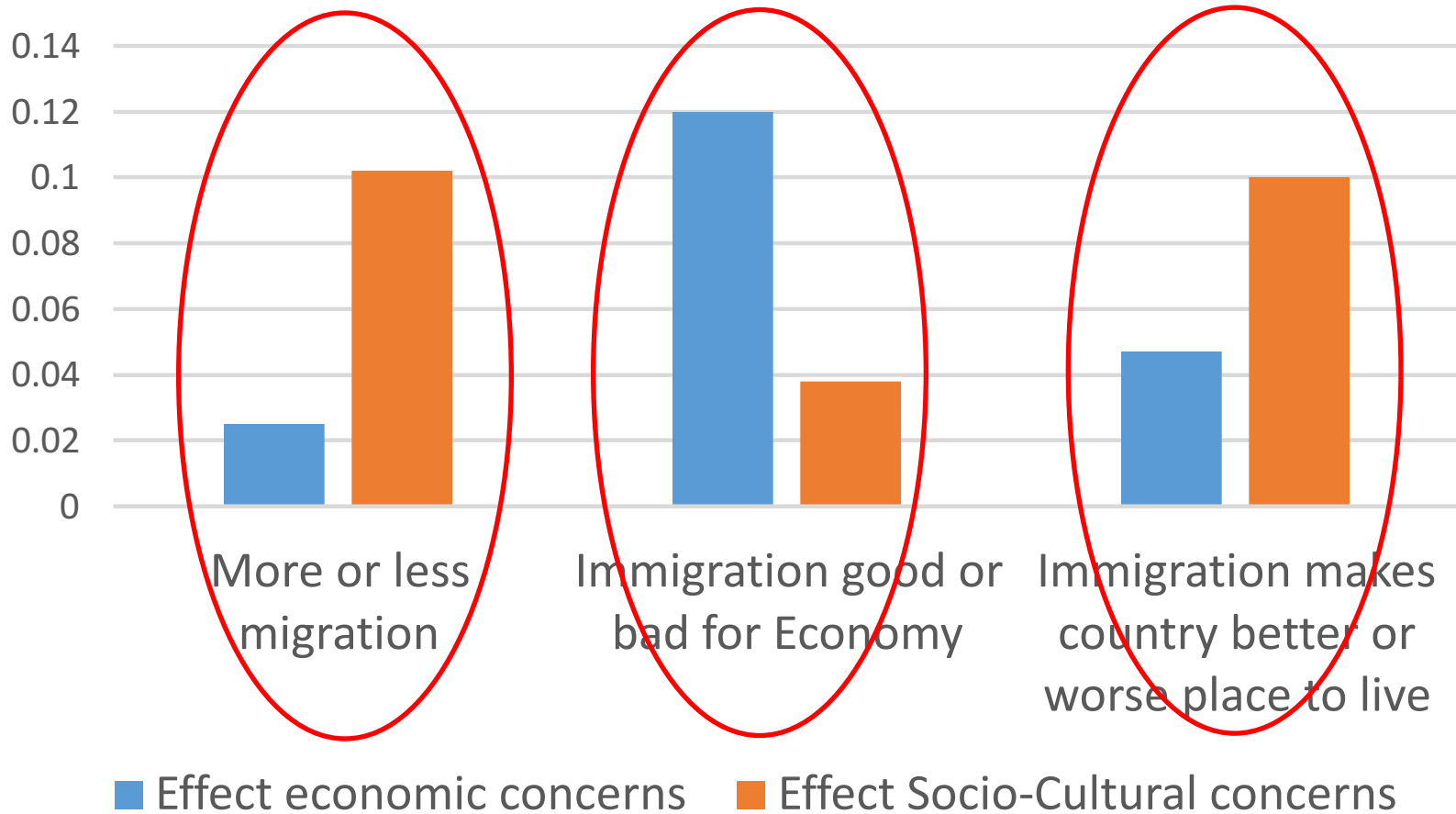
Immigration, Wages, and Compositional Amenities (Card, Dustmann, Preston, JEEA, 2012)

Racial and Economic Factors in Attitudes to Immigration (Dustmann, Preston), *The B.E. Journal, advanced*, 2007

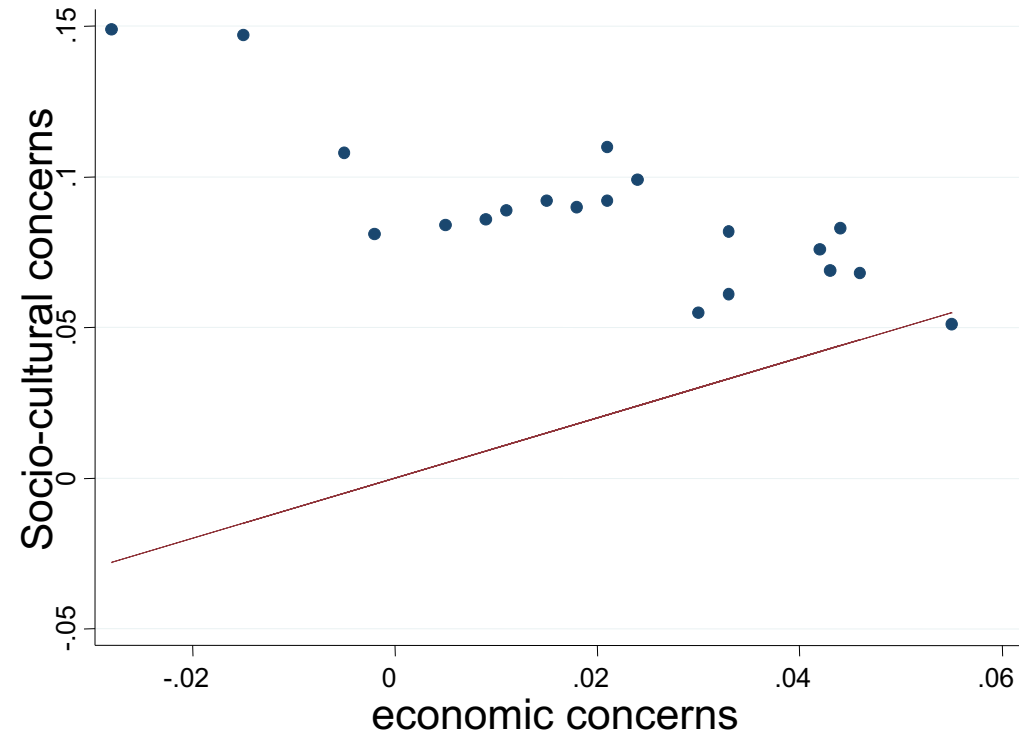
More or less migration



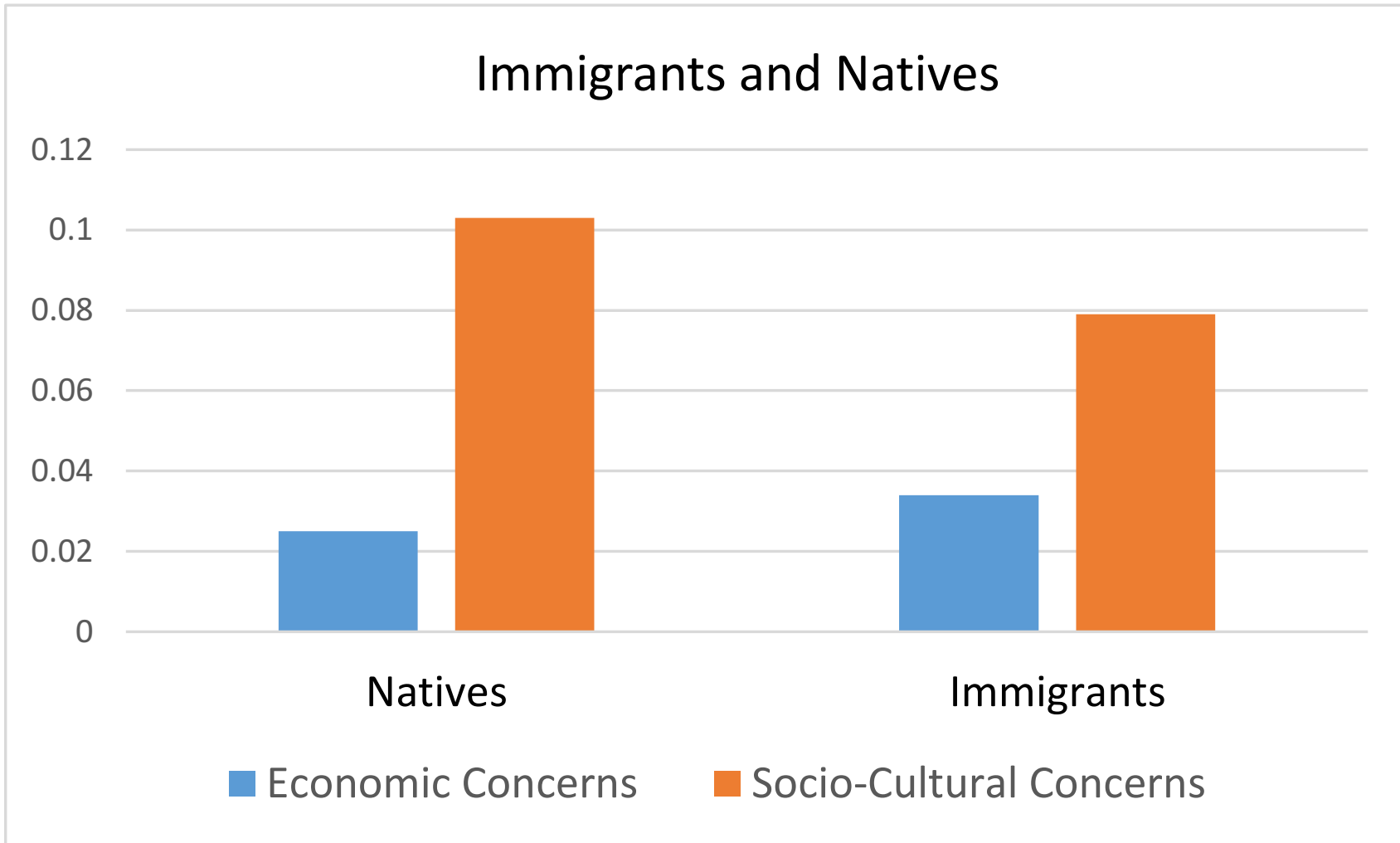
Economic and Socio-Cultural Concerns about Immigration



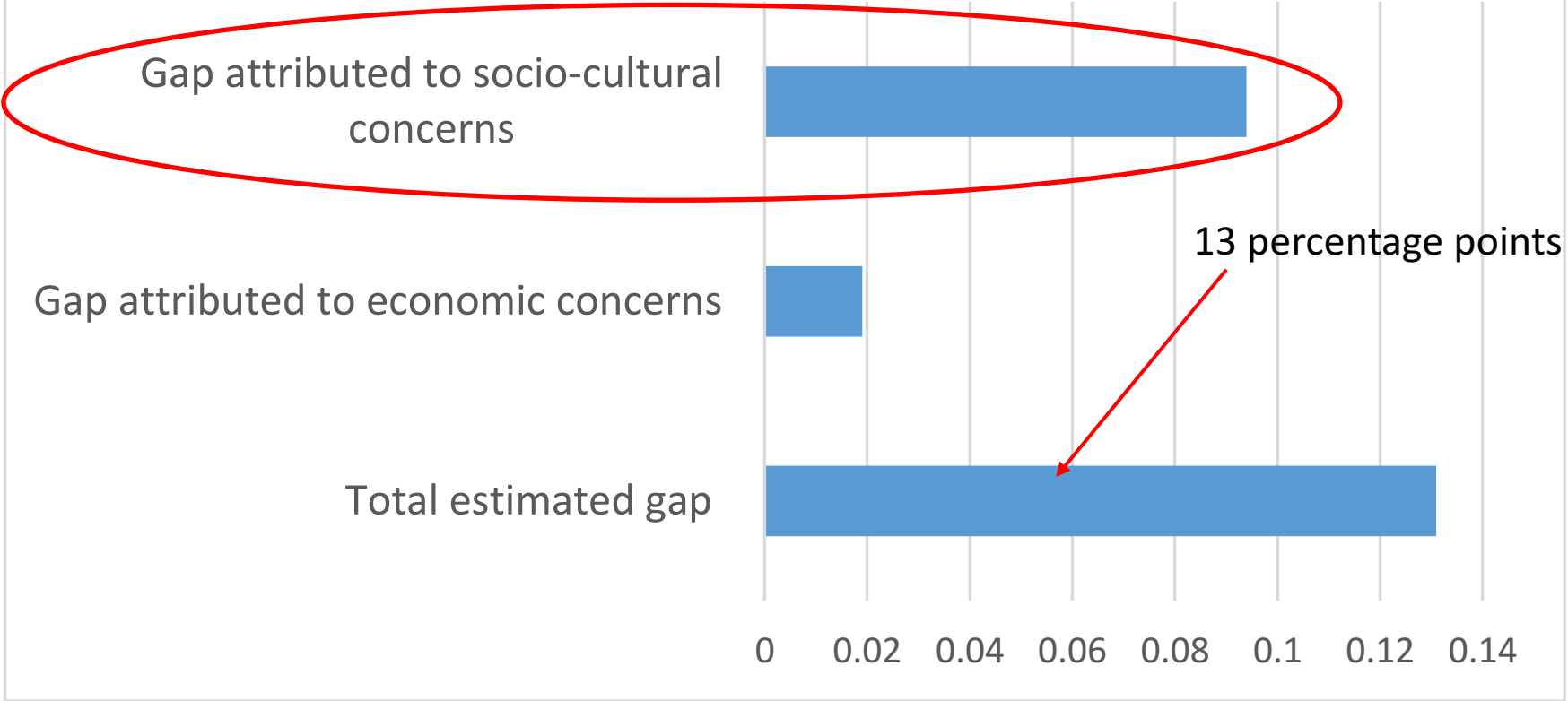
Country Variation



Immigrants and Natives



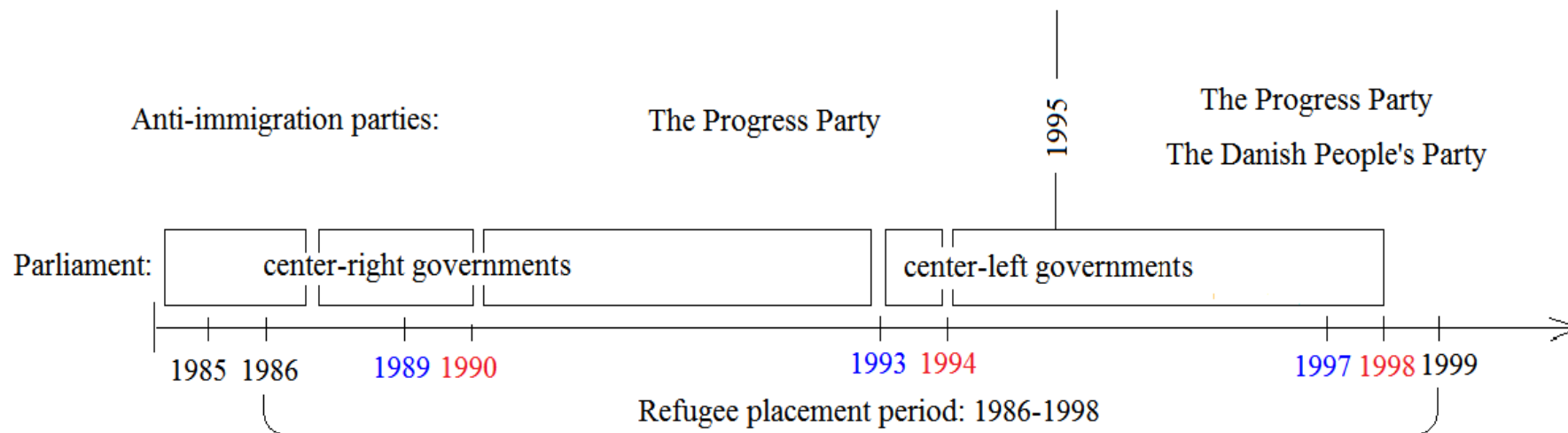
Gap in Attitudes towards liberal Migration Policy, tertiary vs. primary



How does immigration affect voting behaviour?

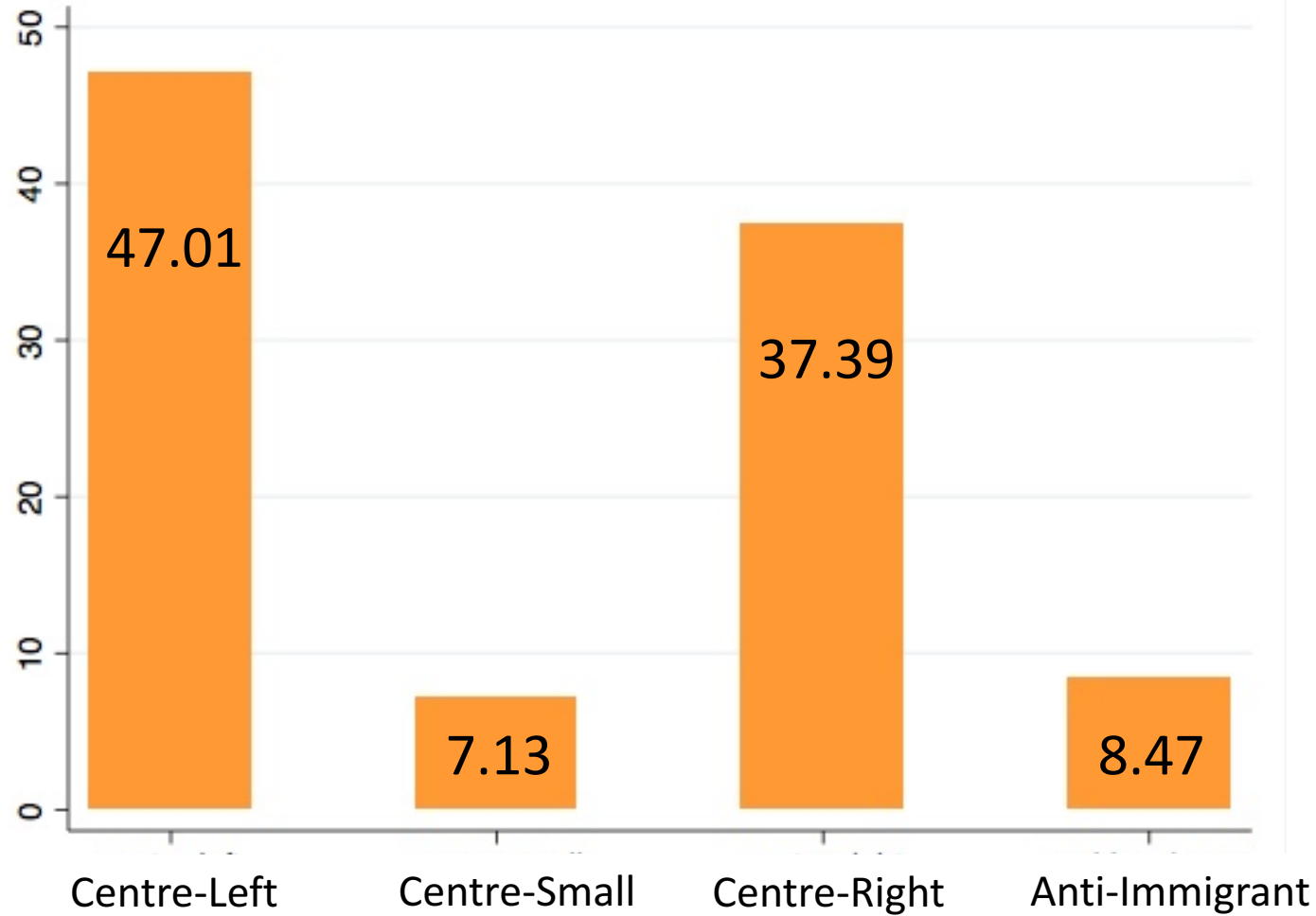
Background: Elections

- ▶ Analysis: focusses on 1989-1998 period, which includes three parliamentary and three municipal elections in Denmark.
- ▶ Period chosen to conform to the timing of the Danish Spatial Dispersal Policy (1986-1998).



1989, 1993, 1997 - municipal elections
1990, 1994, 1998 - parliamentary elections

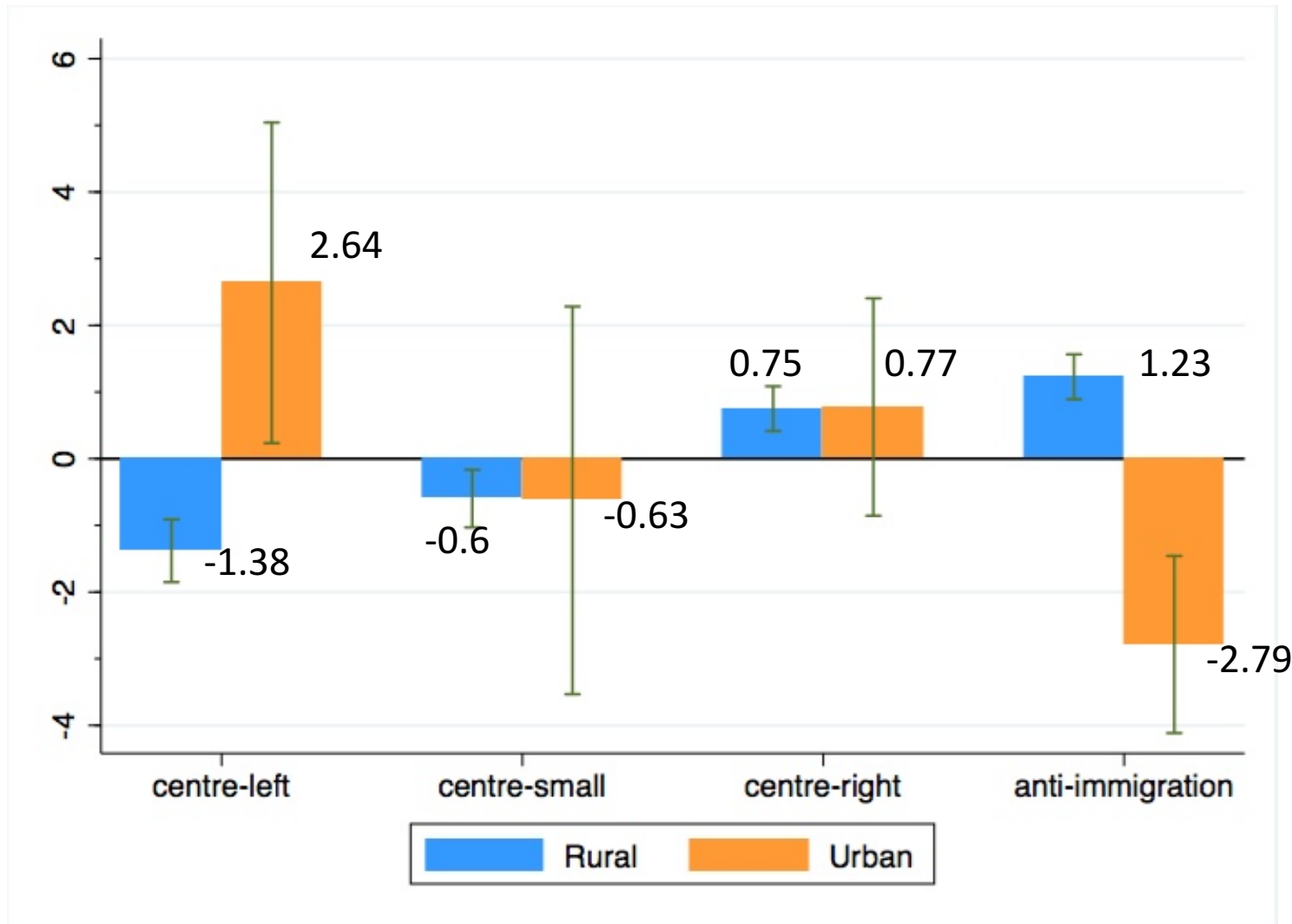
Voting Outcomes – Parliament, 1990-1998



Danish Parliament elections 1990-1998

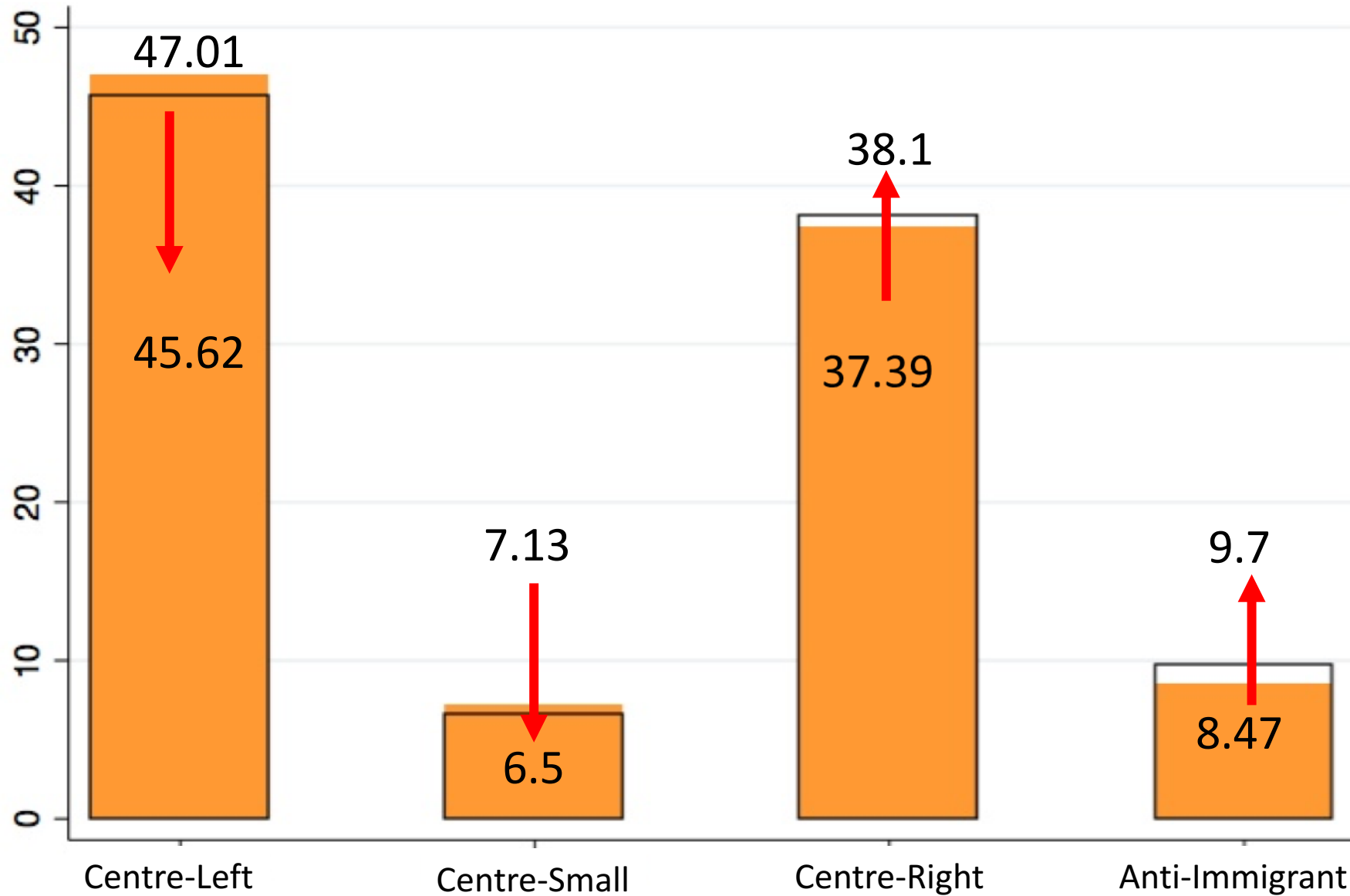
Source: Danish Ministry of the Interior, the Statistics Denmark Database

Refugee Allocation and Vote Share Changes Rural vs Urban Municipalities



Source: Dustmann, Vasiljeva and Damm (2016)

Voting Outcomes – Parliament, 1990-1998



Vote Share Responses to Refugee Allocation ...

- ▶ ... differ according to municipality characteristics
- ▶ In smaller and less urban municipalities: the effect of a given increase in the refugee share on anti-immigrant parties is the larger ...
 - » ... the larger the share of previous immigrants
 - » ... the higher pre-policy crime
 - » ... the higher the share of more affluent individuals
 - » ... the lower share of the municipality population that pays church taxes
 - » ... the higher welfare dependency rates of existing immigrant populations

Effect on Parties Standing for Election, Main Results

- ▶ Anti-immigration parties respond strongly to refugee allocations when deciding in which municipality to stand.
- ▶ These responses to refugee allocation are exacerbated by the share of pre-policy immigrants who live in the municipality.

Conclusions

- ▶ Estimates of economic effects of Migration are so different (i) BECAUSE they are different, and (ii) different studies measure different parameters, (iii) difficult to place immigrants and natives into the same slice of the labor market
- ▶ Attitudes of individuals towards migration policies are mainly driven by non-economic concerns. This makes migration a very unpredictable policy issue.
- ▶ Strong evidence that refugee migration to Denmark in the 1980's-1990's has been a main driver for the increase in vote shares for right-leaning anti-immigration parties. => major challenges for Europe in view of future migrations from Africa and the Middle East

More research and papers:

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