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The impact of welfare benefits on natives' and immigrants' attitudes toward immigration [☆]

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ABSTRACT

We investigate the effect of the relative welfare dependence of immigrants on attitudes toward further immigration of different groups of the population in a pooled cross-section of 24 European countries for the 2004–2010 period. Explicitly controlling for the dependence of immigrants and natives on welfare benefits we find that in countries with higher take-up rates among immigrants relative to natives pro-immigration attitudes, very robustly, increase more strongly with increasing educational attainment and, slightly less robustly, decline more strongly with the age of natives. Within the group of immigrants, by contrast, the impact of age on pro-immigration attitudes is more favorable with increasing relative benefit take-up of immigrants.

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1. Introduction

Economists mostly see international migration as a gainful process for both immigrants and their host societies. As immigrants move from countries with low returns on their specific human capital to countries where these returns are higher, host societies experience an increase in productive resources. In consequence natives' average income rises (Borjas, 1999). Despite this, most host countries observe substantial resistance to further immigration. For instance Bridges and Mateut (2014) report that on average around 47% of the population in European countries are in favor of restricting immigration. Moreover, many immigrant-receiving countries face problems with ethnic conflicts and/or discrimination against immigrants. These anti-migration sentiments have high economic costs, impede the integration of immigrants into host societies, and act as a disincentive to otherwise efficiency-enhancing immigration. Thus, maintaining sound ethnic relationships and limiting anti-immigration attitudes are central goals in many immigrant-receiving countries.

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It is, however, still unclear what factors drive such anti-migration attitudes. Scholars have focused on natives' concerns about cultural alienation, loss of national identity, threats to security, and economic impacts of immigration as potential explanations (see Card et al., 2005, 2012; Hainmueller and Hiscox, 2007; Mayda, 2006; O'Rourke and Sinnott, 2006). In particular, the economic literature has identified two channels through which immigration may contribute to anti-immigration attitudes. The first, commonly referred to as the labor market channel, arises if increased immigration leads to more intensive labor market competition. In this case native workers who are substitutes to immigrants should oppose immigration as they would fear lower wages and/or higher unemployment. Native workers who are complements to immigrants, by contrast, should endorse immigration because it would lead to higher income and/or lower unemployment for them. The second channel, referred to as the social security channel, arises if immigrants are net recipients of the benefits provided by national social security systems. In this case, depending on whether immigrants' additional social security claims are likely to be financed by savings in social security payments to residents or through higher taxes, either the net recipients (i.e. individuals with low income) or contributors to social security systems (i.e. individuals with high income) should be opposed to immigration. If immigrants, by contrast, are net contributors to the social security system, depending on whether the additional revenues are used to reduce taxes or to increase welfare benefits, native net contributors or net recipients should favor immigration.

This study focuses on the social security channel as a potential reason for anti-immigrant attitudes in European countries. It contributes to the existing literature in two ways. First, while previous studies (e.g. Facchini and Mayda, 2009; Gang et al., 2013; Hainmueller and Hiscox, 2010; Mayda, 2006; Scheve and Slaughter, 2001), because of data limitations, often had to use proxy measures for benefits to immigrants, we use direct welfare measures for 24 European countries to evaluate the importance of this channel in shaping attitudes toward immigration. This allows us to identify the impact of immigrants' welfare dependence on natives' immigration attitudes in a more direct way than in previous studies. It also enables us to analyze the impact of different aspects of a country's social security system on attitudes toward immigration in more detail than has been possible up to now. Second, to the best of our knowledge, this contribution is the first to also consider the impact of these economic mechanisms on immigrants' attitudes toward immigration.

We find that after controlling for non-economic factors and the usual variables capturing the labor market channel, pro-immigration attitudes are (very robustly) more positively influenced by education and (slightly less robustly) more negatively by age when benefit uptake by immigrants relative to natives increases. This is consistent with older and less-educated natives being particularly concerned about potential benefit reductions resulting from the immigration of further net-benefit recipients. Interestingly, we do not find similar stylized facts for immigrants' attitudes toward immigration. Results for this group are based on a much smaller sample than for natives. They suggest, however, that in countries with higher relative benefit receipt by immigrants pro-immigration attitudes increase more strongly with age, while all other variables associated with the labor market or social security channel remain insignificant.

The next section discusses theoretical issues and provides an overview of the literature. Section 3 presents the empirical framework of this article. Section 4 discusses data and Section 5 presents results. Section 6 concludes.

2. Theoretical considerations and previous literature

While empirical studies provide almost unanimous evidence for the importance of non-economic concerns in shaping attitudes toward immigration (Card et al., 2005; Hainmueller and Hiscox, 2007; Mayda, 2006; O'Rourke and Sinnott, 2006) there has so far been no consensus on the direction and importance of the impact of economic concerns. A recent quantification of non-economic relative to economic determinants by Card et al. (2012) concludes that non-economic concerns are about two to five times more important than economic ones. Other authors (e.g. Facchini and Mayda, 2009; Mayda, 2006; Scheve and Slaughter, 2001), by contrast, argue that economic concerns are of primary importance for understanding attitudes toward immigration.

2.1. Theoretical framework

Most studies investigating the impact of economic concerns on immigration attitudes (e.g. Facchini and Mayda, 2012; Hainmueller and Hiscox, 2007; Mayda, 2006; Scheve and Slaughter, 2001) implicitly or explicitly assume immigration preferences to be directly influenced by immigration-induced changes in wages or net social security contributions. To illustrate the mechanisms analyzed in these studies in the simplest possible way we consider a model of a closed economy populated by a continuum of native and foreign workers who may be either skilled or unskilled.¹ In this economy all workers inelastically supply one unit of labor to firms that produce output according to a constant returns to scale Cobb–Douglas production function of the form $Y = L_s^\alpha L_u^{1-\alpha}$. Skilled and unskilled immigrants are perfect substitutes for natives of the same skill group and skilled (native and immigrant) and unskilled (native and immigrant) labor (denoted by L_s and L_u) are the only factors to produce output (Y). Wages of skilled and unskilled workers (w_s and w_u) are equal to their marginal products such that $w_s = \alpha L_s^{\alpha-1} L_u^{1-\alpha}$ and $w_u = (1-\alpha)L_s^\alpha L_u^{-\alpha}$, with $w_s > w_u$, which assumes that $\alpha > L_s/(L_s + L_u)$. Furthermore normalizing the number of native workers to one, denoting the share of skilled native workers as e , the number of immigrant workers as μ and the share of skilled immigrant workers as σ , the supply for skilled and unskilled workers is given by $L_s = (e + \sigma\mu)$ and $L_u = [1 - e + (1 - \sigma)\mu]$.

¹ More elaborate versions of models based on similar mechanisms have for instance been used by Facchini and Mayda (2008) or Razin and Wahba (2015).

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