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

Position of recent immigrants in wage distribution

Source: LFS, various years

Dustmann, Frattini and Preston, RES, 2012
Wage effects and wage location compared
Position of migrants in native wage distribution

Source: LFS, 2006-2012
Position of migrants in native wage distribution

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Position of migrants in native wage distribution

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Position of migrants in native wage distribution

Source: LFS, 2006-2012
What REALLY drives Immigration Policies?

Immigration Policy

Individuals’ perception of effect of immigration

Effect of Immigration Non-Economic Considerations that on the economy affect individuals’ attitudes to migration
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)
More or less migration

Effect economic concerns
Effect Socio-Cultural concerns
Economic and Socio-Cultural Concerns about Immigration

- More or less migration
- Immigration good or bad for Economy
- Immigration makes country better or worse place to live

Effect economic concerns | Effect Socio-Cultural concerns
Country Variation

Socio-cultural concerns vs. economic concerns

The diagram illustrates the relationship between socio-cultural concerns and economic concerns across different countries. The scatter plot shows a positive correlation, indicating that as economic concerns increase, socio-cultural concerns also tend to increase. The line of best fit suggests a linear relationship between the two variables.
Gap in Attitudes towards liberal Migration Policy, tertiary vs. primary

- Gap attributed to socio-cultural concerns
- Gap attributed to economic concerns
- Total estimated gap

13 percentage points
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).

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)

- Centre-Left: 45.62
- Centre-Small: 7.13
- Centre-Right: 38.1
- Anti-Immigrant: 9.7

Centre-Left: 47.01
Centre-Small: 6.5
Centre-Right: 37.39
Anti-Immigrant: 8.47
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
Antti-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:

Centre for Research and Analysis of Migration (CReAM):

http://www.cream-migration.org/

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