

IPES 2012

## RAISE OR RESIST?

Explaining Barriers to Temporary Migration  
during the Global Recession

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## QUESTION

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What explains variation in government barriers to migration during period of global recession?

## MIGRATION POLICY IN HARD TIMES

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- *Backlash* as conventional wisdom:
  - Rising unemployment.
  - More negative sentiment.
  - Growing demands for closure.
- Why revisit?
  - Temporary migration.
  - Skilled migration.
  - Period of flux.

## THE CORE TENSION

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Increased pressures to restrict migration,  
yet powerful industries may depend on it.

*“Too many Americans can't find jobs,  
yet too many companies can't fill open positions.”*

Brad Smith, Microsoft EVP & General Counsel, Oct. 2012

# EXAMPLE

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## SPAIN

- 2008 – Paid return program.
- 2009 – Broad *contingente* moratorium; 90% quota cut on non-farm.
- 2010 – Exempt certain skilled occupations from labor market test.
- 2011 – Expand “fast-track” eligibility, certain skilled occupations.

# LABOR MIGRATION UNDER PRESSURE

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PBS *toward* Quota?

Quota *toward* PBS?

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Y

N

Y

N

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Australia

Canada

Japan

US

UK

New Zealand

Russia

Korea

## BUILDING ON PREVIOUS WORK

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- Immigration policy and past crises.  
(Pope & Withers 1993; Goldin 1994; Freeman 1995; Timmer & Williamson 1998; Hatton & Williamson 2009; Green & Winters 2010; Medina 2011; Peters 2011)
- Individuals & firms: Sorting on skill.  
(O'Rourke & Sinnott 2006; Hanson, Scheve & Slaughter 2007; Hainsmueller & Hiscox 2010; Facchini, Mayda & Mishra 2010)
- Disaggregate policy pressures/responses.

# ARGUMENT

## POPULAR BACKLASH:

More severe downturn, broader-based negative sentiment

→ Leaders face greater pressure to raise transparent, encompassing barriers (eg. broad quotas cuts, locals first).

## CLIENT POLITICS:

Influential industries highly dependent on foreign labor

→ Leaders face greater pressure to resist barriers that'll hurt business (eg. defend, expand skill-biased provisions).

- Skilled migration should be easier to defend in hard times.
- Leaders facing both should be able to craft hybrid responses.



## EXPECTATIONS

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*Quantity*: How extensive were quota cuts, general prohibitions?

*Quality*: How extensive were skill-biased provisions?

<i>Independent Variable</i>	<i>Quantity</i>	<i>Quality</i>
Unemployment	+	-
Prior growth in migrant stock	+	-
Labor strength	+	+
Business strength	-	+
Education	-	+
Right-leaning party	?	?

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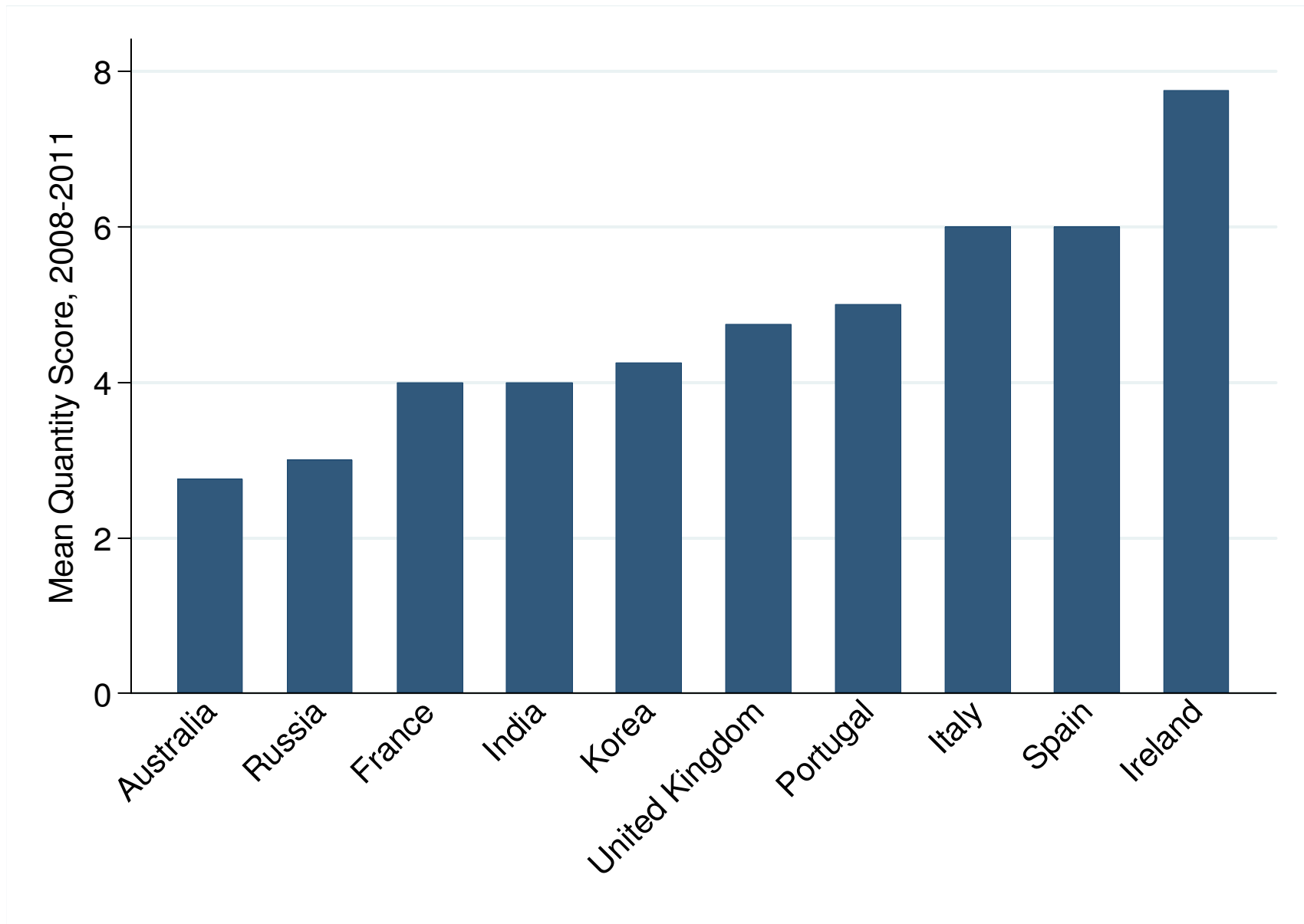
# RESEARCH DESIGN

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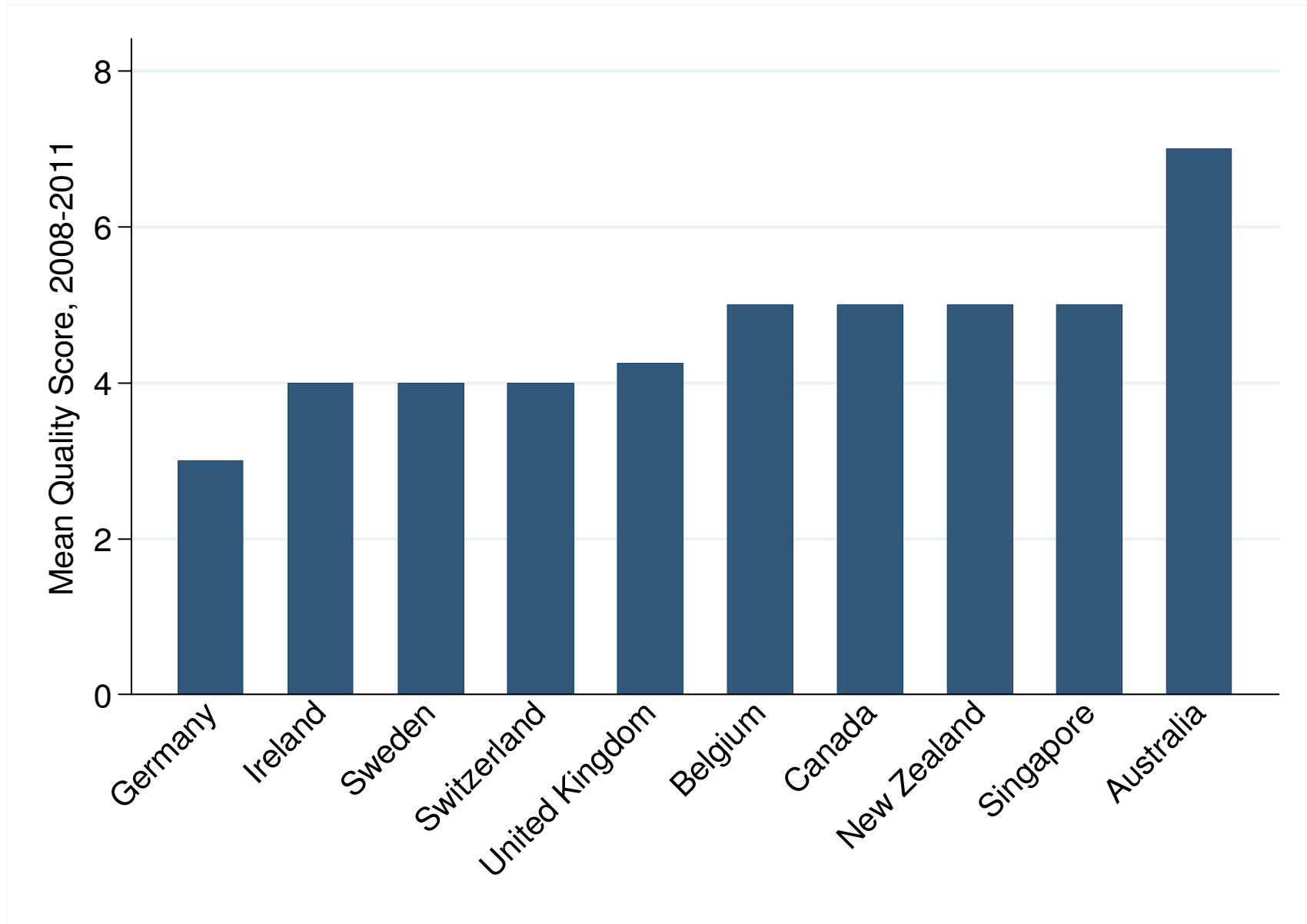
*Dataset:* Scores based on 118 official policy announcements related to temporary migration 2008-2011 across 34 countries.

Category	Action
1. Moratorium:	<ul style="list-style-type: none"><li>▪ On issuance of all work visas.</li><li>▪ On issuance of work visas in specific sectors.</li><li>▪ On renewal of all work visas.</li><li>▪ On renewal of work visas in specific sectors.</li></ul>
2. Quotas:	<ul style="list-style-type: none"><li>▪ Reduced for all work visas.</li><li>▪ Reduced for work visas in specific sectors.</li></ul>
3. Migrant standards:	<ul style="list-style-type: none"><li>▪ Increase education level requirements.</li><li>▪ Increase income level requirements.</li><li>▪ Increase language requirements.</li></ul>
4. Employer measures:	<ul style="list-style-type: none"><li>▪ Search and hiring requirements.</li><li>▪ Wage restrictions targeting foreign workers.</li><li>▪ Increased fees for employers of foreign workers.</li><li>▪ Occupational lists modified.</li></ul>
5. Migrants in country:	<ul style="list-style-type: none"><li>▪ Foreign worker return program.</li></ul>

*Quantity* – How extensive were quota cuts, general barriers?



# *Quality* – How extensive were skill-biased provisions?



# GOVERNMENT RESPONSES

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	Extensive Skill-bias	Limited Skill-bias
Extensive Quotas	U.K.	Spain
Limited Quotas	Canada	

\*U.S...

# MODEL

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- Dependent Variable: ■ *Barriers Score* (Quantity & Quality).
- Explanatory Variables: ■ *Labor Strength* (Trade Union Density)  
■ *Business Strength* (FDI / GDP)  
■ *Government* (Right-leaning Party)  
■ *Labor Markets* (Unemployment Rate)  
■ *Past Immigration* ( $\Delta$  Migrant Stock)  
■ *Demographics* ( $\geq 65$  Population Ratio)  
■ *Education* (Tertiary Ed. Ratio)
- Control Variables: ■ *Wealth* (GDP per capita)  
■ *Land* (Square kilometers)  
■ *Tradition* (Settler countries)
- Unit of Analysis: ■ Country-year (N=136)

	Quantity (Quotas)		Quality (Skill-bias)	
<i>Labor Strength</i>	0.013	[0.019]	0.030**	[0.015]
<i>Business Strength</i>	- 0.014*	[0.007]	0.012***	[0.003]
<i>Right Party</i>	- 0.426	[0.724]	- 0.992***	[0.386]
<i>Unemployment</i>	0.205***	[0.083]	- 0.064**	[0.027]
<i>Migrant Stock</i>	0.015**	[0.007]	- 0.007***	[0.003]
<i>Aging Population</i>	- 0.004	[0.022]	0.037	[0.052]
<i>Education</i>	- 0.008	[0.034]	0.064***	[0.018]
<i>Income</i>	0.117	[0.106]	0.192	[0.195]
<i>Land</i>	- 0.279**	[0.111]	- 0.043	[0.065]
<i>Settler</i>	- 0.682**	[0.331]	0.969***	[0.298]
Observations	136		136	
R-squared	0.30		0.37	
OLS, Year Dummies	Significance levels *** p< 0.01, **p<0.05, *p<0.10.			

# FINDINGS

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## QUOTAS

Less ←  More

- Higher Business Strength
- More Land

- Higher Unemployment
- Higher Migrant Growth

## SKILL-BIASED

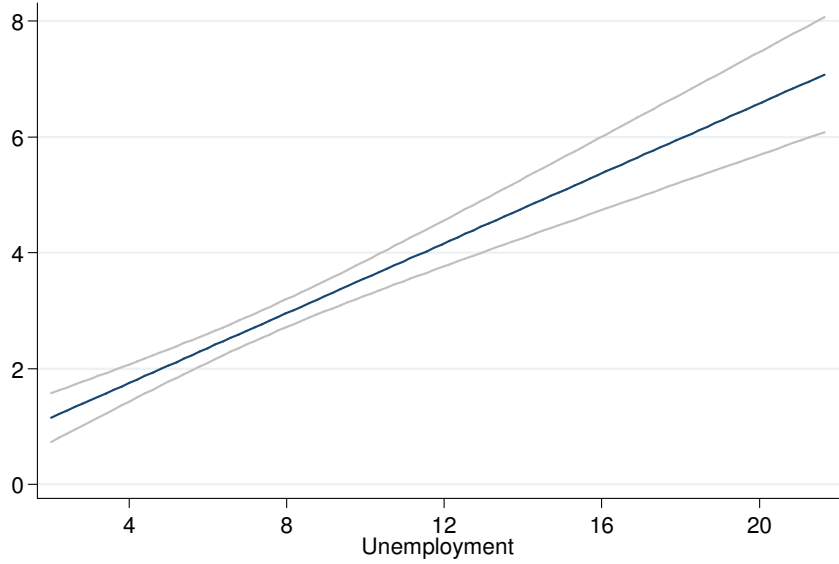
Less ←  More

- Higher Unemployment
- Higher Migrant Growth

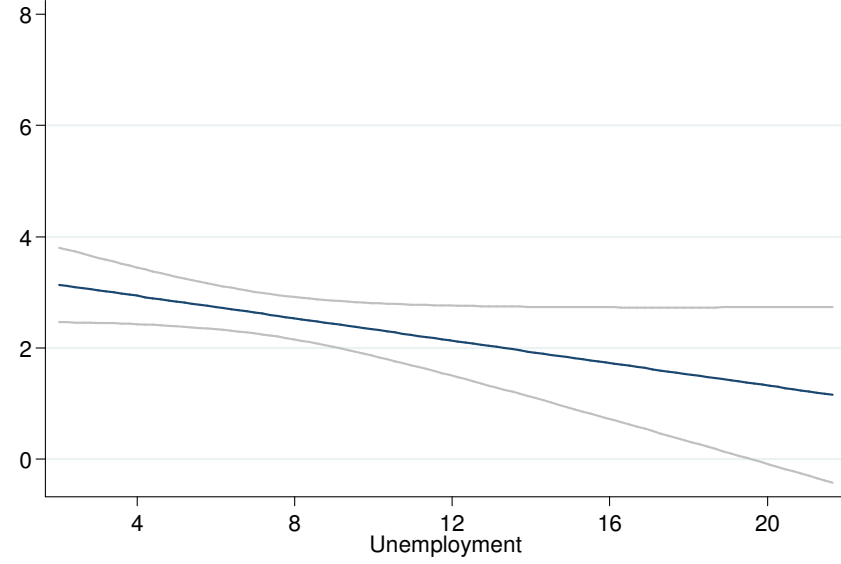
- Higher Business, Labor
- Higher Education



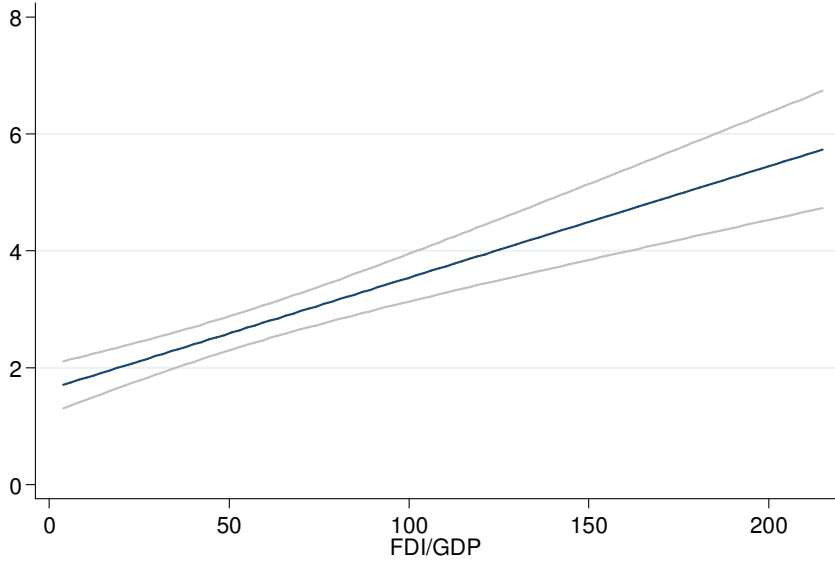
Predicted Quantity Score



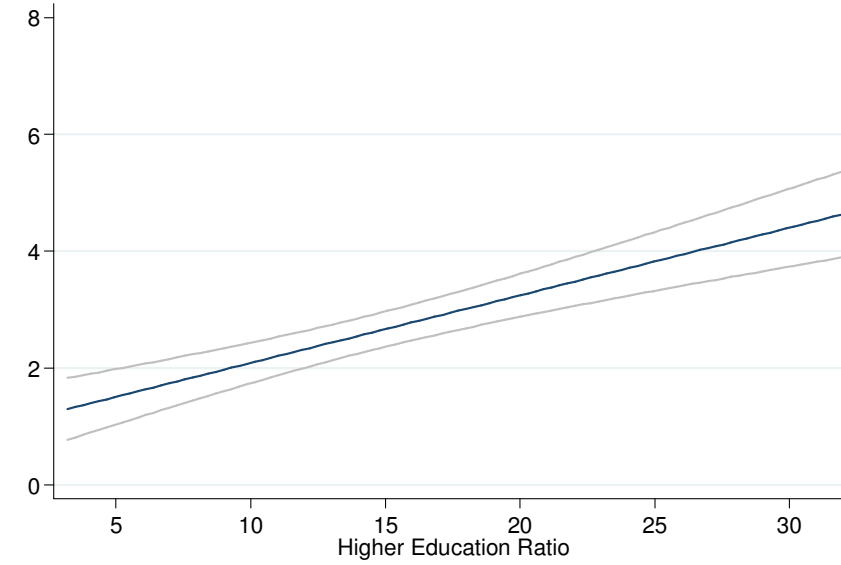
Predicted Quality Score



Predicted Quality Score



Predicted Quality Score



# CONCLUSION

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- Account for both popular backlash against migration and firms' continued dependence on foreign workers.
- Disaggregating policy response to recession shows:
  - Greater reliance on quotas & general prohibitions closely tied to overall economic conditions, negative sentiment; less when industry dependence on foreign workers is high.
  - Skill-biased provisions generous when conflicting pressures, educated.
- Striking fluidity of Quota/PBS regimes in recent crisis.
- Transparency *v.* obfuscation; expand historical scope.

# APPENDIX

# VARIABLES & DATA SOURCES

<b>Variable</b>	<b>Description</b>	<b>Source</b>
<i>ctyname</i>	Name of country	Not applicable
<i>ctycode</i>	Number assigned to country	Not applicable
<i>year</i>	Year	Not applicable
<i>quantity</i>	Score for restrictions on quantity of labor migration	Author
<i>quality</i>	Score for restrictions on quality of labor migration	Author
<i>unemployment</i>	Unemployment, total (% of total labor force)	IMF
<i>oldpopulation</i>	Population ages 65 and above (% of total)	World Bank
<i>population</i>	Population	World Bank
<i>land</i>	Land area (sq. km)	World Bank
<i>tertiary</i>	Tertiary education attained (% of total pop. over 25)	Barro & Lee (2011)
<i>migstockchange</i>	Change in int'l migrant stock (% of population), 5 years	UNESA
<i>income</i>	GDP per capita (constant 2000 US\$)	World Bank
<i>gdp</i>	GDP (constant 2000 US\$)	World Bank
<i>fdi</i>	Inward foreign direct investment stock (% of GDP)	UNCTAD
<i>exports</i>	Exports of goods and services (% of GDP)	WB/WTO
<i>right</i>	Largest party in government is "right" or "Center-right"	DPI/Author
<i>pbs</i>	"1" if country has a Points-Based immigration system	Author
<i>settler</i>	"1" if country is historically a settler country	Author
<i>braindrain</i>	Emigration rate in 2000, tertiary education	Docquier & Marfouk (2004)
<i>labor</i>	Trade union density, percentage employees in union	OECD/ILO/Olimpieva (2011)

# CODING ABSTRACT

## QUANTITY: QUOTAS & GENERAL BARRIERS

*How extensive were government efforts to control the quantity of labor migrants?*

+6 for any comprehensive moratorium.

+5 for any limited moratorium, renewal prohibition, or quota reduction  $\geq 50$  percent.

+4 for any general restrictions on employer hiring procedures for foreign workers.

+3 for any quota reduced by  $<50$  percent.

+2 for any return program with financial incentives.

+1 for no change.

## QUALITY: SKILL-BIASED BARRIERS

*How extensive were government efforts to control the quality of labor migrants?*

+6 for any comprehensive skill-biased reforms.

+5 for any increase to income, education, or experience requirements.

+4 for any exemption from quotas and employer hiring procedures for skilled positions.

+3 for any change to occupational shortage lists that favors skilled workers.

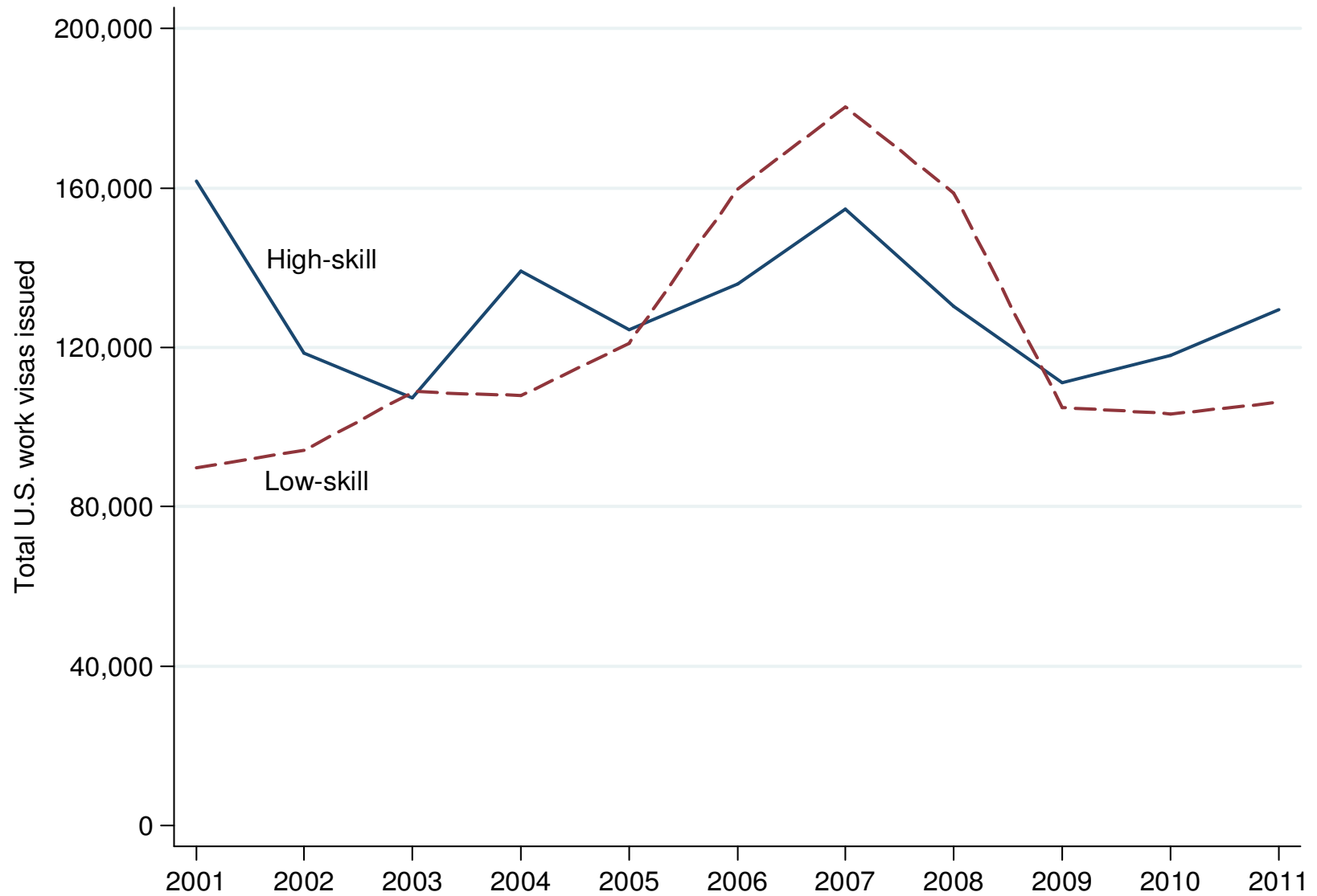
+2 for any introduction of a fast-track procedure for skilled workers.

+1 for no change.

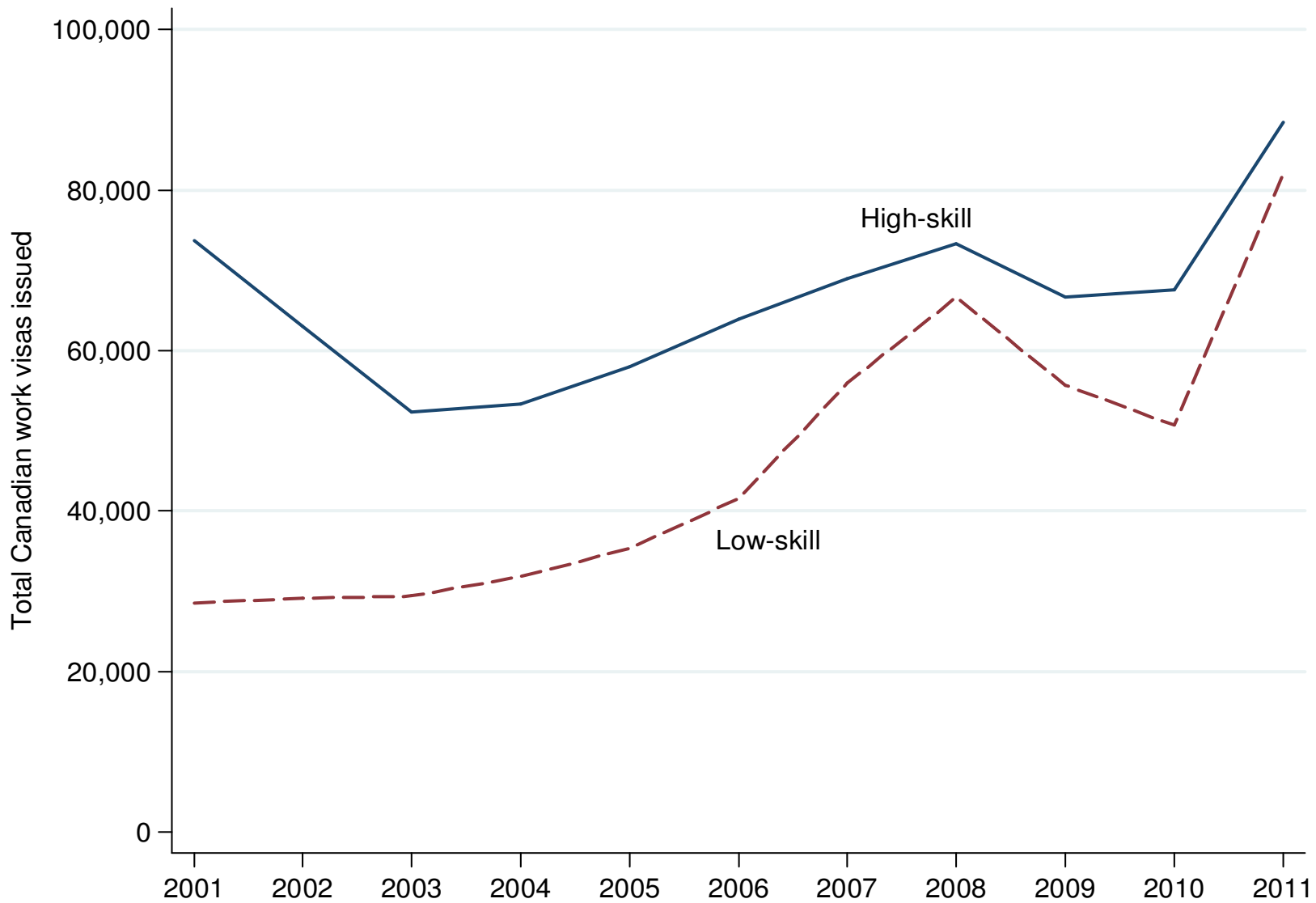
## COUNTRIES & PEAK UNEMPLOYMENT

Australia	5.59	Japan	5.05
Austria	5.07	Korea	3.73
Belgium	8.27	Mexico	5.45
*Brazil	8.08	Netherlands	4.46
Canada	8.29	New Zealand	6.53
*China	4.30	Norway	3.67
Czech Republic	7.28	Poland	9.97
Denmark	7.80	Portugal	12.74
Finland	8.70	*Russia	8.40
France	9.73	*Singapore	3.03
Germany	7.74	Slovak Republic	14.80
Greece	20.50	Spain	21.65
Hungary	11.30	Sweden	8.37
Iceland	7.77	Switzerland	3.71
*India	10.80	Turkey	14.03
Ireland	14.39	United Kingdom	8.02
Italy	8.43	United States	9.63

# UNITED STATES *HIGH* = H-1. *LOW* = H-2.



**CANADA** *HIGH = O/A/B. LOW = C/D.*





# SHORT-TERM DECLINES

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	High-skill	Low-skill
U.S. 2007-2009 UE 4.6 → 9.3	-28%	-42%
Canada 2008-2010 UE 6.0 → 8.3	-8%	-24%