Inequality and Immigration Policy

Maggie Peters & Adrian Shin

Yale University & University of Michigan

IPES 2015
Mass Opinion and Immigration Policy: The Missing Link

- Lots of research on the determinants of public opinion
- Research on the determinants of firm preferences and how they translate into policy

What’s Missing

When does public opinion become more salient/important and drive immigration policy against firms’ pro-immigration interests?
Inequality and Development as Mediating Factors

- Public Opinion Literature: High levels of opposition to low-skill immigration all the time
- But, doesn’t always translate into policy
- Two factors that raise salience/ importance
  - Development
  - Income inequality between capital and labor
Importance of Development

Affects the degree of substitutability between natives and low-skill immigrants in the labor market

▶ Composition of tasks: Decreases the number of routine tasks
▶ Increases the number of knowledge-oriented tasks that require country-specific knowledge which low-skill immigrants cannot acquire easily.
▶ Educational attainment gap between natives and immigrants is less likely to matter if most jobs are routine.

Together, greater development makes it less likely that low-skill natives compete with low-skill immigrants in the labor market.
Countervailing Effects of Inequality

Heightens salience of immigration for natives who compete with immigrants
  ▶ Decreasing inequality: less concern about competition
  ▶ Rising inequality: more concern about competition

Firms change the skill intensity of production
  ▶ Decreasing inequality: firms abandon labor-intensive production → smaller pro-immigration coalition
  ▶ Increasing inequality: more firms in labor-intensive industries → larger pro-immigration coalition
Predictions

Depend on when public opinion defeats firms’ pro-immigration interests, or vice versa

- Rising inequality *only* leads to restrictions in less wealthy democracies
- Rising inequality has little effect in wealthy democracies
- In very wealthy democracies, policymakers respond to inequality only according to firms’ dynamic preferences
  - Most natives are complements for low-skill immigrants
  - Immigration may increase wages for natives
  - Unlikely to increase inequality overall because low-skill immigration increases natives’ income
  - Most likely to decrease it within the native-born population
Data

  - Only included middle-income and high-income states
- Inequality: Capital share of value added from Ortega and Rodriguez (2006) imputed by Houle (2009)
- Development: GDP per cap; also use Barro and Lee (2013) education data
Basic Relationship Between Inequality and Immigration Policy
Relationship Between Inequality and Immigration Policy Depending on Development

![Graph showing the relationship between inequality and low-skill immigration policy for different income levels.](image-url)
Regression Analysis & Threats to Causality

Reverse Causality
If immigration policy is leading to inequality, expect a positive relationship at all times.

Control Variables
- Lagged DV
- Population
- GDP growth
- Trade Openness
- Polity
- Education and/or Education $\times$ Inequality
- Among OECD states: welfare taxes, personal income taxes, party in power, and right-wing populism
- Throughout, we use PCSEs, country FE and year FE; plus country-specific time trends as a robustness check
Marginal Effects of Inequality at Constant Levels of Development
Marginal Effects of Inequality at Various Average Years of Tertiary Education (25 years old and over)

### Marginal Effects of Inequality with 95% CIs

- **Years of Tertiary Education Distribution of Observations**
  - Marginal Effects of Inequality with 95% CIs
  - Years of Tertiary Education
  - Distribution of Observations
  - Marginal Effects of Inequality with 95% CIs
  - Years of Tertiary Education
  - Distribution of Observations
What’s Going on in the Very Wealthy Countries?

Mostly, *declining* inequality is leading to *restrictions*
- Don’t think it is reverse causality
- Happening mostly in 1990s and early 2000s
- Firms are becoming less interested in labor-intensive production.
- Policymakers tend to respond to only firms’ changing preferences when inequality changes.
Do Autocracies and Very Wealthy Democracies Respond Similarly to Inequality?

- They both tend to respond to firms’ preferences when inequality increases.
- The effect of inequality is greater in autocracies.
- Autocracies seem more immune to public opposition to immigration.
Conclusion

How do changes in mass opinion lead to changes in low-skill immigration policy?

- Inequality makes immigration more salient only if natives compete against immigrants in the labor market.
- The labor-market competition model matters most in less wealthy democracies.

Future research

- Explore relationship with other measures of inequality
- Survey work in developing democracies to examine mechanism (WVS)
- The role of inequality under different franchise institutions (e.g. women’s suffrage) in the early 20th century
- Other ways opinion turns to policy, especially in wealthy democracies
Appendix: Effects of Development

Marginal Effects of ln(GDP per capita) with 95% CIs

Inequality Distribution of Observations

Distribution of Observations