

Inequality and Immigration Policy

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Mass Opinion and Immigration Policy: The Missing Link

- ▶ Lots of research on the determinants of public opinion
 - ▶ Goldstein and Peters (2014), Hainmueller and Hiscox (2007, 2010), Hainmueller and Hopkins (2014) Hanson, Scheve, & Slaughter (2007),
- ▶ Research on the determinants of firm preferences and how they translate into policy
 - ▶ Peters (2014, 2015), Shin (2015)

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

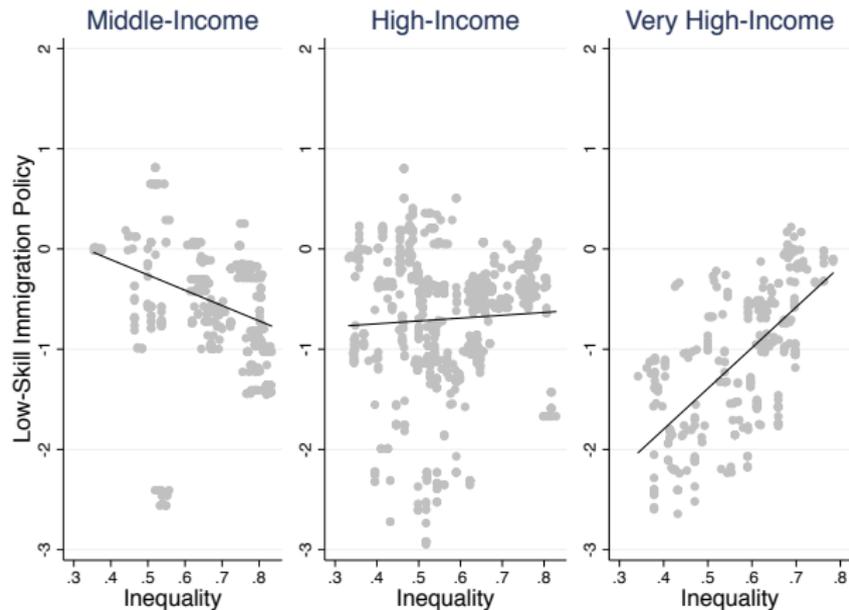
Depend on when public opinion defeats firms' pro-immigration interests, or vice versa

- ▶ 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

- ▶ Low-Skill Immigration Policy: Peters (2015) dataset updated by Shin (2015)
 - ▶ 24 democracies (1947–2006)
 - ▶ 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

Relationship Between Inequality and Immigration Policy Depending on Development



Regression Analysis & Threats to Causality

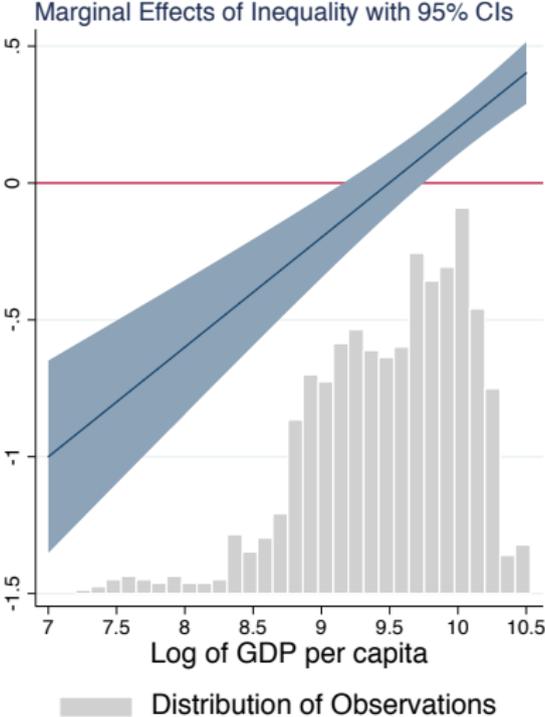
Reverse Causality

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

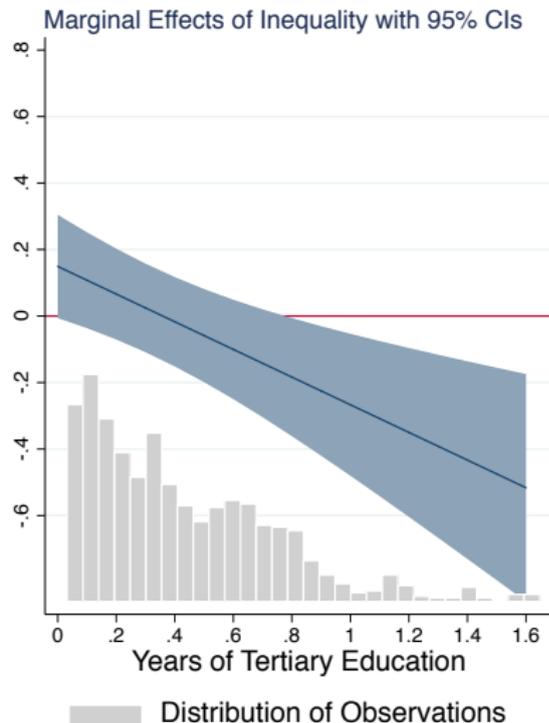
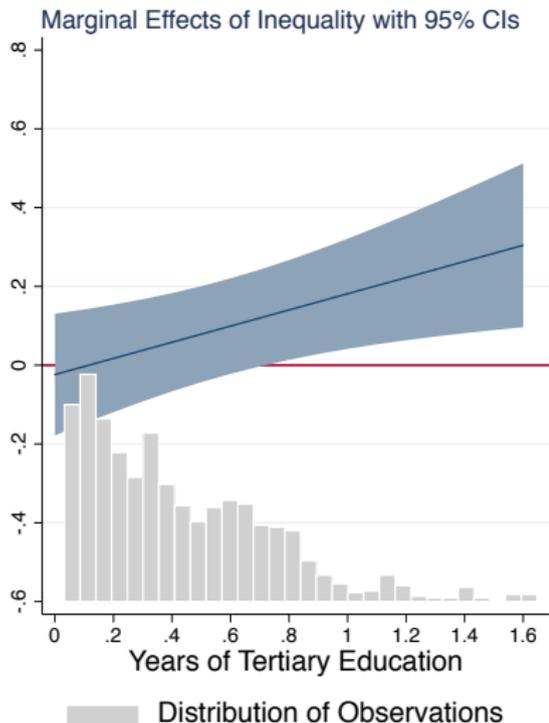
Control Variables

- ▶ 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)



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 $\ln(\text{GDP per capita})$ with 95% CIs

