

Economic effects of migration: Empirical Evidence

Philosophy, Economics and Politics: Current Debates 2019
Jaromír Baxa, Vilém Semerák (IES FSV UK)

Overview

What are the effects of immigration on labour market?

What is the effect of immigration on economic growth?

Is the impact of selective immigration policies different?

Does immigration increase crime?

Does immigration shape attitudes and political behavior?

What are the effects of immigration on labour market?

Do immigrants push down wages?

Do immigrants steal jobs?

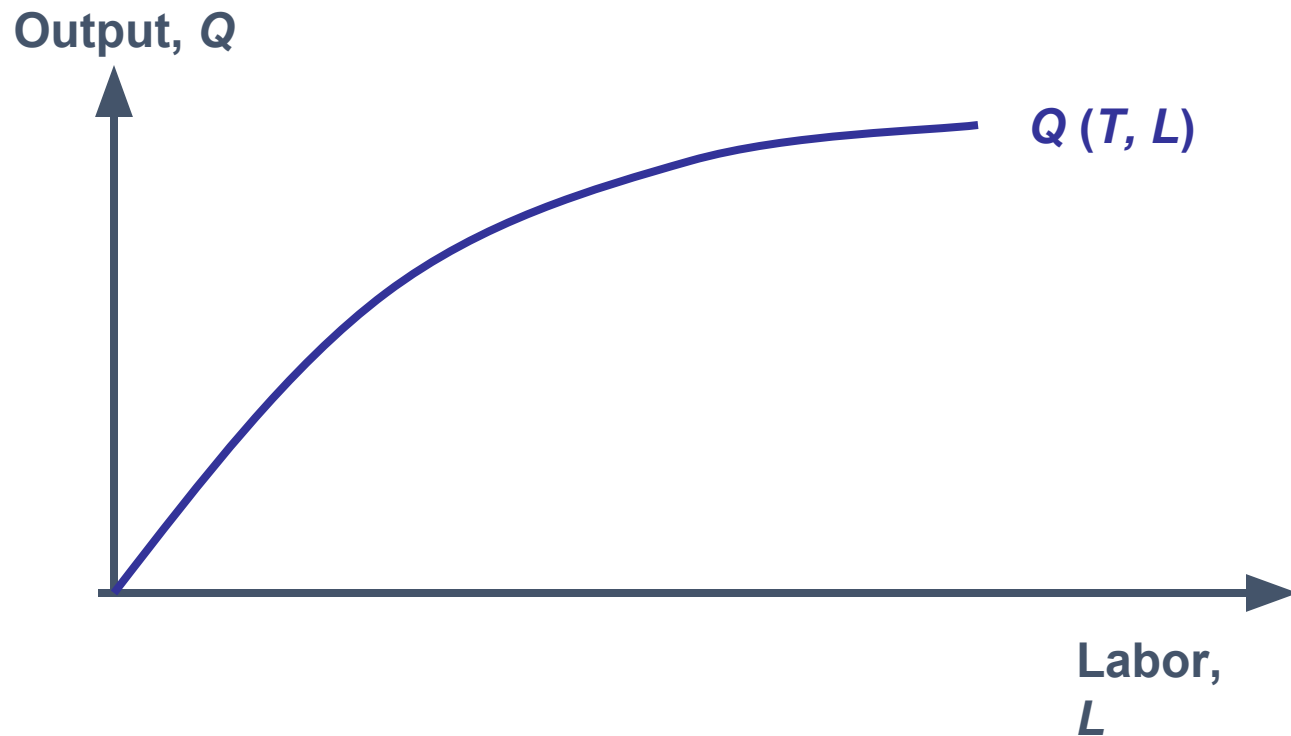
Theory: International factor mobility

First, suppose a model without factor mobility

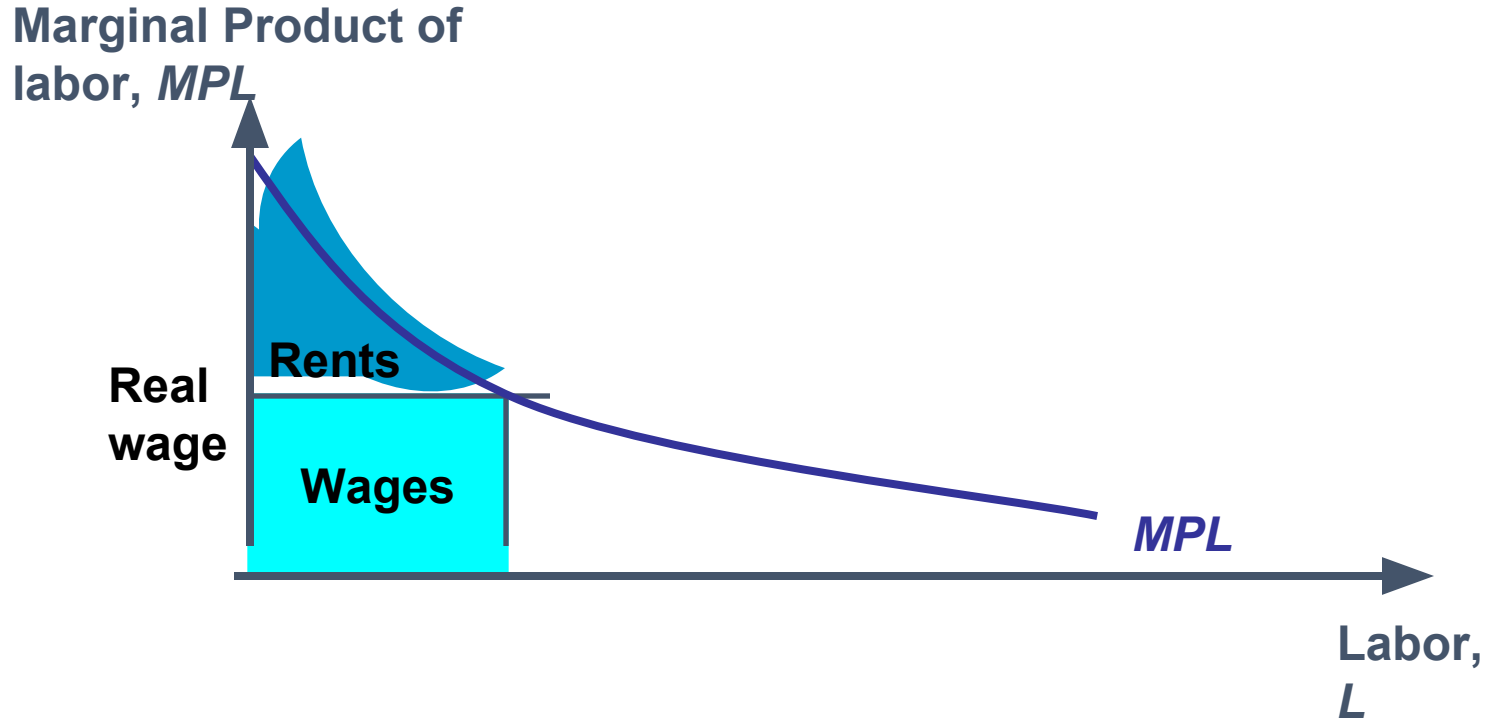
- Two countries (Home and Foreign), two factors of production: Land and Labor.
- Both countries produce only one good (refer to it as “output”).
- Both countries have the same technology but different overall land-labor ratios.
- Home is the labor-abundant country and Foreign is the land-abundant country.
- Perfect competition prevails in all markets.

Consequence: Different wages!

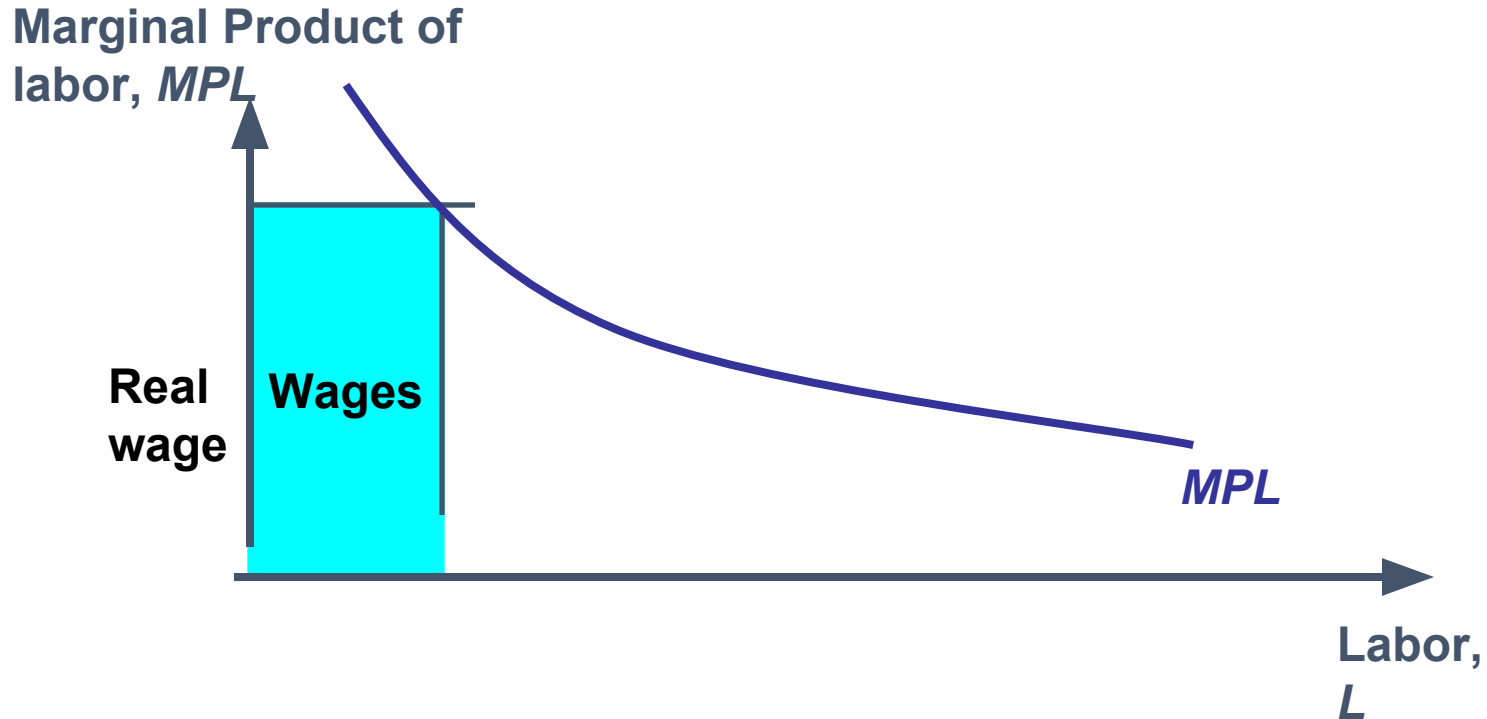
An Economy's Production Function



MPL & Labor Demand, Home



MPL & Labor Demand, Foreign



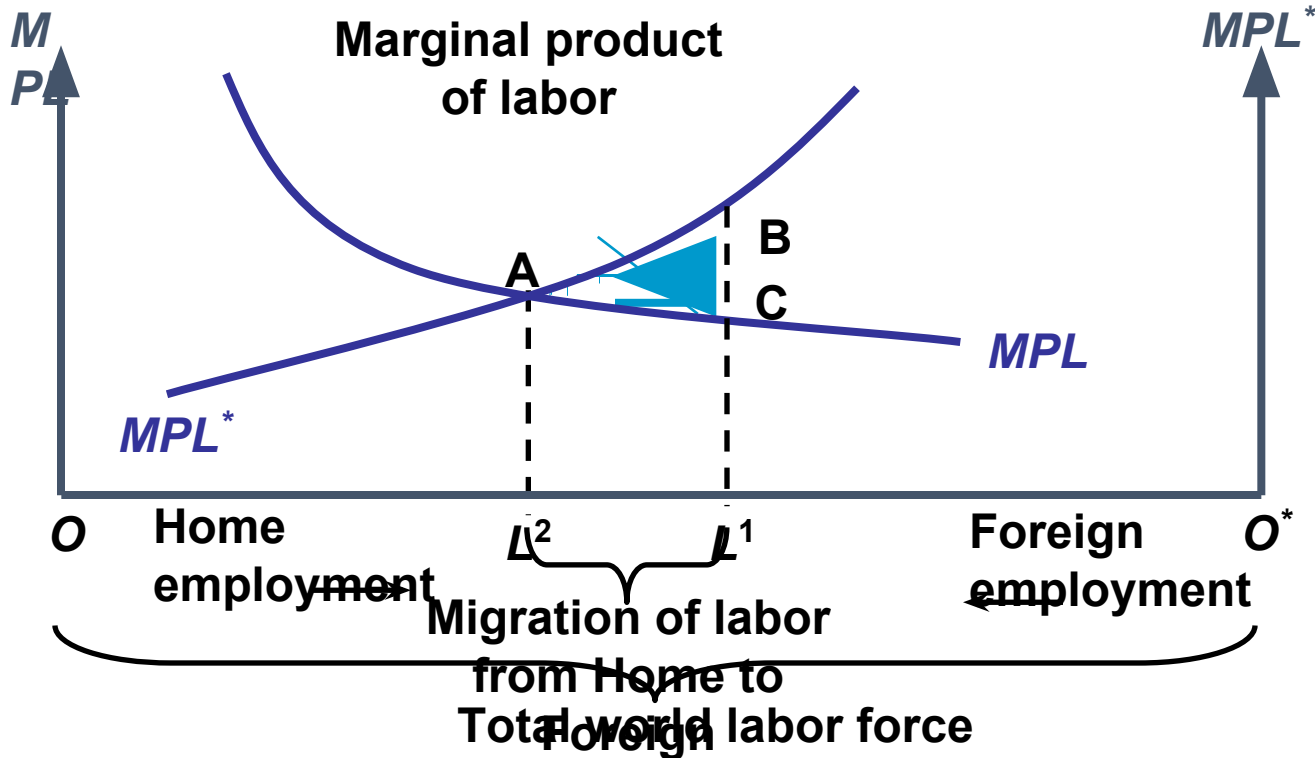
Theory: International factor mobility

Then, suppose that labour is allowed to move (workers are able to move between the two countries)

- Home workers would like to move to Foreign until the marginal product of labor is the same in the two countries.
- This movement will reduce the Home labor force and thus raise the real wage in Home.
- This movement will increase the Foreign labor force and reduce the real wage in Foreign.

International Labor Mobility

Causes and Effects of International Labor Mobility



Theory: International factor mobility

The model simple: just one good, and work force homogenous, no adjustment costs.

Heckscher-Ohlin theorem: factor endowments determine the pattern of trade. Countries tend to export goods whose production is intensive in factors with which they are abundantly endowed.

Factor price equalization theorem: if trade leads to equalization of product prices, factor prices should be equalized as well

Stolper-Samuelson theorem: increase in the price of a capital intensive product will increase real incomes of owners of capital and decrease real incomes of owners of the other factors (and vice versa)

A Note on Methodology of Empirical Research

Cross-section differencing: uses variation in density of immigrants to explain the differences in the variable of interest.

Issue 1: factor mobility => within country, wages for different types of work tend to equalize, so that the differences across regions might be driven by other factors rather than immigration

Issue 2: endogeneity => migrants tend to flow to cities and regions where wages are higher, and in times when labour market conditions are favourable => positive correlation between wages and share of migrants emerges.

Solution: IV with instruments explaining flow of migrants and their localization decisions.

Immigration and labour market

The effect is likely relatively small. Friedberg and Hunt (JoEconPersp, 1995) survey the relevant literature for the U.S., and find that the impact of immigration is likely negative, but 10% rise in immigration pushes wages down by just 1%.

“Even those natives who should be the closest substitutes with immigrant labor have not been found to suffer significantly as a result of increased immigration.”

On the other hand, Coppel, Dumont, Visco (OECD, 2001) survey the literature from the 90's for the OECD countries: The benefits of immigration in terms of higher growth are not necessarily evenly distributed and some groups, in particular those whose labour is substitutable with immigrants may lose.

Immigration and labour market

Little evidence of crowding out in labour markets documented from Turkey after the inflow of Syrian refugees (Akgündüz, van den Berg, Hassink, 2015), on the other hand prices of housing went up after their inflow.

Similar results from Jordan by Fakhri and Ibrahim (Defence and Peace Economics 2016).

Two competing hypotheses presented: Pessimistic (refugees unable to compete with natives) Optimistic (firms able to benefit from larger inflow of workers). No evidence for one of the two provided.

Still, the somewhat negative impact on wages supported by the vast amount of literature (Dustman, Schönberg and Stuhler, JEconPersp, 2016)

**What are the effects of immigration
on economic growth?**

Immigration and economic growth

Boubtane, Dumont and Rault (OxfEconPap, 2016): System GMM, positive impact of migrants' human capital on economic growth, but the net effect relatively small.

Boubtane, Coulibaly and Rault (Labour, 2013): Panel VAR, OECD countries. Effect of immigration positive.

d'Albis, Boubtane, Coulibaly (Annales d'Economie et de Statistique), 2016. In France, migration increases GDP per worker, VAR used.

Are the effects of immigration different if the host country discriminates among immigrants depending on their education?

Selective immigration policies: Do they make a difference?

Boubtane, Dumont and Rault (OxfEconPap, 2016): No. The small but positive effect of immigration on growth of a similar magnitude across countries, and the differences similar even in countries with highly selective migration policies.

Does immigration increases crime?

Immigration and crime

Ousey and Kubrin (Annual Review of Criminology, 2018): Meta analysis, overall, the effect seems to be weak.

Does immigration affect voting behaviour?

Immigration and politics

Branone, D'Ignazio, de Blasio, Naticchioni (JPubEcon, 2016): *"Using Italian municipality-level data on national elections and IV estimation strategy, we find that immigration generates a sizable causal increase in votes for the center-right coalition, which has a political platform less favorable to immigrants."*

Hainmueller, Hiscox and Margalit (JIntEcon, 2015). *"Fears about labor market competition do not appear to affect attitudes toward immigration. This finding contradicts conclusions drawn in previous studies of anti-immigrant sentiment among voters."* Interviews, experiments; United States.

Schmidt-Catran, Spies, (AmSociolRev2016) Immigration and welfare support in Germany: *"Our results suggest that native-born populations become more reluctant to support welfare programs when the proportion of foreigners at the regional level increases (...) the higher the unemployment rate, the more negative is the effect of foreigners on natives' attitude toward providing welfare."*

Summary

What are the effects of immigration on labour market? Wages might somewhat decrease, but not much; and over short-term. In line with models of international economics.

What is the effect of immigration on economic growth? Positive.

Is the impact of selective immigration policies different? Likely not, because of complementary nature of many jobs.

Does immigration increase crime? Somewhat, but not by large; large discrepancy across studies.

Does immigration shape attitudes and political behavior? Yes.

The End.