People's attitudes towards immigration and free-trade in the European Union. The role of labor market

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Abstract

The aim of this paper is to extend previous findings concerning the determinants of attitudes toward free-trade and immigration by focusing on the role of education and the sector of employment. We confirm that more educated people are more prone to these processes. We also provide new evidence. Firstly, findings indicate that attitudes change depending on the employment sector. Secondly, we find that country specificities play an important role and that the positions among European countries display great heterogeneity. For example, citizens of countries with rigid labor market institutions which have showed longer unemployment duration, such as Spain, show more reticent attitudes to immigration.

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1. Preferences concerning free-trade and immigration: hypotheses and evidence

The better understanding of preferences towards globalization would be very helpful to reduce the cleavage between policy makers' convictions and public opinion regarding this process. Trade and immigration, two main aspects of globalization, are perceived in a different manner (Mayda, 2005) probably because their diverse impacts on welfare state. Explaining these preferences remains an issue where empirical studies are very useful to orientate the theory and policies because not only economic but also non economic factors explain the heterogeneity among individual attitudes. The aim of this paper is to extend previous findings concerning this issue by focusing on European Countries that account for a big share of world immigration and trade flows.

To explain these preferences, the literature usually relates to international economic theory that considers immigration and trade as substitutes since importing goods consist, indirectly, in importing labor services. They have partially verified the predictions of the factor endowments and of the factor specific models.

Some works verify the Heckscher-Ohlin (H-O) hypothesis: skilled workers in skilled abundant countries support free-trade (Mayda and Rodrik (2005) and Sanz and Martínez i Coma (2008)) and immigration (Mayda, 2008), while unskilled workers tend to oppose them. However, another set of results are not fully in line with the H-O model and shows that skilled workers are more pro-trade regardless of their country's endowments (Beaulieu et al., 2004; Beaulieu et al., 2005; O'Rourke and Sinnott, 2006). This may be explained by the fact that educated people have a better understanding of the overall benefits of these processes, more mobility or benefit from a skill wage premium.

A short-run hypothesis emerges from the Ricardo-Viner model, where workers are immobile across sectors. It predicts that specific factors of the importing sector will lose out from trade liberalization while the specific factors of the exporting sector would gain. Then, individuals´ preferences might depend on whether they are employed in an import-substituting or exporting industry. Mayda (2008) argues that people working in sectors with comparative disadvantages are less likely to support free-trade and immigration. Though, she does not find evidence that working in non-traded sectors causes significant differences in people's opinions.

For European countries, we confirm that educated people are more prone to these processes. We also show that attitudes towards immigration have an evident short-run component while results also confirm the long-run view for preferences towards free-trade. Findings show that personal values have a strong impact. Finally, we show that country specificities play an important role and that positions among European countries display a huge heterogeneity.

In the next section, we describe our empirical strategy and our data. In section 3, we comment our results. Finally, we draw conclusions in section four.

2. Data and empirical strategy

Micro-data comes from the International Social Survey Program, the National Identity module of the survey carried out in 2003. To identify people's opinions on free-trade and immigration, we use the answers to the following two questions: *How much do you agree or disagree with…:*

- *Respondent's country' should limit the import of foreign products in order to protect its national economy*
- *In general, immigrants are good for the economy*

Insert table 1: Answers by country

Table 1 shows the distribution of answers. We highlight that in our sample, the public is more pro-immigration than pro-trade. This is an overwhelming result that distinguishes these countries from the ones considered by Mayda (2008). The share of people supporting free-trade ranges from 11.47% (France) to 34.75% (Sweden) and the ratio of people that considered that immigrants are good for the economy ranges from 13.15% (France) to 46.59% (Sweden). We stress that the share of people supporting both processes at the same time is very low; it varies from 2.16% (France) to 16.44% (Sweden). Considering pro-globalization attitudes, Sweden seems to rank first while France is at the bottom of the ranking.

We estimate probit models to assess how individual characteristics impact on the probability of supporting immigration and free-trade. All models include country dummies to control for unobserved country-effects. The years of education are used as a proxy of personal skills, the key-variable to verify whether an individual reacts according to the Stolper-Samuelson theorem. To study the effect of employment sector, we classify into agriculture, industry and services the information coded according to the International Statistical Comparisons of Occupational and Social Structures, ISCO-88. We consider Services as the non-tradable sector. The variables used are displayed in table 2.

Insert table 2: Description of independent variables

3. The role of education and the employment sector

Table 3 presents the marginal effects obtained from the probit estimations. Schooling makes people more prone to immigration and free-trade in general. To the extent that the considered countries are more skilled than the world average, this result confirms the H-O hypothesis. More generally, it supports the view that educated people could be more aware of the overall benefits of these processes or more prepared to the changes they suppose.

Insert table 3: Marginal effects after probit models estimation

Since there is less mobility of workers across sectors in the short-run, individuals' preferences may be influenced by the characteristics of their employment sector as suggested by the R-V model. Actually, this is overall true for the preference towards immigration, since the sector of activity has a significant impact while it is not true for the free-trade preferences. This is a first proof that immigrants can be perceived as a direct competition for workers while imports have a different connotation for them. In particular, workers in the service sector are reluctant to immigration while workers in the industry consider immigrants as complementary to them. This is in harmony with the fact that most immigrants works in the construction or in domestic service sectors. Surprisingly, working in the agriculture sector is not a relevant determinant of these preferences despite the higher level of protection and the low mobility of workers of this sector.

We hypothesized that the years of schooling also may be relevant through an indirect channel and findings clearly verify our hypothesis. Studying the interaction between employment sector and education adds new elements to the discussion about the role of education. When we jointly consider these variables, we find that more educated people who work in the manufacturing sector are less likely to be in favor of immigrants than their unskilled colleagues and the same is true in the case of people who are working in the service sector.

This finding may be connected to a relatively new phenomenon: immigrants tend to be more skilled than before and have diversified their occupations. Nevertheless, results confirm that preferences towards immigration have an evident short-run component while concerning preferences towards free-trade, our results tend to confirm the long-run view. Actually, the sector is not relevant and when it is, its effect goes in the same sense as for the long-run explanation that is, more educated people who work in the manufacturing sector tend to favor free-trade more than their unskilled colleagues.

4. Personal attributes and countries characteristics

In line with previous researches, we hypothesize that these attitudes may be explained by a set of personal characteristics such as gender, age, marital status, religion, religiosity, patriotism, nationalism and the place of residence (Daniels and von der Ruhr, 2005; Guiso et al., 2003; Mayda and Rodrik, 2005; O'Rourke and Sinnott, 2006; Smith and Kin, 2006).

In general, our conclusions are similar to the above mentioned researches which concluded that social status, relative income, values and attachments have a noticeable influence on the formation of preferences.

We find that being a woman and having nationalist feelings make people more reluctant to support both processes while patriotism makes no difference. Even when it has changed, women have traditionally had more difficulties to access to education and to the labor market than men; these facts could explain this gender bias. As expected, patriotism makes no significant differences in opinions while stronger feelings such as nationalism lead to more negative attitudes towards relations with others through immigration and free-trade.

A higher income and being self-employed are positively associated to these attitudes. In these cases, previous literature showed that when people feel richer, they tend to appreciate availability of goods and favor free-trade. Moreover, richer people and self-employed people tend to trust more in other people (Melgar et al., 2008). This fact implies that immigrants do not threat them.

Being older, marriage and being single shape more favorable attitudes towards immigrants. As people become older, the potential threat caused by immigrants that compete in the labor market became less relevant. Moreover, in the case of pensioners, immigrants could be considered as a positive phenomenon due to their contributions to the social security system. Regarding marital status, we highlighted that those who have not experience disruptive family situations (especially those involving divorce or widowhood) tend to favor immigration.

It is worth noting that while religiosity raises immigrants support, it lowers free-trade support. Religious people tend to be more tolerant with others. The results support the fact that working in a private sector favors positive opinions towards free-trade while it has no significant impact on opinions towards immigration.

Since these results are well known, in what follows we focus on the impact of the country of residence on individual attitudes, the second most original contribution of our study.

Spain is our omitted variable and hence, results should be interpreted with respect to this country. Firstly, it is worth noting that, in most of the cases, country dummies are significant. This finding reveals that unobserved characteristics play an important role in shaping preferences for globalization.

Secondly, even when all countries are part of the European Union, attitudes differ among them. Except Austria, all countries have positions that significantly differ from that of Spain (our omitted dummy) concerning immigration, free-trade or both. Firstly, most of them (Portugal, Ireland, Denmark, Germany and Finland) are more pro-immigration than Spain and France is the sole country which registers a negative sign which means that citizens of France are more reluctant to immigration than the Spanish. Secondly, most of them show more negative attitudes towards free-

trade than Spain except from Sweden and Austria (only in some model specifications). France is the sole country that registers, in both cases, more skeptic view than Spain concerning both processes.

Considering the Overall Strictness of Employment Protection Index, and data on unemployment and duration of unemployment computed by the Organization for Economic Cooperation and Development (OECD), we find that labor market rigidities seem to be relevant to explain attitudes towards immigrants. In more rigid countries such as Portugal and Germany where employers may feel more secure due to the labor legislation, people support immigration and the same is true in those countries where unemployment and the duration of unemployment have been lower such as Denmark and Finland. These results provide evidence that people are aware of the impacts of the immigration process.

Regarding attitudes towards free-trade, generally speaking, we find that people living in countries with a higher import penetration rate are more likely to support protectionism (such as Ireland) while citizens of countries with a lower rate are more prone to free-trade (such as Great Britain and Sweden). A lower export ratio is associated with a non pro-trade attitude (France and Portugal).

5. Conclusions

The cleavage between attitudes towards trade and immigration is apparently lower in our sample of European countries since the share of people who considers immigration as good for the economy is just slightly superior to the one opposing restrictive trade policies. Though, few people positively consider the two options jointly, our analysis confirms that the public do not consider that immigration and free-trade are two faces of the same process. There are some common reasons to support both processes but there are also important differences in the motivations.
Long-run aspects linked to the labor-market tend to be considered regarding free-trade while a short-run view seems to be privileged when thinking about immigration. There are some personal characteristics that increase the probability of being against both processes, being nationalist or not being self-employed but religiosity favors positive immigration attitudes and negative attitudes towards free-trade. Last but not least, there are unobserved countries characteristics that play an

important role and do not influence in the same sense except for France that is more against both processes. It seems that even when these attitudes are determined by personal attributes, the macroeconomic context has an important impact on European attitudes towards trade policies and immigration.

Unlike other studies, we point the fact that the position of skilled people is not so homogeneous when we consider the employment sector. More work is needed to take into account the nature of skills of immigrants and their sector of activity to deep in this issue. Finally, European positions are more favorable to immigration than to trade which could mean that they value positively the impact of immigration on the welfare state. Nevertheless, we have shown that the support to these policies is low and there is a huge heterogeneity among the countries which could make difficult to deep in these processes in the future.

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Annex – tables

Table 1 - Answers by country

COUNTRY	*pro_imm = 1*	*pro_trade = 1*	*pro_imm = 1 pro_trade = 1*	*pro_imm = 1 pro_trade = 0*	*pro_imm = 0 pro_trade = 1*	*pro_imm = 0 pro_trade = 0*
Sweden	46.59	34.75	16.44	30.15	18.31	35.09
Portugal	45.44	19.73	12.61	32.83	7.12	47.44
Ireland	43.32	20.23	11.93	31.39	8.30	48.38
Germany	31.30	30.21	14.91	16.39	15.30	53.40
Spain	20.38	25.99	6.19	14.19	19.80	59.82
Denmark	27.48	27.71	10.08	17.40	17.63	54.89
Austria	24.85	31.11	10.54	14.31	20.58	54.57
Finland	24.08	18.93	6.96	17.11	11.97	63.96
Great Britain	16.84	18.58	3.25	13.59	15.33	67.83
France	13.15	11.47	2.16	10.99	9.31	77.54
Total	29.37	23.34	9.51	19.84	14.36	56.29
Dependant variables were recoded as dummy variables: (1) pro_imm equals 1 when respondent (strongly) agree with the statement and (2) pro_trade equals 1 when respondent (strongly) disagree with the statement						
Values in percentage						

Table 2 - Description of independent variables

Group	Name	Label
Personal characteristics	AGE	Respondent's age
	CATHOLIC	1 if identifying with Roman Catholic religious group
	EDUYRS	Years of schooling
	FEMALE	0 for men and 1 for women
	NATIONALISM	1 if agreeing with 'your country is a better country than most other countries'
	MARRIED	1 if married or living as married
	PATRIOTISM	1 if feeling proud of country
	PRIVATE_SECTOR	1 if working in the private sector
	RELIGIOSITY	1 if respondent attends religious services once a week or more frequently
	S_INCOME	Logarithm of earnings
	SELF_EMPLOYED	1 if being self-employed
	SINGLE	1 If being single
	UNEMPLOYED	1 if being unemployed
Employment sector	AGRICULTURE	1 if working in agricultural sector
	INDUSTRY	1 if working in industry sector
	SERVICE	1 if working in service sector

Table 3 - Marginal effects after probit models estimation

	pro_imm			pro_trade		
	1	2	3	1	2	3
PROBABILITY	26.50%	26.47%	26.49%	21.06%	21.04%	21.04%
WOMEN	-0.023**	-0.022**	-0.023**	-0.080***	-0.081***	-0.080***
	[0.011]	[0.011]	[0.011]	[0.011]	[0.011]	[0.011]
AGE	0.002***	0.003***	0.002***	-0.000	-0.000	-0.000
	[0.000]	[0.000]	[0.000]	[0.000]	[0.000]	[0.000]
EDUYRS	0.010***	0.012***	0.005**	0.018***	0.016***	0.018***
	[0.002]	[0.002]	[0.002]	[0.002]	[0.002]	[0.002]
MARRIED	0.069***	0.069***	0.067***	0.013	0.014	0.013
	[0.015]	[0.015]	[0.015]	[0.014]	[0.014]	[0.014]
SINGLE	0.076***	0.077***	0.076***	0.010	0.009	0.009
	[0.022]	[0.022]	[0.022]	[0.019]	[0.019]	[0.019]
S_INCOME	0.029***	0.029***	0.030***	0.014***	0.014***	0.014***
	[0.003]	[0.003]	[0.003]	[0.003]	[0.003]	[0.003]
RELIGIOSITY	0.037**	0.035**	0.033*	-0.037**	-0.036**	-0.036**
	[0.018]	[0.018]	[0.018]	[0.016]	[0.016]	[0.016]
CATHOLIC	-0.016	-0.019	-0.016	-0.017	-0.019	-0.016
	[0.015]	[0.015]	[0.015]	[0.014]	[0.014]	[0.014]
UNEMPLOYED	-0.015	-0.015	-0.015	0.002	0.001	0.003
	[0.022]	[0.022]	[0.022]	[0.021]	[0.021]	[0.021]
PRIVATE_SECTOR	0.017	0.016	0.016	0.025**	0.025**	0.024**
	[0.012]	[0.012]	[0.012]	[0.012]	[0.012]	[0.012]
SELF_EMPLOYMENT	0.071***	0.069***	0.068***	0.043**	0.044**	0.044**
	[0.020]	[0.020]	[0.020]	[0.019]	[0.019]	[0.019]
PATRIOTISM	-0.002	-0.002	-0.003	-0.008	-0.008	-0.007
	[0.018]	[0.018]	[0.018]	[0.016]	[0.016]	[0.016]
NATIONALISM	-0.023*	-0.022*	-0.022*	-0.108***	-0.107***	-0.107***
	[0.013]	[0.013]	[0.013]	[0.012]	[0.012]	[0.012]
AUSTRIA	0.019	0.017	0.027	0.039*	0.037	0.036
	[0.026]	[0.026]	[0.026]	[0.023]	[0.023]	[0.023]
DENMARK	0.056**	0.058**	0.066***	-0.006	-0.006	0.008
	[0.023]	[0.023]	[0.023]	[0.019]	[0.019]	[0.019]
FRANCE	-0.088***	-0.082***	-0.085***	-0.123***	-0.124***	-0.122***
	[0.019]	[0.019]	[0.019]	[0.015]	[0.015]	[0.015]
FINLAND	0.040*	0.047**	0.045**	-0.048***	-0.048***	-0.050***
	[0.022]	[0.022]	[0.023]	[0.017]	[0.017]	[0.017]
GERMANY	0.053**	0.052**	0.055**	-0.022	-0.024	-0.021
	[0.024]	[0.024]	[0.024]	[0.019]	[0.019]	[0.019]
GREAT_BRITAIN	-0.009	-0.010	0.001	0.061***	0.063***	0.065***
	[0.027]	[0.027]	[0.027]	[0.020]	[0.020]	[0.020]

	(1)	(2)	(3)	(4)	(5)	(6)
IRELAND	0.197***	0.197***	0.205***	-0.085**	-0.087**	-0.087**
	[0.030]	[0.030]	[0.030]	[0.018]	[0.018]	[0.018]
PORTUGAL	0.324***	0.320***	0.321***	0.003	0.005	0.002
	[0.027]	[0.027]	[0.027]	[0.022]	[0.022]	[0.022]
SWEDEN	-0.007	-0.003	-0.004	0.208***	0.211***	0.218***
	[0.038]	[0.039]	[0.039]	[0.044]	[0.044]	[0.044]
AGRICULTURE		0.017			-0.044	
		[0.286]			[0.036]	
INDUSTRY		0.181***			-0.072	
		[0.050]			[0.066]	
EDUYRS * AGRICULTURE		-0.001			0.008**	
		[0.008]			[0.003]	
EDUYRS * INDUSTRY		-0.010**			0.004*	
		[0.003]			[0.0120	
SERVICE			-0.149***			0.036
			[0.036]			[0.040]
EDUYRS * SERVICE			-0.011***			-0.002
			[0.003]			[0.003]
Observations	9563	9563	9563	9563	9563	9563
Pseudo R-squared	0.08	0.09	0.09	0.09	0.10	0.10
Robust standard errors in brackets						
* significant at 10%; ** significant at 5%; *** significant at 1%						