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**Labor Market Effects and the Political
Economy of ‘New’ Migration to Switzerland**

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The recent Swiss experience with immigration is interesting from an economic point of view. First, there has been a shift toward highly skilled immigrants over the last twenty years. Second, the share of immigrants in the Swiss workforce is high and on the increase, which explains why the issue of immigration ranks high on the political agenda. Finally, Swiss migration policy is shaped by popular votes which are influenced by citizens’ attitudes towards immigration. This project aims to answer the following question: How does the Swiss labor market adjust to immigration and what are the implications for immigration policy formation?

Labor Market Effects

The first subproject addresses the research question whether immigrants perform the same tasks on the job as natives or whether immigrants complement native workers by specializing in different tasks. The “task” approach has been used recently to provide an explanation for the empirical finding that immigration has only little effect on the wages of native workers in the US (Peri and Sparber 2009). In this literature, immigrants and natives do not hold the same types of jobs due to their comparative advantage: Immigrants have similar manual skills as natives, but their language skills are inferior. Therefore, immigrants tend to specialize in manual tasks, whereas native workers hold jobs that are based on the more intensive use of communication skills. Thus immigration has a double effect. On the one hand, natives tend to specialize further in communication-intensive tasks, on the other hand, the relative wage of communication vs. manual tasks tends to increase. Hence, the specialization of immigrants and natives in different tasks provides a possible explanation of the small wage effects of immigration. However, the Swiss context differs from the situation in the US and from other European countries insofar as many immigrants speak the same language as native workers.

Methodology

To analyze whether immigrants and native workers are complements or substitutes in this context, we use the O*NET abilities survey that provides measures of tasks performed in an occupation with data from the Swiss Labor Force Survey (SLFS). Preliminary results show that low-skilled immigrants perform simpler (routine and manual) and less complex (communication and cognitive) tasks than low-skilled natives while high-skilled immigrants perform on average similar tasks as natives. Immigrants, including those coming from neighboring countries that share a common language with Switzerland (such as France, Germany, Italy or Austria), push natives towards occupations relatively more intensive in communication tasks and induce a positive effect on their wages.

Firm-Level Effects

The second subproject analyzes the consequences of immigration at the level of firms. Following an increase in the availability of foreign workers, firms can adjust the composition of their workforce. By comparing the choices of firms, we will be able to establish whether immigrants represent a complement or a substitute to the native workforce at the level of the firm. At the same time, it

is important to notice that this process can vary across different types of firms: For example, big firms might have adapted to immigration differently from small ones. Therefore, the heterogeneity across firms within a sector can be an important factor affecting the choices of firms. Our project aims at understanding the choices of firms in the context of increasing immigration and understanding the role of firm heterogeneity in this process. The results will allow us to quantify the aggregate implications for the structure of wages and employment in Switzerland.

Methodology

From the methodological point of view our approach combines both the micro and macro perspective. In the micro part, we will test whether natives and immigrants are complements or substitutes at the level of the firm. Starting from this micro evidence, we can aggregate the results at the national level and provide country-wide implications for the structure of wages and employment. This micro-to-macro approach is important because it enables us to distinguish between the within-plants and the across-plants reallocation and to assess the importance of firm heterogeneity.

Political Economy of Migration

The third subproject focuses on the determination of attitudes towards immigrants and on the political economy of migration in the context of a direct democracy. The economic literature on attitudes towards immigration emphasizes the role of economic motivations and distinguishes labor market and welfare state channels. In the first channel, natives are more receptive to immigrants whose skills are complementary to their own in the labor market. According to the welfare state channel, individual attitudes also depend on the expected impact of immigration on the tax-benefit system in modern welfare states. There is also a considerable literature in social sciences where many authors argue that attitudes toward immigration are mostly determined by individual values and beliefs and by concerns that immigration exacerbates cultural and ethnic tensions. At first sight, the latter explanation seems unable to account for the recent shift towards anti-immigration attitudes in Switzerland since the share of immigrants from “culturally different” countries has decreased with the introduction of the free movement of persons with the EU. A more promising explanation is the mobilization of voters that are hostile to immigration. When analyzing the vote in 2000 about the “18% initiative”, Krishnakumar and Müller (2012) find that there was a substantial gap between general attitudes towards immigration and the outcome of the vote (“participation bias”). When the reintroduction of immigration quotas was accepted in February 2014, the turnout was higher than in the 2000 vote. This subproject will explore whether

the greater mobilization of voters who are in favor of immigration restrictions can explain the recent shift in voting outcomes or if other factors are at work.

Methodology

This subproject will rely on data about different votes at the municipality level (combined with structural data from the Census and “Relevé structurel”) and individual data from the VOX surveys.

Publications

– Müller, Tobias, and Roman Graf. *The Effects of the Free Movement of Persons on the Distribution of Wages: Evidence from Switzerland*. Working Paper. Geneva: University of Geneva, 2015.

References

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- Peri, Giovanni, and Chad Sparber. “Task Specialization, Immigration, and Wages.” *American Economic Journal: Applied Economics* 1, no. 3 (2009): 135–69.