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

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Basic economic theory predicts that immigration puts pressure on the wages of native workers. Yet, many empirical studies do not find such effects. We study two mechanisms that can explain this puzzle, namely the reallocation of natives’ labor supply and the market share reallocation of firms. Despite the small effect of immigration on the labor market, the political resistance to immigration is currently on the rise. We explore how exposure to immigrants affects individual attitudes towards immigration and whether these attitudes persist over time.

Messages for Decision-Makers

- **The immigration-induced job reallocation of natives towards occupations involving more complex tasks tends to increase their wages, without affecting their employment.**
- **The adjustment of firms to immigration attenuates the negative impact of immigration on natives’ wages.**
- **Exposure to immigrants, especially to those who are linguistically different from natives, favors the reduction in anti-immigration attitudes.**

Labor Market Effects of Immigration

Why do only few empirical studies find negative and significant effects of immigration on wages of native workers? The naïve view that immigrants are competing for jobs with natives must be qualified because workers and firms adjust to the new situation created by the arrival of immigrants. These adjustments tend to create complementarities between immigrants and natives and therefore cushion the effects of immigration on the labor

market outcomes of natives. In our research project, we explore two mechanisms that help to explain the small impact that the recent increase in immigration flows seems to have on wages in Switzerland.

Immigration Pushes Natives Towards Better-Paid Occupations

First, immigrants can complement natives rather than compete with them by specializing in occupations involving different types of tasks. For instance, among low-skilled workers, immigrants tend to take up jobs involving more manual tasks, such as being a laborer or janitor, than their native counterparts. At the same time, among high-skilled workers, immigrants are less likely to have managerial tasks than natives. Thus, immigration pushes native workers towards occupations involving more complex tasks, which tends to raise their wages. This reallocation in the tasks performed by natives and immigrants compensates the initial negative effect of immigration on wages. We analyze the case of Switzerland, where a large number of immigrants come from neighboring countries, such as France, Germany and Italy, which share a common language with Switzerland. We find that the arrival of immigrants speaking a common language with natives tends to push natives towards more complex tasks and, therefore, towards better paid occupations. This result

challenges and complements the findings in the literature that natives are competing with immigrants sharing similar characteristics. It opens the door for the exploration of new mechanisms that explain the complementarity between immigrants and natives in the labor market. For example, differences in norms, culture or lack of local networks, may explain why immigrants specialize in occupations involving less complex tasks.

Firms Adjust the Composition of Their Workforce When Immigration Increases

The second mechanism is related to how firms adjust the composition of their workforce following an increase in immigration. If firms employ different proportions of immigrant and native workers, the negative effect of immigration on wages increases profits of firms who employ a higher share of immigrants. As a consequence, these firms expand their production and their demand for migrant and native workers. Thus, migrants induce a reallocation of market shares between firms using more intensively migrant labor and those using little. This reallocation reduces the extent to which the arrival of immigrants negatively affects the wages of natives. We find that this redistribution effect can reduce by half the negative impact of immigration on the wages of natives.

Studying Attitudes Towards Immigration

Even if immigration has no negative economic effects on the destination country, some authors argue that there are social and cultural limits to immigration. This raises the question whether exposure to immigrants affects individual attitudes towards immigration at the local level. We analyze the change in anti-immigration attitudes by focusing on two popular initiatives in Switzerland that aimed at restricting immigration and took place in 2000 and 2014. In 2000, the proposal up for vote was the limitation of the share of foreigners in the population to 18% and it was rejected. In 2014, a narrow margin of the population voted in favor of approving the proposal to (re-)introduce immigration quotas. We measure local contact with immigrants by the probability that a native meets an immigrant in his/her municipality, which is equivalent to the share of immigrants in the municipality.

The Presence of Immigrants Leads to Long-Term More Favorable Attitudes Towards Immigration

We find that exposure to immigrants leads to more open attitudes towards immigration. Our findings are in line with the inter-group contact hypothesis, namely that the presence of immigrants at the municipality level reduces anti-immigration attitudes over time. More specifically, in a municipality with an average share of immigrants of 18.9%, the support for restricting immigration policies decreases by 3.8 percentage points between 2000 and 2014. Moreover, we find that it is the share of immigrants who

are linguistically different from natives which decreases support for restricting immigration. Therefore exposure to different languages makes natives more open to different cultures and therefore less likely to be unfavorable to immigration. Finally, we show that the effect of inter-group contact is reduced or even reversed in the presence of rising unemployment rates and housing prices.

Finally, we are interested in whether attitudes towards immigration persist over time. For this purpose, we construct a measure of public sentiment to which an individual was exposed during childhood as the average of results of immigration-related referenda which took place during the individual's childhood (i.e. 0-17 years old) in his/her birth municipality. We show that individual pro-attitudes today are explained by the exposure to a favorable public sentiment during childhood, especially regarding questions related to labor market or cultural threats.

Key Publications

- Ariu, Andrea, Frédéric Docquier, and Mara P. Squicciarini. "Governance Quality and Net Migration Flows." *Regional Science and Urban Economics* 60 (2016): 238–48.
- Müller, Tobias, and Silvio H. Tai. "Individual Attitudes towards Migration: Reconciling Opposing Views." *University of Geneva, Working Paper Series*, no. 16-02-1 (2016).
- Aleksynska, Mariya, Samia Kazi Aoul, and Veronica Petrencu. "Deficiencies in Conditions of Work as a Cost to Labor Migration: Concepts, Extent, and Implications." *KNOMAD Working Paper*, no. 28 (2017).
- Ariu, Andrea. "Determinants and Consequences of International Migration." In *New Frontiers in Interregional Migration Research*, edited by Bianca Biagi, Alessandra Faggian, Isha Rajbhandari, and Viktor A. Venhorst, 49–60. Cham: Springer International Publishing, 2018.