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Welfare Systems, Political Parties, and International Migration: Fiscal Effects of Migration and Conditional Partisan Effects on Migration Policies in European Countries

A dissertation submitted in partial satisfaction of the
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in Political Science

by

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To my parents and my wife

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ABSTRACT OF THE DISSERTATION

Welfare Systems, Political Parties, and International Migration:
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by

Kyung Joon Han
Doctor of Philosophy in Political Science
University of California, Los Angeles, 2010
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My dissertation attempts to answer the following questions. First, what are the effects of international migration on the welfare systems in migrant-receiving countries? Also, are the welfare effects of migration considered when migration policies are established? Second, how does party politics shape migration policies? Are there any partisan differences in migration policies? If there are, are the differences unconditional? In particular, are left-wing parties free from any pressure that makes them less friendly to foreign people? My dissertation explores three issues regarding international migration to answer these questions: (a) public attitudes toward migrants; (b) population aging, the pension crisis, and the recruitment of foreign workers; and (c) policies on welfare benefits to asylum seekers.

My dissertation reaches the following conclusions. First, the welfare effects of migration depend on the type of migration as well as the type of welfare program. While the inflow of foreign workers eases the pressure on the pension system, the inflow of asylum seekers becomes a fiscal burden to the welfare system of the host country. Second, the various migration effects on the welfare system are recognized by people in host countries. Their awareness of and concern with the welfare effects of international migration play a significant role in shaping migration policies. Many countries have tried to recruit more foreign workers (and some have successfully done so) because they expected the inflow would ease the problems associated with an aging population and troubled pension systems. In contrast, in the middle of the asylum crisis in the early 1990s, concerns about fiscal pressure created by asylum seekers brought about restrictive asylum policies. Finally, partisan differences on migration policies are not unconditional. Though, in general, left-wing parties implement more liberal migration policies than right-wing parties do, they are constrained not to be too soft on foreign people by other factors. Specifically, left-wing parties constrained by the strong political influence of manual workers do not admit more foreign workers than right-wing parties. Also, left-wing parties introduced restrictive asylum policies when elections approached during the asylum crisis because being soft on asylum seekers could bring serious electoral disadvantages to them.

Chapter 1

Introduction

International migration is gaining importance in social science as globalization is substantially increasing the size of transnational movement of people, as well as that of manufactured goods and money. Increased rates of migration make itself bring in many political, economic, and social effects in migrant-receiving countries. For example, the inflow of foreign people to European countries resulted in the increase of racism, xenophobia, and nationalism in the 1990s and helped the success of extreme right-wing parties (Schain 1988; Roberts 1992; Knight 1992; Mayer and Perrineau 1992; Husbands 1992; Roth 1993; Saalfeld 1993; Leslie 1998; Renton 2003).[1] Many economists tried to find the migration effect on labor markets and they almost got to a consensus that the inflow of foreign people hurts native workers who have to directly compete with the new comers: for example, the inflow of unskilled migrants decreases the wage rates of unskilled native workers and/or increases their unemployment risk.[2] International migration also changes demographic structure. Because migrants to developed countries these days are younger than native people, migration is sometimes expected to deter the population aging problem.

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[1] The success of Le Pen's National Front (*Front National*) party in the 1980s in France, that of Haider's Austrian Freedom Party (*Freiheitliche Partei Österreichs*) in the 1990s in Austria, and the rise of the Republican party (*Republikaner*) and the German People's Union (*Deutsche Volksunion*) in the early 1990s in Germany are exemplary success stories of extreme right-wing parties.

[2] Johnson 1980; Altonji and Card 1991; De New and Zimmermann 1994; Smith and Edmonston 1997; Reimers 1998; Butcher 1998; Card 2001

Though scholars began to pay attention to migration-related issues not long ago, international migration has a very long history. Without dating back to the fifteenth century when Portuguese people began slave trade, we can see that there were a great number of immigrants from the late nineteenth century to the early twentieth century. The U.S., Canada, Argentina, Brazil, and Australia were main receiving states at that time. In 1860, 154,000 people immigrated to the U.S, 10,000 people to Canada, 5,700 to Argentina, and 16,000 to Brazil. These numbers increased to 1,042,000 to the U.S., 287,000 to Canada, 290,000 to Argentina, and 87,000 to Brazil.[3] These numbers are greater than the numbers of current immigrants to these countries even in absolute terms. If we consider total population in migrant-receiving countries, we can see that the old migration was much more sizeable than the new migration.[4]

Though the relative size of postwar international migration has been smaller than that of prewar migration, the migration in the twentieth century has had some different aspects from the nineteenth century and brought about problems that the prewar societies had not experienced. First, while migrants in the nineteenth century had flown from more developed countries to less developed countries, those in the twentieth century came from less developed countries to more developed countries. Major migrant-receiving countries in the first mass migration era were less advanced economies in the new world: the U.S., Canada, Argentina, and Australia. Up to the 1890s, migrants mostly came from more advanced economies in Western and Northern European countries. Also, the people in

[3] Mitchell (1993)

[4] For example, the inflow of immigrants to the U.S. in 1860 was 0.50% of total U.S. population while that was 0.29% in 2000. As a result, 13.2% of total U.S. population had been foreign-born in 1860, but the percentage dropped to 7.9% in 2000.

migrant-receiving countries and those in migrant-sending countries were ethnically close. These migration patterns helped host countries to keep low level of antagonism against migrants.[5]

Today's migration patterns are opposite. In terms of flow, people migrate from less developed countries to more developed countries. Latin American and Asian countries are major source countries for the U.S. European countries have accepted many migrants from Northern Africa, Middle East, and Eastern Europe. In terms of ethnic proximity, natives and migrants are much more heterogeneous. The new patterns have made migration culturally intolerable as well as economically hurtful to many people in host countries.

Another difference between the two mass migration eras is fiscal effects on host countries. Because welfare programs of migrant-receiving countries were not that big before the first World War, the fiscal effect of migration did not matter much. However, the development of welfare programs since the second World War made welfare spending a very important part in government expenditure and national economy. Thus, fiscal impact of migration came to be a significant aspect that migration brings into host countries.

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[5] However, the patterns began to change in the 1890s. The economic development in Southern and Eastern European countries helped to raise the number of migrants from these countries to the new world. The migrants were more unskilled than old migrants from Western and Northern European countries. Also, people from Southern and Eastern European countries were ethnically more distant to people in the new world than those from Northern and Western Europe. Thus, the new migration decreased the wage rates of native unskilled workers in host countries, raised inequality, and increased political demand for migration restriction. Timmer and Williamson (1996) and Timmer and Willimason (1998) concluded that the change of origin countries and the consequential decline of migrants' skill levels had been the primary force to close borders in the 1920s.

Though the fiscal effect of migration is a significantly different aspect of contemporary migration from the old mass migration, it has not been paid enough attention to in studies on international migration. Many people have examined the economic effects of migration on migrant-receiving countries, but their interests have focused on migration effects on labor markets: wage rates and unemployment.

Thus, this dissertation studies the connection between international migration and welfare programs in migrant-receiving countries with advanced economies. In particular, the dissertation attempts to answer, at least partially, the following research questions. First what are the effects of international migration on welfare programs in developed countries? Can we simply say whether migration helps to sustain welfare programs or not? If not, how can we think about migration effects on welfare programs? Second, how do the migration effects on welfare programs influence migration policies? Are the consideration of and/or concern on welfare effects of migration taken into account in the policy-making process on migration issues? If so, we can project that positive welfare effects of migration will lead to open migration policies and negative effects will drive restrictive ones. Can we find any evidence? Finally, how do political factors, such as party politics and electoral politics, shape migration policies? In particular, despite conventional wisdom that tells us that left-wing parties are more likely to welcome foreign people and protect them, we can also observe many cases which show that such conventional wisdom is not right.[6] So, when does party politics play a role in the making of migration policies and how?

[6] For example, the French Socialist Party (*Parti Socialiste*) and the British Labour party did not make

Effects of international migration on the welfare system

The effects of international migration on the welfare system are not clear-cut for three reasons. First, migrants may have different fiscal effects depending on their characteristics. Second, we need to consider long-term effects as well as short-term effects. Finally, the overall welfare system of host countries and migrants' welfare eligibility will determine the fiscal effect of migrants.

Characteristics of migrants and welfare effect

The migration effect on the welfare system depends on the characteristics of migrants (Freeman 1986). Migrants with low skill levels will be more likely to receive welfare benefits than those with high skill levels because they are more likely to be unemployed and they get lower income.[7] Young migrants will contribute to the welfare system more than old migrants do because the former works longer than the latter before retirement. Also, the more dependents migrants have, the more will they benefit from welfare programs, such as child care benefits and health care.

Hatton and Williamson (2005) nicely presented how the characteristics of migrants influenced their welfare dependency. Borrowing data from Boeri, Hanson, and McCormick (2002), they showed migrants' dependency on unemployment benefits,

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substantial shifts in migration policies in the 1980s and in the 1990s when they controlled the governments.

[7] For the connection between migrant's skill level and labor market participation, see the various years of OECD, *Trends in International Migration.*

pension benefits, and family benefits are correlated with their educational levels, ages, and family sizes respectively. Because migrants are, in general, less educated and younger than native people, they are more likely to receive unemployment benefits and less likely to receive public pensions. Also, the larger sizes of migrant families make them more dependent on family benefits than native people.[8]

Razin and Sadka (2005) tested whether the migration of low-skilled people and that of highly skilled people brought in different fiscal impact on migrant-receiving countries. They assumed that native people wanted to reduce welfare programs when most of the migrants were unskilled because the unskilled migrants got more from the welfare system than they paid to it. In other words, the inflow of unskilled migrants will increase native taxpayers' burden. In contrast, native people want to expand the welfare system when most of the migrants are highly skilled because they are new fiscal contributors (Lee and Miller 2000). By using welfare expenditure and income tax rate data and statistical methods, they found that the immigration of unskilled people caused the reduction of the welfare system while that of highly skilled people expanded the system.[9]

While the fact that current migrants are more unskilled than native people in host countries implies that migration increases fiscal burden on the countries, the fact that

[8] See Table 14.4 in Hatton and Williamson (2005).

[9] The consideration of migrants' skill level is found among policy-makers as well as scholars. Commonwealth countries like Canada, Australia, and New Zealand have been implementing a point system for immigration selection, which is designed to strengthen domestic labor force with immigrants' skill and occupational knowledge (Griego 1994). For example, the Canadian point system was established in 1967 to selectively admit immigrants considering their educational level, vocational preparation, experience, age, and language and revised afterwards to increase the number of immigrants who can bring capital or advanced skills (Hawkins 1989; De Voretz 2001). The system was also adopted by British government and initiated in 2008.

migrants are younger than natives implies that migration may decrease the burden at the same time. Because migrants are younger, their inflow changes demographic distribution, reduces aging pressure, and relieves the resource paucity problem of some welfare programs, such as pension (UN 2000; Razin and Sadka 2000).[10] For example, Börsch-Supan (1994) found that migration alleviates the burden of dependency in Germany because migrants are younger than natives. It was projected that even a gradually declining number of immigrants[11] would deter population decrease, reduce the expansion of the percentage of elderly people, and trim down the increase of contribution rate to the retirement insurance.[12]

Short-term vs long-term effects

Long-term migration effects on welfare programs might be different from short-term ones. In the short run, the inflow of foreign people can increase welfare expenditure because there are more people who receive welfare benefits. The expenditure on programs for which migrants are eligible will be increased particularly when the migrants are unskilled.

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[10] This is why Spain has kept an open immigration policy for the last decade (Cornelius 2004). German government also attempted to open its border more to foreign workers in 2002 to ease the aging and pension problems though the attempt was blocked by the constitution court.

[11] He assumed that the number of annual immigrants is 500,000 between 1992 and 1995 and decreases to 300,000 after 1995. However, it turned out that much more immigrants flowed to Germany in the period: 800,000 in 1995, 650,000 in 2000, and 600,000 in 2005.

[12] For example, while the percentage of elderly people was predicted to jump from 21 percent in 1990 to 34 percent in 2050 without immigration, the percentage with immigration is expected to be 26 percent in 2050. Also, while the contribution rate to public retirement insurance was predicted to increase from 18.7 percent of gross wages in 1909 to 34.2 percent in 2050 without immigration, immigration is expected to keep the rate below the 25 percent level.

The inflow of foreign people can also increase the demand for welfare benefits of native people. Compensation hypothesis in the globalization and the welfare system debate argues that globalization increases economic insecurity and risk and then gives pressure on political leaders to develop instruments that can insure the exposed sectors. Then, globalization comes to increase welfare spending.[13] In the same way, international migration can increase the spending. For example, if unskilled native workers who suffer from the inflow of unskilled foreign workers demand compensation through welfare programs, welfare spending can be increased (Leibfritz, O'Brien, and Dumont 2003).[14] Han (2008) empirically tested the compensation effect of migration and found that the inflow of foreign workers, particularly that of unskilled workers, increases the benefit levels of unemployment insurance.

However, migration can change the political equilibrium on redistribution policies and then cause welfare retrenchment in the long run. The inflow of foreign people, particularly people with different races, may reduce the support for redistributive policies because the strangers become beneficiaries of social services (Alesina and Glaeser 2004; Roemer, Lee, Van der Straeten 2007). Migration also decreases the social trust and solidarity and the support for social welfare (Crepaz 2005). In addition, migration sometimes brings about the electoral success of right-wing parties (Jesuit and Mahler 2004). If right-wing parties are significantly less likely to redistribute than left-wing

[13] Polanyi (1944) and Ruggie (1982) provided the theoretical framework of compensation hypothesis and the positive relationship between globalization and welfare spending was tested by many studies: Garrett 1995; Rodrik 1997; Rodrik 1998; Garrett 1998a; Garrett 1998b; Garrett 2001; Bernauer and Achini 2000; Garrett and Nickerson (2001).

[14] Han (2008) empirically tested the compensation effect of international migration and found that the inflow of unskilled foreign workers increases the replacement rate of unemployment insurance.

parties in the era of welfare retrenchment (Allan and Scruggs 2004), migration will instigate welfare reduction.

Welfare system and migrants' welfare eligibility

The fiscal effect of migration will also differ among countries depending on their welfare system. The political backlash against the illegal immigrants' welfare "abuse" in the 1990s in California which led to the Proposition 187 happened not only because there were many immigrants in California but also California had generous welfare system which aggravated the fiscal burden from immigrants (Hanson 2005).[15] The welfare system variation is greater among European countries than that among U.S. states. For example, the employment-based and contribution-based welfare system provides more restricted welfare benefits and opportunity for migrants than universal system does (Dörr and Faist 1997).

Welfare eligibility also varies among countries and determines the fiscal effect of migration. In the U.S., the welfare reform in 1996 allowed states to determine welfare rights of immigrants and created considerable variation in their welfare eligibility across states. European countries also differ in migrants' welfare entitlement. In particular, people began to have concern on fiscal effect of migration, view migrants as a potential drain on welfare resources, and take into account the fiscal concern in the making of

[15] Hanson (2005) compared what happened in Texas and California in the 1990s with regards to the states' welfare system and immigrants' fiscal effects. Both of the states experienced the surge of immigration, but Texas was free from the fiscal pressure from immigrants because its welfare system was much less generous than other states' programs. As a result, while there was a huge political backlash against immigrants in California, Texas governor Bush could avoid the political burden and even embraced immigrant population in election campaign.

migrant-related policies in the 1990s (Geddes 2003). The concern has led some countries to restrict the entitlement of legal migrants as well as that of illegal migrants. For example, the United Kingdom stopped noncontributory supports for immigrants for the first five years since their arrivals in 1999. The policy was benchmarked by Denmark in 2002, and immigrants in Denmark came to receive full benefits only after seven years after immigration.[16] Such backlash to the fiscal effect of migration can reduce the fiscal pressure from migration.

Research implication

What is the effect of international migration on the welfare system? Does international migration help to sustain the welfare system or raise fiscal pressure on the system? An overview on plausible effects of international migration on the welfare system suggests that we can hardly find a simple answer to the questions. The answer depends on the nature of migrants, time horizon, and general as well as migrant-specific welfare policies.

The overview implies that one good research strategy is to focus on a specific type of migrants and/or a specific welfare program: what is the fiscal effect of the inflow of highly skilled foreign workers, unskilled foreign workers from developing countries, or asylum seekers?; what are their effects on unemployment benefits, health care, or the public pension? We can have more clear understanding on the relationship between

[16] On illegal migrants, Belgium stopped welfare assistance to them in 1992 and France withdrew health care in 1993 (Minderhoud 1999; Freedman 2004).

international migration and the welfare system when we narrow down research questions on the relationship.

Thus, my dissertation studies two cases which are believed to have contrasting fiscal effects: first, foreign workers and public pension, and second, asylum seekers and welfare services to them. Both have been important political issues since the 1990s. The effect of foreign workers on the public pension system was believed to be positive though it is still difficult to make a firm consensus. In contrast, asylum seekers have been considered as most 'unwanted' migrants because of their fiscal pressure on, particularly local, governments as well as because of other social problems, such as racism, crime, and national identity (Geddes 2003). Therefore, the two issues will be studied in chapter 3 through 6. I will test the foreign worker effect on the pension system using empirical data and statistical methods in chapter 3. Because the negative fiscal effect of asylum seekers is without any doubt, I will describe in chapter 6 why host countries came to be given fiscal pressure from the inflow of asylum seekers and how high the pressure was.

Concerns on fiscal effects of migration and selective migration polices

The previous section showed that international migration brings in fiscal effects in migrant-receiving countries in many ways. Then, are people in the countries conscious of the effects? Do the people really think that the inflow of foreign people has, whether positive or negative, fiscal impacts on their countries? If so, does their estimation on the fiscal pressure affect their attitudes toward migration and migration policies? Do

migration policies in migrant-receiving countries mirror their assessment on the fiscal effects of migrants?

Consideration of the economic effect in the policy-making process

The history of migration policies is, in some sense, the history of efforts by migrant-receiving countries to selectively accept 'wanted' migrants and exclude 'unwanted' migrants.[17] Ethnic and cultural aspects were a major selection standard in the beginning of modern mass immigration in the U.S. The Chinese Exclusion Act in 1882, the implementation of literacy test by the Immigration Act in 1917, and the Quota Act in 1921 are all efforts to keep out immigrants from Asia and Eastern and Southern Europe (Williamson 2005).[18]

U.S. immigration policies became liberal, in terms of ethnic discrimination, as the Immigration Act in 1965 abolished the national quota system. A liberal norm of racial nondiscrimination after the end of World War II could not sustain the national quota system (Joppke 2005). The merger of AFL-CIO and the consequential decline of the support for the national quota system also helped the abolition (Tichenor 2002). However, the standard of 'unwanted immigrants' was not brought to an end but 'modernized'

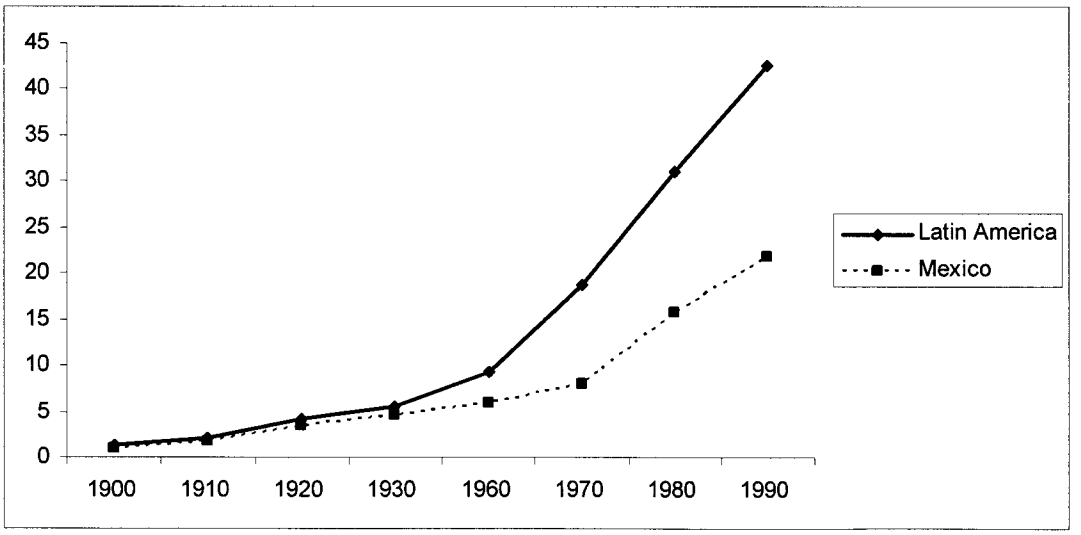
[17] Of course, it is not only the self-interested motivations that drive migration policies. As Joppke (2005) suggests, humanitarian purpose also plays a role in the making of migration policies, particularly those on asylum seekers and family reunification. Also, some scholars argue that the commitment of Western democratic countries to political liberalism and civil rights hinders the countries from pursuing interest-dominated migration policies, and such policies are often constrained by international and domestic laws (Hollifield 2000). Nonetheless, many scholars agree that migration policies of contemporary migration-receiving countries have been predominantly determined by self-interest of the countries, whether it is political or economic one (Boswell 2003; Messina 2007).

[18] The 1882 act suspended Chinese immigration. The 1917 act introduced a literacy test to discriminate Eastern and Southern European immigrants. Finally, the 1921 act introduced the national quota system to limit the number of immigrants from underdeveloped European countries.

(Joppke 2005). Though the ethnic standard was abolished, economic standards have been strengthened.

The 1965 act resulted in increasing the number of immigrants from Latin American countries, particularly those from Mexico (Figure 1-1).One striking aspect of immigrants from those countries was their low education level (Table 1-1). Thus, the general education level of U.S. immigrants had dropped since the 1970s.[19] To change the pattern, the Immigration Act in 1990 increased the number of visas for highly skilled immigrants and added "diversity visas" to attract immigrants from countries that had sent few immigrants: Western and Northern European countries.[20]

<Figure 1-1> Latin American and Mexican immigrants (% of total immigrants)



Source: USCIS, *Yearbook of Immigration Statistics*, 1991-2000.

[19] For example, while immigrant males had earned 4.1% more than native males in 1960, they earned 16.3% less in 1990, implying that the skill level of immigrants was decreased (Borjas 1999).
[20] Due to the act, the share of employment-based immigrants was increased from 8.7% in 1990 to 12.6% in 2000. As a result, the percentage of immigrants with highly skilled jobs out of total immigrants who were employed jumped from 23.0% in 1990 to 56.8% in 2000.

<Table 1-1> Education years of U.S. immigrants

Origin countries	Africa	Central America	Mexico	South America
Education years	14.3	10.6	7.5	12.5
Origin countries	Asia	Western & Northern Europe	Eastern & Southern Europe	Oceania
Education years	14.4	14.4	12.1	13.6

Source: Hendricks (2002)

The history of European migration policies can also be viewed from the same perspective. Mass migration into European countries began with guest worker programs which admitted temporary foreign workers to help the reconstruction of economies destroyed by wars. However, the 1973 oil shock and following economic recession made the foreign workers 'unwanted' aliens and drove the countries to stop the guest worker programs. European people also became suspicious on the programs as the pattern of the temporary migration becomes permanent because the foreign workers did not return to their home countries but rather let their families come to the host countries.[21]

Another recent move toward selective migration policies in Europe is the efforts to recruit highly skilled foreign workers. Germany introduced the Green Card program in 2000. The United Kingdom launched the Highly Skilled Migrant Programme in 2002 and

[21] However, European countries began to create various small-scale guest worker programs in the 1990s to meet the labor market demands (Martin, Abella, and Kuptsch 2006). The main differences of the small-scale guest worker programs from the large-scale programs in the 1950s-1960s are the increased roles and power of employers in recruitment processes and the large variation in the rights of workers to reside in host countries and change their status among different types of foreign workers.

the Science and Engineering Graduate Scheme in 2004. All of these were designed to recruit more highly skilled foreign workers, particularly those with informational technology (IT) skills, to meet the labor market needs.

Thus, both U.S. and European migration policies have tried to control not only the numbers of migrants ("how many are coming"), but also the characteristics of migrants ("who are coming"). In particular, the inflow of unskilled migrants has direct effects on wage rates of native unskilled workers and increases inequality. Thus, the harmful effects of unskilled migrants on labor markets have affected the changes in migration policies. For example, Timmer and Williamson (1998) found that the decreasing skill level of immigrants rather than the increasing number of immigrants, and the consequential political backlash particularly by unskilled workers whose political power had got stronger were the primary factor for the closing of immigration gates in the early twentieth century in the U.S.

Fiscal effect of migration considered: public attitudes toward the fiscal effect

It clearly seems that migrant-receiving countries have tried to selectively admit migrants who can economically benefit the countries. In particular, countries have wanted to avoid unskilled migrants and preferred highly skilled ones in order to evade inequality increase and meet the needs of labor markets for highly skilled workers. Then, is the labor market effect the only economic effect considered in the making of migration policies? Have not fiscal effects been taken into account in the policy-making process?

Social surveys show that people in migrant-receiving countries have their own estimation on the fiscal effect of migrants. A couple of surveys conducted in European countries had questions on the fiscal effect of migrants. The surveys, questions, and the average attitudes are summarized in Table 1-2.[22]

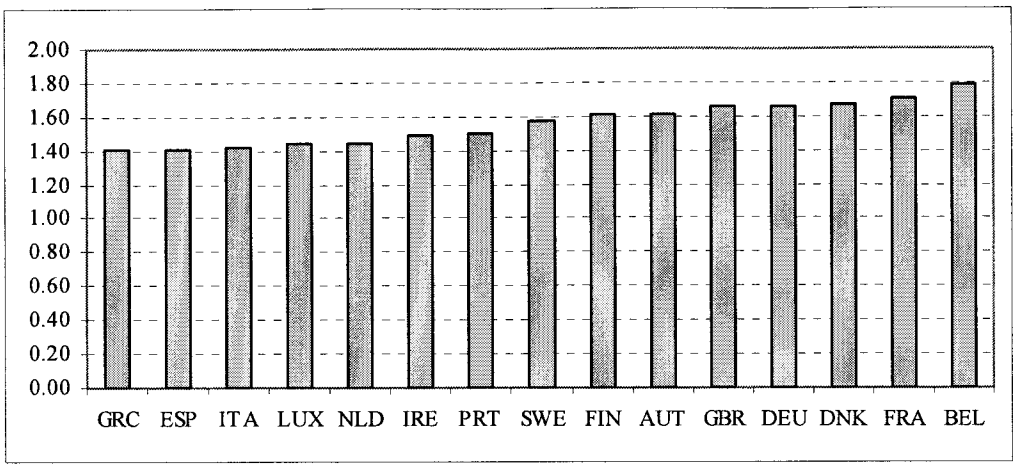
<Table 1-2> Public attitudes toward the fiscal effect of migrants in Europe[23]

Survey	Question	Average	Range
Eurobarometer 1997	People from these minority groups abuse the system of social benefits	1.57	1 ~ 2
ESS 2002	Taxes and services: Immigrants take out more than they put in or less	5.82	0 ~ 10
ISSP 2003	Government spends too much money on immigrants	3.43	1 ~ 5

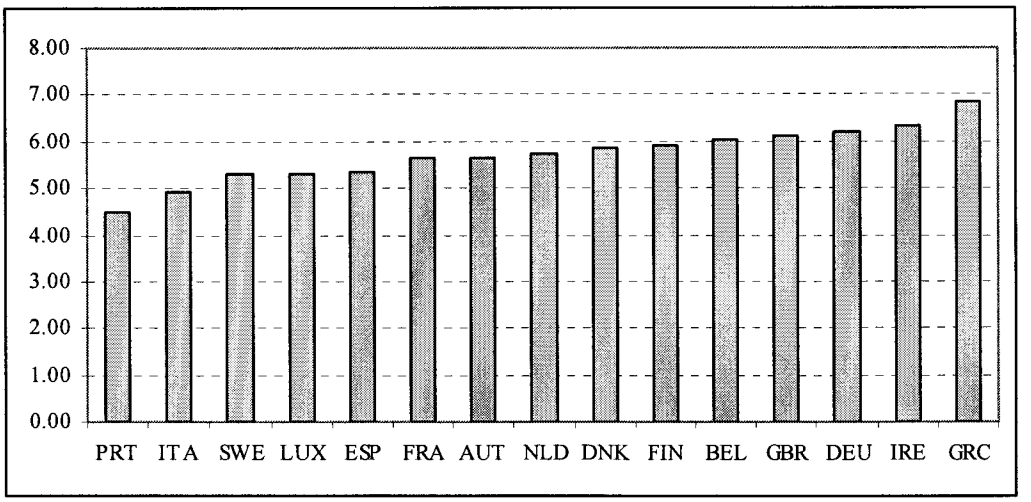
Table 1-2 shows that people in European countries have moderately negative views on the fiscal effect of migrants. On average, they think migrants increase fiscal burden of their countries rather than contribute to welfare resources. The average attitudes slightly lean toward negative estimation from the centers. Figure 1-2 through Figure 1-4 show the variation of attitudes among the countries. Though there are some countries which do not show consistency among the surveys, the public attitudes of each country are positively correlated among the surveys (Table 1-3).

[22] The surveys are: Eurobarometer 47.1: Images of Switzerland, Education Throughout the Life, Racism, and Patterns of Family Planning and Work Status, March-April 1997; The International Social Survey Programme 2003: National Identity II; European Social Survey Round 1, 2002.
[23] Scores of some surveys were modified so that higher numbers indicate negative views on the fiscal effect in all the surveys.

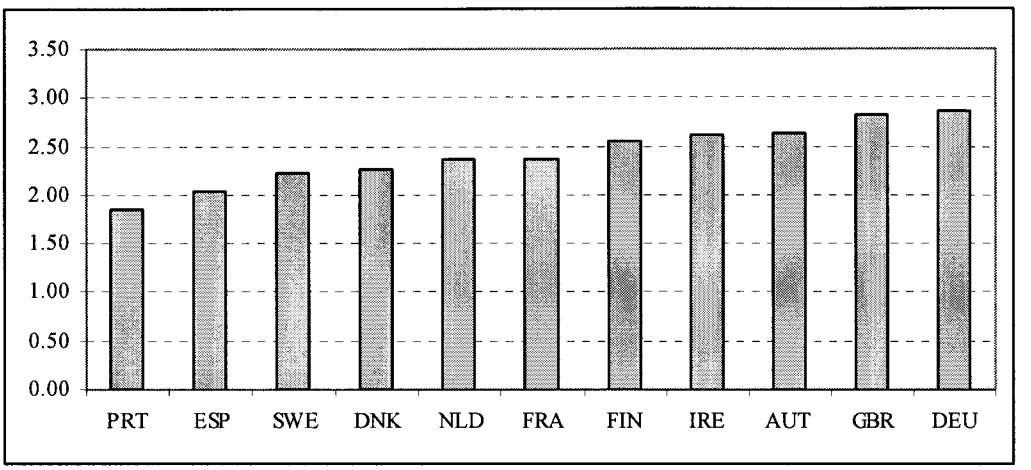
<Figure 1-2> Average public attitudes toward the fiscal effect of migrants of European countries (Eurobarometer 1997)



<Figure 1-3> Average public attitudes toward the fiscal effect of migrants of European countries (ESS 2002)



<Figure 1-4> Average public attitudes toward the fiscal effect of migrants of European countries (ISSP 2003)



<Table 1-3> Correlations between average attitudes of countries

	Eurobarometer	ESS 2002	ISSP 2003
Eurobarometer	1.0000		
ESS 2002	0.3007	1.0000	
ISSP 2003	0.4039	0.8648	1.0000

The figures commonly tell us that people in some countries, particularly Southern European countries like Spain, Portugal, and Italy, have more positive views on the fiscal effect of migrants than those in other European countries such as Germany, Britain, and France.[24]

When people resent the 'abuse' of welfare resources by migrants, they demand for the reform of migration policies. For example, the resentment on illegal immigrants' welfare exploitation led to Proposition 187 in California in 1994. With a belief that

[24] I will talk more about what may bring the difference in attitudes among countries in the next chapter.

generous welfare programs had invited illegal immigrants, the proposition was designed to deny their access to public education, health care, and other public services (Martin 1995).

Another example of such political backlash is the asylum crisis in the 1990s in the European countries. Asylum seekers were portrayed as 'unwanted' migrants because they were believed to be a net burden on host countries (Geddes 2003). The fiscal pressure on, particularly local, governments was increased as the number of asylum seekers rises, and then negative opinions on the asylum seekers were intensified and sometimes mobilized by right-wing media.

> But their (British volunteers') kindness has caused a huge headache for both the Government and the 'front line' communities where they settle. Despite money raised by the volunteers, the cost to taxpayers is enormous and the additional burden on local services is potentially crippling for councils.[25]

However, public estimation on and attitudes toward the fiscal effect of migrants are not always negative. Highly skilled foreign workers are believed to pay more to than they get from the welfare system (Lee and Miller 2000; Razin and Sadka 2005). Thus, it is proposed that countries should increase the skill level of migrants to fiscally benefit from them (Gott and Johnston 2002).

Another example on positive estimation on the fiscal effect comes from a demographic challenge to contemporary developed countries. The population aging trend has caused the growing disparity between those who contribute to and those who benefit from the welfare system. Because migrants are younger than native people, it has been

[25] *Daily Mail*, November 7, 1992

believed and suggested by many government officials that migration could alleviate the welfare resource problem.[26]

Thus, we can see that people in migrant-receiving countries bear in mind the fiscal effect of international migration as well as its labor market effect. In addition, stories presented above imply that the awareness, consideration, and concern of the fiscal effect of migration also play a role in the formation of migration policies.

Research implication

As was said before, this dissertation arbitrarily chooses two cases: the public pension system which is believed to be helped by the inflow of foreign workers and the inflow of asylum seekers which surely increases fiscal burden of host countries. To see how the plausible contribution of labor migration to the pension system affects polices on foreign workers, my dissertation hypothesizes that countries suffering from the population aging problem more seriously recruit more foreign workers because population aging is one of the major causes for the pension crisis. My dissertation tests the hypothesis using quantitative data and statistical methods in chapter 4.

This dissertation also examines how the fiscal pressure from asylum seekers has driven restrictive asylum policies. In particular, this dissertation focuses on policies which restricted and/or reduced welfare benefits and/or rights of asylum seekers. However, such asylum policies are really difficult to quantitatively test. Therefore, my dissertation shows how the concern on welfare drain and tax burden from asylum seekers

[26] *The Economist*, February 15, 1992; *New York Times*, June 29, 2003; *The Guardian*, December 19, 2002

has brought about the demand for restrictions on asylum seekers' welfare use through case studies in chapter 6.

Party politics of migration policies

Migration had not been a significant political and social issue and migration policies had been exclusively formulated by political and bureaucratic elites until the 1970s. However, as migration came to be seen to bring various issues on unemployment, welfare spending, crime, and cultural identity in the 1980s, political parties were motivated to mobilize and utilize the migration issues (Boswell 2003).

Partisan difference on migration and migrants

The conventional wisdom says that right-wing parties have more negative views and tougher positions on migration issues than left-wing parties do. Turnovers of migration policies in the 1980s in France clearly show how party politics works in migration policies. French migration policies became liberal in the 1980s as the Socialists party took the government in 1981 and implemented amnesty programs (Hegen 2001). The 1986 election resulted in the right-wing coalition government of the RPR (Rally for the Republic, *Rassemblement pour la République*) and the UDF (Union for French Democracy, *Union pour la Démocratie Française*). The new government reinforced border controls and internal policy forces by allowing them to detain and immediately

deport anyone who did not have proper papers and to conduct random identity checks of any foreign people (Hollifield 2000).[27]

Migration policies, particularly policies on welfare benefits to migrants, in Netherlands also show the turnovers following changes in government partisanship. Netherlands met the increasing inflow of migrants in the 1990s.[28] However, the left-wing Social Democrats (*Socialdemokraterne/Socialdemokratiet*) government did not change migration policies more restrictive. Rather, though Netherlands had to go through the asylum crisis like other European countries, the government provided more generous supports to asylum seekers than before.[29] However, the right-wing Liberal party (*Venstre*) reversed the liberal drift when it took power in 2001. It reduced welfare benefits to immigrants for their first seven years of immigration, restricted family reunification, and made the naturalization process more difficult, complicated, and time-consuming (Polakov-Suransky 2002).

The French and Dutch migration policies imply that left-wing and right-wing parties have different attitudes toward migrants and dissimilar policy positions on migration. Then, why are they different? Where does the difference, if there is, come from? There are two usual suspects: ideological difference and political capital. First, the partisan difference in migration policies results from differences in broader ideological

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[27] The government also proposed a new bill to abolish the *jus soli* principle of birthright though it withdrew the bill later.

[28] The annual inflow was increased from 58,000 in 1988 to 88,000 in 1993. As a result, the percentage of foreign people out of total population was also increased from 4.2% to 5.1%.

[29] For example, the Dutch government expanded language and other training, improved housing facilities, and increased employment opportunity to asylum seekers from Yugoslavia. Also, it granted to Bosnian asylum seekers same rights with recognized refugees, such as housing, education and work permit (OECD, *Trends in International Migration*, 1996)

and cultural dimension. For left-wing parties, their commitment to political, economic, and social equality as well as political multiculturalism helps them to try to assist migrants and integrate them into societies (Lahav 1997). In contrast, obligation to law-obedience, social stability, and nationalism drives right-wing parties to keep tough attitudes toward migrants and restrictive migration policies. Lahav (2004) conducted surveys on the opinions of political elites and found that left-wing party members support the inflow of new migrants as well as the migrant integration more than right-wing members.[30]

Second, left-wing parties consider migrants potential supporters to themselves more than right-wing parties do (Faist 1994; Money 1999a). Messina (2007) found that ethnic minority people are actually more likely to vote for left-wing parties. For example, between 70% and 90% of Asian and Afro-Caribbeans voted for the Labour party but only 10% of them voted for the Conservative party in Britain in the 1980s and in the 1990s. In Germany, 72% of Turkish-born naturalized citizens voted either for the Social Democratic Party (SPD, *Sozialdemokratische Partei Deutschlands*) or for the Green party while 8% of them voted for the CDU/CSU (Christian Democratic Union, *Christlich Demokratische Union*/Christian Social Union in Bavaria, *Christlich-Soziale Union in Bayern*) in 1999. Because left-wing parties see that migrants will come to vote for the parties if they are eligible to do, the parties try to provide more political and economic opportunity to them.

[30] Interestingly, the partisan gap is wider in the support for migrants from non-Western European countries. In other words, right-wing and left-wing party members are more different in their attitudes toward migrants from Eastern Europe, Asia, and Africa than in their attitudes toward migrants from Western Europe. This supports the idea that the partisan difference comes from different attitudes in more general ideological issues of multiculturalism and ethnicity.

Whether the causal logic lies on political capital or parties' ideologies, studies found statistical as well as anecdotal evidence on the role of partisanship in migrant policies. Maas (2005) studied legalization programs of unauthorized migrants in European countries and concluded that the programs tended to be implemented by left-wing governments, particularly right after they controlled governments. Kaye (1994) examined refugee policies in Britain and suggested that political asylum became a contentious political issue due to the issue-mobilization efforts by the Conservative party. Givens and Luedtke (2005) statistically tested the partisanship hypothesis. Using their own data on migration policies and migrant policies of three European countries (Germany, France, and Britain) from 1990 to 2002, they found that while partisanship does not have effects on the making of migration policies, it brings about different outcomes of migrant policies.[31] Right-wing parties have made more restrictive migrant policies.

Partisan difference: unconditional difference?

Theories on party politics assume that political parties, whether they are left-wing or right-wing parties, have substantial access to and resources of policy instruments relevant to achieving their preferred policies (Way 2000). Thus, the theories assume that political parties have enough capability to pursue their own policy goals. Since Hibbs (1977), the seminal study of partisan politics and macroeconomic policies, it has been

[31] While migration polices regulate the inflow of migrants, migrant policies control political, economic, and social conditions of migrants who already reside in host countries.

sufficiently proved by numerous studies based on the assumption that political parties influenced political and economic policies and outcomes.

However, it does not mean that political parties are not constrained by external factors and/or other political authorities. For example, while people easily believe that left-wing parties and right-wing parties differ both in fiscal policies and in monetary policies, Oatley (1999) showed that political parties ran different fiscal policies only when they had fixed exchange rate systems and different monetary policies only when they had floating exchange rate systems.[32] In other words, political parties' control on fiscal and monetary policies is constrained by the exchange rate system.

Way (2000) also showed that political parties' influence on macroeconomic policies was restrained by the third factor. He first assumed that left-wing parties were more biased toward expansionary fiscal policies to decrease unemployment rates. Then he argued that left-wing parties' expansionary fiscal policies cannot work well when central banks, which are usually committed to reducing inflation rates, are independent. First, central banks will run contractionary monetary policies, and then the policies will offset the effects of expansionary fiscal policies of left-wing governments. Second, governments will lose credibility in international financial markets due to their contradictory policies with expansionary fiscal policies and contractionary monetary policies. Thus, central bank independence restricts left-wing governments not to be 'big spenders.'

[32] It is because fiscal policies, either expansionary or contractionary, are not efficient under the floating exchange rate system and monetary policies do not work under the fixed exchange rate system. To see why, see Grieco and Ikenberry (2003).

Garrett (1998) studied the macroeconomic performance of governments with different partisanship and concluded that the performance, in terms of economic growth, low inflation rates, and low unemployment rates, was good in 'coherent' regimes (either when left-wing governments were with encompassing trade unions or when right-wing governments worked with weak trade unions).[33] When left-wing governments work with encompassing trade unions, there is a high chance to raise wage rates. However, trade union leaders can abstain from increasing wage rates too much because they know that the increase will lead to high inflation which in turn will hamper economic growth, further wage increase, and employment opportunity. Also, when there are right-wing governments and weak trade unions, the governments get little control from trade unions, and then they can pursue their market liberalism policies freely.[34][35]

Policy preferences as well as the ability to implement policies can be constrained. Milner and Judkins (2004) found that partisan differences on trade policy preferences are smaller in the parliamentary system and in the proportional representation electoral system. It is because political parties in those political institutions can be freer from pressure from classes or sectors on which the parties are based (Rogowski 1987).

All of the studies above suggest that political parties' policy preferences and policy implementation ability can be constrained by other factors. In the same way,

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[33] Encompassing trade unions mean most of the labor market is organized into trade unions and their authority is concentrated in peak union confederations.

[34] In contrast, there will be great wage militancy under left-wing governments and weak trade unions. Market discipline on wage bargaining in individual workplaces will be reduced by left-wing governments, but trade union leaders cannot forgo the temptation to push up wages. Also, encompassing trade unions will frequently argue against right-wing government policies, and then policy deadlocks prevent efficient macroeconomic policy implementation.

[35] Veiga and Chappell (2002) also studied the interacting effect of government partisanship and trade unions on macroeconomic outcomes and found that unemployment rates were highest in countries with the combination of right-wing governments with strong trade unions.

policy preferences and autonomy of left-wing parties to protect and support foreign people can also be constrained. For example, though left-wing parties are expected to have more soft positions on migration for the two reasons above, there are also rationales that can make the parties reluctant to being too nice to foreign people. Because the inflow of foreign people hurts people in the labor market, particularly those who are unskilled, the working people usually have more negative views on migrants.[36] In such a case, because the working people are a source of support for left-wing parties, the parties can be in a dilemma between satisfying their constituencies and maintaining their ideological beliefs (Perez, Fernandez-Albertos, and Arevalo 2008).

The commitment of left-wing parties to protect foreign people can also be weaken by their obligation to sustaining welfare programs. The role of left-wing parties in the development and the upholding of the welfare system are widely accepted (Hicks and Swank 1992; Garrett 1998; Hicks 1999; Iversen and Cusack 2000; Allan and Scruggs 2004). Then, the inflow of migrants, particularly unskilled people, will increase the pressure on the welfare system and on left-wing parties which want to sustain or even expand welfare programs (Perez, Fernandez-Albertos, and Arevalo 2008).

Then, left-wing parties with strong trade unions may be less likely to work to protect and help foreign people than other left-wing parties. The parties with strong trade unions will be constrained by the unions not only strong unions are more influential than weak unions but also strong unions have more negative positions on migration than weak

[36] Most of the literature on public attitudes toward migrants concludes that being unskilled, being in labor market, and being a union member increase the likelihood to be opposed to open migration policies.

unions do.[37] In the same way, left-wing parties with generous welfare systems may have more restrictive stances on migration issues than other left-wing parties. If left-wing parties are constrained by other conditions, like trade unions and welfare generosity, the partisan effects on migration policies will not be unconditional.[38]

Research implication

This dissertation attempts to see conditional partisan effects on migration policies as well as unconditional effects. In particular, the first case examines the inflow of foreign workers. Because the inflow of foreign workers immediately impacts the labor market of host countries, there can be considerable constraint by workers, particularly those who have low skill levels, on governments' decision-making. One way to test the interacting constraint in statistical models is using an interaction term. Thus, I will use an interaction term between government partisanship and the strength of political power of unskilled worekrs to see whether there is any trade union constraint on the partisanship effect on migration policies.

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[37] Thoug conventional wisdom says trade unions are opposed to admitting many foreign workers because the inflow will increase the labor market competition, studies found that trade unions in many countries do not always want to restrict migration. Their attitudes are not as consistent as expected, or they are sometimes opposed to restrictive migration policies (Haus 1995; Avci and McDonald 2000; Burgoon, Fine, Jacoby, and Tichenor 2008). The explanation for the rather surprising attitudes says that trade unions which suffered from declining density became pro-immigration to integrate foreign workers into their organizations and sustain their political power. However, strong unions seem to keep restrictive stances on migration policies, as Bucken-Knapp (2006) argued with a Swedish case. Thus, Haus (1995) also assumed that stronger labor movement could reduce incentives for unions to integrate and organize foreign workers, and then unions in the environment have more restrictive positions.

[38] A parallel research approach can be found in the so-called context-conditional electoral and partisan cycles argument. The argument implies that the manipulation of macroeconomic conditions for electoral or partisan reasons can be conditional on international and domestic political-economic institutional and strategic circumstances (Franzese 2002).

Dissertation outline

This dissertation comprises three parts. The first part, as an introductory part for other parts, studies public attitudes toward migrants and examines how the fiscal pressure from migrants determines the public attitudes. The second part looks at a case in which migrants are believed to contribute to easing a demographic problem and a welfare problem, and thus migrants are welcomed by host countries: population aging, foreign workers, and the public pension. Finally, the third part examines a case in which migrants are net fiscal burden to host countries, and thus political backlash against the migrants has driven restrictive policies: asylum seekers and policies that restrict welfare benefits to asylum seekers.

Chapter 2 examines whether people in migrant-receiving countries are aware of fiscal pressure from migrants and how the concern affects their attitudes toward migrants and migration policies. The chapter tests how fiscal pressure from migration affects public attitudes toward migration and finds that the pressure makes public attitudes more negative. However, different from a previous study,[39] the fiscal pressure affects the public attitudes of uneducated native people as well as those of highly educated native people. The chapter also finds that the attitudes of uneducated people are negatively affected by the fiscal pressure particularly when their countries have gone through the retrenchment of welfare programs because the countries have cut welfare expenditure. In contrast, the fiscal pressure has an effect on highly educated people when their countries

[39] Hatton, Scheve, and Slaughter (2007)

have sustained welfare programs because the countries are thought to have increased tax revenues to fund the welfare programs.

Chapter 3 and 4 examines the relationship between population aging, the inflow of foreign workers, and the public pension system. Chapter 3 tests the effect of migration on the pension system and finds that the inflow of foreign workers has a positive effect on the upholding of public pension. Also, it finds that the migration contribution to public pension is greater in countries with the Bismarckian pension system.

Chapter 4 examines how the population aging problem affects the inflow level of foreign workers. It tests whether population aging leads countries to admit more foreign workers and finds that it does. The chapter also studies how government partisanship affects the number of the inflow of foreign workers and finds that left-wing governments admit more foreign workers, but they are constrained by the political power of unskilled manual workers.

Chapter 5 and 6 studies the inflow of asylum seekers and the introduction of restrictive asylum policies. First, chapter 5 tests factors for the policy introduction and finds that pre-election periods increase the probability of policy introduction. The chapter also finds that central-left parties as well as right-wing parties are affected by the electoral pressure and incentives.

Chapter 6 is composed of case studies on three restrictive asylum policies: Germany in 1993, Britain in 1996, and Britain in 1999. The first two policies were made by right-wing parties and the last one by a central-left party. Through case studies, the chapter attempts to understand what drove the parties to introduce restrictive asylum

policies and concludes that while right-wing parties tried to mobilize and utilize the asylum issue in the face of elections hoping that their tough positions on the issue help them to win elections, central-left parties reluctantly bring in the policies because of the pressure from public opinion and right-wing opposition parties.

Chapter 2

Welfare States, Fiscal Pressure and Public Attitudes toward Migrants

> Foreigners today represent a net burden on society. They cost more than they give back. This must be changed. (Bertel Haarder, Minister of Refugee, Immigration and Integration, when Denmark deprived immigrants of their full welfare entitlement for the first seven years of immigration)[1]

Though fiscal effects of migrants, either short-term effects or long-term ones, are not decisive, current migrants are considered as a fiscal burden by people in migrant-receiving countries with advanced economies.[2] When people resent the 'abuse' of welfare resources by migrants, they demand for the reform of migration policies. For example, the resentment towards illegal immigrants' welfare exploitation led to Proposition 187 in California in 1994. Because of the belief that generous welfare programs had invited illegal immigrants, the proposition was designed to deny their access to public education, health care, and other public services (Martin 1995).

European countries have not been immune from the fiscal pressure from migrants. Migrants' dependency on welfare programs, the abuse of welfare resources by migrants, and a consequential drain on welfare resources have been important issues in European countries. Thus, some countries attempted to solve the problem by limiting migrants' welfare rights and/or reducing benefit levels. Sweden lowered cash allowance to asylum seekers by 20% in 1992. Belgium stopped all the assistance to illegal aliens (Minderhoud 1999). France also discontinued health care to foreigners without solid documents.

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[1] *Migration News*, February 2002, Volume 8, Number 4

[2] Surveys like the Eurobarometer 1997, the European Social Survey Round 1 in 2002, and the International Social Survey Programme 2003 show that there are slightly more people who think migrants are net fiscal burden than those who think migrants are net contributors.

Restrictions on welfare eligibility and benefits were not limited to such 'unwanted' migrants. The United Kingdom ended non-contributory supports to all immigrants for their first 5 years of immigration in 1999 (Aleinikoff and Klusmeyer 2002). The policy was adopted with modification by Denmark in 2002 which reduced benefits for the first 7 years of immigration (Geddes 2003).

All of the policy changes imply that people in migrant-receiving countries have been aware of and concerned about the fiscal effects of migrants. They also tell us that their concern and worry shape their overall attitudes toward migrants, and affect migration and migrant policies.[3] People's attitudes toward migrants become more negative when they consider migrants a cause of welfare drain. The negative estimation on migrants' fiscal effects and negative public attitudes sometimes result in restrictive migration and migrant policies. Thus, understanding what people perceive to be migrants' fiscal effects is very important in studying migration and migrant policies.

Therefore, this chapter studies the relationship between migrants' fiscal effects and public attitudes toward migrants. In particular, this chapter examines how individuals' attitudes toward migrants are affected by the fiscal environments that surround them, such as the welfare system and tax system, and also by the pressure from migrants on these fiscal environments. It also attempts to see whether the effects of migrants' fiscal pressure on public attitudes vary among different native people, for example between uneducated people and highly educated people.

[3] While migration polices regulate the inflow of migrants, migrant policies control political, economic, and social conditions of migrants who already reside in host countries (Geddes 2003).

Literature review

Numerous studies examining the determinants of public attitudes toward immigration have been conducted with different focuses on main factors. First, there are studies which focus on individual skill level (Starr and Roberts 1982; Hoskin and Mishler 1983; Simon 1985; Simon and Alexander 1993; Schissel, Wanner, and Frideres 1994; Scheve and Slaughter 2001; Dustmann and Preston 2001; O'Rourke and Sinnott 2004). Here, skill level is defined as the level of knowledge and ability needed to perform vocational works. These studies hypothesize that people with low skill levels are more hurt by immigrants than those with high skill levels, in terms of labor market conditions. For example, Scheve and Slaughter (2001) found that skill level measured by either educational attainment or wage was an important determinant of attitudes toward immigration.[4] Their conclusion draws upon the Stolper-Samuleson theory which implies that an increase in immigration will decrease the wage rates of domestic unskilled workers because most immigrants to the U.S. in this period are unskilled immigrants.[5]

The second group of studies stresses the role of cultural factors. They focus on ethnic or linguistic affinity (Espenshade and Calhoun 1993; Fetzer 2000), religion (Fetzer 2000), or nationalistic patriotism and chauvinism (O'Rourke and Sinnott 2004). However, as O'Rourke and Sinnott acknowledge, skill level still affects the formation of attitudes toward immigration even when cultural factors are controlled. In fact, some cultural

[4] For other countries, see Schissel, Wanner, and Frideres (1994) for Canadian case and Dustmann and Preston (2001) for the U.K. Both of them reached the same conclusion with Scheve and Slaughter (2001).
[5] The efforts to apply the Stolper-Samuelson data back to Rogowski (1986) which examined how political alignments had been changed as winners and losers from free trade had formed coalitions.

factors such as race and birthplace have already been tested and found to be significant by Scheve and Slaughter (2001) and Schissel, Wanner, and Frideres (1994). Therefore, the cultural argument should also be understood as a complement to the basic individual skill level argument. Moreover, Miller, Polinard, and Wrinkle (1984) argue that although attitudes toward immigrants among Mexican American immigrants are generally less hostile, their attitudes differ by income, education, and immigration generation. This implies that both economic and cultural variables may affect public attitudes toward immigration.

Finally, Hainmueller and Hiscox (2007) recently argued that the attitudes came from educated preferences. They claim that education or skill level decides the attitudes toward immigrants not because of the labor market competition rationale but because of the education effects on cultural values and beliefs. More educated people place greater value on multiculturalism, ethnic diversity, and anti-racism. They assume that while skilled people prefer the immigration of unskilled foreign people, they dislike that of skilled people according to the labor market competition hypothesis. However, by showing that the skilled native people were more welcoming of any immigrants than unskilled native people, they conclude that the positive attitudes of skilled, or educated, people came not from the absence of labor market competition, but from their educated preferences.

The findings of previous literature can be summarized as this: that both economic and cultural aspects matter in deciding public attitudes toward immigration. If people are economically hurt by the inflow of foreign people, in terms of wage rates and

unemployment risks, they will dislike the foreign people. On the other hand, cultural factors are also important. Some of the cultural factors are inborn, such as ethnicity, race, and immigration status. However, some of them might be learned. They might be learned from their neighbors, friends, or families. They might also be learned in the education system.

As for the economic determinants, only the labor market competition was considered as an economic factor for the public attitudes toward immigration in the previous literature. However, another economic aspect can also be taken into consideration: immigrants' fiscal effects. Studies have examined the fiscal effects of immigration on host countries (Boeri, Hanson, and McCormick 2002; Razin and Sadka 2005; Soroka, Banting, and Johnston 2006; Roemer, Lee, and Van der Straeten 2007). Though the fiscal effects may differ depending on the characteristics of immigrants, host countries' welfare system, and immigrants' welfare eligibility, fiscal pressure from immigration have become major political issues in developed countries (Hatton and Williamson 2005).[6] Hanson, Scheve, and Slaughter (2007) studied whether fiscal pressure brought in negative public attitudes toward immigration in the United States and found that it did so particularly among highly educated people because they were net contributors to the welfare system.

[6] The resentment on immigrants' welfare use in the 1990s in the United States is a good example of the immigrants' fiscal pressure issue as a political agenda. The enmity in California passed the Proposition 187 in 1994 which denied illegal immigrants social services, health care, and public education. Though the proposition was rejected by the Supreme Court, it prompts the introduction of the 1996 Personal Responsibility and Work Opportunity Reconciliation Act. The act granted U.S. states more discretion over welfare decisions. Thus, states became able to decide immigrants' eligibility for welfare programs, such as the state-funded Temporary Assistance for Needy Families (TANF), food stamps, and Medicaid, but came to restrict the eligibility more than before in general. For the 1996 welfare reform and its consequential impacts on immigrants, see Kretsedemas and Aparicio (2004).

I develop the argument of Hanson, Scheve, and Slaughter (2007) further in this chapter in two ways. First, while their study examined the U.S. case, this chapter performs cross-country research on European countries. Because European countries have much variation in welfare systems and migrants' characteristics as the U.S. states do, European cases will also show how public attitudes toward migration are affected by the fiscal pressure from migrants. Second, though both their theoretical framework and their data suggest that migrants' fiscal pressure might also make very uneducated native people more negative toward migrants, their empirical analyses do not support this. Thus, I argue that we can find another factor which interacts with the education levels of native people in deciding their public attitudes toward migration. I will elaborate on this in the next section.

Hypothesis

It is quite difficult to estimate overall fiscal effects of migration in developed countries because literature suggests various possible links between migration and welfare programs.[7] First, migrants are more likely to depend on welfare services than native people because migrants to developed countries tend to be less educated and have more children than the native people (Borjas 1998; Boeri, Hanson, and McCormick 2002). In such a case, migration increases fiscal pressure on host countries. In contrast, current migrants are younger than native people (Boeri, Hanson, and McCormick 2002). Thus,

[7] The possible links between migration and welfare are well summarized in Soroka, Banting, and Johnston (2007).

migration changes demographic distribution, reduces aging pressure, and relieves the resource paucity problem of some welfare programs, such as pension (UN 2000; Razin and Sadka 2000).[8]

Second, migration of highly skilled workers, unlike that of unskilled workers, brings in net fiscal contribution to host countries because they pay more in taxes than they get from the welfare system (Lee and Miller 2000). Razin and Sadka (2005) found that the inflow of highly skilled foreign workers increases the size of welfare system in developed countries.

Third, migration changes the political equilibrium on redistribution policies in the long run. The inflow of foreign people, particularly people of different races, may reduce the support for redistributive policies because strangers become beneficiaries of social services (Alesina and Glaeser 2004; Roemer, Lee, and Van der Straeten 2007). Migration also weakens social trust and solidarity, and consequently decreases the support for social welfare (Crepaz 2005). In addition, migration sometimes brings about the electoral success of right-wing parties (Jesuit and Mahler 2004). If right-wing parties are significantly less likely to redistribute than left-wing parties in the era of welfare retrenchment (Allan and Scruggs 2004), migration will instigate welfare reduction.

Therefore, the fiscal effect of migration depends on several conditions. First, it depends on migrants' characteristics. Second, it relies on migrants' eligibility for welfare programs because countries have differing policies on the eligibility (Hatton and

[8] This is why Spain has kept an open immigration policy for the last decade (Cornelius 2004). The German government also attempted to open its borders more to foreign workers in 2002 to ease the aging and pension problems though the attempt was blocked by the constitution court.

Williamson 2005). Finally, it is decided by the generosity of the welfare system in host countries. If a country has a relatively small welfare system, the fiscal pressure from migrants will not be large even though the country has many migrants with low education and many children (Hanson, Scheve, and Slaughter 2007). Whatever the reason, people in countries where migrants produce fiscal pressure will believe that migrants are net fiscal burdens to taxpayers and have negative views on them (Hanson 2005).

H_1: People in host countries which are fiscally exposed to migration have more negative views on migrants than people in other countries.

If migrants are, very generally speaking, a net fiscal burden to host countries, there are two ways in which the countries can ease the burden: raising tax revenues and/or decreasing welfare expenditure. Then does the new fiscal policy equilibrium have the same effect on all the native people? To put it differently, do tax increases and welfare cuts bring about the same impact for all persons.

Both tax increase and government spending cuts have, of course, substantial effects on almost all the people in a country because people's disposable incomes(I_i) are defined by pre-tax incomes(y_i), taxes(t_i), and government transfers(g_i).

$$I_i = y_i(1-t_i) + g_i \qquad \text{----------} \quad (1)$$

However, tax increase and expenditure cutback affect different people in different

ways. For example, highly educated people who earn high incomes are more tax-conscious than uneducated people because they are net contributors to the welfare system (Buchanan 1952). In contrast, very uneducated people who usually have low incomes are the ones that are sensitive to welfare spending cut. Then, while welfare cuts may trigger the opposition from the uneducated, tax increases will generate the enmity of the highly educated. Thus, it is hypothesized that the fiscal pressure from migrants particularly affects the attitudes of highly educated and uneducated people.[9]

H_2: The negative effect of fiscal pressure from migrants concentrates on either very uneducated people or highly educated people, or on both.

Welfare programs in advanced countries have been challenged since the 1970s. Though welfare expenditure in percentage of GDP has been increasing,[10] most of the advanced countries have gone through the retrenchment of welfare policies.[11] The challenges have come from many sources. Economic globalization, such as free trade and free capital movement, poses economic and political constraints on the welfare

[9] Though Hanson, Scheve, and Slaughter (2007) concluded that only highly educated people are affected by the fiscal pressure from migrants, their preliminary data overview implies that uneducated people in states with high fiscal pressure also have more negative views on migrants than uneducated people in other countries (Table 1 and Table 4.3).

[10] The average welfare expenditure out of GDP in Western European countries was increased from 19.6% in 1980 to 22.4% in 2000. However, it is widely believed that the increase is due to the rise of the number of welfare recipients (Huber and Stephens 2001). Other data on welfare policy provisions, such as Allan and Scruggs (2004) implies that the welfare programs became less generous in benefit levels, qualification standards, and/or benefit periods.

[11] For example, Sweden substantially cut its welfare benefit levels in 1992, mostly due to its economic recession. Also, the pension crises in European countries made them change the benefit calculation rule, cut the benefits, increase the contribution years required for eligibility, and/or raise the retirement age (Mandin and Palier 2005).

compensation (Schwartz 2001).[12] De-industrialization has changed employment structure and then challenged the welfare system which was based on employment structure in the 1950s (Iversen 2005). Demographic changes, such as the decrease of population growth and increasing of population aging, also place pressure on welfare resources (Hicks and Zorn 2005). Increased unemployment rates after the economic turmoil in the 1970s have made it difficult for advanced countries to sustain welfare programs (Huber and Stephens 2001).

Though almost no advanced countries have been free from the pressure, their responses to the pressure on welfare states have not been identical. The countries have differed in the policy changes on income tax rates, the progressiveness of income tax, and/or welfare benefit levels, no matter where the difference has come from: welfare regimes (Esping-Andersen 1990), government partisanship (Garrett 1998a), electoral institutions (Swank 2002), or fragmentation or political power (Bonoli 2001).[13]

I assume that the fiscal pressure from migrants affects the public attitudes of uneducated and highly educated people in different ways depending on their past experiences with welfare programs. In particular, the fiscal pressure will have an interacting effect with uneducated people if host countries have experienced transfer reduction rather than tax increase, or in other words, welfare retrenchment or the corrosion of redistribution policies. Uneducated people, rather than highly educated

[12] However, some argue that the same globalization pressure has actually caused the expansion of welfare programs because people hurt by the pressure demand compensation (Garrett 1995; Rodrik 1997; Rodrik 1998; Garrett 1998a; Garrett 1998b; Garrett 2001; Bernauer and Achini 2000; Garrett and Nickerson 2001; Burgoon 2001; Rudra 2002).

[13] The question of what were the main factors for the different welfare responses goes beyond the interests of this chapter.

people, are more likely to blame migrants for welfare retrenchment. In contrast, the pressure will have an interacting effect with highly educated people if countries have tried to keep the welfare system working by, for example, increasing government revenue while not cutting its spending. Migrants will be considered as sources of the pressure on welfare programs by highly educated people more than uneducated people.

H_3: Uneducated people's attitudes are vulnerable to the fiscal pressure from migrants particularly when their countries have become less redistributive. In contrast, the fiscal pressure upsets highly educated people particularly when their countries have become more redistributive.

The final hypothesis can be summarized as Table 2-1.

<Table 2-1> Hypothesis on redistribution shift and fiscal pressure effect

	Effect of fiscal pressure on highly educated people	Effect of fiscal pressure on uneducated people
More redistribution	More negative	No effect
Less redistribution	No effect	More negative

Data, variables, and method

Data

I use the European Social Survey (ESS) data for empirical analyses. The survey has been conducted biennially since 2002. The ESS data covers only European countries, contains lots of information on respondents, and asks questions on numerous issues. The data also includes questions on migration issues. In particular, the ESS Round 1 in 2002 asked more than 40 questions on migration, including a question on migrants' fiscal effects on host countries. Therefore, I use the ESS Round 1 survey for my analyses.

Variables

The ESS Round 1 in 2002 asked various questions on migration. One of the most unique aspects of the ESS Round 1 is that it asked opinions on migrants from different origin countries while most other surveys usually ask opinions on overall migrants. The ESS Round 1 divided origin countries into four groups: rich European countries, poor European countries, rich non-European countries, poor non-European countries. Though the survey did not point out which countries were rich and which were poor, it asked distinct opinions on migrants with different backgrounds. The survey asked whether respondents thought their countries should allow more or fewer migrants from each group of countries. Out of the four questions, I use the opinions on migrants from poor non-European countries as my first measurement of public attitudes toward migrants in my analyses because this chapter focuses on negative fiscal pressure from migration (***number***).[14]

[14] The four opinions are correlated with each other, but the correlation is lower than expected. The

Question D9

"Allow many/few immigrants from poorer countries outside Europe."

1: Allow many ~ 4: Allow none

The estimations of migrants' fiscal effects and opinions on migrants affect polices on migrant selection as well as those on migrant flow. The survey also includes questions on the qualification of migrants. I use opinions on the skill level of future migrants as an additional measurement of public attitudes (***qualification***).

Question D16

"Qualifications for immigration: Work skills needed in country"

0: Extremely unimportant ~ 10: Extremely important

Also, the survey directly asked whether respondents thought migrants were fiscal contributors or burdens to host countries (***impact***).

Question D26

"Taxes and Services: Immigrants take out more than they put in or less."

0: Generally take out more ~ 10: Generally put in more

The main independent variable is the fiscal pressure from migrants. I consider two main factors for the fiscal pressure. First, the characteristics of migrants decide the fiscal pressure (Castronova, Kayser, Frick, and Wagner 2001; Boeri, Hanson, and McCormick 2002). Host countries experience more fiscal pressure when more migrants depend on welfare services. Migrants differ in their need for welfare services because their

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correlation ranges from 0.61 to 0.88. In particular, the correlation between opinions on migrants from poor non-European countries and those on migrants from rich European countries are lowest.

economic and demographic conditions vary. For example, migrants with low levels of skill are more likely to obtain welfare services than highly skilled migrants because their unemployment risk is higher and/or they get lower incomes. Also, migrants with many family members give more fiscal pressure to host countries than migrants with few family members because there are more welfare recipients.

A brief overview of European migrants' characteristics and their welfare dependency implies that there is a strong correlation between them. The *European Community Household Panel* data in 1995 and in 1996 show that average ages of migrants in each European country and their dependency on pension programs are positively correlated ($r = 0.8953$). Also, the correlation between family size and dependency on family benefits, as well as that between educational level and dependency on unemployment benefits, are also positive ($r = 0.5434, 0.2584$).

Second, fiscal pressure of migrants depends on the welfare systems of host countries. Generous welfare systems will increase the fiscal pressure from migrants in countries where migrants are a net welfare burden. If a country has a welfare system of a relatively small size, the fiscal pressure from migrants will not be large though the country has many migrants with unwanted characteristics, such as low education and many children (Hanson, Scheve, and Slaughter 2007).

Thus, the first measurement of migrants' fiscal pressure is coded by the combination of a generous welfare system and unfavorable characteristics of migrants (***Fiscal pressure 1***).[15] Countries which have both generous welfare systems and low skill

[15] In fact, the generosity of the welfare system and the migrants' characteristics are inter-related in two

level of migrants were coded as countries with high fiscal pressure. The generosity of welfare systems was measured by income tax rates for high income earners (167% of average income). If a country's tax rate is beyond the median tax rate of European countries, the country's welfare system is considered as generous one. Migrants with unfavorable characteristics are migrants without secondary education. A country is considered as having unfavorable migrants if the share of uneducated migrants is over the median level of European countries. The fiscal pressure variable is a binary one.[16]

The second fiscal pressure variable (***Fiscal pressure 2***) more directly measures migrants' fiscal pressure by looking at the number of migrants who receive welfare benefits. I calculate the percentage of migrants who receive unemployment benefits out of the total population of host countries and use it for the second indicator of migrants' fiscal pressure. The more migrants are dependent on unemployment benefits, the more fiscal burdens the host countries will have to bear. I use unemployment benefits first because the unemployment benefit program takes up a substantial part of the total welfare system, and also because host countries' efforts to absorb migrants into their labor markets has been the major policy on economic integration of migrants (Hatton and

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ways. The first connection comes from the negative self-selection process. Migrants from countries with high level of inequality to more equal countries tend to be unskilled because the people can gain from larger wage differentials than highly skilled people do (See Borjas 1994; Hatton and Williamson 2005. For empirical evidence, see Borjas 1990, Cobb-Clark 1993, Borjas 1994, and Hatton and Williamson 2002.). The generous welfare system also makes migrants more dependent on welfare programs because it decreases incentives to work (Nanneestad 2004). Studies found that migrants' labor market participation rates are closely related with the generosity of the welfare system of host countries, even after migrants' various characteristics were controlled for (Boeri, Hanson, and McCormick 2002; Constant and Schultz-Nielsen 2004; Schultz-Nielsen and Constant 2004). The argument implies that there is the moral hazard problem showing that migrants take advantage of the welfare system of migrant-receiving countries (Okun 1975). For these reasons, studies concluded that negative fiscal impacts of migration are strongest in the most generous welfare states (Nannestad 2007; Hatton, Scheve, and Slaughter 2007).

[16] The income tax rates are from OECD, *Taxing Wages: 2003-2004*. The education levels of migrants are from OECD, *Trends in International Migration*.

Williamson 2005).[17] The data on the number of migrant recipients of unemployment benefits are from the *European Community Household Panel* data in 1995 and in 1996. The variable is also a binary one (1=beyond the median point, 0=below the median point).[18]

The third hypothesis argues that sensitivity of uneducated people or highly educated people to the fiscal pressure from migrants depends on their experiences of welfare changes. If their countries have moved to the retrenchment of welfare programs, uneducated people will be more sensitive to the fiscal pressure than highly educated people. If their countries have sustained the welfare system, the attitudes of highly educated people will be more affected by the fiscal pressure than those of uneducated people.[19] The shift of the welfare system is measured in various ways: the changes in welfare expenditure, the changes in income tax rates for each income level, and the changes in the progressiveness of income taxes.

Other variables are included in models to control for respondents' various conditions, such as their gender, age, country of birth, political ideology, cultural value, trade union membership, skill, education, and income. County-level variables are also included: GDP per capita and the percentage of foreign-born population. Table 2-2 presents the summary of variables.

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[17] The average percentage of unemployment benefit spending out of total welfare spending in European countries is 7.5%.

[18] Countries which turn out to get high fiscal pressure from migrants are: Austria, Belgium, Denmark, Germany, and Netherlands. All of these countries have had both a generous welfare system and a large number of uneducated migrants for decades.

[19] Of course, countries have met different challenges in terms of globalization, deindustrialization, or population aging, to the welfare system. However, it is too complicated to control for all of these factors. Because a more important question in this chapter is to where welfare systems of countries have moved, this chapter does not go deeply into the question of different degrees of challenges to the welfare system.

<Table 2-2> Data description[20]

Variable	Number of observations	Mean	SD	Min	Max
number	31707	2.48	0.82	1	4
impact	31333	4.22	2.26	0	10
qualification	32550	6.59	2.78	0	10
female	33146	1.53	0.50	1	2
age	32996	46.50	18.17	13	109
foreign-born	33151	1.09	0.29	1	2
right-wing ideology	29270	5.05	2.08	0	10
multiculturalism	32626	2.70	1.12	1	5
law-obedience	32696	2.14	0.98	1	5
trade union member	32956	2.33	0.85	1	3
highly skilled	25514	0.43	0.50	0	1
no secondary education	30745	0.42	0.49	0	1
tertiary education	30745	0.20	0.40	0	1
GDP capita ppp	33186	28.03	6.60	16.50	50.10
forering-born population(%)	33186	10.78	6.58	2.50	32.90
fiscal pressure 1	33186	0.28	0.45	0	1
fiscal pressure 2	16500	0.53	0.50	0	1

Table 2-3 shows the survey respondents' answers to each question by the fiscal pressure variables. The second and the third questions show that people in countries with high pressure have more negative views on migrants than those in other countries, but the first question does not show this pattern. Nonetheless, the table itself does not let us know the different effects of fiscal pressure on people with different education levels.

[20] For multiculturalism and law-obedience, the following questions are used.
"It is better for a country if almost everyone shares the same customs and traditions." (Multiculturalism)
(1: Agree strongly ~ 5: Disagree strongly)
"The law should always be obeyed." (Law-obedience)
(1: Agree strongly ~ 5: Disagree strongly)

<Table 2-3> Public attitudes toward migrants by fiscal pressure from migrants

	fiscal pressure 1		fiscal pressure 2	
	low	high	low	high
number	2.48	2.49	2.52	2.53
impact	4.28	4.08	4.12	4.07
qualification	6.59	6.59	6.36	6.84

* ***number***, ***qualification***: large number indicates negative attitudes

* ***impact***: large number indicates positive attitudes

<Figure 2-1> Shift in redistribution and public attitudes toward migrants by education (when fiscal pressure is high)[21]

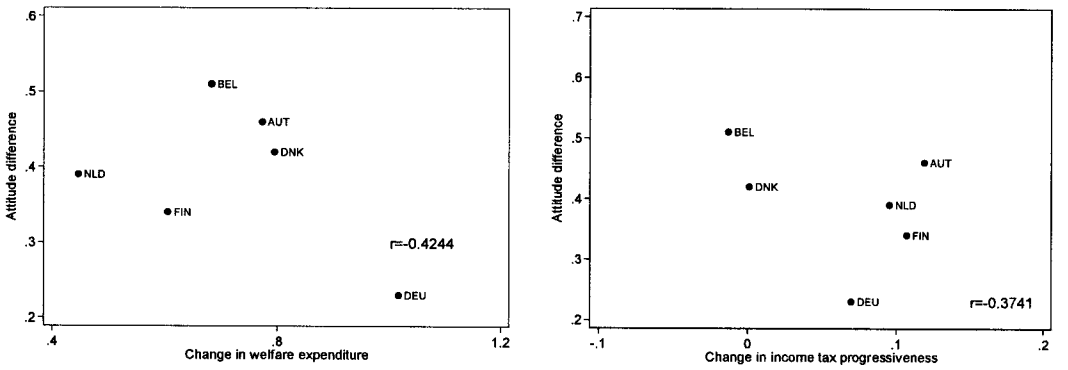
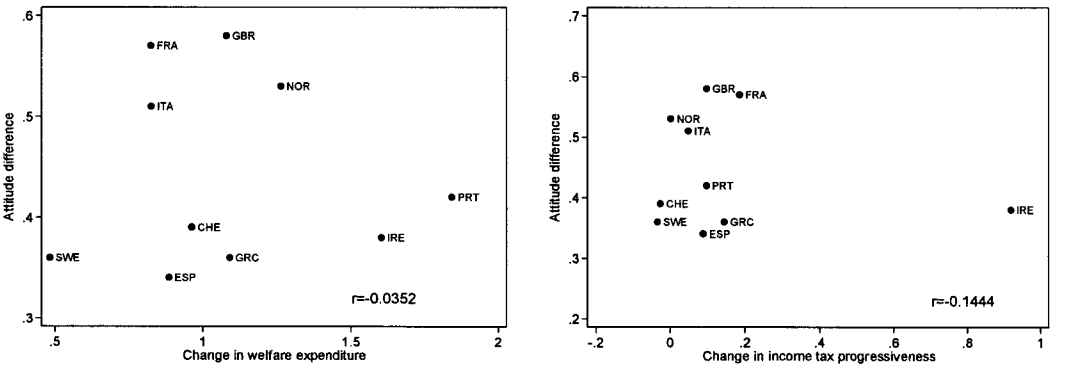


Figure 2-1 and 2-2 show the interacting effects between fiscal pressure, education level of native people, and the change in welfare programs. The figures imply that uneducated people view migrants more negatively, compared with highly educated people, as countries have gone through more retrenchment of welfare programs. However, such a relation happens only when there is substantial fiscal pressure from migrants.

[21] Attitude difference means the attitude difference between uneducated people and highly educated people. The larger the difference is, the more negative uneducated people's attitudes are.

When the pressure is low, people's experiences of welfare program changes do not affect their attitudes toward migrants, probably because the fiscal pressure from migrants is only marginal. Native people do not blame migrants in such a case. When the pressure is high enough, welfare retrenchment in the past makes uneducated people more negative towards migrants because the uneducated people are the main victims of the retrenchment. In contrast, welfare expansion or preservation makes highly educated people more negative because such efforts must have required more contribution particularly from the highly educated people.

<Figure 2-2> Shift in redistribution and public attitudes toward migrants by education (when fiscal pressure is low)



Empirical results

Table 2-4 presents the results of basic models. The gender variable has mixed effects. Women have more generous views on migrants in terms of their ideal numbers

and skill levels while they have more negative estimations on migrants' fiscal effects.[22] The results also show that the age has non-linear effects.[23] The probability of negative attitudes increases as respondents get older, but the probability decreases when the age passes a threshold. However, the probability calculation tells us that the threshold is quite high, as was also found by O'Rourke and Sinnott (2006). The calculation shows that people become generous toward migrants when they become older than 80.

Respondents' ideational aspects, such as political ideology, multiculturalism, and law-obedience, also have effects on their attitudes. Trade union membership has a negative effect, implying labor market competition. Skill and education levels have effects, as was found in most of the studies on public attitudes toward migration. People in richer countries hold more generous views on migrants. However, those surrounded by foreign people have more negative attitudes. Finally, the coefficients of fiscal pressure variables have an expected sign. People in countries with a high level of

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[22] Studies on public attitudes toward migration actually have different results on the gender effect. Hainmueller and Hiscox (2007) found that women in Europe have more negative attitudes toward immigrants from rich countries than men do. O'Rourke and Sinnott (2006) also found that women dislike immigrants more. However, the same study also found that women are less hostile to refugees than men. In contrast, Mayda (2006) concluded that women have more generous attitudes toward immigrants than men in general. Scheve and Slaughter (2001) also concluded that there is no gender effect. Though many explanations have been tried to explain the inconsistent gender effects on attitudes toward migration, no conclusive answer was made yet. One plausible explanation for women's having more negative views on migrants' fiscal effects comes from their concern on family and health care benefits challenged by migrants. Women might think that more migrants can be allowed, and their skill level is not important either because they feel sympathy for migrants or because they enjoy cheap household help from migrants (Hainmueller and Hiscox 2007). However, they might care about migrants' impacts on family, child care, and health care programs more than men do. In such a case, women will have more negative views on fiscal effects of migrants.

[23] There are diverse expectations on the age effect, too. Young people are expected to have more negative views on migrants because they compete with migrants in labor markets more than old people do. However, some expect that young people are less hostile to migrants because of their early experiences with foreign people (Dustmann and Preston 2001). Also, very old people might be generous on migrants if they believe migrants help to sustain the pension system (O'Rourke and Sinnott 2006). Thus, age squared as well as age was included in recent studies to test the plausible non-linear effects (Dustmann and Preston 2001; O'Rourke and Sinnott 2006).

<Table 2-4> Public Attitudes toward migrants

DV	(1)	(2)	(3)	(4)	(5)	(6)
	number		*qualification*		*impact*	
Female	-0.02	**-0.06***	**-0.13*****	**-0.10*****	**-0.09*****	**-0.09*****
	(0.03)	(0.04)	(0.02)	(0.03)	(0.02)	(0.04)
Age	**0.031*****	**0.037*****	**0.022*****	**0.030*****	**-0.009****	-0.008
	(0.004)	(0.006)	(0.004)	(0.006)	(0.004)	(0.006)
Age2	**-0.00023*****	**-0.00026*****	-0.00005	**-0.00010***	**0.00008****	0.00008
	(0.00004)	(0.00006)	(0.00004)	(0.00006)	(0.00004)	(0.00006)
Foreign-born	**-0.25*****	**-0.28*****	**0.19*****	**0.19*****	**0.76*****	**0.78*****
	(0.05)	(0.08)	(0.05)	(0.07)	(0.05)	(0.07)
Right-wing ideology	**0.13*****	**0.14*****	**0.09***	**0.011*****	**-0.09***	**-0.08*****
	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)
Multiculturalism	**-0.55*****	**-0.50*****	**-0.35*****	**-0.32*****	**0.31*****	**0.32*****
	(0.01)	(0.02)	(0.01)	(0.02)	(0.01)	(0.02)
Law-obedience	**-0.025***	-0.004	**-0.141*****	**-0.074*****	0.005	-0.029
	(0.014)	(0.019)	(0.013)	(0.018)	(0.013)	(0.018)
Trade union member	**0.10*****	0.01	**0.08*****	**0.05****	0.02	0.02
	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)
Highly skilled	**-0.30*****	**-0.33*****	**-0.11*****	**-0.09****	**0.14*****	**0.14*****
	(0.03)	(0.05)	(0.03)	(0.04)	(0.03)	(0.04)
No secondary education	**0.20*****	**0.27*****	-0.04	0.06	-0.02	**-0.09****
	(0.03)	(0.05)	(0.03)	(0.05)	(0.03)	(0.05)
Tertiary education	**-0.39*****	**-0.43*****	**-0.21*****	**-0.27*****	**0.28*****	**0.26*****
	(0.04)	(0.05)	(0.03)	(0.05)	(0.03)	(0.05)
GDP per capita	**-0.020*****	**-0.026***	**-0.032*****	**-0.124*****	**0.017*****	**0.091*****
	(0.003)	(0.016)	(0.003)	(0.014)	(0.003)	(0.014)
Foreign-born population (%)	0.000	**-0.037*****	**0.015*****	**0.022*****	**-0.025*****	**-0.043*****
	(0.003)	(0.007)	(0.003)	(0.006)	(0.003)	(0.006)
Migrant fiscla pressure1	**0.090*****		-0.004		**-0.225*****	
	(0.032)		(0.029)		(0.029)	
Migrant fiscla pressure2		-0.072		**0.251*****		**-0.110****
		(0.049)		(0.045)		(0.045)
Number of observations	20446	10361	20817	10522	20309	10310

Note: *** indicates |p|<.01; ** indicates |p|<.05; * indicates |p|<.1

† Standard errors are in parentheses.

†† ***number,qu alification***: large number indicates negative attitudes

impact: large number indicates positive attitudes

fiscal pressure from migrants have more negative views on any question on migrants.

Table 2-5 tests how the fiscal pressure from migrants interacts with each education group of people. Different from the results in Hanson, Scheve, and Slaughter (2007) the fiscal pressure seems to interact with almost every education group though the fiscal pressure does not have an interacting effect with people without secondary education in some models. As was in Hanson, Scheve, and Slaughter (2007), the share of migrants is expected to have a negative interaction effect with uneducated people because of the competition in the labor market for unskilled workers. However, my results do not support the expectation well. The models with the dependent variables of migrants' fiscal effects and skill level qualification seem to satisfy the expectation to some degree whereas the model with the dependent variable of migrants' preferred numbers has an opposite sign.[24]

Thus, the migrants' fiscal pressure seems to affect the public attitudes of uneducated people as well as those of highly educated people in migrant-receiving countries. This chapter hypothesizes that uneducated people can be affected by the fiscal pressure from migrants particularly when their countries have gone through the retrenchment of welfare programs. In such a case, the people will come to blame migrants for the retrenchment and become more negative towards migrants. In contrast, it is hypothesized that highly educated people will be affected by the fiscal pressure more than uneducated people when their countries have expanded their welfare system.

[24] In the following analyses, the interacting terms between the share of migrants and each education level of people successfully satisfy the expectation when the dependent variable is either migrants' fiscal effects or their skill level qualification. However, again, the results are uncertain when the opinion on the number of migrants was used as a dependent variable.

<Table 2-5> Public Attitudes toward migrants: fiscal pressure and education level

	(1)	(2)	(3)	(4)	(5)	(6)
DV	***number***		***qualifcation***		***impact***	
Fiscal pressure	1	2	1	2	1	2
No secondary education	0.26	0.20	**0.11***	**0.55*****	0.07	-0.27
	(0.07)	(0.18)	(0.06)	(0.16)	(0.06)	(0.17)
Tertiary education	-0.27	**-0.36****	**-0.18*****	0.07	**0.19*****	0.12
	(0.07)	(0.16)	(0.07)	(0.15)	(0.07)	(0.15)
No secondary education x Fiscal pressure	0.11	**0.29***	-0.08	**0.30*****	**-0.46*****	-0.06
	(0.08)	(0.15)	(0.06)	(0.09)	(0.07)	(0.09)
Secondary education x Fiscal pressure	**0.18*****	**0.30****	**0.26*****	**0.65*****	**-0.47*****	**-0.37*****
	(0.06)	(0.12)	(0.04)	(0.06)	(0.05)	(0.06)
Tertiary education x Fiscal pressure	**0.25*****	**0.26****	**0.11***	**0.41*****	**-0.64*****	**-0.41*****
	(0.07)	(0.13)	(0.06)	(0.07)	(0.07)	(0.07)
No secondary education x Foreign-born population	0.005	**-0.128*****	0.000	-0.008	**-0.031*****	**-0.036*****
	(0.004)	(0.033)	(0.004)	(0.013)	(0.004)	(0.014)
Secondary education x Foreign-born population	0.004	**-0.136*****	0.003	**0.031*****	**-0.016*****	**-0.041*****
	(0.003)	(0.033)	(0.003)	(0.008)	(0.003)	(0.009)
Tertiary education x Foreign-born population	-0.006	**-0.142*****	0.006	0.010	-0.003	**-0.028****
	(0.005)	(0.033)	(0.004)	(0.011)	(0.005)	(0.011)
Number of observations	20446	10361	20817	10522	20309	10310

Note: *** indicates |p|<.01; ** indicates |p|<.05; * indicates |p|<.1

† Standard errors are in parentheses.

†† Results for other baseline variables are not reported.

††† ***number,qu alification***: large number indicates negative attitudes

impact: large number indicates positive attitudes

The challenges to welfare states have resulted in different consequences in countries depending on government partisanship, welfare regimes, electoral system, fragmentation of political power, and the strength of the labor movement.[25] Then, how

[25] See Esping-Andersen 1990; Garrett 1998a; Bonoli 2001; and Swank 2002.

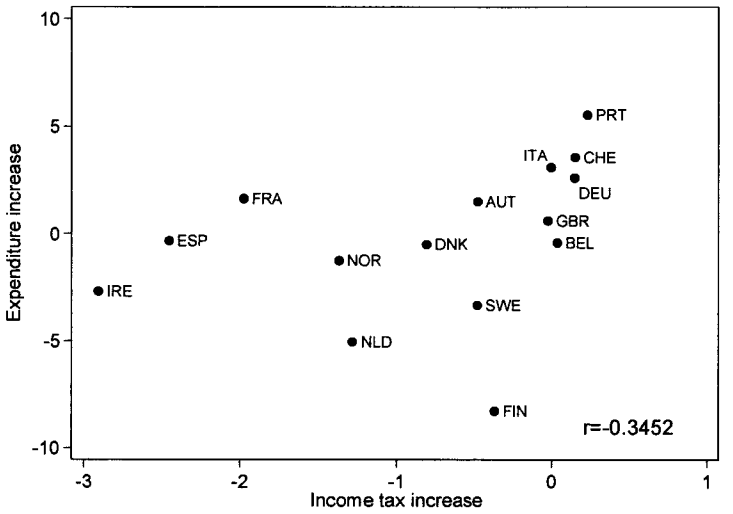
can we measure the changes in redistribution efforts? Most of the studies on the development and crisis of the welfare system used spending data (the percentage of social spending out of GDP). However, the revenue side of welfare efforts, usually tax rates, was also used by other studies (Swank 1998; Garrett 1998a; Swank and Steinmo 2002; Razin and Sadka 2005).

It is expected that the two aspects of welfare programs correlate with each other. However, there can be factors which break the correlation. Social democratic parties expanded or sustained generous welfare programs in terms of welfare spending, but did not increase income tax rates in the 1980s. Thus, substantial budget deficits were main figures of these parties (Garrett 1998a). Excessive changes in economic environments also untie revenue policies on the one hand and spending policies on the other hand. Ireland in the 1990s enjoyed considerable economic growth. The growth helped Ireland to provide generous welfare programs without being worried about tax increase. In contrast, Sweden and Finland had to go through welfare retrenchment with keeping high income tax rates because of the economic recession in the early 1990s. Despite the factors, welfare spending and tax rates are fairly correlated with each other, particularly in the 1990s (Figure 2-3).[26] Thus, I use both the changes in income tax rates and those in welfare expenditure to estimate welfare and redistribution efforts.

First, I assume that there was welfare retrenchment if welfare expenditure was not increased much (or even decreased) while income tax rates were increased (Model (1),

[26] Social democratic parties' different responses to budget deficits increased the correlation between revenue and expenditure. Due to the large budget deficits of the parties in the 1980s, revenue and expenditure were actually negatively correlated in the period. However, the parties tried to keep budget balances in the 1990s, mostly keeping high tax rates with spending cuts (Huber and Stephens 2001).

<Figure 2-3> Income tax rates and welfare expenditure (1991-2000)



(4), and (7) in Table 2-6). Uneducated people might have suffered more in the countries than those in other countries. Second, I assume that countries became more redistributive when income tax structure became more progressive (Model (3), (6), and (9) in Table 2-6). Educated people in the countries might have been offended more than those in other countries. Finally, I also use average government partisanship score as a proxy for redistribution efforts (Model (2), (5), and (8) in Table 2-6). Left-wing governments are believed to redistribute more even in the period of welfare retrenchment.[27] The partisanship score is correlated with welfare expenditure in my data too (r = 0.2009).[28]

Table 2-6 tests the interactions between welfare development, fiscal pressure from migrants, and public attitudes of each education group of people. The overall results show

[27] Though Huber and Stephens (2001) concluded that government partisanship did not play a role in the era of welfare retrenchment, Allan and Scruggs (2004) criticized their model specification and showed that partisanship still mattered.

[28] The government partisanship score was made by averaging scores from Castles and Mair (1984), Laver and Hunt (1992), Warwick (1994), and Huber and Inglehart (1995).

<Table 2-6> Public Attitudes toward migrants: fiscal pressure, education level, and redistribution

DV	(1)	(2)	(3)	(4)	(5)	(6)
		number			*qualification*	
No secondary education	**0.25*** **	**0.19*** **	**0.24*** **	**0.07** **	0.04	0.05
	(0.04)	(0.04)	(0.04)	(0.03)	(0.04)	(0.03)
Tertiary education	**-0.39*** **	**-0.42*** **	**-0.39*** **	**-0.15*** **	**-0.20*** **	**-0.15*** **
	(0.04)	(0.05)	(0.04)	(0.04)	(0.04)	(0.04)
No secondary education x Fiscal pressure	-0.02	-0.22	0.16	**-0.19*** **	**-0.26** **	-0.07
	(0.07)	(0.15)	(0.10)	(0.06)	(0.13)	(0.09)
Secondary education x Fiscal pressure	**0.09***	0.13	-0.02	**0.26*** **	0.05	0.12
	(0.05)	(0.14)	(0.08)	(0.05)	(0.13)	(0.08)
Tertiary education x Fiscal pressure	**0.17** **	**0.38** **	0.03	**0.12***	**0.28***	-0.11
	(0.07)	(0.16)	(0.09)	(0.06)	(0.15)	(0.09)
No secondary education x Fiscal pressure	**0.50*** **	**0.23***		-0.08	-0.03	
x Less redistribution	(0.15)	(0.12)		(0.13)	(0.11)	
Secondary education x Fiscal pressure	0.21	-0.08		**-0.53*** **	-0.03	
x Less redistribution	(0.12)	(0.11)		(0.11)	(0.10)	
Tertiary education x Fiscal pressure	0.22	-0.19		**-0.47*** **	**-0.30*** **	
x Less redistribution	(0.13)			(0.12)	(0.11)	
No secondary education x Fiscal pressure			-1.63			-1.34
x More redistribution			(1.21)			(1.07)
Secondary education x Fiscal pressure			1.68			1.11
x More redistribution			(1.07)			(0.97)
Tertiary education x Fiscal pressure			**2.16***			**2.23***
x More redistribution			(1.15)			(1.07)
Number of observations	20446	19039	20446	20817	19361	20817

Note: *** indicates |p|<.01; ** indicates |p|<.05; * indicates |p|<.1

† Standard errors are in parentheses.

†† Results for other baseline variables are not reported.

††† ***number,qu alification***: large number indicates negative attitudes

<Table 2-6> Public Attitudes toward migrants: fiscal pressure, education level, and redistribution (continued)

DV	(7)	(8) *impact*	(9)
No secondary education	-0.05	**-0.09****	-0.01
	(0.04)	(0.04)	(0.04)
Tertiary education	**0.32*****	**0.30*****	**0.33*****
	(0.04)	(0.04)	(0.04)
No secondary education x Fiscal pressure	-0.01	**0.26***	**-0.43*****
	(0.07)	(0.14)	(0.09)
Secondary education x Fiscal pressure	**-0.28*****	0.02	**-0.38*****
	(0.05)	(0.13)	(0.08)
Tertiary education x Fiscal pressure	**-0.35*****	-0.23	**-0.48*****
	(0.06)	(0.15)	(0.08)
No secondary education x Fiscal pressure	**-0.71*****	**-0.32*****	
x Less redistribution	(0.13)	(0.11)	
Secondary education x Fiscal pressure	**-0.24****	**-0.26****	
x Less redistribution	(0.11)	(0.10)	
Tertiary education x Fiscal pressure	**-0.43*****	-0.13	
x Less redistribution	(0.12)	(0.11)	
No secondary education x Fiscal pressure			**3.82*****
x More redistribution			(1.08)
Secondary education x Fiscal pressure			1.07
x More redistribution			(0.98)
Tertiary education x Fiscal pressure			1.29
x More redistribution			(1.07)
Number of observations	20309	18888	20309

Note: *** indicates |p|<.01; ** indicates |p|<.05; * indicates |p|<.1

† Standard errors are in parentheses.

†† Results for other baseline variables are not reported.

††† ***impact***: small number indicates negative attitudes

that while the fiscal pressure negatively affects uneducated people in countries that have gone through welfare retrenchment, the pressure effect concentrates on highly educated people in countries which have become more redistributive or made efforts to sustain the

welfare system.[29]

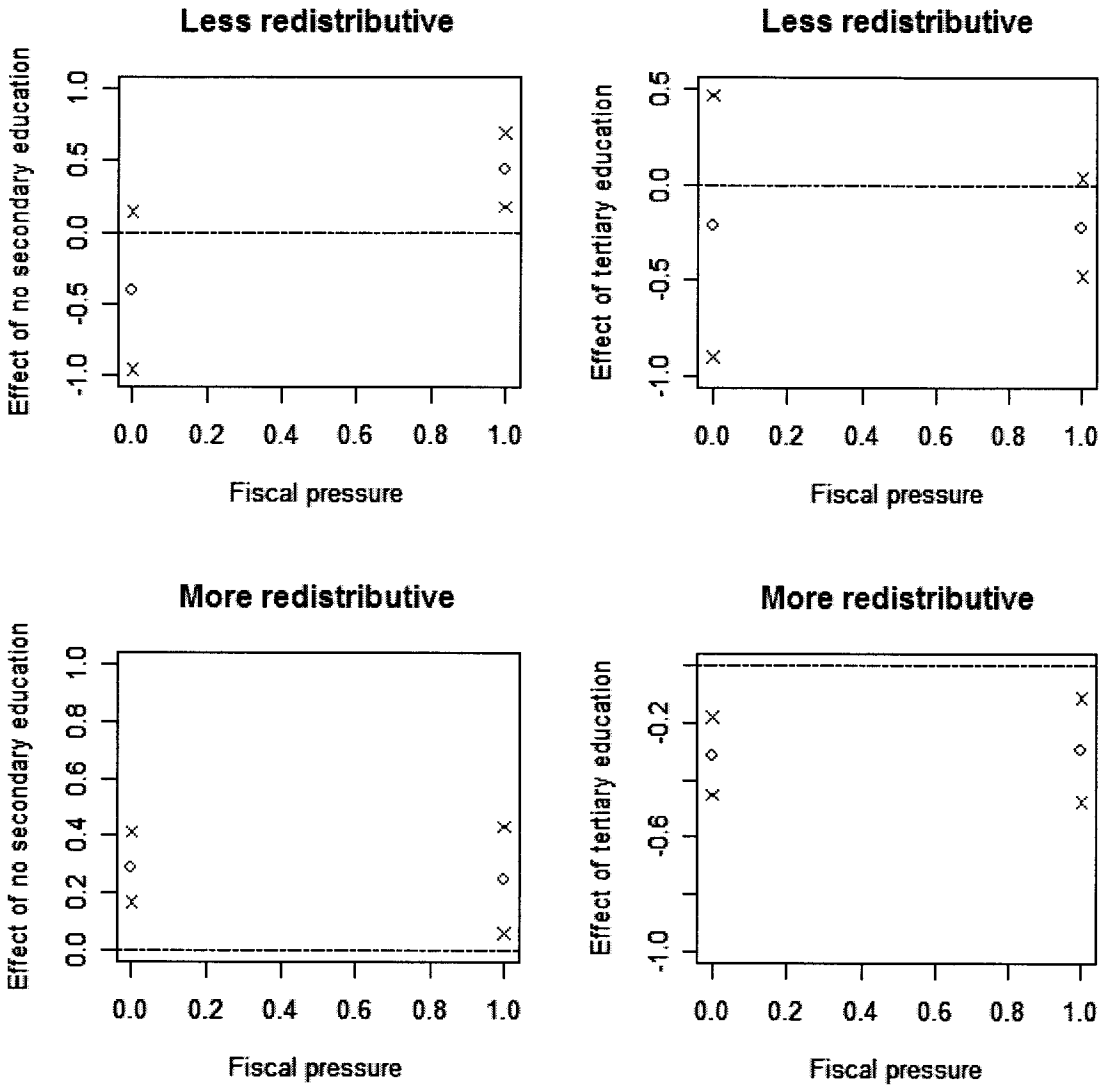
Though Table 2-6 shows the relationship between welfare development, fiscal pressure, and public attitudes toward migrants, running interaction terms made with three variables makes the coefficients unstable and even unreliable (Johnston 1972). Thus, instead of including interaction terms with all the three variables, I divide the data into two groups according to welfare changes, run the two-variable interaction term models used in Table 2-5, and calculate the conditional coefficients and standard errors.[30] The results are summarized in Figure 2-4 to 2-6.[31]

The Figure 2-4 shows that the fiscal pressure makes uneducated people more negative on migrants when their countries become less redistributive (upper-left graph). Educated people become more negative when their countries become more redistributive, but the change is very marginal (down-right graph). The fiscal pressure effect on uneducated people in welfare retrenchment countries is also clear in Figure 2-5 and 6(upper-left graphs). Also in Figure 2-6, while educated people in welfare sustenance countries are more generous than other people when the fiscal pressure is weak, the strong fiscal pressure makes the difference between educated people and other people insignificant (down-right graph).

In sum, the fiscal pressure from migrants makes people in migrant-receiving countries more negative towards migrants. Contrary to the findings by Hanson, Scheve, and Slaughter (2007), people other than highly educated people are also affected by the

[29] Some coefficients tell us that the fiscal pressure positively affects educated people in welfare retrenchment countries and uneducated people in welfare sustenance countries.
[30] Only the variable number was used.
[31] Welfare expenditure change was used to indicate welfare efforts in Figure 2-4. Government partisanship was used in Figure 2-5 and income tax structure in Figure 2-6.

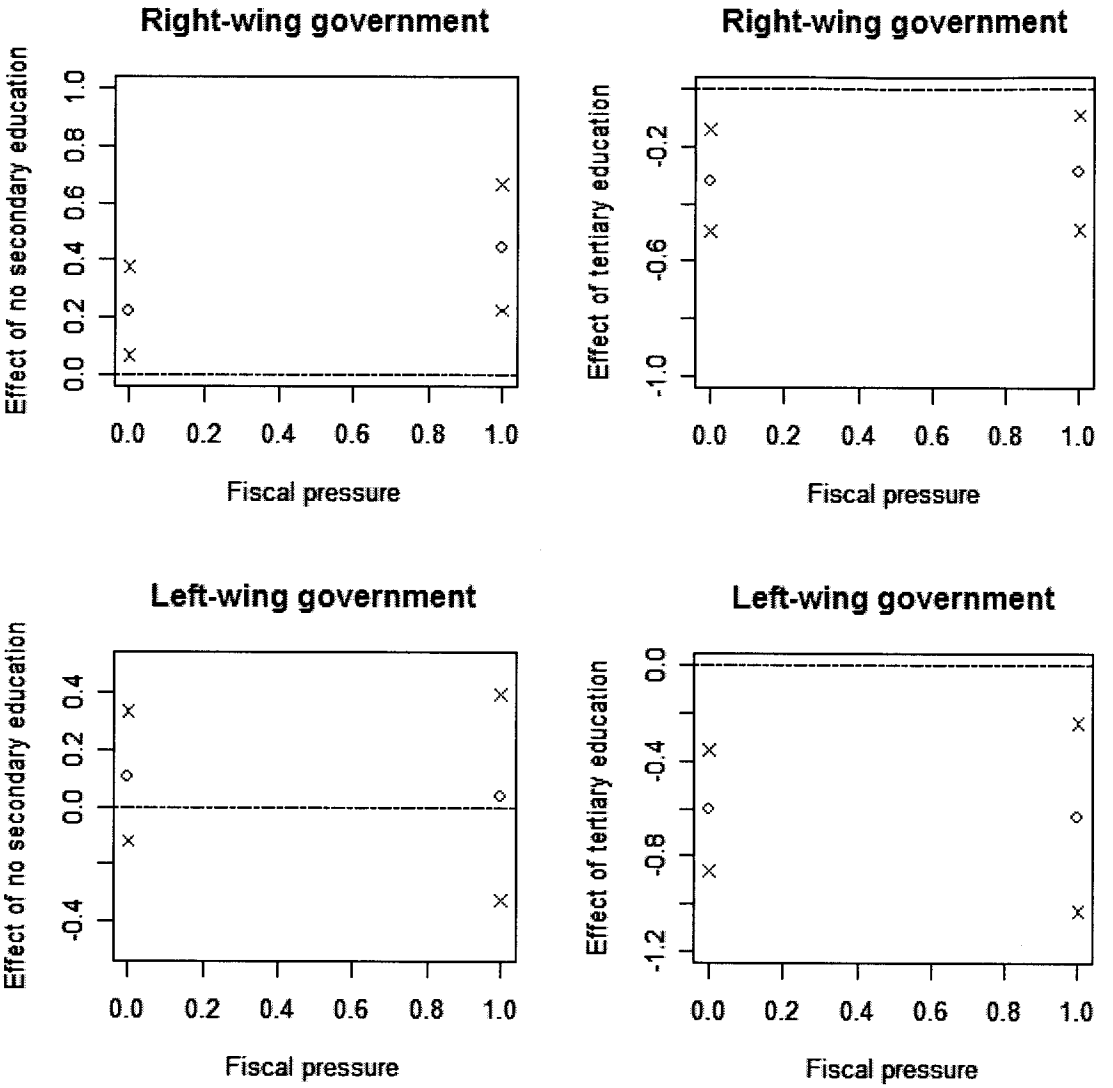
<Figure 2-4> Redistribution, fiscal pressure, and conditional effects of education (1)[32]



fiscal pressure. Moreover, the results imply that welfare efforts of countries from the past decide whose public attitudes toward migrants are more affected by the pressure. In countries which tried to sustain their welfare system, the fiscal pressure makes the

[32] Redistributive efforts were measured with the changes in welfare expenditure and income tax rates for low income workers.

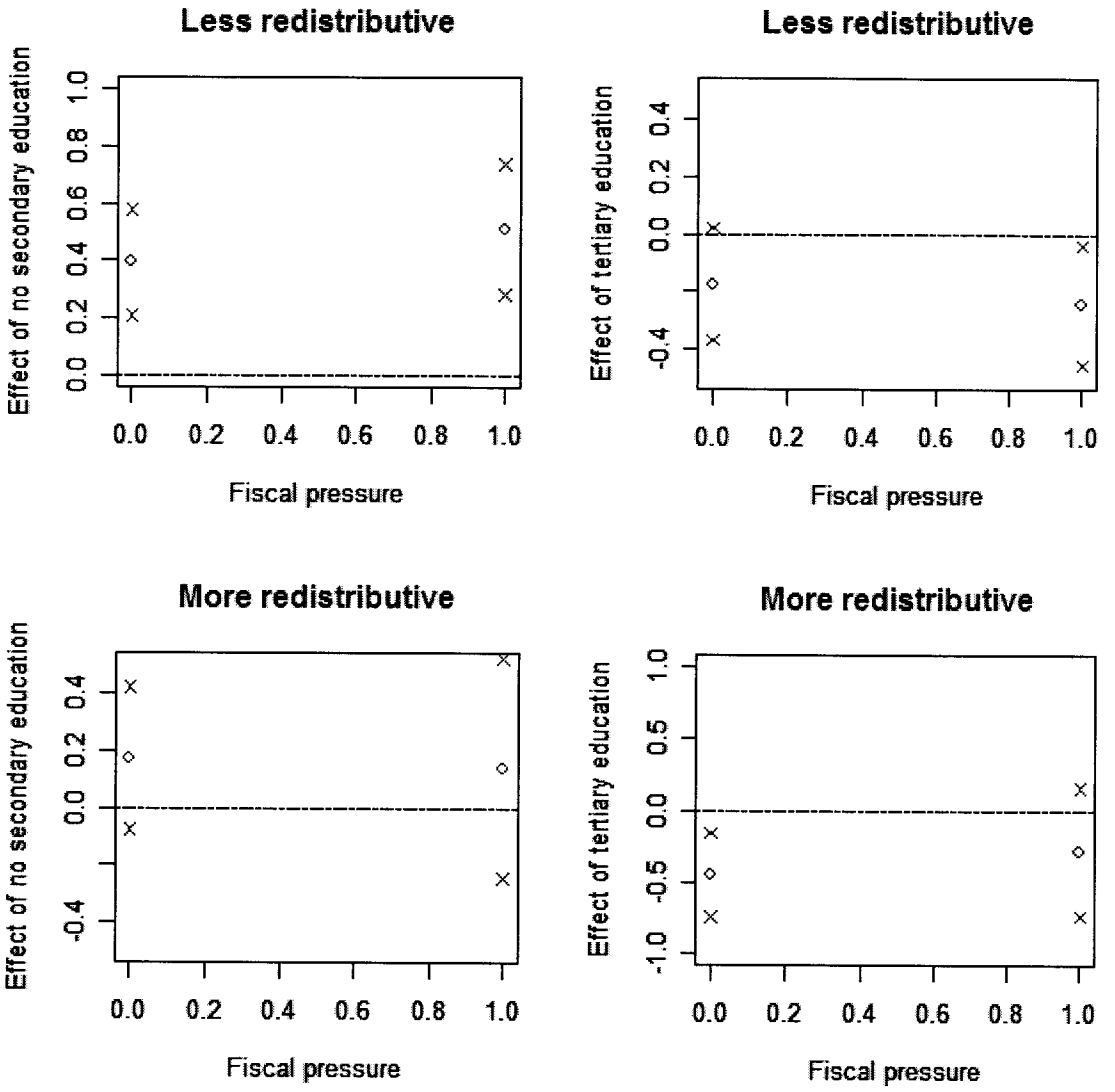
<Figure 2-5> Redistribution, fiscal pressure, and conditional effects of education (2)[33]



attitudes of highly educated people more negative because of the increased tax burden on them. In contrast, the effect of fiscal pressure concentrates on uneducated people in countries where grave welfare retrenchment has taken place because the retrenchment has

[33] Redistributive efforts were measured with the average of government partisanship scores..

<Figure 2-6> Redistribution, fiscal pressure, and conditional effects of education (3)[34]



made economic conditions more pressing on their lives.

Conclusion

[34] Redistributive efforts were measured with the changes in the progressiveness of income tax rates.

Economic rationales shape public attitudes toward migrants. This chapter found that fiscal aspects of migration as well as its labor market aspects play a role in shaping public attitudes. Fiscal effects of migrants differ among countries. Generally speaking, countries that have a large number of unskilled migrants will have a larger pressure than other countries because the migrants tend to rely on welfare programs more than highly skilled migrants do. Also, given that migrants are more unskilled than native people, countries with generous welfare systems will suffer from the pressure more than other countries.

This chapter found that public attitudes toward migrants are more negative in countries where the fiscal pressure is expected to be considerable. One previous study found that the fiscal pressure particularly interacts with highly educated people because they were upset by the increased burden on themselves to sustain the welfare system (Hanson, Scheve, and Slaughter 2007). However, this chapter assumes that we have a reasonable basis to believe that uneducated people are also affected by the fiscal pressure. If their countries have gone through substantial welfare retrenchment for whatever reason, they might blame migrants as well as any other factors for the retrenchment, and their attitudes toward migrants can also become more negative.

Empirical results support the conjecture. The fiscal pressure interacts with uneducated people particularly in countries of welfare retrenchment. In contrast, the pressure interacts with the attitudes of highly educated people in countries where substantial welfare efforts were maintained.

The results help us to have a better understanding of public attitudes toward migration in

two ways. First, it helps us to understand why public attitudes toward migration are usually more negative than those toward free trade. Unlike free trade, fiscal effects as well as labor market effects are considerable in shaping public attitudes (Hanson 2005). Second, while highly educated people are believed to be generous to foreign people due to their advantages in labor markets and/or more cosmopolitan views, the fiscal pressure from migrants gives a reasonable economic ground for highly educated people to dislike migrants.

Chapter 3

Saving Public Pension: Labor Migration Effect on the Public Pension System

> Demography and economics together suggest that Europe might do better to open its doors wider. Europeans now live longer and have fewer babies than they used to. The burden of a growing host of elderly people is shifting on to a dwindling number of young shoulders.[1]

> Migrants to the UK bring valuable skills and ideas with them and help to fill job vacancies where Britons are unable or unwilling to do so. Their taxes help pay for our public services and our pensions (Susan Anderson, The Confederation of British Industry director of human resources policy).[2]

Many countries with advanced economies now have difficulty sustaining their pension system. As the labor market structure was changed in the postindustrial era, the share of part-time workers was increased. Also, workers came to have more career interruptions for re-training. Thus, the pension system based on the standard labor market structure in the 1950s became inappropriate for the new labor market structure.

Another important source of pressure on pension programs is population aging.[3] The development of population aging has caused a problem of imbalance between the contributors and recipients of pension programs.[4] As the share of old retirees increased,

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[1] *The Economist*, February 15, 1992
[2] *The Independent*, January 3, 2007
[3] Besides the changes in the labor market structure and demographic composition, financial globalization has been told to be a source of pressure on public pension. As the international financial market was integrated, due to the de-regularization of international financial markets and the development of information and communication technologies, investors are able to move their assets across countries more easily, faster, and with lower costs. Because investors want to invest their funds in countries where they expect the largest post-tax profits, financial globalization has led to countries' reluctance to maintain high levels of taxes, social contributions, and welfare benefits (Boloni 2003).
[4] The population aging problem will be detailed in the next chapter.

the cost to sustain the pension system also increased. In contrast, the decrease in the share of young working people has shrunk the financial sources for pension programs.[5]

Thus, many countries have tried to change the structure of their pension systems and/or decrease the pension expenditure. In France, the Balladur government reformed the pension program for employees in the private sectors in 1993. It changed the calculation reference of the benefit level and made the qualifications for benefit receipt stricter.[6] Also, the necessary period of contribution to be eligible for pension benefits was increased from 37.5 years to 40 years.[7] The French governments have also attempted to develop a private pension system. The Juppé government introduced the Thomas law in 1997, a non-obligatory private savings scheme for workers in the private sector.[8] Also, recent French governments have created programs which encourage employees to save money using private pension insurance (Mandin and Palier 2005).[9][10]

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[5] Such disparity in the balance sheet causes serious problems particularly in the pay-as-you-go (PAYG) system where current contribution is used for current benefits. In countries that use this system, such as France and Germany, population aging has made the size of contributors smaller and the size of benefit recipients larger at the same time. Consequently, population aging brought about pressure on pension resources, leading to the pension reforms of the 1990s. However, the pressure on the pension system is not limited to just the countries with the pay-as-you-go system. One aspect of the aging problem is extended life expectancy. As people live longer after retirement, the period of benefit receipt also becomes prolonged. Thus, even the private pension system where current benefits are funded by previous contribution comes under pressure from the aging problem (Boloni and Shinkawa 2005). A study found that a rise in life expectancy of four years increases the price of annuities by 18 percent (Merrill Lynch 2000).

[6] Before the reform, the benefit was calculated with the wages of the best 10 years. However, the benefit came to be made with the wages of the best 25 years, resulting in the reduction of benefits in most cases.

[7] The reforms were also extended to the public sectors by the Raffarin government in 2003.

[8] However, the law was repealed by the following government.

[9] The *plans partenariaus d'épargne salariale volontaire* (partnership voluntary wage-earners' saving plans, PPESV) introduced by the Jospin government provided an incentive by making the savings tax-exempted. The Raffarin government transformed the PPESV into more pension-oriented PERCO (*plans partenarial d'épargne salariale volontaire pour la retraite,* partnership voluntary wage-earners' retirement plans).

[10] The pension reforms became an essential political issue and faced fierce opposition in European countries. The reforms by the Raffarin government in 2003 caused a series of 24-hour strikes by transport and energy workers. In the same year in Austria, the government's plan to reduce pension benefits and raise the retirement age invoked the country's biggest strike since decades and the protests of hundreds of thousands of people.

Besides reforming the pension system, one alternative has also been considered to alleviate the population aging and pension problems: international migration. Because migrants to European countries are younger than native people, international migration has been believed to deter population aging and thus help to ease the pressure on public pension.[11] For example, Bernd Raffelhüschen, a member of a German governmental commission studying pension reforms, stated that age-specific immigration, that is, the immigration of young people at 20 or 30, would be helpful in solving German pension problems.[12] A French official reported in the *Economist* is found to have the same voice. An official at the French social-affairs ministry stated, "it is absolutely clear that, because of demographics, we will have to open the tap of immigration. We cannot avoid it, even if we wanted to."[13] In Italy, the 'oldest' country in Europe, the president of the Banca d'Italia (the Bank of Italy) also commented on pensions under the headline "It will be immigrants who save Italians," that only a great number of foreign people can defend the country against the aging population and the pension crises (Calavita 2004).

Though the effect of migration on the pension system was theoretically presented, mathematically proved, politically argued, and suggested as a policy alternative, comparative empirical studies have rarely been done. Therefore, this chapter attempts to

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[11] In fact, there have been many debates on whether international migration really helps to solve these problems, and many studies argue that the number of migrants needed to solve the population problems is out of reach. For example, a study estimated that European countries need to admit twice more working-age migrants to solve the population problems (Grant et al 2004). The migration level seems to be unrealistic when it is considered that the European countries are already going through many political, economic, and social problems due to foreign people. However, many other studies conclude that though international migration may not "offset" the population problem by itself, it can alleviate the problem to a certain degree (Börsch-Supan 1994; Coleman 1995; Storesletten 2000; UN 2000; Grant et al 2004; Krieger 2005).

[12] *New York Times*, June 29, 2003

[13] *The Economist*, February 15, 1992

test the pension system effect of international migration using quantitative panel data and statistical methods. In particular, this chapter tests how the inflow of foreign workers affects pension benefit levels and the development of private pension.

Literature review on international migration and public pension

Scholars began to see the effects of international migration on welfare programs only recently.[14] Moreover, the fiscal effects of migrants on the general welfare systems are not straightforward. The fiscal effects may vary depending on the characteristics of migrants and the welfare systems of host countries.[15] In addition to the question of whether migrants are net contributors to or net burdens on host countries, it is also not clear whether the acceptance of migrants leads to increase or decrease of welfare spending because we can observe multiple pathways between international migration and welfare spending.[16] Despite the complication, many studies tried to estimate the fiscal

[14] The only exception will be Freeman (1986). He presented how international migration could change the social welfare systems of developed, particularly European, countries. Despite its early contribution, however, it lacks empirical evidence either quantitatively or qualitatively.

[15] For example, highly skilled migrants are more likely to be net contributors than unskilled migrants because of their higher wage rates and lower unemployment risk (Razin and Sadka 2005). Also, fiscal institutions such as whether foreign workers pay the same rates of taxes with native workers and whether migrants have access to welfare benefits will bring in variation in the fiscal effects of migration (Hanson 2005). Boeri, Hanson, and McCormick (2002) surveyed and compared the welfare dependency of European Union citizens and migrants from non-EU countries. Their results show that migrants' dependency relies on their characteristics, such as education or skill level, language ability, age, and family size. The differences in migrants' characteristics make some migrants —particularly less-educated and older migrants with larger families— more dependent on welfare programs than others.

[16] The multiple links are well summarized in Soroka, Banting, and Johnston (2006). According to them, migration can increase welfare spending levels at least in the short term because migrants are more dependent on welfare benefits, particularly unemployment insurance and childcare benefits. However, migration may decrease the levels, particularly in the long run, because it reduces support for generous welfare systems and/or increases support for right-wing parties which are tightfisted on welfare programs.

effects of migration on the welfare systems, but could not reach an agreement. While some studies concluded that current patterns of migration to developed countries contributed to the welfare systems, other studies found that current migrants were net burdens on host countries.[17] However, we can observe at least one common finding among the studies; whether the fiscal effect is positive or negative, it is very marginal. After a thorough survey of studies on fiscal effects of migration, Coleman and Rowthorn (2004) concluded that the fiscal effects were not larger than ±1% of GDP.[18]

Though the fiscal effects of migration on the overall welfare systems are found to be uncertain or no more than small, the migration effect on a welfare program seems to be clear and substantial: public pension. Razin and Sadka (1999) and Razin and Sadka (2000) are most frequently quoted works which mathematically proved that pensioners could benefit from contemporaneous migrants, either highly skilled or unskilled.[19] The basic rationale is as follows. New migrants of working ages are net contributors to the

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Migration can decrease the spending levels also by introducing political backlash against migrants and thus withdrawing welfare benefits to migrants.

[17] In the United States, current migrants are net contributors by Lee and Miller (2000) and Storesletten (2000), but can be net burdens by Auerbach and Oreopoulos (2000). In Europe, while Coleman and Rowthorn (2004) on the United Kingdom and Weber and Straubhaar (1996) on Switzerland concluded that an average migrant in these countries was a net contributor, Wadensjö (1999), Pederson (2002), and Schou (2006) on Denmark, Ekberg (1999) and Storesletten (2003) on Sweden, and Roodenburg et al (2003) on Netherlands argued that an average migrant was a net burden.

[18] There are other studies that investigated indirect effects of migration on the welfare systems. Jesuit and Mahler (2004) argued that migration caused the contraction of welfare through the rise of right-wing parties. Also, Crepaz (2005) argued that both migration and social welfare were related with social trust, solidarity, and fraternity. Therefore, migration decreases the social trust, increases nativism, and reduces the support for social welfare. Finally, Alesina and Glaeser (2004) and Roemer, Lee, Van der Straeten (2007) provided a theoretical explanation on the negative effect of migration on welfare programs. According to them, migration changes the political equilibrium on redistribution policies and then causes welfare retrenchment in the long run. The inflow of foreign people, particularly people with different races, reduces the support for redistributive policies because the strangers become beneficiaries of social services.

[19] Though public pension is just one of many welfare programs in advanced economies, it is usually the biggest program. More than 30% of social spending was used for the old age pension program in 2002 in European developed countries, compared to 26% for health care and 6% for unemployment insurance.

public pension systems because they pay taxes and social security contributions but do not receive benefits. Thus, current pensioners benefit from the current inflow of new migrants. In the next period, the migrants retire, receive pension benefits, and become net beneficiaries of the pension systems. The present value of benefits given to the migrants may exceed the contributions they have made while working.

However, there is another fact to be considered; their children are now in labor force, thus making contributions which may be enough to compensate the pension benefits received by their parents.[20] Their model assumes the infinite horizon of the economy. Thus, the burden from migrant pensioners is transferred to the next generations indefinitely if there are constant inflows of migration. Many following studies tested the model with loosing their assumptions, but most of the studies agreed with the basic arguments and findings of the model.[21]

Another group of studies went further than proving the effects, simulated the mathematical models using real data, and presented quantified effects of migration on the pension system. Though specific estimates vary across studies depending on methods, models, and assumptions they employed, most of the studies presented positive effects of migration on the pension system. Lee and Miller (2000) concluded that additional

[20] In other words, providing pension benefits to migrant retirees does not tax the children of native people.
[21] For example, the arrival of new foreign workers decreases wage rates, and the decrease can reduce revenues for pension contributions. However, Kemnitz (2003) found that pensioners still gained from migration though we took into account the reduced wage rates caused by migration. In addition, Krieger (2004) argued that if migrants had the same fertility rate as native people, the contribution would be reduced and the positive effect of migration would be offset. However, a survey shows that migrants, particularly those from non-European countries, have more children than native people do in every European developed countries (Boeri, Hanson, and McCormick 2002). The differences are substantial. Migrants have twice more children than native people in some countries like Germany, Denmark, Netherlands, France, and the United Kingdom. Therefore, the assumption of the same fertility rate is not reasonable.

100,000 immigrants to the United States admitted each year had positive effects on OASDI (Old-Age, Survivors, and Disability Insurance): 0.8% of OASDI payroll taxes. The positive impacts can become greater when other assumptions like productivity growth and selective immigration policies for highly skilled immigrants are considered.

Migration was found to have positive effects on the pension systems also in Europe. Sinn (2001) calculated the monetary effect of immigrants and concluded that the monetary effect of one average immigrant on the German pension system was $175,000. Börsch-Supan (1994) projected that the contributions from migrants in Germany could lead to reducing the increase in the contribution rates to the public pension system by 60%.

Beyond the single-country studies presented above, Dang, Antolin, and Oxley (2001) performed cross-country sensitivity analyses on OECD countries and found that a hypothetical high migration scenario could hold the percentage of pension spending out of GDP constant between 2000 and 2050.[22] Bongaarts (2004) also found that an increase in the annual net migration of 1 per 1,000 population reduces, on average, the pension expenditure ratio by 5% in 2050 in OECD countries.

Though these studies presented mathematical models and simulated projections on the effects of migration on the pension systems, we can hardly find studies on how migration has actually affected the pension systems in the last decades. Also, a literature review shows that we need more cross-country evidence to have clearer understanding on

[22] Though the numbers of migrants suggested in the scenario had been considered unrealistic when the study was done, the actual inflow of migrants turned out to be larger than the numbers in the scenario (Leibfritz, O'Brien, and Dumont 2003). For example, the number of net migrants to Belgium had been assumed to be 22,500 in 2050 in the scenario, but the number in 2004 was already 30,000. In Italy, the actual number was 250,000, compared with 120,000 in the scenario

the migration effect on public pension. As the survey on the effects of migration on the overall welfare systems shows, variation in domestic political, economic, and social conditions, such as differences in the labor market structure and the welfare systems, may bring in differences in the migration effects on the pension system. This makes a cross-country approach necessary. Thus, this chapter attempts to examine the effect of international migration on the public pension system using a cross-country panel data analysis.

Hypotheses

As was summarized in the previous section, the inflow of new migrants is expected to contribute to the public pension system. As Table 3-1 shows, migrants are younger than native people in most of the European countries. One reason is that old-age discourages migration. When migration decision is a decision between an expected value of staying in a home country and that of moving to a new place, old people are dissuaded from migrating because the period of a higher income in a host country is short.[23] Because most of the new migrants are young, they rarely receive pension benefits. For that reason, migrants in general are much less dependent on public pension (Table 3-1).[24]

[23] The relationship between age and a migration incentive is actually expected to be curved. A study of decisions on migration from Mexico to the U.S. found that migration is most likely to be decided by people of 20-30 years of age (Stark and Taylor 1991).

[24] It does not mean that migrants depend less on welfare programs in general than native people do. Studies on migrants' welfare dependency in Germany concluded that though migrants were generally more dependent on welfare programs than natives, the two groups were not dissimilar in their welfare dependency if their education or skill levels were controlled (Riphahn 1998; Bird, Kayser, and Frick 1999; Fertig and Schmidt 2001; Castronova, Kayser, Frick, and Wagner 2001). However, studies on other countries concluded that migrants were more dependent on the welfare system even after their low

There are more reasons for migrants' low participation rates in the pension systems besides their young ages. Old migrants who have resided in host countries for a long time and have retired sometimes return to their home countries without receiving pension benefits from the host countries.[25] Migrants are also less likely to be eligible for pension benefits than native people because of their short working history in host countries (Gott and Johnston 2002).

<Table 3-1> Ages and pension participation rates of non-EU migrants and EU nationals

Country	Average age			Pension participation rate		
	EU citizens	Non-EU migrants	Difference	EU citizens	Non-EU migrants	Difference
Austria	48.3	37.7	-10.6	21	3	-18
Belgium	47.9	45.4	-2.5	21.1	15	-6.1
Denmark	47.7	39.9	-7.8	21	3.1	-17.9
Finland	46.9	39.5	-7.4	18.4	5.7	-12.7
France	47.3	43.7	-3.6	22.8	10	-12.8
Germany	48.1	39.5	-8.6	N/A	N/A	N/A
Greece	46.9	47.5	0.6	23.6	21.4	-2.2
Netherlands	46.8	39.1	-7.7	18.8	3.9	-14.9
Portugal	49.9	43.6	-6.3	24.6	18.2	-6.4
Spain	49.7	42.4	-7.3	15.8	4.9	-10.9
UK	49.0	40.3	-8.7	26.8	3.45	-23.35

Source: *European Community Household Panel*, 1995-1996, summarized by Beori, Hanson, and McCormick (2002)

education or skill levels were controlled (Hansen and Lofstrom 1999; Boeri, Hanson, and McCormick 2002). Some unobservable characteristics, such as discrimination in labor markets and unobservable individual ability, are believed to make migrants more likely to receive welfare benefits.

[25] Literature suggests that economic consideration, such as differences in consumption prices and return to skill that was acquired in host countries, has the largest impact on the decision to return (Dustmann and Weiss 2007). Waldorf (1995) and Dustmann (1996) also found through survey data analyses that job and income satisfaction, employment status, length of stay in host countries, and marital status affected return intentions.

Though only a trivial number of migrants receive pension benefits, most of them are not exempt from paying for social security contributions if they are employed. As a result, though the overall impact of migrants on the welfare system is controversial, the pension systems are believed to be helped out by the inflow of migrants, particularly those who are active in labor markets (Alvarado and Creedy; Razin and Sadka 1999; Lee and Miller 2000; Razin and Sadka 2000; Dang, Antolin, and Oxley 2001)[26]. In particular, if we focus only on foreign workers, the positive effect will be more evident and more substantial because we can exclude non-working migrants such as family members and asylum seekers. Thus, my first hypothesis suggests that the migration of foreign workers alleviates the pressure on the public pension system by providing financial resources for the system.

H_1: The inflow of foreign workers eases the pressure on the public pension systems.

Most of developed countries have gone through the pension crises because of population aging, the changes in the labor market, and globalization. However, countries with the Bismarckian pension system are believed to face the crises more seriously.[27]

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[26] For example, Dang, Antolin, and Oxley (2001) performed sensitivity analyses and found that a hypothetical high migration scenario can hold the percentage of pension spending out of GDP constant between 2000 and 2050. Though the numbers of migrants suggested in the scenario had been considered unrealistic when the study was done, the actual inflow of migrants turned out to be larger than the numbers in the scenario (Leibfritz, O'Brien, and Dumont 2003). For example, the number of net migrants to Belgium had been assumed to be 22,500 in 2050 in the scenario, but the number in 2004 was already 30,000. In Italy, the actual number was 250,000, compared with 120,000 in the scenario.

[27] There are multiple ways to categorize public pension systems, such as Bismarckian vs Beveridgean system or social insurance vs multi-pillar system. Also, different pension systems have converged to a degree while they went through the pension crisis after the 1990s. However, Bonoli (2000) states that we

First, many of the countries with the Bismarckian system employ the PAYG (pay-as-you-go) system where current benefits are funded by current contributions. Thus, population aging creates more substantial problems of imbalance between working-age contributors and retired beneficiaries in these countries (Schludi 2005). Second, the size of public pension is larger in these countries.[28] Pension contribution rates are also higher in these countries to maintain the larger pension funds. Higher pension contribution rates increase labor costs, and high labor costs become a target of international investors, finance sectors, and employers (Bonoli and Shinkawa 2005). Thus, these countries are under the pressure to lower the contribution rates and shrink the size of public pension.

If Bismarckian countries have suffered more from the pension crisis, the countries may gain more from the inflow of new migrants. In particular, because current benefits are funded by current contributions in Bismarckian countries, the effect of migration on public pension will be more direct and more considerable in these countries (Kemnitz 2003). Thus, this chapter also suggests that the contribution of labor migration to the public pension system will be larger in Bismarckian countries.

H_2: The positive effect of labor migration on the public pension systems is greater in countries with the Bismarckian public pension system.

The next sections will test these hypotheses using quantitative data analyses with statistical methods. First, I present the case and variables that I use.

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can still find basic differences between the Bismarckian system that is based on the PAYG system and a trivial role of private pension and the Beveridgean funded system where private pension plays a critical role.

[28] Spending on the public pension system is more than 10% of GDP in typical Bismarckian countries like Germany, France, and Austria. However, it is about 5-7% of GDP in Beveridgean countries like Denmark, Netherlands, and Switzerland.

Case and Variables

Case

I study fourteen developed European countries.[29] I focus only on European countries because OECD data on migration has different criteria between labor migrants in non-European countries and those in European ones: the stock of foreign-born workers for non-European countries and that of foreign workers for European ones. Thus, the two data groups cannot be put together in the same analysis because they do not indicate exactly the same thing. The period from 1980 to 2000 is tested because of data availability.

Variables

This chapter examines whether international migration has contributed to the pension system. To measure the pressure on the public pension system, I use pension benefit levels as well as the size of private pension funds. Thus, this chapter first assumes that the decrease of benefit levels indicates heavy pressure on the pension system.[30] Then, the positive effects of labor migration on benefit levels can be interpreted as contribution to the pension system. This chapter also assumes that the expansion of private pension implies pressure on the public pension system. Then, the negative effects on the size of

[29] The countries are: Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, Netherlands, Norway, Portugal, Spain, Sweden, and the U.K.

[30] The revenue side, such as contribution rates, as well as the expenditure side, such as benefit levels, can be used, too. However, the pension contribution rates in European countries have rarely been changed since the 1980s. The contribution rate, therefore, is not employed in this paper.

private pension can be understood as contribution to the public pension system. Can these assumptions be justified?

The pension reforms by European countries show that the reduction of benefit levels and increased roles of private pension were main policy goals or major consequences of the reforms. Reducing benefit levels was a main part of the pension reforms because benefit levels directly decide expenditure size. Therefore, the German pension reform in 1992 made a specific goal on the reduction of the benefit level by suggesting a plan to reduce the pension replacement rate from about 70 percent to 64 percent (Bonoli 2003). Also, though Italian reforms in the late 1990s and in the early twenty first century did not propose a specific reduction plan, the new benefit calculation formula was expected to reduce the gross replacement rate by 17.5 points (Ferrera and Jessoula 2005).

The creation or the expansion of a private pillar of the pension system was another tool for easing the pressure on public pension. Whether mandatory or voluntary, funded private pension schemes were expected to diversify the sources of pensioners' income, reduce the role of public pension, and thus alleviate the pension crisis. The British Thatcher government eagerly sought to expand a private pillar. Based on the estimation on continuing population aging and increasing pension contribution rates, it passed the Social Security Act in 1986 that expanded private provision as well as reduced the role of the earnings-related public pension (the State Earnings Related Pension

Scheme - SERPS).[31] Consequently, the size of private pension funds was increased by 50% from 1986 to 1997. Also, 60% of pensioners' household incomes came from state pensions and 11% from private pensions in 1979. However, the share of the earnings from state pensions was decreased to 52% while that from private pensions was increased to 14% in 1999 (Taylor-Gooby 2005). Thus, because reducing benefit levels and switching to private pension were main policy tools of the pension reforms, I assume that the changes in public pension benefit levels and private pension sizes indicate the magnitude of pressure on public pension.

On the benefit levels, this chapter uses pension data which directly measures the generosity of pension benefits instead of using spending data. Spending data may be misleading because it is affected by the number of recipients and business cycles as well as by benefit levels (Allan and Scruggs 2004). For this reason, I borrow Scruggs' data of pension replacement rates for my dependent variable (***replacement***).[32] Replacement rates are the percentage of original income workers can receive in the case of unemployment, sickness, or retirement.[33] On the size of private pension, this chapter uses the size of private pension assets, as a percentage of GDP. The data is from OECD, *Global Pension Statistics* (***private***).[34]

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[31] By the new act, workers could opt out of the SERPS and use the money to fund personal pension. The act also abolished the best 20 years provision in the SERPS and reduced the actual replacement rate from 25 percent to 20 percent (Penneck and Lewis 2005).

[32] He constructs the replacement rates of three social welfare programs: unemployment benefit, sickness insurance, and pension. The comparison between these data and spending data shows that spending is not a good indicator for policy levels. The correlation between the changes of spending on unemployment benefits and those of unemployment benefit replacement rates from 1981 to 2002 is 0.1341. Sickness insurance correlation is 0.1017 and pension correlation is only 0.0364.

[33] Scruggs' data does not include Portugal and Spain. The two countries are therefore excluded in the analyses for pension replacement rates.

[34] Because of data availability, only the period of the 1990s is included in the analyses for private pension.

The first main independent variable is the number of foreign workers. The variable ***foreign*** is the number of foreign workers, measured by the percentage of the total labor force. This chapter also hypothesizes that the contribution of labor migration to the public pension systems is greater in the Bismarckian public pension systems. Bonoli and Shinkawa (2005) argued that countries with the Bismarckian pension systems had been under stronger pressure for retrenchment than those with the Beveridgean systmes because of higher pension contribution and replacement rates and the PAYG (pay-as-you-go) system where current benefits are funded by current contributions.

However, there is no clear-cut separation between Bismarckian and Beveridgean countries. Though there are some typical Bismarckian or Beveridgean systems, many countries have the aspects of both of the pension systems.[35] Therefore, this chapter uses two different measurements to indicate the characteristics of the Bismarckian pension system. First, an important aspect of the Bismarckian pension system is intra-generational income redistribution. Because current benefits to old people are funded by current contributions by young people, there is a high level of intra-generational income redistribution. Krieger and Traub (2008) made Bismarckian factor scores based on the degree of intra-generational income redistribution. I constructed a binary indicator of the Bismarckian system using their intra-generational income redistribution scores (***intra-generation***). The second major feature of the Bismarckian pension system is that the system has maintained larger public pensions systems relative to private pillars than the

[35] In particular, there has been convergence between the two pension systems since the pension reform in the 1990s. In other words, the Bismarckian systems had been based on earning-related coverage programs, but it introduced income-tested pension programs during the reforms. Meanwhile, the Beveridgean systems that had focused on income-tested plans brought in supplementary earning-related coverage plans (Bonoli 2000).

Beveridgean system has done. Thus, the second measurement is the share of public pension out of mandatory pension coverage, weighted by pension replacement rates (***level***).[36]

The choice of control variables follows previous studies. The description and data sources for the variables are in the Appendix A. Descriptive summary statistics are presented in Table 3-2.

<Table 3-2> Data description

Variable	Number of observation	Mean	SD	Minimum	Maximum
Pension replacement rate	252	0.39	0.09	0.17	0.56
Private pension	170	20.2	29.1	0.5	119.3
Foreign workers	260	3.81	2.28	0.03	9.06
Intra-generational income redistribution	294	0.65	0.48	0	1
Public pension level	294	47.9	15.9	30.0	75.6
Left parties	294	5.04	1.78	1.61	10.00
Veto player	289	2.34	1.31	1	6
Corporatism	276	3.49	1.03	1.75	4.75
GDP growth	294	2.65	2.15	-6.39	11.68
Budget deficit	293	-3.87	4.23	-15.75	6.90
Trade	294	72.1	30.4	31.5	183.5
FDI	292	2.50	7.01	-0.67	92.67
Dependency ratio	294	14.49	1.82	10.45	18.21
Deindustrialization	288	76.11	5.27	59.34	85.33
Migrants' pension dependency	142	0.56	0.42	0.003	1.773
?Contribution period	252	0.27	1.55	-23	1
?Retirement age	252	0.05	0.35	0	5

Analysis results

[36] The data is from OECD, *Pensions at a Glance* (2007).

Using time-series cross-national data, I use OLS regression with panel corrected standard errors (PCSE) in the analyses. I include both country dummies and year dummies to control country-specific and year-specific effects. Table 3-3 tests the first hypothesis and shows the results of basic models. Foreign workers contribute to the increase of pension replacement rates. The migrant variable is always statistically significant with positive coefficients. The coefficient of 0.006 means that the 1 % point increase of foreign workers boosts 0.6 % point of the replacement rate. Another interpretation of the coefficient indicates that one standard deviation change in the foreign workers' share will lead to one and a half standard deviation change in the replacement rate. However, the migration effect on the size of private pension is not as strong as that on public pension replacement rates.

Including lagged dependent variables in panel data analyses was criticized as dominating the regression and destroying the effects of other variables particularly when there is heavy trending in exogenous variables and disturbances (Achen 2001; Kittel and Winner 2005; Plümper, Troeger, and Manow 2005). Thus, using auto correlation (AR1) without lagged dependent variables was suggested, and the suggestion was adopted by model (2) and (5). However, there is no considerable change in the results except that labor migration effect on private pension becomes statistically significant with an expected coefficient.

Hero and Preuhs (2007) studied the generosity of the U.S. immigrants' welfare eligibility and welfare benefit levels after the 1996 welfare reform and found that the generous eligibility of immigrants had negatively affected the benefit level. If more

<Table 3-3> Basic models of labor migration and public pension

Dependent variable	(1)	(2)	(3)	(4)	(5)	(6)
	Replacement rate			Private pension		
Lagged dependent variable	**0.62*** **		**0.56*** **	**0.86*** **		**0.86*** **
	(0.07)		(0.07)	(0.07)		(0.07)
Labor migrants (t-1)	**0.006*** **	**0.015*** **	**0.014*** **	-0.50	**-3.05*** **	-0.35
	(0.002)	(0.003)	(0.005)	(0.56)	(0.63)	(0.57)
Left parties (t-1)	-0.001	-0.001	-0.001	**-0.52***	-0.11	**-0.53***
	(0.001)	(0.001)	(0.002)	(0.29)	(0.35)	(0.30)
Veto points (t-1)	**0.004***	**0.005****	**0.007***	**1.76*** **	**0.94***	**1.74*** **
	(0.002)	(0.003)	(0.004)	(0.49)	(0.55)	(0.48)
Corporatism (t-1)	-0.03	-0.04	-0.02	-3.52	4.74	-2.68
	(0.02)	(0.03)	(0.04)	(4.45)	(7.38)	(5.23)
GDP growth (t-1)	-0.0005	-0.0005	-0.0023	0.15	0.20	0.14
	(0.0009)	(0.0011)	(0.0019)	(0.31)	(0.30)	(0.30)
Budget deficit (t-1)	**-0.0012*** **	**-0.0015****	-0.0007	0.11	0.08	0.12
	(0.0004)	(0.0007)	(0.0012)	(0.13)	(0.16)	(0.12)
Trade (log, t-1)	-0.001	-0.007	-0.007	-7.94	-22.43	-6.01
	(0.025)	(0.034)	(0.051)	(8.16)	(7.41)	(7.56)
FDI inflow (log, t-1)	-0.003	-0.003	-0.003	-0.50	0.09	-0.53
	(0.002)	(0.002)	(0.005)	(0.50)	(0.47)	(0.44)
Dependency ratio (t-1)	-0.004	-0.004	-0.006	-0.15	**9.38*** **	-0.15
	(0.003)	(0.006)	(0.004)	(0.99)	(1.69)	(1.00)
Deindustrialization (t-1)	**-0.002*** **	**-0.003****	-0.001	-0.16	**2.16*** **	-0.14
	(0.001)	(0.001)	(0.001)	(0.40)	(0.32)	(0.38)
Migrants' pension dependency (t-1)			-0.03			
			(0.04)			
ΔContribution period			-0.01			0.70
			(0.01)			(1.70)
ΔRetirement age			0.01			-0.46
			(0.03)			(1.77)
ΔReplacement rate						9.57
						(13.12)
Constant	**0.41*** **	**0.66*** **	**0.36***	**63.92***	**-199.55*** **	51.99
	(0.09)	(0.16)	(0.19)	(35.16)	(53.44)	(39.50)
N	215	215	135	125	133	125
R^2	0.9642	0.9154	0.9203	0.9946	0.9045	0.9947
rho		0.46			0.60	

Note: *** indicates |p|<.01; ** indicates |p|<.05; * indicates |p|<.1

† Standard errors are in parentheses.

†† Country dummies and year dummies are included.

immigrants benefit from the welfare system, they argue, native people do not want to have a high level of welfare benefits because the immigrants will exploit it. However, the variable of migrants' pension dependency in model (3) does not turn out to be significant. Model (3) and (6) also control for the changes in other pension rules such as the contribution period and retirement age. In addition to reducing pension benefit levels, pension reforms may either extend the contribution period required to receive the pension benefits or raise the retirement age to diminish the number of pensioners.[37] However, it seems that there is no substitute effect between different pension reform tools.

The results in Table 3-3 show that budget deficit and deindustrialization also matter in deciding pension benefit levels. The budget deficit will place pressure on any efforts to make the pension system more generous. As Bonoli (2003) and Iversen (2005) argue, deindustrialization has made the European pension system less sustainable which is based on the standard labor market structure from the 1950s. Thus, deindustrialization has decreased pension benefit levels.[38]

Table 3-5 uses different measurements of the dependent variable. The data by Allan and Scruggs (2004) has four different pension replacement rates: minimum pension single person replacement rate, standard pension single person replacement rate, minimum pension couple replacement rate, and standard pension couple replacement rate.

[37] For example, the French reforms extended the contribution period from 37.5 years to 40 years. The new period was applied to private sector employees first in 1993 and extended to public sector employees in 2003. In Italy, the reform in 1992 increased the retirement age for private sector employees from 60 to 65 for men and from 55 to 60 for women. For public sector employees, the rule of 65 was applied to both men and women (Mandin and Palier 2005; Ferrera and Jessoula 2005).

[38] The coefficients of the veto player variable are actually opposite to expectation. In particular, the coefficients are expected to be negative when the dependent variable is the size of private pension because private pension pillars have recently been expanded in European countries, and the number of veto players, in theory, makes policy changes difficult. However, I leave the puzzle for future research.

<Table 3-4> Correlations between pension replacement rates[39]

	mp	sp	mpc	spc
mp	1			
sp	-0.2882	1		
mpc	0.8026	-0.1649	1	
spc	-0.0191	0.8055	0.1017	1

<Table 3-5> Labor migration and pension benefits, different measurements of benefits

	(1)	(2)	(3)
Dependent variable	sp	mpc	spc
Lagged dependent variable	**0.76*** **	**0.61*** **	**0.60*** **
	(0.05)	(0.07)	(0.06)
Labor migrants (t-1)	**0.003***	**0.008*** **	**0.004****
	(0.001)	(0.002)	(0.002)
Left parties (t-1)	-0.0009	-0.0003	0.0004
	(0.0010)	(0.0011)	(0.0011)
Veto points (t-1)	0.0013	0.0028	0.0002
	(0.0021)	(0.0023)	(0.0024)
Corporatism (t-1)	-0.008	0.001	-0.001
	(0.014)	(0.023)	(0.021)
GDP growth (t-1)	0.0001	-0.0002	0.0006
	(0.0009)	(0.0012)	(0.0012)
Budget deficit (t-1)	**-0.0014*** **	**-0.0017*** **	**-0.0016****
	(0.0005)	(0.0005)	(0.0007)
Trade (log, t-1)	-0.002	-0.008	-0.033
	(0.021)	(0.026)	(0.029)
FDI inflow (log, t-1)	**-0.005****	-0.003	**-0.004***
	(0.002)	(0.003)	(0.003)
Dependency ratio (t-1)	-0.002	**-0.007****	-0.002
	(0.002)	(0.003)	(0.002)
Deindustrialization (t-1)	**-0.002*** **	-0.002	-0.001
	(0.001)	(0.001)	(0.001)
Constant	**0.35*** **	**0.41*** **	**0.44****
	(0.12)	(0.13)	(0.19)
N	215	215	215
R^2	0.9885	0.9755	0.9270

Note: *** indicates |p|<.01; ** indicates |p|<.05; * indicates |p|<.1

† Standard errors are in parentheses. †† Country dummies and year dummies are included.

[39] ***mp*** is minimum pension single person replacement rates; ***sp*** is standard pension single person replacement rates; ***mpc*** is minimum pension couple replacement rates; and ***spc*** is standard pension couple replacement rates.

The correlations among the changes of the rates are not always positive (Table 3-4). However, the foreign worker variable is always significant with positive coefficients, and there are no substantial changes in the results of other variables.

Table 3-6 tests the second hypothesis. This chapter hypothesizes that labor migration effects on public pension will be more substantial in countries with the Bismarckian pension systems. Because of its larger reliance on public pillars and its intra-generational income redistribution aspect, the Bismarckian pension systems are believed to get pressure from population aging more than the Beveridgean systems do. Thus, the pressure-reliving effects of labor migration will be larger in the Bismarckian systems. To test the interacting effects of labor migration and pension systems, interaction terms between the two are used in Table 3-6.

The migration variable loses its statistical significance, and the interaction terms are statistically significant only in two models. However, to interpret the interacting relationship, we need to see further than what is in a regression table. Though the migration variable is not significant in Table 4, the coefficients indicate labor migration effects only when the Bismarck variables are zero; in other words, when countries have absolute Beveridgean systems. Also, the interaction terms are often insignificant only because of multicollinearity. Therefore, a more useful as well as reasonable way to interpret the results of interaction terms is calculating coefficients of labor migration variable at each level of the Bismarck variable (Braumoeller 2004). The calculated coefficients are presented in Figure 3-1.

<Table 3-6> Pension system and labor migration effect on public pension

	(1)	(2)	(3)	(4)
Dependent variable	Replacement rate		Private pension	
Bismarck variable	***intra-generation***	***level***	***intra-generation***	***level***
Lagged dependent variable	**0.59*** **	**0.62*** **	**0.83*** **	**0.86*** **
	(0.07)	(0.07)	(0.08)	(0.07)
Labor migrants (t-1)	-0.003	0.001	1.84	-1.38
	(0.004)	(0.007)	(1.13)	(1.82)
Labor migrants x Bismarck (t-1)	**0.0108*** **	0.0001	**-2.83*** **	0.02
	(0.0040)	(0.0001)	(1.09)	(0.05)
Bismarck (t-1)	-0.002	0.001	-1.74	-0.16
	(0.008)	(0.002)	(7.02)	(0.42)
Left parties (t-1)	-0.0003	-0.0009	**-0.75** **	**-0.55***
	(0.0009)	(0.0008)	(0.33)	(0.31)
Veto points (t-1)	**0.004***	**0.004***	**1.74*** **	**1.75*** **
	(0.002)	(0.002)	(0.47)	(0.49)
Corporatism (t-1)	-0.02	-0.03	-5.59	-3.52
	(0.03)	(0.02)	(4.56)	(4.51)
GDP growth (t-1)	-0.0003	-0.0005	0.16	0.16
	(0.0009)	(0.0009)	(0.30)	(0.31)
Budget deficit (t-1)	**-0.0014*** **	**-0.0011** **	**0.22** **	0.13
	(0.0005)	(0.0004)	(0.11)	(0.13)
Trade (log, t-1)	-0.021	-0.003	-0.63	-7.61
	(0.028)	(0.024)	(9.07)	(8.10)
FDI inflow (log, t-1)	-0.004	-0.003	-0.35	-0.49
	(0.002)	(0.002)	(0.50)	(0.50)
Dependency ratio (t-1)	**-0.006***	-0.003	1.09	-0.20
	(0.003)	(0.003)	(1.14)	(0.98)
Deindustrialization (t-1)	**-0.002*** **	**-0.002*** **	-0.24	-0.19
	(0.001)	(0.001)	(0.40)	(0.41)
Constant	**0.64*** **	**0.38*** **	12.41	**73.74***
	(0.16)	(0.11)	(33.85)	(41.07)
N	215	215	125	125
R^2	0.9649	0.9645	0.9950	0.9946

Note: *** indicates |p|<.01; ** indicates |p|<.05; * indicates |p|<.1

† Standard errors are in parentheses.

†† Country dummies and year dummies are included.

<Figure 3-1> Pension system and labor migration effect on public pension

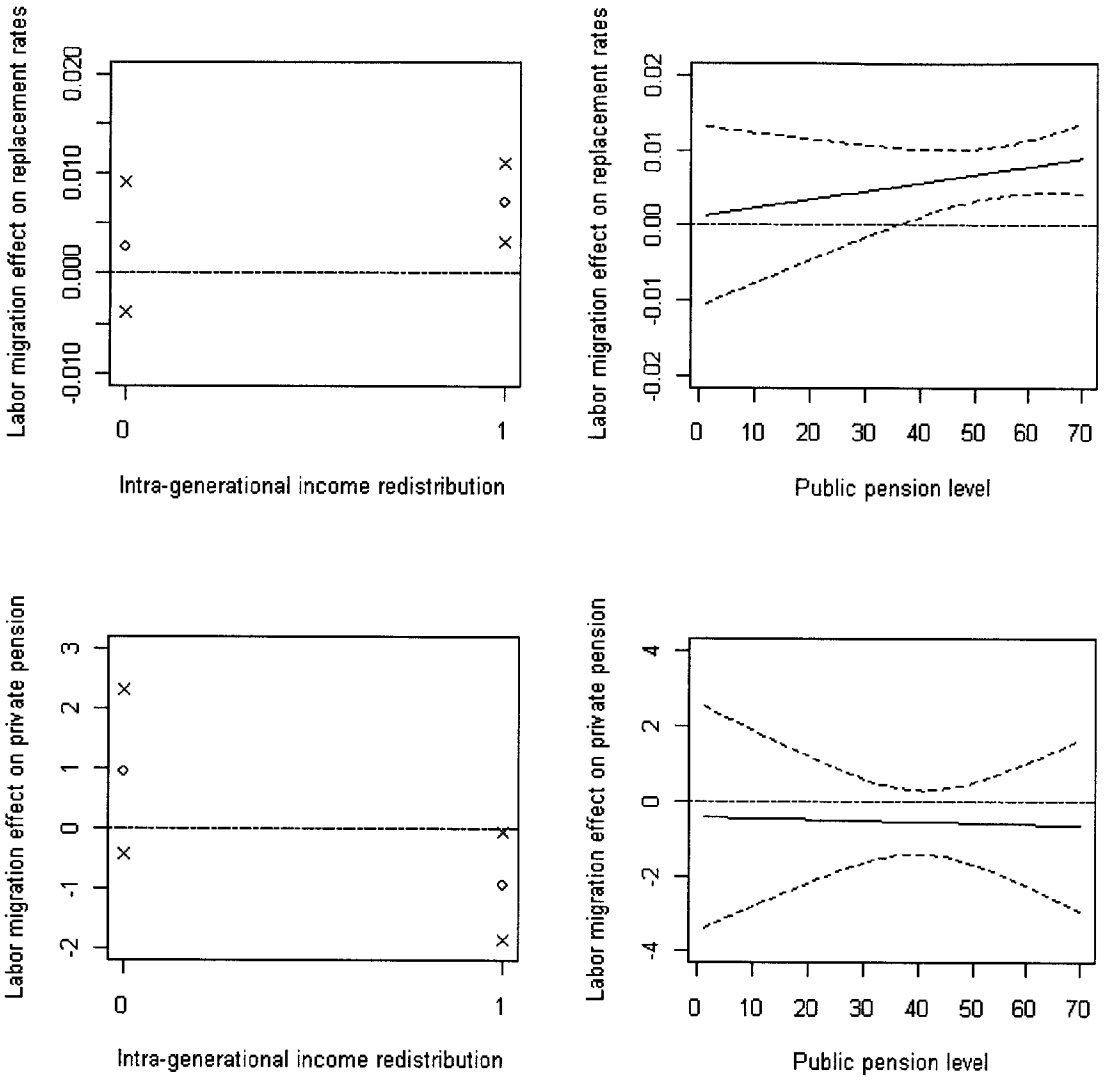


Figure 3-1 tells us that labor migration effects on public pension depend on pension systems. Labor migration effects are statistically insignificant when countries lack the aspects of the Bismarckian pension systems in all of the models. However, the effects get substantially as well as statistically significant in most of the models as countries move to the Bismarckian systems. Therefore, Figure 3-1 supports the argument

<Table 3-7> Labor migration and public pension – long-term models

	(1)	(2)	(3)	(4)	(5)	(6)
Dependent variable		Replacement rate			Private pension	
Bismarck variable		*intra-generation*	*level*		*intra-generation*	*level*
Lagged dependent variable	**0.56*** **	**0.53*** **	**0.55*** **	**0.85*** **	**0.80*** **	**0.92*** **
	(0.06)	(0.06)	(0.06)	(0.11)	(0.21)	(0.17)
Labor migrants (t-1)	**0.004*** **	-0.001	0.001	-0.62	2.84	-1.72
	(0.001)	(0.005)	(0.002)	(0.50)	(5.75)	(1.25)
Labor migrants x		0.006	0.00006		-4.25	0.01
Bismarck (t-1)		(0.005)	(0.00005)		(5.68)	(0.02)
Bismarck (t-1)		**-0.020*** **	**0.003***		-5.28	-0.53
		(0.007)	(0.001)		(20.95)	(0.45)
Left parties (t-1)	0.0003	0.0006	0.0004	**0.96** **	**1.44*** **	**1.75*** **
	(0.0012)	(0.0011)	(0.0012)	(0.47)	(0.53)	(0.61)
Veto points (t-1)	0.002	0.002	0.002	-0.03	-0.46	-0.38
	(0.002)	(0.002)	(0.002)	(0.61)	(0.98)	(1.08)
Corporatism (t-1)	**-0.04***	**-0.04***	**-0.04** **	0.08	11.70	**27.76** **
	(0.02)	(0.02)	(0.02)	(8.06)	(12.96)	(12.22)
GDP growth (t-1)	0.0002	0.0002	0.0002	-0.22	-0.28	-0.14
	(0.0008)	(0.0008)	(0.0008)	(0.34)	(0.52)	(0.51)
Budget deficit (t-1)	**-0.0010** **	-0.0008	**-0.0009***	0.01	-0.15	-0.03
	(0.0005)	(0.0005)	(0.0005)	(0.12)	(0.28)	(0.26)
Trade (log, t-1)	0.01	0.01	0.01	-4.34	-11.31	-15.82
	(0.02)	(0.03)	(0.02)	(11.13)	(11.29)	(12.25)
FDI inflow (log, t-1)	**-0.004** **	**-0.005** **	**-0.004** **	0.70	1.40	**1.84** **
	(0.002)	(0.002)	(0.002)	(0.70)	(0.92)	(0.86)
Dependency ratio (t-1)	-0.001	**-0.002** **	-0.001	0.12	**1.98***	**2.81*** **
	(0.001)	(0.001)	(0.001)	(0.68)	(1.16)	(0.99)
Deindustrialization (t-1)	**-0.004*** **	**-0.002** **	**-0.003*** **	-0.33	-0.83	-0.48
	(0.001)	(0.001)	(0.001)	(0.35)	(0.65)	(0.78)
Constant	**0.50*** **	**0.50*** **	**0.43*** **	47.75	-17.37	-79.78
	(0.13)	(0.15)	(0.12)	(71.13)	(55.29)	(74.24)
N	184	184	184	107	59	59
R^2	0.9697	0.9705	0.9697	0.9952	0.9960	0.9960

Note: *** indicates |p|<.01; ** indicates |p|<.05; * indicates |p|<.1

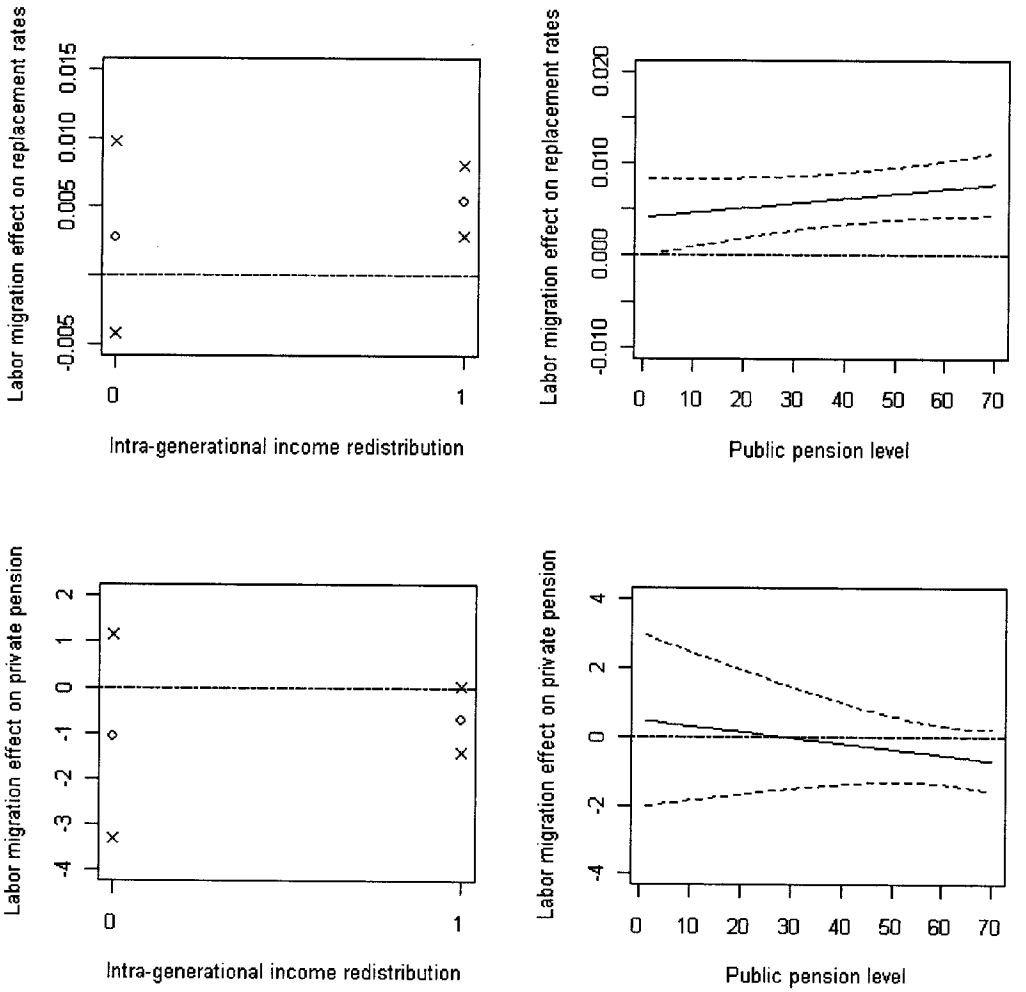
† Standard errors are in parentheses.

†† Country dummies and year dummies are included.

that the contribution of labor migration on the public pension systems is greater in countries with the Bismarckian public pension system.

Finally, Table 3-7 tests the long-term effect of migrants on public pension. As Allan and Scruggs (2004) argue, the current structure of pension schemes in many cases

<Figure 3-2> Pension system and labor migration effect on public pension (long-term model)



reflects the decisions made years before they were implemented. Thus, I lag all the variables on the right hand side of the model equation by 5 years.[40] The results of

[40] Another advantage of using the lagged variables comes from the concern on the endogeneity problem. As the welfare magnet argument says, generous welfare systems, such as high levels of pension benefits, may induce more foreign workers (Borjas 1999; Boeri, Hanson, and McCormick 2002). However, many theoretical and empirical studies concluded that the evidence was inconclusive (Gran and Clifford 2000; Baldwin-Edwards 2002). Passel and Zimmermann (2001) shows that the welfare magnet effect does not

interaction terms are graphically presented in Figure 3-2, which shows very similar patterns with Figure 3-1.

In sum, empirical results show that labor migration has helped to sustain public pension systems. Both the reduction of replacement rates and the expansion of private pension pillars have been deterred by the inflow of foreign labor. In particular, the positive effects of labor migration on public pension have been larger in the Bismarckian pension systems because the systems have suffered more from the pension crisis resulting from population aging.

Conclusion

Despite negative effects of international migration on migrant-receiving countries, such as the pressure on labor markets, the rise of racism and extreme right-wing parties, and social instability, the countries have never closed their borders entirely for many reasons. Today, some countries actually attempt to take advantage of foreign people as contributors to their aging population and welfare system.[41]

The people in most developed countries have gotten older. Then, the aging population has worsened the imbalance between the contributors to and the beneficiaries of the welfare system. Thus, countries have tried to increase fertility rates to deter the

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even exist in the U.S. after the 1996 welfare reform. For the survey of empirical studies on the welfare magnet argument, see Brueckner (2000). Despite the lack of empirical evidence, however, it is worthwhile to be careful about the mutual causality between migration and welfare programs.

[41] For example, Spain has maintained an open migration policy for the last decade for demographic and fiscal reasons. To ease demographic and consequential fiscal problems, Spain began to issue much more work permits to foreign workers in 1994 (Cornelius 2004). In Germany, Schröder, arguing that foreigners were necessary to correct the effects of aging population on the imbalance in the pension system, attempted to pass an immigration law in 2002 which would have opened Germany's border for the first time since the 1970s when it ceased admitting guest workers. However, the law was thrown out by the constitutional court.

aging problem. They have also reformed the welfare system and eased the pressure on the system. In addition to all of these, some countries have realized that their welfare systems could benefit from the inflow of foreign people and have tried to maintain appropriate levels of in-migration.

This chapter attempts to study whether there have been systematic relations between international migration and public pension. In particular, this chapter finds that the inflow of foreign labor has contributed to deterring the retrenchment of pension replacement rates and the expansion of private pension pillars, implying that migration reduces the pressure on public pension by providing more funding resources. This chapter also finds that the inflow of foreign workers plays a more substantial role in countries that have the Bismarckian pension systems because the systems have gone through the pension crisis more badly because of its PAYG structure and heavy reliance on public pillars.

The results imply that international migration may play a role in deterring the retrenchment of public pension by supplying more resources to the pension systems. Despite widespread negative perspectives on migration and migrants, we can find some positive effects that the migrants have on migrant-receiving countries. The results also imply that the efforts of countries to maintain the inflow of migrants to ease the burdens on the welfare systems are not meaningless.

Chapter 4

Migrants are Welcomed: Population Aging, Government Partisanship, and Labor Migration

Today's views on international migration to developed countries are very negative because it is widely believed to cause political, economic, and social problems in the countries. Many people argue that migration increases unemployment rates and drops wage rates of native workers.[1] The inflow of people of different races, languages, and religions causes social instability. Migration also brings about debates on the national identity of the countries, which is sometimes a critical issue in elections.[2] Thus, recent talks on international migration have pointed to its negative aspects rather than its positive ones.

The negative effects of international migration lead us to expect that most developed countries now want to reduce the number of migrants. The United States has been trying to enforce tighter border controls against Mexican migrants. The concept of 'Fortress Europe' is being spread around Europe to deter non-European people from coming into European countries. However, what is true is that the acceptance of more migrants, or that of certain types of migrants, has sometimes been considered as a national strategy.

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[1] Though there have been different theories and arguments on the economic effects of migration on labor markets, it is now almost agreed that migration has negative effects on some labor markets, such as those of unskilled workers or those of foreign workers. For the survey of the studies on the economic effects of migration, see Hatton and Williamson (2005).

[2] For example, in the face of mass migration to Germany after its reunification and the collapse of Communist countries, many conservative politicians tried to define German identity as 'not an immigrant country' (Faist 1994).

Countries have tried to admit a large number of migrants when they needed people for some reasons. After the Second World War, European countries such as Germany, France, the United Kingdom, Belgium, and the Netherlands, welcomed foreign workers to reconstruct their economies (Kay and Miles 1992; Gibney 2004). Also, the United States, through the Truman Doctrine and the Displaced Persons Act in 1948, accepted many refugees from former Communist countries to establish its self-image as a defender of freedom (Rudolph 2003). Recently, many countries have attempted to recruit more highly skilled foreign workers due to the labor shortage, particularly for internet industries.[3]

Concerns of sustaining the welfare system also lead countries to open migration policies today. In particular, many European countries have been suffering from the population aging problem. Because of low fertility rates and extended life expectancy, the imbalance between young working people who are the contributors to the welfare system and old people who are the beneficiaries of the system is growing. Among welfare programs, the pension system is particularly a problematic. Many countries cannot sustain their pension systems because of the increasing disparity between contributors and beneficiaries. The pension crisis has resulted in pension reforms in the 1990s and in the following decade in European countries.

In this situation, some countries argue that they need to have more migrants who can help solve the aging population problem and the pension crisis. Germany attempted

[3] For example, Germany introduced the Green Card system which made it possible for non-European IT(Information Technology) professionals to work for five years (Martin 2004). The French Chevènement law in 1998 began to issue permanent work permits to IT specialists (McLaughlan and Salt 2002).

to pass a law which would have let more foreign workers in.[4] Other countries, such as Denmark, Sweden, Spain, and Greece, have also tried to take advantage of migrants as a labor market force and plausible contributors to the pension system (Commission of the European Communities 2002).

The effects of migration on deterring population aging and sustaining the public pension system were modeled, simulated, and tested by many studies.[5] The contribution of foreign worker inflows to sustaining the public pension system was tested in the previous chapter, too. Based on this, this chapter attempts to examine the relationship between the population aging problem and international migration. How does population aging alter the discussion on migration policies? If international migration is believed to ease the population aging and pension problems, does population aging lead to more liberal policies on the arrival of foreign workers? In addition, how do political factors mediate the relationship between population aging and international migration? This chapter attempts to answer these questions.

This chapter first illustrates the population aging problem and then looks at how international migration is considered as a method to alleviate the aging problem. Then, using data analyses, the chapter tests whether the population aging problem leads to open migration policies. This chapter also examines how government partisanship plays a role in deciding the size of migrant flows.

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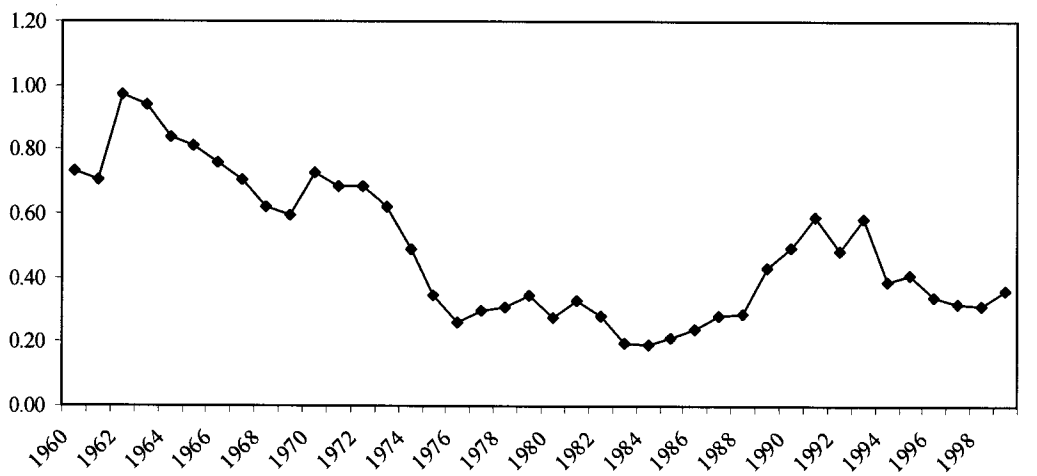
[4] *The Guardian*, December 19, 2002

[5] For the migration effect on population aging, see Börsch-Supan (1994), Coleman (1995), Storesletten (2000), UN (2000), Grant et al (2004), and Krieger (2005). For the effect on the public pension system, see Razin and Sadka (1999), Lee and Miller (2000), and Razin and Sadka (2000).

Population aging and international migration

European countries have been suffering from dual demographic problems: decreasing population growth and population aging. Figure 4-1 shows that population growth rates of European countries have decreased since the 1960s despite the short-lived increases in the 1980s. European countries have also been getting older. Figure 4-2 shows that the percentage of people who are 65 years old or older has been increasing since 1960. While only 10.7% of the population was in the age group in 1960, the size of the old-age group grew to 15.4% of the population in 2000.[6]

<Figure 4-1> Population growth rate of selected European countries[7]

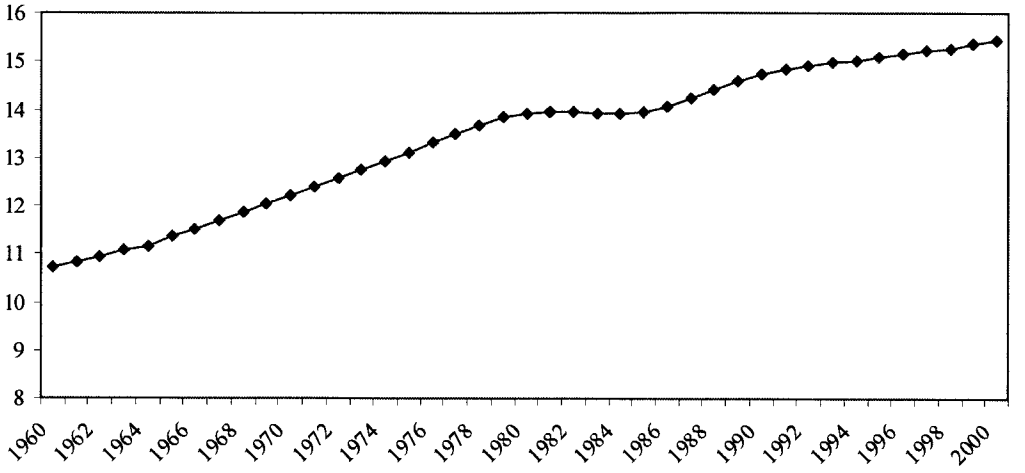


Source: World Bank, *World Development Indicators*

[6] The population aging process began to get slower in the 1980s. That is because people born in the World War periods whose size is relatively small began to be included in the old age group (Coleman 2002). However, it is projected that population aging will get faster after 2015.

[7] The countries are Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, Netherlands, Norway, Sweden, Switzerland, and United Kingdom.

<Figure 4-2> Percentage of people who are 65 years old or older than that



Source: World Bank, *World Development Indicators*

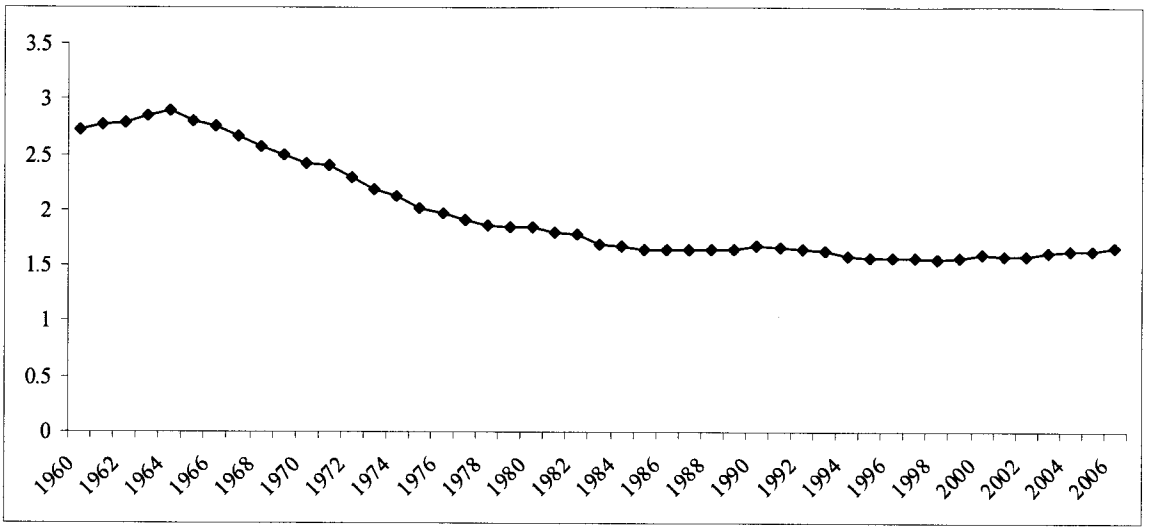
The aging problem comes from two facts: low fertility rates and extended life spans. The fertility rate dropped from 2.59 in 1960 to 1.47 in 2000 (Figure 4-3).[8] It is stated that women's increased labor market participation, their search for higher education, and the consequent delayed timing of having their first child have driven down the fertility rate (Sleebos 2003). The life expectancy, however, was increased from 69.8 to 74.3 in the same period, mostly due to the development of medical technology.[9]

The problems of shrinking and aging population are expected to continue in the future. As Table 4-1 shows, demographists suggest that the problems will become more serious. They predict that there will even be negative population growth in the near future.

It is controversial whether the decreasing population growth rate or the shrinking population size is a problem. Current population trends cannot secure generational

[8] World Bank, *World Development Indicators*. The fertility rate threshold for the constant population size and age structure is 2.1 (Coleman 2002).
[9] Data from the World Resources Institute

<Figure 4-3> Total fertility rate



Source: World Bank, World Development Indicators

replacement. However, fewer people on the earth will bring about fewer environmental problems (Sleebos 2003). A more important aspect of the current population trend is a changing age structure of the population. The population is getting older. The share of old people is growing and that of young, working people is shrinking. Because old people, in general, do not participate in labor markets, these people are net beneficiaries of the welfare system. In contrast, the welfare system is sustained by contribution that young working people make. Therefore, the aging population problem causes the growing disparity between those who contribute to and those who benefit from the welfare system.

The pension system is one of the welfare programs substantially affected by population aging because it is basically a redistribution program between generations.[10]

[10] Countries with the pay-as-you-go pension system where current contribution is used for current benefits particularly came to suffer from the imbalance problem. However, the pressure on the pension system is not limited to the countries with the pay-as-you-go system. One aspect of the aging problem is extended life expectancy. As people live longer after retirement, the period of benefit receipt also becomes prolonged.

Several suggestions to solve the pension crisis have been proposed. The suggestions can be categorized into two groups. The first group of proposals suggests that governments should try to expand the resources, through the increase of fertility rates, the acceptance of more migrants, and the encouragement of labor participation (Bongaart 2004). Second, governments should try to decrease welfare expenditure. With regards to pension programs, it has been suggested to raise the retirement age and/or lower benefit levels.

<Table 4-1> Projected population size and age structure of European OECD countries

	Population (in thousands)		Population change (2000-2050)		Population over 65 years old		Changes in population over 65 (% point)
	2000	2050	thousands	percentage	2000	2050	
Austria	8211	7094	-1117	-14	15	30	15
Belgium	10161	8918	-1243	-12	17	28	11
Czech Republic	10244	7829	-2415	-24	14	33	19
Denmark	5293	4793	-500	-9	15	24	9
Finland	5176	4898	-278	-5	15	26	11
Germany	82220	73303	-8917	-11	16	28	12
Greece	10645	8233	-2412	-23	18	34	16
Hungary	10036	7488	-2548	-25	15	28	13
Italy	57298	41197	-16101	-28	18	35	17
Luxembourg	431	430	-1	0	14	27	13
Netherlands	15786	14156	-1629	-10	14	28	14
Poland	38765	36256	-2509	-6	12	26	14
Portugal	9875	8137	-1738	-18	16	31	15
Romania	22327	16419	-5908	-26	13	31	18
Spain	39630	30226	-9404	-24	17	37	20
Sweden	8910	8661	-249	-3	17	27	10
United Kingdom	58830	56667	-2163	-4	16	25	9

Source: United Nations (2001)

Thus, even the private pension system where current benefits are funded by previous contribution comes under pressure from the aging problem (Boloni and Shinkawa 2005). A study found that a rise in life expectancy of four years increases the price of annuities by 18 percent (Merrill Lynch 2000).

There have also been debates on whether international migration helps to solve the population aging problem. Many studies reached two common conclusions. First, international migration cannot solve the aging problem by itself. Though migration can supply many young people to migrant-receiving countries, the migrants also get older. Thus, migration cannot change the dependency ratio in the long run. Second, the number of migrants needed to solve the population problem is out of reach. A study estimated that European countries needed to admit twice the current number of working-age migrants to solve the population problem (Grant et al 2004). The necessary migration level seems unrealistic because the current level of migration is already causing many political, economic, and social problems in European countries.[11]

However, it is too early to conclude that international migration is not helpful in solving the population problem at all. International migration may not "offset" the population problems nor "stabilize" the welfare system by itself (Krieger 2005). However, many studies also agree that migration, particularly the inflow of carefully selected migrants, can alleviate the population and welfare problems to a certain degree (Börsch-Supan 1994; Coleman 1995; Storesletten 2000; UN 2000; Grant et al 2004; Krieger 2005).

Thus, the demand for more migrants for demographic and fiscal reasons has actually been made by political leaders. In Italy, the 'oldest' country in Europe, the president of the Banca d'Italia (the Bank of Italy) commented on pensions under the

[11] For the studies on the issue of international migration and population problems, see Adams (1989), Blanchet (1989), Mitra (1990), Le Bras (1991), Wattelar and Roumans (1991), Uhlemberg (1992), Espenshade (1994), Coleman (1995), UN(2000), Grant et al (2004), and Krieger (2005).

headline "It will be immigrants who save Italians," that only a great number of foreign people can defend the country against the aging population and the pension crises (Calavita 2004).

In Australia, Kim Beazley, then leader of the opposition party (the Australian Labor Party), pledged during the 1998 election campaign that the new Labor government would build a national consensus in favor of immigration. Though he proposed that the new government maintain the number of immigrants until the next election, he argued that immigration was critical in Australian survival and prosperity because it helped to solve problems deriving from the aging population structure, such as the paucity of fiscal resources, the trouble in the pension system, and small domestic markets.[12]

Some governments tried to open their borders and accept more migrants for demographic reasons. In Germany, Schröder attempted to pass an immigration law in 2002 which would have opened Germany's border for the first time since the 1970s when it ceased admitting guest workers. The bill would have allowed foreigners in if they could show that they had a pending job. When proposing the bill, the government argued that foreigners were necessary to correct the effects of the aging population, that is, the growing imbalance between the number of contributors and recipients of the pension system.[13] However, the law was thrown out by the constitutional court.

Spain has actually maintained an open migration policy for the last decade for demographic and fiscal reasons (Cornelius 2004). The Spanish aging problem has been more serious than any other European countries. The percentage of old people was just

[12] *Courier Mail*, August 4, 1998
[13] *The Guardian*, December 19, 2002

8.2% in 1960, but it jumped to 16.8% in 2000. The increase rate for the 40 years is second largest among developed European countries, next to Finland. To ease demographic and consequential fiscal problems, Spain began to issue much more work permits to foreign workers in 1994.[14] A concern of demographic changes and the pressure on the pension system were the main reasons for the open policies.

> What immigrants pay into our social-security system every year is equal to the pensions of one million Spaniards. (José Luis Rodriguez Zapatero, the Spanish Prime Minister)[15]

> We have a low birth rate, we have an economy that needs people and we need people coming from abroad. (Rafael Rodriguez-Ponga, Prime Minister's official responsible for immigration) [16]

Thus, it seems that the current Spanish government believes that increasing immigration flows will help the sustenance of the public pension system.[17]

In sum, policy-makers consider the inflow of foreign people as a policy option for the aging population and the welfare system crisis. International migration has been believed by many researchers, journalists, politicians, and policy-makers to alleviate the demographic and fiscal pressure because it provides young, working, and taxable people.

Theories on Migration Policies

[14] Before 1994, the Spanish government issued fewer than 10,000 permits every year. Since then, the government has issued about 30,000 permits annually (Mendoza 2001).
[15] *The Globe and Mail*, March 8, 2008
[16] *The Globe and Mail*, March 8, 2008
[17] *European Pension and Investment News*, April 9, 2007

Migration policies vary among different countries. Some countries are more open to the inflow of foreign people than other countries. Countries like the U.S. and Canada admit many immigrants through the family reunification system, but many other countries do not.[18] Different policy outputs result in different policy outcomes.[19] Restrictive and discriminative immigration policies of the U.S. in the late nineteenth century and in the early twentieth century, such as the Chinese Exclusion Act and the introduction of the regional and racial quota system, dramatically decreased the number of immigrants (Timmer and Williamson 1986).[20]

Positions of a country on migration issues vary over time, too. The Gaullist coalition government in France implemented very restrictive policies by increasing police power to deport foreigners and giving more limited opportunity for naturalization to applicants than before. However, the succeeding government under the Socialist Prime Minister Jospin liberalized the citizenship law and permitted foreigners' children born in France to become French citizens automatically at age 18 if they had lived in France for five years (Hegen 2001). The shifts of policy outputs also change policy outcomes. The inflow of foreign people to France fluctuated as new policies were introduced.[21]

Thus, we can observe that there has been variation in migration policies not only across countries but also within a country. Then, what drives the differences in the

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[18] Of course, it does not necessarily mean that the U.S. and Canada are more receptive to migrants than other countries in general.

[19] Policy outputs here mean rules and procedures implemented by a policy. Policy outcomes, on the other hand, mean consequences and phenomena that result from a policy (Hollifield 2000).

[20] However, policy outputs sometimes lead to unintended policy outcomes. For example, the U.S. Immigration and Nationality Act of 1965 intended to encourage the immigration from Europe, but actually discouraged it and increased the immigration from Latin America (Tichenor 2002).

[21] The inflow of foreign people decreased by 44% under the Gaullist government, but increased by 60% under the Socialist government.

migration policies? In terms of policy outputs, why do some countries welcome foreign people more than other countries? In terms of policy outcomes, why do some countries have more foreign people than other countries? Moreover, why have there been shifts in migration policies within a country? Scholars have taken more than a few approaches to explain the variation.

Some studies argue that national identity defined by cultural features and historical experience shapes migration policies. As Stalker (1994) pointed out, "the most fundamental factor" in accepting or rejecting foreign people "is how a country regards itself – its own national mythology". Some countries, like the U.S., Canada, Australia, and New Zealand, were built by migrants, and thus have a long history of migration. Many people in the countries are found to have the self-identity of their countries as nations of immigrants (Jupp 1992). Then, their historical experience and self-identity as nations of immigrants can affect their attitudes toward migrants and migration policies (Freeman 1995).[22]

A couple of cultural and historical traits were used to operationalize the national identity. Zolberg (1986) used ethnic heterogeneity and argued that ethnically homogeneous society with a dominant religion, race, or ethnicity had had a low level of tolerance on foreign people and thus experienced a low level of migration. Other studies suggested that countries with a colonial history had connections and commitments with colonies. Then, they concluded that such a unique relationship had led the countries to

[22] Archdeacon (1983) studied how the experience of a long migration history shaped self-identity, public attitudes, and migration policies in the United States.

accept high levels of migration from ex-colony countries (Freeman 1979; Layton-Henry 1985; Hammar 1985).

Another group of studies focuses on economic rationales for the acceptance of foreign people. Host countries have economic incentives to admit foreign people. In particular, the labor supply has been one of the most substantial reasons for advanced industrial countries to keep high levels of migration. Countries which had fought either as a member of the Allies or as a member of the Axis in the World War II accepted many foreign people, including displaced persons from the Eastern European countries, to supply labor force which was needed to construct their economies in the 1950s and in the 1960s (Kay and Miles 1992; Gibney 2004).[23] Also, some employers prefer hiring foreign workers who are not protected by labor regulations and union shields due to the enhancement of labor unions and the increased inflexibility of labor markets (Piore 1979).

In particular, deindustrialization in advanced industrial countries has made the recruitment of foreign labor inevitable because it creates many jobs that are avoided by native people, available to be filled by foreign workers.[24] In particular, because small- and medium-scale firms have more difficulty in outsourcing their production and recruiting domestic labor force, they suffer from labor shortage and look for an alternative labor force: foreign workers.[25] Thus, Athukorala and Manning (1999) argue

[23] Kindleberger (1964) also stated that the expansion of labor supply partly through labor importation had substantially contributed to Europe's economic recovery after the World War II.
[24] Native people become reluctant to taking either so-called 3-D(difficult, dirty, and dangerous) jobs or jobs which have no opportunity for future career advancement (dead-end jobs).
[25] Therefore, Bhagwati (1984) argued that countries' demand for foreign labor depended on their industrial structure. For example, because large-scale manufacturing firms can be exported to cheap-labor-abundant countries, countries where these firms are major production actors will not need a high level of labor migration. In contrast, because primary sectors or small-scale manufacturing sectors cannot be outsourced

that industrial structure is one of the major factors for the growing demand for foreign workers in East Asia.[26]

The third group of studies emphasizes globalization and declining state sovereignty. Globalization has decreased countries' capability to control migration. Above all, globalization decreased migration costs and then opened the second mass migration era (Williamson 2005). The volume of migration was raised too much for governments to fully manage the flow of migrants. Also, countries came to compete for international markets more severely as world markets were integrated. Then, the competition enhanced employers' appetite for cheap unskilled foreign labor as well as qualified highly skilled foreign labor (Bhagwati 2003). Thus, employers in manufacturing industries and farm owners in developed countries have preferred open migration policies, and their demands have prevented migration policies from becoming more restrictive (Tichenor 2002).

Governments came to get pressure from intergovernmental obligations as well as competition for world markets. For instance, European countries became constrained by the authorities of the European Union, particularly on the issue of noncitizens' rights (Soysal 1994; Sassen 1996). Recently, the Dutch government attempted to deport Iraqi asylum seekers because it considered Iraq a safe country. However, the European Court of Justice ruled that asylum seekers with no further recourse have the right of temporary

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to foreign countries, countries oriented to these sectors will need to recruit many foreign workers (Money 1999b).

[26] The labor shortage in traditional sectors is also found in European developed countries. Thus, it is suggested that the demand for even unskilled foreign workers in these countries will not stop (Bosswell 2003; Martin, Abella, and Kutsch 2006). This is also why some countries are still implementing programs recruiting unskilled foreign workers, such as the Sector Based Scheme in Britain and the border commuter program in Germany.

residence, and thus the Iraqi people should not be deported immediately. This seems to show that countries' policy autonomy can be hampered by transnational institutions.

Finally, scholars began to point out the roles of domestic political institutions and processes. Whether the driving force for migration policies comes from cultural and historical aspects, economic interests, or globalization, many migration policies are formed by domestic political actors. As Messina (2007) concluded, studies focusing on political factors for migration policies found that "it is politics, and specifically the role of politics in adjudicating the often competing claims" by numerous domestic and international interests and norms, "that is primarily responsible for creating and sustaining an environment that allows significant migration" to advanced industrial countries.

Studies have focused on different aspects of domestic political processes. Freeman (1995) argued that the puzzle that migration policies had been much more liberal than expected could be understood by client politics.[27] Money (1999b) highlighted the geography of politics. She reminded that migrants tend to geographically concentrate on some areas in a country and found that electoral competition in the areas decides migration policies.[28]

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[27] That is, while interests that prefer open migration, such as employers and farm owners, are very organized, those that prefer restriction on migration, such as general people, are not. Because organized interests can have more substantial impacts on policy outputs than unorganized ones, Freeman (1995) concluded that migration policies in advanced industrial countries had been more influenced by the organized interests that prefer liberal migration policies.

[28] She argued that if elections in the migrants-concentrated areas were very close and if election results in the areas were expected to decide the national election result, parties would try to do everything to attract voters in the areas. Then, because public attitudes towards migrants in the areas are more negative than those in other areas, parties would keep restrictive positions on migration policies in election campaigns. She found that migration policies had become more restrictive when such political conditions had met.

Though all the approaches above have contributed to understanding the variation and changes in migration policies, the usefulness of some, not all, approaches is limited to only explain cross-country differences in migration policies. They cannot fully explain the changes in the policies within a country because their main variables do not substantially vary over time. Cultural and historical traits are almost fixed. The development of deindustrialization is a very slow trend which is difficult to be reversed. The organization and power of domestic interests in migration are not very unstable, either.

Therefore, while the factors above may be able to explain why countries have different migration policies, they cannot satisfactorily account for why migration policies have shifted over time within a country. This chapter suggests that party politics can give an explanation for the shifts in migration policies as well as the cross-country differences.[29] Party politics as a determining factor for migration policies was suggested quite a long time ago (Perlmutter 1996), but not developed well. The roles of political parties were researched in some studies that focus on a single country (Kaye 1994; Faist 1994; Kaye 1999), but not analyzed much in comparative studies.[30]

In addition, previous studies have missed one facet that might play a significant role in the discussion on migration policies: demography. European countries have been

[29] Policy shifts in Denmark, in addition to the French case above, show how government partisanship can alter migration policies. Denmark under the Social Democrat government expanded its supports to asylum seekers in the 1990s when other European countries cut their supports because of the huge inflow of asylum seekers. However, after the right-wing Liberal Party won the 2001 election, Denmark substantially withdrew its welfare supports to all the immigrants (Polakov-Suransky 2002).

[30] There are, of course, some exceptions. Thränhardt (1995) showed how right-wing parties mobilized and utilized xenophobia for political purposes. Also, Givens and Luedtke (2005) tested whether left-wing governments and right-wing ones implemented different migration and migrant policies in three European countries (Germany, France, and Britain) from 1990 to 2002.

suffering from population aging as well as from decreasing population growth. The aging population problem brings in the resource problem for welfare programs like the pension system because it broadens the disparity between those who contribute to and those who benefit from the welfare system. Facing the problems of population aging and increasing welfare resource imbalance, people have suggested that international migration could ease the problems because migration supplies young people who work and contribute to welfare resources (Börsch-Supan 1994; Coleman 1995; Storesletten 2000; UN 2000; Grant et al 2004; Krieger 2005).[31]

The suggestion was sometimes represented by political decision-makers as a viable policy option.[32] Spain has actually maintained an open migration policy for the last decade for demographic and fiscal reasons (Cornelius 2004). The Spanish aging problem has been more serious than any other European countries.[33] To ease the demographic and consequential fiscal problems, Spain increased the number of work permits to foreign workers by 300% in the 1990s (Mendoza 2001). Thus, the demographic and fiscal pressure seems to have played a role in shaping migration policies in some countries. However, the connection between the demographic trend and migration policies was not fully studied yet.

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[31] Migrants are younger than native people by 6-7 years in Europe (Boeri, Hanson, and McCormick 2002). They are younger because old age tends to decrease migration intention (Burda 1993).

[32] For example, Kim Beazley, then leader of the Australian Labor Party, argued that immigration was critical in Australian survival and prosperity because it helped to solve problems deriving from the aging population structure, such as the paucity of fiscal resources, the trouble in the pension system, and small domestic markets, during the 1998 election campaign. He also pledged that the new Labor government would build a national consensus in favor of immigration (*Courier Mail*, August 4, 1998).

[33] The percentage of old people was just 8.2% in 1960, but it jumped to 16.8% in 2000. The increase rate for the 40 years is second largest among developed European countries, next to Finland.

This chapter does not exclude the value of previous approaches to explaining migration policies. I believe theories that focus on cultural and historical traits, those highlighting economic interests and structure, and those based on the globalization thesis can help us to understand the development and changes of migration policies. However, this chapter argues that a demographic challenge, population aging, also has an impact on migration policies. We can see that some countries have actually tried to, and some actually did, admit more foreign people to ease demographic and fiscal problems.

In addition, though previous studies that emphasized political factors for migration policies explain lots of variation in migration policies, party politics also seems to account for policy shifts over time within a country as well as cross-country variation in migration policies. Therefore, this chapter attempts to see how party politics as well as the demographic factor plays a role in the formation of migration policies.

Hypotheses

As was discussed above, it has been suggested by many people that the inflow of foreign people could ease the population aging problem because international migration supplies young people to host countries. Migrants are younger than native people.[34] Also, migrants to European countries have more children than native people.[35] Using the data from the *European Community Household Panel*, Boeri, Hanson, McCormick (2002)

[34] Migrants are younger than native people because old age tends to decrease migration intention (Burda 1993).

[35] Differences in cultural values on family and children, education levels, particularly those of women, and their labor market participation between migrants and native people can explain the different family sizes. For the determinants of fertility rates and family sizes, see Caldwell (1980) and Hirschman (1994).

found that non-European Union (EU) migrants in EU countries are younger than EU nationals, and have larger families in most of the EU countries.

<Table 4-2> Ages and family sizes of non-EU migrants and EU nationals

Country	Average age			Average number of children		
	EU citizens	Non-EU migrants	Difference	EU citizens	Non-EU migrants	Difference
Austria	48.30	37.70	-10.60	0.69	1.04	0.35
Belgium	47.90	45.40	-2.50	0.62	0.74	0.12
Denmark	47.70	39.90	-7.80	0.53	1.00	0.47
Finland	46.90	39.50	-7.40	0.66	0.70	0.04
France	47.30	43.70	-3.60	0.57	1.67	1.10
Germany	48.10	39.50	-8.60	0.51	1.05	0.54
Greece	46.90	47.50	0.60	0.50	0.57	0.07
Netherlands	46.80	39.10	-7.70	0.62	1.27	0.65
Portugal	49.90	43.60	-6.30	0.56	0.91	0.35
Spain	49.70	42.40	-7.30	0.53	0.87	0.34
UK	49.00	40.30	-8.70	0.61	1.46	0.85

Source: *European Community Household Panel*, 1995-1996, summarized by Beori, Hanson, and McCormick (2002)

Though there have been fierce political and academic debates on the demographical effects of international migration and the sustainability of open migration policies, many governments have tried to recruit more foreign workers, either highly skilled or unskilled, to relieve the population aging pressure, to meet labor market needs, and to acquire financial resources for the public pension system. Then, countries with more serious population aging problems would have stronger incentives to admit more

foreign people.[36] Therefore, I first hypothesize that countries having difficulty with their population aging admit more foreign workers.[37]

H_1: Countries suffering from the population aging problem tend to open their borders to foreign workers more than countries free from the problem.

This chapter also asks how political factors intervene in the relationship between population aging and international migration. In particular, this chapter has interests in whether government partisanship affects the migration inflow.

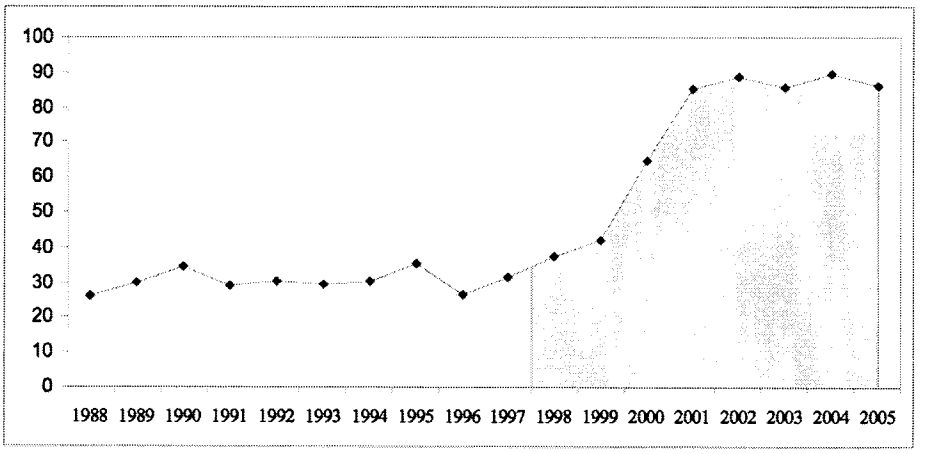
Figure 4-4 shows the numbers of net inflow of foreign workers to some selected European countries since the 1980s. The graphs imply two things. First, the inflow levels can be a proxy for migration policies. The inflow levels of foreign workers are not direct policy outputs. Some attempts were made to quantitatively measure migration policy outputs (Watts 2002; Givens and Luedtke 2005). However, these measurements are not without a problem. One problem is that though these measurements can indicate the direction and the degree of policy changes within a country, it is still difficult to show cross-country differences in migration policies (Money 1999b). In other words, though we can say that whether and how much a new migration policy is more or less restrictive

[36] All of the countries presented in the previous section as examples of liberal migration polices on foreign workers (Germany, Italy, and Spain) have suffered from the population aging problem more badly, both in terms of the level of the dependency ratio and in terms of its change, than other European countries.
[37] Migrants to advanced countries are usually categorized into three groups: economic migrants such as foreign workers, family reunification migrants, and humanitarian migrants such as asylum seekers. However, anecdotal evidence suggests that demographical and fiscal concerns do not directly lead to liberal policies on other types of migrants because they are older and less likely to participate in labor markets than migrant workers (OECD, *Trends in International Migration*, 2004). Thus, I focus only on foreign workers among the three groups in this chapter.

than the previous ones within a country, it is not easy to quantitatively compare two different migration policies in two different countries.

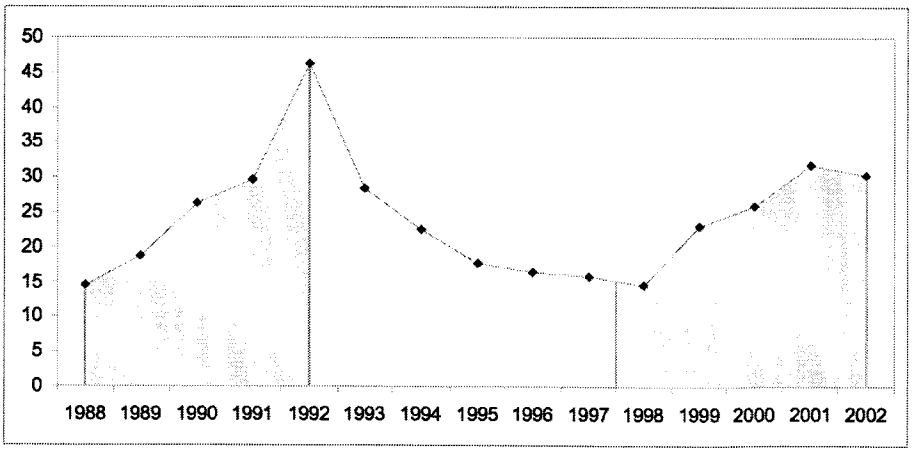
<Figure 4-4> Net inflow of foreign workers (in thousands, shaded areas are left-wing governments)[38]

UK



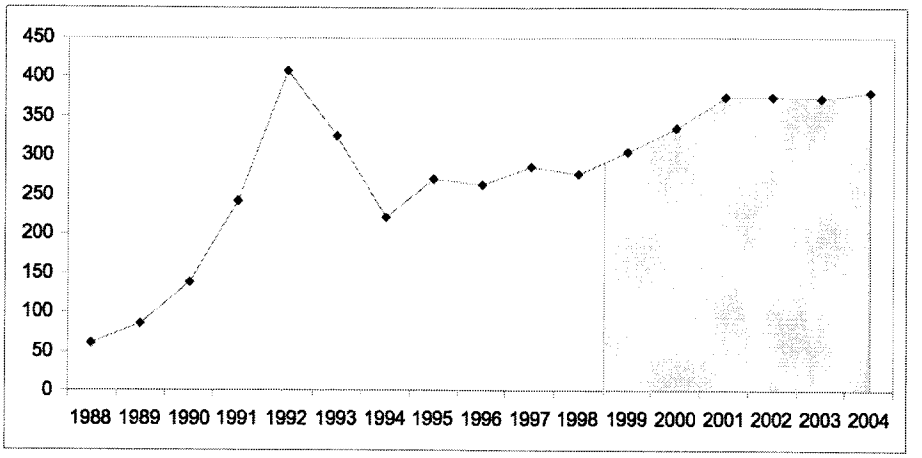
Source: OECD, *Trends in International Migration*

France

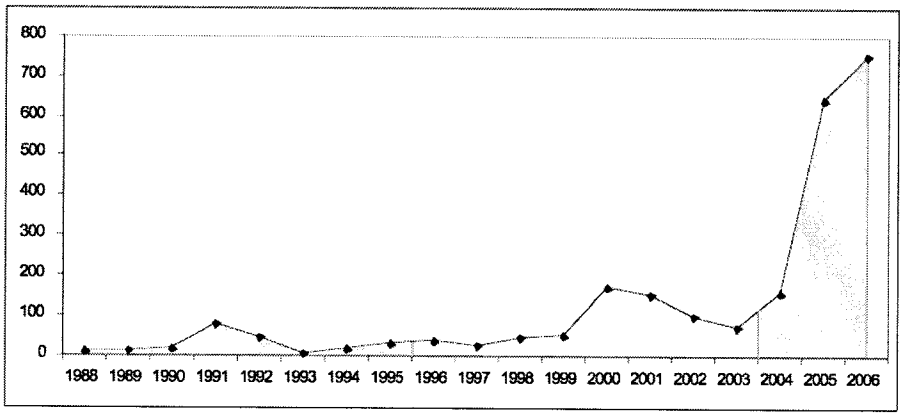


[38] The graphs for other countries are not presented either because of rare changes in government partisanship in the period or because of data paucity.

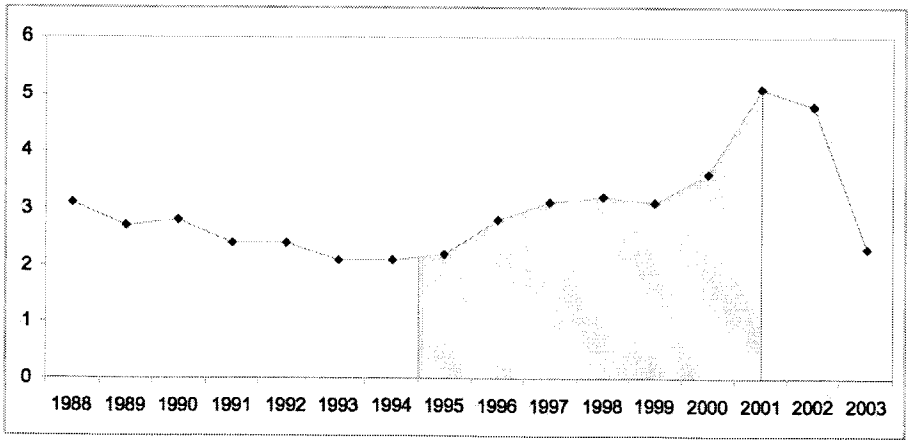
Germany



Spain



Denmark



Though the inflow levels are not policy outputs, they can be indirect policy outcomes. Of course, the changes in policy outcomes may not indicate the changes in policy outputs very well all the time. However, the graphs show us that dramatic shifts of the inflow levels have often followed significant modification of migration policies. For example, the considerable increases in the inflow levels after 2000 in the Britain are due to new recruitment programs of the Labour government for both highly skilled and unskilled foreign workers.[39] Also, a coalition of Gaullists in France took over the government in 1993 and implemented more restrictive immigration policies, including increased police power to deport foreigners and more limited opportunity for naturalization, all of which discouraged migration. However, the liberalization of the naturalization process by the Socialist government in 1998 was followed by the substantial increases in the inflow levels. Therefore, I assume that the inflow levels of foreign workers can be a decent proxy for migration policies.[40]

Second, most of the restrictive migration polices discussed above are introduced by right-wing governments while most of the liberal ones are crafted by left-wing governments. Thus, the inflow of foreign workers tends to increase under left-wing

[39] For highly skilled foreign workers, the government substantially increased the number of work permits for these workers in 2000 and began the Highly Skilled Migrant Programme in 2002. For unskilled foreign workers, the government began to implement the Sector Based Scheme in 2002 and admitted unskilled workers in food processing and hotel services (Martin, Abella, and Kuptsch 2006).

[40] In the German graph, the early-1990s peak is the result of the end of the Cold War and the huge inflow of ethnic Germans from Eastern European countries. However, the German government began to cut and withdraw supports for the migrants, such as pensions, housing benefits, and training assistance. Thus, the annual inflow of ethnic Germans was decreased from 400,000 in 1990 to 220,000 in 1994. In Denmark, the Social Democrats government expanded supports for foreign people through the Law on Repatriation in 1994. However, very restrictive policies by the new Liberal government after 2001 including the substantial cuts on welfare benefits for immigrants during their first seven years, a longer waiting period for permanent residency (seven years instead of three), restriction of family reunions, and a higher threshold for Danish citizenship, including a nine-year waiting period and a Danish language and history exam, discouraged the inflow of new foreign workers to Denmark.

governments. The shaded areas in Figure 4-4 are left-wing governments. We can see that the inflow has been more likely to be increased in the shaded areas. In the United Kingdom, the inflow had been consistent under the Conservative party until 1997 but began to increase following the election of Tony Blair's Labour government. In France, the rising number of foreign workers dropped under the more conservative Rally for the Republic party between 1994 and 1997. Though it can be argued that rising migrant totals in the late 1980s and in the early 1990s was a byproduct of the collapse of the Iron Wall, numbers increased again when the Socialist party took power in 1997.[41]

Of course, we cannot over-simplify the implication because there should be many other factors shaping the inflow of foreign workers. Also, we cannot over-generalize it because only four countries are presented in this paper, and such a pattern between government partisanship and the inflow fluctuations may not be observed in other countries. Nonetheless, these graphs allow us to have preliminary expectation on the correlation between government partisanship and inflow changes.

Governments can substantially influence the inflow of foreign workers through policy implementation.[42] One way they can do so is by introducing new laws or programs.

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[41] The German picture is not as clear. The inflow was sharply increased in the early 1990s even under the right-wing government, mostly due to the influx of ethnic German migrants. The inflow dropped after 1992 because of the restriction on these migrants, as discussed before. However, the number of foreign workers continued to increase even under the Christian Democratic Union government after the initial mass migration had stabilized. However, the situation in Denmark clearly shows the partisan difference. The steadily decreasing pattern was reversed when the Social Democrats Party won the election in 1994. However, the number began to drop again under the Liberal government after 2001.

[42] Migrants to advanced countries are usually categorized into three groups: economic migrants such as foreign workers, family reunification migrants, and humanitarian migrants such as asylum seekers. However, the inflow of migrants other than economic migrants is harder to be controlled by government policies than economic migrants. For example, though governments have jurisdiction on the recognition of asylum applications, they have much weaker control over the inflow. Thus, I focus only on foreign workers among the three groups in this paper.

In 2000, for instance, the German Social Democratic Party launched the green card program, which was designed to issue 25,000 visas to highly skilled workers only. The search for foreign workers has not, however, been limited to the recruitment of highly skilled workers. The British Labor government began to implement the Sector Based Scheme in 2002 and admitted unskilled workers in food processing and hotel services (Martin, Abella, and Kuptsch 2006).[43]

Another channel through which governments have integrated foreign people into the labor market is by giving legal status to illegal migrants. Legalization programs are widely used by European countries to effectively control unauthorized foreign people who actually participate in labor markets, to impose taxes and fees, and, hopefully, to return them back to their home countries when work or residence permits expire (Maas 2005). The programs were frequently implemented by southern European countries that experienced a huge influx of illegal migrants but did not have the necessary bureaucratic infrastructure to control them.[44] By legalizing illegal migrants, governments can recognize their participation in labor markets rather than deport them.[45]

Finally, governments can control the inflow of foreign workers by changing the number of work permits issued. For example, Spain extended the number of worker permits by 300% in 1994, hoping that the increased inflow would help to solve problems

[43] An annual quota had been set at 20,000 at the beginning, but was decreased to 15,000 in 2004.
[44] Portugal executed legalization programs in 1992 and 1993, 1996, and 2001 through 2003, and Spain did in 1985 and 1986, 1991, 1996, 2000, 2001, and 2005. The programs were also run in Italy in 1987 and 1988, 1990, 1995 and 1996, and 1998 through 2002.
[45] Though right-wing governments as well as left-wing ones attempted legalization programs, Maas (2005) concludes that they have been implemented largely by left-wing governments, particularly shortly after taking power.

of labor shortage, aging population, and welfare resources (Mendoza 2001; Cornelius 2004).

Regarding governments' migration policies, literature suggests that left-wing governments are believed to be less restrictive on migration issues (Pelmutter 1996). Ideological commitment, goes this assumption, to cultural pluralism and political, economic, and social equality drives them to oppose the discrimination against foreign people (Lahav 2004; Ireland 2004). Also, left-wing parties consider migrants a more likely potential base of political support than right-wing parties do (Faist 1994; Money 1999a). This idea has basis in fact: Messina (2007) finds that migrants actually tend to vote for left-wing parties in Western European countries. Because left-wing parties see that migrants will vote for the parties if they are eligible to do so, the parties try to provide them with more political and economic opportunities.[46] Thus, based on the rationales for left-wing parties' preferences on migration as well as the assumption on inflow levels as a proxy for migration policies, I first hypothesize that left-wing governments admit more foreign workers than right-wing ones do.

$H_{2\text{-}1}$: Left-wing governments accept more foreign workers than right-wing ones.

However, left-wing parties are not free from the pressure to restrict the inflow of foreign workers. Though left-wing parties are willing to accept foreign workers for the

[46] Based on these rationales, Givens and Luedtke (2005) empirically tested the government partisanship effects on policies on migration and migrants. Using their own data on migration and migrant policies of three European countries (Germany, France, and Britain) from 1990 to 2002, they found that government partisanship makes differences in policies that control the political, economic, and social conditions of migrants who already reside in host countries.

reasons presented above, a major support group for the parties, low-skilled workers, might cause them to be reluctant to do so. In such a case, left-wing parties are in a dilemma between satisfying their constituencies and maintaining their ideological beliefs (Perez, Fernandez-Albertos, and Arevalo 2008).

Current positions of trade unions on migration are mixed, controversial, and puzzling. Conventional wisdom states that trade unions are opposed to admitting many foreign workers because the inflow will increase the labor market competition. However, studies found that trade unions in many countries do not always want to restrict migration. Their attitudes are not as consistent as expected. Sometimes, they are even opposed to restrictive migration policies (Haus 1995; Avci and McDonald 2000; Burgoon, Fine, Jacoby, and Tichenor 2008).[47] The main argument says that trade unions suffering from declining density turned pro-migration in order to integrate foreign workers into their organizations and sustain political power. However, strong unions, different from unions that have been weakened, may hold restrictive stances on migration policies, as Bucken-Knapp (2006) argue using the Swedish case.[48]

Thus, I hypothesize that left-wing governments working with strong unions are less willing to open the labor market to foreign workers. Based on literature, I assume that strong trade unions are more restrictive on the recruitment of foreign workers. Also, the negative voice will be better delievered to left-wing governments when the unions are strong.

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[47] Haus (1995) and Burgoon, Fine, Jacoby, and Tichenor (2008) on the U.S. trade unions and Avci and McDonald (2000) on the U.K trade unions.

[48] Haus (1995) also assumed that stronger labor movement could reduce incentives for unions to integrate and organize foreign workers, and then strong unions have more restrictive positions on migration.

$H_{2\text{-}2}$: Left-wing governments with strong labor unions accept fewer foreign workers than those with weak labor movements.

The next sections will test these hypotheses using quantitative data analyses with statistical methods. First, I present the case and variables that I use.

Case and Method

Case

I study thriteen European developed countries.[49] I focus only on European countries because OECD data on migration has different criteria between migrants in non-European countries and those in European ones: the stock of foreign-born workers for non-European countries and that of foreign workers for European ones. Thus, the two data groups cannot be put together in the same analysis because they do not indicate exactly the same thing. The period from 1981 to 2000 is tested because of migration data availability.

Variables

This chapter hypothesizes that population aging and government partisanship affect the number of foreign workers, and the partisanship effect interacts with the

[49] The countries are: Austria, Belgium, Denmark, Finland, France, Germany, Italy, Netherlands, Norway, Portugal, Spain, Sweden, and the U.K.

political influence of unskilled manual workers. Thus, the dependent variable is the number of the net foreign worker inflow, measured by the percentage of total labor force.

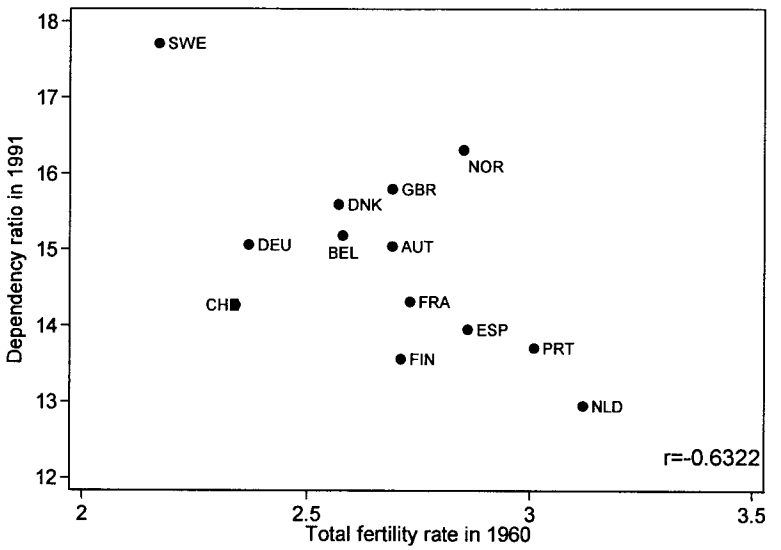
The first independent variable is population aging. The most convenient way to measure the population aging problem is the percentage of old people out of the total population. The variable Δ***over65*** indicates the percentage change of people who are 65 years old or older. However, the dependency ratio can be endogenous to the inflow of foreign workers though the dependency ratio is also lagged by many years in the test.[50] In such a case, total fertility rate of native people can be an exogenous way to indicate population aging.[51]

A problem here is that there is a substantial time lag between the fertility rate and the dependency ratio. Exactly speaking, the current dependency ratio is mostly affected by the fertility rate of 65 or more years ago. Therefore, we need to use the fertility rate of at least 60 or more years ago to measure the current dependency ratio. However, the available fertility rate data does not date back to the pre-World War period. Nonetheless, the fertility rates even in 1960 are highly correlated with the dependency ratio in 1991 as Figure 4-5 shows because there has been path-dependency in the changes of fertility rates. So, I use the fertility rate variable, Δ***fertility***, as another measurement of population aging.

This chapter also hypothesizes that government partisanship affects the number of foreign workers, and the effect interacts with the political power of unskilled manual workers. Measuring government partisanship is more difficult than measuring the

[50] The dependency ratio usually includes young people under the age of 15 as well as old people. However, because this chapter focuses on population aging, the dependency ratio in this chapter only indicates old people.
[51] The total fertility rate means the average number of children that would be born to a woman.

<Figure 4-5> Correlation between total fertility rate and dependency ratio



Data sources: World Bank, World Development Indicators

ideological positions of individual parties because governments of European countries are mostly coalition governments. Then, how to weight each party's partisanship becomes an issue. Tsebelis (2002) did not give any weight because every party in a coalition government is a veto player.[52] Thus, he calculated average partisanship scores of coalition member parties and used them as government partisanship scores. He made four government partisanship scores from four different sources, and I use the normalized averages of all four scales as one of my government partisanship variables (***left1***).[53]

$$\textit{left1} = \frac{1}{n}\sum_{i=1}^{n} p_i \qquad \text{---------- (1)}$$

[52] It means that the agreement by all parties in the coalition is needed to make any policy change.
[53] These are from Castles and Mair (1984), Laver and Hunt (1992), Warwick (1994), and Huber and Inglehart (1995).

(p_i = partisanship score of party i, n = number of governing parties)

Other studies assumed that the power of each party in a coalition government differs depending on their shares of cabinet members (Gross and Sigelman 1984; Cusack 1997). Bigger parties have greater influence. On this assumption, Iversen and Soskice (2006) constructed government partisanship scores in which each governing party's ideology score was weighted by its share of cabinet portfolios. For the robustness of analyses, I borrow the scale and use it as another partisanship variable (***left2***).[54]

$$\textbf{\textit{left2}} = \sum_{i=1}^{n} f_i p_i \text{ ---------- (2)}$$

(p_i = partisanship score of party i, f_i = share of cabinet portfolios of party i, n = number of governing parties)

The second hypothesis proposes that left-wing governments are constrained from implementing liberal migration policies when unskilled manual workers can have a substantial effect on the decision-making process on migration policies. The question, then, is when workers actually wield such power. Many studies used the strength of trade unions, for example union density, to indicate the political power and influence of workers. However, there have been cleavages between workers, for example those between white-collar and blue-collar workers or those between highly skilled and low-

[54] Their scores used the same expert surveys on the ideological scales of parties with what Tsebelis (2002) used, except for Warwick (1994). The correlation between the two partisanship variables is 0.5586.

skilled workers, within each of the trade unions (Thelen 2001).[55] Thus, we cannot strongly assume that unskilled manual workers' demands are successfully represented and delivered by trade unions.[56]

Therefore, instead of using the strength of trade unions, this chapter assumes that manual workers' influence on left-wing parties increases as the parties rely on the workers' political support to maintain or increase their own electoral power. Left-wing parties will try to satisfy the workers when the workers follow normative class-voting behavior, by which most vote for left-wing parties. When they do not have manual workers' support, the parties will face constituents less uniform in their preferences over migration policies and will be less likely to allow the workers to influence the formation of migration policies.[57] The class voting pattern (Thomsen index) was calculated by the odds ratio, that is, the odds for unskilled manual workers' voting for left-wing parties divided by the odds for highly skilled manual workers' and non-manual workers' doing the same (Thomsen 1987).[58]

$$\text{Thomsen index} = \frac{u_l / u_n}{h_l / h_n} \text{ ---------- (3)}$$

[55] In addition, the majority of union members in most of the European countries are not unskilled manual workers. For example, only 17.5% of union members in Britain were unskilled manual workers while 63.3% were non-manual workers in 2005 (Grainger 2006). Historical development of British trade unions and consequently higher union density of non-manual workers as well as labor force structure explain the trade union membership by occupation (Slomp 1996).

[56] Also, there are multiple trade unions that represent different sectors and occupations within a country, and they have dissimilar historical connection and organizational linkage with left-wing parties (Western 1999). This makes the use of trade union variables more inappropriate.

[57] Bernhard (1998) followed the same logic in the study of central bank independence.

[58] Early studies on class voting used the Alford index, but the index has been criticized for failing in control for general popularity of left-wing parties (Nieuwbeerta and De Graff 1999). The voting preferences are from the World Value Surveys of 1981, 1990, 1995, and 2000.

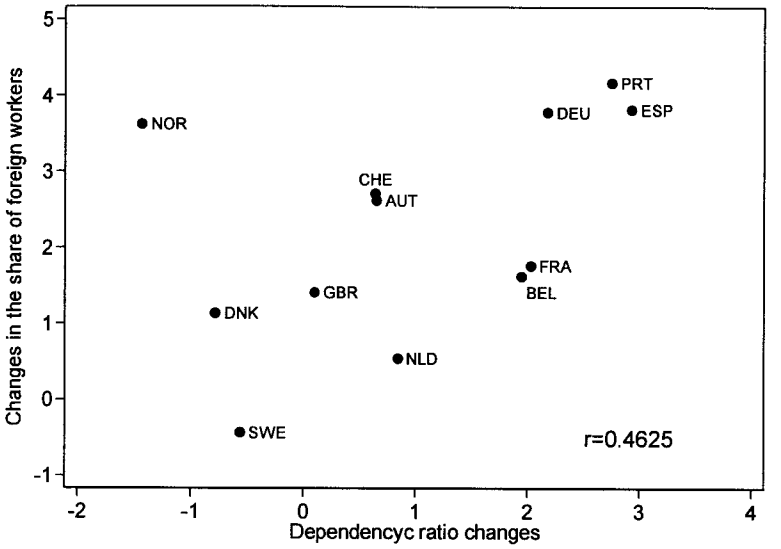
(u_l = fraction of unskilled manual workers who vote for left-wing parties u_n = fraction of unskilled manual workers who vote for non-left-wing parties h_l = fraction of highly skilled manual or non-manual workers who vote for left-wing parties, h_n = fraction of highly skilled manual or non-manual workers who vote for non-left-wing parties, where $u_l + u_n + h_l + h_n = 1$)

Figure 4-6 and Figure 4-7 show that there is substantial correlation between population aging and the changes in the number of foreign workers. First, most countries went through the growth in the number of old people and/or the drops of fertility rates. Second, there is positive correlation between population aging and the increase of foreign workers. Countries which experienced faster population aging in the 1990s increased the inflow of foreign workers more than other countries. Also, countries whose fertility rates had dropped more since 1960 raised the number of foreign workers in the 1990s more than other countries.[59]

Figure 4-8 shows that correlation also appears between government partisanship and the increase in the inflow of foreign workers. As the figure illustrates, countries with more dominant left-wing parties accepted more foreign workers in the period.[60] However, if we compare the fitted line and the actual data, we see that countries where unskilled manual workers have great political influence admitted fewer foreign workers than the trends would indicate. Many of the countries with strong class voting behaviors, such as Sweden, Denmark, and Finland are below the fitted line. This seems to imply that left-

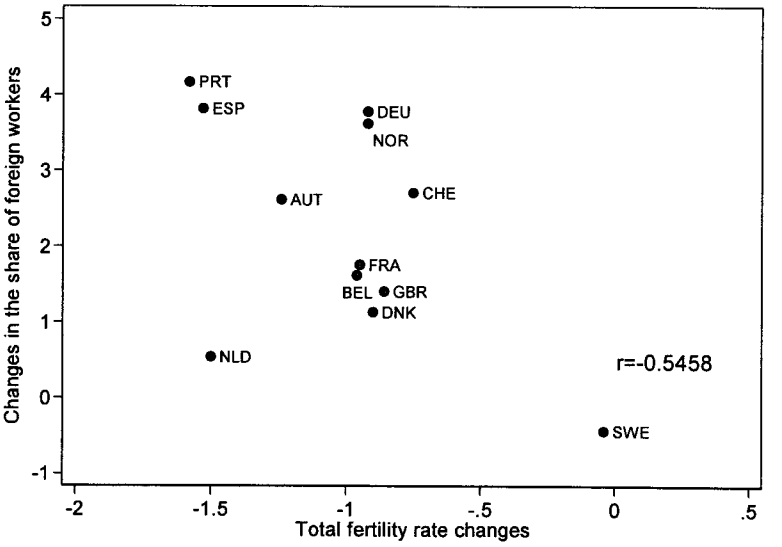
[59] Sweden seems to be an outlier case, driving the negative correlation between fertility rates and foreign workers, but the relationship is still negative even without Sweden (r = -0.2991).
[60] It seems that Norway is pulling over the correlation between the two. However, the correlation is still modestly positive (0.1939) even without Norway.

<Figure 4-6> Dependency ratio and foreign workers (1991-2002)



Data sources: OECD, *Trends in International Migration*; World Bank, World Development Indicators

<Figure 4-7> Total fertility rate and foreign workers (1991-2002)[61]

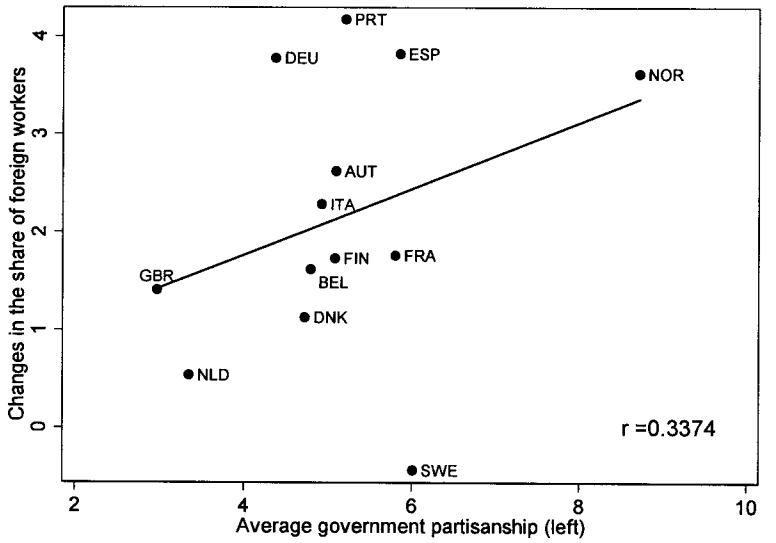


Data sources: OECD, *Trends in International Migration*; World Bank, World Development Indicators

[61] The total fertility rate change is the change between 1960 and 1990.

wing governments in the countries might have been constrained by unskilled manual workers not to liberalize policies on the recruitment of foreign workers.[62]

<Figure 4-8> Government partisanship and foreign workers (1991-2002)



Data sources: OECD, *Trends in International Migration*; Partisanship scores made by author (See the Appendix)

The choice of control variables follows previous studies. The description and data sources for the variables are in the Appendix B. Descriptive summary statistics are presented in Table 4-3.

[62] In contrast to the countries with strong class voting patterns, all the Southern European countries (Italy, Portugal, and Spain) accepted more foreign workers than predicted in the period. While other European countries had experienced mass migration in the 1950s and in the 1960s that stabilized in the 1970s, the southern European countries initiated mass in-migration in the 1980s due to late economic development (Massey et al. 1993). Thus, these countries went through a substantial increase in foreign worker inflow even in the 1990s. This explains why all the countries are over the fitted line in the graph.

<Table 4-3> Data description

Variables	Number of Observation	Mean	SD	Minimum	Maximum
Foreign worker	230	3.91	2.34	0.03	9.06
Δ Old people	260	0.11	0.16	-0.32	0.63
Old people	260	14.70	1.60	10.45	17.98
Δ Fertility rate	260	-0.01	0.05	-0.24	0.11
Fertility rate	260	1.61	0.22	1.15	2.22
Left government (*left1*)	249	4.91	1.55	1.61	7.92
Left government (*left2*)	195	0.63	0.22	0	1
Thomsen index	176	1.98	0.82	0.41	5.38
Unemployment rate	260	8.59	4.45	1.50	24.10
Δ Unemployment rate	260	0.12	1.19	-3.00	5.00
GDP growth	260	2.46	1.85	-6.39	7.49
GDP growth in sending countries	220	2.45	3.18	-15.50	8.49
Deindustrialization	254	76.33	5.33	60.59	85.33
Trade	260	68.21	27.18	31.49	166.35
Social expenditure	260	23.11	4.59	10.77	36.17

Analysis results

Using time-series cross-national data, I use OLS regression with panel corrected standard errors (PCSE) in the analyses. I include both country dummies and year dummies to control country-specific and year-specific effects. Table 4-4 contains basic models of the tests. The first model satisfies common expectations except for one variable: deindustrialization. The main independent variables, the change in the share of old people and government partisanship, are statistically significant with expected

coefficients. High unemployment rates deter the recruitment of foreign workers. Trade openness encourages the inflow of foreign workers.[63] Finally, generous welfare states induce more foreign workers, as the welfare magnet hypothesis suggests.[64]

Deindustrialization is expected to have positive effects on the number of foreign workers because it creates many jobs that are avoided by native people, available to be filled by foreign workers.[65] In particular, because small- and medium-scale firms have more difficulty in outsourcing their production and recruiting domestic labor force, they suffer from labor shortage and look for an alternative labor force: foreign workers. Thus, Athukorala and Manning (1999) argue that the industrial structure is one of the major factors for the growing demand for foreign workers in East Asia.[66]

However, the first model in Table 4-4 shows that deindustrialization actually has negative effects on the number of foreign workers, Thus, I attempt to see whether there is a curved relationship between deindustrialization and demand for foreign workers, and I

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[63] Whether trade and migration are substitutes or complements is still ambiguous. Though the import of cheap dolls from developing countries can be considered as substituting the import of cheap labor for the production of dolls, many studies suggest that trade and migration can be complements in some cases (Markus 1983; Schiff 1994). For example, highly skilled workers, unlike unskilled workers, may complement capital. Also, returns to scale may drive people to continue migrating to industrialized countries despite open trade.

[64] The welfare magnet argument says generous welfare systems induce more migrants, particularly unskilled ones (Borjas 1999; Boeri, Hanson, and McCormick 2002). Though the welfare magnet story is plausible in theory, many theoretical and empirical studies concluded that the evidence was inconclusive (Gran and Clifford 2000; Baldwin-Edwards 2002). Passel and Zimmermann (2001) shows that the welfare magnet effect does not exist even in the U.S. after the 1996 welfare reform. For the survey of empirical studies on the welfare magnet argument, see Brueckner (2000).

[65] Native people become reluctant to taking either so-called 3-D(difficult, dirty, and dangerous) jobs or jobs which have no opportunity for future career advancement (dead-end jobs).

[66] The labor shortage in traditional sectors is also found in European developed countries. Thus, it is suggested that the demand for unskilled foreign worker in these countries will not stop (Bosswell 2003; Martin, Abella, and Kutsch 2006). This is also why some countries are still implementing programs recruiting unskilled foreign workers, such as the Sector Based Scheme in Britain and the border commuter program in Germany.

<Table 4-4> Basic models of population aging, government partisanship, and international migration

	(1)	(2)	(3)	(4)
DV	ΔForeign workers	ΔForeign workers	ΔForeign workers	ΔForeign people
Foreign workers *(t-1)*	**-0.12*** **	**-0.13*** **	**-0.08*** **	
	(0.02)	(0.02)	(0.01)	
Foreign people *(t-1)*				**-0.09** **
				(0.04)
Δover65	**0.45*** **	**0.53*** **	**0.54*** **	0.05
	(0.08)	(0.08)	(0.07)	(0.11)
Left government *(**left1**, t-1)*	**0.02*** **	**0.03*** **	**0.03*** **	**0.02***
	(0.01)	(0.01)	(0.01)	(0.01)
Unemployment rate *(t-1)*	**-0.023*** **	**-0.014***	0.007	-0.004
	-0.009	-0.009	-0.006	-0.010
Δunemployment rate	0.002	-0.017	**-0.042** **	-0.007
	(0.017)	(0.017)	(0.019)	(0.021)
GDP growth *(t-1)*	-0.015	**-0.022***	-0.004	-0.002
	(0.011)	(0.012)	(0.013)	(0.015)
GDP growth in sending countries *(t-1)*	0.001	0.001	0.001	**-0.026** **
	(0.011)	(0.012)	(0.012)	(0.011)
Deindustrialization *(t-1)*	**-0.05*** **	**0.47*** **	**0.59*** **	0.20
	(0.02)	(0.16)	(0.16)	(0.13)
Deindustrialization^2 *(t-1)*		**-0.003*** **	**-0.004*** **	**-0.002***
		(0.001)	(0.001)	(0.001)
Trade *(logged, t-1)*	**1.62*** **	**1.58*** **	**0.28*** **	**0.88*** **
	(0.30)	(0.30)	(0.06)	(0.32)
Social expenditure *(t-1)*	**0.03*** **	**0.04*** **	**0.05*** **	**0.03*** **
	(0.01)	(0.01)	(0.01)	(0.01)
Colony			**0.10***	
			(0.06)	
Border			-0.11	
			(0.07)	
WWII			**0.44*** **	
			(0.06)	
Continent			**0.18*** **	
			(0.03)	
Ethnic fractionalization			**0.71*** **	
			(0.13)	
Constant	-1.83	**-21.31*** **	**-22.55*** **	**-10.06***
	(1.55)	(6.46)	(6.17)	(5.38)
N	201	201	201	193
R^2	0.3542	0.3870	0.3286	0.3960

Note: *** indicates |p|<.01; ** indicates |p|<.05; * indicates |p|<.1

† Standard errors are in parentheses.

†† Country dummies and year dummies are included.

find that there is. The second model implies that the deindustrialization process increases the demand for foreign workers at first, but decreases it later.[67]

The model (3) includes some country-fixed variables that show historic, geographic, and cultural features.[68] Most variables are statistically significant without substantially altering the outcomes of other variables.[69] The result suggests that theories focusing on cultural and historical factors can also help us to understand migration policy outputs and outcomes. In the final model, the size of total foreign people, not that of foreign workers, was used as a dependent variable. None of the variables explains the size of foreign people well, suggesting that the size of foreign people out of the labor market is not systematically decided by economic and demographic factors.

Table 4-5 and 4-6 perform robustness checks using different variables and different models. The first model in Table 4-5 uses a different measurement of government partisanship (***left2***), but yields the same result. It has been argued that time-invariant variables, such as the demographic variable and the partisanship variable here, do not enter an analysis when the analysis uses the country-fixed effect model (Kittel and

[67] The non-linear relationship is consistently observed in the following analyses. One way to interpret the curved relation is that after all the jobs that native people avoid are filled by foreign workers, further deindustrialization decreases the inflow of foreign workers because it shrinks the relative size of foreigners' jobs. However, substantive interpretation of coefficients suggest that the level of deindustrialization which decreases the demand for foreign workers is very high. The threshold is about 82, and only two out of twelve countries in my data (Belgium and Netherlands) are deindustrialized that much.

[68] The colony variable indicates whether a country has a colonial history, and the border variable indicates whether a country shares a border with non-Western European countries. The WWII variable indicates whether a country participated in the World War II, and the continent variable indicates whether a country is located within the European continent. Finally, the data on ethnic fractionalization is from Reynal-Querol (2002).

[69] County dummies are excluded in the models because of the multicollinearity with the variables newly added.

<Table 4-5> Robustness check

Model	(1)	(2) No FE(Country)	(3) AR(1)	(4) First difference
Foreign workers *(t-1)*	**-0.13*** **	0.01		
	(0.04)	(0.01)		
Δover65	**0.54*** **	**0.34*** **	**1.14*** **	**0.34*** **
	(0.13)	(0.09)	(0.28)	(0.05)
Left government *(**left1**, t-1)*		**0.01***	**0.04***	
		(0.01)	(0.02)	
Left government *(**left2**, t-1)*	**0.17***			
	(0.10)			
Δleft government *(t-1)*				**0.03****
				(0.01)
Unemployment rate *(t-1)*	-0.001	**0.015*** **	-0.027	
	(0.019)	(0.003)	(0.025)	
Δunemployment rate	-0.01	**-0.03***	0.01	**-0.04*** **
	(0.03)	(0.01)	(0.03)	(0.01)
GDP growth *(t-1)*	-0.01	-0.01	**-0.03***	
	(0.02)	(0.01)	(0.02)	
ΔGDP growth *(t-1)*				**-0.03*** **
				(0.01)
GDP growth in sending countries *(t-1)*	0.00205	-0.00005	-0.00418	
	(0.01207)	(0.01055)	(0.01020)	
ΔGDP growth in sending countries *(t-1)*				-0.0003
				(0.010)
Deindustrialization *(t-1)*	0.28	**0.47*** **	0.32	
	(0.29)	(0.12)	(0.23)	
Deindustrialization^2 *(t-1)*	-0.003	**-0.003*** **	**-0.003***	
	(0.002)	(0.001)	(0.002)	
Δdeindustrialization *(t-1)*				-0.02
				(0.02)
Trade *(logged, t-1)*	**1.47*** **	**0.32*** **	**1.38*** **	
	(0.41)	(0.04)	(0.53)	
Δtrade *(t-1)*				**0.02*** **
				(0.01)
Social expenditure *(t-1)*	**0.057*** **	**-0.010*** **	**0.042***	
	(0.014)	(0.004)	(0.022)	
Δsocial expenditure *(t-1)*				0.02
				(0.02)
Constant	-13.50	**-18.38*** **	-12.32	0.08
	(12.02)	(4.58)	(8.65)	(0.07)
N	180	201	201	188
R^2	0.3669	0.2300	0.8410	0.2647
rho			0.68	

Note: *** indicates |p|<.01; ** indicates |p|<.05; * indicates |p|<.1

† Standard errors are in parentheses.

†† Country dummies and year dummies are included.

Winner 2005; Plümper, Troeger, and Manow 2005). In my study, countries where government partisanship does not significantly vary admitted many foreign workers with right-wing governments.[70] The results on government partisanship, then, may be biased against zero, and the positive effect of left-wing governments on the recruitment of foreign workers may be overestimated. Thus, country dummies are not included in model (2). Although the coefficients are smaller than before, the population aging and partisanship variables are still statistically significant.

Using lagged dependent variables also has been criticized as dominating the regression and destroying the effects of other variables particularly when there is heavy trending in exogenous variables and disturbances (Achen 2001; Kittel and Winner 2005; Plümper, Troeger, and Manow 2005). Kittel and Winner (2005) suggest two alternatives in place of lagged dependent variables: auto correlation and first differences. Model (3) uses auto correlation (AR1) without the lagged dependent variable, and model (4) uses first differences of all the variables. However, the independent variables survive.

Table 4-6 uses different measurements of population aging. For example, the first model used the changes in the share of old people over ten years. The second model used the levels, not the changes, of population aging. The last two models used the changes and the levels of total fertility rates. Countries where fertility rates were decreased more in the long run as well as countries with lower fertility rates tend to admit more foreign workers.

[70] Austria, Belgium, Germany, and the United Kingdom

<Table 4-6> Different measurements of population aging

	(1)	(2)	(3)	(4)
Foreign workers *(t-1)*	**-0.14*** **	**-0.11*** **	**-0.10*** **	**-0.11*** **
	(0.02)	(0.02)	(0.02)	(0.01)
Δover65 (10 years)	**0.08*** **			
	(0.01)			
over65 *(t-1)*		0.02		
		(0.03)		
Δfertility rate (10 years)			**-0.28*** **	
			(0.10)	
fertility rate *(t-1)*				**-0.61*** **
				(0.18)
Left government *(**left1**, t-1)*	**0.03*** **	**0.02** **	**0.01***	**0.02*** **
	(0.01)	(0.01)	(0.01)	(0.01)
Unemployment rate *(t-1)*	-0.01	**-0.02** **	**-0.02*** **	**-0.02** **
	(0.01)	(0.01)	(0.01)	(0.01)
Δunemployment rate	-0.01	-0.01	-0.01	-0.01
	(0.02)	(0.02)	(0.02)	(0.02)
GDP growth *(t-1)*	-0.02	-0.02	-0.01	-0.01
	(0.01)	(0.01)	(0.01)	(0.01)
GDP growth in sending countries *(t-1)*	0.002	0.002	0.002	0.001
	(0.012)	(0.011)	(0.012)	(0.012)
Deindustrialization *(t-1)*	**0.58*** **	**0.43*** **	**0.41*** **	**0.42*** **
	(0.17)	(0.14)	(0.15)	(0.16)
Deindustrialization^2 *(t-1)*	**-0.004*** **	**-0.003*** **	**-0.003*** **	**-0.003*** **
	(0.001)	(0.001)	(0.001)	(0.001)
Trade *(logged, t-1)*	**1.64*** **	**1.66*** **	**1.70*** **	**1.53*** **
	(0.30)	(0.32)	(0.32)	(0.30)
Social expenditure *(t-1)*	**0.03*** **	**0.03*** **	**0.05*** **	**0.05*** **
	(0.01)	(0.01)	(0.01)	(0.01)
Constant	**-25.67*** **	**-20.57*** **	**-19.37*** **	**-18.50*** **
	(6.71)	(5.44)	(5.92)	(6.26)
N	201	201	201	201
R^2	0.3810	0.3549	0.3673	0.3765

Note: *** indicates |p|<.01; ** indicates |p|<.05; * indicates |p|<.1

† Standard errors are in parentheses.

†† Country dummies and year dummies are included.

Finally, Table 4-7 tests the hypothesis on the interaction between government partisanship and the political power of manual workers. Although previous results find that left-wing governments are found to recruit more foreign workers than right-wing governments, I attempt to see whether the behaviors of left-wing governments change as manual workers become more politically powerful and influential. The first two models use the Thomsen index to indicate the workers' political power and influence and the last two models employ union density to compare the results. The results indicate that the Thomsen index clearly shows that workers' political power negatively affects the partisanship effect. In other words, as manual workers become more politically influential, the difference between left-wing governments and right-wing governments becomes trivial.[71] However, the results from using the union density variable are weak.[72] Figure 4-9 indicates that when workers' political influence goes over certain thresholds,

[71] The interpretation of coefficients suggests that the partisan difference disappears not because right-wing governments become less restrictive, but because left-wing governments become more restrictive. In other words, the political power of the workers constrains left-wing powers from accepting many foreign workers

[72] Though weak, we can see some constraining power of union density on the partisanship effect. However, the constraint might be from another source: the preferences of trade unions on migration issues. Current positions of trade unions on migration are mixed, controversial, and puzzling. Conventional wisdom states that trade unions are opposed to admitting many foreign workers because the inflow will increase the labor market competition. However, studies found that trade unions in many countries do not always want to restrict migration. Their attitudes are not as consistent as expected. Sometimes, they are even opposed to restrictive migration policies (Haus 1995; Avci and McDonald 2000; Burgoon, Fine, Jacoby, and Tichenor 2008). The main argument says that trade unions suffering from declining density turned pro-migration in order to integrate foreign workers into their organizations and sustain political power. However, unions that have stayed strong may hold restrictive stances on migration policies, as Bucken-Knapp (2006) argue using the Swedish case. Haus (1995) also assumes that stronger labor movement can reduce incentives for unions to integrate and organize foreign workers, and then strong unions have more restrictive positions on migration. Thus, left-wing governments with weak trade unions might not be constrained by the unions not because the political power of unskilled manual workers in the countries is weak, but because the trade unions do not want to restrict migration.

there is no statistically significant difference between left-wing and right-wing governments.[73]

<Table 4-7> Interaction between government partisanship and manual workers

	(1)	(2)	(3)	(4)
Government partisanship	*left1*	*left2*	*left1*	*left2*
Labor power	Thomsen index	Thomsen index	Union density	Union density
Foreign workers *(t-1)*	**-0.26*** **	**-0.27*** **	**-0.13*** **	**-0.14*** **
	(0.04)	(0.05)	(0.02)	(0.04)
Left government *(t-1)*	**0.08*** **	**0.51*** **	**0.04** **	0.12
	(0.02)	(0.17)	(0.02)	(0.19)
Left government x Labor power *(t-1)*	**-0.02** **	**-0.25*** **	**-0.04†**	0.01
	(0.01)	(0.06)	(0.04)	(0.29)
Labor power *(t-1)*	-0.01	**0.10** **	1.25	**1.59***
	(0.02)	(0.04)	(0.86)	(0.91)
Unemployment rate *(t-1)*	-0.02	**0.052** **	-0.01	0.004
	(0.01)	(0.026)	(0.01)	(0.019)
Δunemployment rate	**-0.06*** **	**-0.08*** **	-0.02	-0.02
	(0.02)	(0.03)	(0.02)	(0.03)
GDP growth *(t-1)*	**-0.06*** **	**-0.03** **	-0.01	-0.01
	(0.01)	(0.02)	(0.01)	(0.02)
GDP growth in sending countries *(t-1)*	0.008	0.007	0.002	0.004
	(0.005)	(0.009)	(0.011)	(0.012)
Deindustrialization *(t-1)*	**0.45*** **	0.04	**0.52***	0.32
	(0.06)	(0.34)	(0.27)	(0.30)
Deindustrialization^2 *(t-1)*	**-0.003*** **	-0.001	**-0.004** **	-0.003
	(0.000)	(0.002)	(0.002)	(0.002)
Trade *(logged, t-1)*	**1.43*** **	0.27	**1.49*** **	**1.47*** **
	(0.26)	(0.36)	(0.35)	(0.39)
Social expenditure *(t-1)*	**0.04*** **	**0.05** **	**0.05*** **	**0.06*** **
	(0.01)	(0.02)	(0.01)	(0.01)
Δover65	**0.50*** **	**0.26** **	**0.59*** **	**0.59*** **
	(0.07)	(0.13)	(0.09)	(0.14)
Constant	**-20.38*** **	2.21	**-22.72** **	-14.13
	(1.88)	(14.78)	(11.10)	(12.04)
N	140	116	192	180
R^2	0.4409	0.4255	0.4027	0.3757

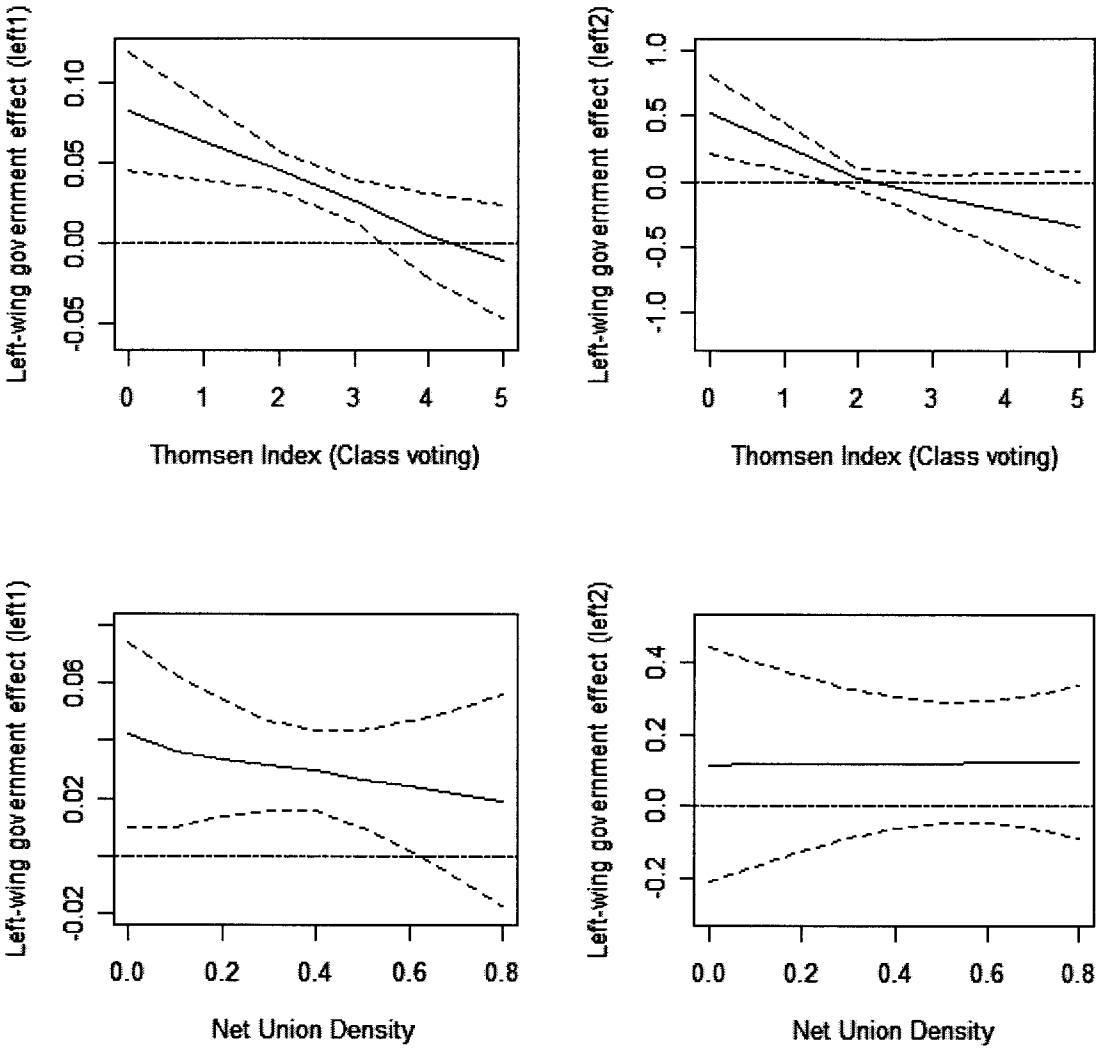
Note: *** indicates |p|<.01; ** indicates |p|<.05; * indicates |p|<.1

† Significant by joint test

†† Standard errors are in parentheses. Country dummies and year dummies are included.

[73] Graphs in Figure 4-9 imply that left-wing parties in Nordic countries like Denmark, Finland, Norway, and Sweden are particularly constrained by manual workers.

<Figure 4-9> Workers' political influence and government partisanship effects



In sum, the results from various models, using different measurements of variables, using different model specification, and using both short-term and long-term models, show that countries suffering more seriously from the population aging problem tend to admit more foreign workers. The inflow of foreign workers is also affected by a

political factor: government partisanship. Left-wing governments have recruited more foreign workers than right-wing governments, but strong political power of unskilled manual workers makes the partisan difference trivial.

Conclusion

Despite negative effects of international migration on migrant-receiving countries, such as the pressure on labor markets, the rise of racism and extreme right-wing parties, and social instability, countries have never closed their borders entirely for many reasons. Today, some countries actually attempt to take advantage of foreign people as contributors to their aging population and the welfare system.

The people in most developed countries have gotten older. The aging population has worsened the imbalance between the contributors to and the beneficiaries of the welfare system. Thus, countries have tried to increase fertility rates to deter the aging problem. They also have reformed and shrunk the welfare system. Also, some countries have believed that their welfare systems could benefit from the inflow of foreign people and have tried to maintain appropriate levels of in-migration.

This chapter attempted to study whether there had been systematic relations between population aging and international migration. In particular, this chapter found that countries under stronger demographic pressure opened their borders to foreign workers more than other countries. This chapter also found that left-wing governments

admited more foreign workers than right-wing governments, but left-wing governments' recruitments were constrained by the political power of unskilled manual workers.

The results imply that migrants are not always unwanted. Policy-makers seem to understand plausible contributions that foreign workers can bring to host countries. Thus, they have tried to maximize benefits from accepting migrants while at the same time minimize costs of doing so.[74] The results also imply that differences between political parties can be conditional. People often take on a static approach in explaining differences between left-wing and right-wing parties in regards to migration policies, such as whether left-wing parties are pro-migration or not. However, this paper implies that party politics may have more complicated dynamics. In other words, their policy preferences and capability of policy implementation can be constrained by other factors.

Finally, the implication on the relationship between left-wing parties and labor power regarding migration issues is very different from that on the same relationship regarding other issues, such as macroeconomic policies. Studies found that labor power helped the macroeconomic policy performance of left-wing parties because the two political actors share the same policy goals, such as stimulating economies and reducing unemployment rates (Garrett 1998; Veiga and Chappell 2002). However, the results of this paper imply that the two actors may not share the same policy preferences regarding migration issues and sometimes even conflict with each other. In other words, international migration seems to provide a fault line between left-wing parties and

[74] Small-scale guest worker programs initiated in the 1990s by European countries are good examples of the efforts. While the programs were designed to recruit foreign workers to meet the labor market demands, they applied different rights of workers to reside in host countries and change their status to different types of foreign workers in order to prevent the abuse of residence and working permits (Martin, Abella, and Kuptsch 2006).

workers, particularly unskilled manual workers. Thus, the relationship between left-wing parties and labor groups should be understood in a different way when migration issues are considered.

Chapter 5

Electoral Politics and Welfare Cuts on Asylum Seekers: Data Analyses

After the British Labour party had won the 1997 election, people expected that the Labour government would reverse the trend of restrictive asylum policies made by the former Conservative government for the previous 5 years (Schuster and Solomos 1999; Bloch 2000; Mynott 2002).[1] Such expectation was based on the fact that the Labour party had been opposed to the policies when they had been introduced in Parliament.[2]

However, it did not take much time for the Labour government to begin moving against the expectation. The Labour officers continued using the same language on asylum seekers that the previous government had used. Mike O'Brien, the minister for immigration and asylum, argued that many asylum seekers could be labeled 'bogus' – a word which had brought about fierce debates between the two parties in Parliament during the reading of the 1993 asylum bill – because they were economic migrants.[3] The changed attitude reached a peak when the government introduced and passed another

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[1] The 1993 Immigration and Asylum Appeals Act put more restrictions on the appeal procedure, introduced compulsory fingerprinting, and toughened the application process for social housing. Also, the 1996 Asylum and Immigration Act stopped providing welfare benefits to people who did not claim asylum upon entry into Britain.

[2] It seemed in the early period of the Labour government that the expectation was fulfilled. Jack Straw, the shadow Home Secretary prior to 1997 and the Home Secretary in the Labour government, said during the 1997 election campaign that the Labour government would not implement some provisions of the 1996 asylum act (Stevens 1998). Also, Jack Straw actually abolished the White List, the list of 'safe' countries, which was introduced by the previous Conservative government. The rate of asylum application recognition also jumped from 30% in 1997 to 62% in 1998 (Schuster and Solomos 2004).

[3] The rhetoric of the 'bogus' asylum seekers was actually reflected in a real policy when 800 Roma people came from Czech Republic and Slovakia to apply for asylum in 1997. The government decided to reduce the time to appeal from 28 days to 5 days if the application tuned out to be manifestly unfounded (Schuster and Solomos 2004). By framing the Roma people with the image of bogus asylum seekers, the government showed the continuity with its predecessor.

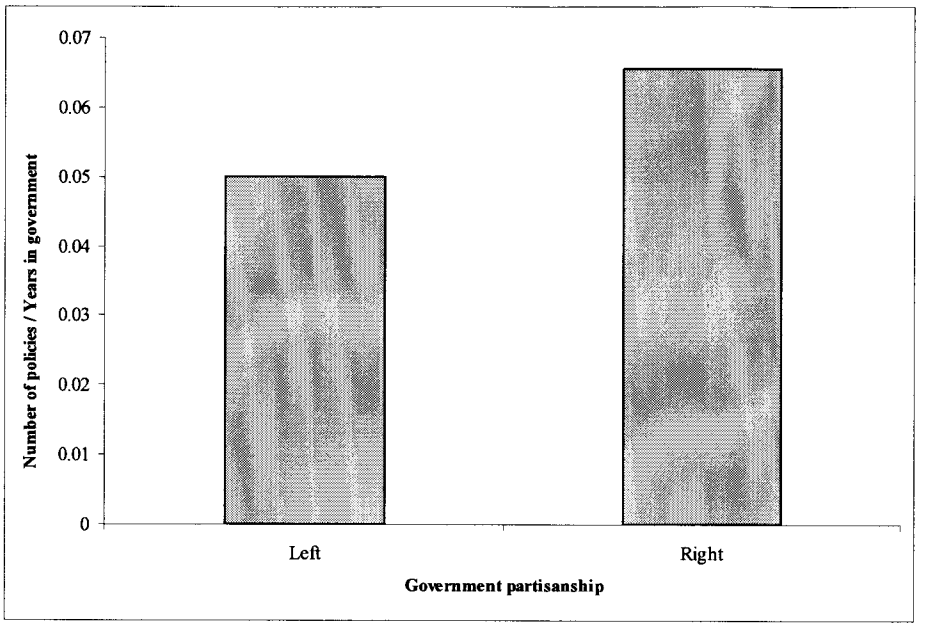
restrictive asylum bill, the 1999 Immigration and Asylum Act, which replaced cash benefits to asylum seekers with a voucher system.

Why did the Labour government change its position on asylum policies? It is widely said that left-wing parties hold more positive views on migration issues than right-wing parties do, and try to make migration policies more liberal.[4] The partisan difference is observed also in policies on political asylum. In Germany, the asylum issue was the most important and the most contentious electoral issue between the Social Democratic Party (SPD, *Sozialdemokratische Partei Deutschlands*) and right-wing parties in local elections in 1991-1992 (Geddes 2003). Then, is the 1999 act crafted by the Labour party just an outlier? However, Figure 5-1 implies that the 1999 act might not be an anomalous case. Figure 5-1 shows that left-wing governments are not substantially different from right-wing governments in the probability of introducing restrictive asylum policies.[5] Then, what makes the left-wing parties adopt restrictive positions on the asylum issue?

[4] Two reasons are frequently suggested for the partisan difference. First, it results from the difference in broader ideological and cultural dimension. For left-wing parties, their commitment to political, economic, and social equality as well as political multiculturalism helps them to try to assist migrants and integrate them into societies (Lahav 1997). In contrast, obligation to law-obedience, social stability, and nationalism drives right-wing parties to keep tough attitudes toward migrants and restrictive migration policies. Second, left-wing parties consider migrants potential supporters to themselves more than right-wing parties do (Faist 1994; Money 1999a). Messina (2007) found that ethnic minority people are actually more likely to vote for left-wing parties. For example, between 70% and 90% of Asian and Afro-Caribbeans voted for the Labour party but only 10% of them voted for the Conservative party in Britain in the 1980s and in the 1990s. Because left-wing parties see that migrants will come to vote for the parties if they are eligible to do, the parties try to provide more political and economic opportunity to them. Givens and Luedtke (2005) statistically tested the partisanship hypothesis. Using their own data on migration policies and migrant policies of three European countries (Germany, France, and Britain) from 1990 to 2002, they found that while partisanship does not have effects on the making of migration policies that regulate the inflow of migrants, right-wing parties make more restrictive migrant policies that control political, economic, and social conditions of migrants who already reside in host countries.

[5] Here, restrictive asylum policies are policies that regulate asylum seekers' economic welfare benefits.

<Figure 5-1> Restrictive asylum policies by government partisanship



The instability in world politics in the early 1990s created many refugees flowing into European countries.[6] The asylum crisis brought about many problems in the European countries that accepted the asylum seekers, such as lack of staffs and facilities and the increase of social instability.[7] Another effect that the refugee inflow had was people's concern on the fiscal burden that they would have to shoulder for the asylum seekers. Because asylum seekers did not pay taxes but obtained welfare benefits, they

[6] For example, the number of asylum seekers to Europe was about 170,000 in 1985, but the number jumped to 430,000 in 1992 (OECD, *Trends in International Migration*, various years). Europe was the most popular destination for refugees at that time because of its geographical proximity and historical connection with refugee-sending countries.

[7] Because the number of asylum seekers increased so suddenly and so sharply, the countries were short of staff to administer the asylum applications and short of facilities to accommodate the asylum seekers. The refugee inflow also raised social instability. People felt scared as more foreigners strolled around their towns. The asylum seekers began to be considered as a cause of increase in the crime rate. Racism was intensified in many countries and the number of racist attacks on the asylum seekers increased. For example, more than 2,000 illegal racist acts were reported in 1991 in Germany, including 338 arson attacks. The number of arson attacks was increased to 701 in 1992, resulting in the death of 17 people (Schönwälder 1999).

were net welfare beneficiaries while their asylum applications were in process. As the number of asylum seekers flowing into European countries increased and the fiscal burden became heavier, the countries came to formulate new restrictive asylum policies to reduce asylum seekers' welfare benefits or restrict their welfare eligibility.[8]

Thus, this chapter studies the making of policies which restrict asylum seekers' economic welfare benefits and examines what drives the policy introduction in European countries.[9] In particular, this chapter attempts to find factors which make left-wing parties as well as right-wing parties bring in the policies. As an answer to the question of why left-wing parties also introduce restrictive asylum policies, this chapter suggests that left-wing parties are constrained by electoral pressure to turn their backs on asylum seekers.

Asylum policies in European countries

The initial attempt to protect refugees crafted the Convention Relating to the Status of Refugees (Geneva Convention) in 1951.[10] The Convention defined the term 'refugee' (Article 1)[11], prohibited the contracting countries from discriminating refugees

[8] For example, Germany in 1993 and Britain in 1999 reduced the benefit levels by replacing cash benefits with voucher systems. Also, Italy in 1991 and Sweden in 1992 lowered financial assistance to asylum seekers.

[9] Another reason for focusing only on policies on asylum seekers' welfare benefits is that while regulations on asylum seekers' welfare benefits were developed by the countries individually, many of other asylum policies, such as visa imposition, 'safe third country' clauses, and carriers liability, were developed through inter-governmental policy coordination, such as the 1990 Schengen Convention and the 1990 Dublin Convention.

[10] The Convention was originally meant to protect European refugees after the World War II, but the 1967 Protocol removed the geographical boundary and expanded its scope to non-European refugees.

[11] The Article 1 A (2) says "[The term 'refugee' shall apply to any person who] ... owing to well-founded fear of being persecuted for reasons of race, religion, nationality, membership of a particular social group or political opinion, is outside the country of his nationality and is unable or, owing to such fear, is

as to race, religion, or country of origin (Article 3), urged the countries to provide most favorable treatment (Article 17), and prohibited countries to return a refugee to a place where his/her life or freedom would be threatened (Article 33).

Many European countries went through an 'asylum crisis' in the 1990s (Freeman 1995).[12] As Figure 5-2 shows, the number of asylum seekers who surged into Europe was dramatically increased in the period. The fluctuations can be explained by many factors, but political events in home countries, such as the civil war in Sri Lanka in 1983, the collapse of the Iron Wall in the late 1980s, the Yugoslavia War in 1991, and the Kosovo War in 1998, definitely have contributed to the sharp increase of the numbers.[13]

As the number of asylum seekers grew, European countries came to invent or modify asylum policies to make asylum procedure more efficient, discourage people who de not seem to be genuine refugees from coming to the countries, and eventually decrease the number of asylum seekers flowing into the countries. To prevent sudden flood of asylum seekers from a certain place where a political turmoil pushed out people, European countries imposed visas for people from the country. For example, when the civil war in Sri Lanka produced the deluge of refugees to Europe after 1983, countries like Germany and Britain required visas to the people from the country. Some European

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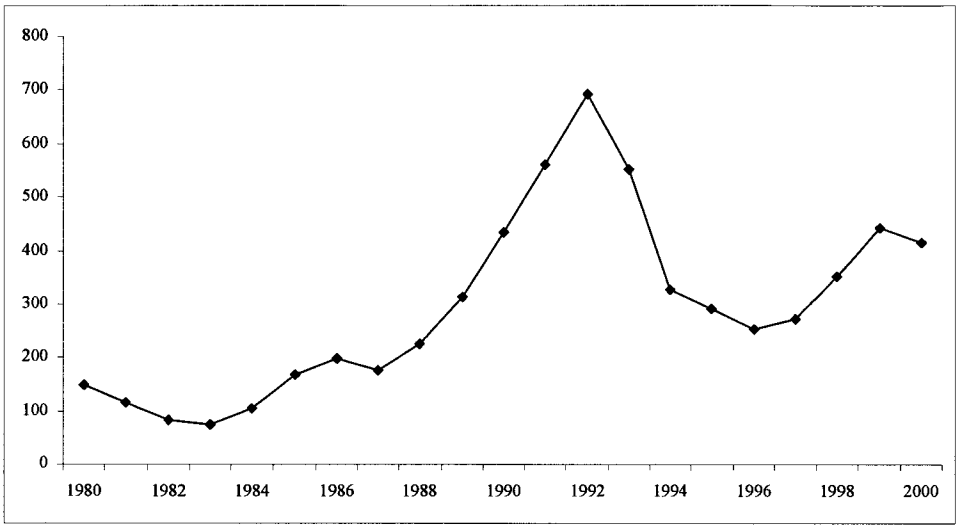
unwilling to avail himself of the protection of that country; or who, not having a nationality and being outside the country of his former habitual residence as a result of such events, is unable or, owing to such fear, is unwilling to return to it ..."

[12] Europe has been the most major destination of refugees because of geographical proximity and historical connection between European countries and refugee-sending countries. Major refugee-sending countries in the last a couple of decades, such as former Communist countries, Turkey, Iran, and Iraq are either near or even within Europe. Historic relationship also matters. Böcker and Havinga (1997) found that, through surveys of asylum seekers in Netherlands, Belgium, and Britain, besides economic and social conditions in host countries, historic ties with destination and language also determined the destination decisions of asylum seekers.

[13] For the quantitative studies of the determination of the number of asylum seekers, see Rotte, Vogler, and Zimmermann (1997), Thieleman (2004), and Hatton (2004).

countries also began to implement so-called the 'carriers' liability' policy, which made carrier companies, such as airlines, responsible for examining whether passengers had valid documents.[14]

<Figure 5-2> Inflow of asylum seekers to European countries (in thousands)[15]



Source: OECD, Trends in International Migration, various years

These two polices were the earliest attempts to regulate asylum procedure and to prevent sudden massive inflow of asylum seekers. European countries harmonized the policies of individual countries through the 1990 Schengen Convention. The Convention, allowing free movement inside the Schengen area based on the 1985 Schengen Agreement, established a common visa system for non-contracting country nationals (Article 9 – Article 18). As of the carriers' liability, the Convention made carrier

[14] Germany established the policy in 1986 and Britain passed the Carriers' Liability Act in 1987.
[15] The data include Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, and Britain.

companies obliged to return a passenger who were refused entry into a contracting country to the place where he/she departed. The Convention also made contracting countries able to impose penalties to carriers which transport people without necessary travel documents (Article 26).

In addition, the 1990 Dublin Convention introduced a new policy agenda. Before the Convention, an asylum seeker could apply asylum to several countries in turn. The Convention attempted to stop the 'asylum shopping' and suggested that an asylum claim could be dealt with by only one state. The Convention was followed by the London resolutions which introduced the concept of 'safe third country'[16], that of 'manifestly unfounded asylum claim'[17], and that of 'safe countries of origin'.

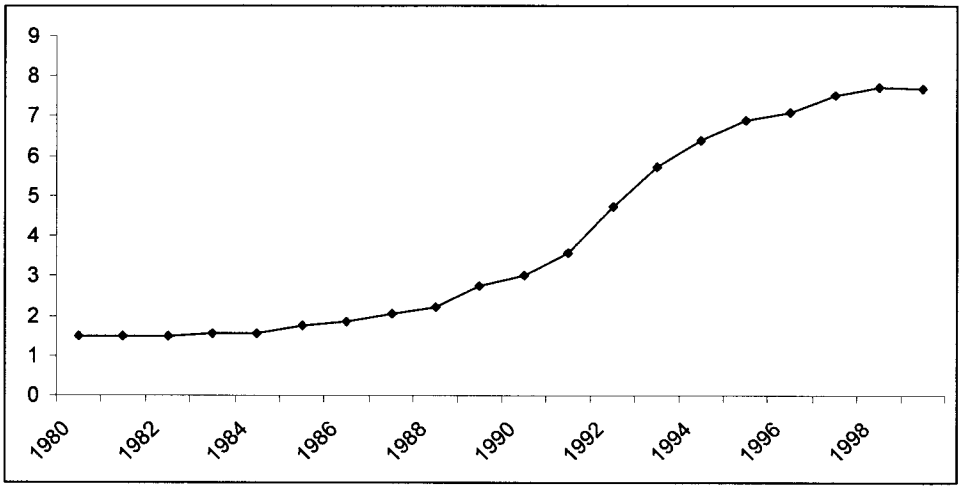
Besides the national and international policies presented above, countries also attempted to regulate asylum processes, stop the abuse of asylum system, and decrease the costs of the system by making the asylum process faster, making deportation process harsher, limiting asylum seekers' working rights, withdrawing the ELR(Exceptional Leave to Remain)[18], and restricting welfare benefit eligibility.

As the short history of European asylum policies shows, asylum policies in European countries have become more restrictive mostly through the late 1980s and through the 1990s. The development of asylum policies can be examined also by policy

[16] It allowed countries to reject asylum claims if the applicants had transited through countries which are defined 'safe'.
[17] Manifestly unfounded claims include the case where applicants are from countries where no substantial fear of persecution is found, the case where applicants could obtain effective protection in other parts of their home countries, and the case where the claims are made with false evidence, such as false identity or false documents.
[18] The ELR allows asylum seekers whose applications were denied to stay in the host countries until their cases are heard in the appeal process.

index. Hatton (2004) made the asylum policy index of 14 European countries from 1980 to 1999. Figure 5-3 confirms that the policies got more and more restrictive in this period.

<Figure 5-3> Asylum policy index (average of the countries)[19]



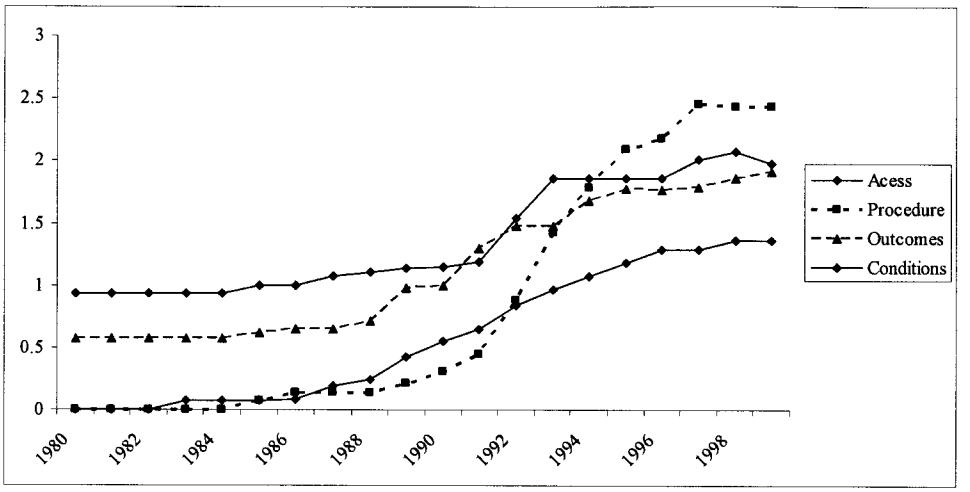
Source: Hatton (2004)

Hatton (2004) made the index by categorizing different asylum policies into four groups.[20] Figure 5-4 shows that each group of asylum policies kept the same pattern of development though some policies began to be used earlier than other policies.

This chapter focuses on the last group of policies to examine the factors which drive the making and the change of national asylum policies. There are two reasons. First, as was seen above, the first two categories of policies, such as carriers' liability and third safe countries, were the outcomes of international policy coordination rather than those

[19] Higher numbers mean more restrictive policies.
[20] The group 'access' includes carriers' liability and airport procedure. The group 'procedure' contains safe third country, manifestly unfounded claim, and safe origin country. The group 'outcomes' comprises strict deportation, no ELR, and fast track processing. Finally, compulsory detention, the ban on employment, and welfare restriction are included in the 'conditions' group.

<Figure 5-4> Index of each asylum policy group (average of countries)[21]



Source: Hatton (2004)

made by each country's individual efforts. Second, the debates on asylum seekers' conditions, particularly the issue of welfare benefits to them, have been very intense. The issue has been related to the burden-bearing problem between regions, between central and local governments, and between different social groups.[22] The issue is also important because many of the asylum seekers have been believed to be, whether it is true or not, 'economic refugees' who came to the host countries not because of real fears of persecution, but in the search of economic opportunity such as employment and welfare benefits.[23] Thus, cutting welfare benefits was believed by many policy-makers to decrease the number of asylum seekers. The two cases presented in the next chapter show

[21] For the details on each group of asylum policies, see footnote 16.
[22] For example, the 1996 Asylum and Immigration Act in Britain resulted in, though not intended, huge fiscal burden to London and neighboring areas. The problem led to the making of the 1999 Immigration and Asylum Act which attempted to disperse asylum seekers to other areas. Also, since the asylum seekers in Austria had lost automatic entitlement to social support by the 1991 Federal Care Provision Act, the question of who was responsible for them had been an issue between the federal government and local authorities (Amrute and Pfohman 2001).
[23] See, for example, *The Economist*, October 2, 1993.

how much the issue of welfare benefits to asylum seekers was politically important. They also show how right-wing parties raised, mobilized, and made use of the issue for the electoral purpose and how left-wing parties got pressure to withdraw their welfare supports for asylum seekers..

Literature review

There have been only a few studies on the politics of asylum policies. Kaye (1994) and Kaye (1999) analyzed the development of British asylum policies. According to him, political parties have been central to the development. Political parties, particularly the Conservative party, made the asylum issue a political agenda by introducing the issue in parliamentary debates, election manifestos, and party conferences. The Conservative party has also made use of the asylum and immigration issues for electoral strategies, particularly since the Thatcher government. The Conservative party has tried to make its own image of 'a better party' to deal with the asylum and immigration issues by introducing restrictive policies.

Schuster (2003) presented broader explanation of the political backlash in asylum policies. In her book on the political asylum in Germany and Britain, she showed how the asylum problem had yielded threats to welfare state, liberal state, and national identity in the countries. She argued that the multi-dimensional threats had led the countries to impose more restrictive controls on asylum seekers.

Hatton (2004) did a quantitative analysis on the making of asylum policies in European countries from 1980 to 1999. He categorized asylum policies into four groups and tested what factors affect each policy level as well as the overall policy level. He found that the inflow of asylum seekers both to each country and to other European countries had generated restrictive asylum policies. He also found that a country's policy-making is affected by other countries' policies. Finally, he concluded that only GDP growth among economic factors has an effect.

One of the greatness of his study is the data on asylum policies of European countries that he made. He coded when each type of asylum policies was introduced or abolished in each country. His data cover quite many countries (14 countries) for a substantial period (1980-1999). However, one of the drawbacks of the study is that he did not consider any political factor in his analysis. As was shown in previous studies on asylum policies, we can ask a question of how political factors affect the making and the changes of asylum policies.

This chapter is different from the previous studies in some aspects. First, different from many studies, this chapter performs statistical analyses as well as case studies. Second, different from Hatton (2004) which is the only empirical study on asylum policies so far, this chapter focuses on political factors. Second, this chapter also differs from Hatton (2004) in that this chapter is interested in the introduction of new policies rather than policy levels. Finally, most importantly, this chapter attempts to see whether the partisan effect on asylum policies is constrained by other factors.

Hypotheses

This chapter began with the story on the 1999 Immigration and Asylum Act passed by the Labour party in Britain and the question of why the Labour party changed its position on the asylum issue and introduced restrictive asylum policies. The Labour party seems to have done so because of its concern to be seen to be 'tough on immigration' and to be in accordance with the core of public opinions. After taking over the government, the Labour government had to face attacks on their relatively soft position on the asylum issue. A leaked Blair's memo showed the concern very clearly. In the memo written on the eve of local government elections, he presented the asylum issue as one of the issues for which the Labour party needed focused strategies, such as crime, family, and homosexuality. Then, he showed his concern that the party is believed to be too soft on the asylum issue.

> ... asylum and crime, where we are perceived as soft, ...[24]

He also mentioned that the Labour party was losing support partly due to the asylum issue and therefore the government needed to show that it was actually solving the problem.

> The basis of the Conservative recovery is concern over asylum seekers where the Conservatives are occupying the ground the electorate think we have vacated. ... On asylum, we need to be

[24] *The Guardian*, July 18, 2000

highlighting removals and decisions plus if the April figures show a reduction, then a downward trend.[25]

In addition, the Labour party had to cope with fierce attacks from the Conservative party on the asylum issue after the 1997 election. After losing the 1997 election, the Conservative party focused on populist agendas, such as crime, homosexuality, ethnic minorities, and political asylum, to attract its core supporters. This led the Conservative party to focus on tax reduction, opposition to European integration, and a tougher regulation on asylum seekers, particularly as the 2001 election loomed (Geddes and Tonge 2002).[26]

After all, the Labour government could not stay on its commitment to the asylum issue because of its concern to be seen to effectively control the asylum issue, to be in line with the core of public opinions, and not to lose votes in general or local elections. This limited the party's capability to bring about substantial changes to asylum policies. Consequently, the asylum policies of the Labour government maintained continuity with the previous ones by the Conservative party.

Imminent elections increase the pressure not to deviate from the core of public opinions. The sudden increase of the inflow of asylum seekers made the asylum issue one of the most significant and urgent political issues in the early 1990s in Germany. A poll said that 78% of German voters responded in 1992 that political asylum was the most

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[25] *The Guardian*, July 18, 2000

[26] This strategy, however, was criticized not only that they jumped on populist 'bandwagons', but also that the strategy was inefficient and inconsistent with the normal electoral cycle. British political parties had usually began with a broad appeal but narrowed down their support at the end of the campaign (Cowley and Quayle 2002). However, the Conservative party focused first on specific topics right after the 1997 election. The contrasting strategies are told to be due to the different attitudes of the party leaders: John Major before 1997 and William Hague after 1997.

important issue (Geddes 2003). The conservative coalition government tried to reform asylum policies including reducing welfare benefits to asylum seekers and amending the Basic Law and pushed the opposition party, the SPD, to agree with the reform because the two-third majority was required to amend the Basic Law.[27]

The SPD was opposed to any change in asylum policies during the 1991-1992 local elections and suffered from big defeats in the elections. In contrast, extreme right-wing parties which strongly argued for the reform of asylum policies achieved great success (May 1992a; May1992b; Drummond 1992). The asylum issue is believed to have played a significant role in the contrasting electoral results (Roberts 1992; Bade 1994; Faist 1994).

The asylum issue was certainly a big concern for the SPD even after the local elections because the party was facing a federal election in 1994. The SPD politicians knew that the asylum issue would take away a large number of votes from the party to the right-wing parties. Herbert Wehner, a SPD politician, said that "the established parties would be swept away if they could not bring solutions to the asylum crisis" (Bannas 1993). Thus, the party felt an urgent need to "get the issue out of the headlines" (Bosswick 2000). People believed that the party could not win the election without changing its policy position on the asylum issue (Bannas 1993; Bosswick 2000). In the end, the SPD decided to agree with the conservative government to amend the Basic Law and reform other asylum policies in November 1992.

[27] The Article 16(2) of the Basic Law, the German constitution, said that "persons persecuted for political reasons enjoy the right of asylum." By saying in this way, the constitution guaranteed a right of asylum to individual asylum seekers and made it hard for German governments to reject asylum applications.

The German story shows that imminent elections increase pressure on left-wing parties to give up their soft position on asylum seekers. Also, right-wing parties become more motivated to introduce restrictive asylum policies as elections approach because the introduction of populist polices can be expected to help them to win more votes. Therefore, this chapter first hypothesizes that pre-election periods increase the likelihood of the introduction of restrictive asylum policies.

$H_{1\text{-}1}$: The restrictive policies on asylum seekers' welfare benefits are more likely to be introduced by left-wing parties as well as by right-wing parties in election campaign periods.

Though elections make left-wing parties as well as right-wing parties more likely to introduce restrictive policies, this chapter hypothesizes that the electoral effect will be larger on right-wing parties than on left-wing parties. While left-wing parties are constrained by pressure from public opinions and elections and reluctantly driven to make restrictive policies, right-wing parties aggressively mobilize and utilize the asylum issue for electoral purposes.

When the Asylum and Immigration Appeals Act was introduced in 1991 by the Conservative government, the government was criticized for using the race card to mobilize conservative votes for the 1992 election. The same thing happened in 1996 when the same government introduced the Asylum and Immigration Act. Surely, attacks on 'welfare scroungers' and asylum seekers were thought to be vote winners by the

Conservative party strategists (Kaye 1999).[28] Actually, studies on British politics have concluded that the Conservative party had played the race card in elections since the late 1970s (Saggar 1997; Schuster 2003). The party used the card whenever it is useful because the party knew British people's fear of the flood of different culture and thus "populist appeal of racism".

The mobilization and utilization of the asylum issue for electoral campaigns were also observed in Germany. As the inflow of asylum seekers was increased, the conservative coalition government tried to reform asylum policies. The public opinion was negative on asylum seekers. More than 70 percent of German voters wanted to reform the asylum laws (Chapin 1997; Marshall 2000). Moderate conservative parties like the CDU/CSU (Christian Democratic Union, *Christlich Demokratische Union*/Christian Social Union in Bavaria, *Christlich-Soziale Union in Bayern*) and the Free Democratic Party (FDP, *Freie Demokratische Partei*) as well as extreme right-wing parties like the Republicans party and the German People's Union (DVU, *Deutsche Volksunion*) criticized the SPD for its soft position on asylum seekers, arguing that 'every additional asylum seeker is an SPD-asylum seeker'.[29] The Chancellor Helmut Kohl threatened the SPD to agree with the reform of asylum policies by saying that the asylum issue would be the main issue in the 1994 election if the SPD did not agree to change the asylum laws. He also pushed the SPD and stated that he would declare a national state of

[28] Also, Andrew Lansley, the Conservatives' then research director, said that "immigration, an issue which we raised successfully in 1992 and again in the 1994 Euro-elections campaign, played particularly well in the tabloids and has more potential to hurt." (*The Observer*, September 3, 1995)
[29] Letter from the CDU general secretary Volker Rühe to all CDU party branches, quoted in Thränhardt (1995).

emergency and use "extra-constitutional" measures to combat with the asylum problems.[30]

I assume that the issue-mobilization provides greater incentives to introduce restrictive asylum policies for right-wing parties than electoral pressure does for left-wing parties. There is little reason for right-wing parties to hesitate to utilize the asylum issue in election campaigns when public attitudes toward asylum seekers are negative. In addition, restrictive policies are consistent with right-wing parties' original policy positions. In contrast, the introduction of restrictive policies will be the reluctant last resort for left-wing parties. Thus, I hypothesize that electoral effects are larger on right-wing governments than on left-wing ones.

$H_{1\text{-}2}$: Though the electoral pressure makes both left-wing and right-wing parties more likely to bring in restrictive policies, the electoral effect is greater on right-wing parties.

The two hypotheses on the electoral pressure can be summarized as in Table 5-1.

<Table 5-1> Hypothesis on the probability of restrictive policy introduction by election timing and government partisanship

	Non-preelection	Pre-election
Left-wing party	Low	Moderate
Right-wing party	Low/Moderate	High

[30] *The Washington Post*, November 3, 1992

Governments get pressure on government budgets from the inflow of asylum seekers. Asylum seekers are net fiscal burdens on host countries because the countries provide basic needs without imposing taxes on the asylum seekers. For example, asylum seekers in Germany were accommodated in government-financed facilities during the application process in the early 1990s. Though their freedom of residence[31] and working rights[32] were restricted much, they got free health care and about $235 in cash as pocket money (Steger and Wagner 1993).

The asylum seekers became financial burdens, particularly to local governments for two reasons. First, local governments were solely responsible for supplying the assistance, such as housing, health care, and stipend, though non-governmental organizations also contributed to the assistance. Second, the limits on the asylum seekers' employment made them dependent only on the public assistance. In Germany, some cities were believed to spend a third of their social budget on asylum seekers.[33]

The financial burden from the inflow of asylum seekers was also heavy in Britain. Kenneth Baker, Secretary of State for the Home Department in the early 1990s, estimated that overall £400 million was used for the asylum issue in 1991.[34] The image that asylum seekers were financial burdens was widely upheld by people. The negative fiscal effect of

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[31] After the asylum seekers entered German territory, the Federal Office for the Recognition of Asylum Applicants distributed them to each state (*Länd*) in proportion to local population. The population-proportional rule was introduced by the agreement among the *Länd* governments in 1974 and expanded to East German *Länder* after the German reunification. Then, the *Länd* governments assigned the applicants to each district, again in proportion to district population.

[32] In 1980, asylum seekers came to be prevented from being employed for the first two years. The 'two-year' restriction was eased to 'one-year' in 1990 and removed in the next year. However, according to the Law on Aliens (*Ausländergesetz*) in 1991, they could get a general work permit (*allgemeine Arbeitserlaubnis*), which was limited to a particular field where no other workers could be found. Thus, the chance of their labor market participation was still very limited at that time (Heinelt 1993).

[33] *International Herald Tribune*, January 14, 1993.

[34] *Evening Standard*, April 2, 1992

asylum seekers was pointed out by Members of Parliament (MPs) over and over in parliamentary debates on asylum bills. For example, David Evans, a Conservative MP from Welwyn Hatfiled, argued that asylum seekers should not get any welfare benefits until they paid tax for five years.[35]

Thus, governments with large budget deficits are expected to make restrictive asylum policies on welfare benefits more than other governments. I assume that left-wing governments are not immune from the budget pressure. Though left-wing parties, particularly social democracy parties, produced substantial budget deficits in the 1980s, the parties tried to keep budget balances in the 1990s, mostly keeping high tax rates with spending cuts (Garrett 1998; Huber and Stephens 2001). Therefore, I hypothesize that left-wing parties as well as right-wing parties are constrained by budget deficits and likely to implement restrictive asylum policies when they suffer from large budget deficits.

H_2: Budget deficits make left-wing parties as well as right-wing parties more likely to introduce restrictive asylum policies.

The hypothesis on budget deficits and restrictive policies is summarized in Table 5-2.

[35] *Hansard*, November 13, 1991, Column 1115

<Table 5-2> Hypothesis on the probability of restrictive policy introduction by budget deficits and government partisanship

	Surplus/Small deficit	Large deficit
Left-wing party	Low	High
Right-wing party	Low/Moderate	High

Methodology for data analyses

Hatton (2004) performed an astonishing job in making a dataset of European asylum policies. He categorized fourteen different asylum policies into four groups and coded when the policies were made and abolished. I borrow his dataset and use policies on welfare benefit restriction and ban on working more than 6 months as an indicator of curtailing asylum seekers' economic welfare.[36] Hatton's data covers fourteen European countries from 1981 to 1999. Because of data problems, I exclude Greece and Ireland from analyses.[37]

The main dependent variable is the introduction of policies which restrict or reduce asylum seekers' welfare benefits and working eligibility. Thus, either the

[36] However, his data seems to miss some cases of policy changes. Therefore, I made my own list of asylum policies which deal with asylum seekers' economic welfare and compared the two data. Though I added some more cases to the original data, it turned out that the data correction did not yield meaningful alternation in analysis results. I will describe the differences more specifically and show each result in the next section. For the construction of the policy list, I mainly consulted Zetter, Griffiths, Ferretti, and Pearl (2003).

[37] Countries included in analyses are: Austria, Belgium, Denmark, Finland, France, Germany, Italy, Netherlands, Portugal, Spain, Sweden, and the United Kingdom.

introduction or the restrictive change can be coded as one, while no such a policy change is coded zero.[38]

The factors that I mainly test are government partisanship, election timing, and budget deficits. Government partisanship can be measured in several ways. Binary measurement is one method. Calculating the percentages of each party in parliament or in a cabinet is another way. Besides these approaches, some people actually make partisanship scores. Though all the measurements are highly positively correlated, I test all of these measurements.[39]

For the election timing, I coded the variable as one for a year previous a general election. This may be a very crude measurement. The mechanical coding cannot guarantee that the policy change was made for the purpose of electoral campaign. Because election timing is endogenous in many of the European countries, the asylum policy change might be made without expecting an upcoming election.[40] Also, the debates for some policy changes lasted for very long periods, sometimes more than a year. Then, it is quite difficult to capture the real timing of policy changes. Though more sophisticated coding can be possible by observing whether election campaigns actually

[38] Of course, such binary coding has limitations. It cannot indicate the magnitude of a policy. As an extreme example, a total withdrawal of welfare benefits and a slight reduction of benefit level cannot be treated equally. However, measuring asylum or migration policies with continuous values is almost impossible (Money 1999b). Also, this chapter has interests not in the magnitude of the policy changes but in whether an asylum policy was modified. Therefore, I use the binary coding despite its plausible limitation.

[39] The detailed description of each partisanship measurement and data sources are in Table 5.

[40] However, more than 70% of elections in my data were held regularly, every 4 or 5 years depending on electoral rules, particularly in the 1900s. It implies that most of elections were actually exogenous despite official rules.

began before new asylum polices were proposed, I leave the work for future research and use the coding which does not seem to be unacceptable.[41]

The variable of budget deficits indicates the government budget deficits as percentages of GDP. The data is from International Monetary Fund, *International Financial Statistics*. I include several other control variables which are either used in other studies or expected to have effects on policy introduction. The asylum seekers' inflow, economic conditions, and current policy level are considered in the analyses. Both the levels and the changes of the inflow and economic conditions are tested.

<Table 5-3> Data description

Variable	Number of observation	Mean	SD	Minimun	Maximum
policy introduction	228	0.06	0.23	0	1
inflow	212	0.09	0.11	0.0010	0.9691
Δinflow	188	83.73	336.81	-95.9	2800
left1	219	4.82	1.54	1.61	7.92
left2	226	0.93	0.98	0	2
leftc	228	39.05	36.89	0	100
lefts	228	44.49	8.60	16	65
leftgs	228	22.85	20.72	0	65
preelection	228	0.28	0.45	0	1
unemployment	228	8.94	4.45	1.50	24.10
GDP capita	228	20726	4764	10383	30538
budget deficit	228	4.48	3.88	-4.39	14.99
Δunemployment	216	0.27	2.16	-6.3	9.7
GDP growth	190	2.20	1.77	-6.39	6.19
Δbudget deficit	216	-6.79	3.08	-21.6	1.2
policy level	228	0.31	0.46	0	1

[41] I also calculate how many years were left between an asylum policy and the next election and use it as another measurement of election timing.

Because the data are cross-sectional time-series data with a binary dependent variable, I use a cross-sectional time-series probit model, which is based on Beck, Katz, and Tucker (1998).

Empirical results

Before testing the effects of pre-election and budget deficits on left-wing parties' probability of introducing restrictive asylum policies, Table 5-4 first tests general determinants of policy introduction. Models (1) and (2) used Hatton's data on policies on asylum seekers' welfare and working rights. Though he constructed great data on asylum policies in European countries, it does not lack errors. I researched European asylum policies, made a list of policies on asylum seekers' welfare benefits, and compared it with Hatton's data.[42] From the comparison, I added three more cases, constructed a different dependent variable, and substituted it for the previous one in models (3) and (4).[43] Models (5) and (6) used policies only on welfare benefit restriction as a dependent variable. Both the levels and the changes of economic variables were used in turn for each dependent variable.

[42] Zetter, Griffiths, Ferretti, and Pearl (2003) summarized such policies well though my research was not limited to it.

[43] The three cases are as follows. Netherlands in 1987 passed the Regulation on the Reception of Asylum Seekers and excluded asylum seekers from the National Assistance system. In 1997, Germany modified its 1993 policy which ended cash subsidies for the first year of application. It removed the 'first year' clause and extended the in kind benefits to the entire period of application. Finally, Britain in 1999 replaced cash benefits with the voucher system.

<Table 5-4> Introduction of new asylum policies regulating asylum seekers' welfare

	(1)	(2)	(3)	(4)	(5)	(6)
Asylum seeker inflow (*t-1*)	3.68	**4.60***	2.83	3.53	**4.55***	**4.49***
	(2.63)	(2.73)	(2.37)	(2.37)	(2.82)	(2.59)
Δinflow	-0.002	-0.003	-0.002	-0.002	-0.002	-0.001
	(0.002)	(0.003)	(0.002)	(0.002)	(0.003)	(0.002)
Left-wing government	0.06	0.18	0.01	0.12	0.09	0.07
	(0.21)	(0.25)	(0.17)	(0.18)	(0.18)	(0.20)
Pre-election	**1.02****	**1.01****	**0.75****	**0.76****	**0.74***	**0.78***
	(0.40)	(0.42)	(0.36)	(0.38)	(0.43)	(0.43)
Unemployment rate (*t-1*)	0.02		0.06		0.23	
	(0.16)		(0.15)		(0.20)	
GDP per capita (*t-1*)	-0.0001		**-0.0001****		**-0.0001****	
	(0.0001)		(0.0001)		(0.0001)	
Budget deficit (*t-1*)	-0.01		-0.09		**-0.28***	
	(0.11)		(0.10)		(0.16)	
Δunemployment rate		-0.11		-0.03		-0.15
		(0.21)		(0.19)		(0.26)
GDP growth		**-0.04****		**-0.03****		0.00
		(0.02)		(0.02)		(0.02)
Δbudget deficit		-0.01		-0.16		**-0.24***
		(0.13)		(0.12)		(0.14)
Current policy level	-0.98	**-1.09***	-0.77	-0.87	-0.76	-0.47
	(0.65)	(0.64)	(0.55)	(0.55)	(0.65)	(0.56)
N	181	166	189	174	189	174

† Standard errors in parentheses

†† Results of country dummies and intercepts are excluded.

***p<.01, **p<.05, * p<.1

The results demonstrate, first of all, that the pre-election variable is always significant with positive coefficients. Policies restricting and reducing asylum seekers' welfare and working rights are more likely to be introduced in the year previous a general election. The result for the inflow variable is not quite robust. The coefficients are significant in only half of the models. Economic condition variables show somewhat inconsistent results. Rich countries are less likely to introduce restrictive policies and

countries in the downturn of the business cycle are more likely to do so. However, budget deficit variable has an unexpected negative sign though the coefficients are significant in only two out of the six models.

The partisanship variable is never significant. Although different measurements of government partisanship were attempted in models (1) to (4) in Table 5-6, the partisanship never turned out to be significant.[44] Model (5) tests whether there is a substituting or complementing effect between different asylum policies. Introduction of other restrictive asylum policies does neither encourage nor discourage the introduction of restrictive policies on asylum seekers' economic welfare. Model (6) uses another measurement of election timing; years left to next elections. The new election timing variable has a negative coefficient, implying that the more imminent is an election, the more likely to happen is policy introduction.

<Table 5-5> Correlations between different partisanship measurements[45]

	left1	left2	leftc	leftgs	lefts
left1	1.0000				
left2	0.6492	1.0000			
leftc	0.8394	0.7358	1.0000		
leftgs	0.7987	0.7494	0.9492	1.0000	
lefts	0.4830	0.4702	0.5699	0.5807	1.0000

[44] The definitions and data sources of the different measurements and their correlation relations are presented in Table 5. The variable ***left1*** was used in Table 4. The variables ***left2***, ***leftc***, ***leftgs***, and ***lefts*** were used for models (1) to (4) in Table 6.

[45] The variable ***left1*** is a normalized average of government partisanship scores from Castles and Mair (1984), Laver and Hunt (1992), Warwick (1994), and Huber and Inglehart (1995). The variable ***left2*** is a trinay measurement of government partisanship score, from World Bank, *Database of Political Institutions*. The variable ***leftc*** is the percentage of left portfolios in a cabinet, the variable ***leftgs*** is the percentage of left governing party seats in parliament, and the variable ***lefts*** is the percentage of left party seats in parliament. The last three variables are from Swank's Comparative Parties database

<Table 5-6> Robustness check[46]

	(1)	(2)	(3)	(4)	(5)	(6)
Asylum seeker inflow (*t-1*)	**4.54***	4.60	**4.64***	**4.74***	2.45	**6.16****
	(2.64)	(2.65)	(2.65)	(2.62)	(3.24)	(3.00)
Δinflow	-0.002	-0.002	-0.003	-0.003	-0.002	-0.002
	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)
Left-wing government	0.230	0.006	0.003	-0.004	0.11	-0.07
	(0.318)	(0.008)	(0.014)	(0.036)	(0.27)	(0.21)
Pre-election	**1.03****	**1.03****	**0.98****	**0.96****	**0.95****	
	(0.43)	(0.42)	(0.42)	(0.41)	(0.45)	
Years to election						**-0.51***
						(0.31)
Δunemployment rate	-0.10	-0.10	-0.10	-0.10	-0.08	-0.20
	(0.21)	(0.21)	(0.20)	(0.20)	(0.22)	(0.26)
GDP growth	**-0.04****	**-0.04****	**-0.04****	**-0.04****	**-0.04****	**-0.05*****
	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)
Δbudget deficit	-0.02	-0.01	-0.02	-0.02	-0.04	-0.27
	(0.13)	(0.13)	(0.13)	(0.13)	(0.14)	(0.18)
Current policy level	**-1.15***	**-1.15***	**-1.08***	**-1.03***	-0.83	-0.86
	(0.65)	(0.66)	(0.65)	(0.62)	(0.69)	(0.62)
Introduction of access policy					-0.40	
					(0.79)	
Introduction of procedure policy					0.72	
					(0.65)	
Introduction of outcome policy					0.90	
					(0.58)	
N	175	175	175	175	164	124

† Standard errors in parentheses

†† Results of country dummies and intercepts are excluded.

***p<.01, **p<.05, * p<.1

This chapter hypothesizes that left-wing governments are restrained by electoral pressure and budget deficits. Specifically, it expects that left-wing parties as well as right-wing parties become more likely to bring in restrictive asylum policies both when

[46] The access policies include carriers' liability and airport procedure. The procedure policies contain safe third country, manifestly unfounded claim, and safe origin country. Finally, the outcomes policies comprise strict deportation, no ELR (Exceptional Leave to Remain), and fast track processing.

elections approach and when they suffer from large budget deficits. I test the interacting effects using interaction terms (Table 5-7).

<Table 5-7> Models with interaction terms

	(1)	(2)
Asylum seeker inflow (*t-1*)	0.20	-0.09
	(5.15)	(3.16)
Δinflow	-0.0060	-0.0019
	(0.0056)	(0.0039)
Asylum seeker stock (*t-1*)	77.25	85.68
	(100.17)	(78.84)
Left-wing government	0.24	-0.14
	(0.39)	(0.34)
Pre-election	**7.99***	**1.04***
	(4.09)	(0.54)
Left-wing government x Pre-election	**-1.27***	
	(0.70)	
Unemployment rate (*t-1*)	-0.11	-0.04
	(0.20)	(0.17)
GDP per capita (*t-1*)	**-0.0003***	**-0.0002****
	(0.0002)	(0.0001)
Budget deficit (*t-1*)	-0.09	0.07
	(0.14)	(0.56)
Left-wing government x Budget deficit		-0.02
		(0.11)
Current policy level	**-2.73***	**-1.69***
	(1.50)	(0.87)
N	126	126

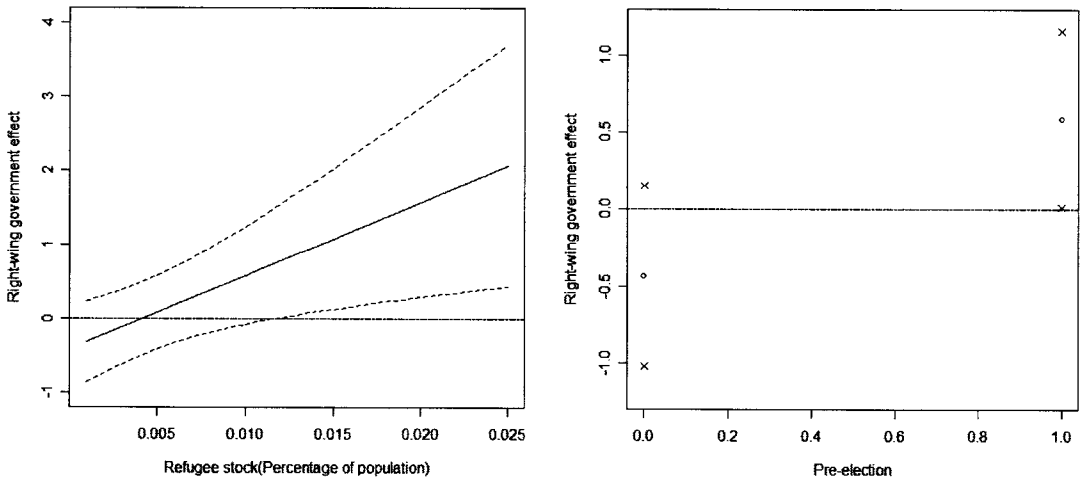
† Standard errors in parentheses

†† Results of country dummies and intercepts are excluded.

***p<.01, **p<.05, * p<.1

The results in Table 5-7 show that while there is no interacting effect between government partisanship and budget deficits, there is an interacting effect between partisanship and pre-election period. The partisan effect on policy introduction is affected by election periods. The partisan difference becomes more substantial in pre-election periods. In the same way, the pre-election effect on policy introduction is affected by government partisanship. The pre-election effect is larger among right-wing governments. The interacting relationship between government partisanship and election periods are graphically summarized in Figure 5-5.[47]

<Figure 5-5> Refugee stock, pre-election, and partisanship effect on policy introduction



[47] One plausible explanation for insignificant effect of budget deficits is that the fiscal burdens from the inflow of asylum seekers were put on the shoulders of local governments, not those of central governments, in many countries, as was already mentioned in this chapter. Thus, the data on budget deficits of central government may not be able to capture the effect of fiscal pressure on policy introduction well.

The first graph in Figure 5-5 says that right-wing and left-wing parties differ only in pre-election periods. Also, the second graph implies that the pre-election effect works more substantially among right-wing parties. However, it does not mean that left-wing governments are not affected by the pre-election effect. It can be true that left-wing parties are also affected by pre-election periods, but less than right-wing parties are.[48] Thus, to see the effects of government partisanship and pre-election period on the probability of restrictive policy introduction, I calculated probabilities for each hypothetical condition and summarized the results in Table 5-8 and 5-9, and Figure 5-6.

<Table 5-8> Probability of restrictive policy introduction by election timing and government partisanship

	Non-preelection	Election
Left-wing party (French Socialist)	0.01	0.02
Center-left party (British Labour)	0.02	0.10
Right-wing party (German CDU)	0.01	0.37

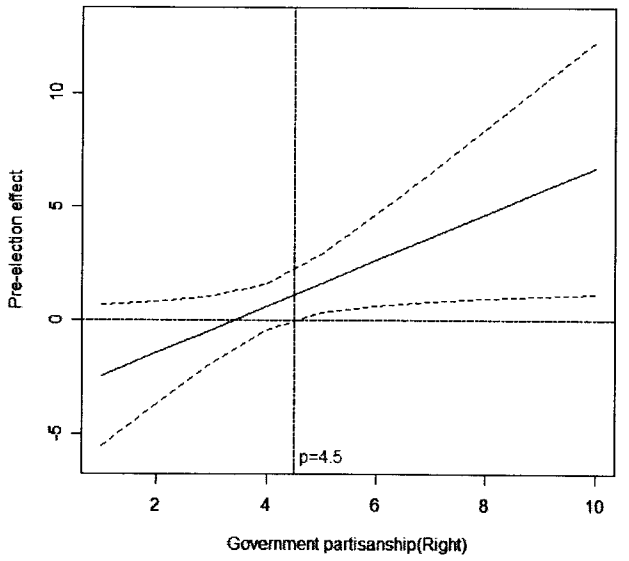
<Table 5-9> Probability of restrictive policy introduction by budget deficits and government partisanship

	Balanced	Deficit
Left-wing party (French Socialist)	0.01	0.02
Center-left party (British Labour)	0.02	0.01
Right-wing party (German CDU)	0.03	0.01

[48] The second graph in Figure 2 actually shows that the pre-election effect is also observed among center-left parties whose partisanship scores are around 4.5.

Figure 5-6 clearly shows that the pre-election period changes the behaviors of some left-wing parties, particularly center-left parties, though it has more substantial effects on right-wing parties, as was expected by the second hypothesis. In non-election periods, the probability of restrictive policy introduction by any type of governments is almost zero. However, the probability of policy introduction by right-wing parties, such as the German CDU, is increased up to 0.37 in pre-election periods. The pre-election period raises the probability of introduction by center-left parties, such as the British Labour party, to 0.10. However, it does not have an effect on far left-wing parties, such as the French Socialist party.[49]

<Figure 5-6> Government partisanship and pre-election effect on policy introduction



[49] The policy introduction probability of the Socialist party in the pre-election period is not only substantially marginal but also statistically insignificant.

In sum, the pre-election period leads left-wing parties to bring in restrictive asylum policies. While statistical results may not provide full explanation on why they change their behaviors in the face of elections, cases of the German SPD in the early 1990s and the British Labour party after 1997 show that the parties changed their positions on the asylum issue and introduced restrictive asylum policies, or agreed to do so, because of their concern on electoral losses and defeats. They believed that they were losing supports due to their soft positions on the asylum issue, and the continuation of the positions would result in electoral defeats in coming elections. The electoral pressure made the parties change their policy positions and withdraw their supports for protecting asylum seekers' rights.[50]

Conclusion

This paper begins with a question of why left-wing parties also implement restrictive asylum policies. While left-wing parties are believed to be more open to multiculturalism and make efforts to protect the political and economic rights of foreign people, some restrictive asylum policies have been crafted by left-wing parties.

This paper assumes that the preferences and capability of left-wing parties on the asylum issue can be constrained. In particular, this paper hypothesizes that left-wing

[50] The withdrawal of asylum seekers' automatic entitlement to a social support system by the Austrian Social Democratic Party in 1991 was also due to the increasing public hatred on asylum seekers, the rising popularity of Haider's Austrian Freedom Party, and consequent electoral pressure on the Social Democratic Party (Amrute and Pfohman 2001). The spokeman for Chancellor, while talking about the removal of welfare entitlement, said that "if we had not responded to public pressure, we would have given Haider a powerful tool." (New York Times, September 15, 1991)

parties can be constrained by electoral pressure and budget deficits. Though budget deficits seem to have no constraining effects on left-wing parties' behaviors, electoral pressure turns out to have such an effect.

Data analyses show that pre-election period increases the likelihood of restrictive policy introduction by center-left parties as well as by right-wing parties. Only far left-wing parties are not affected by the election timing. Brief overviews on some restrictive policies by left-wing parties, such as the agreement by the German SPD to reform asylum policies in 1992, the withdrawal of automatic welfare entitlement by the Austrian Social Democratic Party in 1991, and the policy shift of the British Labour party in 1999, tell us that the left-wing parties brought in restrictive asylum policies due to their concerns on electoral losses or defeats in the next elections.

The results of this paper help us to understand why left-wing parties sometimes turn their backs on foreign people. The results also help us to expect when restrictive policies on migrants will be on the table. In addition, people often take on a static approach in explaining differences between left-wing and right-wing parties in regards to migration policies, such as whether left-wing parties are pro-migration or not. However, this paper implies that party politics may have more complicated dynamics. In other words, their own policy equilibrium may change depending on other conditions, such as election timing.[51]

[51] Perez and Arevalo (2008) can be a good exemplary study based on the theory of conditional partisan effects on migration policies. Though their empirical results did not support their argument, they hypothesized that left-wing parties in countries with more generous welfare systems would have more restrictive views on migration than left-wing parties in less generous welfare states.

The next chapter presents case studies on Germany in 1993 and Britain in 1999. The cases show how left-wing parties are reluctantly forced to introduce, or agree to introduce, restrictive asylum policies when public opinions do not favor soft asylum policies as well as asylum seekers. They also show that how imminent elections increase the pressure not to deviate from the core of public opinions.

Chapter 6

Electoral Politics and Welfare Cuts on Asylum Seekers: Case Studies

The previous chapter tested the determinants of the introduction of restrictive asylum policies and found that center-left parties as well as right-wing parties become more likely to introduce restrictive policies in pre-election periods. I interpreted the results in the way that center-left parties are constrained to do so because of the pressure from public opinions particularly in the face of elections.

This chapter attempts to show how center-left parties got the electoral pressure, and the pressure leads the parties to bring in restrictive asylum policies. This chapter examines two cases in which cash benefits to asylum seekers were replaced by vouchers or in kind benefits: a German case in 1993 and a British policy in 1999. The German policy was initiated and pushed by right-wing parties (CDU/CSU), but agreed by a left-wing party (SPD). The British policy was introduced by the center-left Labour party.

Germany: The replacement of cash benefits with in kind benefits in 1993

Asylum inflow to Germany in the 1990s

Germany has been the most preferred country as a destination in Europe for many asylum seekers. The popularity of Germany was due to its strong economy, its geographic location, and very generous asylum rights included in Article 16 of its constitution (Karapin 2003). Though German economic condition was similar with other

European countries' one in terms of GDP per capita and annual growth rate[1], Germany kept lower unemployment rates than other European countries in the 1970s and 1980s, except for Scandinavian countries[2]

Germany was also popular as a destination because it is located on the eastern frontier of Western Europe. As the U.S. states which face Mexican territory come to absorb many, particularly illegal, immigrants from Mexico, it is easily supposed that Germany as a frontier country comes to admit many asylum seekers from other, particularly Eastern European, countries. The asylum seekers from Eastern European countries actually took up a large share of the asylum applicants in Germany. In 1989, 49.4%, almost half, of the applicants in Germany were from the Eastern European countries. The share increased fairly after the collapse of Soviet Union in 1990. Thus, 75.6% of applicants came from the countries including the former Soviet Union in 1992.

Finally, the Article 16(2) of the German constitution said that "persons persecuted for political reasons enjoy the right of asylum." By saying in this way, Germany guaranteed a right of asylum to individual asylum seekers. In other words, the clause made German government obliged to admit all the people who could prove that they had been persecuted in their home countries for the reasons of political activities, ethnicity, or religion.[3] The endowment of the asylum right to people was one of the legal devices to limit the power of government after the experience of the Nazi regime. Though granting

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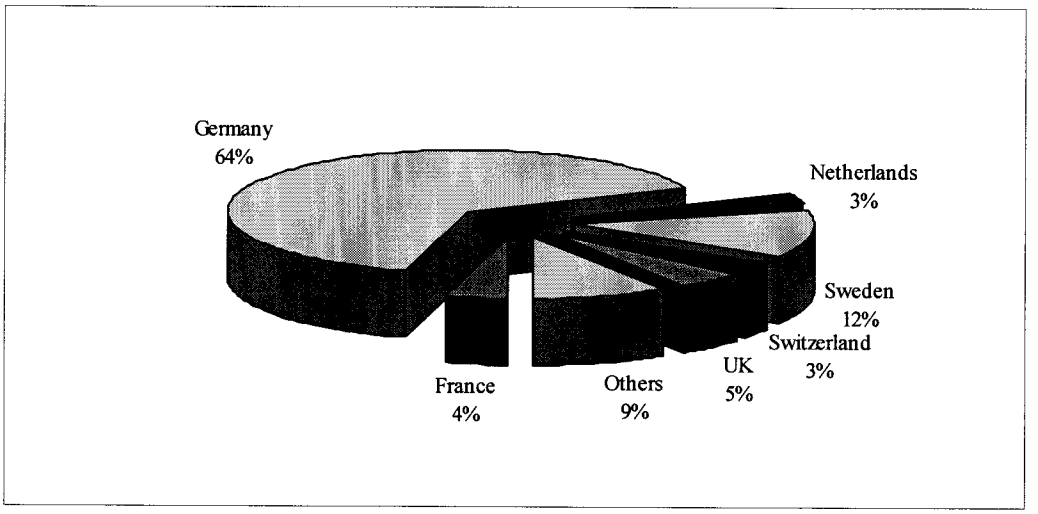
[1] Like other European countries, Germany maintained 2% of economic growth rate on average in the 1980s.
[2] The German average unemployment rate in the 1980s was 6.2%, compared to 9.3% in France, 9.5% in Britain, 11.4% in Belgium, 10% in Netherlands, and 8.2% in Denmark. The only exceptions are Austria and Switzerland which kept 3.3% and 0.6% respectively on average.
[3] The clause actually contradicted the 1951 Geneva Convention which had given rights to decide who could be granted the asylum to countries.

asylum right might lead to help wrong people, limiting the right on the other hand was believed to be an ineffective way to protect right people (Bosswick 2000). All of these factors made Germany most preferred destination for many asylum seekers. Figure 6-1 shows that more than 60% of the seekers flowed into Germany.

<Figure 6-1> Destination of asylum seekers to European countries in 1992



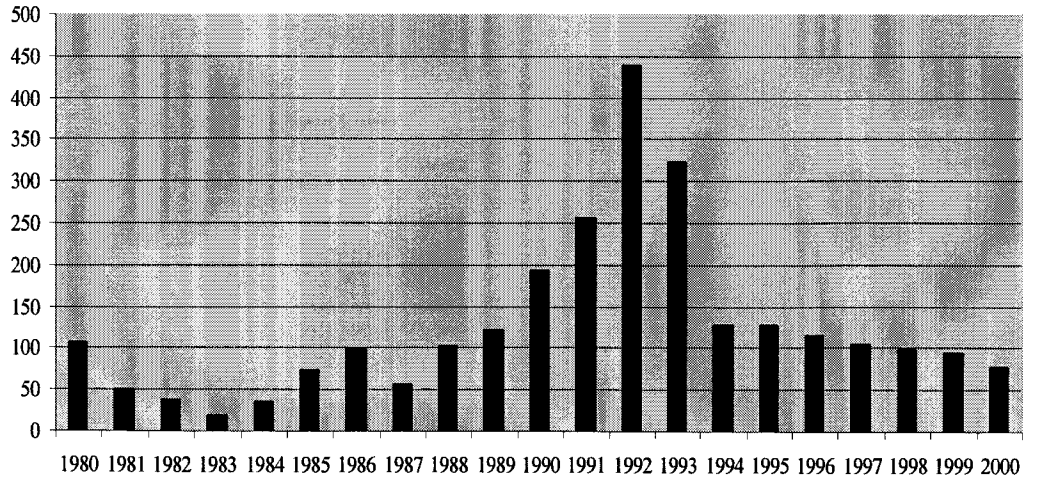
Source: OECD, *Trends in International Migration*, various years

Though there were some fluctuations, the influx of asylum seekers to Germany kept being increased during the 1980s and reached a peak in 1992 (Figure 6-2). A couple of factors explain both the trend and the fluctuation. First, some political events outside Germany are reflected in the figure. There were a huge number of asylum seekers in 1980 because of the coup in Turkey. The numbers were decreased thereafter and began to increase in 1984. In this period, a great number of Tamils from Sri Lanka flowed into Germany because of political turmoil and civil wars there. In the late 1980s, refugees

from the communist countries made up large portions of the asylum seekers. The increasing curve became steeper in the early 1990s also because of the Yugoslavia war. The inflow from the area was increased sharply from 22,000 in 1990 to 75,000 in 1991, and to 123,000 in 1992.

Second, the changes in German asylum laws also explain, particularly, the sharp decrease after 1992. German governing parties and the SPD agreed to reform laws on asylum seekers in 1993. The reform includes not only the amendment of the Basic Law but also the modification of several other laws, such as the introduction of 'safe third country' clause, the making of 'non-persecuting states', and the enactment of the Asylum Seekers Benefits Act which replaced cash benefits with 'in kind' ones. Due to the reforms, the inflows of asylum seekers were kept stable in the relatively low level thereafter.

<Figure 6-2> Inflows of asylum seekers to Germany (in thousands)



Source: OECD, *Trends in International Migration*, various years

Treatment of and attitudes toward asylum seekers before 1993

Asylum seekers were accommodated in government-financed facilities while their applications were processed. Since asylum authorities decided where they lived, the applicants did not have any right to decide their residence. After the asylum seekers entered German territory, the Federal Office for the Recognition of Asylum Applicants distributed them to each state (*Länd*) in proportion to local population. The population-proportional rule was introduced by the agreement among the *Länd* governments in 1974 and expanded to East German *Länder* after the German reunification. Then, the *Länd* governments assigned the applicants to each district, again in proportion to district population.

Though restriction on the asylum seekers' employment was alleviated in 1991, the chance of their labor market participation was still very limited at that time (Heinelt 1993).[4] Though their freedom of residence and working rights were restricted much, they got free health care and about $235 in cash as pocket money (Steger and Wagner 1993).

The asylum seekers came to be financial burdens, particularly to local governments for two reasons. First, local governments were solely responsible for supplying the assistance, such as housing, health care, and stipend, though non-governmental organizations also contributed to the assistance. Second, the limits on the seekers' employment made them dependent only on the public assistance. The

[4] In 1980, asylum seekers came to be prevented from being employed for the first two years. The 'two-year' restriction was eased to 'one-year' in 1990 and removed in the next year. However, according to the Law on Aliens (*Ausländergesetz*) in 1991, they can get a general work permit (*allgemeine Arbeitserlaubnis*), which was limited to a particular filed where no other workers could be found.

employment ban also made the asylum seekers look idle, hanging around on the street and sometimes causing crime (Karapin 2003). Some cities were believed to spend a third of their social budget on asylum seekers.[5] Overall, it was estimated more than more than 1.9 US billion dollars was spend in 1991 for asylum seekers, which was equivalent to about 0.5% of total social expenditure in that year (Gibney 2004).

However, more important thing, in some sense, than the real estimation, is the perception of people at that time. German citizens actually had an image that asylum seekers were financial burdens to German people whose taxes were used for the foreigners. Then, the image was frequently used by right-wing parties in the debates on asylum law reforms. The Republican party (*Republikaner*) party chairman Franz Schönhuber criticized asylum applicants for depriving German citizens of welfare resources (Faist 1994). Asylum seekers were also considered as 'economic, not political, asylum seekers' or 'welfare cheaters', which means that they came to Germany not because of the real political persecution in their home countries but because of economic and welfare opportunity in Germany. The image was used by Christian party politicians as well as extreme right-wing party people. Klaus Landowsky, the CDU chairman in Berlin, criticized asylum seekers for being supported by German taxpayers (Schuster 2003). Interior Minister Wolfgang Schäuble also asked during parliamentary debate on the issue.

[5] *International Herald Tribune*, January 14, 1993.

> How long can we ask our fellow citizens to put up with thousands of asylum seekers and pay taxes to support them here for years, despite the fact that very few of them can actually be considered political refugees?[6] [7]

The increasing hostility to asylum seekers due to their dependency on the public welfare assistance was also observed by people who worked for the asylum seekers' rights. Michael Moussalli, the Director of International Protection at that time in the Office of the United Nations High Commissioner for Refugees, found that "socio-economic changes compounded by considerable expenditure on asylum-seekers in receiving countries, as well as the protracted nature of refugee problems in many asylum countries, have led to changed attitudes to the non-citizen in general" (Moussalli 1991). Finally, the asylum issue became the most important political issue in local elections in the early 1990s.[8] However, before examining how the issue was challenged and dealt with by political actors in the early 1990s, we need to see that the restriction on asylum seekers' economic and social rights was also attempted before then.

Political backlash: party and electoral politics on asylum before 1993

The asylum issue became one of the top essential political issues in the early 1990s. The inflow of the asylum seekers began to increase sharply in 1990, mostly due to

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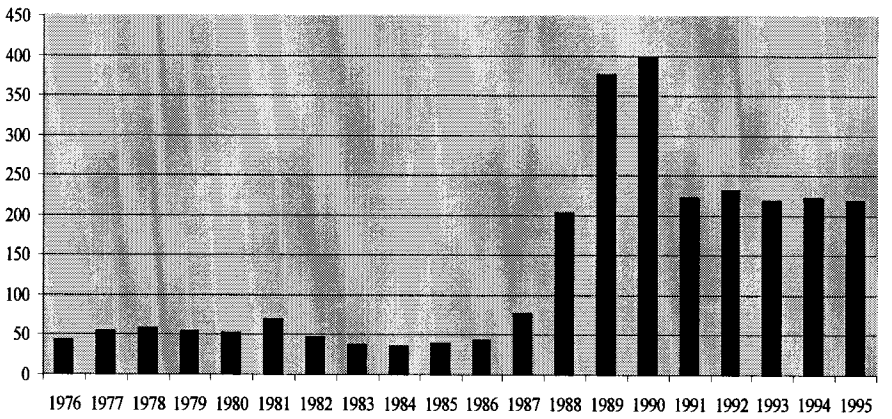
[6] *New York Times*, October 19, 1991

[7] People pointed that some asylum seekers came to developed countries to apply asylum not because of real political persecution in their home countries, but because of economic chances (employment and welfare benefits) in receiving countries. People criticized such asylum seekers as searching for 'economic asylum'.

[8] The financial burden that asylum seekers gave rise to was not, of course, the only reason for the changes in public attitudes to asylum seekers, or foreigners in general. The economic recession after the reunification brought about the surge of extreme nationalism. Even before the reunification, the German self-identification as an 'immigration country' and the idea of multiculturalism were rejected my many people (Saalfeld 1993; Faist 1994).

the end of the Cold War and the war in Yugoslavia. Besides the asylum seekers, a great number of ethnic Germans (*Aussiedler*) flow into Germany in this period (Figure 6-3).[9] The problem of over-immigration was aggravated by economic aftershocks of the reunification. Unemployment rates which had been downwards since 1985 began to rise after the 1990 (Figure 6-4). The unemployment problem was much more serious in East Germany area. There were 900,000 of unemployed people officially. However, the real unemployment rate was thought to be much higher than that, up to 25% in some areas.

<Figure 6-3> Immigration of ethnic Germans

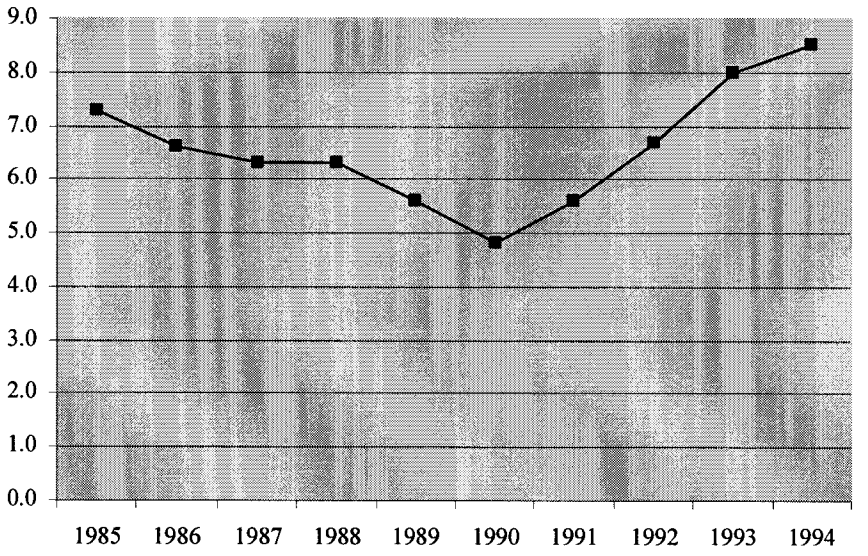


Source: Bommes (2000)

[9] Ethnic Germans were defined as German people who lived within the German territory up to the end of the second World War, but were compelled to live outside the territory after the war (Article 116, Basic Law).The Basic Law also guaranteed their free entrance to Germany. Ethnic Germans who entered until the end of the 1980s were treated as if they had lived in Germany for their whole life and had contributed to German social security system. Therefore, they enjoyed full unemployment benefits, health care benefits, and pension benefits. There were also special assistance programs for the ethnic Germans, such as language training, public housing, education grants, and loan with no interests (Bommes 2000). However, the ethnic German immigrants also came to face more restrictions in the early 1990s. Formal procedure for admission was introduced in 1990. The number of ethnic Germans allowed to reside in Germany began to be limited in 1992. Since 1993, lots of welfare assistance was canceled or reduced, including unemployment benefits, language education, and occupational training. The ethnic German immigrants also had to go through more restrictions on their eligibility for the welfare supports. For example, they came to be not eligible for pension payment any more if they had been entitled to the benefits in their home countries before they came to Germany (Sainsbury 2006).

Thus, German people voiced for the reform of asylum policies and the conservative governing coalition of the CDU, the Christian Social Union (CSU), and the Free Democratic Party (FDP) brought about a package of policy reform, including the amendment of the Basic Law, the replacement of cash benefits, and the introduction of the list of safe countries.

<Figure 6-4> Unemployment rates before and after the reunification



Souce: OECD, *Labour Force Statistics*, various years

The CDU and the CSU had supported for the amendment of the Basic Law since long before. The parties also presented other ideas on restricting the inflow of asylum seekers, such as the introduction of the list of "safe countries" (Joly 1992). The CDU chairman Wolfgang Schäuble also insisted that the cash benefits to asylum seekers should be replaced with in kind benefits. Moreover, he demanded the denial of judicial

procedure in the case of deportation and the introduction of 'white lists' (Schuster 2003).[10]

Another coalition partner, the FDP came to join the other two parties in reforming asylum laws. The FDP chairman Hermann Otto Solms argued that the failure to amend the Basic Law would challenge Germany's "entire democratic system" (Schuster 2003). The fear of the rise of extreme right-wing parties, particularly in the local elections held in the early 1990s, made the party back its coalition partner in the asylum policies (Chapin 1997).

The governing parties had no problem in making or changing asylum laws because they had a majority in legislature. However, amending the Basic Law required two-third majority. It meant that the agreement of the SPD was needed. Thus, Kohl had to negotiate with the party. He sometimes had to threaten the party by saying that he would proclaim a state of emergency. The asylum issue was actually considered as the most urgent problem that Kohl was facing.[11]

The SPD had been opposed to any changes in asylum laws including amending the Basic Law. The opposition of the SPD to the restriction on asylum seekers' rights came from two sources: ideology and politics.

First, the SPD though that the amendment of the Basic Law and more restrictions on asylum seekers were not in accord with the party's beliefs. Former SPD chairman Hans-Jochen Vogel stated that the right to asylum was an "inalienable piece" of social

[10] The countries in the white lists are considered as safe countries. Thus, the asylum applications of people from those countries are very likely to be "clearly unfounded".
[11] *Der Spiegel*, 46/1992

democratic identity (Schuster 2003). Second, as Given and Luedtke (2005) argues, the SPD thought that foreigners, particularly guestworkers, were potential supporters for the party and tried to include them into the electorate (Faist 1994). It made necessary for the SPD to have more inclusive policies on foreigners and try to integrate them into the main German society.[12]

However, the traditional position of the SPD came to be changed as political environments change in the early 1990s. The public attitudes toward asylum seekers became more negative, the sympathy in anti-foreigners spread, the support for extreme right-wing parties grew, and all of these yielded surprising results in local elections.

The three Land elections held in 1991-1992 showed these changes clearly. The top issues in 1991 Bremen Land election were local issues, such as the problem of crime and drug, that of traffic, and that of refugees from Eastern European countries, rather than nation-wide ones (May 1992a). Though the incumbent Bremen Bürgermeister (Mayor and the President of the Senate), who was also the SPD candidate, placed the asylum problem at the top of his campaign agenda and tried to ban any further entry of Polish and Romanian refugees into the city, his campaign was not persuasive enough because it was inconsistent with the principle of the national SPD.[13] At that time the SPD opposed any changes in asylum laws, particularly the amendment to the Basic Law, though even

[12] Interestingly, right-wing and left-wing parties backed different types of migrants and tried to integrate them. While right-wing parties, based on nationalism, sponsored ethnic migrants, left-wing parties, on the grounds of humanitarian obligation, identified with asylum seekers (Geddes 2003).

[13] Schönwälder (1999) shows that many other local authorities, including those dominated by the SPD, disputed with the central government over the burdens to provide housing and welfare supports to asylum seekers.

48% of SPD supporters wanted to solve the asylum problem by amending the Basic Law (Roth 1993).

Rather, the SPD campaign which stressed the asylum problem helped opposition parties, particularly extreme right-wing parties. Though the SPD won the most votes in the election, it lost its absolute majority that it had maintained for the last 20 years. To make it worse, the votes for the party among traditional supporters were decrease almost by 15% point, most of whom switched to the German People's Union (*Deutsche Volksunion, DVU*). As a result, The DVU got 6.2% of votes and got 6 seats in the Bremen Bürgerschaft (legislature), compared to 3.4% of votes and 1 seat in the 1987 election.

<Table 6-1> Results of the Bremen Bürgerschaft election in 1991

Party	Election			
	1987		1991	
	Vote share(%)	Seats	Vote share(%)	Seats
SPD	50.5	54	38.8	41
CDU	23.4	25	30.7	32
Grüne	10.2	10	11.4	11
FDP	10.0	10	9.5	10
DVU	3.4	1	6.2	6
Die Grauen	-	-	1.7	-
Republikaner	1.2	-	1.5	-
EFP	-	-	0.0	-
NF	-	-	0.0	-
PBC	-	-	0.2	-
Others	1.3	-	-	-

Source: May (1992a)

In the other two elections, Baden-Württemberg Land and Schleswig-Holstein Land, the asylum was also one of the top election issues. Though some local SPD candidates suggested more flexible positions on the issue, the national SPD did not show any changes toward more restrictive policies even after the Bremen election (Drummond 1992). Moreover, the poll shows that the CDU was considered as a more competent party to solve the asylum problem than the SPD (Roth 1993). Again, many of the traditional supporters for the SPD turned to extreme right-wing parties, most of whom were low-income groups at age 18-25 (May 1992b).[14]

Thus, in the Schleswig-Holstein Land election, the SPD lost its absolute majority as in the Bremen election while the Republikaner and the DVU achieved great success.[15] The CDU had been controlling Baden-Württemberg Land since 1952, and since 1972 without any coalition partner. Different from other two elections, the CDU as well as the SPD lost many votes in 1992.[16] The Republikaner was the only party which succeeded in the election, increasing its vote share from 1% in 1988 to 10.9% in 1992. The party had not had any seat in the legislature before, but gained 15 seats out of 146 seats.

[14] The exit poll in Baden-Württemberg Land election shows that the supports for the Republikaner party came mostly from people at age under 25, people unemployed, people with blue-collar jobs, and/or people with union membership (Roth 1993).

[15] Though the SPD failed in getting the absolute majority votes in the election, it could maintain its absolute majority seats in the legislature. The vote share for the Republikaner party was increased from 0.6% in 1988 to 1.2% in 1992 though the party could not win any seat even in 1992. The DVU seems to have been more successful than the Republikaner party. While the DVU party had not participated in the 1988 election, it got 6.3% of votes and 6 seats, out of 89, in the 1992 election.

[16] The support for the CDU was decreased by 10% point, and that for the SPD was also diminished by 3% point.

The success of the two extreme right-wing parties is due to its aggressive and successful campaigns on the asylum issue.[17] In fact, the policy position itself on the problem was not very different from other parties' positions, particularly the CDU one. They wanted to get rid of the asylum rights by amending the Basic Law. They rejected the idea of Germany as a 'country of immigration'. They wanted to encourage positive selection of immigrants, which means admitting only immigrants who benefit Germany, particularly in economic terms. The more fundamental difference between the extreme right-wing parties and other parties laid on the strategic uses of the asylum problem in elections.[18] While the SPD unsuccessfully tried to separate the asylum issue from the general immigration issue and avoid talking about the former, the right-wing parties treated the asylum issue as a top issue in the context of unemployment, housing, crime, drug, and welfare fraud problems (Faist 1994).

Of course, moderate right-wing parties like the CDU also politically used the asylum issue. With pressing the SPD to agree to amend the Basic Law, the CDU criticized the SPD saying that 'every additional asylum seeker is an SPD-asylum

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[17] Of course, it cannot be said that this was the only reason for the success. Bad economic conditions including high unemployment rates after the reunification raised the support for the extreme right-wing parties. Roberts (1995) also suggested that the growing disinterest in the established parties, such as the CDU and the SPD, had also contributed to the success of other small parties. The rising similarity between the parties because of electoral competition as well as some ongoing problems of the parties, such as financing problem, made voters lose their interests in the established parties. However, we cannot but admitting the fact that those extreme parties were successful in setting the asylum issue as a new political goal and a strategy after losing their previous central political agenda, which is the demand for reunification and claims to the territory in Eastern Germany area (Roberts 1992).

[18] Thus, it is argued that the electoral campaigns, particularly by extreme right-wing parties, began the xenophobic feeling among German people (Bade 1994). He argued that the asylum issue had not been on the list of top issues when the electoral campaigns had begun in 1990. However, its importance went bigger after that and was ranked highest in 1992, when the campaigns were at their peaks. However, because this period also experienced continuing increase in the inflows of asylum seekers, it is quite hard to evaluate causal mechanism.

<Table 6-2> Results of the Baden-Württemberg Land election in 1992

Party	Election			
	1988		1992	
	Vote share(%)	Seats	Vote share(%)	Seats
CDU	49.0	66	39.6	64
SPD	32.0	42	29.4	46
Republikaner	1.0	-	10.9	15
Die Green	7.9	10	9.5	13
FDP	5.9	7	5.9	8
ÖDP	1.4	-	1.9	-
NPD	2.1	-	0.9	-
Die Grauen	-	-	0.6	-
PBC	-	-	0.6	-
Liga	0.1	-	0.5	-
DKP	0.2	-	0.0	-
Others	0.3	-	0.4	-

Source: Drummond (1992)

<Table 6-3> Results of the Schleswig-Holstein Land election in 1992

Party	Election			
	1988		1992	
	Vote share(%)	Seats	Vote share(%)	Seats
SPD	54.8	46	46.2	45
CDU	33.3	27	33.8	32
FDP	4.4	-	5.6	5
Grüne	2.9	-	4.9	-
SSW	1.7	1	1.9	1
Republikaner	0.6	-	1.2	-
DVU	-	-	6.3	6

Source: May (1992b)

seeker'.[19] However, extreme parties took more aggressive and populist approaches in the asylum, or immigration in general, issue. For example, the Republikaner rejected the identity of Germany as a 'country of immigration and the idea of multicultural society. Thus, going further than arguing immigrants were causes of many of the economic and social problems that Germany suffered, such as unemployment, housing, crime, and drugs, the party fueled fears of Germany's 'ethnic over-alienation' (Saalfeld 1993).

The results of the elections, particularly those of the elections in the two SPD-dominated Land, shocked the SPD politicians. Because the asylum issue was one of the issues which gave disadvantage to the SPD, many people inside the party asked their leaders to change the policy positions on the asylum issue and make agreement with the governing parties on amending the Basic Law. The pressure came from three directions.

First, there was huge pressure from the local level. Asylum seekers were financial burdens to state and local governments because the people rely mostly on the governments' supports. Local politicians also came under pressure from voters who do not want to have the asylum applicants in their neighborhoods. Thus, the SPD had to face the pressure from these local party leaders, mayors, and ministers, particularly in conservative southern Land (Braunthal and Braunthal 1994).

Georg Kronawitter, the mayor of Munich, openly asked the central government to change asylum laws. His following comment shows the problems that local governments had because of the inflow of asylum seekers.

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[19] Letter from the CDU general secretary Volker Rühe to all CDU party branches, quoted in Thränhardt (1995).

> We have 6,800 asylum-seekers in Munich, and the number is increasing by 1,000 per month. This can't go on. We can't handle it. We have 10,000 local people who can't afford places to live, and we're taking care of 7,000 refugees from the Yugoslavia war. Rents are very high, and the demand for apartments is intense. Every hole is full.[20]

Second, there was pressure from public opinion. The SPD had to admit the fact that most of German voters wanted to change the asylum law. The SPD Bundestag Group Chairman Hans-Ulrich Klose argued that more than 70% of the German population wanted to reform the law (Chapin 1997). The argument was actually supported by a number of surveys at that time.[21] To make it worse, the SPD was facing the Bundestag election in 1994, so the party felt an urgent need to "get the issue out of the headlines" (Bosswick 2000).[22] German voters' disinterests in the SPD were not limited in the regions where elections had been held in 1991-1992. In the public opinion polls in the second half of 1992, the SPD was surpassed by the CDU (Thränhardt 1995).

The asylum issue was certainly a big concern for the SPD facing a federal election. The SPD politicians knew that the asylum issue would take away a large number of votes from the SPD to the right-wing parties. Herbert Wehner, a SPD politician, said that "the established parties would be swept away if they could not bring solutions to the asylum crisis" (Bannas 1993). To make it worse, the CDU was ready to employ the asylum issue

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[20] *New York Times*, March 19, 1992

[21] A poll in September 1991 said that 76 percent of respondents favored the amendment of the Basic Law (Marshall 2000).

[22] The SPD's policy change in the face of elections is nothing new in its history. For example, its commitment to nuclear energy was challenged first by the 1986 Chernoby disaster, and second by the local party leaders of SPD-governed Lander who faced elections. Thus, the party changed its position and asked the Kohl government to halt its subsidies for the nuclear industry. Also, the party shifted itself from opposing to the deployment of German troops out of NATO area to supporting it in 1994 because it worried that the opposition could spark off huge resistance to the party in an upcoming election (Braunthal 1998).

again in the 1994 election campaign. The Chancellor Helmut Kohl stated that he would declare a national state of emergency and use "extra-constitutional" measures to combat with the asylum problems.[23] The CDU also declared, or threatened, that if the SPD did not agree to change the asylum laws, the asylum issue would be the main issue in the 1994 election. Thus, though it cannot be said that the asylum problem was the only reason for the failure in the previous elections, people thought that the SPD could not win in the upcoming election without solving the asylum issue.

Third, violent attacks on asylum seekers give pressure on the SPD to change the status quo on the asylum issue. The period of 1991-1992 witnessed many anti-immigrants movements. More than 2,000 illegal racist acts were reported in 1991, including 338 arson attacks. The number of arson attacks was increased to 701 in 1992, resulting in the death of 17 people (Schönwälder 1999). Moreover, people who used to be called 'normal German citizens' began to join Neo-Nazi groups in the riots. The SPD asked German government to protect asylum seekers with special police corps. However, the demand was rejected on the grounds that the violence problem cannot be solved without solving a more fundamental problem, which is the legal right of the asylum applicants (Karapin 1999).

An incident in February 1992 was one of the most shocking and influential events. Arson attacks by, probably, neo-Nazi skinheads killed fifteen Turks, including eight children. The ruling parties took advantage of these crimes to press the SPD. The CDU argued that the SPD was responsible for those attacks to asylum seekers because the SPD

[23] *The Washington Post*, November 3, 1992

made the asylum problem worse by disagreeing to the reform of asylum laws (Leslie 1998).

In the end, the SPD decided to agree with the conservative government to amend the Basic Law and other asylum policies in November 1992. In 1993, the Basic Law was amended and a new law on the welfare benefits to the applicants, the Asylum Seekers Benefits Act (*Asylbewerberleistungsgesetz*), was enacted consequently. The law replaced cash benefits with 'in kind' ones, or sometimes vouchers. Asylum seekers came to be entitled only to welfare benefits 'in kind' rather than cash payments during the first year of their stay. If their asylum application procedures exceeded one year, they became entitled to the federal welfare law and to the same level of assistance as German citizens and other foreigners (Dörr and Faist 1997).

Asylum law reforms and the Asylum Seekers Benefits Act in 1993

The Article 16 of the Basic Law was amended and began to be effective in July 1993. The new Article 16a said that asylum applicants could be returned at the border if they entered the border from 'safe countries',[24] or if they came from 'non-persecution' countries.[25] In addition, any petition was not granted to asylum seekers whose application was rejected for the reasons above.

Besides the amendment of the Basic Law, a law which separated welfare benefits to asylum seekers from general welfare system and defines the benefits was made for the

[24] Because both the Czech Republic and Poland were included in the list of the safe countries, all the neighboring countries of Germany were the safe countries. Thus, all the asylum seekers who came to Germany on land could actually be turned back.
[25] Romania and Ghana, for example.

first time (Asylum Seekers Benefits Act, *Asylbewerberleistungsgesetz*). The most important feature of the law is the replacement of cash benefits with 'in kind' ones, or sometimes vouchers. Asylum seekers came to be entitled only to welfare benefits 'in kind' rather than cash payments during the first year of their stay. If their asylum application procedures exceeded one year, they became entitled to the federal welfare law and to the same level of assistance as German citizens and other foreigners (Dörr and Faist 1997).

The replacement of cash benefits to 'in kind' ones not only made the benefit levels lower but also made asylum seekers' lives more restrained. The 'in kind' assistance got rid of the choice of goods from the asylum seekers. They had to go to designated shops to use the vouchers. Therefore, the new welfare system prevented the seekers from leading an independent and free consumer life (Liedtke 2002).

Several other conditions of the welfare benefits were also placed. The asylum seekers kept being provided with accommodation. They also received a food parcel every week, some clothing, and £30 a month for personal requirements. Only in extraordinary situations a benefit in money was possible, but the amount of this benefit was 20 percent lower than before. Medical and dental treatment for asylum seekers was only available in case of acute illness or pain.

These policy changes, of course, brought about criticism and opposition from many groups. Some local governments governed by the SPD or Green Party refused to provide 'in kind' assistance and kept giving cash benefits. The new policies were criticized by non-governmental activists, particularly churches (Minderhoud 1999).

Moreover, some refugees whose asylum applications had been refused challenged the new constitution. However, their challenge failed when Germany's constitutional court defended the new policies in a 1996 ruling.

Britain: The Immigration and Asylum Act in 1999

Inflows of asylum seekers to the United Kingdom

In terms of number of asylum seekers, the United Kingdom has admitted a great number of asylum seekers. In 1991, the United Kingdom received second-most asylum seekers in Europe, next to Germany. Since the late 1980s, the United Kingdom has been ranked as a country which admits second- or third- largest asylum seekers. However, if we also consider the population sizes of European countries, the United Kingdom has not been a major refugee-receiving country. While the numbers of asylum seekers who came to each country each year took up more than 0.3% of total population in many countries, the proportion of the annual inflow of asylum seekers was only 0.1% in the United Kingdom. (Table 6-4)

A couple of reasons made the United Kingdom an island, secured from the inflow of asylum seekers. First, policies implemented in the early stage of the inflow, which will be detailed further below, worked. Visas were required to refugees from some countries in the 1980s. The imposition of visa alone stopped 11,575 people from coming the United Kingdom during the first six months in 1986 when the number of asylum seekers arriving in the United Kingdom was just 5,700 (Robertson 1989). The Carriers Liability Act in

1987 imposed fines to carrier companies such as airline companies which let people without appropriate documents on board. Immediately after the act was implemented, the asylum applications at airports and ports were dropped 50% (Cruz 1991).

<Table 6-4> Asylum seekers to European countries, 1991

Country	Inflow of asylum seekers (in thousands)	Country	Inflow of asylum seekers (% total population)
Germany	256.1	Switzerland	0.61
UK	73.4	Austria	0.35
France	47.4	Germany	0.32
Switzerland	41.6	Sweden	0.32
Italy	31.7	Belgium	0.15
Sweden	27.4	Netherlands	0.14
Austria	27.3	UK	0.13
Netherlands	21.6	Norway	0.11
Belgium	15.4	Denmark	0.09
Denmark	4.6	France	0.08
Norway	4.6	Italy	0.06
Finland	2.1	Finland	0.04

Source: OECD, *Trends in International Migration*, various years

Second, the United Kingdom has had a geographic advantage. Because it is an island country, the only ways to get there in the 1980s were either by airplanes or by ships. In other words, the channels to the United Kingdom were really limited to some airports and ports. The geographic advantage helped the immigration authorities to focus only on some locations (Gibney 2004).

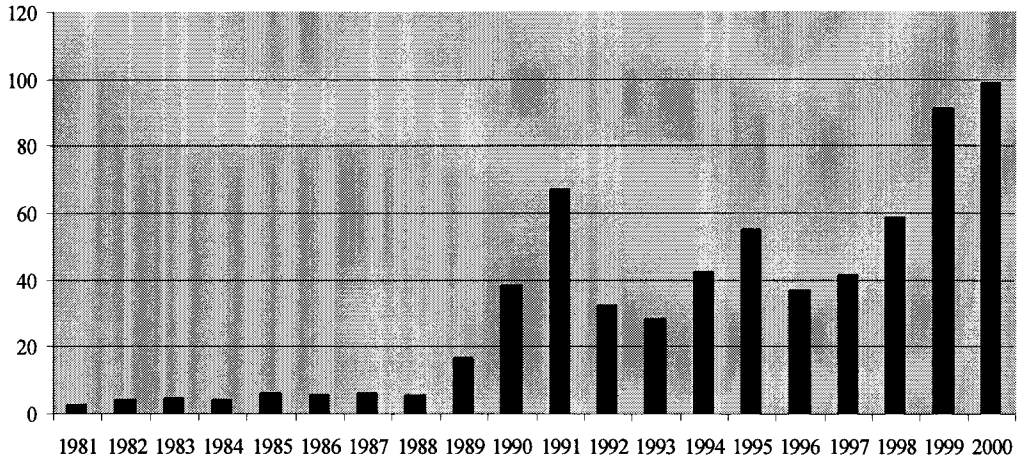
Finally, the governments and immigration authorities of the United Kingdom enjoyed more autonomy than those in other countries. There was no constitutional restriction, such as that in Germany. Thus, just a simple majority in the parliament made it possible to change any rules or laws. In addition, because the United Kingdom has had a parliamentary system and two-party system, usually one-party controlled the government and it could, basically, do whatever it wanted to do. These institutional differences enabled the United Kingdom governments to deal with asylum issues more effectively (Joppke 1999).

For the same reasons in Germany, the size of the inflow of asylum seekers began to increase in 1989 (Figure 6-5). As in German case, the fluctuations can be explained by events in refugee-sending countries, such as the political conflicts in African countries in 1990-1991 and the war in Yugoslavia. The peaks in 1994 and 1995 are mostly due to the military coup in Nigeria in 1993. The number of refugees from Nigeria jumped by 250% in 1994. Finally, the outbreak of Kosovo War produced 300,000 refugees in 1998 and some of them flowed into the United Kingdom.[26]

Though the pattern of the inflow of asylum seekers to Britain was similar with that to Germany, the composition of the asylum seekers in terms of origin countries was much different. While almost 80% % of asylum seekers to Germany in 1991 came from European countries, such as former Yugoslavia and Romania, most of the asylum seekers to Britain in the same year were non-Europeans (Figure 6-6).

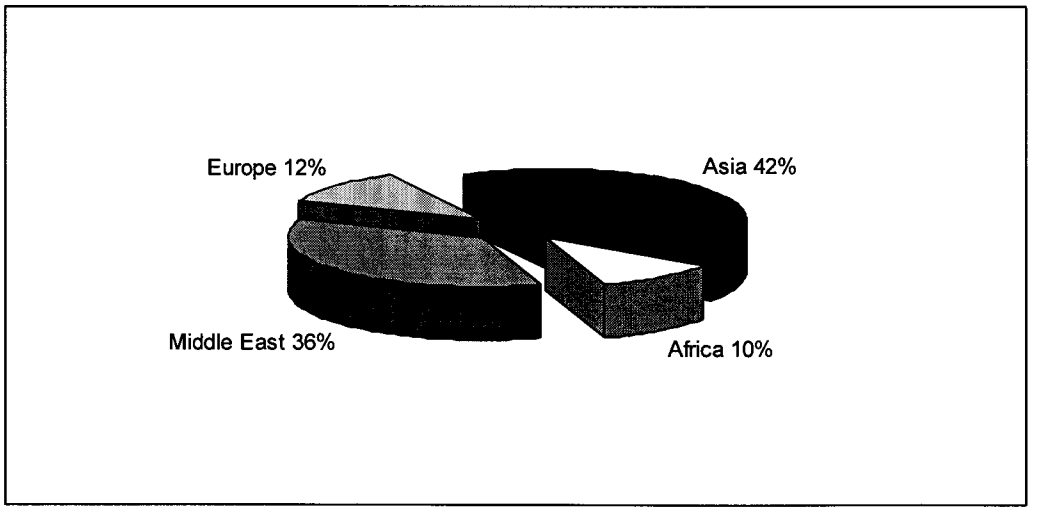
[26] Different from the graph on asylum seekers to Germany, drops in the number of refugee inflow after asylum reform cannot be observed in the United Kingdom. The reforms in the United Kingdom have actually been criticized that they could not stop the inflow.

<Figure 6-5> Inflows of asylum seekers to Britain (in thousands)



Source: OECD, *Trends in International Migration*, various years

<Figure 6-6> Origins of asylum seekers in Britain (1991)



Source: OECD, *Trends in International Migration*, various years

This picture sometimes made asylum politics in Britain race politics. When governments, particularly Conservative governments, introduced asylum bills, they were criticized that they tried to play the 'race card'.

> The Home Secretary said that we must not provide the opportunity for the organised violence against asylum seekers in Europe to spread here. The Bill will do exactly that. No matter how much the Home Secretary genuinely may not want that to happen, the Bill will stir up racist feelings and will play on fears and prejudices. It will give the various groups and Tory Members who seek to play the race card the opportunity to do so. (Kate Hoey, Labour)[27]

Another different picture of asylum seekers in Britain is their residential concentration in some areas, such as Greater London and South East England region. Because the United Kingdom did not have any official data on the distribution of asylum seekers at that time, it is quite hard to know exact numbers of asylum seekers in each region. However, various studies and reports give evidence on the spatial concentration of asylum seekers. Robinson and Hale (1989) showed that 46% of all Vietnamese were living in London in 1988. Carey-Wood et al (1995) estimated that, from the files by Statistics Division of Home Office from 1983 to 1991, 90% of refugees lived in the South-East of Britain with 85% in London. Though it did not present the data on the 1990s period, Audit Commission (2000) said that London accommodated 85% of all asylum seekers and refugees within in the United Kingdom. Also, Greater London Authority (2001) indicated that there were between 350,000 and 420,000 asylum seekers and refugees or, in other words, 1 out of every 20 people in London is asylum seeker or refugee. This proportion was 30 times larger than the UK average.

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[27] Hansard, November 13, 1991, Column 1144

The concentration made asylum seekers very visible in the regions and brought about some problems there. Besides financial burdens laid on the shoulders of local authorities, which will be discussed below, racist hatred was strengthened in the regions which led to some violent attacks to asylum seekers and foreigners. On the report on an Ugandan refugee all the windows of whose house were smashed by bricks only one day after he had moved to the house, *The Times* quoted the words of a public employee working on housing department in the borough (Newham, London).

> Newham has a rapidly growing refugee population, many of whom have endured horrendous situations and who are now faced with the twin problems of homelessness and an alien and often hostile environment.[28]

Therefore, though the relative size of asylum seekers was not large, political asylum appeared as an important political issue, particularly in the early 1990s, due to the racial composition of asylum seekers and their concentration on some regions.

Treatment of and attitudes toward asylum seekers before 1993

Asylum seekers in the United Kingdom were provided basic welfare benefits as those in Germany were. In the early 1990s, asylum seekers were eligible for cash benefits, including emergency income support at 90% of the standard rate. Accommodation provided by local authorities was also available for them (Sales 2002).

Thus, asylum seekers came to be financial burdens as in Germany. There is no obvious estimate on the amount of money spent on asylum seekers. However, it was said

[28] *The Times*, March 23, 1992

that about £100 million was annually wasted just because of fraudulent multiple welfare applications.[29] Kenneth Baker, the Secretary of State for Home Department from 1990 to 1992, estimated that overall £400 million was used for the asylum issue in 1991, which was about 0.4% of British total social expenditure.[30] A Conservative MP from Ealing borough in London, Harry Greenway, stated that asylum seekers cost his borough £12 million in a year.[31]

Though MPs did not have official estimation, the negative fiscal effect of asylum seekers was pointed out by them over and over in parliamentary debates on asylum bills. For example, David Evans, a Conservative MP from Welwyn Hatfiled which is in the South East England, argued that asylum seekers should not get any welfare benefits until they paid tax for five years.[32] The problem was raised by media, too.

> But their (British volunteers') kindness has caused a huge headache for both the Government and the 'front line' communities where they settle. Despite money raised by the volunteers, the cost to taxpayers is enormous and the additional burden on local services is potentially crippling for councils.[33]

The increase of the inflow of asylum seekers raised the salience of political asylum as a political issue. When the Asylum and Immigration Appeals Act was proposed in 1991, 78% of British people supported the bill.[34] The changes in public opinion were reflected by the responses of those in political parties. The Conservative

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[29] *Hansard*, November 13, 1991, Column 1115
[30] *Evening Standard*, April 2, 1992
[31] *Hansard*, November 2, 1992, Column 58
[32] *Hansard*, November 13, 1991, Column 1115
[33] *Daily Mail*, November 7, 1992
[34] Ipsos MORI poll in 1991

party hardly talked about the asylum and refugee issue in the 1987 manifesto. It just said that the party would impose visas to people from some countries, like Nigeria and Ghana.[35] However, the party introduced the Asylum and Immigration Appeals Act in 1991 which was the first law mainly regulating the asylum issue. After the bill was dropped because of the election in 1992, the party promised through its manifesto that, with pointing out the sharp increase of the refugee inflow, it would reintroduce the bill after the election.[36] The increase of the inflow of asylum seekers, the negative views on them among British people, and the rising salience of the asylum issue led to the passage of the Asylum and Immigration Appeals Act in 1993.[37]

New asylum laws by the Conservative government in 1993 and in 1996

As the number of asylum seekers arriving in the United Kingdom increased substantially in 1989, the asylum issue began to be dealt with in the parliament more seriously in the early 1990s.[38] British policy makers in the early 1990s seemed to be worried about an asylum crisis because of the increase rate of the inflow of asylum seekers more than because of their absolute numbers. For example, the Home Secretary

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[35] *The Next Moves Forward*, Conservative Party General Election Manifesto, 1987
[36] *The Best Future for Britain*, Conservative Party General Election Manifesto, 1992
[37] The 1993 Immigration and Asylum Appeals Act put more restrictions on the appeal procedure, introduced compulsory fingerprinting, and toughened the application process for social housing. Also, the 1996 Asylum and Immigration Act stopped providing welfare benefits to people who did not claim asylum at the entry into Britain.
[38] It does not mean that there was no policy regulating political asylum before 1990. Refugees from some countries, like Tamils and Turkey, began to be required to get visas from the mid-1980s. Another significant device created by Thatcher government is the Carriers' Liability Act in 1987. The act made carrier companies, like airline companies, responsible for the investigation of passengers' valid documents. The act also imposed a £1,000 of fine to the companies when they carried people without such documents

Kenneth Baker started his introduction of the asylum bill by stating the increase of the inflow of asylum seekers.

> The number of people seeking asylum in the United Kingdom has risen sharply, from 5,000 a year in 1988 to more than 30,000 in 1990. From January to May this year, 21,000 applications were received--a rate of nearly 1,000 a week. In the light of that increase, the Government have been examining asylum arrangements, and I would like to inform the House of our initial decisions.[39]

They were also worried about the projection on future increase. In 1992, Baker warned that there could be a huge outflow, up to 7 million people, from Russia.[40] Though his statement may sound like overstatement with political intention, the uncertainty on the future of refugee inflow made policy makers think they need to do something to change the status quo and reduce the number of asylum seekers.

> The number of people claiming asylum in the United Kingdom has increased dramatically from 5,000 in 1988 to nearly 50,000 this year. How many will there be in two, three, four or five years' time? One hundred thousand? Five hundred thousand? We are one of the most densely populated countries in Europe and our asylum policy should reflect that. The Bill will. (David Evans)[41]

Due to the increasing number of asylum seekers, a bill for controlling asylum seekers was first introduced in the parliament on July 2, 1991. Kenneth Baker, the Secretary of State for the Home Department listed a couple of reasons for the introduction in the parliamentary debate.[42] First, the number of asylum seekers arriving in Britain had been increased enormously. Though the number of asylum seekers is smaller than that in other European countries, it had jumped by more than twice every year since

[39] *Hansard*, July 2, 1991, Column 165
[40] *Hansard*, November 13, 1991, Column 1085
[41] *Hansard*, November 13, 1991, Column 1113
[42] *Hansard*, July 2, 1991

1989. Second, many of the asylum seekers are not genuine asylum seekers. In other words, they came to Britain not in the fear of real political or religious persecution in their home countries, but in search of economic opportunity in Britain. Finally, the processes of handling applications were too slow. It took more than 16 months, on average, for each application to be reviewed and decided. More than 3,000 cases were left undecided every month.

To fix the problems, he proposed the following reforms. First, people whose claims for asylum have been rejected in other safe countries cannot be granted asylum in Britain. Second, the fine for airlines which accept people without valid documents is increased by double, from £1,000 to £2,000.[43] Third, the asylum agency fingerprints all the asylum seekers to prevent welfare fraud. It was uncovered that some asylum seekers made multiple welfare benefit applications using different identities. Fingerprinting was believed to stop the identity and welfare deception. Fourthly, the decision process will be accelerated through new recruitment of immigration staffs and the modification of appeal process. Particularly, while the new bill will guarantee appeal rights to all the asylum seekers whose applications were rejected and who are in the United Kingdom, the appeal will be handled without an oral hearing.

The bill was opposed by the Labour party which argued that many of the asylum seekers are not bogus refugees but genuine ones. It also contended that restrictive asylum rules could hurt genuine refugees who fled from real political or religious tribulation though some of asylum seekers might be bogus refugees. Moreover, Labour MPs

[43] Imposing the fine was first implemented by the Carriers' Liability Act in 1987.

criticized the Conservative government that it was using 'race card' for the upcoming general election.

> The Bill is meant to play on racism. I suspect that the issues around the Bill will feature strongly in the run-up to the next general election. (Bernie Grant)[44]

> The preparation for the Bill began in the summer, when the tabloid Tory newspapers made it clear that part of their pre-electioneering was to play a racist card by supporting the introduction of this Bill. There was a spate of stories about the country being "swamped" or of there being "too many asylum seekers" and of the "scandal" of thousands of "bogus" applicants ... As I said, the Bill was politically aimed at the pre-election period. The newspapers that give support and succour to the Tory party played their role well, not only by softening public opinion in advance of the House's consideration of the Bill, but by poisoning workers' minds with their repeated stories of con men, of racketeering and of massive social security fraud. How those stories seemed to escalate in the weeks before the Queen's Speech when the Bill was first introduced in the House. (Dave Nellist)[45]

Despite the opposition of the Labour party, the Conservative party controlled the majority of parliament. Though the bill had been dropped in 1992 because of the general election, it was re-introduced right after the election and passed in 1993 by the Conservative party.

However, despite the 1993 act, the inflow of asylum seekers to Britain did not diminish but rather got bigger. Because the notion that many of the asylum seekers were 'bogus' ones who left their home countries for economic reasons and tried to take advantage of British asylum and welfare systems, the following Asylum and Immigration Act in 1996 attempted to restrict the asylum seekers' eligibility on welfare benefits. In particular, the main reform in the 1996 act was to deprive of welfare benefits to asylum

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[44] *Hansard*, November 13, 1991, Column 1136
[45] *Hansard*, January 21, 1992, Column 273-4

seekers who did not claim the asylum at ports or at airports when they entered Britain. Those people who applied the asylum 'in country', after they entered, were considered as bogus asylum seekers.

Peter Bruce Lilley, one of the MPs who put forward proposals on social security payments on asylum seekers stated clearly that British taxpayers' burden is the main motive of the proposal and the reduction of asylum seekers' inflow through the welfare restriction is its main goal.

> The proposals are intended to reduce the number of unfounded asylum applications made in the United Kingdom, and to ensure that those entering this country on the understanding that they will not be a burden on the taxpayer cannot gain access to the benefit system just by submitting an asylum claim.[46]

The Labour party was opposed to the bill as it was to the 1993 act. While they admitted that there are many bogus refugees who took advantage of British asylum and welfare systems, more restrictive rules on asylum seekers, they said, could hurt genuine refugees who fled from real political or religious tribulation. The Labour party also criticized the Conservative party and the asylum bill that the party was going to play the "race card" again in the face of the 1997 general election.

> It is clear ... that the Government is interested not in solving the immigration problem but only, in the run-up to the election, in using the race card for their own party political ends. (Piara S. Khabra, Labour MP from Ealing Southall)[47]

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[46] *Hansard*, November 6, 1995, Column 582
[47] *Hansard*, December 11, 1995, Column 780

> While listening to the debate, I have had two overwhelming feelings. The first is that I have been here before and the second is that the general election cannot be very far away. In fact, we have been here seven times before because, since 1979, this Conservative Administration has introduced seven Bills relating to immigration, asylum and nationality. Coincidentally, the most recent two were introduced before the 1987 and 1992 general elections. (Max Madden, Labour MP from Bradford West)[48]

The government replied to the criticism by saying that the new bill did not have anything to do with race or election because the new bill would have effects on all the asylum seekers, not just Asian or African refugees. Also, Conservative MPs defended themselves arguing the timing of the bill introduction had nothing to do with the approaching general election. However, they later admitted their strategic use of immigration issues in the campaigns for the 1992 election and the 1994 Euro-election.

> Immigration, an issue which we raised successfully in 1992 and again in the 1994 Euro-elections campaign, played particularly well in the tabloids and has more potential to hurt. (Andrew Lansley, the Conservatives' then research director)[49]

Though the Labour party disagreed to pass the asylum bill, there was no problem for the Conservative party in passing the bill because it had the majority in parliament. However, what was different in the 1997 election from the 1992 election is that the Labour party won the election and took the government from the Conservative party.

Immigration and Asylum Act in 1999

[48] *Hansard*, December 11, 1995, Column 750
[49] *The Observer*, September 3, 1995

Though the Labour party's election manifesto did not contain any specific commitment to the reform of asylum policies, it was expected that there would be substantial changes in the policies (Bloch 2000). For example, Jack Straw, the shadow Home Secretary prior 1997, said during the campaign that new Labour government would not implement some provisions of the 1996 Act (Stevens 1998). Also, he abolished the White List, the list of 'safe' countries, introduced by the previous Conservative government Home Office.[50] The recognition rate under the new government rose from 30% in 1997 to 62% in 1998 (Schuster and Solomos 2004).

However, different attitudes and remarks by the new Labour officers began to be observed. A government minister said that the social security benefit clauses, the main reforms of the 1996 act by the Conservative government, are not ready to be overturned (Kaye 1999). They also kept using the same language on asylum seekers that the previous government had used. In a letter to an officer of an asylum aid organization, who criticized the new government for using the term of 'bogus', Mike O'Brien, the minister for immigration and asylum, argued that many asylum seekers could be labeled bogus because they were economic migrants. He also added that the new government was elected by people on a commitment to fair and firm immigration control.[51]

Moreover, when 800 Roma people came from Czech Republic and Slovakia to apply asylum in 1997, the new government decided to reduce time to appeal from 28 days to 5 days if the application tuned out to be manifestly unfounded (Schuster and

[50] *The Independent*, May 29, 1997
[51] *Telegraph*, June 20, 1997

Solomos 2004). By framing the Roma people with the image of bogus asylum seekers, the new government showed the continuity with its predecessor.

The continuity led the new government to introduce a new asylum law: the Immigration and Asylum Act in 1999. The act brought in two substantial changes in the asylum process. First, it replaced cash benefits to asylum seekers with a voucher system. Second, it forced geographic dispersion of asylum seekers to prevent their further concentration, particularly on London and South East areas.

The 1996 Act withdrew benefit rights for in-country asylum seekers. This prevented the asylum applicants from accessing national welfare resources. However, the Court of Appeal ruled in 1997 that Parliamentary deprivation of welfare rights is 'beyond the power'. The decision of the Court made local authorities responsible for supporting single asylum applicants according to the 1948 National Assistance Act and asylum seeking families under the 1989 Children Act (Geddes 2000; Bloch 2000).

Thus, the unintended result of the 1996 act was incredible burdens to local authorities. The financial burden was estimated to be £400 a year in 1998 (Home Office 1998). Particularly, London and South East areas where asylum seekers geographically clustered came to take most of the burdens. Therefore, the 1999 act focused on reducing the welfare burden to local authorities first by replacing cash benefits with in kind or voucher system. Though the in kind benefits were not considered less expensive than cash benefits, they were believed to deter the inflow of asylum seekers, particularly

economic refugees.[52] The act also tried to make local authorities, particularly those in the greater London and South East areas, free from the burden by limiting asylum seekers' freedom of residence and dispersing them to outside the greater London and South East areas.

The unexpected policy continuity of the new Labour government with the previous government provoked many people, particularly people in asylum NGOs and even the party's backbenchers. British NGOs such as the National Assembly Against Racism, the National Coalition of Anti-Deportation Campaigns, the Asylum Rights Campaign, and the Asylum Aid, complained that their voices and concerns were totally ignored during their consultations with the government. Though their efforts to restore cash benefits achieved some success by making the £10 worth of vouchers convertible to cash, they could not stop the change of entire benefit system for asylum seekers (Schuster 2003).

The Labour backbenchers also criticized their government's policies, particularly when the 1999 bill was introduced. On the replacement of cash benefits with in kind or voucher system,

> Cash is the cheapest, most efficient and most humane way of delivering benefits. Giving benefits in kind causes asylum seekers a great deal of humiliation; it is inefficient, expensive and, in many cases, completely ineffective, because the families involved will have no cash to pay for any small

[52] Jack Straw, the then Home Secretary said ,in the introduction of the bill " ... although the cost per head of benefits in kind is slightly higher than that of cash benefits, the take up of cash benefits is very much greater. There is also considerable evidence to suggest that cash benefits act as a "pull factor" in the case of economic migrants from eastern European countries who have no basis whatever for asylum claims." *Hansard*, February 22, 1999, Column 46

> things that they may need. The system also adds to their sense of difference from the rest of the community. (Jeremy Corbyn)[53]

Some Labour MPs also criticized told against the enforcement of geographical dispersion of asylum seekers.

> One of the many problems is that small groups of asylum seekers far from London and from other minority communities could well turn out to be sitting targets for racist attacks. (Diane Abbott)[54]

The policy shift was not only criticized by Labour's own members but also mocked by Conservative members.

> Let us be frank; what we are being presented with today is a fundamental shift from what the Labour party was arguing only a few years ago. I do not dispute or mind that, although I will express my reservations later. However, this is not so much a genetically modified policy as a different plant altogether. If Labour had supported our general contention, it might have been easier to tackle this problem in the first place. (Norman Fowler)[55]

Thus, the 1999 act gave much disappointment to many people. However, the new government's negative attitude to asylum seekers, particularly bogus asylum seekers, was, actually, not new. The Labour party in the course of the parliamentary debates on the 1993 and the 1996 bills was criticized that it showed ambivalent and mixed responses to the bills. On the one hand, the Labour MPs were opposed to the bills on the ground that the bills could hurt genuine refugees who fled from real political or religious tribulation.

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[53] *Hansard*, February 22, 1999, Column 46
[54] *Hansard*, February 22, 1999, Column 47
[55] Hansard, February 22, 1999, Column 52

On the other hand, some Labour MPs, particularly young, new Labour members like Tony Blair, did not deny that the Britain was suffering from the inflow of economic refugees.

Thus, the Labour party was told by the Conservative to show inconsistency in the asylum issue.

> Labour's inconsistencies go deeper, however. Earlier this year, Glyn Ford, the Labour MEP, revealed that Jack Straw, the Shadow Home Secretary, had told MEPs: 'We should not allow so much as a cigarette card to come between the Labour Party and the Tory Government over immigration.' Here is evidence that Labour had identified immigration as a negative issue for them; here is Jack Straw trying to close it down as a source of electoral disadvantage. (Andrew Lansley, Former Research Director of Conservative Central Office)[56]

The Labour party's ambivalent attitudes to the asylum issue are due to its electoral vulnerability of the issue. Though the party kept strong positions on most of the issues between 1997 and 2001, it had only marginal leads in the asylum and crime issues (Gould 2002). Also, the asylum issue was traditionally considered by people as one of the few 'Conservative party issues' which means that the party thought to handle the issues better than the Labour party.[57]

Thus the Labour government had to face attacks on their relatively softer position on the asylum issue. A leaked Blair's memo showed the concern very clearly. In the memo written on the eve of local government elections, he presented the asylum issue as one of the issues for which the Labour party needed focused strategies, such as crime,

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[56] *The Observer*, December 10, 1995

[57] In addition, particularly compared with Thatcher government, Blair government was criticized for just "wooing" electorate rather than trying to leading them (Heath, Jowell, and Curtice 2001; Lister 2001).

family, and homosexuality. Then, he showed his concern that the party is believed to be too soft on the asylum issue.

> ... asylum and crime, where we are perceived as soft, ...[58]

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He also mentioned that the Labour party was losing support partly due to the asylum issue and therefore the government needed to show that it was actually solving the problem.

> The basis of the Conservative recovery is concern over asylum seekers where the Conservatives are occupying the ground the electorate think we have vacated. ... On asylum, we need to be highlighting removals and decisions plus if the April figures show a reduction, then a downward trend.[59]

In addition, the Labour party had to cope with fierce attacks from the Conservative party on the asylum issue after the 1997 election. Though the Conservative party had not used the race card in the 1997 election, it came to focus more on populist agendas, such as crime, homosexuality, ethnic minorities, and political asylum, to attract its core supporters after the election.[60] This led the Conservative party to focus on tax

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[58] *The Guardian*, July 18, 2000
[59] *The Guardian*, July 18, 2000
[60] The contrasting strategies are told to be due to the different attitudes of the party leaders: John Major before 1997 and William Hague after 1997.

reduction, opposition to European integration, and a tougher regulation on asylum seekers, particularly as the 2001 election loomed (Geddes and Tonge 2002)[61].

Besides the new Labour's electoral concern on the asylum issue, its unexpectedly restrictive policies on asylum seekers can be seen as a part of the 'New Labour' modernization program which attempted to appeal to the middle-class people (Toynbee and Walker 2001) in general and also liberalized social welfare system as a tacit (Sales 2002).

The new Labour's philosophy on welfare state had a couple of facets. First, it underscored equality of opportunity to work rather than equality through direct redistribution. It made the government put an emphasis on education and training. It also attempted to untie the 'tax and spend' associations which had dominated the postwar period. Thus, Gordon Brown promised before the 1997 election that the Labour party will not raise income tax rates during its first term in government (Lister 1998). This was particularly appealing to middle class electorate (Newman 2001).

Second, it attempted to resolve the fracturing which had developed around race and gender by molding a new image of British citizen, who is self-reliant, responsible, familial, and community-oriented working person (Newman 2001). People who do not have means or materials for such a life were considered as 'social exclusion'.[62] The perspective of the new Labour government that asylum seekers were not in the boundary

[61] This strategy, however, was criticized not only that they jumped on populist 'bandwagons', but also that the strategy was inefficient and inconsistent with the normal electoral cycle. As was said by a shadow cabinet member, they began with a broad appeal but narrowed down their support at the end of the campaign (Cowley and Quayle 2002).

[62] *Hansard*, October 30, 1997, Column 859

of British society is observed in the White Paper Fairer, Faster, and Firmer – A Modern Approach to Immigration and Asylum in 1998.

> ... people who have not established their right to be in the UK should not have access to welfare provision on the same basis as those whose citizenship or status here gives them an entitlement to benefits when in need.[63]

Thus, the new communitarian ideologies of the Labour party allowed the party to emphasize rights of individuals and their responsibility as members of community rather than the responsibility of community to protect their members and treat them equally. In such circumstances, the exclusion of asylum seekers from the welfare system could be justified because they were not considered as genuine members of community and then as legitimate receivers of welfare benefits (Geddes 2003).

Anyway, the bill was passed with some modification in December 1999 despite the opposition from the inside of the Labour party. In conclusion, as Schuster and Solomos (2004) summarized, the Labour party, after its return to government, could not stay on its commitment to the asylum issue because of its concern to be seen to be 'tough on immigration' and to be in accordance with the core of public opinions. This limited the party's capability to bring about substantial changes to asylum policies. Consequently, the asylum policies of the New Labour government maintained continuity with the previous ones by the Conservative party.

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[63] Home Office (1998), 8. 18

Conclusion

Surveys on the two cases can be concluded in the following ways. The increase in the inflow of asylum seekers in the 1990s made the asylum issue a significant political and electoral issue. The increase also raised people's concern on asylum-related issues, such as their welfare dependency, crime, and cultural identity.

Right-wing parties did not miss the opportunity to take advantage of the anxiety of native people on asylum seekers. In particular, they mobilized the asylum issue as elections approached and utilize the issue hoping that they could benefit from negative public opinions on asylum seekers and their strong and restrictive positions on asylum issues. The conservative parties in Germany took strong positions on political asylum and criticized the soft policies of the SPD aggressively in local elections in 1991-1992 and in electoral campaigns for the 1994 general election. In Britain, the Conservative party introduced two restrictive asylum bills right before general elections. Because most of the asylum seekers to Britain came from non-European countries, political asylum was considered as one of race issues in Britain. The party is believed to have repeated playing the race card by introducing restrictive asylum policies.

However, the increase of asylum seeker inflows, the public resentment on asylum seekers, and imminent elections gave pressure also to left-wing parties. The German SPD suffered from electoral losses in local elections. The defeats were believed to be due to the party's soft position on the asylum issue. A general election is coming after the local elections, and the asylum issue was expected to be a major electoral issue again. The

party leaders believed that the party could not maintain generous stances on the asylum issue and decided to agree with the conservative government to amend the Basic Law and reform asylum policies.

In Britain, the Labour party, after winning the 1997 election, had concerned to be tough on some issues, such as asylum, immigration, and crime. The government though that the party was losing support after the election partly due to its inefficient management of the issues. Thus, the surprising asylum act in 1999 came from the Labour party's concern to be in accordance with public opinions, concern to be tough on issues on which the opposition party were traditionally believed to have advantages, and concern to maintain electoral supports that the party won through the 1997 election.[64]

In sum, while right-wing parties introduced restrictive asylum policies to mobilize and utilize the asylum issues for the electoral purpose, left-wing parties were reluctantly forced to do so because of their concerns on electoral outcomes.

[64] In the same way, the agreement by the German SPD to amend the Basic Law and change other asylum policies in 1992 can be another exemplary case of a rather reluctant decision to make restrictive asylum polices from the concern on public opinions and electoral success.

Chapter 7

Conclusion

Summary of dissertation

My dissertation begins with two research questions. First, what are the effects of international migration on the welfare systems of advanced industrial countries in Europe that receive migrants? Do people in the countries consider these effects when they discuss migration policies? Second, how does party politics influence migration policies? With regard to the issue of migration, do left-wing parties differ from right-wing parties? If there is a partisan difference, is it unconditional? Do particular factors limit left-wing liberalism with regard to migrants? To answer these questions, my dissertation focuses on three issues of international migration in European countries: (a) public attitudes toward migrants; (b) population aging, public pensions, and the recruitment of foreign workers; and (c) policies regarding welfare benefits to asylum seekers.

Employing statistical methods and case studies, my research yields the following findings. First, the effect of international migration on a country's welfare system partly depends on the types of migration and welfare programs. An influx of foreign workers eases pressure on a nation's pension system, slowing the reduction of pension benefits. However, asylum seekers are a net fiscal burden on a host country's welfare system. Second, analyses of public-opinion data and a review of the public discussion of migration policies indicate that both the general public and political elites are aware of

migration's effects on welfare systems. This awareness significantly affects migration policies. Many countries have sought to recruit more foreign workers to counter the aging of their population and the shrinking of welfare resources, and some have succeeded in doing so. In contrast, during the asylum crisis of the early 1990s, concern about fiscal pressure from asylum seekers resulted in more-restrictive asylum policies. Finally, partisan differences regarding migration policies are not unconditional. Although left-wing parties' migration policies are generally more liberal than right-wing parties' ones, particular factors limit left-wing liberalism on this issue. Left-wing parties are reluctant to accept many foreign workers when they face strong political opposition from their country's manual workers. In the 1990s left-wing governments introduced more-restrictive asylum policies because a more welcoming stance toward asylum seekers could have caused substantial electoral losses.

My dissertation comprises three main parts. Using 2002 European Social Survey data, the first part (Chapter 2) explores the relationship between fiscal pressure from migrants and public attitudes toward migrants in European countries. The former makes the latter more negative. My dissertation also finds that whose opinions are more affected by fiscal pressure from in-migration depends on the history of the welfare system change. Fiscal pressure from migrants is most upsetting to uneducated people in countries that have experienced welfare retrenchment but most upsetting to highly educated people in countries that have sustained or expanded their welfare programs.

The dissertation's second part addresses the research questions in terms of population aging, pension crises, and foreign workers in European countries. Chapter 3

reports the finding that an influx of foreign workers actually helps to sustain pension benefits. Exploiting in-migration's demographic effects, countries with aging populations admit more foreign workers than other countries (Chapter 4). With regard to partisan effects on migration policies, left-wing governments admit more foreign workers than do right-wing governments, but the openness of borders is constrained by the political power of a country's manual workers. Left-wing governments in countries with strong trade unions or manual workers who tend to vote along class lines do not differ from right-wing governments with respect to influx of foreign workers.

The dissertation's third part discusses European asylum policies. Because asylum seekers are a net fiscal burden to host countries, many countries have restricted asylum seekers' access to welfare and other economic benefits in order to relieve this burden and reduce the influx of asylum seekers. Case studies of Germany and the United Kingdom clearly show that concerns about fiscal pressure from asylum seekers have led to more-restrictive asylum policies (Chapter 6). Analyses of quantitative data indicate that both left-wing and right-wing parties become more likely to introduce restrictive asylum policies before elections (Chapter 5). Whereas right-wing parties aggressively exploit the asylum issue in electoral campaigns, left-wing parties reluctantly bow to negative public opinion about asylum seekers in order to avoid electoral defeat.

In sum, my dissertation examines the relationship between welfare systems, political parties, and international migration in European countries. Some of migration's significant effects on welfare programs can be clearly observed. These effects are considered by people in host countries when they discuss migration policies. Countries

accept migrants who contribute to their welfare system but exclude migrants who are fiscal burdens. Partisan differences regarding migration policies are not straightforward. With respect to international migration, left-wing parties differ from right-wing parties in their agenda, policies, and political use of the issue. However, left-wing parties are not always more welcoming toward migrants. Manual workers' political influence and negative public opinion on migrants, especially in the face of elections, limit the extent to which left-wing parties endorse open borders.

Implication

Effects of international migration on welfare programs

Unlike migration effects on the labor market, migration effects on welfare programs have not been paid much attention to. Many studies, particularly in economics, researched the effects of international migration on wage rates and unemployment risk of native workers. Their main research question was whether the inflow of foreign people decreases wage rates of native workers and/or increases unemployment risk. Answering the question is not easy, though. Many methodological problems have prevented scholars from giving agreed answer to the question.[1] However, both theories and empirical

[1] There are three main methodological problems. First, because migrants usually concentrate on small areas, like California, New York, and Texas in the U.S. and London in Britain, migration effects on the local labor market and those on the national market are very different. Though migration effects on the 'migrant areas' are great, national effects of migration can be only marginal. Second, studies on migration effect suffer from the endogeneity problem. Because migrants flow into areas with good economic conditions, such as high wages and low unemployment rates, there is mutual causal relationship between migration and labor market conditions (Altonji and Card 1991; Addison and Worswick 2002). Third, native people in areas where migrants flow tend to move to other areas in the same country, resulting in increased labor market

evidence show that the inflow of foreign people hurts people who directly compete with the foreign people in the labor market, such as unskilled native workers and foreign workers who already reside in host countries.

Migration effects on welfare programs began to be studied only recently. On the one hand, there have been studies in sociology that raised a question on how welfare states and international migration can go together (Bommes and Geddes 2000; Geddes 2003). The welfare state system is based on drawing a line between 'we' and 'you', defining community, and discriminating against outsiders. However, international migration challenges the classification, definition, and separation. Thus, people have questioned how much the welfare state system can be sustained in the era of mass migration. On the other hand, there have been some economists who examined empirical effects of migration on welfare programs (Razin and Sadka 2000; Razin and Sadka 2005). However, there have been only a few studies that also looked at how political factors intervene in the relationship between international migration and welfare programs (Alesina and Glaeser 2004; Roemer, Lee, Van der Straeten 2007).

This dissertation shows that international migration does have effects on welfare programs. It also demonstrates that people in host countries, both public and political elites, are aware of the effects. Though many people only expect negative effects, and mass media tends to focus only on negative effects, international migration also contributes to welfare programs of host countries. In particular, when migrants are

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competition even in areas which do not experience international in-migration. Then, the domestic migration dilutes the labor market effects of international migration (Williamson 2005).

carefully selected according to their skill level and wealth, their positive effect can be amplified.

However, this dissertation studies only two specific cases. Thus, more studies need to be done to more fully understand the migration effects on welfare programs. What are the effects of other types of migration on other welfare programs? How different is long-term effects from short-term effects? Do positive effects outweigh negative effects? Though these questions are difficult and complicated to answer, more efforts should be made to comprehend the relationship between international migration and the welfare system.

Dynamic government partisanship effects on migration policies

This dissertation implies that differences between political parties can be conditional. People often take on a static approach in explaining differences between left-wing and right-wing parties in regards to migration policies, such as whether left-wing parties are pro-migration or not. However, this paper implies that party politics may have more complicated dynamics. In other words, their policy preferences and capability of policy implementation can be constrained by other factors.

In particular, the relationship between left-wing parties and labor power regarding migration issues deserves further study. The relationship pattern found in this dissertation is very different from their relationship regarding other issues, such as macroeconomic policies. Studies found that labor power helped the macroeconomic policy performance of left-wing parties because the two political actors share the same policy goals, such as

stimulating economies and reducing unemployment rates (Garrett 1998; Veiga and Chappell 2002). However, the results of this paper imply that the two actors may not share the same policy preferences regarding migration issues and sometimes even conflict with each other. Thus, the relationship between left-wing parties and labor groups should be understood in a different way when migration issues are considered.

Appendix A: Variable description and data sources for Chapter 3

Dependent and independent variables

- Pension replacement rate: Allan and Scruggs (2004)
- Private pension (% GDP): OECD, *Global Pension Statistics*
- Intra-generational income redistribution: Krieger and Traub (2008)
- Public pension level: OECD, *Pensions at a Glance* (2007)
- Stock of foreign workers: OECD, *Trends in International Migration*
- Labor force: OECD, *Labor Force Statistics*

Control variables

- Government partisanship: Score made with data from Castles and Mair (1984), Laver and Hunt (1992), Warwick (1994), and Huber and Inglehart (1995)
- Veto player: Tsebelis' veto player data
- Corporatism: Siaroff (1999)
- GDP growth: World Bank, *World Development Indicators*
- Budget deficit (% GDP): IMF, *International Financial Statistics*
- Trade (% GDP): World Bank, *World Development Indicators*
- FDI: Total inflow of FDI, World Bank, *World Development Indicators*
- Deindustrialization: Iversen and Cusack (2000) and OECD, *Labor Force Statistics*

- Dependency ratio: Share of dependents (individuals aged below 15 or above 64), World Bank, *World Development Indicators*
- Migrants' pension participation rate: EU, *European Community Household Panel* (Summarized in Boeri, Hanson, and McCormick 2002)
- Pension contribution period: Allan and Scruggs (2004)
- Retirement age: Allan and Scruggs (2004)

Appendix B: Variable description and data sources for Chapter 4

Dependent and independent variables

- Stock of foreign workers: OECD, *Trends in International Migration*
- Labor force: OECD, *Labor Force Statistics*
- Percentage of old people: World Bank, *World Development Indicators*
- Total fertility rate: World Bank, *World Development Indicators*
- Government partisanship: Normalized average made by data from Castles and Mair (1984), Laver and Hunt (1992), Warwick (1994), and Huber and Inglehart (1995)
- Union density: Golden and Wallerstein (2006)

Control variables

- Unemployment rate: OECD, *Labor Force Statistics*
- GDP growth: World Bank, *World Development Indicators*
- GDP growth in sending countries: Weighted average (weighted by each country's share of foreign workers out of total foreign workers)
- Deindustrialization: Iversen and Cusack (2000) and OECD, *Labor Force Statistics*
- Trade (% GDP): World Bank, *World Development Indicators*
- Social expenditure (%GDP): OECD, *Social Expenditure Database*

Appendix C: Variable description and data sources for Chapter 5

Dependent and independent variables

- Inflow of asylum seekers (% national population): OECD, *Trends in International Migration*, various years
- Stock of refugees (% of national population): UNHCR, *Statistical Yearbook*, various years
- Government partisanship: See Table 5-5
- Pre-election (previous year of a general election): World Bank, *Database of Political Institutions*

Control variables

- Unemployment rate: OECD, *Labour Force Statistics*, various years
- Population: World Bank, *World Development Indicators*
- GDP per capita: World Bank, *World Development Indicators*
- GDP growth: World Bank, *World Development Indicators*
- Budget deficit (% GDP): IMF, *International Financial Statistics*

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