

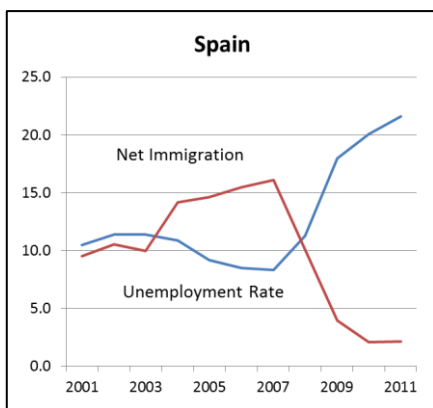
By James Orchard

The Slump and Immigration Policy - A lecture by Tim Hatton 12/3/14

This public lecture saw Tim Hatton, Professor of Economics at the Australian National University, and the University of Essex, deliver his analysis of immigration policy in the wake of the recent Global Financial Crisis (GFC) throughout Europe.

Drawing from historical data, reputable economic commentators had predicted a continental restriction in economic policy, i.e. policies that are tougher on migrants, in response to the GFC. In the post-World War One American economy, during which existing problems such as greater numbers of immigrants and negative public opinion were catalysed by the economic slump, the political response was characterised by a sharp immigration policy backlash. The same can be said for the Great Depression, the 1973 oil shock and the 1997 Asian financial crisis.

But interestingly the policy backlash following the GFC was far less severe, which Professor Hatton traces to three fundamental areas: the labour market, public opinion, and political forces.



Professor Hatton theorises that immigrants cushion the labour market, and that there is an inverse relationship between immigration and unemployment, outlining what he calls the 10% rule: every 100 jobs lost to the economic slump results in 10 fewer net immigrants (as seen from Spanish immigration statistics, left). Additionally, Professor Hatton suggests a ratio rule: the ratio of unemployment rates between native and foreign men remains constant, with the absolute gap between them increasing as unemployment rates do. Hence the burden of unemployment falls more heavily upon immigrants, suggesting why immigration rates fall during high rates of unemployment, and why there is less scope

for severe immigration policy backlash if rates are falling naturally.

However, a greater burden of unemployment falling on immigrants leads to a greater burden on our welfare system, and as such a greater burden of tax falls on the natives. This generates a negative public opinion of immigrants, along with prejudice against non-white ethnicities and beliefs that immigrants who are willing to work for less undercut native demand for jobs. And as public opinion declines, there is more pressure on politicians to tighten immigration policy. At least, that's the theory. Professor Hatton examines the change in attitudes from 2006-2010 via the European Social Survey, with which we can see there is little change. Insofar as there is variation in attitudes, it is not in relation to the labour market but instead to the fiscal situation, especially the budgetary crisis. But why is the change in opinion of immigration so modest? Primarily variance in the severity of the slump across Europe, and also higher education rates have catalysed a trend of attitude improvement. But more interestingly the salience of immigration has been overshadowed by the current state of the economy which currently resides as a failure in the full glare of the public eye.

Diverting attention away from the GFC is a political driving force, and now is a good time to bring immigration into the limelight. This is reinforced by the resurgence of many populist right-wing parties across Europe who have conflated concern about immigration with anti-EU rhetoric, despite relatively benign public opinion. Curiously though, there exists immigration channels over which policy has varying amounts of control and as such there is limited scope for further restriction.

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Although policy makers may have wanted more severe policies, their options are somewhat restrained by the type of immigration they are trying to restrict. Policies towards family reunification and asylum seekers have become increasingly constrained by EU policies that are backed by international instruments on human rights.