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Social Cohesion and Labor Mobility*

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Abstract

Social cohesion and labor mobility both have the same objective and do not need to be in conflict. They are about cooperating among individuals and societies in order to survive and prosper. Social cohesion can benefit from labour mobility: Labour mobility is economically beneficial for migrants and natives. Attitudes towards migrants are more friendly if they come and work. Migrants are more accepted if they are many. The wellbeing of natives is higher with more migrants present.

Keywords: Labor mobility, social cohesion, wellbeing, attitudes towards migrants, equality

JEL-codes: F22, J61, M14

*Background notes of my panel contribution at the International Conference, Linz 5 -7 July 2018 „Economic and Monetary Union – Deepening and Convergence“, organized by the Oesterreichische Nationalbank (OeNB) and the Austrian Federal Economic Chamber (WKÖ). Panel 2 on "Social Cohesion - The Role of Labour Mobility.

1. What can central banks learn from migration economists?

Central banks are concerned about labour markets, since these markets determine wages and labour mobility. Wages are a decisive driving factor of inflation, which is the major objective of central bank policies. Labour mobility can accommodate inflation pressures across regions and countries through relative wage adjustments. In a currency union like the Euro zone, labour mobility can take part of the flexibility role freely mobile exchange rates would otherwise play. Labour mobility in itself fosters the optimal allocation of resources and hence contributes to economic prosperity. Therefore, free labour markets have been at the core of European Union (EU) economic integration policies since the beginning.

However, labour mobility like the market economy in general comes with adjustments, which may be painful or at least create fears since the ultimate consequences are often unknown. Migration is then seen as a threat, people are "pushed" to move and those coming may cause expectations about forthcoming trouble among the natives. This may damage the identity of societies and communities and destroy social cohesion, the ability and readiness of the individuals to collaborate with each other to perform and to develop. Such a potential damage of social cohesion could negatively affect economic performance and leave the economic benefits of mobility undetermined.

So is there a trade-off between social cohesion and labour mobility which endangers societies? My contribution to this debate is an optimistic view that is based on four observations: (i) Labour mobility is economically beneficial for migrants and natives, it is not a zero-sum game. (ii) Attitudes towards migrants are more friendly if they come and work. (iii) Migrants are more accepted if they are many. (iv) The wellbeing of natives is higher with more migrants present.

2. The good and the bad sides of labour mobility

Are social cohesion and labour mobility enemies or friends? Societies with a strong social cohesion may also create a larger loyalty, a lower readiness to leave and hence are less mobile. A solid societal basis, however, could also encourage a more risky behaviour, such as mobility. Migration in any case enforces adjustments in sending and receiving societies, but also create potentials for the economy and societal development. Labour mobility is about cooperating in societies or between societies in order to survive and prosper. In sum, there is no need to be enemies, since both social cohesion and labour mobility have the same objective.

The good sides: Labour mobility not only supports the optimal allocation of resources, but also leads to balanced adjustments across regions and countries in response to asymmetric shocks. It responds to temporary scarcity and accommodates shared long-term needs. As a flexibility instrument, it is important for the Eurozone. On a political level, migration is also an indicator of solidarity as the debate about refugees in Europe since 2015 shows.

The bad sides: The change associated with labour mobility implies pressures and potential failure. Where should one go and what is expected to be there? Who are those migrants coming? Can migrants perform or do they end in unemployment and misery; and do welfare shopping? Do migrants take jobs away from the natives and depress their wages? Are refugees just a burden on receiving societies? Although there are facts about those concerns, they are often ignored or dominated by negative perceptions.

3. Empirical evidence: Economic migration is indeed beneficial

Labour migration does not cause an economic threat. A large body of research has documented that labor mobility has had beneficial effects for the receiving countries (Constant and Zimmermann, 2013; Zimmermann, 2014, 2016; Blau and Mackie, 2016). In a large 'natural' experience, this was also documented for the recent process of EU east enlargement (Kahanec and Zimmermann, 2009, 2016). Migration can indeed absorb a significant part of asymmetric shocks. Europe has become much more flexible in recent years, also fostered by EU east enlargement (Jauer, Liebig, Martin, and Puhani, 2018).

Labour migrants are economically successful, do not take jobs away or depress wages, but stimulate the economy and are needed in the long-term. Migrants can even reduce native unemployment if they are complements and not substitutes to native workers in the production of goods and services. As a consequence, more employed migrants may cause a larger labour demand for natives. Besides public fears, the risk of welfare migration is also low (Giulietti and Wahba, 2013).

Labour migration improves the economic balance, creates more equality and hence can support social cohesion. Kahanec and Zimmermann (2009b) report that OECD countries with a larger share of foreign labour are more equal. Kahanec and Zimmermann (2014) further document that in particular skilled migration will improve equality under standard empirical conditions. Labour mobility may create pressure to adjust, but also ensures that one is not left behind but moves up to better jobs (Foged

and Peri, 2016). Social tensions are smaller and attitudes towards migrants are more open if mobility is connected to jobs (Bauer, Lofstrom and Zimmermann, 2000).

4. How mobility can support social cohesion

Migration can support social cohesion if it is labor mobility, since migrants have jobs, pay taxes and are good for the economy. A consequence of this observation could be that a significant immigration channel should connect mobility to the availability and accessibility of jobs. This points to the labor market as a natural filter for migrant workers and towards explicit labor immigration laws. It also suggests that asylum seekers and refugees should have access to work as early as possible, and independent of the likelihood of their long-term stay in the receiving country.

Also size plays an important role: Migrants are more accepted if there are many! Countries or regions with no or few migrants or refugees exhibit often the largest resistance or negative attitude against them. A recent study by Esipova, Ray, Pugliese and Tsubutashvili (2015) documents this conjecture forcefully. Based on interviews with over 183,000 adults across more than 140 countries between 2012 and 2014 surveyed in Gallup's World Poll they find (p. 14): "Countries where migrants constitute 10 per cent or more of the population are the most likely to have an opinion about immigration levels, and they are more likely to be positive (a combined 51% favour keeping levels the same or increasing them) than negative (43% favour decreasing levels). One explanation for this could be that in countries with higher percentages of migrants, the population has a greater chance to interact with migrants and this might promote greater acceptance." This implies a better chance for social cohesion when migrants are more frequent and interact stronger with the native population.

A number of empirical studies have further found evidence that the wellbeing of natives is higher with more migrants and with more diverse migrants present (see e.g. for German data Akay, Constant and Giulietti, 2014 and Akay, Constant, Giulietti and Guzi, 2017). Even if the exact source of the additional utility is unknown to the natives, this has the potential to strengthen social cohesion. Akay, Constant and Giulietti (2014) have studied the subjective well-being effect of changes in the spatial concentration of immigrants to identify a stable positive effect on the well-being of German natives. This finding is positively associated with a successful labor market assimilation of the migrants. Furthermore, Akay, Constant, Giulietti and Guzi (2017) found a positive effect of ethnic diversity on the well-being of German natives, an effect that is stronger for immigrant groups that are culturally and economically closer to Germany.

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