

Chapter 5

Globalization, Labor Market Risks, and Class Cleavages

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Dancygier, Rafaela and Stefanie Walter (2015). 'Globalization, Labor Market Risks, and Class Cleavages'. In: Beramendi, Pablo, Silja Häusermann, Hebert Kitschelt and Hanspeter Kriesi (eds). *The Politics of Advanced Capitalism*. Cambridge: Cambridge University Press. 133-56

Advanced capitalist democracies face important challenges in the modern age. In addition to the domestic changes on national labor markets (see chapters XX in this volume), they are also embedded in a worldwide process of increasing economic and cultural integration. This process of globalization has not only created new opportunities and considerable constraints for policymakers in democratic capitalist states. Globalization has also produced new lines of division among voters. The deep and wide-ranging processes of economic liberalization and cultural exchange have been shown to reorder preferences and priorities among the electorate and, in doing so, have at times shaken up existing cleavage structures (e.g. Rogowski 1989 ; Kitschelt and McGann 1995 ; Mughan and Lacy 2002 ; Kayser 2007 ; Kriesi et al. 2008 ; Häusermann and Walter 2010 ; Margalit 2011).

In this chapter, we focus on the impact of globalization on voter preferences. To do so, we consider the labor market consequences of trade, foreign direct investment, and immigration,

which have had immediate effects on voters in advanced capitalist democracies.¹ As previous scholars have argued and as we discuss below, the globalization of production and the international flow of labor generate gains and losses in ways that cut both along and across traditional class cleavages, especially when such globalization has uneven sectoral effects. To identify who benefits and who loses from globalization, scholars have investigated effects on the basis of skills, industries, and occupation. As we sketch out below, more recent research has developed increasingly complex models that take into account differences in the productivity of firms, in the skill and cultural profiles of domestic and migrant labor, and in economic conditions across and within countries. The first part of this chapter provides an overview of this literature.

In the second part of this chapter we contribute to this literature by re-examining the role of class. Though the scholarship we review paints an increasingly complex picture of globalization's distributional consequences and its ensuing effects on preferences, we contend that class still remains significant in ordering preferences: Low-skill workers have often been identified as the group most likely to voice its discontent about economic liberalization and cultural opening.² This finding is in line with skill-based economic models that predict that low-skill workers in high-skill economies should suffer most from globalization. As we will illustrate, however, it can also be consistent with accounts that focus on the sectoral and occupational threats posed by the global flow of goods and labor. By examining exposure to

¹ For reasons of space, we do not consider the impact of the globalization of finance other than foreign direct investment on individual preferences in this chapter (see, for example Frieden 1991 ; Jupille and Leblang 2007 ; Hobolt and Leblond 2009 ; Leblang et al. 2011 ; Walter 2013). We also do not discuss how globalization may influence voter preferences for redistribution and the welfare state more generally (for a discussion of these issues see, for example, Rehm 2009 ; Hays 2009 ; Häusermann and Walter 2010 ; Walter 2010a).

² Low skill levels have been consistently linked to opposition against immigration and to support for anti-immigrant parties (see discussion below). Skill has also been found to correlate positively with support for trade (e.g. Scheve and Slaughter 2001 ; O'Rourke and Sinnott 2002). Note, however, that it is often not clear whether skill – often measured as educational attainment – or unobservable characteristics related to skill (e.g., cosmopolitanism, tolerance) help explain attitudes toward various facets of globalization (Hainmueller and Hiscox 2006 ; Mansfield and Mutz 2009).

trade, FDI, and immigration together, we show that low-skill workers in advanced industrialized democracies cannot easily escape the labor market pressures that globalization generates. Those low-skill workers who are relatively sheltered from the threats associated with outsourcing and trade are most vulnerable to competition arising from immigration, and vice versa. Further, the labor market pressures experienced by low-skilled workers occur alongside and are inseparable from exposure to cultural diversity. More than their high-skill counterparts, low-skilled workers experience economic and cultural threats jointly.

The rest of this chapter proceeds as follows. We first review how the globalization of production and the free flow of labor influence the economic welfare of natives across skill groups, concentrating on labor market effects. We next present data on occupational offshoreability risks and on the concentration of foreign-born labor across industries and occupations in Western European countries. These data reveal that, more so than the highly skilled, low-skilled natives are likely to face globalization pressures on all fronts. An empirical analysis of globalization-related attitudes further shows that low-skill workers are united in their opposition against the globalization of labor (i.e. immigration), whereas we find that occupational offshoreability – and the associated economic benefits – conditions the support for globalization among the highly skilled. The last section summarizes our findings and briefly discusses their implications for the formation of political cleavages.

5.1. Trade and International Production

It has long been recognized that international trade and the internationalization of production more generally have strong distributional consequences. Even though they raise aggregate

welfare in open economies, the globalization of production generates winners and losers *within* these economies (for an overview see Frieden and Rogowski 1996). Despite years of research, however, no consensus has emerged amongst political economists about how best to model these distributional effects, and whether such effects influence policy preferences at all (e.g. Scheve and Slaughter 2001 ; Beaulieu 2002 ; Kaltenthaler et al. 2004 ; Hays et al. 2005 ; Mayda and Rodrik 2005 ; Hainmueller and Hiscox 2006 ; Mansfield and Mutz 2009 ; Rehm 2009 ; Ehrlich and Maestas 2010). Research in international political economy has traditionally relied on two distinct trade models to identify these effects: The sectoral Ricardo-Viner models, which predict a cleavage between winners and losers either between comparatively disadvantaged and advantaged industries (e.g. Gourevitch 1986), or between the exposed tradables and the sheltered nontradables sector (e.g. Frieden and Rogowski 1996 ; Hays et al. 2005). In contrast, factor-endowments models, most notably those in the Stolper-Samuelson tradition, suggest that in advanced economies, high-skilled individuals are beneficiaries of globalization, while low-skilled workers lose out (Findlay and Kierzkowski 1983). Unequivocal empirical evidence about which of these models is best suited to identifying winners and losers of globalization is still lacking. Curiously, many microlevel studies test the implications of the two models simultaneously and frequently find at least partial support for both sectoral and factoral lines of conflict (e.g. Beaulieu 2002 ; Mayda and Rodrik 2005 ; 2008 ; Hays et al. 2005 ; Hays 2009 ; Rehm 2009) – a surprising result, given that these models build on contradictory assumptions about the level of factor mobility.

Recent empirical work in economics shows that the distributional effects of trade are more heterogeneous than these traditional models predict (e.g. Wagner 2007 ; Schank et al. 2007). The latest generation of trade models pioneered by Melitz (2003) model this heterogeneity explicitly.

These models emphasize variation in firm productivity and argue that more productive firms benefit from free trade, because they gain new customers abroad, whereas less productive firms suffer. The latter cannot survive in the face of global competition and are therefore forced to close down. Moreover, since workers differ in their “ability” to work productively, their chances of being employed by productive firms differ as well (Helpman et al. 2008), with more productive firms hiring workers with a higher average ability and paying them higher wages. When the economy opens up to international trade, the most productive firms, who now sell their products both abroad and at home, receive higher revenues, which they at least partly redistribute to their high-quality workforce. Workers in less productive firms in the same industry, who are on average less skilled, fare less well: Their employers face stronger competition, a lower market share and lower revenues. These workers therefore are confronted with both lower wages and a higher risk of unemployment. These labor market risks are particularly high for “low ability”-workers who do not fulfill the hiring requirements of the productive firms. As a result, the distribution of wages in an internationally exposed industry is more unequal and the risk of unemployment is higher in an open economy than in autarky – despite overall gains from trade (Helpman et al. 2008).

This intuition can be extended to workers in nontradable industries as well (Walter 2010a). The professional life of workers in industries and professions that produce nontradable goods and services is relatively sheltered from global competition: Doctors, teachers, hairdressers, and bus drivers are therefore much less affected by globalization than their counterparts in exposed industries and occupations. For these individuals, the inequality of wages should be smaller than in industries in which some firms export, because the variation in profits is smaller than it is among firms in tradable sectors. This suggests that on average, high-skilled workers in the

sheltered industry receive lower wages than those working in firms exposed to international competition. At the same time, low-skilled workers sheltered from global competition receive higher wages and enjoy more job security than their counterparts in more exposed firms. Note, however, that these accounts do not consider the role of immigration, which, as we will see below, complicates this picture.

Furthermore, as (relatively) free trade has become the norm rather than the exception in recent years, an additional facet of globalization has received increasing attention: the growing ability of firms to offshore certain parts of the production chain. As technology has progressed, it has become increasingly easy to provide services from geographically distant locations. This has increased the offshoreability, i.e., the degree to which jobs in a given occupation can be substituted by jobs abroad, of many jobs previously sheltered from global competition, especially in the services sector.

Figure 5.1 displays the distribution of offshoreable jobs across 14 European countries based on Blinder's (2007) "offshorability-index."³ This ordinal index measures a job's potential to be moved abroad, i.e. whether the service the job provides can theoretically be delivered over long distances with little or no degradation in quality and ranges from 1 (no offshoring-potential) to 4 (high offshoring potential), and is available for approximately eight hundred occupations. Individuals with jobs that can be easily offshored – such as seamstresses or IT programmers – are much more exposed to international competition than are individuals whose jobs cannot be substituted with jobs abroad, such as janitors or doctors. Non-offshoreable professions are typically occupations in which personal services are provided, or which require a physical

³ The data are aggregated from survey data from the European Social Survey 2008, for which information on respondents' occupations was matched with information about the offshoreability of each individual occupation (for a detailed discussion of this procedure see Walter and Maduz 2009).

presence (Blinder 2007). Figure 5.1 shows that while the majority of occupations is still not substitutable with services from abroad, a substantial fraction of jobs is indeed offshoreable, although the extent and distribution of offshoreable jobs varies across countries. On average, about 38 percent of all respondents work in at least somewhat offshoreable occupations.

“insert Figure 5.1 about here”

This tendency has not only resulted in an increasing international interdependence of production processes, but also has significant consequences for domestic workers and firms. Several studies show that workers employed in industries with high levels of foreign direct investments or in occupations which can easily be offshored report higher levels of job insecurity (Scheve and Slaughter 2004 ; Walter 2010a, 2010b). Offshoring, and individuals’ risk to lose their job to offshoring processes, thus constitute an important aspect of the political economy of the internationalization of production.

The impact of the globalization of trade and production on the individual is thus determined by two factors: First, whether the individual is exposed to international competition or not (either in the form of trade or in the form of offshoring, or both), and second, the individual’s skill level. In combination, these two factors allow us to rank-order the risk-profile of different groups of workers: low-skilled individuals exposed to international competition experience the highest risk of losing their job and receiving low wages, making them the losers of globalization (Walter 2010a, 2010b). Low-skilled individuals working in sheltered industries or professions (e.g. cleaning personnel) are better off than their counterparts in the exposed industry, because they can enjoy the benefits of globalized production regimes – lower product prices and a higher variety of goods without the employment risks associated with this development. Nonetheless,

they receive lower wages than equally sheltered but highly skilled workers such as doctors or teachers. Finally, highly skilled workers exposed to international competition (such as engineers or business consultants) benefit most from globalization. They receive the highest wages and have the lowest risk of becoming unemployed because they can sell their output and labor at home and abroad.

In terms of policy preferences, this suggests that low-skilled and exposed individuals should be most opposed to a further opening of economic borders, whereas highly skilled individuals exposed to international competition should be the biggest supporters of further economic integration. Individuals sheltered from global competition should hold a more intermediate position, with low-skilled individuals more opposed than high-skilled individuals, although both benefit from the lower prices and higher product variety that the unfettered flow of goods and services generates.

The globalization of trade and production might thus generate preferences that cut across skill. However, this internationalization of commerce does not occur in isolation, but rather alongside another facet of globalization: the internationalization of labor. After a brief review of the pertinent literature, the next section will show that many low-skilled workers who do not have to compete with workers abroad because the goods and services they produce cannot easily be outsourced or imported, will instead find themselves competing with immigrant labor.

5.2. Immigration Patterns and Preferences

Over the past few decades, immigration has fundamentally altered the social and demographic fabrics of many advanced industrialized democracies. In countries that never perceived

themselves as nations of immigrants, such as Germany or Austria, foreign-born residents now constitute a sizable share of the population, on par with traditional immigration counties, such as the United States (see Figure 5.2).

At the low end of the skill spectrum, migrant workers may be recruited because they are willing to take menial and physically challenging jobs that natives deem undesirable. Migrant workers may also be willing to perform these tasks more cheaply than do native workers. At the high end of the skill spectrum, foreign workers are often recruited to meet domestic skill shortages. Immigrants arrive also for non-economic reasons. Over the past two decades, domestic and international conflicts have produced a steady flow of refugees who flee their home counties in search for a better life. Moreover, primary economic migrants may be joined by their spouses and children who are often not in the labor force.⁴

“insert Figure 5.2 about here”

These seismic demographic changes have left their mark on domestic politics: Parties campaigning on anti-immigration platforms are credible contenders in a number of European countries, and they have siphoned off support from mainstream parties on both the right and the left. Parties in the center in turn feel pressure to respond to voters’ discontent surrounding issues of immigration (e.g. Kitschelt and McGann 1995 ; Norris 2005 ; Mudde 2007 ; Arzheimer 2009).

However, just as we have seen with other aspects of globalization, not all native workers are equally exposed to foreign labor, and, moreover, scholars disagree about the forces that shape preferences over immigration. Existing research presents conflicting evidence on whether and

⁴ For a review about the economic consequences of immigration, see Hanson (2009). See Constant and Zimmermann (2005) on the link between immigration policies and immigrant economic performance.

how economic considerations influence attitudes toward immigration. Though there is strong and consistent evidence that skill matters in shaping views about immigration, there is less agreement about the mechanisms driving this association. Some argue that the relationship between skill and immigration preferences is based on economic interests. On the basis of predictions derived from the Heckscher-Ohlin framework, native workers are said to fear that immigrants with similar skills as their own will drive down their wages and take their jobs. Examining attitudes in the United States (Scheve and Slaughter 2001) and across countries (Mayda 2006), scholars have indeed found that in settings where low-skilled immigrant labor is prevalent, low-skilled natives are more opposed to the inflow of immigrants than are natives with higher skill levels. Moreover, low-skilled natives prefer more highly skilled migrants over those with fewer skills (Hainmueller and Hiscox 2007, 2010). These patterns are consistent with the idea that economic interests and, specifically, the potentially adverse effects that immigration may have on wages, play a role in shaping preferences over immigration policy.⁵

Yet, as Hainmueller and Hiscox (2007 ; 2010) argue, skill levels – measured by educational attainment – can proxy for individuals’ social tolerance, rather than measure their economic interests. Individuals who are more highly educated are also more likely to view the impact of immigration and the ethnic and cultural diversity it produces in a positive light. As a result, high-skilled natives more readily accept immigrants (even if migrants are highly skilled and therefore potential competitors in the labor market) than do their low-skilled counterparts. Opposition to immigration on the part of the less educated, less skilled workers is in turn largely a function of their xenophobic attitudes. A large body of research has in fact documented strong links between individuals’ ethnocentrist attitudes and their positions on immigration. Fears that

⁵ The authors also find, however, that more highly-skilled individuals prefer immigrants with more advanced educational qualification, a result that does not fit this line of argument.

immigration may undermine national unity, endanger valued social norms, and threaten religious traditions are often at the forefront of anti-immigrant campaigns, and they are also important in shaping individuals' assessment about immigration (e.g. Sniderman and Hagendoorn 2007 ; Sides and Citrin 2007 ; Brader et al. 2008).

Though we may think of accounts that stress the significance of economic sources of opinion formation on immigration on the one hand and those that insist on the primacy of cultural concerns on the other as representing two distant poles, it is also plausible that these two mechanisms overlap and interact. For the individual worker grappling with the consequences of immigration, separating cultural from economic effects in a clean and unambiguous way may not be feasible. Furthermore, the economic pressures of globalization itself – including those brought about by immigration – may help engender ethnocentrist attitudes. Economic losers of globalization can be particularly susceptible to nationalistic, ethnocentrist appeals (Kriesi et al. 2008). Others have similarly found that individuals who express uncertainty or dissatisfaction with respect to their own economic circumstances are more wary of immigration (O'Neil and Tienda 2010 ; Helbling 2011 ; Helbling and Kriesi 2012).⁶

This importance of individuals' positions in the economy suggests that varying economic conditions should lead to varying assessments of immigration. Depending on the economic context, natives may view immigration as benefiting or harming their economic welfare. It is not necessarily the case, for example, that natives encounter immigrant co-workers as economically threatening. In practice, immigrants often move to growing sectors and when the economy is

⁶ By contrast, Citrin et al. (1997) argue that personal economic circumstances do not account for views on immigration but rather evaluations of the state of the national economy and taxes. See Dancygier (2010) for an account that links local economic conditions to anti-immigrant mobilization.

booming, in which case downward wage pressures may be muted.⁷ If immigrants seek employment in sectors that experience growth, they may provide the necessary reinforcement to meet rising demand, ensuring that firms remain competitive. Native workers may not be displaced from their jobs and their wages may not decline as a result of immigration.⁸ This will be especially true if immigrant workers are not perfect substitutes for native labor, but are complements. For example, as Peri and Sparber (2009) note, immigrants with imperfect language skills may specialize in manual labor allowing natives to shift from manual to communication tasks.⁹ When immigrants enter his sector, a native construction worker may thus move up to being a foreman.¹⁰ In this scenario, natives may view immigrants as beneficial to their own economic situation.

Furthermore, migrant workers may actually protect native labor from the vagaries of the economy. When economic activity declines, employers often choose to lay off migrant workers ahead of native employees: During the Great Recession of 2007-8, the unemployment rate among migrants increased twice as fast as that of natives in the EU-15 (OECD 2011: 74). Natives who observe the departure of migrant labor during slowdowns might therefore actually associate immigration with job security, though the opposite would be true if migrants continued to arrive and be hired once economies slow down.

⁷ See Card (2001) on how native outflows as well as positive demand shocks may influence immigration's labor market effects across cities. Note that the wages that a native worker would have earned in the absence of immigration may very well have been different.

⁸ Such dynamics have been said to characterize much of the low-skilled immigration occurring in the US during the 1990s and 2000s (see Massey 2008).

⁹ See also Ottaviano and Peri (2008). Note that Borjas et al. (2008) are critical of the empirical evidence supporting complementarity in the US case.

¹⁰ For a similar argument, see Hoffmann-Nowotny (1973).

When investigating how the inflow of immigrant workers in natives' sector of employment influences preferences over immigration policy, evidence suggests that economic contexts do operate in this fashion. Focusing on migrant labor from outside of Europe before and during the global financial crisis and the recessions it spawned, Dancygier and Donnelly (2013) find that the arrival of these migrant workers at the industry level dampens support for immigration, but only during economic downturns and in settings where public confidence about the future state of the economy is low. Conversely, during good economic times, additional arrivals of immigrants in their sectors do not trigger such negative reactions. Moreover, natives who are employed in sectors that experience growth are more likely to approve of immigration, while employment in shrinking sectors reduces support for open borders.

“insert Table 5.1 about here”

To gain a sense of how migrant workers are distributed, Table 5.1 presents the share of the foreign-born workforce in the five sectors with the highest share of immigrant labor across Western European countries (averaged over the period 2002-2009).¹¹ We observe remarkably similar trends: Across countries, immigrant labor is most heavily represented in a small set of industries. The accommodation and food industry (comprising jobs in hotels and in food services) is one of the most common employers of migrant labor cross-nationally. In seven of the sixteen countries listed here, more than a quarter of workers in this industry hail from abroad. Likewise, household services are often performed by immigrant workers in many countries,

¹¹ The table includes the EU-15, plus Norway and Switzerland. Germany is excluded because German labor force surveys do not contain information about workers' country of birth. The data derive from European labor force surveys which typically identify respondents' industry of employment and country of birth, and industry designations are based on the Classification of Economic Activities in the European Union (NACE). Note that industry classifications changed in 2008. In order to make NACE version 1.1 (2000 to 2007) compatible with version two (implemented in 2008) we rely on the classification of Dancygier and Donnelly (2013) which identifies 31 mutually exclusive industries across versions. This allows us to track sectoral employment patterns over time. For more details on the industry coding procedure and on the resulting dataset, see Dancygier and Donnelly (2013).

especially in Southern economies. The construction industry is another popular destination for immigrant workers. If we take these countries as a whole, it emerges that 38.3 percent of all workers employed in the household services industry are foreign-born. The same is true for 21.7 and 14.2 percent of workers in the accommodation and food and in the construction industry, respectively.

5.3. Globalization Pressures and Individual Policy Preferences

The high concentration of foreign-born workers in predominantly low-skill-intensive industries implies that although many of the workers in non-offshoreable professions do not have to compete with workers abroad, they will instead find themselves competing with migrant labor at home. As Table 5.1 shows, the share of immigrant workers is highest in industries that predominantly employ low-skilled labor and whose goods cannot be outsourced or imported. Most jobs in the hotel and restaurant industry, in households, and in construction have to be performed locally. Native low-skilled workers who find shelter from international trade and offshoring are thus exposed to migrant labor.

A similar picture emerges when we examine the relationship between offshoreability and immigration across occupations¹²: Workers who are least at risk from having their jobs shipped abroad are most likely to compete with migrants domestically. Across West European countries, thirteen percent of the workforce employed in occupations that cannot be offshored is foreign-born, with the majority of workers originating from outside of the EU (see Table 5.2). This share

¹² Note that while offshoreability data is based on four-digit ISCO codes, Eurostat only provides data on the concentration of foreign-born in occupations at the 3-digit level. We must therefore interpret the exposure to immigrants as pertaining to the larger occupational grouping.

is almost four points lower in occupations that do have offshoring potential ($p = .000$), and the difference is especially pronounced among the low-skilled. Native workers who did not complete lower secondary education and whose jobs cannot be offshored can be found in occupations where the average share of foreign-born workers is sixteen percent, which is almost seven points higher than the exposure to foreign-born labor that their low-skill counterparts in offshorable occupations encounter. These differences decline monotonically across the skill spectrum: As skill rises, overall immigrant exposure at the occupational level declines, and it varies less by offshoreability. On average, native high-skill workers employed in occupations that cannot be offshored are only slightly more likely to work with migrant workers than are those employed in occupations that cannot be offshored.¹³

Figure 5.3 provides additional information on how these differences are distributed across skill and immigrant groups. It displays that the gap in exposure to migrant labor that we observe when comparing offshorable to non-offshorable occupations is largely driven by immigration from outside the EU. To illustrate, the share of non-European housekeeping and restaurant service workers in France is 16 percent, but only 2.5 percent of workers in these non-offshorable occupations come from an EU member state. Similarly, 20 percent of messengers, porters, and doorkeepers in France originate from outside the EU while 12 percent hail from within the EU. By contrast, French workers employed in easily offshorable data entry occupations face a share of non-EU/EU labor of 6 and 3 percent, respectively.

“insert Table 5.2 and Figure 5.3 about here”

¹³ With very few exceptions, the data do not indicate that specific occupations and sectors are entirely dominated by immigrants. The argument that immigration benefits low-skilled natives because they are able to move up to more desirable jobs (Hoffmann-Nowotny 1973) is therefore likely to play out only in areas with a very high concentration of immigrants.

In other words, workers with few skills who are employed in occupations that are safe from offshoring are much more likely to compete with migrant labor in general and with foreign workers whose ethnic backgrounds, mother tongues, and religious beliefs are different from their own. As a result, low-skilled workers will find themselves squeezed by globalization whether they work in internationally exposed occupations or not. They either face competition from abroad (in the form of cheaper production costs and employers' opportunities to move production to other countries) or at home (in the form of competition from immigrant workers who are willing to work for relatively lower wages).

This means that both exposed and sheltered types of low-skilled workers may join together in a coalition opposing globalization in its different forms. This opposition should be strongest among low-skilled individuals, because these individuals face globalization-related risks no matter where they turn: As low-skilled workers who are employed in import-competing and offshoreable occupations they are likely to suffer wage losses and job insecurity from the internationalization of trade and production, but if they try to move to more sheltered occupations, they are likely to experience domestic competition from immigrant workers. As a result, these individuals are likely to oppose any development that further increases any of these risks for them, such as a further trade liberalization or a lowering of barriers to immigration. Moreover, given the potential interplay between cultural fears and individuals' position in the economy, we can surmise that some – though surely not all – of the cultural concerns about immigration may not be easily divorced from economic ones as low-skilled labor often faces non-European immigrants at the workplace.¹⁴

¹⁴ Scholars can of course isolate these two effects, especially in survey experiments (see, e.g. Brader et al. 2008 ; Malhotra et al. 2013). The point here is that empirically, cultural and economic threats often coincide and may reinforce one another. See also Margalit (2012) on this issue.

While low-skilled workers may therefore unite in their opposition to further globalization, with relatively small differences between exposed and sheltered individuals, there should be a larger gap in globalization-related policy preferences among high-skilled individuals. Among this group, individuals in occupations that are exposed to the international economy should be particularly interested in the gains that both free trade and production and a relatively unhindered movement of labor can generate. In terms of trade and FDI, these gains come mainly from the high returns on their labor. With respect to immigration, these individuals are likely to value the wage-compressing and hence production-cost-cutting effects of low-skilled migrants, as this increases the international competitiveness of their products and their ability to buy services provided by low-skilled labor. In contrast, the cost-saving effects on production costs are likely to play a much smaller role for high-skilled individuals who find themselves largely independent of and sheltered from global competition. Nonetheless, even these high-skilled individuals are likely to value the lower product prices and higher product varieties brought by international trade and the low-cost services low-skilled migrants can provide for them, so that high-skilled individuals overall are much more likely to support a further integration of the world economy than individuals with low levels of education.

5.4. Globalization Preferences in 14 European Countries: An Empirical Analysis of Attitudes toward Immigration

To test the empirical implications of this argument, we use survey data from the 2008 wave of the European Social Survey for 14 West European countries.¹⁵ All countries included in the analysis are advanced industrialized and open economies and have significant experience with both globalization and immigration.

The purpose of the analysis is to examine how variation in skills and offshoreability affects individual preferences about globalization-related policies, most notably their preferences on immigration. The purpose of this analysis is to show that variation in individuals' exposure to the pressures exerted by the globalization of production is systematically related to their views about the globalization of labor. We therefore focus on immigration attitudes, although the analyses we present below also apply to opinions about broader aspects of globalization, namely European integration.¹⁶ To measure individuals' preferences regarding the movement of labor, we use respondents' self-placement on an eleven-point scale in response to the following question: "Would you say it is generally bad or good for [country]'s economy that people come to live here from other countries?" Answers range from "Bad for the economy" (0) to "Good for the economy" (10).

¹⁵ The countries included in the analysis are Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, and the UK.

¹⁶ Unfortunately the ESS does not include a question about trade policy or another policy regarding the internationalization of trade and production, which would allow us to test explicitly whether globalization exposure is related to preferences about these policies. In supplementary analyses we therefore use views about European integration, which is measured with respondents' self-placement on an eleven-point scale ranging from the position "0 - [European] unification has already gone too far" to "10 - [European] unification should go further." Of course, European unification is a multi-faceted process, which includes many more aspects than the creation of a single market. Nonetheless, economic integration is a central component of the European project. Further, given the free movement of labor within the European Union, this question also partly captures individuals' preferences about the globalization of labor. The results we obtain in this analysis (available from the authors) are broadly consistent with our argument and similar to our findings related to immigration opinions.

We have argued that we should observe differences in policy opinions regarding the globalization of labor between high- and low-skilled individuals. Moreover, we expect to see a gap between exposed and sheltered individuals, and this gap should be particularly pronounced among the highly skilled, with exposed workers holding much more favorable opinions on globalization than high-skilled workers in sheltered professions. These considerations suggest three independent variables: one measuring individuals' level of skills, the second measuring their exposure to globalization, and the third an interaction term to capture the conditional effect of globalization exposure among high- and low-skilled workers. To operationalize individuals' level of skills, we use their education level and differentiate four different levels: less than lower secondary education, lower secondary education, upper secondary education, and post-secondary or tertiary education. We measure individuals' exposure to globalization as the offshoreability of their job, as described above. Finally, the conditional effect of globalization exposure on skill is captured using an interaction term between the respondents' education level and their job offshoreability. We also include a number of standard variables that control for alternative explanations for variation in immigration policy preferences at the individual level. Income, measured on an ordinal 10-point scale, gender, age in years, past or present labor union membership, whether the respondent is unemployed and whether he or she was born in his or her country of residence.

We use ordinary least squares analyses to test the different empirical predictions of our argument. To account for the fact that respondents from the same country share a common context, we include country dummies and additionally cluster the standard errors on the country level to address the related problem of within-country correlation of errors. Table 5.3 presents the results for the regression analyses of the determinants on Europeans' preferences regarding

immigration. To facilitate the interpretation of these results, Figure 5.4 presents the marginal effects of individuals' job offshoreability across different levels of education. Most importantly, the analyses show that as expected, a) low-skilled individuals are more opposed to immigration than are high skilled individuals, and b) the differences in opinion between individuals exposed to the global competition of production and those sheltered from such competition is much more pronounced among high-skilled than it is among low-skilled individuals.

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In line with previous research, we find that more educated respondents view immigration more favorably than respondents with low levels of education. The mean predicted value on the 10-point immigration question for individuals with less than lower secondary education is 4.10, whereas it is 5.69 for individuals with post-secondary or tertiary education. As low-skilled individuals face stronger competition through the increasing economic exchange across European borders as well as domestic labor market competition from low-skilled immigrants, their willingness to support further moves towards an opening of national borders is limited. Squeezed from both sides – foreign competition from international trade and production and domestic competition from migrant workers – these individuals are less likely than are high-skilled respondents to support immigration. Although individuals with low levels of education working in exposed occupations are even less supportive of pro-globalization policies (mean predicted value: 4.02) than are low-skilled individuals in sheltered occupations (4.10), this difference is not statistically significant. This suggests that on a critical issue surrounding globalization low-skilled individuals tend to unite, whereas high-skilled workers, though generally in favor of globalization, show clearer splits on the basis of their exposure to global trade and production. Here, individuals in highly offshoreable occupations (5.97) are

significantly more supportive of immigration than equally high-skilled individuals in sheltered occupations (5.58).

“insert Figure 5.4 about here”

To investigate the robustness of this result, we run a number of additional analyses. The first concerns the question whether our results are driven by other characteristics of workers than their exposure to globalization pressures. In particular, as Daniel Oesch has argued in chapter xx, occupational upgrading has particularly threatened clerks and production workers. His argument suggests that these workers should oppose further competition by immigrant labor, whereas managers and professionals should be interested in the low-cost services immigrants can provide. While this argument complements our argument, it is possible that our results reflect these differences, rather than genuine effects of skills. In column 2 of Table 5.2, we therefore additionally control for Oesch’s eight occupational classes (Oesch 2006), taking service workers as the base category. Consistent with Oesch’s argument, we find that different types of workers vary in their views about immigration. Production workers stand out for their negative assessment of immigration, whereas individuals in more privileged employment relationships assess immigration significantly more positively than do service workers. At the same time, controlling for occupational classes actually strengthens our original results: the effect of skills, net of occupational characteristics, remains statistically significant and positive and the interaction term between skills and offshoreability rises, whereas the effect of offshoreability is now more negative and significant for low-skilled workers. This result lends further support to the claim that skill matters.

Lastly, we test whether concentration of foreign-born workers in respondents' occupation leads to more pessimistic assessments about immigration among those with low skills. We therefore subset our analyses by skill and include our measure of the share of foreign-born workers at the occupation level (Models 3 and 4; respondents with at most a lower secondary degree are coded as low-skill while those who have an upper secondary degree or higher are considered highly-skilled). It is indeed the case that working in occupations that employ larger shares of immigrants is associated with less favorable views among the low-skilled, but this is not true among the more highly skilled. Moreover, and consistent with our argument and previous results, respondents employed in offshoreable occupations are significantly more optimistic about immigration when they are highly skilled, a result that does not hold among the low-skilled.¹⁷

Overall, these results are consistent with the argument that low-skilled workers are pressured by all forms of globalization and are therefore skeptical of a further opening of borders. In contrast, high-skilled individuals welcome the opportunities the free movement of goods, services, and labor provides. They consistently exhibit more favorable opinions about immigration than do individuals with low levels of education. This favorable opinion is especially salient among individuals working in highly offshoreable professions. Among respondents with a post-secondary education, those working in more exposed occupations have a significantly more positive view of the impact of immigration on their country's economy than equally educated respondents working in more sheltered occupations. This finding is in line with the idea that individuals who are constantly exposed to the international economy are most sensitive towards the beneficial effects of globalization on their national economies.

¹⁷ This result also holds when we additionally include an interaction term between offshoreability and the concentration of immigrants in a given occupation.

5.5. Conclusion

What are the implications of our results for the ways in which globalization shapes political cleavages in advanced capitalist democracies? On the one hand, the literature on the domestic political consequences of globalization has highlighted that economic liberalization may splinter class-based coalitions: Voters within the same skill group may derive different benefits from the free flow of goods, services, and labor depending on their sectoral or occupational profiles. Individuals who are sheltered from globalization's competitive pressures may benefit from lower prices, whereas workers employed in exposed sectors and occupations experience higher levels of competition. As we have discussed, more recent work refines these accounts, additionally differentiating the expected impacts of globalization on the basis of, for instance, firm competitiveness and economic conditions. On the other hand, however, we consistently find that skill remains a significant determinant of preferences about the globalization of labor. To the extent that skills are a good proxy for class, our results thus demonstrate that class remains a central cleavage in the politics surrounding globalization: Low-skilled voters are more likely to voice concerns about the economic and cultural dimensions of globalization and are also more likely to flock to parties that run on anti-globalization platforms.

The persistent effect of class, we argue, stems in part from the fact that low-skilled workers are pressured by globalization in multiple ways. Such workers find it more difficult to find shelter from globalization than do individuals with higher skills. Low-skill workers employed in occupations that face few risks from offshoring because their labor has to be performed locally may be shielded from the globalization of production – but they cannot easily escape the

globalization of labor. Rather, workers with few educational qualifications in advanced capitalist democracies are more likely to compete with immigrant workers, and this is especially the case when their jobs are not easily shipped abroad. By contrast, high-skill workers are less likely to encounter migrant labor in their jobs, and, furthermore, tend to benefit, rather than suffer, from the internationalization of global production processes.

Lastly, native workers with few educational qualifications also tend to experience the potential cultural threats unleashed by globalization. These individuals may harbor more ethnocentrist attitudes to begin with. It is also the case, however, that low-skill workers are more likely than their high-skill counterparts to encounter migrant labor, and, specifically, non-European migrant workers, on the labor market. This confluence of economic and cultural threats (which may extend beyond the workplace to neighborhoods and public spaces), suggests that both dimensions may interact, have reinforcing effects on preferences and together likely shape how globalization alters domestic cleavages.

The patterns we present here suggest that globalization should not necessarily reduce the significance of class in domestic politics – at least when we restrict our focus to individuals' exposure to economic liberalization on the labor market. Specifically, if low-skilled workers align themselves politically on the basis of how globalization influences their economic welfare they may join in a coalition opposing globalization even though these workers are exposed to different aspects of globalization. This prediction is obviously consistent with accounts that model the wage impacts of globalization on the basis of skill. However, our results show that they are also in line with sectoral accounts as low-skilled workers bear the brunt of globalization's competitive pressures from multiple fronts. We may instead observe greater variability on the part of the highly-skilled.

Whether or not these labor market effects help reshape political coalitions depends, of course, on a host of other factors, not the least of which is whether these labor market experiences indeed shape voter behavior at the polls and whether political elites seize on these preferences. Nonetheless, to the extent that existing work has shown that globalization does have the potential to influence individual voting behavior (Walter 2010a ; Mughan and Lacy 2002 ; Mughan et al. 2003 ; Margalit 2011), our results suggest that low-skilled workers across occupations will likely cast ballots for parties that pledge to curb globalization or for those that promise to soften its blow by delivering compensation.

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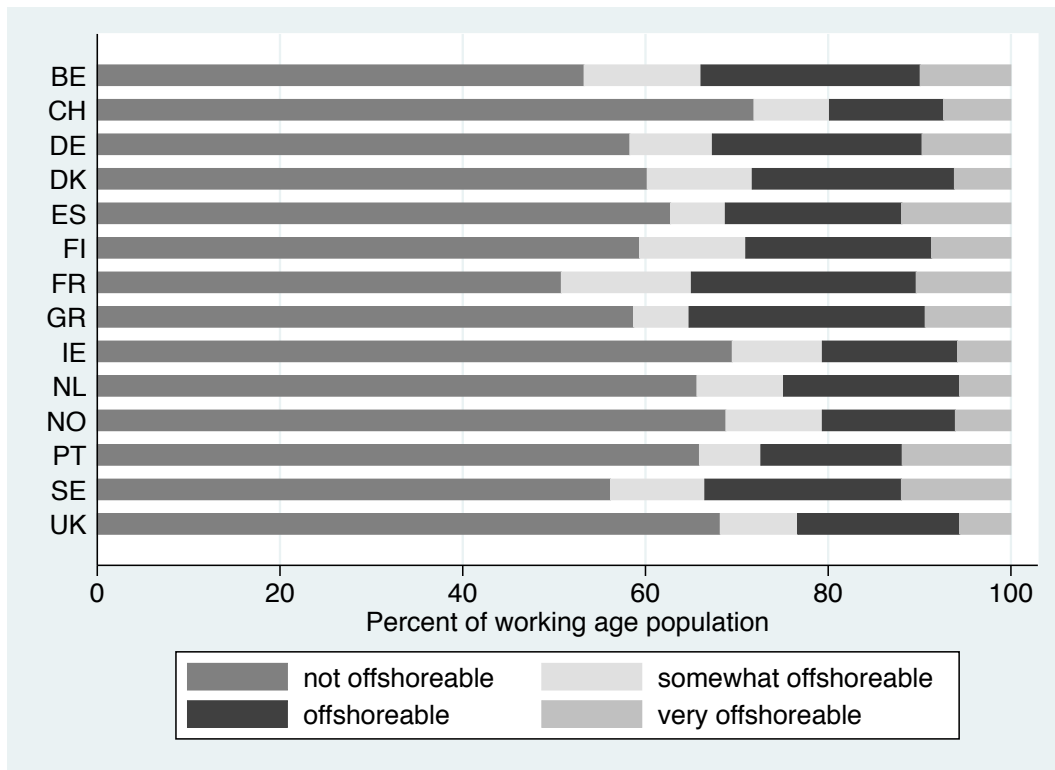
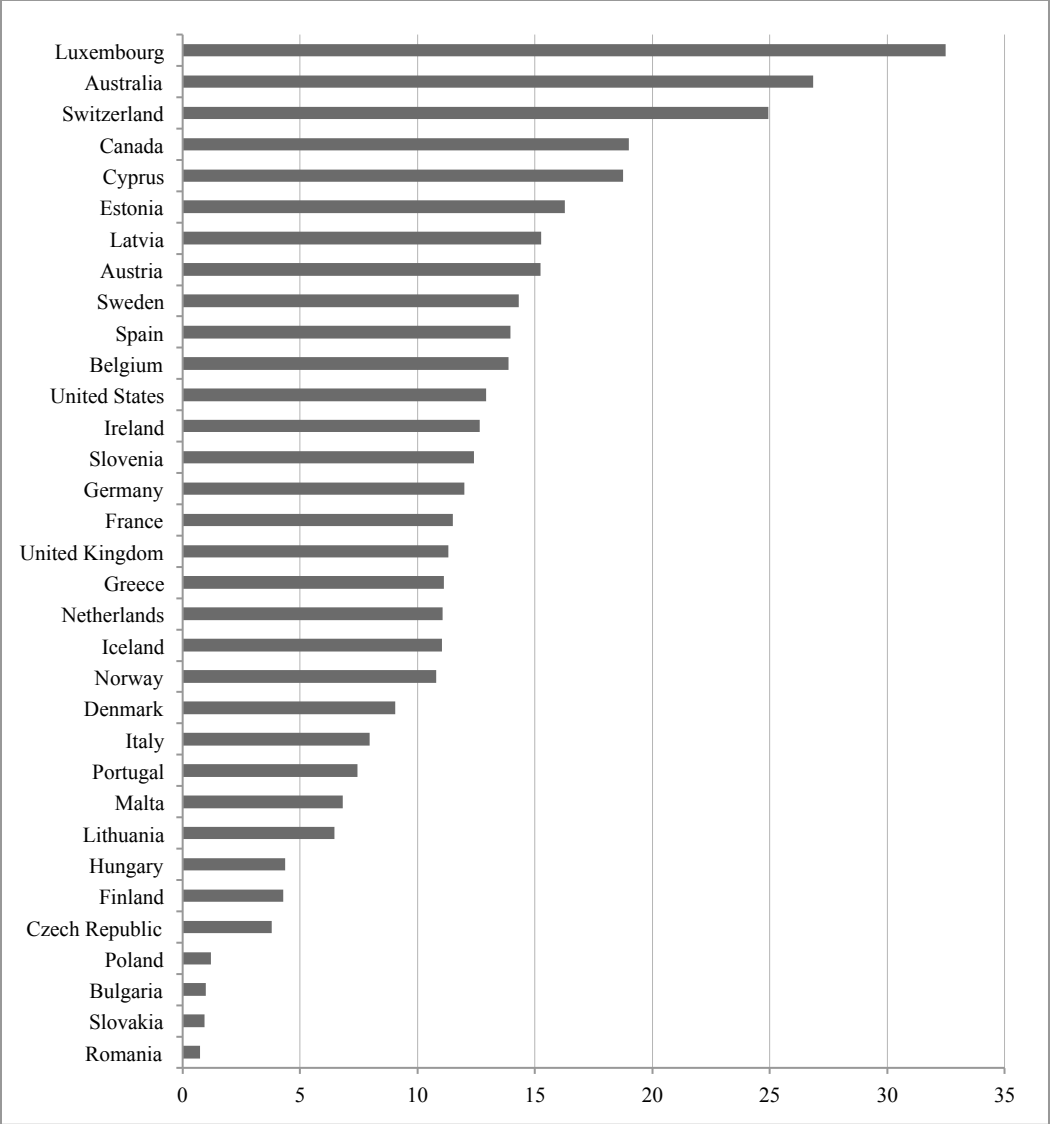


Figure 5.1: *Distribution of offshorable occupations across Countries*



Source: OECD (2012a, 2012b) and Eurostat (2012a, 2012b). Note that data from Canada is from 2006; data from Slovakia and Romania is from 2009; and data from Switzerland is from 2011

Figure 5.2: *Foreign-Born Population, 2010 (%)*

		% Immigrant Workforce					% Immigrant Workforce		
		All	non-EU	EU			All	non-EU	EU
Austria	Accommodation and food	28.8	22.2	6.6	Greece	Hshld goods and service production	74.9	67.7	7.2
	Real estate	24.9	20.3	4.5		Construction	29.1	27.1	2.1
	Food manufacturing	20.1	16.5	3.6		Accommodation and food	12.8	10.8	2.0
	Arts, culture, and recreation	18.4	9.4	8.9		Manuf. of consumer & other goods	12.2	11.3	0.9
	Construction	18.1	14.5	3.6		Manuf. related to natural resources	9.7	9.1	0.6
Belgium	Accommodation and food	25.8	16.2	9.6	Ireland	Accommodation and food	29.1	11.1	18.0
	Other business activities	14.2	7.0	7.2		Information technology	23.7	6.7	17.1
	Arts, culture, and recreation	12.5	6.2	6.3		Food manufacturing	21.4	5.5	15.9
	Information technology	12.1	5.0	7.1		Other business activities	15.2	4.0	11.3
	Construction	12.0	5.0	7.0		Health and social services	15.0	6.5	8.5
Switzerland	Accommodation and food	41.5	24.8	22.6	Italy	Hshld goods and service production	66.7	54.4	12.3
	Hshld goods and service production	32.0	12.2	19.9		Construction	15.5	11.5	4.1
	Manuf. related to natural resources	31.4	16.6	19.2		Accommodation and food	15.5	11.5	3.9
	Food manufacturing	29.1	20.8	12.5		Other services	13.8	10.5	3.3
	Construction	27.1	13.9	17.1		Manuf. related to natural resources	10.4	8.3	2.0
Denmark	Accommodation and food	15.5	13.5	2.1	Luxembourg	Hshld goods and service production	88.2	7.4	80.8
	Land transportation	7.9	6.9	1.0		Accommodation and food	77.4	17.9	59.5
	Food manufacturing	7.5	6.2	1.3		Construction	74.1	6.6	67.6
	Education	7.5	4.8	2.6		Financial auxiliary activities	64.0	9.0	55.0
	Other business activities	7.4	5.2	2.1		Other business activities	59.7	7.8	51.9
Spain	Hshld goods and service production	49.0	43.4	5.6	Netherlands	Accommodation and food	17.2	14.3	2.9
	Accommodation and food	26.1	21.4	4.7		Food manufacturing	15.9	13.4	2.6
	Construction	19.8	16.2	3.7		Other business activities	13.7	10.8	2.9
	Agriculture, fishing, and logging	14.6	12.3	2.3		Manuf. related to natural resources	13.0	10.6	2.4
	Food manufacturing	12.0	9.6	2.4		Manuf. of consumer & other goods	12.6	10.4	2.2
Finland	Accommodation and food	6.1	5.0	1.1	Norway	Accommodation and food	18.5	14.7	3.8
	Retail	2.9	1.4	1.5		Food manufacturing	9.5	6.9	2.7
	Wholesale	2.9	1.5	1.4		Land transportation	9.0	6.9	2.2
	Other business activities	2.9	1.8	1.1		Health and social services	8.5	5.4	3.1
	Automotive	2.8	2.0	0.9		Postal and courier activities	7.7	6.3	1.4
France	Hshld goods and service production	23.5	11.7	11.8	Portugal	Hshld goods and service production	12.3	11.7	0.6
	Accommodation and food	19.1	15.2	3.9		Accommodation and food	11.5	10.0	1.5
	Construction	17.1	9.1	7.9		Other business activities	10.8	8.8	2.0
	Real estate	15.9	7.4	8.5		Other services	10.8	9.2	1.6
	Other business activities	14.2	10.7	3.5		Construction	10.3	8.9	1.4
Great Britain	Accommodation and food	21.6	14.8	6.8	Sweden	Accommodation and food	29.1	24.3	4.8
	Information technology	16.6	12.6	4.0		Research and development	15.4	8.8	6.6
	Food manufacturing	15.8	8.5	7.3		Land transportation	15.4	11.1	4.4
	Finance	13.9	9.6	4.3		Food manufacturing	15.0	10.8	4.2
	Land transportation	13.3	10.5	2.8		Health and social services	14.0	9.2	4.8

Table 5.1: *Sectors with the highest shares of immigrant workers, by country*

		All	< Lower Secondary	Lower Secondary	Upper Secondary	Post- secondary & Tertiary	N
Overall Average		11.52	13.85	13.70	10.95	9.51	19,979
By Offshoring Potential							
none	0-24%	13.03	15.99	15.45	12.22	10.15	12,165
low	25-49%	8.85	7.83	9.26	9.09	8.69	2,036
medium	50-74%	8.85	10.00	10.22	8.99	9.13	4,016
high	75-100%	8.97	8.05	11.84	9.60	7.92	1,762
Difference (none vs. low, medium, high)		3.86	6.90	5.15	3.09	1.45	
T-statistic		29.73	19.55	15.73	13.25	8.17	

Note: These data are based on weighted responses from the fourth round of the European Social Survey. The concentration of foreign-born labor is based on responses gathered in European Labor Force Surveys and provided by Eurostat.

Table 5.2: *Concentration of Foreign-born Labor Force in Occupations by Offshoreability and Skill (%), among Natives*

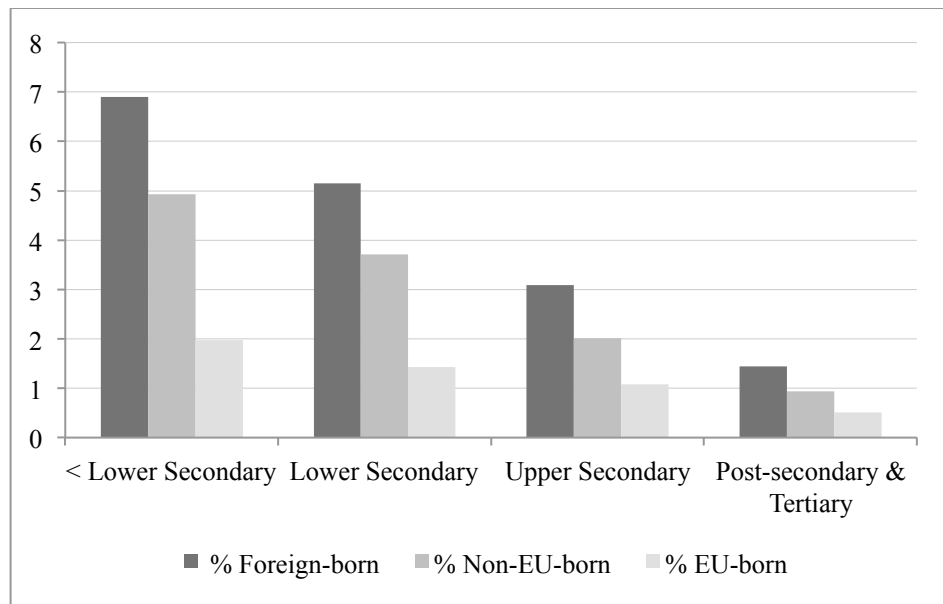


Figure 5.3: *Difference in Exposure to Immigrants among Natives in Offshoreable and Non-Offshoreable Occupations (percentage points), by Skill*

	(1)	(2)	(3)	(4)
Job Offshoreability	-0.0446 (0.0331)	-0.0948* (0.0374)	0.0262 (0.0422)	0.103*** (0.0223)
Education Level	0.468*** (0.0501)	0.311*** (0.0396)	0.184 (0.131)	0.729*** (0.0915)
Offshoreability * Education Level	0.0615** (0.0160)	0.0714*** (0.0162)		
Age	0.00613** (0.00183)	0.00355 (0.00214)	0.00486 (0.00357)	0.00322 (0.00278)
Female	-0.297*** (0.0551)	-0.360*** (0.0532)	-0.271** (0.0791)	-0.297** (0.0690)
Income	0.0587*** (0.00920)	0.0390*** (0.00794)	0.0450* (0.0153)	0.0556*** (0.0127)
Union Member	0.0666 (0.0614)	0.0452 (0.0559)	0.0541 (0.115)	0.0646 (0.0734)
Unemployed	-0.246* (0.114)	-0.182 (0.113)	-0.129 (0.262)	-0.219 (0.104)
Native	-1.039*** (0.175)	-1.070*** (0.171)	-1.449*** (0.274)	-0.920*** (0.179)
Class Categories				
Self-Employed		0.789*** (0.135)		
Small Business		0.129 (0.0885)		
Managers		0.431*** (0.0885)		
Office		0.119 (0.0683)		
Technical		0.459*** (0.0795)		
Production		-0.221** (0.0624)		
Socio-cultural Professionals		0.692*** (0.115)		
Others		0.740* (0.307)		
% Foreign-Born in Occupation			-0.00912* (0.00372)	0.000495 (0.00704)
Constant	4.139*** (0.237)	4.619*** (0.196)	5.195*** (0.0995)	3.438*** (0.260)
N	15861	15861	3563	10199
R ²	0.140	0.153	0.094	0.129

The dependent variable is the response to the question whether immigration is good for the respondent's country, with higher values on the 10-point scale denoting a more positive assessment of immigration. Values in parentheses are robust standard errors, clustered on country. Country dummies are included but not reported. Data are weighted by the design weight. In models 3 and 4 the education variable is a dummy variable differentiating between more and less low-skilled (model 3) and high-skilled (model 4) individuals. Note that data on foreign-born workers at the occupation level is missing for Germany, which is therefore excluded in Models 3 and 4. * p<0.05, ** p<0.01, *** p<0.001.

Table 5.3: *Determinants of Immigration Preferences*

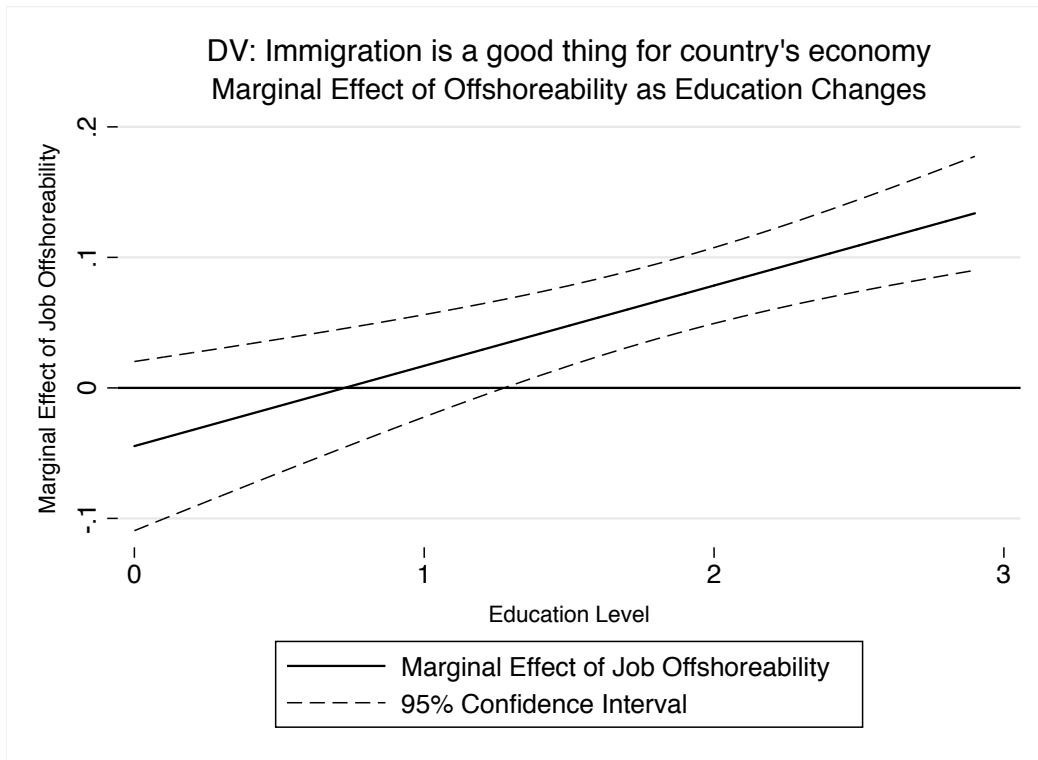


Figure 5.4: *Marginal Effect of Job Offshoreability at different Levels of Education*