COMPETITION FOR PEOPLE AS DRIVERS OF FUTURE ECONOMIC GROWTH: EUROPEAN PEOPLE'S ATTITUDES TOWARDS MIGRATION[1]

Vivika Halapuu, Tiiu Paas
University of Tartu

Abstract

The paper follows an argument that the key elements of global competition are no longer trade of goods and services and flows of capital, but the competition for people. We claim that economic growth is driven by educated and innovative people, who prefer to live and migrate to countries that are diverse, tolerant and open to newcomers. Countries should compete for educated and diverse people and therefore a positive attitude to migration is an important argument for future economic growth. We analysed peoples' attitudes to migration in 23 European countries based on the micro-data of the European Social Survey fourth round database. The outcomes of the empirical analysis show that European peoples' attitudes toward immigrants vary depending on 1) personal characteristics of the respondents; 2) country's characteristics; 3) peoples' attitudes towards countries' institutions. The results of the study provide empirical evidence based grounds for development of policy measures for improving peoples' attitudes to immigration and to ethnically diverse human capital that support future economic growth.

Keywords: attitudes, immigration, tolerance, economic growth, policy implications

JEL Classification: O40, R11, C31, P51

1. Introduction

The key elements of global competition are no longer trade of goods and services and flows of capital, but the competition for people (see Florida, Tinagli 2004). Human capital and knowledge agglomerate because educated, skilled and creative people like interacting with each other. The resulting concentration of human capital in an area generates more spillover benefits than the same level of human capital spreads over different locations and thereby the preconditions for innovative and knowledge based development are determined by "peoples' climate". The 3Ts (Technology, Talent, Tolerance) model, initially proposed by Richard Florida

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(Florida 2002 and 2004), emphasizes the important role of interaction and integrity of technology, talent and tolerance in attracting and retaining creative people and thereby driving economic growth. The results of the 3T model based studies are both supporting and disproving (see Glaeser 2005; Niebuhr 2006; Ottaviano and Peri 2006; Boschma 2007; Cooke and Clifton 2007; Clifton 2008; Asheim 2009, Boschma and Fritsch 2009). Following the discussions regarding verification of the model, it is possible to conclude that the 3T model and its empirical implications have explained and predicted economic growth reasonably well, sometimes even more accurately than traditional human capital measures in the long run perspective.

We follow the opinion that economic growth and development strategies are greatly affected by the ability of regions and countries to develop proper policies attracting and retaining creative and innovative people and supporting development of tolerance to immigrants. Therefore our paper focuses on examining the attitudes of European people to immigration putting emphasis to exploring possible diversity of peoples' attitudes depending on their personal characteristics as well as peculiarities of the countries where they live.

The overwhelming aim of the study is to get empirical evidence based grounds for policy proposals that through favourable "peoples' climate" can support economic growth. In order to achieve it, our main research task is to conduct an empirical analysis allowing clarifying factors that frame peoples' attitudes towards immigration as a process that support diversity of human capital and thereby may drive future economic growth.

The empirical part of the paper bases on the data of the European Social Survey (ESS). Based on the ESS data we estimate cross-section regression models dependent variables of which describe peoples' attitudes to immigrants; independent variables express personal characteristics of people (sex, age, education, religion, ethnicity, work experience in other countries, etc) and their attitudes to the countries' institutions (political and legal system), and future well-being. We rely on several theoretical considerations in order to specify regression models (e.g to choose dependent and independent variables) that base on some questions of the EES (appendix 1).

In the second part of the paper, we discuss some theoretical and empirical arguments that explain the determinants of peoples' attitudes towards immigration. The third part of the paper presents the results of our empirical analysis looking for an answer to the questions how tolerant European people are to immigrants and how diverse European countries are in sense of peoples' attitudes to immigration. The fourth part shortly concludes the main outcomes of the study.

2. Theoretical framework for examining determinants of peoples' attitudes towards immigration

Countries and regions gain competitive advantage if they are successful in attracting educated and diverse people and in integrating these people in business life. We

follow the view that migration of people supports diversity of human capital and creates conditions for favourable peoples' climate if migration is supported by proper policy measures and positive attitudes of local people to newcomers. It is understandable that people's attitudes to migration are different. Considering "a lump of jobs" concept, an increase in labour supply may raise the level of unemployment in a country, because there is only a limited number of jobs available (Dustmann *et al.* 2005). Opposite empirical evidence has got confirmation as well: migration inflows may raise the level of employment by creating incentives for new jobs (e.g. see Pope, Withers 1993; Gross 1998; Angrist, Kugler 2001). These results also support the main arguments of the 3T theory. When managed in a right way, countries and regions may experience several gains from migration. The impact of immigrants on the labour markets in their destination countries depends on how knowledge and skills of immigrants compare with those of natives. Additionally, it also depends on whether a country and region is ready to integrate new people, how tolerant is a society to newcomers and how supportive are public policies and institutions.

Theories that explain determinants of attitudes towards immigration are diverse. Some of them emphasize importance of economic competition, the others cultural, political and other aspects of life. Most generally, the theories can be divided into two groups – individual and collective theories. What distinguishes between the two groups is the level of measurement. The same factor enables to define another two categories of the theories in the group of collective theories – national and regional. In this paper we mainly rely on individual economic theories (micro-approach) taking into account the empirical focus of the paper. Only short review of the collective theories is given.

Individual theories of attitudes towards immigrants emphasize on individual drivers, such as level of education (human capital theory), personal income, employment status (individual economic theories), cultural conflicts with immigrants when natives cannot relate themselves to immigrants (cultural marginality theory), level of one's political involvement (political affiliation theory), interpersonal trust (societal integration theory), and feeling of safety (neighbourhood safety theory). Collective theories focus on aggregated variables, such as share of immigrants in a country (contact theory), level of unemployment, unemployment growth rate (collective economic theories), amount of foreign investments from a country (foreign investment theory).

According to individual economic theories, individuals with less economic security (i.e. with lower level of education, low skills, lower level of financial resources) tend to have more intolerant attitudes towards immigrants. Explanation to that comes from neoclassical economic theory and trade theory. When a labour supply increases due to immigrants, competition on labour market becomes tougher. Moreover, wages of natives (at least in some skill groups) will decrease. Since immigrants tend to be overrepresented in low-skilled jobs, low-skilled natives are most likely to have anti-immigrant attitudes. It has also been found that high-skilled individuals are more likely to have tolerant attitudes towards immigration than the low-skilled, and

this effect is greater in richer countries than in poorer countries and in more equal countries than in more unequal ones (O'Rourke and Sinnott 2006).

According to collective economic theories, higher unemployment rate in a country leads to higher level of anti-immigrant attitudes. Explanation is similar to the aforementioned one – higher competition in the labour market makes natives feel threatened. It has also been found that in countries with higher GDP attitudes towards immigrants tend to be more positive. However, economic cycles also matter. In addition to level of GDP and unemployment their growth rates influence the attitudes. Economic growth means increased number of new jobs and lower competition on labour market even if immigrants will come. Therefore, attitudes are more likely to be tolerant. (Kehrberg 2007: 266) In times of economic downturn higher competition on labour market reinforced by immigrants turns the attitudes into anti-immigrant (Zolberg 1991).

Contact theory and collective threat theory claim that attitudes towards immigrants are dependent on the relative size of the immigrant population (Quillian 1995, Scheve, Slaughter 2001). Higher share of immigrants as a percentage of country's population leads to increased perceived threat of immigrants (both, economic and political). That, in turn, changes the attitudes into anti-immigrant ones. The impact of the relative size of immigrant population has therefore two effects, direct effect by increasing perceived threat, and indirect by decreasing political tolerance which leads to higher anti-immigrant attitudes.

The attitudes are not influenced only by the size of immigrant population, though. Level of personal contacts matters too. Individual approach of the contact theory says that having a lot of immigrants in a neighbourhood increases the level of perceived threat of them. Therefore, more casual contacts with immigrants mean intolerant attitudes. On the other hand, having more personal contacts with immigrants leads to higher level of tolerance, because natives' knowledge of immigrants will improve and they will not be seen as a social threat that much. (Allport 1954, Pettigrew 1998, McLaren 2003) According to cultural marginality theory, attitudes towards immigrants are more tolerant when people can relate themselves to immigrants. People who have belonged to any minority groups that have been discriminated tend to be more tolerant towards other groups in similar situation (Allport 1954).

Human capital theory claims that higher level of education leads to higher level of tolerant attitude. One channel for that is via improved skills and higher qualification. Economic security acquired by these repositions an individual so that he/she doesn't have to compete with immigrants on labour market (Mayda 2006). Another channel is broadened horizon that might lead to increased tolerance.

Higher level of education also contributes to political and social engagement. Political affiliation theory claims that people who are alienated politically may be looking for others to blame and consequently, may be more negative towards immigrants (Espenshade, Hempstead 1996). Another aspect of political life that

influences attitudes towards immigrants is political tolerance. High level of political tolerance has found to be decreasing the probability of having negative attitudes to immigration (Kehrberg 2007: 267).

Neighbourhood safety is a determinant that might influence the attitudes too. If people are afraid of walking around in their neighbourhood in a dark and their attitudes towards immigrants tend to be negative, they probably blame immigrants for criminal activity and violence. Chandler and Tsai (2001) who studied the relationship between feeling of safety and attitudes towards immigration have found a weak positive relationship between the two variables.

In addition to the theories described authors of the paper analyze impact of religious belonging and type of area where individual lives. In 1938 Wirth suggested that exposure to the city's social heterogeneity promotes tolerance (Wilson 1991). That means that people who are living in larger cities should have more tolerant attitudes. Age and gender are used in the analysis as background variables. It is argued that age is negatively correlated with attitudes towards immigrants (Hernes and Knudsen 1992, Quillian 1995) and that the level of tolerance is higher among women (Hernes and Knudsen 1992).

In the empirical part of our study we rely on these theoretical arguments and evidence of previous empirical studies in order to specify econometric models for examining the relationship between peoples' attitudes to immigration and factors that may explain variability of these attitudes.

3. Empirical evidence: how tolerant are European countries' people to immigration

3.1. Data and methods

The empirical study presented in this paper was carried out based on ESS 4th round database, which includes data from 28 different countries. As there were no values of one variable (*hinctnta* - household net total income) that was used as a part of the final model for Bulgaria, Cyprus and Slovak Republic, data for these countries was completely excluded. Data for Israel and Turkey was also excluded due to the fact that cultural differences could have influenced results too much. All in all, there were 23 countries under review. Initial number of cases (54988) was cut down to 25880 after dropping the cases for which there was no consistent value for one or more variables. The number of dropped cases was bigger for some countries and smaller for the others, but the amount of missing values for each question was random (there was no clear pattern of non-answering for single questions) which enables to say that the final data is representative even after the cut. In addition to the ESS database Eurostat database is used to get data on share of immigrants.

Variables from the ESS database used in this paper are presented in appendix 1. The table also includes coding of answers and expected effects of the variables. Based on the ESS data we estimate several cross-section regression models dependent variables of which describe peoples' attitudes to immigrants; independent variables

express personal characteristics of people and their attitudes to the countries' institutions (political and legal system), and future well-being.

Dependent variable of an econometric model is an index variable that measures individuals' attitudes towards immigrants. In earlier studies on attitudes towards migration that use ESS data the attitude has been measured only by one of the questions about impact of immigrants on different areas of life in a country. In that paper an index variable calculated as a mean of all the three questions on the same topic is used. First three questions presented in appendix 1 are components of the dependent variable.

Independent variables (table 1) of the estimated regression model are selected relying on the several theories that explain people's attitudes to immigration (see part 2) and on questionnaire and background data of the ESS (see appendix 1). Based on the ESS data we calculated index of political trust (mean of the answers to the questions about trust in different institutions) for analyzing impact of the factors suggested by political affiliation theory, and index of expectations of future well-being (mean of the answers to the questions about probability of becoming unemployed, not having enough money for household necessities and not receiving health care needed if becoming ill during next 12 months) for offering additional approach to individual economic theories. The purpose of adding this variable is to add a slightly new approach to analyzing the impact of factors suggested by individual economic theory.

Another variable for controlling economic theories is household's total net income. It is modified a little. Respondents are divided into three groups (low, middle and high income) based on the information about their household's total net income. Respondents' main activity was also included into the model initially for controlling the economic theories, but due to the fact that it the effect of the variable occurred to be statistically insignificant it was excluded.

Relying on human capital theory, indicators of highest level of education are used. Variable measuring this is also slightly adjusted. Highest level of education is divided into four groups: 0 – ISCED 0 (not completed primary education), 1 – ISCED 1, 2 (primary or first stage of basic, lower secondary or second stage of basic); 2 – ISCED 3, 4 (upper secondary, post secondary, non-tertiary) and 3 – ISCED 5, 6 (first stage of tertiary, second stage of tertiary). In addition to previously mentioned adjustments, respondents are divided into three groups (urban, town and rural) by their domicile. Other variables (gender, age, religious belonging, born in a country, experience of working abroad, attitude towards EU enlargement and fear of walking around in a neighbourhood when it is dark) are recoded (binary variables) or unchanged.

The question about individual's feeling about further enlargement of European Union (whether it has gone too far or should it go further) is added to the variables to test a paradox that has been found in an earlier study. Licata, Klein (2002) presented a paradox according to which strong European identifiers are more likely

xenophobic than weak European identifiers. Authors are going to analyze the paradox based on ESS data.

Our econometric model is estimated based on the ESS data of the 23 European countries. The total number of respondents is 25880; 65% of them are from old member states of EU (Norway and Switzerland are also included in the group because of cultural matters) – Belgium, Denmark, Germany, Spain, Finland, France, United Kingdom, Greece, The Netherlands, Portugal, Sweden, Norway, Switzerland. The rest (35%) are from Eastern European countries (Czech Republic, Estonia, Hungary, Latvia, Poland, Romania, Russia, Slovenia, Ukraine). 48.4% of all respondents are men and 50.6% women.

3.2. Empirical results and discussion

Table 1 presents the estimators of an econometric model that describe the relationship between Europeans' attitudes towards immigration and the determinants that may explain the variability of these attitudes. After diagnostics of the estimated regression models (testing for heteroskedasticity, normal distribution of residuals, model specification) we can conclude that we got robust and consistent estimators.

Results of the estimated model are consistent with several theories that are behind empirical analysis (e.g. contact theory at both, individual and collective level). For instance, the estimated results confirm that people who are not born in the country where they live, people who have ever belonged to a group discriminated against in the country they live in and people who have worked abroad for at least 6 months during last 10 years have more tolerant attitudes towards immigrants. However, the attitudes become more anti-immigrant when the share of immigrants in a country increases.

An interesting aspect is that the impact of the share of immigrants doesn't seem to be linear. Squared variable derived from the variable 'share of immigrants' was included into the model and as it is statistically significant and positive, it can be said that the attitudes become more anti-immigrant until a certain point. From that point on the increased share of immigrants leads to more tolerant attitudes. It might be due to the nature of the contacts with immigrants. It might be true that in countries where the share of immigrants is significantly higher than in the others, natives' contacts with them are more personal which decreases the perceived threat of immigrants and leads to more tolerant attitudes.

Expected effects of the variables mentioned so far are consistent with the signs of coefficients estimated with the models in most of the cases. Only one variable used for controlling individual contact theory – born in a country – owns predictive power in predicting the attitudes towards immigrants in this country group.

Table 1. Estimators of the model describing European peoples' attitudes towards immigration

	Coeficcient	s.e.	Beta
Gender	0,041	0,039	0,009
Age	0,009	0,006	0,072
Age (square)	0,000 *	0,000	-0,083
Education (reference group - ISCED 0)			
ISCED 1, 2	-0,099	0,145	-0,019
ISCED 3, 4	0,007	0,145	0,002
ISCED 5,6	0,480 ***	0,148	0,104
Religious belonging	-0,043	0,040	-0,010
Type of living area (reference group - urban)			
Town	-0,052	0,054	-0,012
Rural	-0,223 ***	0,055	-0,048
Income (reference group - low income)			
Middle income	0,011	0,046	0,002
High income	0,084	0,052	0,018
Estimated socio-economic risk	-0,274 ***	0,024	-0,134
Born in a country	-0,671 ***	0,078	-0,082
Discriminated group	0,155 **	0,074	0,019
Working abroad	0,286 ***	0,085	0,028
Index of political trust	0,227 ***	0,012	0,213
Think that EU enlargement should go further	0,208 ***	0,009	0,257
Feel threatened when walking in the dark	-0,387 ***	0,027	-0,147
Share of immigrants	-0,170 ***	0,010	-0,291
Share of immigrants (square)	0,008 ***	0,000	0,289
Constant	5,421 ***	0,345	
Number of observations	25880		
F (Prob > F)	195,97 (0,000)		
R-squared	0,2691		

* $p < 0,10$; ** $p < 0,05$; *** $p < 0,01$. Dependent variable: average index of individuals' attitudes towards immigrants. Estimators are heteroskedasticity consistent.
Source: authors' estimations based on the ESS 4th round data.

In addition to contact theory, the area of living also influences peoples' attitudes towards immigrants. People living outside from urban areas (in town and rural areas) have more anti-immigrant attitudes in comparison with the attitudes of the people living in urban areas. That confirms what Wirth claimed in 1938 – city's social heterogeneity seems to promote tolerance (Wirth 1938). Political affiliation theory works in all of the models as well. People who trust different institutions

(parliament, legal system, police, politics and political parties) of the country where they live have more tolerant attitudes towards immigrants. Is it because the people who are more engaged to politics are less likely to blame others for everything unpleasant as claimed by Espenshade and Hempstead (1991) or are there any other reasons cannot be said based on the data used for this paper. However, one possible suggestion could be that people who can trust political and legal system of a country don't have to worry that much about possible threats that immigrants might cause. Therefore, creating a transparent and reliable political system might help to increase tolerant attitudes towards other aspects of life (e.g. immigration) as well.

Authors used the variable 'think that EU enlargement should go further' to test a paradox that Licata and Klein found as a result of their survey in which 313 French-speaking Belgian students' attitudes were studied. It became apparent that strong European identifiers tend to be more xenophobic than weak European identifiers (Licata and Klein 2002: 21). Results of the models created by us contradict the findings and are more consistent with theory. People who are in favour of further enlargement of EU have tolerant attitudes towards immigrants.

Another determinant which is included into the model and which has a statistically significant impact on the attitudes in all of the models is neighbourhood safety. People who feel fear when walking alone in their neighbourhood when it's dark have more anti-immigrant attitudes. It suggests that people associate crime with immigrants. To increase tolerant attitudes, linking neighbourhood safety with contact theory seems to be important. If natives would have better knowledge about immigrants they wouldn't associate them with crime unless there really have been some criminal incidents.

When comparing present and future economic well-being the latter seems to be more important in driving the attitudes towards immigrants. People whose highest level education corresponds to level 5 or 6 are also more tolerant than people at level 0. The parameter of religious belonging variable is statistically insignificant.

We also tested the hypothesis whether the determinants of peoples' attitudes are statistically different between the two groups of countries implementing Chow test. According to this test, the differences of the coefficients are statistically significant among two groups of countries. In our next studies we will focus on examining these differences. We also suppose that it is reasonable to estimate country specific models and to conduct country by country analysis in future.

4. Conclusion

We follow the opinion proved by theoretical considerations and empirical evidence of previous studies that the diversity of human capital that can support economic growth is closely related to migration and positive attitudes to immigrants. Therefore, we developed an empirical analysis looking for an answer to the question how tolerant European people are to immigration and which factors explain the variability of peoples' attitudes to immigrants. Empirical analysis bases on the

European Social Survey (the ESS) fourth round database. We analysed peoples' attitudes to immigration in 23 European countries; the total number of respondents is 25880. We estimated econometric model where dependent variable describes peoples' attitude to immigrants and independent variables express personal characteristics of people, peoples' attitudes to institutions of the countries and the share of immigrants in the countries.

The outcomes of the empirical analysis allow us to conclude that European peoples' attitudes toward immigrants are in general consistent with several theoretical considerations. We summarise that the variation of peoples' attitude can be explained by personal characteristics of the respondents (education, personal experience of working abroad, ethnic group, place of living) and their attitudes towards countries' institutions (e.g. to political and legal system, to police work, etc.). Ethnic minorities, urban people, people with higher education and higher income as well as people who have work experience abroad are, as a rule, more tolerant to immigrants. Furthermore, people who evaluate higher the political and legal systems of a country, police's work and household's economic stability are more tolerant to immigrants.

We believe that the results of our study improve the understanding about the variability of European peoples' attitudes to immigration and suggest that these results are applicable for future development and implementation of policy measures that support economic growth. The results of the study allow us 1) to better understand peoples' environment that create attitudes towards immigration, e.g. composition of population (age, sex, education, religion etc); 2) to determine possibilities for some interventions with proper policy measures, e.g. to improve stability of economic situation and trust to institutions of a country, to create supportive conditions for temporal labour mobility between countries, to encourage and support people to improve their educational level, to support migration of educated people etc. Creating a transparent and reliable political system might help to increase tolerant attitudes towards several aspects of life (e.g. immigration). In addition, increasing tolerant attitudes, linking neighbourhood safety with contact attitudes seems to be important for future improvement of peoples' climate. If natives would have better knowledge about immigrants, they wouldn't associate them with crime unless there really have been some criminal incidents.

We suggest that in future studies the drivers of the attitudes towards immigrants should be studied more profoundly bearing in mind the possible impact of country-specific determinants. In future, more advanced methods, such as multi-level analysis should be used.

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Appendix 1. ESS variables used in the study.

Question	Coding	Expected effect
Immigration bad or good for country's economy	0 – bad ... 10 - good	
Country's cultural life undermined or enriched by immigrants	0 – undermined ... 10 – enriched	
Immigrants make country worse or better place to live	0 – worse ... 10 – better	
Gender*	1 – female, 0 - female	+
Age of respondent		-
Highest level of education*	0 - Not completed primary education 1 - Primary or first stage of basic 2 - Lower secondary or second stage of basic 3 - Upper secondary 4 - Post secondary, non-tertiary 5 - First stage of tertiary 6 - Second stage of tertiary	+
Belonging to particular religion or denomination*	1 – yes 0 – no	-
Domicile, respondent's description*	1 A big city 2 The suburbs or outskirts of a big city 3 A town or a small city 4 A country village 5 A farm or home in the countryside	-
Household's total net income, all sources*	Deciles	+
How likely unemployed and looking for work next 12 months	1 – not at all likely ... 4 – very likely	-
How likely not enough money for household necessities next 12 months	1 – not at all likely ... 4 – very likely	-
How likely not receive health care needed if become ill next 12 months	1 – not at all likely ... 4 – very likely	-
Born in country*	1 – yes, 0 – no	-
Member of a group discriminated against in this country*	1 – yes, 0 – no	+
Paid work in another country, period more than 6 months last 10 years*	1 – yes, 0 – no	+

Question	Coding	Expected effect
Trust in country's parliament	0 – no trust at all ... 10 – complete trust	+
Trust in the legal system	0 – no trust at all ... 10 – complete trust	+
Trust in the police	0 – no trust at all ... 10 – complete trust	+
Trust in politicians	0 – no trust at all ... 10 – complete trust	+
Trust in political parties	0 – no trust at all ... 10 – complete trust	+
European Union: European unification go further or gone too far	0 - unification has already gone too far … 10 - unification should go further	+
Feeling of safety of walking alone in local area after dark	1 – very safe ... 4 – very unsafe	-

* - variables that are recoded.

Source: composed by authors based on the guidelines of the ESS.