The welfare state as a remedy for the risks of globalization?

The effects of trade and migration on individual social policy and welfare deservingness preferences in middle-income countries

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Master of Public Policy Franziska Sophie Deeg

aus Ansbach

Referent: Prof. Dr. André Kaiser

Korreferentin: Prof. Dr. Sarah Berens

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Chapter 1

Introduction

The 19^{th} and the beginning of the 20^{th} century were marked by technological progress, industrialization, and a laissez-faire strategy of low governmental intervention. This led to the exploitation of workers (Marx, 1990) and large social disruptions. The First World War brought another set of destruction and these dynamics then culminated in the horrors of the Second World War. Its end constituted a moment of reflection for governments around the world. Thinkers like Keynes (2018) seized the opportunity of the moment and advocated for a more humane form of economic development. Ruggie (1982) described the strategy of the post-WWII period as 'embedded liberalism'. The consensus existed that economic development, and with it international market integration, encourage national prosperity. This 'liberalism' should, however, be 'embedded' in a system that prevents exploitation and cushions the negative externalities of the economic system. For that, industrialized countries expanded their welfare states. With increased globalization and crises affecting larger parts of the world, welfare states became means to keep support for globalization in industrialized countries high. Hence, to protect citizens from the volatility of the global market, extensive welfare states were implemented, cushioning the effects of international market integration, for example, protecting workers in case of unemployment. With that, academic research also focused on the relationship between increased levels of globalization and more encompassing social policies, establishing the compensation hypothesis (Katzenstein, 1985; Rodrik, 1998; Hays, Ehrlich and Peinhardt, 2005; Leibrecht, Klien and Onaran, 2010). Support for the compensation hypothesis, that is increased demand for social policies on the micro level and more welfare state spending on the macro level in the face of more extensive global integration, has been mostly found in industrialized economies that followed the path of 'embedded liberalism' (Walter, 2010, 2017).

Of course, differences between welfare states and their extensiveness are also visible between industrialized

countries. The risks of globalization have, above, been related to the self-interest-based rationale that individuals follow: An increase in expected risk will motivate people to search for protection against it and thus, turn to the state to provide it (Iversen and Soskice, 2001; Moene and Wallerstein, 2001). Preferences for social policies are, however, not solely motivated through self-interest. It is also fairness considerations and altruism that play a role. Alesina and Giuliano (2011) define altruism as "a situation in which one agent cares also about the utility of somebody else" (p. 94). Alesina and Angeletos (2005) found in their research that there are two main determinants of fairness and altruism considerations that lead to either more or less welfare state coverage. In countries, that believe that the labor market position of an individual also depends on luck, welfare states are more encompassing. On the other hand, in countries that believe in the labor market position being mostly determined by effort, or the lack thereof, welfare states are less pronounced. The authors distinguish between the European and U.S. welfare states.

So far, we know that industrialized countries followed the development strategy of 'embedded liberalism' after WWII and that there should be a distinction between self-interest and fairness or altruism when considering welfare states since that also explains variance between industrialized countries. Below, it will be clarified which development strategies were used in low-income countries and how welfare states developed in these contexts. These historical dynamics are a crucial starting point when engaging in the status quo that this study focuses on.

Mostly two development trajectories can be determined after the Second World War for middle and low-income countries. Many Asian countries followed an export-led strategy, pushing their economies to mass production of consumer goods that they exported to North America and Europe (Wibbels and Ahlquist, 2011). Welfare states and labor rights were not substantially advanced to keep the economy flexible.

Several Latin American countries followed a protectionist approach, the import-substitution industrialization (ISI) (Segura-Ubiergo, 2007; Filgueira, 2005). Instead of importing machinery from other countries, these economies engaged in their production themselves. Welfare states were only established for a relatively small group of workers in these industry professions, establishing a contribution-based system that early on differentiated between insiders or formal workers, and outsiders, informal workers (Filgueira, 2005; Holland and Schneider, 2017). Wibbels and Ahlquist (2011) tie the development in non-industrialized countries to a factorial model of land, labor, and capital. Relatively smaller labor endowment and land possession in the hand of a smaller group of people encouraged countries to follow the ISI model since mass production that was pursued in export-led economies is labor-intensive. Interestingly, Wibbels and Ahlquist (2011) also show that it is mostly protectionist ISI countries that built welfare states.

The relationship between globalization and welfare state extensiveness seems to be reversed in the less developed country context. Export-led economies that were integrated into the global market early on showed low levels of social policy expansion whereas protectionist ISI countries developed a contribution-based welfare state. Around the 1980s, former ISI countries changed their development strategies and started opening up their economies to the world market (Kaufman and Segura-Ubiergo, 2001). Researchers then became interested in the effects of increased international integration on the welfare state in the low-income country context. They found, on the macro level, that more global economic integration leads to less welfare state spending, establishing the counter argument to the compensation argument known as the competition or efficiency hypothesis (Kaufman and Segura-Ubiergo, 2001; Avelino, Brown and Hunter, 2005).

Considering the differences in welfare state development over time, expectations on how globalization affects welfare preferences today should also vary between industrialized and non-industrialized countries. Since the competition hypothesis has solely been tested on the macro level in the less developed country context so far, it is unclear if preferences for a leaner welfare state under the effects of globalization are also reflected on the micro level and which coalitions within the population are in favor or against of an encompassing welfare state. Generally, there is a gap in the academic literature on social policy preferences under the effects of globalization. This goes beyond the discussion of whether the competition or compensation argument best reflects preferences.

Globalization is a multi-dimensional concept that not only is constituted of economic aspects as trade and investment. It furthermore, encompasses a political and socio-cultural realm (Walter, 2021). The effects of migration, or the socio-cultural dimension of globalization, on social policy preferences have also been mostly investigated for industrialized countries. Migratory trajectories do, however, not solely exist from the global South to the North. South-South migration has increased in relevance and shaped less developed countries (Ratha and Shaw, 2007). Here, it is not only refugee streams, as from Syria and Afghanistan to Turkey, Myanmar to Bangladesh or Venezuela to Brazil that come to mind (The Wall Street Journal, 2021; The New York Times, 2021, 2018), even though the largest refugee camps are today located in less developed countries (UNHCR, 2021). However, a variety of migrant streams are observed: within-country migration, for example in India where differences in regional development are striking; transients; emigrants; labor and return migration. A mix of these different types of migrants is to be found in countries of the global South but research on attitudes towards different migratory groups is still scarce and it is unclear how immigration affects welfare preferences in middle and low-income countries.

This cumulative dissertation addresses the question of how different dimensions of globalization affect the

development of welfare states in middle-income countries in Latin America.[1] International integration, economic as well as migratory, has increased significantly in recent decades and now include both industrialized nations and less developed countries of the global South (Brooks, 2014). The question arises as to what the consequences are at the nation-state level. A transfer of the results generated in industrialized countries to nations of the global South is insufficient, as other challenges such as a highly dualized labor market (Berens, 2015*b*), low trust in government (Holland, 2018), and consequently low tax morale (Castañeda, Doyle and Schwartz, 2020), as well as limited access to the international credit market, are relevant in these countries (Wibbels, 2006). As mentioned before, the different development trajectories and their outcomes for welfare states are another indicator for persisting differences between less developed and industrialized countries. I am, hence, asking the following research question: *How do perceived risks coming from trade and migration affect individuals' welfare preferences?*

I am addressing this research question from two sides: on the one hand, I am interested in the self-interest-based perspective that is activated through the global risks trade and migration. These occurrences, measurable also on the macro level, can have direct implications for individuals and the concerns about these issues should therefore lead to a response in their preferences. On the other hand, I am also interested in how trade and migration concerns affect altruistic considerations and employ more specifically the concept of welfare deservingness that determines on various dimensions whether others should have access to the welfare state or not, hence, whether or not they are deserving of social policy coverage.[2] Hence, I argue that a relationship between trade and migration, and self-interest-based social policy preferences, as well as welfare deservingness considerations, exists on the micro level. It should be stressed that I am, here, only engaging in the demand side of the welfare state. Hence, I solely focus on the preferences of citizens toward the welfare state, and how these are influenced by globalization concerns. I do not focus on the supply side, meaning which social policies political parties provide, and which political strategies they herein follow. As above mentioned, the endowment of middle-income countries varies to that of industrialized countries (Holland, 2018; Goñi, Humberto López and Servén, 2011; Berens and Kemmerling, 2019). These findings are included in my argument in which I, thus, combine the expectations toward the effects of globalization on welfare preferences with general evidence on social policy support in middle-income countries. This research is explained in more detail below, in the 'State of the Art' section. Concerning globalization and self-interest-based preferences toward the welfare state, I argue that on the micro level, individuals will show reduced support for the welfare state. This, I expect, is the case for both, trade and migration concerns.

[1] I follow the definition of the The World Bank (2021) concerning middle-income country categorization.
[2] The dimensions of welfare deservingness are explained in more detail below.

In the case of the relationship between economic globalization and migration and welfare deservingness, I expect a positive and negative relationship respectively. When international market integration leads to job loss, individuals become more deserving of accessing the welfare state but I expect migrants to be deemed less deserving, also in the middle-income country context.

I test my argument using original survey data from two states of Mexico and one state of Brazil. The analysis of the sub-national micro-level data generally supports my argument and shows that individuals in these less developed countries prefer low levels of state-provided welfare policies. This is reflected in the results speaking to the self-interest as well as deservingness dimensions.

Below, I will, firstly, refer to the relevant literature. Before summarizing the three chapters, I will give more details on the selected cases and the data used in the chapters. After that, the relevance of the topic will be explained, and finally, the publication status of each chapter provided.

1.1 State of the art

The dissertation considers the effects of trade and migration on social policy preferences. Hence, before diving deeper into the globalization-welfare state debate in the two respective fields of economic globalization and migration, I will summarize the relevant literature on welfare state preferences.

1.1.1 Welfare states and labor markets in middle income countries

Access to the welfare state is in most countries closely connected to the labor market status of individuals. This is not solely a phenomenon in less developed countries but also in industrialized countries in which it is possible to differentiate between labor market insiders and outsiders (Schwander, 2019). Outsiderness is determined by the precariousness of the employment relationship. It translates in middle and low-income countries concretely into a lack of a work contract and labor regulations, no tax payments as well as limited access to the welfare state (Berens, 2015*b*).

Along with labor market informality comes limited access to the 'truncated' welfare state in middle-income countries (Holland, 2018). Three forms of social policies are predominant: universal, contribution-based, and means-tested policies. Universal policies are generally accessible by everyone, no condition has to be met to access them. These policies are, however, often of low quality and low coverage makes them inaccessible for certain groups of the population (Holland, 2018). Contribution-based welfare policies are directly connected to labor market status since contributions are most often made through a formalized employment relationship and shared between employee and employer. Means-tested policies target particular groups to enhance their

living situation. Conditional cash transfers have become a popular means-tested policy in less developed countries to provide poor households with extra income while, at the same time, conditioning its receipt on school attendance and health check-ups of children (Brooks, 2015).

Traditionally, the welfare state in Latin America was mainly contribution-based, as a result of the ISI strategy, and mostly benefited industry workers (Perry et al., 2007). Later, and with the pressure of international organizations, universal policies were added, like primary and secondary education as well as health care (Holland and Schneider, 2017; Nussbaum, 2011). Conditional cash transfers quickly became a major policy to combat poverty (Levy, 2010; Brooks, 2015). Here, the focus was moved: instead of deepening existing social policies, more programs were added that made the coverage of the welfare state more sketchy. Holland and Schneider (2017) refer here to 'easy redistribution'.

Out of this, a more substantial interest in the preferences of formal and informal workers concerning the welfare state emerged, leading to the question of whether informal workers, who have less access to social policies compared to their formal counterparts, actually want social policies to protect them from risks. Here, another issue arises: it has been difficult to identify informal workers since a variety of country-specific items would need to be implemented in surveys to enable proper informality identification (Baker et al., 2020). Baker and Velasco-Guachalla (2018) used in their micro-level analysis a more fine-grained measure of informality and did not find clear evidence in favor of the dualization argument that predicts clear and non-aligned preferences between formal and informal workers. In their contribution, Altamirano, Berens and Deeg (2022) use survey data from Mexico to test a more encompassing concept of labor market vulnerability that not just relies on the dualization between informal and formal workers. Instead, the authors show that welfare preferences rely on future labor market expectations and the household constellation, whether it is a mixed or purely formal or informal household. It is especially purely informal households, compared to formal households, that favor a reduction in welfare state spending. This relates to the findings by Holland (2018) in which the author shows that it is the poor and vulnerable that disengage with public offers since they do not expect to benefit from these policies.

Generally, scholarly research identifies two main drivers for support for the welfare state. Firstly, individuals act out of self-interest, identifying risks for themselves and asking for organized support from their governments through their vote choices (Esping-Andersen, 1999; Rehm, Hacker and Schlesinger, 2012; Rehm, 2009). Secondly, individuals also support the welfare state out of solidarity or because they consider it as fair (Alesina and Angeletos, 2005; Cavaillé and Trump, 2015). A necessary condition for support of the welfare state is, however, also high levels of trust in the government (Mares, 2005). Only if the government

is seen as capable of providing effective social policies individuals will turn to the state when facing risks or to redistribute income. This is one other explanation, why individuals in low and middle-income countries do not ask for more encompassing policies since trust in government is low. As Berens (2015*a*) shows in her work, individuals in Latin America prefer private market insurance offers over public ones. This underlines the fact that we cannot simply transfer the knowledge gained in industrialized countries to less developed countries since the setup and mindset of individuals is vastly different, also when it comes to the effects of globalization.

1.1.2 Economic globalization

Globalization does not only bring prosperity but also induces risks in societies (Walter, 2021). Migration adds new, and often cheaper, labor to the market, international trade and investment affect labor market trajectories of citizens, through, for example, offshoring. The literature, therefore, often differentiates between the winners and losers of globalization, adding another layer of vulnerability to workers.

Who should be seen as a loser of globalization also depends on trade models. In the factorial Heckscher-Ohlin model, the interplay of land, labor, and capital determine whether a worker benefits from globalization or not. Following this model, countries that are endowed with more land and a larger labor force are expected to produce labor-intensive goods, particularly benefiting low-skilled labor since no high level of education is necessary to carry out those tasks. Capital intensive countries, on the other hand, specialize in innovation and research and will, hence, benefit high skilled, specialized workers. The New New Trade Theory by Melitz (2003) takes a company-centered approach to its trade model and challenges the factorial Heckscher-Ohlin model. Here, it is only the most efficient and successful companies that prevail in global markets. These companies are usually better employers around the world and hence, can select the best workers. According to this trade model, it is always the high-skilled individuals that benefit most from international market integration. The differentiation between beneficiaries or losers of trade adds another important dimension apart from labor market dualization between formal and informal workers. In her work, Walter (2010) shows, using survey data from the industrialized country context of Switzerland, that it is especially globalization losers that demand more protection from the state.

Workers perceive the risks of globalization in industrialized countries as worthy of governmental intervention, and it affects their political and economic preferences (Margalit, 2011; Bisbee, 2019; Di Tella and Rodrik, 2020). Margalit (2011) shows in this work on the U.S. that counties losing jobs to offshoring were more likely to vote against the incumbent in the national elections. The effect can be attenuated if the

government offered active labor market policies, like training, to the ones that lost their job to the international market. This underlines the importance of economic globalization issues in industrialized countries, also playing a role for electoral outcomes. Bisbee (2019) adds to this literature with a combination of micro and macro data and shows that the negative effects of trade on the county level in the U.S. do not only have electoral consequences but also foster positive attitudes toward protectionism and increases skepticism towards immigrants. In a survey experiment, Di Tella and Rodrik (2020) provide U.S. respondents with different scenarios affecting the labor market and possible policy responses to those scenarios. They show that individuals react especially when confronted with trade negatively affecting the labor market and prefer the implementation of tariffs as a policy response, hence, more protectionism. As becomes visible, the effects of trade have been studied with micro and macro data but mostly in the context of the U.S., an industrialized country. These studies show that globalization is more than a risk that only activates the self-interest of individuals but it at least expands, in the U.S. context, to individuals that live in geographical proximity, as in the same counties. Apart from the fact that these studies take into account an industrialized country, it is unclear if the effect would also go beyond the county level and how the relationship would be impacted if a migrant worker was negatively affected by globalization outcomes.

Literature with evidence in favor of the compensation hypothesis is more diverse when it comes to its geographical focus. Thus, Walter (2017) uses survey data from European countries and shows that exposure to trade increases individual risk perception but that it is mostly the low-skilled individuals showing higher demand for social policy intervention. Hays, Ehrlich and Peinhardt (2005) use micro and macro data from different industrialized countries, among them the UK, the U.S., and Australia, to test whether social policies cushioning the effects of international market integration increase support for free trade. The results reflect this assumption and are in line with the embedded liberalism prediction that welfare states are used to justify negative externalities coming from free trade. Even though these studies scrutinize the effects of globalization on social policy preferences on the micro level, it is again solely industrialized countries that are considered.

Nowadays, middle and low income countries are important players in the international market. Over the years, less developed countries adapted to the world market, eager to benefit from its transformative power, whereas in industrialized countries, parties skeptical of globalization were able to gain more electoral support over the last decades (Walter, 2021). The International Monetary Fund (IMF) has pushed trade liberalization in less developed countries, predicting it to be beneficial for all parts of its population (International Monetary Fund, 2001). Support for free trade is generally high in these countries (Baker, 2003). They opened their

borders for foreign products and reduced tariffs that, originally, were an important source of income for middle and low-income countries, leaving them with public financing problems and a shift to a patchy tax system (Seelkopf, Lierse and Schmitt, 2016; Bastiaens and Rudra, 2018). To be able to provide an encompassing welfare system, governments need regular 'income' through tax revenue. In less developed countries, large parts of the population do not pay income tax, that is the share of informal workers which makes up on average 60% of the working population in Latin America (Baker et al., 2020) and hence, does only contribute through VAT. With international crises affecting larger parts of the world, governments lose, in times of economic downturn, tax revenue and non-industrialized countries have only limited borrowing opportunities on the international markets since their economic systems are considered to be riskier investments than economies of industrialized countries (Wibbels, 2006). Financing problems and limited access to the international credit market in times of crisis (Wibbels, 2006) might be reasons why scholars find, on the macro level, a reduction of welfare states with increased economic global integration in middle-income countries (Kaufman and Segura-Ubiergo, 2001; Avelino, Brown and Hunter, 2005). In her book, Rudra (2008) stresses the danger of the 'race to the bottom', as she calls it, of continuous deregulation of the labor market and a dismantling of the welfare state in middle and low-income countries to offer the most attractive production location for international companies. With that, she argues, the middle class of middle-income countries will particularly be negatively affected and supports her argument using macro-level data as well as qualitative research. She furthermore points out:

"After all, if the race to the bottom hypothesis is true, citizens of developing countries would be particularly vulnerable, given these countries' intense need for capital and, thereby, far greater susceptibility to global market pressures. And yet we have very little knowledge of if, how, and to what extent these pressures are really affecting poorer countries." (Rudra (2008), p.3)

On the macro level, there are studies on the effects of globalization on social policy preferences in Latin America (Kaufman and Segura-Ubiergo, 2001; Avelino, Brown and Hunter, 2005) and also other developing states (Rudra, 2008). It, however, remains unclear whether citizens of these countries prefer the reduction of the welfare state and which coalitions exist on the micro level.

1.1.3 Migration

The same is true when it comes to the effects of migration on individual welfare preferences. These have already been scrutinized extensively concerning the self-interest-based rationale as well as through an altruistic angle, but again mostly in high-income countries.

Before diving into the migration-welfare state literature, it is important to understand where negative sentiments towards immigrants are coming from. The literature identifies four main explanations for anti-immigrant attitudes. Firstly, citizens might feel threatened by migrants in the labor market. The more migrant workers enter the country, the more locals might worry about their own labor market position (Scheve and Slaughter, 2001; Malhotra, Margalit and Mo, 2013), this is referred to as the labor market competition hypothesis in the literature. Secondly, migrants can be perceived as a general threat to the economy, as the socio-tropic economic threat hypothesis suggests (Valentino et al., 2019), or thirdly, individuals can simply have racist attitudes (Newman and Malhotra, 2019). Lastly, following the welfare chauvinism approach, individuals do not want to share their country's welfare state with immigrants and therefore are generally against an inflow of migrants (Facchini and Mayda, 2009; Dancygier, 2010; Careja and Harris, 2021). Here, the deservingness literature provides more evidence that this rationale not only follows self-interest but also a lack of altruism since immigrants are often perceived as part of the out-group and hence, deemed less deserving for accessing welfare policies compared to nationals. Through a survey experiment in the U.S. and Canada, Soroka et al. (2017) find that immigrant status predicts lower support for accessing the welfare state. Reeskens and Van Oorschot (2012) show similar results for the case of Europe using micro-level data. As the evidence in favor of the welfare chauvinism hypothesis shows migration affects welfare states. Alesina, Glaeser and Glaeser (2004) reveal for Europe and the U.S. that a more diverse population leads to less encompassing welfare states. These studies make partial use of surveys, and even experimental data, but focus on industrialized countries. The effects of migration on preferences in middle and low-income countries have, generally but especially on the micro level, only been tested to a limited extent, for example by Meseguer and Kemmerling (2018). The authors find that the fear of an increase in taxes for the financing of a larger welfare state covering also migrant workers is the main driver in anti-immigrant sentiments in Latin America. The lack of research in this area might also stem from the fact that countries of the global South have been seen as sending countries of migrants, as large parts of their population live outside their national territory (UN DESA, 2019). However, they are also major receiving countries of immigrants, transients, returnees, and within-country migrants (Ratha and Shaw, 2007). The variety of migrant streams has generally not been disentangled in the literature and is relevant for industrialized, as well as developing countries.

Three main shortcomings in the migration-welfare state literature can be identified: Whereas in industrialized countries research on immigrants with different skill levels already exists (Hainmueller and Hiscox, 2010), this has not been investigated in middle and low-income country contexts. Furthermore, as mentioned

before, countries face a variety of migration inflow types which should also be better disentangled. Finally, it is unclear how deserving migrants are deemed of accessing welfare policies in less developed countries.

1.2 Brazil and Mexico

Before moving on to the summary of the chapters, it is necessary to give some more details on the cases selected and the collected data. In all chapters, original survey data is used as the main source of analysis. The PQMex Survey 2018 is the data collected for the Mexican case and used in Chapters 2 and 3 (Berens and Deeg, 2018) . The SPBrazil Survey 2019 data set is employed in Chapter 4 that focuses on the Brazilian context (Berens and Deeg, 2019*b*). Both data sets are representative on the sub-national level, in Mexico for the two states Puebla and Querétaro with 1400 respondents and in Brazil for São Paulo state with 1008 respondents.[3] In Mexico and Brazil, national elections were held before the respective survey was implemented. Respondents were, therefore, aware of and familiar with different debates on the welfare state and the economy.

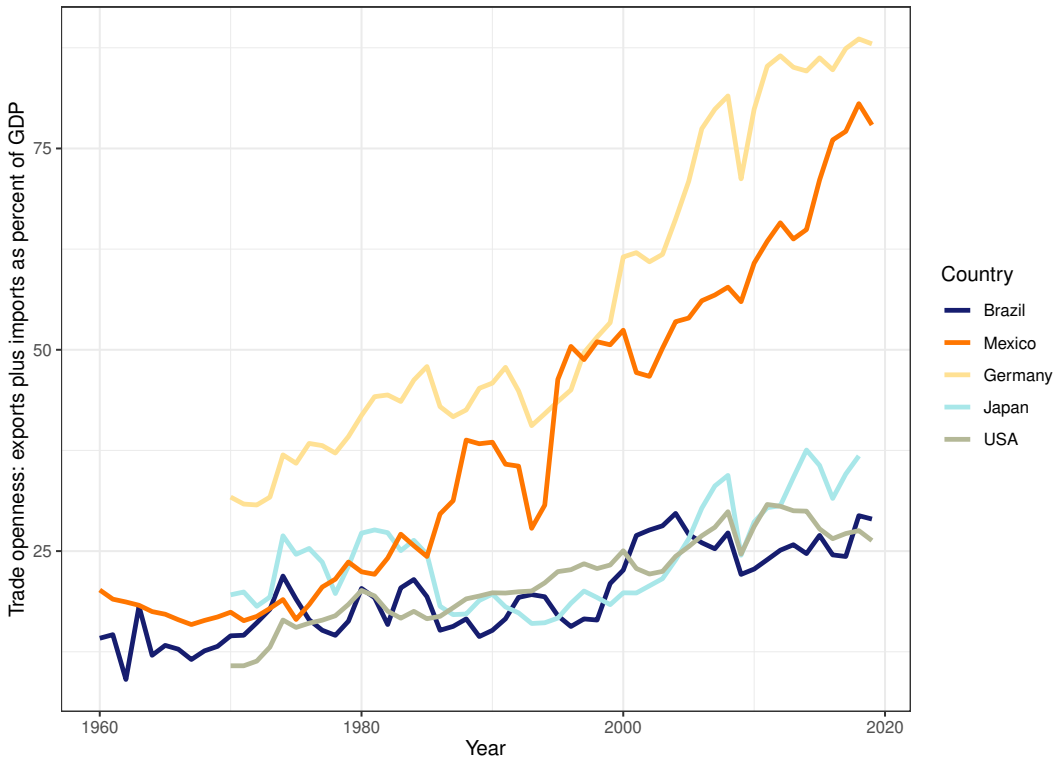
The data collection for Mexico took place in November 2018. Before, the questionnaire went through various stages of feedback from other scholars, the Leibniz Institute for the Social Sciences gesis, the staff of the Mexican survey company that collected the data, focus-group interviews with students from the Mexican University Colegio de México, and pre-tests that were carried out in the two states with 30 respondents per state. For the data collection in Brazil in August 2019 similar efforts in the questionnaire design and testing were made. Both surveys, furthermore, include not only observational but also experimental items. The sampling strategy is explained in more detail in the respective chapters.

Both countries are middle-income countries and share several challenges like a highly dualized labor market and fragmented welfare states with other middle-income countries around the world. The findings can, hence, make a first contribution to the dynamics of globalization on welfare preferences. The case selection follows the diverse case method within the Latin American middle-income country context (Gerring, 2016). The cases were selected because they lie on opposite ends of several indicators and hence, make it possible to study the effects of globalization on welfare state preferences in middle-income countries with different endowments. They vary in their welfare state development and the degree of global integration as well as in other indicators like labor market dualization. This will be explained in more detail below.

Figure 1.1 shows the trend of trade openness over time for several countries. Trade openness is here measured as the sum of exports and imports as a percentage of GDP. Only looking at export data exhibits a

[3]The two countries were already pre-selected in the research project SFB 1342 B03 for the data collection.

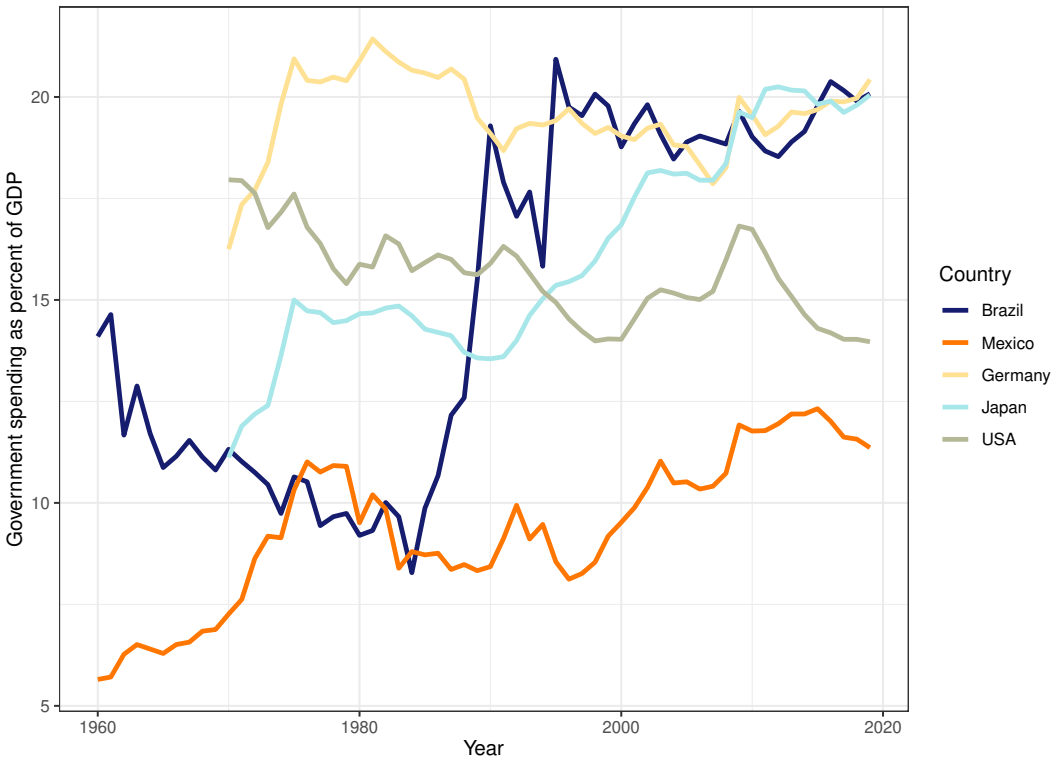
Figure 1.1: International market integration, data source: The Global Economy (2021)



similar trend. The industrialized countries Germany, Japan, and the U.S. are added for reference, they belong to the group of top 5 export economies (Statista, 2021). As can be seen, particularly Mexico experienced a steep increase in trade openness in the 1990s that is comparable to the development of Germany. Brazil shows a more modest increase over time but is also comparable with the development of industrialized countries. This shows that middle-income countries, by now, are important parts of global markets and have integrated themselves intensively in the economic system established by industrialized countries. The difference in trade openness development between Brazil and Mexico is furthermore relevant since it shows an extreme, as well as a modest path to international market integration, and both are covered in this dissertation.

Mexico and Brazil, furthermore, vary in their export portfolio. Whereas Brazil mostly exports raw materials and foodstuffs (OEC, 2019*a*), Mexico's export economy focuses on manufacturing products (OEC, 2019). In both countries, migrants make up only a small part of the population, especially compared with industrialized countries (United Nations Population Division, 2019). Due to its location close to the U.S., Mexico experiences, however, more immigrants, also in the form of transients, and has one of the largest populations living outside of its national territory (UN DESA, 2019).

Figure 1.2: Government spending, data source: The Global Economy (2021)



Looking at government spending shows a different picture. Government spending is used as a proxy for welfare state spending since it is more widely available. Here Brazil increased its spending more extensively than Mexico since the 1980s. The development for Mexico is, in this case, much more moderate. It is, however, also visible that between the mid-90s until today, governmental spending in Brazil has stagnated and even decreased. Again, variation between the two cases is found in which Brazil shows higher levels of government spending compared to the other middle-income country Mexico.

Finally, Mexico exhibits a highly dualized labor market with 65.9% of the working population being counted as informal workers (Baker et al., 2020). In Brazil only 45% are informal workers (Baker et al., 2020).

In sum, the two countries depict a diverse set of cases of the region that are worth exploring. They differ in their endowment and hence, give first useful insights in middle-income countries. Finally, it is worthwhile to investigate these two countries to see how their globalization differences translate into welfare preferences on the micro level. Both countries have been selected for inclusion in the dissertation to show variance within the middle-income country context.

1.3 Overview of chapters

The three chapters are thematically connected through their focus on the effects of globalization on welfare policies in the two middle-income countries Mexico and Brazil. The second chapter looks at the impact of trade, or economic globalization, on social policy preferences in Mexico, while the third chapter advances of understanding on migration and its effects on social policy preferences, again in Mexico. Both chapters take the self-interest of individuals as their theoretical foundation. In the fourth chapter, the case of Brazil is covered for both trade and migration. Here, altruistic attitudes in form of welfare deservingness considerations come in. The chapters in this dissertation, hence, cover different dimensions of globalization in two different middle-income countries and their effects on welfare preferences, coming from an altruistic but also self-interest-based perspective.

1.3.1 Chapter 2

The first of the three research chapters included in this dissertation is called "Do protectionist times demand encompassing welfare states? Trade risk and social policy preferences in Mexico". It focuses on the effects of protectionist threats on social policy preferences in the middle-income country context. So far, risks of globalization have been mainly constituted of further international market integration that leads to outsourcing and imports from low-income countries. This perspective is, however, centered on industrialized economies that fear losing their comparative advantage in production and innovation, and hence, have to compensate their population for losses from globalization through more extensive welfare states (Ruggie, 1982; Katzenstein, 1985; Rodrik, 1998). For middle and low-income countries, international market integration and trade are a chance for a better future. Therefore, individuals in Latin America are particularly in favor of globalization (Baker, 2003). For them, another trade risk has emerged in the last years: protectionism. Middle-income countries have adapted their development strategies to become part of international supply chains and are, by now, dependent on these. An increase in protectionist measures from industrialized economies threatens middle-income countries. Citizens of developed countries seem to demand an expansion of their welfare states with an increase in international market integration (Walter, 2010, 2017). In the less developed country context, support for the competition hypothesis has been found on the macro level that predicts deterioration of the welfare state to be more competitive internationally (Kaufman and Segura-Ubiergo, 2001; Avelino, Brown and Hunter, 2005). Does it, hence, mean that the international risk of protectionism leads to more demand for social policies in the population of middle-income countries?

This is tested in the context of Mexico using original survey data from the sub-national level in 2018. The data was collected in the time of protectionist threats from Mexico's main trading partner the U.S. The North American Free Trade Agreement (NAFTA) was called off and renegotiated, leaving Mexico in a climate of uncertainty since the new treaty was only fully ratified in 2020. To understand whether or not protectionist threat concerns lead to demand for a more encompassing welfare state in middle-income countries, more factors have to be considered. Here, it becomes also important to take into account the internal discrepancies to industrialized countries: dualized labor markets, fragmented welfare states, low tax morale and low trust in the government (Berens, 2015*b*; Holland, 2018; Castañeda, Doyle and Schwartz, 2020). These factors pose different challenges than in countries of the global North in which especially trust in government is more profound. In this chapter, I argue that the effect of protectionist threat concerns do not increase the demand for social policies. Individuals might not feel certain about the fact that their government will have the ability to protect them against the new trade risk and might rather opt for private offers or to save independently of the government. I, furthermore, look at a subgroup of internationally exposed workers versus workers that engage in sheltered jobs and hence, are not as affected by international market disruptions. Their hypothesis states that international workers will be less likely to support an increase in social policy spending whereas non-international workers will have no clear preference here.

The linear regression results show support for my argument. Those that worry more about protectionist threats from the U.S. are less likely to support an increase in welfare state spending. It, however, depends on the type of social policy. I find significant negative effects for the universal policies health care and education but not for pensions and the conditional cash transfer Prospera. The same is true for my second hypothesis: International workers are less likely to support an increase in spending when they worry about protectionist threats, depending on the social policy. International workers are significantly against an increase in spending for all social policies but the confidence intervals overlap for the policies of health care and education. A significant difference between international workers and their counterparts can be found for the contribution-based pension scheme and means-tested Prospera. The results are corroborated in different model specifications. The findings can be explained by again looking at research studies on the endowment of the welfare state and labor market dynamics. Firstly, individuals are unsatisfied with the social policies provided by the state. This and high levels of corruption and violence lead to low tax morale that does not generate sufficient funds to make social policy intervention more effective. Individuals, even in light of trade risk, hence, rather not rely on the state. The clear advantage of this paper is its focus on a middle-income country on the micro level and the investigation of protectionist threats which is so far a unique combination

in this stream of research. It, therefore, expands our understanding of global threats and the welfare state in non-industrialized countries.

1.3.2 Chapter 3

The article "How concerns about different types of migrants affect social policy demands among low and high-skilled Mexicans", co-authored with Sarah Berens, is found in Chapter 3. This chapter focuses on another phenomenon of global integration: migration. The effects of different migrant groups on social policy preference in middle-income countries are, so far, another neglected topic in academic research. While research on migration mostly investigates attitudes towards refugees and immigrants, there is a variety of different types of migrants that can be observed particularly in the global South. Other groups include transients, emigrants, immigrants with different educational backgrounds, within-country migration, and returnees. This paper focuses on refugees and returnees and their effect on social policy preferences.

Again, the focus of this chapter lies on the middle-income country Mexico and uses the same data set as Chapter 2. Refugees from Central American countries passing through and often staying in Mexico are investigated as well as Mexicans that return from living in the U.S. At the time of data collection in 2018, the migration topic was salient in Mexico since large groups of Central Americans were moving through Mexico to reach the U.S. Many were not able to cross the border and settled in Mexico (Hiskey et al., 2018). The group of returnees is also relevant since Mexico is one of the countries with the largest population living outside of the country (UN Department of Economic and Social Affairs, 2017).

This paper is one of the first to address attitudes to return migration using a quantitative approach. Returnees, due to their nationality, usually have more unrestricted access to the national welfare state than refugees; this is also the case in Mexico. This can create new distributional conflicts, as returnees have access to a system to which they have not actively contributed through tax payments. In Mexico, it is necessary to distinguish between two camps of natives: through the dual labor market, one can differentiate between formal workers, who have better access to social policies and are usually better educated, and informal workers, who are more likely to be disadvantaged in terms of social policies and are less educated. Returnees from the U.S., on the other hand, can be classified as better educated (Massey, Durand and Pren, 2015) and consequently compete directly with formal workers in the labor market. Refugees can be categorized as less educated and should therefore be in a competitive relationship with informal workers. In addition, there is also the non-existent language barrier within Latin American countries, which facilitates informal employment of refugees (Dancygier and Walter, 2015). Since both groups, the better-educated and the

less-educated Mexicans, receive direct labor market competition from global migration flows, following a self-interest-based rationale, they should have a stronger need for protection and demand an expansion of the welfare state (Scheve and Slaughter, 2001; Moene and Wallerstein, 2001).

This is where an argument similar to the one in the first paper comes in: low trust in the state makes people less willing to support the state through tax payments. This is exacerbated if the system could support individuals who have never or insufficiently contributed. In the results, it is mainly the returnees who trigger negative attitudes toward the expansion of the welfare state, especially among the better educated, mostly formally employed workers. Formal workers bear a direct tax burden, income tax, whereas informal workers indirectly finance the Mexican welfare system with high value-added taxes. The willingness to directly tax income is low in Mexico (Castañeda, Doyle and Schwartz, 2020) and seems to decrease even more if individuals are to be co-financed who, through their nationality and better education, have access to the same social system as the formal workers themselves. Furthermore, it could also be because better educated formal workers have a better cognitive grasp of the complexities involved and are more likely to be aware of the costs to the welfare system of high return rates. A country like Mexico seems to be more affected by returnees than refugees, offering us new approaches to migration research and suggesting that migration does not consist of just one stream, but offers a complex interplay of different migration types. Herein lies the contribution of this chapter, bringing to our attention a group of migrants that has not been studied extensively: returnees.

1.3.3 Chapter 4

The fourth chapter "Offshoring, migration, and pension deservingness perception in Brazil: A conjoint experiment" takes migration as well as economic globalization in the form of offshoring into consideration. The article extends our knowledge on welfare deservingness to the middle-income country context. Again, a gap is identified in that literature when it comes to findings on non-industrialized countries. Furthermore, deservingness studies focus often solely on migration but do not take into account economic globalization or offshoring. I deviate from my focus on self-interest-based rationales that I take in the other two chapters and look at the other aspect of welfare state development: altruism and fairness considerations within a population.

Van Oorschot (2000) has established five dimensions of welfare deservingness: control, attitude, reciprocity, identity, and need. If an individual, for example, has to make involuntary use of the welfare state, this individual, Van Oorschot (2000) argues, will be more likely to be deemed deserving from others. The

same is true for the other dimensions.

In this chapter, I use original survey data from São Paulo state in Brazil, collected in 2019. An experimental set-up of a conjoint was used to investigate deservingness consideration in the middle-income country context. The experiment makes the investigation of a causal relationship possible. Respondents saw two profiles of fictional individuals that were assembled by nine different attributes relating also to four of the five deservingness dimensions (control, identity, need, reciprocity). Then, respondents were asked to pick the individual that they deem most eligible for pension benefits. I argue that offshoring and migration play an important role in the deservingness considerations of individuals. Here, they are connected to the deservingness dimensions 'control' and 'identity'. On the control dimension, I use different scenarios in the experimental design on how the fictional individual is positioned in the labor market, whether employed or unemployed, and for what reason. Globalization-related, as well as non-globalization-related scenarios, are shown. The identity dimension connects to nationality, either being a fellow citizen or not.

The results support my claims. Individuals that lost their job to offshoring are more likely to be deemed deserving than individuals that lost their job due to low productivity. Nationality significantly determines welfare deservingness in the middle-income country context as well. Being from the same region as the respondent makes individuals more likely of being deemed deserving to access pension benefits. What, furthermore, stands out in the estimates is that the deservingness dimension 'need' plays an important role here. Individuals with lower incomes and lower levels of education are more likely to be seen as deserving of a pension. This has more general implications for the welfare state: Instead of an encompassing welfare state individuals in Brazil seem to favor means-tested social policies that only become relevant for those that are really in need of it. This fits the narrative presented in the chapters above: state intervention should be kept minimal.

1.4 Contribution and relevance of this work

This cumulative dissertation advances the scholarly debate on the dynamics between globalization and welfare preferences in middle-income countries. This project that is located in the field of international political economy, delivers insights on the micro level for two Latin American countries. This is relevant because the vast majority of the global population lives in middle and low-income countries, faces, hence, different economic endowments and challenges than individuals in high-income countries. The results of the three chapters show that the scholarly debate needs to be advanced in this field since the findings from industrialized countries are not fully transferable to the context of the global South.

The contribution of this work is threefold. First, it is, to my knowledge, the first study that investigates the effects of protectionism as a trade risk on social policy preferences. Protectionism is particularly problematic for less developed countries that have adjusted their development strategies to international market integration. At the same time, voices in favor of protectionism in industrialized countries are becoming louder, posing a real threat to middle-income countries. Additionally, this research study is the first in addressing the effects of labor market disruptions due to international trade on welfare deservingness.

Second, the dissertation contributes to the migration literature that is so far rather limited in the context of middle-income countries. It considers the effects of re-migration that have not been empirically estimated yet. Additionally, it adds to the migration deservingness literature a case of a middle-income country, showing that, even in contexts of little actual immigration exposure, individuals have a strong sense of in- and out-group and deem immigrants particularly undeserving for accessing welfare policies.

Third and finally, as part of the dissertation project, original survey data was collected. The questionnaire design and data collection process followed the highest standards of academic research to generate high-quality data. The data sets will be made available at the end of the project period in December 2021. The data sets encompass a variety of variables, observational and experimental, on labor market dynamics, social policy preferences, globalization attitudes, and more, leaving many research projects for the future.

1.5 Publication status of articles

The first article "Protectionist times ask for encompassing welfare states? A study of trade risk and social policy preferences in Mexico" is a single-authored paper currently under review at the research journal "Global Social Policy". The article "How concerns about different types of migrants affect social policy demands among low- and high-skilled Mexicans" is a co-authored manuscript with Sarah Berens. Both authors contributed equally to the research study. Prof. Berens focused on the literature review and initiated the theoretical argument, I worked on the empirical analysis. Throughout the collaboration, both authors also contributed to the general advancing of the article. It is currently under review at "Politics and Society". The third paper "Offshoring, migration, and pension deservingness perception in Brazil: A conjoint experiment" is again a single-authored piece and is under review at "Political Studies". All articles and the collected data are outcomes of the Collaborative Research Center 1342 ''Global Dynamics of Social Policy" and the project "International Complementarities in the Development of the Welfare State. The Transatlantic Sphere (1870-2020)" which was financed by the German Research Foundation (DFG).

Chapter 2

Do protectionist times demand encompassing welfare states? Trade risk and social policy preferences in Mexico

Abstract

In recent years, the status quo of ever-growing international market integration has been challenged by increasingly louder voices that speak in favor of protectionism. However, the effects of protectionism on welfare systems and their support coalitions on the micro level are under-studied. This article argues that in middle-income countries trade disruptions translate into decreased demand for social policies. In these countries the welfare system is often insufficient and the degree of labor-market dualization is high. Original survey data from two Mexican states, collected in November 2018, supports this argument. Even when individuals are concerned about protectionist threats, they still prefer a reduction in the welfare state. Focusing on a sub-group of tradable and non-tradable-sector workers reveals that those in the tradable sector in particular oppose expanding the welfare state, even though they are more likely to be harmed by protectionist measures.

Keywords: Globalization · Mexico · Social policy preferences · Survey · Welfare State

JEL classification: O170 · H4 · O54 · E2 ·

DFG project number: 374666841

2.1 Introduction

Decades of international market liberalization are reflected in an extensive scholarly debate on the positive and negative effects of globalization on society, economy and politics within and across countries. The contest between the competition and compensation hypotheses, focusing on globalization and its implications for the welfare state, has yet to be settled. Evidence in favor of the compensation argument reveals that when international market integration increases, demand, and spending for a more encompassing welfare state grows (Katzenstein, 1985; Rodrik, 1998; Garrett, 2001; Garrett and Mitchell, 2001). In contrast, findings in support of the competition hypothesis suggest that with intensifying globalization comes a deterioration in social policies (Kaufman and Segura-Ubiergo, 2001; Avelino, Brown and Hunter, 2005). It seems, however, that the long-accepted market liberalization has come to a halt. In recent years concerns about the negative effects of globalization have been voiced more loudly, and high-income countries are increasingly adopting protectionist policies (Walter, 2021). The consequences are particularly severe for economically less-developed countries that are highly integrated in international markets. These observations point to two main shortcomings of the globalization/welfare-state debate: 1) few studies address middle- and low-income countries, and 2) the effects of protectionism on welfare-state preferences have not yet been scrutinized.

Do individuals in a middle-income country like Mexico, highly integrated in the international market, demand welfare-state expansion when confronted with protectionist threats from their main trading partner, the U.S.? Using the literature on globalization and the welfare state in combination with scholarly work on dualized labor markets and welfare-state preferences in less-developed countries, I argue that protectionist threats will *not* increase demand for social policy expansion in the middle-income-country context. The compensation hypothesis' hidden assumption of trust in the government is often not met in less-developed countries. Here, fragmented welfare states, low tax morale, dualized labor markets and high skepticism towards the government present major differences from high-income-country contexts (Berens, 2015*b*; Castañeda, Doyle and Schwartz, 2020). The structure of the welfare state and the economy make it not worthwhile for individuals to demand expansion of social policies even when directly affected by economic uncertainty (Holland, 2018). Looking at a middle-income country like Mexico on the micro level has not been done, but it is necessary to further understand the impact of globalization on individuals in less affluent economies that are already highly integrated into global markets (Brooks, 2014).

In this paper, I focus on Mexico in a time of economic uncertainty. In the 1990s the North American Free Trade Agreement (NAFTA) created a free trade zone between the U.S., Canada and Mexico, lasting

until President Trump began to renegotiate. He accompanied the negotiations with protectionist threats, creating a climate of economic uncertainty, especially in Mexico which is highly dependent on the free trade agreement. Ultimately, the negotiations succeeded, with a new trade deal (USMCA), but this was only fully ratified by all countries in 2020. I use original survey data collected in two Mexican states, Puebla and Querétaro, in November 2018, exploiting the salience of the protectionist threat at this time, to test my argument. This helps us to better understand the immediate response of citizens in a middle-income country to protectionist threats in a highly integrated world. While the analysis derives from evidence from only two states, the findings generate important first insights for a middle-income country similar on several dimensions to other countries with dualized labor markets and high inequality, like China, India and Brazil.

The empirical analysis shows significant results. Individuals who worry about the trade relationship between Mexico and the US reveal reduced demand for different welfare policies. Respondents demonstrate less support for expanding the universal policies of primary and secondary education and health care. For pensions and the means-tested cash transfer Prospera, I do not find significant results. I zoom in further and run a sub-group analysis looking at workers in tradable vs. non-tradable sectors. It is the internationally exposed workers who significantly oppose social policy expansion in all models. Tradable and non-tradable-sector workers, however, are only significantly different from each other in their preferences over pensions and Prospera. Non-tradable-sector workers show, in most models, no significant preferences toward welfare policies.

The paper is structured as follows. I first summarize the relevant literature, from which I also draw my hypotheses and the argument that I will introduce in the subsequent theory section. I then present and discuss my empirical results, including those from the sub-group analysis, with robustness tests following. To conclude, I summarize the main points and contribution of the article, pointing to its necessary limitations, and suggest further possibilities for future research.

2.2 Trade risks and social policy preferences

Globalization influences electoral outcomes (Margalit, 2011; Walter, 2010), leads to restructuring of tax systems (Seelkopf, Lierse and Schmitt, 2016), reduces solidarity with higher FDI inflow (Linardi and Rudra, 2020), and might increase demand by individuals for insurance (Mares, 2005; Leibrecht, Klien and Onaran, 2010). In the literature, globalization is often connected to material threats, activating individuals' self-interest, since it induces job insecurity through intensified competition in the form of offshoring and migration (Dancygier and Walter, 2015). The experience of economic shocks, studied in the U.S. context, has shown a

positive and significant relationship with higher demand for the welfare state (Margalit, 2013; Hacker, Rehm and Schlesinger, 2013; Rehm, 2009, 2011). Workers in Foreign Direct Investment (FDI) industries reveal higher levels of job insecurity (Scheve and Slaughter, 2004) and, according to Margalit (2011), it is especially those who have lost their jobs to international trade (e.g. through offshoring) that support welfare policies more strongly. The literature, then, seems to be unambiguous about the effects of globalization on individual insecurity.

But does this insecurity always lead to increased support for an encompassing welfare state? Even in countries with traditionally low levels of welfare-state coverage? In the postwar period, not only did international market integration expand, but so too did welfare states that should cushion the effects of globalization risks (Ruggie, 1982). Scholars found support for this claim in industrialized countries and the compensation-hypothesis literature emerged (Leibrecht, Klien and Onaran, 2010; Walter, 2010, 2017).[1] Walter (2010) and Walter (2017) show, in the European context, that globalization leads to more insecurity and, particularly among the losers from globalization, to support for expanding the welfare state. Similarly, Hays, Ehrlich and Peinhardt (2005) show for industrialized countries that government compensation measures were particularly welcomed by individuals working in the import sector and led to higher levels of support for trade openness among those individuals. Hence, compensation is a key instrument in keeping support for globalization high among the populations of industrialized nations. Taking the work by Walter (2010) on Switzerland one step further, Hellwig (2013) investigates support for social policy that is dependent not only on globalization and economic risk, but also on type of policy. He distinguishes between old-age pensions, health care and employment insurance. His results indicate that individuals in developed economies have lower demand for social policies that are particularly targeted to tackle inequality, and greater support for policy areas like health care and pensions, as illness and old-age poverty still need to be tackled in a globalized world.

The competition, constraint or efficiency theory hypothesizes the opposite of the compensation hypothesis. Increased global competition might lead governments to enhance their country's competitiveness through lower corporate taxation and laxer labor laws. The welfare state therefore deteriorates and governments invest less in social policies (Kaufman and Segura-Ubiergo, 2001; Avelino, Brown and Hunter, 2005). However, voters too might prefer leaner states in which tax rates are low. Especially in fragmented labor markets, in which the tax burden weighs heavily on only a certain part of the population (Goñi, Humberto López and Servén, 2011), individuals might be less supportive of social policies, even in the face of risk-inducing

[1] Globalization induces more volatility, since companies are now able to choose production sites according to the strategy that best meets their needs in terms of higher demand for capital or labor (Bretschger and Hettich, 2002).

globalization. So far, results favoring this theory have been found solely on the macro level: for example, in the Latin American context (Kaufman and Segura-Ubiergo, 2001; Avelino, Brown and Hunter, 2005). In one qualitative case study of two African middle-income countries, Ulriksen (2011) shows that the adaptation of welfare policies under increased global pressure is path-dependent. Hence, countries will take into account the current structure of their welfare state and undertake reform accordingly, depending too on their overall economic strategy. If the welfare state is already less comprehensive, and the market a liberal one that pushes exports, a country will not expand its welfare state when global pressure increases.

Thus, the existing structure of the economy and welfare state mitigates the effect of globalization on welfare-state expansion and might also be reflected in individual preferences. In Latin America, as in most other less-developed countries, a dualized labor market splits employees into insiders and outsiders (Berens, 2015*b*). Labor-market insiders usually enjoy a more privileged working situation, with better access to the welfare state, which, for outsiders, is limited. This introduces another cleavage into society and further leads to greater segmentation of support coalitions, which might weaken trade union negotiating power (Kaufman and Segura-Ubiergo, 2001). Social insurance preferences might, therefore, not be communicated effectively. Reduced support for the welfare state has even been found in high-income countries in which labor-market dualization is high (Fernández-Albertos and Manzano, 2016).

In a world with such a high degree of global embeddedness, protectionism emerges as another, and significant, risk. Many countries, especially in the less-developed world, are now economically dependent on international supply chains (Freund et al., 2018). With increasing protectionist threats, especially from industrialized countries, it is unclear how individuals in less-developed economies respond to this new type of trade risk in terms of their welfare-state preferences.[2] The relationship between protectionist threats and social policy preferences has been under-researched. Another, more general, shortcoming of the globalization welfare-state literature is its lack of micro-level studies on middle- and low-income countries in which challenges, such as lower state capacity, high income inequality and poverty, contribute to unequal development within a single country.

[2]As an example: Mexico is highly dependent on the free trade zone of North America, making it the ninth largest exporter in the world. The main export focus is on manufactured goods (OEC, 2019): in 2017 cars constituted the biggest percentage (10.8%), followed by vehicle parts and other electronic devices (OEC, 2019). The main export destination is the U.S., which received 73% of all Mexican exports in 2017 (OEC, 2019). This underlines the fact that this middle-income country is a serious player in the international market, making protectionism an even graver risk.

2.3 The argument

Scholarly research finds support for the claim that, with increasing globalization, welfare states are reduced, especially in less-developed countries. Furthermore, these countries' welfare states are less comprehensive to start with, labor markets are fragmented, and trust in government is low. Hence we infer that the compensation logic applies only in cases in which the hidden assumption of high trust in government holds true. It could be argued that an increase in globalization in less-developed countries is seen not as a threat, but as a promise of better opportunities. This is underlined by the fact that support for globalization is generally high in Latin American countries (Baker, 2003). We see reduction in the welfare state, since individuals believe that they will profit from increased international market integration and will not need social policies. As indicated above, middle-income countries in particular have aligned their development strategies to become important parts of international supply chains. This means that, for them, the real threat of globalization lies not in expansion, but in reduction – that is, protectionism. Does this, then, mean that protectionist threats lead to higher demand for more encompassing welfare policies in middle-income countries?

To answer that question, it is necessary to think about who has access to what types of social policies in middle-income countries and the nature of their relationship with the government. Taking these factors into consideration, I argue that, in a middle-income country, such as Mexico, we can expect less demand for an expansion of the welfare state from individuals who are concerned about protectionist threats. In this paper, I focus on the case of Mexico, which is exemplary of middle-income countries which are often characterized by fragmented welfare states and dualized labor markets (in terms of informality, for example, Mexico lies around the average level for Latin America (Baker et al., 2020)).

The welfare state in Mexico was originally developed under protectionist conditions and was mostly accessible only for labor-market insiders (Perry et al., 2007). Only in the 1990s did a shift in social policy focus lead to an increase in means-tested social policies that particularly targeted the poor. Nevertheless the Mexican welfare system remains highly fragmented. The universal social policy benefits, like education and health care, suffer from low quality. Insiders have access to better-quality health care, but usually supplement these public goods with private options (Berens, 2015*a*). Population estimates (from the Mexican National Employment and Social Security Survey (ENESS) 2017) show that, if medical care is necessary, 19% of the population choose private health care providers;[3] however, only 1.1% of the population have private health

[3]Just above the 18.9% of the population had used Seguro Popular, the universal health care scheme. Meanwhile, 15.4% made use of IMSS, the contribution-based health care system. The biggest proportion of respondents (45.7%) had not used any

insurance (INEGI, 2017).

Additionally, the composition of the labor market and the risk of unemployment are important factors in explaining policy preferences. Unemployment insurance does not exist; only high-skilled labor-market insiders sometimes have access to severance pay. Other available social policies therefore become even more important, since individuals face the same universal risks when unemployed. Getting sick, not being able to pay for education or to save for the future puts more pressure on public health care, schooling, pensions, and means-tested benefits like conditional cash transfers. These are general policies that affect large parts of the population, but differ in their immediate urgency. Access to these policies is dependent on labor-market status. The interests of insiders and outsiders might therefore be difficult to align and, hence, make redistributive policies less preferable. This might be especially the case for pensions, which are solely accessible by insiders.

The most vulnerable groups in particular perceive insurance offered through public goods as low value (Holland, 2018; Holland and Schneider, 2017). As Mares (2005) argues, individuals face a trade-off, in which they need to determine if the state is actually able to provide better and/or more provision of social benefits or if they should instead opt for private-market offers. This clearly has direct implications for taxation preferences. Since the utility of public welfare policies might be perceived as low, while access to social policies, moreover, is not guaranteed to everyone, tax morale might also be low. Individuals might be unwilling to finance such policies through their income. Labor-market insiders usually pay income tax as well as VAT, while outsiders mostly pay taxes only through VAT. The tax system is therefore considered to be regressive, since high VAT leads to a heavier tax burden on labor-market outsiders, who are usually less skilled, earn lower wages and have to spend most of their income on consumption (Castañeda and Doyle, 2019; Berens and von Schiller, 2017). Castañeda, Doyle and Schwartz (2020), furthermore, found that in Latin America insiders in particular show low levels of support for taxation because they insure themselves on the private market.[4]

I expect, therefore, that in the case of a middle-income country like Mexico, we cannot assume increased demand for social policies even in times of economic uncertainty induced by protectionist threats from its biggest trading partner. We are more likely to observe, on average, decreasing demand for welfare-state generosity. Thus, I develop the following hypothesis for the average effect:

medical service in the last year (INEGI, 2017).

[4]Again, the ENESS 2017 findings underline this: the highest share (19%) of the population that needed medical assistance made use of private health care providers, even though most of them had to pay the full cost, since only a small percentage of respondents overall (1.1%) was covered by private insurance (INEGI, 2017).

Hypothesis 1 *Mexican workers are less likely to support an increase in social policies when they worry about the trade relationship with the U.S.*

Not all parts of the working population of a country, however, are equally affected by globalization risks. It is worthwhile disaggregating the working population, breaking it down into individuals directly exposed to the international market (workers in the tradable sector) and individuals who occupy sheltered professions (workers in the non-tradable sector). Who, in the middle-income-country context, are these individuals?

The New, New Trade theory suggests that only the most productive companies are able to compete in the international market, have the highest returns from trade, and strongly engage in outsourcing (Melitz, 2003). These companies are therefore attractive employers, since they are likely to abide by labor-market regulations and to offer higher wages. Companies that are highly competitive can also attract the highest-skilled workers in a country (Iversen and Soskice, 2010). This differs from the Heckscher-Ohlin and Stolper-Samuelson models, in which abundant factors of countries make them internationally competitive. Industrialized economies mainly show factor abundance in high-skilled workers and capital, whereas less-developed countries are abundant in low-skilled labor and land; it is the abundant factors which will mostly benefit from trade. The New, New Trade theory challenges this view, predicting that in less-developed countries, too, trade is most beneficial for the higher skilled.

We must, then, reconsider what skill level means in different contexts. Whereas in less-developed countries the average individual has fewer years of education in comparison to individuals in industrialized countries, this also means that high-skilled individuals in less-developed countries might not have acquired the same skill level as in industrialized countries (Owen, Menendez and Walter, 2020).[5] Thus, it is misleading to assume that the abundant factor in a middle-income country – cheap, low-skilled labor – will mostly benefit from globalization, making it necessary to rethink support coalitions for the welfare state in light of trade influence on the macro level.

Following the New, New Trade Theory, tradable-sector workers might be more likely to be higher skilled and could be perceived as winners from global integration. In light of the most recent trade developments and arising protectionism, it should also be tradable-sector workers who feel more concern about changes in trade relationships. Thus, globalization winners should be the losers from protectionism. Workers in the non-tradable sector, who might not be as dependent on international relations in terms of their day-to-day work life, should be less affected by changing trade relationships.

[5] In the case of Mexico, only 21.2% of the population aged 25-64 have attained upper secondary education, the lowest number in the OECD, and well below the OECD average of 42.4%. Accordingly, individuals with above upper secondary education in Mexico can be categorized as high skilled (60.9% have below secondary education) (OECD, 2018).

In terms of the relationship of tradable- and non-tradable-sector workers to the welfare state, tradable-sector workers, with their higher skill levels and bigger incomes, might be more opposed to an expansion of social policies, since they might have chosen private alternatives (Castañeda, Doyle and Schwartz, 2020) or receive company benefits.[6] It might, however, depend on the policy. Since health care and education are generally available to everyone, reluctance to expand them through an increase in taxation might be higher. Furthermore, these large-scale benefits are more difficult to provide in a meaningful way and may require even more trust in the ability of the government in comparison to contribution-based policies. Retirement benefits are connected to labor-market status and thus accessible for formal workers, who can be found in both tradable and non-tradable sectors. Given low trust in the state, more affluent tradable-sector workers might prefer to save without government intervention. Székely, Mendoza and Karver (2015) showed that the majority of savings in Mexico are held by the richest 10% of households, and that they prefer to hold their savings in the form of long-lasting consumer goods. Hence, investing a proportion of income into a pension fund might not be considered beneficial, especially when uncertain times lie ahead.

Non-tradable-sector workers should not feel directly affected by protectionist threats and therefore should not be more or less in favor of expanding the welfare state. This should be the case for all different kinds of social policies, whether universal, contribution-based or means-tested. The following hypothesis summarizes these points:

Hypothesis 2 *Mexican workers in the tradable sector are* ***more likely****, compared to non-tradable-sector workers, to oppose an increase in social policies when they worry about the trade relationship with the U.S.*

As discussed above, various mechanisms could be at play here. The compensation hypothesis assumes that citizens of a country are generally in favor of redistribution; they trust their government and its ability to provide beneficial public goods. This leads to more demand in the population for an encompassing welfare state that insures not only against uncertainties like sickness, but also against economic insecurity, and that provides targeted support in times of job loss. The fact that in most less-developed countries labor-market policies are not available, or are accessible only to a small, privileged group, is an indication that in these countries expectations should be different.

[6] In terms of health care (numbers for other areas are not available), this is only a small portion of the population (1.1%) (INEGI, 2017). The latest version of the National Employment and Occupation Survey (ENOE 2020) of the working population of 15 years and older corroborates that under 2% of the population are covered by private health insurance (here it is 1.7%). It also shows hat most of those privately insured are employed in either internationally or nationally (in various Mexican cities) operating companies (INEGI, 2020).

2.4 Data and model specification

To test the argument, I use original standardized household survey data from a random sample at the state level in Mexico.[7] In November 2018, a face-to-face household survey was conducted in the two Mexican states Puebla and Querétaro with 1400 respondents, 700 per state. The selected states show average values on GDP per capita, and average employment rates, but below-average levels of violence. Both are located in the center of the country, in proximity to Mexico City, the capital, and do not share a border with a foreign country, which could bias responses on globalization and trade. All models in this paper were run using sampling weights to ensure representativeness of the results on the sub-national level. The models are run with fewer than 700 observations, since I focus here solely on the working population.[8]

2.4.1 Dependent variables: social policy preferences

I use support for more generous social policies by instrumentalizing a battery of four items: "The Mexican government should increase spending [on health care]. Consider that this may or may not imply an increase in taxes.". The wording was adapted for asking about increasing spending on primary and secondary education, pensions, and the means-tested conditional cash-transfer system Prospera. Health care and education are universally accessible, whereas pensions are attached to a formalized work relationship in which the employer also adds to the contributive policy scheme (Gobierno de México, 2019). Prospera is only available for the poor: individuals may access it if they fall below a certain income threshold, and it brings with it requirements such as sending children of the beneficiary household to school. These policies were selected since they affect large parts of the population, not only through the services they offer, but also in terms of being financed through taxation (Levy, 2010). A logical choice for this type of analysis would have been labor-market policies, like unemployment benefits or training for the unemployed. Such policies, however, do not exist in Mexico, nor in most of the less-developed world.

2.4.2 Independent variable and controls

I make use of an item that focuses on the trade relationship with the U.S. This egotropic item asked about personal work-situation effects: "Considering Mexico's trade relations with other countries and what this means for you and your work, how concerned are you that the situation of Mexico's trade relationship with

[7] A detailed description of the sampling strategy can be found in the Appendix, Section A.

[8] All survey items were tested by conducting 60 pre-tests in the field with individuals in lower-income brackets. Furthermore, to ensure the questions were worded intelligibly, focus group interviews with a student sample were carried out before the final field phase of the survey in November 2018.

the United States affects your working conditions?". Respondents could answer on a four-point scale from "not concerned at all" to "extremely concerned". I will refer to this item as the trade-risk item. I ran the analysis interacting the trade-risk item with a binary variable indicating whether the respondent is employed in an international company. Respondents were asked: "Does the company/place where you work carry out activities abroad? For example, trade, investment, executive exchange.". They could answer either "Yes" (1) or "No" (0). Individuals were here able to subjectively define themselves as workers in the tradable or non-tradable sector, and thus whether they were directly exposed to international trade or not. I use an additional, objective, way to differentiate between workers. The survey includes an item asking for the respondent's economic sector. I allocated all those who indicated they worked in manufacturing, commerce and finance to the tradable sector, and all agricultural, service and public-sector workers to the non-tradable sector.

Standard control variables are included: gender, income bracket (derived from an index on commodities), age, and education level.Standard control variables are included: gender, income bracket (derived from an index on commodities), age, and education level. Higher education has been found, in the literature, to have an impact on social policy preferences (Alesina and Giuliano, 2011), turning into a negative relationship when skills are transferable and not highly specific (Iversen and Soskice, 2001). To take into account if the respondent has access to a family network, a variable on marriage status is included.

2.4.3 Model

I conduct a linear OLS regression looking at concerns about the Mexico-U.S. trade relationship (trade risk) and individuals' preferences on welfare-policy expansion. In the model below, X depicts various control variables, as outlined above. η is a control for state and ϵ the error term.

$$\textit{welfare policy expansion}_i = \alpha_0 + \beta_1 \text{trade risk}_i + \beta_2 X_i + \eta + \epsilon_i$$

In a second analytical step, I divide the working population of my sample to two groups: tradable- and non-tradable-sector workers. This sub-group analysis adds greater detail to the overall results. As depicted in the model below, the binary variable tradable-sector workers will be interacted with the independent variable trade risk and regressed again on different welfare policies. To facilitate the interpretation of the results, the independent variable will be dichotomized in this model.[9] In one model the tradable-sector

[9]Descriptive statistics for all variables in the analysis and histograms showing the distribution of the main variables of interest are provided in the Appendix.

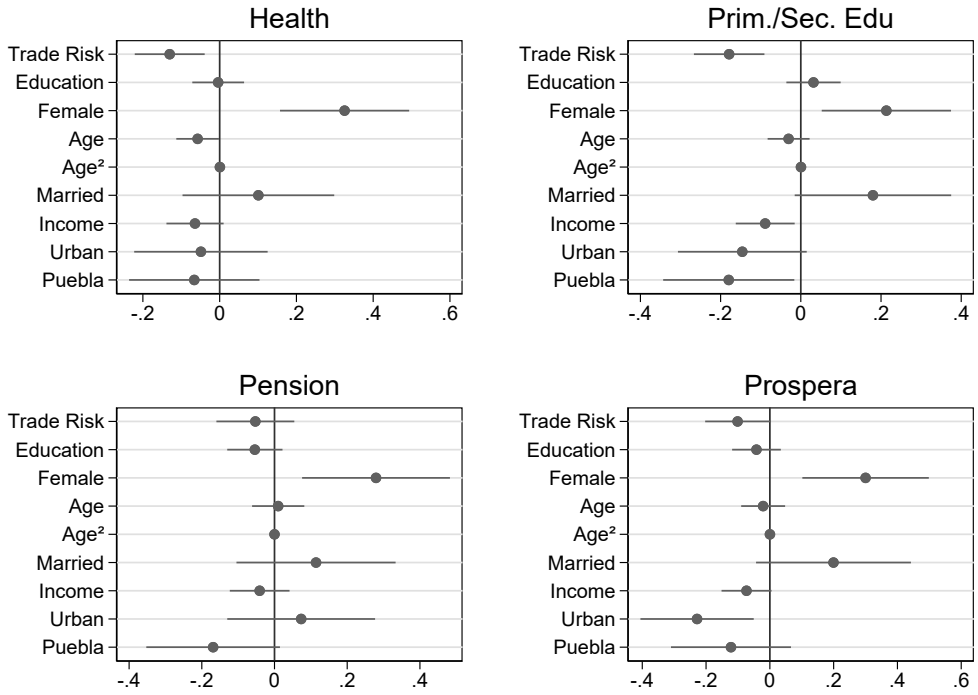
workers variable will be a subjective and in a separate model an objective measure.

$$\textit{welfare policy expansion}_i = \alpha_0 + \beta_1 \text{trade risk}_i \times \text{tradable sector worker}_i + \beta_2 X_i + \eta + \epsilon_i$$

2.5 Results

The average effect of trade risk on four different specifications of social policies is demonstrated in Figure 2.1.[10] Trade risk seems to have no effects on preferences over pensions or the conditional cash-transfer

Figure 2.1: Coefficient plot social policies and trade risk, OLS regressions, weights included



program Prospera. However, a significant, negative relationship can be found between this independent variable and health care, as well as primary and secondary education. Thus, Mexicans who worry about their job situation, due to protectionist threats, are less likely to support an increase in spending on health care and education. This partly upholds the assumptions of hypothesis 1; individuals are less likely to support enhanced social benefits when concerned about trade risk, but it depends on the type of social policy.

[10]The results are also shown in the Appendix, Table 2.2.

Interestingly, the results are significant for the universally accessible policies health care and education. This might have two explanations. First, as already discussed in the theoretical section above, the Mexican tax system is regressive, due to high VAT on consumer goods; but, on the other hand, social policies are additionally financed through income taxes collected from labor-market insiders. Individuals who worry about protectionism might be those most likely to be affected by it and might therefore prefer to save their income instead of paying for an expansion of welfare policies. The quality of the public goods, furthermore, is low, which might lead, secondly, to opting for private alternatives (as Berens (2015*a*) also found) or for insiders to be covered through private company benefits.[11]

These claims, in regard to health care especially, are supported by an item in the most recent round of the Latin American Public Opinion Project 2018 (LAPOP) that asked about satisfaction with the quality of public schools and public health care.[12] Figure 2.6 in the Appendix shows that a majority of Mexicans indicated they were either dissatisfied or very dissatisfied. Public education attracted less dissatisfaction, but there was no consensus on satisfaction (see Figure 2.6).[13] Universally accessible social policies, moreover, are difficult to administer in a meaningful and beneficial way, which might be another reason why these two areas in particular attract significant, negative estimates. Ultimately this ties in to perceptions of low government competence.

For the control variables, I find significant results for being female throughout all social policies, indicating greater demand for all types of welfare policies. Higher income is associated with being less supportive of education expansion, in line with findings in other scholarly research. Surprisingly, this effect is not significant for the other social policies.

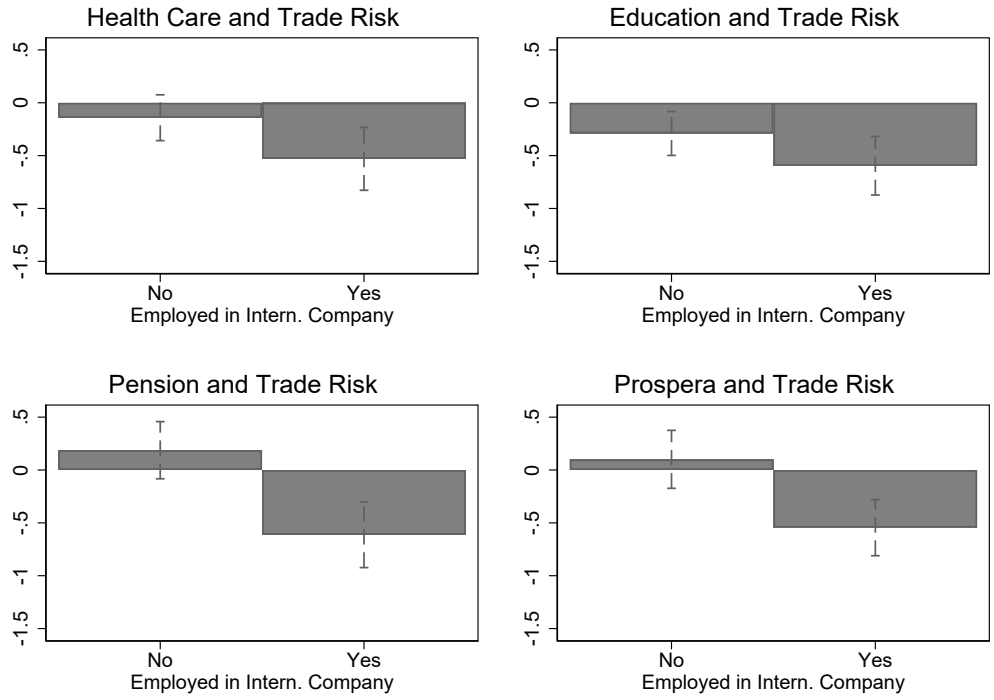
I zoom further in and conduct a sub-group analysis, differentiating between respondents working in tradable and non-tradable sectors. Figure 2.2 shows the interaction effects for trade risk and the subjective item of tradable-sector worker categorization. The four social policy items again serve as dependent variables. Respondents who work in the tradable sector and worry more about their job are less likely to support welfare expansion. Furthermore, tradable-sector workers are significantly different from non-tradable-sector workers in their preferences over pensions and Prospera, since confidence intervals do not overlap. Most findings for non-tradable-sector workers are insignificant, except for education which they also oppose enhancing. Thus, again I find partial support for hypothesis 2. Tradable-sector workers are always more likely to oppose an

[11] Despite actual private coverage being low: see n. 7 above.

[12] Items SD3NEW2 and SD6NEW2 in the AmericasBarometer 2019, Source: The AmericasBarometer by the Latin American Public Opinion Project (LAPOP), www.LapopSurveys.org.

[13] A similar analysis using LAPOP data and, thus, checking for a more general trend in the Latin American region is unfortunately not possible, since the necessary items on trade risk are not included in the questionnaire.

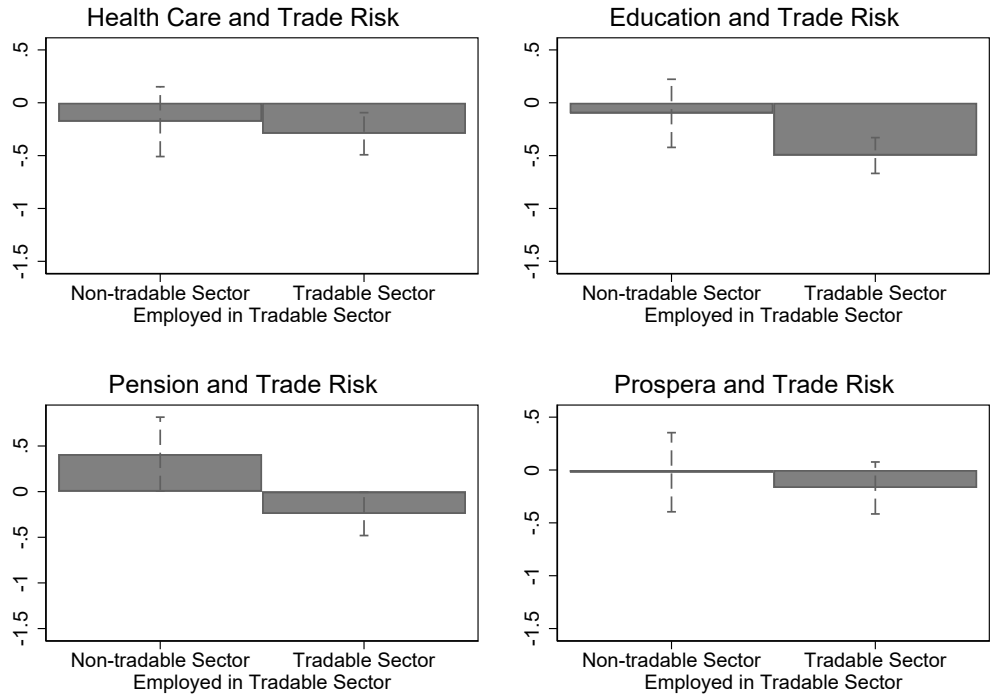
Figure 2.2: Average marginal effects of trade risk conditional on *exposure to the international market, subjective item*, OLS regressions



expansion of welfare policies; however, differences between tradable- and non-tradable-sector workers are only significant for pensions and Prospera. This is in line with the theoretical considerations, which stress that even government-managed contributory policies do not fulfill insiders' demands. Alternative modes of saving might be preferred, and ones not in the hands of the government. Here again, insiders might prefer the offers of the private insurance market. Surprisingly, non-tradable-sector workers have no significant preference concerning most social policies. But this sector is an umbrella covering different groups, such as public-sector workers and service-industry workers, so divergent preferences within these groups might explain why no clear preferences emerge from the non-tradable-sector workers.

Figure 2.3 illustrates the results for the interaction effects for trade risk and the objective measure of tradable-sector categorization. The results hold for the universal policies health care and education, as well as pensions. The results for pensions are especially interesting, since here non-tradable-sector workers are significantly in favor of expanding pension benefits, while their tradable-sector counterparts are significantly against. This might be explained by the fact that public-sector workers are part of the non-tradable-sector workers group. Tradable-sector workers are only significantly different from non-tradable-sector workers in

Figure 2.3: Average marginal effects of trade risk conditional on *exposure to the international market, objective item*, OLS regressions



the pension model. The effects for Prospera are insignificant for both groups.

2.5.1 Robustness test

For robustness, I run the models with an ordered probit model specification. The estimates can be found in Table 2.3 in the appendix and remain robust to the average results shown in Table 1. In that model specification, even the estimate for Prospera turns slightly significant.

Additionally, I add another control variable: corruption perception. Respondents were asked: "Taking into account your own experience, corruption among public servants is ..." and could select from among four possible responses, ranging from "Very frequent" to "Not frequent at all". This controls in the model for perceived low performance of the government. The results are shown in Table D in the Appendix. The estimates for trade risk remain robust for health care, education and Prospera. No significant effect is found for corruption perception. Hence it is either not a good proxy for government performance or it does not explain the model as theoretically assumed. The results are also corroborated by the sub-group analysis,

even when introducing corruption perception.[14]

Finally, I look at another specification of labor-market insiders and outsiders: formal and informal workers. Figure D in the Appendix partially corroborates the effects found above. There is no significant difference between formal and informal workers who worry about trade risk for health care and education. Formal workers are significantly less likely to support an expansion in these areas, but the effect size is smaller in this sub-group. The effects for pensions and Prospera are insignificant. This underlines the importance of differentiating between groups that are, or not, affected by an event. Trade- and non-tradable-sector workers might be found in formal as well as informal employment, so the overlap might lead to less significant estimates.

2.6 Conclusion

The estimates indicate a significant relationship between trade risk and social policy preferences. Instead of following the compensation logic for the particular trade risk posed by protectionism, respondents choose less protection through the state. Institutional issues like a truncated welfare state providing low-quality goods outweigh increased risk from protectionist threats. Zooming in to the sub-group of tradable- and non-tradable-sector workers reveals strong opposition to expanding the welfare state from tradable-sector workers. This indicates high levels of mistrust in the system, even in the face of economic uncertainty, particularly for workers who would be directly affected by protectionist policies. Consequently, we need more extensive exploration, on the micro level, of the relationship between globalization and the welfare state in middle-income countries. It would be interesting to carry out similar analysis to that conducted for Mexico in this paper for other countries highly integrated in the international market. In particular, China, Indonesia, Bangladesh and India would be instructive cases, since they form part of international supply chains.

It is necessary, too, to investigate the reasons behind low support for welfare-state expansion. Lack of trust in government is a field of research in which more insights into its interactions with social policies are needed. In Mexico (and most other Latin American countries, particularly Brazil), corruption, violence and insecurity are a massive problem, widely canvassed publicly. While this persists, as long as the state cannot provide security for its citizens, it is unlikely that welfare-state preferences will change. The literature shows how different groups have specific interests in retaining the often corrupt status quo, keeping in place an unequal system in which the better-off are able to benefit from private goods, while, at the same time,

[14] To avoid extending the Appendix, the results are not provided here, but are available on request.

reducing a welfare state that should help to combat inequality and poverty. Different types of policies also have their effect. Flores-Macías (2018) carried out insightful research, showing that general tax morale in Mexico is low, but could be improved with a differently designed tax structure, for example through earmarking.

These suggestions reflect the limitations of this paper. I am able to identify a significant correlation between trade risk and the welfare state. However, this needs to be further validated in other middle- and low-income countries. The sub-group analysis brings more detail and indicates useful directions for future research, especially concerning private versus public insurance. Looking closely at the effects of globalization in less-developed countries is crucial, not only to gain a better general understanding of socio-economic effects, but also to be fully aware of the costs (now also brought home to us with the Sars-CoV-2 pandemic) and benefits of international market integration, as well as the responsibility industrialized countries ought to bear.

2.7 Appendix

Table 2.1: Descriptive statistics

	Mean	Stand. Dev.	Min	Max	Observations
Health	2.972	0.947	1	4	1276
Prim & Sec. Edu.	2.985	0.948	1	4	1234
Pension	2.781	0.970	1	4	1263
Prospera	2.962	0.994	1	4	1199
Trade Risk	2.798	0.902	1	4	741
International Company	0.212	0.409	0	1	737
Trade Sector	0.677	0.468	0	1	805
Controls:					
Age	42.02	12.589	18	82	1400
Female	0.474	0.499	0	1	1400
Education Level	5.703	1.786	1	10	1397
Income	4.099	1.530	1	7	1378
Married	0.725	0.447	0	1	1395
Corruption Percep.	3.038	0.937	1	4	1359
Urban	0.724	0.447	0	1	1375
State	0.5	0.500	0	1	1400

Table 2.2: Social policy and trade risk, OLS

	M1 Health Care	M2 Prim. & Sec. Edu.	M3 Pension	M4 Prospera
Trade Risk	-0.130**	-0.179***	-0.053	-0.101
	(0.046)	(0.045)	(0.055)	(0.052)
Education	-0.004	0.032	-0.054	-0.042
	(0.034)	(0.034)	(0.039)	(0.039)
Female	0.326***	0.213**	0.279**	0.300**
	(0.086)	(0.082)	(0.104)	(0.101)
Age	-0.057*	-0.030	0.010	-0.021
	(0.028)	(0.027)	(0.037)	(0.035)
Age^2	0.001*	0.000	-0.000	0.000
	(0.000)	(0.000)	(0.000)	(0.000)
Married	0.101	0.180	0.114	0.200
	(0.101)	(0.099)	(0.111)	(0.124)
Income	-0.064	-0.089*	-0.041	-0.073
	(0.038)	(0.037)	(0.042)	(0.040)
Urban	-0.049	-0.146	0.073	-0.228*
	(0.089)	(0.082)	(0.104)	(0.090)
Puebla	-0.066	-0.180*	-0.169	-0.122
	(0.086)	(0.083)	(0.094)	(0.096)
Constant	4.702***	4.292***	2.935***	4.270***
	(0.628)	(0.533)	(0.781)	(0.732)
Observations	605	605	605	582

+ p<0.10, * p<0.05, ** p<0.01, *** p<0.001

Note: The numbers in parentheses are standard errors.

Table 2.3: Social policy and trade risk, ordered probit

	M1 Health Care	M2 Prim. & Sec. Edu.	M3 Pension	M4 Prospera
Trade Risk	-0.196**	-0.254***	-0.078	-0.146*
	(0.064)	(0.063)	(0.067)	(0.068)
Education	-0.013	0.046	-0.071	-0.058
	(0.047)	(0.047)	(0.046)	(0.051)
Female	0.418***	0.290*	0.336**	0.391**
	(0.117)	(0.116)	(0.122)	(0.133)
Age	-0.083*	-0.043	0.011	-0.040
	(0.041)	(0.038)	(0.045)	(0.046)
Age^2	0.001*	0.001	0.000	0.001
	(0.000)	(0.000)	(0.001)	(0.001)
Married	0.110	0.219	0.136	0.246
	(0.132)	(0.131)	(0.134)	(0.151)
Income	-0.079	-0.131**	-0.047	-0.103*
	(0.049)	(0.050)	(0.048)	(0.051)
Urban	-0.065	-0.179	0.074	-0.288*
	(0.122)	(0.115)	(0.122)	(0.123)
Puebla	-0.110	-0.246*	-0.235*	-0.187
	(0.113)	(0.111)	(0.114)	(0.123)
/				
Cut1	-3.942***	-3.292***	-1.539	-3.272***
	(0.883)	(0.748)	(0.931)	(0.965)
Cut2	-3.067***	-2.408**	-0.647	-2.585**
	(0.891)	(0.747)	(0.950)	(0.955)
Cut3	-2.067*	-1.391	0.371	-1.637
	(0.900)	(0.759)	(0.944)	(0.950)
Observations	605	605	605	582

+ p<0.10, * p<0.05, ** p<0.01, *** p<0.001

Note: The numbers in parentheses are standard errors.

Table 2.4: Social policy and trade risk, OLS, control for corruption perception

	M1 Health Care	M2 Prim. & Sec. Edu.	M3 Pension	M4 Prospera
Trade Risk	-0.130**	-0.172***	-0.029	-0.104*
	(0.049)	(0.047)	(0.052)	(0.052)
Education	0.001	0.040	-0.046	-0.042
	(0.035)	(0.034)	(0.038)	(0.039)
Corruption Percep.	-0.008	-0.009	-0.107	0.007
	(0.046)	(0.041)	(0.055)	(0.066)
Female	0.338***	0.238**	0.280**	0.325**
	(0.086)	(0.082)	(0.106)	(0.101)
Age	-0.057*	-0.029	0.010	-0.019
	(0.028)	(0.027)	(0.037)	(0.036)
Age^2	0.001*	0.000	-0.000	0.000
	(0.000)	(0.000)	(0.000)	(0.000)
Married	0.121	0.184	0.109	0.200
	(0.102)	(0.100)	(0.113)	(0.124)
Income	-0.063	-0.096*	-0.031	-0.069
	(0.038)	(0.038)	(0.041)	(0.040)
Urban	-0.066	-0.148	0.033	-0.241**
	(0.089)	(0.083)	(0.104)	(0.091)
Puebla	-0.037	-0.155	-0.144	-0.093
	(0.087)	(0.083)	(0.094)	(0.098)
Constant	4.672***	4.239***	3.147***	4.186***
	(0.636)	(0.540)	(0.800)	(0.804)
Observations	592	592	592	569

+ p<0.10, * p<0.05, ** p<0.01, *** p<0.001

Note: The numbers in parentheses are standard errors.

Table 2.5: Social policy and trade risk, OLS, interacted with subjective measure of tradable sector employment

	M1 Health Care	M2 Prim. & Sec. Edu.	M3 Pension	M4 Prospera
Trade Risk	-0.142	-0.291**	0.187	0.101
	(0.110)	(0.106)	(0.138)	(0.140)
Intern. company worker	0.467***	0.430***	0.877***	0.700***
	(0.127)	(0.115)	(0.150)	(0.141)
Trade Risk × Intern. company	-0.389*	-0.305	-0.800***	-0.647***
	(0.186)	(0.177)	(0.207)	(0.190)
Female	0.342***	0.223**	0.232*	0.297**
	(0.087)	(0.083)	(0.109)	(0.105)
Age	-0.071*	-0.046	-0.008	-0.030
	(0.028)	(0.026)	(0.037)	(0.035)
Age^2	0.001**	0.001	0.000	0.000
	(0.000)	(0.000)	(0.000)	(0.000)
Married	0.099	0.179	0.114	0.177
	(0.102)	(0.099)	(0.115)	(0.129)
Income	-0.039	-0.040	-0.068*	-0.082**
	(0.028)	(0.028)	(0.031)	(0.031)
Urban	-0.049	-0.125	0.050	-0.242**
	(0.088)	(0.083)	(0.108)	(0.093)
Puebla	-0.112	-0.250**	-0.151	-0.138
	(0.085)	(0.082)	(0.094)	(0.098)
Constant	4.577***	4.334***	2.841***	3.886***
	(0.589)	(0.526)	(0.803)	(0.727)
Observations	557	557	557	535

+ p<0.10, * p<0.05, ** p<0.01, *** p<0.001

Note: The numbers in parentheses are standard errors.

Figure 2.4: Distribution social policies

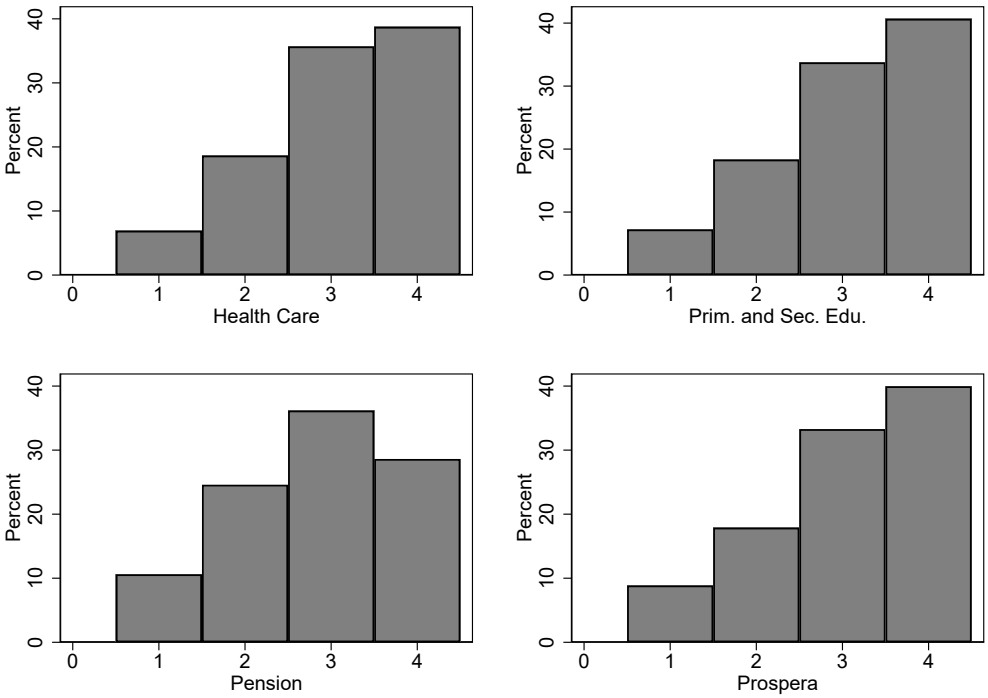
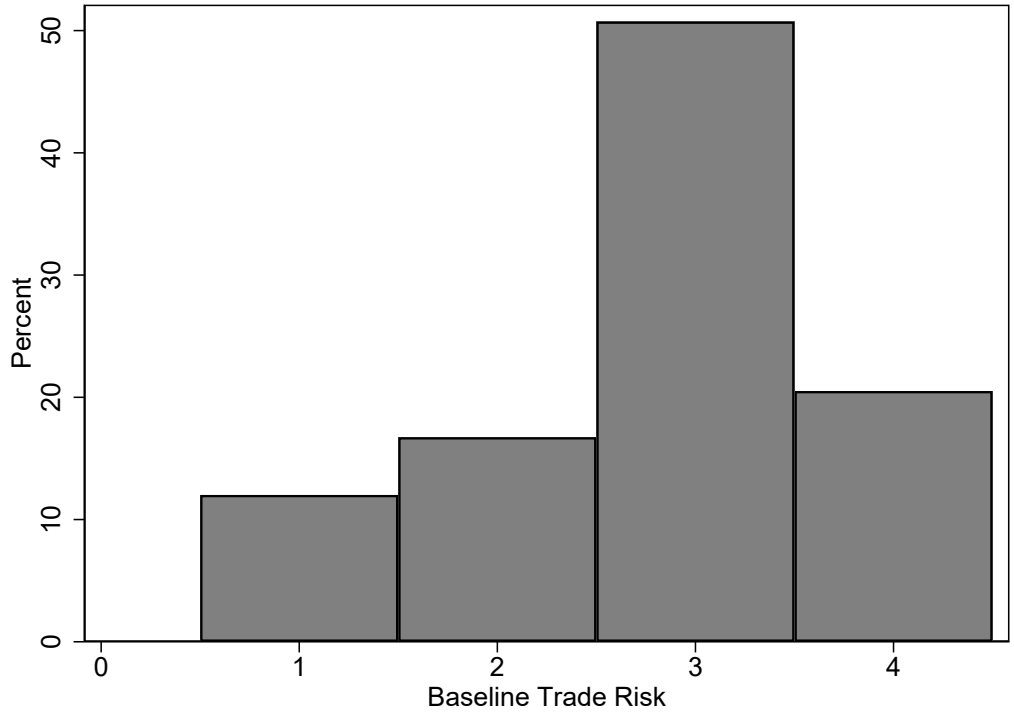


Figure 2.5: Distribution trade risk



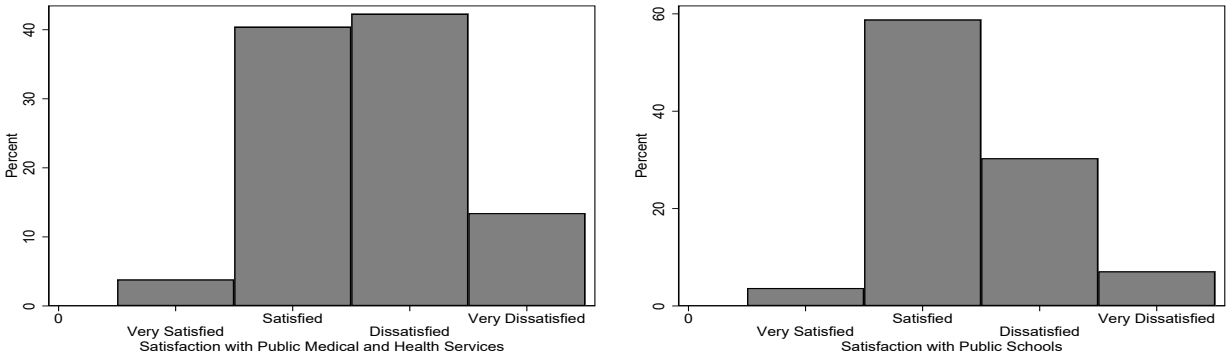
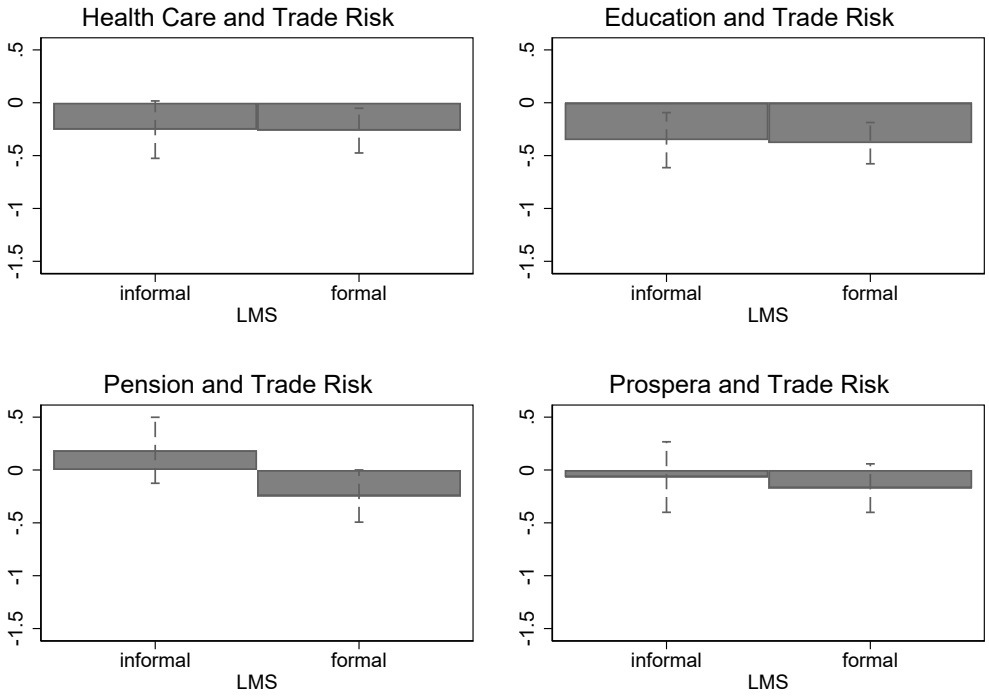


Figure 2.6: LAPOP items 2019

Figure 2.7: Average marginal effects of social policies and trade risk interacted with *labor market status*, OLS regressions



Supplementary Material

Section A: Survey Information

The standardized public opinion survey PQMex Survey 2018 (Berens and Deeg, 2018) was collected in November 2018 (after the US midterm elections) in two states of Mexico, Querétaro and Puebla, visualized by darker color in Figure 2.8, as part of a larger research project. The random, face-to-face household survey with 1'400 respondents (700 per state) was conducted in collaboration with the Mexico City based survey company Beltrán, Juárez y Asociados (BGC).

In order to test the questionnaire with regard to wording, complexity and length prior to the actual data collection, we made use of focus group interviews with students of the Colegio de México (Colmex) in Mexico City during field research in September-October 2018. Additionally, BGC collected 60 pre-test interviews in Queŕetaro that we subsequently analyzed to improve wording and item organization. We trained the enumerators prior to the field period.

The target population of the survey was Mexican citizens older than 18, residing in the randomly selected households. The data collection was, moreover, conducted on weekends to naturally oversample the working population since many questionnaire items were particularly targeted to labor market participants. The enumerators were instructed to ask first to interview the head of the household. If the head of the household was not available, enumerators spoke with a member of the household who had the capacity to respond to questions on household expenses and income. To design the sample, all households in the two states had a probabilistic, non-zero probability of being randomly selected. As sample frame, the survey company used census statistics at Geo-Electoral Scales according to the latest Population and Housing Census of 2010. The selection of the sample was carried out by means of a multistage sample, in which the first stage of selection, the primary sampling unit PSU, was the precinct. The PSU is a conglomerate of sections. A conglomerate is defined as the set of units of the same municipality and socioeconomic level. The conglomerates are selected considering the probability proportional to their population. Socio-economic strata are calculated by undertaking a main component analysis with census variables that range from possession of goods to access to particular services. This index is stratified into four socioeconomic levels using Dalenius' optimal stratification technique.

The second stage of selection consists of a random draw of two units within each cluster. Each unit can be selected with a probability proportional to its size. Blocks and dwellings are then randomly selected with a systematic type of sampling with equal probability and random start. Enumerators were asked to cover

Figure 2.8: Map of Mexico, Puebla and Querétaro indicated by darker color

the entire block and not just one side. If an insufficient number of households were willing to participate, enumerators had back-up blocks that were randomly selected following the above described procedure. If the sample design included potentially dangerous areas, it was substituted by another area to guarantee enumerators' safety.

Section B: Sampling Diagnostics

Our sampling strategy produced a sample with similar characteristics of basic socio-demographic variables (gender, age, education level, informal worker, married, household income) as a nationally representative survey collected within the AmericasBarometer (Latin American Public Opinion Project, LAPOP) for Mexico at a similar point in time. We show descriptive statistics for our full sample collected in Puebla and Querétaro (N=1,400) (PQMex Survey 2018 (Berens and Deeg, 2018)) and the LAPOP for Mexico that was collected in 2018 (N=1,580) in Table 2.6 and 2.7. Our sample reaches very similar values regarding means and variance for these basic characteristics. Only monthly household income is slightly higher in our sample (we recoded the LAPOP income bracket categories to fit with our income brackets coding to allow comparison between the two surveys), which might be explained by the fact that both Puebla and Querétaro are rather in the middle of the income distribution, so that the nationally representative sample of LAPOP covers more states with a much poorer income structure. As can be seen below, we have a slightly higher mean for the working population, compared to the national sample carried out by LAPOP. When identifying informal sector workers through consent to the question about making regular contributions to the public pension scheme (our survey contains the exact same question), we reach a very similar value about the average share of informal sector workers. To check the validity of our data regarding attitudinal items, we compare the answer behavior to our question on preferences for redistribution (item ROS4 in LAPOP ["The government

should implement strong policies to reduce income inequality between the rich and the poor"] (answer scale 1-7; recoded into 1-5=0 – lower support and 6-7=1 – strong support, in the Puebla/Querétaro Survey, we recoded our scale which runs from 1-4 into 1-3=0 – lower support and 4=1 – strong support).

Table 2.6: Descriptive statistics, overall sample, PQMex Survey 2018 (Berens and Deeg, 2018)

	Mean	Std. Dev.	Min	Max	Obs
Female	0.474	0.499	0	1	1400
Age	42.02	12.59	18	82	1400
Working	0.579	0.494	0	1	1389
Redistribution	0.413	0.493	0	1	1313
Education Level	5.702	1.786	1	10	1397
Informal Worker	0.705	0.456	0	1	801
Married	0.728	0.447	0	1	1395
Monthly Household Income	2.565	0.826	1	4	1093
Observations	1400				

Source: Puebla/Querétaro Survey 2018.

Table 2.7: Descriptive statistics LAPOP 2018 Mexico

	Mean	Std. Dev.	Min	Max	Obs
Female	0.509	0.500	0	1	1580
Age	42.09	17.03	18	88	1580
Working	0.531	0.499	0	1	1571
Redistribution	0.498	0.500	0	1	1557
Education Level	5.506	2.373	1	10	1568
Informal Worker	0.685	0.465	0	1	826
Marital Status	0.597	0.491	0	1	1574
Monthly Household Income	1.876	0.862	1	4	1389
Observations	1580				

Source: LAPOP 2018.

Chapter 3

How concerns about different types of migrants affect social policy demands among low- and high-skilled Mexicans

Co-authored with Sarah Berens

Abstract

Middle-income countries experience various types of migration: transients, emigrants, refugees, returnees. The domestic economy is especially influenced by refugees and returnees. Since returnees and refugees vary in access to social policy programs and in skill composition, different types of migration should vary in "threat potential" for social policy demands, with the low-skilled responding more negatively to refugees, while the high-skilled face greater competition from returning natives. We test our argument with original survey data from Mexico, distinguishing respondents' concerns about two distinct streams of migration: Central Americans seeking refuge in Mexico and Mexicans returning from living in the United States. Surprisingly, we find that the low-skilled suffer neither type of migration concern; whereas high-skilled Mexicans oppose expanding social welfare when concern about returnees is high. Social solidarity in the welfare state is most depressed by returning natives.

Keywords: Social policy · Preferences · Migration · Latin America · Skills · Labor Markets

JEL classification: O170 · H4 · O54 · E2 ·

DFG project number: 374666841

3.1 Introduction

Migration to affluent democracies often seems unidirectional: public attention focuses on instances such as "the Caravan", migrants from Central America who in late 2018 started traveling north to the U.S. (e.g. see New York Times, 2018), or the European "refugee crisis" which escalated in 2015, and is still ongoing, with recurring horrifying tragedies in the Mediterranean. However, the pattern of global migration is variable, and in fact many countries experience a multitude of simultaneous migration streams. Labor migration, where workers leave their home country for an extended but finite period, is common in India, Nepal, and Malaysia. Countries such as Germany, Japan and South Korea experience a constant in- and outflow of people, with former migrants returning to their country of origin (IOM, 2019). This trend is also increasingly visible in the U.S., where Mexicans leaving to return home outnumber those arriving (Pew Research Center, 2015; Waddell and Fontenla, 2015).[1] How do such different types of migration flows affect sensitive support coalitions for the welfare state?

Empirical evidence on how migration affects public opinion on redistribution and social policies is mixed. Some find moderate support for the welfare chauvinism or economic risk hypotheses, which predict that an increase in immigration will suppress the demand for welfare (Mau and Burkhardt, 2009; Burgoon, 2014; Breznau and Eger, 2016; Garand, Xu and Davis, 2017). But others have identified a positive effect of immigration on support for redistribution and welfare generosity (Brady and Finnigan, 2014). We suggest that some of the variation here might derive from the diversity in migration flows. Middle-income countries, especially, experience various types of migration simultaneously: transients, emigrants, refugees, and also returnees. Not all types of migrants have the same access to public goods and welfare benefits, the composition of their skills varies, and they differ in their ability to access the formal labor market.[2] Mexicans who re-migrate to Mexico face no particular hurdles in entering the formal labor market, in contrast to refugees from Central America who have no other option but the informal sector.[3] Mexicans who return have the same access to welfare programs as long-term resident Mexicans; refugees typically do not. Thus, different types of migrants carry different "threat potential"[4] for differently competitive Mexican workers. Factoring in such differences in labor market competition and access to social protection in middle-income countries,

[1] Between 2009 and 2014, roughly one million Mexicans (taking only long-term stays into account, excluding I-94 visa holders) returned to Mexico; only 870,000 left for the U.S.

[2] Informality is much more prevalent in middle than high-income countries, and welfare states are also less encompassing in the former, reflecting the scarcity of public resources.

[3] In response to the border crisis, in November 2018 the Mexican president Lopéz Obrador (AMLO) introduced a new labor market policy to ease labor market access for refugees. The policy was not effective or public during the field period of our survey.

[4] By threat potential we refer to economic competition at the labor market: different workers are differently able to access the labor market and welfare state. Migrants can be perceived as competitors for scarce welfare benefits and jobs.

we ask more specifically: How are the social policy attitudes of high-skilled/low-skilled workers affected by the inflow of refugees and of Mexicans returning from the U.S.?

The dualization and welfare chauvinism literature leads us to expect that worries about the depletion of scarce public resources will underly any reductions in social solidarity. Although a material self-interest rationale should cause individuals to support generous social policy programs when worried that increased migration will bring job losses or lower wages (Moene and Wallerstein, 2001; Rehm, 2009), when migrants have access to these programs, costs of social transfers will increase and, at the same time, benefits will have to be shared with a larger group. Support for redistribution and welfare generosity will, accordingly, generally decline as migration increases; but the effect should vary by the type of migrant (refugee or Mexican returnee from the U.S.) and the skill level of the Mexican non-migrant. That is, when concerned about U.S. returnees, high-skilled Mexicans should be less supportive than low-skilled Mexicans of redistribution and social policy expansion. In turn, low-skilled Mexicans should be more opposed than high-skilled workers to redistribution and social policy generosity when worried about equally low-skilled refugees arriving.

To test our argument, we use original, randomized survey data on the actively working population from two subnational states in Mexico, Querétaro and Puebla, which are affected by returnees and refugees to the same extent. We exploited the high saliency of public discourse on immigration in Mexico in November 2018 to collect our data and asked respondents about their concern regarding refugees and returning Mexicans from the U.S.

Our regression results reveal a robust negative effect of high-skilled Mexicans (already less inclined to favor redistribution from a self-interested perspective),[5] on welfare state support, the greater their concern about U.S. returnees. But, contrary to our expectation, the low-skilled do not reduce their support when concerns about refugees – the more visible out-group – are high. Our empirical results corroborate the dualization argument, especially for the high-skilled: social solidarity declines when individuals feel an increase in economic insecurity and depletion of scarce public resources. It is the returning natives (former in-group members) who most strongly depress support for the welfare state among the high-skilled, whereas worries about refugees do not reduce social solidarity, despite the potential increased burden on the tax and transfer system.

Our findings imply that migration flows or, more precisely, the resident population's concerns about them, need to be studied more holistically to understand the impact on domestic attitudes to social policy. Our study contributes to the nascent debate on the effects of migration in less-developed economies, such

[5]See also recent corroborating findings on elite skepticism in developing countries (López et al., 2020).

as in Latin America (Meseguer and Kemmerling, 2018). Anti-immigrant sentiments are present in these countries just as in the advanced-industrialized economies that receive rather than supply migrants, but they have been largely neglected.

3.2 Diversity of migration

Migration flows to and from emerging economies are comprised of various types; the domestic economy is particularly affected by refugees and returnees.[6] In order to theoretically derive the labor market threat potential of refugees and returnees for Mexicans, we need to understand the socio-demographic characteristics of the two groups. Borjas (1987) established the negative selection hypothesis: low-skilled immigrants will self-select into labor markets with a higher average skill (and earnings) distribution. Migration from Mexico to the U.S. has grown continuously since the 1980s. Yet, in the 1990s and early 2000s, Mexican immigrants to the U.S. had above-average education levels, those with 10-15 years of schooling being the most overrepresented cohort (Chiquiar and Hanson 2005: 241), disproving the negative selection hypothesis for our context.

Mexican migration to the U.S. has always flowed both ways (Massey, Durand and Pren 2015: 1016), but the return rate of documented migrants has risen dramatically this century (from around 52% in the 70's and 80's to approaching 100% in 2010) (Massey, Durand and Pren 2015: 1025). Illegal migrants, however, have become either more likely to stay in the U.S. — due perhaps to increasingly restrictive border policies (Massey, Durand and Pren, 2015) — or, for those who were deported, significantly less likely to return to the U.S. (Schultheis and Ruiz Soto, 2017, report a decrease of the willingness to return by 80% from 2005 to 2015). Education is positively associated with the likelihood of return, but the strongest driver for return among documented migrants is better access to temporary visas (Massey, Durand and Pren, 2015). Returnees, thus, frequently go back and forth, often as a response to domestic economic up- and downturns, balancing out negative economic periods in Mexico with work in the U.S.[7] Migratory trajectories have many underlying causes; hence, returnees are not a homogeneous group (see Hagan and Wassink, 2020). Migrants seeking to apply their foreign-acquired skill-set and to profit from the wage premium at home (Reinhold and Thom, 2012) most often return voluntarily,[8] whereas repatriation for political reasons is more often

[6] Emigration also has scalable impacts on the domestic economy by increasing returns to labor (Massey, Durand and Pren, 2015).

[7] Mexicans are increasingly using short-term work and study visas. In 2017, around 20 million Mexicans entered the U.S. on a I-94 visa, compared to around 7 million in 2008 (Office of Immigration Statistics, 2019*a*).

[8] In the wake of the 2008 financial crisis, for example, Albania experienced a high inflow of returnees who had been working in Greece (Hausmann and Nedelkoska, 2018). In this case economic, though not purely voluntary, reasons feature in the decision to return.

involuntary. Despite increasing removal rates from the U.S., with Mexican nationals continuing to make up the majority (53% in 2018 (United States Government Accountability Office, 2019), deportation is not the main return reason for Mexicans (ENADID INEGI (2018)). Only 13.5% of respondents who had returned from living in the U.S. indicated that they were deported; the majority (53.8%) wanted to reunite with their families (Van Hook and Zhang, 2011).[9] Data from the Mexican Migration Project (2018) reveals that Mexicans are on average 40 years old when entering the U.S. on their last trip and stay around six years before returning. U.S. returnees usually re-enter the labor market, but only for a short period of time.[10] Being able to plan their return in advance gives voluntary returnees a head start in the labor market, but involuntary returnees can catch up (Wassink, 2018; Hagan, Wassink and Castro, 2018).

In turn, the concept of refugee is defined by involuntary migration. Refugees do not follow the pattern of self-selection identified in traditional economic labor market models (Borjas, 1987; Boeri, 2010; Orrenius and Zavodny, 2005) and are mixed in terms of their skill-sets. Migration from Central American countries through Mexico to the U.S. has sharply increased in recent years. Asylum applications filed at the U.S. border by El Salvadorans, Guatemalans, and Hondurans have soared by 800%, whereas applications by Mexicans are steadily decreasing (Office of Immigration Statistics, 2019*b*). Emigration from Latin America to the north is driven by poverty, and also network effects (Clark, Hatton and Williamson, 2004). Mexico is currently experiencing an increase in migrants, most of them, again, coming from El Salvador, Guatemala, and Honduras (Hiskey et al., 2018). While immigration to Mexico declined steeply during the 1990s and early 2000s, there has been a spike since 2015 (UNHCR, 2019). Immigrants still make up only a small proportion of the Mexican population (see Figure A Appendix) and are few in number compared to returning migrants (INEGI, 2015). Most refugees aim to head north to the U.S., but due to increasingly strict border controls, many spend a long period in Mexico before moving on; some even settle in Mexico.[11]

3.3 Anti-immigrant sentiments and social policy preferences

In response to growing waves of migration, particularly in Western Europe, but also in Latin America, the last two decades have seen an increase in research that scrutinizes attitudes toward immigrants, though only a few studies address the implications of migration in developing economies (exceptions are Meseguer and Kemmerling, 2018). Four hypotheses to explain anti-immigrant sentiments have emerged: labor market

[9]Deportation is not as stigmatized in Mexico as in countries like El Salvador (Hagan, Wassink and Castro, 2018; Caldwell, 2019). Responses to migration inquiries are therefore less likely to suffer from substantial social desirability bias.

[10]We calculated the means using the MMPpers170 data set (Mexican Migration Project, 2018).

[11]In 2017, around 300,000 individuals passed illegally through Mexico on their way to the U.S. border (Unidad de Política Migratoria, 2019).

competition (Scheve and Slaughter, 2001; Hainmueller and Hiscox, 2010; Hainmueller and Hopkins, 2015), welfare chauvinism (Facchini and Mayda, 2009; Dancygier, 2010), sociotropic threat (Valentino et al., 2019), and racism (Newman and Malhotra, 2019).

According to the labor market competition hypothesis, opposition to immigration is nourished by the threat of greater abundance of labor and concerns about declining wages (Scheve and Slaughter, 2001). Depending on the skill level of immigrants, domestic high- or low-skilled workers respond with either more supportive or more hostile attitudes toward immigration. Hainmueller et al. emphasize the skill premium, with higher levels of education and training rendering immigrants more acceptable to the domestic population (2010, 2015). Malhotra et al. find for the U.S. that labor market competition due to immigration differs in importance by economic sector, so the effect on public opinion is local rather than general (Malhotra, Margalit and Mo, 2013). With a large-scale cross-country experimental study based on survey data Valentino et al. (2019) sustain the finding of the skill premium, but also identify robust empirical support for the "sociotropic economic threat" hypothesis and racism toward Muslim immigrants. The welfare chauvinism rationale, which predicts a declining support for the welfare state as response to increased immigration, too, finds some empirical support. Individuals are sensitive to changes in how tax rates and transfers adapt to the inflow of migration, and the effect is conditional on the skill level of the respondent (Facchini and Mayda, 2009).

Factors which drive anti-immigrant sentiments can affect attitudes toward social policies similarly, as immigration has implications for labor market competition, wages, and the taxes and transfer system. In the U.S., how individuals think about social policy is strongly determined by their views on immigration (Garand, Xu and Davis, 2017), and Gilens (1995) identified racism as a powerful driver for attitudes toward the welfare state. Increasing racial heterogeneity is associated with lower levels of public goods provision (Alesina, Glaeser and Glaeser, 2004) and dwindling support for welfare generosity (Fox, 2004). Challenging the welfare chauvinism debate in the OECD context, Brady and Finnigan (2014) reveal a robust positive effect of growth in immigration and foreign-born populations on support for redistribution in affluent democracies. However, estimation results of Burgoon (2014) sustain the argument that redistributive preferences are curbed by migration influx, particularly by economic implications of immigration but less so through its socio-cultural effects. Support for welfare policies can be undermined through fear that immigration affects fiscal costs, as migrants pay less into the system and rely more on social transfers (Boeri, 2010). The tax burden effect seems particularly important in Latin America (Meseguer and Kemmerling, 2018), where tax revenue is already limited. Racism based on nationality may be a weaker driver here, due to greater cultural

and phenotypical similarities within the region and the prevalence of Spanish as a shared language. Racism might unfold more strongly along ethnic lines (e.g. against the indigenous), but anti-immigrant sentiments are undoubtedly present (see Meseguer and Kemmerling, 2018).

The accumulating evidence in the literature suggests that migration does not have a uniform effect on social policy preferences. In this article we further refine the understanding of how migration affects domestic welfare preferences, by disentangling the simultaneous pressure from two different types of migrant which are significant in middle-income economies: returnees and refugees.

3.4 The argument: How U.S. returnees versus refugee concerns affect social policy preferences

Preferences for redistribution and social policy generosity are driven foremost by income (Meltzer and Richard, 1981), demand for insurance (Moene and Wallerstein, 2001), and income insecurity (Rehm, 2009). Support for redistribution declines as income rises, but perceived risk and insecurity can also turn high-income earners into welfare state supporters. In less-developed democracies, more complex dynamics are at play, demanding adjustment of these explanatory models. The truncated welfare states of these countries redistribute away from the poor toward the already better-off (Holland, 2018). Latin Americans are increasingly supportive of non-contributory programs, due to high income insecurity and the exclusivity of social security programs (Carnes and Mares, 2014); and social assistance programs such as conditional cash transfers (CCTs) have expanded in the developing world (Brooks, 2015). But social fragmentation in the form of the informal sector also depresses social solidarity and support for public solutions (Berens, 2015*a*). Drawing upon the previous discussion and the political economy workhorse model of redistributive preferences, we expect migration inflow to influence support coalitions for the welfare state in Mexico, but in a more than unidimensional way.

While a compensatory logic (Moene and Wallerstein, 2001; Rehm, 2009) in response to increased uncertainty due to immigration is plausible (see Brady and Finnigan, 2014), in Mexico we expect redistribution preferences and social policy attitudes to be negatively affected by increased immigration. Mexicans generally consider that public provision of social protection is already insufficient and ineffective,[12] so mounting risks (and costs) are likely to provoke exclusionary preferences (Mau and Burkhardt, 2009; Burgoon, 2014; Breznau and Eger, 2016; Garand, Xu and Davis, 2017). But the mechanism of how preferences are depressed should vary by type of migration and the non-migrant respondent's skill level.

[12]The watershed election of AMLO in 2018 corroborates this point.

Mexican returnees from the U.S. are former natives and, therefore, belong to the individual's in-group, unlike refugees from Central America. Returnees are typically more skilled than refugees and, as Mexican nationals, they have better access to the formal labor market and contributory social policy programs. In contrast, low-skilled refugees from Central America can increase labor market competition in the low-wage sector. The informal sector should suffer particularly fierce competition, because refugees typically lack work permits.[13] Similarly to the implications of trade, consequences of labor migration depend on the abundance of factor endowments (Burgoon, 2014). The Stolper-Samuelson theorem predicts that an influx of low-skilled labor will reduce wages in the low-wage sector when demand remains constant. The low-skilled then face greater risks of unemployment or stagnating wages (Dancygier and Walter, 2015). This problem is further exacerbated in emerging economies which typically foster a large informal labor market. Informal workers are even more vulnerable, due to their lack of legal protection. Different types of migration flows, therefore, pose different "threat potential" to differently skilled non-migrants.

Depending on how well the local labor market can absorb immigrants, they increase the costs of transfers for all, might entail cultural costs, but can also have positive externalities for the political economy by increasing consumption. In a simplified model, the tax rate is then decided by expected costs to the welfare system (see Hansen, 2003) and will go up or down according to the skill level of the immigrant. Since we expect labor market competition to be occurring at different levels, we need to disaggregate migration implications for high- and low-skilled workers.

The tax burden matters for the high-skilled, who also have higher incomes, as the tax base is usually relatively small in developing countries. High-income earners might therefore worry that an inflow of immigrants (both refugees and returnees) will increase taxes. According to the Stolper-Samuelson theorem, when migrants are on average better-skilled (see the model in Borjas, 1987) and thus depress wages among the high-skilled, high-skilled Mexicans will then increase their demand for social insurance (Moene and Wallerstein, 2001; Iversen and Soskice, 2001). In fact, however, we predict the opposite effect.

First, when confronted with U.S. returnees, high-skilled Mexicans should become less supportive of social policy and redistribution (less even than their self-interest already dictates), because returnees represent free-riders who can benefit from social policy programs without having paid in to the system during their years of absence.[14] While Mexico's pension system has a defined-benefit structure and only 2% of individual retirement funds come from general taxes, retirees benefit from the infrastructure of the social system that is sustained through general taxes. Other social protection programs, such as health care and education,

[13]The virtually non-existent language barrier between Latin American countries substantiates this point.
[14]While emigrants send remittances home, these remain so far untaxed in Mexico.

that are expensive to maintain, are even more likely to be jealously guarded by the non-migrant high-skilled. López García and Orraca-Romano (2019) find that improvements in the Mexican healthcare system attract return migration from the U.S. Between 2001 and 2006 public health care was universalized, as Seguro Popular (SP) (Secretaría de Salud, 2002).[15] It is financed through general taxes and extends coverage to informal-sector workers. Formal-sector workers are covered by the Instituto Mexicano del Seguro Social (IMSS), and public employees by the Instituto de Seguridad y Servicios Sociales de los Trabajadores del Estado (ISSSTE). The employee contributes 0.8% of her monthly income, while the employer pays 6.8% and the state 3.5% (Instituto Mexicano del Seguro Social, 2018). Returnees have access to both IMSS and ISSSTE if they enter the formal labor market.

Thus, despite being co-nationals and, therefore, former in-group members, and despite the increased economic risk from more labor market competition, returnees might be treated as out-group members and disdained by high-skilled non-migrant Mexicans. Second, returnees' access to social policy programs might raise program costs and reduce the share of the pie available to all. We expect that the anticipation of increased costs and the wish to exclude free-riders will outweigh the increased demand for security, and thus reduce support for social policy expansion.

While high-skilled workers can be expected to be, on average, less supportive of redistribution than the low-skilled, following this labor market competition logic, concern about returnees should reinforce this negative effect among the high-skilled without affecting preferences among the low-skilled (see Table 1).

Hypothesis 1 *High-skilled workers worried about Mexican returnees from the U.S. are even less likely to support increased spending on social policies and more likely to oppose redistribution than low-skilled workers worried about returnees.*

Turning to the low-skilled, we assume that an inflow of refugees increases labor market competition for them. From an insurance rationale, low-skilled Mexicans should demand more redistribution in order to buffer the new risk from refugee arrival. But, again, against this labor market competition effect stand the increasing costs of the welfare system, which low-income earners also sustain through consumption taxes such as value added tax (VAT), and the possible depletion of the scarce resource pool. Welfare generosity is limited in Latin America, with scarcely any safety-net for the poor (Holland, 2018). Despite growing efforts, the Mexican welfare system is still not very redistributive (Scott, 2014), and the regressive tax system means that middle- and low-income earners, and also informal workers, pay for the expansion of social protection

[15]SP covers more than 53.5 million Mexicans (Chemor Ruiz, Ratsch and Alamilla Martinez, 2018).

programs (see Levy, 2010). In 2018, 26% of Mexico's tax revenue was raised through VAT; personal income taxes amounted to only 22.4% and corporate tax revenue to 22.6% (OECD, 2019, own calculation).

Just as returnees pose greater costs and competition for welfare goods for the high-skilled, refugees present increased costs and competition for welfare goods for the low-skilled. Despite low-skilled workers' own needs for social protection, worries about the tax burden and costs of the welfare system will, we assume, reduce support for any further expansion. In the past, even slight increases in costs for the poor have led to massive protests (e.g. a rise in VAT (El País, 2013) or higher gas prices (CNN, 2017)). We therefore expect the low-skilled to respond with a reduced demand, in comparison to the high-skilled, for redistribution and welfare generosity, particularly for social policy programs that are accessible for refugees.

Hypothesis 2 *Low-skilled workers worried about migration from Central America are less likely to support increased spending on social policies and redistribution when programs are accessible to refugees than high-skilled workers worried about Central American refugees.*

Low-skilled Mexicans should not alter their social policy preferences when confronted with U.S. returnees, as competition and suppression of wages should mainly occur for the high-skilled. If anything, they could perceive returnees as beneficial, since they expand tax resources through direct and indirect contributions. In turn, high-skilled Mexicans should not significantly alter their support for non-accessible social policies when confronted with refugee inflow. Refugees are most likely to suppress wages in the low-skilled and informal sectors, with limited impact on the high-skilled, and they might also increase consumption, which maximizes overall welfare. Only when it comes to accessible social policies might high-skilled Mexicans respond to an increase in refugees by reducing support for social policy expansion due to anticipated costs.[16] Table 3.1 summarizes the theoretical predictions.

Table 3.1: Theoretical predictions

	Concern about U.S. returnees	Concern about refugees
High skilled Mexicans	support decreases (↓)	inconsequential for exclusive social policy pref. (∼)
Low skilled Mexicans	inconsequential for social policy pref. (∼)	support decreases (↓)

[16]The majority of refugees aims for the U.S., so their residence in Mexico has a temporal perspective. Inflow of refugees might mainly raise concerns about fiscal costs.

3.5 Data and model specification

To test our argument, we use original standardized household survey data from a random sample at the state level in Mexico.[17] We conducted a face-to-face survey in Puebla and Querétaro (we refer to the data as PQMex Survey 2018 (Berens and Deeg, 2018)) in November 2018.[18] Querétaro is slightly above and Puebla slightly below the national GDP per capita average (INEGI 2018). Both states feature different industries and production sectors, allowing us to capture labor market variation. Both are centrally located and close to the capital, Mexico City, and do not share a border with a foreign country, which could otherwise bias responses to migration.[19] Refugees and U.S. returnees are equally visible (or rather non-visible) in both Querétaro and Puebla. We deliberately selected states that are less directly affected by refugees in order to be able to compare both streams of migration. The sample is representative at the state level for the major socio-demographic characteristics (gender and age). As our main theoretical interest is in workers, we oversampled the working population by conducting the interviews on weekends. Because of the oversampling strategy, we do not apply sampling weights in our main models.[20] The unweighted sample characteristics are similar to the national sample collected by the Latin American Public Opinion Project (LAPOP).

In November 2018, migration was extensively discussed in the media, due to the "Caravan" of Central Americans passing through Mexico on their way to the U.S. Migration was therefore highly salient during the time of data collection. We focus on individual concern about refugees and returnees rather than impact of contextual refugee and returnee shares, since objective levels and individual perceptions/worries do not always fully overlap (Fox, 2004; Escandell and Ceobanu, 2009). The presence of returnees or refugees in one's neighborhood does not automatically raise concerns, as it depends on the nature of contacts and actual experience of "threat" (on contact theory and group threat see Blumer, 1958; Allport, Clark and Pettigrew, 1954) or on media coverage (Schlueter and Davidov, 2013).[21]

[17] The sampling procedure, pre-tests, and survey diagnostics are discussed in the Supplementary Information (SI) Sections A-B.

[18] N= 1'400 respondents (700 per state).

[19] See Figure S1 in the supplement.

[20] Results with survey weights included remain robust for interaction effects with refugee concern and healthcare and education spending preferences regarding the effect of returnee concern for the high-skilled. The effect of returnee concern among the high-skilled is less significant for redistribution in these specifications (see Appendix Figure G).

[21] We conducted a first test on refugee and returnee exposure at municipality level; results are provided in SI Section C. We use data from the 2015 Inter Census and match share of individuals from Central America and returnees on the municipality level of our survey data to generate first insights into whether actual exposure to these groups affects social policy preferences. When we interact skill with exposure in a multilevel linear model, we do not find significant results, but looking at average marginal effects of an interaction between refugee/returnee concern and its respective exposure variable, we see a significant negative trend almost throughout the social policy battery, indicating that contextual salience seems to matter. Due to specification constraints (see Section C) these results need to be treated with caution.

3.5.1 Dependent variables: social policy preferences

We use support for social policy expansion in the form of a battery of six items (redistribution, public pensions, health care, primary/secondary education, CCTs, and regressive taxation) as dependent variables to capture attitudinal responses to different dimensions of social policy.

The Mexican pension system is based on prior contributions through payroll deductions, and thus confined to formal labor.[22] The CCT program PROSPERA provides means-tested transfers to households below a certain income level and is generally accessible to migrant households. The public healthcare program SP is universal, but the public arms IMSS and ISSSTE are only available through formal employment.[23] Primary and secondary education is public and allows access to children from migrant families.

In order to measure general support for redistribution, independent of a particular social policy, we survey attitudes to government efforts to reduce income differentials between rich and poor. We use the following wording for the social policy questions (the wording for the redistribution item differs), explicitly reminding the respondent that an extension or increase might be accompanied by a tax increase to finance it: "The Mexican government should increase spending on [health care services]. Consider that this may or may not imply an increase in taxes."[24] The response scale ranges from 1=disagree to 4=agree. We use different response categories for the tax preference item, asking the individual to choose for 100 Pesos what proportion high-, middle-, and low-income earners should pay in taxes (50/30/20 = progressive option, 40/30/30 = moderately progressive option, or a regressive flat tax of 33/33/33). There is variation for all DVs (with standard deviations between 0.74 and 0.98; see Table A and Figure B). A majority favors social policy expansion and an increase of redistribution and tax progressivity.

3.5.2 Independent variables: U.S. returnee and refugee concern

In order to operationalize concerns about Mexicans who return after living in the U.S., we ask: "As you know, for the last couple of years it has become difficult to work in the United States and Mexicans felt obligated to return to the country or have had to return to avoid having problems with the American authorities. Tell me, how concerned are you about losing your job because of the return of other Mexicans that were living in the United States?".

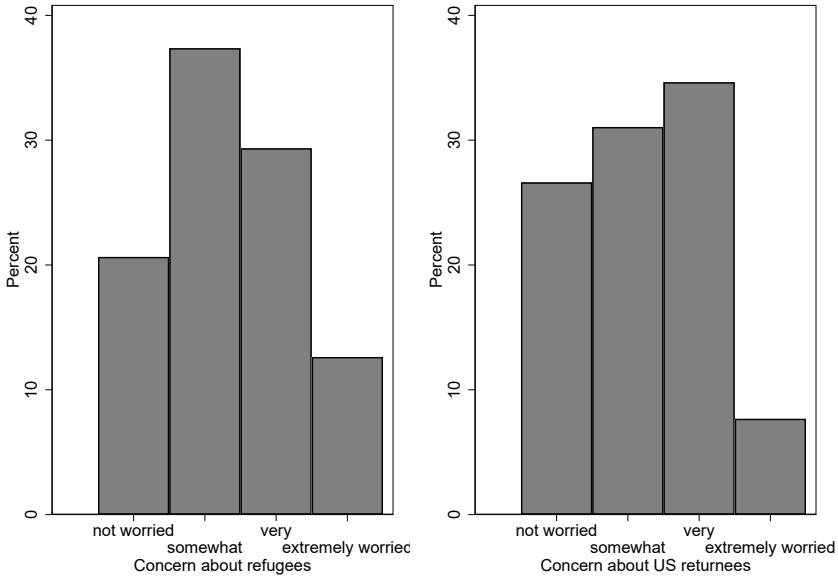
As we are particularly interested in the impact of migration on job security, aiming to measure migration-

[22] Pension contributions are managed by private pension funds supervised by a government agency (CONSAR). Formal employment is directly connected to a pension savings fund to which the employee, employer, and the government make monthly contributions as percentages of the worker's pay (Gobierno de México, 2019).

[23] Our healthcare preference item does not distinguish support for SP from support for ISSSTE or IMSS.

[24] We thereby reduce the ceiling effect of overly positive answers when suggesting benefits without costs.

Figure 3.1: Worries about U.S. returnees and refugees from Central America



related insecurity rather than anti-immigrant sentiments, we only ask this question of respondents who are part of the active working population. Only half of the sample (N=757), therefore, answered the question. One could argue that we lead the respondent to think about both legal and illegal migrants who now return to Mexico. In fact, it is mostly those who had entered the U.S. legally who return to Mexico (Massey, Durand and Pren, 2015). Illegal migrants have to fear that it will be difficult to re-enter the U.S. again once they left, given the increase in border security on the side of the U.S. Moreover, our wording takes into account the increasing polarization of the Hispanic migration issue in the U.S. and the negative attitudes to which many Mexican immigrants are subjected.[25]

The second independent variable focuses on refugees from Central America who pass through Mexico on their way to the U.S. and end up staying in Mexico due to increasingly restrictive U.S. migration policy. We ask: "How concerned are you that more people from Central America will come to the United States and end up staying to work in Mexico?". Both questions directly refer to labor market consequences, so have a comparable baseline. The item wording is shorter than the returnee question, but given the saliency of the refugee movement, it was not necessary to further explain the question to the respondent.

Respondents answer both questions on a four-point-scale from "not concerned at all" to "extremely concerned". Responses vary along the categories and also in comparison to each other, as illustrated in

[25]The August 2019 El Paso (Texas) shooting targeting Mexicans is an extreme example of hostility toward Mexican immigrants in the U.S.

Figure 1. We dichotomize refugee concern and U.S. returnee concern to facilitate the interpretation of the interaction effects, coding the category 1 as *not at all concerned* (0) and categories 2-4 as *concerned* (1).[26] We apply an asymmetric dichotomization in which we compare lack of any concern to worries about the different migrant groups. Since the survey item could trigger in- and out-group thinking, as well as racism/xenophobia, the question might suffer from social desirability bias, meaning that respondents are less comfortable referring to greater "concern" categories in a face-to-face situation. The distribution between "not at all worried" and "somewhat worried" shows a spike in Figure 1, so that we distinguish between workers who are not worried at all and those who do have reservations. Estimation results with an alternative coding of refugee and returnee concern are discussed in the robustness section.

As we expect the impact of different types of migration on social policy preferences to vary across the respondents' level of skill, we use a measure for respondent's level of education, based on 10 education categories.[27] Roughly 20% of the sample are high-skilled (meaning above category 7, high school degree) and worried about returnees; and around 80% are low-skilled and worried about refugees. In addition, as education might not be sufficient to capture the concept of skill (see Meseguer and Kemmerling, 2018), we use different proxies for labor market position as a robustness test. We asked respondents about their occupation as an open question and recoded the responses into the ISCO-08 scale from the ILO. The indicator runs from 1-9, with higher levels capturing more skill-intensive jobs.[28] In addition, we operationalize formal- and informal-sector employment with the use of information on the respondent's legal work status and access to contribution-based social security programs.[29] We associate the status of formal labor with higher skills than being an informal-sector worker. We therefore expect formal-sector workers to be more concerned about returnees and informal workers about refugees. Estimation results are discussed in the robustness section.

3.5.3 Model and control variables

To test the hypotheses we employ a linear OLS regression analysis for i individuals. We add an interaction term for skill (education) with both independent variables in order to test our argument about variation in social policy preferences by skill level. The independent variables on migration type concern are added in

[26] We provide results from robustness tests with the continuous variables for concern about U.S. returnees and refugees in Table S5 in the SI.

[27] From no schooling to holding a Master's degree or more. Most respondents cluster in the middle with some level of high school education (for a histogram of education level, see Figure C in the Appendix).

[28] See Table S3 for a list of ISCO-08 categories.

[29] We use information on possession of a written contract, employer-supported (1) health insurance, (2) housing credit and (3) pension contributions.

separate models to avoid multicollinearity as both variables are positively correlated (ρ=0.648, p<0.001).[30] Adding both concern variables jointly would therefore dilute the possible effect from each individual variable. Separate specifications yield more conservative estimates. We add a dummy variable η as control for state. The vector X represents a set of control variables.

$$\textit{social policy preference}_i = \alpha_0 + \beta_1 X_i + \beta_2 \text{Refugee/Returnee concern}_i \times \textit{skill}_i + \eta + \epsilon_i$$

We hold constant if respondents have a relative in the U.S. since such ties can influence individual opinions and preferences (Córdova and Hiskey, 2015).[31] Moreover, respondents who had previously lived in the U.S. might align their preferences with other returnees, so we control for past working experience in the U.S. We control for gender, age, age squared (in order to take into account non-linearities of the age effect), marital status of the respondent (reference category: single), income measured through an asset index (AMAI),[32] and if the respondent lives in an urban area (reference category: rural). We add information on the sector of employment (we distinguish industrial, trade/finance, service and public sectors; the agricultural sector serves as reference category), since labor market risks and social policy preferences might vary by sector (see Malhotra, Margalit and Mo, 2013). Subsequently, we also add a control for corruption perception as a proxy for state capacity. Distrust in public institutions can reduce support for the welfare state (Holland, 2018).

For sensitivity analyses, we employ different model specifications: a lean model which only controls for gender, age, and state (see Figure E), a logistic regression based on dichotomized DVs, and an ordered probit regression analysis, which factors in that distances between categories can vary in length in the respondent's perception (Long, 1997). Finally, we add a proxy for political ideology (vote choice during the last presidential elections; see Figure F). Descriptive statistics are displayed in Table A (Appendix).

3.6 Results

Before we add the interaction effects between skill and type of migration concern, we start with the average effect of both, concerns about refugees and U.S. returnees (as continuous variable), on our social policy battery for the average respondent (Figure 3.2).[33] Figure 3.2 illustrates the predicted probabilities - that

[30] The negative effects for returnee concern are corroborated and stay robust (see Table S6 and Figure S7), whereas the positive significant results for refugee concern found in Table S6 vanish in the more conservative models that are limited to one concern variable.

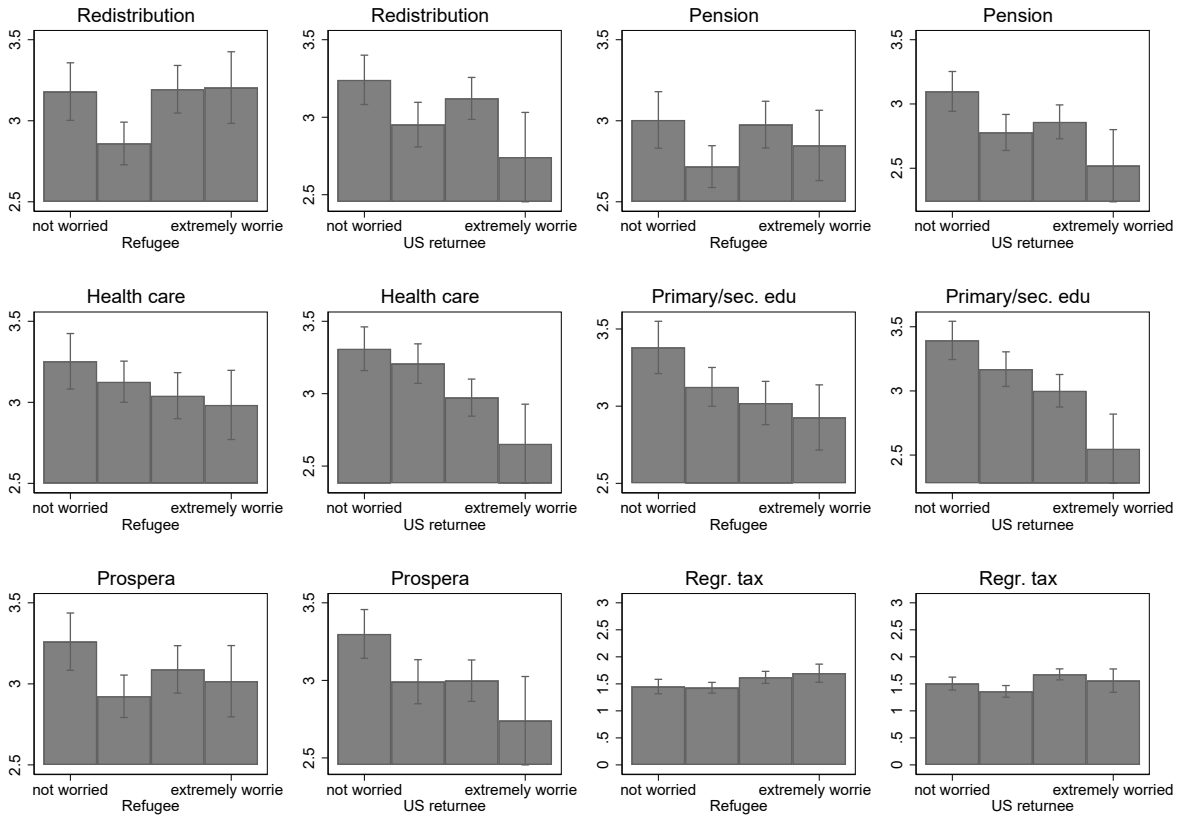
[31] Migration influences public opinion not only in receiving countries, but also among those who stay at home (Córdova and Hiskey, 2015).

[32] The AMAI battery includes level of education of the household head and several items on commodities. The higher the final score, the higher the respondent's household income bracket.

[33] See Table S5 SI.

is, the incidence rate - for an increase in each concern category for our DVs. The first and third columns show the effect of refugee concern, the second and fourth columns the effect of returnee concern, in order to compare the effects for each DV. The estimates for pension, health care, education and CCTs in particular are highly significant in U.S. returnee concern, with support significantly declining among average working Mexicans. The confidence intervals overlap for the middle categories, but not at the extremes. Interestingly, the impact of refugee concern is not significant for most social policies: the confidence intervals overlap across all levels of concern; only support for education expansion is significantly reduced.[34]

Figure 3.2: Predicted probabilities for concern about Central American refugees and U.S. returnees to Mexico on 6 DVs (Supplementary Table S5 M1–M12)



We now add the interaction term and report the results of the OLS regression in Table 3.2. When high-skilled workers are worried about U.S. returnees, we find a significant, negative effect on our social policy battery, compared to low-skilled workers who are equally concerned. Support for social policy expansion is

[34]Education is more easily accessible to potential free-riders. The missing effect on preferences for an increase of Prospera (M9 in Tab. S5) is surprising. CCTs, however, might only be moderately accessible by refugees compared to all other social policy programs.

significantly lower for redistribution, health care, education, and CCTs when respondents perceive a threat to their personal employment security from Mexicans who return from the U.S. Concerns about refugees from Central America interacted with skill level do not show any significant results. Individuals, independent from their skill level, seem to have no particular, significant social policy preferences when they worry about refugees and their impact on the labor market. Our results show that being concerned about refugee inflow does not, therefore, affect the welfare preferences of differently skilled Mexican workers. Nor is support for redistribution affected by refugee concern. This is surprising, given previous findings from the welfare chauvinism literature (Mau and Burkhardt, 2009; Burgoon, 2014; Breznau and Eger, 2016; Garand, Xu and Davis, 2017).

In order to facilitate the interpretation of the interaction terms, we visualize the estimation results as average marginal effects (AMEs) in Figure 3.3.[35] The plot illustrates the development of the slope over different education levels. High-skilled Mexicans (graduating high school or more) are less supportive of redistribution and social policy expansion when they worry about U.S. returnees than are the low-skilled. An increase in concern reduces support for more public spending on social policy across the board among high-skilled respondents. We find a similar tendency for the high-skilled when worrying about Central American refugees; however, confidence intervals always encompass the zero line and thus indicate an insignificant relationship. The low-skilled are almost supportive of more redistribution when concerns about U.S. returnees are high (see second panel in Figure 3.3), but the effect is only at the fringes of significance for the least educated and quickly turns insignificant[36]. The negative association with refugee concern might therefore be largely driven by decreasing support levels among high-skilled workers. Tax preferences are not significantly affected by either type of concern.

[35] We estimate the AMEs for males, keeping all other variables at modes.
[36] The effect is significant when we code only the highly concerned category as 1 and the rest as 0; see Figure S5 SI.

Figure 3.3: Average marginal effects of refugee and U.S. returnee concern conditional on *skill level* (Tab. 3 M1-M12)

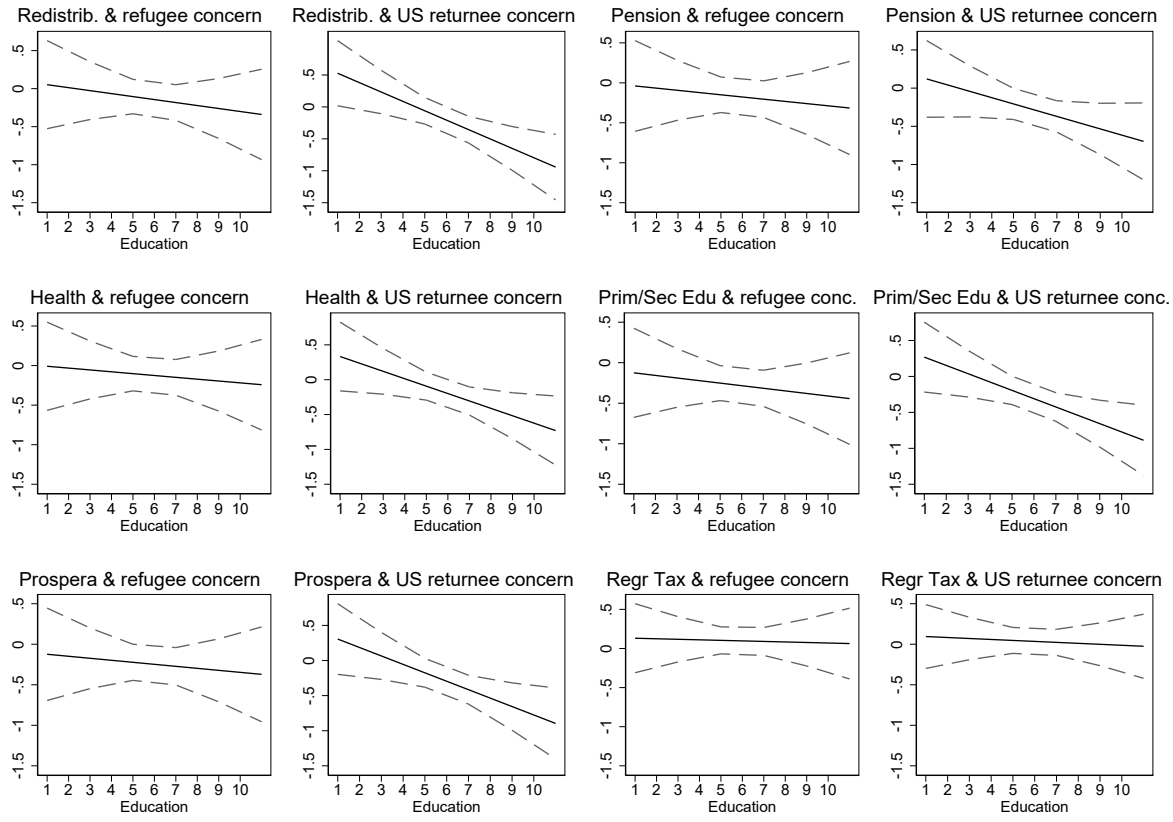


Table 3.2: OLS regression on social policy preferences and types of migration flows conditional on *skill*

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
	Redistribution		Pension		Health care		Prim./Sec. Education		CCT (Prospera)		Regressive taxation	
Refugee concern	0.092		-0.011		0.015		-0.093		-0.099		0.138	
	(0.348)		(0.341)		(0.335)		(0.330)		(0.342)		(0.265)	
U.S. returnee concern		0.675*		0.202		0.439		0.385		0.426		0.107
		(0.306)		(0.300)		(0.295)		(0.291)		(0.301)		(0.236)
Skill (education)	-0.083	-0.013	-0.049	-0.012	-0.003	0.052	0.015	0.070	-0.078	-0.015	0.077	0.081*
	(0.054)	(0.047)	(0.053)	(0.046)	(0.052)	(0.045)	(0.052)	(0.045)	(0.053)	(0.046)	(0.041)	(0.036)
Interaction												
Refugee concern × skill	-0.039		-0.028		-0.023		-0.032		-0.025		-0.007	
	(0.056)		(0.055)		(0.054)		(0.053)		(0.055)		(0.043)	
U.S. returnee concern × skill		-0.147**		-0.082		-0.106*		-0.116*		-0.120*		-0.012
		(0.049)		(0.048)		(0.047)		(0.046)		(0.048)		(0.037)
Controls												
Female	0.224*	0.224*	0.265**	0.263**	0.236**	0.237**	0.157	0.153	0.176	0.174	-0.074	-0.070
	(0.093)	(0.092)	(0.092)	(0.091)	(0.090)	(0.089)	(0.089)	(0.088)	(0.092)	(0.091)	(0.071)	(0.071)
Age	0.061	0.062*	0.053	0.053	-0.032	-0.031	0.001	0.001	0.003	0.003	0.003	0.004
	(0.031)	(0.031)	(0.031)	(0.030)	(0.030)	(0.030)	(0.030)	(0.029)	(0.031)	(0.030)	(0.024)	(0.024)
Age^2	-0.001	-0.001*	-0.001	-0.001	0.000	0.000	-0.000	-0.000	-0.000	-0.000	-0.000	-0.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Married	0.082	0.083	0.046	0.048	0.030	0.032	0.111	0.108	0.136	0.135	-0.019	-0.015
	(0.097)	(0.095)	(0.095)	(0.094)	(0.093)	(0.092)	(0.092)	(0.091)	(0.095)	(0.094)	(0.074)	(0.073)
Income (AMAI)	0.010	0.009	-0.044	-0.048	-0.080*	-0.081*	-0.094**	-0.098**	-0.042	-0.045	-0.051	-0.050
	(0.038)	(0.037)	(0.037)	(0.037)	(0.036)	(0.036)	(0.036)	(0.036)	(0.037)	(0.037)	(0.029)	(0.029)
Sector of Employment												
Industry	0.381*	0.421*	0.653***	0.684***	0.254	0.287	0.293	0.337	0.327	0.372*	-0.036	-0.040
(ref. cat. agriculture)	(0.190)	(0.188)	(0.187)	(0.185)	(0.183)	(0.181)	(0.181)	(0.179)	(0.187)	(0.185)	(0.145)	(0.145)
Trade, Finance	0.290	0.335	0.532**	0.555**	0.156	0.190	0.257	0.308	0.269	0.320	-0.004	-0.016
	(0.176)	(0.173)	(0.173)	(0.170)	(0.170)	(0.167)	(0.167)	(0.165)	(0.173)	(0.171)	(0.134)	(0.134)
Service	0.236	0.257	0.566**	0.569**	0.152	0.167	0.267	0.285	0.160	0.180	-0.017	-0.021
	(0.196)	(0.193)	(0.192)	(0.190)	(0.189)	(0.187)	(0.186)	(0.184)	(0.193)	(0.191)	(0.149)	(0.149)
Public	0.341	0.387	0.629*	0.666**	0.064	0.099	0.288	0.360	0.442	0.505*	-0.120	-0.144
	(0.252)	(0.248)	(0.247)	(0.244)	(0.243)	(0.239)	(0.240)	(0.236)	(0.248)	(0.244)	(0.192)	(0.191)
Relatives in U.S.	0.063	0.059	-0.096	-0.091	-0.063	-0.064	0.038	0.040	0.034	0.035	0.070	0.069
	(0.102)	(0.101)	(0.100)	(0.100)	(0.099)	(0.098)	(0.097)	(0.097)	(0.101)	(0.100)	(0.078)	(0.078)
Worked in U.S.	0.122	0.128	0.524**	0.532**	-0.012	-0.006	0.170	0.168	0.234	0.236	0.264	0.272
	(0.189)	(0.187)	(0.185)	(0.183)	(0.182)	(0.180)	(0.179)	(0.178)	(0.186)	(0.184)	(0.144)	(0.144)
Corruption Perception	-0.100*	-0.098*	-0.165***	-0.154**	-0.078	-0.074	-0.093*	-0.090	-0.112*	-0.109*	-0.050	-0.047
	(0.049)	(0.049)	(0.048)	(0.048)	(0.048)	(0.048)	(0.047)	(0.047)	(0.049)	(0.049)	(0.038)	(0.038)
Urban	-0.252**	-0.266**	0.009	-0.002	-0.046	-0.057	-0.135	-0.148	-0.088	-0.101	0.053	0.052
	(0.096)	(0.095)	(0.094)	(0.093)	(0.092)	(0.091)	(0.091)	(0.090)	(0.094)	(0.093)	(0.073)	(0.073)
Puebla	0.035	0.018	-0.205*	-0.210*	-0.124	-0.137	-0.257**	-0.273***	-0.185*	-0.202*	-0.216**	-0.213**
	(0.089)	(0.086)	(0.087)	(0.084)	(0.086)	(0.083)	(0.084)	(0.082)	(0.087)	(0.085)	(0.068)	(0.066)
Constant	2.428**	2.014**	2.300**	2.146**	4.299***	3.991***	3.778***	3.465***	4.042***	3.682***	1.468**	1.466**
	(0.741)	(0.717)	(0.726)	(0.704)	(0.713)	(0.692)	(0.704)	(0.683)	(0.729)	(0.707)	(0.564)	(0.553)
Observations	554	554	554	554	554	554	554	554	554	554	554	554
R^2	0.103	0.122	0.121	0.136	0.064	0.078	0.090	0.106	0.103	0.120	0.077	0.074
BIC	1599.6	1587.8	1577.4	1567.9	1557.2	1548.9	1543.0	1533.5	1582.3	1572.0	1298.5	1299.8
Log lik.	-743.0	-737.1	-731.8	-727.1	-721.8	-717.6	-714.6	-709.9	-734.3	-729.1	-592.4	-593.0

$+p < 0.10, *p < 0.05, **p < 0.01, ***p < 0.001$
Note: The numbers in parentheses are standard errors.
Source: PQMex Survey 2018 (Berens and Deeg, 2018).

In order to rule out the possibility that our concern measures are simply a proxy for education, income level, or political ideology, and that the effect in the interaction term is thereby artificially inflated, we regress socio-demographic variables on the two concern variables in a linear regression model (refugee and returnee concern are now used as continuous DVs; estimation results are shown in Table S4 SI). Education has no significant effect on U.S. returnee (coeff. 0.068, with a standard error of 0.041) or refugee concern (coeff. -0.009, standard error 0.040), and neither does gender or age. We find significant effects for vote choice used as a proxy for political ideology. Individuals who voted for AMLO in the 2018 presidential elections are more likely to worry about both returnees and refugees (Table S4 SI). Since we find significant results for both concern variables, but particularly so for returnee concern in our main analysis (Table 3.2), ideology cannot explain the negative correlation between returnee concern and dwindling social policy demand. These results refute the caveat that education or political ideology simply overlap with migration worries.

Mexicans returning from the U.S. seem to affect high-skilled Mexicans in their demand for social policy expansion. Co-nationality, and thus in-group favoritism, does not seem to be at work here. To the contrary, we see the biggest reduction of welfare preferences aligned with concern about nationals returning. Access to social policies seems to be a driver. U.S. returnees, if formally employed, theoretically have access to all Mexican social policy programs, but might not have contributed to them. The high-skilled might therefore feel justified in adopting a free-rider rationale: their lack of contributions should debar returnees from a piece of the pie. It is also possible that high-skilled Mexicans are better able to understand the cost implications for the welfare state. Alternatively, they might regard returnees as no longer "real" Mexicans, but part of the out-group, which should be excluded. While returnees tend to lift health and education levels in communities (Waddell and Fontenla, 2015; Montoya Arce, Salas Alfaro and Soberón Mora, 2011), nevertheless "return migrants often come back to their homelands with a different vision of the world" that might be perceived as irritating or presumptuous by non-migrants (2015, : 387). Mexican film and literature has often made pejorative references to U.S. returnees, as in the "Pachuco" of the 1950s and 1960s, a type of Mexican dandy who had lived in the U.S., whose speech, dress, and behavior stood out.[37] Such stigma may still persist today, driving our results on a cultural dimension.

A further plausible mechanism might work through perceptions of fairness and risk-taking (Alesina, Glaeser and Glaeser, 2004). Individuals who took the risk and went to the U.S. may, having returned, be perceived as failures, and having lost their gamble not entitled to access to social policies. In contrast, the

[37]Octavio Paz, a Mexican Nobel laureate, opens one of his best-known novels, *The Labyrinth of Solitude*, with a chapter on Pachucos - "Whether we like it or not, these beings are Mexicans, one of the extremes that Mexicans can reach" (Paz, 1972, : 16).

weak negative average effect for refugee concern is most likely driven by anti-immigration sentiments and lower levels of solidarity with out-group members (Van Oorschot, 2006; Berens, 2015*a*). However, the lack of any particular negative attitudes to refugees among the low-skilled shows again that the effect seems less linked to worries about the mounting fiscal and social transfer burden.

To summarize, we confirm H1, which expects a decline in support for redistribution and welfare generosity among the high-skilled when worried about U.S. returnees, compared to their low-skilled counterparts. The high-skilled do not alter their social policy preferences, for either inclusive or exclusive programs, when concerned about Central American refugees. This is surprising, given that an increase in refugees may entail higher costs for the fiscal state. We have to refute H2, which expects declining social policy support among the low-skilled who worry about refugees, compared to the high-skilled. Contrary to our theoretical expectations, the low-skilled do not change their welfare attitudes in regard to both inclusive and exclusive welfare policies. The weak negative average effect of refugee concern on welfare attitudes shown in Figure 3.2 is not driven by the low-skilled.[38]

Some control variables of the estimations in Table 3.2 deserve further mention. We find a positive, significant relationship for being female and support for redistribution, expansion of public pensions, health care, education, and CCTs. Increasing income reduces the likelihood of support for healthcare and education expenditure, which is in line with previous findings. Having previously worked in the U.S. goes together with greater support for public pensions, but having relatives in the U.S. shows no significant results.[39] Finally, the more the respondent perceives corruption in the public system, the less favorable they are to increasing expenditure on pensions, confirming previous scholarly findings (Holland, 2018).

3.7 Robustness tests

When using a balanced split of the categories of the independent variables (categories 1,2=0 and 3,4=1), we only find a significant negative effect for the high-skilled on preferences for public education and healthcare expansion (see Figures S4 in SI). But such a dichotomization also artificially reduces the variance and averages the differences that are stronger at the extremes, showing that concern about returnees only moderates preferences among the high-skilled, when individuals move from no concern to concern, instead of a slight increase in average concern. Figure S5 (in the Supplement) displays the average marginal effects when using a dichotomous variable of 1 for extremely concerned (4) and 0 (categories 1-3) for the remaining categories

[38] These results are also striking considering the high salience of the refugee issue during data collection.

[39] Around 28% of the actively working respondents in our sample indicated that they have relatives living in the U.S., which, given the number of observations, should make an effect detectable if it exists.

for the two concern variables. The results for accessible social policies (education and health care) stay significant for high-skilled Mexicans in relation to returnee concern. We also see a negative significant effect for refugee concern on public education and health care support for the high-skilled. But the number of respondents who choose the "extremely concerned" category is also fairly small in this case, which explains the weaker results. In turn, the low-skilled are significantly more supportive of redistribution when they are extremely worried about refugee inflow compared to the high-skilled, pointing to a compensation rationale that further refutes our H2. The logistic and ordered probit regression analyses corroborate the findings for redistributive preferences and support for public education (see Table S9) and PROSPERA (Table S8). The impact of return migration only slightly misses conventional levels of significance for preferences for pension expansion, health care, and PROSPERA in the logistic analyses.

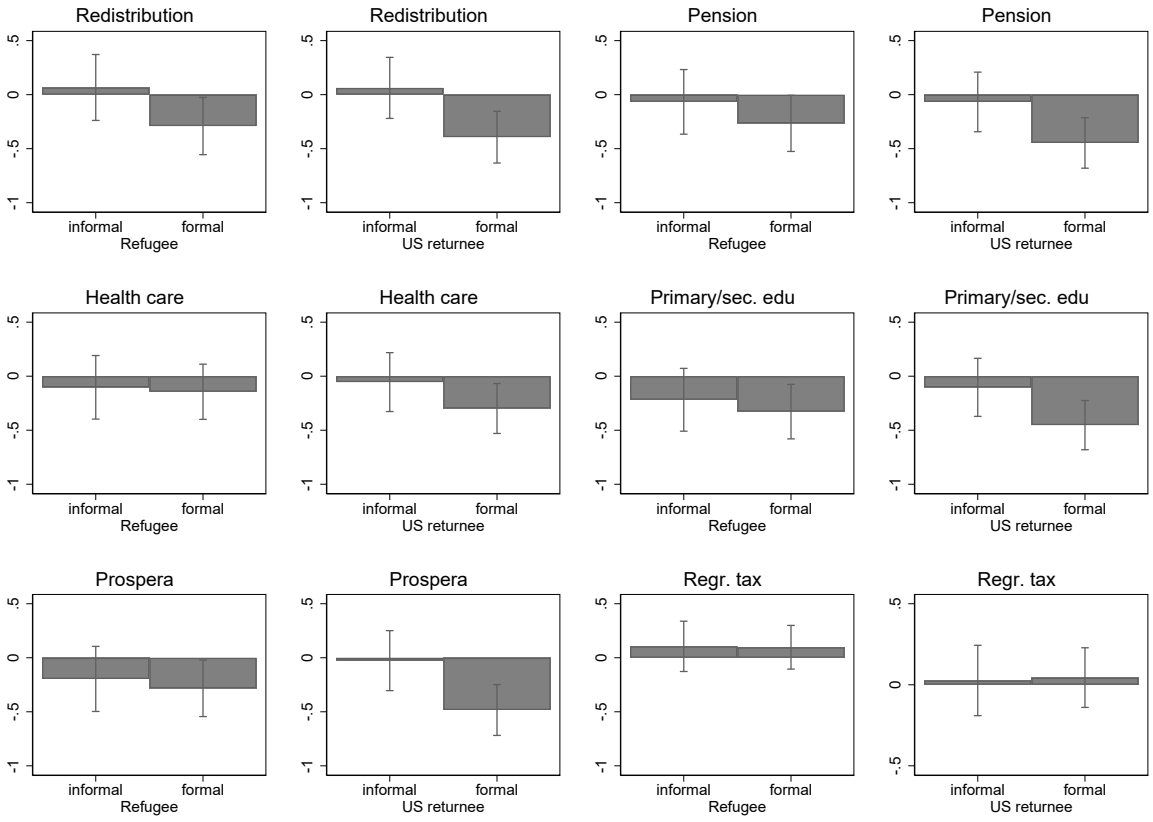
When using ISCO categories on type of occupation as measure for skill, we find a similar pattern to education. The interaction with ISCO-skill and refugee concern is never significant. In contrast, support for redistribution, health care, education, and PROSPERA reduces support among the ISCO high-skilled in comparison to the ISCO low-skilled (see Figure S6 in the Supplement). Next, we approximate skill level through formal versus informal labor. Figure 4 shows the AMEs for formal- and informal-sector workers.[40] The results are in line with the findings above. Formal workers are less supportive of redistribution than informals, and less favorable to improving public pensions, health care, primary and secondary education, and also to expanding PROSPERA, when concerns about U.S. returnees increase. Even though formal-sector workers are not significantly different from informal-sector workers (confidence intervals overlap in most cases and in some estimations also cover the point estimate), they are significantly different from zero. Just as we found for low-skilled workers, informal workers do not alter their welfare preferences in response to increased labor market competition from refugees. Tax preferences remain unaffected by either type of concern across theses different specifications.

3.8 Conclusion

The scholarly debate about the implications of migration for the welfare state is vast and reflects the urgency that the age of migration has brought. We contribute to the debate with a more nuanced analysis of different patterns of migration that are prominent in middle-income economies: returnees and refugees. Although return migration is a well-known phenomenon in middle-income countries, the literature has barely begun to consider its social and economic consequences (see Waddell and Fontenla, 2015). We argue that different types

[40] See Figure D (Appendix) for predicted probabilities for formal-sector workers.

Figure 3.4: Average marginal effects of refugee and U.S. returnee concern conditional on *formal vs. informal worker*, OLS regressions, (Table S7 in the Supplementary Material)



of migrants have different consequences for social policy support coalitions, as returnees and refugees differ in skill composition and implications for the fiscal and transfer system, and that effects will be moderated by an individual's own skill level. Because it is nearly impossible to calculate the net effect of migration for a political economy, we resort to individual perception and attitudes.[41] Making use of original survey data from two federal states in Mexico, collected during a period when migration was highly salient, we study how these two streams of migrants affect social policy preferences and support for redistribution among non-migrant Mexicans. To our knowledge, we are the first to take returnees into account when considering migration and social policy preferences.

Our findings reveal that it is mostly concerns about Mexicans who come back from living in the U.S. that impact support for welfare state expansion. Throughout all model specifications and analyzing different types of social policies, we find negative effects on social policy preferences when respondents are worried about U.S. returnees. The main difference between U.S. returnees and Central American refugees is nationality, which makes the welfare state more easily accessible to the former. While we find negative effects for both concerns on the average respondent in the policy fields pertinent to the respective group (education and health care for refugees; pensions for returnees), being high-skilled is a particularly powerful driver of decreasing support for redistribution and the welfare state in the non-migrant Mexican. The refugee effect (albeit weak) is not moderated by skill.

One could argue that the comparison between refugees and returnees is, in its essence, a comparison of attitudes to in-group (nationals) and out-group (foreigners) members. If so, we would expect respondents to be more tolerant of and show solidarity with returnees compared to refugees. However, we find the opposite. Mexican non-migrants are more tolerant toward refugees than toward returnees in their social policy and redistributive attitudes. We can only speculate why this should be, but can perhaps point to a free-rider, exclusionist rationale — though, notably, only among the high-skilled. Low-skilled Mexicans, perhaps, may identify more strongly with those who seek a better future up north, or do not directly associate refugees with costs. Furthermore, despite the widespread media attention paid to the "Caravan" of Central American refugees, typical Mexican non-migrants might not have much contact with this group, while return migration is encountered much more often. Future research needs to investigate the quality and nature of contact that non-migrants have with refugees and returnees to better understand the origin of concern.

Our results have two important implications. First, while racism has drawn increasing attention in the literature, in- and out-group dynamics are not only a question of race or nationality. Individuals who lived

[41] See Section C in SI for first results on context effects.

abroad for some time and then decide to come back might also be perceived as a burden on the welfare state; those who remained in Mexico during hard times might be reluctant to share. Racism has found increasing attention in the literature but should also be put into context with nationals who lived outside of their home country for a while. Therefore, nationality might be a less decisive mechanism that determines support for welfare state expansion in middle-income economies than expected. In future research, therefore, it will be important to consider various streams of migration. This applies to all countries which experience multiple streams of emigration, immigration, and return migration, including advanced industrial democracies such as Spain or Portugal, where entire well-educated cohorts emigrated to neighboring countries following the 2008 financial crisis. This Southern European "brain drain" is slowly reversing, but we still know little about the possible impact of these returnees on domestic public policy preferences.

Second, support for welfare state expansion varies by type of policy and accessibility. Return migration in Mexico has a particularly depressing effect on support for health care, education, PROSPERA, and general attitudes toward redistribution. These social policy fields are equally relevant for refugees, yet we do not find any significant change among the high-skilled that can be attributed to refugee concern. Restricting universal social policy in response to refugee inflow might, thus, be a solution to a misattributed problem. Low-skilled workers in middle-income countries seem much less susceptible to the welfare chauvinism logic in universal social policy programs than expected.

Our findings are, however, limited by the small sample size and the focus on the actively working population. Results might be different for attitudes in society at large. Moreover, due to the lack of suitable survey questions, we cannot directly test the mechanism which drives the negative effect among the high-skilled responding to mounting concerns about U.S. returnees. Beyond the self-interest-based explanation underlying worries about intensified labor market competition offered here, cultural predispositions seem under-explored. Drawing upon U.S. findings, where racism, ethnocentrism, and cultural animosities are important drivers of welfare chauvinism (e. g. Newman and Malhotra, 2019), future work needs to explore how returnees are viewed along these dimensions in cases such as Mexico. Our analysis is therefore only a first step toward a disaggregated examination of different patterns of migration on social policy attitudes in developing economies, which face a much more diverse stream of migration than the Global North.

3.9 Online appendix

Figure 3.5: Refugees from Central America to Mexico, Source: UNHCR 2019

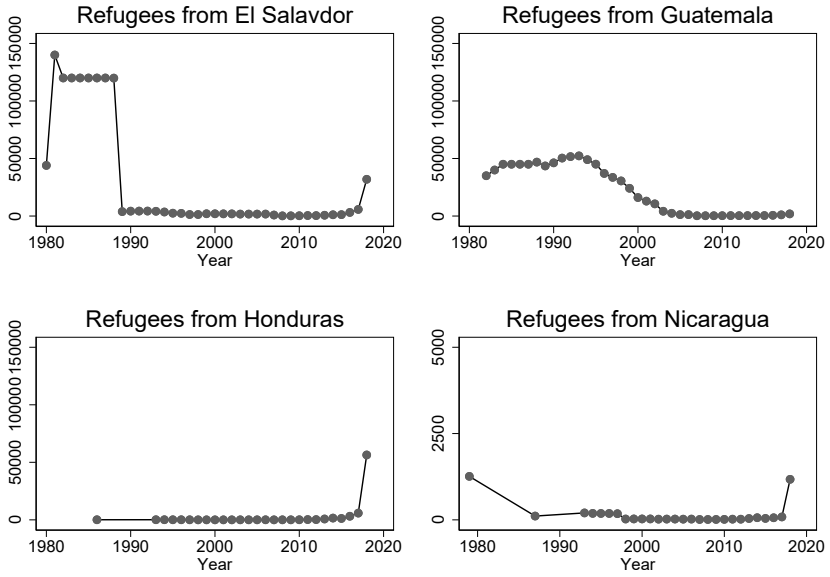


Table 3.3: Descriptive statistics

	Mean	Std. Dev.	Min	Max	Obs
Dependent Variables					
Redistribution	3.058	0.978	1	4	586
Pension	2.845	0.970	1	4	586
Health care	3.102	0.924	1	4	586
Prim/Sec edu	3.111	0.932	1	4	586
Prospera (CCT)	3.050	0.962	1	4	586
Regressive taxation	1.534	0.742	1	3	586
Independent Variables					
Refugee concern	2.340	0.944	1	4	586
U.S. Returnee concern	2.234	0.931	1	4	586
Controls					
Female	0.294	0.456	0	1	586
Age	41.976	10.110	19	73	586
Married	0.701	0.458	0	1	585
Income AMAI	4.139	1.522	1	7	582
Level of education	5.973	1.812	1	10	586
Formal sector worker	0.586	0.493	0	1	585
Relatives in U.S.	0.241	0.427	0	1	582
Worked in U.S.	0.060	0.238	0	1	581
Puebla	0.486	0.500	0	1	586
Corruption perception	3.061	0.875	1	4	572
Urban	0.741	0.439	0	1	575
Sector of employment					
Agriculture	0.067	0.250	0	1	586
Industry	0.167	0.374	0	1	586
Trade, Finance	0.538	0.499	0	1	586
Service	0.172	0.378	0	1	586
Public Sector	0.056	0.231	0	1	586

Source: PQMex Survey 2018 (Berens and Deeg, 2018).

Figure 3.6: Distribution on DV items

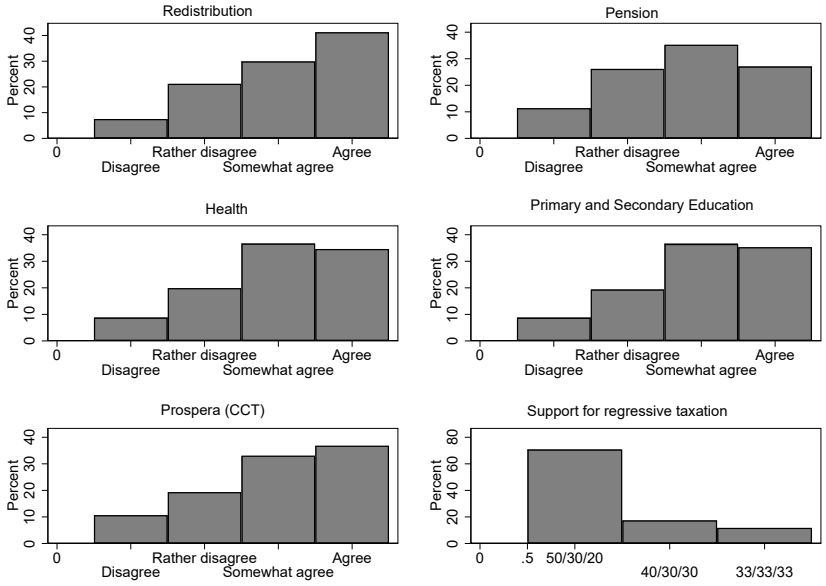


Figure 3.7: Histrogram of education level

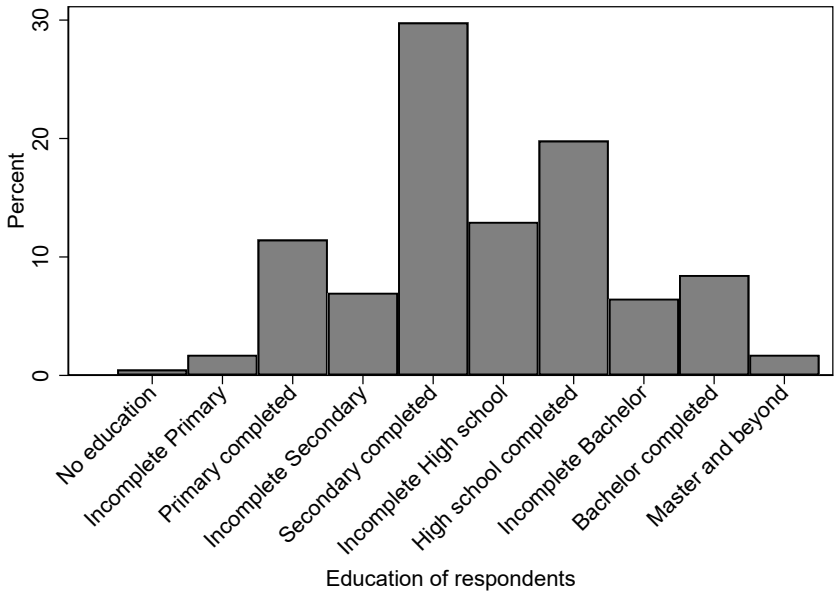


Figure 3.8: Predicted probabilities of refugee and U.S. returnee IV conditional on status as *formal worker*

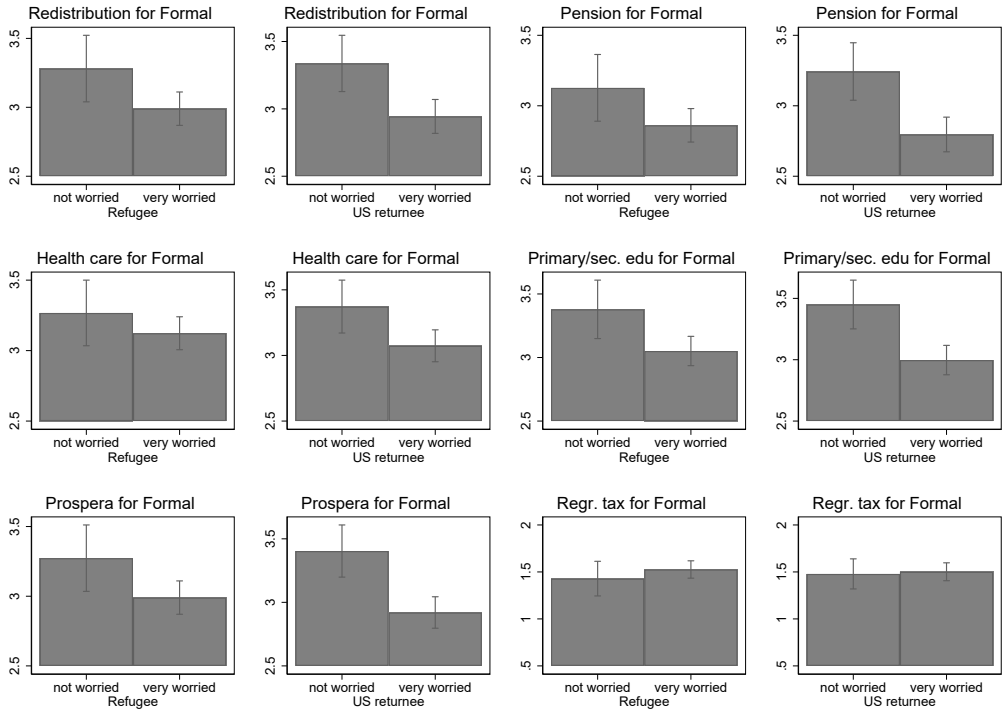


Figure 3.9: Average marginal effects and U.S. returnee concern conditional on *skill level in a leaner model, controlling solely for age, gender and state*

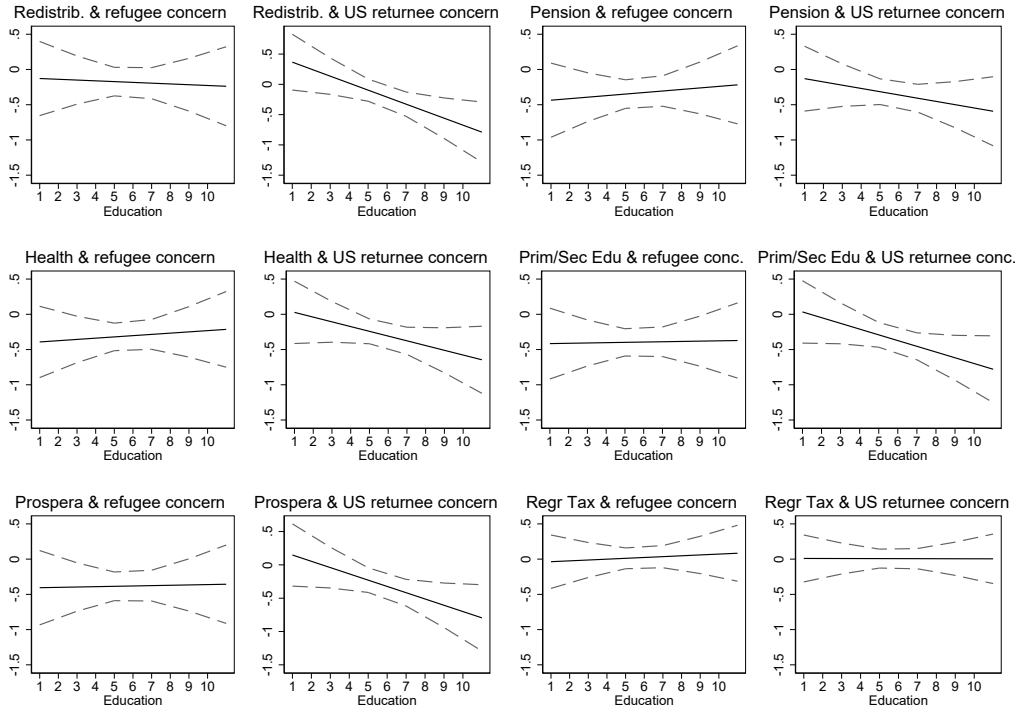


Figure 3.10: Average marginal effects and U.S. returnee concern conditional on *skill level, controlling also for political ideology through vote choice*

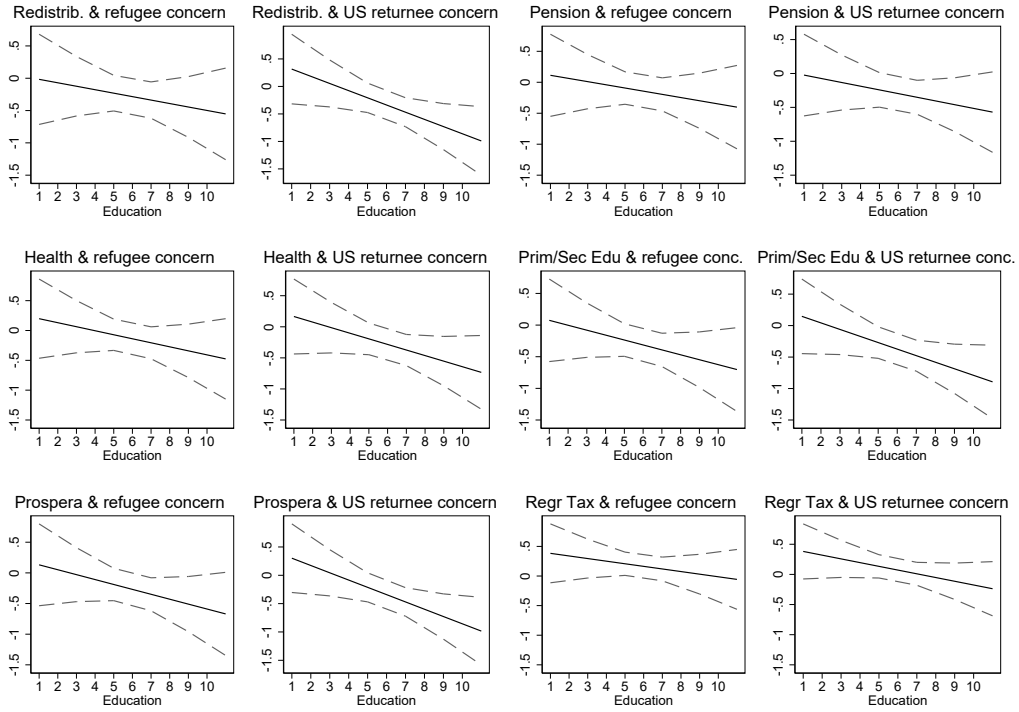
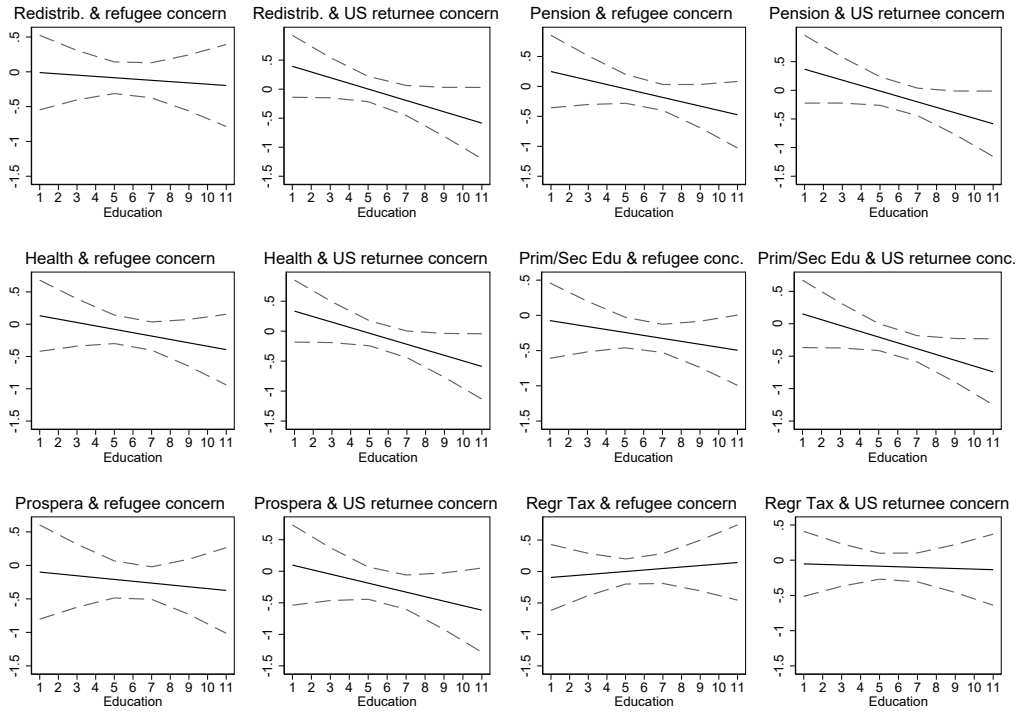


Figure 3.11: Average marginal effects, weighted



3.10 Supplementary material

Section A: survey information
Our standardized public opinion survey was collected in November 2018 (after the U.S. midterm elections) in two states of Mexico, Querétaro and Puebla, visualized by darker color in Figure 3.12. We select states with average employment rates but below-average levels of violence. In Querétaro, GDP per capita was 0.22 (in millions of Pesos) and in Puebla 0.10 in 2017 compared to a national average of 0.16 (INEGI 2018). The representative, random, face-to-face household survey with 1'400 respondents (700 per state) was conducted in collaboration with the Mexico City based survey company Beltrán, Juárez y Asociados (BGC). In order to test the questionnaire with regard to wording, complexity and length prior to the actual data collection, we made use of focus group interviews with students of the Colegio de México (Colmex) in Mexico City during field research in September-October 2018. Additionally, BGC collected 60 pre-test interviews in Queŕetaro that we subsequently analyzed to improve wording and item organization. We trained the enumerators prior to the field period.

The target population of the survey was Mexican citizens older than 18, residing in the randomly selected households. The enumerators were instructed to ask first to interview the head of the household. If the head of the household was not available, enumerators spoke with a member of the household who had the capacity to respond to questions on household expenses and income. To design the sample, all households in the two states had a probabilistic, non-zero probability of being randomly selected. As sample frame, the survey company used census statistics at Geo-Electoral Scales according to the latest Population and Housing Census of 2010. The selection of the sample was carried out by means of a multistage sample, in which the first stage of selection, the primary sampling unit PSU, was the precinct. The PSU is a conglomerate of sections. A conglomerate is defined as the set of units of the same municipality and socioeconomic level. The conglomerates are selected considering the probability proportional to their population. Socio-economic strata are calculated by undertaking a main component analysis with census variables that range from possession of goods to access to particular services. This index is stratified into four socioeconomic levels using Dalenius' optimal stratification technique.

The second stage of selection consists of a random draw of two units within each cluster. Each unit can be selected with a probability proportional to its size. Blocks and dwellings are then randomly selected with a systematic type of sampling with equal probability and random start. Enumerators were asked to cover the entire block and not just one side. If an insufficient number of households were willing to participate, enumerators had back-up blocks that were randomly selected following the above described procedure. If the sample design included potentially dangerous areas, it was substituted by another area to guarantee enumerators' safety. The sample is representative at the state level for the major socio-demographic characteristics (gender and age). We naturally oversampled the working population by conducting the interviews on weekends as our main theoretical interest focuses on the working population.

Section B: sampling diagnostics
Our sampling strategy produced a sample with similar characteristics of basic socio-demographic variables (gender, age, employed, education level, informal worker, married, household income) as a nationally representative survey collected within the AmericasBarometer (Latin American Public Opinion Project, LAPOP) for Mexico at a similar point in time.[42] We show descriptive statistics for our full sample collected in Puebla and Querétaro (N=1,400) and the LAPOP for Mexico that was collected in 2018 (N=1,580) in Table 3.4 and 3.5. Our sample reaches very similar values regarding means and variance for these basic characteristics. Only monthly household income is slightly higher in our sample (we recoded the LAPOP income bracket categories to fit with our income brackets coding to allow comparison between the two surveys), which might

[42]We thank the Latin American Public Opinion Project (LAPOP) and its major supporters (the United States Agency for International Development, the Inter-American Development Bank, and Vanderbilt University) for making the data available. Source: The AmericasBarometer by the Latin American Public Opinion Project (LAPOP), www.LapopSurveys.org.

Figure 3.12: Map of Mexico, Puebla and Querétaro indicated by darker color

be explained by the fact that both Puebla and Querétaro are rather in the middle of the income distribution, so that the nationally representative sample of LAPOP covers more states with a much poorer income structure. When identifying informal sector workers through consent to the question about making regular contributions to the public pension scheme (our survey contains the exact same question), we reach a very similar value about the average share of informal sector workers. To check the validity of our data regarding attitudinal items, we compare the answer behavior to our question on preferences for redistribution (item ROS4 in LAPOP ["The government should implement strong policies to reduce income inequality between the rich and the poor"] (answer scale 1-7; recoded into 1-5=0 – lower support and 6-7=1 – strong support, in the PQMex Survey (Berens and Deeg, 2018), we recoded our scale which runs from 1-4 into 1-3=0 – lower support and 4=1 – strong support).

Table 3.4: Descriptive statistics, overall sample

	Mean	Std. Dev.	Min	Max	Obs
Female	0.474	0.499	0	1	1400
Age	42.02	12.59	18	82	1400
Working	0.579	0.494	0	1	1389
Redistribution	0.413	0.493	0	1	1313
Education Level	5.702	1.786	1	10	1397
Informal Worker	0.705	0.456	0	1	801
Married	0.728	0.447	0	1	1395
Monthly Household Income	2.565	0.826	1	4	1093
Observations	1400				

Source: PQMex Survey 2018 (Berens and Deeg, 2018).

Table 3.5: Descriptive statistics LAPOP 2018 Mexico

	Mean	Std. Dev.	Min	Max	Obs
Female	0.509	0.500	0	1	1580
Age	42.09	17.03	18	88	1580
Working	0.531	0.499	0	1	1571
Redistribution	0.498	0.500	0	1	1557
Education Level	5.506	2.373	1	10	1568
Informal Worker	0.685	0.465	0	1	826
Marital Status	0.597	0.491	0	1	1574
Monthly Household Income	1.876	0.862	1	4	1389
Observations	1580				

Source: LAPOP 2018.

Section C: additional analysis - multilevel model

In an additional analytical step, we use Inter Census data that was collected by INEGI in 2015 and is available on IPUMS,[43] to tap into the impact of context effects for social policy preferences. Following the debate in the literature (see Blumer, 1958; Allport, Clark and Pettigrew, 1954 Fox 2004, Escandell and Ceobanu, 2009, Schlueter and Davidov, 2013), we investigate how far exposure to different streams of migration yields similar or different effects compared to individual concern about these groups. The Inter Census contains information on returnees and migrants at the municipality level. The identification of returnees and refugees in this dataset is limited but can be approximated. To calculate the share of returnees from the Inter Census for the municipalities covered in the PQMex Survey 2018 data set (Berens and Deeg, 2018), we use an item about the individual's state of residence five years ago.[44] Even though the response options feature the possibility to select the U.S. as country of residence in 2010, the variable designed by IPUMS aggregates everyone who lived in another country five years ago to the category "abroad". Every respondent who belongs to the category "abroad" is therefore in our additional analysis part of the returnee group which might therefore make the group of returnees larger than it would be, when only including U.S. returnees and is, hence, only imperfectly identified. However, most of Mexican emigrants decide to leave for the U.S. and should, thus, be the majority of returnees. Unfortunately, there is no variable available that asks about country of residence in a shorter time period (e. g. one year ago). This might influence the results. In the next step, we calculate the share of returnees within the municipalities by dividing the number of returnees in one municipality with the number of all respondents within the same municipality. This creates a representative share for the municipality. We match the returnee share variable with the municipalities of our data set. We specify a multilevel linear model with varying-intercept for municipality level with the same set of individual level controls as specified in the main analysis. We, first, interact our main skill variable (education) with returnee share and, second, interact returnee share with U.S. returnee concern, always employing the same outcome variables (social policy items).

To estimate the same measure for refugees, we make use of a proxy and employ the respondent's country of birth.[45] If the respondent indicates here that s/he was born in a Central American country, we count this person as a refugee which overestimates the group of refugees as we cannot exclude non-refugee migrants. Moreover, we do not know since when the foreign-born individual lives in Mexico. The measure of refugee share is more imprecise than the measure of returnees since the Inter Census does not collect information how far the respondent came to Mexico as a refugee. We calculate the refugee share and match the values with the survey data as described above. For both share variables we use the natural log to normalize the data as values are small.

Interacting the contextual variables with skill does not generate significant results. The preliminary find-

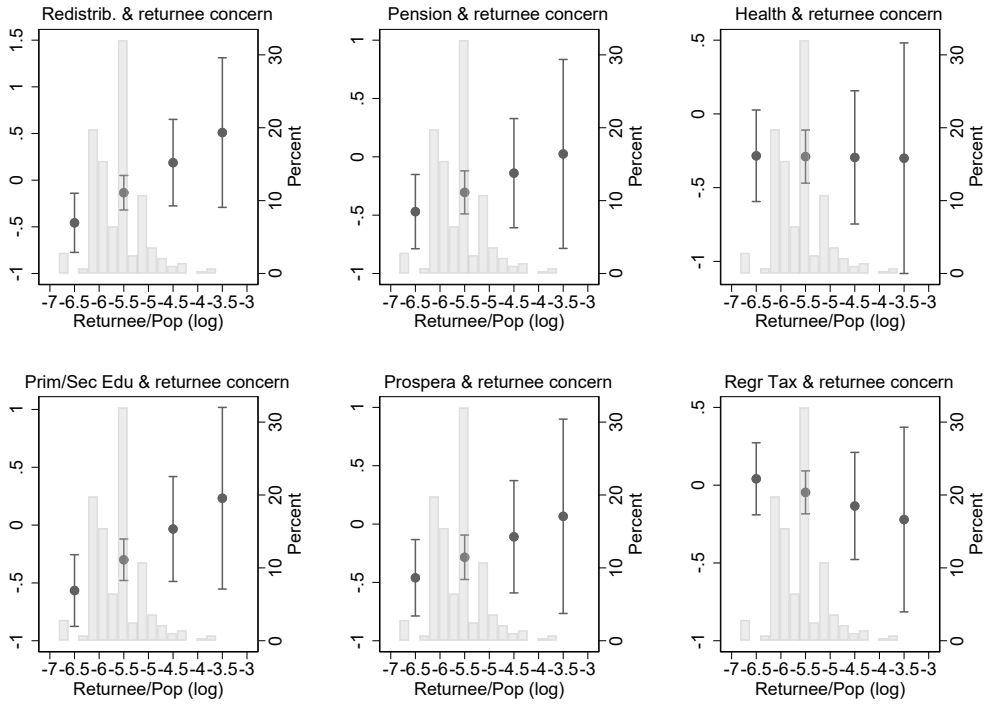
[43] Minnesota Population Center. Integrated Public Use Microdata Series, International: Version 7.2 [dataset]. Minneapolis, MN: IPUMS, 2019. https://doi.org/10.18128/D020.V7.2

[44] "In which state of the Mexican republic or in which country did [the respondent] live in March, 2010?"

[45] "In which state of the Mexican republic or in which country was [the respondent] born?"

ing corroborates scholarly work which regularly finds stronger effects for attitudes and individual stereotypes compared to context effects (e. g. Fox 2004 regarding share of hispanics; Escandell and Ceobanu, 2009). Actual exposure and concern are two different concepts that do not necessarily always go hand in hand when it comes to social policy preferences.[46] Exposure can increase the salience of the issue so that the impact of concern is further reinforced. But a more divers context does not automatically affect individual concern as this depends on the quality, frequency and nature of contacts. To better understand how concern and exposure interact, we test a cross-level interaction of concern and the contextual variables on social policy preferences. Figure 3.13 shows average marginal effects for returnee concern at different levels of returnee shares (the histogram shows the distribution of returnee shares). Individuals who worry about U.S. returnees are significantly less likely to support an increase in spending for all social policies, but the more they are exposed to returnees the less significant the individuals opposition to social policy expansion. Actual exposure seems to reduce the effect of individual concerns, alluding to the contact hypothesis (Allport et al. 1954). The average effect is however not significant and confidence intervals overlap. Looking at Figure 3.14 shows similar results for the impact of refugee concern when the share of refugees at context level increases, but again, the confidence intervals overlap and the average effect is insignificant. We find that exposure and concern have different effects on social policy preferences. These preliminary results are only a first step toward better understanding the impact and interaction of concerns and actual exposure. A more thorough analysis which tests the robustness of these results by also including further municipality level controls and tests for outliers is limited by the scope of this study, which focuses on refugee and returnee related labor market concerns, and the imprecision of the identification of refugees at context level. Further research, which addresses the nature and quality of contacts is needed to understand the contextual impact of refugees and returnees for welfare state attitudes.

Figure 3.13: Interaction of returnee concern with returnee share on social policies, multilevel linear model, average marginal effects (PQMex 2018, InterCensus 2015)



[46]The multilevel linear regression estimates are provided on request.

Figure 3.14: Interaction of refugee concern with refugee share on social policies, multilevel linear model, average marginal effects (PQMex 2018, InterCensus 2015)

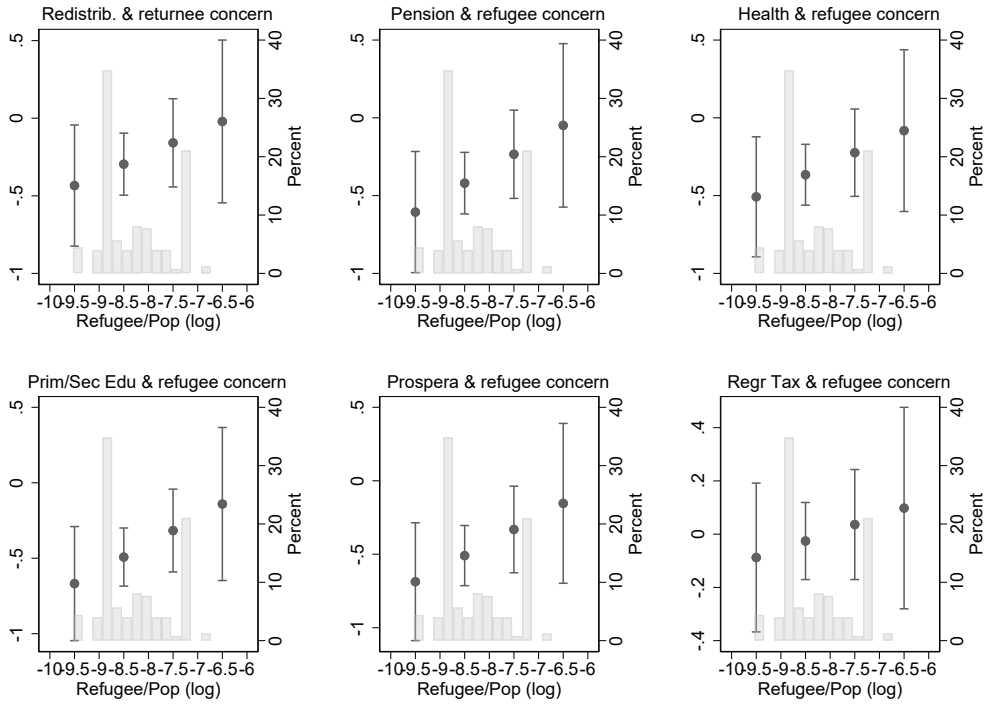


Table 3.6: ISCO-08 categories

1	Managers
2	Professionals
3	Technicians and associate professionals
4	Clerical support workers
5	Service and sales workers
6	Skilled agricultural, forestry and fishery workers
7	Craft and related trades workers
8	Plant and machine operators, and assemblers
9	Elementary occupations
0	Armed forces occupations

Note: We revert the scale so that higher values measure a higher skill level in our analysis. Category 0 for armed forces is excluded.

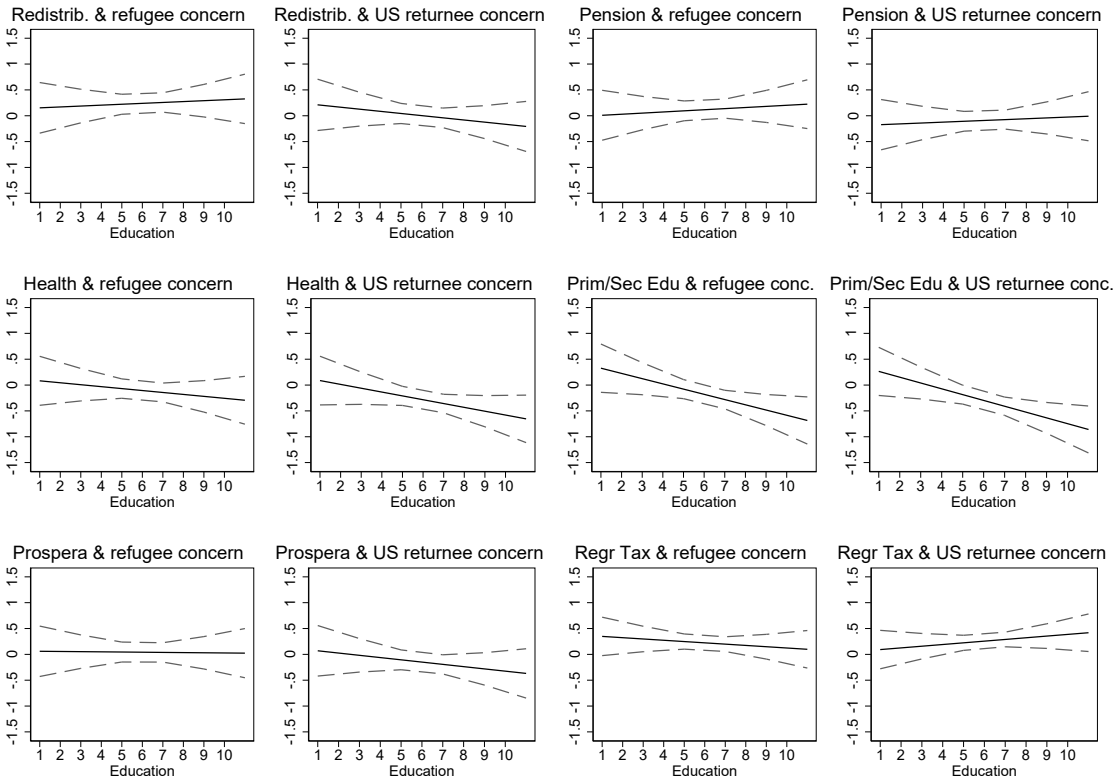
Source: International Labor Organization. 2008. "Resolution Concerning Updating the International Standard Classification of Occupations."

Table 3.7: OLS regression on U.S. returnee and refugee concern

	(1) U.S. Returnee concern	(2) Refugee concern
Education	0.068	-0.009
	(0.041)	(0.040)
Female	0.007	0.027
	(0.111)	(0.110)
Age	0.006	0.017
	(0.037)	(0.036)
Age^2	-0.000	-0.000
	(0.000)	(0.000)
Married	0.262*	0.235*
	(0.111)	(0.111)
Income (AMAI)	-0.041	0.056
	(0.046)	(0.046)
President vote choice		
Meade (PRI)	0.218	0.245
(ref. cat. Anaya (PAN))	(0.170)	(0.168)
AMLO (Morena)	0.456***	0.408***
	(0.108)	(0.107)
Calderon (Independent)	0.397	0.299
	(0.270)	(0.268)
Annulated	0.422	0.565*
	(0.235)	(0.233)
Nobody	-0.072	-0.542
	(0.533)	(0.529)
Sector of Employment		
Industry	0.217	0.322
(ref. cat. agriculture)	(0.227)	(0.225)
Trade, Finance	-0.237	-0.203
	(0.207)	(0.205)
Service	-0.407	-0.260
	(0.235)	(0.233)
Public	-0.412	-0.392
	(0.294)	(0.291)
Relatives in U.S.	0.234	0.174
	(0.122)	(0.121)
Worked in U.S.	0.275	0.231
	(0.226)	(0.224)
urban	0.055	0.174
	(0.114)	(0.113)
Puebla	0.075	-0.049
	(0.099)	(0.098)
Constant	1.438	1.261
	(0.804)	(0.797)
Observations	380	380
R^2	0.154	0.153
BIC	1093.3	1086.8
Log lik.	-487.3	-484.0
Chi-squared		

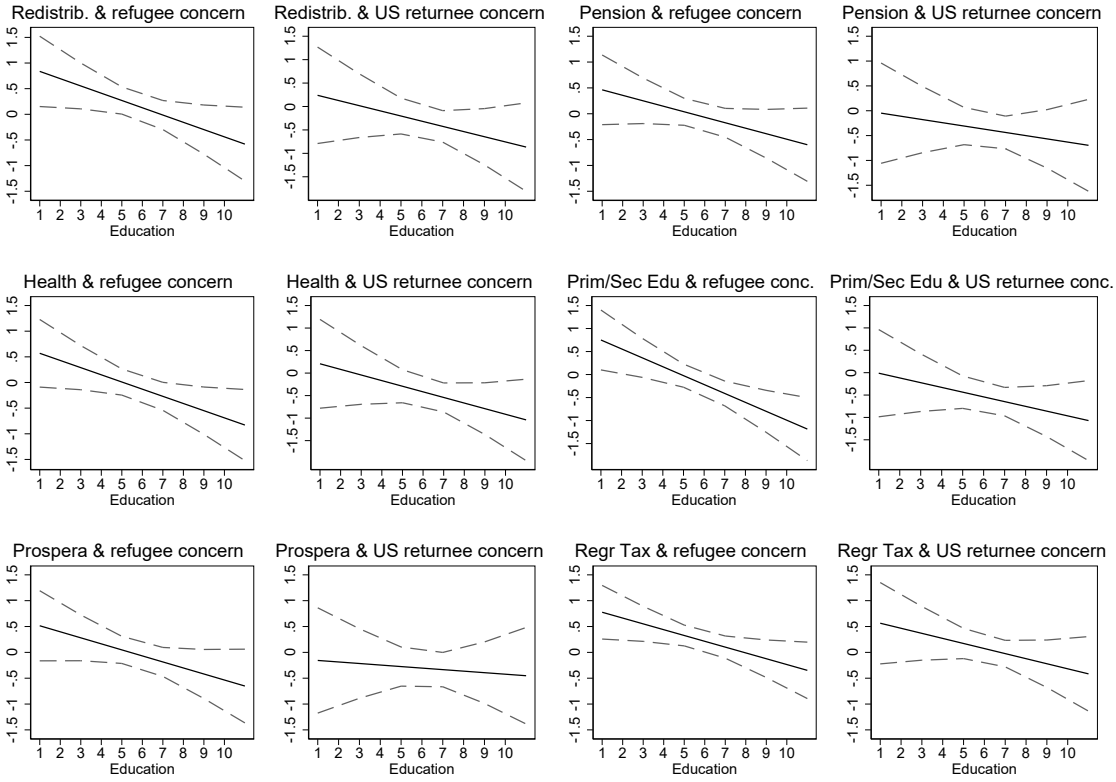
$+p < 0.10, *p < 0.05, **p < 0.01, ***p < 0.001$
Note: The numbers in parentheses are standard errors.
Source: PQMex Survey 2018 (Berens and Deeg, 2018).

Figure 3.15: Average marginal effects of refugee/returnee concern (categories 1, 2=0 and 3,4=1) and skill (*education*)



Note: Regression table available from authors on request.

Figure 3.16: Average marginal effects of refugee/returnee concern (categories 1, 2, 3=0 and 4=1) and skill (*education*)



Note: Regression table available from authors on request.

Figure 3.17: Average marginal effects of refugee/returnee concern and *ISCO measure* for skill

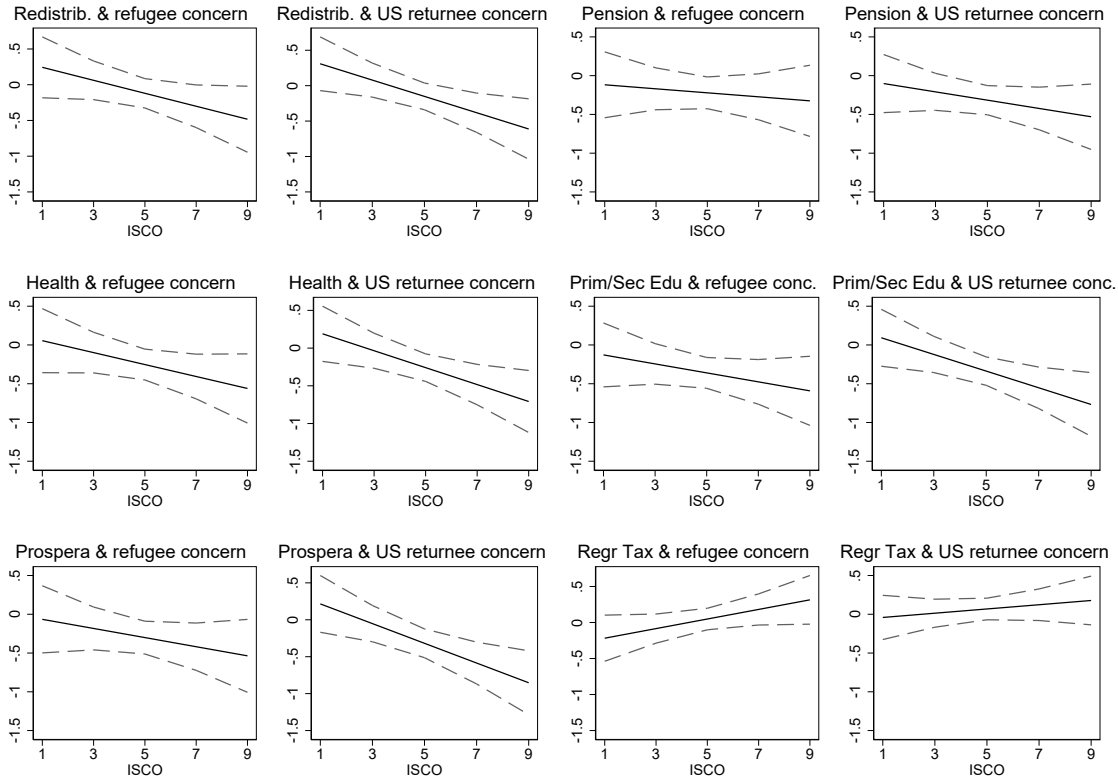


Table 3.8: OLS regression on social policy preferences and types of migration flows

	(M1)	(M2)	(M3)	(M4)	(M5)	(M6)	(M7)	(M8)	(M9)	(M10)	(M11)	(M12)
	Redistribution		Pension		Health care		Prim./Sec. education		CCT (Prospera)		Regressive taxation	
Refugee Concern	0.059		-0.008		-0.067		-0.129**		-0.042		0.109**	
	(0.045)		(0.044)		(0.043)		(0.042)		(0.044)		(0.034)	
U.S. Returnee Concern		-0.077		-0.126**		-0.167***		-0.208***		-0.139**		0.087*
		(0.046)		(0.045)		(0.044)		(0.043)		(0.045)		(0.035)
Controls												
Female	0.213*	0.220*	0.257**	0.263**	0.235**	0.239**	0.153	0.155	0.168	0.173	-0.077	-0.075
	(0.093)	(0.093)	(0.092)	(0.091)	(0.090)	(0.089)	(0.089)	(0.087)	(0.092)	(0.091)	(0.070)	(0.071)
Age	0.059	0.061	0.052	0.054	-0.033	-0.031	-0.000	0.002	0.001	0.003	0.003	0.002
	(0.031)	(0.031)	(0.031)	(0.030)	(0.030)	(0.030)	(0.030)	(0.029)	(0.031)	(0.031)	(0.024)	(0.024)
Age^2	-0.001	-0.001	-0.001	-0.001	0.000	0.000	-0.000	-0.000	-0.000	-0.000	-0.000	-0.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Married	0.059	0.079	0.034	0.048	0.032	0.040	0.113	0.116	0.125	0.135	-0.033	-0.024
	(0.096)	(0.096)	(0.095)	(0.094)	(0.093)	(0.091)	(0.091)	(0.090)	(0.095)	(0.094)	(0.073)	(0.073)
Income (AMAI)	0.001	0.009	-0.046	-0.044	-0.074*	-0.077*	-0.084*	-0.092**	-0.040	-0.041	-0.062*	-0.053
	(0.038)	(0.038)	(0.037)	(0.037)	(0.037)	(0.036)	(0.036)	(0.035)	(0.038)	(0.037)	(0.029)	(0.029)
Education	-0.112**	-0.114***	-0.072*	-0.071*	-0.026	-0.021	-0.019	-0.011	-0.102**	-0.099**	0.079**	0.073**
	(0.034)	(0.034)	(0.034)	(0.034)	(0.033)	(0.033)	(0.033)	(0.032)	(0.034)	(0.034)	(0.026)	(0.026)
Sector of Employment												
Industry	0.354	0.401*	0.655***	0.695***	0.276	0.309	0.342	0.366*	0.345	0.377*	-0.081	-0.072
(ref. cat. agriculture)	(0.190)	(0.190)	(0.187)	(0.185)	(0.183)	(0.181)	(0.180)	(0.178)	(0.188)	(0.186)	(0.144)	(0.144)
Trade, Finance	0.302	0.298	0.552**	0.550**	0.166	0.166	0.289	0.291	0.301	0.301	-0.019	-0.023
	(0.174)	(0.174)	(0.171)	(0.169)	(0.167)	(0.165)	(0.165)	(0.163)	(0.172)	(0.170)	(0.131)	(0.132)
Service	0.233	0.225	0.570**	0.556**	0.153	0.135	0.278	0.256	0.170	0.155	-0.027	-0.018
	(0.195)	(0.195)	(0.191)	(0.190)	(0.187)	(0.185)	(0.185)	(0.183)	(0.193)	(0.191)	(0.147)	(0.148)
Public	0.385	0.389	0.679**	0.693**	0.095	0.117	0.362	0.392	0.511*	0.528*	-0.143	-0.158
	(0.250)	(0.250)	(0.246)	(0.244)	(0.241)	(0.238)	(0.237)	(0.234)	(0.247)	(0.245)	(0.189)	(0.190)
Relatives in U.S.	0.059	0.074	-0.095	-0.080	-0.056	-0.042	0.049	0.063	0.037	0.051	0.062	0.061
	(0.102)	(0.102)	(0.101)	(0.100)	(0.098)	(0.097)	(0.097)	(0.096)	(0.101)	(0.100)	(0.077)	(0.078)
Worked in U.S.	0.092	0.136	0.505**	0.552**	-0.011	0.039	0.167	0.218	0.215	0.259	0.250	0.242
	(0.189)	(0.189)	(0.185)	(0.184)	(0.181)	(0.180)	(0.179)	(0.177)	(0.186)	(0.185)	(0.142)	(0.143)
Corruption Perception	-0.120*	-0.089	-0.175***	-0.146**	-0.071	-0.045	-0.085	-0.062	-0.121*	-0.096	-0.065	-0.063
	(0.050)	(0.050)	(0.049)	(0.049)	(0.048)	(0.047)	(0.047)	(0.047)	(0.049)	(0.049)	(0.037)	(0.038)
Urban	-0.251**	-0.252**	0.013	0.006	-0.040	-0.051	-0.124	-0.140	-0.082	-0.091	0.047	0.056
	(0.096)	(0.096)	(0.094)	(0.093)	(0.092)	(0.091)	(0.091)	(0.090)	(0.095)	(0.094)	(0.072)	(0.073)
Puebla	0.036	0.055	-0.202*	-0.183*	-0.112	-0.094	-0.243**	-0.226**	-0.182*	-0.165	-0.222***	-0.222***
	(0.086)	(0.086)	(0.085)	(0.084)	(0.083)	(0.082)	(0.082)	(0.081)	(0.085)	(0.085)	(0.065)	(0.065)
Constant	2.489***	2.634***	2.377***	2.484***	4.449***	4.519***	3.988***	4.018***	4.123***	4.198***	1.399**	1.456**
	(0.692)	(0.690)	(0.680)	(0.674)	(0.665)	(0.657)	(0.657)	(0.648)	(0.684)	(0.678)	(0.523)	(0.524)
Observations	554	554	554	554	554	554	554	554	554	554	554	554
R^2	0.102	0.104	0.116	0.128	0.066	0.086	0.091	0.114	0.095	0.109	0.092	0.085
BIC	1593.9	1592.8	1574.4	1566.3	1550.2	1537.6	1536.1	1521.7	1581.3	1572.5	1283.1	1287.4
ll	-743.3	-742.7	-733.5	-729.4	-721.4	-715.1	-714.3	-707.1	-737.0	-732.5	-587.9	-590.0

$+p < 0.10, *p < 0.05, **p < 0.01, ***p < 0.001$

Note: The numbers in parentheses are standard errors.

Source: PQMex Survey 2018 (Berens and Deeg, 2018).

Figure 3.18: Average marginal effects of refugee and U.S. returnee concern (in one model together) conditional on *skill level* (Tab. 4 M1-M12)

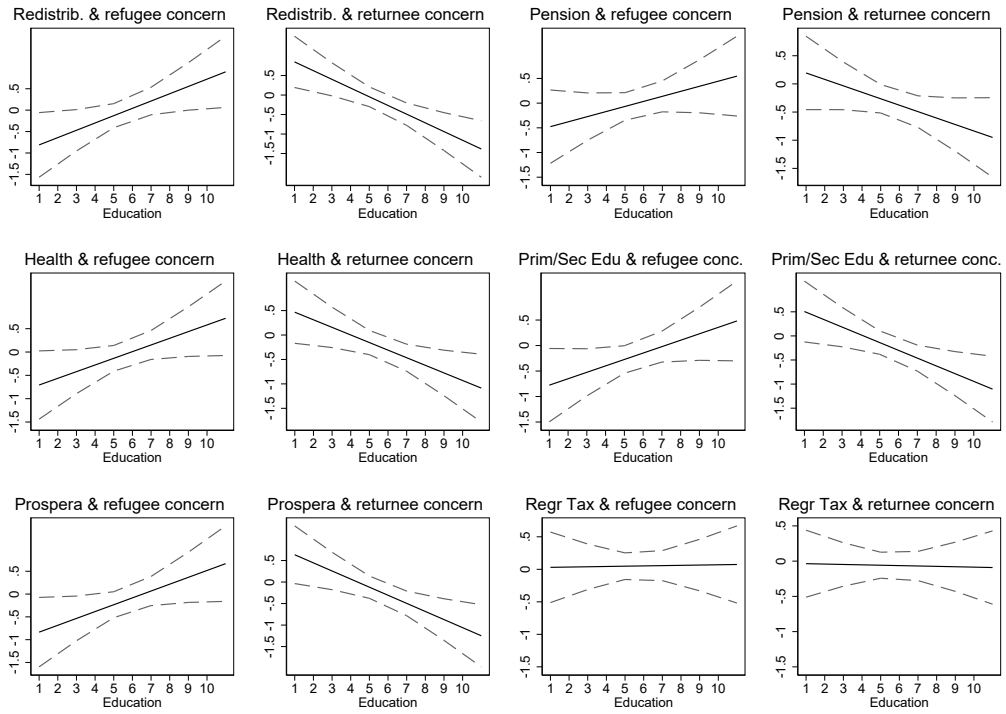


Table 3.9: Social policy preferences and types of migration flows interacted with level of education, both in one model, OLS

	(1) Redistrib.	(2) Pension	(3) Health care	(4) Prim./Sec. edu	(5) CCT	(6) Regressive tax
Refugee Concern	-0.982*	-0.578	-0.850	-0.903*	-0.985*	0.026
	(0.457)	(0.449)	(0.442)	(0.435)	(0.460)	(0.328)
Returnee Concern	1.074**	0.309	0.623	0.668	0.823*	-0.030
	(0.397)	(0.393)	(0.384)	(0.381)	(0.404)	(0.287)
Education	-0.067	-0.029	0.009	0.043	-0.040	0.105**
	(0.054)	(0.052)	(0.052)	(0.051)	(0.054)	(0.038)
Interactions						
Refugee Concern × Education	0.171*	0.102	0.143	0.126	0.150*	0.004
	(0.076)	(0.074)	(0.073)	(0.072)	(0.076)	(0.055)
U.S. Returnee Concern × Education	-0.223***	-0.114	-0.155*	-0.161*	-0.188**	-0.005
	(0.066)	(0.065)	(0.064)	(0.063)	(0.067)	(0.048)
Controls						
Female	0.222*	0.266**	0.265**	0.179*	0.182*	-0.044
	(0.089)	(0.087)	(0.086)	(0.085)	(0.090)	(0.063)
Age	0.043	0.033	-0.029	-0.008	-0.011	-0.006
	(0.029)	(0.028)	(0.027)	(0.027)	(0.029)	(0.020)
Age^2	-0.000	-0.000	0.000	0.000	0.000	0.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Married	0.095	0.054	0.045	0.093	0.132	-0.037
	(0.091)	(0.089)	(0.088)	(0.088)	(0.094)	(0.066)
Income (AMAI)	0.001	-0.074*	-0.085**	-0.104**	-0.064	-0.067**
	(0.034)	(0.034)	(0.033)	(0.033)	(0.036)	(0.025)
Sector of Employment						
Industry	0.328	0.576***	0.261	0.345*	0.249	-0.007
(ref. cat. agriculture)	(0.172)	(0.169)	(0.167)	(0.167)	(0.180)	(0.124)
Trade, Finance	0.287	0.442**	0.178	0.223	0.135	0.004
	(0.155)	(0.154)	(0.150)	(0.153)	(0.165)	(0.111)
Service	0.183	0.388*	0.103	0.222	0.023	-0.038
	(0.175)	(0.172)	(0.169)	(0.171)	(0.185)	(0.126)
Public	0.481*	0.673**	0.131	0.253	0.341	-0.230
	(0.230)	(0.226)	(0.222)	(0.224)	(0.242)	(0.164)
Relatives in U.S.	0.073	-0.154	-0.118	-0.099	-0.121	0.044
	(0.090)	(0.089)	(0.088)	(0.086)	(0.094)	(0.065)
Worked in U.S.	0.173	0.493**	0.108	0.205	0.388*	0.239*
	(0.164)	(0.157)	(0.160)	(0.161)	(0.180)	(0.119)
Corruption Perception	-0.025	-0.103*	0.010	-0.012	-0.057	-0.002
	(0.043)	(0.042)	(0.042)	(0.042)	(0.047)	(0.031)
Urban	-0.228**	0.000	-0.038	-0.176*	-0.089	0.041
	(0.087)	(0.085)	(0.085)	(0.085)	(0.090)	(0.063)
Puebla	-0.012	-0.203*	-0.122	-0.221**	-0.164	-0.187**
	(0.082)	(0.079)	(0.079)	(0.078)	(0.084)	(0.059)
Constant	2.481***	2.704***	3.916***	3.683***	4.181***	1.359**
	(0.689)	(0.678)	(0.657)	(0.658)	(0.708)	(0.491)
Observations	669	656	657	635	619	671
BIC	1951.7	1869.4	1863.1	1770.2	1796.1	1515.1

$+p < 0.10, *p < 0.05, **p < 0.01, ***p < 0.001$

Note: The numbers in parentheses are standard errors.

Source: PQMex Survey 2018 (Berens and Deeg, 2018).

Table 3.10: OLS regression on social policy preferences and types of migration flows conditional on *labor market status*

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	M9	M10	M11	M12
	Redistribution		Pension		Health care		Prim./Sec. education		CCT (Prospera)		Regressive taxation	
Refugee concern	0.066		-0.067		-0.103		-0.218		-0.196		0.106	
	(0.155)		(0.152)		(0.150)		(0.148)		(0.153)		(0.119)	
U.S. Returnee Concern		0.062		-0.068		-0.055		-0.103		-0.027		0.027
		(0.144)		(0.140)		(0.139)		(0.137)		(0.141)		(0.110)
Formal	0.236	0.285	0.278	0.395*	0.120	0.264	0.073	0.236	0.064	0.326*	-0.044	-0.061
	(0.189)	(0.168)	(0.185)	(0.164)	(0.182)	(0.162)	(0.180)	(0.160)	(0.187)	(0.165)	(0.144)	(0.129)
Interactions												
Refugee concern × formal	-0.357		-0.199		-0.041		-0.110		-0.087		-0.008	
	(0.203)		(0.199)		(0.196)		(0.193)		(0.200)		(0.155)	
U.S. returnee concern × formal		-0.456*		-0.379*		-0.244		-0.350*		-0.457*		0.018
		(0.185)		(0.181)		(0.179)		(0.176)		(0.182)		(0.142)
Controls												
Female	0.222*	0.231*	0.271**	0.278**	0.239**	0.244**	0.156	0.159	0.176	0.184*	-0.077	-0.074
	(0.093)	(0.093)	(0.092)	(0.091)	(0.090)	(0.090)	(0.089)	(0.089)	(0.092)	(0.091)	(0.071)	(0.071)
Age	0.060	0.056	0.053	0.049	-0.033	-0.035	0.001	-0.003	0.002	-0.003	0.003	0.003
	(0.031)	(0.031)	(0.031)	(0.030)	(0.030)	(0.030)	(0.030)	(0.030)	(0.031)	(0.031)	(0.024)	(0.024)
Age^2	-0.001	-0.001	-0.001	-0.001	0.000	0.000	-0.000	-0.000	-0.000	-0.000	-0.000	-0.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Married	0.082	0.085	0.045	0.050	0.029	0.033	0.109	0.109	0.134	0.138	-0.019	-0.015
	(0.096)	(0.096)	(0.094)	(0.093)	(0.093)	(0.092)	(0.092)	(0.091)	(0.095)	(0.094)	(0.074)	(0.074)
Income (AMAI)	0.007	0.006	-0.051	-0.055	-0.084*	-0.087*	-0.095**	-0.101**	-0.043	-0.048	-0.050	-0.048
	(0.038)	(0.038)	(0.037)	(0.037)	(0.037)	(0.036)	(0.036)	(0.036)	(0.038)	(0.037)	(0.029)	(0.029)
Education	-0.109**	-0.110**	-0.083*	-0.084*	-0.030	-0.030	-0.008	-0.009	-0.097**	-0.099**	0.078**	0.079**
	(0.036)	(0.036)	(0.035)	(0.035)	(0.035)	(0.034)	(0.034)	(0.034)	(0.035)	(0.035)	(0.027)	(0.027)
Sector of Employment												
Industry	0.401*	0.432*	0.618**	0.656***	0.224	0.253	0.293	0.339	0.325	0.377*	-0.022	-0.030
(ref. cat. agriculture)	(0.192)	(0.191)	(0.188)	(0.187)	(0.185)	(0.184)	(0.183)	(0.182)	(0.189)	(0.188)	(0.146)	(0.147)
Trade, Finance	0.306	0.321	0.508**	0.526**	0.134	0.151	0.254	0.292	0.264	0.307	0.005	-0.011
	(0.176)	(0.174)	(0.173)	(0.170)	(0.170)	(0.168)	(0.168)	(0.166)	(0.174)	(0.171)	(0.134)	(0.134)
Service	0.252	0.261	0.553**	0.561**	0.136	0.147	0.265	0.284	0.157	0.184	-0.011	-0.019
	(0.196)	(0.195)	(0.192)	(0.190)	(0.189)	(0.188)	(0.186)	(0.185)	(0.193)	(0.192)	(0.149)	(0.150)
Public	0.344	0.409	0.583*	0.642**	0.035	0.072	0.289	0.371	0.439	0.520*	-0.104	-0.132
	(0.254)	(0.251)	(0.249)	(0.245)	(0.245)	(0.242)	(0.242)	(0.239)	(0.251)	(0.247)	(0.194)	(0.193)
Relatives in U.S.	0.074	0.076	-0.082	-0.073	-0.056	-0.048	0.043	0.054	0.039	0.051	0.068	0.067
	(0.102)	(0.102)	(0.100)	(0.099)	(0.099)	(0.098)	(0.098)	(0.097)	(0.101)	(0.100)	(0.078)	(0.078)
Worked in U.S.	0.109	0.123	0.518**	0.530**	-0.013	-0.008	0.165	0.165	0.231	0.232	0.263	0.271
	(0.189)	(0.187)	(0.185)	(0.183)	(0.182)	(0.181)	(0.180)	(0.178)	(0.186)	(0.184)	(0.144)	(0.144)
Corruption Perception	-0.102*	-0.090	-0.163***	-0.146**	-0.074	-0.064	-0.092	-0.083	-0.112*	-0.102*	-0.051	-0.047
	(0.049)	(0.049)	(0.048)	(0.048)	(0.048)	(0.048)	(0.047)	(0.047)	(0.049)	(0.049)	(0.038)	(0.038)
Urban	-0.252**	-0.265**	0.004	-0.009	-0.051	-0.061	-0.134	-0.146	-0.086	-0.103	0.054	0.054
	(0.096)	(0.096)	(0.094)	(0.093)	(0.093)	(0.092)	(0.092)	(0.091)	(0.095)	(0.094)	(0.073)	(0.074)
Puebla	0.029	0.031	-0.207*	-0.209*	-0.116	-0.122	-0.252**	-0.262**	-0.181*	-0.196*	-0.213**	-0.208**
	(0.087)	(0.086)	(0.085)	(0.084)	(0.084)	(0.083)	(0.083)	(0.082)	(0.086)	(0.085)	(0.066)	(0.066)
Constant	2.464***	2.544***	2.404***	2.468***	4.433***	4.444***	3.882***	3.890***	4.124***	4.107***	1.480**	1.508**
	(0.696)	(0.690)	(0.682)	(0.674)	(0.671)	(0.666)	(0.663)	(0.656)	(0.687)	(0.678)	(0.531)	(0.530)
Observations	553	553	553	553	553	553	553	553	553	553	553	553
BIC	1601.2	1595.3	1579.5	1569.3	1561.1	1556.1	1547.7	1540.5	1586.9	1576.5	1303.0	1304.4

$+p < 0.10, *p < 0.05, **p < 0.01, ***p < 0.001$

Note: The numbers in parentheses are standard errors.

Source: PQMex Survey 2018 (Berens and Deeg, 2018).

Table 3.11: Ordered probit regression on social policy preferences and types of migration flows conditional on skill

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	M9	M10	M11	M12
	Redistribution		Pension		Health care		Prim./Sec. education		CCT (Prospera)		Regressive taxation	
Refugee Concern	-0.061		-0.200		-0.149		-0.378		-0.380		0.280	
	(0.444)		(0.421)		(0.435)		(0.447)		(0.447)		(0.461)	
U.S. Returnee Concern		0.782*		0.115		0.419		0.417		0.439		0.221
		(0.382)		(0.367)		(0.377)		(0.380)		(0.381)		(0.406)
Education	-0.119	-0.016	-0.083	-0.030	-0.026	0.050	0.004	0.097	-0.122	-0.022	0.126	0.131*
	(0.068)	(0.059)	(0.065)	(0.057)	(0.067)	(0.058)	(0.069)	(0.059)	(0.068)	(0.058)	(0.071)	(0.062)
Interactions												
Refugee concern × Education	-0.022		-0.008		-0.007		-0.011		0.002		-0.016	
	(0.070)		(0.067)		(0.069)		(0.071)		(0.071)		(0.073)	
U.S. Returnee Concern × Education		-0.172**		-0.082		-0.115		-0.143*		-0.139*		-0.024
		(0.060)		(0.058)		(0.060)		(0.061)		(0.060)		(0.063)
Controls												
Female	0.284*	0.287*	0.317**	0.317**	0.285*	0.285*	0.213	0.204	0.223*	0.218*	-0.117	-0.109
	(0.113)	(0.113)	(0.109)	(0.109)	(0.111)	(0.111)	(0.112)	(0.111)	(0.111)	(0.111)	(0.121)	(0.121)
Age	0.065	0.068	0.066	0.066	-0.047	-0.046	-0.000	-0.000	-0.002	-0.002	-0.001	0.000
	(0.037)	(0.037)	(0.036)	(0.036)	(0.037)	(0.037)	(0.037)	(0.037)	(0.037)	(0.037)	(0.041)	(0.041)
Age^2	-0.001	-0.001	-0.001	-0.001	0.001	0.001	0.000	-0.000	-0.000	-0.000	-0.000	-0.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Married	0.110	0.112	0.066	0.072	0.028	0.032	0.148	0.150	0.181	0.183	-0.028	-0.021
	(0.115)	(0.115)	(0.112)	(0.112)	(0.114)	(0.114)	(0.115)	(0.115)	(0.114)	(0.114)	(0.123)	(0.123)
Income (AMAI)	0.005	0.004	-0.052	-0.059	-0.095*	-0.098*	-0.135**	-0.140**	-0.058	-0.062	-0.083	-0.080
	(0.045)	(0.045)	(0.044)	(0.044)	(0.044)	(0.044)	(0.045)	(0.045)	(0.044)	(0.044)	(0.050)	(0.050)
Sector of Employment												
Industry	0.476*	0.527*	0.732***	0.779***	0.334	0.380	0.342	0.408	0.396	0.458*	-0.009	-0.018
(ref. cat. agriculture)	(0.229)	(0.229)	(0.219)	(0.219)	(0.222)	(0.222)	(0.223)	(0.223)	(0.222)	(0.222)	(0.251)	(0.251)
Trade, Finance	0.365	0.423*	0.588**	0.627**	0.213	0.258	0.285	0.367	0.333	0.405*	0.013	-0.010
	(0.210)	(0.210)	(0.203)	(0.202)	(0.205)	(0.204)	(0.206)	(0.205)	(0.206)	(0.205)	(0.234)	(0.232)
Service	0.320	0.352	0.625**	0.638**	0.218	0.238	0.323	0.355	0.213	0.244	0.003	-0.005
	(0.234)	(0.234)	(0.225)	(0.225)	(0.229)	(0.228)	(0.230)	(0.229)	(0.229)	(0.228)	(0.259)	(0.258)
Public	0.421	0.483	0.748*	0.801**	0.100	0.151	0.370	0.493	0.585	0.682*	-0.159	-0.200
	(0.299)	(0.298)	(0.294)	(0.293)	(0.293)	(0.292)	(0.300)	(0.300)	(0.299)	(0.299)	(0.332)	(0.330)
Relatives in U.S.	0.098	0.097	-0.120	-0.116	-0.100	-0.098	0.039	0.040	0.038	0.036	0.069	0.066
	(0.122)	(0.122)	(0.117)	(0.117)	(0.119)	(0.119)	(0.120)	(0.121)	(0.119)	(0.119)	(0.133)	(0.133)
Worked in U.S.	0.210	0.219	0.648**	0.667**	-0.012	-0.007	0.203	0.201	0.285	0.292	0.399	0.414
	(0.233)	(0.234)	(0.225)	(0.225)	(0.219)	(0.219)	(0.225)	(0.225)	(0.226)	(0.226)	(0.241)	(0.240)
Corruption Perception	-0.131*	-0.135*	-0.208***	-0.197***	-0.113	-0.109	-0.126*	-0.129*	-0.162**	-0.163**	-0.082	-0.077
	(0.060)	(0.060)	(0.058)	(0.058)	(0.058)	(0.059)	(0.059)	(0.060)	(0.059)	(0.059)	(0.065)	(0.065)
Urban	-0.326**	-0.347**	0.002	-0.012	-0.071	-0.085	-0.185	-0.199	-0.106	-0.121	0.071	0.068
	(0.117)	(0.117)	(0.111)	(0.111)	(0.114)	(0.114)	(0.115)	(0.115)	(0.114)	(0.114)	(0.125)	(0.125)
Puebla	0.049	0.020	-0.268**	-0.279**	-0.180	-0.198	-0.348**	-0.373***	-0.244*	-0.273**	-0.348**	-0.342**
	(0.107)	(0.105)	(0.103)	(0.102)	(0.105)	(0.103)	(0.106)	(0.104)	(0.106)	(0.104)	(0.116)	(0.113)
/												
Cut1	-1.132	-0.515	-0.899	-0.667	-3.385***	-2.965***	-2.701**	-2.157*	-3.004***	-2.426**	0.295	0.290
	(0.894)	(0.869)	(0.863)	(0.841)	(0.898)	(0.872)	(0.897)	(0.867)	(0.893)	(0.862)	(0.980)	(0.950)
Cut2	-0.082	0.544	-0.004	0.237	-2.568**	-2.140*	-1.885*	-1.332	-2.278*	-1.695*	1.099	1.093
	(0.894)	(0.869)	(0.864)	(0.842)	(0.896)	(0.870)	(0.894)	(0.863)	(0.891)	(0.860)	(0.981)	(0.951)
Cut3	0.602	1.239	1.008	1.259	-1.622	-1.186	-0.928	-0.363	-1.306	-0.710		
	(0.895)	(0.870)	(0.864)	(0.842)	(0.894)	(0.869)	(0.893)	(0.863)	(0.889)	(0.859)		
Observations	554	554	554	554	554	554	554	554	554	554	554	554
BIC	1428.0	1417.3	1496.8	1487.4	1431.3	1424.2	1409.2	1401.5	1443.7	1434.7	1097.3	1098.7

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ll	-650.8	-645.5	-685.2	-680.5	-652.5	-648.9	-641.4	-637.6	-658.7	-654.2	-488.6	-489.3
Chi-squared	63.76	74.48	74.71	84.14	40.06	47.11	59.36	67.11	67.98	76.94	39.02	37.66

$+p < 0.10, *p < 0.05, **p < 0.01, ***p < 0.001$
Note: The numbers in parentheses are standard errors.
Source: PQMex Survey 2018 (Berens and Deeg, 2018).

Table 3.12: Logistic regression on social policy preferences and types of migration flows conditional on skill

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	M9	M10	M11	M12
	Redistribution		Pension		Health care		Prim./Sec. education		CCT (Prospera)		Regressive taxation	
Refugee Concern	0.952		0.830		0.868		0.504		-0.033		-0.632	
	(0.894)		(0.895)		(0.940)		(0.978)		(0.980)		(0.809)	
U.S. Returnee Concern		1.378		0.909		1.919*		1.394		0.760		-0.717
		(0.796)		(0.799)		(0.843)		(0.857)		(0.842)		(0.720)
Education	-0.176	-0.124	-0.033	0.001	0.072	0.209	-0.016	0.118	-0.220	-0.106	-0.177	-0.208
	(0.135)	(0.120)	(0.136)	(0.121)	(0.143)	(0.131)	(0.149)	(0.135)	(0.145)	(0.126)	(0.125)	(0.110)
Interactions												
Refugee concern × Education	-0.186		-0.168		-0.158		-0.122		-0.040		0.045	
	(0.140)		(0.141)		(0.148)		(0.154)		(0.150)		(0.128)	
U.S. Returnee Concern × Education		-0.281*		-0.227		-0.363**		-0.314*		-0.209		0.092
		(0.124)		(0.125)		(0.135)		(0.139)		(0.131)		(0.112)
Controls												
Female	0.392	0.388	0.759**	0.767**	0.746**	0.761**	0.301	0.306	0.372	0.376	0.080	0.069
	(0.230)	(0.230)	(0.234)	(0.235)	(0.258)	(0.260)	(0.248)	(0.250)	(0.243)	(0.244)	(0.209)	(0.209)
Age	0.149*	0.152*	0.061	0.061	-0.031	-0.030	-0.045	-0.043	-0.007	-0.005	0.019	0.016
	(0.072)	(0.073)	(0.074)	(0.075)	(0.082)	(0.083)	(0.080)	(0.081)	(0.078)	(0.078)	(0.071)	(0.071)
Age^2	-0.002*	-0.002*	-0.001	-0.001	0.000	0.000	0.000	0.000	-0.000	-0.000	-0.000	-0.000
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
Married	0.029	0.021	-0.027	-0.023	0.269	0.281	0.344	0.363	0.424	0.443	0.078	0.063
	(0.231)	(0.232)	(0.235)	(0.235)	(0.247)	(0.248)	(0.249)	(0.251)	(0.245)	(0.246)	(0.214)	(0.213)
Income (AMAI)	0.160	0.160	-0.095	-0.102	-0.193*	-0.191	-0.081	-0.084	-0.032	-0.035	0.101	0.094
	(0.091)	(0.092)	(0.091)	(0.092)	(0.099)	(0.100)	(0.097)	(0.098)	(0.096)	(0.096)	(0.086)	(0.085)
Sector of Employment												
Industry	0.747	0.779	1.894***	1.933***	0.562	0.617	0.904*	0.968*	0.721	0.793	-0.402	-0.395
(ref. cat. agriculture)	(0.450)	(0.450)	(0.455)	(0.456)	(0.476)	(0.478)	(0.456)	(0.458)	(0.480)	(0.482)	(0.444)	(0.443)
Trade, Finance	0.671	0.695	1.650***	1.657***	0.475	0.520	1.085**	1.138**	0.653	0.705	-0.263	-0.235
	(0.414)	(0.411)	(0.418)	(0.416)	(0.438)	(0.436)	(0.420)	(0.419)	(0.436)	(0.435)	(0.416)	(0.415)
Service	0.338	0.327	1.658***	1.642***	0.477	0.496	0.928*	0.928*	0.370	0.376	-0.259	-0.259
	(0.454)	(0.453)	(0.461)	(0.460)	(0.490)	(0.490)	(0.471)	(0.472)	(0.479)	(0.479)	(0.458)	(0.457)
Public	0.534	0.589	1.680**	1.736**	0.282	0.345	1.008	1.080	0.848	0.917	-0.077	-0.003
	(0.582)	(0.581)	(0.596)	(0.598)	(0.616)	(0.619)	(0.613)	(0.615)	(0.616)	(0.616)	(0.581)	(0.579)
Relatives in U.S.	0.017	0.014	-0.117	-0.117	-0.036	-0.054	0.136	0.136	-0.010	-0.007	0.083	0.092
	(0.240)	(0.242)	(0.237)	(0.238)	(0.255)	(0.258)	(0.262)	(0.264)	(0.252)	(0.254)	(0.229)	(0.229)
Worked in U.S.	-0.333	-0.316	1.380*	1.418**	-0.222	-0.188	0.511	0.544	0.868	0.919	-0.559	-0.586
	(0.438)	(0.441)	(0.538)	(0.538)	(0.457)	(0.461)	(0.543)	(0.546)	(0.585)	(0.590)	(0.414)	(0.413)
Corruption Perception	-0.151	-0.142	-0.326**	-0.307*	-0.023	-0.022	-0.147	-0.135	-0.033	-0.015	0.129	0.122
	(0.121)	(0.122)	(0.121)	(0.123)	(0.127)	(0.129)	(0.129)	(0.131)	(0.125)	(0.128)	(0.112)	(0.113)
Urban	-0.413	-0.433	0.108	0.089	-0.104	-0.133	-0.289	-0.319	-0.275	-0.304	0.013	0.019
	(0.239)	(0.240)	(0.230)	(0.231)	(0.251)	(0.252)	(0.258)	(0.259)	(0.253)	(0.254)	(0.215)	(0.215)
Puebla	-0.343	-0.339	-0.399	-0.383	-0.193	-0.220	-0.640**	-0.672**	-0.558*	-0.597**	0.462*	0.457*
	(0.215)	(0.213)	(0.215)	(0.212)	(0.229)	(0.228)	(0.233)	(0.232)	(0.229)	(0.227)	(0.199)	(0.195)
Constant	-1.416	-1.673	-0.624	-0.622	1.451	0.755	2.651	2.012	3.031	2.470	0.322	0.458
	(1.739)	(1.700)	(1.779)	(1.746)	(1.929)	(1.892)	(1.940)	(1.891)	(1.912)	(1.849)	(1.692)	(1.651)
Observations	554	554	554	554	554	554	554	554	554	554	554	554
BIC	759.2	753.9	758.8	753.0	697.2	689.6	692.7	685.0	708.2	702.0	824.5	825.9
ll	-322.7	-320.1	-322.5	-319.6	-291.8	-287.9	-289.5	-285.7	-297.3	-294.1	-355.4	-356.1
Chi-squared	39.31	44.60	63.40	69.19	24.83	32.48	27.00	34.71	38.26	44.49	25.42	24.09

$+p < 0.10, *p < 0.05, **p < 0.01, ***p < 0.001$

Note: The numbers in parentheses are standard errors.

Source: PQMex Survey 2018 (Berens and Deeg, 2018).

Chapter 4

Offshoring, migration, and pension deservingness perception in Brazil: A conjoint experiment

Abstract

Access to social policy benefits is highly conflictual, especially in contexts of tight budgets and under the pressure of global markets. Previous research has identified a set of factors determining how public opinion views deservingness to access welfare goods. Control and identity in particular can play a pivotal role in the context of globalization. While integration in international markets shifts "control over one's success" away from the individual, migration is used to draw a clear line between in- and out-groups. This more nuanced and global view on control and identity has, so far, been neglected in academic research on middle-income countries. This paper therefore examines the deservingness aspects "control" and "identity" related to a global context. I make use of a conjoint experiment that was conducted as part of a larger, original, subnational survey in 2019 in São Paulo state, Brazil. Respondents received two fictional, randomly assembled profiles of beneficiaries and were asked to decide which they would deem eligible for a pension. Individuals who had lost their job to offshoring were deemed especially deserving. Nationality played a role – both Europeans and Venezuelans were considered less deserving than Brazilians from the same state – but for within-country migrants an insignificant effect was found.

Keywords: Brazil · globalization · informal sector · social policy preferences · survey experiment · trade

JEL classification: O170 · H4 · O54 · E2 · J1 ·

DFG project number: 374666841

4.1 Introduction

Previous research has identified a set of factors determining public opinion on who deserves to access welfare goods (Swaan, 1988; Van Oorschot, 2006). Individuals judge who should be deemed eligible for welfare benefits according to various criteria: whether someone is forced to fall back on the welfare state (*control*); is too old to work (*need*); contributed to the social system (*reciprocity*); is part of the in-group (*identity*); is grateful for the support (*attitude*) (Van Oorschot, 2000). Considerations of deservingness have mostly been investigated in the context of industrialized countries. Yet middle-income countries often suffer scarce public resources, making redistribution questions even more pressing and conflictual. Hence, it is worthwhile to investigate these deservingness considerations for middle-income countries, seeking to establish what determines citizens' perceptions of who deserves to receive social policy benefits.

In today's world, countries are rarely fully independent and self-sufficient entities, but are embedded in global markets. This is especially true of middle-income countries that have aligned their development strategies and integrated themselves internationally (Seelkopf, Lierse and Schmitt, 2016; Kaufman and Segura-Ubiergo, 2001). They are important trading partners for industrialized countries, but scholarly research on the effects of globalization in less-developed economies is still scarce. Thus, it is important not only to look at deservingness considerations in a national context, but to take into account the effects of globalization. This paper addresses the gap in the literature by focusing on the effects of global aspects like trade and migration on deservingness considerations in the middle-income-country context of Brazil. As an exogenous shock beyond the control of an individual, globalization vitiates personal efforts to achieve success in the labor market. We might expect, therefore, that it should make individuals affected seem more deserving.

Deservingness is here connected to accessing public pension benefits. Globalization directly affects pension benefits by changing employment histories.[1] International companies create both employment and unemployment depending on their production locations; and different streams of migration affect the labor-market supply. Thus, offshoring and migration influences individual deservingness considerations for pension access.

In this paper, I look at the deservingness dimensions of *control* and *identity* that can capture offshoring and migration events in middle-income Brazil. This is a novel contribution since most other research studies focus on industrialized economies, and do not combine economic globalization, that includes offshoring and migration when investigating deservingness. It is necessary to look at deservingness in middle-income

[1] Being unemployed leads to a lower pension benefit in the future or increases contribution years.

countries to understand the degree of inclusiveness individuals deem sufficient for their welfare state, which generates important implications for policy-makers.

I employ a conjoint experiment conducted as part of a larger, original, representative, subnational survey in São Paulo state, Brazil, in 2019. Respondents received two fictional, randomly assembled profiles of beneficiaries and were asked which of the two they would deem eligible for a pension. The beneficiary profiles vary on the deservingness dimensions *control* (relating to their employment situation) and *identity* (nationality). The multidimensional setup of the experiment is used to add labor market status (informal/formal), gender, age, family situation, years of work experience, education and income level. The benefits of this experimental design are clear: it allows us to control for different attributes; it is randomized, ruling out systematic differences between respondents; and it regresses all attributes on the same outcome variable, enabling not only comparison within attributes, but also between attribute dimensions (Hainmueller, Hopkins and Yamamoto, 2014).

To test the effects of offshoring, respondents are provided with different reasons why the fictional individual is either employed or unemployed, varying between globalization- and non-globalization-related scenarios. For identity, the profiles' nationalities range between Brazilians from the same or another state to migrants from Venezuela or Europe. By focusing on pension access, I exploit the salience of the topic at the time of data collection when pension reform was being debated by government and, consequently, in the media. Furthermore, pensions are closely related to employment status and, in a context in which unemployment benefits are not common, represent a suitable substitute of identifying the effects of globalization on deservingness considerations.

The results reveal that individuals who had lost their job to offshoring, a direct consequence of economic globalization, are deemed particularly deserving of pension benefits. In contrast, workers employed by successful international companies are viewed as not entitled to access the pension scheme, nor were unemployed, low-productivity workers; non-Brazilians were considered still less deserving.

As a middle-income country, Brazil benefits from international market integration and attracts more Foreign Direct Investment (FDI) than leaves the country in outward investment (World Bank, 2019*a*). This is typical of less-developed countries, which are popular production locations for international companies due to their relatively deregulated labor markets compared to industrialized countries. Economic globalization is, furthermore, perceived as beneficial by citizens (Baker, 2003). Yet, the results of the survey show that individuals react strongly against offshoring, and also worry about the often unpredictable effects of globally integrated markets.

Similarly, the survey reveals opposition to immigration, even though it is not as prevalent as in other countries, especially industrialized ones (United Nations Population Division, 2019). Scholarly research, however, shows that concern about migrants does not depend on exposure (Fox, 2004). Most studies focus on developed countries (Meseguer and Kemmerling, 2018); this paper shows that xenophobia also plays a role in middle-income Brazil, with direct implications for the welfare state.

Brazil is a good example of a middle-income country, due to its level of international integration, as well as internal challenges that are shared by other countries. It is characterized by a dualized labor market and a fragmented welfare state, as are most other less-developed countries. Furthermore, Brazil is an important economic and political regional player, like other middle-income countries such as China, Mexico, South Africa, and Turkey. My investigation of Brazil will generate initial insights and lay some foundations for related future research on middle-income countries.

The paper is structured as follows: an overview of the relevant literature is followed by a theoretical section, which takes into account previous findings and develops expectations for this research study. More information on Brazil is provided before the empirical section, which explains the conjoint experiment and the survey in more detail. Next, I outline and discuss the results, and set out the robustness checks, consisting of subgroup analyses, which were implemented, before summarizing in the conclusion.

4.2 What determines support for social policies in a globalized world?

Support for redistribution depends on material and self-interest-based considerations (Rehm, 2009; Rehm, Hacker and Schlesinger, 2012; Iversen and Soskice, 2001), as well as social affinity (Cavaillé and Trump, 2015), fairness (Alesina and Angeletos, 2005; Benabou and Ok, 2001) and deservingness (Van Oorschot, 2000). In previous studies, globalization has mainly been identified as a labor-market risk that directly threatens individuals' material interests and shapes their policy preferences (Walter, 2010; Margalit, 2011). Yet, adversaries of globalization have become increasingly vocal in recent years (Walter, 2021), indicating that economic globalization might affect policy preferences beyond the rationale of self-interest.

In fact, Margalit (2011) shows that individuals who have lost their job due to trade shocks, e.g. through offshoring, display particular sensitivity in elections, and are less likely to vote for the incumbent. Bisbee (2019) found that individuals living in regions that are negatively affected by globalization are more skeptical about trade, and also migration. And Di Tella and Rodrik (2020) found that individuals would prefer protectionist measures (tariffs) to compensation when local jobs were offshored. The three studies mentioned here focused on the U.S..

These studies suggest that individuals might find international market outcomes to be unfair or out of their personal control. However, the relationship between economic globalization and its effects on welfare deservingness has not yet been scrutinized, although it is reflected to some extent in the compensation versus efficiency debate (Walter, 2017; Avelino, Brown and Hunter, 2005).[2] Looking at offshoring through the lens of deservingness considerations seems, therefore, to be appropriate and necessary.

Migration, in contrast, has been explored from different angles, including self-interest and deservingness. There is some evidence for migration having both positive (Brady and Finnigan, 2014) and negative (Garand, Xu and Davis, 2017) effects on welfare preferences, depending on the skill sets of the migrant population (Hainmueller and Hopkins, 2015), while the deservingness literature paints a more pessimistic picture when it comes to granting immigrants access to the welfare state (Soroka et al., 2017; Reeskens and van der Meer, 2019; Reeskens and Van Oorschot, 2012; Helbling and Kriesi, 2014).

In Canada and the U.S., migrants are deemed particularly undeserving of welfare benefits (Soroka et al., 2017). Europeans, too, are opposed to migrants receiving access, unless they have contributed to the social welfare system for some time or have become citizens (Reeskens and Van Oorschot, 2012). Perceptions of how committed minority groups are to the country in which they live plays a part: foreigners often face the prejudice that their "loyalty" actually lies with their country of origin (Harell et al., 2021). Furthermore, Magni (2021) finds that high inequality drives down support for redistribution to include migrants, leading to what he calls "selective solidarity" with co-nationals, excluding migrant groups.

Welfare deservingness is determined by normative views and related to fairness considerations. This mechanism of deservingness, hence, seems to be individualistic, but could be embedded in social belief systems, as research on fairness suggests. According to Alesina and Angeletos (2005), perceptions of "effort" and "luck" played decisive roles in welfare state development in the U.S. and Europe, respectively. They argue that European societies developed larger welfare states because whether or not someone is successful depends on luck and not solely on effort. Society therefore accepts that a welfare state is necessary to support "unlucky" individuals. This is contrary to the U.S., where "effort" plays a pivotal role; the "American dream" is viewed as achievable for everyone who only works hard enough, making an encompassing welfare state not socially acceptable. This is corroborated by findings from Ellis and Faricy (2020), showing that U.S. Americans favor tax transfers over direct social policy transfers to low-income earners. Individuals who make an effort, earn a wage, but are still unable to make ends meet, are perceived as the "deserving poor".

[2]The compensation theory states that individuals seek a stronger welfare state that protects them from international market risks, whereas the efficiency hypothesis sees a deterioration of the welfare state with increasing international market integration. Support is found for both competing theories (Rudra, 2005; Walter, 2010).

Individuals receiving tax transfers have contributed to the system, whereas those receiving direct transfers are perceived as lazy. Rodon and Sanjaume-Calvet (2020) reveal that individuals in the U.S. prefer policies that distribute away from those who became rich through luck or inheritance. Policies that take away from individuals who earned their wealth through their own efforts are perceived as unfair.

But what happens if it is no longer solely up to the individual's own effort to determine their place in society – if, for example, an exogenous event shifts the "fault" of unemployment away from the individual? Alesina, Cozzi and Mantovan (2012) conceptualize this in their model and differentiate between two types of exogenous shocks: those which affect all wealth levels in the same way and those which only highly productive workers are affected by. In the first case, the authors argue, redistribution and taxation would be cut in order to kickstart the economy. In the second case, it would be perceived as fair to increase redistribution, since only luck determined who remained well-off. This does not fully answer the question, but the formal model only accounts for rational individuals and their self-interest. It does not account for altruistic attitudes when someone loses their job through no fault of their own.

The exogenous event adds a new layer of fault attribution. Before, it was clear who was responsible for success or failure: the individual themself. Now, the exogenous shock is responsible. An exogenous shock could be some kind of international crisis[3] or, more generally, globalization itself. In a globalized world, it becomes difficult to pinpoint a single cause for a shock, since most often it is due to several factors – which should then lead to different deservingness considerations.

4.3 The argument

Trade and migration, then, are important factors in determining welfare-state preferences in industrialized countries; this should be even more the case for middle-income countries due to their high level of integration into international markets (Rudra, 2008). Thus, I argue in this paper that offshoring and migration are linked to the deservingness dimensions *control* and *identity*, since globalization moves some *control* away from the individual and brings in new labor-market competition in the form of migrants.[4] Van Oorschot (2000) has identified three further dimensions relevant to welfare-state access: attitude, reciprocity and need. Their importance in a nation determines society's acceptance or rejection of social policies and are a good measure for solidarity as well as self-interested motives. This becomes particularly important in contexts that suffer from scarce resources and inequality.

[3] Such as a financial crisis, but also a natural disaster.

[4] This study was pre-registered. Please find the pre-analysis plan (Registration ID: 20190724AC) here: https://osf.io/e4hzp (Berens and Deeg, August 31, 2019)

This paper scrutinizes the effects of globalization on public pension deservingness in a middle-income country. Pensions cover so-called life-cycle risks, such as old age or illness, and become relevant for all individuals at some point, even if public pensions might not be universally accessible in less-developed countries (Jensen, 2012). Pension benefits are the subject of extensive public debate. In contexts of high inequality and scarcity of resources, citizens might be even more protective of their welfare states, due to the fear of increasing taxes (Meseguer and Kemmerling, 2018). As Magni (2021) revealed, inequality matters and, so far, we do not know much about deservingness considerations in low- and middle-income countries where welfare states are more fragmented and inequality is high (Holland and Schneider, 2017; Carnes and Mares, 2016).

4.3.1 Control: international market integration

Margalit (2011) shows that individuals who had lost their job due to offshoring are more likely to change their electoral preferences from those whose job loss was due to a non-globalization-related reason. Di Tella and Rodrik (2020) confirm this, and stress that unemployment due to a trade-related event rarely happens in real life, at least in comparison to other reasons that cause unemployment.

Individual success or failure in the labor market depends on various reasons that might have to do with economic globalization, but also with non-trade related factors. Employees might be highly productive and, therefore, personally successful in their employment, or of low productivity and consequently lose their job. Employees of international companies can do well because their firm is successful in the international market, but they could also lose their job to offshoring. Other reasons an individual might become unemployed through no fault of their own might include the company's bankruptcy or downsizing. Determining which of these workers should have access to welfare benefits might depend on normative values, or what individuals deem fair and unfair (Alesina and Angeletos, 2005). Following the "effort" logic, and in the most obvious pairing of a high- versus a low-productivity worker, individuals might find it unfair to give the free-riding, "lazy" worker access to the welfare state. It is their own fault they are now unemployed because they did not put enough effort into the job. Yet, if "effort", however, is the decisive value for success or failure in the labor market, Alesina and Angeletos (2005) argue that then the welfare state cannot be encompassing. A highly productive individual should be able to provide for themself through private-market solutions and not need to fall back on the welfare state.

If an exogenous event now occurs that shifts *control* away from the individual, the concept of "effort" should be adjusted accordingly. Considering the findings in the literature (Bisbee, 2019; Margalit, 2011), I

argue that individuals who become victims of globalization – e.g. through offshoring – are deemed particularly deserving of public pension benefits, since they are affected by an event that is completely out of their hands. Economic globalization wipes out the effort individuals invested in their labor-market position. But what about individuals who benefit from globalization, for example those employed by successful international companies? Here, the same logic should apply as for highly productive workers: they became successful through hard work, might be able to save for retirement through private options, and should therefore not rely on the welfare state.

Summing up the putative hierarchy of deservingness, then, victims of globalization should be deemed particularly deserving; beneficiaries of globalization less deserving, less even than highly productive individuals, since working for international companies often comes with better pay and other perks. The least deserving are those whose unemployment was caused by their "laziness".

The following hypotheses are derived:

Hypothesis 1 *Victims of economic globalization are deemed more deserving for a pension than workers who experience unemployment due to low productivity or than those who are highly productive.*

Hypothesis 2 *Individuals who gain from economic globalization are deemed less deserving for a pension compared to highly productive, employed workers.*

4.3.2 Identity: migration

Another important aspect of globalization is migration which an already vast body of literature scrutinizes. The literature shows that migration has mostly negative effects on support for the welfare state (Garand, Xu and Davis, 2017; Burgoon, 2014), and reveals that migrants are deemed particularly undeserving of social benefits (Soroka et al., 2017; Reeskens and van der Meer, 2019; Reeskens and Van Oorschot, 2012). Here, the identity dimension of deservingness emerges, making it easy for individuals to draw a line between in and out-group members based on nationality. Again, most scholarly research has been carried out in industrialized countries, in which immigration is prominent, with migrants often also coming from different socio-cultural backgrounds. In recent years, migration streams between countries of the global South have increased (Ratha and Shaw, 2007), and here more variety in the type of migration can be observed. We find not only immigration, but also within-country migration due to differently developed regions; transients; return migration, and so on. Immigration also varies depending on the skill sets of immigrants and their reasons for moving to another country.

Within-country migration is common in less-developed countries to balance out differences in economic development. In Brazil, individuals move from the north-east to the south in search of better opportunities (de Lima Amaral, 2013). Individuals from northern Brazil are often less skilled and more likely to be informal workers. Sharing the same nationality does not necessarily increase support for an inclusive welfare state, as research on Mexico shows (Berens and Deeg, 2021). In this case, it is particularly Mexican returnees that lived in the U.S. that reduce support for a more encompassing welfare state, at least among high skilled workers. It is, therefore, worthwhile formulating theoretical considerations for within-country migration in a middle-income country such as Brazil, especially as in large countries in the global South, it is likely that identity is particularly connected to the region.

Less-developed countries are often embedded in heterogeneous world regions in which major conflicts abound, with direct effects on neighboring countries. Hence, refugees are another important migrant group in countries of the global South.[5] Brazil, for example, shares a border with a country that suffers from political and economic conflicts: Venezuela. Increasingly since 2017, the decline of the Venezuelan economy and the collapse of democracy principles have caused many people to flee the country (USAID, 2019). For the poor and unskilled, unable to access air transport, the best option is crossing the border of a neighboring country like Brazil. On arrival, therefore, this group is likely to engage in low-skilled labor. Refugees, one could argue, experience a loss of control similar to that experienced by the unemployed, as described above. The attribution of fault is equally difficult to determine, since this might depend largely on normative values. Some might see refugees as victims of a broken (and corrupt) system; others might say that they have a responsibility to stay in their country and fight for a better future. However, when connecting nationality to welfare deservingness, nationality might function like a cue. Boudreau and MacKenzie (2018) show that more information on the level of inequality positively influences support for redistributive taxation. But when party cues are provided, people use this as a short cut to support or oppose redistributive taxation, and information on inequality has no effect. This might be the same for deservingness and nationality. Furthermore, as we know from Magni (2021), high inequality leads to selective solidarity that excludes those of other nationalities.[6]

Another common feature among countries of the global South is a shared history of colonialism and foreign oppression. Since languages are shared between former colonies and their colonizers, migratory streams often connect them. In the case of Brazil, Portuguese citizens made up the largest migrant group

[5]It should be noted that the largest refugee camps are located not in industrialized countries, but in other less-developed countries (UNHCR, 2021).

[6]Brazil is a highly unequal society, with a Gini coefficient of 53.9 in 2019 (World Bank, 2019*b*).

between 2007 and 2014 (Uebel and Rückert, 2017). Since education levels in Europe are generally higher than in Brazil, it can be assumed that European immigrants to Brazil tend to be highly skilled and formally employed workers. This might be an influential factor, causing Europeans to be regarded as fulfilling the deservingness condition of reciprocity. They contribute to the system; hence, they should also benefit from it. This might counterbalance their nationality, so that they are considered comparatively more deserving than Venezuelans, who are more likely to be informal workers.

Given that welfare deservingness is based strongly on nationality, I argue that we can expect those considered to be most deserving to be members of the in-group: that is, citizens of the country (in this case Brazil) – even, considering the often large geographical differences, citizens of the same region. Internal migrants from other, poorer parts would be considered less deserving. Migrants from affluent economies like European countries still belong to the out-group, so are less deserving than citizens, but their high-level labor-market contributions count for something. Finally, low-skilled migrants or refugees – e.g., from Venezuela – should be considered the least deserving, since they belong to the out-group in terms of their nationality and are also less likely to contribute directly to the pension system through formal employment. This leads to the following hypotheses:[7]

Hypothesis 3 *Individuals from the same region/state are deemed more deserving for a pension than workers from other parts of the country.*

Hypothesis 4 *Highly skilled immigrants are deemed to deserve a pension less than workers from the same region/state of the country, but more than refugees.*

4.4 Brazil's welfare and globalization situation

Before turning to the empirical strategy, I first provide a short overview of the case this paper investigates: Brazil and, more particularly, São Paulo state. São Paulo state is Brazil's most economically successful state, home to a variety of industries, in both urban and rural areas. It is the most populous Brazilian state and the location of the biggest city in the country (IBGE, 2019). Average income is above the national average, but the state lies close to the national average on other indicators such as inequality, tertiary education rate, and unemployment. Its large portfolio of industries and its embeddedness in the world market make

[7]Originally, three separate hypotheses were formulated in the Pre-Analysis Plan. The content did not change but was summarized in only two hypotheses. In the Pre-Analysis Plan more predictions were formulated that will not be part of the theoretical considerations in this paper since they are connected to the other dimensions of deservingness and not control and identity which I built my theoretical argument on. The results and robustness sections address these other pre-registered predictions.

São Paulo state a good location for a survey that is also interested in labor-market dynamics. Furthermore, importantly, it suffers comparatively lower levels of violence than other Brazilian states (Cerqueira et al., 2017), making it safer for enumerators and meaning the sampling is less impaired. Results are, however, only representative on the state level.

Social policies are administered on the national level and access depends on labor-market status. Formal labor-market status is the entry ticket to many social benefits[8], leading to high welfare-state fragmentation: large parts of society are covered by different, often insufficient programs (Holland, 2018). In Brazil in 2019, 41.1% of all labor-market participants were informal (IBGE, 2020) and thus excluded from certain social benefits. In the developed world, levels of support for social policies among different labor-market groups have been uncovered, but so far in the middle-income-country context no clear distinctions have been revealed (Berens, 2015*b*; Baker and Velasco-Guachalla, 2018). In Latin America, individuals seem to favor private insurance solutions over publicly provided ones (Berens, 2015*a*). It is important to understand deservingness considerations, especially in welfare states as fragmented as those in the less developed world, in order to achieve insights into the dynamics of solidarity that are decisive for the welfare state.

In the case of Brazil, the pension system has been mostly contribution-based, but it also covers rural informal workers. The Bolsonaro government reformed the pension system in October 2019[9], amid much media controversy (BBC, 2019). While the OECD (2017*b*) calculated yearly spending of around 9% of GDP on the retirement program in the past, it predicts an increase of around nine percentage points until 2060. Economic growth had enabled the Regime Geral de Previdencia Social (RGPS) to be maintained, but with the economic slowdown from 2014, reform became inevitable. Women had been able to claim their retirement benefits after 30 years of contributions, men after 35 (OECD, 2017*a*). Now at least 40 years of contributions are needed, with retirement ages set at 62 for women and 65 for men (previously 55 and 60 respectively).[10]

Brazil's economic growth in the early 21st century can be attributed to its continuous international market integration, reflected in FDI inflow and outflow percentages. In 2019, investment worth almost 4% of GDP came into the country, a figure higher than FDI inflow rates in Mexico (2.3% of GDP in 2019) which is another important player in the region (World Bank, 2019*a*). In contrast, only 1.2% of GDP left Brazil in the form of FDI, leaving the country with a clear surplus. Trade agreements between Brazil, the U.S., China, and the EU (still under negotiation) pushed Brazil to become an export nation with a regular trade surplus (before the pandemic) (Trading Economics, 2020). This situation should, rationally, affect

[8] In low- and middle-income countries, pension systems in particular are often contribution-based.

[9] The Brazilian pension system generates yearly deficits that had to be balanced out by using earmarked tax funds (Social Security Administration, 2014).

[10] After 30 years of reform efforts, a parliamentary majority was finally achieved in October 2019 (BBC, 2019).

individual considerations concerning the welfare state. Being embedded in the global market translates into many benefits; it also brings, however, individual concerns (Di Tella and Rodrik, 2020; Margalit, 2011). While Brazil is highly integrated into the global economy, it is an outlier when it comes to migration. According to the United Nations Population Division (2019), only 0.4% of the total population are identified as migrants, below the South American average of 1.9%. Moreover, it is unclear how migrants are perceived and accepted. Low migration inflow does not mean individuals have no opinions or preferences on migrants.

4.5 Empirical strategy

To test the theoretical argument, I employ a forced-choice conjoint experiment that was embedded in an original household survey in 2019, with a representative sample of N=1,008 on the state level in São Paulo state, Brazil (SPBrazil Survey 2019 (Berens and Deeg, 2019*b*)).[11]

The household survey was conducted through the survey company IBOPE. A representative sample of the state population over 18 years of age was taken in three steps: first, municipalities were randomly drawn using the probability-proportional-to-size method that considers the number of inhabitants. Second, a probabilistic sample of census sectors was drawn from among the randomly selected municipalities of the first step. Finally, quotas were calculated for gender, age, education level, and sector of employment based on the latest official population statistics published by the Brazilian statistics agency IBGE. The items covering these variables were at the beginning of the questionnaire, the interviews were conducted using tablets, so the quota was immediately calculated by the device. The enumerator then received permission to continue with the interview if the potential respondent fulfilled the quota criteria.

Survey-monitoring techniques were employed to ensure data quality (Lupu and Michelitch, 2018). Parts of the interviews were randomly audio-taped (with respondents' consent), and were controlled afterwards. Additionally, enumerators answered a set of items after each interview, indicating the respondent's perceived level of apprehension, if other people were around during the interview, and so on. Pre-tests were conducted in São Paulo state with individuals from different income strata to ensure comprehension of survey items, especially for experimental items as the conjoint. Finally, before the survey began, enumerators received interview training, with clear guidelines on how to present and read the survey to respondents to minimize interviewer effects.

[11] More information on the survey, case selection, sampling, as well as some general descriptive statistics of the survey can be found in the Supplementary Material.

4.5.1 Conjoint item

A conjoint experiment makes it possible to test the effect of a set of factors on one particular outcome – in this case the factors that make an individual deserving of a pension. Respondents were asked to imagine that they had a say in politics and, in light of the need for pension reform, must decide who of the two displayed profiles should have access to a pension.[12] The enumerators showed respondents on the tablet the table outlining the randomly drawn profiles of the two fictional individuals, then read the different profile characteristics out loud (to support the reading process for respondents, especially those with poorer reading skills).

The conjoint item consists of nine attributes that together make up a fictional individual: gender, nationality, education, age, family (being married, having children), labor-market status, years of work experience, income, and company situation.[13] The attributes of nationality and company situation relate to the theoretical conceptualization of identity and control from above. The other attributes function mainly as controls to give the respondent a more detailed description of the individual and leave less room for their own imagination. Labor-market status relates to the reciprocity dimension of deservingness. Each attribute has a set of attribute values that were randomly selected and presented to the respondent in form of a table (see appendix for an example in Table 4.4). All attributes and their values are shown in Table 1. There are 115,200 possible profile combinations[14], and each respondent saw a new, randomly assembled pairing three times in a row. After each, the respondent was asked to indicate which profile should get access to a pension. This increases the number of observations from 1,008 to N=1,008 $\times$ 3 $\times$ 2 = 6,048, since every respondent saw two profiles in each of the three rounds. The order the attributes were presented in was not random, but always started with gender and ended with employment status, so as not to confuse the respondent and to provide a coherent narrative. This also facilitated the task and made it easier for the respondent to imagine the individuals.

Empirically, an experimental setup makes causality possible, since all respondents have the same probability of receiving the different attribute values, making them the only systematic difference. This makes it possible to consider a variety of different factors, their effects on the outcome, and their relative importance to each other (Hainmueller, Hopkins and Yamamoto, 2014). The main empirical analysis is carried out using

[12] The exact introduction was: "Imagine that you have a say in politics and you would need to decide about who should have access to the public pension program. As you know, the public pension system is costly and in need of reform. I will show you different profiles of people. Please compare each pair of individuals and decide who should receive a pension when becoming older."

[13] Ethnicity was not included as an attribute, since it is a sensitive issue in Brazil; in any case, the main interest in the conjoint experiment lies in the globalization dimensions.

[14] $2 \times 4 \times 4 \times 3 \times 4 \times 4 \times 3 \times 5 \times 5 = 115{,}200$.

the R package "`cjoint`" and, following Hainmueller, Hopkins and Yamamoto (2014), the average marginal component effects (AMCEs) are estimated. The AMCEs enable an understanding in which attribute values are preferred over a baseline within an attribute. Furthermore, since all attribute values are estimated on the same scale for the same outcome, they reveal the difference in preferences across the other attributes. Standard errors are clustered by respondent. No weights were applied in the design of the conjoint experiment; hence, all value attributes always had the same probability of occurring.[15] For the estimation of the AMCE, the set of nine attribute values are the independent variables, regressed on the binary dependent variable of 1 "selected profile" and 0 "not selected profile". Respondents also had the option of not making a firm decision: they could indicate that they found both individuals equally deserving or undeserving. These responses were excluded from the analysis, reducing the number of respondents slightly to 929 and observations to 5,204. No other controls were necessary due to the randomization of the experiment.

The respondent was asked to pick the individual who most deserved to access the pension program. The main focus of interest lies on the attributes of company situation (control) and nationality (identity). The work-situation attribute values depict employment-related scenarios – whether the fictional individual had lost their job or is securely employed. An obvious route might seem to be asking the respondent who deserved to access *unemployment benefits*. However, unemployment benefits are not universal in less-developed countries. In Brazil, only a very limited group of formal workers has access to unemployment benefits. Hence the decision to focus on pension policy, which is well understood and was widely discussed at the time of data collection, making a separate explanation of the policy unnecessary. Moreover, unemployment has direct implications for pensions, increasing the number of contribution years and decreasing the size of the benefit. For less-developed countries, then, pensions might be a suitable substitute for unemployment benefits.

[15] It could be argued that, without any restrictions on assembling the profiles, some scenarios might be too far-fetched. However, there are over 115,000 possible combinations of attributes, and in the pre-testing of the questionnaire particular attention was given to the conjoint section and its attribute values. Neither respondents nor enumerators pointed out any extreme disconnect between the various attribute values.

Table 4.1: Conjoint attributes and levels

Attribute	Level	Frequency
Company Situation	S1: Securely employed because the firm is highly competitive in the global market	19.6 %
	S2: Securely employed because a diligent worker	19.5 %
	S3: Unemployed because worker was not very productive	20.8 %
	S4: Unemployed because firm was relocated to China	20.5 %
	S5: Unemployed because firm engaged in corruption and got caught	19.4 %
Nationality	B1: He/She is Brazilian (State of Sao Paulo)	24.1 %
	B2: He/She is Venezuelan	24.8 %
	B3: He/She is European	25.9 %
	B4: He/She is Northern Brazilian	25 %
Gender	G1: She is a woman	49.5 %
	G2: He is a man	50.5 %
Education	E1: Has no schooling	25.6 %
	E2: Has Complete primary education	24.5 %
	E3: Has Complete secondary education	24.4 %
	E4: Has a University degree	25.3 %
Age	A1: 53 years old	33.8 %
	A2: 57 years old	33.9 %
	A3: 65 years old	32.2 %
Family	C1: Has no children	25.8 %
	C2: Is married, with 2 children	24.3 %
	C3: Is married, with 3 children	24.9 %
	C4: Is married, with 4 children	24.7 %
Working card	W1: Is a rural worker with a working card	24.7 %
	W2: Is a rural worker without a working card	25.3 %
	W3: Is an urban worker without a working card	25.2 %
	W4: Is an urban worker with a working card	24.6 %
Working Experience	Y1: Worked for 27 years	33.3 %
	Y2: Worked for 32 years	33.4 %
	Y3: Worked for 37 years	33.2 %
Income	I1: Earns R$924.00	19.2 %
	I2: Earns R$1,730.00	20.2 %
	I3: Earns R$3,396.00	20.2 %
	I4: Earns R$5,706.00	20 %
	I5: Earns R$10,500.00	20.2 %

4.5.2 Robustness: subgroups

The main part of this paper focuses on the average effects of the conjoint analysis, taking all respondents into account. For robustness tests, I conducted some subgroup analyses, looking at labor-market status, place of birth, and whether the respondent worked in a sector exposed to the world market. Whether an individual can be counted as a formal or informal worker in the Brazilian context depends on the possession of a work card (*carteira de trabalho*). Respondents were therefore asked: "In your current job, do you have a signed

work card?" If they do not, they are counted as 1, "informals" (around 46% of the working population of this sample), if they do, as 0, "formals" (approximately 54%).

Respondents were asked if they were born in São Paulo state, in order to differentiate migrants from non-migrants. But there was no survey item designed to elicit whether respondents are Brazilians from another state or foreigners. A large minority of 27% indicated not being originally from São Paulo state.

Using the economic sector employment question, I divide my sample into respondents who work in a trade sector – one exposed to the international market – and those who do not. I count individuals working in agriculture, industry, commerce, and transport/communication as trade-sector workers, and individuals in construction, the social and public sector, as well as the service sector, as non-trade-sector workers.

Empirically, I follow Leeper, Hobolt and Tilley (2020) in calculating not the AMCEs but marginal means (MM) for the subgroups. Therefore, a baseline is no longer necessary, but all attribute levels exhibit calculated MMs, making a comparison between the attributes of different subgroups possible. To calculate the MMs, I employ the R package "`cregg`" (Leeper, Hobolt and Tilley, 2020). The subgroup analyses also provide information as to whether individuals favor combinations that relate to themselves – that is, giving themselves access to pension benefits – or whether altruistic rather than self-interested attitudes are at play.

4.6 Results

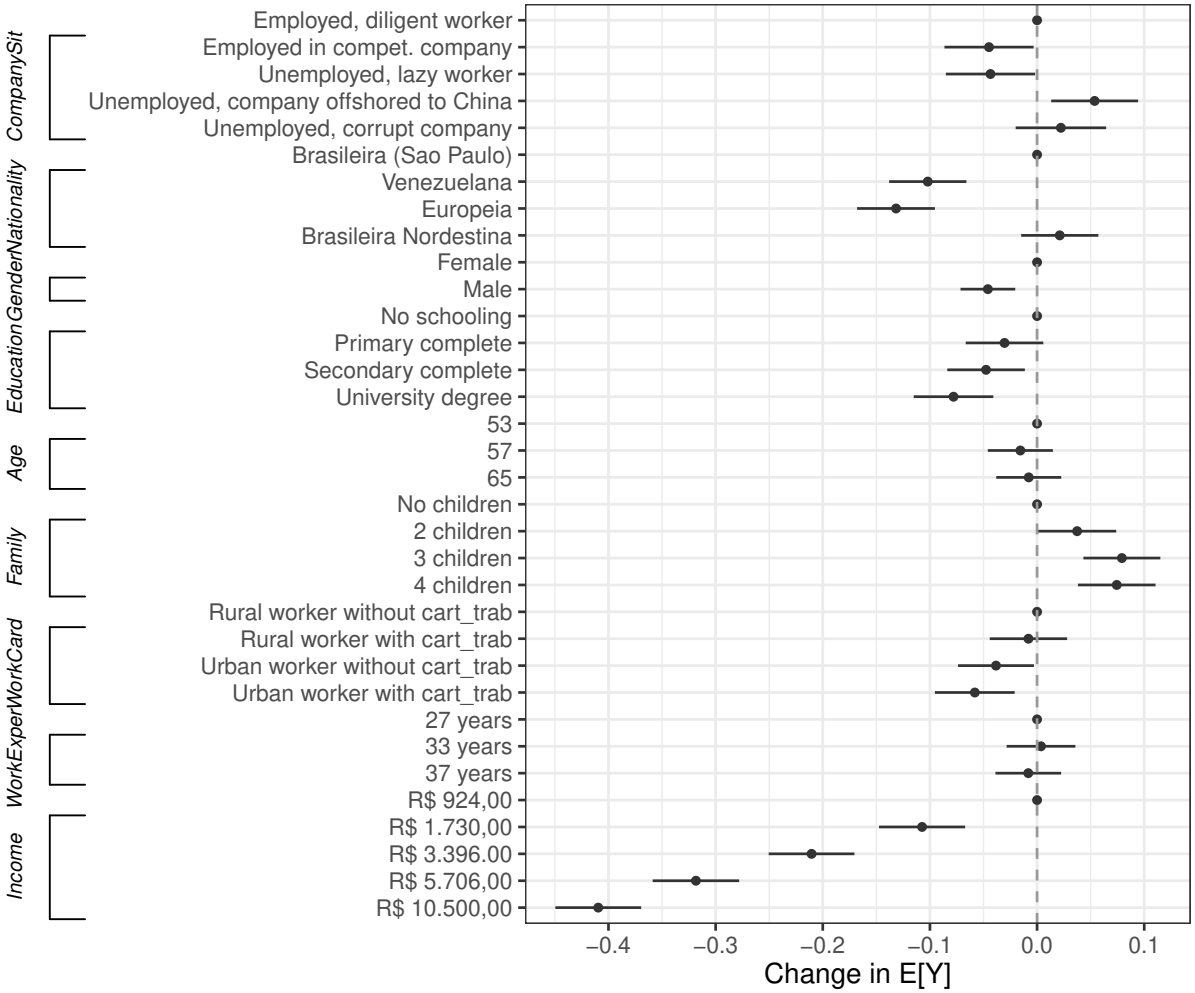
Figure 4.1 presents the results of the AMCEs for the main conjoint analysis. The first two attributes are the ones related to the theoretical argument, "company situation" for the *control* and "nationality" for the *identity* dimension.

The control dimension (here the "company situation") exhibits interesting results. When an employed, diligent worker serves as the baseline category, individuals who lost their job to offshoring are deemed significantly more deserving of a pension. In comparison, a "lazy" worker is deemed less deserving of a pension than a highly productive worker. Thus, the first hypothesis is supported, underlining that offshoring, as exogenous event outside of the control of individuals, has a significant impact on deservingness considerations. The second hypothesis is also supported since employees of an internationally successful company are less likely to be deemed deserving of a pension. Interestingly, they seem to be considered as equally undeserving as a worker of low productivity. The results for unemployed individuals who had worked in a corrupt company are insignificant.

Individuals who lost their job to offshoring, an event out of their control, are the most deserving within this attribute. Losing one's job to a non-trade-related shock (corruption allegations against the company)

does not make the now-unemployed individual more deserving than a diligent worker. As Margalit (2011) and Rickard (2012) have shown, trade shocks have a particularly strong impact on individuals and my results corroborate these findings in the middle-income-country context. Furthermore, the normative concept of "effort" seems to be decisive here, since everyone is deemed undeserving except for the worker unemployed due to an uncontrollable, global risk. This also indicates that general support for the pension benefit is low.

Figure 4.1: Main results conjoint



Moving to the identity dimension, "nationality" reveals that individuals from Europe and Venezuela are deemed particularly undeserving, compared to the baseline of São Paulo state-born individuals. For Brazilians from the north-east of the country, there are no significant effects; the coefficient shows, however,

a positive tendency. Hence, I have to refute my Hypothesis 3, that a worker from elsewhere in Brazil would be deemed less deserving than one from São Paulo state. Nor do I find support for Hypothesis 4, which suggested Europeans would be deemed more deserving than Venezuelans, since they might be more likely to contribute to the pension system.[16] In fact Venezuelans are considered more deserving than Europeans (but much less deserving than individuals from São Paulo state).

The results corroborate the anti-migrant findings of the deservingness literature for the middle-income-country context and hint toward welfare chauvinism. The effects on the identity dimension are stronger than on the control dimension. This indicates that nationality works as a cue for respondents to immediately assess individuals of other nationalities as less deserving, no matter what their work situation. Furthermore, it indicates selective solidarity, particularly toward individuals from the same state.

However, looking at the other attributes included shows, that, for the average respondent, income is most decisive. The richer the fictional individual, the less they deserve a pension. Someone with a monthly income of R$10,500 (corresponding to around $2,600 USD in 2019) is -0.41 (standard error 0.02) less likely to be considered deserving of a pension than the baseline individual with a monthly income of R$924 (around $235 USD in 2019) – around the Brazilian minimum wage in 2019. This is also consistent with the results for education: the better educated the individual, the less eligible they are perceived to be by the respondent. Better-educated and high-income individuals are also more likely to form part of the group of formal workers that directly contributes to the pension scheme through payroll taxes. The results for income and education indicate that reciprocity, whether an individual contributes to the welfare state or not, does not apply in this context. In the work card attribute, formal, urban workers are deemed significantly less deserving, but so too are informal, urban workers compared to the baseline of informal, rural workers.[17] Here, rather than reciprocity, a rural/urban divide seems to be at play. The negative results for income and education could also go back to the need dimension of deservingness. Richer and highly skilled individuals are simply less in *need* of public pension benefits and should instead choose private options to secure themselves (Berens, 2015*a*).

Finally, having more children leads to being significantly more likely to be considered deserving of a pension. The different age options did not generate significant results as, in general, older profiles were offered. Presenting individuals between 50 and 60 does not yield a clear-cut categorization for deservingness

[16] When interacting the "work card" attribute with "nationality", no significant results are found. "Nationality" seems to particularly impact respondents' decisions about deservingness. The results of the interaction analysis are not provided here but are available on request.

[17] This is contrary to the prediction in the pre-analysis plan. Formal workers were expected to be seen as deserving, due to reciprocity.

for a pension or not; age differences would probably need to be bigger. The same is true for the attribute values in years of working experience.

One could argue that these deservingness preferences reflect social policy preferences. More individuals being deemed deserving could be translated into general support for more universal welfare policies. In this case, however, the preferences could be interpreted as favoring a means-tested policy program that supports the poor. The same survey (before the conjoint section) asked respondents which of three possible pension schemes came closest to their personal ideal: 1) "Everyone should receive exactly the same amount of old-age pension, regardless of whether they contribute a high or a low amount." 2) "In all cases, people should receive exactly the amount accumulated during the time they contributed to their pension."; 3) "Only low-income people should receive a small pension financed by general tax revenues.". The overwhelming majority (57%) selected option 2, which favors a contribution-based system. Seemingly, deservingness and social policy preferences do not go hand in hand in this context.[18]

4.7 Robustness checks

Calculating the marginal means instead of the average marginal component effects for the main average results leads to a similar outcome, as can be seen in Figure 4.2 in the appendix. Here, we see that the baseline category, São Paulo state-born, for nationality is deemed highly deserving of access to the pension scheme. Venezuelans and Europeans are still significantly less deserving; and we observe a significant positive effect for Brazilians from the north-east that is even stronger than the São Paulo state effect. The diligent worker attribute level shows an insignificant effect, but international company workers and lazy workers are still considered less deserving. The effect for workers unemployed due to offshoring stays positive and significant.

Furthermore, results for nationality, company situation, income, family, and education remain robust in a variety of different subgroup marginal mean analyses. Formal and informal workers share several similarities (Figure 4.3). Opinions about formal and informal workers generally differ little. The estimates all go in similar directions, sometimes being insignificant for one of the groups. The theoretically important effects stay robust in this subgroup. Interestingly, formal workers are not more likely to support individuals with a work card – that is, fellow formal workers – and deem them deserving of a pension. On the contrary,

[18] A subgroup analysis was conducted, differentiating between respondents who chose option 3 and those who chose either option 1 or 2. The marginal mean estimates do not differ much for both subgroups and thus, do not reflect their social policy preferences over deservingness, even though the conjoint section followed shortly after the pension item in the questionnaire.

formal workers regard rural workers without a work card (informals) as particularly deserving.[19] Taking the perspectives of formals and informals separately, reciprocity seems to have no role to play at all. These results hint at altruistic attitudes that support those most in need of pension benefits – excluding foreigners. The results on the nationality dimension when looking at formal workers and Europeans and Venezuelans are equally negative. Informal workers, however, exhibit no significant tendencies concerning Venezuelans.

Figure 4.4 in the appendix shows the results for trade- and non-trade-sector workers. Here, again, the two groups diverge only minimally.[20] Trade-sector workers show only an insignificant estimate for Venezuelans, as well as for international workers. The effect for unemployed, lazy workers, however, is stronger than for non-trade-sector workers. Effort seems to be more important in the eyes of trade-sector workers. Both types showed strong support for workers rendered unemployed by offshoring. The subgroup of São Paulo state-born versus migrants (Figure 4.5) shows some variation. Again, both groups want to exclude Europeans from the pension scheme. São Paulo state-born respondents reveal negative but insignificant results for Venezuelans, and significant support for individuals who had lost their job to offshoring, whereas foreign-born respondents have no significant preference here.[21]

A more general robustness check of only calculating the estimates for the first iteration of the conjoint section, as suggested in Hainmueller, Hopkins and Yamamoto (2014), corroborates the findings shown in Figure 4.1. This indicates that respondents did not adjust their responses over time.

4.8 Conclusion

In this paper, I focus on offshoring and migration and its effects on views of who deserves to access the public pension system in the middle-income-country context of Brazil. Employing *control* (trade-related versus non-trade-related events) and *identity* (migration) in a conjoint experiment reveals that findings from industrialized economies on the effects of offshoring and exclusion of migrants also hold for a less-developed country. Furthermore, respondents seem to base their judgments of deservingness in the control dimension on fairness and, more particularly, on effort.

The conjoint experiment was conducted as part of a larger household survey in São Paulo state in August

[19] This contradicts the predictions in the pre-analysis plan, in which it was expected that respondents, regardless of whether they are formal or informal workers, would be more likely to deem individuals like themselves deserving – to demonstrate, that is, self-interest rather than altruism.

[20] Again, contrary to the predictions of the pre-analysis plan, which expected the subgroups to reveal self-interest-based considerations.

[21] Further subgroup analyses have been conducted: for example, rich versus poor and whether individuals voted for President Bolsonaro or the opposing candidate, Haddad, in the last presidential election in 2018. High-income earners do not regard individuals who lost their job to offshoring as deserving welfare benefits, but this sample is much smaller. Low-income earners do deem them deserving. Vote choice does not affect deservingness considerations and the globalization estimates do not vary much between the two voter groups, remaining significant in both cases. Figures available on request.

2019, when pension reform was highly salient in the media. Despite the reform enacted in October 2019, urban informal workers are still excluded from the pension scheme; only poor informal workers in rural areas have access to modest state-funded pension benefits. Formal workers, who are richer and better educated, retain their access to the pension scheme, but their required years of contribution have increased. They are the workers regarded as least deserving, probably because they do not *need* the support of the public scheme, but can provide for their old age through private insurance options.

Does this mean that individuals have a clear preference for means-tested social policies? How far considerations of deservingness reflect social policy preferences needs to be addressed by future research. This paper takes only a first step in understanding attitudes to welfare deservingness in middle-income countries. Its sample size is small and covers only one state of Brazil. It offers important insights, but these will need to be supplemented by larger studies in the global South.

Furthermore, aspects of the nationality dimension require further teasing out. Did respondents assume when considering profiles of migrants possessing lengthy work records (27–37 years) that this work experience was accumulated in Brazil or in their place or origin? If respondents thought that migrants lived and worked in Brazil their entire working life and still did not deem them deserving of a pension, the findings correspond to the U.S. context, in which individuals retain their exclusionary preferences, no matter what. If respondents here took into account only nationality and not work experience, it could be that the prevailing attitude might be changed by, for example, acquiring citizenship, as European studies show. In any case, the findings reveal the predominant view that migrants should be excluded from the pension system, and future work should investigate this in a more nuanced way.

Finally, the conjoint setup makes it possible to establish a causal relationship between the importance of different notions of deservingness and access to a social policy program. In this context, clear mechanisms are control, identity, and need. The survey does not offer items suitable to enable a more thorough investigation of the mechanism based on normative values, which demands further investigation.

Including global aspects such as trade and migration when we explore attitudes to deservingness gives us a better understanding of how far the globalization backlash translates to the welfare state. The findings suggest that migration is perceived as particularly negative. Offshoring seems to be less problematic. The results suggest popular support for compensating those who have directly suffered from offshoring. Interestingly, the scenario of being unemployed due to one's former employer's corruption scandal did not generate significant, negative results. This is surprising, since corruption is a major problem in Brazil (Transparency International, 2019). After the "car wash" (lava jato) scandal that led to former president Dilma Roussef's

impeachment and even became its own Netflix series, Brazilians should be particularly sensitive to corruption allegations. This is another field that deserves even more scholarly attention in the future.

4.9 Appendix

Figure 4.2: Main results for average respondent but marginal mean

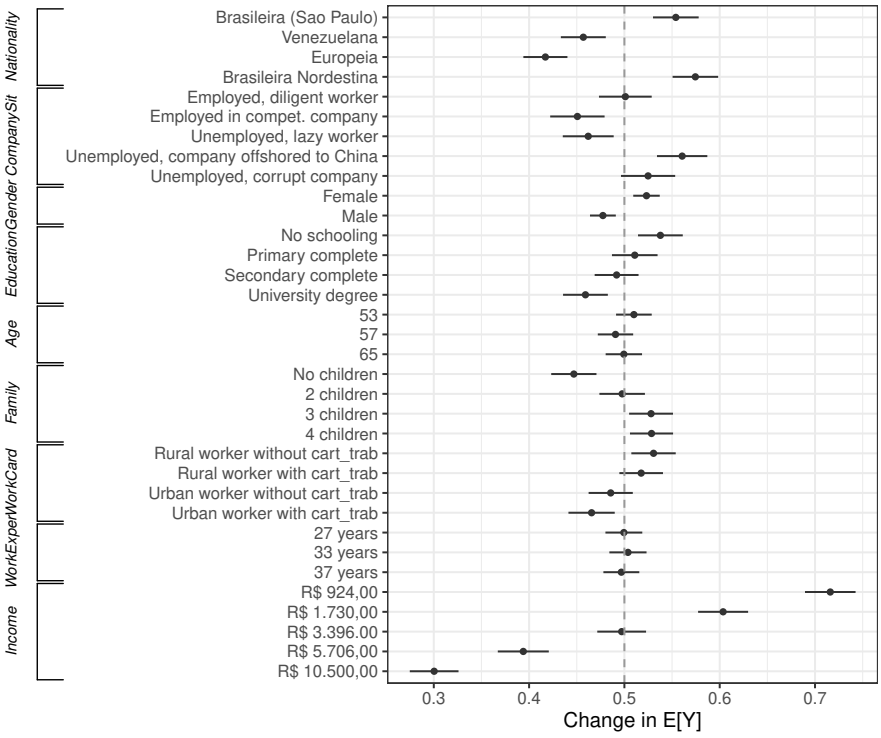


Figure 4.3: Formal and informal workers, marginal mean

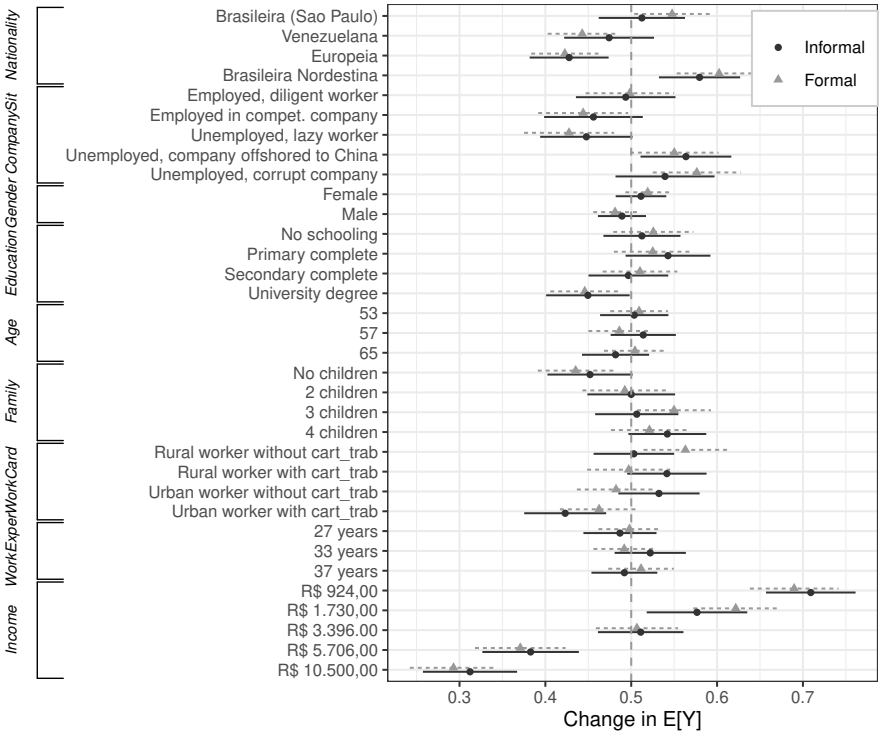


Figure 4.4: Tradable sector vs. non-tradable sector workers, marginal mean

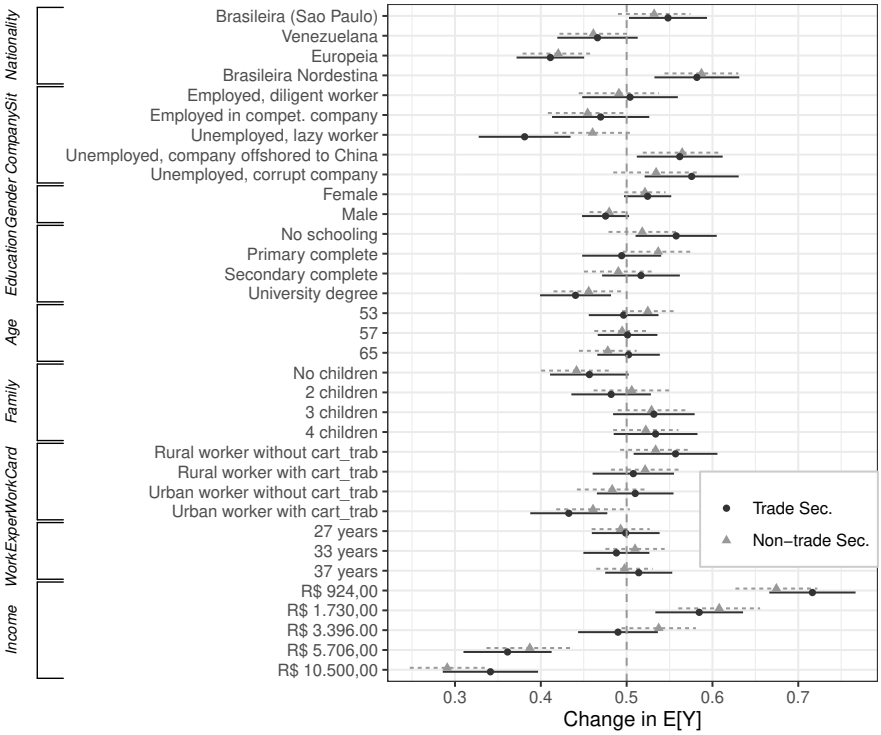


Figure 4.5: Foreign and São Paulo State born conjoint, marginal mean

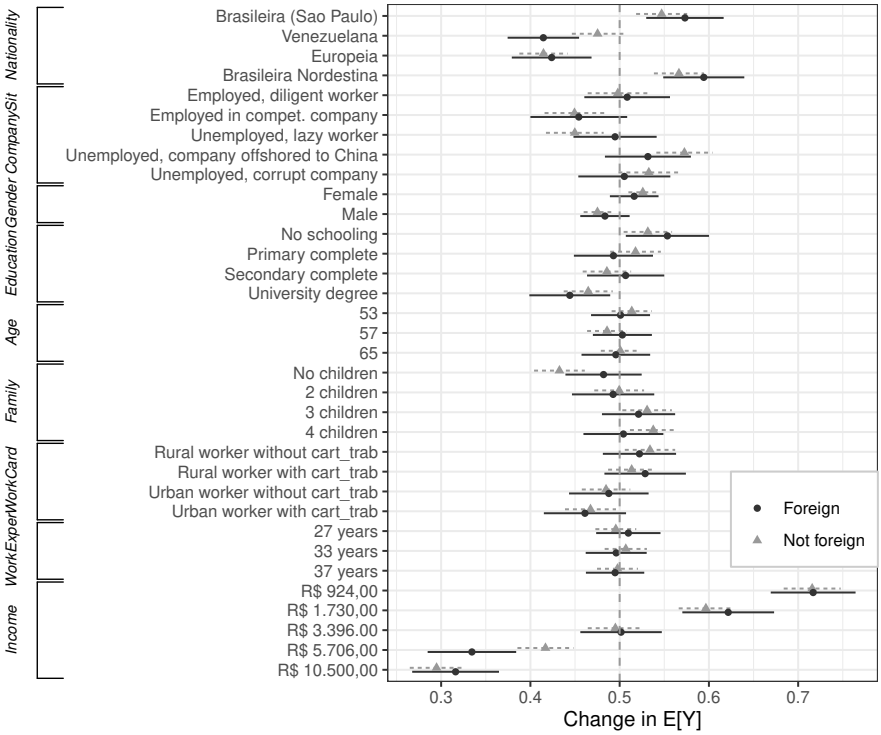
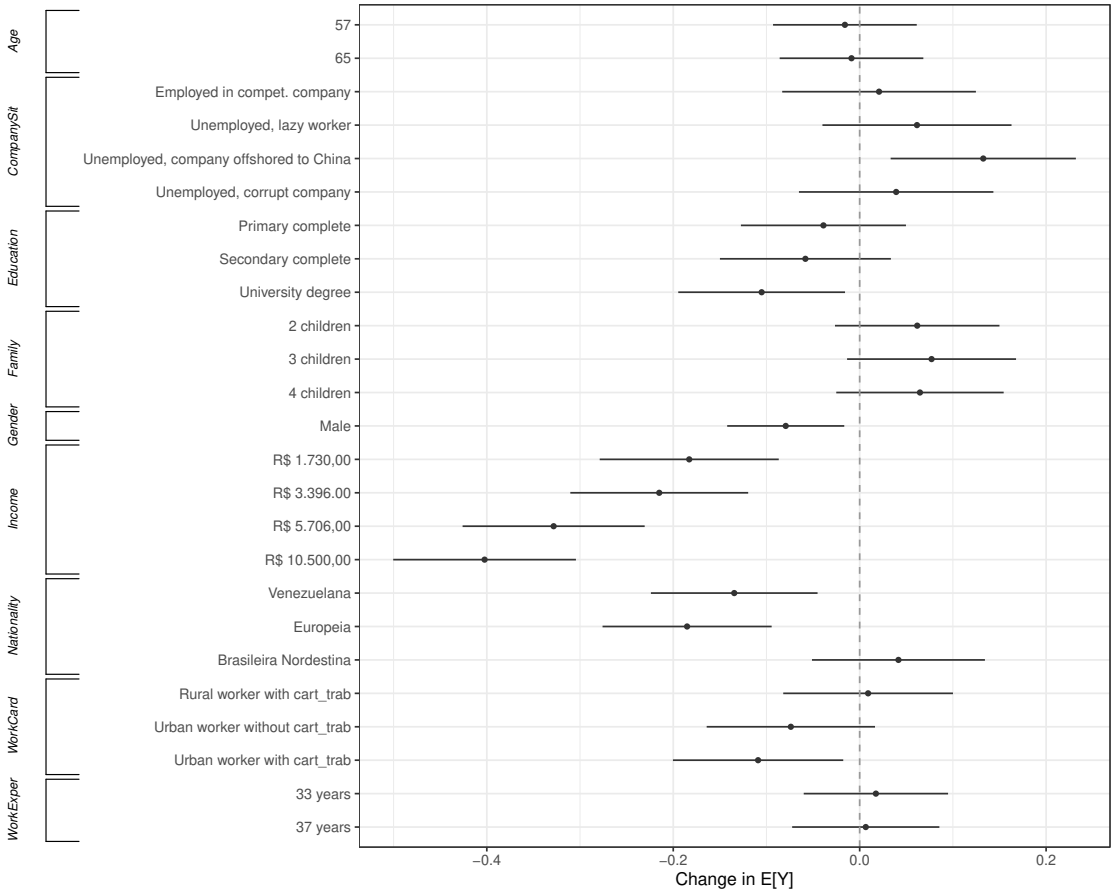


Figure 4.6: First iteration of conjoint



4.10 Supplementary material

Section A: survey information

The post-election survey *SPBrazil Survey 2019* (Berens and Deeg, 2019*b*) was conducted in August 2019 in São Paulo State, Brazil. By the time, the in 2018 elected President Jair Bolsonaro was in office for already 7 months. The survey, hence, gives insights in political and economic preferences under a new government. Respondents were also asked about their labor market and socio-economic status, like income, education, religion and ethnicity.

São Paulo state is the most populated and richest state in Brazil (IBGE, 2019). Its economy that consists of urban and rural value creation, contributed 32.2% to the national GDP, more than any other state in 2017 (IBGE, 2018). Average income in São Paulo state is also above the national average, however, taking second place after the Distrito Federal that has the population with the largest share of tertiary educated individuals (IBGE, 2018). In São Paulo state, 21.7% have finished some sort of tertiary education in 2017, compared to a national average of 19.7%. For some indicators, São Paulo state is also situated close to the national average: for inequality measures like the earnings ratio of the employed population and its unemployment rate which was 13.4% in 2017 for São Paulo and thus slightly above the national average of 12.5% (IBGE, 2018).

For a subnational survey that focuses also on labor market characteristics, São Paulo state is an interesting, and suitable, choice since many different sectors are found in this economically rich state. Furthermore, its infrastructure is better developed, making it more accessible, and levels of violence are comparatively low which makes it also safer for enumerators (Cerqueira et al., 2017).

The representative, random household survey was conducted by the survey company IBOPE through computer assisted personal interviews (CAPI) on tablets with 1008 respondents. Before fielding the survey, pre-tests were conducted with 30 individuals in two different socio-economic neighborhoods (high and low income) of the city of São Paulo. This helped to improve the wording and flow of the questionnaire, generating the most comprehensible question version as possible. Additionally, an enumerator training was conducted that was mandatory for all interviewers before starting the final data collection. Here, interviewers were shown on how to best present the questionnaire to their respondents, reducing interviewer bias.

Another set of data quality measures was applied post data collection: after receiving the consent of respondents, parts of the interview were randomly audio taped to ensure that interviewers properly presented the questionnaire. After data collection, these audio tapes were checked and some interviews replaced. The questionnaire furthermore includes questions for enumerators at the end of each interview in which they were asked to rate the respondent's level of understanding and whether other individuals were close while the respondent answered the survey.

The sample for the survey was drawn in three steps. First, municipalities were randomly selected following the probability-proportional-to-size sampling method that is based on the adult population with at least 18 years of age. In the second step, sectors within the randomly drawn municipalities are selected following the same sampling method and under consideration of official Census data to receive a representative sample of the population. Finally, proportionate quotas are calculated that are based on the latest version of IBGE's household survey, emphasizing the variables gender, age, education level and work sector. This data is collected in the beginning of each interview indicating immediately whether this respondent fulfills the quota characteristics. The quota is updated in real time during field work and generates a representative sample of the state population, making the application of post-survey weights in the analysis unnecessary.

Section B: sampling diagnostics

The Latin American Public Opinion Project (LAPOP) conducted a nationally representative survey of Brazil in 2018. Table 4.3 displays some descriptive statistics for general socio-economic indicators. In Table 4.2 the same variables are shown for the SPBrazil Survey 2019 (Berens and Deeg, 2019*b*). The statistics are comparable for some indicators. Education level and income bracket are similar for both samples.

Discrepancies are, however, visible when it comes to the other statistics. In the SPBrazil Survey 2019 are slightly more females and the sample is older on average (Berens and Deeg, 2019*b*). There are also more informal workers and a larger share is married. The descriptive statistics for the SPBrazil Survey 2019 are here shown for the entire sample (N=1,008) (Berens and Deeg, 2019*b*).

Table 4.2: Descriptive statistics, overall sample

	Female	Age	Educational Level	Informal	Married	Income Bracket
Min	0	18	1	0	0	1
Max	1	85	6	1	1	6
Mean	0.53	43.18	3.72	0.46	0.40	2.23
Std. Dev.	0.50	15.65	1.08	0.50	0.49	1.07
Obs	1008.00	1008.00	1008.00	522.00	1007.00	1008.00

Source: SPBrazil Survey 2019 (Berens and Deeg, 2019*b*).

Table 4.3: Descriptive statistics LAPOP 2018 Brazil

	Female	Age	Educational Level	Informal	Married	Income Bracket
Min	0	16	1	0	0	1
Max	1	92	6	1	1	6
Mean	0.50	39.15	3.4	0.37	0.30	2.71
Std. Dev.	0.50	16.25	1.08	0.48	0.46	1.36
Obs	1498	1498	1479	723	1498	1405

Source: LAPOP 2018

Section C: conjoint experiment

The Conjoint experiment was placed early in the questionnaire after social policy preference items. Since trade and migration play an important role in the experiment, regular globalization related items were asked only after the conjoint to not introduce unintentional priming. The following question will be read out loud to the respondent:

> "Imagine that you have a say in politics and you would need to decide about who should have access to the public pension program. As you know, the public pension system is costly and in need of reform. I will show you different profiles of people. Please compare each pair of individuals and decide who should receive a pension when becoming older."

Table 4.4 shows an example of the conjoint as it could have been shown to a respondent. Enumerators showed the screen of their tablet to the respondents and, at the same time, read the conjoint out loud. After they were presented with the two profiles of potential pension beneficiaries, respondents were asked to decide whom of those they would give access to the pension benefit. They could also answer that both profiles should receive it or that neither of the two should have access. The conjoint was repeated three times, every time newly randomly assembling the profiles of the two fictional individuals.

Table 4.4: Example of a choice scenario

	Person 1	Person 2
Gender	Male	Female
Nationality	He is Brazilian (State of Sao Paulo)	She is Venezuelan
Education	Has Complete secondary edu	Has a University degree
Age	53 years old	57 years old
Working card	Is an urban worker with working card	Is an urban worker with working card
Income	Earns R$ 1,730.00	Earns R$ 3,396.00
Work experience	Works since 32 years	Works since 27 years
Children	Has no children	Is married, with 2 children
Job status:	Securely employed because the firm is highly competitive in the global market	Unemployed because firm was relocated to East-Asia

"If you have to choose who of the two people should receive a pension when becoming older, which one would you prefer?"

Person 1 | **Both are equal to me** | **Neither of both** | **Person 2**

Chapter 5

Conclusion

The three research chapters bring together the two main dynamics of globalization, trade, and migration, and scrutinize the effects thereof on self-interest-based and altruistic welfare preferences in middle-income countries. Due to the original survey data from Brazil and Mexico, first quantitative insights can be generated. It becomes visible that trade and migration play a role in middle-income countries. Furthermore, what holds true in industrialized countries, is not necessarily true for middle-income countries, underlining the importance of research in that field. Whereas evidence from industrialized countries shows that individuals demand more protection from the state with increased international market integration (Walter, 2010), this is not reflected in my findings here. Individuals seem to prefer less state intervention, even when facing risks. Reasons for that might go back to low trust in government and little satisfaction with publicly provided insurance.

Interestingly, the findings for the attitudes towards migrants are comparable to those in industrialized countries, at least when it comes to deservingness considerations (Reeskens and van der Meer, 2019; Helbling and Kriesi, 2014). In the middle-income context, individuals are also more likely to deem migrants less deserving, showing that anti-immigrant sentiments are also prevalent in countries with lower exposure to immigration than in industrialized countries. As chapter 3 shows, the focus should not only lie on immigrants with different nationalities but should also consider re-migration as emigration and re-migration are common trajectories for individuals from non-industrialized countries.

The cumulative dissertation contributes to the globalization-welfare state literature in the field of international political economy and takes a first step towards closing the research gap on middle-income countries and their citizens' attitudes toward trade, migration, and the welfare state. However, it only provides a first glimpse, making it necessary to also test the relationship of globalization and welfare preferences in other

regions of the Global South. Shortcomings of this dissertation are that the original survey data is only representative on the sub-national level. Even though the states for data collection were carefully selected to receive the best possible insights, empirically the evidence only focuses on the state population. Furthermore, mechanisms should be teased out more strongly in future research. This would expand the scope of the dissertation. A set of mechanisms is already proposed in this research. Both shortcomings relate to financial constraints, making the financing of nationally representative surveys impossible and also affected the length of the questionnaire and hence, the inclusion of additional items for testing of the mechanisms.

This leads me to possible future avenues for this research field that are worthwhile pursuing. It would be interesting to look at other middle-income countries on the micro level, also in Asia and Africa to receive a better understanding of how globalization dynamics play out here. Due to the different economic and global development strategies compared to Latin America, it is possible that findings can differ. Most importantly, a better understanding of the mechanisms is the next step now that differing dynamics compared to industrialized countries have been identified in this study. What are the real drivers of low support for the welfare state even in times of risk? Would individuals prefer private insurance or rather save on their own? These are important questions that should be investigated also in a larger research setting. When investigating low trust in government, scholars should also engage even more with the problem of corruption in middle and low-income countries, giving us a better understanding of citizens and their relationship with the state. On the one hand, corruption is condemned and perceived as a sign of low state capacity (Seligson, 2002; Anderson and Tverdova, 2003) but, on the other hand, it is also common and accepted (Méon and Sekkat, 2005; Dreher and Gassebner, 2013; Tverdova, 2011). This ambiguous relationship should be further scrutinized with a focus on the welfare state. Winters and Weitz-Shapiro (2013) have made a first contribution on the relationship between corruption and welfare provision but the focus here still lies more on the different sources of corruption allegations and how credible they are to respondents.

Generally, vast research potential lies still in the countries of the global South. The research bias on industrialized countries might lead us to believe that this evidence is also applicable to other contexts but non-industrialized countries face other challenges and often still suffer from the consequences of colonialism, and conflicts and crises that affect regions especially in terms of migration and trade.

Chapter 6

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Franziska Deeg

+49 160 90751143 | franziska.deeg@icloud.com | Venloer Strasse 339, 50823 Cologne

Experience

Researcher June 2018 – Present
Cologne Center for Comparative Politics, University of Cologne *Cologne, Germany*

- Part of the Collaborative Research Center 1352 "Global dynamics of social policy
- Designed quantitative, household surveys for Brazil (N=1'008, cost=30'000€) and Mexico (N=1'400, cost=25'000€) to capture attitudes toward globalization and the welfare state, and labor market characteristics
- Prepared data collection in Brazil and Mexico in cooperation with survey companies, conducted pre-tests and interviewer trainings to ensure high data quality
- Analyzed collected survey data that includes observational as well as experimental items, with STATA and R to test theoretical arguments through statistical inference
- Visualized findings of survey analysis and presented them at international research conferences
- Procured third-party funds to conduct three online surveys, Germany,Brazil and Italy (cost in total= 9'000€), to gain insights on effects of the pandemic on individuals

Intern March – May 2018
Fundación Escalera *San Cristóbal de las Casas, Mexico*

- Designed qualitative questionnaire for program evaluation and collected data after drawing a random sample to better understand the foundation's impact
- Analyzed secondary data with Stata and R to evaluate the effectiveness of Escalera's program with quantitative measures

Research Assistant February 2017 – February 2018
Transport and Spatial Planning Institute *Erfurt, Germany*

- Carried out extensive research about museums in Central Europe and their inclusiveness for people with disabilities to derive policy recommendations
- Supported the preparation of an international conference on inclusiveness of museums

Intern February 2017 – March 2017
Transform Rural India Foundation *New Delhi, India*

- Applied market analysis of rural markets to identify lacks and potentials in economic structure to recognize suitable investment opportunities
- Participated in meetings by the Environmental Defense Fund and the World Bank Group to get a better understanding of India's strengths and challenges in future policy making

Intern August 2016 – October 2016
Institute of Applied Economic Research *Tuebingen, Germany*

- Evaluated data concerning skill shortage in Germany by using statistic software STATA
- Conducted expert interviews to obtain a deeper understanding of research topic
- Organized and reformatted project results for executive team using Microsoft Office

Education

University of Cologne — Cologne, Germany
PhD Candidate Cologne Graduate School — *December 2018 – Present*

- Political Science with emphasis on international political economy

Willy Brandt School of Public Policy, University of Erfurt — Erfurt, Germany
Master of Public Policy — *October 2016 – July 2018*

- Emphasis on international, political economy and European public policy

Minnesota State University Mankato — Mankato, MN, USA
Study abroad — *August 2015 – May 2016*

- Focused on research and quantitative methods

Friedrich-Alexander University — Nuremberg, Germany
Bachelor of Arts in Business Science — *October 2013 – August 2016*

- Emphasis on Economics and particularly economic development

Conference and other Experience

Publication — 2021

- Altamirano, Melina, Sarah Berens and Franziska Deeg. 2021. "Varieties of Economic Vulnerability: Evidence on Social Policy Preferences and Labor Informality from Mexico" forthcoming: Latin American Politics and Society .

Research Conferences — June 2019 – Present

- Presentation of research findings in front of international audiences at conferences like SPSA 2021, APSA 2020, ECPR 2020, SPSA 2020, RC19 2019, etc.

Hack Your Future Data Sience Course — August 2020

- Taught, as part of a team, R introductory course for female High School students to familiarize them with data analysis (www.hyf-koeln.org)

Essex Summer School — July – August 2018

- Successfully participated in survey methods course by Ana Krupnikova (Stony Brooks University)

Languages and Technical Skills

Languages: German *(Native)*, English *(Fluent)*, Spanish *(Fluent)*, Portuguese *(Intermediate)*, French *(Basic)*

Programming Skills: R, Stata, Latex, Qualtrics, Excel, PostgreSQL

R Packages: dpylr, magrittr, ggplot2, cjoint, cregg, shiny, quanteda, rvest