



The Myths and Veracities of the European Migration Challenge

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Migrants/refugees as potential workers

- **Many perspectives on immigration**
 - humanitarian
 - economic
 - political
 - ...
- **My focus: labor market/economic**

The demographic background

- **Demographic change presents nearly all EU states with formidable challenges:**
 - Ageing populations
 - Scarcity of skilled labor
 - Dynamic loss in the economy (innovation deficits)
 - Financial risks in social security systems
- **Financial and economic crisis added to the difficulties:**
 - Rising risk aversion
 - Economic decline
 - Negative attitudes toward immigration and new Fortress Europe
- **And the immigration crisis has added xenophobic/nationalistic/racist fuel to the debates**

Skill gaps and demand for migrants in the EU

Mobility and immigration are needed

- Replacement and newly emerging jobs (both high skilled and low skilled)
- Fill in shortages and skill deficiencies

IZA Expert Survey on High-Skilled Labor Immigration:

- A survey of 234 labor market experts from Europe;
- 89.0% - the EU needs at least as many immigrants as it has now, and 57.7% - the EU needs more or many more immigrants
- Less conviction that the EU needs additional low-skilled immigration (60.7 and 27.3%)
- However, 96.7% - the EU needs at least as many high-skilled migrants, and 80.3 % - the EU needs more or many more high-skilled migrants

The EU needs migrants from outside

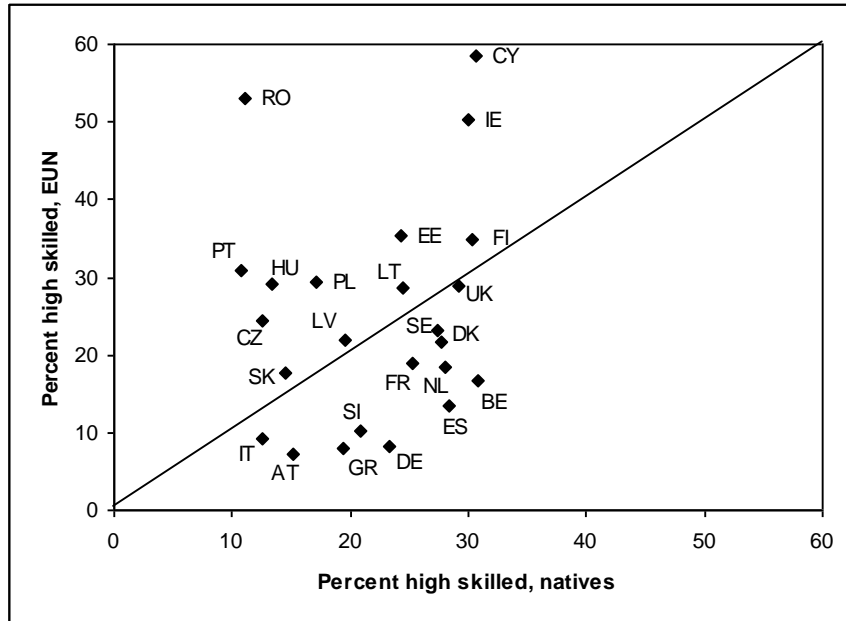
perhaps....BUT!!!

- **Immigrants unskilled!**
- **Take our jobs!**
- **Lower the wages!**
- **Abuse welfare systems!**
- **Welfare tourism!**
- **Increase crime!**

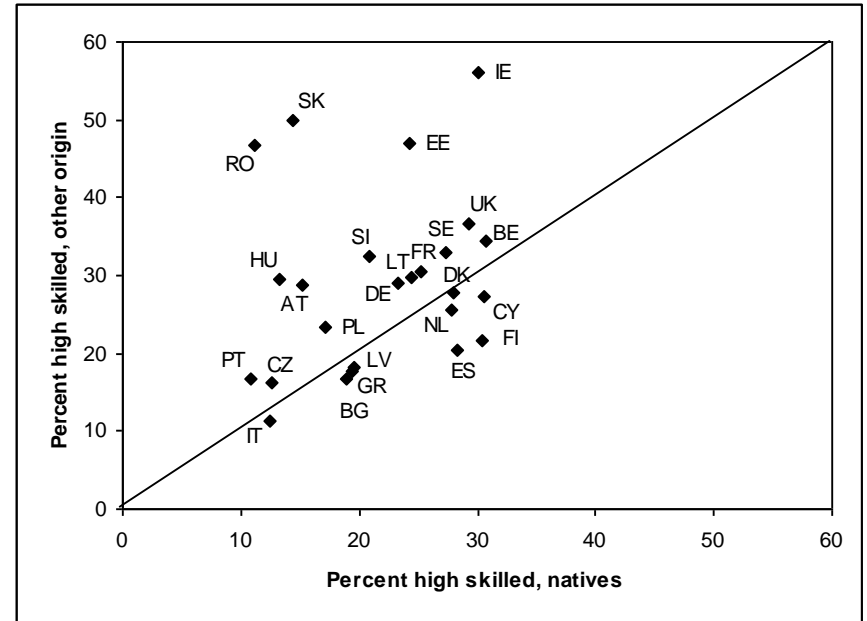
Well and how about evidence?

Unskilled immigrants? No, rather skilled!

c) Percent high-educated EUN immigrants and natives

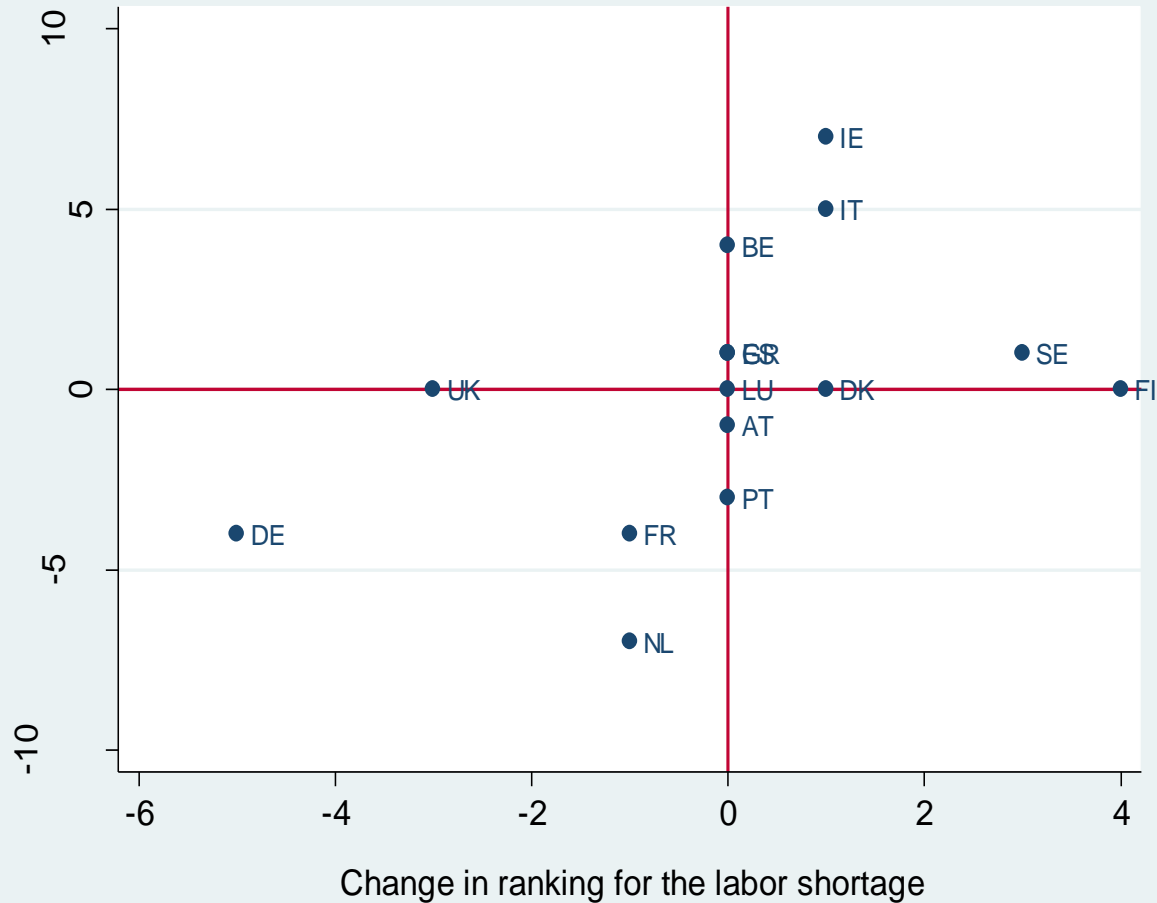


d) Percent high-educated other immigrants and natives



Non-EU immigrants well-educated, especially in NMSs.

OK, but do they really go where we need them?
Yes, especially the low-skilled ones!



High-skilled non-EU15 immigrants fill up labor shortages similarly to the natives

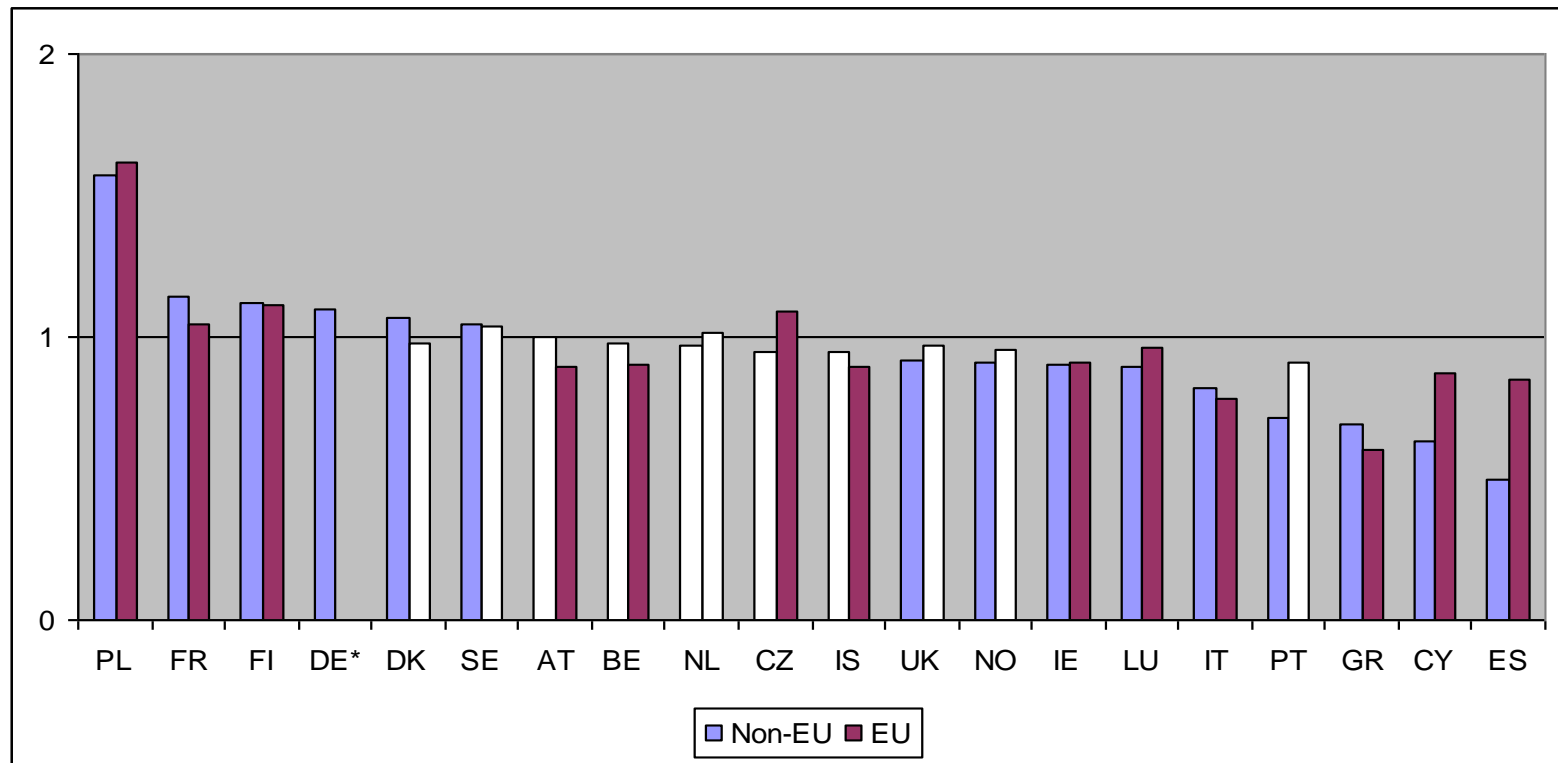
However: Their low-skilled counterparts are significantly more fluid!

Take our jobs? No, they help to create them!
Lower our wages? Not really.

- Mariel boatlift, within 2-3 months circa 125,000 Cuban refugees sailed to Miami. Unemployment up, wages down? No! (Card, 1990)
- Post-enlargement mobility in the EU, circa 3 million migrants 2004-2009. Same lessons: no negative impacts on unemployment rates or wages. (Kahanec and Zimmermann, 2016)
- 300 million immigrants in the US, 20 million in Australia, etc. No jobs at all? Low wages?
- Constant (2014) summarizes evidence, in the long run job creation

Abuse the welfare state?

Figure 3.2 Ratio of proportions of migrants and natives: All types of support

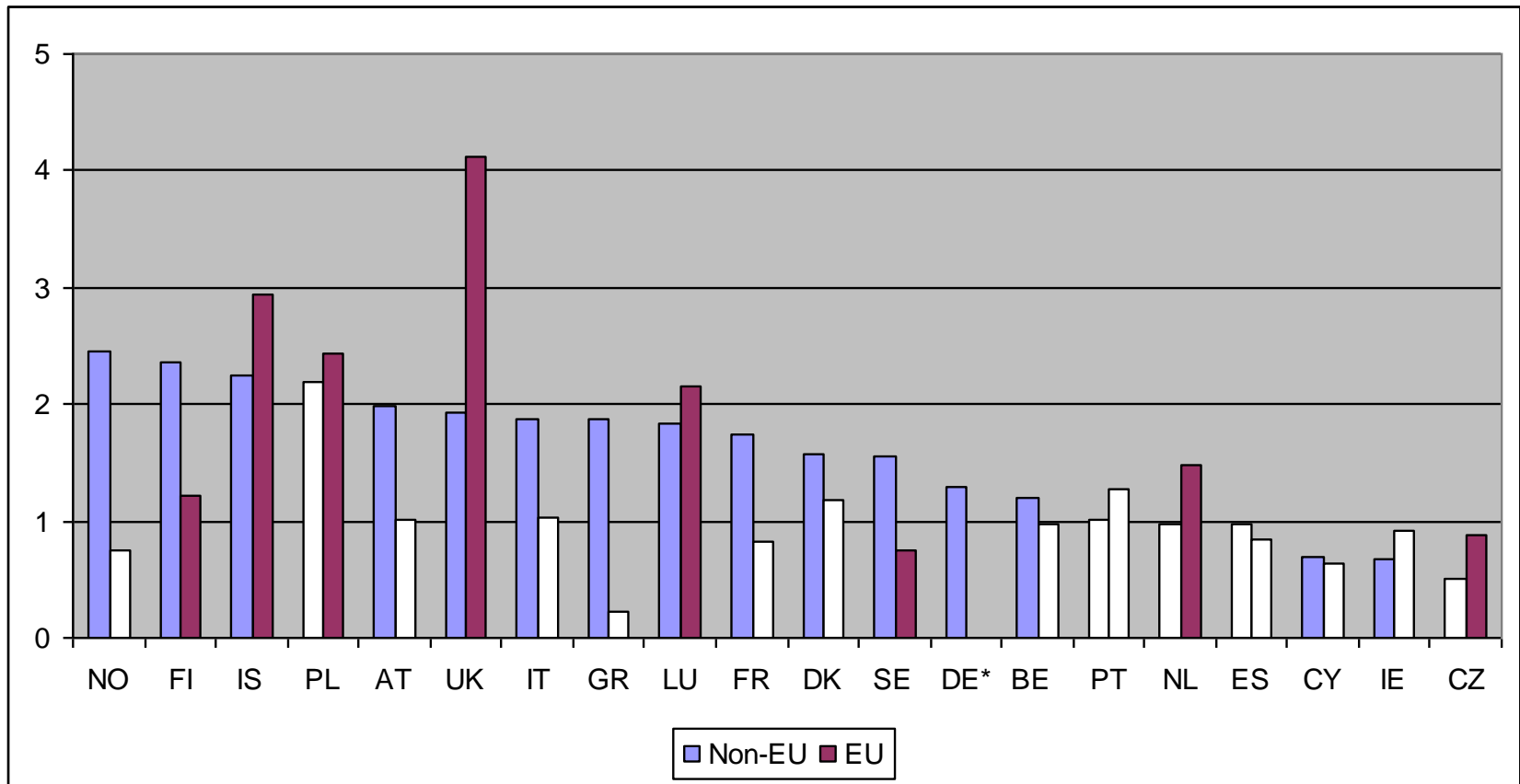


Source: EU-SILC (2008).

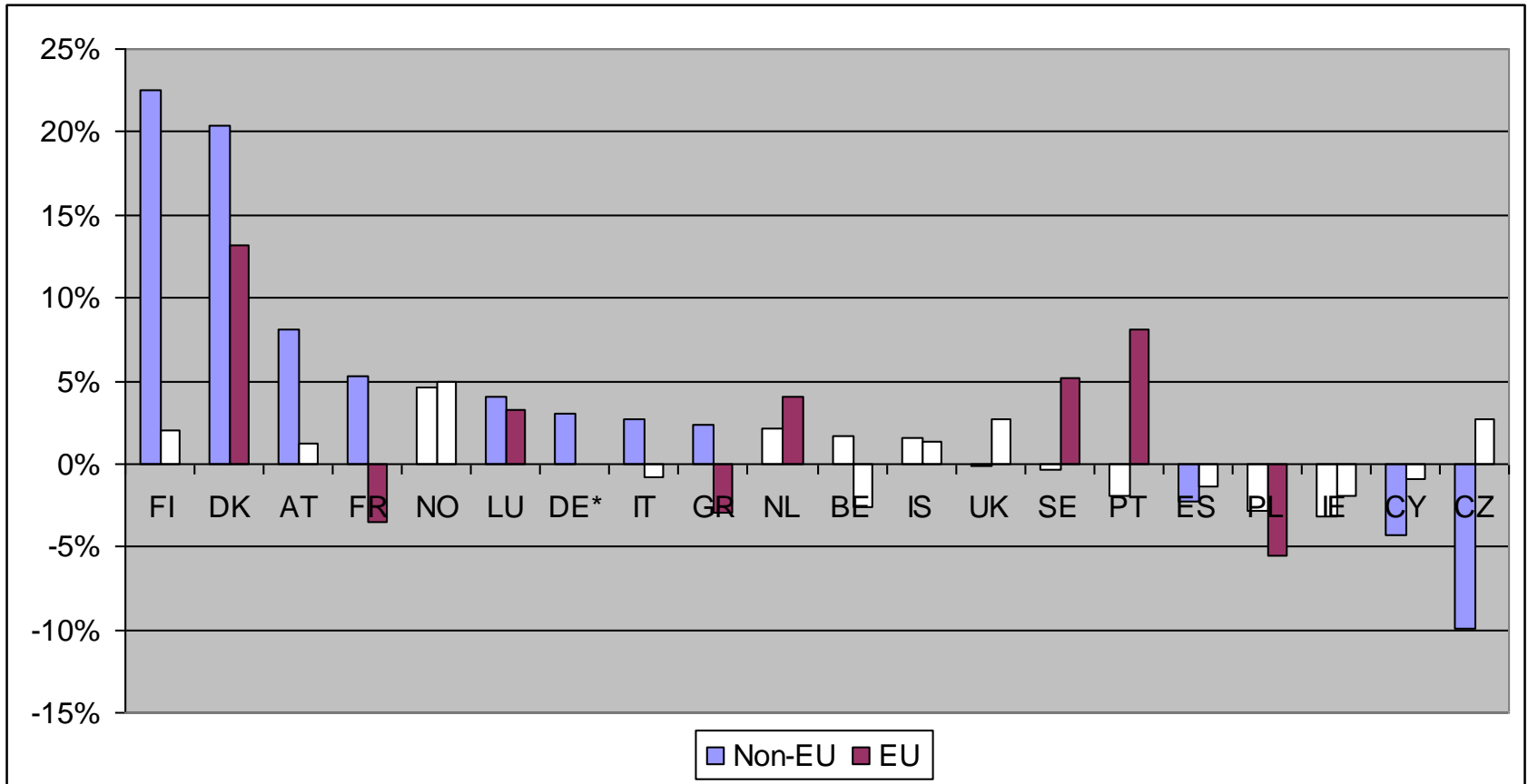
Notes: *All migrants for Germany.

In most EU member states lower or similar take up rates

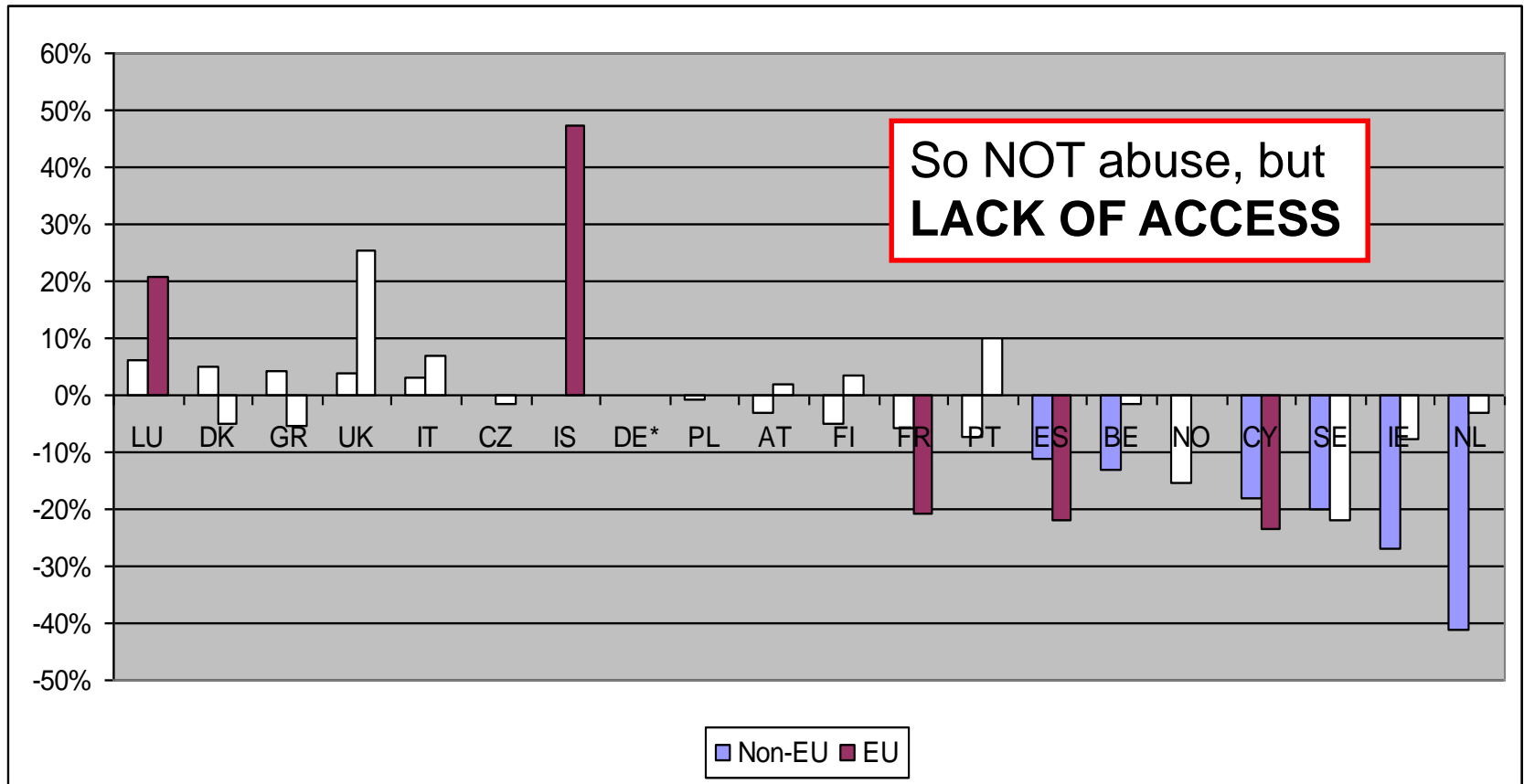
Let us now expose them! Ratio of proportions of immigrants and natives in unemployment support



Estimated impact of immigrant status on support receipt: unemployment, sickness and disability



Ratio of proportions of immigrants and natives: Unemployment support for the unemployed



Welfare shoppers?

- Theory
 - Welfare reduces the volatility and increases the level of expected income of migrants, this in theory leading to the welfare magnet hypothesis (e.g. Heitmueller 2005)
 - As the costs associated with choosing among countries within Europe are negligible compared to those incurred when moving to Europe, even not so big differences in welfare may matter (Borjas, 1999)
- Empirics
 - Borjas (1999): welfare magnet marginally significant among the US states
 - De Giorgi and Pellizzari (2009): not too large but significant welfare magnet in EU15
 - Pedersen, Pytlikova and Smith (2008): Social expenditures/GDP significant positive effect only if FE and network effects not controlled for.

Own study -- What did we do?

- We distinguish welfare components
 - Aggregated measures may mask the true effects
- We take *unemployment benefits spending (UBS) in GDP* a measure of welfare (for now)
 - Sensitive wrt labor market competition, also given the disproportional crude rate of take up by immigrants
- We explicitly account for the possible **endogeneity** of welfare spending
- We concentrate on Europe as a cluster of welfare-heterogeneous countries among which migration is relatively easy (Borjas studied US states)
- We have panel data with a good number of observations

Results (OLS, non-EU)

a - without UBS; b - with UBS; c - with other welfare components (health, family, pension); d – no weights

	(a)	(b)	(c)	(d)
		Non-EU immigrants		
UBS		0.058 *	0.061 *	0.066 ***
		(0.028)	(0.031)	(0.021)
Stock of non-EU immigrants	0.141 ***	0.129 ***	0.123 ***	0.079 *
	(0.028)	(0.026)	(0.028)	(0.039)
Per-capita GDP	0.017 ***	0.019 ***	0.018 ***	0.007
	(0.007)	(0.007)	(0.007)	(0.004)
Unemployment rate	-0.007	-0.015	-0.005	-0.026
	(0.018)	(0.017)	(0.016)	(0.015)
Constant	-0.056 ***	-0.063 ***	-0.053 ***	-0.02
	(0.023)	(0.024)	(0.021)	(0.014)
\bar{R}^2	0.64	0.65	0.68	0.52

Results (OLS, EU)

a - without UBS; b - with UBS; c - with other welfare components (health, family, pension); d – no weights

		EU immigrants		
UBS		-0.009 (0.012)	-0.003 (0.013)	-0.012 (0.013)
Stock of EU immigrants	0.072 *** (0.021)	0.075 *** (0.025)	0.068 *** (0.027)	0.094 *** (0.021)
Per-capita GDP	0.000 (0.002)	0.000 (0.003)	0.000 (0.003)	-0.003 (0.003)
Unemployment rate	0.001 (0.005)	0.002 (0.006)	0.004 (0.006)	0.006 (0.005)
Constant	0.000 (0.006)	0.001 (0.007)	0.002 (0.007)	0.008 (0.010)
\bar{R}^2	0.28	0.29	0.29	0.37
Weights	Y	Y	Y	N
Other welfare components	N	N	Y	N
N	248	248	248	248

Notes: robust standard errors in parentheses. ***/*** indicate significance at the 10/5/1% level. All models are estimated by fixed effects and contain year dummies. Weights are population counts of each country in the year 2000. Other welfare components are expenditure on health, family and pensions.

Endogeneity of UBS

- OLS results point at a welfare magnet for non-EU immigrants
- But we have an endogeneity problem: UBS may be a function of immigration
 - A) Immigrants themselves directly increase UBS take up or decrease average GDP
 - B) Policy reaction to immigration may cut/expand UBS

Results

	EU immigrants		Non-EU immigrants	
	IV	GMM	IV	GMM
UBS	0.040 (0.065)	-0.013 (0.029)	-0.003 (0.007)	-0.004 (0.022)
Stock of immigrants	0.133 *** (0.018)	0.115 *** (0.011)	0.075 *** (0.009)	0.073 *** (0.014)
Per-capita GDP	0.019 *** (0.003)	0.015 *** (0.002)	0.000 (0.001)	0.000 (0.001)
Unemployment rate	-0.012 (0.011)	-0.013 *** (0.006)	0.000 (0.001)	0.002 (0.003)
Constant	-0.068 *** (0.012)	-0.054 *** (0.007)	0.001 (0.002)	0.002 (0.005)
N	248	248	248	248

Notes: robust standard errors in parentheses. */**/** indicate significance at the 10/5/1% level. All models are estimated by fixed effects and contain year dummies. All regressions are weighted by the counts of individuals in each country in the year 2000. Instrument is the number of parties in the winning parliamentary coalition. IV estimates are computed using the Stata command *xtivreg2* developed by M.E. Schaffer. GMM estimates are obtained using the Stata command *xtabond2* developed by D. Roodman.

No welfare shoppers...and they even contribute

- UBS and immigration positively correlated
- But this is not due to immigrants' welfare shopping (IV, AB)
- Rather, we find some indication that
 - Immigration may relax welfare provision rules
 - Immigration may increase welfare spending or decrease GDP, or both. From other studies, it is rather the former than the latter. Event that is rather due to compositional than residual effects.

Rather:

- Contribute to public finances (Dustmann and Frattini, 2013)

Any macro impacts of migration?

- For post-enlargement migration we find positive effects on
 - GDP
 - GDP per capita
 - Employment rate
- And negative effects on
 - output per worker

But they are criminals! No, not more than the natives

- Immigration does not increase crime (Bell, 2014)
- Lack of labor market integration may increase property crime (Bell, 2014)

Neutral to positive? So where is the problem!?

- High costs of immigration procedures (pecuniary and non-pecuniary), non-transparent entry procedures;
- Institutional barriers in legal framework, poor access to institutions, markets, etc.
- Poor transferability of qualifications and skills (issues with recognition of qualifications);
- Additional barriers to LM inclusion: Discrimination, negative attitudes; lack of information about market opportunities; taxation issues; no grace period if job lost; language barriers;
- Poor access to and non-transparent transferability of social rights (e.g. pensions);
- Lack of provisions for tied migrants (including spouses, children or parents)
- Lack of harmonization across the EU

Deficiencies at the receiving end

Conclusions

- Europe needs immigrants, mainly highly skilled ones
- We have some, but we are also losing the best
- Our migration and integration policies are problematic
- In spite of this, immigrants in the EU contribute to GDP, taxes, labor market efficiency, no negative effects on wages or employment
- Migrants respond to labor market skill gaps more fluidly than the natives
- So we need more, and not less mobility; we need more and not less integration

Bottom line

The current migration crisis in Europe offers a potential for a triple win:

- Provide humanitarian help to refugees - a moral victory
- Revamp our migration, asylum, and integration policies
- Benefit from the new hands and brains that can boost our labor markets

Otherwise a triple loss looms



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