

Fiscal impact of EU migrants in four member-states

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The context

- ★ In 2013 there were 13.7 million EU citizens living in another EU country, or 2.7% of the entire population of the Union
- ★ EU enlargement and the ensuing increase in movement of people to a great extent coincided with the global financial and economic crisis
- ★ Weak economic activity and sharp fall in employment in most countries resulted in a sharp worsening of the fiscal balance.
- ★ The financing of social spending is becoming an ever-growing concern; less than half of social expenditures can be covered by social contributions.

Scope and objectives

- ★ The objective of the study is to provide an estimate of the of the net fiscal impact of EU migrants in four EU countries: Austria, Germany, the Netherlands and the United Kingdom
- ★ It is based on the role of EU migrants as participants in the labour market, as taxpayers and also as benefit recipients
- ★ The study estimates both the direct and indirect taxes paid by EU migrants, as well as expenditures on major social benefit programs that are directed to EU migrants

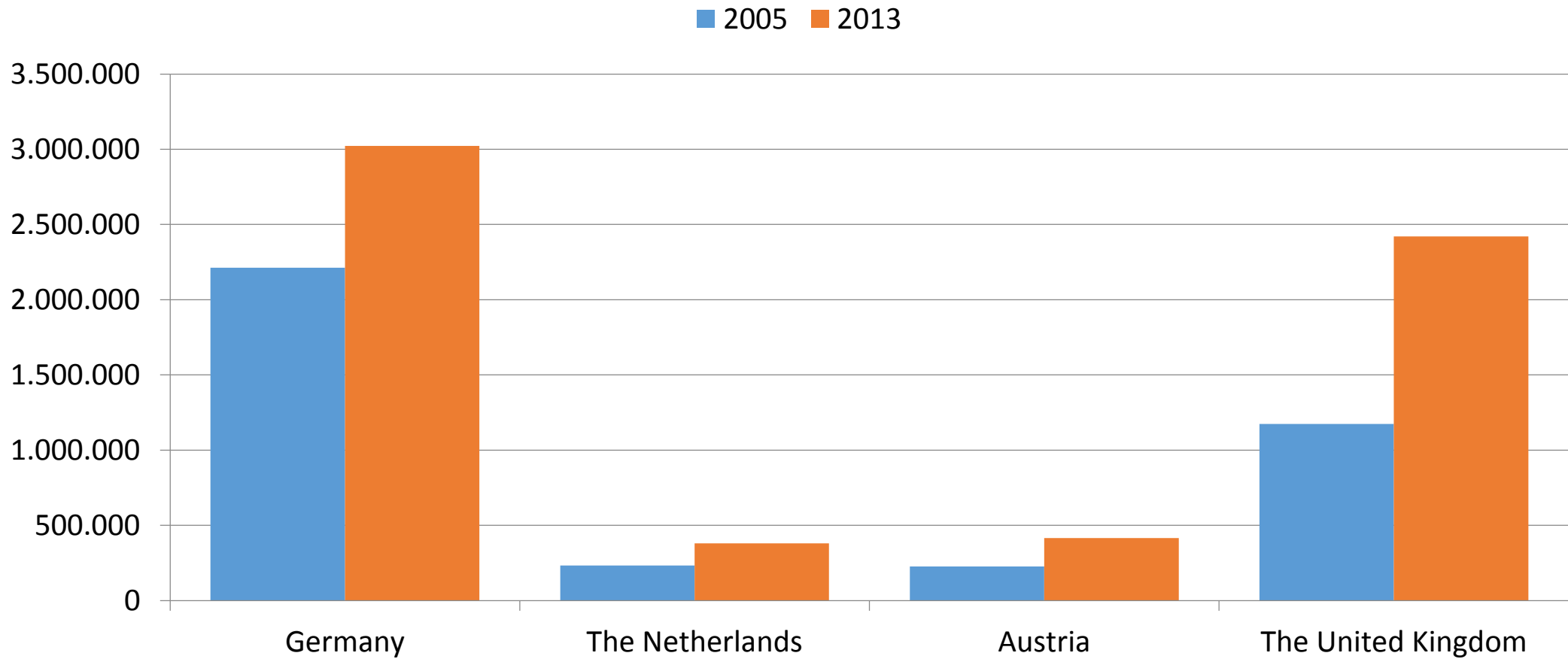
Sources of data and approach

- ★ National governments do not keep statistical data on taxes paid and benefits received by individuals based on their citizenship; hence, no data on actual fiscal contribution
- ★ The methodology for assessment of the net fiscal impact of EU migrants used in the study is based upon statistical data from official sources (government, national statistical institutes, Eurostat)
- ★ Key variables we use include demographic characteristics, labour market participation, employment and income levels, estimate of poverty rates of EU migrants and the general population in the case countries

Key features of the study

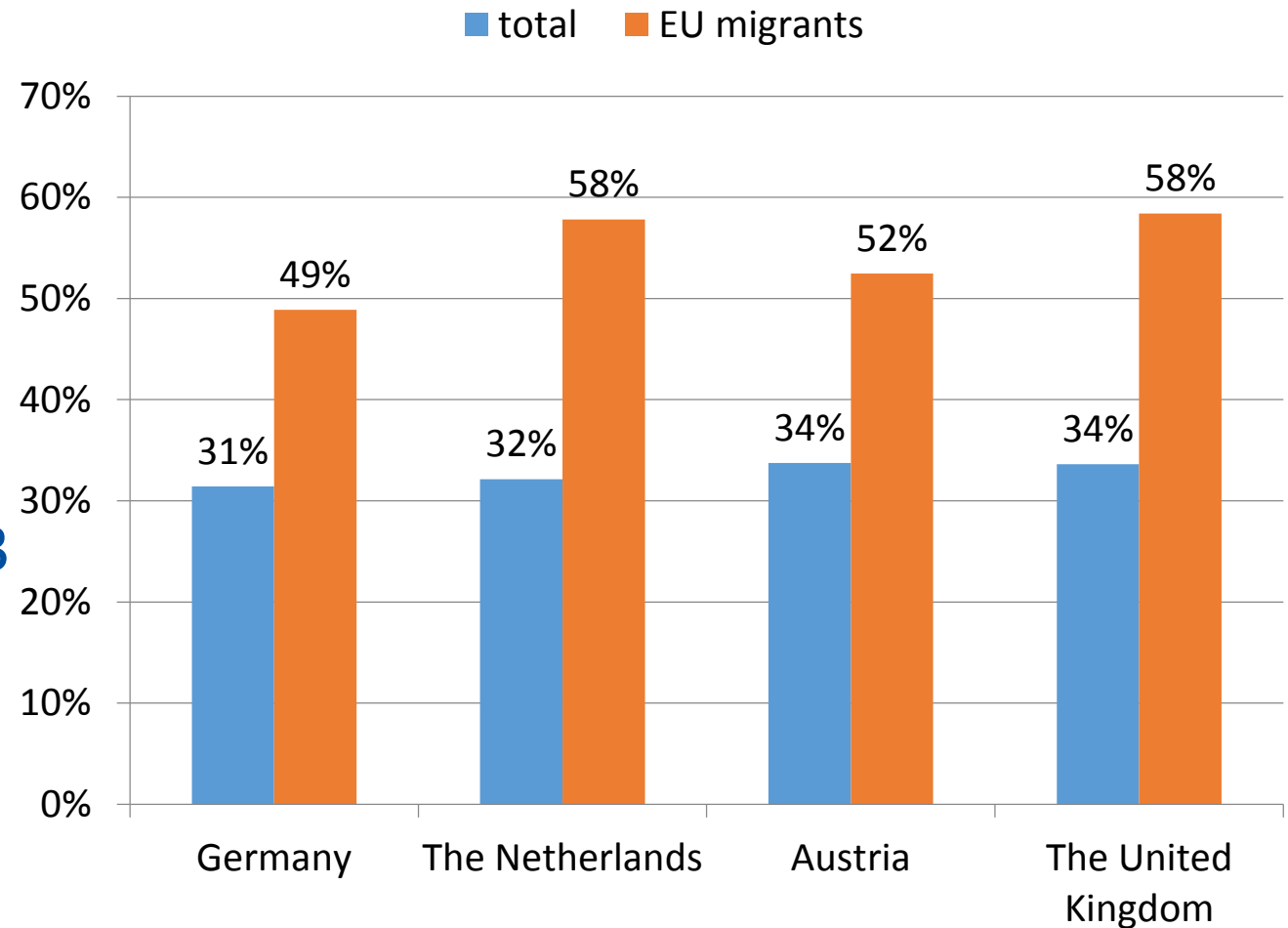
- ★ Structure of social expenditure and main benefit programs in each country are taken into account
- ★ The study is based on tax structure in each country relevant to the typical migrant taxpayer
- ★ Several assumptions are used when precise calculation is not possible
- ★ Assumptions are conservative, i.e. they probably underscore the net fiscal impact

EU migrants: numbers



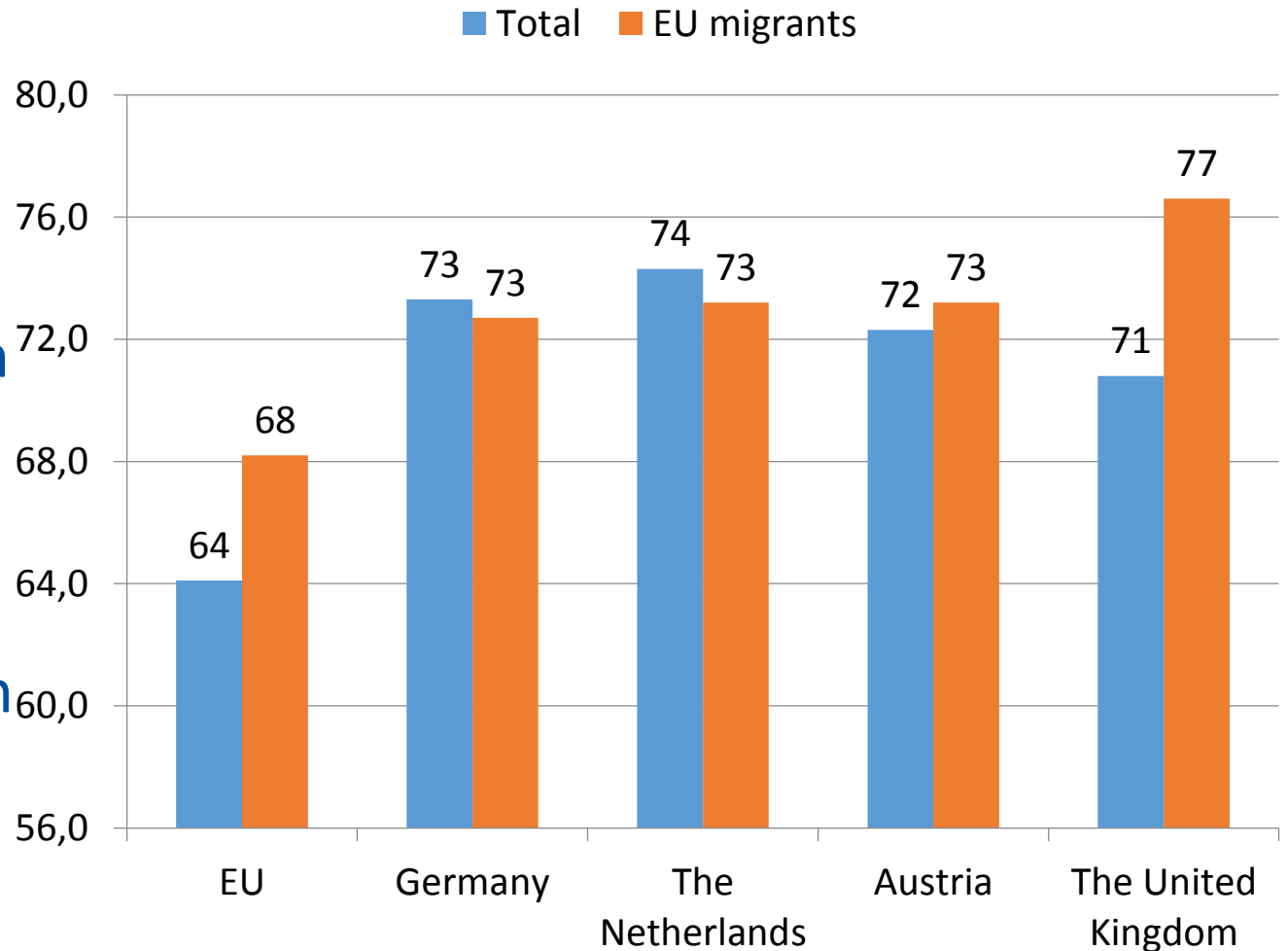
Population: age composition

- ★ EU migrants consist mostly of people between the ages of 20-44
- ★ What is more, EU migrants are on average younger than the native population
- ★ The share of older people is 2-3 times less among EU migrants compared to the total population



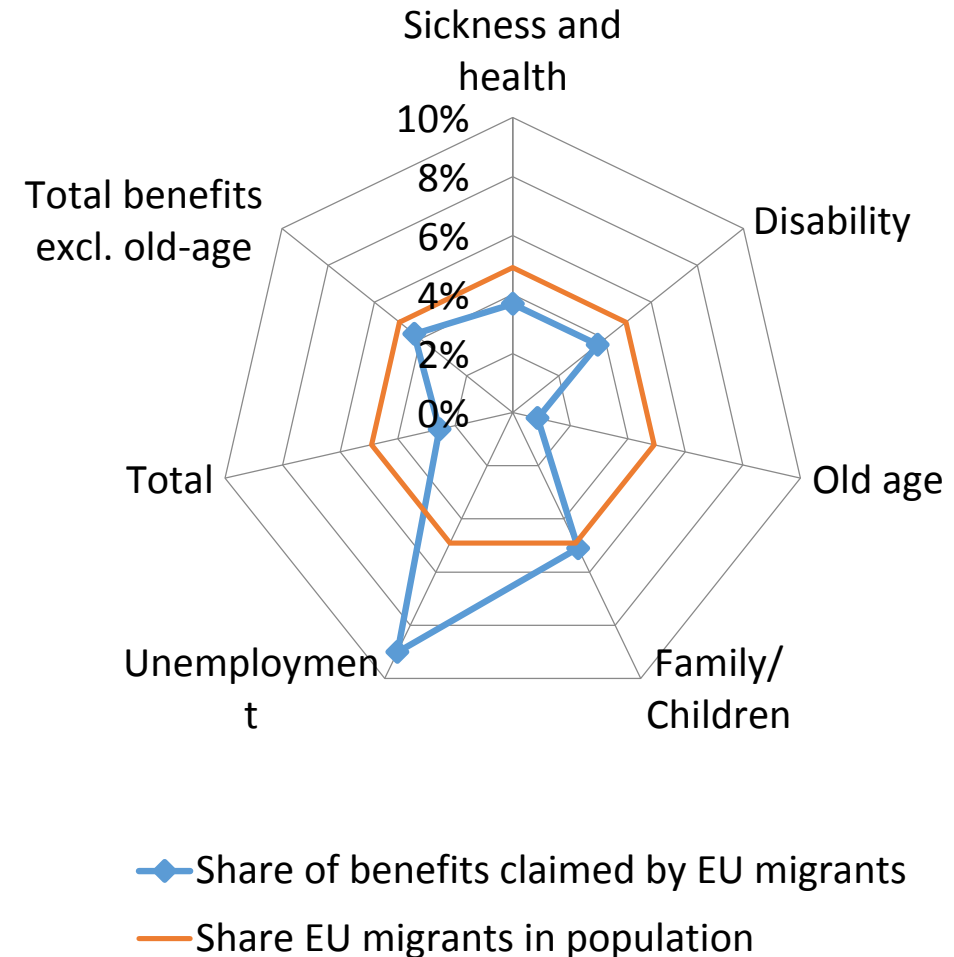
Employment rates (% of working-age population)

- ★ Employment rates for EU migrants are higher (68%) than the entire population (64%) of the EU
- ★ Job opportunities are the main driver of migration within EU
- ★ As working-age migrants prevail,
- ★ Unemployment is slightly higher among EU migrants than the total population in Germany, the Netherlands and Austria, but lower in the UK



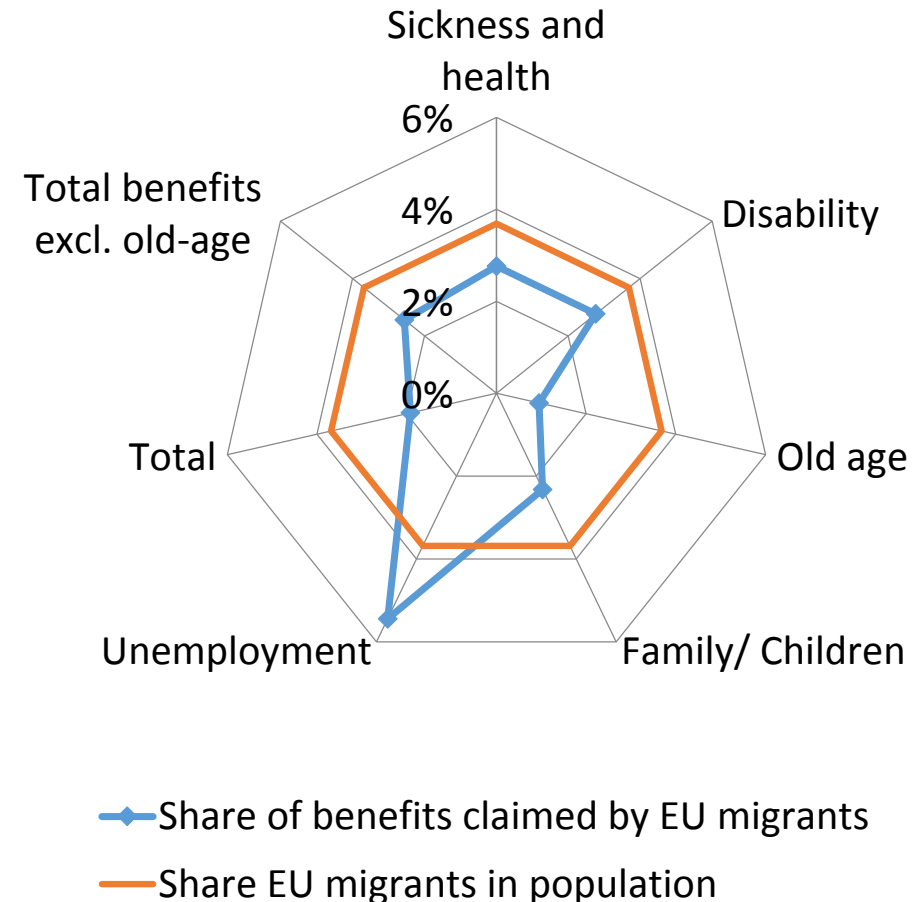
Share in benefits claimed: Austria (2013)

- ★ EU migrants in Austria are on average younger and probably in better health than native citizens
- ★ The share of the population aged 65+ is three times lower among EU migrants
- ★ Migrants are twice as likely to claim unemployment benefits; they also tend to receive relatively more family&children, housing and social inclusion benefits



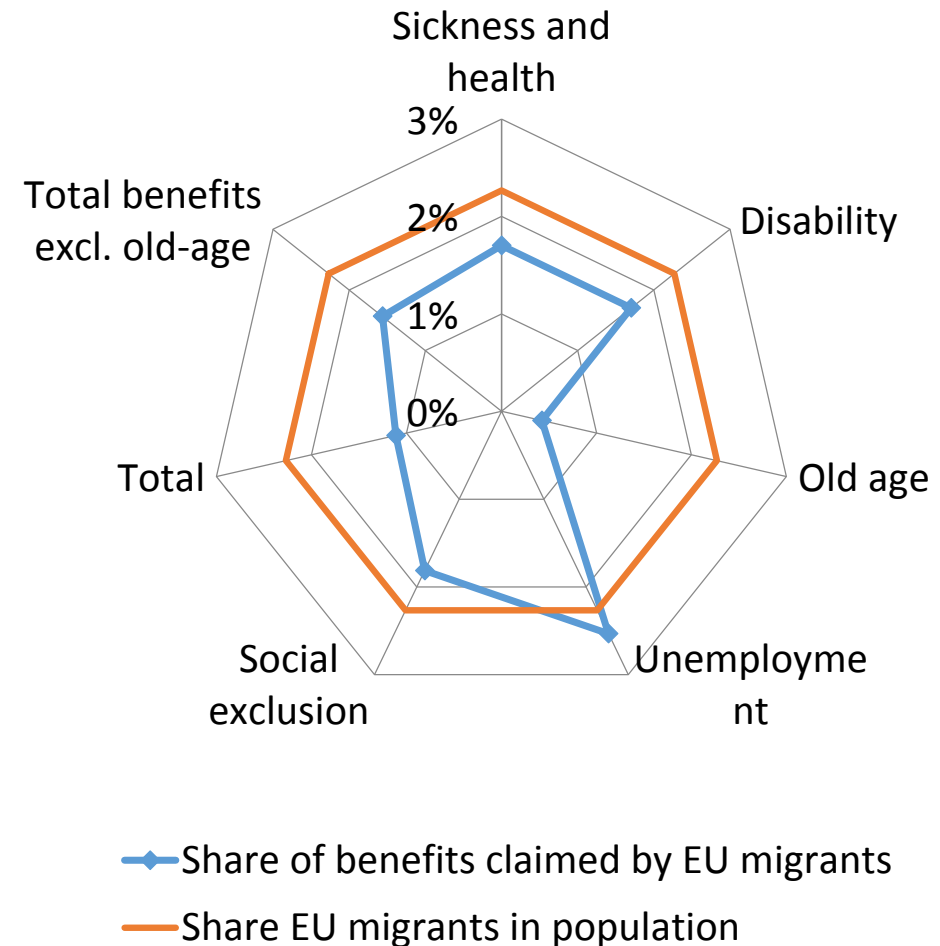
Share in benefits claimed: Germany (2013)

- ★ EU migrants 3.7% of the total population, but they claim just 1.9% of the total benefits
- ★ A tiny fraction of EU migrants receive old-age and survivors' pensions
- ★ Despite the recent increase, children make up just 10% of EU migrants (of the total German population)
- ★ Migrants are also more likely to receive housing or social exclusion benefits which are typically means-tested



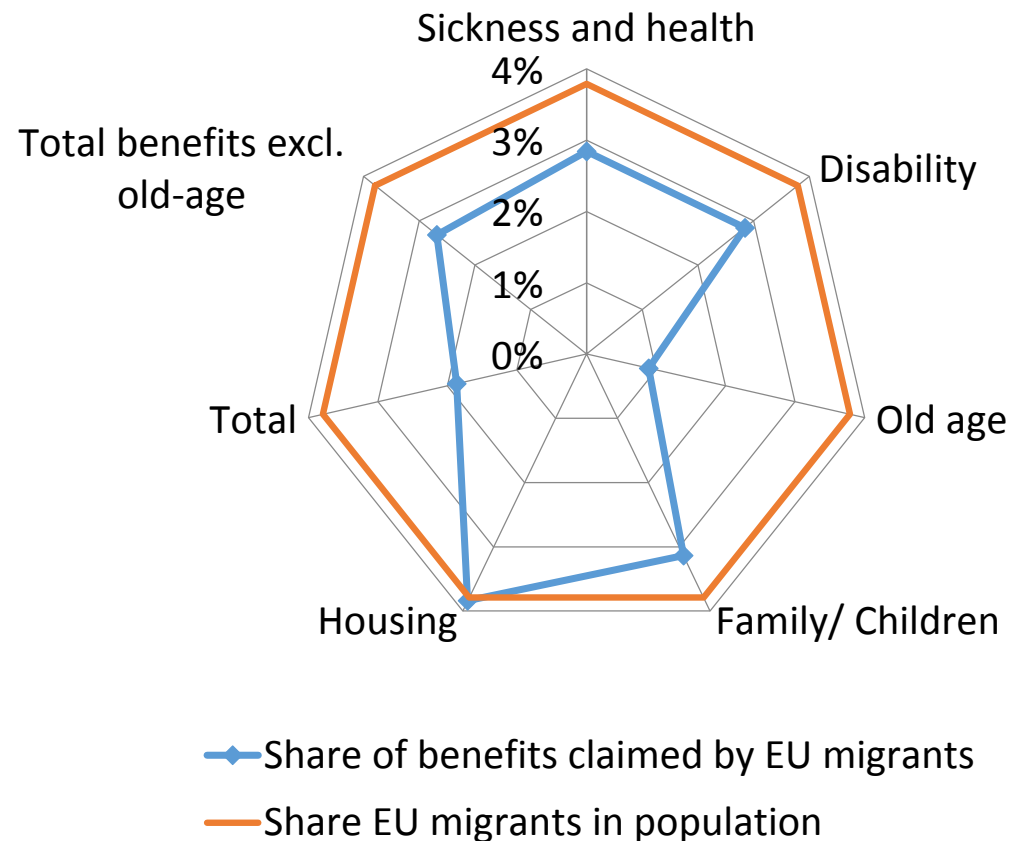
Share in benefits claimed: Netherlands (2013)

- ★ EU migrants in the Netherlands receive 1.1% of the total benefits, although they make up 2.3% of the population
- ★ EU citizens receive a smaller percentage of the family/children benefits
- ★ EU migrants claim less in health and old-age benefits than the average Dutch citizen



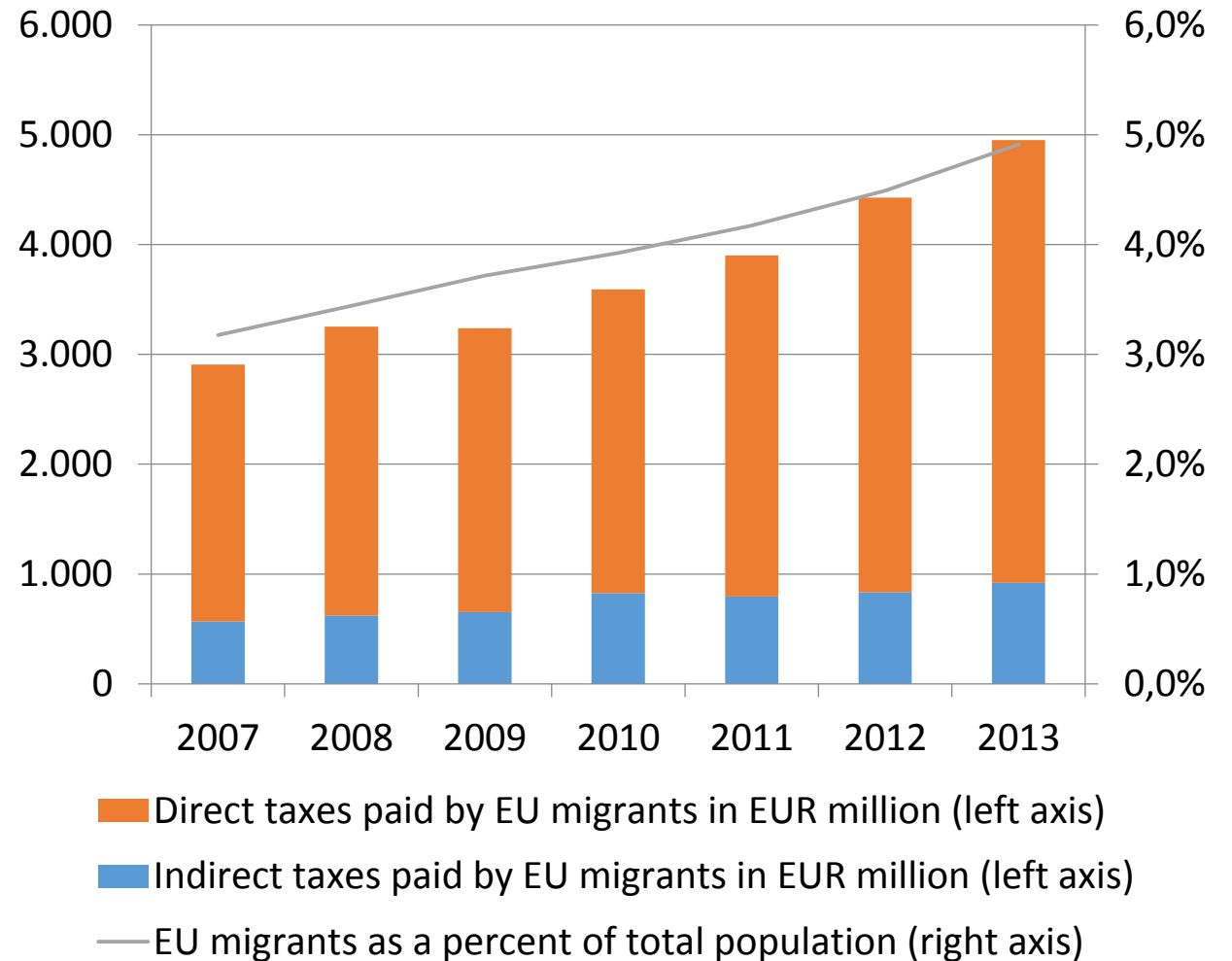
Share in benefits claimed: United Kingdom(2013)

- ★ EU migrants are 3.8% of the total population but receive just 1.9% of the total benefits
- ★ Housing is an important part of benefits for new EU migrants, who are estimated to have received housing benefits in excess of EUR 1 billion in 2013, and slightly above the average for the country
- ★ EU migrants tend to claim more unemployment benefits despite lower unemployment rates due to the large share of working-age migrants



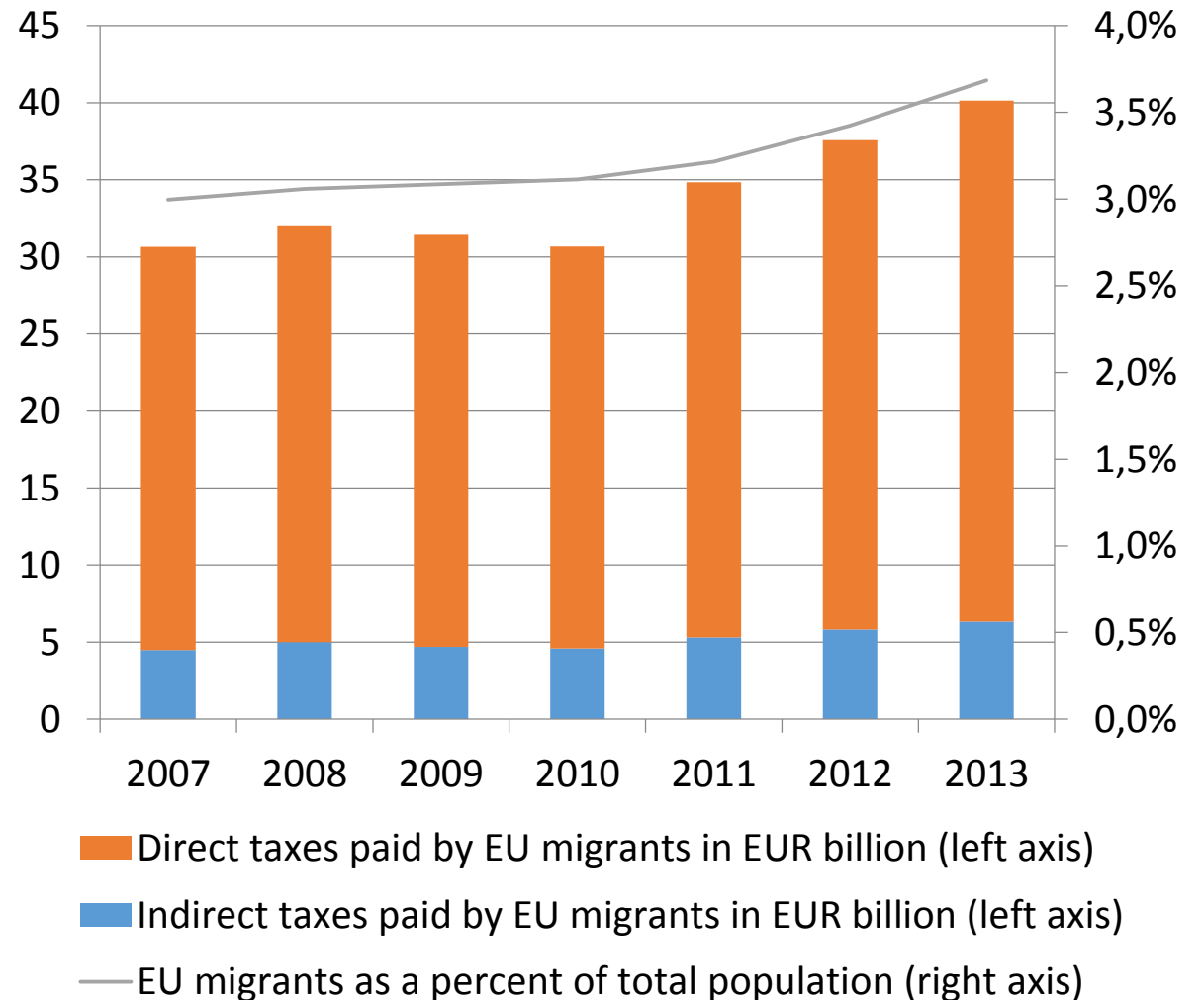
Taxes and social contributions paid: Austria (2013)

- ★ Migrants experience a wage disadvantage of 15 percentage points compared to Austrians
- ★ They added EUR 4 bn in direct taxes, more than 4% of the government's revenue from personal income tax and social contributions, equivalent to 1.3% of GDP or 2.5% of total government revenue in 2013.
- ★ In 2001, one EU migrant worker added EUR 12.6 thousand in direct taxes to the government budget, compared to EUR 16.6 thousand in 2013
- ★ The share of EU migrants in total VAT revenues has surged from 2.7% in 2007 to 3.6% in 2013



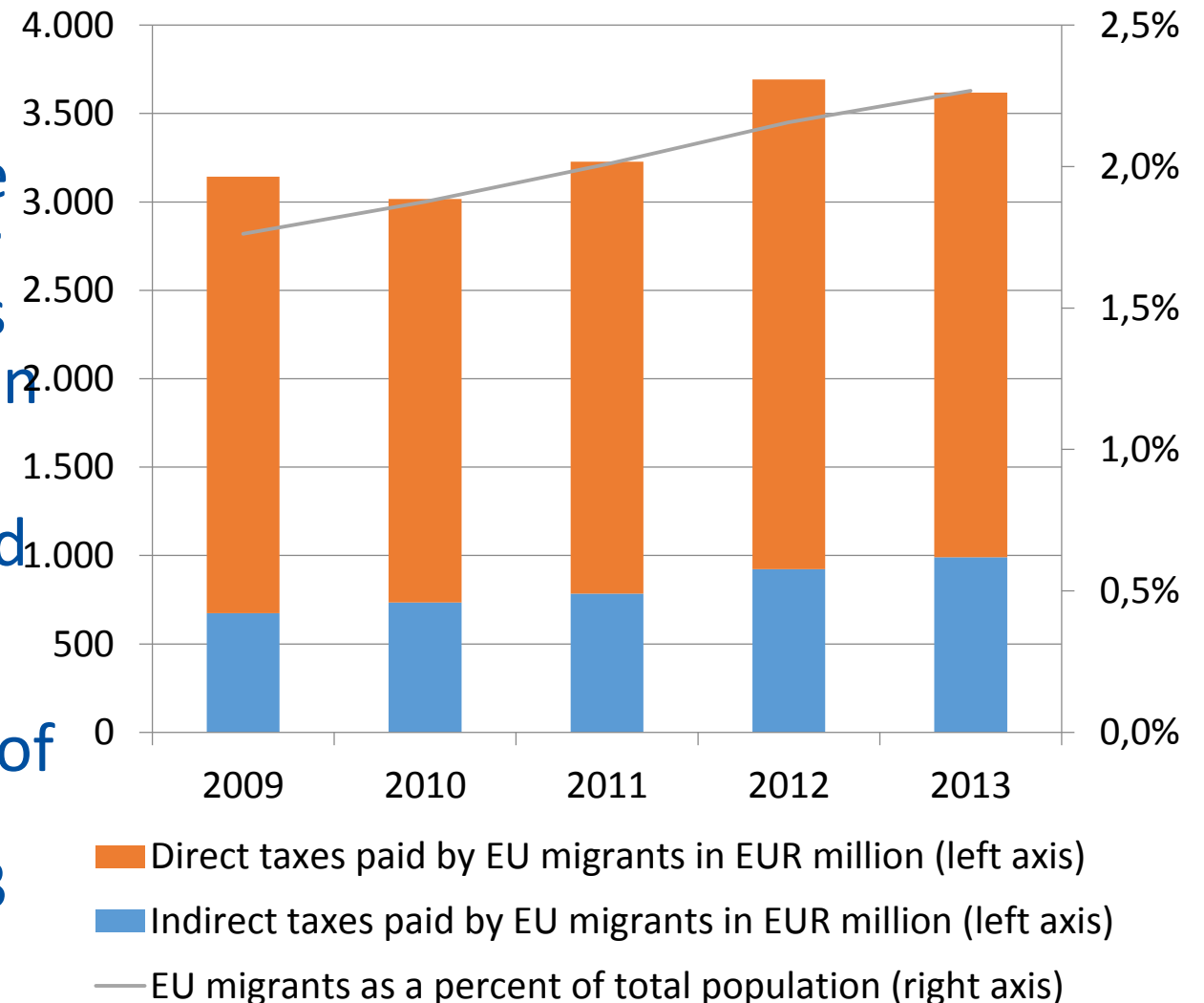
Taxes and social contributions paid: Germany (2013)

- ★ Overall, migrant workers tend to receive close to 85% of the average wage
- ★ EU migrants paid 4% of the personal income taxes and social contributions in 2012; equal to 1.2% of GDP and 2.8% of total government revenue
- ★ EU migrants are estimated to have paid EUR 6.3 billion in indirect taxes in 2013



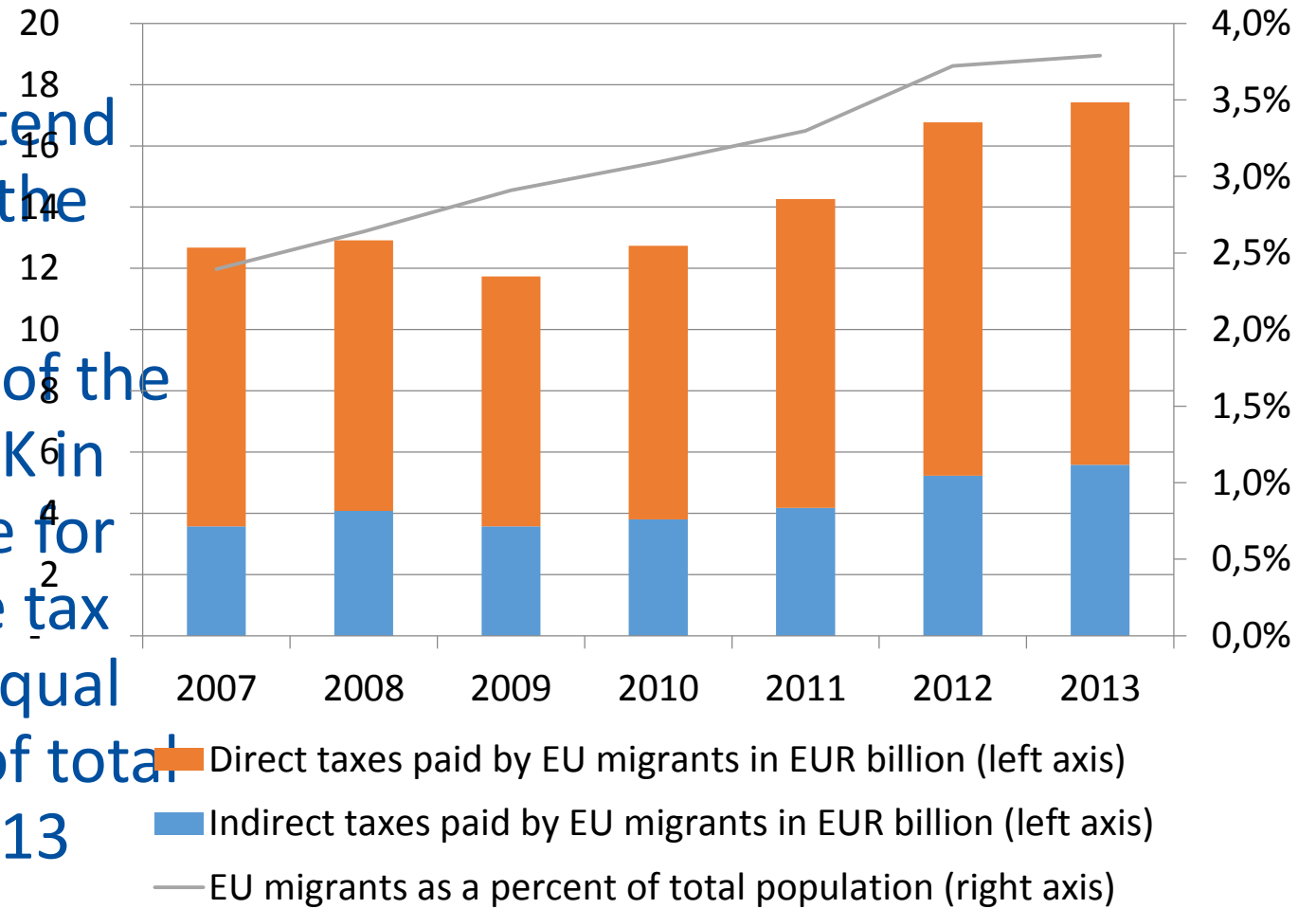
Taxes and social contributions paid: Netherlands (2013)

- ★ EU-15 citizens make up more than 70% of the EU-27 labour force, that is why EU migrants receive 11% higher wages than the country average
- ★ EU migrants have contributed 1.7% of the total personal income tax and social contributions, equal to 0.4% of GDP and 0.9% of total government revenues in 2013

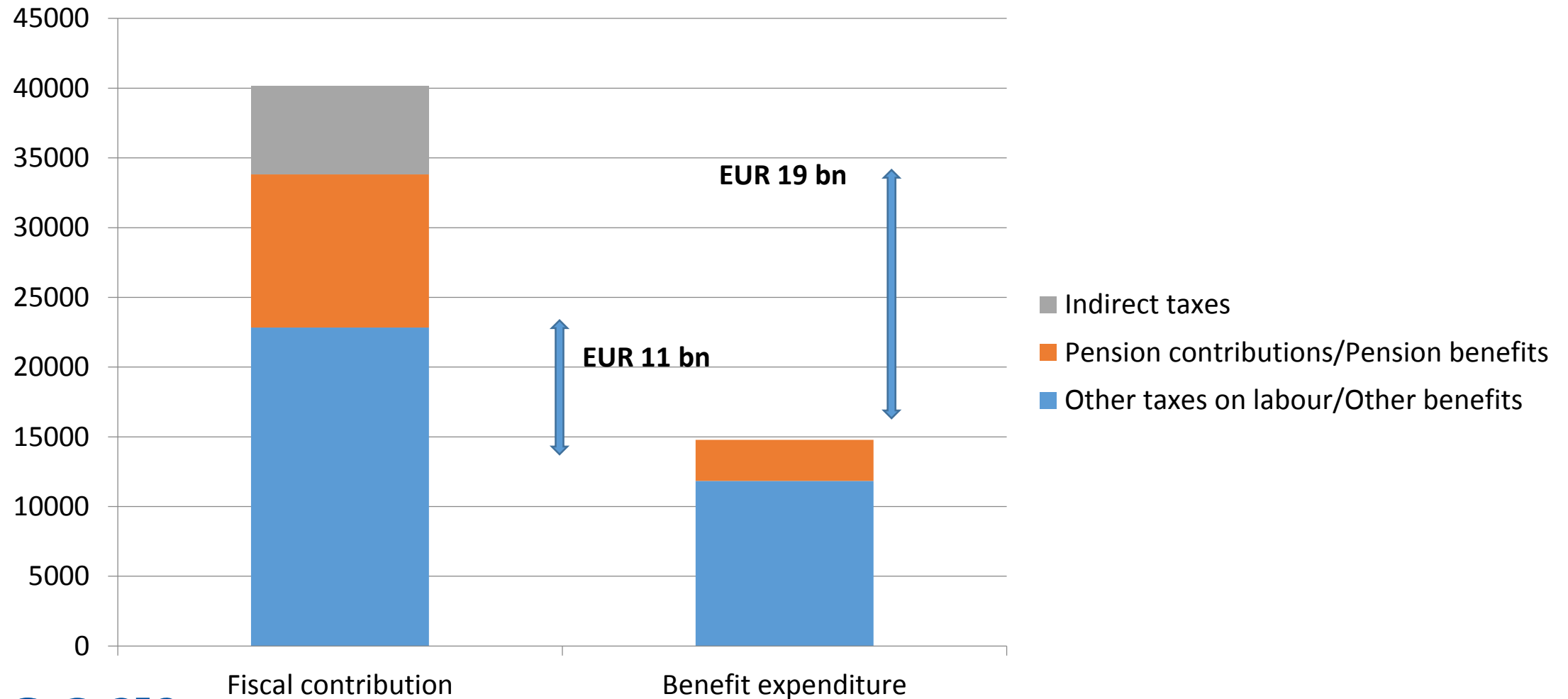


Taxes and social contributions paid: United Kingdom (2013)

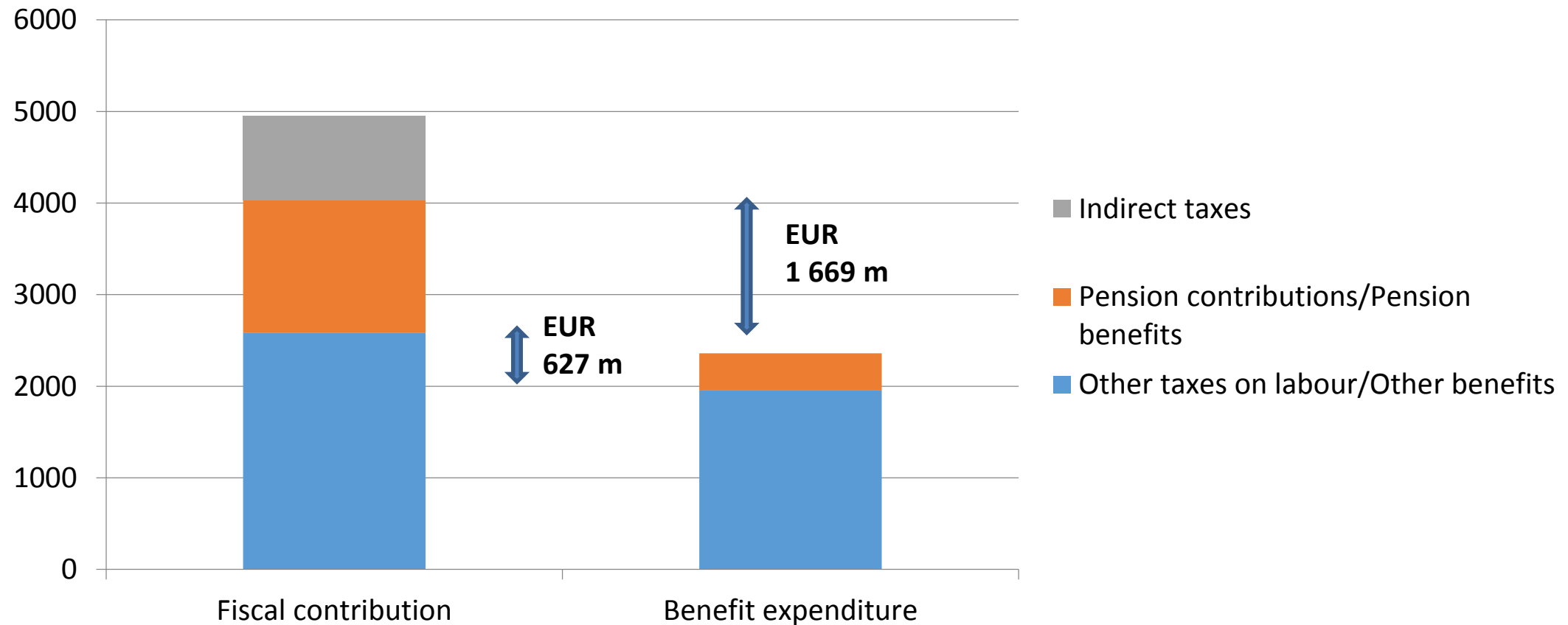
- ★ Overall, migrant workers tend to receive close to 80% of the average wage
- ★ EU-27 citizens were 4.8% of the total employment in the UK in 2012 and were responsible for 3% of the personal income tax and social contributions, equal to 0.6% of GDP and 1.3% of total government revenue in 2013



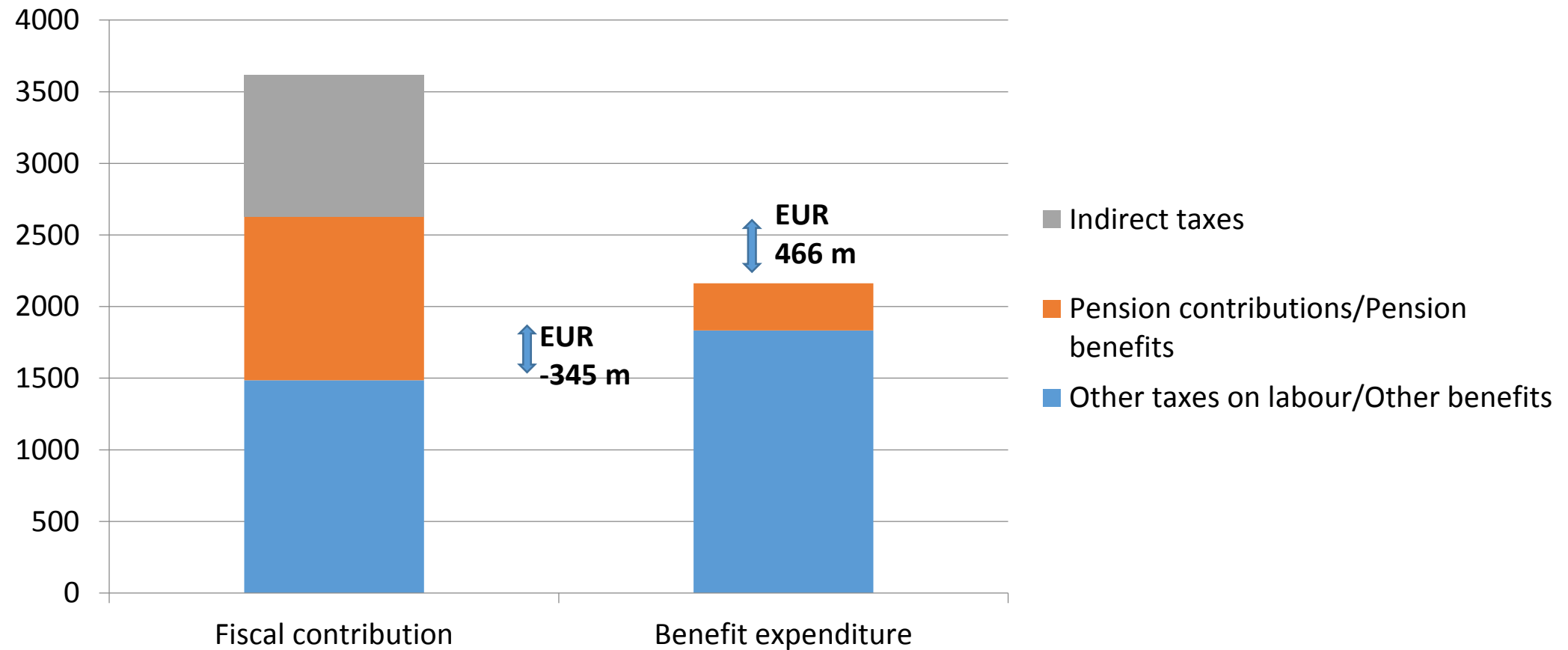
Contributions & Expenditure: Germany (2013)



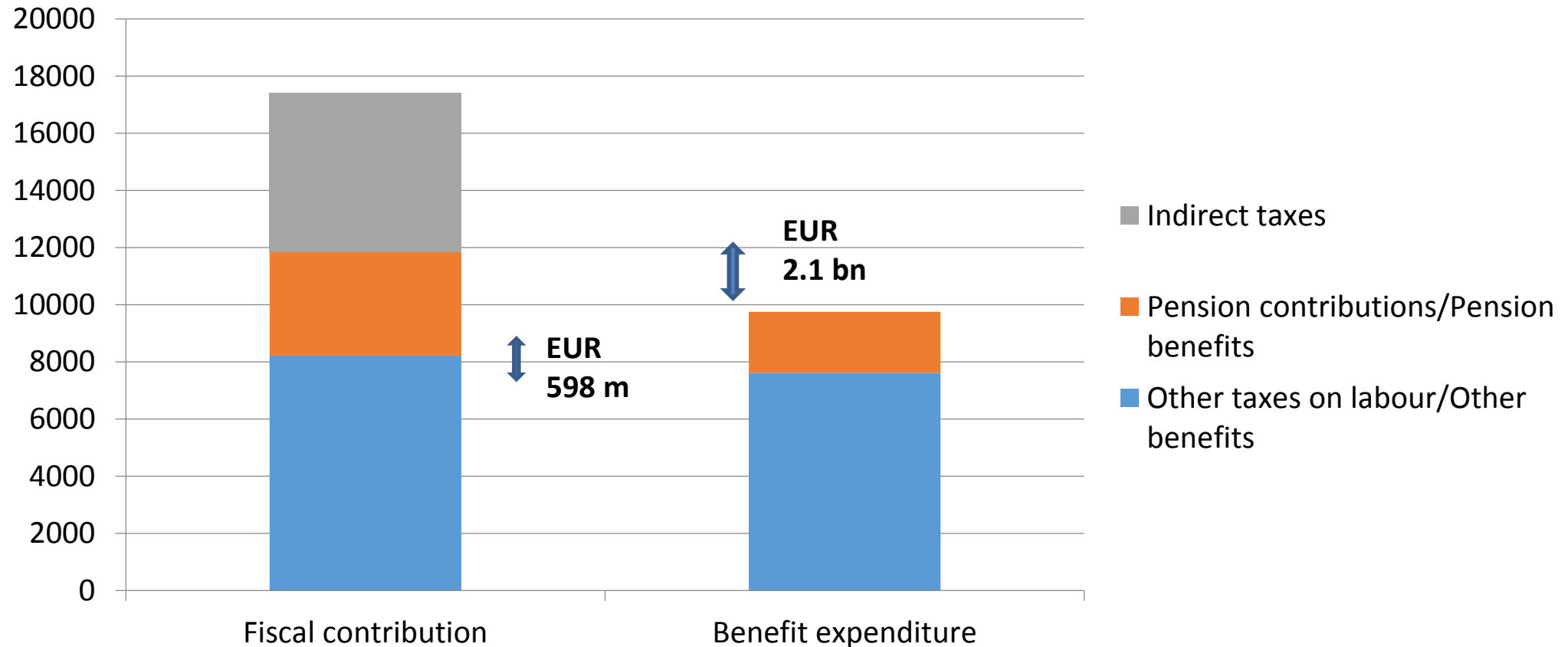
Contributions & Expenditure: Austria (2013)



Contributions & Expenditure: Netherlands (2013)



Contributions & Expenditure: United Kingdom (2013)



Conclusions

- ★ The fiscal contribution of EU migrants increased substantially in the past several years. Compared to 2009, EU migrants paid 31% more in direct taxes as their wages increased and more EU workers found employment opportunities, and paid 44% more in indirect taxes in 2013
- ★ In 2013 EU migrants in the case countries received 35% more benefits compared to 2009
- ★ In all four countries, EU migrants made a positive contribution to the government budget, as the total direct taxes they paid exceeded the total benefits they received. Even if we exclude pensions from the calculation this is true for Austria, Germany and the UK, while in the Netherlands it is slightly negative. If indirect taxes are accounted for, all cases show a positive net impact

Conclusions (cont)

- ★ The migrants are in general younger, with fewer children, and their main objective is to find jobs. Moreover, their education level is overall equal and higher than the average for the destination country.
- ★ The demographic profile suggests that migrants tend to receive significantly less in benefits that are linked to age and health.
- ★ Migrants are active on the labour market as both employment and unemployment rates are higher than those for the country nationals.
- ★ On the labour market migrants tend to receive lower wages. Moreover, they are more likely to be at risk of poverty and therefore claim means-tested benefits. At the same time, lower income in general translates to lower fiscal contributions (through taxes on employment).
- ★ As the biggest social programs in these four countries that we studied are related to age and health (pensions, healthcare, disabilities), the relatively young and active migrant population overall receives less in benefits than they pay in taxes.