

People on the move: impact and integration of migrants in the European Union

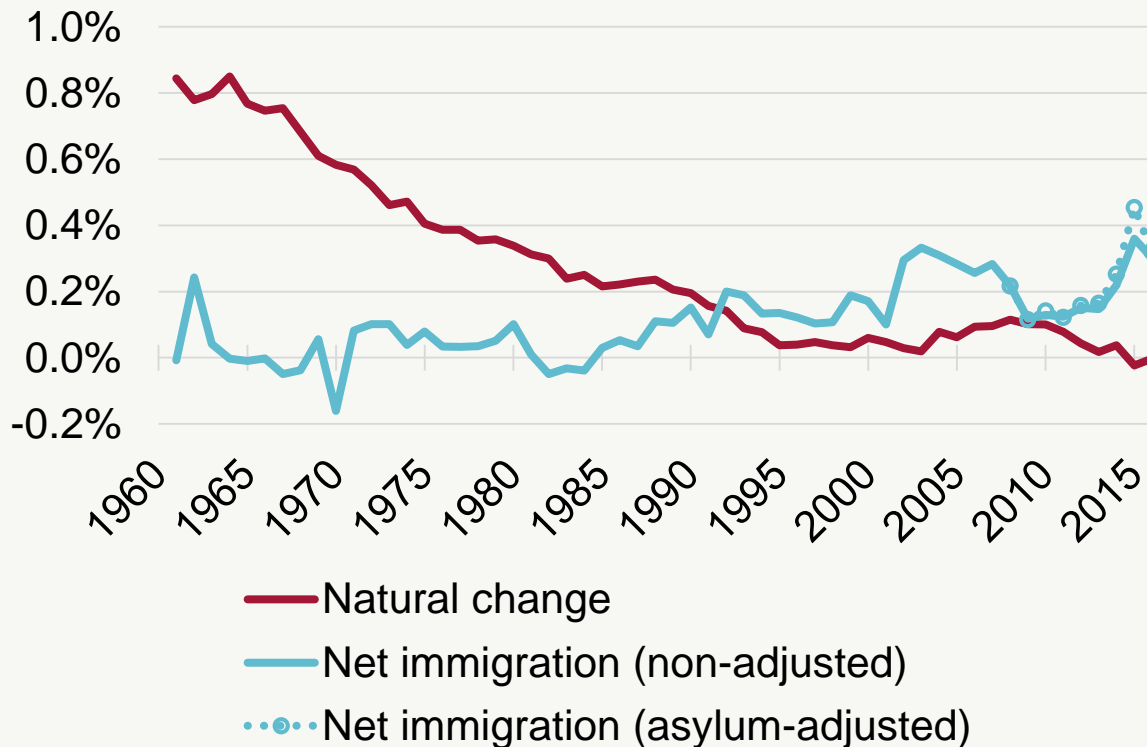
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**Bruegel workshop:
Better policies for people on the move**

13th December 2017

Dramatic changes in EU demographics

Components of population change in the EU28, 1960-2016 (percent of population)



- **Immigration: more important source of population change than natural change since 1990s**
- **Scale of immigration in 2015-16: not unprecedented**

Note: Net immigration (non-adjusted) indicates the data as included in the population statistics. Net immigration (asylum-adjusted) also considers pending asylum seekers.

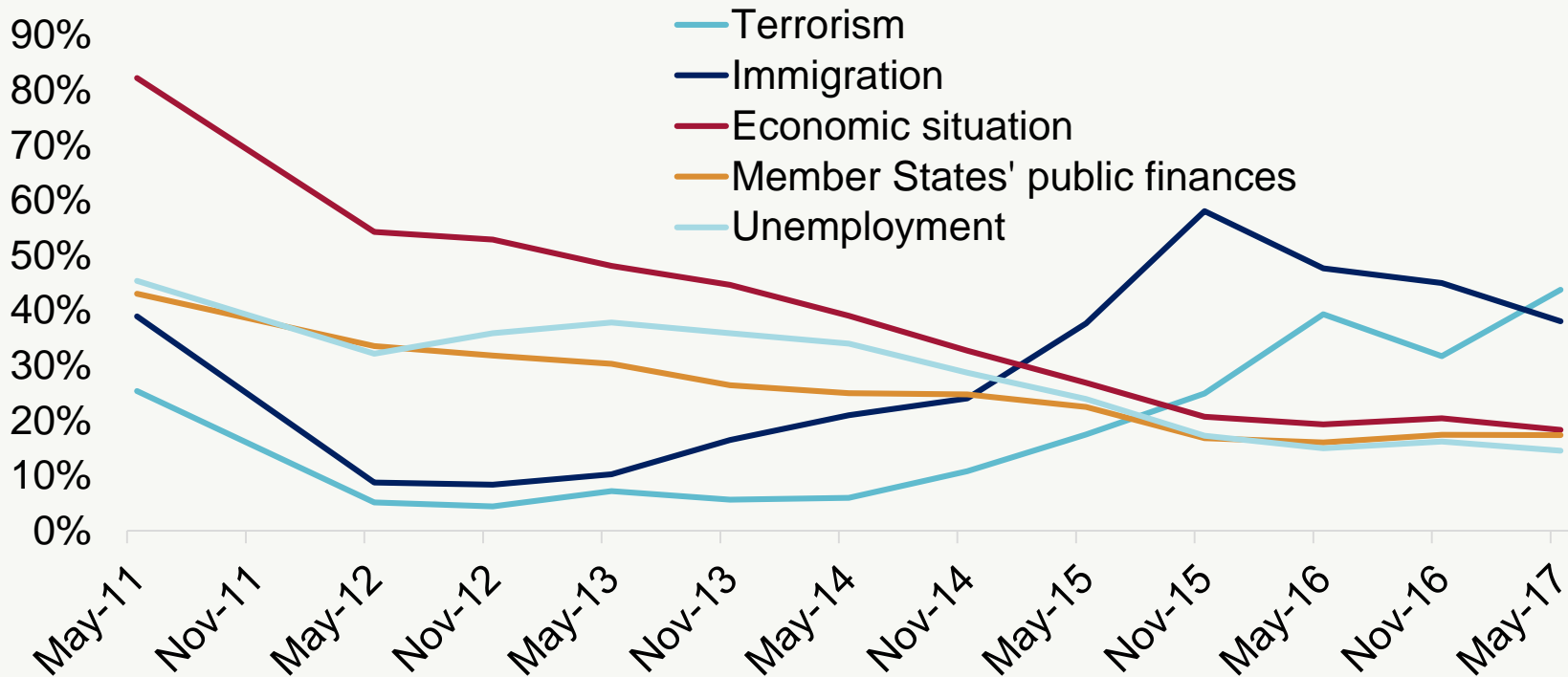
Purpose of our report

- Assess the migration challenge that Europe faces, by analysing:
 1. Public perception
 2. The scale of immigration
 3. The economic impact of immigration
 4. Integration of migrants
 - With a special focus on financial integration
 5. Policy implications

Public perception

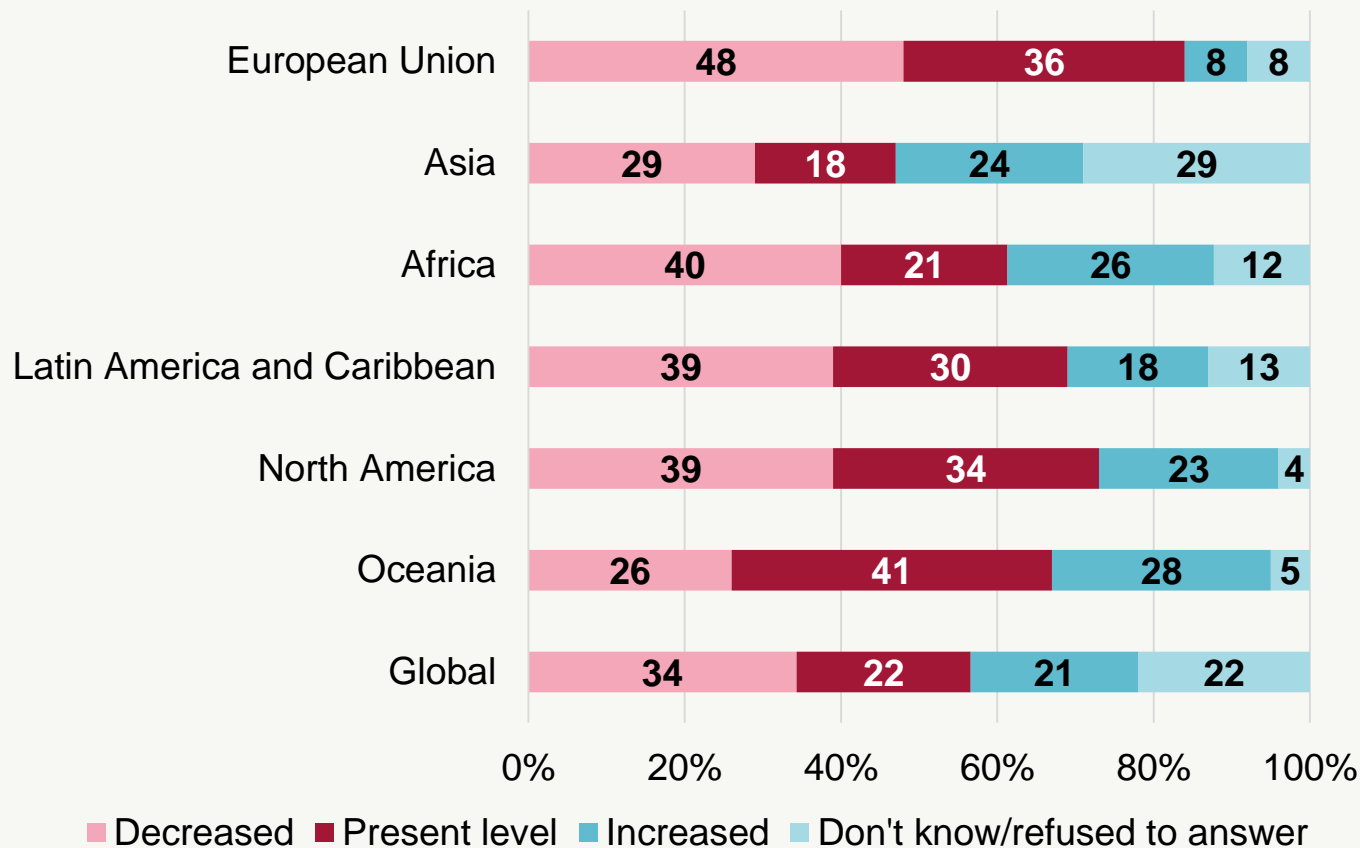
Immigration and terrorism top the list of public concerns

Most important issues facing the European Union, share of respondents



Source: Eurobarometer. Question QA5 “What do you think are the two most important issues facing the EU at the moment?” Maximum of two answers possible.

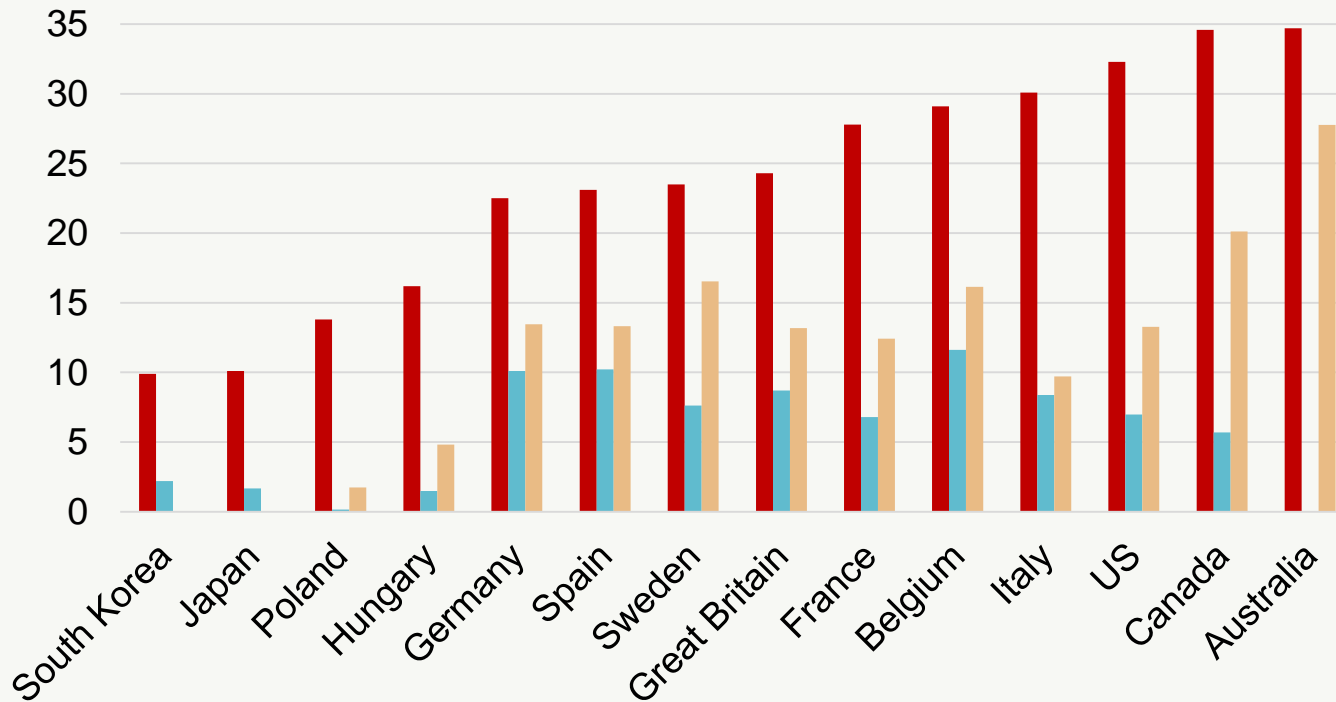
Attitudes towards immigration globally, share of respondents



- **EU: more negative views on immigration than elsewhere in the world**

Source: Gallup and IOM (2015) How the world views migration, Figure 1.2 and Table 5.1.
 Note: The question "In your view, should immigration in this country be kept at present level, increased or decreased?". Groups are weighted by population size.

Perceptions vs reality: perceived and actual stock of immigrants, 2014 (percent of population)



- **Citizens overestimate the actual number of immigrants**

■ Perceived
■ Actual: foreign population by nationality
■ Actual: foreign-born population

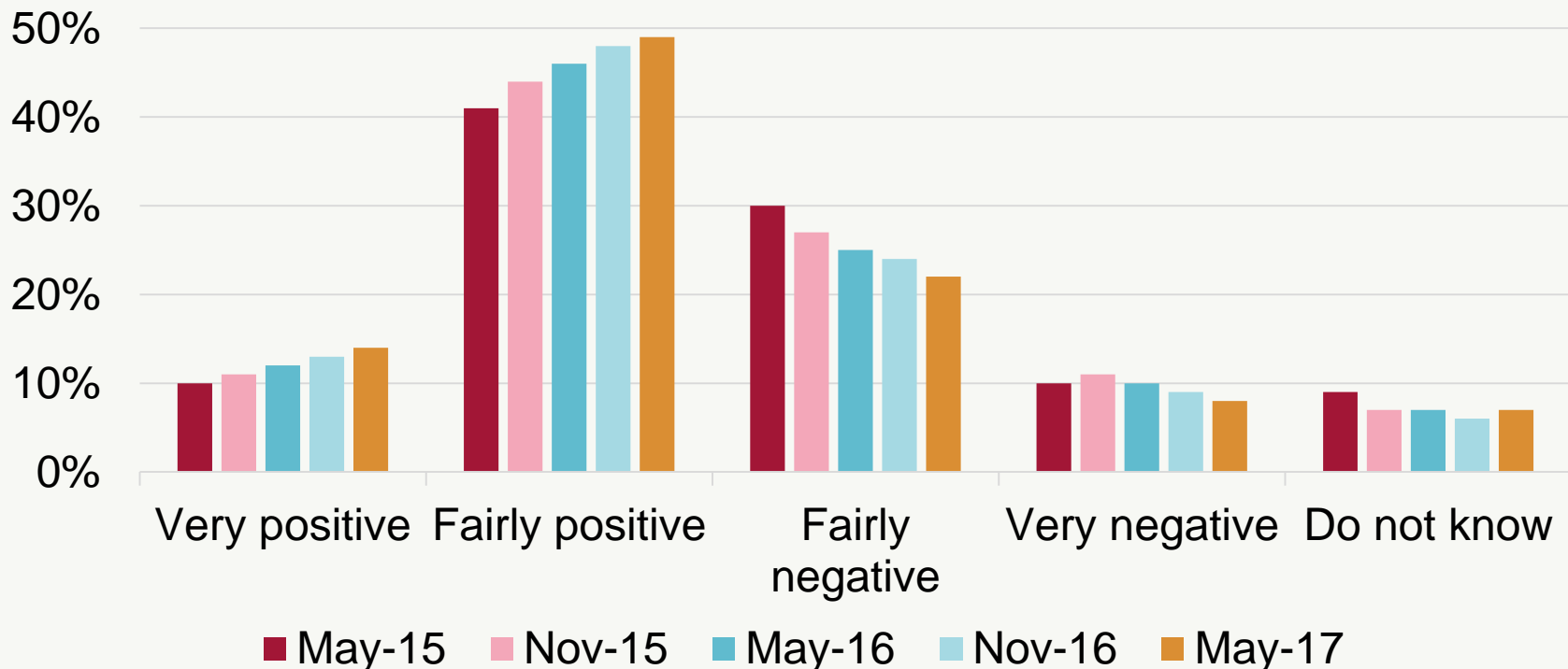
Sources: IPSOS. The question asked: “What percentage of the [Country] population do you think are immigrants to this country (i.e. not born in [Country])?”

Perceptions on handling the refugee crisis & common asylum policy & border control

- EU citizens generally disapprove of the way the refugee crisis was handled in Europe.
- Nevertheless, a large majority of Europeans is in favour of:
 - a common European asylum policy and
 - increased EU efforts to fight illegal immigration.

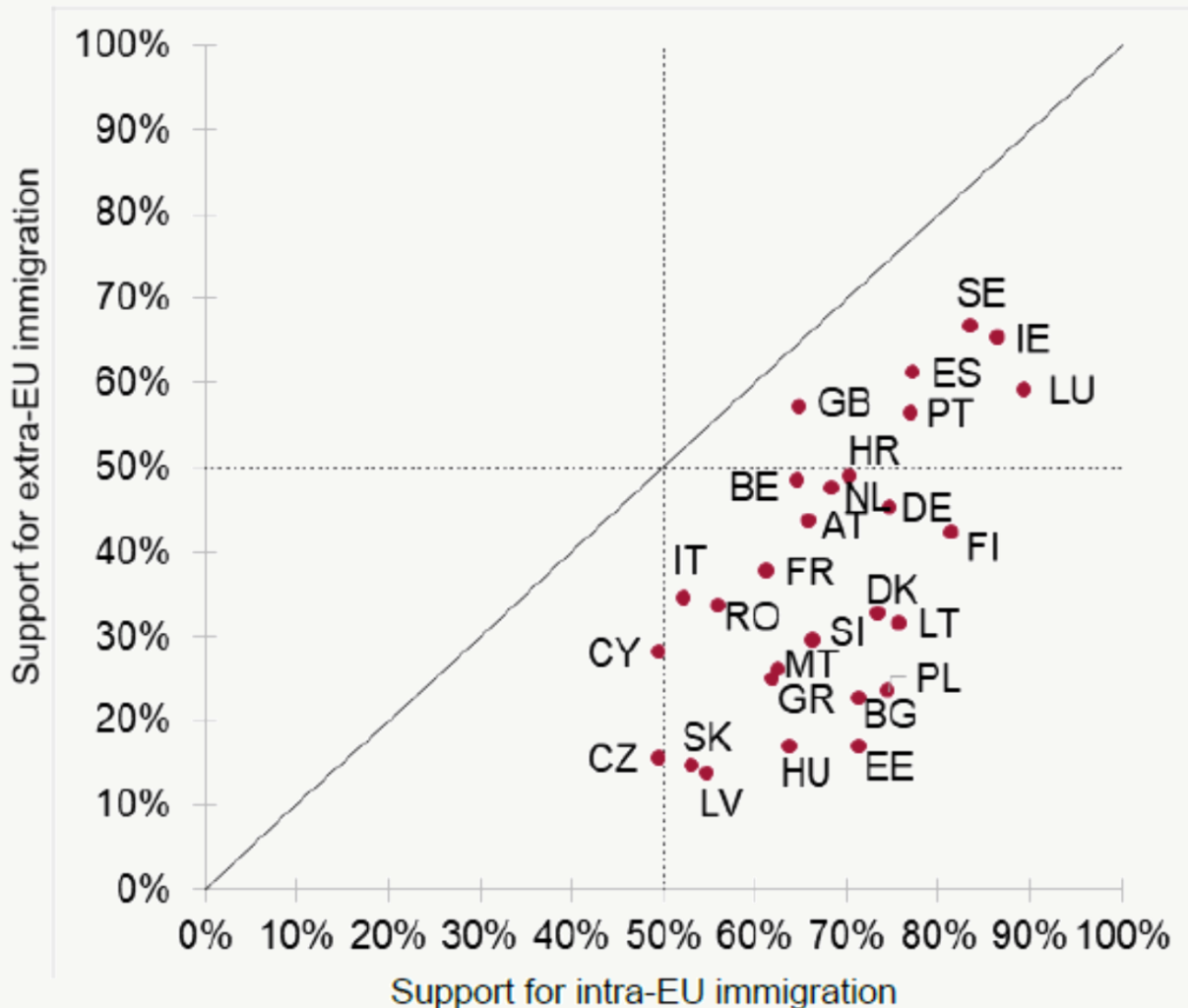
Support for intra-EU immigration is on the rise

Support for immigration from inside the EU, percent or responses, EU average



Source: Eurobarometer surveys, The question asked: "Please tell me whether each of the following statements evokes a positive or negative feeling for you – Immigration of people from other EU Member States"

Support for migration from inside the EU vs. from outside the EU, percent of respondents

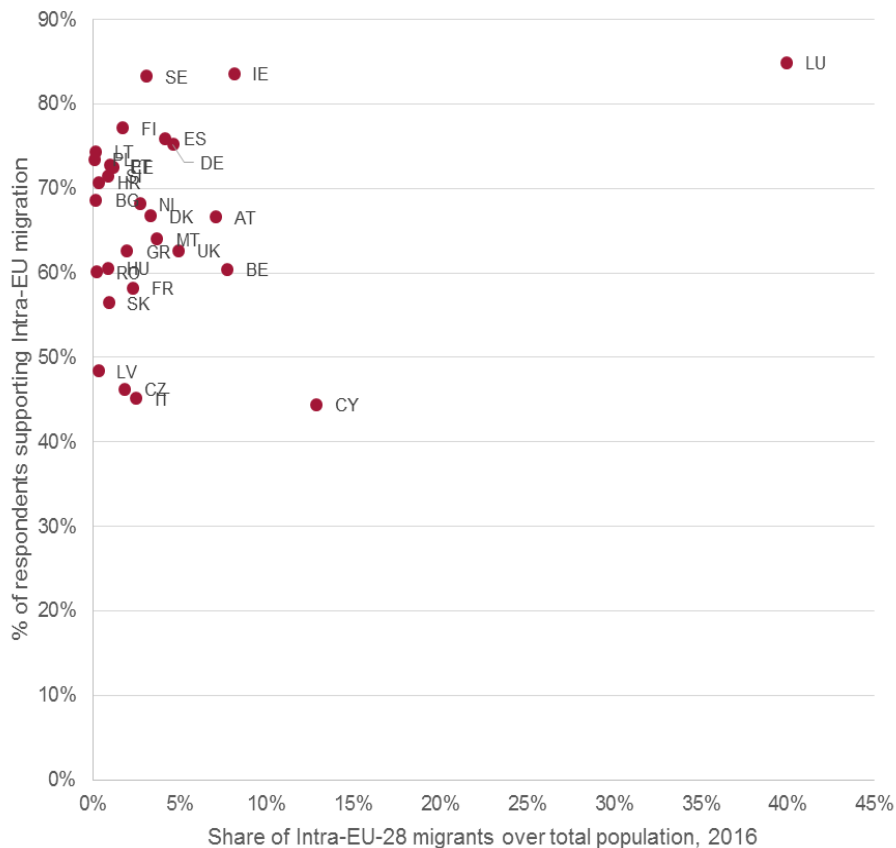


- **Lower support for extra-EU immigration**
- **Yet is also relatively high in some countries, including the United Kingdom**

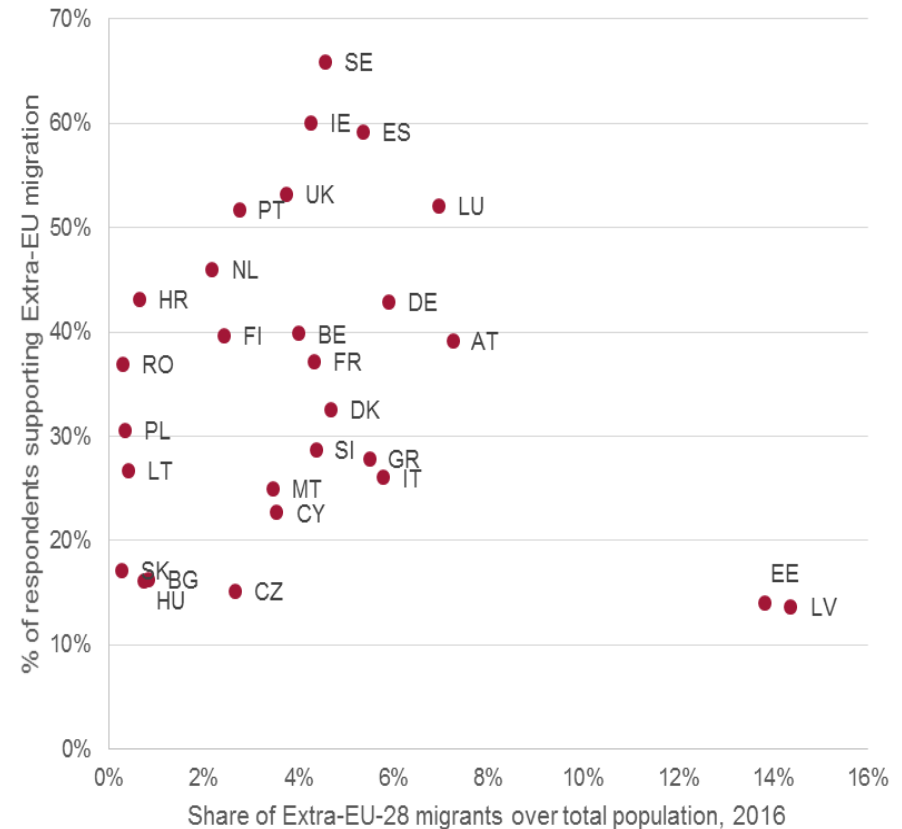
No negative relationship between the share of immigrants and the support for immigration across EU countries

Immigration support vs the share of immigrants in resident population, 2016

Intra-EU immigration

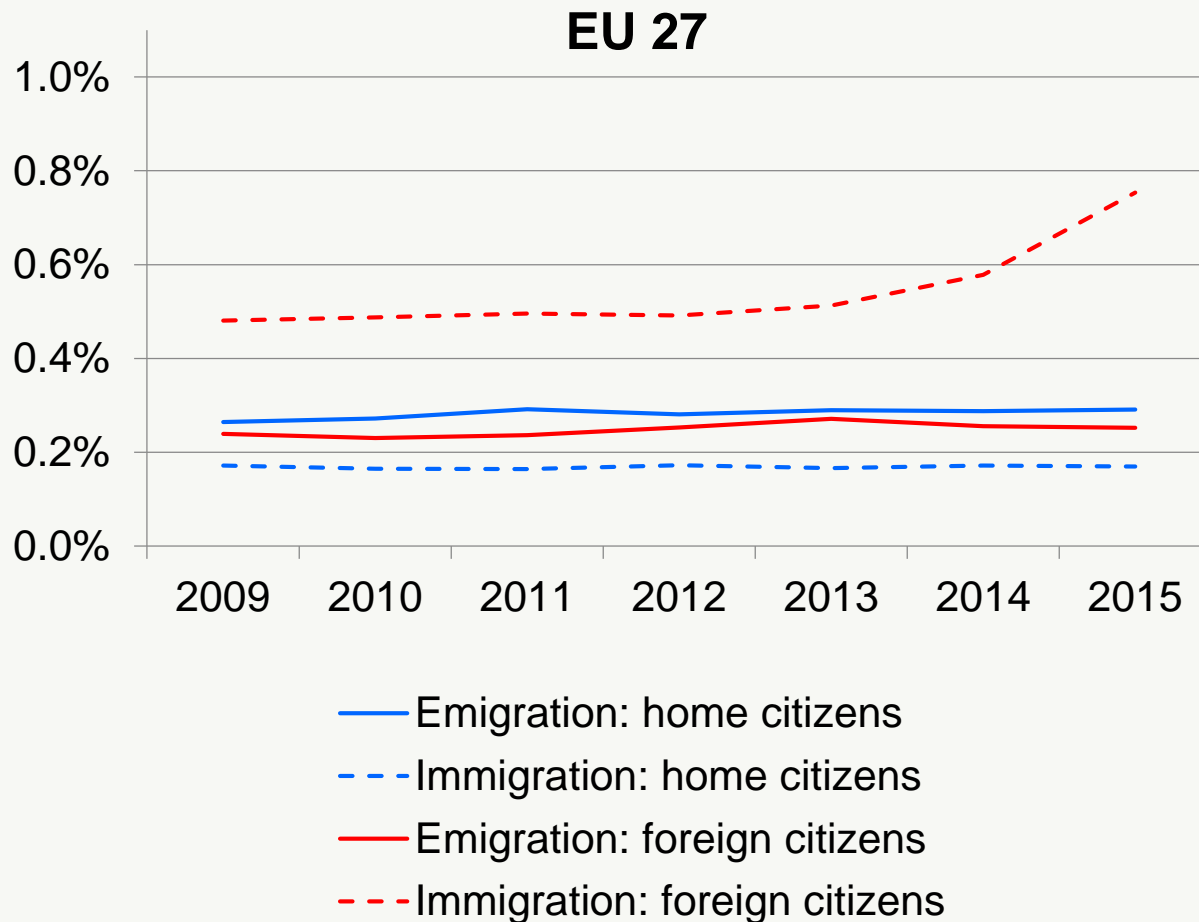


Extra-EU immigration



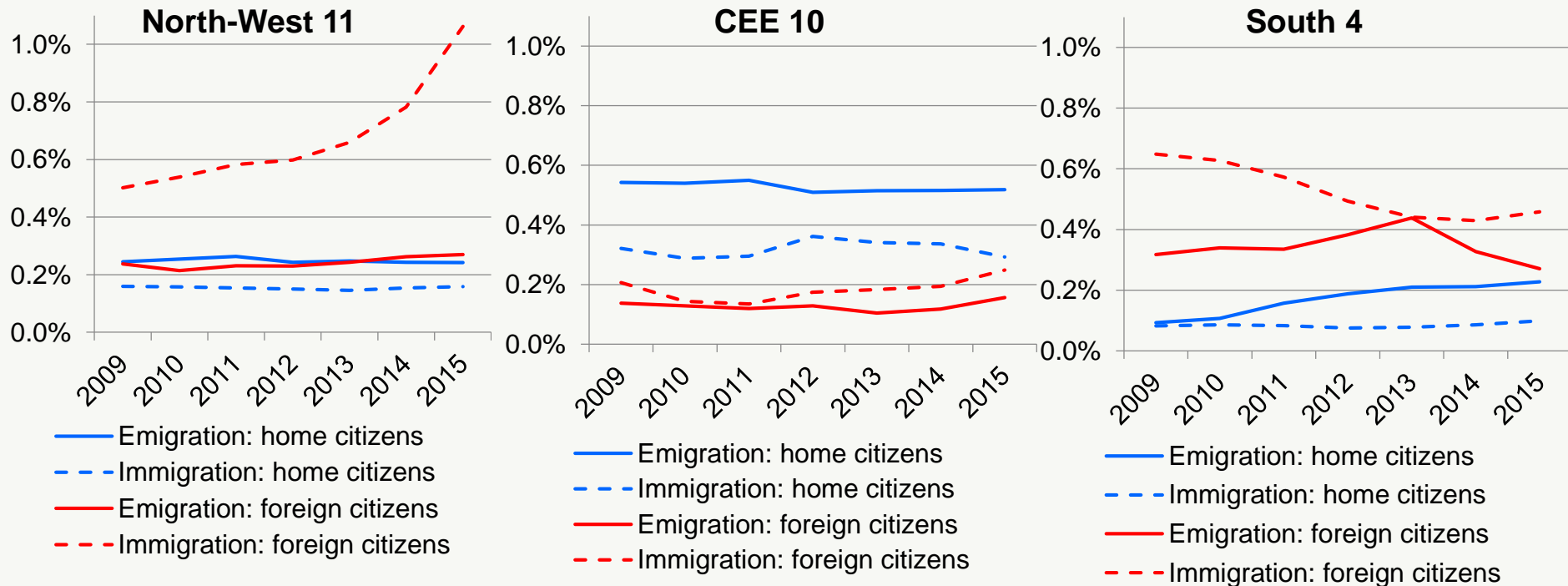
Mapping migration in the European Union

Annual dynamics of immigration and emigration: home and foreign citizens, 2009-2015 (percent of population per year)



- **Immigration from outside the EU increased in 2015**
- **Recall our 1st chart: current level not unprecedented**
- **Unchanged return migration and emigration**

Annual dynamics of immigration and emigration: home and foreign citizens, 2009-2015 (percent of population per year)



- **Most immigration to North-West 11**
- **Central Eastern Europe (CEE): higher emigration than elsewhere**
- **South 4: recent increase in emigration, but below EU average**

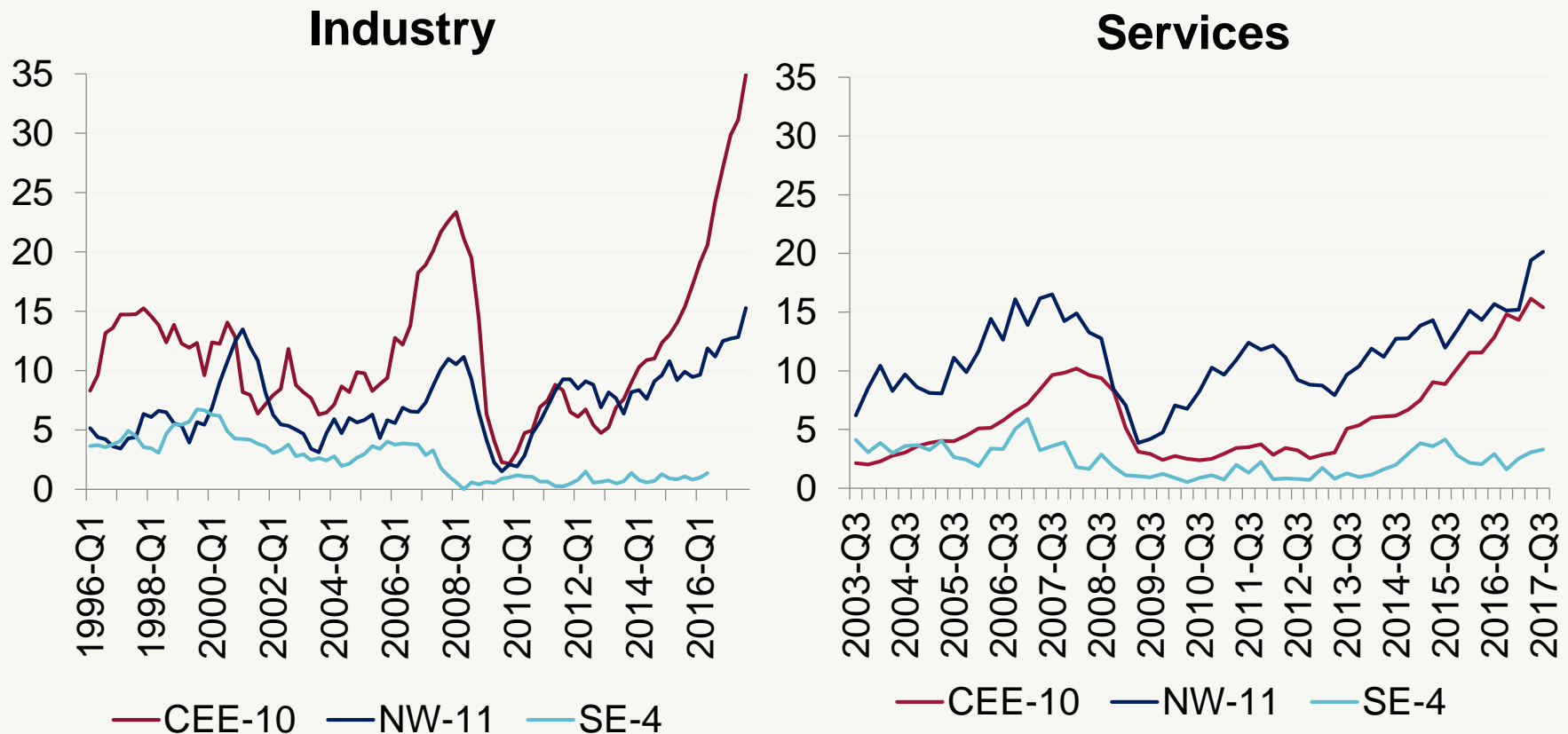
Source: Eurostat. **North-West 11:** Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Luxembourg, Netherlands, Sweden, United Kingdom. **CEE 10:** Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia. **South 4:** Greece, Italy, Portugal and Spain. 14

Intra-EU mobility

- Intra-EU mobility has not reached high levels
- E.g. population of 11 north-west EU countries include:
 - 1.88% residents from Central and Eastern Europe
 - 0.15% posted workers from Central and Eastern Europe
 - 1.18% residents from southern Europe
 - 0.02% posted workers from southern Europe
 - 1.13% residents from other north-west countries
 - 0.04% posted workers from other north-west countries
- Altogether, other EU citizens (both residents and posted workers) account for 4.4% of total population of 11 north-west EU countries
- Non-EU citizens: additional 4.31%

Key concern in brain drain and labour shortages

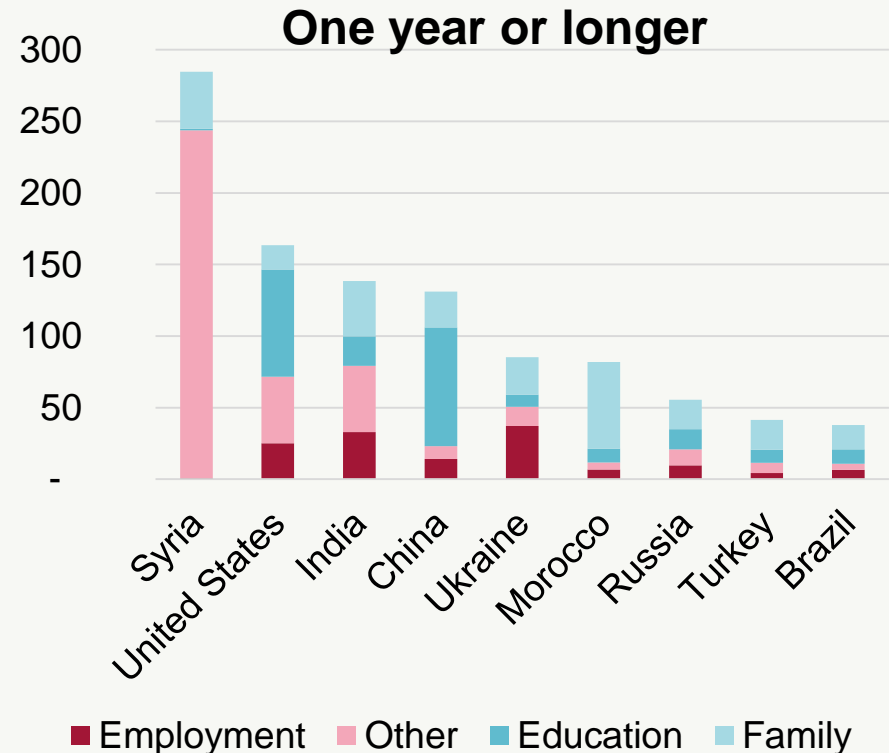
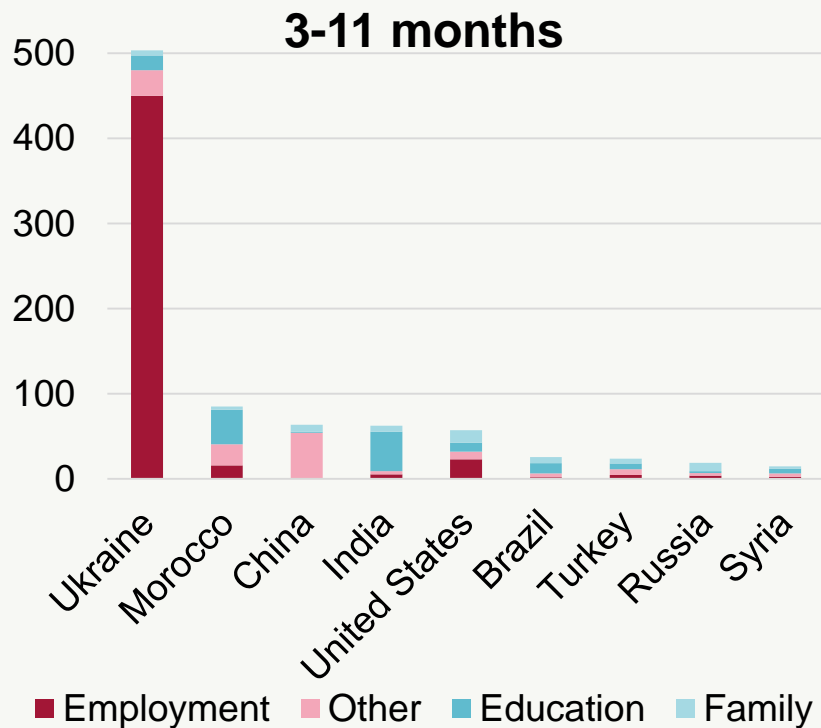
Labour shortages as a factor impeding business



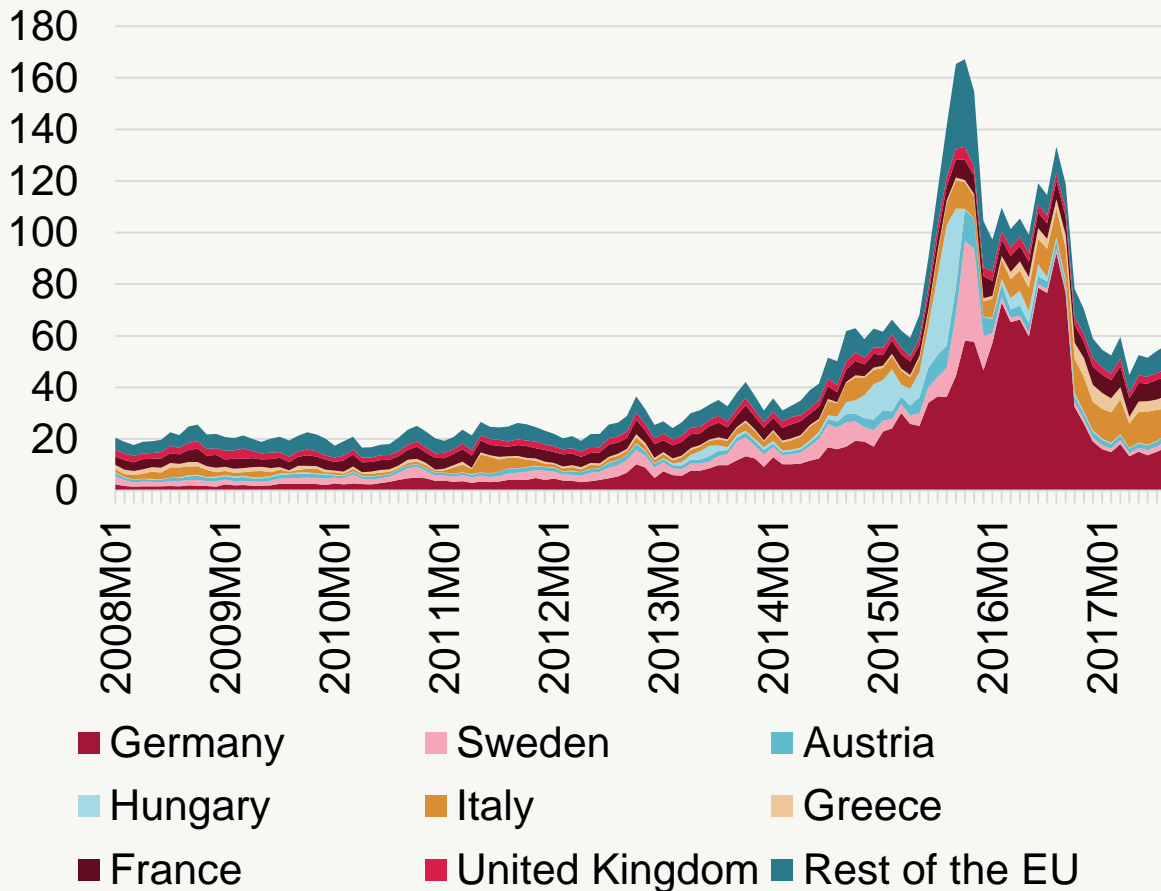
Source: European Commission, European Business and Consumer Surveys.
 Question: 'Factors limiting the business: labour force'

Changing source countries and reasons for immigration from outside the EU

EU residence permits by main sending countries and reason for issuance, 2016, thousands



First time asylum applications in the EU by place of application, Jan 2008 - Sep 2017

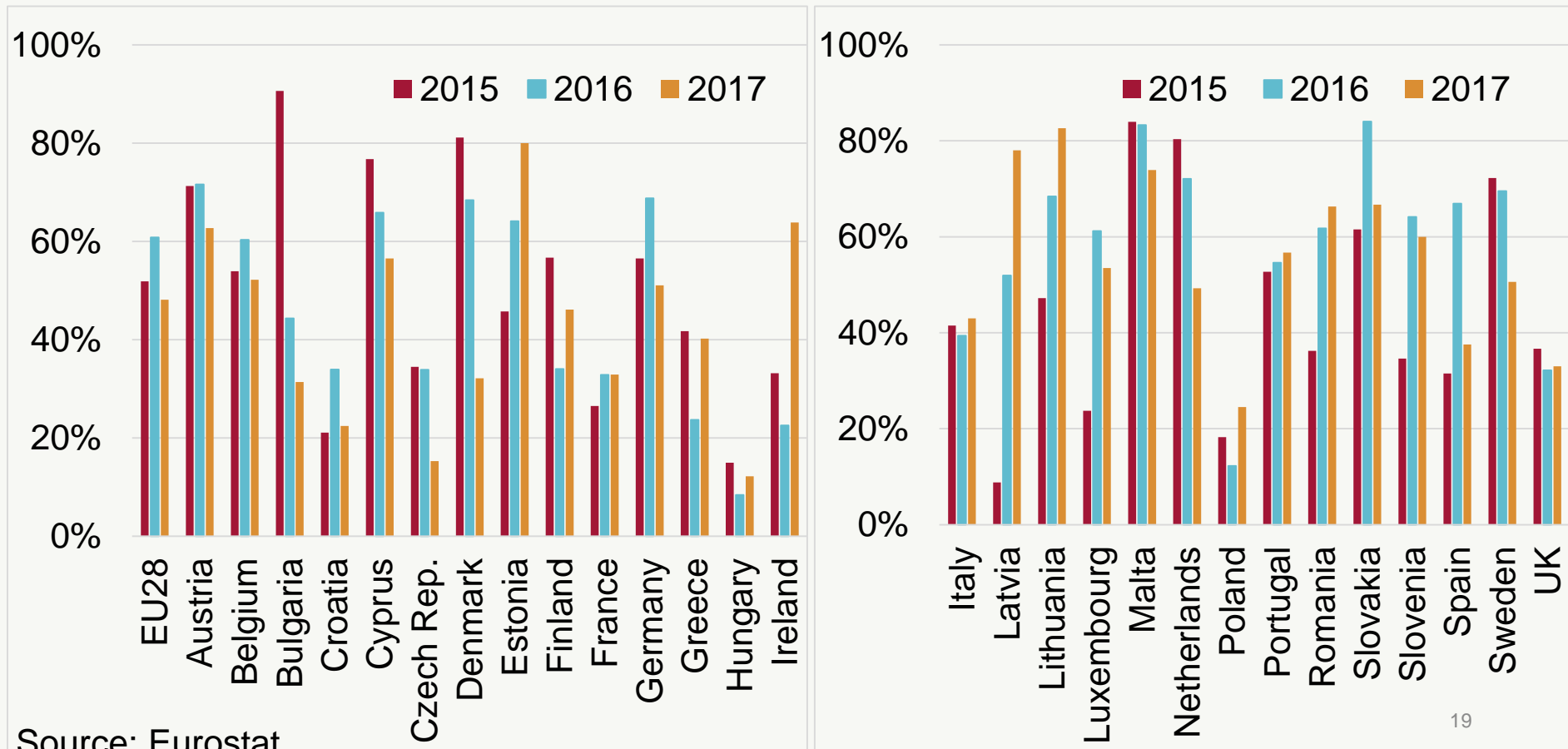


- **Average 2008-11: 265 thousands/year**
- **2015: 1.26 million**
- **2016: 1.21 million**
- **2017 (expected): 640 thousands**

Huge differences in asylum decisions

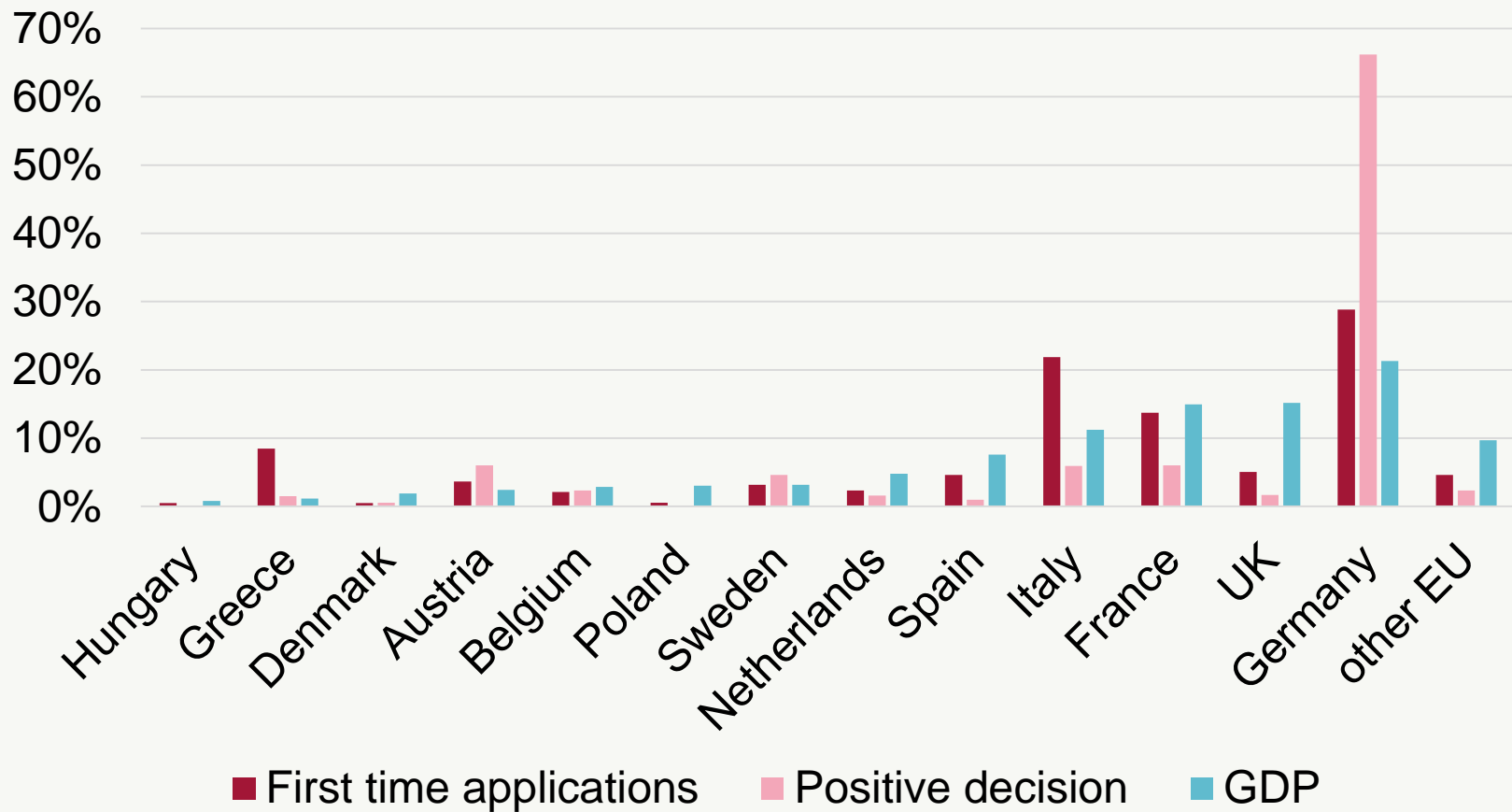
Likely reason: different implementation of EU asylum rules

Positive first instance decisions on asylum applications, % of applications, 2015-17



Uneven distribution of 1) first time applications, 2) accepted asylum, 3) GDP

2017



Economic Impact of Immigration

Labour market impact

- Immigrants take jobs from and depress wages for natives?
- There is a lack of conclusive evidence. Impact on the host country depends on migrant characteristics and the host country's economic and institutional factors.
- There are studies finding evidence of negative, neutral and positive impact of immigration on native wages
- UK – Rowthorn (2015): competition from immigrants may result in lower wages for low skilled local workers, including previous immigrants.
- Italy – Brücker, Fachin and Venturini (2011): presence of foreign workers discourages internal labour mobility
- Overall European experience: small wage and employment impact on native workers (Peri, 2014)
- Wage and employment assimilation: recognition of educational degrees, language skills, poor networks, etc.

Fiscal impact

- The fiscal impact of migrants as assessed in the literature depends on what is included in the analysis
- Are migrants net contributors or net beneficiaries?
 - Welfare dependency depends on age, employment status and duration of stay
 - OECD countries: fewer contributions to taxes and not by higher dependence on benefits (Liebig and Mo, 2013)
- Migrants make a greater fiscal contribution the younger and better integrated into the labour market they are.

Impact on output

- Immigration has a large effect on income per capita and productivity (Ortega and Peri 2014, Alesina et al. 2016)
- Portes et. al (2016) estimates a fall in UK GDP ranging from **0.63** to **1.19** percent as a result of Brexit-related reductions in immigration
- Advanced economies: Jaumotte et al. (2016) find a positive effect in per capita income levels in host economies – one p.p increase in share of migrants in the adult population can raise GDP per capita by up to **2%** in the long run.
- The economic impact on receiving countries is largely influenced by the **composition** of migrant flows. Migrants who come for work reasons or for the short-term are associated with better economic outcomes for receiving countries.

The case of refugees

- The IMF estimates the fiscal cost of asylum seekers in 2014-2016 to be around **0.19%** of total EU GDP
- OECD: National fiscal costs **0.5%** of GDP in Germany annually from 2016-2017, **0.3%** in Austria and **0.9%** in Sweden for 2016
- Impact of the labour markets: cumulative impact of asylum seekers inflow by end-2016 accounts for **0.4%** of EEA labour force
- Germany: less than **1%** of total labour force
- Role of national institutions in integrating migrants

Integration of immigrants

Sweden & UK: good labour market integration record; Belgium & Italy: bad

Labour market participation by migrant status, selected countries, 2014 - **total population**

Country	Native-born	Second generation of migrants	First generation of migrants
Sweden	83%	78%	76%
United Kingdom	79%	76%	75%
Belgium	68%	59%	65%
Italy	63%	48%	70%

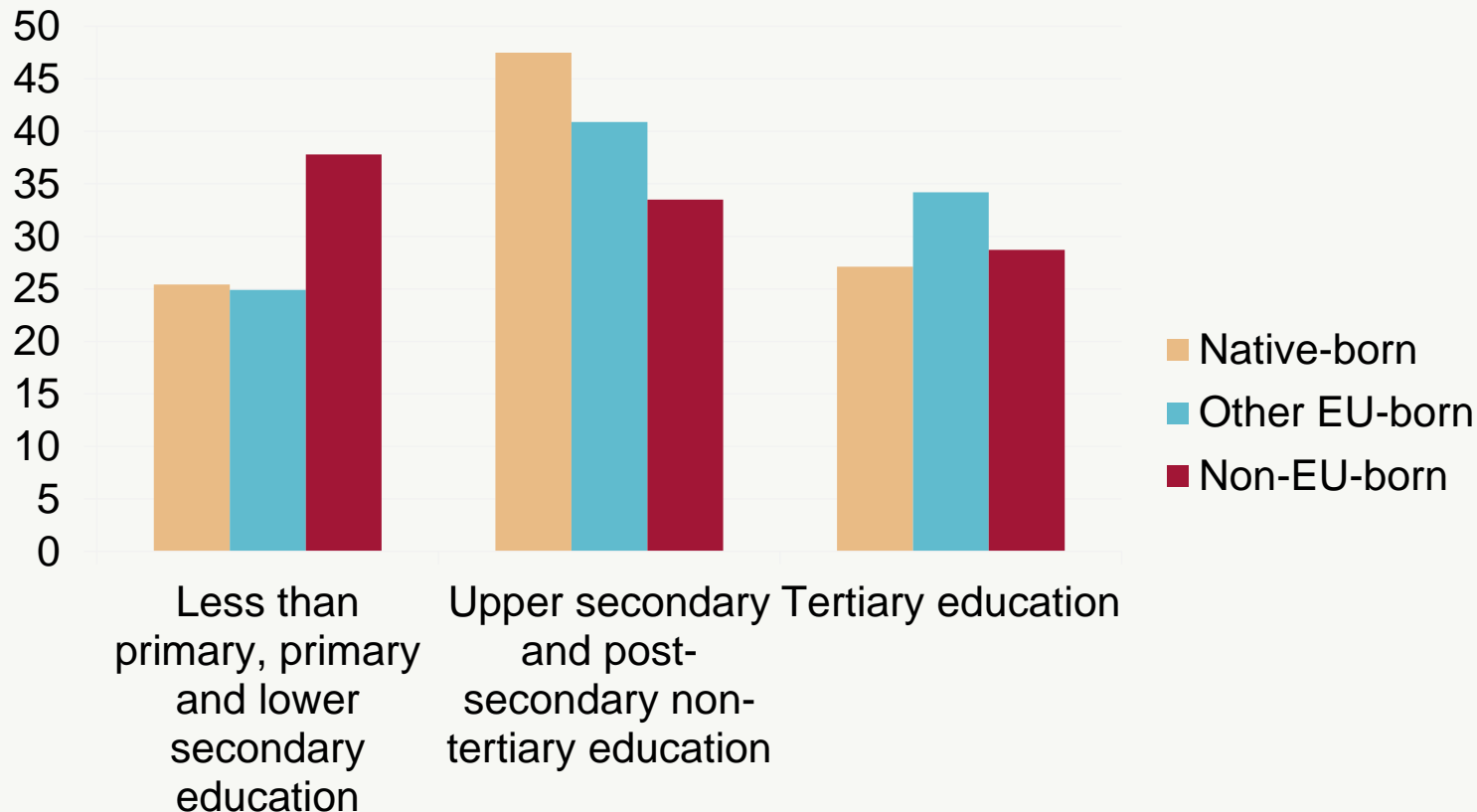
Labour market integration: Much better outcomes for tertiary educated people

Labour market participation by migrant status, selected countries, 2014 - tertiary educated population

Country	Native-born	Second generation of migrants	First generation of migrants
Sweden	93%	90%	87%
United Kingdom	88%	89%	83%
Belgium	87%	83%	79%
Italy	82%	72%	78%

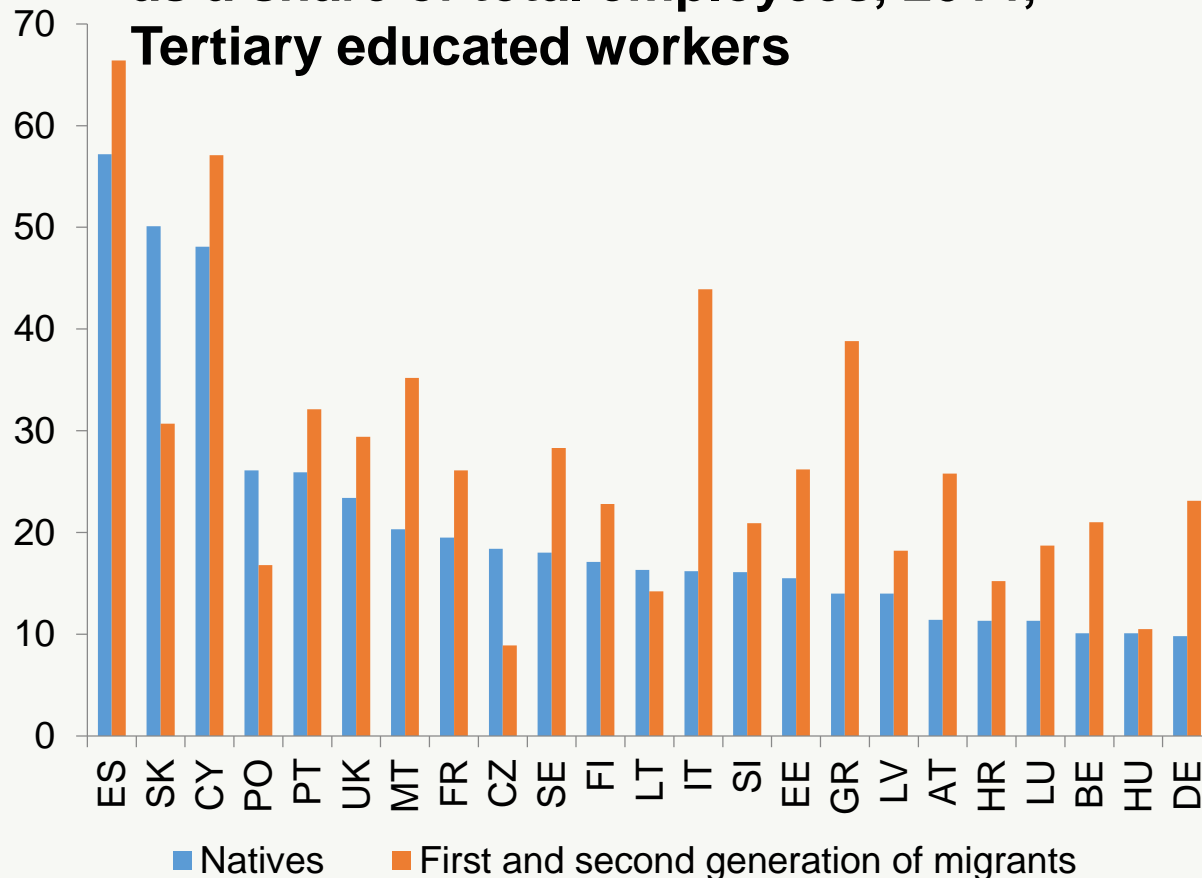
More low-qualified among non-EU born

Population (15-64) by educational attainment level and country of birth, 2016



Migrants feel to be over-qualified relative to natives

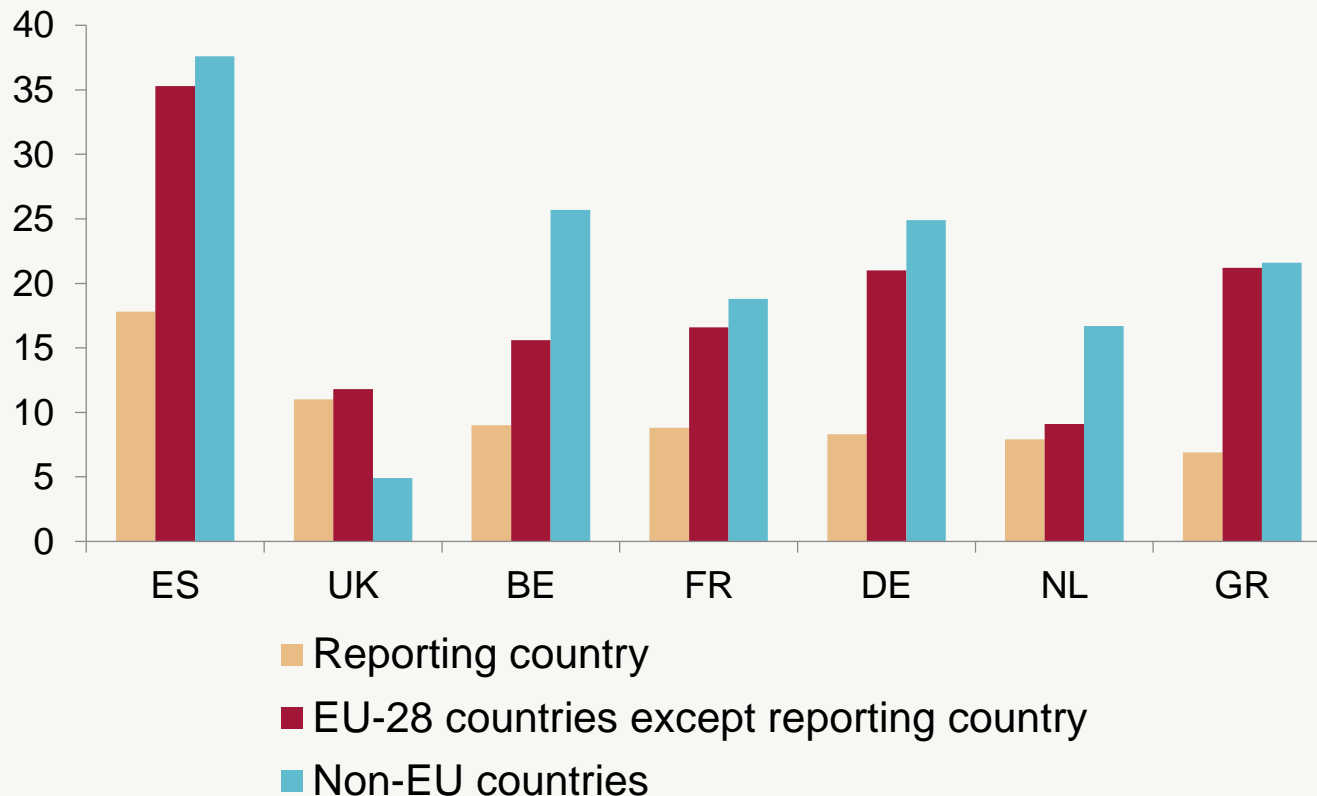
Self-declared over-qualified employees as a share of total employees, 2014, Tertiary educated workers



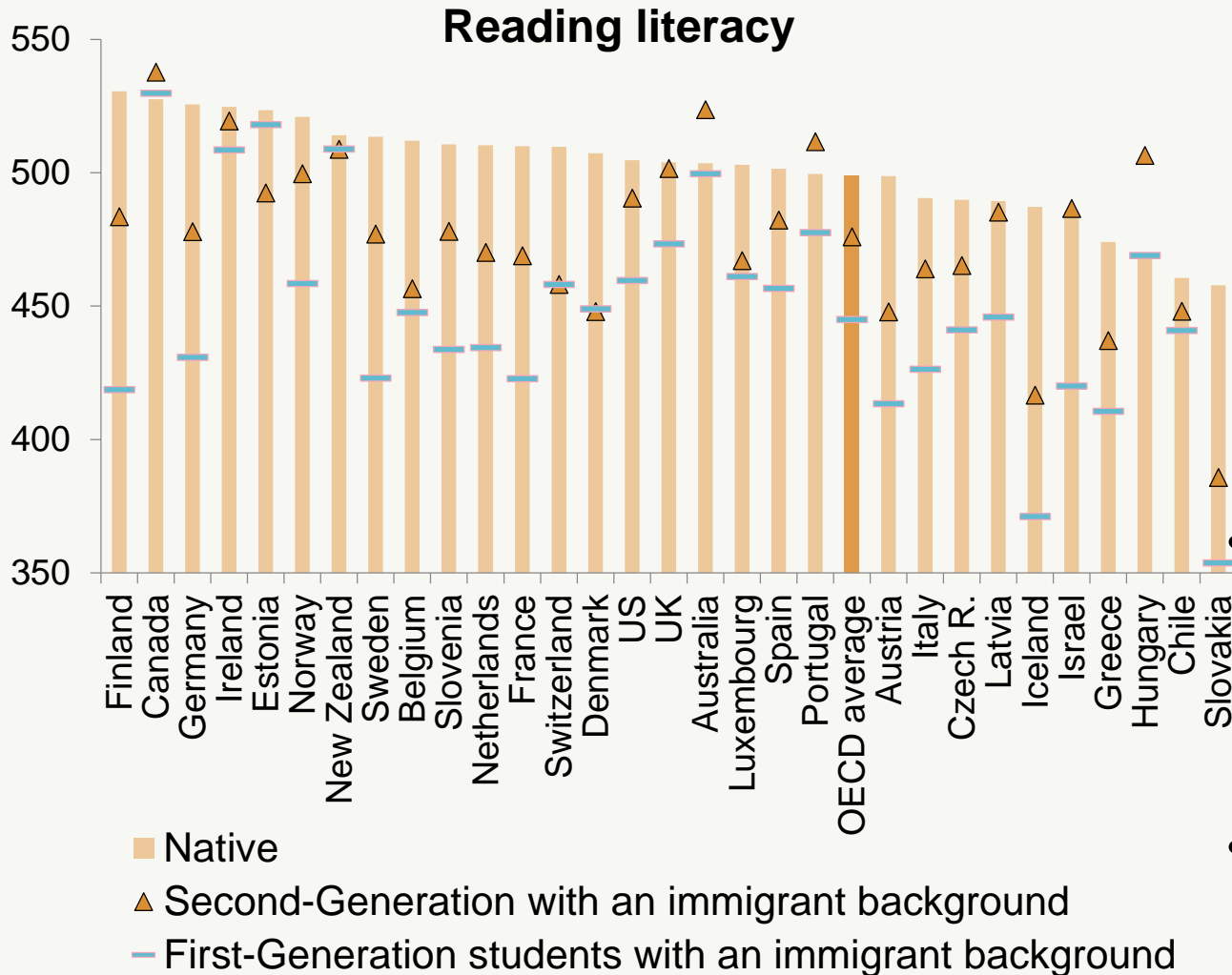
- ... especially in Italy, Greece, Austria, Germany, Belgium, Malta

School drop out rates are much higher for migrants than for natives, with the exception of the UK

Share of early leavers from education or training aged 18-24



Student performance by family origin, 2015



- **Even 2nd generation migrants tend to underperform relative to natives, with the exception of the UK, Portugal, Hungary, Canada**
- **Especially poor results: Belgium, Austria, Iceland, Slovakia**
- **Denmark and France not good either**

Financial Inclusion of Refugees

From arrival to integration, refugees have very different financial needs

- **Arrival:** survival cash for immediate food and housing needs;
- **Initial displacement:** savings, remittances and paying for immediate service needs such as school fees or furniture;
- **Stable/protracted displacement:** broader options for savings beyond a bank deposit, micro-consumer credit, small business loans, health insurance, etc.;
- **Permanent settlement:** financial services needs start to resemble those of the host population, such as access to credit, pension schemes, business loans, remittance and payment accounts, etc.

Contradictory forces at work in relation to financial regulation and financial inclusion

- The continuing tightening of financial regulation and oversight of the financial sector (which is important in the fight against money-laundering and terrorist financing) works against the economic integration of refugees.
- Know your customer regulations (KYC): customer due diligence process that financial institutions have to do before they provide financial services

Bruegel survey on banks' attitudes towards financial integration of refugees

- 14 responses from 9 countries: Austria, Cyprus, Estonia, Germany, Greece, Italy, Luxembourg, Spain and Sweden.

1. Regulatory environment

2. Refugees as clients

3. New initiatives to foster financial inclusion

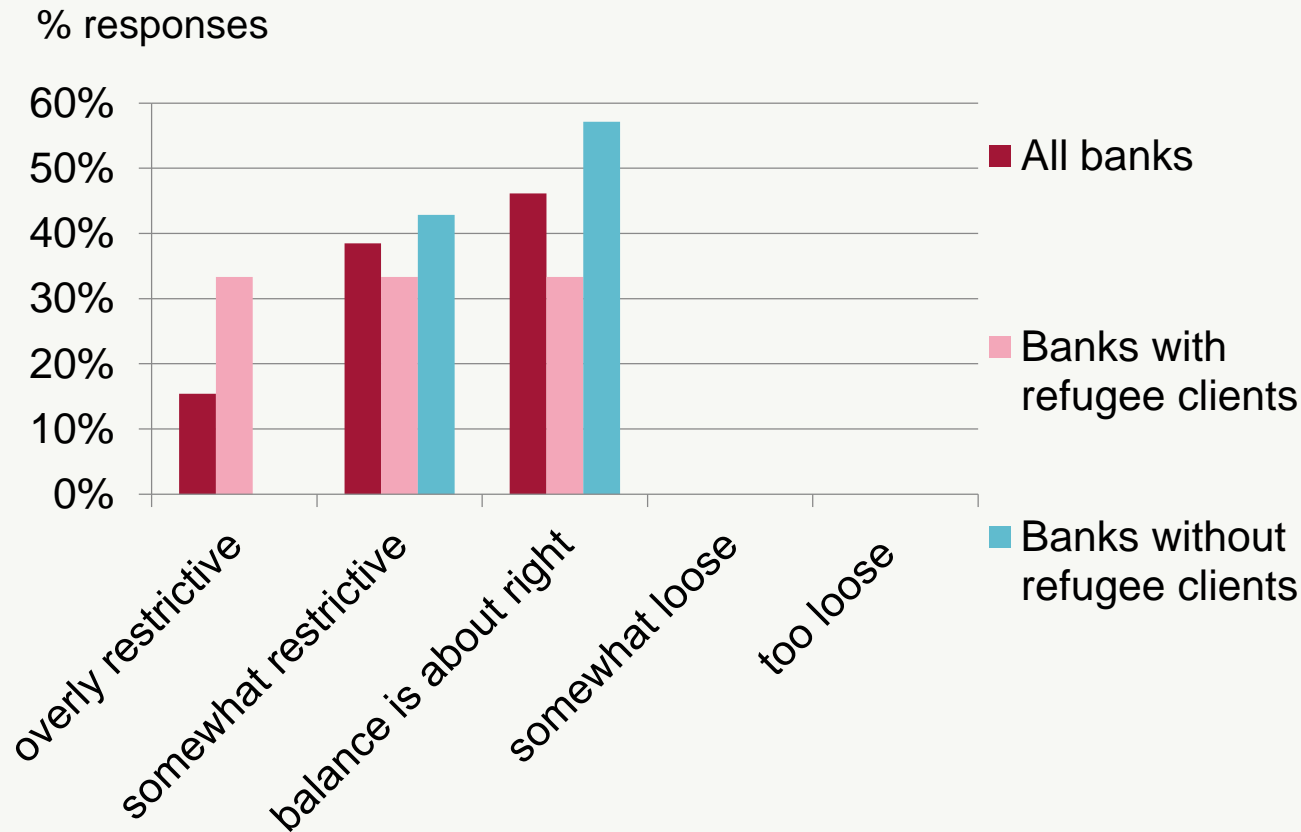
Has your national regulatory/supervisory authority issued guidelines regarding the offering of financial services to refugees in recent years?

Country	Guideline issued
Austria	Yes
Cyprus	Yes
Estonia	No
Germany	Yes
Greece	Yes/No
Italy	No
Luxembourg	Yes
Spain	No
Sweden	No

- **Only about half of the countries issued guidelines to help banks accommodate refugees**

Note: the two Greek banks surveyed by us gave opposite answers.

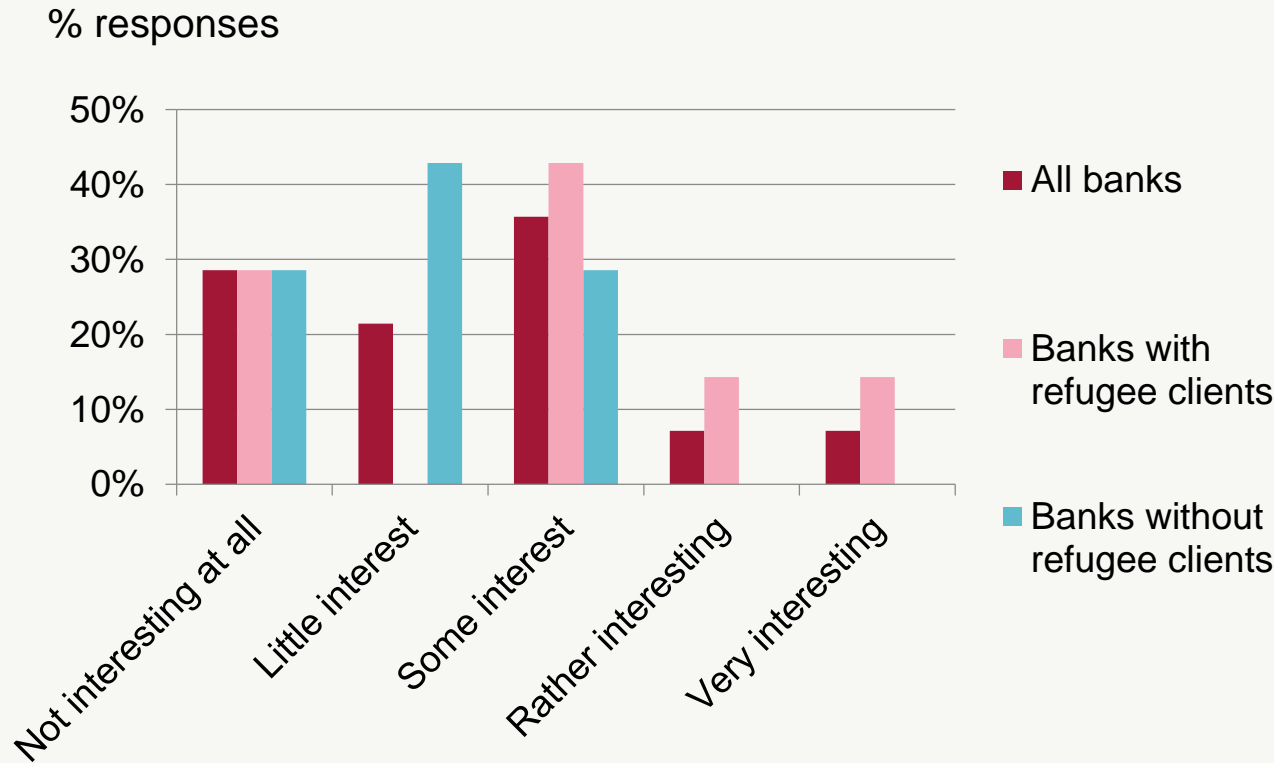
Restrictiveness of the ‘know your customer’ (KYC) regulations (percent of responses)



- **No bank assess rules too loose**
- **Banks with refugee clients assess rule more restrictive than banks without refugee clients**

In your opinion, or that of your institution, do the ‘know your customer’ (KYC) regulations of your country strike the right balance between the need for offering financial services to refugees and the anti-money-laundering (AML) / counter-terrorist financing (CFT) goals?

Refugees as potential clients for financial institutions (percent of responses)

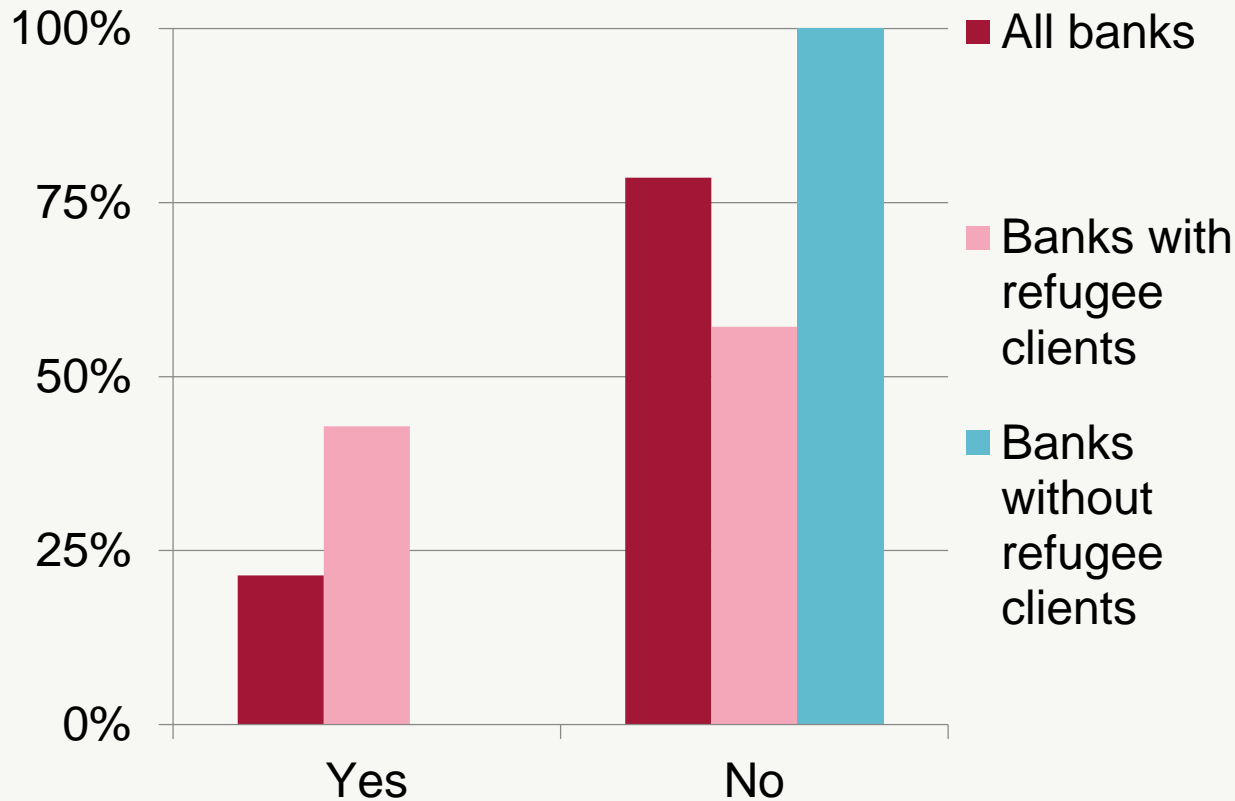


- **Moderate business interest in offering financial services to refugees**
- **Somewhat larger by banks that actually have refugee clients**

On a scale from 1 to 5, how interesting is the offering of financial services to refugees as a business prospect for your institution?

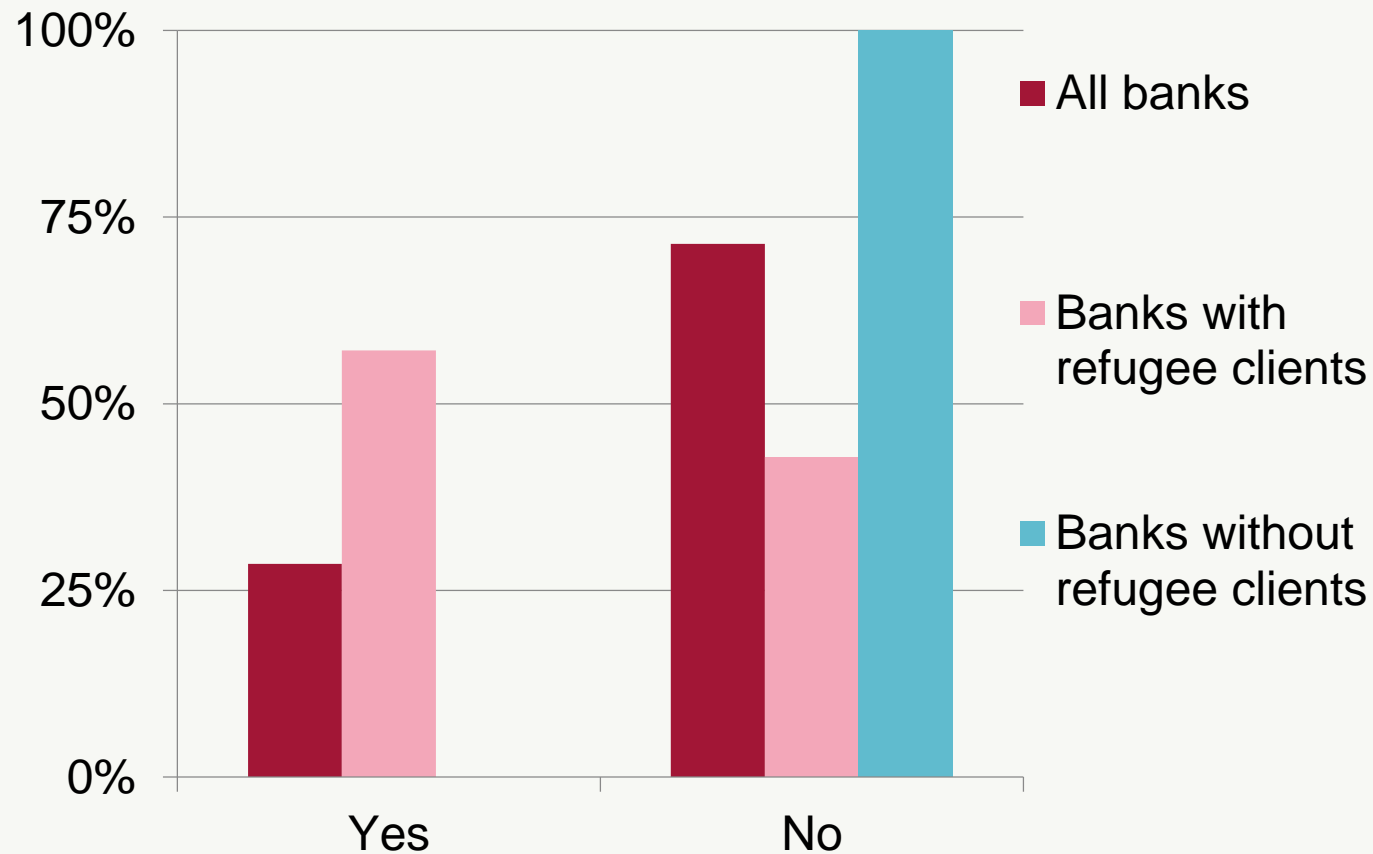
Does your institution have specific financial products for refugees?

% responses



Did your institution make active steps to approach refugee clients (for instance, visiting refugee settlement centres, printing flyers and brochures)?

% responses



New initiatives to foster financial inclusion 1

- **Private sector initiatives**
 - Offer micro-credit and other specific products that refugees need to be able to get started, to support self-employed persons, to contribute job creation and to facilitate social integration
 - Employ refugees short-term, thereby helping them to obtain their first work experience in the host country. Financial institutions could take the lead.
 - Access to communications (mobile phone and internet access)
 - Foster the private sector's commitment to prevent the risk of exploitation at work

New initiatives to foster financial inclusion 2

- **Public sector initiatives**

- Set-up of a national central registry of refugees
- Create a pan-European registry linked to national registries
- European ID issued to each refugee

- **Public-private partnerships**

- Hold consultations between banks and regulators on how to tackle the challenges faced by refugees and foster their financial inclusion.
- Common regulation on how to address refugee clients
- Provide trainings by private/public schools or professional training organisations, including language schools and financial literacy education
- Promote social inclusion via working activities, vocational training and cultural exchange by public-private partnerships, with the help of social cooperatives, social enterprises and associations

Policy recommendations

Policy recommendations, 1-3

1. **Address anti-immigrant attitudes:** public understanding of immigration is often far from reality, making it important to disseminate accurate information about various aspects of immigration.
2. **Protect the EU's borders and fight illegal immigration:** while various measures have been introduced, 85-90 percent of the EU population would like to see additional measures.
3. **Continue to build partnerships with neighbourhood countries,** which can help to contain refugee and immigration inflows into the EU, facilitate the successful and safe return of ineligible migrants and provide information about eligible migrants.

Policy recommendations, 4-6

4. **Provide additional funding for border protection, neighbourhood partnerships and immigrant integration:** a small percent of the EU budget is spent on these areas, which we find insufficient given that immigration is a priority concern of citizens.
5. **Ensure the consistent implementation of the EU's asylum rules:** the widely different rates of acceptance of asylum seekers in different EU countries suggest different implementation of the EU's asylum rules. Clear guidelines are needed for the evaluation of asylum applications and their consistent implementation.
6. **Address the very uneven distribution of refugees among EU countries:** relocation of refugees from, and financial support to, heavily impacted countries is essential. Countries that resist accepting refugees for political and ideological reasons should make large enough financial contributions instead of being forced to accept refugees.

Policy recommendations, 7-9

- 7. Improve identification of refugees by issuing a European ID to each refugee and creating of a pan-European registry of refugees, linked to national central registries:** such instruments, established with European financing, would greatly facilitate the identification and integration of refugees.
- 8. Learn from the best integration practices:** only a few European countries can be regarded as successful in terms of integration of immigrants. Cooperation with the private sector and social partners should also play a role in improving integration systems.
- 9. Combat educational and spatial segregation:** early childhood education, language and professional training for recently arrived immigrants, and better access to higher education for young and second-generation migrants, are essential for their integration and to limit spatial segregation.

Policy recommendations, 10-12

- 10. Ensure the EU strategy for integration is well articulated with national governments and other institutions:** the EU's 2016 action plan on the integration of third country nationals includes several useful initiatives which should be better implemented by member states;
- 11. Review financial regulation to promote the financial inclusion of refugees:** regulation should strike a balance between the fight against money-laundering/financing of terrorism and the economic integration of refugees. At the minimum, all supervisory authorities should issue guidelines on financial inclusion of refugees.
- 12. Address labour shortages in EU member states** by fostering labour force participation, increasing the pool of labour for the private sector through reduced public-sector employment, education and specific training programmes and overhauling the tax/social security contribution system to promote higher net wages, while keeping gross wage costs and fiscal revenues unchanged.