

## Task 6.3

### Fiscal effects of migration

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#### 1. Task description

Migration increased strongly within as well as into the EU in the last 20 years. In this task, we plan an analysis on EU and national levels of the fiscal contributions of refugee and working migration since 2000. First, we will look at specific episodes, such as refugees from Balkan wars and Syria/Iraq/Afghanistan as well as EU eastern enlargement. Second, we will identify personal as well as institutional conditions that lead to favourable fiscal balances of migrants by labour market integration. This task will provide new arguments for future discussions on migration e.g. in light of EU enlargements.

#### 2. Background / Setting

The long-lasting low economic growth combined with the persistent ageing of the population has conducted most of the EU countries to question the sustainability of their welfare system. As a result, unpopular solutions such as reforms of the retirement age, reduction of social protections or increase of taxation, are discussed. In this context, immigration could be seen by some as part of the answer to save the European welfare systems. Immigrants could at the same time compensate for the decline of the population and stimulate economic activity. However, the long-term net fiscal impact of immigration is ambiguous and the scientific literature on the topic is inconclusive, with estimates of the fiscal contribution of migrants of around  $\pm 1\%$  of GDP. Up to now, little evidence exists on the real net fiscal effect of migrants and what explains the difference in fiscal contribution between the EU countries. These gaps have to be filled.

### 3. State-of-the-art

So far, the literature on the fiscal effects of migration have been based on two main approaches, a static approach and a dynamic approaches. The static approach consists of calculating the Net Fiscal Impact (i.e., the difference between the benefits received and the financial participation) distinctly for the migrants and the native population and comparing them (see Dustmann et al. 2014, Boeri 2010). The calculations are usually set over a short period of time (in general one year).

The dynamic approaches attempt to expand the Net Fiscal Impact calculation over the entire life cycle of the migrants. Three main methodologies are used: a Net Present Value (NPV) approach (see Ekberg 2011, Storesletten 2000), a Generational Accounting Analysis (GA) and a Dynamic Applied General Equilibrium Model (DAGEM).

Additionally, most of the studies have focused on the fiscal effects of migration within a country. Only a handful have looked at it from a cross-country perspective (see Christl et al. 2021).

### 4. Advancement compared to the state of the art

We see two potential contributions to our work. The first one would be a methodological improvement of the Net Fiscal Impact formula. An active migrant does not only contribute to the society through his tax payment but also by providing adding value to his employer. Hence, one element which seems to be missing in the literature is the opportunity cost of not having this additional worker, translated through the cost of having a shortage of workforce.

Building on Christl et al. (2021), the second contribution would be to expand the current literature on cross-country analysis of the fiscal effects of migration.

### 5. Research to be done

For this task, we will first use the German microcensus, SOEP and Consumer Expenditure Survey to come up with our innovative calculation of the Net Fiscal Impact of migrants for Germany.

We will then build on the European Union Statistics on Income and Living Conditions to calculate the Net Fiscal Impact of migrants over the different European Union countries.

Finally, we will compare our results for the different countries and try to understand the disparities. We will distinguish different groups/waves of immigrants.

## 6. Methodology

We will provide innovative improvements to the Net Fiscal Impact formula used in the literature.

We will then apply this formula to precise German-level data in order to obtain a detailed estimation of the Net Fiscal Impact of migrants in Germany, in function of different criteria such as their age, area of origin and education level.

We will build over existing work to develop the young literature on cross-country differences of migrants' contribution.

## 7. Data sources

- CES: Consumer Expenditure Survey
- German SOEP: Socio-Economic Panel
- German microcensus
- EU-SILC: European Union Statistics on Income and Living Conditions
- MIGR: Asylum and managed migration database

## References

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