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Migration: predictions, outcomes and fiscal impacts

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Outline

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- The scale of migration from NMS-8 so far (predictions vs. outcomes)
- Revised forecasts for 2012 and beyond
- Migration and Welfare: evidence on The Netherlands

2001 forecasts

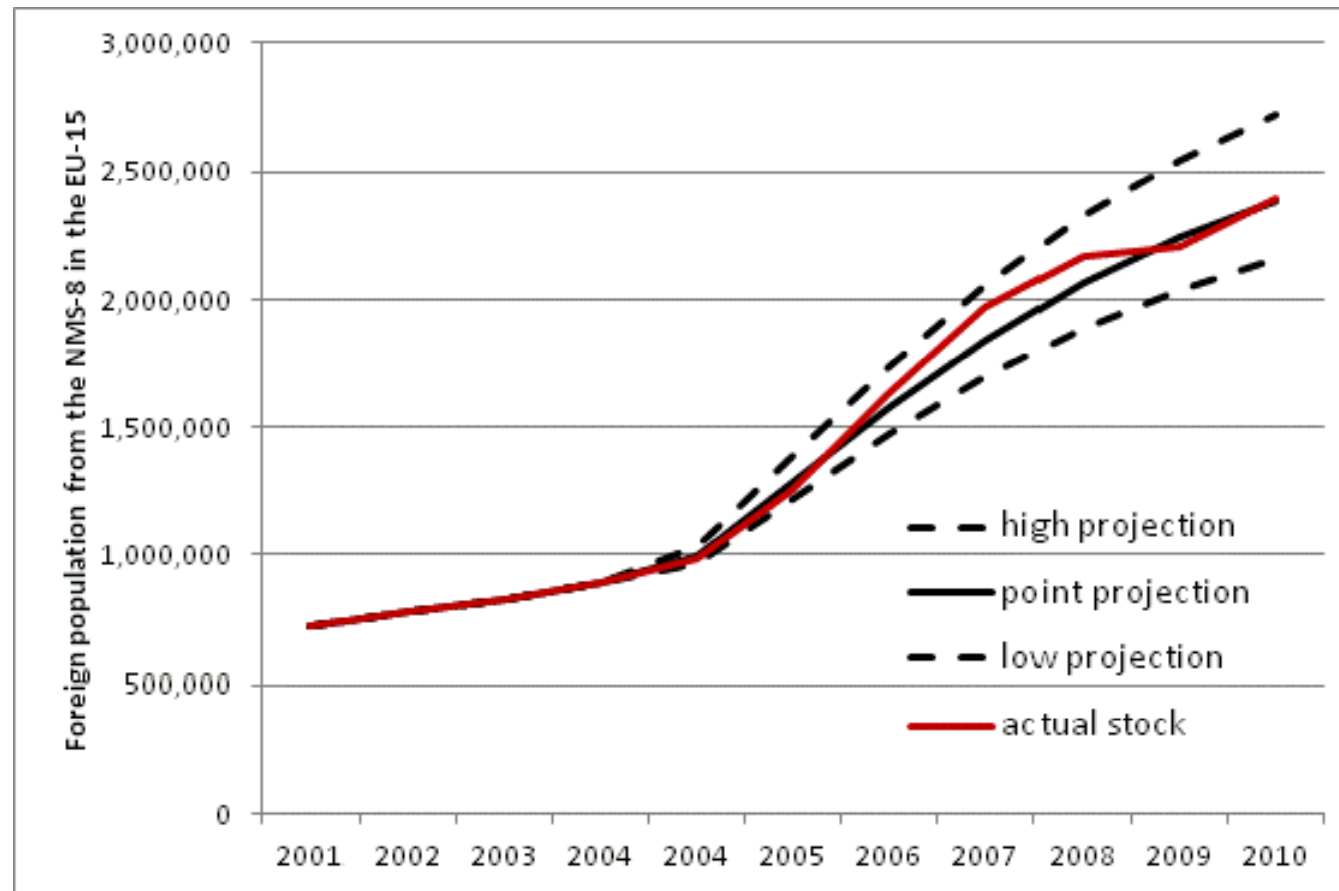
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- Boeri/Bruecker (2001) estimate an increase by around 250,000 people per year from NEMS-8 to EU15.
 - They take into account differences in income per-capita, employment rates in the destination and origin countries and long-term differences in economic structures of the countries.
- Some studies produced significantly lower estimates (Dustmann et al., 2003; Fertig/Schmidt 2001)
- Or substantially higher ones
 - between 5 and 10 per cent of sending country population for Germany alone (Sinn et al., 2001)
 - Based on linear model without consideration of fixed-effects

Were our projections accurate?

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Foreign population from NMS-8 in EU-15 and 2001 projection

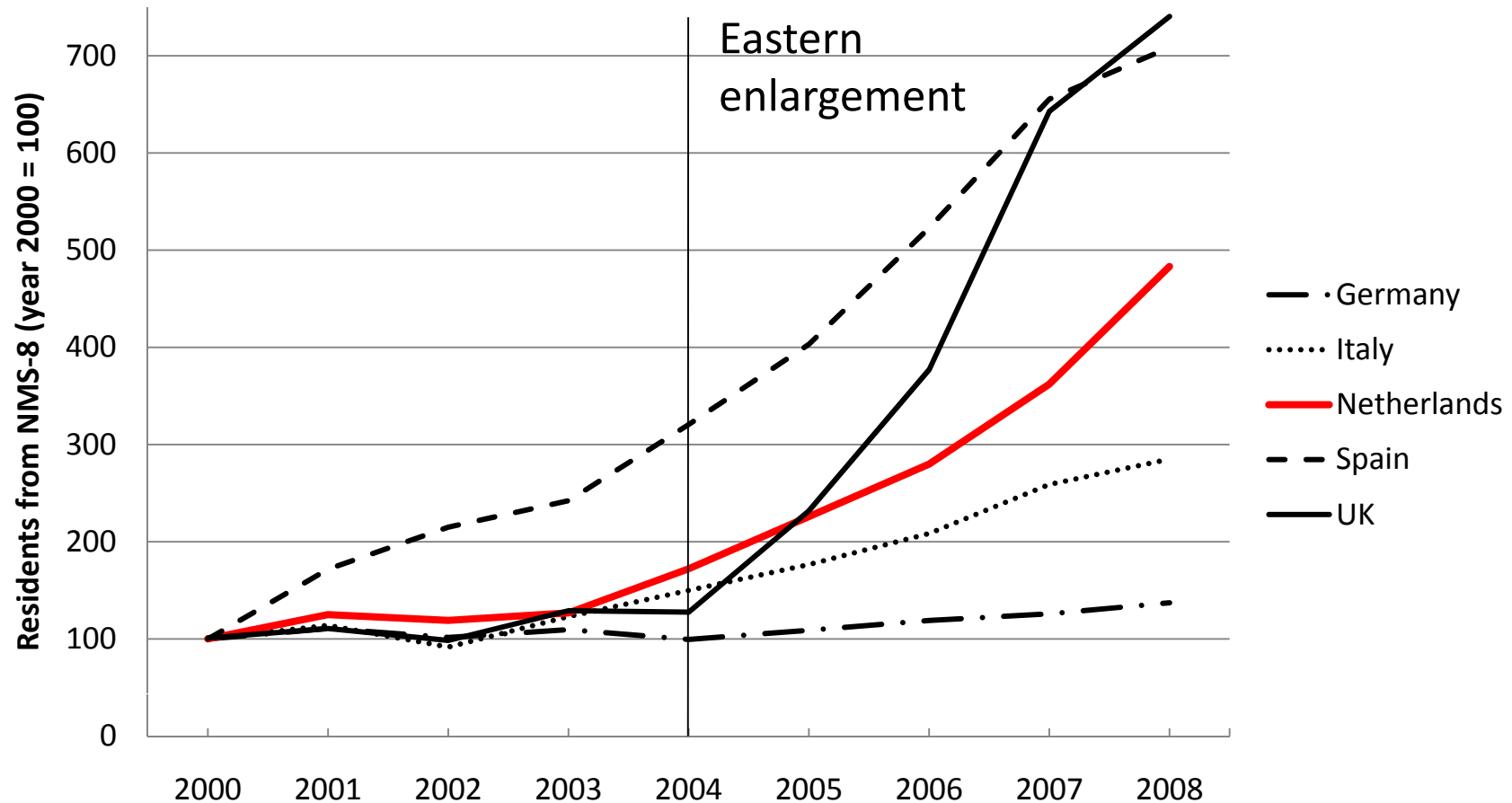


Source: Alvarez-Plata/Brücker/Silverstovs, 2003

Large cross-country differences

(Residents from NMS-8 2000-2008)

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Note: Germany and Netherlands do not include residents from Estonia, Latvia, Lithuania and Slovenia

Source: International Migration Database, OECD; Bruecker (2008) for UK

Asymmetric Restrictions

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Phase 1:

- Free movement without restrictions SWE only.
- Free access to labour market, limited access to welfare benefits: UK, IRE, DK
- Largely restricted: AUS, GER, ITA, ESP, POR
- Totally restricted: BEL, FIN, FRA, GRE, LX, NET

Phase 2:

- Free movement without restrictions: SWE + FIN, GRE, ITA, POR, ESP.
- Free access to labour market, limited access to welfare benefits: UK, IRE, DK
- Largely restricted: AUS, GER + BEL, FRA, NET, LX
- Totally restricted: none

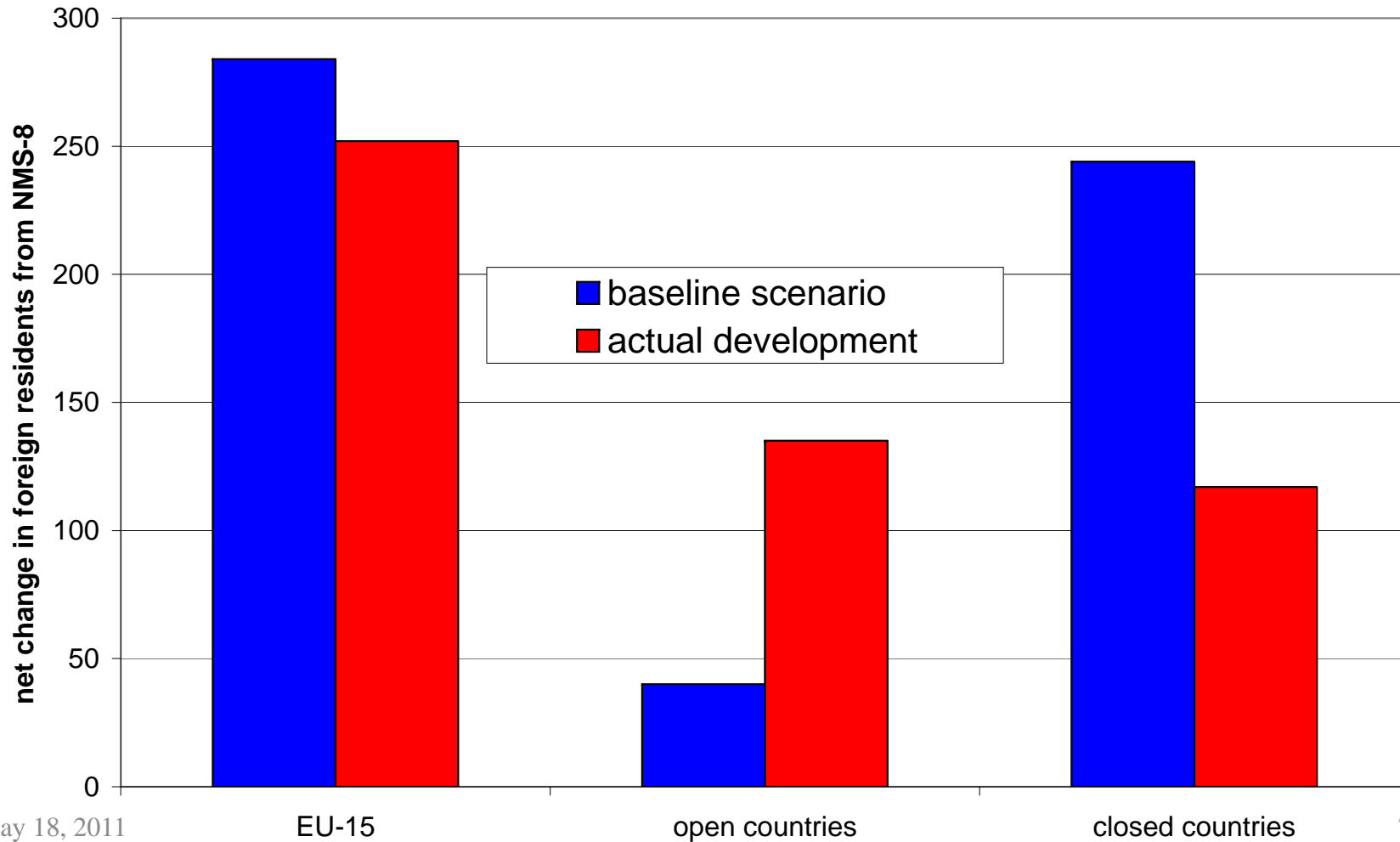
Phase 3 :

- Free movement without restrictions in all countries, except Austria and Germany

Projections and outcomes

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Net increase of NMS-residents, 2006:
baseline projection (BB 2001) and actual development 2006



Summarizing predictions vs outcomes

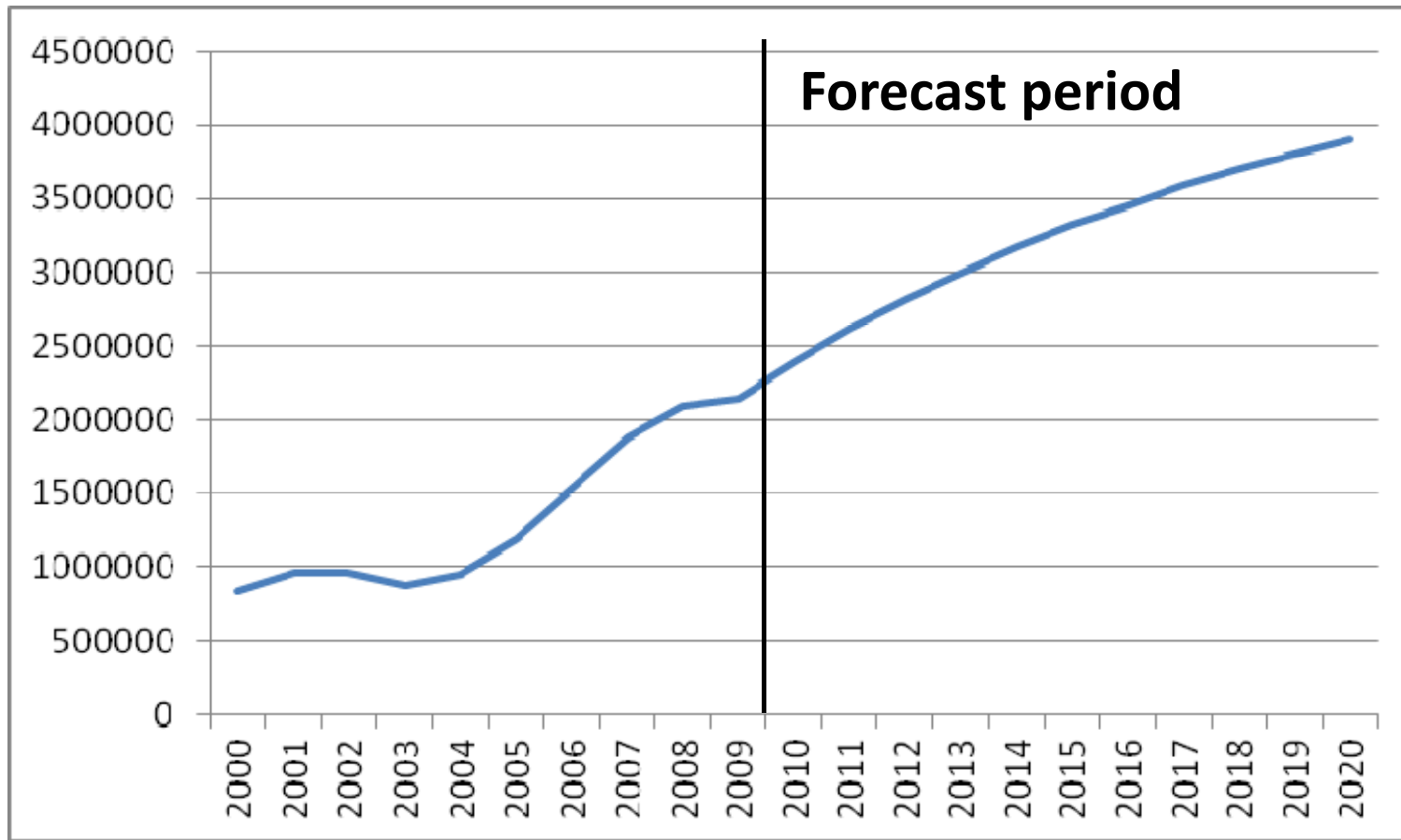
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- The *aggregate* forecasts for the EU-15 have been rather accurate
- The selective application of transitional arrangements induced diversion of flows away from Austria and Germany to the countries that adopted the most liberal approach
- New forecasts consider EU as a single country

New projections for 2020

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Projection of foreign population from NMS-8 in EU-15



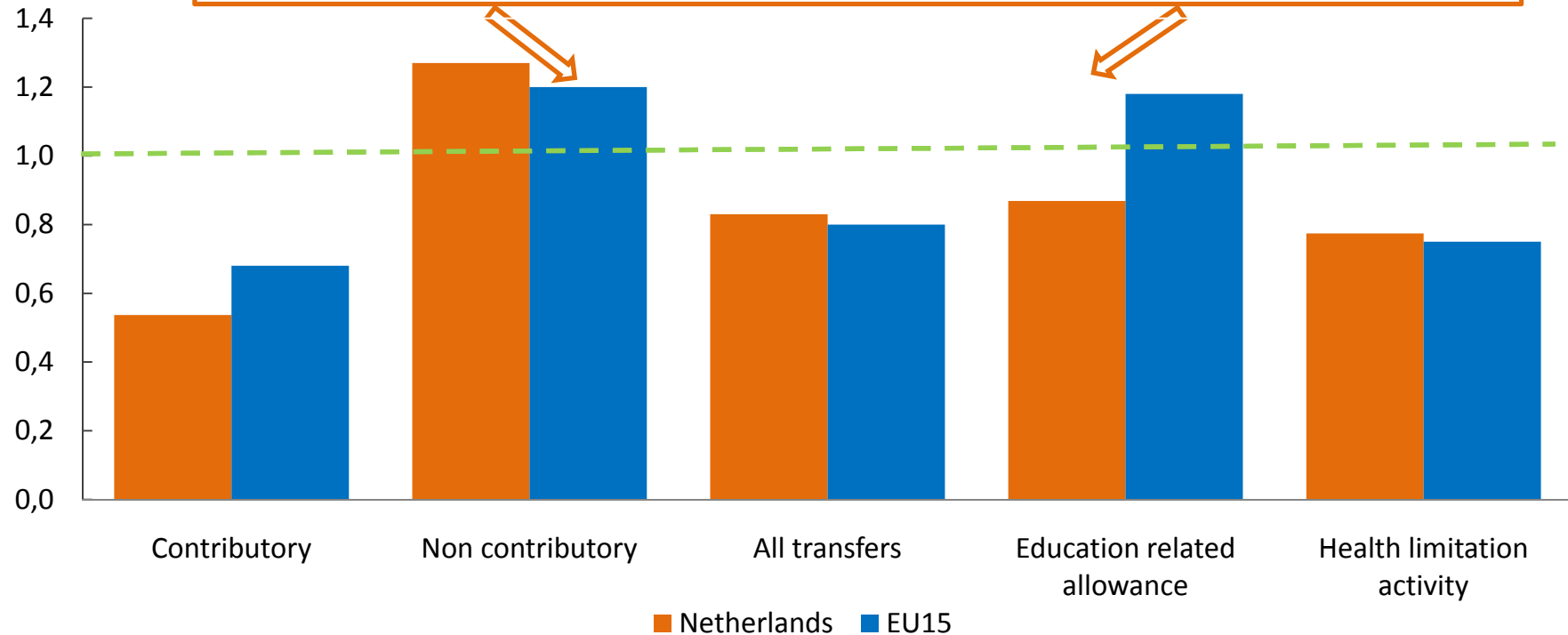
Source: Eigene Prognose (Baas/Brücker, 2010)

Migration and the Welfare State

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Migrant to natives odds ratios of the receipt of various types of transfers

Number >1 means that migrants are overrepresented



Source: EU-SILC (yearly averages, 2004-2007), pooled data.

Notes: Health limitation = % of respondents declaring to have "limitation in activities people usually do because of health problems for at least the last 6 months"

Controlling for personal characteristics

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Coefficients of migrant dummies in probit regression of benefit receipt

Contributory Extra EU 25		Non Contributory Extra EU 25	
<i>Austria</i>	-0.01	<i>Austria</i>	-0.06***
<i>Belgium</i>	-0.20***	<i>Belgium</i>	0.14***
<i>Denmark</i>	0.06***	<i>Denmark</i>	0.04
<i>Finland</i>	0.07***	<i>Finland</i>	0.16***
<i>France</i>	-0.10***	<i>France</i>	0.29***
<i>Germany⁺</i>	0.03**	<i>Germany⁺</i>	0.15***
<i>Greece</i>	-0.08***	<i>Greece</i>	-0.05***
<i>Ireland</i>	-0.19***	<i>Ireland</i>	-0.03
<i>Italy</i>	0.00	<i>Italy</i>	-0.01
<i>Luxembourg</i>	-0.10***	<i>Luxembourg</i>	0.10**
<i>Netherlands</i>	-0.13*	<i>Netherlands</i>	0.42***
<i>Portugal</i>	-0.12***	<i>Portugal</i>	-0.18***
<i>Spain</i>	-0.09***	<i>Spain</i>	-0.02***
<i>Sweden</i>	-0.24***	<i>Sweden</i>	0.02
<i>United Kingdom</i>	-0.16***	<i>United Kingdom</i>	-0.24***

Social Free
Riding

Residual
Dependency

It includes the following controls: gender, age (linear and quadratic forms), dummies for number of children, family size, educational attainment, house ownership, labour market status of the respondent and of the partner.
Source: EU-SILC 2004-07, pooled data.

Skill composition of migrants is deteriorating

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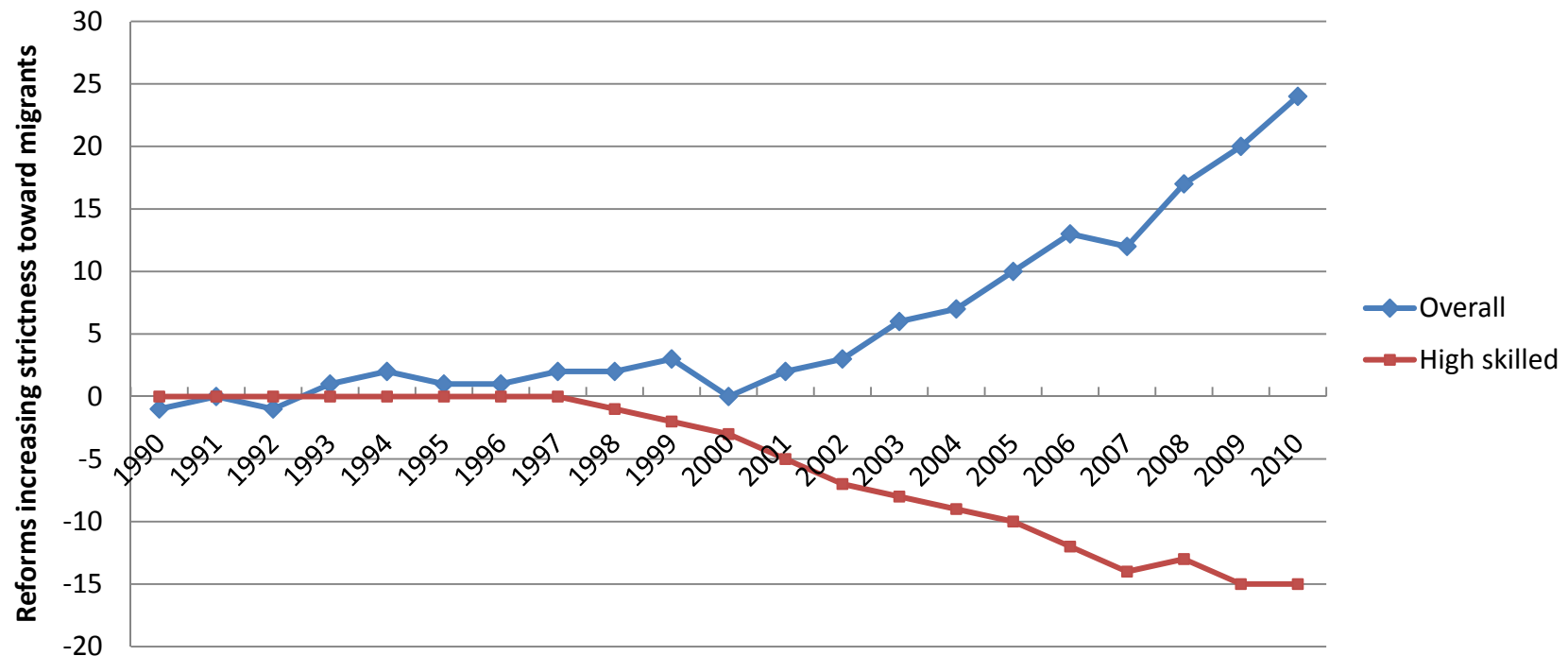
Ratio of the share of individuals with tertiary education in the migrant population and the same share in the native population

<i>Country</i>	<i>Relative Share '90</i>	<i>Relative Share '00</i>	Δ <i>2000-1990</i>
Spain	2,19	1,15	-1,05
Portugal	1,85	1,03	-0,82
Greece	1,79	0,99	-0,80
Italy	1,60	0,91	-0,69
Germany	1,98	1,36	-0,61
Norway	1,48	1,05	-0,43
Ireland	2,83	2,50	-0,33
Netherlands	1,08	0,87	-0,21
France	1,32	1,12	-0,20
Belgium	1,05	0,87	-0,18
Austria	0,77	0,71	-0,06
Finland	1,03	1,01	-0,02
Denmark	0,78	0,81	0,03
Uk	1,67	1,83	0,16
Sweden	1,11	1,29	0,18

Sources: Own extrapolations on data from Docquier (2006) and Barro-Lee (2000)

Immigration and Reforms

Cumulative number of reforms



Note: we attribute +/-1 to reforms increasing/decreasing strictness towards migrants.
High skilled migration: policies for specific qualified categories.

Source: fRDB migration reforms database

Summarizing

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- Flows after Enlargement rather in line with expectations, but different geographical orientation
- Migrants overrepresented among recipients of non-contributory systems. Evidence of residual dependency also in The Netherlands.
- Contributory systems: evidence of social free-riding on migrants.
- The skill content of migration decreased everywhere, more so in those countries with a more generous social policy system.