

“Reinventing the Welfare State”

Migration Policy and the Welfare State

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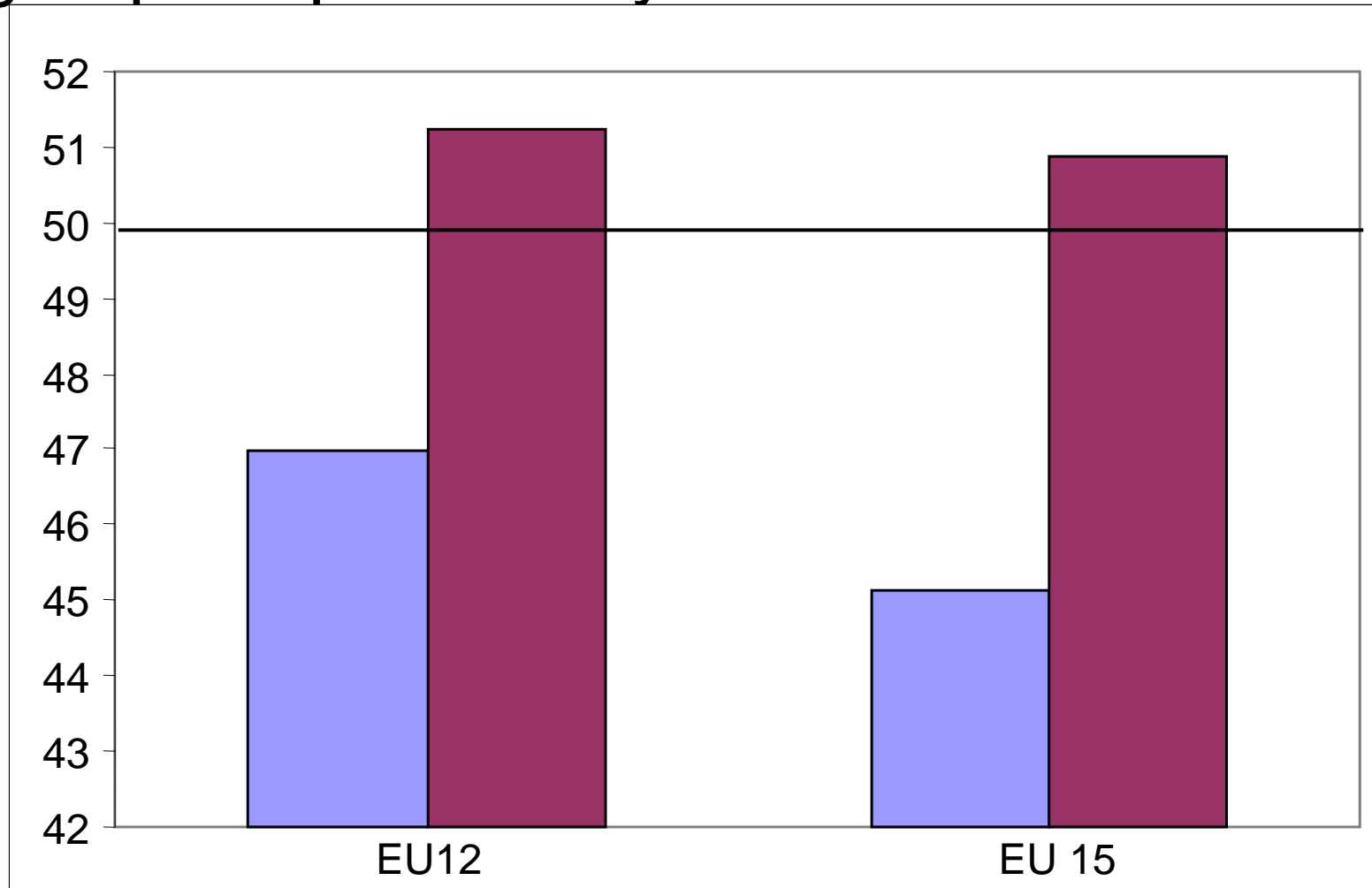


Outline

- Perceptions on migrants and the welfare state
- Evidence on “welfare shopping”
- Reconciling facts with perceptions
- Policy issues:
 - Restricting welfare access by migrants
 - Adopting a point system
 - Introducing a pan-European safety net

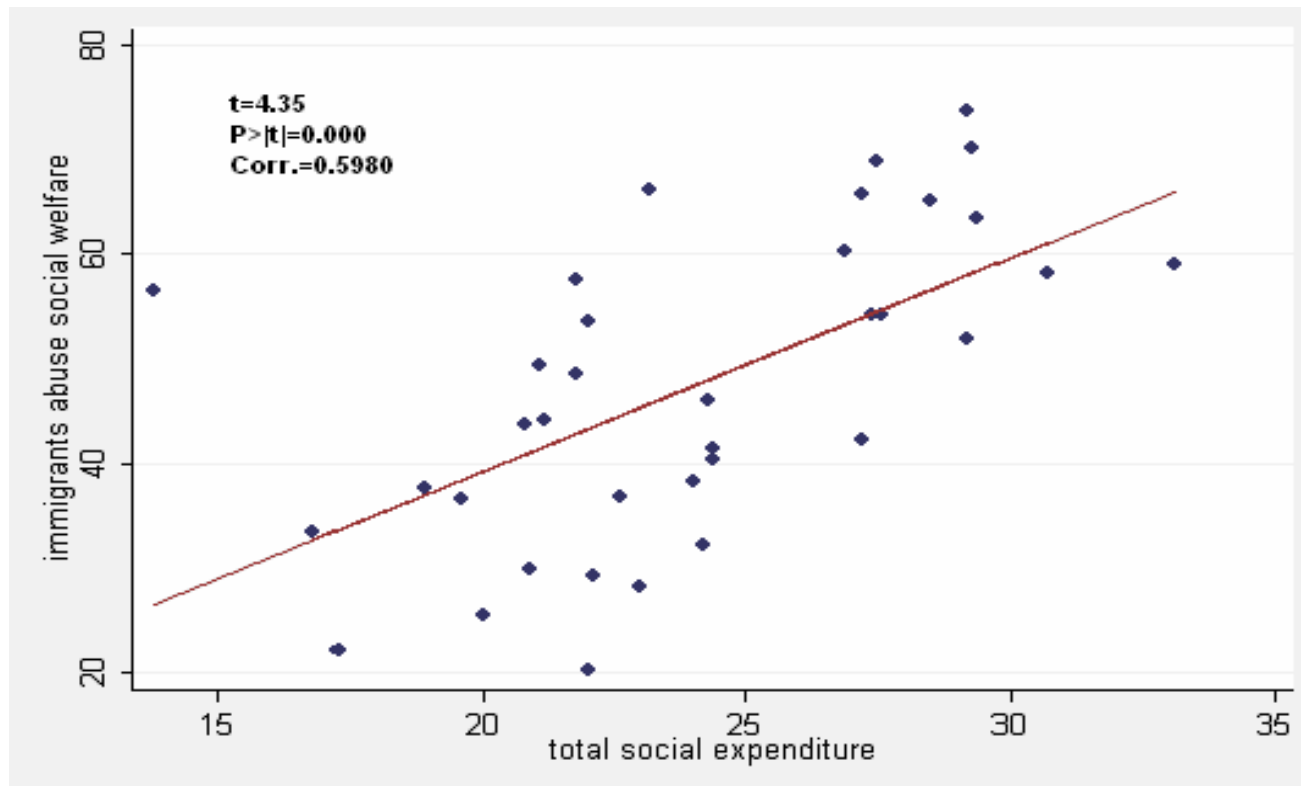
Growing Concerns

% of respondents stating that “minority groups exploit the system of social welfare”



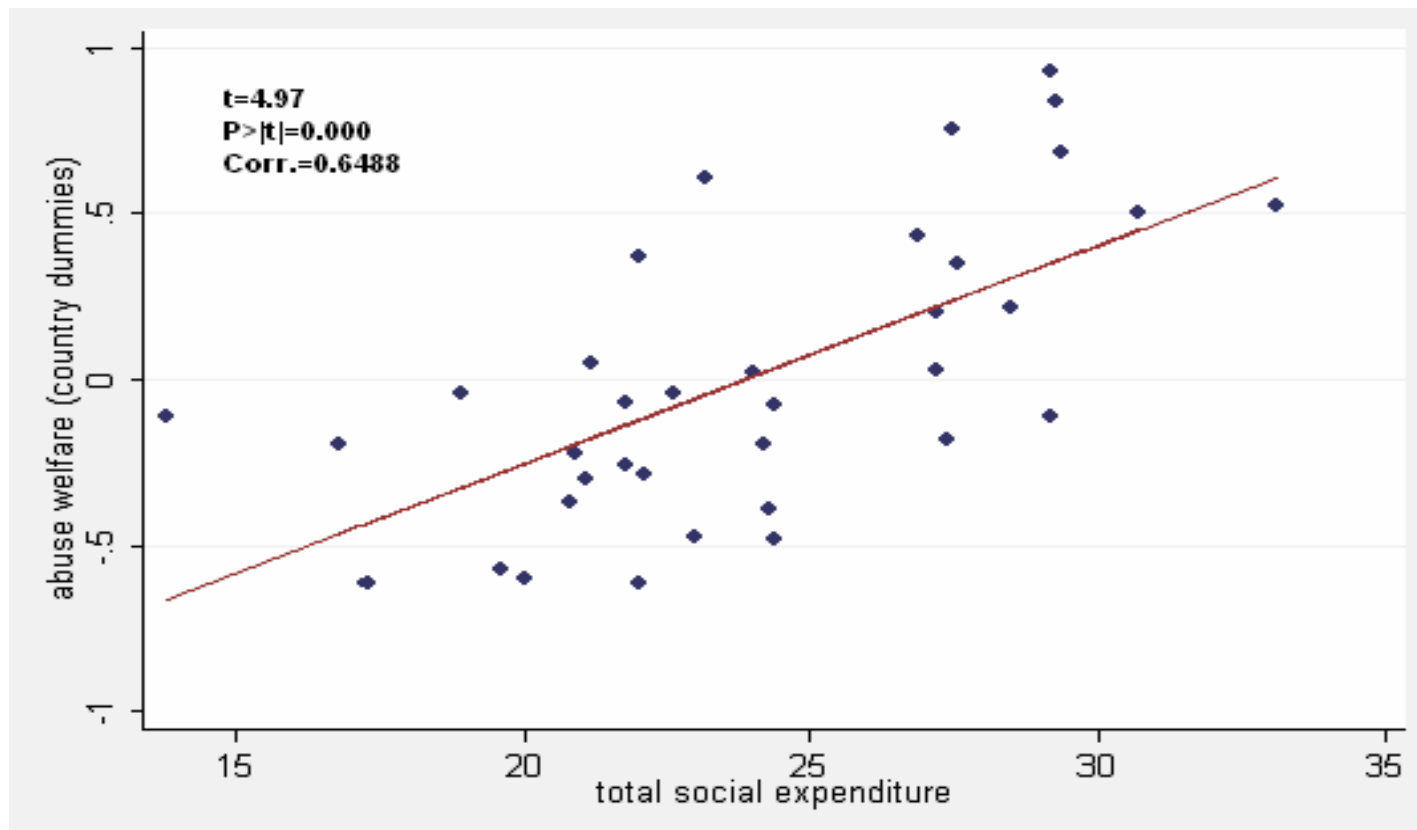
Stronger concerns in countries with a richer welfare state...

Unconditional correlation between perceptions of welfare abuse and generosity of welfare systems



.. even after controlling for personal characteristics and cyclical factors

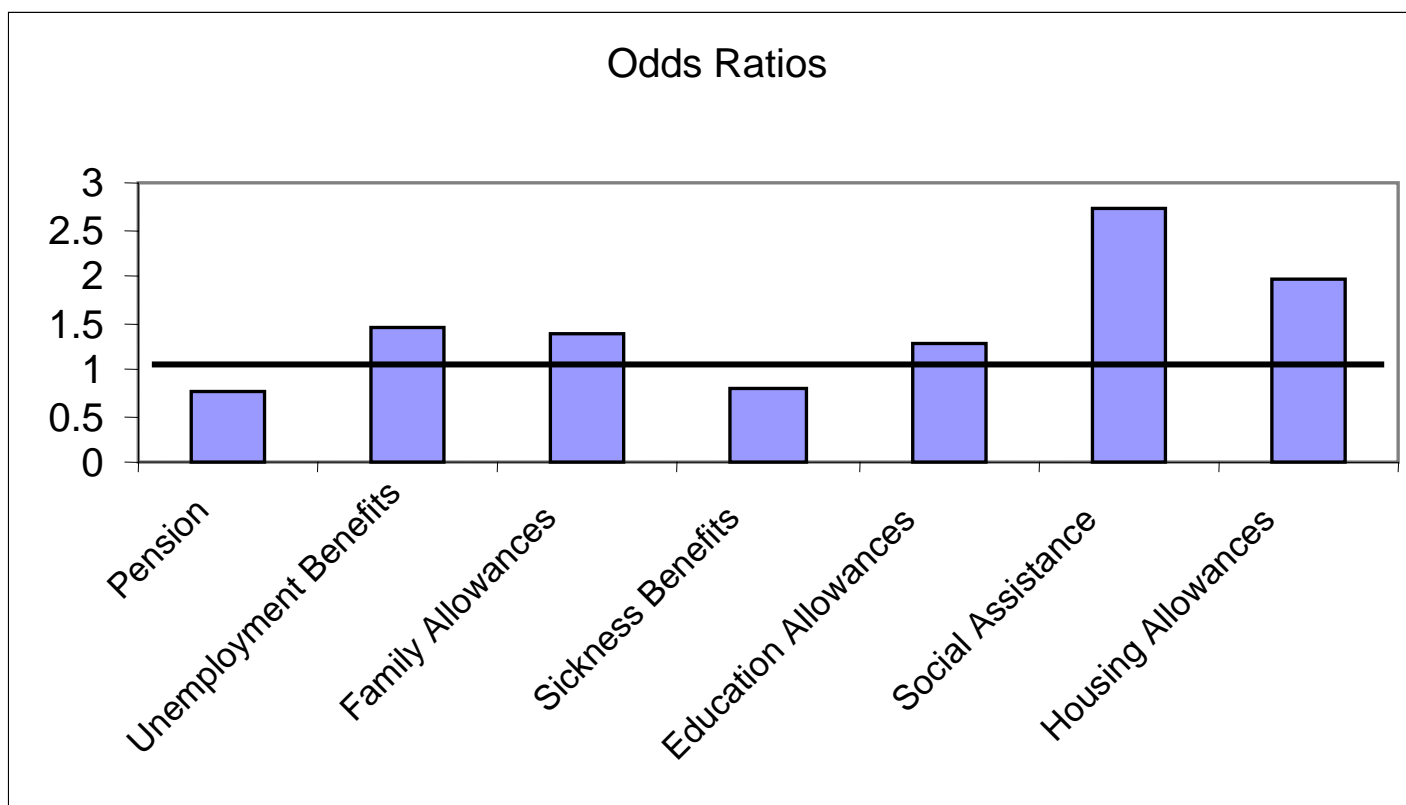
Conditional correlation between generosity of social welfare systems and perceptions that migrants are abusing the welfare state



Are migrants abusing welfare?

- Evaluating “residual welfare dependency” of migrants (non-EU citizens) based on ECHP data 2001
- In the ECHP 2112 non-EU migrants accounting for 3.75% of the respondents (projected to 11,6 million or 3.3% of the population of the EU-12)
- Is there a residual effect of migrant status on benefit receipt after controlling for personal characteristics?

Migrants are over-represented among beneficiaries of several transfers..



..but not different from natives
a) Contributory part (UB,PENS)

	DE	DK	NL	BE	FR	UK	IR	IT	GR	SP	PT	AT	FI
Nr children	-		--		-	---				---	-		
Low education			+++					++	++		+	+	
High education				--									
HH high income	---	---			---	---	---	--		--			---
HH low income	+++				++	++		++	---	+	---		++
Partner employed	---	---	---	---	---	---		---	---	---	---	---	---
MIGRANT NON EU													

b) Non-contributory part (SA)

	DE	DK	NL	BE	FR	UK	IR	IT	GR	SP	PT	AT	FI
Gender			++			-			--				
Age	+++	+++	+++	+++		+++	+++				+++	+++	
Nr children	+++		+++	+++	+++	+++	+++	+++		+++	+++	+++	+++
High education	+++		---			--			--				
Low education			---						++	-			
HH high income	---	---	---	---	---	---	---	---			---	---	---
HH low income	+++	++			+++	+++	-			++	--	---	
Partner employed	+			+++	-	-					+	+	
MIGRANT NON EU						-							

Summarising

- Widespread perception of welfare abuse, notably in countries with a rich welfare state
- Migrants over-represented among recipients of SA (5% of EU social spending), partly of UBs (10%) and under-represented among pensioners (40%)
- No evidence of “residual welfare dependency”

Reconciling facts and perceptions

1. Even contributory parts perceived as taxes by workers (while no awareness of “social free-riding” on migrants).
2. Self-selection of migrants: those more likely to receive transfers are induced to migrate to the countries with the richest welfare state

Unemployment benefits are progressive!

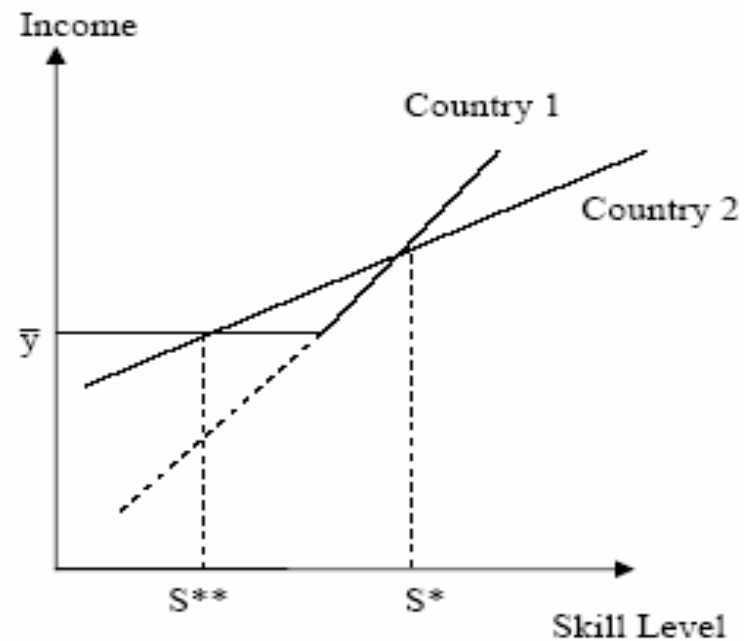
Country	67/100	67/150
Australia	1.45	1.96
Austria	1.00	1.00
Belgium	1.32	1.80
Canada	1.05	1.51
Czech Republic	1.00	1.00
Denmark	1.38	1.79
Finland	1.22	1.52
France	1.05	1.15
Germany	1.02	1.00
Greece	1.48	2.09
Hungary	1.35	1.71
Iceland	1.35	1.86
Ireland	1.40	1.83
Italy	0.93	1.09
Japan	1.17	1.40
Korea	1.06	1.50
Luxembourg	0.99	0.97
Netherlands	1.14	1.37
New Zealand	1.43	2.04
Norway	0.98	1.23
Poland	1.44	2.14
Portugal	1.04	0.96
Slovak Republic	0.95	1.24
Spain	1.10	1.58
Sweden	1.06	1.49
Switzerland	1.14	1.13
UK	1.40	2.03
USA	1.00	1.18

Self-selection

Social welfare and the skill composition of migrants



Skilled migrants go to country 1
Unskilled migrants go to country 2



Safety Net in country 1:
also the least skilled go to country 1

A vicious circle

- Perceptions of welfare abuse support tightening of migration policies resulting in more illegal (hence less skilled and not paying social security) migration.
- This further supports perceptions of welfare abuse making stricter migration policies even more popular.....

Policy options

3 possible ways out

1. Closing the welfare door to migrants
2. Selecting migrants: introducing a point system
3. Harmonising minimum guaranteed income schemes: a EU-wide safety net

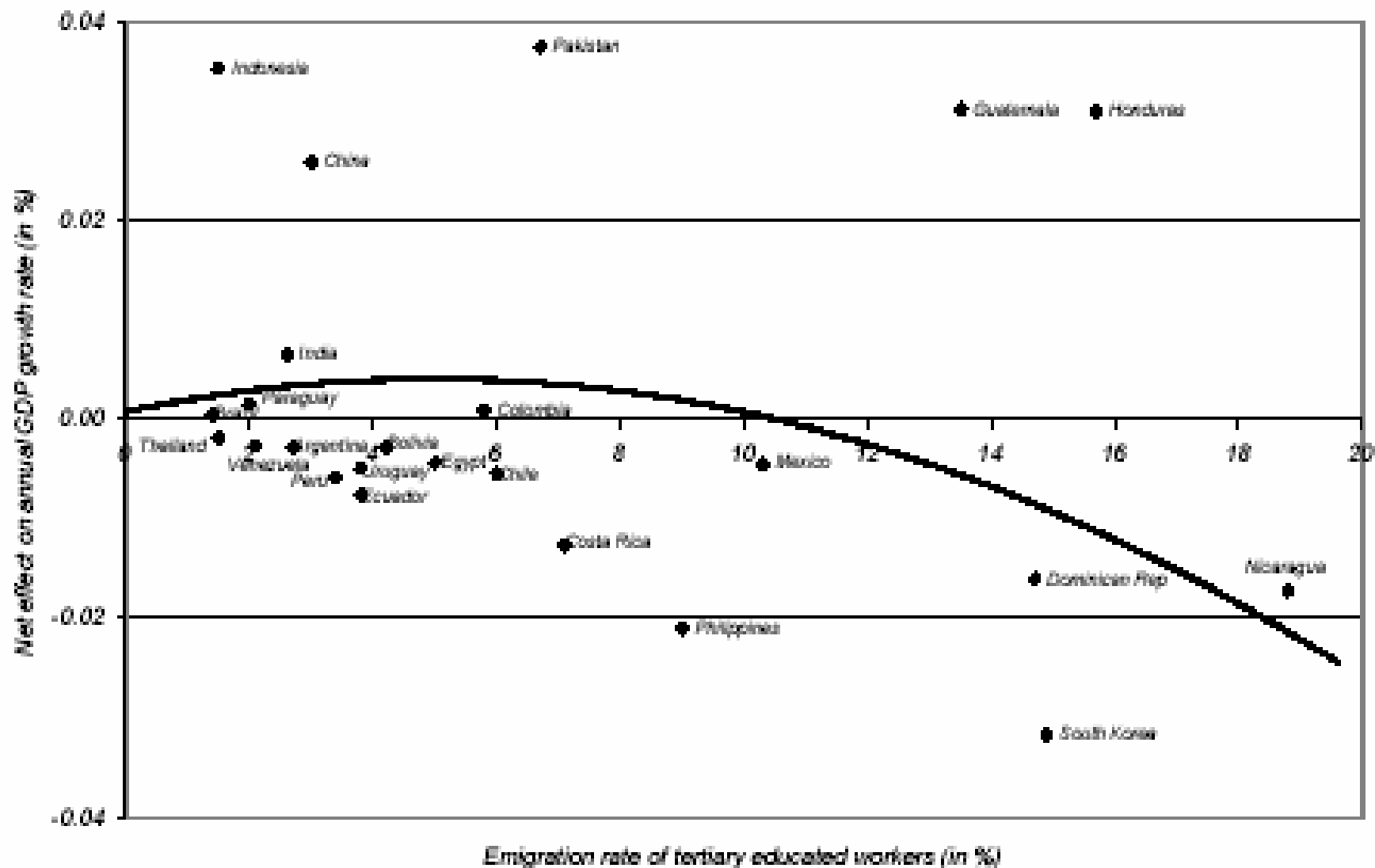
Closing the welfare door?

- US experience suggests that it is to difficult to enforce these restrictions
- Empirical evidence: less welfare reduces migration to rigid countries (by 1,5-3% for men, while migration of women increases!) with no effects on the skill composition
- Problems of assimilation
- Equity considerations

A point system?

- Skilled migration is consistent with redistributive institutions; it reduces income inequalities in the recipient.
- Simplification of migration policies (including asylum)
- Issues: enforcement; risk of “brain drain”, equity considerations.

Brain drain may not be harmful to LDC growth

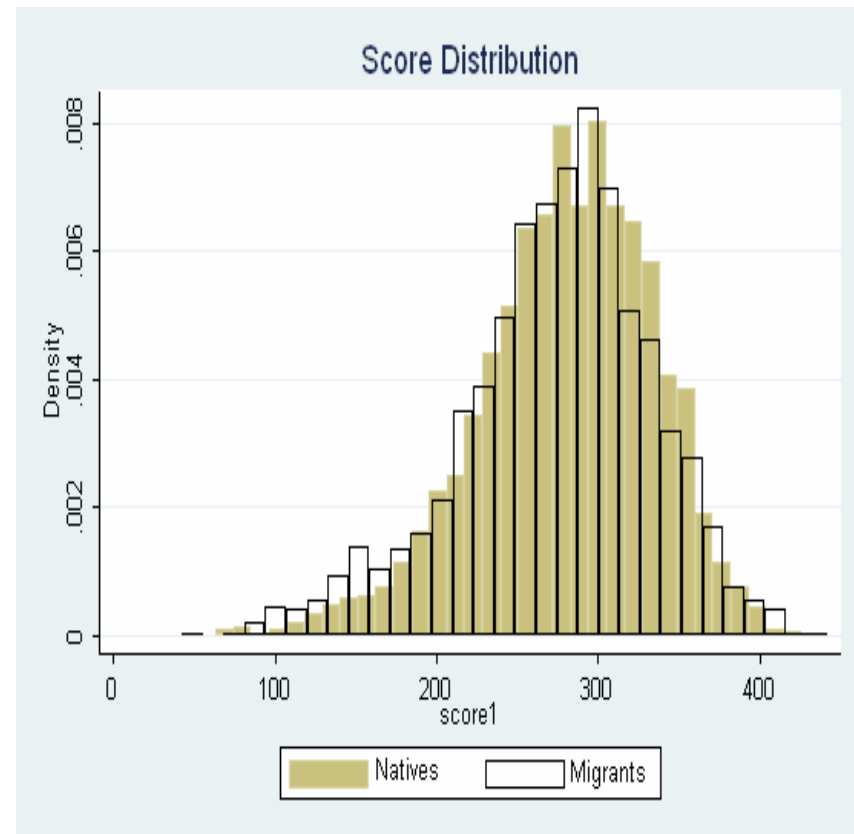
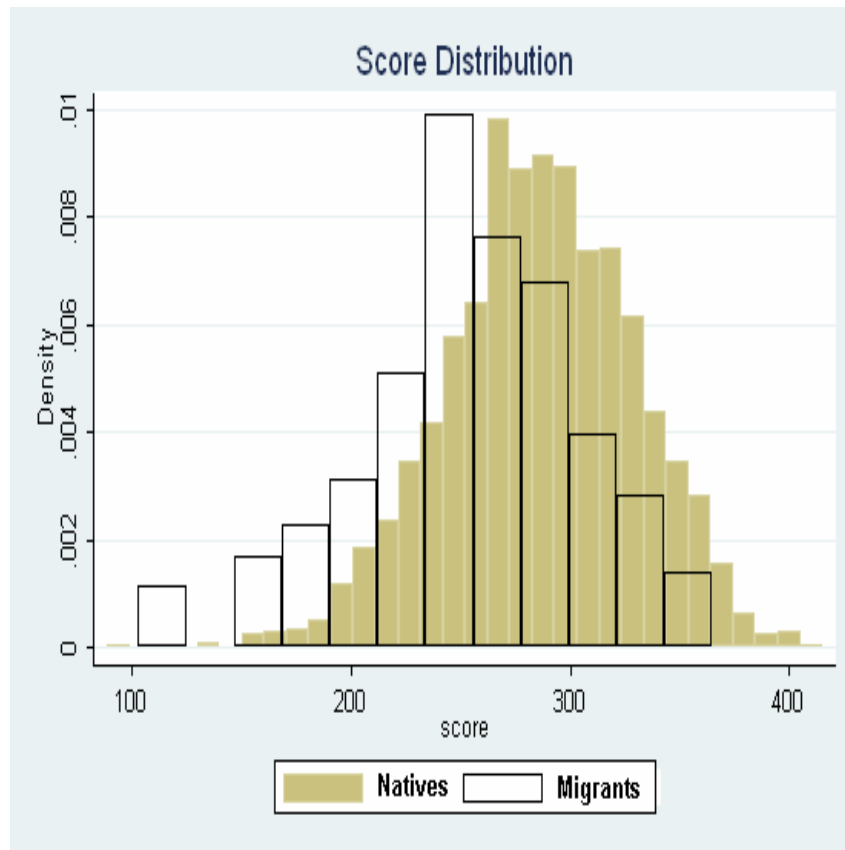


Source: Docquier – Rapoport (2004)

Effective in selecting migrants (IALS scores)

Germany

New Zealand



A EU-wide safety net?

- EU-wide minimum welfare floor (Atkinson (1998)) preventing a “race to the bottom” in non-contributory transfers
- Important design features (need to harmonise in absolute levels, adjusted to PPP)
- Costs (not too large actually: MGI at 430 Euros for singles costs about 30 billion, $\frac{1}{2}$ of the CAP)
- If provided as citizenship right, necessary to coordinate migration policies as well.

In any event

- Migration policies and social policies ought to be more closely integrated
- Reinventing the welfare state when fiscal spillovers are perceived as important poses problems of co-ordination across jurisdictions of welfare minima (and migration policies)

