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## Study on Active Inclusion of Migrants

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# **Study on Active Inclusion of Migrants**

## **Final Report**

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and

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## Abstract

This study provides the European Commission with (i) an expert assessment of the main trends in the situation of migrants with regard to social assistance and access to social services, (ii) an in-depth analysis of the main determinants of these trends, and (iii) a comprehensive account of the mutual interaction of migration policies and broadly defined social assistance policies.

Based on the existing evidence we conclude that there is no *a priori* evidence that migration would pose a burden on welfare systems. In our empirical analysis we use European Union-wide comparable micro-data (EU-SILC), a purpose-made macro-level dataset, country-specific studies and an own purpose-made Expert Opinion Survey.

Descriptive analysis of EU-SILC data shows that migrants are more likely to be in receipt of unemployment-related supports and family-related payments in a wide range of countries. However, they are less likely to receive old-age payments and sickness and disability payments. The most clear-cut result is the greater likelihood of migrants being in poverty.

We then take account of migrant-native differences in characteristics such as age, education and family composition through the use of regression analysis. The regressions generate a general pattern of *lower* rates of receipt among migrants relative to *comparable* natives. Even for supports based on unemployment, sickness and disability, we find that out of the 19 countries examined, rates of receipt for non-EU migrants are statistically higher in just 7 and *none* if we consider only the unemployed. Using macro-level data we then find that the causal effect from social welfare spending to immigration is very weak and statistically insignificant; i.e. we reject the “welfare magnet hypothesis”.

The analysis of welfare trends over recent years in 12 country case studies reveals that welfare take-up rates are higher for migrants than for natives in some countries but lower in others. In several countries, social assistance is either inadequate or not present. Even when institutional barriers do not constitute a direct obstacle to welfare access, there is evidence of other practical constraints, such as discrimination.

The recent economic crisis creates concern for active inclusion of migrants. It is during averse economic conditions that the flexibility of the migrant labour force exhibits its important value, but a prerogative to this is the integration of migrants in the labour market.

The 2010 IZA Expert Opinion Survey reveals that especially non-EU and irregular migrants face a severe and increasing risk of exclusion from the labour market and social assistance and services. The most desirable changes are those concerning paid employment, education, housing and attitudes.

Our work shows that the starting point for the debate about migrants and welfare take-up should be the relatively *low* use of welfare by migrants vis-à-vis *comparable* natives (in spite of higher poverty rates), and so the policy discussion should be about the social protection of migrants and the extension of social supports and enabling services to them. Immigration and active inclusion policies need to be implemented in a coordinated manner.

There is a need for a battery of policies, including those aiming at improving antidiscrimination legislation, the educational attainment, training and language skills of migrants, improved migration policy, frictionless recognition of foreign qualifications, unrestricted access to public sector jobs, and effective dissemination of labour market information among migrants. Housing and access to credit are other important areas that deserve attention. Finally, data collection, monitoring and evaluation mechanisms are absolutely crucial to provide for learning and dissemination of good practices in active inclusion strategies.

## Résumé

Cette étude a pour but de fournir à la Commission européenne (i) une évaluation précise des principales tendances relatives à la situation des immigrants dans le domaine de l'aide sociale et de l'accès aux services sociaux, (ii) une analyse approfondie des principaux déterminants de ces tendances, et (iii) un compte-rendu détaillé des interactions entre les politiques d'immigration et les politiques d'aide sociale entendues au sens large.

En nous appuyant sur l'évidence empirique existante, nous concluons qu'il n'existe *a priori* aucune preuve statistique de l'hypothèse selon laquelle l'immigration constitue une charge financière pour les budgets publics consacrés à l'aide sociale. Dans notre analyse empirique, nous utilisons des micro-données comparables provenant des bases de données européennes (EU-SILC), une base de macro-données constituée pour l'occasion, des études spécifiques sur plusieurs pays, et une enquête d'opinion conçue et réalisée par nos soins auprès d'experts européens.

L'analyse descriptive réalisée à l'aide des données de la base EU-SILC montre qu'au niveau global, les immigrants sont plus fréquemment bénéficiaires des indemnités chômage et des allocations familiales dans un grand nombre de pays européens. Toutefois, ils sont moins souvent bénéficiaires des allocations-vieillesse, de celles associées à des problèmes de santé et d'invalidité. Le résultat le plus significatif est leur plus grande probabilité de se trouver dans des situations de pauvreté.

Nous tenons ensuite compte des différences de caractéristiques individuelles entre immigrants et natifs, telles que l'âge, le niveau d'éducation et la composition du ménage, en recourant pour cela à des techniques de régression. Les régressions statistiques montrent que, toutes choses observables *égales* par ailleurs, c'est-à-dire une fois prises en compte ces différences de caractéristiques, les migrants accèdent *moins* souvent que les natifs aux dispositifs d'aide sociale. En ce qui concerne les allocations relatives au chômage, à la santé et à l'invalidité, nous trouvons que, pour les migrants non originaires d'Europe, les taux de recours à ces aides sont plus élevés seulement dans 7 des 19 pays étudiés, et dans *aucun* si l'on ne considère que les chômeurs. À l'aide des macro-données, nous trouvons ensuite que l'effet causal des dépenses sociales en faveur des immigrants est très faible et statistiquement non significatif. En d'autres termes, nous rejetons l'hypothèse de l'effet dit « d'attraction magnétique ».

L'analyse des tendances récentes dans 12 pays européens révèle que les taux d'accès aux dispositifs d'aide sociale sont plus élevés pour les migrants que pour les natifs dans certains pays mais plus faibles dans d'autres. Dans plusieurs pays, l'aide sociale est soit inappropriée, soit inexistante. Même lorsque les barrières institutionnelles ne constituent pas un obstacle direct à l'accès aux aides sociales, l'évidence empirique suggère que d'autres contraintes, telles que les pratiques discriminatoires à l'encontre des migrants, jouent un rôle important.

La crise économique récente incite à faire des efforts particuliers dans le domaine de l'inclusion active des migrants. C'est en effet dans les moments difficiles que la flexibilité de la main-d'œuvre immigrée fait preuve de toute son importance, mais celle-ci doit être accompagnée par des actions spécifiques en faveur de l'intégration des migrants sur le marché du travail.

L'enquête d'opinion conçue et réalisée par l'IZA auprès d'experts européens en 2010 révèle en particulier que les migrants non originaires d'un pays de l'Union Européenne et les migrants en situation irrégulière font face à un risque élevé et croissant d'exclusion du marché du



travail et de l'accès aux services d'aide sociale. Les changements les plus souhaitables concernent le travail salarié, l'éducation, le logement et les attitudes.

Notre travail montre que le point de départ du débat sur l'immigration et sur leur accès à l'aide sociale devrait être le *faible* niveau d'utilisation des aides sociales par les immigrés (en dépit de leur degré de pauvreté). De ce fait, le débat politique devrait porter sur la protection sociale des migrants, ainsi que sur l'extension des aides sociales et l'accès à ces aides pour les migrants. L'immigration et l'inclusion active doivent correspondre à des politiques mises en œuvre de façon coordonnée.

Au total, il est nécessaire de mettre en place un ensemble d'interventions publiques, notamment celles améliorant la législation antidiscriminatoire, la réussite scolaire, la formation et l'apprentissage de la langue, la politique migratoire, la reconnaissance des qualifications étrangères, l'accès non restreint aux emplois du secteur public, et la dissémination efficace de l'information relative au marché du travail parmi les immigrants. Les politiques du logement et l'accès au crédit doivent être d'autres domaines d'intervention prioritaires. Finalement, la collecte de données, le contrôle et les méthodes d'évaluation sont des outils absolument cruciaux pour identifier et disséminer les bonnes pratiques dans le domaine des stratégies d'inclusion active.

## Zusammenfassung

Diese Studie stellt der Europäischen Kommission (i) ein Gutachten über die wichtigsten Entwicklungen der Situation von Migranten in Bezug auf soziale Unterstützung und Zugang zu sozialen Sicherungssystemen, (ii) eine eingehende Analyse der wichtigsten Bestimmungsgrößen dieser Trends sowie (iii) eine umfassende Berücksichtigung der Wechselwirkung von Migrationspolitik und der weit gefassten Sozialpolitik zur Verfügung.

Auf Grundlage der bisherigen Erkenntnisse kann zunächst konstatiert werden, dass es keine *a priori* Belege dafür gibt, dass Zuwanderung eine Belastung für die sozialen Sicherungssysteme der Aufnahmeländer darstellt. Für die Untersuchungen in dieser Studie werden EU-weit vergleichbare Mikrodaten (EU-SILC) speziell aufbereitete Daten auf Makro-Ebene sowie Daten einer eigenen Expertenbefragung verwendet.

Deskriptive Auswertungen zeigen, dass in einer Vielzahl von Ländern Migranten häufiger Arbeitslosenunterstützung bzw. familienbezogene Zahlungen erhalten. Allerdings ist es weniger wahrscheinlich, dass sie Altersleistungen oder Zahlungen bei Krankheit und Behinderung erhalten. Das eindeutigste Ergebnis aus diesem Teil der Analyse ist die größere Wahrscheinlichkeit, mit der Migranten von Armut betroffen sind.

In einer Regressionsanalyse unter Berücksichtigung von Merkmalen wie Alter, Bildung und Familienzusammensetzung ergibt sich das Bild, dass das allgemeine Muster, dass Migranten im Verhältnis zu *vergleichbaren* Einheimischen *geringere* Unterstützungsleistungen erhalten. Selbst unter Berücksichtigung der Unterstützungsleistungen im Fall von Arbeitslosigkeit, Krankheit und Behinderung stellen wir fest, dass die Rate der Inanspruchnahme dieser Leistungen durch Migranten aus Nicht-EU Staaten nur in 7 der 19 untersuchten Länder statistisch signifikant höher ausfällt. Es gibt in *keinem* der untersuchten Länder einen signifikanten Unterschied in Hinblick auf die Inanspruchnahme der Unterstützungsleistung bei Arbeitslosigkeit. Auf Makro-Ebene legen weitere Ergebnisse den Schluss nahe, dass die kausale Wirkung zwischen Sozialausgaben und Einwanderung sehr klein und statistisch nicht signifikant ist. Mit anderen Worten gibt es keine Hinweise auf eine „Magnet-Wirkung des Sozialstaates“.

Die Analyse der Entwicklungen der Sozialleistungen in zwölf Ländern zeigt ein inhomogenes Bild in den letzten Jahren. In einigen Ländern ist die Inanspruchnahme von Sozialleistungen bei Migranten höher als bei Einheimischen, während in anderen Ländern das Gegenteil der Fall ist. In mehreren Ländern ist die Sozialhilfe jedoch entweder unzureichend oder nicht vorhanden. Auch wenn institutionelle Hindernisse kein direktes Hindernis für den Zugang zu Sozialleistungen darstellen, so gibt es letztendlich doch Hinweise auf andere praktische Hemmnisse, wie z.B. Diskriminierung.

Die Auswirkungen der jüngsten Wirtschaftskrise sind auf kurze Sicht eher ungewiss. In Zeiten widriger wirtschaftlicher Bedingungen zeigt sich, dass die Flexibilität von zugewanderten Arbeitskräften von größtem Wert ist. Dennoch ist die Integration von Migranten in den Arbeitsmarkt weiterhin von entscheidender Bedeutung und eine Grundvoraussetzung.

Die IZA-Expertenbefragung 2010 zeigt, dass Migranten mit einem schwerwiegenden und zunehmenden Risiko konfrontiert sind, aus dem Arbeitsmarkt und den Sozialleistungen ausgegrenzt zu werden, insbesondere, wenn sie nicht aus der EU stammen oder illegal eingereist sind. Die wünschenswertesten Veränderungen betreffen bezahlte Beschäftigung, Bildung, Wohnen und Einstellungen.

Die Ergebnisse unserer Untersuchungen zeigen insgesamt, dass die politische Debatte über Migranten und deren Inanspruchnahme von Sozialleistungen in der Regel auf der falschen

Annahme beruht, dass Migranten häufiger als Einheimische Sozialleistungen beziehen. Unsere Arbeit zeigt, dass der Ausgangspunkt für die Debatte sein sollte, dass Migranten im Vergleich zu *vergleichbaren* Einheimischen (trotz der höheren Armutsquoten) in verhältnismäßig *geringerem* Maße Sozialleistungen beziehen. Daher sollte die politische Diskussion sich mit dem sozialen Schutz von Migranten und der Ausweitung der sozialen Unterstützungs- und Hilfsleistungen befassen.

Um die Integration von Migranten in den Arbeitsmarkt zu gewährleisten, sind weitere Maßnahmen erforderlich, beispielsweise zur Verbesserung der Bildung, der Ausbildung und der Sprachkenntnisse von Migranten. Des Weiteren ist eine vereinfachte Anerkennung von ausländischen Abschlüssen, ein uneingeschränkter Zugang zu Arbeitsplätzen im öffentlichen Dienst sowie eine effiziente Verbreitung von Informationen über den Arbeitsmarkt unter den Migranten anzustreben. Kindertagesstätten, Krippen, Kindergärten und alle Arten von Schulen müssen (auch rechtswidrig ansässigen) Migrantenkindern zugänglich sein. Der Wohnungsmarkt und der Zugang zu Krediten sind weitere wichtige Bereiche, die Aufmerksamkeit verdienen. Schließlich ist die Datenerfassung sowie Überwachungs- und Evaluierungsmechanismen unverzichtbar, um bewährte Praktiken zur aktiven Eingliederung zu identifizieren und darüber zu informieren. Europa sollte Zuwanderung aktiv steuern und eine erfolgreiche Eingliederung der Arbeitnehmer mit guten Aussichten am Arbeitsmarkt fördern, und sich diesbezüglich koordinieren.

## **Executive Summary**

This study provides the European Commission with (i) an expert assessment of the main trends in the situation of migrants with regard to social assistance and access to social services, (ii) an in-depth analysis of the main determinants of these trends, and (iii) a comprehensive account of the mutual interaction of migration policies and broadly defined social assistance policies.

In order to achieve these objectives, research along a number of dimensions and involving a broad range of available resources has been conducted. We use European Union-wide comparable micro-data (EU-SILC) to provide both descriptive and analytical assessments of how social assistance is used by migrants, relative to natives, across all European Union (hereafter EU) Member States. We also use a purpose-made macro-level data to assess whether differences in welfare policies influence the nature of the migrants entering different countries. Country-specific studies have been conducted to supplement the findings from the broader trans-national level. The limitations of available secondary data necessitated an own purpose-made Expert Opinion Survey to more precisely evaluate the barriers to inclusion that migrants face in host countries. Further insights have been obtained through country visits and interactions with stakeholders.

In Section 1 we define migration to denote both intra-EU mobility and the international movement of people into the EU. We distinguish between various populations with broadly defined immigrant background, including foreign-born, foreign-born parents or grandparents, foreign nationality, or foreign ethnic origin. Active inclusion is understood as the fight against poverty and social exclusion of society's vulnerable groups, including (i) adequate income support, (ii) inclusive labour markets, and (iii) access to quality (social) services.

As summarised in Section 2, the existing evidence on the effect of immigration on host labour markets and migrant adjustment does not permit any strong conclusions about the impact of immigration on welfare sustainability. First, labour markets appear to adjust quite well to immigration and there do not seem to be any strong effects on the labour market outcomes of natives, at least at the aggregate level. So immigration does not seem to negatively affect natives' contributions to public budgets. Second, vis-à-vis natives, migrants tend to exhibit substandard labour market outcomes at entry and for some time after. This could imply lower contributions to public budgets during this period or their greater welfare dependency.

At the same time, however, migrants' welfare receipts are lowered by any eligibility, institutional or other barriers including discrimination. In addition, their lower income decreases their income-dependent receipts. Moreover, some types of migrants are in fact very strongly attached to the labour market and their labour market outcomes are comparable and often even better than those of the natives. Also, even if migrants start with substandard labour market outcomes, they tend to improve their position with time in the host country. Furthermore, migrants tend to improve a country's demographic balance, and through various complementarities increase the country's GDP. Few studies conclude that welfare benefits attract migrants. The statistical evidence in most of them remains weak or suggests only a marginal significance for the magnet effect of welfare generosity on the inflow of migrants. Hence, we can conclude that there is no a priori evidence that immigration would pose a burden on welfare systems.

Our goal in Section 3 is to explore the extent to which migrants are more or less likely to be in receipt of social support payments relative to natives. In the section we simply compare the proportions of migrants and natives who receive support across countries and across different types of supports. We do not try to take account of other socio-economic characteristics which may influence the likelihood of receipt of social support payments. Socio-economic characteristics are taken account of in the analysis presented in Section 4, but it is also important to examine the basic information reported in Section 3.

We begin by examining all payment-types combined, i.e. unemployment, sickness, disability and old-age, and payments related to children. We find that lower rates of receipt for non-EU migrants relative to natives are more typical across the countries. Of the 19 countries examined, rates of receipt are (statistically) lower for non-EU migrants in nine. For a further five countries, there is no statistically significant difference between rates of receipt for non-EU migrants and natives. A similar pattern holds for EU migrants, with lower or statistically equivalent rates of receipt being more prevalent.

We then examine different payment categories, and a more mixed picture begins to emerge. Migrants are more likely to be in receipt of unemployment-related supports and family-related payments in a wide range of countries. However, they are less likely to receive old-age payments and sickness and disability payments. The most clear-cut result to emerge from this element of the analysis is the greater likelihood of migrants being in poverty.

In Section 4 we look at the relative rates of support payments again — this time taking account of characteristics such as age, education and family composition — through the use of

regression analysis. As migrants differ from the native populations across these characteristics and as these characteristics are often related to support receipt, it is important to see whether a “migrant effect” remains once migrants are analytically compared to comparable natives.

With all support payments combined, the regressions generate a general pattern of lower rates of receipt among migrants relative to natives. Denmark, Finland, Germany and Sweden are the only countries in which higher (and statistically significant) rates of receipt among migrants are observed. Even in these countries, however, the residual effects do not appear to be economically important, ranging from 1 per cent in Germany to less than 5 per cent in Denmark.

When we restrict our attention to supports based on unemployment, sickness and disability, we find that out of the 19 countries examined, rates of receipt for non-EU migrants are statistically higher in just 7, and none if we consider only the unemployed. For old-age support, we find hardly any migrant groups which show a greater likelihood of receiving such payments. For family-related payments, migrants are again less likely to be in receipt of payments.

In Section 4, like Section 3, we also look at the incidence of poverty among migrants, and again an unambiguous pattern of higher rates among migrants emerges once controlling for relevant socio-economic factors. This raises particular concerns about income support and the extent to which European welfare systems are achieving the objective of insulating migrants from severe financial difficulty. While the popular debate might suggest that the “policy failure” in this area arises from excessive welfare spending on migrants, these results suggest that any policy failure relates to a failure to achieve objectives under the active inclusion agenda.

Section 5 provides insights about the interaction between immigration and welfare policies. In particular, we investigate whether and how changes in countries’ unemployment benefit spending (UBS) affect immigration. Economic theory suggests that unemployment benefits may increase expected income and reduce its volatility and thereby migrants could be attracted in countries where UBS is higher.

To this aim, we collected immigration and welfare spending data for 19 European countries over the period 1993 to 2008. The existence of a relationship between immigration flows and UBS is tested using several statistical techniques which control for labour market conditions, as well as for other observed and unobserved factors in the host country. Furthermore, ad-hoc methodologies are implemented in order to address the potential reverse causation, i.e. that immigration might affect social spending.

The findings suggest that the causal effect between social welfare spending and immigration is very small and statistically insignificant; in other words, there is no evidence of a “welfare magnet hypothesis”. At the same time, however, there are indications that immigration contributes to increase UBS. This effect, however, is consequence of the self-selection of migrants, who are usually less educated and more exposed to unemployment. Therefore, selective immigration policies might play a key role in monitoring social spending and eventually in the process of active inclusion of migrants.

Twelve country case studies are explored in Section 6 in order to both elucidate about the peculiarities of country-specific welfare systems and their interactions with the situation of migrants, as well as to provide lessons about active inclusion of migrants. Case studies include social democratic, corporatist, liberal countries, as well as Southern European and EU-12 countries (post 2004 enlargement).

The analysis of welfare trends over recent years reveals an inhomogeneous picture. In some countries welfare take-up rates are higher for migrants than for natives, while in others the opposite is true. Furthermore, welfare use is growing fast in some countries and is declining in others. Finally, there are remarkable differences in welfare use depending on migrants’ origin even after controlling for a multitude of demographic and socio-economic characteristics, such as gender and family status, age or work experience, education, or tenure in the host country.

One necessary distinction when analysing countries’ welfare regimes is about the contributory nature of benefit schemes. In many cases the relative short working history of migrants constitutes a barrier to welfare participation, even when welfare is generous. The consequent higher risk of poverty is partly compensated by the presence of social assistance. However, in several countries, social assistance is either inadequate or not present. Finally, even when institutional barriers do not constitute a direct obstacle to welfare access, there is evidence of other practical constraints, such as discrimination.

Although it is currently rather difficult to predict the consequences of the recent economic crisis on long-run immigration trends, it is possible to speculate that the impact in the short run is rather ambiguous. On the one hand, migrants might rely more heavily on welfare than they did before the crisis; on the other hand, they are more mobile across sectors and geographical areas, and this could reduce their welfare use with respect to natives. In support of these conjectures is the evidence that, on average, the stock of foreign-born population across EU-27 countries has not changed substantially since the beginning of the crisis. There are of

course differences across Member States — yet again, migrants are more likely to be exposed to adverse consequences of unemployment in those countries where safety nets such as social assistance is inadequate. Furthermore, the crisis creates concern for the most marginalised groups of migrants, for which accessibility of active inclusion programs becomes crucial. It is during the most averse economic conditions that the flexibility of migrant labour force exhibits its important value, but a prerogative to this is the integration of migrants in the labour market.

Key findings from the country case studies demonstrate that several Member States are promoting efforts towards the implementation of active inclusion of migrants in the spirit of EC recommendations as outlined in European Commission (2008). Nevertheless, the impact of such policies in terms of labour market integration and of social spending can only be partially assessed in the short term. Furthermore, an important common lesson from the 12 studies is that welfare policies are intimately intertwined with immigration policies, and the effectiveness of the former cannot be assessed without considering its interaction with the latter.

In Section 7 we only briefly report on the five country visits that we conducted as an effort to provide an intellectual forum at which the results of the project, including the respective country's case study, were presented and critically evaluated against the expertise and experience of local academics, policy makers, national officials, practitioners, NGO representatives and media. The findings from these visits serve to inform many parts of this report.

The 2010 IZA Expert Opinion Survey — a survey conducted among the expert stakeholders and minority representatives in the 27 EU Member States — complements the analysis by mapping experts' opinions about the social and labour market inclusion of ethnic minorities (see section 8). The survey has provided a number of interesting insights. First, migrants face severe and increasing risk of exclusion from the labour market and social assistance and services, especially if they are from outside the EU or irregular. Unfortunately, the existing antidiscrimination legislature does not seem to alleviate this difficult situation very much. When it comes to access to enabling services, housing and housing subsidies, but also education in general and higher education in particular, family and child benefits, unemployment benefits, as well as employment agency assistance, including information about relevant job vacancies and training, seem to be the least accessible to migrants. The survey also demonstrates that during the current crisis the role of enabling services is ever more important. The most desirable changes are those concerning paid employment, education, housing and attitudes.



Finally, in Section 9 we provide policy conclusions and recommendations. We argue that the policy debate about migrants and welfare take-up is usually based on the wrong assumption that migrants are more intensive users of welfare than natives. What our work shows is that the starting point for the debate should be the relatively low use of welfare by migrants vis-à-vis comparable natives (in spite of higher poverty rates), and so the policy discussion should be about the social protection of migrants and the extension of social supports and enabling services to them. In addition, our results indicate that immigration policies are a key determinant of inclusion of migrants into social assistance programs. The argument is that it is primarily the composition of migrant populations, which is a function of immigration policies, that is driving their welfare use and inclusion into social assistance and services.<sup>1</sup> This in turn affects the sustainability of social assistance and services.

There appears to be need for a battery of general policies that enables migrants achieve social and economic outcomes marking their full integration and participation in the social and economic life of the host society. This includes effective antidiscrimination legislation and management of attitudes towards migrants. Europe should actively promote immigration and successful adjustment of workers with good labour market prospects. In particular, Europe needs to improve its ability to attract skilled economic migrants. This includes improving its image as a migrant destination among potential high-skilled migrants. Tools of positive selection such as the UK points system or the EU Blue Card are useful starting points for further developments.

Other policies needed to ensure integration of migrants into the labour market include policies aiming at improving the educational attainment, training and language skills of migrants, frictionless recognition of foreign qualifications, unrestricted access to public sector jobs, and effective dissemination of labour market information among migrants. Day-care centres, nurseries, kindergartens and all types of schools need be accessible to (even irregular) migrants' children. Housing and access to credit are other important areas that deserve attention. Finally, data collection, monitoring and evaluation mechanisms are absolutely necessary to provide for learning and dissemination of good practices in active inclusion strategies.

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<sup>1</sup> The authors well acknowledge that bilateral and multilateral treaties regulating migration flows and humanitarian migration channels affect the composition of immigrant populations as well.

## Synthèse

Cette étude a pour but de fournir à la Commission européenne (i) une évaluation précise des principales tendances relatives à la situation des immigrants dans le domaine de l'aide sociale et de l'accès aux services sociaux, (ii) une analyse approfondie des principaux déterminants de ces tendances, et (iii) un compte-rendu détaillé des interactions entre les politiques d'immigration et les politiques d'aide sociale entendues au sens large.

Afin d'atteindre ces objectifs, nous avons conduit des recherches sur de nombreux aspects de la question. Ces recherches mettent en œuvre un vaste éventail de ressources. En particulier, nous avons eu recours à la base de référence des statistiques communautaires sur le revenu et les conditions de vie (EU-SILC), et ce afin de livrer des évaluations à la fois descriptives et analytiques sur la manière dont les immigrants, comparativement aux personnes originaires du pays, font appel à l'aide sociale. Nous avons conduit le même type d'analyse pour tous les pays membres de l'Union européenne (nommée UE ci-après). Nous avons également utilisé une base de données macro-économiques, spécialement conçue à cet effet, afin d'évaluer si les différences de politiques d'aide sociale orientent les flux d'immigrants vers certains pays plutôt que d'autres. Enfin, des études spécifiques aux différents pays ont été réalisées afin de compléter les résultats provenant des études plus larges effectuées au niveau transnational. Les limites des bases de données nous ont contraints à mener une enquête d'opinion plus spécialisée. Cette enquête a été mise en place afin d'évaluer de manière plus précise les barrières s'opposant à l'intégration des immigrants dans les pays d'accueil. Nous avons recueilli d'autres points de vue en visitant les pays et en prenant contact avec les personnes concernées.

Dans le chapitre 1, nous définissons l'immigration par les mobilités intra-européennes et les mouvements internationaux de personnes au sein de l'UE. Nous faisons la distinction entre différentes populations d'origines très diverses, y compris les personnes nées à l'étranger, les parents ou les grands-parents nés à l'étranger, les personnes de nationalité étrangère ou d'origine ethnique étrangère. L'intégration active est considérée au sens de la lutte contre la pauvreté et contre l'exclusion sociale des groupes sans défense ; elle inclut (i) l'aide appropriée au revenu, (ii) les marchés du travail, et (iii) l'accès aux services (sociaux) de qualité.

Comme nous l'indiquons dans le chapitre 2, l'effet de l'immigration sur les marchés du travail des pays d'accueil et les ajustements migratoires ne permettent pas de tirer de conclusions non ambiguës en ce qui concerne l'impact de l'immigration sur la durabilité de l'aide sociale.

Premièrement, les marchés du travail semblent bien s'adapter à l'immigration et cela ne semble pas avoir de répercussions importantes sur les situations des personnes nées dans le pays, du moins au niveau global. L'immigration n'affecterait donc pas les contributions aux budgets publics des personnes originaires du pays. Deuxièmement, par rapport à ces derniers, les immigrants ont tendance à accéder plus difficilement à l'emploi après leur arrivée dans le pays d'accueil, mais aussi par la suite. Ceci pourrait indiquer qu'ils contribuent faiblement aux budgets publics durant ce laps de temps ou bien signifier que leur dépendance à l'aide sociale est plus forte.

Cependant, dans le même temps, les avantages potentiels de l'aide sociale sont contrebalancés par la difficile éligibilité des migrants à cette aide, ainsi que par d'autres barrières institutionnelles, au rang desquelles figure la discrimination. De plus, les faibles revenus salariaux des immigrants réduisent les aides qu'ils peuvent percevoir. Certaines catégories d'immigrants sont également très bien insérées sur le marché du travail et leurs situations sont comparables, voire souvent meilleures, à celles des personnes originaires du pays d'accueil. Même si certains immigrants débutent avec des salaires faibles, ils ont, avec le temps, tendance à améliorer leur situation dans le pays d'accueil. En outre, ils permettent d'accroître l'équilibre démographique dans le pays d'accueil et, par différents effets complémentaires, ils font augmenter le PIB. Les études démontrant que les flux d'immigrants sont sensibles aux avantages sociaux offerts dans les pays d'accueil sont rares. Les preuves statistiques que la plupart d'entre elles apportent sont peu convaincantes ; au mieux, elles trouvent que la générosité des aides sociales a un effet marginal sur l'afflux d'immigrants. Nous en concluons donc qu'il n'existe pas d'évidences empiriques prouvant que l'immigration pèse sur les systèmes d'aide sociale.

Dans le chapitre 3, nous examinons dans quelle mesure les immigrants sont plus ou moins susceptibles de recevoir des aides sociales par rapport aux personnes originaires du pays. Dans ce chapitre, nous comparons seulement les proportions d'immigrants et de personnes originaires du pays qui reçoivent des aides au sein des différents pays de l'UE, et cela en fonction des différents types d'aide. Ici, nous ne tenons pas compte des caractéristiques individuelles socio-économiques qui pourraient influencer la probabilité de recevoir des aides sociales. Les caractéristiques socio-économiques sont prises en considération dans le chapitre 4. Toutefois, il nous a semblé important de présenter auparavant l'information d'ensemble détaillée dans le chapitre 3. .

Nous commençons par examiner tous les types d'allocations combinés, comme les allocations chômage, maladie, invalidité et vieillesse, ainsi que celles liées à la présence d'enfants dans le ménage. Nous aboutissons au résultat selon lequel, dans les pays de l'UE, la proportion d'immigrants non européens recevant des aides est souvent plus faible que celle des personnes originaires de ces pays. Plus précisément, les proportions d'immigrants non européens bénéficiant des aides sociales sont plus faibles dans 9 pays des 19 pays pris en compte dans notre analyse. Dans 5 de ces pays, il n'existe pas de différence significative entre les proportions de bénéficiaires parmi les immigrants non européens et parmi les personnes originaires du pays d'accueil. C'est le même résultat pour les immigrants qui viennent de l'UE ; leurs proportions de bénéficiaires sont généralement plus faibles que (ou équivalentes à) celles des personnes originaires du pays.

A l'issue de l'étude de différentes catégories d'allocations, une image plus contrastée commence à émerger. Dans un grand nombre de pays, les immigrants sont plus susceptibles de recevoir des indemnités-chômage et des allocations familiales. En revanche, ils ont moins tendance à bénéficier d'allocations vieillesse ainsi que d'allocations maladie et invalidité. Le résultat le plus significatif de cette partie de l'analyse est toutefois que la probabilité de vivre dans la pauvreté est plus élevée pour les immigrants.

Dans le chapitre 4, nous examinons à nouveau les proportions de personnes recevant des allocations mais, cette fois-ci, en tenant compte de caractéristiques comme l'âge, l'éducation et la composition du ménage. Pour ce faire, nous utilisons l'analyse statistique par la régression. En effet, du point de vue de ces caractéristiques, les immigrants diffèrent significativement de la population originaire du pays. Par ailleurs, ces caractéristiques sont souvent liées à l'obtention de l'aide sociale. De ce fait, il est important de savoir si un « effet migratoire » subsiste lorsque les immigrants sont comparés à des personnes originaires du pays d'accueil qui leur sont comparables du point de vue de ces caractéristiques.

Toutes allocations confondues, la technique statistique de la régression produit un modèle général démontrant que la proportion d'immigrants recevant des aides est relativement faible lorsqu'on la compare à celle relative aux personnes originaires du pays. Le Danemark, la Finlande, l'Allemagne et la Suède sont les seuls pays où l'on observe que la proportion d'immigrants recevant des aides est supérieure (et de manière statistiquement significative). Mais, même dans ces pays, les effets résiduels ne semblent pas avoir d'impact économique important puisqu'ils vont de 1% en Allemagne à moins de 5% au Danemark.

Lorsque nous limitons notre étude aux indemnités de chômage, aux allocations associées à la maladie et à l'invalidité, nous remarquons que les proportions d'immigrants non européens bénéficiant de ces aides ne sont statistiquement plus élevées que dans 7 des 19 pays étudiés, et dans *aucun* si l'on ne considère que les chômeurs. Concernant les allocations vieillesse, nous n'avons guère trouvé de groupes dont la probabilité de recevoir ce genre d'allocations est significativement plus forte. En ce qui concerne les allocations familiales, les immigrants sont là encore moins susceptibles d'en bénéficier.

Dans le chapitre 4, comme dans le chapitre 3, nous étudions également le taux de pauvreté parmi les immigrants. Après prise en compte des facteurs socio-économiques importants, ce taux demeure plus élevé au sein des populations immigrées. Ceci conduit à s'interroger sur l'aide financière apportée et sur la façon dont les systèmes d'aide sociale européens remplissent leurs objectifs en termes de protection des populations immigrées subissant des difficultés financières sévères. Tandis que les débats publics insinuent souvent que « l'échec politique » dans ce domaine provient des aides excessives versées aux immigrants, nos résultats suggèrent que l'échec est plutôt dû au fait que les objectifs des programmes d'intégration active ne sont pas atteints.

Le chapitre 5 donne un aperçu des interactions entre l'immigration et les politiques d'aide sociale. Nous posons notamment la question de savoir si, et dans quelle mesure, les changements intervenant dans les systèmes nationaux d'allocations-chômage ont un effet sur les flux de migrants. La théorie économique suggère que les allocations chômage augmentent les revenus et réduisent leur instabilité et que, de ce fait, les immigrants pourraient être attirés par des pays dont les allocations chômages sont plus élevées.

A cette fin, nous avons recueilli des données sur l'immigration et l'aide sociale dans 19 pays européens entre 1993 et 2008. L'existence d'un lien entre les flux d'immigration et l'allocation chômage est examinée à l'aide de plusieurs techniques statistiques qui prennent en compte les conditions du marché du travail ainsi que d'autres facteurs observés et non observés dans chaque pays d'accueil. De plus, des méthodologies ad hoc sont mises en oeuvre afin de produire une relation de cause à effet inverse, selon laquelle, par exemple, l'immigration peut avoir des conséquences sur l'aide sociale.

Les résultats suggèrent que le lien de cause à effet entre l'aide sociale et l'immigration est très faible et statistiquement non significatif ; en d'autres termes, nous ne trouvons pas de preuve empirique selon laquelle l'aide sociale aurait un effet « magnétique » sur les flux de migrants. ,

Il existe cependant des indicateurs selon lesquels l'immigration contribue à augmenter les allocations chômage. Mais, cet effet est dû à un biais de composition : les immigrants sont généralement moins formés et plus soumis au chômage. Par conséquent, les politiques d'immigration sélectives peuvent jouer un rôle clé dans le contrôle de l'aide sociale et, en fin de compte, dans le processus d'intégration active des immigrants.

Le chapitre 6 contient douze études de cas qui mettent en évidence les particularités des systèmes d'aide spécifiques aux différents pays et leurs interactions avec la situation des immigrants. Ces études de cas débouchent également sur des recommandations concernant l'intégration active des immigrants. Les études de cas incluent des pays sociaux-démocrates, corporatistes, libéraux, ainsi que des pays de l'Europe du Sud et 12 pays devenus européens après l'élargissement de 2004.

L'analyse des tendances relatives à l'aide sociale observées ces dernières années produit une image assez hétérogène. Dans certains pays, les taux d'accès à l'aide sociale sont plus élevés parmi les immigrants que parmi les personnes originaires du pays d'accueil, tandis que dans d'autres pays, la tendance est inverse. De plus, le recours à l'aide sociale a rapidement augmenté dans certains pays et diminué dans d'autres. En fin de compte, il existe des différences remarquables dans le recours à l'aide sociale ; ces différences dépendent de l'origine des immigrants, et ce même après avoir pris en compte un grand nombre de caractéristiques démographiques et socio-économiques, comme le sexe et le statut familial, l'âge ou l'expérience professionnelle, l'éducation ou la durée du séjour dans le pays d'accueil.

Lorsque l'on analyse les régimes d'aide sociale des pays, il faut distinguer les différents types d'aide. Dans de nombreux cas, l'expérience professionnelle relativement courte des immigrants constitue une barrière pour obtenir une aide sociale, même si celle-ci est potentiellement généreuse. Le risque élevé de pauvreté est en partie compensé par la présence d'un système d'aide sociale. Cependant, dans plusieurs pays, cette aide est soit inappropriée, soit inexistante. En fin de compte, même si les barrières institutionnelles ne sont pas un obstacle direct à l'aide sociale, des phénomènes comme la discrimination peuvent constituer d'autres contraintes à prendre en compte.

Bien qu'il soit actuellement assez difficile de prévoir les conséquences de la récente crise économique sur les tendances de l'immigration à long terme, on peut avancer l'hypothèse que l'impact à court terme est plutôt ambigu. D'un côté, les immigrants devraient pouvoir compter sur l'aide sociale plus fortement qu'auparavant. Mais, d'un autre côté, leur mobilité entre secteurs

et zones géographiques pourrait augmenter ; ceci pourrait réduire leur accès à l'aide sociale. A l'appui de ces conjectures, il est évident qu'en moyenne, parmi les 27 pays européens, la population née à l'étranger n'a pas beaucoup changé depuis le début de la crise. Il existe bien entendu des différences entre les Etats membres, mais, à nouveau, il est probable que les immigrants soient plus exposés aux conséquences du chômage dans les pays où les réseaux d'aide comme le système public d'aide sociale sont inappropriés. De plus, la crise inquiète les groupes d'immigrants les plus marginalisés pour lesquels l'accès aux programmes d'intégration active est alors crucial. C'est lorsque les conditions économiques sont plus difficiles que la flexibilité de la main-d'œuvre immigrée prend toute son importance, un atout dans ce cas étant l'intégration des immigrants sur le marché du travail.

Les résultats clés issus des études de cas menées dans les différents pays montrent que plusieurs Etats membres mettent tout en œuvre pour favoriser l'intégration active des immigrants conformément aux recommandations de la Communauté européenne, comme l'a souligné la Commission européenne en 2008. Cependant, l'impact de ce genre de politiques en termes d'intégration sur le marché du travail et d'aide sociale ne peut être partiellement évalué sur le court terme. En outre, une leçon importante à tirer de ces 12 études est que les politiques d'aide sociale sont intimement liées aux politiques relatives à l'immigration et que l'efficacité des premières ne peut être évaluée sans prendre en compte leurs interactions avec ces dernières.

Dans le chapitre 7, nous n'abordons que brièvement les visites des cinq pays que nous avons effectuées. Le but de ces visites était de créer un forum intellectuel permettant de présenter les résultats du projet, y compris les études de cas relatives aux pays, et de les confronter à l'expertise et à l'expérience d'universitaires locaux, de politiciens, de responsables nationaux, de médecins, de représentants d'ONG et des médias. Les résultats de ces visites alimentent de nombreuses parties de ce rapport.

L'enquête d'opinion réalisée par l'IZA en 2010 est une enquête réalisée auprès de parties prenantes compétentes et de représentants des minorités dans les 27 Etats membres. Elle complète l'analyse en comparant les opinions des experts sur l'intégration sociale et sur l'insertion sur le marché du travail des minorités ethniques (cf. chapitre 8). L'enquête a permis d'identifier un certain nombre de points de vue intéressants. Premièrement, les immigrants doivent faire face à un risque croissant d'exclusion du marché du travail et des services d'aide sociale, notamment s'ils ne viennent pas d'Europe ou sont en situation irrégulière. Malheureusement, la législation antidiscriminatoire déjà en place ne permet pas d'améliorer les

situations difficiles. En particulier, l'accès aux services publics fondamentaux, comme le logement et les aides au logement, mais également à l'éducation en général et aux études universitaires en particulier, aux allocations familiales, aux allocations chômage ainsi qu'à l'aide à la recherche d'emploi par l'intermédiaire des services publics de l'emploi, notamment aux informations sur les emplois vacants et sur les formations, semble être pour le moins inaccessible aux immigrants. L'enquête montre également que, durant la crise actuelle, le rôle de ces services fondamentaux est bien plus important. Les changements les plus attendus sont ceux concernant les emplois rémunérés, l'éducation, le logement et les comportements.

Enfin, dans le chapitre 9, nous tirons les conclusions de notre étude et émettons plusieurs recommandations. Nous rappelons que le débat politique sur l'immigration et l'accès à l'aide sociale est généralement fondé sur de fausses hypothèses, notamment celles qui affirment que les immigrants ont plus souvent recours à l'aide sociale que les personnes originaires du pays. Notre travail montre que ce débat devrait admettre comme point de départ les faits suivants : l'utilisation de l'aide sociale par les immigrants est relativement faible comparativement à celle qu'en font les personnes comparables originaires du pays (malgré des taux de pauvreté élevés). La politique publique devrait donc envisager la protection sociale des immigrants et l'extension des dispositifs d'aide sociale et des services publics en leur faveur. De plus, nos résultats indiquent que les politiques d'immigration sont un facteur déterminant pour l'intégration des immigrants au sein des programmes d'aide sociale. L'argument est que c'est avant tout la composition de la population immigrée qui aide celle-ci à recourir à l'aide sociale et à s'intégrer dans les dispositifs d'assistance et dans les systèmes de services sociaux. Cette intégration devrait avoir par la suite des conséquences sur la viabilité du système public d'aide sociale.

Ce point de vue semble être un prérequis à la mise en œuvre d'un ensemble de politiques générales qui permettraient aux immigrants d'obtenir des situations sociales et économiques témoignant de leur intégration totale et de leur participation à la vie économique et sociale de la société d'accueil. Ce type de recommandation concerne également la mise en place d'une législation antidiscriminatoire efficace et une gestion des comportements vis-à-vis des immigrants. L'Europe devrait activement soutenir l'immigration et l'adaptation de la main-d'œuvre par la création d'opportunités sur le marché du travail. L'Europe doit en particulier améliorer sa capacité à attirer les immigrants qualifiés. Ceci suppose qu'elle améliore son image en vue de devenir la destination privilégiée des immigrants hautement qualifiés. Des dispositifs



de sélection positive, comme le système des points du RU ou la carte bleue européenne, sont de ce point de vue des propositions très intéressantes.

Mais il existe d'autres politiques favorisant l'intégration des immigrants sur le marché du travail. Ces politiques devraient viser à améliorer l'éducation, la formation et les compétences linguistiques des immigrants, ainsi que la reconnaissance simplifiée des qualifications étrangères, l'accès aux emplois du secteur public et la diffusion efficace des informations concernant le marché du travail. Les crèches, les garderies, les jardins d'enfants et toutes les écoles devraient être accessibles aux enfants d'immigrants (même en situation irrégulière). Le logement et l'accès au crédit sont d'autres secteurs importants qui méritent l'attention. Enfin, la collecte des données, le contrôle et les mécanismes d'évaluation sont absolument nécessaires en vue d'assurer l'apprentissage et la diffusion des bonnes pratiques en matière d'intégration active.

## **Kurzdarstellung**

Diese Studie stellt der Europäischen Kommission (i) ein Gutachten über die wichtigsten Entwicklungen der Situation von Migranten in Bezug auf soziale Unterstützung und Zugang zu sozialen Sicherungssystemen, (ii) eine eingehende Analyse der wichtigsten Bestimmungsgrößen dieser Trends sowie (iii) eine umfassende Berücksichtigung der Wechselwirkung von Migrationspolitik und der weit gefassten Sozialpolitik zur Verfügung.

Um diese Ziele zu erreichen, sind entlang einer Vielzahl von Dimensionen unter Einbeziehung einer breiten Palette von verfügbaren Ressourcen Forschungsarbeiten durchgeführt worden. Wir verwenden EU-weit vergleichbare Mikrodaten (EU-SILC), um sowohl deskriptive als auch analytische Beurteilungen bereitzustellen, in welcher Weise Migranten - im Verhältnis zu Einheimischen - soziale Unterstützungsleistungen in allen Mitgliedsstaaten der Europäischen Union (im Folgenden als EU bezeichnet) beziehen. Wir verwenden ferner für diesen Zweck ausgerichtete Daten auf Makro-Ebene, um zu beurteilen, ob Unterschiede in der Sozialpolitik Einfluss auf die Zusammensetzung der Migranten haben, die in die verschiedenen Länder einwandern.. Um die Erkenntnisse aus der breit angelegten Untersuchung auf länderübergreifender Ebene zu ergänzen, wurden länderspezifische Studien durchgeführt. Aufgrund von Datenbeschränkungen war eine eigene, auf diesen Zweck ausgerichtete Expertenbefragung erforderlich, um die Hindernisse bei der Eingliederung, mit denen Migranten in den Aufnahmestaaten konfrontiert werden, genauer bewerten zu können. Weitere Erkenntnisse konnten durch Besuche der einzelnen Länder und persönliche Interaktionen mit den involvierten Akteuren gewonnen werden.

In Abschnitt 1 definieren wir Migration, die sowohl EU-interne Mobilität als auch die internationale Bewegung von Menschen in die EU abbildet. Wir unterscheiden zwischen verschiedenen Bevölkerungsgruppen mit einem weit gefassten Migrationshintergrund, einschließlich im Ausland geborener Personen, Personen mit im Ausland geborenen Eltern oder Großeltern, Personen mit ausländischer Staatsangehörigkeit oder ausländischer Herkunft. Aktive Eingliederung bezeichnet den Kampf gegen Armut und soziale Ausgrenzung von gefährdeten Gruppen der Gesellschaft und beinhaltet: (i) angemessene Einkommenssicherung, (ii) integrative Arbeitsmärkte (iii) Zugang zu qualitativ hochwertigen (Sozial-)Leistungen.

Wie in Abschnitt 2 zusammengefasst, lassen die vorhandenen Erkenntnisse zu den Auswirkungen der Einwanderung auf die Arbeitsmärkte der Aufnahmestaaten und die

Anpassung der Migranten keine eindeutigen Schlüsse über die Auswirkungen der Einwanderung auf die Nachhaltigkeit von Fürsorgeleistungen zu. Es hat zunächst den Anschein, dass sich die Arbeitsmärkte recht gut an die Einwanderung anpassen und offenbar gibt es, zumindest auf Gesamtebene, keine starken Auswirkungen auf die Erfolge von Einheimischen am Arbeitsmarkt. Demnach scheint Einwanderung die Beiträge von Einheimischen zu den öffentlichen Haushalten nicht negativ zu beeinträchtigen. Zweitens neigen Migranten im Vergleich zu Einheimischen dazu, zum Zeitpunkt der Einreise und für einige Zeit danach unterdurchschnittliche Erfolge am Arbeitsmarkt vorzuweisen. Dies könnte auf geringere Beiträge zu den öffentlichen Haushalten in diesem Zeitraum oder auf ihre größere Abhängigkeit von Sozialleistungen schließen lassen.

Gleichzeitig werden jedoch die Transfereinkünfte durch restriktive Anspruchsberechtigungen sowie institutionelle oder andere Hindernisse, einschließlich Diskriminierung, gemindert. Darüber hinaus mindern die niedrigeren Einkommen von Migranten deren einkommensabhängige Transfereinkünfte. Ferner sind einige Migrantenkategorien in der Tat sehr stark im Arbeitsmarkt eingebunden, wobei deren Arbeitsmarkterfolge mit denen von Einheimischen vergleichbar, und häufig sogar besser sind. Und auch wenn Migranten mit unterdurchschnittlichen Erfolgen am Arbeitsmarkt beginnen, so neigen sie dazu, mit der Zeit ihre Situation im Aufnahmestaat zu verbessern. Außerdem zeigt sich, dass Migranten das demographische Gleichgewicht eines Landes tendenziell verbessern und durch verschiedene Beiträge das BIP erhöhen. Wenige Studien lassen den Schluss zu, dass Migranten durch Sozialleistungen angezogen werden. Die statistischen Belege in den meisten Studien sind jedoch schwach oder deuten auf eine lediglich marginale Bedeutung für die Magnetwirkung großzügiger Sozialleistungen auf einen Zustrom von Migranten hin. Daher können wir den Schluss ziehen, dass es zunächst keine Belege gibt, dass Einwanderung eine Belastung für die Sozialsysteme darstellt.

Unser Ziel in Abschnitt 3 ist es herauszufinden, in welchem Ausmaß es mehr oder weniger wahrscheinlich ist, dass Migranten im Verhältnis zu Einheimischen Sozialleistungen erhalten. In dem Abschnitt vergleichen wir das Verhältnis von Migranten und Einheimischen, die in den einzelnen Ländern verschiedene Arten von Unterstützungsleistungen erhalten. Dabei versuchen wir, andere sozio-ökonomische Merkmale, die die Wahrscheinlichkeit für den Erhalt von sozialen Unterstützungszahlungen beeinflussen können, nicht zu berücksichtigen. Diese Merkmale werden erst in der Analyse in Abschnitt 4 berücksichtigt, aber es ist zunächst wichtig, die grundlegenden Zusammenhänge in Abschnitt 3 darzustellen. .

Wir beginnen mit der kombinierten Untersuchung aller Zahlungsarten, d.h. Arbeitslosigkeits-, Krankheits-, Invaliditäts- und Alterszahlungen sowie Leistungen im Zusammenhang mit Kindern. Wir finden heraus, dass Migranten aus Nicht-EU-Ländern im Verhältnis zu Einheimischen länderübergreifend typischerweise niedrigere Leistungen erhalten. Von den 19 untersuchten Ländern sind die Leistungen (statistisch) für Nicht-EU-Migranten in neun Ländern geringer. In weiteren fünf Ländern gibt es keinen statistisch signifikanten Unterschied zwischen den Leistungen für Nicht-EU-Migranten und Einheimische. Ein ähnliches Muster gilt für EU-Migranten, bei denen geringere oder statistisch gleichwertige Leistungen häufiger vorkommen.

Wir prüfen anschließend einzelne Zahlungsarten, wobei sich ein eher gemischtes Bild ergibt. In einer Vielzahl von Ländern erhalten Migranten häufiger Arbeitslosenunterstützung bzw. familienbezogene Zahlungen. Allerdings ist es weniger wahrscheinlich, dass sie Altersleistungen oder Zahlungen bei Krankheit und Behinderung erhalten. Das eindeutigste Ergebnis aus diesem Teil der Analyse ist die größere Wahrscheinlichkeit, dass Migranten von Armut betroffen sind.

Im Abschnitt 4 betrachten wir erneut die relativen Unterstützungsleistungen - diesmal unter Berücksichtigung von Merkmalen wie Alter, Bildung und Familienzusammensetzung - in einer Regressionsanalyse. Da sich Migranten von der einheimischen Bevölkerung in allen diesen Merkmalen unterscheiden und da diese Merkmale oft im Zusammenhang mit Unterstützungsleistungen stehen, gilt es zu untersuchen, ob ein „Migranten-Effekt“ erhalten bleibt, wenn Migranten mit vergleichbaren Einheimischen analytisch verglichen werden.

Wenn man alle Zahlungen kombiniert, zeigen die Regressionen das allgemeine Muster, dass Migranten im Verhältnis zu vergleichbaren Einheimischen geringere Unterstützungsleistungen erhalten. Dänemark, Finnland, Deutschland und Schweden sind die einzigen Länder, in denen bei Migranten höhere (und statistisch signifikante) Unterstützungsleistungen beobachtet werden. Doch selbst in diesen Ländern erscheinen diese Unterschiede in einem Bereich von 1 Prozent in Deutschland bis knapp 5 Prozent in Dänemark wirtschaftlich nicht bedeutend.

Bei Berücksichtigung der Unterstützungsleistungen im Fall von Arbeitslosigkeit, Krankheit und Behinderung stellen wir fest, dass die Rate der Inanspruchnahme dieser Leistungen durch Migranten aus Nicht-EU Staaten nur in 7 der 19 untersuchten Länder statistisch signifikant höher ausfällt. Es gibt in keinem der untersuchten Länder einen

signifikanten Unterschied in Hinblick auf die Inanspruchnahme der Unterstützungsleistung bei Arbeitslosigkeit. Bei den Altersleistungen sind kaum Migrantengruppen zu finden, bei denen sich eine größere Wahrscheinlichkeit für den Erhalt solcher Zahlungen zeigt. Weiterhin ist es weniger wahrscheinlich, dass Migranten familienbezogene Leistungen erhalten.

Im Abschnitt 4 betrachten wir - wie in Abschnitt 3 - auch die Häufigkeit von Armut unter Migranten, wobei sich erneut ein eindeutiges Muster eines höheren Armutsrisikos bei Migranten ergibt, wenn für relevante sozioökonomische Faktoren kontrolliert wird. Dies wirft insbesondere Bedenken hinsichtlich der Einkommenssicherung auf und in welchem Umfang europäische Sozialsysteme die Ziele umsetzen können, Migranten vor ernststen finanziellen Schwierigkeiten zu schützen. Während die öffentliche Debatte vermuten lässt, dass das „Versagen der Politik“ in diesem Bereich in zu hohen Sozialleistungen für Migranten besteht, legen unsere Ergebnisse nahe, dass sich jedwedes Versagen der Politik im Nichterreichen der Ziele im Rahmen der aktiven Eingliederungsagenda ausdrückt.

Abschnitt 5 liefert Erkenntnisse über die Wechselwirkung zwischen Einwanderung und Sozialpolitik. Insbesondere untersuchen wir, ob und wie Veränderungen bei den Ausgaben für Arbeitslosenunterstützung der Länder Einfluss auf die Einwanderung haben. Theoretischen Überlegungen zufolge erhöht eine generöse Arbeitslosenunterstützung die erwarteten Einkünfte und verringert deren Volatilität und somit werden Migranten von Ländern angezogen, in denen die Arbeitslosenunterstützung großzügiger ausgestaltet ist.

Zu diesem Zweck haben wir für den Zeitraum von 1993 bis 2008 Daten aus 19 europäischen Ländern zu Einwanderung und Sozialausgaben gesammelt. Unter Verwendung mehrerer statistischer Methoden, in denen für Arbeitsmarktbedingungen sowie andere beobachtete bzw. nicht beobachtete Faktoren im Gastland kontrolliert wird, wird ein etwaiger Zusammenhang zwischen Zuwanderung und Arbeitslosenunterstützung untersucht. Darüber hinaus werden Ad-hoc-Methoden implementiert, die sich mit einem möglichen umgekehrten Kausalzusammenhang befassen, d.h. dass Einwanderung unter Umständen die jeweiligen Sozialausgaben beeinflussen könnte.

Die Ergebnisse legen nahe, dass die kausale Wirkung zwischen Sozialausgaben und Einwanderung sehr klein und statistisch nicht signifikant ist. Mit anderen Worten gibt es keine Hinweise auf eine „Magnet-Wirkung des Sozialstaates“. Gleichzeitig gibt es jedoch Hinweise, dass Einwanderung zu höheren Auszahlungen von Arbeitslosenleistungen beiträgt. Dieser Effekt ist jedoch eine Folge der Selbstselektion von Migranten, die in der Regel weniger gut ausgebildet

und somit einem höheren Arbeitslosigkeitsrisiko ausgesetzt sind. Daher könnte eine selektive Einwanderungspolitik bei der Kontrolle der Sozialausgaben und möglicherweise beim Prozess einer aktiven Eingliederung von Migranten eine Schlüsselrolle spielen.

In Abschnitt 6 werden Fallstudien aus zwölf Ländern vorgestellt, um die Besonderheiten der landesspezifischen Sozialsysteme und deren Wechselwirkungen mit der Situation von Migranten zu erläutern sowie um auf dieser Grundlage Handlungsempfehlungen für die aktive Eingliederung von Migranten abzuleiten. Die Fallstudien umfassen sozialdemokratische, korporatistische und liberale Länder sowie südeuropäische und EU-12-Länder (nach der Erweiterung von 2004).

Die Analyse der Entwicklungen der Sozialleistungen in den letzten Jahren zeigt ein inhomogenes Bild. In einigen Ländern ist die Inanspruchnahme von Sozialleistungen bei Migranten höher als bei Einheimischen, während in anderen Ländern das Gegenteil der Fall ist. Darüber hinaus steigt die Inanspruchnahme von Sozialleistungen in einigen Ländern sehr schnell und ist in anderen rückläufig. Schließlich gibt es je nach Herkunft der Migranten, selbst nach der Prüfung einer Vielzahl von demographischen und sozioökonomischen Merkmalen, wie beispielsweise Geschlecht und Familienstand, Alter oder Berufserfahrung, Bildung oder Beschäftigungsdauer im Aufnahmestaat, bemerkenswerte Unterschiede beim Beziehen von Sozialleistungen.

Eine notwendige Unterscheidung bei der Analyse der Sozialsysteme in den einzelnen Ländern ist deren beitragsbasierte Ausgestaltung. In vielen Fällen ist die relativ kurze Beschäftigungsdauer von Migranten ein Hindernis für die Inanspruchnahme von Sozialleistungen, auch wenn die Sozialleistungen großzügig ausgestaltet sind. Das daraus resultierende höhere Armutsrisiko wird teilweise durch eine vorhandene Sozialhilfe ausgeglichen. In mehreren Ländern ist die Sozialhilfe jedoch entweder unzureichend oder nicht vorhanden. Auch wenn institutionelle Hindernisse kein direktes Hindernis für den Zugang zu Sozialleistungen darstellen, so gibt es letztendlich doch Hinweise auf andere praktische Hemmnisse, wie z.B. Diskriminierung.

Obwohl es derzeit sehr schwierig ist, die Auswirkungen der jüngsten Wirtschaftskrise auf die langfristigen Einwanderungsentwicklungen vorherzusagen, so kann doch spekuliert werden, dass die Auswirkungen auf kurze Sicht eher ungewiss sind. Einerseits könnten Migranten stärker als vor der Krise auf Unterstützungsleistungen angewiesen sein, andererseits sind sie in vielen Bereichen und geografischen Gebieten mobiler. Dies könnte das Beziehen von Sozialleistungen

im Vergleich mit Einheimischen verringern. Diese Vermutungen werden durch die Beobachtung gestützt, dass sich der Bestand der im Ausland geborenen Bevölkerung in allen 27 EU-Ländern im Durchschnitt seit Beginn der Krise nicht wesentlich verändert hat. Natürlich gibt es Unterschiede zwischen den einzelnen Mitgliedstaaten – und erneut ist es eher wahrscheinlich, dass Migranten in solchen Ländern, in denen die sozialen Sicherungssysteme, wie beispielsweise Sozialhilfe, unzureichend sind, den negativen Folgen von Arbeitslosigkeit ausgesetzt sind. Außerdem bereitet die Krise besonders den äußersten Randgruppen der Migranten Sorge, für die der Zugang zu aktiven Eingliederungsprogrammen von entscheidender Bedeutung ist. Ausgerechnet in Zeiten widriger wirtschaftlicher Bedingungen zeigt sich, dass die Flexibilität von zugewanderten Arbeitskräften von größtem Wert ist. Dennoch ist die Integration von Migranten in den Arbeitsmarkt weiterhin von entscheidender Bedeutung.

Die Erkenntnisse aus den Fallstudien der einzelnen Länder zeigen, dass in zahlreichen Mitgliedstaaten die Bemühungen zur Umsetzung einer aktiven Eingliederung von Migranten im Sinne der Empfehlungen der Europäischen Kommission (2008) deutlich werden. Trotzdem können die Auswirkungen einer solchen Politik in Bezug auf die Integration in den Arbeitsmarkt und die Sozialausgaben nur kurzfristig und nur teilweise beurteilt werden. Darüber hinaus hat sich als wichtige Erkenntnis aus den 12 Studien gezeigt, dass die Sozialpolitik eng mit der Einwanderungspolitik verflochten ist. Die Leistungsfähigkeit der Sozialpolitik kann nicht ohne Berücksichtigung ihrer Wechselwirkung mit der Einwanderungspolitik beurteilt werden.

In Abschnitt 7 berichten wir kurz über die Besuche der fünf Länder. Diese dienten dem Zweck, ein intellektuelles Forum zu schaffen, in dem die Ergebnisse des Projekts, einschließlich der jeweiligen Länderfallstudien, vorgestellt und kritisch vor dem Hintergrund der Sachkenntnis und Erfahrung örtlicher Wissenschaftler, politischer Entscheidungsträger, nationaler Beamte, Ärzte, Vertreter von Nichtregierungsorganisationen und Medien bewertet werden. Die Erkenntnisse aus diesen Besuchen sind darüber hinaus in viele Abschnitte dieses Berichts eingeflossen.

Die IZA-Expertenumfrage 2010 - eine Umfrage, die unter den sachkundigen Akteuren und Vertretern von Minderheiten in den 27 EU-Mitgliedstaaten durchgeführt wurde - ergänzt die Analyse um Meinungen von Experten über die soziale und arbeitsmarktbezogene Eingliederung ethnischer Minderheiten (siehe Abschnitt 8). Die Umfrage liefert eine Reihe interessanter Erkenntnisse. Zunächst zeigt sich, dass Migranten mit einem schwerwiegenden und zunehmenden Risiko konfrontiert sind, aus dem Arbeitsmarkt und den Sozialleistungen

ausgegrenzt zu werden, insbesondere, wenn sie nicht aus der EU stammen oder illegal eingereist sind. Leider hat es den Anschein, dass die gegenwärtigen Antidiskriminierungsgesetze diese schwierige Situation nicht hinreichend mildern können. Der Zugang zu Hilfeleistungen, Unterkunft und Wohngeld, aber auch Bildung im Allgemeinen und Hochschulausbildung im Besonderen, Familien- und Kindergeld, Arbeitslosengeld sowie Unterstützung durch die Arbeitsagenturen, so etwa Informationen über Stellenangebote und Ausbildungsplätze, geht, scheint für Migranten am wenigsten zugänglich zu sein. Die Umfrage zeigt auch, dass in der aktuellen Krise die Rolle von Hilfeleistungen immer wichtiger wird. Die wünschenswertesten Veränderungen betreffen bezahlte Beschäftigung, Bildung, Wohnen und Einstellungen.

Schließlich werden in Abschnitt 9 Schlussfolgerungen und Empfehlungen für die Politik abgeleitet. Wir argumentieren, dass die politische Debatte über Migranten und deren Inanspruchnahme von Sozialleistungen in der Regel auf der falschen Annahme beruht, dass Migranten häufiger als Einheimische Sozialleistungen beziehen. Unsere Arbeit zeigt, dass der Ausgangspunkt für die Debatte sein sollte, dass Migranten im Vergleich zu vergleichbaren Einheimischen (trotz der höheren Armutsquoten) in verhältnismäßig geringerem Maße Sozialleistungen beziehen. Daher sollte die politische Diskussion sich mit dem sozialen Schutz von Migranten und der Ausweitung der sozialen Unterstützungs- und Hilfsleistungen befassen. Darüber hinaus zeigen unsere Ergebnisse, dass die Einwanderungspolitik ein wichtiger Bestimmungsfaktor für die Eingliederung von Migranten in die sozialen Hilfeprogramme ist. Das Argument ist, dass es in erster Linie die Zusammensetzung der Migrantenbevölkerung ist, die die Inanspruchnahme von Unterstützungsleistungen und die Eingliederung in Sozialhilfe und Sozialleistungen bestimmt. Diese Zusammensetzung wird jedoch wesentlich von der jeweiligen Einwanderungspolitik bestimmt. Insgesamt sind dadurch auch Auswirkungen auf die Nachhaltigkeit der sozialen Sicherungssysteme festzustellen.

Offenbar gibt es Bedarf für eine Reihe von generellen Richtlinien, die es Migranten ermöglichen, soziale und ökonomische Erfolge im Sinne einer vollständigen Integration und Teilhabe am gesellschaftlichen und wirtschaftlichen Leben der Aufnahmegesellschaft zu erzielen. Dazu gehören effektive Antidiskriminierungsgesetze und die Beeinflussung der Einstellungen gegenüber Migranten. Europa sollte Zuwanderung aktiv steuern und eine erfolgreiche Eingliederung der Arbeitnehmer mit guten Aussichten am Arbeitsmarkt fördern. Vor allem muss Europa seine Fähigkeit verbessern, qualifizierte Wirtschaftsmigranten anzulocken. Dazu gehört auch, das Image als Zuwanderungsziel bei den potenziellen



hochqualifizierten Migranten zu verbessern. Instrumente für eine positive Auswahl, wie beispielsweise das britische Punkte-System oder die Blue Card der EU, sind nützliche Ausgangspunkte für weitere Schritte.

Um die Integration von Migranten in den Arbeitsmarkt zu gewährleisten, sind weitere Maßnahmen erforderlich, beispielsweise zur Verbesserung der Bildung, der Ausbildung und der Sprachkenntnisse von Migranten. Des Weiteren ist eine vereinfachte Anerkennung von ausländischen Abschlüssen, ein uneingeschränkter Zugang zu Arbeitsplätzen im öffentlichen Dienst sowie eine effiziente Verbreitung von Informationen über den Arbeitsmarkt unter den Migranten anzustreben. Kindertagesstätten, Krippen, Kindergärten und alle Arten von Schulen müssen (auch rechtswidrig ansässigen) Migrantenkindern zugänglich sein. Der Wohnungsmarkt und der Zugang zu Krediten sind weitere wichtige Bereiche, die Aufmerksamkeit verdienen. Schließlich ist die Datenerfassung sowie Überwachungs- und Evaluierungsmechanismen unverzichtbar, um bewährte Praktiken zur aktiven Eingliederung zu identifizieren und darüber zu informieren.

## **1. Introduction**

Migrant welfare receipt has been a controversial issue for many decades in Western welfare states. Yet the issue remains poorly informed, particularly among the public, in most receiving countries. It is widely assumed that migrants take advantage of the host state's welfare benefits, which Borjas (1999) coins the "magnet effect" of welfare generous countries. In Europe analysis of migrant welfare use has evolved since 2000 within the context of enhancing the social protection agenda and economic integration of migrants in an enlarged EU. Indeed, the prevailing disparity in the accessibility and the use of a broad range of social services between the native and the migrant populations has been a major socio-economic challenge to many EU Member States. The social exclusion of immigrant populations as a result of limited access to social services continues to conflict with the core values and social protection agenda of the EU.

The importance of the link between migrants and welfare policies in Europe has increased with the growing number of migrants in Member States. Today the enlarged EU-27 is home to 43 million foreign-born individuals, of which nearly 30 million are non-citizens of their host countries. (Eurostat, 2008). Given the growing dynamics of the European labour migration system, a thorough examination of the welfare-immigration interaction within the EU is vital.

This study provides comprehensive analysis of the welfare and immigration relationship in Europe, covering the 27 EU Member States. In so doing, we also examine migrants' accessibility to various social services available in the host welfare states, which allows us to evaluate further the influence of welfare generosity on immigration and migrant economic integration in Europe. The objective of this study is to provide the European Commission with (i) an expert assessment

of the main trends in the situation of migrants with regard to social assistance and access to social services, (ii) an in-depth analysis of the main determinants of these trends, and (iii) a comprehensive account of the mutual interaction of migration policies and social assistance policies.

In order to achieve these objectives, research along a number of dimensions and involving a broad range of available resources has been conducted. We use European Union-wide comparable micro-data (EU-SILC) to provide both descriptive and analytical assessments of how social assistance is used by migrants, relative to natives, across all European Union (hereafter EU) Member States. We also use a purpose-made macro-level data to assess whether differences in welfare policies influence the nature of the migrants entering different countries. Country-specific studies have been conducted to supplement the findings from the broader trans-national level. The limitations of available secondary data necessitated an own purpose-made Expert Opinion Survey to more precisely evaluate the barriers to inclusion that migrants face in host countries. Further insights have been obtained through country visits and interactions with stakeholders.

### ***1.1 The conceptual background***

Before presenting our empirical analysis, it is necessary to understand the terminology and definitions which we use as a conceptual framework in our study of the active inclusion of migrants. We are aware that there are many terms which are widely used in the welfare and immigration literature at the international level, yet without a clear-cut distinction of the

conceptual and operational differences that prevail in the different geo-political and institutional contexts such as the US and the EU. Most salient examples of such terms include “migration” (migrants) and “social security”.

Migration in this study denotes both intra-EU mobility and the international movement of people into the EU. In that sense we consider migrants as “prospective” permanent settlers thus using the terms “migrants” and “immigrants” interchangeably, although we prefer the term “migrant” in most instances. Yet given the prevalence of intra-regional migration in the EU that includes a substantial proportion of migrants originating from an EU Member State, the study also makes a distinction between EU and non-EU (im)migrants. The latter migrant population, which is also known as “third-country nationals” in the EU legal framework, specifically refers to individuals born in countries outside the EU. As migrant integration is a dynamic process not only from the perspective of a given individual but also across generations, we make a further distinction between various populations of migrants: foreign-born, foreign-born parents or grandparents, or foreign ethnic origin. The distinction between these definitions is particularly clear when we examine the disparate position and needs of such populations in various institutional settings in their host countries. The IZA Expert Opinion Survey for example frequently employs the more specific terms like ethnic minority migrants along with those generic terms (migrants, immigrants, foreign-born populations — used in international migration statistics) for questions, where an emphasis of the de-jure differences between EU and non-EU migrants is required.

The term social security in our study is used in a broad context of state welfare benefits, as social security benefits in the European welfare system is provided in various forms of public

assistance which serve to meet the basic needs and social protection of all vulnerable individuals, including legal migrants. This is in contrast to the US, where social security refers to a social insurance programme that the federal government generates through payroll taxes for the elderly and the disabled (see Fix, 2009). Given the broad scope of social security that the EU welfare states offer, our study considers the non-contributory benefits of social security and public social assistance analogous to each other — while these two are differentiated from the contributory benefits of social insurance.

Recognising the notional and operational differences between social assistance and social insurance is particularly important to the empirical analysis of our study. Social assistance in the EU covers “non-contributory” benefits of the state that are offered mainly in the two forms: 1) universal security benefits and 2) need-orientated security benefits, which refer to employment status-based and means-tested benefits, such as unemployment assistance and housing benefits. The OECD (2007) defines social assistance as a non-contributory basic income support scheme which provides flat-rate amounts to individuals in need regardless of their employment records and previous earnings.

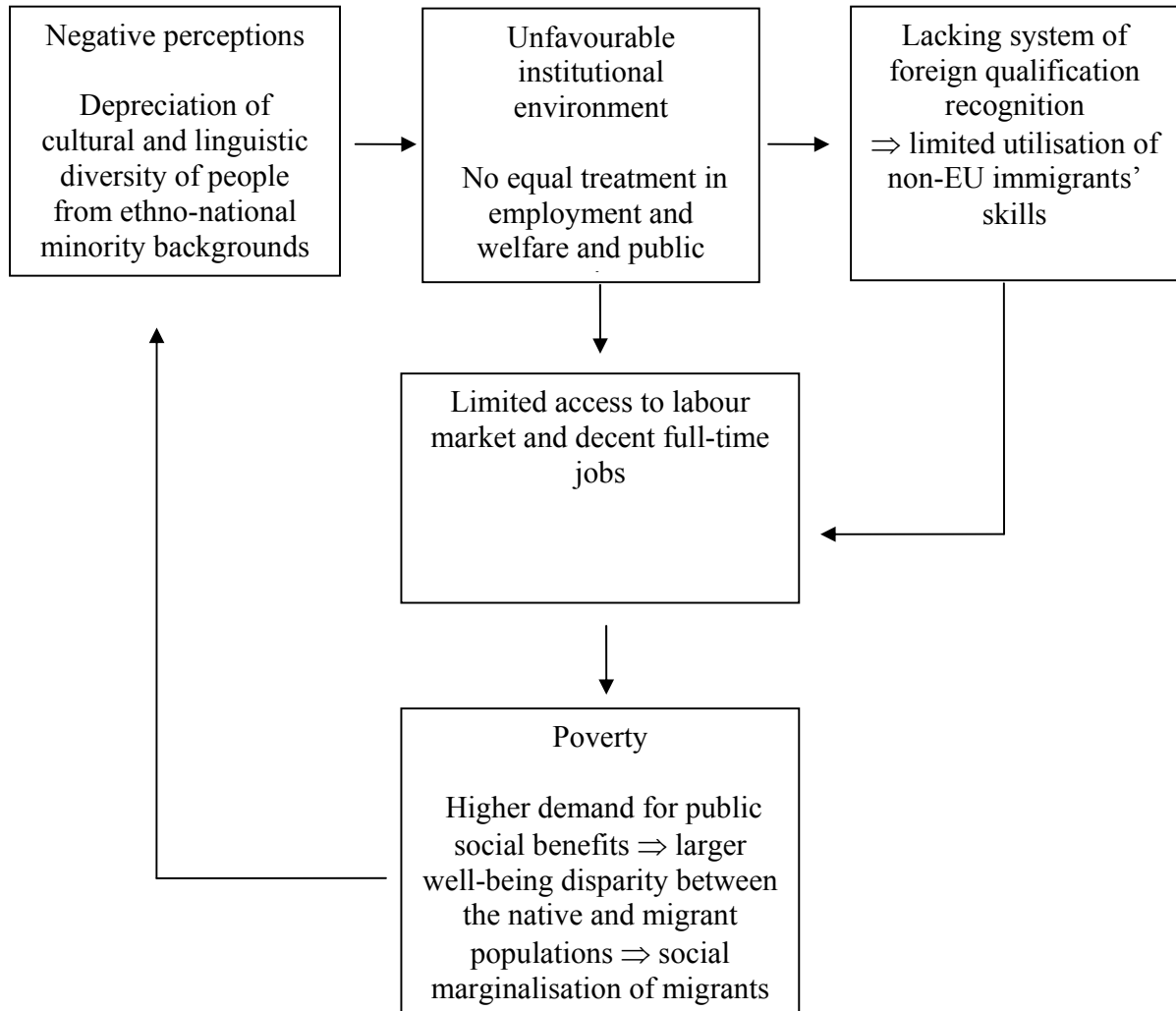
By contrast, social insurance denotes contribution-based benefits of the welfare system which is limited to “unemployment insurance” benefits. Contribution to social insurance (or social insurance payment) is compulsory for those in employment in the Member States — except in Denmark, Finland and Sweden. Our empirical analysis employs the OECD defined, international standard definitions of social (public) assistance and social insurance regardless of the different

statutory nature (i.e. compulsory vs. optional) of the contributory welfare benefits among the Member States.

It is important to note that accessibility of the foreign population to public assistance is conditional on their legal (immigration) status in their host state. Thus, like most empirical studies of migrants, our study primarily explores the experience of legal (documented) migrants. While we are aware that there are a wide variety of problems that diverse groups of migrant minority members confront across the Member States, which include both old and new receiving countries, our study focuses on a range of institutional barriers that are of particular policy concerns at the EU level. Those barriers are embedded in various dimensions of the host societies — namely economic, social, and cultural institutional settings. Yet many of them exist in the form of the unfavourable institutional and environmental settings rather than overt discriminations and are difficult to pin down clearly. Of particular importance, such negative social climate (perception) is believed to be the source of the “evil cycle of migrant marginalisation” in most major receiving countries of the EU, leading to labour market exclusion and poverty of migrants (see, for example, Constant, Kahanec and Zimmermann, 2009).

Figure 1.1

The mechanism of migrant exclusion



Although we are aware that the share of undocumented migrants among the total foreign population and their social exclusion in the Member States are believed to be a salient challenge to the EU, our analysis of the undocumented migrant's experience is limited given the data scarcity. The fact that most Member States choose not to operate amnesty (regularisation) programmes partly explains the practical difficulty of obtaining a reliable figure and information on the conditions of undocumented foreign residents in the EU. At the OECD level, irregular

immigration is estimated to account for 10–15 per cent of the total foreign population (Hatton and Williamson, 2005). While our study is also constrained by the scarcity of data on undocumented migrants in the Member States, we try to address the social inclusion issue for the formally invisible, undocumented migrants as well as through the more qualitative investigation of our Expert Opinion Survey. By combining the analyses of macroeconomic databases (i.e. OECD, Eurostat Labour Force Survey) and the Expert Opinion Survey, our study contributes to locating the labour-market-tied social exclusion problem of migrant minorities, which appears as one of the largest and trickiest challenges to the “active inclusion” agenda of the EU.

### ***1.2 The EU active inclusion strategy***

The foreign-born workforce in the EU is often concentrated in the low-wage labour market. Thus migrants are more likely to live at risk of poverty than natives.<sup>2</sup> This persistent disparity in the material well-being implies a contentious position of migrants: namely a high likelihood of social exclusion of migrant populations in the Member States.

According to Article 34 of the EU Charter of Fundamental Rights, which delineates regulations on social security and social assistance, *foreigners legally residing within the European Union are entitled to social security and social services*. A more recent treaty emphasises the Community’s specific commitment to the support of the activities of Member States for integrating those excluded from the labour market (see Article 137 (1) in European Commission, 2008).

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<sup>2</sup> Poverty refers to “below 60 per cent of the national median household income”.



Active inclusion in the European Commission (EC) policy context means the fight against poverty and social exclusion of society's vulnerable groups (European Commission, 2008; European Parliament Resolution, 2009). In the context of migrant inclusion, focus is given to the social policies that promote the mobilisation of an "able" migrant workforce by ensuring their access to the labour market and social services of the Member States, which are in turn to facilitate the integration of migrants. The active inclusion strategy of the EU also includes ensuring a decent standard of living for those vulnerable migrants outside the labour market, by providing them with adequate social and housing assistance, as is widely stated in EU law. By means of the open method of coordination, Member States are encouraged to design and implement an integrated comprehensive strategy for the active inclusion of people excluded from the labour market by combining (i) adequate income support, (ii) inclusive labour markets, and (iii) access to quality (social) services.

Our study aims to address specific concerns and needs of the EC regarding issues of social protection and social inclusion of migrant minorities in the Member States. A key concern is locating a wide range of barriers which foreign migrant minorities confront to participate in the labour market and integrate into society in the EU. The barriers involve institutional, social and cultural elements of discrimination, all of which undermine equal opportunities of people from an ethno-national minority background. In line with the EC's "active inclusion" policy agenda, we focus on the issues that are considered to be both causes and consequences of the exclusion of migrant minorities from the labour market and their social exclusion.

Given the wide range of challenges to the active inclusion agenda of the EC, our study seeks to address both economic and socio-cultural barriers faced by migrants. Addressing the multi-dimensional barriers that migrant populations in the Member States confront further allows us to evaluate and envision EU-level strategies to tackle the long-standing barriers. The core elements of these strategies comprise of what may be defined as “enabling services”. Enabling services, in the EU active inclusion policy context, refer to a range of institutional arrangements which serve to actively promote and ensure equal access of the migrant workforce to core institutions of the host state. The scope of the institutions for migrant inclusion includes not only the labour market, but a wider range of public service-related institutions such as health care centres, and educational institutions for children and adults. While there is a wide array of integration issues which matter to each host state — as illustrated in the Handbook on Integration for Policy-makers and Practitioners (European Commission, 2010) — those areas of enabling services which are most pressing and imminent at the EU level may include the following:

- (a) Wider and fair access to naturalisation for permanent settlers from non-EU states.
- (b) Provision of job centre information, such as job vacancies for each skill level, and receiving unemployment assistance in languages other than the majority one of the host society.
- (c) Translation of information and practical guidelines of the anti/non-discrimination legislation and the welfare law (of each Member State) into minority languages to raise migrant minorities’ awareness of the equal opportunities and to enable them to access public services.

- (d) Inclusion of migrant family and women to child care benefits including public-funded day care centres to boost and aid labour market participation of female migrant workforce
- (e) Support of migrant children for better performance and integration in schools.
- (f) Wider recognition of foreign qualifications and skills of migrant workforce particularly from non-EU countries.
- (g) Broadening skill training opportunities to enhance labour market integration of migrant workforce who may need re-qualification in the relevant host state and sectors.
- (h) Easier access to wider bank services; fewer visa-related restrictions on the issue of credit cards and loans

These elements of active inclusion of migrants are among those that we aim at analysing in this study. To overcome some severe data limitations, we adopt a multilevel interdisciplinary approach and use a number of various data sources to triangulate the key properties of the relationships governing active inclusion of migrants in the EU.

The concept of active inclusion is intimately intertwined with the size of the welfare system. In this project social assistance and other social supports are conceived as “enabling services” in that they are a form of social investment to improve the labour market prospects of migrants. In effect, through migrant integration they should lead to lower — and not higher — claims on public funds. Hence, higher welfare take-up rates do not necessarily represent an extra fiscal burden for the state if the current as well as future claims are considered. They do so only if the welfare system does not achieve its aim of actively including (i.e. integrating) migrants in the

labour market. As a corollary, this also calls for a cautious interpretation of lower take-up rates: these might reflect the fact that migrants are already integrated and do not need welfare; but it could also be that they face barriers in accessing enabling services and as a result may end up marginalised and on welfare dependency. In each section it is important to carefully consider this “dual” aspect of welfare: the objective is to optimise expenditure and efficiently use enabling services with a long-term perspective rather than myopically minimise social expenditures in the short run.

## **2. Existing literature**

Our purpose in this part of the study is to examine how existing literature addresses the central questions on migrant inclusion and the welfare state: how does the migrant population use welfare benefits compared with natives and to what extent does a generous welfare state attract low-skilled immigration? We consider a broad range of literature and data on migrants and welfare benefits. Given that European literature on this topic remains limited (Barrett and McCarthy, 2008), we also draw our hypotheses from studies on the US. Based on the consideration of the key concepts as defined above, the following sections review the current state-of-the-art literature addressing key questions concerning migrant inclusion and the welfare state.

### ***2.1 The decision to migrate and its consequences***

As the migration decision determines who migrates and where, and thus the composition of migrant populations whose inclusion we wish to study, we begin by providing insights into why people migrate. A number of pull factors (those that attract migrants to the destination country) and push factors (those that are unfavorable in the country of origin) shape international migration. Earlier theories about migration decisions placed greater importance on (expected) regional disparities in prosperity (Harris and Todaro, 1970). The theories generally focus on international differentials, the net cost of migration, wage and income levels, living costs, unemployment rates, the standard of public goods, and the extent of welfare generosity. Additional factors, for example age or skill, affect the potential of individuals benefiting from

migration or their ability to adjust to the host society — as explored in the human capital theory (Becker, 1957; Sjaastad, 1962). Of course, the distance between source and host countries is not only geographical. It can also be cultural and linguistic. This affects the pecuniary as well as the psychological and social costs of migrating. Ethnic networks — be it a spouse, child or broader social ties — may also play a significant role (Mincer, 1978; Massey, 1990). More recent economic migration theories adopt the view that it is the household — and not the individual — which is the decision-making unit (Stark, 1991), and that migration acts as a strategy of sharing risk. Additional factors found in the literature include the earnings distribution (Borjas, 1985) and welfare regimes (Borjas, 1999; De Giorgi and Pellizzari, 2009) of both the receiving and sending countries. Hatton and Williamson (2005) examine world migration in a historical perspective and find key economic and demographic fundamentals, which include not only distance, economic performance and trade, but also social networks, language similarities and colonial relationships. Furthermore, Burda (1995) studies the option of waiting and not migrating, and finds that this may have a positive value when there are irreversible costs of moving and a certain amount of uncertainty.

The study conducted by Mayda (2010) emphasises the importance of push and pull factors in the context of immigration to Europe, and finds that migrants prefer destinations with larger foreign communities from the same origin. Moreover, higher income and favorable employment conditions in the destination country are positively correlated with immigration, while greater distance plays a negative role. Overall, migrants may be positively or negatively self-selected with respect to their observable and unobservable characteristics, both upon entry and exit (Borjas, 1987; Chiswick, 1999). A country's immigration policy is another important factor that

shapes the selection of migrants into a country. In sum, the composition of migrant populations is a function of complex selection processes driven by pull and push factors as well as the migration policies of receiving and also sending countries.

## ***2.2 Migrant welfare use***

Do migrants use welfare more intensively than natives? How does welfare use vary across observationally equivalent migrants and natives? Do migrants assimilate into or out of welfare participation the longer they stay in the host country? A number of studies confirm that social income constitutes a substantial part of migrant income (Borjas and Hilton, 1996; Anastassova and Paligorova, 2005; Sinn, 2004). According to Borjas and Hilton (1996), the extent to which migrants in the US receive benefits is higher if different social programmes are included in the analysis. Migrant households experience more and longer welfare spells and consequently spend a longer time participating in welfare programmes. Furthermore, Borjas and Hilton (1996) point to the existence of networks operating within ethnic communities, which transfer information about the availability of particular types of benefits to new arrivals and which might explain higher welfare use among migrants. A number of studies also show that welfare use of earlier migrants influences the welfare use of recent migrants; for instance, Borjas and Trejo (1991) show that newly arrived migrants to the US were more likely to be welfare recipients than existing migrants, and in addition, the longer the migrant household was in the US, the more likely it was to receive welfare benefits.

Brücker (2002) finds that migrants in OECD countries are more intensive users of welfare; however, this result is only marginally significant. If controls for individual characteristics and socio-economic situation are included, then migrants are found to be no more likely to use welfare. Anastassova and Paligorova (2005) include Belgium, Germany, Norway, Sweden and the US in a single study using Luxembourg Income study data for the years 1997 and 2000, and confirm the same findings for the larger set of countries. They find that non-EU migrants tend to be younger, less educated and live in larger families with fewer income earners than native families. Furthermore, the social income gap in Belgium, Germany and Sweden between non-EU migrants and natives is explained almost completely by the socio-economic characteristics of the family head. Boeri (2006) uses the European Community Household Panel (ECHP) to conclude that non-EU citizens are relatively more likely to be recipients of social assistance, housing benefits and unemployment benefits but less likely to be recipients of pensions and sickness benefits. Kahanec and Zimmermann (2009) confirm these findings for an enlarged EU.

Jensen (1988) examines the utilisation of public assistance by migrants in the US. Using two waves of US Census data, from 1970 and 1980, Jensen (1988) shows that despite lower income and higher poverty, migrant families are less likely to claim public assistance than comparable native families. A similar conclusion is found by Blau (1984) using the US Survey of Income and Education.

Hansen and Lofstrom (2003) study differences in welfare utilisation between migrants and natives in Sweden. They find that migrants use more welfare benefits than natives and that these differences cannot be explained by differences in observable characteristics. Unlike Borjas and



Trejo (1991), they find that migrants in Sweden assimilate out of welfare: the longer the migrant household has been in Sweden, the less likely it is to receive welfare benefits. They also find that welfare participation is less for migrants who have been in Sweden for longer, that this reduction in welfare participation is greater among refugee than non-refugee migrants, but that both groups continue to use more welfare benefits than natives. They conclude that higher unemployment, immigration and changes in the composition of migrants all lead to an increase in welfare utilisation in Sweden. The more recent study of Hansen and Lofstrom (2011) finds that differences in welfare use across natives and migrants in Sweden is due to higher rates of entry into welfare for migrants rather than a lower rate of exit out of welfare. Another recent study of Hansen and Lofstrom (2009) shows that high welfare participation rates among refugee migrants may be due to the existence of a “welfare trap” in Sweden, while differences in welfare participation between natives and non-refugee migrants in Sweden are largely due to permanent unobserved characteristics.

Riphahn (2004) examines the German case and tests whether higher foreigner welfare dependence is due to foreign-native differences in behaviour as opposed to exogenous characteristics. The determinants of welfare dependence are analysed using data from the German Socio-Economic Panel (SOEP). She finds that the difference in aggregate welfare dependence appears to be due to difference in characteristics across migrants and natives. In particular, she fails to find evidence that migrants in Germany assimilate into or out of welfare. Castronova et al. (2001) also find (again using the SOEP) that migrants claim welfare more frequently not because of their migrant status but because they are more likely to find themselves

in life circumstances that would also lead natives to claim welfare. In other words, eligible migrants are no more likely to claim benefits than eligible and observationally similar natives.

Blume and Verner (2007) examine whether migrant use of welfare declines with time spent in the host country for Denmark. In general, they find assimilation out of welfare with stronger effects for migrant men than women.

Given the general perception that migrants use welfare more intensively than natives, how does this have an impact on the attitudes of natives towards migrants? Boeri (2010) documents the nature and evolution over time of European perceptions about migration and welfare assistance. Using different waves of Eurobarometer surveys, he finds a widespread and increasing perception in Europe that migrants abuse the welfare state, and this perception is stronger in countries with more generous social security systems.

Any observations that we uncover in exploring the relative rates of welfare use by migrants and natives will be the result of a complex combination of factors. One such factor is possible differences between migrants and natives in (a) their probability of entering welfare use and (b) their probability of exiting. The policy implications of our findings could differ depending on whether (a) or (b) is more important. In truth, our data enable us to say little on the precise point of entry/exit or on other process-related issues, but it is still important to be aware of such processes.

Hansen and Lofstrom (2011) use administrative, longitudinal data covering 1991 to 2001 to examine this question of whether differences in rates of welfare use across migrants and natives arise from differences in entry and exit rates. They find that differences are more readily explained by a higher rate of entry into welfare by migrants, as opposed to a lower rate of exit. The results also suggest that differences in observable characteristics between natives and migrants are not the main source of the difference in welfare use between the two groups. Instead, time-invariant differences in unobserved characteristics play a greater role. The findings with respect to the importance of differential entry rates in explaining the native-migrant gap in welfare use suggest that policy should aim to reduce entry as opposed to focus on exits. However, implementing such a policy stance is difficult, as it may not be clear as to precisely which individual migrants are more likely to enter welfare. The practice of profiling may be considered, but this remains a largely untested approach to policy implementation.

Within migrant populations there are of course many additional processes which may lead to different rates of welfare use. Many of these will result from differences in socio-economic characteristics across migrants groups, which are captured in our analysis where we have data on such characteristics. However, other processes will be beyond our analysis. For example, it could be that migrants arriving during times of depressed labour market conditions face difficulties on arrival, which then persist, even when labour market conditions improve. McDonald and Worswick (1998) show this effect to be present in Canada. Åslund and Rooth (2007) also find the effect present for refugees in Sweden. In the latter paper arrival before — as opposed to during — a recession appears to lead to higher employment probabilities in the order of 7–9 percentage points. Neither of these papers examined the impact of the business cycle at the time

of arrival on subsequent use of welfare. However, to the extent that labour markets outcomes and welfare use are correlated, these studies point to an important possible impact on migrant welfare use.

### ***2.3 State welfare systems and immigration***

Some studies on the welfare-immigration relation indicate that welfare programmes may attract migrants who otherwise would not have had any intention of migrating. By these arguments welfare generosity affects the residential location (country) choices of migrants. If the marginal cost of choosing the “right” state is small at the time the migration decision is made, migrants will cluster in the state that offers the highest benefits.

Borjas (1999) tests the magnet hypothesis using the 1980 US Census — however, the statistical significance of his estimates is only marginal. Boeri and Brücker (2005) find that when the risk of being unemployed is higher for migrants than for natives, the incentives to migrate, mainly for the low-skilled, increase with the replacement rate. De Giorgi and Pellizzari (2009) confirm that the generosity of the welfare state may act as a migration magnet, but that labour market conditions in the destination countries and networks have a stronger influence on the individual’s decision to move. At the same time, they show that labour market conditions such as unemployment rates or wage level play a more vital role. Hence, the power of welfare magnets is relatively weak.

As total welfare receipt also depends on family composition, it is reasonable to expect that the number of children is positively related to social income. Anastassova and Paligorova (2005) find that in Belgium, Germany, Norway, Sweden and the US non-EU migrants tend to have more children than natives. They also find that — with the exception of Germany and the US — having children is associated with higher social assistance receipts for an immigrant family relative to a native family with the same number of children. In addition — with the exception of Belgium — an additional child in an immigrant family increases its social assistance income more than does an additional child in a comparable native family.

Using a simple theoretical framework, Facchini and Mayda (2009) study the effect of a redistributive welfare state in individual attitudes towards immigration. They find that high income individuals oppose migration when migrants are unskilled and a net burden to the welfare state. The opposite holds for skilled migrants when migrants are perceived as net contributors to the welfare state. Their results are confirmed using data from the International Social Survey Programme (ISSP), which takes advantage of both cross-country and individual level variation.

In order to reduce the immediate migration cost of the host country, Sinn (2004) advocates limited access to welfare benefits for migrants immediately after arrival. In other words, migrants who want to come are welcome, but they would not receive any “gifts” (benefits). Boeri and Brücker (2005) also suggest that EU member states should protect themselves against “welfare shopping”. Di Giorgi and Pellizzari (2009) advocate the creation of a European-wide safety net. They introduce the concept of a uniform minimum income programme that would pay

any resident in the EU whose income, adjusted by household size and purchasing power, had fallen below an average threshold. Pioch (2004) argues in favour of a basic income which would help decrease the fear of welfare migration.

Overall, current literature suggests that migrants, in particular low-skilled migrants, are in greater need of welfare benefits than natives. Yet there is no clear evidence that migrants are particularly welfare prone. Instead, recent empirical examination of the largest labour migrant groups in the US, such as Mexicans and Hispanics, shows that migrants migrate based on information about the availability of jobs rather than the availability of welfare benefits (Kaestner and Kaushal, 2005; Fix, 2009).

Yet the reasons why welfare use by migrants is more likely than by natives may be due to varying social and institutional barriers as well as challenges different groups of migrants face in different destination countries. These are linked to the given institutional and political circumstances and challenges faced by different groups of migrants in Europe. First the EU's rules on entry of non-EU<sup>3</sup> and non-EFTA (non-European Free Trade Association) citizens have become stricter over the past decade (Boeri and Brücker, 2005; De Giorgi and Pellizzari, 2009). Second, as Lofstrom and Bean (2002) find, increased rigidity of immigration policies leads to a greater sensitivity of welfare participation to local labour market conditions among migrants than natives.

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<sup>3</sup> In some major receiving EU member economies, such as Germany, restriction on free movement of labour from the most recent EU Member States in the east, such as Bulgaria and Rumania, continues.

Few studies conclude that welfare benefits attract migrants. The statistical evidence in most of them remains weak or suggests only a marginal significance for the magnet effect of welfare generosity on an inflow of migrants (see Barrett and McCarthy, 2008). On the other hand, most studies suggest that socio-institutional (e.g. immigration legislation) and economic circumstances are equally influential in shaping patterns of welfare use by migrants (Barrett and McCarthy, 2008; Van Hook and Bean, 2009).

#### ***2.4 Welfare state sustainability***

In the context of population ageing and large fiscal deficits, any discussion of welfare issues, whether migrant-related or not, must be mindful of the issue of sustainability. It is now well understood that many European countries will experience growing fiscal pressures in the coming years as a result of population ageing. Analysis by the European Commission (2009) has shown that age-related public expenditure is projected to increase on average by about 4.75 percentage points (p.p.) of GDP by 2060 in the EU. Most of the projected increase in public spending over the period 2007 to 2060 will be on pensions (+2.4 p.p. of GDP), health care (+1.5 p.p. of GDP) and long-term care (+1.1 p.p. of GDP). The EC notes how potential offsetting savings in public spending on education and unemployment benefits are likely to be very limited (-0.2 p.p. of GDP for each item) — so the fiscal challenge is clear.

Given these challenges, it is important to provide a sense of what the existing literature says on the fiscal impacts of migrants. Providing estimates of the fiscal impact of immigration is highly complex due to the range of factors involved. While it might be relatively straightforward to

estimate quantities such as taxes paid and welfare benefits received, comprehensive analyses should take account of general equilibrium effects such as the impact of immigration on wages, employment and growth.

Rowthorn (2008) provides a comprehensive and authoritative review and distils a number of points. First, it is generally accepted that high-skilled migrants make positive fiscal contributions, due to the taxes they pay and the lower rates of receipt of welfare and other benefits. Second, the situation with regard to low-skilled migrants is less clear but even they may make a positive contribution — particularly if they eventually depart. Third, based partly on these counter-balancing effects, estimates of the overall effect of migrants on the fiscal balance have typically found small effects, in the range of + or - 1 per cent of GDP.<sup>4</sup>

As will be seen below, our analysis generally finds that migrants are relatively less intensive receivers of welfare benefits compared to natives. Based on this one dimension of possible fiscal impacts, our results do not suggest that migrants “threaten” the sustainability of welfare systems. Of course, as sustainability is concerned with longer term issues, we need to be careful and to stress that our analysis is based on the situation in the late 2000s. If existing migrants became more socially excluded or if newly arrived migrants had different characteristics to current migrants, this point on sustainability could change.

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<sup>4</sup> A recent study by Uzagalieva et al. (2009) estimates that total taxes and general social contributions collected from immigrants in France exceed the overall cost the immigration (assuming all major social transfers for immigrants). The authors argue that the cost of higher unemployment of immigrants is offset by their higher spending and entrepreneurial nature.



Borgy et al (2009) find that migration could have substantial impact on GDP growth on both arrival (positive) and sending (negative) regions. Similar finding is reported by Baas, Brücker and Hauptmann (2010). These results have important implications for the sustainability of welfare systems in the sending and receiving countries. While migration may be seen as a remedy for cash-strapped social security systems, the authors emphasise the necessity of pension systems reforms since migration flows will not alone counterbalance ageing populations. Unless substantial return migration and brain circulation take place, the situation in sending countries may become worrying.

Another important factor that may affect the sustainability of welfare systems in receiving and sending countries is the broad impact of immigration on the host economy. A full description of the multitude of such impacts is beyond the scope of this study. We here do shed light on this issue from the labour market perspective, however. While the early empirical studies (Grossman, 1982; Borjas, 1983; Borjas, 1987) report small labour market effects from immigration, more recent studies provide evidence of diverse and non-negligible effects. For example, Card (2001), Orrenius and Zavodny (2007) and Chiswick and Miller (2002) find significant effects on natives' labour market outcomes. However, in a natural experiment setting of the Mariel boatlift, which brought an influx 45,000 Cubans into Miami in 1980, Card (1990) finds that any effects of unexpected immigration were cancelled out by mobility response of natives and former migrants.

The international evidence is mixed, ranging from weak negative effects on employment or wages found by Winkelmann and Zimmermann (1993), Hunt (1992), Carrington and de Lima (1996), Angrist and Kugler (2003) and Roy (1987), through non-significant effects reported by

Pischke and Velling (1997), Akbari and DeVoretz (1992), Dustmann, Fabbri, and Preston (2005), Addison and Worwick (2002), Roy (1997), Friedberg (2003) and Zorlu and Hartog (2005), to positive effects found by Chapman and Cobb-Clark (1999) and Parasnis, Fausten and Smyth (2005). De New and Zimmermann (1994) support the complementarity hypothesis by finding negative effects of (largely unskilled) immigration on the wages of the German unskilled but positive wage effects on the wages of high-skilled natives. Zimmermann (2005) concludes that immigration is largely beneficial for the receiving countries, since, besides phases of adjustment, there is no overall evidence that natives' wages are strongly depressed or that unemployment is substantially increasing as a consequence of immigration.

Migrant adjustment is another important determinant of migrant-native labour market disparities. The works of Chiswick (1978) and Borjas (1985) document migrant adjustment and the roles of the migrant's lack of skills specific to and experience in the host country, migrant (self-)selection and cohort effects. Dustmann, Frattini and Preston (2007) provide evidence that migrants temporarily downgrade to less skilled occupations than they are qualified for, due to incomplete transferability of their skills upon arrival.

These interactions between migrants and natives determine how migrants fare across the earnings distribution in host societies. This literature generally reports significant earnings gaps whose magnitudes and determinants vary by gender, year and migrant cohort as well as across the deciles of the earnings distribution. Employment gaps between migrants and natives in European labour markets are documented by Amuedo-Dorantes and de la Rica (2007) for Spain, Constant and Massey (2003) for Germany and Wheatley Price (2001) and Dustmann et al.

(2003) for the UK. However, Kahanec, Zaiceva and Zimmermann (2010) summarise evidence on very high labour market attachment of post-enlargement migrants in the EU.<sup>5</sup>

In sum, the evidence on the effect of immigration on host labour markets and migrant adjustment does not permit any strong conclusions about the impact of immigration on welfare sustainability. First, labour markets appear to adjust quite well to immigration and there do not seem to be any strong effects on the labour market outcomes of natives, at least on aggregate. So immigration does not seem to negatively affect native contributions to public budgets. Second, vis-à-vis natives, migrants tend to exhibit substandard labour market outcomes at and after entry, although they seem to be catching up with tenure in the host economy. This could imply lower contributions to public budgets for some time after immigration. In some cases it may also be that the substandard labour market outcomes of migrants result in a greater welfare dependency. At the same time, however, migrants' welfare receipts are lowered by any eligibility, institutional or other barriers including discrimination, as well as their lower incomes that decrease their income-dependent receipts. In addition, some types of migrants are in fact very strongly attached to the labour market and their labour market outcomes are comparable and often even better than those of the natives. Also, even if migrants start with substandard labour market outcomes, they tend to improve their position with time in the host country. Furthermore, migrants tend to improve a country's demographic balance, and through various complementarities increase the country's GDP (Baas, Brücker and Hauptmann, 2010). Hence, we can conclude that there is no a priori evidence that immigration would pose a burden on welfare systems.

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<sup>5</sup> See also Kahanec and Zimmermann, 2010.

### **3. Descriptive analysis of migrant welfare use**

Our goal in this section, and later in Section 4, is to explore the extent to which migrants are likely to be in receipt of social support payments relative to natives. In this section we simply compare the proportions of migrants and natives who receive support across countries and across different types of supports. In Section 4 we consider the question of relative rates of receipt in a multivariate regression context, recognising that differences in these proportions could be the result of differences in socio-economic characteristics. In doing so, we address the question of whether rates of receipt differ controlling for these socio-economic characteristics. If we observe that there is indeed an independent effect of being a migrant on the likelihood of receiving welfare, this would be consistent with a situation in which migrants face a barrier to receiving payments or that their access is restricted in some way. It could be that they face different eligibility criteria relative to natives. It could also be that they may be unaware of their entitlements. At a more troubling level, to the extent that welfare receipt is dependent upon discretionary decisions of government officials, lower rates of receipt of welfare receipt among migrants could be consistent with discrimination. Yet another possibility is that migrants could be less likely to make claims if they think that this is in some sense unacceptable in, what is for them, a host country. The data we have does not allow us to distinguish between these possibilities. However, any findings of lower rates of migrant welfare receipt, controlling for other characteristics, allows us to shine a light on possible difficulties. By extension, if we find no such an effect, then concerns on these points diminish, although are not eliminated, as our data may be missing other processes. In this way, we come closer to answering the question of whether migrant status has an independent effect on the likelihood of being in receipt of social

support payments. In both Sections 3 and 4 we use the EU-SILC data for 2007, with the exception of Tables 3.1 and 3.2.

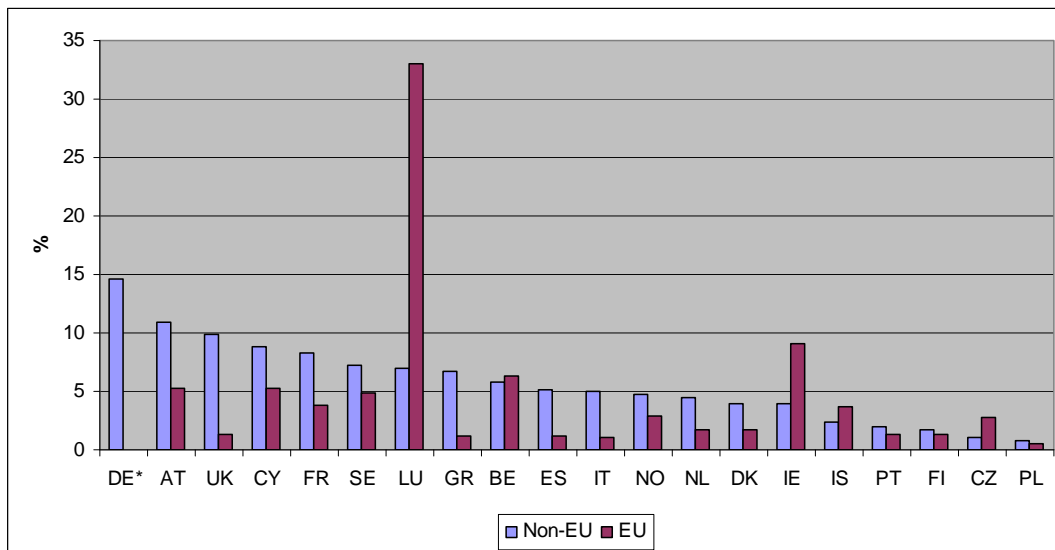
Before investigating the question of supports, we first shed light on the main immigration trends as well as basic statistics about migrant labour market outcomes across Europe. It should be noted that only countries with at least 100 migrants are included, so as to ensure that the figures later produced are based on a reasonably sized sample of migrants.<sup>6</sup> Although our definition of a migrant is a person who was not born in their current country of residence, most countries identify two groups of foreign-born people: those born within the EU and those born outside the EU. Hence, in our country surveys we distinguish between EU and non-EU migrants, and we present all findings by examining these two groups separately. The one exception is Germany, where we can only identify foreign-born people and not whether they come from within or outside the EU. In all the figures we show the result for Germany — however, it should be noted that the information presented refers to all foreign-born.

In Figure 3.1 we show the proportions of non-EU and EU migrants across the countries. In this figure and in subsequent ones, we rank the countries according to the proportion of non-EU migrants. According to the EU-SILC data, Austria has the highest proportion of non-EU migrants. It is generally the case that the number of non-EU migrants exceeds that of EU migrants, with the exceptions of the Czech Republic, Iceland, Ireland and Luxembourg.

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<sup>6</sup> The smallest cell size is 165, which is the number of non-EU immigrants in Iceland. The average cell size across countries for non-EU immigrants is 813; for EU immigrants, it is 546.

Figure 3.1 Percentage of migrants across countries



Source: Own calculations based on EU-SILC, 2007.

Notes: \*All migrants for Germany.

In Table 3.1 we present figures on the rates of migratory inflow into EU countries for which we have data. We do this in order to provide a sense of whether the general phenomenon of inward migration is increasing or decreasing in magnitude. We also include Norway and Switzerland for comparison. In general, we see either static or increasing rates of inflow and certainly little evidence of falling rates. A number of countries stand out. Spain's rate of inflow per 1,000 was relatively low in 1999, at just 2.5. However, by 2007 this had risen to 20.7. Ireland also experienced a rapid surge in its rate of inflow. In 1999 the rate of inflow was 5.9 per 1,000 of population, but by 2007 this had risen to 20.8. The Czech Republic has also experienced a marked increase — rising from just 0.7 per 1,000 in 1999 to 10.0 per 1,000 in 2007. Germany has seen a fall in the rate of inflow, but increasing rates of inflow of foreign populations are clearly the dominant trend in Europe.

Table 3.1 Rates of inflow of foreign population (per 1,000 of population), 1999–2007

	1999	2000	2001	2002	2003	2004	2005	2006	2007
<b>Austria</b>	9.1	8.2	9.3	11.5	12.0	13.4	12.4	10.3	11.1
<b>Belgium</b>	5.7	5.6	6.4	6.8	6.6	7.0	7.4	7.9	8.8
<b>Czech Republic</b>	0.7	0.4	1.1	4.3	5.6	5.0	5.7	6.5	10.0
<b>Denmark</b>	3.8	4.3	4.7	4.1	3.5	3.5	3.7	4.4	n.a.
<b>Finland</b>	1.5	1.8	2.1	1.9	1.8	2.2	2.4	2.6	3.3
<b>France</b>	1.4	1.5	1.8	2.0	2.2	2.3	2.2	2.1	2.0
<b>Germany</b>	8.2	7.9	8.3	8.0	7.3	7.3	7.0	6.8	7.0
<b>Hungary</b>	2.0	2.0	2.0	1.8	1.9	2.2	2.5	1.9	2.2
<b>Ireland</b>	5.9	7.4	8.5	10.2	10.7	10.4	16.1	21.1	20.8
<b>Italy</b>	4.7	4.8	4.1	6.8	n.a.	5.5	3.5	3.1	4.3
<b>Luxembourg</b>	27.6	24.9	25.2	24.7	28.0	26.9	29.8	29.3	33.1
<b>Netherlands</b>	5.0	5.8	5.9	5.4	4.5	4.0	3.9	4.1	4.9
<b>Norway</b>	7.3	6.2	5.6	6.8	5.9	6.1	6.8	8.1	11.4
<b>Poland</b>	0.4	0.4	0.6	0.8	0.8	1.0	1.0	0.9	1.1
<b>Portugal</b>	1.0	1.6	14.8	7.0	3.1	3.3	2.7	2.1	3.1
<b>Slovakia</b>	1.1	0.9	0.9	0.9	0.8	1.5	1.4	2.1	2.8
<b>Spain</b>	2.5	8.3	9.7	10.8	10.3	15.3	15.9	18.4	20.7
<b>Sweden</b>	3.9	4.8	5.0	5.3	5.4	5.3	5.7	8.9	9.2
<b>Switzerland</b>	12.0	12.2	14.1	14.0	12.9	13.1	12.7	13.8	18.6
<b>United Kingdom</b>	4.1	4.4	4.4	4.9	5.5	7.3	6.7	7.5	7.5

Source: Eurostat, OECD and author calculations.

Having presented data on the rate of inflow of foreign populations into European countries, we now provide additional data on the labour force characteristics of the foreign-born populations for a selection of countries. As with the inflow data, we include this information by way of providing context to our later analysis of welfare receipt on the part of migrants. In Table 3.2 we show participation, employment and unemployment rates, for both men and women. In the final column we show the ratio of foreign-born to native-born unemployment rates, which allows us to see a broad pattern. In all but one case (men in the US), the ratio exceeds one, showing how the unemployment rates of migrants generally exceed those of natives. Participation rates of migrants are generally lower than those of natives. The one exception is once again for men in the US.

Table 3.2 Labour force characteristics of native and foreign-born populations aged 15–46, selected OECD countries, 2004/2005 average

	Participation rate		Employment rate		Unemployment rate		Ratio
	Native-born	Foreign-born	Native-born	Foreign-born	Native-born	Foreign-born	
<b>Men</b>							
Australia	85.3	79.9	80.5	75.5	5.6	5.5	1.0
Belgium	73.2	71.3	68.8	60.7	5.9	14.9	2.5
Canada	83.2	83.2	78.6	77.7	5.5	6.6	1.2
Denmark	84.6	74.3	81.1	66.1	4.2	11	2.6
France	74.9	77.0	68.9	66.6	8.0	13.4	1.7
Germany	79.9	79.0	71.6	64.9	10.5	17.9	1.7
Netherlands	84.8	77.3	81.8	68.7	3.6	11.1	3.1
Norway	82.1	77.1	78.6	68.8	4.2	10.7	2.5
Sweden	81.7	75.9	76.0	65.0	7.0	14.4	2.1
United Kingdom	81.9	78.3	78.0	72.6	4.7	7.4	1.6
United States	78.4	85.2	73.0	80.2	6.9	5.8	0.8
<b>Women</b>							
Australia	69.9	60.4	65.9	57.0	5.7	5.6	1.0
Belgium	60.3	48.0	55.8	39.4	7.5	17.8	2.4
Canada	72.5	68.9	68.9	64.2	4.9	6.8	1.4
Denmark	76.9	61.0	73.0	54.0	5.1	11.4	2.2
France	64.9	58.1	58.4	48.4	9.6	16.7	1.7
Germany	67.8	56.2	61.1	47.3	9.9	15.8	1.6
Netherlands	71.5	57.0	68.3	51.3	4.4	10.1	2.3
Norway	75.9	66.1	72.9	61.1	4.0	7.6	1.9
Sweden	78.0	68.5	72.8	59.9	6.6	12.5	1.9
United Kingdom	69.6	59.8	66.9	55.5	3.8	7.2	1.9
United States	69.2	60.3	65.4	56.2	5.5	5.8	1.1

Source: OECD.

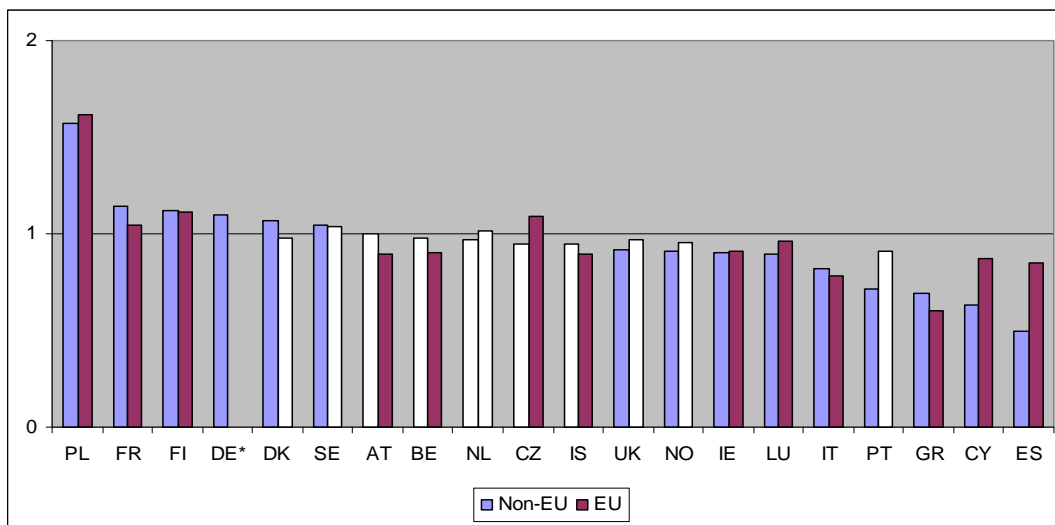
We now turn to the question of social supports. We begin by examining a range of social supports combined. These are payments related to the following circumstances: unemployment, sickness, disability and old-age, and payments related to having children. At this stage we consider all individuals in the adult population. In Figure 3.2 and the following ones, we show the ratio of the proportion of migrants in receipt of supports to the corresponding proportion of natives.<sup>7</sup> Ratios that exceed one indicate that the proportion of migrants is higher than the proportion of natives; the opposite holds for ratios below one. In presenting the ratios, we rank

<sup>7</sup> For example the ratio for non-EU immigrants in Poland in Figure 3.2 is calculated as follows. The proportion of non-EU immigrants who receive any form of social payment is 85.3 per cent. The corresponding proportion for Polish natives is 54.4 per cent. Dividing 85.3 by 54.4 gives a ratio of 1.57.



the countries so that the first country has the highest ratio for non-EU migrants relative to natives. The ratio in respect on EU migrants is also shown for each country. A white bar means that there is not a statistically significant difference between the corresponding proportions.

Figure 3.2 Ratio of proportions of migrants and natives: All types of support



Source: Own calculations based on EU-SILC, 2007.

Notes: \*All migrants for Germany.

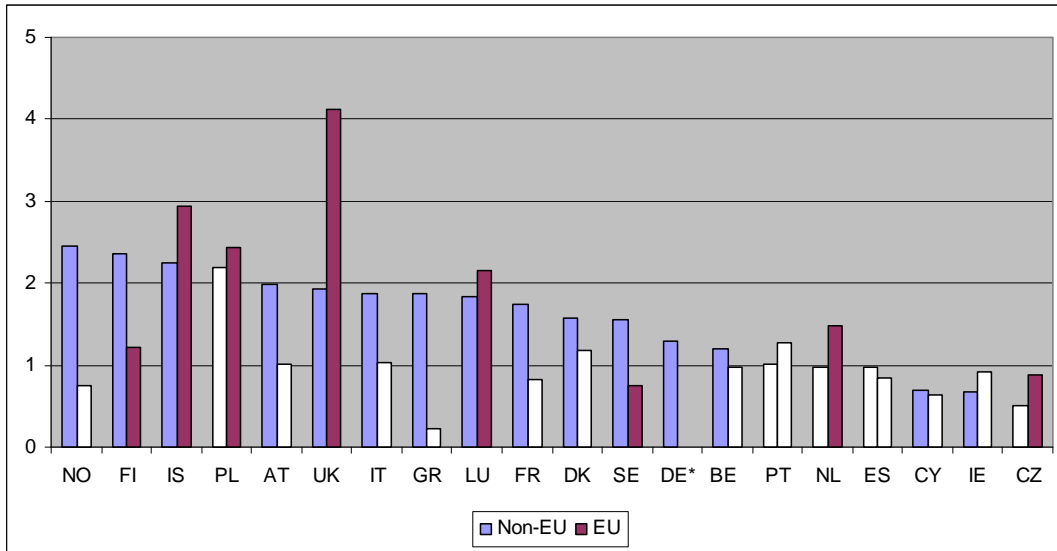
Examining Figure 3.2 we can see that Poland, France, Finland, Denmark and Sweden are countries in which the proportion of non-EU migrants receiving supports exceeds that of the native born. Poland appears to be something of an outlier with a ratio of 1.57 (non-EU to native). It is interesting to note that for three of these countries (Poland, France and Finland) the ratio for EU migrants and natives also exceeds one. This is somewhat unusual across the countries, with the Czech Republic being the only other country where EU migrants have a higher rate of social support receipt relative to natives.

From Figure 3.2 we can see that lower rates of receipt for migrants relative to natives are more typical across the countries. Of the 19 countries listed (excluding Germany), rates of receipt are (statistically) lower for non-EU migrants in nine. For a further five countries, there is no statistically significant difference between rates of receipt for non-EU migrants and natives. A similar pattern holds for EU migrants, with lower or statistically equivalent rates of receipt being more prevalent.

In Figure 3.3 we begin to examine supports in a more disaggregated way — in particular we investigate rates of receipt by types of support. The ratios shown are based on receipt of unemployment-related supports. Given the nature of these payments, we restrict our analysis to individuals of working age.

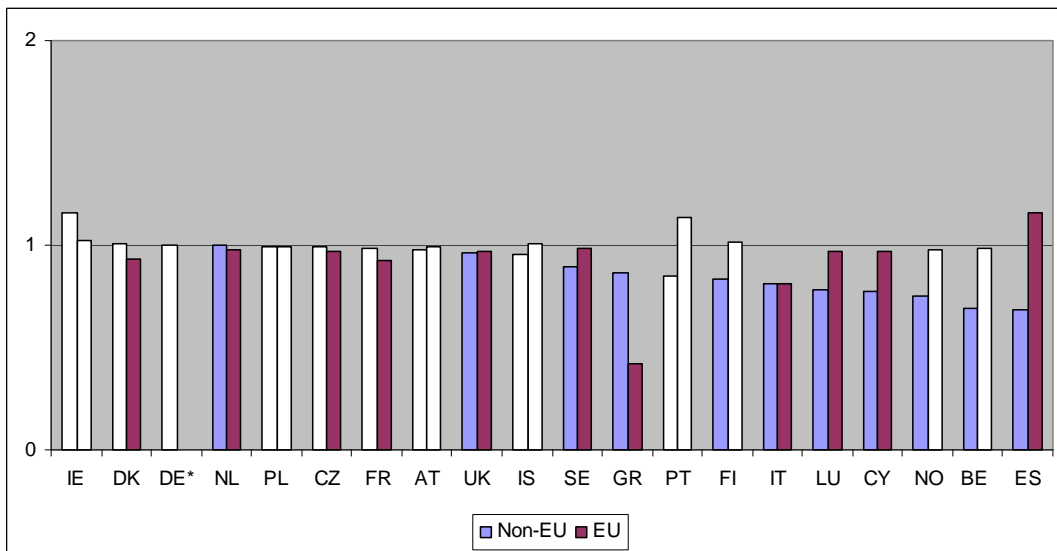
Compared to Figure 3.2, Figure 3.3 contains a somewhat different picture. Recalling that ratios over one imply higher rates of support receipt for migrants relative to natives, there appears to be a stronger tendency for higher rates of receipt of unemployment supports among non-EU migrants. Across the 19 countries, 12 countries show ratios above one for non-EU migrants; a further two also have ratios above one, but these are not statistically significant. In the case of Norway, Finland and Iceland, the ratio exceeds two.

Figure 3.3 Ratio of proportions of migrants and natives: Unemployment support



Source: Own calculations based on EU-SILC, 2007.  
Notes: \*All migrants for Germany.

Figure 3.4 Ratio of proportions of migrants and natives: Old-age support



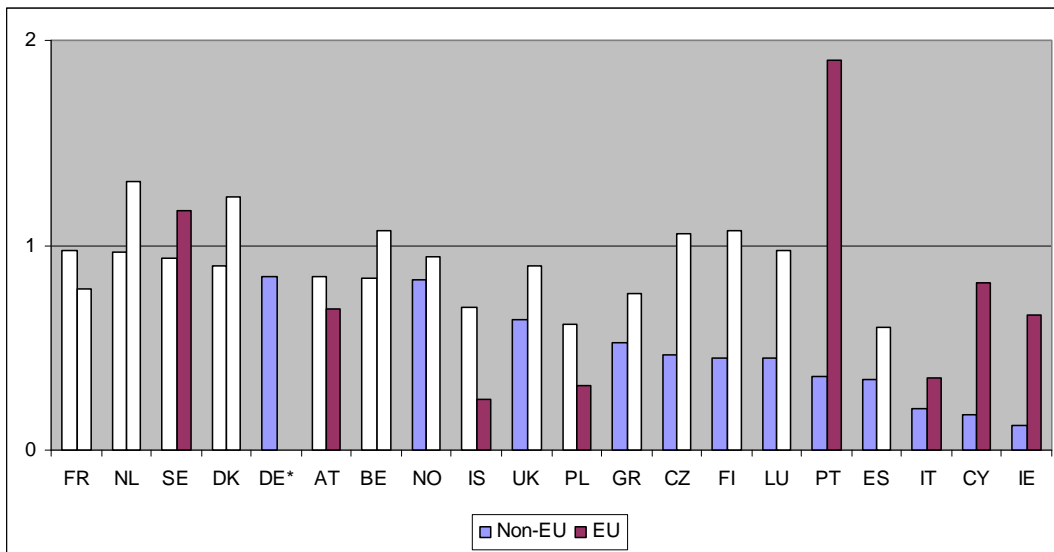
Source: Own calculations based on EU-SILC, 2007.  
Notes: \*All migrants for Germany

In Figure 3.4 we consider supports that are related to old-age. Given the nature of the support in question, we now restrict the sample to people who are aged over 65. Just as there are differences between the patterns shown in Figures 3.2 and 3.3, there are also striking differences between Figures 3.2 and 3.4. For the vast majority of countries, migrants are either as likely or less likely to be in receipt of old-age support. To the extent that some of the older migrants in the sample may have arrived in their host countries late in life, for example joining adult children, they may not have built up an entitlement to pensions in the host country. A more general point is that age at arrival and average age of migrant cohorts matter for inclusion of migrants into social assistance and services. Younger cohorts may claim fewer benefits than older ones, but this may change as they age or have family. These dynamic effects need to be taken into account when evaluating active inclusion policies. Without data on time spent in the host country, it is impossible to be definitive on this point.

We turn next to sickness and disability supports. When calculating these ratios, we only examine the working-age population on the basis that people aged over 65 are more likely to be in receipt of old-age supports if they are eligible for some form of state support. The ratios are shown in Figure 3.5.

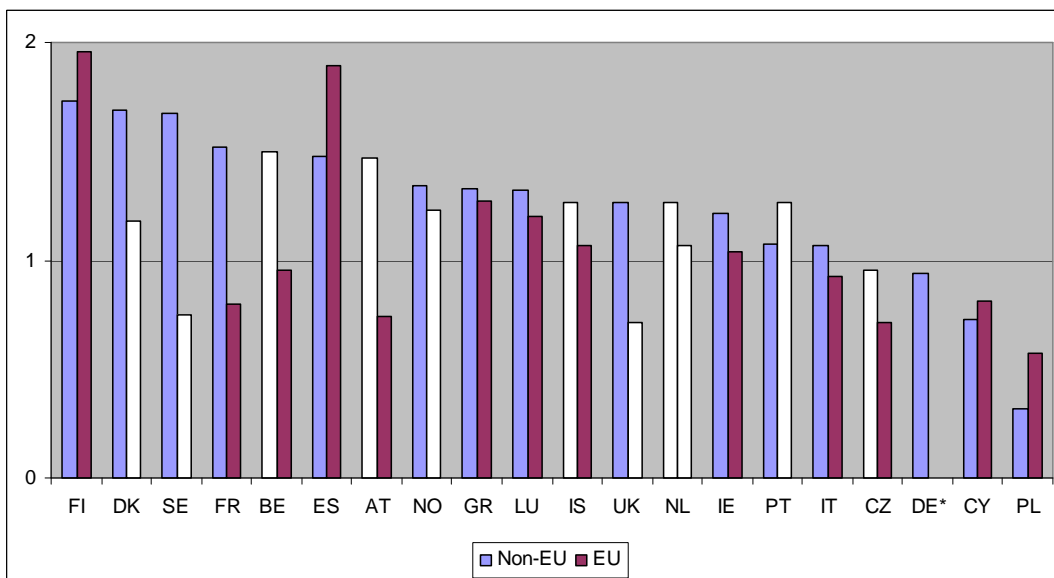
The general picture in Figure 3.5 is more similar to that of Figure 3.4 as opposed to Figure 3.3, with the tendency of migrants having lower rates of receipt. There is no country in which non-EU migrants are more likely to be in receipt of these payments. One notable result is the apparent high rate of receipt of supports for EU migrants in Portugal.

Figure 3.5 Ratio of proportions of migrants and natives: Sickness and disability support



Source: Own calculations based on EU-SILC, 2007.  
Notes: \*All migrants for Germany.

Figure 3.6 Ratio of proportions of migrants and natives: Family and child support



Source: Own calculations based on EU-SILC, 2007.  
Notes: \*All migrants for Germany.

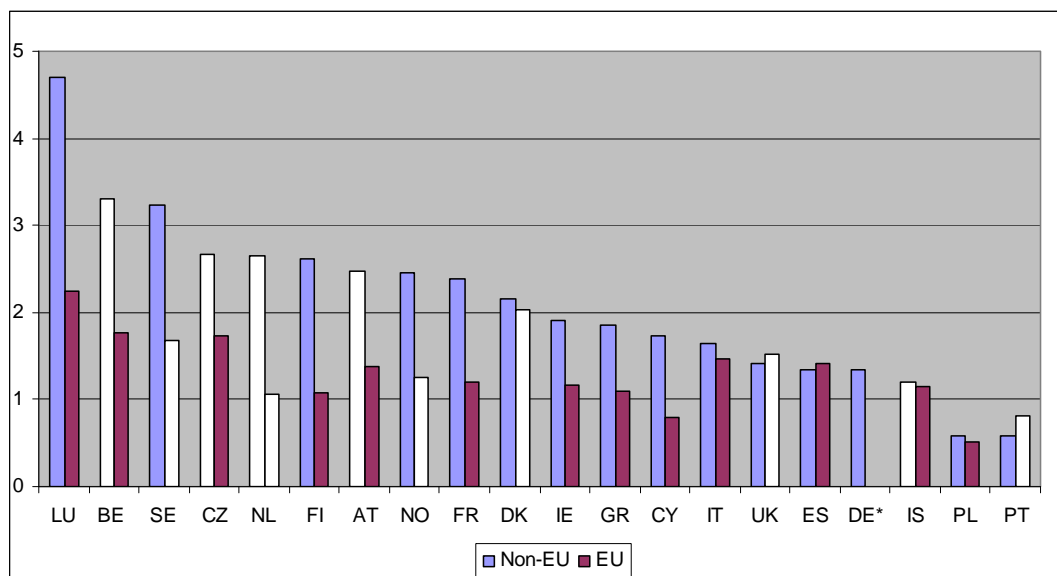
The last set of support to be considered is the one given when children are present in the household. Given the structure of the data, we do not necessarily investigate the parents of children in the household; all we can say is that we know for each individual whether there are children in the household and family-related supports are paid. For these supports we observe the entire populations of migrants and natives. The ratios are shown in Figure 3.6, and the broad picture that emerges is one of higher rates of receipt among non-EU migrants relative to the native population. Only two countries, Cyprus and Poland, have ratios which are lower than one for the non-EU migrants, with proportions that are statistically different. The ratio for the Czech Republic is also lower than one but the difference in the proportions for non-EU migrants and natives is not statistically significant. At the other end Finland, Denmark, Sweden and France have ratios that exceed 1.5.

These ratios are interesting, but they also point to a potentially simple explanation for migrants/native differences: namely higher numbers of children in migrant households. We explore this more fully when we move onto the regression-based analysis.

Before finishing this section on the descriptive analysis, it is useful to examine another set of ratios, but this time the focus is on risk of poverty and not rates of welfare receipt. We calculate which proportion of migrants and natives live in households with an income below 60 per cent of median household income. In Figure 3.7 we show the ratios of these proportions along the lines of Figures 3.2-3.6.

Figure 3.7 appears to reveal a general tendency for non-EU migrants to face a higher risk of poverty than natives, across a broad range of countries. The ratio is below one in just two cases — Poland and Portugal. Twelve countries show ratios greater than one, where proportion differences are statistically significant. In six of those 12 countries, the ratio is greater than two, and in two — Luxembourg and Sweden — the ratio is greater than three. For migrants from within the EU, the general tendency is also for higher rates poverty risk relative to natives. Only in Poland and Cyprus is there clear evidence of the poverty risk being lower for EU migrants relative to natives. The ratios are typically lower for EU migrants when compared with the non-EU migrant/native ratios but are generally greater than one.

Figure 3.7 Ratio of proportions of migrants and natives at risk of poverty



Source: Own calculations based on EU-SILC, 2007.

Notes: \*All migrants for Germany.

In Annex 1 we reproduce the results of the same analysis, using the data from 2005. The comparison of the results from 2005 and 2007 allows us to assess whether our findings are robust

with respect to the year chosen for the investigation. In general, we can say that the broad picture to emerge from the 2007 analysis is replicated using the data from 2005. Comparing Figures 3.2 and A1.2, we see that in both time periods, the rate of welfare receipt among migrants is lower or statistically the same as the rate for natives in the majority of countries. On the other hand, given their shorter tenure in the host country, young migrants' access to welfare assistance and services is often hindered by eligibility hurdles. Having said that, it is also true that the proportion of countries where the rate of receipt is higher for migrants is higher in 2005. Whether this is an issue of more difficult access, or less dependence, remains an open issue at this stage. The pattern of results across payment types is very similar for 2005 and 2007: for example, the tendency for more intensive use of unemployment-related supports by migrants is seen in both 2005 and 2007. Comparing Figures 3.7 and A1.7, we see a broadly-based greater likelihood of migrants being at risk of poverty.

In summary, this descriptive analysis suggests that across all social support payments, there is generally little evidence that migrants are excessive users relative to natives. Migrants are more likely to be in receipt of unemployment-related supports and family-related payments in a wide range of countries. However, they are less likely to receive old-age payments and sickness and disability payments. The most clear-cut result to emerge from the analysis is the greater likelihood of migrants being in poverty. In the context of action inclusion, this last finding raises particular concern from the perspective of achieving adequate income support.



#### 4. Understanding migrant-native gaps in welfare use

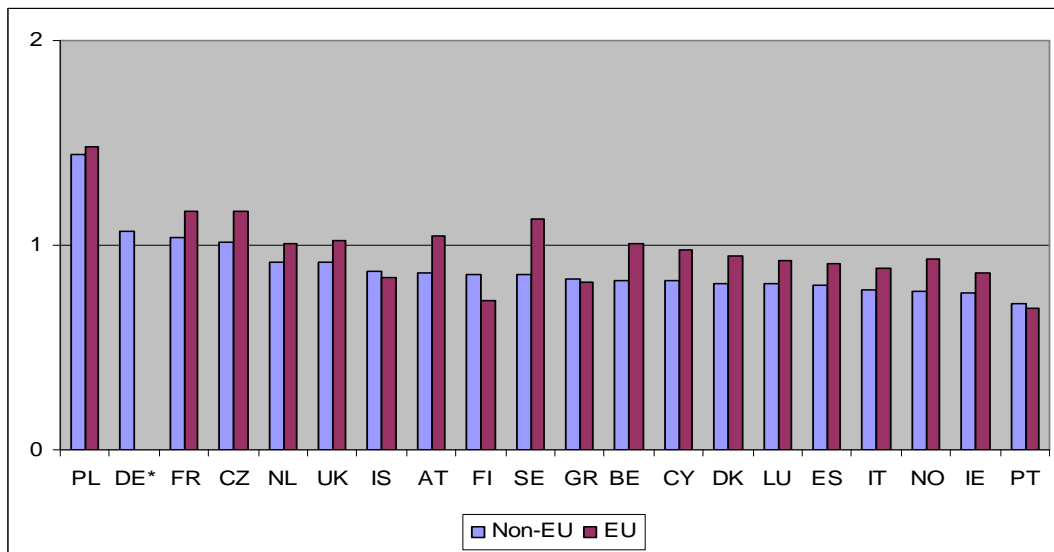
In Section 3 we outlined the results that emerge from a straightforward comparison of the proportions of migrants and natives who receive social supports. As mentioned, the patterns observed could be the result of migrants and natives differing in terms of relevant socio-economic characteristics. If this were the case, there would be no migrant-specific effect on the pattern of support receipt. It is important to gain a clearer insight into this possibility, partly from a policy perspective. For example, if migrants are more likely to receive unemployment support relative to natives after controlling for factors such as work experience and education, it suggests that migrants face labour market difficulties that are associated with their status as migrants. Hence, migrant-specific policies might be required. This would not be the case if any differences in the rate of receipt between migrants and natives disappeared once relevant socio-economic characteristics were controlled for.

Before presenting the regression results, it is useful to present some data on the relative characteristics of migrants and natives in the countries studied. As before, we present information on the characteristics in terms of ratios. In Figure 4.1 we examine the average age of migrant and native populations. Ratios greater than one mean that migrants are on average older than natives; ratios less means they are younger.<sup>8</sup>

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<sup>8</sup> In figures 4.1 through 4.4 the applied color scheme has no interpretation in terms of statistical significance.

Figure 4.1 Ratios of average ages of migrants and natives



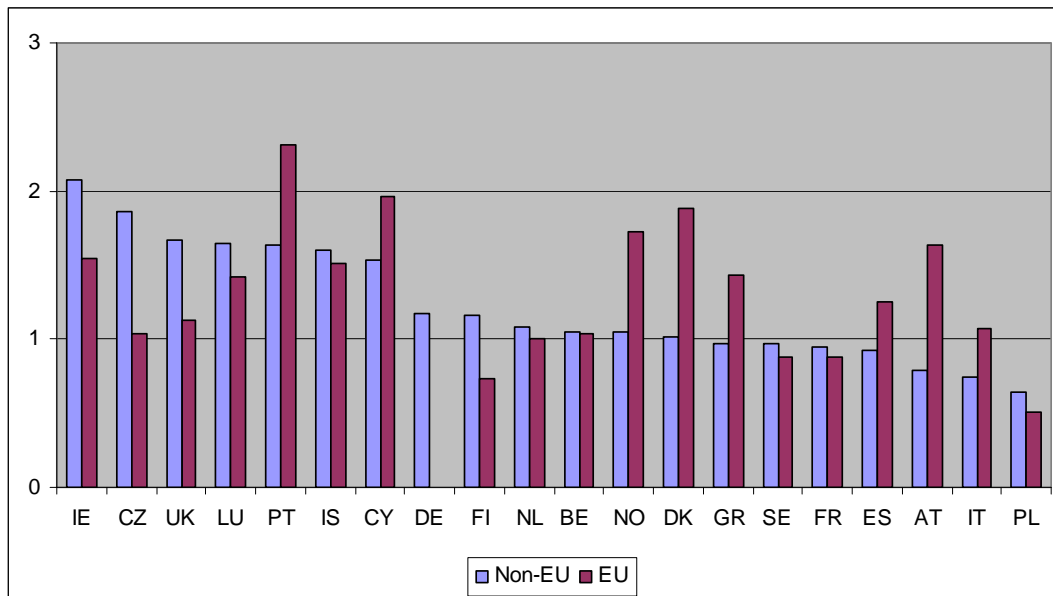
Source: Own calculations based on EU-SILC, 2007.

Notes: \*All migrants for Germany.

A clear picture emerges from Figure 4.1 of migrant populations being generally younger than native populations, especially in the case of non-EU migrants. For just three countries the non-EU migrant group is older than the native group. For non-EU groups the ratio is below 80 per cent in Italy, Norway, Ireland and Portugal. The EU migrant groups are generally younger than the native populations too, although younger than the non-EU migrant groups in their respective host countries.

In Figure 4.2 we construct ratios based on the proportion on migrants and native who report having completed “post-secondary or tertiary education”. In this way, we focus on the higher end of the educational distribution and assess the relative qualifications of migrant and native populations from this perspective.

Figure 4.2 Ratios of proportions of migrants and natives with post-secondary and tertiary education

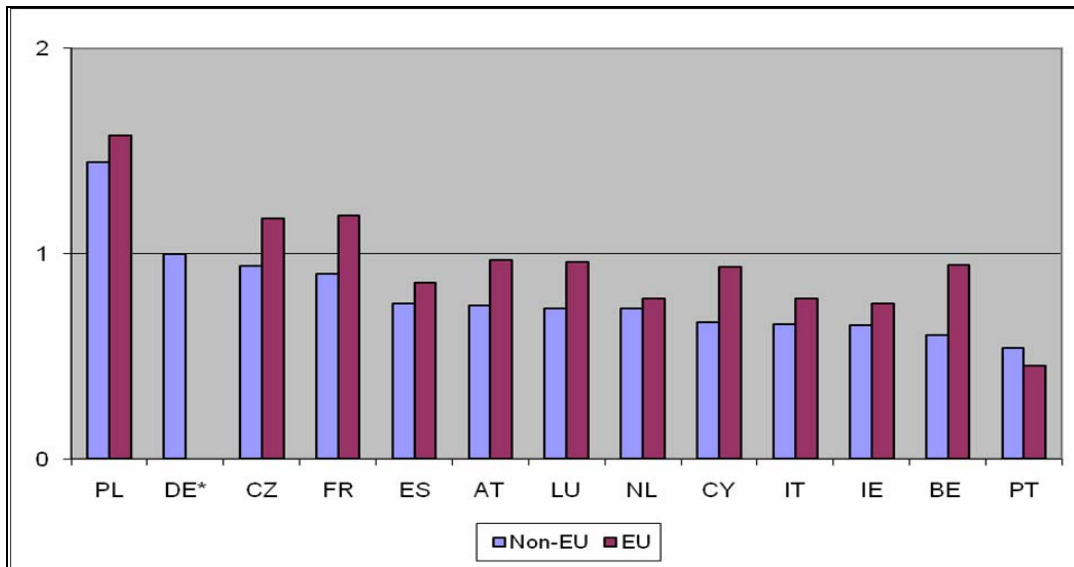


Source: Own calculations based on EU-SILC, 2007.

Notes: \*All migrants for Germany.

Focusing on non-EU migrants, there appear to be three groups of countries. From Ireland to Finland, non-EU migrants have higher levels of educational attainment relative to natives. We take Finland to be part of this group, as its ratio is over 1.1. From the Netherlands to Spain, the ratio is between 1.1 and 0.9, and so these countries can be thought of as having similar levels of education among their non-EU migrants and their native populations. The final three countries have ratios below 0.8. For the EU migrants groups there are a larger number of countries where the ratio exceeds one by a considerable amount. Taking 1.1 as a cut-off, 11 countries have ratios which exceed this. Norway, Denmark and Austria are notable for the extent to which the educational qualifications of the EU migrants are greater than those of the non-EU migrants.

Figure 4.3 Ratios of average number of years worked of migrants and natives

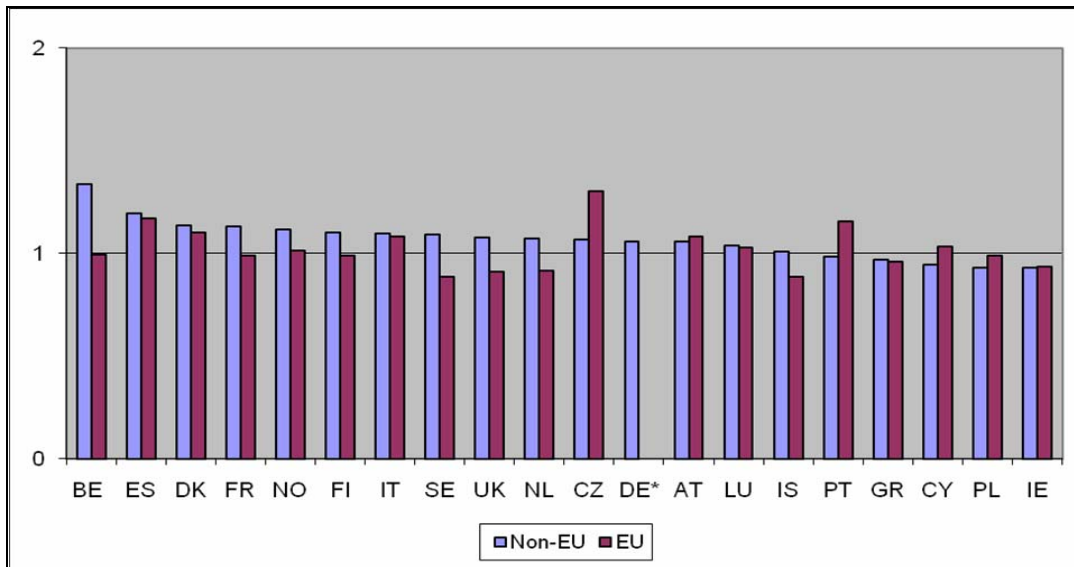


Source: Own calculations based on EU-SILC, 2007.

Notes: \*All migrants for Germany.

As the migrant populations are generally younger than the native populations, we would expect them to have lower amounts of labour market experience as well. This is seen in Figure 4.3. We only have information on this variable for a limited number of countries but the pattern is clear. In only one country do we see that non-EU migrants have longer periods of years worked (Poland); and in only three do we see this for EU migrants (Poland, France and the Czech Republic). The impact of these lower amounts of labour market experience on welfare receipt is unclear. People with lower labour market experience are typically more vulnerable to unemployment. However, an employment record of a certain duration is often needed in order to qualify for benefits.

Figure 4.4 Ratios of average number of children



Source: Own calculations based on EU-SILC, 2007.

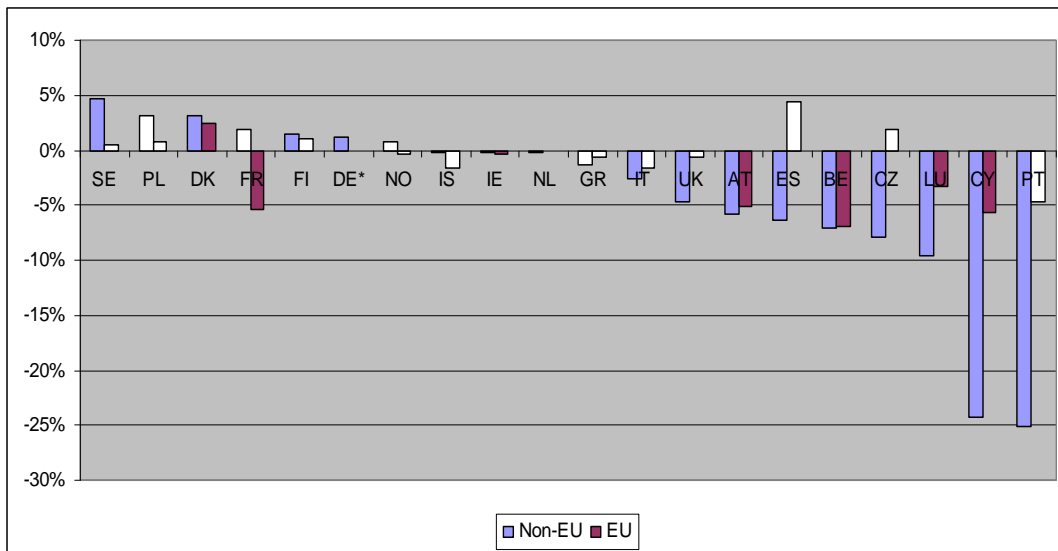
Notes: \*All migrants for Germany.

The fourth and final characteristic we examine is the number of children. As many countries provide welfare benefits based on the presence and number of children, it is clear that this could be a significant determinant of differences across migrants and natives in terms of welfare receipt. In Figure 4.4 we show the ratios of the average number of children across migrants and natives. As shown, it is generally the case that migrants from outside the EU have more children. The ratio is higher than 1.1 for the first six countries and is greater than 1 for 15 of the countries. For migrants from within the EU, there is a general tendency to have fewer children relative to the native population.

In the following regression results we reconsider the question of the relative rates of receipt of supports across migrants and natives, controlling for relevant factors. In the figures we present results from these regressions in the following way. We show the estimated marginal impact of

being a migrant on the likelihood of receiving social supports, having controlled for gender, age, education and the number of children in each household. The regressions used are probit regressions, as this approach is typically used in situations where the dependent variable is binary in nature, i.e. the person either did or did not receive a payment. As before, we rank the countries in terms of the estimated marginal impacts for non-EU migrants.

Figure 4.5 Estimated marginal impact of migrant status on support receipt: All types of support



Source: Own calculations based on EU-SILC, 2007.

Notes: \*All migrants for Germany.

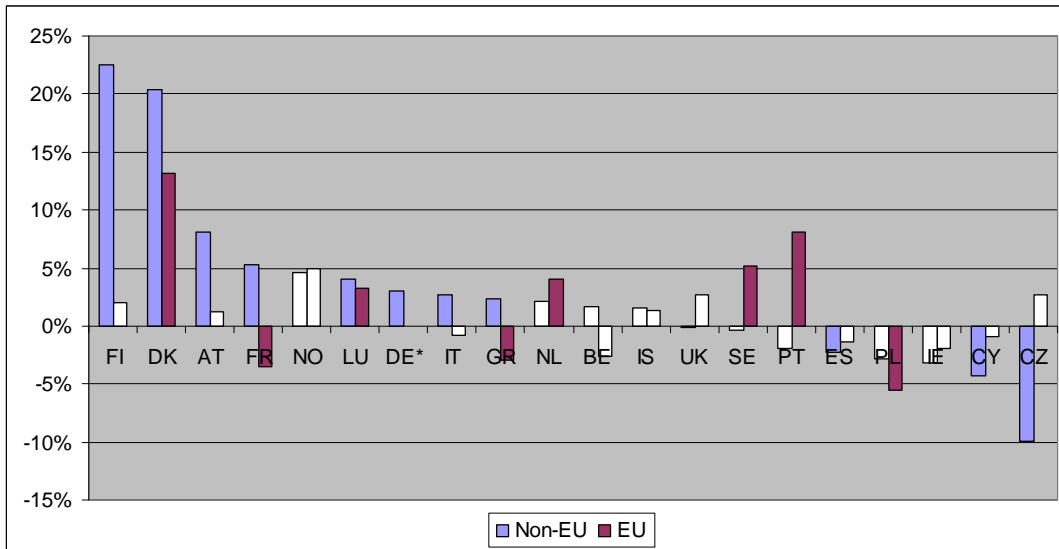
Our first regression includes all individuals in the sample, and we include the receipt of all the same payments considered in Figure 3.2, i.e. unemployment, sickness, disability, old-age and child-related payments. The estimated marginal effects are shown in Figure 4.5. As was the case with the ratios in Figure 3.2–3.7, white bars imply statistically insignificant results.

Figure 4.5 generates a general pattern of lower rates of receipt among migrants relative to natives, controlling for the factors listed above. Sweden, Finland, Denmark and Germany are the only countries in which higher (and statistically significant) rates of receipt among migrants are observed. These countries showed similar outcomes in Figure 3.2 when unadjusted data was presented, so from this perspective at least, the controls which we added have not substantially altered the picture.

We know from Figures 3.2–3.6 that the trend of relative receipt of supports can change according to benefit type, so in Figure 4.6 we show the regression results when we restrict our attention to the following supports: unemployment, sickness and disability. We also restrict the sample to those of working age. As with the comparison between Figures 3.2 and 3.3, the comparison between Figures 4.3 and 4.4 shows a somewhat greater tendency for migrants to receive supports when attention is restricted to this more narrow set of supports. However, of the 19 countries in the figure, rates of receipt for non-EU migrants are statistically higher in just seven. Hence in 12 countries the differences are either indistinguishable from — or less than — zero. The higher rates of receipt in Finland and Denmark point to the possibility of a regional effect.

In Figure 4.7 we examine old-age support, having restricted the analysis to those over 65. Relative to Figures 4.3 and 4.4 the picture is very clear, with almost no migrant group showing a greater likelihood of receiving old-age support.

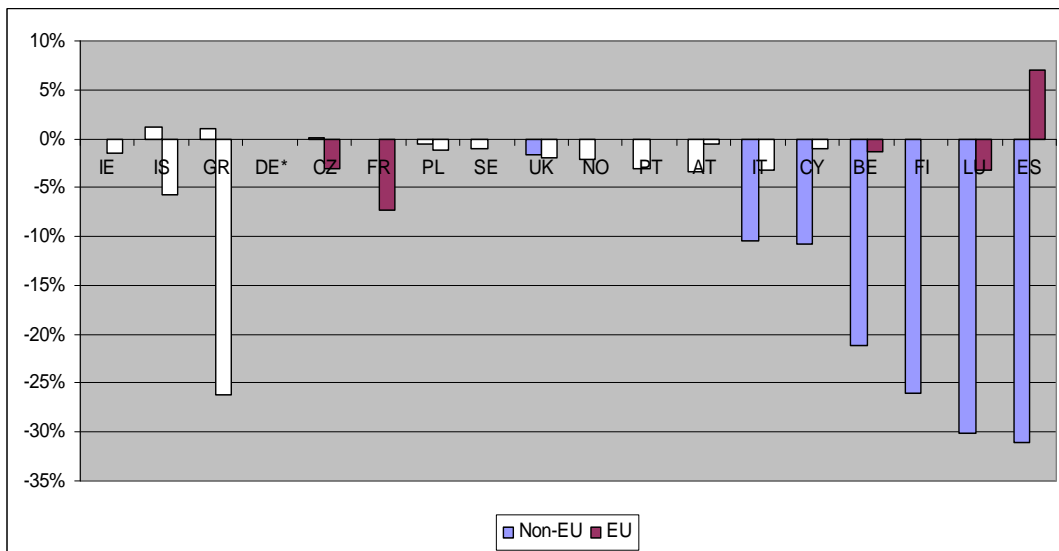
Figure 4.6 Estimated marginal impact of migrant status on support receipt: Unemployment, sickness and disability



Source: Own calculations based on EU-SILC, 2007.

Notes: \*All migrants for Germany.

Figure 4.7 Estimated marginal impact of migrant status on support receipt: Old-age



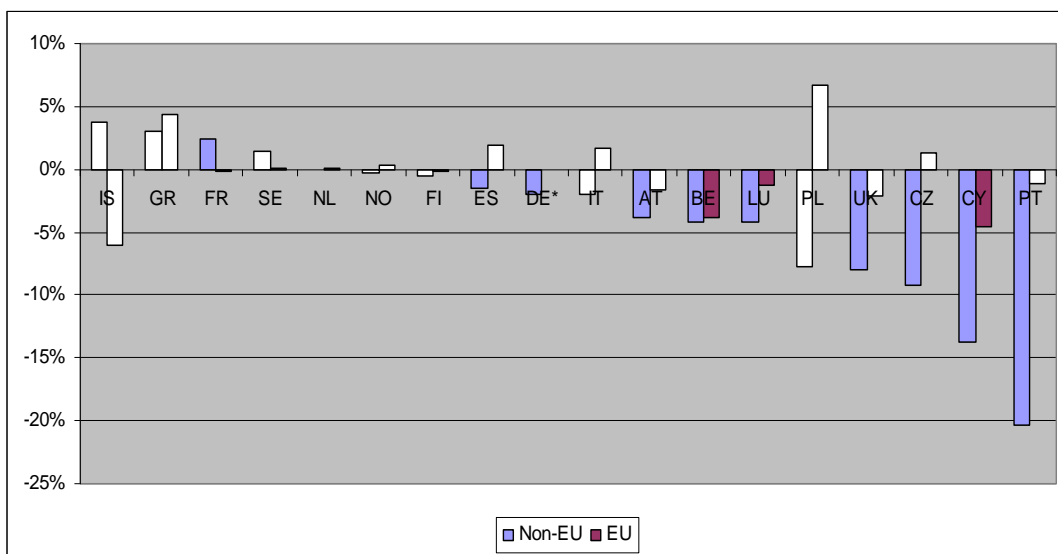
Source: Own calculations based on EU-SILC, 2007.

Notes: \*All migrants for Germany.



Spain provides an interesting exception as the only country where there is a higher rate of receipt among EU migrants that is statistically significant. This could be the result of Spain being a retirement destination for Northern Europeans. If this is the case, then the supports could be coming from governments other than Spain.

Figure 4.8 Estimated marginal impact of migrant status on support receipt: Family and child support

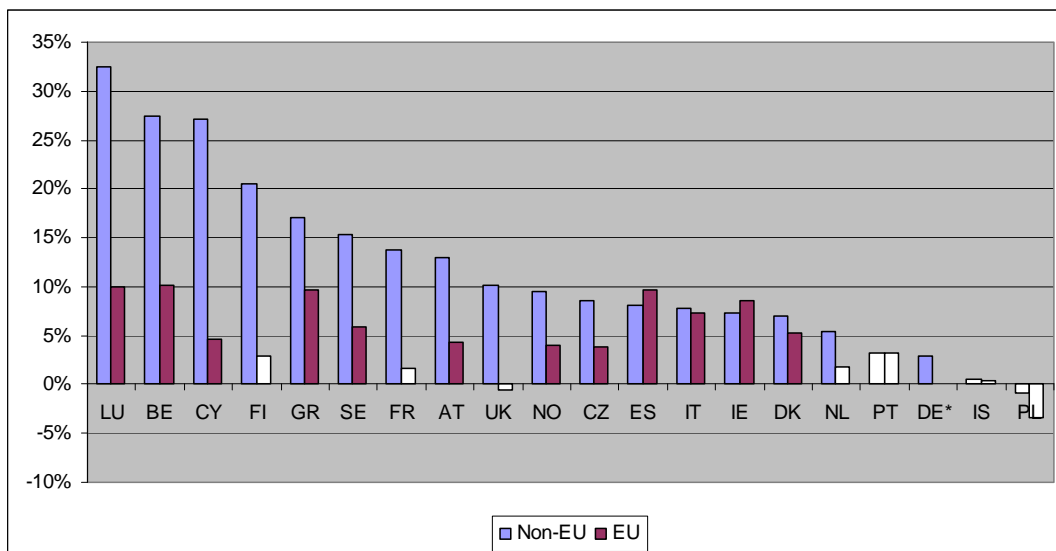


Source: Own calculations based on EU-SILC, 2007.  
 Notes: \*All migrants for Germany.

The final set of support considered is family-related payments. The results from this regression are shown in Figure 4.8, and the degree of clarity that was apparent in Figure 4.7 (old-age supports) is present once again. With only one exception, and where results are statistically significant, migrants are less likely to be in receipt of family-related payments. France is the only exception: non-EU migrants are 2.5 per cent more likely to receive such supports.

We have now examined all types of support, but there are two remaining issues worthy of consideration. We generally find that migrants (especially those from non-EU countries) are either as likely or less likely to be in receipt of support relative to natives. Two questions that arise are the following. First, to the extent that social supports are supposed to keep people out of poverty, are the lower rates of receipt among migrants associated with higher risks of poverty? Second, are rates of receipt among migrants lower even when we restrict our attention to groups of migrants and natives who might be similar in terms of benefit eligibility?

Figure 4.9: Estimated marginal impact of migrant status on support receipt: At risk of poverty



Source: Own calculations based on EU-SILC, 2007.

Notes: \*All migrants for Germany.

We touched on the question of poverty in Figure 3.7, where proportions of migrants and natives at risk of poverty are examined without controlling for any socio-economic factors. In Figure 4.9 we show the estimated marginal impacts, having controlled for age, education, gender and number of children. The results are striking, especially when compared to some of the earlier

figures. A quick examination of Figures 4.3–4.6 reveals the presence of many white bars and for unemployment, sickness and disability support, a scattering of lines above and below the zero line. However, in Figure 4.9 there are no negative and statistically estimates, so lower rates of poverty among migrant groups are nowhere to be seen. Instead, all the significant estimates are positive and this applies to both EU and non-EU migrants.

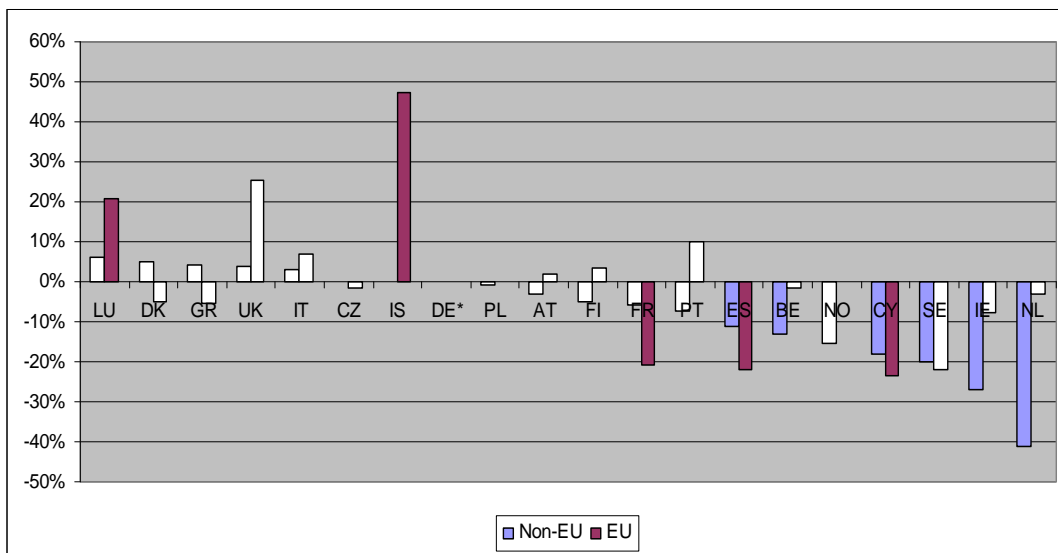
In addition to all the positive estimated marginal effects, the magnitudes of the effects are also large. In nine of the countries, non-EU migrants are more likely to be at risk of poverty by 10 per cent or more.

Our final regression results attempt to provide some insight on the issue of benefit receipt among groups with similar eligibility. We examine the likelihood of receiving unemployment support in 2006 for people who were unemployed in 2007. Obviously we would like to have had contemporaneous information on unemployment and support receipt, but this is not possible from the data. However, to the extent that being unemployed in 2007 is an indicator of being at risk of unemployment in 2006, the results might provide some insight. The results are shown in Figure 4.10.

Most of the results from this set of regressions are non-significant. However, where significant results emerge, they tend to suggest lower rates of receipt by unemployment migrant relative to unemployed natives. This could reflect differences in eligibility across unemployed people. For example, a certain amount of social insurance payments may be needed in order to qualify for supports. However, this could also reflect a lower tendency to apply for benefits in the context of

equal eligibility. If the lower rates of receipt are driven by a lower tendency to apply on the part of migrants, this implies that the state aims to assist people but that the assistance is not reaching those targeted. It could be the result of language barriers or a perception on the part of migrants that welfare receipt could work against them when applying, for example, for permanent residency. Whatever the reason, if migrants have the same eligibility but a lower tendency to apply, then the policy is failing to meet objectives and this should be explored.

Figure 4.10 Estimated marginal impact of migrant status on support receipt: Unemployment support for those who are unemployed



Source: Own calculations based on EU-SILC, 2007.

Notes: \*All migrants for Germany.

To conclude, the following has emerged from the analysis. Echoing what was found in Section 3, but to a stronger degree, the broad conclusion to be drawn is that there is little evidence of excessive receipt of supports by migrants relative to natives, where “excessive” is defined as higher rates of receipt whether adjusting for socio-economic characteristics or not. To the extent that higher rates of receipt are present, they appear to be restricted to unemployment support.

However, even in this case this only applies in a restricted number of countries. What is perhaps more striking are the higher rates of poverty among migrants. As noted above, this raises particular concerns about income support and the extent to which Europe's welfare systems are achieving the objective of insulating migrants from severe financial difficulty. While popular debate might suggest that the "policy failure" in this area arises from excessive welfare spending on migrants, these results suggest that any policy failure relates to a failure to achieve objectives under the active inclusion agenda.

As in Section 3, we reproduce the same analysis using the 2005 data and report the results in Annex 2. Similar to the previous section we find that the general picture had not changed significantly between 2005 and 2007. If we compare Figures 4.5 and A2.1, we can make the following rough observation. For Figure A2.1 about one third of the countries have higher rates of welfare receipt among migrants relative to natives, controlling for relevant socio-economic factors. Another third show no difference between migrants and natives. The final third in each case show migrants being less likely to receive support. For Figure 4.5 the split between higher rates of receipt among migrants, equal rates or lower rates is closer to a quarter, a quarter and a half, with 11 out of the 20 countries having lower rates of receipt among migrants. Hence, in both years the majority of countries have (adjusted) rates of receipt among migrants that are lower than or equal to that of natives.

In our analysis of social support receipt amongst migrants relative to natives, we have generally looked at all migrants and all natives and assessed how rates of receipt differ. However, there are two potentially important processes for which we have not explicitly accounted because our data,

in terms of number of observations and variables included, is limited. These processes relate to (a) life-cycle effects and (b) cohort effects. We will discuss each in turn.

Life-cycle effects refer to the possibility that peoples' tendency to receive social supports may vary over the course of their lives. In the case of migrants a critical question is whether their tendency to apply for supports increases or falls, the longer they spend in their host country. In this case the key life-cycle variable is not age or life events, such as the birth of children (although these will still be important in understanding social supports among migrants). Instead, the main difference between migrants and natives over the life-cycle relates to whether migrants assimilate into or out of welfare receipt.

Evidence on this question within Europe is limited. Hansen and Lofstrom (2003) show that for Sweden assimilation out of welfare seems to hold in the sense that migrants' receipt of social supports diminishes relative to that of natives as the migrants spend longer in Sweden. However, the authors also indicate that the rate of convergence is not fast enough to eliminate native-migrants differences in welfare receipt over a 20-year observation period. For Germany Riphahn (2004) finds no evidence of assimilation into or out of welfare.

Of course, ageing and life events will also impact upon the likelihood of migrants receiving welfare. We know from Figure 4.1 that migrants are generally younger than natives. As younger people are generally more likely to receive benefits, due in part to their lower levels of work experience — and hence more precarious employment situations — this might suggest that the group of migrants which we observe in our data will have lower rates of social supports in the

future. Having said that, it should be noted that new and young migrants will continue to enter host countries. In this way, the inflow will lessen any effects from the ageing of the current migrants. In addition, cohorts of migrants could become more reliant on welfare over time. Bratsberg, Raaum and Roed (2010) have shown how the rate of employment of a cohort of migrants in Norway declined relative to natives, due in part to the presence of migrants in industries that went into decline. Such employment trends over time would likely translate into higher welfare receipt rates.

Cohort effects refer to the possibility that migrants who arrive at different times may have different characteristics. When observing receipt of social supports, it could be the case that migrants who arrived in their host countries in the 1980s had different likelihoods of receiving supports compared to those who arrived in the 1990s or 2000s. These differences could arise because of different observable characteristics such as levels of education. Differences could also arise due to lower rates of information on welfare benefits; in turn this could arise because of less developed networks of co-nationals, where information is typically shared. Another possibility is that different cohorts may perform differently because policies governing immigrant inclusion into welfare changed over time. If so, different immigrant cohorts faced different integration contexts and hence may have embarked on different integration trajectories upon and after their entry.

Changes in migrant cohort “quality” have been an important feature of the US literature on immigration (for a review see Schultz, 1998). A number of authors have observed a change in the geographic distribution of migrant source countries for the US, arising from legislation

changes in the mid-1960s. One result of this legislative change was to shift immigration into the US away from European source countries and towards the Western hemisphere. These authors (notably Borjas, 1987) have shown how this shift led to a change in migrant cohort “quality”, where “quality” is defined in terms of labour market outcomes.

The issue of cohort quality has generally been less studied in Europe. One example, however, is Gundel and Peters (2007). In their study the authors identify a change in migrant cohort quality in Germany. They show that migrants who arrived between 1986 and 1995 earned 38.5 per cent less than natives. The corresponding figure for migrants who arrived after 1996 was 52.6 per cent. For migrants who arrived before 1966, the wage disadvantage was just 8.6 per cent. Another example of this line of research is Hammarstedt and Shukur (2006) for Sweden. They show that for non-European migrants arriving in Sweden, the initial earnings disadvantage is larger for more recent arrivals than it was for earlier non-Europeans. They note that this observation can be partly explained by an increase in the number of refugees amongst the migrant inflow after 1957.

These patterns of lower relative earnings for more recent arrivals could be due to the productive capacities of the more recent migrants being lower but they could also be due to increased discrimination against migrants. Either way, if the labour market possibilities for migrants for across cohorts decline, there are implications for how the relative receipt of social supports between migrants and natives might evolve over time, assuming no other social policy changes. The receipt of migrants relative to natives will rise over time as the earlier arriving, good quality,



or better treated, migrants perish (or return to their home countries) and lower quality, or more discriminated against (and more welfare-prone), migrants arrive.

## 5. Migration and the provision of social benefits

Migration and welfare systems interact through several channels that may affect inclusion outcomes of migrants. It is possible that welfare systems and their generosity affect who comes and how migrants fare in terms of social and labour market outcomes. Migrant inflows may themselves affect the provision of social assistance and services. Indeed, inflows of migrants may affect the numbers of welfare recipients directly, and social policy reforms may react to migration flows. How all this affects welfare provision in the EU and its sustainability? We address these questions using a unique purpose-built dataset.

### 5.1 Data

A total of 19 European countries<sup>9</sup> were analysed for the years 1993 to 2008. Restrictions on internal labour mobility within the European Community, as it was then known, were relaxed in 1993, which enables the analysis to distinguish between EU and non-EU flows. However, due to the absence of data for a number of years, the panel is unbalanced (see Annex 3 for details). In addition several data sources were utilised for the sample which was analysed.

Some of the sources used included the OECD *Système d'observation permanente des migrations* (SOPEMI) database, which contains information on the inflows and stocks of foreign populations, and is consistent and harmonised over time. Any information which was absent was

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<sup>9</sup> The 19 countries include: Austria, Belgium, the Czech Republic, Denmark, Finland, France, Germany, Hungary, Ireland, Italy, Luxembourg, the Netherlands, Norway, Portugal, the Slovak Republic, Spain, Sweden, Switzerland and the United Kingdom. Greece was not included because data on immigration flows was not available. The inclusion of Norway and Switzerland has no bearing on the qualitative aspects of our results.

obtained from data used in Pedersen, Pytlikova and Smith (2008).<sup>10</sup> Information on unemployment benefit spending (UBS) was taken from the OECD Social Expenditure Database (SOCX).<sup>11</sup> Not only does this dataset detail social welfare spending in OECD countries, but it also provides valuable information on characteristics of UBS, such as net replacement rate, eligibility criteria and duration<sup>12</sup>, and on public and mandatory private expenditure on family, health and pension programmes. Furthermore, the World Development Indicators (WDI) online database provided data on the unemployment rate and per-capita GDP.<sup>13</sup>

### *5.1.1 Descriptive statistics*

The trend across European countries with regard to the gross inflow of foreign population, as a share of the total population, is made clear by Figure 5.1 for migrants of non-EU origins and Figure 5.2 for migrants of EU origins. Each country, with the exception of Germany, has experienced an increase in immigration flows. Spain experienced the highest inflow of non-EU origins (1 per cent); the highest inflows from the EU-15 were recorded in Luxembourg (2 per cent), Switzerland (0.7 per cent) and Ireland (0.4 per cent).

The share of GDP that each country spends on UBS is shown in Figure 3, which charts a wide variation in social welfare expenditure. Countries which allocated a greater share of GDP, on average more than 5 per cent, included Belgium, Denmark, the Netherlands and Spain. However,

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<sup>10</sup> We would like to thank Peder Pedersen, Mariola Pytlikova and Nina Smith for allowing us access to the data used in their paper.

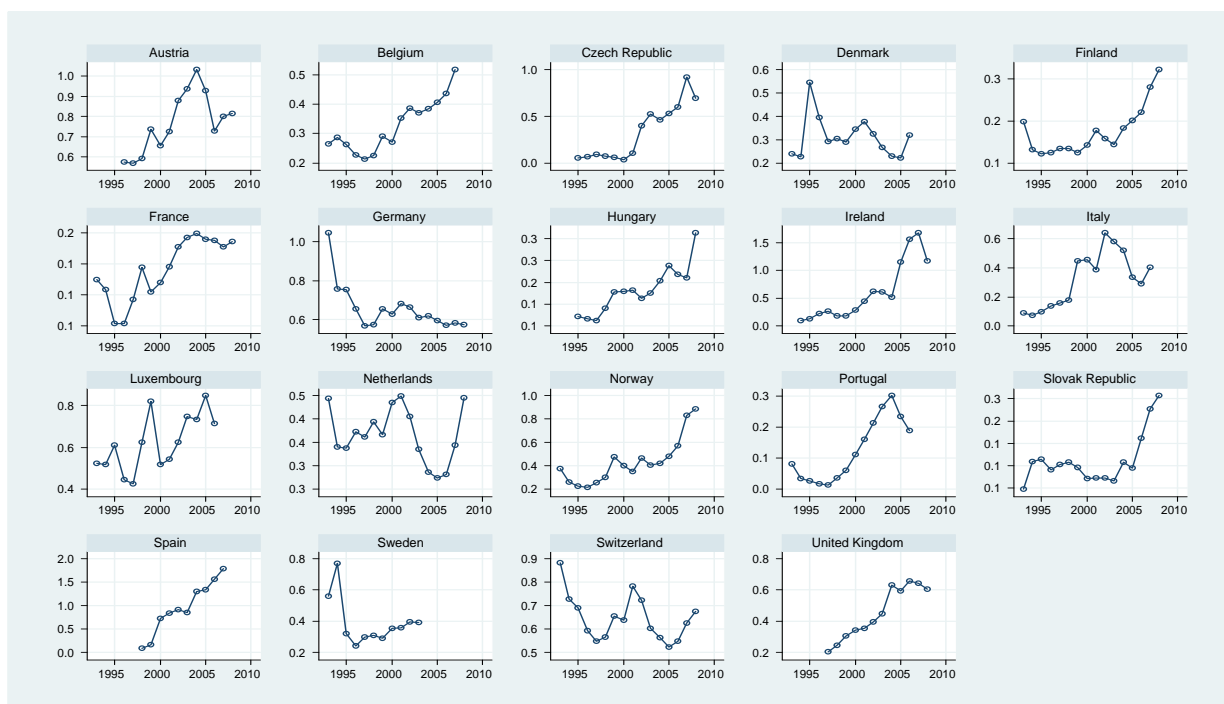
<sup>11</sup> Source: <http://www.sourceoecd.org/database/OECDStat>.

<sup>12</sup> The net replacement rate (NRR) is defined as the average of the gross unemployment benefit replacement rates for two earnings levels, three family situations and three durations of unemployment. For further details see OECD (1994, 2002, 2007) and Martin (1996).

<sup>13</sup> Source: <http://data.worldbank.org/data-catalog/>. The per-capita GDP is PPP adjusted and expressed in 2005 US dollars.

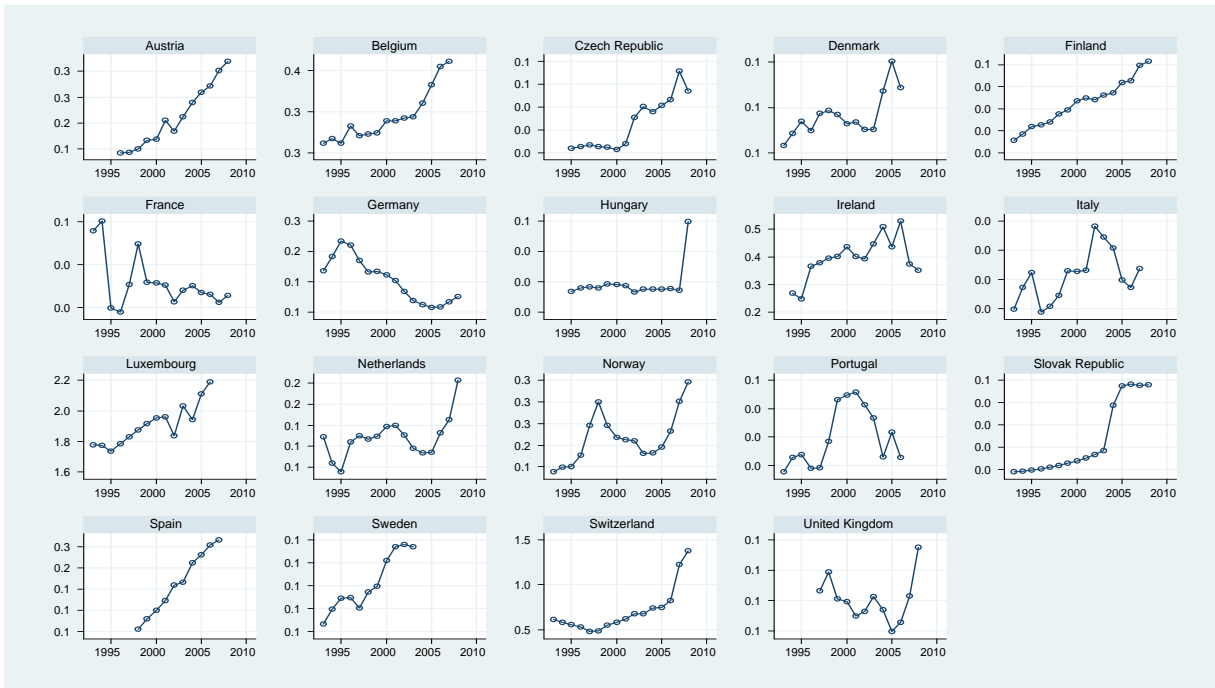
many countries spent less than 2 per cent. In none of the countries did this share remain constant, and high levels of UBS expenditure in the early 1990s have since decreased sharply. Only two countries, the Czech Republic and Luxembourg, increased the share of GDP spent on UBS. Furthermore, in countries such as Austria, Belgium, Portugal and Switzerland, there has been no clear trend — and hence identifying a clear relationship between immigration and UBS has proved difficult. The adoption of a multivariate analysis on this “bi-variate” relationship will help to uncover the other determinants, whether they are economic factors or not, which simultaneously influence immigration and UBS. Detailed statistics relating to immigration and UBS can be found in Annex 3.

Figure 5.1 Gross immigration flows from non-EU-15 countries, as % of population



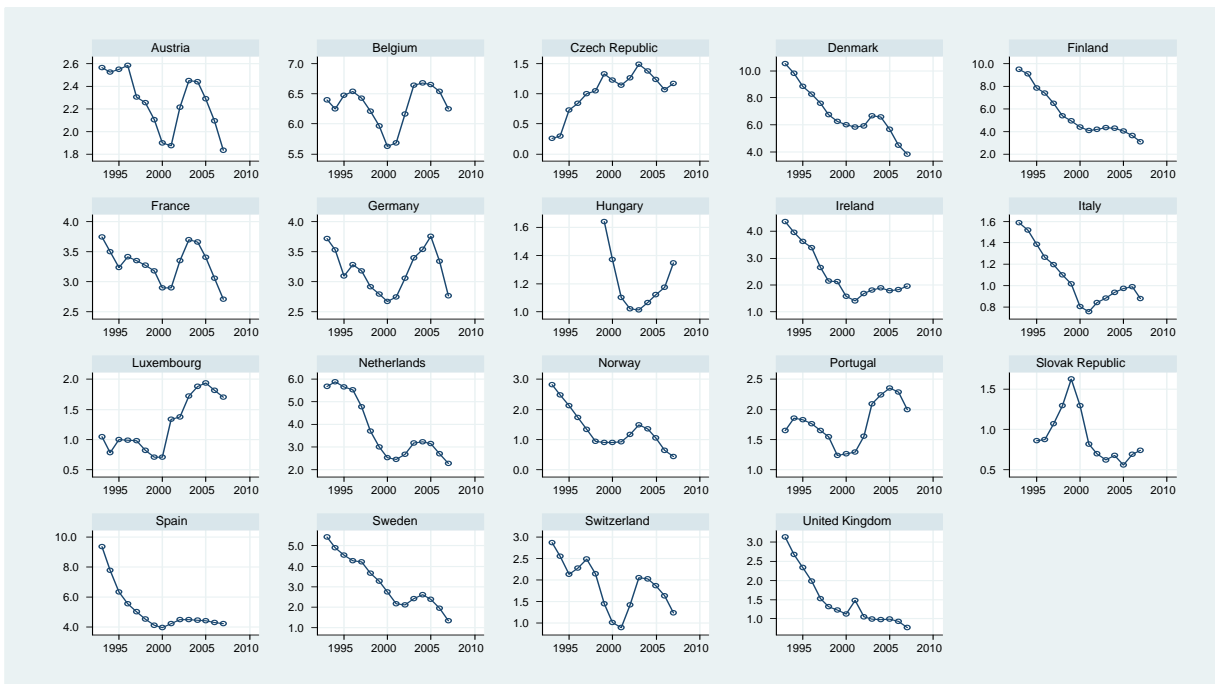
Source: Own computations from SOPEMI.  
Notes: Different scales are used for different countries.

Figure 5.2 Gross immigration flows from EU countries, as % of population



Source: Own computations from SOPEMI.  
Notes: Different scales are used for different countries.

Figure 5.3 Social public expenditure on UBS, as % of GDP



Source: Own computations from SOCX.  
Notes: Different scales are used for different countries.

## ***5.2 The relationship between the generosity of a state's welfare system and immigration***

The nature of immigration patterns is driven by a migrant's decision to enter (or leave) a destination country, which is in turn influenced at the macro level by labour market conditions, institutional circumstances, or other observed and unobserved factors in the host country and also in the alternative destinations. Whether immigration flows respond to differences in welfare policies in European countries may help to explain any observation of differences in welfare receipt between migrants and natives. Similarly, welfare policies may react to existing immigration patterns. An understanding of these processes is a prerequisite for understanding the sustainability of social assistance and services and for effective policy making.

### ***5.2.1 Does welfare generosity affect migration flows?***

A migrant's decision where to migrate depends on many factors, such as individual characteristics as well as characteristics of the country of origin and destination. The first step is to identify the effect of welfare generosity on immigration, and so particular focus in this section is given to UBS.

The decision to migrate is based on a migrant's expected income, which includes not only earned income from employment but also unemployment benefit when inactive (Heitmueller, 2005). This financial support helps smooth income disparity between periods of working and unemployment. Consequently, as a hypothesis that we will test below, larger numbers of migrants can be attracted to countries with more generous benefits. However, the regression

model will not be only restricted to UBS but will include additional elements of social expenditure as well.

The regression model used in the present analysis is described in detail in Annex 4. It takes care of various confounding factors (in particular pull factors, such as income and social networks in the country of destination) as well as a number of technical issues with the estimation. The availability of data across countries and over time allows us to use panel data fixed-effects regression, which addresses issues such as unobservable characteristics related to a particular country or a particular year (such as migration policy changes). The sample is divided into two groups: migrants with EU and non-EU origins. This method is appropriate because of two reasons. First, European legislation treats migrants differently depending on whether or not they are originally from the EU. For example, EU migrants are permitted, on the whole, to move freely from country to country; non-EU citizens may still face restrictions, depending on the country they wish to travel to. Second, there are diverse socio-economic differences which result in different responses to both benefits and social incentives (Anastassova and Paligorova, 2005). Since the fixed effect technique is implemented, the estimated parameters will refer to the correlation between immigration inflows and UBS as estimated through within-country changes.

Table 5.1 OLS estimates of immigration inflow rates

	(a)	(b)	(c)	(d)
	<b>Non-EU migrants</b>			
UBS		0.058 ** (0.028)	0.061 * (0.031)	0.066 *** (0.021)
Stock of non-EU migrants	0.141 *** (0.028)	0.129 *** (0.026)	0.123 *** (0.028)	0.079 * (0.039)
Per-capita GDP	0.017 *** (0.007)	0.019 *** (0.007)	0.018 *** (0.007)	0.007 (0.004)
Unemployment rate	-0.007 (0.018)	-0.015 (0.017)	-0.005 (0.016)	-0.026 (0.015)
Constant	-0.056 *** (0.023)	-0.063 *** (0.024)	-0.053 *** (0.021)	-0.02 (0.014)
$\bar{R}^2$	0.64	0.65	0.68	0.52
	<b>EU migrants</b>			
UBS		-0.009 (0.012)	-0.003 (0.013)	-0.012 (0.013)
Stock of EU migrants	0.072 *** (0.021)	0.075 *** (0.025)	0.068 *** (0.027)	0.094 *** (0.021)
Per-capita GDP	0.000 (0.002)	0.000 (0.003)	0.000 (0.003)	-0.003 (0.003)
Unemployment rate	0.001 (0.005)	0.002 (0.006)	0.004 (0.006)	0.006 (0.005)
Constant	0.000 (0.006)	0.001 (0.007)	0.002 (0.007)	0.008 (0.010)
$\bar{R}^2$	0.28	0.29	0.29	0.37
Weights	Y	Y	Y	N
Other welfare components	N	N	Y	N
N	248	248	248	248

Notes: Robust standard errors in parentheses. \*\*\*/\*\* indicate significance at the 10/5/1% level. All models are estimated by fixed effects and contain year dummies. Weights are population counts of each country in the year 2000. Other welfare components are expenditure on health, family and pensions.

The results of four different regressions are reported in Table 5.1 in each of the four columns (a) to (d). The first column, (a), is the results without UBS. It is expected that such a model, which includes components such as social networks, GDP and unemployment rates, would be correlated with immigration. A richer social network, such as a neighbourhood which shares a common migration origin, would attract migrants with similar migration backgrounds. Similarly, higher GDP and lower unemployment would also be more appealing to migrants. This is indeed the case for non-EU migrants, where the correlation with networks and GDP is both positive and



statistically significant<sup>14</sup> (the point estimates vary across models between 0.017 and 0.019<sup>15</sup>). However, for EU migrants there is very little correlation; and although the null hypothesis that there is correlation between immigration and unemployment cannot be rejected, were there to be any, it would be negligible.<sup>16</sup>

The second regression, in column (b), includes UBS, which is positively correlated for non-EU migrants. The value of 0.058 for non-EU migrants means that a 1 per cent change in UBS is associated with a change in immigration flows of less than 0.01 per cent. For example, if the UK were to experience a substantial increase in UBS from 1.13 per cent (the mean value) to 3.15 per cent (the mean value in Germany), then there would be an associated change in immigration flows from 0.45 to 0.57 per cent. This growth of UBS of three times the size would correlate to a 25 per cent growth in immigration flow. In contrast to EU migrants, the estimated coefficient of the economic impact is essentially zero.

The third regression, which is found in column (c), estimates additional major expenditure (health, pensions and family) and is an attempt to control for potentially omitted variables that might confound the correlation between UBS and immigration flows. Indeed, once these are included, the UBS estimate for non-EU migrants slightly increases from 0.061 to 0.058, although

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<sup>14</sup> For example, a change in the stock of EU immigrants of 0.1 per cent (e.g. from the mean value of 4.5 to 4.6 per cent as percentage of the population) is associated with an increase of immigration flows which varies, across specifications, between 0.012 and 0.014 per cent (at the mean value this corresponds to an increase from 0.44 to about 0.45 per cent). On the contrary, an increase of EU immigration flows associated with a 0.1 per cent change in the network (e.g. from the mean value of 2.0 to 2.1 per cent as percentage of the population) is around 0.007 per cent (at the mean value this corresponds to an increase from 0.12 to less than 0.13 per cent).

<sup>15</sup> Since GDP is measured in logs, this estimate means that a 1 per cent change on GDP is associated with a change of immigration flows from 0.44, the mean value, to about 0.45 per cent.

<sup>16</sup> Since the inclusion of fixed effects absorbs cross-country, time-unvarying differences, a potential explanation for this weak relationship is that unemployment within each country does not vary substantially over time. Visual inspection of unemployment rates confirms this conjecture; only Ireland, the Slovak Republic and Spain exhibit important changes during the period under analysis, while unemployment rates are somewhat constant for the remaining countries.

it is very small and statistically insignificant at the 10 per cent level. The same is true for EU migrants, whose essentially zero estimate remains unaffected by the addition of the expenditure components.<sup>17</sup>

In the final regression, reported in column (d), estimate sensitivity with regard to the population weights is tested (see the unweighted estimates in column (b)). In absolute terms the UBS point estimates are slightly larger for both groups, although the general pattern remains unchanged. The weighted estimates are generally preferred, especially for non-EU migrants, as they are closer to the predictions of migration theory in terms of signs and magnitude.<sup>18</sup>

In summary, the OLS analysis demonstrates that there is moderate correlation between UBS and non-EU immigration inflow. However, the same cannot be said of EU migrants. It should be noted that these results are mere correlation estimates. Hence, a more causal interpretation would require an investigation and assessment of the manner in which unobservable factors attract migrants. The following section examines the potential threat to the internal validity of these results due to reverse causality.

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<sup>17</sup> The estimates of the other components for non-EU immigration flows are 0.066 (s.e. 0.035) for family expenditure, -0.028 (s.e. 0.014) for health expenditure and -0.039 (s.e. 0.025) for pension expenditure. For EU flows the corresponding estimates are -0.001 (s.e. 0.010), 0.004 (s.e. 0.006) and -0.011 (s.e. 0.008).

<sup>18</sup> The sensitivity of the results has been tested also considering other functional forms and including other available information, such as the employment protection index (EPI). Changing functional form or including additional EPI does not change the results of the analysis.

### 5.2.2 Do migrant inflows affect UBS?

It is vital to understand whether the correlations estimated in the previous subsection arise as a consequence of:

- a) An artefact of migrants' decisions whether and where to migrate.
- b) A mechanical relationship between social expenditure and inflows of migrants who are more productive or less likely to take up welfare.
- c) Policy makers' decisions whether and how to react to immigration, including designing more austere regulations for welfare access for migrants.

In case a) it is possible to attribute a causal interpretation to the estimates. In cases b) and c) the reverse causation from immigration to UBS creates a bias in the estimates. These two potential sources of bias are analysed in this subsection.

With regard to case b) the amount of welfare migrants receive affects the level of UBS, which is expressed as a percentage of GDP. Consequently immigration affects both the amount of welfare given to migrants (numerator) and the GDP of the country (denominator); the latter resulting from the contribution migrants make to the economy, the consumption and tax behaviour, and of course the amount of welfare spent on them. It is a rather difficult task to isolate the effect immigration has on welfare spending. However, the impact can be indirectly measured by comparing migrant and native welfare use. Brücker et al. (2002) develop a procedure to analyse a set of covariates which estimates the probability of receiving unemployment benefits. The test

is conducted for the period 2005 to 2008 and for three groups: natives, and migrants, both EU and non-EU.<sup>19</sup>

Table 5.2 Predicted probabilities of unemployment benefits receipt, 2005–2008

Country	Natives	EU migrants	Non-EU migrants
Austria	0.62	0.58	0.66
Belgium	0.81	0.78	0.77
Czech Republic	0.36	0.24	0.25
Denmark	0.63	0.76	0.72
Finland	0.84	0.87	0.86
France	0.55	0.52	0.50
Germany	0.71	0.70 <sup>†</sup>	
Hungary	0.55	0.60	0.28
Ireland	0.60	0.53	0.49
Italy	0.65	0.64	0.65
Luxembourg	0.25	0.41	0.31
Netherlands	0.47	0.52	0.23
Norway	0.34	0.32	0.37
Portugal	0.68	0.63	0.63
Slovak Republic	0.18	0.10 <sup>†</sup>	
Spain	0.51	0.39	0.42
Sweden	0.39	0.39	0.33
United Kingdom	0.36	0.31	0.31
Average	0.59	0.56	0.54

Source: EU-SILC 2005 to 2008.

Notes: <sup>†</sup>Breakdown by EU/non-EU migrants not available, hence figures refer to the average rate for the two groups.

The test fails to provide any evidence of migrants receiving more welfare than natives (see Table 5.2). Once the socio-demographics of the three groups have been controlled for, migrants have actually lower predicted probabilities of receiving unemployment benefit. This is particularly true for migrants with non-EU origins and is in agreement with our findings in Section 4, in which we find that migrants are less likely to receive unemployment benefits than natives.

<sup>19</sup> A probit model is estimated for each of the three groups pooling EU-SILC data for the years 2005 to 2008. The dependent variable is the probability of accessing unemployment benefits conditional on being unemployed. The explanatory variables contain gender, age, education and dummies for the country of residence. Observations are weighted by population size. Full estimates are available upon request.

How welfare policies respond to immigration is the second cause of bias explored. The manner in which expenditure legislation in host country institutions responds to high immigration is a potential source of endogeneity. For example, government reform of welfare spending might occur if the perception is that migrants receive more welfare than the amount they contribute in the form of taxes and social contributions. This in turn may actively discourage immigration or even encourage return migration by changing the visa criteria governing eligibility and duration, which will influence the extent of UBS.<sup>20</sup> Were this to be true, then countries who receive high levels of migrants should introduce reforms which lead to reductions in unemployment benefits. On the other hand, it is also possible that governments introduce reforms to relax the accessibility of welfare, and that they do so particularly in high immigration countries or when immigration rates are high. Table 5.3 examines the trend in the months of employment necessary to qualify for unemployment benefit and also the duration. The data is available for the years 1999 to 2007, and countries are ranked according to the non-EU immigration impact, which is the change in the stock of migrants as a share of the population. As seen from the table, it is unclear whether high immigration countries adopt more restrictive or more generous eligibility criteria. We cannot rule out that countries with relatively lower changes in immigration reduce unemployment benefit duration to a greater extent. This is supported by Lipsmeyer and Zhu (2011), who in a sample of 15 European countries from 1971 to 2007 find only weak correlation between a change in the stock of migrants and the level of net replacement rate.

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<sup>20</sup> For example, Razin, Sadka and Swagel (2002) examine 11 European countries over the period 1974 to 1992 and argue that migration (in particular low-skill migration) may lead to a lower tax burden in the long run. They find that a consequence of immigration is a redistribution of income, with native-born individuals moving towards the higher (and anti-tax) part of the income distribution.

Table 5.3 Employment contributions and durations of unemployment benefits

	Country	Stock non-EU	Stock EU	Employment contributions		Duration	
		$\Delta$ 2007-1999	$\Delta$ 2007-1999	Value 1999	$\Delta$ 2007-1999	Value 1999	$\Delta$ 2007-1999
1	Spain	7.85	1.58	12	0	24	0
2	Luxembourg	4.72	1.15	7	0	12	0
3	Italy	3.45	-0.02	12	0	6	1
4	United Kingdom	2.40	0.10	24	-12	6	0
5	Ireland	1.61	0.06	10	0	15	0
6	Portugal	1.59	0.32	18	-9	30	-6
7	Czech Republic	1.41	0.16	12	0	6	0
8	Norway	1.30	0.34	12	0	36	-12
9	Finland	0.72	0.10	11	0	25	-2
10	Austria	0.62	0.74	12	0	10	-1
11	Switzerland	0.52	1.12	6	6	7	11
12	Denmark	0.34	0.25	12	0	60	-12
13	Sweden	0.26	-0.03	6	0	15	-1
14	Slovak Republic	0.21	0.21	24	12	9	-3
15	Hungary	0.16	0.08	12	0	12	-3
16	France	0.07	0.12	4	2	60	-37
17	Netherlands	0.01	0.07	7	0	60	-22
18	Belgium	-0.01	0.38	21	6	60	0
19	Germany	-1.24	0.50	12	0	12	0

Source: OECD (2002, 2007).

### 5.3 IV estimates

However, to investigate the causal mechanism of the welfare magnet hypothesis, a variable is required which is correlated with the exogenous part of the expenditure but not with shocks in immigration. This is addressed with an instrumental variables approach, and several instruments are explored which relate to the political institutions to be found in each country.<sup>21</sup> The

<sup>21</sup> This approach follows Milesi-Ferretti, Perotti and Rostagno (2002) and Lipsmeyer and Zhu (2011), who both show a correlation between social expenditure and electoral system characteristics. Milesi-Ferretti, Perotti and Rostagno (2002) find that social spending is higher in systems with proportional representation, but that majoritarian systems are more likely to use public goods to redistribute resources. In the study by Lipsmeyer and Zhu (2011) the level of unemployment entitlement in Europe is modeled on the share of seats held by left-wing parties in the winning coalition.

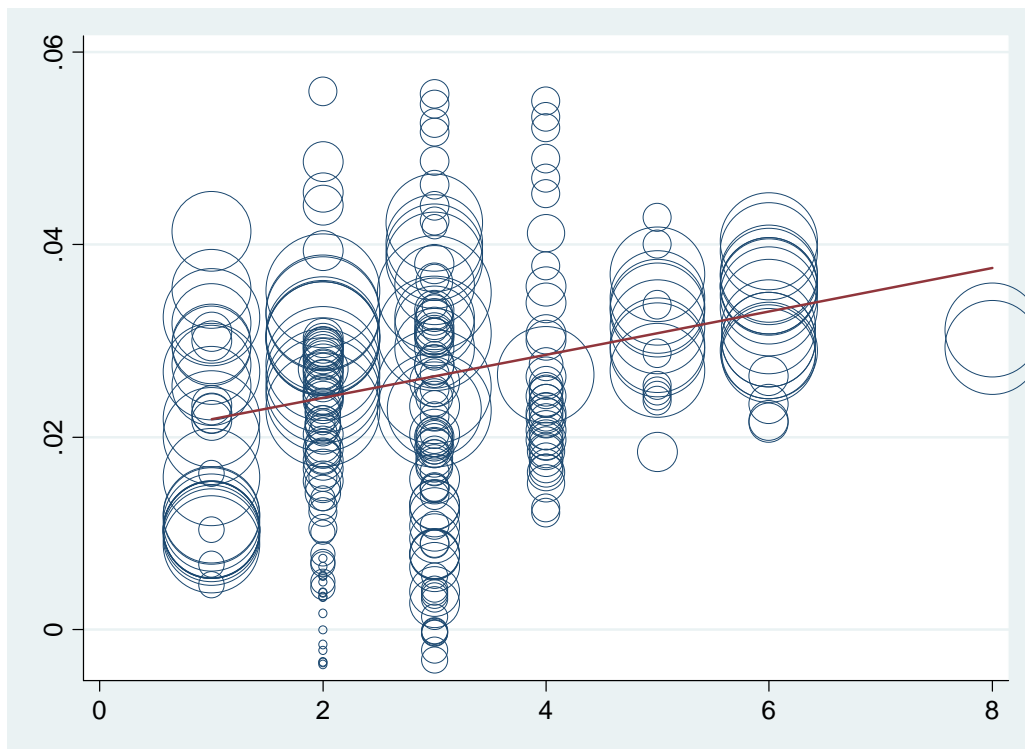
instrument adopted here is similar and concentrates on the *number of parties* found in the winning coalition, since coalitions made up of more parties should find it more difficult to reduce spending. However, it could be argued that this is not necessarily correlated with the level of immigration. Although election results may well be affected by the perceived immigration rate, or perhaps even new parties form as a result of high immigration, the number of parties required to form the winning coalition is unlikely to be altered. Figure 5.4 examines the suitability of this instrument with the first stage of the regression, in which UBS values (conditioning for all covariates in equation (1)) are plotted against the number of parties in the winning coalition. A strong correlation between the two variables is the result — in particular the estimate of the number of parties is 0.0019 (s.e. 0.0006).<sup>22</sup>

However, the IV procedure described above raises one concern: UBS might not be the only problematic variable, and there may also be reverse causality or endogeneity with the other variables in the estimation of Table 5.1. If there are persistent, favourable (adverse) macroeconomic shocks which lead to migrants to move (avoid) certain countries, other factors, such as social networks, might also be simultaneously determined with the dependent variable. Furthermore, consumption, taxes and welfare spending as a result of immigration affect a country's GDP and its unemployment rates. Hence, rising immigration inflows into the EU mean that this role cannot be regarded as negligible. This problem is partly solved by using a one-year lag in the estimation. In addition, estimates using the Arellano-Bond GMM technique are also considered to address the problems of persistence of some shocks shared by the response variable and the covariates.

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<sup>22</sup> Shea's  $R^2$  is 0.11 and the Cragg-Donald Wald F-statistic is 26.78.

Figure 5.4 Predicted UBS (y-axis) and number of parties in winning coalition (x-axis)



Notes: The size of the circles is proportional to the population size of countries in analysis.

The IV estimates for non-EU migrants in Table 5.4 are substantially smaller than those in Table 5.1; and the larger standard errors mean a less precisely estimated coefficient. Although the GMM estimate has a negative sign, it is economically and statistically insignificant. The estimate for UBS is much smaller and is compatible with the presence of an upward bias in the OLS regression.

With regard to EU migrants, there is no sign of a welfare magnet effect, which is confirmed by the similarity of the IV and GMM estimates and those in Table 5.1. It is interesting to note that the parameter estimates for the remaining regressors in all the models are extremely similar to those estimated with OLS.



One possible channel behind the upward bias of OLS estimates is that immigration results in an increase in UBS as a share of GDP, at least for non-EU migrants. It remains to be answered whether this is a result of migrants using welfare more intensively or contributing less to GDP than receiving welfare, when compared to natives, or perhaps it is because policy makers respond to increasing immigration. However, the observed data seems to rule out the latter mechanism, so it may well be the case that the first two channels are responsible for the result.

Table 5.4 IV and Arellano-Bond estimates of immigration inflow rates

	EU migrants		Non-EU migrants	
	IV	GMM	IV	GMM
UBS	0.040 (0.065)	-0.013 (0.029)	-0.003 (0.007)	-0.004 (0.022)
Stock of migrants	0.133 *** (0.018)	0.115 *** (0.011)	0.075 *** (0.009)	0.073 *** (0.014)
Per-capita GDP	0.019 *** (0.003)	0.015 *** (0.002)	0.000 (0.001)	0.000 (0.001)
Unemployment rate	-0.012 (0.011)	-0.013 *** (0.006)	0.000 (0.001)	0.002 (0.003)
Constant	-0.068 *** (0.012)	-0.054 *** (0.007)	0.001 (0.002)	0.002 (0.005)
N	248	248	248	248

Notes: Robust standard errors in parentheses. \*\*\*/\*\*/\* indicate significance at the 10/5/1% level. All models are estimated by fixed effects and contain year dummies. All regressions are weighted by the counts of individuals in each country in the year 2000. Instrument is the number of parties in the winning coalition. IV estimates are computed using the Stata command *xtivreg2* developed by M.E. Schaffer. GMM estimates are obtained using the Stata command *xtabond2* developed by D. Roodman.

Although the analysis above cannot rigorously demonstrate how welfare reacts to immigration, the tests in this section have provided some indication that immigration is related to welfare policy. In particular, it appears that unemployment benefit expenditure is higher in high immigration countries; one possible channel is that immigration increases overall welfare take up, or that migrants contribute to GDP less than proportionally.

It should be stressed, however, that our findings indicate that if this channel is present it works through composition of immigration rather than any specific migrant propensity to be in welfare take up. In particular, it is observable migrant characteristics such as educational attainment that in some cases result in overrepresentation of migrants in welfare programs and unobserved migrant specific factors seem to in fact hamper migrants' access to welfare (see Section 4). In addition, migrants do not appear to shop for welfare (see this section). It does not seem, however, that governments respond to immigration by directly increasing duration or relaxing eligibility rules.<sup>23</sup>

A more comprehensive interpretation of these findings can be obtained by linking them with the empirical evidence contained in the previous section and in the country case studies included in Annex 5. All these studies document that while in some instances migrants are somewhat more likely to take up welfare than natives, this imbalance tends to disappear once controlled for migrant-native differences in socio-demographic characteristics. Hence, there is no evidence that migrants “shop” for welfare once they reside in the country, *nor* that social expenditure is a major determinant for the decision of migration. The absence of “residual welfare take-up” and

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<sup>23</sup> Our evidence rather suggests the opposite (see e.g. Table 5.3), but to evaluate this possibility thoroughly is beyond the scope of this report.

of the “welfare magnet hypothesis” indicate that it is mainly the composition of migrant population, rather than any idiosyncratic migrant-specific factor, that governs migrant welfare take up. This suggests that selection of migrants upon entry, whether or not actively managed, is also a key factor driving migrants’ welfare use. In other words, since migrants do not seem to exhibit disproportional welfare take up *ceteris paribus* (see Section 4 and this section), an inflow of a random (similar) migrant does not increase spending more than an addition of a random (similar) native. However, in raw data migrants are more frequently in welfare take up, and this is an artefact of their adverse characteristics (Sections 3 and 4). As a corollary, selective immigration policies play a key role for the context of active inclusion of migrants. This includes two separate aspects. First, what we can call a “welfare dependency aspect” regards the composition of migrant population, which determines the underlying propensity of the members of this population to be in need for welfare. Second, what we denote the “enabling aspect” depicts the notion that the efficiency of enabling welfare policies, as well as their long-run consequences, depend on the degree to which these policies improve migrant integration, which itself is a function of the composition of migrant population and thus immigration policy. These two effects link active inclusion and immigration policies and hint at the importance of immigration policy for the sustainability of the welfare state from the economic but possibly also political perspectives. In any case, active inclusion and immigration policies need to be pursued in parallel, but their interactions such as those mentioned above need to be taken into account. In specific cases, such as humanitarian migration, active inclusion policies are of foremost importance.

## **6. Country case studies**

The transnational analysis of the previous sections produces results that are comparable across countries and show how welfare use by migrants varies across countries. While this serves to provide explanations for transnational patterns, there are clearly limits to what can be learned about individual countries from such a broad perspective. Therefore, in this section we describe 12 country case studies — detailed in Annex 5 — to complement the quantitative analysis of this report. The case studies characterise the variety of issues surrounding inclusion of migrants into welfare. In particular, each case study focuses on a particular aspect of welfare inclusion considered central to the country. In the following the lessons from these studies are comparatively reviewed.

The countries studied were carefully selected to represent all the typological migration histories and trajectories in the EU, including the Scandinavian welfare states, the traditional Western European receiving countries, the newly emerging recipients in Southern Europe and Ireland, and the new Member States from the 2004 and 2007 enlargements.

### ***6.1 Trends in welfare use***

As the EU-wide data do not provide for insights into trends in migrant welfare take up, we scrutinise the case studies for additional insights into recent trends in migrant welfare take up. We examine specifically the Czech Republic, Denmark, France, Germany, Greece, Ireland, Italy, the Netherlands, Poland, Spain, Sweden and the UK.

The case study of Denmark looks at the issue of welfare use over time by migrants with a particular focus on the period 2001 to 2007. Based on a measure of the intensity of welfare dependence among migrants from non-Western countries, the study uncovers significant falls in welfare use between 2001 and 2008. The greatest improvements were for migrants from countries that began the period with the highest level of welfare use. It is likely that this improvement was related predominantly to improved labour market conditions as opposed to policy changes, the effects of which were modest.

From the Swedish case study it is clear that migrants in Sweden have much a higher uptake of social assistance than natives and also have longer periods of receipt than natives. Indeed, the majority of social assistance payments are made to migrants, who make up 14 per cent of the population. Although there seems to be a general pattern of migrants assimilating out of social assistance receipt, receipt continues to be higher many years after immigration for migrants from non-rich countries who arrived in more recent decades.

In Germany rates of access to benefits have been consistently higher amongst migrants than amongst the native population in recent years. However, once the socio-economic characteristics of the household are taken into account, there is no evidence of a link between migrant status and the probability of receiving benefits over a lifetime. Rather the probability of receiving benefits over the life-cycle is similar for natives and migrants, with the highest probability of accessing welfare occurring between 50 and 60, indicating that the labour market prospects for older workers may be poorer, which increases welfare use.

In the case of the Netherlands two opposing trends seem to be present. On the one hand, participation in employment also increases with time spent in the Netherlands and these two trends are linked as welfare receipt is partly conditional on an employment record. On the other hand, if arrival cohorts are compared, it is observed that the percentage of newly arrived migrants claiming welfare declines over time. This latter effect appears to be related to tighter eligibility criteria.

For Spain we have a picture of increasing migrant use of some programmes relative to natives over time with the opposite holding for other programmes. Unemployment insurance benefits, family assistance and disability pensions have increased for both population groups over the period 1999 to 2009. However, while the growth has been considerably higher for unemployment benefits and family assistance receipt among migrants, the opposite holds for disability pensions. In contrast, receipt of survivors' benefits and other assistance has decreased among migrants while remaining constant in the case of the former and increasing for the latter among natives.

In Ireland it is generally the case that migrants are less likely to be in receipt of welfare payments relative to natives, and this has persisted between 2003 and 2007. However, in the case of unemployed migrants and unemployed natives, the most recent data show no difference in terms of likelihood of receipt. As many of Ireland's migrants have recently arrived, this finding can be attributed to migrants having acquired eligibility in the years between 2003 and 2007.

In the UK trends in benefit use vary strongly between different migrant groups and between men and women. Across all migrants and all benefit types, male migrants were shown in the UK case study to be more likely to receive benefits relative to native men. However, the opposite was true for female migrants and native women. Once socio-economic characteristics are controlled for, male migrants from the EU-8 are more likely to receive benefits relative to native men, with high rates of uptake of child benefit and tax credits. Much higher rates of welfare benefit claims are made by other groups of migrants, especially migrants from Asia and other parts of Europe.

The French case study examines one form of benefit, social housing, over two decades and finds that the transition into and out of social housing differs between natives and migrants, with migrants living more frequently in social housing than French natives, other observables being equal. In particular, this probability is higher for migrants from Turkey, Morocco, Southeast Asia, Algeria, Tunisia and Sub-Saharan Africa. There are also strong geographical differences, with migrants less likely to be in social housing than natives in large cities. There is little evidence that duration of stay in France affects social housing uptake, with housing choices persisting over time.

In the Czech Republic access of welfare by migrants is low, but some elements are growing over time. The migrant share of all job seekers claiming unemployment benefits is low, just 2 per cent in 2009, despite migrants making up 6 per cent of the labour force. While this is low, it represents an increase from 1 per cent in 2005. Further increases will be limited to some degree by the structure of the unemployment benefit system, which excludes many migrants. With

regard to social assistance, migrants' access is low but has also been rising over time, growing from 0.3 per cent of total social assistance in 2005 to 1.7 per cent in 2009.

In Poland, with low immigration and a low level of non-nationals in the population, the extent to which migrants receive welfare payments is also low. In 2008 around 1,800 migrants received welfare payments in Poland and the total amount paid was less than €500,000. This represented an increase on the 2005 figures of just over 1,000 people and €180,000. However, it is clear that the level of welfare use by migrants in Poland in recent years is much smaller than elsewhere in Europe.

Clearly trends in take up of welfare vary between countries in Europe. In some countries it is low, while in other countries there is higher use of welfare by migrants than natives. There are also a variety of growth trajectories, welfare use is growing quickly in some countries, relatively stable in others, and actually declining in some cases. There are also differences within take up rates between different migrant groups differentiated by country of origin and gender.

## ***6.2 Access to welfare and welfare adequacy***

In examining access to welfare it is important to distinguish between contributory welfare schemes and non-contributory schemes. Many of the European countries examined in the case studies have a contributory system of unemployment benefits. This is true, for example, in the Czech Republic, Denmark, Germany, Italy, the Netherlands, the UK, Spain and Sweden. This



type of system precludes access by recent migrants because it requires a work history in the country.

This means that in many EU Member States, a large proportion of migrants are excluded from receiving unemployment benefits, even though they are in some cases living in generous welfare states. In most cases a migrant who works and contributes to the insurance programme for the required period would then be eligible for the benefits exactly as a native would, so permanent exclusion is only a risk for those who are not able to enter the labour force. However, this means that there is a risk of poverty for new arrivals, or those who remain outside of the labour force for extended periods.

In many cases there are also non-contributory welfare schemes, such as social assistance (or the lower level of means-tested unemployment benefit in Germany and the UK) that can be accessed by migrants as long as they are legally resident in the country. While social assistance is often lower than the amount provided for unemployment benefit, it can provide a safety net for migrants, offsetting the risk of poverty. However, the levels and duration of assistance provided vary by country, with some providing a low, but adequate, income, and others providing a much lesser degree of assistance. In other countries, such as Italy, there is no national scheme, and social assistance varies significantly on a regional or municipal basis.

In countries with more generous social assistance programmes, there is evidence that migrants use this assistance much more heavily than natives. This would indicate that the barriers to

accessing social assistance are minimal, but that there are barriers to accessing the workforce, as outlined in the Swedish case study.

For some countries, such as Denmark and the Netherlands, this over-representation in social assistance uptake has led to countervailing policy changes. These changes attempt to tackle the problem of long-term unemployment that faces some migrant groups, but also carry the risk of increasing poverty in migrant families.

Some countries, such as Spain and Greece, as well as some regions of Italy, have less developed social assistance schemes, leaving some migrants without access to any meaningful assistance. This also creates a risk of poverty for migrants, particularly if they are also excluded from the unemployment insurance system or if the unemployment assistance level is also low.

In other cases institutional frameworks actively exclude some migrants from having equal access to benefits. This is true in the Czech Republic, where some categories of migrants cannot access unemployment benefits, even when they have been previously employed and have contributed to the scheme. Similarly, temporary workers in Poland cannot access the welfare system and integration assistance is largely targeted at refugees, not other forms of migrants.

There are additional barriers which can restrict access to welfare. In some of the more recent immigration countries, for example, migrants access welfare less than natives, even once individual characteristics and eligibility are controlled for. Differences in social and ethnic capital, social norms and cultural barriers could be driving this.

Language skills in particular are raised as a potential barrier to welfare uptake in a number of case studies, with poor language skills firstly increasing the need for assistance but also potentially excluding people from accessing it. It is also possible that discrimination and unequal treatment could be driving lower access to welfare by migrants, a prospect that is raised in a number of the case studies.

In summary, the migrant welfare experience differs depending on location. Most migrants are excluded from accessing contributory schemes such as unemployment benefits — at least for an initial amount of time. In some countries they can instead access relatively generous non-contributory social assistance with few impediments, while in some countries the level of assistance is low. In other countries there are institutional barriers which prevent access. Even when there are no institutional barriers, evidence suggests that there are other barriers, such as human and ethnic capital and discrimination, which prevent full access in some instances.

### ***6.3 The consequences of the recent economic and financial crisis for active inclusion***

The economic and financial crisis of the late 2000s and early 2010s has certainly changed the migration landscape in Europe. The changed direction and composition of migration flows also affected the welfare systems and active inclusion challenges in the EU. In this subsection recent immigration trends and the potential impact of the economic crisis are investigated in order to draw implications of the recent crisis for active inclusion in the EU

Although the largest increases in migration flows are reported for Southern Europe — in particular Greece and Spain — relatively large increases were also reported for Finland and Ireland. Table 6.1 contains an aggregate of the EU-LFS migration statistics for 1995–2009.<sup>24</sup> However, other EU Member States also reported substantial variations. The stock of migrants in Cyprus, for example, has doubled in 10 years, whilst Estonia has borne witness to a drop by more than half. Care should be taken in analysing medium-term trends, as the data represents more of a snap-shot of the current situation and fails to account fully for any diverse population dynamics. Moreover, migrant stocks are given as percentage of each country's population. Hence, a rise could also be due to a change in the size of the native population, for instance from variations in mortality and fertility rates.

What is crucial is whether the economic crisis affected immigration stocks for 2009. The fact that the crisis has not entirely run its course at the time of writing makes this particularly complicated. There could be a delay effect, which may well influence migrant stocks later. Although it can be argued that a weaker response could be found in stock data compared to flow data, the sheer magnitude of the crisis might well have had an affect on migrant shares.

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<sup>24</sup> Italy is not included in Table 2 due to missing data.

Table 6.1 Stock of foreign-born population, over time

Country	1995	2000	2005	2009		
				observed	predicted	difference
AT	11.40	12.10	14.50	17.15	16.34	0.81
BE	10.00	11.50	13.70	14.79	15.62	-0.82
DE	9.20	9.70	10.50	10.54	9.61	0.92
DK	3.80	5.80	7.10	9.76	8.64	1.12
EL	4.00	5.30	8.00	10.54	9.97	0.57
ES	2.20	4.20	11.80	17.38	18.69	-1.30
FI		0.50	2.90	4.06	4.07	-0.01
FR	11.90	12.10	11.60	12.09	11.23	0.86
IE		7.50	11.30	18.17	14.62	3.54
LU	34.20	38.50	40.30	44.48	44.14	0.34
NL		13.20	13.10	13.00	14.28	-1.28
PT		5.30	7.20	8.61	9.35	-0.74
SE		12.50	13.40	16.34	17.94	-1.60
UK	7.80	9.10	11.00	13.72	13.22	0.50
EU-15 avail.	7.10	9.19	11.05	12.82	12.56	0.26
BG			0.20	0.28	0.16	0.12
CY		11.20	16.80	21.54	22.62	-1.08
CZ			1.90	2.78	1.95	0.83
EE		19.70	13.80	12.72	8.93	3.79
HU			1.80	1.93	2.00	-0.08
LT		6.00	3.40	3.79	2.06	1.73
LV			11.50	13/05	11.09	1.96
PL			0.70	0.30	0.59	-0.29
RO			0.10	0.11	0.10	0.01
SI			8.10	8.70	7.85	0.84
SK			0.90	0.78	0.81	-0.02
EU-12 avail.		0.16	0.54	0.56	0.51	0.05
EU-27 avail	5.31	6.91	8.40	9.73	9.52	0.21

Source: Eurostat, LFS 2009. Figures for Italy and Malta are missing

One method of investigating the impact the crisis has had is by building a hypothetical immigration stock for 2009 based on trends extrapolated for earlier years. The predicted values in 2009 are based on immigration trends for the period 1995–2006. It can be seen from Table 6.1 that there is very little difference between the aggregate immigration stocks of the observed and predicted figures, with the observed data being slightly larger. Differences do appear, however,

in individual countries. Predicted values, which are calculated in the absence of a crisis, are 1 percentage point higher in the Netherlands, Spain and Sweden, and over 3 percentage points higher in Estonia and Ireland. Furthermore, the data fails to support any evidence suggesting that countries which have experienced a greater affect due to the crisis, for example Ireland, would have received more migrants than countries in which the effect of the economic crisis has been less, such as Germany. Although this is an indirect evaluation, it does suggest that the recent economic crisis failed to have an immediate and substantial effect on migrant stocks.

There may be several possible explanations for this result — some of which are discussed in Papademetriou, Sumption and Somerville (2009). Their study investigates the manner in which the crisis affected migrant inflow and outflow. They find that migrants who move for economic reasons — as opposed for family reasons such as family reunion — are more likely to be affected by the crisis. However, the impact on migrant inflow is likely to be small if the number of migrants moving because of an economic motive is relatively large. Many working migrants find that it is better to stay in the host country than to return home. This is especially true of workers who are unskilled or if there are high costs of returning. There may also be a change in the way migrants search for employment, accepting jobs which were regarded as unfavourable prior to the crisis. In addition, unemployed migrants in many EU Member States qualify for benefits, which could also stem the outflow. However, the EU has a significant amount of circular migration due to the freedom of movement, and it is likely that mobility across EU Member States was affected. Unfortunately, current data availability does not allow for the prediction of this delayed affect arising from an economic downturn. If the application procedure

for a visa for an EU Member State takes time, the full impact of the economic crisis may take years to emerge.

The findings above have been confirmed by country studies which have investigated how the crisis has affected immigration. Düvell (2009) believes that since the crisis caused a reduction in both inflows and outflows, the credit crunch might not affect immigration stocks at all. De Filippo and Morlicchio (2010) study Italy and indicate that some redistribution may occur within the country. For example, migrants might move from the north to the south, where there are more opportunities of finding work, as opposed to returning to the source country. The impact of voluntary return programmes, which Rulikova (2010) investigates for the Czech Republic for 2009, indicate the take-up rate is rather low. This may be a result of migrants deciding to remain in the country and find employment which may be less favourable, but altogether better than returning to their home country similarly affected by the economic downturn.

Confirmation of the findings above comes also from a few country studies that have looked at the consequences of the crisis on immigration. According to our Danish case study, quarterly data from a micro panel data set collected by the Rockwool Research Foundation for full time unemployed non-Western migrants and natives from the first quarter of 2008 to the third quarter of 2009 in Denmark show an increase of 25 per cent for the non-Western migrants against an increase of 63 per cent for natives. As far as data are available for the period affected by the current crisis, i.e. until the third quarter of 2009, migrants seem to be less affected than natives by the economic crisis.<sup>25</sup> From the German case study we learned that migrants in Germany are

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<sup>25</sup> This somewhat surprising fact could obviously reflect other factors than labour market integration, like sectoral differences and differences in the age distribution. As one example, the current crisis has been especially severe in

primarily employed in branches that are particularly vulnerable to economic downturns (cf. Kogan 2004). Thus, migrants' observed probability of transfer receipt may have increased during the crisis due to the association between labour market variables and welfare use. However, the labour market in Germany has been, compared to other countries such as the US or the UK, quite robust during the crisis. Companies have prevented layoffs and cushioned the impact of the crisis by applying, for example, a specific job-sharing practice, the so-called "Kurzarbeit". As a result, it can be expected that the migrants' situation has not deteriorated significantly during the crisis. Moreover, a deterioration of migrants' labour market variables may lead rather to an increase in return migration than to an increase in welfare use. These considerations give rise to the supposition that an increase in participation of migrants in welfare programs due to the current economic crisis is not very likely.

Our country studies provide evidence that migrants in Italy are not more, and those from outside the EU perhaps less, likely to apply for welfare benefits in regions with higher unemployment rates. This may be due to their leaving the country in case of unemployment or due to employers' preference for less-paid migrants over higher-paid natives during the crisis. It may also be that migrants are discouraged by barriers in accessing welfare benefits. These findings indicate that drawing firm conclusions about the interaction of immigration and the sustainability of welfare systems is a complex exercise. In particular, in the Italian case there is no evidence that migrants would pose a threat to unemployment insurance sustainability during an economic downturn. Rather, we cannot exclude the risk of barriers to access to welfare benefits for migrants in times of high unemployment, which may have further repercussions for their integration.

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building and construction where fairly few non-Western immigrants have been employed. More recent data would be needed to fully evaluate these effects.



On the other hand, there are indications that the current economic crisis has hit non-Western migrants in the Netherlands relatively harder than native Dutch and other relatively less vulnerable Western migrants, like other earlier crises. Migrants have lost their jobs quicker because they have often temporary contracts with low job security. While migrants are in aggregate data more likely to enter welfare programs, there is increasingly little money for active labour market policies aiming to help migrants in finding a job because of necessary cutbacks to repair budget deficits. This is a typical situation in which disadvantages of migrants become greater and more persistent during economic downturns. Similar situation is reported for Spain.

Data limitations preclude a full analysis of the consequences of the recent economic crisis on active inclusion of migrants. Although migrants may be more vulnerable than natives when it comes to lay-offs, it may well be that they are seen as cheaper workers invaluable if cost-cutting is a priority or that their skills are seen as invaluable for the company's long-term success who therefore rather offers shorter working time than lay-off. Also, instead of taking up welfare, migrants may decide to leave the country during economic downturn, thereby alleviating the pressure on public finance.

Of greater concern is the poor accessibility of active inclusion programs to migrants. Inclusion of migrants, fostered by active inclusion programs, is necessary to make the most of the potential of migrants in the labour market. Therefore, all the three pillars of active inclusion of migrants — adequate income support, inclusive labour markets, and access to quality (social) services — is not less, but more important during the crisis. Migrants can in fact provide for the much needed flexibility of the labour market during an economic downturn, but this can only work well if they

are integrated in the labour market. This need for integration and flexibility, and the often fragile position of migrants, is a very strong argument for active inclusion policies that can result in a win-win situation: integrated migrants, flexible labour markets, and a smoother adjustment during the business cycle. As a corollary, active inclusion programs, to the extent that they provide for a better inclusion of migrants, buttress the sustainability of welfare programs in the long run. In sum, active inclusion of migrants is in fact an important tool that may alleviate negative effects of the crisis and foster recovery.

#### ***6.4 Country case studies: key findings and lessons for the active inclusion of migrants***

Germany

*Key findings:* There is indication that the broad package of labour market reforms introduced in 2003–2005 has improved the social integration of migrants in Germany. There is no evidence of “residual” or excessive welfare take-up once socio-demographic characteristics of migrants are taken into account. As a corollary, selective immigration policies will be an effective instrument to regulate the welfare take-up of migrants.

*Lessons for active inclusion:* “Unemployment benefit II” is a means-tested, lump-sum payment not linked to previous contributions. Since 2007 migrants can be obliged to participate in integration courses, with a 30 per cent cut to their unemployment benefit if they do not participate. This can be interpreted as best practice of an enabling service which leads to a sustainable employment of migrants and lower welfare dependency. The system should be customised to account for cultural differences and family background of the migrants in order to

assure further inclusion and the ability to speak the language especially for older people, women and indirectly for children.

## France

*Key findings:* The public housing programme introduced in France ensures a dwelling for families with income below a threshold decided by the local authority. In general, migrants who have not yet acquired French citizenship are more likely to be in this programme than natives. Nevertheless, there is indication that the strong geographical segregation of migrants triggers social housing competition. Hence, migrants in high immigration cities are likely to face barriers in accessing this type of welfare.

*Lessons for active inclusion:* Public housing could be an efficient welfare instrument to improve migrants' social and economic empowerment. The case of France, however, demonstrates that the design of similar programs requires a careful evaluation of migrant geographical sorting to avoid segregation and creation of deprived urban areas.

## The Netherlands

*Key findings:* Welfare dependency for migrants in the Netherlands is relatively high. The major factors appear to be the low levels of education of migrants, as well as their tendency to increase welfare use over time. Recent reforms during the period 2004 to 2006 were designed to restrict/condition entry, legal residence and welfare take-up on "integration exams". The provision of social assistance and disability benefits was also conditioned on the working history.

*Lessons for active inclusion:* Although it is too early to evaluate their effect, the abovementioned policies have the potential to provide for a favourable composition of migrants and thus for their

inclusion in the long run. Their conditionality (e.g. on work history) may also provide appropriate incentives to work, and thus buttress the sustainability of the welfare system. However, challenges for integration remain very high, particularly for second generation migrants.

#### United Kingdom

*Key findings:* Welfare use by migrants in the UK is highly heterogeneous, reflecting the different socio-economic background of migrants. In particular, country of origin, level of education, language ability and number of children play a crucial role in determining welfare outcomes. One of the most striking aspects is the relatively low welfare use of female migrants. This might be the result of the remarkably low labour force participation rates among women belonging to certain ethnic minorities.

*Lessons for active inclusion:* Immigration policy, especially if linked to education and training interventions, may have more of a role to play than welfare policy itself when it comes to altering patterns of welfare receipt among migrants.

#### Denmark

*Key findings:* Since the mid-1990s labour market integration of migrants appears as quite successful. Participation rates have increased strongly, although the gap is still impressive relative to natives. Employment rates have also increased strongly, especially among younger migrants since the turn of the century, and unemployment has fallen sharply. Among the main findings is the importance of the macroeconomic situation at the time of entry to the labour market as well as in the first years in the new country. Furthermore, all available studies show a

very big variation between countries of origin. Overall, results show assimilation out of welfare during the first 20 years of residence followed by assimilation into the permanent welfare programmes for early retirement and pensions.

*Lessons for active inclusion:* The Danish case illustrates the importance of the business cycle at the time and shortly after entry into the host labour market. As economically-driven immigration should naturally decline in times of economic downturns and increase during upturns, in view of the sustainability of active inclusion policies it is especially the management of non-economic immigration that requires specific attention during economic downturns, when the “absorption capacity” of the welfare system and labour market is lower. The Danish case also confirms the importance of the composition of migrant population, and thus of immigration policies. By speeding up the process of assimilation out of welfare, and reducing the incidence of early retirement, active inclusion policies help to reduce the outlays and increase the receipts of the Danish welfare system. By doing so, active inclusion could increase its financial sustainability.

## Sweden

*Key findings:* The majority of social assistance in Sweden goes to foreign-born individuals — a category which accounts for 14 per cent of the population. This pattern is only partly explained by the high costs that can be attributed to looking after recent refugees. Migrants tend to assimilate out of social assistance receipt. However, receipt continues to be higher for many years after immigration for migrants from non-rich countries when compared to natives with several identical characteristics. The elevated probabilities of social assistance receipt among migrants from non-rich countries are mainly due to failures of integrating into the labour market at the destination.

*Lessons for active inclusion:* Sweden belongs to those countries where migrants from non-rich origins are relatively frequent among welfare recipients. As the main factor behind this pattern seems to be the composition of migrant population, immigration policies crucially interact with active inclusion policies. Given that active inclusion policies may speed up the process of assimilation out of welfare, their appropriate design and implementation is a central factor for the sustainability of the Swedish welfare system. As numerous active inclusion policies have recently been adopted in Sweden, the key challenge seems to be ensuring their efficient implementation and appropriate monitoring, including identification and dissemination of good practices.

#### Greece

*Key findings:* Despite the existence of social assistance programs, migrants are less likely to receive welfare, in part due to their scarce social integration and their segregation into the informal sector and precarious jobs. The immigration law of 2005 and its 2007 revision have institutionalised some provisions for better integrating migrants.

*Lessons for active inclusion:* Although Greece faces major challenges for the active inclusion of migrants, recently there have been attempts to improve migrants' integration, such as the "insurance stamp" programme. This scheme links the renewal of residence permits to the employment history of migrants. Even if this has connotation of a restrictive policy, the programme allows free mobility of migrants within the country, potentially enhancing their relocation across labour markets.

## Ireland

*Key findings:* Relative rates of welfare use by migrants and natives in Ireland are very similar, even after controlling for socio-economic characteristics such as age and education. Remarkably, welfare take-up rates are lower for migrants from the EU-12, which is mostly explained by their higher employment rates.

*Lessons for active inclusion:* There seems to be no concern that the lower welfare use of migrants is connected to social exclusion issues. However, the presence of structural mechanisms, such as the contributory nature of benefits, which keep migrants out of the welfare system for an initial period of time, suggest that immigration policies coordinated with welfare policies will be successful in adjusting migrants welfare take-up. This is particularly important in light of the fact that the impact on welfare spending of the recent immigration waves, especially from the EU-12, will only be discernible in few years.

## Italy

*Key findings:* Once controlling for their socio-demographic characteristics, migrants are not more likely than natives to take-up welfare. The observed unconditional higher welfare take-up is also caused by the fact that migrants are more likely to cluster in regions where low-skilled labour demand is higher and at the same time welfare is more generous.

*Lessons for active inclusion:* The provision of social assistance does not provide sufficient incentives for an active integration of migrants in the labour market. Efforts towards implementing enabling services require parallel interventions to encourage the flexibility of, and non-discrimination in, the labour market and to create incentives for a more uniform geographic

settlement of foreign-born. All these interventions might clash with the disproportionate amount of welfare expenditure devoted to pensions.

## Spain

*Key findings:* Contrary to many other European countries, migrants in Spain are less likely to take-up welfare than natives. An exception is constituted by unemployment benefits, the use of which increases with the time spent in the country. The scarce participation in welfare programs by migrants partly reflects the relatively low social expenditure in Spain, but also a lack of social and cultural integration.

*Lessons for active inclusion:* The substantial increase in immigration flows together with the scarce social assistance creates concerns for migrants' social exclusion. This may not be much of a problem currently, with predominantly young migrants with strong labour market attachment. However, as migrants will inevitably age and have families, Spain should use this window of opportunity and design sustainable inclusion policies oriented to producing services for an active participation in the labour markets of migrants, as the migrant cohorts will mature.

## Czech Republic

*Key findings:* The Czech welfare system has several components to ensure the minimum living standards for all legal residents. There is, however, evidence of selective practices against some groups of migrants. For example, migrants face barriers to access unemployment benefits even when they have employment history in the country and have been contributing to the scheme.

*Lessons for active inclusion:* Although there are examples of policies providing “enabling services” which could be helpful for the integration of migrants, such as job-seeking assistance



and re-qualification courses, the majority of expenditure is allocated to passive employment policy, such as unemployment benefits. Moreover, some groups, such as non-EU migrants without permanent residence, are not allowed to legally stay in the country when they are laid-off, pushing them to self-segregate into self-employment. This calls for a more substantial active inclusion strategies, especially for these groups of migrants.

Poland

*Key findings:* Foreign nationals legally residing in Poland are eligible for social assistance payments. However, the extent to which migrants receive welfare payments is relatively low — mainly due to the fact that immigration flows are relatively small. A large fraction of migrants are seasonal workers or are employed under temporary contracts. These situations prevent them to fully access social services — hindering their integration process.

*Lessons for active inclusion:* Poland has launched some integration programs, albeit these are mainly focused on refugees. As the inflows of permanent migrants are expected to increase in the near future, it will be necessary to design active inclusion policies in order to promote language and labour market integration.

### ***6.5 A diversity of outcomes across the EU***

The 12 individual country case studies demonstrate that there are a range of welfare outcomes for migrants in Europe. Welfare is available to migrants to varying degrees, often depending on their work history in the country. Similarly, the level of benefits, also relative to that available to natives, differs significantly across countries.

As a result, actual welfare use by migrants varies across countries; in some cases they use welfare more than natives and in others less. For some countries, such as Germany, Ireland, Italy and the Netherlands, analysis shows that the differences in welfare use between migrants and natives can largely be explained by the socio-economic characteristics of migrants. In other cases controlling for these characteristics does not remove the gap, implying that there are other factors at play.

It appears from the case studies that welfare use by migrants tends to vary according to a country's immigration history, with more recent immigration countries in general having lower use of welfare by migrants.

For example, in the Czech Republic, Poland and Spain migrants use welfare less than natives. This is in part explained by the types of migrants in these countries, who are young and active in the labour market. However, even once individual characteristics and eligibility are controlled for, there is some evidence that migrants access welfare less than natives, which could indicate structural barriers to welfare take-up. This is partly related to the nature of the welfare systems in these countries, which exclude migrants to some extent. It may also relate to unobservable factors, such as various institutional barriers, differences in social and ethnic capital, social norms and cultural barriers, but also discrimination and unequal treatment. Barriers to accessing welfare could result in a potential poverty risk for migrants. It is also important to note that low welfare use by migrants may also indicate that migrants are migrating for employment purposes and when employment ceases, they out-migrate, rather than take welfare.

Clearly in these more recent immigration countries, the take up of welfare by migrants and the effects of immigration on the welfare system as migrant populations mature will depend on the degree to which migrants adjust in the host societies. Active inclusion of migrants through quality welfare services and their labour market integration are central elements of such adjustment. In a dynamic perspective, migrants who are predominantly young and with strong attachment to the labour market will unavoidably age, bring families and have children. It is crucial to fully integrate them in the society, so that their good initial labour market performance carries over in time and over generations and family networks. Active inclusion plays a key role in this process.

It can be said that for many of the “new” immigration countries, the welfare system does not adequately reflect their status as migrant receiving countries and has not been sufficiently adapted to the needs of migrants. In these cases “integration policy” should be broadly based, to include structural and legislative change for the receiving government, as well as policies aimed at human and social capital formation for migrants themselves.

In the more traditional immigration countries, such as Denmark and Germany, where there has been a history of guest worker and subsequent family reunion migration and welfare has historically been generous, migrants tend to use welfare more than natives. The German analysis demonstrates that this is the result of the socio-economic characteristics of the migrants, rather than their migrant status per se. This would imply that changing the composition of migrant inflows could change welfare use outcomes. The Danish case demonstrates that policies which make welfare less generous for migrants, as well as changes to migration law that change the

composition of migrant inflows can reduce welfare uptake to some degree (at least in times of aggregate low unemployment).

The different circumstances faced by European countries in respect to welfare use by migrants suggest that a uniform policy solution may not exist. As summarised in Section 6.3, EU Member States have implemented a wide range of policies aimed at migrant integration. Some of the key lessons for policy reform learned are that:

1. Long-term perspective taking into account the age and family structure of migrant cohorts is desirable.
2. Policies need to take into account the behavioural reaction of the target, but also non-target, populations. This is especially important when strong network effects are at play, such as in case of housing.
3. Generally, conditionality of social services and benefits has the potential to provide for proper incentives for migrants to integrate. Conditionality on work history also fosters the sustainability of social assistance and service provision. However, great care needs to be taken of the cases where conditionality potentially excludes some subgroups of target populations.
4. Fostering flexibility of labour markets needs to be one of the key elements of the implementation of enabling services. Antidiscrimination policies are similarly required.
5. Immigration policies strongly interact with integration policies through determining the composition of migrant populations. It is therefore crucial to design and implement integration and immigration policies in unison.

6. The effects of the business cycle must not be ignored. As migrants coming during economic downturns seem to have considerably greater integration difficulties than those coming during economic booms, active inclusion policies are not less, but more important during economic downturns.

## **7. Country visits**

In a focused effort to further develop our understanding of these issues at the national level, the IZA/ESRI team convened country visits in France, Germany, Ireland, Italy and the Netherlands.

The respective country visits are listed below.

1. IZA, Bonn, 15 March 2010
2. University of Amsterdam, 26 March 2010
3. ESRI, Dublin, 29 March 2010
4. CREST, Paris, 2 April 2010
5. University Bocconi, Milan, 9 April 2010

These workshops served as an intellectual forum at which the results of the project, including the respective country's case study, were presented and critically evaluated against the expertise and experience of local academics, policy makers, national officials, practitioners, NGO representatives and media. Policy relevance of the proposed conclusions was thoroughly discussed in policy roundtables, plenary discussions and face-to-face meetings.

The findings from these visits serve to inform many parts of this report. For example, these discussions highlighted the importance of selection at the point of entry for the composition of migrants and thus their integration prospects as well as the importance of the business cycle which determines migrant inflows and outflows (inflows during peaks and limited outflows during troughs) but also their integration prospects. In addition, the peers pointed out that welfare

provision often involves discretionary elements which at least potentially may lead to discrimination against migrants. For this reason, they argued, provision of welfare should be based on objective characteristics, excluding discretionary elements. The importance of information awareness of migrants also deserves mention here. Information about welfare services needs to reach migrants for them to be effective. In this process governmental as well as non-governmental and civil society organizations play an important role. Finally, attitudes and perceptions of the natives towards migrants need particular attention.

## 8. IZA Expert Opinion Survey

The 2010 IZA Expert Opinion Survey — a survey conducted among the expert stakeholders and minority representatives in the 27 EU Member States — complements the analysis by mapping experts' opinions about the social and labour market inclusion of ethnic minorities. Besides a number of questions measuring the integration situation of migrants in Europe, it includes a module on migrants' welfare use and its institutional framework. The survey was conducted between April and September 2010 and contains information from 156 expert stakeholders from around the EU. The survey provides a unique qualitative perspective and allows the researchers to tap into the expertise of stakeholders and minority representatives. Having the data from the 2007 wave of the survey at our disposal, the survey permits comparing the experts' perspectives over time.

The survey has provided a number of interesting insights. Figure 8.1 shows that it is irregular migrants in particular who face a very high and increasing risk of exclusion.<sup>26</sup> While EU migrants do not seem to be exposed to particularly high or increasing risks, non-EU migrants also seem to face significant and increasing risk of social and labour market exclusion. From Figure 8.2 it is apparent that the existing antidiscrimination legislature offers little hope that it can alleviate this difficult situation.

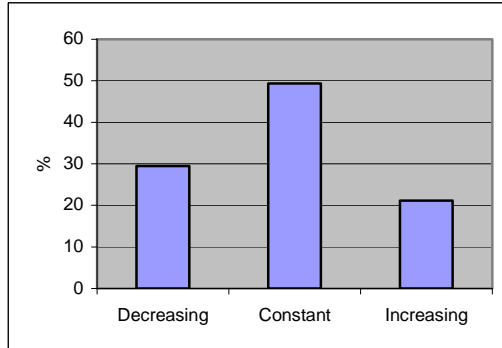
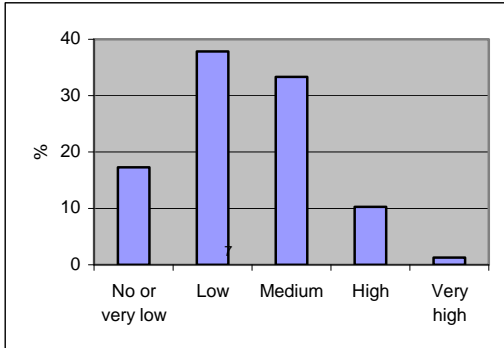
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<sup>26</sup> In the original study the term *illegal immigrants* was used. We prefer to use the term *irregular immigrants* here.

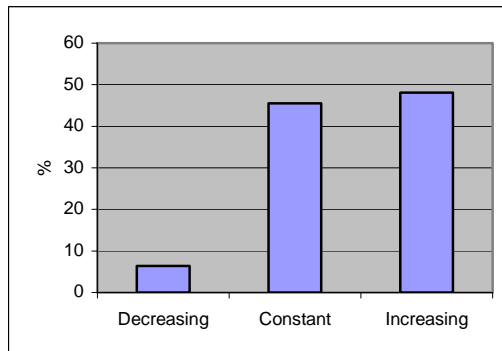
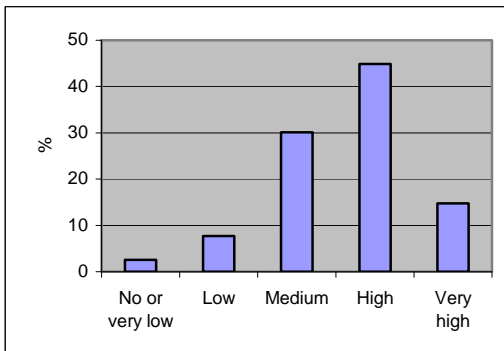


Figure 8.1 The risk of being excluded from the labour market and thus employment opportunities

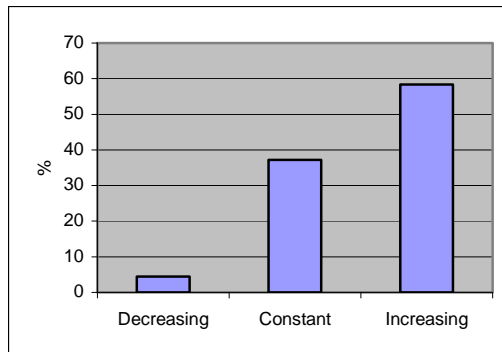
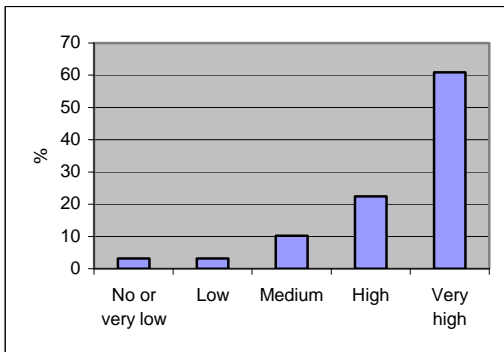
*EU migrants*



*Non-EU migrants*

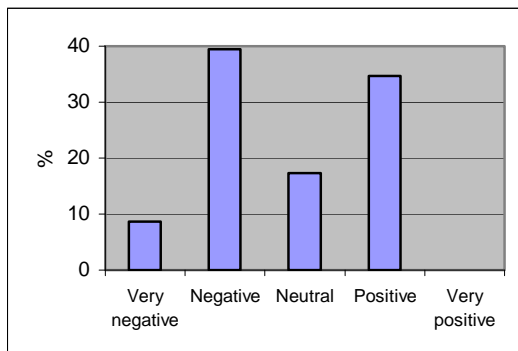


*Irregular migrants*



Source: Own calculations based on IZA Expert Opinion Survey 2010.

Figure 8.2 Evaluation of the current legislation related to equal opportunities and diversity in your country



Source: Own calculations based on IZA Expert Opinion Survey 2010.

Table 8.1 corroborates the general pattern that among the EU, non-EU and irregular migrants, the latter are those who face the most severe difficulties in accessing enabling services, closely followed by non-EU migrants. Housing and housing subsidies seem to be the least accessible to non-EU migrants among the considered enabling services. Among the other poorly accessible enabling services are education in general and higher education in particular, family and child benefits, unemployment benefits, as well as employment agency assistance, including information about relevant job vacancies and training. We also considered access to bank services and credit (loans, mortgages, consumer and business credit), as this may play an important role in migrant inclusion into welfare. It turns out that access to these services is the most problematic. From a general perspective the risk of being discriminated, neglected, uninformed, misinformed or otherwise mistreated by officials in relevant state social service agencies is seen as very high among the expert stakeholders surveyed. We obtain qualitatively similar results also for EU and irregular migrants.

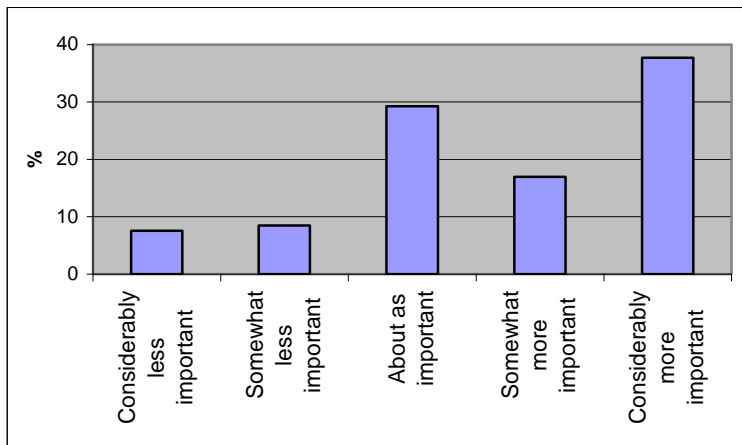
Table 8.1 The risk of migrants being excluded from, or having difficulties accessing, social services in per cent of respondents

		No or very low	Low	Medium	High	Very high
Pre-school educational institutions (kindergartens, child care facilities)	EU	39.80	32.65	17.35	7.14	3.06
	Non-EU	12.24	22.45	30.61	21.43	13.27
	Irregular	4.08	5.10	13.27	12.24	65.31
Education in general	EU	50.00	21.43	20.41	3.06	5.10
	Non-EU	13.27	18.37	28.57	29.59	10.20
	Irregular	3.06	5.10	11.22	20.41	60.20
Higher education	EU	35.71	29.59	25.51	4.08	5.10
	Non-EU	7.14	19.39	23.47	36.73	13.27
	Irregular	4.08	2.04	6.12	14.29	73.47
Language training courses	EU	48.98	23.47	14.29	8.16	5.10
	Non-EU	22.45	23.47	28.57	17.35	8.16
	Irregular	6.12	8.16	16.33	15.31	54.08
Family and child benefits	EU	36.73	34.69	17.35	8.16	3.06
	Non-EU	12.24	20.41	23.47	27.55	16.33
	Irregular	1.02	2.04	6.12	11.22	79.59
Housing and housing subsidies	EU	26.53	26.53	30.61	12.24	4.08
	Non-EU	6.12	15.31	25.51	34.69	18.37
	Irregular	2.04	3.06	5.10	11.22	78.57
Unemployment benefits	EU	26.53	32.65	26.53	11.22	3.06
	Non-EU	10.20	20.41	24.49	24.49	20.41
	Irregular	3.06	2.04	5.10	6.12	83.67
Employment agency assistance, including information about relevant job vacancies and training	EU	31.63	40.82	14.29	7.14	6.12
	Non-EU	14.29	23.47	22.45	23.47	16.33
	Irregular	3.06	3.06	5.10	15.31	73.47
Health care and health insurance	EU	39.80	31.63	19.39	7.14	2.04
	Non-EU	11.22	27.55	27.55	20.41	13.27
	Irregular	2.04	4.08	12.24	18.37	63.27
Bank services and credit (loans, mortgages, consumer and business credit)	EU	21.43	43.88	23.47	6.12	5.10
	Non-EU	5.10	14.29	22.45	35.71	22.45
	Irregular	1.02	2.04	6.12	13.27	77.55
Risk of being discriminated, neglected, uninformed, misinformed or otherwise mistreated by officials in relevant state social service agencies	EU	19.39	34.69	26.53	14.29	5.10
	Non-EU	5.10	12.24	33.67	23.47	25.51
	Irregular	2.04	4.08	9.18	16.33	68.37

Source: Own calculations based on IZA Expert Opinion Survey 2010.

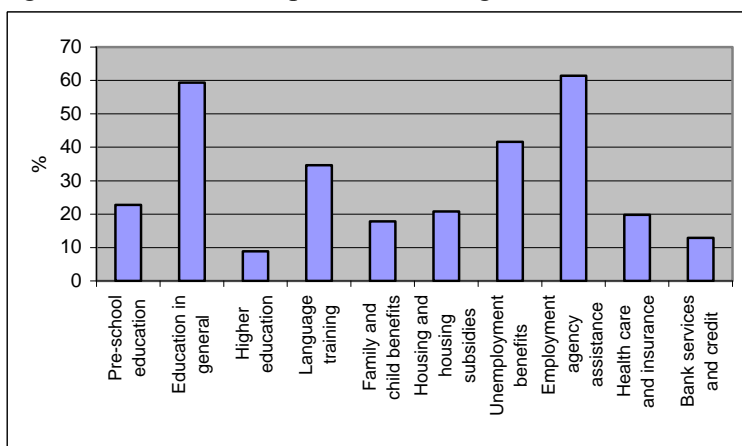
Does the current crisis reduce or increase the need for enabling services? Figure 8.3 demonstrates that during the current crisis the role of enabling services is ever more important. As becomes clear from Figure 8.4, the most desired enabling services include those related to labour market inclusion: education, employment agency assistance, and unemployment benefits. These indeed also are important elements of active inclusion strategies.

Figure 8.3 The effect of the current financial and economic crisis on the role of active inclusion policies targeting ethnic minorities compared to the period before the crisis



Source: Own calculations based on IZA Expert Opinion Survey 2010.

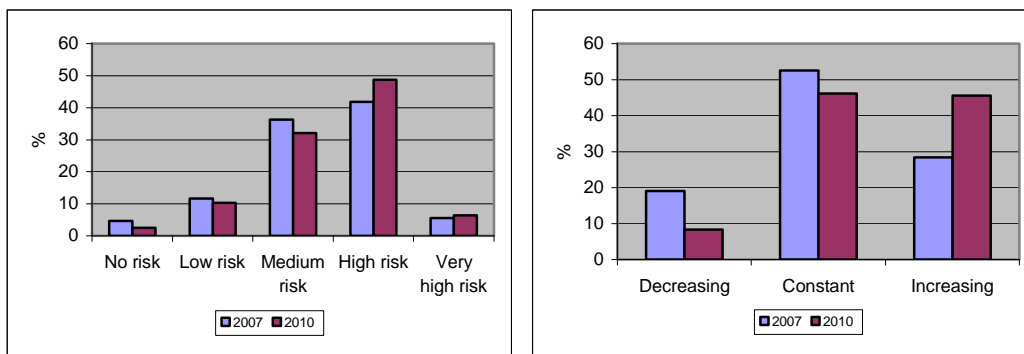
Figure 8.4 The most important enabling services in times of crisis



Source: Own calculations based on IZA Expert Opinion Survey 2010.

The 2007 and 2010 waves of the Expert Opinion Survey enable us to evaluate the trends in the integration situation of migrants in Europe. Figures 8.5 and 8.6 inform us about the situation of ethnic minorities in 2007 and 2010. Although we have only two observations, the pattern is worrying. Between 2007 and 2010 the share of respondents reporting a high or very high risk of labour market exclusion rose by 7.7 percentage points. This negative development is exacerbated by the increasing share of those that report an increasing exclusion risk, which rose by 17.1 percentage points over the same period. It is not unlikely that this increase is due to the crisis, which may have disproportionately affected ethnic minorities, including migrants. In any case, however, it makes a strong case for inclusion policies.

Figure 8.5 The risk of being excluded from the labour market and thus employment opportunities 2007–2010

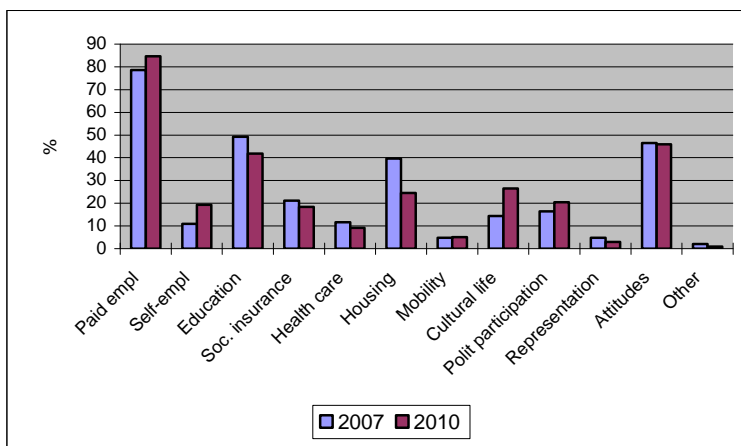


Source: Own calculations based on IZA Expert Opinion Survey 2007, 2010.

Another interesting question is in which areas are changes most desired by ethnic minorities and migrants. Figure 8.6 indicates that, as in 2007, the most desirable changes in 2010 are also those concerning paid employment, education, housing and attitudes. While the significance of paid employment and self-employment, as well as cultural life and political participation, has increased, the opposite is true especially for education and housing. The most significant

increase is observed in the area of self-employment. Perhaps surprisingly, inclusion into social insurance seems to be regarded as somewhat less significant in 2010 than in 2007. This may indicate lost trust in social insurance and also an increased self-reliance of ethnic minorities who view both paid and self-employment as increasingly important. Lost trust in institutions may also be behind the increased importance of cultural life and political participation.

Figure 8.6 Areas where changes are most desirable 2007–2010



Source: Own calculations based on IZA Expert Opinion Survey 2007, 2010.

An important finding of this section is that irregular migrants are seen as facing the greatest risk of exclusion from social services among all other studied migrant groups. This finding is not surprising, given the inherently vulnerable position of these migrants due to their lack of documents, insurance and entitlements, as well as very limited enforceability of the few rights they may have. It is, however, necessary to note that irregular migrants can access some social services. This may happen whenever their irregular status is not excluding them from social insurance and services, or at least is not revealed or reported to the authorities. This is the case, for example, in Spain, where even irregular migrants can access various social services, including public housing subsidies, universal health care and education without their irregular

status being an obstacle. It may also happen whenever social services can, for example, be accessed anonymously online.

Indeed, in 2007 health ministers of the 47 Council of Europe Member States signed the Bratislava Declaration stating that “The Member States [of the Council of Europe] will ensure that irregular migrants are able to access health care services in accordance with international treaties as may be in force at the time and national laws and policies” and that they “encourage host countries to consider the invitation of the Parliamentary Assembly Resolution 1509 (Council of Europe, 2006) to eliminate any requirement on health service providers and school authorities to report the presence of irregular migrants to the authorities.” The degree of compliance with these demands varies across the EU.<sup>27</sup>

Through their economic activities, irregular migrants do contribute to a country’s GDP as well as — directly or indirectly — to public budgets. However, their irregular status typically precludes their full contribution. Regularization of irregular migrants may increase the revenue as well as the expenditure of a country’s welfare system, and the sign of the net effect of regularization is an empirical question. Whenever free-riding occurs, however, the net effect of regularization is thought to be positive. To the extent that active inclusion policies facilitate irregular migrants’ integration and regularization, they also reduce the free-riding problem and thus improve the balance of public budgets and their sustainability. This is in particular achieved through greater contribution of (formerly) irregular migrants to country’s economic performance and public

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<sup>27</sup> A full account of these regulations is beyond the scope of this study. Spain is an example of a country rather benevolent in providing social services to irregular immigrants. Italy, on the other hand, passed a law in 2009 that forces medical staff to report patients if suspected of being irregular immigrants.

budgets. Labour market integration as well as improved incentives to invest in country-specific human capital are important mechanisms through which this occurs.



## **9. Migration and the provision of social assistance and services: Policy conclusions**

### ***9.1 Understanding the findings: A review***

The complexity of the relationships and mechanisms that characterise inclusion of migrants into social and economic domains and social services necessitates a versatile, multi-level approach. We tackle this challenge using a battery of tools representing several complementary aspects (e.g. quantitative and qualitative, transnational and national), techniques (e.g. econometric analysis of survey data, collection of primary data, an expert opinion survey, country case studies, country visits) and foci (e.g. types of social assistance and services, migrant groups, and countries). This complex approach provides a number of insights.

The existing literature shows, contrary to what many may believe, that there is no clear evidence that migrants are particularly welfare prone. In addition, the statistical evidence in most of the studies remains weak or suggests only a tiny magnet-effect of welfare generosity on an inflow of migrants.

Based on the data used in this study, when we consider all types of social supports together, the descriptive analysis suggests that migrants do not use social supports more excessively than natives. Migrants are, however, more likely to be in receipt of unemployment related supports in a wide range of countries and also of family-related payments. However, they are less likely to receive old-age and sickness and disability payments. The most clear-cut result to emerge from this element of the analysis was the greater likelihood of migrants being in poverty.

We next investigate whether the gaps observed in some domains remain after controlling for differences in characteristics between migrants and natives. The findings from our statistical analysis of welfare receipt across the EU indicate that there is little evidence of excessive receipt of social supports by migrants relative to natives. In other words, migrants do not generally exhibit higher rates of receipt than comparable natives. To the extent that higher rates of receipt are present, they appear to be restricted to unemployment support. However, even in this case this only applies in a restricted number of countries.

Could it be that migration and provision of social services and assistance interact through the decisions of migrants themselves about whether and where to go, reaction of policy makers to immigration, or other effects of migration on the host economy affecting welfare provision? Using a panel dataset mapping migration across 19 European countries uniquely constructed for this study, our OLS analysis shows that immigration is only weakly associated with social expenditures. In fact, this association vanishes if we consider EU migrants or account for endogeneity of social expenditures for non-EU migrants. Using various econometric methods, however, we do find some evidence consistent with the hypothesis that immigration affects welfare provision. Namely, welfare policies seem to become more and not less generous with immigration. Second, inflows of migrants may directly increase welfare expenditures as immigrants in some cases exhibit higher welfare take-up rates than natives. Our data show that this latter finding is due to the composition of migrant populations, rather than any migrant-specific effect.

The evidence presented in the country studies points to a variety of issues specific for the countries considered. While the case studies corroborate the transnational perspective that the use of social supports by migrants is generally non-excessive and often lower, country experience also shows that there are domains in which migrants are more dependent on social supports than natives. Among the most severe barriers to inclusion of migrants into welfare mentioned by our country experts are geographical segregation, human capital gaps, as well as labour market status. The insights from country visits complement this evidence, pointing among other things to the importance of the interaction between immigration and integration policies, the principle of equal treatment in tackling the integration issues, proper communication with all the parties involved in integration, the conditionality of social services, the role of the non-governmental sector, as well as the need for genuine political will to tackle integration challenges.

The IZA Expert Opinion Survey offers unique perspectives on migrant integration challenges. A clear message from the surveyed expert stakeholders is that it is especially irregular migrants, but also non-EU migrants, who are at a very high risk of socio-economic exclusion. The experts view the current legislation related to equal opportunities and diversity in a fairly negative light. The areas in which access is most problematic and thus are in need of policy intervention appear to be education in general and higher education in particular, family and child benefits, unemployment benefits, as well as employment agency assistance, including information about relevant job vacancies and training. Access to the services of the financial sector has been highlighted as particularly problematic for migrants. Another insight from the survey is that

active inclusion policies, especially those related to labour market inclusion, are ever more important at times of crisis.

### ***9.2 Policy recommendations with regard to the EU active inclusion agenda***

Migrants are often found in low-paid, less secure jobs, unemployed or out of the labour market, or even in outright poverty, and they seem to face significant barriers in accessing social assistance and services. In light of the European inclusion agenda, this makes a strong case for the urgent attention of policy makers. Among the top priorities is promoting the mobilisation of the migrant workforce by ensuring their access to the labour market and social services. For those outside the labour market that due to health-related or other (exogenous) reasons will also remain so, decent living standards should be ensured by means of social assistance.

The policy debate surrounding migrants and welfare is usually based on the assumption that migrants are more intensive users of welfare than natives. This view leads the discussion to be focussed on how policy can be designed to minimise excessive migrant use. We argue that this is a wrong starting point for this much-needed debate. What our work shows is that the starting point for the debate should be the relatively low use of welfare by migrants vis-à-vis comparable natives (in spite of higher poverty rates) and so the policy discussion should be about the social protection of migrants and the extension of social supports and enabling services to them. In addition, our results indicate that immigration policies are a key determinant of inclusion of migrants into social assistance programs. The argument is that it is primarily the composition of migrant populations, which is a function of immigration policies, that is driving their welfare use

and inclusion into social assistance and services. This in turn affects the sustainability of social assistance and services.

Specifically, we do not find evidence that migrants would pose an a priori burden for social security systems. In fact, when we control for differences in characteristics between migrants and natives or for eligibility, migrants are *underrepresented* among recipients of social assistance and services. In other words, the overrepresentation of migrants in welfare take up observed in some countries and for some welfare supports is due to gaps in well understood factors — observed characteristics of migrants such as education — that drive migrants into welfare. In fact, it turns out that unobserved factors, such as unobserved ineligibility, informational and linguistic deficiencies, cultural and social norms, rationing vis-à-vis immigration and discrimination, result in underrepresentation of migrants among welfare recipients, thus constituting *barriers* to welfare take up (Sections 3 and 4). We do not find evidence that welfare generosity attracts migrants (Section 5), so the notion of a specific propensity of migrants to take up welfare appears to be unfounded. Rather, we cannot rule out the possibility that provision of social assistance and services is affected by immigration from outside the EU, whereby expenditures on these programs increase in face of such immigration (Section 5). Importantly, this increase does not seem to be due to specific propensity of migrants to take up welfare — rather it is probably a consequence of the unfavourable composition of immigration to the EU or, possibly, increased welfare generosity in face of immigration. As we can explain almost all of the raw differences between migrant and native welfare take up, and ceteris paribus migrants are in fact less likely to be on welfare, we conclude that this is due to barriers to their use of these services. We also see an indication of this in IZA EOS, where several severe barriers are reported. These findings

highlight the importance of immigration policies, whereby selection upon entry largely determines migrant composition and thus welfare take up. They imply a significant link between immigration policy and the sustainability of welfare provision. It needs to be stressed that in this interaction both migration and active inclusion policies are necessary and important. For example, active inclusion of migrants positively affects the fiscal sustainability of the welfare system and strengthens the benefits from immigration.

Much of what we recommend relates to assisting immigrants in accessing welfare assistance and services. In making these recommendations, we are viewing welfare as being (ideally) a temporary form of assistance for people in cases where they are able to work but are unable to find work. In such cases, helping immigrants to access welfare should be viewed as part of a process of assisting them ultimately to access employment. Being employed is the most successful route to inclusion and so welfare, for those who are able to work, should function as facilitating mechanism with regard to the labour market.

What policy action is needed? Given the findings of our Expert Opinion Survey, some of the most urgent foci of policy efforts include access to housing and housing subsidies, higher education, family and child benefits, unemployment benefits, as well as employment agency assistance, including information about relevant job vacancies and training. Improving the access to bank services and credit (loans, mortgages, consumer and business credit) is also very important especially in light of the increased importance of self-employment as means of earning one's living documented in the survey. Policy attention should be focused on non-EU and irregular migrants, who face the most severe risk of exclusion from social and economic

opportunities. This is not to say, however, that the problems faced by intra EU migrants can be ignored. Reducing the risk of being discriminated, neglected, uninformed, misinformed or otherwise mistreated by officials in relevant state social service agencies is another important general policy objective.

There appears to be need for a battery of comprehensive active inclusion strategies that enable migrants achieve social and economic outcomes they desire. This includes effective antidiscrimination legislation. Indeed, more than half of the respondents in our Expert Opinion Survey evaluate the current legislation related to equal opportunities and diversity negatively or very negatively. Attitudes towards migrants need particular attention.

Successful participation in the labour market usually leads to lower rates of welfare participation. This suggests that the selection of migrants upon arrival is especially important. Europe should actively promote immigration of workers with good labour market prospects. In particular, Europe needs to improve its ability to attract skilled economic migrants. This includes improving its image as a migrant destination among potential high-skilled migrants. Other policies needed to ensure integration of migrants into the labour market include policies aiming at improving the educational attainment, training, and language skills of migrants, frictionless recognition of foreign qualifications, and equal access to public sector jobs. Tools of positive selection such as the points system applied in the UK or the EU Blue Card seem to be a possible avenue for further exploring.

All these policies can help to reduce, but certainly not eliminate, the need for social assistance and services. Clear political will to improve the integration situation of migrants is a prerequisite not only in itself, but also as a signal to the natives as well as migrants.

The analysis of the EU-SILC data points towards many situations in which migrants are less likely than natives to be in receipt of welfare benefits. As this could reflect the existence of barriers to welfare receipt for migrants, it is desirable that information systems be designed and set up to monitor relative rates of receipt among migrants and natives. As with many areas of policy, it is only through the careful measuring and monitoring of trends that problems can be highlighted and then addressed. Some information systems could be internal to the welfare administrative system itself. For example, it would be possible to compare the rates at which welfare claims are denied across migrants and natives. Other information systems might require a merging of administrative data and household survey data. An example here would be the on-going examination of changing trends in unemployment across migrants and natives and corresponding trends in welfare receipt.

Inclusion of migrants into welfare has a major economic dimension. Overrepresentation of migrants among welfare recipients, which is observed in some countries and for some supports, is costly. Barriers to welfare participation are similarly costly in view of the notion that welfare services enable migrants to actively participate in the labour market as well as broader economic and social relationships. Any of the proposed policies should be scrutinised in terms of its costs and benefits. This involves a careful scrutiny of the effects on the incentives of the involved



parties, as well as any unintended effects. The problems of moral hazard and adverse selection should receive particular attention in any such scrutiny.

As is clear from our analysis, migrants face difficulties accessing social assistance and social services when they need them. While some of the possible policies needed to address these difficulties involve no strain for public budgets, others require adequate financing. Public budgets throughout Europe are currently under pressure and deficits need to be reduced, at least in the medium term. As a result, public spending needs to be carefully prioritised across various headings. It is beyond the scope of this study to evaluate migrant-related spending relative to other forms of spending. Nonetheless, we can highlight some potentially valuable areas of service improvement which are worthy of consideration. If appropriately designed and implemented, these specific policies will through labour market integration of migrants lead to improved prospects for a sustainable welfare and active inclusion framework. Some illustrative examples of specific policies that we suggest to overcome such barriers include:

1. Selection upon arrival

- a. *Policy recommendation:* Implement positive selection of migrants into the EU.

This may involve a points system that favours skilled individuals but also improving the attractiveness of the EU as a host region and providing for transparent, facile, and non-discretionary naturalization legislation.<sup>28</sup>

*Consequences for active inclusion:* Our study shows that migrant inclusion is to a significant degree a function of migrants' characteristics such as the level of

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<sup>28</sup> Human rights and international treaties governing bilateral and multilateral migration flows need to be honored on their own right.

education. The composition of migrant population thus plays a key role for the sustainability of social assistance and services as well as welfare programmes.

## 2. Transferability of rights upon arrival

- a. *Policy recommendation:* Waiting-list and waiting-period provisions in access to social assistance and services need particular attention. Special provisions should apply to migrants who have not had the chance to accumulate waiting-time in waiting-lists prior to their arrival. Whenever possible positions in waiting-lists should be transferable or no waiting-periods should apply.

*Consequences for active inclusion:* Waiting lists and waiting periods constitute a barrier to active inclusion of migrants. Although their immediate effect is cost-saving, a limited access to these services may lead to worsened integration of migrants and higher, not lower, total welfare expenditures in effect.

## 3. Employment and unemployment

- a. *Policy recommendation:* Contribution periods should be kept to minimum, and the rights to unemployment benefits should be transferable internationally (within the EU, as well as between EU Member States and third countries based on bilateral agreements).

*Consequences for active inclusion:* Contribution periods provide for improved funding and rightful use of welfare programs, thereby improving their sustainability. At the same time, however, contribution periods constitute a barrier to active inclusion of migrants. A limited access to social assistance and services may lead to worsened integration of migrants and higher, not lower, total welfare expenditures in effect.

- b. *Policy recommendation*: Effective assistance of labour agency in finding a job needs to be ensured.

*Consequences for active inclusion*: Joblessness appears to be a most serious barrier to migrant inclusion. Tackling this barrier using various cost-efficient and -effective methods, labour agencies will facilitate employment for migrants and thus improve the prospects for a sustainable active inclusion framework.

#### 4. Informational barriers

- a. *Policy recommendation*: One-stop-shop information centres in areas with larger proportions of migrants serving to disseminate information about social assistance, social services, labour market information, residence and citizenship legislation, antidiscrimination legislation, and information about housing, health care and other aspects of migrant life. This service should be provided in major migrant languages by trained professionals.

*Consequences for active inclusion*: Lack of job market information appears to be a most serious barrier to the labour market integration of migrants. Through collecting, processing and disseminating vital labour market information to migrants, one-stop-shop information centres will facilitate employment for migrants and thus facilitate improve the prospects for a sustainable migrant inclusion framework. As labour market segmentation worsens the prospects of migrants to access important labour market information, concentration of information at these centres is necessary to facilitate migrants' access to the information required. It also provides an easy access to this information, especially if the existence of such centres is appropriately communicated to

migrants, and if these centres also develop effective web-based communication platforms. Improved flow of information would then lead to improved labour market integration of migrants; thereby also buttressing the sustainability of welfare provision.

## 5. Children and family

- a. *Policy recommendation:* All migrant children should be eligible for daycare centres, nurseries, kindergartens and all types of schools (i.e. similarly as natives).

*Consequences for active inclusion:* Migrant labour market integration necessitates reconciliation of career and family. This is only possible when these enabling services are accessible to migrant families.

- b. *Policy recommendation:* All migrant families with children should be eligible for child allowance (i.e. similarly as natives).

*Consequences for active inclusion:* Long-term success of migrant inclusion hinges upon successful integration of migrant children. Although child allowances constitute an expenditure item for welfare systems, they also serve to provide for a better access to e.g. education and health care for migrant children.

- c. *Policy recommendation:* Adjustment of newly arrived migrant children at schools should be facilitated.

*Consequences for active inclusion:* Long-run success of migrant inclusion hinges upon successful integration of second and further generations of migrants. This is only possible if migrant children can fully participate in education and thereby accumulate enough human capital.

## 6. Housing

- a. *Policy recommendation:* Provisions explicitly or implicitly disadvantaging migrants in accessing housing or social housing should be abolished. This in particular applies to waiting-lists.

*Consequences for active inclusion:* Access to housing is a prerequisite for social and labour market inclusion. As such, it is not only an objective in itself, but also a vehicle of labour market inclusion. Waiting lists are especially harmful to immigrants, who by and large have not had the chance to accumulate any waiting time.

- b. *Policy recommendation:* Infrastructure development needs to provide for access to labour market opportunities.

*Consequences for active inclusion:* If migrants prefer to live in certain neighbourhoods, these need to be ensured equal infrastructure enabling migrants to access the relevant labour market.

## 7. Education

- a. *Policy recommendation:* Equal access to all types of schools, with a special focus on access to tertiary education needs to be ensured.

*Consequences for active inclusion:* As mentioned above, long-term success of migrant inclusion hinges upon successful integration of second and further generations of migrants. This is only possible if migrant children can fully participate in education and thereby accumulate enough human capital.

- b. *Policy recommendation:* Access to higher education for students should be enhanced by means of stipend and loan programmes.

*Consequences for active inclusion:* Following up on the previous point, if education for migrant children is an important inclusion tool, and migrants typically come with limited financial resources, stipend and loan programs may be necessary to foster full inclusion of migrants.

## 8. Access to credit

- a. *Policy recommendation:* Access of migrants to credit, loans, and other financial services needs to be ensured. Microcredit programmes should be considered for migrant communities.

*Consequences for active inclusion:* Our Expert Opinion Survey (Section 8) shows that migrants' access to credit may be severely limited. Yet full participation in economic and social life of the broader society also requires full access to financial services. This is especially important in regard of self-employment and entrepreneurship that often serves as a vehicle of economic participation and integration for migrants. Ensuring access to financial services thus has a potential to help migrant integration and thus sustainability of welfare systems and active inclusion policies.

## 9. Generating information

- a. *Policy recommendation:* Implement monitoring and evaluation mechanisms in provision of social assistance and services, with specific regard to groups at risk of exclusion, including migrants.

*Consequences for active inclusion:* Monitoring and evaluation of social assistance and services is a prerequisite for learning and improving current practices as well as for dissemination of good practice. This in turn may and should lead to

significant improvement in effectiveness and efficiency of social assistance and services.

- b. *Policy recommendation*: Provide for data collection and dissemination in order to enable independent evaluation of social assistance and services, with specific regard to groups at risk of exclusion, including migrants.

*Consequences for active inclusion*: Proper evaluation and monitoring (see the previous point) are only possible if good-quality data about social assistance and services programs is collected and made available to independent evaluators.

According to our Expert Opinion Survey of these policies the most desirable during the ongoing crisis are those related to labour market inclusion: access to education, employment agency assistance, and access to unemployment benefits.

In conclusion, we believe that the relative use of welfare payments by migrants, when compared to natives, is typically overstated in the public discourse. While situations exist of greater rates of use by migrants, this is generally not the case. Of course, such a finding gives rise to the question of whether lower rates of receipt by migrants are related to some form of exclusion from state support. Interactions on our country visits suggested that the possibility of such exclusion existed. Hence, this is an area worthy of further investigation.

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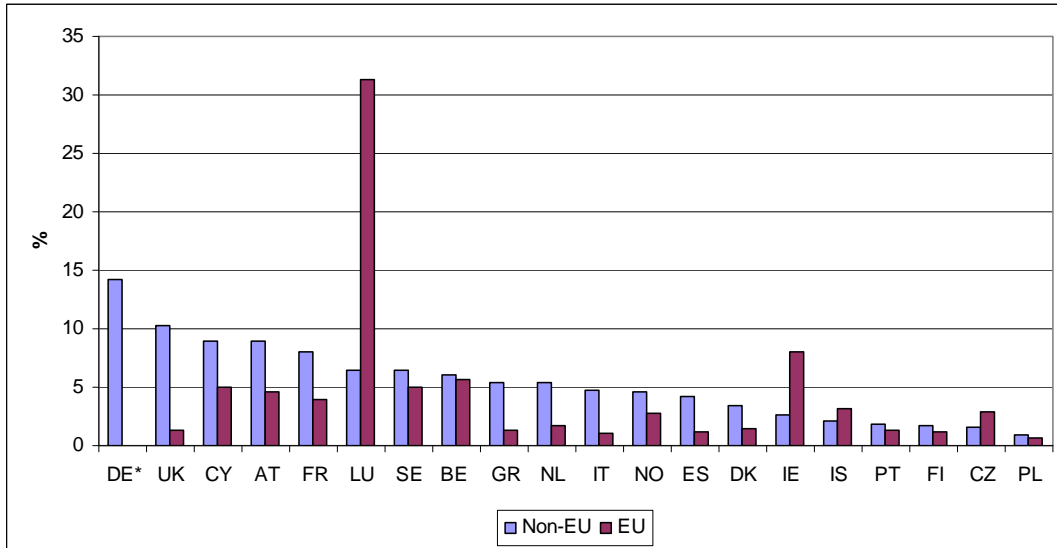
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**Annex 1**

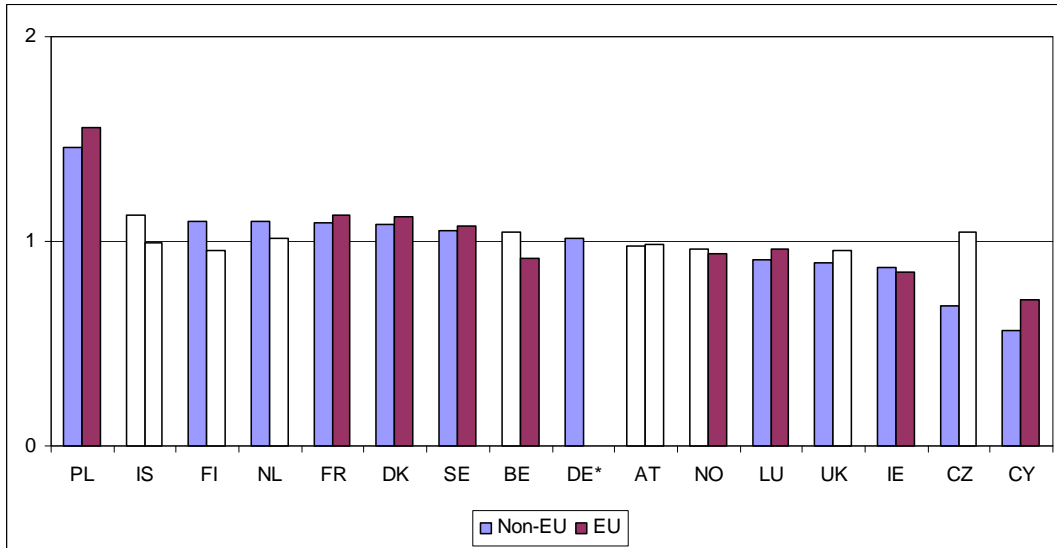
Figure A1.1 Percentage of migrants across countries



Source: Own calculations based on EU-SILC, 2005.

Notes: \*All migrants for Germany.

Figure A1.2 Ratio of proportions of migrants and natives: All types of support

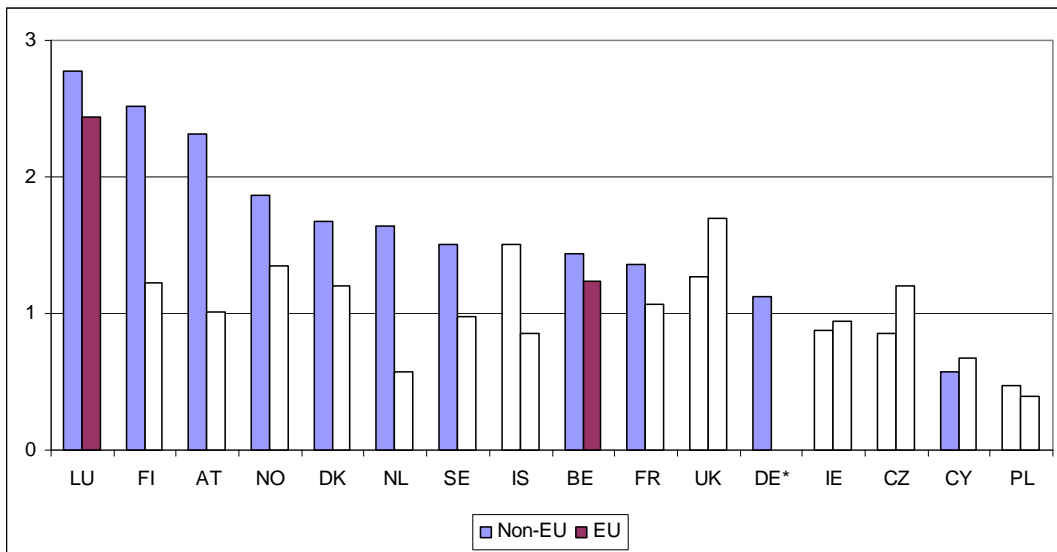


Source: Own calculations based on EU-SILC, 2005.

Notes: \*All migrants for Germany.



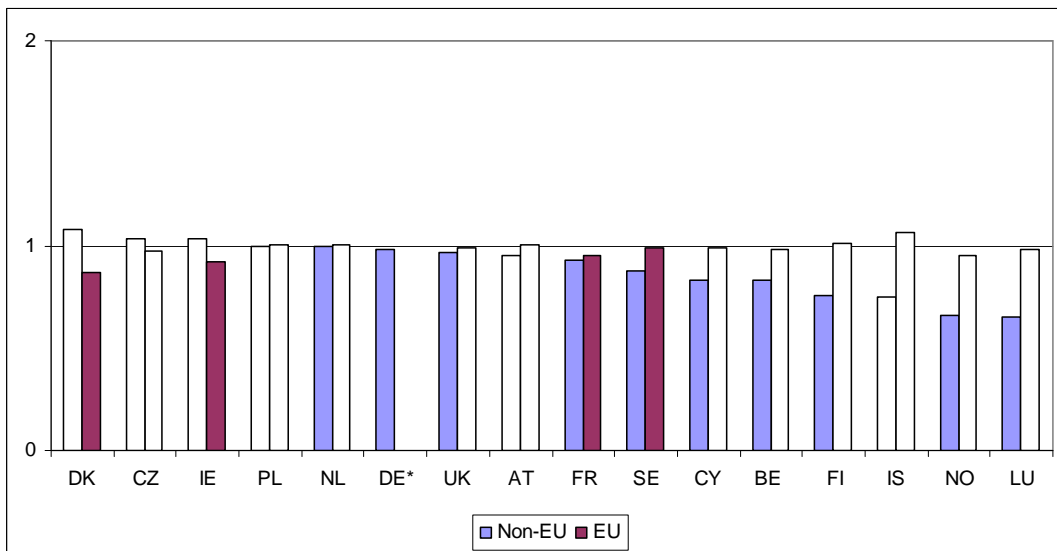
Figure A1.3 Ratio of proportions of migrants and natives: Unemployment supports



Source: Own calculations based on EU-SILC, 2005.

Notes: \*All migrants for Germany.

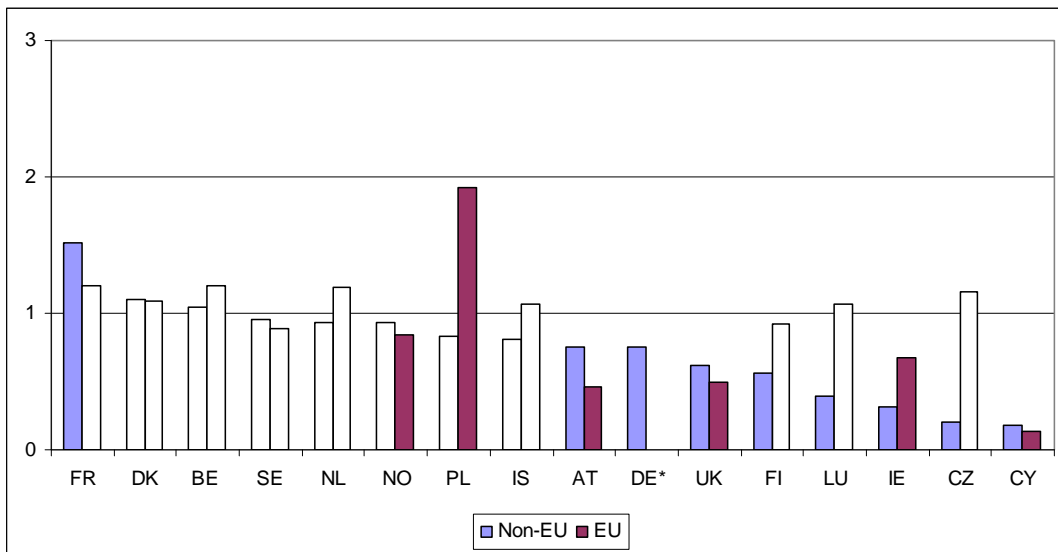
Figure A1.4 Ratio of proportions of migrants and natives: Old-age support



Source: Own calculations based on EU-SILC, 2005.

Notes: \*All migrants for Germany.

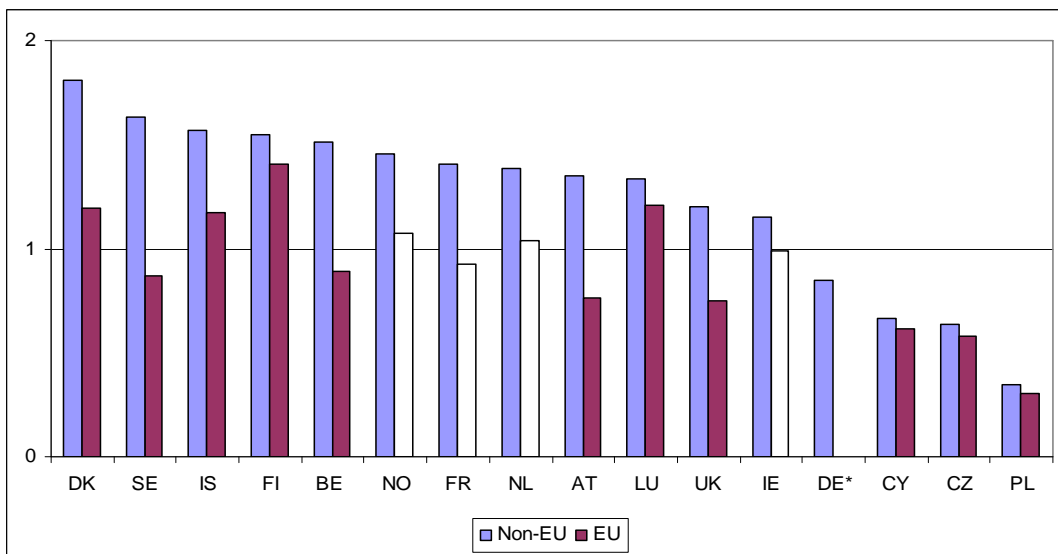
Figure A1.5 Ratio of proportions of migrants and natives: Sickness and disability support



Source: Own calculations based on EU-SILC, 2005.

Notes: \*All migrants for Germany.

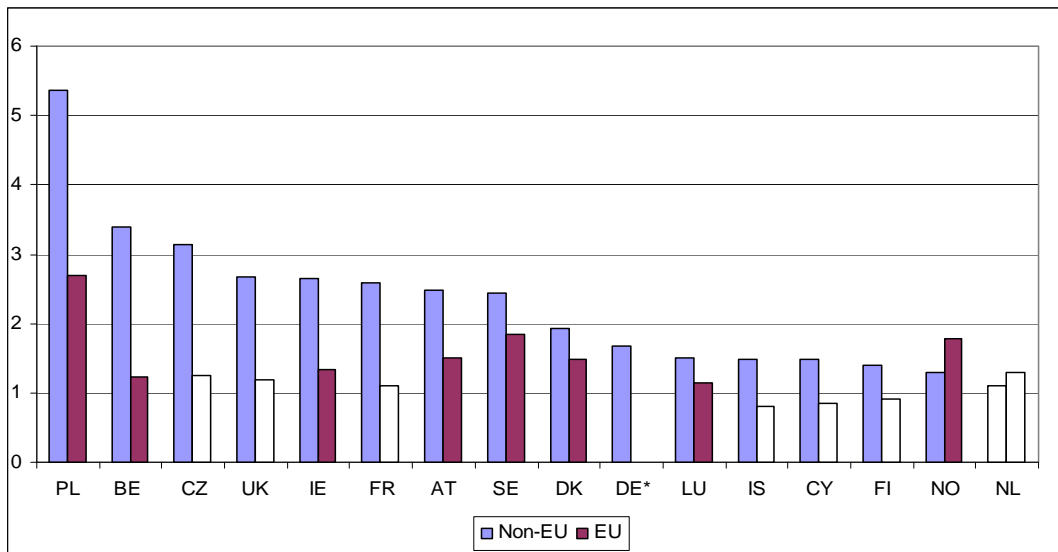
Figure A1.6 Ratio of proportions of migrants and natives: Family and child support



Source: Own calculations based on EU-SILC, 2005.

Notes: \*All migrants for Germany.

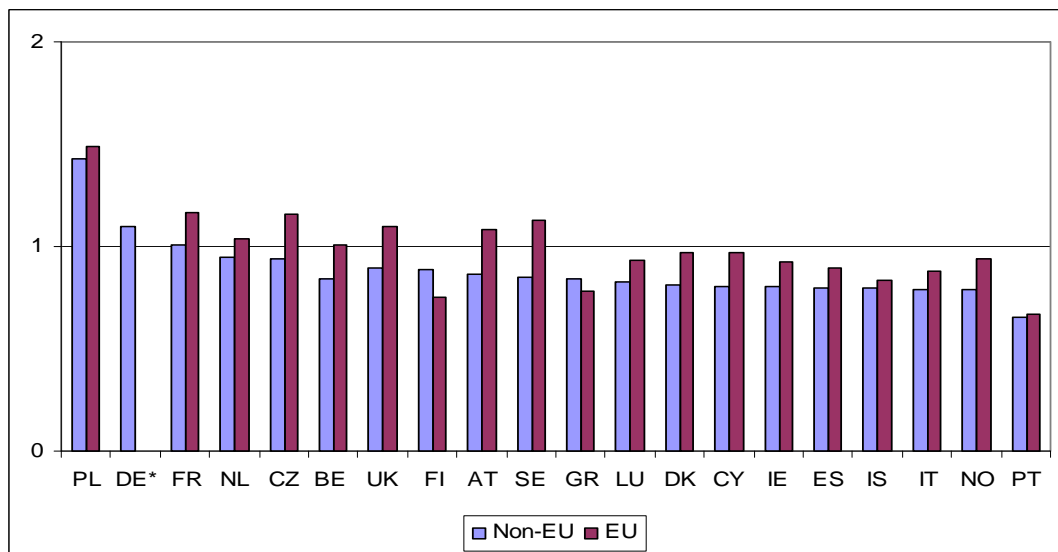
Figure A1.7 Ratio of proportions of migrants and natives at risk of poverty



Source: Own calculations based on EU-SILC, 2005.

Notes: \*All migrants for Germany.

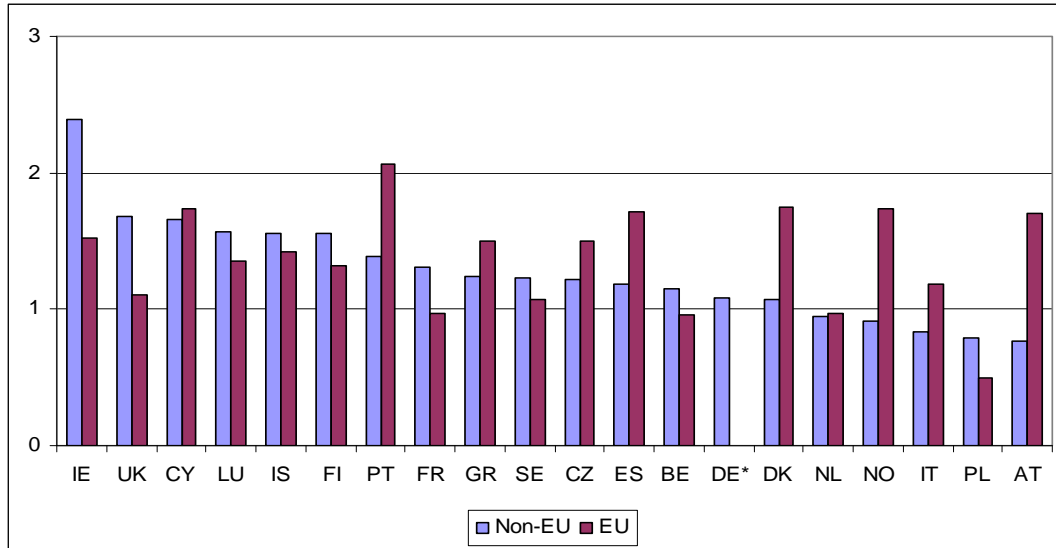
Figure A1.8 Ratios of average ages of migrants and natives



Source: Own calculations based on EU-SILC, 2005.

Notes: \*All migrants for Germany.

Figure A1.9: Ratios of proportions of migrants and natives with post-secondary and tertiary educations

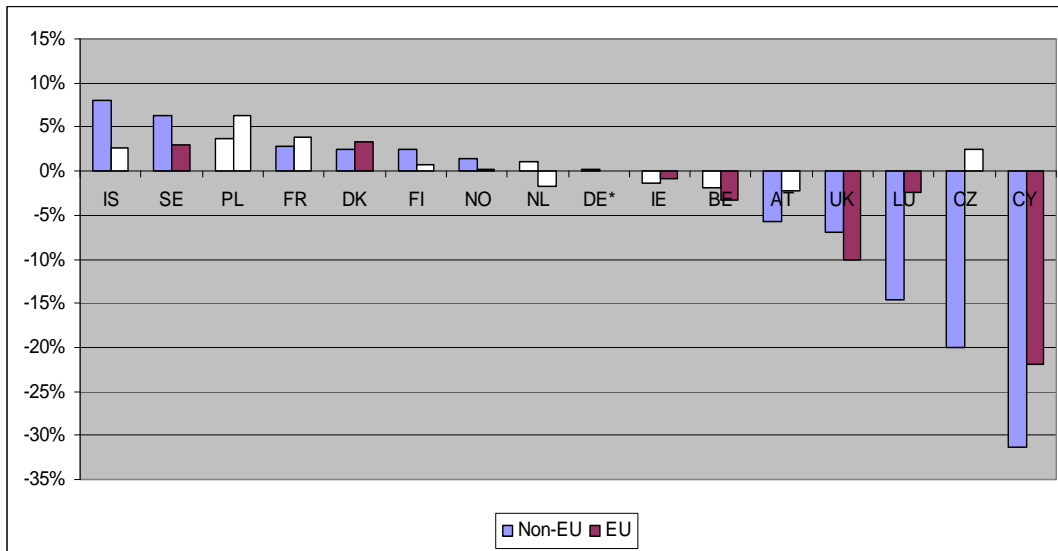


Source: Own calculations based on EU-SILC, 2005.

Notes: \*All migrants for Germany.

## Annex 2

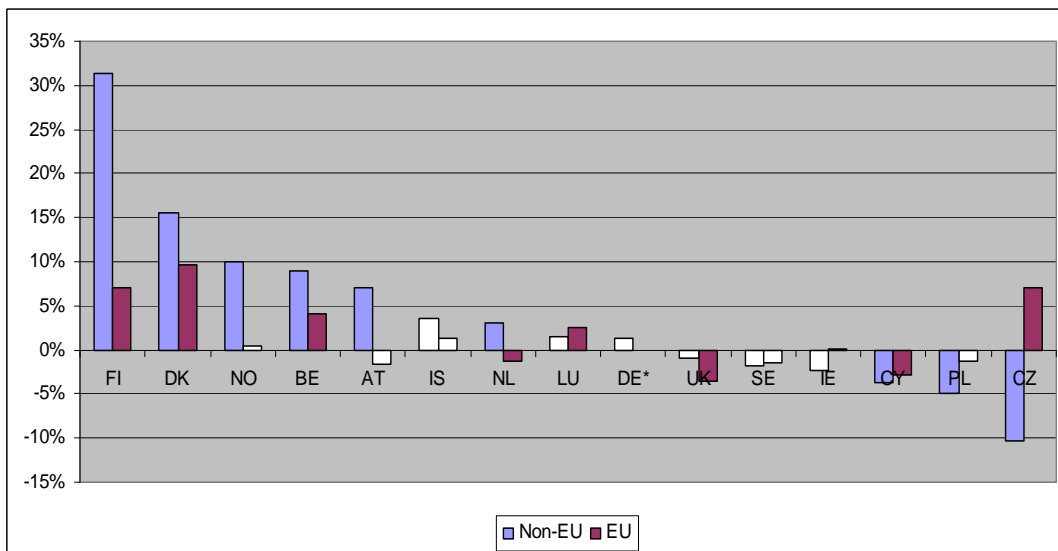
Figure A2.1 Estimated marginal impact of migrant status on support receipt: All types of support



Source: Own calculations based on EU-SILC, 2005.

Notes: \*All migrants for Germany.

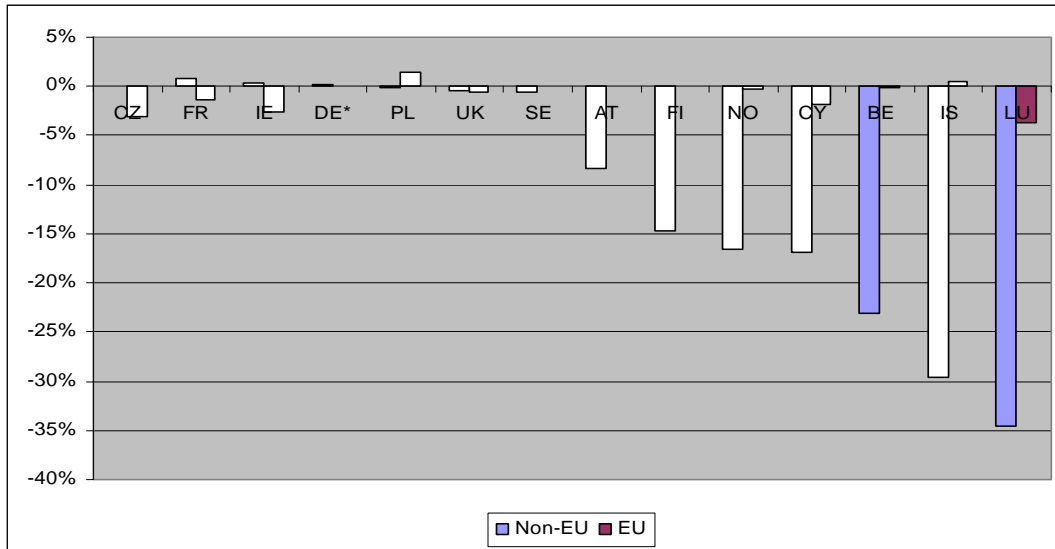
Figure A2.2 Estimated marginal impact of migrant status on support receipt: Unemployment, sickness and disability



Source: Own calculations based on EU-SILC, 2005.

Notes: \*All migrants for Germany.

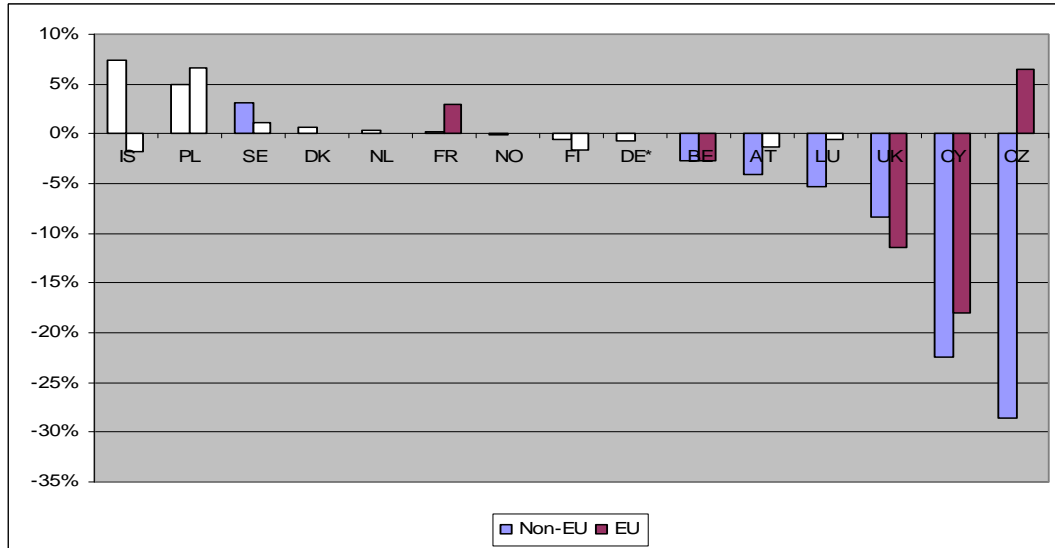
Figure A2.3 Estimated marginal impact of migrant status on support receipt: Old-age



Source: Own calculations based on EU-SILC, 2005.

Notes: \*All migrants for Germany.

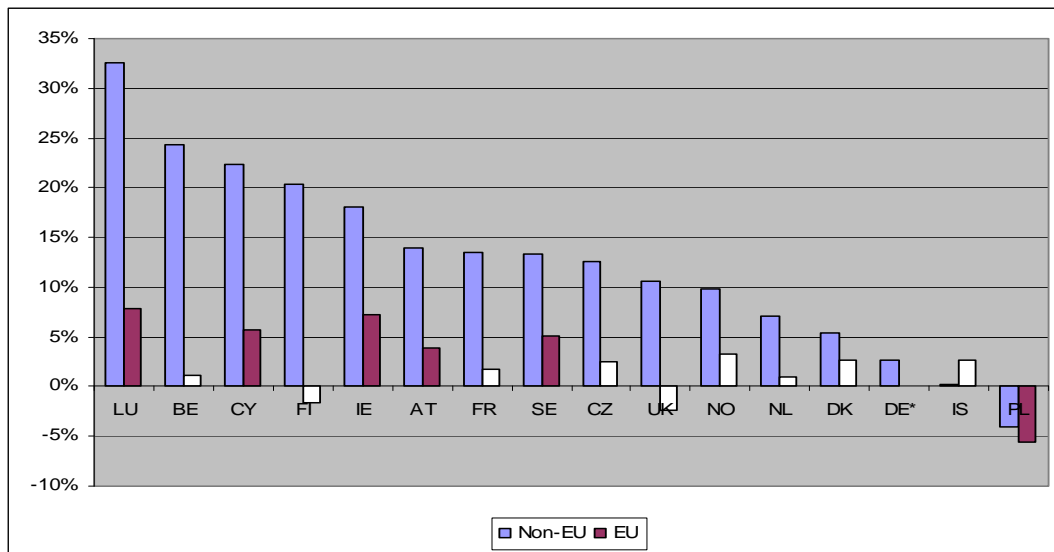
Figure A2.4 Estimated marginal impact of migrant status on support receipt: Family and child support



Source: Own calculations based on EU-SILC, 2005.

Notes: \*All migrants for Germany.

Figure A2.5 Estimated marginal impact of migrant status on support receipt: At risk of poverty



Source: Own calculations based on EU-SILC, 2005.

Notes: \*All migrants for Germany.

## Annex 3

### *A3.1 List of abbreviations*

GSOEP	German Socio-Economic panel
LFS	Labour force survey
EU SILC	EU Statistics on Income and Living Conditions
EU	European Union
ISSP	International Social Survey Programme
OECD	Organisation for Economic Co-operation and Development
SOPEMI	Système d'Observation Permanente des Migrations
SOCX	OECD Social Expenditure Database (SOCX)

### *A 3.2 Description of SOPEMI database*

The SOPEMI database provides information on stocks and inflows of foreign population in European countries, of which most of the data are taken from the individual contributions of national correspondents appointed by the OECD.

In general, population inflow and outflow estimates are based on population registers and residence permit data. Outflows are generally less accurately recorded in population registers than inflow data. In addition registration criteria are not uniform across countries, with some data including asylum seekers. Information on permits is based on the number of permits issued during a given period. As nationals are not required to hold a permit, they are not included in the data.



### *A 3.3 Description, sources and definition by country*

<b>Country</b>	<b>Data availability</b>	<b>Source:</b>	<b>Definition of foreigner based on:</b>	<b>Source database:</b>
Austria	1996-2008	Holder of a residence permit	Citizenship	Population register
Belgium	1993-2007	Stock of foreign citizens recorded in the population register	Nationality	Population register
Czech Republic	1995-2008	Holder of a residence permit	Citizenship	Population register
Denmark	1993-2007	Stock of foreign citizens recorded in the population register	Citizenship	Central population register
Finland	1993-2008	Stock of foreign citizens recorded in the population register	Citizenship	Central population register
France	1994-2008	Holder of a residence permit	Nationality	Office des migrations internationales
Germany	1993-2008	Stock of foreign citizens recorded in the population register	Nationality	Central population register, Federal Statistical Office
Hungary	1995-2008	Holder of a residence permit	Citizenship	Central statistical office
Ireland	1994-2004	Stock of foreign citizens recorded in the population register	Country of birth	Central statistical office
Italy	1993-2007	Holder of a residence permit	Citizenship	Central statistical office
Luxembourg	1993-2006	Stock of foreign citizens recorded in the population register	Nationality	Central statistical office
Netherlands	1993-2008	Stock of foreign citizens recorded in the population register	Country of birth	Population register, Central Bureau of Statistics
Norway	1993-2008	Holder of a residence permit	Citizenship	Population register, Statistics Norway
Portugal	1993-2007	Holder of a residence permit	Citizenship	Residence permit, Ministry of the Interior
Slovakia	1993-2008	Holder of a residence permit	Country of origin	Central statistical office
Spain	1998-2007	Holder of a residence permit	Country of origin	Census Central statistical office
Sweden	1993-2003	Stock of foreign citizens recorded in the population register	Citizenship	Population register, Statistics Sweden
Switzerland	1993-2008	Holder of a residence permit	Citizenship	Central statistical office
United Kingdom	1997-2008	Holder of a residence permit	Country of birth	LFS, Home Office

### A 3.4 Descriptive statistics

Country	Immigration inflow		Stock of immigrants		GDP pc (PPP 2005 dollars )	Unemployment rate	UBS as % of GDP	Number of parties in the ruling coalition
	non-EU	EU	non-EU	EU				
Austria	0.0077	0.0021	0.0770	0.0153	32059	0.0479	0.0220	2.0
Belgium	0.0033	0.0030	0.0322	0.0546	29819	0.0816	0.0629	4.6
Czech Republic	0.0033	0.0003	0.0231	0.0018	18431	0.0664	0.0115	2.6
Denmark	0.0032	0.0009	0.0375	0.0100	30877	0.0535	0.0683	2.6
Finland	0.0017	0.0003	0.0156	0.0034	27568	0.1033	0.0523	4.3
France	0.0014	0.0003	0.0650	0.0293	28311	0.0993	0.0324	5.2
Germany	0.0063	0.0015	0.0624	0.0240	30344	0.0909	0.0315	2.3
Hungary	0.0021	0.0002	0.0125	0.0018	16106	0.0660	0.0115	2.2
Ireland	0.0042	0.0040	0.0144	0.0505	30869	0.0663	0.0219	2.2
Italy	0.0034	0.0002	0.0268	0.0024	27165	0.0982	0.0104	5.8
Luxembourg	0.0063	0.0192	0.0638	0.3098	58634	0.0323	0.0124	2.0
Netherlands	0.0036	0.0013	0.0308	0.0126	33119	0.0450	0.0363	3.0
Norway	0.0044	0.0022	0.0263	0.0177	43751	0.0385	0.0125	2.6
Portugal	0.0013	0.0003	0.0155	0.0056	19410	0.0609	0.0177	1.8
Slovak Republic	0.0012	0.0003	0.0057	0.0057	14720	0.1496	0.0091	3.3
Spain	0.0096	0.0016	0.0473	0.0191	26138	0.1183	0.0433	1.8
Sweden	0.0037	0.0011	0.0417	0.0144	27193	0.0758	0.0343	3.0
Switzerland	0.0063	0.0071	0.0810	0.1159	34516	0.0357	0.0180	4.0
United Kingdom	0.0045	0.0010	0.0321	0.0154	31012	0.0543	0.0113	1.0
Weighted (mean)	0.0044	0.0012	0.0448	0.0202	28631	0.0837	0.0263	3.2
Weighted (sd)	0.0030	0.0014	0.0215	0.0205	4767	0.0291	0.0149	1.8

Source: Own computations from WDI and SOCX; number of parties in the winning coalition is taken from the European election database [http://www.nsd.uib.no/european\\_election\\_database/](http://www.nsd.uib.no/european_election_database/). Data refer to years 1993 to 2008. Statistics are weighted using population size in the year 2000.

## Annex 4

### A4.1 Regression model

The following econometric model tests the hypothesis that immigration flows are correlated with UBS:

$$m_{it} = \alpha + \beta x_{it-1} + \mathbf{z}'_{it-1} \boldsymbol{\gamma} + \theta_i + \theta_t + \varepsilon_{it}, \quad (1)$$

where  $m_{it}$  is immigration inflows as percentage of the total population in country  $i$  at time  $t$ ,  $x_{it-1}$  is UBS as a share of the GDP, and the matrix  $\mathbf{z}_{it-1}$  includes the immigration rate (i.e. the stock of migrants as share of the total population), which captures network effects (see Pedersen, Pytlikova and Smith, 2008). Per-capita GDP and the unemployment rate of the destination country are also included in order to control for macroeconomic fundamentals correlated with immigration inflows. Since migrants do not immediately respond to incentives in host countries, the lagged values of each explanatory variable are used. This might also address some of the problems of endogeneity — but not wholly, as persistent unobservable shocks in the error term may be correlated with both the response variable and the covariates in the left hand side of equation (1).

The fixed effects technique is utilised to estimate the model. Hence, the parameter of interest ( $\beta$ ) represents the correlation between immigration inflows and UBS as estimated through within-country changes. In addition, year dummies are included to control for any time varying shocks which are common to all countries. In an attempt

to capture changes in immigration patterns common to all receiving countries, an indicator for the years after the 2004 EU enlargement is introduced. Observations are weighted by population size to account for the inhomogeneous size of countries.<sup>29</sup>

#### ***A4.2 The mechanics of reverse causality***

The two potential channels of endogeneity described in the text are cases of reverse causality, whereby social expenditure is a function of immigration. The following system of equations best describes the presence of the simultaneity bias:

$$\begin{cases} m = \beta s + \varepsilon & (2a) \\ s = \gamma m + \eta & (2b) \end{cases}$$

Equation (2a) is a simplified version of (1) contained in Annex A4.1. Equation (2b) describes social welfare spending as a function of immigration, and an OLS estimation of (2a) leads to the simultaneity bias, since:

$$p \lim \beta = \beta_{OLS} + Cov\left(\frac{\gamma\varepsilon + \eta}{1 - \beta_{OLS}\gamma}, \varepsilon\right) \times \frac{1}{Var(m)} = \beta_{OLS} + \frac{\gamma\sigma_{\varepsilon}^2 + \eta}{1 - \beta_{OLS}\gamma} \times \frac{1}{Var(m)} \quad (3)$$

Equation (3) shows that the size and magnitude of the bias depend (among other things) on the size and magnitude of  $\gamma$ , which captures the impact of immigration on spending. For example, the OLS analysis might conclude that there is a positive

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<sup>29</sup> Since weights must be constant when fixed effects are used, population size in the year 2000 is chosen. Sensitivity tests are carried out to assess the impact of observation weighting.

(negative) welfare magnet effect. However, the true, exogenous impact of UBS on immigration could be much smaller (larger) in presence of negative (positive) bias.

## **Annex 5**

This annex summarises the main findings from the 12 internal country case studies conducted within the scope of this project. These include studies on:

Czech Republic by Dušan Drbohlav and Lenka Medová

Denmark by Peder J. Pedersen

France by Denis Fougère, Francis Kramarz, Roland Rathelot and Mirna Safi.

Germany by Christoph Wunder, Monika Sander and Regina T. Riphahn

Greece by Amelie F. Constant

Ireland by Alan Barrett, Corona Joyce and Bertrand Maitre

Italy by Michele Pellizzari

Netherlands by Aslan Zorlu and Marieke Beentjes

Poland by Maciej Duszczuk and Marek Góra

Spain by Núria Rodríguez-Planas

Sweden by Björn Gustafsson

United Kingdom by Stephen Drinkwater

### ***A5.1 Western Europe***

#### ***A5.1.1 Germany***

Between 2003 and 2005 the German government implemented a broad package of labour market reforms (Hartz I-IV). Before the reforms the unemployed were eligible for two levels of unemployment benefits and in some cases for additional social

assistance. Following the reforms there are still two levels of unemployment benefit. Unemployment benefit I remains time-limited and dependent on previous contributions to unemployment insurance. The reforms provided a new benefit, unemployment benefit II, which combines the earlier second unemployment benefit and social assistance.

Unemployment benefit II is a means-tested, lump-sum payment that is not linked to previous contributions but set at the legally defined social minimum of household income. This meant a cut in benefits for many long-term unemployed. Eligibility for unemployment benefit II depends on residence in Germany and is independent of citizenship. It is also conditional on being able to work 15 hours per week — those who cannot are entitled to social assistance.

Migrants who are residents can access these benefits. Unemployed migrant workers who have worked in Germany are entitled to unemployment benefit I and subsequently to the new unemployment benefit II. Migrants who have not worked previously in Germany are eligible for unemployment benefit II only. Pre-reform, migrants who had not previously worked in Germany were not eligible for unemployment benefits, but for social assistance.

Rates of access to benefits are much higher amongst migrants than amongst the native population. For example, 19 per cent of all unemployment benefit II recipients in 2007 were foreigners, compared to a population share of around 9 per cent. However, examining data from the SOEP provides no evidence of a link between migrant status

and the probability of receiving benefits either before or after the reform, once the socio-economic characteristics of the household are taken into account.

Analysis of the factors correlated with receiving benefits indicate that current and past labour market status, health and the number of children in a household are important predictors of benefit receipt. Current or past spells of unemployment increase the probability of benefit uptake, as does poor health and a greater number of children in the household, especially in single-parent households and even more strongly in migrant households.

Human capital variables also matter. The average education of all household members is associated with a lower probability of transfer receipt for natives only. This indicates another barrier specific to migrants' integration, since for them higher average household educational attainment does not yield a reduced probability of benefit use. In relation to the level of education achieved, holding average education of the household constant, advanced higher education among migrants is clearly linked with a lower probability of benefit uptake. Individuals with lower educational attainment have an increased probability of receiving transfers compared with those with basic or advanced vocational training. The results for social assistance suggest that it matters whether vocational training was acquired in Germany or abroad — indicating yet another integration barrier to migrants.

This implies that to reduce the probability of welfare uptake over the first years of immigration and to overcome the barriers faced by those with overseas qualifications, integration classes and vocational education and training are important. In this regard



recent changes to the interaction between immigration policy and welfare policy may help to reduce welfare uptake by migrants. Since 2007 migrants can be obliged to participate in integration courses, with a 30 per cent cut to their unemployment benefit II if they do not participate. Foreigners without a right to permanent residency and who receive unemployment benefit II can lose their right to stay or have their residence permit extended.

The impact of the current economic crisis on welfare use by migrants in Germany is not likely to be significant. While migrants are often employed in positions that are vulnerable to economic downturns, the labour market in Germany remains relatively robust. Companies have prevented layoffs and cushioned the impact of the crisis with flexible workplace arrangements. Migrants have an increased probability to out-migrate if the economic situation deteriorates, so any job losses that have occurred may have led to return migration rather than to an increase in welfare use.

Overall the analysis of the situation in Germany indicates that the structure of the immigration system matters. As there is no significant difference between natives and migrants' uptake of unemployment benefits once socio-economic characteristics have been controlled for, the structure of the immigration system and the subsequent characteristics of migrants will largely determine unemployment benefit use by migrants. Immigration per se will not result in greater benefit use, but an immigration system which enables those with higher levels of education, fewer children and good health to immigrate, could result in lower benefit uptake.

### *A5.1.2 France*

One of the main social assistance programmes in France is the HLM public housing programme (*habitations à loyer modéré*, dwelling with a moderate rent). Any family is eligible for residing in a HLM dwelling provided that the head of the family is allowed to live in France and that income per unit of consumption lies below a threshold, which depends on the region of residence and is updated each year. Eligible families may apply for a HLM in any city where such public programmes exist, regardless of their current place of residence or nationality. Today more than million people live in a HLM.

Results from a linear probabilistic model of proportions living in social housing show that in general migrants live more frequently in social housing buildings than French natives, other observables being equal. In particular, this probability is higher for migrants from Turkey, Morocco, Southeast Asia, Algeria, Tunisia and Sub-Saharan Africa (in descending order). It is generally lower for migrants who have acquired French citizenship (except for migrants from Sub-Saharan Africa).

Migrants are more likely (than natives) to live in a HLM when the proportion of people living in social housing is large or when the proportion of natives is large in the city. All migrants are less likely to live in a HLM than natives in large cities. When the fraction of inhabitants living in a HLM is large in the city, migrants are less likely than natives to inhabit a HLM. Third-order interactions show that in cities with many HLMs and many migrants (irrespective of the origin), migrants are less likely to inhabit social housing. Put differently, migrants of all origins live less often in a HLM

when the city has plenty of social housing and when the fraction of natives is high. This may indicate barriers to migrant welfare inclusion if competition for social housing is high. In general, the results point at a strong role of geographical segregation in access to HLM.

#### *A5.1.3 The Netherlands*

The Netherlands has a generous welfare system, with both contributory and non-contributory components. Unemployment and disability benefits are available to those who have sufficient previous employment history. Individuals without a sufficient employment history are eligible instead for means-tested social assistance — a subsistence-level payment related to the minimum wage that is available to any legal resident of the Netherlands with low incomes or assets. Legal migrants generally have the right to access any of these benefits, with their employment history determining whether they can access the contributory benefits. There are, however, some restrictions on access to social assistance by migrants: first, a permanent residence permit is required; and second, migrants are not entitled to social assistance for the first three months of their stay in the Netherlands.

Migrants to the Netherlands are much more likely to be in receipt of welfare than natives. In particular, migrants from non-Western countries, both first and second generation, have a higher probability of participating in social assistance and disability benefit programmes and to less extent in unemployment benefit programmes. A high proportion of non-Western migrants use social assistance. For example, while fewer than 2 per cent of Dutch men received social assistance

payments in 2005, the corresponding proportion for first generation Moroccan men was 16 per cent and for Antillean men it was 13 per cent. Overall, out of all male migrants, 8 per cent receive social assistance. For female migrants, the figure is 11 per cent, much larger than the 3 per cent of native women receiving social assistance.

When background socio-economic variables are taken account of, the overrepresentation of non-Western migrants in social assistance declines from about five times of that of Western migrants to twice of this. Strikingly, the degree of dependence of second generation non-Western on social assistance is quite similar to their parents once age differences are accounted for. This is unexpected, since the generally has a higher education level and better language proficiency (see e.g. Van der Vliet et al., 2007; Ferber, 2008). Critically, this indicates problems with cross-generational integration of migrants, which may transpire into difficulties with the sustainability of active inclusion policies.

First generation migrants from Turkey, Morocco and Suriname have a higher probability of disability benefit use. There is some evidence that this has been caused by the nature of their employment history, as they were often employed in heavy and risky jobs. The probability of disability benefit use is also slightly higher for second generation non-Western migrants. An overwhelmingly large share of this second generation entered the disability programme as a result of neuropsychiatric symptoms.

For both social assistance and disability benefit, the likelihood of welfare use increases with age and decreases with education level. In addition, unmarried individuals have a higher probability of benefit use.

The disproportionately high use of welfare by migrants reflects a lack of migrant integration, which has generated a significant policy response in terms of both immigration and integration law. In 2004 greater restrictions were placed on family reunion migration, with both age limits and income prerequisites increased. Recently restrictions on asylum migration have also been made. In addition, the Integration Law of 2006 requires that non-EU residents pass a language test in their own country before entering the Netherlands. Non-EU migrants who are already in the Netherlands must pass two citizenship tests in order to be entitled to permanent residence. Migrant integration remains a high profile public policy issue in the Netherlands, with the Government preparing annual reports assessing the social and cultural integration of migrants to the Netherlands.

These integration reports suggest that the welfare use of non-Western migrants is much more sensitive to business cycles than that of natives. Certainly migrants often find themselves in lower paid and less secure employment than natives and as such are at greater risk of unemployment in a downturn. There are already indications that the current economic crisis has had a disproportionate impact on non-Western migrants, risking the ongoing entrenchment of disadvantage.

More recently the Netherlands developed “new chance” projects for long-term migrants dependent on welfare. At the same time, policy changes which imposed further restrictions on immigration flows and on welfare use of migrants have slightly reduced benefit use among recent immigration cohorts. Obligatory language training and education about Dutch institutions in citizenship courses seem to have the

potential to reduce migrant welfare dependency in the long run if well-implemented. However, it is too early to measure the impact of new policies. A more complex problem is the relatively high welfare dependency of second generation for which no effective policy tool is immediately available, although education must play a role. The activation of long-term migrants who are dependent on welfare is another clear policy challenge.

#### *A5.1.4 The United Kingdom*

The welfare system in the UK consists of a range of contributory and non-contributory benefits as well as tax credits. Contributory social insurance benefits depend on prior contributions, while non-contributory social assistance benefits are means-tested. Recent years have seen increases to job search requirements for unemployment benefits (the Job Seekers Allowance, which can be either means-tested or based on prior contributions). In addition to these benefits is the Working Tax Credit, a welfare-to-work scheme that is available to parents as well as older and disabled people. A range of family benefits also exist which are not means-tested. Migrants are generally eligible to access the benefits and tax credit systems if they meet the relevant criteria (such as satisfying a means-test for social assistance, or having sufficient contribution history for social insurance) and are not subject to immigration control. One exception to this is a one-year residency requirement imposed on migrants from EU accession countries before they can be eligible for welfare benefits.

There is no clear pattern of welfare use by migrants in the UK, as it varies greatly by country of origin and by gender, even once socio-economic characteristics are controlled for. Across all migrants and all benefit types, male migrants are shown to be more likely to receive benefits than native men. However, the opposite holds when comparing female migrants and female natives. Among men, Asian migrants are most likely to claim benefits, followed by other Europeans and Africans, as well as those from the EU accession countries (EU-8). Only those born in Australasia and the Americas are less likely than natives to claim benefits. Among women, only African migrants claim benefits more than natives.

EU-8 migrants differ from the other migrant groups in the sense that they are younger and typically stay in the UK on a short-term basis. Many EU-8 migrants have only been in the UK for a short time and many of those with the most irregular migration patterns are unlikely to participate in the UK benefits system at all. They are overall less likely to claim unemployment benefits, income support or sickness benefits than natives. However, EU-8 migrants, especially men, are far more likely to claim child benefit and tax credits, even if their children do not actually reside with them in the UK.

Analysis of the situation in the UK makes it clear that in addition to country of origin, socio-economic characteristics play a large role in determining welfare outcomes. In particular, a greater number of children, lower level of education, lower language ability and unmarried status are all related to higher levels of benefit use. In this respect, the introduction of the points-based migration system in 2008, which selects non-EU migrants specifically on the basis of their socio-economic characteristics,

may generate changes in migrant welfare use over time, although it is as of yet too early to detect any impact from the policy change.

It is clear that the UK welfare state will be heavily affected by the current recession, but it is not yet clear how the recession will influence relative levels of welfare receipt by migrants. It is likely that migration flows from some countries, such as the EU-8, will further slow and even reverse quite dramatically if the UK labour market remains sluggish, although not all migrants who have difficulty in finding work will return to their home countries. Indeed, applications for income support and job seekers allowance from EU-8 migrants more than doubled between the first quarters of 2008 and 2009. However, given the current pressures on government finances and the desire to reduce debt levels, it could be that access to the welfare state will be further restricted for some groups, including for migrants.

The experience in the UK indicates that there can be a wide variety of outcomes in welfare uptake by migrants, related to country of origin, level of education, language ability, number of children, and other socio-economic variables. The importance of human capital variables suggest that policies which encourage human capital formation amongst migrants should reduce welfare dependency. It also provides support for the decision to implement a points-based system of immigration in the UK, targeting migrants with higher levels of human capital.



## *A5.2 The Scandinavian Welfare State*

### *A5.2.1 Denmark*

Denmark has a range of welfare benefits, including the old-age pension, the social disability pension, unemployment insurance and social assistance. In Denmark unemployment insurance is voluntary but the coverage is high. Unemployment insurance is based on former earnings, is not means-tested, has a maximum duration of four years and has job search criteria attached. Social assistance is available to those unemployed not covered by unemployment insurance and also to those who have social problems beyond unemployment. Social assistance benefits are lower than unemployment benefits and are means-tested but of indefinite duration.

In the context of this study, unemployment insurance and social assistance are the most relevant benefits to examine, as only a small group of migrants are of an age to receive the pension and migrants are under-represented as recipients of the disability pensions largely due to age profile. With regard to non-Western migrants explicitly, who have historically had the worst labour market outcomes of all migrant groups in Denmark, average expenditure on both unemployment insurance and social assistance is higher than for natives. While both the absolute amount and the gap have been declining in recent years, a non-Western migrant who is 18 to 59 years old and in the labour force receives on average roughly double the amount of unemployment insurance and almost six times more social assistance.

The factors driving the uptake of social assistance (SA) have been examined using a probit analysis of the probability of receiving SA in 2001 and 2007 for all 18-59 year old non-Western migrants and natives. For migrants there is an increasing probability of welfare dependence with age. Women have a significantly higher probability of SA use for both groups, with migrant women being particularly affected. Marriage across the ethnic groups lowers the probability for receiving SA. Having one or more children aged up to 6 years old increases the probability of receiving SA, with migrants with older children also more likely to receive SA. Education is also important, with higher education reducing welfare use. However, education has a considerably weaker effect for migrants, indicating a barrier to integration. The number of years since immigration also matters and has a significant negative impact, pointing to assimilation out of welfare for migrants over time. Finally, there are specific country effects, with significantly higher SA use for individuals from Iraq, Lebanon and Somalia.

While welfare uptake by migrants remains higher than that of natives, it has declined in recent years, driven partly by improved economic conditions, but also by changes to both immigration and welfare policy aimed at reducing welfare dependence. In 1998 parliament enacted the Integration Law which focused on integration through mandatory language courses, education and labour market programmes. In 2002 the immigration policy was made more restrictive, particularly in relation to refugees and tied movers (family reunion migrants). In addition, migrants coming as tied movers are now no longer eligible for social assistance, as they have to be provided for by their families as a condition of entry. These changes have changed the composition of

recent migrant cohorts, reducing asylum migration and increasing the average age of migrants.

The welfare system has also been reformed. In 2002 the Start Help programme was introduced for people who had not been resident in Denmark for at least seven out of the most recent eight years and provided a benefit 35 per cent lower than standard SA benefits. While this affected returning Danish citizens, it predominantly affected migrants. Two further changes also affected migrants: in 2004 a cap was introduced on the total amount of SA benefits, housing subsidies and specific support effective after receiving benefits for six months; and in 2006 the “300 hours rule” was introduced, under which married spouses receiving SA must each have at least 300 hours of work over a two-year period or benefits for one spouse are stopped.

Since these changes have been introduced, migrant labour market participation has risen and use of benefits has fallen, although there remains a large gap between migrants and natives in both respects. It should also be noted that these were years of low aggregate unemployment in Denmark, so policy changes can only be seen as partial contributors to this effect. In recent times labour market outcomes for non-Western migrants appear to have been relatively robust despite the economic crisis, with unemployment increasing by less than for natives and uptake of unemployment insurance increasing far less for migrants than for natives. Social assistance uptake actually declined 4 per cent between February 2008 and February 2010 for non-Western migrants, while it rose 35 per cent for natives.

Evidence from Denmark suggests that the combination of good economic conditions, some restrictions on the amount and duration of welfare assistance, a focus on integration and active labour market programmes and restrictions on some forms of immigration can in some cases lead to reduced welfare dependence by migrants.

#### *A5.2.2 Sweden*

Under the Swedish social welfare model, residents qualify for benefits by performing paid work. For those with an employment history, unemployment benefits, sickness, disability and parenthood, benefits are generous. Those with a weak or non-existent employment history, such as some migrants, are not able to access these benefits. Instead, they are eligible for social assistance (SA), the last income safety net. Any person residing in Sweden is eligible for SA (although certain recently arrived migrants are entitled to a different benefit which is similar to the standard SA payment). The requirement for SA receipt is the combination of a low income and an inability to earn a living any other way. SA receipt is not time-limited, but it can be made conditional on job-search activities or on further training in some cases.

Currently the majority of social assistance payments are made to foreign-born migrants, who make up 14 per cent of the total population. While 2 per cent of the native population received a social assistance payment in 2008, it was 12 per cent for the foreign-born population. Migrants also have longer periods of receipt than natives.

To some extent, the use of social assistance by migrants reflects the support given to refugees upon their arrival and during the initial years, given that Sweden has a comparatively large refugee intake.

However, this is far from the entire story. Although there seems to be a general pattern of migrants assimilating out of social assistance receipt, receipt continues to be higher many years after immigration for migrants from non-rich countries who arrived in more recent decades. This gap in receipt between migrants and natives persists, even once characteristics such as age, education, household type and the regional unemployment rate are taken into account. There is significant evidence that this is mainly due to a failure to integrate into the labour market in Sweden, which can be traced to discrimination. Results from new research convincingly show that the behaviour of employers is at the heart of problem, in particular an apparent unwillingness to hire, or even interview, certain migrants.

The high level of SA use is a long-standing and well-recognised problem in Sweden, and there have been a number of attempts to improve the situation. In 2001 the Swedish Government introduced a target to halve SA receipt between 1999 and 2004. This goal was not met and a new target has not been set. There were, however, amendments made to the Social Welfare Act in 2004, which introduced greater conditionality for SA recipients. A range of recent government and independent reports have recommended further policy changes for reducing SA use in the population generally, as well as specifically in the migrant population. As yet these have not been adopted by the government. With regard to migration policy, apart from various integration policies such as integration contracts for new migrants,

overall migration policy has not been greatly changed in response to the issue of welfare use.

Historically, SA receipt has been strongly influenced by the unemployment rate, with large increases in uptake evident during economic downturns. Quarterly statistics on SA outpayments since the recent global downturn imply that the trend may be similar this time, with figures for June to September 2009, 19 per cent higher than the same period in 2008. Given the disadvantaged position that migrants face in the labour market, they are likely to be badly affected by a high unemployment environment and therefore even more likely to require SA. However, as has occurred in previous crises, the present crisis has generated a new inflow of primarily young SA claimants, most of whom are natives. Most likely, the crisis will also make periods of receipt longer, as it has become more difficult for recipients to exit from welfare. Furthermore, it will also make some people who have left welfare return faster than they would have in another macroeconomic climate. All those changes will affect migrants as well as natives. However, as natives are in majority in the population, it is likely that the crisis will change the composition of SA recipients, reducing the migrant proportion.

As it stands, migrants in Sweden have worse labour market outcomes than natives, and they use significantly more social assistance. Policies which aim to integrate migrants into the labour market can also be viewed as policies for reducing social assistance receipt among migrants. Such policies could aim to make migrants more attractive to hire, for example by increasing their human capital or by subsidising wage costs. Given the evidence of some unequal hiring practices, measures to combat

discrimination against migrants in the labour market could also reduce social assistance receipt among migrants.

### ***A5.3 Southern European Welfare States and Ireland***

#### *A5.3.1 Greece*

Greece witnessed a fundamental demographic and socio-economic transformation in the 1990s. Going from being an emigration country, Greece has started receiving migrants by the thousands — the majority of which are from Albania. Because of its location Greece attracts many irregular migrants, refugees and asylum seekers who may believe that they can reach the richer EU Member States more easily from Greece. Migrants currently constitute about one fifth of the Greek workforce, mostly in agriculture and unskilled jobs.

The Greek welfare system is a complex mix of public and private institutions, providing health care, as well as social assistance. The Ministry of Employment and Social Protection organises and administers social insurance services, providing both cash and in-kind benefits as well as supervising the insurance agencies. The social insurance agencies themselves are funded by employer and employee payroll contributions, and also by government contributions. These agencies provide old-age, disability, maternity, funeral, sickness, medical and workers' compensation benefits. Unemployment benefits and family allowances are provided by the OAED (Manpower Employment Organisation). There is also a tax-funded organisation that

provides social insurance coverage for the rural population as well as providing a minimum income scheme for all those over 65 without a full pension.

However, despite these arrangements, informal social networks and the family still constitute the safety net in preventing poverty and social exclusion to a large degree in practice. Unemployment and lack of access to the labour market and social services are important contributors to poverty. Migrants are among those most touched by hardship. They are often in precarious jobs and may receive substandard remuneration. If they are outside of the formal labour market, they are less likely to have access to social services.

It was only until recently that Greek legislators turned their attention to immigration policy. The immigration law of 2005 and its 2007 revision have institutionalised some provisions for migrant inclusion. For example, migrants who are in paid employment are entitled to buy up to 20 per cent of the “insurance stamps” required for renewing their residence permits. The permit also allows migrants the right to move freely in Greece — irrespective of the region for which the residency permit was issued. In addition, there has been an amnesty for irregular migrants who managed to meet certain criteria.

Based on EU-SILC data for Greece, the tendency for welfare use by natives, migrants and other minorities was shown to demonstrate similar patterns to those generally observed in the EU. This dataset is rich in information about social inclusion and protection and is also representative of the population. The analysis emphasised social inclusion, health care, pensions and social protection and evaluated a number of



contextual factors that make some groups more prone to welfare than others. In an in-depth analysis testing for migrant self-selection, first and second generation migrant status, discrimination, language and other human capital deficits as possible determinants of welfare use, the importance of these contextual factors was confirmed.

### *A5.3.2 Ireland*

This Irish welfare system has both contributory and non-contributory elements. The contributory component, known as social insurance, depends on previous payments; while the non-contributory component, social assistance, is means-tested and targeted at low-income people not covered by the contributory system. Access for most welfare payments in both contributory and non-contributory systems is dependent on meeting the “habitual residency requirement”, imposed in May 2004, which stipulates that migrants must have been resident in Ireland or the UK for two years before benefits can be paid. Only in a few specific cases can welfare be accessed without meeting the residency requirement, such as EEA migrants accessing family benefits.

Legally residing migrants are eligible to access social insurance if their history of insurance contributions is sufficient and if they meet the residency requirement. They are eligible to access social assistance upon satisfying the residency requirement and a means test. However, dependence on social assistance can jeopardise continued residency for some categories of residence permit for non-EEA nationals, under which a person is not allowed to become a “burden” on the state.

Analysis of the relative rates of welfare use by migrants and natives in Ireland shows that there is no difference between natives and migrants in aggregate. This holds whether simple comparisons are made or whether regression analysis is employed to control for socio-economic characteristics such as age and education.

However, given that much of Ireland's recent immigration inflow was from the countries that joined the EU in May 2004, it is both important and interesting to look at migrants from the EU-12 separately. Migrants from the EU-12 are just as likely to obtain family-related benefits as native Irish-born people. However, they are substantially less likely to receive unemployment or disability related payments. While 27.5 per cent of natives received an unemployment or disability payment in 2007, only 13 per cent of EU-12 migrants received such a payment, even controlling for socio-economic characteristics. The lower rate of receipt of unemployment payments by EU-12 migrants seems to disappear once the analysis is restricted to people who say they are unemployed. This indicates that the higher employment rates of the EU-12 migrants are what drive the lower overall uptake in the general population.

Another important finding is that the absence of a difference in rates of receipt among unemployed EU-12 migrants and unemployed natives only arises in 2007 and 2008, not before. In earlier years the unemployed migrants were less likely to receive payments. This could suggest that migrants learn about welfare and their entitlements over time. It could also point to migrants acquiring rights to welfare benefits as a result of accumulating an employment history in Ireland or meeting the residency requirement.

Analysis of the situation in Ireland indicates that migrants on aggregate do not use welfare more than natives. Indeed, some, such as those from the EU-12, use significantly less welfare than natives, even controlling for socio-economic characteristics. There are clearly structural mechanisms in place such as the residency requirement and the contributory nature of benefits, which act to keep migrants out of the welfare system for an initial period of time, but future patterns of welfare use may differ as more and more migrants pass this threshold.

#### *A5.3.3 Italy*

Italy has one of the least generous welfare systems of the pre-enlargement EU countries, with no minimum income scheme. Social expenditure in Italy is disproportionately concentrated on pensions. Unemployment benefits, family benefits and income support combined account for 25 per cent of social spending. Despite a centrally-administered contributory scheme that pays a proportion of the last wage, coverage of unemployment benefits is extremely low, with fewer than 10 per cent of unemployed workers receiving a benefit. There is also a centrally-administered, contributory sickness and maternity allowance as well as centrally-administered family benefits which are not linked to previous contributions.

Other than the centrally-administered benefits outlined above, all other benefits, such as income support, social benefits and housing support are delegated to local authorities, usually municipalities. As such, a large part of the Italian welfare system

is defined and implemented at the very local level, leading to large differences in the type and generosity of available programmes across the country.

Migrants, who now make up around 6 per cent of Italy's population, are eligible for unemployment, sickness and maternity benefits if they have previously been in employment for the minimum contribution period, which is two years for employment benefits. However, some provisions vary by type of contract (temporary vs permanent, full-time vs part-time). Family allowances are available to legal migrants who submit a tax form. Eligibility to all other locally administered welfare programmes is often subject to a minimum period of residence in the territory of the municipality, both for Italians and for foreigners, although the requirement might be stricter for the latter.

With regard to non-pension benefits, an analysis of the EU-SILC illustrates that welfare use is higher for migrants than natives, with 43.3 per cent of Italians receiving some form of benefit, compared to 45.3 per cent of EU25 migrants and 50 per cent of third country migrants. Combining the EU-SILC data with a new administrative archive, INPS-ISEE, which contains information on means tests certificates needed for applying to all kind of locally administered welfare programmes, it is possible to examine whether migrants have higher benefit use per se or whether their higher benefit use is a consequence of their socio-economic characteristics and location.

The results of the analysis show that differences in the personal and household characteristics of migrants from outside the EU play an important role in explaining differences in welfare use. Labour market status and geographical location also

matter. Location probably matters more in Italy than in other countries because of the stark differences in welfare programmes between municipalities. Migrants tend to cluster in the higher income areas of the country, where low-skilled labour demand is higher but also where benefits are more generous. It is possible that this clustering in generous welfare areas has in part contributed to anti-migrant sentiment in Italy and strong perceptions that all migrants are on welfare.

Income is also a powerful predictor of welfare uptake, and once it is accounted for the gap between native and migrant welfare use closes. This result suggests that differences in the use of welfare between natives and migrants for given observable characteristics are due the fact that, other things being equal, migrants earn less in the labour market (or have lower incomes from other sources).

Examining differences in the rate of applications to local welfare programmes between migrants and natives, it becomes clear that all migrants, excluding only those from the EU-15, are significantly more likely than natives to apply for local welfare programmes. However, and consistent with the previous analysis, this gap is significantly diminished once demographic factors are accounted for.

What also becomes clear from examining the local data is that migrants from outside the EU-15 and from other non-EU countries reduce their benefit application rate as unemployment in their area increases, possibly because they are moving in response to economic conditions. This illustrates that the economic crisis may not in fact result in higher benefit uptake by migrants.

The above results confirm that the selection of migrants based on certain socio-economic characteristics, such as skill level, is important in determining welfare uptake. If a government wants to reduce welfare dependency it should perhaps implement migration policies that favour the arrival of skilled migrants. In addition, the choice of location is also related to welfare uptake and the heterogeneity of welfare provisions across a country may have the potential to increase dependency and worsen the citizens' view of immigration. Policy aimed at harmonising the provision of local welfare programmes may prove beneficial in this respect.

#### *A5.3.4 Spain*

As well as providing free health care and education for all residents, the Spanish welfare system has a contributory component that provides sickness and maternity pay, unemployment insurance, old-age and disability pensions to contributors to the social security system. Anyone working in the informal labour market is excluded from this social insurance system.

There is also a non-contributory component to the welfare system, financed through taxes and offering means-tested benefits, such as family allowances and social programmes, for citizens outside the social security system and their dependents. This includes natives and legal migrants excluded from the formal labour market. Assistance under the non-contributory schemes is relatively low. Indeed, despite considerable development over the last three decades, overall social spending in Spain remains relatively low in comparison to the rest of the EU.

Legal migrants in Spain are eligible for different forms of assistance, depending on whether the assistance is from contributory or non-contributory programmes and on the individual migrant's history of employment and therefore contribution to the scheme. Irregular migrants are not eligible for assistance.

While Spain was historically a country of emigration, changes to immigration law and a number of amnesties for irregular migrants, as well as strong economic growth over the last decade, have seen immigration boom, with the migrant share of the population rising to 12 per cent by 2009. The primary route to obtaining legal migrant status in Spain has been through amnesties, the most recent of which, in 2005, provided up to 550,000 migrants with residence permits.

Migrants to Spain tend to enter occupations below their skill level and there is a significant wage gap between migrants and natives, which diminishes but does not disappear over time. However, despite their somewhat disadvantaged labour force status, analysis of the Spanish Labour Force Survey (LFS) from the years 1999 to 2009 demonstrates that migrants in Spain are less likely to use welfare than natives. This analysis examines five types of cash benefit social programmes: unemployment benefits; disability pensions; survivor's pensions; family allowances and other social programmes. It does not include the old-age pension given that the age profile of migrants largely excludes them from access.

The residual welfare gap for these cash benefits remains even after accounting for observable characteristics such as gender, number of children, age, education and marital status. That migrants have lower uptake of the contributory benefits, such as

unemployment benefits and disability pensions, is not surprising given that many migrants do not have the contributory record required to access them. However, the lower usage by migrants of non-contributory, means-tested programmes such as family benefits, even after accounting for socio-economic characteristics, may indicate barriers to uptake, given that they are eligible for these programmes.

When examining trends into and out of welfare over time, analysis of the LFS illustrates that welfare participation remains lower for migrants than natives regardless of time spent in Spain, except in the case of unemployment insurance receipt, where 10 years after arrival all migrants are more likely to receive unemployment benefits than natives. This result suggests that most migrants come to Spain to work, but as they are often in more vulnerable employment, they more likely to be hit by the recent recession and then to access unemployment benefits once they have the right to do so.

This has significant implications given the massive labour shedding that has occurred as a result of the economic crisis and the recession in Spain. It is likely that the cost of unemployment benefits for migrants will rise, given their more vulnerable employment situations and the likelihood that they will assimilate into unemployment benefits after a period of residence.

The analysis of migrant welfare uptake in Spain suggests that migrants are less likely to access welfare than natives and that there are other factors besides socio-economic characteristics that influence this. In some cases, such as unemployment benefits, this is in part related to the contributory nature of the benefit and the situation reverses



over time once eligibility is reached. In other cases there is a lower uptake of benefits despite full eligibility, which points towards a lack of social and cultural integration of migrants into the Spanish welfare system and a possible risk of social exclusion, particularly if the economic circumstances of migrants decline due to the current recession.

#### ***A5.4 Active inclusion in the new Member States***

The new Member States from Central and Eastern Europe experienced very little international migration prior to 1990s, with the exception of the Baltic States, which received significant inflows of mostly Russian speaking people during Soviet times and some very limited exchanges of workers by means of Council for Mutual Economic Assistance (COMECON) schemes.<sup>30</sup> With inflows of foreign direct investments picking up during the 1990s, the EU-8 countries started to receive some inflows of economic migrants, many of whom were skilled professionals that accompanied these investment inflows. Later in the 1990s, and especially in the 2000s, the economic conditions in this part of Europe improved and the EU-8 countries started becoming a migrant destination region. Most migrants have come from less prosperous countries further east in Europe and Asia.

As is also clear from this historical context, inclusion into welfare may constitute a different challenge in the new than in the old Member States. Migrant populations in the new Member States are less mature, often tied to inflows of foreign direct investment and in the case of Baltic States have emerged from what originally had

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<sup>30</sup> This section draws on Kahanec and Zaiceva (2009).

been internal migration.<sup>31</sup> Another difficulty in evaluating migrant welfare inclusion in the new Member States is that it is significantly less researched. Yet migrant inclusion into welfare is becoming an issue of significant importance in the new Member States, especially with growing migrant populations. The examples of Spain or Ireland show that the share of migrants in population may increase from less than 1 to more than 10 per cent in less than a decade.

Kahanec and Zaiceva (2009) study the labour market outcomes in terms of employment and earnings of the foreign-born and non-citizens in the EU, highlighting the differences between the old and new Member States. They conclude that being born in a foreign country generally negatively affects prospects in the labour market in old as well as new Member States, while not having host country's citizenship is especially disadvantageous in the new Member States. Specifically they show that the labour market outcomes of male as well as female non-citizens with a non-EU origin are significantly worse than those of the natives in EU-8, but this effect is not present if the Baltic States are excluded from the sample. This indicates that it is the Russian speakers without citizenship driving these results for non-citizens and suffering from labour market exclusion.

These labour market penalties for the foreign-born and non-citizens make a case for active policies aiming at their inclusion into the labour market and, more broadly, welfare. Indeed, Hazans (2009) finds that around two-thirds of migrants in Latvia report difficulties in accessing health services due to their high costs or problematic recognition of foreign health insurance. About 10 per cent of migrants report

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<sup>31</sup> Migration between the Slovak and Czech Republic constitutes similar migration context, but with less acute socio-economic and political dimensions.

communication problems and 8 per cent lack information about where to turn for help if in need of health services that prevent them accessing health services. Furthermore, 13 per cent of migrants report that they cannot find health services they are accustomed to in Latvia.

Similar difficulties arise with respect to inclusion into educational services (Hazans, 2009), with 28 per cent of migrants with children reporting they had difficulties getting appropriate education for their children, and about 13 per cent reporting they could not find a kindergarten place for their children. A further 8, 7 and 5 per cent, respectively, report language, having to pay and bad attitudes towards their children at schools or kindergartens all posed difficulties for them. This evidence clearly indicates the importance of active inclusion into all aspects of social services even, and may be more so, in countries with short histories of immigration. This point is also evident from the two specific case studies discussed next.

#### *A5.4.1 The Czech Republic*

The Czech welfare system has a number of components: social insurance (pensions and sickness benefits, including maternity benefits); unemployment benefits; state social support (a range of benefits for families such a parental allowance and child allowance); and social assistance (for emergency needs). Contributions to social insurance and unemployment insurance are compulsory for the employed and self-employed, regardless of citizenship or residency status.

Eligibility for different forms of assistance varies; the pension for example requires contributions to social insurance over decades, while most forms of state social support require only a year's residence. Most benefits can be accessed by migrants regardless of residency status, but importantly, access to unemployment benefits is restricted to some types of migrants.

The Czech Republic has attracted significant numbers of migrants in recent years and the Czech labour market is relatively open to foreign workers. Foreign workers account for over 6 per cent of the labour force, but only around 4 per cent of the population. There are also a significant number of undocumented migrants in the Czech Republic, estimated to be as high as the number of legal migrants.

Migrant participation in the Czech welfare system has so far been low. This is partly due to the nature of the migrant population, which is young and active in the labour market, but also due to the restrictive setting of some parts of the system. Unemployment benefits for example can only be accessed by Czech nationals, EU nationals or foreigners with permanent residency (largely family reunion migrants). Those with other forms of work permits are not eligible, despite making compulsory payments into the unemployment insurance scheme. For migrants with work permits, residency is contingent on employment, so unemployment either requires finding a new job (either with a permit or in the grey economy) or leaving the country. Hence, the migrant share of all job seekers claiming unemployment benefits is low, at only 2 per cent in 2009.

Restrictions also exist for some immigrants in accessing some forms of state social assistance, such as disability assistance, while most other parts of the welfare system are open and relatively generous towards legal migrants. Despite this, access by migrants remains relatively low. Social assistance is not highly used by migrants, with Czech nationals accounting for 98 per cent of all claims. While migrants' use of social assistance is low, it has been growing over time and is centred on use of the parental allowance.

Because migrants make up such a small proportion of the welfare system, the system is not particularly responsive to their needs. In some cases the system actively excludes migrants. However, there is an integration policy, managed by the Ministry for the Interior, which is specifically designed to encourage inclusion into Czech society, including access to various forms of welfare where required.

The impact on welfare uptake by migrants as a result of the economic crisis is likely to be limited. Certainly the number of unemployed foreigners has been rising, as has the number of unemployed Czechs. However, as many migrants are not eligible for unemployment assistance, many are likely to leave the country. Indeed, the number of work permits for third party nationals fell significantly between December 2008 and September 2009.

It is clear that at the present time, migrants are less likely than Czech nationals to access the welfare system and contribute more to the Czech welfare budget than they take out in benefits. This is due to the structure of the migration system and also the restrictions on access to some benefits. As the proportion of migrants with permanent

residency increases over time, this situation may change. The Czech experience demonstrates that the combination of a young and economically active migrant population and some restrictions on benefit use can result in low welfare uptake.

#### *A5.4.2 Poland*

Currently immigration into Poland is substantially lower than in other parts of the EU and the proportion of the population that is non-national is low. As a result the extent to which migrants receive welfare payments is also low. While foreign nationals staying legally in Poland are eligible for social assistance payments, fewer than 2,000 migrants received such payments in 2008 and the amount paid was less than €500,000, an increase on the 2005 figures (just over 1,000 people and €180,000). While there are no official statistics on migrant uptake of unemployment benefits and family benefits, research suggests that, as with social assistance, uptake by migrants is low. The scale of use by migrants of the welfare system in Poland is clearly smaller than elsewhere

The Polish government also offers integration programmes aimed mainly at refugees. The number of families on these programmes grew from 167 in 2004 to 698 in 2008. The increase was due mainly to a broadening of eligibility and an increase in the number of families from Chechnya participating in the programme. Spending on these programmes rose from €32,000 in 2000 to €1.1 million in 2008. Hence, this element of migrant-related spending is almost double that of the spending on welfare provided to migrants. Poland also has a number of NGOs which provide support to migrants, especially refugees.

The relatively low volume and composition of migrant inflows into Poland can explain this low welfare uptake. The largest group of foreign nationals in Poland come from neighbouring countries, usually to undertake temporary and seasonal employment in Poland. Such migrants are mostly not intending to become permanent residents of Poland, leaving when their employment finishes. As such, their use of the welfare system is low.

Given the relatively low level of support accessed by migrants and their small numbers, it is not likely that the global economic crisis will lead to significant welfare use by migrants in Poland. This is particularly so given the temporary nature of much of the labour migration into Poland.

The issue of migrant integration and welfare use has not yet attracted significant policy attention in Poland. Immigration policy is not administratively linked to integration policy or welfare policy. The public and policy makers are more focused on the outflow of Poles leaving to work in other EU countries, reflecting the negative balance of migration in Poland.

The current policy situation reflects the current, small scale of migrant inflow and the fact that Poland is largely treated as a transit country or a place to take temporary employment. However, the examples of Spain or Ireland show that the transition from an emigration to immigration country may be quite abrupt. While the absence of colonial tradition will prevent dramatic increases in immigration, as Poland converges economically and transforms from a typical emigration country into an emigration-

immigration one, the scale of inflow of permanent migrants will gradually increase.

This will require a greater focus on migrant integration, including language and labour market integration.