

# The Foreign-born Population in the EU and its contribution to National Tax and Benefit Systems

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# Motivation

- Disagreements on the benefits of immigrants
- “Welfarist” view – migrants are drawn to generous welfare state benefits and contribute little to host countries
- “efficient market” view – migrants lead to better allocation of resources and therefore more efficient economies
- Particular relevance for EU in light of enlargement debate

# Background

- Presentation drawn from work by team in the World Bank – Luca Barbone, Misha Bontch-Osmolovsky, and Salman Zaidi
- prepared for **EU Ministerial Conference “Strengthening EU Competitiveness – Potential of Migrants on the Labour Market”**  
Prague, 26th-27th February 2009

# Main Questions Addressed

- 1. How large are the foreign-born populations in EU countries, and how do their demographic and social characteristics compare to the native-born population group?**

**... any significant differences within and across individual EU member countries?**

- 2. How much do the foreign-born populations pay in taxes and consume in benefits in different member countries?**

**...focus on comparing differences across various population sub-groups**

# Overview and Summary of Key Findings

- **“Migrants” constitute about 8 percent of the population**
  - Share varies across individual EU countries, from a low of less than 2 percent in Poland and Slovakia to more than 15 percent in Austria
  - Most of the migrant population is born outside the EU (6 percent) rather than in other EU countries (1-2 percent)
- **2. Migrants help raise the stock of working-age population**
  - Slightly more likely to have high education (i.e. compared to rest)
  - ... but considerable variation evident across individual EU countries
- **3. Net contributions of Migrants to Tax & Benefit Systems**
  - No evidence to support the contention that migrants pay less taxes or consume higher benefits than the native-born population
  - On the contrary, our calculations suggest they make a net contribution of an estimated €42 billion to EU13 countries' tax and benefit systems

## Main Data Source

- **2006 European Union Survey of Income and Living Conditions (2006 EU-SILC)**
  - ❖ Country of Birth and Citizenship data
  - ❖ Demographics, Education, and Occupation
  - ❖ Individual and Household Incomes
  - ❖ Taxes Paid (taxes on wealth, taxes on income and social insurance contributions, employer's social contributions, etc.)
  - ❖ Benefits Received (unemployment benefits, old-age, survivors, sickness, disability, education, family benefits, other allowances, etc.)
- **Caveats:** (i) imperfect proxy of “migrant” status;  
(ii) partial coverage of taxes and benefits

# Main Analytic Sub-Groups of Interest

- **Native-born Population**

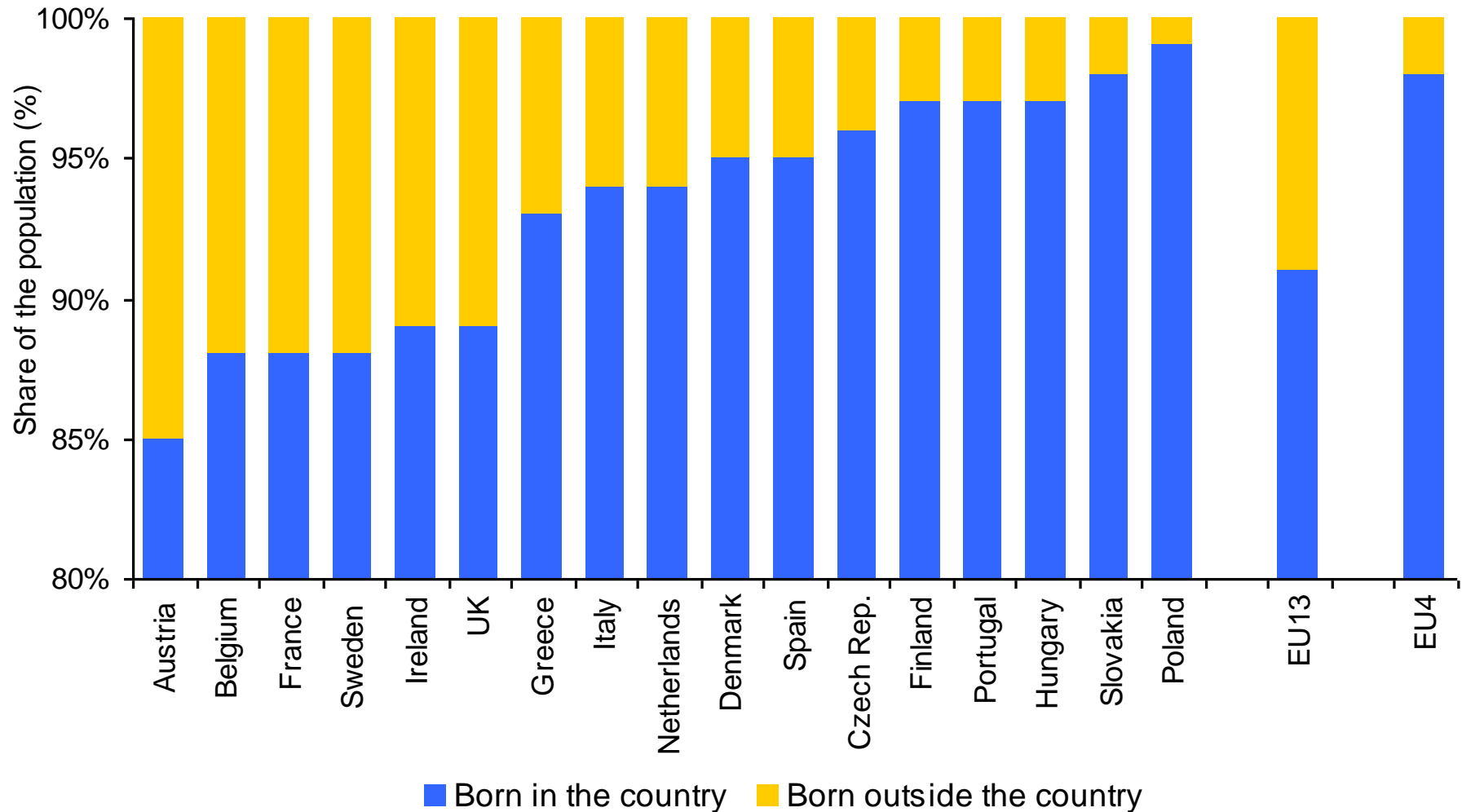
- **Foreign-born Population**

- ❖ 1. Citizens born in other EU countries
- ❖ 2. Citizens born outside the EU
- ❖ 3. Non-citizens from other EU countries
- ❖ 4. Non-citizens born outside the EU

- **EU13 and EU4 countries** + Austria, Belgium, Spain, France, Greece, Ireland, Italy, Sweden, UK

## 1. Size and Composition (1)

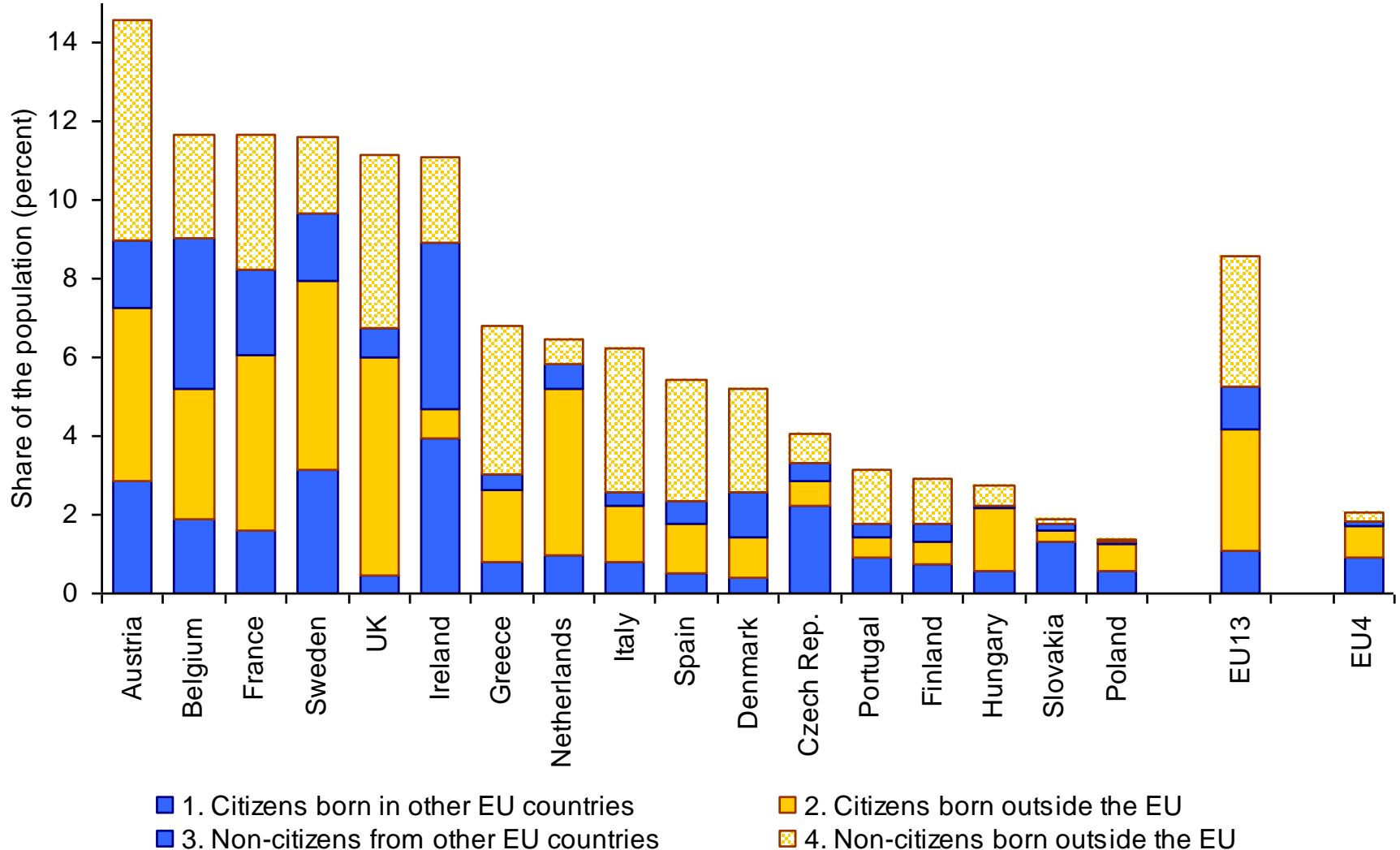
# About 8 percent of residents of EU13 countries were born outside the country where they currently live





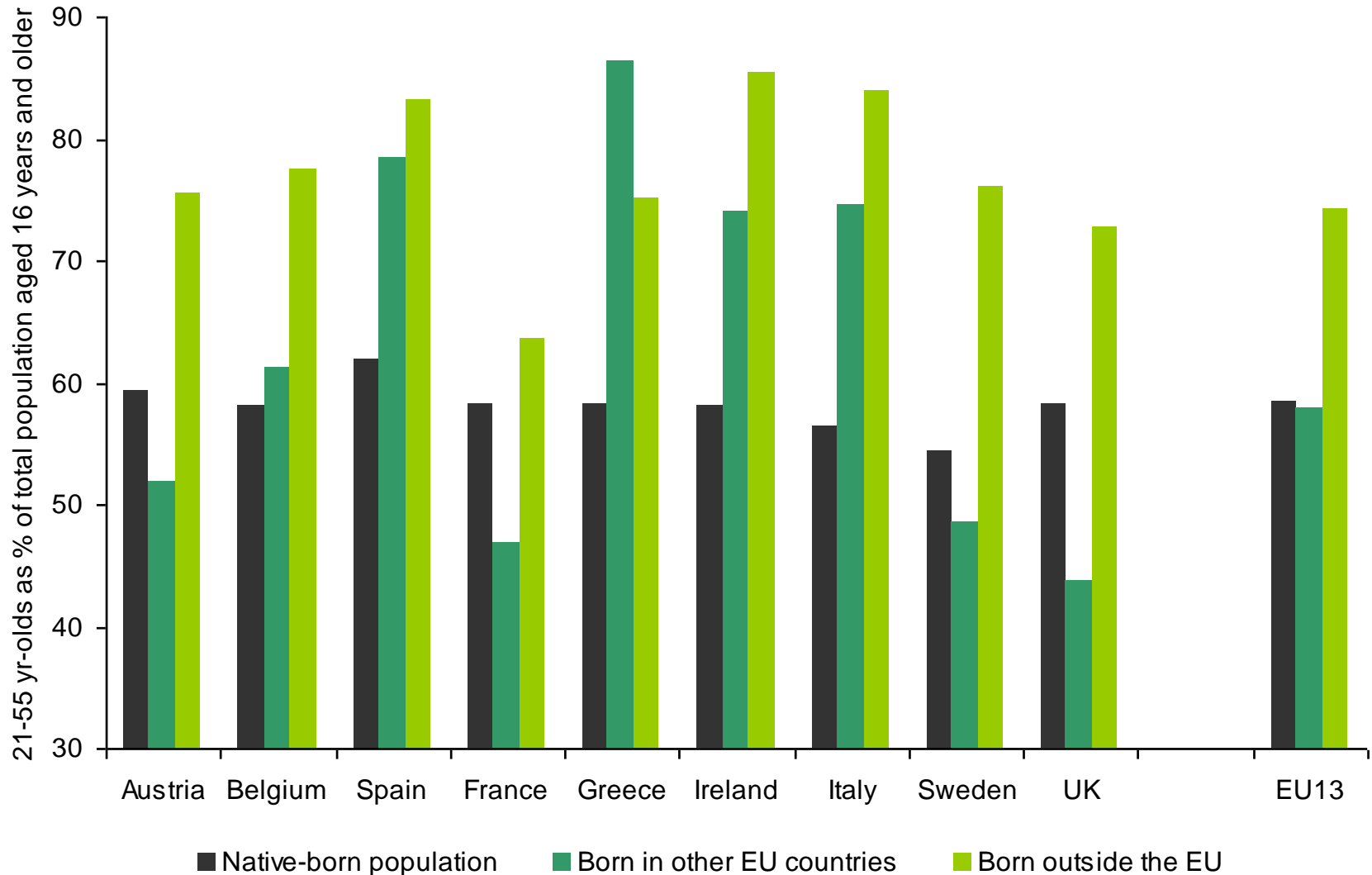
## 1. Size and Composition (2)

**Most “migrants” in EU countries are from outside the EU (i.e. rather than having been born in other EU member countries)**



## 2. Demographic and Education Background (1)

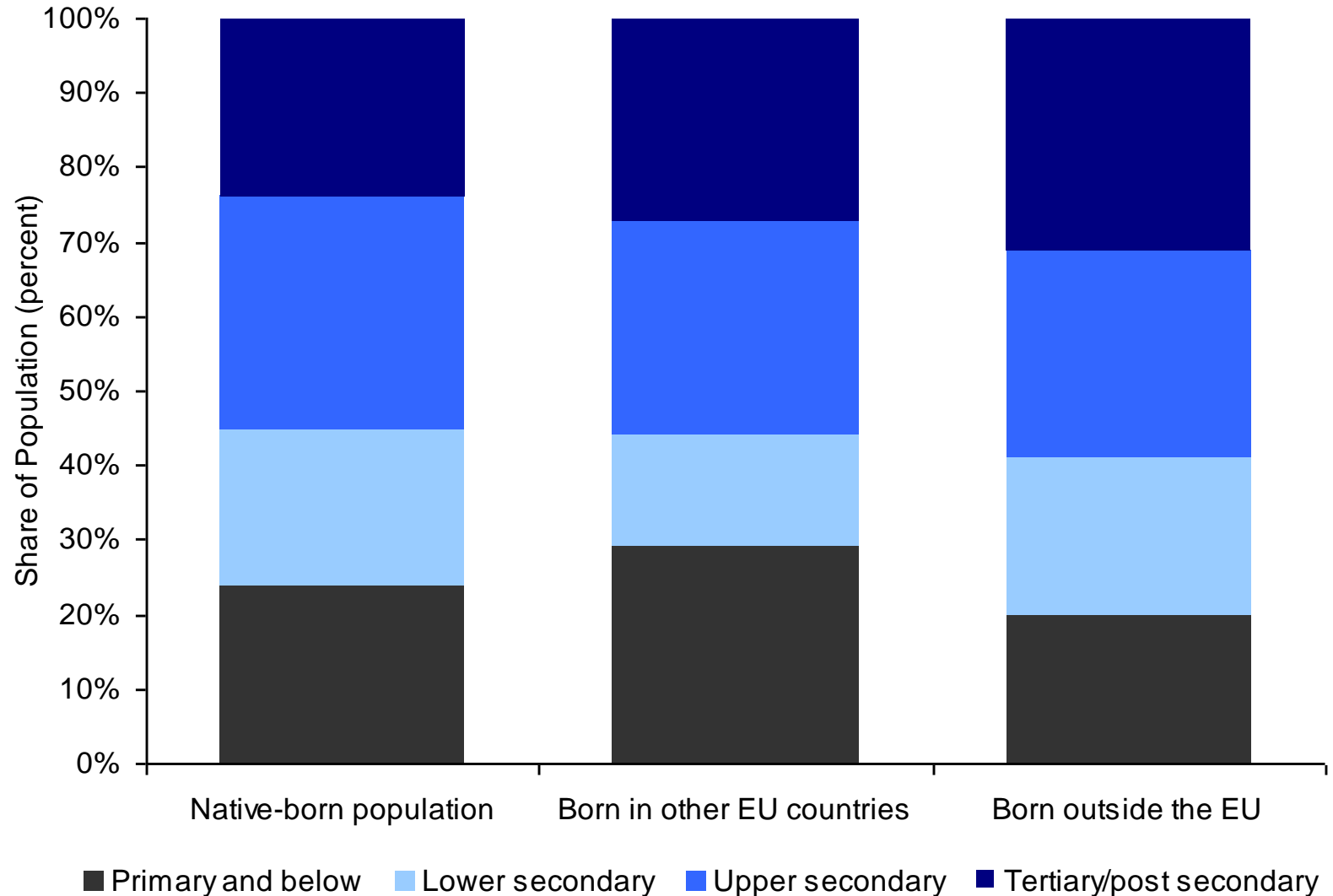
# Migrants help raise the stock of working-age population (... particularly those born outside the European Union)



## 2. Demographic and Education Background (2)

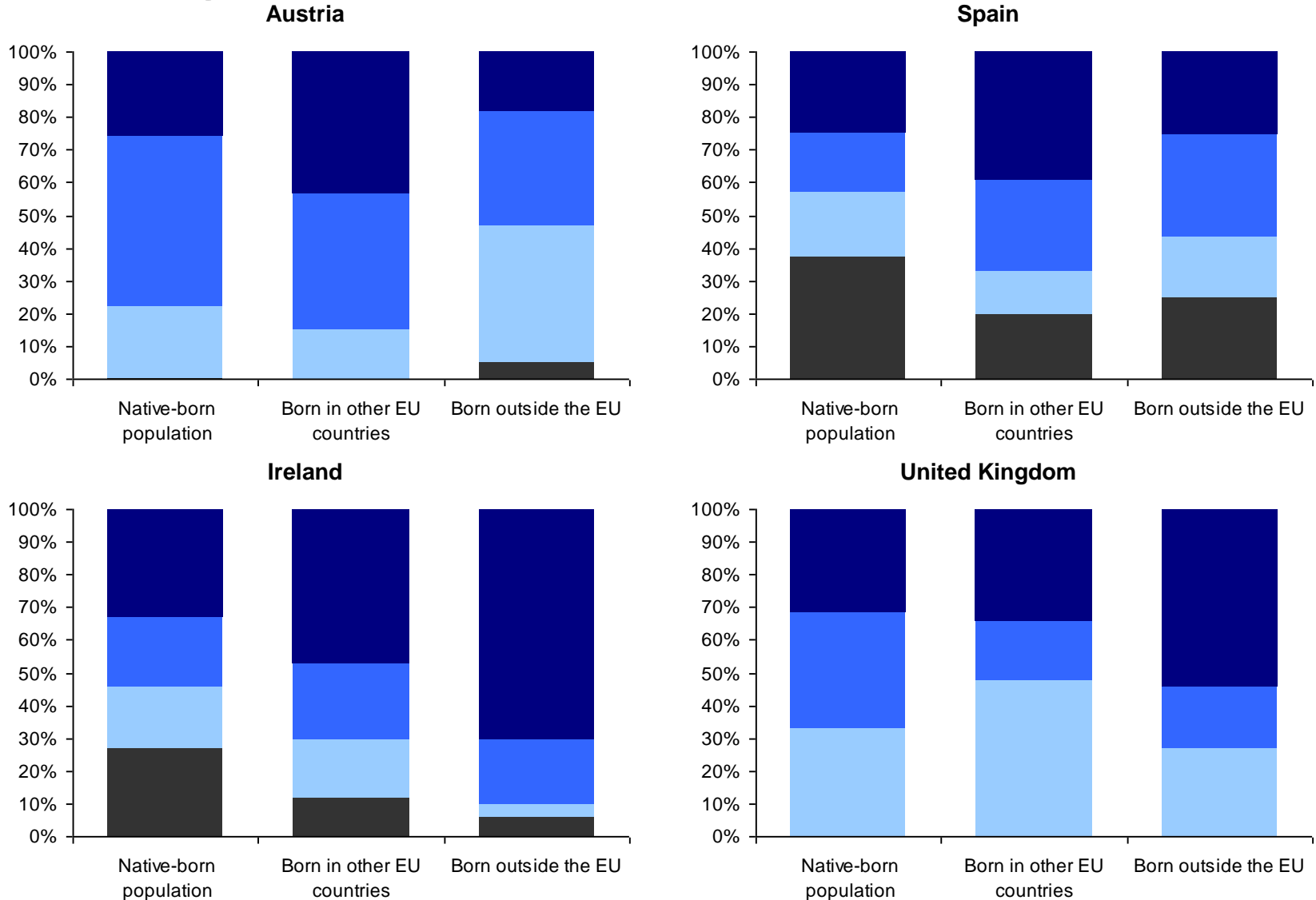
# Migrants are slightly more likely to have high education

## EU13 Countries



## 2. Demographic and Education Background (3)

... but with considerable variation evident in educational profile of migrant population across individual countries



### 3. Contribution to National Tax and Benefit Systems (1)

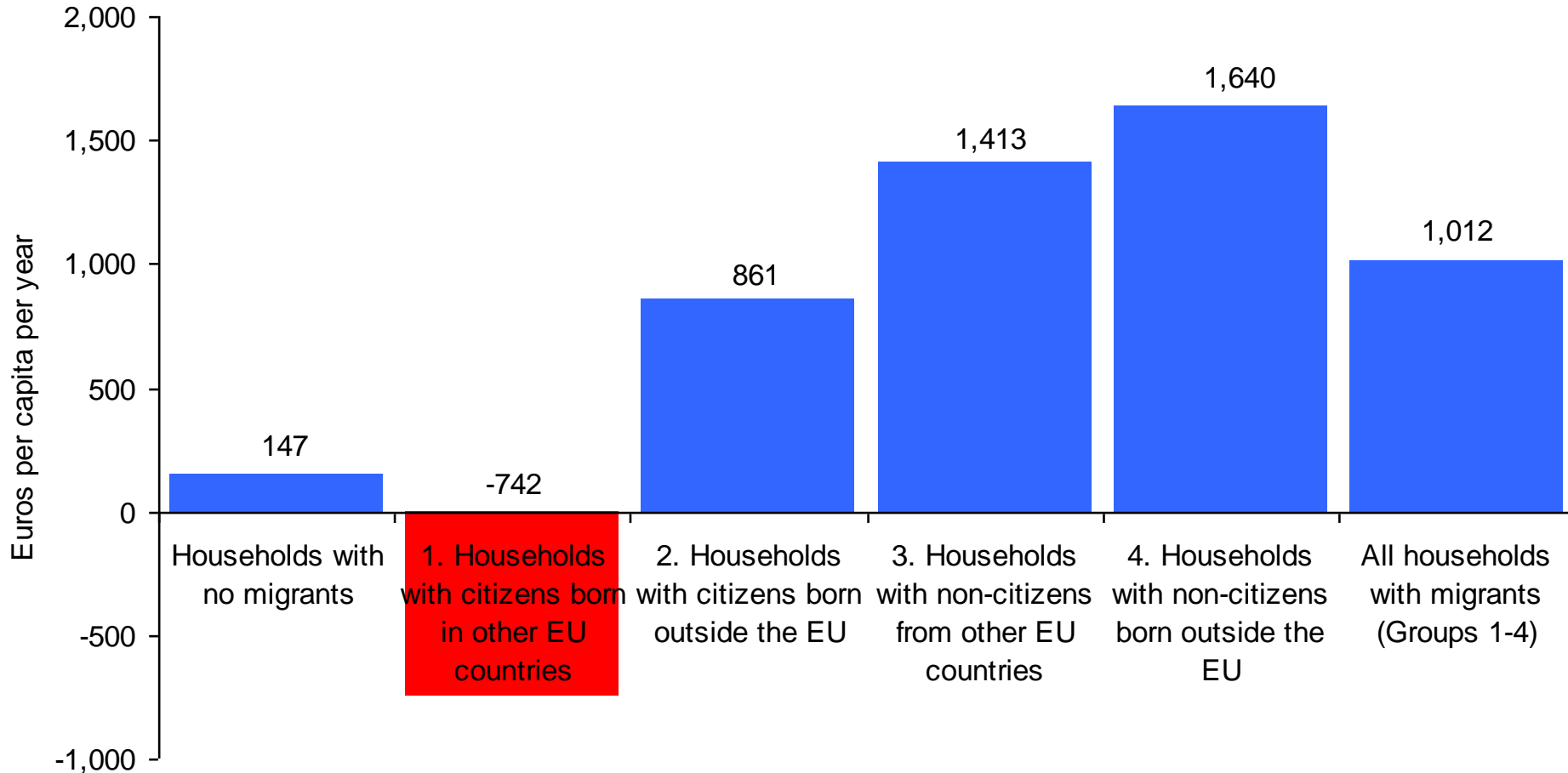
## Total Household Earnings, Taxes Paid, and Benefits Received

	All amounts in euros per capita per year						
	Austria	Belgium	Spain	Ireland	Sweden	UK	EU13
<b>Households with no migrants:</b>							
Gross Earned Income	12,654	13,179	7,675	13,646	13,743	15,726	12,926
Benefits	5,609	4,424	2,073	3,896	5,516	4,339	3,961
Taxes	4,353	4,595	1,315	2,779	6,005	4,866	4,108
Net income	13,910	13,007	8,433	14,763	13,254	15,199	12,779
Net taxes	-1,256	171	-758	-1,117	489	527	147
Number of observations	5,047	4,799	11,229	4,995	5,723	8,661	64,377
<b>All households with migrants (i.e. groups 1-4)</b>							
Earned Income	10,506	11,540	7,461	13,635	10,363	15,925	12,995
Benefits	4,185	3,177	938	2,674	4,822	2,896	2,978
Taxes	3,366	3,806	1184	2,645	4,474	4,794	3,990
Net income	11,325	10,910	7,215	13,663	10,711	14,027	11,982
Net taxes	-819	630	246	-28	-348	1,898	1,012
Number of observations	976	1,052	918	841	1,080	1,237	7,692

**Note:** Computed on a per-capita basis

### 3. Contribution to National Tax and Benefit Systems (2)

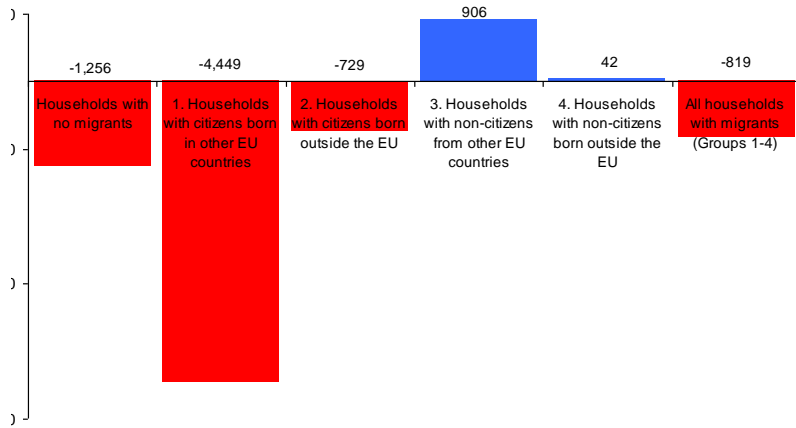
In EU13 countries migrant households contribute much higher “net taxes” compared to households with no migrants



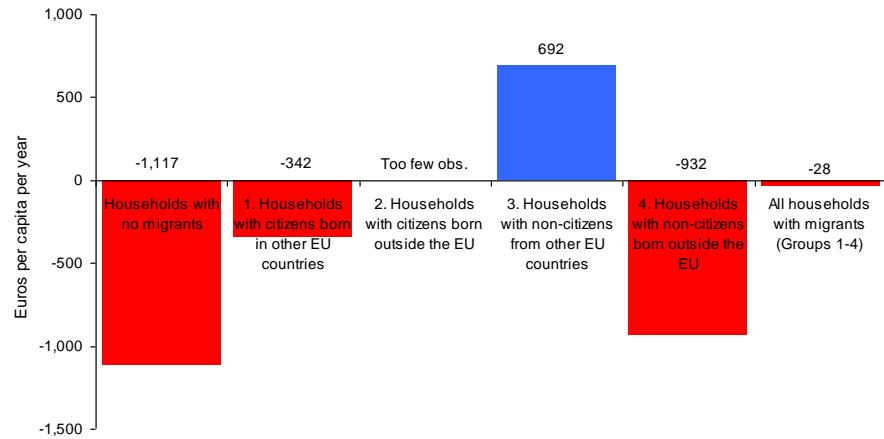
### 3. Contribution to National Tax and Benefit Systems (3)

... this is true in most EU countries (... but Sweden is a notable exception)

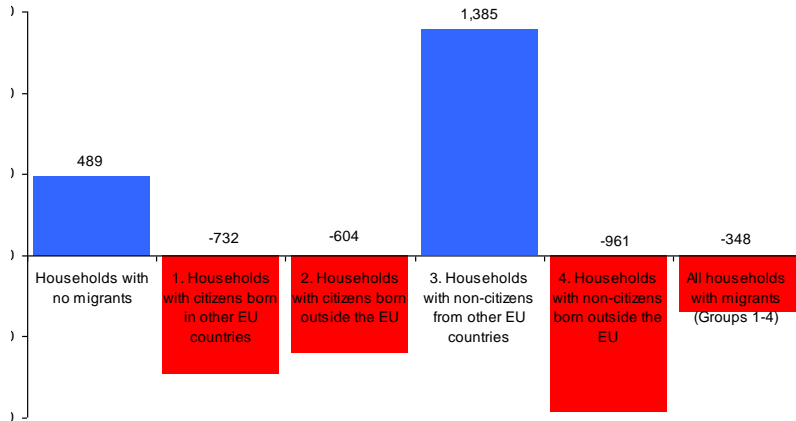
Austria



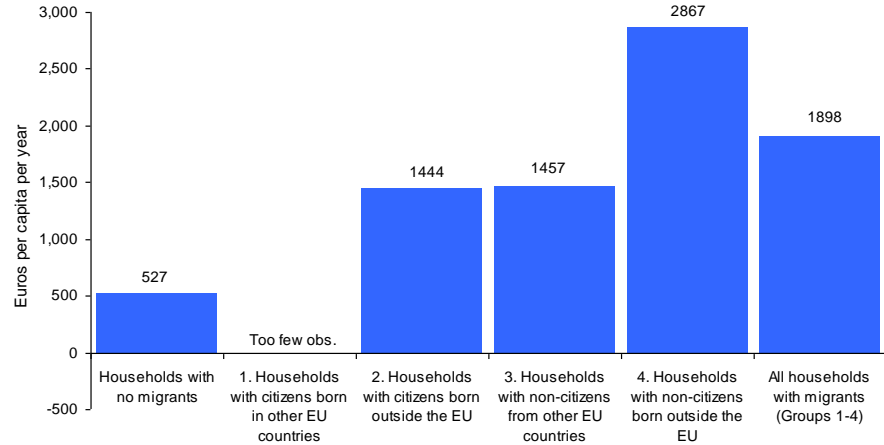
Ireland



Sweden



United Kingdom



## Summary of Main Findings

- **No evidence to support contention that migrants pay less taxes or consume significantly higher benefits than the native-born population in EU13 countries**
- **On the contrary, our calculations suggest that migrants make a net contribution of approx. €42 billion to EU13 countries' national tax and benefit systems**



**Thank You**