

PANEL: Free Movement of People

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Annual conference of the Centre for Cross Border Studies

BORDERING BETWEEN UNIONS:

What does the UK Referendum on Europe mean for us?

Today, according to recent data of the European Commission, 8.3 million EU citizens live and work or look for work in another Member State. That is 3.4% of the total EU labour force. Close to half of them have been living abroad for 10 years or more. For the most part, mobile workers are young and highly-educated. In addition to the 8.3 million people living and working abroad, there are across Europe 1.6 million frontier workers – who live in one country and work in another country – they go home at least once a week.¹

Finally, there are 1.45 million posted workers in Europe. Posted workers live and are employed in one country, but their employer sends them for a certain period of time to another country to provide a service there.

Looking at total population figures, Luxembourg has the largest proportion of EU citizens amongst its inhabitants: 39%. Ireland is at 8.1%. The UK at 4.1% and Germany at 3.8%.

So all in all, the number of mobile EU citizens and their share of the total population are quite low – much lower than people tend to think.

A study that estimates the fiscal impact of EU Migrants in Austria, Germany, the Netherlands and the UK outlines several trends and key findings that can help us to understand the role of EU migrants with respect to fiscal revenues and expenditures in the above-mentioned countries.² The findings of the study that are of significance for understanding the profile of the average EU migrant can be grouped in four main domains:

1. Age composition

EU migrants consist mostly of people between the ages of 20-44. What is more, EU migrants are on average younger than the native population. The share of older people is 2-3 times smaller among EU migrants compared to the total population. EU migrants have fewer

¹ Commissioner Marianne Thyssen - Speech 'Europe's vision for fair labour mobility'; Conference on Free Movement and Labour Mobility within the EU, University of Maynooth, Co. Kildare, Ireland, 13 November 2015

² Fiscal Impact of EU Migrants in Austria, Germany, the Netherlands and the UK, European Citizen Action Service, October 2014

children: Overall, the share of people under 18 years old is lower among EU migrants than the native population in each of the four EU countries

2. Education level

EU migrants consist, on average, of people with higher education than the population of the country they move into. People with a university-level education are more prevalent among EU migrants when compared to the total population. 28.7% of the migrants coming from EU member states have university degrees as opposed to just 24.2% of the total population of the receiving country. The differences are especially pronounced in Austria and the United Kingdom. For example, in Austria 17% of the total population have a university-level degree compared to 30% of the EU migrants there.

Therefore, one might conclude that migration addresses skills shortages and labour market bottlenecks. They tend to receive lower wages and thus, they increase the competitiveness of domestic companies.

3. Labour market participation - Employment rates (% of working-age population)

EU mobile citizens moreover have a significantly higher activity rate than nationals (78.3% versus 72.3%). But they also have a slightly higher unemployment rate (11.7% versus 9.9%). This is likely to be linked to the fact that mobile EU workers, and immigrants in general, tend to be more vulnerable to business cycle fluctuations than natives.

77% of working-age EU migrants are employed in the UK as opposed to 71% for the total population. Although, unemployment is slightly higher among EU migrants than the total population in the EU as a whole, it is lower in the UK.

The conclusion that one can make therefore is that job opportunities are the main driver of migration within the EU.

4. Fiscal contribution

The fiscal contribution of EU foreigners has increased substantially in the past several years. Compared to 2009, in 2013 EU migrants paid 31% more in direct taxes as their wages increased and more EU workers found employment opportunities in Austria, Germany, the Netherlands, and the UK. As migration accelerated, EU foreigners also paid 44% more on indirect taxes, as they spent more on consumer purchases.

EU foreigners in Austria, Germany, the Netherlands and the UK received 35% more benefits than they did in 2009, due to the overall expansion of the welfare state in addition to the inflow of EU migrants.

In the UK, EU foreigners paid almost 50% more taxes in 2013 than they did in 2009, but they also claimed 45% more benefits during the same period. EU migrants constitute 3.8% of the total population but receive just 1.9% of the total benefits. Still, EU foreigners in the UK are half as likely to receive benefits than the total population.

EU migrants tend to claim fewer sickness, disability, old-age and children benefits. New EU migrants are more likely to claim housing benefits and more unemployment benefits despite lower unemployment rates due to the large share of working-age migrants

Overall, migrant workers tend to receive close to 80% of the average wage.

EU-27 citizens were 4.8% of the total employment in the UK in 2012 and were responsible for 3% of the personal income tax and social contributions, equal to 0.6% of GDP and 1.3% of total government revenue in 2013

Overall, however, EU citizens had a positive impact on the UK government budget, as the taxes they paid exceeded benefits received by €7.7 billion in 2013. The fiscal contribution of EU migrants was still positive (close to €600 million in 2013), if we exclude pensions from the calculation.

Letting aside all this statistics, the most recent discussion is about the so called “emergency break” – one of Cameron’s demands for reforming the EU and more precisely a proposal for a four-year benefits freeze for incomers. This break is meant to allow any EU state to deny in-work benefits to new arrivals for up to four years - but only after proving services were under strain and securing the approval of a majority of other EU states.

Looking at the data above, however, I argue that EU migrants come to the old Member States mainly to work, therefore, cutting social welfare is not likely to prevent people from new Member States to move to any other Member State including to the UK. The movement will be further triggered by the existing discrepancies in terms of overall economic performance and the wage levels. What is more, even if such emergency break is implemented in the UK, it is unlikely to be renewed in the future because the UK will struggle to show that its migrants constitute an emergency - they likely to further on pay more to the state than they take out in services.

In conclusion, when speaking about free movement in the EU, imposing restrictions for EU citizens and cutting migrant benefits and child welfare seem to me not of such vital importance as the response to the crisis caused by the huge influx of migrants and asylum seekers from the Middle East. The crisis has been managed so far mainly individually by Member States and common solutions are still to be identified. Therefore, it is much more important not to restrict the free movement of EU citizens but to find a common approach on an EU level for tackling the migrant and refugee crisis, the consequences of which seem to be incorrectly mixed with the free movement debate. EU migrants proved to be active on the labour markets in the destination countries, to have overall educational level equal or higher than the average in the destination country, to have made a positive fiscal contribution in the old Member States and last but not least EU migrants obviously do need to undergo integration schemes since they share similar values and have comparable working ethic.