

People on the move: migration and mobility in the European Union

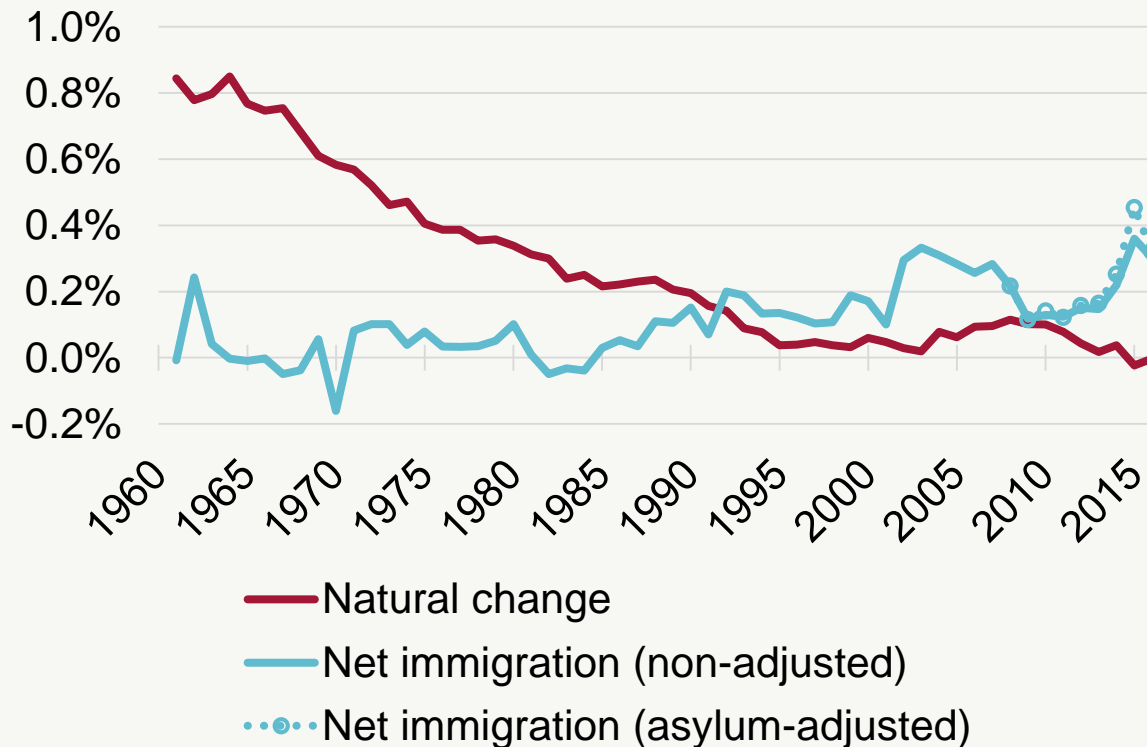
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Seminar at France Stratégie

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Dramatic changes in EU demographics

Components of population change in the EU28, 1960-2016 (percent of population)



- **Immigration: more important source of population change than natural change since 1990s**
- **Scale of immigration in 2015-16: not unprecedented**

Note: Net immigration (non-adjusted) indicates the data as included in the population statistics. Net immigration (asylum-adjusted) also considers pending asylum seekers.

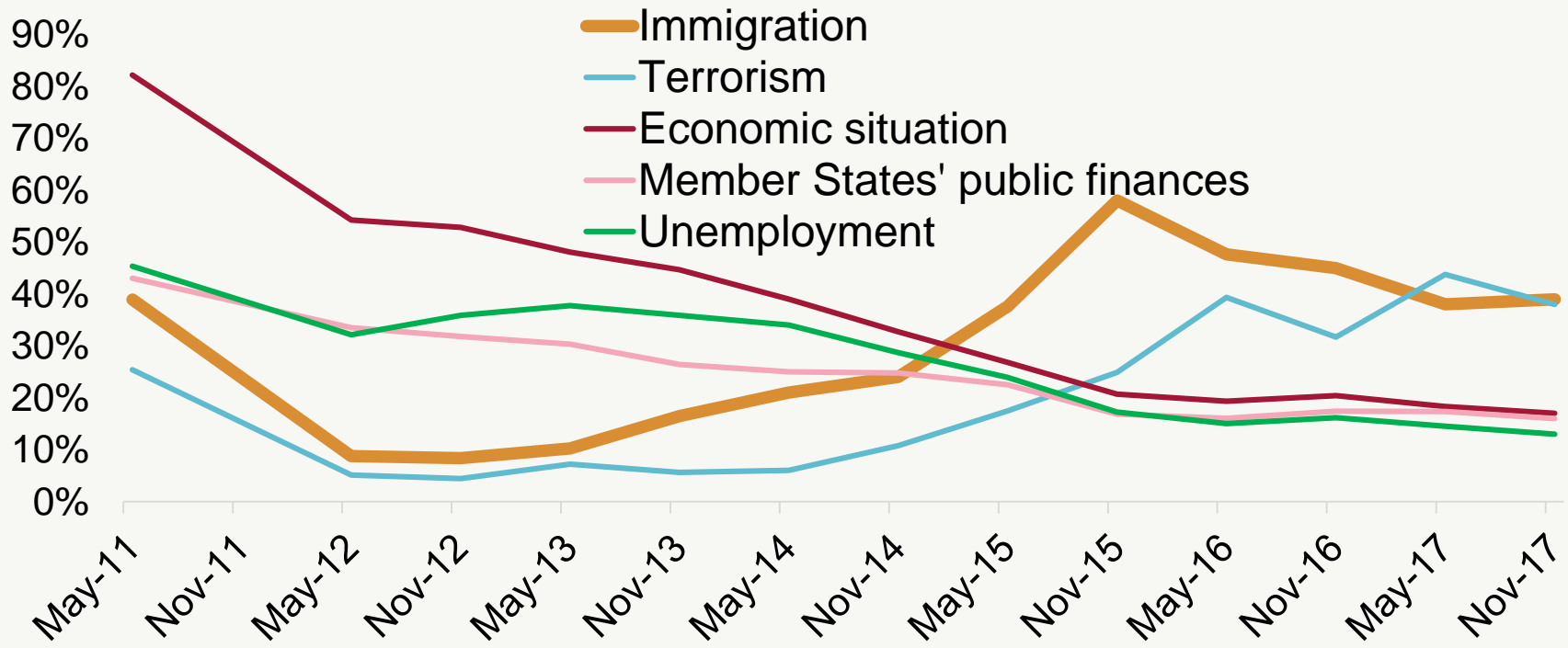
Purpose of our report

- Assess the migration challenge that Europe faces, by analysing:
 1. Public perception
 2. The scale of immigration
 3. The economic impact of immigration
 4. Integration of migrants
 - With a special focus on financial integration
 5. Policy implications

Public perception

Immigration and terrorism top the list of public concerns

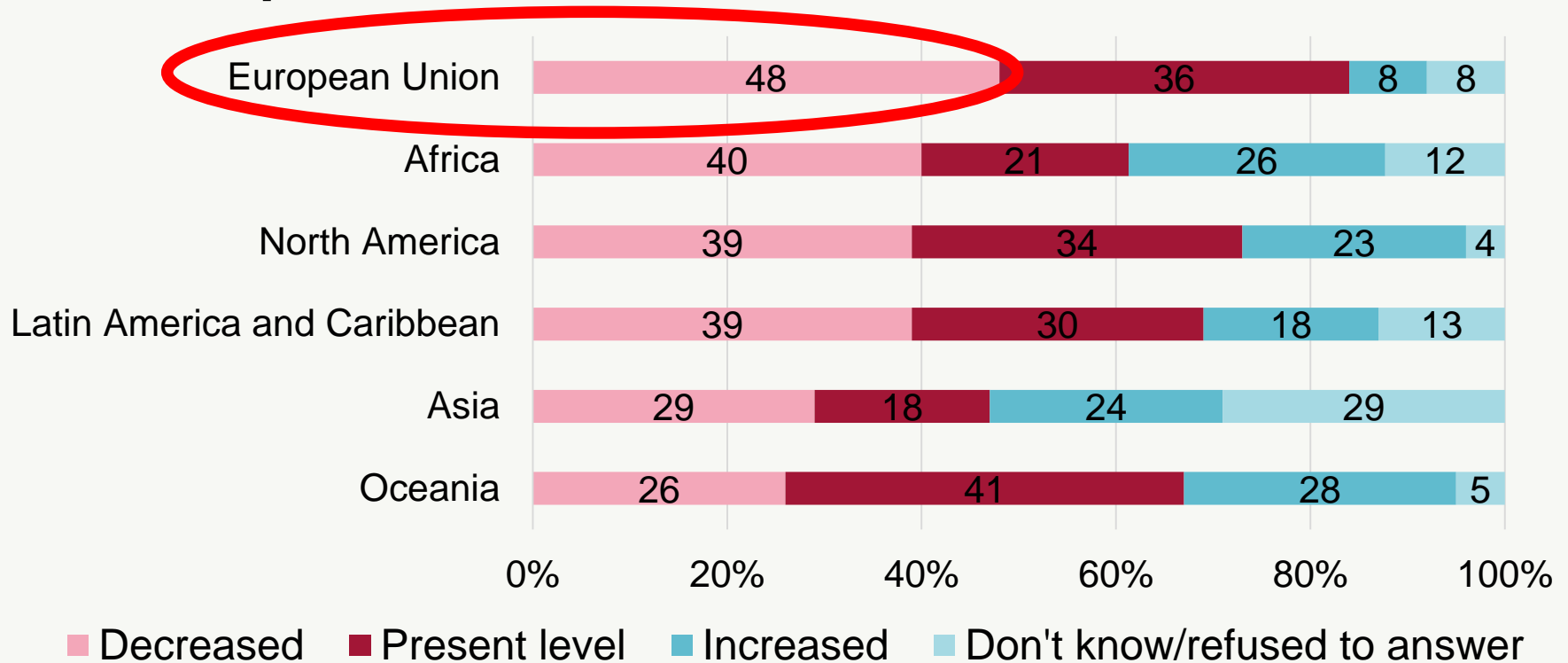
Most important issues facing the European Union, share of respondents



Source: Eurobarometer. Question QA5 “What do you think are the two most important issues facing the EU at the moment?” Maximum of two answers possible.

EU: more negative views on immigration than elsewhere in the world

Attitudes towards immigration globally, share of respondents, 2015

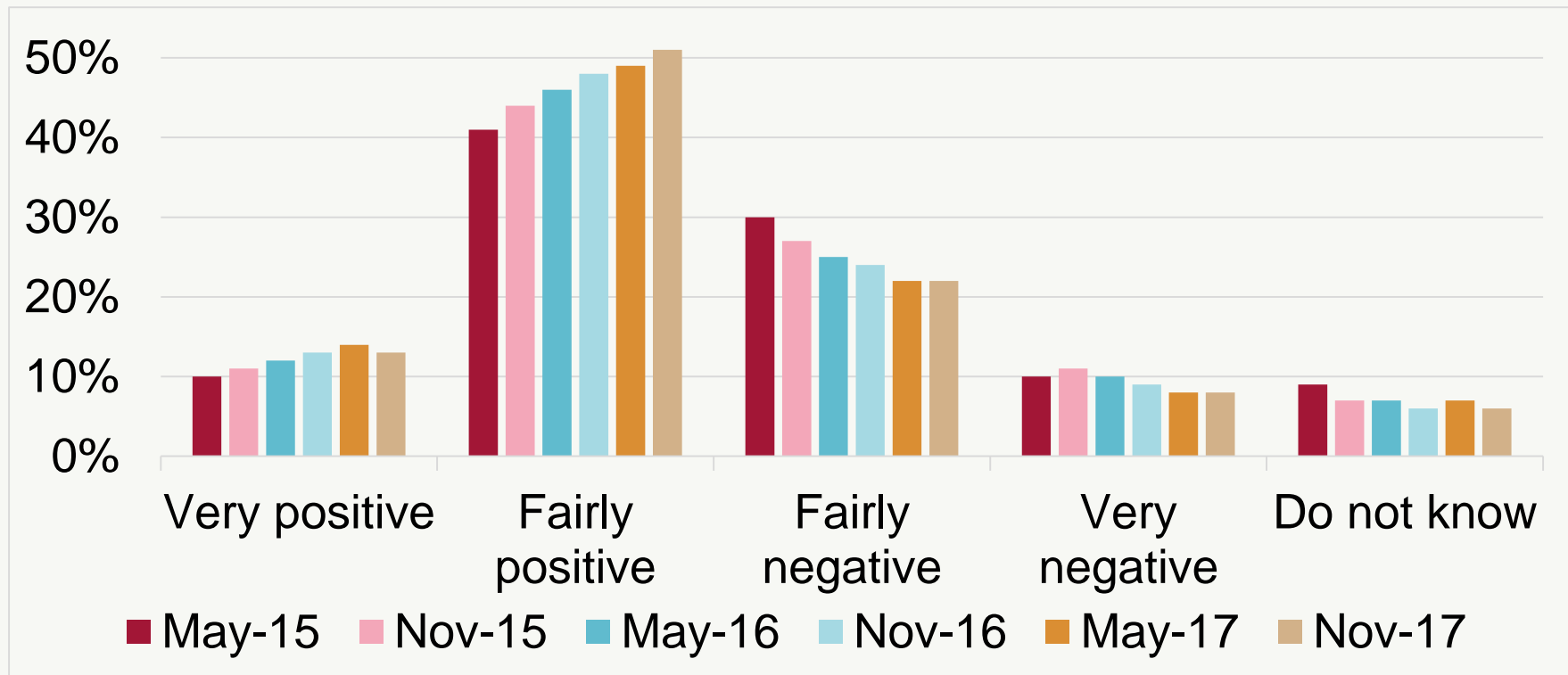


Source: Gallup and IOM (2015) How the world views migration, Figure 1.2 and Table 5.1.

Note: The question "In your view, should immigration in this country be kept at present level, increased or decreased?". Groups are weighted by population size.

Yet support for intra-EU immigration is on the rise

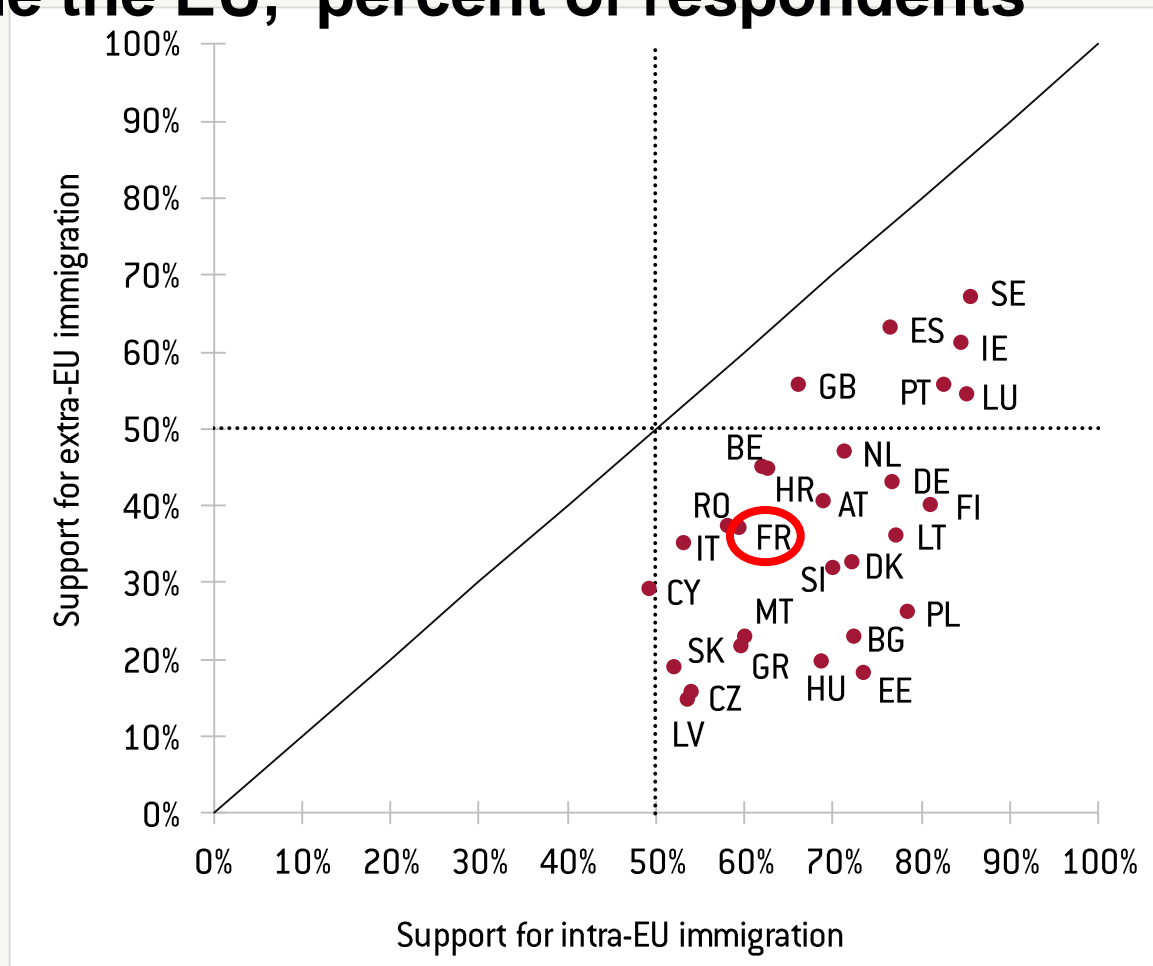
Support for immigration from inside the EU, percent or responses, EU average



Source: Eurobarometer surveys, The question asked: "Please tell me whether each of the following statements evokes a positive or negative feeling for you – Immigration of people from other EU Member States"

Lower support for immigration from outside than from inside the EU

Support for immigration from inside the EU vs. from outside the EU, percent of respondents

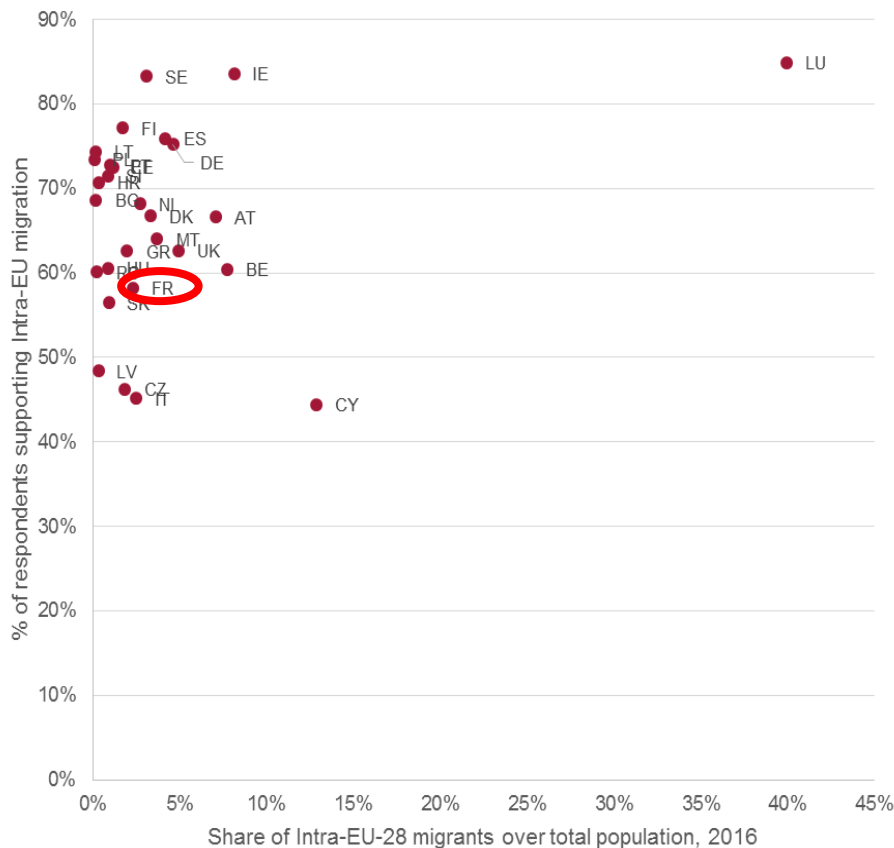


Source:
Eurobarometer,
November
2017

No negative relationship between the share of immigrants and the support for immigration across EU countries

Immigration support vs the share of immigrants in resident population, 2016

Intra-EU immigration

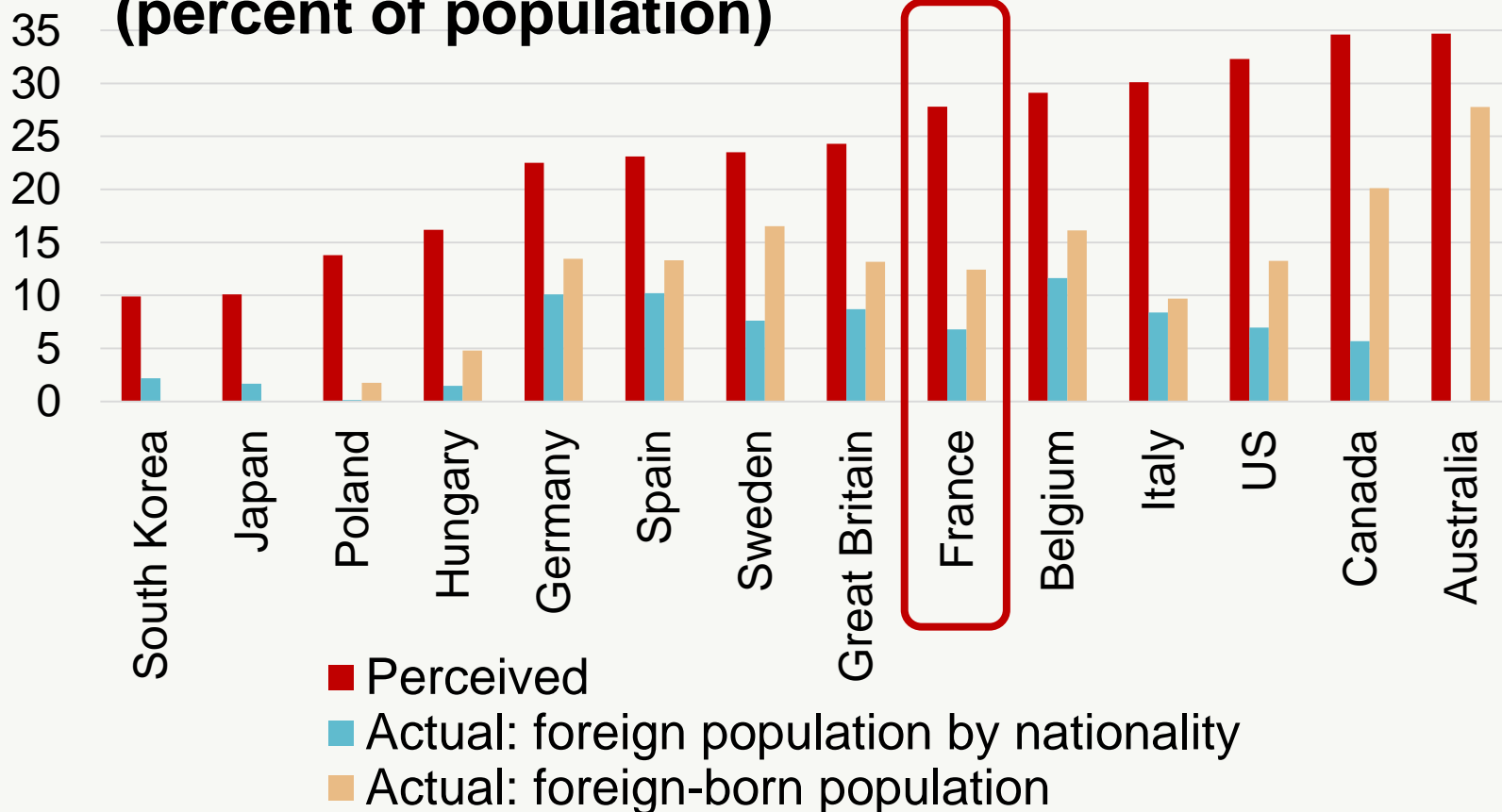


Extra-EU immigration



Perceptions vs reality: Citizens overestimate the actual number of immigrants

Perceived and actual stock of immigrants, 2014 (percent of population)



Sources: IPSOS. The question asked: “What percentage of the [Country] population do you think are immigrants to this country (i.e. not born in [Country])?”

Perceptions on handling the refugee crisis & common asylum policy & border control

- EU citizens generally disapprove of the way the refugee crisis was handled in Europe.
- Nevertheless, a large majority of Europeans is in favour of:
 - a common European asylum policy and
 - increased EU efforts to fight illegal immigration.

Mapping migration in the European Union

Intra-EU mobility has not reached high levels

Population of France by citizenship* (end-2015) :

Central and Eastern European citizens	0.31
Central and Eastern European posted workers	0.05
Southern European citizens	1.36
Southern European posted workers	0.03
Other north-west country citizens	0.61
Other north-west country posted workers	0.03
Non-EU citizens	4.31
French citizens	93.24
Total	100.00

Intra-EU mobility has not reached high levels

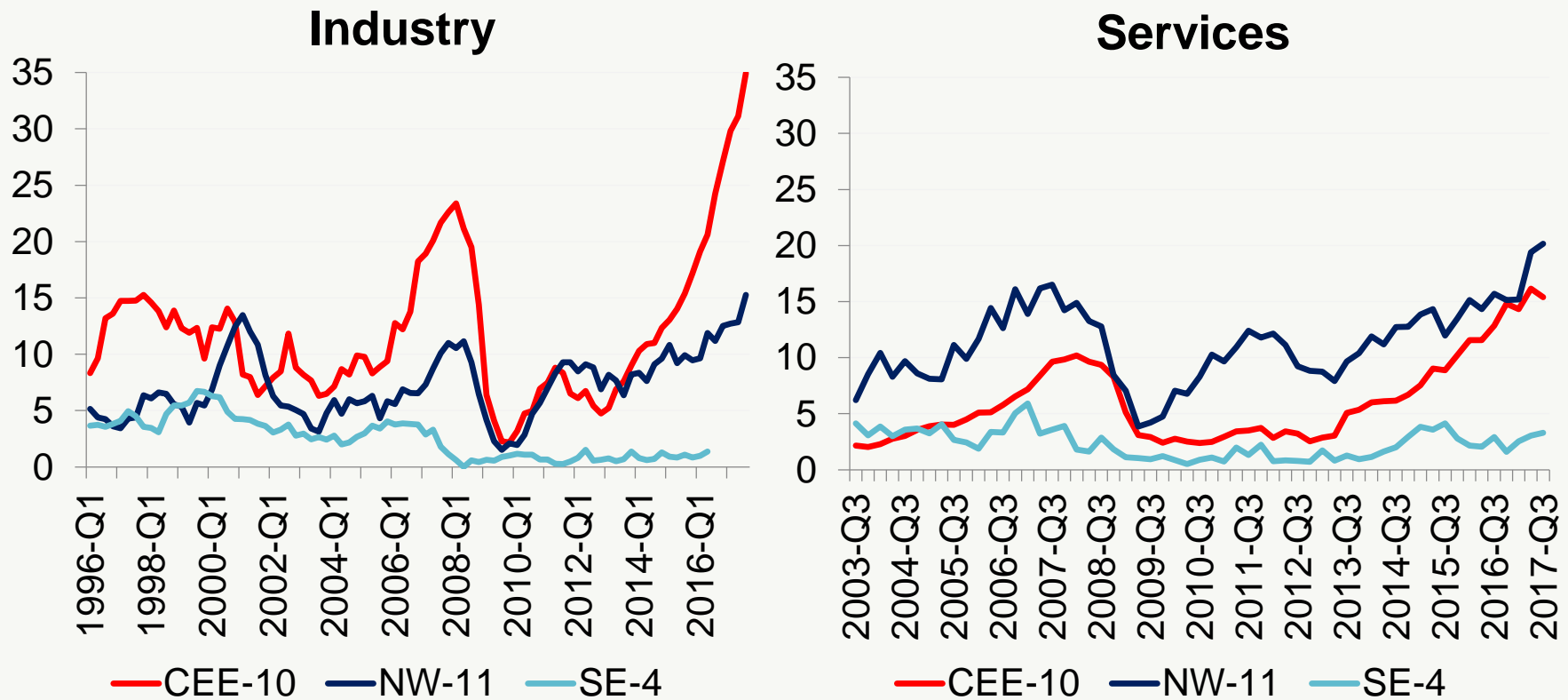
Population of 11 north-west EU countries* by citizenship (end-2015):

Central and Eastern European citizens	1.88
Central and Eastern European posted workers	0.15
Southern European citizens	1.18
Southern European posted workers	0.02
Other north-west country citizens	1.13
Other north-west country posted workers	0.04
Non-EU citizens	4.92
Home country citizens	90.68
Total	100.00

* 11 north-west: first 15 EU members without Greece, Italy, Portugal and Spain. ¹⁴

Key concerns are brain drain and labour shortages

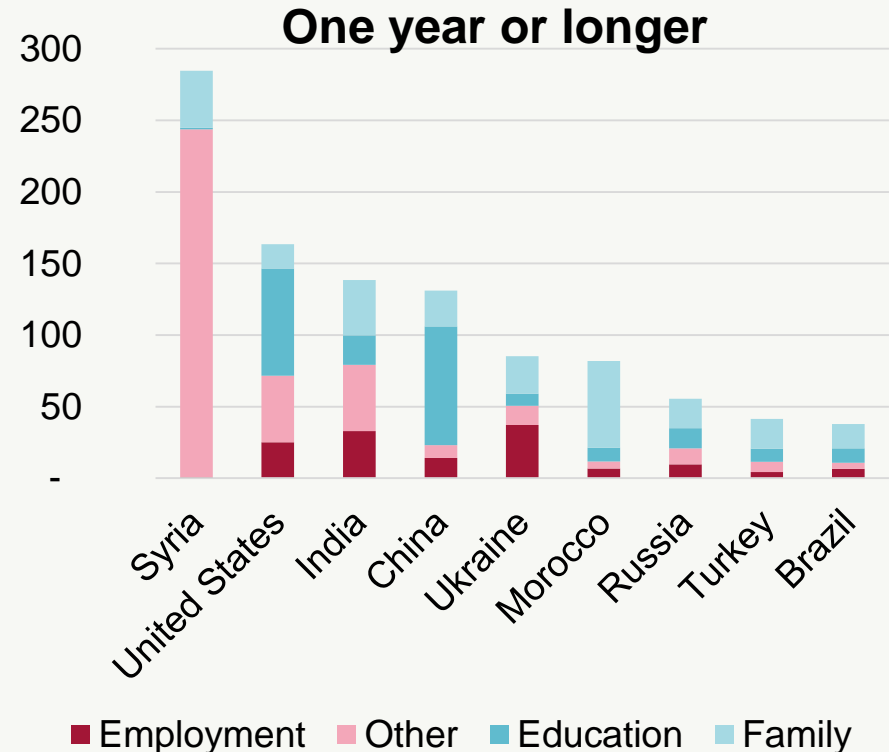
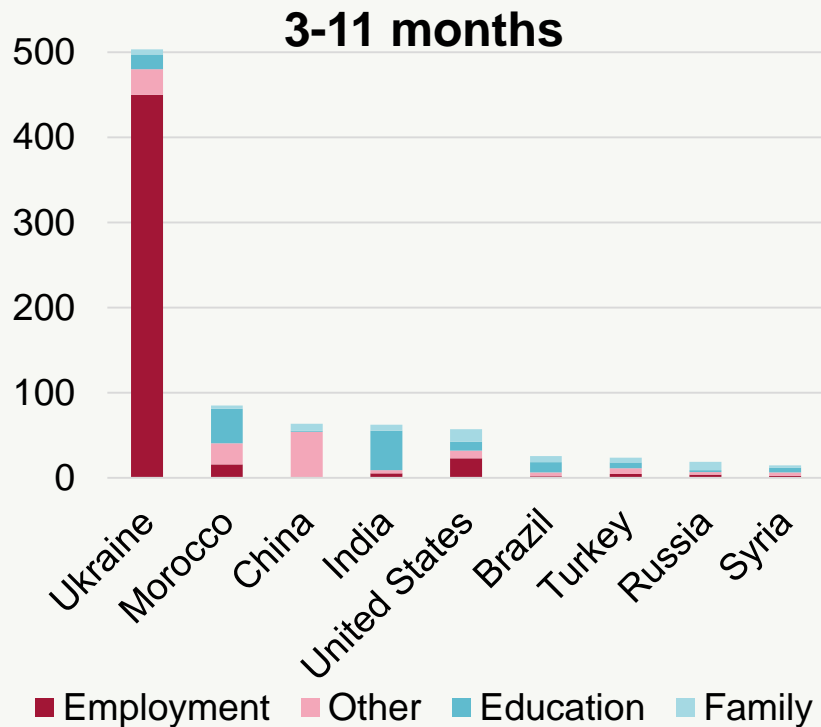
Labour shortages as a factor impeding business



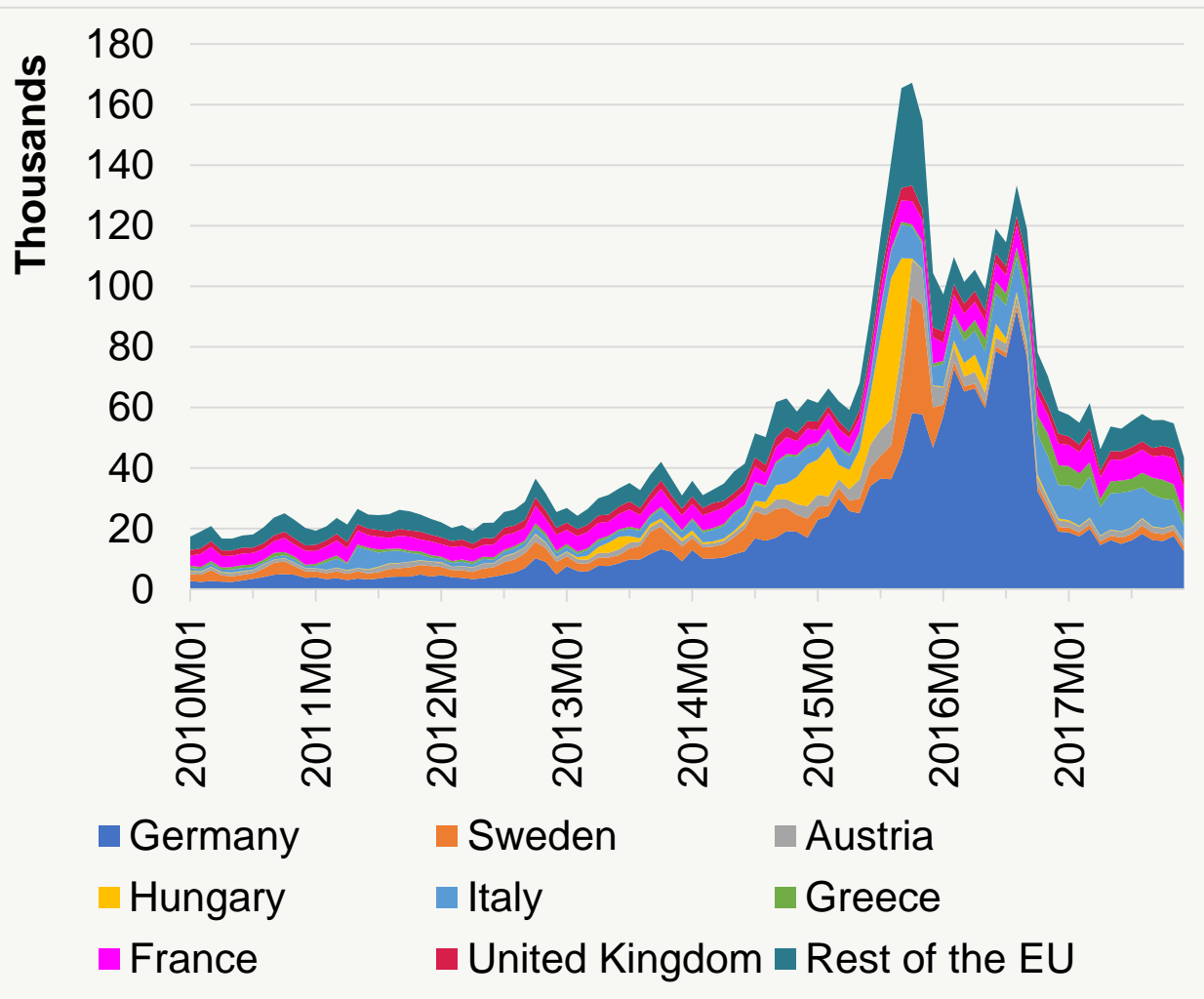
Source: European Commission, European Business and Consumer Surveys. Question: 'Factors limiting the business: labour force'. Note: CEE-10: 10 central and eastern EU countries; NW-11: 11 north-west EU countries; SE-4: 4 southern EU countries

Immigration from outside the EU: changing source countries and reasons

EU residence permits by main sending countries and reason for issuance, 2016, thousands



Monthly first time asylum applications in the EU by place of application, Jan 2008 - Dec 2017

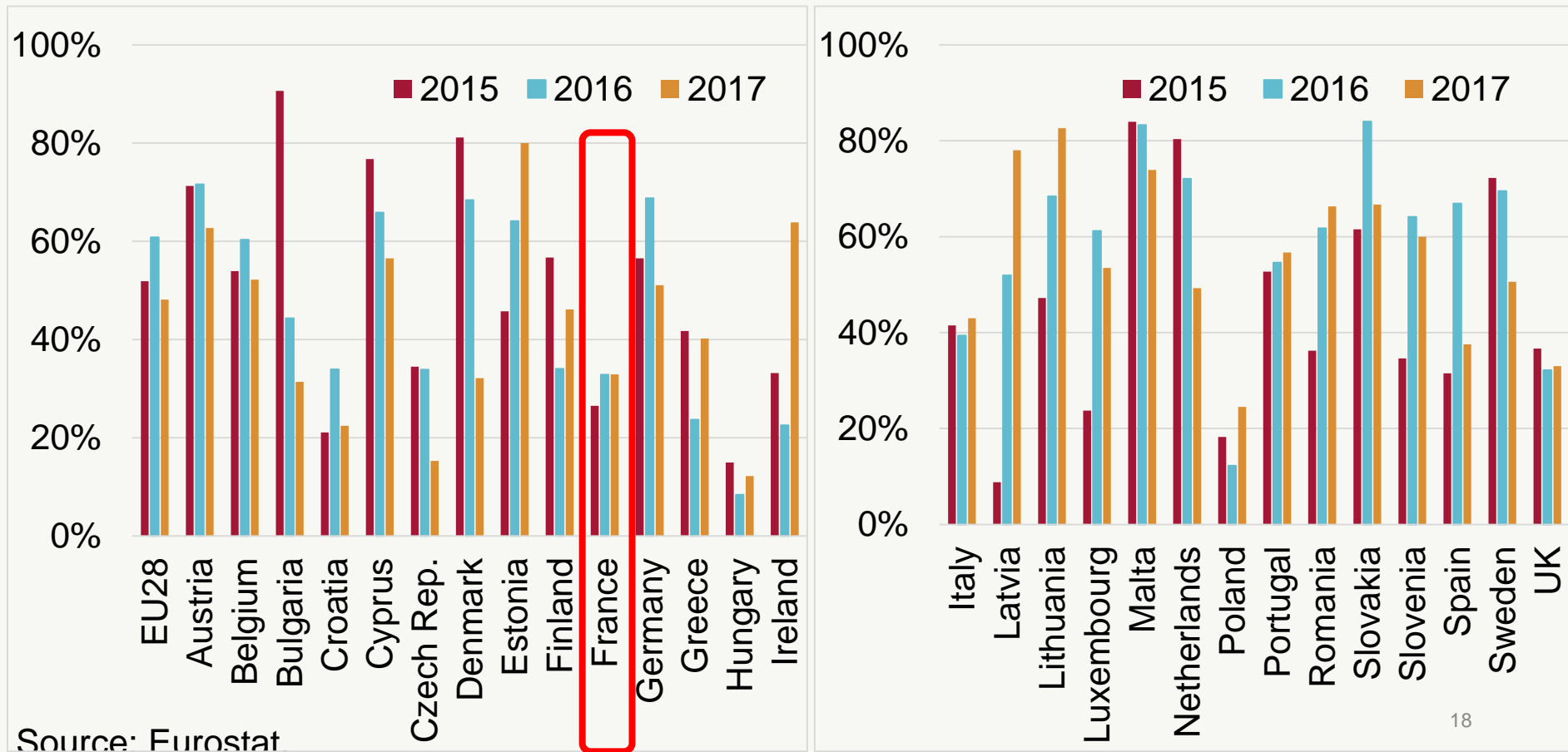


- **Average 2008-11: 265 thousands/year**
- **2015: 1.26 million**
- **2016: 1.21 million**
- **2017: 0.65 million**

Huge differences in asylum decisions

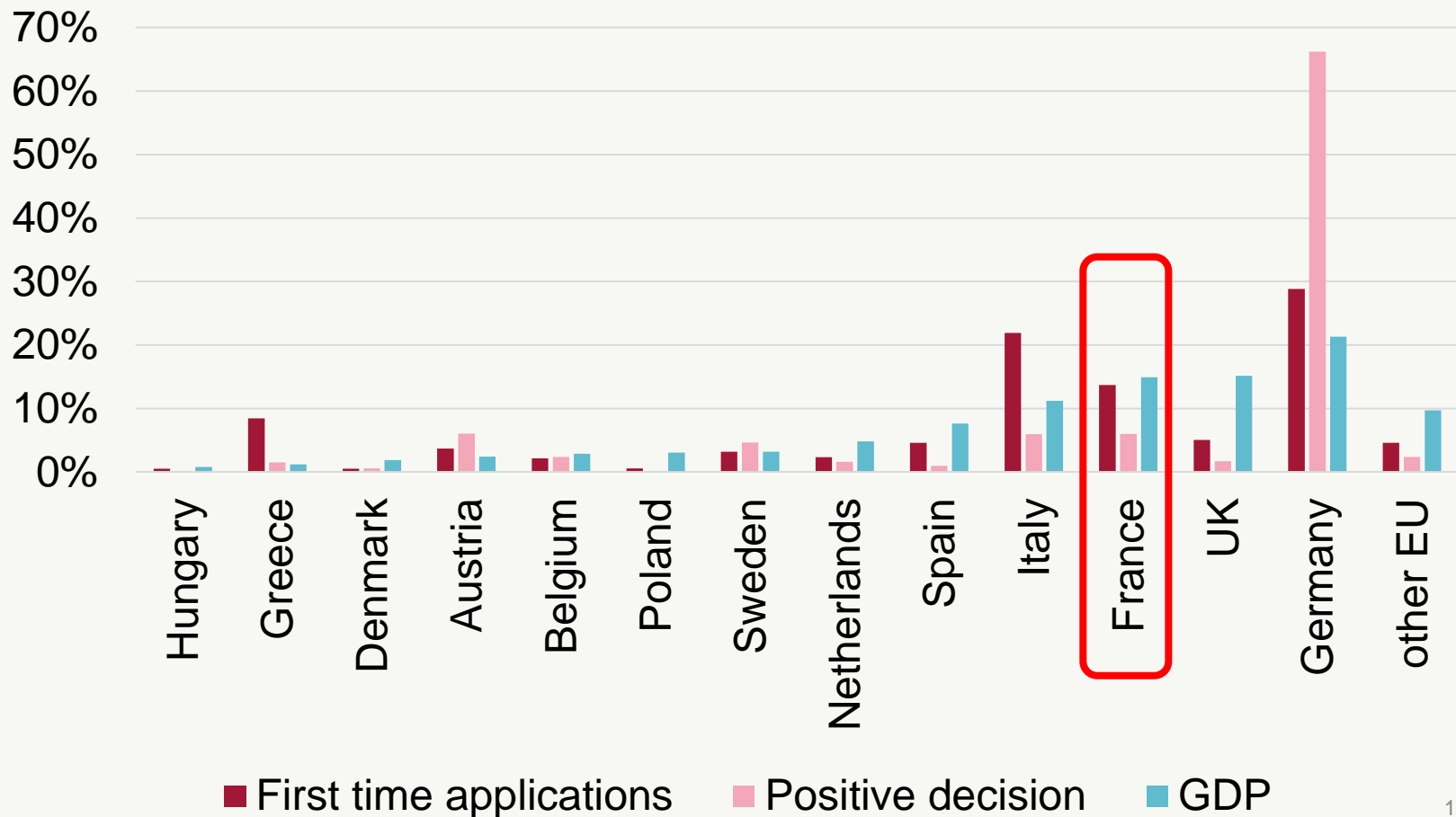
Likely reason: different implementation of EU asylum rules

Positive first instance decisions on asylum applications, % of applications, 2015-17



Uneven distribution of 1) first time applications, 2) accepted asylum, 3) GDP

2017



Economic Impact of Immigration

Labour market impact

- Lack of conclusive evidence that immigrants take jobs from and depress wages for natives. Impact depends on migrant characteristics and the host country's economic and institutional factors.
- There are studies finding evidence of negative, neutral and positive impact of immigration on native wages
- Crucial aspects: recognition of qualifications, language skills, access to networks, etc.

Fiscal impact

- The fiscal impact of migrants is generally found to be small and dependent of migrant characteristics
- Migrants make a greater fiscal contribution the younger and better integrated into the labour market they are, while family and elderly migrants as well as refugees tend to be a fiscal burden
- Initial fiscal impact might change in time, e.g. when labour migrant retire or refugees start to work

Impact on output

- Immigration and related spending boosts output; key issue is income per capita and productivity
- Several authors: positive effect on and productivity due to skills and innovation (when high-skilled immigration) but also allow native to take up higher skilled jobs (when low-skilled immigration)
- The economic impact on receiving countries is largely influenced by the composition of migrant flows

The case of refugees

- Speed and ease of access to labour markets is crucial
- The IMF estimates the fiscal cost of asylum seekers in 2014-2016 to be around **0.19%** of total EU GDP
- OECD: National fiscal costs **0.5%** of GDP in Germany annually from 2016-2017, **0.3%** in Austria and **0.9%** in Sweden for 2016
- Impact of the labour markets: cumulative impact of asylum seekers inflow by end-2016 accounts for **0.4%** of EEA labour force
- Role of national institutions in integrating migrants

Integration of immigrants

Sweden & UK: good labour market integration record; Belgium & Italy: bad; France in between

Labour force participation by migrant status, selected countries, 2014 - total population

Country	Native-born	Second generation of migrants	First generation of migrants
Sweden	83%	78%	76%
United Kingdom	79%	76%	75%
France	72%	68%	68%
Belgium	68%	59%	65%
Italy	63%	48%	70%

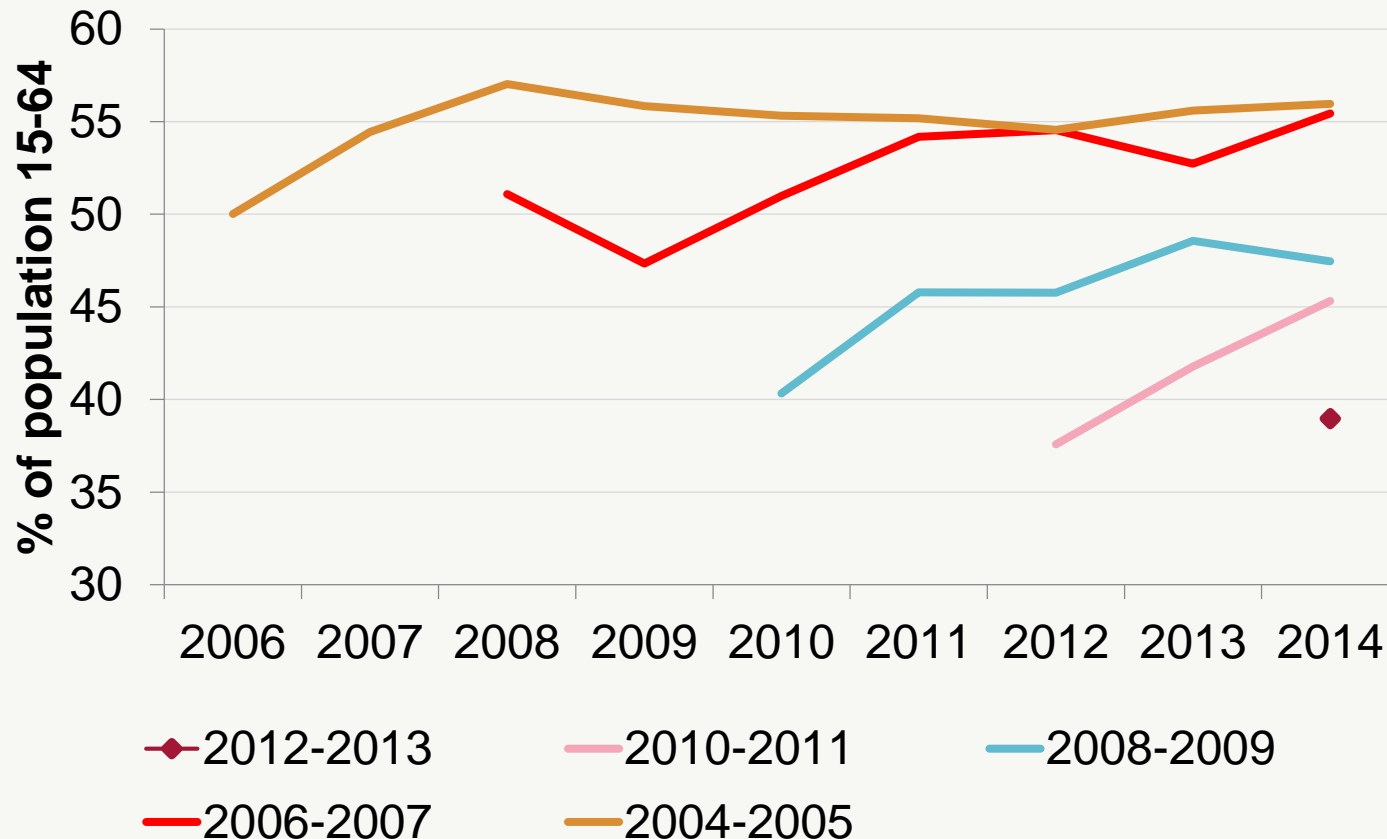
Labour market integration: Much better outcomes for tertiary educated people

Labour force participation by migrant status, selected countries, 2014 - tertiary educated population

Country	Native-born	Second generation of migrants	First generation of migrants
Sweden	93%	90%	87%
United Kingdom	88%	89%	83%
France	87%	86%	79%
Belgium	87%	83%	79%
Italy	82%	72%	78%

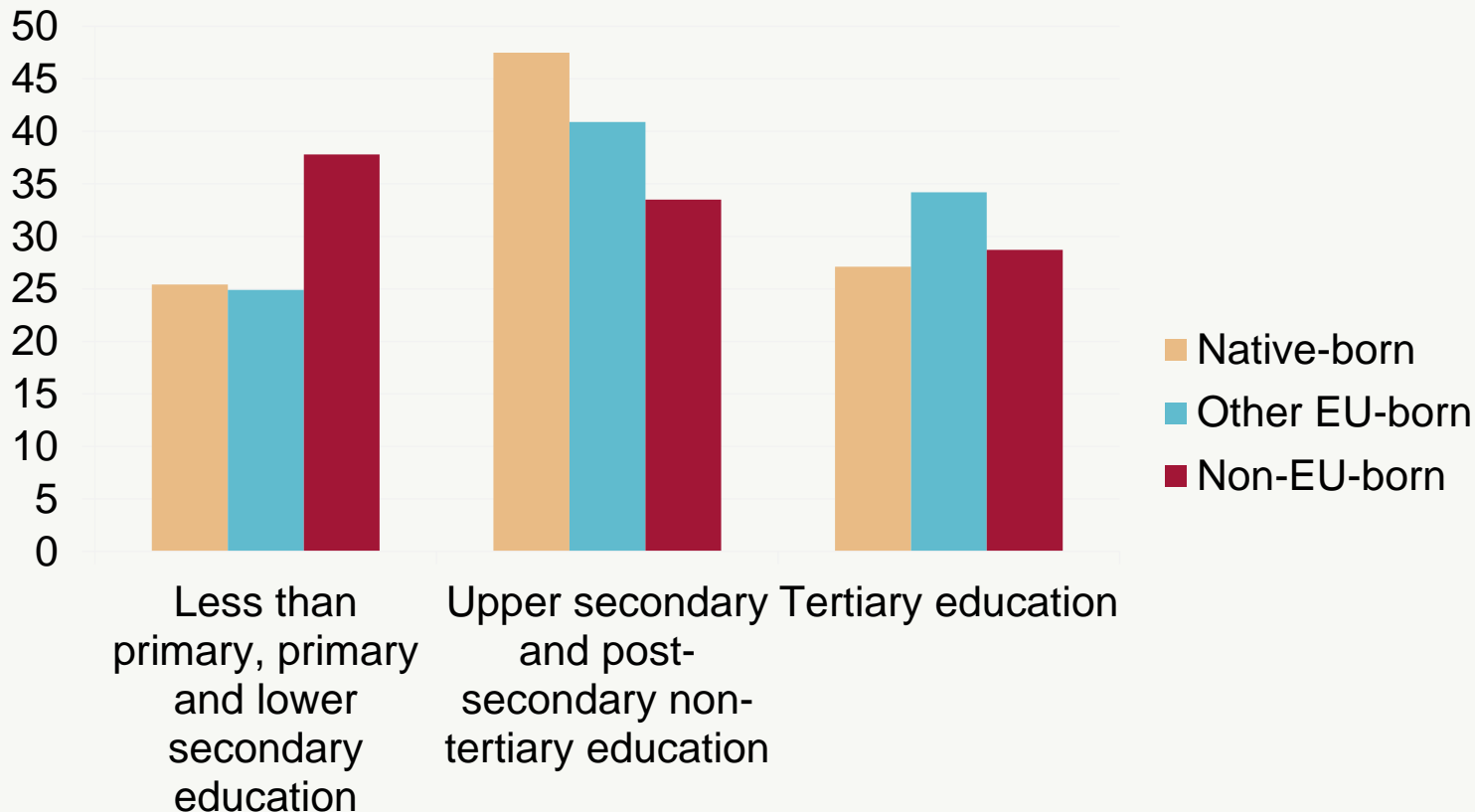
Limited increases in employment a few years after arrival

Employment rates of third country immigrants in the EU by year of arrival in the host country



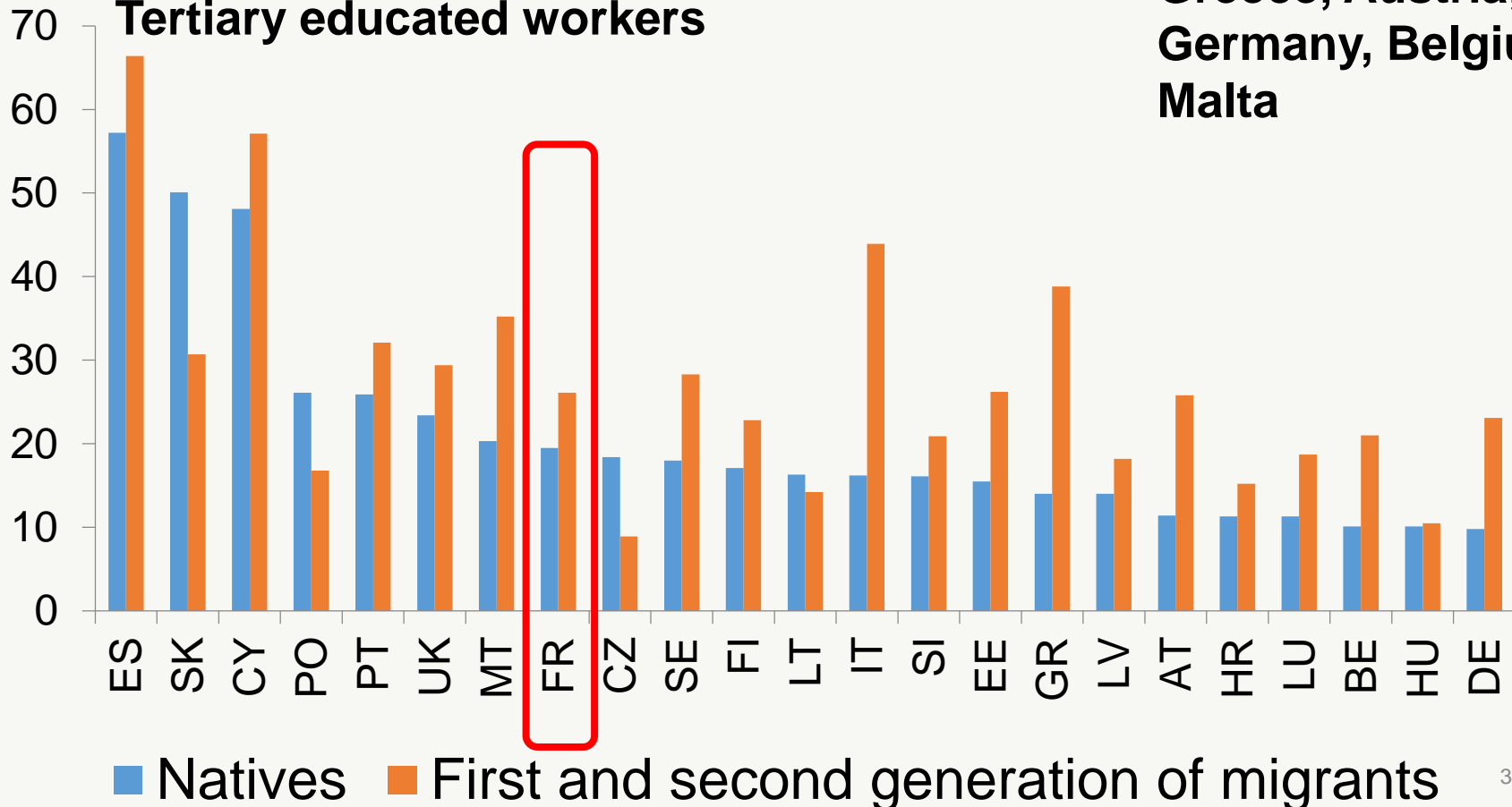
More low-qualified among non-EU born

Population (15-64) by educational attainment level and country of birth, 2016



Migrants feel to be over-qualified relative to natives

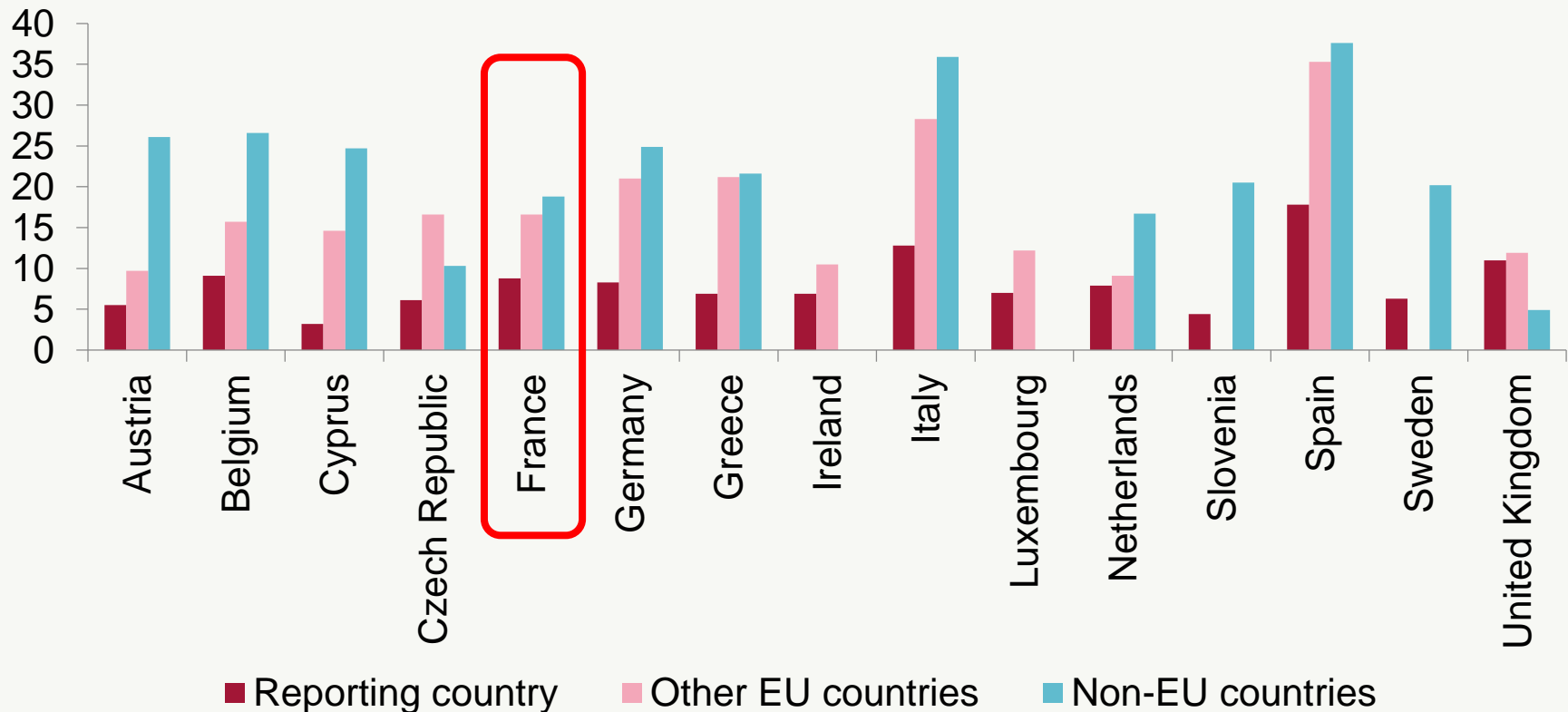
Self-declared over-qualified employees as a share of total employees, 2014, Tertiary educated workers



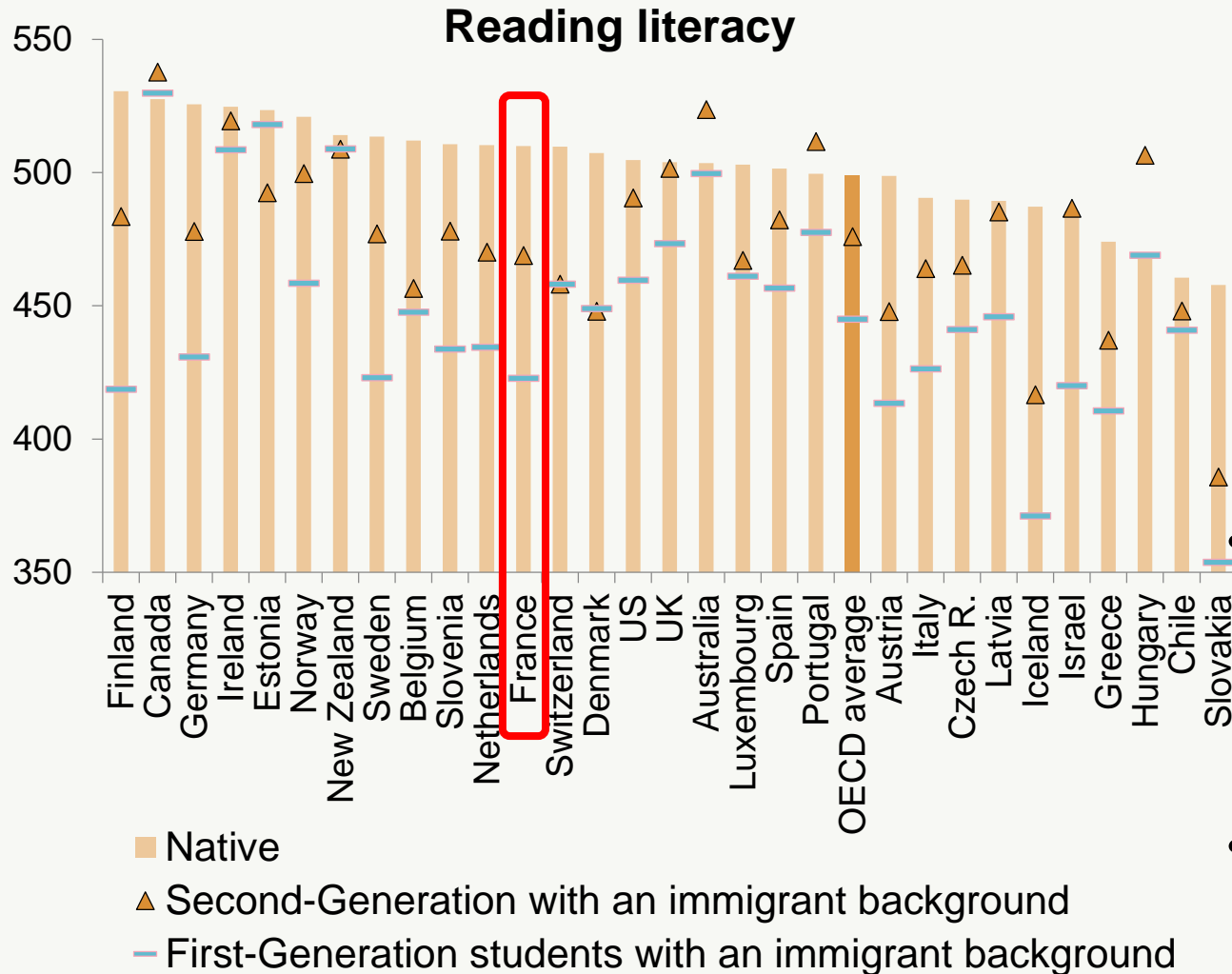
- ... especially in Italy, Greece, Austria, Germany, Belgium, Malta

School drop out rates are much higher for migrants than for natives, with the exception of the UK

Share of early leavers from education or training aged 18-24



Student performance by family origin, 2015



- **Even 2nd generation migrants tend to underperform relative to natives, with the exception of the UK, Portugal, Hungary, Canada**
- **Especially poor results: Belgium, Austria, Iceland, Slovakia**
- **Denmark and France not good either**

Financial Inclusion of Refugees

From arrival to integration, refugees have very different financial needs

- **Arrival:** survival cash for immediate food and housing needs;
- **Initial displacement:** savings, remittances and paying for immediate service needs such as school fees or furniture;
- **Stable/protracted displacement:** broader options for savings beyond a bank deposit, micro-consumer credit, small business loans, health insurance, etc.;
- **Permanent settlement:** financial services needs start to resemble those of the host population, such as access to credit, pension schemes, business loans, remittance and payment accounts, etc.

Contradictory forces at work in relation to financial regulation and financial inclusion

- The continuing tightening of financial regulation and oversight of the financial sector (which is important in the fight against money-laundering and terrorist financing) works against the economic integration of refugees.
- Know your customer regulations (KYC): customer due diligence process that financial institutions have to do before they provide financial services

Bruegel survey on banks' attitudes towards financial integration of refugees

- 14 responses from 9 countries: Austria, Cyprus, Estonia, Germany, Greece, Italy, Luxembourg, Spain and Sweden.

1. Regulatory environment

2. Refugees as clients

3. New initiatives to foster financial inclusion

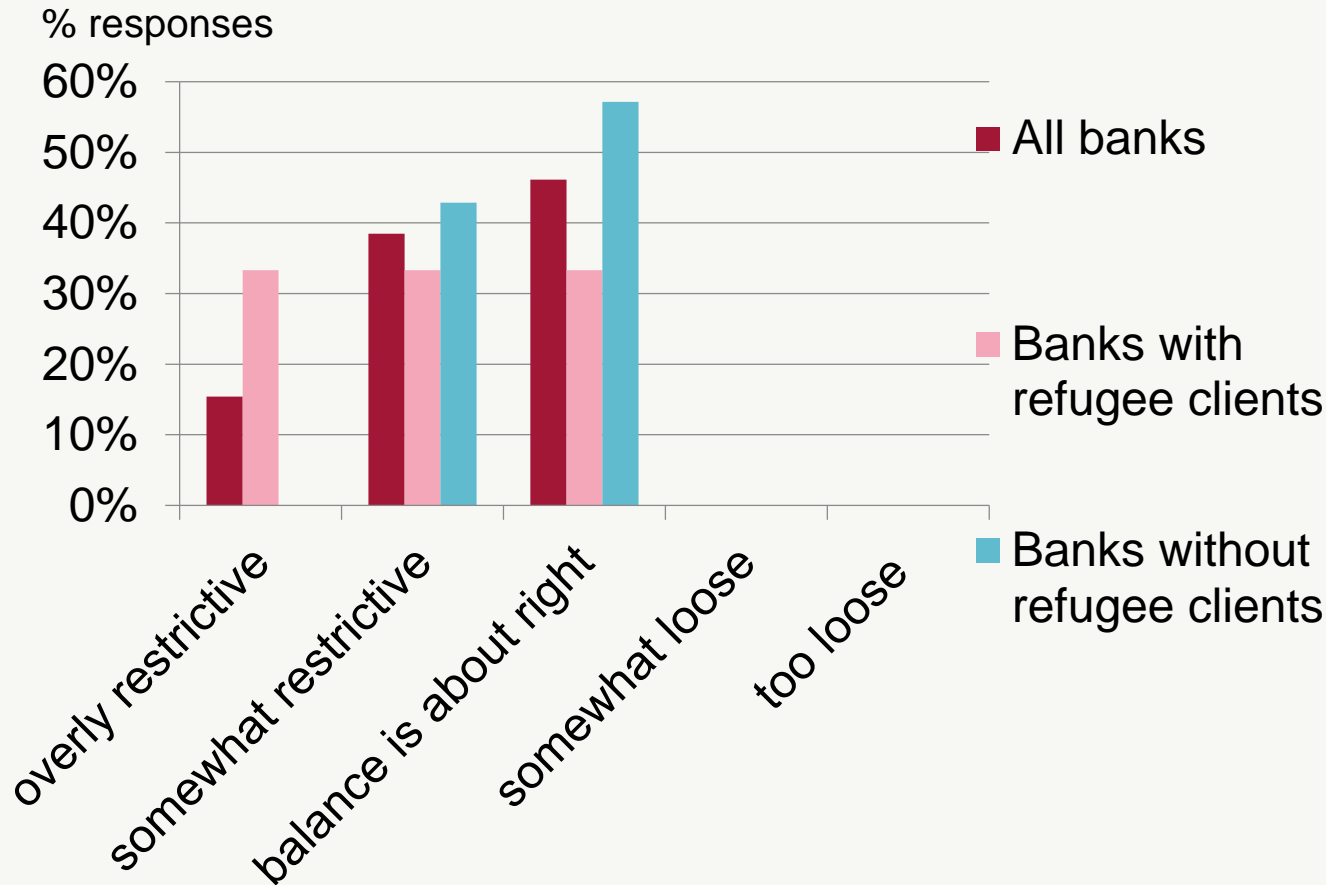
Has your national regulatory/supervisory authority issued guidelines regarding the offering of financial services to refugees in recent years?

Country	Guideline issued
Austria	Yes
Cyprus	Yes
Estonia	No
Germany	Yes
Greece	Yes/No
Italy	No
Luxembourg	Yes
Spain	No
Sweden	No

- **Only about half of the countries issued guidelines to help banks accommodate refugees**

Note: the two Greek banks surveyed by us gave opposite answers.

Restrictiveness of the ‘know your customer’ (KYC) regulations (percent of responses)

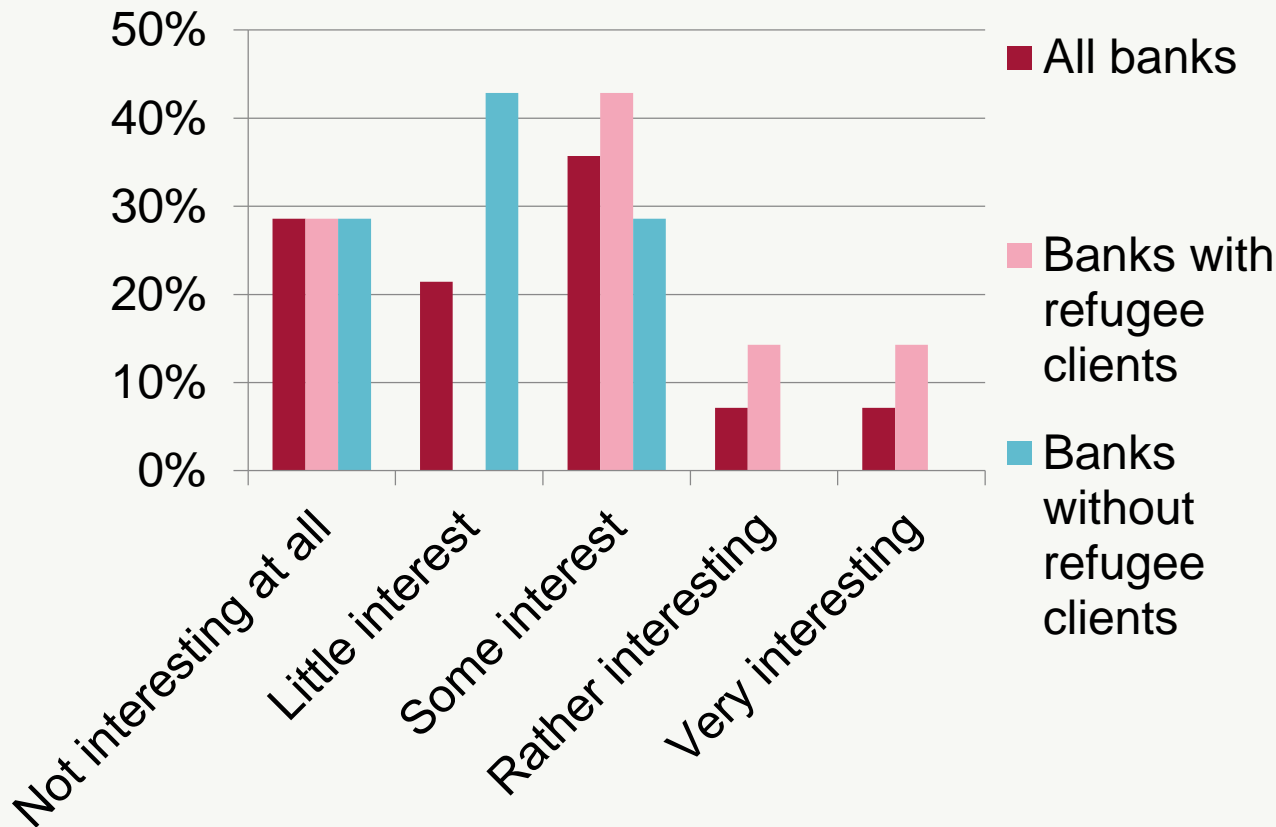


- **No bank assess rules too loose**
- **Banks with refugee clients assess rules more restrictive than banks without refugee clients**

In your opinion, or that of your institution, do the ‘know your customer’ (KYC) regulations of your country strike the right balance between the need for offering financial services to refugees and the anti-money-laundering (AML) / counter-terrorist financing (CFT) goals?

Refugees as potential clients for financial institutions (percent of responses)

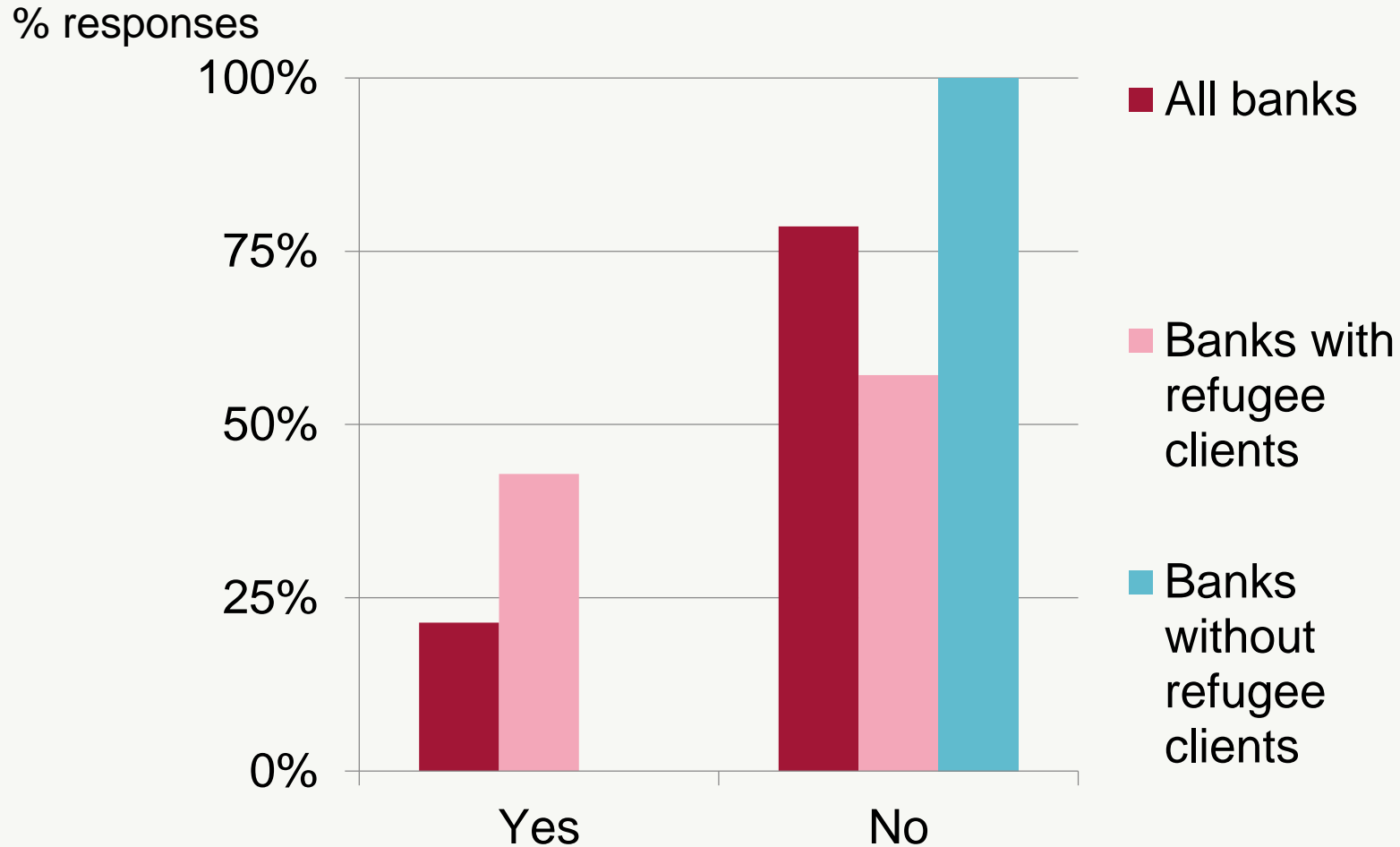
% responses



- **Moderate business interest in offering financial services to refugees**
- **Somewhat larger by banks that actually have refugee clients**

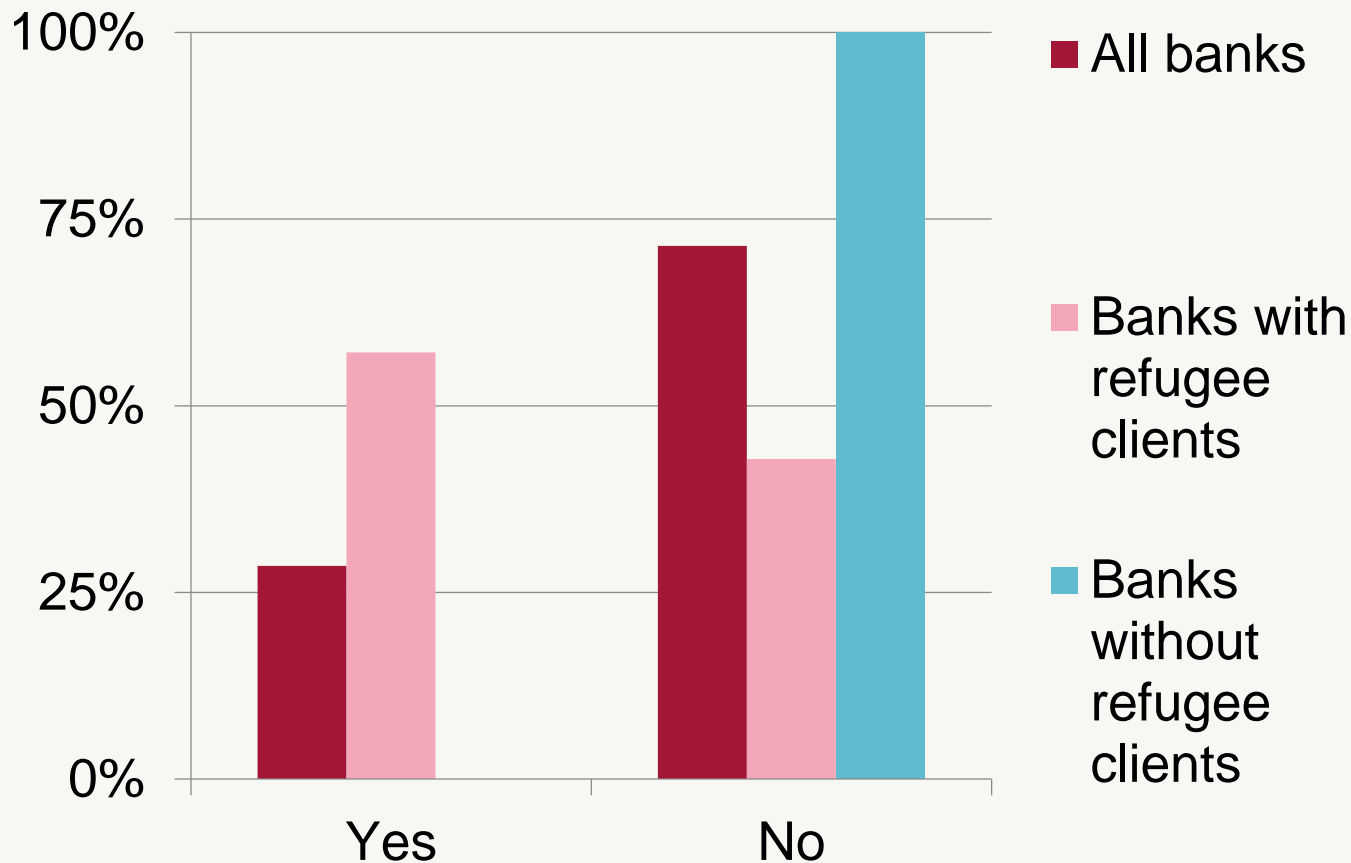
On a scale from 1 to 5, how interesting is the offering of financial services to refugees as a business prospect for your institution?

Does your institution have specific financial products for refugees?



Did your institution make active steps to approach refugee clients (for instance, visiting refugee settlement centres, printing flyers and brochures)?

% responses



New initiatives to foster financial inclusion 1

- **Public sector initiatives:**
 - European ID issued to each refugee
 - Set-up of a national central registry of refugees
 - Create a pan-European registry linked to national registries

New initiatives to foster financial inclusion 2

- **Private sector initiatives:**
 - Offer micro-credit and other specific products that refugees need to be able to get started, to support self-employed persons, to contribute job creation and to facilitate social integration
 - Employ refugees short-term, thereby helping them to obtain their first work experience in the host country. Financial institutions could take the lead.
 - Access to communications (mobile phone and internet access)
 - Foster the private sector's commitment to prevent the risk of exploitation at work

New initiatives to foster financial inclusion 3

- **Public-private partnerships:**

- Hold consultations between banks and regulators on how to tackle the challenges faced by refugees and foster their financial inclusion.
- Common regulation on how to address refugee clients
- Provide trainings by private/public schools or professional training organisations, including language schools and financial literacy education
- Promote social inclusion via working activities, vocational training and cultural exchange by public-private partnerships, with the help of social cooperatives, social enterprises and associations

Policy recommendations

Policy recommendations, 1-3

- 1. Address anti-immigrant attitudes:** public understanding of immigration is often far from reality, making it important to disseminate accurate information about various aspects of immigration
- 2. Protect the EU's borders and fight illegal immigration:** while various measures have been introduced, 85-90 percent of the EU population would like to see additional measures
- 3. Continue to build partnerships with neighbourhood countries,** which can help to contain refugee and immigration inflows into the EU, facilitate the successful and safe return of ineligible migrants and provide information about eligible migrants

Policy recommendations, 4-6

- 4. Provide additional funding for border protection, neighbourhood partnerships and immigrant integration:** only a small percent of the EU budget is spent on these areas
- 5. Ensure the consistent implementation of the EU's asylum rules:** clear guidelines are needed for the evaluation of asylum applications and their consistent implementation
- 6. Address the very uneven distribution of refugees among EU countries:** relocation of refugees from, and financial support to, heavily impacted countries is essential. Countries that resist accepting refugees for political and ideological reasons should make large enough financial contributions instead of being forced to accept refugees

Policy recommendations, 7-9

- 7. European ID to each refugee & a pan-European registry of refugees, linked to national central registries:** would greatly facilitate the identification, integration and monitoring of refugees
- 8. Learn from the best integration practices:** only a few European countries can be regarded as successful in terms of integration of immigrants. Cooperation with the private sector and social partners is important
- 9. Combat educational and spatial segregation:** early childhood education, language and professional training for recently arrived immigrants, and better access to higher education for young and second-generation migrants, are essential for their integration and to limit spatial segregation

Policy recommendations, 10-12

- 10. Ensure the EU strategy for integration is well articulated with national governments and other institutions:** the EU's 2016 action plan on the integration of third country nationals includes several useful initiatives;
- 11. Review financial regulation to promote the financial inclusion of refugees:** strike a balance between the fight against money-laundering/financing of terrorism and the economic integration of refugees. At the minimum, supervisory authorities should issue guidelines.
- 12. Address labour shortages in EU member states** by fostering labour force participation, increasing the pool of labour for the private sector through reduced public-sector employment, education and specific training programmes and overhauling the tax/social security contribution system.