

Migration and public finances in the EU

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1. Motivation

Migration flows towards the European Union have been on the rise in recent years:

- between 2014 and 2018, foreign-born residents in EU countries increased by about 7 million
- migrants accounted for 11.3% of the EU population, up from 9.8% in 2014.

Salience of migration in public opinion has increased:

- In 2018 **40%** of EU residents think that migration is one of the two most important issues compared to 24% in 2014.

2. Research Questions

1. What was the net fiscal contribution of migrants across EU countries over the period of 2014 to 2018?
2. What role do individual characteristics play in explaining the level and evolution of the net fiscal contributions?

3. Novel data

Creation of a novel data set

- We focus on the EU-14 in aggregate and on five member states, namely, France, Germany, Italy, Spain and Sweden. use EUROMOD, based on EU-SILC data that covers all direct taxes, as well as all cash benefits received by households.
- We extend the data with in-kind benefits based on **Health** (by age-group), **Education** (by type of education) and **Social housing** (by identifying people who live in social housing).
- We extend the data with VAT paid, based on a microsimulation model working on HBS 2015 data (see Christl et al. (2022)).

6. Results – Net Fiscal Contributions (NFC)

Per capita average aggregates, by selection EU-14, 2014–2018.

Country of residence	Country of birth	Reven. (€)	Expend. (€)	NFC (€)	Taxable income (€)
EU-14	Natives	9,623	9,590	32	13,327
EU-14	Migrants	9,684	8,174	1,510	14,996
France	Natives	11,339	10,998	341	13,227
France	Migrants	10,290	11,457	-1,167	12,285
Germany	Natives	10,313	9,874	439	17,021
Germany	Migrants	12,504	8,800	3,705	21,373
Italy	Natives	9,062	9,078	-16	10,969
Italy	Migrants	7,233	4,376	2,857	11,089
Spain	Natives	5,598	6,412	-814	8,860
Spain	Migrants	4,537	3,744	793	8,153
Sweden	Natives	15,068	13,252	1,816	17,786
Sweden	Migrants	13,580	12,957	623	17,370

Notes: Our calculations from EU-SILC data with sampling weights. NFC stands for net fiscal contribution; see definition (1). Figures are in 2018 euros.

4. Data coverage

Aggregate expenditures, 2014–2018 average

Country	Included expenditures (billion €)	Nonincluded expenditures (billion €)	Share included (%)
EU-14	3,626	1,479	71.0
France	853	343	71.3
Germany	949	365	72.2
Italy	538	217	71.2
Spain	303	132	69.6
Sweden	153	67	69.7

Aggregate revenues, 2014–2018 average

Country	Included revenues (billion €)	Nonincluded revenues (billion €)	Share included (%)
EU-14	3,794	695	84.5
France	817	188	81.3
Germany	1,098	93	92.2
Italy	552	149	78.8
Spain	312	58	84.3
Sweden	136	57	70.5

5. Methodology

We define the net fiscal contribution (NFC) as the difference between public revenues generated (i.e., taxes paid) R and public expenditures occupied (i.e., benefits received) E :

$$NFC_{i,c,j,t} = R_{i,c,j,t} - E_{i,c,j,t} \quad (1)$$

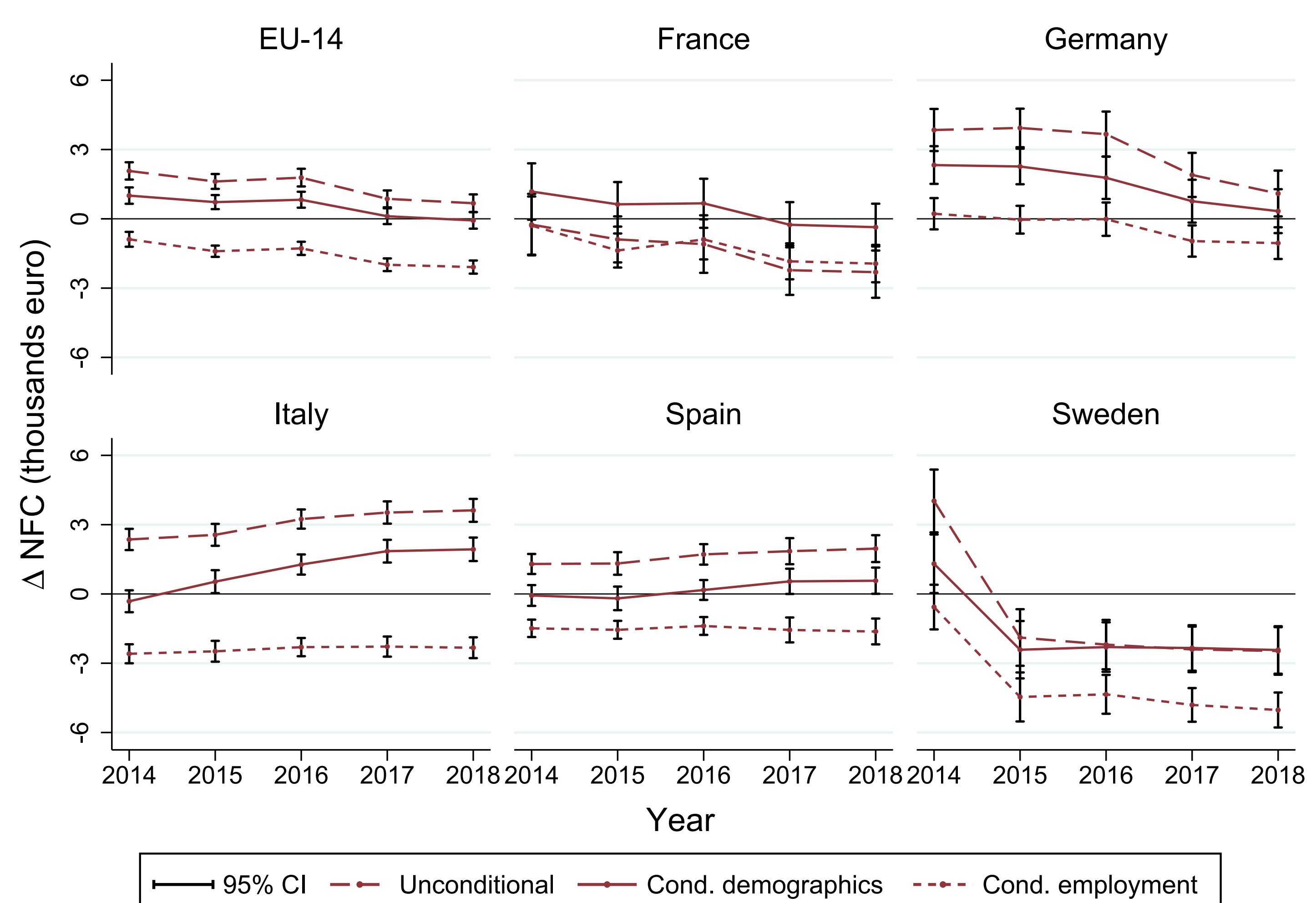
We address the role of individual characteristics play in explaining the level and evolution of migrant–native differences in net fiscal contributions by estimating a regression of the type:

$$NFC_{i,c,t} = \alpha_{c,t} + \gamma_{c,t}I_{i,c,t} + X'_{i,c,t}\delta + \epsilon_{i,c,t} \quad (2)$$

where i indexes individuals, c the country of residence, and t the year of observation. I is a dummy (migrants vs natives), and X is a vector of individual characteristics.

6. Results – The role of individual characteristics

Migrant–native differences in NFCs, conditional on different sets of variables



Source: Our calculations from the EU-SILC dataset and EUROMOD. Figures are in 2018 euros.

7. Conclusions

We construct a comprehensive data set (including taxes, cash benefits, in-kind benefits, as well as VAT) to analyze the fiscal impact of migration.

On average, across the EU-14, **migrants make larger net fiscal contributions than natives.**

- Natives made net contributions to public coffers over this period of on average EUR 32 per capita each year
- migrants' net yearly contribution totals an average of EUR 1,510 per capita.

Controlling for demographic characteristics is very important. We find evidence that **migrants are favourably selected on characteristics** that make them net fiscal contributors.