

Οικονομικό Πανεπιστήμιο Αθηνών

Τμήμα ΔΕΟΣ

Θέματα Διεθνούς Οικονομίας

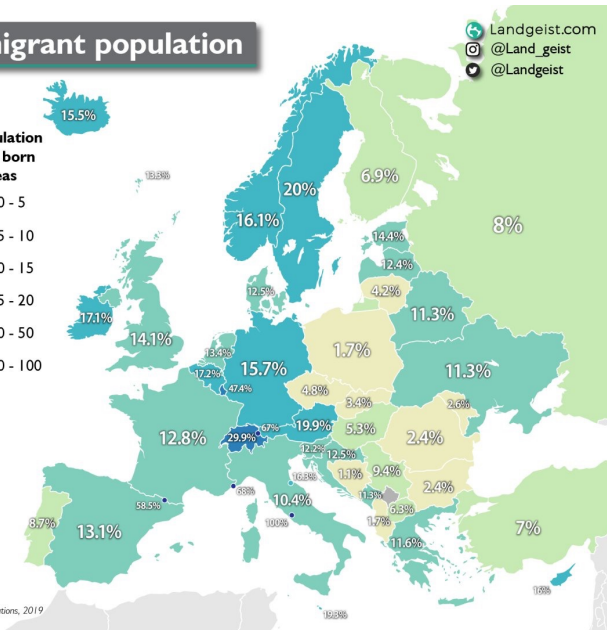
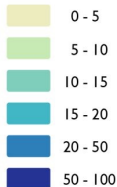
Μακροοικονομικά της Μετανάστευσης

Ευγενία Βέλλα

Immigrant population

Landgeist.com
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% of population
that was born
overseas



Source: United Nations, 2019

Introduction

- The **UK Independence Party (UKIP)**, the **Front National party** led by Marine Le Pen in France, and the **Alternative für Deutschland party** in Germany all gained prominence in their respective countries with anti-immigration platforms.
- Anti-immigration positions underpinned the **Brexit vote** in 2016 in the UK and **policies of the Trump administration** in the United States.
 - See also «Brexit and the Impact of Immigration» in e-class folder: Πρόσθετο υλικό -» Migration.
- In Southern and Eastern European countries, emigration has been a public concern. See e.g. “Central, Eastern and Southeastern Europe (CESEE) citizens living in Austria”: <https://bit.ly/3gcmbkG>

Does Immigration Pose a Threat to Natives?

- Macroeconomic factors can help to explain why migration has become such a **debated and contentious topic**.
- Natives often view immigrants as posing **threats to jobs** and **driving down wages**.
- There is also the view that immigrants are a **fiscal drain** for the host economy, especially when, unable to secure a job, they benefit from public services without contributing.
- Natives also have a tendency to perceive unemployed immigrants as indulging in **illegal and criminal activities**.

Does Immigration Help the Host Economy Grow?

- Conversely, others recognise that immigrants help the host economy grow by:
 - ✓ providing a **different set of skills** and being **complementary** to the local labour force
 - ✓ **easing labour supply shortages**
 - ✓ **stimulating aggregate demand** in the economy (through their demand of goods and services)
- The **fiscal contribution** of immigrants is more significant when they are younger than natives and occupy high-skilled positions.

(Macro)economics of Migration

- The **economics of migration** has developed as a major research field.
- There exists an extensive amount of academic work on the **microeconomic aspects of migration**.
- Yet, there is still relatively little research dealing with the **macroeconomics of migration**.
- The links between migration and macroeconomic aggregates, such as **per capita GDP**, remain little explored.

Studies on Migration with Microeconomic Focus

- Topics of interest include the effects of migration on
- **wages and employment** for immigrant and native workers (e.g., Borjas 2003; Ottaviano and Peri 2012; Dustmann et al. 2010)
- **public finances** (e.g., Borjas 1999; Storesletten 2000; Dustmann and Frattini 2014)
- **productivity** (e.g., Peri 2012)
- **prices and the composition of demand** (e.g., Lach 2007; Cortes 2008)
- **house prices** (e.g., Saiz 2003; Sá 2014)

Recent Migration Trends in European Countries

- We focus on European countries for at least 2 reasons.
 1. There has been a **gradual convergence in labour mobility between Europe and the United States** in recent years, reflecting both a fall in interstate migration in the US and a rise in the role of migration in Europe (Beyer and Smets, 2015).
 2. The **literature on Europe so far is less developed** than the literature on the United States.

The Population Share of Immigrants, 2017

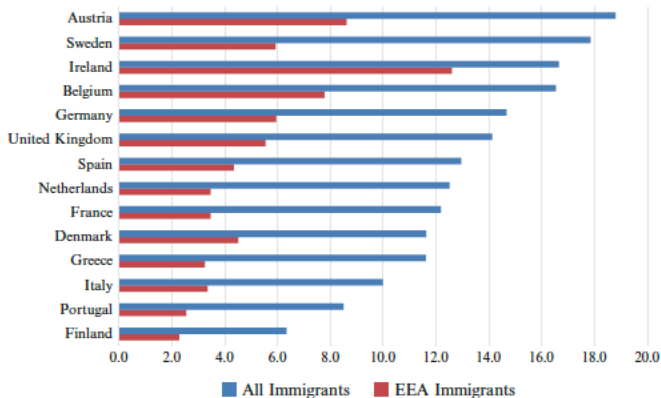


Fig. 1.1 Population share (%) of immigrants in EU15 countries (except for Luxembourg), 2017. (Source: Eurostat)

Recent Migration Trends in Europe

1. **The share of immigrants increased between 2009 and 2017** in the 15 older EU member states, with the exception of peripheral countries.
2. Following the unfavourable socioeconomic conditions created by the Great Recession and the debt crisis, **many peripheral countries shifted away from being host countries to being sender countries.**
3. Although immigrants tend to be younger compared to natives, **their level of educational attainment relative to that of natives varies** among the EU15 countries.

Change in the Immigrants' Share, 2009 and 2017

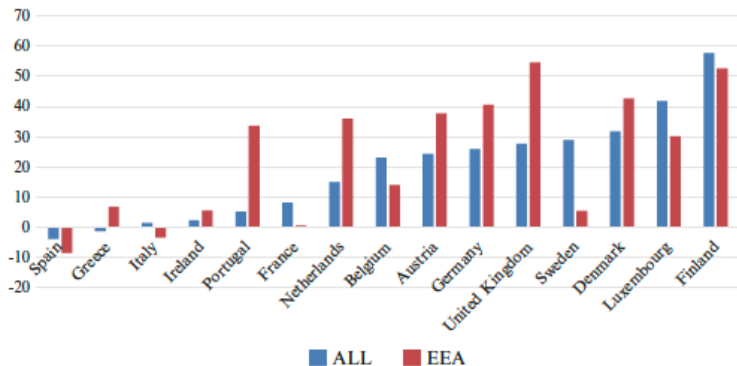


Fig. 1.2 Percentage change in immigrant population share in EU15 countries, 2009–2017. (Source: Eurostat)

The Population Share of Immigrants, 2017

- **Austria** displays the largest population share of immigrants among the EU15 countries. Nearly **19%** of Austria's population are foreign-born, with just **under half** of them born in the European Economic Area (EEA).
- In the **UK**, immigrants amount to around **14%** of the population. Nearly **40%** of immigrants are from the EEA.
- In **Greece**, **11.6%** of the population are immigrants, with a bit **less than 30%** among them being EEA immigrants. The reason is the proximity to major emigration countries in the Middle East and North Africa.

Change in the Immigrants' Share, 2009 and 2017

- **Finland** experienced the fastest increase in the share of immigrants in the overall population, with an increase of 58% in 8 years.
- The **UK** experienced the fastest increase concerning EEA immigrants. Their share in the British population climbed from 3.6% in 2009 to 5.5% in 2017.
- However, following the **Brexit vote**, this trend started to reverse. Data from the UK's Office for National Statistics (ONS) show that net long-term migration from the EU amounted to only 101,000 in 2017—the lowest figure since 2013.

Change in the Immigrants' Share, 2009 and 2017

- **Spain** and **Greece** experienced a decrease in the foreign-born share of the population from 2009 to 2017 and other peripheral countries experienced the smallest change in immigrant share.
- Those recent hosting countries of immigration experienced a surge in emigration of workers looking for more favourable employment opportunities, often in the so-called core countries of Europe. Both natives and recent immigrants were among the emigrants.
- In **Italy**, fiscal policies, in the form of tax cuts, **incentivised the retention or the return of high-skilled workers.**

Unemployment in Europe's Periphery, 2009-2016

Table 1.1 Unemployment rates in Europe's periphery (% active population), annual averages

	2009	2010	2011	2012	2013	2014	2015	2016
Ireland	12.6	14.6	15.4	15.5	13.8	11.9	10.0	8.4
Greece	9.6	12.7	17.9	24.5	27.5	26.5	24.9	23.6
Spain	17.9	19.9	21.4	24.8	26.1	24.5	22.1	19.6
Italy	7.7	8.4	8.4	10.7	12.1	12.7	11.9	11.7
Portugal	10.7	12.0	12.9	15.8	16.4	14.1	12.6	11.2

Source: Eurostat

Educational Profile of Natives and Immigrants, 2017

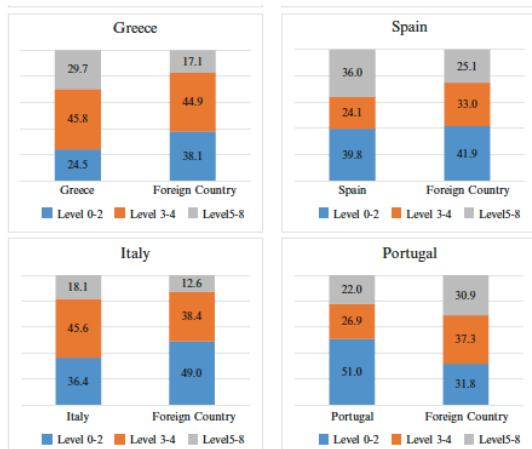
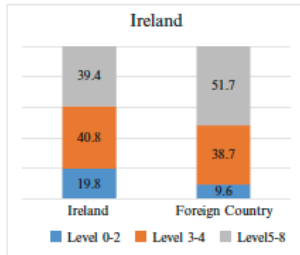
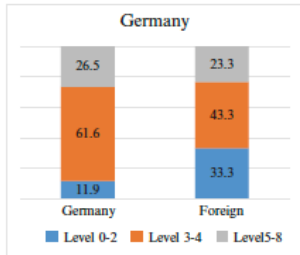
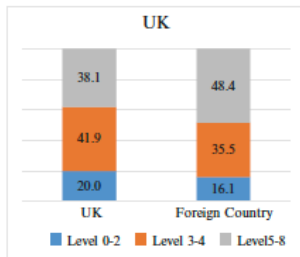
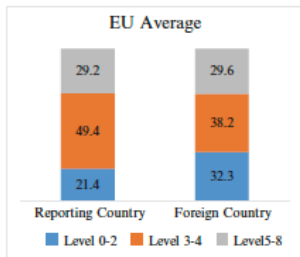


Fig. 1.4 Education attainment by country of birth, 2017. Note: Level 0–2: less than primary, primary and lower secondary education; Level 3–4: upper secondary and post-secondary non-tertiary education; Level 5–8: tertiary education. (Source: Eurostat)

Educational Profile of Natives and Immigrants, 2017



Educational Profile of Natives and Immigrants, 2017

- At the **EU level**, *on average* immigrants appear to be **less educated than natives**. Around **32%** of immigrants have not attained more than a level of lower secondary education, compared to **21%** of natives.
- In **Greece, Italy, and Spain**, immigrants' levels of education are even **lower**.
- In a striking contrast, in **Portugal and Ireland**, immigrants are **better** educated than natives. In **Portugal** the level of education of the native population is lower than at the EU level. In **Ireland**, nearly 52% of immigrants have attained tertiary education.

Educational Profile of Natives and Immigrants, 2017

- At the **EU level**, a **similar share of immigrants and natives have attained a tertiary level of education**. Yet, immigrants are often—at least initially—underemployed.
- An OECD report has found that **overqualification** is more prevalent among recent immigrants than settled immigrants (OECD, 2017).

Age Profile of Natives and Immigrants, 2016

Migrants are typically younger than natives.

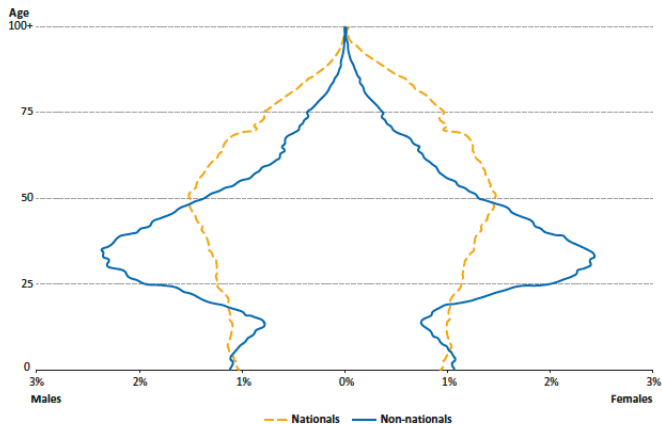


Fig. 1.5 Age structure of the national and non-national populations (%), EU28, 1 January 2016. (Source: Eurostat)

Immigrants in Germany and the UK

- In what follows, we present additional evidence on immigrants in Germany and the UK, **Europe's most important destination countries.**

Immigrants in Germany

- The next figures show the **substantial increase in the arrivals of migrants** from Europe's periphery including Eastern and Southern countries.
- These flows resulted from the adverse labour market conditions in these countries during the **Great Recession** and from the recent **enlargement of the EU to some Central and Eastern European countries**.

Migration from Central and Eastern Europe to Germany

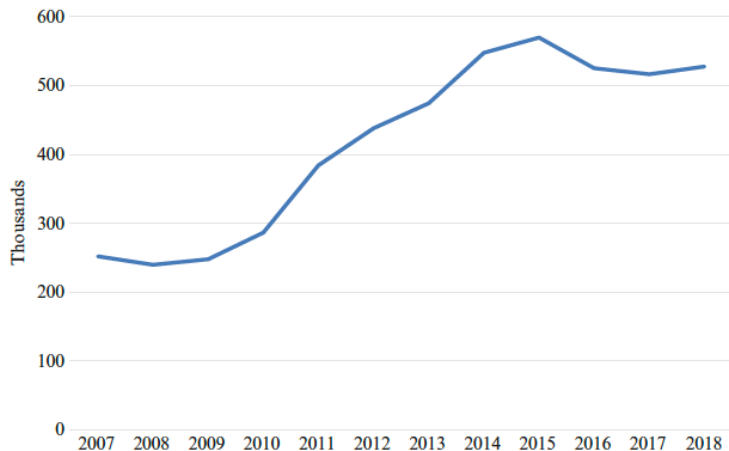


Fig. 1.6 Sum of migration inflows (in thousands) to Germany from Romania, Bulgaria, Poland, Romania, Slovakia, Latvia, Hungary. (Source: Destatis)

Migration from Europe's Periphery to Germany

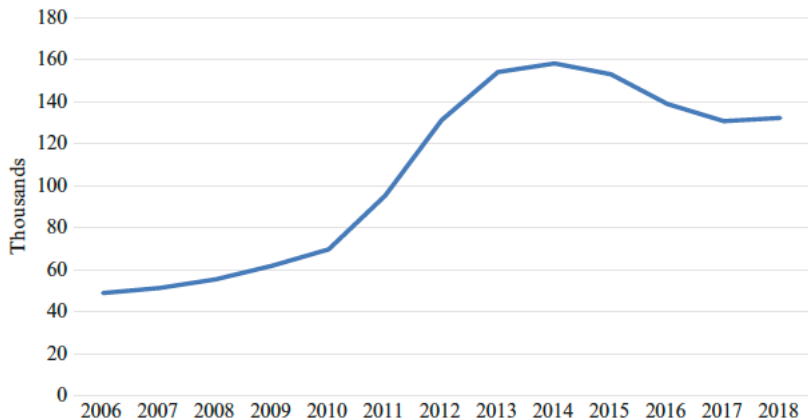


Fig. 1.7 Sum of migration inflows (in thousands) to Germany from Portugal, Ireland, Greece, Spain. (Source: Destatis)

Refugee Wave to Europe

- In addition, as a result of the **Syrian civil war**, Europe experienced a refugee wave, in addition to flows from other war-torn countries, including **Afghanistan** and **Iraq**.
- Germany received the greatest number of **asylum applications**.

Year	Number of refugees
2013	187,600
2014	217,000
2015	316,100
2016	669,400

Source: UN Refugee Agency (UNHCR)

Age Profile of Natives and Immigrants in Germany, 2017

Immigrants in Germany are younger than natives.

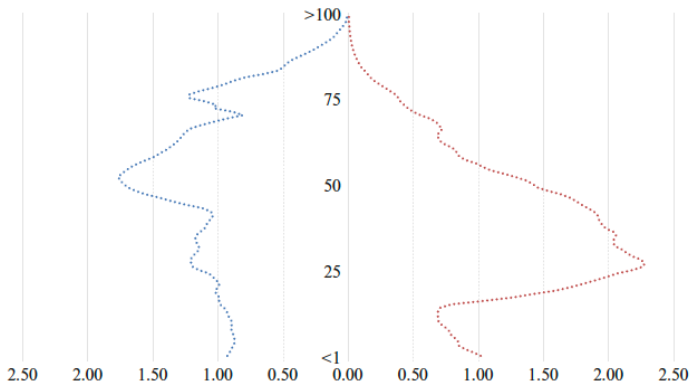


Fig. 1.8 Age structure of the national (left) and non-national (right) populations (%), Germany, 2017. (Source: Eurostat)

Educ. Profile of Natives and Immigrants in Germany, 2017

Immigrants in Germany tend to be less educated than natives.

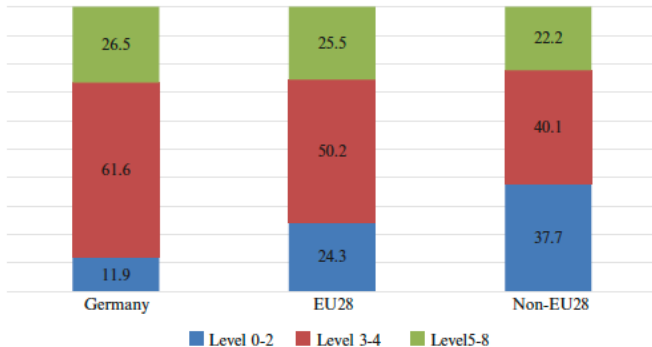


Fig. 1.9 Educational attainment in Germany by country of birth, 2017. Note: Level 0–2: less than primary, primary and lower secondary education; Level 3–4: upper secondary and post-secondary non-tertiary education; Level 5–8: tertiary education. (Source: Eurostat)

Increase in Educational Attainment of the Foreign-born in Germany between 2008 and 2017

- Table 1.3 shows a slight **increase in educational attainment of the foreign-born in Germany** between 2008 and 2017.
- The proportion of those with, at most, lower secondary (tertiary) education has declined (increased).

Table 1.3 Educational attainment of foreign born (% population), Germany

	2008	2017
Level 0–2	37.6	33.3
Level 3–4	44.4	43.3
Level 5–8	18.0	23.3

Source: Eurostat

Note: Level 0–2: less than primary, primary and lower secondary education; Level 3–4: upper secondary and post-secondary non-tertiary education; Level 5–8: tertiary education

Immigrants in the United Kingdom

- In the UK, the share of immigrants was just above **14%** of the population in 2017.

Age Profile of Natives and Immigrants in the UK, 2017

A larger share of the non-nationals is **aged 25-35** than nationals:
31.5% against **13.2%**.

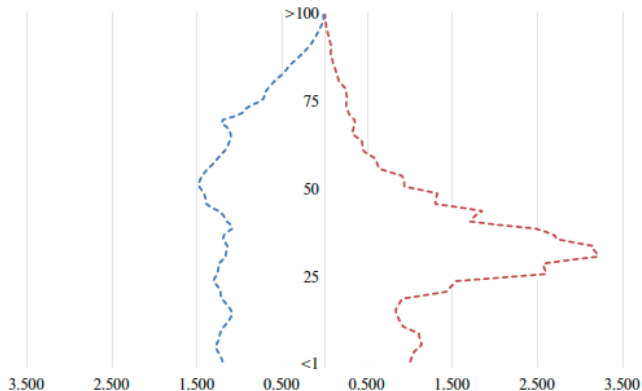


Fig. 1.10 Age structure of the national (left) and non-national (right) populations in the UK, 2017. (Source: Eurostat)

Educ. Profile of Natives and Immigrants in the UK, 2017

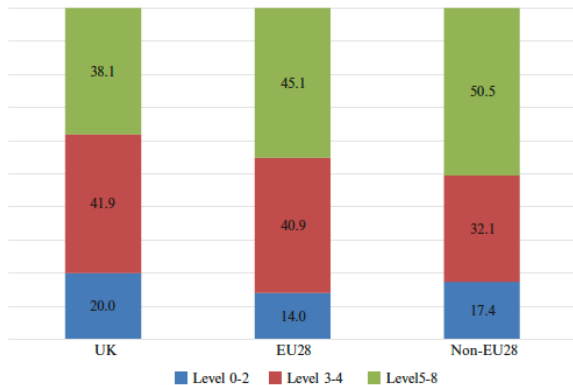


Fig. 1.11 Educational attainment in the UK by country of birth, 2017. Note: Level 0–2: less than primary, primary and lower secondary education; Level 3–4: upper secondary and post-secondary non-tertiary education; Level 5–8: tertiary education. (Source: Eurostat)

Educ. Profile of Natives and Immigrants in the UK, 2017

- Compared to those born in the UK, both EU28 and non-EU28 born are less likely to be categorised among the least educated.
- Moreover, **immigrants are more likely to have attained tertiary-level education.**
- However, although immigrants have on average attained a greater level of education, this is not correlated with being employed in an appropriate skill-level occupation (Dustmann et al. 2013).

Macroeconomics of Migration

- The amount of immigration literature using **macro-econometric models** is limited, partly due to the **absence of reliable quarterly data for net immigration** over a sufficiently long period of time.
- Using a Structural Vector Autoregressive (SVAR) estimation, **Furlanetto and Robstad (2019)** disentangle immigration shocks from other macroeconomic shocks on a sample of **Norwegian** quarterly data (1990–2014). **They find that an exogenous immigration shock lowers unemployment, has a positive effect on prices and on public finances in the medium run, no impact on house prices, and a negative effect on productivity.**

Macroeconomics of Migration

- Other recent contributions include **Kiguchi and Mountford (2019)** who provide an analysis based on **US annual data**.
- They show that a shock to the working population (coming from immigration but could also be due to domestic factors) results in a temporary reduction in GDP and consumption per capita.

Macroeconomics of Migration

- **D'Albis et al. (2016)** use monthly data for **France (1994–2008)** in a SVAR model.
- The results indicate that immigration responds significantly to France's macroeconomic conditions and increases GDP per capita.

Macroeconomics of Migration

- **Maffei-Faccioli and Vella (2021)** use monthly data for **Germany** (2006–2019) in a SVAR model.
- The Federal Statistical Office (Destatis) has been collecting monthly data on the arrivals of foreigners by country of origin on the basis of population registers at the municipal level since 2006. The figure below shows the net migration rate by origin.

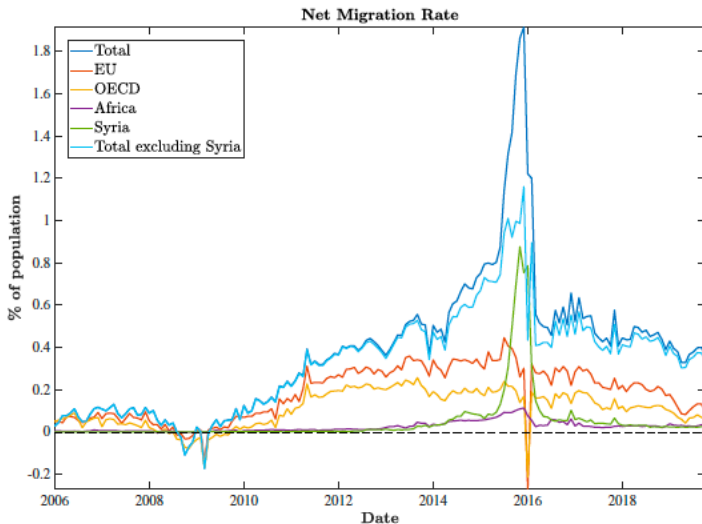


Figure 1: Net Migration Rate in Germany by Geographic Origin, 2006-2019

Note: EU refers to the EU-28 excluding Germany, thus covering 27 countries. From the group of OECD countries we exclude Chile, Colombia and Mexico. Source: Federal Statistical Office (Destatis).

Macroeconomics of Migration

Key findings:

- Migration shocks are persistently expansionary, increasing industrial production, per capita GDP, investment, net exports and tax revenue.
- The analysis disentangles the positive effect on inflation of job-related migration from OECD countries from the negative effect of migration (including refugees) from less advanced economies. In the former case, a demand effect seems prevalent, while in the latter case, where migration is predominantly low-skilled and often political in nature, a supply effect prevails.
- Labor market: migration shocks boost job openings and wages. Unemployment falls for natives (job-creation effect), driving a decline in total unemployment, while it rises for foreigners (job-competition effect).

Macroeconomics of Migration

- Two other analyses focus on **New Zealand**, a country for which detailed data on immigration flows is available.
- In the first, **McDonald (2013)** studies the effect of an immigration shock on house prices in a SVAR. He finds a strong positive effect on house prices and construction activity, thus boosting aggregate demand even more than aggregate supply.

Macroeconomics of Migration

- The second study, by **Armstrong and McDonald (2016)**, includes a second immigration shock associated with fluctuations in unemployment in Australia, New Zealand's main neighbouring country.
- The results indicate that higher net immigration in New Zealand due to a higher unemployment rate in Australia leads to a higher unemployment rate in New Zealand, whereas higher net immigration for other reasons reduces unemployment in New Zealand.

Macroeconomics of Migration

- **Emigration from OECD countries** to the rest of the world is routinely missing from this literature.
- More generally, there is a prevailing research focus on immigration rather than emigration, which can be partly explained by
 1. the **absence of comprehensive data** in emigration countries
 2. the fact that **policies can influence immigration rates more easily than emigration rates.**

Macroeconomics of Migration

- A notable exception is the study by **Docquier et al. (2013)**, which constructs a database that provides bilateral migrant stocks by education level for 195 origin/destination countries for 1990 and 2000.
- The authors find that emigration had a negative effect on the wages of the less educated natives, and increased inequality within countries.
- The study also documents that **positive selection on skills/education** characterises emigration from both poor and OECD countries.

Summary

- In the EU15 countries, the population share of immigrants has increased between 2009 and 2017.
- This has not happened in European peripheral countries.
- Immigrants in Europe typically are younger and possess a lower level of education than natives.
- The UK, Ireland, and Portugal are exceptions as far as educational attainment is concerned.
- In the **UK**, both EU and non-EU immigrants are more educated than natives.
- In **Germany**, immigrants are not as highly educated as natives, but the trend is that the share of highly educated immigrants is increasing over time.

Readings

Chapter 1: Introduction, in ***Understanding Migration with Macroeconomics***, by Vella, E., Caballé, J., Lull, J. (eds.), Palgrave Macmillan, 2020 (And the references therein), [in e-class folder: Πρόσθετο υλικό -» Migration](#).