

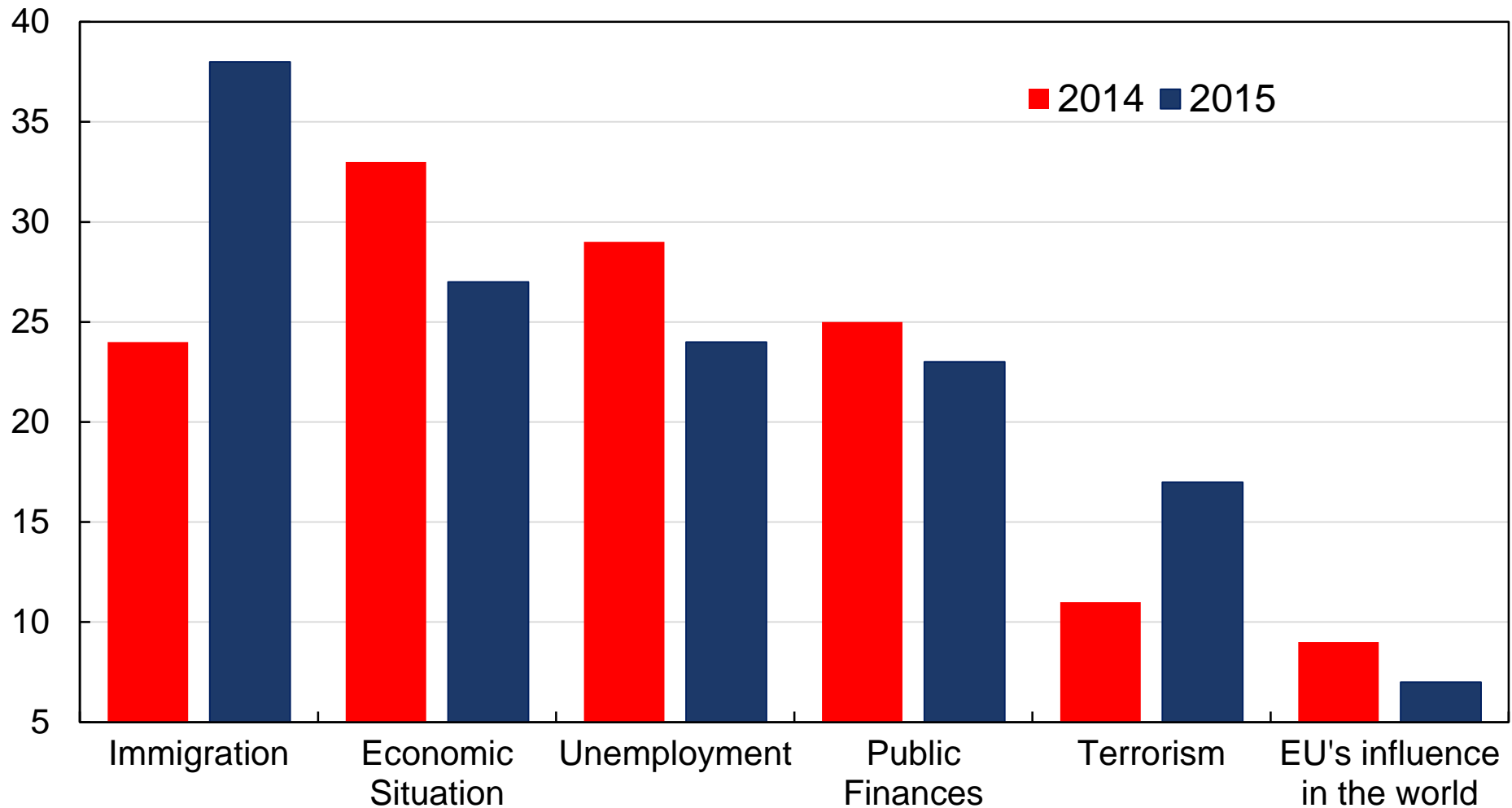
Migration – Challenge or Opportunity? - Introduction

15th Munich Economic Summit



Clemens Fuest
30 June 2016

What do you think are the two most important issues facing the EU at the moment?











Economic issues related to migration

1. Does migration lead to economic benefits?
2. What do we know about the most recent migration wave?
3. Is immigration a relief for the welfare states of our ageing societies?
4. Is immigration into the UK different?

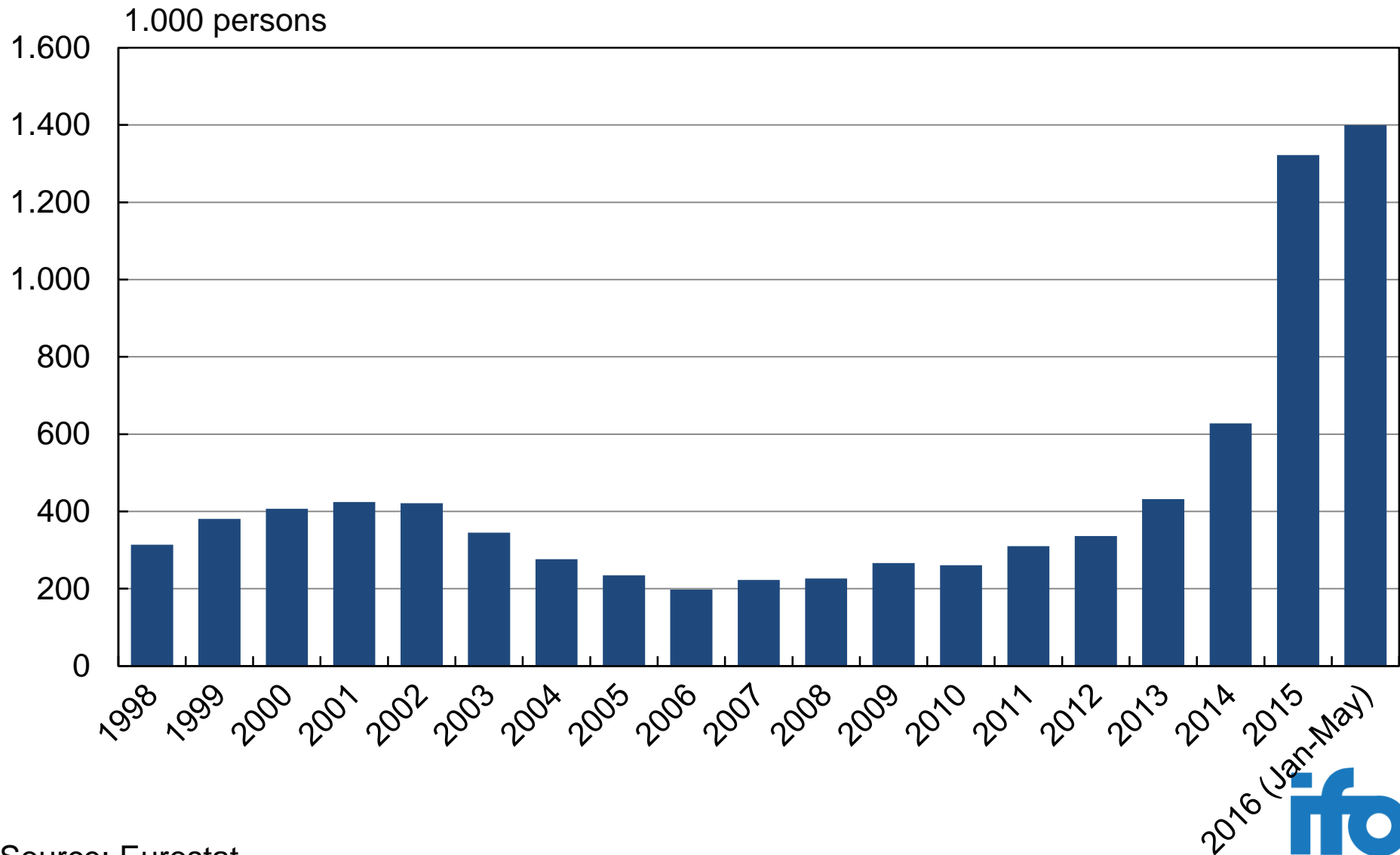
1. Does migration lead to economic benefits?

It depends....

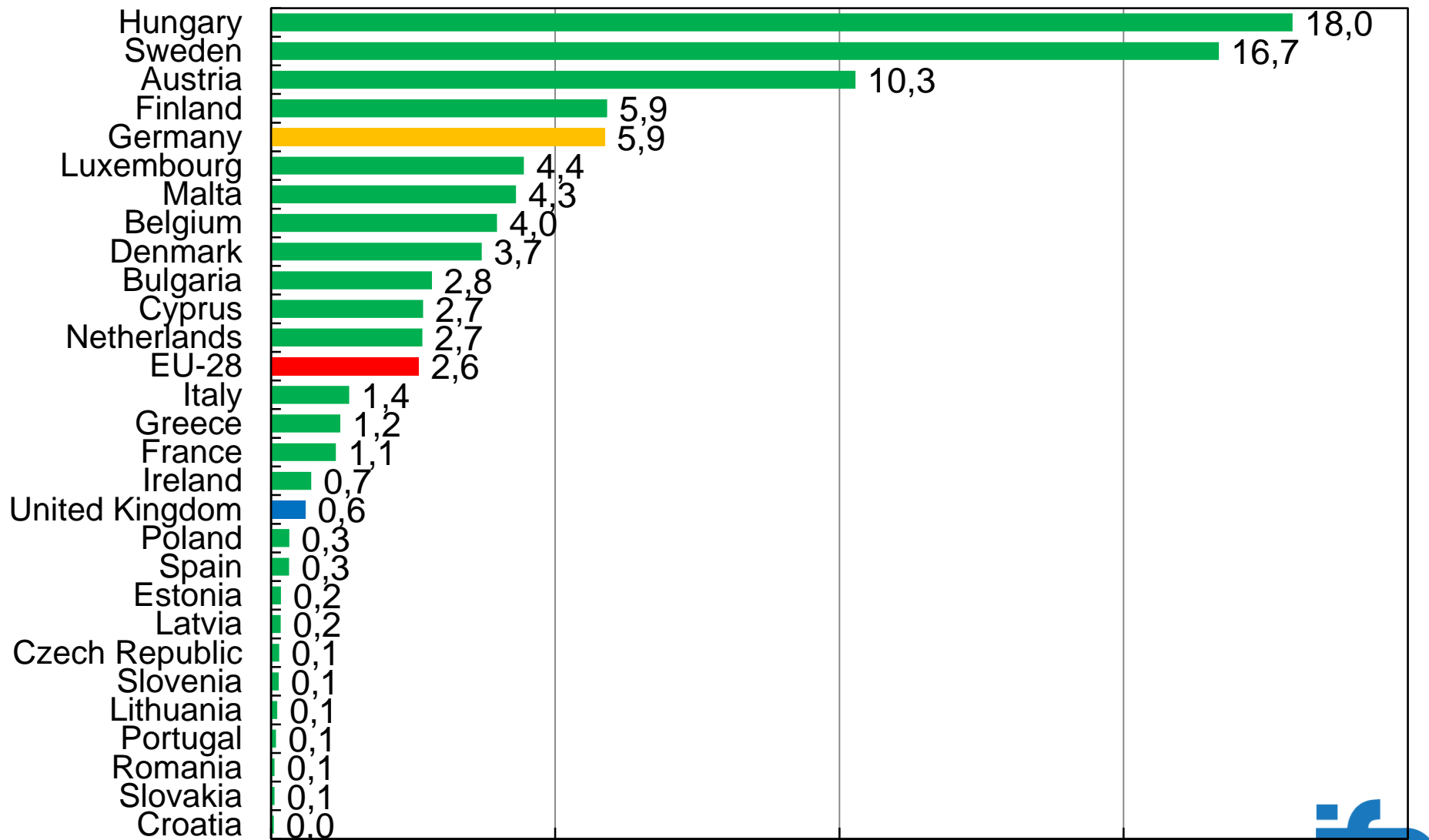
- If migrants go from where they have no jobs or low wages to countries where they are more productive, yes.
- The efficiency gain does not mean that everybody benefits: There will be winners and losers in source and destination countries
- Taxes and the welfare state can distort migration

2. What do we know about the most recent migration wave?

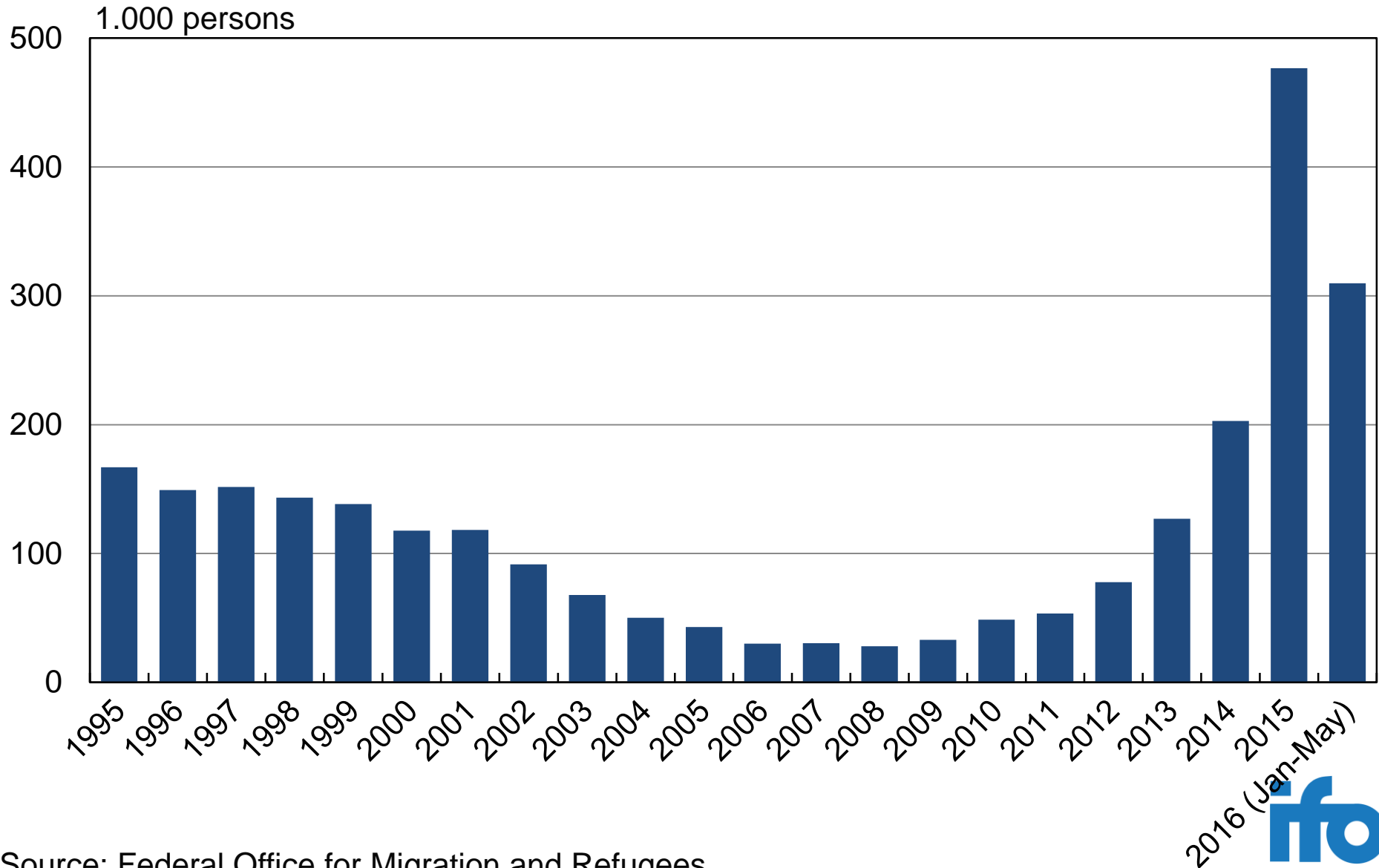
Asylum applications in the European Union



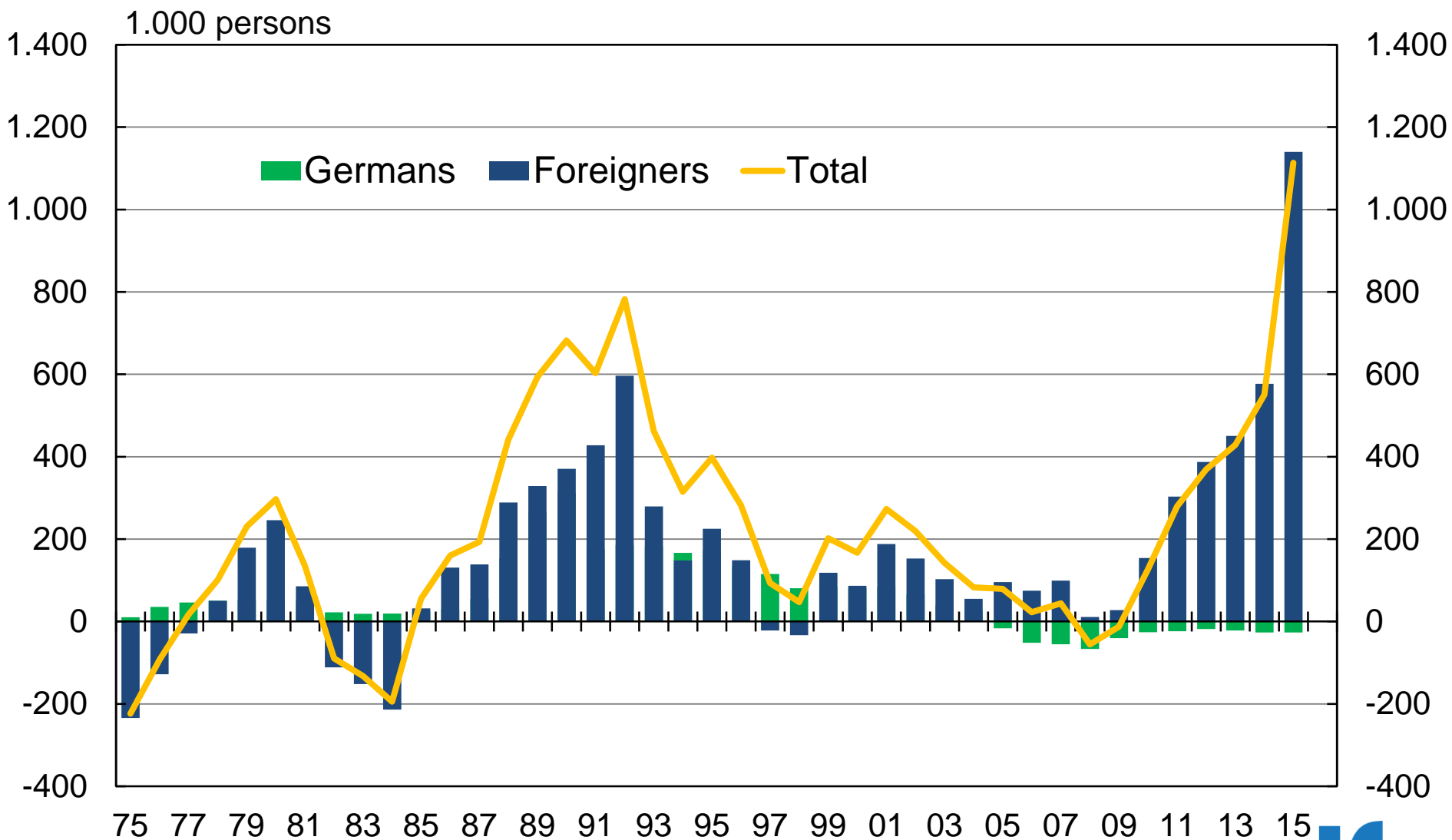
Asylum applications per 1,000 inhabitants, 2015



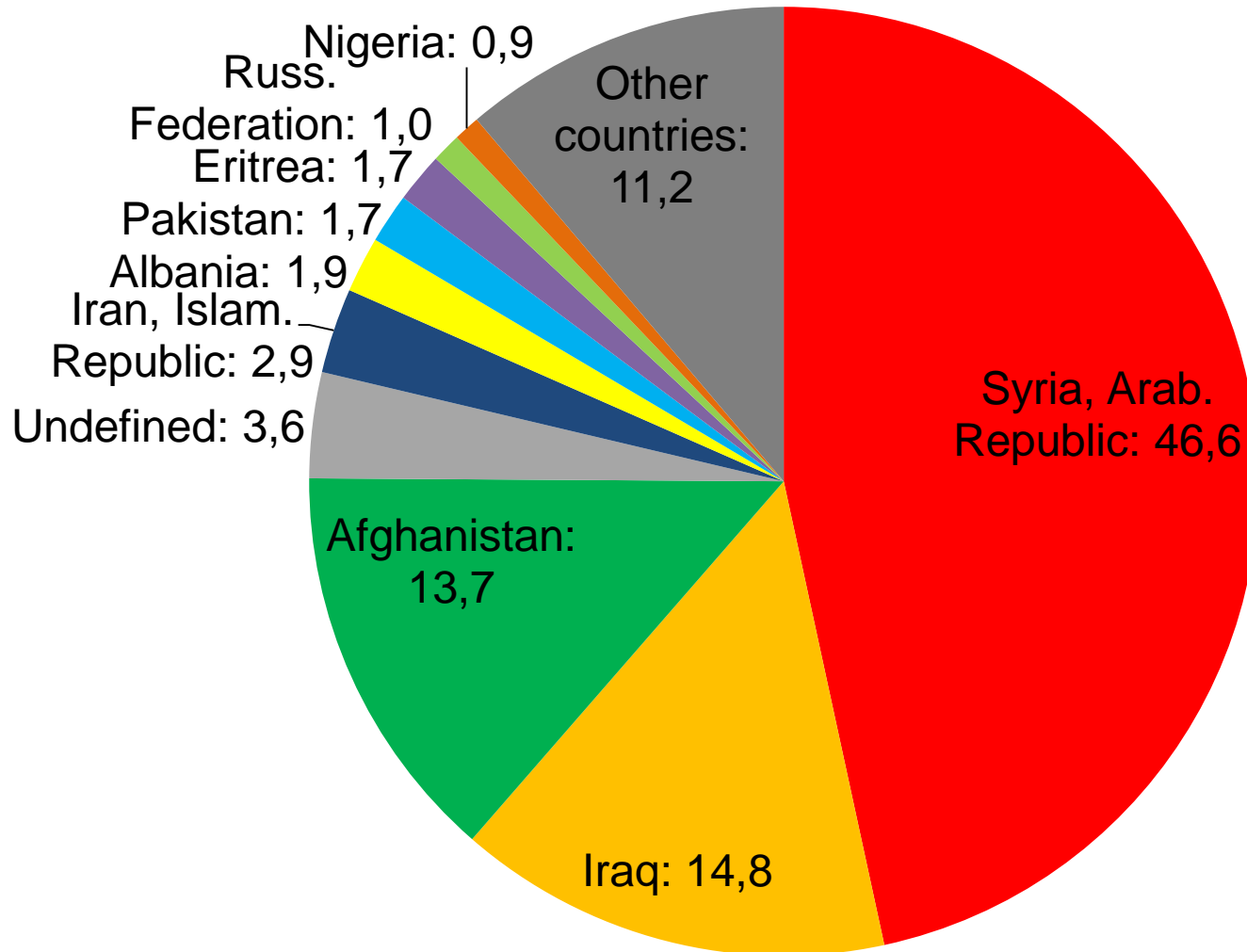
Asylum applications in Germany



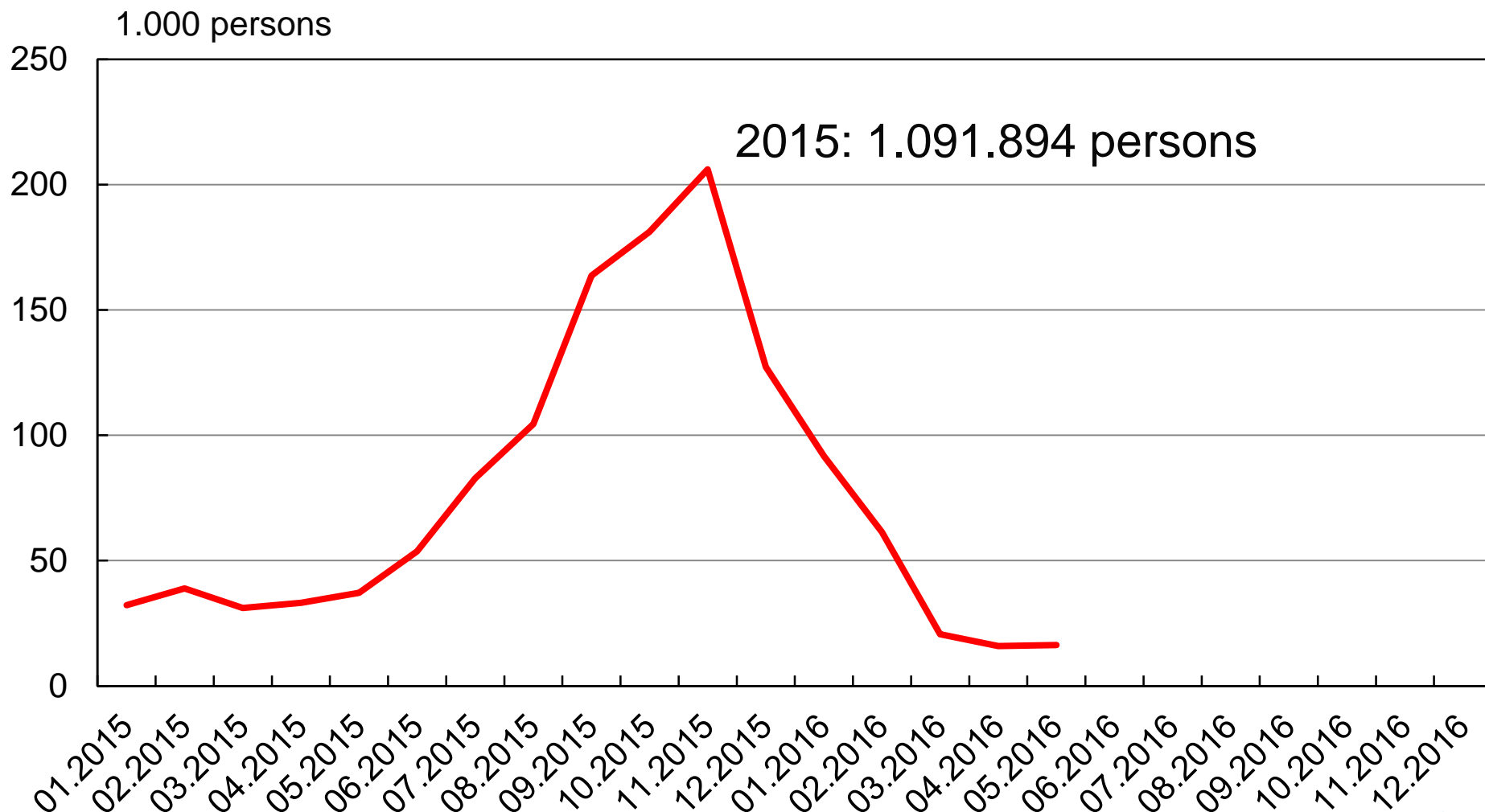
Migration figures for Germany



Countries of origin of refugees registered in Germany, January – May 2016 (in %)

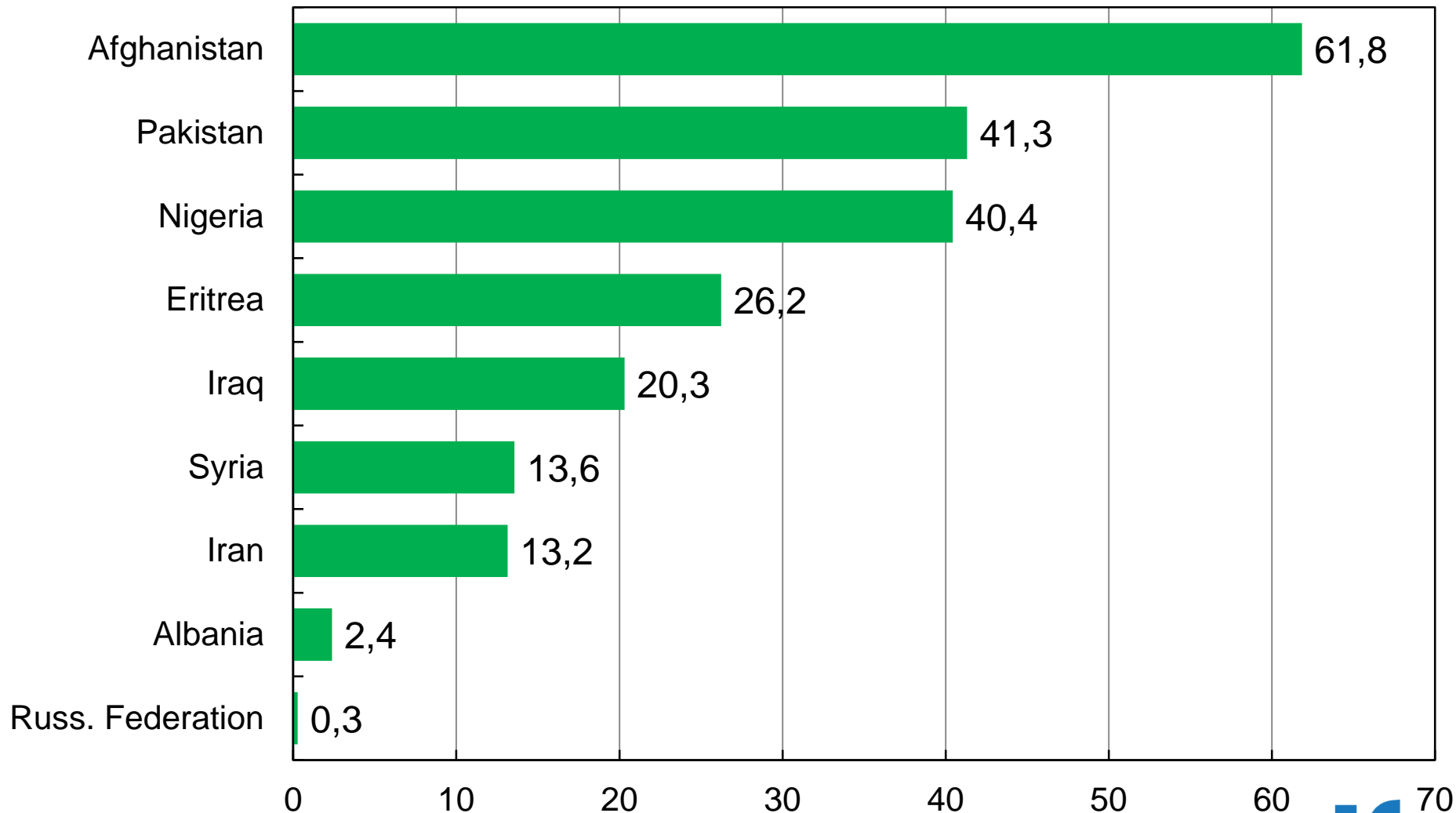


Registered persons in the EASY-System



Education and professional skills

Adult illiterate persons*, 2015 (in %)



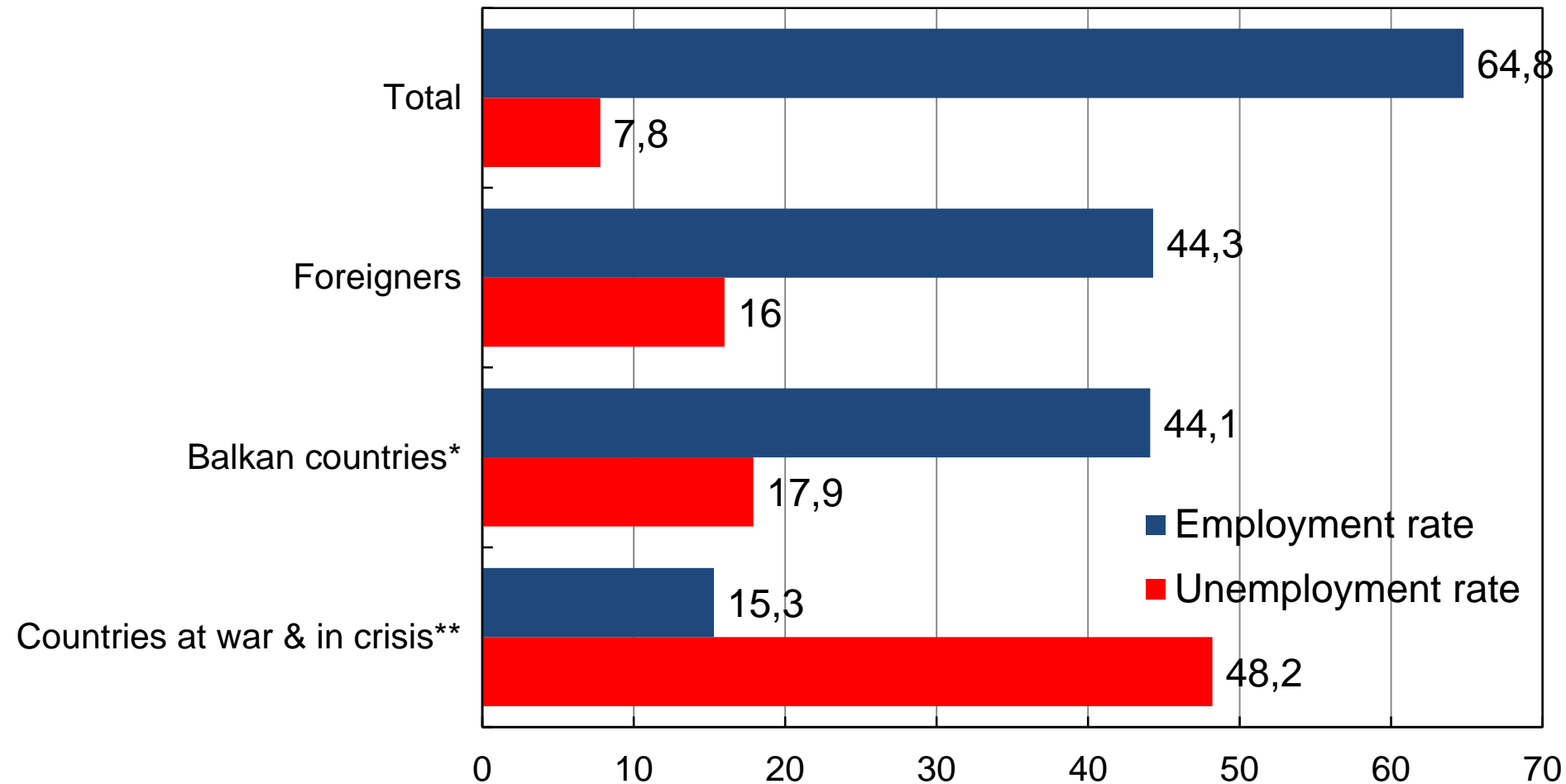
* Population 15+ years

Source: United Nations Educational, Scientific, and Cultural Organization (UNESCO), Institute for Statistics.

Educational level of migrants

- 2/3 of migrants from Syria (65%) and Albania (59%) have no professional qualifications (Source: Wößmann 2016)
- 70% of Syrians, Iraqis and Afghanis, who began their education two years ago, have now discontinued it (Source: Handwerkskammer München und Oberbayern)

Employment & unemployment rates, February 2016 (in %)



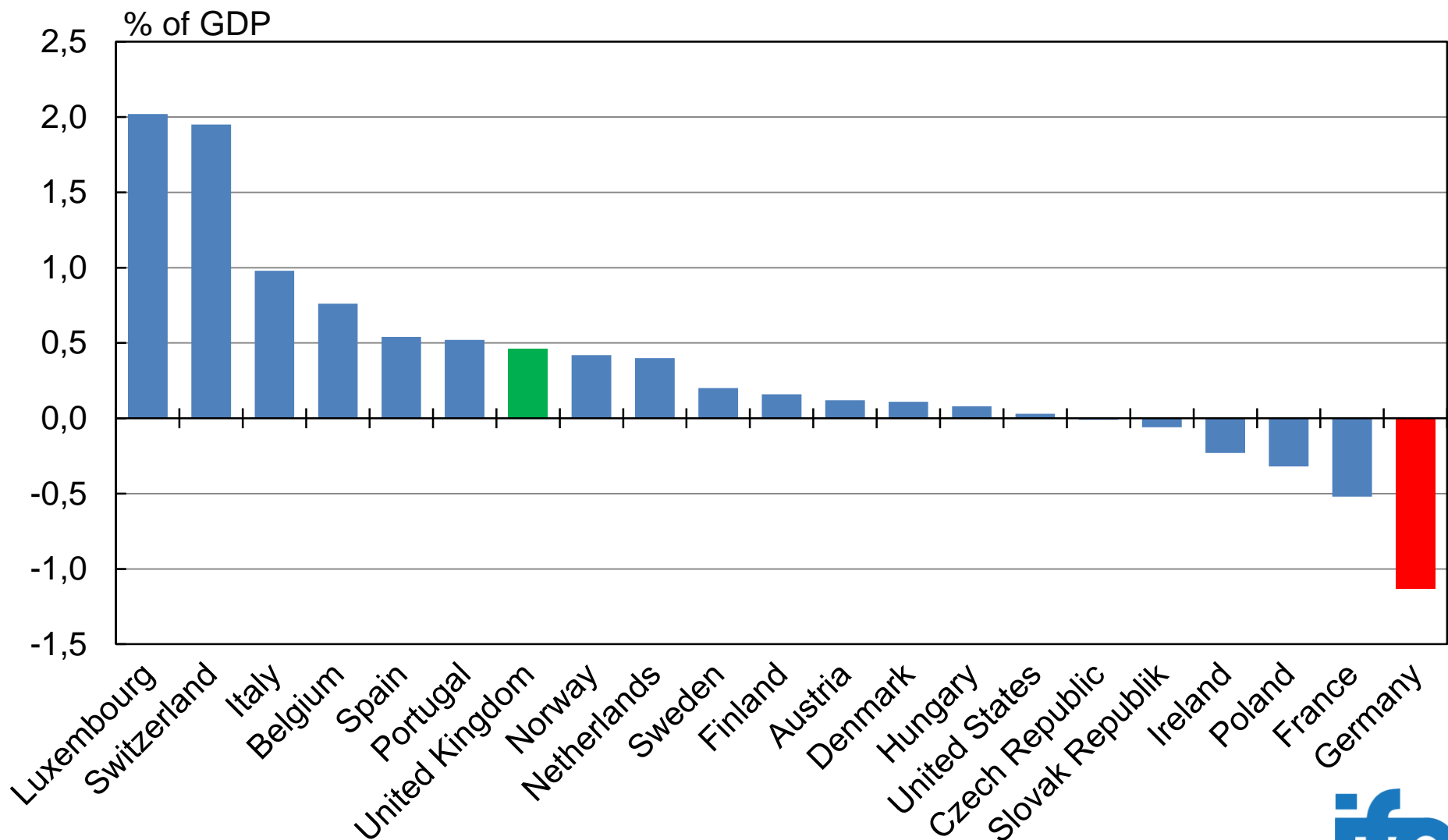
* Albania, Bosnia-Herzegovina, Kosovo, Macedonia, Montenegro and Serbia

** Afghanistan, Eritrea, Iraq, Iran, Nigeria, Pakistan, Somalia and Syria.

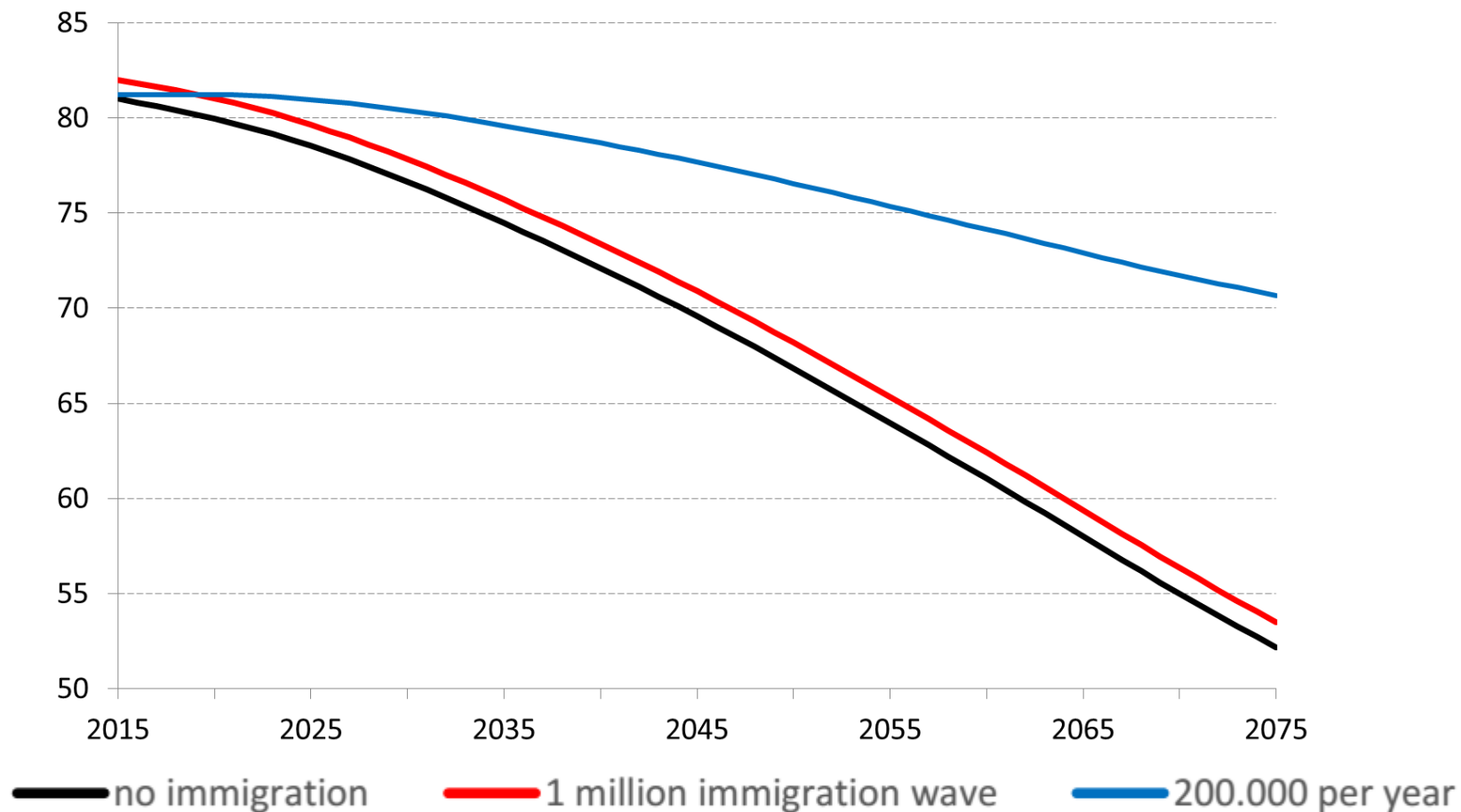
Source: Institute for Employment Research, Flüchtlingsmonitor May 2016.

3. Is immigration a relief for the welfare states of our aging societies?

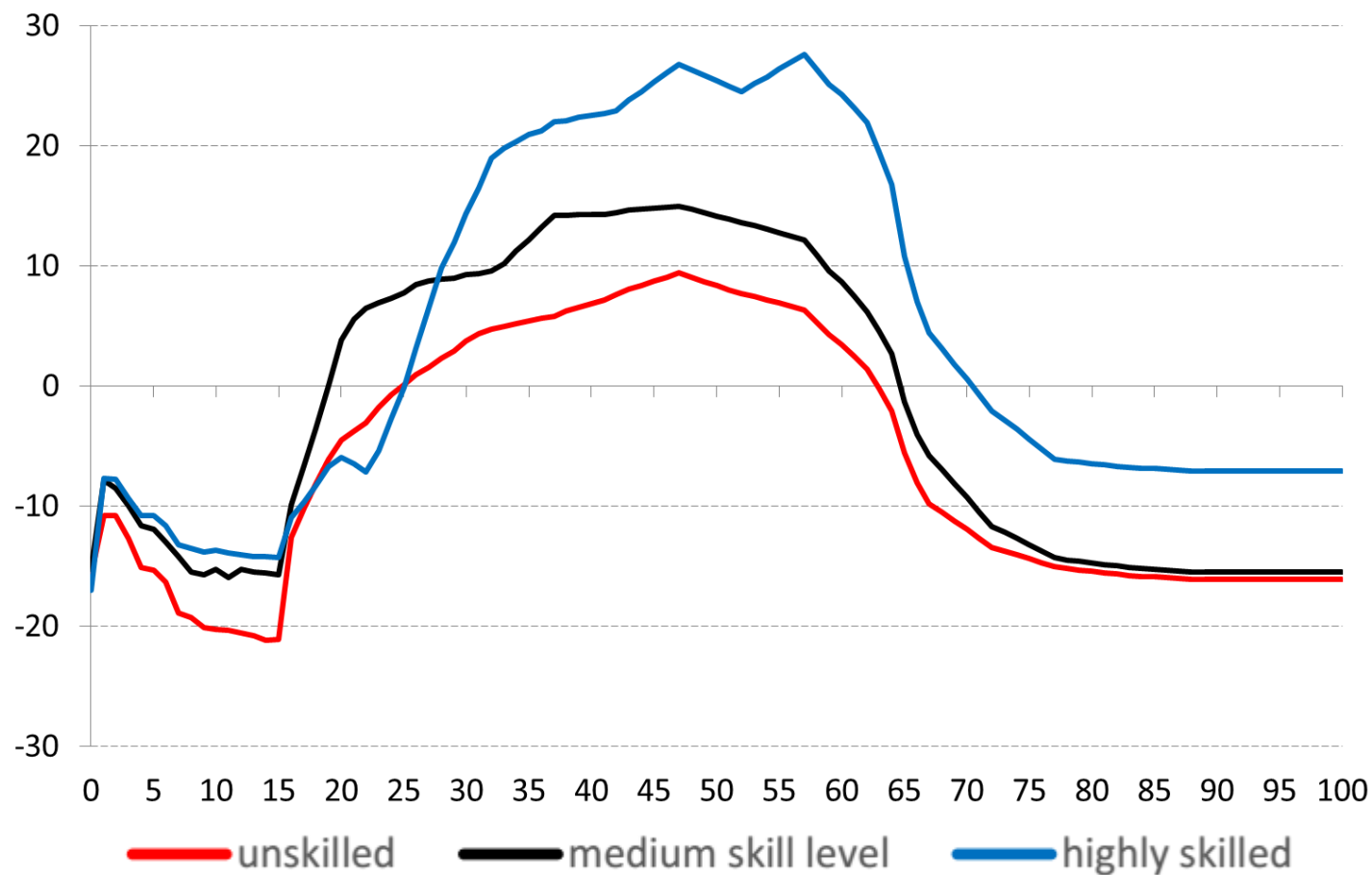
OECD estimates of the net fiscal impact of immigrants, 2007-2009



Immigration and population size in Germany



Net contributions and education levels, 2014

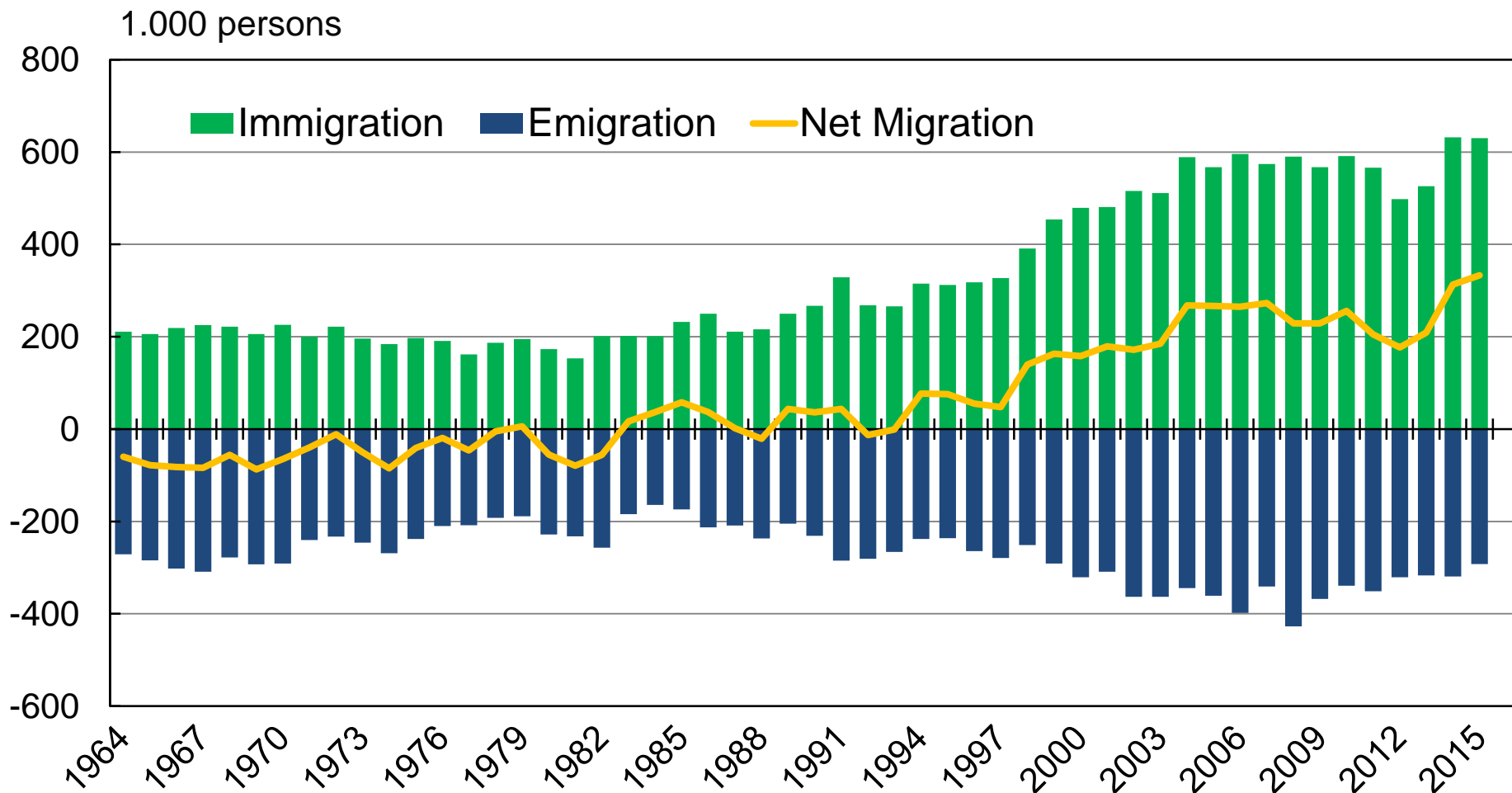


Implications

- The refugee wave of 2015 to Germany mainly included immigrants with low professional skills
- It cannot be expected that the migrants will be net contributors to the tax and transfer system
- The one time net fiscal cost to Germany is estimated to be 5-8% of GDP (with considerable uncertainty)
- An increase in GDP through higher public spending is not the same as an economic benefit for the host country
- Refugees should be received for humanitarian reasons, not because an economic benefit can be expected

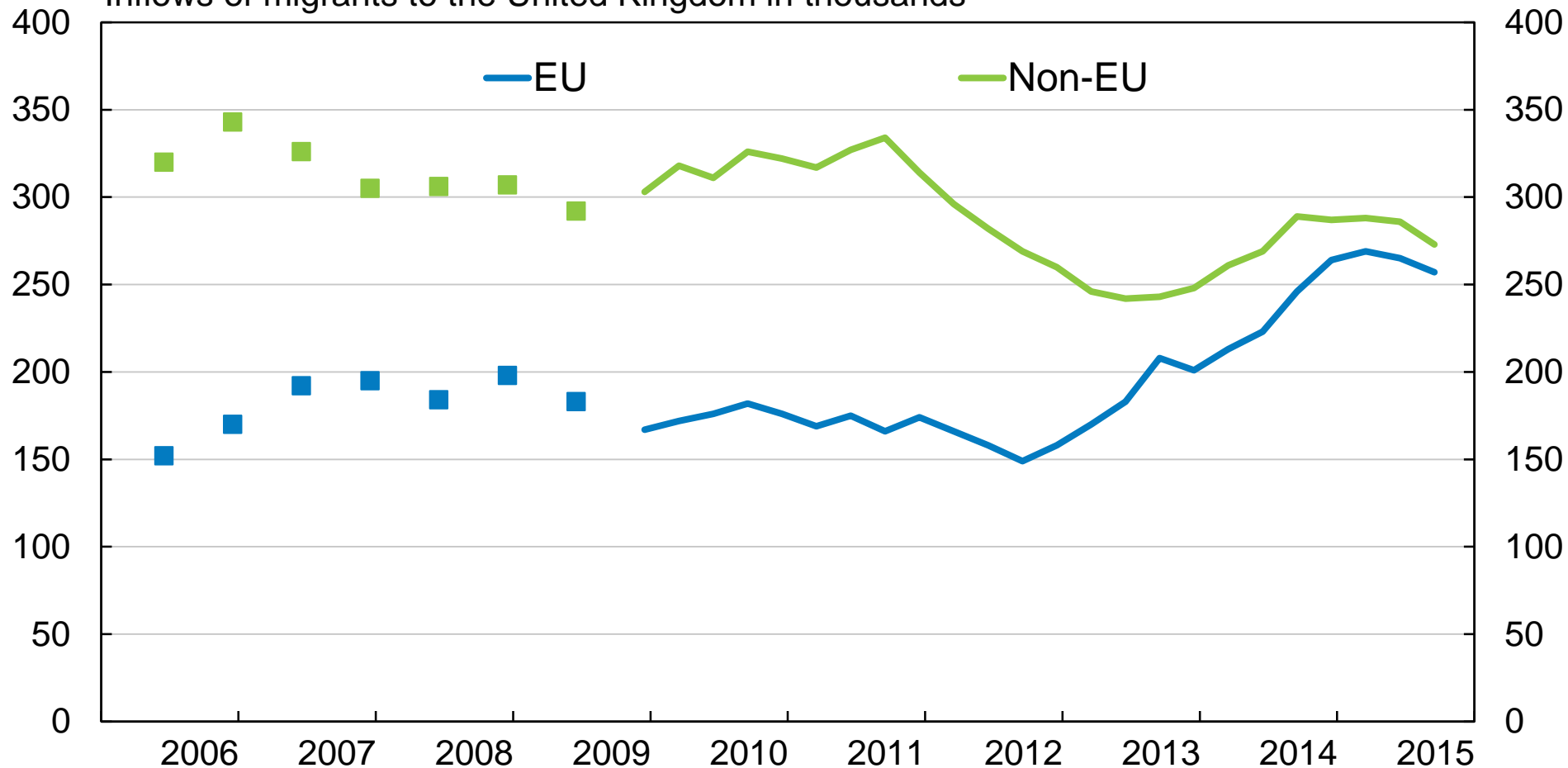
4. Is immigration into the UK different?

Migration figures for the United Kingdom

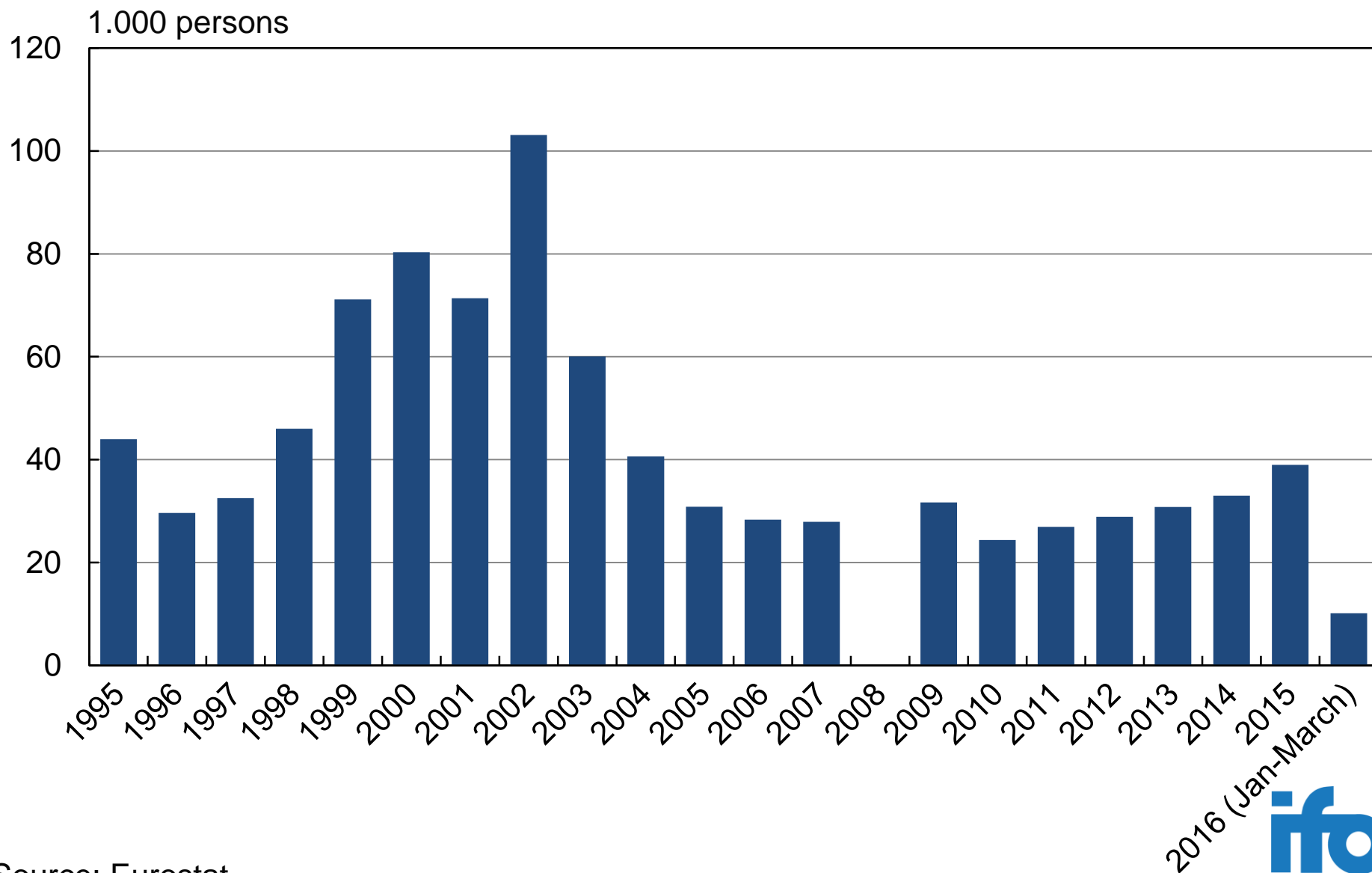


Immigration from the European Union has been rising: EU and non-EU inflows have caught up

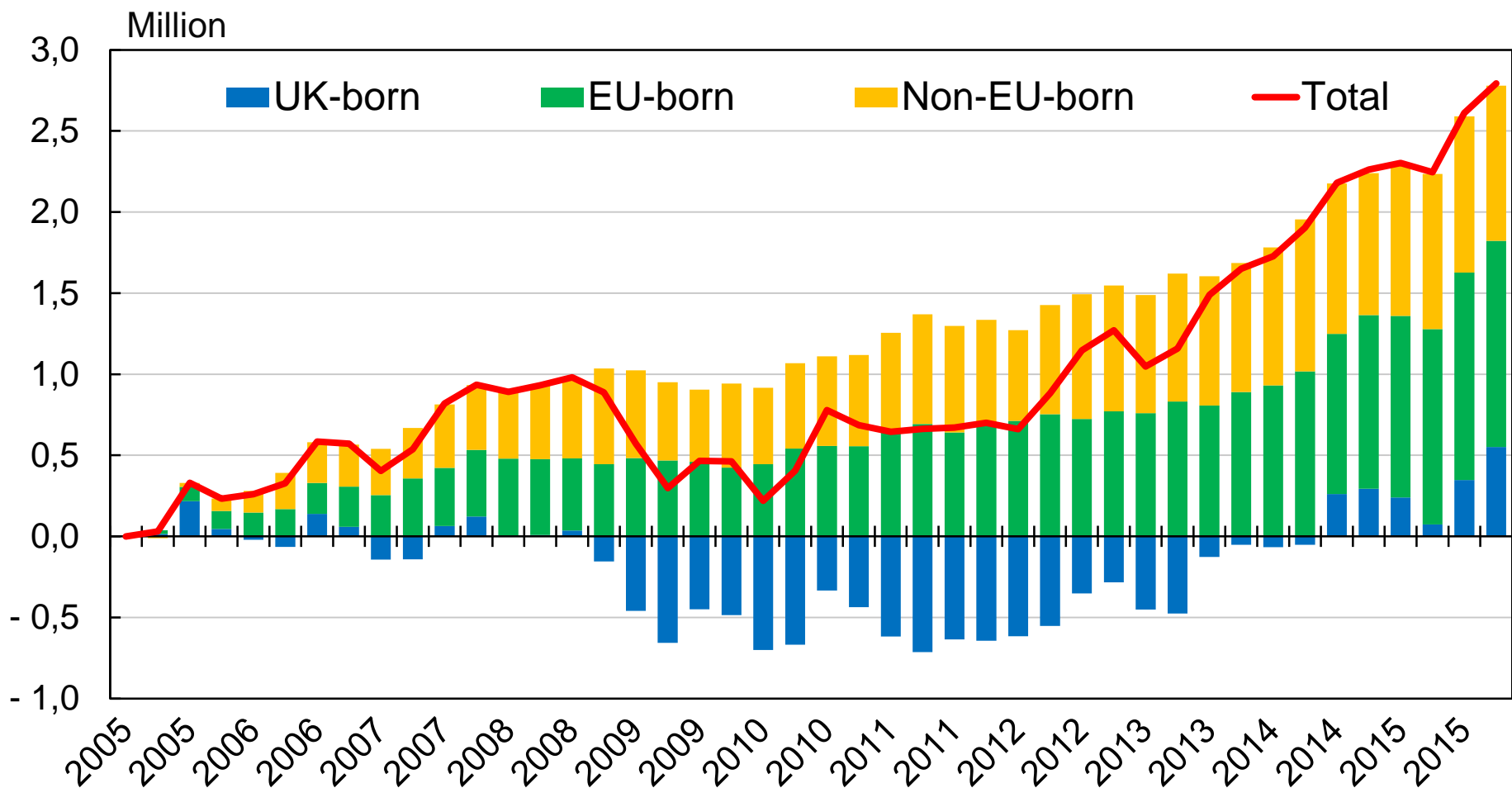
Inflows of migrants to the United Kingdom in thousands



Asylum applications in the United Kingdom

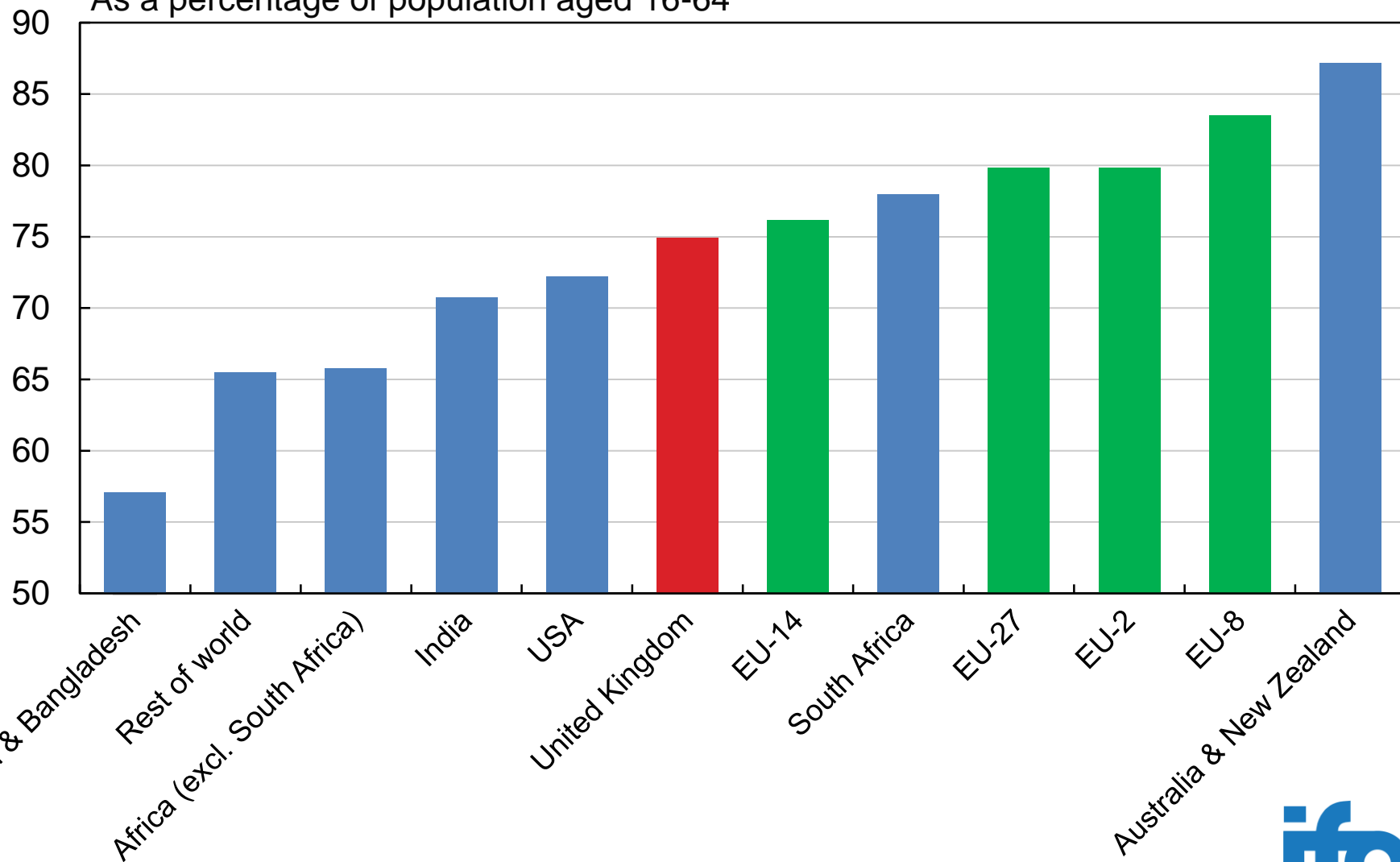


Immigration is an important driver of employment: Contributions to the change in total employment by country of birth



UK employment rates by country of birth, Q4-2015

As a percentage of population aged 16-64



Conclusions

- International migration driven by the desire of migrants to find better jobs and economic opportunities has economic benefits
- This is not true for migration motivated by welfare state transfers and public services
- The refugee wave of 2015 does not bring economic advantages to the German economy
- Refugees should be received for humanitarian reasons, not because an economic benefit can be expected

- Immigration into the UK was mainly immigration into the labour market – the effects on the UK economy were mostly positive
- That does not exclude that some groups of the population are negatively affected by immigration

Thank you very much!

