



EFFECTS OF MIGRATION ON EUROPEAN ECONOMY

Kristian Ujvary

Ministry of Interior of the Slovak Republic, Bratislava, Slovak Republic

©MESTE

JEL Category: **J61, K37**

Abstract

The author of the article deals with the reasons for the existence of obstacles preventing the successful integration of migrants in the democratic societies of the EU member states. The article examines the various aspects of migration in relation to their benefits for the society mainly in economic, but also social terms. The basis for the study is the statistical data published by international organizations actively involved in the migration crisis in Europe, such as UNHCR, FRONTEX, IOM, etc. The author evaluates the measures taken by political leaders of the European Union and draws conclusions and assessments based on them. His aim is to outline the possible solutions in order to spend the expenditures of the EU in the most proper way.

Keywords: *European Union, European Commission Asylum System, Migration Crisis, Economic Data, EU Member States, Social System.*

1 INTRODUCTION

There has been an intensive rise of immigration from Africa and the Near East into the European Union these last five years. The cost-effectiveness of the current migration, that has been presented as in long-term perspective and which has been supported by the top political leaders of EU, seems to be unrealistic. The reason is that the vision has been built upon the unreasonable conditions of integration of more than one million immigrants in the European Union. The uncontrolled influx of immigrants is likely to result in the closing of borders of European countries, the reintroduction of border controls, which will influence the freedom of movement for people and

goods with the negative impact on the economic growth in Europe. European Union leaders are considering the increase in sales tax on fuel for citizens in order to cover the increased expenditure on the migration crisis. (Daily Mail, dátum neznámy). Similar measures can be put in the near future basis for the European tax system, (European Commission, dátum neznámy), which is significantly going to reduce the fiscal sovereignty of the Member States of the European Union. The current mass migration from the Middle East and Africa in the near future invokes one of two possible alternative scenarios of action by the European Union leadership. Either the integration of the EU Member States will continue to strengthen, or the collapse of the European common currency and the Schengen system will cause chaos and a high decline of EU countries GDP. Germany and France, as the most powerful member states of the European Union, exert their

Address of the author:

Kristian Ujvary

 kristian.ujvary@minv.sk

influence at a political and economic level. The first phase was the admission quotas for refugees, which is probably going to be followed by the joint management of the care of refugees in financial and organizational aspect as well. The basic framework for the implementation of these measures is establishing a Common European Asylum System (CEAS) and presentation of the European Commission's Policy Plan on Asylum in June 2008. As stated in the Policy Plan, three pillars underpin the development of the CEAS: bringing more harmonization to standards of protection by further aligning the EU States' asylum legislation; effective and well-supported practical cooperation; increased solidarity and sense of responsibility among EU States, and between the EU and non-EU countries (European Commission, n.d.).

The arguments of the pro-immigration-policy supporters were manifested as the demonstration of humanity and multiculturalism. When the European political leaders became aware of the unsustainability of the situation, they focused the information campaign on the alleged economic benefits of immigrants, according to the trend of aging of the European population. They are justifying their acts by increased costs of social and health systems that should be covered by the income from the economic growth, increased consumption and integration of immigrants.

The focus of the article is the comparison of the positive and negative factors affecting the economic prosperity and economic stability in the European countries. In the end of the article, the author draws attention to the risks associated with the lack of implementation of key actions which may result in various forms of economic impacts of the current immigration crisis.

The author uses the standard scientific methods, in particular, the analysis of the various impacts on the economy, and the synthesis, by which deduces complex judgments and suggestions for solving of the possible economic impacts. The article also uses the scientific method of comparison on the various alternatives used for the elimination of the economic impacts on the EU due to the immigration crisis. It also compares the different views of the usefulness of the influx of immigrants to the European Union.

2 ASPECTS OF COSTS OF EU TO ADDRESS IMMIGRATION ISSUES

In the case of less qualified migrants the economic benefits for the employers can be expected, since the immigrants should supplement the lack of manpower in the labor market. If there is enough manpower, the new workforce will represent a benefit only for the employer, who can create a competitive environment, thus reducing operating costs. On the other hand, there are locals that suffer because employers can decrease wages. The state itself will suffer, because of the reduction of revenues to the budget and because they get fewer funds from taxes and contributions. Another economic dimension of mass migration is the length of time needed to get returns on funds invested immediately after the apprehension migratory flows to the country. The cost structure mainly includes the initial costs associated with the arrival of migrants. The biggest amount is spent on the detention of illegal migrants at the state border and its protection. The funds are assigned for the accommodation and food for the migrants. Given the significant majority of economic migrants that will not be granted refugee status according to the Geneva Convention (United Nations, n.d.) and will not obtain asylum, there is a need for funds related to their deportation. Each migrant should be checked by security and intelligence forces in order to eliminate the risk of criminals and terrorist "Sleeper Cells" (Encyclopedia.com, 2009) infiltrating the country. The integration of those migrants who meet the statutory conditions for asylum entails the cost of their education, including the teaching of the language of their host country and the cost of obtaining professional qualifications.

According to information available in the press, gathered from healthcare organizations, a huge part of immigrants suffers from serious, sometimes even fatal diseases, whose treatment consumes considerable financial resources (Express.co.uk, n.d.).

The hosting states provide accommodation, at least until the immigrants become financially independent. They are also provided a regular non-repayable grant, the amount of which differ from each other depending on the state of the economy of a particular Member State. For example, Germany provides to each immigrant

670 euros monthly, from which the immigrants do not have to reimburse the expenses for accommodation and meals, as they are provided free of charge by the German Federal Government. For this purpose, the Federal Government provided of about € 3.7 billion (Sputniknews, 2015).

The intensive increase of the number of migrants in Germany causes a problem in the continuity of the registration of asylum, processing of applications, as well as in providing food and accommodation. In many places, the accommodation facilities may be only temporarily available for unexpected needs. The successful economic integration of migrants, who wish to remain in Germany, requires investments in the following three areas:

1. Accommodation: The lack of accommodation capacities in big cities will continue to increase. Therefore, Germany has stepped up the construction units and also takes the

initiative for the effective use of free accommodation facilities for immigrants.

2. Schools and day care centers: A large number of underage migrants will increase the number of students in the medium term. They need the education to be satisfied. This calls for more investment in education infrastructure and additional expenses for teachers and support staff.
3. Human resources: Germany, according to its representatives, depending on the targeted immigration of skilled workers to mitigate the decline in the working-age population. The intention of the German Government is purposefully investing in human capital as the knowledge of the German language, systematic identification of the skills and appropriate measures in education are essential prerequisites for successful integration into the labor market (Leifels & Zeuner, 2015)

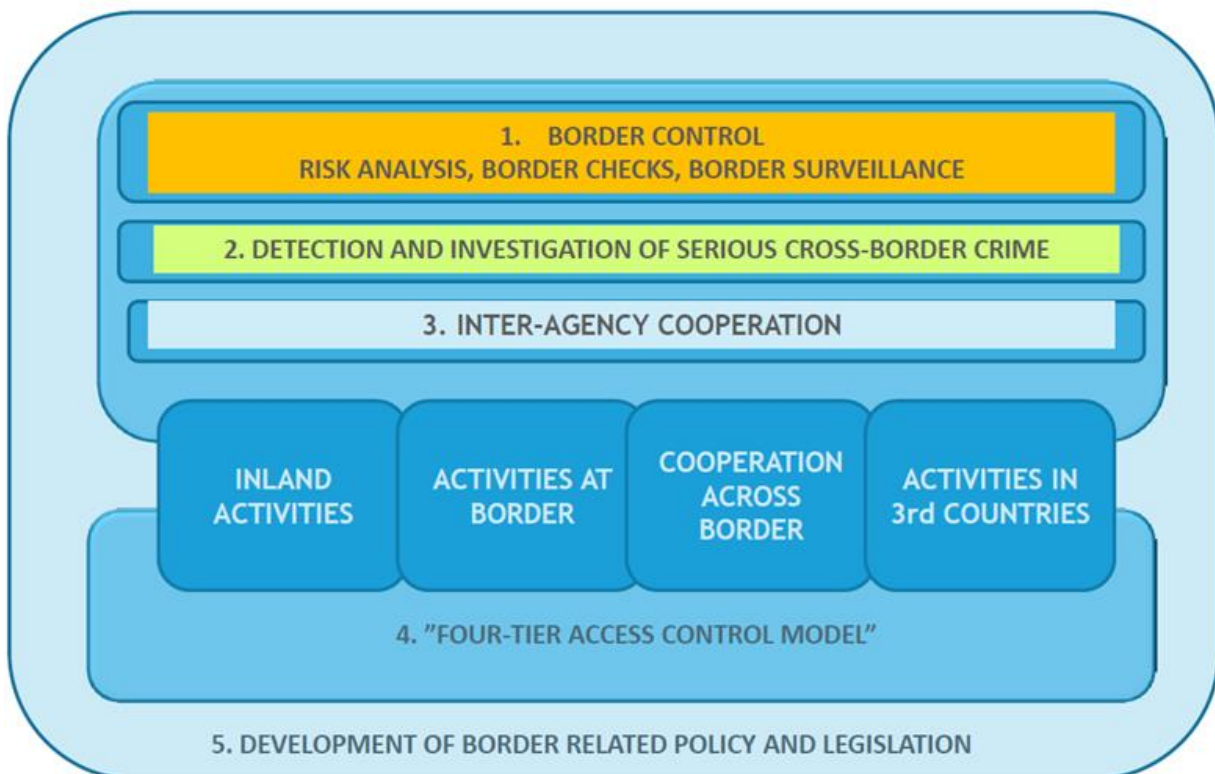


Figure 1 EU concept on Integrated Border Management (IBM)

Source: (Suchanek, 25. – 27. 08. 2015)

In connection with the arrival of immigrants in Europe, we more often than before notice about the public order violation, as well as a significant increase in violent crimes, especially of a sexual

nature (DailyWire, 2016). The high increase occurred in the number of crimes against property, mainly theft, and robbery (Corcoran, 2016). However, the relevant statistics are currently not

available, as to investigate these offenses creates a hardship because the law enforcement proceedings are often under political and media pressure. This also implies difficulties in quantifying damages caused by committing this type of crime and the impossibility of proving a negative economic impact. Perhaps the greatest financial burden will deal with crisis situations caused by migration from the Middle East, by providing financial grants to Turkey amounting to three billion euros (Reuters, 2016). Although representatives of the European Union (Jean-Claude Juncker, Donald Tusk, and Federica Mogherini) are convinced that the agreement with Turkish President Erdogan will be signed, Turkey increased its demand by another 3 billion (Reuters, 2016). The content of negotiations between Turkish President Erdogan, the European Commission president Jean-Claude Juncker and European Council President Donald Tusk of 14 .11.2015 in Antalya the administration of both sides refused to publish and comment.

The mandate of the cooperation of the national border guards securing its external borders belongs to FRONTEX (Established by the Council Regulation (EC) Nr. 2007/2004 as of 26 October 2004). FRONTEX strengthens border security by ensuring the coordination of Member States' actions in the implementation of Community action in the field of management of external borders, see figure 1. The most important task and crucial activity of FRONTEX in the last two years have been mainly the elimination of illegal crossing of the Schengen area external borders by immigrants coming from Africa and the Middle East. The activities of FRONTEX are funded by the European Union. For the year of 2015, 114 millions of euros have been allocated. The statistics of cases where the Agency recorded illegal migrants crossing the Schengen area over the period 2009 - 2014 are shown in the following figure:

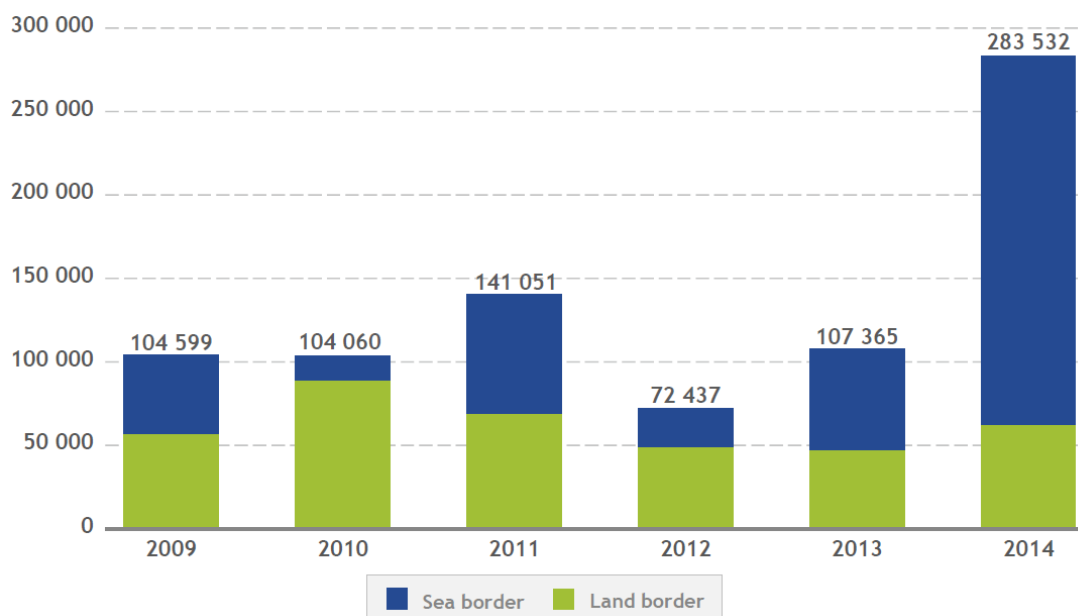


Figure 2 Illegal border crossings 2009–2014

Source: (Suchanek, 25. – 27. 08. 2015)

As it is seen in the figure, the combination of effects, such as the military conflict in Syria and desperate living conditions in the Middle East and Africa have launched the immigration wave of unprecedented proportions in recent years. The number of migrants in 2014 nearly tripled comparing with the previous year and more robust growth is expected for 2015.

There are also opposing views on the economic impact of the "invasion" of immigrants represented. Analysts and representatives of various international institutions provide statements and process studies that show the economic benefits for the EU Member States. In September 2015 there was a study written by economic analysts of the World Bank

Massimiliano Cali and Samia Sekkarie published, using the comparative method of arguments in favor of current immigration (Cali & Sekkarie, 2015). In their article, they reported that 513 580 applications for asylum were filed in the European Union as of July 2015 (Including the inhabitants of Syria and other countries). Since January 2012 this number reached the level of 1.9 million migrants, representing 0.37% - of the share of the total population of the European Union. During the same period, Lebanon registered 1.1 million immigrants, representing one-quarter of Lebanon's population. Under this instrument, the European Union should take 127 million migrants. Even if the European Union followed the example of Turkey and integrated "only" 2.6 percent of its own population as immigrants, would allegedly easily solve the problem by integrating 13 million of the total 14.4 million refugees registered by UNHCR. In terms of impact on the economy, analysts demonstrated 2.5% growth in the economy. A similar scenario was presented by the example of Jordan that accepted 630,000 refugees from Syria (Cali & Sekkarie, 2015). The paper reports that Lebanon benefits from refugees by the increase in the demand for local services offered, financed partly from their own savings, remuneration for work performed, the contributions of the family sent from abroad, as well as material assistance from international humanitarian organizations.

Based on a recent World Bank report it estimated that each percentage increase in the number of refugees in Lebanon increases the export of services in Lebanon by 1.5 percent. UNHCR and the Development Program of the United Nations (U. N. Development Program) expect the similar result from 800 million US dollars that the United Nations sends each year to Syrian refugees in Lebanon. The study compares a similar economic effect that was reportedly observed in Tanzania, which in the nineties accepted war refugees from Rwanda and Burundi. The report also seeks to meet the concerns of European Union citizens, that number of immigrants has caused a significant drop in wages in Europe. A recent research carried out in Turkey reportedly showed, that although Syrian refugees – the majority who do not have work permits, pushed out of the labor market untrained workers and part-time employees, also created more jobs outside

agriculture, and increase the average wage for Turkish workers. Moreover, the many Turkish workers who have been forced out of the labor market returned to study and thus created the potential to increase their wages in the future. The research provided the similar output also in the case of Jordan, where on the territories populated by Syrian refugees they found jobs in sectors with no special requirements for skills and qualifications, as these jobs are not popular Jordanians. The authors of the study also pointed out the considerable financial burden that immigrants already represent to the economies of the European Union Member States, and the current development of the situation does not offer optimistic prospects for its improvement. Nevertheless, the study tries to point out that although this is a large sum of money, there is no indication that this expenditure would endanger the fiscal sustainability in the European Union. The authors again operate with the arguments from Turkish example, which reportedly invested in migration camps more than EUR 5.37 billion since the arrival of the first immigrant from Syria. In the end of the report, the authors point to the obligation of countries of the European Union to be more sympathetic to refugee issues where willingness to accept migrants would be presented as a sign of goodwill and humanity. They also stress that with proper planning the European Union can take much more immigrants than before (Cali & Sekkarie, 2015).

3 IMMIGRATION AS THE AID TO REVERSE THE TREND OF POPULATION AGEING

Studies of population trends indicate that the global median increase from 26.4 calculated in 2000 to 36.8 expected in 2050 (United Nations Population Division, 2003).

Public attention in the global scope currently focuses primarily on the aging population in developed countries. Research and forecasting population trends, however, show that population aging does not concern only the developed countries but sooner or later aging will expose the population of all nations. The table below shows the representation of population growth on a global scale published in the Report of the United Nations.

Table 1 Average annual growth rates of the total population and the population in broad age groups, by major area, 2000-2050 (Medium Variant)

Major area	Age group				Total population
	0-14	15-59	60+	80+	
World.....	-0.04	0.72	2.29	3.39	0.77
More developed regions.....	-0.26	-0.32	1.06	2.24	0.04
Less developed regions.....	-0.01	0.92	2.79	4.20	0.91
Least developed countries.....	0.99	2.19	3.24	3.90	1.84
Africa.....	0.78	1.98	3.03	3.85	1.64
Asia.....	-0.28	0.63	2.61	4.06	0.70
Latin America and the Caribbean.....	-0.36	0.70	2.98	4.09	0.78
Europe.....	-0.62	-0.71	0.81	2.08	-0.28
Northern America.....	0.30	0.49	1.65	2.39	0.70
Oceania.....	0.06	0.66	2.02	2.83	0.78

Source: Population Division of the Department of Economic and Social Affairs of the United Nations Secretariat (2003)

Heller (Heller, 2003) demonstrate this trend on the example of the United Arab Emirates, which is expected to increase the proportion of older people in the population from two percent to 28 percent by 2050.

The following chart shows the trend of population growth ratio of developed and developing regions:

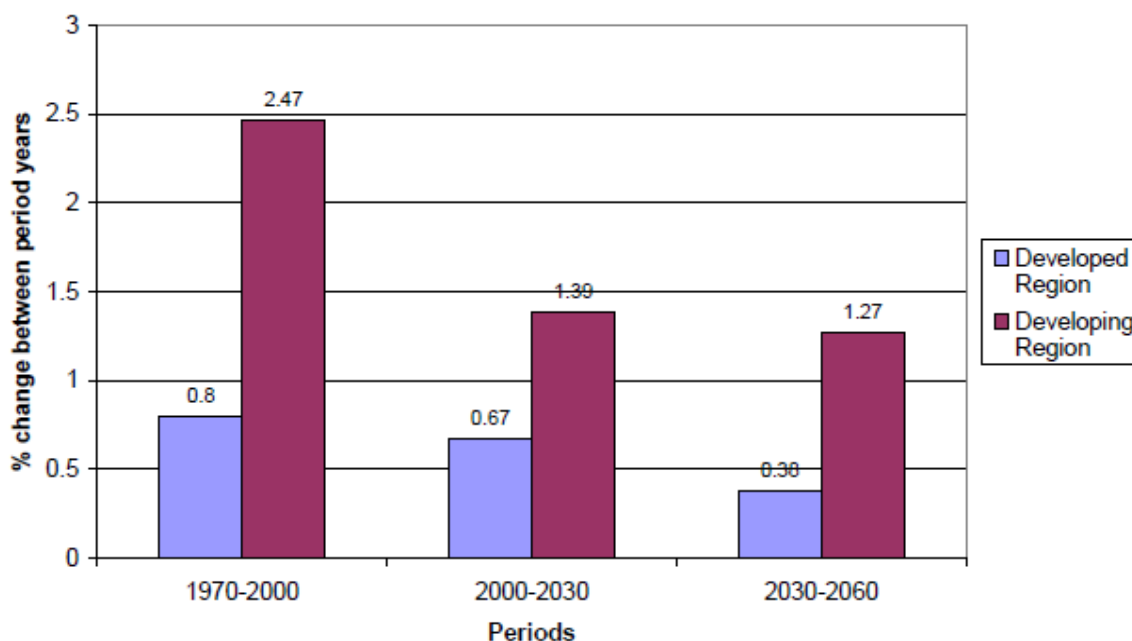


Figure 3 Population Growth Rates in Developed and Developing Regions

Source: (Tosun, 2009)

A significant consequence of the aging population is increasing fiscal pressure to lower government spending on social security, healthcare, and other social expenditures. These measures are necessarily resulting in a reduction of spending of government for youth. Labour mobility has a dual effect on the economy. Apart from the direct contributions of young migrants into the country's economy as workers, their contribution is also accomplished indirectly through collecting

savings. In connection with the integration of immigrants in Europe, today is relatively rarely mentioned the impact of immigrants on the political scene. The voting right of immigrants in the future can influence policy shifts and decisions with significant impact on the programs of the government, such as education, which can have profound effects on the well-being and the economic growth (Tosun, M. S., 2005).

4 CONCLUSION

People that are granted protection under international law, often have difficulties with the integration into the community and finding adequate support and living conditions. In the target countries are mostly also other obstacles, such as the lack of professional and language skills, which are a prerequisite for successful integration.

The author describes the challenges of an economic nature which the European Union has to face in connection with the immigration crisis. In order to address the immigration crisis, it is necessary to perform a number of measures, the financing of which is covered by the national budgets. Measures are connected to the border security of the Schengen area and related security measures. Later, during the implementation of the asylum procedure, there are by other measures performed in relation to the integration of immigrants.

The author confronts his opinion on the economic aspects of immigration into the European Union with the views of representatives of international organizations that believe in the economic benefits and disregard the economic burden. According to the opinion of the World Bank's economic analysts, the main benefit of the immigration crisis is boosting the economy by employing young workers - immigrants who will increase the consumption of goods and services. The government will benefit from the taxes and contributions to the state budget. The second most serious benefit is the rejuvenation of the population of the European Union.

The current European immigration issue is very complex, and it requires a proper assessment of risks and the implementation of suitable security, economic and social measures to make the integration process beneficial for immigrants and the European Union as well

WORKS CITED

- Cali, M., & Sekkarie, S. (2015, 09 16). Retrieved from Much Ado About Nothing - The Economic Impact of Refugee "Invasions": <http://www.brookings.edu/blogs/future-development/posts/2015/09/16-economic-impact-refugees-cali>
- Corcoran, K. (2016, Jan 28). *African migrant 'attacked Swedish mother after she rumbled his pickpocket attempt'*. Retrieved from Express.co.uk: <http://www.express.co.uk/news/world/638899/African-migrant-attack-Swedish-mother-pickpocket>
- Daily Mail. (n.d.). *Tax Petrol to pay for immigrants: German finance minister proposes Europe-wide levy on fuel to help countries cope with the cost of migration*. Retrieved 01 16, 2016, from Daily Mail: <http://www.dailymail.co.uk/news/article-3402534/Tax-PETROL-pay-immigrants-German-finance-minister-proposes-Europe-wide-levy-fuel-help-countries-cope-cost-migration.html>
- DailyWire. (2016, 04 01). *Muslims have been raping women in Sweden*. Retrieved from <http://www.dailywire.com/news/2618/muslims-have-been-raping-people-sweden-authorities-michael-qazvini>
- Encyclopedia.com. (2009). *Sleeper cell*. Retrieved Jun 2, 2016, from The Oxford Pocket Dictionary of Current English: <http://www.encyclopedia.com/doc/1O999-sleepercell.html>
- European Commission. (n.d.). *Central European Asylum System*. Retrieved 04 01, 2016, from European Commission: http://ec.europa.eu/dgs/home-affairs/what-we-do/policies/asylum/index_en.htm
- European Commission. (n.d.). *Harmful Tax Practices*. Retrieved 03 05, 2016, from European Commission: http://ec.europa.eu/taxation_customs/taxation/company_tax/harmful_tax_practices/index_en.htm
- Express.co.uk. (n.d.). Retrieved 03 15, 2016, from Tuberculosis with migrants in Italy: <http://www.express.co.uk/news/world/589606/immigration-Europe-EU-European-Union-migrants-infectious-disease-health-tuberculosis-Italy>
- Heller, P. (2003). *Who Will Pay?-Coping with Aging Societies, Climate Change, and Other Long – Term Fiscal Challenges*. Washington: International Monetary Fund.

- Leifels, A., & Zeuner, J. (2015). Influx of refugees to Germany requires investment in housing, schools, and minds. *KWF Research, Focus on Economics*.
- Reuters. (2016, 03 15). Retrieved from EU welcomes bold Turkey plan to stop migrants: <http://www.reuters.com/article/us-europe-migrants-eu-idUSKCN0W8111>
- Reuters. (2016, 02 25). Retrieved from Mogherini confident of delivering 3 billion euros: <http://www.reuters.com/article/us-europe-migrants-turkey-idUSKCN0V312F>
- Sputniknews. (2015, Sep 25). Retrieved 02 25, 2016, from Not bad! Germany plans to pay refugees 670 euros monthly: <http://sputniknews.com/europe/20150925/1027544472/germany-pay-refugees-monthly.html>
- Suchanek, P. (25. – 27. 08. 2015). Latest phenomena and FRONTEX activities at the EU external borders. *EMN educational seminar*. Bratislava: IOM Bratislava.
- Tosun, M. S. (2005, 07). *Global Aging and Fiscal Policy with International Labour Mobility*. Retrieved from International Monetary Fund: <https://www.imf.org/external/pubs/ft/wp/2005/wp05140.pdf>
- Tosun, M. S. (2009, May). *Global Aging and Fiscal Policy with International Labour Mobility: A Political Economy Perspective*. IZA DP No. 4166.
- United Nations. (n.d.). Retrieved 02 15, 2016, from Geneva Convention on Protection of the Refugees: <http://www.ohchr.org/EN/ProfessionalInterest/Pages/StatusOfRefugees.aspx>
- United Nations Population Division. (2003). *World Population Prospects. The 2002 Revision, ESA/P/WP*. New York: United Nations Population Division. Retrieved from World Population Prospects. The 2002 Revision, ESA/P/WP. 180.

Received for publication: 09.04.2016
Revision received: 18.06.2016
Accepted for publication: 12.12.2016

How to cite this article?

Style – APA Sixth Edition:

Ujvary, K. (2017, Jan 15). Effects of Migration on European Economy. (Z. Cekerevac, Ed.) *MEST Journal*, 5(1), 135-142. doi:10.12709/mest.05.05.01.16

Style – Chicago Sixteenth Edition:

Ujvary, Kristian. " Effects of Migration on European Economy." Edited by Zoran Cekerevac. *MEST Journal* (MESTE) 5, no. 1 (Jan 2017): 135-142. doi:10.12709/mest.05.05.01.16

Style – GOST Name Sort:

Ujvary Kristian Effects of Migration on European Economy [Journal] // *MEST Journal* / ed. Cekerevac Zoran. - Belgrade - Toronto : MESTE, Jan 15, 2017. - 1 : Vol. 5. - pp. 135-142.

Style – Harvard Anglia:

Ujvary, K., 2017. Effects of Migration on European Economy. *MEST Journal*, 15 Jan, 5(1), pp. 135-142.

Style – ISO 690 Numerical Reference:

Effects of Migration on European Economy. **Ujvary, Kristian**. [ed.] Zoran Cekerevac. 1, Belgrade - Toronto : MESTE, Jan 15, 2017, *MEST Journal*, Vol. 5, pp. 135-142.