

# Fiscal Impact of EU Migrants in Austria, Germany, the Netherlands and the UK

European Citizen Action Service  
Brussels, October 2014

# FISCAL IMPACT OF EU MIGRANTS IN AUSTRIA, GERMANY, THE NETHERLANDS, AND THE UK

---

The study was elaborated by Mr. Latchezar Bogdanov (Economist), Mrs. Assenka Hristova (Economist), Mr. Krasen Yotov (Economist), Mrs. Elisa Bruno (Political Scientist), Mr. Anthony Valcke (Lawyer), Mr. Tristan Barber (Proofreader).

The study was reviewed by Prof. Dr. Jan Van Hove, professor of European and international economics at the European University College Brussels (EHSAL), partner of the Association K.U. Leuven.

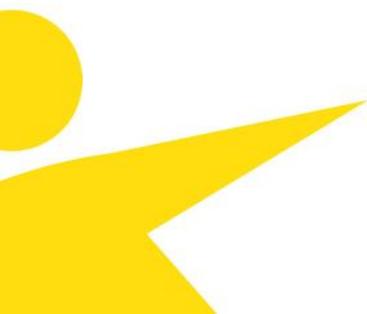
Graphic design: Francois Bellens (2BCOM.eu)

Copyright of ECAS

All rights reserved. No part of this publication may be reproduced, stored on a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without the prior written permission of the author.

©2014 European Citizen Action Service

This work is supported by the European Programme for Integration and Migration (EPIM). The sole responsibility for the content lies with the author(s) and the content may not necessarily reflect the positions of NEF, EPIM, or the Partner Foundations.



## EXECUTIVE SUMMARY

---

The recent decade marked two quite important trends in the economic landscape of the European Union. The first one was the expansion of the Union to include former Soviet bloc countries, including the big enlargement of 2004 followed by the accession of Bulgaria and Romania in 2007. This was a huge challenge for the EU, as the impact of opening the economic space to markets so divergent in terms of economic development was largely unknown.

The economic impact of the EU enlargement started to unravel, to a great extent, amidst the global financial crisis and the ensuing recession in Europe. This was a period of significant strain for public finances. Weak economic activity, increased unemployment combined with the relatively wide social welfare protection in most EU countries resulted in a sharp worsening of the fiscal balance. In fact, social expenditure (including old-age pensions) currently takes more than half of all government spending in most EU countries. As a share of GDP, its share has gradually grown to exceed 30%. In some countries, the last five years saw an increase in social expenditure of 5 percent (of GDP).

At the same time, in recent years the free movement of people in the EU has gained speed. It has been facilitated by the gradual removal of all barriers to the employment of workers from the new Member States which were applied to a different extent by some of the old Member States. As a result, the number of EU migrants increased substantially between 2005 and 2013. By 2013, there were 13.7 million EU citizens living in another EU country, which is 2.7% of the entire population of the Union.

This raises the valid question about the impact of the free movement of people on the economy of the destination country. Migrants change the demographic profile of cities and regions, they affect the labour market, they pay taxes and they claim benefits. The evaluation of the net fiscal impact of non-native EU-citizens residing in other EU countries is a complex task, requiring a number of credible key assumptions, detailed data on various items of public spending and revenues, in addition to precise information on migration flows and population, and this information is not always available. Most of the recent studies suggest that immigrants have a rather small impact on the host country's public finances. Notwithstanding the methodologies used, coverage or assumptions, the bulk of academic research estimates the net fiscal impact of immigrants to vary in the range of  $\pm 1\%$  of GDP.

The fiscal impact of migrants depends, to a great extent, on the way social security systems are financed; there is a different mix of social security contributions and general taxation in each EU country. The reliance on these contributions has been gradually eroding, as less than half of the social expenditure can be covered by the contribution. This is a result of both the introduction and enlargement of non-contributory benefit schemes and the demographic challenges faced by the health and pension systems in most countries. Moreover, even supplementing social contributions with personal income tax revenues cannot cover the entire cost of the welfare systems. The revenues from social contributions together with the taxes on individual or household income were 21.7% of GDP in EU-27 in 2005, and remained relatively stable throughout the years until 2012 when they reached 22.5% of GDP, according to Eurostat. At the same time, total social expenditure stood at 27% of GDP in the EU-27 in 2004, while in 2010 it exceeded 29%. The transfer from other government revenue (i.e. other taxes and levies) grew from 5.3% to 7.1% between 2005 and 2011. If direct taxes and contributions alone are taken into account, a typical employee in the EU is a net beneficiary of the social security system.

This study was undertaken to estimate some aspects of the net fiscal impact of EU migrants in four EU countries – Austria, Germany, the Netherlands and the United Kingdom. The report outlines the role of migrants from EU countries as participants in the labour market, as taxpayers and as benefit recipients also.

With regard to social expenditures received by EU migrants, the study focuses on public spending according to key benefit functions. All major social programs are included – pension, health, and social protection – as reported by national governments and Eurostat. These schemes include benefits that are both contributory (e.g. pensions) and non-contributory (e.g. income support). With regard to the contribution of EU migrants to national budgets, we estimate both the direct and indirect taxes, which can be attributed to the migrant population. In regard to direct taxes, we estimate taxes on labour including personal income tax and social security contributions. Indirect taxes are levied on consumption (both VAT and other duties such as fuel, tobacco, alcohol taxes, etc.). As the migrants are living in the destination country, they consume goods and services and therefore contribute to the overall fiscal revenues.

Through communication with the various institutions responsible for revenue collection and different benefit payments in each country, and after a review of the limited information available, it was revealed that there are no statistical databases, which keep the nationality (citizenship) of individual contributors or recipients. Therefore, these government institutions could not deliver actual data on contributions and outlays related to EU-migrants in the respective country.

Therefore, the study can provide an expert estimate which relies on available statistical data. The key variables that we used include:

- Data on the migrant population, including age structure and level of education.
- Data on migrants' behavior on the labour market, including participation, employment and unemployment rates.
- Data on average income of migrants and the local population.
- Data on income and living conditions, including the share of migrants who are at risk of poverty.
- Data on total public expenditure on the major types of benefits.
- Data on wages by occupation.
- Data on total tax revenues from direct and indirect taxes.
- Data and estimates on the age determinants of some benefit programs.

The study also uses several key assumptions when precise calculation is not possible. Whenever possible, conservative assumptions were used. These, for example, include the assumption that all migrants who are unemployed have claimed unemployment benefits at an amount equal to the country average, or that migrants have equal access to healthcare services that country nationals enjoy.

About 810 000 EU citizens moved to Germany during 2005-2013, and there were more than three million EU citizens living in Germany as of 2013. The Netherlands is home to 380 000 non-Dutch EU citizens in 2013. Their number has increased by 63%, or 148 000, between 2005 and 2013. EU citizens living in Austria have almost doubled from 2005-2013, reaching 415 000. The United Kingdom had more than 2.4 million EU citizens in 2013, as their number has more than doubled since 2005.

EU migrants between 20-44 years old make up half or more than half of all EU migrants in Germany, the Netherlands, Austria and the United Kingdom. For example, 49% of EU migrants in Germany are between 20 and 44 years old. Moreover, EU migrants are on average younger than the native population. In the Netherlands, as low as one-third of the total population is between 20 and 44 years old, while 58% of the EU migrants living in the country are in this age group.

Overall, the share of people under 18 years old is lower among EU migrants than the native population in each of the four EU countries. For example, children make up just 10% of the migrant population in Germany compared to 17% of the total population. The situation in the Netherlands is similar: the under-18 population of EU migrants is 13%, while the same age group makes up 22% of the total population.

EU migrants consist, on average, of people with higher education than the population of the country they move into. People with a university-level education are more prevalent among EU migrants when compared to the total population. 28.7% of the migrants coming from EU member states have university degrees as opposed to just 24.2% of the total population of the receiving country. The differences are especially pronounced in Austria and the United Kingdom. For example, in Austria 17% of the total population have a university-level degree compared to 30% of the EU migrants there.

Furthermore, employment rates for EU migrants are higher (68%) than the population (64%) of the entire EU. Employment rates are only slightly lower for EU immigrants compared to the local population in the Netherlands and Germany. On the other hand, employment rates are higher for EU migrants in Austria and particularly in the United Kingdom. 76.6% of the working age EU migrants are employed in the UK as opposed to 70.8% of the total population. These statistics largely confirm that job opportunities are the main driver of migration within EU.

The fiscal contribution of EU foreigners has increased substantially in the past several years. Compared to 2009, in 2013 EU migrants paid 31% more in direct taxes as their wages increased and more EU workers found employment opportunities in Austria, Germany, the Netherlands, and the UK. As migration accelerated, EU foreigners also paid 44% more on indirect taxes, as they spent more on consumer purchases.

EU foreigners in Austria, Germany, the Netherlands and the UK received 35% more benefits than they did in 2009, due to the overall expansion of the welfare state in addition to the inflow of EU migrants.

In Austria, EU migrants paid 70% more taxes in 2013 than they did in 2007. Over the same time period, benefits received by EU citizens in Austria have more than doubled. However, EU migrants in Austria receive fewer benefits compared to the typical Austrian household. EU migrants claim just 2.6% of total benefits, although they make up 4.9% of the total population. EU citizens in Austria receive fewer sickness and health, disability, old-age and survivors' benefits than the typical Austrian. On the other hand, EU migrants in Austria are twice as likely to claim unemployment benefits and also receive relatively higher amounts of family/children and housing benefits. Despite this, however, the net fiscal contribution of EU migrants in Austria was still positive at €2.59 billion, as total taxes paid exceeded total benefits received in 2013. Even if we exclude pensions from the calculations, the net fiscal impact of EU migrants was positive in 2013, at €627 million.

From 2007, total taxes paid by EU migrants in Germany were up by €9.5 billion (31%) in 2013. Benefits received by EU citizens have gone up by 51%. Still, EU migrants in Germany are less likely to receive benefits than the average German. EU foreigners make up 3.7% of the total population, but they claim just 1.9% of the total benefits. EU migrants in Germany are more likely to claim unemployment benefits, but are less likely recipients of sickness, health and disability benefits. EU migrants have made a positive contribution to the German government budget, as they paid €40.1 billion in taxes and received €14.8 billion in benefits in 2013. EU migrants had a positive fiscal impact of €11 billion in 2013 even if we exclude old-age pensions from the calculation.

In the Netherlands, total taxes paid by EU citizens amounted to €477 million in 2013, which is 15% higher than it was in 2009. At the same time, EU migrants received 39% more benefits. EU migrants in the Netherlands received 1.1% of the total benefits, although they made up 2.3% of the population in 2013. EU migrants claimed fewer health and old-age benefits than the average Dutch citizen, but tended to receive more unemployment benefits, as joblessness was slightly higher than average. Still, EU citizens made a positive net contribution to the Dutch government budget amounting to €1.5 billion in 2013. If we neglect old-age pensions, the fiscal contribution of EU foreigners in the Netherlands was negative in 2013, as EU migrants received €350 million more benefits (excluding old-age and survivors' benefits) than they paid in direct taxes (excluding old-age pension contributions).

In the UK, EU foreigners paid almost 50% more taxes in 2013 than they did in 2009, but they also claimed 45% more benefits during the same period. Still, EU foreigners in the UK are half as likely to receive benefits than the total population. EU migrants constitute 3.8% of the total population but receive just 1.9% of the total benefits. EU migrants tend to claim fewer sickness benefits than the typical local citizen and less than 1% of all old-age and survivors' benefits. They are also less likely to claim child benefits but are more likely recipients of unemployment benefits than the typical local citizen. Overall, however, EU citizens had a positive impact on the UK government budget, as the taxes they paid exceeded benefits received by €7.7 billion in 2013. The fiscal contribution of EU migrants was still positive (close to €600 million in 2013), if we exclude pensions from the calculation.

The study outlines several trends and key findings that can help us to understand the role of EU migrants with respect to fiscal revenues and expenditures:

- As migration intensified, both fiscal revenue and social expenditure on EU migrants has grown in the past few years.
- From a demographic perspective, migration consists mostly of people in the 20-44 age group; the migrants are generally younger with fewer children and their main objective is to find jobs. Moreover, their overall education level is equal or higher than the average for the destination country.
- The demographic profile suggests that migrants tend to receive significantly less in benefits that are linked to age and health.
- Migrants are active on the labour market as both employment and unemployment rates are higher than those for the country nationals.
- On the labor market, migrants tend to receive lower wages. Moreover, they are more likely to be at risk of poverty and therefore claim means-tested benefits. At the same time, lower income typically translates to lower fiscal contributions (through taxes on employment).

In conclusion, in all four countries, EU migrants made a positive contribution to the government budget, as the total taxes they paid exceeded the total benefits they received during 2007-2013 period. This is true for Austria, Germany and the UK, even if pensions are excluded from the calculation. The only exception is in the Netherlands, where the fiscal contribution of EU foreigners was negative because old-age pensions were not taken into consideration.

## LIST OF TABLES

---

Table 1: DWP working age benefit claimants in the UK, as of February 2014 .....	23
Table 2: Personal expenditure on health by age in Austria, 2011 (in EUR million) .....	28
Table 3: Healthcare costs for EU-27 foreigners by age group.....	29
Table 4: Number of disabled persons with 50% disability or more, in thousands .....	30
Table 5: Estimate of disabled persons from EU-28 countries residing in Germany .....	31
Table 6: Share of population at-risk-of poverty, country nationals, as a percent .....	32
Table 7: Share of population at-risk-of poverty, EU nationals (EU-27 prior to 2008, EU-28 since 2009), as a percent.....	32
Table 8: Difference in population at-risk-of poverty rates (EU-foreigners-to-country nationals, as a percent).....	33
Table 9: Benefits received by EU migrants in Austria (in EUR million) .....	42
Table 10: Benefits received by EU migrants in Austria (as a percent of total benefits) .....	43
Table 11: Benefits received by EU migrants in Germany (in EUR million).....	44
Table 12: Benefits received by EU migrants in Germany (as a percent of total benefits) .....	45
Table 13: Benefits received by EU migrants in the Netherlands (in EUR million) .....	47
Table 14: Benefits received by EU migrants in the Netherlands (as a percent of total benefits).....	48
Table 15: Benefits received by EU migrants in the UK (in EUR million).....	49
Table 16: Benefits received by EU migrants in the UK (as a percent of total benefits).....	50
Table 17: Personal income taxation in Austria.....	56
Table 18: Social insurance contributions in Austria .....	57
Table 19: Fiscal contribution of EU migrants in Austria .....	60
Table 20: Personal income taxation in Germany .....	61
Table 21: Social insurance contributions in Germany.....	62
Table 22: Fiscal contribution of EU migrants in Germany.....	65
Table 23: Personal income taxation in the Netherlands .....	66
Table 24: Social insurance contributions in The Netherlands .....	67
Table 25: Fiscal contribution of EU migrants in the Netherlands.....	69
Table 26: Personal income taxation in the UK .....	70
Table 27: Social insurance contributions in the UK.....	70
Table 28: Fiscal contribution of EU migrants in the UK.....	73
Table 29: Net fiscal impact of EU migrants in Austria (in EUR million).....	75
Table 30: Net fiscal impact of EU migrants in Germany (in EUR million) .....	76

Table 31: Net fiscal impact of EU migrants in the Netherlands (in EUR million) .....	77
Table 32: Net fiscal impact of EU migrants in the UK (in EUR million) .....	78
Table 33: Social protection systems in Austria.....	83
Table 34: Social expenditure in EUR and as a percentage share of GDP in Austria.....	84
Table 35: Estimated average levels of most common benefit payments in Austria .....	85
Table 36: Social contributions, as a percent of labour income in Austria .....	87
Table 37: Social insurance contributions in Germany .....	88
Table 38: Typical (most common) contributions on labour income in the Netherlands .....	91
Table 39: National insurance contributions in the UK.....	94



## LIST OF CHARTS

---

Chart 1: Social contributions and employment tax revenues in Germany.....	11
Chart 2: Social contributions and employment tax revenues in the Netherlands.....	11
Chart 3: Social contributions and employment tax revenues in Austria .....	12
Chart 4: Social contributions and employment tax revenues in the UK.....	12
Chart 5: Share of population claiming benefits, in the UK as of February 2014 .....	24
Chart 6: Annual per capita healthcare cost by age .....	27
Chart 7: Healthcare costs and age, Austria 2011 .....	29
Chart 8: Number of EU migrants in 2005 and 2013 .....	36
Chart 9: Share of EU migrants as a percent of total population .....	37
Chart 10: Share of people 20-44 years old in 2013.....	37
Chart 11: Share of people under the age of 18 in 2013.....	38
Chart 12: Share of people aged 65 years or older in 2013.....	38
Chart 13: Percentage of population with higher education in 2013 .....	39
Chart 14: Employment rates in 2013 .....	40
Chart 15: Unemployment rates (annual average, as of mid-2014).....	40
Chart 16: Share of different types of personal income in total personal income (based on mean gross personal income), Austria, 2012 .....	51
Chart 17: Share of different types of personal income in total personal income (based on mean gross personal income), Germany, 2012.....	52
Chart 18: Share of different types of personal income in total personal income (based on mean gross personal income), the Netherlands, 2012 .....	52
Chart 19: Share of different types of personal income in total personal income (based on mean gross personal income), the UK, 2012.....	53
Chart 20: Benefit income, in EUR per year, 2012.....	53
Chart 21: Mean personal income from non-age related benefits, 2012.....	54
Chart 22: Contribution of EU migrants to direct taxes in Austria.....	58
Chart 23: Contribution of EU migrants to indirect taxes in Austria.....	59
Chart 24: Contribution of EU migrants to direct taxes in Germany .....	63
Chart 25: Contribution of EU migrants to indirect taxes in Germany .....	64
Chart 26: Contribution of EU migrants to direct taxes in the Netherlands .....	68
Chart 27: Contribution of EU migrants to indirect taxes in the Netherlands .....	69
Chart 28: Contribution of EU migrants to direct taxes in the UK .....	72
Chart 29: Contribution of EU migrants to indirect taxes in the UK .....	73

## INTRODUCTION

---

The recent decade marked two quite important trends in the economic landscape of the EU. The first one was the expansion of the Union to include former Soviet bloc countries, including the big enlargement of 2004 followed by the accession of Bulgaria and Romania in 2007. This was a huge challenge for the EU, as the impact of opening the economic space to markets so divergent in terms of economic development was to a great extent unknown. In particular, the creation of a common labour market in an economic area where nominal wages differed five- or even ten-fold was seen as a great experiment by many. At the same time, social security systems, or the so-called 'welfare state' in countries differed substantially. Each member state has its own policy in regard to labour legislation, social benefits, access to public goods and income transfers.

The economic impact of the EU enlargement happened to a great extent amidst the global financial crisis and the ensuing recession in Europe. Weak economic activity, combined with the relatively wide social welfare protection in most EU countries, resulted in a sharp worsening of the fiscal balance. Social expenditure (including old-age pensions) takes more than half of all government spending in most EU countries. As a share of GDP, it has gradually grown to exceed 30%. In some countries, the last five years saw an increase in social expenditure of five percent of GDP.

The financing of social spending is becoming an ever-growing concern. The reliance on social security contributions is gradually eroding, as less than half of social expenditures can be covered by contributions. This is a result of both the introduction and enlargement of non-contributory benefit schemes and the demographic challenges faced by the health and pension systems in most countries. Moreover, even supplementing social contributions with personal income tax revenues cannot cover the cost of the welfare systems. In other words, taxes on labour are far from sufficient to finance the cost of benefits that are available to the population as a whole. Thus, the typical employee is a net beneficiary of the social security system if the taxes on labour alone are taken into account.

### BOX: FINANCING SOCIAL EXPENDITURE

The financing of social benefits varies significantly across countries. In EU countries it is a different mix of social security contributions and general taxation. Typically, social contributions are levied on labour income. Both employers and employees pay but each country decides differently on how to spread the cost. Some countries have created separate social security (or insurance) funds to collect the revenue and thus finance various benefit schemes. Others levy payroll contributions which then go into the general government revenue. In all cases, financing through social contributions depends on the employment rates and the level of income to be taxed. Income tax on labour income is also directly dependent on the employment status and the income level of the person.

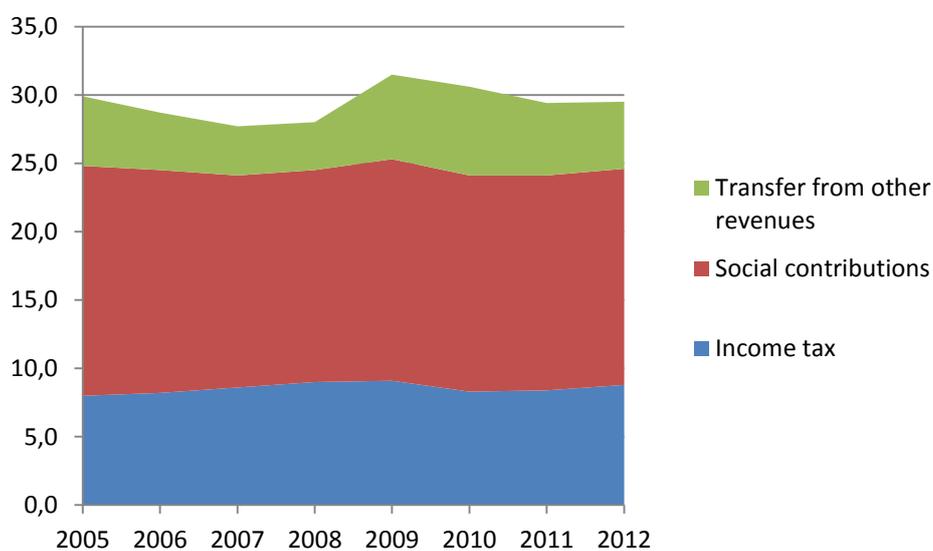
As data shows, social contributions alone are far lower than the social expenditures in the EU. Even after adding the income tax, the revenue from direct taxation falls short of the total amount of benefit spending. The revenues from social contributions together with the taxes on individual or household income were 21.7% of GDP in the EU-27 in 2005, and remained relatively stable throughout the years until 2012, when they reached 22.5% of GDP, according to Eurostat. At the same time, total social expenditure stood at 27% of GDP in the EU-27 in 2004 while it exceeded 29% in 2010. The transfer from other government revenue (i.e. other taxes and levies) grew from 5.3% to 7.1% between 2005 and 2011. This means that taxes levied on labour income as a whole

were insufficient to cover the cost of the social benefit programs. This transfer amounted to from one-fifth to one-sixth of the total social expenditure.

The dynamics across countries show a different path. We can see similar developments in Germany and Austria. Both countries kept their social expenditure levels steady between 2005-2012 apart from a minor decrease in Germany and a slight increase in Austria. Also, despite the adverse effect that the global crisis had on the labour market, the transfer from other taxes that was necessary to finance the difference between social expenditure and employment income taxes was kept at low levels of around 5% of GDP.

In the UK and the Netherlands, on the other hand, social expenditure as a share of GDP grew during that period. At the same time, the transfer from other taxes was much larger in 2005 (8% and 8.4% of GDP respectively) and further increased until 2011-2012 to exceed 10% of GDP in the UK, or more than one-third of the total amount of social spending.

**Chart 1: Social contributions and employment tax revenues in Germany**



**Chart 2: Social contributions and employment tax revenues in the Netherlands**

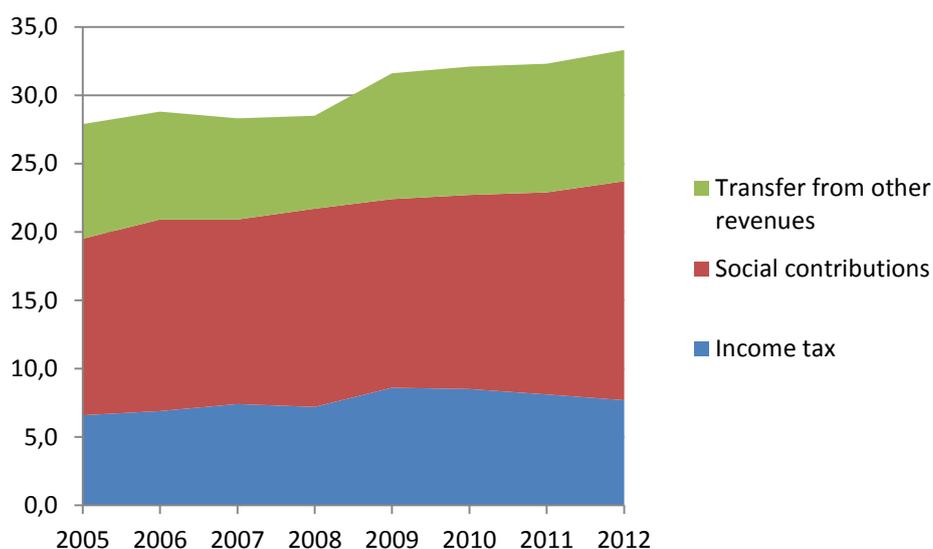


Chart 3: Social contributions and employment tax revenues in Austria

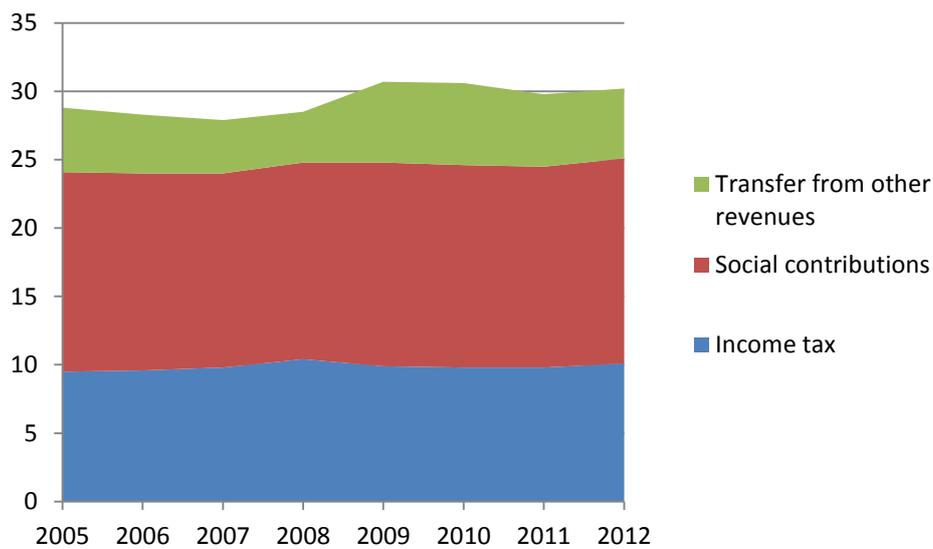
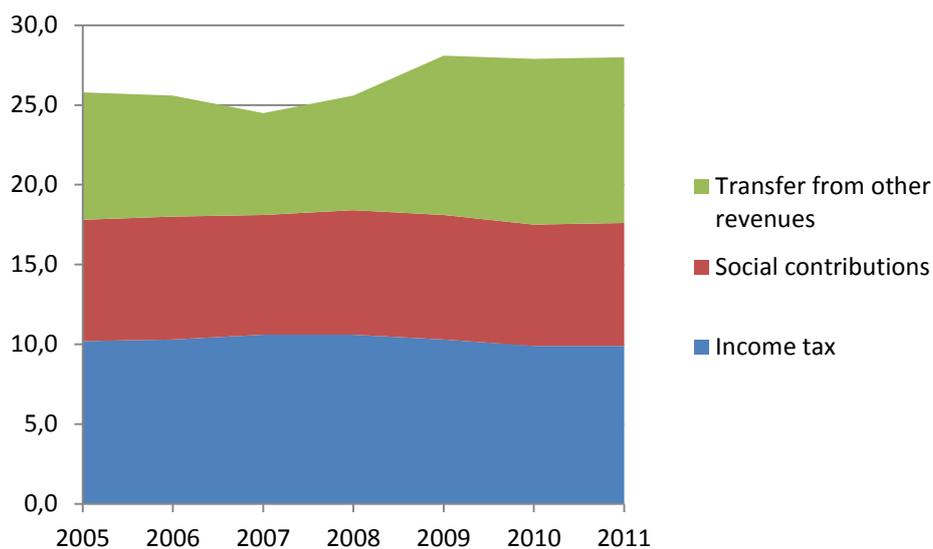


Chart 4: Social contributions and employment tax revenues in the UK



Source: Eurostat, data on government revenue and expenditure, data on social protection

The free movement of people in the EU, on the other hand, is gaining speed. It is being facilitated by the gradual removal of all barriers to the employment of workers from the new member states which were applied to a different extent by some of the old member states. As a result, the number of EU migrants increased substantially between 2005 and 2013. In 2013 there were 13.7 million EU citizens living in another EU country, or 2.7% of the entire population of the Union.

This raises a valid question on the impact of the free movement of people on the economy of the destination country. Migrants change the demographic profile of cities and regions, they affect the labour market, they pay taxes and they claim benefits.

A closer look at some key demographic and behavioral characteristics of EU migrants provides some interesting insights into their role in the economy. Migrants are on average younger than the native population. They consist mostly (more than 50%) of people between the ages of 20-44; both children and elderly people are a much smaller proportion compared to the average share in the receiving country as a whole. On average, EU migrants also have a higher level of education than the population of the country they move into. With regards to their economic activity, they have both higher employment and unemployment rates, which reflects their much higher participation in the labour market.

The objective of this study is to estimate the net fiscal impact of EU migrants in four countries within the EU. As this is quite an ambitious task, the research team has tried to limit the scope of the study to several major effects because measuring overall impact presents substantial challenges.

With regard to social expenditures received by EU migrants, the study focuses on public spending according to key benefit functions. All major social programs are included—pension, health, social protection—as reported by national governments and Eurostat. These schemes include benefits that are both contributory (e.g. pensions) and non-contributory.

With regard to the contribution of EU migrants into national budgets, we estimate both direct and indirect taxes which can be attributed to this population. Within direct taxes, we estimate the taxes on labour, i.e. personal income tax and social security contributions. The indirect taxes are levied on consumption (both VAT and other duties such as fuel, tobacco, alcohol taxes, etc.). As the migrants are living in the destination country, they consume goods and services and therefore contribute to the overall fiscal revenues.

The study does not attempt to estimate the fiscal implications of the dynamic effects of EU migration. Various studies have tried to measure the effect that migrants have on the productivity, competitiveness and overall growth in the economy of the destination country. All of these effects in turn increase the taxpayers' base as a whole and thus fiscal revenue. At the same time, the influx of new people might require the “production” of additional quantities of public goods such as police, infrastructure, administrative service, etc. Though most of these are thought of as fixed costs (i.e. not directly linked to the number of people in the country), a significant increase in population might in fact increase public spending.

In short, this report outlines the role of migrants from EU countries as part of the labour market, as taxpayers and also as benefit recipients. Based on information on population dynamics, demographic characteristics, participation on the labour market, and the existing tax and benefits regulatory frameworks, this study estimates the net fiscal impact of EU migrants in four EU member states—Austria, Germany, the Netherlands and the United Kingdom.

## REVIEW OF OTHER SIMILAR STUDIES

---

This section provides an overview of recent studies in an attempt to outline the methodological approaches and main findings in estimating the fiscal impact of intra-EU migration flows. The overview is focused particularly on studies providing a measurement of the net fiscal impact of migration, specifically on those covering the period since the onset of the recent global economic crisis.

The evaluation of the net fiscal impact of non-native EU citizens residing in other EU countries is a complex task, requiring a number of credible key assumptions, detailed data on various items of public spending and revenues, as well as precise information on migration flows and population, and this information is not always available. This complexity and the existing data limitations probably explain the limited amount of research that provides substantial evidence on immigrants' fiscal implications, as opposed to the availability of studies dealing with labour markets and the macroeconomic impact of migration.

Most of the existing studies evaluate the fiscal impact of broader immigration inflows into a given country or group of countries, often differentiating between humanitarian and labour market immigrants, or foreign-born immigrants and native-born foreign nationals. Some studies focus on immigration from high-income countries as opposed to those from low-income countries. There are also studies distinguishing between immigrants from the European Economic Area (EEA) countries and from countries outside the European Economic Area (non-EEA). Only a limited number concentrate on certain sub-groups of intra-EU immigrants, for example immigrants from CEE countries that joined the EU in 2004 (A8) or in 2010 (A2).<sup>1</sup>

Part of the existing studies concentrate only on immigrants' propensity to use government welfare programs compared to native-born populations,<sup>2</sup> while others measure their net fiscal impact on public finances.

One important conceptual issue determining the scope of analysis of migration's fiscal effects is the inclusion of second generation immigrants (native-born children of immigrants), as their inclusion is usually related to the estimation of educational cost that could be attributed to immigration. Several studies acknowledge serious methodological limitations in this respect. They are related to the fact that it is relatively easy to identify the second generation immigrants when they are children (under age of 16, living in their parents' household), when they absorb public funds for consumption of educational services. However, due to a lack of data it is an extremely complicated task to estimate the number of second generation immigrants after leaving their parents' households and entering the labour market, when they become taxpayers and make positive fiscal contribution to the public budget.<sup>3</sup> For this reason, most of the studies consider the native-born children of immigrants aged 16+ as natives, thus providing for a systematic underestimation of the real net fiscal impact.

In terms of methodology, there are two basic approaches for estimating the net fiscal effect of migration—static and dynamic. The static approach, known as the accounting model, calculates the migrants' fiscal contribution and public expenditures related to immigrants over a given period of time, typically a year. In other words, the immigrants' net fiscal impact is calculated as the difference between the amount of taxes and social insurance contributions they pay to the public budget and the amount of public funds they absorb. Most calculations consider the annual budget revenues (direct and indirect taxes and social security

---

<sup>1</sup>Dustmann, Frattini and Halls (2010).

<sup>2</sup>See, for example, Riphahn (2004), Barrett and McCarthy (2008), Barrett and Maitre (2011).

<sup>3</sup>For example, see Dustmann and Frattini (2013).

contributions) paid by immigrants and annual public spending including unemployment and social assistance benefits, family allowances, housing support, disability payments, etc. received by immigrants. A notable issue is the inclusion or exclusion of the pension system from the measurement of immigrants' fiscal implications due to the significant time lag between pension insurance contributions and pension benefit payments. Some studies go beyond the direct fiscal transfers and also consider public spending related to immigrants' consumption of different public goods and services, like education, health care, public infrastructure, police, etc. Some authors<sup>4</sup> distinguish between "pure" (with fixed cost for provision largely independent of the number of population) and "congestible" (each additional user imposes external costs) public goods and services. The estimation of the consumption of congestible goods by immigrants and at what cost (e.g. marginal or average) depends entirely on the credibility of assumptions.

The alternative approach in estimating the fiscal impact of immigration is the dynamic evaluation model, which looks at the long-term fiscal implications of immigration and calculates the net present value of the hypothetical life cycle contributions of immigrants.<sup>5</sup> One possible method for quantifying the long-term impact is generational accounting,<sup>6</sup> which calculates the present value of the net taxes (taxes paid minus transfer payments received) that the typical member of each generation and sex can expect to pay in his/her lifetime. Another approach used in literature is the general equilibrium overlapping generations model, allowing for a calculation of the present value of the net fiscal gain of admitting one additional immigrant. The strength of the dynamic model is that it allows for a projection of the lifelong net impact of a given cohort of immigrants on the recipient country's public finances, thus providing strong support for policy design. However, it requires a large number of assumptions about future prospects and the behaviour of immigrants, and about future government policies and decisions, thus imposing a risk on the reliability of the projections.<sup>7</sup>

Most recent studies evaluating the fiscal impact of immigration within EU countries suggest that immigrants have a rather small impact on the host country's public finances. Notwithstanding the methodologies used, coverage or assumptions, the bulk of academic research estimates the net fiscal impact of immigrants to vary in the range of  $\pm 1\%$  of GDP.

An internationally comparative overview of the fiscal impact of immigration, based on the accounting model (OECD, 2013)<sup>8</sup> concludes that, depending on the methodology used and assumptions made, the fiscal impact of immigration is small in terms of GDP (whether positive or negative), usually being limited to 0.5% of GDP. The study finds that out of all 27 OECD countries considered, the net direct fiscal contributions of immigrants are negative only in Germany, France, Ireland, Poland and the Slovak Republic. Age is a factor considered to be a significant determinant of immigrants' implications, as countries with a positive fiscal impact tend to have a younger immigrant population, while countries with older immigrant populations usually have a negative fiscal impact. Another important finding from the study is that the net fiscal position of immigrants is less favorable than that of native-born, mainly driven by the lower taxes and social security contributions paid by immigrants, rather than by a higher dependency on social benefits.

In most countries (with the exception of those consisting of predominantly older migrants), estimates suggest that migrants contribute more in taxes and social contributions than they receive in individual benefits.

---

<sup>4</sup>Loeffholz et. Al. (2004), Dustmann and Frattini (2013).

<sup>5</sup>See Auerbach and Oreopoulos (2000) and Collado et.al. (2004).

<sup>6</sup>Developed by Auerbach, Gokhale and Kotlikoff (1991, 1994).

<sup>7</sup>For a more advanced overview of measurement issues related to the fiscal impact of immigration, see Rowthorn (2008).

<sup>8</sup>Thomas Liebig and Jeffrey Mo, The Fiscal Impact of Immigration on OECD Countries, International Migration Outlook, OECD 2013.

Moreover, when a less favourable fiscal position exists, it is driven mainly by the fact that immigrants often receive lower wages and thus make lower contributions, rather than this being the result of a higher dependence on social benefits (OECD, 2014).<sup>9</sup>

Dustmann and Frattini (2013) provide a large scope and long-term estimate of the EEA immigrants' net contribution to the UK tax and benefit system over the period 1995-2011. Their approach distinguishes between two immigrant populations—all immigrants residing in the UK since 1995 and “recent” immigrants (from 2000 onwards)—as well as between immigrants from EEA and non-EEA countries. The analysis goes beyond the calculation of the difference between direct taxes and social security contributions paid by immigrants and the social benefits and tax credits they receive, and also considers the social housing, the costs of providing different types (“pure” and “congestible”) of public goods and services to immigrants, the immigrants' share in the revenues from indirect taxes (VAT and excise duties), company and capital taxes, council tax payments to local authorities, “business rate” (a tax on non-domestic property paid by businesses), as well as immigrants' contributions to government revenues from interests and dividends and to government's gross operating surplus and rents, etc. The study reveals that:

- Recent immigrants are less likely than natives to draw state benefits or receive tax credits both overall and in comparison to natives with the same age structure, irrespective of the country of origin (EEA and non-EEA). Recent EEA immigrants are over 50% less likely than natives to receive state benefits or tax credits,
- recent EEA immigrants are less likely than UK natives to live in social housing, and
- in all fiscal years considered, both EEA and non-EEA immigrants that arrived in the UK since 2000 have made higher contributions to the country's fiscal system than the natives. Moreover, the recent EEA immigrants consistently have made positive net fiscal contributions, even during the recent period of economic crisis when budget deficits and negative net fiscal contributions of natives were clearly present. For the period 2001-2011 EEA immigrants made a net fiscal contribution of about 22.1 billion GBP (in 2011 equivalency), while the overall net fiscal contribution of natives was a negative figure of 624.1 billion GBP. In relative terms this means that in the same period, EEA immigrants contributed to the UK fiscal system 34% more than they received in transfers and benefits, whereas natives' paid only 89% of what they received to the fiscal system. The authors conclude that immigration since 2000, in particular from the EEA countries, has helped to reduce the fiscal burden for native workers, and contributed to reducing the UK's fiscal deficit.

In an earlier study, a similar methodology was used by Dustmann, Frattini and Halls (2010) in an attempt to evaluate the fiscal implication of migration flows to the UK following the EU accession of 8 Central and East European countries (A8 countries) in 2004. The calculations are based on the static accounting model and consider public transfers in the form of state benefits, tax credits and social housing made to A8 immigrants and to native-born workers against the taxes (direct and indirect) paid, social insurance contributions made by both groups and expenditures for provision of public goods and services. The study concludes that for the period 2005-2009 the influx of A8 immigrants had a positive impact on the UK's public finances, despite the fact that the UK government ran a budget deficit over the period. According to the calculations made, immigrants from the A8 countries who arrived after EU enlargement in 2004 and who have at least one year of residence, and are therefore legally eligible to claim benefits, are 59 per cent less likely than natives to

---

<sup>9</sup>For more details, see “Migration Policy Debate”, OECD, May 2014

receive state benefits or tax credits and 57 per cent less likely to live in social housing. Under all 3 scenarios developed, A8 immigrants are explicitly contributing more to the public purse than receiving, while natives are unambiguously receiving more than they contribute in taxes and social insurance contributions.

Ruist (2014) provides evidence for the substantially positive net fiscal impact of unrestricted immigration from Romania and Bulgaria to Sweden after the 2007 EU enlargement. The study is based on the accounting method and covers all immigrants from Romania or Bulgaria who arrived in Sweden in the period 2007-2010, including second generation immigrants (Swedish-born children of these immigrants). His measurement takes into account direct taxes, student-loan repayments and individual transfers, payroll and consumption taxes, public expenditures for the provision of child care, schooling and health services, elderly and disability care and other public services. The calculations show that in 2011 the net contribution of 2007-2010 immigrants from both countries is equal to one-sixth of the total public sector costs per capita, meaning that the public revenues/costs ratio relating to this group equals 1.30. This result is explained with less social transfers received and less average government spending for those immigrants in comparison to natives. The author concludes that EU15 countries where more well-known languages are spoken have reason to expect even more positive results than Sweden. Differences in welfare sector sizes between countries should make the results more positive in some countries and less positive in others as well. According to his findings, two countries stood out as having unambiguous reason to expect more positive results: the UK and Ireland, as they both shared the advantages of the English language and of their comparatively small welfare sectors. This conclusion also suggests that the UK – where political efforts to reduce future immigration from Romania and Bulgaria are most active in recent years - is in fact the country that has the least reason to reduce it.

A number of studies using dynamic evaluation models provide empirical evidence that immigration could potentially alleviate the burden of the welfare state caused by an aging population.

Collado et.al. (2004) estimate the long-term implication of immigrants on Spanish fiscal policy using the dynamic evaluation model (more specifically, generational accounting). The study clearly indicates that a higher inflow of immigrants would result in a substantially lower fiscal burden for future native generations, especially for countries with aging populations.

A similar approach is used for Germany in Bonin, Raffelhuschen and Walliser (2000). Based on the generational accounting model, their calculations suggest that if the prospective immigrants retain the fiscal behavior of the current migrant residents, their net contribution to the Germany public finances would be positive, lowering the total tax burden for future natives. Moreover, the sensitivity analysis made indicates that the positive impact of immigrants can be strengthened significantly by a selective immigration policy favoring skilled immigrants and supporting their labour market integration. These results have been confirmed in several follow-up studies (Bonin 2002, 2006), estimating the average net contribution to German public finances of EUR2 000 per immigrant. According to Bonin, the immigrants' fiscal contribution stays positive even after accounting for demographic aging in the future (the average net tax payment is EUR11 600 per capita in present value terms).

Some scholars concentrate on the question of whether and how immigrants benefit more than natives from the social system of the recipient country. Brücker et al (2001) explore the differences between the welfare dependency patterns of immigrants and native populations in 11 European countries (Germany, France, the United Kingdom, the Netherlands, Austria, Denmark, Belgium, Greece, Finland, Spain and Portugal) prior to the first wave of EU enlargement. Their simulations show that there is a slightly higher probability of migrants relative to natives to benefit from social assistance and related welfare programs, but that the difference is weak. The authors conclude that some pressure on the welfare programmes of the more generous countries should be expected as a result of increased migration, but the effect is typically moderate.

Defoort and Drapier (2012) evaluate the immigrants' dependence on France's welfare system. Their econometric model shows that, controlling for different characteristics between natives and migrants, overdependence of immigrants (and especially sub-Saharan and north-African migrants) is present only with regard to the unemployment benefits and the minimum guaranteed income. Migrants' dependence on the other disposals of assistance (pensions, family benefits, health reimbursement) is not significantly different from that of the natives.

De Giorgi and Pellizzari (2006) investigated the issue of a welfare migration magnet across the EU-15 countries. Their empirical analysis suggests that there is a significant but small effect of the generosity of the welfare system on decisions to migrate. Although there could be a migration magnet across the EU countries as a result of the generosity of the welfare systems, the estimates indicate that the size of these welfare magnets is relatively low compared to the role of labour market conditions, such as the unemployment rate and the level of wages.

As a conclusion, the above findings suggest slightly positive or neutral net fiscal impact from immigration, meaning that they do not support a strong case against large-scale inflows.

### Data on actual contributions and benefits according to citizenship

One of the key factors which affects the scope and method of estimating the fiscal impact of EU migration is the availability of detailed statistical information. In other words, it was essential to find data on both income taxes and social contributions revenues and expenditures on social benefit programs (including benefit fraud).

During our research, we reviewed the publications and databases within public institutions, including governmental agencies and statistical bodies. We also identified key institutions that were responsible for revenue collection and the administration of various benefit payments. The findings are presented in the following paragraphs.

The review included several steps:

- In each country we identified the relevant institutions.
- We surveyed the data they collected and published for general use.
- We contacted the national statistical institutes to make inquiries about the potential sources of data on the topics of interest.
- We requested information from a list of institutions following the freedom of information rules which applied in each country.

The research team identified two major types of institutions: revenue collection institutions (i.e. tax offices) and institutions that were responsible for managing and distributing different benefit schemes.

The revenue agencies were asked to provide information on the total amount of revenue from direct taxes for two major groups of taxpayers: the citizens of the country in question and all EU-nationals who are obliged to pay taxes in the country. The request noted a distinction between personal income tax and social security contributions.

The social benefit institutions were asked about the number of benefit claimants, the total amount of benefit expenditures and identified cases of benefit fraud. The benefit recipients were divided into citizens of the country in question and all EU-nationals who claim benefits.

The list of institutions to be contacted was compiled after a study of the legal framework regulating taxation and social systems in each country. The requests for data from the national statistical institutes confirmed that the identified institutions were the potential primary source of information.

The correspondence that followed proved that none of the official government institutions collects data on the citizenship of taxpayers or benefit recipients through a process that would allow for the statistical use of such information. The answers of the institutions which confirm that conclusion are briefly discussed below.

In the UK we contacted HM Revenue & Customs (HMRC) as the institution responsible for the collection of taxes and other government revenue, and the Department for Work and Pensions (DWP) as the institution in charge of extending social benefits.

The HMRC was asked through a standard Freedom of Information Act request to provide information, if available, on the income tax and national insurance contributions collected from EU-nationals who are not UK citizens but are taxpayers in the UK. In due time, the institution replied that “An individual’s country of citizenship does not in itself affect their UK tax liabilities and so information on this is not collected systematically.”

The DWP confirmed that, “The Department checks the nationality and immigration status of benefit claimants to ensure the benefit is paid properly and to prevent fraud. While this information is used, it is not recorded as part of the benefit payment administrative systems. To consider the information request would require scrutiny of clerical records for all benefit recipients to identify those who are UK citizens and those who are citizens of other EU countries, and then collate that information. Because no central record is kept, this information could only be provided by examining individual investigation files.” The DWP however pointed us to a publication that partially provides information on the matter: “National Insurance number allocations to adult overseas nationals entering the UK”(which is briefly presented later in this report). It also mentions its own assessment on benefit fraud<sup>10</sup> though it does not distinguish according to nationality.

In Austria we contacted the Federal Ministry of Finance (Bundesministerium für Finanzen). They did not provide the requested information nor did they comment on the reasons for their nondisclosure.

The Federal Social Ministry (Bundesministerium für Arbeit, Soziales und Konsumentenschutz) replied that, “unfortunately, [they] did not have any administrative data showing a detailed picture of social expenditure for migrants.” They pointed us to two assessments done by their ministry, “AusländerInnen und der Sozialstaat Österreich”, and “Sozialleistungen und –beiträge von ausländerinnen 2011”, discussed briefly in this report. They are both based on data from the Eurostat Statistics on Income and Living Conditions (SILC) survey for 2008 and 2011 respectively. Additionally, Statistik Austria confirmed that no statistical body in Austria keeps data on the citizenship of its benefit recipients.

In Germany, the Federal Central Tax Office (Bundeszentralamt für Steuern) replied that there is no central database on the tax receipts which come from individuals.

The Federal Labour and Social Ministry (Bundesministerium für Arbeit und Soziales) acknowledged the receipt of the information request but despite further attempts did not send a comprehensive answer.

The Public Information Service of Netherlands replied that all statistical inquiries should be directed at Statistics Netherlands.

The Ministry of of Social Affairs and Employment in the Netherlands advised us to direct the information request to the Employee Insurance Agency in Netherlands (UWV) and the Social Security Bank (SVB) as the institutions who deal directly with benefit payments.

The Employee Insurance Agency in Netherlands (UWV) replied that “Unfortunately a distinction between nationality is not available”, and further sent several links to official statistical data on social programs and expenditures for the total population. The Social Security Bank (SVB) acknowledged the receipt of the information request and answered that they would reply if such information was available; at the date of the publication of this report, no further communication has occurred.

The outcome of the information search confirmed that government institutions responsible for both revenues and expenditures do not keep databases with nationality (citizenship) being one of the key variables. This prevents the extraction of data breakdowns according to citizenship and therefore no actual data is available for in-depth analysis on the contribution and outlays related to EU-migrants in EU member states.

---

<sup>10</sup>“Fraud and error in the benefit system: preliminary 2013 to 2014 estimates”. Department for Work and Pensions, UK Government, 15 May 2014.

## Statistical data on benefits and taxes: Description of data availability

### BOX: FISCAL CONTRIBUTION OF FOREIGNERS IN AUSTRIA (ASSESSMENT BY THE AUSTRIAN MINISTRY OF SOCIAL AFFAIRS)

The Federal Ministry of Labour, Social Affairs and Consumer Protection has made several attempts to measure the fiscal impact of foreigners on the Austrian public finances. Based on the Eurostat SILC 2008 data, it estimated the proportion of Austrians, EU-27 nationals and third country nationals in social security contributions and the monetary benefits. The calculation only includes fiscal revenue collected by contributory schemes (funds), while other taxes are excluded. It also accounts for the monetary benefits alone, which leaves only in-kind benefits to be accounted for (most notably – healthcare, where in-kind sharing of expenses exceeds 75%).

The conclusion was that foreigners are so-called net contributors. Austrians pay 89.3% of all contributions to the contributory social protection schemes, i.e. contributions for pension insurance, health insurance, accident insurance, unemployment insurance and the Family Burdens Equalisation Fund. Their share of the resulting cash benefits is 93.8%. Foreigners pay 10.7% of all contributions (EU nationals pay 4.7%), while they receive only 6.2% (2.5% for EU nationals) of the cash benefits.

An estimate based on the Eurostat SILC data for 2011, which was disclosed to our team, showed a similar picture (see Table 1). Overall, foreigners contribute twice the share in social funds (i.e. contributory schemes) than they receive in benefits. For pensions in particular, they contribute 9.7% of total pension-related contributions, while they receive only 2% of total pension-related expenditure. However, this includes only monetary benefits, which *de facto* excludes health-related costs. Also, it does not distinguish between EU and non-EU foreigners. Other tax contributions, e.g. income tax, are not included in the calculation either.

Table 1: Social contribution and expenditure of foreign citizens residing in Austria, 2011

Fiscal contributions	Country total	Foreign citizens	Share of foreigners
Health	12200	882.1	7.2%
Unemployment	4810	509	10.6%
Pension	24366	2357	9.7%
Accidents	1357	135	9.9%
FLAF contribution	4702	460	9.8%
<b>Total</b>	<b>47435</b>	<b>4343.1</b>	<b>9.2%</b>

Benefit expenditure	Country total	Foreign citizens	Share of foreigners
Sickness	508	41	8.1%
Unemployment	2850	434	15.2%
Pension	39209	802	2.0%
Accidents	380	11	2.9%
Income support, family and children	4892	935	19.1%
<b>Total</b>	<b>47839</b>	<b>2223</b>	<b>4.6%</b>

Source: Federal Ministry of Labour, Social Affairs and Consumer Protection, based on Eurostat SILC 2011 data

### BOX: BENEFIT CLAIMANTS BY CITIZENSHIP (ASSESSMENT BY THE UK DEPARTMENT OF WORK AND PENSIONS)

The UK Department of Work and Pensions (DWP) publishes an annual report on National Insurance Number Allocations to Adult Overseas Nationals Entering the UK.<sup>11</sup> It provides statistics regarding National Insurance Numbers (NINo) allocated to adult overseas nationals entering the United Kingdom (UK). A NINo is generally required by any overseas national looking to work or claim benefits/tax credits in the UK, including the self employed or students working part time.

As the DWP is responsible for administering various benefit schemes, it produces quarterly national statistics of benefit claimants in the UK. Data on nationality is not routinely published as the source systems used to capture and process benefit claims typically do not include a nationality marker. For contributory benefits, nationality is not a qualifying factor, as eligibility is determined by the National Insurance contributions that the claimant has made. For other income-related benefits where residency conditions apply and the claimant must be lawfully resident in the UK, nationality is a factor. Once residency has been determined, nationality is not required for further processing and is therefore not routinely held on DWP computer systems. Therefore, the DWP only provides an estimate of the number of people currently claiming benefits who, when they first registered for a NINo (that is, first entered the labour market), were non-UK nationals.

The key findings of the DWP estimate are as follows:

As of February 2014, 5.3 million people were claiming DWP working age benefits. Of these, 395 000 (7.4%) are estimated to have been non-UK nationals when they first registered for a NINo. This compares with 397 000 (7.0%) in Feb 2013.

Across all DWP working age benefits, 33% of those claimants who were non-UK nationals at the time they first registered for a NINo were from within the European Union.

11.7% of Jobseekers Allowance claimants (as of February 2014) were non-UK nationals at their NINo registration, and of these, 48.4% were from within the European Union.

<sup>11</sup>See: Statistical Bulletin: National Insurance Number Allocations to Adult Overseas Nationals Entering the UK—registrations to June 2014, [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/348047/NINo\\_Analytical\\_Report\\_Aug14.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/348047/NINo_Analytical_Report_Aug14.pdf)

As of February 2014, approximately 15% of working age UK nationals were claiming a DWP working age benefit compared to 7% of working age non-UK nationals.

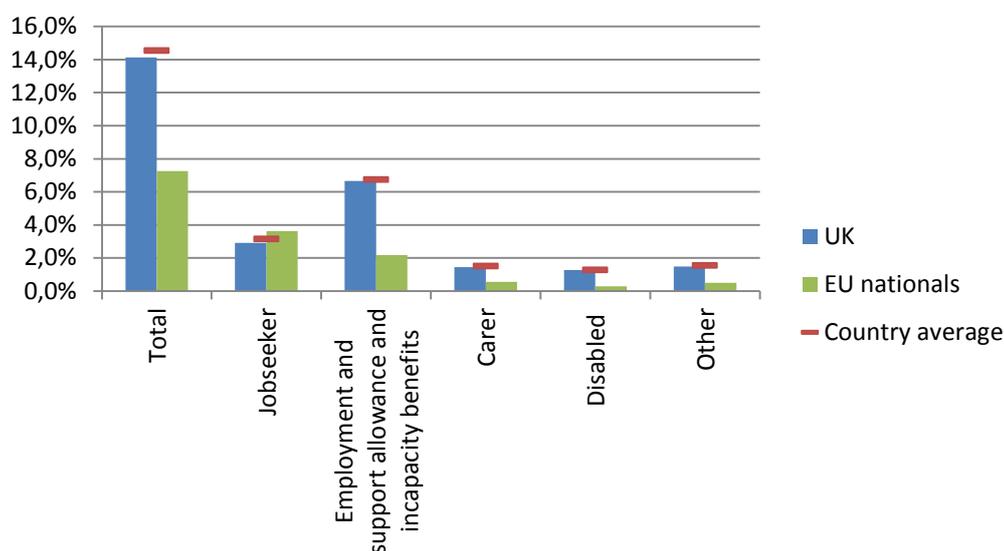
Table 1: DWP working age benefit claimants in the UK, as of February 2014

DWP working age benefits claimants	Total	Jobseeker	Employment and support allowance and incapacity benefits	Lone parents	Carer	Other income related	Disabled	Bereaved
UK	4914	1012	2316	442	499	129	444	72
EU nationals	130	65	39	7	10	2	5	2
Other foreigners	266	69	104	31	36	8	13	5
<b>Total</b>	<b>5310</b>	<b>1146</b>	<b>2459</b>	<b>480</b>	<b>545</b>	<b>139</b>	<b>462</b>	<b>79</b>

Source: DWP

As seen from the benefit claimants and population statistics, EU nationals of working age are on average about 50% less likely to claim a benefit. The only type of benefit they claim more frequently (3.6% of the working age population compared to 2.9 % for UK nationals) is the jobseeker allowance. For other benefits, e.g. income-related support, the share of EU nationals that claim benefits is 2.5-4 times lower than the country average.

Chart 5: Share of population claiming benefits, in the UK as of February 2014



Source: DWP, Office for National Statistics, own calculations

## Macroeconomic approach to assess contribution and expenditure

The initial research confirmed that government institutions collect and keep only a limited scope of actual data on benefits claimed and taxes and contributions paid by EU citizens living in other countries. The methodology for assessment of the net fiscal impact of EU migrants is therefore based upon existing statistical data and several assumptions which will be discussed in the following paragraphs.

### Statistical data – indicators, sources, availability

Data on population. Eurostat and national statistical institutes provide annual data on population in each EU country with a breakdown according to citizenship, age, and level of education.

Data on labour market status. The EU Labour Force Survey (LFS) is a large household sample survey providing quarterly results on the labour participation and non-participation of people aged 15 and over, meaning it includes persons outside the labour force as well. It is conducted by the national statistical institutes in all 28 countries. The survey generates data on employment and unemployment status according to citizenship, age, and education level.

Data on income and living conditions. The European Union Statistics on Income and Living Conditions (EU-SILC) is an instrument aiming to collect multidimensional microdata on income, poverty, social exclusion and living conditions. It is conducted by the national statistical institutes in each country. It provides data on mean income according to citizenship, as well as a breakdown of sources of personal income.

Data on public expenditure on benefits. The European System of Integrated Social Protection Statistics establishes a framework for the collection of data on social protection expenditure in the member states. Eurostat provides access to data on total spending for each major type of social benefit in EU countries.

Data on wages by occupation. The national statistical institutes provide data on average wages according to occupation group and other characteristics.

Data on tax revenues from direct and indirect taxes. Eurostat collects and provides data on the public revenue according to tax type for each member state.

## Key assumptions and calculation approach

To determine social expenditure paid to EU-foreigners we use actual data on total social expenditure by benefit type in each country and then apply a specific set of assumptions to estimate the share of the total spending that is received by them.

### Unemployment benefits

Key assumptions:

- The number of EU-foreigners receiving benefits is equal to the number of unemployed EU-foreigners according to LFS data on unemployment rates.
- Nationals and EU foreigners receive on average equal unemployment benefits.

### Old-age and survivors' pensions

The share of EU-foreigners who receive public pensions is equal to their share in the population aged 65 and older.

The size of the pension benefit that EU migrants receive is about half of the size of the average old-age and survivor benefits for each country. The rationale behind this assumption is based on a few observations. First, EU migrants tend to receive wages that are close or lower than the average wage in these countries (with the exception of the Netherlands). Second, one-third to one-half of the migrant population aged 65 or older in 2013 has settled in the four countries after 2007. Third, statistics on the actual amount of pensions paid to EU migrants in Austria confirm that EU-foreigners receive half of the average pension in the country. According to these observations, if EU migrants qualify at all, they would receive substantially lower pension payments than the average.

### Family and children benefits

The share of non means-tested benefits received by EU-foreigners is equal to their share in the population aged less than 18 years old.

We assume that the best available approximation for determining the eligibility of persons for means-tested benefits is the at-risk-of-poverty rate; the share of means-tested family and children benefits received by EU-foreigners is therefore derived through their share of the population aged less than 18 years old including adjustments for the at-risk-of-poverty rates for nationals and EU foreigners (see the box below).

### Housing and social exclusion

As stated above, we assume that the best available approximation for the eligibility of means-tested benefits is the at-risk-of-poverty rate; the share of means-tested family and children benefits received by EU-foreigners is therefore derived through their share in the total population and including adjustments for the at-risk-of-poverty rates for nationals and EU foreigners (see box below).

## Health and sickness

The health spending per capita is closely related to age, as sickness is related to age.

EU-foreigners and nationals have equal access to healthcare services.

We estimate the age-driven spending differences and the age structure of EU-foreigners and nationals to determine different spending per capita (see box below).

We divide the total health and sickness spending according to the per capita costs.

## Disability benefits

The occurrence of disability per capita is closely related to age.

EU-foreigners and nationals have equal access to disability benefits provided they have equal disability.

We estimate the age-driven spending differences and the age structure of EU-foreigners and nationals to determine the different spending per capita (see box below).

We divide the total disability spending according to the per capita costs.

To determine the direct taxes paid by EU-foreigners, we try to estimate the employment income received by them and the level of taxes applied on this income by using several assumptions.

Based on data on wages in different sectors and occupations and previous research on the matter, we estimate the average wages that EU-foreigners typically receive.

The direct taxes that we analyse include personal income tax and social security contributions levied upon employment income.

To calculate the tax burden we use the most common statutory social security and income tax rates applied to specific levels of income. The sources of information include both the legislation of each country as well as the OECD database on tax policy and burdens on labour income.

To assess the indirect tax contributions of EU-foreigners we estimate their income and their saving and consumption rate.

We use data from Eurostat and individual governments on total revenues from consumption taxes by type of tax.

Based on data from national accounts and government revenues we determine the effective consumption tax rates.

We use data on median income and saving rates to determine the consumption of EU-foreigners.

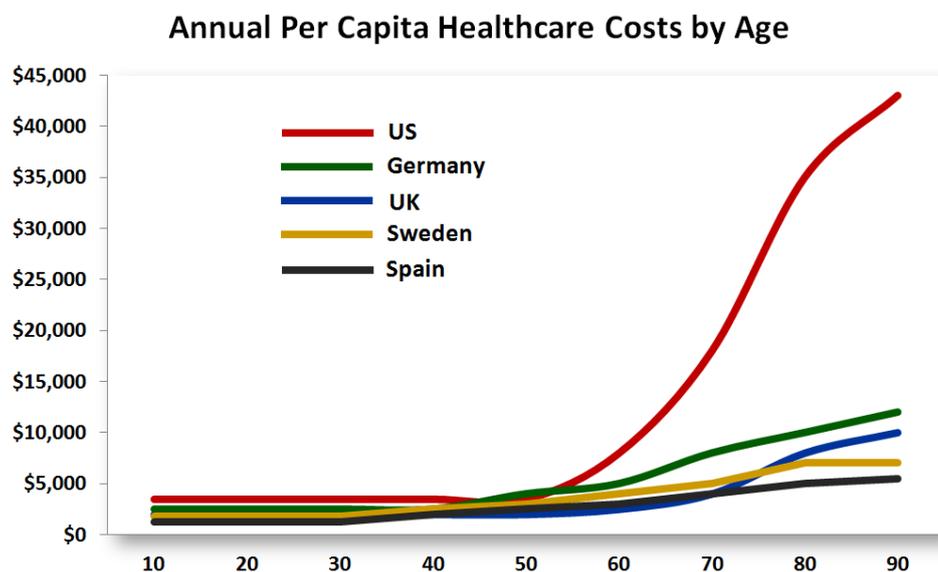
We apply the data to the population of EU-foreigners to estimate their overall contribution through indirect taxes.

### BOX: HEALTHCARE COSTS AND AGE: AUSTRIA

Whereas the factors determining individual health status are numerous and complex, there are various studies which confirm that healthcare costs for the average person in developed countries increase with age. A large amount of cross-sectional data shows a positive relationship between the age of an individual and spending on his/her health care. Empirical evidence, based on data from a set of industrialized countries, shows that total health care provided to the average person

over 65 years old costs from 2.7 to 4.8 times<sup>12</sup> or from 2.8 (Germany) to 5.3 (Japan) times<sup>13</sup> as much as health care provided to the average person aged 0-64. According to the other calculations, 35-50% of total health expenditure is spent on elderly people.<sup>14</sup> Comparative data compiled by professor Paul Fischbeck of Carnegie Mellon University also shows that this relation is quite strong in the US in comparison to some EU countries (see Chart 6).

Chart 6: Annual per capita healthcare cost by age



Source: Forbes Magazine, 30 December 2012, "2012 – The Year in Healthcare Charts" (<http://www.forbes.com/sites/danmunro/2012/12/30/2012-the-year-in-healthcare-charts/>)

Using data on personal expenditure on health by age in Austria for 2011 we can derive the cost structure in the country. As seen from the data, spending on the population older than 65 is almost equal to the spending on the entire working age population (aged 15-64), despite the significant difference in the number of people in each group. The share of the cost related to children below 15 is less than 6% of total healthcare spending, or less than EUR 2 billion total.

<sup>12</sup>Anderson G. and P.Hussey (2000), "Population Aging: A comparison Among Industrialized Countries", *Health Affairs*, vol.19(3), pp.191-203.

<sup>13</sup>Reinhardt U.E. (2000), "Health Care for the Ageing Baby Boom: Lessons from Abroad", *The Journal of Economic Perspectives*, vol.14(2), pp.71-83.

<sup>14</sup>Jacobzone S. (2002), "Healthy Ageing and the Challenges of New Technologies. Can OECD Social and Health-Care Systems Provide for the Future?", in *Healthy Ageing and Biotechnology: Policy Implications of New Research*, OECD.

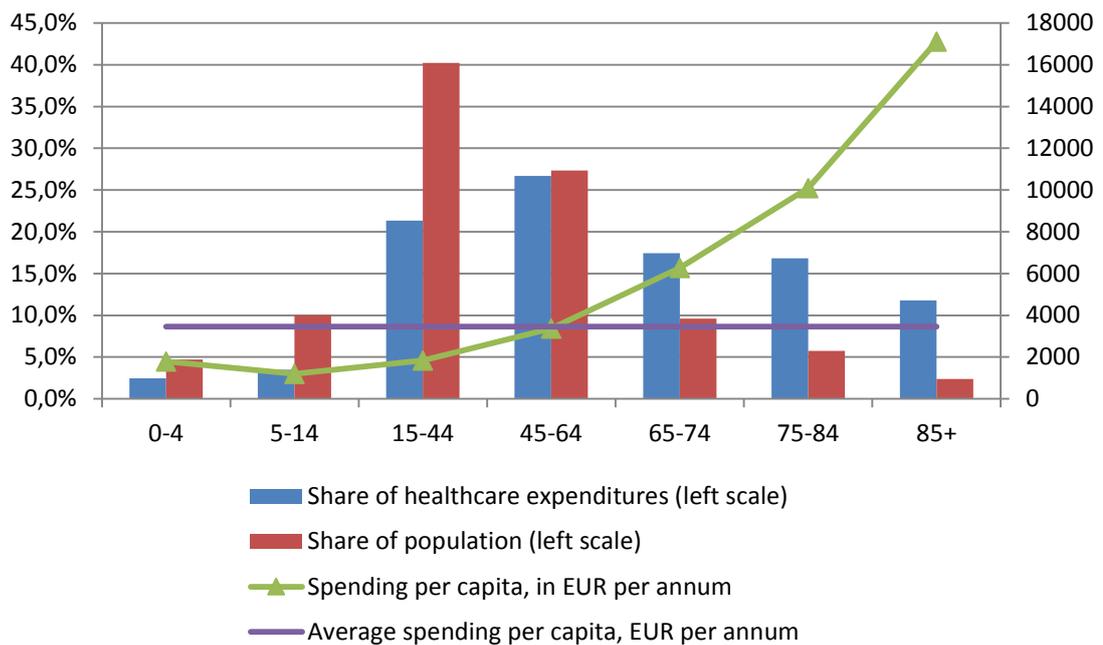
Table 2: Personal expenditure on health by age in Austria, 2011 (in EUR million)

Age	Total spending in EUR million	As a percentage share of total spending
under 1	307	1.1%
1-4	398	1.4%
5-14	1009	3.5%
15-44	6177	21.3%
45-64	7726	26.7%
65-74	5043	17.4%
75-84	4864	16.8%
85+	3407	11.8%
<b>Total</b>	<b>28931</b>	<b>100.0%</b>

Source: Statistics Austria (<http://www.statistik.at/>)

As seen from the data, the relative share of healthcare costs on patients aged 45 or younger is lower than their share of the total population of Austria, whereas after the age of 65 a smaller group of the population accounts for an ever-growing share of health spending. The average per capita spending of around EUR 3 450 per annum is very close to the average for the 45-64 age group. It is about EUR 1 800 for infants 0-4 years of age, then it falls to EUR 1 200 for children 5-14 years old, and then gradually increases to reach EUR 10 000 for 75-84 year olds and EUR 17 000 for 85 and older.

Chart 7: Healthcare costs and age, Austria 2011



Source: Statistics Austria (<http://www.statistik.at/>), authors' calculations

Assuming that EU-27 citizens on average have similar health status, and also that they have equal access to health services, their contribution to the overall healthcare costs can be calculated. As the age structure of EU-27 citizens residing in Austria differs from that of the country average, the average per capita spending will also differ. The larger share of foreign-born population in the 15-44 age group is the key factor which explains the much lower per capita spending – EUR 2 570, or only 75% of the country average.

Table 3: Healthcare costs for EU-27 foreigners by age group

Age	0-4	5-14	15-44	45-64	65-74	75-84	85+	Total
EU-27 Foreigners	20 225	27 327	196 354	82 459	15 055	5 718	2 405	349 543
Healthcare costs on EU-27 foreigners (in EUR million)	36	33	360	278	94	58	41	900

Source: Statistics Austria (<http://www.statistik.at/>), own calculations

## BOX: DISABILITY AND AGE: GERMANY

As there is official statistical data on disability benefit recipients according to citizenship which is publicly available, this study relies on an expert estimate. In this report we assume that a) a key determinant of disability is age, and b) that people with disabilities have equal access to disability benefits irrespective of their citizenship.

Data from Germany suggests that people with relatively high levels of disability fall mostly within older age groups. Almost 55% are aged 65 or older, and 76% are aged 55 or older as of 2013. Between 2011 and 2013, the entire increase in the total number of disabled people (50% disability or higher) are in the 55+ age group. As the disabled make up 9.2% of the total German population, 24.1% of them are in the 65+ age group and 15.3% are in the 55-64 age group. At the same time, in the 25-44 age group they comprise between 2.3% and 3.4% of the population.

Table 4: Number of disabled persons with 50% disability or more, in thousands

Age	2011	2012	2013	Share of total disabled (2013)
under 4	14.3	14.2	13.9	0.2%
4 to 6	14.3	14.4	14.1	0.2%
6 to 15	94.7	98.0	99.8	1.3%
15 to 18	38.3	38.7	41.3	0.5%
18 to 25	122.2	124.0	120.5	1.6%
25 to 35	210.1	223.7	236.6	3.1%
35 to 45	417.6	390.2	363.3	4.8%
45 to 55	874.5	916.3	931.9	12.3%
55 to 60	674.3	688.2	698.0	9.2%
60 to 62	331.8	354.3	348.2	4.6%
62 to 65	446.1	536.5	589.6	7.8%
65 and over	3863.5	3890.7	4091.6	54.2%
<b>Total</b>	<b>7101.7</b>	<b>7289.2</b>	<b>7549.0</b>	<b>100.0%</b>

Data: Federal Statistics Office ([www.destatis.de](http://www.destatis.de))

As EU-28 citizens in Germany have different age composition, given that they have on average the same probability of becoming disabled, we can estimate the number of disabled among this group of the population. As the EU-28 foreigners tend to be younger, the overall number of disabled among them will be proportionately lower than for the country as a whole—7.1% of the

population, compared to 9.2% among the population of Germany in general. If we assume that age is the key determinant of disability, then the EU-28 citizens are about one-quarter less likely to be disabled, or in other words, the share of disabled persons among them would be approximately 75% of the share that pertains to the overall population in the country. This can be used to estimate the amount of disability-related benefits, while assuming that country nationals and EU-country foreigners on average have equal access to the welfare system with regards to such benefits.

**Table 5: Estimate of disabled persons from EU-28 countries residing in Germany**

Age	Disabled – German citizens	Total population in Germany	EU-28 citizens population	Percentage rate of disabled	Number of disabled EU-28 citizens	Percentage rate of disabled EU-28 citizens
up to 24	289.7	19600	559	1.5%	8.3	1.5%
25-34	236.6	10200	618	2.3%	14.3	2.3%
35-44	363.3	10700	633	3.4%	21.5	3.4%
45-54	931.9	13700	515	6.8%	35.0	6.8%
55-64	1635.8	10700	373	15.3%	57.0	15.3%
65+	4091.6	17000	323	24.1%	77.7	24.1%
<b>Total</b>	<b>7549.0</b>	<b>81900</b>	<b>3021</b>	<b>9.2%</b>	<b>213.9</b>	<b>7.1%</b>

Data: Federal Statistics Office ([www.destatis.de](http://www.destatis.de)), authors' calculations

### BOX: AT-RISK-OF-POVERTY RATES ACCORDING TO CITIZENSHIP

Benefit programs that are means-tested use a complicated set of criteria to define the eligibility and level of the benefit received. At the same time, data on the individual condition of nationals and EU-foreigners to allow for an in-depth analysis of the amount of benefits that can be claimed by each group is not available. However, a major determinant is the level of income. Typically, only people with very low income are eligible for the major means-tested benefits. It can further be assumed that even with welfare support, most of them will still have a significantly lower total income in comparison to the country average.

Therefore, data on the share of the population at risk of poverty can be used to derive an estimate on the relative amount of benefits received by country nationals and EU-27 foreigners.

The main source for the compilation of statistics on income, social inclusion and living conditions is the EU-SILC instrument mentioned above. In particular, the EU-SILC provides estimates on the share of the population at risk of poverty. Within the EU, poverty is normally measured by using relative income poverty lines. This involves working out average or median equivalised household incomes in a country. A poverty line, which is a percentage of that average income, is then set.

Commonly, these poverty lines range from 40-70% of household income. In the EU people falling below 60% of median income are considered to be “at-risk-of poverty”.

**Table 6: Share of population at-risk-of poverty, country nationals, as a percent**

Country	2005	2006	2007	2008	2009	2010	2011	2012	2013
European Union (28 countries)	:	:	:	:	:	14.8	15.3	15.3	15
European Union (27 countries)	15.1	15.2	15.3	15.1	14.9	14.7	15.3	15.3	15
Germany	11.9	12.3	15.2	14.9	15.5	15.0	15.8	16.2	16.3
The Netherlands	9.1	8.4	8.8	9.3	9.5	8.9	9.1	8.9	9.5
Austria	10.6	10.9	10.2	10.4	10.4	10.2	10.3	11.6	11.1
The UK	17.6	17.4	16.9	17.4	15.9	15.9	15.4	15.1	:

Source: Eurostat SILC

**Table 7: Share of population at-risk-of poverty, EU nationals (EU-27 prior to 2008, EU-28 since 2009), as a percent**

Country	2005	2006	2007	2008	2009	2010	2011	2012	2013
European Union (28 countries)	:	:	:	:	:	:	:	21.6	22.2
European Union (27 countries)	18.6	19.4	20.7	19.6	:	:	:	21.6	22.2
Germany	16.0	16.8	16.3	20.4	17.6	22.4	15.3	13.4	18.2
The Netherlands	9.0	8.4	7.8	13.3	9.0	16.3	25.0	10.2	7.6
Austria	20.1	14.7	15.6	14.5	19.6	16.3	21.1	35.3	32.2
The UK	20.5	23.4	24.3	17.8	18.8	11.9	17.3	15.3	15.8

Source: Eurostat SILC

As seen from the data, the at-risk-of-poverty rate is on average higher among EU-foreigners compared to the country nationals in the EU as a whole. With some exceptions, this generally applies to each country throughout the 2005-2013 period.

**Table 8: Difference in population at-risk-of poverty rates (EU-foreigners-to-country nationals, as a percent)**

Country	2005	2006	2007	2008	2009	2010	2011	2012	2013
Germany	34%	37%	7%	37%	14%	49%	-3%	-17%	12%
The Netherlands	-1%	0%	-11%	43%	-5%	83%	175%	15%	-20%
Austria	90%	35%	53%	39%	88%	60%	105%	204%	190%
The UK	16%	34%	44%	2%	18%	-25%	12%	1%	n.a.

Source: Eurostat SILC

The at-risk-of-poverty rates among the native population are stable during the same period (2005-2013), while for EU-foreigners it varies significantly. This can be attributed in part to the small sample size for foreign citizens in the survey, which gives results that are not representative. However, some of the changes might be attributed to the inflow of migrants with a low level of skills who fail to find, or only manage to find, very poorly paid jobs. As in some countries the unemployment rate for EU-foreigners increased after the crisis, this could also explain the difference in at-risk-of-poverty rates. The ratio reaches 200% in some years (the share of the people at risk of poverty among EU-foreigners is twice that of the native population) in Austria and 175% in the Netherlands, while at the same time the difference shrank in Germany and the UK, with some years showing lower poverty among EU-foreigners.

### Assumptions and main risks in the estimate

Whenever possible, we have tried to use conservative assumptions. This means that the benefits claimed by EU-foreigners will likely be overstated. For example, we assume that:

- Those who respond that they are unemployed in the Labour Force Survey are all claiming unemployment benefits. However, there maybe some people who are not currently employed (at the time they were surveyed) but are not receiving benefits.
- EU-foreigners receive on average the same size of unemployment benefit as the nationals. However, benefit amounts are typically related to the wage income prior to the loss of employment and also to time in the job—meaning some EU-foreigners as newcomers will probably receive the minimum amounts due to lack of prior employment in the country.
- Health status is the key determinant of health spending. In other words, as all people tend to get sick, we assume that adjusted by age, EU-foreigners will have equal access to health services. In reality, however, some recent migrants continue to use at least some health services in their country of origin thus reducing healthcare consumption in the destination country.
- Since EU-foreigners tend to have lower wages on average, and are also more likely to be at risk of poverty, they proportionately receive a larger per capita share of the means-tested social benefits. However, access to means-tested benefits (income support, housing, etc.) is a complicated multi-step process which in general provides advantages to local people.
- Self-employed EU-foreigners (e.g. in services, entrepreneurs) receive on average income equal to the estimated employment income for EU-foreigners. However, there are strong arguments to

suggest that most of these people are trained professionals that typically earn above-average income, and therefore pay higher taxes and social contributions.

Further,

- We do not calculate the transfer of income from the home country to support students during their time of study in the respective country.
- In calculating the direct taxes that EU migrants paid, we take the tax wedge for a single person according to the OECD. The tax wedge for a single person, instead of a couple or a single parent, is chosen for simplicity. According to OECD data, the difference between the tax wedge for a single person or a couple is often not significant. To avoid double counting, when we calculate the tax contribution of EU migrants, we exclude the impact of child/family benefits, which have already been reflected in the estimates of child/family benefits paid.
- To calculate the total amount of direct taxes paid by EU-foreigners, we take into account the total number of people employed, including all forms of employment such as employees and the self-employed. The underlying assumption is that self-employed individuals received income close to the employees' wages. Hence, the estimate of total direct taxes that EU migrants paid is conservative because some self-employed people earn substantially higher income than the average wage. What is more, when calculating the fiscal contribution of EU migrants we ignore the tax impact of extremely high net worth individuals who reside in these four EU countries.
- To calculate indirect taxes paid by EU-foreigners we assume that EU migrants save the same percentage of their current income as the country average. In other words, EU migrants have the same household saving rate as the typical household in the respective country. On one hand, if they cover their basic needs, EU migrants who receive lower wages cannot afford to save as much as the natives. On the other hand, some EU foreigners, especially those working temporary or seasonal jobs, tend to save a larger percentage of their current income. EU migrants with permanent jobs who have settled for a longer period of time, however, are most likely to save close to the country average. Taking into account these observations, it looks reasonable to assume that EU migrants have an overall savings rate which is close to the average for the host country.
- When we calculate the contribution of EU foreigners to indirect taxes, we assume EU migrants have the same consumer basket as the typical household in the country. This assumption is important because it determines how much EU migrants pay in the form of the value added tax (VAT) and other indirect taxes. It could be argued that EU migrants who have a lower-than-average income tend to spend more on basic necessities and less on services, some of which are tax exempt. This implies that EU foreigners are likely to pay more indirect taxes per each euro spent compared to the typical consumer. Hence, the contribution of EU migrants to indirect taxes in the host country is likely to be on the conservative side.

## BOX: LIST OF KEY INDICATORS AND VARIABLES USED IN THE CALCULATIONS

Population aged 18 or younger – country total

Population aged 18 or younger EU-migrants

Population aged 65 or older – country total

Population aged 65 or older – EU-migrants

Number of employed aged 15-64 – country total

Number of employed aged 15-64 – EU-migrants

Number of unemployed – country total

Number of unemployed – EU-migrants

Total expenditures in EUR on Sickness and health benefits

Total expenditures in EUR on Disability benefits

Total expenditures in EUR on Old-age benefits

Total expenditures in EUR on Survivors benefits

Total expenditures in EUR on Family/Children benefits

Total expenditures in EUR on Unemployment benefits

Total expenditures in EUR on Housing benefits

Total expenditures in EUR on Social exclusion benefits

At-risk-of-poverty rates – country total

At-risk-of-poverty rates – EU-migrants

Estimated per capita healthcare spending for age groups – country total

Estimated per capita healthcare spending for EU-migrants – country averages adjusted to EU-migrants' age structure

Estimated per capita disability spending by age groups – country total

Estimated per capita disability spending for EU-migrants – country averages adjusted to EU-migrants' age structure

Total government revenue from personal income tax and social security contributions

Total government revenue from VAT

Total government revenue from other consumption taxes

Estimated average wage per employed – EU-migrants

Estimated effective tax wedge on average wage per employed – EU-migrants

Effective VAT tax rate on gross consumption expenditure in the economy

Household saving rate – country total

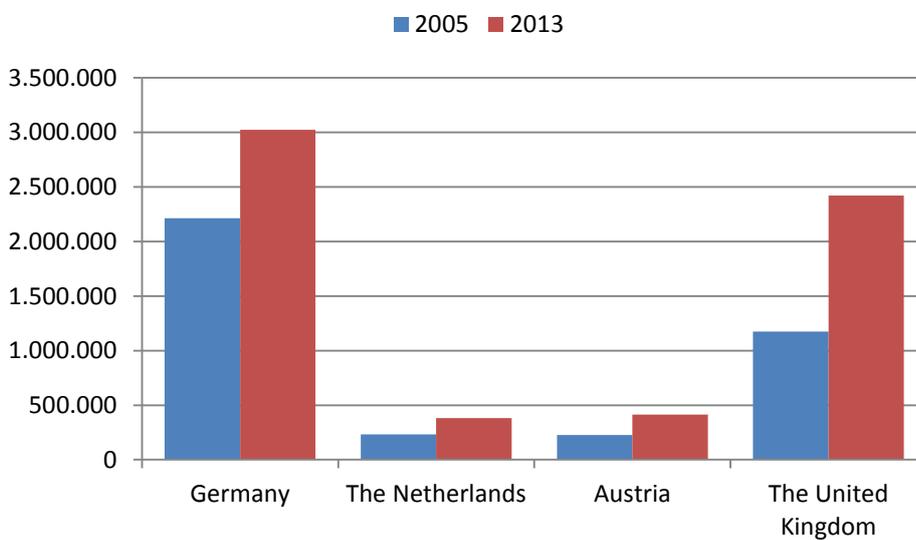
## POPULATION DYNAMICS AND THE LABOUR MARKET

---

In 2013 there were 13.7 million EU citizens living in another EU country. Intra-EU migrants represented 2.7% of the entire population of the Union.

The number of EU migrants increased substantially between 2005 and 2013. About 810 000 EU citizens moved to Germany from 2005-2013. There were more than three million EU citizens living in Germany as of 2013. The Netherlands was home to 380 000 non-Dutch EU citizens in 2013. Their number has increased by 63% or 148 000 between 2005 and 2013. EU citizens living in Austria almost doubled from 2005-2013, reaching 415 000 in 2013. The UK had more than 2.4 million EU citizens in 2013, as their number has more than doubled since 2005.

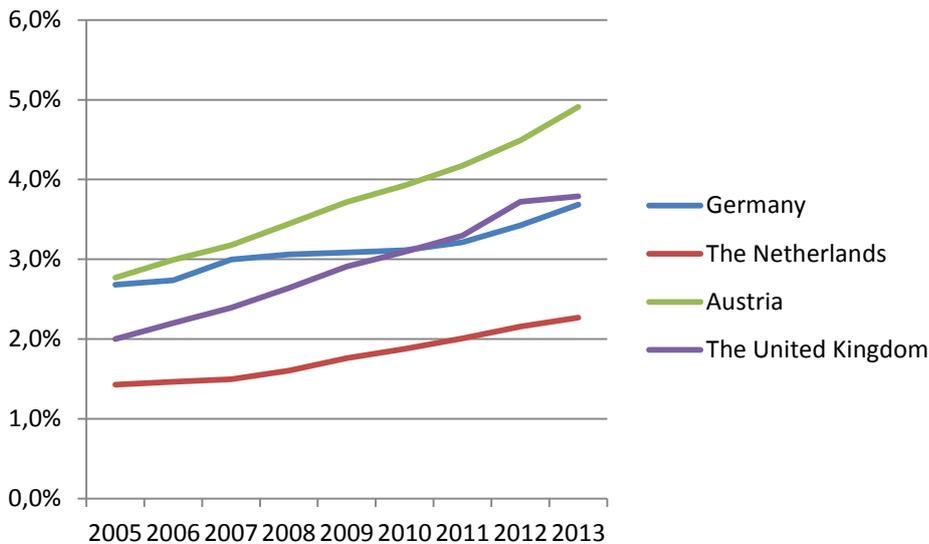
Chart 8: Number of EU migrants in 2005 and 2013



Source: Eurostat

The opening of the labour market in Europe provided new job opportunities for migrant workers, whose share has been gradually increasing. In Germany, the share of non-German EU citizens grew from 3% in 2002 to 3.7% in 2013. Similarly, non-Dutch EU citizens in the Netherlands increased from 1.4% in 2002 to 2.3% in 2013. The share of non-local EU citizens living in Austria more than doubled during the same period – from 2.3% in 2002 to 4.9% in 2013. The UK also saw immigration flows accelerate. The proportion of non-British EU citizens living in the UK grew from 2% in 2005 to 3.8% in 2013.

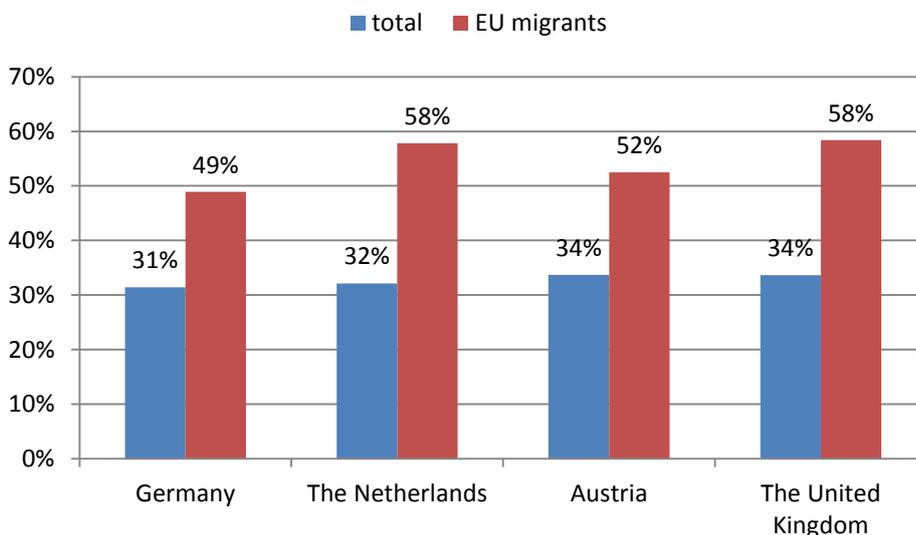
Chart 9: Share of EU migrants as a percent of total population



Source: Authors' calculations based on data from Eurostat

EU migrants consist mostly of people between the ages of 20-44. There are almost 1.5 million EU migrants between 20-44 years old in Germany, 220 000 in the Netherlands, 218 000 in Austria and 1.4 million in the UK. EU migrants between 20-44 years old make up half or more than half of all EU migrants in Germany, Netherlands, Austria and the UK. For example, 49% of EU migrants in Germany are between 20 and 44 years old. What is more, EU migrants are on average younger than the native population. 32% of the total population in the Netherlands is between 20 and 44 years old, whereas 58% of the EU migrants fall into that age category.

Chart 10: Share of people 20-44 years old in 2013

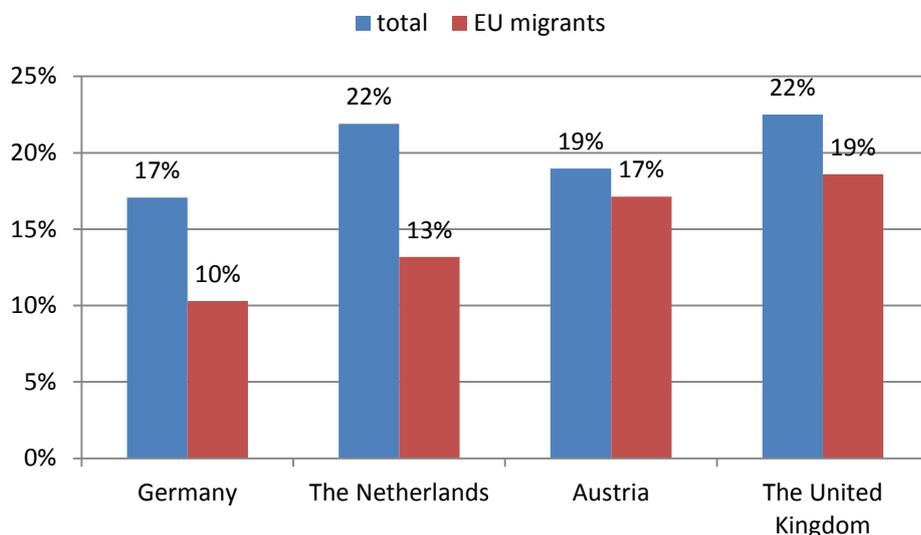


Source: Authors' calculations based on data from Eurostat

There were 311 000 people aged 18 or younger in Germany, about 50 000 in the Netherlands, 71 000 in Austria and 450 000 in the UK in 2013. Overall, the share of people under 18 is lower among EU migrants compared to the native population in each of the four EU countries. For example, children comprise just 10% of the migrant population in Germany, compared to 17% of the total population. The situation in the Netherlands is

similar, where the population of EU migrants under the age of 18 is 13%, compared to 22% of the total population. The differences in the share of the younger population in Austria and the UK are not as pronounced, but even in those two countries children are a smaller percentage of EU migrants compared to the total population.

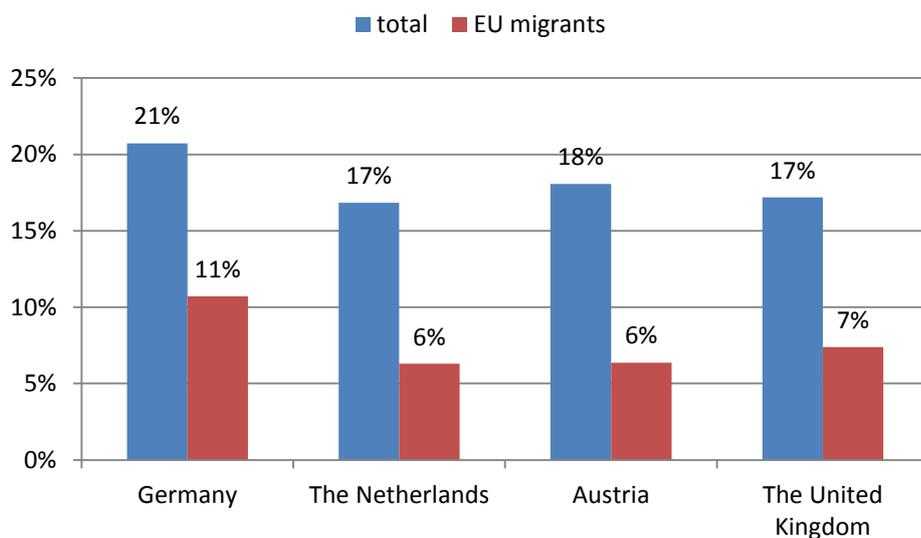
**Chart 11: Share of people under the age of 18 in 2013**



Source: Authors' calculations based on data from Eurostat

There are 324 000 EU migrants above the age of 65 in Germany, 24 000 in the Netherlands, 26 000 in Austria and 179 000 in the UK. The share of people aged 65 or older, who are typically not economically active, is lower among EU migrants compared to the native population. For example, EU migrants aged 65 years or older make up 11% of the EU migrant population in Germany, while the overall share of people at the age of 65 or older is 21% in Germany. Altogether, the share of older people is 2-3 times less among EU migrants compared to the total population.

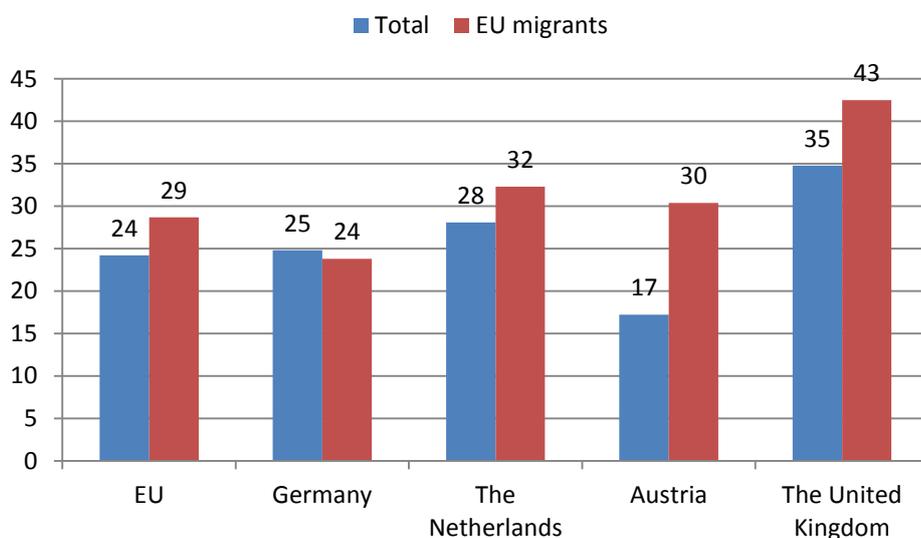
**Chart 12: Share of people aged 65 years or older in 2013**



Source: Authors' calculations based on data from Eurostat

EU migrants consist, on average, of people with a higher education than the population of the country they move into. People with a university-level education are more prevalent among EU migrants compared to the total population. 28.7% of the migrants coming from EU members have university degrees, compared to 24.2% of the total population. The differences are especially pronounced in Austria and the UK. For example, in Austria 17% of the total population have a university-level degree compared to 30% of the EU migrants there. Similarly, in the UK 42.5% of the incoming EU population has received post-secondary education, compared to 34.8% of the overall population. In Germany, the share of university graduates is only marginally higher amongst the total population (24.8%) compared to EU migrants (23.8%). The larger share of university graduates among incoming EU citizens reinforces the theory that seeking better employment opportunities is the primary motive behind intra-EU migration.

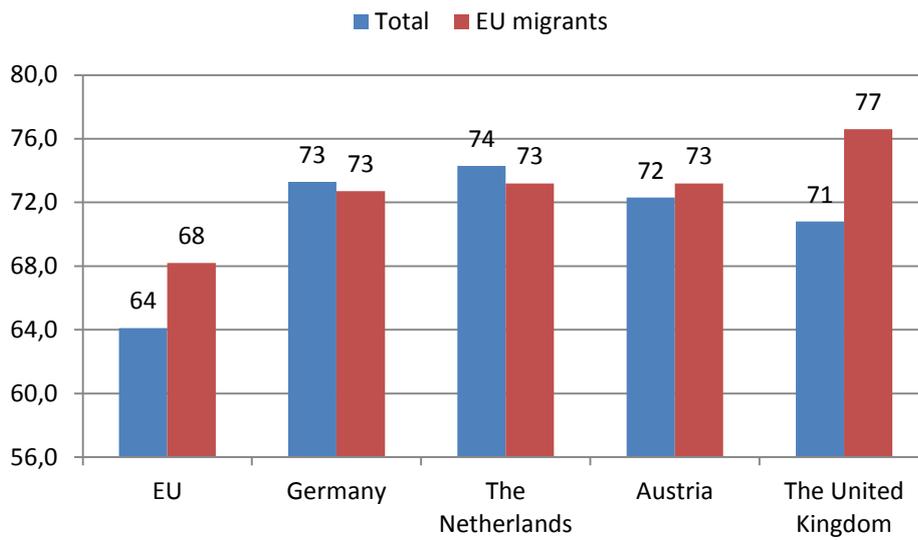
**Chart 13: Percentage of population with higher education in 2013**



Source: Eurostat

Furthermore, employment rates for EU migrants are higher (68%) than the entire population (64%) of the EU. Employment rates are only slightly lower for EU immigrants compared to the local population in the Netherlands and Germany. On the other hand, employment rates are higher for EU migrants in Austria and particularly in the UK. About 77% of the working-age EU migrants are employed in the UK compared to 70.8% of the total population. These statistics largely confirm that job opportunities are the main driver of migration within EU.

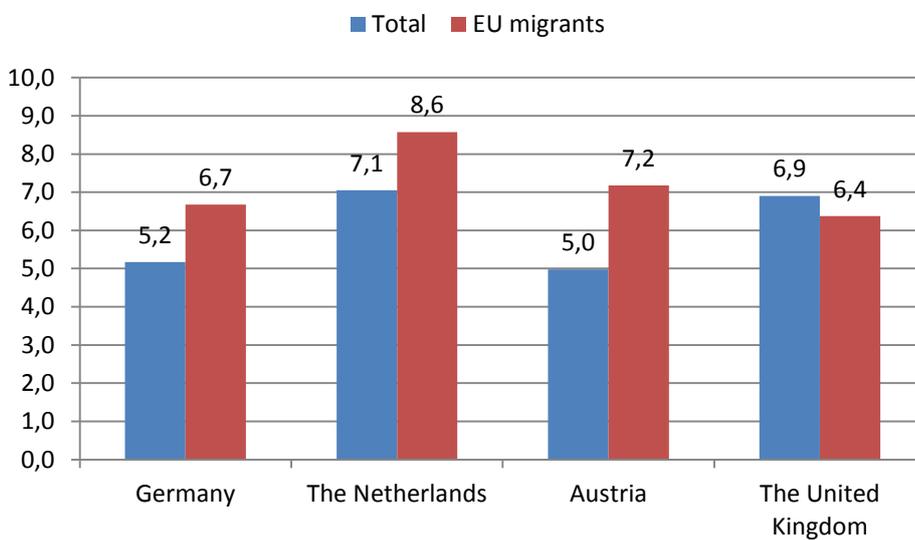
Chart 14: Employment rates in 2013



Source: Eurostat

Unemployment is slightly higher among EU migrants than the total population in Germany, the Netherlands and Austria. For example, in the Netherlands the unemployment rate is 8.6% among EU migrants compared to 7.1% among the total population. However, in the UK unemployment is lower among EU immigrants (6.4%) than the country average of 6.9%.

Chart 15: Unemployment rates (annual average, as of mid-2014)



Source: Authors' calculations based on data from Eurostat

### Austria

EU migrants received EUR 2.4 billion in benefits in 2013, compared to EUR 1.2 billion in 2007. The increase in the total amount of EU migrants' benefits is due to the combined impact of several factors. First, the welfare state in most EU countries expanded, especially in the aftermath of the global financial crisis. Total benefits granted by the Austrian government to all citizens increased by 25% overall between 2007 and 2013 – from EUR 74 billion in 2007 to an estimated EUR 92.7 billion in 2013. Secondly, Austria attracted new immigrants from within the EU. EU citizens living in Austria rose from 3.2% of the total population in 2007 to 4.9% in 2013. The immigrants contributed to direct and indirect taxes but also received a portion of the government benefits.

EU migrants received an estimated EUR 876 million in sickness and health benefits in 2013 compared to EUR 460 million in 2007. Disability benefits assigned to non-Austrian EU citizens were also on the rise – from EUR 138 million in 2007 to EUR 252 in 2013. It should be noted that EU migrants in Austria are on average younger and probably in better health than the typical native citizen and, hence, are assumed to receive smaller health-related benefits. 52% of the EU migrants in Austria are between the ages of 20-44 compared to just 34% of the total population. This is the reason why incoming EU citizens are considered 25% less likely to receive sickness and disability benefits than the average Austrian citizen.

The share of the older population (aged 65 or older) is three times lower among EU migrants compared to the total population in Austria. People who are above 65 years old make up a mere 6% of EU migrants as opposed to 18% of the overall population. The total number of EU migrants above the age of 65 has somewhat increased in Austria during the past 12 years—from 15 thousand in 2002 to 26.5 thousand in 2013. This is the primary reason why old-age and survivors' benefits obtained by non-local EU citizens have grown during the past decade. In 2013, EU migrants received old-age and survivors' benefits amounting to EUR 400 million. This is still a small fraction of pension spending. Total pension benefits in Austria were close to EUR 47 billion in 2013.

EU migrants were the recipients of family/children benefits equivalent to EUR 447 million in 2013. The increase of children benefits throughout the past 7 years is a direct consequence of the rising share of children from other EU countries, which reached 4.4% in 2013. Nevertheless, the typical migrant family still has fewer children than the average Austrian household.

In 2013, EU workers in Austria received unemployment benefits amounting to EUR 431 million. There were 19.4 thousand EU migrants out of work in Austria in 2013 according to Eurostat, which is 9% of the total unemployment in the country. Overall, unemployment in Austria is higher among EU migrants.

Housing and social exclusion benefits received by EU migrants were a combined EUR 200 million in 2013. These benefits depend both on the share of immigrants as well as the risk of poverty among them.

Table 9: Benefits received by EU migrants in Austria (in EUR million)

Type of benefit	2007	2008	2009	2010	2011	2012	2013
Sickness and health benefit	460	533	592	635	697	779	876
Disability	138	152	171	187	205	224	252
Old age	202	223	246	269	297	329	355
Survivors	35	37	39	41	44	48	52
Family/ Children	180	212	259	291	321	387	447
Unemployment	235	247	298	311	363	384	431
Housing	18	21	32	29	37	55	59
Social exclusion	36	39	52	53	76	131	141
<b>Total</b>	<b>1166</b>	<b>1313</b>	<b>1518</b>	<b>1629</b>	<b>1835</b>	<b>2111</b>	<b>2361</b>
<b>Total benefits excl. old-age and survivors</b>	<b>929</b>	<b>1052</b>	<b>1233</b>	<b>1318</b>	<b>1494</b>	<b>1734</b>	<b>1954</b>

Source: Authors' calculations

The share of EU migrants in all categories of social benefits has increased since 2007.

However, EU migrants in Austria receive relatively smaller benefits compared to the typical Austrian household. EU migrants receive just 2.5% of total benefits (4.3%, if we exclude old-age and survivors' benefits), although they are 4.9% of the total population.

On average, EU citizens receive fewer sickness and health, disability, old-age and survivors' benefits than the typical Austrian.

On the other hand, EU migrants are twice as likely to claim unemployment benefits. Since EU migrants earn 15% lower wages, they also tend to receive relatively more family/children, housing and social inclusion benefits.

Table 10: Benefits received by EU migrants in Austria (as a percent of total benefits)

Type of benefit	2007	2008	2009	2010	2011	2012	2013
Sickness and health benefit	2.4%	2.6%	2.8%	2.9%	3.1%	3.4%	3.7%
Disability	2.4%	2.6%	2.8%	2.9%	3.1%	3.4%	3.7%
Old age	0.7%	0.7%	0.7%	0.7%	0.8%	0.8%	0.9%
Survivors	0.7%	0.7%	0.7%	0.7%	0.8%	0.8%	0.9%
Family/ Children	2.4%	2.7%	3.1%	3.3%	3.8%	4.5%	5.1%
Unemployment	6.0%	6.3%	6.3%	6.5%	8.0%	8.2%	9.0%
Housing	4.9%	4.8%	7.0%	6.3%	8.5%	13.7%	14.3%
Social exclusion	4.4%	4.4%	6.1%	5.7%	7.6%	11.8%	12.4%
<b>Total</b>	<b>1.6%</b>	<b>1.7%</b>	<b>1.8%</b>	<b>1.9%</b>	<b>2.1%</b>	<b>2.3%</b>	<b>2.5%</b>
<b>Total benefits excl. old-age and survivors' benefits</b>	<b>2.5%</b>	<b>2.7%</b>	<b>2.9%</b>	<b>3.1%</b>	<b>3.5%</b>	<b>3.9%</b>	<b>4.3%</b>
EU migrants as a percent of total population	3.2%	3.4%	3.7%	3.9%	4.2%	4.5%	4.9%

Source: Authors' calculations

## Germany

EU migrants in Germany received EUR 14.8 billion in benefits in 2013, up from EUR 9.8 billion in 2007. If we exclude old-age and survivors' pensions, non-German EU citizens living in Germany were the recipients of EUR 11.9 billion in benefits in 2013, while they received EUR 7.8 billion in 2007.

This growth is largely driven by the overall increase of social protection spending in Germany between 2007 and 2013. Total benefits granted by the German government amounted to EUR 772 billion in 2013, up by EUR 125 billion or 19% from 2007.

Second, the inflow of EU migrants in Germany during the past decade means that they not only contribute to taxes, but also have the right to claim benefits. The share of EU migrants in the total population grew from 3% in 2007 to 3.7% in 2013.

EU migrants received EUR 7.2 billion in the form of sickness and health benefits and EUR 1.7 billion in disability benefits in 2013. Growth of these types of benefits since 2007 is explained with the increase of the migrant population from within the EU. It should be noted that the typical EU migrant is less likely to receive health-

related benefits compared to the average German due to demographic reasons. EU migrants are on average younger than the local population. Almost half of EU immigrants are 20-44 years old while just 31% of the total population in Germany falls into the same age group.

About 144 000 new EU migrants above 65 years old have settled in Germany since 2006, as EU foreigners represent 1.9% of the elderly population there. Old-age and survivors' benefits granted to EU migrants amounted to a combined EUR 3 billion in 2013. Foreign EU citizens currently receive smaller pensions than the native population.

EU migrants received EUR 2 billion in family children benefits in 2013, up from EUR 1.3 billion in 2007. The increase was driven by the growing number of children from other EU countries. Despite the recent increase, children make up just 10% of EU migrants, whereas children are 17% of the total German population. Because of the lower proportion of children who migrate, EU migrants are also less likely to claim family benefits. EU migrants received EUR 1.8 billion in unemployment benefits in 2013, as they made up 5.4% of the total unemployed in 2013. EU citizens received the highest amount of unemployment benefits during the peak of the crisis in 2009-2010 – about EUR 2 billion annually. Since then, unemployment benefits have decreased.

In 2013, housing and social exclusion for EU migrants amounted to EUR 683 million and EUR 180 million, respectively. These benefits are means-tested and depend on the poverty rate among EU migrants.

**Table 11: Benefits received by EU migrants in Germany (in EUR million)**

Type of benefit	2007	2008	2009	2010	2011	2012	2013
Sickness and health benefit	4349	4688	5357	5559	5924	6552	7216
Disability	1157	1233	1275	1328	1396	1542	1699
Old age	1592	1705	1821	1927	2047	2232	2429
Survivors	361	379	400	419	443	479	522
Family/ Children	1276	440	1433	1748	1547	1609	2004
Unemployment	1566	1553	2076	2036	1711	1679	1755
Housing	508	645	582	790	513	459	683
Social exclusion	115	146	124	170	122	121	180
<b>Total</b>	<b>9769</b>	<b>9556</b>	<b>11792</b>	<b>12649</b>	<b>12307</b>	<b>13132</b>	<b>14789</b>
<b>Total benefits excl. old-age and survivors</b>	<b>7815</b>	<b>7472</b>	<b>9572</b>	<b>10303</b>	<b>9817</b>	<b>10420</b>	<b>11838</b>

Source: Authors' calculations

EU migrants in Germany are less likely to receive benefits than the average German. Immigrants from other EU countries are 3.7% of the total population, but they claim just 1.9% of the total benefits. Even if we exclude pensions, EU migrants are still less likely recipients of benefits.

Attributable to their more favourable age structure, EU migrants claim less in sickness and health benefits as well as disability benefits.

A lower share of the older population among immigrants is the primary reason why a tiny fraction of EU migrants receive old-age and survivors' pensions. What is more, 45% of the current population above 65 years old settled in Germany after 2006. This implies that a significant part of EU migrants above the age of 65, if they qualify at all, will receive substantially lower pensions than the native population.

EU migrants are also less likely to claim family benefits, because of the relatively lower share of children among migrants. Children make up just 10% of EU immigrants while 17% of the total German population is below 18 years old.

However, unemployment is slightly higher among EU migrants, which makes them more likely recipients of unemployment assistance.

As EU immigrants in Germany have a slightly higher poverty rate, they are also more likely to receive housing or social exclusion benefits which are typically means-tested.

**Table 12: Benefits received by EU migrants in Germany (as a percent of total benefits)**

Type of benefit	2007	2008	2009	2010	2011	2012	2013
Sickness and health benefit	2.2%	2.3%	2.3%	2.3%	2.4%	2.6%	2.8%
Disability	2.2%	2.3%	2.3%	2.3%	2.4%	2.6%	2.8%
Old age	0.7%	0.7%	0.8%	0.8%	0.8%	0.9%	1.0%
Survivors	0.7%	0.7%	0.8%	0.8%	0.8%	0.9%	1.0%
Family/Children	1.9%	0.6%	1.9%	2.2%	1.9%	1.9%	2.3%
Unemployment	4.2%	4.4%	4.6%	4.8%	5.0%	5.3%	5.4%
Housing	3.2%	4.2%	3.5%	4.6%	3.1%	2.8%	4.1%
Social exclusion	3.2%	4.2%	3.5%	4.6%	3.1%	2.8%	4.1%
<b>Total</b>	<b>1.5%</b>	<b>1.4%</b>	<b>1.6%</b>	<b>1.7%</b>	<b>1.7%</b>	<b>1.7%</b>	<b>1.9%</b>
<b>Total benefits excl. old-age and survivors' benefits</b>	<b>2.1%</b>	<b>2.0%</b>	<b>2.2%</b>	<b>2.4%</b>	<b>2.2%</b>	<b>2.3%</b>	<b>2.6%</b>
EU migrants as a percent of total population	3.0%	3.1%	3.1%	3.1%	3.2%	3.4%	3.7%

Source: Authors' calculations

## The Netherlands

EU citizens in the Netherlands received EUR 2.2 billion in benefits, almost double the amount from 2007. This is largely attributable to the overall expansion of social spending in the Netherlands, which is 89% higher in 2013 than it was back in 2007. The growth of government spending on social programs is partly explained through long-term trends – the aging of the population and the rising spending on old-age and health benefits.

Some of the social spending increase is attributable to cyclical factors – the spike in unemployment amidst the crisis naturally led to higher unemployment benefit claims.

Another important factor is the accelerating movement of people inside the EU. The Netherlands has become the new home for 148 000 people from other EU countries since 2005. The share of non-Dutch EU citizens in the Netherlands rose from 1.4% of the total population in 2005 to 2.3% in 2013.

EU migrants received EUR 1.2 billion in sickness and health benefits and EUR 244 million in disability benefits in 2013. Most of the EU immigrants in the Netherlands (58%) consist of people between the ages 20-44. EU migrants tend to be younger compared to the native population which explains why they claim, on average, fewer health-related benefits.

What is more, the share of the older population, above 65 years old, is almost three times lower among EU migrants (just 6%) compared to the country total (17%). This implies that migrants would be the recipients of a smaller fraction of pensions that are currently paid. EU migrants received EUR 330 million in old-age and survivors' benefits in 2013.

Family benefits depend primarily on the number of incoming families with children. People less than 18 years old make up just 13% of all EU migrants compared to 22% of the country total. The smaller share of children among immigrants from the EU explains why they claimed just EUR 90 million in child benefits in 2013.

Labour market dynamics and more specifically the availability of new jobs is the primary driver of spending on unemployment assistance. EU migrants comprised 2.5% of the total number of unemployed people in the Netherlands in 2013 and claimed EUR 277 million in unemployment benefits.

Housing (EUR 44 million) and social exclusion benefits (EUR 233 million) are determined mostly by the inflow of new migrants and the poverty risk among them.

Table 13: Benefits received by EU migrants in the Netherlands (in EUR million)

Type of benefit	2007	2008	2009	2010	2011	2012	2013
Sickness and health benefit	555	671	788	880	980	1096	1190
Disability	155	169	189	203	213	225	244
Old age	211	225	240	258	267	279	296
Survivors'	27	28	29	30	31	31	32
Family/ Children	62	56	64	79	98	79	90
Unemployment	131	170	207	193	198	219	277
Housing	29	50	36	77	128	57	44
Social exclusion	127	238	195	413	719	308	233
<b>Total</b>	<b>1142</b>	<b>1438</b>	<b>1559</b>	<b>1930</b>	<b>2421</b>	<b>2069</b>	<b>2162</b>
<b>Total benefits excl. old-age and survivors</b>	<b>903</b>	<b>1184</b>	<b>1290</b>	<b>1642</b>	<b>2123</b>	<b>1759</b>	<b>1834</b>

Source: Authors' calculations

EU migrants in the Netherlands receive only 1.1% of the total benefits, although they make up 2.3% of the population. On average, non-Dutch EU citizens receive less than 50% of the benefits that locals do.

If we exclude pensions, EU migrants claim 1.6% of the remaining benefits.

The fraction of total benefits that non-Dutch EU citizens receive has been going up since 2007, in line with the inflow of immigrants.

Given the favourable age structure of the migrant population, it is not surprising that EU migrants claim fewer health and old-age benefits than the average Dutch citizen.

Due to the smaller share of children, who make up just 13% of EU migrants, non-Dutch EU citizens also receive a smaller percentage of the family/children benefits.

However, incoming EU citizens tend to receive more unemployment benefits, as joblessness is slightly higher (8.6%) than the average (7.1%) among them.

Table 14: Benefits received by EU migrants in the Netherlands (as a percent of total benefits)

Type of benefit	2007	2008	2009	2010	2011	2012	2013
Sickness and health benefit	1.1%	1.2%	1.3%	1.4%	1.5%	1.6%	1.7%
Disability	1.1%	1.2%	1.3%	1.4%	1.5%	1.6%	1.7%
Old age	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%
Survivors	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%
Family/ Children	0.7%	0.8%	0.9%	1.1%	1.4%	1.2%	1.3%
Unemployment	2.0%	2.8%	2.5%	2.1%	2.3%	2.1%	2.5%
Housing	1.3%	2.3%	1.7%	3.4%	5.5%	2.5%	1.8%
Social exclusion	1.3%	2.3%	1.7%	3.4%	5.5%	2.5%	1.8%
<b>Total</b>	<b>0.7%</b>	<b>0.9%</b>	<b>0.9%</b>	<b>1.1%</b>	<b>1.3%</b>	<b>1.1%</b>	<b>1.1%</b>
<b>Total benefits excl. old-age and survivors' benefits</b>	<b>1.0%</b>	<b>1.2%</b>	<b>1.2%</b>	<b>1.5%</b>	<b>1.9%</b>	<b>1.5%</b>	<b>1.6%</b>
EU migrants as a percent of total population	1.5%	1.6%	1.8%	1.9%	2.0%	2.2%	2.3%

Source: Authors' calculations

## The United Kingdom

EU migrants obtained EUR 9.8 billion in benefits in 2013, up from EUR 6.7 billion in 2009. This increase is attributable to the combined impact of a number of factors.

First, the total number of benefits administered by the UK government has grown substantially during the past 5 years. Total benefits amounted to EUR 523 billion in 2013, up by 21% from 2009, under the influence of both short and long-term trends. From a short-term perspective, the global financial crisis resulted in rising unemployment and poverty, which in turn led to higher social spending. Secondly, long-term factors, related to aging and the increase of life expectancy, are also at play, pushing spending on pensions and health-related benefits upward.

Secondly, the UK attracted new waves of immigrants with the expansion of the EU. Compared to 2005, non-British EU citizens living in the UK have more than doubled in number, reaching 2.4 million or 3.8% of the total population in 2013. To a varying extent, these EU migrants have access to the social programs available to the general population. This has naturally led to more benefits claimants from the EU when compared to the situation 10 years ago.

EU immigrants received EUR 4.8 billion in sickness and health and EUR 1.1 billion in disability benefits in 2013. It should be noted that immigrants from the EU are on average younger than the native population. People

between the ages 20-44 make up just 34% of the total population in the UK. However, people in the 20-44 age range are 58% of the EU migrants. Since health spending increases with age, the relatively younger immigrants are less likely to be recipients of health-related benefits.

Furthermore, the share of older population (aged 65 years or older) is 2.4 times lower among EU migrants than the country average. This means that non-native EU citizens are also less likely to receive old-age or survivors' benefits.

In 2013, EU migrants in the UK received EUR 1 billion in family benefits and EUR 577 billion in unemployment benefits.

Housing constitutes an important part of benefits for new EU migrants, who are estimated to have received housing benefits in excess of EUR 1 billion in 2013.

**Table 15: Benefits received by EU migrants in the UK (in EUR million)**

Type of benefit	2009	2010	2011	2012	2013
Sickness and health benefit	3012	3396	3947	4564	4835
Disability	656	829	880	1018	1078
Old age	1831	2051	1933	2067	2126
Survivors	19	19	17	17	15
Family/ Children	543	716	850	952	1043
Unemployment	412	454	492	565	577
Housing	793	595	1002	1029	1029
Social exclusion	115	100	120	126	126
<b>Total</b>	<b>6726</b>	<b>7329</b>	<b>8362</b>	<b>9320</b>	<b>9752</b>
<b>Total benefits excl. old-age and survivors</b>	<b>4875</b>	<b>5260</b>	<b>6411</b>	<b>7236</b>	<b>7611</b>

Source: Authors' calculations

Overall, immigrants from other EU countries are half as likely to receive benefits as the native population. EU migrants constitute 3.8% of the total population but receive just 1.9% of the total benefits. Even if we exclude old-age and survivors' benefits, EU migrants are the recipients of only 2.7% of the benefits.

The UK appears to be attracting mostly immigrants who are economically active and seeking employment rather than those relying solely on benefits.

EU migrants in the UK are generally younger and this is the reason why they tend to claim fewer sickness benefits than the typical local citizen.

What is more, the share of EU migrants among the elderly population has not changed much during the past 5 years, which explains why EU migrants claim less than 1% of old-age and survivors' benefits.

EU migrants are also less likely to claim child benefits than the typical British household.

However, immigrants from other EU countries tend to claim more unemployment benefits than the typical local citizen.

**Table 16: Benefits received by EU migrants in the UK (as a percent of total benefits)**

Type of Benefit	2009	2010	2011	2012	2013
Sickness and health benefit	2.2%	2.3%	2.5%	2.8%	2.8%
Disability	2.2%	2.3%	2.5%	2.8%	2.8%
Old age	0.9%	1.0%	0.9%	0.9%	0.9%
Survivors	0.9%	1.0%	0.9%	0.9%	0.8%
Family/children	1.8%	2.1%	2.5%	2.8%	3.1%
Unemployment	3.1%	3.5%	3.9%	4.5%	4.7%
Housing	3.4%	2.3%	3.7%	3.8%	3.8%
Social exclusion	3.2%	2.6%	3.6%	3.8%	3.8%
<b>Total</b>	<b>1.6%</b>	<b>1.6%</b>	<b>1.7%</b>	<b>1.8%</b>	<b>1.9%</b>
<b>Total benefits excl. old-age and survivors' benefits</b>	<b>2.0%</b>	<b>2.0%</b>	<b>2.4%</b>	<b>2.6%</b>	<b>2.7%</b>
EU migrants as a percent of total population	2.9%	3.1%	3.3%	3.7%	3.8%

Source: Authors' calculations

#### BOX: ESTIMATING BENEFITS USING EUROSTAT – SILC PERSONAL INCOME DATA

The EU Statistics on Income and Living Conditions (EU-SILC: [http://epp.eurostat.ec.europa.eu/portal/page/portal/income\\_social\\_inclusion\\_living\\_conditions/methodology/main\\_concepts\\_and\\_definitions](http://epp.eurostat.ec.europa.eu/portal/page/portal/income_social_inclusion_living_conditions/methodology/main_concepts_and_definitions)) instrument is the EU reference source for comparative statistics on income distribution and social inclusion at the European level. The reference population in EU-SILC includes all private households and their current members residing in the territory of the countries at the time of data collection. The survey is based on a sample of 130 000 households, with about 270 000 individuals interviewed.

One dimension of SILC data is that it includes the breakdown of personal income by type, while also including the citizenship of the person. The survey provides data on the personal income received from:

- Employee cash or near cash income;
- Unemployment benefits;
- Old-age benefits;
- Survivor' benefits;
- Sickness benefits;

Disability benefits;

Education-related allowances.

Data on income from family/children-related allowances and housing allowances is collected on household level only and does not provide a breakdown by citizenship, and therefore are not included in the analysis below.

Eurostat provided data on mean gross personal income per person aged 16 and older in EU-27 countries for the period 2008-2012. The population was categorized in two broad groups: “citizens of the reporting country” and “citizens of EU-27 countries except reporting country”.

When the sources of income for the typical “national” and “EU-citizen foreigner” are compared in all 4 countries, the share of employment income for non-nationals from the EU is higher than for nationals in the respective country, being well above 80% of total personal income. In Austria, this share reaches almost 90%. For country nationals, the share of employment income is significantly lower, being between 70% and 75% of the total. The difference is a result of the huge discrepancy of old-age pensions which, combined with survivors’ benefits, accounts for almost the entire non-employment income (as personal income does not include family/children and housing allowances).

**Chart 16: Share of different types of personal income in total personal income (based on mean gross personal income), Austria, 2012**

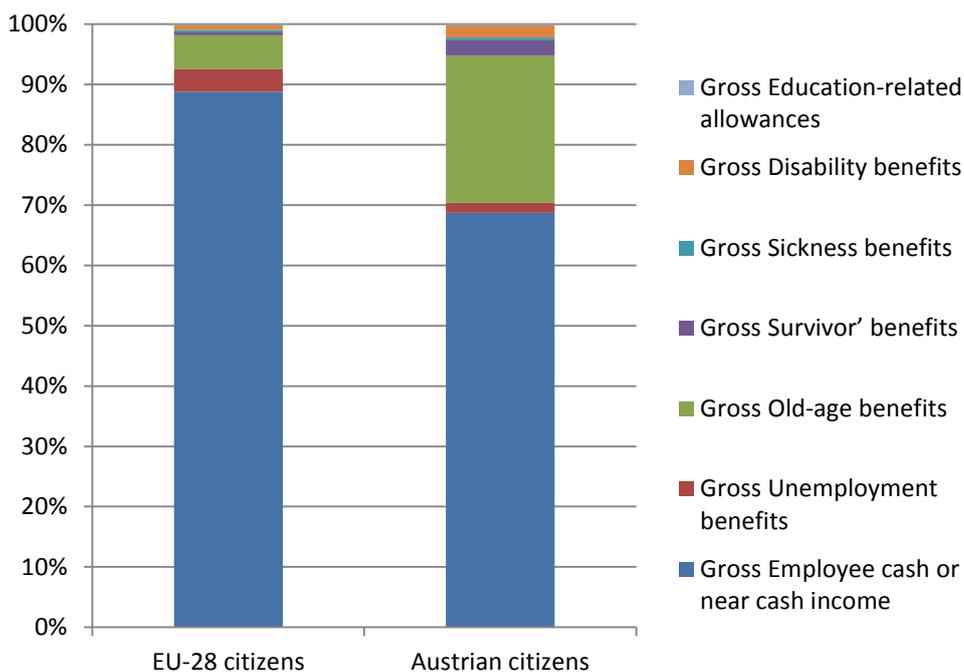


Chart 17: Share of different types of personal income in total personal income (based on mean gross personal income), Germany, 2012

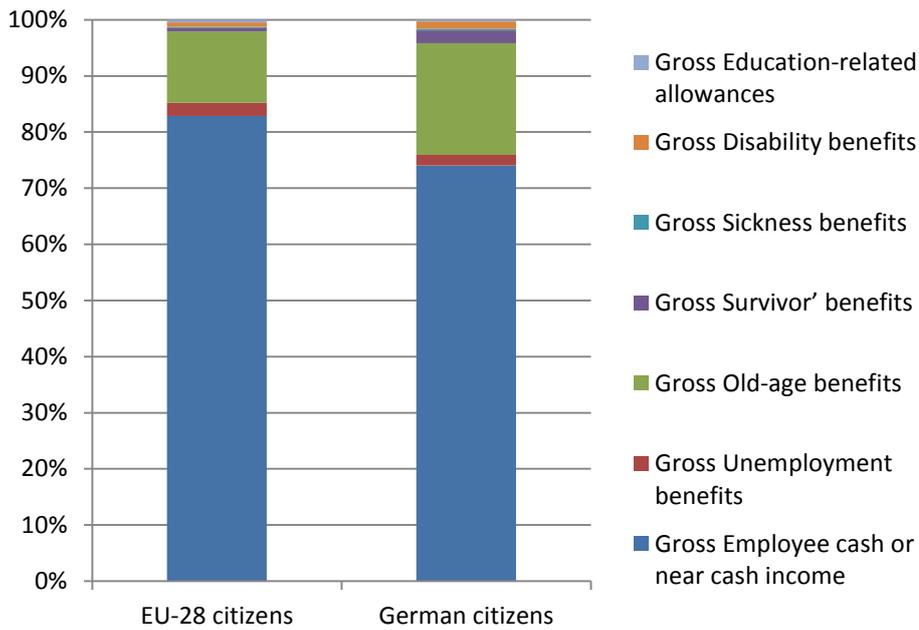


Chart 18: Share of different types of personal income in total personal income (based on mean gross personal income), the Netherlands, 2012

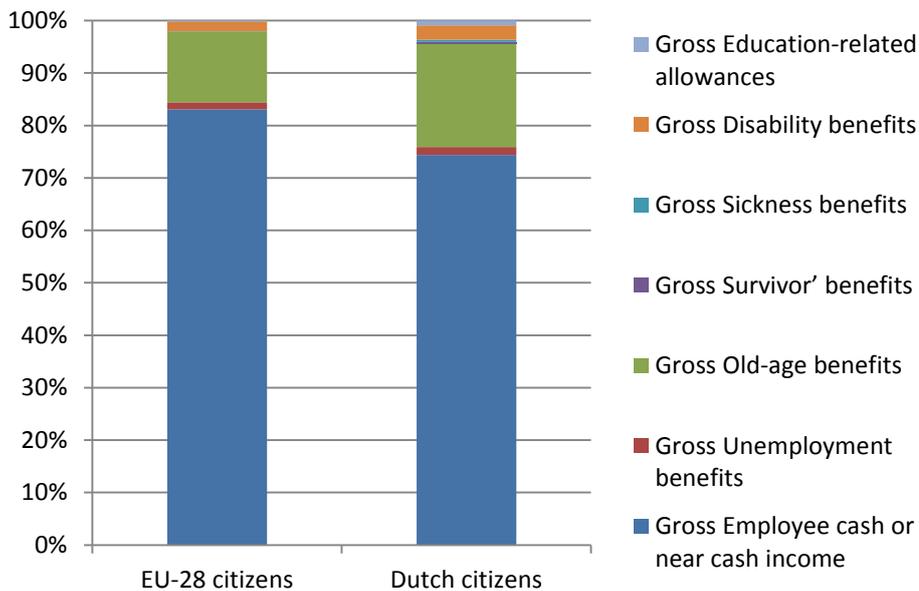
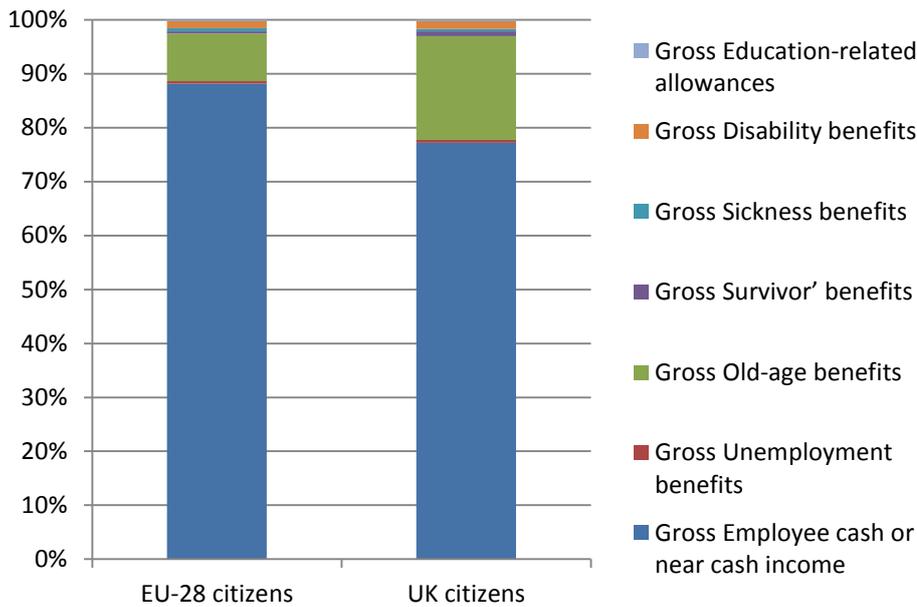


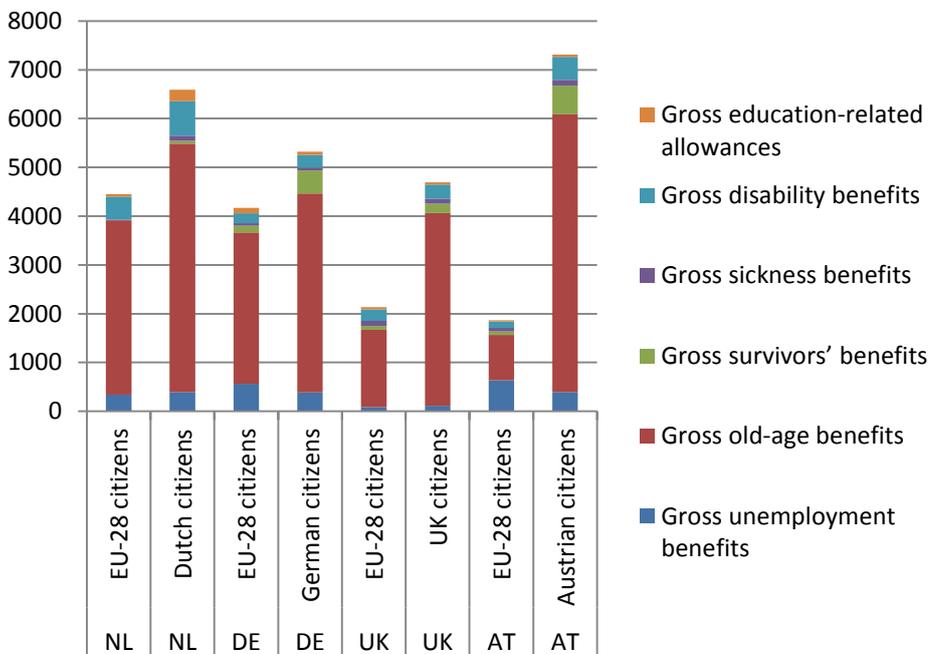
Chart 19: Share of different types of personal income in total personal income (based on mean gross personal income), the UK, 2012



Source: Eurostat SILC

A look at the mean benefit income alone shows that foreigners receive less than nationals. Old-age benefits are the key factor for this difference. At the same time, the age structure of the population according to citizenship is also different. In Austria, the personal income of nationals who receive benefits is on average 4 times higher than the income of EU-27 foreigners.

Chart 20: Benefit income, in EUR per year, 2012



Source: Eurostat SILC

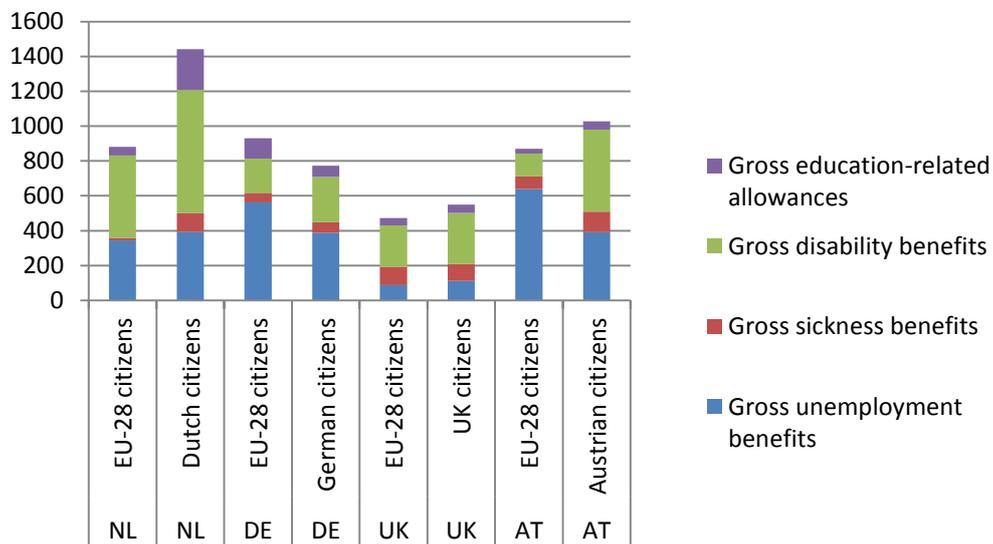
As pensions and survivors' benefits constitute a dominant share of the benefit income, the age structure of the population of people who have different citizenship might be considered a key

factor for the results. It is therefore necessary to look at the breakdown for non-age related benefits.

The levels might be misleading as two major schemes that are applied in the EU – family and children support and housing allowance – are not included in the breakdown. It should be noted, however, that after the comprehensive social security reforms in Germany (i.e. the Hartz reforms), some major welfare programs were combined under the “unemployment benefits” scheme. This means that they will show up in the SILC survey within the unemployment benefits type of income, unlike other countries where they will be found in separate programs. At the same time, in the UK some major parts of income and child support come through income tax credits and might underestimate the levels measured in the SILC study.

Mean personal income from non-age related benefits is higher for EU-27 foreigners only in Germany. In all countries sickness and disability benefits for nationals exceed the amount received by EU-foreigners. Mean unemployment benefits are higher for foreigners in Germany and Austria.

**Chart 21: Mean personal income from non-age related benefits, 2012**



Source: Eurostat SILC

Compared to employment income, unemployment benefits for EU-27 foreigners are between 23 times (Austria) and 180 times (The UK) lower, though this also reflects the different structure of welfare programs in each country, with various minimum income support schemes either included or outside the unemployment benefit program. For the “average EU-27 migrant”, the monthly unemployment benefit is about EUR 10 in the UK, EUR 30 in the Netherlands and around EUR 50 in Austria and Germany.

## FISCAL CONTRIBUTION: RESULTS BY COUNTRY

---

EU migrants contribute to the host country's government revenues through both direct and indirect taxes.

### Direct taxes

Direct taxes include personal income tax as well as the employee and employer social contributions.

Direct taxes paid by EU migrants are calculated based on the wage that EU workers earn. This wage is found using data from the respective statistical office and other research reports which have already identified the gap between the wages of the native and immigrant populations.

Then we find the ratio of immigrants' wage to the average wage for the country and identify the tax wedge calculated by the OECD which corresponds to this wage level. According to the OECD, the tax wedge is a measure of the difference between labour costs to the employer and the corresponding net take-home pay of the employee –calculated by expressing the sum of personal income tax, employee plus employer social security contributions together with any payroll tax, minus benefits as a percentage of labour costs.<sup>15</sup> For example, if we find that EU migrants earn 80% of the average wage, we find the tax wedge for a single person receiving 80% of the average wage. The tax wedge for a single person, instead of a couple or a single parent, is chosen for simplicity. According to OECD data, the difference between the tax wedge for a single person or a couple is often insignificant.

Using the net wage we have already determined, and the respective tax wedge, we obtain total labour costs per employed person. The contribution of each employed person to direct taxes is found by looking at the difference between total labour costs and the net wage.

Then we multiply the contribution per employed person by the number of people (aged 15-64 years) employed in each country to estimate the total direct taxes that they paid. The number of people employed includes all forms of employment (including employees and self-employed).

Based on data from Eurostat, we also estimate EU migrants' contribution to direct taxes as a percentage of GDP and total government revenue.

Using the total sum of pension contributions paid by EU migrants, we obtain direct taxes paid by EU migrants excluding pension contributions.

### Indirect taxes

Indirect taxes include most taxes on household consumption. Indirect taxes consist of VAT as well as import and excise duties, car registration taxes, taxes on entertainment, lotteries, gambling and betting, amongst others.

Eurostat is the source of all input data for estimating indirect taxes paid by EU migrants.

First, we obtain data on median equivalised net income in EUR per year for EU migrants in each of the four countries. The latest data available is for 2012. We estimate the median equivalised net income for 2013 based on its 2012 level and the average growth rate for 2010-2012.

---

<sup>15</sup><http://www.oecd.org/ctp/tax-policy/Taxing-Wages-Methodology-2014.pdf>

Then, we use the population aged 18 and over to find the disposable income of EU migrants.

Next, we have to estimate what fraction of their income EU migrants save and what fraction they spend. Eurostat provides data on the household savings rate for each of the four countries. Assuming EU migrants save the same percentage of their current income as the average household, we obtain the amount (in EUR million) that EU migrants spent during the year.

The fiscal contribution of EU migrants is dependent on the effective indirect tax rate, which shows how many cents the government receives per each euro spent. We estimate the effective indirect tax rate based on actual indirect taxes collected by each government as a percentage of total household consumption for each year. The underlying assumption is that the consumer basket of EU migrants is similar to the consumer basket of the average household.

The estimated consumer spending of EU migrants and the effective indirect tax rate allows for a calculation of the total amount of indirect taxes paid by EU migrants (in EUR million). Calculations on indirect taxes in relative terms – as a fraction of GDP and total government revenue – are also provided.

## EU migrants' fiscal contribution

### Austria

All individuals are taxed on their worldwide income if they are considered ordinarily resident in Austria. Non-residents with an income source in Austria are subject to tax to a limited extent, as their taxes may be reduced under a double tax treaty. Individuals are considered ordinarily resident if they have a residence available for use in Austria or if they live in Austria for more than six months. Employed people are subject to income tax on remuneration and all benefits received from employment. Employment income includes salaries, wages, bonuses, profit participation, and other remuneration as well as benefits granted for services rendered in a public office or in private employment.<sup>16</sup> Income is taxed according to a progressive scale. There is a basic tax-free allowance which varies depending on each individual's personal circumstances.

Table 17: Personal income taxation in Austria

Taxable income in EUR		Tax rate
Exceeding	Not exceeding	%
0	10999	0%
10999	25000	37%
25000	60000	43%
60000	-	50%

Source: European Commission

<sup>16</sup>[http://europa.eu/youreurope/citizens/work/taxes/income-taxes-abroad/austria/employed\\_en.htm](http://europa.eu/youreurope/citizens/work/taxes/income-taxes-abroad/austria/employed_en.htm)

Social security contributions consist of old-age pension, unemployment insurance, health insurance, insolvency guarantee funds, and accident insurance. Social insurance contributions are shared by the employee and the employer. Chamber contributions are paid by the employee, while insolvency guarantee funds and accident insurance contributions are paid by the employer. Pension insurance contributions are set at 10% for employees and 13% for employers.

**Table 18: Social insurance contributions in Austria**

Type of insurance	Total	Employer	Employee
Pension insurance	23%	13%	10%
Accident insurance	1%	1%	0%
Health insurance	8%	4%	4%
Unemployment insurance	6%	3%	3%
Accommodation promotion	1%	1%	1%
Chamber	1%	0%	1%
Family Burdens Equalization Fund	5%	5%	0%
Insolvency guarantee funds	1%	1%	0%
Local tax	3%	3%	0%
<b>Total</b>	<b>47%</b>	<b>29%</b>	<b>18%</b>

[Source: Federal Ministry of Labour, Social Affairs and Consumer Protection](#)

EU migrants in Austria contribute to government revenues from direct and indirect taxes.

Determining the fiscal impact of EU migrants on direct taxes in Austria requires first estimating how much they earn. The statistics office of Austria provides data on the net monthly income of employees by socio-economic factors, including the nationality of the employee. According to these data, non-nationals employed in Austria earn on average 15% less than nationals.<sup>17</sup> This observation is largely confirmed by another study of the wage gap in Austria from June 2014.<sup>18</sup> This particular paper finds that immigrants experience a wage disadvantage of 15 percentage points compared to natives. A substantial part of the wage gap can be explained by differences in human capital endowment and job position.

According to Austria Statistics, non-nationals received EUR 18156 in net annual wages in 2012. Taking into account the annual growth of wages in 2013, their net wage in 2013 amounted to EUR 18 608 annually. The tax wedge for 85% of the average wage is 47.2% according to the OECD, which means that total labour costs

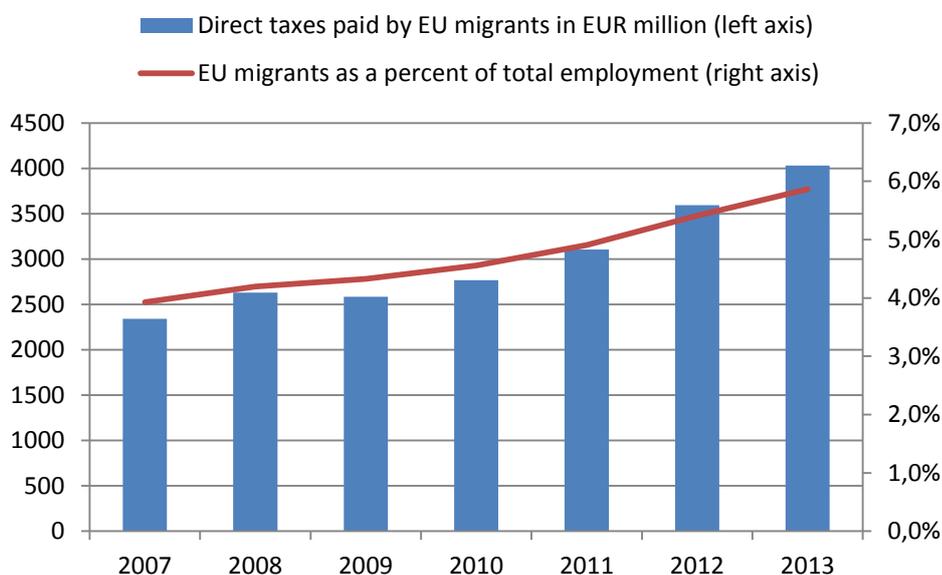
<sup>17</sup>[Source: Statistics Austria](#)

<sup>18</sup>[HOFER, Helmut, Gerlinde TITELBACH, Rudolf WINTER-EBMER, Wage discrimination against immigrants in Austria?, The Austrian Center for Labor Economics and the Analysis of the Welfare State, June 2014](#)

would be EUR 35 242 per employed in 2013. There were 242 300 non-Austrian EU migrants (aged 15-64 years) working in Austria in 2013, which means that they added EUR 4 billion in direct taxes, more than 4% of the government's revenue from personal income tax and social contributions. Non-local EU citizens were responsible for direct taxes equivalent to 1.3% of GDP or 2.5% of total Austrian government revenue in 2013.

Non-Austrian EU citizens' contribution to the government budget has increased substantially during the past decade on a per capita basis. In 2001, one EU migrant worker added EUR 12.6 thousand in direct taxes to the government budget, compared to EUR 16.6 thousand in 2013. 85 000 new EU workers aged 15-64 have come to work in Austria since 2007. The share of EU citizens employed in Austria has expanded from 3.9% in 2007 to 5.9% in 2013. In parallel, the share of EU migrants in direct taxes has grown from 3.2% in 2007 to 4.2% in 2012.

**Chart 22: Contribution of EU migrants to direct taxes in Austria**



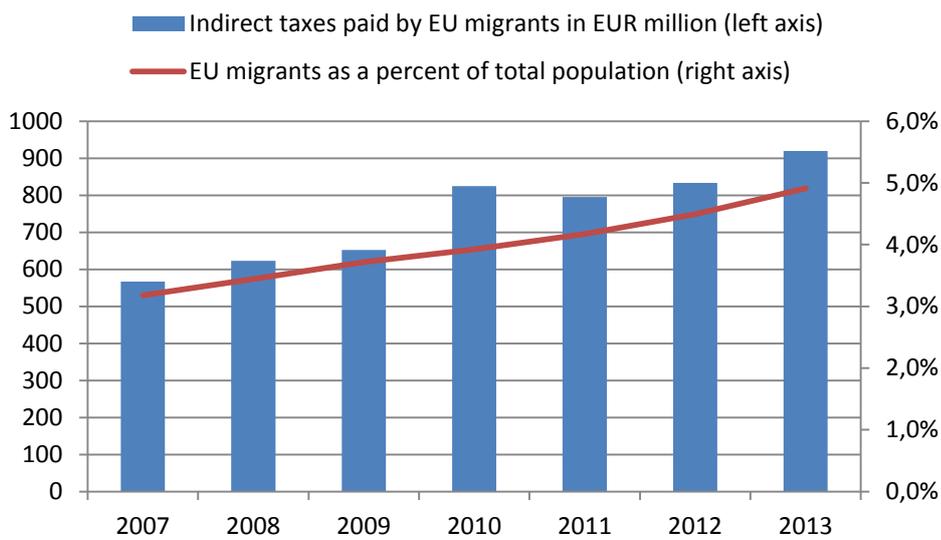
Source: Authors' calculations based on data from the OECD, Eurostat and Statistics Austria

In addition to direct taxes, foreign workers consume some of their current income and add to indirect taxes as well. The standard VAT rate in Austria is 20%, although there are reduced rates of 10% and 12% in some cases. The effective VAT rate, calculated by dividing the actual VAT revenues by total household consumption, is 16% in Austria—somewhat higher compared to the *de facto* VAT rate in the UK, the Netherlands and Germany.

Based on a median equalized annual income of EUR 19.2 thousand annually in 2012, as well as the adult population of EU migrants, their disposable income reached EUR 6.68 billion in 2013. The average Austrian household saved 12.6% of its income in 2012 according to Eurostat. Assuming EU migrants saved the same percentage of their income, they spent EUR 5.8 billion in 2013. Based on that, their contribution to indirect taxes is estimated at EUR 920 million in 2013.

As the number of EU migrants increased steadily over the the past ten years, their contribution to consumption taxes has grown not only in absolute, but also in relative terms. The share of EU migrants in total VAT revenues has surged from 2.7% in 2007 to 3.6% in 2013.

Chart 23: Contribution of EU migrants to indirect taxes in Austria



Source: Authors' calculations based on data from Eurostat

Considering direct and indirect taxes combined, EU migrants contributed EUR 4.95 billion in 2013, which is equal to 1.6% of GDP or 3.1% of total government revenue.

Table 19: Fiscal contribution of EU migrants in Austria

	2007	2008	2009	2010	2011	2012	2013
In EUR million							
Direct taxes	2341	2631	2585	2767	3105	3594	4030
Indirect taxes	567	623	652	825	795	833	920
<b>Total</b>	<b>2908</b>	<b>3254</b>	<b>3237</b>	<b>3591</b>	<b>3900</b>	<b>4428</b>	<b>4950</b>
As a percent of GDP							
Direct taxes	0.9%	0.9%	0.9%	1.0%	1.0%	1.2%	1.3%
Indirect taxes	0.0%	0.0%	0.0%	0.2%	0.2%	0.2%	0.3%
<b>Total</b>	<b>0.9%</b>	<b>0.9%</b>	<b>0.9%</b>	<b>1.2%</b>	<b>1.3%</b>	<b>1.4%</b>	<b>1.6%</b>
As a percent of total government revenue							
Direct taxes	1.8%	1.9%	1.8%	1.8%	2.0%	2.3%	2.5%
Indirect taxes	0.4%	0.4%	0.4%	0.5%	0.5%	0.5%	0.6%
<b>Total</b>	<b>2.2%</b>	<b>2.3%</b>	<b>2.2%</b>	<b>2.4%</b>	<b>2.6%</b>	<b>2.8%</b>	<b>3.1%</b>

Source: Authors' calculations based on data from the OECD, Eurostat and Statistics Austria

## Germany

Individuals who are resident in Germany or normally live there have full income tax liability. Personal tax income exemptions include annual income of up to EUR 7 664. Income between EUR 7 665 and EUR 52 153 is taxed at 15%, while the rate for income between EUR 52 154 and EUR 250 000 is 42%. The maximum tax rate is 45% for income beyond EUR 250 000. Additionally, the so-called solidarity surcharge, at a rate of 5.5%, must be paid. The tax base is different for single and married persons. Married couples have the right to choose whether they want to be assessed jointly or separately.

Table 20: Personal income taxation in Germany

Single			Married		
Taxable income in EUR		Tax rate	Taxable income in EUR		Tax rate
Exceeding	Not exceeding	%	Exceeding	Not exceeding	%
0	7664	0%	0	15329	0%
7665	52153	15%	15330	104304	15%
52154	250000	42%	104305	500000	42%
250001	-	45%	500001	-	45%

Source: <http://www.cfe-eutax.org/taxation/personal-income-tax/germany>

Costs immediately related to earnings can be deducted from the tax liability. These include donations – allowable for up to 5% of gross income; child allowance – EUR 1 824 annually for a child (EUR 1 000 for children under 14 years old); alimony (up to EUR 13 805 annually); church tax; travel expenses to and from work (up to EUR 4 500 annually); and allowance for capital earnings. Profits on sales are tax exempt below EUR 512 annually.

Old-age pension and unemployment insurance coverage is compulsory for all employees working in Germany, regardless of how much they earn.<sup>19</sup> In 2013, contributions represented 21.9% (18.9% for old-age pension and 3% for unemployment insurance) of employment income, up to EUR 69 600 per year. Special contribution ceilings apply to the Eastern German federal states: income above EUR 69 600 is not subjected to them. The employer pays one-half of these contributions.

Health insurance coverage was compulsory if the annual employment income was less than or equal to EUR 52 200 for 2013, as the applicable rate was 14.6%. Health insurance contributions were paid on employment income up to EUR 47 200 for 2013. The employer paid one-half of the contribution. The employee paid a surcharge of 0.9%, with a maximum of EUR 35.44 per month. Every employee is asked to contribute to nursing care insurance. This coverage is compulsory when an employee's income was less than EUR 52 200 in 2013. Borne equally by employer and employee, nursing care insurance contributions are levied at a rate of 2.05%.

<sup>19</sup>[http://www.ey.com/Publication/vwLUAssets/Worldwide\\_Personal\\_Tax\\_Guide\\_2013-2014/\\$FILE/2013-2014%20Worldwide%20personal%20tax%20guide.pdf](http://www.ey.com/Publication/vwLUAssets/Worldwide_Personal_Tax_Guide_2013-2014/$FILE/2013-2014%20Worldwide%20personal%20tax%20guide.pdf)

Table 21: Social insurance contributions in Germany

Type of benefit	Employer	Employee
Old age	9.5%	9.5%
Unemployment	1.5%	1.5%
Health	7.3%	8.2%
Nursing care	1.0%	1.0%

Source: Ernst & Young

EU citizens living in Germany contribute both to direct and indirect taxes collected by the German government.

To estimate the direct taxes that EU migrants in Germany pay, their average wage must be estimated. According to a study of the immigrant wage gap in Germany,<sup>20</sup> the predicted wage gap between foreigners and natives is quite substantial, amounting to 11.3% for men and 20% for women. This means that male immigrants receive on average 88.7% of the wage that native residents receive. The difference is larger for immigrant female workers, who get paid on average 80% of the compensation that native women receive for their labour. The wages for immigrant male and female workers are obtained based on these observed wage differentials and the official statistics on wages for men and women in Germany. The average gross annual wage for a migrant (EUR 34 200) is estimated using the number of employed female and male immigrants. Overall, migrant workers tend to receive close to 85% of the average wage.

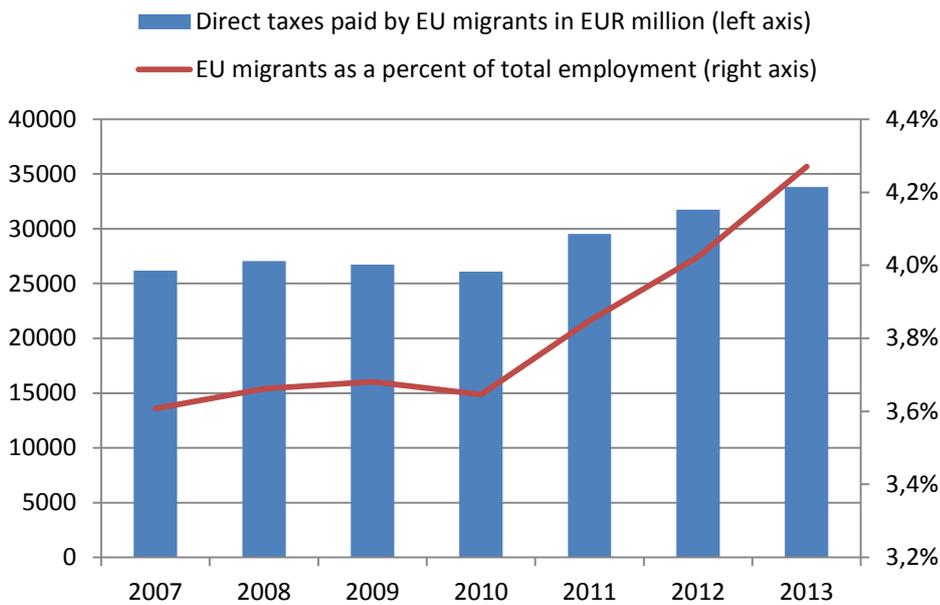
According to the OECD, the tax wedge for 85% of the average wage in 2013 is 47.6% of the total labour costs. Therefore, the contribution of an EU-27 immigrant to direct taxes is estimated at close to EUR 20 000 per employed person, which includes personal income tax as well as social contributions at the expense of the employee and the employer. Using the number of non-German EU citizens employed in Germany (1.73 million in 2013), direct taxes attributable to EU migrants amounted to EUR 33.8 billion in 2013.

Non-German EU citizens are responsible for 4% of the personal income taxes and social contributions that the German government collected in 2012. Direct taxes paid by non-local EU citizens amounted to 1.2% of GDP or 2.8% of total government revenue.

From 2007 until 2013, 342 000 new EU migrants (aged 15-64) started working in Germany. The rising share of non-local EU employment in Germany has been accompanied by an increasing fiscal contribution of working EU migrants. The share of non-local EU migrants has gone up from 3.6% of total employment in 2007 to 4.3% in 2013. Meanwhile, the direct contribution of EU migrants has also increased. Direct taxes paid by EU migrants rose from 1% of GDP in 2007 to 1.2% of GDP in 2013.

<sup>20</sup>Aldashev, Alisher, Johannes Gernandt, Stephan L. Thomsen, The Immigrant Wage Gap in Germany, 2008, [http://www.eale.nl/Conference2009/Programme/PapersC/add100272\\_RX5gWJGuYr.pdf](http://www.eale.nl/Conference2009/Programme/PapersC/add100272_RX5gWJGuYr.pdf).

Chart 24: Contribution of EU migrants to direct taxes in Germany



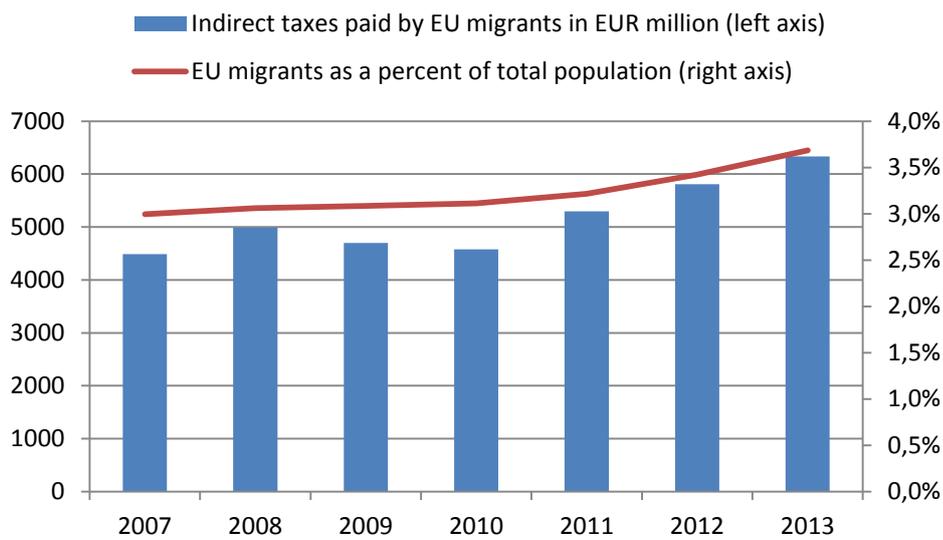
Source: Authors' calculations based on data from the OECD, Eurostat and Federal Statistical Office (Destatis)

In addition to direct taxes, EU migrants also add to consumption taxes (mostly VAT and excise duties). The standard VAT rate in Germany is 19%. However, there are reduced rates of 7% for food, plants, animals, books/newspapers, short term accommodation as well as short-distance passenger transport. The VAT rate is 0% for cross-border air passenger transport, financial services to non-EU recipients, and exports. VAT exemptions apply to financial services to EU recipients, insurance services, health, welfare, education, some public postal services, as well as supplies within the Real Estate Acquisition Law.<sup>21</sup> This is the reason why the effective VAT rate in Germany was 13% in 2013 despite the standard rate of 19%. The effective VAT rate that individuals pay in Germany has been relatively stable in the past decade.

Based on a median equalized net income of EUR 19.7 thousand in 2012 and the number of non-German EU citizens aged 18 and over (2.71 million people), their total disposable income is estimated at EUR 53.9 billion in 2013. Their actual consumer spending is determined by the propensity to save. The household saving rate in Germany was relatively high at 16.4% in 2012, according to Eurostat. It has fluctuated between 16-17% in the past decade. Given a savings rate of 16%, EU migrants would spend 84% of their disposable income. As a result, EU migrants are estimated to have paid EUR 6.3 billion in the form of indirect taxes in 2013.

<sup>21</sup>Source: KPMG, <http://www.kpmg.com/Global/en/services/Tax/tax-tools-and-resources/Pages/indirect-tax-rates-table.aspx>.

Chart 25: Contribution of EU migrants to indirect taxes in Germany



Source: Authors' calculations based on data from Eurostat

Overall, EU migrants in Germany paid direct and indirect taxes in excess of EUR 40 billion in 2013, which is equivalent to 1.5% of GDP or 3.3% of total government revenue.

Table 22: Fiscal contribution of EU migrants in Germany

Type of tax	2007	2008	2009	2010	2011	2012	2013
In EUR million							
Direct	26165	27063	26726	26087	29541	31757	33808
Indirect	4490	4992	4698	4581	5297	5811	6334
<b>Total</b>	<b>30654</b>	<b>32054</b>	<b>31424</b>	<b>30668</b>	<b>34838</b>	<b>37568</b>	<b>40142</b>
As a percent of GDP							
Direct	1.1%	1.1%	1.1%	1.0%	1.1%	1.2%	1.2%
Indirect	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%
<b>Total</b>	<b>1.3%</b>	<b>1.3%</b>	<b>1.3%</b>	<b>1.2%</b>	<b>1.3%</b>	<b>1.4%</b>	<b>1.5%</b>
As a percent of total government revenue							
Direct	2.5%	2.5%	2.3%	2.2%	2.5%	2.7%	2.8%
Indirect	0.4%	0.5%	0.4%	0.4%	0.4%	0.5%	0.5%
<b>Total</b>	<b>2.9%</b>	<b>2.9%</b>	<b>2.7%</b>	<b>2.6%</b>	<b>3.0%</b>	<b>3.2%</b>	<b>3.3%</b>

Source: Authors' calculations based on data from OECD, Eurostat and Federal Statistical Office (Destatis)

## The Netherlands

Residents of the Netherlands are subject to income tax on their worldwide income, while non-residents are taxed only on their Dutch-sourced income. Dutch residency requires determining whether or not the individual has permanent personal ties with the Netherlands. Income tax in the Netherlands is levied on three categories of income, as each category has its own rules to calculate taxable income, its own tax rates and exemptions. Category one income includes employment income, business profits and income from a primary residence. The personal tax on category one income is applied at a progressive tax rate. Income below EUR 19 645 is taxed at 5.9%, while income between EUR 19 645 and EUR 33 363 is subject to a 10.9% tax rate. The highest tax rate (52%) is applied to income above EUR 55 991.

Table 23: Personal income taxation in the Netherlands

Taxable income in EUR		Tax rate
Exceeding	Not exceeding	%
0	19645	5.85%
19645	33363	10.85%
33363	55991	42%
55991	-	52%

Source: Ernst & Young

Personal tax credits are fixed amounts that serve to decrease the income tax payable. They include a general credit for every taxpayer (EUR 2 001), a general employment credit for recipients of income from profits and employment (maximum EUR 1 723; minimum EUR 550), a specific employment credit for employees who are aged 61 or older (maximum EUR 1 100) and other credits, such as for children, single parents and senior citizens.

The personal tax credit is limited if a taxpayer is not insured under any of these schemes: General Old Age Pension Act (AOW); Survivor Benefits Act (ANW) or the Exceptional Medical Expenses Act (AWBZ).

The Social Security Acts include the National Insurance Acts and the Employee Insurance Acts (excluding health insurance). National Insurance Acts provide benefits to all Dutch residents. National Insurance contributions are payable on taxable income up to EUR 33 363 and are not tax deductible. The maximum annual National Insurance contribution by an employee is EUR 8 244.

In addition, every socially insured individual must have an individual health insurance policy. Every individual aged 18 and older pays a standard contribution averaging EUR 1 128 for health insurance. Insurance claims up to EUR 350 per year are at the own risk of the respective individual, while insurance claims exceeding EUR 350 are paid by the health insurer. An income-related contribution is also due at a rate of 7.75% (5.65% for self-employed persons), for income less than EUR 50 853. Resident individuals who are not socially insured in the Netherlands have to register with a care insurer in order to obtain the right to medical care.

Table 24: Social insurance contributions in The Netherlands

Type of Benefit	Employee	Employer	Total
General Old Age pensions (AOW)	18%	-	18%
Survivor Benefits (ANW)	1%	-	1%
Exceptional Medical Expenses (AWBZ)	13%	-	13%
Disability insurance	-	5.2%	5%
Unemployment	-	4.5%	4%
Contribution child care	-	0.5%	1%
Health (ZVW)	varies	7.8%	8%
<b>Total</b>	<b>31%</b>	<b>18%</b>	<b>49%</b>

Source: Ernst & Young

EU migrants in the Netherlands contribute both to direct and indirect taxes.

Identifying the direct taxes that EU migrants pay requires estimating the wages that they earn. The Netherlands statistics office provides data on gross wages of workers from the EU-15 and EU-12,<sup>22</sup> the latter being countries which have joined the EU since 2004, excluding Croatia. There is a substantial gap between the earnings of the two groups of EU-members. Non-Dutch EU-15 citizens working in the Netherlands earn gross annual wages exceeding EUR 41 000, which is more than double the wages that EU-12 citizens receive (slightly above EUR 20 000). EU-15 citizens make up more than 70% of the EU-27 labour force in the Netherlands, which is the reason why non-Dutch EU citizens received 11% higher wages than the country average.

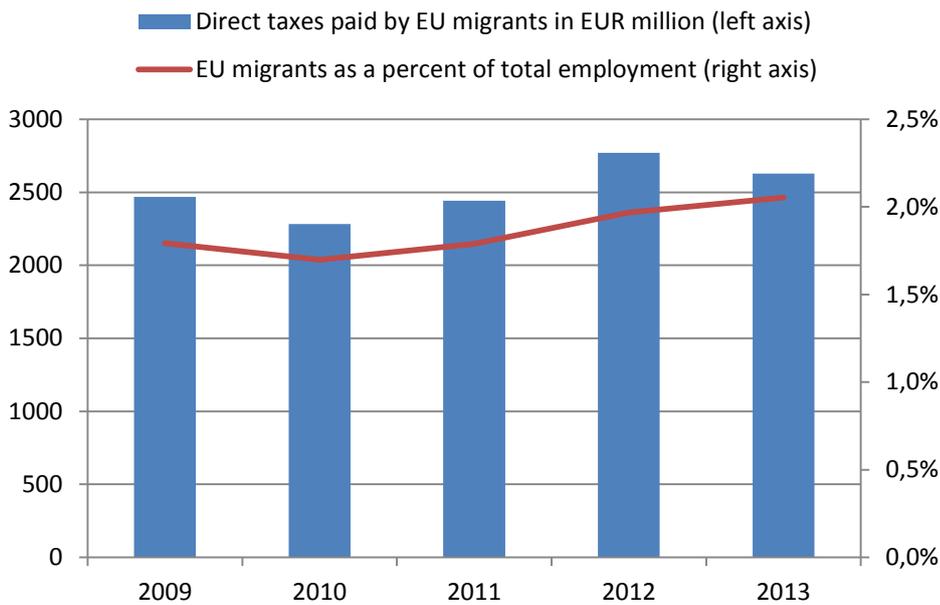
Using the tax wedge for 110% of the average wage calculated by the OECD, the total labour cost per person was close to EUR 41 000 in 2013. Based on that, direct taxes paid by EU migrants amounted to EUR 15 524 per employed person in 2013. There were 169 300 non-Dutch EU-citizens in the Netherlands, which means that they paid direct taxes exceeding EUR 2.6 billion in 2013.

Historically, EU migrants have contributed 1.6-1.8% of the total revenues from personal income taxation and social contributions in the Netherlands, which is slightly less than their share in total employment in the country.

EU migrants added personal income taxes and social contributions equivalent to 0.4% of GDP or 0.9% of government revenues in 2013.

<sup>22</sup>Source: Statistics Netherlands, <http://statline.cbs.nl/StatWeb/publication/?DM=SLLEN&PA=81434eng&D1=2-8&D2=0&D3=0&D4=0,15-16&D5=0&D6=a&LA=EN&HDR=T,G4&STB=G1,G2,G3,G5&VW=T>.

Chart 26: Contribution of EU migrants to direct taxes in the Netherlands



Source: Authors' calculations based on data from the OECD, Eurostat and Statistics Netherlands

Apart from direct taxes, EU migrants spend some of their income locally and thereby add to indirect taxes as well.

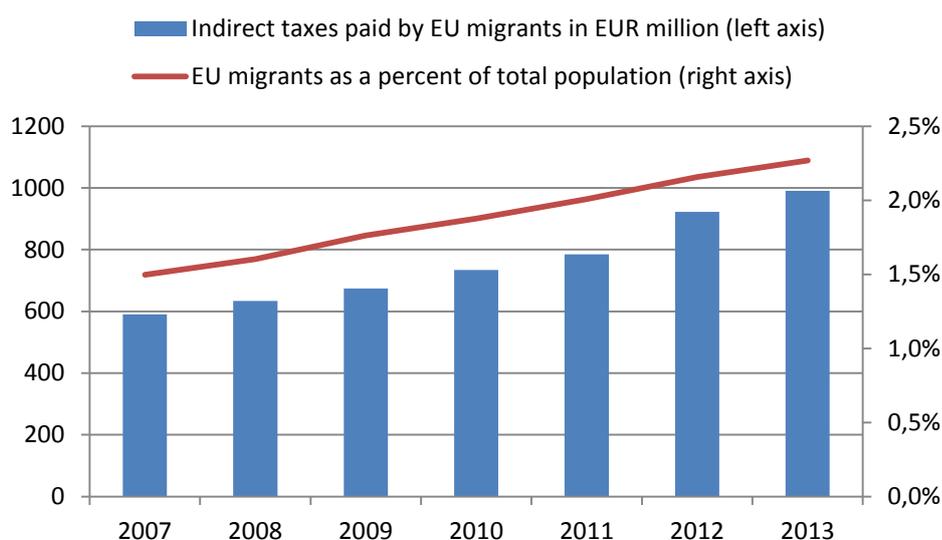
The standard VAT rate in the Netherlands has been 21% since 1 October 2012. It was increased from 19% before that. There is a reduced rate of 6% which is applied to the supply of foods, drinks, medicine, books, daily newspapers and magazines, passenger transport, as well as sports events and performing arts. Supplies of certain goods and services are VAT exempt, including financial and insurance services, education, health and welfare.<sup>23</sup> This is the reason why the effective VAT rate, equal to actual VAT revenues divided by household consumption, was 13% in the Netherlands in 2013, although the official standard VAT rate is 21%.

The median equalized net income was EUR 21 164 per adult in 2012 according to Eurostat. There were 330 000 non-Dutch citizens aged 18 and over in the Netherlands in 2013. Based on that, they had a combined disposable income of EUR 7.2 billion in 2013.

According to Eurostat, households in the Netherlands saved 10.7% of their income in 2012. This means that EU migrants would spend 89% of their disposable income. Under this assumption, non-Dutch EU citizens paid EUR 991 million in the form of indirect taxes in 2013.

<sup>23</sup>Source: KPMG

Chart 27: Contribution of EU migrants to indirect taxes in the Netherlands



Source: Authors' calculations based on data from Eurostat

Altogether, EU migrants in the Netherlands were responsible for EUR 3.6 billion in government taxes, which is equivalent to 0.6% of GDP and 1.2% of total government revenue.

Table 25: Fiscal contribution of EU migrants in the Netherlands

Type of tax	2009	2010	2011	2012	2013
in EUR million					
Direct taxes	2414	2285	2444	2772	2632
Indirect taxes	674	734	785	923	991
<b>Total</b>	<b>3088</b>	<b>3019</b>	<b>3229</b>	<b>3695</b>	<b>3623</b>
as a percentage of GDP					
Direct taxes	0.4%	0.4%	0.4%	0.5%	0.4%
Indirect taxes	0.1%	0.1%	0.1%	0.2%	0.2%
<b>Total</b>	<b>0.5%</b>	<b>0.5%</b>	<b>0.5%</b>	<b>0.6%</b>	<b>0.6%</b>
as a percentage of total government revenue					
Direct taxes	0.8%	0.8%	0.8%	0.9%	0.9%
Indirect taxes	0.2%	0.2%	0.3%	0.3%	0.3%

Total 1.0% 1.0% 1.1% 1.2% 1.2%

Source: Authors' calculations based on data from the OECD, Eurostat and Statistics Netherlands

## The United Kingdom

The taxation of individuals in the UK is dependent on residence and domicile status. Tax residents are tax liable for their worldwide income. Non-residents are subject to tax on their UK-sourced income.<sup>24</sup>

Table 26: Personal income taxation in the UK

Taxable income in GBP		Tax rate
Exceeding	Not exceeding	%
0	32 010	20%
32 010	150 000	40%
150 000	-	45%

Source: Ernst & Young

National Insurance contributions are payable on the earnings of individuals who work in the UK. The contribution for an employed individual is shared by the employee and the employer. The employee contribution is set at a rate of 12% on weekly earnings between GBP 149 and GBP 797 and at a rate of 2% on weekly earnings in excess of GBP 797 for year 2013–14.

The employer pays a rate of 13.8% on an employee's earnings above GBP 148. If the employee contracts out of the state second pension, which is permitted if the employee is a member of a registered occupational pension scheme, the employer's and employee's required contribution rates are reduced.

Table 27: Social insurance contributions in the UK

Not contracted out — employee's contribution		Not contracted out — employer's contribution	
Total weekly earnings in GBP	Rate	Total weekly earnings in GBP	Rate
0-149	0%	0-148	0%
149-797	12%	148-	13.8%
797-	2%		

Source: Ernst & Young

<sup>24</sup>[http://www.expat.hsbc.com/1/PA\\_ES\\_Content\\_Mgmt/content/hsbc\\_expats/pdf/en/global\\_tax\\_navigator/UK.pdf](http://www.expat.hsbc.com/1/PA_ES_Content_Mgmt/content/hsbc_expats/pdf/en/global_tax_navigator/UK.pdf)

EU migrants in the UK exert their fiscal impact through both direct and indirect taxes.

Estimating the fiscal impact of EU migrants on direct taxes requires estimating the wage that non-native EU workers earn. The waves of new immigrants had different characteristics with each subsequent expansion of the EU. A study established that EU-10 migrants during 2004-2006 were heavily concentrated in low skilled jobs (63%) compared to all migrants to the UK in the earlier 1998-2003 period (22%). 63% of the EU migrants during 2004-2006 were engaged in low skill occupations, compared with less than 20% of the UK population as a whole.<sup>25</sup> However, these results do not necessarily mean that more recent EU migrants tend to be less educated. There is evidence proving that many of the more recent EU migrants tend to be over-qualified for their jobs.<sup>26</sup> This is why the educational structure of new migrants cannot always serve as a reliable proxy for the type of positions new migrants occupy.

The thesis that migrant workers who came to the UK prior to 2004 predominantly from EU-15 countries were relatively more concentrated in higher-skilled occupations is largely confirmed by statistical data on the labour market of other members of the Euro area. For example, non-Austrian EU-15 citizens working in Austria earn more than double the wage of EU-12 citizens, probably because EU-15 workers are working jobs requiring higher qualifications. This is why estimating the average wage of EU-27 citizens should take into account the structure of the working EU population in the UK. In 2013, 45% of the EU-27 employment in the UK was composed of EU-15 citizens, whereas the share of EU-12 citizens was 55%. What is more, the share of EU-15 workers has been on the decline, falling from 53% in 2007 to 45% in 2013. On the other hand, EU-12 migrant workers have been increasing in relative terms—from 47% of all EU workers in the UK in 2007 to 55% in 2013. Between 2007 and 2013, 349 000 new employees from the EU-12 were hired in the UK, in comparison to 140 000 from the EU-15.

According to a report of the Migration Observatory at the University of Oxford, the growth in employment shares of foreign-born workers in recent years has been most rapid in occupations and sectors, which typically require lower skills. Therefore it is safe to assume that EU-12 migrants occupy positions which do not ordinarily require high skill or specialization.<sup>27</sup> Foreign-born workers have a substantial share in occupations such as elementary process plant, food preparation, elementary cleaning, process operatives and elementary goods storage.

The average wage for EU-12 migrants who are predominantly occupied in lower-skilled jobs including personal service; sales and customer service and elementary occupations was GBP 17 440 in 2013.<sup>28</sup> Assuming EU-15 migrants earn about the average wage, the gross annual wage for EU-27 migrants was GBP 21 747 in 2013. This means that the gross annual wage for EU-27 workers as a whole is 20% lower than the country average. Due to the higher share of EU-12 employees, the average wage for EU-27 workers is closer to the wage of EU-12 workers than EU-15 employees. The net annual wage must then be converted from GBP to EUR using the annual average EUR/GBP exchange rate.<sup>29</sup> The euro has strengthened somewhat in relation to the GBP since

---

<sup>25</sup> S. Kirby, J. Mitchell and R. Riley (NIESR) : Evidence submitted to the inquiry into "The Economic Impact of Immigration" being conducted by the House of Lords Select Committee on Economic Affairs, 2007.

<sup>26</sup> D'Auria, Francesca, Kieran Mc Morrow and Karl Pichelmann, "[Economic impact of migration flows following the 2004 EU enlargement process: A model based analysis](#)". *Economic Papers* 349, Economic and Financial Affairs Directorate-General, European Commission, November 2008.

<sup>27</sup> Rienzo, Sinzia, "[Migrants in UK Labor Market: An overview](#)". *The Migration Observatory* at the University of Oxford, September 2013.

<sup>28</sup> The average wage for EU-12 workers is calculated as the simple average of the wages for the three occupations: personal service, sales and customer service and elementary occupations.

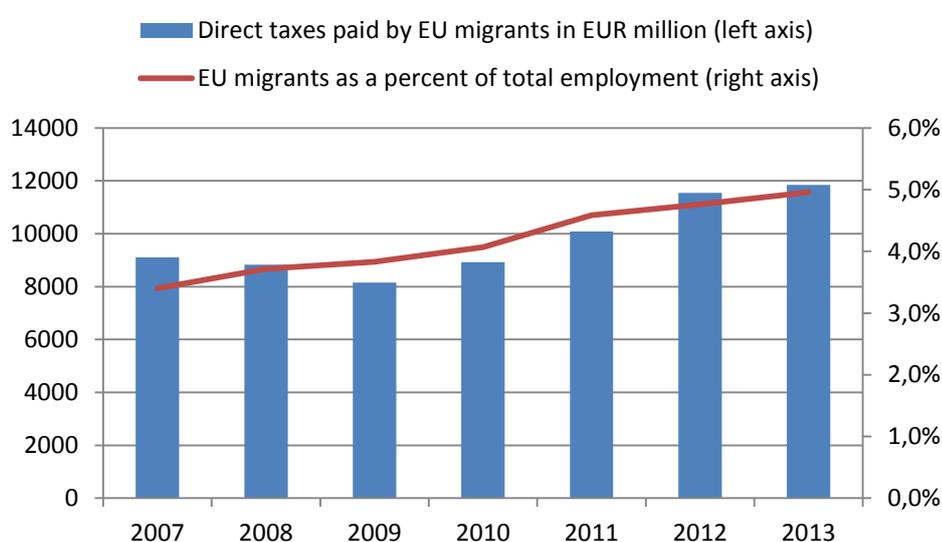
<sup>29</sup> Source: European Central Bank, [http://sdw.ecb.europa.eu/quickview.do?SERIES\\_KEY=120.EXR.A.GBP.EUR.SP00.A](http://sdw.ecb.europa.eu/quickview.do?SERIES_KEY=120.EXR.A.GBP.EUR.SP00.A).

2002, which means that the average wage of EU-27 workers has increased more if measured in pounds than in euros.

The tax wedge for 80% of the average wage was 29.2% in 2013. Based on this tax wedge and net wage, the total labour costs for EU-27 citizens in the UK were EUR 27.8 thousand in 2013. There were 1.46 million EU-27 workers aged 15-64 in the UK, who paid almost EUR 12 billion in indirect taxes.

EU-27 citizens were 4.8% of the total employment in the UK in 2012 and were responsible for 3% of the personal income tax and social contributions that the UK government collected. The share of EU-27 employment in the UK increased from 3.4% in 2007 to 5% in 2013. As more EU-27 citizens found positions in the UK, their contribution to direct taxes also grew. The direct taxes that EU-27 citizens paid in 2013 were equivalent to 0.6% of GDP and 1.3% of total British government revenue in 2013.

**Chart 28: Contribution of EU migrants to direct taxes in the UK**



Source: Authors' calculations based on data from the OECD, Eurostat and The Office for National Statistics (ONS)

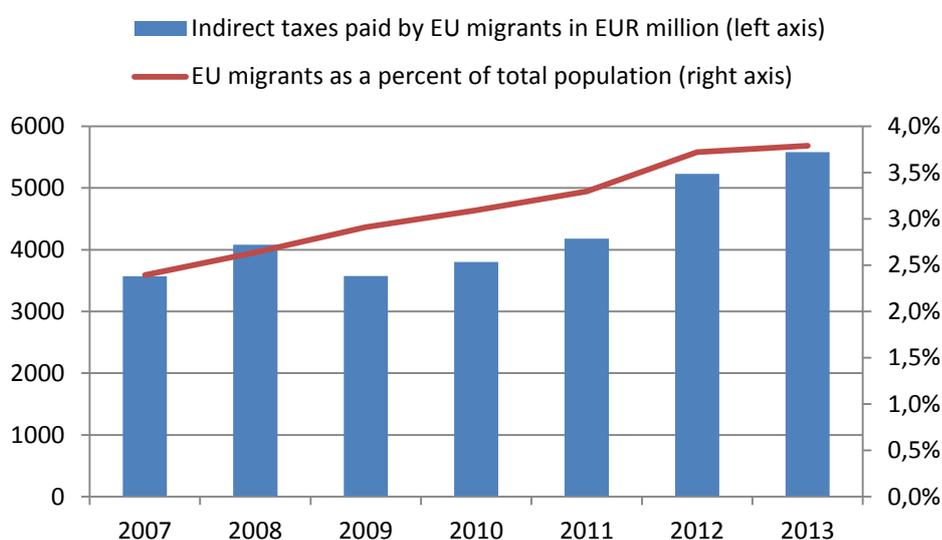
In addition, EU-27 citizens consume some of their income in the UK and therefore add to indirect taxes as well. According to Eurostat, the median equalized net income was EUR 19 000 per adult in the UK in 2012. It was estimated to be slightly above EUR 20 000 in 2013. The disposable income of EU citizens in the UK was EUR 39.5 billion in 2013. British households saved on average 7.3% of their income in 2012 according to Eurostat. Assuming EU migrants saved the same percentage, they spent EUR 36.6 billion in 2013.

The standard VAT rate in the UK has been 20% since early 2011, up from 17.5% in 2010. Reduced rates of 5% and 0% apply to domestic fuel and power, renovations/conversions of residential properties, as well as food and animal feed, books and newspapers, prescription drugs and medicines, children's clothes, and passenger transport. Exempt from VAT are financial and insurance services; education services supplied by eligible bodies; certain cultural services; betting, gaming, and lotteries; subscriptions; and health and welfare.<sup>30</sup> This is the reason why the effective VAT rate, calculated as actual VAT revenues divided by household consumption, was 15% in 2012.

<sup>30</sup>Source: KPMG, <http://www.kpmg.com/Global/en/services/Tax/tax-tools-and-resources/Pages/indirect-tax-rates-table.aspx>.

Based on these estimates, EU-27 migrants contributed EUR 5.6 billion in 2013 in the form of indirect taxes, which is equivalent to 0.3% of GDP and 0.6% of total government revenue.

**Chart 29: Contribution of EU migrants to indirect taxes in the UK**



Source: Authors' calculations based on data from Eurostat

Overall, EU migrants in the UK paid EUR 17.4 billion in direct and indirect taxes in 2013, which represents 0.9% of GDP and 1.9% of total government revenue.

**Table 28: Fiscal contribution of EU migrants in the UK**

Type of tax	2009	2010	2011	2012	2013
<b>in EUR million</b>					
Direct	8155	8930	10080	11542	11845
Indirect	3576	3804	4178	5231	5581
<b>Total</b>	<b>11732</b>	<b>12734</b>	<b>14258</b>	<b>16773</b>	<b>17426</b>
<b>as a percent of GDP</b>					
Direct	0.5%	0.5%	0.6%	0.6%	0.6%
Indirect	0.2%	0.2%	0.2%	0.3%	0.3%
<b>Total</b>	<b>0.7%</b>	<b>0.7%</b>	<b>0.8%</b>	<b>0.9%</b>	<b>0.9%</b>
<b>as a percent of total government revenue</b>					
Direct	1.0%	1.0%	1.2%	1.2%	1.3%

Indirect	0.4%	0.4%	0.5%	0.6%	0.6%
<b>Total</b>	<b>1.5%</b>	<b>1.5%</b>	<b>1.7%</b>	<b>1.8%</b>	<b>1.9%</b>

Source: Authors' calculations based on data from the OECD, Eurostat and The Office for National Statistics (ONS)

## COMPARING REVENUES AND OUTLAYS: THE NET IMPACT

### Austria

Direct taxes paid by EU migrants in Austria were up 72% in 2013 compared to 2007 because:

- the net wage for EU citizens was 10% higher in 2013 versus 2007;
- the tax wedge has been relatively stable;
- the number of employed people from the EU (15-64 years old) was 54% higher than it was in 2007.

EU migrants in Austria paid 62% more indirect taxes in 2013 versus 2007 because:

- median income of EU migrants was 8% more than it was 7 years ago;
- consumer spending of EU migrants was up 73% in 7 years.

Total (direct and indirect) taxes paid by EU migrants in Austria were up by EUR 2 billion or 70% from 2007.

There were 58% more EU migrants in Austria in 2013 than there were in 2007.

Benefits received by EU citizens in Austria have more than doubled since 2007.

However, the net fiscal contribution of EU migrants was still positive (EUR 2.59 billion), as total taxes paid (EUR 4.95 billion) exceeded total benefits received (EUR 2.36 billion) in 2013.

Even if we exclude pensions from the calculations, the net fiscal impact of EU migrants in 2013 was positive, albeit smaller (EUR 627 million).

**Table 29: Net fiscal impact of EU migrants in Austria (in EUR million)**

	2007	2008	2009	2010	2011	2012	2013
Total taxes	2908	3254	3237	3591	3900	4428	4950
Total benefits	1166	1313	1518	1629	1835	2111	2361
Net fiscal impact	1743	1941	1719	1963	2065	2316	2589
Direct taxes excl. old-age pension contributions	1489	1685	1602	1724	1955	2285	2581
Benefits excl. old-age and survivors'	929	1052	1233	1318	1494	1734	1954
Net fiscal impact excl. old-age pension	560	633	370	406	460	551	627

Source: Authors' calculations

## Germany

EU citizens in Germany paid 29% more in direct taxes in 2013 than in 2007, because:

- net wages earned by EU migrants were 11% higher in 2013 than they were in 2007;
- the tax wedge has slightly declined in the past 7 years according to OECD;
- there were 25% more people from the EU working in Germany than there were in 2007.

EU migrants in Germany contributed 41% more in indirect taxes because:

- EU migrants had a 12% higher net income per adult than they did in 2007;
- non-local EU citizens in Germany spent 40% more on consumer purchases than they did 7 years ago.

Total taxes paid by EU migrants in Germany were up by EUR 9.5 billion or 31% in 2013 from 2007.

The population from other EU countries in Germany was 23% larger in 2013 than it was in 2007.

Benefits received by EU citizens have gone up by 51% since 2007.

EU migrants still have made a positive contribution to the German government budget, as they paid EUR 40.1 billion in total taxes and received EUR 14.8 billion in total benefits in 2013.

If we exclude pensions from the calculation, EU migrants still had a positive fiscal impact (EUR 11 billion) in 2013.

**Table 30: Net fiscal impact of EU migrants in Germany (in EUR million)**

	2007	2008	2009	2010	2011	2012	2013
Total taxes	30654	32054	31424	30668	34838	37568	40142
Total benefits	9769	9556	11792	12649	12307	13132	14789
Net fiscal impact	20885	22498	19631	18020	22531	24437	25354
Direct taxes excl. old-age pension contributions	18495	18955	18493	17663	20195	21664	22842
Benefits excl. old-age and survivors'	7815	7472	9572	10303	9817	10420	11838
Net fiscal impact excl. old-age pension	10680	11483	8921	7360	10378	11244	11004

Source: Authors' calculations

## The Netherlands

In 2013, compared to 2009 EU migrants in the Netherlands paid 6.5% more in direct taxes as:

- the net wage for EU citizens was slightly down;
- the tax wedge has also declined;
- there were 12% more people employed from other EU countries than there were 5 years ago.

EU migrants in the Netherlands paid 47% more in indirect taxes in 2013 than they did in 2009 because:

- the median net income of adult EU citizens was 13% higher;
- total consumer spending of non-Dutch EU citizens increased by 47%.

In 2013, compared to 2009 total taxes paid by EU citizens went up by EUR 477 million or 15%, the population from other EU countries was 31% larger, and EU migrants in the Netherlands received 39% more benefits.

In 2013, EU citizens had a positive net contribution to the Dutch government budget amounting to EUR 1.5 billion, as total taxes paid (EUR 3.6 billion) exceeded total benefits received (EUR 2.16 billion).

However, if we exclude pensions, their fiscal contribution was a negative one of -EUR 349 million in 2013, because benefits (excluding old-age and survivors' benefits) exceeded direct taxes paid minus pension contributions.

**Table 31: Net fiscal impact of EU migrants in the Netherlands (in EUR million)**

	2009	2010	2011	2012	2013
Total taxes	3142	3017	3227	3692	3619
Total benefits	1559	1930	2421	2069	2162
Net fiscal impact	1583	1086	806	1623	1457
Direct taxes excl. old-age pension contributions	1473	1341	1427	1654	1485
Benefits excl. old-age and survivors'	1290	1642	2123	1759	1834
Net fiscal impact excl. old-age pension	183	-301	-697	-105	-349

Source: Authors' calculations

## The United Kingdom

Compared to 2009, in 2013 EU migrants in the UK paid 45% more in direct taxes because:

- employed people from the EU earned 8.5% higher wages;
- the tax wedge has been relatively stable during the past five years;
- there were 34% more people employed from other EU countries.

EU migrants in the UK were responsible for paying 56% more in indirect taxes in 2013 than in 2009 as:

- the median net income per adult was 24% higher than it was 5 years ago;
- non-local EU citizens spent 57% more than they could afford in 2009.

In 2013, citizens of other EU countries paid 49% more in (direct and indirect) taxes, the population consisting of non-British EU citizens in the UK was 35% larger, and EU migrants were the recipients of 45% more benefits than in 2009.

Overall, EU citizens had a positive impact on the British government budget, as the taxes they paid exceeded benefits received by EUR 7.7 billion in 2013.

The fiscal contribution of EU migrants was still positive, albeit substantially smaller – close to EUR 600 million in 2013, if we exclude pensions from the calculation.

**Table 32: Net fiscal impact of EU migrants in the UK (in EUR million)**

	2009	2010	2011	2012	2013
Total taxes	11732	12734	14258	16773	17426
Total benefits	6726	7329	8362	9320	9752
Net fiscal impact	5006	5405	5896	7453	7674
Direct taxes excl. old-age pension contributions	5529	6161	6919	8159	8209
Benefits excl. old-age and survivors'	4875	5260	6411	7236	7611
Net fiscal impact excl. old-age pension	654	901	507	923	598

Source: Authors' calculations

## CONCLUSION

---

EU migrants contribute to the host country's government revenues through both direct and indirect taxes. Direct taxes include personal income tax as well as the social contributions paid by the employee and the employer. Indirect taxes consist of taxes on consumption such as VAT, import and excise duties. EU migrants also have access to benefits, including old-age, survivors, sickness and health, disability, unemployment, housing and social exclusion benefits, amongst others.

The fiscal contribution of EU foreigners increased substantially in the past several years. Compared to 2009, EU migrants paid 31% more in direct taxes as their wages increased and more EU workers found employment opportunities in Austria, Germany, the Netherlands, and the UK. As migration accelerated, EU foreigners also paid 44% more in indirect taxes compared to 2009, as they spent more on consumer purchases.

EU foreigners in Austria, Germany, the Netherlands and the UK received 35% more benefits compared to 2009, due to the overall expansion of the welfare state as well as the increased inflow of EU migrants.

In all four countries, EU migrants made a positive contribution to the government budget, as the total taxes they paid exceeded the total benefits they received. This is true for Austria, Germany and the UK, even if we exclude pensions from the calculation. Only in the Netherlands is the fiscal contribution of EU foreigners negative if we ignore the impact of pensions.

In Austria, EU migrants paid 70% more taxes in 2013 than they did in 2007. Through the same period, benefits received by EU citizens in Austria have more than doubled. However, EU migrants in Austria receive fewer benefits compared to the typical Austrian household. EU migrants claim just 2.5% of total benefits, although they make up 4.9% of the total population. EU citizens in Austria get fewer sickness and health, disability, old-age and survivors benefits than the typical Austrian. On the other hand, EU migrants in Austria are twice more likely to claim unemployment benefits and also receive relatively more family/children and housing benefits. Altogether, the net fiscal contribution of EU migrants in Austria was still positive (EUR 2.59 billion), as total taxes paid exceeded total benefits received in 2013. Even if we exclude pensions from the calculations, the net fiscal impact of EU migrants was positive (EUR 627 million).

In Germany, total taxes paid by EU migrants were up by EUR 9.5 billion or 31% in 2013 from 2007. Benefits received by EU citizens have gone up by 51% since 2007. Still, EU migrants in Germany are less likely to receive benefits than the average German. EU foreigners make up 3.7% of the total population, but they claim just 1.9% of the total benefits. EU migrants in Germany are more likely to claim unemployment benefits, but are less likely recipients of sickness, health and disability benefits. EU migrants made a positive contribution to the German government budget, as they paid EUR 40.1 billion in taxes and received EUR 14.8 billion in benefits in 2013. EU migrants had a positive fiscal impact (EUR 11 billion) in 2013, even if we exclude old-age pensions from the calculation.

In the Netherlands, total taxes paid by EU citizens amounted to EUR 3.6 billion in 2013, which is 15% higher than it was in 2009. At the same time, EU migrants received 39% more benefits in 2013 over the same time period. EU migrants in the Netherlands received 1.1% of the total benefits, although they comprised 2.3% of the population in 2013. EU migrants claimed fewer health and old-age benefits than the average Dutch citizen, but tend to receive more unemployment benefits, as joblessness was slightly higher than the average among them. Still, EU citizens made a positive net contribution to the Dutch government budget amounting to EUR 1.5 billion in 2013. If we neglect old-age pensions, the fiscal contribution of EU foreigners in the Netherlands was negative in 2013, as EU migrants received EUR 350 million more benefits (excluding old-age and survivors' benefits) than the direct taxes they paid (excluding old-age pension contributions).

In the UK, EU foreigners paid almost 50% more taxes in 2013 than they did in 2009, but also claimed 45% more benefits during the same period. Still, EU foreigners in the UK are half as likely to receive benefits than the typical UK resident. EU migrants constitute 3.8% of the total population but get just 1.9% of the total benefits. EU migrants tend to claim fewer sickness benefits than the typical local citizen and less than 1% of all old-age and survivors' benefits. EU foreigners are also less likely to claim child benefits but are more likely recipients of unemployment benefits than the typical local citizen. Overall, EU citizens had a positive impact on the British government budget, as the taxes they paid exceeded benefits received by EUR 7.7 billion in 2013. The fiscal contribution of EU migrants was still positive (close to EUR 600 million in 2013) if we exclude pensions from the calculation.

In conclusion, we can outline several trends and key findings that can help understand the role of EU migrants with respect to fiscal revenues and expenditures:

- As migration intensified, both fiscal revenue and social expenditure on EU migrants grew during the last years.
- From a demographic perspective, migration consists mostly of people in the 20-44 age group; the migrants are in general younger, with fewer children, and their main objective is to find jobs. Moreover, their education level is overall equal and higher than the average for the destination country.
- The demographic profile suggests that migrants tend to receive significantly less in benefits that are linked to age and health.
- Migrants are active on the labour market as both employment and unemployment rates are higher than those for the country nationals.
- On the labour market migrants tend to receive lower wages. Moreover, they are more likely to be at risk of poverty and therefore claim means-tested benefits. At the same time, lower income in general translates to lower fiscal contributions (through taxes on employment).
- As the biggest social programs in these four countries that we studied are related to age and health (pensions, healthcare, disabilities), the relatively young and active migrant population overall receives less in benefits than they pay in taxes. But even if pensions are not taken into account, migrants appear to have a neutral impact.

## BIBLIOGRAPHY

---

1. Aldashev, Alisher, Johannes Gernandt, Stephan L. Thomsen(2008), "The Immigrant Wage Gap in Germany".
2. Auerbach, A. J., J. Gokhale and L. J. Kotlikoff(1991), "Generational Accounts: A Meaningful Alternative to Deficit Accounting." In D. Bradford (ed.), Tax Policy and the Economy. Cambridge: MIT Press, Vol. 5
3. Auerbach, A. J., J. Gokhale and L. J. Kotlikoff(1994), "Generational Accounting: A Meaningful Way to Evaluate Fiscal Policy," The Journal of Economic Perspectives Winter.
4. Barrett A. and B. Maitre(2011), "Immigrant Welfare Receipt across Europe", IZA Discussion Paper No 5515.
5. Barrett, A. and Y. McCarthy(2008), "Immigrants and Welfare Programmes: Exploring the Interactions between Immigrant Characteristics, Immigrant Welfare Dependence and Welfare Policy", Oxford Review of Economic Policy Vol. 24 No. 3.
6. Bonin, H., B. Raffelhuschen and J. Walliser(2000). "Can Immigration Alleviate the Demographic Burden," FinanzArchiv 57.
7. Bonin, H. (2002), "Eine fiskalische Gesamtbilanz der Zuwanderung nach Deutschland", Vierteljahreshefte zur Wirtschaftsforschung.
8. Bonin, Holger (2006), Der Finanzierungsbeitrag der Ausländer zu den deutschen Staatsfinanzen: eine Bilanz für 2004. IZA Discussion Paper No. 2444.
9. Brücker H., Epstein G. S., Mc Cormick B., Saint-Paul G., Venturini A. et Zimmerman K., (2001), "Managing Migration in the European Welfare State", fondazione Rodolfo DeBenedetti.
10. Collado, M.D., I. Iturbe-Ormaetxe and G. Valera (2004), "Quantifying the Impact of Immigration on the Spanish Welfare State", International Tax and Public Finance.
11. D'Auria, Francesca, Kieran Mc Morrow and Karl Pichelmann (2008), "Economic impact of migration flows following the 2004 EU enlargement process: A model based analysis", Economic Papers 349, Economic and Financial Affairs Directorate-General, European Commission.
12. Defoort C. and Drapier C. (2012) "Immigration and its dependence on the welfare system: the case of France ". Working Paper 2012-29, Université Lille Nord de France.
13. De Giorgi, G. and M. Pellizzari (2006) , "Welfare Migration in Europe and the Cost of a Harmonised Social Assistance", Institute for the Study of Labor, IZA DP No. 2094.
14. Dustmann, C., T. Frattini and C. Halls (2010), "Assessing the Fiscal Costs and Benefits of A8 Migration to the UK", Fiscal Studies, Vol.31, No1.
15. Dustmann, C. and T. Frattini (2013), "The Fiscal Effects of Immigration to the UK", Centre for Research and Analysis of Migration, University College London, CDPN22/13.
16. Guild, E., S. Carrera and K. Eisele (2013), "Social Benefits and Migration: A Contested Relationship and Policy Challenge in the EU", Centre for European Policy Studies.
17. Hofer, Helmut, Gerlinde Titelbach, Rudolf Winter-Ebmer(2014), "Wage discrimination against immigrants in Austria?", The Austrian Center for Labor Economics and the Analysis of the Welfare State.
18. Liebig, T. and J. Mo (2013), "The Fiscal Impact of Immigration on OECD Countries", International Migration Outlook, OECD.
19. Rienzo, SInzia (2013), "Migrants in UK Labour Market: An overview", The Migration Observatory at the University of Oxford.

20. Riphahn, R. T. (2004), "Immigration Participation in Social Assistance Programs", *Applied Economics Quarterly*, Vol. 50 No. 4.
21. Rowthorn, R. (2008), "The fiscal impact of immigration on the advanced economies", *Oxford Review of Economic Policy*, 24.
22. Ruist J. (2014), "The fiscal consequences of unrestricted immigration from Romania and Bulgaria", Centre for Research and Analysis of Migration, University College London, CDPN04/14.

## ANNEX I: BRIEF OVERVIEW OF SOCIAL BENEFIT SCHEMES IN AUSTRIA, GERMANY, THE NETHERLANDS AND THE UK

### Social security benefits in Austria

Austria has a social system that is comprised of both contributory and non-contributory schemes. These include social and unemployment insurance as well as various universal and means-tested schemes.

A summary of the major types of programs is presented in the table below:

Table 33: Social protection systems in Austria

Type of insurance	Description
Social insurance	Social pension, health and work accident insurance
Unemployment insurance	Primarily covers unemployment benefits, unemployment assistance and active labour market policies
Universal schemes (benefits granted to the entire resident population irrespective of current or former income and activity status)	Primarily family allowance and tax credit for children, childcare allowance, long-term care system, and, by their <i>de facto</i> effect, the benefits in kind offered by the healthcare system
Means-tested benefits (benefits with means-test on income)	Primarily includes minimum income levels under the pension insurance scheme (equalisation supplements), unemployment assistance under unemployment insurance, the means-tested minimum income scheme and grants to pupils and students
Social protection for civil servants	Special pension law
Social compensation systems	Primarily for victims of war, military service, crime and vaccination-induced disabilities
Protection under labour law	E.g. continued payment of wages in case of illness
Occupational pension schemes	E.g. defined pension funds and directly defined benefit programmes
Social services	E.g. homes for seniors and nursing homes, extramural services, counselling services for individuals (in cases of violence, substance abuse, homelessness)

Source: Social Protection in Austria, 2014: Federal Ministry of Labour, Social Affairs and Consumer Protection

In the first half of the 1990s, the social expenditure-to-GDP ratio rose significantly (from 26.1% to 28.8% between 1990 and 1995) due to the extension of social benefits. Between 1995 and 2000 it dropped to 28.3%, the decline being primarily due to an over-proportionate growth of GDP and to fiscal consolidation in the field of social welfare. The global economic crisis led to another increase in overall expenditure, to levels above 30% of GDP after 2009.

**Table 34: Social expenditure in EUR and as a percentage share of GDP in Austria**

Year	Social expenditure in EUR billion	GDP in EUR billion	Social expenditure as percentage share of GDP
1995	50.4	175	28.8%
2000	59	208	28.4%
2001	61.3	214	28.6%
2002	63.9	221	28.9%
2003	66.3	225	29.5%
2004	68.3	235	29.1%
2005	70.7	245	28.9%
2006	73.4	259	28.3%
2007	76.4	274	27.9%
2008	80.7	283	28.5%
2009	84.8	276	30.7%
2010	87.3	285	30.6%
2011	89.2	299	29.8%
2012	92.7	307	30.2%

Source: Social Protection in Austria, 2014: Federal Ministry of Labour, Social Affairs and Consumer Protection

Cash benefits accounted for roughly 70% of social benefits (administrative costs not included) in 2012. More than two-thirds of cash benefits are old-age benefits (pensions, long-term care benefits, etc.), almost one-tenth are family transfer benefits and roughly 5% each are invalidity pensions for persons below the age of 60/65, unemployment benefits and sickness-related cash benefits (continued payment of wages in case of sickness, sickness benefits).

Eligibility and assessment criteria for social cash benefits for unemployment, old age and invalidity are primarily linked to an individual's previous activity and income status. The percentage share of these social

insurance benefits in monetary social benefits was 57% in 2012. Pension benefits disbursed by the statutory pension insurance schemes account for most of the social insurance benefits, and for half of all monetary benefits. Benefits awarded irrespective of the current or former income and activity status are called universal benefit entitlements. In the past twenty years, the proportion of universal benefits in all cash benefits has risen—mainly due to the introduction of childcare allowances—and amounted to roughly 13% in 2012. Cash benefits are only available to those in need (to determine eligibility, benefits are means-tested) totalled roughly 4% of all monetary benefits in 2012. Pension benefits for civil servants (17%), cash benefit entitlements under the labour law (in particular, continued payment of wages in case of sickness; 4%) and company pension schemes (3%) account for most of the remaining 26% of monetary social benefits.

Outpatient and inpatient care accounts for almost three-quarters of benefits in kind. The proportion of in-kind benefits greatly varies by area, ranging from 86% in healthcare benefits and 5% in old-age and survivors' benefits. Benefits in kind available in family, invalidity and unemployment contexts account for roughly one-quarter of overall expenditure in these fields.

**Table 35: Estimated average levels of most common benefit payments in Austria**

Type of benefit	Monthly amount in EUR	Source
Old-age pensions	EUR 670-1 190 for women (2013) EUR 1 100-2 000 for men (2013)	Source: Federal Ministry of Social Affairs, February 2014, annual statistics
Survivors' pension	EUR 735 (2012)	Statistics Austria/Federal Ministry of Social Affairs, ESSPROSS database on social expenditure as of 5 December 2013
Invalidity pension	EUR 838 women (2013) EUR 1 074 men (2013)	Federal Ministry of Social Affairs, February 2014, annual statistics
Unemployment benefit	EUR 855 (2012)	Federal Ministry of Social Affairs, February 2014
Unemployment assistance (means tested)	EUR 690 (2012)	Federal Ministry of Social Affairs, February 2014
Child benefit	EUR 110-160 per child	Federal Ministry of Social Affairs, BMFJ, February 2014
Childcare allowance	EUR 430-1 000 per month, depending of period of care	BMFJ (Federal Ministry of Families and Youth)

Minimum income support (means-tested)	Max EUR 814 (single person), EUR 1 220 (couple)	Federal Ministry of Social Affairs, February 2014
---------------------------------------	---	---

Long-term care	EUR 150-1650 (according to number of hours of care needed per month)	Federal Ministry of Social Affairs, March 2014
----------------	--	--

The largest components of social benefits funded exclusively by budget appropriations include healthcare benefits going beyond health insurance benefits (mainly inpatient care), social services of the Laender and local authorities, long-term care benefits, tax credits for children and means-tested benefits (unemployment assistance for the long-term unemployed not included). More than two-thirds of social insurance benefits (with the exception of work accident insurance), such as social health and pension insurance, are financed from largely equivalent contributions paid by employers and insurees.

Unemployment insurance is funded in equal shares (50:50) by employers and employees. The contributions of insurees to health insurance (including self-employed and retirees) are significantly higher than those of employers (46% contribution by insurees, 26% contribution by employers). The following benefits are exclusively or primarily funded by employers: benefits under labour law (in particular, continued payment of wages for up to a certain period of sickness: 100%), benefits paid in case of an employer's insolvency, company pension schemes, benefits in case of accidents at work, and large areas of family-related cash benefits. Transfers between benefit schemes constitute another major funding source for pension and health insurance. They include contributions to health and pension insurance by the unemployment insurance scheme on behalf of its beneficiaries. The Family Burdens Equalisation Fund (FLAF) reimburses the relevant providers for their expenditure on family policy benefits.

All contributions collected on employment income total between 47% and 54% of a worker's pay. Employers' contributions range between 29% and 35%, while employees' contributions are between 18% and 19%. In 2014, 37.85% of employees' contributory wages are paid into social insurance schemes: 22.8% into pension insurance, 7.65% into health insurance, and 1.4% into work accident insurance. Alongside social insurance contributions, 6% of wages are paid into the unemployment insurance scheme. These contributions are withheld up to a certain wage level. This so-called ceiling on insurable earnings is EUR 4 530 a month, or roughly 2.5 times the median net income of employees. Contributions to be paid exclusively by employers are those securing continued pay in case of insolvencies (0.55%) and contributions to the Family Burdens Equalisation Fund (4.5% of the payroll total). Employers pay an additional 1.53% of the payroll total into employee income provision schemes, for heavy night work, for the bad weather compensation fund for construction workers, and the local tax contributions. Other wage-related employers' and employees' contributions include those for housing benefits. The contributions to the Chamber of Labour are paid only by the employees.

Table 36: Social contributions, as a percent of labour income in Austria

Type of insurance	Employers and employees	Employers	Employees
Pension insurance	22.80	12.55	10.25
Health insurance: Blue and white collar	7.65	3.70/3.83	3.95/3.82
Work accident insurance	1.40	1.40	0.00
Unemployment insurance	6.00	3.00	3.00
Bad weather compensation	1.40	0.70	0.70
Heavy night work	3.70	3.70	0.00
Employee income provision ('new severance pay scheme')	1.53	1.53	0.00
Continued pay in case of insolvencies	0.55	0.55	0.00
Family Burdens Equalisation Fund	4.50	4.50	0.00
Housing benefits	1.00	0.50	0.50
Statutory representation of employees	0.50	0.00	0.50
Local tax	3.00	3.00	0.00
Total	Between 47.40-54.03%	Between 29.20-35.13%	Between 18.07-18.90%

Source: Social Protection in Austria 2014: Federal Ministry of Labour, Social Affairs and Consumer Protection

## Social security benefits in Germany

The German social security system is comprised of five statutory branches: sickness insurance, long-term care insurance, pension insurance, accident insurance and unemployment insurance.

The statutory pension insurance (*Gesetzliche Rentenversicherung*) is organised by the Federal Institution for German Pension Insurance (*Deutsche Rentenversicherung Bund*), the Regional Institutions of the German Pension Insurance (*Regionalträger der Deutschen Rentenversicherung*) and the German Pension Insurance for Mining, Railways, Marine (*Deutsche Rentenversicherung Knappschaft-Bahn-See*).

The statutory sickness insurance (*Gesetzliche Krankenversicherung*) is in the hands of 134 insurance funds, some of which operate regionally (e.g. local sickness insurance funds, *Ortskrankenkassen*) and some of which operate at a national level (e.g. substitute funds, *Ersatzkassen*). These funds are open to all members regardless of occupation or employment in a company.

Each statutory sickness insurance fund has established a long-term care insurance fund which is independently responsible for granting benefits to beneficiaries who are in need of long-term care.

Statutory unemployment insurance (*Gesetzliche Arbeitslosenversicherung*) is mandatory and is implemented by the Federal Employment Agency (*Bundesagentur für Arbeit, BA*).

Social compensation (*Soziale Entschädigung*) is a separate, tax-financed system whose benefits go beyond what is provided by the social security systems in Germany.

The social security system is financed from national insurance contributions paid by employers and employees, and from general tax revenue.

**Table 37: Social insurance contributions in Germany**

Type of insurance	Employer	Employee
Old age	9.5%	9.5%
Unemployment	1.5%	1.5%
Health	7.3%	8.2%
Nursing care	1.0%	1.0%

### Old-age pensions

Everybody who is subject to compulsory pension insurance is covered by old-age insurance. An old-age pension is received after reaching a certain age and after completing a minimum period of insurance. The standard retirement age is gradually increasing from 65 to 67 years over the course of 2012-2029, starting with those born in 1947. An early pension (at a reduced rate) may be claimed from the age of 63, as long as they have made 35 years of pension insurance payments.

### Survivors' benefits

Everybody who is subject to compulsory pension insurance is covered also by survivors insurance. A widow's or widower's pension is awarded to the surviving spouse, the surviving partner in a registered partnership and under certain conditions to the divorced spouse. Entitlement to a widow's or widower's pension is subject to a qualifying period of five years of contribution and substitute periods. In determining pensions in the event of death, the beneficiary's professional or alternative income is taken into consideration to a certain extent as well as income from assets, where applicable.

### Family benefits

Provided the conditions mentioned below are met, every person living in Germany is entitled to child benefit (*Kindergeld*) and a parental allowance (*Elterngeld*) for his or her own children, for adopted children or for children of the spouse (step-children). Child benefit is granted for all children up to the age of 18. The parental allowance is paid to the mother and/or to the father, provided that the parents share the same household with the child and raise him/her themselves. A parent receives this benefit as long as (s)he does not work for more than 30 hours per week. It is payable until the child reaches the age of 14 months.

Child benefit is paid as an amount of EUR 184 for the first two children, EUR 190 for the third child and EUR 215 for the fourth and subsequent children.

In principle, the parental allowance (*Elterngeld*) replaces 67% of the adjusted net income. With a net income of more than EUR 1 200 before confinement, the income replacement rate is gradually reduced to 65%. For persons with low income, the income replacement rate is raised to 100%. In absolute figures, the parental allowance amounts to at least EUR 300 (irrespective of income) and at most to EUR 1 800 per month.

### Unemployment benefits

Ordinary unemployment benefit is available for those who are actively seeking employment if they have been in employment for at least 12 months during the last two years, and that employment has been subject to compulsory unemployment contributions.

Benefits vary according to salary and children under care. The duration of benefits depends on the length of the payment period of contributions and age, with a maximum duration of 24 months. It ranges from six months for people who have been subject to compulsory insurance for 12 months, up to a maximum of 24 months for older people who have been subject to compulsory insurance for 48 months.

Beneficiaries with children receive 67% of net earnings, while beneficiaries without children receive 60% of net earnings. There is a ceiling of EUR 5 800 in West Germany and EUR 4 900 in East Germany.

The basic provision for jobseekers (unemployment benefit II/social welfare allowances) is a means-tested income support open to all adult persons able to work. The basic provision for jobseekers is a needs-oriented and means-tested welfare aid, the amount of which is determined in line with social assistance, in order to guarantee a socio-cultural subsistence level. The duration of the basic provision for jobseekers is in principle unlimited as long as the conditions of eligibility are met; as a rule, however, the benefit is only granted for a duration of six months, then it is necessary to prove the entitlement again.

### Invalidity benefits

The pension for general invalidity is awarded if an insured person, following a reduction in his or her capacity for work for health reasons, is no longer able to perform an activity under normal labour market conditions for at least six hours (pension for partial invalidity) or at least three hours (full invalidity) per day. In line with the principle of legitimate expectations, insured persons may also claim a pension in case of partial invalidity if they meet certain conditions. The amount of the pension will depend on the amount of social security contributions paid in the course of the entire 'insurance life' of the claimant.

### Long-term care

In Germany, long-term care benefits in case of a need for care (“dependency”) are provided upon request under the statutory long-term care scheme.

Everyone who is covered by statutory or private sickness insurance is automatically and mandatorily covered by the statutory or private long-term care insurance. To receive entitlement to benefits under the statutory long-term care insurance, a qualifying period of two years is required. According to the requirements of the statutory long-term care insurance, a person is in need of care if, as a result of a physical, emotional or mental disease or disability, he or she is expected to need long-term assistance for at least six months to perform everyday activities. The relevant need for assistance extends to the areas of personal hygiene, feeding, mobility as well as general care and domestic help. Rather than on age or income, the amount of the long-term care benefits is based on the extent of care needs as determined by the medical service of the sickness insurance.

Social assistance care benefits, the so-called “care assistance”, are only granted in case of the financial dependency of the person concerned, i.e. if the person in need of care can neither bear the total costs of the care service him- or herself nor receive it from others.

The amount of cash benefit can reach EUR 700 per month, while benefits in kind (e.g. residential care) can reach up to EUR 1 900 per month.

### Minimum resources

Anyone who is unable to maintain him- or herself through his or her own resources, whether financial (income and assets) or physical (capacity for work), or with the help of a third party, is entitled to claim social assistance.

The benefits are part of a tax-financed scheme of means-tested minimum resources to secure a decent standard of living for persons in need who are incapable of working, and who do not earn a sufficient income to meet the needs, or who do not receive the necessary support from other people. It is not open to people who are able to work and therefore can claim “basic provision for jobseekers” (i.e. unemployment benefit II). In particular, persons below the age of 65 who cannot meet their own needs and are temporarily unable to work receive a subsistence allowance (*Hilfe zum Lebensunterhalt*) as a part of the social assistance given to them. Persons over the age of 65, and those over the age of 18 who are permanently unable to work for medical reasons, are entitled to claim a needs-based pension supplement in old age and in the event of reduced earning capacity.

The amounts vary between EUR 250 and EUR 380 per household member.

## Social security benefits in the Netherlands

The Dutch social security system is comprised of schemes covering the following:

- Sickness and maternity,
- Occupational disability insurance,
- Old-age pensions,
- Survivors' benefits,
- Unemployment, and
- Child benefits.

Social insurance in the Netherlands is organised jointly by the Ministry of Social Affairs and Employment (Ministerie van Sociale Zakenen Werkgelegenheid) and the Ministry of Health, Welfare and Sport (Ministerie van Volksgezondheid, Welzijn Sport). A distinction is drawn between national insurance, on the one hand, which covers the whole of the population, while employees' insurance, on the other, only covers employees. The national insurance schemes provide for:

- insurance for old-age,
- maintenance for survivors,
- medical care,
- insurance for exceptional medical costs, and family benefits.

The employees' insurance schemes provide for:

- sickpay,
- invalidity, and unemployment.

The national insurance schemes are implemented by the Social Insurance Bank (Sociale Verzekeringsbank).

The Institute for Employee Benefit Schemes (*UWV*) is responsible for administering the employee insurance schemes. The public employment service is also operated by the *UWV*. The Inspectorate Social Affairs and Employment (*Inspectie SZW*) is responsible for monitoring the *UWV* and *SVB*.

Health insurance (medical care) is implemented by private health insurance companies which are supervised by the Dutch Healthcare Authority (*Nederlandse Zorgautoriteit*).

The general insurance for exceptional medical costs is implemented by private health insurance companies. Supervision is also carried out by the Dutch Healthcare Authority (*Nederlandse Zorgautoriteit*).

The social security system in the Netherlands is financed through a system of both contributions (by residents as well as non-residents, employees, self-employed individuals and employers) and taxes. Sometimes there is additional financing provided through general taxes, for example with regards to the old-age pension.

**Table 38: Typical (most common) contributions on labour income in the Netherlands**

Fund	Employee (UWV)	Employer (SVB)
Old age pensions	17.90%	
Surviving dependents pensions	0.60%	

Other social funds 12.65%

Invalidity Insurance/Capacity for Work	4.95%
Return to Work Fund	1%
Unemployment Insurance	2.7%
Healthcare Insurance	7.5%

### Old age pensions

The General Old Age Pension (AOW) is a basic pension provision. The AOW also includes an allowance for a younger partner of an AOW beneficiary if this partner has little or no income. At present<sup>31</sup>, the retirement age is 65 years and 2 months. As the amount is dependent on the years of work, anyone who came to live in the Netherlands later in life or who lived abroad for a number of years will receive a lower benefit – approximately 2% lower for each year.

If a spouse, partner or parent dies, surviving dependants may be eligible for a surviving dependents' benefit. The amount of the benefit depends on income.

### Child Benefits

Parents of children up to the age of 18 are entitled to child benefits. The amount of the benefit depends on the age of the child. The amount varies depending on whether the child is living at home or not, if there is any income earned by the child from working, and in some cases the amount of the maintenance contribution. It varies between about EUR 190- 270 per quarter.

The child-related budget is an allowance from the government for the expenses of families earning an income up to a certain level. The child-related budget depends on the income and assets. The maximum annual benefit a family can receive varies from about EUR 1 000 per one child to about EUR 2 000 per five children.

“The Care allowance for handicapped children living at home scheme provides extra financial support to parents who have a physically or mentally handicapped child living at home...[It] is intended for parents with severely handicapped children living at home who require a large amount of care from the parents.”<sup>32</sup>

### Invalidity Insurance & Capacity to Work

Employees are entitled to an invalidity benefit in the event of full and permanent incapacity to work. Those who are still able to work up to a certain level receive a supplement to their wage. The claimant may receive a pay-related benefit (about 75% of the income from previous employment) for a period of 3-38 months; after that the benefit is a fixed amount related to the minimum wage.

The scheme also offers support to young disabled persons and students who became disabled during their studies in order to help them find and keep a job with a regular employer, which can be difficult due to the

---

<sup>31</sup>As stated by “State of social affairs” January 2014 Handbook

<sup>32</sup>“State of Affairs of social security”, *Ministry of Social Affairs and Unemployment*, Netherlands. January 2014.

long-term illness or handicap. The income support is calculated on the basis of the amount of the salary earned by the young handicapped person.

The Sickness Benefits apply only to people who do not (no longer) have an employer, such as people working for an employment agency. Individuals may also receive sickness benefit if they are sick due to pregnancy and childbirth. The sickness benefit is at least seventy percent of the daily wage (here a maximum applies).

### Unemployment Insurance

The benefit insures employees against the financial consequences of unemployment. The loss of income may be temporarily cushioned by an Unemployment Insurance Act benefit (WW benefit). This benefit bridges the period between one job and another.

The benefit is contributory-based. Only people who are ready to start work and have been in employment for at least 26 of the last 36 weeks preceding the start of unemployment are eligible.

The duration of an unemployment benefit depends on the number of years a person worked before they became unemployed. It varies from a minimum of 3 months to a maximum of 38 months. During the first 2 months the benefit is equal to 75% of the previous employment income, and is 70% for the following months.

### Work and social assistance benefit

The work and social assistance benefit scheme provides a minimum income to anyone who has insufficient means to cover the basic costs of living. The social assistance benefit bridges the period until someone finds a job again and is an alternative to the unemployment insurance benefit for people who do not have employment history. Recipients are obliged to take on any generally accepted work. Training and other assistance in job finding is also available. The monthly amount varies between around EUR 670 for a single person to about EUR 1 300 for a family.

### Supplementary benefits

Supplementary benefits are paid to persons who receive other social benefits but whose income also falls short of a certain minimum threshold. The threshold varies from around EUR 50 a day for single persons to around EUR 68 a day for a family.

## Social security benefits in the United Kingdom

In the UK there are both contributory and non-contributory social benefits. An extensive system of means-tested benefit programs is also applied, including income tax credits.

National Insurance contributions (NICs) are payable on employment income. The contribution for an employed individual is shared by the employee and the employer. The employee contribution is set at a rate of 12% on weekly earnings between GBP 149- GBP 797 and at a rate of 2% on weekly earnings in excess of GBP 797 for year 2013–14.

The employer pays a rate of 13.8% on an employee's earnings above GBP 148. If the employee contracts out of the State Second Pension, which is permitted if the employee is a member of a registered occupational pension scheme, the employer's and employee's required contribution rates are reduced.

Healthcare is financed through general tax revenue and is thus not included in the NIC-financed contributory schemes.

Table 39: National insurance contributions in the UK

Not contracted out- employee's contributions		Not contracted out- employer's contribution	
Total weekly earnings in GBP	Rate	Total weekly earnings in GBP	Rate
0-149	0%	0-148	0%
149-797	12%	148-	13.8%
797-	2%		

### Old-age pension

The basic State Pension is a government-administered pension. It is based on the number of qualifying years gained through National Insurance contributions (NICs) paid or credited throughout the applicant's working life. State retirement pension can be claimed once you reach State Pension age. The full basic State Pension is GBP 110 a week for a single person.

### Survivors' benefits

There are three different death benefits which are payable subject to the late spouse or registered civil partner satisfying certain national insurance contribution conditions. The Bereavement Payment is a single lump-sum paid to widows, widowers and surviving civil partners under State Pension age, or over State Pension age if the late spouse or civil partner was not entitled to a State Pension based on his or her own contribution record. The Widowed Parent's Allowance is a regular payment for men and women who have a qualifying child; this is generally a child for whom there is a Child Benefit entitlement. The Bereavement Allowance is paid to men and women who are aged at least 45 but under State Pension age when they are widowed.

### Unemployment benefits

The Jobseeker's Allowance is a contributory-based benefit scheme. Contribution-based Jobseeker's Allowance is paid for up to 182 days to persons who are unemployed, capable of and available for work, and are actively seeking work. Claimants are required to complete a Jobseeker's Agreement, which sets out the steps to be taken to seek work. To keep receiving the benefits, the recipient must attend regular job search reviews, usually every fortnight. There's a longer review after thirteen weeks. The amounts vary between GBP 57 and 72 per week, depending on the age of the recipient.

### Sickness and invalidity benefits

Employment and Support Allowance (ESA) is a scheme to support those who are incapable of work because of illness or disability, provided the period of their illness is four days or more after the end of the statutory sick pay by the employer.

Recipients go through a 13-week assessment phase. During this phase a doctor or a healthcare professional carries out a medical assessment called the Work Capability Assessment. It also determines whether the person should be placed in the Work Related Activity Group, which has a mandatory work-focused activity, or the support group which does not have such a requirement.

During the first 13 weeks a weekly allowance of GBP 72 is allotted. From the 14<sup>th</sup> week onwards, the benefit amount reaches about GBP 100 per week.

### Child benefits

A child benefit is a non-contributory cash benefit payable to persons responsible for one or more children under the age of either 16 or 20, the latter being the case if the child is in full-time education. The amount of the benefit is GBP 20 for the first child and GBP 13.40 for every other child per week.

A child tax credit is an income-related tax credit received through the tax office. The amount varies from around GBP 3 300 a year to about GBP 7 500 a year if the child has severe disabilities. An additional GBP 120-210 tax credit per week is available if the child is in approved child care.

### Minimum resources

A number of means-tested benefits provide financial help to people whose income and savings, from all sources, are below specified levels.

Income-based Jobseeker's Allowance provides a minimum level of assistance to unemployed people whose income and capital fall below a level specified by legislation. The benefit is available to those who have exhausted the UK contributory benefit for unemployment and also to those who are not entitled to that benefit.

Income-based Employment and Support Allowance provides a minimum level of assistance to people who have an illness or disability which affects their ability to work and whose income and capital fall below a level specified by legislation. The benefit is available to those who are not entitled to the contributory benefit for sickness or invalidity.

The Housing Benefit may be payable to people who need financial help to pay all or part of their rent and whose income and capital (savings and investments) are below a certain level.

## Working tax credit

The working tax credit is a benefit for people who are in employment but have low income. The amount varies between GBP 1 940 a year and around GBP 9 000 a year (depending on your family status, disability, children, etc.).

A large number of benefits in the UK are subject to a “benefit cap”—a ceiling of the total amount of payments one can receive. For single persons it is GBP 350 perweek, and for couples and single parents it is GBP 500 perweek.

## ANNEX II: INFORMATION INQUIRIES TO PUBLIC INSTITUTIONS

---

List of contacted institutions by country

Austria:

- Federal Ministry of Finance
- Federal Ministry of Labour, Social Affairs and Consumer Protection
- Statistics Austria

Germany

- Federal Central Tax Office
- Federal Ministry of Labor and Social Affairs
- Federal Statistical Office

Netherlands

- Public Information Service, Government of the Netherlands
- Ministry of Social Affairs and Employment
- Employee Insurance Agency
- Social Insurance Bank
- *Statistics Netherlands*

United Kingdom

- HM Revenue and Customs
- Department for Work and Pensions
- Office of National Statistics

Data on fiscal contribution by EU migrants – information request

1. Data on total annual amounts of direct tax revenues in Austria (i.e. on income) , in EUR, broken down according to taxpayer as follows:

1.1. Total amount of revenues collected from taxpayers who are Austrian citizens, and

1.2. Total amount of revenues collected from taxpayers who are citizens of EU countries (by country of citizenship, if available) other than Austria

Data should be classified by type of revenue (e.g. income tax, social security contributions, etc.), if available

2. The data period is latest available 10 fiscal years

Data on social expenditures received by EU migrants – information request

1. Data on total annual of social benefits expenditure in EUR and total number of recipients of benefits broken down to:

1.1. Benefits paid to Austrian citizens

1.2. Benefits to citizens of EU countries, by country (if available) who are not Austrian citizens

2. Data on benefits fraud - number of cases and amount of benefits misused, by type of benefit - broken down into:

2.1. Benefits to Austrian citizens



European Citizen Action Service

77, Avenue de la Toison d'Or

B-1060 Brussels, Belgium

+32 (0) 2 548 04 90

+32 (0) 2 548 04 99

<mailto:info@ecas.org>

<http://www.ecas.org>