

EU – EFFECT OF IMMIGRATION ON THE ECONOMIC GROWTH

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Abstract: *this article concerns problem of Illegal immigration, especially to the developed world and analyzes examples and consequences in the modern European Union in economical terms. Immigration always drew a lot of attention and variety of radical views from majority of social groups and individuals. Historically, major influxes of immigrants or resettlements, often lead to instability both in social, economic and, in also political terms. However, in the 21st century States and Unions are clashing with slightly different problems: of individual freedom, economic welfare, terrorism and security, which play huge roles in the functioning of a modern state in aspect of relations and economic well-being.*

Keywords: *European Union, immigration, demographics, economic growth, integration.*

ЕС – ВЛИЯНИЕ ИММИГРАЦИИ НА ЭКОНОМИЧЕСКИЙ РОСТ

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Аннотация: *статья посвящена проблеме нелегальной иммиграции, особенно в развитых странах и анализирует примеры и последствия в современном Европейском Союзе в экономическом плане. Иммиграция всегда привлекала много внимания и различных радикальных взглядов от большинства социальных групп, и отдельных лиц. Исторически сложилось, что крупные притоки иммигрантов или переселения, часто приводят к нестабильности в социальном и политическом плане, а в современном мире, также оказывают большое влияние на экономические процессы. Тем не менее, в 21-м веке, государства и Союзы сталкиваются с несколько иными проблемами: индивидуальной свободы, экономического благосостояния, терроризма и безопасности, которые играют огромную роль в функционировании современного государства в аспекте международных отношений и экономического благополучия.*

Ключевые слова: *Европейский союз, иммиграция, демография, экономический рост, интеграция.*

Introduction

Immigration is one of the key principles and momentum for the prospects of globalized world in social and economic terms. Recent flow of the migrants to the EU from the war-torn middle-east and Northern African nations has been the largest on record since the actions of the second World War. The topic of possible influence of immigration on Economic growth in the regions of destination is very important as theoretically the future of Western developed world hinges on its results.

I Would like to analyze the Economic data, taking in account effects of Labor migration and other external Economical processes to understand and answer the question whether migration is good for the Economy and how Recent migration influx can affect the Economic prospects of the European Union.

Explanation and Methods

Determining the effect of particular events on the Economic growth in the modern world requires thorough analysis due to the level of complication and variety of factors that affect modern Financial markets and Economies. So, major part of this analysis will be devoted to comparison within the countries of European Union with different amounts of Labor immigration, as well as, drawing conclusions from the past examples of immigration and its effects: For example, influx of the Turkish migration to the Germany and Central Europe in the 90s. To draw the full picture, it is also important to analyze both Short-term and Long-term effects and furthermore, look at the data from labor market, spending and growth of Native countries of the migrants, such as: Turkey, Morocco and middle east. Article will also take in accounts short-term effects of benefits and social payments to the migrants and draw some useful background and differences between the countries of the EU. All in all, our sole goal is to answer a very complicated question - Is the current migration good for European economy?

Demographic crisis in Europe

Nowadays, everyone is aware of the demographic crisis in the OECD countries and especially in the Western European region. If we look at the discipline of Demographic studies, it becomes clear that Western society already in the 60s of the past century reached the 4th stage of the - "Classical demographic transition model"; however, there are strong indication that we managed to move further since then.

Since the 1960s, birth rates have been steadily declining all over the Europe. From the average fertility rate of 2.5 children per women we came to standing at on average 1.5 children per women; In the early and mid-2000s, Fertility rates showed hope of rebounding (along with the increasing prospects of strong economy and one or unified Europe). Nevertheless, continued decline in the last several years, again brought us to historically low fertility levels. In fact, by natural growth the population of EU has been increasing on average by 0.2% per year, while the same number for the world's population equals to 1.2%

Furthermore, there are some particularly interesting phenomenon, playing big role in the Current demographic crisis. It is clear from the data that there is a strong negative correlation between the economic development and fertility rates and on the other hand even stronger linear positive correlation between the Economic prospects (level of life) and average age of women giving the birth to their first child. (In other words, average age of family creation)

Countries from the South Europe, like: Greece, Italy, Spain and Portugal, which have been most damaged from the crisis are standing at extremely low fertility rates, while being historically most fertile countries of the European region. On the other hand, Scandinavian Welfare-states have maintained above average fertility rates throughout the period, because of higher social security and stability of the region and political institutions.

Short-term economic effects

Illegal economic migrants bring many positives as well as uncertainties and problems to the EU in the short-term. Nowadays, Migration flows are basically the sole source of population growth in the Europe, where for instance in countries like: Germany, Italy and Greece number of deaths exceed natural birth rates, while economies are creating jobs faster than the population is growing over the Western Europe.

Those events of major migration flows in recent years led to huge divergence among opinions considering migration and in some cases even led to raise of ultra-right nationalism; as right-wing nationalistic parties are starting to raise in the polls all over EU. (Those parties are naturally most active in the country's most "damaged" from the migration crisis, with their support ranging from 29% in Switzerland to 10% in Netherlands)

All sides of the debate, more-or-less tend to agree on the problems big groups of low-skilled culturally diverse migrants bring to the society and Economy. Nevertheless, as polit-correctness is a big part of modern politics, those agreements don't tend to be explicit and enough to result in decisions or act as stabilizers during the times of crisis.

One of the most prominent modern German economists Hans-Werner Sinn, President of the IFO Institute for Economic Research, often states the fact that in the short-term migration-crisis is not only bad for the social situation, but is as well halting economic growth of Western European countries in the current state.

IFO study claims that in short-term: *"every migrant cost 1,800 euros more per year than they contribute"* [3, p. 1]. Ultimately Sinn states that: *"In future immigrants from non-EU countries should be selected by age, qualification, health, language skills and assets."*

Such measures, will in theory help to stabilize short-term expenses on food, shelter, clothing and integration on migrant from other regions, while on the other hand it will be realistically helpful in battling demographic crisis and labor decline in the long-run.

On the other hand, famous French academic, Thomas Piketty believes that even current migration flows are very important and beneficial for EU in the economic terms:

"Economists tend to see a large influx of refugees not as an obligation or a threat - but as an opportunity." [1, p. 1].

Piketty partially regards The Refugee crisis, as a fault of unsuccessful and undemocratic economic policies of the last years in the EU. While, he insists that population of 505 million is more than capable of taking in more than 1 million refugees per year.

"The European Union has the capacity to absorb a large flow of migrants, one million per year in terms of inflow net of outflow" [2, p. 1].

Integration of migrants into Economy:

First of all, for the short-term expenses to be paid off in the long-term, high rates of economic and social integration of illegal immigrants are necessary.

In modern Europe, not all nations are successful in achieving that goal, in fact in most of the biggest European economies we can observe high gaps in unemployment rate and educational performance of children, between natives and immigrants.

Table 1. Unemployment rates among immigrants in EU

Location	2010	2011	2012	2013	2014	2015
EU 28	14.60%	14.70%	15.50%	16.00%	14.90%	-
Austria	8,20%	8,20%	8,30%	9,30%	10,10%	10,70%
Belgium	17,10%	15,10%	16,90%	17,20%	17,60%	17,00%
Denmark	13.80%	14.50%	14.70%	12,40%	12,30%	12,20%
France	14.50%	15.40%	16.00%	16.00%	16.60%	17.40%
Finland	13.80%	14.00%	15.90%	14.30%	16.80%	17.50%
Germany	10,80%	8,90%	8,70%	8,60%	7,90%	7,70%
Greece	16.20%	22.20%	33.70%	38.00%	34.50%	32.00%
Ireland	16.90%	17.30%	17.30%	15.70%	13.50%	11,40%
Italy	11,50%	11,70%	13.90%	16.70%	16.40%	15.70%
Netherlands	8,20%	9,50%	10,60%	13,20%	12,70%	12,00%
Poland	11,60%	11,90%	6,90%	12,20%	12,10%	10,60%
Portugal	15,00%	16,90%	19,40%	21,80%	16,90%	14,80%
Spain	30.50%	30.50%	35.40%	34.70%	33.30%	29.80%
Sweden	16.40%	16.30%	16,10%	16.40%	16.40%	16.20%
United Kingdom	8.00%	9,50%	9,10%	8,40%	7,10%	6,40%

So, to understand whether it's realistically possible for European nations to successfully integrate illegal immigrants in the long-run, we can consider the example of Turkish immigration in the late - 20th century to the Germany:

Nowadays, companies of Turkish immigrants invest around 10 billion Euros in German economy and employ around 550,000 people; Also, Turks have 6-7 higher rate of becoming entrepreneurs than natives. Nevertheless, unemployment continues being a big problem as it stands at 22-23% for Turkish immigrants, which is 4-times higher for the rate among native population.

Long-term economic benefits

After the discussion above, economic case of immigration in the long-run looks obvious. As, while in the short and medium terms expenses on sheltering, food and integration seem to large, long-term effect of refugee influx might be positive and outweigh the expenses.

Firstly, we must look and analyze the effects illegal immigration will have on the domestic labor market and economic growth rate. Refugees are driving the growth of labor market, as since 2012, 70% of increase of total Workforce in EU accounts for immigrants and young immigrants are generally considered more skilled than native employees in their mid-late 50s, so refugees clearly have the potential to balance the ratio of active workers to pensioners and contribute much more in taxes and labor flexibility than they receive in short-run.

As an example of effect on GDP growth we can look at the UK of late 90s and early 00s, as a very high and fast influx of labor migrants contributed significantly to GDP growth in the long-run; moreover, UK managed to protect its' domestic labor market and still maintained the benefits of migration to the economy. In addition, we can also consider the positive effects on economic growth, of the major Turkish immigration to the Western Germany.

Conclusion and Outlook

Immigration of large groups of people always has major influence not only on economic outlook, but also social, cultural, etc. Recent refugee influx has been no exclusion. So far, it has been so big and unexpected that it's nearly

impossible to give any certain long-term outlooks for the EU, as the diversity of opinions, rules and approaches to the situation are too vast and diversified among the nations and social groups at the current moment.

The certain major expenses in short and medium terms for economy, and also the fear of losing the job and economic welfare because of vastly increasing cheap illegal labor market causes so much instability and opposition among some groups of native population. Nevertheless, the first signs of, long-term benefits to labor market and GDP growth, and more generally of positive effect on economy might be enough to change some opinions in the EU, which will accelerate economic integration and have much more substantial effect in the long-run.

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