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Asylum seekers are not a “burden” for European economies

Does the arrival of asylum seekers lead to a deterioration in the economic performance and public finances of the European countries that host them? The answer is no, according to economists from the CNRS, Clermont-Auvergne University, and Paris-Nanterre University,¹ who have estimated a dynamic statistical model based on thirty years of data from fifteen countries in Western Europe. On the contrary, the economic impact tends to be positive as a proportion of the asylum seekers become permanent residents. This study is published in *Science Advances* on June 20, 2018.

Over a million people claimed asylum in one of the European Union countries in 2015, making it a record year. What is the economic and fiscal impact of these migration flows? This study is not the first to consider this question,² but the method it uses is new. Traditional approaches mainly adopt an accountancy approach: they compare the taxes paid by the immigrants with the public transfers paid to them, but do not take into account the economic interactions.³

The researchers used a statistical model introduced by Christopher Sims, who in 2011 was awarded the Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel. Widely used to evaluate the effects of economic policies, this model lets the statistical data speak for themselves by imposing very few assumptions. The macroeconomic data and data on migration flows come from Eurostat and the OECD and concern 15 countries in Western Europe: Austria, Belgium, Denmark, Finland, France, Germany, Iceland, Ireland, Italy, Norway, the Netherlands, Portugal, Spain, Sweden, and the United Kingdom.

The researchers distinguished the flows of asylum seekers from flows of other migrants. They evaluated the latter flows on the basis of net migration, which does not take into account asylum seekers. The flows of asylum seekers are made up of people who have a legal right to reside in the host country while their application is processed; the host country will consider them to be residents only if their asylum application is granted.

During the period studied (1985–2015), Western Europe experienced a significant increase in the flows of asylum seekers following the wars in the Balkans between 1991 and 1999 and, after 2011, in the wake of

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² The previous studies focused on permanent immigration (i.e., not asylum seekers). Some of these studies have shown positive economic consequences of immigration, and others negative effects.

³ To take an example, the increase in public expenditure may revive economic activity, and, as a consequence, increase tax revenues.



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the Arab Springs and the conflict in Syria. At the same time, flows of migrants, particularly EU nationals, have increased after the EU's expansion eastwards in 2004. These events provide numerous opportunities to test the consequences of an unforeseen increase in migration flows on GDP per capita, the unemployment rate, and public finances.

The researchers show that an increase in the flow of permanent migrants (i.e., not asylum seekers) at a given date produces positive effects up to four years after that date: GDP per capita increases, the unemployment rate falls, and additional public expenditure is more than compensated by the increase in tax revenues. In the case of asylum seekers, no negative effect is observed and the effect becomes positive after three to five years, when a proportion of asylum seekers obtain asylum and join the category of permanent migrants.

According to these results, it is unlikely that the ongoing migration crisis is a burden for European countries; on the contrary, it could be an economic opportunity.

Bibliography

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