

The socio-economic impact of the recent migrants to Europe

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Abstract

The latest movements of population towards Europe have set into motion a series of negative outcomes: a rise in xenophobia, a strengthening of the far right, an increase in international criminal activities and a significant drop of tourist arrivals on the Dodecanese islands that are the prime recipients of the mass exodus from Syria and other neighboring countries. However, positive effects do exist but are not discussed. Specifically, the demographic crisis of many of the European countries can only be solved by allowing migrant waves into their territories that tend to exhibit higher fertility rates than the native ones. Moreover, the fiscal impact has been proven to show slight positive contributions, due to the large number of skilled migrants and their early working age. The ethical question of setting a limit to accepting refugees appears to be answered on the basis of economic self-interest. Acceptance of skilled refugees and programs that train the semi-skilled are vital to ensuring a positive fiscal contribution of the new arrivals.

Key words: Migrants; Europe; Demographics; Tourism; Economics

Introduction

The moral and financial crises relating to the plight of involuntary migrants, known as refugees, have been a repeat phenomenon in history. When Assyrian rulers conquered the land of ancient Israel, ten tribes –known as the ten lost tribes- were eventually expelled. Recent discoveries at the Roman legionary fortress at Hadrian's Wall, have uncovered what may have been a refugee camp for friendly tribes from north of the wall, who fled serious unrest in the early third century AD (Miles, 2011). In 17th century France, under Louis XIV, the Huguenots risked state persecution by practicing Protestantism. The edict resulted in a major displacement of 200,000 people who found refuge in England, Netherlands, Germany and other nation states. Starting in the 18th century and for the next 150 years, Turkey experienced the influx of millions of Muslims escaping from the Russo-Turkish war (Chalabi, 2013). Forwarding to the twentieth century, Europe witnessed massive movements when after WWII, 31 million ethnic Germans were expelled from the Soviet Union and Eastern Europe, and millions more fled the brutality of the Stalin era (Magocsi, 1993). There have been countless more displacements that continue to this very day.

History has recorded the reaction of various societies and statesmen regarding the preferred attitude towards migrants and refugees. Thucydides reported in his "Histories" that Pericles was proud of Athens's willingness to help others, and in the "Funeral Speech for Athenian War Dead" the famous politician was quoted as saying "The way we live differs in another respect from that of our enemies. Our city is open to all the world. We have never had any aliens' laws to exclude anyone from finding our or seeking anything here, nor any secrets of the city that an enemy might find out about and use to his advantage. On the opposite side, Nicias argued that the interest of the state supersedes concerns for the fate of refugees and accordingly alliances should be formed on the basis of high returns (Connor, 1984). The attitude towards refugees in the Roman Empire appeared positive although based on calculations of self-interest and diplomatic strategies. In 1950, the Allies set up the United Nations High Commission on Refugees, whose purpose has

been relief provision to those fleeing conflict. The partition of India created 14 million refugees whereas the independence movements and civil wars in Africa, along with the turmoil caused by Cold War politics, as well as by movements following the fall of the Berlin Wall, led to a new wave of 46 million displacements. The post-2000 instability in the Middle East added another 22 million (DePillis, Saluja and Lu, 2015). The war in Syria alone has displaced 12 million people.

Current extent of the problem in Europe

Today, the massive influx of migrants and refugees to Turkey and Europe has reached endemic proportions. In 2015, 350,000 migrants arrived in Europe by sea compared with 219,000 during 2014. Greece alone saw 234,000 people land on its shores, compared to 35,000 in 2014 (Economist, 2015). The number of first time asylum applicants in Germany increased from 173,000 in 2014 to 442,000 in 2015, with Hungary, Sweden and Austria reporting large increases between 2014 and 2015. Eighty three per cent of the first time asylum seekers in the EU-28 in 2015 were less than 35 years old, whereas those in the age range 18–34 years accounted for slightly more than half (53 %) of the total number of first time applicants. Close to one third of the applicants were minors, aged less than 18 years old. This age distribution of asylum applicants was common in almost all of the EU Member States, with the largest share of applicants usually being those aged 18–34. Only Poland reported a 42% rate of applicants younger than 14 years of age ((Eurostat, 2016).

The influx is significant and the reaction has been serious and worrisome. Hate crimes have increased, the far right has gained popularity, and the unity basis among EU Member States has weakened. Polls in Britain have indicated that attitudes towards allowing refugees into the country have hardened, with 41% saying Britain should accept fewer refugees from Syria and Libya, whereas this figure a year before was 31% (BBC News, 2016). Only 20% of the Britons would be willing to house a refugee in their home for a short period if they had a spare room, while 80% would refuse to do so. Fourteen percent of Bulgarians would be willing to host a refugee, whereas 62% of Spaniards would welcome them. Germans showed a welcoming attitude by 48%. Thirty percent of Europeans want their governments to do more, 40% say the governmental response is adequate and 29% prefer less assistance (Grice, 2015).

Turkey and the European Union have agreed on a controversial measure that they hope will put a halt to the flow of refugees to the continent, in return for political and financial concessions for Ankara. "Refugees, migrants, asylum seekers who are arriving in Greece, on the islands or the mainland ... will find themselves subject to processing and then, in due course, they will be sent back to Turkey" (Al Jazeera, 2016, March 19). To compensate Turkey, the EU would accept thousands of Syrian refugees directly from Turkey and reward it financially and politically: more money, early visa-free travel and faster progress in EU membership talks (ibid). The measure came a few months after a controversial law was voted in by Austria, shortly after the victory of a far-right politician during the first round of a presidential election. The new law grants the government the right to declare a "state of emergency" if refugee numbers rise and turn back refugees at the border, even if they come from war-torn countries like Syria (Al Jazeera, 2016, April 28).

Measures like the one proposed in Austria have come under attack and have not been adopted by the majority of countries, especially the ones that have accepted the bulk of refugees like Germany and Sweden. The tormenting question has always evolved around the scope and extent of help one should give to strangers. How far should one go for the sake of our common humanity and at which point could this help endanger the balances of the nation state? One will assess in

this paper the effect of migrants and refugees on certain economic and social indicators of some of the host countries.

The role of demographics

Germany has been strongly motivated to adopt a positive attitude towards accepting refugees because of its dismal demographics. The country has one of the most rapidly aging and shrinking populations with a birth rate plummeting to levels lower than those of Japan (Guardian, 2012). A low birth rate will limit the labor supply that is projected to drop from 61% to 54% by 2030. The economic results would be devastating, and the only solution would be to open the gates to immigrants. The success of the plan to accept more migrants depends heavily on the skills of the arrivals. It has been estimated that 50% of the refugees are well trained. Many are eager to be trained and anecdotal evidence is abundant. Daniel Kok, owner of a small flooring business hired an asylum-seeker from Eritrea, who although had never held a similar job before, became a success story and is currently doing an apprenticeship that will last until 2018. Marcel Fratzscher, head of the DIW economic institute, reports that immigrants have filled more than two-thirds of the 1.5 million new jobs during the last five years (Bellon and Copley, 2015). Vice Chancellor Sigmar Gabriel has expressed the opinion that training is vital, and if training occurs quickly, then the boost in employment will solve one of the country's biggest problems for the economic future, that of skills shortage (Euractiv, 2016).

According to the Pew Research Center low fertility is not a German problem alone. The whole continent is greying and shrinking. In 1950, 8% of the continent's population was 65 or older; by 1990 that share had risen to 12.7%, and in 2015 it had exceeded 17% (Desilver, 2015). The author emphasizes that 27 of the 30 countries and territories globally with the largest 65-and-older shares, are in Europe, including Italy, Greece, Germany, Portugal, Finland and Bulgaria, where a fifth of the population or more is age 65 or older. And this is why the current wave of immigration can be of unprecedented importance. According to data compiled by Eurostat, 81% of the applicants for asylum in 2015 were younger than 35 and more than half were ages 18 to 34 (ibid).

Spain has one of the lowest fertility rates in the EU, with an average of 1.27 children born for every woman of childbearing age, compared to the EU average of 1.55. Its crippling economic crisis has fueled a net exodus of hundreds of thousands of Spaniards in the hope of finding jobs abroad. The result is a steadily shrinking population since 2012. Between 2002 and 2014, Spain saw the arrival of an accumulated immigration population of 7.3 million and a net flow of 4.1 million, making it the second-largest recipient of immigrants among OECD countries, after the United States. More specifically the country's foreign population grew from 2% in 2000 to 12% in 2011 (Romero, 2015). With an average age of the new arrivals younger than that of the native population, their demographic contribution was impressive. Birth rates to foreigners have made up 22.5% of total births in 2013, while immigrants made up about 11% of the total Spanish population with foreign women having 0.3 more children per woman than Spanish women (with foreign mothers who give birth to their first child being 4 years younger than Spanish) (Spain, 2015).

Fiscal impact of refugees

Starting in 2013, reports have emphasized the positive contributions of immigration on certain EU Member States. The OECD publication "International Migration Outlook" (2013, pp. 162-163), has concluded that countries with a long history of guest worker migration in the past, which then restricted migration, like Germany and France, experienced during the assessed period, a

negative fiscal impact. A possible reason is that the measures were taken when these workers retired, with their pension receipts having offset their social security contributions of the smaller cohorts of immigrants working at the time of the report. On the opposite side, countries with recent migration movements, showed a positive impact as that was measured shortly after their arrival. The report also emphasized that the overall impact was small in most countries. Immigrants had a less fiscal position than the native born, mainly due to the fact that they held lower paying positions. Also, their dependence on social benefits was not as extensive as that of the native born who had a longer history of employment and thus qualified for more benefits.

In 2016, the International Monetary Fund agreed with the OECD results (IMFSTAFF, 2016). The IMF report points to the fact that the net fiscal impact of migrants is mostly driven by their success in the labor market. Age appears to play an important role, with the impact weakening for the young and the old, and strengthening for those of working-age. The impact can be influenced by the country's history on immigration and the effect pensioners may have. For Denmark, that has a short history, the difference between the negative fiscal contribution of non-Western immigrants and the positive contribution of Western ones has been attributed to the different incidence of pensioners in these two groups. Some of the most important conclusions of the IMF report include the following: (a) Immigrants entering when they are of working age tend to be associated with higher net fiscal contributions than other immigrants. (b) High-skilled immigrants typically make larger net fiscal contributions than natives. (c) Refugees' fiscal contribution tends to be less favorable than that of economic immigrants. (d) The inflow of asylum seekers is likely to have an immediate expansionary effect on the economy. In the short term, additional public spending will increase modestly domestic demand and GDP, but it will be more pronounced in destination countries. In the long run, the economic impact will depend on the speed of integration of refugees into the labor market. In Germany, the 6.6 million foreign residents in 2012, paid 147.9 billion euros more taxes and social insurance contributions than they received as social transfers over the remaining life cycle (Holger, 2014).

The impact on the Mid Eastern countries after they accepted Syrian refugees appears to be insignificant. For every dollar the Lebanese government spent on humanitarian aid for the Syrian refugees, another \$0.50 was added to the economy through multiplier effects. The negative impact was shown in a 23% drop in tourism and 7.5% loss in exports – but the total 1.6% of GDP losses were offset by the economic benefits of humanitarian aid, leaving the overall negative impact at 0.3% of GDP annually (IRIN, 2015).

John Cassidy (2015) after studying a collection of reports assessing the economic impact on host countries, was not able to find evidence of a looming catastrophe. He cites a study by the Paris-based Organization for Economic Co-Operation and Development, according to which the Turkish economy would expand 3% in 2015 and 4% in 2016. The country, having received more Syrian refugees than any other country, has spent more than 5 billion euros entirely funded through its own fiscal resources. Moving on to Lebanon, its economy would expand at 2% in 2015 and 4% in 2016. Finally, Jordan, despite the fact that 10% of its population are refugees, was projected to see a rise in its GDP by 3% in 2015. Cassidy concludes that the most serious impacts are sociopolitical and not economic.

Social impact of migrants

In-group vs out-group dynamics enter every society and unite groups against one another. The cohesiveness and subsequent exclusion can be based on race, status, gender, sexual orientation, age, religion, income or political outlook. The immigrants usually are discriminated against, on the basis of ethnicity/race, religion and economic status. ENAR's Shadow Report on Afrophobia,

based on 20 national questionnaire responses from EU Member States, reports that although there is race equality legislation at EU level, there is no EU policy or national policy developed specifically to combat racism and discrimination against people of African descent and Black Europeans. The report describes the wide polarization of stereotypical images in the media that depict Blacks as criminals, the poorer health profiles for Black populations including the prejudice shown to them by the medical personnel, as well as the inferior housing and the discrimination in the rental market, exposure to police violence, and racial abuse by the public (Afrophobia in Europe, 2015).

Another side effect is xenophobia that has fueled the rise of the far right. Decades of immigration from the developing world (especially from Muslim North Africa) have been perceived as threatening to the cohesive social fiber. In 2013, Eurostat polling showed that only 22% of European citizens think the EU really represents “cultural diversity”. Immigrants are blamed for draining social services and stealing jobs. The economic crisis and high unemployment rates led to austerity measures that have questioned the legitimacy of the EU. In 2012 the president of the European parliament, Martin Schulz, spoke of the crisis of confidence as people started doubting the power of democracy to solve critical issues (Schroder, 2012). Furthermore, the European establishment in Brussels appears to be further undermining this confidence as it is being perceived representing the old historical left supported by high taxes, strong welfare state and meager defense budgets (Kaplan, 2014). Although this model seemed to be working in the Cold War era, when the continent was protected by the American military to a serious extent, currently, the economic woes have helped the right dust off the stigma that accompanied it after WW2, leading to the creation of neo fascist parties (Kaplan, 2014). One has witnessed a 50% increase in far right parties in recent European elections. More precisely, when thirty years ago most xenophobic parties failed to even pass the 5% minimum voter threshold that is typically required to enter government, today they are winning 28% of the parliament in Austria, and 70% in Hungary (Mayfield, 2013).

One more disturbing social impact, is the rise in refugee smuggling, fueled by either the desperate need to flee persecution or simply escape dire economic conditions. Human smuggling is one of the fastest growing transnational crimes that encompasses extortion, coercion, fraud, bribery and human rights violations. It also contributes directly to national corruption as smugglers pay officials to look the other way. Hundreds of thousands have paid a smuggler around \$3,000 a person to provide them with transport across the Aegean or the Mediterranean into Europe with thousands dying along the way. The smuggling business produces almost \$3-6 billion a year (McDonald-Gibson, 2016). Europol identified 10,700 suspects in 2015 with facilitators ranging from petty criminals, making fake passports, to taxi drivers taking migrants across countries and over borders. McDonald- Gibson reports that a person may have to pay multiple times along the route. For example, a Syrian refugee may need to bribe to escape the country, then buy fake documents for Turkey, and then buy a ticket for the rubber dingy to cross the Aegean. The OECD report on corruption and the smuggling of refugees (2015) cites an empirical study of 50 illegal immigrants smuggled to the United Kingdom from Afghanistan and Pakistan. It was found that on average, smugglers' fees amounted to 262% of a household's annual income. It was also shown that payments were usually made in full in advance of the migration to a third party.

Finally, the effect on the Dodecanese islands tourism sector has been significant. The residents of the island of Lesbos have undertaken a huge humanitarian effort to assist the refugees. On the one hand the media have reported on heroic individual acts like an 85-year-old grandmother who fed refugee children and a local fisherman who rescued a number of refugees, both of whom have been nominated for the Nobel peace prize (Amin, 2016). On the other hand, tourist arrivals on the island dropped by 65% in May and local tourist agents attribute the drop to the refugee crisis.

Other islands like Samos, Chios and Kos have been equally affected. A new study conducted by the former Greek Economy, Shipping and Tourism Ministry has shown the dire effects on the Dodecanese islands. The study has estimated that the island of Chios spent 1,440,000 euros to deal with the influx of migrants and refugees, while Lesbos spent 947,000 euros and Kos 300,000 euros. In Kos, in 2015, the sector saw 178,000 cancellations (120,000 from Tour Operators and another 58,000 from individual clients), which translates into a 400% increase of cancellations compared to the same period in 2014. In June 2016, passenger arrivals dropped to 4,825, down from 15,026 in the same month in 2015, marking a decline of 67.89% and an estimated loss of revenues of about six million euros (Tornosnews, 2016). Losses amounting to 30% occurred on the islands of Leros and Lesbos, whereas the financial damage to Kos from job losses has been estimated to be around 7 million euros (Adamopoulos, 2015). Given that tourism contributes up to 20% of the GDP, the impact can escalate to dramatic proportions.

Conclusion

The latest movements of population towards Europe have set into motion a series of negative reactions ranging from xenophobia to the rise of the far right, to the increase in international criminal activities and devastating effects on the tourism sector of the Dodecanese islands that are the prime ports of arrivals of the mass exodus from Syria and other neighboring countries. Despite the negative correlates, the demographic crisis of many of the European countries can only be solved by allowing migrant waves into their territories that tend to exhibit higher fertility rates than the native ones. The fiscal impact has been proven to show slight positive contributions registering due to the large number of skilled migrants and their early working age. The ethical question of setting a limit to accepting refugees appears to be answered on the basis of economic self-interest. The media's role in projecting the positive contributions appears vital in calming the fears and prejudices of native populations. Acceptance of skilled refugees and programs that train the semi-skilled are vital to ensuring positive fiscal contributions of the new arrivals.

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