

Belonging, entitlement and inclusion

The income situation of EU migrants and the mediating role of European tax-benefit systems

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Workshop: Public policies, poverty and inequality: a discussion based on tax-benefit
microsimulation models

Starting point: European citizenship

- ▶ New possibilities for spatial movements through the **Right of Free Movement**
 - ▶ equal treatment with nationals in access to employment, working conditions and all other social and tax advantages
 - ▶ caveat: restricted to citizens who work in another EU country, actively look for a job, or family members of these groups
- ▶ Potential to fight social inequality through spatial mobility
 - ▶ Migration as oldest strategy to escape inequality (Galbraith, 1979)
 - ▶ Migration as a means of individual empowerment (Faist, 2016)
- ▶ Empirical evidence on the fulfilment of this hope is scarce
 - ▶ Economic literature often focuses on male earnings (see for example: Chiswick 1978; Borjas 1985; Dustmann and Frattini 2012)
 - ▶ treating men as prototype migrant (Anthias, 2012) and women as passive actors (Castles and Miller, 1998)
 - ▶ **ignores that the economic situation of migrants living in advanced welfare states is not solely determined by labour market outcomes** but needs to take the role of social policy into account (Kesler, 2015)

A more holistic income concept and focus on exclusion

- ▶ Focus on unemployment as the main driver of exclusion in North and Western European countries, followed by focus on migration policies and informal employment in Southern European countries (Castles and Schierup, 2010)
- ▶ Economic exclusion/poverty is not fully explained by socio-economic characteristics (Barrett and Maitre, 2013)
- ▶ but depends on access to welfare state and its institutional characteristics (Hooijer and Picot, 2015)
- ▶ Migrants are often at the bottom of the earnings distribution (Reichert, 2010), due to under-employment and over-representation in low paid jobs (Kogan, 2007)

- ▶ But still little information on the situation of EU migrants and the role of social policy

The role of the welfare state

- ▶ Welfare state as the answer to capitalist societies: **civil** and **political** citizenship extended to **social citizenship** (Marshall, 1950)
- ▶ Welfare states imagined as homogeneous society (Castles and Schierup, 2010) neglecting migrants
- ▶ Synonymous with equality: countries can be clustered into welfare regimes based on the applied definition (Esping-Andersen, 1990)
 - ▶ **Variation in decommodification**
 - ▶ **Stratifying effects of social policy**
 - ▶ **Provider of welfare:** public, private, family
- ▶ Welfare states feel the pressure to define 'deserving' receivers (Geddes, 2003) - increase conditionality for everyone but migrants might be more affected
- ▶ EU migrants = highly stratified group based on the ideal of "**the citizen as a paid worker**" (Carmel, 2013) = equal treatment and access to benefits is conditional:

European Welfare Regimes

- ▶ **Northern Conservative (AT, FR, DE, BE, LU):** importance of social insurance related benefits (requires contribution through employment), generous family benefits (preserving traditional family roles), stratification by different employment groups
- ▶ **Social Democratic (FI, DK, SE):** social right to social security through generous social benefits for all and universal benefits financed through the tax system, institutionalised right to work and income protection
- ▶ **Liberal (UK, IE):** minimum social assistance for those who fail in the market and means-tested benefits restricted to those who are incapable of working, market to step in for "superior welfare"
- ▶ **Hybrid (NL)** (Kammer et al., 2012): generous redistributive benefits (social-democratic characteristic) largely financed by social insurance (corporatist characteristic)
- ▶ **Southern Conservative (EL, ES, IT, PT):** similar to Northern Conservative countries but rudimentary nature of many social provisions, generous pensions (Gal, 2010)

RQ and contribution

- ▶ Does the European citizenship undermine decommodification?
 - ▶ Does the European citizenship grant sufficient access to social citizenship?
 - ▶ The family network of migrants may still be in the country of origin. Does this affect migrants in "family"-oriented welfare regimes?
1. Study welfare-mediated income inequalities between EU migrants and the native population
 - ▶ Beyond earnings, taking the role of the tax-benefit system into account
 - ▶ Comparative approach: situation in different welfare regimes
 2. Focus on the whole income distribution while previous research has often focused on poverty
 3. **Decompose differences** to disentangle compositional factors from others
 4. Zoom in on those with higher incomes and to learn about factors that contribute to it. (results to come)

Data and sample

- ▶ EU-SILC 2015 data, plus selected rotation groups of EU-SILC 2014, FRS 2014/15 for the UK
- ▶ 12 destination countries, excl. NMS, DE, BE and IE
 - ▶ Northern Conservative: AT, FR, LU
 - ▶ Social Democratic: DK, FI, SE + NL
 - ▶ Southern Conservative: EL, IT, ES, PT
 - ▶ Liberal: UK (results not yet available)
- ▶ Combined definition of citizenship and country of birth but restricted to those who arrived less than 15 years ago
- ▶ Comparison of individuals living in:
 - ▶ EU migrant households: at least one member aged 16+ is EU citizen or was born in another EU country
 - ▶ Native households: all members of the household aged 16+ are natives
- ▶ Caveat: data lacks disaggregated information on citizenship and country of birth

Sample size

Sample size by country and tax-benefit regime

	Total hh members	EU migrant, 16+	thereof citizenship	thereof country of birth
AT	683	383	351	333
FR	270	135	114	116
LU	1,742	1,030	971	870
Northern Conservative	2,695	1,548	1,436	1,319
DK	187	94	86	86
NL	231	126	85	93
FI	409	222	148	157
SE	338	194	124	151
Social Democratic	1,165	636	443	487
EL	164	85	77	81
ES	650	414	375	367
IT	1,030	607	484	590
PT	216	135	48	99
Southern Conservative	2,060	1,241	984	1,137
Liberal (IE)	1,333	787	680	745

Source: Own calculations based on EU-SILC 2014-15

Definition of income and income groups

- ▶ **Market-generated incomes** (original income): incomes from labour, investment, properties, private pensions as well as net private transfers between households (incl. remittances)
- ▶ **Welfare-mediated incomes** (disposable income): market-generated incomes + public pensions + other benefits - direct taxes - social insurance contributions (SIC)
- ▶ Absolute values are translated into comparable terms using the average EU28 disposable income
- ▶ Income groups are calculated based on the sub-group specific income distribution, individuals are divided into 5 groups of similar size within their sub-group

Decomposition method

Builds on the approach formalised by Bargain and Callan (2010) who combine a Shorrocks-Shapley decomposition with tax-benefit microsimulation:

- ▶ Disentangle income changes over time by direct effects of tax-benefit policy from other changes (socio-demographic, market incomes)
- ▶ This paper: transforms their method to focus on differences between two sub-population groups
- ▶ Counterfactual scenarios: native households are step-wise adjusted to mirror the structure of EU migrant households
 - ▶ Gomulka's re-weighting approach (Gomulka, 1992) for demographic characteristics and labour market status
 - ▶ Regression approach (Bourguignon et al., 2008) together with tax-benefit microsimulation model EUROMOD for earnings
 - ▶ Results are path-dependent, i.e. sensitive to the order of their step-wise introduction to the decomposition model (Figari et al., 2015)

Sample characteristics

Overview of characteristics by sub-population group and welfare state regime, 2014

	Northern Native	Conservative EU migrant	Social Democratic Native	Democratic EU migrant	Southern Native	Conservative EU migrant
Women	0.518	0.495	0.505	0.509	0.515	0.519
Age	41.045	32.071***	41.315	29.641***	44.190	32.574***
Max. lower 2nd	0.394	0.443*	0.393	0.477***	0.581	0.472***
(Post) 2nd	0.382	0.279***	0.343	0.250***	0.243	0.342***
Tertiary	0.224	0.279**	0.264	0.273	0.176	0.186
Employed	0.383	0.449**	0.390	0.426	0.288	0.415***
Self-employed	0.042	0.068*	0.056	0.069	0.079	0.079
Unemployed	0.048	0.067	0.032	0.064**	0.094	0.141***
Pre-school	0.064	0.138***	0.054	0.113***	0.056	0.098***
In education	0.167	0.139*	0.200	0.239*	0.146	0.153
Retired	0.242	0.083***	0.188	0.020***	0.188	0.043***
Other inactive	0.053	0.055	0.079	0.068	0.149	0.071***
Single earner hh	0.255	0.306*	0.257	0.300*	0.325	0.355
Multiple earner hh	0.528	0.653***	0.550	0.616**	0.449	0.579***
HH with pension/health ben.	0.355	0.200***	0.555	0.402***	0.413	0.092***
HH with family benefits	0.435	0.542***	0.501	0.671***	0.297	0.285
HH with SA/housing ben.	0.288	0.336*	0.266	0.301	0.057	0.050
HH with unempl. benefits	0.169	0.269***	0.145	0.198**	0.231	0.429***
Household size	2.806	3.458***	2.770	3.111***	3.018	3.142**

Source: Own calculations using Euromod, EU-SILC 2014-15

Note: * 0.10 ** 0.05 *** 0.010 significant difference between natives and EU migrants.

Sample characteristics cont.

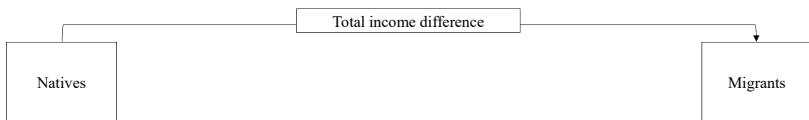
Overview of characteristics by sub-population group and welfare state regime, 2014

	Northern Conservative		Social Democratic		Southern Conservative	
	Native	EU migrant	Native	EU migrant	Native	EU migrant
Without partner	0.398	0.226***	0.386	0.253***	0.419	0.311***
With partner	0.602	0.774***	0.614	0.747***	0.581	0.689***
is native		0.187		0.223		0.100
is EU migrant		0.539		0.479		0.561
is other mig.		0.047		0.045		0.027
Local citizenship		0.296		0.416		0.214
Locally born		0.272		0.267		0.126
0-4 years ago		0.216		0.251		0.099
5-9 years ago		0.233		0.303		0.361
10-14 years ago		0.261		0.225		0.366
15-19 years ago		0.030		0.020		0.047
20+ years ago		0.039		0.017		0.016
Never moved		0.221		0.184		0.110
EU migrant hh		0.468		0.373		0.702
Native/EU hh		0.416		0.527		0.230
Other hh		0.116		0.101		0.068

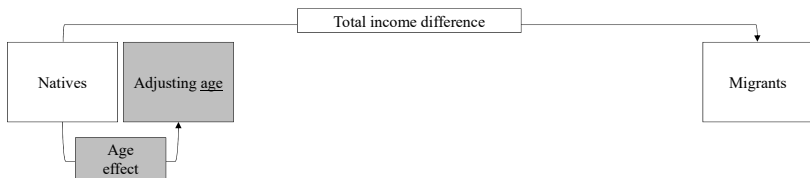
Source: Own calculations using Euromod, EU-SILC 2014-15

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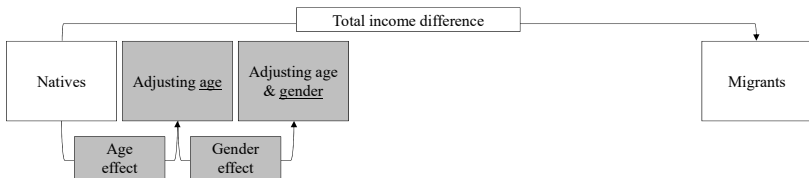
Decomposition in a nutshell



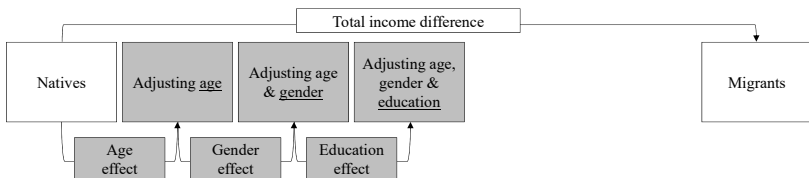
Decomposition in a nutshell



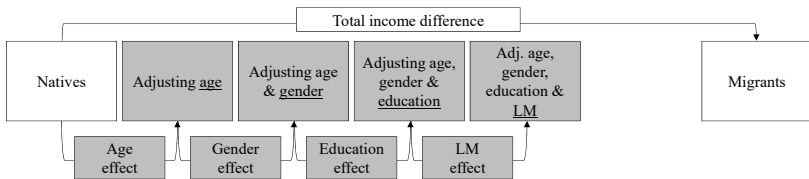
Decomposition in a nutshell



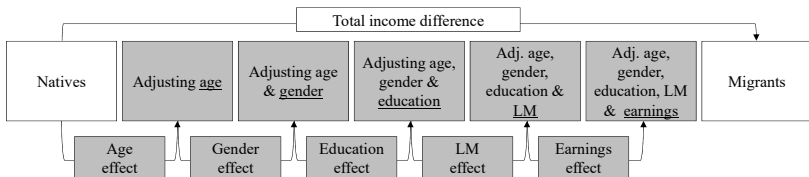
Decomposition in a nutshell



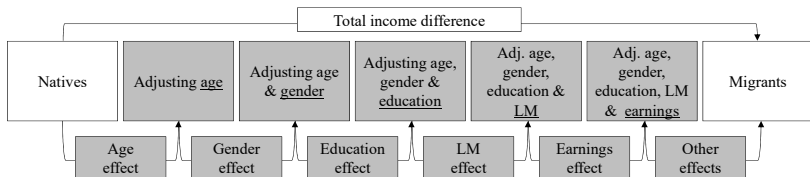
Decomposition in a nutshell



Decomposition in a nutshell

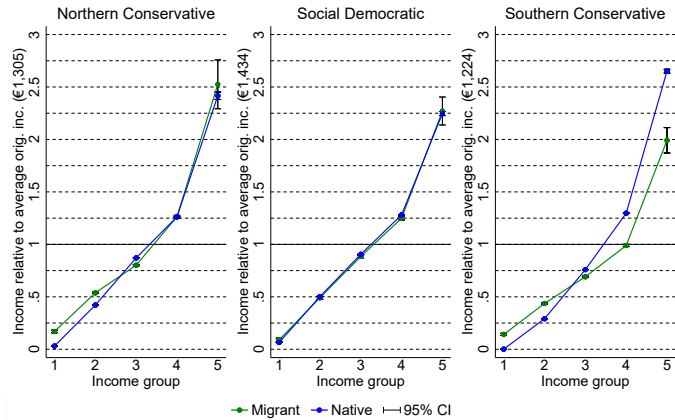


Decomposition in a nutshell



Starting point: market-generated differences

Income levels by income- and sub-population group

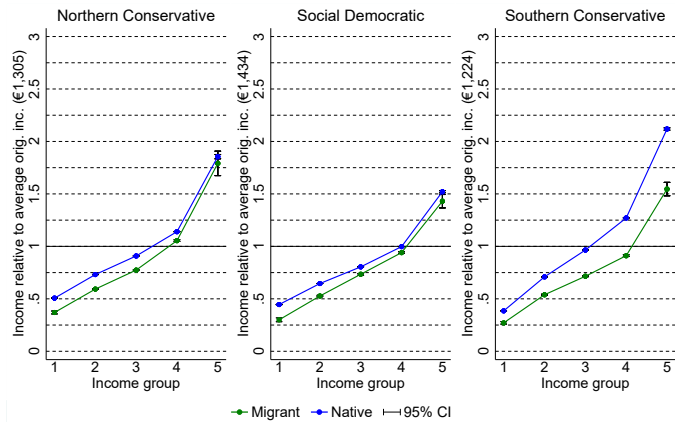


Source: Own calculations using Euromod, 2014-15 EU-SILC.

Notes: Results are shown as percentage of average market-generated income of natives. Sub-group specific income groups based on market-generated incomes.

Welfare-mediated differences - differences increase

Income levels by income- and sub-population group



Source: Own calculations using Euromod, 2014-15 EU-SILC.

Notes: Results are shown as percentage of average market-generated income of natives. Sub-group specific income groups based on market-generated incomes.

Decomposition of welfare-mediated differences

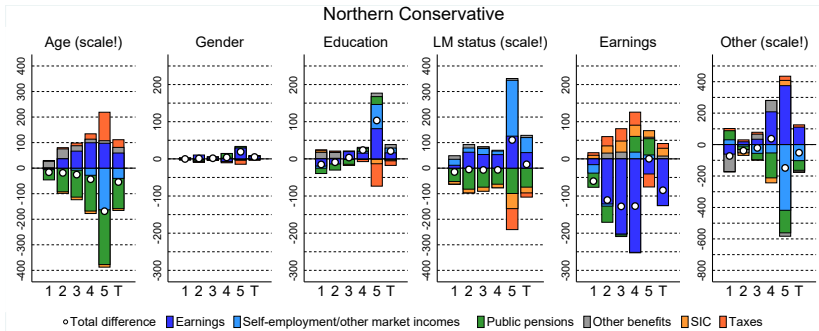
Income differences between migrant and native population and contribution of different factors by income group, 2014

	Income difference (%)	Contribution of each adjustment (% of total difference)					
		Age	Gender	Education	LM status	Earnings	Other
Northern Conservative							
1st	-27.0	-8.9	-0.1	-8.4	-8.4	-33.6	-40.6
2nd	-18.9	-10.2	0.6	-5.0	-2.7	-61.3	-21.4
3rd	-14.8	-14.3	1.0	2.0	-3.9	-72.7	-12.0
4th	-7.5	-38.7	3.6	21.3	-6.0	-113.9	33.7
5th	-3.5	-201.3	22.7	123.5	131.9	0.4	-177.2
Total	-11.1	-36.4	3.4	14.1	10.1	-56.6	-34.6
Social Democratic							
1st	-32.7	-8.7	1.1	-7.1	-6.2	-9.6	-69.5
2nd	-18.4	-1.8	-0.2	-9.9	0.1	-22.0	-66.2
3rd	-8.8	2.3	-0.8	-16.0	1.1	-43.8	-42.8
4th	-5.7	-8.6	-1.0	-21.8	-0.0	-54.2	-14.3
5th	-6.0	-34.3	-0.3	-4.8	-7.1	-2.0	-51.7
Total	-11.0	-10.1	-0.1	-10.3	-2.9	-21.3	-55.3
Southern Conservative							
1st	-29.7	-28.3	-2.0	4.8	-20.2	-23.8	-30.6
2nd	-24.0	-12.7	-1.6	11.2	0.6	-52.0	-45.4
3rd	-25.9	-6.3	-1.4	10.1	4.8	-62.3	-44.9
4th	-28.3	-5.4	-1.0	7.2	3.0	-62.8	-40.9
5th	-27.0	-14.2	-1.4	6.9	-4.0	-67.0	-20.3
Total	-27.1	-11.6	-1.4	7.8	-1.5	-59.7	-33.6

Source: Own calculations using Euromod, EU-SILC 2014-15
 Note: Income groups are based on sub-group specific market-generated incomes.

Detailed decomposed income differences

Difference by tax-benefit element, income group and adjustment factor, 2014

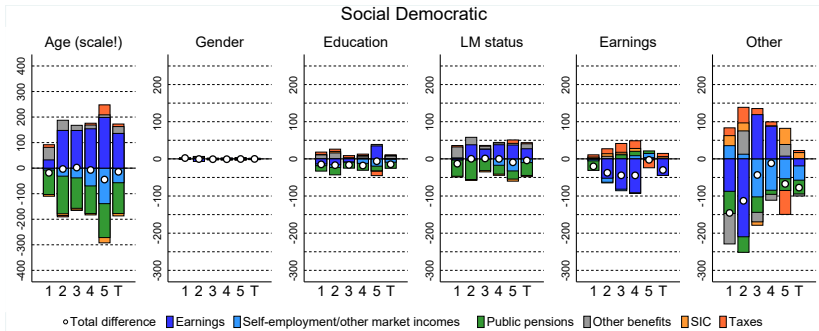


Source: Own calculations using Euromod, 2014-15 EU-SILC.

Note: "T" refers to Total. Results in EUR adjusted by EU28 mean disposable income. Income groups are based on sub-group specific market-generated incomes.

Detailed decomposed income differences

Difference by tax-benefit element, income group and adjustment factor, 2014

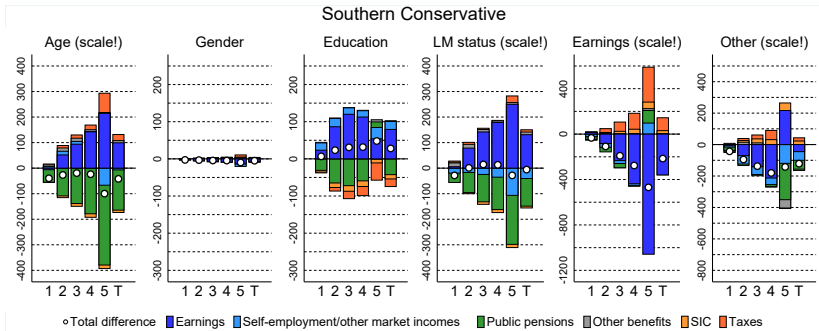


Source: Own calculations using Euromod, 2014-15 EU-SILC.

Note: "T" refers to Total. Results in EUR adjusted by EU28 mean disposable income. Income groups are based on sub-group specific market-generated incomes.

Detailed decomposed income differences

Difference by tax-benefit element, income group and adjustment factor, 2014



Source: Own calculations using Euromod, 2014-15 EU-SILC.

Note: "T" refers to Total. Results in EUR adjusted by EU28 mean disposable income. Income groups are based on sub-group specific market-generated incomes.

Preliminary conclusions

- ▶ Small role of the welfare state for horizontal redistribution
 - ▶ Income differences increase when moving from market-generated to state-mediated income
 - ▶ Northern Conservative and Social Democratic countries: EU migrants at the bottom of the income distribution are less likely to receive social assistance benefits
 - ▶ Southern Conservative countries: less generous social assistance benefits in general
- ▶ The condition of EU migrants as "workers" puts some pressure on them which among other reasons result in lower earnings
 - ▶ Higher share of active population does not lead to higher income of migrants compared to native population
 - ▶ Pension of natives more or less equals the level of earnings of EU migrants
 - ▶ Differences in age structure also compensated by benefits in Northern Conservative and Social Democratic countries

Preliminary conclusions cont.

- ▶ Taxes and Social insurance contributions mediate income differences (especially those based on differences in earnings)
 - ▶ Consistent with studies on the fiscal impact of migrants, showing that they are not more likely to receive benefits but to pay less taxes and SIC.
- ▶ Especially self-employed migrants in Northern Conservative countries seem to be quite different from other EU migrants with exceptional high incomes. The so called "Eurostars" living in Luxembourg.
- ▶ To Do:
 - ▶ include results on the UK
 - ▶ investigate factors leading to a successful migrant experience: e.g. years in the country, native partners, education

Thank you!

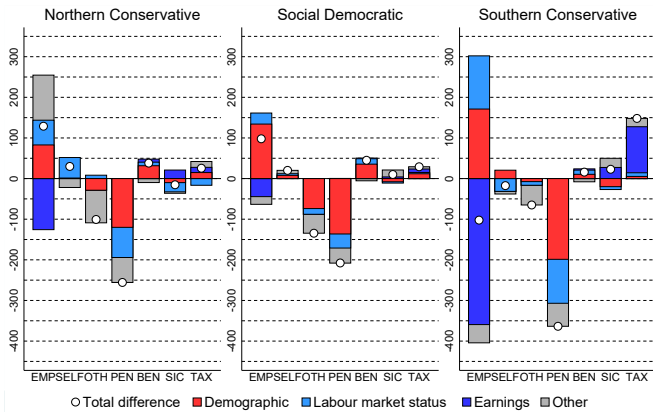
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Decomposition of welfare-mediated differences

Decomposition of total difference by tax-benefit element and adjustment factor, 2014



Source: Own calculations using Euromod, 2014-15 EU-SILC.

Note: Results in EUR adjusted by EU28 mean disposable income. 'Demographic' incl. age, gender and number of children. EMP = earnings, SELF = income from self-employment, OTH = other market incomes, BEN = benefits incl. public pensions

Decomposition of welfare-mediated differences

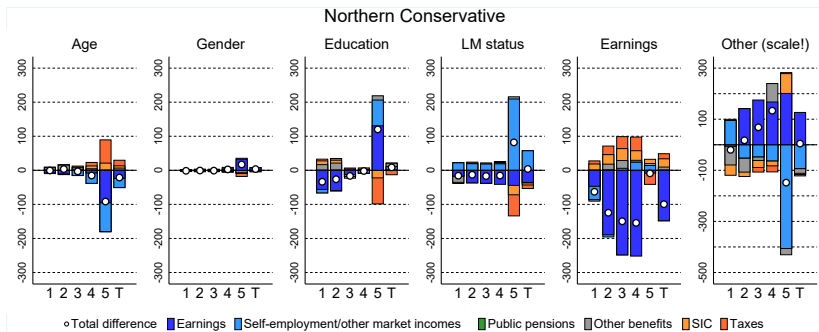
Income differences between migrant and native population and contribution of different factors by income group, 2014 - Excl. households with pensions

	Income difference (%)	Contribution of each adjustment (% of total difference)					
		Age	Gender	Education	LM status	Earnings	Other
Northern Conservative							
1st	-20.9	-0.3	-1.0	-25.0	-11.8	-47.0	-14.9
2nd	-15.1	2.6	-0.4	-18.3	-9.1	-87.1	12.3
3rd	-10.0	-2.5	-0.8	-13.9	-14.2	-126.5	57.8
4th	-3.4	-30.1	5.4	-4.0	-30.3	-305.3	264.2
5th	-1.2	-314.2	59.0	412.6	281.6	-30.6	-508.4
Total	-7.6	-21.2	3.6	8.6	4.0	-99.6	4.6
Social Democratic							
1st	-39.1	2.1	2.4	-10.6	-18.1	-10.5	-65.2
2nd	-21.8	4.0	0.9	-11.4	-21.9	-19.9	-51.7
3rd	-12.3	1.3	0.2	-16.5	-31.1	-27.0	-27.0
4th	-9.0	-2.6	1.0	-21.0	-35.2	-26.3	-15.8
5th	-12.4	-9.4	2.1	-12.5	-20.1	6.1	-66.2
Total	-16.5	-1.4	1.4	-12.8	-22.4	-11.8	-53.0
Southern Conservative							
1st	-19.3	-8.5	-4.2	15.0	-30.4	-39.0	-32.8
2nd	-23.5	1.4	-1.8	6.4	-2.2	-60.7	-43.1
3rd	-27.3	2.0	-1.5	1.9	1.3	-65.5	-38.3
4th	-29.3	1.2	-1.2	-1.1	0.8	-67.8	-31.9
5th	-27.6	-5.6	-1.5	-5.5	-3.9	-76.7	-6.9
Total	-27.0	-1.8	-1.6	-0.9	-2.7	-68.9	-24.2

Source: Own calculations using Euromod, EU-SILC 2014-15
 Note: Income groups are based on sub-group specific market-generated incomes.

Detailed decomposed income differences

Difference by tax-benefit element, income group and adjustment factor, 2014 - Excl. households with pensions

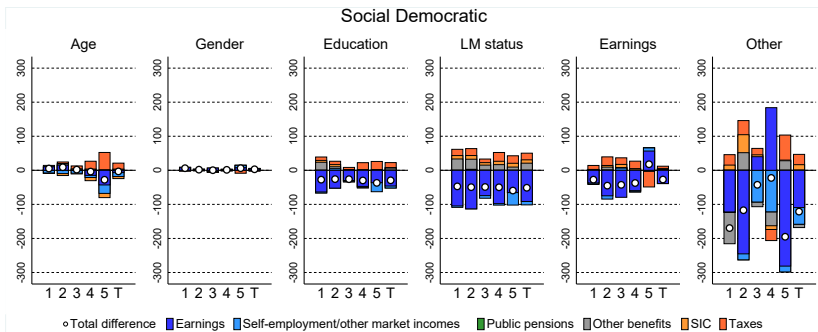


Source: Own calculations using Euromod, 2014-15 EU-SILC.

Note: "T" refers to Total. Results in EUR adjusted by EU28 mean disposable income. Income groups are based on sub-group specific market-generated incomes.

Detailed decomposed income differences

Difference by tax-benefit element, income group and adjustment factor, 2014 - Excl. households with pensions

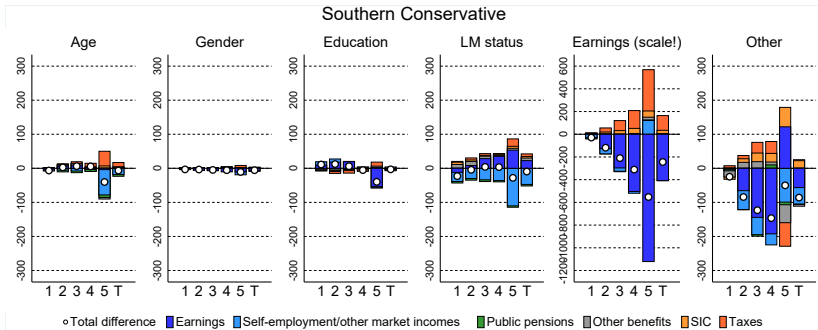


Source: Own calculations using Euromod, 2014-15 EU-SILC.

Note: "T" refers to Total. Results in EUR adjusted by EU28 mean disposable income. Income groups are based on sub-group specific market-generated incomes.

Detailed decomposed income differences

Difference by tax-benefit element, income group and adjustment factor, 2014 - Excl. households with pensions



Source: Own calculations using Euromod, 2014-15 EU-SILC.

Note: "T" refers to Total. Results in EUR adjusted by EU28 mean disposable income. Income groups are based on sub-group specific market-generated incomes.