Editorial

The current situation of high and persistent unemployment in many OECD countries, combined with ageing populations and workforces, has brought back the debate over immigration policy. One prominent issue is the extent to which immigrants may rely on social benefits and public services. Beliefs about this net fiscal contribution of immigrants – how much they pay in taxes in comparison to what they receive in support – are among the main elements shaping public opinion on migration.

According to recent opinion polls, about 50% of citizens in European countries and in Canada believe that immigrants contribute less in taxes than they receive in health and welfare services and that they are a big burden on the public purse and are supported by higher taxes paid by native-born citizens. Similar surveys for the United States show an even higher figure. What accounts for this? One reason is that past immigration was often of low-educated workers, who were not always able to find or maintain their place in the labour market as jobs changed and economies modernised. Although this is much less the case today, old beliefs tend to linger, reinforced in part by the difficulties some children of immigrants have had in schools and the labour market. A second reason is that maintaining stereotypes is the objective of certain groups whose interest is more in making political hay than in proposing concrete solutions for real economic problems. A third reason is that people often forget that a significant part of public expenditure is for public goods such as national defence, whose cost does not increase with the number of immigrants.

Still, in quite a few OECD countries, there is ongoing debate about immigration and the welfare state. There are fears that immigration may put further pressure on the public purse at a time when fiscal consolidation is at the forefront of policy agendas. These fears go well beyond anti-immigrant parties and risk jeopardising efforts to adapt migration policies to the new economic and demographic challenges that many OECD countries will have to face over the coming decades. In this context, it is critical to get a better understanding of the fiscal impact of migration and to confront public perceptions with hard facts.

The OECD has undertaken the first comparative international study of the net fiscal impact of migration, covering a broad range of OECD countries. One benefit of international comparisons is that if the results are all telling more or less the same story, the story is likely to be a true one. The evidence compiled in this publication addresses a number of preconceived ideas. Overall, it shows that the fiscal impact of immigration is close to zero on average over the OECD. It tends to be more negative in countries where the immigrant share of the population receiving pensions is large but is generally proportional to the share of immigrants in the total population. The current impact of the cumulative waves of migration that arrived over the past fifty years is just not that large, whether on the positive or the negative side. In other words, migration represents neither a significant gain nor drain for the public purse. Immigrants are pretty much like the rest of the population in this respect.
But there is more. One can be confident that, with the growing focus on skilled labour migration during the past two decades, recent immigrants are more likely to be net fiscal contributors than preceding waves of immigrants. It is the policies of the past that have contributed to produce less favourable results in certain countries and for certain groups, not necessarily policies today. And certainly not those policies that aim to bring in labour migrants with the needed skills for jobs for which there are not enough domestic candidates.

What else do the results show?

Firstly, although tertiary educated immigrants make a larger net fiscal contribution than low-skilled immigrants, the latter tend to fare better compared with the native-born of the same skill level. This is an important point. Most OECD countries have facilitated migration of highly skilled individuals, but continue to maintain restrictions on recruitments into jobs requiring lower skills, notably because of concerns over possible adverse effects on demand for social services. Our results, however, show that these fears are mainly unfounded, especially as candidates for recruitment for these jobs will be better educated than those of the past and their performance can be expected to compare more favourably with that of resident persons.

Secondly, the age profile of immigrants is one of the main factors explaining cross-country differences in immigrants’ net fiscal position. The younger adult immigrants arrive, the more positive their direct fiscal contribution. Why is this the case? Essentially because those who come sooner, all things being equal, have longer working lives during which their net fiscal contribution is usually positive, and also because younger migrants have a greater incentive to invest in education and training, in particular in the host-country language. This implies giving more weight to younger ages in selecting labour migrants. It also means encouraging immigrants to come with their families, so that their children do not fall too far behind in joining educational systems that are often more demanding than the ones they left behind.

Thirdly, it appears that, when immigrants have a less favorable net fiscal position than the native-born, this is not driven by a greater dependence on social benefits, but rather by the fact that with lower wages on average, immigrants tend to contribute less. Most immigrants do not come for social benefits, they come to find work and to improve their lives and those of their families. Employment is a better way to do this than the dole.

Indeed, and lastly, employment appears as the single most important determinant of migrants’ net fiscal contribution, especially in generous welfare states. Raising immigrants’ employment rate to that of the native-born would result in substantial fiscal gains, notably in European OECD countries. Integration and anti-discrimination policies, to the extent that they can contribute to closing the employment gap between natives and immigrants, can be highly cost effective.

International migration is part of the trends that will continue to shape not only global realities but also national strategies. If the results described above tell us anything, they tell us that more immigration does not necessarily mean more public debt. If the policies of the past fifty years have managed to produce a net fiscal impact that is almost neutral, a world of labour migration that is better managed in accordance with labour market needs, with due attention to integration, can only bring benefits.