



## NEW REPORT: Taxpayer effects of immigration points countries to favoring high-skilled, higher-income immigrants of working age

A new [IZA World of Labor](#) report shows that tax payer effects of immigration are positive for educated but negative for poorly educated immigrants. Welfare dependency appears partly to be related to whether they are EU or non-EU migrants.

Taxpayer effects are a central part of the total economic costs and benefits of immigration. According to James P. Smith of the RAND Corporation, in the US the effects vary considerably by immigrant attributes and level of government involvement (size of the welfare state), with costs usually diminishing greatly over the long term as immigrants integrate fully into society.

Smith shows that in the long term, the effects are positive in the US and in several European countries, and strongly positive for better-educated immigrants, but negative in other areas and for poorly educated and illegal immigrants and refugees. Financing the education of immigrant children, rather than welfare, unemployment, or health care, is the major fiscal cost. Furthermore, the welfare dependency of migrants in Europe appears to be related mainly to their attributes and to whether they are EU or non-EU migrants.

A study of the fiscal impact of migrants from recent EU member countries in Central and Eastern Europe to the UK found that these immigrants were a net fiscal plus on an annual basis largely because they made less use of benefits and public services. Immigrants to the UK also tend to be younger, better educated, and with higher employment rates than the native-born population. In contrast, results for Denmark—which has a generous welfare state and immigrants of a less than average skill set—indicate a long-term negative fiscal impact.

A study for Denmark estimated an immigrant tax burden of €7,500 across all immigrant generations and types compared with an immigrant benefit of €7,500 if the immigrants are from other Western countries. Low employment rates among immigrants from non-Western countries appear to be the primary cause.

According to Smith, once settled, economic adjustment into the host country by immigrants is often characterized by a considerable improvement in their relative economic position, which in turn leads to higher tax payments. A study from the US showed that by the third generation, descendants of immigrants are indistinguishable in their economic performance from native-born residents. On the negative side, as immigrants grow older, they too become recipients of large transfers such as income support and health care benefits.

Smith concludes: *“While immigration policy should not be formulated by considering only the taxpayer effects of immigration, these effects should be part of the equation. In general, taxpayer computations point countries in the direction of favoring high-skilled, higher-income immigrants of working age.”*

*Please credit IZA World of Labor should you refer to or cite from the report.*

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The site offers relevant and succinct information on topics including diversity, migration, minimum wage, youth unemployment, employment protection, development, education, gender balance, labor mobility and flexibility among others.

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