
Exploring the Economic Impacts of Immigration in European Union: Opportunities, Challenges, and Legal Implications

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Abstract:

Purpose: Over the past decade, the European Union (EU) has confronted a significant migration crisis fueled by conflicts and economic inequalities. This paper explores the effects of this crisis on economic growth, unemployment rates, and attitudes toward immigrants within the EU. This influx has overwhelmed the EU's asylum systems, revealed flaws in migration policies, and heightened political and social tensions among member states. The aim of this paper is to analyze the consequences and economic impacts of this crisis across EU countries.

Design/Methodology/Approach: For the paper research the statistical data and legal acts were investigated to measure and evaluate economical implication of immigrants influx to EU. The articles investigates how the influx of refugees has sparked contentious debates regarding their long-term effects on various economical aspects.

Findings: This paper finds that the increase in the immigrant population across EU countries does not affect native employment. Native workers do not face job losses. Constant economic growth enhances the capacity to absorb immigrants, minimizing effects on the native labor market. However, the study also highlights social challenges, including rising criminal activity and a housing crisis linked to the rapid influx of immigrants.

Practical Implications: Findings will help policymakers develop policy that allow absorb high skilled and desired employees and avoid social tensions.

Originality/Value: This paper presents clear evidence of influx of immigrants on economy and social cohesion.

Keywords: Unemployment, mass migration, political and social tensions.

JEL codes: K37, J11, J31.

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1. Introduction

In 2022, EU Member States issued nearly 3.7 million new residence permits, excluding those from Ukraine, up from 2.9 million in 2021 and 3 million in 2019. Additionally, there were 875,000 new asylum applications (not including Ukrainians), marking a 52% increase from 2021 and a 38% rise from 2019.

By January 1, 2022, the EU was home to 23.8 million non-EU citizens, representing 5.3% of its total population of 447 million, with the largest numbers residing in Germany, Spain, France, and Italy. Including EU citizens born outside the Union, the total reaches 38 million, or 8.5% of the population.

When considering EU citizens who migrate within the bloc, the proportion of foreign nationals living in the EU rises to 12.5%. While this is lower than in other high-income countries like Switzerland (30.2% non-nationals), Australia (29.2%), Iceland (20.1%), Norway (16.1%), and the United States (13.5%), it highlights the significant immigration trends into developed Western nations (Eurostat, 2024).

To illustrate the influx of immigrants, Germany recorded the highest number in 2022, with 2.1 million newcomers, followed by Spain with 1.3 million, and both France and Italy with 0.4 million each. Germany also had the largest number of emigrants, totaling 533,500, closely followed by Spain at 531,900, France at 249,400, Poland at 228,000, and Romania at 202,300. Notably, all 27 EU Member States saw higher immigration than emigration in 2022.

Regarding gender distribution, approximately equal numbers of men and women immigrated to the EU, with 50.4% male and 49.6% female, largely due to the significant number of women from Ukraine (3.3 million). Half of the immigrants were under the age of 31, and as of January 1, 2023, the largest populations of non-nationals in the EU were in Germany (12.3 million), Spain (6.1 million), France (5.6 million), and Italy (5.1 million) (Eurostat, 2024).

The magnitude of the ongoing immigration crisis has become a contentious issue among European Union countries. Migration, defined as the movement of individuals from one location to another with the aim of establishing residency, can occur voluntarily or involuntarily and is driven by a range of factors, including economic, environmental, and social influences.

The difference between an asylum seeker and a refugee is often a subject of confusion, since both terms are often used interchangeably or incorrectly. An asylum seeker is someone who is seeking international protection but whose claim for refugee status has not yet been determined (Kim, 2019).

In contrast, a refugee is someone who has been recognized under the *1951 Convention relating to the status of refugees* to be a refugee. The

Convention defines a 'refugee' as any person who: (...) *owing to well-founded fear of being persecuted for reasons of race, religion, nationality* (Weiss 1951). The definition of 'refugee' does not cover other individuals or groups of people who are forced to leave their country for other reasons as the United Nations High Commissioner for Refugees explains: *Migrants, especially economic migrants, choose to move in order to improve the future prospects of themselves and their families* (UNHCR, 2024).

The European process of building a common legal system for accepting refugees collapsed due to the mass, uncontrolled influx of migrants from the Middle East and North Africa in 2015 (Byrne, 2020). As a result, there was an uncontrolled movement of migrants to northern Europe, mainly to Germany (Salachi, 2019).

The legal situation and migration crisis became a dramatic challenge to the solidarity among European Union countries, especially since in public opinion, the immigrants arriving to Europe are seen not as asylum seekers but as illegal immigrants. In general terms, 'illegal immigrants' are individuals who enter a country without fulfilling the legal prerequisites for entry, such as lacking a valid visa (United Nations, 2015).

Nevertheless, Article 14 of the 1948 Universal Declaration of Human Rights guarantees everyone the right to seek asylum, and the 1951 Refugee Convention prohibits states from penalizing those who enter 'illegally' if they come directly from a territory where their life or freedom is at risk.

The UNHCR emphasizes that individuals who have a genuine fear of persecution should be recognized as refugees, rather than being stigmatized as 'illegal immigrants'. Persecution often forces individuals to seek safety through illegal entry or by using falsified documents, making it crucial to understand their plight beyond mere legal labels (UNHCR, 2019).

2. Origins of the Migration Crisis

Economic difficulties and limited opportunities in numerous African and Middle Eastern countries have prompted individuals to migrate in pursuit of improved livelihoods. These economic migrants frequently travel along the same routes as refugees, blurring the lines between economic migrants and asylum seekers.

Economic migration is often linked to inadequate labor standards, elevated unemployment rates, and challenging overall economic conditions in their home countries (Ratha, 2019). Pull factors for migration include higher wages, better job opportunities, improved living standards, and educational prospects.

When economic conditions decline, more individuals tend to emigrate to countries with better prospects. According to the International Labour Organization (ILO), in

2019, there were about 169 million migrant workers worldwide, making up over two-thirds of all international migrants, with most residing in high-income countries (ILO, 2021).

The influx of migrants has intensified political and social tensions within the EU, fueling the rise of populist and nationalist movements that often employ anti-immigrant rhetoric. This has resulted in polarized societies and influenced elections and policies in various member states. In Ireland, for example, protests have erupted, with slogans like "Ireland is full," and riots occurred in Dublin at the end of 2023.

Additionally, there have been arson attacks on buildings slated for conversion into refugee shelters. A recent poll for The Irish Times revealed that 63% of the population now supports stricter immigration policies (Irish Times, 2023).

3. Social Implications

Increasing immigration challenge is causing that effective migration management, asylum seekers, and protection of external borders have become a priority for the EU. For this reason, the European Union has been working on a new Pact on Migration and Asylum to improve existing asylum and migration regulations.

In the meantime, many parties have capitalized on the growing public discontent with high crime rates committed by immigrants and lack of clear path to stop immigrants flow. As a result, anti-immigration voice has gained traction in national elections and increased their influence within the European Parliament.

European citizens view immigration as a pressing issue that must be addressed to enhance their future quality of life (Thalassinos *et al.*, 2019). The link between migration and crime is often emphasized, particularly in light of 2022 statistics from Germany, which has a large immigrant population.

These figures indicate an overall rise in crimes committed by non-Germans, with a 10.7% increase in the total number of crime suspects compared to 2021. Out of 2,093,782 suspects, more than a million (1,309,906) were German citizens, while nearly 800,000 (783,876) were non-citizens. While the number of German crime suspects rose by 4.6%, non-German suspects increased significantly by 22.6% (BKA 2024).

The rise in crime rates associated with foreign nationals has been linked to the influx of refugees, migrants, and asylum seekers. Immigrant suspects are overrepresented in police crime statistics, accounting for 37.4% of total crimes while comprising only 12.7% of the overall population. Additionally, among the 62% of crimes committed by German citizens, the data does not specify how many individuals are of German nationality but have non-European backgrounds (BKA 2024).

One reason for the increased representation of migrants in crime statistics is their demographic profile, which includes age, gender, and socio-economic conditions. In Germany, migrants are generally younger and largely male. Furthermore, difficult living situations, restricted access to employment and housing, along with cultural differences, increase their statistical propensity for committing offenses.

Germany's experience highlights the broader dynamics in Western European nations that have long welcomed immigrants from culturally diverse backgrounds. This could serve as a warning for countries, which politics for immigrants is completely different.

Mass immigration also leads to tensions arising from conflicting values and norms. European nations, each with their own established cultural and social frameworks, often clash with the beliefs and practices of newcomers. Key issues, such as gender equality, freedom of expression, and secularism, can sharply contrast with the traditions of immigrant communities.

This divergence fosters misunderstandings and conflicts, and can sometimes lead to radicalization on both sides. The differences in cultural norms play a significant role, as European societies may struggle with the practices of immigrants regarding religious expression, gender roles, and social customs.

Such friction is exacerbated by a lack of mutual understanding and respect, especially when newcomers resist adapting to the core principles of their host countries.

The unprecedented scale and speed of recent immigration have underscored significant challenges in integration and social cohesion. Native citizens in Europe grapple with the complex task of incorporating immigrants while preserving societal unity. Unfortunately, this process often encounters obstacles, resulting in social fragmentation and the emergence of parallel societies.

Language barriers, cultural differences, and varying social norms hinder effective communication and mutual understanding, leading to the isolation of immigrant communities. Instead of integrating into the wider society, these communities often operate independently, adhering to their own cultural norms, social structures, and economic systems.

While such parallel societies can offer immigrants a sense of belonging and support, they also contribute to social fragmentation. This separation exacerbates existing tensions and fosters new ones, leading to misunderstandings and mistrust between different cultural groups. The limited interaction between immigrants and the host society can perpetuate stereotypes and prejudices on both sides.

4. Economic Impacts

Large-scale immigration raises concerns about the ability of healthcare, education, and housing systems to support the growing population of newcomers. This worry is a significant factor fueling anti-immigration sentiment. Many native residents fear that an influx of immigrants will strain public services, resulting in longer wait times, diminished care quality, and overcrowded facilities.

In healthcare, there are concerns that hospitals and clinics may become overwhelmed, hindering timely access to medical services for citizens. In education, anxiety arises over schools' capacity to manage an increasing number of students, potentially leading to larger class sizes, limited resources, and challenges in maintaining educational standards.

Housing is also a critical issue, as demand for affordable housing often outpaces supply, driving up competition, rents, and property prices. This situation exacerbates existing housing shortages and creates tensions between long-time residents and newcomers. Consequently, political movements and parties advocating for stricter immigration controls are gaining traction.

Mass immigration is considered as notable challenge to the labor market by flooding it with a substantial number of new workers. This influx can surpass the available job opportunities, intensifying competition among both native and immigrant employees.

Consequently, there may be downward pressure on wages and working conditions, as employers benefit from a larger pool of candidates who may be willing to accept lower pay. The competition for jobs can become more fierce as immigrants and native workers vie for the same roles.

In fact, the impact of immigration on the economic situation largely depends on the skill distribution between native residents and immigrants. It is important to note that the group of immigrants rarely reflects the social structure of their home country. This is a group that has found sufficient motivation to choose emigration.

The decision to migrate can have both economic and non-economic roots, leading to waves of migration consisting of either low-skilled or highly educated individuals (the average migrant may be better or worse educated than the average worker in their home country). It should also be noted that an immigrant's skill level can change over time—upon arrival, they may adjust their qualifications to meet the demands of the new labor market, and consequently, their wages will also change (increase) over time (Eurostat, 2019).

Another simplification that can distort the perception of the issue is the widely held assumption that waves of migration increase the supply of labor in the host country's

job market, which in turn leads to a restriction on wage growth and increased employment in the short term.

Here, we again operate under the assumption that migrants constitute a homogeneous group, perfectly suited to the needs of employers in the host country. According to the same theory, the influx of migrants in the long term does not result in wage suppression or even a decrease in wages.

The increase in employment, coupled with the utilization of cheaper production factors (labor), leads to lower production costs, which enhances entrepreneurs' profits. This, in turn, fosters a rise in investment levels, which subsequently results in increased employment and wages (Blasko, 2016).

Even in the case of sudden and unexpected waves of migration, their impact on the labor market (as evidenced by wage and employment levels) is unlikely to be detrimental (Edo, 2023). This is demonstrated by Eurostat data, which shows that during the peak influx of immigrants, wage levels increased by nearly 7% year over year (Eurostat, 2024).

In all selected countries, the unemployment rate steadily declined from 2013 to 2023, although the rate of decline varied. This indicates that the migration crisis did not lead to an increase in unemployment in the EU. However, in every country, this decrease in unemployment was not accompanied by a reduction in labor costs.

In the Czech Republic, Spain, France, Italy, and the United Kingdom, labor costs increased, which may suggest that immigrants (as a cheaper labor force with increased employment) did not contribute significantly to higher profits for entrepreneurs in the labor market.

This could be due to an unfavorable mismatch in their skill levels compared to native workers or a lack of flexibility in the labor market, characterized by strict regulation and employment protection, high minimum wages, and extensive social benefits (Frontex, 2019). Over the course of ten years, the unemployment rate in the European Union fell from 11.4% to 6.1% (Eurostat, 2024).

Immigrants are increasingly recognized as significant consumer groups within European economies. Their spending habits contribute notably to economic growth, particularly in terms of shifting production of consumer goods and establishing new consumption patterns. Research from various countries shows that businesses are becoming more interested in attracting immigrant customers, evident in trends such as targeted advertisements, products marketed as "ethnic," and branding that resonates with immigrant communities.

Additionally, studies indicate that remittance patterns suggest immigrants may spend less than the native population. This behavior not only influences their own

consumption patterns but also affects their standard of living and contributes to capital outflows to their countries of origin (OECD, 2018).

Some country studies provide evidence that highly qualified immigrants contribute to economic growth. They are recruited for the sectors of the economies that are rather important in the framework of the knowledge societies and post-industrial production. They contribute to the qualified service sectors, such as the education and health care sectors. Their impact is important with regard to the institutional restructuring of the European society as well.

Research on immigrants in the highly qualified sector, however, is rather new. Until the 1990s, immigrants were understood as merely workers for the dark, dirty and dangerous jobs that the autochthonous populations no longer wished to perform. The employment of highly-qualified immigrants in health services, for example, was understood as an exception to this rule (ILO, 2024).

New immigrants represented 15% of entries into strongly growing occupations in Europe. These include notably health-care occupations and STEM occupations (Science, Technology, Engineering and Mathematics). Also, in Europe, immigrants represented about a quarter of entries into the most strongly declining occupations (24%) including craft and related trades workers as well as machine operators and assemblers (Bouoiyour, 2019).

The demand for labor in the EU stems from a relatively low unemployment rate of 5.4% among individuals aged 20–64 in 2023 (Eurostat, 2024). In contrast, non-EU citizens face a significantly higher unemployment rate of 12.2%, highlighting the challenges faced by new arrivals in finding jobs.

However, this landscape is expected to shift as all European nations will soon confront similar demographic challenges, including aging populations and a negative natural population balance, leading to long-term population decline due to fewer births than deaths.

In summary, Europe's workforce is diminishing, prompting industries to seek solutions for sustaining economic growth by integrating more individuals, including immigrants, into the labor market and enhancing productivity.

5. Conclusion

In conclusion, immigration presents a complex interplay of challenges and opportunities for host countries. While concerns regarding national identity, cultural heritage, and social tensions are valid and warrant attention, it is essential to recognize the significant economic benefits that immigration brings.

By contributing to a reduction in unemployment rates and stimulating GDP growth, immigrants play a crucial role in enhancing the labor market. They often fill positions in sectors that are less attractive to native workers, thereby addressing labor shortages and driving economic activity.

Moreover, with demographic changes such as aging populations and declining birth rates, the need for a steady influx of immigrants becomes increasingly evident. These changes are not reversible, and without immigration, many economies may face severe labor shortages and stagnation.

Thus, while the social concerns associated with immigration should be managed thoughtfully, the positive economic contributions underscore its necessity. Policymakers must strive to create inclusive frameworks that balance cultural integration with economic needs, fostering a society that values diversity while reaping the economic rewards of a vibrant immigrant workforce.

Addressing these dynamics will be vital for sustainable growth and social cohesion in the years to come.

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