

The Economic consequences of Mitigation of the Population aging through the Fiscal Policy

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Abstract

The aim of this study is to explore in what extent does the increase of the number of productive population by using immigrant labour force represents a possible solution for the USA and the EU member states, which could weaken the effects of economic consequences of aging. This issue is relevant also because the USA and the EU member states have been amongst the most popular destinations of international migration. Therefore, these two subjects can or will have to choose from potential immigrants, as the number of them coming to these countries is much higher than America or Europe want to accept (just think of more than a million arrested illegal migrants in these countries every year). We can claim that the ongoing economic reforms in western countries (e.g. the French retirement reform, the German reform of the labour market) and creation of immigrant policies, economic benefits of migration to decrease problems caused by aging, are positive. Slow speed is typical for them, accompanied by resistance of inhabitants and fear of the consequences of political decisions. The direction is correct, but sometimes the speed is not. Furthermore, problems with applying the law can occur, along with breaking the immigration laws and a series of repeated amnesties are

good practical examples of that. Faster speed and prompt decisiveness are expected from the politicians.

Keywords: fiscal politics, immigration, economic reforms, aging

Introduction

Population of the developed countries ages very fast. The birth rate has significantly decreased during the past decades and the fertility rate (i.e. the average number of children born per mother) decreased under reproduction rate (2,1) in all developed countries. At the same time the average life expectancy has been increasing and people keep living longer. The percentage of old people (above 65 years old) in population has been constantly increasing in the past decades and demographic prognoses indicate further rapid increase in the number of old people. The number of people in productive age (14-65) in developed countries cannot keep up with this increasing trend. On the contrary, in many countries the number of active people will be at a standstill, or even decrease. *Old-age dependency ratio* (i.e. number of people in productive age falling on one person older than 65) has significantly decreased in Europe and America since 1960, and this trend will continue further. It is a big challenge for huge public systems of social benefits (retirement system, health care) using the system of continuous financing. These systems work on the basis of intergenerational solidarity, meaning that retirement pension and expenses on health care for the present day OAPs are covered by levies of the working people. If the number of supporters and receivers declines, the growing public expenses on retirement pensions and health care have to be covered by levies of the constantly decreasing number of the working people. In 15 member states of the European Union (in 1995-2004) the percentage of public expenditure on retirement pensions expressed as GDP in 1960-2000 increased from 6% to 12 % and if no significant change in demographic trends, economic processes and retirement system takes place, it can reach the unpayable level of 20%. Aging and economic problems connected with it represent one of the biggest challenges for developed countries.

One of the potential ways of balancing the increasing expenses connected with negative demographic trends and aging is represented by substitutive migration, i.e. replacing a part of population in

productive age by immigrant labour force. This could help to preserve big public systems of social benefits. The aim of this study is to explore in what extent does the increase of the number of productive population by using immigrant labour force represents a possible solution for the USA and the EU member states, which could weaken the effects of economic consequences of aging. This issue is relevant also because the USA and the EU member states have been amongst the most popular destinations of international migration. Therefore, these two subjects can or will have to choose from potential immigrants, as the number of them coming to these countries is much higher than America or Europe want to accept (just think of more than a million arrested illegal migrants in these countries every year.)

In connection with the current political measures a question occurs, who to give preference to, whether to choose from potential immigrants. If the main target is to maximize economic benefits for the host country – and that is what according to my opinion we should aim at – then it is necessary to take such steps that would bring positive fiscal balance. That means that the income to the state budget coming from immigrants will exceed public expenses related to immigration. In that case, immigration would increase the income of the host country and its inhabitants, it would generate more income to the state budget and would so reduce fiscal burden caused by population aging. Therefore, the most important part of the study is to explore the fiscal balance of immigration. And it is even more important to answer the question, which are the most important factors influencing fiscal balance and whether these increase or decrease its closing balance.

The basis of the analysis are assumptions of fiscal balance of immigration by several authors (e.g. Borjas [2001], Camarota [2004], Ekberg [1999], Gott and Johnston [2002], Smith and Edmonston [1997]). On the basis of the results of their research and relying on their assumptions on fiscal balance, I have framed criteria for the analysis of immigration expenses and income. On the basis of these criteria and available statistical data we analyzed the immigration in the USA and the EU during the past decades.

Methods used during the research

In the framework of the study we proceed from the assumption that if the age structure and unemployment rate of immigrants as well as their taxing terms are more favorable than those of the host country inhabitants, we can expect a positive fiscal balance of migration. As the condition of age structure is in all countries fulfilled, we can refrain from it. So the main hypothesis of the study is that fiscal balance of the labour market performance of immigrants, their income and social benefits are closely connected with consumption function.

The higher the employment rate of immigrants is, the higher the average income gets, the consumption gets higher and their demands for social benefits decreases in comparison with the majority of population, the fiscal balance of migration is positive, the average salary is higher, social expenses are lower by most of the inhabitants, and so the fiscal balance of migration becomes positive.

In this case migration causes increase in the income of the host country and its inhabitants, which overbalances the budget and decreases the burden caused by aging of the inhabitants. In the study we try to prove the assumptions connected with fiscal balance policy relying on secondary data. While conducting the survey and relying on scientific literature and elaborating all available statistical data, with their further examination relying on the positives of fiscal policy, economic contribution to the host country and instability caused by aging, we can claim that all these contribute to moderating the immigration criteria. We confront the criteria in the United States and in the European Union during different time periods and phases of the immigration waves. We point out that some of them had a positive (or negative) impact on fiscal balance and what were the basic reasons for the actual situation.

On the basis of the criteria we will also make political suggestions which might be used while creating immigration policy with the aim to make them more effective and profitable for the host country. The presented study has a comparative character; it compares the United States and the European Union according to the above mentioned criteria, while still taking into consideration the member states of the EU, which often show significant differences. The study is directly aimed at static fiscal balance, which has two sides – the revenue side and the expenditure side. On the revenue side there are all taxes and

fees paid by immigrants during a fiscal year. On the expenditure side the expenses of immigrants are paid from public budget together with social benefits of immigrants in the framework of social care (state paid public school system, health care) and also full expenses of public expenses. Apart from that, on the expenditure side, expenses of immigrants connected with their actions are also included (such as judicial proceedings with criminals, expenses connected with arresting prisoners or illegal immigrants and refugees paid from public expenses.)

Immigrants indirectly influence public revenue and expenses via economic effect of migration. Primarily we can perceive immigrants as a productive factor (work, capital) influencing supply and price, as well as employment, whilst the growth of production is accompanied by the increase of indirect fiscal effects. Apart from that, the influence of a certain group of immigrants on fiscal balance can differ under the influence of time flow. A need for dynamic support of fiscal balance for a longer period of time can occur there. On the basis of the fact that there are too many uncertainties in the analysis of fiscal balance and in taking into account indirect effects, which are also difficult to identify and in many cases contradictory and the results are often disputable, we therefore concentrate on short-term static assumptions. We can justify this also by the fact that aging has increased public expenditure and from the balance point of view the current fiscal balance is decisive (it can take into account under the influence of aging in a short time the growing state expenses on social policy), which primarily the tax payers and law-makers of the host country are interested in.

Results

Problems connected with aging of the population in Europe and America

Demographic factors, effects on the labour market and growing „generosity” of public retirement systems (growing proportion of expenditure ratio towards GDP) lead to the growth of public expenses on retirement pensions in proportion to GDP from 1960 until 2000 in the United States in the amount of 4% to above 7%, in the 15 EU member states from 6% to 12%.

In the context of economic burden coming from the population aging the situation in the United States is much more favourable than in Europe: the population is young, the birth rate significantly exceeds the

European average, the number of employees grew faster than in Europe in the past decades and the state retirement system is not as „generous“ as in the 15 EU member states. Apart from that, in the United States there are only two thirds of the pensioned retirement covered by financial resources of funds created within the framework of the retirement system, while this represents only 40% of the total amount of retirement pensions (the rest comes from private retirement funds and other savings, work income and investments). Within the 15 EU member states the state redistribution system fully covers 55-60 % of the pensioned retirement. The 15 EU member states population is much older, the birth rate is lower, the number of employees grew slower, a more generous retirement system is applied and there is also a much more significant dependency on the retirement system than in the USA. This implies that if more developed countries wanted to solve the issue of retirement system via migration, the dependency of the 15 EU member states would be much higher. From a purely demographic point of view, when we take into consideration the proportion of the economically active population (15-64 years olds) and the amount of OAPs dependant on retirement pensions - even so the EU countries are more dependable on a higher number of immigrants. Obvious differences are visible among the European countries, from the oldest generation and lowest production point of view, the most dependant countries on migration are (e.g. Italy, Germany), while the least dependant countries are those with a higher birth rate (such as France or Ireland).

Labour Market in the United States and the European Union

Replacing inhabitants in productive age by immigrants has its effect only in that case when the immigrants work legally, pay taxes and transfer payments and so contribute to public expenses, and also to higher demand for pensioning the retirement caused by aging of the population. Taking into account alternative migration and the fiscal balance point of view, it is crucial what job offers the labour market in the host country offers and what measures are there on the labour market concerning immigrants in the field of employment, or unemployment.

In years 1990 and 2006 the employment rate in the United States was higher; respectively the unemployment rate was lower than in the European Union. Apart from that, the number of new working positions was higher and they showed a much higher mobility of labour force. The employment rate in the European Union was lower when compared to the United States only because women, the young and older generation showed lower employment rate.

Within the EU member states there were significant differences. In Denmark, the United Kingdom, the Netherlands and Sweden the employment rate in 2000 exceeded the so-called Lisbon criteria (employment rate 70%) and the United States was on a similar level. In some countries the number of working positions grew dynamically. In Ireland, the United Kingdom, the Netherlands and Spain the number of new working positions grew significantly in one decade. (In years 1993 – 2003 in the 15 EU countries 15,5 million working positions were created, the half of which - 8,3 million - in the four above mentioned countries.) The Union average within the Euro zone is influenced by indexes of the three biggest countries, i.e. Germany, France and Italy – they contributed with more than a half to the Union GDP, and with two thirds to indexes of economic development within the Euro zone.

The unemployment was at a standstill in these countries, or it did not grow at a particular speed, whilst a structural 10 % unemployment rate, which is not dependent on conjunctive cycles, developed. The main reasons for this could be: rigid labour market burdened by many laws and regulations, high tax and transfer payments burden of the working people, overdrawn and in many cases frustrating social benefits, high transfer payment burden caused by population aging, stronger influence of trade unions and their stronger power within applying employment policies, different social preferences (preferring free time, lower mobility and lower willingness to run a business). In these countries it was necessary to adopt the following reform measures: liberalization of the labour market, lowering tax and transfer payment burden, making the policy of social benefits more effective, supporting the creation of new working positions, business and mobility support. These reforms were applied very slowly, as they had to cope with social resistance during the process of their implementation.

The employment rate indexes of people of the Hispanic origins born abroad and in the United States, along with the two biggest immigrant communities from Asia and Latin America, do not differ

significantly. The situation is mostly the same in Europe. There are important differences between the EU inhabitants and immigrants, which represents a growing problem, as the number of immigrants from the Third world keeps growing mostly in the border areas of Europe. During the recent years the unemployment rate of the immigrants from the Third world in Europe has been two or three times higher than the average unemployment rate of the biggest host country, the employment rate was lower in 10 – 30 percentage points than by most of the home population. Generous frustrating social benefits significantly contribute to the European problems of the labour market together with the number of immigrants not coming from the index of real demand.

Immigration and Social State

Immigrants in the United States receive social benefits in a much larger extent and they also use social benefits much more than home inhabitants. And that despite the fact that America belongs to the states with the mostly restrictive system of benefits and the accessibility of immigrants to social benefits is also determined. In the European Union social benefits bound to claimable benefits connected with immigration largely exceed the amount of used benefits in the United States. Firstly, there is no provable evidence of differences in the labour market ratio in the United States, the unemployment rate of immigrants in the EU countries is twice as high as the unemployment rate of home inhabitants and the employment rate is more than 10 % lower. Apart from that, the period allowing somebody to receive social benefits in Europe lasts longer. Secondly, the EU member states – mostly countries of the continent and Scandinavia – use a much more diverse and generous social system compared to America. The United States is the only industrially developed country, which has no overall state guaranteed and state paid system of health care, it is the only democratic state, which does not offer children benefits to all families and it is one of the two OECD member states (the second being Australia) where there is not a paid maternity leave. Thirdly, in all EU member states, except one or two exceptions - in contrast to the United States – they do not limit by criteria the access of immigrants to social benefits. In conclusion, in Europe the birth rate of immigrant women from the countries of the Third world exceeds the common level typical for Europe, whereas such differences are not present in America. This causes that social expenses

within the EU are significantly higher than those connected with immigration in the USA.

The Structure of Immigrants

In developed countries - except several Anglo-Saxon countries - migration has been taking place since the 90's in three main waves, and that in the framework of family integrations, accepting refugees and illegal form of migration, which we state in the following table:

The number of immigrants in developed countries in years 1991 and 2001 Host country	Employees		Family integration		Refugees	
	1991	2001	1991	2001	1991	2001
Australia	45	55	47	33	8	12
Canada	18	26	64	62	18	12
The United States of America	10	19	75	70	15	11
Denmark	20	22	60	53	20	25
France	27	20	58	69	15	11
Sweden	2	2	62	65	36	33
Switzerland	47	55	51	42	2	3
The United Kingdom	49	54	42	35	9	11

Source 1: International Organization for Migration [2005]: World Migration 2005, Costs and Benefits of International Migration, p. 400

In years 1973-74 migration in Europe took place, which mostly consisted of temporary employees, while migration within family integration nor illegal did not take place according to the market needs. As immigration did not reflect that way the real actual need of the labour market, demand did not meet supply, respectively supply partly exceeded demand. A larger number of immigrants with such completed education arrived; who were not placeable on the labour market, respectively the supply exceeded the demand in that specific field. Apart from that, laws in many countries (France, Italy, Ireland, Denmark, Sweden) did not allow – or just very rarely – to employ (Germany, Austria, Spain) while the application for a refugee status was still being processed. In many cases this process could last for years. If the applicant was not allowed to keep a gainful occupation, he/she gradually lost motivation and could basically build a life on social benefits. In the 1970s, in the United States and also in all European countries the level of education of immigrants gradually decreased

when compared to that of the host country, the difference between these two indexes continually increased. That, of course, contributed in a large extent to differences in the growth of income and the growth of social benefits paid to immigrants.

Factors influencing fiscal balance

The most important determiners influencing fiscal balance if immigrations are stated in the following table:

Analysis of expenses – revenue from immigration:

Criteria	Revenue gained by immigration exceeding expenses connected with migration and economic benefit weakens the problems caused by aging	Revenue from immigration exceeding expenses connected with migration but do not show any economic benefit, on the contrary, they aggravate the problems connected with aging
Situation on the labour market	High employment and low unemployment rate	Low employment and high unemployment rate
Dynamics of the labour market	Growth of employment, decrease of unemployment	Stagnancy or decrease of employment, growth or stagnancy of unemployment
Social system	Restrictive social system	Generous social system
Accessibility of immigrants to social benefits	Accessibility of immigrants to social benefits is limited	Immigrants share the same, or similar rights as home population when concerning accessibility to social benefits
Structure of immigrants	Legal workers and family members	Illegal immigrants
Level of education of immigrants	The level of education is not diametrically different to the level of education of home population and language ignorance does not represent a handicap on the labour market	Immigrants often do not have education, or just a basic one, they do not speak the language of the home population on the desired level
Social-cultural and family model of immigrants	Position of women in countries of the immigrant origins does not differ from the one accepted in western countries, the average number of offspring does not exceed the average number of offspring in families of the home population in the host country	In the countries of their origin women take important positions in family care, the average number of offspring exceeds the average number of offspring of the home population

Participation of immigrants on criminal activity	Share of immigrants on criminal activity, respectively serving their sentence in prisons is smaller than in home population	Share of immigrants on criminal activity, respectively serving their sentence in prisons is larger than in home population
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On the basis of the above mentioned criteria we can explore and analyze particular development stages of migration waves, respectively the revenue and expenses of individual groups of immigrants and so deduce fiscal balance.

Fiscal Balance in America and Europe

During the main migration waves to America (1880 – 1924) the fiscal balance and economic impact were positive. The reason for this was that the current social system in synergy with social benefits did not exist; therefore social benefits connected with immigration were minimal. At the same time, American economy showed dynamic growth, a large number of working places were formed, which immigrants could take.

In 1955 and 1973-1974 migration for work in Western Europe had a similar positive effect, thanks to that there were single men (without family members) coming like immigrants to particular working positions. Their accessibility to a forming social system was significantly limited (if they lost work, they went back home, did not get social benefits in unemployment) and did not influence members of their households either. Until the first oil crisis, during the „economy miracle“, German, French and even the economy of the Benelux states showed a dynamic progress, with a dynamic creation of free working positions, where immigrants were widely accepted, while the number of unemployed was minimal, we can practically speak of full employment. After the second migration wave (1965 – until now) evaluation of the impact in the United States is much more complicated. Most of the estimated financial amount (on the level of national economy) is slightly positive or negative, from American GDP it grew from 0.1 to 0.25 percent from net income but we can also say that it nearly reached zero balance. The tax income balance sheet showed that the American economy still dynamically continued in creating new working places, the employment rate was high, the unemployment low and the unemployment rate of immigrants did not significantly differ from the one of the home population. The final contribution was weakened by the

fact that a large number of immigrants had low qualification and income and therefore (in view of low tax burden) they paid low taxes.

On the expenditure side we could observe the fact that low qualification and low income of immigrants, along with earning a living for family members, lead them to claim more often for social benefits and social service. For that reason, the American government tried to imply restrictive measures concerning accessibility to social benefits, as the living standards of immigrants were not very different from the home population's (the majority of women worked and there was the same number of children in families).

A large amount of expenses can be linked to refugees and illegal immigrants, while the majority of income is created mostly by the income of qualified legal immigrants, and that is the reason why there is always a positive migration balance of legal immigrants (primarily if we do not take refugees into consideration) in America. Obviously, with the help of special migration programs, highly qualified immigrants came and through high income and taxes positively influenced the migration balance. Qualified Asian immigrants also positively influence the migration balance (there is mainly a higher number of them among the Indo-Chinese).

Migration taking place in 1973 and 2006 from Africa and Asia to Western Europe according to the set criteria differs in all points from the American one; therefore the fiscal balance was negative – except the United Kingdom and Ireland, which showed a considerable difference. Firstly, the unemployment rate in the countries of the continent grew in the long term, while the employment was at a standstill, or it grew very slowly. Family members of former migrants, refugees and illegal immigrants arrived on a large scale to this state of the labour market – these groups formed a bigger part of the immigrant group. Low qualification, insufficient language knowledge in most cases did not meet the needs of the labour market. Open and vast American system of social benefits with minimal restrictions was accessible to everyone. A very frequent phenomenon was that in traditional families the women did not work, they raised children, whose number exceeded in many cases the average number of children in families of the home population.

In 1990 in Germany, France and the Benelux states and in Scandinavia the unemployment rate of immigrants coming from

countries outside the EU grew higher and higher, in many cases it was twice or three times higher than the average unemployment rate in the country (in the countries of the continent the unemployment rate was mostly two times higher than in America), while their unemployment rate fell 10-30 % behind the average. On the revenue side of the migration fiscal balance taxes paid by low-income groups are to be found, while on the expenditure side the amount of money paid to the unemployed, children, social benefits and social service for their mothers (paid maternity and parent leave, children social benefits, benefits on housing, education and health care). Apart from that, costs on the expenditure side are increased by expenses on prisoners, whose major part is formed by immigrants. It is true that the majority of immigrants from outside the EU countries cannot stand up for their position when compared to migration within the EU countries. Immigrants from the EU member states are mostly similar to the home population, taking into consideration indexes of unemployment, employment, education and birth rate, the differences are not significant. Therefore migration within the EU will have a slightly positive growth. Certainly, highly qualified labour force operating in the EU member states and its migration realized by incorporating via special programs on work and life abroad – support programs similar to those in America –has a character of positive growth. The problem is that the ongoing migration during the past decades represents only a tiny part of immigrants nowadays. Furthermore, some of the above mentioned claims typical for African or Asian immigrants does not imply on the others from other countries. Therefore their balance could be positive (e.g. the Chinese)

After 1973 within the framework of migration in Western Europe, Great Britain and later Ireland (it became a popular destination for immigrants at the end of millennium) showed significant exceptions. Immigrants to Great Britain around the half of the nineties migrated because of work migration, and employment data about ethnical groups do not differ from the home populations, while their qualification level is often higher than that of the home population. Apart from that, Britain was the only big member state, which after joining the EU in 2004 after widening the EU, opened its labour market to the new member states, but did not open its social system to immigrants from the new member states. This fact still positively influenced the fiscal balance. The arrival of new employees helped to limit inflation, while indexes of revenue

and employment of the local inhabitants did not show significant decrease. The reason for this is that most of the immigrants belongs to the category of young people (to 35 years), which represents qualified labour force without maintenance obligation, while their employment and unemployment do not differ significantly from the British average and their access to social benefit system is largely limited (after months of proper employment only 12 of them were entitled to make use of most of the social programs). It can be generally said that British immigration fiscal balance is positive, but not with every ethnical group. For example, the above mentioned does not imply at all on the Muslim population coming from the Indian subcontinent, i.e. the Pakistani and the Bangladesh. Budget balance of the Pakistani and the Bangladesh heading to Great Britain is strongly negative (on the other hand fiscal balance under the influence of other immigrant's positive).

Multiculturalism or integration

In the mentioned western countries immigration brought serious social problems, because - in the consequence of the main ideology of multiculturalism – it took place massively and in most of the cases in the form of integration/without assimilation policy and a part of immigrants came from different social and cultural background. These mentioned facts contributed to social, ethnical, security and political tension in many host countries:

- In the consequence of quickly growing segregation and a group of people distancing themselves from the rest of society, often not speaking the language of the host country, facing huge social problems (high unemployment, growing criminality);
- Escalation of tension in ethnical relations between the „home“ local population and immigrants from different ethnical groups, or extreme tension between the immigrant communities, clashes, agitation, violence;
- Strengthening of Islamic influence and terrorist organizations in western countries.

The main problem of multiculturalism is not the fact that it considers different groups as one, not even the fact that it considers the values of different cultures the same, not even the fact that it wants to give them the same rights, but the problem is that the complete fragmentation of society leads to uprooting of loyalty and interests of

the groups lead to competition. And that is mostly because they cannot cope with intolerance of the groups which have the same rights. The form of a single legal state and the principle of the same rights of inhabitants applied in the past decades are also disputable, because the west tolerates many illegal traditions (mutilation of women genitals, honor killing and polygamous marriages), tolerance paralyzed the ability of organs to act in the fight against Islamic extremism. But in many countries the tolerance weakens.

In the majority of western countries massive migration took place in the past fifteen years without the support of home population, on the contrary, often against their will. Democratic legitimacy was missing. But anti-migration feelings grew among European and American inhabitants. In respect of the fact that western political elite and traditional political parties could not instantly react to the feelings of the population, their orientation led to a series of civic initiative focused against immigrants. These processes in the countries raised the question of immigration among the most important topics of political parties, in many cases led to a fundamental reform of the immigration policy, or at least to establishing of the planned reforms.

During the reform analysis we can state that immigrant policies and systems show a high level of convergence. In most developed countries they move to the level of the Anglo-Saxon countries, where there exists a so-called „point system“, mainly in the field of work migration, which prefers highly qualified workers. They also try to stop illegal immigration and decrease the number of arrivals through family integration. These measures are important also from the economic point of view; a group of immigrants helping the fiscal balance has a priority. In the past years a greater importance is placed on integration and on the necessity to take language courses in the case of citizenship – integration via compulsory language courses. The basic condition defined by state organs is knowledge of the language, principles and values of the host country, along with fulfilling the duties (assigned by a contract), whose breaking can lead to deprivation of the stay permit, expatriation and deportation. This way the use of extreme forms of multiculturalism has been significantly lowered.

Conclusions

The aim of this study was to find out whether it is possible in the United States and the EU member states to compensate population aging and to increase the number of inhabitants in productive age by increasing the number of immigrants. **Migration can significantly weaken the economic burden of aging, if the fiscal balance is positive and if it is connected with further steps of economic policy, primarily on the labour market and with a reform of the retirement system.**

Immigration is at a standstill, does not create new working places on the labour market, does not increase the employment by itself and does not improve the proportion between the dependent and independent individuals. In countries with a fast growing population this cannot be changed without a reform of the retirement system, as immigrants would have to represent at least one third or a half of the total number of inhabitants, which is unacceptable.

Immigration can be a contribution only in that case when it is linked to reforms of the labour market and reforms of revenue/expenses of the retirement system, whose goal is to stop deterioration of the situation of public expenditure, re-evaluation of state expenses on retirement pensions. While in the United States and the EU member states the need for a reform of the retirement system is obvious (the main question remains when and to what extent), because countries with high unemployment rate, with employment at a standstill, are dependent on that (in years 1990 and 2006 mainly three continental countries – Germany, France and Italy, together with Belgium and Greece). Immigration together with reforms weakens the burden of public expenses of the state and in long-term horizon positively influences the growing burden coming from the principle of solidarity with aging population but only if the fiscal balance is positive.

That means that the amount of taxes and transfer payments paid by immigrants exceeds the amount of money paid to them by the state in the form of benefits, social service and goods. **Fiscal balance** of the performance of immigrants on the labour market, their income and social care depends on the consumption:

1. The most important thing is whether the demand for work force on a given labour market meets the supply of labour force of immigrants. The key question is what kind of labour force with what

kind of qualification comes to what kind of labour market. If the supply suits the demand in quantity and quality, most of the immigrants find jobs; they become tax payers, which help to improve the fiscal balance to some extent. If not, those immigrants or home population become largely unemployed and become dependant on social benefits, so public expenses connected with that grow and that leads to worsening of the fiscal balance.

2. The system of state social benefits and services has a crucial meaning also in western countries, together with the accessibility of immigrants to obtaining them. In the case of a wide social system of a country, poor immigrants represent a burden for tax payers if the accessibility to state social benefits is not limited.

3. The situation on the labour market and social consumption can be significantly influenced by the structure of immigrants. In connection with the future of labour force, mostly when speaking about special positions, it is certain that they will find work, while refugees, who come as a part of family integration and illegal refugees who do not reflect the needs of the labour market, do not solve financial issues and are therefore less likely to find work.

4. Productivity of immigrants on the labour market, their income and social consumption largely depend on their qualification and language knowledge. Highly qualified people look for work more easily, have higher income, so their consumption of social benefits is lower and they can pay higher tax. Low level of qualification, host country language ignorance create a better chance for immigrants to become unemployed, if they find work, then only with lower income and so their participation on social benefits and on burdening public expenses is greater.

5. The country of origin and cultural and social norms can considerably influence the fiscal balance. If many immigrants, who are typical for big families, move to a country while women are mostly housewives looking after the family, then in countries with a low birth rate a reform of social benefits is necessary.

6. Above the average crime rate among immigrants increases public expenses on public security, on keeping justice, on police, while lower crime rate can lead to savings. Taking into consideration the criteria of fiscal balance we can define the ongoing migration in the United States and in the EU member states as follows:

- From the historical point of view, the migration wave in America (1880-1924), as well as the immigration programs in the western European countries (1955-1974) was accompanied by a stable fiscal balance.
- At the end of millennium the migration balance comes close to zero, when considering national economy this is irrelevant. Legal immigration is positive, illegal immigration slightly negative.
- Fiscal balance of the ongoing migration in many important European countries in years 1973 and 2006 was slightly negative, but when we consider expenses on immigrants coming from the countries of the third world, it is deeply negative, but when we consider only immigrants from the EU member states it is positive.
- From this group Great Britain represents a big exception, as it has the highest number of immigrants from all EU member states but also with the highest number of the highly qualified ones.

On the basis of the above mentioned determiners and considering the most beneficial fiscal balance with the aim to maximize economic benefits for the host country the following political components can be suggested:

- It puts work migration into foreground, and within that supports migration of more qualified labour force, but does not forget about immigrants with lower qualification, in case there is demand for them on the labour market (otherwise they enter the country illegally and will also work that way). Strongly rejects illegal immigration, lowers the number of refugees, within family immigration supports immigration of the closest family only (husband, wife, children.)

- It limits – at least partially or temporarily – the accessibility of immigrants to the social system.

- In case of application for a refugee status it decides urgently, looks after realization of the decisions, during the process partly opens the labour market for the applicant and requires a partial fee to cover necessary expenses on living. It cannot frustrate the applicant by banning him from work and by covering all his expenses on living or by high social benefits.

We can claim that the ongoing economic reforms in western countries (e.g. the French retirement reform, the German reform of the labour market) and creation of immigrant policies, economic benefits of migration to decrease problems caused by aging are positive. Slow speed is typical for them, accompanied by resistance of inhabitants and fear of the consequences of political decisions. The direction is correct, but sometimes the speed is not. Furthermore, problems with applying the law can occur, along with breaking the immigration laws and a series of repeated amnesties are good practical examples of that. Faster speed and prompt decisiveness are expected from the politicians.

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