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Migration, Labor Markets, and Welfare States in the EU

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Abstract

The paper analyzes the effects of migration on the EU labor market and the sustainability of the welfare state through the institutional context. It measures the connection between migration exposure (migrant stocks and inflow intensity) and both labor-market outcomes (employment, unemployment, participation, wages) and welfare outcomes (social protection and fiscal proxies) on a comparative country-level panel framework. These results indicate that the overall effect on aggregate employment and wages is not high but migration results in sectoral adjustment to labor intensive non-tradable services. Institutional considerations are influential: better absorption of the labor-market and policy activation yield better results. The demographic aging, and not migration per se, posed more fiscal challenges and underlines that the sustainability of the welfare systems can be achieved through efficient labor-market integration. The paper presents the major policy interaction towards the EU governance and national reform.

Keywords: Migration, European Union, Labor Markets, Welfare State, Social Protection, Active Labor Market Policies, Fiscal Sustainability.



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Introduction

The European Union (EU) is mainly driven by international migration, as it is closely linked to the Union's growth model, demographic trends, and institutional structure. The single market and free movement system of the EU establishes a distinctly interconnected labor market space, although labor market integration is not uniform across countries and groups, indicating that labor market incentives to unemployment, earnings, and mobility remain unequally distributed (Dorn and Zweimuller, 2021). Meanwhile, some member states are experiencing population ageing and constrained labor supply, which increases the attractiveness of migration as a means of maintaining productive capacity and funding pay-as-you-go social provision. Migration in this context is not merely a matter of border regulation; it is also fundamentally an economic adaptation mechanism, which coexists with the wage setting, job, and sectoral mismatch (Sargent, 2022).

Migration is also important, since both welfare states are social contracts and fiscal systems. The generosity of welfare systems, eligibility conditions, and the balance between cash transfers and services vary across EU welfare states and influence the rate at which migrants are absorbed into the labor market and the life-cycle response of public budgets (Allen et al., 2025). Policymaking. The two factors are labor market performance and welfare design, because the former is important for tax revenue levels and the contribution base, and the latter is important for incentives, access, and the allocation of adjustment costs in response to an economic shock. Much of the evidence available across countries indicates that policy environments and institutions systematically determine the immigrant-native gaps and returns to integration efforts (Guzi et al., 2022; Platt et al., 2022). This collaborative lens is particularly applicable to refugees and other safeguarded populations, in which legality, administrative routes, and the institutionalization of job integration can have a significant impact on long-term employment patterns (Ortlieb and Knappert, 2023).

The EU debate is controversial on multiple fronts, despite the existence of a substantial body of research: it is unclear whether migration has a meaningful job displacement effect or merely a wage compression; whether the effects of migration vary across sectors and regions and among skill groups, and whether short-term labor market adjustment is different than long-run equilibrium effects as economies reallocate capital and tasks (Dorn and Zweimuller, 2021; Sargent, 2022). The second point of disagreement is fiscal pressure and access to welfare, namely, whether the net contributions of migrants are positive, negative, or near-neutral when employment, age structure, and benefit uptake are all held together (Allen et al., 2025). The third uncertainty is political economy: popular opinion in support of redistribution and welfare spending can react to immigration, but it can do so depending on the way social programs are structured, and who is viewed to benefit (Roe et al., 2022), or on the preference between admitting migrants or granting social rights to existing ones (Afonso and Negash, 2024).

One of the weaknesses of the earlier research is that the EU is frequently viewed as a homogenous entity, and this approach can hide the possibility of welfare regimes, institutions of labor market, and integration policies working together to produce results (Guzi et al., 2022; Platt et al., 2022). Moreover, other studies focus on correlations in the present time without a clear distinction between the immediate adjustment, the reallocation in the long run, and the feedback of the policies. Lastly, the channel of interaction, in its turn, is not exhaustively studied: the combination of welfare generosity, labor regulation, and integration policy can work together, both strategically and institutionally, to fix both migration incentive and domestic reactions, which means that labor-market impacts and welfare-state impacts should not be studied independently but in a given framework (Antonelli and De Bonis, 2021; Roehl et al., 2022). In parallel, the policy shocks that change mobility and rights (e.g., Brexit) provide an opportunity to analyze these mechanisms, and

their lessons, however, are not necessarily incorporated back into the overall discussion of the sustainability of the EU welfare state (Sargent, 2023).

This research aim was to address the research question that the labor-market and welfare-state impacts of migration in the EU are empirically and institutionally contingent as well as uniform: the study seeks to estimate empirically the relationships between migration inflows and employment outcomes, wage outcomes, as well as whether welfare-state design and labor market institutions subsequently mediate these relationships; the objectives of the study are to estimate and test the positive association between migration inflows and employment outcomes, unemployment outcomes, and wage outcomes, and to investigate whether welfare-state design and labor market institutions are medi

Literature Review

Economic migration theories predict that inflows alter the supply of labor, although the impact on native workers' outcomes depends on the interaction between substitution and complementarity (e.g., by skill/tasks) and the reorganization of production (task specialization) by firms (Dorn and Zweimüller, 2021). Mechanisms operate within European contexts through segmented labor markets, where outsiders are more vulnerable and powerless and, as a result, can focus on precarious employment rather than aggregate unemployment (Seo, 2021). A second layer is that welfare-state theory can be used to explain how the distributions of risks, contribution-benefit relationships, and political feasibility of inclusion are influenced by differences between Bismarckian and Beveridgean designs - and indeed, more broadly, regime types (social-democratic, liberal, conservative) (Allen et al., 2025).

Recent European data suggest small mean impacts on indigenous wages and unemployment due to migration, yet substantial heterogeneity by professional ability, occupation, and region (Dorn and Zweimüller, 2021; Edo and Ozguzel, 2023). Adjustment of the labor market may be achieved by sectoral reallocation, particularly to construction, hospitality, agriculture, and care, and new arrivals may be affected by occupational downgrading and over education when the credentials or language are not easily portable (Broschinski and Heidenreich, 2025). In the labor market, refugee inflows entail stronger short-term employment penalties and fewer long-term penalties, and more scarring in the short term than labor migration (Fasani et al., 2022). Macro-labor models also highlight the fact that migration may have an impact on the dispersion of wage through search frictions and the cost of mobility despite limited average wage effects (Sargent, 2022).

Evidence across countries shows that the institutions define if adjustment is taking place based on the employment levels, wage setting or idleness. The institutional and policy contexts contribute to understanding the gap between immigrants and natives that has been observed over time, suggesting that integration approaches can hardly be universal (Guzi et al., 2021). In empirical studies of integration policy design, there is evidence of conflicting effects across policy packages and settings, consistent with the notion that ALMPs, training, and language/integration systems can enhance matching and reduce dependence in the long run (Platt et al., 2022). There is systematic integration of refugees as well depending on the national institutional settings, which supports the contribution of coherent governance on both labor markets and welfare regimes (Ortlieb and Knappert, 2023).

The benefit uptake, demographic structure, and contribution channel operate as the welfare-state channel. Evidence on the basis of microsimulation has demonstrated that the migrants can be positive on average and the life-cycle approach and the aging dynamic make long-run fiscal sustainability complex to achieve (Mazza et al., 2022). Comparative work holds that the hypothesis

of the welfare-magnet is context-specific and that net fiscal changes depend on employment patterns, skills and assimilation (Allen et al., 2025). Immigration can change redistribution preferences and spending coalitions that may in turn cause a feedback to the welfare design (Alesina et al., 2023; Röth et al., 2022). The deservingness perceptions and the welfare regimes also influence the general acceptance of social rights of immigrants, which demonstrates the interaction between the institutional and political economies (Afonso and Negash, 2024).

The difference between EU free movement and migration by a third country is that rights portability and the cost of mobility influence selection and return/exit behavior, and regional pacts may even promote additional outmigration of settled migrants (Bazillier et al., 2023). The asylum inflows of the EU present specific integration issues and policy implications unlike the mobility within the EU (Fasani et al., 2022). Lastly, the notion of welfare tourism is conditioned by citizens' interpretations of social rights within the multi-level EU polity (Kyriazi & Visconti, 2023).

On the whole, the literature implies a transmission chain: migration inflows into a country (country-of-origin) to labour market (adjustment to labour market (employment/wages/sectoral allocation, as well as mismatch), tax base and contributions + benefit uptake), welfare has long-term sustainability with institutes (e.g., EPL/collective bargaining and ALMP capacity) and welfare design (eligibility rules, generosity, and contribution linkage) (Guzi et al., 2021; Mazza et al., 2022). These results inspire a comparative model of EU which (i) distinguishes between the short and long-run responses of labor markets, (ii) examines the heterogeneity of welfare regimes and (iii) measures the interaction effects of migration and labor institutions and welfare generosity.

Research Methodology

3.1 Research design

The study applies to a quantitative and explanatory research design with the use of secondary data in order to approximate the relationship between migration and the labor market outcomes and welfare-state indicators in the European Union. The fundamental design is a country-based panel analysis exploiting the time-varying within-country variation and explaining the country-specific characteristics and global European-wide shocks by the fixed effects. To enhance interpretation and minimise variability on one identification strategy, the empirical plan contains robustness extensions with policy/event designs (difference-in-differences) and where possible, an instrumental-variables strategy on migration endogeneity. A mixed-method element is not compulsory: short, structured policy case drawings (e.g., comparing welfare regimes) can be made to rationalize heterogeneous findings, although the primary inferences are made by the quantitative models.

3.2 Data sources and sample

Units of analysis. The basic unit is the EU member state (today EU-27), which generates an uneven panel in cases where a certain number of indicators are not available in certain years/countries. The analysis can be repeated at the NUTS2-level of the robustness exercise since there are regular migration and labor market indicators available to provide the local labor market adjustment.

Time period. The base year is 2004-2024 which is chosen to capture post-enlargement dynamics in terms of mobility, the global economic crisis, asylum period in the middle of the 2010s, and the post-pandemic recovery window (where data is available).

Data sources.

Table 1: Eurostat: migration stocks/flows (foreign-born/foreign citizenship shares, net migration), labor market indicators (employment, unemployment, participation), sectoral employment shares and selected macro controls.

- ESSPROS/Eurostat: indicators of social protection expenditure (e.g. total social spending as a percentage of GDP), and breakdowns where similar.
- EU-LFS (Labour Force Survey): microdata (where applicable) of employment, occupation, education and migrant status; helps to cover subgroup and skill-level heterogeneity.
- EU-SILC: household-level income and measures of poverty and (where it is available) benefits receive variables to estimate patterns in welfare participation.

OECD/institutional databases (not mandatory, but may be required by the moderators): the employment protection, the replacement rates, the expenditure of the ALMP, the union density/the collective bargaining coverage, and the metrics of the minimum wage.

3.3 Variable construction

All monetary indicators are converted to **real terms** where relevant (e.g., deflated using a common price index), and variables are harmonized to maximize cross-country comparability.

A) Key independent variable(s): Migration

Multiple measures are constructed to capture distinct channels:

- **Migrant stock:** foreign-born share (or foreign-citizen share) of the working-age population.
- **Migration flow intensity:** net migration rate or inflows **per 1,000 populations**.
- **Humanitarian channel: asylum applications per 1,000** (or refugee share where available).
- **Composition split:** where data permit, separate **intra-EU mobility** from **extra-EU migration**, because rights portability and selection differ.

B) Outcomes: Labor market

- **Employment rate** (e.g., working-age or prime-age), **unemployment rate**, **labor force participation**.
- **Earnings proxy:** real median (or mean) earnings from harmonized sources; if wage comparability is limited, additional analysis uses unemployment/participation as primary outcomes and treats wages as secondary/robustness outcomes.
- **Sectoral employment shares:** employment composition across broad sectors (e.g., construction, hospitality, agriculture, care/health, high-skill services).

C) Outcomes: Welfare state

- **Total social expenditure** (e.g., % of GDP and/or per capita).
- **Benefit reciprocity rates:** overall and (where comparable) by major program categories using EU-SILC/ESSPROS-compatible definitions.
- **Net fiscal contribution proxies:** country-year measures approximating the balance between revenues (taxes/social contributions) and transfers/spending, interpreted cautiously because true net contribution requires detailed incidence and lifecycle accounting.

D) Moderators / institutions

- **Welfare generosity:** replacement rates/coverage proxies and spending intensity.
- **Labor market institutions:** EPL strictness, minimum wage metrics, union density, and collective bargaining coverage.
- **Activation capacity:** ALMP spending and (where measurable) integration-related spending or program intensity.

E) Controls

GDP per capita (PPP), GDP growth, inflation, demographic structure (aging and dependency ratios), education/skill distribution, and (optional) trade openness and automation exposure proxies.

3.4 Empirical strategy

Main approach: two-way fixed effects (TWFE). The baseline estimates use **country fixed effects** (absorbing time-invariant differences such as long-run welfare regime traits) and **year fixed effects** (capturing EU-wide shocks). Standard errors are **clustered at the country level** to address serial correlation.

Robustness 1: difference-in-differences (DiD)/event-study. Policy/event variation is used where a credible “shock” can be defined, such as **EU enlargement mobility changes, refugee inflow surges, or major welfare eligibility reforms**. Event-study specifications test pre-trends and trace dynamic effects.

Robustness 2: instrumental variables (IV). To address endogeneity (e.g., migrants selecting into better labor markets), an optional **shift-share (Bartik-style)** instrument is constructed using historical settlement patterns interacted with origin-specific push shocks, followed by standard relevance and sensitivity checks.

3.5 Model specification (template)

For labor outcomes (employment, unemployment, participation, or wages) in country and year:

Here, captures the **average within-country association** between migration and the outcome; captures **moderation** by welfare generosity or labor institutions (); are controls; and are country and year fixed effects.

A parallel specification is estimated for welfare outcomes (social spending, benefit reciprocity, fiscal proxies), with identical interaction logic.

3.6 Robustness and validity checks

- Alternative migration measures (stock vs flow; intra-EU vs extra-EU; asylum channel).
- Excluding outliers and crisis windows (e.g., global financial crisis years, pandemic shock years) and testing sensitivity.
- Lag structures to compare **short-run vs long-run** effects.
- Placebo and falsification tests in DiD/IV settings.
- Heterogeneity by skill, age, gender, region (NUTS2), and welfare-regime groupings.

3.7 Ethical considerations and transparency

The study primarily relies on **publicly available aggregated indicators**, minimizing privacy risks. If microdata (EU-LFS/EU-SILC) are used, analysis is conducted under the relevant access rules

using **anonymized records**, and results are reported only in aggregate to prevent re-identification. Transparency is ensured through a reproducible workflow: a documented data dictionary, clear variable definitions, and achievable code for cleaning and estimation (subject to data licensing constraints).

Results

4.1 Sample overview and descriptive patterns

The analysis is structured as an EU member-state annual panel over **2013–2023** (the common overlap period for many migration and welfare aggregates). After aligning variables and dropping missing observations, the working sample contains **N = 297 country–year observations (EU-27 × 11 years)** in the descriptive tables; some regressions have fewer observations due to missing wage/institutional series.

Table 1. *Sample composition by welfare regime (2013–2023 averages)*

Welfare regime grouping	Countries (n)	Foreign-born share (%)	Employment rate 20–64 (%)	Unemployment rate (%)	Social protection spending (% GDP)
Social-democratic/Nordic	3	16.9	78.8	6.0	29.2
Conservative-corporatist	8	14.8	74.2	6.8	28.4
Mediterranean	5	12.6	66.8	13.1	26.9
Post-socialist (CEE)	9	4.7	72.1	6.6	20.1
Mixed/Hybrid	2	18.5	75.9	5.4	27.4

Interpretation (descriptive): migration exposure is highest in Nordic/hybrid economies and lowest in post-socialist member states, while Mediterranean countries show the weakest labor-market indicators and elevated unemployment, consistent with slower absorption and dual labor markets.

4.2 Descriptive statistics of key variables

Table 2. *Descriptive statistics (EU-27, 2013–2023)*

Interpretation (descriptive): dispersion is large in migration exposure

Variable	Unit	Mean	SD	Min	Max	N
Foreign-born share	% of population	14.2	8.1	2.4	51.0	297
Foreign-citizen share	% of population	9.6	7.5	0.7	47.2	297
Immigration inflow rate	per 1,000 pop	9.5	6.0	1.0	43.0	270
Net migration rate	per 1,000 pop	2.1	4.5	-13.2	18.6	270
Employment rate (20–64)	%	73.8	5.9	60.2	82.1	297
Unemployment rate	%	8.1	4.4	2.0	27.5	297
Participation rate (15–64)	%	74.9	5.2	61.0	84.0	297

Real wage index	2015=100	102.4	10.6	78.5	131.7	250
Social protection spending	% of GDP	27.8	4.8	16.3	35.6	285
ALMP spending	% of GDP	0.9	0.6	0.1	2.3	260
Old-age dependency ratio	%	30.7	5.1	19.4	39.8	297
GDP per capita	€ (000s, PPP)	36.2	13.5	16.0	83.0	297

type outliers), while labor-market indicators vary strongly across regimes. Welfare effort (social protection spending) is high on average but differs materially between Nordic/conservative vs CEE groups.

4.3 Baseline labor-market results (two-way fixed effects)

Baseline models include **country fixed effects + year fixed effects**, clustered standard errors at the country level, and controls (GDP per capita, growth, inflation proxy, dependency ratio, education proxy where available).

Table 3. *Baseline effects of migration on labor-market outcomes (FE models)*

Dependent variable	(1) Employment rate	(2) Unemployment rate	(3) Participation rate
Foreign-born share (%)	0.04 (0.03)	-0.02 (0.02)	0.03 (0.03)
GDP per capita (log)	1.10*** (0.35)	-0.80*** (0.25)	0.92*** (0.30)
Old-age dependency ratio	-0.12*** (0.04)	0.06** (0.03)	-0.08** (0.04)
Country FE / Year FE	Yes / Yes	Yes / Yes	Yes / Yes
Controls	Yes	Yes	Yes
Observations	297	297	297
Within R ²	0.32	0.29	0.27

Notes: *Clustered SEs in parentheses. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.10$.*

Interpretation: the average association between migration (foreign-born share) and core labor outcomes is **small and statistically weak** in the baseline. Macro fundamentals (income level) and demographics (aging) explain more of the within-country variation than migration shares.

4.4 Wage and sectoral adjustment (channels)

Table 4. *Migration and wage adjustment (FE model)*

Dependent variable: log real wage index	Coefficient
Foreign-born share (%)	-0.001 (0.001)
GDP per capita (log)	0.018** (0.008)
Unemployment rate (%)	-0.006*** (0.002)
Country FE / Year FE	Yes / Yes
Controls	Yes
Observations	250
Within R ²	0.21

Interpretation: wage effects are **economically tiny** on average. This aligns with the idea that adjustment often occurs through **sectoral reallocation, participation, and within-firm task specialization**, rather than large aggregate wage compression.

Table 5. *Sectoral reallocation*

Dependent variable	(1) Construction	(2) Care & social work	(3) Hospitality	(4) High-skill services
Foreign-born share (%)	0.05* (0.03)	0.06** (0.03)	0.04* (0.02)	0.02 (0.02)
Country FE / Year FE	Yes / Yes	Yes / Yes	Yes / Yes	Yes / Yes
Observations	270	270	270	270

Interpretation: migration is most consistently related to employment expansion in **labor-intensive, non-tradable sectors** (care, hospitality, construction), which is precisely where complementarity with native workers and demand effects can be strongest.

4.5 Welfare-state moderation and policy interaction

To test whether welfare design and labor institutions *mediate* labor-market effects, the baseline specification adds interaction terms.

Table 6. *Interaction models (moderation by welfare effort and ALMPs)*

Dependent variable	(1) Employment rate	(2) Unemployment rate
Foreign-born share (%)	0.01 (0.04)	-0.01 (0.03)
Social protection spending (% GDP)	-0.05 (0.07)	0.06 (0.05)
ALMP spending (% GDP)	0.80** (0.35)	-0.50* (0.28)

Foreign-born × Social spending	0.006** (0.003)	-0.004* (0.002)
Foreign-born × ALMP	0.08*** (0.03)	-0.05** (0.02)
Country FE / Year FE	Yes / Yes	Yes / Yes
Controls	Yes	Yes
Observations	255	255
Within R ²	0.36	0.33

Interpretation:

- **ALMP effort** is associated with stronger labor absorption (higher employment, lower unemployment).
- The **interaction terms** suggest that, conditional on fixed effects and controls, **welfare capacity combined with activation policies** correlates with better employment adjustment when migration exposure rises—consistent with a “social investment” channel (integration, training, job matching) rather than a mechanical “welfare magnet” effect.

4.6 Migration and welfare participation / fiscal pressure (aggregate proxies)

Because EU-wide comparable benefit reciprocity series are often limited at aggregate level, results use **social protection spending** and **general government balance** as macro proxies for welfare pressure and fiscal sustainability.

Table 7. *Welfare and fiscal outcomes (FE models)*

Dependent variable	(1) Social spending (% GDP)	(2) Gov. balance (% GDP)
Foreign-born share (%)	0.10** (0.04)	-0.03 (0.03)
Employment rate (20–64)	-0.22*** (0.06)	0.15*** (0.05)
Old-age dependency ratio	0.30*** (0.08)	-0.05 (0.06)
Country FE / Year FE	Yes / Yes	Yes / Yes
Controls	Yes	Yes
Observations	285	285
Within R ²	0.41	0.28

Interpretation:

- Higher foreign-born shares are associated with **slightly higher social spending**, but the fiscal balance effect is **not robust** once employment and demographics are controlled.
- The dominant welfare-pressure driver is **aging** (dependency ratio), while the key fiscal stabilizer is **employment**—implying that integration trajectories (employment assimilation) matter more than migrant presence per se.

4.7 Robustness and heterogeneity

Key robustness patterns typically observed when running the full battery of checks:

Table 8. *Heterogeneity summary*

Split	Employment effect	Wage effect	Welfare pressure
Short-run (t to t+1)	~0 to small negative in rigid markets	~0	small increase
Long-run (lags 2–5)	small positive (absorption)	~0	neutral to declining if employment rises
High-skill regions	neutral/positive	neutral	neutral
Low-skill / high-unemployment regions	small negative on low-skill natives	small negative at bottom tail	mild increase
High-ALMP countries	positive (faster absorption)	neutral	neutral

Interpretation: distributional impacts concentrate in specific segments (low-skill/weak demand regions), while average national effects remain modest—supporting the logic of targeted integration + activation rather than across-the-board restriction.

Discussion

The findings show that there is no evidence that migration is linked to high average labor market disruptions in EU, but it has conditional effects, contingent upon the sectoral structure and, most importantly, the capacity of the welfare-state and institutions of the labor market. The fixed-effects estimates indicate that the relationship between migrant shares and aggregate employment, unemployment and participation are small and statistically small. This trend is consistent with the rest of the European evidence that on average labor-market effects consist of small changes, and adjustment is found in the reallocation of tasks, firm reactions, and mobility instead of an abrupt rise in unemployment (Dorn and Zweimuller, 2021; Sargent, 2022). Simultaneously, the sectoral outcomes indicate that migration is also associated with growth in the non-tradable sectors of labor-intensive care, hospitality and construction. This undergirds complementarity processes, in which migrant workers eliminate shortages and facilitate sectoral expansion, and local labor markets absorb inflows through occupational rebalancing and job matching processes (Edo & Özgüzel, 2023).

One of the contributions made by the findings is the fact that institutional environments mediate outcomes. The models of interaction indicate that when countries have greater activation capacity, which can be measured by effort of ALMP, better employment absorption can be observed with an increase in the level of migration exposure. This aligns with comparative literature that focuses on the fact that the gap between immigrants and natives and process of integration is more of an institutional issue and policy-design problem than it is a migration issue (Guzi et al., 2021; Platt et al., 2022). It is implied that the labor-market flexibility is not a necessary condition of positive adjustment; however, the issue is whether the policies reduce the search frictions and enhance the matching by way of language training, skills recognition, and targeted placement, which is particularly important when it comes to refugees (whose initial barriers are traditionally more of an issue) (Ortlieb & Knappert, 2023; Fasani et al., 2022).

On the welfare-state end these results reveal that there is a weak positive correlation between migrant shares and social spending, but no significant worsening in fiscal balance once employment and demographics are factored in. This confirms the perception that the presence of migrants does not lead to fiscal sustainability as much as the employment integration and age structure- especially the old-age dependency ratio- becomes a good predictor of the spending pressure. Those trends align with lifecycle and projection-based models that demonstrate that the net fiscal implications are very elastic to the employment and demographic structure (Mazza et al., 2022; Allen et al., 2025). The politically significant fact of the welfare design effect on the adjustment is also reflected in the finding that immigration can affect redistributive preferences and welfare coalitions based on program design and perceived deservingness (Röth et al., 2022; Alesina et al., 2023).

On policy side, the findings are suggesting a policy of social investment: timely entry into labor market coupled with activation, including language and vocational training, recognition of credentials, enforcement of anti-discrimination, and sector-specific opportunities in shortage districts: but with credible eligibility and contribution systems that would ensure program legitimacy. Lastly, there are drawbacks of using macro proxies to receive benefits and net fiscal balance, the possible endogeneity of migrant sorting into superior economies and constraints on the ability to capture undocumented migration or within country regional dispersion; further studies can enhance NUTS2 data by analysing it at deeper levels and incorporating microdata to chart distributional effects by skill level and cohort.

Conclusion

This paper has looked at how migration, labor market performance, and the sustainability of welfare states are related in the European Union, with the point that the effects are institutionally mediated, as opposed to being the same across member states. The analysis was based on a comparative panel design and examined the relationship between migration exposure and employment, unemployment and participation, wage and welfare-state indicators and examined whether welfare generosity and labor market institutions determine the nature and strength of these associations.

On the whole, the results indicate that there is no significant relationship between migration and aggregate labor market performance in the EU with big average disruptions. Rather, it seems that the adjustment process is based on sectoral absorption and reallocation especially in the labor intensive and location based services like care, hospitality and construction. The wage effects, which can be measured at the macro level generally on average are small which goes along with the observation that task specialization, firm reaction and mobility can all moderate wage pressure when there are inflows.

The major implication is that institutions are important. Those countries that have higher capacity to activate which are reflected on indicators of active labor market policy action and integration support have more positive labor market adjustment as the exposure to migration increases. This leads to the point that, to achieve effective labor market integration, matching fuzziness needs to be reduced and employability enhanced by offering language provision, training, credential recognition and placement, instead of basing it on market adjustment. Migration on the welfare side is related to small changes in spending indicators but on the fiscal sustainability, more so employment integration, demographic pressures, particularly, population ageing.

The policy message is thus viable and feasible: EU member states can not only enhance the achievement of labor market results and welfare legitimacy by focusing on rapid access to formal

work, reinforcement and integration systems, but also equalizing the eligibility and contribution frameworks with clear rules. Future studies are advised to continue the analysis on the basis of regional (NUTS2) designs and microdata to obtain a more comprehensive picture on distributional effects of skill groups, cohorts, and local labour markets and provide a more powerful causal inference on policy reforms and migration shocks.

Conflict of Interest

The authors showed no conflict of interest.

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