

# [German support for syrian refugees essay](https://assignbuster.com/german-support-for-syrian-refugees-essay/)

## Introduction

The migrant crisis caused by the civil war in Syria has been reported as causing a migration crisis for Europe (Troianovski, 2015; BBC News, 2015). It is forecast that in 2015, Germany, a country which has a compassionate history of welcoming refugees, will receive 1. 5 million asylum applications, double the 2014 level (BBC News, 2015). With a record influx, the government has made a commitment to spend an additional €6 billion to support the refugees; €3 billion to aid with housing and a further €3 billion for other expenses such as welfare benefits (The Guardian, 2015). These costs are being incurred while Germanys economy is in recovery following a recession and period of stagnation (Kollewe and Wearden, 2014), and critics are arguing that the refugees are a drain on the German economy (Froden, 2015; Scally, 2014). There is little doubt there are ongoing short term costs incurred providing for refuges; in addition to the 2015 refugee spending, the government has committed to provide an additional €4 billion in 2016, allocating regional states €670 per month for each refugee received (Reuters, 2015a). However, with initial estimates indicating only 450, 000 expected arrivals (Reuters, 2015b), and economic forecasts indicating Germany could sustain an influx of up to 500, 000 a year (Groden, 2015), the question becomes whether the support of the refugees is economically sustainable. In this context sustainability refers to the ability of the German government to continue with the current polices at the same level.

## Short Term Sustainability

There are significant short term economic costs; in addition to the €670 per refugee per month supplied by the Federal Government for 2016 there are the addition local costs (Reuters, 2015a). The refugees arrive with little or no personal possessions and many may need medical attention after a long and arduous journey, as well as accommodation (DW, 2015). The German municipalities receiving the refugees already faced a housing deficit; a recent report indicated at least 400, 000 houses needed to be built each year (EurActiv, 2015). The increase in refugee arrivals exacerbates the existing deficit (EurActiv, 2015). Therefore, a significant short term cost is associated with the provision of emergency housing needs (Wagstyl, 2015). There are also welfare payments, education, and the costs of processing claims. A recent assessment has indicated the total cost for municipalities was approximately €12, 000 – €13, 000 per refugee per annum, including the direct and indirect costs such as housing, healthcare, and administration (CW, 2015). This appears to be a significant drain on the short term resources, and intervention of the Federal government with further aid indicates that the costs are not sustainable at municipal level (Reuters, 2015a).

The concept of the short term sustainability may also be impacted by public opinion, as the money provided comes from the public purse. In 2012 a survey of German nationals indicated that two thirds believe that migrants were a strain on the economy (Scally, 2014). This is often accompanied by local residents’ fears that migrants will take jobs from locals, driving down wages, as well as increased pressure on the public purse due to lower taxes, and increased demand for welfare payments to supplement low wages (Kerr and Kerr, 2013; Migration and Integration Research Department, (MIRD), 2005). If these perceptions are correct, then it would appear the current German policy towards refugees is unsustainable. However, the perceptions are not necessarily accurate. Therefore, it is necessary to look at the longer term economic impact of the refugees on Germany.

## Long Term Sustainability

There is little disagreement that the refugees will cause short-term costs. However, while fears regarding the long-term cost of refugees and migrants were highlighted in past research, with the perceptions of an ongoing net cost, general research appears to indicate immigrants, including settled refugees, frequently make positive net contribution towards the economies in which they reside (Kerr and Kerr, 2013; Brucker and Jahn, 2011; MIRD, 2005).

The association with the short term situation of refugees, arriving with little, reliant on the goodwill of the state, is frequently assumed to continue (Jacobsen, 2005). However, after an initial settlement period, research indicates refugees are often positive contributors, finding long-term jobs and making net contributions towards the welfare state (Bonin, 2014; Jacobsen, 2005). In Germany, there are some additional long-term issues to consider. The existing German population is shrinking; Germany has one of the world’s lowest birth rates (Groden, 2015; Giugliano, 2015; Fitzenberger, Kohn, and Qingwei, 2011). This demographic pattern is leading to a disproportionate distribution of the population, with current official estimates indicating a shortage of younger workers to sustain the economy as older workers retire (Groden, 2015). Furthermore, the issue is not only a shortage of workers, but the crisis facing the budget and the state pension system. For example, it is forecast by 2060 there will only be two active workers to every one retiree (Groden, 2015). As the German pension system pays current pension claims out of current taxation, this exponentially increases the taxation burden on future generations (Evans, 2013). Therefore, the current demographic profile of Germany indicates that an influx of new young labour may prove significant in resolving an existing demographic imbalance in the current population (Groden, 2015).

The issue is not only the influx of the younger labour, but the type of labour entering the market; different workers may generate different levels of economic value based on their skills (Jacobsen, 2005). Where refugees arriving have few skills, they have few job opportunities, often entering into low paid jobs, generating lower levels of tax (Kerr and Kerr, 2013; Jacobsen, 2005). This scenario leads to concerns regarding job loses for nationals, low wages, and competition for low paying jobs resulted in declining wages (Papastergiadis, 2013; Jacobsen, 2005). Displacement of existing workers and lower wages may result in negative economic impacts, reducing aggregate income and the tax receipts. However, while this may be a problem with reference to some refugees, it does not necessarily apply to all, as many refugees may have economically valuable knowledge and skills, from engineers and technicians through to drivers, builders, and service professionals (Papastergiadis, 2013). In past research profiling Syrian refugees, it was found a significant level have a wide range of skills and experience, with approximately 46% classified as semiskilled, and 12% as skilled (ILO, 2013). From this profile, there is a great potential for many Syrian refugees to make significant long-term contributions towards, but there are some significant unknown variables, the potential value may be influenced by the skill levels of the refugees (Bonin, 2014).

In recent research undertaken by the Centre for European Economic Research for The Bertelsmann Foundation projections were made regarding the existing and potential impact of immigration on the German economy, bringing all these factors together, including the existing low birth rate, and consideration of the labour shortage and skills (Bonin, 2014). It was found that in 2012, the 6. 6 million residents in Germany with foreign citizenship made a net contribution of €147. 9 billion surplus in taxes, after accounting for welfare transfers (Bonin, 2014). It was noted this surplus was created despite a substantially weaker position of the foreign nationals in the labour market, when compared to German nationals (Bonin, 2014), an assumption which may be directly comparable to the current Syrian refugee crisis. Importantly, when assessing the long-term sustainability, the study found Germany needed immigration. Without any further immigration budget deficits would rise significantly to a level equating approximately 146. 6% of the GDP by 2060 (Bonin, 2014). This would equate to a requirement for additional lump-sum contributions of approximately €1, 082 per employee per year (Bonin, 2014). However, this deficit decreases with the presence of migrants (Bonin, 2014). It was estimated that if there were 200, 000 immigrants per annum, where 20% of which had no skills, 50% medium skills, 30% high skills, rather than a deficit, the existing population would benefit by approximately €406 per annum (Bonin, 2014). In addition, it was noted that despite these calculations, an annual net immigration of 200, 000 people would not be enough to reduce the existing problems associated given the current population patterns and demographic changes (Bonin, 2014).

Therefore, it appears that not only is there the potential for the long-term policy for the Syrian refugees to be sustainable, but it would help to resolve an existing German problem (Groden, 2015; Bonin, 2014). Furthermore, when considering the long-term implications, it is not only the first migrant generation that should be considered, but the subsequent generations, where children gain a German education, skills, and themselves contribute towards the German economy, often gaining increased levels of skills compared to the previous generation, and gaining higher paying jobs (Papastergiadis, 2013). However, while it appears there may be some benefits, a greater insight to the outcomes and sustainability may be considered through an examination of previous experiences, looking at scenarios where Germany has already faced large influxes of refugees and migrants.

## Past Experiences

Germany has a long history and culture of welcoming migrants and refugees. Drawing on past experiences may help to indicate the potential future outcomes.

An influx of migrants was seen following the collapse of the Berlin Wall. In 1990, a total of 397, 000 people entered into Germany, 37% from the former Soviet Union, 34%, and 28% from Romania (Glitz, 2012). Notably, in the context of the Syrian refugees, all of these countries were relatively low income, with a generally lower skill profile (Glitz, 2012). Within a period of fifteen years following the fall of the Berlin wall, more than 2. 8 million people had migrated to Germany (Glitz, 2012). These migrants were not refugees, but individuals wanting to live in Germany, often as a result of German heritage (Glitz, 2012). The strategy of the German government was similar to the current approach; with the migrants allocated across different regions (Glitz, 2012). In the short term, one of the fears regarding a greater prevalence to low skill work was observed, but it was also found that over time the level of skills of the migrant population increased, as in 1996 28. 3% of the immigrant group were working in low skill occupations, but this decrease to 26. 1% in 2001, with a corresponding increase in the semiskilled group, from 29% in 1996, to 31. 5% in 2001 (Glitz, 2012).

A significant concern has been the impact on German nationals’ jobs. Increased participants in the workplace, resulting in increased competition for jobs is likely to result in a degree of displacement. However, displacement was not as heavy as may have been expected; for every ten jobs taken by immigrants, only 3. 1 jobs for local German residents were displaced (Glitz, 2012). This displacement rate of 0. 31 to 1, corresponds with previous research, when Campos-Vazquez (2008) found a displacement ratio of 0. 3. Therefore, there is a net increase in jobs with job creation.

While there are jobs created, there was little evidence that the increase in the labour market resulted in any negative wage impacts, a finding which may have been influenced by the practice in German where wages are often determined through collective agreements (Glitz, 2012). However, Fitzenberger et al. (2011) did find a higher potential level of vulnerability to low wages for female workers in the non-unionised sectors. Likewise, small declines were found in the short term in the unskilled, non-unionised, labour market (De New and Zimmerman, 1994). However, while there were some wage decreases, the research of D’Amuri, Ottaviano, and Peri (2010) highlighted the fact that the wage decreases impacted primarily on the migrants, with little impact on native workers. Brucker and Jahn (2011), sought to create a general equilibrium model for integration across the entire economy, concluding that an increase of 1% in the labour force immigration would result in a wage decrease of 0. 1%, research findings that were also aligned with international studies from areas such as United States and United Kingdom.

Overall, it has been concluded that this period of migration was beneficial. The MRID (2005) found that as a direct result of immigration in Germany, between 1988 and 2003, 85, 000 new jobs were created, GDP was increased by 1. 3%, and the public budget benefited from net contributions of between 25 million 35 million Deutschmarks per year.

## Conclusion

The refugee crisis for Germany is creating short term costs, but may also create long-term benefits, with the potential for the refugees to become significant contributors to the economic well-being of Germany, increasing demand for goods and services, creating new jobs, as well as generating new tax revenues. This is particularly important for Germany, where there is an existing deficit due to the low birth rate, and recognise the need for immigration. Therefore, it may be argued that the current influx is beneficial, and that it is sustainable as current short-term costs may be seen as investment for the German future, to support not only self-sufficiency within the migrants, but the German economy as a whole.

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