

## No. 174 Refugees Will Not Lighten Germany's Load but Deserve Its Support\*

Around one and a half million people immigrated to Germany in 2015, including many from Syria, who were fleeing from the civil war in their home country. Far fewer immigrants are expected to arrive in 2016, as other European countries have closed their borders and the Balkan route has also been blocked. In the face of this wave of immigrants, Germany's population showed an amazing willingness to help people fleeing war and political repression. That was impressive. But what are the economic implications of the immigration wave?

Initially euphoric voices were to be heard in Germany claiming that the wave of migrants promised economic benefits, that it would ease the burden of Germany's ageing population and its lack of qualified workers. It was also argued that government expenditure on providing for the immigrants constituted a welcome economic stimulus package. Criticism of migration was countered with the arguments that controls at Germany's borders to stem the flow of immigrants were technically impossible or simply too expensive, as they would curb the flow of cross-border economic traffic.

Over the course of the debate it has become clear that this view is misleading. Germany doesn't need a publicly-funded economic stimulus package at present: its economy is fully stretched and employment is high. Of course, it would be better to avoid controls at Germany's borders, but it would certainly be technically possible to implement them. The costs involved, including those related to cross-border traffic hold-ups, would be onerous, but manageable.

The hope that immigration would reduce the demographically-related strain on the public purse could only be realised if immigrants were well-trained and were to pay more in taxes and contributions than they claimed in social benefits and public services. Immigrants who earn below-average income, or none at all, are net recipients of transfers. They are a burden on the public purse and, by extension, on the domestic population. These calculations already account for the fact that poorly-qualified employees nevertheless do very valuable work.

The information available on the qualification level of immigrants is woefully incomplete. The data collected to date, however, unfortunately suggests that most immigrants are poorly qualified. On the upside, many of them are still young. Moreover, there are major shortcomings in the education systems in refugees' countries of origin like Syria, Iraq and Afghanistan. Studies by Ifo's education expert Ludger Wößmann show that students from countries like Syria and Afghanistan lag up to five years behind students from OECD countries like Germany. Shortfalls in schooling in the early years are difficult to compensate for later on, which unfortunately limits the potential for training.

All this does not alter the fact that the education and training of immigrants who plan to remain in Germany should be pursued as a top priority. A precondition of swift integration is that the question of who is allowed to remain in Germany and who isn't be cleared up as quickly as possible. According to simulations by migration expert Holger Bonin from the Zentrum für Europäische Wirtschaftsforschung, each year that labour market integration is delayed will cost the German government around €10 billion. In other words, we need to act fast and accept the fact that we will sustain a loss financially.

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