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Special Series “Refugees in Europe”

■ Federal Republic of Germany: the growing cost of the refugee influx

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The mass unforeseen influx of foreigners observed over the last two years has sparked heated debate in nearly all of Europe. By and large, the debate boiled down to the threats which, in view of a large proportion of Europeans, may result from the cultural differences between themselves and the immigrants. Fears of terrorist threats which increasingly compromise security and of rising common crime rates are expressed ever more vociferously. The debates increasingly diverge into economic concerns, the most dominant of which are the anxieties of German workers about losing their jobs and being unable to secure other employment. In nearly all cases, fears of this kind are expressed by persons with little education and few professional qualifications. In recent weeks, the debate on the cost of receiving such great numbers of foreigners has grown considerably more intense. The problem moved to the forefront after a London summit in the early February in which the western states declared the amounts they were willing to pay Turkey for retaining Syrian refugees within its borders. Germany committed to allocate a record sum of €2.3 billion to that aim through 2020. With the United Kingdom excluded from the calculation, Germany's contribution exceeds those committed jointly by all of the other European Union member states. Note that although Berlin's pledge is exorbitant, there are countries which chose to commit a greater part of their Gross Domestic Product than Germany. These include Norway, which pledged 0.22% of its GDP and Kuwait at 0.19%, compared to Germany's 0.08%. As a curiosity, note that the Polish government chose to appropriate 0.001% of the country's GDP to that cause.

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Although, by and large, Germans showed a great deal of understanding for their country's shouldering of a lion's share of this estimated budget, increasingly more attention is being paid to the mounting cost of coping with the stream of refugees. The average German taxpayer understands that Germany's payment for having Turkey keep refugees within its borders is an alternative to having municipalities and the federal budget bear the financial burden. The burden is weighty and is likely to grow even heavier in the next two to three years despite the anticipated decline in the number of incoming foreigners. This is because the number of people using various forms of support will continue to rise. According to estimates, the number of refugees living in Germany climbed by ca. 1.1 million last year. The cost of providing them with housing, food and health care amounted to €5.2 billion. Added to this figure is approximately one billion euros needed to finance assimilation and language courses. New arrivals are said to have peaked out. Germany expects an estimated 800,000 refugees in 2016 and around 500,000 in 2017. This translates into a cost of €22.1 billion this year and another €6.5 billion in 2017. The cumulative expenditures expected to have been generated by the presence of foreigners between 2015 and 2017 will amount to nearly €56 billion. In calculating the spending, the Cologne Institute for the German Economy has adopted fairly optimistic precepts on the number of approved asylum applications and on the refugees' usefulness for the German labor market.

A fortunate coincidence was that this unexpectedly large influx of refugees came at a time at which the federal budget was particularly strong. This does not mean that individual regions of Germany are not experiencing financial difficulties. In 2015, half of federal states posted surpluses. Meanwhile, the other half was forced to take out loans. The common view is that tighter controls are much needed to curb spending on the new arrivals by both individual towns and municipalities as well as federal states.

Particular attention has been given to spending on refugee housing. The big winners of the day are budget hotels, pensions and hostels as well as the businesses that manage refugee services. One of them is the European Homecare of Essen. While in the late 2014, the company cared for 8,000 refugees, the number of their charges increased nearly twice by November 2015. "We are unable to grant any further requests for accommodations", says the spokesman of Klaus Kocks. The decision to turn away further migrants must not have been easy as the municipality pays €11 to €30 per guest per day depending on the quality of the housing. Due to the enormous volume of the migrant flow, it became necessary to search for alternative temporary accommodations. The task is daunting as the price of a modular container apartment for 12 people, which approximated €180,000 a year ago, has since risen five-fold.

The unrelenting influx of refugees increasingly upsets local communities in many German cities. The communities demand to be "given back" their gymnasiums, now turned into makeshift shelters. New solutions are urgently needed. Just how difficult it is to find them has been demonstrated in recent months in Berlin where the hotel chain Grand City Hotels offered its services to the city's authorities. In return for the staggering amount of €600 million per year, the chain proposed to put up and feed 10,000 people in 22 hotels. It also offered to make its hotel infrastructure available

to the refugees around the clock. This included conference rooms, which could be used for assimilation and language classes. The deal would be highly profitable for the chain owners. It would keep its hotels occupied year-round at a record rate of 95%, which is a far cry from the yearly average of 65%. In making the offer, the chain must have considered the danger of tarnishing their image as an inevitable consequence of accommodating massive numbers of guests from remote countries. However, the projected revenues must have compensated the risk. The deal was never closed as the Berlin Senate found the cost to be prohibitive. Nevertheless, the problem remained unsolved as, since the start of 2015, an astounding estimated 10,000 refugees moved into the capital city's gyms. The best way to resolve the problem, stressed Dieter Glietsch, Secretary of State for Refugees in the Berlin City Hall, would be to place them in housing containers or modular buildings. The trouble is that the number of such accommodations available at this time is far from sufficient. Therefore, noted Glietsch, the city will most likely be forced to use regular hotels after all. Yet, it is hard to imagine the German taxpayers paying the price suggested by Grand City Hotels. The chain's bid rested on the premise that food and board would cost €18,000 per person per year. The price is unacceptable considering that the cost paid in 2015 was below €5,000. As the inflow of refugees continues, it is of course necessary to find ever new and usually more expensive dwellings. Therefore, as shown by the research of the above-mentioned Cologne institute, the cost of room and board will increase to €9600 per person per year.

The cost may actually be higher as many refugee-related expenditures that are borne by cities never show up in the calculations. A case in point is the town of Schwerte, population 50,000, in North Rhine Westphalia. By a decision of its city council and mayor, the town has received over 700 refugees. These were put up in 6 of its 14 operational gymnasiums. In addition to room and board, the town paid for the purchase of beds, mattresses, heating, garbage collection, security and translation services. Despite as many as 400 volunteers contributing to the effort, the refugees set the town back by as much as €4.6 million in 2015. As the state capital of Düsseldorf only contributed €3.1 million, the town was forced to borrow the remaining €1.5 million. The resulting enormous debt placed Schwerte among North Rhine Westphalia's 34 towns resorting to an emergency budget. Determined to provide continued assistance to the refugees arriving in Germany, its mayor, supported by an overwhelming majority of the residents, fears he will be forced to take steps that are not entirely legal. This may well be if the Düsseldorf-based government of the federated state does not relinquish its policy of supporting its municipalities with lump-sum payments, effectively paying less than the total cost incurred by the host towns. Clearly, a better solution would be to have the cost fully reimbursable. For now, however, only the two federal states of Mecklenburg Vorpommern and Bavaria have done so. As one might suppose, the reasons for their policies are very different. Mecklenburg Vorpommern, which receives a relatively small number of foreigners, can well afford to foot the entire bill. On the other hand, the affluent Bavaria is well capable of paying for their record number of refugees.

Nevertheless, regardless of which budget is used to fund the stay of the refugees, the key factor at play appears to be what the German public think of the continued



inconvenience and having a large proportion of its citizens volunteer their time and effort in various ways. The case of Schwerte is a perfect example.

The statements expressed herein reflect solely the opinions of its author.

This article is part of a Special Series of Institute for Western Affairs Bulletins dedicated to the current issues of mass human migrations from conflict-torn countries to Europe. Its scope extends to social consequences, public perceptions and views as well as the political and economic challenges associated with the influx of refugees to Germany, Poland and other European countries. A range of perspectives on such issues will be presented in the successive editions of the Bulletin.

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