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# The economic consequences of the migration crisis for Germany

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It is becoming increasingly common for analyses of the economic consequences of the great wave of refugees coming to Germany to be referred to in the debate concerning this issue. German politicians are concerned about the estimated costs of migrants' living expenses and their integration into the labour market. Andrea Nahles, the Federal Minister of Labour and Social Affairs (SPD), has announced that the unemployment level is likely to grow significantly next year. According to forecasts, between 240,000 and 460,000 migrants will enter the German labour market in 2016. Even though there are still 600,000 jobs available remaining, many migrants may have insufficient qualifications to find employment, and will have to rely on unemployment benefits.

## Commentary

- According to the Federal Ministry of Labour and Social Affairs, less than 10% of migrants have sufficient qualifications to quickly adapt themselves to the German labour market. This situation differs significantly from the economic migration from Central European countries after the German labour market opened up. According to statistics, immigrants from this region were on average better educated than the average education level in German society. In the present situation, there is a risk that employers will find it is not worthwhile to train and employ migrants seeking asylum given the minimum wage applicable in Germany (8.5 euros per hour). Various economic circles have appealed for the return of the possibility to pay them a rate below the minimum wage level. This could mean withdrawing the reform which introduced the minimum wage in 2014, and therefore representatives of trade unions would not accept a solution of this kind. To date asylum seekers and those who have been granted asylum have gained the right to regular employment after three months in Germany (EU citizens were given priority with offers at job centres). However, they could not be employed on a temporary basis, and this ban protected German workers with the lowest qualifications. The Federal Ministry of Labour and Social Affairs wants to lift this ban.
- According to the government's estimates, 10 billion euros (12,500 euros annually per person) will be needed to cover the living costs of the 800,000 migrants expected to arrive in Germany by the end of 2015. The government has such funds due to the budget surplus of 21 billion euros. However, the dynamics of the migration process has led the

Federal Ministry of Finance to introduce budget cuts worth 2.5 billion euros in 2016. It is unclear whether these cuts will be sufficient, but Chancellor Angela Merkel has rejected speculation that there could be tax increases next year.

- There is growing fear in Germany that the migration crisis may lead to a weakening of the austerity policy Berlin has imposed on the eurozone over the past few years. Many countries, such as Austria, France and Italy, have used the intensified inflow of migrants as an excuse for disregarding the commitments they made to the European Commission to reduce their budget deficits. Thus Chancellor Angela Merkel's readiness to accept refugees in Europe may be used against her in the debate on debt reduction in the eurozone.

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