

Refugee Reception or Welfare State Sustainability, or Both? Lessons from Government Spending on the Refugee Crisis in Sweden

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The political establishment and research community are in basic agreement that refugees (and low-skilled migrants) make up a negative fiscal position, or a net cost for the receiving society. As Martin Ruhs (2013: 46) and others postulate, “[t]he lower the skills and earnings of migrants in the host country, the greater will be the strictly economic case for restricting some of their welfare rights in order to minimize the fiscal costs for existing residents.” This lecture will look closer at the claims regarding the fiscal position of refugees, in general, and the notion of a trade-off, in particular. It will argue that the consensus is built on a false premise concerning government spending, one linked to the mistaken government-household analogy that currently buttresses the “sound” fiscal regimes in place at both EU and member state levels. To demonstrate the fallacy involved in the trade-off claim, the lecture will use empirical evidence from Sweden. The talk thus asks how the Swedish welfare state has weathered the refugee crisis; and, vice versa, how the trade-off theory has weathered the outcomes of Sweden’s large refugee admission? In order to answer these questions, it is argued, one has to attend to the conflict of interest between central and local governments over the fiscal as well as the real material consequences of refugee admission and settlement. What can be shown is that the sentiment in many Swedish municipalities stands in glaring contrast to both the central government rhetoric and the expectations generated by the trade-off literature. Whereas there is bipartisan consensus at the state level that refugee reception and integration constitute a welfare liability and a challenge to Sweden’s overall fiscal framework, the position amongst scores of municipalities is the opposite. Here, refugee reception and integration are rather perceived as a solution to demographic ageing, labour shortages, welfare sustainability and fiscal shortfalls. In many municipalities, refugees are seen as vital in making local communities liveable again, helping to reverse a decades-long vicious spiral of depopulation, ageing, declining tax revenues and welfare service retrenchment. Finally, the talk explores the extent to which we may conceptualize the current conflict between state and local levels in Sweden (and the EU as a whole) as a conflict between “sound finance” (state and EU preference) and “functional finance” (local preference), in light of the recent refugee inflow. Whereas the former is primarily concerned with budget balance, the latter is built around concrete objectives and the public good, such as fulfilling employment and welfare needs or handling a refugee crisis in a way that benefits both refugees and the host society.