THE GERMANY’S POLICY OF REGULATING LABOUR MIGRATION

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The present article is dedicated to the analysis of the conceptual aspects of Germany’s labour market integration policy for immigrants. The conclusion is made that differences in the right to access to work for various categories of immigrants and different skills and opportunities for migrants in Germany led to differences in their economic integration. The authors make an attempt to identify the characteristics of labour force participation of immigrants and the main reasons for further development of labour market integration policy.

Key words: labour market; migrant integration policy; the right to work for migrants; labour market effect from immigration.

ГОСУДАРСТВЕННАЯ ПОЛИТИКА РЕГУЛИРОВАНИЯ ТРУДОВОЙ МИГРАЦИИ В ГЕРМАНИИ

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Анализируются концептуальные аспекты немецкой миграционной политики, направленной на интеграцию иммигрантов на рынке труда. Делается вывод о том, что различия в праве на труд, в квалификации и возможностях для различных категорий иммигрантов в Германии привели к различиям в их экономической интеграции. Принимается попытка определить характеристики трудового участия иммигрантов в рынке труда и основные факторы дальнейшего развития политики интеграции на рынке труда.

Ключевые слова: рынок труда; миграционная интеграционная политика; право на труд мигрантов; эффект на рынке труда от миграции.
Introduction

Immigration has greatly changed the population of many countries in the world including Germany. The necessity to develop new approaches towards migration policy is determined by active evolution of economic relations, dynamic changes in labour markets and labour mobility. International migration processes have a controversial impact on the development of some regions. At the same time effective supranational mechanisms of labour migration regulation have not been enough developed. The reproduction of the labour force in the European countries is shrinking and it leads to the necessity to use migrant workers. Employers are often in favour of labour migration in the country because it could provide cheap labour force on a labour market and additional demand for products produced in the country.

The main idea of the research is to define the main aspects of labour market integration policy for immigrants that have influence on their labour force participation (case of Germany).

Methodology

We use a deductive approach by reviewing literature and discussing pertinent issues such as the conceptual aspects of the labour market integration policy for immigrants. The common indicators of the migrant economic integration in Germany are determined on the basis of the data available from the migration statistics.

Labour market effects from immigration

Different studies on migration are dedicated to different economic aspects. Borjas has developed theoretical models of internal and international migration and presented some models of migration in expository surveys [1–6]. Borjas model was supplemented by the role of income differences with various assumptions about the distributions of personal characteristics, and it was able to predict the flows of different types of workers between countries. Borjas argued that migration decision depended on not just average difference in wages across countries but on where the immigrant would fit in the destination labour market and how well the abilities of workers and how the human capital could be applied. In 1991 Bordias extended his model. Then the Bordias model was developed by Halton and Williamson and Clark, Hatton and Williamson (CHW model, 2007), that took in account for the effects of non-pecuniary costs of migration and explicit immigration restrictions [7; 8].

In the work of Bartram the aspects of labour migration associated with the demand for labour in different countries were discussed and the variability in the state migration policies were highlighted [9].

The incorporation of migrants into the receiving country’s labour market was the focus of the research of Chiswick [10]. Chiswick gave detailed analyses of investments in human capital and its effectiveness on the labour market from the point of view of the migration processes [11].

Kemnitz analysed the effects of immigration on the presence of unemployment, technological and political conditions which can make low skilled immigration beneficial for the host, but also elaborated on the political viability of immigration policies and the challenges for education policy [12].

Bodvarson and Van den Berg emphasized that immigrants are not only workers, they are customers and add to the capacity of the economy, and described theoretical models that explain the migration and answer the questions: who migrates, why migrates and what were the consequences for source and destination country [13]. Bodvarson and Van den Berg described the modern theory of internal migration and focused on the determinants that migrants can be considered as: 1) a supplier of their factor service or, effectively, a maximizing investor in their human capital [14], 2) a vigorous costumer of amenities and public goods [15], or 3) a producer of her own household goods and services [16]. Bodvarsonand Van den Berg paid attention to the role of past migration [13; 17–20] and migration as a life cycle decision [21] in the development of the models of migration.

The effect of the labour market integration of the immigrants includes economic, fiscal, and social effects. It provides the net contribution of immigrants to the public finances in the longer term and some help in alleviating the fiscal effects of population aging.

The effect of the labour market outcomes of native workers could be divided in three main groups which include labour market supply effect, aggregate demand effect and allocation of resources, product mix and technology effects [22]. Labour supply effect may be if migrants have similar skills to native workers and have an adverse effect on their employment and wages [4]. Migrants can increase the population and create aggregate demand effect for goods and services, labour demand, and firms increase output and investment over the long run [23]. Immigrants can influence the allocation of resources, product mix and technology
effects and stimulate change in the occupation and industry composition of the labour force (for example, in Israel). By promoting skill upgrading, immigration can have a positive impact on labour market productivity, upward career mobility and incomes of native workers (Denmark, Switzerland and else). Migrant mobility helps the countries adapt to asymmetric shocks of labour forces and stimulates economic growth, for example, cross-border migration [24]. Immigrants of working age can provide high tax contribution for a long time and the host country does not have education expenditure. Fertility rates of immigrants, typically higher than those of natives, can help reduce the negative impact of population aging. High-skilled immigrants usually make larger net fiscal contributions than natives [22; 25].

Assessing the fiscal effects of immigration was made by the Organisation for Economic Cooperation and Development (OECD) in 2013 [22]. For this taxes paid and other fiscal contributions made by migrants and the costs of services and benefits used by them were compared. The result of the research 2007–2009 highlighted that the average fiscal contribution of the migrant population in advanced economies amounted to 0.55 % of GDP, with most country results falling between ±1 % of GDP [22].

**Recent trends in immigrants’ flows in Germany**

At 1 January 2016 total population in Germany was 82,162 thousand people and the change 2016/2015 was +11.8 thousand people (table 1). Share of Germany in EU population is 16.1 %. The crude rate of natural change of population in Germany was the biggest among EU countries and natural change is –2.3 per 1000 residents, so immigration was seen as a possibility to ease the adverse consequences of ageing populations and to help fill labour shortages [26]. Net of migration in 2015 was the biggest during last years. Foreign population in Germany numbered 9.1 million people and population with migrant background was 16.4 million people. A significant increase in the number of migrants was caused by the influx of refugees from Asia and Africa that were in need of economic, social, and cultural adaptation and integration as a result the problem with economic integration of migrants became significant [27].

In 2014 net migration from European Union consisted 300 000 people, net migration from outside EU was 250 000 people. According the date in July 2015 864 700 citizens of Central and Eastern European countries were employed in Germany and 22 000 foreigners held EU Blue Card. In 2015 number of new asylum applications consisted 441 900 (173 070 in 2014) [28]. The total number of illegally resident migrants in Germany estimated from 100 000 up to 1 million people [29].

<table>
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<tr>
<th>Population in Germany</th>
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<tr>
<td>Population category</td>
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<tr>
<td>Total population, millions</td>
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<td>Foreign population, millions</td>
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<td>Population with migrant background, millions</td>
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<tr>
<td>Live births, thousands</td>
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<tr>
<td>Deaths, thousands</td>
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<tr>
<td>Arrivals of migrants, thousands</td>
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<td>Departures of migrants, thousands</td>
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<td>Net migration, thousands</td>
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Source: [27].

Germany accepted a lot of humanitarian migrants and their number increased in recent years. The average unemployment rate of immigrants in Germany decreased during 2011–2014 but it was higher compared with average unemployment rate for the native population.

In Germany immigrants covered a big spectrum of economic participation. In 2015 some 24.1 % of immigrants worked in the mining, manufacturing and energy industry, 13.6 presented in the wholesale and retail trade, 11.3 % were in the health sector and 10.0 % were in the admin and ETO [28; 30]. The official employment in the households was much narrower.

Most of illegally employed migrants were employed in the construction business, service of facilities, the hotel and catering industry, agriculture and forestry, meat processing industry, the transport and forwarding industry and household services, domestic nursing and geriatric care [29].
The migration flow streams consist of permanent and temporary migration. Constant working migrants assume long-term residence in the country and their integration processes are very important for receiving immigrants in German society and their social and economic integration.

**Characteristics of the right to work for various categories of immigrants in Germany**

The right to access work influences immigrant opportunities to integrate successfully into the labour market. Access to the labour market is different for different categories of the migrants in Germany. Identification of categories of migrants in Germany and their rights could be based on the approach proposed by Burket and Haas that includes such categories as: 1) citizens of EE-15 and EEA nationals, EU-8 nationals (Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia, Slovenia), EU2 nationals (Bulgaria, Romania); EU1 national (Croatia); 2) third country nationals that include labour migrants, family members of German nationals, residence permit holders and family members of Blue card; 3) humanitarian migrants among them asylum seekers; persons with suspension of deportation; recognized refugees [30].

The differences in access to work and different skills and opportunities for migrants in Germany led to different level of their needs in economic integration (table 2).

<table>
<thead>
<tr>
<th>Immigrant category</th>
<th>Access to the German labour market</th>
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<tr>
<td>Citizens EU-25 and EEA nationals</td>
<td>Free German labour market access</td>
</tr>
<tr>
<td>Family members of German nationals</td>
<td>Limited access to the German labour market</td>
</tr>
<tr>
<td>Recognized refugees</td>
<td>Limited access to the German labour market</td>
</tr>
<tr>
<td>Citizens of Croatia</td>
<td>1. It is required a resident title for taking up employment. 2. Citizens of the third countries get residence title if they get a German labour contract</td>
</tr>
<tr>
<td>Third country nationals</td>
<td>1. Access of holders of Blue card is limited by their contract. 2. The access of the family members of Blue card of depends on the kind of the residence permit of the visa holder</td>
</tr>
<tr>
<td>Foreign students</td>
<td>Time-limited in access. They are allowed to work up to 120 days a year</td>
</tr>
<tr>
<td>Holders and family members of Blue card</td>
<td>1. Limited access to the labour market after three months of their residency in Germany. 2. Free access after four years of residence in Germany</td>
</tr>
<tr>
<td>Business immigrants</td>
<td>The access will be given if their business corresponds to the public interest in Germany</td>
</tr>
<tr>
<td>Asylum seekers</td>
<td>1. Limited access to the labour market after three months of their residency in Germany. 2. Free access after four years of residence in Germany</td>
</tr>
<tr>
<td>Persons with suspension of deportation</td>
<td>Limited access to the labour market after three months of their residency in Germany</td>
</tr>
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The main aspects of migrant economic integration in Germany

The economic impact of economic integration of migrants includes benefits for enterprises and migrants and new economic opportunities for them. Immigrants entering working age make fiscal contributions and have a high number of working years ahead. High-skilled immigrants usually make larger fiscal contributions than native-born and host country saves on education and social expenditures. Labour force participation, occupational attainment and earning are the three most often used measures for assessing immigrants’ economic integration in the host countries [31].

International comparisons are complicated but the variation in immigration and integration policies between countries seems the only source of identification for the effect of migration policies [32].

Empirical models of the determinants of wages, unemployment, and labour force participation in Germany were gauged by Beyer, who used micro-data from a large household survey and the German Socio-Economic Panel [33]. It was estimated that after the arrival in Germany immigrants earned in 20% less than natives with similar characteristics. The probability of unemployment was initially 7% higher for recently arrived immigrants in comparison with natives and in the long run the unemployment rate remained 3% higher among immigrants. Immigrants without German writing skills or a German degree had a wage gap as high as 30% initially. Good German writing skills closed the gap by 12% and a German degree by another 6%. The gap for migrants that was born in advanced
economies was a third of other immigrants [22]. Beyer marked that the lower wages of immigrants largely reflected "skill downgrading". In Germany 66% of highly skilled natives had a job with higher wages that actually required higher education and over 60% had jobs with very high "autonomy" with higher wages. Immigrants that weren’t born in advanced economies were only 42% and 33% in the respective groups. Good German language skills and a German degree helped close the gap between immigrants and natives. Female immigrants had a high probability of unemployment. The participation rate of immigrants approached fully after 20 years [33]. The immigrants made substantial contributions to the economy but face considerable obstacles in the labour market that could overcome only gradually.

The earning and employment gaps were particularly pronounced in the years immediately after arrival of migrants and diminished with time after the improvement migrants’ language skills and obtaining relevant job experience. Immigrants from advanced economies or with better language skills often had better positions than other groups. Refugees and female migrants had worse labour market positions, especially in the short run. Immigrants from Africa and Asia had a lower employment rate than other groups of immigrants. In addition, there was heterogeneity in labour market performance [34; 35].

Asylum seekers and immigrants from Afghanistan, Iran, Iraq, Syria, Somalia, Eritrea, and the former Yugoslavia were less educated than others. Immigrants from EU countries and advanced economies had better education than the natives. There was a possibility than recent asylum seekers were better educated than previous immigrants. (Reliable data were not available.) In Germany, 2% of the Syrian asylum seekers which arrived in 2013–2014 had tertiary education, among natives it was 23% [22].

IMF in 2016 estimated that average budgetary expenses for asylum seekers in Germany increased by 0.12% of GDP in 2015 and could increase 0.27% in 2016 compared to 2014. Fiscal cost of asylum seekers in Germany consisted 0.08% of GDP in 2014, 0.20% of GDP in 2015 and could be 0.35% of GDP in 2016. The expected level of the initial effect on German GDP will be positive and will depend crucially on labour market integration. Relative to the baseline, in Germany the level of GDP will be lifted 0.3% by 2017. It is assumed that it is necessary about two years for the refugees to begin work. It is expected that eligible to work refugees will have a lower participation rate than natives with a gap of 5% initially, gradually declining to 3% by 2020, and a higher unemployment rate with a gap of 15% initially, gradually declining to 12% by 2020 [22].

According to the results of the study that has been done by OECD in 2015 one can conclude that Germany was among the countries (Austria, Belgium, France, Germany, the Netherlands) with long-standing destinations with many settled low-educated migrants [36]. Such categories of migrants meet difficulties in economic integration.

There are a lot of factors which shape the experience of immigrants in Germany and opportunities for economic integration among them the educational levels and industrial experience of migrants, the level of knowledge of German language, relationship between the two countries and the economic circumstances in which the migration takes place, the ethnic origin and cultural and social traditions and religion characteristics of the migrants and differences in the requirements for different categories of immigrants.

Our premise and assumption is that different levels of skills of migrants and differences in the access to labour market determine the level of the economic integration needs.

1. Migrants from the EU countries have free access to the German labour market. High educated and medium educated specialists are able to confirm their degree and to get employment contracts. In the case of long-term contracts and the perspectives of professional development in Germany, they try to get good knowledge of German. High skilled specialists have opportunities for social and cultural adaptation and use them actively.

2. High skilled immigrants with limited access to the German labour market have the same educational characteristics, but the need for economic integration is increased for them. Job search is more complicated for them even if they use “blue card”. Terms of a labour contract may be less flexible. Their knowledge of legal labour norms is not deep enough. The process of the socio-cultural integration is longer.

3. The failure of legal access to the labour market is one of the main reasons of illegal migrants’ employment. Mostly illegal workers do middle skilled and low-skilled jobs. Lack of German language skills is also a significant obstacle in finding a job and legalization of migrant status.

4. Free access to the labour market for middle-skilled migrants also implies the possibility to confirm degree and to get employment contracts. In this case, the competition on the German labour market is higher so competitive advantage of migrant middle-skilled workers is not significant and usually they have lower wages than natives. Migrants’ German language skills are necessary for effective professional interaction.

5. Many middle skilled migrants with limited access to the German labour market have to get pre-signed contracts for jobs. Some migrants work on temporary employment contracts or they could be representing in the shadow economy. Characteristics of middle skilled migrants with limited access to the German labour market in many respects are similar to the characteristics of the middle skilled migrants which have free access, but their opportunities in choosing a job are limited.
6. The failure of legal access to the labour market is a significant problem for middle skilled migrants so they do middle skilled and low-skilled jobs. They do unskilled jobs illegally if they don’t have opportunities for legalization of migrant status. Status of illegal migrants and their work in the informal economy leads to insecurity of their economic rights.

7. Low-paying jobs that don’t require special skills are available for low-skilled migrants with free access to the German labour market. In some cases, a low wage constitutes a competitive advantage for less-skilled migrant workers and serves to protect them from competition from more-skilled workers.

According to the results of the study that has been done by the OECD one can conclude that Germany was among the countries (Austria, Belgium, France, Germany, the Netherlands) with long-standing destinations with many settled low-educated migrants. Such categories of migrants meet difficulties in economic integration.

8. Low-skilled migrants with limited access to the German labour market can work only if they have got the pre-signed contract. Such migrants often use temporary employment contracts or they are in the shadow economy.

9. A significant number of unskilled migrants work illegally in households and small businesses and use national networks of migrants for looking for a job. Social and cultural integration is impossible for them.

German migration policy influence on the economic adaptation of immigrants increased, but nevertheless, there were some groups of migrants that had significantly lower level of the economic integration, among them immigrants from North Africa, refugees and others. Immigrants who didn’t speak German had more difficulties in the economic integration then others.

To summarize, it should be pointed out that the differences in the access to work and different skills and opportunities for migrants in Germany led to different level of needs in economic integration. In the further development of the study it is possible to determine and differentiate the needs of the immigrants in economic integration on the basic of the observing, follow-up survey, revealing and discussing pertinent issues of economic right to access work and economic integration of immigrants.

German migration policy development

The most important documents in the development of German migration policy are Immigration Act of 2005 and National Action Plan of Integration.

Since 2005 after enactment of a fundamental reform of Citizenship Law in 1999 and Immigration Law in 2004, immigrant integration became one of the top issues of the political and public agenda in Germany [37]. According to the law, the required period of legal residence for naturalization was reduced to fifteen years for the first immigrant generation and to eight years for the second. From the view point of rising expectations of economic growth limited access to the labour market was provided to highly skilled immigrants on a permanent basis and temporary immigration permits for entrepreneurs willing to make substantial investments. In the Immigration Law the integration of immigrants was designated distinctly as a responsibility of the state [38].

The necessity to provide for integration courses, including the German language education and lessons on German politics and society was defined in a separate chapter and was considered as very important condition for integration of the immigrants. The focus on German language skills was caused by the need to improve the level of education, vocational training, job perspectives and labour market integration, especially of the youth with migratory backgrounds and with a corresponding reduction of welfare state expenditures.

Gerdes marked that the structural and institutional conditions of integration as well as its designation as legal and political have been increasingly downplayed in favour of an emphasis on the economic, social and cultural features of integration [36]. The changes have entailed rising expectations of integration-related orientations and performances of migrants. Since November 2006 the long-term tolerated migrants should be granted a regular residence permit if they fulfill certain conditions include the availability of the regular job or a clear employment perspective.

In the 2007 Immigration Law Reform was caused by the necessity to implement some of the EU-guidelines. More restrictive preconditions for naturalization were endorsed (accoring marriage partners, young person under age of 23, criminal convictions) and the introduction of a nationwide standard citizenship test in September 2008.

The approach to the migrant integration as a measure of the contributions of immigrants’ economic and social performances to state and society is highlighted in the National Integration Plan (2007). The key aspects of this plan include language acquisition, education, occupational training, working life, culture, science, sports, media, community volunteer work, gender equality and integration on location. Integration measures are presented as “active” or “activating” integration policy in NIP. A common feature of both integration and social policy fields is a changing mode of political intervention focusing on influencing individual behaviour towards educational orientation, pro-activity and flexibility, activation of human capital [36]. This attention to skills and education is based on the widely shared assumption of a fundamental transformation to a knowledge-based society and a service economy as a matter of course.
In Germany the state employment service is possible for using by all categories of persons. The state bodies provided service provision and interact in their work with immigrants [30].

Federal Employment Agency (Bundesagentur für Arbeit) and local employment services provide support of jobseekers, assistance for job placement, vocational guidance and training for the unemployed and vocational guidance. Federal Employment Agency includes a head office, 10 regional directorates and 176 local employment agencies that use "4-phase model" that means profiling, goal setting, strategy selection, interpretation services for clients. The main duties of the Federal Employment Agency are: placement in training places and workplaces, vocational guidance, employer counseling, promotion of vocational training, promotion of further training, promotion of professional integration of people with disabilities, benefits to retain and create workplaces and compensations for reduced income, e.g. unemployment benefit or insolvency payments (Insolvency Fund).

One of the problems is that employment services don’t differentiate between immigrant categories and natives.

Integration through Qualification program (IQ) was developed by the Federal Ministry of Labour and Social Affairs in 2005 for improvement of the service for foreign-born workers and was funded for next 5 years in 2011. The program include 16 regional networks, 5 IQ competence centers for it supporting with specialization on one of the topics among them recognition, qualification, job-related German, entrepreneurship and diversity and has delivered 90 % of 240 planned project. In the pilot program that take place from September 2008 to October 2010 11 400 participants participated, around 54 present were employed. At second round from November 2010 until December 2014 integration of asylum seekers was among main directions. Funding of the pilot project for the program is expired [30].

Head Chamber of Commerce and Industry and Chambers of Skilled Crafts define business coordinate training programs and requirements for credentialing all industrial sectors.

The Federal Government, trade unions, employers’ associations and human rights organizations are the main stakeholders that act in the sphere of illegal employment of migrants [29, p. 15–16]. The position of Federal Government regarding illegal employment is that a violation of applicable law has to be under state-control.

Economic integration of immigrants is a complex problem of immigration. The solving the problem requires to develop an effective mechanism aimed at the practical implementation of the legal framework of immigration and measures for economic integration of migrants. A balance has to be between the need to protect economic rights of migrants and the desire to generate economic effect from labour migrants.

Positive German experience of the development migration integration policy can be used by other countries. The results will contribute to the evaluation of the role of economic rights of migrants and its influence on the integration of migrants into the labour market. At the same time German migration policy can be developed and can adapt the positive experience of developed countries.

Conclusion

The study addresses some qualitative aspects of migrant economic integration and German migration policy.

Germany accepted a lot of migrants and their number increased in recent years. Immigrants cover a big spectrum of economic participation but there is a wage gap and employment gap between immigrants and natives. The economic impact of economic integration of migrants includes benefits for enterprises, fiscal contributions from migrants and a high number of working years ahead and new economic opportunities for migrants. High-skilled immigrants usually make larger fiscal contributions than native-born. A lot of German labour immigrants are low skilled and middle skilled workers.

Migrants from EU countries have free access to the German labour market. German migration policy restricts access to labour market for immigrants from third countries. Differences in access to work and different skills and opportunities for migrants in Germany led to differences in their economic integration.

The key aspects of the labour migrant integration policy include language acquisition, education, occupational training, working life, culture, science, sports, media, community volunteer work, gender equality and integration on location. The "4-phase model" that means profiling, goal setting, strategy selection, interpretation services for clients and integration through qualification programs are used by employment agencies.

The economic impact of immigration will be felt by Germany for a long time so research of these phenomena is continued.

The authors believe that in this study the following terms and results are new and we make the contributions to literature: from theoretical viewpoint, we studied the labour market effects from immigration and economic integration of migrants in Germany and contribute to knowledge. We highlight the conceptual aspects of the migrant integration policy. This should lead to a better understanding of the necessity to develop labour market migrant integration policy. Our examples in the study should help understand the opportunities for the development of the migration policy. Finally, from methodological viewpoint and future direction for research, our results can be tested empirically by measuring the level of economic integration of migrants and assessing its impact on labour market performance.
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