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Economic integration of migrants in Germany

Hanna Brenzel

Dissertationen

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1 Introduction

1.1 Motivation

Within the last decade, Germany witnessed a massive immigration which exceeded the 2 million mark for the first time in German migration history. Both, changes in the institutional framework conditions, and shocks, e.g., EU-enlargement and financial and economic crises, can explain these large migration inflows to Germany. Regarding the first explanation, the European Union's eastward enlargement in 2004 and 2007, for instance, changed the institutional framework for ten European countries, resulting in free movement of persons from these new EU-member states and promoting EU-internal migration. Additionally, unlimited access to the German labor market was gained after the seven-year transition period in 2011 for the 2004 cohort and 2014 for the 2007 cohort regarding the free movement of workers. This access reinforced the scale of migration to Germany.

Concerning shocks as explanation for the increase of immigration, the global financial crisis in 2007, followed by a deterioration in the general economy and recession, provoked migration movements within the EU and towards Germany. Southern European countries especially, were heavily affected by the economic crisis which led to increased immigration from these countries. Moreover, the poor economic situation in Spain, Greece and Italy, compared to that of Germany, induced a migration-diversion effect which heavily increased the immigration of Romanians and Bulgarians to Germany who formerly have been absorbed by Spain, Greece and Italy (Bertoli et al., 2013).

These developments brought, inter alia, the migration issue and the question of integration into the open. The recent refugee crisis intensified this trend and dominates current political and public debates. Especially the question about positive and negative impacts on the receiving country are at the focus of these debates, and not infrequently myths and reality come into conflict. For this reason it becomes even more important to gain profound academic knowledge about the integration process of migrants and the implications of migration for society to offer advice for political decision-makers.

Parallel to these immigration developments, Germany witnesses an aging population due to decreasing fertility rates and longer life expectancy (Rowthorn, 2008). This demographic change causes intergenerational fiscal imbalance and raises the risk of an upcoming labor shortage. Migration is often suggested as a solution to the problem of decreasing populations. For example, Coleman (2008) showed that migration can sustain population size or at least moderate the decline. Bonin et al. (2000) argued that migration can decrease the fiscal burden

induced by the change of the age structure in Germany. Moreover, Brunow and Brenzel (2012) showed that a culturally diverse labor force has the potential to raise regional income through increased productivity and through a greater variety of consumption goods induced by migrant-specific skills. However, according to Ottaviano and Peri (2005) and Rowthorn (2008), the benefits of a culturally diverse population depend also on the degree of integration. Namely, migrants who have newly arrived and are not yet integrated or those migrants who failed to get a job yield fewer benefits than integrated migrants. Furthermore, failed labor market integration of migrants causes a burden on public authorities and decreases the social acceptance within receiving countries. Dependence on welfare payments and other government transfers, which is highly correlated with unemployment, reduces the chance of a self-determined life and impede social integration (Riphahn, 2004; Riphahn et al., 2013).

Against this backdrop, the integration of migrants is a key concern for Germany, especially in attempting to counteract the impact of the demographic change and the impending labor shortage by migration. Therefore it is crucial to understand and investigate the integration process of migrants and their performance in the labor market not least to maximize the labor supply of migrants and their contributions to the receiving society.

As all three essays within this thesis concentrate on the integration process of migrants¹ within Germany, a brief overview of the German migration history follows here, before a short summary of the underlying theories, research methods, and main findings of the essays is given.

1.2 A short history of immigration to Germany

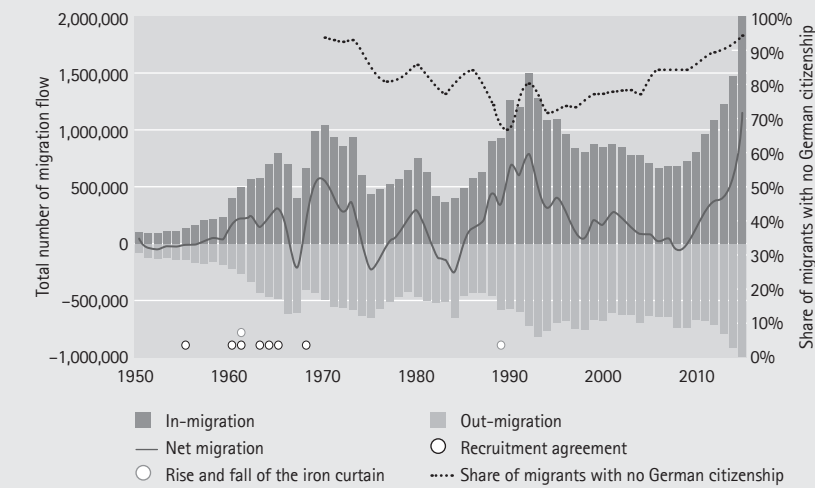
For a long time, Germany claimed that it was not an immigration country. However, since record-keeping in 1950 was implemented, almost 47 million immigration to Germany had been registered by 2015.² Early German migration history was mainly dominated by labor recruitment agreements which started in the mid 1950s and ended with the Yugoslavian labor market agreement in 1968. Within this time, Germany pursued an active recruitment policy as an answer to the upcoming labor shortage induced by the increased industrial production. This recruitment led to an inflow of almost 11 million individuals from Italy, Spain,

1 In the following, the term "migrants" and "immigrants" are used as synonyms. If not marked explicitly, migrants are defined as first generation migrants born outside Germany.

2 The migration statistic is a case-related statistic which implies the possibility that individuals are included more than once. Natives are included within the migration statistic. However, since 1970, migrants with no German citizenship can be identified separately, Figure 1.1 explicitly illustrates the foreign migration population share.

Greece, Turkey, Morocco, Portugal, Tunisia and Yugoslavia which are known as guest workers (Schmidt, 1997).

Figure 1.1: Immigration and emigration across Germany's borders between 1950–2015



Source: Own illustration, following Fuchs et al. (2015). Data is drawn from the Federal Statistical Office.
 Note: Before 1990 only former territory of the Federal Republic, after 1991 Germany. Up to and including 1956, without Saarland. In 2004, elevated migration numbers of Germans due to statistical revisions.

In 1970, the annual number of immigration reached the 1 million mark for the first time (Figure 1.1). However, as a result of the oil price shock in 1973 and the following economic crises, the German government decided to impose a total recruitment halt in order to terminate the government organized labor migration and to stop immigration to Germany.

The immigration policy of Germany thus changed fundamentally from a demand-oriented labor migration policy to family reunification and humanitarian migration. On the one hand, the legal change decreased the total number of labor migrants but created, on the other hand, incentives for the guest workers to bring their family members to Germany. This resulted in turning them from temporary migrants into permanent migrants (González-Ferrer, 2007).

In the late 1980s, concurrent with the collapse of the Soviet Union and the fall of the Iron Curtain, the migration history of Germany changed again. Especially the migration inflows in the early 1990s were characterized by ethnic Germans and asylum seekers triggered by the civil war in Yugoslavia (see Figure 1.2). This altered the composition of the existing foreign (born) population substantially within Germany and was reinforced by the enlargement of the European Union in the mid 2000s. As Figure 1.2 suggests, the immigration pattern, dominated by ethnic

Germans and asylum seekers within the early 1990s, was mainly replaced and overtaken by EU-internal migration in the 2000s. However, with the exacerbation of the conflict in Syria and other crisis-stricken countries, the share of asylum seekers dramatically increased in the current years. From 2010 onwards, the immigration steadily increased and reached its highest value on record. More than 2.1 million inflows were registered in 2015. Of course, this sharp increase was mainly influenced by people seeking protection, but still, more than 50 percent of the influx were EU-internal migrants.

To sum up, the migration history of Germany clearly shows that Germany increasingly emerged as an immigration country, initially starting with five percent of the overall population being foreign in 1970 to almost 12 percent in 2015. In the course of these events, the immigration policy and debates concerning the integration of immigrants into the labor market and society has spurred growing interest within Germany. Differences in labor market participation rates, wages, unemployment rates, and occupational positions are just a few of the possible indicators measuring successful or unsuccessful labor market integration of migrants.

Figure 1.2: Immigrant groups to Germany between 1991–2015

