
The Labour Market Integration of Immigrants in
Germany

Thomas Liebig

47

Unclassified

DELSA/ELSA/WD/SEM(2007)2



Organisation de Coopération et de Développement Economiques
Organisation for Economic Co-operation and Development

English - Or. English

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DELSA/ELSA/WD/SEM(2007)2
Unclassified

OECD SOCIAL, EMPLOYMENT AND MIGRATION WORKING PAPERS No. 47
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JEL Classification: J15, J21, J61, J62, J68, J7, J8

English - Or. English

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ACKNOWLEDGEMENTS

Thomas Liebig is economist in the Non-Member Economies and International Migration Division at the OECD Directorate for Employment, Labour and Social Affairs. This paper is based in part on visits to the key stakeholders in Germany in June and October 2004.

An earlier draft was discussed at the OECD Working Party on Migration in Santiago de Compostella on June 9, 2005. The final draft was presented at a joint conference of the German Ministry of Labour and Social Affairs and the OECD on 2 December 2005 in Berlin.

The author wishes to thank all interlocutors during the missions to Germany, as well as the Working Party and conference participants for valuable information and fruitful discussions.

SUMMARY

1. The current situation of the labour market integration of migrants in Germany has to be viewed in the light of its immigration history. During the post-war economic boom, until 1973, Germany focused on the recruitment of low-skilled foreign labour. Many of these “guestworker” immigrants settled and were joined by their foreign spouses, which has given rise to a second generation of persons with an immigrant background. In the late 1980s and early 1990s, Germany received massive immigration flows of ethnic Germans from Eastern Europe. Shortly after the peak immigration of ethnic Germans, Germany received large numbers of humanitarian migrants. German statistics only distinguish along nationality lines. This hampers assessment of the situation as this does not take account of ethnic Germans – who have German nationality and are now the most important immigrant group, although they face difficulties similar to those of other migrant groups. Assessment based on nationality is also problematic since immigrants with a foreign nationality have increasingly and selectively taken up German citizenship. There is a clear need for statistics based on the country of birth.

2. There are a large number of governmental and non-governmental actors involved at all levels – from the EU to the Federal, *Länder* and local governments. Germany is currently in the process of a major restructuring of its complex integration framework. Under the new Immigration Act which came into force on 1 January 2005, there is a uniform introduction programme for all permanent immigrants. As in the past, integration services focus largely on language training. There is little evaluation with respect to the effectiveness of this kind of training and it is generally not linked to labour market needs. Indeed, the scarce empirical evidence suggests that language training in Germany may not be very effective as a means of labour market integration. In addition to the regular integration services, there is a multitude of innovative projects. However, these are often locally-based and time-limited, and seldom designed in a way that would enable proper evaluation.

3. With respect to employment and unemployment rates, and particularly given their low educational attainment and the current economic situation, the labour market integration of immigrant men is relatively favourable in international comparison. However, immigrant women, and particularly those of Turkish origin, have very low employment rates. This is partly an outcome of policies which limited the labour market access of spouses. Most of these legal obstacles have been removed under the new Immigration Act.

4. The situation of the so-called “second generation” is of concern, as they have very low educational outcomes. This hampers their access to vocational training, which appears to have an even stronger impact on their employment prospects than on those of natives. The low educational attainment of the second generation seems to be at least partly attributable to structural features in the German education system, such as the early streaming which puts migrants’ children in a lower track. Especially problematic is the relatively late starting age for kindergarten and the prevalence of half-day education in kindergarten and school, which limits exposure to the German language at a crucial age. Immigrants’ access to self-employment is hampered by legal obstacles and a lack of information and subsequent access to financial credits. Despite positive experiences with temporary employment as a labour market integration tool for immigrants in other OECD countries, immigrants are not a focus group of the Federal temporary employment programme.

RESUMÉ

5. Pour comprendre la situation actuelle en matière d'insertion des immigrés sur le marché du travail allemand, il convient de s'imprégner de l'histoire de l'immigration dans le pays. Pendant l'essor économique de l'après-guerre et jusqu'en 1973, l'Allemagne a privilégié le recrutement de main-d'œuvre étrangère faiblement qualifiée. Un grand nombre de ces « travailleurs invités » se sont installés et ont été rejoints par leur conjoint étranger, ce qui a donné naissance à une deuxième génération d'immigrés. A la fin des années 80 et au début des années 90, l'Allemagne a accueilli des flux massifs d'Allemands de souche provenant d'Europe orientale. Peu après la crête de cette vague d'immigration, le pays a reçu de très nombreux migrants pour raisons humanitaires. Les statistiques allemandes établissent des distinctions uniquement en fonction de la nationalité, ce qui gêne pour évaluer la situation. En effet, elles ne tiennent pas compte des Allemands de souche, qui possèdent la nationalité allemande et constituent aujourd'hui le groupe d'immigrés le plus important, alors qu'ils se heurtent à des difficultés analogues à celles rencontrées par d'autres groupes de migrants. La difficulté d'évaluation que crée cette distinction sur la base de la nationalité se trouve renforcée par le fait que les immigrés qui n'étaient pas de souche allemande ont été de plus en plus nombreux à obtenir leur naturalisation à l'issue d'un processus sélectif. Nous aurions manifestement besoin de statistiques fondées sur le pays de naissance.

6. Nombreux sont les acteurs gouvernementaux et non gouvernementaux qui interviennent, depuis le niveau de l'UE jusqu'à celui des autorités locales en passant par le niveau fédéral et celui des *Länder*. Actuellement, l'Allemagne restructure en profondeur son cadre d'intégration qui était particulièrement complexe. Aux termes de la nouvelle loi relative à l'immigration entrée en vigueur le 1^{er} janvier 2005, il existe désormais un programme d'accueil uniforme pour tous les immigrants permanents. Comme dans le passé, les services d'accueil font principalement porter leurs efforts sur l'enseignement de la langue. L'efficacité de ce type de formation ne fait que très peu l'objet d'évaluations et, généralement, l'enseignement dispensé n'est pas lié aux besoins du marché du travail. Les rares données d'observation dont on dispose font penser que la formation linguistique en Allemagne n'est probablement pas très efficace comme moyen d'intégration sur le marché du travail. A côté des services d'intégration habituels, il existe une multitude de projets innovants. Toutefois, ceux-ci sont fréquemment limités dans l'espace et dans le temps, et sont rarement conçus d'une manière permettant de les évaluer convenablement.

7. S'agissant des taux d'emploi et de chômage, et compte tenu tout particulièrement du faible niveau d'instruction des immigrés et de la conjoncture économique actuelle, l'intégration des immigrés de sexe masculin sur le marché du travail est relativement aisée par rapport à ce qu'on observe dans d'autre pays. En revanche, les immigrées, en particulier les femmes d'ascendance turque, connaissent des taux d'emploi très faibles. Cela tient en partie aux politiques ayant limité l'accès des conjoints au marché du travail. Mais la plupart des obstacles juridiques de ce type ont été levés avec le vote de la nouvelle loi sur l'immigration.

8. La situation des immigrés de la deuxième génération est préoccupante vu la médiocrité des résultats scolaires qu'ils obtiennent. Cela gêne leur accès à la formation professionnelle et il s'avère que les incidences de ce problème sur les perspectives d'emploi sont plus fortes dans leur cas que dans celui des autochtones. Il semble que le faible niveau d'instruction de cette deuxième génération soit en partie imputable aux caractéristiques structurelles du système éducatif allemand, notamment à l'orientation précoce qui place les enfants d'immigrés en position peu favorable. Sont particulièrement problématiques l'âge relativement tardif de scolarisation en maternelle et la prévalence de la demie journée d'enseignement à la maternelle puis à l'école, ce qui limite les contacts des enfants immigrés avec la langue allemande à un âge clé. Par ailleurs, des obstacles juridiques entravent l'accès des immigrés au travail indépendant ; s'y ajoute le manque d'informations et, partant, d'accès aux moyens de financement. Bien que l'expérience de

l'emploi temporaire comme instrument d'insertion des immigrés sur le marché du travail se soit révélée concluante dans d'autres pays de l'OCDE, cette catégorie de population n'est pas le cœur de cible du programme fédéral d'emploi temporaire.

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THE LABOUR MARKET INTEGRATION OF IMMIGRANTS IN GERMANY

Introduction

9. Several developments in recent years have contributed to moving international migration up the policy agenda in many countries, and particularly in Germany. The first is the fall of the Iron Curtain in 1989, which opened new opportunities for East-West migration. In particular, this event was associated with large inflows, not only of legitimate asylum seekers, but also by the use of this channel by other potential migrants as a means of entry into OECD countries. In Germany, the consequences of the fall of the Iron Curtain were much more pronounced, since it triggered a dramatic increase in the inflow of people with ethnic German background from Eastern Europe.¹ The second development concerns the coming retirement of ageing baby-boomers and the smaller cohorts of youth entering the labour market. In this context, migration is seen as playing a role in alleviating the rise in the old-age dependency ratio, in helping to finance pension systems and in satisfying the needs of the labour market. The third development is the internationalisation of labour markets, which is perceived as another facet of “globalisation”, *i.e.* associated with increasing economic integration and trade flows.

10. For migration to play the role expected of it in relation to these issues, it is necessary that the current stock of immigrants and future arrivals be integrated into the labour markets and societies of the receiving countries, and to be perceived by the native population as contributing to the economy and development of the host country. The issue of the integration of immigrants is not a new one. Immigrants at all times and places have had to adapt to the host country and vice versa. The nature of the integration process has differed from country to country and over time, depending on the migration history of the country, the characteristics of arrivals, the existing programmes in place to assist immigrants upon arrival, and the general social and economic conditions in the country. The issue seems pressing now because of the large numbers of immigrants who have entered OECD countries during the past fifteen years, because integration results do not seem to be as favourable in recent years in a number of countries as they were in the past and because many countries expect that a recourse to immigrants may be necessary in the near future. The new German law on immigration reflects awareness of these facts.

11. This paper focuses on the labour market integration process of immigrants in Germany, a country which has received, after the United States, the largest inflows of immigrants in the OECD area over the past 15 years. The paper begins with a general description of the methodology that will be used for the country review, including the definition of integration, the target population and the labour force characteristics to be examined. This is followed by an outline of the main migration groups, their history in Germany, and the development of the labour market situation of immigrants, to identify the key issues. Next, the institutional framework for integration is explained, which has experienced important changes with the new law on immigration that came into force in 2005. This is followed by an assessment of some key issues that affect the labour market outcomes of natives and immigrants. Particular focus will be laid on two groups: ethnic Germans – who are the single largest migrant group in Germany; and the second

¹ This is due to the fact that the German constitution, under certain conditions, grants such persons the right to enter Germany as Germans.

generation – who are now entering the labour market in larger numbers.² The paper ends with an overall summary including recommendations.

The integration of immigrants – definition and methodology

The meaning of integration

12. The concept of “integration” with respect to immigrants can take on a number of meanings. At one end of the spectrum is the notion of an *economic or social convergence* between the immigrant and native populations with respect to a number of statistical measures, such as the unemployment rate, the employment/population ratio, average earnings, school achievement, home ownership, fertility rates, voting behaviour, participation in community organisations, *etc.*, without this convergence necessarily implying any abandonment of home country culture and beliefs. At the other end is the much broader notion of integration as *assimilation*, *i.e.* acceptance of, and behaviour in accordance with, host-country values and beliefs, including similarity of economic and social outcomes. This study will limit itself to one key element of the convergence concept of integration, *i.e.* integration into the labour market, by which is meant that gradually, over time, immigrants will tend to show the same range of labour market outcomes as the native population. For the children of immigrants, that is, “second-generation migrants”, one would expect, at the very least, outcomes that are similar to those of natives with the same socio-economic background.

13. Focusing essentially on labour market outcomes (and additionally on education in the case of the second generation) does not imply that these are the only outcomes which matter, as clearly they are not. But this choice was necessary to limit the scope of the study to manageable proportions. Furthermore, although integration into the labour market does not necessarily guarantee social integration, it is certainly a major step with respect to immigrants’ ability to function as autonomous citizens in the host country and with respect to ensuring both acceptance of immigration by the host-country population and the sustainability of migration policy over the long term. Labour market integration is arguably the single most important instrument for contributing to the integration of immigrants, in whatever way this term is defined.

14. That being said, however, this view of integration is one that tends to presuppose an intention to settle in the host country on the part of immigrants. In certain cases, entry into the country of destination is conditional on a job offer, so that the immigrant is immediately employed upon entry, and often in a job commensurate with his/her qualifications. Sometimes, the family is left behind in the country of origin, and there may indeed be little intention of eventual settlement. In situations such as this one, labour market integration can almost be said to be immediate. This may have been the case of much of the “guestworker” migration into Germany until the early 1970s. However, many migrants stayed and were joined by their family, and the changing economic environment has affected their outcomes since then.

15. In other cases, migration may be humanitarian in nature, with the immigrant having fled the country of origin as a result of war, persecution, or threat to life or limb. In such cases, the host country may be viewed as a temporary refuge in anticipation of an eventual return. In addition, such migrants have often have been subjected to significant psychological distress, and interruption of education and working

² The term “second generation” is an unfortunate one, since it suggests that the native-born children of migrants are also immigrants and thus in some sense, “outsiders”. In general, the “second generation” consists of persons not only born, but also educated in the country and in many cases, holding the nationality of the country as well. In many ways they are indistinguishable from native-born children of native-born persons. The term “second generation” is used in this report as a convenient short-hand to describe this group collectively and does not imply that persons in this category constitute a separate social group in the country that retains the social and cultural characteristics of the immigrant parents.

life. Thus, the objective of “integration” may not even be viewed as a necessary or an immediate one, except in so far as what is needed to function more or less well in the (temporary) host country. However, these migrants may stay in the host country for a large number of years, and in many cases, return is not an option even in the distant future.

16. The perception of the migrant regarding eventual settlement possibilities will be conditioned by the receiving country’s perspective on migration. For a number of countries, in particular the countries which have been settled by migration, the right of permanent residence is granted upon entry and integration into the home country is viewed as part of the national heritage, which may take more or less time depending on the individual migrant, but is generally considered to be attainable, if not necessarily automatic. For a country like Germany, which did not define itself as a country of immigration and where immigration was originally viewed as being of a temporary nature, there was, until recently, less awareness of the necessity of integration. Yet, as will be seen below, even in Germany there have been measures in place since the 1970s to foster the integration of migrants.

Methodology - target populations and labour market characteristics

17. The target populations considered in this paper will be, wherever possible, the foreign-born population, and the native-born children of foreign-born parents (the so-called second generation). Although the second generation has not itself immigrated, it is included in this report because the outcomes of this group in Germany are viewed as problematic, for reasons which are likely to be associated with the nature of the migration experience in Germany.³

18. Most German data on immigrants use the *nationality* criterion, *i.e.* they distinguish between citizens and non-citizens, but not between immigrants (*i.e.* the foreign-born) and native-born. Due to a lack of more adequate data, this report will thus occasionally have to rely on data that is based on nationality. For international comparisons, relying on the nationality criterion is problematic as it reflects the country-specific citizenship law rather than actual migration patterns (Box 1).

³ Since there is some anecdotal evidence that even the third and fourth generations may face difficulties as well, it may be of interest to examine outcomes for these groups as well. However, in general it is not possible to identify them precisely in the data. In order to address this issue and to ensure that offspring of migrants’ children can benefit from aid when necessary, the Federal Employment Agency will soon be registering the language competence and the language spoken at home of users of its services. While this may be an effective way of identifying persons with language difficulties, it will result in biased statistics on the larger target population since only potential “problem cases” will be identified.

Box 1: The definition of “migrants”

The term “migrant” refers to very different concepts, depending upon the OECD country concerned. Whereas the traditional immigration countries (Australia, Canada, New Zealand and the United States) talk about the *foreign-born* population – *i.e.* people who actually migrated – when referring to “migrants”, Germany and most European countries are implicitly referring to the *foreign nationals* when speaking about “migrants” and their labour market performance.

Germany is a case in point with respect to the growing difficulties associated with using the nationality criterion to define migrants. Up to the late 1980s, there was a large overlap between the foreign-born and the population with a foreign nationality. Until then, although most offspring of immigrants did not have German citizenship, only few of them were of working age. In general, citizenship take-up of foreign nationals was very low. Annual naturalisations of Turkish nationals, for example, surpassed the figure of 2000 for the first time only in 1990, despite a stock of almost 2 million Turks, many of whom had been in the country for more than twenty years. Furthermore, almost all immigrants at that time were foreigners. In the 1990s, the picture changed dramatically. Firstly, a group of migrants that used to be small in number grew dramatically in number – ethnic Germans from Central and Eastern Europe. This group is not identifiable in the statistics, since ethnic Germans have German nationality, and German statistics are based on the nationality criterion. Yet, ethnic migrants have migration-related problems of integration into the labour market similar to those of other migrant groups. Secondly, since the reforms of the citizenship laws in 1991 and 2000, a significant number of the non-nationals who were foreign-born have obtained German nationality.

The reliance on the nationality criterion hampers international comparisons, as citizenship laws and citizenship take-up vary greatly between OECD countries (OECD 2005). Whereas citizenship in Australia can be obtained only two years after immigration, Germany has traditionally had a relatively stringent citizenship law which, in particular, did not envisage automatic citizenship for second-generation foreigners. A comprehensive liberalisation of Germany’s naturalisation law came into effect in 2000, which resulted in higher naturalisation rates, particularly for persons from non-EU countries. Since then, foreigners are generally entitled to German citizenship after eight years (in contrast to 15 years previously) of residence. This has further blurred the line between “nationals” and “foreigners” with respect to the issues that are of interest in the present study. It also should be noted that naturalisation appears to be selective: individuals who acquire German nationality tend to be higher educated, to speak better German and to earn more. This may lead to a situation in which integration figures for “foreigners” worsen, even though the actual integration results for the migrant population as a whole stay constant or even improve.

The problems associated with the nationality criterion are now gradually being acknowledged in Germany. The new immigration law (*cf. infra*) moves away from the distinction between ethnic migrants and foreigners with respect to most aspects of integration aid. Likewise, in a recent study, the Federal Office for Migration and Refugees (2004) calls for more statistics on the foreign-born.

19. In the German case, the problems associated with reliance on the nationality criterion are particularly pronounced, due to the large number of ethnic Germans from Central and Eastern Europe. Both with respect to the current stock, but also as regards the aggregate flows in recent years, ethnic Germans are the most important immigrant group in Germany. Due to the large-scale nature of ethnic migration (and, to a lesser degree, of naturalisation), the group of foreign-born nationals of working-age is now almost as large as the group of foreign-born foreigners. As will be seen below, concerning labour market outcomes, ethnic Germans face a situation similar to that of other migrant groups. However, among the main datasets available, only the Socio-Economic Panel allows unambiguously for the identification of the second generation and ethnic Germans. For data on labour force participation, in particular of population subgroups, the usability of the Socio-Economic Panel is limited due to its panel structure and sample size.⁴ These data have to be largely based on the European Community Labour Force Survey.

⁴ For example, although migrant households are over-sampled, there are only about 430 second-generation migrants in the dataset. The current cross-sectional sample size is about 23 000 persons.

20. In the latter's data on Germany, only information on nationality and whether or not the respondent is born in Germany is available, and the latter only for 1992 and since 1999. Thus, the choice of comparison years is limited, and an approximate definition of the second generation has to be used, *i.e.* they are defined as foreign nationals who are born in Germany. Only a few OECD countries have large numbers of these so-called "second-generation foreigners". In fact, among the European OECD countries, the number of "second-generation immigrants" of working age who do not have the nationality of their country of birth exceeds 1% of the working-age population in only four countries – Belgium, Germany, Luxembourg and Switzerland. That said, it is difficult to compare labour market outcomes for the second generation at an international level using the European Community Labour Force Survey. Table 1a summarizes the distribution of the four relevant groups in the 2004 working-age population (15-64):

Table 1a: Foreign and foreign-born working-age population in Germany, 2004

Citizenship	Place of birth - Germany	Foreign place of birth	Total
German	Native-born Germans (83.3%)	Ethnic Germans + naturalised immigrants + offspring of German expatriates (6.6%)	89.9%
Non-German	Second generation (2.0%)	Immigrants with a foreign nationality (8.1%)	10.1%
Total	85.3%	14.7%	100%

Source: European Community Labour Force Survey.

By way of comparison, the overlap between the concepts of "foreign-born" and "foreigner" was slightly larger in 1992, as Table 1b shows.

Table 1b: Foreign and foreign-born working-age population in Germany, 1992

Citizenship	Place of birth - Germany	Foreign place of birth	Total
German	Native-born Germans (85.8%)	Ethnic Germans + naturalised immigrants + offspring of German expatriates (4.6%)	90.4%
Non-German	Second generation (1.4%)	Immigrants with a foreign nationality (8.2%)	9.6%
Total	87.2%	12.8%	100%

Source: European Community Labour Force Survey.

21. The assessment of labour market integration in this document will be mainly based on differences between the native and foreign-born populations – together with the children of foreign-born parents (*i.e.* "second-generation migrants") – with respect to labour force status. Whether or not a person is employed is considered here as the key integration indicator, because migrants' self-sufficiency through employment will generally be the primary aim with respect to labour market integration.

22. As the German labour market places substantial emphasis on formal qualifications, particularly of the vocational kind, educational attainment will be an additional focus, since this is likely to affect present and future employment prospects. Sectoral and occupational differences *per se* will generally not be examined, except in so far as they affect employment or employment stability, essentially because the distribution of employment among immigrants by sector and occupation will depend not only on German demand and possible labour market segmentation effects, but also on the prior education and work experience of immigrants in their countries of origin. The distribution of employment by sector and

occupation in the country of origin or among the more restricted population of emigrants from the source country cannot be expected to mirror that of the host country. In short, it seems problematic to interpret differences in sectoral and occupational distributions of employment as evidence of a lack of integration. They will therefore generally not be considered in this report. The notable exception in this respect is self-employment, which often offers immigrants a route out of unemployment.

The main migrant groups in Germany

23. Measured by the number of inflows, Germany is the second most important “immigration country” in the OECD after the United States. Indeed, with almost 13% of its total population born abroad, the share of the foreign-born in its population is even slightly higher than that of the United States (OECD, 2005). Until recently, however, Germany never defined itself as a country of immigration. This ambiguous stance has been reflected in its approach towards the integration of immigrants.

24. Since World War II, three major immigrant groups have shaped the German immigration landscape: “guestworkers”, ethnic Germans and humanitarian migrants (Table 2). Each of these groups will now be briefly discussed in turn.

“Guestworkers” and their families

25. The term “*guestworker*” generally refers to labour immigrants who entered Germany between 1955 and 1973. The mere word immediately reflects the perspective that this migration would be temporary, and, implicitly, that there would be no need for integration. During this period, Germany recruited foreign labour to accommodate the rising labour demand of the prospering post-war German economy. In 1970, most of these individuals worked in metal processing (more than 40%), construction (about 12%) and textiles (about 11%). Less than 15% worked in the services sector – in contrast to more than 40% of the native population at the time. The employment of labour immigrants was thus heavily biased towards the industrial sector, which has been declining since then.

26. In contrast to other European economies like Belgium, France, the Netherlands and the United Kingdom, Germany did not have any former colonies that could have served as a source of labour immigration. It therefore negotiated a series of recruitment treaties with emigration countries. The aim of these treaties was not to foster immigration, but to alleviate labour shortages. The first agreement was signed with Italy in 1955. Further recruitment treaties were made with Greece and Spain (1960), Turkey (1961), Morocco (1963), Portugal (1964), Tunisia (1965) and Yugoslavia (1968).

Table 2: The main migrant groups in Germany, 1993 and 2003

Migrant group	Stock in 1993	Stock in 2003
A) Immigrants¹ with foreign nationality		
-Immigrants with Turkish nationality (second generation)	n.a. ²	1 223 000 (654 853)
-Immigrants with the nationality of one of the successor states of the former Yugoslavia (second generation)	n.a. ²	846 305 (208 400)
- Immigrants with Italian nationality (second generation)	n.a. ²	428 074 (173 184)
- Immigrants with Greek nationality (second generation)	n.a. ²	259 886 (94 744)
<i>Total immigrants with foreign nationality (second generation)</i>	<i>n.a.²</i>	<i>5 834 766 (1 499 999)</i>
B) Ethnic German migrants³		
-From Poland	663 351	672 350
-From the former Soviet Union	859 140	2 145 856
-Other	247 069	270 409
<i>Subtotal</i>	<i>1 769 560</i>	<i>3 088 615</i>
C) "Humanitarian" migrants		
-Civil war refugees from the former Yugoslavia	350 000	20 000 ⁴
- <i>De facto</i> refugees ⁵ (of which tolerated) ⁶	755 000	416 000 (226 000)
-Recognised refugees and their families	266 000	346 500
-Asylum seekers	530 000	132.547
-Jewish migrants from the former Soviet Union	25 000	188 000
<i>All humanitarian</i>	<i>1 900 000</i>	<i>1 088 000</i>

Notes:

1. "Immigrants" here refers to the foreign-born.
2. For 1993 there is information available on foreign nationality, but not on the place of birth.
3. Stocks are approximated by the cumulated inflows after 1985.
4. Refugees of the civil wars in former Yugoslavia are now partly included in other groups in this section. For example, about 90 000 tolerated individuals originate from this region.
5. *De facto* refugees are persons who do not formally have asylum, but cannot be deported.
6. Tolerated individuals do not have a residence permit.

Source: Central foreigners' registry, Federal Statistical Office; European Community Labour Force Survey; Federal Office for Migration and Refugees; Federal Ministry of Interior; Secretariat calculations.

27. The recruitment period lasted until the oil crisis of the early 1970s. As a response to this economic shock, recruitment of immigrants from non-EC countries was no longer allowed after November 1973. This ban still formally remains in place – with the exception, since 2005, of the recruitment of highly-skilled workers. At the time of the end to recruitment, the foreign population in Germany numbered about 3.6 million, of whom 3.1 million had the nationality of one of the former recruitment countries. Since then, Germany's policy with respect to labour immigrants has been shaped by efforts to limit immigration from non-EC countries and, particularly in the 1980s, to promote the voluntary return of those who were already in Germany. This policy had limited success, largely because a return to Germany was

virtually impossible once the “guestworker” had left the country. Thus, contrary to original expectations, the “guestworkers” became permanent immigrants, and many were joined by family members in subsequent years. As a consequence, people from the origin countries of “guestworker” migration still account for almost 60% of the foreign population.

28. The single most important group of foreign immigrants are the Turks, who account for more than 1.2 million of the about 5.8 million immigrants with a foreign nationality living in Germany; followed by individuals from the former Yugoslavia (about 850 000) and from Italy (about 430 000).⁵ The various forms of family reunification still account for an important part of the inflow of new migrants. This is particularly apparent for the Turkish community. As a result, and despite the stop on labour recruitment, almost 20% of all Turkish nationals of working age entered Germany in the past ten years. This is mainly due to family reunification (about one-third of all family unification visas are granted to Turks – about 22 000 in 2003), and to asylum seeking, where people (mainly Kurds) from Turkey have been one of the largest nationality groups.

29. The settlement of the “guestworker” migrants and the traditionally rather stringent citizenship law – which prohibits double nationality (see below) – have given rise to a second generation of foreigners. One and a half million (*i.e.* more than 20%) of the population with a foreign nationality have been born in Germany. This phenomenon is most pronounced among the Turkish nationals, where about 35% has been born in Germany. In contrast, the share of “second-generation foreigners” among the foreign population from countries that were not former recruitment countries (not depicted separately in Table 2) is only about 10%.

Ethnic Germans from Eastern Europe

30. A particularity of German post-war immigration is the fact that one out of two immigrants into Germany has been of German origin. People from Eastern Europe who had German ancestors could generally return to Germany as a consequence of the German concept of national identity that is based on ethnicity (the “*ius sanguinis*” concept). After World War II, a first wave of “ethnic Germans” entered (Western) Germany from the Eastern part of the country or from territories with significant German-speaking population. Officially defined as “ethnic Germans” (*Aussiedler*), these are individuals with a German ethnic background from Eastern Europe and Central Asia who have entered Germany since 1950, numbering about 4.4 million individuals in total. Between 1950 and 1986, annual flows were generally between 20 000 and 60 000. However, with the collapse of the Iron Curtain, these flows increased massively and in 1990, almost 400 000 ethnic Germans entered Germany.

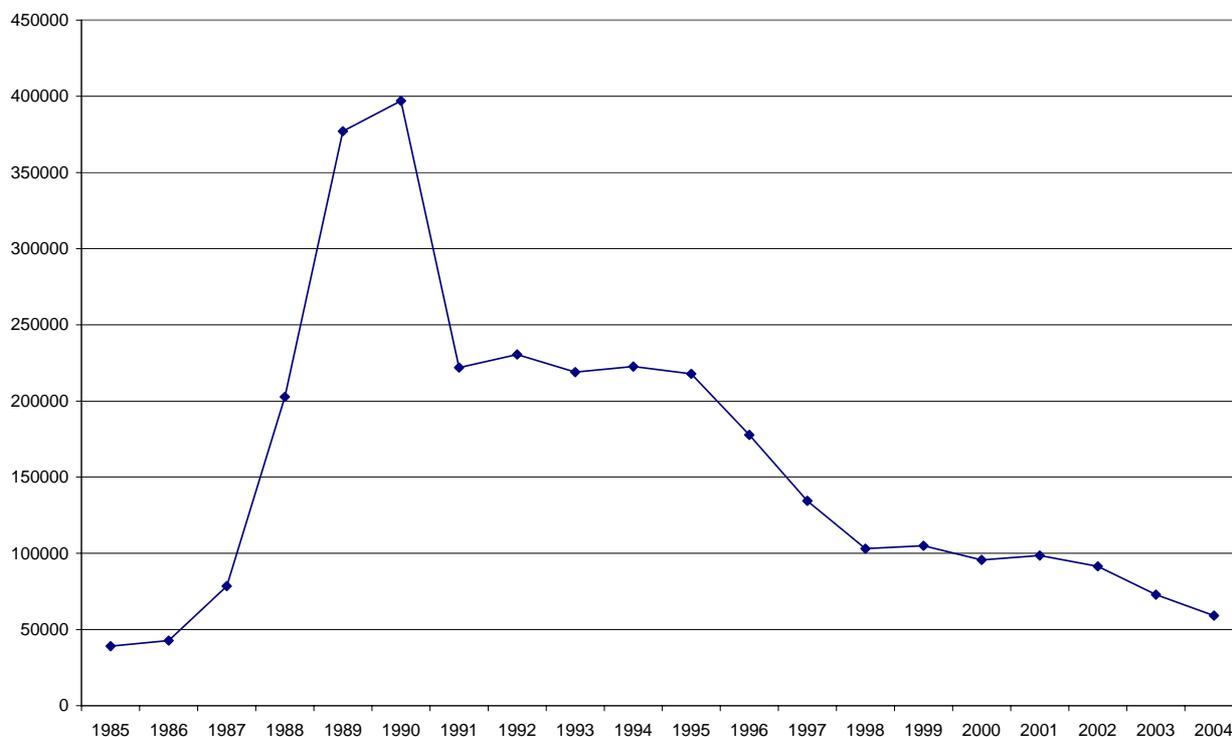
31. Following this peak, several measures were introduced to control and to limit the immigration of ethnic Germans. The most important measure was the law on the Late Consequences of World War II (*Kriegsfolgenbereinigungsgesetz*) of 1993, which virtually limited immigration of ethnic Germans to those who had lived in the successor states of the former Soviet Union, and then only under numerical limits.⁶

⁵ Not all of these individuals can be attributed to “guestworker” migrants and their families and descendants. For example, the group of individuals from the successor states of the former Federal Republic of Yugoslavia includes some recognised refugees and *de facto* refugees, and the group of Turkish nationals includes some Turkish Kurds who were granted asylum. Note also that these figures include both immigrants and second-generation foreigners.

⁶ People with ethnic German background from other countries can now only immigrate into Germany if they can prove that they suffered from disadvantages in their origin countries because of their German ethnicity. Ethnic Germans who entered before 1993 are classified *Aussiedler*, whereas individuals entering under the post-1993 framework are classified as *Spätaussiedler* (“late ethnic German immigrants”, of whom there are more than 1.3 million).

Since 1996, ethnic Germans who want to obtain the status of a *Spätaussiedler* also have to pass a language test.

Figure 1a: Annual inflows of ethnic Germans since 1985



Source: German Federal Administration Office.

32. These and other measures have resulted in a steady decline in ethnic immigration flows since the mid-1990s (Figure 1a). In 2004, less than 60 000 individuals entered Germany under the title “ethnic Germans”. However, only 20% of these had obtained the official status of being an ethnic German *prior* to entry. The majority of such entrants enters Germany as accompanying family and obtains German citizenship only after entry. This figure is in sharp contrast to the situation in the early 1990s, when more than 70% of all flows under this title entered as officially recognised ethnic Germans. At that time, the entire family was generally able to prove German heritage, mainly through some basic knowledge of the German language. The decline in the share of ethnic Germans with proven language skills among the immigrant flows under this title reflects growing deficits of the German language, which appears to have increasingly hampered the integration of this group.

33. To promote German-language skills among family members of ethnic Germans, there were several incentives in place. For example, if the family members also passed a (voluntary) language test, the procedure of acknowledgement of the status of *Spätaussiedler* for the principal migrant was speeded up. However, only a few families took advantage of this possibility. The requirements for obtaining the status of an ethnic migrant have been made more difficult to satisfy in the new immigration law. In particular, it is now required that family members have some basic knowledge of German if they want to migrate along with the principal applicant.

34. Being Germans, these ethnic immigrants have better access to the German labour market than other migrant groups. Ethnic Germans from the former Soviet Union may also receive a lump-sum

“integration allowance” of about 2 000 or 3 000 Euros, depending on their age. Indeed, the most comprehensive integration aid of any migrant group has been given to ethnic Germans, followed by recognised asylum seekers and refugees. Other immigrant groups, notably family reunification migrants, only receive aid on a discretionary basis.

35. Due to the fact that administrative data in Germany only distinguishes along nationality lines, there is little information available on the labour market integration of ethnic Germans, particularly over time.⁷ The limited information available from the German Socio-Economic Panel suggests, however, that their labour market performance with respect to key indicators such as employment and unemployment rates and the level of market income is broadly similar to that of other migrant groups.⁸ With respect to these indicators, they are placed between migrants from EU countries (who have more favourable outcomes) on the one side and immigrants from Turkey and the former Yugoslavia on the other (Frick 2004).

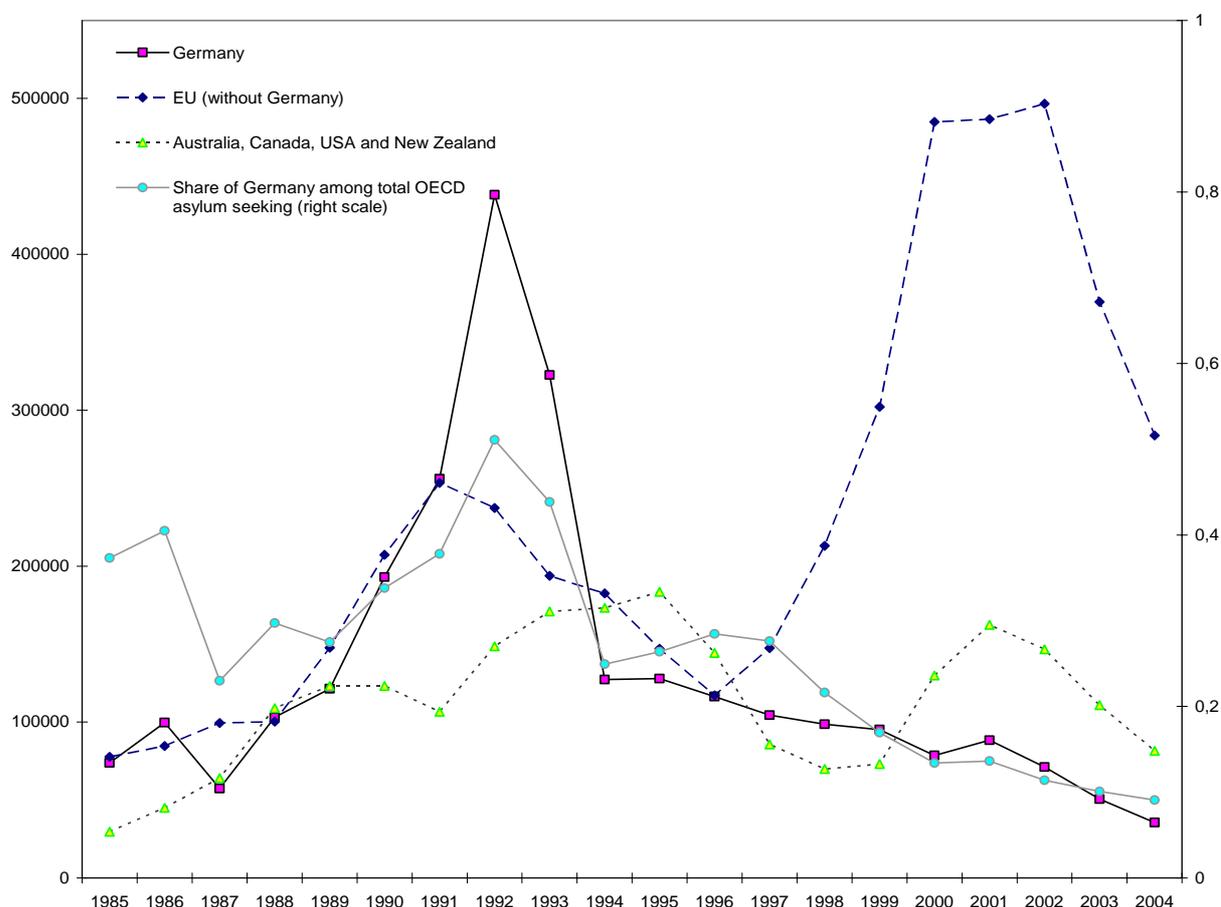
Humanitarian migrants

36. The third major group is that of *humanitarian migrants*, currently accounting for almost 1.1 million individuals (see Table 2). The 1949 Constitution of the Federal Republic of Germany obliged the authorities to consider all applications for asylum. Until the end of the 1970s, however, the annual number of asylum seekers never surpassed 20 000. Since then, an increasing number of asylum requests have been filed, a trend which accelerated at the end of the 1980s. Applications for asylum increased from less than 60 000 in 1987 to a peak of almost 440 000 in 1992 – more than the rest of the OECD in that year combined (see Figure 1b). This wave of asylum seekers arrived only shortly after the peak of inflows of ethnic Germans. Only a minor part of the asylum seeking appeared to be truly attributable to political persecution, and acceptance rates (*i.e.* the proportion of those claiming asylum who were finally granted it) were relatively low. Parallel to this development, a series of xenophobic attacks against residences of foreigners – particularly of asylum seekers and refugees – between 1991 and 1993, shocked the country. This led to a situation in which foreigner policy dominated the public debate in the early 1990s, but was almost exclusively associated with increases in asylum seeking. As a result, the constitution was changed in a 1993 revision which restricted asylum rights, and Germany participated in the Schengen and Dublin systems which implied a co-ordination of national asylum policies in the European Union. Subsequently, the number of applications declined considerably and in 2004, about 50 000 applications were registered.

⁷ A growing number of family members of ethnic German migrants are no longer automatically granted German nationality upon entry. These persons appear in the statistics as nationals of one of the successor states of the former Soviet Union.

⁸ The term employment rate is used in this report synonymously with the employment-population ratio. It is not the ratio of persons employed to persons in the labour force.

Figure 1b: Inflows of asylum seekers into Germany, the European Union, and the traditional immigration countries since 1985



Source: UNHCR.

37. Germany has also played an important role in hosting war refugees. In 1996, for example, Germany gave temporary protection to about 345 000 refugees from Bosnia and Herzegovina. A large part of these, however, left the country in subsequent years. Currently, the largest group of humanitarian migrants in Germany are so-called *de facto* refugees (416 000 in 2003). This means that they have not legally obtained asylum, under either the provisions of Germany's basic law or the Geneva convention, but cannot be deported due to on-going conflict in their home countries, lack of a passport, or other obstacles. About half of the *de facto* refugees are "tolerated", which means that they do not have a residence permit. About 150 000 of the tolerated, mainly from the former Yugoslavia, have resided in Germany for more than four years.

38. Since 1991, Germany also has a settlement programme for Jewish immigrants from the former Soviet Union, with the intention of fostering the Jewish community in Germany. About 200 000 Jews have taken advantage of this opportunity to date. Though the Jewish resettlers are not required to prove any links with Germany, their status upon immigration with respect to integration aid is basically equivalent to that of ethnic Germans, *i.e.* they receive more integration support than other migrant groups. They also

have unrestricted labour market access. Unrestricted labour market access is also given to people who have formally obtained asylum under the Geneva Convention. Other groups of humanitarian migrants only have restricted labour market access. In addition to a labour market test, a one-year waiting period applies for asylum seekers and tolerated refugees.

39. In sum, Germany has been a country of immigration since World War II. This trend accelerated at the end of the 1980s and the early 1990s, when Germany faced very large immigration flows which were considerably above the inflows observed in all other OECD countries with the exception of the United States. These flows were mainly of ethnic Germans and humanitarian immigrants, *i.e.* independent of the situation on the labour market. It is against this particular background that the evolution of the labour market situation of the foreign-born has to be evaluated.

Evolution of the labour market situation of people with a migration background

40. In recent years, in the wake of the new immigration law, the labour market integration of migrants has received increasing attention. Up to the early 1990s, the labour market situation of the foreign-born was quite favourable, and fairly similar to that of natives.⁹ A notable exception concerned immigrant women, who always had very low employment rates. Among this group, Turkish women stand out as having particularly low rates of well below 40%.

41. However, over the past ten years, the integration performance of immigrants has been less favourable. This is linked to the economic stagnation which Germany has been suffering since then, with the exception of the years between 1998 and 2000. The economic stagnation began at a time of very high immigration inflows. Foreigners – and especially the Turks – were particularly affected by the decline in employment levels from 1992 to 1997, *i.e.* during and after Germany's recession of the early 1990s: whereas the employment rate of Germans declined by 3 percentage points, the employment rate of foreigners dropped by about 10 percentage points (Figures 2a and 2b). Between 1997 and 2001 – *i.e.* during the economic upswing, the gap between foreigners and German nationals narrowed. However, along with the worsening economic situation, there was again a strong decrease in foreigners' employment since 2001, and the current gap in employment rates is almost as large as in 1997. This higher sensitivity of immigrants compared to nationals, with respect to changes in the economic situation, has been observed in many OECD countries (OECD 2005: 60f.; Chiswick, Cohen and Zach 1997).¹⁰

42. Particularly noteworthy is the strong decline in employment rates since 1992 of ethnic Germans who are recent arrivals.¹¹ In 1992, their employment rates matched those of natives. However, their rates have fallen since then to currently 13% and 19% below those of native men and women, respectively. The decline has been particularly steep recently, *i.e.* over the period 2001 to 2004, which indicates that recent arrivals are even more affected by the slack economic conditions than immigrants that have already been in the country for a longer period. It is also noteworthy that both Turkish men and women have experienced a notable decline in employment from 2003 to 2004. Figures 2a and 2b also show that for men (though less

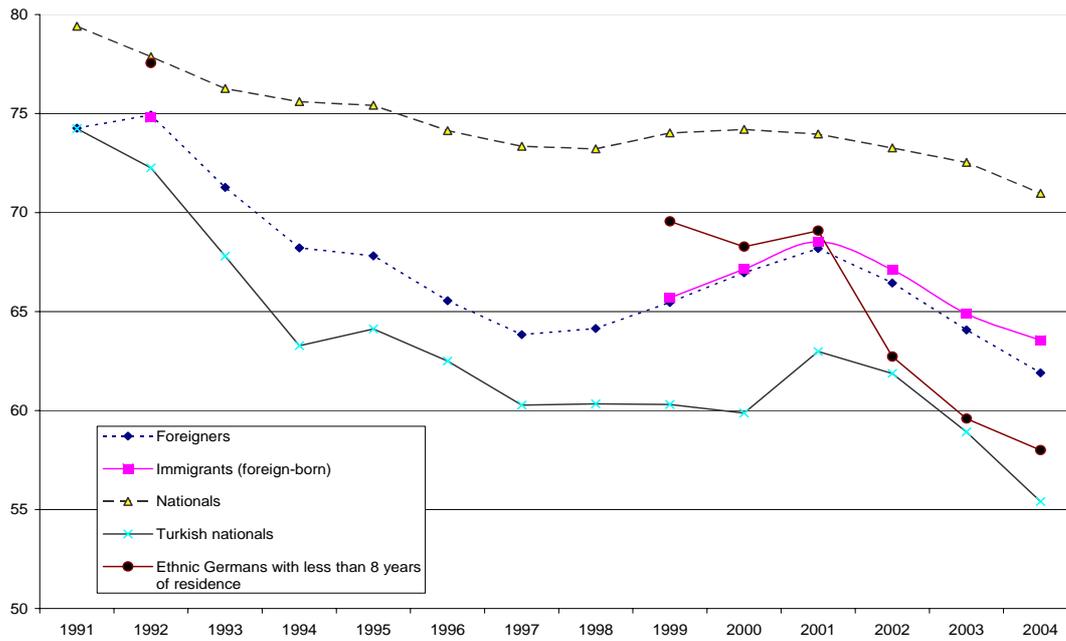
⁹ Most immigrants are in the western part of Germany. The analysis will not differ between the eastern and western part of the country. Due to the more unfavourable economic conditions in the East, the relatively few immigrants in eastern Germany fare worse than their western counterparts. However, in relative terms (eastern immigrants *vs.* eastern natives) they have outcomes that are largely comparable to those observed in the west. In any case, the differences in relative terms are too small to make a sizeable difference for the entire country.

¹⁰ It was particularly pronounced with respect to recent arrivals in Sweden [DELSA/ELSA/(2004)13].

¹¹ These are defined in Figures 2a and 2b as foreign-born nationals with less than eight years of residence. Since citizenship for foreigners is only available after a minimum of eight years of residence, foreign-born nationals with less than eight years of residence are almost exclusively ethnic Germans.

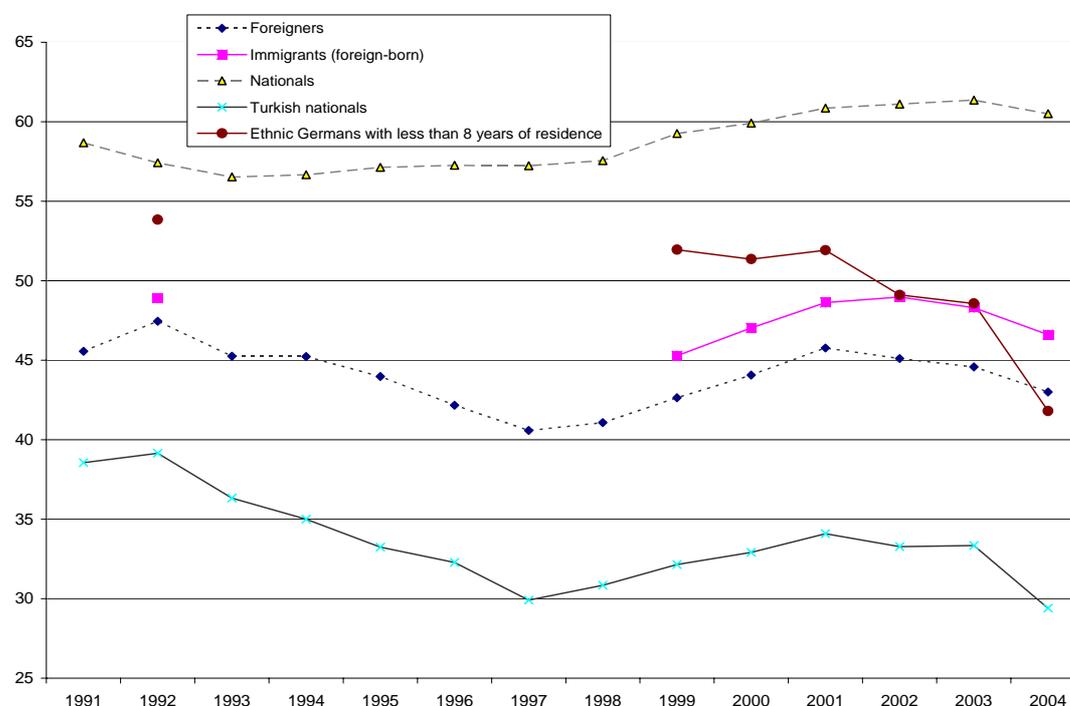
for women) the employment rates of foreigners and foreign-born match very closely, but again the gap has increased since 2001. These latter two observations may be partly attributable to selective naturalisation of immigrants with a foreign nationality, particularly of those of Turkish origin (see Box 1).

Figure 2a: Employment/population ratios of German nationals, ethnic Germans, Turkish nationals, foreigners and foreign-born, men



Source: European Community Labour Force Survey.

Figure 2b: Employment/population ratios of German nationals, ethnic Germans, Turkish nationals, foreigners and foreign-born, women



Source: European Community Labour Force Survey.

43. The relatively favourable picture in the early 1990s and the subsequent decline also hold true in international comparisons, as Table 3 shows. In 1992, only Austria and Canada had higher relative employment rates of immigrants *vis-à-vis* the native-born than Germany. Currently, Germany has lower ratios than all other countries depicted in Table 2, with the exception of Denmark and the Netherlands.

Table 3: Evolution of the ratio of the employment-population rates (immigrants/native-born), selected OECD countries, by sex

		Germany	Sweden	Austria	Australia	Denmark	Netherlands	United Kingdom	France	Canada
2004 ¹	Women	0.77	0.82	0.87	0.85	0.76	0.73	0.82	0.83	0.87
	Men	0.90	0.85	0.96	0.94	0.78	0.83	0.93	0.97	0.98
1999	Women	0.76	0.77	0.92	0.84	0.73	0.76	0.83	0.70	0.92
	Men	0.89	0.79	1.01	0.91	0.75	0.80	0.89	0.92	1.00
1992 ²	Women	0.85	0.70	0.97	0.86	0.80	0.75	0.86	0.80	0.97
	Men	0.96	0.72	1.01	0.93	0.80	0.75	0.91	1.00	0.98

Note: 1. Data refer to 2003 for Australia and to 2002 for Canada.

2. Data refer to 1995 for Sweden and Austria, and to 1993 for Canada.

Source: European Community Labour Force Survey, except for Australia (Labour Force Survey) and Canada (Survey of Labour and Income Dynamics).

44. A similar picture arises when comparing participation rates (Table 4). Germany's relatively low participation rates of immigrants are driven by the very low participation rates of immigrant women, among whom Turkish women stand out again with a participation rate of currently below 40% – only slightly more than half the figure of Turkish men.

45. Given the overall high unemployment rates in Germany, it is not surprising that the absolute unemployment rates of the foreign-born are high in international comparison. However, Table 4 shows the relative unemployment rates of natives and foreign-born are lower than in other OECD countries that also do not select migrants on the basis of their skills.

Table 4: Labour force characteristics of the native and foreign-born populations, selected OECD countries, 2004

	Participation rate		Unemployment rate		
	Native-born	Foreign-born	Native-born	Foreign-born	Ratio
Men					
Austria	76.7	79.1	4.3	11.2	2.6
Australia	83.7	79.3	6.0	6.5	1.1
Canada	83.2	83.2	5.5	6.6	1.2
France	75.1	77.6	8.0	13.6	1.7
Germany	79.1	78.8	10.3	18.3	1.8
Denmark	85.1	74.1	4.4	14.4	3.3
Netherlands	85.0	76.2	3.6	10.3	2.9
Sweden	80.7	74.6	6.2	13.9	2.3
United Kingdom	82.0	78.5	4.7	7.3	1.5
Women					
Austria	64.1	60.1	4.3	10.7	2.5
Australia	70.0	59.7	6.1	6.5	1.1
Canada	72.4	68.9	4.9	6.8	1.4
Denmark	77.4	61.9	5.2	10.3	2.0
France	64.5	58.2	9.9	17.2	1.7
Germany	66.9	54.9	9.6	15.2	1.6
Netherlands	71.2	56.0	4.3	10.6	2.5
Sweden	76.9	68.4	5.2	12.2	2.3
United Kingdom	69.6	59.3	3.9	7.3	1.9

Note and Source: See Table 3.

Due to the above-mentioned data limitations, representative figures on the second generation's labour market integration can only be provided for those persons who have a foreign nationality (*i.e.* native-born foreigners), and international comparisons can only be made for a limited number of countries (Table 5a).

Table 5a: Employment rates of native-born nationals and native-born foreigners, 25-34 years, 2004

	Native-born nationals (1)	Native-born foreigners (2)	Ratio [(2) : (1)]
Austria	0.85	0.64	0.75
Belgium	0.84	0.76	0.90
France	0.79	0.71	0.89
Germany	0.78	0.66	0.84
Netherlands	(0.89)	(0.75)	(0.84)
Sweden	0.83	0.88	1.06
Switzerland	0.87	0.85	0.98

Note and Source: See Table 3.

46. These figures show that the employment rate of Germany's second generation with a foreign passport in the age-group 25-34 years (*i.e.* at a time when most people will have ended their formal education¹²) is low, both in absolute terms, but also with respect to their German counterparts. Among the limited number of countries for which this comparison can be made, only Austria has lower figures.

47. Since the number of second generation foreigners is considerably larger in Germany than in all other countries depicted in Table 5a, it is possible to disaggregate by gender and to depict – for more recent years – unemployment ratios as well. Table 5b shows the development of the key labour force characteristics of the second generation and of native-born Germans since 1992.

Table 5b: Evolution of labour force characteristics of native-born foreigners relative to native Germans in the age-group 25-34 years, by gender

		1992	1999	2004
Ratio of employment rates	Women	0.84	0.85	0.76
	Men	0.94	0.92	0.88
Ratio of participation rates	Women	0.84	0.82	0.80
	Men	0.94	0.98	0.99
Ratio of unemployment rates	Women	1.5
	Men	...	1.9	2.0
Percentage of native-born foreigners in the age-group 25-34		0.9	2.6	4.1

Source: European Community Labour Force Survey.

48. Second generation foreigners show a similar trend in key labour market outcomes over the past decade to those of immigrants. Since 1992, there has been a notable deterioration in their employment rates relative to those of German natives. The situation is particularly worrying for second generation women, whose employment rate currently reaches less than 80% of those of natives of the same age group. It is also worth noting that the share of the second generation in that age group almost quintupled since 1992. Together with the above observations, this illustrates the increasing scale and scope of the problem of labour market integration for the second generation.

¹² The impact of the educational attainment of immigrants on their labour market integration and the subsequent educational attainment of the second generation will be discussed in more detail below.

The framework for integration policy

The legal framework

49. Traditionally, the legal and institutional framework for the integration of foreigners in Germany has been characterised by a reactive and subsidiary approach. The most pressing integration needs were met only selectively as they became apparent and not embedded in a consistent approach that would target the integration of all permanent immigrants.

50. After the first oil shock in 1973 and the subsequent end to labour recruitment, it became increasingly clear that the concept of temporary “guestworkers” no longer reflected the reality of most immigrants. As a first step, in 1974, language training for “foreign workers” was introduced. In 1978, the task of integrating foreigners was officially acknowledged by the Federal government for the first time, and the post of an “officer for the promotion of the integration of foreign workers and their family members” was established.¹³

51. However, the official policy denied, until very recently, that Germany had become a country of immigration,¹⁴ and largely neglected the need for integration. This became most apparent in the efforts to promote voluntary return in the early 1980s, which offered financial incentives for non-EU foreigners willing to return to their countries of origin. These financial incentives are no longer in place.

52. The legal framework prior to the new Immigration Law of 2005 contained a variety of measures that kept foreigners out of the labour market. Until 1990, when a revised Foreigners’ Law came into force, the regulation of the residence of foreigners – including the prolongation of residence – was largely based on discretionary decisions by local authorities. The Foreigners’ Law of 1990 increased legal security for immigrants, but the resulting permit system was quite complex. Until 2005, six different categories of residence status and a corresponding system of labour permits co-existed.¹⁵ In addition to the legal uncertainty which this situation created, it also led to varying degrees of labour market access for foreigners. Only EU citizens and foreigners with an unlimited residence permit – which was generally only granted after at least five years of residence in Germany or for acknowledged refugees – did not need a separate work permit. For all others – *i.e.* about one third of the foreign population – labour market testing applied.¹⁶ This meant that they could only obtain a work permit for a particular job if neither Germans nor foreigners with a privileged status were available and if no “negative effects” on the regional labour market could be expected. Until December 2000, this applied also to a prolongation of the work contract. Between 1997 and 2000, asylum seekers and quasi-refugees could not work in Germany, whatever their length of stay. In 2001, this provision was abolished in favour of a one-year waiting period and the subsequent labour-market testing as outlined above (see Integration Officer 2002). A one-year waiting period and

¹³ The situation with respect to the ethnic migrants is very similar. In 1988, when annual immigration of ethnic migrants surpassed 200 000 for the first time, the office of an officer for ethnic migrant affairs was created.

¹⁴ In a reaction to a parliamentary question on the “situation of the Federal Republic of Germany as a country of immigration” in 1996, the (former) government explicitly denied that Germany has evolved into an immigration nation (Bundesregierung, 1996).

¹⁵ The structure for labour immigration has thus been one of setting up a general end to labour recruitment and then establishing a plethora of exceptions governed by ordinances (Liebig 2004).

¹⁶ In addition to the residence requirement, a variety of other conditions had to be met, such as *inter alia* non-dependence on social welfare and at least basic German language knowledge. These and other conditions have led to a situation in which some people with more than five years of residence have not been able to obtain an unlimited residence permit.

labour-market testing also generally applied to spouses that immigrated under the title of family unification.

53. In its original version, the 1990 Foreigners' Law did not mention the task of integration. Only in a 1997 amendment was the Office of the Federal government's Commissioner for the Affairs of the Foreign Population given a legal basis and integrated into the Foreigners' Law. On this occasion, promoting the integration of foreigners was mentioned specifically as one of the Commissioners' key tasks.¹⁷ By doing this, the integration of foreigners became, for the first time, a formally established responsibility of the Federal government. However, this legal foundation was never intended to lead to a comprehensive approach at the Federal level. The principal tasks of the Commissioner are monitoring and reporting on relevant developments in the migrant and second generation populations, and providing advisory services for the Federal government.

54. As a consequence of the lack of an explicit legal basis for the promotion of foreigners' integration, the Federal government has, when it took action, resorted to its constitutional powers in other areas, such as employment promotion, youth support and the financing of the welfare services. Where this was not deemed sufficient, subnational and non-governmental actors stepped in. The latter receive funding from all three government levels. This has resulted in a large variety of governmental and non-governmental actors at all levels, shared responsibilities, and a plethora of co-financed and project-based activities.

55. Accordingly, the approach to integration was not uniform, and the responsibilities were divided among different ministries. Even within each ministry, integration aid has been subsumed under several budget items. This has contributed to the complexity of the structure. It is thus difficult to pin down the exact amount spent on integration services by the Federal government. Calculations of the newly-established Immigration Council (2004) showed that in 2004, the Federal budget encompassed about 500 million Euros for integration-related measures, which were spread among the Ministry of the Interior (about 180 million), the Ministry for Economics and Labour (about 165 million), the Ministry for Family Affairs, Senior Citizens, Women and Youth (145 Million) and the Ministry for Education and Research (5 Million). However, most of these funds were allocated for language courses, which are largely administered by the Ministry of the Interior since 2005 (Table 6 below). This has substantially lowered the migrant-specific budgets in the respective Ministries for Economics and Labour and for Family Affairs, Senior Citizens, Women and Youth (see Integration Officer 2005).

56. Although not to be confounded with integration aid, it should be noted that migrants have access to the regular social assistance payments like any citizen. Indeed, the social security system does not distinguish among claimants along nationality lines. This may, in some cases, lead to a situation in which migrants receive social assistance payments while having no or restricted access to the labour market. The only exception with respect to the entitlement to regular social assistance are asylum seekers, who receive somewhat lower payments. In this respect, it should be noted that studies have not generally found a higher dependence by immigrants on social assistance: though immigrants are five times more likely to receive social assistance than natives, this increased dependence is mainly due to their less favourable socio-economic characteristics (Castronova *et al.*, 2001).

57. The gradual and reactive approach towards the integration of foreigners is also reflected in the traditionally stringent citizenship law. Only the 1990 Foreigners' Law established a legal claim to

¹⁷

In fact, the changes in the name, staff and responsibilities of the Commissioner for the Affairs of the Foreign Population (who is currently named Officer of the Federal Government for Migration, Refugees and Integration) during the 25 years of its existence mirror the historical development of the integration debate in Germany (see the overview in Geiss 2001).

naturalisation for young, long-term foreign residents. Despite facilitations for naturalisation, the traditional German concept of citizenship, which has been based on *ius sanguinis*, still dominated. By not automatically granting citizenship to the “second-generation”, Germany implicitly expressed the view that they would eventually return to their parents’ country of origin. In what might be considered with hindsight to be a prelude to a new approach towards immigration and integration, a new law on naturalisation was introduced in 2000. This law established automatic German citizenship for most persons of the second generation.¹⁸ However, dual nationality is only accepted until the age of 18. At that age, these individuals have to decide whether they want to maintain their German nationality, which generally obliges them to give up an eventual other citizenship. Dual nationality is thus still generally forbidden for adults, although there are some exceptions.¹⁹ Despite higher take-up rates of German citizenship in recent years – from well below 50 000 until the mid-1990s to more than 140 000 between 1999 and 2003 *per annum* – most “guestworker” migrants and their families have still not obtained German nationality. Indeed, despite the liberalisation of citizenship law since 1990, the average annual naturalisation rate of the foreign population from 1988 to 2003 was 2.8%, compared to 3.2% for the United Kingdom, 3.6% for Denmark, and 6.5% for Sweden and the Netherlands.²⁰

58. In 2000, at a time when shortages in the ICT sector were deemed to be an obstacle to growth, the German government introduced a so-called “Green Card” for foreign ICT workers, which paved the way for a new immigration law in Germany. After surmounting several obstacles and revisions, the final draft of the law was approved by a broad majority in both chambers of parliament. The new law, which entered into force on January 1, 2005, formally acknowledges integration to be a government task and assigns the key responsibilities in this respect to the Federal government. One of the key changes is the establishment of integration courses. Similar programmes have been recently introduced in several other OECD countries such as the Netherlands, Denmark and France (see the overview in OECD 2005: 106ff.). Box 2 provides an overview of the main changes with respect to integration under the new immigration law.

¹⁸ Automatic citizenship is generally only granted if one parent has an unlimited residence permit.

¹⁹ For example, bilateral agreements with several EU member states explicitly allow for dual citizenship. Such agreements are currently in force with Italy, Greece, Portugal, Ireland, France, United Kingdom, Belgium and the Netherlands. Dual citizenship may also be accepted in the case of personal hardship (*e.g.* when the release from the foreign nationality would imply considerable disadvantages with respect to property rights).

²⁰ Note that the figure for naturalisations in Germany is upward biased, since it includes ethnic Germans until 1999. Data for France are not available, and there are no comparable figures for Australia and Canada, since these two countries show naturalisation rates based on the foreign-born population.

Box 2: The new German integration programme

On 1 January 2005, a new immigration law entered into force, which comprehensively alters the immigration structure in Germany. It places particular emphasis on integration and assigns key responsibilities in this area to the central government, particularly to the Ministry of the Interior. However, the Ministry of Economics and Labour remains responsible for the actual labour market integration, since this is not covered by the newly-established initial integration courses.

The change most directly affecting integration is the establishment of integration courses, which are conducted by certified private or semi-public providers. These courses represent, for the first time, a uniform framework for the integration process available to all migrant groups. Courses are scheduled to have a maximum of 25 participants and are financed by the Federal government on a per capita basis (2.05 Euros per participant-hour). It is estimated that about 194 000 immigrants will participate in such courses in 2005, including 40 000 ethnic migrants and 56 000 foreigners that are resident in Germany.

The courses comprise 630 hours, of which 600 hours are basic language training and 30 hours an “orientation course” about German history, its culture and political system. They replace the former system of language courses that differed among the foreigner group concerned (see Table 6 below). The 600 hours of language courses are divided between a basic course of 300 hours with three modules of 100 hours each and a supplementary course of a further 300 hours. The course ends with a test and a subsequent certification of the knowledge obtained. The modular approach allows migrants that have some prior knowledge of German to skip part of the course.

New arrivals from non-EU member states are entitled to such courses (indeed, in many of these cases the courses are compulsory), unless it is apparent that there is little integration need. This latter case is, *inter alia*, assumed for highly-skilled foreigners with some knowledge of the German language. Ethnic migrants are entitled to participate in the same courses. Depending on course availability, foreigners already resident in Germany and in need of further integration aid can also take part. If they depend on public welfare, they may even be obliged to participate. However, current funds allocated to the participation of individuals who are already resident are only sufficient for the inclusion of less than 1% of the total foreigner stock per annum, *i.e.* unlikely to cover all foreigners in need.

By providing the same courses for ethnic Germans, humanitarian migrants and other immigrants, the previous separation among migrant groups with respect to integration aid will be largely abolished. Immigrants – both current residents and new arrivals – may be obliged to participate in an integration course if they have limited German knowledge. If an immigrant falls into this latter category but does not participate in an integration course, he may face sanctions such as cuts in social benefits of up to 10%. If an immigrant is entitled to long-term unemployment aid, the cuts may amount to 30%. In addition, immigrants with a foreign nationality may not get their residence permit prolonged. On the other hand, successful completion shortens the residence period required for naturalisation of foreign nationals. The general approach has thus been described by the German authorities as a “rights and responsibilities” contract: the government engages more actively in the area of integration, but also demands more active efforts from immigrants than in the past.

With the new law, the former Federal Office for the Recognition of Refugees received comprehensive responsibilities in the area of integration and is now named the Federal Office for Migration and Refugees. Previously, the Office – which is under the supervision of the Ministry of the Interior – was merely in charge of the recognition of humanitarian migrants. Since the implementation of the new law, it is a co-ordination centre for all migration and integration-related matters. Its responsibilities include the administration of the newly-established integration courses, *i.e.* it certifies the providers and co-ordinates the courses. The Office is also responsible for the development and co-ordination of further integration activities, in particular a new structure for social advice. Furthermore, it finances projects aimed at social integration and provides information on integration-related activities. The Office is now also responsible for the central foreigners’ archive. Finally, an Advisory Council for Immigration has been established.

59. Under the new law, the number of residence permits is limited to two – a temporary and a permanent one. Furthermore, separate work permits are no longer issued. This, however, does not imply

that all people with a residence permit have labour market access. In particular, there is a large variety of different subcategories within the temporary permit, with varying degrees of duration and labour market access.²¹ The situation thus remains relatively complex, and labour market testing prior to receiving the permission to work in principle still applies for many migrant groups without a permanent residence title. However, the new law has increased transparency since it is directly apparent from each subtitle whether or not a foreigner gets labour market access. Furthermore, there are two important exceptions to labour market testing for people who do not initially have a permanent residence permit. Family unification migrants now get the same labour market access as the principal migrant immediately upon immigration (*i.e.*, the above-mentioned labour market testing may not apply for them even if they have initially a non-permanent permit). In addition, the labour market test does not apply for people who were granted asylum under the Geneva Convention. The new law also brings significant improvements from an analytical point of view. The “one-stop government” and the involvement of the Federal Employment Agency in the permit granting imply matching of residence-relevant with employment-relevant information. This could also improve the available data on foreigners’ and migrants’ labour market integration. Currently, for example, it is not possible to state which type of residence permit employed or unemployed foreigners have, which hampers an evaluation of their labour market integration. For example, it cannot be assessed to which degree the higher unemployment figures of foreigners are associated with restricted labour market access of certain groups of foreigners.

The role of sub-national governments and non-governmental actors

60. At central government level, the institutional structure with respect to the integration of foreigners was quite complex. There has been notable improvement in this respect under the new immigration law, but only at the level of the central government. Indeed, the new law explicitly mentions a large variety of sub-national and non-governmental actors as stakeholders in the integration programme. Integration support is generally (co-) financed by the respective ministries in charge, but not provided by government agencies. Integration measures are generally carried out by semi-public welfare services, adult education centres, or local authorities. These actors often receive multi-level funding from the European Union and the three levels of government.

61. In recent years, there has been a blossoming of regional, generally project-based activities. Particularly important in this respect is the European Union’s Equal initiative, which aims at promoting labour market access of disadvantaged groups. For the period from 2000 to 2006, it provides co-financing of project-based activities that are developed and co-ordinated through regional networks. About one fourth of these networks have a focus on migrants’ access to the labour market – and in particular that of the second generation. The total budget allocated to Germany in the framework of the Equal programme is 500 million Euros. Together with the national co-financing, funding for the programme in Germany amounts to approximately 1 billion Euros. Data provided by the European Commission show that about 290 million Euros of that sum have been spent on programmes exclusively targeted at migrants, and an additional 150 million on projects that have migrants as a key target group.

62. Under the German federal system, sub-national governments play a major role with respect to integration policy. In addition to their responsibilities in the area of the education of migrant children (see below), the *Länder* are also responsible for the execution of the federal laws and co-finance local and federal integration measures. Although the main responsibilities with respect to integration are allocated at the central and *Länder* level, ultimately integration has to be achieved locally. Indeed, a recent survey by the Federal Office for Migration and Refugees (2004) indicated that the largest share both of financing and implementation of integration activities seems to be attributable to the local authorities. Most major local communities have established advisory services for migrants or even run their own integration offices,

²¹ The categories under the new system are based on the purpose of residence.

such as *e.g.* Stuttgart or Frankfurt. At the local level, the implicit hierarchy among immigrants with respect to integration aid that dominated at the federal level until 2005 – ethnic Germans, approved asylum seekers and refugees, other foreigners – has generally not been applied, and integration-related services have been open to all migrant groups.

63. A particular role is played by the welfare services, which were the first actors to provide integration support to migrants. These receive funding from the respective ministries for their advice services. Box 3 explains the special role of these services in the German integration framework.

Box 3: The role of the welfare services

A particular feature of the German welfare state is the role of non-governmental actors. In contrast to Nordic welfare states like Sweden, the German welfare system relies largely on semi-public and non-governmental institutions (see Esping-Andersen 1990). This is particularly apparent with respect to the integration framework and has contributed to its complexity. Among the most important actors in this respect are the welfare services, which are linked to the major stakeholders in German society, *i.e.* the labour unions and the churches. They are thus non-governmental actors, but largely financed publicly as they provide services for a broader public. The new immigration law assigns them a stakeholder role in the development of new integration services.

There are six welfare services, but only three of these have a large scope with respect to services targeted at migrants. They gradually began to provide services to migrants since the late 1950s and were thus among the first integration actors. Initially, their migrant-related services were financed by the welfare services' own funds and focused on translation services, legal advice, housing issues and return advice (see Bosswick, Bronnenmeyer and Heckmann 2001). Integration-related issues were not the focus of these services, this only changed after the end to labour recruitment. In the late 1970s, the welfare services' role with respect to immigrants' integration advice was put on a formal legal basis and financed by the government.

Originally, there was a strict distribution of responsibility among them according to the migrant's country of origin. The *Caritas* (the welfare organisation of the Catholic Church) was in charge of Italians, Portuguese, Spaniards and Catholic Yugoslavians; the *Diakonie* (the welfare organisation of the Protestant Church) of the Greek; and the *Arbeiterwohlfahrt* (labour welfare services; linked with the Social Democrats) of all non-Christian nationalities (*i.e.* Turks and non-Catholic Yugoslavians). At the beginning of 1999, this distinction was officially abandoned, and these NGOs may now offer their services to any group at their own discretion. However, a *de facto* separation among nationality lines has remained. The services are now mainly focused on "social advice", and labour market integration is generally not emphasized as a priority. The welfare services have also been one of the principal providers of language training for migrants and are now among the main contractors for the new integration courses.

64. In addition, migrant organisations are also increasingly active. In the case of the Greek and Italian communities, semi-public organisations have been supported by the government of the country of origin since the time of the guestworker migration. In the case of the Greek community, these services consisted of schooling; whereas the Italian government financed projects for vocational training of Italians abroad through subsidiaries of the Italian labour unions. There has been a recent blossoming of organisations among the Turkish community, particularly of the self-employed. This has, *inter alia*, led to the recent establishment of Turkish-German business centres in several major cities. In Cologne, the first German-Turkish Chamber of Commerce was established in October 2003.

65. Due to the great importance of *formal* certification in general and vocational training in particular, the Chambers of Commerce and the Chambers of Trade play a key role with respect to the labour market integration of immigrants. One of the key tasks of the Chambers is advising employers and apprentices on most training-related matters. They also have to certify a trainer's/company's ability to provide vocational training.

66. To provide an overview of the complex integration structure and to better co-ordinate the host of activities, the Federal Office for Migration and Refugees (2004) conducted a comprehensive survey, covering more than 12 000 actors. One of the central results was that the statistical basis for measuring integration activities in Germany is very weak. For example, the actors could generally not provide information on the target groups. Furthermore, no reliable estimates could be obtained with respect to the amount invested in integration. The report also showed that less than one-fourth of all actors had some kind of follow-up on their activities. Even in the few cases where there was a follow-up, it was rarely designed in a way that would enable measurement of the effectiveness of programmes or initiatives.

Main areas of the integration activities

Language training

67. In principle, German integration aid is based on five pillars: linguistic training, education, vocational qualification, social advice, and the promotion of societal integration in general. Primacy is given to linguistic training. Firstly, on the federal level, the majority of targeted funds are allocated to language training. This also appears to be the case for sub-national governments – particularly the local authorities – albeit it is difficult to quantify the activities at these levels. Secondly, whereas most other measures are discretionary aid, only language courses constituted entitlements and then, only for certain groups. Language training was also among the first services introduced for migrants. Language courses for “foreign workers” have been provided since 1974, initially with a clear focus on the literacy of “guestworkers”. Language courses for certain groups of unemployed migrants were included in the predecessor of the current social law code in 1987.

68. Prior to the new immigration law, the system of initial language training varied among the immigrant group. After 2002, the framework for these initial courses has been successively restructured to adapt to the new framework. Table 6 provides an overview of the situation prior to this process and after the new law.

Table 6: Course structure for initial language training in 2002 and the new introduction course

Situation in 2002				Situation since 2005
	Language courses for foreign workers	Language courses for targeted unemployed immigrants	Language courses for targeted young immigrants	Integration courses under the new law
Target group	“Guestworkers” and their families	Certain groups of the unemployed: ethnic Germans, recognised asylum seekers and families	Certain groups of people under 27 if not entitled to the courses for the unemployed: ethnic Germans, recognised asylum seekers and families	All new permanent immigrants with limited German up to two years after permanent immigration; earlier immigrants may participate depending on availability
Ministry in charge	Labour Ministry	Labour Ministry	Ministry for Family and Youth	Ministry of the Interior (Federal Office for Migration and Refugees)
Hours of training per week	4-20	35	35-40	5-25
Duration	Up to 640 hours	900 hours (6 months)	1200-1400 hours (10-12 months)	600 hours, flexible (plus 30 hours “orientation course”)
Entitlement	No	Yes, if the migrant was both unemployed and had been previously employed in the origin country	No	Yes, unless the immigrant has already been resident for a number of years; or in the case of no apparent integration need (e.g. due to prior German knowledge). For certain groups, the course may even be compulsory.
Budgeted costs	25 million Euros (2002)	120 million Euros (2002)	23 million Euros (2002)	208 million Euros (2005)

Source: FOKUS (2003), Integration Officer (2002); Ordinance on the Integration Courses.

69. Under the old framework, the majority of courses were only open to ethnic and humanitarian migrants, and conditional upon unemployment status. This most important group of courses was administered by the then Ministry for Labour and Social Policy through the local employment agencies. Though the explicit aim of these courses was integration into the labour market, the language training was not work-related. Individuals who participated in these courses were reimbursed for all course-related expenses, including transport and childcare. In addition, participants were entitled to integration aid during the duration of the course. This aid varied according to the socio-demographic characteristics of the migrant and amounted to about 1 000 Euros per month.

70. Despite the three-tiered system of language courses, important migrant groups were excluded from initial language training, such as *de facto* refugees and non-immediate family of ethnic Germans, as well as labour migrants and their families who came neither from an EU country nor from a country with a former recruitment treaty. Under the new law, all immigrants whose presence is not deemed temporary have, in principle, access to language training.

71. As important as the restructuring of language training is the reform of its funding structure. Previously, the financing of the providers of language training was mainly expenditure-based, and accordingly there were no standards to be met, let alone evaluations of the effectiveness of the training.

Under the new concept, course providers have to achieve a basic level of language competence and receive a per-capita funding of 2 Euros for each hour of training, which is paid to the providers at the end of each month according to the number of student hours provided in the respective month. It remains to be seen whether the current lump-sum financing per student hour of 2 Euros is sufficient. Moreover, by nature of the lump-sum financing, there are no incentives for the providers to aim at higher levels of language competence, to focus on groups which face particular difficulties, or to combine language instruction with labour market needs.

72. However, it is clear that the basic competence level under the integration courses (European Reference Level B1 – self-sufficient language knowledge) will not suffice for most labour market needs. There are thus now several new structures in place to adapt this basic competence level to the requirements of the labour market. The Ministry of Economics and Labour has implemented a new system of vocation-specific language courses targeted at unemployed migrants, budgeted at 50 million Euros and co-financed through the EU Social Fund. However, these courses are only aimed at people who had been previously employed in Germany, *i.e.* do not cover the important group of immigrants who may have some initial language knowledge, but no German work experience and whose language competence is not sufficient for labour market needs. This lack in coverage is likely to particularly affect qualified recent arrivals.

73. In addition, the Ministry of Education and Research on the one hand, and the Ministry for Family, Senior Citizens, Women and Youth on the other, finance language courses to facilitate university access of young, qualified ethnic migrants and refugees.²²

Education of migrant children

74. The second pillar is the education of migrant children. As primary and secondary education is a competence area of the *Länder*, approaches vary (see the overview in Integration Officer 2005). The approaches are also often linked with linguistic training, as language competence has obviously important consequences for educational achievement. The Land Northrhine-Westfalia has established 27 “regional work posts for the promotion of migrant children (RAA)”. These run projects aimed at improving the education of young people with a migration background through language and other qualification measures. The “Rucksack” project of the RAA Essen, for example, combines language training and other educational activities in kindergarten and elementary education. The innovative aspect of this training is the incorporation of selected migrant mothers. These are trained to run local groups of other migrant mothers and to communicate ways to them to educate their children better. The idea behind this is to strengthen both the skills of the mothers and those of the children. Each group consists of about ten mothers and lasts for nine months. In total, more than 1 200 mothers have participated in this local project since 1999. It is worth noting that this project is one of the few established measures that have focused on migrant women.

75. In 2002, the Land Hesse introduced tests of the language competence of children one year prior to attending the first grade. If these tests indicate an insufficient knowledge of German, children are advised to attend special, free pre-schooling courses (*Vorlaufkurse*) which aim at strengthening their German competence. If children do not have adequate German knowledge at the time of starting school, they may be obliged to wait for another year (*e.g.* in preparation courses) until they can begin formal schooling. In 2003/2004, more than 5 500 children attended a *Vorlaufkurs* – 94% of all children who had

²² The target level for language achievement of the introduction course, B1, is not sufficient for university access. For the latter, the advanced-competency level C1 is required. Like other programmes, these courses were originally only accessible to ethnic Germans. Since the late 1990s, quota refugees (*i.e.* Jews from the former Soviet Union) and most recently also recognised asylum seekers were subsequently included in the target group.

been advised to do so. Out of these, only 4% could not start schooling as envisaged, whereas the corresponding figure for non-attendees was 21%.

Vocational qualification

76. The only pillar in the integration structure which directly targets labour market integration is the fostering of vocational qualifications. In addition to migrants' participation in the mainstream policies, the Ministry for Economics and Labour supports measures to prepare for and integrate young foreigners into the labour market, as well as measures to improve the qualifications of employed and unemployed foreigners. Many of these measures are project-based and co-funded by the EU Equal initiative.

77. Though it is difficult to estimate the relative importance of vocational qualification measures compared to the other pillars, a recent report by the Federal Office for Migration and Refugees (2004) suggests that the activities with respect to vocational qualification measures are of a substantially smaller scale than those for language training and social advice. However, migrants also have access to the regular labour market programmes, supplied by the Federal Employment Agency, provided they have labour market access and are registered as unemployed. Initially, foreigners were even a special target group of the employment offices' career guidance services. This targeting was based solely on nationality grounds, but not on migration background – let alone actual guidance needs. It was abandoned in 1998.

78. In this context, it should be noted that Germany is moving away from group-specific labour market programmes (such as programmes targeted to immigrants) towards better inclusion of these groups in the mainstream programmes. As of 1 January 2005, however, the mainstream structure has been augmented with networks and specific consultancy offices for vocational integration. These networks, again co-funded by the EU Equal initiative, are aimed at tackling lacks in information and counselling, as well as fostering the identification and further development of the qualification potential of migrants and their offspring.

79. Up to now, it is unfortunately not possible to evaluate the relative importance and success of Germany's broad range of active labour market measures with respect to people with a migration background. It is planned, however, to include statistics on programme participation and labour market integration of migrants (defined as labour market status six months after programme completion) as of late 2005.

Social advice and career guidance

80. After language training, *social advice* has traditionally been the second main focus area of integration. As mentioned above, it has been provided since the 1950s by the welfare services. Until the new immigration law, these advice services were co-financed by the federal government and the *Länder*. Furthermore, at the federal level, different ministries were in charge, and the aid and responsibilities differed again between ethnic Germans, foreigners, and young immigrants. As has also been the case for other integration measures in the past, the funding for the ethnic Germans was relatively more generous than for foreigners. This differentiated structure has been abandoned under the 2005 framework. There only remains a separate framework for young migrants up to the age of 27, where the Ministry for Family, Senior Citizens, Women and Youth remains in charge. For all other groups, the Ministry of the Interior finances the newly-structured "initial immigration advice".

81. Based on a case-management approach, the new system of initial advice is supposed to complement the integration courses. Whereas the services under the old system were generally independent of years of residence, the initial advice service is limited to persons who have immigrated up to three years ago. Afterwards, unless structures that are financed by other than federal means are in place,

migrants should be referred to the regular social services. This is also meant to avoid the clientelism that has been observed in the past, as services were often provided in the language of the country of origin and independently of duration of residence.

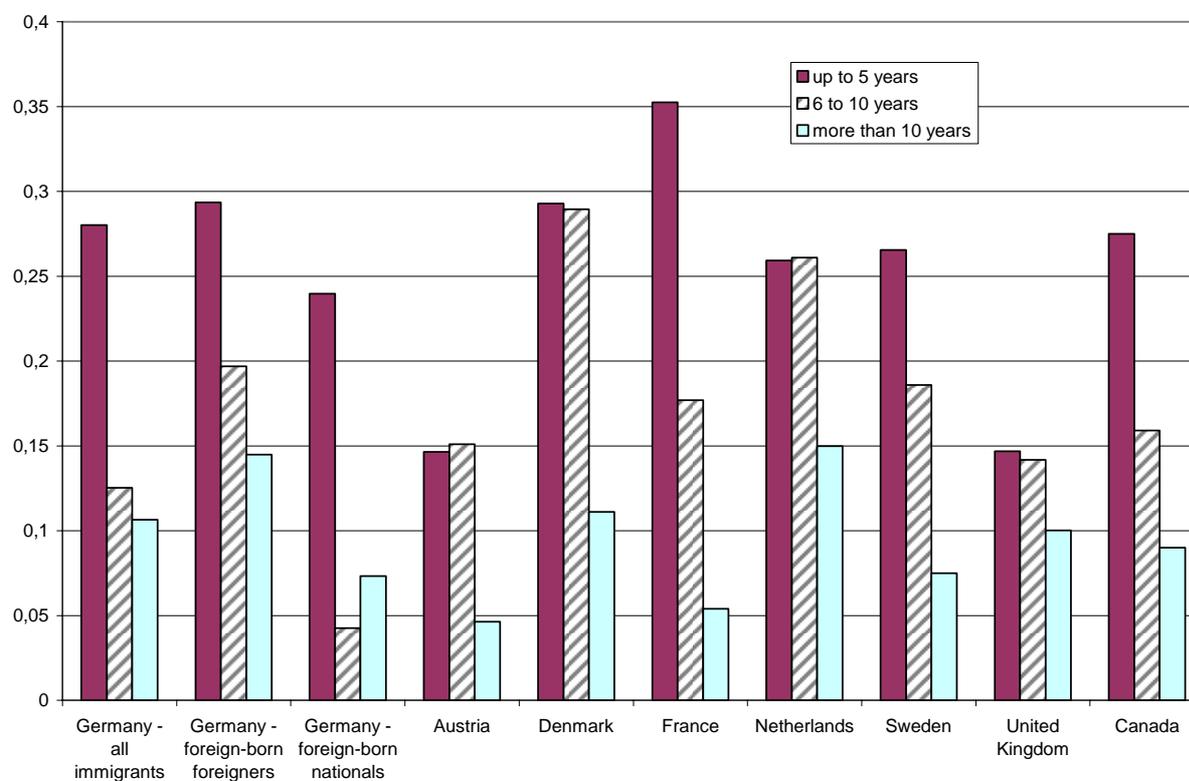
82. The advice is based on analysis of an individual's skills and may result in individual integration plans, which in turn can be supplemented by formal integration contracts to enhance the migrant's motivation. This concept has been tested prior to the new law with ethnic Germans and certain groups of humanitarian migrants (in particular the Jewish resettlers from the former Soviet Union). The main idea behind this project was to formalise and co-ordinate the integration measures available to these groups of migrants and establish individual action plans to reduce social security dependence. Local figures for Dortmund, where the largest model project on integration contracts took place, showed that despite considerable integration aid, prior to the introduction of the contract model about 80% of all recent migrant households received social assistance two years after immigration. An evaluation (GIB 2004) of all model projects showed reductions in welfare dependence (55% for participants as opposed to 68% for comparable non-participants two years after immigration) and a corresponding increase of employment rates (25% as opposed to 12%).

Key issues in the labour market integration of immigrants and the second generation

Outcomes of recent arrivals

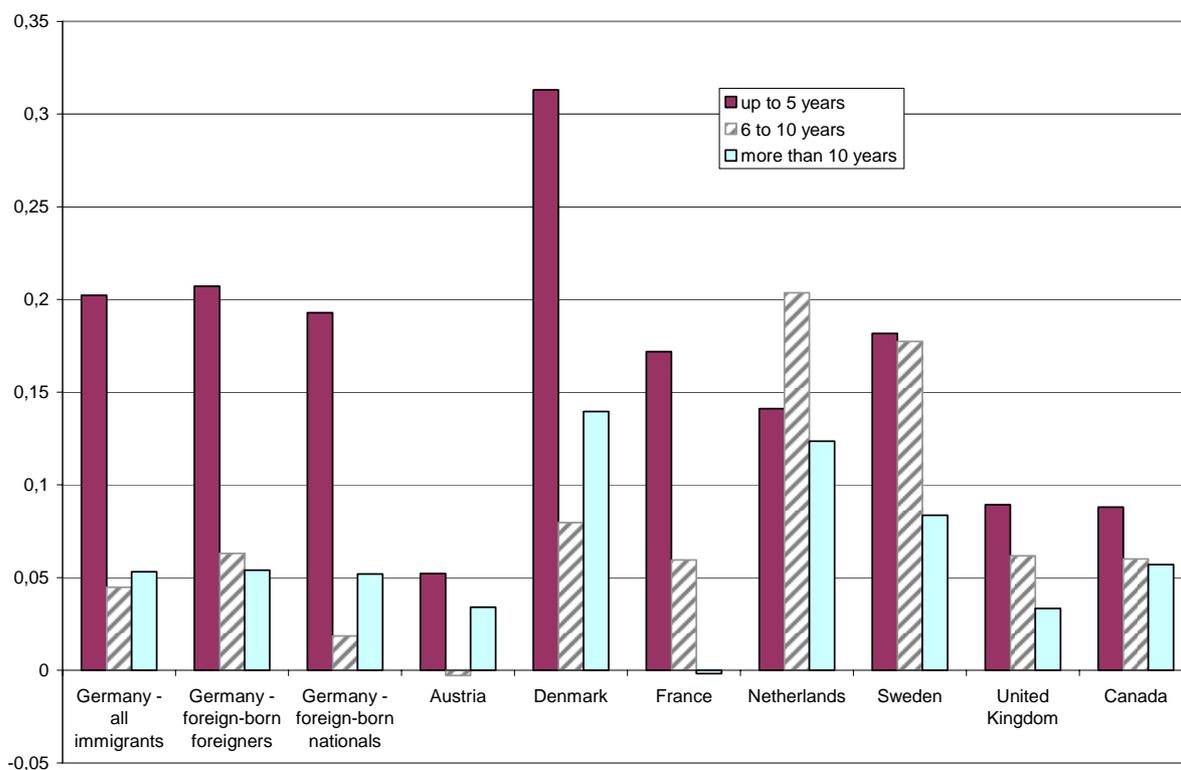
83. Figures 3a and 3b depict the gap in the employment rates between immigrants and native-born in Germany compared with selected other OECD countries by years of presence in the host country for women and men, respectively. Note that these results are not based on longitudinal data following immigrants over time, rather they are cross-sectional data based on length of stay in the respective host countries. Nonetheless, the pattern observed is generally as expected, *i.e.* that immigrants who have been longer in the host country have better outcomes. Figures 3a and 3b also show that ethnic Germans – who account for the large majority of foreign-born nationals – have smaller gaps *vis-à-vis* natives than migrants with a foreign nationality, particularly in the case of women. It is noteworthy that ethnic Germans with 6 to 10 years of presence have higher employment rates than those who arrived more than 10 years ago. This indicates that the measures that were taken after 1993 to restrict the inflow of ethnic migrants – such as the language test which applies since 1996 – may have raised the employment prospects of the ethnic migrants who have arrived since then.

Figure 3a: Differences (in percentage points) between the employment-population ratios of 15-64 native-born and immigrant women, by years of presence in the host country, 2004.



Note and Source: See Table 3.

Figure 3b: Differences between the employment-population ratios of 15-64 native-born and immigrant men, by years of presence in the host country, 2004.

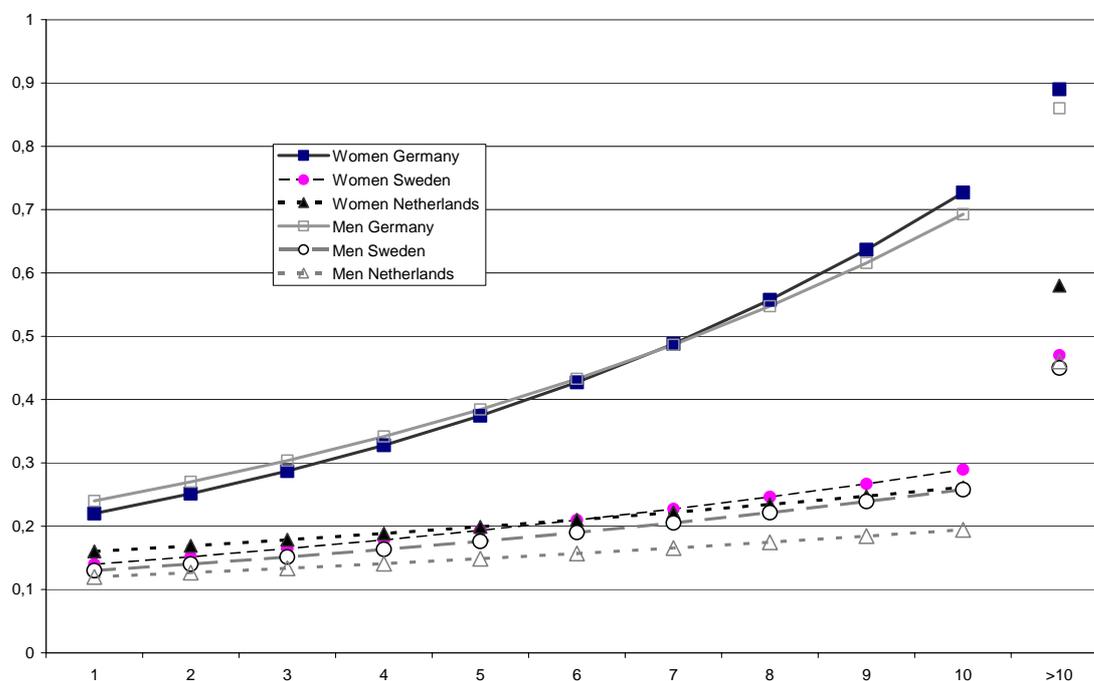


Note and Source: See Table 3.

84. For foreign-born nationals and immigrants alike, the higher employment rates of migrants that have been 6 to 10 years in the country, relative to those that have arrived in the last 5 years, are particularly pronounced in Germany. Only France has a larger increase for women, and only Denmark has a larger increase for men. This suggests a relatively rapid convergence of immigrants' employment rates with respect to those of natives in Germany for both sexes. This favourable convergence path also holds after adjusting for age, marital status and educational attainment. Figure 4 shows the estimated increase in the odds ratios of employment rates for immigrants relative to natives during the first ten years of residence.²³ By way of comparison, it would take about 13 years for the employment / population ratio of immigrants in Germany to converge to those of the native-born, compared to approximately twice that figure in Sweden.

²³ Odds ratios are an indication of the probability of an event occurring for one group relative to another group.

Figure 4: Convergence of employment rates of immigrants towards those of the native-born, by years of residence, 2002



Note: The figure shows the development over time in the ratio of the odds of being employed (foreign-born/native-born). The underlying estimates are based on a “per cent increase per year” for the first ten years of residence, after controlling for age, marital status and educational attainment. At an odds-ratio of one, the employment rates of natives and foreign-born are the same.

Source: Logistic regression using European Community Labour Force Survey Data.

Qualification structure of the native and immigrant population

85. In international comparison, the gap in educational attainment between immigrants and natives is particularly pronounced in Germany. Although many European countries have high shares of the low-qualified among the immigrant population, only France has a higher share than Germany (Table 7a). One of the key drivers of the high unemployment of the foreign-born is their low qualifications. Indeed, there is ample evidence that structural change in OECD countries is increasingly disadvantaging unskilled and semi-skilled workers (see *e.g.* Acemoglu 2002), and Germany is no exception in this respect. Among the adult (25-64 years old) population, 47% of the foreign-born only have a (lower) secondary degree or did not complete their education. In contrast, only 14% of the native-born in that age group have such a low educational attainment. Surprisingly, even when comparing the second generation with the native-born nationals of a similar age (in that case the age group 25-53), there is a large attainment gap (9% low-qualified among the native-born Germans and 30% among the second generation). Empirical studies also indicate that a large part of the lower occupational status of migrants is attributable to their lower educational attainment. This is even more pronounced for the second generation, where the lower educational attainment almost entirely explains their lower occupational status *vis-à-vis* natives (see also Kalter and Granato, 2002).

Table 7a: Share of persons with less than upper secondary education among the adult (25-64) population, selected OECD countries, 2002-2003 average

	native-born	foreign-born
Germany	14%	47%
Netherlands	32%	44%
Denmark	28%	31%
Sweden	18%	24%
France	34%	64%
Austria	19%	42%
United Kingdom	15%	17%

Source: European Community Labour Force Survey, see OECD (2005, p. 65) for remarks.

86. Nationals from the former recruitment countries have much lower educational attainment levels than other immigrant groups.²⁴ Indeed, the focus of the labour recruitment period was on low-skilled labour, and migrants were mainly recruited from the rural regions. Data from a 1971 foreigner survey show that the mean educational attainment of the “guestworkers” was below 7 years. In contrast, the German native population had already mandatory schooling of at least 8 years since 1919, and 30% of the 1971 working population had 10 years or more.

87. Given the high share of low-qualified among Germany’s foreign-born population *vis-à-vis* natives, one might expect that the incidence of long-term unemployed (*i.e.* unemployed for more than one year) to be much more pronounced among immigrants than among natives. This is not the case in Germany (Table 7b).

Table 7b: Incidence of long-term unemployment among the native and foreign-born unemployed populations, selected OECD countries, 2004

	native-born	foreign-born
Germany	52%	52%
Netherlands	30%	41%
Denmark	24%	(19%)
Sweden	16%	23%
France	37%	44%
Austria	29%	25%
United Kingdom	21%	23%

Source: European Community Labour Force Survey.

88. Examining the employment performance of native-born and immigrants who have low and upper educational attainment separately, Germany fares relatively well. Indeed, as is also the case for France and Austria, immigrants with low educational attainment have higher employment rates than their native-born

²⁴ Statistics from the European Community Labour Force Survey for 1992 – the only year where foreign-born foreigners from the “guestworker” countries can be clearly distinguished from other immigrant groups – show that more than 62% of these individuals of working-age had a low educational attainment, compared to about 22% for other immigrant groups and 21% for native-born nationals.

counterparts. This, however, does not hold for Germany's second generation, where the low-educated lag slightly behind the employment rates of comparable natives (Table 8).

Table 8: Employment rates of low and higher-skilled foreign-born relative to their native-born counterparts, selected OECD countries, 2004

	Germany	Sweden	United Kingdom	Netherlands	Denmark	France	Austria	Germany – “2 nd generation” ¹
low education	1.12	0.80	0.80	0.79	0.87	1.12	1.18	0.94
medium and high education	0.87	0.86	0.88	0.88	0.73	0.85	0.88	0.89

Note: 1. Ratio defined as 25-34 year old native-born Germans/native-born foreigners.

Source: European Community Labour Force Survey.

89. Due to their low educational attainment, immigrants are highly overrepresented in the less-skilled occupational sectors. These sectors have experienced a decline in employment since 1992, as Table 9 demonstrates. The only exception in this regard are service workers. It is also noteworthy that the concentration of immigrants in the less-skilled declining sectors has increased substantially since 1992. Although the second generation also tends to be overrepresented in these sectors, the pattern is much less pronounced. However, due to their lower education levels, their share in the strongly-growing professional sector is only about one-third of that of native-born nationals, and has declined since 1992.

Table 9: Relative representation of immigrants and the second generation vis-à-vis natives across occupational sectors, 1992 and 2003

Occupational sector ¹	Legislators, senior officials and managers	Professionals	Technicians and associate professionals	Clerks	Service and shop and market sales workers	Craft and related trades workers	Plant and machine operators and assemblers	Elementary occupations	Average of all occupational sectors
Share of low-qualified	9%	2%	8%	12%	20%	17%	30%	46%	17%
Growth of occupation between 1992 and 2003	13%	42%	27%	2%	26%	-15%	-12%	0%	9%
Relative representation of foreign-born 1992	0.94	0.79	0.68	0.64	0.96	1.17	1.60	1.82	1.00
Relative representation of foreign-born 2003	0.85	0.64	0.63	0.60	1.15	1.20	1.80	2.26	1.00
Relative representation of second generation 1992	0.74	0.41	0.77	0.76	1.77	1.48	0.86	1.05	1.00
Relative representation of second generation 2003	0.93	0.37	0.77	0.98	1.58	1.38	1.12	1.32	1.00

Note: 1. ISCO classification. Only sectors representing more than 1 million individuals are depicted.

Source: European Community Labour Force Survey.

90. One of the reasons for the large differences in educational and, subsequently, occupational attainment between the native and immigrant population is the strong emphasis on formal certification and qualifications in the German labour market, which is particularly apparent with respect to vocational

training (see below). There appears to be a broad consensus in Germany regarding this emphasis. The reliance on formal certification also tends to hamper labour market access of immigrants with a high qualification obtained abroad. This is notably the case for ethnic Germans, who have a relatively high educational level, but obtained their human capital in a different educational and work environment. Indeed, there is ample evidence that the qualifications of the ethnic Germans are largely discounted on the German labour market (Kalter and Granato 2002; Konietzka and Kreyenfeld 2001). Ethnic Germans with higher educational levels experience the sharpest deterioration in their labour market position *vis-à-vis* their origin country (Bauer and Zimmermann 1999, see also Table 12 below). Similar results have been found for immigrants to Canada, with shifts in the composition of immigrants towards persons of non-Western European origin being accompanied by returns to foreign experience falling from positive values in the 1980s to essentially zero in the 1990s (Green and Worswick 2002; Ferrer, Green and Riddell 2004).

91. The formal recognition of foreign qualifications is cumbersome in Germany due to the dual nature of apprenticeship, *i.e.* the combination of practical experience and rather theoretical (classroom) knowledge. Unlike most other migrants from non-EU countries, who have few opportunities to get their foreign qualifications recognised, there is a facilitated procedure for the recognition of vocational certificates of ethnic Germans. However, this procedure generally does not lead to a full recognition of their formal qualifications. Since 1998, however, there is a possibility for all migrants (and natives) to have their practical knowledge certified.

92. In addition, the Ministry of Education and Research on the one hand, and the Ministry for Family, Senior Citizens, Women and Youth on the other, finance measures to adapt foreign-obtained qualifications to the needs of the German labour market and to facilitate access to universities. These measures, in place since 1985, include language and bridging courses for qualified ethnic Germans and refugees.

Level of education of parents and its impact on the outcomes of children

93. Empirical data from many studies show some tendency towards the intergenerational transmission of human capital (see Box 4). Because of the large difference in the educational attainment between immigrants and natives, one might expect a difference between the educational outcomes of the second generation and those of the offspring of native-born residents. Indeed, the second generation does show a significantly lower probability of accessing one of the upper educational tracks in the German school system (Esser 2003; Frick and Wagner 2001). Moreover, statistics on the educational attainment of school leavers show that the large gap in educational attainment between foreign and German nationals has only slightly improved since the early 1990s (Table 10).²⁵

94. Though the exact specifics of the school system vary among Germany's *Länder*, the process is generally the following: at the end of the fourth grade, the elementary school proposes one of the three tracks available for secondary education: *Hauptschule* (lower track), *Realschule* (intermediate track) and *Gymnasium* (upper track). Each of the three main tracks is associated with a typical school-leaving degree and programme duration – 9, 10 and 12 or 13 years, respectively. The school proposal is mainly based on the student's grades, but also takes other factors such as his or her learning behaviour into account. In general, however, parents are relatively free to decide whether or not they follow this advice, but some *Länder* impose grade requirements for the upper tracks. In any case, persons of the second generation are much more often placed in the lower tracks than Germans.

²⁵

Because national education statistics, based on the nationality criterion, do not distinguish between foreign- and native-born foreigners and since naturalised offspring of immigrants appear as nationals, it is difficult to identify and map the progress of the second generation (*i.e.* native-born offspring of immigrants).

Box 4: Intergenerational consequences of low-skilled migration

A large part of Germany's second generation have parents who entered Germany during the labour recruitment period of the 1950s and 1960s. The focus of this "guestworker" recruitment was essentially on low-skilled labour.

However, the education and socio-economic status of parents have an important impact on the educational success of children. Taking years of schooling as a measure for educational attainment, adult persons of the second generation in Germany have, on average, almost one year less schooling than natives of the same sex and age-group. After controlling for their parents' educational attainment, a gap remains, although it is reduced by half. Thus, despite an upward skills trend in the second generation, they do not reach the same level as natives of a similar background. The situation appears to be different in Switzerland, where it seems that the second generation has a higher attainment than natives of comparable background (Office fédérale de la statistique 2005). A similar result is observed with respect to enrolment in France (Caille 2005).

The OECD's Programme for International Student Assessment (PISA) revealed that the impact of the parents' background on the outcomes of children tends to be higher in Germany than in other countries. Germany's socio-economic gradient in the reading test – which measures how a student's reading performance is linked with his or her socio-economic background – is by far the steepest in the OECD area. The slope of the gradient – which measures the impact of a change in the socio-economic background on the student's PISA-score – was 50% above the OECD average in the 2000 study. This indicates that the German education system is less capable of providing equitable learning opportunities than those in other OECD countries. However, in the 2003 study, where the focus was on mathematics, Germany's slope of the gradient was at the OECD average (OECD 2004). The PISA study also indicated strong linkages between the skills level of the migrant intake and the educational attainment of the second generation relative to that of natives. In OECD countries which select their immigrants based on qualifications and labour market needs, such as Australia and Canada, the average achievement level of the second generation (*i.e.* prior to controlling for the socio-economic background) is about the same as that of the native generation or even slightly better. At the other end of the spectrum are Belgium, Germany and Switzerland, which have, in the past, relied heavily on the recruitment of low-skilled labour.

Although there may be a tendency for the transmission of educational attainment across generations, educational systems may be able to compensate for or to attenuate this effect. One would not expect it to be exacerbated. If this happens, it may lead to a perpetuation of disadvantage across several generations, *i.e.* even of people who neither themselves nor their parents were foreign-born. Such a phenomenon, however, is difficult to establish empirically since there is no data on third-generation migrants available, although there is some anecdotal evidence that the "third generation", that is, native-born persons whose grandparents were immigrants, is encountering educational difficulties in Germany.

Table 10: Evolution of school-leaving degrees of Germans and foreign nationals

	1991/1992		1994/1995		2003/2004	
	nationals	foreigners	nationals	foreigners	nationals	foreigners
Left school without degree	6.7	20.9	7.7	19.7	7.9	19.2
<i>Hauptschulabschluss</i> (lower secondary degree, ISCED 2A)	25.1	44.4	25.7	43.8	24.5	41.5
<i>Realschulabschluss</i> (intermediate secondary degree, ISCED 2A)	41.6	26.3	40.1	26.8	41.6	29.1
<i>(Fach-)Abitur</i> (upper secondary degree, ISCED 2B) ¹	26.6	8.4	26.5	9.6	26.0	10.2

Note: 1. The typical school-leaving degree of a person that has attended Gymnasium is the *Abitur* after 12 or 13 years (depending on the *Land*). If he or she leaves Gymnasium at an earlier stage, the person may obtain one of the lower degrees.

Source: German Federal Statistical Office.

95. In analysis with microdata, Riphahn (2003, 2004) has found that the educational attainment of the second generation even lags behind natives' educational expansion, *i.e.* there may be a divergence trend between natives and the second generation. This trend, however, appears to be due to a change in the country-of-origin composition, since the share of Turks – who have more unfavourable educational outcomes than other second generation groups – has increased over time. Within a given nationality, and particularly among Turks, a slight convergence towards the attainment of natives can be observed.

96. If years of schooling are used as a proxy for educational attainment, an analysis of the German Socio-Economic Panel shows that the second generation is disfavoured. Because of the tendency for the characteristics of offspring to regress towards the mean relative to those of their parents and because immigrants tend to be a self-selected group that is highly motivated, one might expect the educational attainment of the second generation relative to that of children of the native-born without a migrant background to improve compared to what is observed for the parental group, even if the levels are still lower. However, after controlling for age, sex, and the educational attainment of the parents, the second generation in Germany has about half a year less schooling than their native counterparts. Studies for other countries, *e.g.* for the United States (Card 2004) and Switzerland (Office fédérale de la statistique 2005), show that after controlling for their parents' background, the second generation tends to have higher attainment levels than their native counterparts. This is explained by the desire of migrant parents and their children to achieve a higher status.

97. It appears that the early streaming after the fourth grade in Germany leads to a tendency to place students with a less favourable starting position in the lower levels of Germany's multi-tiered educational system (see also Immigration Council 2004: 267). These levels are associated with fewer years of schooling and limit access to higher educational tracks, although an analysis of the Third International Mathematics and Science Study (Schnepf 2003) illustrates that about 10% of *Hauptschule* students and one-third of students in *Realschule* perform better than those in the bottom quartile of Gymnasias. Yet, permeability between the different school types is relatively low.

98. The data of the OECD's Programme for International Student Assessment (PISA) are particularly apt for an evaluation of the performance of the second generation compared to natives without a migrant background. The PISA data contains rich information on the student's background, including his or her parents' place of birth, their education level, and the language spoken at home. In international comparison, the disadvantages of the second generation with respect to educational attainment are particularly pronounced in countries which had both relatively low-skilled immigration and where the language of immigrants differs from that of natives. It is therefore not surprising that countries like Australia and Canada have much lower differences in natives' and "second-generations" PISA scores than Germany, as **Table 11** shows. The gap in Germany, however, is even more pronounced than in other European countries like France, the Netherlands, or Sweden. It is particularly alarming that large differences between natives and the second generation remain in Germany, even after controlling for the socio-economic background of the students.

Table 11: Differences in the PISA (2003) scores of natives and second generation, children aged 15 years

	Before accounting for the effects of socio-economic background of students		After accounting for the effects of socio-economic background of students	
	mathematics	reading	mathematics	reading
Australia	o	o	o	o
Austria	56	73	26	31
Belgium	92	84	47	40
Canada	o	10	-8	12
Denmark	70	57	36	o
France	48	48	14	o
Germany	93	96	45	48
Netherlands	59	50	26	22
New Zealand	32	22	16	o
Sweden	34	20	15	o
Switzerland	59	53	36	32
United States	22	22	o	o

Note: "o" indicates that the value does not differ statistically significant from that of natives. The socio-economic background was created on the basis of the following variables: the International Socio-Economic Index of Occupational Status (ISEI), the highest level of education of the student's parents (converted into years of schooling), the index of family wealth, the index of home educational resources and the index of possessions related to "classical culture" in the family home. For each test, the mean score across all OECD countries was set at 500 points, with a standard deviation of 100 points (see OECD 2004 for details).

Source: Secretariat calculations based on the OECD PISA database.

99. However, the remaining differences, after controlling for the socio-economic background, appear to be largely due to the fact that less well performing persons of the second generation do not speak German at home. This is surprising since, in principle, the share of the second generation which does not speak the national language is not higher than in other OECD countries.²⁶ A recent econometric study (Schnef 2004) analysed the OECD's PISA study and other international evaluations of pupils (PIRLS, TIMSS)²⁷ with respect to the determinants of their educational achievement. This study found that – after controlling for language spoken at home in addition to the students' background²⁸ – the scores of the second generation in Germany in the mathematics tests are quite favourable in international comparison. In contrast, the negative effect of a foreign language spoken at home was largest in the Germany, along with the United States. Similar results for Germany have been reported in other studies (e.g. Entorf and Minoiu 2004; Weber 2003) that showed a strong, positive impact of German spoken at home on the PISA scores of the children of migrants. Bleakley and Chin (2004), using microdata from the 2000 U.S. Census, show that parental language knowledge explains over half of the differences in dropout rates between non-Hispanic

²⁶ According to the PISA database, in Germany, 30% of all second-generation migrants speak a language other than the national language or a dialect at home, compared to 36% in the United Kingdom, 33% in Denmark, 50% in Australia, 42% in Sweden, and 23% in Canada and France.

²⁷ The PISA study assesses ability in reading, science and maths of 15 year-old students. TIMSS stands for the Third International Maths and Science Study, which covers 7th and 8th graders. The Programme of International Reading Literacy Study (PIRLS) measures the reading and understanding capability of 4th graders.

²⁸ Note that the background variables differ from those reported in Table 10. In particular, for the educational background of the parents, only the mother's education was controlled for.

whites and U.S.-born Hispanic children of immigrants. That study also indicated that the parental English skills have the largest effect on the English of their children at very young ages.

100. Given the early streaming, the high influence of socio-economic background on educational attainment and the strong importance of the German language spoken at home for educational outcomes, it appears crucial that the second generation have early contact with the German education system. This avoids potential disadvantages due to the migrant background from the outset and strengthens language competence by early contact with natives. In general, the participation rate of foreign children in kindergarten in Germany has converged in recent years towards that of natives and is now only slightly below that of nationals. However, the OECD Education Database shows that the overall participation rates of children aged four to six are relatively low in international comparison. At the age of six, Germany had the lowest enrolment rates in the comparison group (Australia, Austria, Denmark, France, Netherlands, Sweden and the United Kingdom – data for Canada was not available) in the year 2003. Pre-kindergarten (*i.e.* at an age of 2) is also not as common in Germany as in countries like France, where there is empirical evidence for a strong impact of kindergarten attendance at the age of 2 on elementary school success of immigrants (Caille 2001).

101. Furthermore, kindergarten and school in Germany are generally only half day. Due to the half-day nature of kindergarten and school, the time spent in public institutions – where students would likely have more contact with the host-country language – is lower than in other countries. For example, the average instruction time for students at age 7 to 8 is almost 20% below the OECD average (OECD 2003). It is thus not very surprising that the impact of language spoken at home on educational outcomes is larger in Germany than in other countries, where children spend more of their time outside of home.

The impact of German language knowledge

102. As has been seen, language training has traditionally been the main pillar of Germany's integration activities, and, indeed, its role is being reinforced under the new immigration law. Given the dominant role of language training in public integration aid, it is striking to note that the link between language training and labour market integration has not been a subject of comprehensive study to date. Evaluations of language courses have almost exclusively focused on pre- and post-assessment of language mastery, but not on their impact on labour market success. Indeed, available micro-datasets include no information on language course attendance.

103. Recently, however, information has become available on the labour market status of ethnic Germans and refugees six months after attending one of the 900 hours' language courses for targeted groups of unemployed immigrants. These courses were co-ordinated by the Federal Employment Agency (see above). Along with the deteriorating labour market situation since 2001, the percentage of migrants that had a job six months after completing the language course (the so-called "integration quota") declined significantly (see Table 12). It is also interesting to observe that language courses are more effective for ethnic Germans than for the other eligible migrant groups. However, even in this group, only 15% were employed six months after course completion. Furthermore, the courses appear to be more effective in labour market integration for migrants with low- and medium education than for those with a prior university degree. It is also noteworthy that the integration quota for women is only half of that of men, despite the fact that these courses are only available to people who had been previously employed in their country of origin and are registered as unemployed in Germany. In general, the "integration quota" is relatively low. However, this may be partly attributable to the fact that language courses are often only a first step before further labour market integration measures are undertaken. Furthermore, six months is a very short period. One would need a longitudinal follow-up running for 5-10 years to adequately evaluate the long-term effectiveness.

Table 12: Participation in language courses for unemployed migrants and employment six months after course termination

	January 2001 - June 2001	July 2001 - June 2002	July 2002 - June 2003	July 2003 - June 2004
Total	27 295	53 995	55 426	40 606
<i>of which</i>				
ethnic Germans	72%	72%	66%	66%
people granted asylum	2%	2%	2%	1%
quota refugees	14%	14%	17%	16%
not available	12%	13%	15%	17%
<i>of which</i>				
without a vocational certificate	58%	57%	55%	59%
vocational training (non-university)	20%	21%	19%	17%
college or university	6%	6%	6%	6%
not available	8%	7%	6%	6%
<i>of which</i>				
men	49%	49%	49%	49%
women	51%	51%	51%	51%
<hr/> percentage employed six months after course termination <hr/>				
Total	29%	23%	18%	13%
<i>of which</i>				
ethnic Germans	34%	28%	22%	15%
people granted asylum	18%	18%	17%	12%
quota refugees	7%	6%	5%	3%
not available	24%	20%	15%	12%
<i>of which</i>				
without a vocational certificate	31%	24%	18%	13%
vocational training (non-university)	29%	25%	19%	14%
college or university	16%	14%	12%	8%
not available	15%	9%	14%	6%
<i>of which</i>				
men	38%	30%	23%	17%
women	20%	17%	13%	9%

Source: Federal Employment Agency, Secretariat calculations.

104. The limited micro-data available show, furthermore, that there is no strong direct link between (self-reported) language knowledge and employment. For example, in an analysis with data from the German Socio-Economic Panel, the employment rates of immigrants who arrived in the past ten years do not differ between those who are able to speak German well and those who are not. After controlling for socio-demographic characteristics and migrant group, German language knowledge becomes a significant determinant of immigrants' employment participation, but the result is not very robust.

105. A profound knowledge of the German language may, however, be important with respect to occupational attainment (Constant and Zimmermann 2003). This indicates that language mastery may have an influence on the transferability of human capital. Perhaps even more importantly, a lack of German language knowledge could hamper young migrants' access to vocational training – for example, by limiting their chances in a job interview – which, in turn, makes them more vulnerable to lose employment at a later stage (see below). On the other hand, there is a cost to language instruction, particularly if it is not

targeted to work-related language acquisition, as is currently the case in Germany. Language courses keep people out of the labour market for the duration of the programme. However, the Swedish experience (DELSA/ELSA(2004)13) has shown that early employment has a much stronger impact on employment four years after arrival than language instruction. The companion report on Sweden also suggested that the returns to language training in terms of higher employment probabilities fall strongly after 500 hours of such training. In other words, the 900 hours of training that have been provided in Germany may have been above the efficient level.

106. These results suggest that extensive language training may be less important for labour market integration than work experience, particularly for older migrants. Nevertheless, knowledge of the host country's language is doubtless an important factor for integration from a broader perspective. Therefore, it is worrying that even a part of the second generation faces language difficulties, though the percentage is not very high. Calculations from the German Socio-Economic Panel – the only major dataset which has some information on language competence – show that about 6% of the second generation describe their knowledge of spoken and written German as being less than good.

107. It is also alarming to note that almost 40% of the ethnic Germans that arrived under the post-1993 scheme describe their language knowledge as being less than good, despite the considerable investment in their language training by the German authorities. Since the education level of these later migrants does not appear to differ greatly from that of earlier arrivals, the strong decline in employment rates described above for ethnic Germans may be explained by the fact that under the slack labour market conditions which these migrants faced at arrival, language competence becomes a more important criterion.

Migrants' participation in vocational training

108. The predominant transition regime from school to work in Germany is apprenticeship.²⁹ In principle, the hands-on nature of that system could be expected to be more appropriate to the skills of the second generation than formal classroom teaching, particularly in the presence of reading and language difficulties. This should be especially apparent in craft-based sectors which have been a traditional focus of vocational training, and where fluent mastery of the German language may be less important. However, foreigners' participation in vocational training is much lower than that of natives. In 2003, the participation rate of foreigners aged 18-21 was 27%, compared to a rate of 60% for nationals (Federal Ministry for Education and Research 2005).³⁰ Such a discrepancy is also observed in craft-based apprenticeships, although the vocational training participation of foreigners in this sector is slightly higher than that in other sectors.

109. For the second generation, the lack of a vocational degree is the key employment obstacle. The employment rate of second generation men and women in the age group of 25-35 is about 10 and 16% lower than that of native men and women in that age group, respectively. This, however, is entirely due to their lack of a vocational degree. For those with a vocational degree, employment rates are even higher than those of natives with such a degree. This result even holds after controlling for age, sex, marital status and (other) educational attainment. In econometric analysis, the interaction term between the second generation and a vocational degree is strong and very robust, which shows that obtaining a vocational degree is much more important for the second generation than it is for native-born nationals. Whereas the adjusted (*i.e.* controlling for other socio-demographic characteristics) odds of being employed are 2.4 times higher for native-born nationals if they have a vocational degree than for those who do not, the

²⁹ Only Denmark and Switzerland (and, to a lesser degree, Austria and the Netherlands) place a similar emphasis on apprenticeship as a transition regime.

³⁰ The official figures are based on reports from the Chambers of Commerce and unfortunately do not distinguish between second-generation migrants and native Germans whose parents are also native-born.

corresponding figure for the second generation is 5, *i.e.* more than twice as high. Given the fact that the share of the second generation in the labour force has not reached its peak yet – an indication of this is the fact that two-thirds of the native-born foreigners are below the age of 18 – the low participation rates are thus particularly worrying.

110. The reasons for the low participation of the second generation in vocational training are plentiful. It appears that competition between natives and the second generation has increased due to a structural lack of vocational training places in Germany. Given the lower initial educational attainment and a lower level of language mastery among the second generation, such increased competition tends to disproportionately affect them. However, the participation rates of the second generation were already relatively low even during more favourable circumstances. Furthermore, a substantial gap remains even among young foreigners and nationals with the same school-leaving degree (Granato and Uhly 2005).

111. Another possible explanation for the low participation rates of the second generation in vocational training could be that these individuals try to get into regular paid employment as soon as possible. An indication of this is the fact that among all 15-20 year old persons subject to social security contributions (*i.e.* either in vocational training or in regular employment) registered by the Federal Employment Agency, 43% of the foreigners are not in vocational training, but only 24% of the nationals. Since training wages are relatively low, this is associated with higher mean earnings by young foreigners – they earn on average almost 20% more than their German counterparts.³¹ However, the causality is not clear since the higher wages and (regular) employment figures of these young foreigners could also be a result of the lack of access to training. In any case, the lack of a vocational degree hampers the second generation's upward occupational mobility and makes them more prone to unemployment at a later age.

112. These obstacles are also confirmed by survey data. In a 2001 survey among the foreign population (Venema and Grimm 2002), the lack of vocational training places was mentioned by young foreigners without a training place as the prime obstacle, followed by a lack of knowledge of German, lack of an adequate school degree, and the desire to earn money immediately. The opposition of their parents to vocational training was only mentioned by a few foreigners, a considerable decline in comparison to the response to a similar question in a similar survey in 1995. This indicates that distrust of vocational training by migrants does not seem to be responsible for the low participation of second generation in vocational training, despite the fact that their parents come from countries where this type of training is less common than in Germany.

113. In Germany, as in other OECD countries, it appears that the majority of jobs – both regular jobs and apprenticeships – are filled through contacts with friends or relatives.³² Presumably, these personal contacts would be more extensive for the native-born than for the foreign-born. While the second-generation should not face this problem, their networks with respect to employers might be more oriented towards enterprises that are run by people of the same ethnic background. However, enterprises which are run by foreigners offer vocational training much less frequently (see Federal Ministry of Education and Research 2004).

114. This is attributable to a variety of factors. Since most migrant entrepreneurs come from countries where apprenticeship training was not as common as in Germany and were not apprentices themselves, they may not be aware of the opportunities which this kind of training provides for employers and

³¹ These calculations are based on an employee panel dataset from the Federal Employment Agency (*BA-Beschäftigtenpanel*).

³² However, there is mainly anecdotal evidence on this. Only the German Socio-Economic Panel provides information on the way an individual found his/her current job. Out of the analysable responses, more than half mentioned “through friends and relatives”.

apprentices alike. Furthermore, foreign enterprises may be less linked with the local Chambers of Commerce and Trade. As already mentioned, these chambers play an important role in the vocational training system. Until recently, any employer wishing to provide vocational training also had to pass an extensive examination set by the chambers. This formal examination has been abandoned by a decree of the federal government in August 2003. Though any trainer still needs to have the approval of the chambers, they now have much more flexibility in the certification process. This measure should in principle foster migrant entrepreneurs' willingness to provide vocational training, but there has been no evaluation of whether this has occurred to date.

115. However, despite the apparent lack of access of the second generation to regular vocational training, young foreigners have been underrepresented in the federal programmes aimed at promoting vocational training access for disadvantaged groups (see Integration Officer 2005). Given the overwhelming importance of vocational training for the "second-generation's" labour market access, there are now a large variety of targeted initiatives and projects in place. There are 42 projects alone to promote vocational training in foreign-run enterprises (Federal Ministry for Education and Research 2004: 53). In addition, ten regional networks have been established that aim at promoting migrants' access to vocational training (see **Box 5**). Further initiatives have, *inter alia*, aimed at profiting from the second generation's bilingual capabilities in so-called "binational vocational training", which includes a traineeship in the migrants' (or his/her parents') origin country. For immigrants without vocational training, but at a more advanced age, certification-oriented modular schemes have been tested in a series of model projects (see Granato and Gutschow, 2004). However, it is impossible to judge the effectiveness of such small-scale, locally based and time-limited projects in the absence of any rigorous evaluations.

Box 5: The vocational qualification networks (BQNs)

A particularly good example for the approach taken with respect to integration measures are the vocational qualification networks (*Berufliche Qualifizierungs-Netzwerke* – BQNs). The programme, which is co-financed by the Federal Ministry of Education and Research and the European Social Fund, is part of a larger federal initiative aimed at qualifying young individuals with special needs. It aims at promoting migrants' and the second generation's access to jobs and vocational training through awareness-building measures and the establishment of regional networks of the relevant stakeholders; *i.e.* employment agencies, chambers of commerce, migrant organisations and local governments and entrepreneurs. The networks target young people "with a migration background", which includes both the foreign-born and those members of the second generation which should receive special attention.

Since 2004, ten regional networks have been established on a project basis for an initial period of three and a half years, *i.e.* until July 2007. Infrastructure is generally not financed, and the financing is entirely expenditure-based (mainly personnel, brochures, *etc.*). Most networks are either attached to the local chambers of commerce or to institutions of the local governments. Prior to the establishment of the networks, a needs-assessment was conducted in each of the ten regions concerned. Based on this assessment, each network defined its own focus areas. For example, in regions where low initial educational attainment of migrants was identified as especially problematic, focus has been laid on information campaigns in schools. In other areas, where access to vocational training places was deemed particularly limited, the focus is on acquisition of internships and vocational training places for foreigners. In other areas, the main emphasis is placed on awareness-building measures with local entrepreneurs and the chambers of commerce, as well as the general public.

The projects thus serve mainly as mediators between the second generation and the mainstream services, based on the conviction that the formers' access to these services is often hampered due to misconceptions and ignorance of German institutions on the one side and lack of knowledge on the specifics of the situation of migrants and the second generation on the other.

A similar regional network approach, but targeted at the qualification of adult migrants, has been adopted with the network "integration through qualification" (*Netzwerk IQ*), which started in January 2005.

Migrants' access to self-employment

116. The self-employment of migrants is receiving increasing attention in Germany. This is particularly apparent in the Turkish community, where several business centres and associations for the self-employed have been established in the past few years. The available data suggests that self-employed immigrants, and particularly Turks, earn more than self-employed or salaried Germans (Constant, Shachmurove and Zimmermann 2003). This is in contrast to salaried employees, where native Germans earn more than immigrants. Self-employed immigrants are thus at the top of the earnings-income distribution, whereas salaried immigrants are rather at the bottom. These findings indicate that self-employment may help immigrants to overcome structural obstacles in the German labour market which prevent them from gaining the same wages as Germans.

117. However, as Table 13 shows, the self-employment rates of immigrants in Germany are lower than those of natives and have remained so since 1992. Furthermore, despite some increase since 1992, which was driven by an almost 90% increase in the self-employment rate of Turks, these rates are still somewhat lower than those of immigrants in the other OECD countries shown in Table 13 with the sole exception of Austria.

Table 13: Development of self-employment rates of natives and foreign-born, selected OECD countries

	Germany	Sweden	Austria	Netherlands	United Kingdom	France
2004						
Foreign-born	8.7	11.1	7.4	9.6	14.6	9.9
/ from Turkey	7.1					
Native	10.7	9.2	12.5	11.2	12.1	9.7
1999						
Foreign-born	8.6	12.2	6.8	9.5	15.3	10.5
/ from Turkey	4.9					
Native	10.5	10.5	13.9	11.2	11.3	12.0
1992 ¹						
Foreign-born	7.3	11.4	6.9	6.9	16.2	11.6
/ from Turkey	3.8					
Native	8.2	10.5	11.4	9.8	11.9	12.3

Note 1. Data refer to 1995 for Sweden and Austria.

Source: European Community Labour Force Survey.

118. The low self-employment rates are partly attributable to the fact that foreigners' access to self-employment has been generally restricted to individuals with "consolidated residence". Under the pre-2005 framework, in line with the view that Germany was not an immigration country, most migrants from non-EEA countries initially did not have access to self-employment. Indeed, the pursuit of self-employment was generally prohibited for all foreigners without an unrestricted or permanent residence permit. As a result, more than one third of all foreigners were initially legally excluded from self-employment, although the authorities had the discretion to grant access to self-employment for such individuals as well. The reasoning behind this was that the pursuit of self-employment should be the result of a "consolidation" of residence (*i.e.* after at least five years of residence – the duration of stay before an unrestricted permit was

granted). Otherwise, self-employment could hamper the necessary departure once the residence permit had expired.

119. Despite some improvements under the new immigration law, access to self-employment is still generally restricted to people with a “consolidated residence”. It is not entirely clear how much discretionary scope remains under the new law. Unfortunately, it is also not yet possible to identify the share of foreigners with access to self-employment in the labour force. This, however, is likely to change with the revision of the data collection of the Federal Employment Agency in light of the new immigration law.

120. The German government provides two measures to promote self-employment of formerly unemployed persons. One of these measures, the so-called “Me, Inc.” (“*Ich-AG*”), has been introduced in January 2003 as part of the recent labour market reforms and is targeted at small business start-ups by the unemployed. These people get a monthly lump-sum subsidy if their income does not exceed 25 000 Euro annually. If self-employment is more important as a means of escaping unemployment for foreigners than for nationals, one would expect foreigners to be overrepresented in the unemployed participating in this measure. An evaluation that has been prepared by the Institute for Employment Research for this report shows that foreigners comprised about 13% of the officially registered unemployed in December 2002, but only about 10% of all beneficiaries of the “Me, Inc.” between January 2003 and June 2004. For the other measure to promote self-employment of unemployed persons, the so-called “bridging allowance” (*Überbrückungsgeld*), the figure is even lower (8%). Though – given the limited access of foreigners to self-employment and the lack of statistics on the permit category of unemployed foreigners – this is only indirect evidence, it suggests that self-employment may not be a more frequent way of escaping unemployment than for natives.³³ This finding is corroborated by a recent study of Constant and Zimmermann (2004) who, using data from the German Socio-Economic Panel, find that natives’ transition probabilities from unemployment to self-employment are more than twice as large as those of immigrants.

121. Whereas immigrants are still underrepresented among the stock of self-employed, they participate disproportionately in new start-ups. A large, nation-wide survey of more than 40 000 individuals (Lehnert and Täuber 2003) showed that migrants are twice as inclined as natives to found new enterprises. These recent migrant entrepreneurs also tend to employ more people than Germans. However, the fact that there has been little increase in the stock of self-employed immigrants (see Table 13) suggests that the failure rate of new start-ups by immigrants may be higher than that of natives.

122. In that survey, access to financial credits, particularly micro-credits, was mentioned twice as often by migrants as an obstacle to self-employment than by natives. Though there are federal programmes in place which provide such credits, migrants appear to be less informed about these possibilities than natives. Based on their characteristics, Lehnert and Täuber (2003) estimate that 15% of all entrepreneurs which participate in the federal credit programme for self-employment should be migrants. Their actual participation, however, is only 3%. 45% of the migrant entrepreneurs which did not participate mentioned lack of information as the main reason for not applying for a credit, compared to 25% of the natives.

The issue of discrimination

123. Anti-discrimination measures have not been a main focus of integration policy in Germany, and there is currently no anti-discrimination law. This stands in marked contrast to the Nordic countries, but also to France, where anti-discrimination policy has been part of the formal integration framework. While much anecdotal evidence suggests that there is discrimination against immigrants in the German labour

³³ Given the ample advertisement of the “Me, Inc.”, it is unlikely that information asymmetries are responsible for foreigners’ lower programme participation.

market, the precise extent of it is difficult to assess. In particular, isolating its effects from that of other factors is problematic. Moreover, given the substantial structural disadvantage of immigrants and the second generation in Germany in terms of their lower educational attainment and reduced access to vocational training compared to natives, the issue of discrimination in the labour market tends to be masked. Economic theory suggests that the low attainment levels observed among the offspring of immigrant parents may be in part a response to a perception of discrimination or of likely low returns to education in the labour market (Becker and Tomes 1986), but the extent to which this is the case in Germany is unknown. However, since until recently public discourse was emphasising the uncertainty in immigrant status (“Germany is not an immigration country.”), the incentive to invest in host-country human capital may have well been reduced.

124. Empirical studies show a somewhat mixed picture. Results based on a panel data sample of all employed individuals provided by the Federal Employment Agency (*BA-Beschäftigtenpanel*) show that the wage gap between foreigners and nationals in the Western *Länder* is about 15 per cent. Controlling for age, sex and education, the wage gap between foreigners and natives is reduced to about 8 per cent. Studies have also observed a relatively high wage mobility of foreigners. For example, 1000 days after completion of professional training, immigrants – especially Turkish ones – obtained slightly higher wages than Germans who had also undertaken this kind of training, but also had higher unemployment rates (Seifert 2001).

125. There is some tentative evidence that recruitment practices tend to disfavour immigrants (Goldberg, Mourinho and Kulke 1995). Immigrants have a lower upward mobility with respect to occupational status but have higher wage returns to experience than natives (Constant and Massey 2004). Data from the BA panel data set cited above show that foreigners and Turks in particular, were disproportionately affected by layoffs between 2001 and 2002. This holds even after controlling for age and education – two factors likely to influence productivity. However, no control was possible for seniority, *i.e.* the length of presence at the workplace which may also be a significant factor affecting layoff rates.

126. With respect to recruitment, less than five per cent of the foreigners without a vocational training place mentioned outright discrimination as one of the reasons for not obtaining a place in a large study of the foreign population (Venema and Grimm 2002). Furthermore, there is also a marked decline in reports of such outright discrimination compared to a similar 1995 study. Immigrant groups themselves rarely refer in discussions to discrimination as a labour market barrier for young persons with an immigrant background, but tend to point instead to qualification deficits.

127. Germany did not immediately adopt the EU anti-discrimination directive, which obliged Member states to introduce measures to combat discrimination due to ethnic origin in the workplace. Only four other EU countries (Austria, Finland, Greece and Luxembourg) do not have an anti-discrimination law. In December 2004, the draft of such a law (*Gesetz zur Umsetzung europäischer Antidiskriminierungsvorschriften*) was presented in the Bundestag. The law includes provisions to oblige employers *inter alia* to draft job offers in a non-discriminatory way, and to introduce measures to prevent potential discrimination. The proposed law does not impose public sanctions for companies with discriminatory practices – sanctions are only envisaged under civil law. If there are indications of discriminatory practices, however, it is the employer who has to prove that discrimination did not occur. The draft law is still being debated.

128. In summary, although discrimination is – as in other countries – likely to be present in the labour market, there is little empirical evidence for it and attention on the part of stakeholders including immigrant groups tends to be focused more on the issue of deficient qualifications among immigrants and offspring of immigrants. Although the discrimination issue may be difficult to address as long as there

exist such serious deficiencies, the latter may also act as a convenient screen for discriminatory attitudes among employers.

Effects of recent labour market reforms

129. The German federal government has introduced a series of labour market reforms in recent years, which also affect migrants' labour market access. Among the measures taken are comprehensive programmes to promote the labour market access of disadvantaged groups. This has *inter alia* led to the establishment of the vocational training networks (BQNs), the abolition of trainer certificates, and to the promotion of small self-employment ("Me, Inc.") described above.

130. In the first package of labour market reforms ("Hartz I"), introduced in 2003, the scale and scope of employment opportunities through temporary employment agencies was increased. Since then, this form of employment is promoted by means of so-called "Personnel Service Agencies" (PSAs), which aim at integrating unemployed individuals into the labour market through work experience, combined with accompanying qualification measures. The PSAs are publicly financed, but run by private temporary employment agencies who receive – in addition to an upfront infrastructure payment – lump-sum contributions per each employed individual. These contributions decrease along with the time needed for labour market integration.

131. In principle, employment through temporary employment agencies (and therefore the PSA programme) should be particularly attractive for migrants. Constant and Massey (2004) show that migrants' return to employment experience is higher than that of natives, and this kind of employment is one channel of providing migrants with such an experience. Employment through temporary employment agencies also allows the employer to test an individual's skills, which is particularly important in cases with large information asymmetries, *e.g.* with respect to qualifications and experience obtained abroad. Andersson and Wadensjö (2004) show for Sweden that immigrants, although they are no more likely than natives to enter the temporary employment sector, are more likely to move thereafter into employment in another sector than comparable natives. These results thus seem to suggest that temporary employment agency work may have provided immigrants with the needed experience to overcome employer hiring reticence. In Australia, similar forms of employment programmes which provide job experience through temporary work have been used to bring unemployed skilled migrants in contact with potential employers.

132. In Germany, however, the PSA programme does not appear to be an effective tool for the labour market integration of migrants. The programme participation of foreigners in the PSAs reaches only 50% of that of nationals. Moreover, despite overall low success rates for the PSAs (only about 5% of the programme participants had a job six months after participation in the programme), the rates are especially low in the case of foreigners. Only 2% of the foreigners who participated were successfully integrated into a regular job six months after their programme completion. No other disadvantaged group for which separate statistics are available (handicapped, long-term unemployed, low-qualified, and unemployed above the age of 50) had such a low success rate. This may be partly attributable to the fact that the incentives are set to ensure that the unemployed should be integrated as soon as possible into regular employment. As migrants face some particular difficulties (lower education, limited German language knowledge) and may thus need more time to move into regular employment, the incentives to integrate migrants in the labour market through this programme may be limited. In contrast to the other above-mentioned groups with potential disadvantages in the labour market, migrants are not identified as a main target group of the programme. Whereas the PSA programme may not be apt for all migrant groups, it could be effective for recent arrivals (*i.e.* ethnic Germans and refugees) whose qualifications have not been recognised and who could thereby demonstrate their knowledge and skills on the job.

133. On 1 January 2005, parallel to the new immigration law, the central part of the labour market reforms became effective. The reform package, commonly known as “Hartz IV”, merged social assistance and long-term unemployment aid (the so-called “unemployment aid II”). Everybody capable of working, but not in employment, receives a basic support payment. If the person concerned does not accept an employment offer, he or she will receive support payment cuts. At the same time, more emphasis is being placed on case-specific counselling, and each unemployed person receives a tailor-made labour market integration plan.

134. The case-specific counselling should improve the targeting of the mainstream services to the particular needs of immigrants. There are also important interactions between the new immigration act – in particular the new integration courses – and the “Hartz IV” reforms. For example, if the foreigners’ office or the employment services oblige an already resident foreigner to participate in an integration course and he or she does not comply, this may not only lead to an eventual denial of a prolongation of the residence permit, but also to cuts in the “unemployment aid II” of up to 30 per cent.

Summary and recommendations

<p><i>Germany received a large number of immigrants at a time when the economic situation worsened.</i></p>	<p>The current situation of the labour market integration of migrants in Germany reflects its immigration history. A substantial part of the immigrant population is low-skilled, which is partly a result of the focus on low-skilled labour during Germany's labour recruitment period prior to 1973. These "guestworkers" were later joined by their family and had children. Due to a stringent naturalisation law, many persons of the second generation did not obtain German nationality. Since the late 1980s, two large additional immigrant groups rapidly emerged, whose entry was not linked with labour market needs: humanitarian immigrants and ethnic Germans from Eastern Europe. The latter are now the most important immigrant group in Germany. The massive immigration of ethnic Germans and humanitarian migrants in the late 1980s and early 1990s coincided with a worsening of the economic situation.</p>
<p><i>Given this background, immigrant men are reasonably well integrated in the labour market.</i></p>	<p>Until 1992, employment and unemployment rates of immigrant men were very close to those of natives. However, immigrants have been particularly affected by the deteriorating economic situation since then. But labour market outcomes of immigrant men are not unfavourable when compared to those of immigrant men in other countries. In addition, convergence of employment rates towards those of natives appears to be more rapid than in other countries.</p>
<p><i>The picture is less favourable for immigrant women, especially for Turks.</i></p>	<p>In contrast to the relatively favourable picture for immigrant men, the employment rates of immigrant women in Germany are very low. Although low employment rates of this group are also observed in other countries, the rates in Germany are among the lowest in the OECD – not only in absolute terms, but also relative to those of native women. This is especially pronounced among the Turkish women – the largest group of immigrant women after ethnic German women. While this may be partly culturally related, it is also to some degree an outcome of policies, since immigrant spouses with foreign nationality did not obtain immediate labour market access. Furthermore, even when access was given, it was initially subject to labour market testing. Most of these legal obstacles have been removed under the new immigration act, and spouses now immediately obtain the same labour market access as the principal migrant.</p>
<p><i>Ethnic Germans now face similar difficulties to other groups...</i></p>	<p>Until the early 1990s, ethnic Germans had been well integrated into the labour market, and their employment rates were similar to those of natives. Currently, however, ethnic Germans lag behind, and their situation is similar to other migrant groups, despite the fact that they have a much better legal position and receive a considerable amount of integration support. In particular, employment rates of ethnic Germans with less than eight years of presence have fallen by almost 20% since 1992. This appears to be attributable to a change in their country-of-origin conditions, with more recent arrivals coming from more distant areas, and being apparently less able to speak German. However, there is some evidence that the measures taken since 1996 to limit the inflow of ethnic Germans – which <i>inter alia</i> require proof of German language knowledge – may have had a favourable impact on the employment rates of that group. Ethnic Germans also tend to have a higher educational attainment than other migrant groups, but their qualifications appear to be almost completely disregarded in the German labour market.</p>

...but available statistics do not mirror the changed composition of migrant stocks.

It is, however, impossible to provide exact figures on the labour market integration of ethnic Germans and the degree to which their human capital is under-utilised. This is remarkable given the large size of this group – more than three million ethnic Germans arrived since 1985 – and due to the fact that official statistics distinguish population groups along nationality lines. Since the ethnic Germans are German citizens, it is impossible to identify them. There is thus a clear need for statistics on the foreign-born – if not for abandoning the somewhat dated distinction based on nationality altogether. Indeed, statistics based on nationality are less and less meaningful as the foreign-born increasingly take up German nationality. There is also evidence that citizenship take-up is selective, *i.e.* naturalised migrants tend to have a better labour market performance than their counterparts who maintain their foreign nationality. At the same time, the second generation is now entering the labour market in large numbers. It is thus also increasingly important to be able to identify the second generation. This, however, can only be done with information on the parents' country of birth – and not on their nationality.

The change in Germany's composition of immigration flows since the 1980s has given rise to a complex integration framework...

Initially, the presence of the “guestworkers” from Germany's labour recruitment period was seen to be linked with employment. A formal integration policy was thus not developed, and the need for integration became only gradually acknowledged. Various authorities at all levels of government gradually began to tackle some of the most pressing needs within their area of competence. For those “guestworkers” who stayed, some language training was provided, and migration-related advice was provided by non-governmental actors, who were remunerated by the government. For ethnic and humanitarian migrants, who arrived in larger numbers only towards the end of the 1980s, new, separate structures were created. On top of the resulting complexity of the structure, subnational governments play an important role. Education, for example, is a prime responsibility of the *Länder*, and local governments stepped in where the measures provided by the other two government levels did not suffice to meet integration needs. In this structure, labour market integration has traditionally not been the principle focus of integration activities for two main reasons. First, since Germany did not define itself as a “country of immigration”, most immigration was deemed to be of a temporary nature, without the need for further integration of migrants. Humanitarian migrants who did not obtain formal asylum faced some legal obstacles in labour market access. The notable exception have been ethnic Germans, who have always had full and immediate labour market access. Second, when integration measures have been taken, emphasis has mainly been on acquisition of the German language.

...but there is some progress under the new immigration law.

Germany is currently in the process of a major restructuring of its immigration system. This change particularly affects the approach to integration, which is now a clearly established government task. Furthermore, in principle, all immigrants are subjected to the same broad integration structures. For the first time, with the new integration programmes and the subsequent “initial integration advice”, a uniform approach with respect to integration is adopted for all migrant groups whose presence is not merely temporary. In contrast, prior to the new immigration act, there was a clear distinction between the main migrant groups, *i.e.* “guestworkers” and their families, ethnic Germans, and humanitarian migrants, with respect to integration support and labour market access.

The educational outcomes of the second generation are less favourable than elsewhere...

It appears that the second generation is in a very unfavourable position. Their employment rates are below those of natives. However, it is difficult to adequately identify these individuals, since current statistics do not provide information on the parents' place of birth. Given the identification problems in official statistics and the fact that two-thirds of the native-born foreigners are below the age of 18, most studies have focused on the results of international student assessments such as the OECD PISA study, and not yet on their labour market integration. The gap between the educational attainment of the "second-generations" parents and that of their native counterparts is higher than in other OECD countries. Although human capital may tend to be transmitted across generations, educational systems can compensate in part for this. In Germany, it seems to exacerbate it. The impact of the education level of parents on the outcomes of children is stronger in Germany than in the rest of the OECD. The combined effect of these two factors – the low education level of the parents and the particularly strong inter-generational links in educational attainment – has led to a situation in which the second generation lags more behind their native counterparts than elsewhere, as the OECD's PISA study has shown. The gap is particularly pronounced for second generation children where a language other than German is spoken. In fact, it seems that the language spoken at home has a much stronger impact on the second generation's educational outcomes than in other countries. In any case, the second generation does not reach the same attainment as natives, not even as those with a similar socio-economic background, contrary to what is observed in other OECD countries.

...reflecting early streaming in the German system, which puts migrants' children in a lower track.

This appears to be linked to the early educational streaming, together with the clear hierarchy and low permeability in the educational system. Measures should be considered to assure a better permeability between the educational tracks and to avoid a situation where migrants are only placed in the lower tracks because of language obstacles.

Vocational training is the key determinant of the second generation' labour market success.

The limited international data available suggest that the employment rates of Germany's second generation are lower in relative terms than those observed for the second generation in other countries. The low initial educational attainment of the second generation hampers their access to vocational training, which is the main entry channel into the German labour market. The participation rate of young foreigners (who are mainly of the second generation) in vocational training is only about half that of nationals. Although the impact of vocational training on the labour market status is already important for natives, it is twice as important for the second generation. As a consequence, the employment rates of the second generation increasingly lag behind those of natives. This gap is particularly pronounced in the case of second generation women. However, the structural lack of vocational training places has increased competition with natives. Furthermore, enterprises owned by foreigners – to which the second generation might be expected to have better access since places are often filled through informal contacts – seldom provide vocational training. This is due to both institutional obstacles and a lack of awareness. The institutional obstacles have been partly removed with the abolition of a formal trainer examination, and there are a variety of programmes in place to increase awareness of the importance of vocational training for the second generation, targeting both the second generation and potential employers. However, it is not yet possible to evaluate to what degree these measures have had the desired effect. There is an urgent need for

more investigation into the effectiveness of such programmes, since the share of second generation among the new labour market entrants is growing quite rapidly.

The German language needs to be systematically promoted from kindergarten age on...

Given the early streaming in Germany's educational system, it is crucial to promote language learning of migrant children at the earliest possible stage. Early kindergarten participation thus seems particularly important for migrant children, since it provides them with early contact with the German language. Although kindergarten participation of foreign children has almost fully converged with that of natives, overall coverage is relatively low in international comparison. Moreover, kindergarten and primary schooling are generally only half-time. This may explain why the effect of a foreign language spoken at home has a stronger negative impact on students' educational outcomes than in other countries. Language training should thus be systematically integrated into the kindergarten activities, and ideally be offered also after the half-day kindergarten. It also appears that language testing in the year prior to elementary school, combined with intensive language training for those who do not have sufficient language capabilities at that time, is an effective means to bring young migrants to a starting position similar to that of their native counterparts.

... to be better linked with employment, based on a more systematic evaluation of what works.

The focus of the integration activities for new arrivals under the new immigration law is laid on language training. It remains to be seen if the funding of the introduction courses, which are generally provided by semi-public and non-governmental institutions, is effective. Due to a lump-sum per capita financing, there are little incentives for the providers to aim at higher levels of language competence, to focus on groups which face particular difficulties, or to combine language instruction with labour market needs. An alternative would be to introduce a more outcome-based funding scheme which accounts for the composition of the participants. Furthermore, the introduction courses aim only at a basic level of German language knowledge which is unlikely to be sufficient for the needs of the labour market. Although a programme has recently been launched for more advanced language training and adapted to the professional needs of immigrants, this programme is only targeted at immigrants who receive unemployment aid in Germany, *i.e.* generally not open to migrants who do not have prior work experience in Germany. Furthermore, given the great emphasis being placed on language courses, at present as in the past, it is striking to note that there is no evaluation system in place to identify which kind of language training – and how much – serves best to achieve a cost-efficient labour market integration. Indeed, the scarce evidence that is currently available suggests that language training may be less efficient with respect to labour market integration than is often assumed in the German debate. One indication of this is the fact that only 15% of ethnic migrants who participated in language courses for unemployed migrants were in employment six months after course completion. There is thus a clear need for an in-depth study of the links between language training and labour market integration.

Discrimination is not perceived as a key problem but cannot be ignored. In contrast to many other OECD countries, notably the Nordic ones, anti-discrimination measures have not been a main focus of integration policy in Germany. Given the sizeable structural disadvantages faced by migrants due to their considerably lower educational attainment and the strong emphasis placed on formal certification, the significance of discrimination may be masked. Migrants themselves do not report discrimination as a key problem with respect to labour market access. Empirical results on the question are mixed, with one study in particular showing greater wage mobility for immigrants and others relative disadvantage with respect to recruitment and layoff practices. However, the existence of qualification deficits may act as a convenient screen for discriminatory attitudes, so some vigilance on this score would be warranted.

Migrants' access to self-employment should be improved. In contrast to countries like France, the United Kingdom and Sweden, migrants are still under-represented among the self-employed. This is partly attributable to the fact that about one-third of the foreign population need special permission to have access to self-employment, since the duration of their residence is not sufficiently "consolidated". Given the potential positive contribution of self-employment to a dynamic development of the economy and its importance as an integration tool, legal access to self-employment should be given more generously, at least in cases where immigration can be expected to be of a permanent nature. Another obstacle is the lack of access to financial micro-credits, which particularly affects migrants. Although there are federal programmes in place to provide credits for start-ups in cases where commercial banks would not do so, the proportion of migrant entrepreneurs in these programmes is well below the average. This appears to be due to a lack of information. Programmes to support self-employment, particularly through micro-credits, should thus be more actively promoted to migrants.

Employment through temporary employment agencies has not developed its full potential as a tool for fostering migrants' labour market integration. Experiences in Sweden and Australia have shown that employment through temporary employment agencies can be an effective labour market integration tool for migrants, since it provides them with the necessary domestic employment experience, and allows employers to evaluate their skills. Yet, in Germany, migrants are under-represented in the federal programme for employment through temporary employment agencies (*i.e.*, in the "Personal Service Agencies") and for the few migrants who do participate, success rates are much lower than for natives. This appears to be partly attributable to the incentive-oriented structure of the programme, which emphasises rapid labour market integration. Migrants may need more time and support measures than natives do, to profit from such measures. Since the evaluation of skills through this form of employment is particularly important for recent arrivals who face difficulties in having their qualifications recognised – notably the ethnic Germans and humanitarian migrants – they should be included as a special target group.

There is a multitude of innovative projects, but a need for better evaluation and mainstreaming. Within the past decade, Germany has gone from neglecting the need for an integration policy to acknowledging the beneficial contribution of immigrants to the economy and the society. This has culminated in broad-based support for the new immigration law and its integration programme. It is also mirrored in a multitude of initiatives, many of which have been established only recently. However, these initiatives are generally only funded on a short-term basis, and evaluation is often lacking. Indeed, the problem of inadequate programme evaluation, though shared with other OECD countries, is particularly striking in Germany, due to the fact that

most projects have been locally-based, multi-level and expenditure-based funded, and limited in time. Very few of them are permanent or designed in a way that would enable a proper evaluation to take place. They also appear to be often not sufficiently co-ordinated, let alone integrated, with mainstream services. There are few structures in place to identify projects that would be worthwhile to carry out nation-wide, and subsequently expanded. Such structures would be even more important since the participation of migrants in the regular labour market programmes lags behind that of natives. Some of these regular programmes appear not to be sufficiently adapted to migrants' needs. Instead of providing more and more new projects for migrants, it might be considered a better strategy to adapt mainstream programmes to migrants' needs, and to include those projects for migrants that have proved to be effective into the mainstream services.

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