



Recruiting Immigrant Workers GERMANY



Recruiting Immigrant Workers: Germany

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Please cite this publication as:

OECD (2013), *Recruiting Immigrant Workers: Germany*, OECD Publishing.
<http://dx.doi.org/10.1787/9789264189034-en>

ISBN 978-92-64-18900-3 (print)
ISBN 978-92-64-18903-4 (PDF)

Series: Recruiting Immigrant Workers
ISSN 2225-7950 (print)
ISSN 2225-7969 (online)

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Foreword

This review of Germany's labour migration policy is the second of a series conducted by the OECD Secretariat as a follow-up to the 2009 High Level Policy Forum on International Migration. The rationale for this initiative was the recent growth in labour migration observed in many countries and the likelihood that recourse to labour migration would increase in the context of demographic ageing. Prior to the 2008-09 economic crisis many countries had made substantial changes to labour migration policies with a view to facilitating recruitment from abroad. With the introduction of these changes, more prominence was accorded to the question of their effectiveness and more broadly, to the objectives of labour migration policy in general. Although the economic crisis put a damper on labour migration movements, it did not stop them entirely, and interest in labour migration policy is unlikely to diminish in the near future.

The central objective of labour migration policy is to help meet those labour market needs which cannot be satisfied through tapping domestic labour supply in a reasonable time-frame, without adversely affecting the domestic labour market and without hindering development prospects in vulnerable origin countries. Although the objective itself can be easily stated, specifying the criteria for assessing the success of policy in achieving it is a complex matter. It involves evaluating how well labour market needs have been identified and whether migration has had an impact on the labour market, both of which are analytically difficult.

This series of reviews addresses the question of whether labour migration policy is effective in meeting labour market needs without adverse effects, and whether the policy is efficient. To address these questions, this review aims to analyse two key areas: *i*) the labour migration system and its characteristics, in terms of both policies in place and the labour migrants who arrive; and *ii*) the extent to which it is responding to the current and forecast needs of the domestic labour market, as well as any impact on the latter.

The focus is specifically on discretionary labour migration, that is, those labour migration movements over which policy has direct, immediate oversight. Other categories of migration – family, for example – are

considered in terms of their influence on decisions to admit workers. Movements in the context of free-circulation agreements, which are important in many European countries, including Germany, are also covered in their relation to discretionary labour migration.

Germany is no exception to the widespread discussion in OECD countries regarding effective labour migration policy, and it is in this context that Germany requested that the OECD review its labour migration policy. The review examines the demand side of labour migration more closely with a special survey of employers, and also includes a discussion of reforms implemented in August 2012.

Acknowledgments

This report on Germany was prepared by Jonathan Chaloff and Thomas Liebig with contributions from Jason Gagnon, Julia Jauer and Karolin Krause. The report benefited from valuable comments from Jean-Christophe Dumont, Georges Lemaitre, John Martin and Stefano Scarpetta. The OECD Secretariat would like to thank the German authorities involved and all the persons in Germany who provided information to the project team and responded to the numerous questions raised. This report would not have been possible without the support of the Federal Ministry of Labour and Social Affairs, and in particular the ministry's representative to the OECD Working Party on Migration, Farid El Kholy. Special thanks also go to the Federal Employment Agency and the Central Foreigner's Registry Division of the Federal Office for Migration and Refugees for supporting the review with valuable data, and to Birte Steller from the Hamburg Welcome Center. A draft of this report was presented at the meeting of the OECD Employment, Labour and Social Affairs Committee held in Paris on 26 October 2012. The Secretariat would like to thank the participants in this meeting and of the OECD Working Party on Migration for their helpful comments.

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Acronyms and abbreviations

AAV	<i>Arbeitsaufenthalteverordnung</i> (Ordinance on the Residence for Work Purposes)
ANABIN	<i>Informationsportal zur Anerkennung ausländischer Bildungsabschlüsse</i> (Database for Evaluating Foreign Degrees and Certificates)
ArGV	<i>Arbeitsgenehmigungsverordnung</i> (Ordinance on Work Permits)
ASAV	<i>Anwerbestoppausnahmeverordnung</i> (Ordinance on Exceptions from the General Recruitment Ban)
AufenthG	<i>Aufenthaltsgesetz</i> (Residence Act)
AuslG	<i>Ausländergesetz</i> (Aliens Act)
AZR	<i>Ausländerzentralregister</i> (Central Foreigners Register)
BA	<i>Bundesagentur für Arbeit</i> (Federal Employment Agency)
BAMF	<i>Bundesamt für Migration und Flüchtlinge</i> (Federal Office for Migration and Refugees)
BeschV	<i>Verordnung über die Zulassung von neu einreisenden Ausländern zur Ausübung einer Beschäftigung</i> (Employment Regulation)
BIBB	<i>Bundesinstitut für Berufsbildung</i> (Federal Institute for Vocational Education and Training)
BMAS	<i>Bundesministerium für Arbeit und Soziales</i> (Federal Ministry of Labour and Social Affairs)
CEE	Central and Eastern Europe

DAAD	<i>Deutscher Akademischer Austauschdienst</i> (German Academic Exchange Service)
DIHK	<i>Deutscher Industrie- und Handelskammertag</i> (German Chambers of Commerce and Industry)
EEC	European Economic Community
EFTA	European Free Trade Association
EU	European Union
EURES	European Employment Services
GATS	General Agreements of Trade in Services
HIS	Higher Education Information System
HRK	<i>Hochschulrektorenkonferenz</i> (German University Rectors' Conference)
IAB	<i>Institut für Arbeitsmarkt- und Berufsforschung</i> (Institute for Employment Research)
ICT	Information and Communication Technology
IHK FOSA	Chambers of Industry and Commerce Foreign Skills Approval
ISB	International Student Barometer
ISCO	International Standard Classification of Occupations
KldB	<i>Klassifizierung der Berufe</i> (German Classification of Occupations)
SME	Small- and medium-sized enterprise
ZAV	<i>Zentrale Auslands- und Fachvermittlung</i> (Central Agency for Foreign Placement)
ZDH	<i>Zentralverband des Deutschen Handwerks</i> (German Confederation of Skilled Crafts)

Executive summary

Labour migration is identified as one means, among several, to help meet future labour demand and skill shortages caused by a shrinking German working-age population. Recent reforms have put Germany among the OECD countries with the fewest restrictions on labour migration for highly skilled occupations. Permanent inflows of managed labour migration have risen recently, but relative to other countries and to the size of the German labour market continue to be low. Permanent inflows for employment from within the European Union, albeit much larger than managed labour migration flows, are also low in spite of significant growth since 2010. Temporary inflows are among the largest in the OECD, but are almost entirely intra-European. This review addresses the question of whether the German labour migration policy ensures that international recruitment helps meet those needs in the labour market which cannot be met locally. It examines key issues in the design of the German labour migration system, explores obstacles to labour migration on the demand and supply side, and identifies areas where Germany can reinforce its strengths in attracting the workers it needs.

German employers can recruit persons with university-level education from abroad for any job requiring matching their qualifications. Germany's policy for highly skilled migration is among the most open in the OECD, with no numerical limit and broad exemptions from the labour market test. Yet even employers declaring shortages have rarely recruited from abroad. There is a widespread perception that international recruitment is complex and unreliable. Germany's system does involve many actors and is not fully transparent for applicants, but its negative reputation is unjustified: processing times are fast in international comparison; the procedure is inexpensive; and refusal rates are low. Recent provisions open up more of the skilled occupations for accelerated recruitment. Nonetheless, the system still essentially presents itself as a series of exemptions from a general recruitment ban, and a restructuring of the corresponding employment ordinance would greatly enhance transparency of the system.

More than the system itself, issues in matching employer demand with potential recruits have limited use of labour migration channels. Efforts by public and private bodies to support employers in their efforts to meet

critical skill shortages through recruitment from abroad have only recently expanded. Employers, especially in the small and medium enterprises where a large part of the demand is expressed, appear to insist on German-language skills and highly specific qualifications, difficult to find abroad, even in traditional basins such as Central and East European countries. The German-language training infrastructure abroad has not traditionally been oriented towards supporting skilled labour migration, and is currently oversubscribed.

Restrictions still prevent recruitment for most skilled occupations requiring post-secondary vocational training, even as there are labour shortages in these occupations, shortages employers expect to increase. The existing shortage list mechanism could be broadened to allow identification of non-university level skilled occupations to open for recruitment. Germany's new recognition framework is well-suited to verify the qualifications of potential recruits. In addition, recent provisions allowing employers to retain foreign graduates of the German dual system are a positive step to meet medium-skill needs, but will require measures to attract and select young people from abroad into the system and to support and safeguard them during and after apprenticeships, including through language training. Finally, Germany is expanding its horizon for recruitment beyond the traditional origin countries in Europe, but faces challenges. It has lagged behind in competing internationally for highly skilled workers and for ensuring that it is on the radar screen as a destination, although recent public communication efforts and outreach are a positive step. For other categories of workers, Germany's well-developed models for bilateral agreements could face novel constraints if they are to involve origin countries outside Europe, where much of future recruitment will have to occur.

International students trained in Germany appear well positioned to circumvent employer resistance to hiring from abroad, as they speak the German language, hold domestic qualifications, and benefit from favourable access to the permit regime. The number of international students in Germany is increasing, albeit more slowly than in other OECD countries. Germany has several strong points – well-regarded universities, low tuition costs, favourable work/study provisions and a generous post-graduate job-search period – but could do more to leverage these strengths, both in linking graduates with employers and in promoting Germany in a competitive international study market.

In summary, the existing framework for labour migration in Germany is no obstacle to skilled migration, but it could be improved and better matched to evolving needs. In order to further improve the system and to prepare it for labour shortages that are not immediate, but on the horizon, the following actions are recommended (Box 0.1).

Summary of the recommendations to facilitate better management of labour migration flows in the future

A. Facilitate administrative procedures

- Restructure the labour migration ordinance, by limiting the number of categories and shifting its structure from “no admission, except for...” to “labour migration is admitted, subject to a number of clearly specified conditions”.
- Provide an internet-based platform for filing and tracking applications.
- Include regional elements in the shortage lists and account for prior recruitment efforts more globally in applying the labour market test.

B. Open new pathways for labour migration

- Consider salary thresholds differentiated by age for highly skilled occupations.
- Further promote the dual system as a channel for medium-skilled migration while developing appropriate support for international apprentices and ensuring that costs are equitably shared.
- Consider the extension of bilateral agreements beyond Europe and beyond current sectors, including into the apprenticeship system.
- Allow labour migration into medium-skilled shortage occupations for recognised qualifications.

C. Better target efforts to promote labour migration to Germany

- Make existing possibilities for labour migration better known to employers.
- Focus more closely on the needs of small- and medium-sized enterprises, namely with respect to administrative support.
- Develop training abroad in conjunction with employer representatives.
- Provide facilities for language learning by labour migrants, co-ordinated with employers.
- Encourage international students to learn German and promote German-language training in key origin countries.

D. Improve the monitoring of labour migration

- Enhance control and enforcement measures, both pre- and post- recruitment.
- Improve data collection and monitoring of labour migration, including by a better data linkage between the administrative procedures in the Employment and Foreigners Offices.

Assessment and recommendations

Germany's labour migration policy is increasingly open, but entries remain low

Since 2005, German policy for admission of foreign workers has gradually lowered obstacles to entry for highly skilled labour and at present there are few legal barriers to recruitment for employment in highly skilled occupations. The framework for labour migration in Germany – which still presents itself in essence as a list of specific exemptions to a recruitment ban – now grants admission to most workers with a job offer in a university-level occupation. Recruitment of those with post-secondary occupations below the university level is also possible within the existing system, although with far more restrictions. The rejection rate for applications by highly skilled workers is low in absolute terms and in international comparison.

In spite of this, Germany's labour migration flows – that is, migration for employment from outside of the EU/EFTA – remain low in absolute terms. The number amounts to only about 25 000 annually, or 0.2% of the population, which is low compared with labour migration in most other OECD countries. While the flows increased in recent years, much of this increase is related to the expansion of international student programmes and the consequent number of students staying on, rather than direct recruits from abroad. Migration for employment through free-mobility flows from the enlarged European Union, whose number has been growing in recent years, appears to have partly compensated for labour migration from non-EU countries. Yet, both of these channels for migration for employment taken together still comprise relatively lower employment-related flows than in many other OECD countries.

Policy has been driven by concern over looming changes in the size and composition of the working-age population, although these are still not critical ...

The working-age population of Germany is expected to decline. The shrinking margin for further increasing labour force participation by disadvantaged groups – older workers, women, and resident migrants and their offspring – has gradually shifted the attention of German policy makers to the possibility of meeting some labour and skill shortages through labour migration from outside the European Union, although preference is still given to intra-EU migration. Widespread shortages are not currently reported, and most of the attention regarding recruitment has focused so far on highly skilled migration for specific occupations.

... and businesses, especially small- and medium-sized enterprises, have not taken up existing recruitment opportunities

While business groups have pushed for a more pro-active migration policy, businesses have not yet changed their recruitment practices in response to reported shortages, despite the relatively open system for recruiting highly skilled workers. This is especially true for small and medium-sized enterprises, for which the system appears complex, restrictive and inaccessible, and for which foreign workers appear difficult to integrate into the workforce, due to perceived poor German-language skills and inadequate training. Small- and medium-sized enterprises also do not have access to the intercorporate transfer channel open to multinational enterprises through which, for example, more than half of the new foreign engineers entered in 2010.

A more accessible and transparent system, better information and co-operation in accompanying small- and medium-sized enterprises in internationalising their search for staff in shortages should thus be a priority.

Administrative procedures are complex and leave room for improvement

Although the system is an open one, it is currently confusing for employers and potential migrants alike, appearing essentially as a range of clauses covering exceptions to a recruitment ban. The standard visa form used for applications from abroad does not indicate the exception requested by the applicant, nor do the application forms used by foreigners offices, which also vary greatly from one locality to another. As a result, employers

and candidates for labour migration are unsure of the grounds under which their work permit application will be considered.

In part, this is due to the federal nature of the country which limits centralisation of processing. A recent centralisation of certain procedures has brought some advantages such as more uniform treatment of discretionary cases, but also reduced the opportunity for local foreigners offices and employment services to account for specific local labour market and economic conditions in adjudicating applications.

The labour market test rarely leads to rejection, especially for skilled applicants, and is unfairly blamed for making the system restrictive. It does lengthen processing time somewhat, but is generally short for high-skilled occupations. There is no pre-sponsorship guarantee or other means to accelerate the process, such as prior job listings with the public employment service, or proof of attempts to fill the position, although the employer can now accelerate the process by informing the employment services in parallel with the candidate's proceedings at the foreigners office. In addition, since August 2012, unless the employment service rejects the application within two weeks, approval is granted by default. In any case, the labour market test has gradually become less of an obstacle, as growing numbers of applicants are exempted.

Experienced human resource departments and immigration firms, the latter relatively undeveloped in Germany, know how to accompany applications with cover letters explaining the eligible category, to send documentation simultaneously to foreigners offices and the employment agency, and to develop contacts with staff. For employers embarking on the procedure for the first time, the process is more arduous. Applications are filed on paper and incomplete applications are not unusual. Employer associations generally provide little assistance to their members in this respect, and while private relocation and law firms are available on the market, this increases the cost of recruitment. SMEs with occasional needs, or first-time users, have been particularly penalised by the inaccessibility and lack of transparency.

There have been some attempts to speed up the process, and it would be a further positive step to institutionalise the indication of the Employment Ordinance (*BeschV*) category under which the application is requested. Clearer indications on the proper documentation for the desired permit channel would also help improve accessibility for inexperienced applicants. In addition, a restructuring of the relevant Employment Ordinance (*BeschV*), by reducing the number of separate grounds for admission, would greatly enhance transparency. This would permit the underlying structure of the system to be changed from a recruitment ban with exceptions – which,

although no longer explicitly framed as such, is inherent in the current framework – to a system that is essentially open, although with certain clear restrictions and conditions.

Recent policy changes provide significant improvements, but may not radically change flows ...

The introduction of the EU Blue Card in August 2012 is likely to lead to a shift into this highly skilled category from other permit categories. The EU Blue Card itself, which provides more generous conditions for family reunification and renewal, may eclipse other exemptions from the recruitment ban which remain on the books. While it provides much better conditions than past German permit categories, many other European countries have established comparable criteria for their own EU Blue Cards, and the EU Blue Card alone may not make Germany more competitive as a destination for potential skilled labour migrants.

Along with the EU Blue Card, two further channels for labour migration have been opened. The first is the introduction of an extended (six months) visa for job search for candidates from abroad, allowing in-country status change to an eligible work permit category. The second is the opening of the labour market for persons with German vocational qualifications.

Some of these changes will have an immediate effect, namely on simplifying procedures. However, as employers remain sceptical of workers with limited German-language skills and, to a lesser extent, non-German qualifications, recent reforms are not likely to lead to a boom in recruitment of skilled workers from abroad.

... although they do lay the groundwork for a changing perception of German openness

Recent initiatives and policy changes aim rather at a long-term perspective, on repositioning Germany as a destination for skilled migration. Policy shifts such as the one occurring over the past few years take time to change perceptions, both by employers and by potential migrants who may not yet have Germany on the radar screen as an attractive and welcoming destination country. While information campaigns help raise awareness, it is practical experience of the system which will have the most profound effect. Demand plays a key role, as even the most efficient system cannot make a country attractive if its employers are not recruiting. However, Germany still seems to have some time to consolidate its system since at least globally, shortages do not yet appear to be pressing.

Skilled labour migration is increasingly driven by student migration ...

Study is one of the main gateways to labour migration in Germany. Graduates hold German credentials and – except if they were enrolled in English-speaking programmes – speak German, obviating two of the main factors behind the high level of “overqualification” of skilled immigrants in Germany and the observed resistance of employers to international recruitment. Negligible tuition fees, generous provisions for employment during studies and favourable conditions for both job search and subsequent status change make this an attractive pathway that overall provides more favourable conditions than virtually all other OECD countries. Indeed, a large and growing share of migration is through the student channel.

... and efforts should be made to maximize the benefits from student migration for the German labour market ...

Language is a determining, if not the most important, factor in employers’ willingness to recruit from abroad. The expansion of international programmes in German universities will best contribute to the skilled workforce if these programmes are in the German language; English-language programmes are less likely to prepare international students for employment in Germany. At the same time, however, it seems that English-speaking programmes are likely to attract more international students. It should be investigated if students in English-speaking programmes are less likely to stay on in Germany after their studies. If the language of the programme is not linked with the probability to stay, this would provide an argument for further enhancing English-speaking programmes. If, however, students in English-speaking programmes are less likely to stay on, higher tuition fees for international students in English-speaking programmes should be considered, given the current significant taxpayer subsidy per student. A number of other OECD countries have already explored such a policy.

... and more generally to attracting and informing international students

German universities are the gatekeeper for a large share of skilled migration to Germany. Yet, although international student enrolment is increasing, Germany’s market share in international tertiary education has declined since the mid-2000s. It remains, however, the fifth most important destination country in the OECD. Efforts should be made to further support German universities in attracting qualified students and in providing them with information prior to enrolment and, as graduation approaches, on the

possibility to stay in Germany. In parallel, language training for international students not speaking German should be stepped up.

The extension of the job search period for graduating students from 12 to 18 months is not likely to significantly change stay rates, as most international graduates find employment well before this time limit. More flexibility in the match between field of study and occupation, on the other hand, and more transparent and rapid treatment of requests, could make study and subsequent employment in Germany more attractive. The recent easing of employment restrictions during the job search period will also make it easier for students to take advantage of this job search permit.

A German-language feeder system abroad should be built up ...

The largest network of German-language training centres abroad, the Goethe Institutes, is stretched to the limit, with full enrolment in many countries. While the limited availability of German-language teachers is a constraint on expansion of German-language instruction abroad – through the Goethe Institutes and other providers – shifts towards more employment-oriented language training are also necessary. Currently, the Goethe Institutes do not have an explicit mandate to offer German-language courses for foreign nationals interested in migration to Germany. Opening up to employment-oriented language training should thus be accompanied by a broader mandate. In parallel, publicising post-study opportunities to remain in Germany may increase interest in study in Germany and in the German language.

... and German-language instruction for certain incoming migrants bolstered following arrival

The identification of shortage occupations justifies some public involvement and investment in supporting enterprises to find candidates and integrate them into their workforce. As one of the main obstacles is limited German-language skills, intensive and employment-oriented language courses could be foreseen for recruits into these occupations, with public participation in organisation and co-financing together with employers. These courses could be modelled following the example of other OECD countries.

Features from points-based systems could be introduced, although the introduction of a points system is not the issue ...

For more than a decade, policy debate has repeatedly raised the idea of selecting prospective immigrants to Germany through a points-based system, in order to make Germany more attractive to potential immigrants. A point system, however, is not a recruitment system *per se* but merely a selection tool to provide for the possibility of selecting immigrants on the basis of more than one characteristic, for example, educational attainment, age, and language. If several selection criteria are involved, one has to weight each of them, that is, assign different points to each criterion and define an overall point threshold to determine whether an applicant will be accepted. Indeed, several parameters – age and language skills, and specific regional demand – are absent, or only implicit, in the current selection criteria in Germany. Such criteria should be considered, notably in the context of a further opening towards medium-skilled occupations, although their introduction would not necessarily imply a fundamental change in the German system. For example, the requirement of a tertiary degree for obtaining an EU Blue Card could be waived for migrants who master German, provided that they meet the salary threshold. However, care should be taken that the introduction of such criteria does not jeopardise the objective of having a simple, clear and transparent framework for labour migration.

Given Germany's rapidly ageing society and the fact that the net lifetime fiscal contribution peaks after graduation, new pathways could also be considered to attract young graduates with a foreign tertiary degree. A number of countries have separate salary thresholds for young labour migrants. There may be an argument for applying the lower EU Blue Card threshold to persons below the age of 35, as starting salaries for skilled graduates, in particular in SMEs, are often below the EU Blue Card thresholds.

... and further enhancing supply-driven migration may not be advisable

Point systems traditionally have been implemented in countries such as Australia, Canada and New Zealand. Such systems may have a certain aura because of their association with migration regimes such as Canada's which are generally viewed as successful ones, but this is about the only sense in which they can contribute to a country's attractiveness.

All previous proposals for points-based systems in Germany included an element of supply-driven migration. Indeed, in the countries with

longstanding points systems, migration candidates were traditionally not required to have a job offer in order to be eligible for immigration (with their families). However, these countries are according more and more importance to job offers in their point systems, because outcomes for immigrants selected under the point system without a job offer have not been as good in those countries as used to be case in the past.

In Germany, the recent introduction of a six-month job-search visa represents a step towards testing supply-driven migration, with visa holders already enjoying official recognition of their qualifications and the possibility for in-country status change, while ensuring that for those who do not find an appropriately qualified job, their residence status expires. The new job-search visa certainly makes the process simpler and more transparent. In particular, employers can now be sure to be able to hire a migrant who has a job-search visa if the job pays a salary above the EU Blue Card threshold (EUR 46 400 per year, or EUR 36 192 in shortage occupations). The use of this visa should be closely monitored, to determine the success rates of candidates and their subsequent employment careers in Germany. Further development of the criteria, with language and age parameters, could be useful, if these characteristics determine the success of job seekers.

The system is rarely used for medium-skilled employment

A large part of shortages declared by firms are already in medium-skilled occupations, that is, in occupations requiring post-secondary but not tertiary education, such as nurses and trades. These are expected to persist if not to grow. However, the current labour migration system largely does not contemplate recruitment from outside the EU/EFTA to meet this demand. The only exceptions are for skilled care workers and, since August 2012, for persons with a German vocational qualification.

While the enlarged European Union might provide many medium-skilled workers in the short term, this is unlikely to be a solution in the long run, given demographic developments in the main origin countries and the likely gradual closing of the wage gap with the new EU member countries. Pathways for recruitment from outside the European Union should thus be considered, subject to language and qualification requirements. This would also provide incentives for the development of vocational training programmes abroad oriented towards shortage occupations in Germany.

The dual system should be promoted as a channel for medium-skill migration

The apprenticeship system in Germany continues to be a cornerstone of its productive model. The numbers of students in apprenticeship programmes has started to falter, and regional shortfalls have appeared, especially in eastern regions, and in certain service and trade occupations. In practice, international recruitment into the apprenticeship stream is currently quite limited, and largely only includes candidates from other EU countries.

Attracting vocational training students from abroad will be easier as they are now allowed to stay on for employment after finishing their training. Foreigners who go through the German apprenticeship system are allowed to apply for a work permit, subject to a labour market test. German businesses historically hire a large share of their apprentices, obviating the problem of matching. Germany is increasingly active in promoting German vocational education abroad, and could expand its co-operation efforts to support the language and preparatory training for recruiting young people from outside the European Union into the German apprenticeship system if needs persist. This could take the form of recognising and co-operating with existing vocational education and training institutions abroad, with final phases in German companies, or programmes for identifying candidates. The appropriate forms of co-operation could be identified and developed together with other actors in the vocational education and apprenticeship system. Current efforts to develop apprenticeship training for unemployed youth from other European countries for the German labour market, with pre- and post-arrival support, should be monitored and evaluated for eventual extension outside the European Union, if necessary and feasible.

The significant additional investment – namely in the form of preparatory language training – involved in recruitment of apprentices from abroad raises the issue of funding. While public funding may be less of an issue in the context of the European Union where this is seen as a form of intra-European solidarity, it is less clear for recruitment from outside the European union. For this group, at least part of the additional cost could be borne by employers, in exchange for somewhat longer apprenticeship periods by the international apprentices. Employees would likewise bear part of the costs, through a longer period of apprenticeship wages.

New temporary worker programmes merit consideration

While Germany has a long history in managing large bilateral agreements for labour migration, its large seasonal programme only targets EU countries and Croatia (a candidate country), although at some point

these workers will have to be sought further afield. Bilateral agreements could be negotiated with a broader number of origin countries outside of the traditional European basin.

Moving beyond the traditional basin of recruitment to new countries may bring new challenges. Bilateral agreements for other temporary programmes for low-skilled workers currently in place are with countries in Southeast Europe, where the conditions do not tend to leave large margins for abuse or for workers to accept criminally exploitative situations in order to repay recruitment debts. If temporary programmes extend to other countries, German salaries are exponentially larger than local opportunities, and the risk of rent-taking and violation of German Employment Law will be much higher.

Germany's current temporary low-skilled programmes are built around specific occupations and conditions, and cannot be extended easily to include other low-skilled employment. But low-skilled occupations are not immune from shortages, although programmes to fill them through recruitment from abroad require especially careful planning. While such programmes do not appear necessary at present, it would be short-sighted to categorically rule them out for the future, and successful programmes take years to develop and refine. If shortages start to appear, Germany could build on its experience within Europe and incorporate features of recent good practice in bilateral agreements which incorporate language training and pre- and post-entry support, as well as impose general education requirements on aspirant participants. In any case, any such programmes would have to be in conjunction with numerical limits to protect domestic employment in Germany.

With further opening, enforcement measures should be on the radar screen, both pre- and post- recruitment

Up to now, there is no evidence of abuse in the labour migration system. The experience of other OECD countries suggests that this can become an issue when labour migration flows are substantial or when criteria are loosened. Germany is currently changing processing mechanisms and opening new areas to labour migration. The Employment Agency has traditionally been the body responsible for evaluating the legitimacy of businesses and of contractual offers, and this represents a new task for the foreigners offices. The German authorities should be careful in monitoring the recruitment practices of employers and the employment conditions of foreign workers and apprentices, especially as the system moves towards less involvement of the Employment Agency in processing and approving individual applications. The system should contain alarms if salaries cluster

at the minimum thresholds, or there are jumps in requests for certain occupations or sectors.

Likewise, as vocational training opportunities expand for recruitment into lower-wage on-the-job training positions and apprenticeships, verification of compliance with a training regime will be important to prevent abuse of the training channel to bring in low-cost workers.

While information initiatives are increasing, the client service aspect of the process has not been modernised

The German authorities have created websites to promote Germany as a destination for skilled workers and for students and to provide information on legislation and permit categories. In the actual application, however, labour migrants and employers are generally subject to the same procedures, forms and facilities as any other migrant and face the same officials, rarely dedicated specifically to labour migrants. On-line application is limited, and many applications are filed on paper. As a result, there is no way to track applications in the inter-institutional process. Ensuring that some staff members in foreigners offices are specialised in handling labour migration applications, and improved appointment and issuance protocols, would help ameliorate the negative perceptions of the system and its functioning. Permit fees are low currently and could be increased. The money thus raised should be invested in development of the processing infrastructure, in order to further accelerate processing time and better support enterprises in the process.

The current statistical infrastructure is inadequate for monitoring labour migration and needs improvement

The permit system in place makes it difficult to interpret historical permit data and identify past inflows of skilled workers, as the different permit grounds and ordinances do not all correspond to occupational categories, recruitment channels or durations of stay. Major questions regarding determinants of stay and pathways are currently difficult or impossible to answer. Occupation data are available only for applications reviewed by the Employment Agency, and contractual data (salary, etc.) are not kept, nor are employer characteristics and subsequent stay. The nature of labour migration to Germany is thus difficult to analyse, and the evolution of flows in response to changing policy and economic conditions cannot be easily tracked.

The Central Foreigners Registry should also receive more support in monitoring the characteristics of labour migrants, including their

occupations and the duration of their stay, and the characteristics of recruiting firms, including region, sector and size. Such evaluations will be essential to identify malfunctioning of selection criteria, to measure the impact of the current and upcoming reforms, and to monitor how the German system responds to the shortages which are expected down the road.

Introduction

Labour migration policy in Germany has undergone gradual but accelerating reforms over the past decade. The main stimulus for this instrumental reform of labour migration policy has been demographic change and the emergence of shortages in skilled occupations. These changes are already having an impact on the labour market which is expected to increase over the next decade.

Germany has seen a substantial mobilisation of its labour force in recent years, and there is still some margin for increases in participation rates. Soft labour market conditions in many other EU countries – both in the EU-15 and in the post-2004 accession countries – suggest that the European Union will remain in any case the main basin for recruitment in the near future. This gives Germany some breathing room to get its labour migration policy right. Many policy changes will not have an immediate effect.

Until now, labour migration has remained low in international comparison, and although it has been increasing since the 2009 crisis, Germany is still not a major labour migration destination. There is a broadly felt perception that Germany is not sufficiently competitive in a global race to attract talent, despite its relatively robust labour market, well-regarded training and industrial system, and high standard of living. More generous conditions should be offered to skilled workers recruited from abroad.

Yet, it is also possible that shortages are not yet as severe as often claimed, or that employers are reluctant to recruit from abroad, because of information deficits, specialised requisites for skills or language ability, or reluctance to employ non-national workers. On the potential immigrant side, there are a number of reasons that could be advanced to explain the limited labour migration observed in Germany. The country may not appear on the radar for job searches. It may be less attractive than other countries, due to salary levels, cost of living, facility of integration, family and cultural aspects. Likewise, international students may not be interested in remaining for these reasons. Even where both employer and candidate are interested, there may be insufficient matching or mediation opportunities, or the available mediation tools may not enjoy sufficient trust. The permit regime

may be restrictive for many of the occupations which firms are looking to fill. The administrative procedures may be excessively complicated, expensive or unknown. However, it is uncertain to what extent these factors affect the decision of potential labour migrants with regard to Germany.

The present review examines these aspects of the German labour migration system, covering both the general context – employer demand, perception, etc. – and those which are inherent to the system. This concerns both its efficiency – that is the time, cost and complexity of processing – and its effectiveness, that is, its ability to respond to labour market demand. The review examines parameters of selection used – and not used – under the German system, considering whether establishing different parameters or tinkering with criteria could help improve the ability of the system to effectively and efficiently meet demand for which no local labour is available. What steps could be taken to improve intake channels for skilled labour – and, potentially, less skilled labour? The review looks at the points of strength of the system in Germany based on its outcomes, but also its weak points, both those addressed by recent reforms and those which remain. Finally, the review explores the likely consequences of recent reforms.

Chapter 1 examines the labour market and demographic context for labour migration in Germany. Chapter 2 reviews recent labour migration to Germany, relative to other countries and according to its characteristics – the origin countries and types of migrants arriving. Chapter 3 discusses the evolution of the German labour migration system and presents the current migration framework, including the mid-2012 reforms. Chapter 4 examines the functioning of the system itself and its efficiency and effectiveness in functioning. Chapter 5 reviews some specific supply- and demand-side issues, including the competitiveness of Germany as a destination, the ability of all employers to access international recruitment equally and fairly, and the means to address shortcomings in the matching system.

Chapter 1

Context for labour migration

Employment levels in Germany are high in comparison to other countries, reflecting a currently favourable labour market and recent success in increasing participation of older workers, women and immigrants, although this varies across German states. The apprenticeship system plays a fundamental role in the labour force. Germany is also one of the fastest ageing countries in the OECD, with the working-age population starting to decline sharply. Labour shortages are visible in rising numbers of vacancies, including apprenticeships in some key trades. Shortages vary by occupation, with the health sector apparently the most affected. Shortages are reported in high- and medium-skilled occupations and expected to increase across both. In this context, labour migration is seen as one element in a broader strategy to address skills shortages.

Current labour market conditions

Labour market conditions in Germany are currently rather favourable in international comparison. Germany has a relatively high proportion of its working-age population (15-64 years old) in employment; at 72.5% in 2011, the employment rate was well above the OECD average of 64.8%. In particular, in recent years the employment rate has increased strongly, by 6.9 percentage points since 2000. Women and immigrants have particularly benefited from this improvement although there is still margin for improvement, for example with respect to moving from part-time to full-time employment.¹ The group, however, for which the improvement has been strongest in recent years, has been the elderly. For the age group 55-64, the employment rate is now almost 60%, an increase of more than 22 percentage points since 2000 and the largest increase in the OECD. At the time of writing, the German harmonised unemployment rate was 5.5% (Q2 2012), its lowest level in a decade. This stands in contrast to the overall OECD trend which saw a crisis-related increase in unemployment and a decline in employment rates.

At the same time, however, there are large and persistent regional differences in labour market performance. Whereas unemployment in the South (Bavaria and Baden-Württemberg) was below 4% in mid-2012, the unemployment rate in the eastern part of Germany was above 10%.

A further particularity of the German labour market is the important role played by apprenticeships, which are pursued by almost half of all students in upper secondary education. As a result of the strong role of apprenticeships, almost 60% of the working-age population have medium-level qualifications. Among the current immigrant population, on the other hand, there is a relatively large share of low-educated, with 14% having at most primary education and a further 24% lower secondary education.²

The German labour market also places a strong emphasis on formal qualifications, as witnessed by a larger increase in both employment rates and earnings along with qualification levels than in most other OECD countries (OECD, 2012a). At the same time, however, foreign qualifications, in particular from non-OECD countries, appear to face a stronger discount in the German labour market than elsewhere in the OECD (OECD, 2012b).

Demographic context

The population in Germany is one of the fastest-aging and fastest-shrinking among OECD countries. Germany's population has been

declining since 2004 – although 2011 saw a slight migration-related uptick. Among OECD countries, only Hungary has seen a longer span in which its population has been declining. In 2010, 26% of the German population was over 65 years of age compared with 23% in other Western European countries, 19% in the Central European countries, and 17% in the United States. The share of youth aged 0-14 was just 14% compared with 17% in other Western European countries and 21% in the United States.

Labour force growth, which was positive over the past decade, is projected to turn negative over the current decade 2010-20 (Table 1.1). Germany faces a 4% decline in its labour force, while the change in Europe (on average) and in the United States is projected to remain positive. Part of this decline is due to much lower levels of immigration in Germany, based on the figures for the past few years.

Table 1.1. Estimated changes in the labour force 2010-20 and comparison with 2000-10

Percentage

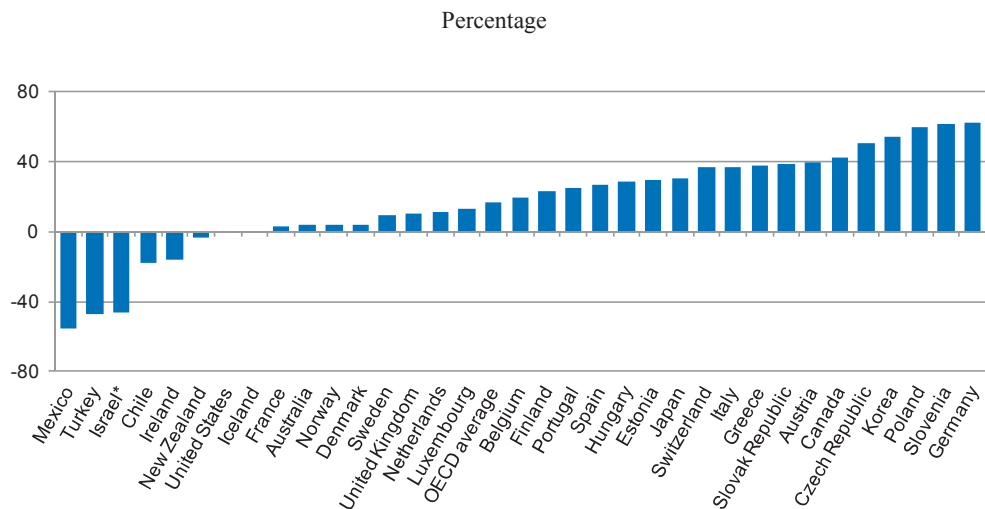
		Total growth of the labour force	Young workers (new entrants)	New immigrants	Prime-age workers	Older workers (retirees)	Net turnover	Replacement surplus (entrants of younger + retirement of older)
		(A+B+C+D)	(A)	(B)	(C)	(D)		(A+D)
Germany	2000-2010	5	27	3	-2	-23	27	3
	2010-2020	-4	18	1	1	-24	22	-6
European average	2000-2010	10	23	6	-1	-18	25	4
	2010-2020	2	21	3	0	-22	24	-1
United States	2000-2010	13	20	6	-1	-13	20	7
	2010-2020	6	21	4	0	-20	23	1

Note: The contribution of each group is the net change in the labour force for the group divided by the total number of persons in the labour force in 2000. The net turnover is half the sum of the absolute values of the individual contributions. It understates total turnover, because some entries and exits within the prime-age group and more generally as a result of in- and out-migration of residents may be offsetting. Data for Germany and the United Kingdom on the composition of growth by demographic group are based on 2005-10 change, adjusted to agree with the observed change in the labour force for the period 2000-10. The European average is the unweighted average of the European OECD countries.

Source: European countries: European Union Labour Force Surveys (Eurostat), 2010; United States: American Community Survey 2010.

The labour market impact of this unfavourable demographic environment can be best seen by comparing ageing-related exits from the working-age population with new entries coming from youth cohorts. According to the UN's population projections, there will be about 60% more people leaving the working-age population in Germany than entering it in 2020, the most unfavourable figure in the OECD (Figure 1.1).

Figure 1.1. **Estimated difference between the age-related entries and exits from the working-age population, 2020**



Note: Projections based on 2010 resident population and current migration levels. Age-related exits refer to the cohort aged 60-64, new entries to the cohort aged 15-19.

* Information on data for Israel: <http://dx.doi.org/10.1787/888932315602>.

Source: OECD Secretariat calculations based on UN population projections, 2010 revision.

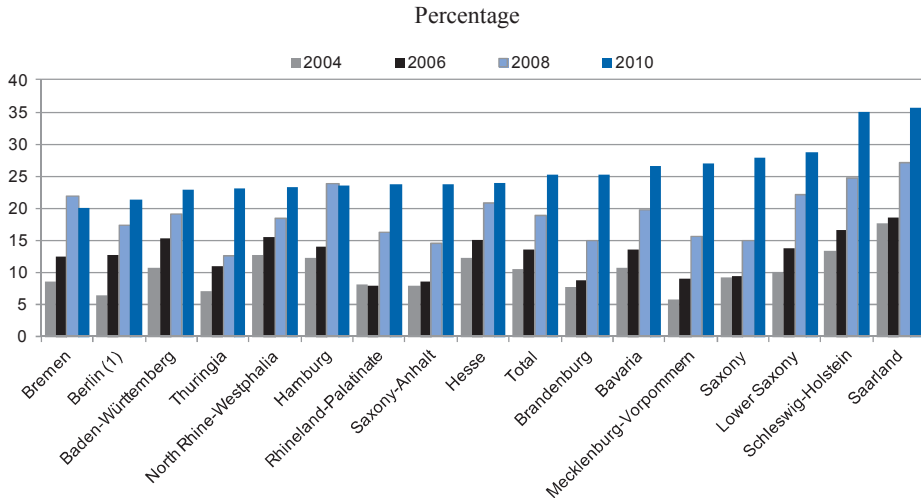
Labour shortages

The unfavourable demographic context is gradually starting to translate into growing labour shortages, especially of new recruits in firms. As can be seen in Figure 1.2, in all German States, the share of firms reporting shortages of junior staff has grown significantly over the past decade. Overall, one in four firms reported shortages of junior staff in 2010, more than twice the 2000 share.

Apprenticeships are starting to struggle to fill available places. In recent years, the number of available apprenticeships remaining vacant has grown steadily, surpassing the 100 000 level at the end of August 2012.³ The largest number of shortages for apprenticeships was in service occupations, such as merchants, sales personnel, cooks, waiters, hotel clerks and hairdressers. However, the number of vacancies per candidate – an indicator of relative shortage – was highest in smaller specialised occupations (in addition to merchants). Most states in Eastern Germany reported shortages,

suggesting that their demographic situation – which is even more unfavourable than that of the Western states – is already having an impact on the pool of potential apprentices.

Figure 1.2. **Share of firms projecting problems related to staff shortages over the next two years, by state and year of survey**



1. Change in coding for Berlin in 2006.

Source: IAB establishment panel, OECD Secretariat calculations.

The growing shortage of young workers is also reflected in an increasing number of job vacancies over the past five years. All indicators of shortage are on the rise. In 2011, there were 466 000 vacancies per month on average, the highest on record, up from the pre-crisis peak of 423 000 in 2007. In addition, across Germany, the average duration of a vacancy was two months, above the 2007 levels, whereas the number of unemployed workers per vacancy in 2011 was again below pre-crisis levels.⁴

At the same time, shortages are not uniform across occupations. Along with the change in the size of cohorts, some occupations have contracted while others have expanded. Of all occupations with at least 2 000 job openings over the course of 2011, occupations with the longest advertised durations were in the health sector, including both medium- and high-skilled health-related occupations. In terms of numbers, the vacancies were most pronounced for electricians and metalworking-related occupations – again both low- and high-skilled. The metalworking occupations occupied three of the first six spots in terms of numbers of vacancies, but the average duration in days was lower than in the health care occupations.

An analysis by the Federal Ministry of Labour and Social Affairs (Federal Ministry of Labour and Social Affairs, 2011) concluded that while there is no general skilled labour shortage (post-secondary or higher) in Germany, labour shortages in specific occupations occur not only in highly qualified (tertiary) occupations but also in a number of apprenticeship-level occupations. A representative survey among 15 000 employers found that 60% of reported vacancies in 2010 concerned apprenticeship-level or other non-tertiary medium-skilled occupations. The number of vacancies and shortages however is still significantly below 2006/07 levels.⁵

In a joint OECD/DIHK Employer Survey (Box 1.1), about half of firms reported staff shortages in medium-skill occupations. Smaller firms were more likely to report medium-skill shortages rather than high-skill shortages (Figure 1.3). This pattern also holds regarding the expected future evolution.

Likewise, an annual survey conducted by Manpower has consistently found that the hardest jobs to fill in Germany have not been limited to – or dominated by – highly skilled professionals but rather trades which require a medium level of qualification (Table B.1). Indeed, in 2011, skilled trades were harder to fill according to German employers than engineers, information technology experts and medical personnel and in fact, many occupations listed in the first ten in the survey did not require a tertiary or advanced post-secondary qualification.

The regional disparity in Germany reappears in vacancy and unemployment rates. In general, the states in the South of Germany face a tighter labour market than the rest of the country. For instance, the unemployed-per-vacancy rate in Baden-Württemberg and Bavaria was less than a third of the level in the Eastern German States of Berlin, Brandenburg, Sachsen-Anhalt and Mecklenburg-Vorpommern. What unites all states, however, is the type of jobs most in demand: electricians, mechanical engineers and other metal manufacturing-related occupations.

Shortages also seem to have an impact on recruitment practices. According to the establishment panel maintained by the Institute for Employment Research (IAB), firms recruited more in 2008 – the latest year for which data are available – than in 2005, and displayed a greater willingness to compromise on experience, skill level, mandated hours and wages. This was mostly done with respect to the recruitment of engineers, where more than 40% of firms declared having had to compromise in hiring in 2008 (Figure 1.4).

Box 1.1. The OECD-DIHK survey of German employers

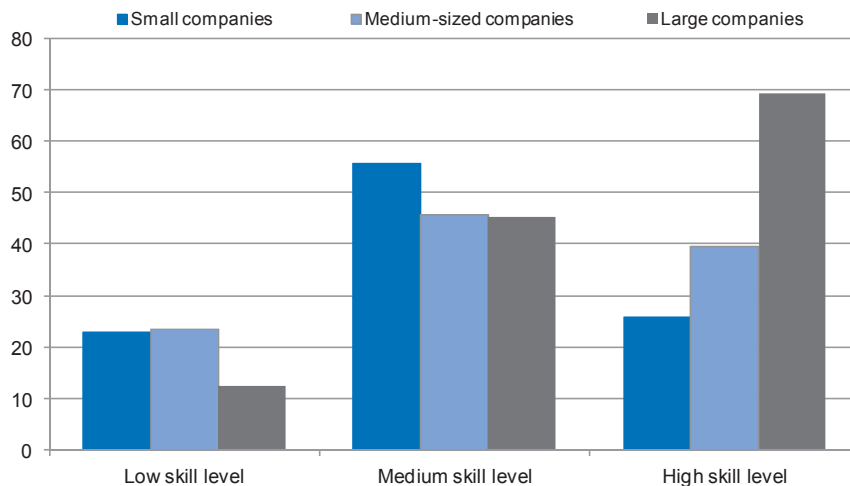
Little solid evidence is available on the experiences and views of employers regarding the recruitment of workers from outside Germany. To shed more light on this, the OECD has conducted jointly with the German Chamber of Industry and Commerce (DIHK) a survey among German employers. It was a pilot survey; similar surveys are planned for other OECD countries. The questionnaire is included in Annex C to this report.

The OECD/DIHK survey was conducted online between July 15 and September 15, 2011, with 30 questions grouped into five thematic sections. The first section collected general information about the size, industry sector and location of the company. The second section inquired about the respondents' experiences with labour shortages during the year preceding the survey. The third section dealt with employers' experiences with recruitment from abroad and the fourth section was dedicated to their expectations regarding the development of shortages in the future. The fifth and final section contained several questions about employers' opinions on policy measures to facilitate labour migration to Germany.

Employers were invited to participate by the 81 local Chambers of Industry and Commerce (IHK) that are represented by the DIHK (German Chambers of Commerce and Industry) at the federal level. Membership in an IHK is compulsory for all enterprises in industry and trade that maintain a legally autonomous office in Germany. With 3.6 million members altogether, the IHKs represent all German businesses, with the exception of freelancers, agriculture and crafts. Participation was restricted to companies with ten or more employees; 1 113 responded.

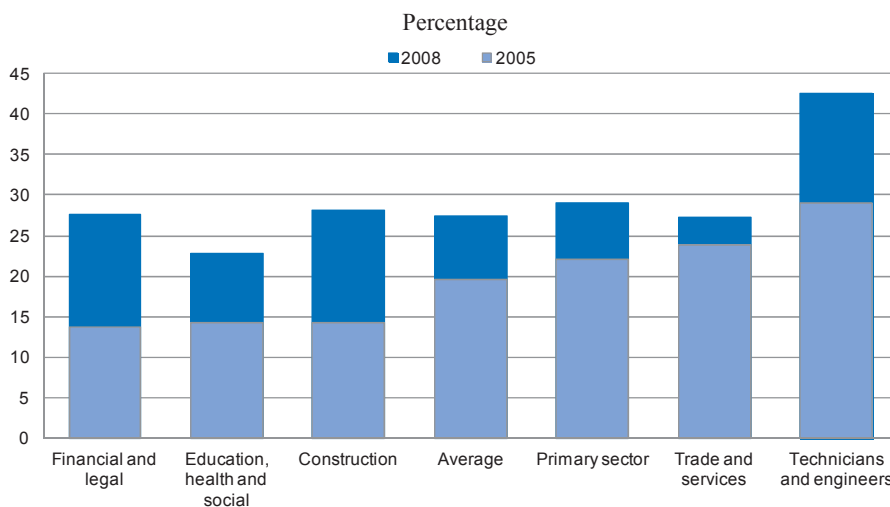
Participation in the survey was voluntary and responses varied considerably across regions and by company size. Companies with a particular interest in issues related to labour needs and labour migration were likely more prone to respond. While participation was low in Northern and Eastern Germany, it was stronger in the Southern states – in particular in Baden-Württemberg, where labour needs are more pronounced. Moreover, large companies (with 500 and more employees) were overrepresented among the respondents, compared with their share among all enterprises in Germany. To limit the response bias and to adjust the distribution of enterprises in the sample, the data were weighted with respect to company size, main industry sectors and four regions (North, South, East, West).

Virtually all of the ongoing discussion in Germany relates to skilled and highly skilled labour; possible shortages in low-skilled occupations are not mentioned as critical areas of concern. Indeed, there are no forecasts of possible shortages in low-skilled occupations, because demand is expected to decline and because the existing low-educated working-age population is considered more than sufficient to meet demand. Specific low-skill occupations may face shortages, however, and indeed 20% of the companies participating in the OECD/DIHK Employer Survey report shortages of low-skilled labour, and these are also expected to remain or even increase over the next five years (Figure 1.5).

Figure 1.3. **Percentage of companies reporting shortages, by firm size and skill level, 2011**

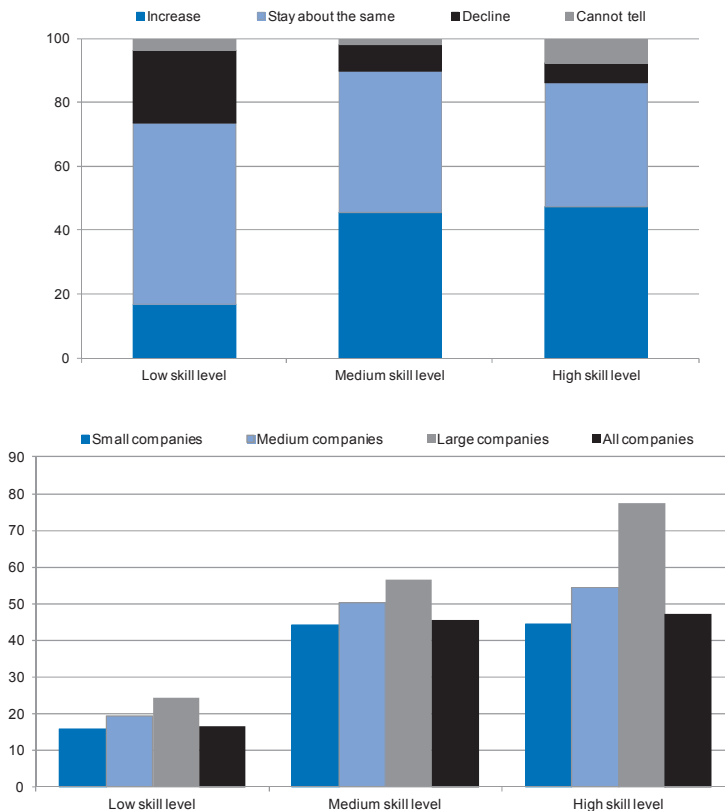
Note: The skills levels in the survey have been defined according to the qualifications required for the job. “Low-skilled” refers to jobs requiring at most lower secondary education; “medium-skilled” to jobs requiring upper secondary and post-secondary non-tertiary education; “high-skilled” to jobs requiring tertiary education.

Source: OECD/DIHK Employer Survey.

Figure 1.4. **Share of firms compromising on recruitment, by sector and year**

Source: IAB establishment panel, OECD Secretariat calculations.

Figure 1.5. **Percentage of employers who expect the number of vacancies to increase over the next five years, by skill level, 2011**



Note: Small companies consist of 10 to 49 employees, medium-sized companies consist of 50 to 499 employees and large companies consist of 500 and more employees. For the definition of skill levels used in the survey, see Figure 1.3.

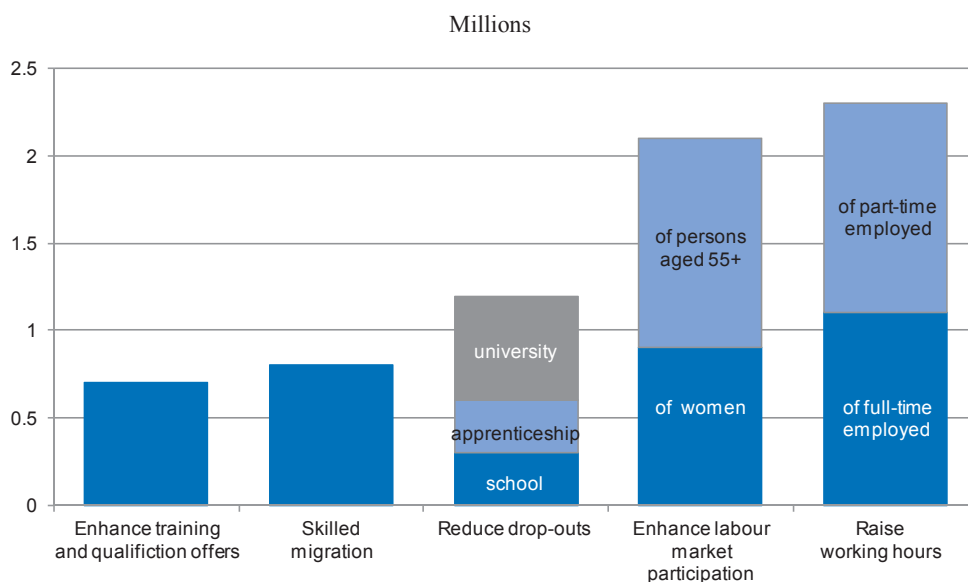
Source: OECD/DIHK Employer Survey 2011.

The expected role of labour migration in the overall strategy to meet skills shortages

Migration is one element in all strategies to deal with future labour shortages in Germany. The German Federal Employment Agency forecasts – in the absence of change – a skilled-labour shortage of about 5.4 million by 2025 (Federal Employment Agency, 2011a), with skilled workers defined as those with vocational or tertiary qualifications.⁶ Its strategy to address this focuses first on mobilising the inactive population, particularly

women and older workers (Federal Employment Agency, 2011b).⁷ Most of the required increase is thus expected to come from the domestic labour market, including recent immigrants and their offspring, by enhancing labour market participation and increasing work hours. These sources, however, are unlikely to be sufficient to meet skill shortages and some recourse to labour migration is envisaged. According to Federal Employment Agency calculations, the migration channel is targeted to bring in up to 800 000 skilled workers by 2025, more than through upskilling (Figure 1.6).

Figure 1.6. **Potential sources for additional skilled labour between 2015 and 2025, by source**



Source: OECD calculations based on data from the German Federal Employment Agency.

The Federal Employment Agency immigration forecast is based on a continuation of the long-term historic net immigration level of 200 000 people per year and the assumption that among these about 40%, or 80 000, will consist of skilled labour – that is, up to 800 000 over the decade. This is close to the contribution of new immigrants to the skilled labour force over the past decade (Annex A), when labour migration was rather low. The forecast nevertheless does take into account the need to compensate for skilled *emigration* of the native-born and of previous migrants.⁸ For immigration to provide the expected contribution to meeting skilled labour demand, a significant increase in migration for employment – both from the

enlarged EU/EFTA and from non-EU/EFTA countries – will thus be necessary.

In summary, the German labour market is starting to show shortages in different occupations. Demographic trends suggest that shortages will grow more acute and expand to more occupations. While it is difficult to quantify the exact magnitude of the shortage in the upcoming decade, activation and upskilling policies cannot alone meet expected demand, and increased recourse to foreign worker recruitment is seen as a partial solution in most scenarios.

Notes

1. For women in employment, Germany is among the OECD countries with the highest incidence of part-time work.
2. As a result, Germany is the OECD country where immigrants are, relative to the native-born, most overrepresented among the low-educated. This is, however, gradually changing, and recent migrant cohorts have been on average more highly educated as the native-born (see OECD, 2012c).
3. This number relates to vacancies reported to the Federal Employment Agency.
4. These vacancy figures need to be interpreted with a certain level of caution. Duration end is calculated by the Federal Employment Agency from the moment the vacancy is declared filled; this suggests that there may be lags between the actual date the vacancy was filled and the date it was reported as filled. The Federal Employment Agency nevertheless periodically performs audits of vacancies to ensure more precision in the data.
5. The declining number of vacancies, parallel with the decline in unemployment, suggests that labour market matching has improved, which the report links to labour market reforms.
6. This figure is obtained by multiplying the expected decline in the workforce (6.5 million) with the share of skilled labour in the current workforce (83%).
7. This review does not address the potential gains of skilled employment available by increasing the participation rate of women and older workers, upskilling the working-age population and increasing the qualification level of young graduates.
8. This skilled emigration has also been substantial; over the five years between 2002 and 2007, an estimated 139 000 tertiary-educated and 162 000 medium-qualified German-born emigrated to the EU-15/EFTA. A large part of these – 27% – went to Switzerland following the gradual introduction of free movement with the EU/EFTA member countries starting in 2002. A full discussion of the impact of emigration on the German labour market, as well as possible policy responses, is beyond the scope of this report.

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Chapter 2

Evolution and characteristics of labour migration to Germany

Germany is among the OECD countries with the lowest permanent labour migration flows relative to its population, despite increases since 2009. Inflows from within the European Union for employment are four to five times higher than labour migration from outside the European Union, yet combined permanent inflows for employment are still low relative to other countries. Labour migrants are mostly high-skilled, but only a fraction of recent labour migrants have remained in Germany. In May 2011 Germany opened its labour market completely to the 2004 EU-accession countries, further facilitating free mobility migration, which has been steadily increasing since 2010. Germany satisfies part of its labour needs – especially for seasonal work – through the largest temporary labour migration programme in the OECD, although this comprises entirely European workers.

Permanent flows

Official migration statistics for Germany show an average annual inflow of foreign nationals that has fluctuated between 560 000 and 680 000 over the past decade. These statistics, however, comprise virtually everyone entering Germany for more than two months (Box 2.1). Permanent flows of labour migration – that is, migrants from non-EU/EFTA countries coming for employment – have comprised a very small part of this total. In Germany, permanent labour migration flows have been around 25 000 per year since 2005, although there has been an upward trend since 2009 and figures for the first semester of 2012 suggest that this is ongoing (Figure 2.1). While comparable data prior to 2005 are not available, it is unlikely that the flows coming from outside of the current EU-27 (see below) were significantly larger – particularly in comparison with other OECD countries. Labour migration flows per 1 000 inhabitants is 0.24 in Germany compared with about ten times that level in Canada and New Zealand.

Box 2.1. Data sources on labour migration to Germany

Despite its longstanding history as a destination country for labour migration, Germany lags behind other OECD countries in terms of monitoring work-related flows. The general population statistics, which provide the official numbers on migration movements, do not distinguish between category of entry (*i.e.* labour, family, etc.) and include almost all persons residing in Germany for more than two months. The main source of administrative information on migration by category is the *Central Foreigners Register* (Ausländerzentralregister, AZR) which is maintained by the Federal Administration Office and administered by the Federal Office on Migration and Refugees (BAMF).¹ Upon issuance of a new residence title, the foreigners office in charge automatically submits information on the legal grounds – as established in the 2005 Immigration Law (see Chapter 3) – and administrative proceedings, as well as the migrant's civil status, gender, age and nationality to the central foreigners register. Only since 2009, when legal changes established separate grounds for the admission of high- and less-skilled labour in the Immigration Law itself, has basic information on the occupational skill level of labour migrants been inferable. The AZR is one of the largest administrative data sets in Germany, comprising more than 20 million individual files. Until recently, the database has been used almost exclusively for matters of internal security and is not designed for monitoring and analysis of labour migration flows. For example, to shed some more light on the socio-economic characteristics of labour migrants and their experiences in Germany, the Federal Office for Migration and Refugees conducted a survey in 2011 about 3 200 labour migrants (see Heß, 2012).

The AZR comprises a separate sub-register on *visa data* containing information on applicants for visa at German consular offices abroad (personal data and civil status, type of visa requested and application turn-out). Whereas the general central foreigners register collects data on immigrants with a residence title who will stay in Germany for several months at least, the visa database also captures short-term stays. Although it is possible to obtain information on visas issued for study and other special purposes (*e.g.* for employment as a speciality cook), there is currently no distinction of visas issued for employment.

Box 2.1. Data sources on labour migration to Germany (cont.)

A second base of information is the *administrative database of the Federal Employment Office*, whose approval was required for most labour migrants until recently. It includes detailed information on legal grounds at the ordinance level which is much more detailed than the permit grounds as used in the AZR, as well as the approvals and rejections which it issues as part of its consultation in the application procedure for most work-related residence titles. It also includes information on the nationality, age and gender of the applicant, and the region, economic sector and occupation in which the migrant is to be employed. There is no information on the employer. There is also no direct link between this database and the Central Foreigners Register, although the local foreigners offices may enter some basic information into the AZR at their discretion. At present, only about one third of the files on labour migrants contain procedural information regarding the Public Employment Office. Moreover, although the database has been collecting data since 2006, no analysis of *individual* migration histories has been conducted. At present, analysis is largely limited to periodic inventories that capture the characteristics of new inflows.

A main challenge is to distinguish between temporary and permanent labour migration flows, as both types of labour migrants receive the same permit, initially temporary but often renewable. On the basis of the ground for admission, however, a distinction can be made between labour migrants who can, under normal circumstances, remain in Germany indefinitely and those who are expected to return after a certain time has elapsed (see Lemaître *et al.*, 2006). In essence, labour migrants into highly skilled occupations are generally admitted on a permanent track (even though virtually all get initially a temporary but renewable permit), whereas labour migrants into lesser-skilled occupations are generally only admitted for a clearly limited stay (temporary track), with the exception of those from high-income OECD countries.

In the *Microcensus*, the largest household-based survey and from which the German labour force survey is drawn, labour migrants are not identified separately. The *Microcensus* is also the only source of information on migrants for employment from EU countries, with the exception of EU nationals from countries subject to transitional arrangements, which currently apply only to Bulgarians and Romanians.

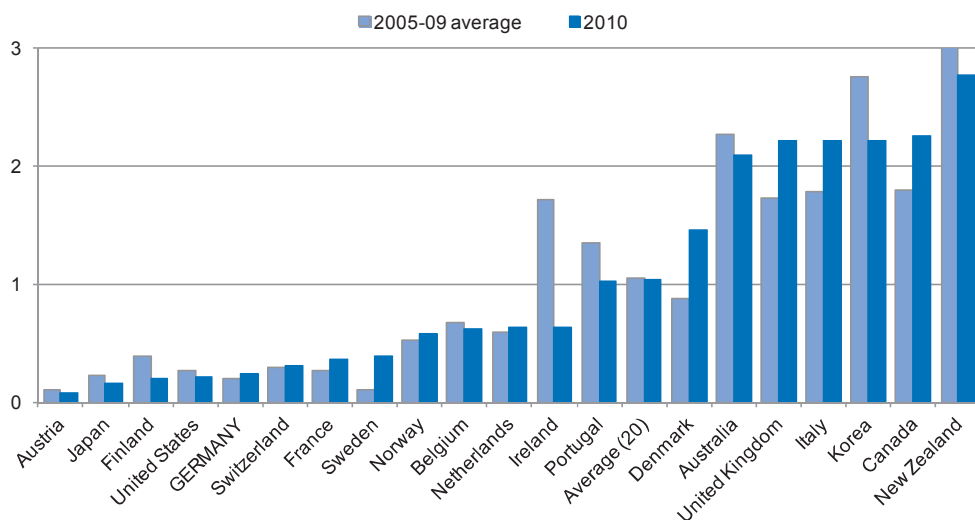
Regarding international students, more data is available. The Federal Statistical Institute, in co-operation with the *Higher Education Information System* (HIS) maintains publicly accessible data on foreign and international students, covering new enrolments, overall stocks and graduation by gender, country of origin and study characteristics. The data do not track students once they have graduated so it cannot be used to calculate stay rates of international students or status changes. However, a possibility to track graduates during their transition into employment is provided by the HIS graduate panel, which surveys almost 7 000 graduates at 1-2, 5, and ten years after graduation. The most recent panel, which started in 2008/09, contains information on non-German foreign-educated graduates of German universities (about 200 individuals). Respondents were questioned at about one to two years after graduation, and the study only includes international graduates who stayed in Germany. The small sample size limits analysis of international students.

Box 2.1. Data sources on labour migration to Germany (cont.)

A final point should be made regarding the definition of “skills”, as this varies according to data source and context. In the German occupational classification system, occupations are classified as either highly skilled, skilled or unskilled. In most analyses, and also in the immigration regulations, skilled workers (*Fachkräfte*) include anyone working in an occupation requiring either at least three years of vocational education or a tertiary degree. In other words, the term includes both medium- and high-qualified persons. Because of the weight of the dual system in Germany, two-thirds of the workforce is medium-qualified, a much higher share than the OECD average, which is 45%. Many occupations which are unskilled in other countries, such as home-care workers, are considered skilled in Germany, as they require three years of vocational education. “Skilled” labour migration, however, is essentially only possible for some *Fachkräfte* jobs: occupations requiring tertiary qualifications, and since August 2012 also for people with German vocational degrees.

1. A comprehensive overview of migration to Germany by category is provided in the annual migration report by the Federal Office for Migration and Refugees. The report also includes detailed information on specific categories of temporary-type labour migration (see Federal Office for Migration and Refugees, 2011 as the most recent example).

Figure 2.1. **Permanent labour flows per 1 000 inhabitants, selected OECD countries, 2005-09 average and 2010**

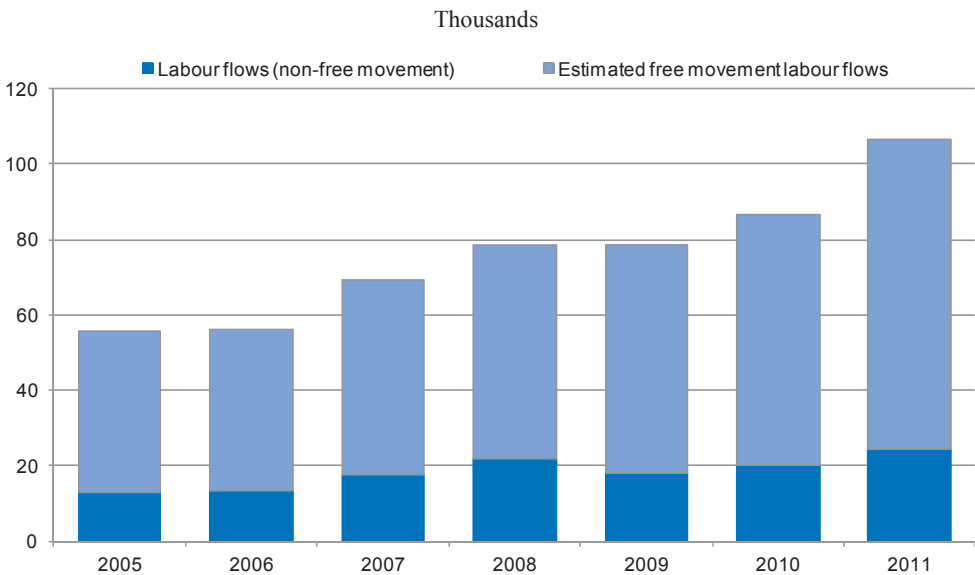


Note: For EU/EFTA countries, excludes free movement within the EU/EFTA. Finland average does not include 2005. The average (20) includes all 20 countries with data available.

Source: OECD International Migration Database.

Germany receives about 60% of its permanent migration flows – in 2010 the number exceeded 130 000 individuals – from within the enlarged European Union. While it is difficult to determine how much of free movement is for employment, estimates can be based on the special European Union Labour Force Survey 2008 migration module. According to this special module, among the immigrants from the enlarged European Union currently residing in Germany, approximately 50% entered Germany for employment-related reasons. Extending this to current free-mobility flows yields an inflow of approximately 65 000 free-mobility migrants for employment in 2010, more than twice that of labour flows from outside the free-movement zone. If free movement for employment is summed with labour migration, it is estimated that about 40% of all migration to Germany is for employment.¹ Estimated free movement for employment has been increasing since 2009 (Figure 2.2). Even including these movements, however, total inflows to Germany for employment remain relatively low compared with other OECD countries (Figure B.1).

Figure 2.2. **Evolution of permanent migration for employment to Germany, 2005-11**



Note: See Lemaître, G., T. Liebig and C. Thoreau (2006), “Harmonised Statistics on Immigrant Inflows – Preliminary Results, Sources and Methods”, www.oecd.org/dataoecd/61/7/37035672.pdf for details on the methodology. 50% of free movement is estimated to be for employment.

Source: OECD International Migration Database.

While overall free-mobility flows are significant, they are still much below the levels observed in other European OECD countries. In Norway and Switzerland, for example, free-movement inflows represent about 1% of the domestic population each year. Nevertheless, the number of permanent free-mobility migrants to Germany has been steadily growing since 2005. Preliminary estimates for 2011 show a further significant increase and suggest that migration for employment from all sources exceeded 100 000. This probably represents the highest flow of migration for employment to Germany since the establishment of the recruitment ban in 1973 (see below).

The limited labour migration to date has also contained possible concerns about the potential labour market impact of this form of migration. The few empirical studies on the labour market impact of migration in Germany, such as Brücker and Jahn (2011), focused on overall migration to Germany – most of which has been for family and humanitarian reasons, as well as by ethnic Germans – and found little to no impact on the labour market situation of natives.

Characteristics of migration flows for employment

Managed labour migration

Most labour migration to Germany is skilled. In 2011, nearly twice as many labour migrants arrived under the skilled and high-skilled categories than under low-skilled categories, and this share has been increasing since a clearer distinction between high- and lesser-skilled labour migration was introduced in the Residence Act – and thus in the AZR – in 2009.² A substantial portion of skilled migrants are engineers, and to a lesser extent health professionals, data clerks, specialty chefs and business professionals. Most low-skilled migrants arrive under the category of domestic workers and to a much lesser extent, artists, who do not correspond to a qualification-based category.

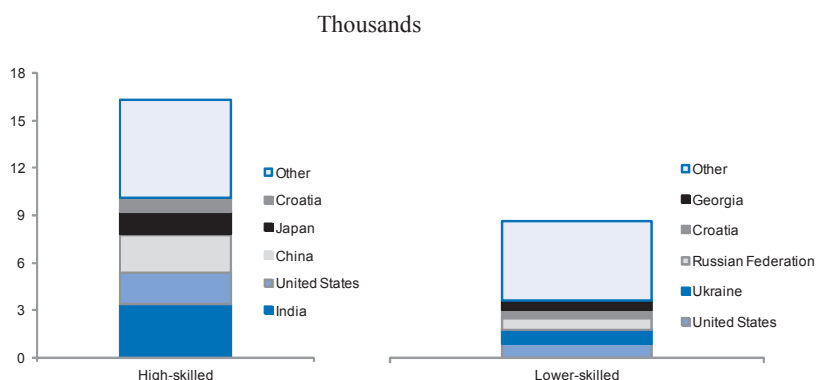
As Figure 2.3 shows, the largest group of high-skilled immigrants in 2011 were from India, followed by the United States, China and Japan who altogether account for about half of the skilled flows. The origin countries for lesser-skilled migration are more dispersed. The United States is the largest origin country, due to its preferred nationality status (see below). The occupational distribution by region of origin varies (Table B.2). While engineers are largely from South Asia and from non-EU/EFTA OECD countries, business professionals, teachers, and those in humanities and science, are mostly from within the OECD. Domestic workers (largely au pairs) are from the former Soviet Union. Health professionals are mostly from West Asia.

Inflows do not always translate into permanent stay, and many of the past labour immigrants have not remained in Germany. Of those who arrived in 2006 as labour migrants, fewer than one in four were still in Germany in mid-2012 (Figure 2.4).

Of those who arrived in 2011, one third had left by mid-2012. Among the five main origin countries, Russians were the labour migrants who were most likely to remain; about 40% of those who arrived in 2006 were still in Germany six years later. The relatively low retention rate for past inflows suggests that much of labour migration to Germany was temporary, and that inflows are not necessarily equal to sustained gains for the labour force.

While it is not possible to separate intra-company transfers from direct hires in the AZR data, many of the Indian and US workers entering Germany are on intra-company assignments rather than permanent local hires. These data do not include former students, who appear more likely to remain in Germany, although the calculation of their stay rate was not possible.

Figure 2.3. New permits for employment issued in 2011, by origin country and skills level

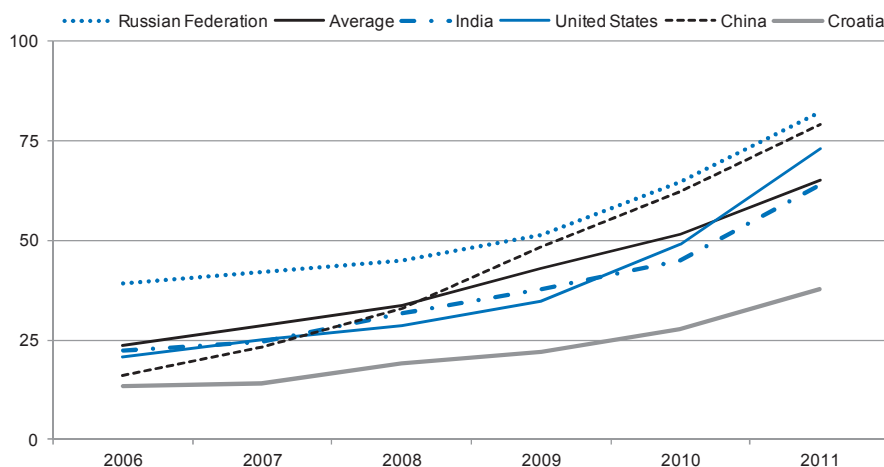


Source: Central Foreigners Register (data provided by the Federal Office for Migration and Refugees), OECD Secretariat calculations.

As is the case in many OECD countries, most labour migrants in Germany are men; the annual share of employment permits for women hovered between 33% and 36% from 2006 to 2011. Among labour migrants holding permits in Germany at the end of 2011, only 31% were women (Figure 2.5). Women, however, are overrepresented among new labour

migration for domestic work. Domestic workers – mostly au pairs, of which more than 93% are women – account for a large share of the unskilled work permits. The distinction among skilled work permits allows for a gender analysis of the main channels: while few (13%) of the information technology recruits from abroad are women, and only a small share of the other foreign-trained skilled migrants (25%), the share of women among skilled workers who hold German university degrees is higher (39% in 2011). The share of women obtaining permits is highest for labour migrants from Georgia, Russia and the Ukraine. About 50% of labour migrants holding permits in 2011 were aged 25-34.

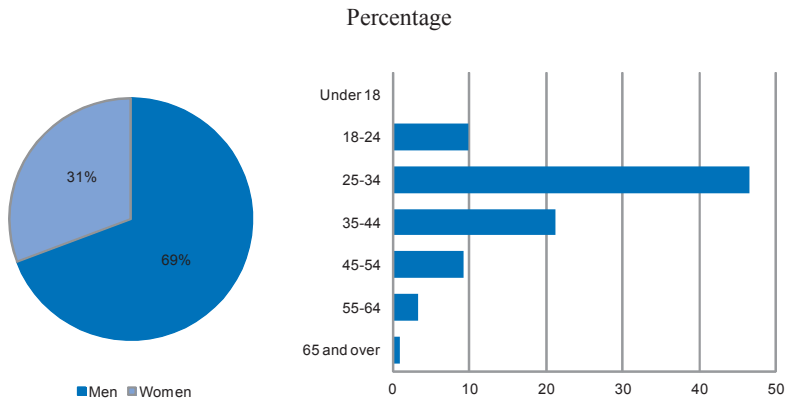
Figure 2.4. Percentage of labour migrants who arrived from outside the free-mobility zone and were still in Germany on 30 June 2012, by year of arrival, five main nationalities and total, 2006-11



Source: AZR (data provided by the Federal Office for Migration and Refugees), OECD Secretariat calculations.

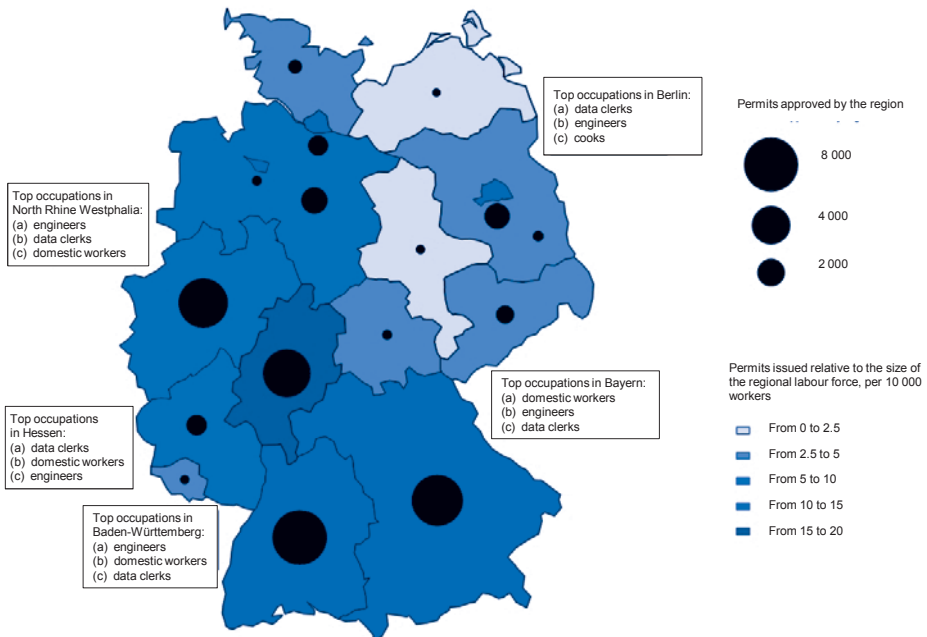
Over 90% of labour migration flows go to Western Germany, and per-capita levels of inflows are three times higher than in the eastern part of the country. More than 70% of flows go to only 4 of the 16 German States (in order of 2011 flows): Bavaria, North Rhine-Westphalia, Baden-Württemberg and Hesse (Figure 2.6). These four states are also leaders in terms of per-capita flows.

Figure 2.5. Gender and age (thousands) breakdown of employment permits in Germany, 31 December 2011



Source: AZR (data provided by the Federal Office for Migration and Refugees), OECD Secretariat calculations.

Figure 2.6. Employment permits approved in 2011, by state

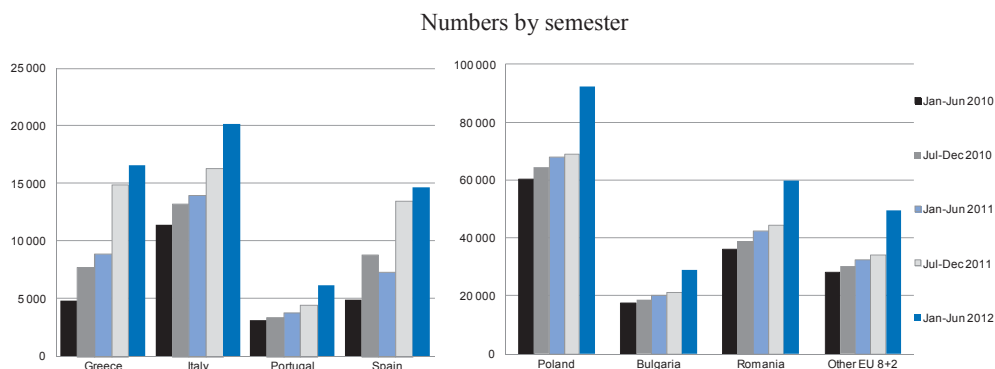


Source: OECD Secretariat calculations based on data from the Federal Employment Service.

Free-mobility flows

As mentioned above, data for 2011 suggest a marked increase in free-mobility migration which has been driven by two factors. The first is the fact that in May 2011, Germany fully opened its labour market to the eight Central and Eastern European (CEE) countries which had entered the European Union in 2004.³ This led to an increase in inflows of Polish and other nationals of these countries. A second factor is the more dramatic effect of the recent economic crisis on employment in Southern European countries. Migration from these countries has increased sharply (Figure 2.7).⁴ However, up to now the numbers involved have remained modest. For example, in 2011, Polish immigration to Germany was larger than migration from all four Southern European countries included in Figure 2.7 taken together.

Figure 2.7. Recent trends in immigration to Germany from Southern and Eastern European countries



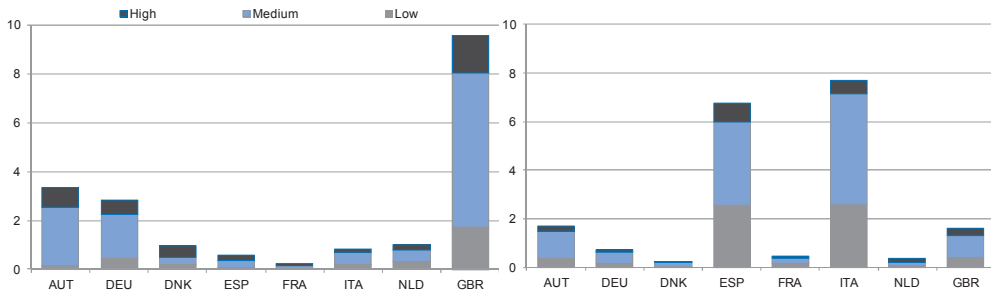
Source: OECD Secretariat calculations based on data from the German Federal Statistical Office.

New EU member countries have been providing a large share of overall free-mobility flows to Germany. Among the EU migrants who arrived in Germany in 2010 and stayed for more than a year, about two-thirds came from the new EU member countries. Of these, 40% came from Poland and a further 25% from Romania.

An analysis with the European Union Labour Force Survey provides additional information on the qualification level and the distribution of recent migrants from the EU-8 and the EU-2. Of the about 1.5 million EU-8 migrants who arrived in the EU-15 between 2004 and 2010 and were still resident in 2010, about 12% – or 176 000 – went to Germany. The vast majority – 112 000 – were medium-educated, and a further 38 000 high-educated. In terms of new labour force entries, they represented about 3%, compared with 9% in the United Kingdom (Figure 2.8). Among the

1.7 million EU-2 migrants arriving in the EU-15 over the same period, the share coming to Germany was even lower – less than 3% (46 000); about two-thirds were medium-qualified. The contribution of nationals of new EU member countries to new high-educated entries into the labour force since 2004 was less than 2%. In the United Kingdom, more than 6% of new highly educated workers were from the accession countries and close to 5% in Austria.

Figure 2.8. Recent immigrants (2004-10) from the EU-8 and the EU-2 as a percentage of new labour force entries in 2010, by education level



Note: EU-8 includes all ten 2004 accession countries. New labour force entries over the seven years spanning 2004 to 2010 are estimated by including all individuals aged 25-29 and 2/5th of individuals aged 30-34 participating in the labour force in 2010.

Source: European Union Labour Force Survey (Eurostat), OECD Secretariat calculations.

Temporary labour migration flows

The labour migration flows described above essentially relate to permanent rather than temporary migration, although the permit-based statistics from the AZR do not always make a distinction between the two. Permanent migration for employment is only part of the picture of labour migration in Germany. In fact, Germany satisfies a considerable amount of its labour needs through temporary migration – particularly through seasonal labour migration from the enlarged European Union. Germany has the single largest seasonal-worker programme of any OECD country, with nearly five times the number of workers per year of the next biggest programme (the United States) (Table 2.1). The German seasonal worker programme is mostly focused on agriculture (alongside a small percentage of workers in the hospitality industry). About 300 000 workers came annually under the programme from 2005 to 2010. A 2005 government decree obliged seasonal employers to recruit a minimum of 10% of their workers from the German labour market, with a higher minimum in high-unemployment states. The slight decline in flows after 2005 is related to this requirement. Nevertheless, seasonal flows are still substantially larger than in other countries.

Table 2.1. **Flow of seasonal workers, 2005-10**

Thousands

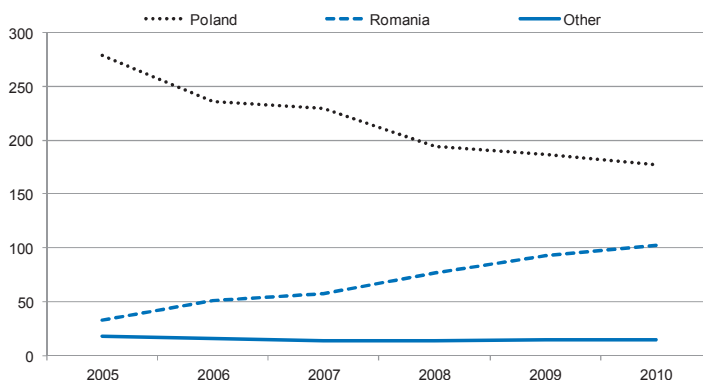
	2005	2006	2007	2008	2009	2010
Austria	11	11	12	12	12	10
Belgium	3	8	17	20	5	6
Canada	20	21	23	28	23	24
Finland	12	13	14	12	13	12
France	16	17	19	12	8	8
Germany	330	303	300	285	295	297
Italy	84	98	65	42	35	28
Mexico	46	40	28	23	31	29
New Zealand	3	6	7	10	8	8
Norway	23	33	39	35	11	31
Spain	7	5	16	46	2	2
Sweden	0	0	2	4	7	5
United Kingdom	16	16	17	17	21	6
United States	32	37	51	64	60	56

Source: OECD International Migration Database.

While Polish workers have historically dominated these flows, in recent years they have given way to an increasing number of Romanians (Figure 2.9). Together, Poland and Romania made up 95% of the total seasonal worker inflows in 2010. As Poles no longer need a permit to work in Germany from May 2011, the programme is comprised largely of Romanians since that date. The introduction of full free mobility with Poland in May 2011 has also been associated with fewer registered seasonal worker flows under this programme and preliminary figures from the Federal Employment Agency for 2011 show a decline to about 168 000 in that year.

Figure 2.9. **Seasonal worker flows by country of origin, 2005-10**

Thousands



Source: Federal Employment Agency, OECD Secretariat calculations.

Notes

1. Even though only a minority of flows to Germany is employment-related migration, many non-labour migrants also end up integrating into the labour market – including many humanitarian migrants who often have tertiary qualifications from their origin countries. Enhancing the labour market integration of immigrants and making better use of the skills of the immigrants who did not arrive for employment has been one of the priorities of the German Government in recent years.
2. High-skilled migrants are registered under §18.4.1, §18.4.2, §19, §19a and §20 of the German Residence Act (which forms the main part of the Immigration Law), while lesser-skilled migrants are registered under §18.3. Lesser-skilled migration is generally temporary, with the exception of some privileged nationalities.
3. Freedom of movement with the two other countries that joined the European Union in 2004 was introduced immediately upon accession.
4. Note that the data in Figure 2.6 include many temporary movements.

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Chapter 3

Evolution of labour migration policy

Labour migration policy in Germany was long associated with the guestworker programmes of the 1950s and 1960s. A general recruitment ban closed this era in 1973, with exceptions to this ban accumulating for skilled and highly skilled workers but also seasonal and certain short-term workers. In the 2000s, opportunities to recruit for skilled employment expanded, with a programme for IT workers in the early 2000s and a growing list of eligible occupations following a new Immigration Act in 2005. The contract offered must meet certain criteria and while highly skilled workers are admitted without major obstacles, there are few options to recruit for medium-skilled occupations. Changes in 2012 simplified the procedure and improved conditions for many skilled workers, introducing an EU Blue Card exempting many applicants from a labour market test.

The “Guestworker” recruitment (1955-73)

Post-war German labour migration policy emerged under the pressure of the German “economic miracle” that triggered high demand for un- and low-skilled labour, mainly in industrial manufacturing, which could not be satisfied in the German labour market. As a consequence, bilateral recruitment agreements were signed with Italy (1955), Spain and Greece (1960), Turkey (1961), Morocco (1963), Portugal (1964), Tunisia (1965) and Yugoslavia (1968) to temporarily boost the supply of workers.¹

Labour migrants recruited as so-called “guest workers” were mostly men aged 20 to 40 years. After they came at first mainly from Italy, the Iberian Peninsula and Greece, Yugoslavia and Turkey became the major sending countries in the late 1960s. Inflows were concentrated in the industrial regions of the western and southern part of West Germany, most notably North Rhine-Westphalia, Baden-Württemberg, Bavaria and Hesse. The bilateral agreements governing these movements granted temporary residence, and workers returning home were to be replaced by new workers employed under the same temporary restrictions. This rotational principle (“*Rotationsprinzip*”) was favoured neither by firms, who were reluctant to lay off newly trained staff, nor by the workers themselves, who wished to stay in a relatively well-paid job. Return was rarely enforced, and in the late 1960s an increasing number of “guest workers” began to settle in Germany (Werner, 2001).

A general recruitment stop with few exceptions (1973-2000)

When the first oil crisis hit the German economy in 1973, the country reacted by essentially stopping recruitment of foreigners from abroad. This recruitment ban (*Anwerbestopp*) represented the end of the “guest worker” era. One of the few legal channels for immigration with specific reference to labour market needs that remained open after 1973 was for nationals from other EEC member countries and selected other high-income countries from which significant labour migration was not expected.

In the 1980s, efforts rather concentrated on voluntary return policies than on labour migration. With the fall of the Iron Curtain, Germany found itself in the centre of a new migration corridor. It faced massive immigration waves of asylum seekers – at the peak more than all other OECD countries combined – in parallel with large inflows of ethnic Germans – initially from CEE and later from the successor countries of the former Soviet Union. This form of migration was provided for under the German constitution, and flows were very large: about 3 million between the mid-1980s and late 1990s. However, these flows were not labour market-oriented. In the public debate, immigration was largely equated with asylum-seeking and a number of xenophobic attacks produced shock-waves around the country.

To meet the labour demand in its booming economy and to support the transition process in Eastern Europe, Germany introduced – already beginning in the mid-1980s – an extensive system of bilateral agreements for temporary labour migration. Among these were provisions for contract workers, seasonal workers, “guest employees” (a trainee programme) and cross-border commuters (see Liebig, 2004 for a discussion). These added to the previously existing possibilities to recruit workers for specific occupations, such as speciality cooks. A new framework for labour migration was laid out in the 1990 Aliens Act (*Ausländergesetz*, AuslG) and in three accompanying ordinances: on the residence for work purposes (*Arbeitsaufenthalteverordnung*, AAV); on exceptions from the general recruitment ban (*Anwerbestoppausnahmereverordnung*, ASAV); and on work permits (*Arbeitsgenehmigungsverordnung*, ArGV).² Until the end of the 1990s, the official government position was that Germany was not a country of immigration. Although the exceptions to the recruitment ban became increasingly numerous, they were generally of limited scope, thus contributing to the complexity of the system, at the expense of transparency.

During this period, labour migration policy was dominated by a concern about competition from foreign workers, and significant numbers of permanent-type migrants did not have full access to the labour market. Indeed, the legal framework prior to the new Immigration Law of 2005 contained a variety of measures that kept foreigners out of the labour market (see Liebig, 2007). 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. Until December 2000, this applied also to a prolongation of the work contract.

Cautious opening to skilled migration (2000-05)

At the end of the 1990s, amid an information and communication technology (ICT) sector that faced growing labour shortages, policy attention shifted towards discretionary labour migration. In response, in January 2000, the government introduced a “green card” for foreign ICT workers to alleviate the most pressing shortages (Box 3.1).

The Green Card initiative was not primarily intended as a first step to reform German migration policy, but as part of a larger policy package to raise the supply of skilled labour in the ICT sector.³ Nonetheless, the Green Card initiated a broad debate about labour migration as a possible policy tool to tackle demographic change and labour shortages. In the autumn of 2000, the Minister of the Interior set up an “Independent Commission on Migration”, comprising representatives from all major stakeholders, to

develop a new comprehensive concept for labour migration management. The report, which was introduced with the statement “Germany needs immigrants”, envisaged a more flexible and open system, similar to that of long-standing immigration countries. The commission also proposed the introduction of a points-based system for the supply-driven admission of foreign workers (Federal Ministry of the Interior, 2001).

Box 3.1. The German “Green Card”

With the massive immigration waves of the early 1990s and a later increase in unemployment rates to almost 10%, labour immigration was a non-issue for most of the 1990s. By the end of 1999, however, concerns about lack of skilled labour emerged, with more than 10% of all firms claiming that the lack of skilled labour hampered their development. The ICT sector seemed to be especially affected, and it was estimated that there was a lack of about 70 000 ICT workers; some even forecast an additional demand of up to 350 000 as early as 2002.

Against this background, a German “Green Card” programme for foreign ICT specialists was launched in early 2000. As of August 2000, up to 20 000 ICT specialists from countries outside of the EEA would be allowed to work in Germany for a maximum of five years, provided that they had a tertiary-level ICT degree, or earned at least EUR 51 000 per year in Germany. Employment conditions were not verified for any ICT worker earning above EUR 39 600 (Eastern Germany: 32 700). Workers could change employers once in Germany, and could bring family members with them, although the latter were excluded from the labour market for two years after their arrival.

The new technology bubble burst immediately after the Green Card was introduced. The ceiling of 20 000 permits was never reached, with 17 931 work permit applications eventually approved. Indian computer scientists – originally seen as the main target – received only one in four of the Green Cards, while 42% were issued to migrants from Central and Eastern European Countries. Even among these countries, the share of Poles and Hungarians – soon to become EU citizens – was below expectations, while those from other countries, such as Romania, were more than expected, and virtually all applications were approved. Over two-thirds of the permits were issued for small- and medium-size companies, as larger enterprises tended to use the intra-corporate transfer channel (see Kolb, 2003).

The rise and fall of the German Green Card (in December 2002, only 117 new Green Cards were issued) pointed to the drawbacks of focusing on a particular occupation that is temporarily in high demand (see Liebig, 2004). It also highlighted groups with high recruitment potential for Germany: people from CEE and international students. About 15% of all Green Cards were issued to foreign IT students already in Germany. The federal employment office provided a virtual job placement service, by matching potential foreign employees with German employers.

Despite its rather limited quantitative impact, the Green Card served as the trigger for a renewed immigration debate in Germany. The Green Card was eliminated in 2005 with the introduction of the reformed Residence Law and the accompanying ordinances which incorporated a specific provision for ICT workers.

There was a broad agreement among the political parties, the labour unions and the employers, that a fundamental overhaul of the labour immigration framework was needed and that Germany should open itself up for highly skilled migration. Most stakeholders had presented their own proposals for a new immigration framework which were remarkably similar with respect to the provisions regarding labour migration.⁴

Based on the proposals of the commission, the government submitted a draft reform that passed the Federal Parliament successfully and entered the second step of the legislative process at the Federal Council. However, the bust of the IT bubble made many shortages disappear and overall labour market conditions less favourable. The subsequent terrorist attacks of 11 September 2001 in New York placed security concerns at the front of the political debate. The law's passage was suspended, the political landscape shifted, and both consensus and momentum were lost. In 2002, a rather far-reaching draft law passed parliament, but procedural errors – contested by the opposition – led to its approval being annulled by the Federal Constitutional Court. A compromise version of the law, agreed upon by a broad majority, passed the Federal Council in 2004 and entered into force in January 2005. As part of the compromise, key elements of the original 2001 draft were dropped, including the introduction of a points system and supply-driven migration (see Lutz, 2009 for a discussion).

In parallel, the expansion of the European Union to include Central and Eastern European countries – with notably Poland sharing a long border with Germany – required Germany to decide whether to apply transitional restrictions on labour market access for citizens of these countries. Public debate focused on the likelihood of large inflows of job seekers, and Germany decided to apply restrictions for the first two years. Fellmer and Kolb (2009) attribute this to a generally negative attitude towards migration, and concern among less skilled workers particularly – in contrast to the consensus on the highly skilled. There were also inflated predictions of massive inflows. Both major political parties – the CDU and the SPD – were thus in favour of transitional measures. As such, Germany decided to apply the transitional regime for as long as possible – until May 2011 – although a number of exceptions were gradually introduced. From 1 November 2007, the labour market test for engineers from accession countries was lifted, and on 1 May 2009 the labour market test was eliminated for all tertiary-educated citizens of the new EU countries, including Romania and Bulgaria. These latter two countries, which joined the European Union in 2007, still face transitional measures, and restrictions are expected to remain in place until the latest possible date, *i.e.* the end of 2013.

The 2005 Immigration Act

The 2005 Immigration Act established two entirely new legal acts and revised existing laws including the Asylum Law and the Citizenship Law. Changes concerned the regulation of European free movement, labour migration from third countries, certain aspects of humanitarian migration and the framework for integration policy.

The Residence Act (*Aufenthaltsgesetz*, AufenthG, replacing the 1990 Aliens Act) formed the main pillar of the Immigration Act and, for the first time, united the regulation of non-EU/EEA migrants' residence, employment and integration in Germany in one framework law. The previous four different residence titles were replaced by two: a limited residence permit (*Aufenthaltserlaubnis*) and an (unrestricted) settlement permit (*Niederlassungserlaubnis*).

The Immigration Act moreover facilitated the permit application procedure. Whereas beforehand immigrants had been obliged to apply separately for a residence title and a work permit, the reform introduced a new, bundled procedure following the concept of so-called "one-stop-government". Since 2005, migrants have needed to address only one administrative body – either a German representation abroad or the local foreigners office (for immigrants who already reside in Germany) – and then have their request transferred to the public employment service for approval through an internal procedure. 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 durations and degrees of labour market access.

The situation thus remains relatively complex. In principle, labour market testing prior to receiving the permission to work 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, the law introduced important exceptions to labour market testing for people who do not initially have a permanent residence permit. In particular, family unification migrants now get the same labour market access as the principal migrant immediately upon immigration.

In addition to these simplifications in the administrative process, the reform carefully opened up three pathways for discretionary labour migration. Firstly, a tier for very highly skilled migrants was created that offered this target group a permanent residence permit upon arrival. Secondly, migrant entrepreneurs were for the first time addressed by

German migration policy and were allowed to open a business in Germany, provided that there was an overriding economic interest or a specific regional need, and positive spill-overs for the economy could be expected. This was assumed to be the case – without further examination – if the enterprise had a seed capital of EUR 1 million and envisioned to create at least ten jobs.⁵ Entrepreneurs could obtain a permanent residence permit after three years of residence if the business was successful. Finally, a one-year job-search period was established for international graduates of German universities to find a suitable job.

Although it reduced administrative hurdles and opened up new possibilities for the migration of highly skilled, international students and migrant entrepreneurs, the Immigration Act did not bring about a full-fledged reversal of German migration policy (see Steinhardt *et al.*, 2005). The recruitment ban of 1973 was not lifted. Labour migration has continued to be strictly demand-driven as foreign workers are only admitted if they have a job offer in Germany and if their employment is compatible with economic needs (see Steinhardt *et al.*, 2005).

Continuous liberalisations: reform efforts since 2005

Over the past five years, Germany has gradually opened up to highly skilled migration, with significant liberalisations in January 2009 and most recently on 1 August 2012 with the implementation of the EC Blue Card Directive. Less comprehensive liberalisations were also made in 2007, when Germany aligned its immigration law with EU legislation, and 2011, when the instrument of shortage lists – established already under the 2005 Immigration Act – was used for the first time.

The direction of the recent reforms has been most visible in the area of student migration. Already with the Immigration Act of 2005, international graduates from German universities could stay in Germany for up to one year to find a job. Since November 2007, these graduates are also exempt from the labour market test, provided that their employment corresponds to their studies; in 2009 this latter requirement was eased and any job offer commensurate with their qualifications was admitted. In parallel, graduates of German schools abroad who have either a tertiary degree or obtained a further vocational education in Germany have also been exempted from the labour market test provided that they have a job offer in line with their education level.⁶ On 1 August 2012, the job-search period for international graduates of German universities was prolonged to 18 months, and they may now work during this time without any restriction. In addition, they may now also work 120 days full-time (240 days half-time) during their studies, compared with 90 days (180 days half-time) before.

The implementation of the EC Blue Card Directive brought about a new residence title for labour migrants, which fully opens the German labour market for any tertiary-educated person with a job offer that pays at least EUR 46 400 a year. For shortage occupations, a lower wage threshold of about EUR 36 192 applies. The previously existing salary threshold which gave highly skilled specialists a permanent residence permit upon arrival was abolished at the same time.⁷

The instrument of shortage occupations – that is, occupations in which the usual labour market test is not applied and the Employment Office only checks whether the job meets standard wage and employment conditions – was introduced with the 2005 Immigration Act. However, it was first used only in mid-2011, initially covering medical doctors as well as mechanical, automotive and electrical engineers, but the list has been gradually extended in February 2012 to cover additional engineering occupations and ICT specialists.

The most recent reform of August 2012 also introduced a new job-search visa. This allows immigrants with a tertiary education who have sufficient means to come to Germany for up to six months and seek employment.

Finally, the recent legislative changes opened, for the first time, a pathway for immigration into a broad range of medium-skilled occupations corresponding to apprenticeship-level training. Persons who have obtained an apprenticeship in Germany can now stay on after their training and have up to one year to take up employment in a job in accordance with their skill level, without a labour market test. During the job-search year, they may work in any occupation.

In summary, the recent reforms have essentially opened the German labour market for highly skilled occupations, although a labour market test still applies for jobs below the given thresholds, that is, lesser-paying highly skilled jobs which are not in broad shortage and for highly educated immigrants from abroad with little relevant experience. Pathways for medium-skilled immigration remain limited.

Current migration regulations

As has been seen above, since the recruitment of “guest workers” was banned in 1973, the general prohibition of labour migration has been a core element of German migration policy. Starting in the 1980s, however, the *ordinance on exemptions from the recruitment ban* (ASAV) has been used to add exceptions, whenever a particular need for foreign labour occurred. The German system of labour migration thus evolved along the lines of *ad hoc*

changes and additions growing into an accumulation of exceptions to a generally restrictive policy (Angenendt, 2008). The 2005 Immigration Act largely left the ban and system of exceptions intact.

Although the 2005 Immigration Act formally reduced the number of residence titles to two (apart from the visa), a permit is issued specifying the legal exemption that justifies their admission to the German labour market. Conditions and requirements vary according to different groups of labour migrants, depending on the salary, skills level and type of occupation, and also on the nationality of the applicant. In most cases below the EU Blue Card thresholds, the federal employment service must decide on the labour permit. The decision of the employment service may in some cases involve a labour market test. Exemptions are linked to occupations that are stipulated by the Employment Regulation, and are summarised in Table 3.1.⁸

Apart from these clauses, exemptions may, in exceptional cases, also be made based on “public interest”. In essence, the Employment Regulation still maintains a similar structure and logic of the ASAV which it subsumed, and leaves a relatively wide margin of discretion to the public employment service.

Skilled workers

Germany provides two main options for skilled workers: *i*) an immediate permanent residence for the very highly qualified; and *ii*) a temporary renewable permit for the qualified.

The fast track to a permanent residence permit for exceptionally-qualified labour migrants (§3 *BeschV*; §19 *AufenthG*) is available to researchers and scholars in cases where “it can be assumed that a lasting integration into the German society and a non-dependence on public benefits is assured”. Until August 2012, this permit was also available to executive staff and specialists with “specific experience” who earned a minimum annual salary of EUR 66 000. No labour market test is imposed, which shortens the procedure by several weeks, although assembling proof of special knowledge may require some effort on the part of the applicant or sponsor. The permit grants total job mobility and recipients are free to change employment for any occupation after receipt of the permit. The provision is also the only one which grants an unlimited settlement permit and unrestricted labour market access upon arrival. In this sense, it was the only permit in OECD Europe granting labour migrants permanent and unlimited residence upon arrival.⁹

Table 3.1. **Overview of exemptions to the recruitment ban based on the statutory ordinance for employment (*BeschV*) in Germany since August 2012**

Section	Grounds for exemption	Approval of employment service required	Labour market test required
Occupations that do not require approval by the public employment service			
§ 2	Education and training	 	

Note: * also includes Andorra, Monaco and San Marino.

Source: German Federal Employment Agency.

In spite of these attractive provisions, uptake has been extremely low and fewer than 800 new immigrants obtained this permit between 2006 and 2011 upon admission. Public perception focused on this permit and often mistakenly assumed that the highly skilled permit was the only means of entering Germany as a labour migrant. Accordingly, there were repeated calls to lower the income thresholds (*e.g.* Sachverständigenrat 2011). However, the fact that about 15% of labour migrants entering under the regular work permit system obtained a salary above the wage threshold of EUR 66 000 (see Heß, 2012) suggests that the salary may not have been the primary obstacle. It appears that foreigners offices have often restrictively interpreted the prospects of “lasting integration” in the issuance of this permit. Some employers may have preferred to sponsor requests for §18 permits, as they do not grant full and immediate mobility within Germany, but are initially tied to a specific employer.¹⁰

Most recipients of this permit have arrived from the United States, Canada and Japan (Table 3.2). However, in 2010-11, the number of citizens from Russia and from China increased. However, no data are available on the grounds for qualification for this permit. It is therefore not possible to evaluate to what extent it has served the academic community rather than the business community.

Table 3.2. Issuance of permits for the exceptionally qualified (§19 AufenthG), 2006-11, by nationality

Nationality	2006	2007	2008	2009	2010	2011	Total
United States, Canada, Japan	55	76	61	75	61	73	401
Other	21	30	45	52	76	132	356
Total	76	106	106	127	137	205	757

Note: The table only includes new entries. Status changes (*i.e.* persons with other prior residence permits) are not included.

Source: Central Foreigners Register (data provided by the Federal Office for Migration and Refugees), OECD Secretariat calculations.

Most qualified labour migrants are not eligible for immediate permanent residence, and are subject to a more broadly-defined skilled worker channel (§27 *BeschV*) which is subject to renewal and generally allows the migrant to stay indefinitely in Germany if he or she maintains the job (see below).

Qualified labour migrants with a matching job offer can be granted a temporary renewable residence title if a) they have a recognised foreign university diploma; b) a tertiary diploma in information and communication technology or significant relevant work experience in this domain;¹¹ c) a diploma from a German university; or d) are graduates of German schools abroad and hold at least an upper secondary diploma in a recognised

occupation. The first two groups can only be employed following a labour market test. The latter two groups are exempt from the labour market test. From August 2012, persons with a German vocational degree are also exempt from the labour market test.

Immigration into jobs paying more than EUR 46 400 is possible without a labour market test, and a lower wage threshold applies for a broad range of occupations in shortage. In addition, Germany also has a shortage list allowing for immigration into certain jobs independent of the salary paid (Box 3.2).

Box 3.2. The shortage list in Germany

Germany first introduced a shortage list (*Positivliste*) in June 2011, to provide exemptions to the labour market test. The shortage list is established by the Ministry of Labour, on the basis of a twice-annual shortage analysis by the Federal Employment Agency. Only skilled occupations are considered for the list (see below). The Employment Agency defines shortage occupations as follows. It first establishes a long list of occupations which meet a number of measurable criteria such as an average vacancy duration at least 40% above the average of all occupations; an increase in average vacancy duration of at least ten days over the preceding year; and fewer than three unemployed workers seeking a job in that occupation – at a national level – per vacancy. Highly specialised occupations with fewer than 100 vacancies are not considered. The Employment Agency then takes into consideration a number of qualitative factors such as expected developments in each occupation, including supply and demand trends, and sends a shortened list to the Ministry of Labour. The ministry reviews the list, exercises its prerogative and then issues a ministerial decision establishing the official shortage list for labour migration. The first list had only four occupations (physicians and mechanical, automotive and electronic engineers).

At the end of 2011, the shortage list was extended from three to eight occupations (Table B.3): Metalwork and welding; Mechanical and automotive engineering occupations; mechatronics, energy and electrical trades; Technical research and development; Technical design, construction and modelling; waste treatment and disposal; Software development and programming; Medical doctors (excluding dentistry). Qualifying jobs within these occupations must be at the highest level on a 4-point scale (a very high degree of complexity and require a correspondingly high level of knowledge and skill). With the exception of ICT specialists, the exercise of these professions requires at least four years of higher education.

There has been a significant increase in the recruitment of migrants with *foreign* tertiary degrees in the shortage-list occupations (labour migrants with *domestic* tertiary degrees, independent of occupation, were already exempt from a labour market test since late 2007). In 2011, approvals for work permits in this category (§ 27 Nr. 1 *BeschV*) for automotive and electronic engineers increased to 1 400 compared with 350 in 2010; for physicians the respective figures were almost 1 400 in 2011 compared with 900 in 2010. This trend is still ongoing. During the first six months of 2012, among the about 5 000 approvals for employment requiring a tertiary degree, more than half were for the four highly skilled occupations on the list: physicians, automotive and electronic engineers, software development and programming. However, it is not clear how much the shortage list itself has contributed to the increase, since one would expect recruitment to be concentrated in shortage occupations even in the absence of facilitations.

Box 3.2. The shortage list in Germany (*cont.*)

The German system for determining shortage-list occupations is similar to that in other countries with such lists, with an initial algorithm for identifying lists and a consultation phase for the final determination. A number of countries (for example, Spain, Sweden) involve social partners in the analysis. In the United Kingdom, consultation is broader, with other stakeholders invited to participate. In contrast to many other OECD countries such as Canada, Finland, Spain and the United Kingdom, Germany does not include a regional element in its shortage list.

With the introduction of the EU Blue Card in August 2012, the shortage list has largely lost its practical importance. The new regulations exempt all persons with a tertiary degree from the labour market test if they meet the regular salary threshold (EUR 46 400). For specialists in medicine, ICT, natural sciences, mathematics and engineering who do not meet the regular threshold, a lower threshold (EUR 36 192) is applied, subject to Federal Employment Agency approval but still exempt from the labour market test. The lower wage threshold applies to all occupations currently on the *Positivliste* as well as a much larger group of occupations. The EU Blue Card shortage occupations, however, are fixed in legislation and based on the ISCO classification system (21, 221, 25), rather than revised periodically based on shortages.

Different forms of intra-company transfer and intra-corporate professional mobility are granted, for executives and for intra-company transfers: in both cases, approval is required but no labour market test is imposed.

Lesser-skilled workers and other groups

A range of other exemptions under the ordinance are available for workers in specific occupations, such as language teachers, speciality cooks or care workers. There is a set of low-skilled occupations for which labour migrants may, under certain conditions, be recruited, including seasonal workers,¹² domestic care workers and, due to lack of a classification, artists. For all these occupations, labour migrants may only be hired with approval by the public employment service and after a labour market test. The latter is lifted for workers who arrive as executive staff or through intra-company personnel exchange.

As can be seen in Table 3.1, the Employment Regulation provides additional exemptions for migrants who belong to specific groups such as ethnic Germans, citizens of privileged countries, posted workers and cross-border commuters. Finally, two more categories of labour migrants can be admitted based on bilateral agreements. The first are contract workers (*Werkvertragsarbeitnehmer*) sent by employers in the origin country to work in Germany on a contractual basis.¹³ The second category is guest employees (*Gastarbeitnehmer*) who are sent to Germany for on-the-job

professional and advanced training and language courses, for up to 18 months.¹⁴ For both groups, no labour market test needs to be conducted.

As the foreigners office is supposed to apply the most favourable conditions, the ordinances and grounds for issuance reveal little about the actual purposes of employment of labour migrants. For example, a Canadian engineer coming to Germany as an intra-company transfer may be hired on the grounds of privileged nationality (the most frequently used ground for admission), as an intra-company transfer (the second most likely case) or as a skilled worker with a recognised tertiary degree from abroad (rarely applied). In all cases, the grounds for permit issuance in the Residence Act – and thus in the Central Foreigners Register – is the same (§18.4 AufenthG – skilled worker), making it difficult to distinguish between the different profiles of labour migrants holding these permits. A similar situation would apply to a Russian IT specialist who graduated from a German university: several possible ordinances apply (IT-skilled workers, German graduate), and the decision is made locally based on the judgment of the official handling the case.

Foreign entrepreneurs may immigrate to open or run a business in Germany, provided that there is *i)* an economic interest or specific regional need; *ii)* a positive economic impact; and *iii)* financing is ensured by the applicants' own means or by loan commitments. In 2010, 1040 persons (almost 40% of whom were US nationals), entered Germany under this category. Until 1 August 2012, there was a threshold for investment (EUR 250 000) and job creation (five jobs created) above which a case-by-case investigation of the business proposal was not conducted. Confusion about the nature of these thresholds – often wrongly viewed as minimum requirements for admission – led to their recent abolishment.

Foreigners may also come to Germany for vocational or professional training with approval by the public employment service. Graduates of German schools abroad with tertiary education are exempt from the labour market test, provided their job matches their qualification level.

Permit renewal

The renewed employment of immigrants from non-EU countries who are already in Germany is regulated by the Employment Procedural Regulation. Foreign workers who have been employed in Germany for two years or who have lived in Germany for three years without interruption (shortened from three and four years, respectively, in 2009) gain unrestricted labour market access and may then change employers and occupation.

Initial work permits are issued for three years, unless the duration of the contract is less than three years, so employees who stay with their employer for the entire initial period generally receive unrestricted labour market access at renewal, allowing them to be employed in any occupation without being subject to approval.

Generally all permits requiring approval by the Federal Employment Agency are granted only for a specific employer, and any change in employer requires that the process be re-initiated, following the procedure for an in-country employer change. In the past, all permits were also limited to employment within a specific region, limiting the firm's ability to shift workers among different sites in Germany. Since May 2011, however, employees are granted mobility within Germany for the same employer, and only restricted under certain purposes.

Transitional measures for citizens of recent EU member countries

Immigrants from new EU member countries are subject to different regulations. They may take up employment in any skilled occupation (requiring at least upper secondary education) if demand is established through a labour market test, regardless of the occupation. If they have a tertiary education, then nationals from new EU member countries are not subject to a labour market test. The 2005 Immigration Act granted them privilege over third-country nationals in the labour market test procedure. These restrictions currently apply only to Bulgarian and Romanian citizens and will expire at the end of 2013.

Conditions for spouses

Under the current legislation, spouses may come to Germany as family members of work-permit holders (except for seasonal and contract workers), although their access to the labour market depends on the specific grounds and conditions of the primary residence permit. Since August 2007, spouses of non-EU work-permit holders must, as a general rule, must meet some basic German-language requirements for family reunification. A wide range of exemptions are in place based on the work permit category of the sponsor, however, covering for example the highly skilled, scientists, the self-employed, and privileged nationalities, as well as those spouses for whom “the need for integration is discernibly minimal”.

For spouses of people holding the permanent residence title (§19, which includes, from August 2012, the EU Blue Card) and researchers (§20), full access is granted immediately, no restrictions are imposed and approval is not required. Spouses of migrants who hold an EU Blue Card are granted unrestricted labour market access. For spouses of those holding

§18 renewable employer-bound permits for skilled workers and executives, labour market access is granted for any occupation, but only upon approval by the Employment Agency, which reviews whether the job offer meets minimum standards for wages and conditions. There is no labour market test. After a two-year stay in Germany, these restrictions are lifted and access is granted to any employment without approval. In all other cases, spouses are subject to the same conditions as any aspiring labour migrant: they must meet the conditions for an in-country application including, where applicable, requisite qualifications and a labour market test.

Permits issued to spouses of labour migrants are not identified separately in German statistics, so it is not possible to determine the number or share of family permits issued to family members of labour migrants. There were about 15 000 spouses of non-EU permit-holders (and 3 000 children) who received permits for family reunification in 2011; as labour migrants comprise only a small share of foreign residents, family reunification among this group likely drives only a small share of total family flows. Spouses of labour migrants generally have access to public integration courses, although they are not obliged to participate.

The current German system for the management of labour migration thus provides a multitude of channels to admit foreign workers. It has evolved over time essentially through amendments to existing legislation to circumvent the general recruitment ban which is, although formally no longer in place, still the underlying logic of the system. The result is a rather complex and overlapping system. The accretional nature of the system is mirrored in the different conditions subject to each permit, in terms of duration, possibility to change employer and occupation, spousal permit conditions, and access to permanent residence. Changes in clauses require legislative action, representing a challenge in responding to short-term changes in the labour and skill demands.

Notes

1. The German Democratic Republic dealt with its own labour shortages through labour recruitment and training arrangements with other then-Socialist countries: Hungary, Poland, Algeria, Cuba, Mozambique and Vietnam. The conditions, duration of stay, legal rights for the workers and their number were negotiated bilaterally with each government. Permanent residence was not allowed (stay was two to six years), and family reunion was excluded. About 94 000 of these “guestworkers” were living in Eastern Germany at the time of the German reunification in 1989, mostly Vietnamese (Strunden and Pasenow, 2011).
2. Another exception from the general recruitment stop, implemented following the signing of the GATS (1995), was added through a 1998 provision allowing intra-corporate transfers of employees with managerial positions in multinational enterprises (Heß, 2009), who were exempt from work-permit requirements for stays of less than five years.
3. Other measures introduced in the same period aimed to increase the volume of on-the-job training measures and to create additional apprenticeships (Angenendt, 2008).
4. Disagreement was mainly with respect to non-labour migration, namely regarding family migration and integration policy, as well as admission on humanitarian grounds (see Liebig, 2005).
5. In most cases, these thresholds were not met and the residence permits for entrepreneurs were awarded on a case-by-case basis.
6. The 2009 reform also opened the labour market for all tertiary-educated from the new EU member countries still subject to transitional arrangements (EU-8 plus Bulgaria and Romania).
7. With the 2009 Labour Migration Control Act, the wage threshold for the highly skilled immediate permanent residence permit had been lowered from EUR 84 600 to EUR 63 600, but the numbers of migrants under this title remained marginal (see below). A proposal to lower this to EUR 48 000, was dropped, but with the adoption of the Blue Card to avoid overlap between the two channels.
8. The Employment Regulation was introduced alongside the Residence Act in 2005 and replaced three older regulations, notably Work Permit Ordinance (*Arbeitsgenehmigungsverordnung*), the Ordinance on Exemptions from the

Recruitment Ban („Anwerbestoppausnahmeverordnung“) and the Regulation on Work Permits for Highly Qualified Foreign Labourers in Information and Communication Technology, (“Verordnung über die Arbeitsgenehmigung für hochqualifizierte ausländische IT-Fachkräfte”).

9. At least prior to its restriction to researchers, since this group can also obtain immediate residence in other European OECD countries including Austria (where university professors even obtain nationality upon admission) and Switzerland. Sweden also offered a permanent permit through 2008, see OECD (2011a).
10. Although, as will be discussed in greater detail below, the permit process is driven by the applicants, for the §19 the employer has to provide supporting documentation to the foreigners’ office and notably had to demonstrate, under the pre-August 2012 conditions, that the labour migrant benefiting from the salary threshold was performing either highly specialised or executive tasks.
11. ICT specialists are thus the only group for which relevant work experience can compensate for the lack of a formal academic degree.
12. Seasonal workers can be admitted to work in Germany for a maximum duration of 6 months per year and a company is allowed to employ seasonal workers during eight months of the year. The recruitment is based on bilateral agreements with sending countries, currently only Croatia, and is mediated through the ZAV as the main recruitment agent. Employers can only employ seasonal workers after a labour market test.
13. Contract workers are admitted subject to an annual quota set by the public employment service, depending on the unemployment rate. Contracted workers may work on their contract for up to four years, after which a waiting period applies before a new contract can be issued.
14. Agreements have been signed with 14 Central and Eastern European countries. The number of guest-employees is capped by a quota defined in the bilateral agreement.

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Chapter 4

Key issues in the legal and administrative framework

This chapter reviews how policy choices affect access to, and use of, the labour migration channel, and whether the current policy is capable of meeting current and emerging needs. Germany applies a wide range of criteria in evaluating applicants, many of which overlap, but which allow, in principle, most qualified jobs to be filled by applicants with recognised tertiary qualifications. Processing is complex due to the many actors involved, and although it has been simplified recently for many categories of applicant, it lacks transparency for applicants and employers. Nonetheless, compared with other OECD countries, it is rapid and inexpensive. The system imposes numerous criteria by occupation and salary. A labour market test has been blamed for discouraging application, yet it has usually been quick and rarely leads to refusal. Salary thresholds introduced with the EU Blue Card may unintentionally penalise younger workers and women. Some mechanisms, such as the shortage list, could be used for opening channels to medium-skilled migrants, for which few options currently exist. Language, the main skill required by employers, is not a feature in admission of labour migrants, although it does affect their later residence pathway.

Processing times and procedural issues

In most countries, the labour migration approval process involves three actors: *i)* the consular authorities responsible for visa issuance; *ii)* the authority responsible for issuing residence permits; and *iii)* the authorities responsible for labour issues. All three are also involved in Germany, namely the consular offices abroad, the regional foreigners offices and the public employment services (Box 4.1).

Box 4.1. Key actors in the management of labour migration to Germany

Overall labour migration policy in Germany is decided at the federal level, and the Migration Law is the same nationally, although much of the implementation is through bodies at the regional and local levels.

German consulates abroad, dependent on the *Ministry of Foreign Affairs*, receive visa applications from foreigners, evaluate general eligibility, and issue visas which include the work permit where the outcome is favourable. The German consulates also forward the application form as well as additional relevant data and documentation to the foreigners offices.

The *local foreigners offices* receive, evaluate and process applications for permit issuance and renewal. They operate under the *Ministry of the Interior of the respective state*, but the *Federal Ministry of the Interior* establishes guidelines for administrative procedures and criteria.

The *Ministry of Labour* is responsible for the *Federal Employment Agency*. For administrative dealings related to labour migration, it has established a separate sub-agency, the *Central Agency for Foreign Placement (ZAV)*. There are six ZAV offices around Germany which must review all applications for work permits unless otherwise specified in the legislation. The elements examined depend on the characteristics of the applicant and the job offer. The ZAV also assists in matching job seekers with employers, collaborates with the EURES job-matching platform, and conducts recruitment efforts in Germany and abroad for German employers. Where necessary, one of the local public employment offices conducts the labour market test. The Federal Employment Agency is also responsible for analysing the German labour market, monitoring vacancies and forecasting shortages. The ministry also provides instructions to employment agencies on the interpretation of legislation related to labour migration.

The BAMF, instituted in 2005 as an agency of the Federal Ministry of Interior, conducts statistical monitoring as well as performance research and policy analysis. The BAMF is also in charge of the administration of the integration courses, oversight over the central foreigner's register (which is, however, administered by the *Central Administration Office* that also plays an intermediary role in the permit application process), migration research, voluntary return, and the co-ordination of public bodies involved in migration legislation such as embassies abroad, foreigners offices and the public employment service.

Box 4.1. Key actors in the management of labour migration to Germany (cont.)

The *Ministry of Economics and Technology* has initiated a number of recent measures to help ensure skilled labour supply for German enterprises through facilitating international recruitment, together with the Ministry of Labour and Social Affairs.

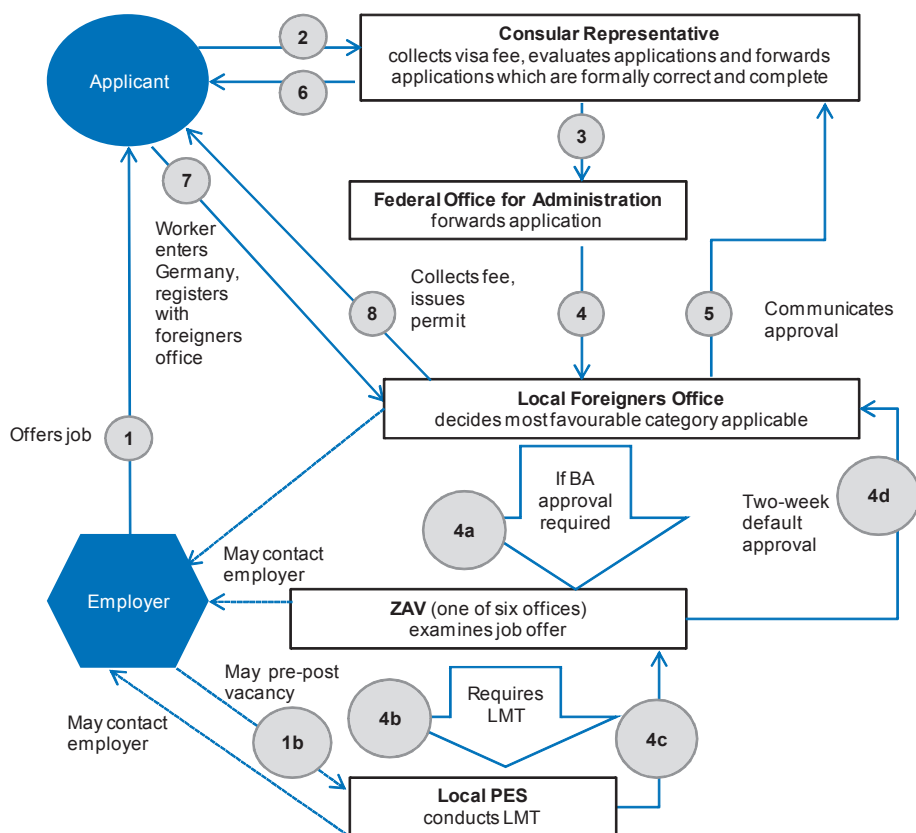
The *Ministry of Education and Research* plays a role in the qualification-related aspects of the labour migration management, through its overall responsibilities for the education system; notably regarding the co-ordination of the recognition of foreign qualifications.

Labour migration policy has largely been the result of negotiation and compromise between the *political parties*. The *social partners* do not play a direct role in the system, but act as interest groups in policy development. The *Chambers of Crafts* and the *Chambers of Industry and Trade*, however, play an important role in structuring apprenticeships and also in the recognition of vocational qualifications.

The process is initiated when a German employer offers a job to a foreigner abroad (Step 1 in Figure 4.1). The foreigner then files an application with the German consulate (Step 2), using a standard visa application form and including supporting documentation (job contract, proof of required qualifications, etc.) and the standard visa fee. The consular authority in charge checks whether the application is complete and not patently unfounded, and sends the paper documentation via diplomatic mail in paper format to the Federal Office for Administration (Step 3),¹ which automatically determines the competent foreigners office depending on the intended location of residence by the applicant and generally forwards the paperwork (Step 4), although foreigners offices may also accept the application electronically. The foreigners office determines whether the application is legitimate and evaluates which of the applicable permit categories – and as has been seen in the preceding chapter, there may be multiple categories applicable to a single application – is the most favourable. Since August 2012, the employer may also accelerate the procedure by submitting relevant documentation to the ZAV, which can begin examination before receiving the application from the foreigners office. Employers may also file the job listing directly with the Public Employment Service prior to the employee application (Step 1b).

If the permit is subject to approval by the employment agency – and most permit categories have required approval in the past, although exemptions are more and more common – the foreigners office forwards (Step 4a) the application to one of the offices of the ZAV, a sub-agency of the Federal Employment Agency, responsible for the geographic area.

Figure 4.1. Flowchart for workers applying from abroad



Source: OECD Secretariat analysis of procedure based on legislation and regulations.

The ZAV examines whether the job offer conforms to the recommended permit (e.g., whether it is indeed for qualified employment) and the conditions of the contract (wages, conditions),² but it does not examine the characteristics of the applicant. It may contact the employer for more information, or examine tax records to determine if the business is legitimate and has sufficient income to pay the prospective employee. The ZAV also determines whether a labour market test is applicable to the request, based on the permit category indicated by the foreigners office and other conditions, such as occupations on the shortage list. If a labour market test is applicable, it forwards the information (Step 4b) to the local public

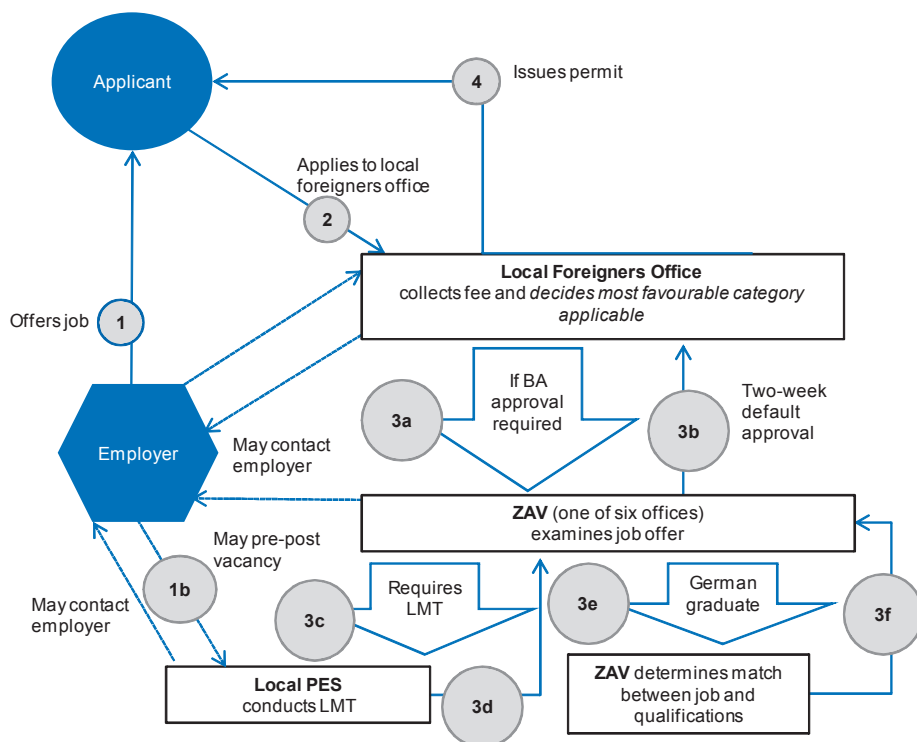
employment service responsible for the district in which the employment is located. The local public employment service examines the application and, based on its knowledge of the local labour market, decides whether or not to publish the job opening, and if so for how long it will list the vacancy (generally from seven to 14 days). It may reject the application outright if it considers that the stock of job seekers with qualifications is sufficient. It may also contact the employer for additional information, or send candidates to the employer drawing from its own lists of job seekers. The local public employment service communicates its decision to the ZAV office (Step 4c), which presents its decision to the foreigners office (Step 4d). The employment agency may impose employer or regional restrictions on the work permit. It may also recommend that the permit be issued under a different category from the one recommended by the foreigners office.

At this point, the foreigners office sends a response (via a special application for electronic communication passing through the Federal Office for Administration) to the consulate (Step 5). The consulate issues the visa (Step 6), with which the worker may enter Germany. Once in Germany, the worker may start employment with the work visa in hand, but must go to the foreigners office within 90 days to register (Step 7), paying a fee (with the introduction of the biometric permit in late 2011, fees have risen from EUR 50-60 to about EUR 110). In certain cases where the total duration of stay is not to exceed one year, a visa for employment may be granted for the entire duration of stay, in which case there is no requirement to obtain a residence permit.

Applications may also occur inside Germany, in which case the consular office is no longer involved (Figure 4.2). In-country applications may be filed by citizens of certain countries with visa exemptions, who enter Germany without going through the visa process. Similarly, the job-search visa introduced in August 2012 allows qualifying job seekers from any country to enter Germany for up to six months to search a job and apply for a work permit in-country when a job is found. Finally, in-country applications may be filed by students, or those holding post-graduate job-search permits (for up to 18 months job search), or other groups of migrants without full labour market access.

The process is similar to applications from abroad. The principal differences occur in the case of graduating students from German universities, as the issuance of work permits to this group does not require approval by the Federal Employment Agency.³

Figure 4.2. Flowchart for workers applying from inside Germany



Source: OECD Secretariat analysis of procedure based on legislation and regulations.

While the process is rather opaque to applicants, in that they are not informed of the Employment Ordinance grounds under which their application is being considered, nor the step at which their application is, the applicant and employers – as well as their representatives – have the right to ask the authorities about the status of their application at any point.

Processing time

Neither visa nor permit databases allow calculation of the average time from filing to issuance, so no actual data on processing times are available. In the absence of empirical data, studies and claims by stakeholders indicate that most labour permit applications are processed in about four to eight weeks, depending on where the application is filed and whether approval by the Federal Employment Agency and labour market testing are required (Box 4.2). Processing time for graduates of German universities

transitioning from the job-search permit has been slightly longer, from six to eight weeks. However, since approval by the Federal Employment Agency is no longer needed for this group since August 2012, this should lead to a significant shortening of the procedure.

Box 4.2. The labour market test in Germany compared with other OECD countries

The labour market test (*Vorrangprüfung*) is a key element in the approval process of requests for most work permits, and one feature of the system under discussion as a possible barrier to rapid and reliable processing of requests. A labour market test is a means to verify that nobody already in the domestic labour market (including immigrants already in the country and interested candidates from the enlarged EU/EFTA) is available for the job offered to the potential labour migrant. In most countries, the test consists of a mandatory publication period – after or prior to application – or a review by public employment services. In the absence of a publication period, proof of efforts to recruit domestically may be requested (as in Australia and Norway). In some cases, both a publication with the employment service and other attempts may be required (Canada, Ireland and New Zealand for low-skill temporary permits).

The involvement of the employment service varies across countries. The employment service may send candidates for available job offers and insist that employers justify any refusal to hire them, such as in Spain. In some countries, for example in France and Sweden, the mandatory publication period is considered a default approval if no response is taken. This is now also the case in Germany, where an absence of a response by the employment service within two weeks is considered as an approval.

The German labour market test is different from those in most OECD countries as it has no fixed publication duration, and each individual application is treated by the employment service separately. The maximum duration is two weeks (down from four weeks prior to 2009), although the employment service may choose to approve the request without publication. It may also contact employers and base its decision on refusal to hire approved candidates. Until August 2012, prior advertising efforts by an employer did not affect the treatment of the application; prior listing with the public employment service may now grant immediate approval.

The labour market test rarely leads to rejection of an application. Only in about 5% of all cases in 2011 was employment refused because of a negative outcome of the labour market test. Calls in Germany to eliminate the test are based on the assumption that this will accelerate processing. This may be the case, although approval of requests for specialised and hard-to-fill jobs is generally granted in less than the maximum publication period. In addition, the test also fulfils a signalling function to the employer and the public, namely that the domestic population (including immigrants already in the country) has priority over the admission of foreign labour to fill job vacancies.

Increasingly broad categories of permits are exempt from the labour market test. Shortage lists provide an exemption, as in other countries. Jobs with a salary above the threshold for the EU Blue Card introduced in August 2012 are also exempt. The EU Blue Card threshold is expected to cover a large share of applications, restricting the test to lower salary contracts and to employment in occupations which are not considered high-skilled.

In 2011, the National Regulatory Control Council published an evaluation of the process for issuing long-term work visas and permits to foreign professionals (specialists, scientists, interns and intra-company transfers) and executives. The council surveyed major employers and actors in the public administration. The report found that processing time averaged six weeks, with some variation according to the different procedures applied. Processing time for intra-company transfers was faster, at four weeks, as employers may apply directly to the centralised office and obtain labour market approval in advance, including this documentation in the worker's visa or permit request.⁴

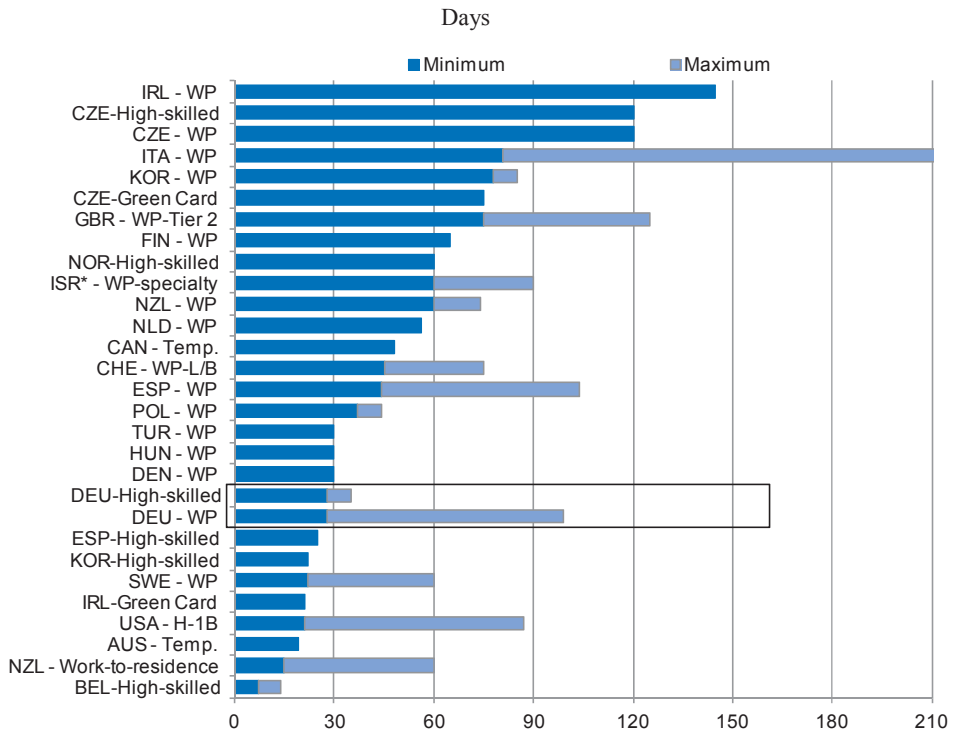
In international comparison, Germany ranks among the faster countries for issuance of work permits to skilled workers (Figure 4.3). The minimum time – for complete applications not subject to approval by the Federal Employment Agency or to labour market testing – is less than a month. Processing time for certain applicants – especially those for whom a labour market test is applied – can, however, exceed the OECD average. As there are no numerical limits on permits in Germany, applications may be filed at any point during the year without concern over whether or not a limit has been exceeded.

Reforms introduced in 2012 are aimed at further accelerating the processing time. Where the standard salary criteria are met, the EU Blue Card will be issued without consultation of the Federal Employment Agency, for example.

The evaluation of tertiary degrees is also conducted by foreigners offices and consulates, using a large specialised database – ANABIN – that “translates” foreign degrees into domestic ones (see below on the recognition of foreign qualifications).⁵

In addition, two major procedural changes, introduced in 2012, will significantly speed up approval – where required – by the Federal Employment Agency. The first allows for preliminary labour market testing by the Federal Employment Agency prior to the actual request for approval in the context of the residence permit procedure. The second is the presumption of approval if the Federal Employment Agency does not reply within two weeks.⁶ The introduction of the electronic residence title in late 2011, however, has slowed down permit issuance in Germany, as the biometric permits are printed centrally in Berlin and generally require about four weeks to produce.

Figure 4.3. **Processing times for permits for selected work permits for skilled workers or including skilled workers, selected countries, 2010**



Note: WP refers to work permit.

* Information on data for Israel: <http://dx.doi.org/0.1787/888932315602>.

Source: National authorities responsible for issuing permits.

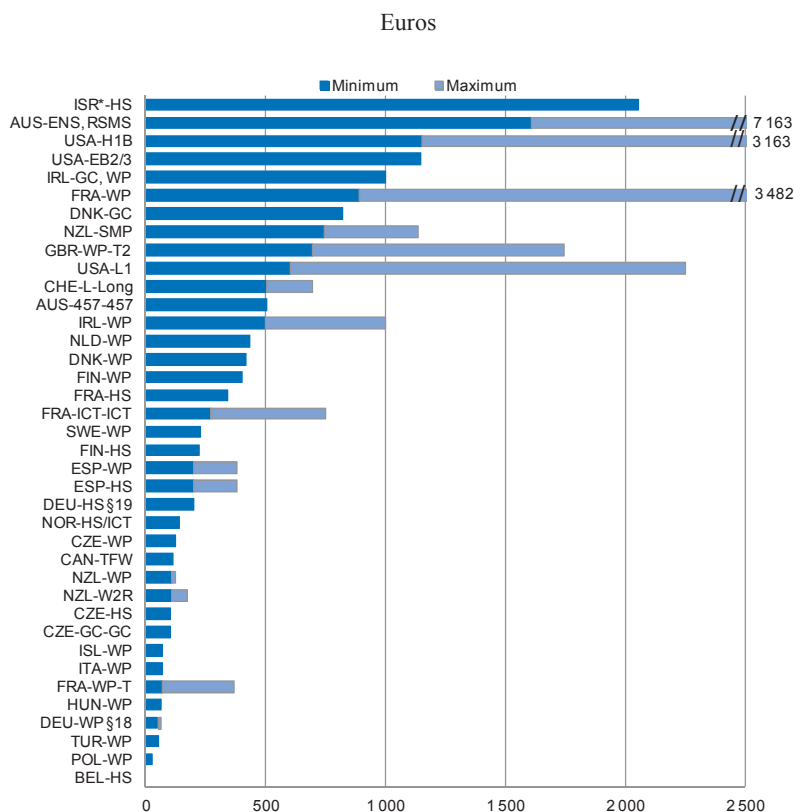
Stakeholders indicate that the assessment procedure of permit applications is highly heterogeneous across regional foreigners offices in Germany. Indeed, labour migration applications are only a small part of the permit processing conducted in foreigners offices, which largely work on family and humanitarian migration issues. Staff are not generally specialised in labour migration, and applications are not handled by labour migration specialists. This may slow down processing time and lead to mistakes and misclassification in applications.

Cost of application

The costs of application in Germany are not high in international comparison. The cost of a permanent residence permit under §19 was

EUR 200 in 2011, and the regular work permits cost EUR 60 (not including visa fees paid at consulates, of about EUR 60). Cost of the latter have since almost doubled to EUR 110, to cover the cost of the electronic residence title. Similar increases have occurred in other European countries adopting biometric permits. Permit fees for settlement countries such as Australia, or for work permits in the United States, are much higher (Figure 4.4).

Figure 4.4. **Costs of permit issuance, different permits for skilled workers, OECD countries, by permit category, 2010**



Note: EB2/3: permanent residence for employment; GC: “Green Card”; HS: high skilled; ICT: intra-corporate transfer. RSMS: regional sponsor; SM: skilled migrant; T: temporary; TFW: temporary foreign worker; WP: work permit; W2R: work to residence. For most countries, consular visa fees are not included. France: calculated range using 2011 SMIC. Israel: Includes levy based on one year contract at minimum qualifying salary. Fees are converted to euros using current market exchange rates.

* Information on data for Israel: <http://dx.doi.org/0.1787/888932315602>.

Source: National authorities.

The above costs do not include private mediation and legal services, frequently used in the United States and other countries. The German system is not immediately transparent for employers and applicants, and legal counsel to improve the likelihood of a successful outcome can add significantly to the cost of recruitment. However, even with recourse to legal services, direct employer costs will rarely exceed one month's salary.

However, it appears that employers – in particular SMEs – rarely have recourse to legal assistance. Specialisation in labour migration is rare among immigration lawyers, and firms providing these services report difficulty in finding experienced lawyers. Potential employers of skilled labour migrants are generally willing to pay higher fees to accelerate the process; this is especially true for intra-company transfers where decisions are taken at the last minute, or for key personnel.

Rejection rates

Rejection rates can reflect many different issues: few barriers to application tempting more employers on the margin of qualification to try their chances; complex or opaque regulations leading to many incomplete or ineligible applications; or rigid treatment of applications by authorities. High rejection rates may suggest a labour migration system whose requirements are not entirely transparent.

The multi-step procedure used in Germany means that rejection of applications can occur at a number of points: at the filing of the initial application with the consular authorities, at the foreigners office, or at the Employment Agency. Partial or missing data from some of these steps make it difficult to compare German rejection rates with those in other countries.

The individual clauses of the Employment Regulation leave considerable scope of discretion for administrators in the foreigners offices when assessing individual applications. For example, there is no standard for establishing the “equivalence” between a university diploma and occupation when assessing the application of an international student graduate for a status change. Likewise, terms such as “public interest” or “integration in the public life of Germany”, which appear in the Residence Act, are subject to the individual interpretation of staff at foreigners offices although there are some guidelines to be respected.

Rejection data for consular applications for labour migrants are not available, as only aggregate data on rejections are available. The overall rejection rate for national/Category D visas – for stays exceeding three months – was about 13% in 2011, although this includes many other

types of visa for family reunification and other long-term stays. The city of issuance provides some indication of the nature of the facility of obtaining a visa, however. The 2011 rejection rate for applications from the Indian city of Bangalore was low (2%), as were those from most other Indian cities and most cities in OECD countries (Israel and some US cities – Atlanta, Houston and Los Angeles – are exceptions). The highest rejection rates were for Africa and certain Southeastern European countries.

There is no data on rejection of applications by foreigners offices, as the Central Foreigners Registry does not maintain records on applications received, nor do local foreigners offices. As has been seen above, the foreigners offices act as the main filter, deciding eligibility for work permits, and denying applications which appear patently ineligible. In Cologne, for example, about half of permit requests regard medium- or low-skilled occupations and most of these are rejected outright. For other categories, such as the post-graduation permit for job search (issued only to those who have completed their studies within the designated time, and who have sufficient resources), it is the foreigners offices which would reject the issuance of this permit, and no statistics are available on rejection rates or reasons for rejection.

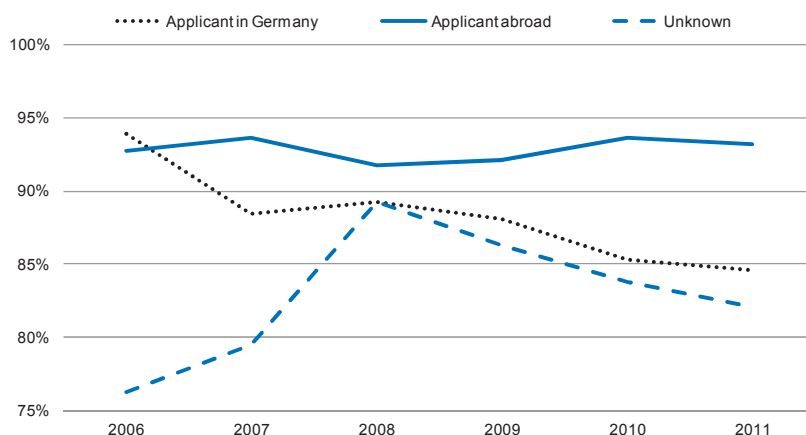
After being accepted by the foreigners office, most applications in the past were sent to the Employment Agency for review, including, where required, a labour market test.⁷ The Employment Agency records information on rejections according to the location of the applicant, their nationality, the occupation, and the grounds for rejection. There are no data on the category under which they were considered potentially eligible, however. It is thus not possible to examine the approval rate for specific groups of labour migrants.

The overall approval rate at the Employment Agency has fallen slightly since 2008, from 90% to 87% in 2010-11. The approval rate varies according to the place of residence of the applicant (Figure 4.5). For applications from abroad, approval has been stable at about 93%. The approval rate for in-country applications has declined since 2007, falling from 94% in 2006 to 84% in 2011. This analysis, however, suffers from a large number of applications for which location data are missing (almost half in 2011). The approval rate for applications missing location data was lower.

Rejection rates by the Employment Agency vary greatly according to the occupation of the applicant (Figure 4.6). The rejection rate is consistently low for engineers and medical professionals (2-4%). It is also low for domestic workers, most of whom are au pairs, and for skilled white-collar jobs, research and technical staff. Cooks, most of whom are under the

specialty cook programme, have about a 20% rejection rate. Indeed, the largest share of rejections occurs in the restaurant sector (36% of the 10 000 rejections in 2011). Applications by persons seeking less-qualified service jobs have higher rejection rates, above 50% for labourers and cleaning staff, but rejection rates were also above 25% for office and retail staff, as well as for employment in personal services. This may reflect mismatched occupations by graduating students, or applications which should have been filtered out by the foreigners offices, as well as other factors. Those which are approved, instead, are often for temporary contract workers, au pairs or privileged nationalities, as these are the main exceptions to the recruitment ban for lower-skilled employment. It is clear in any case, however, that non-specialised service jobs face a high chance of rejection at both the foreigners office and under review at the Employment Agency.

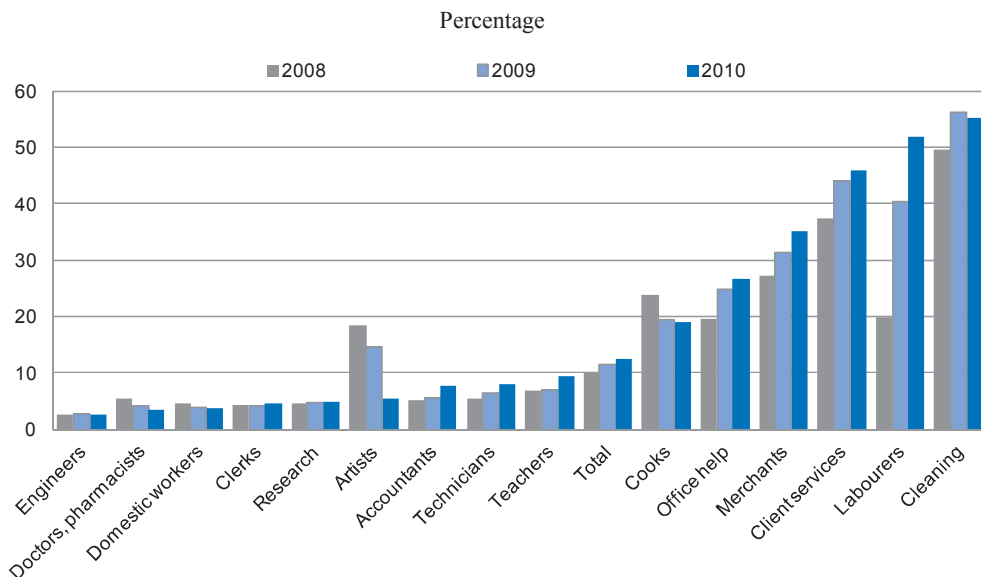
Figure 4.5. **Rate of approval of applications by the Employment Agency, by place of filing, 2006-11**



Note: “Unknown” accounted for 45% of the total in 2011.

Source: OECD Secretariat calculations based on data provided by the Federal Employment Agency.

Although the Employment Agency tends to approve most applications for skilled employment, there appears to be some variation over the business cycle, with an upward trend in approvals since 2009 (Table 4.1). In 2011, almost all (98.3%) applications for skilled workers with a tertiary-level occupation were approved. Most intra-corporate transfer requests are also approved. There is more variation in the treatment of applications where the privileged nationality exception applies (the approval rate is 92%), although this is a heterogeneous category containing both skilled and low-skilled employment.

Figure 4.6. **Rate of rejection of applications by the Employment Agency, by occupation, 2008-10**

Source: OECD Secretariat calculations based on data provided by the Federal Employment Agency.

The rate of rejection varies by nationality (Figure 4.7). Nationals of African countries face the highest rejection rates, while those from the Americas have the lowest rates.

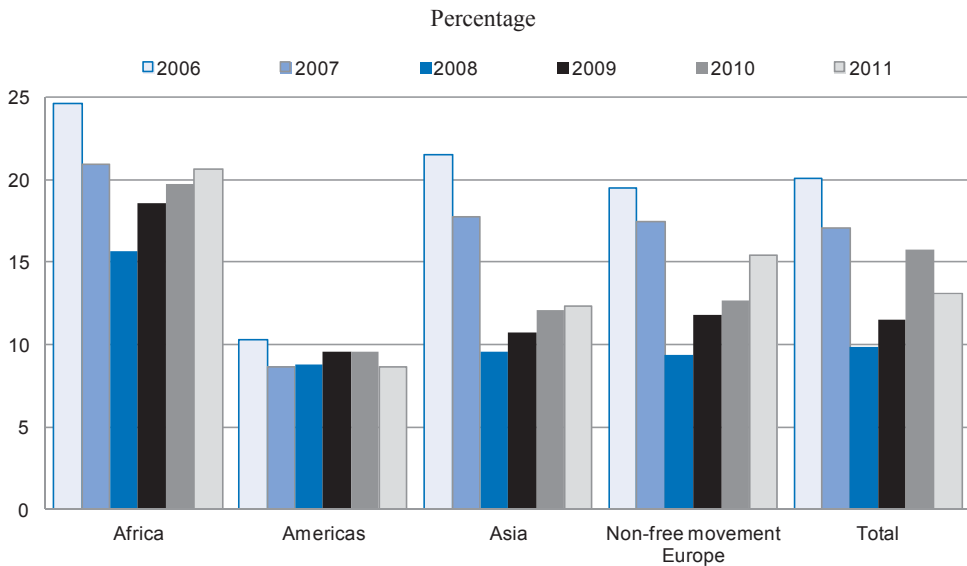
The largest proportion of applications is rejected on “other” grounds and on the basis of the labour market test (Figure 4.8). The “other” category is a heterogeneous one and often reflects an assessment of the employer, rather than of the occupation or the contractual conditions. The Employment Agency must verify whether the employer is legitimate, and has sufficient means and demand to justify the application. Such checks are more severe when the employer is not well-known or is in a high-risk sector such as specialty restaurants. Regarding the evaluation of the actual job application, following the labour market test, the main other ground for rejection is that the contract provides for wage or working conditions below the standard for German employees in the same occupation.

Table 4.1. Rate of rejection by the Employment Agency of applications for work permits, skilled employment, by grounds, 2006-11

	Percentage						
	2006	2007	2008	2009	2010	2011	2011 (total applications)
IT workers	3.1%	2.2%	3.2%	6.2%	6.2%	3.4%	6 766
Skilled workers, university-level employment	7.4%	6.6%	5.2%	3.2%	2.2%	1.7%	2 055
Skilled workers, German university degree	8.0%	6.6%	5.3%	7.4%	7.4%	4.4%	7 736
Intra-corporate transfer, executives and specialists	4.7%	4.2%	5.2%	4.4%	5.9%	4.6%	2 282
Privileged nationalities (may include skilled employment)	13.7%	11.4%	9.1%	10.8%	11.4%	7.8%	6 192

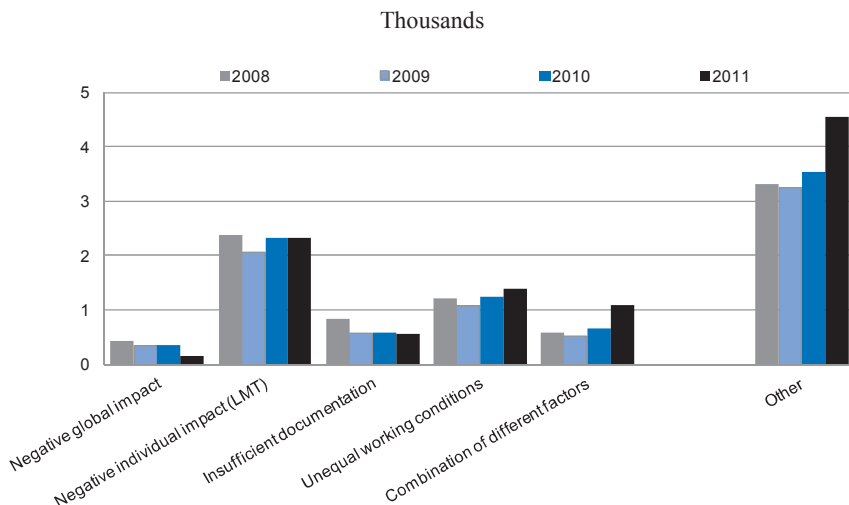
Source: OECD Secretariat calculations based on data provided by the Federal Employment Agency.

Figure 4.7. Rate of rejection of applications by the Employment Agency, by continent of citizenship, 2006-11



Note: Totals do not include “not allocated” or “unknown” responses.

Source: OECD Secretariat calculations based on data provided by the Federal Employment Agency.

Figure 4.8. **Rejection of applications by the Employment Agency, by ground, 2008-11**

Note: LMT refers to labour market test.

Source: OECD Secretariat calculations based on data provided by the Federal Employment Agency.

It is difficult to calculate precisely how often the labour market test results in a rejection, as no data are available on exactly how many applicants are subject to a labour market test. Whether or not the occupation is on a shortage list or is exempted from a test is not noted. An estimate is possible on the basis of the grounds for which permits are authorised by the Employment Agency. In 2011, about 50 000 applications were, in principle, subject to the labour market test. The labour market test, then, led to a rejection of the application in about 5% of the cases. The largest single category for rejections was that of occupations in the restaurant sector.

These partial data, which refer only to the Employment Agency's role in the process, do not allow a full analysis of the risk of rejection in the migration system and therefore a clear picture of the difficulty of using labour migration channels. In particular, since the Employment Agency is now excluded from the review of a range of permits under the changes introduced in August 2012, the absence of rejection data from foreigners offices will hamper future evaluation of access and use of the labour migration channel.

In sum, the risk of rejection for applications for permits for skilled workers is relatively low, while the chance of rejection for less skilled occupations is much higher. The labour market test, which has been the

object of criticism and the cause for the creation of a shortage list, may slow down the process of approval somewhat, but it cannot be described as an overly restrictive measure overall, certainly not for skilled employment.

Procedural experience

As noted, applications for labour migration are generally handled together with all applications for migration, often without specialised staff or one-stop shops in the foreigners offices. The bulk of processing work by foreigners offices is for family reunification and humanitarian migration. Labour migrants thus generally need to make appointments and wait in line with all other applicants. One attempt to create a business-oriented service experience is the Hamburg Welcome Centre (Box 4.3).

Box 4.3. Hamburg Welcome Centre

One common solution to improving the processing of applications and client experience in a multi-actor procedure is to create a one-stop shop. Such shops bring together different institutional actors in the same space, or provide a single caseworker to handle subsidiary procedures and interact with the client. Complete one-stop shops, such as the National Immigrant Support Centres in Portugal, also include other public services such as social security and health services in the same location (OECD, 2008). In labour migration systems, one-stop shops facilitate the permit authorisation procedures for employers and employees, providing a single interlocutor and clear indications. One-stop shops are also a means to separate labour migration processes from other, generally more restrictive and backlogged migration services addressing family reunification or humanitarian requests.

One example in Germany is the *Hamburg Welcome Centre*, created in 2007 as part of a multi-pronged effort to improve the position of Hamburg as a destination for skilled immigration. The centre is funded by the state and other public and private local actors, and employs 13 persons. It provides pre-arrival orientation through a website (welcome.hamburg.de), initial reception, and ongoing orientation towards mainstream services located elsewhere.

The Centre caters to newcomers arriving in Hamburg for employment, including graduates of German universities. Although it provides information to all foreigners, it limits its services to first-permit issuances to labour migrants and their families. It handles about 5 500 cases of permit requests annually. The centre does not process applications from abroad, but acts as a foreigners office in evaluating permit requests filed locally, including cases of visa-free entry. The Centre operates in parallel with the foreigners offices located in other districts of Hamburg; labour migrants may choose to submit their applications at other offices, where interpretation of regulations may occasionally vary.

While the centre does not accelerate the procedure, it does provide a single and welcoming face to the user. The Hamburg Welcome Centre provides all services in English as well as German – bilingual services are not the rule in German foreigners offices – and also gives some general counselling. It also promotes integration initiatives such as bilingual events, orientation sessions, and promotion of local cultural activities.

The limited attention to labour migration is also reflected in the widespread absence of specific application forms for labour migrants. Although permit application forms vary according to the local foreigners offices, consular authorities use a single standard paper form for all visa applications. Applications for the special high-skilled permanent residence permit, for example, are usually filed with the same form used for permanent permits issued for other purposes, even if the requisite criteria are quite different from other forms of permanent residence.

Selection of migrants

Selection and admission in the German labour migration system is based on different and often cumulative parameters. This section reviews the parameters and the consequences of each parameter.

Job offer

Under the current system, immigrants are admitted based on their contract with a German employer, rather than purely on their qualifications or skills. The task of selecting the most highly qualified migrants is left to employers. Thus far, even in the face of declared shortages of skilled workers, German employers have not made great recourse to recruitment from abroad. To some extent, this could reflect a general reluctance of employers to search beyond the known and familiar even when facing staff shortages as seen in Chapter 1 above. It also may reflect the undeveloped nature of recruitment networks abroad, and the absence of trusted intermediaries in the public and private sectors. The German Public Employment Service has not yet played a major role in mediating international recruitment, with the exception of the special schemes for the Central and Eastern European countries.⁸ Employer associations have not generally stepped in directly to help members pool their resources to develop international recruitment responses to staff shortages, and private recruitment agencies are not prominent in the market.

One response to the absence of recruitment networks abroad is to allow job seekers into the country, giving them a fixed period within which they must find work. The principle is that this will lower transaction costs for employers, by giving them a chance to meet the job seekers and allowing for rapid hiring. Any stay beyond the job-search period is contingent on finding a qualifying job.

Denmark introduced this possibility in 2009, allowing qualifying job seekers into the country for up to three years, during which they could work in any job. At the end of three years, they had to find a job qualifying for a

work permit (either by the qualified nature of the job or the salary paid). Selection has been largely based on tertiary education and language skills, and no access to welfare benefits is provided. Most of the initial recipients of the Danish Green Card – most of whom were educated outside Denmark and spoke other European languages rather than Danish – did not move into skilled employment by the end of the first year.⁹ Norway introduced a more limited job-search visa in 2010, granting six-months stay to qualified job seekers, who may not work until they find a qualifying skilled job. Fewer than one in four recipients found a qualifying job, although about one in five transitioned to other grounds (language study, etc.), leading the Norwegian authorities to suspend issuance in July 2012.

The German approach has been cautious, granting since August 2012 a six-month visa to foreigners with a recognised tertiary degree and adequate means for self-support; they may not work while job hunting and, in order to remain in Germany, must qualify for one of the skilled work-permit categories.¹⁰ Under the previous framework, people entering Germany to directly seek employment had to enter with a tourist or business visitor visa (up to three months) but had, except for nationals of certain countries exempt from visa requirements, to leave the country to receive the work visa since applications were only possible from abroad. More importantly, because pre-recognition of the degree is a prerequisite for obtaining the visa, the employer can be sure that a person with a job-search visa can be hired without any additional labour market test, provided that the job offer meets the criteria for issuance of a work permit (*e.g.*, the EU Blue Card or shortage occupation).¹¹

The job-search visa thus solves the problem of employers having to wait to hire a skilled worker, and admits only those whose qualifications have been formally recognised, but does not address other issues such as language skills and employer perception of foreign qualifications. The implementation of this visa should be monitored to examine its uptake (who requests and receives it) and the characteristics of recipients (who transitions to work permits, and in what occupations). If businesses take advantage of applicants arriving under the visa, it would suggest that one barrier to use of the labour migration channel is that they have had difficulty identifying suitable candidates abroad. If job-search visas do *not* lead to hiring, this might suggest that employers are not accepting foreign candidates even if they have formally recognised qualifications and are available immediately.

Occupational characteristics

Debate and policies have given priority to skilled occupations, and specifically a short list of occupations such as physicians and engineers. The permit regime specifically identifies IT workers separately from other

workers, and the main entry channels are limited to those in occupations requiring tertiary qualifications. Overall, it is mainly open to such occupations.

The German shortage list, however, already includes several skilled trades – those requiring post-secondary vocational education – in waste disposal and mechanical / technical positions. The shortage list is thus an instrument which could open up more vocational positions for recruitment of experienced workers from abroad.¹² As vacancies and shortages increase, the shortage list could become a means to extend flexibly opportunities to better-paid medium-skilled occupations. A further step in this was already taken with the August 2012 reforms, which opened the labour market for persons with German vocational degrees who have a job offer in a medium-skilled occupation.

Regarding low-skill occupations, there is currently little possibility for admission, except for privileged nationalities passing a labour market test and participants in bilateral agreements or specialised channels, none of which permit long-term stay or family reunification. One occupation which has seen expansion of labour migration in many OECD countries is long-term care. This is not a channel in Germany, which regulates care work in the household, considered a medium-skilled occupation. It does however have a bilateral agreement for household helpers, based on the principle that these helpers do not provide care work while they perform domestic tasks in the home for employers who are not self-sufficient. The programme started in 2002 and was institutionalised in the 2005 reform, with strict limits on the salaries, hours and tasks for the workers, and limited to recruits from the new EU member countries. The programme was not large – about 3 000 workers, mostly Polish, in 2008 – and the numbers have declined in recent years. The high-cost and agency-based model for household help seems to be an obstacle to expansion of the scheme, as is the ban on care work by household helpers. Nonetheless, it serves as an example of a specific scheme for a low-skilled occupation. Finally, Germany has a specialty chef programme, dominated by Asian cooks, to provide temporary workers to restaurants which cannot find experienced staff locally.

Educational characteristics

The labour migration system in Germany generally requires labour migrants to have qualifications matching their occupation; a tertiary-equivalent degree is generally required. Discussion over changes in Germany has repeatedly raised the idea of admitting tertiary-educated foreigners without a job offer on the assumption that they will find appropriate employment quickly.

Where such supply-driven selection systems aim to fill high-skilled occupations, the main counterargument lies in the general risk facing immigrants – in Germany as in other OECD countries – of so-called “overqualification” (employment in jobs below one’s actual qualification level). The consequent waste of skills is a loss for the migrant and a failure for the admitting country. Across the OECD, immigrants are at a higher risk of being overqualified than the native-born, especially if they were born in a lower-income country and obtained their highest degree abroad (OECD, 2012a). In Germany, roughly 30% of the tertiary-educated foreign-born work in jobs below their formal qualification level. The incidence of overqualification is lower among the native-born, concerning only 20% of the employed. These averages are close to the OECD and EU averages (Figure 4.9; OECD, 2012b).

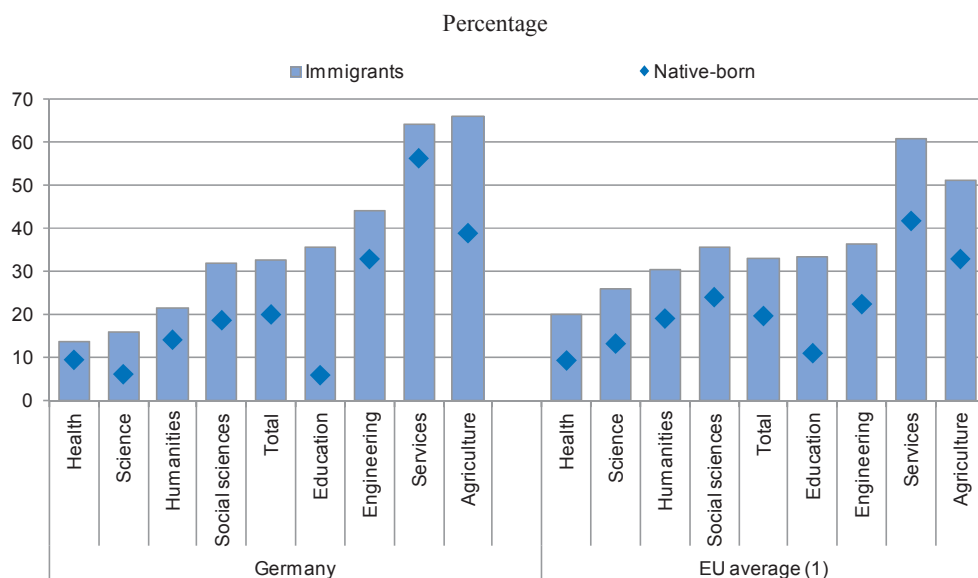
Even more important than the migration background appears to be the study background when it comes to the determining the prospects of being in a well-matched job. As shown in Figure 4.9, overqualification rates of tertiary-educated in employment vary substantially, depending on the field of study in which they received their highest degree.

While the overqualification rate of tertiary-educated immigrants in Germany corresponds to that found elsewhere in the European Union, the variance by field of study is larger. Immigrants with a degree in health or sciences in Germany, for instance, are hardly affected by overqualification. Overqualification rates in these fields tend to be higher in the rest of the European Union, at 20% for immigrants trained in health and 26% for immigrants with a degree in science. At the European level, overqualification rates are more than 10 percentage points lower for the native-born trained in these fields.

The relatively good matching of educational attainment and occupational skill level for graduates of health and science programmes in Germany can be interpreted in different ways. First, it might indicate good general employment opportunities in relevant occupations. Indeed, *Physical, Mathematical and Engineering Science Professionals*, as well as *Life Science and Health (Associate) Professionals* were occupations with employment growth of 20 to 25% between 2000 and 2010. Moreover, the incidence of horizontal mismatch is low for graduates from these fields, meaning that only a small share work in a job that matches their formal qualification level but not the *content* of their field of study.

Consequently, around 85% of employed native-born and around 80% of foreign-born holders of health or science diplomas are in a job that matches both the level and content of their studies (Figure 4.10).

Figure 4.9. Overqualification rate of tertiary-educated employed by field of study, immigrants vs. native-born in Germany and across the European Union (excluding Germany), 2006-10



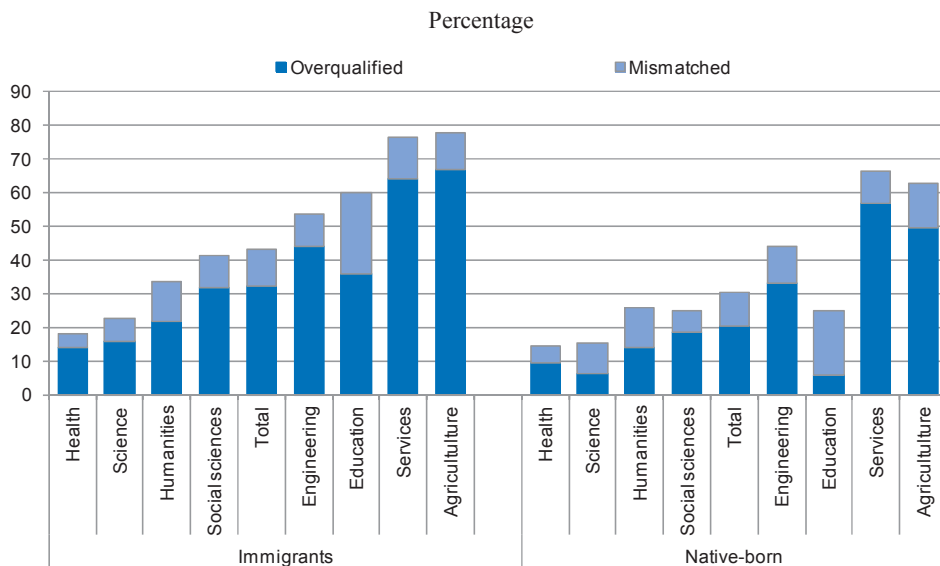
Note: The overqualification rate is measured as the percentage of employed individuals with a tertiary degree working in medium- and low-skilled jobs (ISCO 4-9). Managers of small enterprises, members of the armed forces and persons with non-response on the variable classifying their occupation have been excluded from the analysis. Likewise, graduates of general programmes do not show up separately but are included in the totals.

1. The EU average is a weighted average excluding Germany.

Source: European Union Labour Force Survey (Eurostat), OECD Secretariat calculations.

A significant share of tertiary-educated persons (both native-born and immigrants) who are trained to work in technical or civil engineering are currently not working in the designated high-skilled shortage occupations, but in medium-skilled jobs. One of the occupational categories on the current positive list is engineering occupations (mechanical and automotive), yet the overqualification rate for persons trained in engineering is relatively high. Among those trained as engineers, architects or manufacturers, 33% of the native-born and 44% of immigrants work in jobs below their qualification level. Another 10% are horizontally mismatched, that is, working in jobs which require a high level of skills but are not related to engineering, architecture or manufacturing.

Figure 4.10. **Overqualification and mismatching rates of tertiary-educated employed, by field of study, immigrants vs. native-born, Germany, 2006-10**



Note: The overqualification rate is measured as the percentage of employed individuals with a tertiary degree working in medium- and low-skilled jobs (ISCO 4-9). Managers of small enterprises, members of the armed forces and persons with non-response on the variable classifying their occupation have been excluded from the analysis. Likewise, graduates of general programmes do not show up separately but are included in the totals.

Source: European Union Labour Force Survey (Eurostat), 2006-2010, OECD Secretariat calculations.

Nonetheless, overqualified holders of engineering diplomas are employed in medium-skilled occupations that roughly relate to their field of study: 16% work as *Building Finishers and Related Trade Workers*, 12% as *Machinery Mechanics and Fitters*, 7% as *Electrical and Electronic Equipment Mechanics* and 6% as *Building Frame and Related Trade Workers*. The remainder are distributed across the range of medium- and low-skilled occupations.

The significant overqualification rate of trained engineers in Germany suggests that many German employers hire highly qualified personnel for jobs that could, formally, be done by medium-skilled staff and that a significant number of engineering graduates accept employment below their skill level. This raises questions about a *global* shortage of engineering skills in the German labour market which should, in principle, manifest itself in more favourable bargaining positions of graduates with these relatively rare skills. However, it may also reflect a lack of some specific engineering

specialisations (such as automotive and mechanical) rather than other, more general engineering specialisations (*e.g.* civil and industrial).¹³

All immigrants in Germany – most of whom have been admitted for reasons other than employment, such as family reunification or humanitarian reasons – potentially add to the domestic pool of skills. Indeed, mobilising the skills potential of immigrants is an important component in the overall strategy to ensure the skilled labour supply (see Chapter 1 for a more complete discussion). Good labour market outcomes of the resident migrant population (in addition to the native-born) are an important prerequisite for public acceptance of additional labour migration to alleviate shortages, although public opinion gives more weight to employment in general than employment in jobs matching qualifications.

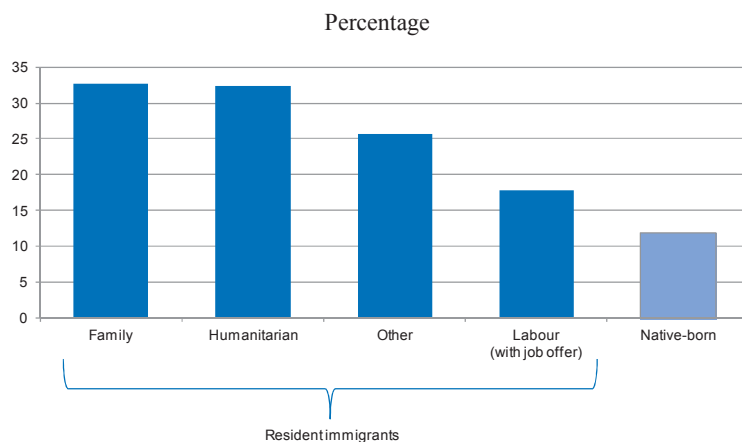
The risk of being overqualified, in Germany as in other OECD countries, varies sharply according to the immigrant's category of entry (Figure 4.11). Family and humanitarian migrants face a greater risk of working in jobs which do not match their formal qualification level than immigrants who came to Germany for taking up employment, and three times the risk faced by the native-born. The existing filter represented by the employer-driven labour migration system, along with requirements that education and occupation match, appear to ensure a high level of job matching.

Most immigrants have obtained their highest qualification abroad and employers may have difficulties in judging its real value, particularly for qualifications obtained in education systems that differ from those in Germany and other high-income OECD countries. To some extent, this difficulty can be overcome through formal assessment. Having their qualifications assessed seems to be associated with better labour market outcomes for immigrants with credentials from lower-income countries. While only 30% of those employed who did not apply for recognition are in skills-adequate employment, this figure rises to 50% among those who obtained recognition (Figure 4.12; see also OECD, 2012a). However, even for the latter the percentage is much lower than for the native-born, and the gap is larger in Germany than in all other OECD countries for which data are available.

As seen above, the German labour migration system requires that labour migrants' employment matches with their qualifications unless their salary exceeds a certain amount, at which point only the qualification is considered since the salary is taken as an indication of the skills level of the job. The cautious and restrictive approach currently taken in Germany appears justified by the difficulty which non-labour migrants face in having their qualifications valued in the labour market, even for those who have obtained formal recognition. This argues against further opening to migration without a job offer based on qualifications, as migrants cannot be expected to easily find

employment matching the qualifications for which they were admitted. The two filters, first of a job offer, and then of ensuring a match between qualifications and employment, are reasonable safeguards. For skilled labour migrants who arrive with a well-matched job and who stay in employment long enough to acquire permanent residence, overqualification should be less of a risk.

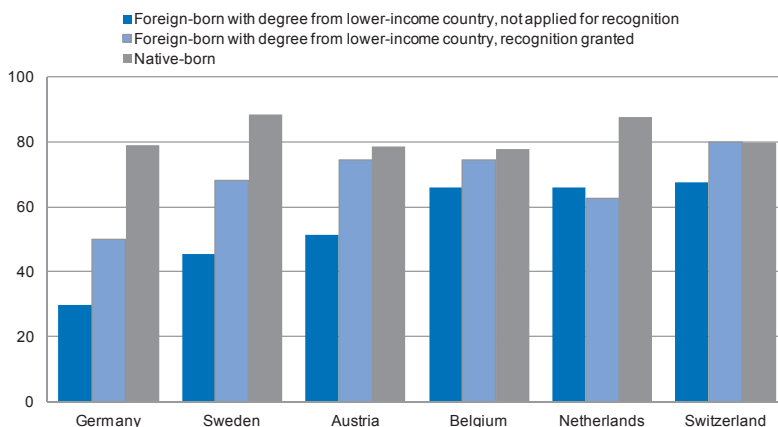
Figure 4.11. Share of overqualified medium- and highly educated immigrants from outside of the European Union by category of entry, in employment, 2008



Note: Category of entry is self-reported.

Source: German Microcensus, OECD Secretariat calculations based on data provided by the University of Hohenheim.

Figure 4.12. Percentage of highly educated employees working in a highly skilled job, by origin of diploma and recognition status, 2008



Source: European Union Labour Force Survey (Eurostat), OECD Secretariat calculations.

Salary

One common feature of admission systems in a number of OECD countries is a salary threshold. Salary thresholds are used as a proxy for specialised employment, simplifying admission for certain jobs. The United Kingdom exempts very high earners from the ceiling applied to highly skilled migrants. A number of countries impose salary thresholds as one criterion for work permits (Ireland for its Green Cards, the Netherlands for its Knowledge Migrants, Spain and Belgium for executives, Austria for its Red-White-Red Card, Israel for foreign experts).

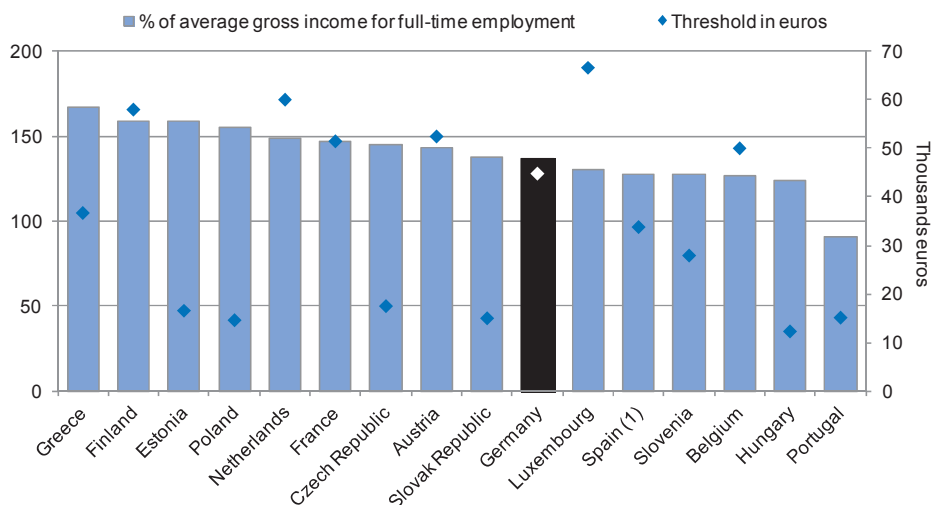
The salary threshold introduced in Germany in 2005 as one prerequisite for permanent residence under §19 occupied an outsized role in public perception although, as noted, it has been a minor channel for entry for employment. The permanent residence channel for highly paid foreigners was abolished in August 2012 with the introduction of the EU Blue Card (Directive 2009/50/EC), under which salary is one of the principal criteria for the issuance of the permit.¹⁴

The directive establishes that the EU Blue Card will be issued to foreign workers earning 1.5 times the average salary, although the benchmark for defining the average salary ranges is identified by the individual country. A lower threshold – 1.2 times the average salary – is granted for shortage occupations, with shortages to be determined by the individual country. Although not required by the directive, Germany exempts potential labour migrants who have a job offer paying more than the threshold from the labour market test.

The salary threshold in Germany was in reference to the average gross income. Relative to other European countries, Germany did not apply a particularly rigid interpretation of the salary requirement (Figure 4.13).

Figure 4.13 uses the average annual gross income for full-time employment, a benchmark which is available across the OECD. The German EU Blue Card salary threshold – EUR 44 800 when introduced in 2012 – represents 1.4 times the average German gross full-time salary. The threshold for shortage occupations – EUR 35 000 when introduced in 2012 – is equivalent to the average German gross full-time salary. By this measure, most EU countries which have so far published their EU Blue Card salary thresholds have set them below the 1.5 threshold, or even (in the case of Italy) below the annual average gross income for full-time employment. The Netherlands, which imposes a salary threshold for its skilled migration permit (the “Knowledge Migrant”), set the EU Blue Card threshold higher than that imposed on Knowledge Migrants, to reflect the additional benefits associated with the EU Blue Card.

Figure 4.13. Comparison of EU Blue Card thresholds, required salary as a percentage of the average annual gross income of full-time employed, 2010-12



Note: Thresholds are calculated for the top bracket, in most cases shortage occupations are subject to a threshold of 80% of the main threshold, except Germany, where it is lower (73% of the main threshold).

1. Spain applies the threshold based on average salary for each sector; threshold shown is for average income overall.

Source: Data on average annual gross income of full-time employed: OECD.stat.; EU Blue Card thresholds from official national publications.

Examining the actual salary range, by occupation, relative to these thresholds suggests that most skilled occupations requiring university-level qualifications already pay wages above the threshold (Figure 4.14), for both men and women. The wage gap between men and women however means that for certain occupational groups, most salaries earned by German women would not qualify for the EU Blue Card, while those earned by men would. For highly qualified and qualified administrative professionals, for example, men are paid more than the standard threshold while the salary range for women is largely below the threshold. Men in medium-skilled occupations – not currently eligible for the EU Blue Card in Germany – would also generally qualify, while most women would not. While broad occupation groups do not account for individual variations in salaries according to positions and tasks, the range of salaries paid to women is lower than that for men.

A common consideration in setting an income threshold is that of age. Older workers have more experience and generally earn more in the same occupation. Where single salary thresholds are applied, these may favour older workers over younger ones, even as the long-term benefit for the destination country of skilled labour migrants is greater for those who arrive earlier and contribute more during a longer working life. Figure 4.15 shows the salary distribution for younger (25-39) and older prime-age workers (40-49). For several categories of skilled employment, especially highly qualified and qualified administrative professionals, younger workers are generally paid below the salary threshold. Technical associate professionals also would not generally qualify for the salary threshold until they reach the older group. Other OECD countries have reacted to the bias in favour of older workers inherent in such salary thresholds by lowering wage thresholds for younger labour migrants, in the Netherlands, or by otherwise giving preference to younger migrants, for example in points systems (see below).

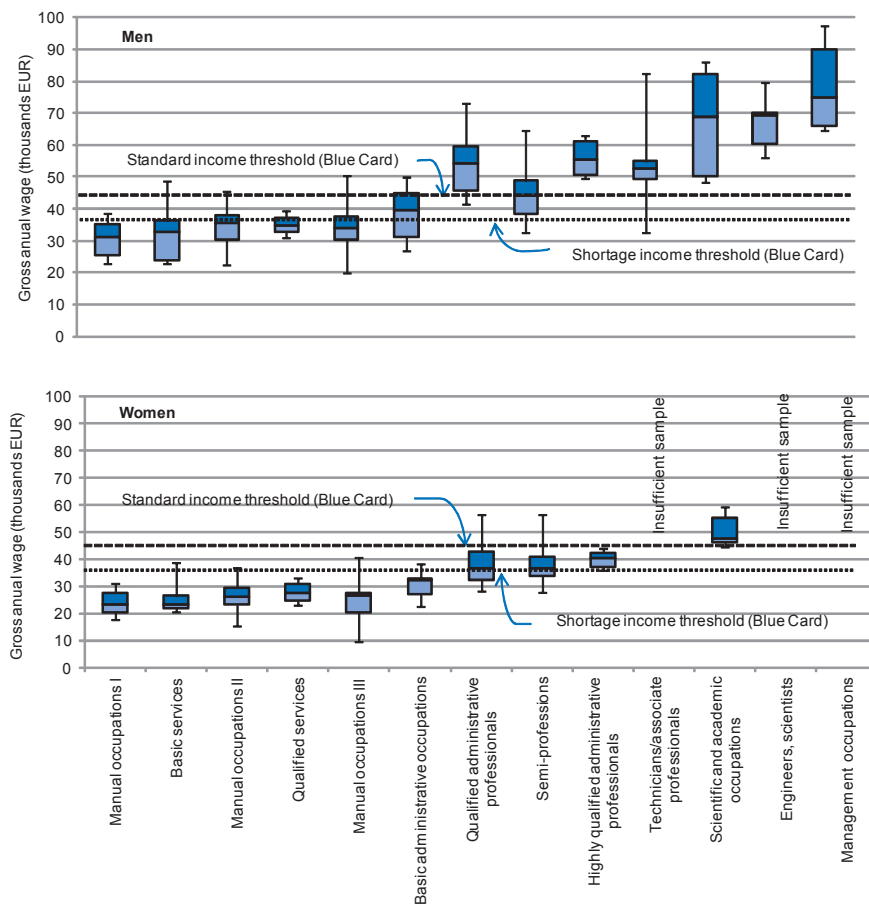
Salaries also tend to be higher in large enterprises. Overall, while the salary threshold is below the median wage for the tertiary-educated employed which was about EUR 55 000 in 2010, it is above the median wage for labour market entrants (25-34) with a tertiary degree in SMEs, which is about 38 500. That notwithstanding, the recent reforms linked with the introduction of the EU Blue Card represent a major liberalisation of work permits for qualified foreigners offered skilled employment in Germany, since a labour market test is not applied to anyone earning above the respective threshold. Spouses are even granted immediate and unrestricted labour market access. In addition, Germany also allows applicants in shortage occupations whose salary falls between the lower and standard thresholds (EUR 36 192 and 46 400) to acquire an EU Blue Card following a labour market test.

The EU Blue Card represents a much more open policy than that offered under the previous salary-threshold-based §19 permanent residence permit. As is evident in the salary distribution charts above, the pre-August 2012 threshold for the permit was above the salary for most employment in qualified jobs, especially for women, young people, and for employment in SMEs.

While the EU Blue Card does not offer immediate national permanent residence – in contrast to the previous §19 salary-based permit – holders may apply for permanent residence after 33 months, or 21 months if they have certified German-language skills at least at the B1 level of the Common European Framework. This is much shorter than the standard 60-month period for other skilled labour migrants.

Figure 4.14. **Gross annual wage for full-time employed by occupation groups, by gender, 2006**

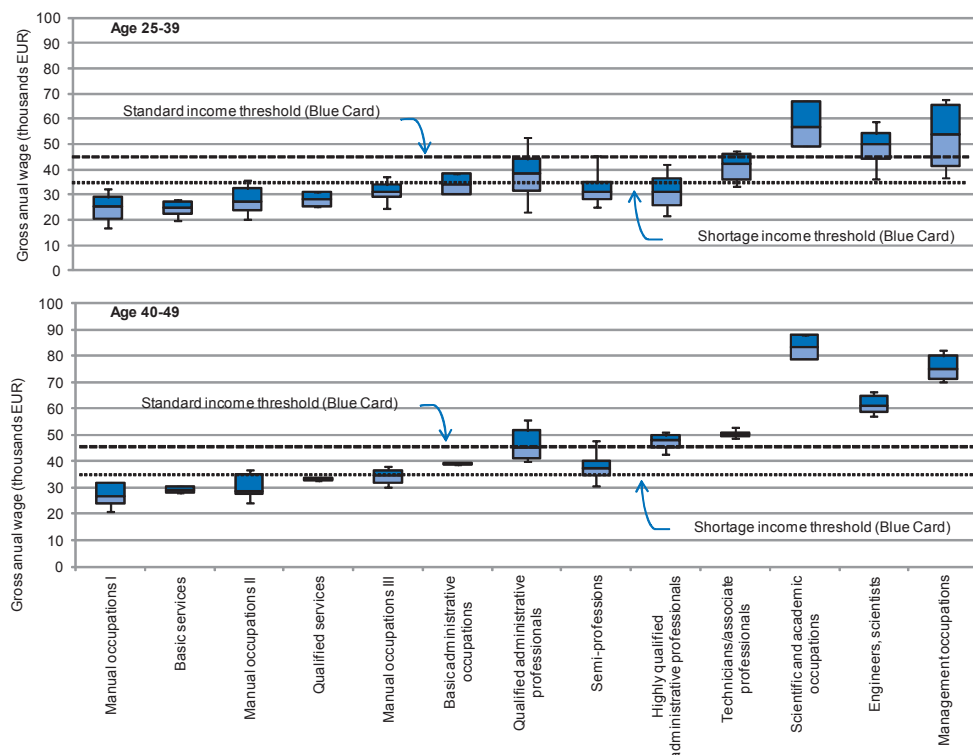
Range: median, 25th and 75th percentiles, minimum and maximum



Source: OECD Secretariat calculations based on data from the Federal Statistical Office.

Figure 4.15. **Gross annual wage for full-time employed by occupation (grouped), by age, 2006**

Range: median, 25th and 75th percentiles, minimum and maximum



Source: OECD Secretariat calculations based on data from the Federal Statistical Office.

Labour market test

The labour market test in Germany is not used as the principal means of evaluating whether a job is eligible for recruitment. In a number of OECD countries, such as Sweden, and in Canada's temporary foreign worker programme, the inability to fill a vacancy is considered sufficient justification to recruit a worker from abroad. In Germany, it is not sufficient. The additional filters on demand cushion Germany to some extent from cyclical demand shifts for workers in less skilled occupations or those where employment is less sustainable. In countries where labour market tests are the primary safeguard of the local labour market – rather than qualification or occupational criteria, as in Germany – a large share of total inflows has been of low-skilled workers who have been hard hit by the current negative

employment trends in many OECD countries. This was the case in recent years in Spain and Italy, for example. However, other countries, such as Canada, apply more rigorous labour market tests to requests for workers in occupations considered to be less skilled.

Labour market tests have gradually been eliminated from skilled migration categories in Germany, and the introduction of the EU Blue Card further exempts a large share of applicants from the labour market test (Box 4.2).

Nationality

As noted, the German labour migration system does not allow recruitment of non-EEA workers with less than tertiary education or for most occupations requiring less than post-secondary vocational training, unless they are citizens of certain OECD countries and have passed a labour market test. More than half of the citizens of these countries who receive work permits receive them through the exemption for privileged nationalities.

The Employment Agency authorised an average of 5 000 permits annually under this exception between 2006 and 2011, with a rejection rate of about 10%. The exception accounted for about 8% of all employment permits for labour migrants authorised by the Employment Agency. Applicants from inside Germany were about three times more likely to be rejected than those from outside Germany.

The occupational distribution of labour migrants entering under the exception for privileged nationalities ranges from the low-skilled (including guest services and cleaning jobs) to high-skill positions (Table 4.2). Between 2008 and 2010, the main occupations of the 15 000 workers admitted under the provision were clerical workers (2 500), entrepreneurs and business administrators (2 000), engineers (1 800), artists (1 300) and teachers (1 100).

The usual justification for a system which favours certain nationalities over others is that these privileges are granted in the context of a reciprocal bilateral agreement. In Germany, these arrangements are based on long-standing friendship agreements, and do not provide reciprocal access in the corresponding countries. Nonetheless, the privileges are based on the assumption that migratory pressure from these countries would be limited. As most of the occupations taken up under this privilege would presumably qualify for other grounds, the necessity of this category for labour migration is not evident. In any case, it does not appear to be used inappropriately.

Table 4.2. **Approvals by the Employment Agency under the ordinance for privileged nationalities (§34 *BeschV*), by occupation, 2008-10**

KldB88 code	Occupation	Approvals 2008-2010	As a % of all BA approvals 2008-2010 for the occupation
I	Vegetable farmers, breeders, fishing occupations	122	8.7%
III	Manufacturing occupations	1 494	7.0%
28	Mechanics	177	31.4%
39-40-41	Food processing and preparation, cooks	707	5.0%
IV	Technical jobs	2 258	6.9%
60	Engineers	1 821	6.3%
61-62-63	Other technical jobs	437	11.7%
V	Service occupations	10 686	11.2%
68, 69, 70, 77, 78	Clerical	2 516	10.0%
75	Entrepreneurs, organisers, accountants	2 050	23.8%
76	Deputies, key administrative positions	40	22.3%
81	Jurists, consultants	184	38.1%
82	Writers, translators, librarians	215	23.9%
83	Artists and associated professions	1 288	14.5%
84	Doctors, pharmacists	72	1.1%
85	Other health care professionals	165	12.8%
86	Social work associate professionals	359	26.4%
87	Teacher	1 134	36.6%
88	Humanities and scientific occupations, nec	825	12.2%
91	Guest services	793	18.6%
92	Domestic jobs	152	0.7%
93	Cleaning jobs	200	8.7%
VI	Other workers/no profession	466	2.9%
ZZ	Unspecified	313	0.9%
	Total	15 340	7.7%

Source: OECD Secretariat calculations based on data from the German Federal Employment Agency.

National or public interest

Labour migrants can also be admitted when the occupation is of “public interest”. This allows for cases where other criteria are not met. However, this pathway is only open for skilled workers. Most migration systems do allow for some discretion in judging work-permit applications, often through such a public interest clause, although it is meant for exceptional cases. This also seems to be the case in Germany, as this permit category is not heavily used – about 370 cases in 2011. The clause is a means to deal with rigidity in the system. However, it also opens a margin of discretion at local Employment Agencies which carries the risk of differential treatment. Surprisingly, many of the cases of public interest involve professional occupations which should qualify under other grounds.¹⁵

Criteria missing in Germany

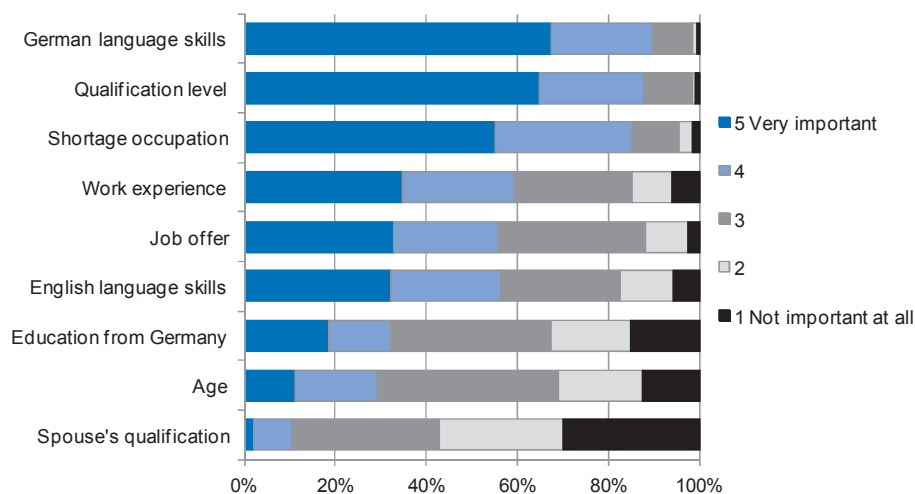
Most labour migration regimes are based not only on the objective of meeting immediate needs, but also of ensuring sustainability in employability and a positive fiscal contribution. While qualifications are an important determinant of these further objectives, they are clearly not the only factors to be considered.

Language is a clear criterion for sustainability of employment, including in lower-skilled jobs, although it seems to be particularly important for access to highly skilled employment and in small- and medium-sized enterprises (see OECD, 2008). The employers participating in the OECD/DIHK survey ranked German-language knowledge as the primary selection criteria for labour migrants, closely followed by education level. Almost two-thirds stated that German-language skills are “very important” (Figure 4.16).

However, incentives to favour acquisition of German-language skills, or to privilege the admission of German speakers, are limited in the current policy. The provision for issuance of permits to graduates of German secondary schools abroad goes in this direction, although the number of schools is limited and uptake of the permit is minimal (30–40 applications annually). The preference given to graduates of German universities is also implicitly intended to favour labour migration by German speakers, although degree programmes in English may undermine this goal (see next chapter). German-language skills also allow EU Blue Card holders to transit more rapidly to permanent residence permits. Although German-language skills are a prerequisite for a permanent residence permit, immigrants can also remain in Germany on renewed temporary permits. Indeed, there is no basic requirement that labour migrants demonstrate German-language skills – in contrast, for example, to the requirements imposed on most family migrants.

Age at immigration is a key determinant of the net lifetime fiscal contribution to the host country and also has important implications for the demographic structure. In Germany, however, it is not a factor in evaluating applications. In contrast, as was noted in the discussion of salary thresholds, younger workers are in practice, although not formally, penalised by the EU Blue Card selection process since they will often not meet the salary thresholds in contrast to workers with longer work experience.¹⁶ At the same time, looming shortages in enterprises are often in the starting-level positions for junior staff.

Figure 4.16. Employers' rating of criteria for the selection of labour migrants



Note: Number of employers who gave valid responses = 1008. The ranking is done by the mean value of the rating across all valid answers.

Source: OECD/DIHK Employer Survey.

Finally, as seen above, Germany has large *regional* disparities in shortages and labour force characteristics, yet regional aspects do not figure in the migration system, except insofar as foreigners offices and the Employment Agency treat requests in regions with shortages with more flexibility.

These three parameters – language skills, age, and region of employment – are built into selection systems in Australia and Canada, for example, to favour recruitment of younger people who have language skills, and to give regions a chance to intervene to meet pressing demand either by accelerating processing or approving profiles which would not otherwise correspond to admission criteria. Shortage lists in a number of countries, such as Canada, Finland, Spain and the United Kingdom, are also drawn up on a regional basis, as another means for reflecting regional differences.

Immediate permanent residence vs. temporary-to-permanent stay

In contrast to the OECD countries that have been settled by migration (Australia, Canada, New Zealand and, to a lesser degree, the United States), immediate and unlimited permanent residence for labour migrants is a rarity in Europe. Only Germany offers it to a select few, although its salary-based category was eliminated in 2012. Yet, permanent residence upon entry does

not necessarily appear to be decisive in attracting migrants, and most skilled labour migrants in European OECD countries can generally expect to obtain permanent residence after a few years as well. Even in the OECD settlement countries, permanent economic streams rely heavily on student and temporary migration channels, rather than on first arrivals from abroad. Canada's policy, for example, has shifted towards rewarding temporary workers and students through the "Canada Experience Class". Similarly, Australia's temporary work programme is the single most important channel for permanent migration into the country. In the United States, more than 90% of the permanent economic migrants (*i.e.* those receiving an employment-based "Green Card") are already in the country on another visa, usually a temporary employment visa. Immediate permanent residence was a minor phenomenon in Germany, but two-step migration from temporary to permanent states does not appear to penalise destination countries when the pathway to permanent residence is clear from the beginning.

In summary, Germany applies a wide range of criteria in evaluating applicants, many of which overlap, but which allow, in principle, most highly qualified jobs to be filled by applicants with recognised tertiary qualifications. While an employer or applicant should be able to determine eligibility based on these criteria, applicants do not indicate the grounds under which they believe they are eligible. The complexity of the system may have hampered its access for smaller employers with no experience and no support. The widespread misconception about the system – notably treating the salary threshold as a general threshold for work permits – does not reflect its actual openness for highly skilled workers and those who have studied in Germany. It does, however, reflect insufficient public information about the policy. It may also reflect an apparent lack of transparency, and the limited and selective channels for medium- and low-skilled occupations.

Notes

1. The main data related to the application is also forwarded electronically at the same time.
2. The ZAV may modify the permit grounds under which the foreigners office proposed to issue the permit. For example, it may note that the applicant qualifies for other categories of permits not subject to approval by the Federal Employment Agency.
3. In addition, a number of recent procedural changes have been implemented in August 2012 which speed up the procedure (see below).
4. As will be seen below, in response to the report, a number of changes have been made which should considerably shorten processing time.
5. During the visa application process, the consulates first consult ANABIN. If the database does not contain information on the degree in question, the applicant is asked to undergo a formal recognition process in Germany – through the Central Agency for Foreign Education – before further handling of the visa application.
6. The reply may, however, consist of a declaration that additional information is needed. In any case, employment agencies are supposed to carry out the labour market tests within 48 hours after receiving the ZAV's request.
7. As already mentioned, this is gradually changing as the implementation of the EU Blue Card in August 2012 exempted a significant part of labour migration from approval by the Federal Employment Agency.
8. However, as will be seen below, the Employment Service has recently expanded its activity in other EU countries.
9. Issuance of these permits has since become more restrictive, with numbers declining from 3 000 in 2010 to 1 500 in 2011 and a projected 900 in 2012. A reform of the criteria is currently under consideration.
10. Sweden, while it does not have a job-search visa, does offer in-country status change to foreigners who come to meet potential employers and are offered a job on a shortage list. Use of this possibility has been very limited, with only a handful of in-country status changes.
11. The job search visa grants no facilitations in itself, beyond in-country status change, and job seekers must qualify for one of the existing employment categories (EU Blue Card, recognised foreign degree, privileged nationality,

etc.), with approval by the Federal Employment Agency and a labour market test where applicable.

12. Because of the general recruitment ban, this would also require creating additional exceptions in the Employment Ordinance (BeschV).
13. Disaggregated data by specialisation is not available. Observed overqualification may also reflect a specific difficulty in distinguishing between medium- and high-skilled jobs in the German labour market. Overqualification measured using the International Standard Classification of Occupations (ISCO) might not adequately capture the actual skill requirements of occupations in the German context and indeed, a translation of the national classification system into the ISCO is not always possible.
14. Germany was among the later countries to transpose the EU Blue Card into its legislation – missing the deadline for transposition – although it was not the last country to do so.
15. In 2010, the most recent year for which occupation data are available, the largest occupational groups were nonetheless professional: 64 of 411 approvals were for physicians, 46 for data entry and programmers, 33 for engineers, and 28 for accountants.
16. As the relevant EC directive does not mention age, there was no impetus in transposition to consider age-related measures. The directive, however, does not prevent Germany from establishing such measures in the framework of national provisions.

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Chapter 5

Key issues in demand and supply

Regardless of the actual functioning of the German labour migration system, employers and potential immigrants perceive it to be complex and restrictive. Germany enjoys a strong reputation as a potential destination in countries in Eastern Europe, but less so among skilled workers in more recent origin countries outside Europe. Limited knowledge of the German language abroad is an obstacle to labour migration. One key resource is international students in Germany, where enrolment is growing less quickly than in other OECD countries. More could be done to attract and retain them, building on low tuition and quality tertiary education.

Employers have not ventured into international recruitment, and more could be done to support them in meeting skill needs, with or without involvement of public bodies. New provisions for foreign graduates of the dual system lay the groundwork for bilateral agreements to attract and retain apprentices. A new framework for recognition of qualifications also creates opportunities for identifying vital medium-level skills abroad. As recruitment extends outside Europe, the German model for bilateral agreements could be applied, but would have to incorporate additional safeguards.

Migration policy does not in itself determine flows. Both a demand for workers and a supply of suitable and interested candidates are necessary for labour migration to occur. In Germany, a rather complex system functions relatively quickly and with small fees involved, but international recruitment remains low. Beyond changes in the admission policy, labour migration as one – complementary – solution to anticipated shortages thus implies two changes. First, to make Germany a more attractive destination for labour migrants and second, to ensure that German employers consider favourably international recruitment – whether from the EU or outside the EU – when unable to meet shortages within Germany. This section will analyse these two issues in turn.

Making Germany attractive for potential workers

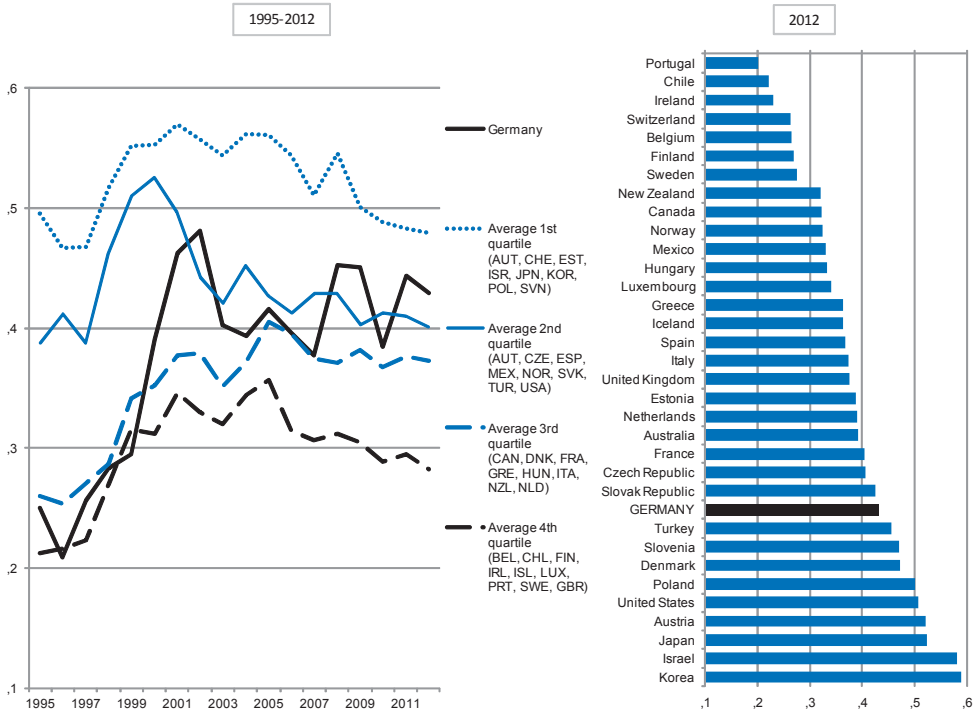
Perception among host-country executives

The need for a “welcome culture” has been frequently repeated in recent debate over changes in the German labour migration policy and approach. A recent report for the Parliamentary research centre (Kolodziej, 2011) stresses not only the perception that the system for labour migration is too complicated, but also that such a “welcome culture” is missing. While the meaning of this term is necessarily difficult to define, the underlying concern is that Germany appears relatively unwelcoming to labour migrants both prior and after arrival, in its policy, procedures and possibly also its society.

A measurement of the perception of Germany as a destination is provided by an international survey covering executives, prepared annually for the World Competitiveness Yearbook. The respondents were asked whether they think that “immigration laws prevent their company from employing foreign labour”. This view is relatively widespread among German executives (Figure 5.1).

However, the ratings appear to reflect economic conditions more than actual policies. The introduction of Sweden’s liberal migration regime, for example, had little effect on employers’ perceptions, while sustained economic growth in Brazil or Norway – in the absence of policy change – changed the perception substantially. In Germany as well, the legislative changes in the latter half of the 2000s appear to have had little effect on the perception of rigidity of immigration laws. Nonetheless, when asked whether their own national immigration legislation was restrictive, German executives more often rank their immigration legislation as restrictive compared with executive’s judgements in most other OECD countries. Employers in Asia and the United States, however, tended to see their own national legislation as more restrictive.

Figure 5.1. “Immigration laws prevent your company from employing foreign labour”, approval rates of employers from Germany and other OECD countries

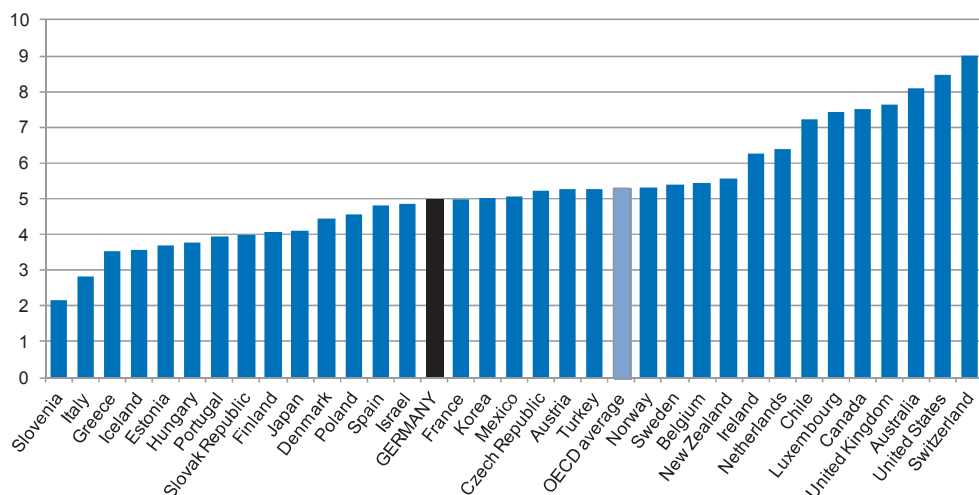


Note: The graph shows the rating results to the question: “Immigration laws prevent your company from employing foreign labour”, 0 – does not apply, 10 – does apply (the original question and rating scale have been reversed for clarity). Country quartiles are calculated based on the average rating value between 1995 and 2012.

Source: Based on IMD – Institute for Management Development (2011), *World Competitiveness Yearbook 2012*, Lausanne.

The survey also asks whether foreign high-skilled people are attracted to Germany. Here, respondents are less sanguine in Germany compared with the English-speaking countries or several of Germany’s neighbours, such as the Netherlands and Switzerland (Figure 5.2). Note that the perceived rigidity of Labour Migration Law is not necessarily associated with a perceived difficulty in attracting foreign high-skilled people, notably for the United States, which remains attractive despite perceived – and real – difficulty in entry.

Figure 5.2. “Foreign high-skilled people are attracted to your country’s business environment”, approval rate of employers from Germany and other OECD countries, 2011



Note: The graph shows the rating results to the question: “Foreign high-skilled people are attracted to your country’s business environment”, 0 – does not apply, 10 – does apply. The OECD average refers to the unweighted average of the countries included in the figure.

* Information on data for Israel: <http://dx.doi.org/10.1787/888932315602>.

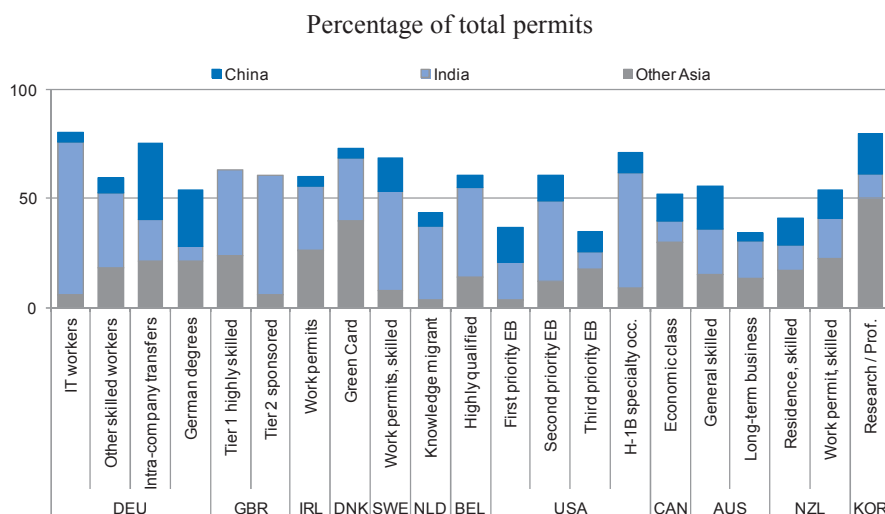
Source: Based on IMD – Institute for Management Development (2011), *World Competitiveness Yearbook 2012*, Lausanne.

Perception among potential migrants in origin countries

While the perception of host-country executives is rather unfavourable, Germany enjoys a competitive reputation as a destination in many origin countries. Out of 91 countries for which the Gallup World Survey, conducted in 2008-10, asked the question, “*Ideally, if you had the opportunity, would you like to move permanently to another country, or would you prefer to continue living in this country?*”. Germany appears in the top 3 preferred destination for 12 origin countries, mostly in Europe (Table B.4). Germany was notably the top desired destination for aspirant migrants in the high-emigration countries of Romania, Bulgaria, Poland and Serbia. In Romania, Bulgaria and Greece, the survey found that more than 3.5% of the population wished to move to Germany. Outside of Europe, however, only in Ghana, Tunisia and Kazakhstan did respondents identify Germany as a top destination.

The Central and Eastern European countries and the successor countries of the former Soviet Union have been traditional origin countries for migration to Germany, but they are not expected to see increases in surplus labour in the next decades, and incomes in most of these countries are improving. It is thus unlikely that Germany will be able to rely exclusively on these countries in the future to meet its forecast shortfall in the workforce. Most OECD countries expect Asia to be the primary source of skilled migration in the future and in many of these, China and India are already the main sources of skilled migrants (OECD, 2012a). This is equally true in Germany, where Asian migrants – especially from India – make up a large share of the incoming labour migrants from non-EU/EFTA countries, even relative to other European OECD countries (Figure 5.3). While the scale of these flows relative to population is much lower than in most of the countries shown, the proportion which comes from Asia is generally higher, with 80% of IT workers, 60% of other skilled workers, and 75% of intra-company transfers coming from Asia. Most IT workers and skilled labour migrants are Indian, many of which work for multinational firms or on contracts, while Chinese nationals are numerous among specialised intra-company transfers, often for training, and among the graduates of German universities staying in Germany.

Figure 5.3. **Nationality of skilled migrants in selected OECD countries, by permit programme, 2010-11**



Source: OECD (2012), “The Changing Role of Asia in International Migration”, *International Migration Outlook*, OECD Publishing, Paris, http://dx.doi.org/10.1787/migr_outlook-2012-en, and data from the German Federal Employment Agency.

The categories listed for Germany exclude privileged nationalities, including a number of OECD nationalities which appear in skilled migration permits for other European OECD countries shown, so these figures overstate the contribution of Asian countries.¹ Nonetheless, they do suggest that among the non-privileged nationalities, Asian migrants, especially from India and China, dominate skilled labour migration channels to Germany.

Continuing efforts will have to be made to maintain traditional recruitment basins even as new sources open up. Clear signals of the opportunity for employment in OECD countries have often affected educational investment in sending countries. In the Philippines, for example, nurses train for specific licensing exams in the main countries of employment.

Initiatives to make access more transparent

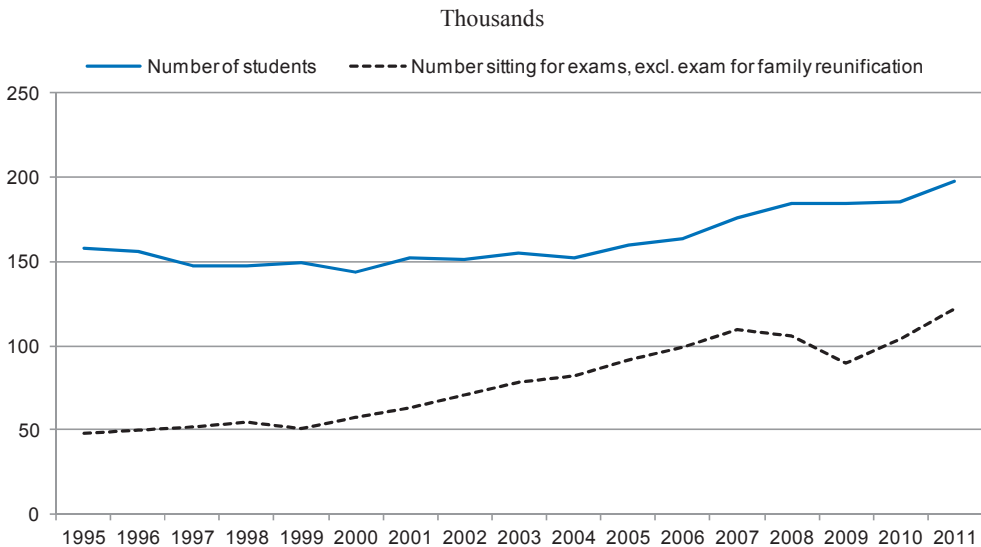
One of the evident obstacles to effective use of labour migration in Germany is the information deficit. The myriad of channels and the rapidly changing criteria, along with the absence of a central orientation body, have fed this deficit, which is also reflected in the negative perceptions of employers and executives about the system. Employers associations and even trade unions often play a key role of providing such information in other OECD countries, but in Germany these or other private actors have only fairly recently stepped in to fill the gap.

In addition to increasing activity at the local level, the federal government is also enhancing its efforts to provide information on possibilities for labour migration to Germany. In the first semester of 2012, the Ministry of Labour and Social Affairs and the Ministry of Economics and Technology jointly set up a website “Make it in Germany” (www.make-it-in-germany.com) that provides information for migrants on all aspects of life and employment in Germany, in both German and English. It also includes a “quick check” for interested immigrants with a job offer so that they can themselves check whether or not they are in principle eligible to come to Germany. It also links to a website translating foreign degrees into the German system, an English-language version of which is currently in preparation (see below on the recognition of foreign qualifications). Future plans for the site are to link it also with certain job openings posted via the Federal Employment Agency so that migrants can directly apply from abroad to these, under certain conditions. However, at present, most German job listings in EURES are in the German language.

Language courses

German-language skills are a key characteristic demanded by employers, but German-language instruction abroad is not as widespread as English, Spanish or French. In addition, according to the Eurobarometer survey, knowledge of the German language is declining within Europe, with the share of non-mother tongue residents able to converse in German falling from 14% to 11% from 2005 to 2012 (Table B.5). German-language institutions are thus particularly important. In addition to schools in which instruction is in German, the Goethe Institute – a cultural institution under the control of the Ministry of Foreign Affairs – offers German-language courses. However, the focus is not on persons interested in migration to Germany and indeed, the Goethe Institutes do not have an explicit mandate to offer German-language courses for this group. All courses are exclusively financed by course participants. The Institute also offers the most widely recognised certification of German-language skills. Three-quarters of its 3 000 employees work in about 120 centres around the world. The institute has seen enrolment in its courses rise steadily since 2004, and a rise in the number of students sitting for certification in its exams since 2009 (Figure 5.4).

Figure 5.4. Number of language students and language exam-takers at the Goethe Institutes, worldwide total, 1995-2011



Source: Goethe Institute, 2012.

The sharpest increases from 2010 to 2011 were in Southern European countries, especially in Spain, where enrolment rose 38% to about 9 700, and Portugal, by 22%, to about 3 000 (Table 5.1). Further expansion has been limited by the availability of German-language teachers – the Institute's staff increased only 4% and its budget only 2% over the period 2010-11. Course capacity has been reached in a number of countries, so the ability of the Institute to rapidly increase the number of German speakers abroad is constrained. Other options, such as private course providers, online courses, and independent study are also available, with certification by the institute of the level reached.

Table 5.1. **Enrolment in Goethe Institute courses, by country of course, 2010-11**

Country of course	2010	2011	Increase from 2010-2011 (%)
Spain	7 082	9 736	37.5%
Italy	3 783	4 310	13.9%
Portugal	2 527	3 093	22.4%
Greece	1 644	1 758	6.9%
Latvia	1 454	1 599	10.0%
Ireland	951	1 011	6.3%
France	4 234	4 586	8.3%
Other EU countries	16 786	17 430	3.8%
Other countries	147 063	154 458	5.0%
Total international	185 524	197 981	6.7%
Germany	23 266	26 069	12.0%

Source: Goethe Institute, 2012.

As seen above, German migration policy has favoured entry for employment by graduates of German schools abroad, although the August 2012 liberalisations largely eliminate the relative advantages of this group over other potential migrants. In addition to 140 German schools abroad, there are a larger number of schools, 870 in all, issuing a German Language Certificate (*Sprachdiplom*) of the Standing Conference of the Ministers of Education and Cultural Affairs (Table 5.2). German schools and German-language certificate schools are mostly in the EU/EFTA, from which migration is in any case unrestricted, or in other OECD countries.

German secondary schools abroad cater largely to German expatriates and to educated and affluent families wishing to give their children an international education. Although the current system allows graduates of German secondary schools abroad to work in vocational occupations in Germany, these schools do not feed into the dual system. Instead, they are

considered feeders of the German university system: about 12 600 of the students pass the German-language test required for university admission, and about 3 000 annually take the examinations for the German general qualification for university entrance. The facilitated labour market access for graduates of these schools does not appear sufficient to stimulate the opening of new German-language schools oriented towards migration to Germany for employment.²

For occupations considered to be in shortage, a more pro-active approach may be necessary to ensure that enterprises have access to German-speaking foreign workers. One possible response is to copy the job-related intensive training used in some other OECD countries. Portugal has run such programmes to bring foreign physicians already working in other occupations in Portugal into medical employment. Much larger intensive programmes are run by Israel, based on professional categories, for skilled migrants who have recently arrived. The creation of such courses in Germany would provide shortage-occupation recruits with intensive language training prior to taking up employment, and could be supported and organised jointly through public and employer involvement.

Table 5.2. Distribution of German schools abroad and schools offering German Language Certificates, by region, 2011

Location	German schools abroad	Schools outside Germany where a German language certificate (<i>sprachdiplom</i>) can be acquired
EU/EFTA	35	355
OECD non-EU/EFTA	27	157
Europe non-EU/OECD	5	180
Africa	18	12
Asia	29	79
South America	27	59

Source: Federal Office for Administration, Central Agency for Schools Abroad.

A points-based system as a potential solution?

Recent discussions in Germany have focused on points-based systems, which select immigrants on the basis of a range of characteristics, each attributed a certain number of points; immigrants above a certain threshold are generally admitted. A points-based system is one means of selecting among potential candidates for migration, allowing to trade-off, for example, better language skills against a lower educational attainment. A points system is thus not a policy in itself, but a selection mechanism.

A points-based system was originally foreseen in Germany in the first draft of what ultimately became the 2005 Immigration Law, but later dropped. Several other proposals were developed more recently, including a two-tiered proposal (Hinte *et al.*, 2011) and a single-tier proposal by the High Level Consensus-Group on Demand for skilled workers and Migration (High Level Consensus Group, 2011). These proposals have in common to add elements beyond the characteristics of the employment offer, and to focus on the employability and added-value of the applicant.³ The Independent Commission on Migration to Germany that provided the grounds for the reform of the Immigration Law proposed a points system, covering age, education (with bonus for German education and exceptional achievements), experience and qualifications, including specific skills (computer, language, leadership), German language, and other criteria. The more recent proposals include points for other languages, and family characteristics.

In light of the opacity of the German system, a points-based system might provide some advantages in terms of transparency, if the parameters of the system were themselves objectively verifiable by both the candidate and the immigration authority. Nevertheless, it is important to stress that the current criteria for migration could also be translated into a points system, where the requisite points could be acquired either by a certain salary or by passing a labour market test in conjunction with other criteria (Table B.6).

The introduction of a points-based system would thus not necessarily represent a profound shift in selection and admission criteria. It may even further complicate an already complex system, in particular if a points-based selection were to be introduced alongside rather than in substitution of existing channels. It would most likely be the foreigners offices to decide, as for other applications, whether to consider the application under a points system or other grounds for issuance. Likewise, if elements of the selection grid are based on discretionary evaluation by the local foreigners office or by the Employment Agency – as has been the case in judging “public benefit” and “extraordinary function” – selection through such evaluation may not represent an improvement over the present system in terms of transparency.

Most points systems include a supply-driven element – that is, of admitting selected migrants without a job offer. This has also been at the heart of most proposals in Germany. Employers surveyed in the OECD/DIHK survey were sceptical of the benefits of a supply-driven system. This may simply reflect an employer preference to conduct their own selection. Of 12 possible measures to ease recruitment from outside the EU/EFTA, the introduction of a selection system without a job offer was the least favoured (see Figure 5.12 below). One element of supply-driven

migration has been introduced in August 2012, with the job-search visa. In contrast to the supply-driven channels in the OECD settlement countries, however, the visa does not grant automatically a longer-term residence in Germany; a status change is only possible for immigrants who manage to obtain employment which qualifies under one of the existing categories. This requirement should ensure that highly educated immigrants do not end up in low- and medium-skilled jobs, which has been a matter of concern in supply-driven systems and has incited most countries with previously strong supply-driven elements to move away from these in order to ensure that the high-skilled occupations were filled and that low-skilled residents were not displaced (see OECD, 2011). In addition, supply-driven migration generally implies a numerical target or limit on migration flows, which is absent from fully-fledged employer-driven systems such as the one in Germany.

While the idea of a points-based selection system was again set aside in the August 2012 reforms, several features of points-based selection systems nevertheless merit consideration, although not necessarily through the fully-fledged implementation of such a system *per se*. The first two are *age* and *language*, notably, as discussed above, followed by the ability to incorporate the *regional* dimension into the admission criteria.⁴ Family characteristics – spousal characteristics and family size – can also be considered in assessing the overall contribution and impact of labour migration.

Countries with long histories of using these systems, especially Australia and Canada, track the employment history of labour migrants over time. On this basis, they regularly adjust the criteria for admission – such as a job in hand at arrival, better language mastery, or qualifications from a university in an OECD country – which appear to confer greater success. Better knowledge of characteristics which have contributed to success of past labour migrants will help Germany evaluate future proposals for the selection of labour migrants.

International students as a source for labour migration

By definition, labour migrants are persons who come to Germany for the purpose of taking up employment. However, persons who arrive for other reasons may also change their permit status and become labour migrants. The most important group in this respect are international students – foreign nationals who obtain a secondary diploma or a first tertiary degree abroad and subsequently enrol in higher education in Germany. These are, as noted, a large and growing share of skilled labour migration to Germany, and in many ways the most preferable source.

Compared with labour migrants who have obtained their qualifications abroad, international students have several advantages for employers.

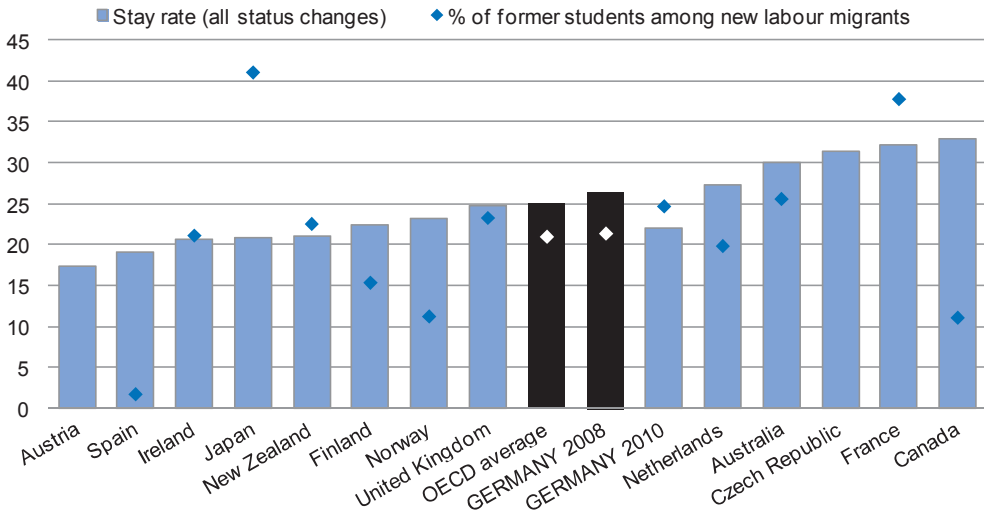
First, German diplomas are more easily interpretable for employers than foreign ones. This also lowers the risk of “statistical” discrimination.⁵ Moreover, international graduates can be expected to have familiarised with the German administrative system and working culture by the time they graduate, and will generally have obtained basic German-language skills – in particular if they were enrolled in a German-speaking programme. As a result, international graduates are “pre-integrated” and most OECD countries now allow international students to stay on after their studies, under certain conditions.

Since 2005, international graduates from German institutions of higher education may request a permit to stay on in Germany and seek employment which matches their qualification. Applications are made upon confirmation of passing final exams, and the permit – §16(4) of the Residence Act – is granted contingent on sufficient resources (about EUR 660 per month for each month requested), either in hand or from a proven source. Permits are granted only to students completing their studies within the allotted time. The maximum duration granted for job search was raised from 12 to 18 months in August 2012.

Upon receiving an offer of employment, students apply for a work permit as a skilled worker. They are exempted from the labour market test, but the Employment Agency examines the job offer and decides whether the job corresponds to the degree earned, in terms of field of study and level of qualifications, and whether salary conditions are appropriate. Job seekers were originally not allowed to work in other jobs while holding a §16(4) permit, although these conditions were eased in August 2012 and they are now allowed to work after graduating while searching for employment.⁶

As shown in Figure 5.5, about one out of four international students in Germany stays on after his or her studies, either as labour migrants or for family reasons. This figure is about the average of the OECD countries for which data are available. In total, international graduates of German universities accounted for 30% all new first-time permits issued for the purpose of employment in Germany in 2010, compared with 23% in 2008. International students thus represent a significant source of labour migration for Germany.

Figure 5.5. Share of international students who change status and remain, and the percentage of new labour migration coming from the student channel, selected OECD countries, around 2008



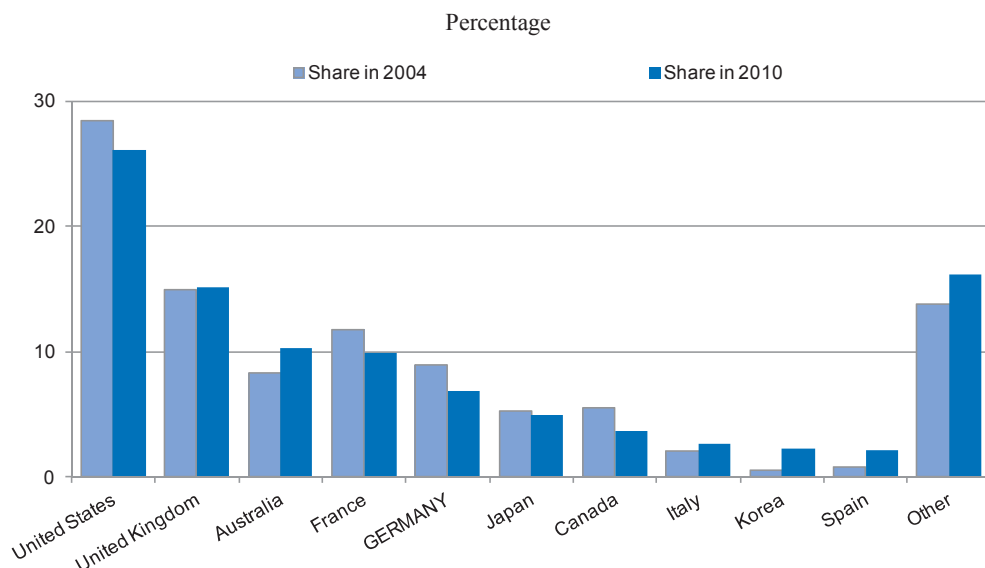
Source: OECD (2011), *Education at a Glance – OECD Indicators*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/eag-2011-en>; Secretariat calculations based on data from the Central Foreigners Register (data provided by the Federal Office for Migration and Refugees) and the Higher Education Information System.

Origin countries

Germany is a main destination country for international students worldwide. In 2010, 6% of all students worldwide who were studying in an OECD country other than the one in which they were residents were enrolled in a German university, making Germany the country with the fifth-largest market share after the United States, the United Kingdom, Australia and France. However, Germany's market share has declined 2 percentage points since 2004 and is now roughly three quarters the level it was in 2004 (Figure 5.6). Germany has thus benefited less from the global expansion of the international student market than other destinations.⁷

As in most other OECD countries, Chinese is the most important nationality for student migration to Germany. In 2011, 12% of all international students enrolled in Germany were Chinese. Indians and Koreans, however, only represented 3% and 2%, respectively, of international students in Germany – less than in the equivalent OECD averages for Indians (7%) and Koreans (5%) in 2010 (Figure 5.7).

Figure 5.6. **Share of international tertiary students within the OECD, by destination country**



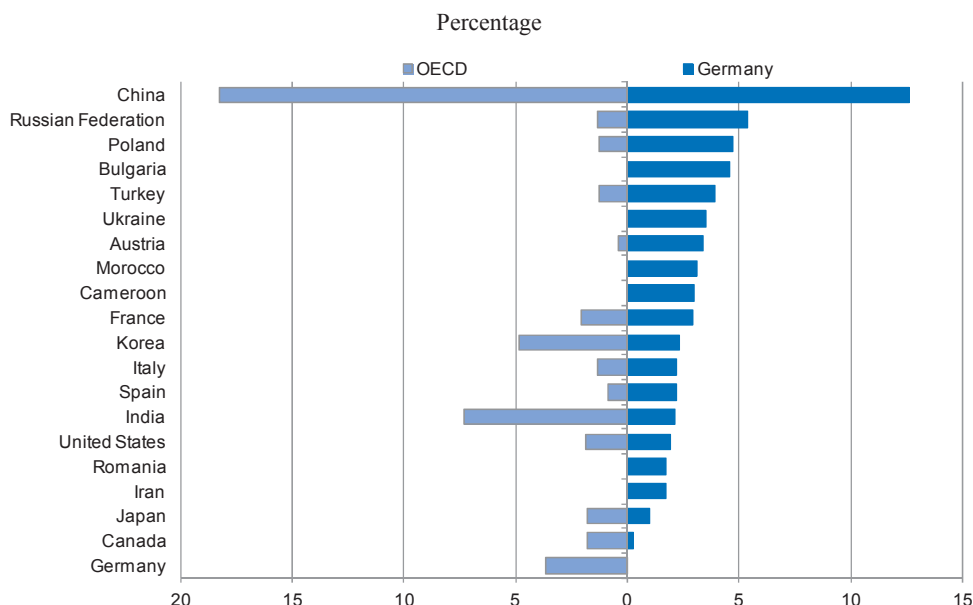
Source: OECD education statistics. 28 OECD member countries are included. The six missing member countries are Chile, Iceland, Israel, Luxembourg, Mexico, and Slovenia. For countries where data is available, definition is that of non-resident students of the reporting country. For 2004, the following four countries use the definition of “students with prior education outside the reporting country”: Finland, Ireland, Netherlands and Switzerland. For both 2004 and 2010, the following six countries use the definition of “foreign students”, which disregards location of prior studies or residence: the Czech Republic, France (only 2010 data) Italy, the Republic of Korea, Poland, Portugal and Turkey. For France, 2004 data is not available; 2005 data reported. For Germany, national statistics were retrieved from www.wissenschaftweltoffen.de.

In contrast, Germany draws many international students from the countries which have accounted for the bulk of recent migration flows, namely CEE and the successor countries of the Former Soviet Union. Russia, Bulgaria, Ukraine and Poland are among the top origin countries and, in 2011, made up for 17% of total international enrolment, according to data provided by the HIS. EU/EFTA countries account for about one third of international student enrolment. Turkey is another major origin country of international students with which Germany has long-standing migration ties.

New inflows have also almost doubled since 1998.⁸ After a strong increase until 2003, new flows fell in subsequent years, before rising again since 2007, with a record high of 66 000 new international students registered in 2010. Important origin countries of new inflows in 2010, apart

from China, were the United States (3 950), France (3 780), Spain (3 470) and Russia (3 140), all of which have seen significant growth in student flows to Germany. Slightly over one third of international first-year students in 2010 came from countries within the European Free Trade Area.

Figure 5.7. **Distribution of international students by country of origin, 2009/10**



Note: The OECD average includes data on international students for countries where these were available. For Austria, the Czech Republic, Finland, France, Italy, Japan, Korea, Norway, Poland and Turkey, no such data were available and data on international students were used instead (foreign students are defined on the basis of their country of citizenship).

Source: Data on Germany are provided by the Federal Statistical Office and the Higher Education Information System (HIS); data on the OECD adapted from OECD (2011), *Education at a Glance – OECD Indicators*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/eag-2011-en>.

Promoting German universities

In systems where international graduates account for a large part of labour migration, such as in Germany, universities become one of the principal gatekeepers for entry to the country and acquisition of permits. Universities' promotional efforts and their ability to shepherd international students determine the quantity and quality of a part of the stream of labour migrants.

Student migration has been assisted by the restructuring of the German higher education system under the Bologna Reform, implemented gradually over the course of the past decade.⁹ The reformed system is now integrated into the European Higher Education Area and awards degrees that should, in principle, be easily comparable with study programmes in other EU countries and the OECD countries that have been settled by migration. The migration of international students has also been facilitated by the economic and educational development in origin countries and a stronger focus by universities on the international student market.

In light of this, there have been significant efforts in recent years to improve the visibility and attractiveness of Germany as a destination country for international students and researchers. The most important actor in this respect is the German Academic Exchange Service (DAAD) which supports the international exchange of academics, as well as the development of international study programmes and co-operations. Mainly funded by the Ministry of Foreign Affairs, the DAAD also promotes the image of German higher education abroad through a network of branch offices and contact points, education fairs and media campaigns. In 2008/09, the DAAD was, for instance, involved in establishing the “EU-Asia Higher Education Platform” which aimed at enhancing co-operation in higher education and development between European and emerging Asian countries.

Already in 2001, several German universities joined forces under the auspices of the Federal Ministry of Education and Research to found a consortium, “Gate Germany”, that aims to improve and mainstream the marketing of German higher education institutions.¹⁰ In June 2012, Gate Germany comprised 133 universities, covering 80% of enrolled international students. “Gate Germany” also co-ordinates the realisation of the *International Student Barometer* in Germany (ISB), an annual cross-country survey of international students, focusing on their perceptions, decision-making, expectations and experiences.¹¹

Findings from the ISB 2011/12 wave indicate that the main reasons for coming to Germany were teaching quality (96% approval by respondents), university reputation (91%), and reputation of the German higher education system and German diploma overall (both 90%) (ISB, 2012). Subsequent employment appears to be less important in the decision-making process, as this aspect was mentioned by only 23% of respondents as having been a criterion for their choice to study in Germany.

It is not known what role tuition fees play in this process. Clearly, tuition fees for international students in Germany are among the lowest of all major OECD destination countries (Table 5.3). Only Austria, France and Norway have a similarly favourable fee structure for international students.

Table 5.3. **Yearly tuition fees for international students, 2011/12**

Euros

	Students from outside the European Union	Students from the European Union
EU countries	Austria	726
	Czech Republic	Czech language: no fees, otherwise, at least 1 000 per semester
	Denmark	About 6 000-16 000
	Finland	Fees might be charged if language is not Finnish or Swedish
	France	168-342
	Germany	0-500
	Ireland	Undergrads might not have to pay fees, postgrads pay fees according to university; 5 700-9 904
	Netherlands	6 200-18 900
	Norway	1 200-2 200
	Sweden	No fees
	United Kingdom	About 9 700 and above
Non-EU countries	Australia	11 300-29 100
	Canada	1 500-26 600
	Japan	2 300
	Korea	4 000-14 000
	New Zealand	11 400-23 700
	Switzerland	800-6 600
	United States	7 700-38 600
		5 300-26 700

Note: Other currencies have been converted into euros at current exchange rates.

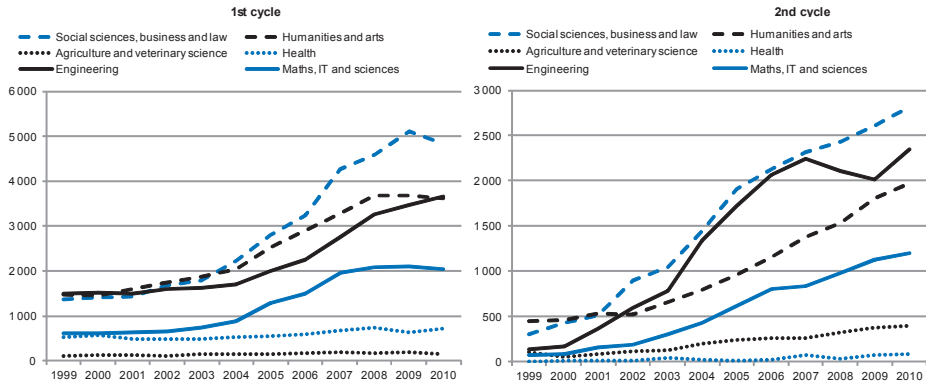
Source: OECD Secretariat analysis.

Domains of study of international graduates

More international students than ever before (28 000) graduated from a German university in 2010, the latest year for which data are available. The largest group graduated in the social sciences and humanities (Figure 5.8), although – as seen above – graduates from these fields have a higher risk of obtaining jobs that do not match their training and are thus less likely to fulfil the eligibility criteria for status change.

Of particular interest are the highly skilled occupations in shortage – that is, natural sciences, IT and engineering. Whereas international graduates accounted for 8% of all graduates from German universities, international students made up only 6% of graduates in IT and sciences (together with maths), but 11% of new engineers (Figure 5.9).

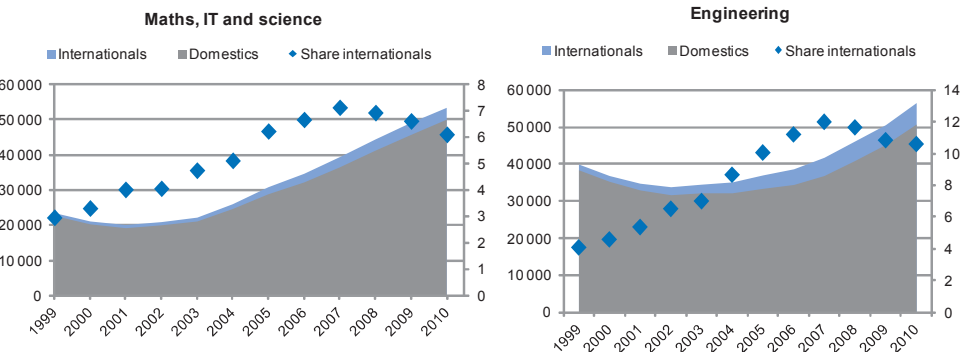
Figure 5.8. **International graduates of 1st-cycle (bachelor) and 2nd-cycle (master) programmes at German universities, by field of study, 1999-2010**



Source: Calculations by the OECD Secretariat based on the Student Statistics of the German Federal Statistical Office and computations from the Higher Education Information System.

In both fields, however, the share of international graduates has been declining since the 2007 peak. Nevertheless, this decline is not driven by a decrease in international graduates studying in these two domains – neither in absolute numbers nor relative to the overall figures of international graduates – but rather by a strong increase in the number of domestic graduates in these fields. The German higher education system thus already seems to respond, at least in part, to the growing shortages in certain professions.

Figure 5.9. **International graduates of bachelor and master programmes at German universities, by field of study, 1999-2010**



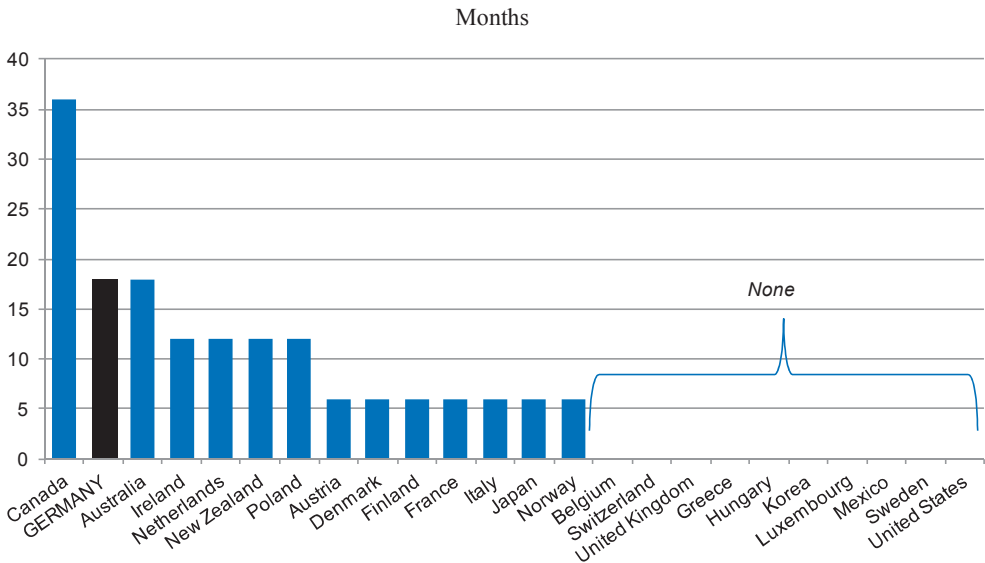
Source: Higher Education Information System (HIS) and Federal Statistical Office.

Retaining international graduates

However, retaining international graduates once their training is completed, and gaining their skills for the German labour market, is a challenge to be tackled not only by higher education institutions but through a broader policy framework.

Indeed, Germany has stepped up on provisions to promote status changes from a study-related residence permit to one that allows for employment in a qualified job. With the extension of the post-study job search period, introduced in August 2012, Germany now provides one of the most generous post graduate schemes in the OECD (Figure 5.10). Only Canada provides a longer job-search period, through its Post-Graduation Work Permit Programme, but the subsequent criteria for status change to labour migration on a permanent track are much more restrictive. The same also holds for Australia which allows, like Germany, for an 18 months job-search period. Other countries grant shorter job-search periods, although the criteria for changing status to an employment permit may be less strict in terms of what jobs qualify.¹²

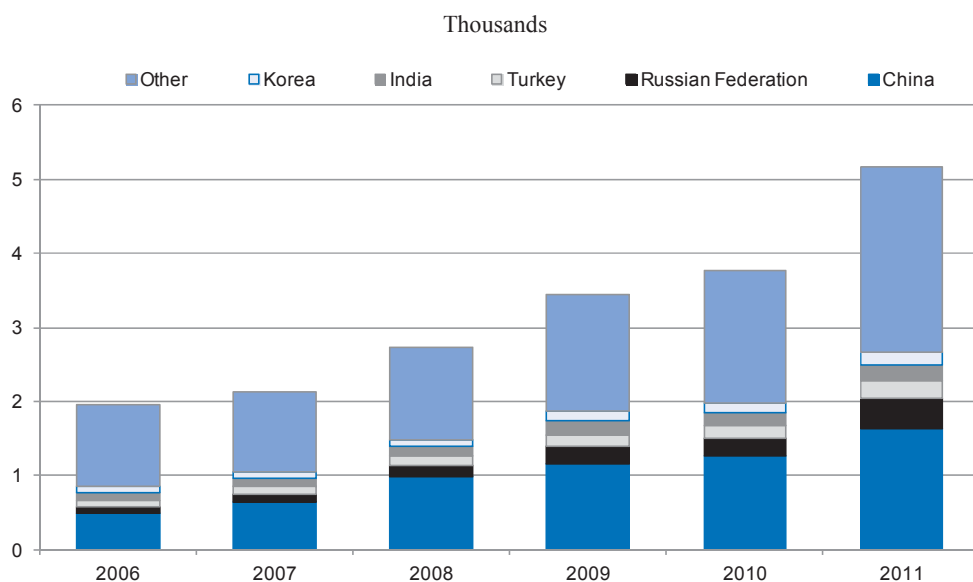
Figure 5.10. **Maximum duration of job-search periods for post-graduate schemes in different OECD countries**



Source: National legislation.

In 2010, the proportion of graduating international students receiving a job-search permit corresponded to about one out of five of the graduating international students subject to work-permit requirements (*i.e.*, excluding EU students). No data about international graduates are yet available for 2011, but the strong increase of job-search permits in 2011 – given the stability in numbers of international students – suggests that this ratio is on the rise. In that year, the number of work permits issued to graduates of German universities who found qualifying employment was about 7 000, although no data are available on how many students used the job-search permit to transition to employment, and how many entered employment directly. The nationality of job-search permit recipients (Figure 5.11) mirrors the composition of the international student body to some degree, and the nationalities of those who receive employment permits.

Figure 5.11. **Issuance of job-search permits for graduating students, by nationality, 2006-11**



Source: Central Foreigners Register (data provided by the Federal Office for Migration and Refugees), OECD Secretariat calculations.

Little is known about post-graduation career pathways in Germany. The only data source that tracks the employment of international graduates after the end of their studies is a survey that is conducted by the HIS. The “Absolventenpanel” (graduate panel) is a large-scale survey of about 7 000 graduates who finished a Bachelor-type degree programme in

2008/09.¹³ Participants were surveyed between one and two years after graduation regarding their study experience and the subsequent transition into employment. In the survey, international students can be identified as graduates who are foreign-born, foreign nationals whose secondary school certificate was obtained abroad.¹⁴

However, as only those who stayed in Germany after their studies were included in the sample, the number of international participants is rather small (about 200), limiting the scope of the analysis. According to findings from the HIS panel, international graduates who remained in Germany need slightly longer to find their first employment relative to German students. However, the increase in employment rates after the 12th month was marginal, for both domestic and international students, suggesting that extending the job-search period from 12 to 18 months is not likely to significantly raise the number of international graduates who will be eligible to stay.

While there do not seem to be large differences in average lengths of post-graduation job search by domestic and international graduates, the perceived match between occupations and the qualification obtained is less close for the latter. For international students, jobs poorly matched to their qualifications represented 27% of the total compared with 18% for German students. International students are also more frequently in jobs that do not match their *field of study*: 25% of German graduates' first job did not match their field compared with 35% for international students.¹⁵

The role of German language in student migration

Given the importance placed by employers to German language, exposure to it during higher education is an important factor in raising the chances of international students to stay in Germany after graduation. The degree to which international students actually do obtain the necessary language skills during their studies is difficult to evaluate. In particular, there are no statistics on their participation in German- vs. English-taught programmes. Anecdotal evidence suggests that a significant part of international students tend to go into programmes taught in English, although such programmes will not necessarily attract students who are likely to stay on in Germany after their studies. Some OECD countries such as Finland and the Czech Republic have responded by providing favourable tuition fees for programmes taught in the host-country language. In Germany, where tuition fees are generally low, there has been no comparable effort to channel international enrolment into German-speaking programmes.

Making labour migration an option for German employers

Most companies do not yet consider recourse to recruitment from abroad

In spite of claims of widespread labour shortages, relatively few employers in Germany have recruited labour migrants in recent years. 88% of all employers surveyed in the OECD/DIHK Employer Survey stated that they had job vacancies between July 2010 and July 2011, of which 37% did not succeed in filling all of the jobs. However, out of these, only one in four tried to hire workers from abroad (including the enlarged EU/EFTA), and only about half of these succeeded. This picture is even more pronounced among SMEs, among which less than one out of ten employers with unfilled vacancies even tried to recruit from abroad. A majority of both SMEs and large companies expect labour shortages to grow, but less than 15% of the SMEs concerned consider the option of recruiting foreign workers from abroad within the next five years, compared with about one third of large employers.

Given the likely response bias in the survey towards companies who have an interest in labour migration, it is thus evident that recourse to recruitment from abroad – including from the enlarged European Union – is currently not on the radar screen of most companies, in particular SMEs. This raises the question of the reasons for the lack of resort to labour migration. In principle, this could be due to several factors.

First, it is possible that *labour shortages are not yet pressing*. As seen above, the evidence regarding current shortages is not clear-cut, and the most recent in-depth analysis by the Federal Employment Agency (2012) concluded that labour shortages in Germany are not yet widespread. However, the report acknowledges a number of regional and sectoral shortages. It also stresses that SMEs may have particular difficulties in filling their vacancies, as these companies tend to be less well known by potential candidates. Indeed, information from a large-scale survey among German enterprises, the IAB Establishment Panel, suggests that SMEs have more difficulties in filling labour shortages than large enterprises (Dietz *et al.*, 2012).

A second reason is that *language problems* could hamper labour migration from abroad. To which degree this is actually the case is difficult to assess. In the OECD/DIHK Employer Survey, about one third of all companies that had unfilled vacancies and that did not have recourse to foreign recruitment stated that candidates from abroad lack German-language skills as a reason for not recruiting labour migrants (Figure 5.12). Language is also identified as by far the most important skills-related

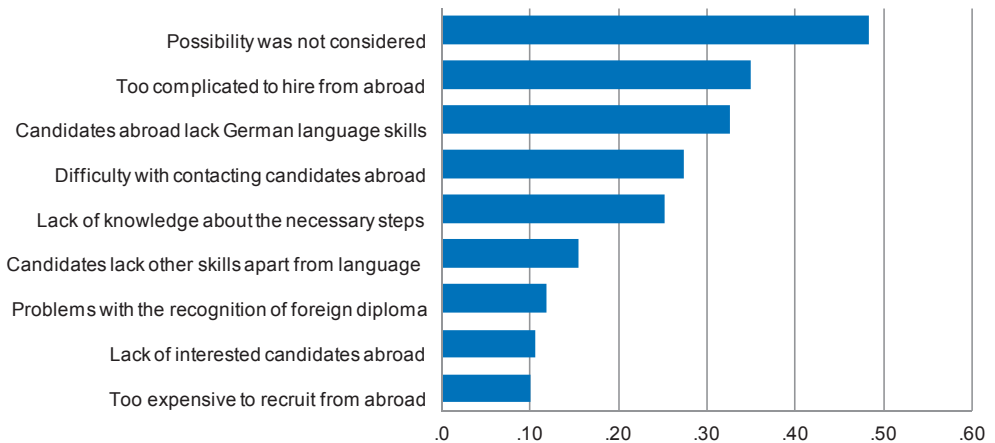
obstacle, suggesting that investment in language training – both abroad and within Germany for new labour migrants – might have a significant impact.

The OECD/DIHK Employer Survey also highlighted *administrative obstacles* as perceived by employers. These include the perception of a high complexity of the system mentioned by 35% of employers, and – closely related – a lack of knowledge about the functioning of the system (about 25%). There is again a close relation with company size. SMEs perceive the system for recruiting from abroad more often as opaque and complex than large enterprises. At the same time, it does not seem to be a cost issue, since only one in ten of the companies concerned were deterred by the cost.

In contrast, difficulties with identifying candidates from abroad are prominent; almost 30% of the companies with unfilled vacancies mentioned this as a reason for not having recourse to foreign labour recruitment. At the same time, few companies view a lack of interest in working in Germany by interested candidates abroad as a major obstacle.

Figure 5.12. **Reasons for not having recruited from abroad**

As a percentage of all employers who had unfilled vacancies but did not hire from abroad



Note: Multiple answers were possible.

Source: OECD/DIHK Employer Survey.

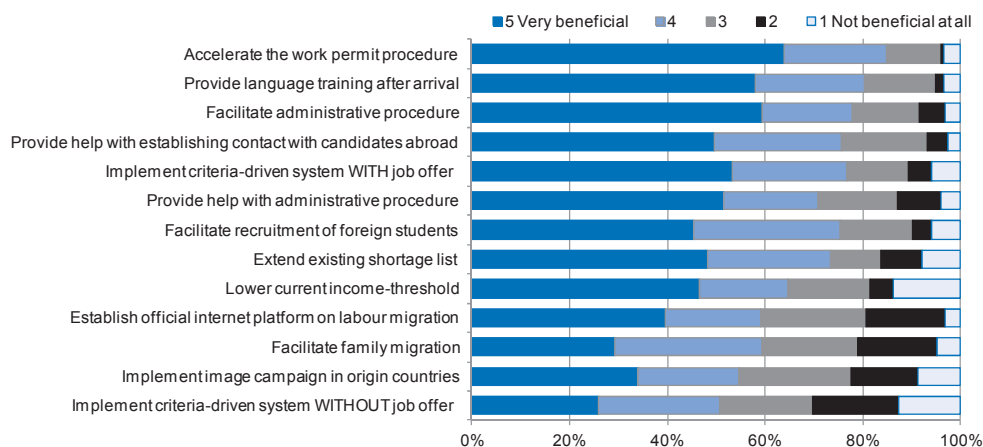
Possible remedies: administrative support to enterprises ...

The OECD/DIHK Employer Survey also shed some light on measures that would, according to surveyed employers, facilitate the recruitment of foreign labour (Figure 5.13). These clearly reflect the obstacles perceived. Acceleration of the work-permit procedure and general facilitation of

administrative procedures are placed first and third, respectively. The first is surprising, since – as seen above – the duration of the work-permit procedure is not particularly long in international comparison, nor compared with average vacancy durations for shortage occupations. It seems to underline the overall perception of the system as complex and opaque among employers with little or no direct experience with the system.

An alternative for employers would be a greater recourse to companies which are specialised in doing the necessary paperwork. SMEs appear rarely take advantage of such services – in contrast to large employers. The reasons for the lack of recourse of SMEs to private administrative support services are not entirely clear, since the fees are generally only a fraction of a monthly wage. Nonetheless, the overall market for immigration services, and the specialisation of lawyers in Labour Migration Law, appears to be much less well developed in Germany than in the OECD settlement countries or the United Kingdom, nor have employers' associations stepped in to fill this gap. To help SMEs in dealing with the administrative issues, the Ministry of Economics and Technology has recently established a “competence centre for securing qualified labour for SMEs”. It provides, among other things, information and administrative support on recruitment of foreign labour for SMEs. The centre has also issued a “practice guide” for recruiting from abroad.

Figure 5.13. **Employers' rating of measures to facilitate labour migration**



Note: Number of employers who gave valid responses = 668. The figure does not account for employers who responded “do not know”. The ranking is done by the mean value of the rating among all valid answers.

Source: OECD/DIHK Employer Survey.

On the procedural side, administrative changes could directly simplify the process for users. The use of standard application forms, indicating permit grounds requested and requisite documentation, would help. Performance targets or monitoring may also be a means of informing employers of the expected duration and management of expectations. A number of OECD countries publish processing times regularly, either in conjunction with performance targets or to aide applicants. Finally, as employers in Germany may be better positioned to manage the process than an applicant abroad, direct sponsorship by the employer would help.

... ongoing training after entry,

The second most favoured measure by employers is the provision of language training after arrival. The most prominent publicly-funded training tools currently available are the integration courses, which provide for 600 hours of basic language training. Intensive language courses are also available. As a general rule, the Immigration Act legally entitles labour migrants to participate in these courses. However, most highly educated labour migrants – who comprise the vast majority of permanent-type labour migrants – do not in fact have access to the subsidised integration courses, since their qualifications – the ground for admission in the first place – are assumed to assure a lasting integration into the German labour market and society (§4.2 of the ordinance on Integration courses).¹⁶ EU/EFTA nationals, and some spouses of labour migrants, can participate for a nominal fee of one euro per hour, although only a fraction of EU/EFTA migrants with language training needs appear to do so. The number of participants with EU/EFTA nationality in 2011 – about 16 800, including not only recent arrivals but also immigrants who have been in Germany for many years – was less than 15% of the estimated permanent-type flows from non-German-speaking EU/EFTA countries. They are thus well below the likely number of EU/EFTA migrants for employment and their families in need of language training.

Few OECD countries provide publicly-funded language training for labour migrants. In the OECD countries with established labour migration systems such as Australia, Canada and New Zealand, some mastery of the host-country language is a pre-condition for admission for many labour migrants. Nonetheless, Canada offers free language training to immigrants after arrival. The case for public funding for language training for labour migrants is not clear-cut since most of the benefits will accrue to the employer who should have an interest in funding such training him/herself. On the other hand, there are significant positive externalities for the society in general in ensuring that the destination-country language is spoken well by immigrants.

Under the German system, individual employers sponsor workers on an individual basis, rather than through pooling recruitment efforts with the co-operation of other actors. This fragmented recruitment approach makes it difficult to organise training for labour migrants, as their entry is not co-ordinated and their profiles are different. Post-entry training for labour migrants is most developed in Korea, where low-skilled migrants under its Employment Permit System receive language support, workplace training, and support after entry. The Korean programme, however, is designed around less skilled occupations, and serves small and medium-sized enterprises; post-entry training is a means to both improve productivity, safety and compliance, and to protect workers. A similar model in Germany would be possible with the involvement of the Federal Employment Agency and trade associations as well as regional providers of integration services, but would require a shift in the attitude of employers towards sector-based bilateral agreements.

... and more assistance in matching: an active recruitment policy

Highly ranked among the wishlist of employers, especially SMEs, is support in establishing contacts with interested candidates in origin countries. In contrast to large enterprises, SMEs generally do not have access to labour migration from abroad through the intra-corporate transfer channel, nor are they accustomed to publishing job listings in English. This is an important channel in Germany – for example, 50% of engineers in 2010 came as intra-corporate transfers. SMEs are also less likely to be known abroad as potential employers.

The German framework for attracting and recruiting highly qualified labour migrants from third countries did not develop through the mid-2000s (Heß and Sauer, 2007). While there are well-established and long-standing programmes to attract international students, there has been no similar long-standing initiative to bring labour migrants. Employers are expected to identify candidates, evaluate their suitability and offer a contract, without the involvement of public bodies.

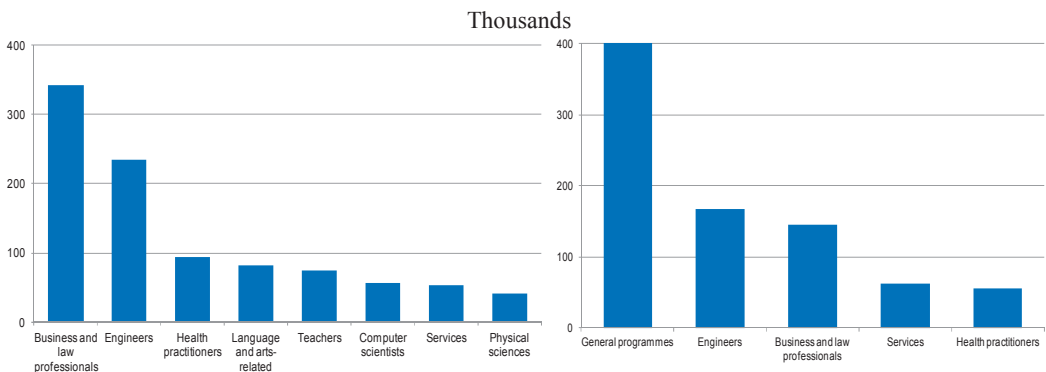
The broad exception to this is the Employment Agency's work via the European job-search platform EURES and its co-operation with the public employment services in other EU countries, as well as in the administration of bilateral agreements with a select number of other European countries, generally for less-skilled employment.

The foreign branch of the Employment Agency, the ZAV, originally set up to place unemployed Germans abroad, has expanded its incoming services – that is, for persons abroad seeking employment in Germany – significantly over the past two years, but the scope of action is confined

almost exclusively to EU countries. In spite of increased efforts, the number of mediated jobs has remained low. In 2011, the service mediated 290 professional recruitments from abroad, up from 242 in 2010. The main countries for recruiting professionals, accounting for more than half of recruits, are Hungary, Poland and Bulgaria. The service brings a larger number of non-professional workers: about 900 in 2011, of which half come from Spain. The largest sector of employment is in hospitality. The ZAV is intensifying its activity in Spain and other EU countries, organising recruitment fairs for German employers in co-operation with the local employment agencies in the countries concerned. It mediated about 50 hirings of engineers, mostly from Spain, in the first half of 2012.

The potential for expanding recruitment in other European countries is significant, both at the high- and medium-skilled levels. In Spain alone in 2011, there were more than 300 000 unemployed engineers, and more than 150 000 unemployed people with vocational training in manufacturing, engineering and construction (Figure 5.14).¹⁷

Figure 5.14. Number of unemployed workers in Spain, by field of study, 2011



Source: European Union Labour Force Survey (Eurostat), OECD Secretariat calculations.

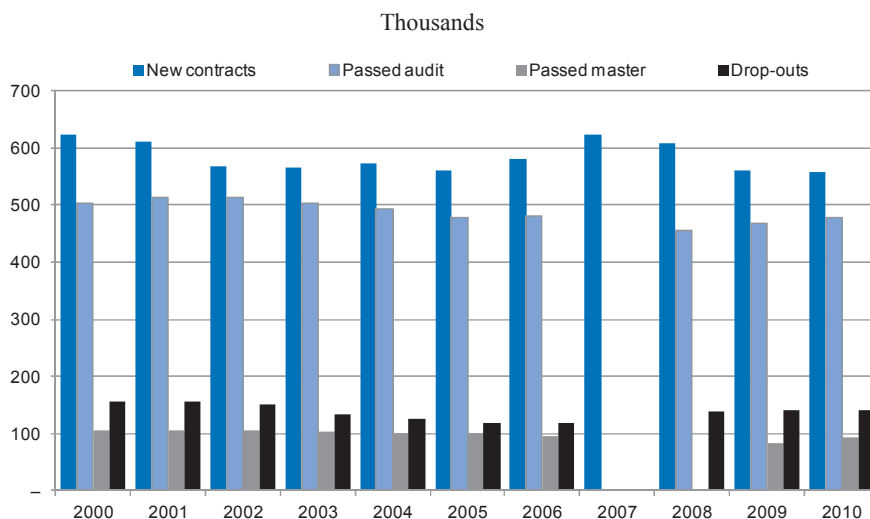
Promoting the dual system and integrating it into the labour migration system

An additional source of skilled workers could come from bringing foreigners from abroad into the apprenticeship system. Germany relies on its dual system to produce skilled craftspeople, and the number of new apprentices has been declining rapidly in recent years, from 624 000 in 2007 to 560 000 new apprentices in 2010 (Figure 5.15). The number passing their first audit – after about three years – stood at about 480 000 in 2010 and is expected to fall further. The number of new masters – the highest level of qualification under the dual system, and a key element in the productivity

and reputation of German production – stood at an annual average of more than 125 000 in the early 1990s, but fell below 100 000 in 2006 and is on a steady downward trend. The decline in apprenticeships is particularly marked in the eastern states – excluding Berlin – where the number of incoming apprentices fell from 152 000 in 1999 to 89 000 in 2010. Most of the decline seems to be due to demography, as the number of unfilled apprenticeships is also particularly high in the eastern part.

Industry and trade, as well as the crafts, comprise the vast majority of apprenticeships, and have borne the brunt of the decline. The total number of apprentices in industry and trade fell 7% from 2008 to 2010, and the number of apprentices in crafts fell 8% over the same two years (Figure 5.16). This decline was again much sharper in the eastern part of Germany.

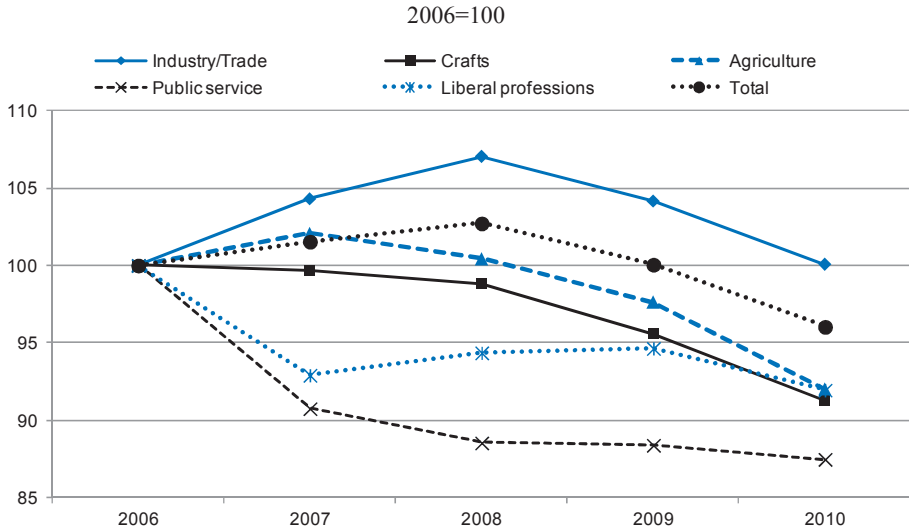
Figure 5.15. Number of new apprenticeship contracts, graduates and drop-outs, by sector, 2000-10



Source: Federal Institute for Vocational Education and Training (BIBB).

The Ministry of Labour and Social Affairs also forecasts expected changes in supply coming through the vocational education and training system from 2010-14 (Federal Ministry of Labour and Social Affairs, 2011). Large declines are forecast in skilled trades such as metalworkers (-51%), electricians and technicians (-23%), as well as ICT and accountants (-29%) and health associate professionals (-14%). Increases are forecast however in the number of newly trained elderly care workers (+16%).

Figure 5.16. Evolution of the number of apprenticeships, by sector, 2006-10



Source: Federal Institute for Vocational Education and Training (BIBB).

While the general labour market strategy in Germany foresees increasing involvement in apprenticeships by reducing drop-out rates, there have also been a number of initiatives to promote the internationalisation of the vocational training sector. For more than ten years, the Federal Ministry of Education and Research has run an initiative called “iMOVE” (International Marketing of Vocational Education) that promotes German initial and continuing vocational training. The Ministry has more recently signed memoranda of understanding regarding international co-operation in this domain, notably with Brazil, China, India, Spain and Turkey. Germany promotes the build-up of elements of vocational training systems in these countries. The budget invested in these programmes is significant: EUR 21 million in 2012 and 24 million in 2013, for language training for foreign apprentices. In the case of Spain, a main objective is also to match unemployed Spanish youth with available vocational training places in Germany. The German Confederation of Skilled Crafts (ZDH) also have a number of projects to provide vocational training, in particular for Poles in specific areas of Eastern Germany where there are shortages of apprentices. However, most of these projects have been small scale to date.

Such programmes are expected to expand, with a particular focus on Southern European countries with high youth unemployment. The Federal Ministry of Labour and Social Affairs plans to launch, in 2013, a programme for unemployed youth from EU member countries, involving

orientation and language courses in the origin country, followed by placement in apprenticeship training or in shortage occupations in Germany and post-placement language support courses. The programme has a budget of up to EUR 230 million until 2016. The programme will be implemented by the ZAV, and involve DIHK and the ZDH as well as other actors.¹⁸

Until recently, recruitment into vocational training of foreigners has been practically limited to citizens of other EU/EFTA countries, as most non-EU/EFTA citizens were not allowed to remain in Germany with only vocational qualifications. The extension in August 2012 of eligibility to foreigners who have completed vocational training in Germany opens up the possibility of recruitment of non-EU students into vocational training programmes. The expansion of vocational training co-operation between Germany and non-EU countries, coupled with this new opportunity to train and remain in Germany, could be one means, among others, of addressing shortfalls in incoming apprentices in specific trades. The obstacles of language and incompatible prior training remain, as for other forms of recruitment. In addition, expansion of recruitment into the German apprenticeship system beyond Europe increases the risk of abuse and exploitation in the system, both in terms of misrepresentation by recruitment agencies in sending countries, and in terms of granting enterprises access to cheap labour rather than apprentices. Both issues should be carefully monitored.

Overcoming specific structural barriers

Two specific features of the German labour market represent structural obstacles to recruitment from abroad. The first obstacle is the fact that the German language is not widely spoken outside Germany, with the exceptions of Austria, Switzerland and regions of Belgium and Italy. German is widely taught as a second (or more commonly, third) foreign language in neighbouring countries. Outside of Europe, German is little spoken. Almost all German businesses – with the exception of certain multinational businesses – are German-language environments, and employees are expected to interact in German. This obstacle has been discussed above.

The second feature is the large number of regulated trades and professions. There are about 60 regulated university-level professions – a relatively high number compared with other OECD countries. Vocational qualifications are more highly regulated, with more than 350 different trades subject to specific requirements. The dual system, which mixes vocational training and classroom education with workplace experience, produces workers with specific qualifications for these regulated trades. Until recently, the German system for the recognition of foreign vocational qualifications was highly complex and underdeveloped, making it virtually

impossible for many migrants with vocational qualifications from abroad – including non-labour migrants – to work in their profession in Germany. This changed in April 2012, when a new law on the assessment and recognition of foreign qualifications entered into force (Box 5.1).

Employer-driven migration, as is the case in Germany, usually involves information exchange and negotiation between employers and candidates. If German employers demand official recognition, this may have been a barrier to recruitment from abroad in the past, and some pent-up demand may now be expressed. If, on the other hand, official recognition has been less important than other signs to employers – experience or references, for example – than the new framework will have less of an effect on international recruitment.

Box 5.1. The new framework for the recognition of foreign qualifications in Germany

Increased policy attention has been given in recent years to the issue of the assessment and recognition of foreign qualifications. The main concern was that, despite a growing skills shortage, a high incidence of highly educated immigrants was either not in employment or working in a job below their formal qualification level. In 2008-09, just over half of highly educated immigrants in Germany were employed in a high-skilled job, compared with more than 70% of the native-born. This led to the introduction of a new law, which passed parliament in November 2011 and took effect on 1 April 2012.

A core component of the “*Law to improve the assessment and recognition of foreign professional qualifications*” is the introduction of a legal right to an evaluation for the approximately 350 unregulated professions (skilled professions in the dual system according to the Vocational Training Act, plus craft trades) as well as the regulated professions within the remit of the federal government. This entitles all immigrants with foreign qualifications to an individual assessment of their equivalence to German vocational qualifications. Previously, the recognition process in Germany had been highly fragmented, leaving persons with vocational degrees from abroad often unable to obtain an assessment and recognition of their skills. An important side effect of the new law is to provide one of the prerequisites for a possible opening of the German labour market to labour immigration into medium-skilled professions.

As the right to an assessment applies regardless of the place of residence of the applicant, persons abroad interested in migrating to Germany also have a right to request an evaluation of their credentials. Where equivalence to a German degree cannot be established, the new law requires that the assessment state the gaps in prior education and how these can be obtained.

The law maintains the existing jurisdiction of chambers and authorities carrying out recognition procedures within their field of responsibility. To enhance transparency, for vocational qualifications, in 2012, the *IHK FOSA* (Foreign Skills Approval) was established in Nuremberg as the national competence centre of the DIHK for the evaluation and recognition of foreign vocational qualifications. The fees for recognition vary, but generally fall between EUR 100 and 600.

Box 5.1. The new framework for the recognition of foreign qualifications in Germany (*cont.*)

Along with the new act, an information portal, “*Recognition in Germany*” (www.anerkennung-in-deutschland.de), has been established, which provides up-to-date information on the appropriate authority responsible for the individual case and the procedure for the recognition of foreign professional qualifications, in both German and English. A new telephone hotline answers any questions about recognition of professional qualifications – in both German and English. To improve transparency, the law includes standardised equivalence assessment scales, a statutory procedural time limit of three months, the arrangement of the assessments as an administrative act, and the possibility of combining the duties of the relevant authorities. There are also plans to create a Federal statistical database for monitoring purposes.

For academic qualifications, the German Länder have established a co-ordinating body, the *Central Agency for Foreign Educations*, which provides information services both for the actual recognition bodies in charge and for individuals. The Agency runs a large free online database, ANABIN, which “translates” foreign qualifications into domestic ones. ANABIN is also consulted by the authorities in evaluating foreign degrees in the work-permit procedure. ANABIN includes 22 500 foreign academic degrees and several thousand secondary degrees and is continually expanding. An interface in English is planned which should greatly facilitate self-evaluation of qualifications by potential migrants.

For non-regulated academic professions, the Agency also provides individuals with assessments of their degrees. The application costs EUR 100 and grants both the title of equivalency and rights associated with the degree, although it is not binding (*i.e.*, it is not used for civil service qualification-based salary grades). This procedure, in place since 2010, receives more than 3 000 requests annually.

Opening to lesser-skilled migration?

Germany does not currently accept low-qualified labour migrants, except through specific temporary programmes (seasonal, travelling performers, artists, and certain household-related services), and forecasts predict that demand for low-skilled employment will be met without labour migration. There has however been growth in low-skilled employment – 11% of employment growth was accounted for by low-skilled occupations over the 2000-10 decade in Germany (see Annex A). New immigrants – whether through free movement or through family and humanitarian channels – represented 26% of entries into these occupations. Family and humanitarian migrants will remain a source of labour for low-skilled jobs in the future. Whether this will continue to be sufficient, however, is uncertain.

Historically, low-skilled jobs in OECD countries, including in Germany, have been filled by migrants with low education levels, often even below compulsory education levels in the country of destination. The track record of many countries with respect to integrating low-educated migrants and

their children has not been very positive. Although low-educated labour migrants may be recruited directly into jobs, their long-term employability is an issue, among other reasons because limited language proficiency and education make retraining for available jobs particularly challenging, should they lose the ones for which they were originally recruited.

In addition, their limited earnings (and capital) mean that low-skilled migrants tend to locate and concentrate in areas where housing is cheaper. In practice, this means that their children tend to be concentrated in schools where there are many children of low-income parents. Analyses have shown that school disadvantage of this kind compounds parental educational disadvantage for all children whatever their origin, but especially for immigrant children (OECD, 2012b). Because of the difficulty national policies have had in addressing the integration of low-skilled immigrants, most countries prefer that low-skilled migration remains temporary.

Temporary labour migration for the low-educated: a viable alternative?

Limits on stays, as used in Germany for the few occupations open to lesser-skilled migration, are one means to ensure that low-educated migrants do not settle, and there is little evidence in Germany of these workers overstaying. In other countries, additional incentives for both employers and migrants are used, for example by requiring employers to post bonds or withholding immigrant social security contributions to be disbursed as a lump-sum payment upon return to the origin country. Many low-skilled labour needs, however, are not temporary and in such cases, both employers and immigrants have an incentive to maintain the employment relationship. Indeed, experience has shown in a number of countries that in situations where migrants have been granted temporary permits for jobs which are ongoing, employers are the first to request extension, either through renewal of the permit or a readmission after a brief return to the home country. In any event, without permanent recruitment, structural low-skilled needs would accumulate over time, which would require larger and larger temporary movements to keep up with the demand, a situation which is unlikely to be sustainable (OECD, 2009).

Low-skilled labour migrants: are poor outcomes inevitable?

Many countries are not especially optimistic about the ability of low-skilled immigrants to achieve favourable labour market outcomes over the longer term, as well as good educational and labour outcomes for their children. In addition, there is also a concern that low-skilled migration will give rise to further waves of low-educated chain migration of family members and marriage partners.

One unspoken assumption concerning possible shortages in lesser-skilled jobs is that labour needs for such jobs would be filled by the same kind of migrants whose outcomes and whose childrens' outcomes have been less successfully addressed by policy in the past. As noted above, this has sometimes involved migration of persons of very low education levels, often below compulsory education levels in OECD countries. But would this necessarily persist with employer-driven recruitment for low-skilled jobs? Educational attainment levels have been rising in origin countries and employers can be expected to have a preference for better educated workers if they are looking abroad for workers. In addition, migration policy can clearly lay down some standards and requirements in this regard.

Minimum educational requirements as a safeguard

One such requirement concerns a minimum educational level for labour migrants. In many countries this is already in place in the sense that labour migration is restricted to highly educated workers. Shortages in lesser-skilled jobs have caused these thresholds to be lowered to include less-skilled occupations and less-educated workers (this was notable in Australia and Canada, for example, during the pre-crisis period), raising the question of alternatives such as requiring minimum educational levels. As OECD countries normally require a minimum number of years of schooling for the native-born and minor-age children of immigrants, labour migrants could be subject to the same requirement. Such minimum standards are intended to ensure that everyone has the minimum educational level considered necessary to function in society and the economy. Although migrants may not actually need the minimum level of education to perform the occupation for which they are recruited, it would help their integration and that of their children. For the lesser-skilled occupations in the Canadian Provincial Nominee Programme, for example, which include occupations such as food processing workers, long-distance truckers, hotel clerks, etc., Canadian provinces have imposed a minimum of a high school diploma (12 years of schooling) for applicants in order to qualify. Similar requirements apply to the United States' Diversity Visa (also known as the "Green Card Lottery").

One risk with regard to setting higher standards for recruits for low-skilled jobs is that employers will prefer them to low-educated residents in the labour market for the same kinds of jobs. There is some evidence, for example, that the medium- and often more highly educated immigrants who arrived in the United Kingdom from the new EU enlargement countries outcompeted young low-educated residents for lesser-skilled jobs. This outcome, however, was under conditions of free circulation of workers from the enlargement countries, with no government action to restrict their numbers. A more cautious approach is required if labour markets open up to

recruitment at all skill levels to workers from outside the European Union, to ensure that domestic sources of labour supply are not driven from the labour market and indeed get priority over recruitment from abroad for available jobs. One way of achieving this would be by building in costs for foreign recruitment – such as higher permit fees – which make domestic hiring look more attractive. That notwithstanding, requiring minimum education levels for labour migration into low-skilled jobs inevitably raises the question of overqualification which is, as mentioned, already a significant problem for non-labour migrants which Germany has sought to address. A carefully balanced approach would thus be needed. Finally, opening to less skilled migration also creates new challenges for regulation, inspection and enforcement, as seen by the experiences with the new Swedish labour migration system (Box 5.2).

**Box 5.2. Admitting labour migration for all skill levels:
the Swedish experience**

Sweden reformed its labour migration policy in 2008 to a completely demand-driven system. The Swedish labour migration regime, the most open in the OECD, allows employers to recruit from abroad to fill any position at any skill level. There are no major restrictions, the job offer only has to meet prevailing wage and contractual conditions and to have been advertised for at least ten days.

The introduction of this open labour migration system was not followed by a boom in applications, despite the limited requirements and a rather efficient system for requesting a worker from abroad. The regulation of the Swedish labour market, in which trade unions play a large part, plays an important role in reducing the margin for abuse in this demand-driven system. Nevertheless, the recruitment of migrants for low-skilled non-shortage occupations increased unexpectedly after the reform and continued to rise, especially by businesses run by immigrants and those where trade unions had no presence. The authorities, who had not been responsible for monitoring employers under the previous system, had to develop new approaches for evaluating requests and following up admissions.

One of the lessons of the Swedish reform is that job offers for less-skilled employment, especially in workplaces and sectors where supervision is limited, have to be monitored closely in order to avoid any risk of exploitation. Prior to admission, these include verification of the legitimacy of the business and its capacity to meet salary commitments. After admission, these include ensuring that contractual commitments are not broken and that salaries are paid.

OECD (2011) recommended to the Swedish authorities in particular to require reporting of changes in contractual conditions during the first two years of the labour migration permit, and to verify the effective payment of the salary at the time of permit renewal.

Bilateral agreements for the 21st century?

The context for a low-skilled labour scheme today is very different from that which determined the German guestworker programmes 50 years ago. Potential workers are not only generally better educated in their home countries, but there is also a higher skill demanded even for menial jobs, especially in terms of language skills. Outside of Europe, there are a large number of countries keenly interested in bilateral agreements and willing to put mechanisms into place to facilitate labour migration of their nationals. There is also significant flexibility built in the training institutions in origin countries. Recent programmes also show that there is a margin for destination countries to impose country-specific language and technical training requirements. Small programmes in Italy for medium-skill industrial, service and health occupations have been running since the mid-2000s, and a much larger programme has been in place in Korea since 2005. Further, programmes which did not include pre-departure language training – such as a programme in the Netherlands in the early 2000s to recruit nurses from outside the European Union – met with limited success.

The guestworker system in place until 1973 assigned a key role to the German public employment services and origin-country government bodies in matching workers abroad to employment in Germany. While the same model of partnership could be applied, the nature of demand in Germany is today quite different – instead of generic industrial employees for repetitive and basic tasks, the skill requirements for basic occupations are greater. Businesses expressing demand are smaller than the large manufacturing firms which drove the programme in the 1960s, and the model of foremen co-ordinating and mediating groups of foreign workers is no longer relevant today. Service workers, especially in health care, were not a large share of the old programmes. On the supply side, too, expectations have changed, with workers more willing to and capable of investing in training, especially for longer-term temporary or potentially permanent positions.

Germany will eventually have to look beyond Europe. There is no longer an apparently inexhaustible supply of young medium- and low-skilled workers in Germany's traditional basins for recruitment, at least not in the longer term.¹⁹ There is, however, an effectively unlimited supply of lesser-skilled workers outside of Europe, many of whom have basic education and are willing to invest in German-specific skills in order to qualify for selection. One telling example is the Korean temporary labour migration programme for lesser-skilled jobs, based on bilateral agreements with 15 countries. The programme incorporates a basic Korean-language

test for eligibility. More than 425 000 applicants have taken the test since it was introduced, at their own expense and with no guarantee of receiving a permit. Many of the successful applicants hold secondary or even tertiary degrees from their own countries. In Germany, a labour migration programme could plausibly demand a higher threshold of German-language skills (to compensate for the likely lack of candidates for such jobs who have tertiary qualifications). There are limits to such programmes for occupations demanding high levels of professional skills: Japan, for example, has seen very low pass rates for Indonesian and Philippines nurses and care workers participating in its training-intensive programme, as the language has proven to be an insurmountable barrier.

If Germany moves beyond Europe as a recruitment basin for medium- (and even low-) skilled occupations, a number of factors must come together for bilateral agreements to work. First, employers or their representatives must be onboard, since they both define the training requirements and provide the job offers which attract partner countries and qualified individuals willing to invest. Second, agreements should be signed with a number of countries with a clause allowing for suspension in cases of non-compliance or significant abuse. Third, in many origin countries, recruitment agents mediate opportunities and their role increases costs, corruption, misrepresentation and the risk of worker indebtedness. Ceilings on the fees charged by recruiters – whether public or private – should be set and enforced, so that workers are not vulnerable to exploitation. Fourth, illegal mediation should be reduced through random selection from large candidate pools. Finally, in-country support for workers once they have arrived is important. This can include ongoing language training, vocational and workplace training, orientation, counselling and mediation, and return migration planning. The extent to which employers are willing to contribute to the costs of such services can be an indicator of the severity of shortages, and it is reasonable to impose such costs on employers as a means of favouring locally available workers.

In Germany, these models can be used to both support medium-skilled recruitment and to encourage entry into the apprenticeship system where demand is acute. A clear signal through bilateral agreements can be the impetus for the development of training structures in origin countries oriented towards Germany. Development-related initiatives are increasingly associated with these agreements, so that migration brings benefits to the origin countries as well.

In summary, lesser-skilled labour needs in Germany are currently being met largely from domestic sources, including former and incoming family and humanitarian migrants and their children. However, it is far

from clear that this will remain the case over the next decade, given the evolution of demographic change and of labour demand. The rationale for allowing recruitment for such jobs is less clear than it is for the highly skilled, however, and it is best to exercise a certain prudence in this regard, to ensure that domestic sources of supply are taken into account and that the mechanisms for recruitment are not affected by rent-taking.

Notes

1. They overstate it even more so with respect to non-European OECD countries, where migrants coming through the free-mobility channel in OECD Europe need a work permit.
2. In addition, there are 520 schools within national educational systems – many outside of OECD countries - supported by the Goethe Institute, whose 154 000 students may take the lower-level (Fit 1/2) German Language exams offered by the Goethe Institute.
3. The Transatlantic Trends survey (2010) found that, compared with the other countries surveyed (Canada, United Kingdom, France, Spain, United States and Italy), Germans were the most likely to express a preference for educated migrants without a job offer over low-educated migrants with a job offer. This somewhat more favourable attitude towards “supply-driven” migration – all countries saw a general preference for low-educated workers with a job – may be related to the long public debate over attracting high-skilled and instituting a points-based selection system, or to the importance assigned in Germany to qualifications in selecting migrants.
4. See also Burkert *et al.* (2008), who provide an analysis of the settlement patterns of highly qualified immigrants in Germany and find a large regional disparity.
5. Statistical discrimination in hiring tends to occur where employers lack information about the actual qualification and expected productivity of a job candidate. This might, for instance, be the case where applicants hold foreign education credentials that employers cannot easily interpret. To yet assess the applicant’s qualification, employers might refer to traits observed (or presumed to be characteristic) for the applicant’s overall ethnic group as a proxy. This may lead to so-called statistical discrimination of candidates, although employers might not have the explicit intention to discriminate.
6. During their studies and during job search, their permit allows students and recent graduates to work 120 full days or 240 half days and to work as student research assistants. In Germany as in many other countries, some international students are primarily interested in working during their studies and remitting their income to their families. Students working at or beyond the maximum allowed period may delay graduation and be ineligible for job-search permits, or may lack the means to qualify.

7. Indeed, between 2004 and 2010, the most recent span for which comparable data are currently available, the number of international students in Germany was stable, whereas for the OECD as a whole, the number of international students grew by 30%.
8. Over the same period, the overall number of new enrolments (of both domestic and international students) rose from 315 000 in 2000 to a record high of 517 000 in 2011.
9. Germany signed the Bologna Accords on the creation of a European Higher Education Area in 1999, committing to restructuring its higher education system in accordance with newly stipulated common standards by 2009/10. The traditional German single-cycle programmes that awarded a “Diplom” or “Magister” after five to six years of tertiary studies were replaced by a two-cycle system combining a three-year undergraduate (bachelor) and a two-year graduate degree (master).
10. Gate Germany is co-ordinated by the DAAD and the German Rectors Conference (HRK).
11. Since 2005, the ISB has surveyed more than 800 000 students in 22 countries through standardised questionnaires. Three waves have been conducted in Germany since 2009; 57 German universities participated in 2011/12 and over 17 700 international students were surveyed.
12. The United States offers a 12 month post-study employment extension, with universities determining whether the employment qualifies as a continuation of studies. This is extended to 27 months for graduates in IT fields. The extension is designed to allow students to apply for H-1B employment visas based on employment.
13. Although the HIS conducted similar panel surveys before, the 2009 round was the first to allow for the identification of international graduates. Two more survey waves involving the 2009 graduate cohort are planned for 2014 and 2019.
14. Note that this definition of international students includes nationals from the EU/EFTA. The HIS sample also includes a large number of graduates who are dual citizens, and German-born foreigners; both groups are considered German students for the purposes of this analysis.
15. As status changes of international graduates from non-EU/EFTA countries into employment are only granted if job and diploma match, this low match rate might largely represent the experience of graduates from EU and EFTA countries who are not subject to any restrictions in the German labour market and could, thus, be found in non-matching jobs, as well as those who transition to other permit status, such as for family.

16. In case of later unemployment, participation is nevertheless possible – not only in the integration courses but also in the vocation-specific language training co-funded by the European Social Fund (the ESF-BAMF programme).
17. Unfortunately, it is not possible to ascertain how many of these correspond to the specific engineering professions in shortage in Germany.
18. The project is part of the “Skills Offensive” (launched jointly by the Federal Ministry of Labour and Social Affairs, the Federal Ministry of Economics and Technology and the Federal Employment Agency), in which skilled migration is one of the five pillars for meeting expected skills shortages.
19. Among the traditional recruitment basins of migration to Germany, only Turkey is expected to maintain a large pool of labour in the medium- to long-term. In contrast, most Central and Eastern European countries face a highly unfavourable demographic situation. However, Turkey has not figured among the main origin countries for recent labour migration.

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Annex A

Occupational change in Germany over the past decade and the contribution of new immigrants

In OECD comparison, Germany has been one of the countries with the lowest growth rates in highly and very highly skilled occupations between 2000 and 2010. While very highly skilled employment (professionals, senior officials and managers) grew by 22% on OECD average between 2000 and 2010, Germany saw an increase of only 5%. The picture is not much different when looking at change in the employment of technicians and associate professionals. Again, Germany has one of the lowest growth rates in the OECD, with 14%, compared with 28% on OECD average. While high-skilled employment in Germany grew less than in most other OECD countries, the change in employment at medium- and low-skill level matched the change at OECD level. Employment in medium-skilled occupations declined 2%, while low-skilled employment grew by 9%.

Occupations which grew substantially (by more than 10%) between 2000 and 2010 were predominantly high-skilled, with the exception of personal and protective services, and sales and elementary services which fall into the medium- and low skills category, respectively. In turn, all occupations in which employment declined by at least 10% over the same period fall into the medium skills category (Table A.1 for a list of growing and declining occupations in Germany).

There is no indication that low-skilled occupations underwent a particular decline in terms of employment between 2000 and 2010. However, the relative weight of low-skilled jobs in total employment is rather low for the native-born population (10% in 2010), while it is more important for immigrants (22%). The bulk of employment is in the medium-skilled segment, which makes up for almost half of total employment for both native-born (44%) and immigrants (47%).

On average across occupations, immigrants contributed 7% to total employment growth. They played a particularly important role for growth in low-skilled occupations such as agricultural, fishery and related labourers; labourers in mining, construction, manufacturing and transport; and labourers in sales and elementary services.

Table A.1. Growing and declining occupations in Germany and the contribution of new immigrants to occupational change, 2000-10

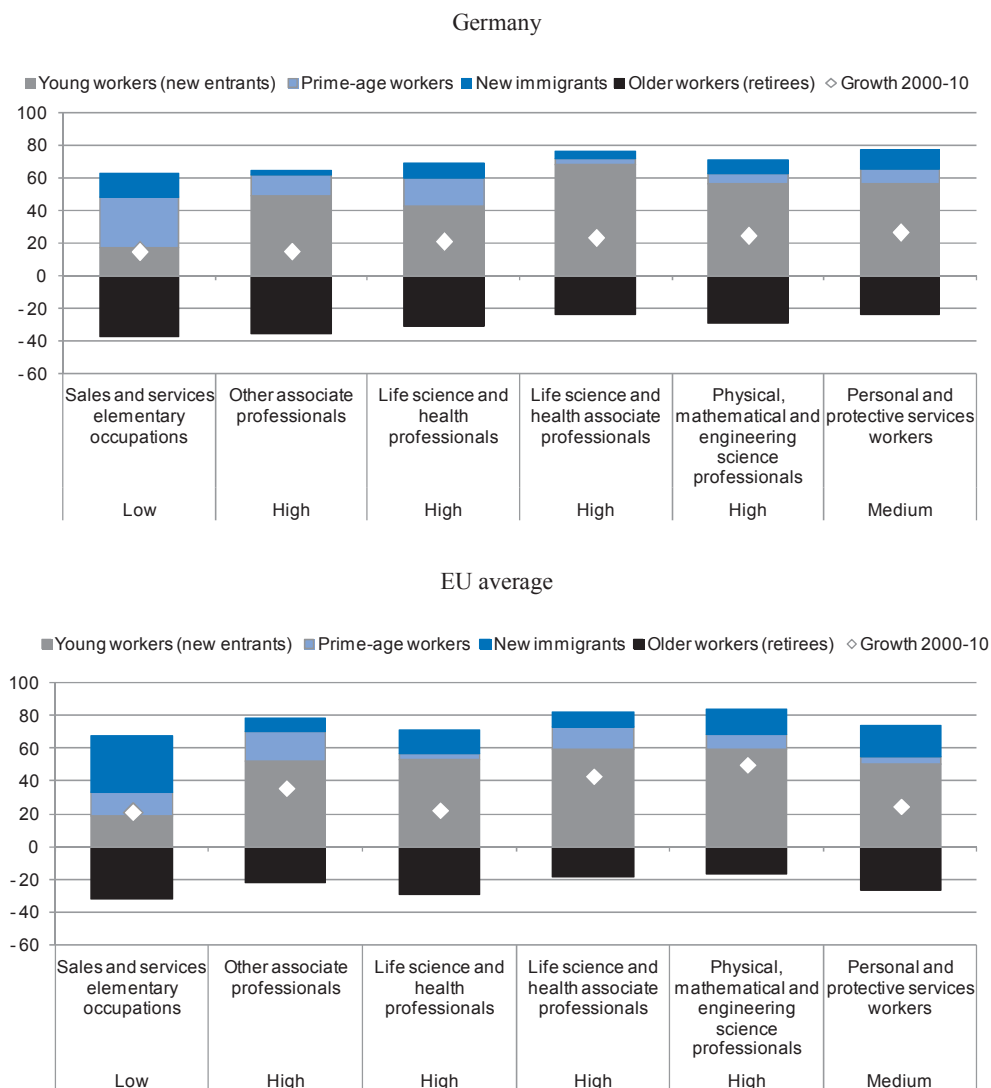
		Occupational skill level	Employment growth in Germany	Contribution of immigrants to growth in %	Share of employment, native-born in 2010	Share of employment, immigrants in 2010
24	Other professionals	High	40	6	6.4	3.8
33	Teaching associate professionals	High	30	2	2.2	0.9
51	Personal and protective services workers	Medium	27	11	8.0	10.9
21	Physical, mathematical and engineering science professionals	High	24	8	5.1	3.6
32	Life science and health associate professionals	High	23	4	4.1	2.9
22	Life science and health professionals	High	21	9	1.6	1.4
12	Corporate managers	High	19	4	2.9	1.7
23	Teaching professionals	High	15	4	3.4	2.0
34	Other associate professionals	High	15	3	13.2	7.4
91	Sales and services elementary occupations	Low	15	14	3.6	10.4
11	Legislators and senior officials	High	13	0	0.1	0.0
93	Labourers in mining, construction, manufacturing and transport	Low	4	14	2.7	7.2
52	Models, salespersons and demonstrators	Medium	1	7	4.4	4.7
31	Physical and engineering science associate professionals	High	1	5	4.6	3.5
41	Office clerks	Medium	0	4	12.0	6.5
83	Drivers and mobile-plant operators	Low	-2	7	3.3	4.9
81	Stationary-plant and related operators	Medium	-5	4	0.8	1.0
72	Metal, machinery and related trades workers	Medium	-5	4	6.4	6.8
92	Agricultural, fishery and related labourers	Low	-5	12	0.4	0.4
13	General managers	High	-5	6	1.3	2.4
42	Customer services clerks	Medium	-6	5	1.2	1.0
82	Machine operators and assemblers	Medium	-6	7	2.1	5.6
61	Market-oriented skilled agricultural and fishery workers	Medium	-10	4	1.2	0.8
71	Extraction and building trades workers	Medium	-16	7	5.5	7.3
73	Precision, handicraft, printing and related trades workers	Medium	-18	2	0.9	0.7
74	Other craft and related trades workers	Medium	-20	6	1.8	2.2
	All occupations		4	7	100.0	100.0

Source: European Union Labour Force Survey.

Immigrants are distributed across the whole range of occupations and are neither particularly concentrated in low-skilled jobs, nor in declining occupations. Yet, the share of immigrants who are employed in occupations with strong growth tends to be smaller than the share of native-born working in these same occupations, with the exception of personal and protective service workers and sales and services elementary occupations which play a more important role for the employment of immigrants than of the native-born.

When comparing the contribution of recent migration to employment growth in Germany and the EU average, the contribution of migration appears to be smaller in every of the selected growing occupations shown in Table A.1. Particularly low-skilled jobs in sales and services were much more driven by migration at the EU average than in Germany. Overall, the pictures are not very different.

Figure A.1. Contribution of different demographic groups to change in employment in growing occupations¹ in Germany, Germany vs. EU average, 2000-10



1. The figures show a selection of occupations that underwent employment growth in Germany between 2000 and 2010. Several growing occupations are not included for conceptual reasons. These are other professionals (ISCO 24), teaching associate professionals (ISCO 33) and corporate managers (ISCO 12). See Table A.1 for general information on growth in these occupations. The skill level of each occupation is indicated below its title.

Source: European Union Labour Force Survey, 2000-10.

Retirement appears to drive occupational change more strongly in Germany, than at the EU average. While immigrants contribute an important share to growth in low-skilled jobs in sales and services at the EU level, it is rather the prime-age workers who moved into this segment in Germany. Overall, growth has been smaller in Germany than at the EU average in these selected occupations.

The figure does not show the top two fastest growing occupations in Germany. These are other professionals and teaching associate professionals. Other professionals include mainly workers with a degree in the field of social sciences, business, law or economics and comprise public sector employment. Strong growth in these occupations might stem from stagnation in employment of office clerks, which might be public servants at a lower qualification level, due to a change towards higher skills requirements in the German labour market. The public sector is a specific case as it is not entirely open to foreign nationals, places heavy weight on good German-language proficiency and knowledge of the German administration. Recruitment from abroad for employment in the public sector is rare. However, growth in these occupations does not appear to stem from growth in public sector employment, which decreased from 4.91 million to 4.59 million between 2000 and 2010, according to data from the Federal Statistical Office. Similar factors are true for teaching personnel.

Annex B

Additional tables

Table B.1. Top ten hardest to fill jobs, Germany, 2006-12

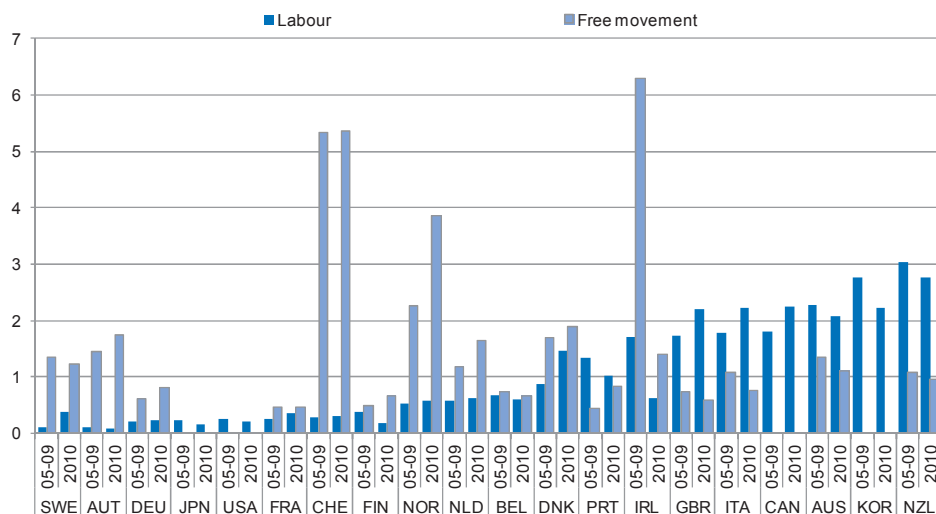
Rank	2006	2007	2008	2009	2010	2011	2012
1	Production operators	Skilled manual trades	Skilled manual trades	Skilled trades	Skilled trades	Skilled trades	Skilled trades
2	Sales representatives	Engineers	Drivers	Engineers	Doctors/other non-nursing health prof.	Engineers	Engineers
3	Engineers	IT staff	IT staff	Technicians	IT staff	Technicians	Sales representatives
4	Management/executives	Technicians	Engineers	Sales representatives	Engineers	IT staff	IT staff
5	Restaurants and hotel staff	Sales representatives	Technicians	IT staff	Drivers	Secretaries, PAs, admin. ass. and office support	Technicians
6	Administrative assistants and PAs	Mechanics	Mechanics	Restaurant and hotel staff	Sales representatives	Sales representatives	Accounting and finance staff
7	Technicians	Drivers	Sales managers	Customer service reps/support	Nurses	Managers/executives	Drivers
8	Drivers	Restaurants and hotel staff	Chefs/cooks	Drivers	Technicians	Chefs/cooks	Managers/executives
9	Electricians	Customer service reps/customer support	Sales representatives	Secretaries, PAs, admin. ass. and office support	Management/executives	Doctors/other non-nursing health prof.	Doctors/other non-nursing health prof.
10	IT staff	Administrative assistants and PAs	Labourers	Teachers	Accounting and finance staff	Sales managers	Secretaries, PAs, admin. ass. and office support

Note: The Talent Shortage Survey is based on a subset – about half – of the Manpower Employment Outlook Survey. The sample size for Germany was 1 000 employers. The Employment Outlook employers surveyed are not exclusively Manpower clients and its sample is designed to reflect the employment contribution of companies and organisations by sector and size. The results of the Talent Shortage Survey, however, are not weighted, nor is non-response addressed.

Source: Manpower Talent Shortage Survey, 2006-12.

Figure B.1. **Permanent migration for employment, labour and free movement, 2005-09 average and 2010, selected OECD countries**

Per 1 000 inhabitants



Note: See Lemaître, G., T. Liebig and C. Thoreau (2006), “Harmonised Statistics on Immigrant Inflows – Preliminary Results, Sources and Methods”, www.oecd.org/dataoecd/61/7/37035672.pdf, for details on the methodology. Free movement for employment is calculated based on an estimate that 50% of all free movement is for employment.

Source: OECD International Migration Database.

Table B.2. **Approvals by the Federal Employment Agency, by occupation and region of birth, 2010**

Occupation	OECD	East Asia	Former Soviet Union	South Asia	Other
Engineers	2 285	1 564	511	3 434	1 705
Domestic workers	690	527	3 841	104	2 392
Data clerks	883	613	395	3 644	834
Food specialists	390	2 584	27	936	655
Health professionals	342	120	363	272	2 325
Business professionals	1 327	620	304	262	313
Artists	1 281	273	744	51	430
Humanities and scientific occupations	1 009	369	383	253	424
Client services/receptionists	436	136	56	480	569
Teachers	752	47	91	45	148

Note: East Asia, Former Soviet Union and South Asia do not include countries in Europe nor members of the OECD.

Source: OECD calculations based on data from the German Federal Employment Agency.

Table B.3. Shortage list occupations (*Positivliste*), providing labour market test exemptions, 2012

KldB 2010 code	German name	English name
244	<i>Metallbau und Schweißtechnik</i>	Metalwork and welding
25	<i>Maschinen- und Fahrzeugtechnikberufe</i>	Mechanical and automotive engineering occupations
26	<i>Mechatronik-, Energie- und Elektroberufe</i>	Mechatronics, energy and electrical trades
271	<i>Technische Forschung und Entwicklung</i>	Technical research and development
272	<i>Technisches Zeichnen, Konstruktion und Modellbau</i>	Technical design, construction and modeling
343	<i>Ver- und Entsorgung</i>	Waste treatment and disposal
434	<i>Softwareentwicklung und Programmierung</i>	Software development and programming
814	<i>Ärzte der Humanmedizin (ohne Zahnmedizin)</i>	Medical doctors (excluding dentistry)

Note: Applicants in non-University occupations must have at least four years training in their occupation and/or equivalent work experience as an expert.

Source: Federal Employment Agency.

Table B.4. Preference for Germany among people who would like to move abroad, 2008-10

	Percent wishing to move permanently abroad	Percentage of whom would like to move to Germany	Percentage of population which would like to move to Germany	Ranking of Germany among preferred destinations
Romania	26%	15%	3.9%	1
Bulgaria	18%	20%	3.7%	1
Greece	19%	18%	3.5%	1
Ghana	41%	8%	3.4%	3
Ukraine	19%	14%	2.8%	2
Tunisia	28%	9%	2.5%	3
Russian Federation	12%	19%	2.4%	1
Poland	14%	17%	2.3%	1
Turkey	12%	19%	2.3%	1
Serbia	20%	11%	2.3%	1
Montenegro	18%	11%	2.0%	3
Kazakhstan	14%	8%	1.0%	3

Source: Gallup World Survey. Data on preferred destination for 91 out of 123 countries surveyed.

Table B.5. **Percentage of respondents that claim to speak German well enough to have a conversation**

	2005	2012	% points change
Belgium	27	22	-5
Bulgaria	12	8	-4
Czech Republic	28	15	-13
Denmark	58	47	-11
Estonia	22	15	-7
Finland	18	18	0
France	8	6	-2
Greece	9	5	-4
Hungary	25	18	-7
Ireland	7	6	-1
Italy	5	5	0
Latvia	19	14	-5
Lithuania	14	14	0
Luxembourg	88	69	-19
Netherlands	70	71	1
Poland	19	19	0
Portugal	3	1	-2
Romania	6	5	-1
Slovak Republic	32	22	-10
Slovenia	50	42	-8
Spain	2	2	0
Sweden	30	26	-4
United Kingdom	9	6	-3
EU27 average	14	11	-3

Note: Figures do not include those whose mother tongue is German. The exact question asked was “Which languages do you speak well enough in order to be able to have a conversation, excluding your mother tongue?”. The EU-27 average is weighed by the population aged 15+.

Source: Eurobarometer.

Table B.6. **The 2011 German labour migration system, as a points-based system**

Parameter	Criterion	Points
Employment Offer		Required
Plus...		
Nationality	USA, JAP, CAN, AUS, NZL, ISR	40
Labour Market Test	Approval from the Employment Service	60
Labour Market Test Exemption	Shortage List	60
	German Secondary Instruction	25
	German University diploma	55
Occupational qualification level	Corresponds to at least 3 years of tertiary	50
	IT qualification corresponding to a tertiary diploma	50
	German vocational diploma	50
Terms of job offer	Job matching occupational qualification	45
Public Interest	Employment in <u>medium-skilled</u> occupation of public interest	100
Total points required to qualify		100

Note: The table does not reflect the introduction in 2012 of the EU Blue Card or the possibility for those with a German vocational degree to acquire a work permit, nor does it include the permanent residence permit issued under §19.

Source: OECD Secretariat analysis of German legislation in force in 2011.

Annex C

OECD/DIHK Employer Survey

Background information

1. Is your company part of a multinational enterprise?

- a) yes
- b) no [Filter → go to question 3]

(Filter: Only if question 1 = a)

2. In which country is the headquarter of this enterprise located?

Country list with Germany on the top

3. In which state is your company's German head office located?

List with the 16 German States

4. How many workers does your company employ in Germany?

- a) 1-9
- b) 10-24
- c) 25-49
- d) 50-99
- e) 100-499
- f) 500-4 999
- g) more than 5 000

5. What is the main Sector of activity of your company?

- | | |
|----------------------------|---|
| Mining and Quarrying | B |
| Manufacturing | C |
| Energy Supply | D |
| Water supply | E |
| Construction | F |
| Wholesale and retail trade | G |
| Transportation and storage | H |

Accommodation and food service activities	I
Information and Communication	J
Financial and Insurance Activities	K
Real Estate Activities	L
Professional, Scientific and Technical Activities	M
Administrative and Support Service Activities	N
Public Administration	O
Education	P
Human Health and Social Work Activities	Q
Arts, Entertainment and Recreation	R
Other Service Activities	S

Questions to all employers:

6. How many job openings did you have to fill in the last twelve months?

- a) No job openings [Filter → go to Question 18]
- b) 1-3
- c) 4-10
- d) 11-20
- e) 21-50
- f) 51-100
- g) more than 100
- h) don't know

Filter (All with at least one job opening in the last 12 months (if 6!=a))

7. Did your company fill these vacancies with workers from the German labour market?

- a) yes, all [→ Filter: go to Question 18]
- b) yes, partly
- c) no
- d) don't know

(Filter: All, who did **not** fill all the vacancies with candidates from the German labour market (only if 6!=a & 7!=a))

8. At which level of qualification/skills did your company not fill these vacancies with workers from the German labour market?

Please indicate for which qualification level you could not find workers on the German labour market. Multiple answers possible, at least one answer required.

- a) highly skilled (University degree, technical college)

- b) medium skilled (technical/trades, apprenticeship)
- c) low skilled (without vocational or higher education)
- d) don't know

(Filter: All, who did not fill all the vacancies with candidates from the German labour market (only if 6!=a & 7!=a))

9. Did you recruit workers from abroad over the past twelve months?

- a) no
- b) yes, from the EU-27/EFTA
- c) yes, at least one from outside the EU-27/EFTA
- d) don't know

Question to employers who did not recruit workers from abroad

(Filter: All, who did not fill all the vacancies with candidates from the German labour market, but did neither recruit workers from abroad (if 6!=a & 7!=a & 9=a))

(Filter: only if Question 9=a)

10. For which reasons did you not recruit from abroad in the last twelve months?

Multiple answers are possible, at least one answer required.

- a) difficulties in establishing contact with candidates abroad
- b) candidates from abroad do not have sufficient German-language proficiency
- c) candidates from abroad lack qualifications/skills other than language
- d) difficulties in evaluating skills and qualifications obtained abroad
- e) not legally possible to hire from abroad
- f) process of hiring from abroad too complicated
- g) process of hiring from abroad too expensive
- h) lack of interested candidates
- i) foreign workers do not fit with our workforce
- j) other

[Filter: → Go on with Question 18]

Questions to employers who did recruit immigrants from outside of Germany

(Filter: All who employed workers from abroad only (if 9!=a))

11BC. How many workers did you recruit from abroad over the last twelve months?

Note: please state the total number of workers that you recruited from outside of Germany in the last two years.

- a) 1-3
- b) 4-10
- c) 11-20
- d) more than 20
- e) do not know

12BC. Through which channels does your company mainly recruit from abroad?

For each of the following channels, please state its importance in the recruitment process by assigning a number from 1 (not important at all) to 5 (very important).

- a) spontaneous applications sent by candidates from abroad
- b) intra-corporate transfers from abroad
- c) recommendations by employees,
- d) recommendations by friends or relatives
- e) recruitment fairs in origin countries
- f) European Employment Service (EURES*) / German Public Employment Service
- g) private employment agency or temporary employment agency
- h) advertisement on the internet (e.g. Monster.com)
- i) advertisement in newspapers
- j) internet-based social networks (e.g. XING, LinkedIn, Facebook)

*EURES is a co-operation network of the European Commission and the public employment services of the member countries to support the free movement of workers.

Questions to employers who did not recruit immigrants from outside of EU-27/EFTA, but from outside of Germany

(Filter: All companies who did not hire from outside the EU/EFTA (if 9=b))

13B. For which reason did you not recruit from outside of the EU-27/EFTA?

Multiple answers possible, at least one answer required

- a) difficulties in establishing contact with candidates abroad

- b) candidates from abroad do not have sufficient German-language proficiency
- c) candidates from abroad lack qualifications/skills other than language
- d) difficulties in evaluating skills and qualifications obtained abroad
- e) not legally possible to hire from abroad
- f) process of hiring from abroad too complicated
- g) process of hiring from abroad too expensive
- h) lack of interested candidates
- i) foreign workers do not fit with our workforce
- j) other

14B. Do you plan to resort to recruitment from outside of the EU-27 / EFTA*** over the next two years?**

- a) yes, definitely
- b) probably yes
- c) probably no
- d) no
- e) do not know

Questions to employers who did recruit immigrants from outside of EU-27/EFTA

(Filter: All who hired candidates from outside EU/EFTA (if 9 = c | d))

13C. For which reasons did you recruit from outside of the EU-27/EFTA?

Multiple answers possible, at least one answer required.

- a) couldn't find workers in Germany
- b) employees from abroad bring along specific skills that are relevant for the market (e.g. language skills)
- c) employees from abroad contribute to enhance the company's international profile
- d) employees from abroad are more flexible
- e) employees from abroad are less expensive
- f) other
- g) I don't know

14C. Compared with the regular recruitment process (of domestic workers), how long did it take, on average, from the time you decided to recruit from abroad until you disposed of him at the workplace?

- a) less than, or the same as regular recruitment procedures
- b) less than a month more than in regular recruitment procedures

- c) one to two months more than in regular recruitment procedures
- d) between two and six months more than in regular recruitment procedures
- e) more than six months more than in regular recruitment procedures
- f) do not know

15C. How long did each of the following processes take?

For each of the following, please indicate if the process took less than a month; between one and two months; more than two months or if you don't know.

- a) labour market test**
- b) visa issuance abroad
- c) practical aspects of moving to Germany (e.g. searching for a flat, opening of a bank account, registration for social security)

**mandatory formal advertising period in Germany before a worker from abroad can be hired

16C. Who supported you in the recruitment process?

Multiple responses possible, at least one answer required.

- a) exclusively own company services
- b) specialised external consultancy
- c) public support agencies (services of the federal employment agency, chambers of commerce)
- d) other
- e) I don't know

17C. How many of the workers whom you recruited from abroad over the past twelve months are currently still working for you?

- a) all [→ Filter: go to Question 18]
- b) some
- c) none
- d) do not know

[Filter: if 16!=a go to 17Ca. Otherwise, go to question 12A/14B/16C)

(Filter: If not all the workers from abroad are employed at the company anymore (17C!=a))

17Ca. Why did workers you recruited from abroad leave your company?

Multiple answers possible, at least one answer required.

- a) contracts ended

- b) language problems
- c) dissatisfaction with the performance of the worker (other than language)
- d) administrative obstacles for renewal of permit
- e) employee (s) left for another German employer after arrival
- f) employee (s) left Germany altogether
- g) problems with family reunification
- h) worker(s) dissatisfied with the salary and/ or working conditions
- i) other
- j) do not know

Question to all employers

18. Over the next five years, what development do you expect with regard to job openings?

Please indicate for each qualification level if you expect the job openings to decline, stay about the same, or increase compared to the present situation.

- a) highly skilled (University degree, technical college)
- b) medium skilled (technical/trades, apprenticeship)
- c) low skilled (without vocational or higher education)

(Filter: all except if (6=a & 18 a-c != increase) & 9=b)

18a. Do you plan to resort to recruitment from abroad over the next two years?

- a) yes, definitely
- b) probably yes
- c) rather no
- d) no
- e) do not know

19. In order to facilitate hiring from non-EU/EFTA countries, which of the following measures would be beneficial for your company?

Please state for each of the following options if it would be beneficial by assigning a number from 1 (not beneficial at all) to 5 (strongly beneficial).

- a) quicker labour market test (mandatory job advertising period in Germany)
- b) exemptions of some occupations from the mandatory advertising period (occupational shortage list)
- c) lower wage threshold for hiring without labour market test (currently EUR 66 000 p. a.)
- d) facilitated administrative procedures

- e) assistance (e.g. from the German administration or the Chamber of Commerce) in the administrative process
- f) support in establishing contacts with potential workers in origin countries (e.g. recruitment fairs)
- g) official internet website with information on labour migration to Germany
- h) image campaign for Germany in the countries of origin
- i) language training for employees after arrival
- j) allow qualified job seekers into Germany without a concrete job so that employers can hire them here without any extra paperwork
- k) allow the most qualified foreigners with a job offer to enter without a mandatory advertising period
- l) make it easier to recruit foreigners graduating from German universities
- m) facilitate family reunification

20. Other, not yet mentioned measures

If you can think of an additional useful measure, please specify here.

21. In your opinion, which of the following criteria should be considered in the selection of qualified labour migrants?

Please indicate the importance of each of the following options for the choice of labour migrants by rating on a scale from 1 (not important at all) to 5 (very important).

- a) qualification level
- b) having completed a course of study or vocational training in Germany
- c) age
- d) German-language skills
- e) English-language skills
- f) professional education in shortage occupation
- g) professional experience
- h) family status
- i) qualification of spouse
- j) number of children
- k) job offer

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Please cite this publication as:

OECD (2013), *Recruiting Immigrant Workers: Germany*, OECD Publishing.

<http://dx.doi.org/10.1787/9789264189034-en>

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2013

OECD publishing

www.oecd.org/publishing

ISBN 978-92-64-18900-3
81 2013 10 1 P

