

# G erman Immigration Policy: Current Challenges & Further Need for Reform

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## A Paradigmatic Shift

According to the OECD, Germany today has one of the most generous immigration systems in the world for skilled and highly skilled professionals. This is the result of nearly two decades of political reform. German immigration policy has been under reconstruction since 1998, when the Social Democrats and the Green Party formed a coalition government. The coalition brought an end to decades of standstill, laying the framework for a modern immigration policy. Reform of the nationality law was introduced in 2000, followed by the “green card” rule in 2001, and reform of the residency act in 2004. Despite considerable political divergences, in the end, all of the important political powers have participated in this process.

Now the “EU Blue Card” offers virtually unlimited immigration possibilities to highly qualified professionals, and foreign academics trained in Germany have easy access to the German job market. In addition, regulations on employment have also been overhauled so that skilled personnel trained abroad can also work in Germany if they meet certain criteria. Finally, “job-seeker” visas have been introduced, so that skilled and qualified persons can come to Germany to look for jobs.

## Still Unfinished Business

All of these reforms are welcome. But they must be supplemented, considering the demographic challenges facing Germany today. Certain elements are missing that are critical for a sustainable and comprehensive immigration policy. The most serious shortcoming is that nearly all of the current immigration regulations are driven by demand — that is, they are geared exclusively toward current labor market demand. Germany needs long-term immigrants for demographic reasons, however. Because of this, these regulations need to be augmented with human capital-based procedures, offering the possibility of immigration to well-qualified people who have not yet received offers of employment.

The need for reform is by no means limited to laws and regulations. There are also problems in the way improvements to German immigration policy have been communicated. For the most part, political players are still holding their immigration debate among themselves. A broader public discussion about the necessity of future immigration and its possible shape is not taking place.

Many small and mid-level businesses are missing the new opportunities to recruit employees abroad — either because they are unaware of the new rules or because they are wary of the time-consuming and often restrictive administrative exercise this involves, starting with the process of acquiring a visa. Finally, the reforms are not being noted outside of Germany, despite the government’s latest efforts to publicize the measures more effectively via the Internet and through increased dissemination of information to selected partner countries. For this purpose, the German Ministry of Economics has introduced the Internet portal “make-it-in-Germany.com”.

Finally, new paths must also be forged in immigrant integration policies. Issues related to integration need to be addressed more systematically in administrative activities as a whole. It is crucial to increase multiculturalism at the administrative level. But a genuine *Einwanderungsland* — a country of immigrants — needs more than this. Because integration takes place above all in businesses and in the neighborhood, no “welcoming culture” can come about without active engagement at the community level and within civil society as a whole. Here, too, government policy needs to shape the general framework, but civil society engagement is urgently needed, as well as more engagement of companies to foster the social integration of their employees.

The unfinished business of reform has resulted in a paradoxical situation. Germany has in the meantime come to offer good conditions for immigration, but it neither sees itself nor is it seen from the outside as a country of immigrants. If it is not swiftly counteracted, this weakness will become all too clear all too soon. Industrial countries with aging and shrinking populations are increasingly competing for qualified workers. There is a real risk that other countries that already enjoy a reputation for being friendlier to newcomers will attract the desired immigrants at Germany’s expense. The only conclusion to draw here is that the Federal government must continue its process of reform, strive for greater coherence in its immigration and integration policies, and actively canvas on behalf of its new policy both at home and abroad.

Obviously, Germany’s main competitive disadvantage is language. Although many medium-sized companies are now preparing for a more international work environment, German language knowledge is still often a precondition for successful labor market integration. Many labor market sectors still require German language skills. In this regard, German cultural organizations, especially the Goethe Institute, must play a greater role in advertising Germany as a good

place to live and work, for example by providing sufficient opportunities for pre-departure language training.

### It's All Demography

Compared to other industrial states, Germany's population is shrinking and aging especially quickly. According to the Federal Statistical Office, the German population could (under the assumption of an average net immigration of about 100,000 persons per year) shrink by 500,000 persons each year till 2050. With regard to the labor force, Germany is one of the few OECD member countries in which its size has already become smaller.

For the time being, there is no nationwide skills shortage. But there are some regions and occupations with shortcomings, especially in the healthcare, engineering and hospitality sectors. It is to be expected that these shortages will worsen over the next few decades, especially because the ongoing aging of the population will increase the demand for qualified nursing as well as for household services. According to the Ministry of Economics, there was in April 2014 a shortage of 117,300 skilled workers alone in technical occupations. By 2020, the shortage of skilled workers is likely to add up to 1.4 million people.

Only in Japan and Italy is the demographic situation more dramatic. This trend will continue in the coming decades, with serious economic, social and political consequences. At the same time, political opportunities for action are limited. The demographic shift cannot be prevented and certainly cannot be reversed. At best, adjustments are possible.

### Poor Political Responses

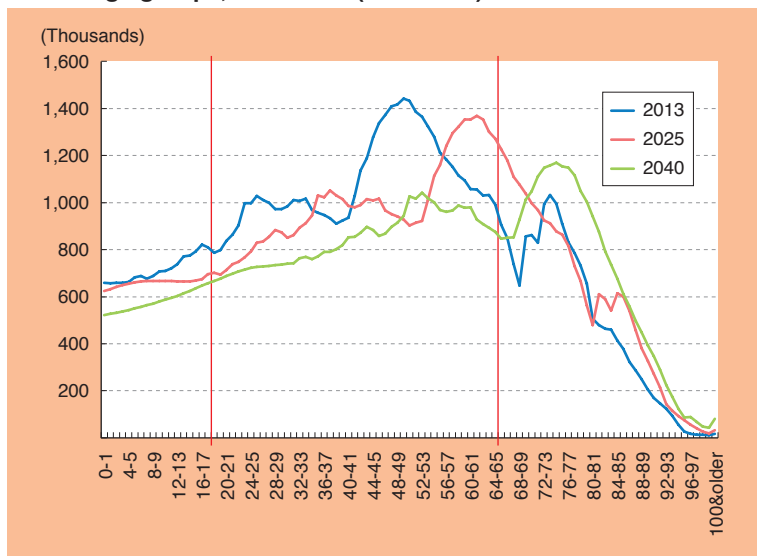
The extent and consequences of the demographic shift have long been known, but the political efforts to stem its negative effects have neither been planned for the long term nor designed in a way that is comprehensive enough. Up until now, the role of immigration has been seen as merely subsidiary. This is also true of the Federal government's most recent initiatives: the Chancellor's Summit on Demography and the campaign to recruit skilled personnel, the Federal Skilled Workers Concept, both introduced in 2011. Here the discussion has focused on ways of better capturing the potential of the domestic workforce, particularly among the unemployed, women, older citizens, and underemployed persons with a migration background. Migration to Germany is viewed merely as an additional, subordinate option. This is insufficient.

When one gives real scrutiny to the potential workforce, it becomes apparent that — even on the assumption that productivity in Germany will continue to grow — considerably more immigration is going to be needed in the future to at least dampen the impact of a declining and aging population as well as to safeguard growth and prosperity and guarantee the care of the rapidly growing number of senior citizens. It goes without saying that extending opportunities for immigration is a sensitive political topic. Many in the domestic population are fearful of being crowded out, of artificially low wages ("wage dumping"), and of further strains relating to different attitudes, for example toward religion and lifestyle. This is the case with almost all societies marked by immigration. Certainly such largely unwarranted fears can be countered with appropriate information. In other respects, a comprehensive and effective integration policy is absolutely crucial.

On a fundamental level, immigration policy must balance extremely different and in some cases contradictory economic and social interests. Immigrants, moreover, will not come of their own accord. They must be attracted, and this requires — as mentioned above — a welcoming culture and a correspondingly appropriate integration policy. Such a welcome must be available not only to permanent immigrants but also to those who only plan to live in Germany for a limited amount of time. With regard to all these points, Germany is competing directly with other industrial states that in some cases offer more attractive terms of admission.

In view of these challenges, a coherent, long-term immigration policy that also remains consistent with European policy is needed to respond not only to Germany's needs but also to protect the interests of the migrants themselves as well as their countries of origin. Work is particularly recommended in six areas: insert supply-side elements in labor migration, better communicate policy strategies, increase policy

CHART  
**Germany's shrinking work force**  
 Size of age groups, 2013-2040 (estimated)



Source: Holger Schaefer, Cologne Institute for Economic Research (IWF), German Federal Statistical Office

coherence, introduce institutional reforms, strengthen migrants' rights, and foster intra-EU labor mobility.

### **Human Capital Approaches**

The current German immigration regulations are oriented toward demand and should be supplemented with supply-side regulations, particularly through a points system. A method of this type offers opportunities for immigration to people whose qualifications lead one to assume that they will easily integrate themselves into the workforce. The criteria of such a "points system" must be regularly examined and redefined. Some "classic" immigration-friendly countries such as Canada have already benefitted from such systems. Because they are geared toward permanent immigrants, moreover, points systems have an important symbolic function: they signal both internally and externally the fact that the country both needs and welcomes immigrants.

On a basic level, one must ensure that different immigration regulations are interconnected and that they complement each other. Of particular importance is the need to ease transitions between the various types of residencies (short-term or permanent, qualified or highly qualified). Overall, an immigration system should come about "all of a piece", with regulations that are simple, cheap, comprehensible, and easy to apply.

### **Communication Strategies**

It is not enough to pass new laws and regulations. The recent opening up of immigration policy needs to be communicated to the public in Germany and internationally. The Federal government should more actively promote the new immigration policy, referring to the demographic shift currently underway in Germany, the need for international competitiveness, and the contribution of immigrants to German prosperity and development. In doing so, it should target businesses and trade unions in particular. A welcoming culture can only come about when the local population is convinced that immigration is in its own interest and when it understands integration to be not only the task of government and the workplace but also something that it must contribute to as well. Here it is possible to conceive of numerous civil initiatives and programs, particularly at the community level, that should receive official support. Publicizing the new policy abroad deserves the same attention. In this regard, it would be advisable to launch information campaigns within particular countries for the purpose of informing potential immigrants about the legal situation, job possibilities, and life in Germany. This requires capable contact institutions and people to whom those willing to immigrate can turn for more information.

### **Policy Coherence**

We must deliberate on the matter of migration in a different way

and strive for greater coherence with other policy branches, particularly with development policy. One of the insights of migration research is that modes of migration are becoming ever more diverse. What was originally planned to be temporary migration becomes a long-term relocation; conversely, plans to immigrate permanently may turn into short-term migration. For this reason, immigration policy should aim to encourage mobility — that is, offer migrants opportunities to realize their plans, even when these plans change over the course of time. In terms of the effects of migration on development in the countries of origin, it is important to acknowledge that migrants, by transferring funds back to their countries of origin, are responsible for a greater development contribution than the combined sum of all official development assistance (ODA) by industrial nations. The World Bank estimates that these are three times that of such ODA and will probably reach \$454 billion by 2015.

Such positive effects on development do not come about on their own but rather only when the arrangements between the host country and countries of origin are fair — that is, when migration is well regulated, measures are taken to avoid a "brain drain", the rights of migrants are protected, and migration is accompanied by sensible development policies. Such policies include advising the countries of origin on migration policy, easing restrictions on money transfers, strengthening the diaspora community, encouraging organizations of migrants in the host country, and supporting their engagement in development policy. Germany can draw on extensive experience and capabilities in all of these areas.

In addition, policy coherence also relates to a better combination of labor migration and asylum policies. For the time being, refugees are facing substantial hurdles with regard to labor market access. Often they are due to missing legal opportunities and being held for years in a kind of legal limbo, completely dependent on public financial assistance without any chance to work and to organize a decent living on their own — even if a return to their home countries is obviously impossible. This policy is inhuman and expensive, and, in addition, the skills and professional potentials of refugees are simply not used. Here, a paradigmatic shift in asylum policy is needed, offering integration policies to refugees right from the beginning of their stay in Germany.

### **Institutional Reforms**

Greater policy coherence also calls for institutional reforms. In particular, there is a need to clarify the questions of how and which departments should come to an agreement in shaping migration policy, who should be in charge of coordination, who controls the resources to support migration and integration, and how agreement can take place at the European level. Here institutional reforms and changes in responsibilities must lead to greater effectiveness, transparency, and visibility of government efforts. From this perspective, more thought should be given to the Federal

responsibilities in the ministries and their subordinate agencies. Here important responsibilities should be delegated to robust and appropriately equipped ministries.

In general, migration and integration challenges have become so important that policy coordination must be brought to a higher level. In 2014, the Federal government installed an *ad hoc* inter-ministerial working group which developed in short time a coherent approach to deal with the increasing immigration from Eastern European countries. More recently, some Federal ministries introduced a standing inter-ministerial working group of secretaries of state to deal with migration issues in general. This approach should be strengthened and should be extended to all relevant ministries, as well as state (*Länder*) and civil society representatives. The whole process should be chaired by the Federal Chancellery.

### Migrants' Rights

Immigration can only bring about positive social effects when marginalization, exploitation, and discrimination on the job market are prevented and the rights of immigrants are upheld. Many migrants continue to experience intolerable working conditions in Germany, not only in businesses but also in private households. The introduction of minimum wages could help prevent conditions of exploitation. So would harder punishments for criminal and exploitative employers as well as stringent monitoring. In order to do this, however, it is essential to create personal and financial preconditions. It is furthermore important to prevent circumventing workers' rights through pseudo self-employment and the abuse of contracts.

### Intra-European Migration

In recent years, immigration to Germany has strongly increased. In 2013, Germany registered a net immigration of 400,000 persons — the highest immigration level for 20 years. However, this immigration is largely stemming from other European countries, with about two-thirds of immigrants from Europe.

Nevertheless, in response to varying economic prospects within the different EU member states, intra-European mobility needs to be further strengthened. This includes active recruitment of workers from countries that are currently experiencing a sluggish job market. There is still a great potential here for reducing the burden of other EU countries.

In this context, interaction with immigrants from poorer EU states, at the moment particularly from Bulgaria and Romania, is a particular challenge. This immigration is wrongfully dismissed across the board as “poverty migration”. In fact it is as multilayered as immigration involving other recent accession countries, and it, too, involves many qualified individuals. It is essential to continually point out that freedom of movement is a right that applies as much to Bulgarians and Romanians as it does to all other EU citizens. It is

crucial to counter the notion of a “two-tiered” Europe. A special problem for many local municipalities is the influx of members of the Sinti and Roma communities, many of whom face enormous discrimination in their home countries. Local communities in Germany, in facing this challenge, must receive special support from the Federal government and individual states. Bettering the living conditions of Sinti and Roma in their countries of origin is a task for all of Europe to address.

### Perspectives: Towards New Recruitment & Integration

Due to the growing demand for foreign workers and immigrants, some German ministries, especially the Ministry of Economics and the Foreign Ministry, have recently commissioned government agencies to set up pilot projects to explore new avenues for future skilled labor recruitment. These include pilot projects in Asia and North Africa that provide pre-departure training in their home countries.

As part of the projects, local advisers promote the new German immigration regulations and support, for example, graduates with technical degrees who are interested in migrating to Germany. They work closely with German institutes that are based locally, particularly foreign missions. These pilot projects can serve as models on how to organize a fair and cooperative migration scheme that benefits Germany, the home countries, and of course the migrants themselves (“triple-win”). To collect the experiences necessary for larger coherent migration programs, the number and the size of such pilot projects should be extended.

All in all, despite the efforts and successes of the past years, reforms made thus far to German immigration policy remain insufficient. Massive demographic change within the country can only be offset by a new policy of recruiting. This must differ markedly from previous efforts to recruit “guest workers” and aim to attract long-term immigrants to the country. A robust campaign to inform the public both inside and outside the country is needed. This improved immigration policy must be complemented by a policy of integration, especially also for refugees and asylum seekers, one that aims from the very start to improve immigrants' opportunities for participating in all economic, civil, cultural, and social aspects of life in Germany. Considering the need for further immigration, all political omens bode well for continuing in the spirit of past reforms.

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