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## Labour Market Information for Migrants and Employers: The Case of Germany

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# **Labour Market Information for Migrants and Employers: The Case of Germany**

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Improving Access to Labour Market Information for Migrants and Employers.”*

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## **Summary of Main Findings**

1. German firms in general do not perceive increased international recruitment activities as an important instrument to counteract the imminent shortages of skilled labour. This is the case even though many firms already have experiences with the recruitment of foreign workers.
2. Despite recent improvements, firms rate Germany's immigration policy among the primary restraints preventing them to intensify foreign recruitment activities. This appears to be particularly relevant in SMEs.
3. Although still following a comparatively passive approach towards the recruitment of foreign workers, Germany has experienced an increase in net immigration in recent years. This seems related to the country's relatively good performance during the Great Recession as immigration rates from countries that were severely affected by the crisis particularly increased.
4. However, sending countries are still primarily European countries, and more specifically EU countries. Third countries play no major role. We identify informational barriers as important restraints for prospective immigrants that are especially relevant for those from third countries.
5. Germany still lacks a uniform and comprehensive approach for providing prospective immigrants the necessary information to prepare their move. Nevertheless, progress is being made, for example with the new online platform "Make it in Germany" or the FMLS campaign to recruit international specialist that will start in 2013.
6. Above-average unemployment rates of resident immigrants in Germany appear to be mainly due to barriers in the access to jobs. Immigrants need more time to find employment, but they do not find less stable job than the native population.
7. Although the empirical evidence on whether ALMP (Active Labour Market Policy) is able to mitigate immigrants' problems in the access to jobs is scarce, measures that directly target at the job search process as well as start-up subsidies appear promising. Employment subsidies, on the other hand, should be treated with caution since their positive effects appear to be mainly based on prolonged employment durations and not on increased hiring rates.
8. Preliminary findings point at the potentials of improved systems for the assessment and recognition of foreign qualifications as well as of anonymous job applications, but further research is needed to exactly quantify the effects on resident immigrants' access to jobs.
9. Immigrant children face two main barriers in Germany's education system. First, their on average more disadvantaged family background results in on average lower education outcomes. Second, immigrant children are less likely to enter the dual system even with the same amount of schooling than natives. Conditional on passing the dual system, however, they are as successful in the labour market as their native peers.
10. Although we identify some scope of ALMP to mitigate some of these problems, the appropriate policy interventions would have to occur in the education system and in the access to the apprenticeship system.
11. Germany has recently made steps towards a more labour-oriented immigration policy. However, this has not been adequately recognized internationally. The country therefore still does not manage to attract qualified immigrants in sufficient numbers, especially not from third countries.
12. A more transparent and open immigration system could be more actively promoted. Within such a system, it is possible to address many of the barriers and obstacles employers and prospective immigrants currently face. A point system appears as one feasible and attractive option.
13. Throughout our assessment, the language barrier appears as one of the most important obstacles to increased levels of skilled labour migration. Recent initiatives (such as the FMLS campaign) take this barrier better into account by providing pre- and post-migration language courses.

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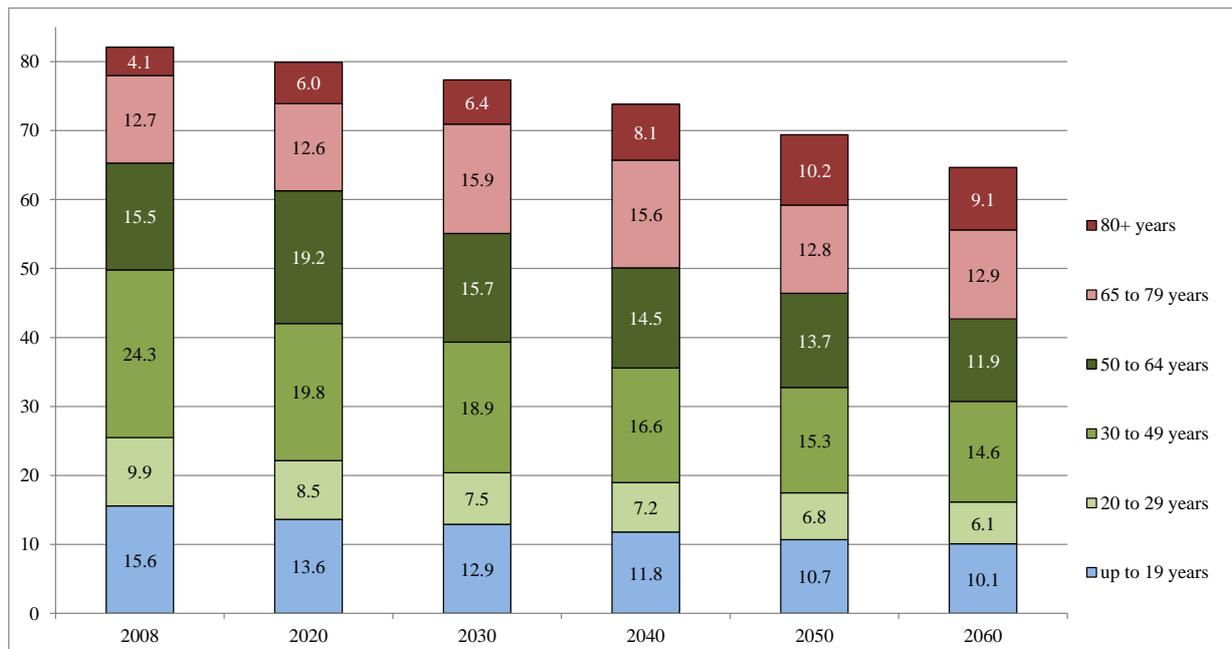
## 1 Introduction

In contrast to many other developed economies, Germany's labor market responded only mildly to the Great Recession. Although the country has been hit relatively hard by the crisis in terms of GDP, the recession has never translated into an employment decline. Similarly, the unemployment rate has remained largely unaffected. Rinne and Zimmermann (2012) explain the German success story during the Great Recession by an improved functioning of the country's labour market (due to labour market reforms also known as Hartz reforms), the specific nature of the crisis in the German context (mainly export-oriented companies were affected), as well as the concrete policy responses in this critical period (e.g., the extension of short-time work).

Moreover, Germany's remarkable resilience to the Great Recession appears to be related to the expected shortages of skilled workers in the economy. This is also the case in two other economies that have gone through the crisis without a significant rise in unemployment: Austria and the Netherlands. This suggests that the combination of (at least) three features seems to be related to successfully navigating through the crisis. Germany, the Netherlands and Austria experienced a transitory shock in external demand; the three countries are expected to face long-term shortages of skilled workers; and they had short-time work schemes available during the crisis. While the former two features create incentives to follow a strategy of labor hoarding, short-time work is a relatively attractive instrument to sustain such a strategy (Rinne and Zimmermann, 2012; Brenke et al., 2011).

The expected shortages of skilled workers have therefore been an important factor why German firms had a strong interest in retaining their qualified workforce in the Great Recession. However, the ageing population, the declining size of the workforce, and increasing shortages of skilled labour will pose enormous challenges in the future. Figure 1 illustrates this development. The Federal Statistical Office (2009) estimates a drastic decrease in the size of the German labour force until 2060. Compared to 2008, the population aged between 20 and 65 years will shrink by about one third. During the same period, the population aged 80 years and older will more than double.

**Figure 1: Development of the German Population by Age Group, 2008-2060.**



Notes: In million persons. Based on a constant fertility rate and a net immigration of 100,000 persons per year.

Source: Federal Statistical Office (2008).

Against the background of these demographic trends, what is the extent to which the German labour market is currently experiencing shortages of skilled workers? And what is the outlook for the medium-term? Admittedly, most scholars and policymakers agree that labour shortages are not easy to measure. However, some studies have performed this ambitious exercise. For example, Zimmermann et al. (2002) estimate labour shortages for specific occupations. They calculate Beveridge curves for the period from 1980 to 1995 for forty occupational groups in Germany and find indications of shortages in the early 1990s for engineers, stone masons and technicians, persisting until 1995 for health-related occupations. Similarly, a more recent study analyses the labour market of engineers and finds that in 2009, there was a shortage of about 34,200 engineers, and the economic cost in terms of missed value added was estimated to be about 3.4 billion Euros (IW, 2010a). Additionally, the shortage of engineers in Germany is projected to increase by 48,300 people per year from 2023 until 2027.

When considering the medium-term outlook for the German labour market, a number of studies agree that shortages of skilled workers will broadly affect the economy starting in 2020 (e.g., Bonin et al., 2007; Börsch-Supan and Wilke, 2009; Fuchs et al., 2011). By then, the effects of population ageing and a shrinking labour force will fully unfold. According to a recent projection by Helmrich et al. (2012), the number of employed will be exactly as high as the size of the labour force in 2030. This, of course, implies massive shortages of skilled workers in a number of sectors of the economy. Helmrich et al. (2012) identify the following sectors as particularly affected: a) hotel, restaurant and cleaning, b) health and care, c) logistics and security, and d) manufacturing and engineering.

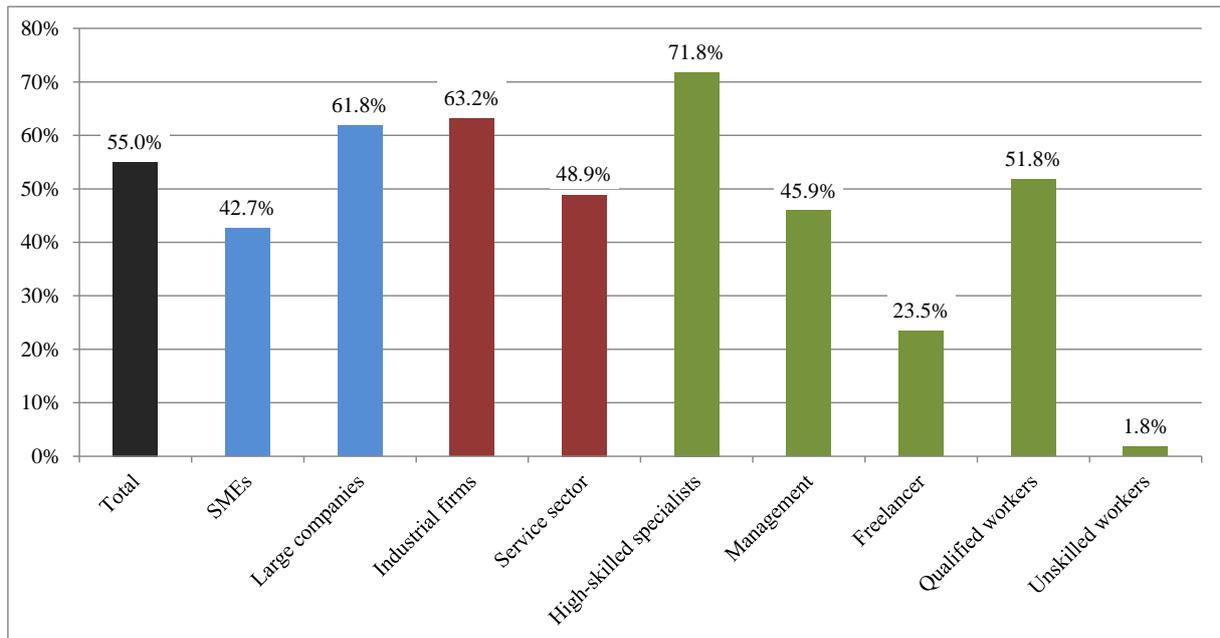
Constant and Tien (2011) discuss different ways to increase labour supply in Germany. They also describe the roles that different institutional actors play in this context. Obviously, there are a number of ways of how the domestic labour force could be activated more strongly. These options include increasing the working hours per employee, increasing the retirement age, and increasing the female labour force participation rate. However, these options (or their combination) are very likely not able to fully compensate the massively shrinking labour force. Experts therefore agree that, at least in the medium and longer run, immigration to Germany has to increase to mitigate some of the negative consequences of demographic change (Sachverständigenrat, 2011).

However, and even with the growing and alarming demographic challenges, the country's labour immigration system is underdeveloped. Constant and Tien (2011) summarize that until the early 2000s, the German government has not openly and officially recognized the country as a *de facto* immigration country. The labour market reforms that started in 2003 opened up room for a new immigration debate. In 2005, a new Immigration Act entered into force and only since then, Germany's immigration policy has been gradually oriented toward labour immigration of high-skilled foreign workers. Still, improvements are necessary to attract foreign qualified workers in sufficient numbers.

Recent legal changes and amendments to existing laws (such as the Labour Migration Control Act which came into force on January 1, 2009) are steps into the right direction. However, Germany's immigration policy lacks important elements such as, for example, a component of qualitative control and selection. It furthermore suffers from bureaucracy and a lack of transparency. Besides (and because of) its complexity, it is internationally not recognized and understood, and it thus fails to reach potential immigrants in their home countries. Hinte et al. (2011) therefore highlight that policy makers and other stakeholders should be aware of at least two important aspects in the context of the German immigration debate. First, immigration policy needs to be tailored to the needs of prospective migrants. It additionally requires some marketing effort to attract qualified workers in the global competition. Second, Germany still suffers from its failures in the past. For various reasons, Germany is not among today's most popular immigration countries. This, in turn, makes the country even less attractive for future immigrants. Irrespective of any policy changes, it is therefore not possible to attract a large number of qualified immigrants in the short run.

Despite of these deficiencies in the institutional framework, a survey conducted in 2008 revealed that more than half of the German companies already have experiences with recruiting from abroad (see Figure 2). Recruiting foreign workers is more common in large companies with more than 1,000 employees, while it is less often used in SMEs. This might be related to the sectoral distribution of international recruitment since it is more common in industrial firms than in firms operating in the service sector. Furthermore, firms use international recruitment channels relatively more often to hire high-skilled specialists in areas such as IT, R&D and sales (IBE, 2008).

**Figure 2: Companies' Experiences with International Recruitment, 2008.**



Notes: Fraction of companies who report experiences in international recruitment in a survey of 309 decision makers conducted in 2008.

Source: IBE (2008).

What are the reasons why firms currently recruit from abroad? Firms most frequently state that they do so because they operate internationally (77.1 per cent of all firms state this reason; IBE, 2008). The second most frequently stated motivation is that their operations require intercultural competencies (54.4 per cent). A lack of qualified native workers ranks only as the third most important motive (41.2 per cent). As most firms (75.3 per cent) moreover indicate to that they do not follow a strategic approach towards international recruitment and rather appear to recruit foreign workers on an *ad hoc* basis, it seems that the majority of firms not (yet) reacts to shortages of skilled labour by recruitment from abroad. If firms currently recruit from abroad, they recruit most frequently from Eastern European countries, from German-speaking countries and from the United Kingdom.

The remainder of this report is organized as follows. Chapter 2 addresses the patterns of access, use and perception of labour market information by employers and prospective immigrants in the context of recruitment from abroad. Chapter 3 describes similar issues from the perspective of immigrants already residing in Germany. Finally, Chapter 4 summarises the main findings of our previous analysis and derives policy recommendations.

## 2 Recruitment from Abroad

This Chapter analyses the patterns of access, use and perception of labour market information by employers and immigrants in the context of recruitment from abroad. We mainly focus on third-country nationals. Furthermore, our analysis is done in two parts. First, we consider the demand side, i.e., we investigate the above mentioned issues from the employers' perspective. Second, we focus on the supply side, which is the perspective of prospective immigrants to Germany.

### 2.1 Employers' Perspective on the Demand Side

To secure qualified workers in the future, firms may intensify their international orientation and their international recruitment activities. However, firms do not think that these two channels are important instruments against the imminent labour shortages in Germany. Only 23 per cent of all firms plan to intensify their international orientation in the future, whereas just about 10 per cent plan to intensify their recruitment activities from abroad (Bahrke et al., 2011). Interestingly, all other items that are included are regarded as being more important instruments. These items include a positive employer branding, training and further education, intensified apprenticeship programs, cooperation with schools and universities, work-life balance, financial incentives and outsourcing.

This could, of course, be related to the fact that employers are not aware of the legal immigration channels for recruiting employees from third-countries. However, employers appear to be in general aware of these channels. As shown above in Figure 2, more than half of German firms have some experience with international recruitment. But awareness is higher in larger firms than in SMEs.

Public initiatives have been started that should further raise firms' awareness of the legal immigration channels. For example, against the background of the expected shortages of skilled workers, the Federal Ministry of Economics and Technology (FMET) initiated a platform to safeguard specialist workers.<sup>1</sup> Although firms in urgent need of highly skilled professionals are also encouraged to consider falling back upon university graduates and to rely on senior workers' experience, a significant value is put on the option to recruit immigrants from abroad. Especially those employers that may have hardly any experience with recruitment from abroad (e.g., SMEs) are provided with a checklist of measures to be taken when announcing vacancies internationally, and which institutions to ask for consultation. However, this platform does not play a direct role for the employment match. It is therefore not possible for employers to advertise their vacancies and prospective workers cannot post their CVs. Instead, employers are provided with an overview of potential recruitment channels, including public recruitment channels, online job platforms, print media, career fairs, and university cooperation. For most of these channels, information is available about how to use these channels in practice, and also about institutional contacts to ask for further consultation.<sup>2</sup>

As one example of such an institution, the International Placement Service (ZAV) of the Federal Employment Agency serves as a contact for both employers and employees that are interested in international recruitment. As part of its services, the ZAV offers placement services in Germany for employers seeking workers from abroad as well as for German employers. Although the ZAV offers in principle worldwide services, its primary focus is on EU countries and EU citizens since it is part of the European Employment Services (EURES).

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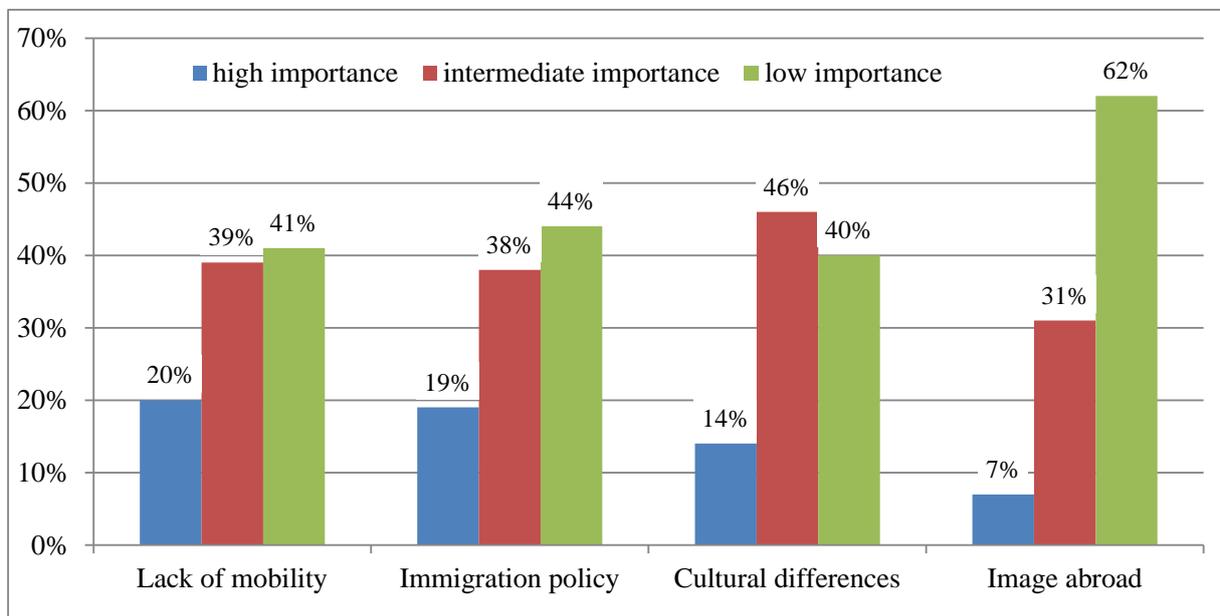
<sup>1</sup> The platform <http://www.kompetenzzentrum-fachkraeftesicherung.de/handlungsempfehlungen/fachkraeftefinden/rekrutierung-aus-dem-ausland/analyse-und-vorbereitung/> offers detailed information on the preparation stage, the country selection and the implementation stage (last accessed on October 22, 2012).

<sup>2</sup> Besides of the information provided directly online, a (downloadable) information brochure is available (FMET, 2012). This publication contains in some cases even more detailed information. For example, employers are referred to <http://www.stellenboersen.de/stellenboersen/international/>, where country-specific online job platforms are listed (last accessed on December 4, 2012).

In contrast to public initiatives, when German employers' associations try to address expected shortages of skilled labour, they rather neglect the option of intensifying international recruitment activities. Instead, they advise to focus on mobilizing internal capacities with measure such as on-the-job training and long-term commitments with experienced in-house specialists (BVMW, 2011a).

The reluctance of intensifying international recruitment appears related to the fact that the legal framework guiding immigration to Germany is perceived as an important barrier to international recruitment by many firms. Figure 3 displays the importance of potential obstacles for employers to recruit workers from abroad. Germany's immigration policy is rated among the primary restraints. About 20 per cent of all firms perceive it as a very important barrier to recruit from abroad. A similar rating is only obtained for a lack of mobility, whereas cultural differences and Germany's image abroad are perceived as less important restraints. These figures are based on an online survey of German companies focusing on trends in human resources three times a year. About 3,000 companies provided information in 2010. Bahrke et al. (2011, pp. 141-144) contains more details.

**Figure 3: Employers' Restraints to International Recruitment.**



*Notes:* In per cent of all surveyed firms, weighted according to number of employees.

*Source:* Bahrke et al. (2011, Table 5-15).

When the legal framework offers no opportunity for immigration, or such an opportunity cannot be identified, immigrants may illegally enter the country or take up irregular employment. However, the extent of illegal immigration to Germany is hard to measure. Although some indications can be derived from recordings of deaths, births and marriages of previously illegal residents with legal citizens, the measurement has become even harder since the Schengen zone has been introduced. Available estimates suggest that the illegal immigrant population in Germany is between 500,000 and 1,000,000 individuals (Sinn et al., 2005). Similar reservations have to be placed on estimates of the size of the German shadow economy, but available data indicates that it has decreased from 17.1 per cent of GDP to 13.4 per cent during the last 10 years (IAW, 2012). This decrease can at least partially be explained with economic growth and decreasing unemployment rates, that should both also affect irregular employment of illegal immigrants. Available statistics on irregular employment pattern in this group suggest a concentration in particular sectors (such as construction, hotels and restaurants, cleaning, agriculture etc.), private households, SMEs and urban areas (Deutscher Bundestag, 2000).

In the current legal framework, international jobseekers who are EU citizens do not require any permission to work in Germany. An exception are Romanian and Bulgarian nationals with low and intermediate skills, for whom such a document is still required. For granting this permission for one year, the ZAV generally demands the employer to provide a valid labour contract. Should the employee have worked in Germany for one year, his work permission automatically extends to an unlimited time period. No further costs arise; only the processing time of approximately four weeks has to be taken into account. Whereas the application for a work permit must be filed at the ZAV, non-EU labour migrants from third countries, except if they are from Liechtenstein, Iceland, Norway and Switzerland, also need to possess a residence permit. This document can be applied for already in the country of origin's German embassy, i.e., without involving the prospective employer. In this process, the ZAV has set criteria in terms of country of origin and skill level. Specialists who can provide recognised international qualifications or whose annual income will exceed 44.800 Euro receive the so-called "Blue Card" (or 34.944 Euros for specialists in occupations such as mathematics, IT, natural sciences and engineering). The Blue Card allows to enter the German labour market more quickly.

However, in particular SMEs may not entirely benefit from the Blue Card's introduction. SMEs have in comparison to larger German companies a relatively stronger demand for worker with low and intermediate skills who do not fall under the Blue Card regulation. Hence, those workers still have to be informed about a specific vacancy in a firm before they can initiate the application process for a residence permit. In combination with the rather limited scope of SMEs to reach international job seekers, this might lead to stronger barriers for SMEs to hire workers from abroad. However, the EURES and its sub-institutions such as the ZAV have recognised this problem and financially support SMEs who recruit international workers (European Commission, 2012). The support is, however, limited to specific occupations (e.g., IT specialists, engineers, physicians, nurses), to workers with an EU citizenship who are between 18 and 30 years old, and to SMEs with less than 250 employees. Supported workers have to be employed for at least 6 months and only workers who are hired in the context of bilateral agreements within the EURES network are eligible. This implies that in the current German context, only workers from Bulgaria, Greece, Portugal and Spain qualify. Once all these conditions are met, financial support can take the form of travel and relocation subsidies as well as sponsored (pre- or post-migration) language and integration courses.<sup>3</sup>

The different legal framework for prospective international employees, among other things depending on skill level and occupation, suggests that firms may chose different approaches and channels to recruit workers from abroad. This argument is supported by a study examining different recruitment channels that firms use when they hire apprentices. Results suggest that these patterns substantially differ with firm size. Whereas larger firms more often play an active role in searching for trainees, SMEs lack the required financial resources and thus take a rather passive approach. Often, they only respond to applications they receive (BIBB, 2010b).

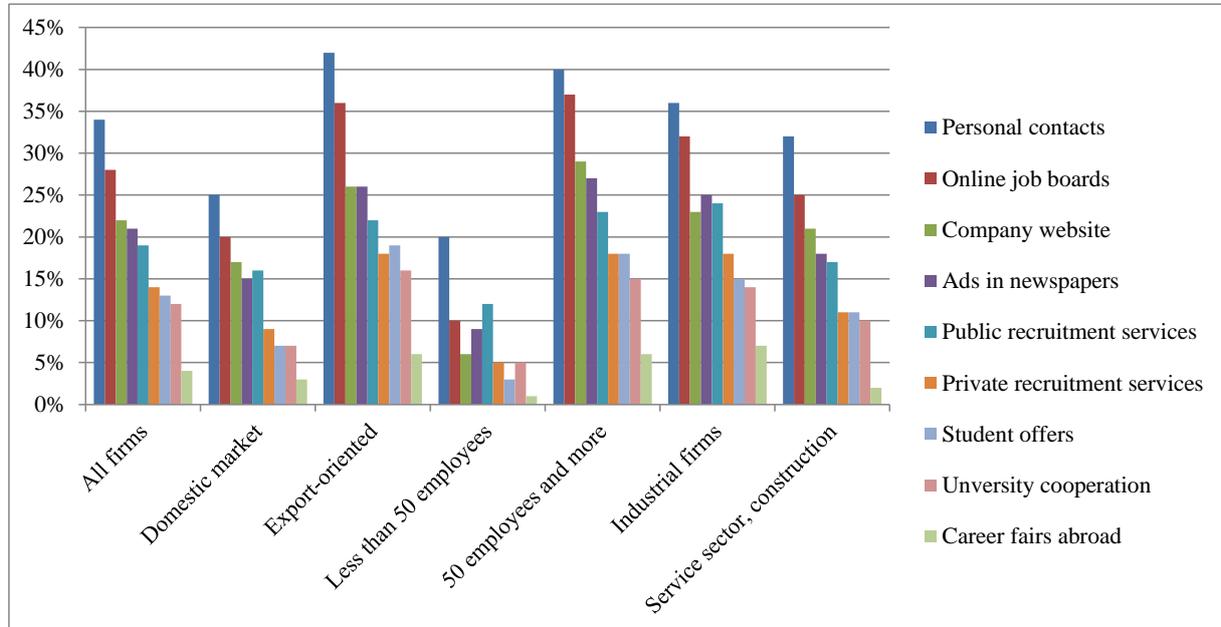
Similar findings can be drawn from the pattern of international recruitment. Figure 4 displays the success rating of different international recruiting channels by firms in the federal state of Baden-Württemberg. Accordingly, personal contacts are perceived as the most successful international recruitment channel, followed by online job boards and the company's website. When differentiating between firms oriented towards the domestic market and export-oriented companies, between firms with less than 50 employees and larger firms, and between industrial firms and firms in the service sector and construction, notable differences become apparent. For instance, export-oriented firms rate all international recruitment channels as more successful than firms that are geared towards the domestic market. There are also differences in the ratings of industrial firms and of firms in the service sector and construction, but these differences are relatively small. In stark contrast, ratings enormously differ by firm size. Whereas larger firms rate most international recruiting channels as relatively

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<sup>3</sup> Financial support amounts to a maximum of 890 Euros per month and per employer, see <http://sgad.de/aktuelles/einzelansicht/finanzielle-foerderung-fuer-auslaendische-fachkraefte-und-kleine-und-mittlere-unternehmen-kmu-durch-die-zav/047f7d0e8d377624fe7073c1baf19526> (last accessed on October 22, 2012).

successful, firms with less than 50 employees perceive basically all channels as rather unsuccessful. Personal contacts and public recruitment services stand out as two notable exceptions. These two channels are rated as relatively successful, yet less successful than in larger firms.

**Figure 4: Employers' Success Rating of Different International Recruitment Channels.**



Notes: In per cent of all surveyed firms, weighted according to number of employees.

Source: Bahrke et al. (2011, Table 5-13).

In contrast to other Western European countries such as the United Kingdom, private recruitment agencies are only of secondary importance for German firms. Private head-hunters are recommended to contact when trying to fill very specific vacancies that require highly-skilled specialist workers. But for the most part, employers' associations recommend making full use of the wide variety of public job provision platforms or the increasingly available international online recruitment platforms. Aware of this tendency that German firms are rather reluctant to outsource (parts of) the hiring process, the FMET has introduced an information platform about foreign educational systems, covering the full range from elementary schools to university and higher education. This condensed information should contribute to a less time-consuming and more reliable assessment of foreign qualifications.

SMEs have less experience with the recruitment of foreign workers, they may not entirely benefit from the Blue Card's introduction and they perceive basically all international recruitment channels as rather unsuccessful. SMEs clearly face a scale disadvantage. Although these firms employ in total the majority of the labour force, because of their relatively small individual staff size, they are less experienced in filling vacancies with workers from abroad than large and often internationally operating companies. They are therefore also less aware of successful strategies and sources to recruit workers – this holds in general and not only for foreign workers. According to a recent survey, 89 per cent of German SMEs have problems in finding employees who appropriately match their vacancy profiles (BVMW, 2011b). About two thirds of SMEs state that they generally receive too few applications, and roughly one third explains their recruitment problems at least to some extent with other people's low awareness of their company (IW, 2010b). Whereas problems are already present in the domestic market, they are even stronger when recruiting foreign workers. SMEs also state that they lack experience in successfully integrating workers from abroad, and in particular low-skilled workers (DIHK, 2012). At least under current circumstances, international recruitment therefore does not appear to be a serious option that could mitigate the impact of demographic change in SMEs.

German employers face imminent shortages of skilled labour, to which they could react with increased international recruitment activities. However, firms generally do not perceive this option as an important instrument. This could be related to the fact that firms are not aware of this channel and its legal framework, but a comparatively large share of firms already have experiences with the recruitment of foreign workers, and public initiatives further raise awareness. In contrast, employers' associations rather advise to focus on mobilizing internal capacities. Despite of recent improvements, firms perceive Germany's immigration policy as a primary restraint preventing them to intensify foreign recruitment activities. This appears to be particularly relevant in SMEs. At least under current circumstances, international recruitment therefore does not appear to be a serious option that could mitigate the impact of demographic change, at least not in SMEs.

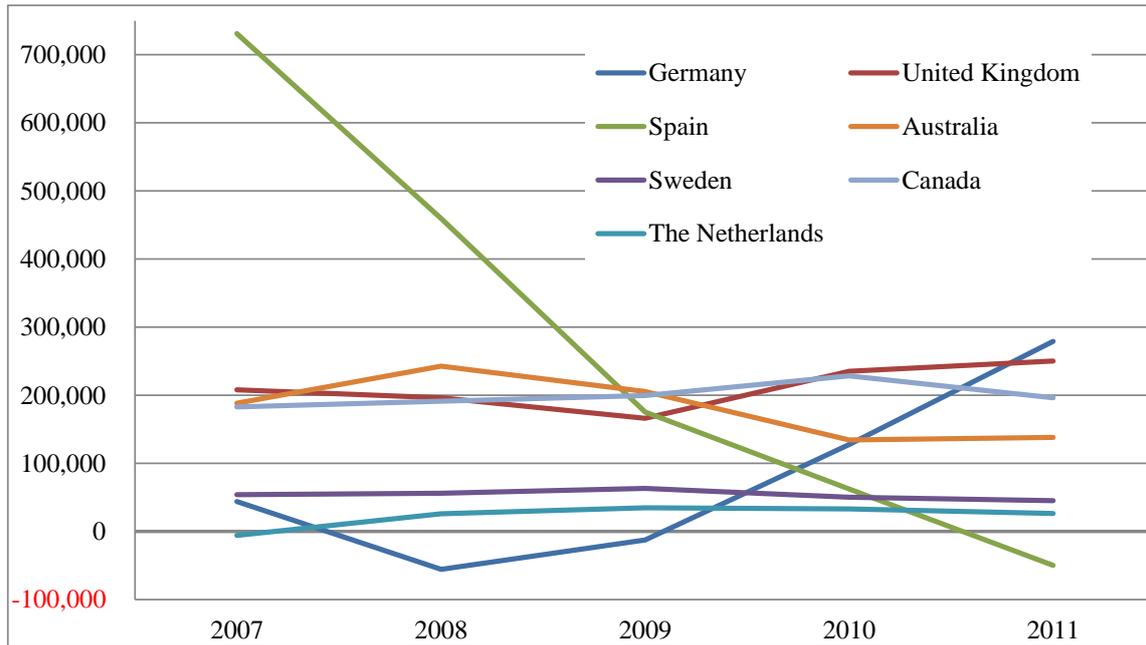
## **2.2 Prospective Immigrants on the Supply Side**

Only since 2005, when a new Immigration Act entered into force, Germany's immigration policy has been gradually oriented toward labour immigration of high-skilled foreign workers. Germany's resistance to implement free labour mobility after the EU Eastern enlargement in 2004 and 2007 was nevertheless remarkable – and it has resulted in negative effects (Rinne and Zimmermann, 2009). As the only country next to Austria, Germany had placed restrictions on labour mobility of immigrants from the accession countries until 2011, when those restrictions ultimately had to end. Therefore, Germany has quite intentionally avoided establishing itself as an immigration country in the enlargement process. And although the number of Eastern European immigrants has yet increased, their qualification level has not improved during the years of restricted labour mobility.

The quantitative impacts of Germany's recent gradual orientation toward labour immigration are difficult to isolate, but it seems useful in this context to consider the number of immigrants to Germany over time and compare it to other countries. Figure 5 displays these statistics for the period from 2007 to 2011, where three different patterns become apparent. First, countries such as the United Kingdom, Canada and Australia have managed to attract a relatively constant number of about 200,000 net immigrants. These are the countries that have a point system in place. Second, countries such as Sweden and the Netherlands have also attracted a relatively constant, but relatively low number of immigrants during the recent years. And third, the two countries of Germany and Spain basically display oppositional patterns. Whereas Spain started from an initially very high immigration rate of more than 700,000 immigrants in 2007 and, severely affected by the Great Recession, subsequently experienced a substantial drop in these numbers, Germany has only in very recent years realized positive net immigration. The country's comparatively good economic performance during the Great recession certainly plays a substantial role in explaining this increase.

This latter argument is supported when considering the sending regions of recent foreign immigrants. Figure 6 displays the decomposition of the total net immigration of foreigners to Germany in 2011. First, more than 70 per cent of the total net immigration is from EU-27 countries and, hence, less than 30 per cent from third countries. Immigrants from European non-EU countries account for roughly 6 per cent of net immigration. When focusing on regions outside Europe, most of those immigrants are citizens of Asian countries accounting for about 16 per cent of the total net immigration. African and American countries as well as Australia and Oceania play no major quantitative role as those regions in sum account for roughly 7 per cent of the total net immigration. Importantly, the increase in recent years is primarily due to rising immigration from EU countries and not from third countries (Federal Statistical Office, 2012). Particularly strong increases in net immigration between 2010 and 2011 were recorded for Greece (net immigration increased by 90 per cent), Spain (52 per cent) and the EU accession countries of 2004 (43 per cent) and 2007 (29 per cent). As a result, countries in Eastern Europe and European countries that were severely affected by the Great Recession (Bulgaria, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Poland, Romania and Spain) account for more than 60 per cent of total net immigration to Germany in 2011.

**Figure 5: Net Immigration to Selected Countries, 2007-2011.**



*Notes:* Net immigration calculated as difference between immigration and emigration in a given year, in absolute numbers.

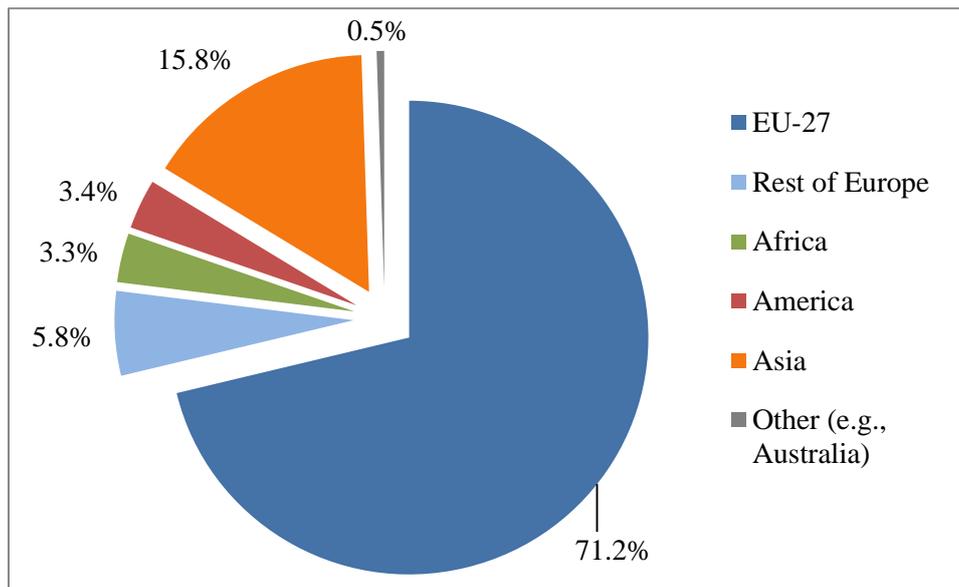
*Source:* Authors' representation based on official statistics.

One potential explanation for the comparatively low immigration rates from third countries is the legal barriers that those immigrants face. The legal requirements for generally settling down in Germany have been simplified only recently, and many prospective immigrants may not yet be aware of their rights and obligations to enter the German labour market. To counteract this possible uncertainty, the ZAV provides a simple questionnaire that gives prospective migrants the chance to check the legal requirements to receive work permission over a restricted or unlimited period of time.<sup>4</sup> The assessment is based on the prospective immigrants' nationality, vocational degrees, skills and qualifications.

Any interested foreign worker can access the ZAV's homepage and find relevant information. However, it would be more convenient if prospective immigrants were directly forwarded to a website that explains how to receive the necessary documents, possibly also allowing for online submission. This procedure would then be similar to the website "Recognition in Germany", offered by the FMET, which both explains a foreign worker's legal requirements for permanently or temporarily working in Germany and the institutions to approach if one's foreign vocational degree is not automatically recognised. Such a unified, easy-to-find, multilingual and more detailed information website would be definitely helpful for prospective immigrants.

<sup>4</sup> The questionnaire is available at [http://www.arbeitsagentur.de/nn\\_620330/Navigation/Dienststellen/besondere-Dst/ZAV/arbeiten-in-deutschland/EN/bewerben-EN/migration-check-EN/migration-check-nav.html](http://www.arbeitsagentur.de/nn_620330/Navigation/Dienststellen/besondere-Dst/ZAV/arbeiten-in-deutschland/EN/bewerben-EN/migration-check-EN/migration-check-nav.html) (English version; last accessed on October 24, 2012).

**Figure 6: Net Immigration of Foreigners to Germany by Sending Regions, 2011.**



*Notes:* Net immigration calculated as difference between immigration and emigration in 2011, in absolute numbers.

*Source:* Federal Statistical Office.

In principle, such a unified information portal already exists. The website “Make it in Germany” was launched in mid-2012.<sup>5</sup> It is a joint initiative of the FMET, the Federal Ministry of Labour and Social Affairs (FMLS) and the Federal Employment Service (FEA) that aims at convincing foreign workers to take up employment in Germany. The page provides prospective immigrants with answers to very important questions when they consider moving to Germany. Along with a presentation of the German culture and way of life, formal requirements for immigration and working are accessible. Importantly, a five-step procedure guides prospective immigrants through the process of finding employment in Germany, which also includes a “quick check” that informs about specific immigration regulations that may apply in their situation. In case uncertainties exist, such as on the recognition of foreign qualifications and credentials, prospective immigrants are given the contact details of responsible institutions. However, the website is currently only available in a German version and in an English version. This likely limits the target audience as it cannot be assumed that all prospective immigrants are proficient in these two languages. Furthermore, it is not yet evident how many prospective immigrants will become aware of this online portal. For example, when entering obvious search terms in popular online search engines, the website is often not listed among the top results.<sup>6</sup> Despite of certain deficiencies, the launch of this online portal is a step into the right direction. It is very new and, hence, its actual impacts are not yet clear.

Even if prospective immigrants are aware of general formal requirements, another more specific obstacle constitutes the recognition of their foreign qualifications and credentials. Despite German enterprises lack qualified employees, especially in sectors such as IT, engineering, and health-related professions, firms still put a high value on the applicants’ provision of officially recognised qualifications. According to the EU’s “regulated professions database” that lists the number of professionals who obtained their qualification abroad and not in their destination country, the number

<sup>5</sup> See <http://www.make-it-in-germany.com/en/home/> (English version; last accessed on October 25, 2012).

<sup>6</sup> For example, when entering the terms “Germany immigration”, “Germany job vacancy” or “Germany job migration”, the website is not listed among the top-100 results of <https://www.google.com> (last accessed on October 25, 2012). When entering “work in Germany”, the website is listed as the 26<sup>th</sup> result – but this search term is also one of its main slogans.

of high-skilled labour migrants whose qualification was accepted to gain a job in Germany has remained comparably low. In 2010 and 2011, for example, 5,950 positive decisions were taken on the recognition of professional qualifications for the purpose of permanent establishment within Germany, and 444 positive decisions for professionals wishing to provide services on a temporary and occasional basis in Germany.<sup>7</sup> However, the German government has introduced the Professional Qualifications Assessment Act in mid-2012, giving every foreign worker the right to an objective assessment of possible recognition of his or her professional qualification. The Federal Statistical Office collects statistics on the extent to which prospective labour migrants make use of this process, as well as about its duration and success rate. These data will be available in 2013.

Prospective immigrants can obtain information about vacancies in the German labour market at the online job platform of the Federal Employment Agency.<sup>8</sup> By the end of October 2012, around one million vacancies and apprenticeship positions are advertised through this public service. Although the website is in principle available in five foreign languages (English, French, Italian, Russian and Turkish), the job descriptions are for the most part available only in German. The website is therefore primarily targeted at the domestic job market, and it requires sufficient German language skills by prospective immigrants. Of course, this sets relatively high informational barriers for international jobseekers and will often require them to contact (private) German job intermediaries.

The FMLS has recently initiated a campaign that should attract international specialists starting in 2013. Although the target group are primarily young individuals from EU countries suffering from the Great Recession and the fiscal crisis, this campaign could be a role model for attracting foreign qualified workers from third countries in the future. Importantly, prospective migrants in this campaign are prepared for the German labour market in two steps. First, they participate in an introduction course to the German language, culture and labour regulations in their country of origin. This course is financially supported by the FMLS. Second, after successfully passing this first step, the ZAV actively supports participants to search for employment or an apprenticeship position in Germany. Furthermore, to prevent communication barriers after immigration to Germany, successfully placed immigrants have the option to take part in advanced language classes in Germany.<sup>9</sup> This two-step approach appears sensible in addressing the needs of prospective immigrants to Germany. It may in particular be helpful to overcome the relatively substantial language barrier they face in Germany. Both prospective immigrants who are between 18 and 35 years old as well as interested employers can apply for support under this campaign. Although the concrete implementation has not been announced yet, it is planned to issue vouchers for language courses (these pre- and post-migration courses would then be free-of-charge for the immigrants) and to reimburse costs related to integration courses.<sup>10</sup>

What can prospective immigrants do to prepare for a successful life in Germany? Prospective immigrants may take German language courses in their home country on their own initiative, for example courses offered by the Goethe-Institut. Data on the duration and success rate of these courses are now available for the first time (Goethe-Institut, 2012). These data show that, on average, six months elapse after prospective immigrants take the German language examination in their home country until they move to Germany, and additional five months elapse from the time they enter Germany until they start the integration course. In other words, the transition period lasts on average 11 months. According to the data, these pre-integration courses have a positive effect as most of the immigrants retrospectively consider that learning the German language in their home country was very

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<sup>7</sup> Data obtained from [http://ec.europa.eu/internal\\_market/qualifications/regprof/index.cfm](http://ec.europa.eu/internal_market/qualifications/regprof/index.cfm) (last accessed on October 24, 2012).

<sup>8</sup> See <http://jobboerse.arbeitsagentur.de> (last accessed on October 24, 2012).

<sup>9</sup> See <http://www.bmas.de/DE/Service/Presse/Pressemitteilungen/europa-arbeitsmarkt-2012-09-25.html> for more details (last accessed on October 24, 2012). The campaign's annual budget amounts to 40 million Euros.

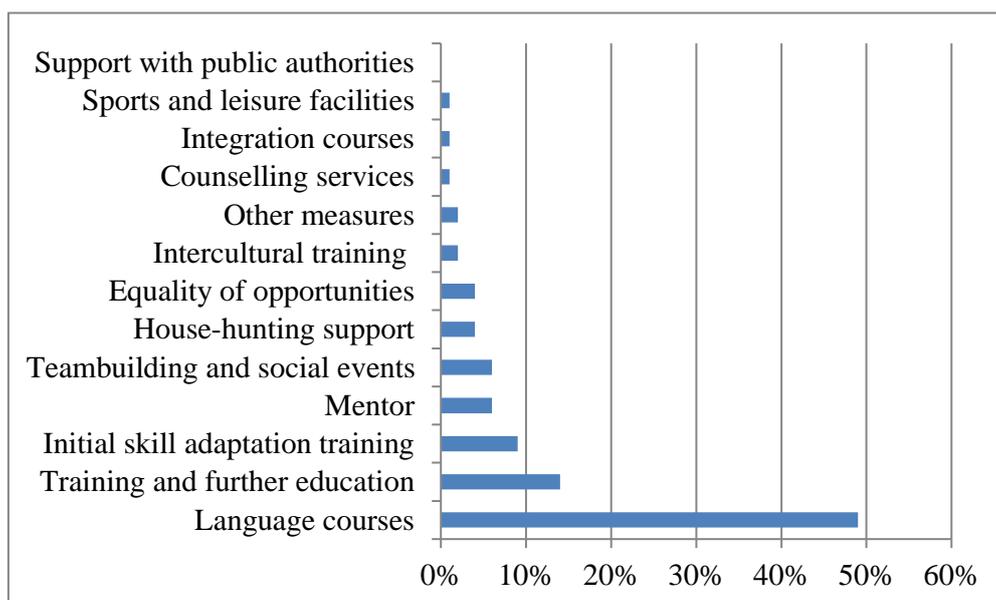
<sup>10</sup> See [http://www.arbeitsagentur.de/nn\\_27044/zentraler-Content/Pressemeldungen/2012/Presse-12-039.html](http://www.arbeitsagentur.de/nn_27044/zentraler-Content/Pressemeldungen/2012/Presse-12-039.html) (last accessed on December 5, 2012).

helpful (58 per cent) or helpful (30 per cent) in preparing them for life in Germany. However, the study also shows that a large percentage of new arrivals with a certificate of basic German language skills obtained in their home country start the integration course in Germany again at the beginner level.

Also employers report that language courses in particular serve as successful integration measures for internationally recruited workers. Figure 7 shows that these courses are widely perceived as the most successful instrument. Other instruments, such as training, further education or mentoring, receive much lower success ratings. Interestingly, supporting foreign workers when they interact with public authorities does not receive any positive rating at all.

International migration largely occurs in ethnic networks and the importance of migrant networks for migration decisions is frequently stressed (e.g., Massey et al., 1993). It is, however, less clear to what extent prospective immigrants actually rely on personal and informal networks to find employment opportunities abroad – especially in the German case. This research gap is, of course, to a substantial part due to lack of adequate data. One piece of evidence can be deduced from the employers’ perspective. As shown above in Figure 4, employers generally perceive personal contacts as the most successful international recruitment channel. And as a successful worker-job matching requires finding a prospective immigrant through this channel, one can infer that prospective immigrants rely rather heavily on personal and informal networks to find employment opportunities abroad.

**Figure 7: Employers’ Success Rating of Different Integration Measures.**



*Notes:* In per cent of all surveyed firms, weighted according to number of employees.

*Source:* Bahrke et al. (2011, Table 5-14).

Another piece of evidence is provided by studies that investigate the determinants of migration decisions among potential migrants in sending countries. For example, Mahmood and Schömann (2002) analyse the determinants of migration decisions of IT graduates from Pakistan and find that economic factors are in general more important in this context than socio-political and institutional factors. However, when comparing more specifically the location decision between Germany and the USA, the interviewees rate factors such as income, social networks, residence permit as well as language and culture significantly higher for the USA than for Germany.

Empirical evidence on this issue is also available after immigrants have made their migration and location decision. In this context, the question is to what extent the recourse to social networks contributes to the reproduction of ethnic segmentation in the labour market of the destination country. To shed light on this issue, Constant and Massey (2005) study the occupational progress and earnings attainment of guest workers in Germany in comparison to the native population. Their analysis shows a high degree of initial occupational segmentation, with immigrants being less able to translate their human capital into a good first job than natives. Additionally, immigrants appear to experience significant discrimination in the process of occupational attainment. This results in little job mobility over time and a widening of the status gap between Germans and immigrants. Conditional on occupational status, however, there is less evidence of direct discrimination in the process of earnings attainment. Although immigrants achieve lower rates of return to technical or vocational training than natives, their wage returns to experience, hours worked, years since migration, and academic high school were greater, yielding significant earnings mobility over time.

The initial occupational segmentation of immigrants in Germany could be driven by their recourse to ethnic networks when looking for employment opportunities. Indeed, Drever and Hoffmeister (2008) find that nearly half of all new jobs of individuals with a migration background are acquired with the help of personal contacts in the social network. In the native population, this is the case for only about one third of all jobs. This study additionally finds that it is especially young immigrants, immigrants with few years of formal education, and immigrants without native Germans among their friends who rely heavily on social networks to find employment. Although the use of this informal search channel more likely results in jobs that involve physical labour and are more tedious, the level of the perceived improvement in working conditions appears to be the same irrespective of whether or not social networks were used as search channel.

Germany has experienced increasing net immigration in recent years. This seems related to the country's relatively good performance during the Great Recession as substantial rises in immigration rates were recorded from countries that were severely affected by the crisis. However, sending countries are primarily European countries, and more specifically EU countries. Third countries still play no major role. We identify informational barriers as potentially very important restraints for prospective immigrants, especially for those from third countries. Although these barriers appear to have decreased in recent years, this is mainly due to individual initiatives. Germany still lacks a uniform and comprehensive approach for providing prospective immigrants the necessary information to prepare their move. Nevertheless, progress is being made, for example with the new online platform "Make it in Germany" or the FMLS campaign for international specialist starting in 2013.

### **3 Recruitment of Resident Immigrants**

This Chapter focuses on the resident immigrant population. For this population, we address similar issues as before. That is, we analyze the patterns of access, use and perception of labour market information by employers and immigrants already residing in Germany. We first assess the general situation of resident migrants and focus in a second part on specific problems of younger individuals with a migration background.

#### **3.1 General Assessment of the Situation of Resident Immigrants**

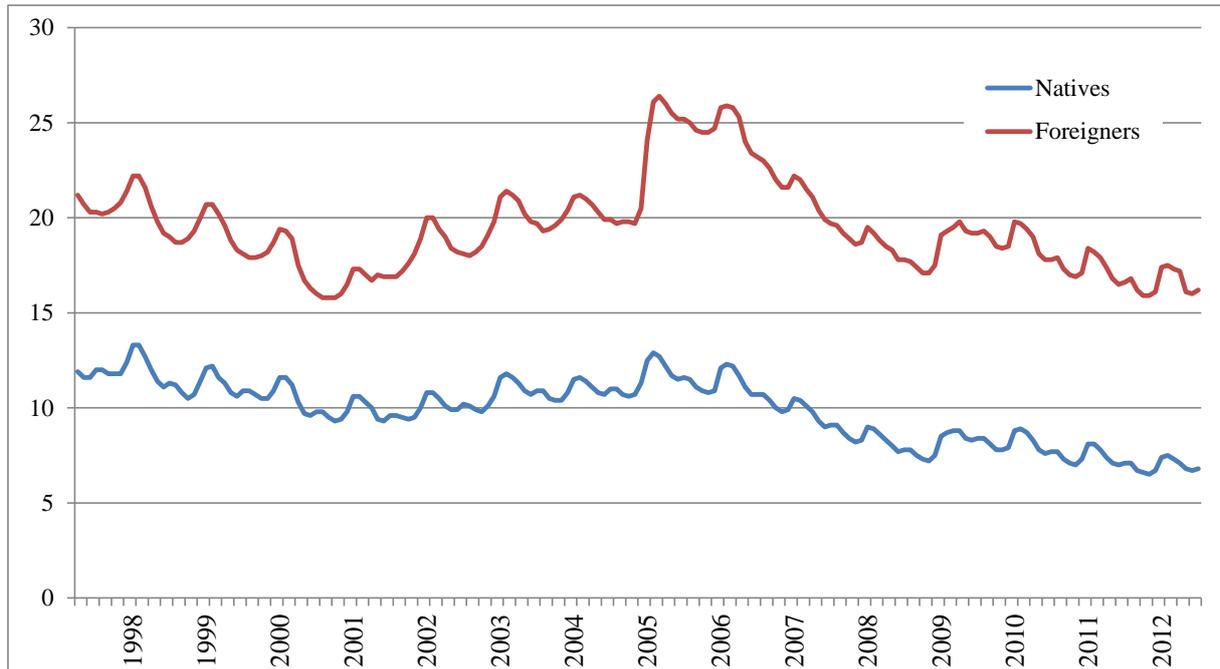
Figure 8 indicates that resident immigrants might indeed face problems in terms of their labour market integration. There is a persistent difference in the unemployment rates of native and foreign workers in Germany. The gap amounts to roughly 10 percentage points for almost the entire period from 1997 to 2012. This means that there is currently about 2.4 times more unemployment among foreigners than among Germans. This persistent difference is striking. It could be due to differences in characteristics such as education, skills and qualifications that reflect differences in productivity and employability. Besides, there could exist more subtle reasons such as information-related risks that prospective

employers face when recruiting resident immigrants. The importance of the latter reasons is crucial as policy may be able to mitigate their consequences. However, it is difficult to directly measure the extent to which a lack of access to networks, foreign qualifications and a lack of work experience constitute risks for prospective employers when recruiting resident immigrants. A number of studies are able to provide indirect evidence on this issue. For example, such evidence can be found in studies that analyse the labour market dynamics of immigrant workers in comparison to native workers.

A first piece of evidence is provided by studies that focus on differences in unemployment durations and, hence, on the access to jobs. If comparable native and immigrant workers would significantly differ in this regard, this may be viewed as a first indication of the existence of more subtle reasons underlying the differences in unemployment rates. For instance, Uhlendorff and Zimmermann (2006) shed light on this issue as they analyse an inflow sample into unemployment of male workers and simultaneously consider transitions from unemployment to employment as well as transitions from employment to unemployment. Their results show that immigrants stay longer unemployed than natives, and that the probability of leaving unemployment strongly differs by ethnicity. While immigrants from Italy, Ex-Yugoslavia and Spain do not differ from natives, Turkish immigrants have a significantly lower probability of leaving unemployment for a paid job. Moreover, Turkish members of the second generation of guest workers still have a significantly lower probability of leaving unemployment than natives. Compared to natives with the same observable and unobservable characteristics, unemployed immigrants therefore need more time to find employment. This appears to be particularly the case for Turks from the first and second generation of immigrants. Kuhlenkasper and Steinhardt (2011) also find that whereas immigrants from Eastern Europe and other OECD countries tend to return to employment relatively quickly, Turkish immigrants are faced with long durations of unemployment. As an important additional result, formal qualifications appear to be of minor importance for immigrants' longer unemployment durations.

A second piece of evidence can be found in studies that investigate the employment durations and job stability of immigrant and native workers. If the factors mentioned above would indeed constitute a risk for prospective employers, one expects to find employment durations to be shorter for immigrant workers. Worker-job matches are less stable if, among other things, the workers' experience, skills and qualifications do not match the employers' needs and expectations. In general, the available empirical evidence does not find significant differences in the employment stability between immigrant workers and native workers. For instance, Uhlendorff and Zimmermann (2006) show that once immigrants find a new job, no significant differences in the employment stability compared to natives exist. This result is moreover independent of ethnicity. Compared to natives with the same observable and unobservable characteristics, unemployed immigrants therefore do not find less stable jobs. Similarly, Höhne and Koopmans (2010) find that once immigrants have a job, their situation is not much influenced by their host country's human and social capital. However, their results also indicate that within the group of immigrants, employed women with a stronger host country orientation find more stable jobs. In contrast, a strong country of origin orientation (displayed in exclusive reading of ethnic newspapers) leads to less stable employment for both men and women.

To summarize, it therefore appears that the access to jobs is the main obstacle for immigrants' labour market performance. On the other hand, once they find a job, immigrants do not seem to substantially differ in their employment prospects when compared to similar natives.

**Figure 8: Unemployment Rate of Natives and Foreigners in Germany, 1997-2012.**

Notes: Monthly data, in per cent of the dependant civilian labour force.

Source: Federal Employment Agency.

Active labour market policy (ALMP) could potentially alleviate barriers in immigrants' access to jobs. But so far, Germany's ALMP follows no particular approach towards immigrants or individuals with a migration background. The respective law (*Sozialgesetzbuch II/III*) specifies an individual-specific rather than a group-specific approach and, hence, immigrants are no particular target group of ALMP. Immigrants take part in various measures of ALMP, but they are underrepresented among the participants in comparison to their share among the unemployed (Deutscher Bundestag, 2012). Only as far as subsidized self-employment is concerned, the share of foreign participants (18.4 per cent) corresponds roughly to the corresponding share of unemployed. Foreign unemployed persons are especially underrepresented in subsidized employment and working opportunities ("one-euro jobs"). However, many local agencies of the FEA try to facilitate access to labour market information for resident immigrants by appointing immigrant representatives (Deutscher Bundestag, 2012). These persons are involved in planning and monitoring activities of ALMP. Further steps towards a better integration of local stakeholders in these activities are currently tested (for example, in a pilot study with integration agreements). The effects of these initiatives are not yet clear.

Can ALMP measures alleviate barriers in immigrants' access to jobs? In principle, subsidized employment is an appropriate programme to alleviate barriers in the access to jobs for immigrants. This measure temporarily reduces a firm's labour costs for hiring and employing previously unemployed persons and it can thus trigger the placement of such persons into jobs (Stephan, 2010). And indeed, studies that compare unemployed individuals who participate in this measure with comparable unemployed who do not participate find that the former benefit from participation as they are more frequently employed afterwards (Bernhard et al., 2007). And even when comparing newly hired individuals who benefit from a wage subsidy with newly hired person who do not, a positive effect for the former group results (Stephan 2010). However, these positive effects do not seem to result from increased hiring rates for participants, but rather from prolonged employment durations and an overall improvement of subsequent labour market prospects (Brussig et al., 2011).

Aldashev et al. (2010) evaluate the effects of short-term off-the-job training programs (aptitude tests, job search training, skill provision and combined training programs) separately for natives and immigrants in Germany. They find that aptitude tests and skill provision have positive treatment effects for all participants and, to some extent, immigrants benefit more than natives. Skill provision has a positive effect on female immigrants and aptitude tests on all immigrants. This suggests that the productivity of immigrants is undervalued, but revealed after they have participated in such a program. Job search training seems to be ineffective for all male participants, and also for female immigrants. Any combined training programs are ineffective for all participants. In the portfolio of active labour market programs, start-up subsidies for the unemployed have become increasingly important in many OECD countries. Self-employment might be an attractive alternative for immigrants who are potentially discriminated against. Indeed, start-up subsidies appear as an effective tool in promoting sustained self-employment (Caliendo and Künn, 2011). Similarly, ALMP measures may already have an impact if participation appears likely. Such ex-ante effects affect the job search behaviour of the unemployed, with heterogeneous impact across groups (Bergemann et al., 2011).

To summarize, at least some ALMP measures may alleviate barriers in the immigrants' access to jobs. Although the empirical evidence is still relatively scarce, it seems that relatively more effective ALMP measures tackle the problems of a lack of (recognized) foreign qualifications and credentials, and ethnic discrimination. We therefore discuss these two problems in more detail.

The potentials of improved systems for the assessment and recognition of foreign qualifications and credentials have been quantified by the Federal Ministry of Education and Research. It estimates that the labour market prospects of about 285,000 individuals could be improved if their foreign qualifications were recognized (SVR Migration, 2012). Until recently, third-country nationals were not entitled for an assessment and recognition of their foreign degrees. However, the Federal Recognition Act (*Anerkennungsgesetz*) entered into effect in April 2012. It introduced the legal right to a procedure to establish whether qualifications gained abroad are equivalent to vocational qualifications gained in Germany. Anyone with vocational qualifications gained abroad that are comparable to a German training occupation can apply for a procedure to assess the equivalence of their qualifications. Access to the procedure may vary depending on the specialist regulations of the individual regulated professions. In some cases, there are still no procedures in place to evaluate third-country qualifications. Primarily, the Chambers are responsible, while responsibility in regulated professions is based on the respective specialist laws and regulations of the Federal States.<sup>11</sup> However, the effects of this new legal framework have not yet been evaluated.

Ethnic discrimination in firms' hiring decisions could be another obstacle to immigrants' access to jobs. Indeed, a relatively recent study finds that discriminatory behaviour against ethnic minorities is still present in Germany. Kaas and Manger (2012) find that applicants with a Turkish-sounding name are on average 14 percentage points less likely to receive an invitation for a job interview than applicants with a German-sounding name. Furthermore, this difference in call-back rates is found to be even larger in SMEs where it amounts to 24 percentage points. Importantly, the applicants in this correspondence testing study were otherwise similar and only differed in their names. These findings are at least for two reasons rather discouraging. First, the subjects in the study by Kaas and Manger (2012) are students who applied for internships. One may therefore suspect that the differences in call-back rates between immigrant and native workers may be even larger when they apply for "real" jobs. Second, these results are obtained after the introduction of a wide-ranging Anti-Discrimination Law that came into force in 2006. In principle, this law should prevent employers from such discriminatory behaviour. Against this background, and also in response to a lively public debate after these results had been published, the Federal Anti-Discrimination Agency initiated a field experiment with anonymous job applications in Germany to investigate their potential in combating hiring discrimination. This experiment was inspired by field experiments in other European countries (e.g.,

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<sup>11</sup> Detailed information about the Federal Recognition Act and the procedure for different professions is available at <http://www.erkennung-in-deutschland.de> ("Recognition in Germany," last accessed on October 19, 2012).

France, Sweden and the Netherlands). The results of the German experiment are encouraging as anonymous job applications indeed appear to reduce hiring discrimination (Krause et al., 2012a). The German experiment shows that anonymous job applications can be practically implemented without excessive costs, and that they can lead to equal opportunities for minority groups of applicants –at least in the initial stage of the recruitment process.

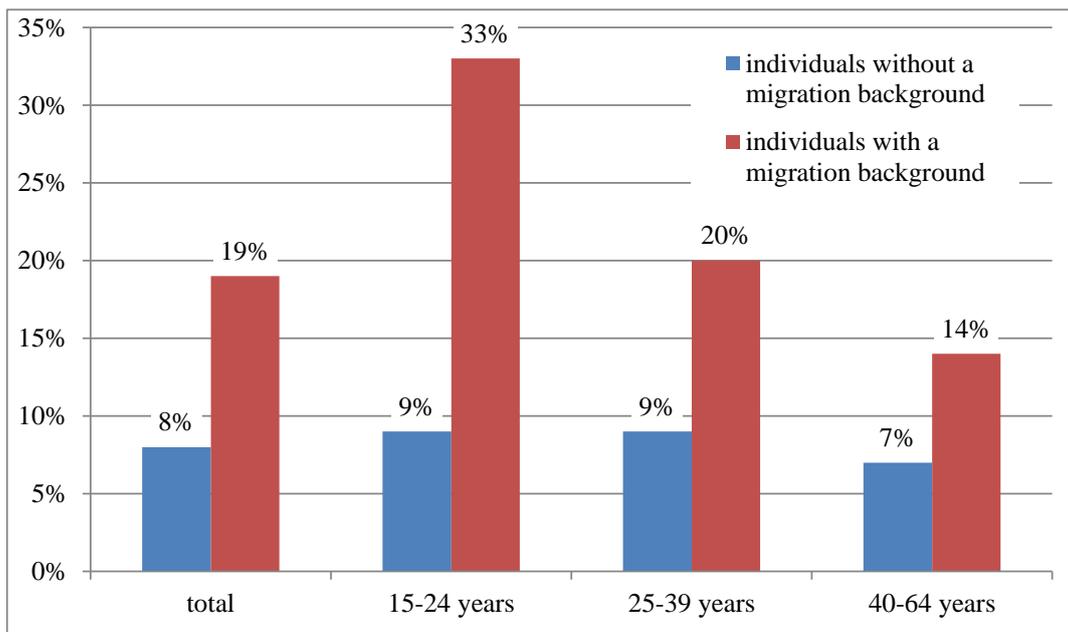
Resident immigrants in Germany still face above-average unemployment rates. This has not changed during the Great Recession. It appears that access to jobs constitutes the main barrier for resident immigrants in the German labour market. Whereas they need more time to find employment, they do not find less stable jobs than the native population. Although the empirical evidence on whether ALMP is able to mitigate immigrants’ problems in the access to jobs is scarce, there are some indications that some measures are more effective than others. In particular measures that directly target the job search process as well as start-up subsidies appear promising in this context. Employment subsidies should be treated with caution since their positive effects appear to be mainly based on prolonged employment durations and not on increased hiring rates. Preliminary findings point at the potentials of improved systems for the assessment and recognition of foreign qualifications and credentials as well as of anonymous job applications, but also in this regard further research is needed to exactly quantify the effects on resident immigrants’ access to jobs.

### 3.2 Specific Problems of Younger Individuals with a Migration Background

Youth unemployment should be of particular concern for every society as it generates long-lasting scars. Although it is generally true that young people have suffered disproportionately during the Great Recession, Germany is one important exception; already in 2009, youth unemployment rates were below their pre-recession value (Bell and Blanchflower, 2011). Nevertheless, youth unemployment rates are a concern in Germany, and the situation of immigrant children’s unemployment is alarming.

Figure 9 displays the dependency rates on long-term unemployment benefits (*Arbeitslosengeld II*) for different demographic groups. It is striking that about one third of the young individuals with a migration background depend on this form of benefit. This population group thus faces severe problems to integrate into the labour market.

**Figure 9: Dependency Rates on Long-Term Unemployment Benefits, 2007/2008.**



Source: IAQ et al. (2009).

German style vocational training that combines work experience and general education receives increasing support as a way of labour market integration of youth (see, e.g., Biavaschi et al., 2012). In Germany, about 40 per cent of each cohort of school leavers without access to higher education enters the “dual system”, i.e., they take part in the widely recognized combination of on-the-job training in firms and general education in vocational schools (BIBB, 2011). However, immigrants in Germany are less likely to enter the dual system than natives for two main reasons.

First, the gap in education outcomes between natives and immigrants is substantial. However, comparable natives face similar difficulties and show similar education outcomes as immigrant children (Krause et al., 2012b). This finding points at more general inequalities in the education system rather than at an immigrant-specific problem. Nevertheless, the on average more disadvantaged family background of immigrant children results in on average lower education outcomes.

Second, even when controlling for differences in education outcomes, immigrants are about 20 percentage points less likely to enter the dual system than comparable natives (BIBB, 2010a). Access to vocational education thus appears as an additional barrier for immigrant children. However, once immigrant children have entered the dual system, more than three quarters of those individuals successfully integrates into the labour market (Burkert and Seibert, 2007). Young immigrants who pass the dual system are therefore as successful in the German labour market as their native peers.

What are the underlying reasons for the relatively lower participation rate of immigrant children in the dual system? Liebig (2007, p. 47) discusses the factors which are likely the most important ones. He mentions an increased competition for apprenticeship positions (which presumably affects immigrant children more adversely than natives), a tendency of immigrant children to get into paid employment as soon as possible (while causality remains unclear), and a lack of personal contacts and smaller social networks providing information and access to apprenticeship positions for immigrant children. Additional factors are revealed by survey data, indicating a lack of language proficiency and a lack of adequate schooling as additional barriers in the access to apprenticeship positions. Liebig (2007) also discusses efforts that aim at increasing immigrants’ access to vocational training (e.g., regional networks and projects). However, rigorous evaluations of these initiatives are not available yet.

A different approach is to help young individuals with public vocational training, which may be in particular relevant for those without a vocational degree. Germany’s ALMP offers a variety of such measures. Caliendo et al. (2011) find positive long-term employment effects for nearly all programmes that are directly targeted at labour market integration. These programmes include wage subsidies, job search assistance and short- and long-term training measures. Measures that aim at integrating youths in apprenticeships (preparatory programs) are effective in terms of education participation, but fail to improve employment outcomes – which holds for both natives and immigrant children as Caliendo et al. (2011) do not distinguish treatment effects by migration background or citizenship. In stark contrast, public sector job creation appears to be ineffective. When the authors investigate potentially heterogeneous effects for different pre-treatment schooling levels, important differences become apparent. Programmes appear more effective for high-skilled youth in terms of their subsequent employment outcomes. Low-skilled youths do not seem to be sufficiently accommodated in the current policy set-up. However, as longer-term wage subsidies work equally well for low- and high-educated youths, it could be that low-educated youths require more time to turn subsidized work experience into a stepping stone to a stable employment relationship. It could thus be helpful to extend the access to longer-term professional experience for this group.

Although we identify a certain scope of ALMP to mitigate some problems, the appropriate policy interventions would have to occur in the education system and in the access to the apprenticeship system. These findings moreover support an immigration policy that is geared towards the labour market and based on economic principles, but such a change would only affect prospective cohorts of immigrants.

## **4 Conclusions and Recommendations**

In real life, employers and workers do not have perfect information. Thus mismatches, shortages, unemployment and a slew of inefficiencies arise. German firms could react with increased international recruitment activities to the imminent shortages of skilled labour. However, firms do not perceive this option as an important instrument yet. This could be related to the fact that firms are not aware of this channel or of its legal framework. A comparatively large share of firms, however, has already some experiences with the recruitment of foreign workers. While public initiatives try to further raise awareness, employers' associations rather advise to focus on mobilizing internal capacities. Despite of recent improvements, firms rate Germany's immigration policy among the primary restraints preventing them to intensify foreign recruitment activities. This appears to be particularly relevant in SMEs.

Although Germany is still following a comparatively passive approach towards the recruitment of foreign workers, it has experienced increasing net immigration in recent years nonetheless. This seems related to the country's relatively good performance during the Great Recession as immigration rates from countries that were severely affected by the crisis particularly increased. However, sending countries are still primarily European countries, and more specifically EU member countries. Third countries play no major role. We identify informational barriers as important restraints for prospective immigrants, especially for those from third countries. These barriers appear to have decreased in recent years mainly due to individual initiatives. Germany still lacks a uniform and comprehensive approach for providing prospective immigrants the necessary information to prepare their move. Nevertheless, progress is being made, for example with the new online platform "Make it in Germany" or the FMLS campaign to recruit international specialists that will start in 2013.

Resident immigrants in Germany still face above-average unemployment rates. This has not changed during the Great Recession. Access to jobs constitutes the main barrier for resident immigrants in the German labour market. Whereas it takes them longer to find employment, they do not find less stable jobs than the native population. Although the empirical evidence on whether ALMP is able to mitigate immigrants' problems in accessing jobs is scarce, there are indications that some policy measures are more effective than others. In particular, measures that directly target the job search process as well as start-up subsidies appear promising. Employment subsidies, on the other hand, should be treated with caution since their positive effects appear to be mainly based on prolonged employment durations and not on increased hiring rates. Preliminary findings point at the potentials of improved systems for the assessment and recognition of foreign qualifications and credentials as well as of anonymous job applications, but also in this regard further research is needed to exactly quantify the effects on resident immigrants' access to jobs.

Youth unemployment is a concern also in Germany, where the situation of immigrant children is particularly alarming. We identify two main barriers that immigrant children face in Germany's education system. First, their on average more disadvantaged family background results in on average lower education outcomes. Controlling for these differences, however, leads to similar education outcomes of immigrant and native children. Second, immigrant children are less likely to enter the dual system even with the same amount of schooling than natives. Conditional on passing the dual system, however, they are as successful in the labour market as their native peers. Although we identify a certain scope of ALMP to mitigate some problems, the appropriate policy interventions would have to occur in the education system and in the access to the apprenticeship system. Our findings moreover support an immigration policy that is geared towards the labour market and based on economic principles, although such a change would only affect prospective cohorts of immigrants.

In recent years, Germany has made steps towards a more labour-oriented immigration policy. However, this has not been adequately recognized internationally. The country therefore still does not manage to attract qualified immigrants in sufficient numbers, especially not from third countries. A more transparent and open immigration system that could and should be actively promoted appears as

one solution. Within such a system, it is possible to address many of the barriers and obstacles employers and prospective immigrants currently face.

Among the more recent developments, in particular the introduction of the online information portal “Make it in Germany” is an important step into the right direction. It certainly reduces informational barriers for prospective economic migrants who consider moving to Germany. Although there are still some shortcomings of this newly-introduced website at the current stage, it could be one important element of a broader strategy to more actively promote Germany as an attractive immigration country. To increase its impact, the website should make information available in more languages (e.g., Chinese, Russian, and Spanish), the demand-side (i.e., prospective employers) should be more strongly incorporated, and it should also include pre-departure measures that are helpful for prospective immigrants. Ideally, this website will develop to *the* unique portal where prospective immigrants to Germany find all the information they need. This includes, for example, the possible online submission of application documents for residence and work permits.

The impact of such an online information portal could further increase if Germany’s immigration policy were less intricate and bureaucratic. Its current degree of complexity largely prevents easy and comprehensible promotion activities. Introducing a point system similar to countries like Australia or Canada would, for example, represent an important innovation. A very concrete policy proposal of how such a system could be implemented in Germany is available and appears feasible (Hinte et al., 2011). Its main advantage is probably the transparency of admission criteria.

Finally, individual initiatives should complement Germany’s immigration policy also in the future. This includes pre-departure measures in sending regions (e.g., language courses offered by the Goethe-Institut) as well as international agreements with the countries of origin of prospective immigrants. In particular, Germany should intensify such formal agreements. Depending on its success, the FMLS campaign to recruit international specialists starting in 2013 may serve as a role model in this regard. However, individual initiatives should be geared towards a common goal, sufficiently coordinated and (next to possible individual promotion) centrally promoted. Also in this context, the newly-introduced online portal “Make it in Germany” could serve as a very useful platform.

However, a warning seems appropriate at this stage. One should not be naïve and expect too much from innovations in Germany’s immigration policy. Many potential migrants have already decided to move, and most of those have made their decision in favor of other destination countries. Germany suffers from its past failures, which for example include the failed integration of many guest workers and the missed opportunity in the EU enlargement process. In the future, Germany will have to broadly and actively engage in recruiting skilled workers from abroad to establish itself among the primary destination countries for qualified immigrants. And even in this case, the country will face a strong global competition resulting in uncertain outcomes.

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## **Abbreviations**

ALMP .....	Active Labour Market Policy
EU.....	European Union
EU-27 .....	European Union of 27 Member States (Austria, Belgium, Bulgaria, Cyprus, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, and the United Kingdom)
EURES .....	European Employment Services
FEA .....	Federal Employment Agency
FMET .....	Federal Ministry of Economics and Technology
FMLS.....	Federal Ministry of Labour and Social Affairs
GDP .....	Gross Domestic Product
IT .....	Information Technology
R&D .....	Research and Development
SME.....	Small and Medium-Sized Enterprise
USA .....	United States of America
ZAV .....	International Placement Service ( <i>Zentrale Auslandsvermittlung</i> )