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In brief

- The so-called “Western Balkans regulation” introduced in January 2016 gives citizens of the Western Balkan states the chance to take up employment in Germany, provided that they have a binding job offer. In this context, there are no requirements regarding the workers’ professional qualifications. This regulation is initially valid until 31 December 2020.
- Up until the outbreak of the COVID-19 pandemic at least, the regulation met with substantial demand on the part of German enterprises, especially in the construction industry. However, capacity bottlenecks at different authorities led to excessive waiting periods to obtain visas, which subsequently limited the use of the regulation.
- The labour market integration of those working in Germany on the basis of this regulation was a success in terms of employment stability and earnings compared to both other groups of migrants and German job entrants. The proportion of those who are unemployed and those receiving benefits is lower than for all other groups of migrants.
- It is not possible to evaluate the effects of the COVID-19 pandemic on the employees with any precision at this stage. However, the high employment rate in the construction industry suggests that the impact of the reduction in employment on this group could be below average.

Labour migration to Germany based on the Western Balkans regulation

Strong demand and sound labour market integration

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Citizens of the Western Balkan countries can take up employment in Germany due to the Western Balkans regulation without having to provide proof of adequate professional qualifications. So far, the regulation has been in high demand among both German companies and potential workers. We analyse the labour market integration of these employees, the experience of the employers and also the administrative implementation of the regulation.

As of January 2016, the “Western Balkans regulation” (§ 26 para. 2 of the Employment Ordinance [Beschäftigungsverordnung – abbreviated to BeschV]) allows citizens of the non-EU Western Balkan states of Albania, Bosnia and Herzegovina, Kosovo, Montenegro, Northern Macedonia and Serbia to take up employment in Germany. A binding job offer from the future em-

ployer and the approval of the Federal Employment Agency (BA) are required for this purpose. There are no formal qualification requirements.¹ This is the difference between the Western Balkans regulation, initially limited until 31 December 2020, and the way labour migration from other third countries is regulated: in the latter case, the German right of residence only allows immigration for employment purposes without the relevant professional qualifications in exceptional cases. Nevertheless, within the context of the Western Balkans regulation, the BA assesses the comparability of contractual working conditions and, in the course of the priority review, establishes whether there are German employees,

¹ The regulation excludes temporary employment and posting of workers. In regulated occupations, a professional practice permit is required.

other EU citizens or foreign citizens of an equivalent legal status or recognised refugees who may be available to fill the respective vacancy.

So far, the Western Balkans regulation has been in high demand: between November 2015 and May 2020, the BA granted 244,167 (preliminary) approvals for applicants to take up employment in accordance with § 26 para. 2 BeschV, with 57,749 applications being rejected. The (preliminary) approvals do not allow any conclusions to be drawn regarding the number of employment relationships actually commenced, as not every (preliminary) approval leads to a visa being issued, and neither does every applicant actually enter the country. Yet the figures reveal a strong demand amongst German employers as well as substantial interest on the part of the workers from the Western Balkan countries.

Nonetheless, the Western Balkans regulation is controversial: due to the absence of qualification requirements and, accordingly, the lack of assessment regarding the equivalence of foreign professional qualifications, there is widespread concern that the Western Balkans regulation may create an excessive social and economic risk to both the workers and the German welfare state (Breyton/Frigelj 2019). In order to analyse the effects of the Western Balkans regulation, empirical evidence regarding the integration risks and opportunities of those employed through this scheme is therefore required. This evidence is also of particular relevance for the decision regarding the extension of the regulation, which is limited until the end of 2020.

The IAB analysed the effects of the Western Balkans regulation on the labour market integration of this particular group of labour migrants on behalf of the Federal Ministry of Labour and Social Affairs (BMAS) with the help of qualitative and quantitative data (see information boxes 1 and 2 on page 3) (Brücker et al. 2020), performing a qualitative analysis of the employment relationships and administrative implementation of the Western Balkans regulation. In addition, a quantitative analysis was conducted of the employment histories of those who moved to Germany due to the Western Balkans regulation, and these histories were compared to those of other groups.

About the method

In the course of the qualitative study, we analysed the motives, practical experience and action strategies of employees, employers, administrative staff, and representatives of professional associations and interest groups. We thereby systematically selected companies by region and industry, for instance, to cover as many case constellations as possible (see information box 1).

In the quantitative study, we compared integration trajectories of people who immigrated due to the Western Balkans regulation with those of other groups of migrants, German citizens and all persons in dependent employment living in Germany.

Every regulation on migration specifies prerequisites for immigration and the taking up of employment. This not only influences future employment opportunities but also the selection of persons making use of this kind of regulation (with regard to training, education and other skills that are not observable in datasets). In addition, countries of origin vary in terms of social and economic preconditions, which in turn affects the composition of the migrant population as well as their chances on the labour market. For this reason, no conclusions regarding the causal factors can be drawn from the comparison of different regulations and groups of countries of origin, which means that the comparison made here should be understood as being purely descriptive in nature. Nonetheless, it provides insights into the labour market integration of the employees who entered the country due to the

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Qualitative database: Company case studies and expert interviews

By interlinking the data from the Immigration Act (Zuwanderungsgesetz – ZuwG) with the establishment file of employment statistics, companies that filed applications for a (preliminary) approval for employment within the framework of the Western Balkans regulation between November 2015 and June 2017 were identified. The enquiry initially focused on the federal states of Baden-Wuerttemberg, Bavaria and Hesse, and here on the companies in sectors with the largest number of requested and granted (preliminary) approvals. In a second step, companies from regions with fewer requests for a (preliminary) approval and in economic sectors not typical of the Western Balkans scheme were selected. In addition, a problem-oriented access to the field allowed case constellations to be addressed that were almost impossible to find through the employers. To this end, we contacted the advice centre of “Fair Mobility”, a project by the German Trade Union Federation (DGB), and other field contacts. We then conducted interviews with employees that had experienced rule violations by their employers within the framework of the Western Balkans regulation. Altogether, we conducted guided interviews with 86 employees and employers. By means of 45 expert interviews with representatives from administrative bodies and associations, we also examined the implementation of the Western Balkans regulation.

Western Balkans regulation as compared to other groups, and subsequently into the risks and opportunities created by the regulation.

As to the reference groups, we selected a wide range of them to illustrate potential differences between the employees from the Western Balkans scheme and groups of other origin, and also groups of the same origin but with different routes of legal access. Employees from the Western Balkans scheme were specifically compared with the following groups:

- citizens of the Western Balkan states whose move to Germany was based on different legal foundations (regulations for highly qualified professionals, persons with vocational qualifications in bottleneck occupations and persons seeking protection),
- citizens of the new EU member states of Bulgaria, Estonia, Croatia, Latvia, Lithuania, Poland, Romania, Slovakia, Slovenia, the Czech Republic and Hungary who have the right to free movement,
- citizens of other third countries with the exception of the eight main countries of origin of asylum seekers, namely Syria, Afghanistan, Iraq, Iran, Eritrea, Somalia, Nigeria and Pakistan,
- German citizens,
- all persons living in Germany.

As a database for the quantitative analysis we used the Integrated Employment Biographies (Integrierte Erwerbsbiografien – IEB), which compile the detailed information regarding earnings, unemployment, receipt of benefits and the like from the statistics of the BA (see information box 2).

Central role of networks

There are numerous historical and contemporary ties between the Western Balkan countries and Germany due to the inflow of refugees in the 1990s during the wars in former Yugoslavia and its successor states, for instance. These connections play an important role in the use of the Western Balkans scheme as well. The company case studies reveal that the employment relationships in the context of the Western Balkans regulation usually came about through private and professional networks. In addition, it turns out that these networks fulfil other functions that are of central importance for

the persistence of employment relationships: they make it easier to obtain a suitable match between the applicant profile and the job requirements, and make the situation predictable for both the employer and the employee.

The company case studies show how these networks took effect. In some cases, the employer and the employee had already known each other before the employment was sought in the context of the Western Balkans regulation. This was particularly the case with employers who were originally from the Western Balkan countries and employed their former colleagues, acquaintances or relatives through this scheme. Employers of German origin also reported that they had used the Western Balkans regulation to hire people they had already employed in the past – as student workers, for example. Small enterprises, especially, often use personal networks to recruit staff because one and the same supervisor is typically in charge of both

Quantitative database

The quantitative analyses are based on the IAB's Integrated Employment Biographies (Integrierte Erwerbsbiografien – IEB), which compile the longitudinal data on the employee, job seeker and benefit recipient statistics of the Federal Employment Agency. This way, individual employment biographies can be traced: the IEB include comprehensive and accurate up-to-date information on the employment, earnings, required skill level, unemployment, benefit receipt and some personal characteristics of the employees¹⁾, and this data is used for the analysis. We identified those who immigrated due to the Western Balkans scheme or other regulations by interlinking the IEB with the BA data from the Immigration Act (Zuwanderungsgesetz – ZuwG) that contains the (preliminary) approvals for taking up employment according to the Western Balkans regulation. In total, we identified 36,050 persons who entered the country in the context of the Western Balkans regulation. This corresponds to more than 80 per cent of the total number of persons who obtained a visa on the basis of § 26 para. 2 of the Employment Ordinance (BeschV) within the same period. We identified the other groups of persons in the IEB by citizenship. The observation period encompasses the years 2016 and 2017.

We used five reference groups for the analyses (see text), and determined certain selection restrictions to ensure better comparability. To select persons with similarly short employment biographies in Germany to those of the Western Balkans scheme workers, we only considered those persons who were observed in the IEB for a maximum of two years at the time of observation. As the IEB only include information regarding the citizenship but offer no data as to whether a person was born abroad and migrated to Germany, we only considered those persons who were at least 26 years old when they were first recorded in the IEB. This criterion ensured that the vast majority of foreign citizens observed were actually born abroad. For German citizens, we specified the minimum age of 21 at their first record in the IEB to ensure comparability with job entrants. Furthermore, we excluded trainees and interns. As an additional reference group, we included all German employees as well as those living in Germany (and observed in the IEB) without any restriction regarding age and time since their first employment in order to draw conclusions about the comparison with the average German labour force and/or labour force in total.

¹⁾ The IEB contain data of individuals of working age in dependent employment or in unemployment, as well as other benefit recipients and participants in labour market measures. The IEB do not record self-employed individuals, civil servants and pupils or students who are not subject to social security contributions.

leadership functions and staff-related decisions in this case (Kotthoff/Reindl 1990; Kraetsch/Trinczek 1998). The employers who were interviewed associated employment based on personal networks with fewer risks because they were already familiar with their new worker's personality and skills.

Further case constellations show that workers were employed based on personal recommendation. However, the employers – especially those from the construction industry – emphasised that they did not blindly rely on personal recommendations but instead assured themselves of the potential employees' working performance before hiring them.

“What matters to us is to see them working [on] a construction site in the respective country. [...] We do not hire people without any personal contacts. That would mean not knowing what you were letting yourself in for. [...] The most important thing to us is that they really can work, [...] are really capable of doing that job.“ (employer, construction industry, Hesse)

Large nursing homes and self-service restaurants primarily used domestic or foreign placement agencies – that is, professional networks – to recruit new staff members. The pre-selection conduc-

ted by the agencies – especially in the regulated care sector – was based on the applicants' formal and certified qualifications.

Only in some isolated instances did the employment relationships based on the Western Balkans regulation come into being entirely without any networks being activated if, for example, the employees applied for a job offer on the internet proactively.

Significance of the construction industry

The distribution of employment resulting from the Western Balkans regulation across the economic sectors differs significantly from the industry structure of employment overall and the employment of other groups of migrants in Germany (see table T1). During the observation period, the construction industry dominated at 44 per cent, followed by the hospitality sector with a share of 13 per cent, the health and social sector at 11 per cent, and administrative and support service activities (including cleaning companies and the like) at 10 per cent. In contrast, the share of all employment

T1

Sector structure of occupational activities according to groups of persons

Shares in percent

		Construction industry	Hospitality sector	Other administrative and support service activities	Health and social sector	Other sectors
Origin – Western Balkan countries ¹⁾ (26+) ²⁾	Western Balkans regulation	44	13	10	11	22
	Access for highly qualified professionals	8	1	3	34	54
	Bottleneck occupations	9	1	2	84	5
	Access for asylum seekers	15	19	30	6	31
Other groups of migrants (26+) ²⁾	New EU member states	13	10	34	3	40
	Other third countries ³⁾	3	20	21	6	51
Persons who were observed in the employment and social insurance statistics for the first time at the age of 21 or higher and for a maximum of two years at time of observation	Germans	4	14	13	9	59
	Individuals in dependent employment in Germany in total	9	16	27	5	43
All individuals in dependent employment without restrictions in terms of age and employment duration	Germans	5	6	10	12	67
	Individuals in dependent employment in Germany in total	5	7	12	12	64

¹⁾ Citizens of Albania, Bosnia and Herzegovina, Kosovo, Montenegro, Northern Macedonia and Serbia.

²⁾ Only persons who were observed in the employment and social insurance statistics as employees, unemployed persons, job seekers or benefit recipients for the first time at the age of 26 or higher and for a maximum of two years at time of observation.

³⁾ Nationals of other third countries without main countries of origin of asylum seekers (Syria, Afghanistan, Iraq, Iran, Eritrea, Somalia, Nigeria and Pakistan).

Example: 44 percent of employments based on the Western Balkans regulation between 2016 and 2017 were in the construction industry.

Sources: Western Balkan countries: IEB and ZuWg 2016–2017, all other groups: IEB Sample 2016–2017. © IAB

relationships in the construction industry in Germany amounted to only 5 per cent, the share in the hospitality sector stood at 7 per cent, and the proportions in the health and social sector and other administrative and support service activities were at a comparable level. The further development of the approvals granted by the BA until spring 2020 indicates that the sector structure continued to remain more or less the same after the end of 2017.

The structure of employment within the framework of the Western Balkans regulation reflects high labour demand in the construction industry, particularly in the metropolitan areas of Southern Germany, but also in other sectors such as the hospitality sector before the outbreak of the COVID-19 pandemic. The companies interviewed could not meet this labour demand sufficiently – either for unskilled workers or for skilled personnel – with the labour force available on the German labour market. It was specifically stated that the placement attempts through the Federal Employment Agency (BA) remained unsuccessful:

“The market for craftsmen is empty. There’s no one left. It’s always the same story. If someone comes after all [placed by the BA], they don’t want to work at all. If you’re a craftsman and want to work, you won’t be unemployed here. There are so many vacancies.” (employer, construction industry, Baden-Wuerttemberg)

According to the employers interviewed, they managed to fill some vacancies with the workers from other EU countries, but nowhere near enough. In this context, for all the companies interviewed, the Western Balkans regulation was an option for covering their demand for personnel, at least partly.

High proportion of men

Among those employed due to the Western Balkans regulation, the proportion of males is significantly higher and the average age lower compared to the Germans and the entire labour force included in the Integrated Employment Biographies (IEB): in 2016 and 2017, 86 per cent of the former group (without restrictions regarding the age of the first recording) were males, whereas in the reference groups mentioned, the shares amounted to 50 per cent and 53 per cent respectively.

Of those employed in the context of the Western Balkans regulation, 73 per cent were under 40; this was the case for 44 per cent of Germans and 46 per cent of the labour force included in the IEB (without restrictions with regard to the duration and time of the first recording in the IEB). These figures also reflect the age and gender constellation of sectors in which most of the workers from the Western Balkans scheme are employed: the majority of the labour demand comes from the construction industry – a professional field dominated by men –, which is followed – albeit with a larger gap – by the care sector, with a predominantly female share, and the hospitality sector, where the proportion of women amounts to 28 per cent and is thus relatively high.

The age and gender constellation of people who took up employment within the framework of the Western Balkans regulation also corresponds to the frequently mentioned demand of companies for a young, physically robust and motivated workforce:

“[We want to have someone] who is flexible [...] and just willing to work. He shouldn’t be [...] too old either, [...] because we’ve got to lift heavy things [...] and [carry] them from one place to another. Somebody who has already reached a certain age or has some kind of medical condition or anything like that would never manage.” (employer, administrative and support service activities, Bavaria)

More than half are employed as skilled workers

During the observation period, more than half of the employment relationships created due to the Western Balkans regulation were established on a skilled or other higher occupational level. This proportion is higher than for most other migrant groups, with the exception of the workers from the Western Balkan countries who took advantage of the regulation for highly qualified individuals (e.g., the EU Blue Card). This is not surprising as in this case the immigration law itself stipulates a high qualification level and employment which corresponds to the individual’s qualifications and yields high earnings. The other migration channels used for comparison resulted in less employment in the skilled labour segment – considerably less at times

– and more in the low-skilled segment compared to the Western Balkans scheme (see table T2).

In general, the data reveals that labour migration without qualification requirements is not necessarily associated with employment in predominantly unskilled occupations. Due to its flexibility, the Western Balkans regulation is obviously attractive when it comes to the employment of workers with different qualification levels. Employment relationships created due to the Western Balkans regulation also seem to match the migrants' qualifications properly: in 56 per cent of the employment relationships the employees' qualifications corresponded to the skill level required for the job in Germany; in 29 per cent of the cases the skill level of the job was higher than the workers' formal qualifications, and in 15 per cent of the cases it was lower.²

Employers appreciate working experience and high motivation

The company case studies reveal that most of those employed within the framework of the Western Balkans scheme had many years of working experience relevant to the respective activity, which was strongly required by the employers interviewed. In many countries, professional qualifications which are obtained and certified in a dual vocational training system in Germany are acquired on the job without any certificates. The majority of companies interviewed considered qualifications acquired through professional experience to be more relevant than formal training and certificates:

“Certificates aren't very important to us. [...] All that matters is what they can do out there.” (employer, construction industry, Hesse)

In the construction industry in particular, there is no specific vocational training available for certain trades in Germany (e.g., iron benders). In this case, the employer decides on the skill level at which the workers will be employed based on their practical skills. This is the reason why the employers classify many workers employed due to the Western Balkans regulation as skilled employees although

² This result needs to be interpreted with caution, however, because for the Western Balkans scheme workers, similarly to other reference groups, no professional qualification is specified in the data in many cases. This does not apply to the comparison of the skill levels required for jobs. Here, data is available for 99.8 per cent of the employment relationships based on the Western Balkans regulation.

T2

Employment structure of the groups of persons according to the requirement level of occupational activities

Shares in percent

		Unskilled level	Skilled level	Specialist/ expert level
Origin – Western Balkan countries ¹⁾ (26+) ²⁾	Western Balkans regulation	42	54	4
	Access for highly qualified professionals	2	12	87
	Bottleneck occupations	45	51	5
	Access for asylum seekers	74	25	1
Other groups of migrants (26+) ²⁾	New EU member states	61	36	4
	Other third countries ³⁾	46	29	25
Persons who were observed in the employment and social insurance statistics for the first time at the age of 21 or higher and for a maximum of two years at time of observation	Germans	38	38	25
	Individuals in dependent employment in Germany in total	54	34	12
All individuals in dependent employment without restrictions in terms of age and employment duration	Germans	22	55	23
	Individuals in dependent employment in Germany in total	26	53	21

¹⁾ Citizens of Albania, Bosnia and Herzegovina, Kosovo, Montenegro, Northern Macedonia, Serbia.

²⁾ Only persons who were observed in the employment and social insurance statistics as employees, unemployed persons, job seekers or benefit recipients for the first time at the age of 26 or higher and for a maximum of two years at time of observation.

³⁾ Nationals of other third countries without main countries of origin of asylum seekers (Syria, Afghanistan, Iraq, Iran, Eritrea, Somalia, Nigeria and Pakistan).

Example: 54 per cent of professional activities of those employed based on the Western Balkans regulation in the years 2016 and 2017 were based on a skilled qualification level.

Sources: Western Balkan countries: IEB and ZuwG 2016–2017, all other groups: IEB Sample 2016–2017. © IAB

they lack formal vocational qualifications, as they do in fact meet the qualifications because of their working experience.

Aside from this, for access through the Western Balkans regulation, no proof of German language skills is required, with the exception of regulated occupations. The company case studies show that the language skills of the respective workers are very heterogeneous and strongly depend on the time spent in Germany previously, the duration of current stay and their level of education. In occupations with direct customer contact (such as nursing homes or skilled trade businesses), the command of German was particularly important to the employers interviewed. In many of the respective companies, the share of the foreign workforce was substantial, however, thus already rendering multilingualism normal. Accordingly, the command of German was considered less relevant there:

“Nowadays there are so many different nations working together at the construction site. [...] Things have changed a lot. [You] are glad to have those people there. [...] You find a way to understand each other.” (employer, construction industry, Bavaria)

Along with professional and language skills, key qualifications constitute an essential prerequisite for successful labour market integration. In the companies interviewed, those employed due to the Western Balkans regulation were described as modest, hard-working, flexible and highly motivated. The exceptional work ethics of the employees from the Western Balkan states were emphasised across all sectors:

“People from Albania are terrific. They work hard and enjoy doing it. I’ve never met nicer people. It’s not just a different kind of mentality, it’s an entirely different culture. If something gets broken, they don’t think: well, never mind – the company will pay. [...] There’ll be no trouble with the customers. [They] really care, and help each other. It’s not just a job. I’ve had very good experiences on a personal level.” (employer, communication and information sector, Berlin)

Earnings comparable to those of other groups of migrants

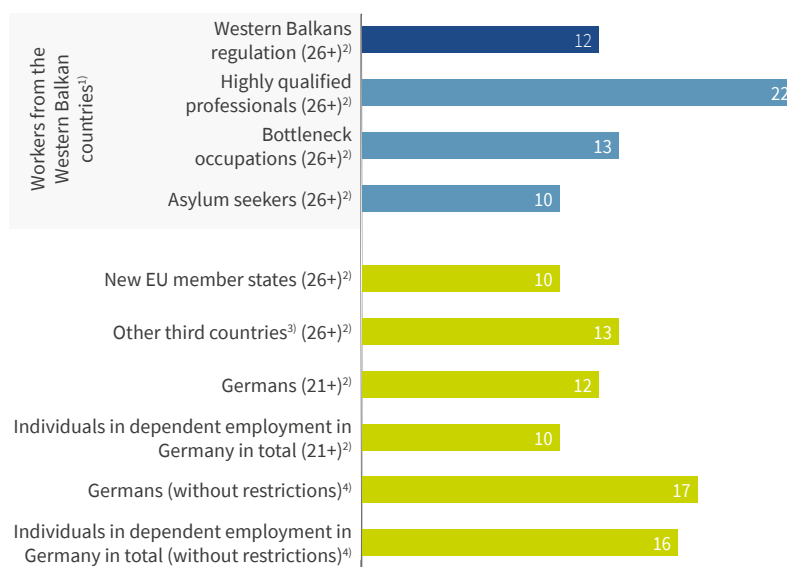
During the observation period, full-time employees working in Germany within the framework of the Western Balkans regulation earned EUR 12 per hour as the median (gross) wage. Median gross hourly earnings amounted to EUR 11.50 for unskilled labour and EUR 12.60 for skilled labour. The median earnings for women were EUR 11.60 per hour; men had hourly earnings of EUR 12.20.³ Median hourly earnings among the migrant groups used for comparison were within the same range. Once again, the citizens of the Western Balkan states who made use of the access regulations for highly qualified professionals form the exception (see figure A1). Gross hourly earnings of workers employed due to the Western Balkans regulation are also comparable to those of job entrants who

³ Because of the approximation method applied, the hourly wages calculated on the basis of the IEB are not identical to the collectively agreed, statutory or contractual gross hourly wages.

A1

Median gross wage of persons employed via the Western Balkans regulation as compared to other groups of persons

In euros per hour



¹⁾ Citizens of Albania, Bosnia and Herzegovina, Kosovo, Montenegro, Northern Macedonia and Serbia.

²⁾ Only persons who were observed in the employment and social insurance statistics as employees, unemployed persons, job seekers or benefit recipients for the first time at the age of 21 (21+) or 26 (26+) or higher and for a maximum of two years at time of observation.

³⁾ Nationals of other third countries without main countries of origin of asylum seekers (Syria, Afghanistan, Iraq, Iran, Eritrea, Somalia, Nigeria and Pakistan).

⁴⁾ Employees in total without restrictions regarding age or duration in the IEB.

Example: Persons employed in Germany based on the Western Balkans regulation in the years 2016 to 2017 earned EUR 12 per hour as the median (gross) wage.

Sources: Western Balkan countries: IEB and ZuwG 2016–2017, all other groups: IEB Sample 2016–2017. © IAB

are German citizens or residents. Without restriction to the first two years of employment and the age of the first recording, the earnings of persons employed through the Western Balkans regulation within the observation period amounted to 74 per cent of the median earnings in Germany.

In the construction industry – the most important sector in terms of figures in the context of the Western Balkans regulation – the median earnings were slightly higher than those of both German job entrants and most of the other groups of migrants. Only those who came from the Western Balkan

countries on the basis of other regulations (highly qualified and bottleneck occupations) earned more. This applies equally to the employment in skilled and unskilled occupations.

Stable employment relationships and employers' investments

The employment relationships that resulted from the Western Balkans regulation remain stable during the observation period. Of all the reference groups – including German citizens – the persons employed in Germany due to the Western Balkans regulation represented the smallest percentage of those who changed companies in the first two years of employment (see figure A2). Our Kaplan-Meier estimations (see information box 3) show that twelve months after first taking up employment in Germany, 16 per cent of the employees from the Western Balkans scheme switched to another company. Within the same period, 33 per cent of citizens of the new EU member states and 22 per cent of German job entrants changed employer. Twenty-four months after starting the first employment relationship, these differences are even greater.

Along with residence-related reasons, this relatively low number of persons changing companies can be explained by social and economic factors: the employment relationships often come about through networks, for example, in which personal responsibility and obligation are an important “asset”. Networks can also reduce information deficits for both the employers and the employees, thus contributing to higher employment stability (see above and Dustmann et al. 2016). The small proportion of those changing companies can also be explained by the employers' efforts to retain workers in the company on a long-term basis, which was observed in numerous cases. One employer described it as follows:

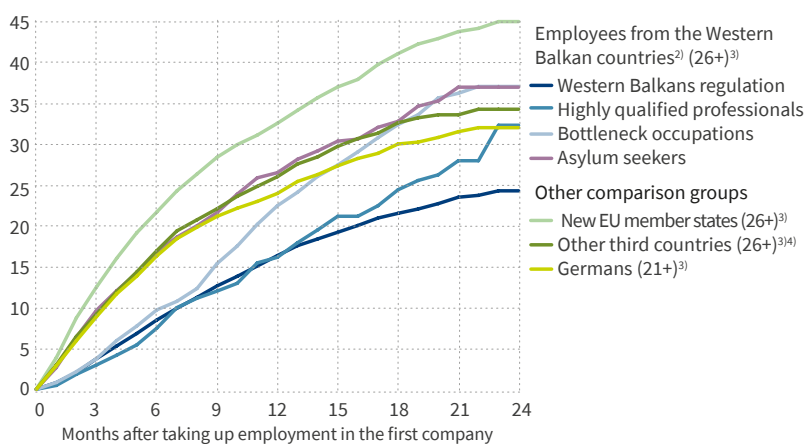
“It's an investment as well. You need to take care of your workers. If you have no workers, you cannot work.” (employer, hospitality sector, Bavaria)

Investments of this kind consisted, for example, of in-company advanced training and language courses if the professional activity required German language skills. The respective effort of the

A2

Share of persons employed based on the Western Balkans regulation who change companies¹⁾ as compared to other groups of persons

Accumulated proportion in percent according to months after taking up first employment



¹⁾ Persons that switched to another company at least once after taking up the first employment relationship.

²⁾ Citizens of Albania, Bosnia and Herzegovina, Kosovo, Montenegro, Northern Macedonia and Serbia.

³⁾ Only persons who were observed in the employment and social insurance statistics as employees, unemployed persons, job seekers or benefit recipients for the first time at the age of 21 (21+) or 26 (26+) or higher and for a maximum of two years at time of observation.

⁴⁾ Nationals of other third countries without main countries of origin of asylum seekers (Syria, Afghanistan, Iraq, Iran, Eritrea, Somalia, Nigeria and Pakistan).

Note: Inverted Kaplan-Meier estimation (see info box 3).

Example: Twelve months after taking up their first employment in Germany, 16 percent of those employed based on the Western Balkans regulation took up employment in another company.

Sources: Western Balkan countries: IEB and ZuWG 2016–2017, all other groups: IEB Sample 2016–2017. © IAB

3

Kaplan-Meier estimation

Not all individuals who took up employment as of 2016 and ever changed companies did this within the observation period. The data is therefore “right-censored”, i.e., there is no information on changes of company that took place after 2017. If these cases were excluded from the analysis, the findings could be potentially distorted, as they would only include the persons who had changed companies “very quickly”. To avoid this, the Kaplan-Meier method includes the right-censored cases (Kaplan/Meier 1958).

The Kaplan-Meier method estimates time-dependent survival probabilities. These show the probability of the fraction of an initial amount (of the so-called “risk group”) remaining in the observed group over time (in the companies in this case) and thus “surviving”. Hence, the longer the duration of employment, the lower is the probability of remaining with the first company.

companies was most extensive in the health and social sector. In some instances, professional integration management and “mentors” are provided for foreign staff members. In many sectors, the employers’ commitment even included providing support for the employees’ private lives: some helped their new staff members find accommodation, while others supported their workers during the process of family reunification or tried to employ their family members as well – another attempt to strengthen long-term ties with the company. In many cases, the employees responded with loyalty, trust and gratitude to the employers’ investments:

“He [my boss] has done more for me than [...] my own brother. [...] He helped me with the documents, finding a flat and all sorts of things. I’m really grateful.” (assistant fitter, 45, telecommunications, Baden-Wuerttemberg)

In the companies from other sectors which were interviewed, such as cleaning companies and self-service restaurants, there were no similar investments made by the employers. In the opinion of the employers interviewed, these would not pay off due to the high labour turnover typical of these sectors.

Occasional violations of the law and rules committed by employers

The problem-oriented access to the field (see information box 1) revealed isolated cases where the employers’ commitment remained an empty promise or waned over time and gave way to unlawful and irregular conduct. Workers from different sectors told of wages withheld, false payslips, discriminatory action and broken promises (rent-free accommodation, for example). Furthermore, none of these workers received assistance with learning German. In response to that, some of the respondents contacted an advice centre or changed companies.

“I couldn’t take it that my working conditions in Germany were worse than in Bosnia. Nobody knows their rights.” (cook, 44, hospitality sector, Baden-Wuerttemberg)

The findings of a BA investigative team⁴ suggest that the cases of a massive breach of law committed at the expense of those working within the

framework of the Western Balkans regulation are purely exceptions. It is also widely known that contract and law violations committed by employers at the expense of labour migrants are not a problem specific to the Western Balkans regulation, but generally occur more often in low-pay sectors and in the context of temporary labour migration (Lenard/Straehle 2010; Ruhs 2002). Our findings confirm that foreign employees are one of the vulnerable groups on the labour market and require special protection.

However, the data regarding changing of companies (see figure A2) do not suggest that the Western Balkans regulation was largely abused, for instance, to take up fictitious employment relationships and discontinue them after only a short time. The conclusion of long-term pseudo-employment relationships is not very probable either, as these would be subject to documentation and social welfare contributions. In the process data of the employment statistics, however, it is only possible to observe employment relationships that have actually come about. Therefore, no statement can be made as to whether attempts were made to obtain visas by means of fictitious employment offers and to what extent, or whether employment relationships were taken up with other employers or not taken up at all despite (preliminary) approval and visas being granted.

Hardly any unemployment or receipt of benefits

During the observation period, the majority of those who immigrated on the basis of the Western Balkans regulation were almost permanently employed. At the same time, the level of unemployment and receipt of benefits was low. As is the case with all other third country nationals who immigrate to Germany to take up employment, access in the context of the Western Balkans scheme is tied to

⁴ On the basis of the downstream right of access (§ 39 of the Residence Act [AufenthG]), the Federal Employment Agency checks the working conditions of the employment relationships established within the framework of the Western Balkans regulation. In 2018 and 2019, 27,398 checks were performed, and allegations of administrative or criminal offences were expressed in approximately 5 per cent of these cases. There is no information available as to how many of these cases resulted in a conviction or fine by the competent authorities.



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the prerequisite of job confirmation and the ability to secure living by means of employment. Extension of the residence permit is generally tied to these requirements as well. However, it is quite possible for unemployment insurance benefits and basic benefits for job seekers to be taken advantage of temporarily in the event of lay-offs or company closures. It is also possible for additional benefits to be received if the earnings are not sufficient to provide for all members of the household. However, the available findings reveal that this was hardly ever the case: for instance, the rates of unemployment and benefit receipt (German Social Codes SGB II and SGB III) amongst those employed due to the Western Balkans regulation on 30.06.2017 amounted to 0.1 per cent each – without any noteworthy differences between sectors or occupational levels. Neither the other groups of migrants nor German citizens achieved a similarly low proportion of unemployment benefit recipients.

This finding can be put down to the legal framework or high demand for labour in the sectors in question. The company case studies and expert interviews also indicate a number of other specific explanations: the main goal of the workers interviewed was to improve their own economic situation through employment. In addition to this, many of them expressed the wish to stay in Germany in the long run. It is not very likely that they will want to draw social benefits either, even for a short period, as they would anticipate adverse consequences regarding their residence permit if they did so.

Administrative bottlenecks noticeably constrain the use of the Western Balkans regulation

In principle, all employers and employees interviewed perceived the Western Balkans regulation as an opportunity: the former to meet the severe labour demand, the latter to improve their economic situation and secure their future prospects. Yet the administrative implementation of the regulation met with harsh criticism. The companies interviewed described long waiting periods at the German embassies in the Western Balkan countries as being a major problem. Many of them expressed a lack of understanding:

“The regulation is now virtually ineffective, absolutely unreliable. I’m not making any accusations, but they simply do not want to let anyone come. Unbelievable given the demand we have.” (employer, construction industry, Baden-Wuerttemberg)

Indeed, the expert interviews reveal that the implementation of the Western Balkans regulation was prone to failure in many respects. High numbers of applications for (preliminary) approvals at the BA and for visas led to significant capacity bottlenecks, especially at the German embassies in the Western Balkan countries. Moreover, the implementation was partly influenced by the suspicion of misuse. Some German embassies, for instance, verified information provided by the companies with suspiciously high numbers of applications for (preliminary) approval. In addition, the expert interviews show that the Western Balkans regulation was used restrictively by the embassies; the issuance of visas was partly tied to the qualification requirements:

“We rejected the bricklayer without a certificate back then.” (staff member, German Embassy, a Western Balkan country)

A massive rush resulted in a large increase in waiting times for visa applications (German Bundestag 2017). In many cases, the legal validity of the (preliminary) approval expired before a visa was issued. Since the initial objective of speeding up the process was not achieved with the preliminary approval procedure, it was abolished as of 1 November 2017. With the new approval procedure, the embassies constituted the first element in the chain of implementation. To avoid even more pressing capacity problems, visa offices of the respective embassies received additional personnel (German Bundestag 2019, 2020). The Federal Foreign Office also introduced a new system of appointment scheduling to regulate access to the visa offices. Since then, applications connected to rights, such as those for family reunification, and Blue Card-related applications by highly qualified professionals have been given priority with regard to appointment scheduling. As a direct consequence, the waiting time for appointments for visa applications based on the Western Balkans scheme became longer. In April 2020, five out of six German embassies in the Western Balkan countries had waiting times

of “over one year” (German Bundestag 2020). Not surprisingly, these waiting periods combined with the time limitation of the Western Balkans regulation created insecurity around planning for both the interested workers from the Western Balkan countries and the companies in Germany. In many cases, they may also have prevented employment relationships.

Conclusion

Employment biographies of individuals that were employed due to the Western Balkans regulation during the observation period show that compared to other groups of migrants their labour market integration was a success: the employment rates, for instance, were high, the employment stability was above average, the proportion of the unemployed and benefit recipients were exceptionally low and the earnings were comparable with most of the other reference groups. This applies to the employment in skilled and unskilled occupations equally. It is not yet possible to make reliable statements regarding the sustainability of the migrants’ labour market integration due to the short observation period and the shock associated with the COVID-19 pandemic (see information box 4).

However, for the observation period at least, we conclude that the Western Balkans regulation has achieved the goal of the legislation, namely to facilitate labour migration and to ensure successful labour market integration. At the same time, this brought about economic benefits and additional revenue for the state and the social insurance systems.

The company case studies provide explanations for these positive results: the search for personnel was initiated by a concrete demand in the company. In this context, the activation of ethnic and professional networks helped to minimise risks and made it easier to obtain a suitable match between the applicant profiles and the job requirements. The employers valued the practical skills, the willingness to work and the cultural fit of the employees from the Western Balkan countries, and invested in long-term working relationships. In a phase of a strong increase in employment, the income-oriented migration goals and fears of nega-

tive consequences regarding the right of residence significantly diminished the workers’ incentive to draw social benefits.

Despite these predominantly positive findings, there is some isolated evidence of unlawful conduct on the part of the employers. This is not an argument against the Western Balkans regulation and other options of labour migration, however. Instead, it is necessary to counter employers’ wrongful conduct effectively, for instance, by means of in-country control. If the validity of the Western Balkans regulation is extended, stricter verification of employers’ compliance with the contractual labour conditions, and more advice and support options for foreign employees throughout Germany will be required. Simplified administrative procedures when changing employers and the uniform implementation of these procedures could offer additional protection to the employees, support upward occupational mobility and thus boost the positive effects of the Western Balkans scheme.

Capacity bottlenecks and other administrative restrictions have substantially limited immigration via the Western Balkans regulation in the past. From the point of view of numerous employers, a great deal of important potential was therefore wasted – with all the operational and macroeconomic consequences that entailed. If the validity of the Western Balkans regulation is extended, the



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Employment-related consequences of the COVID-19 pandemic

When this report was written, no data was available for the workers employed on the basis of the Western Balkans regulation with regard to employment and short-time work since the breakout of the COVID-19 pandemic. However, the first conclusions can be drawn from the sector structure of the employment relationships. The results of the IAB’s job vacancy survey (Kubis 2020), the IAB’s employment forecast for individual sectors (Weber et al. 2020) and the Ifo Institute (2020) survey regarding the anticipated employment cuts in companies reveal that the sector with by far the highest significance for those employed in the context of the Western Balkans regulation, namely the construction industry, is far less affected by the reduction in employment than the average sector. This is similarly true for the health and social sector. In contrast, the impact on the hospitality sector is significant, and that on the administrative and support service activities is slightly above average; however, these two sectors only account for about a quarter of all employment relationships. Overall, the sector structure of the employment relationships resulting from the Western Balkans regulation indicate that the effect of the downturn on this group will be below average. Moreover, the ban on temporary employment, which is affected by the crisis to an above-average degree, could potentially contribute to stabilising the employment development of those who immigrated due to the Western Balkans scheme. Then again, it is currently hard to estimate whether factors such as a short period of employment or a relatively small company size and the like may lead to higher employment-related risks for this group during a recession.

institutions involved, especially the German embassies, will have to be provided with sufficient personnel to ensure that the regulation is implemented efficiently.

The consequences of the COVID-19 pandemic are not yet foreseeable for those employed on the basis of the Western Balkans scheme. The sector structure indicates that the impact of employment cuts on this group is likely to be below average (see information box 4). However, the crisis could potentially exacerbate the economic and social risks for labour migrants. In view of the general decline in employment, the demand for labour from the Western Balkan countries is expected to fall significantly, and there will be less immigration in the short term as a result. Due to the anticipated adjustment of labour supply to the crisis, there are no crowding-out effects to be expected towards other groups of employees. The priority review should prevent this as well. Then again, if the economy recovers and the validity of the Western Balkans regulation is extended, a higher demand for workers from the Western Balkan countries can be expected, which may support the upswing.

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