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Labour Migration to Germany from Central and Eastern Europe - Old and New Trends [1]

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0 Abstract

Since the end of the Second World War, millions of people of different nationalities and ethnic backgrounds have migrated to Germany. They have come from various areas of the world and all corners of Europe and included displaced Germans, immigrants and migrant workers.

After 1989, Germany once again became a major destination for immigrants. Between 1989 and 1992, the average net movement of people into Germany totalled over one million annually. Most migrants moved principally for economic reasons and chose former West Germany as their destination. Today, levels of migration have declined but they are still significant.

This paper begins with a summary of post-war migration trends that helps put German migration patterns since 1989 into context. The author then outlines current migration patterns and employment of foreigners, focusing on various programmes which bring migrant workers to Germany. Finally, the implications for both Germany and sending countries of using worker programmes as a substitute for both illegal immigration and a comprehensive immigration policy are explored.

1. Migration to Germany after World War II

There has been a steady influx of migrants into Germany since the end of the Second World War, although migration policy has been anything but consistent. Six major waves of migration can be identified (for details see Hönekopp, 1994).

The first wave, from 1945 to 1950, brought eight million refugees and displaced persons from the pre-war German regions in the east to West Germany.

In the second wave, from 1950 to 1961, (the year the Berlin Wall was built), about four million *Übersiedler* from East Germany moved to West Germany. In addition, *Aussiedler* moved to Germany from the Soviet Union: since 1950, some 3.3 million *Aussiedler* have moved to Germany.[2]

These first two waves of migration consisted mostly of ethnic Germans. The third wave, which began in the late 1950s and lasted until 1973, brought millions of foreign or 'guest' workers to Germany. Workers came from Italy, Greece, Yugoslavia, Turkey, Spain, Portugal, Morocco and Tunisia as part of recruitment agreements with their countries of origin to fill vacancies temporarily for periods of one to three years. Between 1960 and 1973, some 18.5 million people arrived in Germany, and 4.7 million settled.

[2] *Übersiedler* are East Germans who emigrated from the former GDR to West Germany. *Aussiedler* are German nationals and people of German origin who emigrated from central and eastern Europe to Germany.

During the oil crisis of 1973, migrant recruitment was halted. Many guest workers were then joined by their families, signalling their intention to remain in Germany. This new influx marked the beginning of the fourth wave. The recruitment prohibition undoubtedly encouraged the settlement of guest workers in Germany.

The fifth wave began in the 1980s with the arrival of ethnic German *Aussiedler*, mostly from Poland, the Soviet Union and Romania, and an increasing number of asylum-seekers from Turkey and from eastern European countries such as Poland and Romania.

The current, or sixth, wave, began in 1988. Three categories of migrants have been coming to Germany: *Aussiedler* from eastern Europe and *Übersiedler* from the GDR (now internal migrants); quite large numbers of foreign nationals originating from the same countries as the *Aussiedler* (initially from Poland in particular, and now from the former Soviet Union); and asylum-seekers, whose numbers peaked in 1992, although there are still many applicants from Africa, Asia and former Yugoslavia.

Clearly, migration has been a constant feature of the Federal Republic of Germany. However, according to the German *Grundgesetz* (Basic Law, or constitution), *Übersiedler* and *Aussiedler* are German citizens, and so the more recent immigrants are not considered 'foreigners'; the government smoothed the way for their entry by emphasising that these newly-arrived citizens had suffered in their countries of origin because they were Germans.

2. Current Migration Patterns

2.1 General migration trends since the eighties

Eastern Europeans began migrating to Germany before 1989. For example, the struggle for power between Solidarnosc and the Communist government in Poland in the early 1980s led to Polish migration - of both ethnic Germans and non-German Poles - to Germany and to other western European and non-European countries. In 1981, some 46,000 ethnic Germans and 93,000 non-German Poles arrived in Germany. Most were considered victims of oppression, although a few were project-tied workers, and they were readily accepted. In the second half of the 1980s, immigration from Poland increased.

During the same decade there was also a flow of Romanians to Germany. About two-thirds were ethnic Germans: the German government paid DM 10,000 per migrant to the Romanian government to compensate for the investments it had made in their education and for other human investments. (For a more detailed picture of the migration process to Germany see Chies and Hönekopp 1990, Hönekopp 1991, Fabmann and Münz 1994.)

The year 1989 marked a new era in east-west migration. First, more Poles migrated west, some to work, and others to sell goods in the Polish markets. Second, East Germans began arriving in West Germany, first via Hungary and Czechoslovakia, and later directly. The number of ethnic Germans doubled between 1988 and 1989, while the number of asylum-seekers from eastern Europe, Turkey and non-European countries increased.

In 1989, almost one million more people migrated to West Germany than emigrated, and net immigration remained at about 1 million annually through to 1992. This rate of immigration is high, given the population of 60 million (cf. net immigration to the USA is 600,000, with a population of 250 million). Germany has been the main destination for migrants from the east since the beginning of the latest wave of migration. (see Hönekopp 1995).

2.2 Migration of foreigners

Between 1974 and 1995, a net total of 2.6 million non-German migrants was recorded. Immigration from the east has increased greatly in recent years with the result that more than 40% of this figure are from eastern Europe and the former USSR. In fact, more migrants left Germany than entered from the majority of guest worker 'recruitment' countries, with a net emigration of EU nationals. This means that immigration from eastern European countries like Poland more than compensated for emigration to Italy and other former guest worker sending countries (net immigration from eastern Europe over this period was 1.1 million, including 500,000 Poles).

Table 1: Net Immigration (1) from Eastern Europe (2) to Germany
1988 - 1995
(Thousands)

	1988	1989	1990	1991	1992	1993	1994	1995	1988-95
Net immigration (CEEC)	289	460	501	298	380	193	248	288	2.659
Germans (from CEEC)	155	297	348	193	212	211	194	214	1.825
Foreigners (from CEEC)	134	163	153	105	168	-18	54	74	833
For comparison:									
Net immigration (Total)	442	597	688	601	788	472	330	408	4.325
Germans (Total)	153	265	312	178	195	195	177	181	1.654
Foreigners (Total)	289	332	376	423	593	277	153	227	2.671

(1) Inflows minus outflows

(2) Bulgaria, (fr.) CSFR, Hungary, Poland, Romania, (fr.) USSR

Note: up to 1989 Western Germany, from 1990 onwards: total Germany

Source: Federal Statistical Office of Germany; calculation by the author

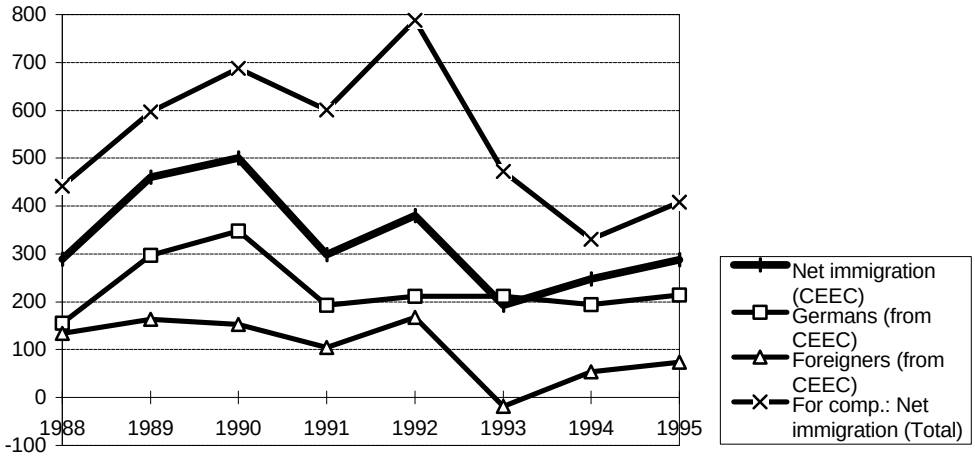
However, between 1988 and 1995, some 6.6 million non-Germans immigrated and 3.9 million emigrated, resulting in a net immigration total of 2.7 million (see Table 1). Net immigration from traditional guest worker sending countries was about 1.2 million, due to migration of war refugees from former Yugoslavia and asylum-seekers from Turkey, but many of the newcomers came from eastern European countries (net 830,000) and Asian countries (net 300,000).

In 1993, however, about 20,000 more eastern Europeans left Germany than entered, although there is still net immigration of eastern Europeans to Germany, even if the numbers have dropped (see Fig. 1 and Table 1).

Former guest worker sending countries continue to send a significant number of immigrants to Germany. While in 1974, two thirds of all migrants came from these

sources, the figure has now fallen to about 40% in 1991, which it still is in 1995. The share of eastern European migrants has risen from five per cent to one third in 1992 (the figure is similar for 1995), with Poles alone making up about 10% of all immigrants.

Figure 1: Net Immigration from Eastern Europe to Germany 1988 - 1995



2.3 Migration of Germans

After 1977, a net 110,000 Germans migrated to EC-countries, to the US, Australia, Pacific rim countries and to Austria, while a net 2.3 million Germans migrated to Germany from eastern Europe. For the years 1988-1995, net immigration of Germans from eastern Europe was higher than total net immigration (see Table 1) i.e. there has been a small net emigration of Germans to other parts of the world.

Most German immigrants today are from eastern Europe, the figure being 80 per cent in 1995. 93 per cent of eastern European migrants come from the former USSR. Immigration trends from eastern Europe have now stabilised, mostly because Germany has changed its regulations applicable to persons from the former USSR.

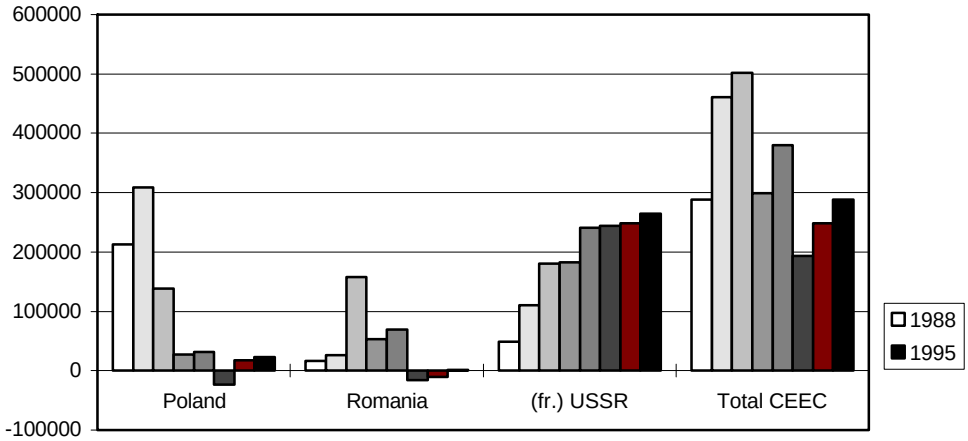
2.4 Migration today

Immigration to Germany today still comes largely from the east. It is worth noting that both ethnic Germans and other immigrants from eastern European have always enjoyed various advantages upon arrival. Most had been assumed to be political refugees; they could be confident that they would not have to leave Germany, and they were permitted immediate access to the labour market.

About 90 per cent of the *Aussiedler* from eastern Europe are recognised as German citizens, and thus have immediate access to the German labour market, social benefits, and special integration benefits. However, it has proven difficult to integrate many *Aussiedler*, since their German language abilities and skill levels have been declining, although Germany provides extensive language and vocational skills courses for *Aussiedler*.

The migration balance for the years after 1988 shows that eastern European migrants to Germany have mainly come from three countries: Poland, Romania and the former Soviet Union (see Fig. 2 and Table 2). In recent years, emigration to eastern Europe has increased in parallel with immigration, suggesting that many migrants are 'birds of passage', i.e. they seek to earn money in Germany and then return to their country of origin in eastern Europe. Some established eastern Europeans, including a number of Poles, have emigrated to take advantage of opportunities at home. Furthermore, four of six eastern European countries of origin show decreased rates of immigration to Germany. Only migration from the area of former Soviet Union is still clearly increasing, with immigration to Germany of both non-Germans and ethnic Germans.

Figure 2: Balance of total migration from/to Central and Eastern European countries for Germany 1988 - 1995



This current development might strongly reflect the economic situation in Germany in 1993 and 1994. Eastern Europeans could not find enough jobs and fewer were given permission to work. At the same time, the economic situation in some of the Central and Eastern European (CEE) countries has improved, so that migrants or potential migrants might have better chances of finding employment at home.

Table 2: Total Inflows (1) from Central and Eastern European Countries into Germany
1988 - 1995

Emigration country	1988	1989	1990	1991	1992	1993	1994	1995
Bulgaria	1.289	2.275	11.193	17.420	31.523	27.350	10.478	8.165
(fr.) CSFR	11.978	17.130	16.948	24.438	37.295	22.078	18.316	20.285
Hungary	12.966	15.372	16.708	25.676	28.652	24.853	19.803	19.487
Poland	313.792	455.075	300.693	145.663	143.709	81.740	88.132	99.706
Romania	20.233	29.483	174.388	84.165	121.291	86.559	34.567	27.217
(fr.) USSR	54.725	121.378	192.820	195.272	254.731	271.877	288.022	314.116
Total CEEC	414.983	640.713	712.750	492.634	617.201	514.457	459.318	488.976

(1) Foreigners and Germans (almost ethnic Germans)
Source: Federal Statistical Office

3. Immigration and Population Development

Demographic growth is a function of natural population increase - births minus deaths - and net immigration. The natural increase of the resident population in Germany is negative. However, the population of Germany has increased by an average of more than 500,000 per year since 1989 as a result of net immigration, giving a growth rate of about 0.6 per cent.

These overall demographic trends conceal the fact that the population of former East Germany is shrinking through both natural decrease and internal migration. Very few immigrants move to former East Germany. In western Germany, by contrast, the population (66 million), has experienced a net increase of about 1.5 per cent annually in recent years.

In 1996 foreigners accounted for about nine per cent of the total population in Germany, or eleven per cent of the western German population - up from eight per cent in West Germany in 1989. Guest workers from traditional sending countries still accounted for 62 per cent of all non-Germans in 1996. The numerical significance of eastern European foreigners in the German population is still very low, although in absolute terms their numbers have almost doubled (see Table 3). One should note that these figures include non-German family members accompanying a spouse of ethnic German origin. Eastern European immigrants of ethnic German origin are classified as Germans in the residents' registration office after their settlement.

Table 3: Total and Foreign Population by Selected Nationalities in Germany (1)
1989 - 1996

	Year							
Nationality	1989	1990	1991	1992	1993	1994	1995	1996
Bulgaria	5.670	14.711	32.627	59.094	56.709	44.848	38.847	36.046
(fr.) CSFR	31.695	34.393	46.702	63.724	77.218	63.379	59.112	56.108
Hungary	31.627	36.733	56.401	61.436	62.195	57.986	56.748	55.706
Poland	220.443	242.013	271.198	285.553	260.514	263.381	276.753	283.356
Romania	21.101	60.293	92.135	167.327	162.577	125.861	109.256	100.696
(fr.) USSR	11.533	21.750	54.964	79.049	118.845	140.146	175.984	215.256
Total CEEC	322.069	409.893	554.027	716.183	738.058	695.601	716.700	747.168
Total Foreign Population	4.845.882	5.342.532	5.882.267	6.495.792	6.878.117	6.990.510	7.173.866	7.314.046
Total Population	62.063.000	79.565.000	79.884.000	80.595.000	81.190.000	81.410.000	81.818.000	81.882.000
CEEC/Foreign Pop. (%)	6,6	7,7	9,4	11,0	10,7	10,0	10,0	10,2
CEEC/Total Pop. (%)	0,5	0,5	0,7	0,9	0,9	0,9	0,9	0,9

(1) 1989: Western Germany; from 1990 onwards total Germany
Source:Federal Statistical Office; calculations by the author

The rapid increase in population due to immigration has created tensions in western Germany, as competition for housing, jobs, and education and other social services intensifies. The cost of unification prevented a rapid expansion of government services for immigrants. Indeed, the funds available for schooling and German language courses to help integrate ethnic German immigrants has been reduced. However, it is not easy to analyse the consequences of recent changes in integration efforts on prospects for the *Aussiedler* because once they are accepted as German citizens, they no longer appear in

official *Aussiedler* statistics (except for their status as unemployed for a period of five years after their arrival in Germany). The information obtained from special surveys is also limited.

Because of the various direct effects of Aussiedler immigration on German society (see above), the debate on further restricting their admission to Germany has been reopened.

4. Migration from the East and the Labour Market in Germany

4.1 General development

Most migrants from the east come to Germany for economic reasons; the younger and best educated eastern Europeans have proven most keen to migrate. This migration trend affects labour markets in both eastern Europe and Germany.

In the Federal Republic of Germany the number of those in work increased by 1.9 million (or nine per cent) between 1989 and 1992, and then fell by more than one million between 1992 and 1996. The number of foreigners employed has risen by 26 per cent since 1989, including a 285 per cent increase in the employment of eastern Europeans, from 54,000 in 1989 (see Table 4). But these figures understate eastern European employment, mainly because they do not reflect the proportion of immigrant ethnic Germans from eastern Europe. In addition, the data reflect employment on 30 June of each year, when many seasonal workers are not yet employed. They include only socially insured workers, i.e. project-tied workers who are not socially insured in Germany are not included; and they only partly include seasonal workers, since compulsory social insurance only applies to a period of employment of more than 50 days, (many employers try to avoid additional labour costs by employing seasonal workers for no longer than 50 days). The actual number of eastern Europeans employed in Germany may be 50 per cent higher than the official count of 150,000 in 1996.

Table 4: Total, Foreign and East-European Employees in Western Germany *

1989 - 1996 (1)

	1989	1990	1991	1992	1993	1994	1995	1996
Total empoyees (1000's)	21.619,3	22.368,1	23.173,4	23.530,3	23.122,5	22.755,3	22.597,3	22.344
Total foreign employees (1000's)	1.689,3	1.782,3	1.898,5	2.036,2	2.183,6	2.140,5	2.128,7	2.078
East-European employees (2) (1000's)	54,6	72,2	100,3	143,0	170,4	157,6	157,6	152,5
East-Europeans as percentage of total employees	0,3	0,3	0,4	0,6	0,7	0,7	0,7	0,7
East-Europeans as percentage of total foreign employees	3,2	4,1	5,3	7,0	7,8	7,4	7,4	7,3

* Western Germany only: for reasons of availability of statistics; employment of foreigners in Eastern Germany is not significant

(1) at June of each year

(2) Bulgaria, (fr.) CSFR, Hungary, Poland, Romania, (fr.) USSR

Source: Federal Employment Services - Statistics on members of the compulsory social insurance system (Note: that means, in fact, all project tied workers and a major part of seasonal workers are not included in these figures); calculations by the author

The official data indicate that eastern European workers as a percentage of the total workforce increased from 0.3 per cent in 1989 to only 0.7 per cent in 1993, a figure that has since remained stable. About seven per cent of all non-German employees are now from eastern Europe. According to these figures, it appears that legal employment of workers from eastern Europe in Germany is not very significant.

4.2 Special employment opportunities for eastern Europeans in Germany

In 1988, even before the fall of the Iron Curtain, large numbers of Poles started to come to neighbouring Germany to try to find employment. After 1989, this trend increased and needed to be controlled, because there was a fear that it would endanger wages and social standards.

In 1990 within the framework of negotiations on German unification, the Polish government was offered special work opportunities for workers intending to go abroad. In fact, the Federal Republic of Germany made such agreements with almost all eastern European countries in 1990 and 1991 that permitted eastern European workers to find at least temporary employment in Germany. This is unique in Europe, although there are small programmes or employment opportunities for eastern Europeans in some other European countries (see Werner 1995). There are five different programmes (see Table 5).

Table 5: East European Programme Workers in Germany

1991- 1996

Program	Year					
	1991	1992	1993	1994	1995	1.996
Project tied workers (1)	51.770	93.592	67.270	39.070	47.565	44.020
Seasonal workers (2) (3)	90.000	212.000	164.377	140.656	176.590	203.856
Border commuters (1)	7.000	12.400	11.200	8.000	8.500	7.500
"New Guest workers" (2)	2.234	5.057	5.771	5.529	5.478	4.351
Nurses (2)		1.455	506	412	367	398
Total	151.004	324.504	249.124	193.667	238.500	260.125

Note: includes programme workers from former Yugoslavia

(1) persons employed; yearly average on monthly basis

(2) job placements

(3) annual employment volume equivalent might be a fourth to a fifth of the figures quoted (see table 9)

Source: Central Placement Unit and Headquarters of Federal Employment Services

Border commuters: calculated by the author (1995: estimate)

4.2.1 Project-tied work. This programme permits a German firm to subcontract part of a project to a foreign firm, which then supplies the workers to fulfil the subcontract. The workers' stay in Germany is tied to the project contract between the German and foreign firm. There is an annual ceiling which varies year by year and quotas for various countries: in 1992, 100,000 migrant workers were allowed into Germany on project-tied contracts. In 1993 and 1994 the total quota was reduced to about 50,000 in response to complaints from German firms of unfair competition, although the quota has since been slightly increased again. Some special regional labour market criteria have been introduced which must be met before work permits for project-tied workers can be

granted. The contracting companies are obliged to ensure that subcontracting companies pay their workers the standard wage for that sector. Project-tied workers are not covered by social security contributions in Germany, but have to be insured in their home country. That means that labour costs for those workers are much less than for resident workers even if everything is done legally. However, project-tied workers are often paid much lower wages than the standard, and are not socially insured. Project-tied work is mostly to be found in the construction industry or in related activities.[3]

4.2.2 Seasonal work. This programme permits migrant workers to work in Germany for up to three months a year (showmen and fair workers up to nine months) if workers are not available in Germany to fill vacant positions. In order to employ seasonal migrant workers, a German employer requests them, usually by name, and then the workers are issued 90-day work permits. Since late 1993, the employment of eastern Europeans within this programme has been restricted mainly to farming and the processing of farm products, to hotels and restaurants and to showman and fair worker activities, since employers liked to use them for regular jobs (very often to fill gaps during vacation season, for example in the construction industry). Officially, they have to be paid the usual wage. But 'usual' wages are quite low in these sectors. Seasonal workers are mainly employed in agriculture and related activities (1993: 62 per cent; 1996: 90 per cent) and in hotels and restaurants (about 4 per cent). Most are from Poland (1993: 79 per cent; 1996: 89 per cent). The number of persons employed under this programme is high. But it should be noted that these figures reflect placements only. Since the period of employment is limited to three months maximum, the actual yearly employment volume is much less (see the re-calculation in the next section).

4.2.3 Border commuters. These are Polish and Czech residents living within 50 km (approx. 30 miles) of the German border who are permitted to work in Germany, if German employers can convince local labour offices that local workers are not available. Border commuters must continue to reside in their country of origin and return home daily. Alternatively, they can work in Germany for a maximum of two days a week before returning to their respective countries. Marginal part-time work is not permitted. Work contracts are obligatory, including payment of official wages. The total numbers employed are quite small (1996: about 6,000 Czech and 1,500 Polish commuters).

4.2.4 Guest workers. Exchange programme agreements permit young eastern Europeans and Germans to go to another country to enhance their occupational skills or knowledge of language through work stays. They earn regular wages. Participants must be aged 18-40, have completed some vocational training, and have a basic knowledge of the language of the host country. But there are no specific entrance criteria concerning special training measures during the work stay. They can remain abroad for up to 18 months. The number of participants is restricted, e.g. a maximum of 1,400 from the Czech Republic and the Slovak Republic, 1,000 from Poland and 2,000 from Hungary, totalling 10,000. To date, almost no German workers have gone to neighbouring countries. The number of employed persons within this programme is quite low: only half

[3] Granting of work permits was stopped in July 1997 after a legal interference of the European Commission. The interference concerned an alleged violation of the general EU-wide freedom of service by excluding other member states from the bilateral contract.

of the quota is used. 80 per cent of the actual labour is from Poland, the Czech and Slovak Republics and Hungary.

4.2.5 Foreign nurses. There were about 400 placements (all from former Yugoslavia) in 1994 and about the same number in 1996.

4.3 Objectives of the programmes

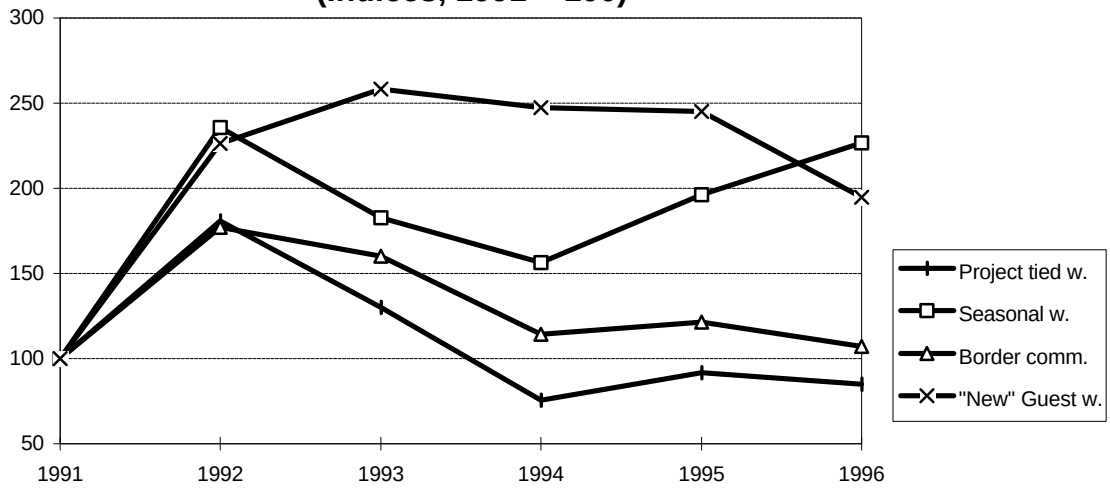
These programmes provide opportunities for eastern Europeans to work legally in Germany. The objectives of these programmes are:

- to provide jobs for eastern Europeans, to assist eastern European countries in alleviating their labour market situation and to provide income transfers that can help economic development;
- to give eastern European workers a chance to improve their knowledge of western labour and production standards through on-the-job experience or special training schemes;
- to find workers to fill special labour demand in Germany;
- to convert illegal workers into legal workers;
- to avoid permanent immigration by definite restrictions on work stay so that the additional workforce may be managed.

All five goals have been fulfilled but only to a certain extent. For example, concerning the first objective: the alleviation of the home countries' labour market problems is not as significant as it seems at first glance. The real employment figures are much lower than the high placement figures. Furthermore, if workers from certain areas or sectors move to Germany, this may add pressure to regional or occupational labour markets in their home countries. However, income transfers from eastern European workers to their home countries do seem to be important, especially in the case of Poland.

The second objective of enabling workers to enhance their knowledge can also be only partially realised. The majority of eastern Europeans in Germany, especially project-tied and seasonal workers, will not be able to learn very much because of their specific work situation, although the new guest worker programme is intended to provide participants with skills that may be useful for accelerating the development of the economies of their own countries. However, since there is no real training obligation for the employer, nor training requirements for applicants for programme admission, this scheme is often used as a means of cheap labour. And workers with skills very often seem to prefer to work at jobs that pay relatively high wages for a limited period of time, rather than take jobs that offer training wages, e.g. skilled Poles may prefer harvesting grapes or apples to learning more about machine operation in a factory.

Figure 3: East European program workers in Germany 1991 - 1996 (Indices, 1991 = 100)



The objective of finding workers to satisfy labour demand in Germany may have been fulfilled. Eastern European programme workers are concentrated in low-level jobs, partly because there are relatively few jobs available for skilled eastern Europeans in Germany and because low paid jobs (in agriculture) and jobs with poor working conditions (e.g. in hotels and restaurants) are not accepted by the resident workforce.

It is difficult to estimate the extent to which the objective of converting illegal labour into legal labour has succeeded. The question is: what would have happened without these work programmes? In the case of seasonal agricultural work, the attempt to legalise labour appears to have been very successful; in the case of construction, this is only partially true. There are some abuses within each of the programmes, such as an employer of seasonal workers illegally lending them to another employer, or the workers staying longer than three months. There are also complaints that the foreign workers depress wages, especially in construction. But the major problem is that there are still a significant number of illegal workers - perhaps as many illegal workers as legal workers. Some work programmes (seasonal work and above all project-tied work) are used as doors to illegal work. Investigations have been intensified, but it is difficult to maintain control.

The objective of avoiding permanent migration is a very important one. As soon as immigration from eastern Europe began to swell, the German government sought to restrict the work stay to a very short duration with no right to remain permanently in Germany in any case. This goal has so far been achieved, at least as far legal employment is concerned. As a result, it has been possible to manage the additional workforce from the east in response to the demand for labour, as shown by the changes in the programme worker figures (see Fig. 3): after 1992, the number of workers in the main programmes was reduced substantially to meet lower demand.

4.4 Actual employment of eastern European workers in Germany

Official figures (Table 5) show that there was a sharp increase in employment of eastern European workers in Germany after 1989. But these data understate eastern European employment, for reasons discussed earlier.

At the same time, the extent of employment of eastern Europeans, especially of seasonal workers, is overestimated, as only placement figures are taken into account. Since employment is limited to a maximum of three months per year, the figures should be re-calculated to get a real measure of yearly employment equivalents. The results of this re-calculation are given below in Table 6. The spectacular placement figures for seasonal workers are actually very modest when expressed in yearly employment volumes (1992: 43,000, 1996: 42,000, compared with 212,000 and 204,000).

The figures for 'new guest workers' and for nurses should also be expressed as yearly volumes. Here, however, only rough estimates are possible. A full picture of yearly employment equivalents for eastern European programme workers is given in Table 6.

Table 6: Yearly Employment Equivalants for East European Programme Workers in Germany

1991- 1996

Program	Year					
	1991	1992	1993	1994	1995	1996
Project tied workers (1)	51.770	93.592	67.270	39.070	47.565	44.020
Seasonal workers (2)	18.375	43.283	35.341	28.717	36.054	42.000
Border commuters (3)	7.000	12.400	11.200	8.000	8.500	7.500
"New Guest workers" (4)	1.500	4.000	5.200	5.400	5.400	4.300
Nurses (5)		1.000	1.800	2.100	2.200	2.300
Total	78.645	154.275	120.811	83.287	99.719	100.120

Note: including program workers from former Yugoslavia

(1) persons employed; yearly average on basis of monthly figures

(2) adapted figures, see text

(3)yearly average on quarterly basis

(4) estimated yearly equivalants

(5) persons employed, estimated cumulative figures

Source: Estimated by the author

Table 7: Total, Foreign and East-European Employees in Western Germany
1990 - 1996
Adapted Figures (Thousands)

Nationality	1990	1991	1992	1993	1994	1995	1996
Total employees	22.396	23.349	23.639	23.200	22.855	22.661	22.407
Germans	20.586	21.383	21.469	20.948	20.667	20.469	20.266
Foreigners	1.820	1.966	2.170	2.252	2.188	2.192	2.140
East-European employees	109	165	256	243	208	221	215
East-Europeans as percentage of total employees (%)	0,5	0,7	1,1	1,0	0,9	1,0	1,0
East-Europeans as percentage of total foreign employees (%)	6,0	8,4	11,8	10,8	9,5	10,1	10,0

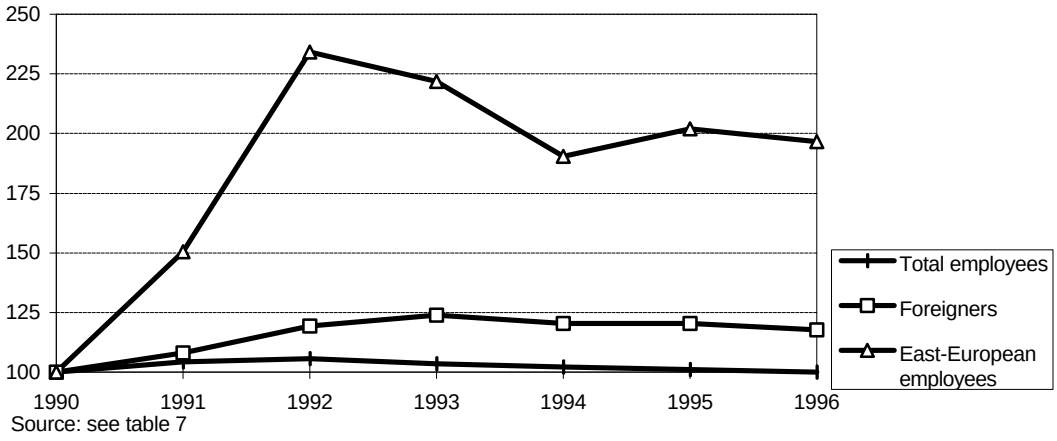
Note: Original figures (yearly averages; 1995/1996: at June) plus project tied workers (see table 5) plus seasonal workers (as far as not socially insured);1990: 27.240 PTW (yearly average); 10.000 SW (estimation)
Source: Calculated by the author

To get realistic numbers for foreign eastern European employment in Germany, seasonal workers who are not registered for social insurance and project-tied workers have to be added to the official data. The others are registered in the compulsory social insurance scheme.

This re-calculation (see Table 7) shows foreign eastern European employment to be slightly higher than indicated by official data (compare Table 4). Nevertheless, as a proportion of total employment, it remains modest at one per cent, and of foreign employment, ten per cent.

In summary, we see that during the first half of the nineties there was a remarkable rise in the employment of eastern European workers compared to a much slower increase of employment of all foreign labour, and almost no growth of total employment (see Fig. 4). Programme workers accounted for only about half of the total increase of eastern European labour. Others are either persons with a longer duration of stay and/or family members of settled ethnic German migrants.

Figure 4: Total, Foreign and East-European Employees in W-Germany 1990 - 1996
(Adapted Figures)
- Indices -



Source: see table 7

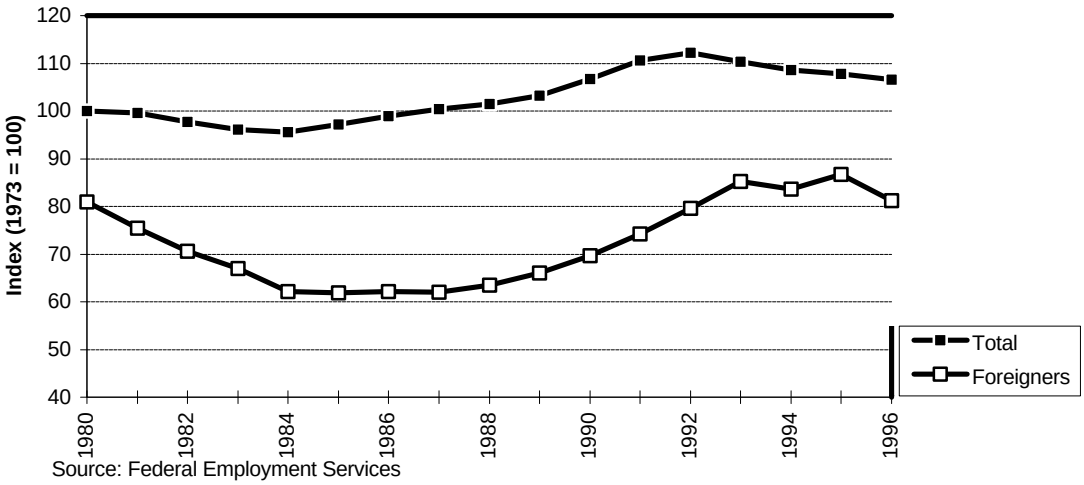
4.5 Employment of eastern European workers: importance for the labour market in Germany

The new wave of immigration inflow which started at the end of the last decade was characterised by very intensive restructuring of the labour market and by the ensuing contradictory trends in employment and unemployment (see Figs. 5 and 6). In the first half of the eighties decade there was stagnation in total employment and a clear decrease of employment of foreign labour, accompanied by a sharp rise in unemployment (total unemployment doubled and unemployment of foreign labour tripled). In the second half of that decade these trends reversed, showing an increase in employment (total and especially foreign labour), and, with a delayed reaction, of decreasing unemployment (although it has remained far above the level at the beginning of the decade).

At the end of the decade, these positive trends had been reinforced by the economic effects of German unification on the demand for goods and on the resulting demand for additional labour. The new immigrants were really in the right place (the German labour market) at the right time. Because of the macro-economic situation, the German economy was able to absorb both immigrant and temporary workers until 1992. In this situation, immigration had a positive effect on the economy and on jobs (see Giesecke et al, 1994).

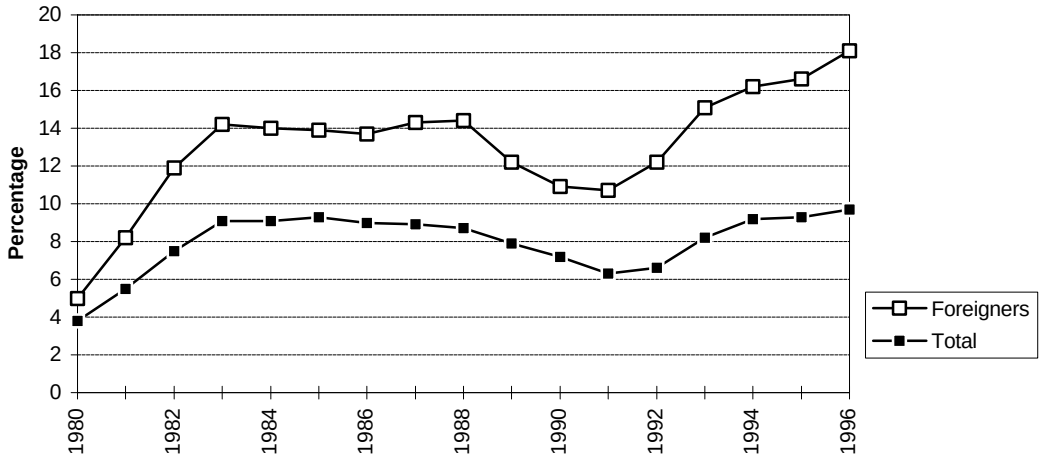
But in late 1992, there were clear signs that the positive economic effects of the German unification process had come to an end, with decreasing demand for goods, decreasing employment and another sharp increase in unemployment, particularly of foreign labour. This situation has been intensified by the integration of the eastern European economies into the international economy. The import of cheaper goods is a threat to especially - but not only - low paid jobs in certain sectors in Germany. The available, cheap and qualified labour in neighbouring eastern European countries has attracted German local investment, which also has negatively affected employment in certain German industries, reducing jobs for Germans and foreign workers in Germany.

Figure 5: Employment (total and Foreigners) in W-Germany 1980 - 1996 (Indices)



Source: Federal Employment Services

Figure 6: Unemployment Rates (total and Foreigners) yearly average 1980 - 1996



Source: Federal Employment Services
Note: 1996 - at June

As unemployment rose steadily since 1992, it became harder for eastern European workers to find jobs in Germany. This is one general reason why the number of opportunities for eastern Europeans to work in Germany has been reduced. Since 1992, the number of programme workers has been cut back by a quarter and the number of foreign eastern European employees by a fifth (see Tables 5 and 7). Since programme workers account for only about a half of total eastern European employment, the question arises as to whether any further reduction is, firstly, technically and politically possible, and, secondly, economically appropriate and opportune?

The answer to the first part of the question is, of course, two-fold: a further reduction is technically possible, and the applicable programme regulations allow for rapid adaptation to current demand. But there is also a political dimension that cannot be ignored. Looking at the historical background and genesis of the programmes, clearly any further reductions would involve friction with the contracting countries. Furthermore, it would no longer be possible to achieve the main objectives as described above, especially the goals of providing workers to meet special labour demand and of converting illegal labour into legal labour.

As far as the second part of the question is concerned, part of the answer may be provided by looking at the current discussion in Germany about employment of eastern Europeans. There are two main arguments: first, that there is labour demand for jobs for which no resident workers are available and, second, that there is too much pressure from labour supply in one sector: construction.

Regarding the first argument: it is concerns almost exclusively employers (farmers etc.), seeking enough workers from eastern Europe, and labour administrations, trying to place residents in work (the long-term unemployed, asylum-seekers, unqualified persons). Every year it is like a game: employers name a certain amount of demand, which is then partially reduced by the labour administration which offers some resident unemployed. There is currently no general public interest in this discussion.

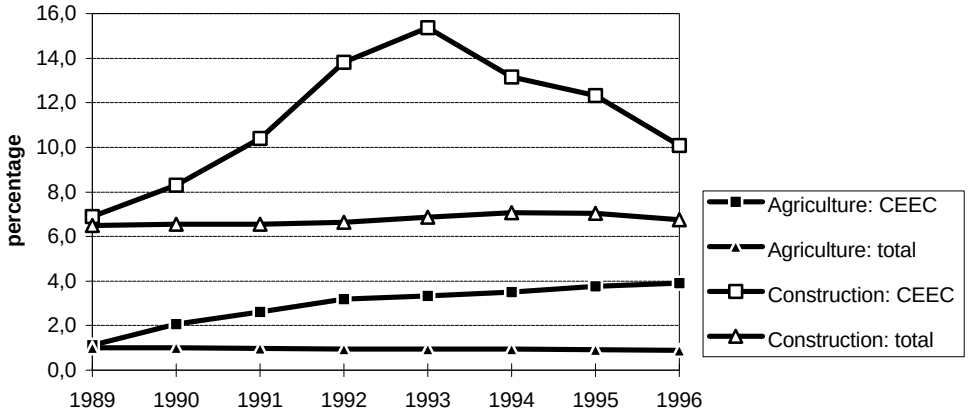
The second argument is more meaningful. After German unification, construction was one of the main beneficiaries of the additional demand for goods and services. But it is now under pressure from three directions: first, the general demand for construction products has been reduced. Second, within the European Union the construction industry is now much more competitive than before because of the provision of free movement of services and freedom of establishment (allowing European construction companies, e.g. from Portugal or Spain, to work with their own - cheaper - workers in Germany). Third, the legal and illegal labour supply from various sources is growing steadily. The competition for jobs in the construction sector is between resident workers, legal and illegal workers from eastern Europe, the mainly illegal so-called pseudo-self-employed[4] and the low-paid legal workers of European construction companies.

Legal employment of eastern Europeans does not play a very important role in this discussion. This is because by 1993, the admission criteria for project-tied work had already been tightened up and the numbers of project-tied workers cut back, as shown. Another reason is that the main problem in this context are the illegal workers (pseudo-self-employed and illegals, also from eastern Europe) and the European workers working with their (non-German) construction companies in Germany. The main concern of the current discussion is how to avoid low wages which resident workers are unable to compete with. A special law has been passed by the German parliament, trying to introduce minimum wages in construction and related branches.

[4] These are workers officially working on their own account, but in fact under direct instruction of foremen of resident companies. This means that they save on social insurance contributions and therefore are much cheaper than resident workers. These pseudo-self-employed often come from Great Britain.

Of what importance then, is the employment of eastern Europeans in sectors of the German economy and what effects could it have on the development of total employment and of unemployment? Since 1989, numbers of eastern Europeans have been increasingly concentrated in agriculture and in construction (see Fig. 7). There has, however, been some change in the last two years in absolute trends and percentages of total employment.[5]

Figure 7: Employment in agriculture and construction as percent of total employment, for east Europeans and for total employment 1989 - 1996



In contrast to the above discussion, a look at the employment of total and of all foreign employees in agriculture and in construction (Figs. 8a and 8b) and comparison with the development of total unemployment and that of foreigner workers in these sectors (information on the unemployment of eastern Europeans is not available), reveals no particular negative trend in these sectors. This is even more the case if we look only at the employment figures for eastern Europeans.[6] In other words, it is difficult to claim that the legal employment of eastern Europeans in these sectors has caused the labour market situation of the resident workforce to be adversely affected. If there is any particular negative effect, then it is on the employment of foreign workers in general: Their employment (total and in construction) clearly decreased more than that of total employment, and their unemployment (again for total unemployment as well as in

[5] These graphs are based on official figures. They are not re-calculated in the way we have described in the text. However, such a re-calculation would confirm the point, since project-tied workers are mainly employed in construction, seasonal workers mainly in agriculture.

[6] We have the following figures for employment of eastern Europeans by sector:

	1989	1990	1991	1992	1993	1994	1995	1996	
Agriculture	100	247.8	434.2	752.4	937.9	916.4	980.2	986.9	
Construction		100	159.0	276.7	524.7	694.8	549.9	515.7	408.3
Total	100	132.2	183.7	262.0	312.2	288.8	288.6	279.3	

(Source: see Fig. 7)

construction) grew at much faster rate than total unemployment (see figures 8b and 8c). The increase in absolute figures, however, of total unemployment in construction is reasonably high between 1991 (the year with the lowest unemployment in construction) and 1996 (from 65,000 to 124,000). This may explain the political pressure to admit fewer foreign workers, especially in the construction sector.

Figure 8a: Employment and Unemployment in Agriculture (Total and Foreigners) 1989 - 1996 Index, 1989 = 100

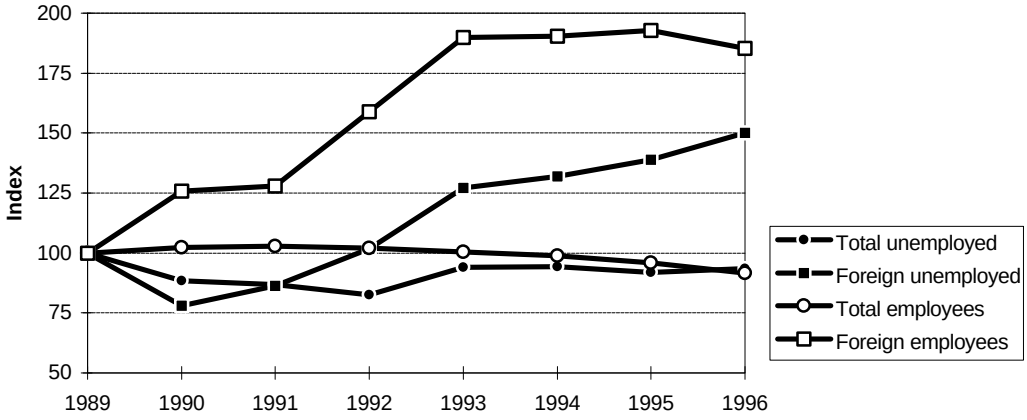


Figure 8b: Employment and Unemployment in Construction (Total and Foreigners) 1989 - 1996 Index, 1989 = 100

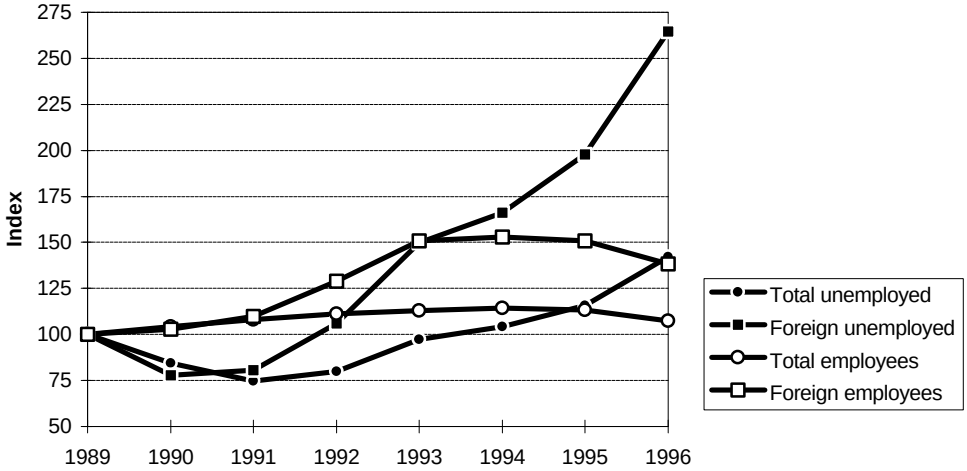
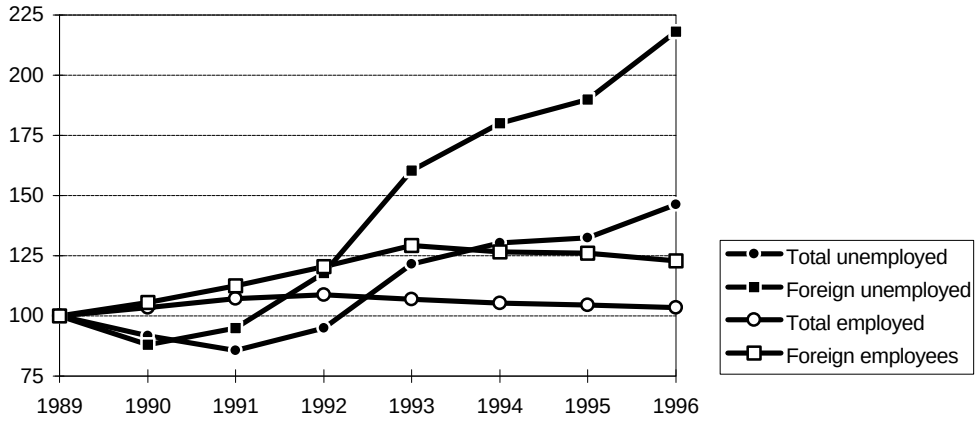


Figure 8c: Employment and Unemployment (All Branches) 1989 - 1996 Index, 1989 = 100



Source (Figs. 8a - c): Federal Employment Services

To sum up, there is clearly a concentration of legal employment of eastern Europeans in agriculture and construction. This is partly a result of official regulations and admission criteria. Nevertheless, the numbers and percentages are not high enough to negatively influence the employment of residents in these sectors. In agriculture, production would have decreased had eastern European workers not been available. However, the question is whether it is useful to subsidise a particular sector by supplying it with cheap labour from eastern Europe (especially from Poland, where unemployment in agriculture is high) instead of opening up the market for agricultural goods from this region, thereby supporting eastern European economic development and labour markets.

5. Importance of eastern European employment in Germany for the economy of the home countries

One of the official objectives of the work programmes for eastern Europeans in Germany is to provide employment opportunities in Germany: the goal is to assist eastern European countries by alleviating their labour market problems and providing income transfers that are then available for economic development. As we have seen, the effects of the programmes in relieving labour market pressures have not in fact been that great. But the other part of the equation - income transfers - seems to be much more important, as the following analysis shows.

What are the direct financial effects of the non-permanent employment of eastern Europeans in Germany? This can be estimated based on the figures available on programme workers.[7] The results of this calculation (see Table 8) are quite surprising.

[7] These figures have to be seen in conjunction with the average yearly income (related to the average duration of stay) per person in each group. The income is partly estimated on the basis of usual wages (for project-tied workers, nurses) There is also information from IAB-surveys on border commuters, seasonal workers and of new guest workers. The results have to be reduced by the amount of money spent in Germany (details available in the IAB surveys).

During the six years between 1991 and 1996, programme workers remitted an estimated amount of DM seven billion. Poland alone gained a total of almost DM four billion, income transferred by programme workers over this period. Other countries like the Czech Republic, Hungary and Romania also received considerable amounts.

If we take the example of Poland, the significance of these transfers quickly becomes clear when we compare them with amounts transferred for foreign direct investment. For example, in 1995, there was a net inflow of German direct investment into Poland of about DM 800 million. In the same year, Poland received about DM 700 million from income transfers made by Polish programme workers.

Table 8: Estimated Income Transfers of Programme Workers to their Home Countries
Total Amounts (in thousand DM) by Years
1991 - 1996

Home Countries	1991	1992	1993	1994	1995	1996	1991 - 96
Albania	0	2.093	4.007	2.158	2.044	1.509	11.811
Bulgaria	3.533	19.407	40.314	28.171	23.656	14.946	130.027
Estonia	0	0	16	0	0	16	32
ex Yugoslavia (total)	162.148	198.623	132.551	102.476	91.921	80.804	768.524
among that (1)							
Rem. Yugoslavia	0	7.349	25.736	145	0	0	33.231
Bosnia	0	474	12.313	11.345	9.574	6.602	40.308
Croatia	0	10.088	69.043	69.634	62.306	61.320	272.390
Makedonia	0	0	4.569	6.457	6.892	1.878	19.796
Slovenia	0	4.016	20.891	14.895	13.149	11.005	63.957
Latvia	0	32	2.677	2.544	1.527	1.879	8.659
Lithuania	0	178	32	1.444	1.704	1.330	4.689
Poland	503.583	880.457	585.702	504.957	690.884	748.565	3.914.149
Romania	17.288	86.020	149.678	35.530	20.918	20.414	329.849
Russian Federation	0	1.103	32	1.055	1.558	1.882	5.630
ex Czechoslovakia	71.950	206.445	244.950	157.265	179.822	124.589	985.020
Slovak Republic	0	0	36.662	34.626	45.649	37.941	154.877
Czech Republic	0	0	208.289	122.639	134.173	117.595	582.696
Hungary	124.330	172.552	173.770	115.140	116.262	112.583	814.637
Total	941.673	1.690.088	1.333.732	950.739	1.130.295	1.139.456	7.185.983

(1) fully detailed figures for individual republics available only from May 1993 onwards (esp. for project tied workers)

Source: Author's estimate based on detailed programme worker figures and results of surveys on various groups of program workers

These remittances, however, do not mean that those amounts represent additional investments. The crucial point is how the transferred money is used. Information available suggests that migrant workers use money earned in Germany as follows: a third of the money is spent on consumer goods, another third for building, enlarging or remodelling homes and up to 20 per cent is intended for investment to prepare for self-employment (shops, factories or offices).[8] Therefore, reasonable parts of the remittances have been used for real investments and for improvement of the housing stock, thereby directly and positively affecting economic development and the labour market. The increase in demand for consumer goods will also have positive effects on economic growth and on employment. Another positive economic outcome is an improved balance of payments.

[8] Results of IAB surveys on various groups of programme workers

6. Summary and Outlook

6.1 Immigration from central and eastern Europe reconsidered

Germany has accumulated a lot of experience in immigration. But at the time there was no clear immigration policy and a lot of mistakes were made (Martin, 1994). Nevertheless, it seems that Germany has learnt important lessons from its experience, instrumental in managing the new immigration wave from eastern Europe. There has been a huge influx from this area to Germany since the end of the last decade. The majority are persons of ethnic German origin and non-German family members. Despite the delicate internal political situation this kind of immigration could be stabilised.

The other part of the influx from eastern Europe has been controlled from the beginning. By introducing programmes which provide work opportunities for persons from eastern Europe, it has been possible to manage the legal part of these migratory flows and adjust them to meet the main goals of the programmes.

But, of course, policy makers are aware that a large part of migration pressure cannot be relieved by such measures. There is still a great deal of illegal employment in certain sectors and regions, mainly in construction and in some services. Efforts to better control and reduce illegal activities have been intensified. The work programmes may have created some opportunities for illegal work. But without those programmes, illegal activities would be much more numerous.

All in all, work programmes have helped to maintain control of migration trends, provided legal work opportunities for workers from eastern Europe to meet special demand for labour and for a limited duration of stay.

6.2 Future migration

Migration pressures around the world are increasing. In the short term, income and unemployment differentials in eastern and western Europe are likely to widen, and opinion polls suggest that many eastern Europeans would like to emigrate. But the picture has been changing. Neighbouring eastern European countries are themselves becoming immigration destinations, partly relieving the immigration pressure on Germany. The main migration pressure is now from the area of the former Soviet Union. Hundreds of thousands of Ukrainians, White Russians and Russians already work legally and illegally in Poland, the Czech Republic and in Hungary. Despite the buffer function of neighbouring countries, continuing migration from the east must be expected in western Europe, especially in Germany and Austria.

Will western Europe be open to this migration? From a demographic perspective, it has been suggested that Germany needs immigrants. In Germany, children under 15 make up just 15 per cent of the population; persons who are 65 and older account for another 15 per cent of the population. Without immigration, the German population will decline.

If Germany does not permit immigration, German society and the German economy will have to adjust to fewer consumers - which might be offset by increased exports - and

strains on pay-as-you-go social security systems that depend on contributions from workers to support retirees. A shrinking labour force will also have other effects, including effects on:

- productivity trends
- economic growth
- working hours
- retirement age
- the length of military service
- the length of formal education and training
- the relationship between paid work and family work
- migration policy

There are alternatives to immigration. Lengthening working hours, raising the retirement age, making it easier for women to work and shortening the period of compulsory military service can increase the labour supply. But there are limits to how much additional labour can be gained from such measures. Furthermore, if there are fewer new workforce entrants, then the present workforce will have to be trained and re-trained to raise productivity and to make up for the shortfall in new skilled labour - this training will mean fewer hours available for work.

For example, in former West Germany, the workforce will shrink if the participation rate is unchanged and there is no immigration. Of course, there are also unemployed workers who could be put to work. Today there are more than four million unemployed. The fact that immigration has been occurring despite high unemployment suggests that there are structural rigidities such as age, poor health, and lack of qualifications that prevent the unemployed from getting jobs.

Will Germany need immigrants for economic reasons? Probably so. But it is not possible to predict precisely the additional volume of labour that may be required. For example, if the goal of immigration policy is to maintain the labour force at current levels, then in the year 2000, 200,000 immigrants per year would be necessary, the figures being higher for subsequent years. This, however, is less than recent immigration levels.

What is the conclusion? Germany's need for immigrants is long-term. This means that adapting immigration to the short-term situation on the labour market - as the current policy tries to do - makes sense.

6.3 Germany needs an immigration policy

Germany has emerged as one of the world's major destinations for immigrants, and immigration pressures are likely to remain high.

Despite decades of immigration, Germany still does not see itself as an immigration country. There are three immigration objectives that have remain unchanged since 1982: a stop of recruitment of foreign workers; the integration of legally resident migrants, especially second and third generation; and at the same time, measures to encourage migrants to return to their country of origin.

Several new immigration control measures have recently been adopted:

- bilateral agreements that permit legal entry from eastern Europe to take up employment - the purpose is to establish a legal framework for migratory flows that have been illegal and to support economic performance in the sending countries;
- a quota limiting the number of ethnic Germans entering Germany from eastern Europe to 220,000 per year;
- recognition of entry rights for family members of persons already established in Germany;
- regulations to ensure distribution of ethnic German immigrants across the regions;
- measures to assist returning migrants with resettlement in their home country.

These are typical immigration policy measures. However, they have not been developed consistently. Germany is still in the midst of a public debate on the need for an immigration policy: proposals for an immigration law have been made by the German liberal party (FDP), by the Green Party and by the *Land* Rhineland-Palatinate; and a similar initiative was taken some weeks ago from the Social Democratic Party (SPD). The outcome of these discussions is likely to be an acknowledgement that Germany is, and is likely to remain, a country of immigration. Accepting the inevitability of immigration would permit Germany to discuss:

- which migrants and how many should be admitted to Germany;
- the effects of immigration on various sectors of the German economy and society;
- how to contend with the causes of migratory pressure.

Germany cannot make or enforce an immigration policy in a vacuum. In co-operation with other prosperous nations, it will have to work to reduce migratory pressure by supporting political stability and economic growth in countries of emigration - and perhaps by sharing its wealth with these countries.

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