

# Germany's work force sees need for skilled migration – degree of approval varies by education, income and region

No. 246, 19 March 2019

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Germany's employment boom has generated growing skills shortages. In the medium term, the demographic trend alone will lead to a problematic attrition in the labour force. Against this backdrop, the federal cabinet recently adopted the 'German Skilled Labour Immigration Act' (*Fachkräfteinwanderungsgesetz*). A representative survey conducted by KfW Research shows that the relative majority of Germany's working-age population favours a higher intake of skilled migrants. Increased efforts to attract skilled migrants are supported by 44%, whereas just under half that rate (21%) are in favour of reducing skilled migration.

Attitudes towards migrant workers differ significantly by educational level, employment status and income. A very clear majority of graduates, high earners and self-employed persons endorse higher skilled migration rates. Attitudes of lower-skilled workers and lower-income earners are different but do not tip the scale. Those who favour higher skilled migration rates remain in the relative majority but their reservations are noticeably more numerous. Of those who are unemployed, for example, 37% favour a higher skilled migration intake, while 30% oppose it. Fear of competition for jobs is likely to play a role here as well.

Attitudes towards migration policy also differ by region. People in rural areas are less likely to see the need for more skilled migrants (40%) and this is similar in eastern Germany (39%). The survey reveals that locals here have less contact with migrants, which may be part of the explanation.

## Skills shortages are a demographic certainty

Germany's employment levels have broken records for more than ten years. But the number of job vacancies has also reached an unenviable record 1.21 million. Employers are therefore pessimistic, as nearly two thirds (65%) of small and medium-sized enterprises that need to fill vacancies in the coming years expect recruitment problems. Skills shortages are the primary reason they see for this.<sup>1</sup> Apart from the current employment boom, Germany is already heading towards a longer-term structural skills shortage when the baby boomer generation retires from around the year 2025. In order to mitigate the impacts, labour force participation rates of parents, older workers and lower-qualified workers need to rise further. This cannot happen unless the

expansion of child day-care centres and all-day schools continues and the retirement age and investment in (continuing) education increases.<sup>2</sup>

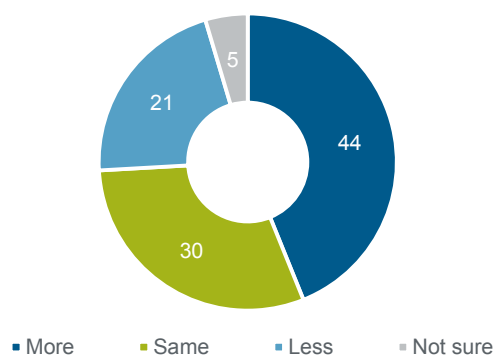
## Skilled migration is necessary

Migration is another indispensable component of securing the supply of skilled labour. Third-country citizens are becoming more important because our EU neighbours face similar demographic challenges.<sup>3</sup> Labour migration from outside the EU increased from 39,000 to 61,000 persons between 2015 and 2017. This includes around two thirds skilled and highly skilled migrants.<sup>4</sup> The current figures for the first half of 2018 confirm the positive trend, although it was mainly due to a temporary opening to the Balkan states.<sup>5</sup>

According to a representative population survey<sup>6</sup> by KfW Research, the majority of the working-age population believes that Germany will require a higher skilled migrant intake in the coming years. Forty-four per cent of 18 to 67-year-olds responded that Germany should make greater efforts than before to attract skilled migrants. A further 30% believe it is right to continue efforts at the current level, which means three quarters have a positive attitude to skilled migration. However, 21% are also in favour of reducing the skilled migrant intake (Figure 1).

**Figure 1: Advocates of higher skilled migration intake outnumber opponents two to one**

'How much effort should Germany put into promoting skilled migration in the coming years – more effort, the same effort, or less effort?' (share of working-age population in per cent)



Source: KfW Research

**Attitudes toward migration policy depend on level of education and income**

Attitudes to migration policy definitely diverge from this average in various population groups. Still, the proponents of increased skilled migration consistently form the relative majority. Differences based on educational level and income are most significant. The more educated the respondents are, the more likely they are to favour increasing skilled migration. Fifty-eight per cent of university graduates favour raising the skilled migrant intake, while only 11% of them would prefer efforts to attract skilled migrants to be reduced. The share of supporters is significantly lower among graduates of universities of applied sciences (or universities of cooperative education / technical colleges of the former German Democratic Republic), at 49%, even lower among master tradespersons / specialists (44%) and below average among respondents with completed vocational training (40%). Respondents without vocational qualifications, on the other hand, reflect the overall average (44%). This is mainly due to the relatively high share of students, who tend to represent the 'pro-migration' position of graduates (Figure 2).

Higher income earners are more likely to favour skilled migration. Respondents whose household income exceeds EUR 5,000 are 65% in favour of a higher skilled migrant intake, which is far above the average. Opponents are very rare, at 11%. The share of proponents of higher skilled migration decreases continuously with income, while the share of opponents rises. In the lowest income bracket (up to EUR 2,000), proponents are still in the majority with 40 against 27% but their lead has shrunk from 54 to 13 percentage points.

The subjective assessment of how well their household income meets living expenses also correlates closely with attitudes on migration policy. Persons who regard their income as fully sufficient responded 51% in favour of increasing skilled migration, while 18% expressed disapproval. Among those respondents who have difficulty making ends meet, however, the share of those in favour of reducing skilled migration is nearly the same share as those who favour an increase (33 vs. 36%).

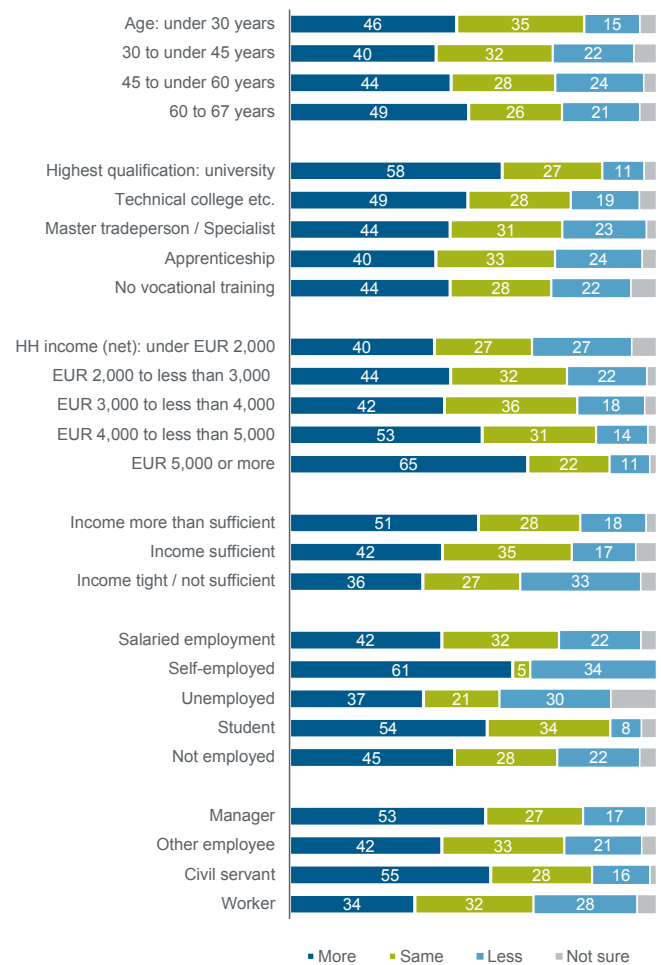
**Personal employment situation shapes attitudes on the need for migration**

Differences in attitudes on skilled migration by qualification and income levels are also significant in regression analyses.<sup>7</sup> A possible explanation can be that a weaker employment position, meaning lower qualifications, lower income opportunities and higher risk of unemployment, is more likely to generate fear of competition from skilled migrants – whether this is justified or not. This is consistent with the fact that unemployed persons are relatively sceptical of skilled migration. Although a relative majority of them favour higher skilled migration, the difference between proponents (37%) and opponents (30%) is only seven percentage points.

Besides respondents' specific employment prospects, their individual outlook on the labour market also shapes their attitude towards migration policy. Self-employed persons are thus more likely to favour increased migration than salaried employees (61 vs. 42%). As (potential) employers, they have an interest in an adequate supply of skilled labour. And within the group of salaried employees, the attitudes of managers with responsibility for staff differ from those of other employees and workers (53 / 42 / 34% in favour of higher skilled migrant intake).

**Figure 2: Attitude towards migration is closely linked to qualifications and employment success**

'How much effort should Germany put into promoting skilled migration in the coming years – more effort, the same effort, or less effort?' (share of working-age population in per cent)



Source: KfW Research

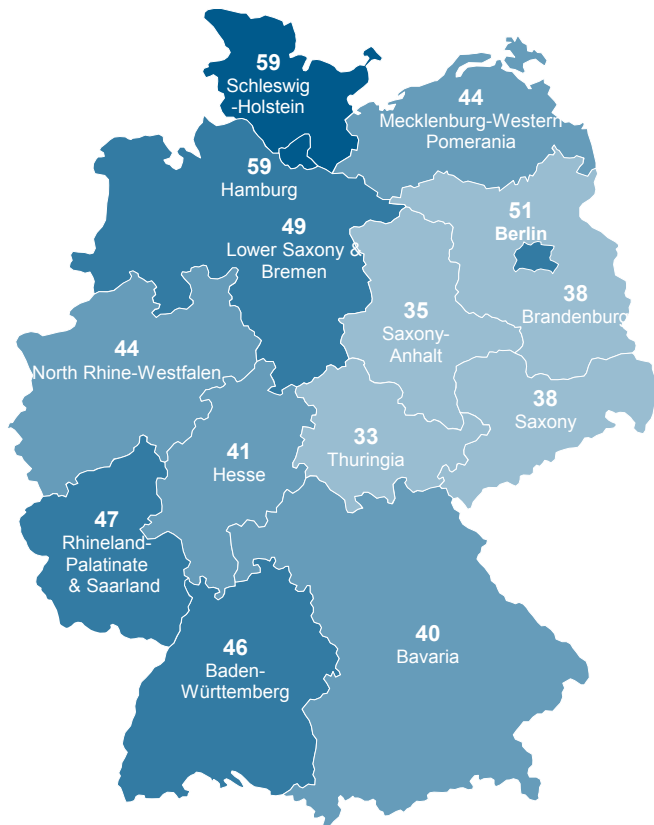
**Attitudes towards migration policy differ from east to west and between city and country**

In addition to pronounced differences by income and education levels, there is also a significant urban-rural divide. In rural areas, i.e. in villages and small towns with up to 20,000 inhabitants, 40% of the population favours higher skilled migration. This proportion is a significantly higher 46% in cities with between 20,000 and under 500,000 inhabitants. In large cities with 500,000 and more inhabitants, half the population actually favours increasing skilled migration.

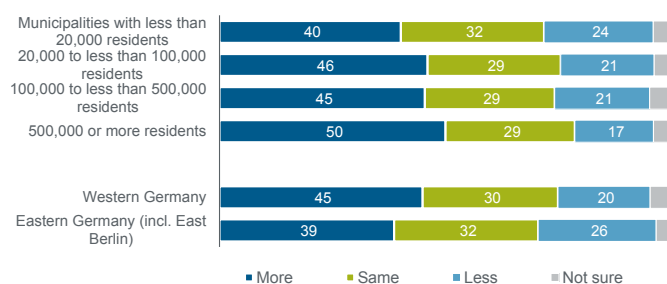
Opinions about migration policy also differ from one federal state to another (although the proponents of increased skilled migration predominate in all parts of the country). Northern Germany sees an above-average need, especially Hamburg and Schleswig-Holstein. There, 59% of the working-age population support raising the intake of skilled migrants, but only 13 (SH) and 16% (HH) are against it. Respondents in Berlin and in the south-west (Baden-Württemberg and Rhineland-Palatinate) also see an above-average need. The opposite is the case in the eastern German states of Saxony, Saxony Anhalt, Thuringia and Brandenburg. Only 33 to 38% of respondents there are in favour, while an above-average proportion of 23 to 29% are against increasing skilled migration.

**Figure 3: Eastern Germans and people in the countryside see a lower need for migration**

Share of working-age population who favour increasing skilled migration by federal state (in per cent)



'How much effort should Germany put into promoting skilled migration in the coming years – more effort, the same effort, or less effort?' (share of working-age population in per cent)



Source: KfW Research

**Contact with migrants can positively influence opinion**

In summary, attitudes towards higher skilled migration are more subdued in areas where there are fewer migrants. Thus, the 12% share of migrants in rural areas is clearly below the national average of 18% and in the eastern German states (excluding Berlin) it is a mere 6%. Accordingly, people in eastern Germany have less contact with migrants, as our survey has found. Whereas in western Germany three quarters of the labour force has colleagues who have migrated (74%), this applies to only half the labour force in eastern Germany (51%). Socio-psychological research has empirically demonstrated that contact between different groups of the population helps them overcome reservations.<sup>8</sup> The findings of our survey indicate that this is also mirrored in people's attitudes towards migration policy. Forty-four per cent of employees who work with migrant colleagues are in favour of increased skilled migration but only 39% of employees who do not have this regular contact at the workplace.

**Opening the employment market for skilled non-graduates**

Migration is necessary to secure the supply of skilled labour. A significant relative majority of the working-age population (44%) thus favours stepping up efforts to attract foreign skilled labour. As other EU states face similar demographic challenges, migrants from other continents are becoming increasingly important for Germany (and Europe as a whole). In recent years, migration opportunities have been gradually improved for university graduates in particular. The 'German Skilled Labour Immigration Act' in the version adopted by the federal cabinet before the end of last year will now make the German employment market more accessible for non-EU citizens with non-academic qualifications. So far, they receive a residence permit under three conditions: They must (1) demonstrate that their qualifications are equivalent, (2) prove that they have an employment contract – specifically (3) in a skill listed as being in short supply. The third condition is now to be omitted. The 'priority review', in which the Federal Employment Agency checks whether the position should be given to Germans or EU candidates, is also to be generally omitted.<sup>9</sup> In addition, non-graduate skilled workers are also to be issued a temporary residence permit to look for work in the future.

It remains to be seen whether the German Skilled Labour Immigration Act, which runs from 2020 to 2022, will noticeably increase labour migration. University graduates have so far made relatively little use of the residence permit for the purpose of seeking employment and this will likely be similar for other skilled workers too.<sup>10</sup> In any case, the general omission of the shortage criterion and priority review is an administrative simplification and a positive sign. But the tightest bottleneck of Germany's migration legislation will probably remain the recognition of foreign qualifications. Although simplifications are being planned in this area is well, there has been no paradigm shift. Changes being debated include generally permitting access to workers from countries of origin whose educational systems meet certain quality

standards and a points system in which qualification deficits can be offset by, for example, particularly high language proficiency.

## The ideal solution: migrating into the vocational education system

Migrants can most easily avoid the fundamental problem of dissimilar educational standards between Germany and other countries by acquiring qualifications in Germany's vocational education system. Every year, some 4,000 migrants come to Germany for educational purposes. The act on skilled immigration has introduced the first steps to increase this

number. In future, the relevant residence title will also apply to language courses preceding training. The act will also allow migration for the purpose of seeking an apprenticeship. For migrants who already have qualifications that are not equivalent, options for partial recognition and additional training will be expanded.<sup>11</sup> To enable apprentice migrants to be successful, it is important to strengthen language training – as an investment in the skilled workers of tomorrow. This applies to language courses in the country of origin (e.g. at the Goethe Institutes), as well as to courses taken in preparation for, and alongside with, vocational training in Germany.

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<sup>1</sup> Cf. Leifels, A. (2018), **Many job openings, few job seekers: SMEs expect a shortage of skilled workers**, Focus on Economics No. 232, KfW Research.

<sup>2</sup> Higher investment in education, particularly in ongoing professional development, is decisive in every respect. It improves not just aggregate economic productivity but the employability of disadvantaged labour market participants in times of structural change.

<sup>3</sup> A recent study has predicted a significant rise in the need for migrants from non-EU states from around 100,000 (net intake) in 2035 to around 200,000 in 2060. Cf. Fuchs, J., Kubis, A. and Schneider, L. (2019), *Zuwanderung und Digitalisierung – Wie viel Migration aus Drittstaaten benötigt der deutsche Arbeitsmarkt künftig? (Migration and digitalisation – how much migration from third states will the German labour market need in the future? – our title translation, in German only)*, Bertelsmann Stiftung, Gütersloh.

<sup>4</sup> Cf. German Federal Government (2019), *Migration Report 2016/2017* (available in German only).

<sup>5</sup> Cf. BAMF (2018), *Wanderungsmonitoring: Bildungs- und Erwerbsmigration nach Deutschland, Bericht für das erste Halbjahr 2018 (Migration monitoring: education and labour migration to Germany, report for the first half of 2018 – our title translation, in German only)*. For 2016 to 2020 the Employment Directive provides that citizens from Albania, Bosnia and Herzegovina, Kosovo, Macedonia, Montenegro and Serbia may be issued a permit to undertake any form of employment under certain conditions. This option is being used intensely, particularly to fill vacancies which require no qualifications. The share of skilled workers in inward labour migration of non-EU citizens (defined here on the basis of the job description) dropped accordingly from 72% in 2015 to 62% in 2017.

<sup>6</sup> The survey was conducted in the form of a telephone interview of a sample of around 6,300 persons who were representative of the working-age population of 18 to 64 years. The survey is technically integrated into the KfW Start-up Monitor 2019. The survey (methodology) as described in detail in Metzger, G. (2018), *Start-up Monitor 2018, Appendix of Tables and Methods*, KfW Research (in German only).

<sup>7</sup> Multinomial probit regressions with attitudes on migration policy (stronger/same/lower) as explained are variable and probit regressions with binary explained variable (stronger/not stronger).

<sup>8</sup> Sociological/psychological literature demonstrates that this is not only due to the fact that people with few preconceptions are more sociable but that the 'contact hypothesis' also applies in a causal sense. Contact also leads to diminished preconceptions even if it occurs unintentionally/involuntarily. For an overview of empirical research literature see Pettigrew, T. F. and Tropp, L. R. (2006), *A Meta-Analytic Test of Intergroup Contact Theory* *Journal of Personality and Social Psychology*, 2006, Vol. 90, No. 5, 751–783.

<sup>9</sup> The separate 'Act on tolerated employment' (*Beschäftigungsduldungsgesetz*) is designed to establish temporary residence for tolerated asylum-seekers in order to give this group of persons who are already integrated into the labour market a basis on which to plan – instead of unnecessarily taking workers away from the labour market.

<sup>10</sup> An estimated 2,000 persons use this option every year. The previous far-reaching prohibition from accepting employment while looking for work will be loosened slightly (up to 10 hours / week of trial employment); on the other hand, in future the requirements will include not just recognised qualifications and evidence of secured means of support but 'language skills required to perform the work'.

<sup>11</sup> The German Skilled Labour Immigration Act requires language fluency of 'threshold intermediate level' (B1) to migrate for the purpose of training and 'upper-intermediate level' (B2) to migrate for the purpose of seeking work. For additional training, 'basic' skills (A2) are sufficient. These requirement levels would be a conceivable adjustment mechanism in case of subdued migration for educational purposes. (Without sufficiently secure educational prospects, the incentive of acquiring advanced knowledge of German already in the country of origin might turn out weak.)