UNIVERSITY OF TWENTE

LABOUR MARKET OUTCOMES FOR IMMIGRANTS IN WESTERN EUROPEAN COUNTRIES

-What impacts do immigration-, welfare state-, and labour-market regimes have on labour market outcomes for immigrants in Spain and Germany?-

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Preface

Since the European Community has launched its single market programme in 1987, establishing the free movement of goods, services and workers within the community, most European member states have experienced increased intra-EU immigration, but also increasing immigration levels of non-EU migrants. Public concerns about the economic impacts of increased immigration forced governments to implement more selective immigration systems, but public skepticism and debates became ever harsher throughout the last years. These debates on immigration show a mixed picture. On the one side are those that perceive immigration as a threat and want to close national borders to maintain protective arrangements, while others see immigration as an inevitable part of the free movement of goods, services and capital and a solution to demographic and labour market changes. European governments have reacted to these trends by implementing selective immigration systems. But relying only on selective migration policies overlooks the dynamic relation between immigration policy, welfare systems and labour markets in shaping labour market outcomes for immigrants.

This thesis focuses on the labour market outcomes of immigrants in two distinct countries: Germany and Spain. These countries are characterized by distinct institutional settings that are expected to account for different labour market outcomes for its respective immigrant population. It will show that it needs a holistic approach that takes into account immigration, welfare and labour market structures to enhance labour market integration of immigrants in these countries.

Summary

This thesis deals about labour market outcomes for immigrants in two European countries: Germany and Spain. The central research question is '*What is the impact of different immigration-, welfare state- and labour market regimes on labour market outcomes of immigrants in Spain and Germany?*`.

The findings of the thesis suggest that immigration policy regimes, the welfare regime and the labour market regime have important implications for the labour market outcomes of immigrants in these countries.

Germany, following a restrictive immigration policy that limits the access of non-economic migrants to the country, has a highly institutionalized welfare structure and a rigid labour market. Despite the restrictive immigration policy, the country has received a high inflow of humanitarian migrants. Labour market access for these types of immigrants is limited, but due to the high institutionalization of the welfare system, non-economic migrants are covered by social provisions.

Spain on the other hand, also following a restrictive immigration policy, is characterized by a relatively under-developed welfare regime and has implemented measures to increase labour market flexibility. This has led to a dual labour market structure in the country, which bears important implications for both labour market and welfare access for the immigrant population in Spain. As welfare access is based on contributions to the social system and immigrants are to a large extent employed in short-term or informal labour contracts lacking these contributions, immigrants face few difficulties entering the labour market, but remain largely unprotected by social provisions.

The labour market outcomes for immigrants in both countries show that immigrants in Spain had higher average employment ratios in the period of 2003 to 2008 compared to its native population. In Germany, the native population had higher average employment ratios in the period of 2003-2008. Average unemployment ratios in both countries show that the native population in both countries achieves better outcomes than the immigrant population. But the gap in unemployment rates between native and immigrant population is higher in Germany.

The findings of this thesis suggest that the labour market outcomes for the immigrant population are not only attributable to individual immigrants' characteristics and the general economic condition of the respective country, but to a large extent to the different regime settings present in each country.

The immigration regimes govern immigrants' access to social, economic, cultural life and stratify immigrants' possibilities regarding labour market and welfare access as soon as they enter the country. The welfare and labour market regime shape labour market to the extent that it creates 'insider' and 'outsider' of both systems, with immigrants having limited access to both labour market access to secure employment and welfare provisions.

For immigrants in Spain this entails that a large part of the foreigners is employed in fixed-term contracts, with immigrants left largely unprotected by social security provisions. The good performance of the labour market outcomes for immigrants in Spain therefore comes at the cost of a highly fragmented society, with those enjoying permanent jobs and welfare rights separated from those employed in short-term contracts with limited or no welfare access.

In Germany immigrants face higher entry barriers to the labour market, whereby a reliance of welfare and social assistance endangers the renewal of a residence permit, which is also a precondition for labour market access.

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Chapter 1 Introduction

Debates about immigration and the effects on welfare states have been subject of a whole range of literature (see Sainsbury, 1996; Nannestad, 2005; Baldwin-Edwards, 2002). The same is true for debates on the effects of immigration on the labour market (Somerville & Sumption, 2009; Brücker, n/a; Fleischmann & Dronkers, 2010). Also the relationship between migration, work and welfare is not a new debate in Europe. Since the establishment of the free movement of goods, services, workers and capital within the framework of the European Communities' single market programme, concerns arose that an intensified local competition would trigger a 'race to the bottom in wages, taxes and social standards' (Jurado & Bruzzone, 2008, p.4). Public skepticism about the economic impacts of migration show no sign of diminishment, and especially in Germany a recent debate on the integration of immigrants in the labour market, but also culturally and socially, raised questions about the state's capabilities to sustain immigration levels. Most European governments have reacted to increasing immigration levels by implementing more selective immigration policies- attracting 'useful', that is, highly-skilled workers, while keeping 'unwanted' migrants out (Jurado& Bruzzone, 2008 p. 4). The aim of these immigration policies is to maximize the economic benefits of migration while minimizing its social costs. Studies show that the productivity of migrants depends not only on the characteristics of the individual immigrants, but also on the labour market and the welfare structures of the respective host country (Jurado & Bruzzone, 2008).

The focus of this thesis will therefore be on the relation between different immigration-, labour market-and welfare regimes and how they shape the labour market outcomes for immigrants in the host country. It is generally assumed that 'there exists a moral hazard problem specific to immigrants: the welfare system may ' weaken their incentives to take on the cost of integrating into the host society by acculturating to the degree necessary for at least their absorption into the labour market' (Nannestad, 2006 p.6). On the other hand, it is assumed that immigration from a poor to a rich country is potentially advantageous for both immigrants and the inhabitants of a receiving countries (Paldama, 2006). For the potential to be realized, two aspects are crucial: (1) the selection of immigrants and (2) the institutions encountered by immigrants when they enter. The emphasis will therefore be set on immigration regimes and the type of immigration in the respective country, as well as on labour market and welfare state institutions in the receiving country and which consequences arise from these settings on labour market outcomes for immigrants (Paldama, 2006).

As regards immigration regimes or immigration policy regimes, states have different rules and norms that govern immigrants' possibilities to become a citizen, to acquire residence and work permits and to participate in economic, cultural, and political life (Sainsbury, 2006). This paper makes use of a simplified model of immigration regime, as proposed by Sainsbury (2006), who employs two underlying dimensions of variation in the immigration regime: inclusiveness and exclusiveness. As states have different perceptions of 'useful' and 'unwanted' migrants, a primary interest is the inclusiveness of the regime and especially who is included. As not only the immigration regimes differ, but also the type of immigration, it is important to distinguish among immigrants on several dimensions, such as qualification and skills, which differ vehemently across different types of immigrants, as well.

Most immigration policies are directed to protect the labour market in the host country, reflecting public concerns about the dampening effects of migration on employment and wages (Jurado &

Bruzzone, 2008). For the purpose of this study, labour market regimes will be distinguished among the flexibility or rigidity of the labour markets, referring to the amount and type of employment protection regulations which affect opportunities for and actual mobility among employees (Wallace, 2003). The strictness of employment protection legislation differs considerably from state to state, but it is clearly not the only aspect of labour market institutions that might have an influence on immigrant integration into the labour market.

Not only do the immigration and labour market regime, but also the welfare regime types have an impact on immigrant performance in the labour market. A common perception is that immigrants may constitute a 'burden on the welfare state, consuming public services and social benefits that are already under immense strain as a result of our ageing societies and budget deficits' (Jurado& Bruzzone, 2008 p. 9). The question arises then to what extent welfare coverage provided under different regimes influences the economic impact of labour migrants. According to Paldama (2006),' some welfare states are said to have institutional arrangements that provide little incentive to work. In such cases the welfare gain is large for the immigrant but inhabitants of the receiving country lose' (Paldama, 2006 p. 1).

According to Dörr and Faist (1997), the institutional framework of each welfare state is relevant to the access that people have to social benefits. On the whole, the' degree and kind of governmental regulation seems to be crucially important for the integration of immigrants into the welfare state' (Dörr & Faist, 1997 p. 401). In order to analyze what effect immigration has on welfare states and which institutional arrangements might create more incentives to integrate into the labour market, the different types of welfare states in the respective countries needs to be identified, whereby treatment of migrants highlights structural characteristics of these welfare states. A lot of literature has been devoted to identify different types of welfare regimes (e.g. Esping-Andersen, 1990; Leibfried, 1992; Ferrera, 1996) whereby each typology selects key characteristics inherent to the different types. In this study, the welfare state typology as proposed by Esping-Andersen will be used, whereby this typology will be complemented by one more type of welfare state to include the Mediterranean countries as a distinct type of welfare state. According to Esping-Andersen (1996) there are three types of welfare states which vary in four principal dimensions. The welfare regimes that can be derived from these dimensions and the variations within them are the liberal, the conservatist-corporatist and the social democratic welfare states. As the welfare state typology as put forward by Esping-Andersen does not specify the Mediterranean countries sufficiently, a fourth type of welfare state that comprises the southern European countries is proposed by several authors (e.g. Leibfried, 1992; Ferrera, 1996). Leibfried (1992) emphasizes that an important characteristic of the Mediterranean countries is that these countries lack an articulated social minimum and a right to welfare. In this paper we make use of this fourth model of welfare states and the Mediterranean type of welfare state to Esping-Andersen's typology.

As noted above, this study focuses on the labour market outcomes of immigrants in the respective host country, taking into account the immigration regime and type, the labour market regime and the welfare regime. In order to get a comprehensive insight into the relationship between these different regimes and how they shape the labour market outcomes, a comparative case study will conducted for Germany and Spain, each reflecting different regime types introduced above. It serves to identify different patterns of institutional settings in these countries, and what impacts these have on the labour market outcomes for immigrants in these countries.

At the end of this bachelor thesis I will be able to present in what way the labour market outcomes for immigrants are shaped by the regime settings present in each country.

As a common response of policymakers towards increasing immigration levels are restrictive measures, shedding light on the relationship of immigration policy, welfare state and labour market settings and their impact on immigrants' labour market outcomes will provide useful insight for future policies.

Central research question

The central research question of this thesis is the following:

What are the consequences of different immigration-, welfare -and labour market regimes for immigrants in Spain and Germany?

Sub-questions

The sub-questions listed below contribute to the solution of the main research question.

1. Which immigration-, labour market-, and welfare regimes can be found in Germany and Spain?

2. To what extent are immigrants integrated into the labour market in Germany and Spain?

3. Which regime settings shape labour market outcomes for immigrants in Germany and Spain positively or negatively?

This thesis will investigate how different types of labour market-, immigration- and welfare regimes contribute to the labour market integration of immigrants in two distinctive countries. Given the fact that most research focuses on either the relationship between immigration and labour markets, or immigration and welfare states, it seems more compelling to shed some light on the relationship between all three factors, as they are interrelated and mutually reinforcing. The information that is available concentrates on country specific labour market-, welfare-, and immigration policies and country specific labour market outcomes for immigrants depicted by employment, unemployment and labour market participation rates. The thesis therefore tries to find out how different institutional factors influence labour market outcomes for immigrants under different regimes. The productivity of migrants depends not only on the characteristics of the individual immigrants themselves but also on labour market and welfare structures within host societies (Jurado & Bruzzone, 2008). The aim of this study is to contribute on the existing literature on immigrant integration in European countries.

The outline of this bachelor thesis as follows: in the next chapter the relevant theoretical considerations of the different types of immigration-, welfare state and labour market regimes are presented. It follows an elaboration on the expectations that can be derived from the theoretical framework of the different regime types on the labour market outcomes for immigrants in Spain and Germany. Chapter 3 will present the methodology used to answer the central research question of this thesis. Thereafter, chapters 4 and 5 address the case studies on Germany and Spain, followed by a country comparison that captures the main differences of the institutional settings in both countries. The last chapter will cover the conclusion and is followed by a discussion.

Chapter 2 Theoretical framework

This chapter will elaborate on the theories on immigration policy regimes, welfare state regimes and labour market regimes that have been elaborated upon in existing literature. The purpose of this section is to introduce the relevant concepts used in this thesis, which will be applied to Germany and Spain at a later stage.

Immigration policy regimes

The immigration policy regime (Faist, 1995), regulates immigrant's inclusion or exclusion from society. It consists of rules and norms that govern immigrant's possibilities in areas such as residence and works permits, acquiring citizenship, and participation in economic, cultural and political life. In exclusive immigration policy regimes, rights are based on lineage (ius sanguinis), whereas inclusive immigration policy regimes base rights on residence (ius domicilii) or land of birth (ius soli) (Sainsbury, 2006).

Complementary to the immigration policy regime is the form of immigration and the 'entry' categories associated with them (Morris, 2002). The entry categories create a hierarchical differentiation of immigrant's rights in terms of access to the labour market and to welfare provisions. The most important categories in this regard are labour migrants or economic migrants, refugees and asylum seekers or political immigrants, family members, ethnic 'citizens' and undocumented migrants (Sainsbury, 2006). It is possible to distinguish among these categories because the residential legal regulations of the individual countries are based on similar divisions.

In national law, each group is assigned to a particular legal position which forms the basis of each individual's access to social benefits and the labour market (Dörr & Faist, 1997). The right of residence also both directly and indirectly influences access the labour market and to social security benefits. Directly, with regard to governmental welfare and benefit, and indirectly in the areas of social security as work permits are connected to the right of residence.

Asylum seekers have a right in all European countries to stay for the duration of the recognition procedures, but this right does not preclude a right to welfare. Yet in most European countries asylum seekers receive governmental assistance to differing extent. Labour market access is restricted or not granted at all. Recognized refugees and quota refugees have temporary restricted asylum in all European countries for at least the duration of their persecution. In many European countries refugees of this type are granted a legal status and a legal position equal to that of its citizens including social legislation and work permits, yet without political rights. Tolerated refugees and de facto refugees are those who for different reasons are not sent back to their country of origin after their application for asylum has been rejected or who have not completed an asylum procedure (Dörr & Faist, 1997). The legal status of this type of refugees differs throughout the countries in Europe and it is in a countries' discretion to grant right of residence or not. Access to social benefits or to other forms of governmental welfare, or work depends in each country on the assignment of legal position (Dörr & Faist, 1997). Labour migrants, families and students are assigned more or less to the same legal position by national law. In most European countries, people who enter the country to take up work, to follow their families or to study, get a one year residence permit which can be prolonged. Yet are social benefits not granted to members of these groups. Labour migrants

that claim these benefits are usually not granted prolonged residence permits, but are usually granted the same rights as citizens in the field of healthcare. Foreigners with a permanent residence permit encompasses those migrants who have been in a country for a longer period already and who have a chance of getting secured residence permit by virtue of the duration of their stay (Dörr & Faist, 1997). It depends on the respective national law after which period a permanent legal position can be secured and the requirements differ from country to country. In the area of social benefits a permanent residence permit allows a holder to draw social benefits for longer periods and this does not lead to a deprivation of the residence permit. For persons with a permanent legal position there are no barriers to social rights on the basis of the right of residence or industrial law (Dörr & Faist, 1997). Apart from political rights, persons from this group enjoy almost the same rights as citizens.

Another distinction is made between temporary migrants and permanent migrants. A substantial part of Europe's recent immigration has been induced by needs of the economy and has been defined as temporary. Temporary residents are citizens of another state and for that reason they are supposed not to require the same degree of protection which a state provides for its own citizens. This model has become widely known as 'the guest worker model', although it is more adequate to refer to it as 'the temporary worker model' (Entzinger & Biezeveld, 2003). The opposite of the temporary worker model is the permanent immigration model. Permanent migrants enjoy different rights than temporary workers, but also temporary workers may become permanent settlers after some time, which has an effect on the opportunities for integration. States must reflect on the legal and political position they wish to grant to these people and their children (Entzinger & Biezeveld, 2003).

As gets visible, the immigration type largely determines immigrants' access to both labour market and welfare state provisions, and it is therefore crucial to distinguish immigrants on the basis of their type of immigration. Due to the limitation of data and the scope of this thesis, we only partially look at the different types of immigrants and put focus on how the regime settings shape the labour market outcomes for immigrants in general.

Welfare State Regimes

According to Briggs (1969), a welfare state is 'a state in which organized power is deliberately used (though politics and administration) in an effort to modify the play of market forces in at least three directions- first, by guaranteeing individuals and families a minimum income irrespective of the market value of their work or their property; second, by narrowing the extent if insecurity by enabling individuals and families to meet certain 'social contingencies' (for example, sickness, old age, unemployment) which lead otherwise to individual and family crisis; and third, by ensuring that all citizens without distinction of status or class are offered the best standards available in relation to certain agreed range of social services'(Briggs, 1969, p. 29).

As welfare states show variations within social provisions and eligibility to them, which also has an effect on immigrants' access to them, it is important to distinguish among several types of welfare states or regimes. A well-known classification of welfare states has been put forward by Esping-Andersen and will be used in this paper. He identified a number of 'welfare state-regimes', which is a concept that 'denotes the institutional arrangements, rules and understandings that guide and shape

concurrent social-policy decisions, expenditure developments, problem definitions, and even the response-and-demand structure of citizens and welfare consumers' (Esping-Andersen, 1990).

According to Esping-Andersen, real welfare states can be rated along the dimensions of the degree of decommodification and the modes of stratification. But one also has to take into account how state activities are interlocked with the market's and the family's role in social provision (Esping-Andersen, 1990).

Liberal Welfare Regime

The first type of welfare state is the Liberal or social-assistance dominated welfare states, where rights are not attached to work performance, but rather to demonstrable needs. According to Esping-Andersen (1990), it is a welfare state 'in which means-tested assistance, modest universal transfers or modest social-insurance plans predominate', and 'benefits cater mainly to a clientele a low-income, usually working class, state dependents', whereby 'progressive social reform has been severely circumscribed by traditional, liberal work-ethic norms' (Esping-Andersen, 1990, p. 25). As the least de-commodifying welfare state, the result is to strengthen the market, as all but those who fail in the market will be encouraged to contract private-sector welfare. Countries belonging to this type of welfare state are Australia, Canada, the United States, New Zealand, Ireland and the UK.

Conservatist-Corporatist Welfare Regime

The second type of welfare state, the conservatist-corporatist type, is characterized by compulsory state social insurance with strong entitlements. De-commodification takes place only moderately, since it depends very much on eligibility criteria and benefit rules. Benefits depend highly on work and employment, and therefore rules and preconditions dictate the extent to which welfare programs serve as an alternative to market dependence. This type of welfare state is committed to 'the preservation of status differentials' and to 'the preservation of a traditional family-hood' (Esping-Andersen, 1990, p.26). Countries that can be classified as conservatist-corporatist welfare regimes are Japan, France, Finland, Switzerland and Germany.

Social-Democratic Welfare Regime

The social democratic regime type offers a basic and equal benefit to all without taking into account prior earnings or contributions. De-commodification takes place to a limited extent, as the benefits that are offered do not provide a suchlike standard that it could be a real alternative option to working. According to Esping-Andersen (1990), this regime pursues 'an equality of the highest standards' with 'all strata incorporated under one universal insurance scheme, yet benefits are graduated according to earnings' (Esping-Andersen, 1990, p. 26). To the social-democratic welfare states count Austria, Belgium, the Netherlands, Denmark, Norway and Sweden.

Mediterranean- Welfare Regime

The fourth type of welfare state which will be added to Esping- Andersen's typology of welfare states is the Mediterranean Model. According to Trifiletti (1999), the Mediterranean welfare states have generally been misinterpreted as merely rudimentary. In her opinion, the only easily discernible feature shared by Southern European countries is 'their shortage of resources to subsidize social policies' (Trifiletti, 1999, p. 50). Social risks for the individual are, in these welfare states, covered in first instance by the family or by the extended family. Therefore the family is still centre stage, but in the sense that only certain social risks are covered largely by the welfare state, those against which the family cannot protect itself. The state as such does not protect from the market. Also Leibfried

(1993) argues for a fourth type of welfare state which he refers to as the Latin Rim. Countries counting to this typology are Spain, Portugal, Greece, Italy and to a lesser extent also France.

The different types of welfare state inherit different social policies which have an effect on immigrant access the labour market and consequently to welfare. Based on these differences, one can assume that some welfare states succeed better in integrating immigrants into the labour market or at least create greater incentives to do so.

According to Schettkat (2003), the 'most prominent allegation against the welfare state is that they create disincentives to work. Higher replacement rates and longer eligibility periods will tend to reduce search intensities' (Schettkat, 2003, p. 22). Therefore, countries with more generous unemployment insurance systems or transfer systems in general, should have higher rates of equilibrium unemployment. For immigrants this could create disincentives to find employment, leading to higher unemployment rates among the immigrant population in the host country compared to the native population and ultimately to a negative integration into the labour market. But the pathways from welfare into the labour market differ from country to country, as well as for immigrants and native population.

Labour Market Regimes

Labour market integration of immigrants entails the provision of suitable employment for the immigrant population. Yet do the skills and ability of workers largely decide a positive absorption into the labour market, which depend on the type of immigration. Labour migrants with good qualification and educational background are more likely to find employment than an asylum seeker, and are therefore more likely to integrate positively into the labour market. Yet are individual immigrants' characteristics not the only factors that contribute to positive labour market absorption.

According to Esping- Andersen (1990), the architects of early welfare policies were 'adamant about the principle that social protection was to be limited to those unable to function in the labour market: the old, infirm, sick and unemployed. The principle of prohibiting welfare policy from shaping labour market decisions was obvious in the nineteenth century poor relief, with its ideology of 'less eligibility'; in the early social insurance laws, with their strict actuarialism and long employment or contribution requirements; and also in early social assistance schemes, where means-tests and low benefits assured that the marginal utility of working remained substantially higher than that of depending on welfare' (Esping-Andersen, 1990, p. 146).

Yet have social policy and the labour market become interwoven and constitute mutually interdependent institutions. According to Esping-Andersen (1990), there is 'considerable support for the argument that welfare-state structures are systematically related to labour market outcomes' (Esping-Andersen, 1990, p. 159).

Looking at labour market and welfare systems, many institutions and programs belong to both domains, so e.g. systems of unemployment insurance and early retirement schemes. Welfare programs on the other hand construct incentives and constraints that govern the terms and conditions of work, employment and unemployment, as well as the transition between them. Additionally, employment relations, the structure of bargaining systems, codes of employment protection and types of non-standard employment shape welfare institutions and activities

fundamentally. According to Esping-Andersen, each of the three welfare regimes outlined by him coincides with a distinctive labour market regime that governs entry into, absence during, and exit from employment (Esping-Andersen, 1990).

Esping- Andersen provides evidence that welfare state structures are systematically related to labour market outcomes. In that sense, he points out that Scandinavian countries 'are strongly biased in favor of maximizing labour supply', with a high emphasis on women participation in the labour market and modest exist rates among older males. In contrast, conservatist-corporatist welfare states 'strongly nourish exit and reduced labour supply', with more absenteeism rates and much lower women participation rates. A third group comprises the social-democratic welfare state which 'does rather little to encourage either exit or women participation' (Esping-Andersen, 1990, p. 159). For migrants this entails that some welfare- and labour market regimes promote labour market integration of the immigrant and native population more than others. More explicitly, it can be assumed that the conservatist-corporatist welfare regime, which promotes reduced labour supply could lead to immigrants being in a disadvantageous position regarding labour market entry.

Also the extent of labour market regulation has an impact on immigrant integration into the labour market. Countries systematically vary with regard to labour market regulation. According to Engelen (2003), immigrants' employment chances in a host country differ between two institutional regimes or syndromes: the syndrome of mobility, openness, flexibility and inequality and the syndrome of protection, closure, equality and rigidity. The first regime refers to what Esping-Andersen (1990) describes as the liberal welfare regime. These are characterized by high labour market flexibility, weak, decentralized industrial relations and market-based social insurance. This flexibility leads to less segmented labour markets, higher employment intensity of economic growth, and relatively low labour productivity. Out-of-work benefits are relatively low, and a low stability of individual employment relations prevails. There is a low regulation density with respect to employment protection, vocational training systems and wages. According to Kogan (2006), the degree of labour market flexibility in a given country is likely to influence an employer's decision-making when hiring workers, particularly immigrants. This stems from the fact that in highly protected labour markets employers are faced with potentially higher firing costs.

The second regime includes both the conservative-corporatist and social democratic welfare states. These are characterized by more segregated, segmented and rigid labour markets. Labour costs are rather high, with compressed wage structures and employment-based or universal social insurance. There are relatively generous out-of-work benefits and a high regulation density with respect to employment protection, vocational systems and training.

The extent of labor market regulation, defined by Jurado & Bruzzone (2008) as 'the amount and type of employment protection regulations which affect opportunities for and actual mobility among employees' (Jurado & Bruzzone, 2008, p. 7) has an impact on immigrant chances to integrate into the labour market. Inflexible labour laws hinder a positive integration of migrants in the labour market, and make it difficult for certain sectors of the economy to expand and offset the negative impacts that an increase in labour supply might have on the employment prospects of native workers.

In order to become more competitive, many countries have undertaken deregulation measures to increase flexibility. Yet, in most instances, these measures have resulted in segmented labour markets where 'certain groups (especially temporary or agency workers, which disproportionately

recruit among migrants, young people and women) enjoy more flexible forms of employment, ending up in unstable low-paid jobs and overrepresented among the growing underclass of the working poor' (Jurado & Bruzzone, 2008, p. 8).

Referring to the different regime settings elaborated above, it gets visible that for immigrants these regimes shape labour market outcomes differently, which each regime creating 'insiders' and 'outsider' with respect to immigrants being covered or having access.

The General Economic Situation

Although this thesis focuses on labour market outcomes for immigrants shaped by different immigration policy-, welfare- and labour market regimes, a few comments must be devoted to the generalization that can be derived on the scope of the regime settings shaping the independent variable. The general economic condition of a country clearly has an impact on the labour market outcomes of both native and immigrant population and therefore should not be left neglected. But due to the scope of this thesis and the limitation of resources, we look at the general economic situation of each country only marginally.

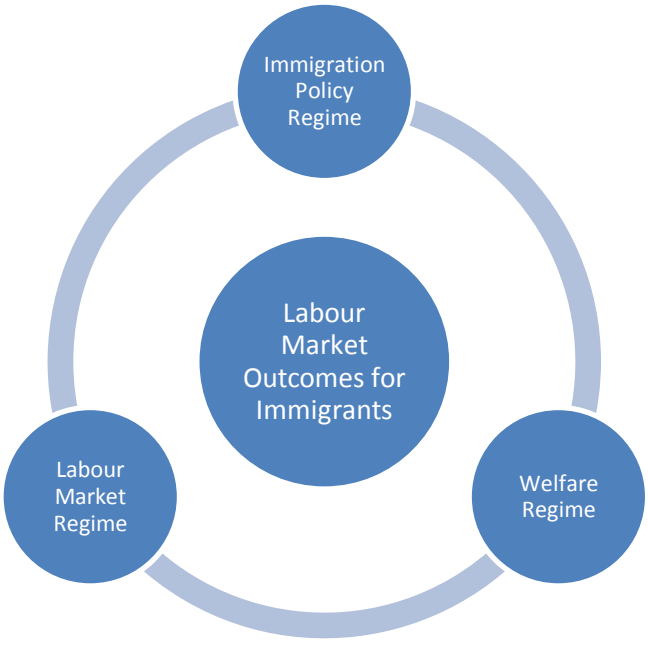

Figure 1: The Relation between Immigration Policy-, Welfare- and Labour Market Regimes

Conclusion and Expectations

This chapter covered the theoretical framework that is referred to in this thesis. Based on these theoretical considerations, the institutional settings in Germany and Spain will be analyzed and related to the labour market outcomes for the immigrant population. The theoretical framework served as a basis for the expectations on the labour market outcomes for immigrants in Germany and Spain.

Immigration policy regime:

> Based on the theory on immigration regimes, Spain and Germany can be identified as two different regime types, with Spain being inclusionary and Germany being exclusionary. Since immigration policy regimes also affect migrants' labour market outcomes, I expect different labour market outcomes for migrants in these countries as well. I expect more favorable labour market outcomes for immigrants in Spain compared to Germany.

Welfare regime:

> Based on the welfare regime theory, Spain and Germany can be identified as two different regime types, with Spain having a Mediterranean welfare regime and Germany having a conservatist-corporatist welfare regime. Since welfare regimes also affect migrants' labour market outcomes, I expect different labour market outcomes for migrants in these two countries as well. I expect that migrants in Germany will have less incentives to work compared to Spain and that this will result in lower labour market participation rates.

Labour Market Regime:

> Based on the labour market theory, Spain and Germany can be identified as two different regime types, with Spain having a more flexible labour market and Germany having a rigid labour market. Since labour market regimes also affect migrants' labour market outcomes, I expect different labour market outcomes for migrants in these two countries as well. I expect more favorable labour market outcomes for immigrants in Spain compared to Germany.

The expectations derived through the theoretical framework will be tested in the case study for both Germany and Spain. Before this, the next section will present the research design and methodology, which is used in this thesis.

Chapter 3 Methodology

In this chapter the research design and methodology of this thesis is outlined in order to identify how the central research question is answered. In the thesis I will make use of both qualitative and quantitative data. The case studies on Spain and Germany are both qualitative in nature, as the main data gathered in these case studies covers immigration-, welfare-, and labour market policies of each respective countries, which are derived from secondary literature. The data on labour market outcomes are quantitative and are derived from OECD publications on the countries.

Research Design

In order to answer the central research question, I will conduct a literature review using the design of a comparative case study for Germany and Spain. In order to get a sharpened understanding of the relationship between immigration policy-, welfare state- and labour market regimes and how they shape labour market outcomes, I decided to focus on two countries, namely Germany and Spain – which constitute two countries with differing regime settings. According to Schmittkat (2003), the impact of institutional arrangements on economic variables needs to be improved, even in detailed bi-country studies. Therefore the case study design serves the aim to incorporate the institutional settings of Germany and Spain in the analysis of labour market outcomes for immigrants to enable an in-depth analysis of which factors bring about positive labour market outcomes for immigrants in these countries. The study conducted is descriptive, but partly also explanatory in nature, and the data on both countries will be used to verify or negate the expectations based on the theoretical framework, which was elaborated in the previous chapter.

Country Selection

The two countries were selected on the basis that they provide differing settings as regards the regimes that make up the explanatory variables. Germany, a conservatist-corporatist welfare regime which is characterized by a rigid labour market with high regulation, following an exclusive immigrant policy regime, stands in stark contrast to Spain, a rather low institutionalized Mediterranean welfare regime, with a less rigid labour market- and immigration-policy regime.

Both countries are characterized by a distinct immigration history and have faced difficulties with immigrant integration in the past. Yet has Spain managed immigrant integration into its labour market better than Germany, despite overall higher immigration rates. Germany had an average inflow of foreigners during the period of 2003 to 2008 of about 7.1 per 1000 inhabitants compared to 15.8 foreigners entering Spain in the same period. The labour market outcomes measured by employment and unemployment rates show larger gaps between native and immigrant populations in terms of both ratios in Germany. This raises the question on which factors shape a positive immigrant absorption into the labour market and which regimes constitute an obstacle to this. Both countries are European Union member states and receive immigrant inflows, largely economic immigrants, from other EU member states. Additionally have both countries received large inflows from non-EU countries which pose some difficulties due to individual immigrants' characteristics. Yet, as this thesis argues, does the productivity of migrants depend not only on the characteristics of the individual immigrants themselves, but also on labour market and welfare structures within host societies.

Additionally have the Mediterranean welfare states been left out in Esping-Andersen's regime typology as regards welfare states and labour market regimes, but have only been referred to as an 'underdeveloped' or 'rudimentary' welfare state. The same is true for the labour market regime that coincides with this respective welfare setting. It is therefore interesting to include the Mediterranean welfare states, with Spain as a representative of this regime type, into the analysis.

Therefore, the countries' substantial differences regarding the different regime settings will provide an interesting insight into the patterns of immigrant integration into labour markets.

Variables of Analysis

The dependent variables of this research are the labour market outcomes for immigrants in both countries. The labour market outcomes used in this study comprise the employment ratios for both native and immigrant population in the country, as well as unemployment rates for both immigrant and native population.

The independent or explanatory variables are that are expected to shape the labour market outcomes for immigrants (dependent variable) are: (1) immigration policy regime, (2) welfare-state regime and (3) labour market regime.

I will ask in what way different regime types present in both countries, which are derived from existing literature, shape the labour market outcomes for immigrants. In the end, I will be able to compare how the different regime settings present in Spain and Germany shape the outcomes for immigrants in each respective labour market.

Operationalization

As the study focuses on labour market outcomes for immigrants, and more specifically, to what extent the immigrant population in both Germany and Spain is integrated into the labour market, an operational definition of the concepts is needed in order to measure labour market integration of immigrants at a later state.

In this study the national definition of the immigrant population is used in both countries. According to the OECD, the immigrant population is usually defined in one of two ways. Some countries have traditionally focused on producing data that represents foreign nationals, whilst others refer to the foreign-born. This difference in focus relates in part to the nature and history of immigration systems and legislation on citizenship and Naturalization (OECD, 2001). Both Germany and Spain define the immigrant population by means of the place of birth, and therefore refer to it as the 'foreign-born', covering all persons who have ever migrated from their country of birth to their current country of residence.

Labour market outcomes refer to employment and unemployment rates among the population of a country, as well as the overall participation rates in the labour market. Böhning & de Beijl (N/A) define integration in the labour market as 'comparable groups of workers should enjoy comparable opportunities and outcomes in terms of employment, remuneration, socio-economic status and other labour-market relevant characteristics' (Böhning & de Beijl, n/a, p.2).

Immigrants are well integrated into the host countries' labour market if the labour market outcomes for immigrants are similar to those of the native population.

Data collection

The data collection was achieved through secondary literature. Existing scientific articles on immigration-, welfare-, and labour market regimes were collected and analyzed regarding their contribution to the theoretical framework of this thesis. In order to gain a comprehensive theoretical framework necessary for this study, an extensive literature review on immigrant integration, immigration policy, welfare state theories and labour market integration of immigrants was conducted and used as a theoretical basis. The data for labour market outcomes are derived from OECD publications on both countries. The OECD has published diverse statistics and outcomes for both native and immigrant population for Spain and Germany.

Data Analysis

As I will be studying the integration of immigrants into the labour market by means of labour market outcomes for the immigrant population, quantitative data in the form of labour market outcomes, as well as quantitative data as regards immigration-, labour market- and welfare policies will be used. The qualitative data that will be consulted are primarily scientific article as well as official government documents. Quantitative data include official statistics derived from the OECD and other secondary sources. The data that will be used are largely secondary in character, which entails that I use data already employed by others such as articles from scientific journals and economic reports. In order to give a comprehensive data analysis, I will compare the labour market outcomes for both immigrant and native population in Spain and Germany, whereby the outcomes will be related to the institutional settings as regards the different regimes.

Performances of the two countries regarding the integration of immigrants into respective labour markets will be analyzed by means on the published data by the OECD and national statistical data. A country performs well in the integration of immigrants into the host economy if the data show equal employment ratios and unemployment rates among the immigrant and native population as well as good overall labour market performances of each country. It will therefore be analyzed whether native and immigrant populations enjoy comparable opportunities and outcomes in terms of employment, socio-economic status and other labour market relevant characteristics. Immigrant background is defined as being born in a country other than the host country or by being native-born but having at least one foreign-born parent.

Conclusion

This chapter gave an outline of the research design and methodology that is used to derive at conclusions about labour market outcomes of immigrants in Germany and Spain and to answer the central research question. The following chapter will present the case studies on Germany and Spain.

Chapter 4 Case Study Spain and Germany

This chapter will provide an overview of the different regime types present in Spain and Germany as elaborated upon in the theoretical framework. After a short introduction into the countries' respective immigration history, the case studies will present the immigration policy regime, the welfare state regime and the labour market regime, followed by the labour market outcomes for both natives and immigrant population in each of the country.

4.1 Spain

Immigration History

Until 1970, Spain has experienced more out-migration than immigration. At the height of the guest-worker programs in Europe, about 100.000 people emigrated each year. In the course of the last century some six million Spaniards left their country of origin, and until the 1930s, 80 per cent chose to go to the Americas. From the 1950s to the mid 1970's however, 74 per cent chose countries from Northern Europe (Perez, 2003). Since then, the country has evolved from its traditional role as a sending country to become a receiving country of foreign laborers, mostly from Northern Africa and Latin America, and immigrants from other EU countries, such as retirees. Spain's development into a country of immigration was part of a larger regional phenomenon, when in the late 1980's Mediterranean countries in Europe such as Spain, Portugal and Italy, formerly all sending countries, became receiving countries (Perez, 2003).

Immigration began to grow at a particular fast pace from the mid 1980's onward despite restrictions for non-European foreigners in order to establish Spanish residency and citizenship (De la Rica, 2005). There are various elements which steered this trend, such as the country's democratization, the rapid economic growth in part fueled by Spain's incorporation to the European Common Market in 1986, the free entrance of foreigners as tourists together with a lax implementation of immigration laws, the close linguistic and cultural ties, and a preferential treatment to Latin Americas due to Spain's Colonial history (Escriva, 2000; Ribas-Mateos, 2000).

Other factors include the end of the guest worker programs, the closing borders of traditional receiving countries, such as Germany, Switzerland and France, the poor performance of the labour markets in sending countries, and the extent of the underground economy in the European countries (Perez, 2003).

It was not until the mid 1990's that immigration became a matter of vital importance to political elites and in the eyes of the public. The sharp increase in the number of foreign residents in the last years, debates surrounding the reform of the immigration law, the establishment of a political immigration framework known as 'the Plan Greco', and the shortcomings of the 2002 labour quota program have made immigration one of the most hotly contested issues in the media, and 'the second most important 'national' issue for Spaniards after terrorism' (Perez, 2003, p. 1).

Although Spain has introduced augmented immigration restrictions consisting of limited work and residency permit renewals, as well as immigration quotas implemented in the 90's, it is considered the most popular port of entry for Latino immigrants (Millman & Vitzthum, 2003). Additionally, Spain receives a significant amount of immigrant inflow from Africa, particularly Morocco. Immigrant flows

from these two regions have been primarily propelled by the investment of Spanish companies in Latin America, as well as by the political and economic crises in Latin America and Africa during much of the 1990's (Amuedo-Dorantes & De la Rica, 2005). Another decisive factor is the close linguistic ties to the country.

Immigration Policy Regime

Immigration policy in Spain rests on four pillars: (1) Orderly managed legal migratory flows, (2) International Cooperation to third countries, (3) Social integration of legal migrants and (4) Fight against illegal immigration (Spanish Ministry for Labour and Immigration, 2009). According to the IDEA Policy Briefs (2009), the Spanish migration regime can be considered as 'very innovative in comparison to other European migration regimes' (IDEA Policy Briefs, 2009 p. 4). So have irregular migrants access to primary school and health provisions, just like Spanish citizens, and as far as regular migrants are concerned, the Spanish government has approved a generous National Plan for Citizenship and Integration.

A noted earlier, immigration policies became tougher and more restrictive due to the large increase in foreign populations in the last years. With the accession to the European Union, the country was under pressure to conform to EC legislation that restricted non-EC citizen immigration. In 1985, the Law on the Rights and Freedoms of Foreigners in Spain approached most immigration as temporary and focused mainly on controlling migrants already residing in the country (Perez, 2003). The 1985 law (Ley Organica) was very restrictive, as Spain wanted to present the EC a strong immigration regime, despite its weaker economic power relative to other European countries (Newton, N/A). As immigration dynamics changed and the Spanish government realized that immigrants did not stay on a temporary basis, the government saw a need to replace the 1985 law with new policies.

The new policies required immigrants to seek work visas and residency permits only after any job offer and it became exceedingly difficult to renew required permits. As a result, many immigrants ended up in an illegal status. In 1996 an amendment of the 1985 law took place that enhanced immigrants' rights in the area of access to education, equality and legal counsel. The amendment established a quota system for temporary workers, as well as a permanent resident category and included family reunification within its framework. In 2000, the Law on the Rights and Freedoms of Foreigners in Spain and their Integration (Law 4/2000) was introduced, focusing on integration and the permanent dimension of immigration for both documented and undocumented migrants (Perez, 2003). It extended political and social rights to non-EU foreigners and marked a transition from policies focusing only on controlling immigration flows. It was reformed in the same year to entail an agenda for issuing work and residence permits, as well as visas. The amended law, Law 8/2000, aligned itself with common European policy on immigration and asylum and addressed access and control measures reflecting an effort to ensure integration of legal immigrants and limit unauthorized immigration (Perez, 2003). The reformed law diminished the catalog of rights for immigrants which were granted under the 4/2000 law and reduced the possibility of integration of immigrants. While the 4/2000 law granted rights to immigrants without distinguishing administrative status, law 8/2000 delegated rights only to documented migrants (Newton, N/A). The reformed law also made family reunification less flexible constituted an obstacle to a stable residency of foreign-born populations. Whereas in the 4/2000 law a spouse automatically had the right to a residence permit upon arrival and maintained the right even after the marriage ended, the reunified spouse under la 8/2000 could only attain their own, individual permanent residence permit after two years of residence together with their spouse. Political participation was also removed through the reform

(Newton, N/A). The reform of the immigration law therefore decreased immigrants' access to membership in Spain, and reinforced the traditional legal relationship between nationality and citizen (Newton, N/A).

Law 8/2000 further paved the way for the signing of cooperation agreements with the main sending countries to manage inflows and regulate labour opportunities and access to the labour market in general. Beside Law 8/2000, also the Plan Greco (Programa Global de Regulacion y Coordinacion de la Extranjeria y la Immigracion) was introduced in 2000, focusing on key areas in foreign residents' affairs and immigration in Spain (Perez, 2003). Worth noting is that immigration policy in Spain is directly linked to employment, so immigration fills the needs of the labour market.

Current Immigration trends

At the start of the economic downturn, inflows of foreigners to Spain in 2007 reached record levels, with more than 920.000 foreigners recorded in municipal registers, an increase of 15 % compared to the previous year (OECD, 2010). The main source countries were Romania (174 000), Morocco (71 0009, and Bolivia (46 000). According to registers, there were 5.27 million foreigners in Spain in early 2008, accounting for 11.4% of the population (OECD, 2010). The main countries of origin were Romania (731 000), Morocco (652 000), Ecuador (428 000) and the United Kingdom (353 000). Inflows declined by 25 % in 2008, to 692 000 largely due to the economic crisis, which struck Spain particularly hard (OECD, 2010).

The stock of permit holders rose by 32% during 2007 to reach almost 4 million foreigners. Most of the increase (613 000) was due to newly registered residents from other EU countries, largely Romania and Bulgaria, as Spain applied a transition period following their accession to the EU on 1 January 2007 (OECD, 2010). Labour market access requires authorization and registration, although it is not subject to any restrictions. The other main foreign populations such as Morocco, Ecuador and Colombia also experienced increases, but this growth rate declined in 2008 to 12%, as the foreign population reached 4.4 million.

Table 1: Trends in migrants` flows and stocks in Spain

Migration flows (foreigners) *National definition*	**1995**	**2000**	**2007**	**2008**
Per 1 000 inhabitants				
Inflows	0.5	8.2	20.5	15.2
Outflows	..	..	4.4	5.1
Migration inflows (foreigners) by type	**Thousands**		**% distribution**	
Permit based statistics (standardised)	**2007**	**2008**	**2007**	**2008**
Work	180.7	116.0	26.5	29.6
Family (incl. accompanying family)	108.2	78.1	15.9	19.9
Humanitarian	0.5	0.3	0.1	0.1
Free movements	389.2	193.3	57.0	49.3
Others	3.6	4.3	0.5	1.1
Total	682.3	391.9	100.0	100.0
Temporary migration	**2000**	**2007**	**2008**	**Average 2003-2008**
Thousands				
International students	28.8	40.1	41.9	35.3
Trainees	..	..	..	..
Working holiday makers	..	..	..	..
Seasonal workers	..	15.7	46.2	15.6
Intra-company transfers	..	1.4	1.3	1.1
Other temporary workers	0.5	64.8	44.0	47.7
Inflows of asylum seekers	**1995**	**2000**	**2007**	**2008**
Per 1 000 inhabitants	0.1	0.2	0.2	0.1

Table 1: Trends in migrants` flows and stocks in Spain
(Source: OECD Migration Outlook: SOPEMI 2010)

In 2008, free movements constituted the main type of type of migration inflow to Spain with about 193 300 people entering the country (49.3 % distribution), followed by work with 116 000 (29.6%), and family with 78 100 (19.9%). For temporary migration, the data show the highest share of inflows for seasonal workers, with about 46 200 people migrating to Spain in 2008, compared to an average of 15 600 in the period of 2003-2008. International students make up the second large share of temporary migration, with about 41 900 students staying in the country for study purposes. In 2008, the data for the inflow of asylum seekers shows a decrease from 2007 to 2008, with about 0.1 asylum seekers per 1000 inhabitants in 2008, compared to 0.2 asylum seekers per 1000 inhabitants in 2007 and 2000.

Relating these data to the immigration regime, it gets visible that Spain receives large inflows of foreigners that enter the country for work or free movement purposes, which facilitates labour market absorption. The next section will therefore focus on immigrant characteristics to show how individual immigrant characteristics could be related to the labour market integration of the immigrant population in Spain.

Immigrant Characteristics

As noted above, Spain has received large amounts of immigrant inflows from Latin American and African countries in the last years, but also from other EU member states. Table 1 depicts the inflows of the top ten nationalities as a percentage of total inflows of foreigners to Spain in the period of 1997-2007 and 2008.

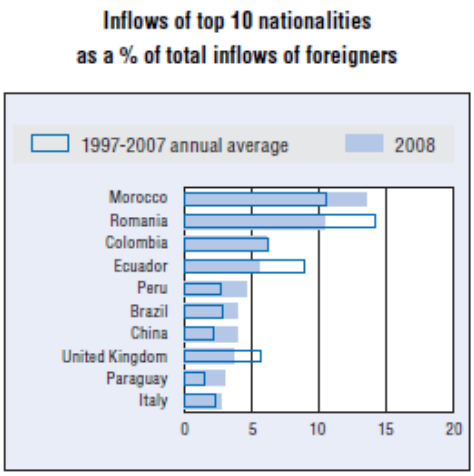

Figure 2: Inflows of top ten nationalities as a percentage of total inflows of foreigners (Source: OECD Migration Outlook: SOPEMI 2010)

As gets visible, a significant share of foreigner inflow to Spain stems from non-European countries such as Morocco, Colombia, Ecuador, Peru Brazil, China and Paraguay. Foreigners from Romania, which constituted the highest share of inflows during the period of 1997-2007, from the UK and Italy are among the only member countries of the EU that are among the top ten nationalities of total foreigner inflows in Spain. As the table shows, the countries of origin of resident foreigners have shifted in short time. A significant decrease of foreigners from Romania, Ecuador and the UK occurred from the 1997-2007 annual average to 2008, coupled with an increase in foreigner inflow from Latin American countries such as Peru, Brazil, Paraguay, but also Morocco in 2008.

In 2008, the largest share of foreigner inflows came from Morocco (about 13.5 % of total foreigner inflow), Romania (10.5%), Colombia (7%) and Ecuador (5.5%). The fact that only three of the top ten nationalities of foreigner inflows in Spain were EU member states in 2008 brings Spain more in line with the tradition of immigration from third (i.e. non-EU) countries, a tradition also visible in other European countries. Although Spain followed a more exclusionary immigration policy in the last years, immigration from non-EU countries shows no sign of decrease.

	Spanish citizens	Average age	Sex Ratio	% with less than primary education	% with higher education	Activity rates
Developed Countries	30.5%	47.1	104.7	14.5%	29.1%	55.9%
Andean Countries	14.2%	34.2	85.5	20.0%	15.9%	85.4%
Other Latin American	37.4%	38.7	81.8	14.4%	28.9%	76.2%
Africa	17.8%	37.0	197.3	25.6%	9.4%	72.9%
Other European, rest of world	6.2%	34.3	118.9	13.1%	17.9%	84.5%
Total	20.9%	38.4	109.2	17.3%	20.5%	74.8%

Table 2: Immigrant Socio-demographic characteristics by country of origin (Source: Reher & Requenta (2009): The National Immigrant Survey of Spain)

The table shows the outcome of a survey conducted by the Spanish Statistical Office on nearly 15.500 migrants in Spain. It shows that the majority of persons interviewed in the survey do not have Spanish citizenship. Basically, the migrants have come to Spain at economically active ages, although

the average age for migrants of developed countries shows that there must be a significant contingent of persons who are over 60 years of age who have come to Spain for reasons of retirement. Immigrants from Africa and the rest of Europe are predominantly male populations, whereas sex ratios are near 100 among immigrants originating from developed countries. Migrants from the Andean and other Latin American countries tend to be predominantly women. Regarding educational levels of immigrants in Spain, they are not dissimilar to those of the Spanish population as a whole. The survey data show that about 17.3% of the immigrants have less than primary education, but about 20.5% do have a higher education. The highest share of immigrants with very low education levels can be found among immigrants from African countries, where the share of people with less than primary education exceeds 25%. The highest share of immigrants with higher education can be found among immigrants from developed countries, where almost one third has a higher education degree.

Although Spain has implemented measures to restrict foreigner inflow from non-EU countries, the country has received large inflows of immigrants from non-EU countries such as Morocco, who turn out to have lower educational levels compared to immigrants from more developed countries. The question arises then to what extent immigrants, especially non-EU migrants are integrated into the Spanish labour market. Before looking at the labour market outcomes for immigrants in Spain, the next section will elaborate on the welfare system that is present in the country.

The Welfare State Regime

The Spanish welfare state in the 1970's was underdeveloped reflecting the economic situation of the country at that time. The structure of the welfare system was largely Bismarckian, with a standard social system that was occupationally structured and a generous provision of services for those covered (Cousins, 2005). Up to the 1990's, Spain, like other Mediterranean countries, had no national system of minimum income, and nowadays the benefits are still quite modest, covering only about 1 per cent of the population (Moreno, 2002).

Spain is one of the countries in the European Union with lower social spending as a percentage of GDP. Welfare spending in 1974 was about 8 per cent of GDP, whereby a significant proportion of welfare spending was on family benefits. A rapid growth in welfare spending occurred during the eighties, with an increase to about 15.9 % of GDP in 1980 and a further increase to about 19.6 % of GDP in 2001 (Cousins, 2005). Welfare spending reached its peak in 1993 with about 22.5 % of GDP and experienced a steady decline from that time on, relating to the Spanish government's intention to meet the Maastricht criteria set by the European Union and to join the European Monetary Union.

The overall development of the Spanish welfare state since the 1970's can be divided into three main periods (Cousins, 2005).

The first period stretching from 1975 to 1982 was a catch-up period with an increase in welfare spending, but no change in the overall structure of the welfare system. It followed a period of general growth and the introduction of new policy approaches including the establishment of a national health service and the decentralization of social services to the autonomous communities. From 1993 on a period of restructuring followed, with an emphasis on restricting spending growth and a further restructuring of the pension system through a corporatist process of consultation.

In the area of unemployment, reform has been less concerted and successful. Spending on unemployment has been at comparatively high levels at all stages in recent decades. However, a

comparative study indicates that Spanish unemployment benefits are not well targeted, with less than 50 per cent of unemployed persons who are actively seeking employment being in receipt of benefits and less than 50 per cent of those in receipt of benefit actively seeking employment (Baradasi et al., 1999).

It is a general characteristic of the Mediterranean welfare regimes that they have a certain amount of 'contamination' with the traditional welfare functions, irrespective of their official denomination (Trifiletti, 1999). The Mediterranean type of welfare states are often denoted as being underdeveloped and suffering from serious imbalances, inequities and inefficiencies. Leibfried (1993) argues that the welfare states of Spain, Portugal, Greece and Italy can be categorized as ‚rudimentary welfare states'. Characteristically for the Spanish welfare system is that there is no minimum income scheme, but retirement benefits for those who do qualify are extremely generous. Therefore, there is a class of 'hyper-protected' workers, including public employees, white collar workers, and private sector workers on full contract that exist alongside large numbers of under protected individuals, particularly informal and irregular workers, the young and the long term unemployed (Kleinmann, 2003). The 'family'concept plays a central role in these welfare states. In the southern European family it is important that at least one family member is employed in the protected sector, for the good of all family members (Ferrera, 1996). In Spain and the other Mediterranean welfare states, there has been some departure from corporatism through the creation of national health systems on universalistic principles. The health system relies heavily on contributions whereby there are occupationally- and territorially-based differences in health care.

According to Munoz de Bustillo & Anton (2009) the Spanish welfare state has a comparatively low level of social protection and this characteristic 'is present in all rubrics of social protection but one: unemployment protection, because of the historically higher level of unemployment in Spain' (Munoz de Bustillo & Anton, 2009, p. 7).If the average general social protection gap is compared with the different categories of social expenditure, a much higher gap is found in programs most directly targeted to populations with low income, like means-tested benefits (Munoz de Bustillo & Anton, 2009).

In 2004, old age and survivor's benefits accounted for more than 40% of total expenditure on social protection and the pension system is mostly based on contributory principles, as redistribution is limited to non-contributory pensions, comprising roughly 0.2% of the Spanish GDP (Munoz de Bustillo & Anton, 2009).

The Spanish National Health Care System has a regional organizational structure and coverage is almost universal. It is mainly financed by taxes, and all health services are free at the point of use, whereby even illegal immigrants are entitled to public health care (Munoz de Bustillo & Anton, 2009).

As a result of the emphasis on contributory benefits, the Spanish welfare system is highly fragmented, with people having access to social protection, including child benefits, unemployment assistance and pensions coexisting with people who are not eligible to these provisions. Immigrants are overrepresented in the latter category, owing to the type of employment they have access to, which is, as will be explained later, frequently temporary in nature.

The study conducted by Munoz de Bustillo & Anton (2009) tried to evaluate whether immigrants receive more or fewer welfare benefits and public health care than nationals focusing on the reception of cash transfers and the use of health care services. Their findings suggest that immigrant

households receive fewer cash transfers than local ones, which they attribute to the welfare system's emphasis on contributory benefits. In the area of health spending received by immigrants, no statistically higher spending was allocated to natives. Their study further suggests that when the immigrant population satisfies to a larger extent the eligibility conditions for pensions and unemployment benefits, 'a phenomenon of Welfare dependency will arise' (Munoz de Bustillo & Anton, 2009, p. 15). But due to the scant priority given to means-tested programs, the relevance of this will be smaller than in more generous welfare regimes.

The Labour Market Regime

One of the crucial characteristics of the Spanish labour market has been its traditionally high unemployment rate, particularly during the eighties and early nineties (Amuedo-Dorantes & De la Rica, 2005). Average unemployment rates have remained well above 10 percent since the mid eighties, yet are there significant unemployment rate differences across regions. Another important characteristic is its dual labour market structure set off by measures to increase labour market flexibility. In that sense, individuals with casual employment, characterized by lower dismissal costs to increase more flexible work arrangements, coexist with those enjoying long term contracts.

According to an experts' commission report conducted in 2005, the main problems of the Spanish labour market are 'the low employment rate and the relatively high presence of temporary employment. Enterprises in Spain lack flexibility in quickly adapting to changing economic conditions, whereas for employees the labour market fails to provide security and stability in their employment conditions' (EWCO, 2005).

In order to allow more employment flexibility, fixed term contracts predominate in Spain. In the early eighties, coinciding with the economic recession, the vast majority of Spanish workers held indefinite contracts characterized by high dismissal costs. The need for greater employment flexibility on the part of firms became apparent, and with this purpose, the 1984 reform allowed for the use of fixed term contracts for employment promotion purposes (Amuedo-Dorantes & De la Rica, 2005). Despite major labour reforms in the nineties which promoted the use of indefinite work contracts by means of lower dismissal costs, fixed term contracts continue to account for about one third of the wage and salary workforce. Beside the advantage of being more flexible, fixed-term contracts are characterized by high insecurity for the employee and low or even no protection.

A second type of flexible work arrangement, which is potentially more accessible to immigrants, is informal wage and salary work (Amuedo-Dorantes & De la Rica, 2005). It is informal because it is undeclared to appropriate government authorities and consequently unregulated and untaxed. In the absence of a written contract, Spanish employers do not contribute to Social Security and hence, do not pay any payroll taxes, which amount to approximately 24 percent of an employers' wage (Amuedo-Dorantes & De la Rica, 2005). Yet does non-affiliation to the Social Security System come at high cost for workers, who are then deprived from a variety of benefits, such as unemployment insurance and retirement pensions.

Labour market policies affecting immigrants

Since 2005, Spanish migration management has allowed two channels to enter the labour market: employer-nominated and anonymous recruitment ('contingent'). Most immigrants with renewable contracts came through the former channel: 240 000 in 2007 and 119 000 in 2008. Seasonal workers through both channels numbered 80 000 in 2007 and 87 000 in 2008 (OECD, 2009).

But due to rising unemployment levels and a slack labour market, the 'contingent' channel for long-term recruitment was restricted in 2008 and 2009. Since November 2008, Spain has offered a program to encourage unemployed immigrants to return to their home countries (OECD, 2009). Eligibility is restricted to citizens of a number of non-European countries, receiving unemployment benefits. Applicants for this program can receive their benefits in two lump sums on condition that they and their families return to their country of origin for at least three years. The participation in the program has been limited, with 4 000 applicants by June 2009 out of more than 110 000 eligible (OECD, 2009).

A discretionary continuous regularization mechanism is in place for undocumented immigrants who demonstrate integration. From the start of the program in 2006 through March 2009 more than 110 000 people have been regularized (OECD, 2009). The government proposed some reforms to its immigration law in July 2009. On the one hand, the reforms add some flexibility to work permits in the light of the economic situation, allowing more job mobility during the first year of stay and making criteria for renewal more flexible. On the one hand, the reforms stiffen the penalties for illegal migration, lengthening maximum detention tome from 40 to 60 days and allowing imposition of a reentry ban. Family reunification conditions were also tightened for parents of immigrants (OECD, 2009).

Immigrants are generally required to obtain a work permit if they intend to be either employed or self-employed, whereby EU citizens are exempted from this requirement (Carrasco, Jimeno & Ortega, 2005). After an initial authorization, an employer that intends to employ an immigrant should request the work permit and has to prove that he has done a job offer in the Public Employment Services and that he has obtained negative results. In case of renewals or self-employees, the immigrant worker should request the authorization and the government subsequently decides whether to grant a work permit. Several types of work permits exist with different duration and restrictions regarding the sectoral and geographical scopes where the immigrant is allowed to work.

Labour Market Outcomes for Immigrants

Data publications by the OECD show that the Spanish labour force has grown significantly over the past decades. Unemployment fell to a historic low of 7.6% in 2007. From 2005 to 2007, the proportion of foreign workers in the labour force rose to 14.5% and accounted for about half of the expansion in the active population. In 2008, the employment of foreigners continued to grow, but not as quickly as the foreign labour force. As a consequence, unemployment rose to 21.3% by the end of 2008, compared to 12.5 % for Spanish citizens (OECD, 2010).

According to the OECD (2010), the employment situation of immigrants worsened significantly during the recession, and the number of Spanish workers employed and paying social contributions declined, despite a rise in the stock of the immigrant population. The unemployment and inactivity rate for foreigners increased as well, with 4th quarter unemployment for foreigners counting 21.3% in 2008 and 29.7% in 2009.

Levels of economic activity of migrants in their countries of origin at the moment of their departure for Spain are, generally high and likely higher than those of societies of origin. The type of economic activity and age upon departure are closely related, as are activity and the moment of arrival in Spain (Reher et al., 2008). But both social and economic structures of the societies of origin also play a role in labour market attachment. In this sense, people vary regarding their skills and qualifications when

they enter Spain and its labour market. Figure 3 shows the economic sectors of immigrants working in the country of origin. As gets obvious, nearly half of the immigrants in Spain upon departure were working in the services sector in the country of origin, whereas about one in five were occupied in industry or in commerce, with lower levels for construction and for agriculture.

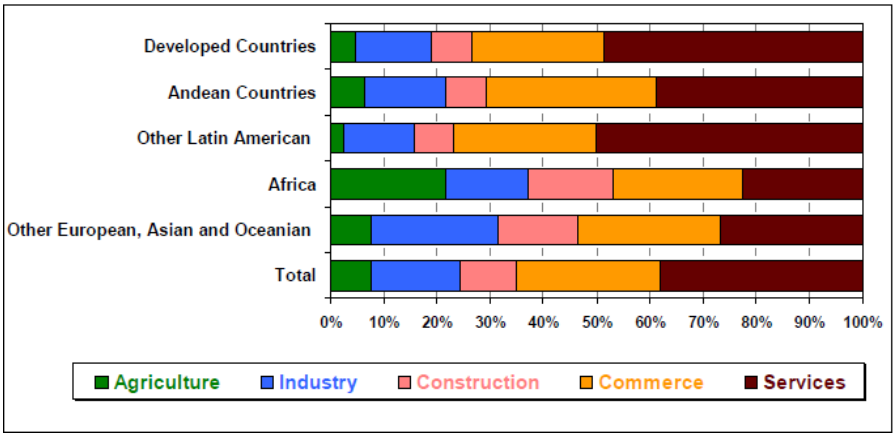

Figure 3: Economic sectors of immigrants working in country of origin by origin (Source: Reher & Requena (2009))

When immigrants live in the country, there exist differences in working force participation among migrants from different countries of origin. According to Reher & Requena (2009), persons from more developed countries tend to stand out in certain sectors, certain types of job qualification and levels of income, and occupy a preferential position in quality jobs which require high levels of education. Immigrants originating from non-Andean Latin American countries tend to occupy a position on the labour market that is not dissimilar to that of persons from developed countries, whereas immigrants from Africa, Eastern Europe and Andean countries tend to occupy less skilled positions on the labour market, such as agricultural work, personal services or in construction.

According to Reher & Requena (2009), 'an important part of the active immigrant population works in lower echelons of the labour market, whereby half of these people are employed in unskilled jobs or in jobs requiring low levels of skills' (Reher & Requena, 2009, p. 269). There are also considerable data suggesting that many immigrants occupy positions in the labour market beneath the levels that would correspond to their levels of education. Many workers from countries outside the EU are being accommodated in the informal sector of the economy, particularly at low skill levels.

The findings of a study by Amuedo-Dorantes & De la Rica (2005) show that African migrants endure the highest unemployment rate (apprx.24%) and the highest rates of fixed-term employment, complemented by about one third of African and Latino-American immigrants holding informal jobs, compared to one-fourth of Europeans. This is an incidence for the segmented labour market present in Spain and illustrates that the positive labour market outcomes for immigrants in Spain might be due to a high amount of employment found in temporary contracts.

According to Entzinger & Biezeveld (2003) good predictors for a successful participation in the labour market are the levels of education and training, as well as language skills. Therefore, immigrants from Spanish speaking countries which show comparatively high levels of education have an advantageous position when it comes to labour market participation, whereas immigrants from Eastern European and African countries with low educational levels and skills are worse off.

Labour market outcomes	1995	2000	2007	2008
Employment/population ratio				
Native-born men	62.0	70.8	75.3	73.3
Foreign-born men	61.2	75.4	80.8	73.3
Native-born women	31.6	41.0	53.1	53.9
Foreign-born women	36.7	45.7	60.6	58.5
Unemployment rate				
Native-born men	17.8	9.4	6.0	8.9
Foreign-born men	24.1	11.8	8.3	16.0
Native-born women	30.8	20.4	10.5	12.2
Foreign-born women	30.4	20.0	12.6	16.8

Table 3: Labour market outcomes for Spain
(Source: OECD Migration Outlook: SOPEMI 2010)

Table 4 shows the labour market outcomes for both native and immigrant population in Spain. As can be seen, in 2008 there was no difference in the employment ratio for native and foreign-born men, with both rates at about 73.3%. The employment ratio for native and foreign-born women was lower, with 53.9 % for native women, and 58.5 % for foreign-born women. The difference in employment rates for native and foreign-born women can be explained by the traditional family structure that prevails in Spain.

As concerns the unemployment rates, there exists a clear difference among native and foreign-born men, which is not as drastic among native and foreign-born women. In 2008, the unemployment rate for foreign-born men was almost twice as high as the unemployment rate for native men, with 8.9% for native and 16.0% for foreign-born men. For women the unemployment rates show a percentage difference of 4.6 % in 2008.

According to Fernandez & Ortega (2007), immigrants face initially higher participation and unemployment rates as well as higher incidence of over-education and temporary contracts. But after a period of five years after arrival participation rates start to converge slightly to native's rates and unemployment rates decrease to levels even lower than those of natives while the incidence of over-education and temporary contracts remains quite constant. Eastern European immigrants seem to be the most successful group as their labour market outcomes tend to converge faster to those of natives while African immigrants seem to be the least successful group, since their labour market outcomes lag far behind those of natives, even after several years after arrival. As noted earlier, this might be due to language and educational skills which lag behind those of other immigrant groups.

Other findings of a study conducted by Fernandez & Ortega (2006) indicate that, on average, the immigrant population is younger than the native population and that depending on the country of origin, immigrants present, on average, higher levels of education than natives. Furthermore, they found out, that immigrants have a labour force participation rate that is 15 percentage points higher than natives. This difference in labour force participation rates is larger for women (18 percentage points) than for men (12 percentage points). By country of origin, non-EU and Latin American immigrants have the highest labour force participation rates, while African immigrants have the lowest (Fernandez& Ortega, 2006). As regards unemployment rates, they tend to be similar to native's rates, whereby numbers vary by gender. Immigrant male unemployment rate is 2.2 percentage points higher than that of natives, while immigrant women unemployment rate is 3.5

percentage points lower than that of natives. Highest unemployment rates are found among immigrants from Africa, whereas immigrants from other non-EU countries and Latin America show relatively low unemployment rates.

A very interesting outcome of the study by Fernandez & Ortega (2006) is that immigrants bear a higher incidence of temporary contracts than natives. The difference is larger for immigrant men (37 percentage points) than for women (24 percentage points). It is 'especially large for immigrants coming from Africa and non-EU countries' (Fernandez & Ortega, 2006).

The findings suggest that the deregulation measures implemented by the Spanish government to increase labour market flexibility have twofold consequences for the immigrant population.

On the one hand these measures led to higher labour market participation rates of immigrants compared to the native population. On the other hand immigrants are employment in short-term and fixed contracts that limits their welfare access. As elaborated above, this incidence is highest for immigrants originating from African countries, who made up the highest share of immigrant inflow to the country in 2008. Consequently, immigrants face lower entry barriers to the labour market when taking up temporary employment, which comes at the cost for limited welfare access due to a lack of contributions to the Social Security systems.

Conclusion

Spain is characterized by distinct institutional settings as regards the immigration policy-, welfare state-, and labour market regime, which bears important implications for labour market outcomes for immigrants. Spain has introduced more selective immigration policies in the last years, but still receives major inflows from non-EU countries such as Morocco, Colombia and Ecuador, as well as Romania. The findings of this case study show that there exists a clear difference in unemployment rates among immigrants compared to natives, whereby the incidence of unemployment is higher for male immigrants than for female immigrants. The most vulnerable group affected by unemployment is immigrants from African countries, who show the highest unemployment rates among the immigrant population in Spain and the lowest labour market participation rates. Immigrants from African countries show the lowest education levels and their labour market outcomes lag far behind those of natives. In terms of employment ratios for both immigrant and native population, no difference in employment ratios for male natives and male immigrants exists, whereas the employment ratios for female immigrants is even higher than the employment ratio for female natives. The dual labour market structure that predominates in Spain leaves immigrants in a disadvantageous position as regards both employment prospects and access to welfare provisions. The findings of this case study show that many immigrants are overrepresented in fixed-term contracts and are employed in low-or unskilled positions in the labour market. Furthermore, many immigrants hold positions in the informal sector of the labour market. This has important implications for welfare access of immigrants in Spain. As immigrants are overrepresented in the informal sector and short-term employment contracts, their welfare access is limited, lacking adequate social and unemployment protection, child benefits and employment assistance. This is the result of the fragmented nature of the welfare system present is Spain, which is characterized by inequalities, imbalances and inefficiencies. Immigrants who do not have adequate employment opportunities and who are employed in informal sectors or irregular work are therefore left largely unprotected. The same is true health provisions, which relies heavily on contributions. The traditional family structure that is prevalent in Spain functions as a small welfare system itself, whereby it is

important that at least one family member is employed in the protected sector. As a consequence of the regime settings present in Spain, immigrants, especially those originating from non-EU countries, are clearly left in a disadvantageous position compared to natives, as their labour market integration is largely based on fixed-term or informal employment and a consequently restricted welfare access.

4.2 Germany

Immigration History

Political debates in Germany for a long time refuted the notion that there are any 'immigrants' in the country, but rather labelled the ongoing process of immigration as the return of ethnic Germans, the temporary recruitment of workers, or the temporary reception of asylum seekers and civil war refugees (Cyrus & Vogel, 2005). Yet were the de facto immigration numbers in Germany that called itself as a 'no-immigration country'- regime substantial (Triandafyllidou & Gropas, 2007). Experts estimate that about 30 percent of the population residing in Germany was born abroad or has ancestors who immigrated to Germany after 1945 (Bade & Münz, 2002). It was not until the passing of the Immigration Act in 2005 that official positions acknowledged immigration to take place in the country and that it should be properly managed in the future.

The population with immigration background can be traced back to a variety of immigration patterns that occurred from 1945 onwards.

Between 1945 and 1949, about twelve million German nationals fled to the Federal Republic of Germany, mainly from the former German territories and some other areas of Eastern Europe, and settled in Germany (Münz, 2001). During the period of 1955 and 1973, another fourteen million workers from Mediterranean countries entered Germany on the basis of bilateral recruitment agreements for temporary employment purposes. Although a majority of these recruited workers had returned by 1973, a large share of these 'guest worker' immigrants have settled in Germany, and were afterwards joined by their foreign spouses and other relatives, which has given rise to an enormous second generation of persons with immigration background in the country. In 2003, the German visa-authorities issued 76 077 visas for family-related permanent immigration (Triandafyllidou & Gropas, 2007). Between 1990 and 2003 the German authorities admitted altogether 179 934 persons as Jewish quota refugees who came exclusively from the area of the former Soviet Union. Between 1990 and 2003 asylum authorities decided more than 2. 69 million asylum applications and rejected most of them, yet many rejected applicants managed to remain in Germany. During the 1990's, about 350 000 refugees from Yugoslavia were accepted in Germany on a temporary basis as civil war refugees, but only about 20 000 of these victims remained in the country, while the others returned to their home country (Triandafyllidou & Gropas, 2007).

Another immigration pattern that contributes to the officially registered foreign population in Germany is temporarily admitted migrant workers and students. About 271 000 seasonal workers and on average 43 000 foreign contract-for-services workers were employed in 2003, with an additional 180 000 foreign students that were registered in 2003 (Triandafyllidou & Gropas, 2007).

An important factor why the foreign population does not increase in Germany is naturalization. Between 1994 and 2003 about 1.2 million foreign nationals received German citizenship, of which more than 0.5 million were Turkish citizens (Triandafyllidou & Gropas, 2007). German nationality was

relatively difficult to acquire without German ancestors until 1993. A major reform of naturalization legislation in 2000 allowed first generation immigrants to acquire citizenship after a residency period of 8 years, and second generation migrants to gain citizenship on the basis of jus soli or place of birth (Euwals et al. 2010). An important precondition for naturalization is economic self-reliance. According to Euwals et al. (2010), temporary contracts for immigrant workers create strong incentives to naturalize. Their study suggests that temporary employment implies a risk of losing a job and in this way becoming economically dependent. In Germany this could entail the risk to lose the right to naturalize and to lose access to the advantages of the welfare state. For migrants with a tenured contract this risk is smaller (Euwals et al. 2010).

Immigration Policy Regime

Germany has an exclusionary immigration policy regime, where rights are based on lineage (Sainsbury, 2006). Measured by the number of inflows, Germany is the second most important 'immigration country' in the OECD after the United States, with about 13% of its population born abroad (Liebig, 2007).

Until 1973, Germany has focused on the recruitment of low-skilled foreign labour, so called 'guest worker' immigrants (Liebig, 2007). After the guest worker regime, Germany has followed a restrictive migration policy focused on opening its labour market for high-skilled labour migrants only. Germany maintained its policy of gradual opening in spite of the economic crisis and a number of measures were implemented to promote skilled and highly-skilled migration to Germany. In particular, the labour market test has been abandoned for all migrants from the new EU member countries holding a tertiary degree, as well as for international students with a tertiary degree from a Germany educational institution (OECD, 2010). Yet do international degree holders need to have an employment offer commensurate with their qualification level. This condition also applies to graduates of German schools abroad who have either a tertiary degree or obtained a further vocational education in Germany, who are also exempted from the labour market test. The income threshold for highly skilled migrants to get an unlimited residence permit immediately after arrival has been lowered from EUR 86 400 to EUR 66 000 (OECD, 2010). Most of the highly-skilled migrants did not make use of this advantage and so most highly-skilled labour migration still take place via the regular scheme of residence permits for employment. Additionally, 'tolerated' persons, such as foreigners without residence permits who have been resident in Germany for many years, are able to obtain residence permits for employment under certain conditions. Since late 2009, a focus is set by the government on fostering integration policy. A national integration plan will be transformed into an action plan with measurable objectives, so as the signing of so-called 'integration contracts' by both newly-arrived immigrants and established immigrants. Furthermore, immigrants with foreign qualifications will have the right to have their qualification assessed, whereby the assessment procedure will be linked with bridging offers for foreign degrees not granted full equivalence.

Current Immigration trends

Prior to the crisis, in the light of favorable economic development and the demographic changes which were beginning to have an impact on the labour market, Germany had gradually opened up its labour market for permanent type labour migration, although this opening was essentially only for highly-skilled labour migrants (OECD, 2010).

In 2008, overall long-term immigration to Germany remained at modest levels. Family migration continually declined, so have other types of immigration to the country. The Central Foreigners

Register recorded only about 51 000 new immigrants under the title of long-term immigrants, which constitutes the lowest number in more than a decade (OECD, 2010). Also the immigration of ethnic Germans, so called 'Spätaussiedler' or 'Aussiedler' from Eastern European countries and Central Asia continued to decline. In 2008, only about 4 300 ethnic Germans entered the country, compared to 35 000 people in 2005 and annual averages of between 100 000 and 230 000 throughout the 90's (OECD, 2010). The inflow of ethnic Germans and the resettlement of Jews from countries of the former Soviet Union tend to be gradually disappearing.

According to data by the Federal Employment Services on permissions to work, there was an increase in work permits, but only to a modest level (OECD, 2010). Increase was particularly strong for international graduates from tertiary institutions in Germany. Almost 6 000 international graduates received a work permit in 2008, which is more than twice as much as in 2006, where about 2 700 international graduates obtained work permits. In 2009, there were about 27 650 new asylum requests, which is an increase of about 25% over 2008 and about 40% more than in 2007, but still only a fraction of the levels seen in the 1990's (OECD, 2010). As regards temporary labour migration, numbers of seasonal and contract workers continued to decline in 2008, with only about 285 000 seasonal workers who came to Germany in 2008. The number of contract workers lay at about 16 600, which is the lowest level since the fall of the Iron Curtain. Both seasonal and contract work were essentially for nationals from the new EU member states, especially Poland. Table 4 depicts the trends in migrant's flows and stocks in Germany.

Migration flows (foreigners) *National definition*	**1995**	**2000**	**2007**	**2008**
Per 1 000 inhabitants				
Inflows	9.7	7.9	7.0	7.0
Outflows	6.9	6.8	5.8	6.9
Migration inflows (foreigners) by type	**Thousands**		**% distribution**	
Permit based statistics (standardised)	**2007**	**2008**	**2007**	**2008**
Work	17.7	21.9	7.6	9.6
Family (incl. accompanying family)	55.2	51.2	23.7	22.4
Humanitarian	50.9	37.5	21.9	16.4
Free movements	103.3	113.3	44.4	49.6
Others	5.7	4.3	2.4	1.9
Total	232.8	228.3	100.0	100.0
Temporary migration	**2000**	**2007**	**2008**	**Average 2003-2008**
Thousands				
International students	45.7	53.8	58.4	56.6
Trainees	3.6	4.8	5.4	3.6
Working holiday makers	..	..	..	..
Seasonal workers	255.5	291.4	277.6	302.9
Intra-company transfers	1.3	5.4	5.7	4.0
Other temporary workers	99.8	47.7	43.8	61.7
Inflows of asylum seekers	**1995**	**2000**	**2007**	**2008**
Per 1 000 inhabitants	2.0	1.0	0.2	0.3

Table 4: Trends in migrant's flows and stocks Germany
(Source: OECD Migration Outlook: SOPEMI 2010)

As the table shows, there was a total inflow of foreigners of about 7.0 per 1000 inhabitants in 2008, compared to an outflow of 6.9 per 1000 inhabitants. Free movements constituted the main type of migration inflows in 2008, with about 113 300 (49. 6% distribution of total inflows) foreigners entering the country, followed by family immigration with 51 200 (22.4% distribution) and

humanitarian immigration with 37 500 (16. 4 % distribution) people entering Germany. For temporary migration the data show the highest share of inflows for seasonal workers with 277 600 migrants in 2008, compared to an average of 302 900 in the period of 2003-2008.

International students make up the second largest share with 58 400 people who entered the country for study purposes. The data for asylum seekers show a drastic decline from 2.0 asylum seekers per 1000 inhabitants to only about 0.3 in 2008.

Immigrant Characteristics

As noted earlier, Germany has received large inflows of from eastern European countries and former German territories in the last decades. The table below shows the inflows of the top ten nationalities as a percentage of total inflows of foreigners to Spain in the period of 1997-2007 and 2008.

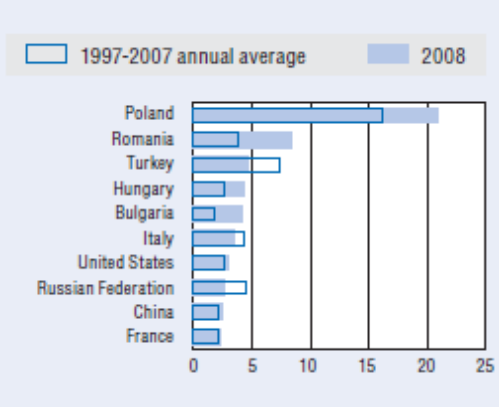

Figure 4: Inflows of top 10 nationalities as a percentage of total inflows of foreigners in Germany (Source: International Migration Outlook: SOPEMI 2010)

The table shows that a large share of immigration inflows to Germany stems from eastern European countries such as Poland, Romania, Hungary, and Bulgaria. The table shows an increase of foreigners from Poland from the 1997-2007 average to 2008, as well as increases of foreigner inflows from Romania, Hungary and Bulgaria from 1997-2007 averages to 2008. A decrease in foreigner inflows occurred from the 1997-2007 averages to 2008 from countries such as Turkey, Italy and the Russian Federation.

The largest share of immigrant inflows in 2008 came from Poland, with about 21% of the total immigrant inflow to Germany originating from this country. The second largest share of immigrants' inflow in 2008 came from Romania with about 8% of total foreigner inflow. An important fact is that six of the top ten nationalities of foreigner inflows are European Union member states.

According to a study conducted by Haisken- DeNew & Sinning (2007), the financial situation of native Germans is substantially better than that of immigrants, whereby immigrants face a higher risk of being unemployed. Immigrants tend to be less educated than average natives but are on average younger and appear healthier than the native population (Haisken- DeNew & Sinning, 2007).

As Liebig (2007) points out, nationals from the former recruitment countries have much lower educational attainment levels than other immigrant groups, which are due to the fact that the focus of the labour recruitment period was on low-skilled labour, with migrants being recruited from rural

regions. This low educational attainment leads to immigrants being highly overrepresented in less-skilled occupational sectors. These sectors have experienced a decline in employment since 1992, with the only exception being the service workers. Yet has the concentration of immigrants in these less-skilled declining sectors increased substantially since 1992. The second generation tends also to be overrepresented in these sectors, and due to the low education levels, their share in the strongly growing professional sector is only about one third of that of native-born nationals and has declined since 1992 (Liebig, 2007).

Among the adult immigrant population, 47% only have a secondary degree or did not complete education, compared to 14% of the same age group among the native population (Liebig, 2007). Comparing the second generation with the native born nationals of a similar age, there is again a large attainment gap, with 9% low-qualified among the native-born Germany and 30% among the second generation immigrants. These low educational outcomes inhibit access to vocational training, which appears to have an even stronger impact on their employment prospects than those of natives. Also immigrants' access to self-employment is hampered by legal obstacles and a lack of information, and subsequently the access to financial credits.

According to Liebig (2007), empirical studies indicate that a large part of the lower occupational status of immigrants is 'attributable to their lower educational attainment', which even more is pronounced for the second generation 'where the lower educational attainment almost entirely explains their lower occupational status vis-à-vis natives' (Liebig, 2007, p. 37)

Although other OECD countries have made positive experiences with temporary employment as a labour market integration tool for immigrants, in Germany immigrants are not a focus group of the federal temporary employment programme (Liebig, 2007).

The Welfare State Regime

Germany is often pointed to as the proto-type of the conservatist corporatist welfare regime, with rights and entitlements based on work. Central to this regime are Bismarckian social insurance schemes, and work performance is deeply inscribed into these insurance schemes. This is reflected in the rigorous work test and in the principle of equivalence that prescribes benefits equivalent to contributions. According to Scheiwe (1994), this has an effect on benefit access and benefits have tended to perpetuate class and gender differences.

In Germany, social security is basically provided by subsidiary, priority insurance institutions. The principle of insurance dominates in this system of social security, so that in areas of retirement and health care lawful compulsory insurance is arranged for clearly defined groups of persons. It is characteristic of this form of insurance is that the right to benefits arises from paying insurance fees, usually in the process of regular work or being dependent on regularly employed persons contributing to insurance schemes (Dörr & Faist, 1997). The pension scheme does not grant the whole population a basic pension or minimum income, but aims to guarantee the insured the standard of living as they are used to. The health care system does not cover the whole population, but supply gaps in the insurance system are usually counterbalanced by governmental welfare.

The German unemployment insurance covers unemployed workers in case of a contribution to the insurance of at least one year. The unemployment benefits (Arbeitslosengeld) provide up to about 67% of the previous labour incomes and are generally paid for one year, with longer eligibility periods for older workers (Riphahn, Sander & Wunder, 2010). After the reform that took place in

2005, this benefit was labeled unemployment benefit I, whereas before the reform, those who had exhausted their unemployment benefit entitlement were eligible for unemployment assistance (Riphahn, Sander & Wunder, 2010). The unemployment assistance was a tax-financed, means tested benefit and related to prior earnings. Both unemployment benefit and unemployment assistance could be complemented by assistance benefits (Sozialhilfe) if the payments fell below the legally defined subsistence level. The reform of 2005 combined unemployment assistance and social assistance under unemployment benefit II (Riphahn, Sander & Wunder, 2010). Unemployment benefit II is a means-test flat-rate benefit, which is oriented at the legally defined social minimum of household incomes and not related to prior earnings (Riphahn, Sander & Wunder, 2010). Therefore, individuals in need can claim unemployment benefit II independent of prior contributions to the insurance system or unemployment benefit I receipt. Since the reform, these benefits are paid to those able to work at least 15 hours per week, whereas those unable to work are entitled to social assistance instead. The stipulations of the social assistance programme did not change compared to the pre-reform situation (Riphahn, Sander & Wunder, 2010).

For immigrants the eligibility criteria for insurance-based unemployment benefits are the same as for natives. Eligibility for social assistance and unemployment benefit II is usually independent of citizenship, but foreigners without a permanent residence permit receiving social assistance or unemployment benefit II endanger their right to stay in the country or get their residence permit prolonged (Riphahn, Sander & Wunder, 2010). Therefore, any reliance on welfare is especially detrimental before an immigrant has acquired an unlimited residence permit. Long-term utilization can lead to expulsion and can also lead to disqualification of immigrants from acquiring citizenship, which is granted no earlier than after a minimum of 8 years of stay (Sainsbury, 2006).

According to Sainsbury (2006), the strong work orientation of the German welfare state appears to 'dovetail nicely with labour immigration, enhancing the social rights or foreign workers' (Sainsbury, 2006 p. 234).

Before the retrenchment and reform measures that started in the 1990's, the main entitlement to social benefits has been labour market participation, and in order to avoid wage and job competition, unions used to be eager to incorporate foreign workers into the corporatist welfare state (Sainsbury, 2006). Therefore, foreign workers in Germany usually enjoyed more entitlement than immigrants in other countries, and their social rights were further extended through bilateral agreements and European conventions. Due to the conservatist-corporatist type of welfare state, foreign workers were covered by health insurance providing medical benefits and sickness compensation, old-age pension and disability benefits, unemployment insurance, and child allowances (Sainsbury, 2006).

But the German insurance schemes have led to differentiated benefits for immigrants and entry categories further stratified their social rights. Ethnic Germans clearly enjoyed more rights as regards social provisions compared to any other immigrant type, as they were regarded as permanent settlers. But the advantageous position of ethnic Germans has phased out. As Sainsbury notes, 'ethnic German immigrants are scheduled for exclusion on the same basis as all immigrants' (Sainsbury, 2006 p. 237). The exclusionary immigration regime poses substantial hurdles for immigrants to receive permanent resident status and citizens without direct policy measures to help them meet the requirements obliged to them. This is especially visible in the areas of self-sufficiency, which is a requirement for a permanent residence permit, but a restricted work permit posing an extremely difficult set of conditions to achieve employment and adequate income.

According to the study by Riphahn, Sander & Wunder (2010) on the welfare dependency of immigrants in Germany, the share of immigrants in welfare programs exceeds their population share. In 2010, about 20% of all unemployment benefit II recipients were foreigners compared to a population share of about 9%. Their findings on the welfare receipt among immigrants of Turkish origin suggest that only second generation immigrants of Turkish origin have a higher propensity to receive minimum income support compared to natives. They attribute part of the excess welfare dependence among Turkish immigrants to past German migration policy, which did not select immigrants according to their potential benefit dependence. Guest workers who brought their families after the recruitment stopped in 1973, led to a high amount of unskilled labour and corresponding poor performance in the labour market.

The Labour Market Regime

Like most European labour markets, the German labour market is characterized by its rigidity. Yet have many measures and reforms been undertaken, to improve the labour market and increase flexibility.

Germany has for a long time been struggling with the economic consequences of the Unification of East and West Germany. The East German labour market has not yet recovered from this event, but shows unemployment rates that doubled from 10 per cent in 1991 to 20 per cent in 2004 and has become increasingly persistent as indicated by the rising incidence of long-term unemployment (Wunsch, 2005). West Germany is still struggling with the financial burden of German reunification, and has covered a financial part of the initial cost of East German unemployment. Even today, substantial transfers from West to the East are used to prevent the already weak East German economy and labour market from further deterioration (Wunsch, 2005). As a result, unemployment also rose in West Germany and became increasingly persistent as well. During the transition of East Germany from a centrally planned to a market economy, active labour market policy became the most important economic policy instrument of the German Federal Government. In response to exploding costs of unemployment and public pressure to overcome the unemployment problem, the government started the largest social policy reform in the history of the Federal Republic in 2002 (Wunsch, 2005).

In order to cut down unemployment, the government set up a Commission under the chairmanship of Peter Hartz, a former Director of Human Resources at Volkswagen, in the year 2002. The Commission's recommendations have been translated into Agenda 2010, a reform program gradually implemented despite strong resistance from trade unions. Four reform packages, called Hartz I, II, III and IV included a number of measures designed to make Germany's notoriously inflexible job market more flexible.

Hartz I focused on employment agencies, creating personal service agencies that work under contract from the national Bundesagentur für Arbeit. The package allowed for limited duration contracts for workers aged 52 or more. Hartz II aimed at encouraging unemployed people to return to work. The most visible and successful component was the creation of 'mini-jobs' and 'midi-jobs' , new labour contracts applicable to people who earn less than EUR 800 a month independently of the number of hours worked (Baldwin & Wyplosz, 2004). Taxes and national insurance payments on the jobs are reduced. The package also offered subsidies to unemployed people who become self-employed. Hartz III and IV included measures to make collective dismissals easier, consolidated many welfare programs and created special job contracts for companies. An emphasis was set on

preventing unemployment insurance from encouraging people to stay unemployed. In this sense, the duration of the insurance payments was reduced, job search efforts monitored and sanctions tightened if job offers were negated.

All these measures implemented in these reform packages were directed at reducing unemployment by discouraging people to stay unemployed. Yet were many of them slow in showing visible effects. Most of them maximized political costs and minimized economic benefits.

Labour Market Policies affecting Immigrants

Due to its labour market rigidity, immigrants in Germany tend to face high entry barriers resulting in high unemployment rates and relatively low levels of participation among migrant workers. Germany has comparatively strict employment protection legislation, with a large gap of about 18% points in employment rates between migrants and native population (Jurado& Bruzzone, 2008). These inflexible labour laws hinder a positive integration of immigrants into the labour market and constitute an obstacle for certain sectors of the economy to offset negative impacts that an increase in labour supply has on job prospects of native workers, ultimately leading to a direct competition of native workers with immigrants.

A new Immigration Law entered into force in 2005, which comprehensively altered the immigration structure in Germany (Liebig, 2007). It placed particular emphasis on integration and assigned key responsibilities in this area to the central government, particularly to the Ministry of the Interior. However, the Ministry of Economics and Labour remained responsible for the actual labour market integration, since this was not covered by the newly-established initial integration courses. The change most directly affecting integration was the establishment of integration course, which represent a uniform framework for the integration process available to all migrant groups. By providing the same courses for all types of immigrants (ethnic Germans, humanitarian migrants and other migrants), the previous separation among migrant groups with respect to integration aid was largely abolished (Liebig, 2007). Both current and newly arrived immigrants may be obliged to participate in an integration course in case of limited knowledge of the German language. In case an immigrant fails to participate in an integration course without sufficient German knowledge, he may face sanctions such as cuts in social benefits of up to 10% (Liebig, 2007). If an immigrant is entitled to long-term unemployment aid, the cuts may account to 30%. Additionally, immigrants with a foreign nationality may not get a residence permit prolonged. On the other hand, a successful completion can shorten the residence period required for the naturalization of foreign nationals.

Under the new law only two kind of residence permits were established- a temporary and a permanent one. Separate work permits were no longer issued, whereby this does not imply that all people with a residence permit have labour market access. Within the temporary residence permit is a large variety of different sub-categories, with varying degrees of duration and labour market access. Thus the situation remains relatively complex, and labour market testing prior to receiving the permission to work still applies for many migrant groups without a permanent residence title (Liebig, 2007). But the new law has increased transparency since it is directly apparent from each subtitle whether or not a foreigner gets labour market access. Additionally, two important exceptions to labour market testing for people who do not initially have a permanent residence permit were introduced (Liebig, 2007). Family reunification migrants now get the same labour market access as the principal migrants immediately upon immigration, and labour market test does not apply for people who were granted asylum under the Geneva Convention (Liebig, 2007).

Labour Market Outcomes for Immigrants

According to Liebig (2007), the labour market integration of immigrant men is relatively favorable in international comparison. However, immigrant women, and particularly those of Turkish origin, have very low employment rates. This is partly due to policies limiting the labour market access of spouses. Table 5 shows the labour market outcomes for both native and immigrant population in Germany.

Labour market outcomes	1995	2000	2007	2008
Employment/population ratio				
Native-born men	..	73.8	75.4	76.5
Foreign-born men	..	66.3	69.4	72.5
Native-born women	..	59.6	66.3	67.6
Foreign-born women	..	46.6	53.1	53.7
Unemployment rate				
Native-born men	..	6.9	7.7	6.8
Foreign-born men	..	12.9	14.9	11.8
Native-born women	..	8.0	8.0	6.8
Foreign-born women	..	12.1	13.5	13.1

Table 5: Labour market outcomes for Germany
(Source: OECD Migration Outlook: SOPEMI 2010)

As can be seen, in 2008 there was difference in the employment ratio for native and foreign-born men of about four percentage points. A greater difference in the employment ratio can be found among native and foreign-born women, with 67.6 percent of native women being employed, and 53.7 percent of foreign-born women being employed in 2008. The difference in employment ratios for native and immigrant women will be explained later on.

As regards unemployment rates, the data show a clear difference among native and foreign-born men, as well as among native and foreign-born women. Whereas the unemployment rates for both native men and women is about 6.8 percent, the unemployment rates for foreign born men are about 11.8 percent and even higher for foreign-born women with about 13.1 percent. Yet have the unemployment rates for both foreign-born men and foreign-born women slightly decreased from 2007 to 2008. According to Liebig (2007), the gap in educational attainment between immigrants and natives is particularly pronounced in Germany. Although many European countries have high shares of the low-qualified among the immigrant population, the only country with a higher share than Germany is France. This low qualification is one of the key drivers of the high unemployment rates among the foreign born (Liebig, 2007).

Conclusion

The institutional settings prevalent in Germany have important implications for the labour market outcomes for immigrants. Germany has for a long time not acknowledged itself as a country of immigration and therefore only recently started to implement measures to properly manage immigration to the country. It follows an exclusionary immigration policy regime, with rights based on lineage. After the recruitment of low-skilled foreign labour under the 'guest worker regime', Germany used to open up its labour market for permanent type of immigration, although this opening was essentially only for highly-skilled labour migrants. The major immigration inflows come from eastern European countries such as Poland and Romania, as well as Turkey. As the case study shows, immigrants from former recruitment countries such as Turkey show lower educational attainments and therefore have a lower occupational status. But in contrast to Spain, immigrants in Germany are not a focus group for temporary employment to such a high extent. The country has a highly institutionalized conservatist- corporatist welfare regime with rights and entitlements based on work. It has a Bismarckian social insurance scheme based on work performance, which is reflected in rigorous work test and the principle of equivalence that prescribes benefits equal to contributions. Foreign workers in Germany usually enjoyed more entitlements than immigrants in other countries,

such as health insurance providing medical benefits and sickness compensation, old-age pension and disability benefits, unemployment insurance and child allowances. On the other hand, any reliance on welfare is especially detrimental before an immigrant has acquired an unlimited residence permit. In that sense could long-term utilization of welfare provisions lead to expulsion and to disqualification from acquiring citizenship. Therefore, work constitutes a crucial nexus between welfare and immigration regimes in Germany. Due to its rigid labour market, immigrants in Germany face high entry barriers which results in relatively high unemployment rates among the immigrant population. Labour market testing prior to receiving work permission still applies to many migrant groups without a permanent residence permit.

Chapter 5 Country Comparison

In this chapter the main findings of the case studies for Spain and Germany will be summarized and compared. The regime settings of Spain and Germany shape the labour market outcomes for immigrants in both countries in different ways. The immigration policy regime of Germany, being highly exclusionary in nature, bears important impacts on the type of immigration in the country, which again influences labour market and welfare provisions for immigrants. The same is true for Spain, nowadays following a more exclusive immigration regime with strong border controls.

The regime types in both countries are depicted in the table below. It shows that Spain and Germany are characterized by different regime types as regards their immigration policy, welfare state and labour market.

Country	Immigration Regime	Welfare Regime	Labour Market Regime
Germany	Exclusionary Rights based on lineage (ius sanguinis)	Conservatist- Corporatist Rights based on work/ contributions	Rigid High Regulation, but De-Regulation measures implemented
Spain	Inclusionary / now tendency towards Exclusionary Immigration Regime	Mediterranean Welfare State Rights based on work/ contributions	Dual /Segmented Labour Market Structure through De-Regulation Measures

Table 6: Regime Settings for Spain and Germany

Immigration Policy Regime

As pointed out in the case studies, Germany can be categorized as following an exclusionary immigration policy and Spain having an inclusionary immigration policy regime with nowadays a tendency towards a more exclusionary immigration policy regime. The exclusionary nature of the immigration policy present in Germany rests on the ethnic conception of citizenship and on a complex permit system that stratifies the rights of immigrants. So have ethnic Germans been in an advantageous position compared to other immigrants in the last years, which changed only recently. In Spain, a development from a country of emigration to a country of immigration took place that changed policies towards immigrants to become more restrictive due to large foreigner inflows. Nevertheless, Spain receives large inflows of foreigners from Latin America and other non-EU countries due to its colonial history and political ties. The immigration policy regime is to a large extent reflected in the immigration trends in both countries.

As the data published by the OECD for both countries show, migration inflows to Spain were about twice as high as for Germany in 2008 (7.0 compared to 15.2 per 1000 inhabitants). The foreign-born population in Spain in 2008 accounted for about 14.1% of the total population, compared to 4.9% in the year 2000.

But the type of immigration differs vehemently across both countries despite the fact that both countries follow a rather exclusionary immigration policy regime nowadays. Both countries show similar immigration inflow by type of free movements, but the countries' immigrant inflows as

regards the other types of immigration show different distributions. Germany received far more humanitarian immigrants (16.4% compared to 0.1%), whereas Spain received a higher amount of labour or work migrants (29.6% compared to 9.6%). This has implications for labour market integration for immigrants. The free movement of labour entitles citizens from the European Union and European Economic Area to work and reside freely in other member countries. The principle of equal treatment requires that EU or EEA citizens enjoy the same level of protection from social security as do natives. However, non-EU and non-EEA are only admitted to the labour market if it can be proved that the respective position cannot be filled by a citizen of an EEA or EU country. Thus, work related immigration clearly has a positive impact on labour market integration of immigrants in Spain, whereas humanitarian migrants face difficulties entering the labour market in Germany. The high amount of labour immigration therefore could be an explanation why Spain has managed the labour market integration of its immigrant population despite the huge amount of immigrants that well. As noted earlier, immigrants in Spain in many cases work in sectors below their educational level and are employed in informal or fixed-term employment, which facilitates labour market access. Germany on the other hand received huge amounts of immigrants that have limited access to the labour market such as humanitarian migrants, despite its exclusionary immigration policy. Furthermore, the guest worker model based on former immigration policies in Germany led to a large amount of low skilled migrants who brought their families, which again has negative consequences on the labour market outcomes for immigrants in that country, due to low skill levels. The different immigration types in the country, which are related to the immigration policy regime, therefore serve as a partial explanation for the different labour market outcomes.

Welfare Regime

As regards the welfare regime, both countries vary in welfare provisions and access for immigrants, although some similarities are visible. Access to welfare provisions depends in both welfare regimes on work, yet does the immigration type largely determine the legal status and therefore the right to work, which again has an impact on welfare access in both countries. Especially in Spain a large part of the immigrant population is employed in the informal sector or in short-term labour contracts due to the labour market duality in the country. This inhibits welfare access for immigrants and is especially disadvantageous for female immigrants. This is reflected in higher employment rates for immigrant women compared to native-born women. Immigrants in Spain are therefore left largely unprotected, especially if they are employed in informal or short-term contracts as these jobs lack Social Security contributions. Although immigrants in Germany face some challenges as regards access to welfare provisions, humanitarian migrants, such as refugees, are eligible to welfare provisions under certain conditions. The same is true for immigrants that that are employed in the country. But in Germany a reliance on social provisions inhibits the possibility of a permanent residence permit, which again is related to employment prospects for immigrants. This could be an explanation for the high naturalization rates in Germany, which entails that foreign national acquire German citizenship, which is possible after a period of stay of 10 years, and enhances access to welfare and labour market provisions. Due to the restrictive measures implemented by the government, these naturalization rates have steadily declined. As a welfare reliance of immigrants in Germany endangers their right to stay in the country, incentives to work are given in Germany, despite the expectation that the welfare regime in the country could lead to disincentives to work. But as the case study on Germany showed, second generation migrants in the country and their welfare dependency due to low integration levels deserves more focus, which lies beyond the scope of this paper.

Labour Market Regime

The labour market regimes of both countries constitute another decisive factor that contributes to the labour market integration of immigrants and consequently the labour market outcomes. Both countries have rigid labour markets but have implemented measures to increase flexibility. This has led to a dual labour market structure in Spain, which puts immigrants into a detrimental situation in the country. Most immigrants are employed in short-term labour relationships, which leads to more insecurity and less or even no social insurance provisions. The same, despite to a lesser extent, is true for immigrants in Germany, who to a large extent find employment in low-skilled sectors, but who enjoy more welfare access compared to immigrants in other countries. A decisive factor for immigrant integration in Spain is that many immigrants are employed in sectors below their educational level and take up jobs that are disdained by the native population. In Germany the educational levels of the immigrant population lag behind those of natives, which lead immigrants to be employed in low-skilled occupational sectors as well. Still, immigrants in Germany are not a target group for temporary employment, but rather for self-employment. The inflexible labour laws hinder a positive integration of immigrants due to high entry barriers. Worth noting is that the countries differ regarding their need for low-skilled workforce, which is higher for Spain than for Germany.

Labour Market Outcomes

Germany

Labour market outcomes	1995	2000	2007	2008	Average	
					1997-2002	2003-2008
Employment/population ratio						
Native-born men	..	73.8	75.4	76.5	..	73.6
Foreign-born men	..	66.3	69.4	72.5	..	66.9
Native-born women	..	59.6	66.3	67.6	..	63.8
Foreign-born women	..	46.6	53.1	53.7	..	50.0
Unemployment rate						
Native-born men	..	6.9	7.7	6.8	..	9.0
Foreign-born men	..	12.9	14.9	11.8	..	16.2
Native-born women	..	8.0	8.0	6.8	..	8.7
Foreign-born women	..	12.1	13.5	13.1	..	14.8

Spain

Labour market outcomes	1995	2000	2007	2008	Average	
					1997-2002	2003-2008
Employment/population ratio						
Native-born men	62.0	70.8	75.3	73.3	69.1	74.1
Foreign-born men	61.2	75.4	80.8	73.3	74.3	78.8
Native-born women	31.6	41.0	53.1	53.9	39.1	50.3
Foreign-born women	36.7	45.7	60.6	58.5	46.0	57.3
Unemployment rate						
Native-born men	17.8	9.4	6.0	8.9	10.8	7.3
Foreign-born men	24.1	11.8	8.3	16.0	12.7	10.7
Native-born women	30.8	20.4	10.5	12.2	21.6	12.7
Foreign-born women	30.4	20.0	12.6	16.8	22.1	15.6

Table 7: Labour market Outcomes for native and immigrant population in Germany and Spain (Source: OECD Migration Outlook: SOPEMI 2010)

The labour market outcomes for both countries show that immigrants in both countries have higher unemployment rates compared to the native population. Comparing the unemployment rates among the male immigrants in both countries, it shows that male immigrants in Spain faced higher unemployment rates compared to male immigrants in Germany (16.0% compared to 11.8%) in 2008. Similarly, female immigrants in Spain show higher unemployment rates of about 16.8% compared to 13.1% for female immigrants in Germany in the year 2008. Looking at the employment ratios in both countries, several interesting results are visible. The employment ratio for native-born men in Germany is higher than for foreign-born men, with 76.5% compared to 72.5%. The same is true for native-born women compared to foreign-born women, with 67.6% to 53.7%. In Spain, the employment ratio for native-born men and foreign-born men show equal rates with 73.3%. But the employment ratio for foreign-born women is higher compared to native-born women, with 58.5% compared to 53.9%. This could be explained by the traditional family structure present in Spain, which prescribes certain roles for the family members, with the father being employed and the mother caring for children and the household. Foreign-born women might not be affected by this traditional family model and are therefore more likely to take up employment.

Generally, the labour market outcomes for immigrants in both countries show better results for Spain than for Germany if compared to the respective native population, especially if looking at the average of the period of 2003 to 2008.The average employment ratio for foreign born men in Spain was higher with about 4.7 percentage points compared to the native male population in the period of 2003 to 2008, whereas the employment ratio for male immigrants in Germany was about 6.7 percentage points lower for foreign-born men in Germany than for natives.

The gap between the unemployment rates for foreign-born men and native men was not as high in the period of 2003 to 2008 in Spain than in Germany, with a gap of 3.4 percentage points in Spain and 7.2 percentage points in Germany.

If we look at the total migration inflows in each country in 2008, Spain received almost twice as much foreigner inflows, with 391 900 foreigners entering Spain compared to 228 300 foreigners entering Germany. Comparing the average inflows of foreigners to both countries in the period of 2003 to 2008, Spain received 15.2 foreigners per 1000 inhabitants, whereas Germany received only about 7.1 foreigners per 1000 inhabitants.

Relating this to the labour market outcomes for immigrants elaborated above and to the expectations derived through the theory, the regimes present in both countries could account for the different labour market outcomes in each of the countries.

In Germany the immigration policy regime restricts the access of migrants to the country which is depicted in the relatively low inflow of foreigners to the country. Permanent work-related migration makes up only a minor share of foreigner inflow to the country, whereas free movements and family-related migration constitute the largest part of permanent foreigner inflow to the country. With respect to this, the large share of humanitarian migrants stands in contrast to the exclusionary nature of the immigration policy regime and has negative effects on the labour market outcomes for the immigrant population in the country. The same is true for the comparatively large share of asylum seekers entering Germany. Both types of immigrants face difficulties entering the labour market as they have only limited access. With respect to the welfare- and labour market regime, immigrants again face challenges to receive welfare provisions and labour market access. Immigrants

are granted welfare provisions, but the reliance on welfare provisions inhibits the possibility for a permanent residence permit, which forms the basis of employment prospects. Furthermore, labour market testing prior to work permission applies for many groups without a permanent residence permit. Therefore, immigrants in Germany face substantial hurdles to integrate into the labour market, which has negative impacts on the labour market outcomes for immigrants. The expectation that the welfare structure in Germany leads to disincentives to work is therefore only partially true.

The regime settings present in Spain have different consequences for the labour market outcomes of its immigrant population.

With respect to the immigration regime, Spain follows an exclusionary policy that restricts the access of non-EU migrants to the country. Work-related immigration, free movements and family-related immigration make up the biggest share of foreigner inflow to the country. Due to the countries' proximity to the African continent, a large share of immigrant inflow came from Morocco, but also due to the countries' history another large share of foreigner inflow came from Latin American countries such as Colombia, Ecuador and Peru. Similar to Germany, this fact stands in contrast to the exclusionary immigration policy followed by the Spanish government. The main intra-EU foreigner inflow to Spain came from Romania in 2008. Inflows of asylum seekers made up only a minor part of foreigner inflows to Spain, with about 0.1 per 1000 inhabitants in 2008. Individual immigrant characteristics show that a large share of the foreigner inflow to Spain shows an educational level similar to that of the native population, with the only exemption being foreigners from Africa, who show an educational level that is below the educational level of the native population. Additionally, the mastery of the Spanish language among a large part of the foreigner inflow might affect labour market access positively.

With reference to both the welfare and labour market regime in Spain, immigrants face difficulties accessing both welfare and labour market provisions. The dual labour market structure leaves immigrants in Spain overrepresented in short-term labour contracts or informal employment. This has negative implications on the welfare access for immigrants, as the system relies on contributions. Short-term and informal employment opportunities lack adequate contributions on side of the employer to the Social System, so that immigrants being employed in these types of jobs are left largely unprotected and not covered by social provisions. Another important fact is that immigrants in Spain take up employment that lies below their educational level, so that are large part of well-educated immigrants are employed in low-skilled sectors of the labour market. Therefore employment among immigrants comes at the cost of decreased occupational status. The welfare system leaves immigrants in a detrimental situation as well. Relying on contributions, the system clearly puts immigrants in a disadvantaged position if they are unemployed and thus creates incentives to find employment, even if it is short-term employment.

Chapter 6 Conclusion

This concluding chapter will summarize the main findings on the labour market outcomes for immigrants in Germany and Spain. It will elaborate on how the regime settings shape the labour market outcomes and will be complemented by a discussion for further research on the topic.

The case studies showed interesting findings for the immigrant populations in Germany and Spain. Looking at the employment ratios for the immigrant populations in both countries, Spain seems to fare better than Germany in integrating its immigrant population into the labour market, despite an average foreigner inflow to Spain that is twice as high as the foreigner inflow to Germany in the period of 2003-2008. With respect to the unemployment rates, both countries showed higher average unemployment rates among the immigrant populations for the period of 2003 to 2008, with a larger gap between the unemployment rates among foreign-born and native-born populations present in Germany. The labour market outcomes for the immigrant populations in both countries are to a large extent in line with the expectations derived through the theories on the different regimes shaping the labour market outcomes for immigrants. More favorable labour market outcomes for immigrants were expected to be present in Spain as a result of the regime settings.

The immigration policy governs immigrants' possibilities in the areas of residence and work permits, acquiring citizenship and the participation in economic, cultural and political life. Complementary to the immigration policy regime is the form of immigration, as it differentiates immigrants' rights in terms of labour market and welfare access. The policy regime that has been identified for Germany is exclusionary in nature, whereas the immigration policy in Spain is inclusionary, but has become more exclusionary in the past. Both countries have restrictive measures that limit the access of non-EU migrants to the country, but received large inflows of migrants of non-EU states due to political or historical ties with these countries. In Spain, large inflows of foreigner of Latin America and Africa occurred, whereas in Germany the re-settlement of ethnic Germans constituted a main inflow of non-EU migrants to the country. These foreigners enjoy different rights to participate in economic life in these countries.

In Germany ethnic Germans have almost the same entitlements regarding labour market and welfare provisions as native Germans, whereas other migrants have only limited access to both labour market and welfare provisions and are subject to labour market testing. Permanent residence permits, which are related to labour market opportunities for other non-EU migrants are substantially hard to receive. Spain received huge inflows of foreigners from Latin American and African countries despite a quota system that limits the amount of non-EU migrants to the country. But it has signed cooperation agreements with the main sending countries to manage inflows and to regulate labour market access of immigrants from these countries. Individual immigrant characteristics can also be related to the immigration policy regimes present in both countries, resulting in different labour market outcomes for the immigrant population. In Germany, the guest worker regime and the re-settlement of ethnic Germans has led to a large stock of low-educated migrants, whereas in Spain immigrants tend to be equally or even more educated compared to the native population. These have different employment chances in the host country.

With respect to the welfare regimes in both countries, the welfare structure of each country entails important implications for the labour market outcomes for the immigrant population. Not only could the welfare provisions granted for immigrants such as asylum seekers and humanitarian migrants in

Germany be an explanation for the larger amount of inflow of this type of immigrants to the country, but do the case studies show that social provisions and welfare entitlements are restricted for immigrants, even if they are already residing in the country and being employed. In Germany, a reliance on social provisions endangers a residence permit renewal, whereas in Spain employed immigrants lack access to welfare and to social assistance if they do not contribute to the social security system. The latter is often the case, as immigrants are over-represented in short-term or informal employment contracts which lack contributions to the security system. Although incentives to find employment are given in both countries, immigrants in Spain find themselves in a more acute situation to find employment and therefore take job opportunities far below their qualification levels. Both the welfare and labour market regime in Spain lead to better labour market outcomes for immigrants in the country, with a class of protected workers with good jobs living alongside a large amount of non-protected workers holding short-term contracts, with immigrants being over-represented in the latter case. This is a consequence of the dual labour market present in Spain. In Germany on the other hand, the labour market creates higher entry barriers for immigrants, which leads to less favorable labour market outcomes for the immigrant population.

Despite the limitations of the data used in this thesis, it is fair to conclude that the different regimes present in each country affect labour market outcomes for immigrants in both countries. The findings of the study suggest that the favorable labour market outcomes for immigrants found in Spain need to be seen in the light of the regime settings present in the country, but that these outcomes do not entail that the regimes present in the country constitute an advantage for immigrants in terms of welfare and job prospects. Rather, it is the case that these comparatively better labour market outcomes come at the cost of the immigrant population.

In addition, this study shows that future research should more closely concentrate on the influence of different institutional settings of the host country on the labour market outcomes for immigrants, and not only individual immigrant characteristics shaping labour market outcomes.

Discussion for further Research

According to Fleischmann & Dronkers (2010), general social policies, such as the type of welfare regime or employment regulations affect the employment chances in European labour markets. This study therefore aimed to present how policies, such as immigration policy regimes, welfare state and labour market regimes shape the labour market outcomes for immigrants in European labour markets. This study focused on the labour market outcomes for immigrants in Germany and Spain, which represent two countries with different immigration policy, welfare-, and labour market regimes. As Brekke & Mastekaasa (2008) note, cross-country comparative research on the labour market integration of immigrants in Europe is still badly needed (Brekke & Mastekaasa, 2008).

The findings of this study suggest that the labour market outcomes for immigrants in Spain and Germany are shaped by the institutional settings in both countries, as they influence access to the country, to welfare and to the labour market. This is not to say that individual characteristics of the immigrant population do not play a role as regards labour market integration, but the different regimes can constitute either an obstacle or be of advantage to it.

As Zimmermann (2005) points out, an ever rising share of immigrants is unavailable to the labour force, but instead arrives as refugees, asylum seekers or for family reunification purposes. According to his study, differences in labour market attachment can be attributed to differences in individual characteristics across ethnicities or associated with their legal status at entry. His research suggests that non-economic migrants are less active in the labor market and exhibit lower earnings. Furthermore, he points out that the Nordic welfare states, especially Sweden and Denmark do not receive many typical non-EU labour migrants, but that these types of migrants tend to move to countries like Germany and Austria. In this sense, Germany has attracted substantial inflows of non-economic migrants such as relatives of inhabitants, refugees and ethnic Germans from Eastern Europe. His findings also suggest that immigrants with a refugee or asylum seeker status have problems integrating into the labour market in the host country. This is accompanied by stronger entitlements to welfare benefits for foreigners in more comprehensive welfare states such as Germany (Sainsbury, 2006).The findings of these studies are in line with the findings of the study conducted in this thesis, which found out that a large share of non-economic migrants, that is, migrants other than labour migrants, entered Germany in the last years, whereas in Spain on the other hand, a large part of the foreigner inflow in Spain enter the country as labour migrants and thus constitute an active labour force. Orenius & Solomon (2006) point out, that generous, long lasting benefits and assistance may lessen incentives to find work, increase the duration of unemployment and discourage people from joining the workforce. Particularly non-EU immigrants are more affected than natives and other EU citizens. In Germany the welfare system indeed could account for the high amount of refugees and other non-economic migrants entering the country, but as found out, a reliance on welfare provisions for immigrants in Germany endangers a permanent residence permit, which is again related to employment prospects. In Spain immigrants often receive little or no protection, even in case of employment. This is due to the presence of temporary contracts and informal work in which immigrants are overrepresented. Also the low amount of asylum seekers and other forms than work-related migrants can be attributable to the Mediterranean welfare structure.

According to Orenius & Solomon (2006), immigrants in countries with more restrictive labour regulations have higher unemployment rates relative to natives than immigrants in countries with

fewer regulations, whereby these differences are even larger when compared only with immigrants from non-EU countries to natives. But Spain and other Mediterranean countries constitutes an outlier in this regard. Despite relatively restrictive labour markets, these countries have higher shares of employment-based immigration – including illegal immigration - and larger informal sectors than northern or continental European countries. Especially in Spain opportunities for immigrants have been facilitated a rapid employment growth and a dual labour market structure, complemented by the prevalence of fixed-term employment contracts, which bypass many regulations that apply to permanent employment, but leave immigrants in a disadvantaged position as regards welfare provisions. An important point to note is that most studies do not focus on the reinforcing effects of different regimes on labour market outcomes, but instead focus on one or two regimes settings shaping labour market integration of immigrants, neglecting the effects of other regimes.

The findings of this study therefore contribute to existing thoughts on immigration and their integration to European labour market and suggest that the focus on selective immigration policy alone overlooks a dynamic relationship between immigration, welfare systems and labour markets, as already noted by Jurado & Bruzzone (2008). In order to prevent immigrants from being disadvantaged by the host countries' immigration policy-, welfare- and labour market regimes, these settings should be developed in tandem in order to provide immigrants equal opportunities for welfare and labour market access.

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Appendix

A: Recent trends in migrant's flows and stocks Germany

Recent trends in migrants' flows and stocks

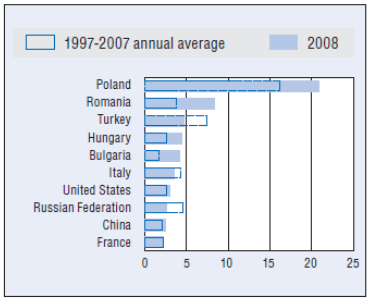
GERMANY

Migration flows (foreigners) *National definition*	1995	2000	2007	2008	Average 1997-2002	Average 2003-2008	Level ('000) 2008
Per 1 000 inhabitants							
Inflows	9.7	7.9	7.0	7.0	7.9	7.1	573.8
Outflows	6.9	6.8	5.8	6.9	6.9	6.2	563.1

Migration inflows (foreigners) by type *Permit based statistics (standardised)*	Thousands 2007	Thousands 2008	% distribution 2007	% distribution 2008
Work	17.7	21.9	7.6	9.6
Family (incl. accompanying family)	55.2	51.2	23.7	22.4
Humanitarian	50.9	37.5	21.9	16.4
Free movements	103.3	113.3	44.4	49.6
Others	5.7	4.3	2.4	1.9
Total	232.8	228.3	100.0	100.0

Temporary migration	2000	2007	2008	Average 2003-2008
Thousands				
International students	45.7	53.8	58.4	56.6
Trainees	3.6	4.8	5.4	3.6
Working holiday makers	..	..	..	..
Seasonal workers	255.5	291.4	277.6	302.9
Intra-company transfers	1.3	5.4	5.7	4.0
Other temporary workers	99.8	47.7	43.8	61.7

Inflows of top 10 nationalities as a % of total inflows of foreigners



Inflows of asylum seekers	1995	2000	2007	2008	Average 1997-2002	Average 2003-2008	Level ('000) 2008
Per 1 000 inhabitants	2.0	1.0	0.2	0.3	1.2	0.4	*22*

Components of population growth	1995	2000	2007	2008	Average 1997-2002	Average 2003-2008	Level ('000) 2008
Per 1 000 inhabitants							
Total	3.4	1.2	–1.2	..	1.1	..	..
Natural increase	–1.5	–0.9	–1.7	..	–1.0	..	..
Net migration	4.9	2.0	0.5	..	2.0	..	..

Stocks of immigrants	1995	2000	2007	2008	Average 1997-2002	Average 2003-2008	Level ('000) 2008
Percentage of the total population							
Foreign-born population	11.5	..	..	..	..	..	..
Foreign population	8.8	8.9	8.2	8.2	8.9	8.3	*6 728*

Naturalisations	1995	2000	2007	2008	Average 1997-2002	Average 2003-2008	Level 2008
Percentage of the foreign population	1.0	2.6	1.7	1.4	1.9	1.7	*94 500*

Labour market outcomes	1995	2000	2007	2008	Average 1997-2002	Average 2003-2008
Employment/population ratio						
Native-born men	..	73.8	75.4	76.5	..	73.6
Foreign-born men	..	66.3	69.4	72.5	..	66.9
Native-born women	..	59.6	66.3	67.6	..	63.8
Foreign-born women	..	46.6	53.1	53.7	..	50.0
Unemployment rate						
Native-born men	..	6.9	7.7	6.8	..	9.0
Foreign-born men	..	12.9	14.9	11.8	..	16.2
Native-born women	..	8.0	8.0	6.8	..	8.7
Foreign-born women	..	12.1	13.5	13.1	..	14.8

Macroeconomic indicators	1995	2000	2007	2008	Average 1997-2002	Average 2003-2008	Level 2008
Annual growth in %							
Real GDP	1.9	3.2	2.5	1.3	1.7	1.4	
GDP/capita (level in US dollars)	1.6	3.1	2.6	1.4	1.6	1.5	*28 639*
Employment (level in thousands)	0.2	1.9	1.7	1.4	0.7	0.5	*40 278*
Percentage of the labour force							
Unemployment	7.9	7.4	8.3	7.2	8.3	9.1	

Notes and sources are at the end of the chapter.

StatLink http://dx.doi.org/10.1787/883450888255

Source: OECD Migration outlook: SOPEMI 2010

B: Recent trends in migrant's flows and stocks Spain

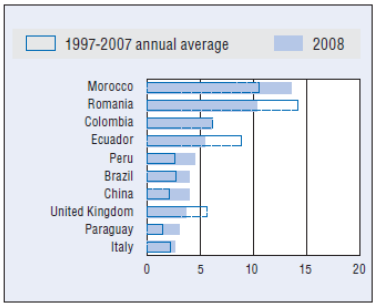
Recent trends in migrants' flows and stocks

SPAIN

Migration flows (foreigners) *National definition*	1995	2000	2007	2008	Average 1997-2002	Average 2003-2008	Level ('000) 2008
Per 1 000 inhabitants							
Inflows	0.5	8.2	20.5	15.2	5.6	15.8	692.2
Outflows	..	..	4.4	5.1	..	2.4	232.0

Migration inflows (foreigners) by type *Permit based statistics (standardised)*	Thousands 2007	Thousands 2008	% distribution 2007	% distribution 2008
Work	180.7	116.0	26.5	29.6
Family (incl. accompanying family)	108.2	78.1	15.9	19.9
Humanitarian	0.5	0.3	0.1	0.1
Free movements	389.2	193.3	57.0	49.3
Others	3.6	4.3	0.5	1.1
Total	682.3	391.9	100.0	100.0

Inflows of top 10 nationalities as a % of total inflows of foreigners



Temporary migration	2000	2007	2008	Average 2003-2008
Thousands				
International students	28.8	40.1	41.9	35.3
Trainees	..	..	..	..
Working holiday makers	..	..	..	..
Seasonal workers	..	15.7	46.2	15.6
Intra-company transfers	..	1.4	1.3	1.1
Other temporary workers	0.5	64.8	44.0	47.7

Inflows of asylum seekers	1995	2000	2007	2008	Average 1997-2002	Average 2003-2008	Level 2008
Per 1 000 inhabitants	0.1	0.2	0.2	0.1	0.2	0.1	*4 517*

Components of population growth	1995	2000	2007	2008	Average 1997-2002	Average 2003-2008	Level ('000) 2008
Per 1 000 inhabitants							
Total	2.2	10.6	18.0	..	8.8	..	..
Natural increase	0.4	0.9	2.4	..	0.7	..	..
Net migration	0.9	8.9	16.0	..	7.4	..	..

Stocks of immigrants	1995	2000	2007	2008	Average 1997-2002	Average 2003-2008	Level ('000) 2008
Percentage of the total population							
Foreign-born population	..	4.9	13.5	14.1	4.8	11.6	*6 418*
Foreign population	..	3.4	11.7	12.3	3.4	5.2	*5 599*

Naturalisations	1995	2000	2007	2008	Average 1997-2002	Average 2003-2008	Level 2008
Percentage of the foreign population	..	0.9	1.4	..	1.3	..	..

Labour market outcomes	1995	2000	2007	2008	Average 1997-2002	Average 2003-2008
Employment/population ratio						
Native-born men	62.0	70.8	75.3	73.3	69.1	74.1
Foreign-born men	61.2	75.4	80.8	73.3	74.3	78.8
Native-born women	31.6	41.0	53.1	53.9	39.1	50.3
Foreign-born women	36.7	45.7	60.6	58.5	46.0	57.3
Unemployment rate						
Native-born men	17.8	9.4	6.0	8.9	10.8	7.3
Foreign-born men	24.1	11.8	8.3	16.0	12.7	10.7
Native-born women	30.8	20.4	10.5	12.2	21.6	12.7
Foreign-born women	30.4	20.0	12.6	16.8	22.1	15.6

Macroeconomic indicators	1995	2000	2007	2008	Average 1997-2002	Average 2003-2008	Level 2008
Annual growth in %							
Real GDP	4.1	1.9	3.7	2.3	3.8	3.2	
GDP/capita (level in US dollars)	2.7	0.7	2.1	0.6	2.6	1.7	*31 561*
Employment (level in thousands)	4.3	2.7	2.9	2.0	1.7	2.5	*10 792*
Percentage of the labour force							
Unemployment	8.2	6.3	4.4	4.2	7.0	5.0	

Notes and sources are at the end of the chapter.

StatLink http://dx.doi.org/10.1787/883510012845

Source: OECD Migration outlook: SOPEMI 2010

C: Labour Market Regulation and Employment

		Male employment-to-population ratios	
IMD score	Country	Native (percent)	Foreign-born (percent)
2.3	France	69.8	64.4
2.4	Germany	71.3	64.1
2.7	Belgium	68.5	57.2
3.3	Spain	72.8	78.7
3.5	Greece	71.7	84.0
3.7	Netherlands	83.1	68.4
3.8	Sweden	76.5	64.6
3.9	Italy	69.2	86.4
4.2	Australia	78.7	74.1
4.7	Czech Republic	73.4	68.0
5.0	Ireland	74.7	72.6
5.0	United Kingdom	78.5	72.2
5.3	Austria	75.3	75.6
6.2	Hungary	63.4	74.8
6.5	Canada	79.1	77.2
6.6	United States	73.5	79.2
6.9	Slovak Republic	63.5	63.0
7.6	Denmark	79.4	58.2

Source: Orrenius & Solomon (2006) Labour Market Regulation and Employment

D: Proportion of non-EU born immigrants among individuals declaring to hold fixed-term, short-term contracts, or casual work

	Native	Non EU >15YSM	Non EU <15YSM
Germany	0.10	0.07	0.18
Denmark	0.11	0.13	0.16
Belgium	0.09	0.12	0.12
France	0.10	0.07	0.17
Italy	0.10	0.10	0.10
Spain	0.33	0.32	0.48
Portugal	0.14	0.18	0.17
Austria	0.05	0.10	0.16
Finland	0.14	0.11	0.15

Note: Weighted Data. The individuals are employed working in paid employment more than 15 hours per week.
Non-EU refers to individuals not born in EU15 countries except in the case of Germany where the nationality criterion is used. > or < 15 YSM refers to more or less than 15 years since migration.

Source: Author's calculations based on ECHP.

Source: Causa & Jean (2006)