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EU-LABOUR MIGRATION AND RESTRICTED FREEDOM OF MOVEMENT:

**IMMIGRATION FROM THE NEW MEMBER STATES TO GERMANY AFTER THE 2004 ENLARGEMENT
UNDER THE TRANSITIONAL ARRANGEMENTS FOR WORKERS**

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ABBREVIATIONS AND TERMS

Bundesagentur für Arbeit	Federal Employment Agency
CEEC	Central and Eastern European Countries
EC	European Commission, often referred to as Commission
EU	European Union
EU-10	“new” member states, accession in May, 2004: Poland, Hungary, Czech Republic, Slovakia, Slovenia, Estonia, Latvia, Lithuania, Cyprus, Malta
EU-15	“old” member states, those that were part of the EU prior to 2004: Germany, Italy, France, the Netherlands, Belgium, Luxemburg, Ireland, Denmark, the UK, Greece, Spain, Portugal, Finland, Austria, Sweden
EU-2	“new” member states, accession in January, 2007: Bulgaria and Romania
EU-8	EU-10 without Cyprus and Malta
GDR	German Democratic Republic (reunification with Federal Republic of Germany in 1990), the <i>Länder</i> that formerly belonged to the GDR are often called <i>NEW Länder</i> or <i>EASTERN Länder</i> in Germany
IAB	Institut für Arbeitsmarkt- und Berufsforschung (engl: Institute for Labour Market and Occupational Research)
NMS-8	New Member States – 8, refers to the same countries as EU-8
Sachverständigenrat zur Begutachtung der gesamtwirtschaftlichen Entwicklung	Expert Advisory Board for Surveys of the economic developments; the board has five members and is an institution offering political consulting on the basis of a legal mandate for economic policy
Statistisches Bundesamt	Federal Statistical Office

I. INTRODUCTION

“Willkommen im gemeinsamen Europa.”¹ –

“Welcome to the Common Europe.”

This statement was voiced by Joschka Fischer, the German Minister for Foreign Affairs at the border to Poland at the accession of the ten CEEC to the EU in May, 2004.

Despite this rather positive and welcoming statement, there is a deep divide in political and public opinion on the openness of Germany for migration, also from other EU member states. This topic is specifically important in the context of the Eastern Enlargement of the EU during which ten countries joined the EU on May, 1, 2004² and two more on January, 1, 2007³. Rather strict rules on immigration and often heated debates on the topic show that a warm welcome for migrants is not self-evident at all.

At the moment, Germany is – not only geographically – at the centre of the European Union. Being the biggest economy in Europe and sharing a border and a very particular history with many of the new member states, Germany plays an important role in the processes of European integration and enlargement.

During the accession negotiations, Germany was one of the driving forces behind the idea of implementing transitional rules for workers from the CEEC in a so-called “2 + 3 + 2”- model. According to this model, all member states can keep applying their national legislation for workers from the new member states in the first two years after their accession instead of instantly applying EU law. Upon notifying the Commission, transitional arrangements can be applied for an additional period of three years. After the first five years, member states can only invoke exceptions for an additional two years “if they notify the Commission of ‘serious disturbances of the labour market, or the threat thereof’ ” (Commission, 2008, p. 3).

Mainly the old member states, or the so called EU-15⁴, decided to apply restrictions and Germany was one of the few countries holding on to them from May 2009 onwards for the final two year

¹ *schwäbische.de*. (2004, May 02). Retrieved July 31, 2013, from http://www.schwaebische.de/home_artikel,-Zitate-zur-EU-Erweiterung-_arid,1114258.html

² Those countries are: Czech Republic, Estonia, Latvia, Lithuania, Hungary, Poland, Slovenia, Slovakia, Cyprus and Malta.

³ Bulgaria and Romania

⁴ The “old” member states are those countries that were members of the EU prior to May, 2004. Those countries (and the year of accession) are: Germany, France, Italy, Belgium, the Netherlands and Luxemburg (all

period for the EU-8⁵. Germany justified its decision by referring to a critical labour market situation. The notification by the German government was published in the German Bundesanzeiger⁶: the government states that a disturbance to the German labour market is present and points to the specifically difficult situation of low-skilled workers, long-term unemployed and the Eastern part of Germany (cf. Bundesanzeiger Nr.65, April, 30, 2009, pp.1572-1574).

The transitional arrangements had the effect that workers from the EU-8 countries still needed to receive a work permit before taking up an occupation in Germany. Previously existing bilateral agreements are not affected because workers from the accession countries should not be in a less favourable position than prior to the accession. Comparable restrictions had already been put into practice in previous enlargements (e.g. Spain and Portugal in 1986) and looking at the legal basis, these transitional periods are not against Community Law.

Germany was indeed expected to be one of the countries receiving most of the labour migrants from the CEEC. Implying that labour immigration leads to negative impacts on Germany's labour market, one can argue that invoking the exceptions for an additional two years was only reasonable from the point of view of the German government. Nonetheless, a lot of literature indicates that the expected shock to the German labour market did not happen in the first five years after the enlargement. Therefore, it is interesting to take a look at the situation in Germany at the point in time when the government decided to uphold restrictions on the freedom of movement of workers in 2009 in order to be able to draw expectations from the data. This shall allow for a critical view on the decision of the government.

Taking into consideration the economic and labour market situations in 2009 and 2011, this paper asks:

“To what extent have the concerns expressed by the German government in the justification of the request to maintain restrictions on free movement of workers from the EU-8 countries in 2009 been confirmed by empirical data?”

In order to be able to answer this question, several sub-questions are identified and will be answered separately in order to find one concluding thought to this issue. The first sub-research question will be: *“What migratory fluxes from the EU-8 to Germany were to be expected in May 2009, taking into account the crucial push- and pull-factors?”* Taking a look at migratory fluxes expected from a

in 1958); Denmark, Ireland and the UK (1973); Greece (1981); Portugal and Spain (1986); Finland, Austria and Sweden (1995).

⁵ Malta and Cyprus were excluded from the transitional arrangements.

⁶ The Bundesanzeiger is an official journal of the German public authorities in which announcements are published. It is edited by the German Ministry of Justice.

theoretical point of view and from the most recent trends an assessment of the migration potential shall be made.

Furthermore, the labour market effects of immigration to Germany on the basis of a theoretical framework identifying the crucial indicators to be taken into account in this context shall be considered. This section aims at answering the second sub-question: *“What impacts of labour migration on the German labour market could be expected?”*

In a next step, the justification provided by the German government shall be assessed critically in order to answer the third sub-question: *“Were the concerns raised by the German government in its justification before the Commission confirmed?”* Based on this analysis, a critical assessment of the German justification to uphold restrictions shall be made.

In order to draw conclusions on the actual impact of restrictions and the possible effect of lifting them, the fourth sub-research question will be: *“What happened after the unconditional opening of the German labour market to immigrants from the EU-8 after May 1, 2011?”* By looking at changes in the development of migratory fluxes and labour market effects, the *a posteriori* effects of the lifting of restrictions shall be examined. Analysing the observed impacts shall allow for an assessment of the German decision taken in 2009 in retrospective in order to support the arguments provided in the previous analytical sections. Moreover, the results of this analysis will offer some starting points for a critical discussion of Germany’s decision to uphold restrictions for workers from the EU-2 taken in December 2011.

The paper is structured as follows: The theoretical background will constitute of the push- and pull-factor framework of Klaus F. Zimmermann (1995a). Furthermore, a framework shall be developed that identifies indicators that ought to be taken into account when assessing the impact of labour migration on the receiving country’s labour market. These indicators allow for an operationalisation of labour market changes. The chapter on methodology shall contain an overview on the research design and methods used for the research. Furthermore, it will discuss the materials chosen for the research and the reasons for the choices that are made.

In the first analytical section, the expectations in 2009 shall be considered by analysing the amplitude and composition of potential migratory fluxes with the help of Zimmermann’s pull- and push-factors. Moreover, the specific indicators identified in the theoretical part of the paper shall assist to review the estimates for labour market effects of immigration since the enlargement for the German labour market. Furthermore, the arguments produced by the German government in order to support the prolonging of restrictions on free movement shall be reviewed and the empirical data analysed accordingly. In the final analytical section, the immediate effects of the opening up of the German

labour market on May 1, 2011 shall be examined. Observed migratory fluxes, their effects on the German labour market and arguments produced by the government in 2009 will be considered in this context.

The conclusion will then provide an answer to the general research question of the paper and sum up findings from the different analytical sections. The discussion will offer a perspective on the concept of freedom of movement in the context of transitional arrangements for this specific example and from a more general view. Furthermore, Germany's decision concerning free movement of workers from the EU-2 taken in December 2011 will be discussed. This decision was made at a point in time when conclusions from previous experiences could already be drawn. Furthermore, interesting points for future research shall be identified.

II. THEORY AND THEORETICAL FRAMEWORK

In order to be able to answer the sub-research questions and thus the main research question of this paper, the theoretical part will address two issues: estimates of migratory fluxes coming to Germany after the enlargement; and the impact of labour migration on the receiving country's labour market.

There are many theories discussing migration from various areas of research. Theories on immigration rely on very different assumptions and models and can only be applicable in specific contexts. The context for immigration in Europe is quite unique, looking at the comparably small size of European countries and populations as well as the diverse historical developments and the specific framework of free movement within the European Union. Therefore, it is important for this paper to build a theoretical framework on theories and studies focusing on the European context.⁷

The theoretical background will constitute of the push- and pull- factor framework of Klaus F. Zimmermann (1995a) that outlines the main factors influencing labour migration patterns in Europe in order to assess the migratory fluxes which could be expected towards Germany in 2009. Furthermore, a concept shall be developed that identifies indicators that ought to be taken into account when assessing the impact of labour migration on the receiving country's labour market by integrating several rather recent empirical studies on this issue.

⁷ It is important to mention at this point that correlations found in the predominant part of empirical studies, that are to be generalised, might in individual cases also include findings from the United States. As it is one of the most important immigration countries in the world, interest in research on American migration patterns has been large in the past and many theories are built on studies focusing on immigration in the United States.

1. THEORY: PUSH AND PULL MIGRATION

As this paper focuses on labour migration, the expected influx of migrants plays a crucial role for answering the research question. Consequently, the theory of push and pull factors will form part of the theoretical background of this research: “A general view of labour migration can be given by the push- and pull-framework, which integrates the previously discussed theories” (Bauer & Zimmermann, 1999, p. 19f.). These theories include the neoclassical approach, the Human Capital Theory, Asymmetric Information about Worker Skills, Family Migration and Network Migration (cf. Bauer & Zimmermann, 1999, pp. 13-19). As the title “European migration: Push and Pull” already suggests, Zimmermann’s framework refers specifically to the European context.

Zimmermann (1995a) defines pull migration as “immigration drawn in by a strong economy and sometimes by active governmental encouragement” (p. 314) whereas push migration is defined as “migration spurred by conditions in the home, or sending, country” (p. 314). It is important to mention that the approach works from an economic point of view which is emphasised also by the author: “[t]his article defines push and pull from the economic perspective of the receiving country” (Zimmermann, 1995a, p. 313). This allows for a look on migration from Germany’s (the receiving country’s) perspective on possible factors that might influence migration from the CEEC to Germany.

The German cabinet has to justify its decision of limiting migration before the Commission and refers to serious disturbances in its national labour market. Zimmermann (1995a) points out which concerns are often raised in the receiving countries: “Whereas pull migration has been seen as economically beneficial, there is concern that push migration might accelerate the employment crisis” (p. 313). Factors that can lead to push migration are, amongst others, “better economic conditions in the receiving than in the sending countries as measured by unemployment, wages, working conditions, social security benefits, the structure of the economy, and the like; demographic characteristics of the labour force; the wishes of the families of migrants to reunite” (Zimmermann, 1995a, p. 315).

These factors shall serve as a guideline for the analysis in which the content of each factor shall be examined more closely. Therefore, the economic situation in Germany and the sending countries including unemployment and wages; the demographic characteristics of the labour force in Germany and of the labour migrants; and possible network effects shall be considered. Some factors from Zimmermann’s list are excluded as examining all of them would be out of the scope of this paper. As for the economic situation, unemployment and wages will be the key factors considered in the analysis. The importance of these factors is confirmed by the Commission which will be highlighted in the corresponding analytical part.

2. FRAMEWORK ON IMPACTS OF IMMIGRATION ON THE RECEIVING COUNTRY'S LABOUR MARKET

As the prolonging of transitional arrangements could only be justified by a disturbance of the domestic labour market or a threat thereof, it is important to consider the impact that migrants have on the receiving country's labour market. Therefore, a framework on impacts of labour migration on the domestic labour market shall be outlined in this second theoretical part of the paper.

Instead of referring to a theoretical debate or a specific theory, findings from empirical studies shall be outlined which point towards correlations between immigration and developments of the domestic labour market. The main measurable indicators for labour market changes shall be identified in order to create a guideline for the analysis to follow, in which the empirical data shall be reviewed accordingly.

In relation to the German justification to prolong transitional arrangements, factors that might indicate a "disturbance" to the labour market and that are connected to labour migration are of importance. It is important to identify the crucial dependent variables which are influenced by migration and which indicate developments of the receiving country's labour market. Without this operationalisation an assessment of the labour market impacts of migration would lack the sufficient basis for a review of empirical data.

The findings of several studies relying on different *a priori* assumptions make similar conclusions. All articles referred to are based on studies that were conducted in the European context – sometimes those articles include also reviews of studies conducted in the context of the United States⁸ – or examine a larger number of studies in the European context. This is particularly important because "research evidence on the labour market effects of immigration is [...] always specific to time and place" (Somerville & Sumption, 2009, p. 2). The integrated framework constructed in this part of the paper allows summing up which impact labour migration can have on the receiving country's labour market in the European framework and, more importantly, the indicators which are to be measured when considering this impact. As the following paragraphs will show, the development of these crucial indicators is of particular importance for policy makers and the public. As the analysis deals with concerns expressed by the German government, it is therefore important to focus on those variables and their development.

⁸ Somerville and Sumption (2009) also offer evidence from the United States in their review of empirical studies. Friedberg and Hunt (1995) review data on impacts of immigration for the United States and other countries.

A) (UN)EMPLOYMENT AND WAGES

There are two important indicators in which developments on the labour market are measured which are mentioned in all studies reviewed: (un)employment and wages. A negative impact on both of these indicators by the inflow of migrant workers is often feared and a major argument against labour immigration in political and public discussions: “immigrants may compete with native-born workers in the labour market, displacing them in employment or bidding down wages” (Friedberg & Hunt, 1995, p. 23).⁹ These two factors are a major concern for policy makers, the public as well as workers and are therefore of interest for researchers. Whether employment or wages are affected, largely depends on the institutional framework of the labour market. If wages are set (e.g. by social partner bargaining), they will adjust slower and the result of immigration will be an increase in unemployment¹⁰ (cf. Somerville & Sumption, 2009, p. 9).

In Nonnemann’s review of empirical studies about the labour market impacts of immigration, (Nonnemann, 2007) he concludes that “despite the differences in method, the results are often along the same lines, and the identified effects of migration on unemployment and wage levels are quite limited” (p. 12). Somerville and Sumption (2009) sum up their findings in one important statement: “One thing common to almost any theoretical model of the impact of immigration is that in the long run, average wages are expected to return, more or less, to the level that would have been observed without immigration” (p. 10). It becomes obvious, that long-term developments are expected to be positive whereas short-term effects might be negative. As short-term effects are more visible to the public and policies are often judged by the current situation rather than by positive prospects for the future, they seem to matter more for political decisions that get a lot of public attention.

B) SUBSTITUTABILITY

The most important factor to be considered when assessing the impact of labour migration on native workers is the degree of substitutability between native and immigrant workers¹¹. Ruhs and Vargas-Silva (2012) point out that “[i]n theory, the impacts of immigration on wages and employment of existing workers critically depend on whether and to what extent migrants’ skills are complements or substitutes to the skills of existing workers” (p. 3).

Zimmermann (1995a) explains the resulting correlations in his push and pull framework of European migration: “In general the higher the substitutability of foreign for domestic workers, the more likely

⁹ See also Zimmermann (1995b): “Fears are often expressed that immigration will lead to lower wages or higher unemployment for domestic workers” (p.53).

¹⁰ Lumpe (2008): “Continental labour markets [...] are often characterised by rigid wages and resulting unemployment. Wage rigidity may be caused by minimum wage legislation, union wage setting, search frictions or efficiency wages.” (p.31)

¹¹ For a more comprehensive account see: Borjas, G. J. (1995). The Economic Benefits from Immigration. *The Journal of Economic Perspectives*, 9 (2) , pp. 3-22.

it is that increased immigration will depress the wages of the domestic labour force or, if wages are inflexible, that unemployment will rise" (p. 327). Ruhs and Vargas-Silva (2012) explain that a high degree of substitutability will "increase competition in the labour market and drive down wages in the short run" (p. 3). If the degree of substitutability is lower, the scenario looks much more positive: "If, on the other hand, the skills of migrants are complementary to those of existing workers, all workers experience increased productivity which can be expected to lead to a rise in the wages of existing workers" (p. 3).

C) AFFECTED GROUPS IN THE LABOUR MARKET

In a large number of studies it has been concluded, that the crowding-out of native workers does not take place in a significant number of cases¹². This is because "immigrants and natives [...] often have different skills and abilities [...] and the more different they are, the less 'competition' there will be between them" (Somerville & Sumption, 2009, p. 9)¹³. There are, however, groups that are more negatively affected than others.

A negative impact for low-skilled workers in the receiving country's labour market is often mentioned in the literature: "[...] immigration is most likely to lead to reductions in wages or employment in the case of low-skilled or low-wage jobs" (Somerville & Sumption, 2009, p. 9)¹⁴. This effect on one particular group of the labour market raises concerns in the public and is thus taken into account by policy makers, which can also be seen in the statement of the German government discussed in this paper.

D) IMPACTS ON ECONOMY

Despite concerns on the impact on the native workforce, general findings suggest that labour immigration is beneficial to the economy of the receiving country and can stimulate growth and investment (cf. Ruhs & Vargas-Silva, 2012, p. 3; Nonnemann, 2007, p. 12; Somerville & Sumption, 2009, p. 27).

INDICATORS

Thus, to conclude, there are certain connections that are found by all the studies outlined above that assess the impact of labour migration on the receiving country's labour market. As they address the issues that play a crucial role in the decision-making of the German government (even if not always explicitly), the most important issues to be kept in mind when discussing impacts of labour migration in this paper are: the effect of immigration on (un)employment and wages in the receiving country; a

¹² For a detailed account of empirical studies see: Lumpe (2008); Castles, S., & Miller, M. J. (2009). Migrants and Minorities in the Labour Force. In *The Age of Migration* (pp. 221-244). palgrave macmillan.

¹³ Cf. also Zimmermann (1995a), p.327.

¹⁴ Cf. also Zimmermann (1995a), p.328; Nonnemann (2007), p.12; Castles & Miller (2009), p.231.

possible crowding-out of native workers if immigrants are substitutes rather than complements; certain groups are more likely to be negatively affected by immigration, e.g. low-skilled workers; overall effects on the receiving country's economy are expected to be positive.

The studies reviewed in this theoretical chapter are reviews of studies on the impact of migration on the receiving country's labour market. The methods used in empirical research on this issue can be very different¹⁵ and are different in the studies presented in the analysis. Thus, the guideline created in this framework allows looking at the particular indicators of labour market developments. The fact that different studies using different methods are all choosing the same variables when analysing migration's impacts on the receiving country indicates that those are also the particular variables to look at when evaluating labour market effects in the specific context of this paper.

III. METHODOLOGY

The following chapter on methodology contains an overview about the methods used for the research, the sources of data and reasons for the choices made. This paper is a descriptive case study of a particular phenomenon and contains a combination of quantitative analysis of empirical data and labour market indicators as well as a qualitative literature review. The chosen theory applies to the European context and offers an integrated view on push- and pull-factors influencing labour migration. The created framework identifies indicators that ought to be taken into account when assessing the possible impacts of such migration.

In the analysis, data from the Federal Statistical Office, the German Agency for Labour and Eurostat offers the quantitative empirical data which will then be put into perspective with the support of findings from empirical studies. The findings from these studies conducted by researchers and research institutes will provide the necessary data and clues for assessment.

Answering the first sub-question, the presence of certain pull- and push-factors is reviewed in order to be able to offer information on the amount of future migration. With the help of the pull- and push- framework and additional insights from the literature, the composition and amplitude of future migration shall be estimated. Testing the presence of different independent variables (push- and pull- factors) and adding information from empirical studies shall allow for a perspective on the dependent variable, the expected migration from the EU-8 countries to Germany.

¹⁵ Nonnemann (2007) lists natural experiments, econometric and other models as some possible ways of evaluating impacts of labour migration (p. 10 ff.).

These facts need to be taken into account when assessing the possible impact of labour migration to Germany. Answering the second sub-question, a descriptive data and literature review of the variables from the created framework on labour market impacts offers the necessary information. The focus in this analytical section shall be laid on the following indicators: (un)employment in the receiving country and changes in wages that could be expected in that context, and the degree of substitutability as found for this case. Empirical studies gathering information on the development of these particular variables in Germany the context of the Eastern Enlargement shall be reviewed according to this guideline. The studies on impacts of migration on Germany's labour market contain information on the expected outcomes of an opening of the labour market in 2009 (sometimes in comparison to outcomes of the further application of transitional arrangements¹⁶).

The different studies are listed in the following table. Apart from the two important variables of (un)employment and wages, the GDP development is also measured in two of the studies¹⁷. In the third column the results as found by the different studies will be summarised and the difference between free movement and status quo is indicated or (if it is not measured), the estimated effects of EU-8 migration to Germany are listed. The symbols in the last column will then indicate the positive or negative effect that the immigration would have on the German labour market and economy.

¹⁶ The studies developing two different scenarios (one with the introduction of free movement in 2009 and one with the further application of transitional arrangements) are those by Baas & Brücker (2012) and by Untiedt et al. (2007).

¹⁷ Baas & Brücker (2012), Untiedt et al. (2007).

Table 1: Effects on the German labour market: (Un)Employment and Wages

Study	Variable	Difference between scenarios	Positive or negative effect for Germany
Study 1 (Galgóczy, Leschke, & Watt)	(Un)employment		
	Wages		
Study 2 (Baas & Brücker, 2012) ¹⁸	(Un)employment		
	Wages		
	GDP		
Study 3 (Untiedt et al., 2007) ¹⁹	(Un)employment		
	Wages		
	GDP		
Study 4 (Brücker & Jahn, 2009)	(Un)employment		
	Wages		
Study 5 (Brücker & Baas, 2009)	(Un)employment		
	Wages		

○ : effect attributed to the EU-8 migration and free movement is negligible (< 0.1 per cent/percentage points)

+ : effect attributed to the EU-8 migration and free movement exists (> 0.1 per cent/percentage points) and is positive for the German labour market and economy (positive means lower unemployment, higher wages and higher GDP)

- : effect attributed to the EU-8 migration and free movement exists (> 0.1 per cent/percentage points) and is negative for the German labour market and economy (negative means higher unemployment, lower wages and lower GDP)

¹⁸ This study compares a free movement to a status quo scenario

¹⁹ Cf. footnote 18

Furthermore, the information on substitutability will be summarised in another table.

Table 2: Effects on the German labour market: Substitutability

Study	Degree of substitutability
Study 1 (Brücker & Jahn, 2009)	
Study 2 (Felbermayr, Geis, & Kohler, 2008)	
Study 3 (Brenke, Yuksel, & Zimmermann, 2009)	

O : the degree of substitutability is very low/ native and migrant workers are imperfect substitutes

+ : the degree of substitutability is high/native and migrant workers are substitutes

Answering the third sub-question, a descriptive analysis of empirical data on the “sensitive” groups of the German labour market is provided. Analysing developments and trends for these groups can thus contribute to an assessment of the cogency of the arguments produced by the German government in 2009. Another table will indicate the overall development for the respective groups and whether effects of EU-8 migration have been reported. The last column will offer an overview on the results found in the analysis.

Table 3: “Sensitive” groups in the German labour market

Low-skilled workers	Overall development	
	Effects of EU-8 migration	
Long-term unemployed	Overall development	
	Effects of EU-8 migration	
East of Germany	Overall development	
	Effects of EU-8 migration	

+ : the overall development for this group is positive

O : effects of EU-8 migration have not been reported/there are no peculiar negative developments

In the final analytical section, data on migratory fluxes to Germany after May 2011; on labour market developments in 2011; and on developments of the “sensitive” groups in the German labour market in this period is reviewed in a descriptive manner. Studies that make prognoses about possible impacts of the opening of the labour market and empirical data on actual developments of the crucial labour market indicators shall be considered.

Table 4: Effects on the German labour market after May 2011: (Un)Employment and Wages

Study	Variable	Positive or negative effect for Germany
Study 1 (Baas & Brücker, 2010)	(Un)employment	
	Wages	
	GDP	
Study 2 (Expert Advisory Board, 2011)	(Un)employment	
	Wages	
Study 3 (Baas & Brücker, 2011) ²⁰	(Un)employment	
	Wages	

○ : effect attributed to the EU-8 migration is negligible (< 0.1 per cent/percentage points)

+ : effect attributed to the EU-8 migration exists (> 0.1 per cent/percentage points) and is positive for the German labour market and economy (positive means lower unemployment, higher wages and higher GDP)

- : effect attributed to the EU-8 migration exists (> 0.1 per cent/percentage points) and is negative for the German labour market and economy (negative means higher unemployment, lower wages and lower GDP)

The following table then summarises the aggregate findings from this analytical section, indicating whether the studies and data review suggest that significant changes in a negative direction took place since May 2011.

Table 5: “Sensitive” groups in the German labour market

Low-skilled workers	Overall development	
	Effects of EU-8 migration	
Long-term unemployed	Overall development	
	Effects of EU-8 migration	
East of Germany	Overall development	
	Effects of EU-8 migration	

+ : the overall development for this group is positive

○ : effects of EU-8 migration have not been reported/there are no peculiar negative developments

Answering the main research question of this paper, a reference framework needs to be outlined at this point. The question cannot be answered with yes or no and it is not possible to create a

²⁰ Baas and Brücker consider the development until 2020.

framework or model for measurement with the help of statistical data. Rather, the gathered information shall allow for an assessment of the cogency of arguments produced by the German government on maintaining restrictions on free movement. During the analysis, realistic estimates on migration and its impacts and results of studies dealing with this issue will be reviewed. The tables summarising the findings of the respective analytical sections allow for an overview of the empirical data that can either support or oppose the arguments presented by the German government. Furthermore, the development of the labour market and, in particular, of the “sensitive” groups the German government seeks to protect allows for a further insight. Of course, the best interest for the domestic labour market has to be kept in mind in such an important matter. Nevertheless, the government working with a “worst case scenario”, expecting deteriorating developments that are out of the scope of realistic expectations which can be supported by empirical data would certainly reduce the cogency of its arguments.

This research is a case study on a particular phenomenon in a very particular point in time. The literature reviewed for the analysis also deals with this one specific situation and thus, results can only be generalised to a limited extent. Furthermore, the research is a descriptive study aiming to illustrate what happened and thus has limited ability to explain why it happened. Nonetheless, the research will offer some insights on proceedings in this field and will provide clues for future research on the topic.

As the research is an *a posteriori* assessment of a decision taken several years ago, the research cannot allow for predictions in this particular context. Nonetheless, it will offer interesting points on policy implications for comparable situations in the future. As the enlargement process of the EU is still continuing and accession negotiations with certain countries are on the EU agenda, this topic does not lose its importance for future decisions on migration policies in Germany and in the EU.

IV. ANALYSIS

The analysis is split into four parts aiming to answer the four sub-research questions, respectively. In the first part, expectations about migratory fluxes from the EU-8 to Germany at the outset of the German decision in 2009 will be considered.

In the second analytical part, the impacts of the expected labour migration to Germany on the domestic labour market shall be assessed with the help of several empirical studies on the issue.

In the third part, the specific groups of the German labour market identified as “sensitive” towards labour immigration by the German government as mentioned in its justification shall be considered

individually. The developments of their performance on the labour market shall assist to either support or to refuse the concerns raised by the German government in April 2009.

In the last part, actual changes taking place after May 1, 2011 shall be analysed in order to allow for an *a posteriori* view on the German decision. The structure is comparable to that of the first analytical sections in order to cover the same indicators.

1. PUSH AND PULL: MIGRATORY FLUXES EXPECTED IN 2009

This analytical section aims at answering the first sub-research question: *“What migratory fluxes from the EU-8 to Germany were to be expected after May 2009, taking into account the crucial push- and pull-factors?”*

Firstly, the amplitude and composition of expected migratory fluxes shall be considered. In order to do so, the crucial push and pull factors of Zimmermann’s theoretical framework will be considered individually with the help of empirical data. Furthermore, the most recent trends of migratory fluxes to Germany before 2009 as well as certain characteristics of migrants must be taken into consideration in order to be able to provide information on estimates for future migration to Germany.

In the context of the EU Eastern Enlargement, the European Commission offers a comprehensive framework on factors influencing labour migration and takes into account “ ‘push’ or ‘pull’ factors” (Commission, 2001). The Commission outlines the factors which play a crucial part in the migrant’s decision on whether to migrate and to which country: income gap between two countries, the labour market situation in both, the receiving and the sending country, geographical proximity, and tradition and networks for immigrants.²¹

Thus, combining the theory of Zimmermann with these factors, the following push and pull factors shall be examined more closely: the economic situation in Germany and the sending countries, as measured by macroeconomic data, (un)employment and wages (income gap); demographic characteristics of the labour force in Germany and of the labour migrants; network effects; and geographical proximity. Furthermore, in the context of migratory fluxes, it is important to consider the inflow of migrants from the EU-8 and some of their characteristics in the light of the government’s justification. Those are: their skills, the sectors they tend to work in and the regions of

²¹ There are two additional factors mentioned by the Commission which will not receive attention in this paper: The demand for services shall be left aside, as it deals mainly with the posting of workers. This is also restricted by the German government but is outside the scope of this paper. Furthermore, the Commission considers ethnic and political problems “to be of lesser importance in the candidate countries” (Commission, 2001) while acknowledging that it “could motivate specific ethnic groups such as the Roma” (p.394).

Germany they settle in during the first years after enlargement. They are important for the assessment of the effects of migration on the “sensitive” groups in the German labour market.

A) ECONOMIC SITUATION IN GERMANY AND THE SENDING COUNTRIES

1. MACROECONOMIC SITUATION

In 2007, Untiedt et al. conducted a study on possible effects of labour migration from the EU-8 on the German labour market. The macroeconomic development in Germany since 2000 was outlined and the authors see a cyclical upturn. They point out that in such a situation “workers can be better absorbed by the labour market and potential displacement effects are smaller” (Untiedt et al., 2007, p. 18). After a recession, “the German economy experienced a robust upswing of the business cycle, particularly in West Germany” (Baas & Brücker, 2009, p. 3) starting in 2005. Nonetheless, the starting financial market crisis and the downswing of the world economy are expected to lead to labour market effects and negative impacts are viewable towards the end of 2008 (cf. Baas & Brücker, 2009, p. 4).

It is important to mention that migrants often follow economic incentives when moving and that they tend to choose the destination country in which the best job prospects are to be expected.²² Zaiceva and Zimmermann (2008) see even “strong economic incentives in the CEEC to migrate” (p. 434). However, Baas and Brücker (2009) point out that “immigration from the new member states has increased only slightly in Germany after the EU Enlargement in 2004” (p. 8) and that this development can be explained “by the economic slowdown in Germany at the beginning of this decade [2000]” (p. 8). These findings suggest that self-regulation of labour migration plays an important role.²³

2. (UN)EMPLOYMENT

(Un)employment is one of the crucial indicators of changes in the labour market situation. Eurostat measures employment and unemployment rates of all EU member states from 2000 until 2010 and the numbers are rather diverse.

²² A study by Bonin et al. (2008) found that 84.7 per cent of the interviewed persons stated work and income to be the most important factors encouraging a future move (quoted from Zimmermann, 2009, p. 14)

²³ See also Baas & Brücker (2009, p. 25): “migration will moreover adjust to the economic conditions in the receiving countries as the experience from previous business cycles has demonstrated”.

Table 6: Employment rates in selected European countries (age group 15-64, %)

	2004	2008	2009
EU-27	63.0	65.8	64.5
Germany	65.0	70.1	70.3
EU-8	60.2	64.5	61.5
Czech Republic	64.2	66.6	65.4
Estonia	63.0	69.8	63.5
Latvia	62.3	68.6	60.9
Lithuania	61.2	64.3	60.1
Hungary	56.8	56.7	55.4
Poland	51.7	59.2	59.3
Slovenia	65.3	68.6	67.5
Slovakia	57.0	62.3	60.2

Source: Eurostat²⁴

Employment in the age group of 15-64 is at about 64.5 per cent in the EU-27 in 2009. Employment in Germany is clearly above average at 70.3 per cent. All EU-8 countries show an increase in the employment rate from 2004 until 2008, except Hungary. Nonetheless, the starting economic downturn leads to a decrease of employment rates in all EU-8 countries in 2009, in the Baltic countries employment drops even below the levels of 2004.

As for the unemployment rates, a comparable trend can be observed and, again, numbers are quite divers across the EU.

Table 7: Unemployment rates in selected European countries (%)

	2004	2008	2009
EU-27	9.3	7.1	9.0
Germany	10.5	7.5	7.8
EU-8	11.3	6.5	11.1
Czech Republic	8.3	4.4	6.7
Estonia	9.7	5.5	13.8

²⁴ Eurostat. (n.d.). *Statistics Explained*. Retrieved July 26, 2013, from Employment rate, age group 15-64, 2001-2011 (%): http://epp.eurostat.ec.europa.eu/statistics_explained/index.php?title=File:Employment_rate_age_group_15-64_2001-2011_%28%25%29.png&filetimestamp=20121030182934

Latvia	11.2	8.0	18.2
Lithuania	11.3	5.3	13.6
Hungary	6.1	7.8	10.0
Poland	19.1	7.1	8.1
Slovenia	6.3	4.4	5.9
Slovakia	18.4	9.6	12.1

Source: Eurostat²⁵

With 9.0 per cent, the average unemployment rate in the EU-27 is higher than in Germany pointing towards the fact that Germany was in a more favourable situation in the beginning of the crisis. The overall unemployment rate in Germany had developed with a positive trend in the most recent past before 2009 despite the starting economic downturn.²⁶ In the period of 2004 until 2008, unemployment rates decrease considerably in the EU-8 countries except in Hungary. It can be seen that the economic downturn leads to a rise in unemployment in 2009 in all EU-8 countries with numbers being – again in the Baltic countries and in Hungary – significantly higher than the unemployment rates in 2004. The Czech Republic, Poland, Slovakia and Slovenia on the other hand could continue the positive trend compared to 2004.

These numbers show a rather positive development of the labour markets in the sending countries. Nonetheless, a change of the situation due to the upcoming economic crisis in Europe starting in the end of 2008 can be observed. An important thing to mention is the fact that in Germany, unemployment amongst foreign workers tends to be significantly higher in 2009 with a 16.6 per cent compared to a 7.5 per cent unemployment rate of the native population (Bundesagentur für Arbeit, 2010, p. 18).²⁷ Nonetheless, it is also pointed to the fact that (un)employment amongst foreign workers shows a stronger dependency on economic cycles, indicated by the fact that unemployment reduces comparably stronger amongst foreign workers when the economic situation improves (Bundesagentur für Arbeit, 2009, p. 90).

²⁵ Eurostat. (n.d.). *Statistics Explained*. Retrieved July 26, 2013, from Unemployment rate, 2001-2012, (%): http://epp.eurostat.ec.europa.eu/statistics_explained/index.php?title=File:Unemployment_rate,_2001-2012_%28%25%29.png&filetimestamp=20130627102805

²⁶ According to the Federal Statistical Office (ed., 2009), the unemployment rate decreased from 8.4 per cent in 2007 to 7.3 per cent in 2008. The Federal Employment Agency published different numbers of 9 per cent in 2007 and 7.8 per cent in 2008 (Bundesagentur für Arbeit, 2009, p. 16) which is due to different measurements of the unemployment rate. For details on the method of data collection and calculations, see the respective publications.

²⁷ The Federal Employment Agency also measured an overall unemployment rate of 7.8 per cent in 2009, like Eurostat.

3. WAGES AND INCOME GAPS

As economic factors are the most influential ones in the migrants' decision for a destination country, the income gap is crucial. Baas and Brücker (2012) regard the income gaps in comparison with previous enlargements where the mass inflow of migrants from the new member states has not been observed: "the income gap between the incumbent and the new member states is in case of the EU Eastern Enlargement bigger than in previous accession rounds" (p.180). The importance of income gaps as "strong economic incentives to migrate" (p.6) is confirmed also by Untiedt et al. (2007).

From 2008 to 2009, the average gross annual earnings of full time employees in the business economy in Germany decreases slightly and amounts to 41,400€ and 41,100€, respectively (Eurostat).

Table 8: Earnings in business economy (average gross annual earnings of full time employees) in selected EU member states in €

	2004	2008	2009
Germany	38 100	41 400	41 100
EU-8	6 490	10 472	10 112
Czech Republic	6 569	10 930	10 596
Estonia	5 658	10 045	9 492
Latvia	3 806	8 676	8 728
Lithuania	4 367	7 396	7 406
Hungary	7 119	10 237	9 603
Poland	6 230	10 787	8 399
Slovenia	12 466	15 997	16 282
Slovakia	5 706	9 707	10 387

Source: Eurostat²⁸

In 2009, most of the EU-8 countries show considerably lower average earnings. They range from a minimum of 7,396€ in Lithuania to 15,997€ in Slovenia in 2008 with an average of approximately 10,472€ amongst the EU-8 countries. In all countries, an increase in the average income can be observed from 2004 until 2009. This development can partially be seen as an indicator of the overall improvement of the economic situation in the CEEC due to the accession and economic integration

²⁸ Eurostat. (n.d.). *Statistics Explained*. Retrieved July 25, 2013, from Earnings in business economy: http://epp.eurostat.ec.europa.eu/statistics_explained/index.php?title=File:Earnings_in_the_business_economy_%28average_gross_annual_earnings_of_full-time_employees%29,_2000-2010_%281%29_%28EUR%29.png&filetimestamp=20120104091726 (Retrieved on July, 25, 2013 23.12).

within the EU. The positive developments in the EU-8 are likely to reduce the importance of push migration as job and income prospects improve in the countries of origin.

B) DEMOGRAPHIC CHARACTERISTICS OF THE LABOUR FORCE

The ageing of the German population is a demographic trend that can be observed in many other old member states of the EU as well. In the particular case of Germany, it leads to a decrease in the supply of labour (cf. Bundesagentur für Arbeit, 2009, p. 15; Bundesagentur für Arbeit, 2010, p. 16). Furthermore, it is pointed out in the reports of the Federal Employment Agency that the demographics considerably influence the situation in the East of Germany whereas the labour force potential in the West of Germany increases in 2009 (cf. Bundesagentur für Arbeit, 2009, p. 15; Bundesagentur für Arbeit, 2010, p. 16). In 2008, the Federal Employment Agency states that more immigration might offer a possible solution to the problem of declining labour supply (cf. Bundesagentur für Arbeit, 2009, p. 21).²⁹

In 2010, nearly 65 per cent of the German population belong to the group of working age citizens (15-64), whereas almost 90 per cent of EU-8 nationals residing in Germany belong to that age group with the highest shares to be found in the age groups between 25 and 44 (cf. Holland, Fic, Rincon-Aznar, Stokes, & Paluchowski, 2011b, p. 127 f.). Baas, Brücker, and Hauptmann (2009) find that the age structure of the migrants suggests that “EU-8 immigrants’ main aim when migrating to Germany is employment” (p. 6). Therefore, the positive effects of migration need to be taken into consideration at this point. It can be expected that EU-8 migration “alleviates labour shortages and skill bottlenecks” (Dobson, 2009, p. 130).³⁰ Thus, demographics constitute an important factor for migrants and findings suggest that migrants come to Germany mainly looking for work. Nonetheless, it is often found that this immigration has rather positive impacts on the receiving country.

C) NETWORKS AND TRADITION

“There is empirical evidence that family, or national or ethnic networks are an important factor, i.e. existing migrants tend to attract more immigrants from the same origin” (Commission, 2001, p. 394). This is because “existing networks provide migrants with valuable information about jobs and access to local labour markets” (Zaiceva & Zimmermann, 2008, p. 430). However, the importance of networks after the 2004 Enlargement is not to be overestimated: e.g. Polish migrants rather chose

²⁹ See also: Holland et al. (2011b): “Germany will have to face the challenge of a shrinking and rapidly ageing population” and “[a] return to higher net migration rates is discussed to be one of the potential measures to counter the negative effects associated with population ageing” (p. 133).

³⁰ See also: Hönekopp (2003). Eu-Osterweiterung * Perspektiven für Arbeitsmärkte und Arbeitskräftemigration. *Schriftenreihe Migration & Arbeitswelt*, 18, pp. 24-27.

the UK as their destination country (cf. Baas & Brücker, 2012, p. 181) than Germany even though Germany was expected to be the most important destination country because of existing networks (cf. Commission, 2001, p. 394).

In 2003, nearly 60% of EU-8 nationals residing in other EU member states were living in Austria and Germany. This led policy makers to believe the trend would continue after the enlargement but the network effect was overestimated. In the first 4 years after the enlargement, only 18% of the inflows were received by these two countries (cf. Baas & Brücker, 2012, p.181). Rather, it is likely that the most recent migration patterns from EU-8 workers moving to the UK are likely to prove permanent in the future (cf. Baas et al., 2009, p. 7) because of newly established networks.

D) GEOGRAPHICAL PROXIMITY

“Germany and Austria justify their [...] restrictive attitude by their specific situation in Europe, reasoning with the geographic and cultural proximity to the sending countries in East Europe.” (Düvell, 2006, p. 64). Furthermore, a common border is said to reduce the effects and importance of cultural divides (cf. Commission, 2001, p.394). In addition, proximity reduces also “the risks and costs of movements” (Zaiceva & Zimmermann, 2008, p. 430). On the other hand, geographical proximity increases the probability of temporary or circular workers to migrate to e.g. Germany for seasonal work as e.g. in the agricultural sector (cf. Holland, Fic, Rincon-Aznar, Stokes, & Paluchowski, 2011a, p. 18). Nonetheless, proximity is a factor that is not to be overestimated as the geographical concentration of migrants within Germany will show.

E) MIGRATORY FLUXES AND TRENDS

For many reasons, amongst them network effects and geographical proximity, Germany and Austria were believed to receive a large influx of labour migrants from the new member states after the enlargement in 2004. However, it was not those two countries but rather the UK and Ireland who received many immigrants from the EU-8. It turns out that Germany “experienced only moderate new immigration from the EU-8 from 2004-2011” (Holland et al., 2011a, p. 21).

1. NUMBER OF MIGRANTS

In the past decades, many researchers have studied migration within the EU and have drawn up very different scenarios for migration after the Eastern Enlargement. The Commission admits that “quantitative forecasts of future migration flows [...]” are “[...] exceedingly difficult” (Commission, 2001, p. 392). Nonetheless, the net inflows of migrants in the first years after enlargement offer an indicator for potential future migration.

Taking into account the net inflows from EU-8 countries to Germany from 2004 until 2009, only a plus of 0.2 per cent of the domestic population could be measured which amounts to a total number of 134,368 people (cf. Holland et al., 2011a, p.61).³¹ In 2007, the total number of EU-8 nationals residing in Germany amounts to 554,372 (cf. Baas et al., 2009, p. 3) which is approximately 0.67 per cent of the total population.³² In 2009, the average duration of stay of migrants from the EU-8 in Germany amounts to seven years or longer for 61.2 per cent implying that by far the largest share of EU-8 nationals have already been residing in Germany prior to the enlargement.³³

The annual growth rates of the foreign population in Germany show that migration from EU-8 countries has decreased from 2004 to 2005, while it sharply reincreased until 2007 during times of economic growth and declined to a growth rate of approximately 2 per cent in 2008 again (cf. Holland et al., 2011b, p. 124). Baas et al. (2009) admit that there could be an increase in immigration to Germany, if labour markets were opened up entirely. Nonetheless, they stress the importance of declining immigration in an economic downturn and point out that immigration patterns after the 2004 Enlargement showing a diversion to the UK are rather likely to prove permanent (cf. p. 7).

2. SKILLS OF MIGRANTS

The qualification structure of employed persons for 2006 indicates that “immigrants from the EU-10 possess a higher education profile than the native workforce” (Steinhardt, 2009, p.119), with a particularly large share of highly skilled employees. In 2010, the skill structure of EU-8 workers residing in Germany indicates that most workers are medium skilled (51 per cent), and more or less equal shares are low- (24 per cent) and high-skilled (25 per cent) workers (cf. Holland et al., 2011a, p. 121).

According to Steinhardt (2009) the “human capital transfer” connected to the immigration could “[...] help to alleviate skill shortages on the German labour market” (p.119). Therefore, the skill structure is an important factor to consider when assessing the migrants’ impact on the domestic labour market, especially when looking at substitutability.

³¹ See also Holland et al. (2011b): “[r]ecent migration trends are characterised by a lower net migration rate than in the previous decades (pre-2000)” (p. 122).

³² Total population of 82,217,000 according to: Federal Statistical Office. (n.d.). *Bevölkerung*. Retrieved July 31, 2013, from Destatis: <https://www.destatis.de/DE/ZahlenFakten/Indikatoren/LangeReihen/Bevoelkerung/Irbev02.html>

³³ These numbers measure the influx of migrants to Germany, not of workers. Nevertheless, the age structure of migrants from the EU-8 shows that by far the largest share of migrants belongs to the group of working age (cf. Holland et al., 2011b, p. 128).

3. SECTORS FOR MIGRANTS

According to the Labour Force Survey (quoted from Holland et al., 2011b, p. 137), in 2008 EU-10 nationals³⁴ residing in Germany are mainly working in manufacturing (18.3 per cent), construction (12.3 per cent) and accommodation and food services 10.2 per cent). The share of the German population working in manufacturing amounts to 20.2 per cent whereas the share in the two other sectors is strikingly low with 6.5 and 3 per cent, respectively.

Lumpe (2008) assumes that the sectors in which migrants predominantly work in such as mining, construction and services, are one of the reasons for higher unemployment amongst immigrants (cf. p. 23). Higher unemployment rates amongst foreign workers compared to the native workforce can also be reported for Germany. The sectoral structure is another indicator for the degree of substitutability between native and foreign workers.

4. REGIONS IN WHICH MIGRANTS SETTLE

As for the main destination choices of EU-10 nationals within Germany, it is difficult to assess clear regional concentrations. Nonetheless, Steinhardt (2009) made some calculations based on data from the Federal Statistical Office finding that the regions receiving the largest shares of immigrants from the CEEC are Bavaria, Baden-Württemberg and North Rhine-Westphalia. The share of nationals from the new member states registered in the East of Germany is rather low (cf. p.109).

The author explains these varying concentrations with the “relatively poor economic performance and high unemployment of the new *Länder*” (Steinhardt, 2009, p.110). The factor of proximity did play a role though in his opinion, but rather for the regions of Bavaria and Baden-Württemberg (cf. Steinhardt, 2009, p.110). This observation is confirmed by Nonnemann (2007) who refers to a study conducted by Tito Boeri that finds that “migrants [...] skip over the East German *Länder*, where unemployment is very high, and settle in western or southern Germany (Bavaria), where the job prospects are far better” (p.15). Kubis and Schneider (2010) point out that historical developments might be another explanation for the migrants’ decision since the former GDR did experience very little immigration which led to missing networks for potential new migrants from the new member states (cf. p. 203).

The concern about the difficult labour market situation in the East of Germany as expressed by the German government loses its importance in the light of the fact that, migrants as well as nationals rather settle in regions with good and stable economic and labour market conditions.

³⁴ EU-10 refers to all 2004 accession countries but the numbers of nationals from Cyprus and Malta are negligible.

CONCLUSION

Answering the first sub-research question, it is found that in general, economic incentives to move are strong for workers from the EU-8, considering the economic conditions in the sending countries and Germany as measured by (un)employment and income gaps. The demographic situation in Germany suggests a labour shortage that might attract migrants who seem to primarily come to Germany for work and are mostly belonging to the working age groups. Network effects and geographical proximity have proven to be of lesser importance looking at the diversion of migration flows away from Germany to other EU-15 countries such as the UK and Ireland which is likely to prove permanent. Nonetheless, most recent trends point towards moderate influxes to Germany and, most importantly, towards the importance of the attractiveness of the labour market for future migrants who rather move to destination countries in which the labour market can absorb the increasing supply. Furthermore, it turns out that Germany has not experienced a mass inflow of labour migrants from the new member states after their accession to the EU.

Taking into account the expected influx of migrants from the EU-8, Untiedt et al. (2007) conclude that “effects of migration on wages and unemployment are moderate as long as the future migratory flows remain within the limits of existing forecasts” (p. 18). Baas and Brücker (2009) also do not expect “that an opening of the labour market will aggravate imbalances in the German labour market substantially” (p. 25) which then leads to the next chapter of the analysis on the effects of immigration on the German labour market.

2. EFFECTS ON THE GERMAN LABOUR MARKET

Secondly, the effects of immigration on Germany’s labour market since the enlargement shall be assessed with the help of the conceptual framework outlined in the theory part of this paper. The crucial factors, namely (un)employment, wages and substitutability will be assessed individually and in the broader context.

After having considered the potential inflow of migrants to Germany, the effects of this inflow on the German labour market shall be examined. The factors of analysis outlined in the concept part of the paper will offer a guideline on which indicators are crucial. Therefore, the focus in the analytical part shall be laid on the impact of migration on (un)employment in the receiving country and changes in wages that could be expected in that context; and the degree of substitutability as found for this case.

A) (UN)EMPLOYMENT AND WAGES

The impacts of immigration on employment and wages in the receiving countries have been a large field of research after the European Eastern Enlargement. Many of them study the case of the United

Kingdom, as labour mobility restrictions were not applied to workers from the EU-8 and the actual impacts could be observed.

Overall, Galgóczi, Leschke, and Watt (2009) have found that “the effects of post-accession mobility from EU-2 and EU-8 countries were small and do not suffice to support the hypothesis of substantially lowering wages and increasing unemployment in receiving countries” (quoted from Holland et al., 2011a, p. 28 f.).

Baas and Brücker (2012) study the effects of migration diversion away from Germany towards the UK. They find that “the German unemployment rate would have increased by almost 0.43 percentage points in case of free movement compared to 0.15 under the transitional arrangements” (p. 190). Furthermore, “the diversion process prevented that German wages would have declined by about 0.45 per cent” (p. 190). On the other hand, the growth of the GDP is lower in the transitional arrangement scenario (0.64 per cent) than in the free movement scenario (1.59 per cent) (cf. p. 190).

Untiedt et al. conducted a study on possible labour market impacts of migration from the EU-8 to Germany in 2007. It finds that the enlargement itself leads to positive effects on the German economic and labour market situation: “liberalisation of trade and capital transactions with the NMS-8 lead to an increase in overall production, higher wages and, if wage rigidities are taken into account, even to a reduction of unemployment” (Untiedt et al., 2007, p. 9). Furthermore, in the free movement scenario (compared to the status quo scenario) the GDP would increase by 1.3 (1) per cent, wages by 0.6 (0.8) per cent, employment by 1.6 (1.1) per cent and unemployment would decrease by 0.5 (0.6) per cent (cf. Untiedt et al., 2007, p. 9). Thus, the development of GDP and employment would be slightly more positive if free movement was introduced whereas the development of wages and unemployment would be slightly less positive.

Brücker and Jahn (2009) also study the impact of immigration on Germany’s labour market.³⁵ They find that the overall effects of labour migration are expected to be very limited or inexistent because the labour market adjusts rather quickly to the shift in labour supply in an internationally integrated economy such as Germany (quoted from Brücker, 2009, p. 12). They find that wages decrease by 0.1 per cent because of this immigration and that unemployment rises by less than 0.1 percentage points (cf. Brücker & Jahn, 2009, p. 25). Furthermore, they find that this negative effect can only be found in the short run and that “the native workforce [...] benefits from both increasing wages and declining unemployment in the long run” (Brücker & Jahn, 2009, p. 25).

³⁵ The authors assume a 1.0 per cent immigration of workers to Germany for their calculations. This is a comparably large amount, taking into consideration that net immigration in Germany from the EU-8 from 2004 until 2009 showed a plus of only 0.2 per cent.

Baas and Brücker (2009) estimate that the opening of the labour market to workers from the EU-8 in 2009 would lead to an increase in unemployment of 0.08 percentage points and depress wages by 0.08 per cent (cf. p. 22).

Table 9: Effects on the German labour market: (Un)Employment and Wages – Findings

Study	Variable	Difference between scenarios	Positive or negative effect for Germany
Study 1 (Galgóczi, Leschke, & Watt)	(Un)employment		O
	Wages		O
Study 2 (Baas & Brücker, 2012)	(Un)employment	0.28 percentage points	-
	Wages	0.45 percentage points	-
	GDP	0.95 percentage points	+
Study 3 (Untiedt et al., 2007)	(Un)employment	0.1 percentage points	-
	Wages	0.2 percentage points	-
	GDP	0.3 percentage points	+
Study 4 (Brücker & Jahn, 2009)	(Un)employment	< 0.1 percentage points	O
	Wages	0.1 per cent	-
Study 5 (Baas & Brücker, 2009)	(Un)employment	0.08 percentage points	O
	Wages	0.08 per cent	O

O : effect attributed to the EU-8 migration and free movement is negligible (< 0.1 per cent/percentage points)

+ : effect attributed to the EU-8 migration and free movement exists (> 0.1 per cent/percentage points) and is positive for the German labour market and economy (positive means lower unemployment, higher wages and higher GDP)

- : effect attributed to the EU-8 migration and free movement exists (> 0.1 per cent/percentage points) and is negative for the German labour market and economy (negative means higher unemployment, lower wages and lower GDP)

All studies highlight the limited effect on wages and (un)employment in the receiving country and emphasise the importance of long term effects that are expected to be positive for Germany.

B) SUBSTITUTABILITY

As suggested by the literature outlined in the concept, substitutability of foreign for native workers plays a crucial role when assessing the impact of labour migration on the receiving country. Most of the literature finds that crowding-out of native workers is rather improbable.

Evidence from a study conducted by Brücker and Jahn (2009) suggests that “native and foreign workers are imperfect substitutes in the labor market” (p. 27). They support this finding by pointing to a study conducted by Felbermayr, Geis, and Kohler in 2008³⁶ that found similar elasticities of substitution for Germany as they did – inspite of working with a different data set (p. 23).

Brenke, Yuksel, and Zimmermann (2009) point out that “the[ir] results suggest that recent EU-8 immigrants are more likely to compete with immigrants from outside Europe for low-skilled jobs than compete with natives in Germany” (p. 21). Their analysis rather points towards a replacement of non-EU immigrants in low-skilled jobs (cf. p. 22).³⁷

Reasons for that are “lack of language fluency, cultural knowledge or relevant local experience” (Somerville & Sumption, 2009, p. 22) which is in some points likely to be true because of the cultural diversity in Europe, especially against the background of different languages spoken in the many member states of the EU. The lower degree of substitutability points towards the assumption that effects for the native population can be expected to be positive or neutral. Nonetheless, immigrants might compete with “natives in some low-skilled jobs that require little training or education” (p. 23). These statements show once again that low-skilled natives without vocational education are probably more affected by labour migrants.

Table 10: Effects on the German labour market: Substitutability – Findings

Study 1 (Brücker & Jahn, 2009)	O
Study 2 (Felbermayr, Geis, & Kohler, 2008)	O
Study 3 (Brenke, Yuksel, & Zimmermann, 2009)	O

O : the degree of substitutability is very low/ native and migrant workers are imperfect substitutes

CONCLUSION

Summing up, the effects on the German labour market that were estimated in different studies were rather negligible. Impacts on (un)employment and wages can be expected to be slightly negative in the short run but rather positive in the long run. Overall, the economy benefits from labour migrants in terms of increasing GDP and higher production. Moreover, the fear of a crowding out of native workers seems exaggerated since immigrants are rather complements to native workers, even in the low-skilled sector which is due to e.g. language skills.

³⁶ Felbermayr, G. J., Geis, W., & Kohler, W. K. (2008). *Absorbing Immigration: Wages and Employment*. University of Tübingen.

³⁷ See also Kahanec, Zaičeva, & Zimmermann (2009, p. 19).

3. THE “SENSITIVE” GROUPS OF THE GERMAN LABOUR MARKET

This third analytical section aims at answering the third sub-research question of whether the concerns raised by the German government in April 2009 were confirmed. Therefore, the developments for the groups identified as “sensitive” by the government in the recent past before 2009 shall be considered: As already mentioned in the introductory part of the paper, the German government refers to a “serious disturbance of the labour market” putting special emphasis on the groups of **low-skilled** workers, **long-term unemployed** and the critical labour market **situation in the Eastern part** of the country. This review will allow for an assessment of the cogency of the arguments produced by the government.

A) LOW-SKILLED WORKERS

The government expresses its concern especially for the development of low-skilled native workers in Germany if restrictions are not applied anymore. A study from Reinberg and Hummel published for the Institute of Labour Market and Occupational Research in 2007 on the development of the unemployment in the different skill groups³⁸ from 1975 until 2005 shows a clear trend: 26% of the unskilled or low-skilled population is unemployed whereas only 11.8% of people with a medium level of education are unemployed and only 4.1% of academics (cf. Reinberg & Hummel, 2007, p. 1).

The authors see a long-term trend pointing towards a deeper cleavage between low- and highly skilled workers in the German labour market with low-skilled workers having a significantly higher risk of getting unemployed (cf. Reinberg & Hummel, 2007, p. 4). In 2009, the Institute for Labour Market and Occupational Research published data stating that 21.9 per cent of the unskilled population is unemployed and that 43 per cent of all unemployed do not have a completed professional education (cf. Bundesagentur für Arbeit, 2012a, p. 18). These numbers confirm the observation that low-skilled workers tend to be excluded from the labour market to a disproportionate amount. However, compared to 2005, the situation for low-skilled seems to have improved since now 21.9 per cent of the low-skilled population is unemployed compared to 26 per cent in 2007. This result suggests that so far, immigration from Eastern European countries has not aggravated the situation of low-skilled workers in the German labour market.

Moreover, it is likely that natives will find jobs that fit their qualification profile, taking into account e.g. their language skills and that “immigrants fill jobs at the bottom of the labour market hierarchy, implicitly pushing natives up into more supervisory roles” (Somerville & Sumption, 2009, p. 28). This suggests that the situation of low-skilled natives might even improve as a consequence of immigration. The concern that policy makers have for low-skilled workers is, despite all evidence,

³⁸ These skill groups are: people without professional qualification; people with education from a professional school; academics or those with a university degree

justified since their risks of getting unemployed is severely larger than that of the more qualified workers. However, there are many other factors aggravating the low-skilled workers' situation such as "trade, outsourcing, computerisation and other technical changes" (p. 30) that should rather be an incentive for policy makers to change policies towards low-skilled in general rather than simply limiting immigration.

B) LONG-TERM UNEMPLOYED

Another group that the German government is particularly concerned about are long-term unemployed persons which are people who have not been working for at least 12 months³⁹.

For the year of 2009, the Federal Employment Agency observes a decrease of the total number of long-term unemployed as well as of their share amongst all unemployed: 933,000 people were long-term unemployed which are 14 per cent less compared to the previous year. In 2008, 36.3 per cent of all unemployed are long-term unemployed and in 2009 this share reduces to 29.7 per cent (cf. Bundesagentur für Arbeit, 2010, p. 20). As in 2004, 1.68 million people belonged to the group of long-term unemployed (cf. Bundesagentur für Arbeit, 2005, p. 16), a clearly positive development over a larger period starting in the year of accession of the EU-8 countries can be observed. The overall positive development in the German labour market thus seems to have affected also long-term unemployed persons. This positive trend points to a greater flexibility in the German labour market and to a – at least partially – successful reintegration of long-term unemployed. This development does rather not support the argument of the German government that long-term unemployed might be endangered by more immigration.

Certainly, this is a group that deserves the attention of policy makers and solutions for problems that are associated with long-term unemployment. Nonetheless, the trend shows that this group – like most others – is rather affected by the overall performance of the economy and the business cycle than by immigration. And again, policy makers should be rather concerned about finding better solutions for reintegration of long-term unemployed than pointing towards immigration as a factor aggravating the problem.

C) EAST OF GERMANY

Apart from low-skilled workers and long-term unemployed, the difficult labour market situation in the East of Germany, meaning the "new" *Länder*, is another reason for the German government to keep applying restrictions on labour market access.

It is confirmed by all numbers that the labour market situation in the East of Germany is more difficult than that in the West. The unemployment rate in 2008 is at 13.1 per cent in the Eastern part

³⁹ According to the Federal Employment Agency, see e.g.: Bundesagentur für Arbeit (2010, p. 20).

compared to 6.4 per cent in West Germany (cf. Bundesagentur für Arbeit, 2009, p. 16). Nonetheless, a positive trend can be observed in both regions as the unemployment rates were significantly higher in 2004 at 18.4 per cent in the East and 8.5 per cent in the West (cf. Bundesagentur für Arbeit, 2005, p. 16). The unemployment rate amongst low-skilled workers is also significantly higher in the East with 41.5 per cent compared to an overall rate of 26 per cent according to the long-term observations from the Institute for Labour Market and Occupational Research (cf. Reinberg & Hummel, 2007). The percentage of long-term unemployed of all unemployed seems to be rather equal (cf. Federal Statistical Office (Ed.), 2009) in both parts of the country. Untiedt et al. (2007) find that “the border regions are not systematically disadvantaged” (p. 17). The main reason is probably the fact that immigrants – like natives – tend to settle in regions with better job prospects. This development was already documented in the first part of the analytical chapter. Baas and Brücker (2009) find that an “overwhelming share of the NMS migrants resides in West Germany” (p. 4).

The argument that the labour market situation in the Eastern part of Germany is more difficult than in the rest of the country is certainly not wrong. However, the new *Länder* are receiving far less migrants from the EU-8 and thus, the impact they might have on the local labour markets can be expected to be correspondingly small.

Table 11: “Sensitive” groups in the German labour market – Findings

Low-skilled workers	Overall development	+
	Effects of EU-8 migration	O
Long-term unemployed	Overall development	+
	Effects of EU-8 migration	O
East of Germany	Overall development	+
	Effects of EU-8 migration	O

+ : the overall development for this group is positive

O : effects of EU-8 migration have not been reported/there are no peculiar negative developments

CONCLUSION

Low-skilled workers, long-term unemployed and the East of Germany are definitely sensitive groups in the German labour market that deserve special attention. However, their situation has not – at least this has not been confirmed – worsened substantially but rather improved during the economic upswing in which additional supply of labour is easily absorbed by the labour market. Integrating

those groups better into the labour market is a task for policy makers that cannot be accomplished by restricting immigration.

4. CHANGES AFTER MAY 2011

In May, 2011, transitional periods for workers from the EU-8 ended in all EU member states and consequently, also Germany had to open up its labour market. Answering the second sub-research question (*“What happened after the unconditional opening of the German labour market to immigrants from the EU-8 after May 1, 2011?”*), this chapter aims at pointing out significant changes that occurred after May 2011, trying to assess the impact of complete freedom of movement on Germany as a destination country: By looking at changes in the development of migratory fluxes and labour market effects, the *a posteriori* effects of the lifting of restrictions shall be examined. Taking into consideration the observed impacts shall allow for an assessment of the German decision taken in 2009 in retrospective.

A) MIGRATORY FLUXES

Implying a change due to the free movement of workers without restrictions, the German Federal Statistical Office notes that 75,000 more migrants from EU-8 countries moved to Germany in 2011 compared to the previous year. The influx rises about 43 per cent, Poland (+ 49,000 compared to 2010) and Hungary (+ 12,000) being the main sending countries.⁴⁰ Overall, the gross net migration of all foreigners to Germany was at 303,000 people in 2011.

1. NUMBER AND CHARACTERISTICS OF MIGRANTS

The following table shows the total number of migrant influxes to Germany in 2011 by sending country and the net immigration, which is the rise in the population in that year after having considered the outflows of nationals of the respective countries. For the sake of comparison, the influxes from the EU-27 and the EU-15 have been added to this list.

Table 12: Influx to Germany by country of origin in 2011

	Influxes		Net immigration
EU-8	261,398	+	103,396
Estonia	1,515	+	683
Latvia	10,177	+	5,007
Lithuania	9,975	+	5,189
Poland	172,676	+	66,181

⁴⁰ Federal Statistical Office. (n.d.). *Hohe Zuwanderung nach Deutschland im Jahr 2011*. Retrieved August 4, 2013, from Destatis: https://www.destatis.de/DE/PresseService/Presse/Pressemitteilungen/2012/05/PD12_171_12711.html

Slovakia	12,040	+	4,258
Slovenia	3,305	+	1,257
Czech Republic	9,728	+	3,839
Hungary	41,982	+	16,982
EU-2	147,091	+	58,339
Bulgaria	51,612	+	22,190
Romania	95,479	+	36,149
EU-10	408,489	+	161,735
EU-27	595,490	+	209,961
EU-15	186,109	+	47,856

Source: Destatis⁴¹

Taking into consideration different scenarios developed by Baas and Brücker in 2010, this increase in net immigration from the EU-8 countries corresponds to the medium scenario as developed by the authors (estimates: + 100,650).⁴² Baas and Brücker (2010) had already predicted that the opening up of the German labour market could lead to a redirection of migration flows away from the UK to the economically stronger Germany (cf. p. 30).

2. DEMOGRAPHICS

In 2011, the supply of labour has slightly increased but it is emphasised that the demographic trend continues and that the supply of labour was outbalanced by a rising number of women and older workers present in the workforce and by immigration (cf. Bundesagentur für Arbeit, 2012a, p. 16). Holland et al. (2011b) also remark that “Germany will have to face the challenge of a shrinking and rapidly ageing population” and that “[a] return to higher net migration rates is discussed to be one of the potential measures to counter the negative effects associated with population ageing” (p. 133).

By far the largest shares of immigrants from the EU-8 belong to the age groups of 18 to 25 and, even more to the group of people aged 25 to 50.⁴³ It is important to mention the findings of Baas and Brücker (2010) stating that the demographic characteristics of immigrants from the EU-8 are converging with those of the native population and that immigrants to e.g. the UK are younger and have higher employment rates (cf. p. 28).

⁴¹ Federal Statistical Office. (n.d.). *Wanderungen 2010/2011*. Retrieved August 4, 2013, from Destatis: https://www.destatis.de/DE/Publikationen/Thematisch/Bevoelkerung/Wanderungen/Wanderungen2010120117004.pdf?__blob=publicationFile p. 77

⁴² Cf. Baas & Brücker (2010) p. 38.

⁴³ Federal Statistical Office. (n.d.). *Wanderungen 2010/2011*. Retrieved August 4, 2013, from Destatis: https://www.destatis.de/DE/Publikationen/Thematisch/Bevoelkerung/Wanderungen/Wanderungen2010120117004.pdf?__blob=publicationFile p. 80

3. SECTORS FOR MIGRANTS

Most of the new immigrants from the EU-8 were absorbed by the sectors of temporary work (Arbeitnehmerüberlassung: + 16,300), construction (+ 13,000) and the industry (verarbeitendes Gewerbe: + 11,500) confirming the previous trends (cf. Bundesagentur für Arbeit, 2012b, p. 4). The sectors that showed positive developments in 2011 in Germany were mainly the industry (verarbeitendes Gewerbe), economic services (wirtschaftliche Dienstleistungen) and temporary work (Arbeitnehmerüberlassung), according to the Federal Employment Agency (cf. Bundesagentur für Arbeit, 2012b, p. 14). This suggests that the additional migrants were absorbed by the labour market in the growing sectors of employment. This finding supports once more the self-regulating mechanisms of the labour market in which immigrants move to regions where job prospects in their respective fields and sectors are positive and in which firms in these sectors satisfy the increasing demand by hiring immigrants.

4. REGIONS IN WHICH MIGRANTS SETTLE

Also in 2011, previous patterns of regional distribution of immigrants continued as immigrants keep settling in regions with the best economic conditions and job prospects. According to the Federal Employment Agency (Bundesagentur für Arbeit, 2012b), 71,000 of the 81,000 new migrants from the EU-8 settled in the West of Germany and only 9,000 of them settled in the Eastern regions of the country (cf. p. 5). Again, the regions of Bavaria (+20,900), North Rhine-Westphalia (+13,500) and Baden-Württemberg (+11,400) were the regions receiving most of the new migrant workers from the EU-8 after the opening of labour markets (cf. p. 5). According to the Federal Statistical Office, approximately 19.9 per cent of the population in Germany was residing in the Eastern *Länder*. Looking at the numbers from the Federal Employment Agency, only approximately 11 per cent of the EU-8 migrants settled in the Eastern *Länder* which are the comparably economically weaker regions.⁴⁴

CONCLUSION

It turns out that the opening of the labour market did lead to a considerable increase in immigration to Germany. Apart from the end of restrictions on free movement of workers, the improving economic situation in Germany as well as deteriorating conditions in other main destination countries has led to an increasing influx of EU-8 nationals to Germany. However, the immigration to Germany stayed within the limits of previously expected estimates.

The trends that have been observed prior to May 2011 have continued, meaning migrants coming to Germany mainly for employment, settling in regions in which job prospects are good and working in

⁴⁴ According to the Federal Statistical Office, 81.8 million people were living in Germany in 2011: 65.5 million were living in the Western *Länder* and 16.3 million in the Eastern *Länder* (Statistisches Bundesamt, 2011).

sectors in which the economic conditions create an increase in the demand for labour that can be satisfied by the supply of additional work from immigrants.

B) EFFECTS ON THE LABOUR MARKET

The number of employed persons from the EU-8 has risen from 227,000 in April 2011 up to 331,000 in April 2012. The Federal Employment Agency estimates that approximately 81,000 of the new employed EU-8 nationals came to Germany because of the opening up of the labour market (cf. Bundesagentur für Arbeit, 2012b, p. 2).

Baas and Brücker (2010) expect – in connection with the unrestricted freedom of movement for workers from the EU-8 – a rise in GDP and GDP per capita, a negligible increase in unemployment and a decrease in wages which is most likely to affect former migrants (quoted from Baas, Jahn, König, Möller, & Ziegler, 2011, p. 9).

An overall cyclical upswing has “revived the demand for labour considerably” (Bundesagentur für Arbeit, 2012a, p. 11) and job vacancies have increased compared to previous years (cf. p. 15) suggesting that an additional supply of labour will be better absorbed by the German labour market.

1. (UN)EMPLOYMENT AND WAGES

The share of EU-8 workers of all employed persons amounts to 1.0 per cent in April 2012 (cf. Bundesagentur für Arbeit, 2012b, p. 3). Amongst the group of employees subject to social contribution, the share is a little lower with 0.9 per cent whereas 1.4 per cent of all low-wage employees are from the EU-8 (cf. p. 3).

In 2010, the Expert Advisory Board⁴⁵ (2011) expected no wage dumping effects after lifting all restrictions for workers from the EU-8 in May 2011. It pointed out that so far, all empirical evidence suggests “very small negative effects” on wages and employment. (cf. p. 295).

In their medium scenario which was firstly confirmed by the most recent migration trends after 2011, Baas and Brücker (2011) estimate an increase in the unemployment rate of 0.14 percentage points until 2020 and a decrease in wages of 0.28 per cent (cf. p. 8).

The situation of the German labour market in 2011 has developed very positively, with employment at the highest stand since the reunification in 1990 (cf. Bundesagentur für Arbeit, 2012a, p. 12) and the lowest unemployment rate since 1991 (cf. p. 16). Furthermore, the minimum wage had been introduced in certain critical sectors so that a downward pressure on wages is not to be expected.⁴⁶

⁴⁵ Sachverständigenrat zur Begutachtung der gesamtwirtschaftlichen Entwicklung

⁴⁶ See interview with German Minister for Work and Social Affairs Ursula von der Leyen with the German television network ZDF in April, 2011, : *Mehr Chancen als Risiken durch Arbeitnehmerfreizügigkeit*. (n.d.). Retrieved August 5, 2013, from Interviews:

Table 13: Effects on the German labour market after May 2011: (Un)employment and wages – Findings

Study	Variable	Positive or negative effect for Germany
Study 1 (Baas & Brücker, 2010)	(Un)employment	O
	Wages	O
	GDP	+
Study 2 (Expert Advisory Board)	(Un)employment	O
	Wages	O
Study 3 (Baas & Brücker, 2011) ⁴⁷	(Un)employment	-
	Wages	-

O : effect attributed to the EU-8 migration is negligible (< 0.1 per cent/percentage points)

+ : effect attributed to the EU-8 migration exists (> 0.1 per cent/percentage points) and is positive for the German labour market and economy (positive means lower unemployment, higher wages and higher GDP)

- : effect attributed to the EU-8 migration exists (> 0.1 per cent/percentage points) and is negative for the German labour market and economy (negative means higher unemployment, lower wages and lower GDP)

2. LOW-SKILLED WORKERS

The Expert Advisory Board emphasises in its report that also after the introduction of free movement in 2011, the fear of replacement of native workers reappears and that this might be a problem specifically for low-skilled workers (cf. Sachverständigenrat zur Begutachtung der gesamtwirtschaftlichen Entwicklung, 2011, p. 291).

After the opening of the German labour market in 2011, immigration re-increased to a considerable amount. Nonetheless, Kerr and Kerr (2011) point out that “most studies find only minor displacement effects even after large immigrant flows” (p. 24) in Germany. This suggests that, even though low-skilled might suffer comparably more than other groups in the German labour market, the overall effects on this specific group are probably still limited.

Furthermore, Brenke et al. (2009) point out that recent EU-8 migrants are “more likely to compete for low-skilled jobs with immigrants from outside of Europe and not with German natives” (p. 19). Also, “even if crowding out happened in certain sectors or occupations, aggregate data suggests that

<http://www.bundesregierung.de/Content/DE/Interview/2011/04/2011-04-18-von-der-leyen-morgenmagazin.html>

⁴⁷ Baas and Brücker consider the development until 2020.

natives affected found new jobs elsewhere” (p. 36) and it is rather likely that this trend will continue after the lifting of restrictions in May 2011.

The “broader positive effects of immigration may [...] overwhelm the potential negative effects that may concern some of the native workers” (Kahanec, Zaiceva, & Zimmermann, 2009, p. 5). This finding is supported by the expectation of overall rising income per capita. Especially for low-skilled jobs, immigrants might help “alleviating labor shortages in sectors and occupations with the excess demand for labor that could not be satisfied by the native labor force” (Brenke et al., 2009, p. 29). Immigrants working in low-skilled sectors, e.g. in agriculture and certain service occupations, reduce the likelihood of a crowding out effect as those are often temporary or seasonal occupations that natives are less willing to take.

In their study on the impacts of migration to Germany after 2011, Baas & Brücker (2010) predict that rather higher qualified immigrants can be expected (cf. Baas et al., 2011, p. 9) which might, in addition lower the negative impacts for low-skilled natives. They also find that negative impacts are more likely to affect former migrants in Germany (cf. p. 9).

There is no aggregate data on the direct impacts of labour migration on low-skilled natives in the concerned period, yet. Nonetheless, previous trends and a low degree of substitutability suggest that low-skilled might – even though they suffer comparably more than other groups in the labour market – not be disadvantaged to a disproportionate amount due to immigration. Low-skilled workers are now protected by minimum wages in certain sectors which further reduces the likelihood of downward pressure on wages.

3. LONG-TERM UNEMPLOYED

The total number of long-term unemployed has decreased compared to the previous year by 78,000 people to 1,052,000. Their share of all unemployed has risen to 35.4 per cent, which represents a slight increase that can be explained by the fact that the total number of unemployed has decreased comparably stronger (cf. Bundesagentur für Arbeit, 2012a, p. 19). This development can be explained by the fact that in a cyclical upswing, long-term unemployed usually benefit temporarily delayed. Furthermore, the share of long-term unemployed has risen only slightly and is still below the pre-crisis level (cf. p. 19).

The overall positive development of the German labour market in 2011 also had positive effects for long-term unemployed and this development can be expected to continue. A negative impact of the recent EU-8 migration on this particular group of the labour market is not reported.

4. EAST OF GERMANY

As for the Eastern regions of Germany, unemployment has decreased by 0.7 percentage points to 11.3 per cent in 2011. It is still significantly higher than the unemployment rate in West Germany (6.0 per cent in 2011) (cf. Bundesagentur für Arbeit, 2012a, p.19) where the decrease in unemployment was stronger (cf. p. 16). However, as the observation of migratory fluxes indicates, migrants still settle in the economically stronger regions in the West. With a limited number of labour migrants (as indicated before in this chapter), the impact of immigration on the labour market in the East can also be expected to stay limited.

Table 14: “Sensitive” groups in the German labour market after May 2011 – Findings

Low-skilled workers	Overall development	
	Effects of EU-8 migration	O
Long-term unemployed	Overall development	+
	Effects of EU-8 migration	O
East of Germany	Overall development	+
	Effects of EU-8 migration	O

+ : the overall development for this group is positive

O : effects of EU-8 migration have not been reported/there are no peculiar negative developments

CONCLUSION

Overall, the development of the German economy and labour market in 2011 was very positive. New record levels of employment were reached, the economy grew and the demand for labour rose. The positive developments also reached the sensitive groups of the German labour market. Despite an increase in the number of migrants from the EU-8, a shock to the German labour market has not been observed.

V. CONCLUSION

Answering the four sub-research questions respectively, concluding thoughts on the issue are now summarised in the conclusion.

Firstly, the feared mass influx of workers from the EU-8 was, taking realistic scenarios into account, not observed at any point in time. Economic incentives to move to Germany were strong but cohesion of economic and labour market conditions between the sending countries and Germany reduced the likelihood of a mass outflow from the EU-8. Furthermore, labour migration usually

adjusts insofar that migrants choose destination countries in which their job prospects are good and in which the additional supply of labour can be absorbed by the labour market. Recent trends showed that Germany had lost some of its attractiveness for EU-8 nationals compared to e.g. the UK.

Secondly, all studies estimating impacts of this limited immigration to Germany found very little negative effects on wages and unemployment, even when assuming a higher inflow to Germany than the actual immigration. Moreover, a low degree of substitutability of immigrants for native workers reduces the likelihood of a crowding-out effect. In addition, the sensitive groups identified by the German government could indeed be expected to suffer comparably more due to labour migration. Nonetheless, the overall positive development of the German economy and labour market also reached these sensitive groups, which then answers the third sub-research question. Also, the structural problems of sensitive labour market groups can certainly not be solved by less immigration but require more policy focus in general.

As for the fourth sub-question, it turned out that changes did occur after the introduction of free movement in May 2011. The influx of migrants did re-increase, probably due to the lifting of restrictions and the comparably good economic situation in Germany. However, a mass inflow of EU-8 nationals could, again, not be observed in 2011. As for the labour market, the overall positive trend continued. 2011 was a year in which the German labour market reached new record levels of employment and in which all groups did benefit from this development. The additional supply of labour offered by immigrants was absorbed by cyclically dependent sectors and could thus reduce labour shortages. Negative impacts of labour migration from the EU-8 are not reported.

The answer to the research question of the paper (***“To what extent have the concerns expressed by the German government in the justification of the request to maintain restrictions on free movement of workers in 2009 been confirmed by empirical data?”***) is therefore as follows: It can be concluded that the concerns expressed by the German government in 2009 definitely took into account the difficult labour market situation of the most sensitive groups in Germany. Nonetheless, there is empirical evidence supporting the view that in 2009, neither a mass influx of EU-8 nationals, nor a shock to the German labour market was to be expected as a consequence of the introduction of free movement at this point. Also, a negative development of the “sensitive” groups of the German labour market was not reported.

Only limited or even no negative impacts of EU-8 labour migration were found by most studies for Germany which suggests that the German government had the worst case scenario in mind when deciding to further restrict the freedom of movement for workers from these countries. A negative development for the sensitive groups in Germany is not reported in the respective periods, rather a

positive development for those groups of the labour market can be observed. Fostering integration of disadvantaged groups into the labour market is definitely an important task for policy makers. However, the issues of these groups cannot be addressed by restricting immigration, especially since other problems of the German labour market such as labour and skill shortages could be overcome by more immigration.

The resulting policy implications thus include an intensive look at the disadvantaged groups of the German labour market and a revision of the policy towards the new member states taking into consideration the positive effects of immigration, especially in the context of the demographic developments in Germany.

VI. DISCUSSION

By taking a closer look at the concept of freedom of movement and the communications between the European Commission and the German Government, it becomes clear that the Commission, as primary “guardian” of the Treaties has a large interest in protecting Community values and making sure that the Member States only invoke exceptions to a fundamental freedom if absolutely necessary. Furthermore, the Court of Justice has pointed out in previous judgements on the freedom of movement of workers that derogations have to be interpreted very strictly. Nonetheless, in many recent publications, it is argued that the role of the Commission has become weaker and that member states are more powerful than one should expect.

Critically speaking, nationals of the CEEC have become European citizens by joining the European Union in 2004 (EU-10) and in 2007 (Romania and Bulgaria or EU-2). This means they can benefit from all the freedoms granted by the European Treaties including freedom of movement.

Germany being only one of two countries (together with Austria) to apply transitional arrangements for the entire seven year period for workers from the EU-8 and the shortness of justification that cannot persist against empirical evidence sheds a quite negative light on the role of EU institutions when making sure that member states respect community values. Whether the justification of the German government suffices to fulfil the criteria of strict interpretation of derogations to fundamental freedoms as wanted by the ECJ, is an issue that might offer an interesting field for future research.

One of the negative effects of the restrictions on labour market access is often reported to be a misuse of the freedom of service and establishment such as (bogus) self-employment and irregular working relations for migrants who are thus less protected from being exploited (cf. Holland et al.,

2011a, p.21). These negative impacts on the migrants from EU-8 countries should also be taken into account in governments' decisions.

The German decision to also prolong the transitional arrangements for the EU-2 countries Romania and Bulgaria taken in December 2011 can be seriously called into question taking into account the previous experiences with transitional arrangements and the fact that the EU-2 countries have, despite stronger economic incentives to migrate, a much smaller population compared to the EU-8 thus probably a far smaller migration potential. The introduction of free movement on January, 1, 2014 for EU-2 workers might, in the current situation, offer an opportunity for an interesting natural experiment since many member states took advantage of transitional arrangements for these new member states.

Whether these policies of the German government are in accordance with the enthusiastic welcome expressed by Joschka Fischer in 2004 can be seriously called into question. It shows that immigration is still a very controversial topic in Germany today and will thus continue to stay in the focus of the public and policy makers.

There are certain limits to this research as already discussed in the methodology chapter. It is not possible to simply answer the research question with 'yes' or 'no' since the reference frame created in the methodology chapter certainly only applies with limited validity. However, the evidence reviewed in the analysis, the results of the empirical studies presented therein and the observed results of the actual opening of the German labour market certainly allow for a critical assessment of the German decision.

This research furthermore can only provide a descriptive analysis of developments over a certain period of time in connection to a specific event. An explanatory research on the topic could offer further insights and help understand the reasoning of the German government in April 2009 and thus give clues on how to assess future decisions in a comparable policy field. In addition, the issue of free movement of workers plays an important role in the European integration process and for the EU in general. As negotiations for further enlargements are continuing and recent accessions to the EU (Croatia in July 2013) show, this issue will continue to be of importance for the integration process of the EU. The economically and politically strong "old" member states and their policies will probably continue to be the main factors in this process.

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