

# REFUGEES: LABOUR MARKET OPPORTUNITIES AND CHALLENGES IN GERMANY

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## DEMOGRAPHIC OUTLOOK FOR GERMANY AND LABOUR MARKET

According to the 2013 population forecast by the German Federal Statistical Office, the population in Germany will decrease until 2060 either significantly or moderately. Moreover, the population will grow older and older.

The outlook for France, taken from INSEE, is quite different: Population is expected to rise until 2070, due to the higher birth rate. However, more recent figures from Eurostat (from February 2017) show that because of the influx of refugees the German population will stay in 2060 at the same level as in 2015.

The German labour market is in good shape.

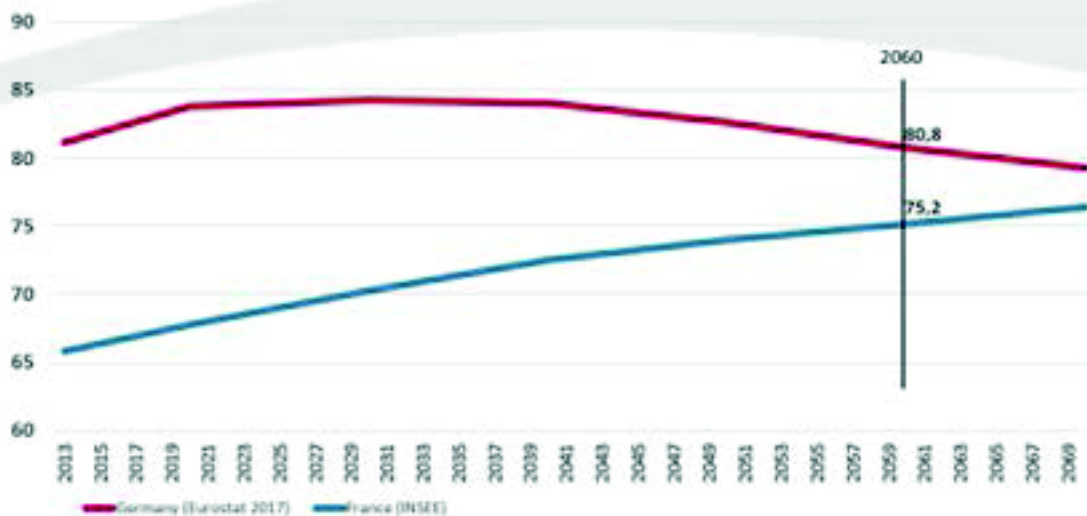
Employment and offers for employment are growing. This might lead to the conclusion, the migration of refugees to Germany could help to stop the ageing of the population and solve the lack of skilled workers.

However, there is no general shortage of work force, not even of skilled workers. In some sectors and some regions, we see bottlenecks; this applies for experts in technical branches as well as for the health care sector. Nevertheless, Germany does not desperately need migrants in order to answer the labour force demand. The motivation why Germany accepts so many refugees is the purely humanitarian. In any case, we want to give all refugees a chance in order to integrate into the German labour market.



## Demographic outlook

Population forecast for Germany and France (Mill. inhabitants)





## LESSONS LEARNED

A successful integration of refugees takes time. Furthermore, refugees run a higher risk of losing their job again as they often perform unskilled work. Past experience from the refugees in the 1990s (mostly from former Yugoslavia) shows, that after one year, only 15 percent, after 5 years 50% and after 15 years 70% were employed. These rates are lower than the employment rates of „regular“ immigrants, who came primarily for work.

Labour market integration is possible via two ways: The „quick way“ via an unqualified job, where the minimum wage can be obtained or the „slow way“, when one start a formal apprenticeship which may last between two to four years. During this period, income is considerably lower compared to an unqualified job, but once a formal diploma obtained, there is a clear perspective for a better-paid job and a successful career.

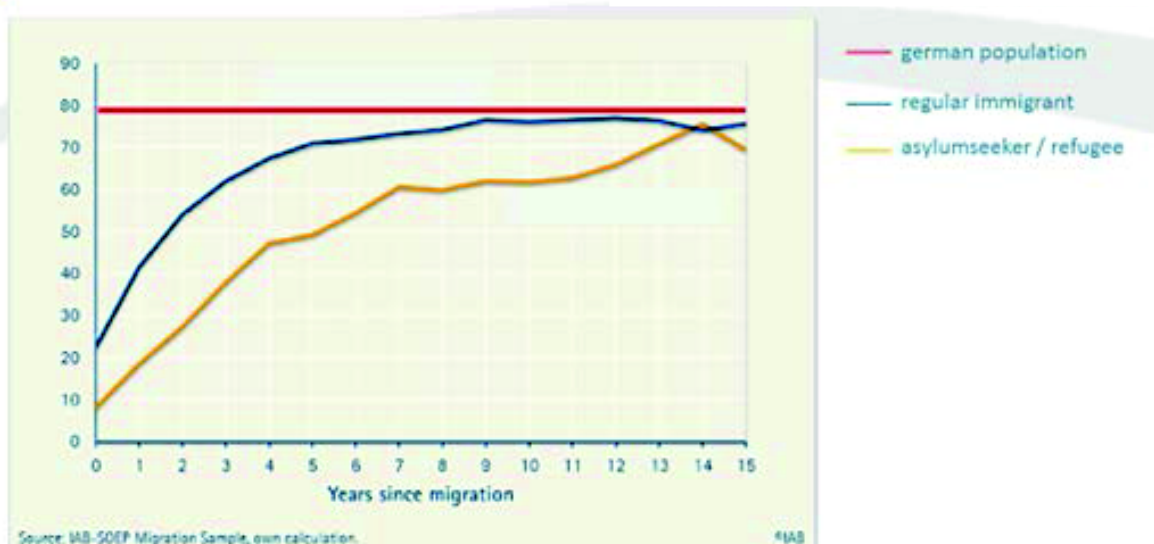
In the construction area, one can quite easily find a job as an unskilled worker. Because the construction sector has a rather high minimum

wage, one can earn almost 2.000 Euros a month from the very beginning. This is three times higher than one would earn in the first year as an apprenticeship in this sector. If one finds an unqualified job in any other sector, ea. car maintenance, one earns at least the general minimum wage of 1530 Euros a month. However, one may stay on that income level, or one may be dismissed quite soon do to technical progress. On the contrary, the commitment of up to 4 years of vocational training, one can possibly earn 2.650 Euro a month in the first year after having obtained the diploma. If someone climbs up the qualification scale, one can earn even more.

However, the slow way of obtaining a diploma does not necessarily meet the expectations of refugees. They prefer to earn as much as possible and as quick as possible. They want to support their family, they may have to pay debts or they want immediately to benefit from a higher salary. Our main task is to convince refugees not to prefer an unqualified job without perspective to a time-consuming, but a more promising vocational training. ...



## Employment as % of working-age population





## WHERE DO THE REFUGEES COME FROM AND WHAT ARE THEIR SKILLS ?

The highest number of refugees comes from Syria: 266.000 – i.e. 37% of all refugees who applied for asylum in 2016. Persons from Syria have the highest chance to achieve asylum status. Moreover, refugees from Iraq, Iran, Eritrea (and Somalia) have a high chance to get their request for asylum approved.

There were many exaggerated expectations about the qualifications of the refugees coming to Germany: Newspapers wrote about „Doctors from Syria“, who could help to alleviate the shortage of medical services, especially in rural areas. In addition, industry and small craft industries were hoping to find new qualified workers.

Let us take a closer look: On the one hand,

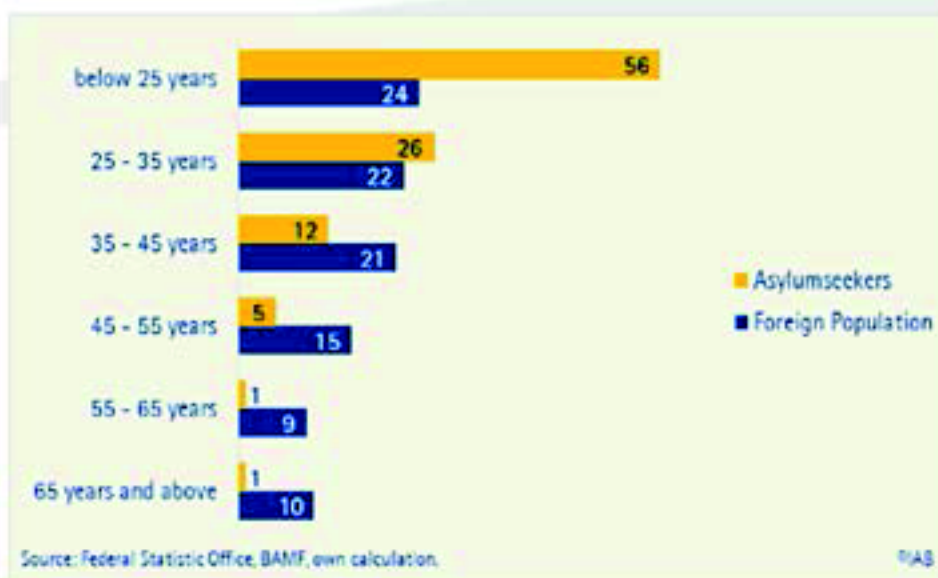
refugees are on average better qualified than the home population in their countries of origin. On the other hand, many of them have not completed their education when leaving their country of origin.

In addition, the qualification obtained at home differs enormously between the countries of origin. Whereas refugees from Syria have a rather high level of tertiary education, more than 50% of the refugees from Afghanistan have none or only primary education.

More than 50 % of the refugees are younger than 25 years and therefore have still their entire working life ahead. Surveys prove that these young refugees are very interested in a good formal education. This leads to the expectation that both, age and motivation of the refugees are suitable for achieving the level of education needed to meet the demands of the German labour market.



## Age of refugees in Germany





## NEXT STEPS

A very good knowledge of German is a key factor for the access to the German labour market. German is still the working language in German enterprises. Only very few jobs are feasible without considerable German language skills. To this respect, times have changed compared to the situation of the migrant workers who came to Germany in the 50s and 60s. Just think about the applicable health and safety requirements. Many people consider the German language as difficult to learn. Even if the experience with the refugees seem to prove us wrong, it takes time to achieve the necessary level, which is requested for the needs of the German labour market.

Two research institutes looked at the refugees who arrived in 2015 (approximately 870.000 people).

Their assumptions were: Significantly more investment in vocational training and language training, and increased integration efforts started in 2016.

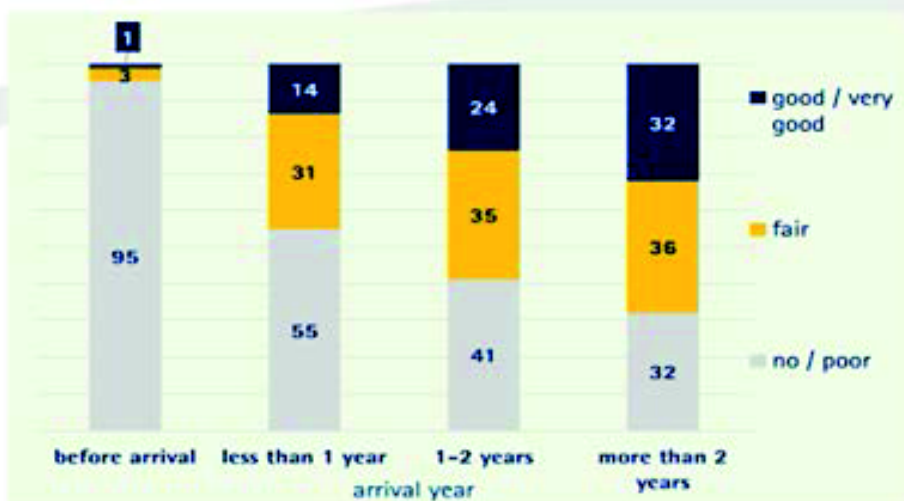
These studies simulated the effects of those efforts and compared it to the situation without

efforts and compared it to the situation without increased integration efforts („status quo ante“). The results are quite remarkable: The cumulated effects are negative in the first years, due to the expenses. However, already after seven years, the net effect turns positive: Refugees who learned to speak German and who finished vocational training, have a higher labour market participation rate, have higher incomes and therefore pay more taxes, rely less on social benefits, and contribute to the social security system.

Together the Federal Ministry of the Interior and the Federal Ministry of Labour and Social Affairs are trying to improve the language learning opportunities in Germany. The Federal Government has substantially increased the funding for vocational language courses. Learning the German language must be supplemented by vocational language courses that go beyond basic language skills. Practicing German at the workplace is another promising approach. We therefore attach particular importance to a better coordination of the integration courses and the labour market policy instruments. ●



## Knowledge of German shares in % by arrival year



Source: IAB