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## Germany's Immigration Dilemma

How Can Germany Attract the Workers It Needs?

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# Germany's Immigration Dilemma

## How Can Germany Attract the Workers It Needs?

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Months after its publication last August, Thilo Sarrazin's book, *Deutschland schafft sich ab* (Germany does away with itself), is still a runaway bestseller in his native country. The book makes an apocalyptic argument—that immigrants are destroying Germany. In Sarrazin's view, most of the country's large Arab and Turkish populations are not just unwilling but also unable to integrate, and the nation must take urgent steps, starting with a radical overhaul of its welfare system, to avoid a hastening demise.

The German political elite could hardly ignore the debate. Sarrazin is no uncredentialed radical: he has been an executive at Deutsche Bahn, the Berlin finance minister, and a member of the board of the Deutsche Bundesbank, Germany's central bank. Within days of the book's publication and an incendiary follow-on interview in which he mentioned a Jewish "gene" (an especially taboo subject in Germany), he was kicked out of the center-left Social Democratic Party.

Politicians on the center right were not sure whether to co-opt or criticize him.

Chancellor Angela Merkel denounced the book but registered her own concerns about immigration, declaring that multiculturalism had "utterly failed" in Germany. President Christian Wulff, who, like Merkel, hails from the Christian Democratic Union, tried to put some distance between the state and Sarrazin, claiming that Islam "belonged" in Germany. But Horst Seehofer, prime minister of Bavaria and leader of the CDU's sister party, the Christian Social Union (CSU), chose to side with Sarrazin, announcing that Germany did not need any more immigrants from "other" cultures and calling for a crackdown on "integration refusers."

The challenges of immigration are not a new topic in Germany. For decades, both native-born Germans and newcomers to the country clung to the myth that the *Gastarbeiter* (German for "guest workers"), a group of immigrant laborers who arrived in the 1960s and 1970s to drive the German economic miracle, were not going to stay permanently. Not surprisingly, as a consequence, many of those who did stay failed to integrate successfully. Over the

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decades, Germans have grown increasingly concerned over immigration, yet their anxieties often remain unexpressed—perfect fodder for someone such as Sarrazin. Still, even as the Sarrazin controversy dragged on through the fall, a parallel and more constructive debate about immigration began to emerge in Germany. In the ruling coalition, ministries, media, and civic forums, people were talking not just about the German Turkish population and its struggle with integration but also about what some identified as the “migrants we need”—highly skilled knowledge workers—and how to attract them to Germany.

### **BEST AND BRIGHTEST**

It was just a decade ago, after years of denial, that Germans began to recognize that Germany was an “immigration country.” Legislation passed in 2000 opened the way to citizenship for the children of the *Gastarbeiter*. In 2001, a commission led by former Bundestag President Rita Süssmuth underlined the need to recruit immigrant workers and do more to integrate those foreigners already in Germany. A second law, which went into effect in 2005, established a national office of immigration and integration and created several new types of visas for labor immigrants. It also made government “integration courses,” including 600 hours of instruction in German, available to all newcomers. By the end of the decade, a vast national network of service providers had emerged to administer these courses and other services—at a cost of some 140 million euros (\$186 million) a year. (The U.S. government, in comparison, spent \$18 million last year to facilitate integration.)

The Süssmuth commission made the recruitment of a highly skilled work force the centerpiece of its proposal to overhaul the immigration system. Already in 2001, in Germany and around the world, advances in communications and transportation were eroding the walls that once defined national labor markets, and governments were starting to grasp that they were in a race for workplace talent. Just as in the nineteenth century, when powerful states fought one another for territory and natural resources, now they were competing for brain power: the scientists, engineers, entrepreneurs, and high-end business managers who fuel the dynamism of the international economy.

The global race for skilled workers raged through the economic boom years of the past decade. As many saw it, Australia and Canada had the most appealing and effective immigration policies: both rely on point systems to draw international talent, selecting for immigrants with language skills and higher-than-average educational levels. Other countries soon made their own efforts to attract the highly qualified. Between 1998 and 2000, the United States more than doubled its quota for skilled workers admitted on temporary H-1B visas. In 2001, Germany made an exception to its 1973 ban on labor immigration, introducing a much-heralded Green Card to attract information technology (IT) professionals. France, Ireland, the Netherlands, and the United Kingdom soon developed similar initiatives. And in 2007, the European Union announced its ambitious supranational version of outreach to global talent: the Blue Card, designed to lure workers by, among other things, making it easier for them to move from job to job on the continent. (Eu-

member states must incorporate Blue Card requirements in domestic legislation by June 2011.)

But Germany's effort to attract the best and brightest has not worked out as planned. In some cases, policymakers got cold feet; in others, initiatives failed to produce the expected results. The Green Card attracted far fewer IT specialists than anticipated—less than 16,000 over three years. A push to create a German point system was derailed in 2004. The landmark immigration law that went into effect in 2005 created several new employment-based visas for highly qualified scientists, engineers, health professionals, university teachers, and managers (amendments passed in the years since have made entry easier for international students and investors). But the response has been overwhelming. Only a few hundred immigrants take up Germany's offer of permanent residence each year: in 2009, just 169 did. Another few thousand knowledge workers enter annually on temporary visas. University students find Germany more attractive: 60,000 are now arriving each year. But at the end of their studies, only some 6,000 of them choose to stay. And indeed, for several years now, more people have left Germany than have entered the country with an eye toward settling there.

Many Sarrazin supporters are undoubtedly heartened by such news, but the truth is that the German economy is booming—according to estimates, it expanded by 3.7 percent in 2010—and the skilled-worker shortage poses a serious threat to continued growth. According to one recent survey, by the Association of German Chambers of Industry and Commerce, 70 percent of German companies are having trouble finding master artisans,

technicians, and other skilled laborers. The Association of German Engineers reports that there are 36,000 unfilled engineering positions across the country, and an association of IT companies estimates that there are 43,000 openings in the information field. The labor problem is particularly acute among the smaller, often rural manufacturing companies known as the *Mittelstand*, which sustain Germany's exporting prowess and provide 70 percent of its private-sector jobs. According to an estimate by the German Institute for Economic Research, the skilled-worker shortage is costing the country 15 billion euros (\$20 billion) a year. If the problem is left unattended, these numbers are only going to get worse: the German fertility rate has fallen to a startling 1.38 children per woman, and the existing work force is aging rapidly—by 2020, the carmaker Daimler expects that more than half its workers will be over 50 years old.

#### SAYING GOODBYE

The German public is divided over how to address this skilled-labor shortage. Business advocates bristle with urgency and, at times, disbelief over the country's seeming lack of interest in attracting needed foreign workers. Even the broader public, so entranced by Sarrazin, seems to recognize that something is amiss: stories about able and attractive foreigners leaving Germany are a staple in the media, including on a Sunday reality television show, *Goodbye Deutschland! Die Auswanderer* (Goodbye Germany! The Emigrants). And yet there is no broad-based political will to tackle the problem. Many in the government cling to the illusion that it might be enough merely to retrain those unemployed workers, foreign and native-



REUTERS/CHRISTIAN CHARISIUS

*German Chancellor Angela Merkel meeting with  
immigrant workers outside Hamburg, December 2010*

born, already in the country—as if all that is needed to produce an engineer or a science Ph.D. is a few evening classes. Cognitive dissonance permeates the national debate, with skepticism and denial masking the country's pressing labor needs. As one immigration policy expert put it, playing off the political slogans of two decades, "We're a reluctant immigration country." Still, even as the Sarrazin controversy raged in the media last fall, the ruling coalition was quietly considering a package of measures to attract more global talent from abroad.

Germany's governing "black-yellow" coalition of CDU/CSU conservatives and Free Democratic Party economic liberals is aware of the need to modernize the country's approach to high-skilled immigration. But divisions among the parties

hamstring the government. Every faction and related ministry has its own proposal. One would lower the minimum salary high-end workers must earn in order to qualify for permanent residence; another would allow employers seeking to hire skilled foreigners to bypass the requirement that they first try to fill the jobs with German nationals; still another would extend from one to two years the period that university students are permitted to stay in Germany after graduation. The most sweeping proposal would replace Germany's existing admissions policy, which like the U.S. system is dependent on a job offer from an employer, with a point system modeled on the Canadian approach. In Germany, business groups generally favor a points-based policy: they believe it would signal that the

country is open for business and doing all it can to attract the best and brightest. (Employers in the United States strongly oppose a point system, preferring a policy that allows them to choose and sponsor individual employees.)

Part of the problem is that no one, in Germany or elsewhere, understands very much about what attracts high-end knowledge workers. Immigration policy plainly matters to potential immigrants, and the terms of a worker's visa—whether the worker has the option of staying permanently or whether his spouse can accompany him and also work—can make the difference between an appealing and an unappealing destination country. As it is now, the German visa process is notoriously cumbersome. Employers and immigrants alike complain about official nitpicking, long waits, and prolonged negotiations with authorities. Unfortunately, most of the changes under consideration in Berlin are small steps, and the governing coalition keeps putting off a decision. At most, insiders say, there may be minor adjustments made to the required minimum salary or to labor-market tests, but not enough, most business representatives believe, to make a difference in Germany's appeal to highly skilled immigrants.

Why else might a financial analyst from Beijing choose Frankfurt over Singapore? What are the respective advantages of Silicon Valley and Bangalore? Every academic discipline has its own answers to these questions: economists point to wage and income levels, social scientists cite social networks, and immigration policymakers argue for bureaucratic initiatives such as recruitment and welcome centers. The urban studies analyst Richard Florida theorizes that "the creative class" is attracted

primarily by what he calls the "three T's": technology, talent (concentrations of other highly educated, productive people), and tolerance (as evidenced by not just racial and ethnic diversity but also the percentage of "high bohemians" and gay people in the population). Yet Florida's creative class is very broadly defined—by his account, one-third of U.S. workers, and perhaps an equal share worldwide, fall into the category. And it is unclear how the theory applies to an Indian engineering student leaving a closely knit, traditional family to make a life halfway around the world.

In some ways, it is surprising that Germany is not more appealing to skilled, educated immigrants. It has the most robust economy in Europe. It is the second-largest exporter in the world. Its firms are on the cutting edge of applied and industrial technology. German wages fall in the midrange of European salaries. German universities are solid, if not exceptional—and free. Although the language is difficult, many German companies have an international reach, with operations in emerging economies such as China—a fact not lost on young Chinese people making the choice about where to go. "I chose to come to Germany because the universities are free," one Chinese financial analyst working in an international bank in Frankfurt told me. "And if I decide I don't want to stay, I hope to be able to go back to China with the company I'm working for."

Even accounting for size, Germany still attracts far fewer international students than the United States. But the numbers arriving each year show that the country appeals more effectively to students than to adult workers. The challenge is convincing these young people to stay. And

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as economic opportunities improve in China and India, that is getting harder and harder for all Western nations.

Germany's track record on immigration is also an obstacle to attracting and retaining talent. Germany is a very diverse country: its foreign-born population is the largest in Europe. Twenty percent of residents were either born abroad or have what Germans call a "migration background," meaning that they are the children of immigrants. And the country's World War II history has made many Germans intensely sensitive to even the appearance of intolerance. An academic study of discrimination has attracted considerable attention in recent months. Two economists at the University of Konstanz tracked employers' responses to identical resumés from applicants with German- and Turkish-sounding names and found that the callback rate was 14 percent higher for applications sent under the signature Tobias Hartmann than for those sent under Fatih Yıldız. These results were not as bad as they might have been: a similar study conducted in the United States in 2004 found that applicants with white-sounding names got 50 percent more callbacks from prospective employers than those whose names appeared to be African American. But the research has been much talked about in Germany, including among knowledge workers deciding whether or not to stay in the country.

The Sarrazin controversy has not helped matters. According to one survey carried out two months after the publication of the book, 36 percent of the public felt that Germany was being "overrun by foreigners"; 58 percent thought the nation's four million Muslims should have their religious practices "significantly curbed."

And the roiling national debate is opening old wounds. Even many highly successful immigrants with deep roots in Germany say that they feel they will never be fully accepted. As one rising young Berlin academic born in Turkey told me, "I'm a German citizen. I have a German child. I'm devoting my career to educating the young people who will run the country in the next generation. But I'm still seen as a foreigner."

The final variable in the calculus of would-be newcomers has to do with social conditions in the destination country. These factors are even harder to parse than tolerance, but they come up often in conversations with highly skilled immigrants. Newcomers know that German schools have not worked very well for the descendants of the *Gastarbeiter*: In 2009, just nine percent of young people with Turkish backgrounds passed the high school exit test required to attend university, compared to 19 percent of Germans. And in the country's vocational training programs, where two-thirds of young Germans qualify for future careers, only a quarter of youth with immigration backgrounds are enrolled. Although social scientists argue that these poor outcomes are due largely to the *Gastarbeiter*'s limited educational backgrounds, many recently arrived knowledge workers still worry that German schools will fail their children, too, particularly if the children look foreign, with dark skin or Asian features. Foreign university graduates thinking about staying in Germany worry about the entrenched seniority systems that often make it hard to rise in German companies. Others are concerned that they will not be able to penetrate German social and professional networks, or that speaking anything short

of perfect German will stymie their careers. Still others worry about the myriad regulatory obstacles to starting their own businesses.

#### **CHASING THE DEUTSCH DREAM**

German policymakers are beginning to connect these dots. The one immigration initiative that seems to be gaining momentum in the government aims to speed integration by addressing some of the social and economic rigidity that so concerns many new arrivals. The law would streamline the process for recognizing the educational credentials foreigners bring with them to Germany. This alone will not transform the stratified social order: a study this fall by a German think tank confirmed previous research showing that it is harder to move up the social ladder in Germany than in any other country in Europe. But the proposed new law would be an important first step in a nation where careers depend on formal qualifications. It could help as many as 300,000 university-educated immigrants already in Germany and working below their skill levels—and it would send a positive signal to potential newcomers abroad.

Still, re-creating the American dream in Germany may not be the whole answer. Skilled immigrants considering whether to stay or go cite other German advantages, including the country's ample social safety net, the solidity of its economy, and, somewhat paradoxically, the predictability of its regulated labor market. "You can make a lot more money in America. You can rise a lot faster," one Chinese IT specialist told me. "But here in Germany, I and my family—we live a good life. The health care, the schools, the vacations; this isn't what drew me here, but it's why we are

going to stay." Few German employers looking for highly skilled workers are advertising in anything like these terms—but that just proves how little is known about what attracts global brain power.

In part, this lack of knowledge reflects public ambivalence. As much as developed countries need highly skilled workers, voters are not sure they want to deal with the cultural difference they bring—and it is no accident that Germany's ruling coalition was all but paralyzed last fall as it tried to address the issue. Germans are almost as reluctant about change as they are about immigration, and Germany will never be the world's number one destination for highly skilled immigrants. Still, the acute shortages looming in the years ahead are pushing people both inside and outside the German government to ask questions earlier than in some other countries—and perhaps that in itself will count for something with the next generation of knowledge workers considering where to move. ♦