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Research Report

Migration to Germany: Research questions and first results

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Michael Fertig

Migration to Germany

Research Questions and First Results

Heft 4



RWI : Materialien

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Migration to Germany –
Research Questions and First Results

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Migration to Germany – Research Questions and First Results

Introduction

Germany has been an immigration country for more than 30 years now, although many politicians persistently claim the opposite and many people in Germany are inclined to agree with their assessment. However, it is the actual experience with immigration, and not what people would like to experience nor legal or administrative definition, which qualifies a country as an immigration country. On this grounds it seems safe to argue that any assessment of Germany as “no immigration country” is far from reality. The well-documented (see. e.g. Schmidt 1996; Schmidt, Zimmermann 1992; 1995) history of immigration to Germany since the 1950s clearly suggests the conclusion that post World War II-Germany in fact has been and still is an immigration country. Moreover, the German experience with immigration is not an isolated phenomenon. Since the end of World War II Europe as a whole which was an emigration region in the 19th century has made its way through a transition process to an immigration region (see e.g. Chiswick, Hatton 2001). In the course of this transition process Germany has become the main receiving country within Europe at least in absolute terms.

The aim of this paper is to provide some evidence for this claim and to present some stylized facts on the German immigration record. Furthermore, it will be clarified how research on this experience in economics may be conceptualized in order to provide a common frame of reference for the contributions of this thesis to the received literature. This paper contains the introductory chapter of the author’s doctoral thesis “Germany as an Immigration Country – Empirical Evidence” (University Heidelberg, 2002), it shows the structure of this thesis and main results.

Clearly, the immigration experience of Germany poses a large number of research questions which have not been addressed yet. Moreover, all these research questions are of prominent relevance for economic as well as social policy. However, it is naturally beyond the scope of this thesis to provide answers

to all or even the majority of these research questions. Contributions necessarily have to remain highly selective. However, it will be argued that all these research questions are intimately related and that a contribution to one of the open questions may hopefully be able to contribute to the research conducted in related areas in the future.

1. The German Immigration Experience – Current Situation and Historical Development

The current situation regarding the population of immigrants in Europe is the result of the variegated and multi-faceted migration experience of this continent after 1945. It may be illustrated by Table 1. Most of the Western European countries display large shares of foreign or foreign born individuals in their population. Furthermore, these individuals also constitute a substantial fraction of the labor force of the respective countries. On average, the share of total population being foreign or foreign-born is 7.4 % (5.6 % without Luxembourg) and the average share in the labor force is 8.2 % (5.2 %) in these countries. Therefore, Germany's share of foreigners in the population and the labor force is remarkably above-average compared to other countries in Western Europe.

Table 2 reports the most current figures for the country-of-citizenship composition of non-citizens living in Germany. The majority of foreigners currently living in Germany are citizens of a European country, with citizens of Turkey building the largest group. Citizens of Turkey and of EU-countries amount to more than 53 % of the stock of foreigners currently residing in Germany. Together with the states of former Yugoslavia these countries represent more than 67 % of the foreign population share. This population stock is the result of a steady immigration of people to Germany since the end of World War II. However, the composition of these immigration flows as well as their magnitude varied substantially over time.

Migrant influx to Germany displayed several peaks during the second half of the 20th century (see e.g. Schmidt, Zimmermann 1992; Zimmermann 1995). In the *first* period, after the Second World War, several million people relocated from Eastern and South-Eastern Europe to what became West and East Germany in 1949. From that time until the dissolution of the Eastern Bloc around 1990, the Eastern part of Germany only received moderate numbers of additional immigrants. In West Germany the years from the end of World War II to the early 1960s were characterized by the post-war migration flows. During the first post-war years, until about 1950, these flows consisted mainly of displaced people of German ethnicity originating in Eastern Europe. Thereafter, West Germany was affected by migration of ethnic Germans from Eastern Europe leaving the Soviet occupation zone in the East having arrived there

Table 1

Foreign or Foreign-Born Population and Labor Force in Selected European Countries
1996

Country	Foreign Population		Foreign Labor Force	
	1 000	share, %	1 000	share, %
Austria	728	9.0	328	10.0
Belgium	912	9.0	341	8.1
Denmark	238	4.7	84	3.0
Finland	74	1.4	19	0.8
France ¹	3,597	6.3	1,650	6.3
Germany	7,314	8.9	2,559	9.1
Ireland	118	3.2	52	3.5
Italy	1,096	2.0	332	1.7
Luxembourg	143	34.1	118	53.8
Netherlands	680	4.4	218	3.1
Norway	158	3.6	55	2.6
Portugal	173	1.7	87	1.8
Spain	539	1.3	162	1.0
Sweden	527	6.0	218	5.1
Switzerland	1,338	19.0	709	17.9
United Kingdom	1,972	3.4	878	3.4

Source: OECD (1998). – ¹Figures for 1990.



from Eastern Europe, and of Germans originating directly from this eastern part of Germany (Schmidt 1996).

The *second* period from 1955 to 1973 was characterized by labor migration within Europe from the Mediterranean to the northern countries and – to a lesser extent – the immigration of labor from overseas. During this time, as a reaction to a perceived shortage of unskilled labor, West Germany pursued a policy of active “guest worker” recruitment from several selected European countries (Italy, Spain, Greece, Turkey, Portugal and Yugoslavia), as well as from Morocco and Tunisia. Thus, in these years immigration to Germany was clearly dominated by demand-oriented migration incentives.

The middle of the 1970s, especially the year 1973, constitutes a fundamental regime switch and the beginning of the *third* period of immigration to Germany. This development was triggered to the largest extent by the first oil crisis and the ensuing economic problems all over the world. In Germany, one of the major reactions to the first oil price shock and the beginning of a recession was that the recruitment of guest workers was stopped and immigration was restrained. Similarly, all across Europe immigration policy was tightened by setting up a broad range of institutional barriers to immigration from *outside* Europe. Only two major channels of legal immigration to Germany remained:

Table 2

Composition of Non-Citizens in Germany

December 31, 2000

Citizen of	1 000	share, %
European Countries		
Turkey	1,998.5	27.4
EU-Countries	1,872.7	25.7
Yugoslavia	662.5	9.1
Poland	301.4	4.1
Croatia	216.8	3.0
Bosnia	156.3	2.1
Romania	90.1	1.2
Hungary	54.4	0.7
Bulgaria	34.4	0.5
Non-European Countries		
African Countries	299.3	4.1
Asian Countries	213.3	2.9
Australia and Oceania	10.4	0.1
Stateless and unknown	74.3	1.0

Source: Statistisches Bundesamt 2001.



family reunification and applying for asylum. Apparently as a reaction to the suppression of other channels, one could observe a surge in asylum seekers and refugees in this period. On the other hand and in contrast to such outside-barriers the EU and its predecessors fostered *internal* migration in Europe, e.g. by EU-wide acknowledgment of university diplomas and formal training.

The situation again changed drastically after 1989. The *fourth*, most current period of immigration to Germany started at the end of the 1980s with the dissolution of socialism and has led to an increased inflow of people from Eastern Europe. In addition, the civil war in Yugoslavia has triggered a new surge of refugees and asylum seekers migrating to all countries of Western Europe. With the inflow of “ethnic Germans” (*Aussiedler*) from Central and Eastern European countries, a new set of origin countries as well as new cultural and language backgrounds were added to the existing population of migrants in Germany. Today, with the upcoming enlargement of the European Union towards these Central and Eastern European countries, the extension of freedom of movement regulations to the prospective EU members is a heavily debated issue.

The most current experience with immigration to and emigration from Germany is summarized in Table 3. As outlined above, over the years many people immigrated to Germany, but there was also substantial outmigration. On average, between 1980 and 1999 around 980,300 individuals immigrated to Ger-

Table 3

Gross and Net Migration to Germany

1980 to 1999

Year	Gross Inflow		Net Inflow
	1 000	% from Europe	1 000
1980	767.8	80.0	301.5
1985	511.6	68.2	55.0
1987	645.3	76.8	214.6
1980	1,185.5	84.3	604.5
1991	1,199.0	82.2	602.5
1992	1,502.2	77.5	782.1
1993	1,277.4	73.8	462.1
1994	1,082.6	69.8	315.0
1995	1,096.0	69.6	397.9
1996	959.7	67.1	282.2
1997	840.6	65.9	93.6
1998	802.5	68.6	47.1
1999	874.0	70.0	202.0

Source: Statistisches Bundesamt 2001.



many p.a., yielding a *net* inflow of roughly 335,000 people per year. The major share of this inflow came from European countries and a substantial number of migrants eventually staying in Germany consisted of ethnic Germans. Table 4 demonstrates that the inflow of ethnic Germans builds a substantial fraction of the (presumably net) inflows to Germany, although these numbers are declining in absolute terms over time.

To summarize, since the end of World War II immigration has been a dominant factor for the German society and in all likelihood it will continue to be one in the future. This insight found expression on August 03, 2001 in the proposed bill by Otto Schily, the German Minister of the Interior, that intends to give Germany its first regulated immigration system ever. The proposed bill is motivated by the insight that “Germany is an immigration country” (Otto Schily) and that the country has to engage itself in the international competition for high-skilled workers due to its own economic interests. One major change to the existing law is the intention to actively regulate immigration by combining the work and residence permits with a point system for the selection of high-skilled immigrants.

This proposal triggered a heavy dispute among the political parties as well as in the public regarding many details of the intended regulation of future immigration to Germany. It is not surprising that some of these debates completely went astray, e.g. on the economic impact of immigration for the German labor market, since many questions related to the causes and consequences of immi-

Table 4

**Immigration of Ethnic Germans from Central and Eastern Europe
1990 to 2000**

	1990	1995	1996	1997	1998	1999	2000
Total	397,075	217,898	177,751	134,419	103,080	104,916	95,615
from							
Poland	113,253	1,677	1,175	687	488	428	484
Former SU	147,455	209,409	172,181	131,895	101,550	103,559	94,558
Romania	107,189	6,519	4,284	1,777	1,005	855	547

Source: Statistisches Bundesamt 2001.



gration are still not answered. Current political developments, especially in the aftermath of September 11, 2001, suggest that the discussion on the adequate regulation of future immigration will continue to stay on top of the political agenda for quite a while.

These stylized facts of the German immigration experience as well as the current political developments may well serve as the departure point for many questions of economic migration research. Indeed, the 1990s witnessed a considerable amount of research addressing various topics of the German immigration record. Since the author's thesis aims at contributing to this literature the succeeding paragraphs will briefly outline a conceptual framework of economic migration research. Furthermore, a brief overview on the state of the discussion on these topics for the case of Germany is provided. A more detailed survey of the relevant literature will be provided in each of the chapters of the thesis. The following discussion is supposed to shed some light on open research areas and to formulate unsolved research questions. Some of these questions will be addressed afterwards.

2. The Conceptual Framework – Three Principal Topics

Naturally, there is no unique, all-encompassing theoretical framework linking together all aspects of the different topics of economic migration research. However, it is possible to outline a conceptual framework which provides the brackets for the discussion of the interrelated and complex issues of economic migration research and for the following studies. Specifically, economic research concerning migration issues can be conceptualized into three broad fields, each of them interrelated with each other. All these research areas carry important implications for immigration policy, again reflecting an intimate relationship between them. These fields may be described most sensibly by the following set of research questions:

1. Which factors determine the *decision* to migrate, i.e. which are the motives or driving forces behind observed immigration flows? Naturally, since the

decision to migrate is in all likelihood the outcome of a systematic process, the characteristics of those who decide to relocate from their original home to a new destination are hardly a random sample of the indigenous population of either country. Understanding the composition of migration flows seems therefore to be an important prerequisite for the analysis both of migrant performance and the impact of immigration, that is the remaining two aspects of economic migration research.

2. Which factors determine the *economic performance* of immigrants in the destination country, i.e. do migrants' wages, employment prospects or the risk to depend on welfare payments converge or diverge to those of comparable natives as the duration of residence unfolds and what are the reasons for these developments? What structural explanation can be offered for the observed convergence or divergence patterns, i.e. is it assimilation or discrimination? A related aspect are the determinants of the *perception* of as well as the *attitudes* towards immigrants by the native population in the destination country.
3. Which factors determine the *economic impact* of immigration on the destination country as a whole or on the population indigenous to the destination country, i.e. does immigration, for instance, exhibit a significant impact on the age structure of the destination country's society or does it reduce the wages/employment prospects of, say, low-skilled natives or resident migrants of preceding entry cohorts, and if so, what are the mechanisms at work?

These three areas are interrelated with each other and exhibit a close connection to immigration policy. Clearly, the composition of immigration flows can, at least in principle, be regulated by different policy regimes yielding a different skill or country-of-origin mix of observable inflows. Since formal and informal human capital endowments determine the economic performance of immigrants in the destination country and the transferability of these endowments may vary with the country of origin, immigration policy plays a decisive role for the economic performance of immigrants. Moreover, economic prospects of immigrants, the impact of immigration on the destination countries economy and the perception of migrants by the natives are certainly closely related and might exhibit repercussions on the decision of potential migrants to enter the country.

3. The Current State of Discussion

3.1 Migration Decision

For the case of Germany evidence for the determinants of immigration is quite scarce, and if available, only at the aggregate level. The traditional literature on explaining aggregate migration flows (see e.g. Harris, Todaro 1970 for a

seminal study) usually departs at differential developments of economic activity (per capita), unemployment rates and other socio-demographic factors, such as geographic distance, in a set of origin countries/regions compared to one destination. However, pinning down any stable relationship between these economic factors and immigration activities has been notoriously difficult throughout this literature. This has made the creation of a satisfactory connection between the in parts overwhelmingly sophisticated economic theory of the migration decision (see e.g. Stark 1991; Berninghaus, Seifert-Vogt 1991) and the scarce evidence for the validity of its predictions a very frustrating endeavor.

Vogler/Rotte (2001) escape from this dilemma – which also plagues their study – by altering their focus in an innovative way: Their analysis explicitly addresses the issue whether political oppression in the country of origin fosters the decision of potential emigrants, with particular emphasis on the role that the current state of economic development plays for this process. Karras/Chiswick (1999) utilize pooled cross section-time series data to analyze aggregate migration flows to Germany for a sample of 17 countries of origin and a time period covering 1964–88. The authors perform two pooled OLS regressions of the net migration rate on different sets of ad hoc chosen explanatory variables. The explanatory power of these variables is rather weak which may be due to the not very convincing estimation procedure.

3.2 Economic Performance

Skills play a dominant role for immigrant performance, whether acquired in formal curriculae as secondary or post-secondary schooling and vocational training, or informally as experience in the labor market, or as manifestation of intrinsic personal traits such as cognitive ability or motivation. Since the seminal papers of Chiswick (1978) and Borjas (1985; 1987), several empirical analyses for the case of Germany address the issue of wage performance of the guest workers of the 1960s and 1970s in the German labor market of the 1980s and early 1990s, all using, in principle, the same source of micro data, the *German Socio-Economic Panel (GSOEP)* (see e.g. Dustmann 1993; Schmidt 1997).

On balance, these papers demonstrate that in the German labor market formal skills play a decisive role for immigrant wage earnings – for instance, Schmidt (1997) concludes that those immigrants who received their schooling and post-secondary education in Germany achieve earnings parity with native workers, while the typical first-generation migrant from the “guest worker” countries lags some 20 % behind the average native worker in terms of wages. Dustmann (1993) demonstrates that the distinction of permanent and temporary migrants might be important for the question of earnings dynamics. All in

all, it is the tremendous importance of formal skills for labor market success that characterizes all these results.

3.3 Economic Impact of Immigration and Perception of Foreigners

While relative individual economic performance is a matter of direct comparison of an appropriate outcome measure between the individuals of interest – migrants – and a comparison group – natives, the economic impact of immigration unfolds in an indirect fashion via market reactions, and is therefore much more complex as an object of investigation. The empirical challenge is to isolate immigration induced shifts in labor supply which can be treated as if they were set in an ideal experiment, in other words as exogenous. All these analyses face the common problem of non-experimental research: the extent of additional immigration does not vary randomly across time and space, as in a laboratory experiment, but is rather the outcome of systematic forces.

The literature has proceeded in different directions to address this endogeneity problem. Altonji/Card (1991) and LaLonde/Topel (1991; 1997), for instance, pursue the idea of instrumental variable estimation using previous immigrant density as their instrumental variable. Card (1990) for the so-called Mariel boatlift and Hunt (1992) for the Algeria-France migration of the early 1960s exploit historically unique events in order to create a “natural experiment”. Typically, these studies tend to conclude that the crowding out effects of additional immigration on most native workers are of minor importance. For Germany, several empirical studies exist which proceed along similar lines (see e.g. Bauer 1998; DeNew, Zimmermann 1994; Haisken-DeNew 1996; Pischke, Velling 1997). On balance, these studies tend to display quantitatively minor effects of additional immigration on the economic outcomes of the indigenous population, but considerable controversy remains as to their precise magnitude.

Recently, attitudes towards minorities have become an issue of concern in the economic literature. For the case of United Kingdom, Dustmann/Preston (2000a) using several waves of the *British Social Attitude Survey (BSAS)* analyze the effect of local concentration of ethnic minority groups on the attitudes of native respondents towards these minorities controlling for individual characteristics of the respondents as well as for regional labor market conditions. Their results suggest that a higher concentration of ethnic minorities tends to increase hostility of native respondents towards these groups. Dustmann/Preston (2000b), again using the *BSAS* dataset, analyze the relationship between racist attitudes, as well as labor market and welfare considerations on the opinions of native respondents towards future immigration (restrictions) for different immigrant groups in a multi-factor model. One key feature of

their paper is the provision of a formal treatment of identification issues in such a framework.

A contribution for the case of Germany is Gang/Rivera-Batiz (1994). Using the *Eurobarometer* survey of 1988, the authors aim at examining the effect of the presence of foreigners on the employment status of native Germans and the attitudes towards foreigners in Germany in relation to different labor market situations of respondents. Bauer et al. (2000) using the 1995 wave of the *International Social Survey Program (ISSP)* provide a cross country comparison with a special focus on the influence of immigration policy on attitudes towards minorities. For the 1996 wave of the *Allgemeine Bevölkerungsumfrage der Sozialwissenschaften (ALLBUS)* several empirical studies are collected in Alba et al. (2000). Examples are Bergmann/Erb (2000), Lüdemann (2000) and Schmidt/Heyder (2000). These papers have in common that they all aim at explaining some selected items recorded in the *ALLBUS* by using other opinions towards minorities as explanatory factors, without taking into account the potential endogeneity or simultaneity arising from such an approach. All in all, these studies paint a variegated picture of the perception of minorities by native Germans.

4. Open Research Questions and Contributions of the Thesis

This section outlines some of the open research questions which can be derived from the above exposition and clarifies the following contributions to the received literature. Furthermore, main results as well as the their implications will be summarized.

4.1 Performance and Perception

From this brief overview on economic migration research it should have become transparent that contemporaneous migration research – with its focus on the US experience – almost exclusively rests on supply-side reasoning when explaining in terms of an economic model how immigrant skill composition and economic performance changes over time (see e.g. Borjas 1991). The international literature on immigrant performance mainly concerns the still unsolved Chiswick – Borjas debate on immigrant quality in the US context. Both the rather different history of immigration to Germany and the certainly distinct nature of the labor markets in both countries suggest that a simple translation of US results to Germany is impossible.

Most of the received literature analyzes the economic performance of *first-generation* migrants only, and immigration to the “classical” immigration countries, the United States, Canada, and Australia has typically taken center stage in this research. For Germany, the wage performance of the “guest

worker” immigrants has been in the focus of empirical research. Yet, the necessity to integrate the growing communities of new immigrants and native-born ethnic minorities – the so-called *second generation* of migrants – into the society and the labor market poses a large number of research questions.

While the educational attainment of this second generation is researched by Riphahn (2000), other aspects of this immigrant group remain widely disregarded. Specifically, the degree and determinants of the welfare dependence of immigrants from different generations has been an unsolved issue. Furthermore, the perception of this phenomenon as well as the general attitude towards immigrants and foreigners in Germany by native Germans has not been on the research agenda yet.

Chapter 2 of the author’s thesis, therefore, provides a snapshot portrait of the immigrant population currently residing in Germany, with a special emphasis on the distinction of first- and second-generation migrants. For this purpose a detailed characterization of both immigrant generations by demographic and socio-economic characteristics is provided, together with a detailed review of the received economic literature. Most importantly, it will become transparent that there are considerable differences between both immigrants and natives as well as among the different immigrant generations themselves.

The chapter proceeds to offer its own contribution to the literature, by addressing one of the most contentious issues in the current debate, the welfare dependence of migrants. The findings on the determining factors of the moderate risk of migrants to depend on public assistance payments is contrasted with the perception of immigrants by native Germans using two complementary datasets. Furthermore, some evidence on important correlates of the deviations between facts and perceptions of migrant welfare dependence are derived and it will be discussed which explanatory factors might be responsible for this phenomenon.

It will become transparent that the empirical evidence on the divergence of the perception of immigrants by natives from what we really know suggests that comprehensive education programs and initiatives to ascertain that this evidence is becoming more transparent to the general public may provide the basis for a more realistic perception of what is a large, albeit heterogeneous population group in Germany.

In chapter 3 the determinants of the perception of minorities by native Germans are pursued further. It contributes to the received literature by using a structural model to explain the answers on a set of questions regarding the perception of minorities by native Germans. In this model it is assumed that in addition to observable individual characteristics, there exists an underlying unobserved attitude towards minorities which drives the distribution of an-

swers by native respondents. This latent variable in turn is assumed to be shaped by a set of observable socio-economic characteristics of the individuals. It is the direction and magnitude of these effects on the unobservable factor which are the primary objects of interest.

In order to estimate this model it is necessary to impose appropriate identification restrictions. The validity of these assumptions is decisive for the interpretation of the results. However, since these restrictions are non-testable they have to be assumed to hold *a priori*. Naturally, without such identification assumptions a well-structured analysis of the wealth of information provided by opinion surveys is impossible.

This analysis, therefore, assumes that all utilized questions are, in principle, able to “extract” the true opinion of respondents, although to varying degree. To achieve this aim, one has to forego all attempts to extract the level of xenophobia or antisemitism in a population of respondents, though. All attempts at such an analysis in a single-country study must fail.

The estimation results for the structural coefficients derived on the basis of the invoked identification assumptions suggest quite different conclusions on the explanatory power of observable socio-economic characteristics than what one would conclude from the (reduced form) analysis of a single question alone. Essentially, the only variable able to reliably explain the heterogeneity of the unobserved component of the perception of foreigners and Jews among native Germans is the level of individual education. Popular suggestions for an explanation of negative attitudes towards minorities like the labor market situation of a respondent or his/her age turn out to be insignificant as soon as one is willing to analyze *all* relevant questions.

4.2 Determinants of Immigration

Furthermore, there is also only little research on the decision of immigrants to enter Germany. At the present time no individual level study has been conducted, probably due to missing data since a serious empirical study would require micro data at both origin and destination country. Moreover, even on the aggregate level there is only a small number of studies attempting at the explanation of observed migration flows to Germany. Finally, the magnitude of expected immigration to Germany in the course of the upcoming enlargement of the European Union towards Central and Eastern Europe is an under-researched topic as well. Chapters 4 and 5, therefore, aim at the identification of the driving forces behind observed migration flows to Germany and at the measurement of their impact on these flows. The ultimate goal of this endeavor is the provision of forecasts of the expected migration potential from Central and Eastern Europe.

In the received literature empirical analyses of international migration typically rest on aggregate data on (gross or net) emigration from a set of origin countries to a single destination. These papers usually formulate a regression model to explain observable migration flows by a set of merely economic variables. Usually, this model specification and the concrete choice of explanatory factors is more or less based on microeconomic considerations relating the individual decision to migrate or not to rational economic behavior in the context of utility or income maximization. However, the way these variables enter the specification is completely ad hoc.

The *counterfactual* question implicitly asked by such an approach is what would have happened to immigration flows from a specific country if one or several of the explanatory factors were different. Unfortunately, one only observes a country at any point in time with a single specific configuration of explanatory variables, making the decision to use a regression model a method of choice. This decision, however, is not innocuous. Any particular specification of this model necessarily invokes a set of *a priori* identification assumptions beyond the (log-) linearity of migration rates, enabling the analyst to construct this unobserved counterfactual situation. These identification assumptions are *assumed* to be true for the purposes of the analysis and their validity is not reflected in the usual measures of sampling variability (Schmidt 1999). Moreover, more restrictive assumptions will generally reduce the remaining uncertainty *within* sample if these assumptions were correct. However, the reduction of uncertainty within sample needs *not* necessarily be accompanied by a smaller uncertainty *out-of-sample*.

In chapter 4 a pooled cross section-time series dataset is utilized to estimate the reduced form of a theoretically derived model of the determinants of aggregate immigration flows to Germany. Within the framework of this model it is possible to distinguish between short-run and long-run determinants of observed migration flows. The estimation results suggest that both short-run as well as long-run factors play a substantial role in explaining immigration to Germany within sample. It turns out that the underlying structure of observed immigration flows is quite accurately reflected by this model. Therefore, the estimated long-run coefficients of the model are used to forecast expected immigration flows from the prospective EU-member countries of Central and Eastern Europe. Under the assumption of structural invariance across time *and* space as well as for a set of different assumptions regarding the development of the economic variables in the model these scenarios predict a moderate increase of immigration to Germany, especially for the first-round accession candidates. The predictions are far too small to justify the large concern expressed in the public, the media or by some politicians.

Chapter 5 pursues this issue further and emphasizes, that the task of assessing migration potential and predicting future migration flows requires strong

identification assumptions to hold. This is particularly relevant when following the usual approach of fitting a relatively saturated specification to the observed migration data, typically including a substantial number of economic variables on the right-hand side of the regression. In addition to the necessary assumptions of temporal stability of the behavioral relationships, one has to have a relatively precise notion about the development of these conditioning variables in the future. Unfortunately, economic variables like GDP growth rates or unemployment rates, are notoriously difficult to predict.

Moreover, whenever a new origin region enters the scene, the extrapolation exercise has to extend from predictions out of the sample horizon to predictions out of the *spatial* realm of experience. This requirement is an almost prohibitive challenge to any saturated model of aggregate migration intensity. This chapter, therefore, departs from the received migration literature – whose emphasis is typically on the explanation of migration activity, not its prediction into the future – and pursues a very parsimonious specification of migration rates that is fitted to historical data on the German post-WW II immigration experience. Its formulation explicitly allows for persistent economic and non-economic differences to be captured by a set of country-specific random effects which, together with a time-specific and a white noise component drive the fluctuation of migration rates around its average across time and space. The relative magnitude of these unobserved orthogonal variance components leads naturally to a discussion of the prediction problem raised by EU enlargement.

Most importantly, the approach chosen in this chapter emphasizes the crucial role of demographics for what is primarily a demographic process. It is the size of the population in the origin region, and particularly the size of the young population which is of principal importance for the expected migration flows. Large fluctuations in economic differences would exert little impact on migration activity, if the population in the source regions were to be old, a simple truth that seems to be neglected in many migration forecasts. Thus, in combining the estimates from our parsimoniously specified model for the aggregate migration rate with the projected population size and structure in the prospective EU member countries, in this chapter the fact that demographic circumstances can be predicted relatively precisely into the future is exploited.

It is demonstrated, that prospective net immigration would be of almost negligible magnitude if the new EU members were to display the emigration behavior to Germany that has characterized the typical origin country during the (high-immigration) post-WW II era. If, by contrast, they were to display a substantially more pronounced emigration propensity, future net immigration could be much larger, albeit still relatively moderate when considering the figures circulating in the public debate on this issue.

4.3 Immigration Policy

Finally, at the present time, it remains unclear how particularly the most recent cohorts of immigrants were integrated, how integration success differed from that experienced by earlier immigrant cohorts, and how this process was influenced by institutional arrangements and explicit integration policy. Moreover, the interaction of policy with observed and unobserved characteristics of the migrant influx remains widely unresearched. In the light of the current political developments in European Union and the ongoing discussion on the future of immigration to Germany there is certainly a need for a serious evaluation of immigration and integration policy measures. From the perspective of a country like Germany, serving as a potential destination for people willing to emigrate from their country of origin, a rational regulation of immigration is of central concern for future economic prospects. An ageing society with its consequences for the social security system, an increasing demand for high-skilled labor as well as the prevention of a massive inflow of illegal immigrants will inevitably move the issue of the “best” immigration policy into the center of attention. Unfortunately, economic research on this question has not been able to provide a completely convincing answer.

Chapter 6 of the author’s thesis outlines a conceptual framework for the assessment of the effect of a specific immigration policy by discussing the necessary elements of such a formal evaluation study. Based on the ideas developed in the literature on the evaluation of active labor market policy, this chapter provides a framework for the evaluation of key elements of immigration policy. To this end, the fundamental ingredients of evaluating policy interventions are explained and the specific case of *immigration* policy is analyzed. It becomes transparent that the evaluation of the effect of immigration policy is a particularly complex task since it requires unusually strong assumptions to hold *a priori*. These assumptions and possible reasons for their failure are discussed in detail. It is clarified that any violation of these assumptions renders the interpretation of the policy effects invalid. Furthermore, these insights are utilized for a critical review of the received literature.

The scarce empirical evidence available at the moment suggests that the regulation of immigration focussing exclusively on the selection of migrants according to a country’s current need for specific skills is not sufficient to guarantee that immigrants are successful on the destination countries labor market. Such a policy runs the risk of neglecting important aspects of the long-run determinants of immigrants’ economic success, i.e. the ability to cope with a changing economic environment.

The international empirical evidence, furthermore, suggests that a rational and, therefore, foresighted immigration policy should be able to signal reliably that it is in the vital interest of the destination country to admit immigrants

with a long-run perspective in the country. It is, therefore, necessary to provide incentives for immigrants to invest into destination-country-specific human capital. In this endeavor it does, for instance, not seem helpful to award work permissions on a temporary basis *a priori*, as it is done for the so-called “green card” migrants in Germany, or to restrict family reunification tightly as it is discussed for the new German immigration law.

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