

Immigration from outside Europe: chance or challenge for social security? Dimensions of a complex topic

Schmähl, Winfried

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Winfried Schmähl

**Immigration from Outside Europe:
Chance or Challenge for Social Security?
– Dimensions of a Complex Topic –**

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Zentrum für Sozialpolitik
Universität Bremen
Parkallee 39
D-28209 Bremen
eMail: schmaehl@zes.uni-bremen.de

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Herausgeber:
Zentrum für Sozialpolitik
Universität Bremen
- Barkhof -, Parkallee 39
28209 Bremen
Tel.: 0421/218-4362
Fax: 0421/218-7540
e-mail: srose@zes.uni-bremen.de
<http://www.zes.uni-bremen.de>
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Zusammenfassung

Zuwanderung aus Ländern von außerhalb Europas oder außerhalb der Europäischen Union steht vielfach auf der politischen Tagesordnung: entweder, um (qualifizierte) Arbeitskräfte anzuwerben oder aber angesichts eines nicht erwünschten Zustroms von Migranten. Der vorliegende Beitrag befasst sich mit Auswirkungen von Migration auf soziale Sicherung, sowohl auf soziale Sicherungssysteme als auch auf die soziale Sicherung von Personen. Die Auswirkungen können je nach Zweig des sozialen Sicherungssystems (Gesundheit, Alter usw.) und ihrer jeweiligen Struktur recht unterschiedlich sein. Migrationsprozesse können auch makroökonomische Variable beeinflussen (was relevant z. B. für die Finanzierung sozialer Sicherungssysteme ist) wie auch die soziale Situation von „Einheimischen“. In diesem Beitrag wird ausschließlich die Situation in den Zuwanderungsländern betrachtet und hierbei ein Überblick über verschiedene Dimensionen dieses hochkomplexen Themenfeldes gegeben.

Der Beitrag ist wie folgt strukturiert: Am Beginn stehen Bemerkungen zur Terminologie, die Probleme aufwirft (2). Sodann werden als ein Einflussfaktor einige demographische Daten herangezogen, die für die Zuwanderung von außerhalb der EU neben anderen Einflussfaktoren von Bedeutung sind (3). Danach werden ausgewählte Aspekte im Hinblick auf Struktur und Eigenschaften von Migrationen aufgeführt, die für soziale Sicherung relevant sind (4). Soziale Sicherung ist oft eng verknüpft mit der Integration von Migranten in den Arbeitsmarkt. Deshalb wird dies als Nächstes erörtert (5), bevor im Hauptteil des Beitrags auf Auswirkungen von Migration auf Alterssicherung, das Gesundheitswesen und auf bedürftigkeitsgeprüfte Transferzahlungen eingegangen wird (6). Da diese Effekte zum erheblichen Teil maßgebend von den jeweiligen institutionellen Regelungen beeinflusst werden, wird zur Illustration die Situation in Deutschland im Vergleich zu Spanien (wo dies möglich ist) herangezogen. Schließlich werden einige vorläufige Schlussfolgerungen im Hinblick auf die im Titel des Beitrags gestellte Frage gezogen.

Um Antworten über Auswirkungen von Migration insbesondere aus Ländern außerhalb der EU oder von außerhalb Europas zu geben, sind – wie oft in der Wirtschafts- und Sozialpolitik – Längsschnittdaten erforderlich, um mit ihnen z. B. kohortenspezifische Unterschiede und Entwicklungen zu identifizieren. Auch ist die Heterogenität von Migranten angemessen zu berücksichtigen. Im Hinblick auf die anzustrebende Migrationspolitik werden einige Zweifel im Hinblick auf eine Strategie formuliert, die auf eine vergleichsweise kurzfristige Zuwanderung ausgerichtet ist (wie sie dem Konzept einer „blue card“ in der EU zugrunde liegt).

Summary

Immigration from outside Europe (or outside the EU) is on the political agenda, either by looking for (qualified) labour or because of unintended inflow of migrants. The focus of this paper is on effects of migration on social security – on social security schemes as well as on social security of persons. These effects can differ according to the branch of social security (health, old age etc.) and its institutional design (its structure). It can affect also macroeconomic variables relevant for social security financing as well as social security of natives.

In this paper only effects regarding migration in the receiving country (the “host country”) are discussed, trying to give an overview on several dimensions of this very complex topic.

The paper is structured as follows: Starting with a few remarks on terminology focused on immigrants (2), some demographic data are mentioned as one element of factors influencing migration from outside the EU beside other push and pull factors for migration (3). Then some aspects regarding structure and characteristics of immigrants are mentioned that seem to be relevant for social security (4). Social security often is closely linked to integration into the labour market. This will be discussed (5), before some effects on old-age security as well as on the health sector and means-tested benefits are dealt with in the main part of the paper (6). Because such effects much depend on institutional rules, this will be mainly illustrated by comparing Germany to Spain (where this is possible). Finally there will be some tentative conclusions regarding the title of this paper (7).

In order to answer questions about the effects of migration in particular from outside the EU or outside Europe, longitudinal data are required – as often in economic and social policy –, trying to identify, for example, cohort-specific differences and developments and taking into consideration the heterogeneity of migrants. Regarding the question on the appropriate migration policy there are some doubts that a focus on intended relatively short-term migration may be successful or adequate.

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1 Introduction

The need for migrant workers because of economic or demographic reasons, but also a fear of overburdening a society (because of integration) or national social security schemes, these are topics that are not new at all. The main focus of the public discussion, however, changed over time. Sometimes migration is seen as a chance for social security to reduce financing pressure in ageing societies, sometimes as a burden, when migrants receive more benefits than they contribute to their financing.

How timely this topic is, was underlined recently when EU-commissioner Frattini announced a new approach of the commission to make the countries of the European Union attractive for highly qualified migrants, proposing “blue-cards” (European Commission 2007). It is argued that highly qualified migrants will be needed in the future because of the ageing and shrinking population in the EU. Already now there is a lack of qualified manpower in some branches of industry in some countries. Working permits and conditions as well as social security are in the centre of this line of thinking. A selection of immigrants according to the benefit of the receiving (host) country¹ is intended, because – as experience shows – not only high-skilled people want to immigrate into countries of the EU. Whether this selection will be successful, is an open question.

The European Union itself has become larger and larger over time. Therefore, part of the immigration that was a few years ago migration from outside the Union is now mobility *within* the union.² For example, the official inflow of Polish people into Germany jumped from 74 000 to 125 000 after Poland became a member country (Overview 1). Maybe part of this increase is a change from undocumented to official inflow.

¹ Particularly in Germany, the expression “host country” – which is widely used – may remind us of the period of recruiting “guest workers” in times of shortage of manpower with low qualification. A more neutral expression can be seen in “(migration) receiving country”. Both expressions are used in this article.

² For effects of EU-enlargement on social security see Schmähl (2004).

*Overview 1: Inflow of foreign nationals into Germany
– in thousand –*

from	2000		2004	
	total	in per cent ¹⁾	total	in per cent ¹⁾
Poland	74 100	11.4	125 000	20.8
Turkey ²⁾	49 100	7.6	42 600	7.1

¹⁾ in per cent of total inflow

²⁾ outflow of Turkish nationals in 2000: 39 000 (ratio of outflow to inflow = 70.4 per cent)

Source: OECD (2006) and own calculations.

But there is also migration from countries with different cultural and economic background from outside the European Union – but not necessarily from outside *Europe* as also can be seen from Overview 1.

Migration processes had and have different *quantitative* importance in different countries, and also the *direction* of the migration process can change from net emigration to net immigration as in Spain: Spain now has the highest inflow of immigrants per year of all countries of the European Union. A few years ago, the situation was quite different (Overview 2). The fact that Spain is a EU-border country may be one reason for this development, but there are also other reasons – among them are effects of history and language.

*Overview 2: Inflow of foreign population into selected countries of the EU
– in thousand –*

	2000	1999	2004
Spain	330.9	99.1	645.8
Germany	648.8	673.9	602.2
UK	379.3	337.4	494.1
Italy	271.5	268.0	319.3

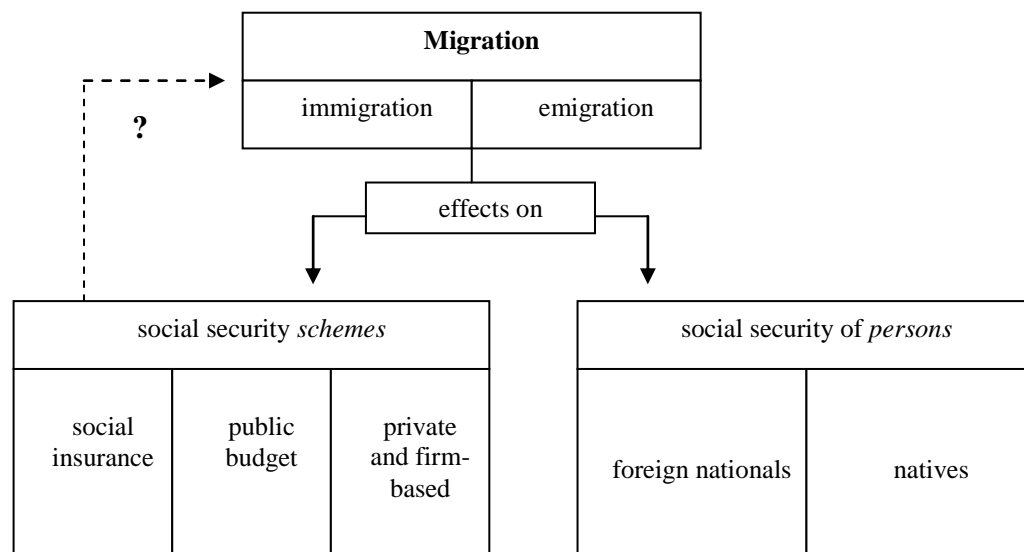
Source: OECD (2006: 233).

The figures in these as well as in other Overviews in this paper, however, only cover legal and not illegal migration. The term migration covers immigration, but also emigration – return migration is part of it.

Migration affects social security in various ways (Overview 3), it affects

- social security *schemes* as well as
- social security of *persons*.

Overview 3



Source: Own chart.

The effects may differ according to the branch of social security and its design, they are influenced also by characteristics of migrants and whether and how they are integrated into the labour market. Immigration can affect natives as well and also macroeconomic variables and thereby social security schemes.³

These few remarks already illustrate the fact that an analysis of the influence of immigration on social security has to take into consideration a great number of different aspects and dimensions. Only some of those effects resulting from immigration in the *receiving country* are discussed here, neglecting effects that may take place in the sending countries, where immigrants come from.⁴ An overview on several dimensions

³ There may be direct effects, for example, resulting from social law and tax rules, but also indirect effects transmitted by macroeconomic effects like wages or employment which are influenced by immigration.

⁴ This is another very complex topic. It was pointed out recently that remittances (money transfers from migrants to their home country) are meanwhile the biggest part of inflowing capital, higher than all financing of development aid, see Bundesministerium der Finanzen (2007). The balance of payment statistics even undercounts these transfers between migrants and families because sometimes other (informal) channels and methods are used beside the formal financial system, see, for example, World Bank 2006.

of this highly complex topic shall be given, mainly from an economic point of view, without going into technical details. Empirical data shall only illustrate some of the relevant dimensions.

The paper is structured as follows: Starting with a few remarks on terminology focused on immigrants (2), some demographic data are mentioned as one element of factors influencing migration from outside the EU beside other push and pull factors for migration (3) Then some aspects regarding structure and characteristics of immigrants are mentioned that seem to be relevant for social security (4). Social security often is closely linked to integration into the labour market. This will be discussed next (5) before some effects on old-age security as well as on the health sector and means-tested benefits are dealt with in the main part of the paper (6). Because such effects depend much on institutional rules, this will be mainly illustrated by taking Germany as an example, contrasting it with Spain where possible. Finally there will be some tentative conclusions regarding the title of this paper (7).

2 Who is an “immigrant”?⁵

Unfortunately, the term “immigrant” is used in different meanings, it also differs often from country to country and is therefore in different ways conceptualised for collecting empirical data.⁶ It is useful to make a distinction between *new* immigrants coming into a country in one year (the *flow* dimension) and the *stock* of all immigrants living in the country.

Regarding the flow dimension, statistics often mention only “net migration”, that means the balance of the number of immigrants and emigrants. For example, in 2005 about 400 000 foreign persons came to Germany, but also 290 000 foreign nationals were leaving the country.⁷ If the structure of inflow and outflow differs, this can have several economic effects which may be relevant for social security, for example, how old they are and whether they were employed and how much they earn.

An immigrant is a person who changed residence across borders, and with regard to this, mostly a distinction is made between “foreign-born” and natives. But if we take into account that, for example, a German now living in Germany may be born in Spain, it is useful to distinguish between foreign-born citizens and foreign-born foreign nationals.

The number of *foreign-born citizens* is important in particular for social insurance in

⁵ This paragraph is based in part on Vogel and Triandafyllidou (2006: 9-14). See also OECD (2006).

⁶ The term “migrant” sometimes is a generic term, or only means short-term migration, “immigrant” in particular in US-publications often is used for long-term migration.

⁷ From Overview 1 it can be seen that the ratio of outflow of Turkish nationals from Germany compared to the inflow was 70 % in the year 2000, that means, while 100 Turkish nationals came to Germany, 70 persons returned to Turkey.

Germany, because ethnic Germans, who mainly came from Poland and Romania in the beginning and later from the Soviet Union, are treated according to German law in social insurance *as if* they always were members, for example, of the German social pension insurance scheme.⁸

Immigrants with personal migration experience often are called “first generation immigrants”, while their children, born in the receiving country or having entered the country together with their parents, are called “second generation immigrants”. Characteristics and behaviour of parents as well as of their children are relevant for social security considerations.

In Germany, the officially used (and as politically correct labelled) term for all those persons with personal migration experience or being their offspring meanwhile is “persons *with migration background*”.

The *stock* of foreign nationals can change from year to year, not only because persons immigrate and emigrate during the year, but also because of naturalisation. That means: Not all immigrants are foreigners. The rules for naturalisation sometimes change over time, so that, for example, a greater number of former foreign nationals become citizens of the receiving country. This will change statistical information about foreigners living in the country.

In French statistics, a distinction is made between foreign-born foreign nationals, foreign-born citizens and native-born citizens. In Germany, only the distinction between citizens (whether native- or foreign-born) and foreign nationals (aliens) is normally used. But the difference in the share of foreign-born persons and foreign nationals in Germany is remarkable: In 2005 it was estimated (see Overview 4) that 12.6 per cent of the total population living in Germany were foreign-born persons, while 8.9 per cent were foreign nationals. To make the picture even more complex: About 1.7 million of Germany’s 7.3 million foreign nationals were already born in Germany (that is nearly one quarter) and have not yet been naturalised.

⁸ Another illustration of the complexity is for example the change of borders after the Second World War as well as the state formation after the collapse of the Soviet Union, for example, the reestablishment of the three Baltic states.

*Overview 4: Foreign-Born and Foreign Nationals in Germany (2005)
– in thousand and in per cent of total population –*

	foreign-born (immigrants)	native (born in Germany)	total
foreign national	5 572	1 749 (= offsprings of immigrants without German citizenship, “second” and “third generation”)	7 321 (8.9 %)
citizen	4 827 (= ethnic Germans, naturalized immigrants, children of emigrated Germans)	70 317 (= persons born in Germany with German citizenship; among them those with “migration background”, i.e. one parent or both parents born abroad or foreign citizens: 3 185) ¹⁾	75 144 (91.1 %)
total	10 399 (12.6 %)	72 066 (87.4 %)	82 465 (100 %)

¹⁾ Among them persons without “migration background”, i. e. both parents born in Germany (67 132).

Source: Calculations by Dita Vogel, based on Mikrozensus 2005, Table-annex to Migrationsbericht (2007: 211).

In Germany, the term persons “with migration background” has been officially used for a short time, but covers quite different groups – persons or their parents being foreign-born or having a foreign citizenship or did so in the past. If this definition is used, nearly 19 per cent (15.3 million) of the population in Germany have had a “migration background” in 2005,⁹ but about half of them (8 million persons) are German citizens, while the others are foreigners.¹⁰

3 Immigration from outside the European Union – push and pull factors

In particular in countries where the economy is booming, sometimes limits of the production capacity may exist because of a lack of manpower. This can be an important *pull*-factor for migration (of unskilled and low-skilled workers or – on the contrary – of

⁹ This can be calculated from Overview 4: Foreign-born persons (10 399) + foreign nationals born in Germany (1 749) + citizens born in Germany with “migration background” (3 185). See also Statistisches Bundesamt (2006) and Aldashev et al. (2007).

¹⁰ 5 572 + 1 749 (see Overview 4).

high-skilled professionals). And in countries with an ageing (or even shrinking) population one possibility to soften financing problems in social security often is seen in immigration of young foreigners. It is, however, necessary that they can be integrated into the labour market. Labour market pulls therefore may be caused by an ageing – or even shrinking – population.

On the other hand, an important *push* factor is arising from rapid population growth in countries of other parts of the world and from existing great differences in economic well-being as well as economic insecurity and political instability. Sometimes, it is even feared that the generosity of social security arrangements in a country – for example the level of social assistance or the quality of treatment in the health sector – is attracting migrants.¹¹

The population development (for example of the last 55 years) as well as the new population projection of the UN for the next 45 years illustrate the potential push effect due to the tremendous differences in population development – although assumptions of population projections always may be disputed (Overview 5).¹²

Overview 5: Population Development

	2007		2050*	
	in million	increase since 1950 – in per cent –	in million	change since 2007 – in per cent –
Africa	965	331	1 998	107
Asia	4 030	186	5 266	31
Europe	731	33	644	-9
Latin America and the Carribean	572	240	769	34
North America	339	97	445	31
Oceania	34	162	49	44
World	6 671	163	9 191	38

* Medium variant of population projection

Source: United Nations (2007), Table 1 and own calculations.

While in Africa the *population* growth rate between 1950 and 2007 was 331 per cent and up to 2050 another doubling of the population number is calculated, for Europe on the contrary even a reduction in the total number of people is projected over the next 45 years according to the medium variant of the UN – Europe will be the only region of the world with on average a shrinking population (although there exist differences between European countries).

¹¹ It is, however, also argued that empirical data give no firm conclusion on this, probably the strong effects are not likely, as concluded by Bauer (2002).

¹² These figures are based also on migration assumptions.

The *share of elderly people* (60 years and older) in the total population in all regions of the world will rise – a world-wide process of population ageing (Overview 6). According to the calculations of the UN the *rate of growth* of this share differs remarkably (with Latin America and Asia at the top, see last column of Overview 6), but the *level* of the share remains the highest in Europe (second column).

Overview 6: *Elderly persons (60+) in per cent of total population 2005 and 2050*

	2005	2050 (UN medium variant)	increase since 2005 – in per cent –
	– in per cent –		
Africa	5.2	10.4	100
Asia	9.2	23.7	158
Europe	20.6	34.5	67
Latin America and the Caribbean	9.0	24.3	170
North America	16.7	27.3	63
Oceania	14.1	24.8	76
World	10.3	21.8	112

Source: United Nations (2007), Table 2 and own calculations.

It is calculated that in 2050 more than one third of the population in Europe will be 60 years and older. And the ratio of the very old (80 years and older) will increase in Europe even faster, namely from 3.5 per cent in 2005 to 9.6 per cent in 2050. That is an increase of about 175 per cent. Although this is only a counting of heads, it nevertheless illustrates, for example, the importance of a changing age structure for sectors like health care and, in particular, long-term care in Europe.

For the next 45 years, the UN expect major streams of net migration also towards Europe (Overview 7). Countries of the European Union experience already today migration pressure from Africa and Latin America (in particular to southern Europe) as well as from countries at the eastern border of the EU (in particular to Central European member countries). This means legal, but also illegal immigration, which is, in general, not or not adequately documented in statistics. A recent study estimates that 20 per cent of official and undocumented foreign nationals participate in the informal sector, where they do not contribute to and have very limited access to social security.¹³

¹³ Holzmann et al. (2005: 64).

*Overview 7: Major net receivers of international migrants
UN projection assumptions, average per year 2005-2050*

	in thousand per year
US	1 100
Canada	200
Germany	150
Italy	139
UK	130
Spain	123
Australia	100

Source: United Nations (2007), Table 1 or 2, p. 13.

If we look at two major sending countries for non-EU immigrants – namely Morocco and Turkey – we can see that most of the official migrants go to a few number of countries: About 80 per cent of official migrants from Morocco who live in Europe are in France, Spain and Italy, and nearly three quarters of Turkish people living outside their country in Europe are in Germany (Overview 8). This brings us immediately to the next question: Who is immigrating?

Overview 8: Official migrants in 2000 from Morocco and Turkey in 3 major European receiving countries

	Morocco				Turkey		
	in 1 000	in per cent			in 1 000	in per cent	
World	1 255	100.0		World	2 789	100.0	
Europe	1 082	86.2	100.0	Europe	2 692	96.5	100.0
France	504		46.6	Germany	1 999		74.0
Spain	200		18.5	France	298		7.7
Italy	160		14.8	Austria	136		5.1

Source: Holzmann et al. (2005), Tab. 15 and 23 and own calculations.

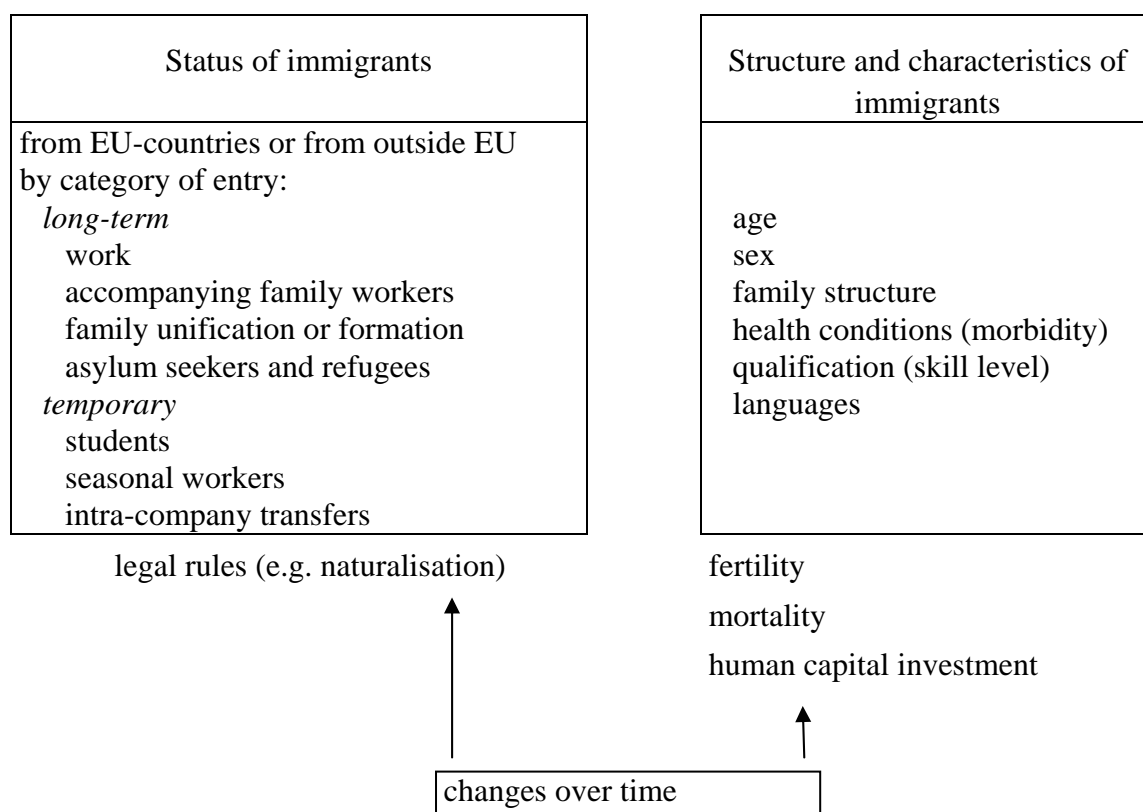
4 Status, structure and characteristics of immigrants and their relevance for social security

Figures regarding migration only show the number of persons. However, immigrants are not at all a homogeneous group. This is highly significant also for social security. Looking at structural elements that are important for effects on social security, it is in particular the structure of the family beside age and sex of immigrants and – regarding

the possibility to be integrated into the labour market – health conditions, skills and ability to understand and speak the language of the receiving country (Overview 9).

Having free mobility within the European Union, the status of immigrants from outside the EU is important, particularly the category of entry and the access to the labour market as well as to political and social rights. Remarkable changes often take place here over time: A country looking for rotating “guest workers” – that is more or less short-term immigrants – may be forced sooner or later, for example, to regulate family unification. The perception of the receiving country, that migrants will come only for a relatively short period of their life, may not be reality in the end, temporary migrants may become long-term or even permanent immigrants (Overview 9). This can be illustrated by taking Germany as an example: A substantial part of recruited workers between 1955 and 1973 in Germany brought families with them and finally considered Germany as their new country of residence. Since the end of the recruitment of workers (in times of the first oil-price shock and its economic effects), the migration process was not any more dominated by labour migration but by family unification. This also changed the mix of sexes. Many of the new migrants at that time were not immediately allowed to work officially. While during the period of recruitment of “guest workers” the labour force participation rate of foreign nationals was higher than the participation rate of citizens, it later dropped on average below the rate of citizens because of such restrictions. In the beginning, mainly workers from Italy, Spain and Greece were recruited, later on more and more came from Yugoslavia and Turkey. The “guest workers” of that time often were relatively low-skilled. When unemployment increased in Germany in the 1980s, the unemployment rate of migrants increased, too, affecting in particular migrants from Turkey and Yugoslavia, while many workers recruited from EU countries – like Italy and Spain – had already returned to their country of origin, where economic conditions had improved meanwhile.

Overview 9



Source: Own chart.

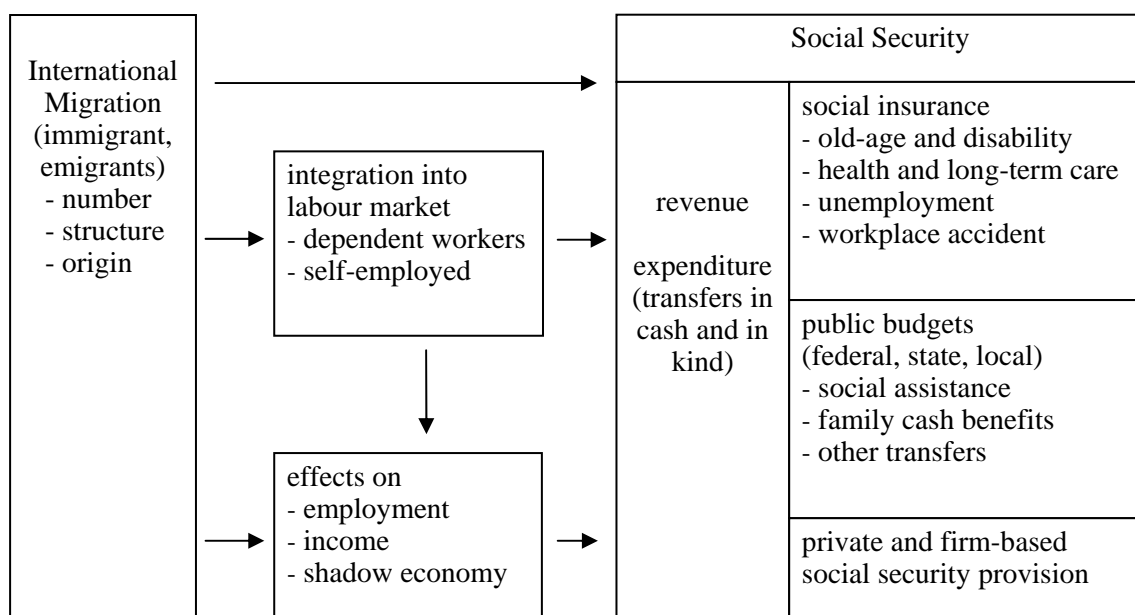
For those staying long-term or permanent it is also relevant, how fertility behaviour, mortality and morbidity or investment decisions regarding human capital develop over time. This is, among other things, relevant for labour market participation, income, accumulation of pension claims and so on. Other types of entry are relevant, as well: refugees¹⁴ and asylum seekers or seasonal workers, affecting social security schemes in different ways.

Regarding social security schemes, characteristics of migrants and their integration into the labour market as dependent workers or as self-employed persons are relevant (Overview 10), but as well the effects of migration on employment, unemployment and income of *natives*. The fact, whether migrant workers are supplements or substitutes for native workers, is decisive for the effects on employment and wages of natives and on social security schemes, on revenue as well as on the claims for social security benefits. It is obvious that migration therefore can influence *macroeconomic variables* like sum of wages, average wages, number of employed and unemployed. All this affects revenue and expenditure in various branches of social security, depending on the specific rules of social and tax law. Beside different branches of social insurance also

¹⁴ German data illustrate, how numbers can change: In 1995, there were 167 000 asylum seekers (more than in the United States, 149 000), while in 2004 the number dropped by 75 per cent to less than 36 000; OECD (2006: 256 and 258).

public budgets providing benefits in cash or in kind have to be taken into account as well as effects on private and firm-based social security: Are immigrants for example integrated in occupational pension schemes, will they receive vested claims – this will depend on the length of the vesting period as well as the length of employment with the firm. Are immigrants able and willing to save voluntarily, for example, for old age? This is also relevant if migrants stay in the host country after retirement. Will they have enough money to finance their living or do they need means-tested social assistance to a higher degree than natives?

Overview 10: Migration and Social Security



Source: Own chart.

For social security of the persons as well as the institutions, the integration of migrants into the labour market is of utmost importance because contribution and tax revenue as well as the integration into occupational (firm-based) pension schemes are linked hereto.

5 Immigrants and their integration into the labour market

Whether immigrants from outside the EU are allowed to work in the official economy is based on country-specific rules regarding the status of entry. And how official immigrants are covered in particular by social insurance, this is based on bilateral agreements between states. For effects on social security, the integration into the official sector of the economy is decisive. If immigrants are not allowed to work, means-tested

transfer payments may become necessary to finance the living of these persons or this is financed by family members.

Beside the official economy, also the shadow sector (informal economy) has to be considered. Here, legally as well as illegally immigrated persons can be engaged beside natives. Empirical information on this is – as always when shadow activities are involved – rather limited.

Looking, for example, at the share of foreign-born persons in Germany and Spain in total *official* employment, this percentage has been rather stable in Germany during the last years (here 1994-2004), while a remarkable increase has taken place in Spain during the last years (Overview 11).¹⁵

Overview 11: Official Employment

	Germany (average)		Spain (average)	
	1994-95	2003-04	1994-95	2003-04
Total (in thousand)	37 593	35 273	12 221	17 441
Foreign-born (in thousand)	4 199	4 038	273	1 752
Foreign-born (in per cent of total)	11	11	2	10

Source: OECD (2006: 52).

It is not astonishing that employment rates increase according to the level of education, while unemployment rates decrease (Overview 12). However, comparing Spain and Germany, employment rates of foreign-born persons were higher and unemployment rates were lower in Spain than in Germany in 2003-2004 and the differences according to education levels in Spain were not so pronounced as in Germany – reflecting the present better economic conditions in Spain. The low employment rate of foreign-born persons with low level of education in Germany compared to Spain can be a result of the different family structure in both countries and reflects also the history of migration – in Germany after the recruitment of guest workers, family unification as status of entry was important, presumably more important than up to now in Spain, where the big

¹⁵ The structure of employment by branch of industry differs between the two countries and can be relevant for wages. While in Germany employment in mining and manufacturing is highest (32 per cent) and about 22 per cent in non-specified services, in Spain foreign-born persons are distributed more equally over several branches, with construction at the top. The high rate of foreigners employed in hotels and restaurants is not astonishing and there is also a high percentage of foreign employees in private households. This is scarcely the case in Germany – at least regarding official employment. But only this is relevant for claims, for example, in social insurance.

wave of working immigrants is a recent phenomenon.¹⁶ As mentioned by the OECD for Portugal, “movements for new migration countries tend to be heavily work-based in the early stages”, while “ancestry-based migration is prominent in Germany [...]”.¹⁷ Integration of migrants into the labour market is, therefore, also influenced by the migration history of a country.

Overview 12: Employment and unemployment rates of native- and foreign-born population by level of education, 2003-04 (Germany and Spain) – in per cent –

	Germany	Spain
Employment rate		
<i>Natives</i>		
low	40.2	53.4
medium	69.1	60.2
high	84.5	79.5
<i>Foreign-born</i>		
low	45.1	61.2
medium	62.4	68.9
high	68.1	73.2
Unemployment rate		
<i>Natives</i>		
low	15.6	12.6
medium	10.4	11.1
high	4.4	7.9
<i>Foreign-born</i>		
low	20.3	15.3
medium	14.7	13.0
high	12.5	11.9

Source: OECD (2006), Tab. I.10.

For Germany, it can be seen that male migrants are relatively well integrated into the labour market, while this does not apply in particular to women from Turkey.¹⁸ There also existed some barriers for labour market entry for migrant spouses, which meanwhile have been abolished (when a new migration law came into force in 2005). A specific problem exists in Germany for “second generation migrants” because of low skill levels.¹⁹

¹⁶ However, these statistical information have to be considered with some caution because, for example, for Germany there exists “a clear need for statistics based on the country of birth” (Liebig 2007: 4).

¹⁷ OECD (2006: 35).

¹⁸ See also Liebig (2007).

¹⁹ For details see OECD (2005).

Turning to effects of immigration for social security, the specific institutional rules are decisive. Regarding some empirical findings, it is referred to one country, Germany.²⁰

6 Migrants from outside the EU and social security

6.1 Structure and concept of social security – some general remarks

Effects on social security schemes as well as on individual social security depend, among other things, on the structure and concept of social security, whether, for example, it is a citizen-based general scheme (tax-financed) or a social insurance scheme based on claims which are acquired – in particular by contribution payments – during the working life. For social insurance schemes it is important, whether the level of the benefits is depending on the level of contribution payment respectively the income as the base of the contribution payment (as in social insurance pension schemes) or whether the benefit is not linked to the level of individual contribution payment as in the case of benefits in kind, dominating for example the German health care insurance.

6.2 Migrants from outside the EU and German social security

If we look at registered foreign nationals in Germany at the end of the year 2005, 80 per cent were from *Europe* – but only 32 per cent from *EU-member countries*, Italy and Poland at the top (Overview 13). But although the enlargement of the EU has taken place particularly towards Central and Eastern Europe, nevertheless 48 per cent of all foreign nationals are from *other European countries* – by far most of them from Turkey – and only 20 per cent from *non-European countries*. Migration from outside Europe and from outside the EU may have a different impact on social security.²¹

²⁰ Meanwhile, there are publications focused on the development of migration policy and its link to welfare arrangements, taking Germany as an example in a comparative view (see Guiraudon 2000 and Sainsbury 2006). In this paper, the focus is on effects for social security in the migrant-receiving countries.

²¹ If, for example, the focus is on different cultural backgrounds, this obviously does not only refer to migrants from *outside Europe*.

Overview 13: Foreign nationals in Germany –December 31, 2005

From	in million	in per cent
Europe	5.38	80
<i>European Union</i>	2.14	32
Italy	0.54	8
Poland	0.33	5
<i>Other European countries</i>	3.23	48
Turkey	1.76	26
Serbia and Montenegro	0.30	4
<i>Non-European countries</i>	1.38	20
Asia	0.83	12
Africa	0.27	4
...		
Total	6.76 ^{*)}	100

^{*)} About 1 million are native-born but not naturalised (Vogel and Triandafyllidou 2006: 12).

Source: Ausländerzentralregister, Cyrus and Vogel (2007: 7), rounded figures.

6.2.1 Social pension insurance

Particularly regarding old-age security, immigration is very often seen as a necessary instrument of financing pension schemes in countries with a low fertility rate (and increasing life expectancy). How immigration affects the financing of pension schemes, depends on the type of the scheme and relevant rules for financing and benefit calculation as well as on certain characteristics – such as age structure and health conditions – of migrants. When continuing to stay in the receiving country after retirement, the foreign national is treated like a German national.

In general, it can be assumed that pension benefits in social insurance can be exported, when the insured migrant from outside the EU leaves the receiving country (return migration). This is normally based on (bilateral) social security agreements. Germany has more than 220 of such agreements.²² Regarding return migration of pensioners it is decisive, whether the pensioner takes residence in a country Germany has already an agreement with and whether the pension benefit is exported in its full amount or not. One example shall illustrate the rather complex and sometimes confusing situation (Overview 14).²³

²² France more than 380, Spain about 140, see Holzmann et al. (2005: 69).

²³ Information are taken from Holzmann et al. (2005: 12-13).

Overview 14: Bilateral social security agreements – German social insurance pension in case of return migration

		national from			
		Morocco	Turkey Tunisia	Algeria	Germany
bilateral agreement with Germany		yes ¹⁾	yes ²⁾	no	100 %
residence of pensioner	payment of German pension				
	Morocco	100 %	100 %	100 %	
	Turkey Tunisia	100 %	100 %	70 %	
	Algeria	100 %	70 %	70 %	
	EU	100 %			100 %

¹⁾ nondiscrimination with regard to residence in a third country

²⁾ exception = excluding with regard to residence in a third country

Source: Own chart based on information in Holzmann et al. (2005: 13).

Morocco, for example, has a bilateral agreement with Germany, which includes a non-discrimination clause with regard to residence. Like a German, a Moroccan receives his old-age pension without any reduction, independent of the country of residence.²⁴ No such agreement exists with Algeria. But this does not affect the German pension of a Moroccan, if he lives in Algeria. The situation is different for an Algerian person, who has to accept a reduction from his full German pension of 30 per cent, if he lives in a country with which Germany has not concluded an agreement. So living in Algeria reduces the pension amount. But this does not apply to an Algerian person when living in Morocco, because Morocco has such an agreement with Germany.

Things become even more complicated in case of Turkey and Tunisia because in these bilateral agreements non-discrimination with regard to residence in a third country is explicitly excluded. That means that a pensioner from Turkey or Tunisia residing in Algeria has to accept a 30 per cent reduction in contrast to a pensioner from Morocco. And also any national of a country with which Germany has not concluded an agreement (like an Algerian), who decides to live in Turkey or Tunisia also only receives 70 per cent of his German pension.²⁵

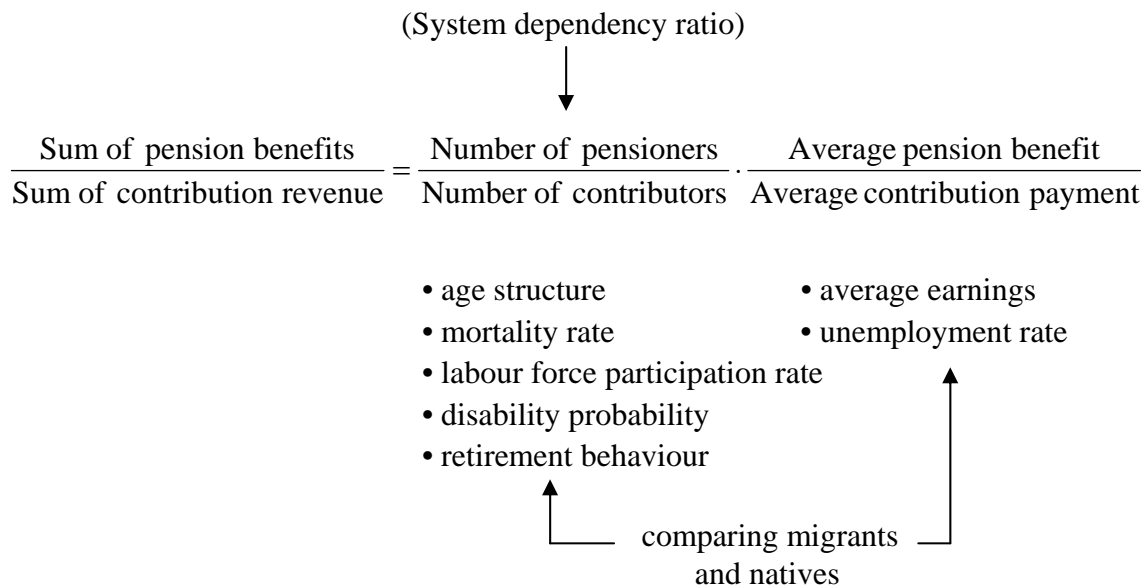
The export of pensions not only affects the *income of the pensioner* but also the *financing of the pension scheme*. Here, however, the contribution payments of present immigrants have to be considered, too (Overview 15). Immigration of persons younger

²⁴ Which can – depending on the costs of living – improve real income compared, for example, to staying in Germany.

²⁵ Concerning bilateral agreements on social security see also Paparella (2004).

than the native population reduces the old-age dependency ratio at time of immigration. Assuming the persons are integrated in the official labour market and are paying a contribution to a pay-as-you-go-financed pension scheme, the system dependency ratio (number of pensioners to number of contributors) will be reduced as well.

*Overview 15: Financing of Social Pension Insurance (in one year
– some influencing factors by migration –*



Source: Own chart.

However, contributors accumulate pension claims that have to be financed in the future when the present contributors will retire. In general: Migration will and cannot avoid additional financial burden in old-age security in an ageing population like in Germany, because – to be realistic – migration cannot fundamentally change the age distribution of the population.

But migration can affect the financial situation of pay-as-you-go-financed social pension insurance through various channels. This depends, among other factors, on the future development of the number of migrants. This can make financing easier (when the number of foreign new contributors exceeds the number of foreign pensioners, whether they stay in the receiving country or will return). But it can also make financing more difficult, when the number of foreign contributors is shrinking compared to the number of pensioners. In the long run, an always positive effect on the financial basis of the scheme can only take place – *ceteris paribus* –, if the system dependency ratio is always lower compared to a situation without migration.

Regarding the *system dependency ratio*, the following factors, among other things, are relevant:

- age structure,
- labour force participation rate,
- disability probability,
- retirement behaviour,
- mortality and, in the long run, also
- fertility,

always in comparison to natives.

In general – taking only the system dependency ratio into account – financing of pensions will be improved as long as the system dependency ratio of migrants is lower than this ratio for natives.

Up to now, only the number of contributors and pensioners was taken into consideration. If there is an earnings-related pension scheme – as in Germany –, where the level of individual contribution payment in one year determines also the level of individual pension claim accumulated in this year, not only the number of contributors is relevant but also the amount of earnings (this depends on the wage rates, but also on working time as well as on periods of unemployment). Therefore, beside the system dependency ratio also the *ratio of average pension benefits to average contribution payment* is relevant for financing (Overview 15).²⁶

Will the earnings level of new immigration cohorts go down over time, compared to former immigrant cohorts? This seems to be the case in Germany, because up to 1990 foreign employees earned on average as much as Germans, while since then the employment and income situation has continuously deteriorated.²⁷ Will the spells of unemployment of migrants be larger compared to natives? If so, this will, for example, burden not only unemployment insurance in Germany because of paying unemployment benefits, but as well because of contribution payments in favour of unemployed persons for some pension claims. But these contribution payments are on average lower than those from gainful employment. Therefore, higher unemployment rates affect the financing situation of the pension insurance negatively.

If we look at the development of individual pension benefits over time, the earnings level of migrants has further effects, because one factor for the development of pension benefits in Germany is the growth rate of average gross earnings of all insured persons.

²⁶ The average contribution payment – by the way – depends on the contribution rate and average gross earnings of employees but also on average contribution paid in favour of unemployed persons by unemployment insurance. Things become even more complex if a longitudinal view is used compared to a cross sectional view focused on the financial conditions in one year. Here, for example, the number of children of immigrants, their integration into the labour market, their earnings – always compared to the parents cohort – are relevant.

²⁷ Mika and Tucci (2006: 27).

If this growth rate is reduced because earnings of migrants are below average and if the share of migrants in all contributors increases, this has *ceteris paribus* negative effects on the development of pension benefit for all pensioners due to a lower pension adjustment rate.²⁸

The German social insurance pension benefit is mainly based on years of insurance and former earnings. Therefore, the integration into the labour market is decisive for individual pension benefits. Meanwhile, immigrants who came as guest workers long ago, now are pensioners, many of them still living in Germany. It is, therefore, interesting to compare old-age pensions of natives and persons with “migration background” living in Germany. Beside native Germans, two groups of immigrants from outside the EU are included in the following Overview 16:

- (1) Ethnic Germans who are – as already mentioned – treated in the German pension scheme, as if they always had belonged to this scheme²⁹ and
- (2) immigrants from Turkey and former Yugoslavia, who are the biggest groups of foreign nationals from outside the EU.

Overview 16: Old-age pensions of Germans and Immigrants – Retirement 2003 –

	Germans (ethnic Germans not included)	Immigrants with nationality from Turkey and (former) Yugoslavia	Ethnic Germans
Average pension payment ¹⁾ per month	796 € (100.0 %)	643 € (80.8 %)	749 € (94.1 %)
Average age of first contribution payment	17	29	
Last year before retirement Average gross earnings per month	1 976 € (100.0 %)	1 496 € (75.7 %)	1 651 € (83.6 %)
Share of persons with covered employment	23.8 %	17.8 %	27.9 %
Share of persons with unemployment benefit or assistance	21.6 %	43.0 %	24.6%

¹⁾ Gross pension benefit minus own contribution payment für health and long-term care insurance

Source: Mika and Tucci (2006), Table 2, 3, 4, 6 and own calculations.

²⁸ Here, it is assumed that an increasing percentage of the working population with low earnings does not cause an upwards tendency in earnings for natives so that the growth rate of average earnings will not be changed because of low-paid migrants. There are further effects that are discussed in Schmähl (1995).

²⁹ Details and changes in the rules are not mentioned here.

On average, old-age pensions of ethnic Germans are up to now close to those of native Germans, while pensions for persons from Turkey and from the Balkan are clearly lower.³⁰ This can depend on the *number of years of insurance* as well as on the wage level. Both factors seem to be relevant: On average, these persons started to contribute to the German pension scheme 12 years later than Germans.³¹ It is not documented here, whether they have pension claims from their home country, as well.

Regarding *wages*, here only the wage of the year before claiming the pension shall be mentioned: Gross wages of pensioners from Turkey and the Balkan were 24 % lower on average.³² However, this calculation refers only to those persons who were in fact employed in the year before retiring. It is, in general, remarkable that at present only a minority of pensioners is working until the day they claim a pension: only 23.8 % of native as well as ethnic Germans, and even less, namely 17.8 % of persons from Turkey and former Yugoslavia. And the percentage of those persons who are unemployed just before they retire is clearly higher for the group of people from Turkey and former Yugoslavia: 43 % compared to 21.6 % of native Germans and 24.6 % of ethnic Germans. This clearly illustrates problems for older workers on the German labour market.³³

Therefore, on average lower pensions of the above mentioned migrants are the result of a lower number of insurance years, higher unemployment and lower earnings. Many factors can be the reason for this, different skills but also discrimination that results in relatively poorly paid jobs.³⁴

For the period from 1995 to 2005, a recent study is comparing the wage profiles of natives (Germans born in Germany) to persons with a so called “migration background” – foreigners as well as naturalised and ethnic Germans.³⁵ Wage profiles of persons with “migration background” always were lower, independent of sex and qualification (although differences exist between the different groups).³⁶ Whether there will be a catch-up effect in the future regarding the wage level – as is reported, for example, for migrants in the United States³⁷ –, will depend on many factors such as the skill-

³⁰ Pensions to those beneficiaries, who meanwhile left Germany, are not included.

³¹ Mika and Tucci (2006: 22).

³² Mika and Tucci (2006: 23-24).

³³ On the other hand, new – of course young and highly qualified – migrants are demanded by employers in Germany.

³⁴ Clark and York (2000).

³⁵ See footnote No. 9. The structure of persons with “migration background“ in 2005 was 47 % foreigners, 41 % naturalised and 12 % ethnic Germans.

³⁶ Aldashev et al. (2007).

³⁷ See for example Chiswick (1994: 110): “In many instances, particularly among economic migrants, immigrant earnings eventually come to equal (after about 15 years) and then exceed those of the native-born in the destination country with the same measurable characteristics. Presumably this arises because of their greater unmeasured characteristics, that is, a higher level of ability and motivation.”

structure, the development of the labour market. This does, however, not apply to Germany up to now.

Regarding firm-based pensions (here, the vesting period can also be relevant for mobile migrants) as well as saving for private pensions, no sufficient data have been available in Germany. It can, however, be assumed that income of migrants from these sources is on average lower than that for natives. Therefore, the political decisions taken during the last years in Germany regarding a severe reduction of the benefit level in *social* pension insurance will hurt migrants in particular and can increase the risk of poverty in old age.³⁸

It can be expected that in the future, the share of those persons in the German labour market having a “migration background” (which now is usually the “political correct” label in Germany) will increase – independent of the fact, how many new migrants will come –, because in Germany already today the share of those persons with “migration background” in the age group below age 25 is a quarter, while in the group below age 6 it amounts already to one third. This obviously points at the important task to qualify these young inhabitants. Such a qualification is important not only from the perspective of the labour market, but also for giving young migrants a positive perspective, because, for example, the share of young criminals with “migration background” is alarming.

6.2.2 Health sector

In contrast to pensions, benefits in the German social health insurance scheme are mostly benefits in kind. If migrants stay in Germany, they have access to the same health services as natives. In general, one can say that there will be a positive financial effect in health insurance, if the revenue from immigrants exceeds benefits they receive. For the financing situation of health insurance, number and structure of migrants and institutional rules of this sector are important, such as the family structure as well as sex and age structure and the level of wages and pensions compared to natives beside age-specific morbidity respectively age-specific health expenditure. This is decisive for the question, whether they are better risks in health insurance compared to natives or not.

In Germany’s social health insurance, a non-working spouse – that means in fact a housewife – as well as children are covered without own or extra contribution payments. Therefore, the family structure of migrants is relevant, too. The share of insured family members is higher for (new) immigrants than for natives and therefore affects financing negatively. Its future development depends on female labour force participation as well as on fertility behaviour.

As already mentioned, many immigrants are already pensioners. Pensioners up to now only pay half of the contribution rate to health insurance themselves, while the other part is paid by social pension insurance. But pensions are on average much lower than

³⁸ This is discussed in Schmähl (2008).

wages. This applies even more to migrants. Therefore, an increasing share of pensioners of all contributors and in particular of migrant pensioners results in relatively lower contribution revenue, while on the other hand – as is well known – age-specific expenditure for older persons (around the age of 50) is above average.

In order to estimate effects of immigrants on health expenditure, separate age- and sex-specific expenditure profiles of natives and immigrants – and (regarding our topic) in particular of immigrants from outside the EU or Europe – are needed, but do not exist up to now. Whether it is adequate to assume identical profiles – as it is done in some simulation studies –, remains on open question.³⁹ For the consideration of financing, the on average lower wages and thus contribution payments are relevant, as well: Even if the expenditure profiles of migrants and natives were identical, immigrants in principle would be a financial burden for social health insurance nevertheless because of on average lower earnings and pensions, assumed immigrants stay in the receiving country during their whole future life.

But if the profiles are identical, and if immigrants are on average younger than the native population, this seems to relieve financing of the health insurance scheme. But this is only a snapshot. It is important, how long persons, who came at an early age into the country finally stay in the country. If they leave the country as long as their age-specific expenditure is below average, this has a positive effect on the financing of health insurance, because benefits in kind (and this is by far the most important type of benefit in German social health insurance) have in principle only to be financed as long as the persons stay *in* the country.⁴⁰ But this effect holds only for persons in their *working life*. If they are *pensioners* and receive a social insurance pension from Germany, this may be different, depending on bilateral agreements with countries from outside the EU. “[...] migrant workers who receive a pension from their former host country can always return to their host country for medical treatment and are covered by their health insurance [...] This is of particular importance as many retired migrants are concerned about the inadequacy of the health system of their home country [...] In fact it seems that for this reason many migrants commute between their home and former host country.”⁴¹ Return migration may be even higher than statistics show, because migrants often have also a flat in Germany or a bank account where the pension is transferred to, because they want to have access to the German health system. There is, however, a lot of return migration after retirement – in particular by EU nationals. The number of migrants receiving German pensions abroad is even higher than the number

³⁹ And such profiles must be based on longitudinal data to identify differences between cohorts and not – as mostly done – profiles based on cross-sectional data, which can give misleading results.

⁴⁰ While pensions in principle have to be exported, as already mentioned.

⁴¹ Holzmann et al. (2005: 18). In case of bilateral agreements, a person is in principle covered by the health system of the country where this person lives, whether he/she is employed or retired. There is an exception, if the retired migrant returning to his home country receives his pension only from the host country. Then he is still covered in principle by his host country and not his home country, see Holzmann et al. (2005: 17-20) for details.

of those persons living in Germany after retirement. This can affect health insurance financing, as well.

In the German *long-term care insurance* – in contrast to health insurance – an important element beside benefits in kind are benefits in cash to persons who need care. This shall give them the opportunity to buy benefits in kind, i.e. services. The German government declared that these transfers in cash are a substitute (a “surrogate”) for benefits in kind. The intention was to avoid the obligation to export these benefits. As generally expected this decision in the law of long-term care insurance was cancelled by the European Court of Justice.

In case immigrants stay in the host country for a longer time, will their morbidity and expenditure profile in health care – if it had differed from that of natives in the beginning – change over time and become more similar to that of natives?⁴² Empirical evidence on this is rare. In principle, in Germany we often find on average higher morbidity of immigrants, a higher number of family members without contribution payments, lower wages, but on average a younger population. This, however, has not only to be analysed for a specific year as a cross-sectional phenomenon, but over time, taking into account possible changes in the composition of the group of immigrants as well as changes over the life cycle regarding factors that are relevant for evaluating the question, whether immigration (in particular from outside Europe) is positive or negative for health care financing.

But financing is only one dimension; only two examples shall illustrate this: (1) *Immigrants caring for frail elderly persons*. This becomes more and more important in countries with an ageing population. The supply of family care is shrinking due to a smaller number of children (smaller successive cohorts) and also increasing female labour force participation. Women (as wives, daughters and daughters-in-law) are mostly the ones providing family care. On the other hand, demand for non-residential care is increasing because of increasing life expectancy and high costs for residential care. For the majority of elderly, these costs cannot be financed from their own income and own assets. Female immigrants are often engaged as care persons already now, sometimes with a work permit but sometimes also without. The restrictions for such work permits are still rather tight in Germany. There will be an increasing demand for immigrants caring for frail elderly – and generally for personal services, as well.

(2) Immigrants who did not return to their home-country not only become pensioners but some of them will also need long-term care in old age. Although – as in most native households – there is the wish to be cared for at home, in particular by the family, reality often makes it difficult to realise this. One specific new example is the first residential care facility only for older Turkish people only in Berlin,⁴³ trying to take into consideration specific cultural needs, which goes much beyond language and religion.

⁴² An analysis of demographic development and health care sector can be found in Schmähl (2002).

⁴³ Türk Huzur Evi in Berlin-Kreuzberg.

There are also other attempts to take care of the needs of frail elderly migrants within general residential care facilities. In addition to this in Berlin – which has a high Turkish community – there exist, for example, also services to provide non-residential care specialised on Turkish people.

All this points to the fact that long-term as well as permanent migration of migrants from outside the EU and outside Europe have to be taken into consideration in social policy and, in general, as an element of integration policy.

6.3 Means-tested transfer payments and poverty

Finally a look at means-tested transfer payments and at poverty. Low earnings and high unemployment are among the major factors for means-tested transfer payments to avoid poverty. The official poverty line in Germany is given by means-tested social assistance. If we look at different groups of the population, the share of migrants receiving social assistance benefits for financing one's living differs remarkably. It is the highest for foreigners from *outside* the EU (Overview 17). In the non-EU population there is a considerable share of asylum seekers and tolerated migrants (who cannot be deported), who are forced to live on a specific means-tested scheme: Benefits are considerably lower than those for citizens and foreign nationals with secure residence status, and these benefits are often granted only in kind. In addition, these groups are faced with a prohibition to work or limited access to the labour market.

*Overview 17: Share of social assistance for Germans and Foreigners 2000**
– in per cent –

Germans	2.78
Foreigners	8.14
EU nationals	3.20
non-EU nationals	9.85
Total	3.25

* Transfers in cash for financing one's living (no residential care)

Source: Statistisches Bundesamt (2001), Tab. 1.

For international comparisons a standardised poverty definition is often used, for example based on 60 per cent of the median of net household income based on equivalent scales. Using this indicator, poverty of persons with nationality from non-western countries is the highest (Overview 18). The poverty rate of migrants of age 60 and older is remarkably high, as well. These are mainly those migrants that came to

Germany as guest workers and stayed in Germany.⁴⁴ The finding that the poverty rate of the “second generation” of migrants is even one third, is also highly problematic.

Overview 18: „Poverty rate“ of different population groups – Germany 2002 –

	median net-income per month in €	poverty rate of household group in % ^{*)}
German citizens		
born in Germany	1 366	13
ethnic Germans	1 072	25
naturalised	1 184	18
from western countries	(1 384)	(16)
from non-western countries	1 157	19
other nationality	1 057	25
western countries	1 347	11
non-western countries	977	32
„second generation“ (below age 35)	989	33

^{*)} „poverty“ = below 60% of median net-equivalent income of households of the specific group, OECD new equivalent scale

Source: Tucci and Wagner (2005), Tab. 2 and own calculations.

7 Some tentative concluding remarks

As already mentioned in the beginning, no general answer is possible regarding the effects of migration on social security.⁴⁵ They depend on a great variety of factors including the characteristics of immigrants, the institutional design of social security schemes as well as the economic situation in countries.⁴⁶ This is also relevant when focusing on migrants from outside the EU. All these factors can change over time. Statistical snapshots based on cross sectional data may be highly misleading regarding benefits and costs of migration, even if they are only focused on social security. Longitudinal data are additionally necessary to see, for example, whether cohort-specific differences exist and to take a lifecycle perspective into consideration, as well.

⁴⁴ Tucci and Wagner (2005: 81).

⁴⁵ There may be also different preferences in different countries regarding migrants and, therefore, the evaluation of costs and benefits may differ.

⁴⁶ Regarding the impact of migration on social security, the situation and conditions of Germany were taken as an example in this paper. It is not intended to generalise findings, but the examples point at several important factors and elements of the “welfare state regime”. A more general approach comparing different “immigration regimes” and “welfare state regimes” is in Chorny et al. (2007). The effects of immigration policy in particular on immigrant composition and labour market integration of immigrants are discussed in numerous papers. In Euwals et al. (2007) this is discussed for Germany and the Netherlands regarding Turkish immigrants.

It is obvious that a broad approach is necessary when trying to evaluate past migration as well as possible effects of future migration. Effects will also depend on migration policy of the EU as well as on the national conditions of migrant-receiving countries, but also on the economic and political development in migrant-sending countries.⁴⁷ It is important to improve the conditions of second-generation immigrants who are already in the country, and to develop the potential input migrants can have for economy and society and to make use of this potential.⁴⁸ As one precondition, the heterogeneity of migrants has to be taken carefully into consideration.

Whether a strategy of temporary working- and temporary residence-permits (like Green- or Blue-cards) is a successful or optimal strategy, may be questioned. There seems to be some empirical evidence that a short-time perspective regarding migrants has negative effects on investment in economic and social human capital of migrants and may have negative effects on integration. Among this, it can affect attitudes and behaviour of children in migrant families, as well.⁴⁹ Looking back at the past experiences with intended short-term employment of migrants and the fact that many of them stayed longer or even permanent, but often made only little investment in economic and social human capital, which has negative effects on income (also income in old age), this should be taken into consideration by decision makers in designing an immigration policy that aims at selecting immigrants mainly for a limited number of years.⁵⁰ If it is argued that immigration is necessary for economic reasons and for fiscal sustainability of social security, the costs of immigration and of necessary integration should also be compared, for example, to the costs of activities to integrate existing older workers into the labour market, in particular by necessary retraining. In principle, an attempt for a broad-based analysis is necessary everywhere, and short-sightedness should be avoided. Realising this could be an important precondition for responsible political and economic decisions that benefit natives as well as migrants.

⁴⁷ There is a lack of information regarding the interaction of economic motives for migration and the design of migration policy, which would be important to improve our understanding of the processes resulting in migration. See for example Schmidt (2002: 185).

⁴⁸ Regarding the resources of migrants, in particular older migrants, see in detail Altenbericht (2006), chapter 8.

⁴⁹ See for example Dustmann (2002).

⁵⁰ Such an immigration policy based on selection would, however, change the structure of the population with "migration background" in Germany only in the medium and long term (Brücker and Ringer 2008: 7) and would depend on how much migration processes can in fact be designed according to such criteria.

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