

Migration

USING MIGRATION TO MEET SKILLS SHORTAGES

- ▶ Germany faces growing labour shortages both in high- and medium-skilled occupations and well-managed labour migration is a key policy lever to mitigate these shortages.
- ▶ While the German labour migration system is very open for highly-educated immigrants with a corresponding job offer, this is not the case for jobs not requiring a tertiary degree.
- ▶ The German language is the key skill demanded by employers, but the labour migration system does not take this into account.

What's the issue?

Germany has a comparatively liberal legal framework in place for hiring highly skilled migrants, but in practice employers often find the system too complicated. A survey of employers conducted jointly by the OECD and the Association of German Chambers of Industry and Commerce (DIHK) has shown that even among employers with vacant positions, almost half do not consider recruiting from abroad (OECD, 2013). As a result, the share of labour migrants to Germany from outside the EU has remained low (see Figure in comparison to other OECD countries where labour migrants made up more than 9% of permanent inflows in 2016 (OECD, 2018).

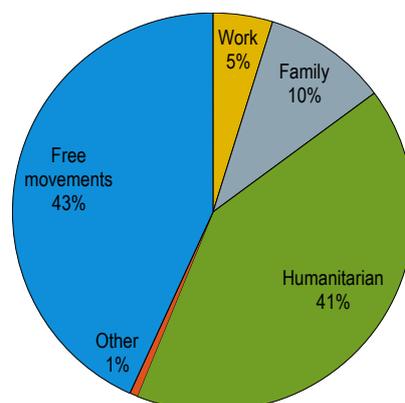
The German labour migration system is rarely used to recruit immigrants for medium-skilled jobs, despite considerable skill shortages in some of these occupations and in small- and medium-size enterprises (OECD, 2013). Opening up labour migration channels for medium- and

low-skilled workers, with close monitoring of their labour market impact, may help address these shortages in a context where the supply of such skills coming from free mobility within Europe is likely to decrease in the longer term.

Language skills are a key challenge to recruiting immigrant workers. German employers value language skills highly and might be more open to hiring foreign workers if language was less of a barrier. Other OECD countries, for instance Korea, have implemented language tests in the country of origin for a migrant to be considered for employment permits (OECD, forthcoming). Other incentives could include a prioritisation in the system if migrants can prove German language skills, but relatively sparse or costly opportunities to learn German abroad have limited the viability of these options.

Most migrant labour comes through free mobility

Permanent inflows to Germany by category of entry, 2016



Source: OECD (2018), *International Migration Outlook*, OECD Publishing, Paris, Forthcoming

Increasing the number of international students and promoting their retention in the German labour market are also part of a strategy to address skills shortages. The number of international students in Germany has been steadily increasing in past years. Around 265 000 international students were enrolled in German universities in the winter semester of 2016/2017, with the largest groups coming from China, India and the Russian Federation. However, the share of international students in Germany (7 %) is still just below the OECD average (8%).

Germany is facing competition from other high-income countries for global talent. Germany issued around 45 000 new study permits in 2015, placing itself among the ten most attractive destination countries for international students in the OECD. Yet numbers are considerably lower than in the US, the UK, Australia, Japan, Canada and France (OECD, 2017). In the past, retention rates have also been low, as only around 20% of foreign students stayed in Germany upon graduation despite the existence of job search visas for graduates and an exemption from labour market tests (OECD, 2013).

Why is this important for Germany?

Germany has been facing considerable labour shortages due to its shrinking working-age population. In the last quarter of 2017, the number of unfilled job positions reached a record high of 1.2 million, and it is estimated that the difference between entries and exits from the German labour market will be the highest of the OECD in 2020.

Managed labour migration is a key policy lever to meet labour demands, both for high- and medium-skilled professions. This necessity was re-iterated in the 2018 coalition agreement, stating that Germany is in need both of medium- and high-skilled migration. At the same time, it is clear that Germany's considerable skill shortages cannot be mitigated solely with labour migration. Other policy approaches, such as promoting lifelong learning, improving active labour market policies and investing in vocational education are also fundamental to address skill shortages in the long run.

What should policy makers do?

- ▶ Support employers, and especially owners of small and medium enterprises, in using the labour migration system and make the process more transparent. Consider prioritising migrants with German language skills and increase opportunities to learn German abroad.
- ▶ Better connect international students with employers to increase retention rates after graduation, for example by promoting internships during their degree and creating more incentives to learn German.
- ▶ Increase possibilities for medium-skilled migrants to work in Germany in order to mitigate labour shortages in medium-skilled occupations.



Further reading

OECD (2007), *Jobs for Immigrants: Labour market integration in Australia, Denmark, Germany and Sweden (Vol. 1)*, OECD Publishing, Paris. <https://bit.ly/2lIGT2s>

OECD (2013), *Recruiting Immigrant Workers: Germany*, OECD Publishing, Paris. <https://bit.ly/2Gnwdun>

OECD (2014), *Matching Economic Migration with Labour Market Needs*, OECD Publishing, Paris. <https://bit.ly/2rLVvOo>

OECD (2017), *International Migration Outlook*, OECD Publishing, Paris. <https://bit.ly/2wM4lka>

OECD (forthcoming), *Recruiting Immigrant Workers: Korea*, OECD Publishing, Paris.

OECD (2018), *International Migration Outlook 2018*, OECD Publishing, Forthcoming.