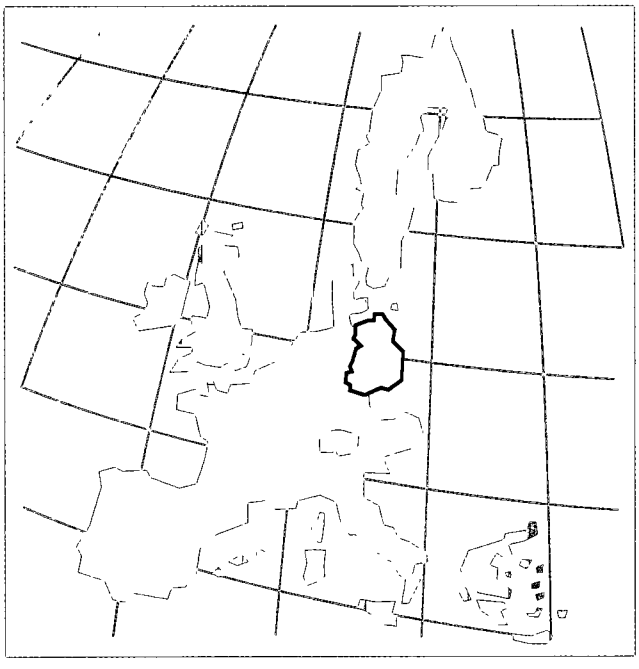
EMPLOYMENT OBSERVATORY



EAST GERMANY

Labour Market Developments and Policies in the new German Länder

No. 14 – March 1995

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EDITORIAL

With the end of the Cold War, Europe has become larger and more mobile. The decomposition of the Eastern Block and the structural upheavals in the formerly socialist countries have opened up new opportunities for migration, particularly from East to West, and, indeed, have led to one of the largest migration waves since 1945/46. So far west European policy makers have reacted more or less helplessly and – as indicated by the term "Fortress Europe" – largely restrictively to the new forms of mobility. The same applies to the issue of access to West European labour markets. Yet there is scarcely any alternative to a limited opening of labour markets. The conflicts over the extent and conditions of employment of Central and East European migrants clearly indicate the tensions to which the social security and labour market systems in Western welfare capitalist states are now exposed in the "post-socialist" environment.

The Federal Republic of Germany is the most important country of destination in the context of East-West European migration. In addition, since the fall of the Berlin Wall there has been considerable labour migration from East to West Germany, significantly easing pressure on the East German labour market. The integration of these migrants, not to mention those working in West Germany while still residing in the new federal states, has been an indication of the enormous absorption power of the West German labour market. At the same time, regional and sectoral labour markets in West Germany, especially those in West Berlin, clearly exhibit substantial displacement effects between different categories of labour, a process in which low-skill and low-productivity workers have been the losers.

However, the gradual convergence of living conditions in East and West Germany has prevented the exodus from the new federal states that many observers had initially feared. Five years after Unification, East-West mobility appears to have stabilised at a relatively constant level, one comparable to the scale of migration within West Germany. Labour migration in the opposite direction, by contrast, is of far lesser – although growing – quantitative importance. Only when such migration becomes more popular, will it be time to talk of a normalisation and a "growing together" of the East and West German labour market.

Employment in EUROPE

EUROPEAN COMMISSION

DIRECTORATE-GENERAL FOR EMPLOYMENT, INDUSTRIAL RELATIONS AND SOCIAL AFFAIRS

Social Europe

ECONOMIC AND LABOUR MARKET STATISTICS

	1st half-year 1989	1st half-year 1991	2nd half-year 1991	1st half-year 1992	2nd half-year 1992	1st half-year 1993	2nd half-year 1993	1st half-year 1994	2nd half-year 1994
Economy									
1. Gross Domestic Product in 1991 prices (billions of DM)	149.6	96.5	109.5	103.7	118.4	110.3	124.7	120.1	136.6
2. Gross value added by sector in 1991 prices (billions of DM)									
2.1 Agriculture and forestry	2.6	0.1	7.0	0.4	7.1	1.0	6.8	0.7	
2.2 Energy and mining	9.5	8.1	7.1	6.7	6.9	6.8	6.8	7.0	
2.3 Manufacturing	45.5	17.8	19.1	18.1	20.6	18.7	22.0	21.1	
2.4 Construction	13.3	11.5	12.7	15.2	16.6	17.7	19.9	21.7	
2.5 Trade and transport	28.2	14.2	15.6	14.6	16.1	16.4	17.8	17.4	
2.6 Services	16.8	21.3	24.6	26.4	27.3	27.5	28.6	29.5	
2.7 Government	21.6	22.8	21.5	21.4	21.3	20.8	20.6	20.4	
3. Expenditure on the Gross National Product in 1991 prices (billions of DM)									
3.1 Private consumption	82.1	84.7	95.0	92.9	104.0	96.0	106.3	100.0	
3.2 Government consumption	39.3	39.1	48.6	43.7	50.0	43.5	49.1	44.3	
3.3 Fixed capital formation	28.5	42.1	50.0	56.0	61.7	62.7	71.6	73.6	
3.4 Exports minus imports	–4.2	–65.9	–78.4	–88.0	–91.9	–90.5	–100.3	–100.6	
Labour market									
4. Working-age population (in thousands)	10721								
4.1 Migrations to West Germany (in thousands)	49	102	148	94	106	78	95		
4.2 Commuters to West Germany (in thousands)		446	541	451	506		607		
5. Total employment (in thousands)	9932	7462	6903	6491	6373	6246	6310	6265	
5.1 Share of female employment (%)	49	46	46	46	46	45	44		
5.2 Employees in *Treuhand* companies (in thousands)	–	2115	1404	1070	458	296	187	132	119
6. Employment by sector (in thousands)									
6.1 Agriculture and forestry	985	469	385	300	266	245	234	221	
6.2 Energy and mining	306	244	209	181	164	145	134	124	
6.3 Manufacturing	3265	2170	1725	1357	1230	1138	1115	1058	
6.4 Construction	846	701	727	797	848	887	957	1006	
6.5 Trade and transport	1652	1252	1206	1160	1141	1129	1135	1106	
6.6 Services	962	920	970	1014	1057	1091	1142	1175	
6.7 Government (incl. *ABM*s)	1750	1514	1450	1442	1416	1358	1337	1320	
7. Employment in labour market measures (in thousands)									
7.1 Employed in job creation measures (*ABM*s)	–	148	390	402	355	237	177	198	226
7.2 Includes "wage-cost subsidies East" (§ 249h AFG)	–	–	–	–	–	14	63	91	103
7.3 Short-time workers	–	1899	1035	417	233	201	125	105	59
7.4 Full-time equivalent of loss of working hours in case of short-time working	–	1078	594	223	109	89	56	46	29
8. Non-active population in labour market measures (in thousands)									
8.1 In full-time further training measures		170	310	442	434	368	271	234	264
8.2 In early retirement		521	705	806	834	857	778	643	569
9. Total persons in labour market measures (7.1 + 7.3 + 8.1 + 8.2) (in thousends)		1917	1999	1873	1732	1565	1346	1212	1191
9.1 As % of potential labour force		22	23	21	20	18	15	14	14
10. Total unemployment (in thousands)		843	1038	1123	1101	1100	1175	1117	1015
10.1 Unemployed women (in thousands)		482	635	715	704	708	754	734	660
10.2 Unemployed women (%)		59.5	61.6	63.6	63.9	64.4	64.1	65.7	65.0
10.3 Unemployment rate (%)		9.5	11.8	14.2	13.9	15.1	16.2	15.7	14.2
10.4 Male unemployment rate (%)		8.0	8.9	10.0	9.7	10.4	11.2	10.4	9.6
10.5 Female unemployment rate (%)		11.2	14.7	18.9	18.6	20.2	21.5	21.3	19.2
11. Shortfall of "regular" employment (9.+10.) (in thousends)		2760	3037	2996	2833	2665	2521	2329	2205
11.1 As % of potential labour force		31	34	34	32	30	29	26	25

Sources:
National accounts of the German Economic Research Institute *(DIW)*, January 1995 (rows 1.-3.4, 5., 6.-6.7); Official Reports and Press Releases of the Federal Employment Service (rows 7.1–7.3, 8.2, 10.–10.5); Institute for Employment Research *(IAB)*, *IAB-Kurzberichte* and *IAB-Werkstattberichte* (rows 4., 4.1, 8.1); Infratest Social Research, labour market monitor for the new Federal states, Munich/Nuremberg 1991–93 (rows 4.2, 5.1); monthly information sheet of the *Treuhandanstalt* (row 5.2); calculations by the editors.

Comments:
In general, stock data in the table correspond with figures drawn up at the end of the given half-year periods (except: rows 4.2, 5.1: data for May or November; rows 5., 6.1-6.7: averages of the 2nd and 4th quarters respectively; row 5.2: 1991 1 July and 1 January after the end of the half-years).
Row 5.2: initial figure mid 1990 ca. 4 million; row 7.4: number of short-time workers multiplied by the average amount of working time lost; row 8.1: until mid 1992 estimated; rows 9.1, 11.1: potential labour force defined as the sum of resident wage and salary earners, self-employed, unemployed and the participants in further training and early retirement; rows 10.3–10.5: from 1994 onwards the basis of the unemployment rate has been changed (dependent civilian working population in June 1993; earlier basis dated from the end of 1989, then from November 1990 and then from June 1992).

Labour Migration Between Eastern and Western Europe

Since the Iron Curtain was pulled aside, new migration flows have begun to emerge in Europe. Although, contrary to the fears expressed at the time by many observers, there has been no mass exodus out of central and eastern Europe, the new forms of mobility render obsolete the attempts made by West European countries to make their borders impermeable, and show that there is scarcely any alternative to at least a limited opening of – in particular – labour markets. Germany, for many East-West migrants the "door to Europe", has created legal means of access to employment for the new labour migrants to a far greater extent than most other West European countries. The lessons learned from the implementation of such instruments may well be useful in drawing up solutions at European level.

Since the end of the 1980s the decomposition of the socialist community of countries and the major upheaval within the centrally planned economies have created a new set of framework conditions in central eastern Europe and in the Community of Independent States (CIS), not least with regard to human mobility. The drawing back of the Iron Curtain has made it easier, cheaper and less dangerous to leave the former eastern Block countries; in the West this initially led to growing fears about the scale of possible immigration. At the start of the 1990s it was claimed that 25 million Russians had already "packed their bags", and the mass media fed latent prejudices and fears with such metaphors as the "immigration tide" and the "flood of asylum seekers". That these horror scenarios were based on methodologically problematic surveys did little to reduce their impact on public opinion, given that – from the western perspective – there were many reasons which made it appear plausible that large numbers of people would quickly take advantage of the opportunity to emigrate to the "Golden West": ethnic diaspora, ecological problems, the threat of war, underemployment and, last but not least, the enormous wealth gap.

It is now clear, five years after the start of the transformation process, that the exodus to western Europe, that had given rise to so many fears, has not occurred. This has been due to two mutually interlinked developments: migration mostly took place *within* central and eastern Europe, and – to the extent that the target country was in fact within the European Union – was largely of a temporary nature. The fact that mobility tended to be restricted to the former socialist countries can be explained with reference to a number of factors. A large number of migrants came from ethnic minorities who had previously been forcibly relocated and subsequently sought to return to their former settlement areas within eastern Europe. The migration radius was also limited due to the advantages of proximity (and thus lower travel costs), the less daunting linguistic barriers, and the wealth differentials prevailing between the central and eastern European countries themselves: what is "East" for one person is "West" to another.

Immigration policy in western Europe

Notwithstanding these caveats a large proportion of those seeking to migrate for economic reasons and of refugees were clearly forced to remain involuntarily in central and eastern Europe because the borders to the countries to which they sought access (western Europe and North America) are largely impermeable. The term "Fortress Europe" is used to denote a bundle of external and internal controls with which EU states attempt to limit and to filter immigration flows from the South and East.

Western Europe's interest in "defending" its borders has not, however, led to a common EU immigration policy. At best, the so-called Schengen Agreement constitutes a first step in this direction, one, though, whose emphasis is very much on the control aspect. Basically, it provides for the abolition of border controls between member states, while simultaneously intensifying controls on the EU's external borders, establishes a common visa and refugee policy and extends the joint police and security system. The aim of the agreement is primarily to exert closer control over the number of immigrants entering the EU, to enable a more conscious selection of immigrants (according to criteria which still have to be defined) and to combat illegal immigration. With a view to the Schengen Agreement – which has yet to be implemented and which so far only nine EU member countries have ratified – a number of individual EU countries, in particular Germany, have already reached bilateral agreements – so-called repatriation agreements – with central and East European countries. Under these agreements the East European countries concerned are committed to take back persons entering the West illegally from their territory and who are arrested there within six months. In anticipation of the abolition of internal border controls, these arrangements have effectively sealed off the eastern borders of the EU with a form of *cordon sanitaire*.

The fact that Germany has been particularly active in "safeguarding" EU borders is hardly surprising: for the inhabitants of central and eastern Europe the Federal Republic of Germany is the "door to Europe". Of the total of 1.643 million persons of central and eastern European nationality who, according to EU statistics were living in the EU at the start of 1992, 81% (1.326 million) were living in Germany. Austria (260,000) and France (116,000) were the only other countries in which significant numbers of migrants from central and eastern Europe were registered. Moreover, Germany is currently the only western European country to have opened up modes of access to legal employment opportunities for migrant workers from central and eastern Europe. Compared with German regulations – described in the following section – in this area, the activities of other countries appear rather modest: Belgium, for example, acquired around 600 welders from central and eastern Europe or the CIS at the start of the 1990s; in 1993 France employed around 5,000 seasonal workers from Poland in the agricultural sector (maximum duration of employment: two months); Switzerland, too, employed between 4,000 and 5,000 Polish seasonal workers. France and Belgium have reached agreements with Poland on on-the-job training programmes for younger workers.

Germany at the centre of East-West migration

Since the implosion of the socialist regimes far more people from the former eastern Block countries have arrived in Germany than in other West European countries: the number of central and eastern European migrants in the resident population rose from 933,000 at the end of September 1981 to 1,745,000 at the end of December 1992, when they accounted for 22% of the overall foreign resident population in Germany. Almost half of this increase was due to immigration by inhabitants of the former Yugoslavia. As might be expected, the number of persons from central and eastern Europe working in socially insured employment in Germany is significantly lower: in mid-1993 they totalled 588,000, i.e. just a third of the total number of immigrants; of these 71% consisted of workers from the former Yugoslavia. There is a clear preponderance of men: only among employees from the former Yugoslavia and from Romania do women account for almost 40%; in the case of the other countries they account for only around one third. Most migrants wish to reside in the old federal states of West Germany, whereas the new federal states have so far scarcely played a role as an immigration region. This is likely to be due not only to the poor employment chances in the wake of the economic upheaval in East Germany, but also to the deterrent effects of the xenophobic attitudes and activities which are largely associated with the new federal states (see portrait).

There are a number of reasons why Germany was to become the target of – primarily temporary – employment-oriented migration. Along with Austria and Italy, it borders directly on the reform countries. Its economic potential is huge. Thus in a double sense employment opportunities in Germany appear "easy to grasp": due both to the dynamic labour market and to its geographical proximity, reducing transport problems and costs. Moreover, Germany has a long tradition of acquiring labour from central and eastern Europe (e.g. the employment of Poles for mining work in the Ruhr area in the 19th century). This flow of labour was not completely halted by the Iron Curtain (e.g. Polish seasonal labour in agriculture). Indeed, the ideology of the Cold War is likely to have built additional "bridges", in that it increased the attractiveness of the West for the inhabitants of central and eastern Europe.

Of all the central and eastern European countries, only Yugoslavia – on the basis of a bilateral agreement signed in 1968 – participated in Germany's so-called "guest worker policy", within the framework of which the Federal Government recruited a total of 14 million workers from Spain, Greece, Turkey, Portugal and Yugoslavia between 1955 and 1973; 11 million of these returned to their countries of origin during this period. Thus, until the end of the 1980s, apart from the limited possibilities under the provisions enabling families to be reunited, there were only two main legal forms of access for citizens of central and eastern Europe to Germany: by virtue of German ethnicity *(Aussiedler)* or as an asylum seeker.

Persons of German origin living in central and eastern Europe and emigrating to the Federal Republic of Germany *(Aussiedler)* are entitled to German citizenship and to all the associated political, social and economic rights, including free access to the labour market. In the five years from 1989 to 1993 1.2 million *Aussiedler* settled in Germany. These migrants, which in the 1980s primarily came from Poland and Romania, but now largely originate from the CIS, were often skilled workers. Given their high work motivation and their relatively modest expectations regarding working conditions, they represented an important source of flexibility potential for the German labour market. The orientation of *Aussiedler* policies to employment policy was particularly apparent at the start of the 1990s: following the record of 400,000 *Aussiedler* entering Germany in 1989 and in 1990, the figure was then limited to around 200,000 per year, largely by means of changes made in application procedures.

Together with the country's economic potential, Germany's relatively liberal regulations on political asylum – until 1993 – were one of the most important reasons why Germany had the largest numbers of asylum seekers of all the western European countries. Between 1989 and 1992, alone, around one million were registered. Asylum seekers, too, were primarily used as a labour market buffer and as a means to undermine the ending of the recruitment of guest workers in 1973. Not only to ease the burden on public budgets (non-working asylum seekers are entitled to social benefit), but also to prevent asylum seekers drifting into the black economy, the waiting period before a work permit was issued was reduced to one year in mid-1991 (i.e. at the time of the economic boom induced by Unification), and in September 1993 was virtually scrapped altogether.

Legal modes of access to the German labour market: special case or role model?

Against the background of the political upheaval and the economic restructuring underway in central and eastern Europe, at the end of the 1980s Germany put in place a number of institutional regulations which – complementary to the regulations governing asylum seekers and *Aussiedler* – offered people from the reform countries access to the German labour market. In this the Federal Government was influenced more or less equally by political and economic considerations. The new provisions were to serve as a signal in developing good neighbourly relations and to offer a way to ease the difficulties arising in the course of the process of political and economic transformation in eastern Europe. At the same time, Germany was also seeking to restrict and channel the expected migratory pressure from central and eastern Europe. An additional aim of the provisions was to help overcome the structural constraints on the German labour market and to counter illegal immigration. The provisions expressly rejected any continuation of the old guest-worker system in view of the risks associated with extended periods of stay and their high costs in terms of social infrastructure. A total of four modes of access were created: bilateral agreements with central and East European countries set out the conditions for the conclusion of "work contracts" (*Werkverträge*) and for the exchange of so-called "guest employees" (*Gastarbeitnehmer*); seasonal labour contracts were facilitated and the regulations governing cross-border commuters were extended to Germany's eastern borders (cf. synopsis).

1. *Werkvertragsarbeitnehmer* are sent to Germany on the basis of a work contract signed between a German firm and a foreign subcontractor. They are supposed to be skilled workers, and receive a work permit for two, or a maximum of three years. Subsequently the worker in question must be resident in his or her country of origin for the same period (compulsory rotation). The *Werkvertragsarbeitnehmer* remain on the books of the foreign subcontractor. German wage levels apply, although the social in-

surance provisions are based on those in the country of origin. In some cases the maximum figures set per country and year contain specific quotas for the construction industry and for small and medium-size firms; this provides an indication of the location of structural constraints within the German labour market. The quotas are subject to annual review and are reduced if the unemployment rate in Germany rises.

2. The provision for guest employees (*Gastarbeitnehmer*) has the express aim of promoting a mutual exchange of skilled labour between the reform countries and the Federal Republic. The target group tends to be younger skilled workers whose vocational and linguistic skills are to be promoted by a period of work abroad. During these periods, of between 12 and 18 months, the wage and social insurance conditions are those prevailing in the guest country; the employing firms are to provide appropriate accommodation. The annual quotas are linked to the size and the level of development of the various central and East European or CIS countries.

3. A work permit for a maximum of three months per year will be issued on request by a potential employer for seasonal labour from abroad, provided that German job seekers, or unemployed persons from EU countries or from former guest-worker countries are not available. Working conditions and standards are to be in accordance with collectively agreed or standard levels in the region, and appropriate accommodation is to be provided. National quotas do not apply, but recently the construction industry has been excluded from placement of such seasonal workers. Within the framework of a statutory change which extended the prevailing regulations on seasonal work for West European countries to central and eastern Europe, skilled foreign workers were also given the opportunity of finding employment in caring for the sick and elderly.

4. The legal stipulations governing cross-border commuters apply in the regions located within 50 km of the German border and require that such persons commute to work every day (with the exception of a maximum of two nights per week). No country or sectoral quotas apply. Here too, though, domestic labour is given priority in granting work permits. German employment and social insurance standards are binding.

The four modes of access in practice

The labour market statistics show that it is work contracts that are enjoying the fastest rates of expansion. The then CSFR, the former Yugoslavia and, in particular, Poland exceeded their quotas markedly in 1992. The concentration of work contracts in border areas and in the construction industry (around three quarters) reflect, in addition to structural constraints on the German labour market, the competitive strategies pur-

Bilateral Agreements and Statutory Regulations Concerning the Employment of Labour from Central and Eastern Europe in Germany (as of end 1994)

	Agreement/ regulation	Priority for German and EU citizens	Conditions	Maximum number per annum	Maximum period of employment	Economic sectors
I	Work contracts (*Werkverträge*) (bilateral agreements)	no	for sub-contractor: German wage levels/ Social insurance: country of origin	yes[a]; average 41,218 per month, of which 26.314 in construction	maximum of 2 years; extension of 1 year possible	– special quotas for construction – special quotas for SME
II	Guest employees (*Gastarbeitnehmer*) (bilateral agreements)	no	German wage and social insurance standards; suitable accommodation	yes[b]; 1994: 5,529 placements	maximum of 1 year; extension of 6 months possible	– construction industry – metal sector
IIIa	Seasonal workers (law)	yes	collectively agreed or standard wage for the locality; suitable accommodation	no; 1994: 155,217[c] requests	maximum of 3 months per year	– agriculture, construction (at present only craft-areas permitted) (20%) – hotel and catering industry
IIIb	Staff to care for sick and elderly (law)	yes	as IIIa	no; 1994: 412[d]	no	– care for sick and elderly
IV	Cross-border commuters (law)	yes	within 50 km of German border; German wage and soc. ins. conditions; daily commuting	no	no	– manufacturing industry, craft enterprises (construction, wood) – industry (metal, ceramics) – hotel and catering industry

a) National quotas as of 1.10.1994: Bulgaria 1,660, Czech Republic 2,890, Slovakia 1,570, rump Yugoslavia 1,650 (cannot be utilised at present due to embargo), Bosnia 990, Croatia 5,010, Macedonia 480, Slovenia 1,920, Poland 22,560, Romania 4,150 (cannot be utilised at present due to over-utilisation in 1994), Latvia 370, Turkey 5,800, Hungary 6,870 (since 1.1.95). Foreign companies pay a charge of between DM 1,200 and DM 2000 per work permit depending on the permit's duration.
b) Hungary 2,000, Czech Republic 1,400, Slovakia 700, Poland 1000, Albania 500, Romania 500, Bulgaria 1000, Latvia 100, Lithuania 100, Russian Fed. 2000 (since mid-1994).
c) 80% from Poland, 6% Czech Republic. Employer pays DM 100 for the administrative processing of each job offer.
d) 390 from Croatia, 22 from Slovenia.

Source: Institute for Labour Market and Occupational Research at the Federal Labour Office.

sued by German construction companies, which are seeking to reduce wage costs. The provision governing work contracts has come under fire following substantial evidence that foreign subcontractors have been involved in social and wage dumping, and that not infrequently such companies were mere fronts with the aim of facilitating the – illegal – mediation of agency workers. Arguing that this constituted unfair competition, both employers' associations and trade unions (especially those representing the construction sector) repeatedly lobbied for the termination of the work contract agreements. In the face of the deteriorating state of the German labour market all the national quotas were cut and existing agreements have not been extended once they came to an end. As a consequence, the monthly average figures for the number of employed work contract employees fell by more than half from 94,902 in 1992 to 41,218 in 1994. The decline was particularly sharp in the new federal states – from 14,400 at the end of 1992 to 5,500 one year later.

The guest employees provision, on the other hand, received a lukewarm reception from German employers, the measure stagnating in 1992 and 1993 at less than 6,000 participants. It seems that the relatively short duration, together with the need to provide training and accommodation made such contracts relatively unattractive. Demand from abroad, on the other hand, was strong. In 1994 the rate of national quota utilisation ranged from 16% in the case of Latvia to 106% for Rumania. German recognition of the possibility of placing workers in the reverse direction, however, was "too little too late".

Placements of skilled labour for elderly and sick care were reduced to less than 500. Due to the unfavourable working conditions the fluctuation among skilled German workers in such professions is extraordinarily high. For care-oriented employees from central and eastern Europe, on the other hand, such employment opportunities are very attractive. The fact that this substitution has reduced the pressure to improve working conditions has drawn criticism from the German trade unions.

In 1992 212,000 people were placed as seasonal workers. Since 1993 conditions on the granting of permits have been consciously tightened, although by 1994 the figure was still 155,000. Almost all placements were made in the form of a named request for specific workers by employers. It therefore seems likely that these figures at least partly reflect a "legalisation" of previously illegal employment. Around 80% of seasonal workers come from Poland; two thirds of them work in the agricultural sector and one fifth in construction. More recently, however, the placement of seasonal workers in the construction industry has been stopped to prevent any substitution of seasonal workers for the reduced quotas of *Werkvertragsarbeitnehmer*. The most sensitive issues regarding seasonal work are the extremely low wages and the harsh working conditions. Particularly in this area, dominated by small enterprises and where union density is very low, it is extremely difficult to enforce employment standards.

It is not possible to determine how many people from Poland and the Czech Republic are employed in Germany under the cross-border worker provision. Statistical information is only available on the number of work permits issued per year, whereby their duration of validity varies according to the labour market situation; an individual may receive more than one work permit in the course of a single year. In 1993, for example, just under 15,000 work permits were issued for Czech citizens in Bavaria. Besides the construction industry such employment relations were concentrated in wood processing and the hotel and catering industry. The regulations on cross-border commuters are of little relevance to the new federal states due to the high level of unemployment there.

Fundamental problems of the German regulatory framework

During the past two years the Federal Government has attempted to counter the problematic effects of the provisions described above by making a number of amendments: cuts in quotas, tougher controls and a more efficient organisation within the labour market authority, and also the introduction of new concepts to promote training in the case of guest employees. However, the problems inherent to the structure of the regulatory framework as a whole have not been solved:

- While the legal employment opportunities for workers from central and eastern Europe make it easier for firms to fill vacancies that have remained vacant for a long time, they are detrimental to the (re)integration chances for problem groups on regional and sectoral labour markets.
- Employers' hiring practices, which have so far clearly favoured younger male workers from central and eastern Europe, have exacerbated gender and age-specific segmentation processes on the German labour market.
- Accessing a reservoir of foreign labour with very modest expectations in terms of wage level and working conditions can be interpreted as a subsidisation of enterprises working at the economic "margin" (or of their customers). The reduced pressure on the wage level resulting from the expansion of the supply of labour is an obstacle to restructuring.
- The rotation principle applying to the majority of employment contracts is inimical to the interests of both employers and foreign workers in cooperation over a longer period. Moreover, it is very difficult to monitor, even at great expense. For this reason legal employment periods are often exceeded, serving as a bridge for the expansion of illegal employment.

It should be noted, however, that the problem of "grey" and "black" labour markets is one that is inextricably bound up with the opening of "doors". Experience has shown that any increase in the opportunities for foreigners to take up employment legally is associated with a rise in the number of illegal immigrants. No EU country has so far made plausible estimates of the number of illegal immigrants. Claims that there are three illegal immigrants for each one entering the country legally must be discounted as mere speculation. For Germany an estimated figure of 100,000 illegal immigrants has been put forward. Yet whatever the figure, this cannot serve as an argument against the provision of modes of access, as experience has shown that state regulation is more efficient when labour markets are being opened than when they are being closed. What is important, however, is that the inherent limitations to state control are viewed realistically from the outset: you can't have the sun without a shadow.

Outlook

The continuation of a "Fortress Europe policy" is an inappropriate strategy for the regulation of the new migration flows within Europe. Parallel to the expansion of the high-tech sectors, indeed as a condition of such expansion, the secondary segments of the industrial production system are also growing. Such less productive

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areas rely on the availability of cheap foreign labour. Against the background of western European labour market and welfare standards, such segments are unattractive to domestic labour in view of the low wages and poor working conditions prevailing there. Indeed, the dynamism of West European economic developments constitutes an important "pull factor" for labour migration. The conflicts surrounding the extent and conditions of the employment of central and East European migrants underline the tensions to which the largely unchanged national systems of labour market and welfare state regulations are exposed in western welfare capitalist states in a "post-socialist" environment.

At the European level, a system of quotas is under discussion as a means of regulating central and eastern European immigration. The general view is that for both political and economic reasons there is no alternative to the at least limited and selective opening of the borders, whereby the individual West European countries – depending on their specific traditions and interests – are to focus their attention primarily on the East or the South. Not despite, but rather precisely because of the challenges resulting from globalisation, the EU countries must face up to the task of reducing the huge gap in welfare standards at its periphery. The increasing transboundary mobility of labour, goods and capital constitute the bench mark for the normalisation of East-West relationship. Whereas the Iron Curtain enabled the West European countries to sit back and concentrate on their own territory, they must now also pay due regard to promoting developments in central and eastern Europe in a responsible way.

Germany's regulatory framework providing access to central and East European labour, and the lessons learned in its implementation could and should be used in developing European solutions. It seems plausible to assume that agreements on binding and long-term regulations will only be attainable in conjunction with quantitative restrictions and selection criteria, at least for some immigrant groups. Germany's "guest-worker policy", which can now look back on a history lasting more than 100 years, clearly shows that liberal, constitutional states must take responsibility for the social integration of those that they have brought to the country as immigrant labour.

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TRENDS

Commuters and Migrants – Labour Movements from East to West Germany and their Labour Market Implications

Since 1989 there has been considerable labour migration from East to West Germany, significantly easing the pressure on the East German labour market. For this reason, if no other, East-West commuters and migrants have played an important role in discussions of the employment crisis in the new federal states. Initially at least, the West German labour market exhibited great power to absorb this influx; now, however, a number of regional and sectoral labour markets in West Germany clearly reveal signs of substantial displacement effects between different categories of labour, to the detriment of low-skill and low-productivity workers. This is particularly true of West Berlin, which has become the "Commuter Capital" of Germany.

The demise of the GDR and German Unification in 1990 have given rise to an unprecedented process of East-West migration within Germany. This relates not only to the quantitative dimensions of migration – by the end of 1993 1.4 million people had left East Germany, and almost half a million were commuting to work in the West – but also to the qualitative aspects of the movement, which was no longer, as it had been during the Cold War, politically motivated. It is important to distinguish between migrants, i. e. those moving their place of residence definitively to another place (in this case in West Germany), and "commuters" who retain their previous domicile (in East Germany) and "commute" to work daily, or at least weekly (to West Germany).

Migration from and to East Germany

The fall of the Berlin Wall in 1989 ended overnight the state-imposed "immobility" of citizens of the GDR, and immediately led to an emigration wave of major proportions. In the final analysis it was this "voting with one's feet" that was one of the most important forces behind the swift progress towards Unification between the GDR and the Federal Republic. As can be seen from table 1, emigration peaked in 1989/90, and has declined continually since the completion of political unification. In 1989 and 1990 almost 400,000 people left East Germany in each year, compared with an annual figure of just under 200,000 in 1992 and 1993. This means that the "emigration share" (emigrants as a proportion of the resident population) has almost halved: at 1.3% in 1992 and 1.1% in 1993, it is scarcely higher than in a number of West German federal states. Moreover, West-East migration is gradually increasing in importance. Migration in this direction consists largely of former GDR

citizens returning to their former homeland, West German civil servants sent to support administrative reconstruction in the new states, and managerial and skilled personnel sent by West German companies to their East German branch and field offices. As early as 1993 the volume of outward migration from the new federal states was in fact only just over 50,000 greater than the number of western migrants to East Germany. Even so, the cumulative net outward migration to West Germany of around 1 million is substantial. Within the space of five years, East Germany has lost almost 6.5% of its population by this means.

While there are undoubtedly numerous reasons why inner-German East-West migration has declined, the gradual narrowing of differentials in wages and living conditions between East and West and the economic recession of 1992/93 have clearly exerted a major impact on outward migration. The fact that East German incomes have risen steadily towards western levels is particularly significant in this regard. According to research conducted by the German Institute for Economic Research (DIW), disposable household income in East Germany rose from 46% of the West German level in the spring of 1990 to 72% three years later. Income and living-standard differentials, central motives for migration in the initial phase, are now less pressing. In view of the difficult labour market situation in East Germany, the threat of job loss has become one of the main reasons for leaving the new federal states. What is surprising, however, is the low propensity to migrate exhibited by the unemployed. It seems that on becoming unemployed, the willingness to consider geographical mobility declines markedly, perhaps giving way to growing resignation.

Economic and labour market developments in West Germany also exert an influence on migration trends. In the wake of the so-called "Unification Boom", the West German labour market was initially capable of absorbing large numbers of East German – not to mention central and East European – commuters and migrants (cf. Focus). The onset of recession in 1992 and the rise in unemployment in West Germany have made it much more difficult to enter and establish a place on the West German labour market. Moreover, the housing market is such that it has become increasingly difficult to find rented accommodation at affordable prices in West Germany.

Despite the changing conditions and the decline in migration volumes, expert opinion is that there remains a substantial potential for outward migration. According to surveys conducted recently by the DIW, a quarter of the East German population can still envisage moving to West Germany. Thus the *potential* for outward migration has declined only slowly compared with 1991, when around one third of East German respondents reported that they would consider moving to the West.

East-West commuters

The opening of the borders led not only to large-scale migration to West Germany, but also to a large number of East-West commuters. It is difficult to determine the precise number of such commuters, however, as various statistical sources give different figures. Surveys commissioned by the Federal Labour Office put the number of East-West commuters at 607,000 (*Arbeitsmarktmonitor*, November 1993), whereas the DIW, on the basis of its Socio-economic Panel (see box), has calculated an order of magnitude of 395,000 (SOEP, March/April 1994). According to calculations made by the DIW the proportion of the East German labour force commuting to the West has risen from 4.5% in 1991 to 5.8% in 1994. If the growing prevalence of commuting within East Germany is added to these figures, it is clear that the overall extent of geographical mobility in the new federal states has risen significantly: around 40% of East Germans do not currently work in their place of residence, a similar figure to that in West Germany. In contrast to migration patterns, the number of persons commuting from West to East is still small. Less than 1% of the West German labour force commuted to work in the East in 1993.

Statistical sources:
In addition to the official government statistics, data on the labour market situation in East Germany are available from several other sources, of which two regular surveys are the most important: the *"Arbeitsmarktmonitor für die neuen Bundesländer"* (Labour market monitor for the new federal states) and the *"Sozioökonomische Panel"* (Socio-economic panel). The Monitor is a representative, repeated survey conducted by *Infratest Sozialforschung*, commissioned by the Federal Labour Office, the aim of which is to observe the East German labour market continuously over time. The Socio-economic panel (SOEP) is a repeated survey conducted annually by the German Institute for Economic research (DIW) since 1984 in the old, and since 1990 also in the new federal states. In order to ensure comparability, this report is based primarily on SOEP data.

It is as yet unclear whether commuting represents merely a "preliminary stage" before finally migrating, or, rather, whether the opportunity of gaining access to paid employment by commuting restricts the potential for migration. There is considerable evidence that commuting is often followed by a change of residence to West Germany. The DIW, for instance, estimates that commuters are about seven times as likely to move to the West than other East German workers. Commuting, it seems, is often used to establish contacts, to survey a particular environment and to find accommodation, and, on the basis of a relatively secure job, to finally make the move.

Who goes West? The socio-demographic characteristics of migrants and commuters

Migrants tend to be younger than the average age of the population from

Table 1: Migration between East and West Germany, 1989-1993 (in thousands)

Year	Migrants		Net migration balance for East Germany
	from East to West	from West to East	
1989	388.4	5.1	-383.3
1990	395.3	36.2	-359.1
1991	249.7	80.3	-169.5
1992	199.2	111.3	-87.8
1993	172.4	119.0	-53.5
Total 1989-93	1,405.1	351.9	-1,053.1

Source: Federal Statistical Office.

which they come, and this is true of East German migrants to the West. According to the data derived from the SOEP, around two thirds (70%) of East-West migrants are between 16 and 40, and are thus markedly younger than the average population in both East and West Germany (table 2). They tend to have good formal educational qualifications: around 80% have a medium to high-level school qualification and have completed vocational training. Women are just as likely to migrate as men. This may be partly due to the fact that entire families move together. Thus the typical emigrant from the new federal states is either male or female, young, well-educated/trained and was – as mentioned above – frequently working as a commuter in the West prior to moving.

Relatively detailed structural data – derived from the surveys conducted within the framework of the SOEP – are also available on East-West *commuters*. It is striking to note that, in contrast to the situation at the start of the 1990s (cf. East Germany no. 2, pp. 3-4), commuters are no longer a relatively young and predominantly male group. The social structure of such commuters has largely come into line with the overall structure of East German employees and has thus "normalised". This is true not only of age structure but also of education and training (cf. table 3). The average age of East-West commuters is now 34, just below the East German average of 37.

In particular, the proportion of women among commuters rose steadily between 1991 and 1994; even so, at 32% they are still less likely to commute than men, and are also underrepresented among commuters in terms of their share of the overall labour force (45%). This is largely due to their restricted "freedom of movement", reflecting traditional role ascriptions and the associated responsibility for child-care and household duties.

Considerable differences between commuters and the structure of the East German labour force as a whole remain with regard to two characteristics. First, at 43%, skilled blue-collar workers still account for a more than proportional share of commuters, whereas qualified white-collar workers are still under-represented. It seems plausible to assume that this is linked to the economic sectors absorbing East German labour – primarily construction and industry. An additional factor is that there is little demand in the West for the know-how, largely acquired in the GDR, held by qualified East German white-collar staff. Secondly, unmarried persons are more than proportionately likely to commute; they seem readier to accept the burden of longer journey times than other employee groups.

In the wake of the rise in East German wages and salaries, the wage differential between commuters and other East German workers has narrowed sharply. In the spring of 1991 the gain to commuters amounted to almost a doubling of earned income, by 1994 the gap had narrowed to just 20%.

Where do they go? East German workers in West Germany

East German employees in West Germany are active in roughly equal proportions in the secondary (especially construction and industry) and tertiary (trade, transport, hotel and catering, hairdressers and body care services) sectors. The vast majority of them work in small and medium-sized firms with less than 50 employees.

Very few differentiated and up-to-date analyses of the regional distribution of East German labour in West Germany are as yet available. According to an earlier study by the Institute for Employment Research at the Federal Labour Office (IAB), at the end of 1991 migrants and commuters were concentrated in the employment-office districts along the border to the former GDR, an area which tends to be structurally weak in economic terms. A second group of favoured destinations was the so far prosperous labour market regions in the South of the country (Bavaria, southern Hesse and Baden-Württemberg) and the large metropolitan cities, such as Munich, Nuremberg, Stuttgart and Hamburg. Clearly, choice of employment area is selective and is made with reference to the state of the labour market in each area.

Incidentally, the majority of East-West commuters are no longer particularly long-distance commuters. In 1991 an average distance to work of 59 km was accepted; by 1994 this had fallen to 29 km. This trend is particularly evident in West Berlin, which has become the "commuter capital". More than half (52%) of East-West commuters, primarily from East Berlin and Brandenburg, were working in the western half of the city in 1994.

Impact on West German labour markets

Adding together the 0.5 million East-West commuters and the economically active (approx. 70%) of the 1.4 million migrants from East Germany, it is evident that by the end of 1993 East German labour added a total of approx. 1.5 million (or around 5%) to the potential West German labour force. On the other hand, West-East commuters and migrants have reduced the supply available to the West German labour market by just under half a million. In other words, the opening of the border has led to an increase in the West German labour force potential of something in excess of one million.

During the economic boom of 1990/91 East German labour initially encountered a West German labour market with great absorption power: between 1989 and 1992 the level of employment in West Germany rose by 1.8 million; a considerable proportion of this increase was to the benefit of immigrant and commuting East German labour. Thus East German workers were indeed among the beneficiaries of the "Unification Boom" in West Germany that had been initiated by the demand of East German citizens for western goods and services; not, however, those workers that looked for work in the East, but rather those workers who left for the West.

It is a matter of controversy whether the expansion of employment in West Germany between 1989 and 1992 was made possible by the influx of East German labour – because the additional demand for skilled workers would otherwise soon have led to bottlenecks on the western labour market – or whether the employment of East German labour in West Germany was largely at the cost of the displacement of West German employees. The available evidence suggests that both hypotheses are partially correct. On the one hand some areas of the West German economy were suffering from a shortage of skilled labour as early as 1989, so that it would scarcely have been possible to expand employment without the additional labour from East Germany. On the other hand, data from a number of West German regional labour markets show that in some areas the employment of East German labour was very largely at the cost of reduced employment opportunities for West German and foreign workers. In many structurally weak areas along the former border with the GDR, for example, the influx of

Table 2: Socio-demographic Characteristics of East-West Migrants (percentage shares)

	East-West migrants	For comparison: structure of East German resident population
Male	47	47
Female	53	53
Age		
16-30	34	24
31-40	36	21
41-50	17	14
51-64	10	23
65 and older	3	18
Marital status		
married	69	62
single	23	22
divorced	6	7
widowed	2	9
School education		
low	19	38
medium	65	48
high	16	14
Vocational training		
none	15	15
vocational training	79	76
higher education diploma	6	9

Source: DIW, Socio-economic panel. The data are based on a sample of 423 persons (aged 16 or over) who migrated from East to West Germany between 1981 and 1993; 89% moved to the West between 1989 and 1993.

Table 3: Socio-demographic Characteristics of East-West Commuters (percentage shares)

	Commuters		For comparison: structure of East German employment (1994)
	1991	1994	
Male	83	68	55
Female	17	32	45
Age			
17-25	28	23	17
26-35	39	32	32
36-45	23	28	25
46-55	10	15	23
56-65	0	2	3
Average age (years)	32	34	37
Marital status			
married	63	61	69
single	31	36	24
divorced	5	3	6
widowed	1	0	1
School education			
low	13	23	25
medium	70	60	59
high	17	17	16
Vocational training			
none	9	7	7
vocational training	82	79	85
higher education diploma	8	14	11
Occupational position			
trainee	5	10	7
unskilled/semi-skilled blue-collar	22	10	10
skilled blue-collar	42	43	29
low-level white-collar	10	11	11
medium-level white-collar	11	13	21
high-level white-collar	7	8	12
Earned income (DM per month)			
gross	2,800	3,200	2,800
net	2,000	2,200	1,900

Source: DIW, Socio-economic panel.

East German labour – which expanded the region's labour supply by 10 to 20% – was associated both with a marked expansion of employment, but also, contrary to the overall West German trend, with a substantial rise in unemployment. Such a constellation points to displacement processes. At sectoral level, similar effects can be observed for the period from 1989 to the end of 1991 in a number of West German branches, in which the influx of East German labour was greater than the overall employment gain: this is particularly true of agriculture, the basic-good sector, electrical engineering, food, drink and tobacco, agency employment services, household and leisure services, and hotel and catering. After the end of the "Unification Boom" and of employment growth in 1992, the power of the West German labour market as a whole to absorb East German labour declined sharply during the 1993/94 recession. Given the lack of up-to-date data, it is not yet possible to determine whether, as many have feared, this has exacerbated competitive pressure and displacement between East and West German workers.

Berlin: The commuter capital

The impact of East-West mobility on West German labour markets is particularly striking in the case of West Berlin (cf. East Germany, no. 8, pp. 10-12). It is here that the main commuter movement from East to West is concentrated: half of the East German commuters work in West Berlin; one in five of the West Berlin workforce (of approx. one million) lives in East Berlin or the city's Brandenburg *hinterland*. Compared with the number of commuters, the number of East German "immigrants" in West Berlin is relatively small, as the relatively good transport infrastructure and the reasonably short distances involved make it possible to live in the East and work in the West – and thus avoid the higher housing rents charged in the western half of the city. The approx. 200,000 commuters from the East have offered the West Berlin labour market a vast potential of young, mobile and skilled workers since 1989/90. This potential has been steadily expanded by the wide-ranging, publicly financed further training measures for East Germany, and has been extensively used by employers. Unskilled and otherwise disadvantaged labour in the western half of the city (which is treated by labour market policy as part of West Germany, and thus benefits to a far lesser extent

Table 4: West Berlin: Change in Unemployment among Selected Groups

	Change in the number of registered unemployed between Sept. 1989 and Sept. 1993
Foreigners	+85.7%
Elderly (over 55)	+70.2%
Persons lacking a vocational qualification	+48.9%
Unskilled and semi-skilled blue-collar	+53.2%
Persons with career interruption(s) or no work experience	+85.7%
For comparison: all unemployed	+41.3%

Source: Federal Labour Office; calculations by the editors.

from publicly financed further training measures than East Germany) have found it more difficult than previously to hold their own on the labour market.

The result of the inevitable displacement process, one exacerbated by the East-West differences in labour market policy, has left its mark on the West Berlin unemployment statistics. Despite the fact that between 1989 and 1992 the western half of the city profited to a disproportionate extent from the "Unification Boom", experiencing an unprecedented employment expansion, unemployment among the West Berlin population rose over the same period, contrary to the West German trend, by around 27,000; this reflects the fact that the influx of commuters (approx. 180,000) was even greater than the growth of employment (approx. 125,000). At 14%, the unemployment rate in the western half of the city is now significantly higher than in East Berlin (12%), and only slightly lower than in the state of Brandenburg; it is 50% higher than the unemployment rate in West Germany.

Foreigners – who are largely low skill – are the group which has lost out to perhaps the greatest extent on the West Berlin labour market: since 1989 their unemployment rate has risen twice as fast as the West Berlin average. Unemployment has also risen since 1989 to an above-average degree among older workers and those lacking a vocational qualification and without continuous work experience (cf. table 4). Thus the fall of the Wall and the massive supply-side pressure have led to a deterioration in labour market chances, particularly for those who, due to their lack of vocational qualifications and work experience, or relatively low productivity are least their competitive in labour market terms.

Prospects

The mass exodus from the new federal states to West Germany that many observers had initially feared has not occurred. Although since 1989 East Germany has lost around 9% of its population due to the outward migration of 1.4 million people, the number of emigrants has been falling continually since 1991; moreover, increasingly it is being compensated by migration in the opposite direction. Thus, to some extent at least, mobility between East and West Germany is approaching a state that can be termed "normal". This is reflected in the facts, among others, that the distances to work travelled by East German commuters working in the West have shortened significantly and that the socio-demographic structure of such commuters does not differ significantly from that of the other East German workers. What does give cause for concern, however, is the fact that it is primarily young and skilled workers that have left East Germany, although it is precisely such people that are needed for the reconstruction process there.

The gradual process of "growing together" of the labour markets is also shown by the displacement of less highly skilled and productive West German workers by East Germans working in the West. In a unified labour market such displacement processes are nothing unusual, although they do mean that unemployment is increasingly concentrated among low-skill and low-productivity workers. Solving the problem of such "hard core" unemployment will require additional efforts by labour market policy.

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PORTRAIT

Very Few Foreign Workers in the New Federal States

Far fewer foreign nationals live and work in East Germany than in West Germany. In 1993 foreigners accounted for just 1.4% (222,000) of the population of the new federal states (including East Berlin), compared with around 10% (6.5 million) in West Germany. The proportion of foreign nationals in the East German labour force is of a similar order of magnitude: according to the microcensus conducted by the Federal Statistical Office, in 1993 just 105,000 foreigners were in employment in the new federal states (1.7% of total employment). Among employees paying social insurance contributions (which excludes the self-employed and employees on low earnings) the Federal Labour Office registered just 35,000 to 40,000 foreigners in the same year.

Foreigners constituted a very small proportion of the population of the GDR (1989: 1.2%; approx. 191,000): the largest groups of foreign nationals were the Vietnamese (31%) and Poles (27%), followed by Mozambicans, Soviet citizens and Hungarians. The employment of foreign workers was subject to strict regulations and restrictions. This applied in particular to the so-called contract workers (*Vertragsarbeitnehmer*) recruited by the GDR collectively on the basis of secret bilateral treaties. The GDR's notorious labour shortage induced the leadership, especially in the 1970s and the 1980s, to resort increasingly to foreign labour in order to raise economic performance levels in spite of stagnant productivity. Foreign workers played a very low-key role in GDR public life; most lived in residential homes or in separate apartment blocks and were not allowed to organise. They worked almost exclusively in the industrial sector, and were concentrated in a small number of branches, such as light industry, automobiles, chemical fibre and tyre production. Of the foreign nationals residing in the GDR only around 30% were female, due to the preference for recruiting male workers and the very limited possibilities for families to join those working.

For the majority of foreign employees the end of the GDR meant the loss of their job and the – not always voluntary – return to their country of origin. The agreements pertaining to the use of foreign labour reached by the GDR were not honoured by the Federal Republic of Germany; in 1990/91 most of the industrial jobs held by foreign nationals were shed and the workers recruited were not offered the prospect of an extended stay in Germany. Consequently, shortly after the fall of the Berlin Wall more than two thirds of the more than 90,000 foreign contract workers returned to their country of origin. By the end of 1990 just 28,000 such workers still remained in East Germany, the vast majority of them (21,000) were Vietnamese. Some of these persons requested political asylum, but this was mostly refused. In 1993 Germany's state interior ministers decided to grant the remaining 19,000 former contract workers (of which just under 17,000 were Vietnamese) a fixed-term residence permit provided they had found work by April 1994 and had committed no criminal offence. However, even those Vietnamese that did not fulfil these conditions and which remained in Germany illegally (or at best with tacit permission from the authorities) could not return to their home country as Vietnam refused to accept them. Only very recently – parallel to the resumption of German development aid for Vietnam – have negotiations begun between Germany and Vietnam on an agreement facilitating the return of Vietnamese citizens.

Foreigners in East Germany (excl. Berlin) by Nationality, end 1992 (in thousands)

Nationality	
Romania	39.4
Poland	25.2
Bulgaria	16.7
former USSR	12.7
Hungary	10.4
former Yugoslavia	8.5
former Czechoslovakia	3.8
Turkey	2.0
Asia (especially Vietnam)	30.1
Africa	22.0
Other	11.7
Total	182.5

Source: Central Register of Foreign Nationals: Federal Labour Office.

In the wake of the return of the majority of contract workers to their country of origin the number of foreigners in East Germany as a proportion of the population declined between 1989 and 1991 by about a third to 0.8%; since then it has risen only gradually to 1.4%. This increase is largely due to asylum seekers who, on the basis of a system operating throughout Germany, are distributed amongst the federal states. Immigration from the traditional recruiting countries of the Federal Republic (e.g. Turkey), on the other hand, has remained of marginal importance (cf. table). East Germany is unattractive to many foreign workers, not least due to the unfavourable labour market situation; the unemployment rate for foreigners there, at around 30%, is twice as high as that for East German citizens. The unfavourable state of the economy and the labour market, in particular, but also anti-foreigner disturbances and attacks have probably contributed to the fact that immigration figures for eastern Germany have been statistically insignificant to date. In the course of further adjustment to western conditions, the proportions of foreigners in the East German population is also likely to increase. However, as in West Germany, where the number of foreigners increased from 1.2% to 9.5% over a period of 30 years (1961-1992), such a development will take time.

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