



Kai L. Chan, PhD

IMMIGRATING INTO THE WORKFORCE

BACKGROUND

I was once a migrant in Germany. However, my status as a migrant there was highly different than those currently entering Europe. I worked as an intern at a German bank in Cologne in the summer of 2004, and again for the same bank the next summer in Frankfurt. I did these internships while I was an economics PhD student.

In Cologne I lived adjacent to the central train station, the site where the 2015-16 mass New Year's Eve sexual attacks took place. And in Frankfurt I lived behind the *Alte Oper*, again not far from the central train station. Both of these neighbourhoods have large non-ethnic German populations.

Germany is under immense stress at the moment, trying to cope with the biggest migrant movement since the end of World War II. In 2015 over one million migrants sought refuge in Germany, straining the ability of it to host and integrate a group highly different than itself.

Germans have the vestige of a dark war history and so frank discussions about the cultural, religious and ethnic backgrounds of the migrants have been muted. Indeed, dialogue of race and religion is taboo in parts of Europe; some countries even ban the tracking of socio-demographic data by race. It is within this context – and a fear of stoking racial tensions – that some media have shied away from covering illicit activities perpetrated by persons of migrant background. This was the case in Cologne, where the attacks transpired with little mention by traditional media until it blew up on social media and could no longer be ignored. Similar stories of aggressive migrant behaviour and media disinterest have been reported throughout Europe.

Because of the social and political climate, conversations in Germany (and Europe) on how best to handle the migrant crisis have been muddled and insincere. As such, an informed and engaged external perspective unencumbered by legacy may shed fresh insights into the complex migrant situation.

I grew up in Canada, having arrived there at age four with my family, beneficiary of Canada's generous immigration policy.¹ Canada is noted for having a points-based system to select its newcomers. My family – poor, uneducated peasants from China – would not have qualified through that channel. Rather, we were products of an alternative path – family sponsorship – by grace of an uncle with a successful small business in Toronto's Chinatown.

In addition to internships in Germany, I also studied German in Berlin, am a member of a Canadian-German professional association, have a solid network of German friends, and have a German host family (from my days as an intern) living in a small town near Frankfurt with whom I am close.

I adjusted well in my time in Germany. It was easy because I enjoy drinking beer and eating pork. This statement might seem comical, but living in Germany and having an affinity for beer and pork is not something to be understated. Indeed, I would go so far as to say that not partaking in these poses significant barriers to integration given their central roles (especially beer) in German social life.

For the past five years I have called Dubai home, where I work as a policy adviser to the UAE government. Many of the oil-rich Arab states have been criticized for not taking in refugees from Syria

¹ Ironically, Canada's immigration laws at one point were overtly racist and had imposed an outright ban on Chinese from entering the country in the early 20th century.

(and elsewhere). Yet these countries still do support initiatives to address the refugee crisis; they do so primarily through sponsoring refugee camps and offering financial aid.

Before Dubai I worked in New York City, and before that in Singapore – a city state that was born from the ashes of race riots. In short, I have been an economic migrant² for most of my adult life.

GERMANY & MIGRANTS

Germany is home to a large ethnic Turkish population, the majority of whom came as guest workers that powered the post-war *Wirtschaftswunder* (miracle economy). Integration was not a concern back then. Most thought the workers would return after completing their tasks – but this did not happen. Fast forward a generation or two and cultural differences, combined with inadequate integration, have led to a situation in which there are now tensions between ethnic Germans and those of Turkish origin.

But the situation in Germany is not unique. Throughout Europe, countries are struggling to integrate their (primarily Muslim) immigrant populations. More than just differences in culture, many of the newcomers and their offspring (and their offspring) also lag in school, have lower rates of employment, have more incidents with the law, etc. Nevertheless, some immigrant groups have integrated well and sometimes even outperform the native population on standard measures of success (education, employment, etc.).³ So immigrant status, *per se*, is not necessarily an insurmountable barrier to success or integration.

Even when highlighting the challenges of integration, it needs to be noted that the majority of immigrants are good members of the community. Nevertheless, it is important to acknowledge that differences in outcomes exist, and that they are especially acute for immigrants of Muslim background. However, what should inform the discussion is the trend of the observations, rather than the outliers.

Discussions regarding the integration of immigrants, whether intentionally or by laziness, have treated them as a homogeneous group when, in fact, the histories across cultures are varied. Treating all minorities as some faceless mass without acknowledging their unique characteristics and experiences is foolish at best and negligent at worst. Indeed, the folly of such a simple lens is to believe that someone with her head in the oven and feet in the freezer is, on average, comfortable.

Ultimately it is not possible to treat a problem if it not diagnosed. In that vein, details of the socio-economic and ethno-cultural characteristics of the migrants seeking entry in Europe are crucial.

Table 1 below is an assessment of some vital characteristics of the migrants who have streamed into Europe from January 2008 through May 2016 (almost 8 and 1/2 years). Characteristics are calculated as the weighted averages based on the national origins of the population.⁴ These qualities are then juxtaposed with those prevailing in Europe and Germany.⁵

² White collar economic migrants from rich countries are more commonly referred to as "expats", although this differentiation in wording has garnered some backlash of late.

³ Dronkers, J. and M. de Haus (2012): "The educational performance of children of immigrants in sixteen OECD countries." CDP No. 10/12 *Centre for Research and Analysis of Migration*.

⁴ Field/administrative data suggest that the migrants have weaker vital characteristics than the national average, so Table 1 is likely to overstate their attributes.

⁵ National origins are based on those recorded during period Oct 2014 through Oct 2015 and then applied to the entire sample.

*Munich Economic Summit 2016 (Migration: Opportunity or Challenge?)
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 Kai L. Chan, PhD (Kai.Chan@INSEAD.edu)*

The purpose is not to dwell on differences or try to divide, but rather to highlight and quantify the gaps that exist so as to gauge the effort that needs to be applied towards absorbing the newcomers, and to assess what capacity there is for the host to integrate them.

Table 1: Vital indicators of EU and Germany juxtaposed against the migrants

VITAL INDICATOR	EU 28	GERMANY	APPLICANTS	ACCEPTED
Population	508,191,116	81,459,000	4,309,346	2,311,226
Nominal GDP (\$MM)	18,527,116	3,874,437	11,372	5,132
PPP GDP (International \$MM)	18,640,411	3,748,094	31,551	14,988
Nominal GDP/capita (\$)	36,457	41,267	2,639	2,221
PPP GDP/capita (International \$)	36,680	46,216	7,321	6,485
Mean years of schooling	11.5	13.1	6.6	5.8
WEF Gender Gap Report score	0.746	0.779	0.623	0.592
WEF Gender Gap Report rank	24	11	131	141
UN Gender Inequality Index score	0.108	0.041	0.448	0.486
UN Gender Inequality Index rank	19	3	95	108
UN Human Development Index score	0.880	0.916	0.604	0.570
UN Human Development Index rank	25	6	133	142
GMAT score (200-800)	562	567	454	440
GMAT rank	21	16	106	117
Muslim share of population (%)	3.8	3.9	75.7	84.9
Arab share of population (%)	1.1	0.6	39.1	59.9
War (% from countries at war)	n/a	n/a	52.2	74.5
Unemployment rate (%)	10.3	5.0	12.6	10.0
Youth unemployment (%)	26.0	7.6	29.2	28.4
Male share of population (%)*	48.9	49.2	77.3	77.3
Adult (15+) literacy rate (%)	99.7	100.0	74.2	72.3
Youth (15-24) literacy rate (%)	99.7	100.0	84.2	83.5
Alcohol consumption / capita (L)	11.2	11.8	3.3	1.8
Alcohol consumption / capita rank	28	23	136	154
Pork (% of meat consumed)	49.3	63.4	7.7	2.3
Fertility rate (births per woman)	1.55	1.39	3.35	3.66
Homicide rate (murders per 100,000)	1.04	0.70	4.77	4.80
Female labour force participation (%)	50.9	53.7	30.0	24.7
Male labour force participation (%)	64.7	66.4	72.9	74.6
Tolerance of ethnic minorities rank	45	30	87	92
Tolerance of gays & lesbians rank	28	21	78	74

* Share of adult population. Minors, who constitute a quarter of the migrant numbers, are also likely to be skewed male, especially as some migrants underreport their age to garner preferential treatment.

Sources: Economist, Gallup, GMAT, ILO, IMF, Martin Prosperity Institute, UIS, UNDP, UNHCR, WEF, Wikipedia, World Bank.

At over 4.3 million, the recent migrants are more numerous than any EU city, with the exception of London (which may soon no longer be the case post Brexit). If they were a nation unto themselves they would be larger than eight of the 28 EU member nations (just behind Ireland and ahead of Croatia). However, this motley crew nation would be highly dissimilar to any EU country (see Table 1).

It is also helpful to distinguish between those granted asylum and those declined – even if those rejected are not likely to leave. The overall acceptance rate is over one half (53.6%) with the highest rate for people with stateless/unknown and MENA origins. Muslims also constitute the majority of the migrant population at 85 percent of those seeking refuge and 75 percent of those granted asylum.

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Not recognizing the strains that may be caused by large-scale immigration, especially by persons of different cultures, risks fomenting backlash and sowing social divisiveness. Already there have been political movements in Europe (Brexit) and in the USA (Trump) pushing against mass immigration.

Table 2: Geographic origins of migrants and Muslim shares

REGION	APPLICANT	APPLICANT (%)	ACCEPTED	ACCEPTED (%)	ACCEPT RATE (%)	MUSLIM APPLICANT	MUSLIM ACCEPTED
MENA	475,845	38.0%	393,054	58.6%	82.6%	92.7%	92.5%
Europe	271,255	21.7%	25,185	3.8%	9.3%	50.7%	29.5%
West Asia	212,915	17.0%	109,255	16.3%	51.3%	93.0%	97.5%
Sub-Saharan Africa	194,470	15.6%	98,566	14.7%	50.7%	61.3%	61.1%
South Asia	37,940	3.0%	8,114	1.2%	21.4%	48.1%	61.8%
Stateless/unknown	36,290	2.9%	31,754	4.7%	87.5%	80.8%	80.8%
East Asia	6,765	0.5%	2,020	0.3%	29.9%	1.8%	1.8%
Latin America	6,425	0.5%	918	0.1%	14.2%	0.0%	0.1%
Central Asia	5,740	0.5%	1,087	0.2%	18.9%	52.2%	80.3%
Southeast Asia	2,805	0.2%	757	0.1%	26.9%	4.7%	3.2%
North America	140	0.0%	42	0.0%	30.0%	0.8%	0.8%
TOTAL	1,250,590	100.0%	670,752	100.0%	53.6%	75.7%	84.9%

Sources: Economist, UNHCR. Arrivals from October 2014 through October 2015.

THE CANADIAN MODEL

Canada is often put on a pedestal by Germans as a paragon for integration. Indeed, it is one of the few rich nations with a generally favourable view of immigrants⁶ and official government policy is to promote multiculturalism. Visible minorities⁷ account for roughly a quarter of the population and foreign-born persons number one in five. The country accepts over 250 thousand immigrants a year and has to date (voluntarily) taken in 30 thousand Syrian refugees – limited to families and excludes single males – as part of an electoral campaign promise by the Canadian prime minister.

Canada has been generally spared of aggressive racial/ethnic tensions (i.e. riots) that have hit many other multicultural countries. Its immigrant selection process and attractive profile allow it tap more favourable immigrants. And its history has, at least in the past, made immigrant status a secondary concern behind the primacy of language spoken (English or French).

Different countries receive different types of immigrants. This is surely part of the equation in understanding the different successes and challenges of “immigrants”. The ethnic composition of Canada’s minority population is skewed towards East and South Asians. These two groups (primarily Chinese and Indians, respectively) have generally fared well wherever they have settled. In Germany the majority migrant population is Turkish, and the majority of new migrants are Arab (and Muslim).

On measures of education and (average) household income, Canada’s minorities perform well. But the averages tend to mask distribution: Chinese- and Indo-Canadians also have high incidences of poverty.⁸ Moreover, these communities tend not to attract visibility to their problems.

However, data on the workforce are less flattering. Although visible minorities account for about 37 percent of the population of the principal business centres of the country (Vancouver, Calgary, Toronto

⁶ OECD (2010): “International migration outlook: SOPEMI 2010.”

⁷ Defined as non-white (European ancestry) and non-Aboriginal populations.

⁸ National Council of Welfare Reports (2004): “A snapshot of racialized poverty in Canada.”

and Montreal), they constitute just 6 percent of Canada's corporate appointments.⁹ Controlling for the fact that visible minorities are more likely to be immigrants, and therefore with less history in the country, does not explain the disparity between minorities and non-minorities in corporate Canada.¹⁰

A common theme in countries with a low share of minorities with good jobs is a weak pipeline of talent. However, this is not the case in Canada. The two most prominent visible minority groups – South Asians and East Asians – are actually overrepresented in higher education relative to their numbers and outperform whites on standard measures of scholastic performance.

Yet in spite of the robust pipeline, South and East Asians represent just two percent of corporate appointments apiece even as they each account for five percent of Canada's population and ten percent of the population of Canada's corporate centres. This is far short of their share of the population, and even much less than their shares when controlling for those with higher education qualifications.

The Canadian case is illuminating. The majority of immigrants in Canada come with high qualifications because of the country's points-based screening system for newcomers. Immigrant families in Canada also place great priority on education so that even if first-generation households struggle their offspring generally do better. Yet, in spite of their strong qualifications, and in spite of the generally accepting environment for minorities, they are conspicuously underrepresented in corporate Canada.¹¹

MIGRANT QUALIFICATIONS

Germany's shrinking population and robust economy compel it to attract people and talent. Some have suggested that there might be a migrant dividend in the form of cheap skilled labour to power the German economy. However, Table 1 (page 4) suggests that that view might be overly optimistic.

A good share of the migrants is illiterate. The average years of schooling of migrants is less than half of the level of Germans. Even conditioning on those with tertiary education, the average GMAT scores for migrants is more than 100 points (standard deviation \approx 100) below the German average.

Participation in the labour market is another area where migrant households will be stressed. Female migrants have lower levels of participation in the formal labour market. Data from similar groups in Europe suggest that the phenomenon will persist (at a lower rate) in their adopted countries.¹²

Demographic dynamics also add another challenge. Migrants tend to have larger families and thus their already smaller resources are spread even thinner. This in turn risks perpetuating a cycle of limited resources/opportunities for migrant households. It is exacerbated by low prioritization of education (compared with the majority) within these communities.

The Human Development Index and gender equality figures are also illuminating. The majority of migrants are from countries with low levels of human development. In fact, if they were a country unto

⁹ Defined as any public corporate appointment notice. Data compiled from the Globe & Mail appointment notices from the period Mar 2013 through Jun 2016.

¹⁰ One benign scenario might be that visible minorities eschew corporate employment in favour of family-run businesses or non-corporate jobs (medicine, pharmacy, etc.); or alternatively that a great number of them become expats in "familiar" markets.

¹¹ They are also underrepresented in government, elite social circles, media, etc. (Chan, 2014).

¹² "The future of the global Muslim population." *Pew Research Centre's Forum on Religion & Public Life*. Jan 2011.

themselves their peers would include Timor-Leste and Bangladesh. On gender equality (i.e. female status in society) the migrants would form a country resembling Saudi Arabia. Likewise, migrants do not come from a tradition of tolerance with respect to ethnic minorities and gays (see Table 1).

The crux here is that persons who have grown up in a particular culture will not (and perhaps cannot) change/lose their old beliefs or behaviours merely upon crossing a border. Habits, such as the ability to work with the opposite gender, or the respect for the rule of law, persist in a person in spite of their geography. Human capital acquisition comes part and parcel of being raised in a certain land which itself varies widely depending on the level of development of a country.

The migrant skills appropriate for one economy are not necessarily the same for another. A country such as the UAE, which is undertaking large-scale infrastructure developments, is less concerned about people with university degrees than it is with raw labour needed for its construction projects. Conversely, Germany is a mature economy known for its precision manufacturing. My own work on measuring the “intelligence capital” of nations (see Table 3 below) – an assessment of the intellectual environment of countries – places Germany third globally. That is, Germany is a knowledge economy where the greatest demands are for highly-skilled labour. Based on this, it seems that there is a big mismatch between the skill sets of the migrants and what Germany (and Europe) needs for its economy.

Table 3: Intelligence Capital Index (ICI)¹³ rankings

TOP-5 COUNTRIES			INTELLIGENCE CAPITAL ASPECT RANKS					
#	COUNTRY	SCORE	QUANTITY	QUALITY	AVG SKILLS	ELITE SKILLS	CREATIVITY	ATTRACT
1	USA	74.883	1	1	35	24	3	7
2	UK	64.192	22	2	8	3	16	11
3	Germany	64.179	19	3	12	10	7	9
4	Australia	63.960	2	15	7	1	17	4
5	Singapore	63.599	15	52	2	2	12	2

Source: Kai L. Chan

Language will also be another barrier for the migrants. Virtually none come from countries with a tradition or history of the German language, and just eleven percent originate from countries where a western European language (primarily English and French) is the common language of communication. In fact, amongst the applicants, the most common tongues are: Arabic (43.2%), Pashto (15.3%), Albanian (13.9%), and Persian (13.2%).¹⁴

Given the points above, it would be hard not to foresee a path where the current wave of migrants are likely to experience poor labour market outcomes. (But this is quite common, even in well-functioning immigrant nations such as Canada, although the data suggest that this may be especially problematic in Germany.) The challenge will then be for Germany to ensure that the second generation excels scholastically (education being the social equalizer) and mixes well with society. This cannot be done without enabling language skills and the forging meaningful relationships across cultures.

So what options are available for the migrants (refugees) who have legal rights to stay in Germany?

¹³ An index (maximum possible score of 100) based on 24 indicators that measure intelligence capital in the aspects of: (i) Quantity of education; (ii) Quality of education; (iii) Average cognitive skills; (iv) Elite cognitive skills; (v) Creativity and complexity of economy; and (vi) Ability to attract and retain talent.

¹⁴ Author’s calculations based on data from *The Economist* based on arrival data from Oct 2014 to Oct 2015.

Firstly, it is imperative to have migrants learn the German language at a high proficiency.

Secondly, it will require bringing up their skill levels so that they can function in a complex modern society. This entails both training for job skills as well as the soft cultural skills of living in a society with different norms and values (i.e. cultural intelligence). Teaching “European values” will be imperative.

Thirdly, it will be imperative to integrate them into the greater society, but this cannot be achieved without geographical and social integration. It behooves German policy makers to avoid the creation of ethnic enclaves that are not culturally connected to Germany. Likewise, employment should avoid placing migrants into teams that are composed primarily of people of migrant background.

Cross-country experiences also tell us that it is overly optimistic to believe that the first generation will be able to take on high-level jobs – or even integrate well: immigration is a struggle! Sobering also is the knowledge that (intergenerational) social/economic mobility is highly dependent on parental income / status,¹⁵ so the fortunes of the future generations (on average) will also likely to be stunted. Unfortunately, how to break that cycle still remains a mystery to policy makers worldwide.

SUMMARY

Data and history suggest a daunting challenge lies ahead for Germany. Past waves of similar migration point towards a path growing divisions in society if active and hard decisions are not made (which will require honest and open dialogue). Other European nations seem to have already started on the wrong path. Germany (and the international community) has an obligation to help genuine refugees (though not economic migrants), but no country has unlimited capacity. Simply opening the door to refugees with no plans for integration (into a liberal secular society) is a doomed strategy.

The Canadian model,¹⁶ on the other hand, has generally been more effective. Nevertheless, in Canada there is still a dearth of minorities to be found in elite jobs or other positions of power. Moreover, many highly qualified people end up working in jobs below their skill level, a downside of supply- versus demand-driven immigration. Even now, with the immigrant population in Canada having grown considerably in recent years, the capacity to absorb and integrate newcomers is straining. Japan on the other hand – where I have also spent a bit of time – has chosen a completely different approach, prioritizing social harmony (and ethnic homogeneity) over the economy and population decline.

The German economy needs engineers and knowledge workers to fuel its economy. The solution is not likely to come from its current influx of migrants. Rather, it will need to selectively target immigrants with the right set of work skills and social abilities to integrate. A wide open door for unrestricted immigration is not the best way for Germany to address its shrinking population or talent shortage. Priority must now be addressed on integrating those with genuine claims to abode in Germany.

¹⁵ See, for example: (i) Chetty et al. (2014): “Where is the land of opportunity?” *NBER WP No. 19843*, January 2014; (ii) OCED (2010): “A family affair: intergenerational social mobility across OECD countries.” *Economic Policy Reforms – Going for Growth*.

¹⁶ A rough guide of the Canadian model would be: (i) Selectively choosing immigrants using points-based criteria; (ii) Official policy of multiculturalism; (iii) A recognition that “a Canadian is a Canadian is a Canadian”. This, of course, within a context in which the country has a strong tradition of immigration, accommodation, and has attracted a skew of immigrants that is highly different than that which prevail elsewhere.