

EU ENLARGEMENT AND LABOUR MOBILITY

**Consequences for Labour Markets and Redistribution by the State
in Germany**

Hans-Werner Sinn

Gebhard Flaig

Martin Werding

Sonja Munz

Nicola Düll

Herbert Hofmann

Translated by

Juli Irving-Lessmann

Contents

Tables	vii
Figures	ix
Summary	xi
Introduction	1
1 Estimation of Potential Migration	4
1.1 Theoretical observations	4
1.2 Estimating the migration model	6
1.3 Projection for the migration flows and the stocks of migrants from the Central and Eastern European countries	13
1.4 Summary	19
2 Opportunities and Problems of Free Labour Mobility	21
2.1 Optimal migration without government activity	22
2.2 Effects of redistribution by the state and regulated labour markets	26
3 The Labour Markets in Germany and in the Entrant Countries	33
3.1 Labour market situation and sectoral change	34
3.1.1 The Federal Republic of Germany	34
3.1.2 Selected transformation countries	38
3.2 Qualifications	47
3.2.1 Germany	47
3.2.2 Selected transformation countries	51
3.3 Wages and Wage Structures	54
3.3.1 Wage Levels	55
3.3.2 Wage Development	57
3.3.3 Wage Structure	61
3.4 Consequences for the German labour market	64

4	Fiscal Effects of Migration	74
4.1	Fiscal effects of migration: Results of previous studies	75
4.2	Methods and Data	80
4.3	The effects of immigration on public finances in West Germany.....	86
4.3.1	Demographic and socio-economic characteristics of immigrants and Germans	86
4.3.2	Statutory Health Insurance (SHI)	91
4.3.3	Social Nursing Insurance.....	96
4.3.4	Statutory Pension Insurance (SPI).....	102
4.3.5	Unemployment Insurance.....	109
4.3.6	Revenues and Expenditures of the Government Units.....	111
4.4	The Fiscal Balance: Comparison of the Benefits and the Contributions to Financing of Immigrants.....	124
4.5	Consequences for the Inclusion of Immigrants into the Welfare State.....	126
5	Conclusions	135
5.1	Integration and transformation policy strategies	137
5.2	Ways of bringing the labour markets closer	145
5.2.1	Delayed transfer of the responsibility of the Welfare state for migrant workers	146
5.2.2	Administrative restrictions on migration in the transition period.....	149
5.2.3	Realistic possibilities for forming administrative restrictions on migration in the transition period.....	152
	References	159