

GERMANY:

HELP

WANTED

An impending labor shortage in Europe's biggest economy demands workers from Eastern Europe

By per Concordiam Staff

While much of the European Union grapples with high unemployment, spending cuts and austerity, Germany's economy, Europe's largest, has outperformed the EU average. Over the years, as corporate profits have improved and industrial production has grown, Germany has identified a shortage of information technology specialists, doctors and engineers. Among the main reasons for this shortage are an aging population and low birth rates. About 2 million skilled workers will be needed to avoid labor shortfalls that could force German companies to leave the region, resulting in the loss of billions of euros in revenue. Labor experts believe the solution lies in workers emigrating from Eastern Europe and Spain, regions that are struggling economically and are producing a surplus of skilled workers.

In May 2011, Germany opened up its labor market to the eight countries that joined the EU in 2004, ending a seven year waiting period imposed on those new members. Those Eastern Europeans are now free to work in Germany, and the German government has expressed hopes their neighbors to the east will grab the opportunity.

The number of Germans age 65 and older will increase from 16 million to 24 million by 2030, according to the Federal Statistics Office. Consequently, Germany's working age population will shrink by almost 10 percent by 2020. The number of people over the age of 80 will more than double, rising from 4.5 million to 10 million by 2050. Moreover, the birth rate in Germany is 1.38 children

per woman, far too low to keep Germany's population steady at 81 million. In fact, Germany's population is projected to drop by 17 million over the next 50 years. "Without the help of targeted immigration, we won't be able to solve this problem," Frank Jürgen Weise, head of Germany's Federal Labor Agency, said in a May 2011 Deutsche Welle article. Labor experts agree that they must obtain workers from outside of Germany.

DOORS ARE OPENING

In 2004, when Poland, the Czech Republic, Slovakia, the three Baltic States, Hungary and Slovenia joined the EU, Germany instituted the waiting period to prevent a flood of job seekers it feared would swamp its job market and then fragile economy. Since 2004, however, many skilled workers from these new EU states settled in with stable jobs and family in places like Ireland and the UK, countries that welcomed them early on, making Germany's recruitment task harder. German economists say that drawing skilled labor from other countries is the key to keeping their economy, the world's fifth largest, on track. Economists estimate that 100,000 to 400,000 workers, mainly Poles, will migrate to Germany from 2011 to 2013.

With the highest unemployment rate in the EU, Spaniards are also flocking to Germany. About 17,000 Spaniards applied for the European Commission's job exchange program in June 2011 for positions in Germany. During a trip to Spain in February 2011, German

Chancellor Angela Merkel invited young Spaniards to come to work. As a result of the rush of Spaniards now in Germany, Spanish is increasingly spoken in Berlin, but lack of proficiency in German is hurting recruitment. "A lot of them [Spaniards] want to grab a backpack and head north right away. In fact, a lot of them do—and come back, frustrated at not having found a job and not being able to communicate with German people," entrepreneur Michael Wagner said in a July 2011 *Time* magazine article.

Others are enrolling in German language classes, in both Spain and Germany, where enrollment continues to grow. Elena Ballestín is one of five Spaniards in a German language class in Berlin. She relocated to Germany a year after she graduated with a business degree and couldn't find work in Spain. She now works in a restaurant and lives in a one bedroom apartment with her boyfriend while she studies German, hoping it will land her a better job. "My parents suffer with me being away, but they think it's better than me being unemployed in Spain," she told *The Wall Street Journal*. The Spanish government is encouraging job seekers to leave and signed an agreement with the German government that encourages German companies to hire Spaniards.

STAY-AT-HOME MOMS RETURN TO WORK FORCE

Some of Germany's worker shortage can be eased by turning to its own population. EU President Jose Manuel Barroso wants stay-at-home mothers to go back to work to bolster the workforce. There are 27 million women of working age in Germany, and fewer than 40 percent have full- or part-time jobs. The EC recommends Germany take steps to create more child care centers and reduce income taxes for dual earners, the Daily Mail website reported in June 2011. Tax incentives are being explored for couples to encourage more part-time, second-income earners to take up full-time work. A white paper prepared by eight ministries for Chancellor Merkel in May 2011 said: "An estimated 1.2 million professionals could be tempted back to the workplace if the options to combine child care and work were improved." The report added that the mothers are, for the most part, highly educated and motivated.

LABOR SANCTIONS LIFTED

Strict German labor laws that have prevented some from moving to Germany are now being lifted. "Every time we decide to hire someone from outside of the EU we have to deal with so much bureaucracy and many hurdles appear along the way," German software executive Stefan Dahlke said in an August 2011 Reuters article. Before the latest revision, a company wanting to hire a foreign worker had to prove that it couldn't find someone inside the EU. Additionally, a visa would be issued only if the salary was higher than 66,000 euros (about \$94,000) annually – a figure that is more than double Germany's average annual salary. In 2010, 691

highly skilled non-EU citizens applied for permanent residency in Germany, a slim number considering how many jobs the country needs to fill, Reuters reported in August 2011. Merkel has lifted the EU membership requirement to hire doctors and engineers, arguing that shortages in these fields are especially dire. She also cut the minimum yearly salary requirement to 40,000 euros (about \$54,000).

Eastern European countries have expressed fears that Germany's gain will be their loss. They argue that losing skilled and educated workers to wealthy nations will hurt the competitiveness of their own countries. Germany's eastern neighbor Poland stands to lose the most in this regard. Poland's employer organization, Pracodawcy RP, says that Poland will lose well-educated young people to the detriment of the country's economic growth.

AIDING SOUTHEAST EUROPE

But other countries, including those in Southeast Europe, view the German connection as a plus that can ease high unemployment. For example, Bulgaria suffers from unemployment above 10 percent. Moldova, though not part of the EU, is considered Europe's poorest country, and has relied on remittances from Moldovans working abroad to stay afloat. Bulgaria and Romania, both admitted to the EU in 2007, still have another three years before labor restrictions with Austria and Germany are lifted.



THE ASSOCIATED PRESS

A German assembly line worker mounts a door at Volkswagen's Wolfsburg plant in 2011. Volkswagen and other successful companies will likely face a shortage of skilled workers as Germany's population ages.

Nevertheless, Germany offers much sought after employment opportunities for educated, unemployed workers across the EU. It especially needs skilled nurses, engineers and information systems professionals from abroad. Now that labor movement restrictions have been lifted for some of the newest EU states, Germany is hoping they will come. The gain is not Germany's alone. As the continent's dominant economy, Germany's prosperity is important for the well-being of all Europeans. □