

# Is immigration a solution to Europe's demographic problems?

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The key issue for every society with a low birth rate is whether, as one generation dies, it should be replaced by means of births in the same country or by means of immigration from abroad. It can be mathematically proven that the sum of the burdens imposed on the middle generation by the tasks of caring for the generations on either side of them – their children and their parents – is smallest at a birth rate of two children per woman. In this case, no immigration is needed in order to prevent the population from shrinking. This alone is enough to demonstrate that immigration is not the best way of solving Europe's demographic problems. However, experience shows that, in politics, straightforward mathematical proofs of this kind tend to fall on deaf ears. Those proofs will not be repeated here, therefore.<sup>1</sup> Instead, this study will focus on the arguments suggesting that increasing the birth rate is the best solution.

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1. On the mathematical proof, see: H. Birg, Demographische Stabilität und Generationengerechtigkeit statt kompensatorischer Zuwanderungen. In: ifo-Schnelldienst, No 3, 2015, p. 18-22. Also: H. Birg u. E.-J. Flöthmann, Entwicklung der Familienstrukturen und ihre Auswirkungen auf die Belastungs- bzw. Transferquotienten zwischen den Generationen. Forschungsberichte des Instituts für Bevölkerungsforschung und Sozialpolitik der Universität Bielefeld, Vol. 38, 1996, p. 44 et seq. Download: <http://pub.uni-bielefeld.de/luur/download?func=downloadFile&recordId=1785189&fileId=2314770>.

## Causes of the low birth rate and political countermeasures

Europe has a lower birth rate than any other continent.<sup>2</sup> It is important to increase it, for two very different reasons. Firstly, it is desirable to safeguard Europe's ability to exert political and economic influence in the globalisation process and in the face of international competition, and curb the adverse impact of a shrinking and ageing population. Secondly, the prime constitutional principle of any democracy – equality before the law – is breached if society becomes divided into two separate groups – one with descendants and the other without – and if those who remain childless are treated more favourably in that they enjoy the same entitlements to care despite not bringing up any children; those children's subsequent payments into State pension funds, health insurance funds and long-term care insurance schemes will be needed to enable childless people as well to receive care in old age.

As the example of Germany shows, the main cause of a low birth rate lies in the fact that, in recent decades, the proportion of people who remain childless in each annual cohort has increased from less than 10% to between one quarter (in Germany as a whole) and more than a third (in the old *Länder*). The proportion of childless people is greatest among people with high professional qualifications and lowest among the unskilled.<sup>3</sup> As the general trend towards higher levels of education is continuing from one cohort to another, the proportion of childless people is likewise constantly growing. In contrast, the birth rate among people who have any children at all has remained constant for decades; it stands at the ideal figure of around two children per woman.<sup>4</sup> For decades, the national average birth rate in Germany, aggregating the figures for people both with and without children, has been around 1.4 live births per woman. The low birth rate is due primarily to the large number of childless people in the population as a whole, and only to a lesser extent to the declining proportion of large families with three, four or more children.

The assertion that the one-child family is the typical family unit in Germany and therefore the main cause of the low birth rate is erroneous. The most common family unit is that with two children, which people generally regard as the ideal. Once people have embarked upon parenthood by having a first child, the likelihood of their having a second child and further children is relatively strong. The most effective way of raising the birth rate, therefore, is to reduce childlessness, not to increase the number of children in families that have children. It is important that political measures to increase the birth rate should be tailored to the number of children families in the target group already have. The nature and intensity of such measures should therefore also be varied, the most important group being those who are (so far) childless. This vital principle underpinning family and population policies has so far been ignored everywhere. The impact of measures taken to increase the birth rate has therefore been slight.

Childlessness is most prevalent in countries with very dynamic economies and high per capita incomes, and the birth rate is lowest there (= *demographic/economic paradox*)<sup>5</sup>. These countries pay a high price for their economic performance and productivity in the form of an erosion of their demographic fabric. In these countries, people are forced to subordinate their personal lives to the requirements of the labour market, initially by deferring fulfilment of the wish to have children, and, beyond a certain age, completely abandoning the idea of doing so. In Germany and Austria, the result has ultimately been that, for many people, the wish to have children does not even develop and a life without children is regarded as normal.

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2 United Nations Population Division. World Population Prospects: The 2015 Revision, Key Findings and Advance Tables.

3 H. Birg, *Die alternde Republik und das Versagen der Politik – eine demographische Prognose*. Münster, Berlin 2015, p. 50.

4 Statistisches Bundesamt (Hrsg.), *Geburtenantrends und Familienstatus in Deutschland*, Wiesbaden 2013, Tables 1.3 and A1.

5 H. Birg, *Die demographische Zeitenwende – der Bevölkerungsrückgang in Deutschland und Europa*. 4th edition, Munich 2005, p. 42 et seq.

The economic virtues of a high degree of professional mobility and flexibility, which are expected of people, are at odds with the needs of people starting a family. They undermine people's willingness and ability to enter into long-term personal commitments in the form of attachment to a partner and assumption of lifelong parental responsibility for children – virtues which reduce people's competitiveness on the labour market.

In order to ease the tensions between the requirements of the economy, on the one hand, and the preconditions for starting a family, on the other, economic policy and population policy should be brought more closely into line by introducing a new principle: whenever a job vacancy is filled, if two candidates are equally well qualified, priority should be given to the one who has family responsibilities. An approach of this kind does not conflict with the constitutional principle of equal treatment, because that does not require everyone, but only those whose circumstances are the same, to be treated uniformly, while those whose circumstances differ may be treated differently.

Any family policy measure to increase the birth rate will as a rule have a different impact on people depending on whether or not they have children. The writer has empirically analysed the impact of the childcare allowance introduced in Germany in 1986 and the impact of the recognition of child-raising periods in parents' pension schemes on the birth rate among women in certain annual cohorts and concluded that: (1) The impact of these measures on the birth rate was greater the more children the women in question already had. (2) The impact lasted for only a few years, after which it could no longer be empirically demonstrated. (3) Among childless women (and men), the measures had absolutely no demonstrable impact on the likelihood that they would embark upon parenthood by having a first child.

In general, people come to take new family policy measures for granted within only a few years: their impact has been only brief in every country where this has been researched. In the former GDR, which in the first half of the 1970s introduced a series of measures to raise the birth rate, the birth rate per woman initially rose rapidly, but then in the 1980s fell back to its previous level. Similar schemes in other countries in the former Eastern Bloc and in Western European countries have produced similar results.

Among women with children, the birth rate in all cohorts is around two per woman, which, as stated, is the ideal figure. The polarisation of the population into two groups – those with and those without children – is particularly marked in Germany and is becoming even more so. This is the main reason why the mean birth rate for the population as a whole is significantly lower than for example in France, where lifelong childlessness is only about half as prevalent as in Germany.

### Political failure

In all likelihood, the trend towards lifelong childlessness will continue, because its cause – the incompatibility of economic virtues with family values – will persist in future and even become more marked. The division of society into two groups, one with children and one without, will become more marked as a result. The associated unconstitutional injustice experienced by families with children because of the privileges accorded to childless people in the pension, health insurance and care insurance systems, which are funded on a pay-as-you-go basis, is in danger of assuming proportions which will jeopardise social stability and discredit demography as the basis of shared life in society.

**Summarising the findings, the conclusion has to be that the main reason for the low birth rate per woman in Germany lies in the high proportion of women who have remained childless for life – around one quarter to one third – among the younger cohorts since 1965.**

This catastrophic demographic trend is ignored by politicians in Germany, although the Federal Constitutional Court has called, in several judgments, in particularly that of 2001 on long-term care insurance, for the privileges enjoyed by the childless to be ended by means of an overhaul of the entire system of statutory social insurance. Given the extent of the reforms required, the Court set 2004 as the deadline for their completion. By means of this judgment, the highest German court not only cleared the way for social justice for families with children to be restored, but, as a result, also created the preconditions for a return to a higher birth rate. So far, however, politicians have irresponsibly spurned this historic opportunity by ignoring the judgment.

In a further extremely important court case in the autumn of 2015, the Federal Social Court in Kassel was asked to rule on the issue of whether families with children enjoy such great advantages over childless people in the statutory health insurance system, because their children are insured together with them contribution-free, that compensation for the financial burdens of bringing up children in the form of reduced contributions is not justified. In its judgment of 30 September 2015, the Federal Social Court dismissed the application for such compensation. This was a spectacularly misguided judgement,<sup>6</sup> for the following reasons:

- Families do not derive any advantage at all over childless people from the free insurance of their children under the statutory health insurance system, because their children's free health care benefits all children, including those who will later themselves remain childless.
- Per capita expenditure on healthcare for older people is around 10 times<sup>7</sup> higher than that on young people, and older people's contributions to the statutory health insurance scheme do not by any means cover the expenditure incurred in providing them with healthcare. The shortfall is made up by the contributions and tax paid by younger adults, in other words by the descendants of those people who have brought up children, children who subsequently go on to pay contributions. In this way, people who have remained childless benefit in old age from the generosity of contributors to the cost of whose upbringing they themselves have not contributed. The fact that childless people are required to pay higher rates of tax is of less importance, as parents are also disadvantaged by the pensions and long-term care insurance schemes.<sup>8</sup>
- As in the case of the free statutory health insurance of children, the following point is generally overlooked when comparing the situations of people with and without children: even if some children will themselves remain childless in later life, everybody benefits from the measures to promote families during their own childhood, as has been illustrated here, taking health insurance as an example. Yet the 'billions' allocated to supporting families are customarily seen as benefiting only families, not childless people, although when the latter were children themselves they benefited in the same way from measures to promote families, even if they have subsequently had no children themselves.
- If this simple point is taken into account, the sum of €200 billion which is bandied about in public as being the annual amount spent on subsidising families, and as supposedly only benefiting families and not childless people, is shown to be illusory. In any case, the

6 Report of the 12<sup>th</sup> Division of the Federal Social Court on its sitting of 30 September 2015. Published by the Press Office of the Federal Social Court, Terminbericht Nr. 42/15, 1.10.2015.

7 F. Niehaus, Auswirkungen des Alters auf die Gesundheitsausgaben, Wissenschaftliches Institut der Privaten Krankenkassen (Version2), 2006. Idem, Die Situation der Familien in der Gesetzlichen Krankenversicherung. Address at conference of the Catholic Family Association, Mannheim 23.3.2013.

8 On the disadvantages suffered by families with children, for example in the statutory pension scheme, see M. Werding, Familien in der gesetzlichen Rentenversicherung: Das Umlageverfahren auf dem Prüfstand. Bertelsmann Stiftung, Gütersloh 2015.



sum of €200 billion per annum is far too high, as even the Ministry for the Family, which was responsible for publicising this figure, has admitted.<sup>9</sup>

Firstly, the birth rate needs to be around two children per woman. If, as has been the case in Germany for decades, the birth rate is 1.4, the pensions system can no longer function, because there are fewer and fewer contributors and more and more pensioners. Secondly, if the number of children per woman is only on average two, and some people have children while others do not, then although the first condition is met, i.e. the numbers of contributors and pensioners remain roughly the same, and the pensions system remains functional, the objective of fairness is not achieved, however, because when people who do not have children grow old, they have to be supported by other people's children. The higher taxes paid by childless people, and the fact that many people remain childless voluntarily while others do so against their will, as a result of setbacks in their lives, are irrelevant to this argument. The same applies to health and long-term care insurance.

**The German 'pay-as-you-go' statutory pensions system would be not only the most stable and secure, but also the fairest, pensions system if the following two conditions were met.**

### Consequences of political failure

Germany's political class continues to ignore the call made by the Federal Constitutional Court urging a thorough overhaul of the entire pensions and health and long-term care insurance system. In so doing, it is standing in the way not only of the restoration of social justice through the elimination of the privileges enjoyed by childless people, but also of the re-establishment of a stable demographic base for society. Presumably, politicians are perfectly aware of this fact; they have a different reason for acting as they do: Germany uses immigration to offset the shortfall in domestic births. For decades, the number of immigrants entering Germany each year has exceeded the annual birth rate in the country. Yet the immigrants likewise have a birth rate of less than two children per woman, so that without constant fresh arrivals their numbers too would dwindle. In recent decades, Germany has become increasingly dependent on immigration, and politicians no longer even have the option of deciding whether Germany should be a country of immigration or not. At the same time, all the parties represented in the Bundestag categorically reject any kind of measure to promote the birth rate, for fear of their population policy being likened to that of the National Socialists.<sup>10</sup> But this approach will not make the problem go away, because demographic trends are influenced not only by political decisions, but also by a refusal to take the decisions required.

In Germany, a 'population policy' reminiscent of the Nazi era is out of the question. Assertions of this kind ignore reality and serve only as a deterrent to measures to raise the birth rate. But the question remains: should the Federal Republic of Germany forgo any form of population policy for ever and thus surrender a decisive means of shaping its future? Should society accept that the memory of the evils of the Nazi era is still powerful enough

<sup>9</sup> The German Family Association has shown in a study that three quarters of the 200 billion does not promote the family as such. This is even acknowledged by the Ministry for the Family: 'According to the Ministry's calculations, only €55.4 billion – so a little over a quarter of the overall package – comprises support for the family in the narrower sense'. In: Deutscher Familienverband (Hrsg.), „Was steckt hinter den Fördermilliarden für Familien?“, Berlin 2014, p. 2. [www.deutscher-familienverband.de](http://www.deutscher-familienverband.de).

<sup>10</sup> An example of this is the policy statement by the former Prime Minister of the Land of North Rhine-Westphalia marking the setting-up of the Institute for Demographic Research and Social Policy of the University of Bielefeld: 'The State has no business sticking its nose into the bedroom'. Landtag Nordrhein-Westfalen (1979) Drucksache 8/5110, 29.10.1979. Reply of the Regional Government to Question No 22 put to it by the CDU Group, Drucksache 8/3922.

to paralyse political action and rule out the pursuit of a lasting population policy which goes to the root of the problems in question? The impact of a policy which takes the form of a refusal to take political action is not harmful to Germany alone. As GNP grows more slowly, for demographic reasons, economic potential which could have been used to support other countries through development policy is also lost.

In her most recent New Year's address, Federal Chancellor Angela Merkel devoted only a single sentence to the subject of immigration, asserting that we all stood to gain from it. That is manifestly false: there are both winners and losers from immigration. Businesspeople benefit from the availability of cheap labour, but for the many unskilled workers, a category to which most of the migrants living here also belong, immigration is harmful because it depresses wages and endangers jobs.<sup>11</sup>

This can be demonstrated by a simple argument. Let us assume that a country like Germany aims to achieve a high level of per capita GNP, because this will guarantee a high level of consumption and because the public funding required to maintain a good infrastructure will then also be available. In this situation, and regardless of the circumstances, high per capita GNP is more favourable than a high level of absolute GNP, which can be achieved by means of a high immigration rate. In a thought experiment, let us

### **Other advanced countries in Europe benefit just as little from immigration as Germany does.**

suppose that Germany's population is divided between two large *Länder*, X and Y, and that Land X contains all the non-migrants and Land Y all the migrants. In a study commissioned by the Bertelsmann Foundation, Holger Bonin (Zentrum für Europäische Wirtschaftsforschung GmbH, Mannheim) confirmed the known fact that the foreign population '... in comparison with the German population has significantly lower employment rates and income and claims more transfer payments'.<sup>12</sup>

(a) This means that the per capita income of Land Y is less than that of Land X, and that the per capita income of Germany as a whole (X plus Y) falls as the proportion of the overall population accounted for by immigrants increases. (b) What about the respective growth rates of the per capita incomes of *Länder* X and Y? The growth rate of a quotient such as per capita income is always equal to the growth rate of the numerator less the growth rate of the denominator: the growth rate of per capita income = the growth rate of GNP less the growth rate of the population. The German population in Land X is shrinking because of its birth gap, and its growth rate is negative. If, for example, the GNP of Land X increases by 1.5% per annum while the population falls by 0.5% per annum, per capita income in Land X will increase by 2.0% per annum.

Each year, the foreign population of Land Y grows as a result of fresh immigration and because births exceed deaths: the explanation lies in its young age structure, which counterbalances its now likewise low birth rate. Even if the GNP of Land Y (despite the substantially lower skill levels of its population) were likewise to grow at 1.5%, as in Land X, then the growth rate of the per capita income of Land Y, with a population growth rate of 0.5% for example, would be only 1.0%, just half as much as that of Land X. Even in the unlikely eventuality of the growth rate of the GNP of Land Y being higher than that of Land X, because of its population growth, for example 2.0% rather than 1.5%, the growth rate of its per capita income would be less than in Land X: in this case it would be 1.5%. This means that, the more immigrants Germany admits, the lower the level and growth rate of per capita

11 Hans-Werner Sinn, Ökonomische Effekte der Migration. Frankfurter Allgemeine Zeitung, 29.12.2014, No 301, p. 18. Idem: Warum die Zuwanderung die Staatskasse belastet. FAZ.NET, 2.1.2015

12 Holger Bonin, Der Beitrag von Ausländern und künftiger Zuwanderung zum deutschen Staatshaushalt. [http://www.bertelsmann-stiftung.de/fileadmin/files/Projekte/28\\_Einwanderung\\_und\\_Vielfalt/Bonin\\_Beitrag\\_Zuwanderung\\_zum\\_dt\\_Staatshaushalt\\_141204\\_nm.pdf](http://www.bertelsmann-stiftung.de/fileadmin/files/Projekte/28_Einwanderung_und_Vielfalt/Bonin_Beitrag_Zuwanderung_zum_dt_Staatshaushalt_141204_nm.pdf).

income will be. The outcome is exactly the same if one assumes that in future the level of education of the immigrant population will approach that of the German population, as is posited in the Bertelsmann study.

These general arguments have been empirically confirmed by the Bertelsmann study. Holger Bonin has established that in 2012, on average, net per capita payments to the State, where individual attribution was possible and payments were individually made and received – the ‘financing contribution’ – were higher for Germans than they were for foreigners: €4 000 as against €3 300 (Bonin, p. 27).

His findings also included this: ‘If one adopts the forward-looking perspective of generational accounting, the generational balance by annual cohort is positive for substantially fewer cohorts in the foreign population than in the German population. Under status-quo conditions, foreigners born in 2012 will receive on average around €44 100 more in transfers over the course of their lives than they will pay in tax and social security contributions. By contrast, Germans born in 2012 will make a clearly positive contribution to public finances. Over the course of their lives, they will pay on average €110 800 more in taxes and social security contributions than they will receive in individually attributable transfers’ (Bonin, p. 30).

A further calculation by Bonin takes account of average per capita State spending on infrastructure and administrative services in addition to individually attributable payment flows. This too produces a disparity in favour of the Germans: ‘Over the course of its lifetime, every new-born child will generate a substantial deficit: the cohort deficit for children of foreigners is €196 000, while even for Germans the figure is €41 100. Applying this principle produces similar figures for all future generations, assuming their fiscal behaviour is the same as their parents’ and the State does not in future cut back on general public spending’ (Bonin, p. 36).

Bonin ends the summary of his findings with a surprising act of **self-censorship**, specifying how those findings should – or rather should not – be interpreted: ‘Above all, one must not infer from this that foreigners would represent a fiscal burden on Germans if a comprehensive assessment were to be made that took account of the unsustainability of current German fiscal policy’. The fact that Bonin should publish his findings and at the same time call on people to distance themselves from them is a disgraceful and unprecedented attempt to manipulate opinion, which is immediately endorsed by the Bertelsmann Foundation in the very first sentence of the foreword, which simply asserts the following: ‘**Germany benefits from immigration**’. The media obediently parrot this statement. Yet proponents of this view will not find it confirmed by the Bertelsmann study: on the contrary, the study refutes it.

**If the generational accounts are weighted according to the population structure in the initial year, then, according to Bonin the per capita financial contribution of the German population is €88 500, while that of the foreign population is €22 300** (Bonin, p. 32).

## Summary

Immigration can only halt the shrinking of European societies, but not their ageing, because ageing is primarily due to the declining numbers of young people, i.e. the low birth rate, and only to a lesser extent to rising life expectancy. The United Nations Population Division has calculated that a net total of some three and a half million younger people would have to migrate to Germany each year (!) (the figures are similar for other countries) in order to make

the ageing of the population – or more precisely the old-age dependency ratio<sup>13</sup> – a thing of the past!<sup>14</sup>

Politicians who – like former Federal President Horst Köhler<sup>15</sup> – present the demographic problem as an ‘opportunity’ or ‘solution’ to other problems or who come out in favour of immigration instead of encouraging people to have children are not only leading the country up a blind alley with their eyes wide open, they are also ensuring that the demographic problem remains unsolved, as by speaking up for immigration they distract attention from its main cause: the statutory pay-as-you-go pension, health and long-term care insurance system in Germany rewards childlessness, punishes families with children and thus reduces the birth rate to a disastrously low level. By favouring the childless section of society, it violates the supreme constitutional principle of any democracy – equality before the law,<sup>16</sup> jeopardises social stability and discredits democracy as a way of organising society.

Immigration does make it possible to address some consequences of the demographic problem, such as labour shortages in certain occupations, but it does nothing to alter the unconstitutional nature of the social security system: on the contrary, immigration causes further injustices in the migrants’ countries of origin, as the parents of migrants derive no benefit from the tax and social security contributions that their children pay in Germany. They benefit only from their remittances. At state level, no compensation is paid between the social insurance systems of countries of origin and destination. Systematic offsetting of a country’s own demographic deficits by encouraging immigration by young people from less developed countries is a kind of demographic colonialism, which undermines the cohesion of countries of destination and countries of origin inside and outside the European Union. Immigrant workers support their families by means of their remittances to their home countries, thereby propping up the countries of origin, but this is counterbalanced by immense damage, because it perpetuates the exploitation of poor countries by rich countries, and indeed promotes it. Instead of importing labour, rich countries should invest in poor countries, in order to create the jobs which are lacking there, particularly as this would be substantially more beneficial to both groups of countries in economic terms, and because the mobility of capital is far greater and generates fewer economic (and social and human) costs than the mobility of labour.

In view of the current high numbers of refugees and asylum-seekers entering the country, many people are wondering whether Germany’s demographic problem is now solved. Of course, high immigration, if it continued, could halt the shrinkage of Germany’s population or even cause it to grow, as is happening at present. But that would be no solution to our main demographic problem: in fact, it would aggravate it because of its economic, societal and social impact. Because the main problem is that in future, even with high levels of immigration of young people, the ratio between the number of old people who need to be cared for and the number of people of working age (= old-age dependency ratio) is likely to more than double,<sup>17</sup> so that our social insurance systems will become unviable and economic growth will be stifled.

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13 Old-age dependency ratio = ratio of the number of people aged over 65 to the number of people aged 15 to 64.

14 United Nations Population Division, *Replacement Migration: Is It a Solution to Declining and Ageing Populations?* New York 2011.

15 Address by Federal President Horst Köhler at the conference on demographic change on 6 December 2005 in Berlin. In: Bundespräsidialamt, press release of 6.12.2005, p. 5. It is not known why the passage cited, which appeared in the press release, was omitted from the later documentation on the address.

16 ‘Trümmerfrauenurteil’ (judgment concerning mothers born before the end of 1920) of 7.7.1992 and judgment of 3.4.2001 on care insurance.

17 This point is not only based on the size of the age groups; another important consideration is the percentage of people who are economically active within an age group (= their activity rate). As the activity rate is significantly lower among immigrants than among the indigenous population, the old-age dependency ratio adjusted in this way increases particularly steeply.



If the aim were to keep this decisive ratio constant by means of immigration by young people, then, as the United Nations Population Division has calculated for Germany, between 2000 and 2050 some 182 million more people would have to migrate to Germany than emigrate from it, or a net total of 3.6 million people per annum. It would be impossible to provide jobs for these people, and by joining the ranks of the unemployed they would create more problems than they solved. In 2015, it is likely that net immigration will number not 3.6 million but 'only' 1 to 2 million, so despite the current high rate of immigration, the gap between the number of old people to be cared for and the number of wage earners will continue to grow. In a word, the high rate of immigration will not reduce the impact of Germany's demographic problem, but possibly even exacerbate it.