INTERVIEW

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Interview: How Germany Should Manage Low-Skilled Migration into the Labor Market

Interview with Zainab Iftikhar

- German and migrant low-skilled workers need support to increase income, economists find
- Interview with Zainab Iftikhar, EPoS Economic Research Center

Bonn, Mannheim, 15.12.2025 – **Entry of large numbers of migrant workers with low skill levels into the labor market could widen the income gap among workers in Germany, economists find. They expect earnings of low-skilled workers to decrease and of high-skilled workers to rise. With adequate policy intervention, such as training programmes and support to set up small businesses, Germans and immigrants would Increase their income and the economy as a whole would benefit. These results are published in the discussion paper "Problem or opportunity? Immigration, job search, entrepreneurship and labor market outcomes of natives in Germany" by the EPoS Economic Research Center at the Universities of Bonn and Mannheim.**

Ms. Iftikhar, based on your model, you calculated that low-skilled workers are negatively affected when large numbers of migrants enter the labor market. What are the details?

Zainab Iftikhar: In our analysis, we assume that migrants arriving in Germany have no university entrance qualification, and are allowed to work immediately. Our analysis suggests that a low-skilled immigration shock similar to that between 2012 until 2017 will increase competition among low-skilled workers and push the wages of this group down by 1.2 percent. People in this group, with an average per worker gross wage of around 38400 Euros per year and 3200 Euros per month, are likely to face an annual wage decline of about 461 Euros, according to our calculations. Our calculations are based on data for the German Socio-Economic Panel (SOEP).

How about workers with a higher level of skills?

Zainab Iftikhar: Our analysis suggests that high-skilled workers could benefit from the migration wave. On average, wages in this income group may rise by about 1.4 percent. Based on an annual gross labor income of 55200 Euros, or 4600 Euros per month per worker, the migration effect would translate to a rise of about 773 Euros per year.

What would be the effect on the income gap?

Zainab Iftikhar: The gains and losses may not seem significant at the individual level. However, they may result in a larger income gap in society as a whole. With about 30 million low-skilled workers in Germany, the annual loss for this group amounts to 14 billion Euros, while the annual gains of the high-skilled group (roughly 16 million) is 12 billion Euros. We see that income is shifted from the lower to the higher income group. Such a development could fuel anti-immigrant sentiment. If policymakers want to avoid this, they should take efficient action to prevent the income gap from rising.

What can policymakers do to support the low-income group?

Zainab Iftikhar: Growing wage disparities can be tackled by government initiatives to train low-skilled native workers. At the same time, immigrants should also take part in training programs that cater to the German labor market demand. Of course, this requires language training in the first place.

Furthermore, policymakers should help both immigrants and Germans, to become self-employed or set up small businesses, for example, through low-interest loans. This will improve job opportunities for low-income workers and help to increase their incomes. The economy as a whole would benefit.

The presented discussion paper is a publication without peer review of the Collaborative Research Center Transregio 224 EPoS. Access the full discussion paper here: https://www.crctr224.de/research/discussion-papers/archive/dp714

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Established in 2018, the Collaborative Research Center Transregio 224 EPoS, a cooperation of the universities Bonn and Mannheim, is a long-term research institution funded by the German Research Foundation (Deutsche Forschungsgemeinschaft, DFG). EPoS addresses three key societal challenges: how to promote equality of opportunity; how to regulate markets in light of the internationalization and digitalization of economic activity; and how to safeguard the stability of the financial system.

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