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Forced Migration and the Effects of an Integration Policy in Post-WWII Germany*

Oliver Falck, Stephan Heblich, and Susanne Link

Abstract

After World War II, about 8 million ethnic Germans — so called expellees — were forced to leave their homelands and settle within the new borders of West Germany. Subsequently, a law (Federal Expellee Law) was introduced to foster their labor market integration. We evaluate this law by comparing the employment situation between expellees and groups of West Germans and GDR refugees over time. We define our comparison groups to uncover even small effects of the law. Still, we find no evidence that the law met its goal to foster the expellees' labor market integration.

KEYWORDS: forced migration, integration policy, Germany, post-WWII

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I. Introduction

We study the effect of an integration policy in the context of a forced mass migration that occurred in the aftermath of WWII. Significant territorial changes forced 8 million of ethnic Germans, hereafter *expellees*, to leave their homelands in East Prussia, Silesia, Pomerania, and Bohemia and settle within the new borders of West Germany (cf. Schmidt 1994). This was possibly one of the largest mass migration shocks ever experienced by a developed country in modern history. After their displacement, many expellees experienced a huge loss in status. While many of them owned real estate or were self-employed before World War II, large fractions of expellees became occupied in low skilled jobs or even unemployed.

After the Federal Republic of Germany was founded in 1949, the Federal Expellee Law (*Bundesvertriebenengesetz*) was introduced in 1953 as a reaction to the expellees' overall bad economic situation. The law aimed at improving the economic situation of the expellees. For this purpose, the law instructed public employment services to consider expellees first as long as local unemployment rates among expellees were higher than among local West Germans. Public employment services were further instructed to assist expellees in finding a job equivalent to their occupation prior to WWII and to promote self-employment and entrepreneurship in agriculture and non-agricultural sectors. Incentives for self-employment and entrepreneurship included credits at subsidized interest rates or tax credits. Moreover, short-run credits were converted into long-run credits at subsidized interest rates to support expellees who were already entrepreneurs or self-employed. Taken together, this leaves us with the following three aspects targeted by the Federal Expellee Law: (i) Transition from unemployment to employment; (ii) restitution of previous or comparable occupations in case of degradation, (iii) promotion of entrepreneurship and self-employment.

To evaluate whether the Federal Expellee Law met these goals, we exploit data from the 1971 micro census that allow us to identify and distinguish expellees from local West Germans.¹ Furthermore, the 1971 census contains a special survey that provides retrospective information about the respondents' occupation in 1939, 1950, 1960 and 1971. Put differently, we have retrospective information about the occupational status of individuals at one point before WWII, one point after WWII but before the introduction of the law, and two points after the introduction of the law. Based on this information, we create a longitudinal dataset for the period 1939 to 1971. Depending on the outcome targeted by the law, we define different comparison groups drawn from the population of local West Germans and, in the case of entrepreneurship and self-employment, from the population of refugees

¹ For a description of these data in the context of expellees, see Luettinger (1989).

from the GDR.² These refugees constitute an interesting comparison group because, similarly to the expellees, they lost their property and social contacts due to their flight. However, apart from a small group of political refugees, GDR refugees did not benefit from the law.

Our empirical analyses compare the observed occupational status of expellees and local West Germans in the years 1960 and 1971 conditional on socio-demographic characteristics. To disentangle the integration effect of the Federal Expellee law from a more general catch-up process of expellees in times of dramatic economic growth where unemployment among local West Germans was close to zero, we match expellees and local West Germans based on their economic situation in 1950.³ This approach should uncover even small effects of the law since local West Germans found themselves in a better economic situation in 1950 than expellees with similar socio-demographic characteristics. One indication is for instance that most West Germans worked in an occupation similar to the one before WWII in 1950. Those West Germans who faced – similar to the expellees – a worse economic situation in 1950 than before WWII were apparently a selective group although they resemble the expellees in their characteristics. A comparison between this group of local West Germans and the expellees may thus favour a positive effect of the law. Despite the possibility of an upward bias in our estimations, we find no evidence that the law met its defined goal to foster expellees' labor market integration.

Our research contributes to other recent papers that employ micro-level data to analyze the assimilation of individuals who were expelled from their homelands following territorial changes in the aftermath of WWII (cf. Braun et al. 2011 for Germany or Sarvimäki et al. 2011 for Finland). Specifically, we are interested in the success of an integration policy in Germany and attempt to disentangle general assimilation effects. One may question the external validity of our results arguing that this historical episode is a period of dramatic growth leaving the Federal Expellee Law with no comparable successors. By contrast, we argue that parts of the law indeed have their contemporaneous counterparts. Many active labor market policies today put emphasis on public employment services to assist unemployed workers in finding jobs and entrepreneurship policies try to alleviate financing constraints of potential entrepreneurs by granting credits at reduced interest rates and tax credits. In the meantime, evaluation studies have provided a lot of evidence on the effectiveness of public employment services (for an overview, cf. Heckman, Lalonde, and Smith 1999). However, our knowledge about the success of entrepreneurship policies is still limited. Our paper is thus not

² Before 1949, the GDR was the Soviet zone of occupation in Germany. For simplicity, we will refer to it as GDR throughout the paper.

³ There is a huge literature on the assimilation of immigrants. For an overview, see, for example, Borjas (1994 and 1999) and Pekkala Kerr and Kerr (2011).

only a piece in economic history but also contributes to other literature strands, among others on the effects of entrepreneurship policies.

The remainder of the paper is organized as follows. Section 2 provides the historical background. Section 3 introduces our data and provides descriptive statistics on the socio-demographic characteristics of expellees and their development in the labor market. In Section 4, we present estimation results on the impacts of the Federal Expellee Law on various labor market outcomes targeted by the law. Section 5 concludes.

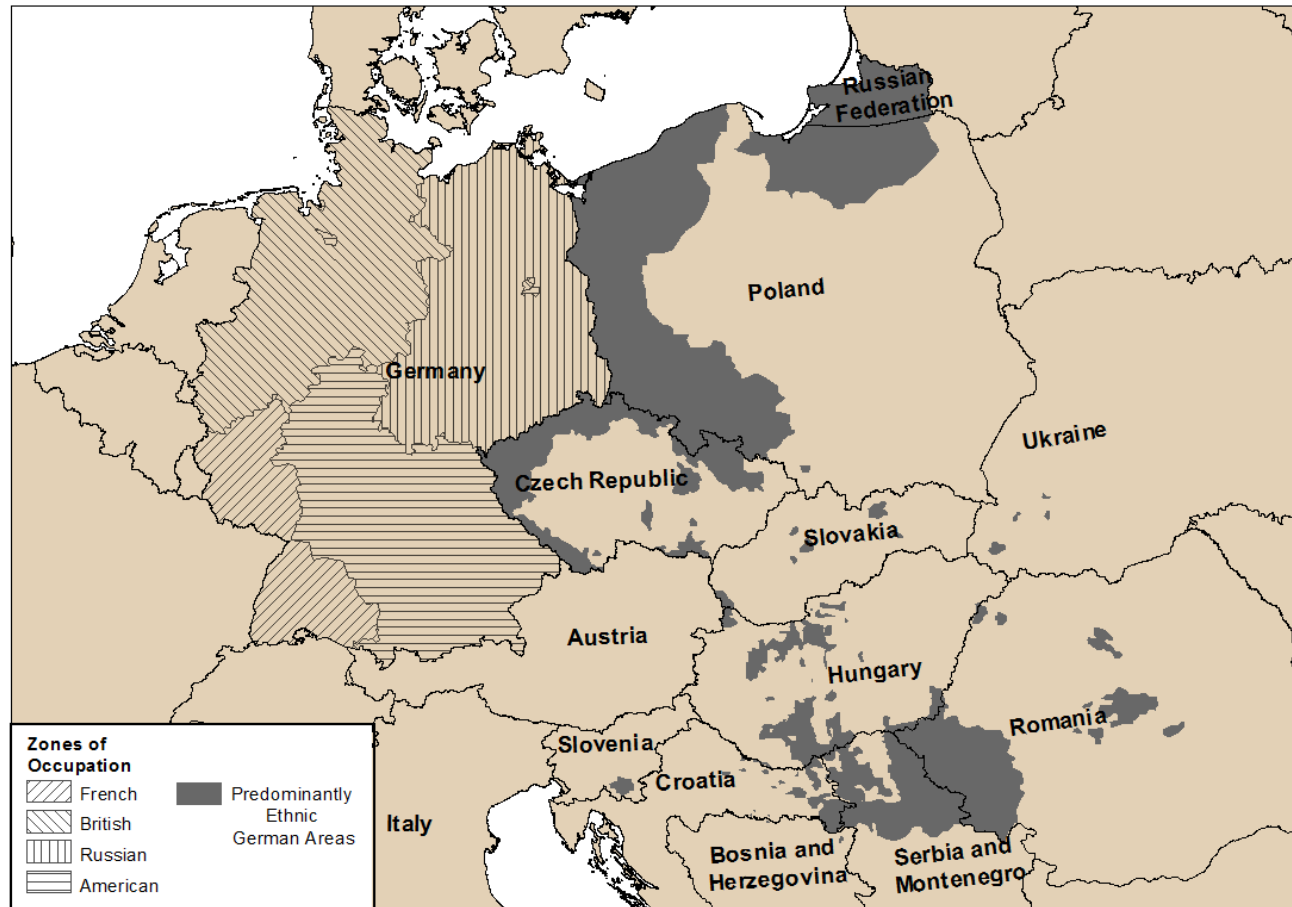
2. Historic Context

The significant territorial changes that occurred in the aftermath of WWII resulted in large migration streams across Europe. The biggest of these involved almost 8 million ethnic Germans who were forced by the Red Army and, after WWII, the Potsdam Treaty to leave their homelands, predominantly East Prussia, Pomerania, Silesia, East Brandenburg, and the Sudetenland, and settle within the new borders of West Germany. This forced mass migration affected all ethnic German individuals regardless of their social status or skill level (Bethlehem 1982; Schmidt 1994). Table 1 illustrates the distribution of expellees across West German states in absolute numbers, as a fraction of the expellee population, and as a fraction of the local West German population.

The mechanism for allocating expellees across settlement states worked as follows. In the period between the end of WWII in 1945 and the founding of the two separate German states in 1949, the allied powers divided Germany into four occupation zones. Figure 1 shows the four occupation zones along with the predominantly ethnic German areas where the expellees lived before WWII. In 1949, the French, British, and U.S. zones of occupation were merged into the Federal Republic of Germany (FRG) and the Soviet zone became the socialist German Democratic Republic (GDR). Table 1 reveals that there was an especially pronounced difference in the number of expellees in the French occupation zone compared to the other zones. This is due to the French authorities' desire to limit the number of people competing for already scarce resources (Grosser 2001). As a result, initially Rhineland-Palatine and the French-occupied areas in Baden-Württemberg received no expellees.⁴ Authorities in the other zones distributed the expellees according to a central formula based on the availability of nutrition and housing space. Since most German cities were destroyed and nutrition and housing were more plentiful in rural areas, the vast majority of expellees were settled in the countryside (cf. Brakman, Garretsen, and Schramm 2004; Grosser 2006).

⁴ Only after 1948 did authorities reallocate expellees from regions with a high number to regions with fewer, particularly to the French regions. Thus, by 1956, about 1 million expellees had been forced to relocate again.

Figure 1: Zones of occupation and predominantly ethnic German areas



Furthermore, free movement within the territory of the German Federal Republic was restricted by Allied legislation until June 1950.⁵ The economic situation of most expellees was precarious. Some of them were able to meet at least a part of their needs by working as unskilled labor in the agricultural sector, but many suffered hunger and had to beg or steal to fulfill their basic needs (Vaskovics 2002). In many regions, expellees were viewed as a burden and this was reflected in governmental restrictions on their rental contracts (Schaut 1995). Often, expellees were refused the permits necessary for starting a business. Attaining recognition of formal occupational qualifications, e.g., certificates for lawyers or doctors, was complicated (Müller 1993; Schaut 1995). There were barriers to accessing capital because banks did usually not provide credit to expellees without any collateral. As a result, in 1950, only a small fraction of expellees worked in the same field or occupation as they had in 1939 (Schaut 1995).

In 1953, the German government introduced the Federal Expellee Law (*Bundesvertriebenengesetz*) with the goal of restoring the expellees' status quo and improving their situation.⁶ The law provided official acceptance and legitimation for a wide range of occupational certificates held by expellees, including those of doctors, dentists, and craftsmen (§§ 69–71). The law instructed public employment services to first place expellees as long as local unemployment rates among expellees were higher than among local West Germans. Public employment services were further instructed to assist expellees in finding a job equivalent to their occupation prior to WWII (§§ 77-79). The law improved access to start-up capital and provided tax incentives for self-employment and entrepreneurship. Converting short-run credits to entrepreneurs and self-employed individuals into long-run credits at a subsidized interest rate was further designed to reduce exits among expellees who were already entrepreneurs or self-employed (§§ 72 and 73). The law offered better opportunities to rent state-owned property for business purposes (§ 76), and ensured that businesses run by expellees were treated preferentially when public contracts were awarded (§§ 74 and 75). Finally, the law also helped integrate those who had been farmers prior to WWII into the agriculture sector (§§ 35–68).

⁵ Unfortunately, the micro census does not provide information on the migration process of expellees after they were allocated across West Germany. However, on the basis of regional-level data from the population censuses in 1950 and 1961, we calculated the correlation coefficient of the share of expellees in 1950 and 1961 across regions. It is about 0.82 and highly significant. We conclude by this that the mobility of expellees after 1950 was rather limited.

⁶ From 1949-1969, the Federal Republic of Germany formed the "Federal Ministry for Displaced Persons, Refugees and War Victims" that was part of the West German government. It was responsible to coordinate the integration of displaced persons and refugees, care for war victims and provide compensation and initial aid. This ministry also enacted the Federal Expellee Law in 1953.

Table 1: Expellees by state in post-war Germany in 1950

State	Occupation Zone	Number of Expellees	% of Expellees	% of State Population
Bavaria	A	1,937,000	16.2	21
Lower Saxony	B	1,851,000	15.5	27
North Rhine-Westphalia	B	1,332,000	11.2	10
Baden-Württemberg	F/A	862,000	7.2	13.5
Schleswig-Holstein	B	857,000	7.2	33
Hessen	A	721,000	6	16.5
Rhineland-Palatinate	F	152,000	1.3	5
West-Berlin	A/F/B	148,000	1.2	7
Hamburg	B	116,000	1	7
Bremen	A	48,000	0.4	9
West Germany	A, B and F	8,024,000	67.2	15.75

Notes: A = American, B = British, F = French, S = Soviet. Source: Federal Statistical Office.

The eligibility requirements to benefit from these privileges were tied to the official status as an expellee (Categories A and B). This status was defined in Section 1 of the 1953 Federal Expellee Law, and defines an expellee as being either a German citizen or an ethnic German who before and/or during WWII lived within the 1917–1937 borders of eastern Germany and Austria-Hungary.⁷ In addition to expellees, political refugees from the socialist GDR (and, prior to 1949, the Soviet zone) were also covered by this law (§ 3). However, to qualify as “eligible refugees” (Category C), GDR refugees had to prove that they had suffered “a direct threat to life and limb or their personal freedom” (Ackermann 1995, p. 13).

In the empirical section of this paper, we focus on expellees in Categories A and B only, omitting from our analysis those GDR refugees (Category C) who were covered by the Federal Expellee Law. Given their political motives for leaving East Germany, GDR refugees are probably a highly distinctive group and including them in our empirical analyses could bias our estimates of the effect of the Federal Expellee Law. However, in some specifications, we will use GDR refugees who are not covered by the law as a comparison group. The GDR refugees who were not covered by the Category C of the Federal Expellee Law were looking for political freedom and economic prosperity (cf. Ackerman 1995; Heidemeyer 1994; Hoffmann 2000).⁸ Altogether, more than 2.75 million people fled East Germany to resettle in West Germany prior to construction of the Berlin Wall in 1961 and, like the expellees, the refugees from the GDR were at first centrally distributed across the federal states according to §17(1) of the 1950 provisional accommodation law (*Notaufnahmegesetz*). The provisional accommodation law granted some financial support to the GDR refugees, but it was far less extensive than that available under the Federal Expellee Law.

3. Expellees’ Socio-Demographic Characteristics and their Development in the Labor Market, 1939-1971

Our data are drawn from the German micro census 1971. The micro census consists of a 1 percent sample of the German population and provides representative cross-

⁷ Since we employ a twofold definition of expellees based on their residence in 1939 and the possession of an expellee pass, we count expellees who migrated to the GDR first and then to West Germany as expellees and not as GDR refugees.

⁸ As it became clear that Germany’s separation was permanent and that East Germany was adopting a Soviet system a first wave of GDR refugees included a large number of civil servants. In our sample, about 7 percent of GDR refugees worked in the civil service before WWII compared to 4 to 5 percent of West Germans and expellees. This is because the Soviet authorities abolished the civil service system and because the denazification was more rigorous in the GDR leaving more people who were public employees during the Nazi era without a job. Only later when it became apparent that collectivization of agriculture was imminent, did individuals working in this sector leave East Germany.

sectional statistics for the population and labor market in Germany.⁹ The micro census 1971 includes an extension (MZU 1971) that was designed to gain insight into expellees' integration into the German labor market and society. This extension is particularly interesting for our analysis because it contains detailed retrospective information on the occupation of the German population in 1939, 1950, and 1960 as well as the place of residence in 1939, home ownership in 1939, and the year of arrival within the new borders of West Germany.¹⁰ Our analyses concentrate on individuals who have finished education and transited into the labor market by 1939. All socio-demographic characteristics of the respondents stem from the year 1971. Since our sample is restricted to individuals who have finished education before 1939, the variable highest educational degree obtained is time invariant. Other characteristics like age at arrival are counted back from the 1971 information. We end up with retrospective longitudinal data ranging from 1939 to 1971. This leaves us with individual information from one point in time before displacement (1939), one point in time after displacement but before the Federal Expellee Law set in (1950) and two points in time after the law was introduced (1960 and 1971).

Our definition of expellee status is twofold. We define a person as an expellee if he or she (i) possesses a Category A or B pass and (ii) lived in the former eastern territories of the German Reich or Austria-Hungary in 1939. We only consider expellees who arrived within the new borders of Germany between 1945 and 1950 because they were forced to migrate immediately after WWII. We drop individuals who came during the Nazi regime or who voluntarily arrived after 1950 in search of economic opportunities. After excluding individuals with missing data on occupational status, our sample contains 23,183 expellees. The sample further includes 146,786 local West Germans and 2,826 GDR refugees who migrated to West Germany between 1945 and 1950, 1,896 of whom were not accepted as political refugees and not covered by the Federal Expellee Law. Our final sample consists of about 13.5 percent expellees and 1.6 percent refugees from the Soviet zone of occupation. Given an overall population of roughly 50 million in West Germany in 1950, this sample is a good representation of the population shares, i.e., the group of expellees (8 million) being about 15 percent of the West German population and the refugees from East Germany (2.75 million until the construction of the Berlin Wall in 1961; note that we look only at refugees who came to West Germany before 1951) being about 5 percent.

⁹The micro census is a random sample combining a one-stage cluster sample design with a partial rotation procedure. In each sampling district, chosen from within the territory of the Federal Republic of Germany, all households and persons are interviewed. Every year one-quarter of the sample households is replaced.

¹⁰Retrospective data always bear the risk of misreported information. However, the German micro census does only ask major occupations which make it quite likely that respondents remember correctly. Further, misreporting should not be correlated with expellee status which is the variable of interest in our analysis.

Table 2: Socio-demographic characteristics of local West Germans and expellees

	West Germans	Expellees	Expellees – West Germans
	(1)	(2)	(3)
Female	0.6038 (0.489)	0.5907 (0.492)	-0.0131*** (0.003)
Age (1939)	31.6348 (9.784)	30.8424 (9.821)	-0.792*** (0.069)
No Degree	0.0234 (0.151)	0.0302 (0.171)	0.0068*** (0.001)
Elementary School	0.6425 (0.479)	0.6580 (0.474)	0.0155*** (0.003)
Secondary School	0.2580 (0.438)	0.2391 (0.427)	-0.0189*** (0.003)
High School	0.0126 (0.112)	0.0132 (0.114)	0.0006 (0.001)
Technical School	0.0482 (0.214)	0.0446 (0.207)	-0.0036*** (0.001)
University	0.0138 (0.117)	0.0132 (0.114)	-0.0006 (0.001)
Real Estate (1939)	0.4847 (0.500)	0.5124 (0.500)	0.0278*** (0.004)
Observations	146,786	23,183	

Notes: This table provides sample means of the pre-war socio-demographic characteristics of local West Germans (Column 1) and expellees (Column 2) and the differences between the two groups (Column 3).

Table 2 provides sample means of the pre-war socio-demographic characteristics of local West Germans (Column 1) and expellees (Column 2) and the differences between the two groups (Column 3).¹¹ We find very small, although significant

¹¹ We will provide more information about the GDR refugees at a later point in the paper.

differences between local West Germans and expellees in terms of demographic characteristics like gender, age, and educational attainment.¹² Virtually all local West Germans and expellees received at least basic schooling, about 6 percent in both groups completed advanced secondary education (high school or technical school), and more than 1 percent attended university. In 1939, a larger fraction of expellees owned property compared to local West Germans.

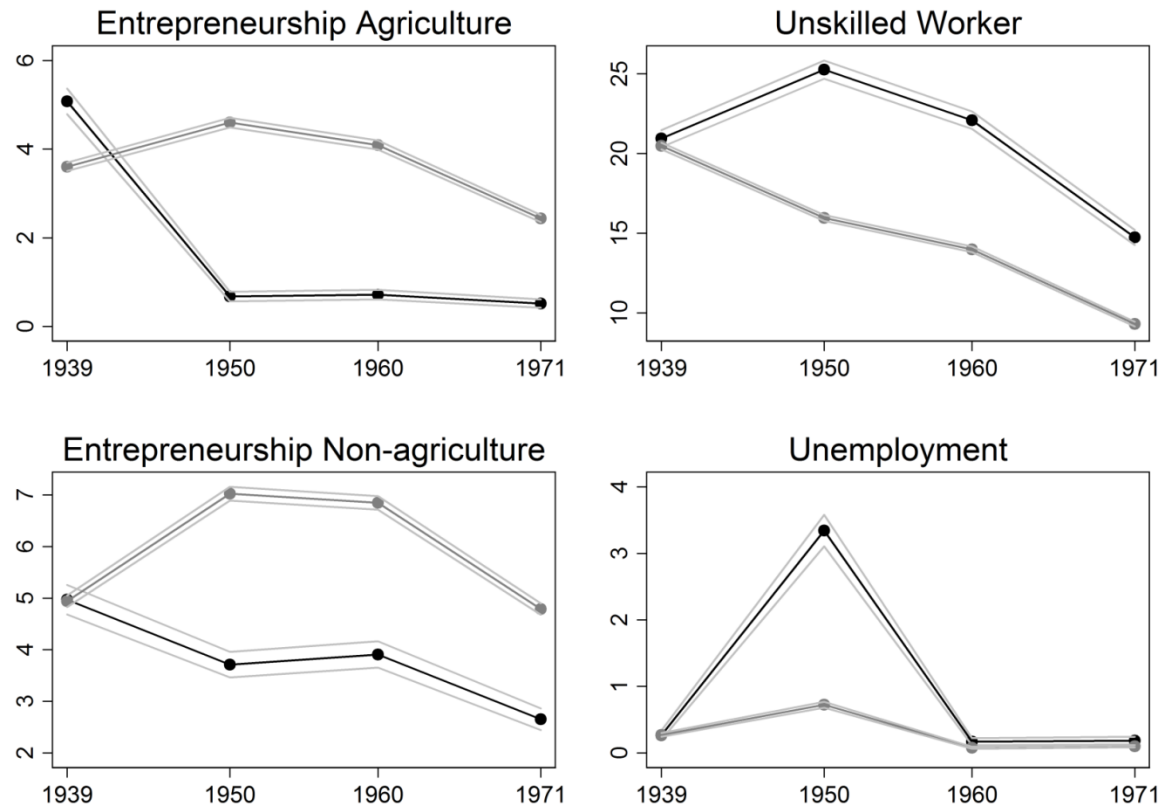
Figure 2 shows the occupational status of local West Germans and expellees before and after WWII (for more details see Table A1 in the appendix). In 1939, the expellees' occupational structure is very similar to that of local West Germans. The most important difference is that expellees were more likely to work as self-employed farmers before WWII compared to local West Germans. This might also explain the larger fraction of expellees who owned real estate and worked in a family business as compared to West Germans (see Table 2). We further observe that disproportionate numbers of expellees work in unskilled occupations after their displacement in 1950. In 1950 a smaller fraction of expellees reports to be self-employed or an entrepreneur (compared to local West Germans) and there are almost no self-employed farmers, presumably due to their loss of property. In accordance with the objectives documented in the Federal Expellee Law, we now focus on three distinct outcome categories. We construct dummy variables for each year indicating whether an individual (i) is unemployed or (ii) works in an unskilled occupation. Further, we consider if an individual is (iii) self-employed or an entrepreneur (i.e. owns a company with employees) where we distinguish between the agricultural and non-agricultural sector. We then separately estimate the following regression for all four years observed in our data to document the occupational development of the expellees compared to West Germans between 1939 and 1971.

$$Y_i = \alpha + \beta Ex_i + X_i' \gamma + \varepsilon_i \quad (1)$$

Y_i represents one of the four outcome variables on the occupational status of individual i in a given year (1939, 1950, 1960, or 1971). Ex_i is a dummy variable indicating expellee status and the matrix X_i includes socio-demographic control variables such as gender, age, education and property ownership in 1939. The coefficient of interest is β which measures the difference in the outcome variable of interest between expellees and local West Germans conditional on the observable socio-demographic characteristics.

¹² We will control for the variables in all following regressions.

Figure 2: Occupational status of local West Germans and expellees before and after WWII



Notes: Graphs show the development (within 95 percent confidence bands) of four major occupations among expellees (black) and local West Germans (grey).

Since all outcome variables are binary, β can be interpreted as mean difference between expellees' and local West Germans' probability (in percentage points) of having a certain occupational status. Table 3 reports the coefficients from a linear probability model and marginal effects from a probit model on the expellee dummy for the four outcome variables in 1939 (before the displacement took place), in 1950 (after the displacement occurred, but before the Federal Expellee Law was introduced), and in 1960 and 1971 (after the Federal Expellee Law was introduced). Both results from linear probability models and probit models are reported.¹³ In 1939, there is no difference in the conditional probability to be unemployed between expellees and local West Germans (Columns 1 and 2). After their displacement, expellees are about 2 percentage points more likely to be unemployed compared to local West Germans (Columns 3 and 4). This difference decreases in 1960 (Columns 5 and 6) and 1971 (Columns 7 and 8). These figures clearly document that expellees had trouble to find jobs in West Germany right after their displacement. However, in 1960 and 1971 the difference in conditional probabilities of being unemployed between expellees and local West Germans decreased.

Row 2 in Table 3 shows the difference in the conditional probability to work in an unskilled occupation between expellees and West Germans in 1939, 1950, 1960 and 1971. In 1939, expellees are less likely to work in an occupation that does not require special training or education (Columns 1 and 2). Similar to the expellees' increased conditional probability to be unemployed in 1950, expellees are about 8 percentage points more likely to be employed as an unskilled worker after their displacement than local West Germans (Columns 3 and 4). One reason might be that expellees' school or job certificates were not accepted in West Germany or expellees were discriminated against by local firms or employers. Over time, the difference between expellees' and local West Germans' conditional probability to be employed as an unskilled worker decreased to 5.8 to 7.2 percentage points in 1960 (Columns 5 and 6) and 2.7 to 4.5 percentage points in 1971 (Columns 7 and 8).

Regarding self-employment and entrepreneurship in the non-agricultural sector there are no significant differences between expellees and West Germans in 1939. However, after their displacement, expellees are 3.3 and 3.4 percentage points less likely to be self-employed or entrepreneur in the non-agricultural sector than local West Germans (Columns 3 and 4). Again, this difference gets absolutely smaller over time. The pattern for self-employed farmers looks slightly different. In 1939, expellees are 1.3 and 0.6 percentage points more likely to be self-employed in the agricultural sector (Columns 1 and 2). After their displacement, the coefficient turns negative and again gets absolutely smaller over time.

¹³ For the probit models, we report marginal effects evaluated at the means of the covariates.

Table 3: Difference in the probability of having a certain occupational status between West Germans and expellees

Occupation	1939		1950		1960		1971	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	LPM	Probit	LPM	Probit	LPM	Probit	LPM	Probit
Unemployed	-0.000 (0.000)	-0.000 (0.000)	0.026*** (0.001)	0.012*** (0.000)	0.001*** (0.000)	0.001*** (0.000)	0.001*** (0.000)	0.000*** (0.000)
Unskilled worker	-0.004 (0.003)	-0.006** (0.003)	0.085*** (0.003)	0.074*** (0.002)	0.072*** (0.003)	0.058*** (0.002)	0.045*** (0.002)	0.027*** (0.001)
Entrepreneur (non-agricultural)	0.002 (0.002)	0.001 (0.001)	-0.033*** (0.001)	-0.034*** (0.002)	-0.030*** (0.001)	-0.031*** (0.002)	-0.023*** (0.001)	-0.021*** (0.001)
Entrepreneur (agricultural)	0.013*** (0.001)	0.006*** (0.001)	-0.043*** (0.001)	-0.033*** (0.001)	-0.038*** (0.001)	-0.025*** (0.001)	-0.022*** (0.001)	-0.011*** (0.001)

Notes: Table reports coefficients on an expellee dummy for the linear probability models and marginal effects evaluated at the means of the covariates for the probit models. All regressions control for female, age, education and property in 1939.

Overall, Table 3 shows a consistent pattern. Except for self-employed farmers (and unskilled workers in the probit model), there are no significant differences in the occupational structure between expellees and local West Germans in 1939. Columns (3) and (4) reveal that the displacement presented a severe intervention for expellees; in 1950 expellees were more likely to be unemployed, more likely to work in an unskilled occupation, and less likely to be self-employed in both the non-agricultural and the agricultural sector than local West Germans. Relative to their pre-war situation, expellees suffered a loss in economic status. Columns (5) to (8) suggest for all outcome variables that expellees caught up with local West Germans. However, this pattern might only capture a general catch-up process of immigrants in a period of dramatic economic growth where unemployment among the local West Germans was close to zero instead of an effect of the law. We try to disentangle these two effects— catch-up and law-induced integration— by restricting our sample to expellees and local West Germans which are in the same occupational situation in 1950. We then infer the effects of the Federal Expellee Law by comparing their occupational status in 1960 and 1971.

The idea underlying our strategy is the following. Given the overall better economic situation of local West Germans in 1950, we assume that those West Germans who are in an occupational situation similar to the expellees are a selective group. We condition on some observable characteristics but there are many other factors that might explain their below-average situation. We consider the aggregate of these factors as indication for a lower degree of integration which makes this subgroup of local West Germans more comparable to the expellees. Based on this argument, we use local West Germans in a similar occupational situation in 1950 as counterfactual group of individuals who are not integrated *and* not targeted by the law. Accordingly, a positive difference between these two groups should indicate a positive effect of the law. Given the selectivity of the subsample of local West Germans, we consider this approach as being pro-law as it should uncover even small effects.

4. Effects of the Federal Expellee Law

The economic development of expellees between 1939 and 1971 gives us an aggregate effect that captures the displacement effect, the effect of the law, and the general catch-up process of immigrants. The comparison of the coefficients in Columns (1) and (3) or Columns (2) and (4) of Table 3 documents the displacement effect on expellees' economic situation. To evaluate the effects of the law we look at the economic situation of expellees in 1960 and 1971, i.e. after the law was introduced. We try to disentangle the effects of the law from the catch-up effects by comparing expellees to specific subgroups of local West Germans. We then estimate the following regressions:

$$Y_{i,1960}|Y_{i,1950} = \alpha + \beta Ex_i + X_i' \gamma + \varepsilon_i \quad (2)$$

$$Y_{i,1971}|Y_{i,1950} = \alpha + \beta Ex_i + X_i' \gamma + \varepsilon_i \quad (3)$$

Y_i represents one of the four outcome variables on the occupational status of individual i either in 1960 or 1971. Ex_i is a dummy variable indicating expellee status, X_i are control variables namely gender, age, education and property ownership in 1939 and ε_i represents the error term that captures other unobservable effects. With respect to the objectives stated in the law, we condition expellees and local West Germans on their occupational situation ($Y_{i,1950}$) in 1950. When analyzing the restitution of previous or comparable occupations in case of degradation and the promotion of agricultural self-employment and entrepreneurship, we also condition on the occupational situation in 1939. By comparing expellees and local West Germans in very similar situations after WWII, we reduce a potential bias that may arise from unobservable characteristics.

4.1. Reduction of Unemployment among Expellees

To evaluate the effect of public employment services on the integration of expellees, we first compare the unemployment status of expellees and local West Germans who were unemployed in 1950 at two points in time after the introduction of the law (1960; 1971). Given that less than 1 percent of the local West Germans were unemployed in 1950, the comparison group of unemployed West Germans in 1950 is obviously selective. If anything, we should thus find a positive effect of the law when comparing unemployed expellees in 1950 to the selective group of unemployed local West Germans.

Table 4 reports the estimated coefficients from equations (2) and (3). We report the coefficients of linear probability models and marginal effects of probit models. The variable of interest is expellee status. If the law was successful in prioritizing unemployed expellees over unemployed local West Germans, we should find a negative and significant coefficient. However, the coefficient is close to zero and statistically not significant in both models. That is, compared to local West Germans expellees were not less likely to be unemployed in 1960 and 1971, given that both groups reported being unemployed in 1950. By taking into account the very low unemployment rates in both groups in 1960 and 1971, the reduction in unemployment among the expellees is likely driven by the overall growth of the economy and not by the Federal Expellee Law.

Table 4: Unemployment

	1960		1971	
	(1) LPM	(2) Probit	(3) LPM	(4) Probit
Expellee	-0.002 (0.007)	-0.003 (0.007)	-0.004 (0.003)	-0.003 (0.003)
Age	0.001* (0.000)	0.001 (0.000)	-0.000 (0.000)	-0.000 (0.000)
Female	0.044*** (0.011)	0.031*** (0.006)	-0.002 (0.004)	-0.001 (0.003)
Elementary School	0.008 (0.023)	0.009 (0.019)	0.005** (0.002)	0.035*** (0.013)
Secondary School	0.014 (0.023)	0.015 (0.019)	0.007* (0.004)	0.015*** (0.006)
High School	-0.015 (0.022)		-0.000 (0.001)	
Technical School	-0.004 (0.024)	0.010 (0.026)	-0.000 (0.001)	
University	-0.016 (0.023)		0.002 (0.002)	
Property (1939)	-0.008 (0.007)	-0.008 (0.007)	-0.003 (0.003)	-0.003 (0.002)
Unemployed in 1939	0.014 (0.029)	0.008 (0.015)	-0.006*** (0.002)	
Observations	1,837	1,778	1,837	1,631
(Pseudo-) R ²	0.020	0.073	0.003	0.053

*Notes: Table reports coefficients on an expellee dummy for the linear probability models and marginal effects evaluated at the means of the covariates for the probit models. The sample includes West Germans and expellees that reported to be unemployed in 1950. In the probit models, the dependent variable does not vary within some of the categories of the independent variables. E.g. there is only a very small number of observations with university degree and none of them are unemployed in 1960 or 1971. We drop those observations to fit the model. Constant is not reported. Robust standard errors are reported in parentheses. *** statistically significant at the 1% level; ** statistically significant at the 5% level; * statistically significant at the 10% level.*

4.2. Restitution of Previous or Comparable Occupations in Case of Degradation

When analysing whether the law helped expellees find a job equivalent to their occupation prior to WWII, we compare expellees that reported that they were (i) not unemployed or working in an unskilled occupation in 1939 but (ii) worked in an unskilled occupation in 1950 (that is before the introduction of the law), with their local West German counterparts. We analyze whether expellees were more likely to work in a skilled job than their local West German counterparts after the introduction of the law, i.e. in 1960 and 1971. Again, the comparison group is highly selective since most local West Germans already found a job in 1950 which was equivalent to their occupation prior to WWII. If anything, it is thus most likely to find a positive effect of the law when comparing expellees to this selective group. If the law was successful in bringing expellees into their pre-war or equivalent occupations, we should find a negative, significant coefficient on the expellee dummy-variable. In other words, expellees should have a lower probability to work in an unskilled occupation compared to similar local West Germans. However, Table 5 shows that the coefficients are either very close to zero (Columns 1 and 2) or even positive (Columns 3 and 4). Beyond, both coefficients are statistically not different from zero. Even though Figure 2 documents that the fractions of expellees working in unskilled jobs decline over time, this is likely driven by general economic development and cannot be attributed to the law.

4.3. Promotion of Self-Employment and Entrepreneurship

A further goal of the law was to promote entrepreneurship and self-employment among expellees. The main mechanisms were (i) to reduce credit constraints for expellees who had to leave all their belongings in their homelands when coming to West Germany and (ii) to compensate them for a missing local social network that facilitates access to resources and customers. The latter was done by offering better opportunities to rent state-owned property for business purposes and ensuring that businesses run by expellees were treated preferentially when public contracts were awarded.

In agriculture, inheritance of the family farm is one of the key determinants of an individual's decision to become self-employed. The displacement eliminated this possibility for the expellees. Consequently, it would not be meaningful to compare expellees to local West Germans who are potential candidates for inheritance of a family farm. We thus restrict local West Germans and expellees to (i) individuals who worked in the agricultural sector in 1939, but not as a family worker or self-employed farmers and (ii) individuals who were not self-employed farmers in 1950. These restrictions should ensure that we do not consider local

West Germans who inherited a family farm between 1950 and 1960. We then analyze the effect of the law on agricultural self-employment in 1960 and 1971 by comparing those groups.

Table 5: Unskilled worker

	1960		1971	
	(1)	(2)	(3)	(4)
	LPM	Probit	LPM	Probit
Expellee	-0.001 (0.011)	-0.001 (0.012)	0.009 (0.010)	0.015 (0.011)
Age	-0.009*** (0.001)	-0.009*** (0.001)	-0.021*** (0.000)	-0.026*** (0.001)
Female	-0.180*** (0.011)	-0.189*** (0.012)	-0.196*** (0.010)	-0.214*** (0.011)
Elementary School	-0.062** (0.028)	-0.066** (0.032)	-0.032 (0.025)	-0.039 (0.028)
Secondary School	-0.191*** (0.030)	-0.203*** (0.033)	-0.121*** (0.026)	-0.133*** (0.030)
High School	-0.431*** (0.096)	-0.444*** (0.110)	-0.351*** (0.051)	-0.570*** (0.168)
Technical School	-0.321*** (0.046)	-0.334*** (0.050)	-0.206*** (0.038)	-0.234*** (0.047)
University	-0.459* (0.248)	-0.471 (0.289)	-0.141 (0.244)	-0.101 (0.256)
Property (1939)	0.012 (0.011)	0.013 (0.011)	-0.004 (0.010)	-0.006 (0.011)
Observations	8,439		8,439	
(Pseudo-) R ²	0.062	0.047	0.199	0.182

Notes: Table reports coefficients on an expellee dummy for the linear probability models and marginal effects evaluated at the means of the covariates for the probit models. The sample includes West Germans and expellees that reported not to be unemployed or working in an unskilled occupation in 1939 but worked in an unskilled occupation in 1950. Constant is not reported. Robust standard errors are reported in parentheses. *** statistically significant at the 1% level; ** statistically significant at the 5% level; * statistically significant at the 10% level.

Table 6: Self-employed farmers

	1960		1971	
	(1)	(2)	(3)	(4)
	LPM	Probit	LPM	Probit
Expellee	-0.022*** (0.003)	-0.017*** (0.003)	-0.024*** (0.003)	-0.017*** (0.003)
Age	-0.001*** (0.000)	-0.001*** (0.000)	-0.001*** (0.000)	-0.001*** (0.000)
Female	-0.032*** (0.003)	-0.020*** (0.003)	-0.037*** (0.004)	-0.023*** (0.003)
Elementary School	0.000 (0.007)	0.001 (0.005)	0.001 (0.007)	0.003 (0.005)
Secondary School	-0.009 (0.008)	-0.005 (0.005)	-0.001 (0.009)	0.001 (0.005)
High School	-0.023*** (0.008)		-0.024*** (0.009)	
Technical School	-0.001 (0.016)	0.001 (0.006)	0.019 (0.019)	0.007 (0.006)
University	-0.035*** (0.008)		-0.038*** (0.008)	
Property (1939)	0.022*** (0.003)	0.013*** (0.002)	0.025*** (0.004)	0.013*** (0.002)
Observations	6,730	6,691	6,730	6,691
(Pseudo-) R ²	0.027	0.152	0.033	0.169

Notes: Table reports coefficients on an expellee dummy for the linear probability models and marginal effects evaluated at the means of the covariates for the probit models. The sample includes West Germans and expellees that reported to be unemployed in 1950. In the probit models, the dependent variable does not vary within some of the categories of the independent variables. E.g. there is only a very small number of observations with university degree and none of them is self-employed or entrepreneur in the agricultural sector in 1960 or 1971. We drop those observations to fit the model. Constant is not reported. Robust standard errors are reported in parentheses. *** statistically significant at the 1% level; ** statistically significant at the 5% level; * statistically significant at the 10% level.

Table 6 documents that the law was not successful in promoting self-employment among expellees in the agricultural sector. Despite facilitated access to agricultural land, we find negative and significant coefficients on the expellee dummy in 1960 and 1971. In other words, compared to their West German counterparts who (i) had experience in working in agriculture, (ii) were not self-employed in agriculture in 1950 and (iii) were not likely to inherit a family farm, expellees were 1.7 to 2.4 percentage points less likely to become self-employed farmers in 1960 and 1971. Apparently, the law could not promote self-employment in the agricultural sector.

We next turn to self-employment and entrepreneurship in non-agricultural sectors. Since local West Germans might still have had a supportive local social network after WWII, we introduce an additional comparison group composed of GDR refugees who were not covered by the law. Like the expellees, GDR refugees had to leave their belongings and their local social network behind. However, Table 7 reveals that GDR refugees were 0.9 to 1.1 percentage points less likely to be self-employed and entrepreneurs in 1939 as compared to the expellees (Columns 1 and 2). This lower entrepreneurial spirit in combination with their lack of assets and social networks qualifies them to be a suitable comparison group that, again, helps us to uncover even small effects of the law. In order to estimate the effect of the law on transition into entrepreneurship and self-employment, we compare entrepreneurial status in 1960 and 1971, respectively, (i) between expellees and West Germans who were not self-employed or entrepreneur in 1950 and (ii) between expellees and GDR refugees who were both not covered by the law and not self-employed or entrepreneur in 1950. Table 8 shows negative and significant coefficients on the transition into self-employment for expellees compared to both local West Germans and GDR refugees. That is, expellees were between 0.4 and 1.0 percentage points less likely to be self-employed in 1960 and 1971 given that they have not already been self-employed in 1950.

The comparison with local West Germans might be misleading, because it might be the case that the coefficients were even larger in absolute terms in absence of the Federal Expellee Law. However, the negative coefficients in the comparison of expellees and GDR refugees who (i) faced the same initial conditions in West Germany and (ii) seem to have a lower entrepreneurial spirit indicate that the promotion of self-employment and entrepreneurship among expellees was not successfully advanced by the law.

The law also aimed at reducing the risk of exit among self-employed expellees and entrepreneurs, for instance by transforming short-term loans into long-term contracts.

Table 7: Difference in the probability of being entrepreneur in the non-agricultural sector between the three groups

Group	1939		1950		1960		1971	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	LPM	Probit	LPM	Probit	LPM	Probit	LPM	Probit
Expellees to West Germans	0.002 (0.002)	0.001 (0.001)	-0.033*** (0.001)	-0.034*** (0.002)	-0.030*** (0.001)	-0.031*** (0.002)	-0.023*** (0.001)	-0.021*** (0.001)
Expellees to GDR refugees	0.011** (0.005)	0.009** (0.004)	-0.009* (0.005)	-0.007** (0.003)	-0.014** (0.006)	-0.009*** (0.003)	-0.013*** (0.005)	-0.007*** (0.002)
GDR refugees to West Germans	-0.011** (0.004)	-0.010** (0.004)	-0.025*** (0.005)	-0.021*** (0.005)	-0.018*** (0.006)	-0.014*** (0.005)	-0.015*** (0.005)	-0.009** (0.004)

*Notes: Table reports coefficients on an expellee or east dummy for the linear probability models and marginal effects evaluated at the means of the covariates for the probit models, respectively. All regressions control for female, age, education, and property ownership in 1939. Robust standard errors are reported in parentheses. *** statistically significant at the 1% level; ** statistically significant at the 5% level; * statistically significant at the 10% level.*

Table 8: Entrepreneur foundations

	West Germans				GDR refugees without expellee status			
	1960		1971		1960		1971	
	(1) LPM	(2) Probit	(3) LPM	(4) Probit	(5) LPM	(6) Probit	(7) LPM	(8) Probit
Expellee	-0.005*** (0.001)	-0.004*** (0.001)	-0.007*** (0.001)	-0.006*** (0.001)	-0.009** (0.004)	-0.005*** (0.002)	-0.010** (0.004)	-0.005*** (0.001)
Age	-0.001*** (0.000)	-0.001*** (0.000)	-0.001*** (0.000)	-0.001*** (0.000)	-0.001*** (0.000)	-0.001*** (0.000)	-0.001*** (0.000)	-0.001*** (0.000)
Female	-0.012*** (0.001)	-0.009*** (0.000)	-0.015*** (0.001)	-0.010*** (0.000)	-0.012*** (0.002)	-0.008*** (0.001)	-0.014*** (0.002)	-0.009*** (0.001)
Elementary School	0.003** (0.001)	0.004** (0.002)	0.001 (0.001)	0.002 (0.002)	0.005** (0.002)	0.009* (0.005)	0.004* (0.002)	0.006 (0.005)
Secondary School	0.012*** (0.001)	0.011*** (0.002)	0.012*** (0.002)	0.010*** (0.002)	0.012*** (0.003)	0.014*** (0.005)	0.013*** (0.003)	0.012** (0.005)
High School	0.020*** (0.004)	0.015*** (0.003)	0.026*** (0.005)	0.016*** (0.002)	0.020** (0.009)	0.018*** (0.006)	0.029*** (0.010)	0.018*** (0.006)
Technical School	0.034*** (0.003)	0.019*** (0.002)	0.034*** (0.003)	0.018*** (0.002)	0.044*** (0.007)	0.025*** (0.005)	0.040*** (0.007)	0.020*** (0.005)
University	0.030*** (0.005)	0.019*** (0.003)	0.045*** (0.006)	0.023*** (0.002)	0.035*** (0.012)	0.024*** (0.006)	0.046*** (0.013)	0.022*** (0.006)
Property (1939)	0.005*** (0.001)	0.003*** (0.000)	0.006*** (0.001)	0.004*** (0.000)	0.004*** (0.002)	0.003*** (0.001)	0.005*** (0.002)	0.003*** (0.001)
Self-employed 1939	0.071*** (0.007)	0.025*** (0.001)	0.034*** (0.005)	0.017*** (0.001)	0.068*** (0.010)	0.020*** (0.002)	0.025*** (0.007)	0.011*** (0.002)
Observations	158,797		158,789		24,112		24,112	
(Pseudo-) R ²	0.016	0.084	0.017	0.097	0.024	0.119	0.019	0.116

Notes: Table reports coefficients on an expellee dummy for the linear probability models and marginal effects evaluated at the means of the covariates for the probit models. The sample includes West Germans and Expellees, GDR Refugees, and Expellees respectively that were not self-employed in 1950. Constant is not reported. Robust standard errors are reported in parentheses. *** statistically significant at the 1% level; ** statistically significant at the 5% level; * statistically significant at the 10% level.

Table 9 shows the probability to be self-employed or entrepreneur in 1960 and 1971, respectively given an individual reported to be self-employed or entrepreneur in 1950. The negative coefficients in Columns (1) to (4) show that expellees were substantially less likely to continue self-employed or entrepreneur in 1960 and 1971 as compared to their West German counterparts. They were about 8 to 12 percentage points more likely to exit self-employment entrepreneurship compared to local West Germans.

Presumably expellees that became self-employed or entrepreneur right after their arrival in West Germany did so out of necessity and as an alternative to being unemployed. Over time, they either were not successful and had to close their businesses or they did find more profitable employment. Since the nature of self-employment and entrepreneurship between West Germans and expellees who were self-employed in 1950 is likely to differ, the effect of the expellee law is difficult to assess by this comparison. We therefore make use of the GDR refugees that had the same starting conditions as expellees and compare them to expellees. If the law was successful in the support of self-employed or entrepreneurial expellees, we should find positive coefficients by comparing them to the group of refugees. However, we still find negative effects which are very close to zero and statistically not significant (cf. Columns 5 to 8). That is, even compared to individuals who became self-employed or entrepreneur in a very similar situation as expellees, we do not find positive effects of the law on the continuation of entrepreneurship among expellees.

5. Conclusions

This paper evaluates the success of the 1953 Federal Expellee Law. It was designed to ameliorate the precarious situation of expellees upon their arrival in West Germany after WWII. The WWII shock was most severe for the group of expellees because they were forced to leave their homelands thus losing their possessions and their social ties. We allow for a general catch-up of expellees in a period of dramatic economic growth where unemployment among the local West German population was close to zero and compare the group of expellees to subgroups of local West Germans and GDR refugees who were arguably selective and possibly less likely to benefit from a general catch-up process during the economic boom in post-WWII Germany.

But despite the combination of economic boom and support by the law (which may upward-bias our estimations), we find no indication of a distinct effect of the law on expellees' situation. The possibility of expellees relocating to improve their economic conditions would just as well shift our estimates upwards. We therefore conclude that the improved economic situation of expellees can be attributed to the general economic boom in the aftermath of WWII and not to the provision of the Federal Expellee Law.

Table 9: Entrepreneur continuity

	West Germans				GDR refugees without Expellee Status			
	1960		1971		1960		1971	
	(1) LPM	(2) Probit	(3) LPM	(4) Probit	(5) LPM	(6) Probit	(7) LPM	(8) Probit
Expellee	-0.079*** (0.015)	-0.077*** (0.014)	-0.104*** (0.016)	-0.120*** (0.018)	-0.017 (0.045)	-0.016 (0.049)	-0.022 (0.051)	-0.025 (0.056)
Age	-0.010*** (0.001)	-0.010*** (0.001)	-0.019*** (0.001)	-0.021*** (0.001)	-0.009*** (0.002)	-0.009*** (0.002)	-0.018*** (0.002)	-0.022*** (0.002)
Female	-0.121*** (0.010)	-0.114*** (0.009)	-0.148*** (0.010)	-0.169*** (0.012)	-0.117*** (0.036)	-0.112*** (0.034)	-0.172*** (0.034)	-0.213*** (0.044)
Elementary School	-0.085*** (0.032)	-0.085** (0.034)	-0.039 (0.034)	-0.038 (0.041)	-0.018 (0.129)	-0.024 (0.121)	-0.314*** (0.106)	-0.392*** (0.135)
Secondary School	-0.047 (0.032)	-0.048 (0.034)	0.032 (0.034)	0.042 (0.041)	0.137 (0.128)	0.124 (0.121)	-0.228** (0.107)	-0.282** (0.135)
High School	-0.001 (0.039)	0.002 (0.043)	0.165*** (0.044)	0.186*** (0.051)	0.310** (0.145)	0.334** (0.165)	-0.094 (0.136)	-0.122 (0.163)
Technical School	-0.022 (0.034)	-0.017 (0.035)	0.104*** (0.036)	0.118*** (0.043)	0.084 (0.132)	0.072 (0.125)	-0.231** (0.111)	-0.287** (0.139)
University	0.060* (0.035)	0.087** (0.039)	0.316*** (0.038)	0.366*** (0.046)	0.283** (0.131)	0.349** (0.141)	0.105 (0.116)	0.089 (0.148)
Property (1939)	0.032*** (0.008)	0.034*** (0.008)	0.038*** (0.009)	0.043*** (0.010)	0.056* (0.031)	0.058* (0.031)	0.130*** (0.030)	0.147*** (0.035)
Self-employed 1939	0.084*** (0.009)	0.085*** (0.009)	0.031*** (0.010)	0.038*** (0.011)	0.073** (0.030)	0.078** (0.032)	0.020 (0.031)	0.026 (0.037)
Observations	11,172		11,172		966		966	
(Pseudo-) R ²	0.066	0.0597	0.156	0.1234	0.092	0.0786	0.186	0.1562

Notes: Table reports coefficients on an expellee dummy for the linear probability models and marginal effects evaluated at the means of the covariates for the probit models. The sample includes West Germans and expellees, GDR refugees, and Expellees respectively that were self-employed in 1950. Constant is not reported. Robust standard errors are reported in parentheses. *** statistically significant at the 1% level; ** statistically significant at the 5% level; * statistically significant at the 10% level.

Table A1: Occupational status of local West Germans and expellees before and after WWII

Occupation	Expellees				Local West Germans			
	1939	1950	1960	1971	1939	1950	1960	1971
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Unemployed	0.27%	3.34%	0.17%	0.19%	0.27%	0.72%	0.08%	0.1%
Unskilled worker	20.94%	25.27%	22.09%	14.73%	20.47%	15.96%	13.99%	9.29%
Entrepreneur (agricultural)	5.08%	0.68%	0.72%	0.52%	3.60%	4.60%	4.09%	2.43%
Entrepreneur (non-agricultural)	4.97%	3.71%	3.91%	2.65%	4.94%	7.03%	6.85%	4.79%
Civil servant	3.21%	1.98%	2.20%	1.18%	2.67%	2.34%	2.05%	0.99%
Civil servant (upper- and upper-middle-level)	1.72%	1.35%	1.51%	0.91%	1.43%	1.38%	1.37%	0.75%
Pensioner, other non-employed	2.67%	9.71%	20.14%	7.95%	2.69%	5.73%	17.00%	8.09%
Housewife	26.85%	34.12%	29.87%	5.31%	29.40%	34.31%	30.14%	4.44%
Other	34.29%	19.84%	19.39%	66.56%	34.53%	27.93%	24.43%	69.12%

Notes: Table shows the percentage shares of expellees and local West Germans by occupational status before and after WWII. The category "Other" include employees, craftsmen, and family workers.

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