



AgEcon SEARCH
RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

The World's Largest Open Access Agricultural & Applied Economics Digital Library

This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.

Help ensure our sustainability.

Give to AgEcon Search

AgEcon Search
<http://ageconsearch.umn.edu>
aesearch@umn.edu

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

Labor and wages 1977

University of California, Davis
Department of Agricultural Economics

Issues in the Evaluation of European Labor Flows*

Philip Martin**

*Paper presented to the Population Migration Trends Session, Western
Economic Association Annual Meeting, Anaheim, California June 20-23, 1977.

**Assistant Professor of Agricultural Economics, University of California,
Davis.

Abstract

Post-war Europe has witnessed extensive flows of manpower across national borders for temporary periods of employment. The evolution of labor flows is reviewed and the salient aspects of the causes and consequences of temporary alien labor are explored. It is concluded that current policies and attitudes permit short-term mutual advantages to such labor flows while imposing long-term mutual disadvantages.

UNIVERSITY OF CALIFORNIA
DAVIS

JUN 16 1977

Agricultural Economics Library

Limited # 13

1. Introduction and Background

With the cessation of hostilities in 1945, Western Europe embarked on what has become its longest sustained period of economic growth. Between 1950 and 1962, Northwestern European nations increased their real national outputs by an average of 4.8 percent per annum, an average annual growth rate over 40 percent greater than the U.S. increase of 3.4 percent per year over the same period. Between 1960 and 1972, American GNP increased at an annual rate of 4.2 percent, while France and Germany experienced increases in GNP in excess of five percent per annum. Within Europe, differential growth rates had varying employment effects. Although Italy experienced more rapid economic growth, its employment index rose from 100 to only 105 between 1950 and 1964, a period which witnessed a similar German index's rise from 100 to 128. (Denison, 1967) Thus, rapid European economic growth had uneven employment effects across the recovering countries.

Growth's effects on employment varied with the size of the individual countries reserve labor pools. The unevenness of growth's effects on individual nation's employment patterns effected a new phenomenon in modern European history--the voluntary movement of labor across national boundaries for temporary periods of employment in a host or receiving society. Confined to the (permanent) resettlement of refugees (Germany) or the repatriation of citizens from newly independent nations (e.g., Algerians to France and Indonesians to the Netherlands) until the early 1960's, continued economic growth in the face of slowly expanding labor forces encouraged the organized importation of labor. The flow of alien labor or Gastarbeiter became a torrent, reaching a peak late in 1973 when some 11 to 12 million foreign workers were living and working in Western Europe.

The migrant population became Europe's "new nation," exceeding in size the native populations of Belgium, Switzerland, and Austria while approaching that of the Netherlands. The oil crisis and the recession following in its wake provided the catalyst to halt further labor inflows--by mid-1974, all the major labor-importing countries were banning the import of non-EEC labor (EEC labor is guaranteed intra-EEC mobility).

Labor flows of this magnitude produced an array of social, political, and economic issues. Before the imposition of checks on further labor importation, migrants had composed up to nine percent of the population in some nations; up to 30 percent of the labor force; and up to two-thirds of the workforce in certain sectors. Resultant labor market competition and social tensions produced a flurry of movements calling for a return to labor autarky by ceasing labor importation and expelling foreigners as their work permits expired. Faced with strident demands for halting the influx of foreign workers, host governments began assessing the relative benefits and costs of labor importation.

The study of imported labor's relative costs and benefits remains underdeveloped. Until now, most economic and sociological studies of migration seek to ascertain the determinants of voluntary migration,^{1/} i.e., given a population, what characteristics distinguish movers from nonmovers? Alternatively, migration studies have attempted to predict gross and net population flows between two defined areas, i.e., given socioeconomic differences between two regions, what determines the proportion of A's population which voluntarily moves to B and, obversely, the extent and timing of the reverse flow. The analysis of the determinants of population flows can be dynamic; that is, given a flow of persons between two areas, what factors, similar or dissimilar from migration's original motivations, continue or halt further migration.

While past analyses have provided a theoretical framework for predicting the timing and extent of interarea migrations, they have been silent on the consequences of migration. Consequences of migration occur in both sending and receiving societies; at individual, regional, and aggregate levels; and in economic, social, and political spheres. In economics, traditional analysis holds that, except for short-duration adjustments, such population flows are mutually advantageous. Given unequal resource endowments and/or factor costs, welfare increases with: (1) factor mobility between societies; (2) free trade in goods produced in each society; and (3) both factor mobility and trade.^{2/} At the individual level, the fact that a worker accepts a proffered employment or merchants engage in trade is assumed to demonstrate, ex post, the mutual gains accruing from voluntary transactions--if the transaction was not mutually profitable, rational individuals would not commence it. Thus, traditional economic analysis obviates the need to consider the consequences of migration by assuming, ex ante, the positive-sum nature of voluntary population flows.

This paper erects a framework for considering the consequences of population (labor) flows in Western Europe since World War II. After detailing the pattern of labor flows which emerged in the post-war era, we develop a taxonomy for considering migration's consequences in sending and receiving societies; at several levels of aggregation; and in both economic and noneconomic spheres. Because the immigrant population affects all facets of society, the framework for analysis must be inclusive rather than focused on isolating the impact of foreigners on particular sectors. Throughout the discussion, we will assume that: (1) the receiving society holds the key to understanding the magnitude and extent of future labor flows and (2) since economic studies of migration's impact have

ambiguous conclusions, sociopolitical factors and pressures will dominate economic considerations in the formation of Gastarbeiterpolitik.

2. Post-war Labor Flows

International labor flows in Western Europe are not a recent phenomenon. Early nineteenth century Europe was a place of ill-defined national borders, the system of border controls and passports nonexistent until the end of the century. Toward the end of the nineteenth century, when industrialization stimulated the demand for factory labor, labor flows for industrial work surpassed traditional migrancy for seasonal agricultural work. Between 1880 and 1907, the number of foreigners in Germany increased over 550 percent, from 146,000 to 950,000. (Statistisches Bundesamt, 1965)

Intra-European population (and labor) flows were obscured by the massive emigration of Europeans to North and South America and Oceania. Between 1800 and 1930, some 40 million persons emigrated from Europe, dwarfing any intra-European population movements. In many respects, these population flows were complementary--as natives left for the Americas, even poorer foreigners replaced them in their country of origin. The hallmark of these intra-European labor flows in the nineteenth century was their private, unorganized character--individual employers arranged for recruitment, transportation, accommodation, and often deportation of foreign labor.

The reasons for employing foreign workers in Europe were clearly established in the 1800's. Describing the employment of Italians in Württemberg, a contemporary observer noted that indigenous laborers ". . . demanded such a high rate of wages, that contractors were obliged, in order to fulfill their engagements, to import Italian laborers." Despite low wages, "from early morning until darkness they work industriously, (without) clamor for more 'luncheon' and 'more drink.'" Recruitment,

though without governmental assistance, was similar to current procedures: "Whenever any of the large contractors informs his agents in the different districts of some new work to be done, the latter take care to spread the news from village to village among the homes of the Italians." Employers favored the hiring of males: "men and able youths prepare themselves for departure (to Germany), while women, children, and old people stay behind." While abroad, the emphasis was on frugal living and remitting savings to dependents: "the amount of money the Italian laborers contrive to save from their hard, and comparatively small, earnings is very surprising even to the economical Germans." (U.S. Congress, 1879:192-194)

The second world war produced massive population shifts. Once again, Germany was a net importer of foreign labor (Fremdarbeiter). Although data are nonexistent, one estimate puts the number of foreign workers at 5.3 million in 1943. (Stirn, 1974:16-19) Including an additional 1.5 million prisoners-of-war forced to work, foreign workers represented 25 percent of the labor force. Because of the wartime experience, current descriptions of foreign workers employ the term Gast (guest) rather than Fremd (foreign).

The immediate post-war period was marked by repatriation of political refugees and economic reconstruction. In the mid-1950's, economic recovery induced the beginnings of small-scale labor flows--from East to West Germany; from Algeria to France; and from Italy to Switzerland. Establishment of the European Economic Community (EEC) in 1957 and the guarantee of free labor mobility within EEC member countries (Article 48) promoted the emigration of Italians, but the magnitude of labor flows was still limited in 1960. Despite roots in the nineteenth century, temporary intra-European labor flows were the exception rather than the rule during peacetime.

Beginning from the small-scale bilateral flows of the 1950's, European migration exploded to encompass, by one estimate, some 30 million persons since World War II. (IPO, 1975) The receiving societies have been largely the EEC nine (excepting Ireland and Italy) and non-EEC Sweden and Switzerland. The sending societies include EEC Ireland and Italy as well as Portugal and Spain (Iberia), Finland in the north, and Greece, Turkey, and Yugoslavia in the southeast. Algeria has been the most extensive African exporter of labor, but Sudan and Morocco joined other North African countries as major suppliers of labor in the early seventies. In 1973, when Northern European labor demands were very strong, a two-state migration process was observed--Spanish workers who migrated to France and Germany were replaced by North Africans in Spain.^{3/}

Despite the diversity of sending and receiving societies, some of the labor flows are well established, e.g., the Irish work almost exclusively in the U.K.; the Finns are concentrated in Sweden; France employs most of the Portuguese and Algerians working abroad while Germany contains the Turks and Greeks. The Italians, guaranteed intra-EEC mobility, are diffused across France, Switzerland, and Germany.

International migrancy obtains when one lives and/or works in a country other than that in which he maintains residence. Within a country, migrancy status is individually determined, i.e., the individual indicates his normal residence and normal place-of-work. Since labor force definitions use residence benchmarks, a migrant is defined as one maintaining residence in one country (county in U.S.) but currently living and/or working in another. Temporarily employed foreign workers, for institutional legal, or personal reasons, cannot or do not consider their current country of residence (and employment) to be a permanent home.

percent of all male workers and 51 percent of the females have six years or less schooling); and most intend to leave their temporary home within five years (80 percent). Foreign workers can be considered a flexible labor supply available for unskilled manual labor of limited duration.

Foreign males tend to be unskilled or semi-skilled operatives or construction workers while females are more evenly distributed between manufacturing and service work. In 1972, the construction industry was the largest single employer of foreign males in Germany, accounting for nearly one in four foreigners. In descending order of employment importance were the machine-tool industry (8.4 percent of all foreign males); auto production (7 percent); and electronics (5.6 percent). While nearly one-half of all males were employed in construction and heavy industry, foreign females were dispersed among electronics (13.6 percent); textiles (7.7 percent); retail sales (7.1 percent); service workers in hotels and restaurants (6.8 percent); and nursing (7.8 percent). The propensity of foreign women to have direct contact with the native population tends to account for the higher proportion of females with a "very good" grasp of the language, perhaps reflecting the lesser tendency to discriminate against foreign women in such occupations.^{6/}

Socioeconomic differences combine with racial prejudice to separate foreign workers from the indigenous population. Low skill levels, little education, language difficulties, and nonparticipation in host country institutions permits the division of society between aliens and natives and further divisions among national groups of aliens. Lack of communication impedes efforts to present a common front among aliens, fostering the conditions which allow discrimination to arise and persist. The host societies face a dilemma—foreign workers are viewed as a temporary labor

supply, necessary to perform low-status jobs. If host societies make conscious efforts to integrate them, fears of Überfremdung arise. Without efforts to integrate aliens, they remain separate and distinct from the larger society of which they are a temporary component.

3. Evaluating the Consequences of Labor Flows

The taxonomy for evaluating the consequences of labor flows includes consideration for sending and receiving society differences; is cognizant of levels of aggregation; and distinguishes the consequences of labor flows by social sphere. As noted, traditional economic analysis of labor flows stresses the long-term mutual gains accruing to migrant decisions. In the economic ambit, these mutual gains will be affected if the assumptions are violated, if: (1) externalities exist, i.e., the private decision calculus does not consider all the germane effects of the transaction and (2) "critical masses" exist which vitiate marginal analysis, i.e., the addition of one more foreigner results in social and/or political backlashes. Implementation of public policy requires knowledge of both the type and extent of externalities and the sociopolitical toleration limits.

In order to evaluate the consequences of the labor flows which actually occurred, one can begin by posing a counterfactual—given a "labor shortage," what alternatives to (organized) labor importation existed? The alternatives have varying temporal lags and are relevant at both (individual) employer and societal levels. Actions to restore labor market equilibrium from indigenous resources include policies to: (1) increase effective hours worked by encouraging labor force entry; lengthening the working day, week, or year; increasing effort on the job; and/or encouraging shorter educations or delaying retirements. Alternatively, policies could (2) decrease labor

demand by subsidizing the introduction of labor-saving technology; by encouraging investment abroad; and by taxing commodities requiring a labor input considered "too large;" and/or (3) policies could increase wage levels, inducing a (cross-sectional) rise in labor effort while encouraging employers to economize on labor use. Most of these alternatives are relevant only at the societal level, and then only over time. Some require the agreement of external forces, e.g., the acceptance of capital investment abroad.

Given the alternatives to labor importation, why did the receiving societies elect to import labor rather than meet labor deficiencies from indigenous resources? Most simply, it can be argued that the alternatives to labor importation required: (1) public cognizance, (2) long-range planning, and (3) policy implementation. If it is difficult to secure agreement on the acuteness of the supposed labor shortage, then planning and policies to eliminate it will be difficult to implement. Interest groups have vested interests in promoting or denouncing certain policies--the trade unions are likely to oppose conscious efforts to increase the labor supply while simultaneously denouncing the subsidization of labor-saving technology. Employers, on the other hand, have an incentive to increase the relative surplus of labor in order to augment their profits, encouraging them to promote efforts to increase labor supply or reduce labor demand. Given the "natural" opposition of fundamental interest groups, the ad hoc solution was to import foreign labor--employers secured their labor supply while the trade unions, being solidaristic rather than jingoistic, were promoting international labor cooperation. Thus, the failure to achieve institutional agreement on the sustained need for extra labor combined with parochial interest group concerns to produce a somewhat unplanned but regulated flow of labor.

Benefits and costs to migration can be examined by level of aggregation, beneficiary, temporally, and by sending and receiving unit. The format followed here (Chart 1) will be to appraise benefits and costs at personal levels, where revealed preferences (what is actually chosen) are indicative of relative magnitudes; at enterprise levels, where distributional consequences as between wages and profits appear; and from societal perspectives. Throughout, distinctions must be drawn between those benefits and costs which are only ephemeral, are nonrecurring, and those which increase and decrease over time (items marked "*" refer to factors not likely to be fully appreciated within four years, an average duration of stay abroad).

Private benefits may be taken to exceed costs as the individual makes a voluntary decision to migrate; nonetheless, factors motivating his decision are the potential increase in earnings, the (germane) training and education received, and any social or cultural appeals of life abroad. To the extent that foreign workers are drawn from the agricultural sector, employers in the sending country reap a long-term benefit in not having to bear the costs of training and disciplining an agrarian labor force. (Pollard, 1966) The sending society benefits via long-term increases in its stock of human capital with the return of those employed abroad; from foreign exchange generated by worker remittances, a factor which may be of great importance in the course of purchasing the capital equipment necessary to industrialize; and the relief of social tensions at home with the exportation of surplus labor abroad.

In addition to the foreign exchange generated by nationals temporarily abroad, the presence of foreign labor in the receiving society should act to hold down wage costs and prices of the capital goods ultimately imported

Chart 1
Evaluating the Consequences of Labor Flows

Costs

- | | Private | Social |
|---------|--------------------------------------|-----------------------------------------------------------|
| Sending | 1. Individual (revealed preferences) | 1. Increased human capital |
| | 1.1 increased earnings | 1.1 adjustment costs abroad |
| | 1.2 training (human capital) | 1.2 separation from family etc. |
| | 1.3 exposure to new culture etc. | 2. Enterprise |
| | 2.1 upward wage pressures | |
| | 2. Enterprise | |
| | 2.1 returns assist trade unions | |
| | 2.2 trained labor force | |
| | | 1. Brain drain effects with non-return |
| | | 2. Loss of "cream" of domestic labor force |
| | | 3. Development dependent on uncertain worker remittances. |
| | | 4. Coping with expectations of returnees |

13

- | | Private | Social |
|-----------|------------------------------------|-------------------------------------------------------|
| Receiving | 1. Individual | 1. Dependence on foreigners in particular occupations |
| | 1.1 labor market competition | 2. Provision of social services |
| | 1.2 adjustment difficulties | 3. Pulling of efficiency incentives |
| | 1.3 competition for housing etc. | 4. Distort with concentration of migrants |
| | 2. Enterprise | |
| | 2.1 recruitment and training costs | |
| | 2.2 increased turnover | |
| | 2.3 may increase labor unrest | |

Benefits

- | | Private | Social |
|---------|--------------------------------------|---------------------------------------------|
| Sending | 1. Individual (revealed preferences) | 1. Increased human capital |
| | 1.1 increased earnings | 2. Foreign exchange with worker remittances |
| | 1.2 training (human capital) | 3. Export unemployment and underemployment |
| | 1.3 exposure to new culture etc. | |
| | 2. Enterprise | |
| | 2.1 returns assist trade unions | |
| | 2.2 trained labor force | |

- | | Private | Social |
|-----------|-----------------------------------------------------|------------------------------------|
| Receiving | 1. Individual | 1. Permit growth without inflation |
| | 1.1 (indirect) benefits of growth without inflation | 2. Increase labor force mobility |
| | 1.2 underclass to permit upward mobility | 3. "Foreign aid" aspects |
| | 1.3 downward wage pressures | |
| | 1.4 cultural exposure etc. | |
| | 2. Enterprise | |
| | 2.1 lower overall labor costs | |
| | 2.2 increase flexibility of labor force | |
| | 2.3 increase demand at home and abroad | |
| | 2.4 may weaken trade unions | |

by sending societies while industrializing. Though the quantitative price reducing effect may be small, worker remittances have become the largest generator of foreign exchange in several sending societies. (New York Times, 1972) Without a continuation of these remittances, the sending society may suffer from emigration as the dependency ratio, the ratio of the nonworking population to the total population, rises with the emigration of prime working age labor, imposing (nearly) the same social costs on a smaller population. In Italy, for example, the dependency ratio rose nearly eight percent, from 56.9 to 65.3 percent, between 1958 and 1972. (Die Welt, 1974)

Individuals in the receiving society are released from the necessity of doing disagreeable tasks; acquire an underclass which is thought to provide upward mobility and psychic satisfaction; (Gans, 1972) gain exposure to a different culture; and, to the extent they are utilized, reduce the costs of domestics and other personal service workers. Employers enjoy lower unit labor costs by employing foreigners; benefit from the increased demand at home and abroad as the migrants spend and invest their earnings; perhaps weaken worker solidarity and thereby strengthen management positions vis-à-vis unions in bargaining; and, to the extent foreign labor mobility increases the elasticity of labor supply, enjoy a favoring of profits with continued economic growth.

To the extent the wage structure is relatively rigid, immigration becomes more rational than increasing wages in the face of labor shortages at the bottom of the job structure. A rigid wage structure implies that wage differentials are well preserved, forcing an employer to increase wages up the job scale after raising wages at the bottom to fill job vacancies. Across a society, such wage increases could be inflationary, making importation of

labor rational even if the costs of hiring per alien exceeded those of hiring a domestic worker by increasing the wage offer.

Receiving societies lessen general wage inflationary pressures; are allowed industrial expansion without labor bottlenecks; have increased mobility in their labor force, thus promoting interregional equalization; can enjoy a higher rate of capital formation and growth if the increased profits are invested; and can receive psychic satisfactions from the provision of a form of foreign aid and the communication of "democratic ideals".

Long-term costs are of special significance, since it is a central contention here that their trend increases outweigh trends in aggregate benefits for both sending and receiving societies. Private costs to the individual migrant are assumed to be less than private benefits if the decision to migrate is made, though, in many cases lack of or false information may cause underestimates of personal costs while the decision is being weighed. Even though some governments (Italy, Greece) have adopted full information policies, it is difficult to communicate the effects of social displacement or the accident risks accompanying industrial work. Once abroad, the migrant may suffer mental and physical health deterioration, though at least a part of this results from the individual migrant's decision to achieve maximum savings at the expense of personal living conditions. Employers in sending societies experience an immediate disadvantage, as labor supply reductions push up wages, and long-run difficulties as the labor force, upon its return, includes leaders with trade union experience; indeed, there has been some tendency to attempt blacklists of "trouble-makers" abroad.

Social costs to sending societies depend crucially on the composition of the outflow and inflow; the ability of the home country to reabsorb

returnees; and the degree of "differentness" between sending and receiving societies. If labor surpluses are huge or remuneration gaps in particular occupations glaring, as in medicine and the skilled trades, foreign employers can easily cream the domestic labor force, retarding domestic industrial development. Brain drain effects act to increase personal welfare but can be deleterious to society if society has made an investment in the emigrants. (Johnson, 1973) Returnees whose newly learned skills can not be utilized suffer rapid human capital depreciation. If the domestic regime refuses to respond to the needs of those who have experienced liberalized policies abroad, social unrest with consequent repression and/or revolution can result. Foreign employers, in seeking to minimize recruitment costs, may concentrate their efforts in specific geographic regions of the labor exportation country, reducing population levels below those necessary to maintain a viable infrastructure. In sum, there is an optimal quantity/quality emigrant combination for each sending society. As long as it is foreign employers, not domestic governments, deciding what that combination is, long run pernicious effects to the sending society, as constituted, are likely to be incurred.

Costs to the individual in a receiving society depend upon his labor market position with respect to the new workers. Workers in competing groups are hurt by the labor market competition while those in noncompeting groups are helped, unaffected, or hurt as aggregate social benefits exceed, equal, or fall short of social costs. Since competition tends to increase with the passage of time, the distinction between competing and noncompeting groups is blurred as migrants stay long enough to advance within an occupation. Over time, especially as dependents accompany the Gastarbeiter, increased domestic demand may fuel demand-pull

inflationary pressures. If social services are financed from personal taxes, the individual may have to bear an increased tax burden and/or compete for the given supply of such services, although it must be remembered that the foreigners also make tax contributions.^{7/}

Employers of foreign workers incur additional labor recruitment costs with the necessary provision of interpreters and language instruction, housing accommodations, and services not normally provided domestic workers. Because they lack industrial experience, foreign workers tend to suffer proportionately more industrial accidents and are more prone to absenteeism and turnover. Long-term consequences of foreign worker usage may be increased labor unrest as the foreigners form separate cells within the union by nationality and refuse to be bound by the union leadership, as illustrated in the Turkish wildcat strikes at Ford in Cologne early in 1973. Additionally, there is a need to recruit from ever more distant lands (Turkey, North Africa) as more localized supplies of labor are absorbed.

The trend in social costs to the receiving societies is of greatest import—they were responsible for initiating the flow of temporary foreign workers and thus most vital in slowing or halting the flow. Almost all of the social costs are of a long-run nature, and appear to grow more than proportionately with increases in the number of Gastarbeiter, suggesting the existence of thresholds, junctures at which cost or benefit functions are discontinuous. Initially, there is the need to provide extra social services and inspect and regulate those privately provided. It is often asserted that crime rates among foreigners, especially sexual crimes, exceed those of the domestic population. The surveys already concluded suggest this is erroneous; the criminal activity of foreigners is probably only better publicized. (Tilford, 1973) There is a tendency for crime

rates among foreigners to exceed domestic crime rates, en toto, but it must be remembered that most migrants are male, 20-44, whose crime rate compares favorably with natives of the same demographic group.

Increased labor unrest and dangers of polarization exist—organizations advocating radical social change have been especially active among Gastarbeiter, in some instances encouraging strike and protest activity among foreigners. (Der Spiegel, 1973) Increased dependence on Gastarbeiter in particular occupations and the consequences of en masse withdrawal; the dulling of the employer's efficiency incentives when cheap(er) labor is readily available; and the recurring problem of integration all tend to reduce the long-term benefits of migration to receivers.

The assumed trend increase in duration of stay proves deleterious to both senders and receivers. As foreigners take on the traditional characteristics of immigrants—settling down and sending for their families—consumption expenditures and demands on domestic social services rise as mobility decreases, thus depriving the receiving society of the labor elasticity and mobility which normally accompanies migrant labor importation. If a receiving society adopts an active immigration policy designed to achieve integration of the foreigners, short-run costs of the extra social services necessary for assimilation are required. Sending societies lose since recruitment tends to cream the labor force, if not in skill then certainly in motivation. Failure of this self-selected group to return can reduce domestic entrepreneurial vigor.

If long-term social costs exceed benefits, it becomes imperative to date the threshold and determine how to delay and minimize the emergence of these costs, or conversely, to ascertain the facets of the current situation which exacerbate the cost picture. If, as earlier assumed, long-term costs increase with both duration of stay and the number of

Gastarbeiter, then numerical estimates can be hazarded. Switzerland, because of minimal war losses, began labor importation immediately after World War II. In the twenty year period to 1966, the percentage of foreigners in the domestic labor force exceeded thirty-five percent at times. Since the 1966 immigration policy reversal, the percentage has been reduced under twenty-five percent, but wholesale expulsion of the remaining foreigners would still impose severe economic dislocations. Now that Swiss dependence on foreign labor is acknowledged, a new cost enters the equation, the cost of return to dependence on the pre-migration domestic labor force. Thus, after a society becomes dependent on foreigners, policy changes are costly, implying a certain floor under which further reductions would effectuate severe dislocations, permitting only gradual reductions in the stock of foreigners.

Since problems of integration and absorption tend to increase with the duration of stay for each migrant, by shortening the length of work permits a receiving society could "re-cycle" migrants faster. But a definite conflict of interest arises: since the employer incurs training costs for each migrant, it is to his advantage to retain that individual as long as possible in order to recoup his investment. Increased duration of stay generally increases foreigners' demands on social services more than proportionately (nonlinearly), since language facility improves and the migrants acquire cognizance of their rights to social services. Thus, society at large can begin subsidizing employers as the duration of stay lengthens.

The concept of trend increases in costs outweighing benefits may be illustrated with simple exponential functions. Initially the benefits to immigration are extremely high, but, over time, rising costs reduce the excess of benefits over costs. If, as in the Swiss case, decisions to

reduce the number of migrants are made, we can assume that society has decided costs have come to exceed benefits. Kindleberger's (1967:213) conclusion is along the lines of the ideas expressed here:

In conclusion, therefore, the short-run economic benefits of intra-European labor migration are positive, though there are social costs. In the intermediate and long run, the economic advantages become less clear, and some social advantages are possible. To rely heavily on foreign labor in one's economy constitutes a positive risk. It does not seem impressive until some considerable percentage of the labor force is foreign. Thirty percent is too high. Ten percent seems acceptable, particularly where there is cultural similarity. To locate the discontinuities more precisely is probably impossible.

Receiving societies could minimize long-term costs by: (1) recruiting people as compatible with the domestic population as possible;^{8/} (2) by limiting the duration of stay; (3) by reducing concentrations of migrants as much as possible; (4) by forcing employers to bear the costs of (extra) social services; and (5) by fixing some numerical labor force percentage as an upper limit to the influx. Most importantly, receiving societies must decide whether they will become countries of immigration in the traditional sense, and work to integrate the migrants, or whether they are anxious to avoid the integration of a nonhomogeneous working population and stress a recycling process. Sending societies have less choices: since they do not create demand, they can merely respond to it by either allowing or proscribing emigration. Long-term costs will arise under either policy as social tensions in the society increase, either by the

return of those who have experienced high wages and freedom or by resentment toward a regime which prohibits emigration.

It is the existence of these underlying conflicts of interests, the weighing of positive and negative aspects of labor flows in both societies, that has prevented the explicit formulation of a consistent labor policy designed to minimize negative aspects to both sending and receiving societies. The first priority is to identify the various costs and specify their (apparent) causes. After identification of the various problems and alternatives, the political apparatus in the societies should attach weights to its various priorities. Until such steps are taken, individual societal groping instead of multi-lateral agreements will often exacerbate rather than solve the problems accompanying the temporary migration of labor.

Footnotes

1/ Voluntary migration should be distinguished from politically motivated population flows. In post-war Europe, Germany was an importer of political refugees from Eastern Europe, i.e., a recipient of migrants whose motivation to cross national boundaries was political rather than economic. Among the foreign labor streams considered here, some (small) portion of those leaving Greece, Portugal, and Spain (pregovernmental changes) must be considered politically motivated.

2/ This is merely a restatement of a fundamental theorem in international trade. For an exposition and qualifications, see Mundell (1957).

3/ In addition to labor flows between Southern and Northern European nations, East European nations have established a system of labor transfers. East Germany began importing labor in 1967; today it employs some 100,000 Poles, Hungarians, and Bulgarians. Czechoslovakia contains some 50,000 Poles and Hungarians, while Russia employs Bulgarians in forestry (see The Economist, 1975).

4/ Problems in using immigrant data are summarized in Descloitres (1966). Noncomparability arises from differing definitions of "foreigner"; because of differential treatment of "permanent" and "temporary" immigrants; and because of survey timing and frequency.

5/ The French estimate for 1972 is found in Paine (1974:26). The U.K. estimate is from Castles (1973:4). Note that these figures refer to foreign workers; e.g., in 1974, Germany contained over four million foreigners, indicating that only 60 percent of the foreigners in Germany participated in the labor force.

6/ Industrial distribution data are from BFAS (1973). Another survey of foreign workers in 1971 found that, while more men has an understanding of some German, more women had a "very good" command of the language. (Mehrländer, 1974:100-04)

7/ Although we lack data, it is believed that migrant demands on domestic social services are strongly correlated with language facility and a cognizance of rights to such services, both factors being highly correlated with time spent in the receiving country. It appears that after one year abroad, especially if dependents accompany the migrant, social service demands abruptly rise. Participation in trade unions, work among the migrants by university students of the same nationality, and the move to translate worker rights into the mother tongue are probably all working to shorten the date of this surge in demand for social services.

8/ Swedish immigration policy favors the use of other Scandinavians in order to preserve populace homogeneity.

References

- Bundesanstalt für Arbeit. Repräsentativ-untersuchungen: Beschäftigung Ausländischer Arbeitnehmer. (Nürnberg: BfA, annual).
- Bundesanstalt für Arbeit und Sozialordnung. 1973. Hauptergebnisse der Arbeits- und Sozialstatistik. (Bonn: BfAS).
- Castles, S. and G. Kosack. 1973. Immigrant Workers and Class Structure in Western Europe (Oxford: Oxford U. Press).
- Danison, E. 1967. Why Growth Rates Differ (Washington: The Brookings Institution).
- Descloîtres, R. 1966. Adaptation of Foreign Workers to Industrial Work and Urban Life (Paris: OECD).
- The Economist. 1975. (January 18): 40.
- Gans, H. 1972. "The Positive Functions of Poverty," American Journal of Sociology, 78: 275-289.
- IFO. 1975. Gastarbeiter (Munich: IFO).
- Johnson, H. 1973. "The Economics of the Brain Drain," in J. Johnson and B. Weisbrod (Eds.). The Daily Economist (Englewood Cliffs: Prentice Hall).
- Kindleberger, C. 1967. Europe's Postwar Growth: The Role of the Labor Supply (Cambridge: Harvard).
- Mundell, R. 1957. "International Trade and Factor Mobility," American Economic Review, 47 (June): 321-335.
- New York Times. 1972. (December 19): 5.
- Pollard, D. 1966. The Genesis of Modern Management (Cambridge: Harvard U. Press).
- Der Spiegel. 1973. "Ausländer in der BRD," (September 3).

Statistisches Bundesamt. 1965. "Die Beschäftigung ausländischer Arbeitskräfte in Deutschland, 1882 bis 1963," Wirtschaft und Statistik (February): 93.

Stirn, H. 1964. "Ausländer-Beschäftigung in Deutschland in den letzten 100 Jahren," in H. Stirn (Ed.) Ausländische Arbeiter in Betrieb (Köln: Bartmann). 1974. Ausländische Arbeitnehmer in der BRD (Opladen: Leske).

Tilford, R. 1973. "Guest Worker or Immigrant," European Review (Winter): 32.

U.S. Congress. 1879. The State of Labor in Europe. House of Representatives, 46th Congress, First Session.

Die Welt. 1974 (April 13): 5.