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FREE MOVEMENT OF WORKERS IN THE EU WITHIN THE CONTEXT OF DEMOGHRAPHIC CHALLENGE OF EUORPE: THE CASE OF LABOUR MIGRATION FROM TURKEY TO GERMANY

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Introduction

Demographic changes, namely population ageing and migration, are receiving mounting attention in the domestic and international policy debate. According to the population projection of UN 2005, this process of demographic change will maintain severely in the twenty-first century. These projected demographic shifts, specifically the ageing of the population with low and negative growth of the population and labour force, are causing numerous speculations and pronouncements. They include issues of national and international security, shifts in economic power, and more down-to-earth consequences for the financing of national social programs, in particular, pensions and health care.[1] The increasing of fiscal pressures and anxieties about the sustainability of pension and health care systems have combined with concerns about labour market shortages and lower economic growth to force governments to respond to demographic change with a variety of policies (Niessen and Schibel, 2002; 12).[2] One of the options is increased migration. Since 1990s, labour migration has emerged as a possible means to alleviate the economic consequences of demographic change. However, it is traditionally a controversial issue in debates on European social policy. While, some authors consider the recruitment of foreign labour to be the only rational way to balance the labour shortages[3], many authors argue that migration cannot delay the ageing process and should hence not be considered as a policy tool[4] and that immigration can at least alleviate the adjustment processes[5] In this context, this thesis will consider the impact that labour migration has on domestic labour markets. This will be presented as a case study of the impact of Turkish migrants in Germany; it will particularly focus on the period 1961-73, but will do so with reference to the current situation in order to emphasise the changing effects that labour migration can have on domestic labour

[1] (Holzmann,2005;5)
[2] (Niessen and Schibel, 2002; 12).
[3] (Saczuk, 2003,Boswell, 2004,Rand Europe, 2004, Coleman, 2001).
[4] (Keely,2001; OECD 1991)
[5] (Hohn,1993; Börsch-Supan, 1993; Straubhaar/Zimmermann 1993).

markets (effects on net contribution to social security and welfare, employment situations, wage level, national and international trade etc…) over time.

1. Demographic Challenge of European Labour Markets

The global phenomenon of demographic change is receiving mounting attention in the domestic and international policy debate. The dominant challenge facing contemporary society is population ageing, while the second is population decline.[6] Most countries in the world have declining or stagnating fertility, while in most developed countries fertility[7] is below replacement level[8]. The majority of countries record rising life expectancies. As a result most parts of the world will experience demographic ageing which can be defined as a rise in the median age of the population and a growing share of people above age 65.[9] While essentially all countries in the world are ageing, the demographic transition, namely rising life expectancy followed by falling fertility rates, is most advanced in Northern countries [10]

According to the UN's projection, this process of demographic change will continue in the twenty-first century. These projected demographic shifts, namely the aging of the population with low or negative growth of the population and labour force, are provoking speculations over issues of national and international security, shifts in economic power, and the consequences for financing of national social programs, in particular, pensions and health care.[11] Five key social and economic challenges may be identified: ensuring economic security in old age; maintaining intergenerational solidarity; combating the social exclusion caused by age discrimination; providing long-term care in the context of changes in the family and residence patterns and enabling older people to participate as full citizens.[12] Increasing fiscal pressures and anxieties about the sustainability of pension and health care systems have combined with concerns about labour market shortages and lower economic growth to force

[6] (Nimwegen, 2007; 1).
[7] On average fewer than 2.1 children per women (Total Fertility Rate/TFR).
[8] The replacement level is the number of children necessary per woman for each couple to replace it.
[9] (Muenz, 2007; 3)
[10] (Holzmann, 2005; 4)
[11] (Holzmann, 2005; 5)
[12] (Walker, 1999; 390-391)

governments to respond to demographic change with a variety of policies that shall be examined in this thesis.[13]

1.1. European Population Today: Ageing and In Decline

The European Union has commenced an ambitious programme of being 'the most competitive and dynamic knowledge-based economy in the world capable of sustained economic growth with more and better jobs and greater social cohesion'.[14] The goal of the European Union essentially depends on people to produce growth, to create and fill jobs, and supply to social security systems, to live in and shape the societies that benefit from economic development.[15] Consequently demographic change has become one of the key factors for social and economic advancement in Europe.

Demographic projections indicate that the population of Europe is decreasing and getting older. The replacement level of the EU average is 1.53 though on 2.1 children per woman of childbearing age is necessary to replace the population. Besides the decrease in fertility, life expectancy is growing. The ratio of those aged 65 and over is expected to increase from about 16% of the total population in 1998 to 22% by 2025. The relative number of people of 80 and older is rising faster still[16].

Around the year 2000, the population of Europe began to generate "negative momentum"[17]. At present, the effect of negative momentum on future population is small. Yet each additional decade that fertility stays at its current low level will mean a further decline in the European Union (EU) of 25 to 40 million people, in the absence of offset effects from immigration or rising life expectancy.[18]

This means that a rising number of people above retirement age will require to be supported by those in employment. Currently, the EU working age population will

[13] (Niessen and Schibel, 2002; 12).
[14] Presidency conclusions, Lisbon European Council, 23 and 24 March 2000.
[15] (Niessen and Schibel, 2002;6
[16] European Commission, Employment and Social Affairs Directorate General, Introduction on Ageing Policy. http://www.europa.eu.int/comm/employment_social/soc-prot/ageing/intro_en.htm
[17] A tendency to decline owing to shrinking cohorts of young people that was brought on by low fertility (birth rate) over the past three decades.
[18] (Lutz et al., 2003; 1991)

drop by roughly 40 million people from 2000 until 2050 and the old age dependency ratio will twofold from 24% to 49%.[19]

It is worth noting that European states indicate differences in the population projections. To illustrate, while some parts such as the south of France and Greece will not have population decline for decades, population has already started to decline in some parts of Spain, Italy, Germany and in the Northern countries and in most of the candidate countries. The most marked increases in the old-age dependcy ratio are expected to take place in Portugal and Luxembourg, with countries including Italy, and Sweden also experiencing growth while the smallest increase will occur in Ireland. [20]

According to the Eurostat projections, in 2050 the population in the EU25 will be both smaller and older as a consequence of these demographic trends. Population is projected to rise from 457 million in 2004 to a peak of 471 million in 2027, and afterwards to decrease to 454 million in 2050. While the total population is expected to rise in some Member States (Belgium:+4%, France:+9%, Sweden:+13%, UK: +8%), significant falls are expected in others (Germany:–6%, Italy:–7%, Poland:–12%).

According to the projections, it is expected that, in particular, Eastern and Southern Europe countries will be affected by the population changes. This distinguishes them from the rest of Europe as, while the population decrease will be 31% in Bulgaria and Latvia, 28% in Italy and 24% in Czech Republic and Spain, in Germany it will only decrease 11%.[21]

Although European countries indicate different timing in their demographic change, they are all experiencing a severe population decline.

[19] (European Commission, 2002)
[20] (European Commission, 2002). The number aged 65 and over relative to those of working-age (15 to 64)
[21] (UN, 2000: 6).

1.2. Likely Effects of European Demographic Change

The demographic changes concentrating on population aging and decline have significant implications and consequences for political, social and economic compositions of the countries. As a consequence, possible negative impacts of demographic change of population decline and aging on the economies of the countries have been the central elements of the many to debates on the public policy of the European countries for more than a century (Zimmerman, 1993: 1).[22]

One of the important problem facing society is the change in balance between the size of the population of working and non-working age. According to recent figures the support ratio is declining for all areas of the world. This has results for pensions and other policies where the existing workers pay for the benefits of the retired The Organisation for Economic Co-operation and Development emphasises this issue in its statement 'Fewer workers to support more retirees raise fiscal issues and issues of intergenerational fairness.[23]

The significant increase in the number of older people in Europe will also challenge social security and health systems, may hinder productivity gains, and could affect global competitiveness and economic growth.[24]

1.2.1. Likely Effects on the Labour Market

The decline in the number of working-age population affects the quality of the labour input, capital intensity, total factor productivity and economic competitiveness.[25]

Recent figures indicate that, as a result of the progressing decline in fertility, there is a rise in the average age of the economically active population in all Member States of the EU. According to Eurostat Labour Market Surveys, within the next 10 years the age composition of the population of working age in Europe will change

[22] (Zimmerman, 1993: 1).
[23] (Tinker, 2002; 731); (OECD, 1998, p.9).
[24] (Lutz, 2003; 1992)
[25] Capital intensity is the term in economics for the amount of fixed or real capital present in relation to other factors of production, especially labor; total-factor productivity (TFP) addresses any effects in total output not caused by inputs or economies of scale; Carone et al., 2005; 10-13

considerably: the numbers of young people (15-19) will decline by over one million (-5%) and those aged 20-29 will fall by nine million (-17%), while the numbers aged 50-59 will grow by 5.5 million (+12%) and the 60-64 age group will grow by one million. These changes imply that there will be an increase in older workers and a decrease in the working-age population.

Projections also anticipate the Lisbon targets for total employment to be reached by 2015 in the EU15 but by 2035 in the euro area, as the EU10 will not achieve the goal at all. [26] This is due to the fact that, after reaching a peak at 69.5 in 2025, the employment rate is expected to decrease to only 67% in 2050. The relative delay in the euro area largely results from the EU10's expected failure to attain 70% employment; this is particularly caused by poor employment projections for prime-age males[27]

1.2.2. Likely Effects on Pension and Health Care Systems

Most directly this demographic change will have an impact on national pension systems and their financing. Concerns about the financial stability of pensions and social security systems are frequently addressed with reference to the old age dependency ratio.[28] In the European Union, it is expected that this ratio will decline from 4 to 1 to less than 2 to 1 by 2040. In European welfare states pensions make up approximately 40-50% of the total expenditure on social security. The ratio is particularly high in Italy, while it is low in comparatively youthful such as Ireland.[29]

Moreover, it is clear that not only old-age security but also the public health care system will be affected by the ageing population. The number of the elderly people has risen as a result of improved living conditions and health care.[30] Similarly, health care expenditure in most European countries has grown faster than the national

[26] At the Lisbon European Council of March 2000, Heads of State and Government set targets of raising the overall EU15 employment rate to 70% overall and 60% for women by 2010. The Stockholm European Council (March 2001) added one additional target – raising the employment rate of older workers to 50% by the same date.
[27] (Carone, 2005; 27).
[28] The ratio between the population in working age group 15-64 years and the population 65 years or older.
[29] (European Council, 2002)
[30] (Milivoja, 2002).

income. This movement is cyclical though population aging, rising expectations of patients and medical progress.

It is anticipated that public spending on pensions, health care and care for the elderly will rise between 4% and 8% of GDP by 2040 in most Member States.[31] For governments, pension spending could therefore result in higher deficits. For people, the demographic developments could imply 'pay more, work longer, and get less'.[32] Consequently, the reform of the social security systems in Europe is unavoidable.

1.3. Corrective Demographic Policy Options

It could be possible to alleviate the negative effects of demographic change through policies implemented; these vary from migration, affecting families' decisions about whether to have children, household benefits, reproductive health policy, to policies that enable women to combine maternity and participation in the labour force.[33] In the literature, these policies are grouped as policies to increase fertility, policies to increase labour market participation rates and migration policies.

1.3.1. Higher Total Fertility Rate

One means to alleviate demographic change is to reach a replacement-level total fertility rate. In the long term, this would even out the labour force and produce long-term population growth.

This target would be achieved by affecting the individuals' choice regarding marriage, divorce, cohabitation their marital status, the woman's level of involvement within the workforce or whether to have children by bringing down economic costs of children, family allowances, housing benefits, exhortation through economic incentives or a, forcible restriction of contraception and abortion.

However, policies intending to reverse the diminishing trend in fertility rates have previously been unsuccessful. Any rise in birth rates requires twenty years to make an

[31] (European Commission, 2002a)
[32] (Bolkestein, 2001)
[33] (Rand Europe, 2004: 3)

impact. Implementing policies to attain such a rise would require major cultural changes, particularly those concerning gender equity. There are also indications that good family policies cannot guarantee higher fertility.[34] To illustrate, in Sweden, in the late 1980s extra maternity leave culminated in a short-term increase of fertility rates up to 2.14 in 1990. However, in mid1990s fertility began falling and dropped to 1.53 in 1997.

1.3.2. Increased Labour Force Participation

Another solution is to increase labour force participation. Policies to expand the workforce must consider the various reasons that initially cause low participation. These include factors such as a lengthy period education while young; early retirement or disability for the elderly; traditional gender norms or difficulties in reconciling work and family life for women, and integration issues for migrant groups.[35] Therefore policies for raising the participation rates could include support for flexible retirement formulas; promote access to mature learning to improve employability; address issues such as the female wage gap and labour market segregation or address anti-migrant discrimination.

The impact of demographic change on pensions could be offset by increasing the upper limit of the retirement age, discouraging early retirement, reducing the size of benefits, introducing higher social security contributions and taxes, and revising the financial reliance on the "pay-as-you-go" system. In terms of health care systems, policy options could include cost reductions through rationing the health care system and reducing medical dependencies.[36] .

1.3.3. Increased Migration

A further option is increased migration, traditionally a controversial issue in debates on European social policy. It is to the significant contribution that migration movements will make to the future demographic dynamics of Europe that this thesis will now turn.

[34] (Niessen and Schibel, 2002; 9).
[35] (Niessen and Schibel, 2002; 9).
[36] (Rand Europe, 2004:34-36)

2. Migration as a Policy Option In Front of the Europe

As the numbers in the first chapter indicate, the lower fertility and increased longevity that all European countries experience unavoidably bring about national population decline and aging. These demographic changes result in a nation's working-age population to fall and concurrently generate a raise in the proportion of elderly. These shifts initiate economic, social and political troubles that subsequently require reconsideration of the nation's main policies and programs. Important topics involve: (a) number of working-age populations; (b) suitable retirement ages; (c) levels and type of retirement and health-care benefits for the elderly; (d) sources of funds to support these programs; (e) increase economic productivity; and (f) new policies and programs concerning to international migration (Bermingham, 2001;362).

Since the 1990s, governments, academicians, and journalists have been aware of demographic changes and are consequently reconsidering their pension schemes, health-care systems, and policies for economic sustainability. In this context, labour migration has emerged as a possible means to alleviate the economic consequences of demographic change. The UN report, *Replacement Migration: Is It a solution to Declining and Ageing Population*? concluded from a series of projections up to 2050 that offsetting declines through immigration might be possible in the short term, particularly as fertility rebounds cannot compensate declines for many years. However, such a high level of immigration "…seems out of reach because of the extraordinarily large numbers of migrants that would be required."

Since the 1990s, many EU countries have been reconsidering their previously restrictive immigration policies. Currently, several governments are assessing the possible gains of labour migration to provide a labour force. The UN Replacement Migration report, European Employment Strategy and the Broad Economic Policy Guidelines [37]have all focused on demographic shifts in Europe with reference to labour migration from third countries.

[37] The broad economic policy guidelines (BEPG), which take the form of a Council recommendation, are the central link in coordination of the Member States' economic policies. They ensure multilateral surveillance of economic trends in the Member States. Since 2003, the BEPG have been published for a period of three consecutive years.

Another European document on labour migration connected to demographics is the European Commission's 2001 Communication on pensions. This states "immigration can make a significant contribution to stabilising total population and employment figures" but that "no realistic level of immigration" can stop the progress of the decline in the ratio of workers to pensioners. Similarly, the 2002 Social Situation report[38] asserts "immigration can contribute to filling certain specific gaps on the European labour market, but it can in no way stop or reverse the process of significant population ageing in Europe". These documents, while recognising labour migration as a policy option, refrain from advocating it more strongly.[39] . According to Niessen and Schibel, the hesitancy of policy makers with regard to immigration is connected to three main aspects: the composition of the immigrant flows involved, the social sustainability of large scale immigration, and the sustainability of immigration's effect on ageing.[40]

Many authors argue that migration cannot delay the ageing process and should hence not be considered as a policy tool.[41] To illustrate, Keely states 'increased immigration to delay aging of populations, slow decrease in population and the labour force, and to supply workers with support old age pensions and health costs of aging societies, is possibly not a best policy option at the present time'.[42] Coleman also states that in the long run, only replacement level fertility can moderate the demographic situation.[43]

Some authors argue that immigration can at least alleviate the adjustment processes.[44] However, many commentators, including Zimmermann and Johnson stress "the considerable aging of the European labour force will radically shift employment structure and with open borders it will entail immigration. A larger amount of immigration might be a rational policy to account for the decrease in the labour force and its ageing".[45] Höhn also comments: "Immigration is the only realistic tool of

[38] The Report contributes to the monitoring of developments in the social field across Member States. It provides a holistic view of population and social conditions as a background to social policy development, and establishes links to annual Commission publications. In 2002, special attention was given to the issue of geographical mobility in the EU and its implications for living conditions and social cohesion.
[39] Niessen and Schibel, 2003; 67
[40] ibid
[41] (Keely,2001; Saczuk,2003; Boswell,2004; Coleman, 1992; OECD 1991)
[42] (Keely, 2001: 108).
[43] (Coleman, 2001:28).
[44] (Hohn,1993; Börsch-Supan, 1993; Straubhaar/Zimmermann 1993).
[45] (Zimmermann and Johnson 1993: 17).

averting population stagnation in Europe and that uncontrolled immigration and integration of immigrants should be the future policy focus".[46]

2.1. Supporters of Labour Migration as a Policy Option

The UN Report of *Replacement Migration* supports "replacement migration" as a means of balancing the effects of low fertility rates and ageing population. Without migration, declines in population size would be greater and the population aging faster up to 2050. Bearing in mind the UN Report, with the intention of balancing the size of the active population in Europe, it is projected that annually about 550,000 foreign workers up to 2010 and an additional 1.6 million workers would be required between 2010 and 2050. Europe requires 68 million net inflows between 2003 and 2050.

Some authors consider the recruitment of foreign labour to be the only rational way to balance the labour shortages.[47] In support of Saczuk, Boswell also points out that labour migration may certainly be the only practicable response if states want to keep certain levels of economic growth, or current living standards.[48]

The reality is that the effects of other policy options such as increased fertility on labour participation rates are not sufficient to alleviate the negative impacts of demographic changes. For example, increasing fertility rates affect the number of newly born joining a population and these will become prospective new workers 18 – 25 years later. Nonetheless, they will remain as non-productive dependents for 18-25 years. However, immigration shows an immediate impact on labour markets as migrants tend to be people of working age. Immigration can also have an effect on population compositions in the future if the cultural groups traditionally have a higher birth rate.[49] In support of Rand, Coleman states: "Replacement fertility cannot raise the potential support ratio[50] in mature populations to much more than three and would

[46] (1993:17).
[47] (Saczuk, 2003:3).
[48] (Boswell, 2004:3)
[49] (Rand Europe, 2004:13).
[50] The potential support ratio (PSR) is the number of people age 15-64 per one older person aged 65 or older. This ratio describes the burden placed on the working population (unemployment and children are not considered in this measure) by the non-working elderly population

not prevent some population from decline in countries with long experience of below-replacement fertility".[51] Likewise, the UN Report points out that in the short to medium term measures to support fertility levels would not have any effect on the potential support ratio.[52] It is pointed out in the report that: "Even a rapid sharp increase in fertility in the short to medium term would not to a large extent change the situation concerning the potential support ratios".[53] Hoem also claim that: "The population of Europe is aging from the top as well as the bottom of the population pyramid; it gives the impression that the process of aging will carry on even if other countries pursue the course of Sweden and French back to replacement level fertility in the 1990s".[54] In addition, Holzmann claims that policies to promote fertility are unlikely to be an adequate solution by themselves. Even if policy levers do exist to boost fertility rates, the instant result is an increase in the number of dependants in the community, who take 15 to 20 years to enter the workforce.[55]

However, labour migration has its own problems and risks. Public opinion in some European states and the UN remain sceptical about the labour migration to balance labour shortages. It is mainly as a result of the high quantity of migration required. Because, the amount of migrants that EU would need to compensate the decrease in the size of the working-age population is exceedingly large, and the projected amount is greatly more immigration than experienced in history. The European Commission's Annual Review of the Demographic Situation in Europe in 1995 points out: "Inflow of migrants will not be able to avert population declines in the future, nor rejuvenate a national population, unless the migration flows attain relatively high levels". The UN Report also indicated that "the levels of immigration needed to delay aging considerably or result in a positive population growth in countries with below replacement fertility are so high that they are most likely not politically possible".[56] According to UN calculations, to stabilise the population of Germany alone the country would need to see replacement migration of nearly 350,000 persons per year. According to Deutche Bank Research, in fact, to prevent a decline in the working-age population, some 500,000 would have to immigrate to Germany every year. For

[51] (Coleman 2001:5)
[52] (UN, 2000: 7)
[53] (UN, 2000: 93).
[54] (Hoem, 1990: 50).
[55] (Holzmann, 2005; 95).
[56] (UN, 2000:11).

Europe as a whole, 950,000 would need to immigrate annually to maintain the size of the population, or more than 1.5 m to keep the working-age population constant.[57]

In addition, it is often discussed that additional immigration would result in competition with native workers for inadequate jobs. Furthermore, the incident of significant labour immigration in many West European countries since the 1950s has made many governments and electorates sceptical about migration as a tool of labour market policy. The idea that labour migration can offer a flexible and temporary answer to labour shortages has been largely discredited in many countries. Therefore, regarding to assess the migration as policy option to the demographic challenges in Europe, governments have a tendency to support labour migration as only one part of a package of reforms (increased participation rate, increased fertility rate, reform in health and pension systems), with the stress noticeably on domestic reforms as the first line of action to address shortages.[58]

2.2. Opponents of Labour Migration as a Policy Option

It can be said that there is extensive agreement in the literature that "replacement migration" cannot be relied on solving the problems arising from ageing of the population and alleged labour shortages and it is discussed by some scholars that mass migration is not a feasible solution to these problems. The debate mostly concentrates on whether immigration may be efficiently used to slow rather than prevent population aging. According to this group of scholars, it is uncertain that if large numbers of working-age immigrants would slow population aging in the short term by simply deferring the problem in the long term. Lesthaeghe states: "Europe would be better served by relatively small groups of immigrants and a partial recovery of native fertility, than by continued extremely low native fertility that is compensated by a very large immigration flow".[59]

The critics by scholars who constitute the opponent group of migration can be clustered under four main issues; age composition, possible costs, previous experiences, sociological nature and social tension.

[57] Deutche Bank Research (2002; 13),
[58] (Boswell, 2004:4).
[59] (Lesthaeghe, 1988:33).

In terms of age composition, some scholars argue that immigration can be valid for a short period. When considering its effect in slowing the ageing process, it must be taken into account that immigrants also age. So the effect of the young existence is short-term. Current immigrant populations in Europe have a comparatively young age composition, with a the median age of new immigrants on average about 30 years, while the median age for the overall OECD population is almost six years higher, around 36.[60] In addition, while it is true that the fertility rates of the immigrant women are typically higher than those of the receiving country; many studies also claim that their fertility has a tendency to converge more or less fast on the levels of the host country.[61] Similarly, Rowthorn argue that, "the fertility of immigrants normally converges to that of the host society after a couple of generations. Certain types of immigrant may have large families now, but most of their descendents will not do so in the future. As this cohort ages and their children begin to behave like the local population, a new wave of immigrants will be required to keep the country young. As the rejuvenating effect of this wave of immigration fades, yet another wave of immigrants will be required, and so on ad infinitum".[62]

In terms of possible cost, some scholars argue that while certain types of migration such as highly skilled or dynamic entrepreneurs are beneficial for economic advancement of receiving country, many migrants have a low educational level and low skilled. In addition, it is not economically advantageous for those who have to compete with these immigrants. Moreover, unskilled, unemployed or economically inactive migrants may possibly be a considerable tax burden on the local population if they require public support and care in old age.[63] Zimmermann also argues that immigration may depress wages of natives and induce unemployment.[64] For this reason, according to many scholars, migrants have a modest effect on the labour market in the receiving country and that they mostly depress the wages of other immigrants rather than those of natives.[65]

[60] (Niessen and Schiebel, 2002; 14)
[61] (Ram and George, 1990; McNicoll, 1995; Legros, 2003)
[62] Rowthorn, 2004; 11)
[63] (Rowthorn, 2004; 3)
[64] (Zimmermann, 1993:238)
[65] (LaLonde and Topel, 1997:820)

Coleman put emphasis on that EU should not need increased immigration to meet quantitative work force shortages at least for the next ten or twenty years due to the fact that the EU countries have considerable reserves of employable manpower and labour force of the unemployed and inactive population which exceed any short-term demographic deficiencies.[66] Orzechowska also stresses to the reserves especially among women and the old and their mobilization to balance a share of labour shortage.[67] Orzechowska also argues that the huge amounts of migration does not seem to be a reasonable answer to aging and declining of labour population and that some of them might be reserves in high unemployment and relatively low activity levels in Europe.[68] Scholars who constitute the opponent group of migration refers more to other policy options such as designing suitable fertility rates, reforming pension systems, increasing retirement age, training and retraining and increased work force participation rather than additional migration flows.[69]

Some scholars such as Coleman also stress the previous migration experiences of Europe during the 1960s and 70s with costs for social welfare, education, and housing. Coleman emphasizes that the migration experience of 1960s has not averted population aging. Moreover, it is argued that the labour market conditions have changed vis-à-vis those times. Additionally, the qualification requirements have moved from unskilled to skilled activities

Some other scholars emphasize the effect that immigration may have on the cultural, racial, linguistic and ethnic composition of the receiving countries.[70] According to them, if the proportion of immigrants surpasses a certain level, indeed, there can be severe social risks for the hosting population. Coleman argues that, in the long term, there is a risk that the minority will become the majority in a country and the original population therefore becomes under the risk of dying out by leaving no descendants.[71]

As a result, immigration to alleviate the negative effects of population aging and labour shortages is considered demographically and economically ineffective and a

[66] (Coleman, 2001:27).
[67] (Orzechowska, 2001:7).
[68] (Orzechowska, 2001:9).
[69] (Coleman, 1992; Feld, 2000; Orzechowska, 2001).
[70] (Teitelbaum and Winter, 1985; Coleman 2001)
[71] (Coleman, 2001:9).

short-term measure which can cause serious cultural, social and political difficulties and economic costs. The opponents of migration argue that mass migration cannot be relied on solving these problems and that is not an effective answer. So, it is advised that the other discussed measures and policies should go interacted. Overall, it is a common idea among the opponents of migration as a policy option that mass migration is not likely to reverse the process of population aging and decline in Europe, but can be helpful in lessening the impact of aging on the work force.

3. Effects of labour migration on domestic labour markets

In the final section, this thesis will turn to consider the impact that labour migration has on domestic labour markets. This will be presented as a case study of the impact of Turkish migrants in Germany; it will particularly focus on the period 1961-73, but will do so with reference to the current situation in order to emphasise the changing effects that labour migration can have on domestic labour markets over time.

3.1. Patterns of migration of Turks into Germany

The Turks form the largest immigrant population within German society; this is a pattern in line with the rest of Europe, as there are around five million ethnic Turks currently living in European countries.[72] At the end of 2003, around 1,880,000 of these were resident in Germany.[73] However, it is only in the last few decades that the government has recognised Germany to be an 'immigrant country', and previously the Turkish immigrants had solely been viewed as an economic addition to the German labour markets.

There can be seen to be three distinct periods within Germany's experience of immigration.[74] Firstly, between 1961 and 1973, Germany experienced a long period of economic growth but had an insufficient native labour supply. It was in this period that the German government sought to attract Turks to Germany as workers; they led

[72] Austin and Parker, 'The Mono-Cultural Delusion: Turkey and migration policies', p.32
[73]Euwals et al, 'Immigration,, Integration and the Labour Market: Turkish Immigrants in Germany and the Netherlands', *IZA Discussion Paper Series,* no.2677, (March 2007), p.19
[74] Federal Office for Migration and Refugees, *The Impact of immigration on local labour markets in Germany* (October 2005), p.13-16

the way with Labour Export Agreements, signing a bilateral agreement with Turkey in 1961. This recruitment was done on the principle of rotation and the government never intended for the Turkish workforce to be anything other than a temporary addition to that of the Germans. However, the numbers that were migrating to Germany in this period were substantial: the number of the total foreign population in Germany at this time increased from 600,000 in 1950 to 3.9 million in 1973, an increase from 1.2% to 6.4%.[75]

The second phase followed the economic slowdown that resulted from the oil crisis of 1973. The main causes of migration at this time were family reunification and migration back in to Germany. In the wake of the oil crisis, the government reassessed their perception of the impact of migrant workers on the labour market: there were fewer jobs for the migrants to fill and as late as 1983, the government was pursuing a remigration policy for its immigrant workers. Yet despite the economic crisis, the number of immigrants continued to be high and actually peaked in the 1980s.[76]

Thirdly there has been a new attitude towards migrants in which the government has accepted that they will be a permanent feature of the country and have instigated new policies in order to enable them to naturalise and integrate into German society. This began to display itself in policies such as the 1990 Foreigners Law, which began to grant foreigners distinct rights in the country. This sea change has become particularly obvious at the beginning of the twenty-first century however and in 2005 the government finally pushed through the reformed Immigration Law, after much controversy.

This thesis is focusing on the first period, in which Turks were most obviously treated as an economic commodity, brought in to aid the German domestic labour market.

[75] Glitz, 'The impact of immigration on local labour markets in German' (UCL, 2005), p. 12
[76] Federal Office for Migration and Refugees, *The Impact of immigration on local labour markets in Germany*, p.15

3.2. The effect of Turkish labour on the labour markets

On an absolute level, there is no doubt that the Turkish immigrant population have made a major contribution to the German economy. The statistics available for post 1998 suggest that 1.2 million in Europe contributed 55.1 billion to the GDP of the European Union.[77] Therefore it can be extrapolated from this that the Turkish population in Germany have made an overall contribution to the GDP of Germany. However, aside from the absolute levels of GDP, the key question is what the effects of Turkish immigrants were on the wider market, including the employment situation and wage levels for German natives. One of the major fears commonly brought up in opposition to migrant workers is the xenophobic fear of Turks 'stealing' jobs from the Germans themselves.

3.3. The effect of Turkish labour on employment rates

In determining the effect of Turkish labour on employment rates, this thesis will firstly survey economic theory and then the empirical evidence from Germany in the period. Economic models broadly suggest that immigrants will gain from working in the host country; that capital workers will gain in the short term only and that some resident workers will gain and some lose, depending on the type of immigrant.

However, the extent to which these statements are true differs depending on which economic model is used. Euwals has compared the models of Borjas and Graafland et al.[78] Both utilise a similar tripartite distinction between capital, high skilled labour and low skilled labour. However, the models of market activity resulting from an influx of immigrants differ between the two theories. For Borjas, labour supply is seen to be inelastic, with a number of workers increasing proportionally with the population; he assumes perfect competition on the labour market and that the increasing production levels due to immigrant labour will not affect prices on the world market.[79] This is at odds with the model posited by Graafland, which allows labour supply behaviour to react to changed wages and allows for unemployment to be present even in the state of equilibrium.

[77] Austin and Parker, 'The Mono-Cultural Delusion', p.33
[78] Euwals and Nieuwenhuis, 'Immigation and the Labour market', *CPB report,* (2003), p.29
[79] *ibid,* pp.29-30

A major methodological question is therefore which model is better suited to surveying the effect of Turkish labour on employment rates. The outcome predicted by Borjas is much more positive than that of Graafland, predicting a redistribution of income between workers; Graafland on the other hand argues that in most cases all workers lose. Yet it is Graaflands' model, designed for the Netherlands that seems more suited to the German market than Borjas' model which is primarily based on the experience of the United States.[80] Yet despite this, the German government has found a positive overall impact of immigration on native wages, suggesting a closer correlation to Borjas model.[81]

In order to decide which model of the effect of immigration on labour markets is more accurate, it is necessary to survey the types of worker that Germany was letting in to the country between 1961 and 1973.

3.4 The Importance of workers' skills levels in determining their impact on labour markets

The crucial determinant of the impact that immigrants have on the employment and wage levels of native workers is their skill levels. It is necessary to distinguish between workers that have a high skill level and those of a low skill level. A highly skilled worker is here defined as someone with a higher secondary or tertiary education while a lower skilled worker is a worker with only a primary or lower secondary education.[82]

The positive impact of immigration has largely resulted from the distinct admission policies pursued by the German government during the period 1961-73, which affected the skill distribution of migrants. There is an ongoing debate within the literature on immigration as to whether workers are positively or negatively selected to migrate from their native countries. Chiswick posits a 'survival of the fittest' model in which the most highly motivated individuals move to work in another country. By

[80] *ibid,* p.32
[81] Federal Office for Migration and Refugees, *The Impact of immigration on local labour markets in Germany*, p.6
[82] Euwals, 'Immigration and the labour market', p.31

contrast, Borjas suggests that countries with small wage dispersion attract a negative selection of immigrants.[83]

The bilateral workers' agreements resulted in a higher proportion of youthful male workers moving to Germany who were able to make a positive contribution to the German economy. Furthermore, the policy of remigration and the difficulties associated with naturalisation for migrants in the late 1960s in Germany discouraged workers from bringing their families with them; there was little possibility of creating a new life for the whole family in Germany itself.[84] Therefore the immigrants that came to Germany during these years were oriented towards participation in the labour market. By comparison, the Netherlands pursued a more open policy of immigration and consequently had more dependents moving over with the workers, which lessened the overall benefit of the immigrant labour.[85]

3.4.1 The impact of immigrants on high-skilled native workers

The economic models suggest that when the immigrants coming to a host country are low skilled, they have little effect on the native high skilled labour and if anything, increase the wages available to those with high skill levels. In the early stages of recruiting Turkish labour, the German policy favoured more highly skilled workers.[86] However, there were two key elements that prevented the Turks from threatening the employment of higher skilled German workers. Firstly, even where the Turkish workers coming to work in Germany were of a higher skill level, there is evidence to suggest that they were discriminated against.[87] Therefore, it is unlikely that they could have contributed to any significant 'crowding out' of German high skilled workers from employment or lowering of their wages.

Secondly, the study conducted by Akgunduz suggests that even those Turkish workers who were of a higher skill set were prepared to work at lower skilled jobs in order to benefit from the working conditions in Germany.[88] In the literature on the subject,

[83] Euwals, 'Immigration, integration and the labour market', p.17
[84] *ibid,* p.19
[85] *ibid,* pp.19-20
[86] Akgunduz,'Labour migration from Turkey to West Europe', p.155
[87] Euwals, 'Immigration, integration and the labour market', p.12
[88] Akgunduz, 'Labour migration from Turkey to West Europe', p.170

Neuloh has argued that over 50% Turkish workers were illiterate.[89] By contrast, Akgunduz disputes this. He stresses that the migrants came from the richer Western regions of Turkey. Paine also lends this position credence, stressing the high literacy rates in the country at the same time.[90]

Previous studies had drawn the conclusion that the Turkish workers must have been 'pushed' away from Turkey due to high unemployment or a decrease in wages. Akgunduz disputes this, arguing instead that the 'pull' force of Germany outweighed the fact that Turkey did see a growth in real wages of 85% between the years 1960 and 1976 and that the economy did grow in this period.[91]

However, the German labour market is particularly difficult to enter as a skilled worker due to the nature of the German educational system. This consists of a tripartite secondary school system, divided into the *Hauptschule, Realschule* and *Gymnasium*. Only those who have attended the Gymnasium are eligible to attend German university and the vocational education offered in the other schools provide German workers with distinct qualifications that the first wave of Turkish immigrants did not possess. In the period 1961-73, Turkish workers were treated as a temporary labour force and as a result the German government put little investment into developing their human capital.[92] As a result, the Turkish workers participated in the labour force predominantly at the lower skilled level. While 58% of the Turkish immigrants in the 1960s had previously worked as skilled personnel in their home country, only 36% continued in equivalent roles in Germany.[93]

Therefore their higher productivity levels arguably improved the situation of German higher skilled workers. The MIIC model predicts that where there is an influx of low-skilled immigrants, demand can increase such that the unemployment rate of high-skilled workers can decrease by 0.4%. Had the Turkish immigrants been of a similar, high-skilled level, they could have conversely increased the unemployment rate by 0.4%, however as has been seen, this was not the case in this period.[94]

[89] *ibid,* p.163
[90] *ibid,* p.168
[91] *bid,* p.160
[92] Euwals, 'Immigation, integration and the labour market', p.19
[93] *ibid*, p.169
[94] Euwals, 'Immigration and the labour market', p.32

In the discrimination against Turks in the more highly skilled jobs, there was a tradition of Turkish entrepreneurship that has increased over time. Rather than competing directly against high skilled workers for the better paid jobs in Germany, Turkish migrants forged their own distinctive employment opportunities. In a trend which began in the 1970s but has grown in strength through the decades, Turks in Germany are particularly associated with the restaurant industry; the doner kebab is a Turkish invention in Germany and is now one of the most popular German dishes.[95]

3.4.2 The impact of low-skilled immigrants on low-skilled native workers

The strata of society in which there is a greater possibility that Turkish migrants undercut German jobs is within the field of lower skilled labour. The key question here is whether low-skilled immigrants increase the total labour supply less than proportionally, driving native workers out of employment. Hartog and Zulu attempted to map the effect of low skilled non-EU immigrants on low-skilled native workers but their two data sets produced opposing conclusions: one argued that immigrants from non-EU countries have a negative impact on the wages of low-skilled individuals while the other suggested that non-EU workers had no impact on low-skilled individuals and a positive effect on the wages of high-skilled individuals.[96] It is therefore difficult to draw firm conclusions about the impact. The MIIC economic model makes the general prediction that low-skilled immigrants could have increased the unemployment rate of low-skilled German workers by up to 0.6%.[97]

Crucially in the period 1961-73 there was a dearth of German native workers. As a result the Turkish labour force recruited were not crowding Germans out of employment, but were rather an addition to the existing labour force. Paine has noted in relation to Europe that it was 'unlikely that these countries would have been able to obtain substitutions for other countries without incurring some extra cost'.[98]

[95]Federal Office for Migration and Refugees, *The Impact of immigration on local labour markets in Germany*, p.33
[96] Euwals, 'Immigration and the labour market', p.32-3
[97] *ibid,* p.31
[98] Akgunduz, 'Labour migration' p.156

The findings of recent research conducted by d'Amuri suggest that it was the first wave of immigrants themselves rather than the native workers that were most adversely affected by the convergence of East and West Germany. He finds a pattern of perfect substitutability between old and new immigrants as opposed to imperfect substitutability between immigrants and natives. As a result, the impact of new immigrants depresses the wages of previous immigrants by -1.64%.[99] Such findings complicate the picture of how low-skilled workers impact on an existing workforce at the same skill set. Such data supports the conclusion that it is not low-skilled workers per se who were forced out of employment but rather that the Turkish workers who came in the period before 1973 were predominantly filling new job opportunities and that the greatest patterns of unemployment among low skilled workers after this time was migrants replacing previous migrants.

3.4.3 The impact of illegal workers on native employment levels

It is low skilled illegal workers who are most likely to have a negative impact on the employment situation of German low skilled workers. By definition, it is difficult to get exact statistics on the numbers of illegal workers within a country at any one time. However, illegal Turkish migrants could have been a feature of the German labour force, as in the early 1970s there was a lag in the time taken to process work agreements.[100] However, the existence of the bilateral trade agreement means that the impact of illegal workers is unlikely to have been large enough to have a negative impact on native workers' wages or employment.

3.4.4. Sectoral and regional differentials between the employment of immigrant workers

In Germany, there are two key considerations in assessing the impact of immigrants on the employment of Germans. The first is that Turkish immigrants to Germany were concentrated in distinct sectors. The industrial sector in particular recruited Turkish workers during the late 1960s; 40% of Turkish workers were employed in the field of

[99] D'Amuri et al., The Labour Market Impact of Immigration in Western Germany in the 1990s, CEPR Discussion Paper No. DP6736, p.3
[100] Federal Office for Migration and Refugees, *The Impact of immigration on local labour markets in Germany*, p.14

heavy industry and 16% in light industry.[101] While this may have resulted in job loss for Germans who worked in this field, it is more likely that the economic boom had created more jobs and that the economic benefits resulting from increased output in the industrial sector would have impacted positively on the German workforce as a whole.

A second factor that determines the impact that migrant workers can have on native employment levels is the regional dispersion of the immigrants themselves. Particularly as the Turkish workers were being recruited to come to Germany, they were predominantly concentrated in areas where there was the most work; this is most likely to have led to a positive correlation between immigrants and wages. Certainly this conclusion is supported by the work of Winkelmann and Zimmermann, who found a negative but very small impact of immigration on regional unemployment rates.[102]

3.4.5. The impact of immigrant labour on capital owners

The injection of migrants into the labour market appears to have had a positive impact on capital owners in the short term.[103] The German government signed bilateral agreements precisely because it was in the interests of their industrialists to be able to take advantage of this additional labour force to expand their productivity levels. However, there is evidence that this positive impact on capital owners has decreased since the 1970s. Placing the German economic market within the context of the international market, it is possible to assume an expanded trade volume as a result of immigration. Increasing production in certain sectors decreases their prices on the world market. Therefore although the increase in production does have a positive impact on capital owners, this decreases over time.

[101] Akgunduz, p.169
[102] Federal Office for Migration and Refugees, *The Impact of immigration on local labour markets in Germany*, p.21
[103] Euwals, 'Immigration and the labour market', p.29

3.5 The impact of migrants on the social service system

The potential benefits of a Turkish workforce within the German labour market must be offset against the increased draw on the German social services system. In terms of the period 1961-73, this calculation would have had least importance. The social services system can broadly be divided into four key categories: health, education, pensions and unemployment benefits. The German government migration policies demanded that the Turks prove their self-sufficiency. As a result, there was nearly 100% employment among the Turkish migrants at this time.[104] Therefore, there was almost no drain on the unemployment benefits from the migrants. Similarly, as few workers had their families with them in this period, the impact on education services was low. In addition, as the Turks were intended to return home after eight years, there was also no impact on the pensions fund. Although there were some potential drains on the healthcare system from workers, the drain of workers in no way offset the economic benefits they provided as a workforce.

However, the only potential opposing force to this net economic benefit to the German economy was that Turkish workers in the 1960s remitted most of their earnings back to their families.[105] Therefore, rather than supporting the German economy, their money was removed from the national market. This again seems an insufficient counter-pressure to offset the economic benefits of the workforce.

3.6 Methodological problems

However, in studying the impact of Turks on the German labour market, there is an important question of whether the data available can support any firm conclusions. The simple answer is that it cannot.

In relation to studying the period 1961-73, the German Socio-Economic Panel series only began to collect data from 1984. As a result, figures are based largely on extrapolations backwards from this figure and from the policies pursued at that time. In relation to the period post 1984, the panel series is still not sufficient to draw a

[104]Euwals, 'Immigration, integration and the labour market', p.30
[105] Austin and Parker, 'The Mono-Cultural delusion', p.34

clear picture of the impact of Turkish migrants on the labour market. For example, it does not distinguish between the generations of workers and therefore it is impossible to trace the extent to which improved educational levels have altered the skill levels second or third generation migrants in comparison to those of German workers.[106]

3.7 The implications of the effects of migration on labour markets for the status of Turkish migrants within Germany

Particularly with such unreliable data, one of the most crucial questions that is associated with such a study of the effects of migration on labour markets is: what is the significance of these findings? The issue of immigration is politically fraught throughout contemporary Europe. Far right groups have gained in popularity throughout the continent, including Le Pen's National Front in France. In Germany, the electoral popularity of the Republikaner only decreased because of the reunification of Eastern and Western Germany.[107]

Austin and Parker have identified three main causes as to why the Turks are treated as objects of resentment. These are firstly, because of patterns of political mobilisation; secondly, shaped by prevalent norms about the appropriate treatment of migrants and thirdly, the attitudes towards migration shaped by shared beliefs about previous policy. Another key factor highlighted by commentators regarding recent anti-Turkish sentiment is that, while Turkey remains a secular country, many Turks are Muslims thereby attracting hostility in the post-9/11 world.[108]

Data suggests that anti-immigrant sentiment is based less on rational concerns that can be calculated according to the economic impact of migrants of labour markets and more on fear of social and political change. However, the economic findings of what effect the Turkish migrants had or are having on labour markets could potentially have significant ramifications politically. Finding that immigrants have a positive impact on labour markets suggests the need for them to 'pay their way' into German society. Conversely, finding a negative impact on native employment and wage rates could be used in order to heighten far-right xenophobia.

[106] See Appendix A, Netherlands, p.41
[107] Franklin, *Migration: New Demands and Approaches for Europe,* p.25
[108] Austin and Parker, 'The Mono-cultural delusion', pp.29-30

Further, such an economic study also needs to be placed within a human context. The German report on the impact of Turkish immigrants places the study of the economic effect of immigrants alongside that of their social and political impact: labour participation sits alongside their impact on German music. In the period 1961-73 the Turks in Germany were treated only as a workforce, however the sense that a more holistic picture is necessary was captured by Zapsu when he stated 'Western Europeans wanted a workforce, but in came humans. They have been regarded as an economic additive rather than human beings for many long years by both European and Turkish governments'.[109]

Conclusions

Migration has always been one of the most controversial issues in the current debates on economic and social policies in Europe. It is very often perceived as burden on the society, but on the other hand many times it proved to be a benefit. Although a number of authors argue that migration cannot halt demographic ageing and should therefore not be considered as a policy instrument[110], others argue that immigration can at least mitigate the adjustment process[111]. The general opinion among scholars and politicians that immigration is required, at least in the short term, to reinforce the population of working age, to provide a service work force to care for the elderly and to reduce the dependency ratio arising out of ageing.

When we look at the case of Turkish workers in Germany, It would be misplaced to try and draw absolute conclusions about the impact of Turkish workers on the German economy, particularly for the period 1961-73 from the data available. However, some broad trends can be identified. The first generation immigrants in particular do not seem to have had a negative impact on native employment or wage rates; they were actively sought by Germany as a means of making up the numbers in the work force in order to increase German productivity rates. First generation immigrants tended to consist solely of young males prepared to work within the strata of low skilled workers who were an asset to the German labour economy in increasing productivity rates. This was partly due to the nature of the German labour recruitment

[109] *ibid,* p.37
[110] (Coleman, 1992; OECD, 1991).
[111] (Borsh-Supon, 1993; Straubhaar/Zimmerman ,1993)

policies and disincentives to bring dependents and also due to a positive self-selection among those most motivated to apply for the bilateral work agreements. Even taking into account possible effects on workers within particularly the industrial industries where many Turks worked, there seems to have been an overall positive impact on the labour market from Turks working in Germany between 1961-73.

The overall impact of Turkish work in the labour market post 1973 presents a more complex picture. The impact of Turkish workers in the German labour market have to be adjusted for the decreasing prices on the world market that result from greatly expanded production and also the welfare costs of dependents. As a result, Euwals tentatively suggests that the overall gain for the host country is small and in reviewing the literature, finds a broad trend towards seeing a small but negative impact on wages.

In terms of wider conclusions to be drawn from this case study, this thesis finds firstly a major need for more detailed studies of immigration patterns. It is due to the inadequacy of the data that more exact conclusions cannot be drawn about the impact of Turkish workers on the German labour market. Better data collection is necessary for the formulation of future labour-oriented immigration policies.

These conclusions are of significance in relation to the debate about whether the ageing and declining population trends in Europe could be made up through migration. This case study demonstrates that, as in the period 1961-73, where there is a numerical lack of native workers, migrant workers provide a useful short-term solution and have a positive effect on the economy. However, it also demonstrates that in the longer-term, the positive effects could be overwhelmed by the negative outflows from the welfare state system and the social strains of assimilation. Such social pressures are not quantifiable and therefore cannot be numerically offset against the impact of the workers on the Germany economy. In conclusion, while the Turkish workers undoubtedly provided a boost to the German economy in the period 1961-73, their longer-term impacts in the purely economic sense are less clearly defined.

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