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Prospects of Migration as a Consequence
of the Transformation of Eastern
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1. Structural aspects of the employment of foreign workers in Europe in the eighties

After a downturn of foreign worker employment of varying intensity and duration due to recessionary forces in the first half of the eighties an upturn set in again in many European immigration countries around the mid-eighties. The share of foreign workers in total employment was highest in Switzerland, which is a long-standing tradition, with some 24 percent on a yearly average in the second half of the eighties. Second in line was Belgium with 10 to 11 percent, followed by France and Germany with 7½ percent, further down in foreign worker shares were countries like Austria and Sweden with some 5 percent, even below were the Netherlands with around 3 percent.

The great diversity in the level of foreign worker representation in the various European countries does not signify to what extent individual nations depend in their labour supply on the inflow of people from abroad. There are countries with colonial ties like France, Netherlands, Great Britain, who experience an inflow of nationals of differing ethnic origins, which significantly boosted their domestic labour supplies. Germany on the other hand (and to a much lesser extent also Austria) increased its indigenous population and labour supply by integrating an ever rising flow of Eastern Europeans of German descent, who very often are in the same position as foreign workers as far as acculturation problems are concerned; there are no legal impediments, however, because they are granted citizenship. The remaining obstacles are more in the line of labour market or pre-market discrimination practices, as is the case for countries with colonial ties.

Sweden has a relatively low share of foreign workers in total employment due to its institutional emphasis on integrating aliens as quickly as possible through naturalisation.

Among these countries, Switzerland sticks out as a country highly dependent upon foreign labour because its inflow of foreign labour remains visible for a much longer period of time than in Sweden since Swiss citizenship is not as easily granted. If one reduced the number of foreign workers by those with

permanent settlement allowance (about 50 percent of all foreign workers), the share of foreign workers in total employment would drop straight away to some 11 percent, a share comparable to Belgium.

Given this diversity in historical and institutional background concerning worker migration it is still possible to point to some general development patterns in the structure of foreign workers in Europe in the more recent past.

As far as the structure of foreign labour by country of origin is concerned a trend towards recruitment from more distant countries or regions is discernible. One hypothesis, in efforts to explain for this development, states that outmigration starts usually in more developed areas of countries of outmigration (e. g., Croatians in Yugoslavia via Germany). Only in a later migratory stage do more distant and less developed regions become sources of labour supply (e. g., in Yugoslavia Kosovo) – the skill level of foreign workers of more distant and less developed areas is usually lower than in the case of outmigration from areas with higher economic development. In Switzerland, for example, a shift away from Italians to Yugoslavians and Turks took place; this shift affected in the main construction industries. Does it imply that construction work is a means of entering a labour market? The second generation migrant does not, however, follow in the father's footsteps.

As a consequence of the increased settlement tendency, of the longer duration of stay of foreign workers in the host country, of family reunion and natural demographic developments, the share of foreign women and youth in the labour market increased. Hand in hand with the feminisation of foreign labour went the trend towards the increased importance of the tertiary sector for foreign employment. In countries where the tertiarisation of the work force is particularly advanced, e. g., Sweden, already 60 percent of the foreign work force are in services. In countries with a particularly dominant secondary sector, e. g., Germany, 61 percent of all foreign workers are in manufacturing plus construction and only 36 percent in services.

Of the economic branches with particular dependence upon foreign workers one has to generally cite construction, textile, clothing and leather industries as well as the car industry and metal industries; in services it is above all tourist and catering services, cleaning and particularly in France domestic services, which depend a great deal upon foreign workers. The degree of concentration of foreign workers upon special industries or occupations has generally decreased in the long run.

A special feature of migration in Europe in the 2nd half of the eighties is the increased outflow of Eastern Europeans particularly to Germany and Austria due to democratisation processes in Eastern European countries. In other countries it is above all the upswing in the flow of refugees from Non-European countries which has increased the labour supply.

2. The impact of the new migratory wave in the wake of the fall of the iron curtain upon Austria

In the wake of the fall of the Iron curtain a wave of immigration into Austria set in 1989, the dimension of which outpaces anything Austria has known since the end of World War II, except in the case of the political crisis of Hungary in 1956. During 1989 and 1990 the foreign resident population increased by 114,700 or 38 percent to 413,400 and there is no sign of a reduction in the speed of net inflows during 1991 discernible yet. The share of foreigners in the total resident population rose from 3.9 percent in 1988 to 5.4 percent in 1990. Responsible for the sudden increase in the foreign population are in the main supply side factors, i. e., severe economic problems in the traditional donor countries of foreign labour to Austria (Yugoslavia and Turkey), economic destabilisation in Eastern European countries as a consequence of the transition process from a command economy towards a market economy as well as political persecution and demographic pressures which lead to increased flows of refugees.

The demand side was accommodating, i. e., economic growth has been favourable since 1988 and gained even momentum during 1990 as a consequence of the German reunification. Since the West German economy had reached its output (capacity) limits the excess demand of East Germany could be satisfied by increased imports, from which Austria appears to have profited most of all neighbouring countries. This made Austria and West Germany a centre of exceptional middle-European growth surrounded by economic decline of varying intensity (GDP growth of Austria 1990 +4.6 percent, West Germany +4.5 percent, Western Europe +3 percent).

One basic difference of the new migratory wave compared to the first one in the late sixties and early seventies is that the main driving force behind migration now is the supply side – then it was the demand side. The macroeconomic environment in the sixties and early seventies was characterized by severe labour shortages documented by unemployment rates in the order of 1 percent of the labour force. Economic and productivity growth were substantially higher than now. In the sixties Austria chose the route of foreign worker recruitment in order to satisfy labour demand. Other countries such as the Northern European ones preferred the activation of their internal resources through facilitating the employment of women and older people. As a consequence of this political choice Sweden (taking just one of the Northern European countries as a case) has one of the highest participation rates of women and men of any industrialized country and Austria is at the other end of the line (Sweden 1989: participation rate of men aged 16 to 64 88.7 percent versus 78.2 percent in Austria, women 83.2 percent versus 55.6 percent in Austria).

Connected with this greater integration of the internal labour resources into the labour market was a greater shift of traditional household work into the market. Sweden is thus a country with a much larger share of consumer oriented services in employment (particularly health-, child care and social services) than Austria. In Austria the traditional work processes and division of work between men and women in

the formal and informal sector were perpetuated to a larger extent than in Sweden. The Swedish policy was directed towards a reduction of wage differentials according to economic branch and professional attainment (solidarity wage policy). Thus structural change was precipitated by forcing the least productive firms and economic sectors out of business and pushing firms into process innovation (e. g., robots) where workers became too expensive given the fact of global markets where prices are determined which any open economy has to take as given. Austria took another road – the road of labour market segmentation and increased wage differentials by economic branch, professional attainment, region. Austria is among the industrialized countries with the highest wage differentials in the world. One major explanation is to be seen in the fact that Austria is at the same time a country of immigration as well as outmigration, due to its geographical position in the dividing line of European West-East economic development levels. In order to prohibit the outflow of highly skilled labour, which is necessary for the survival as a "high-tech economy", one has to pay wages not too much below the German or Swiss levels for these skills. On the other hand one subsidizes low productivity technology, firms and activities by keeping the wages low in certain sectors through leaving the supply valve open, i. e., foreign worker recruitment.

As a consequence of this particular Austrian institutional setting the sudden supply rise of labour led to an increase in unemployment, a slowdown in productivity growth and a negative wage drift. In general it is not possible to conclude a priori that unemployment will increase as a result of migration, since much depends on whether migrants contribute more to the supply of labour (which is maybe already in surplus) or to the demand (which may be hampered by scarce labour). The available employment is not a fixed quantity and the migrants do not simply seize the opportunities intended for the indigenous work force. If the degree of segmentation of the labour market is small migrants will eventually improve their economic situation through general productivity increases. If they are confined to certain segments of marginal employment, however, they are more likely to contribute to unemployment.

The diffusion of foreign labour into new economic branches shows to what extent they become an integral part of the production system. At the beginning of migration foreign workers are usually concentrated upon certain branches and occupations, so called entry ports into the labour market. The economic branches in question in Austria are those exposed to severe competitive pressure as a consequence of global markets, e. g., the traditional consumer good production sectors (textile, clothing, leather, food) – if one keeps the traditional production methods the workers are working under similar conditions as those in the countries on the brink of industrialisation – and activities in the sheltered sector, e. g., construction, tourism, cleaning, personal and domestic services, and the like. In Austria the specific foreign worker policy, to issue a work permit to a firm which can prove that a particular job could not be filled with an indigenous worker at the going work conditions and wages, meant the preservation of foreign worker segments. Besides the mechanism for structural change has been eliminated – normally in a situation of full employment labour scarcities arise first in low-wage, low-productivity jobs. These quantity restrictions lead into a change of the wage structure, above all a

reduction of wage differentials, which serve as a whip for structural change via work process innovation and rationalisation. This is the road towards increasing economic productivity which allows a higher economic welfare through generally higher wages. In Austria foreign workers were not allowed to move into better paying jobs. Only after 8 years of ongoing legal employment (since 1990 after 5 years) free labour mobility is granted (permanent work permit), i. e., a foreign worker may choose the best paying job just like any indigenous worker. The foreign worker law reform of 1990 – a direct consequence of the supply shock of labour – is intended to increase the allocative efficiency by reducing institutional mobility barriers of workers. Given the institutional rigidity in Austria it is not surprising that foreign workers remained concentrated upon certain branches for a long time; they work in the main as unskilled or semiskilled labourers, very often below their actual skill level. Only through naturalisation or the permanent work permit could they get fully integrated and improve their relative position. This shows that an upswing in the inflow of foreign labour affects different segments of the labour market to a varying degree.

It is important for any evaluation of the migratory process to consider to what extent the inflow is in a complementary or competitive position to indigenous labour. It is obviously not a zero-sum game. There are winners and losers. Who are the winners in Austria? Obviously the migrant and the employer – independent of the legal status of employment. To a lesser extent the consumer profits, since the price for certain goods may be lower than otherwise, or maybe certain goods and services would not even be on the market, e. g., clothing- and shoe-repair shops, Turkish bread and other things one finds only in a multicultural society. This shows that foreigners often enter niches or create their own jobs, in which they do not compete with indigenous labour. Another winner is the establishment in the countries of outmigration. Through outmigration the quantitative pressure and in the case of refugees also the qualitative one (since the most dynamic and critical people are the first to move) on structural internal (economic) reform is reduced.

Who are the losers? The losers are the disadvantaged groups in the Austrian labour market; they are the unskilled and semiskilled labourers, to a large extent women or older workers, who lose their jobs to the "new" ones or who can only obtain below-average wage rises and can expect no improvement in working conditions. Intellectuals, white-collar workers in the services sector, e. g., banks or insurance companies, are not affected by this kind of competition. To a certain but lesser extent the tax payer is a loser, since the job losers have to be financially supported by the state through transfer payments (unemployment benefits, welfare).

In order to limit the potential antagonism between different groups in the society as a consequence of immigration, there are certain limits as to the quantity of inflow and the rise in income inequality. Austria is an interesting case in question because it is the only country, to my knowledge, which fixed an upper limit to the foreign worker employment in 1990, i. e., in case 10 percent of the total labour force are foreigners, no further foreign worker permits are being issued. This quota of 10 percent was reached in

Austria in May 1991 and the authorities are undecided upon their further steps. At the moment marginal changes are taking place, e. g., asylum seekers may not start work anymore as they enter Austria; in 1990 they had received preferential treatment but now may only work if their case is accepted according to the Geneva convention. There is a general realisation that a continuance of the traditional foreign worker policy will not work since the assumptions on which it was based turn out to be faulty. Foreign workers do not come to work for a short period of time only and then return home! The majority of them stays. And the establishment of an ethnic nucleus serves as an attractor for a continuous new inflow of people of this ethnic origin because the social network and cultural background essential for an eventual settlement of foreigners are given. We can see this in Austria in the case of Turks and Yugoslavs who continue to come to Austria where their ethnic counterparts are already well established. There is general realisation that Austria is no longer a country of transit for asylum seekers.

Therefore one has to change the whole outlook on migration and turn towards an immigration policy which automatically implies the full integration of foreigners who come to stay in Austria. So far a lot of the marriage partners of a foreign worker with a permit have no right to enter the labour market. In case of immigration they would have to get access to the labour market. This is to show that there are already substantial resources of potential foreign workers in the country who could satisfy labour demand.

An advantage versus new inflows from abroad is, last but not least, less pressure on new housing demand – Austria is already hitting capacity limits on the housing market. Thus when one talks about the installation of an immigration policy in Austria (or elsewhere for that matter) one really means an increased control over inflows. More restrictive immigration is the precondition for full integration of the foreigners already in the Austrian society.

Immigration control measures are, however, very difficult to execute in democratic societies. They hit certain interest groups directly, e. g., small-scale firms or farmers who tend to be the first to employ foreign workers either legally or clandestinely. Big firms are hardly affected; they usually recruit out of the highly skilled worker segment. They take advantage of the changed supply conditions in going onto the external labour market by outcontracting certain activities (e. g., cleaning, transport, certain construction jobs). There is not one major, coherent group of people who has visible advantages from immigration control. The gain in general welfare through a more equitable income distribution and large efficiency increases is not obvious for everybody. Thus one can not get a strong support for immigration control in a political decision process. This implies, as is to be seen in Austria, that clandestine labour reaches a substantial size. The only effective control measures, namely employment sanctions, are not or only half-heartedly executed.

3. Causes for migration and prospects for their containment

At the root of outmigration is primarily poverty – there may be many reasons for the occurrence of poverty, but basically it is economic failure, the incapability to create sufficient employment opportunities. If one believes that one can get a certain control over outmigration by investment (particularly development aid from abroad) one will be surprised at the time horizon one has to envisage before there will be any reduction in the propensity to migrate out. Take the case of Sweden and Finland – only as the income differentials were eliminated did massive outmigration from Finland towards Sweden stop. This was after a period of some two decades. Take another case – the newly industrialized countries Korea, Taiwan, Hong-Kong, Singapore. There are still major income differentials between them and say, Japan, and the skill levels and aspirations of potential migrants are such that they can easily take up work in Japan – which they do as one can see from rising immigration figures into Japan. Successful rapid economic growth is destabilizing; as the traditional production modes and social networks are dismantled unemployment results and people start to migrate from rural areas into cities and from conurbations abroad. It is the best skilled people who have the lowest barrier to migrate out – they also have the best information about their possibilities. Their departure may be an impediment to a quick economic development of the country of outmigration. A tariff preference system coupled with a reduction of protection of producers of goods in the immigration countries¹⁾ would help the countries in transition more than allowing massive unreflected outmigration. Migration, if coupled with up-skilling and joint-ventures, can be seen as a parallel road, thus organizing a spill-over of transnational capital and human capital investment into the country in transition.

¹⁾ Goods for which there are lower-cost foreign suppliers – e. g., agricultural products and certain consumer goods.