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Foreign Workers – Development Aid by LDCs?

by Professor G. Kade and Dr G. Schiller, Darmstadt *

People have up to now seen in the armies of foreign workers a useful labour reserve, without which the highly industrialised nations of northern Europe would suffer a decline of prosperity. However, the present article, in examining the economic effects of this mass transfer of workers, makes the point that it may have highly adverse consequences for host countries.

In January 1971, the total of foreign workers in the Federal Republic of Germany has passed the two-million mark. This mass wave of immigration has now again focussed general attention upon the phenomenon of mobility of European labour, after falling numbers of foreign persons in German employment, during the recession 1966/67, had dampened down the discussion on it.¹ Surprisingly, the whole tone of the debate on this point, and the arguments used in it, have fundamentally shifted in the past few years. A highly significant variation upon this theme has been sounded by the *Gesellschaft für Bevölkerungswissenschaft* (Association for Demographic

Research) during its annual meeting in 1971, which created a sensation in the German press and the other media by calling for the transformation of foreign workers into permanent residents, in order to counter the drastic fall in the birth rate, which is popularly known as the "Pillenknick" (i.e. the drop in the population curve induced by the anti-baby pill). The well-known newspaper, "Die Welt", headed its report on that conference with the headline "Experts Draw Inferences from the Sinking Birthrate – Government Should Foster Naturalisation of Foreign Workers", and wrote: "The drop in the birth rate among federal citizens must, in the long run, be countered to close the gap between the population reserves of foreign countries and our own. This is the only means to safeguard our prosperity in the future."² In a broadcast commentary, the same idea was picked up and given functional meaning in the context of international interchange relations: "We are giving development aid in order to mitigate the effects of the population explosion in other countries. We also accept development aid by receiving the work of others, in order to overcome the adverse effects of a falling birthrate among ourselves."³

Economic Growth ...

Quite apart from the fact that this kind of argument tries to establish a connection between two processes which are not directly related to each other, demographers have added their voice to

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¹ During the last two years alone, the following books have been published on problems of foreign workers: R. Lendendorff, H. Zilleben, *Gastarbeiter – Mitbürger* (Foreign Workers = Citizens), Gelnhausen 1971. – Development Centre OECD, *Migration and Development, the Case of Algeria*, Paris 1971. – L. Elsner, *Fremdarbeiterpolitik in Westdeutschland* (Policy on Foreign Workers in West Germany), Berlin 1970. – P. Cinani, *Emigration und Imperialismus* (Emigration and Imperialism), Munich. – E. Klee, *Die Nigger Europas. Zur Lage der Gastarbeiter* (Europe's Niggers. About the Foreign Workers' Position), Düsseldorf 1971. – H. R. Koch, *Gastarbeiterkinder in deutschen Schulen* (The Children of Foreign Workers in German Schools), Königswinter 1970. – Meistermann-Seeger, K. Bingemer, E. Neubert, *Leben als Gastarbeiter* (The Life of Foreign Workers), Cologne 1970. – H. Kamrad, "Gast"-Arbeiter-Report (Report on "Guest" Workers), 1970. – A. Pascual, *El Retorno de los Emigrantes* (The Return of the Emigrants), Barcelona 1970. – W. Fietkau (ed.), *Gastarbeiter* (Foreign Workers), Wuppertal 1971. – Kl. Klee, *Gastarbeiter – Analyse und Berichte* (Foreign Workers – Analysis, and Reports), Frankfurt 1971. – From the literature on former discussions, the following selection of writings may be quoted: Beihefte zur Konjunkturpolitik (Supplementary Pamphlets – on Cyclical Policy), Probleme der ausländischen Arbeitskräfte in der BRD (Foreign Workers' Problems in the Federal Republic of Germany), Pamphlet 13, 1966. – C. Föhl, *Stabilisierung und Wachstum bei Einsatz von Gastarbeitern* (Stabilisation and Growth under Conditions of Employment of Foreigners), Kyklos, Vol. 20, 1967, pp. 119–146. – U. Harms, *Wirtschaftliche Aspekte des Gastarbeiterproblems* (Economic Aspects of the Problem of Foreign Workers), Hamburg Yearbook for Economic and Social Policies, Vol. 11, 1966, pp. 266–283, and articles in "Volkswirt", and WIRTSCHAFTSDIENST.

² Die Welt, April 19, 1971, p. 1. Emphasis added by the authors.

³ Dr J. Dingwort-Nusseck, Commentary of the North German Broadcasting Corporation (NDR): Entwicklungshilfe für Deutschland (Development Aid for Germany), April 21, 1971.

the big choir of opinions which would make us believe that our wellbeing is basically dependent, in one way or another, on the fact that we employ foreigners. Attempts to estimate this "prosperity effect" have led to astonishing figures: there are some who opine that, without foreign workers, Germans would have to work for fifty to sixty hours every week, in order to maintain their present incomes, in real terms. To say the least, the work-free Saturday is said to be due to the industrious guests from the South.⁴

Critical observers must be astonished by the virtual unanimity of this comment, the more so, as it flatly contradicts the long-accepted textbook theorems of economics. It has hitherto always been held to be self-evident that the system of a free market has its built-in equitable balance: production factors are rewarded according to their relative scarcity. If the labour factor gets scarce—biologically through a change in pro-creative activities of a given population, or institutionally through successful trade union policies—the position of the employed person in the labour market grows correspondingly stronger, and his price will rise. Increasing labour productivity was—apart from technological advances— ascribed to the rapidly rising intensity of capital use for production purposes, which at the same time tended to keep rates of interest paid on capital low.

... and Immigration

The quantifying mechanics of the neo-classical theory of growth postulate that the production factor labour, through its growth, inevitably leads to reduced intensity of capital use, which depresses both the productivity of labour and factor income. The stagnating figures of the local working population should have established ideal conditions for "capital deepening", thus clearing the way towards the fullest use of the possibilities of technological progress. In addition, scarcity of labour would have led to an improvement of the incomes from work, especially of the most depressed social strata, thus creating a powerful structural and therefore effective surge towards social equalisation. Within limits, even an actual drop in the numbers of the working population need not necessarily affect the correctness of this argument. In a recent issue of the newsletter published by the Federal Ministry of Labour, it was stated that: "The declining birth rate in the

Federal Republic of Germany is not a warning sign in the path of a policy of economic growth... The national product per head of the population, on the contrary, tends to rise at a higher rate through the current demographical conditions in the Federal Republic."⁵

Another doubtful aspect of the belief that prosperity is dependent on the immigration of foreign labour is highlighted by the economics of education. After all the things that have been said in recent years about the growth effect of education and vocational training, and about the economic yield of "investments in education", it can only irritate the informed observer if he hears again and again that the 10 p.c. of the population, which consist of mute illiterates (in respect of the local language) should have it in their hands to be absolutely indispensable for the welfare of the remaining 90 p.c., as is commonly believed today.

Stabilisation an Illusion

It is, moreover, typical for the way in which opinions are formed nowadays, that earlier and sceptical pronouncements have been pushed down the memory hole so rapidly and completely. Cases in point are the contributions of Föhl⁶ and Rüstow⁷. About the cyclical effects, Föhl draws the conclusion: "The hoped-for stabilising effect of the employment of foreign workers has proved to be... illusive. Experience up to date (1967!) and theoretical assumptions, which are well-grounded, both lead to the probability that the effect is, on the contrary, unsettling, so that we may assume that higher employment of foreign workers overheats the boom and leads to price inflation."⁸ The present writers do not share in believing price stability to be the fundamental good, but it is optically impressive that, during the very last weeks and months, the high and rising level of employment of foreign workers has again coincided with unprecedented high rates of inflation. Strike developments just now in the metal industry of the Federal Republic are an apt illustration of the destabilisation of our economy; it proves how exaggerated recruitment of foreign labour may lead directly to short-time working, coincident with industrial strife. Föhl also describes as a fiction the belief that the local population enjoys

⁴ These figures have been quoted in a working paper for the Whitsun Meeting on Economics, Augsburg 1971, and in the pamphlet: *Warum brauchen wir Gastarbeiter?* (Why Do We Need Foreign Workers?), Rosenheim 1971; cf. also Chr. Rosenmüller, *Volkswirtschaftliche Aspekte der Ausländerbeschäftigung* (Economic Aspects of Employing Foreigners), Bundesarbeitsblatt (Federal Labour Gazette), No. 4, 1970, p. 235.

⁵ H. Berlé, *Finanzielle und ökonomische Auswirkungen eines Geburtenrückgangs* (Financial and Economic Effects of a Falling Birth Rate), *Bundesarbeitsblatt*, No. 5, 1971, p. 337.

⁶ C. Föhl, l. c.

⁷ H. J. Rüstow, *Gastarbeiter — Gewinn oder Belastung für unsere Volkswirtschaft* (Foreign Workers — A Blessing or a Burden for our Economy), in: *Probleme der ausländischen Arbeitskräfte in der BRD*, l. c., pp. 35–48.

⁸ C. Föhl, l. c., p. 144 (the year named in brackets inserted by the authors).

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LABOUR POLICY

rising standards of living because more foreign workers have entered, and are entering, the country.⁹ He points out, on the one hand, that productivity of labour tends to decline, as has already been mentioned, and that "a growing number among foreign workers have to be used for producing the goods which are demanded by themselves."¹⁰

Benefits for Capital Owners

The attempt to identify a possible contribution made by foreign workers to greater prosperity of the "natives" very quickly leads the search to the strategical factor of entrepreneurs' or company profits. There is no doubt that foreign workers contribute to overall economic growth, as defined by the categories and calculating methods of the national accounts. They allow for the creation of a gigantic production potential, which in itself only yields limited benefits in added goods for the population's consumption, and even less so an actual increase of welfare, in the more generalised meaning. On the side of production, added imports of raw materials and labour are the building elements of this process. On the side of distribution and marketing, corresponding components are exports of finished manufactures and the demand for goods of the foreign workers themselves. Finally, the strategy of inducing wasteful consumption used by late capitalism adds sufficient protection against the overall process being hampered by built-in obstacles of the system. The total result is increased and accelerated accumulation of capital.

The presence of masses of foreign workers, moreover, transforms the process of production in a way which benefits capital owners, by reducing the impact of forces making for capital intensity. They widen the scope for choosing between using or avoiding technological progress, depending upon which choice would increase capital yields. One additional side-effect consists in passing on cyclical risks to the working population. A higher accumulation rate for capital, availability of mobile labour, and safe marketing outlets enable the industrial sector to expand more than would otherwise be possible, given the limitations of the labour market.

Over-Expansion of Production

Saying this does not only mean that foreign workers are being absorbed directly by industry but that many of the public service trades and

⁹ C. Föhl, l. c., p. 145.

¹⁰ E. Tuchtfeldt, Das Problem der ausländischen Arbeitskräfte in der Schweiz (Problems of Foreign Workers in Switzerland), in: WIRTSCHAFTSDIENST, No. 12, 1965, p. 643.

occupations see the wholesale substitution of "native" workers by foreigners. Problems arising from these changes have, to date, not even been clearly defined yet. It must be doubted whether a society is capable of seeing itself as it is when it degrades many highly important functions, notably the professions of social and medical care, to such an extent by lower incomes and in social prestige that "natives" shun them. Take, for example, on the one hand, the work of an office secretary, and on the other hand, that of a hospital nurse: it is clearly visible that their social priority is at the opposite end of the scale of values from their effective social appreciation in status thinking. There is a shortage of both office secretaries and hospital nurses, but only the former kind of job is made attractive by comparatively high pay and status, whilst effective demand in the latter case is being filled by bringing in hired "hands" from Korea or the Philippines.

Grotesquely distorting actual conditions, people recommend dipping deeper and deeper into the labour reserves of foreign countries, as a remedy against the local shortage of workers, whilst truth lies in the opposite direction: only by hiring workers from abroad does it become possible to over-expand production, and the employment of many foreign workers now sets up many new kinds of demand for additional functions in public administration, in social care, in education, and so on, and so forth. But in most cases, foreigners, for linguistic and educational reasons, cannot fill these places. It is unfortunate that there have not even been made tentative estimates about the size of this additional and secondary demand for skilled labour.

On the other hand, manufacturing goods in the narrower sense progressively occupies a shrinking percentual share in total economic activity in society. Through making workers immigrate, a valve has been opened in an inconspicuous place, through which rising tension flows into the complementary sections of the economy, especially in the various sectors of public services, and builds up there.

Doubts about Long-Term Usefulness

By this approach from another direction, we meet here with a fundamental criticism of the present economic system, embodied in the question to what extent the compulsion of a capitalist economy to grow has become the basic postulate for all forms of social life. To expect the state to

help us out of the dilemma means to misjudge its functions completely. The state, for a long time past, has built up and maintains a network of numerous government agencies, whose very purpose is recruitment of foreign workers. These agencies can be steered, less by applying to them principles distilled from social experience, but mainly by demand of various sectors of the economy. At the present time, there is a new rush of government activity in this field, which is designed to build up the needed conditions (housing, infrastructure, conditioning of public opinion) for increasing the foreign worker potential. The accepted patterns for distributing the national product cause the additional profits, which are the motivating incentive for employing foreigners, to be passed on to, and retained by, employers (where they may, eventually, be subject to taxes), whilst additional burdens have to be borne by society as a whole. This is also the reason why increased social burdens do not react upon the growth in demand. This is the present situation: the very mass of immigrants and their increased desire to become permanent residents sets up a stronger demand for greater efforts by local and regional government, in order to mitigate the worst shortcomings of public services and to obviate general hostility to foreigners.

Critical Discussion Necessary

Policy on foreign workers thus is integrated facetly within the highly diversified system of government regulation of economic activity in the age of late capitalism. It may then be thought that integration of foreigners in our productive processes is an act of development aid, unless such integration is intended to consist in improvements of living conditions and general welfare, but only a stabilising effort for a functioning capitalist economy.¹¹

Lately, economic research workers have begun again to feel increased doubts about long-term usefulness of immigrant labour, which was clearly reflected in the proceedings of the Second European Conference on Population.¹² Against the fog spread by magic incantations, it is high time not only for the Federal Republic of Germany to reopen the critical discussion about yardsticks and criteria on employment of foreign workers.

¹¹ Cf. the interesting article by H. Giersch, *Probleme stabilitätskonformer Lohnpolitik* (Problems of a Wage Policy in Agreement with Stability), in: *Kyklos*, Vol. 20, 1967, pp. 147-165, especially pp. 159-161.

¹² Second European Conference on Population Problems, August 31 - September 7, 1971, Proceedings of September 4, 1971, Strasbourg.