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The Employment of Foreigners in Western European Industrial Countries

by Heinz Werner, Nuremberg and Paris*

Not least due to the change in overall economic conditions, the employment of foreign workers in Western Europe has in recent years become increasingly controversial. The following two articles deal with different aspects of labour migration. Heinz Werner presents a survey of policies towards foreign workers and their families in the various countries of Western Europe and discusses possible future developments. Thomas Straubhaar examines the significance of northward migration for the economies of the Southern European countries of origin.

The Western European industrial countries now play host to 12.5 million foreigners, of whom about 5.5 million are workers. Most of them – about 90 % – are concentrated in a small number of states: France, the Federal Republic of Germany, Belgium, the Netherlands, Sweden and Switzerland (see Tables 1 and 2). Excluding illegal immigrants and persons who have become naturalised citizens, foreigners represent between 3.7 % of the total population in the Netherlands and 25.3 % in Luxembourg (see Table 3). Naturalisation has reached relatively large proportions in some countries, such as France, Sweden and Switzerland.

Overall or average figures on the foreign population conceal a characteristic that is important in connection with the employment of foreigners, namely their tendency to concentrate in particular regions; the incidence of foreigners may be far higher than the average, particularly in large conurbations, with all the problems that such concentration may cause. For example, around 37 % of all the foreigners in France live in the greater Paris area and around 24 % of all foreigners in Belgium live in Brussels; the proportion of foreigners is now approaching 50 % in many districts in the Belgian capital.

The nationality structure of the foreign population has changed over the years. Whereas in the early days foreign workers came mainly from neighbouring states or traditional recruitment countries (such as Italy), in later years they travelled greater distances – North

Africans migrated to France and Belgium and Turks to Germany (see Table 2).

Migrations of substantial population groups across the borders of their home countries have continually occurred over the course of history. Only the external circumstances, the socio-economic and political motivations for migration, have changed over time. Even the most recent form of migration within Europe, labour migration for economic reasons, is nothing new, as it occurred on a substantial scale during the various previous phases of industrialisation. For example, more than half a million foreigners were already living in France at the middle of the last century and there were 250,000 in Belgium and 100,000 in the Netherlands in the early 1900s. The employment of foreigners reached a peak in the interwar years, but was brought to a temporary end by the depression. These migratory flows were often masked by the large-scale emigration from Europe to countries overseas, in particular North America. There were also considerable movements of population within Europe; for instance, France encouraged immigration on demographic grounds and between the two world wars was the second largest recipient of immigrants after the USA.

Although many countries therefore have a long tradition of immigration and some, such as France, have even encouraged it on demographic grounds, the scale of labour migration for economic reasons since the end of the fifties has often been seen as something new.

The expanding economies of the European industrial countries needed labour, which was imported in an organised way, as in Germany, or which simply entered

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the country unchecked and was subsequently legitimised, as occurred from time to time in France. It was often assumed that the foreign worker would return home with his savings after a few years' work. At the time, this belief was supported by opinion polls among foreign workers, but researchers ignored the fact that such polls only record a momentary subjective intention that is less likely to be put into effect the longer the foreigner stays in the host country. The process of "rotation", whereby migrant workers return home after a few years' stay, does occur on a substantial scale, but at the same time there is a tendency for part of the foreign population to become permanently resident.

Although the debate about the advantages and disadvantages of labour migration has never reached a conclusive outcome, the predominant view among economists at the time was that the advantages outweighed the disadvantages. Bringing in the necessary additional labour from abroad relieved labour market pressures, made structural and regional adjustments in the labour market easier and slowed down the rise in prices, as demand was dampened by the foreign workers' higher propensity to save.

The migrants' countries of origin also expected to reap benefits. Their high levels of unemployment or underemployment could be reduced and the

qualifications that migrants gained abroad could be put to good use when they returned home. In addition, it could be expected that remittances of savings would help reduce the often chronic balance-of-payments deficits.

In the early days it was the men who came to take up jobs mainly in the manufacturing and building industries, but as time went on they were joined by their families, a development that is clearly reflected in the statistics. In later years the foreign resident population grew more quickly than the employment of foreign workers, causing social problems that had not arisen in the early years of labour migration. The backlash first appeared in Switzerland, where foreigners already made up a quarter of the workforce in the mid sixties. The Government was obliged to limit the entry of foreigners to the expected number of migrants returning home each year. From 1970 onwards this was achieved by a system of quotas on new work permits for foreigners. Faced with increasing economic difficulties and the impact of the oil price shock, the EC countries halted almost all recruitment of newly arrived foreign workers in 1973 and 1974. Like Switzerland, Sweden had already imposed restrictions. Nevertheless, the resident foreign population continued to grow owing to the arrival of workers' families, which most countries continued to permit.

Table 1
Foreign Population and Employment in Selected Countries, 1950-1982
(in thousands)

Country	Belgium		Federal Republic of Germany		France		Luxembourg		Netherlands		Sweden		Switzerland	
Year	Popul- ation	Employ- ment	Popul- ation	Employ- ment	Popul- ation	Employ- ment	Popul- ation	Employ- ment	Popul- ation	Employ- ment	Popul- ation	Employ- ment	Popul- ation	Employ- ment
1950 ^a	367.6 (1947)				1,765.3 (1954)	982.7 ^b (1954)	28.9 (1947)	15.3 ^b (1947)	103.9		123.7		285.5	
1960 ^a	453.5 (1961)	169.7 ^b (1961)	686.1 (1961)	458.7 (1961)	2,169.7 (1962)	1,092.7 ^b (1962)	41.5	20.0 ^b	117.6	46.5 ^b	190.6	94.5 ^b	584.8	424.0 ^b
1970 ^a	696.3	246.7	2,600.6	1,870.1	2,621.1 (1968)	1,268.3 ^b (1968)	62.5	26.9	254.8 (1971)	134.3 ^b (1971)	407.8	176.2 ^b	1,080.1	657.1 ^b
1974	805.4	278.0	4,127.4	2,386.6	4,053.3	1,260.4			344.9	163.4	401.2	200.0	1,064.5	593.0
1975	835.6		4,089.6	2,226.9	4,196.1		86.0	46.8	350.5	176.0	409.9	204.0	1,012.7	553.0
1976	851.6		3,948.3	2,027.1	4,205.3	1,426.4			376.3	180.5	418.0	235.5	958.6	516.0
1977	869.7	306.3	3,948.3	1,977.7	4,237.0	1,550.1		49.1	399.8	187.0	424.0	225.3	932.7	492.8
1978	876.6		3,981.1	1,961.9	4,170.4	1,518.0		49.8	431.8	196.4	424.2	227.5	898.1	489.4
1979	890.0	310.1	4,143.8	2,014.5	4,124.3	1,498.0	92.1	50.4	473.4	182.3	424.1	228.7	883.8	490.7
1980	903.7	332.7	4,453.3	2,168.8	4,168.0	1,458.2		51.9	520.9	188.1	421.7	234.1	892.8	501.2
1981	878.6	332.2	4,629.8	2,081.8	4,223.9	1,427.1	95.8	52.2	537.6	192.7	414.0	233.5	909.9	515.1
1982	885.7		4,666.9	2,037.6	4,459.1	1,503.0		52.3	542.6	185.0	405.5	227.7	925.8	526.2
As % of total popul- ation and occupied population in 1982	9.0	9.1 ^c	7.6	8.1	8.2	7.2	26.2 ^c	33.0	3.8	3.7	4.9	5.4	14.3	17.3

^a Population censuses around 1950, 1960 and 1970.

^b Labour force.

^c 1981.

Sources: National and international statistics.

Change of Attitude

Two changes in trend helped shape the revision of policies towards foreign workers in the host countries. In most industrial countries, the children born during the baby boom entered working life from the seventies onwards, just at the time when the small age groups from the years after the first world war and those decimated in the second were reaching retirement. The result was a rising domestic supply of labour, which contrasted with stagnating demand owing to the break in economic growth.

At the same time, the effects of migration began to be viewed in a new light, a process that was probably accelerated by the change in the underlying economic conditions. It is now argued that the economic benefits of migration for the migrants' home countries (remittances, newly-acquired skills, contribution to

economic development upon their return home, etc.) have not materialised to the extent anticipated. In most cases, the inequalities between the host and home countries remain unchanged. In the short and medium term, the greatest benefits accrue to the host countries in the form of additional output. Moreover, it is the more go-ahead and generally better qualified workers who emigrate. If the economic climate deteriorates they have to return home, placing an additional burden on the labour market of their own country.

For the host countries, the social costs rise as workers remain for longer and are joined by their families, so that the purely economic benefit steadily diminishes. Although indigenous and foreign workers are not necessarily interchangeable, at times of persistent economic difficulties the native population finds it hard to accept that indigenous workers are unemployed while large numbers of foreigners continue to occupy

Table 2
Employment of Foreigners and Foreign Population according to Host Country and Country of Origin, 1974 and 1982
(in thousands)

Host country		Belgium	Federal Republic of Germany	France	Luxembourg	Netherlands	Sweden	Switzerland	Austria
Country of origin									
Algeria	1974 Employment	3.0	—	420.0		0.1	0.2	—	
	1982 Employment	3.2	—	286.7		0.2	—	—	
	Population	11.6	5.1	805.4		0.5	0.5	1.8	
Greece	1974 Employment	8.0	225.0	5.0		2.0	8.0	6.0	
	1982 Employment	10.7	128.7	—		1.7	6.7	4.9	
	Population	24.0	300.8	—		4.1	13.1	9.2	
Italy	1974 Employment	85.0	370.0	210.0	10.7	10.0	3.0	335.0	2.0
	1982 Employment	90.5	296.2	136.8	8.9	8.2	—	233.1	2.2
	Population	274.1	601.6	441.0		20.6	4.4	412.0	
Morocco	1974 Employment	60.0	18.0	165.0		24.5	0.5	—	
	1982 Employment	37.3	—	145.0		28.8	—	—	
	Population	104.5	42.6	492.7		100.5	1.3	1.2	
Spain	1974 Employment	30.0	165.0	250.0	1.9	19.5	2.0	80.0	—
	1982 Employment	32.0	82.5	154.9	1.0	9.5	—	64.9	0.2
	Population	60.0	173.5	395.4		22.1	3.2	102.6	
Turkey	1974 Employment	10.0	590.0	35.0		34.0	3.0	16.0	30.0
	1982 Employment	23.0	652.3	32.9		41.4	—	24.1	30.2
	Population	64.8	1,580.7	135.0		152.2	20.3	46.8	
Yugoslavia	1974 Employment	3.0	470.0	60.0	0.6	9.5	23.0	26.0	166.0
	1982 Employment	3.1	349.6	33.6	0.7	6.2	21.7	38.0	98.3
	Population	6.0	631.7	68.3		13.9	38.5	54.8	
Portugal	1974 Employment	3.0	85.0	430.0	12.5	4.5	1.0	4.0	—
	1982 Employment	6.2	54.5	406.0	15.5	4.1	—	11.6	—
	Population	11.5	106.0	866.6		9.3	1.6	16.7	
Total	1974 Employment	278.0	2,360.0	1,900.0(1973)	46.8(1975)	193.4	200.0	593.0	218.0
	1982 Employment	332.2(1981)	2,037.6	1,503.0	52.3	185.0	227.7	526.0	158.4
	Population	885.7	4,666.9	4,459.1	95.8(1981)	542.6	405.5	925.8	291.5(1981)

Source: OECD: SOPEMI, various years.

jobs or receive public assistance. This leads to friction between the two groups of workers, at least at certain levels of qualification.

Policy towards Foreigners

Despite growing signs of xenophobia, it has now been acknowledged in almost all of the main host countries that a large number of foreigners will remain permanently in their midst. The legislature has generally reacted by clarifying the regulations so as to give foreigners already in the country an assured legal status, in the form of a permanent residence permit or work permit. As a rule, naturalisation has been made easier. In most countries no additional obstacles have been placed in the way of family reunification, but the entry of new foreign workers has been made much more difficult and severe penalties imposed for employing illegal immigrants.

In 1981 a legalisation campaign was conducted in France to curb illegal employment; by expiry of the deadline, 150,000 illegal workers had registered, about half the estimated 300,000 foreigners living illegally in the country. Similar campaigns, though on a smaller scale, were carried out in Belgium in 1974 and in the Netherlands in 1975. The problem with such schemes is that their announcement may actually encourage foreigners to enter the country illegally.

The continued possibility of family reunification and the high birth rate among the foreign population raised

the problem of schooling for the so-called second generation. Within the foreign population, the proportion of young people under 20 years of age is far higher than the proportion of foreigners in the total resident population of the host countries and above the proportion of the comparable indigenous age group. Schools are faced with the dilemma of whether to teach foreigners in separate or mixed classes. Fluency in the language of the host country is essential for occupational and social integration, but it is also desirable to maintain a certain cultural identification with the home country, so that many countries are experimenting with a variety of hybrid forms – for example, more use of the mother tongue in junior classes followed by an increased proportion of teaching in the language of the host country or the establishment of special courses for foreign children alongside normal schooling or as an integral part of it. Many countries such as France, Belgium and Switzerland lay greater emphasis on the integrating effect of a common tongue and teach in their national language. Whatever the approach, however, it can be shown that young people of foreign parentage generally have greater difficulties both at school and when they subsequently seek employment. They occupy a disproportionately large number of places at special schools.

Repatriation Grants

The incidence of unemployment among foreigners is higher than average, for a variety of reasons. As a rule

Table 3
Foreigners as a Proportion of Total Population, Employment and Births, 1975 and 1982
(percentages)

	Belgium	Federal Republic of Germany	France	Netherlands	Sweden	Switzerland
Foreign population as proportion of total population						
1975	8.5	6.6	6.5	2.3	5.0	15.8
1982	9.0	7.6	8.2	3.8	4.9	14.3
Foreign workers as proportion of total civilian occupied population						
1975	7.4	8.6	7.6	4.7	5.0	18.3
1982	9.1 (1981)	8.1	7.2	3.7	5.4	17.3
Foreigners as proportion of unemployed persons						
1975	15.0 (1977)	14.0	8.8	—	13.1 (1977)	20.6 (1976)
1982	15.0	13.4	10.6	7.3	9.7	28
Births among foreigners as proportion of total births						
1975	14.2	16.0	11.6	4.6	8.5	29.5
1981	15.6	12.8	12.5	8.1	7.5 (1980)	16.5

Source: National and international statistics.

they are less well qualified and are often employed in the manufacturing or building industries, sectors in which employment is tending to contract. With labour market problems persisting, attempts have been made in one or two countries to reduce the number of foreign workers by setting up schemes to encourage their return home. Financial inducements were offered in France and help with establishing businesses in the home country was made available in France and the Netherlands. The measures failed to produce the hoped-for effects, however. Some proved too expensive and too complicated to interpret and administer and therefore had a marginal impact, as in the Netherlands, while others offered an insufficient incentive. They were frequently claimed by foreigners who would have returned home in any case. France therefore terminated its repatriation aid programme in 1981 after three years, replacing it by a bilateral agreement with Algeria that provided for a combination of financial compensation, occupational training and help in setting up businesses. Here too, however, the results were very disappointing. Only the financial compensation attracted a fairly large number of claimants, more than 10,000. The agreement duly expired at the end of 1983.

Since then, a repatriation grant for unemployed foreign workers has been re-introduced by Decree 84-310 of 27th April 1984. The grant is composed of state benefit of up to FF 20,000 plus removal costs, compensation from the employer and a payment from the unemployment insurance fund amounting to two-thirds of expected entitlement. The three components together can amount to between FF 70,000 and 100,000. A number of companies, including the car manufacturers Citroën and Peugeot, have already signed agreements under the scheme, but opinion polls among foreign workers indicate that there is relatively little interest in compensation of this kind so far.

In November 1983 Germany passed a law to encourage foreigners to return home. Foreign workers who (1) were made redundant as a result of bankruptcy or the closure of plant or (2) had drawn benefit for short-time working in the last six months could claim a repatriation grant of DM 10,500 plus DM 1,500 per child. The law applied to the nationals of the main emigrant countries and was valid until 30th June 1984. The countries of the European Communities were naturally excluded. A further condition was that the foreign worker should return home with his entire family.

The law also made it possible to obtain the reimbursement of employee's social security contributions without the usual two-year wait. About 17,000 foreign workers, 80 % of whom were Turks,

applied for the grant. Around 14,000 applications were accepted. Applications for the reimbursement of employee's contributions were made by 140,000 foreigners, of whom 80 % were again Turks. However, the figure also includes those who applied during this period for repayment after the normal two-year wait, so that it may also comprise persons who have already returned home and submitted their applications during the currency of the law.

It is still difficult to assess the extent to which these grants constituted a decisive incentive to return home. In Germany there was already a very marked two-way flow of several hundred thousand persons a year. A reduction in immigration and an increase in the numbers returning home had already begun in 1982, leading to a net emigration of 111,000 foreigners, the first net outflow since 1977; the trend continued in 1983, with departures exceeding arrivals by 149,000.

Freedom of Movement among the EC Countries

Developments among the EC countries represent an interesting aspect of European migration. The freedom of movement of labour has been enshrined in law since 1968 (Regulation (EEC) No. 1612/68). The gradual introduction of freedom of movement between 1961 and 1968 created barely any additional incentive to migrate. Nor do more recent figures indicate spectacular migrations of workers among member states. The same is true of the "Nordic labour market" among the Scandinavian countries, which also enjoy freedom of movement. It must be assumed that migration depends heavily on differences in the level of economic development and hence in earning potential. With some narrowing of differentials between the industrial countries of the EC in terms of economic development and hence wage rates, an important incentive to migrate has probably been weakened.

Mobility increases with rising (higher) education, but the more responsible professional position that is generally associated with such qualifications requires not only linguistic fluency but also a fairly detailed knowledge of the economic, legal and social structure of the country and industry concerned. Only a small number of individuals probably meet both requirements.

As a rule, higher qualifications also give access to a correspondingly well paid position in the home country, so that only a small number of individuals are motivated to migrate for economic reasons, now that economic development and wages have been equalised to some extent within the EC. It may also be assumed that the economic threshold for migration has shifted upwards,

in other words that the income differential between the home country and the intended host country must be greater.

The continuing problems of surplus labour in the traditional emigration countries and humanitarian and political considerations and obligations on the part of the host countries have caused governments to seek ways of making repatriation economically acceptable and future mass emigration unnecessary. From this has sprung the idea of taking capital, and hence jobs, to the workers. This approach and its implementation have been recommended by international organisations such as the ILO and the OECD, in particular. The problems that arise are similar to those encountered in promoting underdeveloped regions in the same country. The availability of labour is not sufficient in itself. Even the prospect of low-cost loans and subsidies is often not enough to outweigh the advantages to be gained from the concentration of people and businesses. These derive, for example, from the existence of an infrastructure providing transport opportunities, energy supplies, health and education facilities or a services sector comprising banks, insurance companies, consultants and research institutes or simply from the more numerous contacts and sources of information.

The difficulties that impede shifts in investment at national level are exacerbated where transfers between states are concerned, especially where there are wide differences in the level of development that prohibit the use of many production methods. This is not to say that such measures should be dismissed out of hand, but let us not delude ourselves that foreign investment will attain a volume that will render labour migration

superfluous. At present this is all the more unlikely as the current economic and employment situation does not exactly encourage such investment in the traditional emigration countries.

Knowingly or not, the Western European host countries are now cast in the role of immigration countries. Given this situation, one wonders whether the experiences of traditional immigration countries in the admission and integration of foreigners might not be used to advantage.

The spectacular labour migrations of the past can certainly not be expected to recur in the Western industrial countries in the foreseeable future, but it cannot be ruled out that foreign labour will again be required for certain occupations once the economic situation improves. This possibility should be seen in the context of future population trends in the European industrial countries, where the average age of the working population will steadily rise as a result of low birth rates. In contrast, the rapidly growing populations of most Mediterranean countries and the developing countries in general might exert increasing migratory pressure. Against this background and in the context of the North-South Dialogue, the "controlled" migration of workers may again become conceivable and necessary in the longer term, perhaps in the form of structured immigration quotas along Swiss lines. This would be a possibility, partly because the figures on the size of the foreign population have always concealed large-scale inward and outward migration, which indicates that in a number of countries there is a substantial "rotation" of foreigners as well as an increasingly "resident" foreign population.

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The Significance of Labour Migration for the Workers' Countries of Origin

by Thomas Straubhaar, Berne*

Unlike capital movements and the sociological aspects of migration, the international migration of labour was largely ignored by economic researchers for many years. It was only the migration of workers within Europe from the early fifties onwards and its strong growth in the sixties that drew economists' attention to the problems of migration. Their interest in the subject

was heightened "by floods of refugees into the United States in the late 1970's, and by hundreds of thousands of 'undocumented' migrants, primarily workers coming from Mexico across the U.S. southern border".¹

One of the consequences of academic interest in this field has been an increase in the number of publications on the economic aspects of migration. Another is the fact that international labour migration was discussed

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