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Effects of migration on the economic situation of the population
of selected European countries of emigration

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in collaboration with C.A. van den Beld

Summary

For the analysis of the effects of emigration the structural equilibrium has been chosen as characteristic for the economic situation of a country.

The economic structure of a country can be characterized by a restricted number of coefficients. Global conclusions, relative to the economic effects of emigration then can be drawn. The choice of coefficients must be based on an analysis which considers the factors determining the relationship population - real income per head. Such an analysis is possible not only in theory; a quantitative approach of the relevant problem can be achieved in practice. A more specified series of quantitative data for a longer period could be a positive contribution to achieve more definite conclusions about the propensities mentioned. In the foregoing only a brief account had to suffice. Comparison shows the difference of the situation in the various countries (table). Post-war emigration can be assumed as economically justified. However, only a complete knowledge of the indicated problems will instruct us in how far emigration contributes to increase of prosperity per head in the emigration countries. Further research into the question whether international mobility of capital can contribute to a greater extent to international mobility of labour, seems necessary.

- * General distribution of this document is limited to the introductory summary. Participants who have been invited to take part in the meeting referred to above will receive also the full text of the paper. Other participants in the Conference will receive the full text upon request.

Pour la traduction française voir au verso.

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Effets des migrations sur la situation économique
d'un certain nombre des pays européens d'émigration

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Résumé. Afin d'analyser les effets de l'émigration, l'auteur a choisi l'équilibre structurel comme caractéristique de la situation économique d'un pays.

La structure économique d'un pays peut être caractérisée par un nombre restreint de coefficients. On peut déduire certaines conclusions d'ordre général concernant les effets économiques de l'émigration. Les coefficients doivent être choisis en tenant compte d'une analyse des facteurs qui déterminent le rapport entre le chiffre de la population et le revenu réel par habitant. Une analyse de cette nature n'est pas seulement possible en théorie; en fait, ce problème peut faire l'objet d'une étude quantitative. Il pourrait être utile, afin d'obtenir des conclusions plus précises concernant les propensions dont il est fait mention dans cette étude, d'avoir une série de renseignements quantitatifs plus précis sur une période plus longue. L'auteur ne pouvait, dans son exposé, approfondir davantage la question. Un tableau compare la situation de plusieurs pays et en montre les différences. On peut penser que l'émigration d'après-guerre était justifiée du point de vue économique. Toutefois, ce n'est qu'en acquérant une connaissance complète des problèmes indiqués dans la présente étude que l'on pourra évaluer la mesure dans laquelle l'émigration contribue à augmenter la prospérité dans les pays d'émigration. Il semble nécessaire d'étudier plus à fond la question de savoir si la mobilité internationale du capital peut contribuer davantage à la mobilité de la main-d'oeuvre sur le plan international.

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- ✱ Seule la présente analyse d'introduction fait l'objet d'une distribution générale. Les participants qui ont été invités à assister à la séance mentionnée ci-dessus recevront en outre le texte intégral du document. Les autres participants au Congrès recevront le texte intégral sur leur demande.

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EFFECTS OF MIGRATION ON THE ECONOMIC SITUATION OF THE
POPULATION OF SELECTED EUROPEAN COUNTRIES OF EMIGRATION

1. Introduction.

This paper deals with the effects of migration on the economic situation of the population of selected European countries of emigration. The paper, therefore, is restricted to the purely economic aspects of emigration. Furthermore, the problem itself has been restricted in the sense that the purely economic effects of migration are seen from the point of view of the country concerned.

The effects of migration can be established only under certain assumptions. For the elaboration it will be necessary to consider whether, and if so, to what extent external migration finally has favourable or unfavourable effects on the economy of a country. In this connection it will be necessary to give a survey of the factors and their mutual dependency which determine the economic situation of a country and the effects of external migration on it.

The wide scope of the problem and the hypothetical character of its elaboration make necessary to indicate, rather than to elaborate completely the relevant questions.

2. Method of analysis.

Firstly, the analysis should be applied to an economy as a whole.

Furthermore, a difference must be made between the effects of external migration at a certain point of time, and the effects seen from the economic development in the course of time.

When judging the effects of external migration at a certain moment or in a short period the question is fundamental in how far the economic situation of a country can be characterized by structural equilibrium. For an economy as a whole the criteria for structural equilibrium are the following:

i. Full absorption of productive agents. In view of the subject of the paper, the absorption of labour in the production process is especially important.

ii. Full absorption of productive agents should have been realized at a level of labour productivity (in many years) maximally attainable under the given circumstances, i.e. the available resources and stock of capital. Thus, full employment in itself ¹⁾ does not imply structural equilibrium. For, full employment could have been achieved by means of a length of the working-week different from the one normally preferred at the given real income per head. Besides, the possibility is not excluded that full absorption of labour has been achieved through a relatively low level of labour productivity per man-hour.

iii. The third criterion to be considered in relation to structural equilibrium, is the situation with respect to the balance of payments. Full employment and a " reasonable" level of productivity together is not yet a sufficient criterion for structural equilibrium, unless there is equilibrium of the balance of payments as well. The latter should be interpreted in the sense that it includes certain inter-

1) Allowing for an unemployment margin of, say, 3 per cent.

national capital transactions. For example, the willingness of other countries to give credits to the country concerned must be taken into account. The equilibrium of the balance of payments also involves that it has been reached at "economically reasonable" export prices. Finally, it is necessary to consider if cyclical fluctuations are influencing the balance of payments situation. Cyclical effects have to be eliminated from our considerations. The concept of structural equilibrium only makes sense when characterized by a high level of economic activity.

Resuming, the criterion for structural equilibrium is the full absorption of productive agents at a "reasonable" level of productivity of labour, accompanied by equilibrium of the balance of payments at "reasonable" export prices. In fact, this train of thought elaborates the functional relationship between the size of the (working) population and real income per head. From this the economic effects of external migration can be deduced.

The analysis cannot be limited to the situation at a certain moment, or to the development in a short interval of time. It has also to be investigated whether certain factors e.g. tend to increase or to decrease an existing disequilibrium of the economy. It might also be possible that there are tendencies at work which will disturb an existing equilibrium. The tendencies which are of interest can be summed up as follows (following recent literature in this field²⁾):

- 1) the propensity to develop fundamental science (physical and social) and the propensity to apply science to economic ends,
- 2) the propensity to accept innovations,

2) W.W.Rostow: " The Process of Economic Growth".Oxford,1953.

- 3) the propensity to seek material advance,
- 4) the propensity to consume,
- 5) the propensity to have children.

The two first mentioned propensities are related to investments, to research and vocational training of labour.

The propensity to seek material advance finds expression i.a. in the supply of labour and the number of working hours, whereas the propensity to consume determines the home supply of savings.

The economic effects of external migration cannot be judged sufficiently unless the above mentioned propensities have been considered.

The analysis should point out in how far the propensities are inter-related and to what extent they can be realized simultaneously. It is evident that the compatibility of the propensity to seek material advance with the propensity to have children (the natural growth of the population) should be emphasized.

Tendencies related to the development of structural equilibrium can be deduced through the following general train of thought.

The increase in the working population and the rise of productivity of labour per man-year define the increase of production. Realization of a certain level of production depends on the propensity to invest. The proportion in which capital and labour are employed in the process of production determines the increase in productivity of labour. How much capital is available depends on the propensity to save and the propensity of other countries to give credits (grants, loans, and investments). The increase in production usually causes a rise of imports.

The imports have to be paid for with exports, unless import of capital appears to be possible. Following the definition of structural equilibrium the export price level - necessary for maintenance of the equi-

librium of the balance of payments - is of importance. In this train of thought the supply of savings and the propensity to invest, together with the proportion of employment of capital and labour, determine the absorption of productive agents and the increase in real income per head. The development with respect to the balance of payments and the terms of trade has to be accounted for. When connecting these tendencies with the increase in the active population and external migration respectively, it can be concluded whether migration contributes to the maintenance of structural equilibrium. Then, it is also evident, to what extent external migration influences real income per head.

The method of analysis which has been presented above, is related to an economy as a whole. This may be insufficient to judge the actual situation, a sector analysis may be necessary. For instance, it is quite possible that an existing surplus of manpower is concentrated in some sectors, whereas in other sectors there even is a shortage in labour supply. If the distribution of external migration between occupational groups reinforces existing discrepancies, correction of the results of the more global analysis is necessary. This is particularly true when considering short run development. In the long run adjustment is - at least theoretically - possible through vocational training and other adequate measures.

Furthermore, the possibility is not excluded that a surplus of labour is concentrated in certain areas of an economy, while external migration is mainly taking place from other areas. This in a short period migration can effect tensions on the labour market, whereas in the long run adjustment can be effected through internal migration. Particularly in this regard the results of the global analysis will have

to be amended. The same consideration holds true if the " quality" of the emigrants as regards skills, age and other criteria is much different from the average one in the country concerned.

3. Application.

The above very briefly sums up the method of analysis and its elements necessary for the elaboration of the problem.

However, when applied to selected European countries, and especially European emigration countries, from case to case other elements of the analysis will have to be emphasized, the structure of European countries and the phase of economic development being very different. Besides, the above mentioned propensities appear to have very different values for the various countries. These values are diverging even so much that, for our purpose, it does not suffice to group the European countries. This is shown in the annexed table¹⁾. The figures relate to various selected countries of Northern-, Western- and Southern Europe, to so-called emigration countries as well as to immigration countries. This goes farther than the proper subject of this paper. However, the marked differences of structure and possible development are thus exposed better. The following remarks can be made for the various countries mentioned in the table:

The highly industrialized economy of Belgium and Luxemburg greatly depends on foreign markets. The situation in the fifties may be

1) As there are no recent figures available for a comparison of the real income per head in the here mentioned countries, no data have been inserted. Comparative figures for France, Italy and Western Germany are to be found in: Milton Gilbert and Irving B. Keans, " An International Comparison of National Products and the Purchasing Power of Currencies". Published by O.E.E.C. Paris 1954, page 23.

characterized by structural equilibrium.^S Seen the composition, unemployment is not very high. With regard to the development of the population in the productive age groups there even must be reckoned with a decrease in the next ten years. This condition, in connection with the existing propensities to save and to invest presumes that immigration can be favourable for the further development, especially of industry, of these countries.

In the economic development of France there seems to be some stagnation. Registered unemployment is low, partly due to the low level of productivity of labour in services.¹⁾

The relatively low propensity to invest, perhaps a consequence of the low population increase, indicates the rather slow rate of economic progress. In spite of the low import quota, there is a deficit on the balance of payments. In the long run immigration will be necessary and desirable to allow the economic expansion as well as a rise of the standard of living.

In Sweden the high propensities to save and to invest are striking. In future there will have to be reckoned with an increase of the relative shortage of labour. The rate of immigration can be raised unless the capital intensity of production makes it undesirable. On the other hand, export of capital may be possible as an alternative.

The relatively high rate of unemployment in Western Germany is comprehensible, seen the special conditions in this country (increase of population by circa 10 million refugees and expellees). The relatively low rate of increase in the working population will make it possible

1) See: " Economic Survey of Europe since the War". E.C.E., Geneva 1953, (page 153). No quantitative information about disguised unemployment in services is available.

to absorb in the near future the greater part of the unemployed. Particularly for the unemployed agrarians, emigration ad hoc is an economically acceptable solution. In the long run the same observations as for Sweden can be made in view of the propensity to invest and the level of savings.

In Denmark the increase in population is rather marked, while the importquota is also rather high. While the situation in the fifties is in equilibrium, in future there may arise tendencies threatening to disturb it, because of the difficulties connected with a simultaneous realization of full employment, equilibrated balance of payments and a maximum standard of living. Thus, emigration can have favourable results. Fundamental disequilibrium is the main feature of the Italian economy in the 1950's. The unemployment figure appears to be high, while attention should also be paid to the relatively high rate of disguised unemployment in agriculture (and in services). Moreover, the balance of payments shows a deficit on current account. Under these circumstances emigration has a favourable economic effect.

The analysis for Italy has to distinguish between Northern and Southern Italy, as population increase extremely differs:

Percentage increase in population of ages 15-64, 1950-1980¹⁾

Italy - South	35
Italy - North	1
Italy - Total	13

Besides, the above percentage increases indicate that the growth of the population in the productive age groups/be considerably smaller after 1960. Presumably, this development together with the remarkable high propensities to invest and to save, will lead in the long run to a de-

1) " Economic Survey of Europe, 1953". E.C.E. Geneva 1954, page 194.
(Computed from table 88).

/will

crease of the existing unbalance. The balance of payments¹⁾ will remain a problem and the more so, if foreign investment (grants and loans) is left out of consideration.

In Ireland, the agrarian structure, the high population increase, the low propensity to save and the great dependency on imports are of paramount importance. While in the fifties already can be spoken of a somewhat unbalanced situation, there is reason to assume that future development will rather accentuate this unbalance. Under these conditions emigration seems to be economically favourable.

Of the countries considered, the relative population increase is highest in the Netherlands. Moreover, the Netherlands economy is the most dependent one on international trade, the import quota being 50 per cent. The situation in the fifties appears to be favourable. Unemployment is low, the balance of payments shows a surplus and the propensity to invest is satisfactory, assuming emigration is kept on the present level. The natural increase in the working population will be higher in the years after 1960. In this respect the development in the long run is in absolute contravention with that in Italy. Seen the demands which will have to be met by the Netherlands economy under simultaneous realization of 1) equilibrium of the balance of payments, 2) full employment, 3) a satisfactory rise of real income per head, by means of a " sufficient volume of investments, it might be assumed, that emigration can help to relieve the increasing demands.

1) M. de Vergottini: " Italy's Balance of Payments ". Roma, March 1954.

Structural Elements of Selected European Countries for the 1950's
(Annual averages, 1950-1953)

	Belgium Luxemburg	France	Sweden	W.Germany	Denmark	Italy	Ireland	Nether- lands
Percent.increase in population of ages 15-64, 1950-1960	-1.2	0.1	3.8	5.6	7.2	9.1	10.0	11.8
Proportion of agricult. working popul.in total working popul.(in %)	10	30	20	8	25	40	40	15
Agricult.labour surplus (men only) as percent. of industr. labour force	10-20	10-20	0-5	10-20	0-5	40-75	10-20	10-20
Unemployment as percent. of total working popul.	4	1	1	7	2	9	4	2
Net investment as percent. of national income 1)	8	5	13	11	9	13 ²⁾	9	11
Savings as percentage of national income	9	5	16	16	10	11	0	15
Imports as percentage of national income 3)	40	18	28	16	35	17	47	50
Imports as percentage of exports	100	105	95	90	97	115	130	90
External migration (net) in o/oo of total popul.	n.a.	+1.7	+2.0	+6.0	-1.6	-3.2	-3.0	-3.5

1) Excl.of variations in stocks.

2) Incl. of variations in stocks.

3) In the text it has been indicated that these figures are too rough for a criterion of structural equilibrium, as there has not been reckoned with fixed international capital transactions.

Sources: O.E.E.C.1953; E.C.E.1952,1953; U.N. Yearbook 1952. and current statistics of the countries concerned.